

ACES: Is it Working?

Senator Hollis French
Senator Bill Wielechowski

Presentation to Commonwealth North
Board of Directors
December 21, 2010

How Many Oil Wells Were Drilled
on the North Slope this year?

How Many Oil Wells Were Drilled on the North Slope this year?

2010: 193 (plus a few more likely, due to a 30 day reporting lag)

2009: 197

2008: 158

Source: Well completion data submitted to the AOGCC

Profits Are Strong

From ConocoPhillips Consolidated Income Statements:

US E&P Net Income	2008	2009	2010 (1 st -3 rd Quarters)
Alaska	2.315 Billion	1.540 Billion	1.259 Billion
Lower 48	2.673 Billion	-37 Million	597 Million

Source: ConocoPhillips Consolidated Income Statement

Profits Are Strong

From Petroleum News (8/16/2009)

Alaska oil and gas production makes up about 12 percent of ConocoPhillips' worldwide output. In the first quarter of this year, Alaska operations earned the company \$240 million, or 29 percent of its worldwide exploration and production income.

In an April 23 analyst presentation, ConocoPhillips' top executives in Houston made a point of acknowledging Alaska production tax credits as being a significant component in the company's profit.

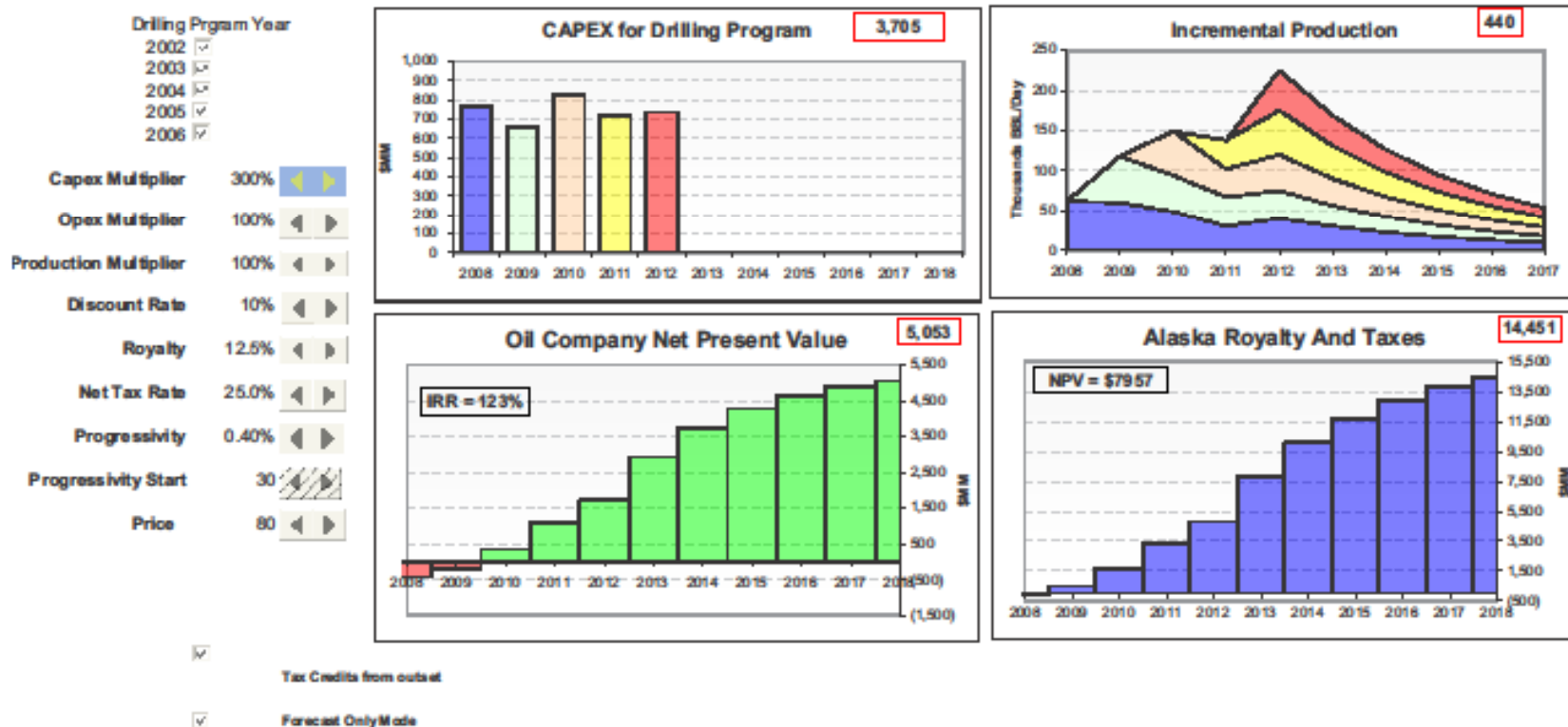
In the second quarter, ConocoPhillips had \$725 million in E&P worldwide earnings, more than 55 percent of that, \$404 million, came from its Alaska business.



Senate CS – Forecast Mode, \$80 oil

- IRR = 123%, NPV10 = \$5.375 billion

Modeling the Prudhoe Success contained in AOGA/BP Testimony



Oil Industry Spending Since ACES is Up

	FY2007	FY2008	FY2009	FY2010
Operating Expenditures (million \$)	2,081	1,881	2,085	2,270
Capital Expenditures (million \$)	1,578	1,967	2,212	2,389
Total Capex/Opex (million \$)	3,659	3,848	4,297	4,659

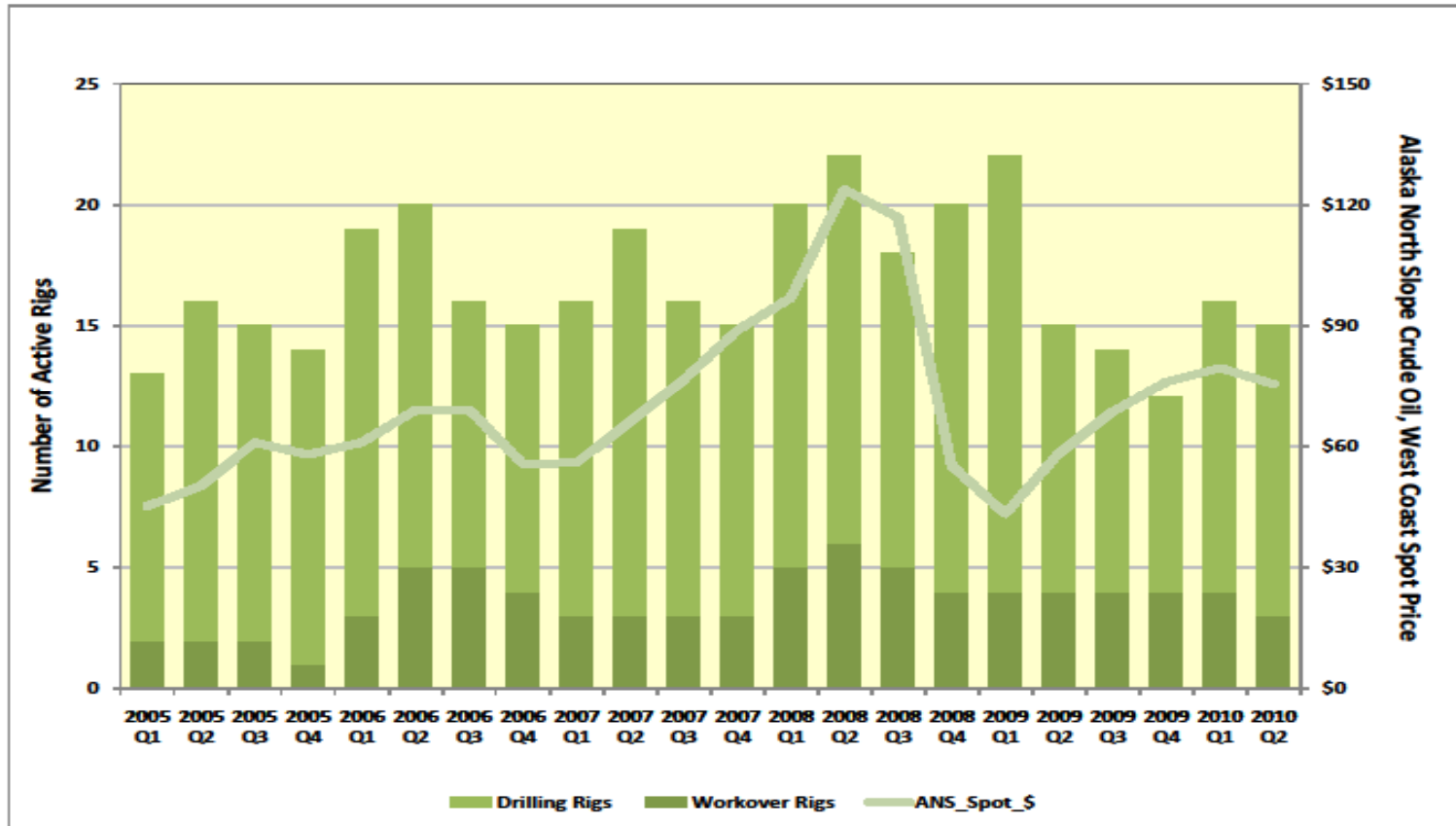
Source: Revenue Sources Books, Alaska Department of Revenue - Fall 2007, Fall 2008, Fall 2009 and Fall 2010

.. and investment is forecasted to increase

	FY2011 Forecast	FY 2012 Forecast
Operating Expenditures (million \$)	2,553	2,558
Capital Expenditures (million \$)	2,572	2,937
Total Capex/Opex (million \$)	5,125	5,495

Source: Revenue Sources Book, Alaska Department of Revenue, Fall 2010

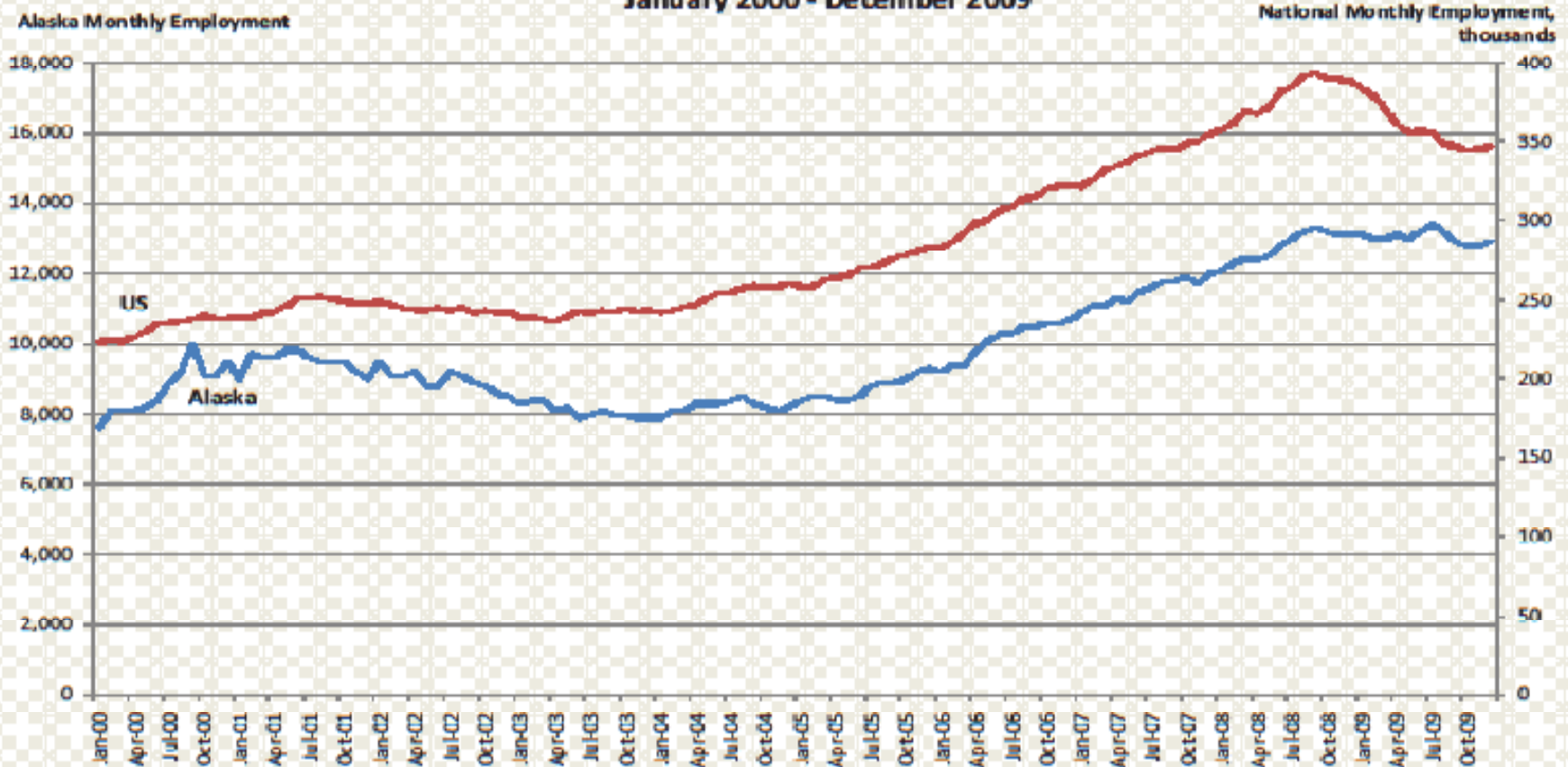
Active Rigs and the Price of Oil



Source: AOGCC Website

Oil Industry Jobs – Alaska Versus US

Attachment D-1
 Comparing US and Alaska Monthly Oil Industry Employment*
 January 2000 - December 2009



*Alaska monthly oil industry employment includes employment for NAICS industries 211, 213111 and 213112. Due to data constraints at the national level, US monthly oil industry employment includes employment for NAICS industries 211 and 213112 (excludes drilling employment). Since drilling is a relatively small percentage of national oil industry employment, the overall trend is the same and is considered an acceptable proxy for total national oil industry employment for this illustration.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; US Bureau of Labor Statistics, February 18, 2010.

ACES for Independent Producers

"We think for the most part, a lot of the prospects that are readily drillable are not large enough for the majors to chase, but for us, they are intriguing," said Greg Vigil, executive vice president at Savant Alaska LLC.

"One of the big things is to let independent oil and gas companies know that Alaska is open for business and a big incentive is the ACES legislation," Vigil said.

Source: Article, Alaska Business Monthly, December 2009

John Minge, BP's Alaska President
recently said,
"It's not always only about taxes."



ConocoPhillips

- Dec. 13, 2005, CP announced it bought Burlington Resources for \$35.6 billion.
- Oct. 8, 2009: Houston Chronicle: “The Houston Economy, A Sign of Lean Times in the Oil Patch. ConocoPhillips says it will reduce capital spending and sell some assets. Cutbacks likely to mean bad news for oil field services.

ConocoPhillips

- Dec. 18, 2009: New York Times, “Merger Lessons in the Oil Patch”

Decline, Year by Year, of North Slope Oil Production

Year	Decline	Year	Decline	Year	Decline
1989	-7%	1996	-6%	2003	-1%
1990	-5%	1997	-7%	2004	-6%
1991	1%	1998	-9%	2005	-5%
1992	-5%	1999	-11%	2006	-14%
1993	-8%	2000	-7%	2007	-2%
1994	-2%	2001	-1%	2008	-5%
1995	-5%	2002	2%	2009	-5%

Average since
1989: -5.2%

Source Data from EIA Crude Oil Production - Alaska North Slope Crude Oil Production
http://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbl_m.htm

Decline percentage is calculated by comparing one year of production to the preceding year of production.

Summary

- Investments and profits are up
- Conoco continues to explore – NPR-A
- Lowering taxes does not guarantee increased investment