

Commonwealth North ACES Review

ConocoPhillips Alaska

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February 1, 2011

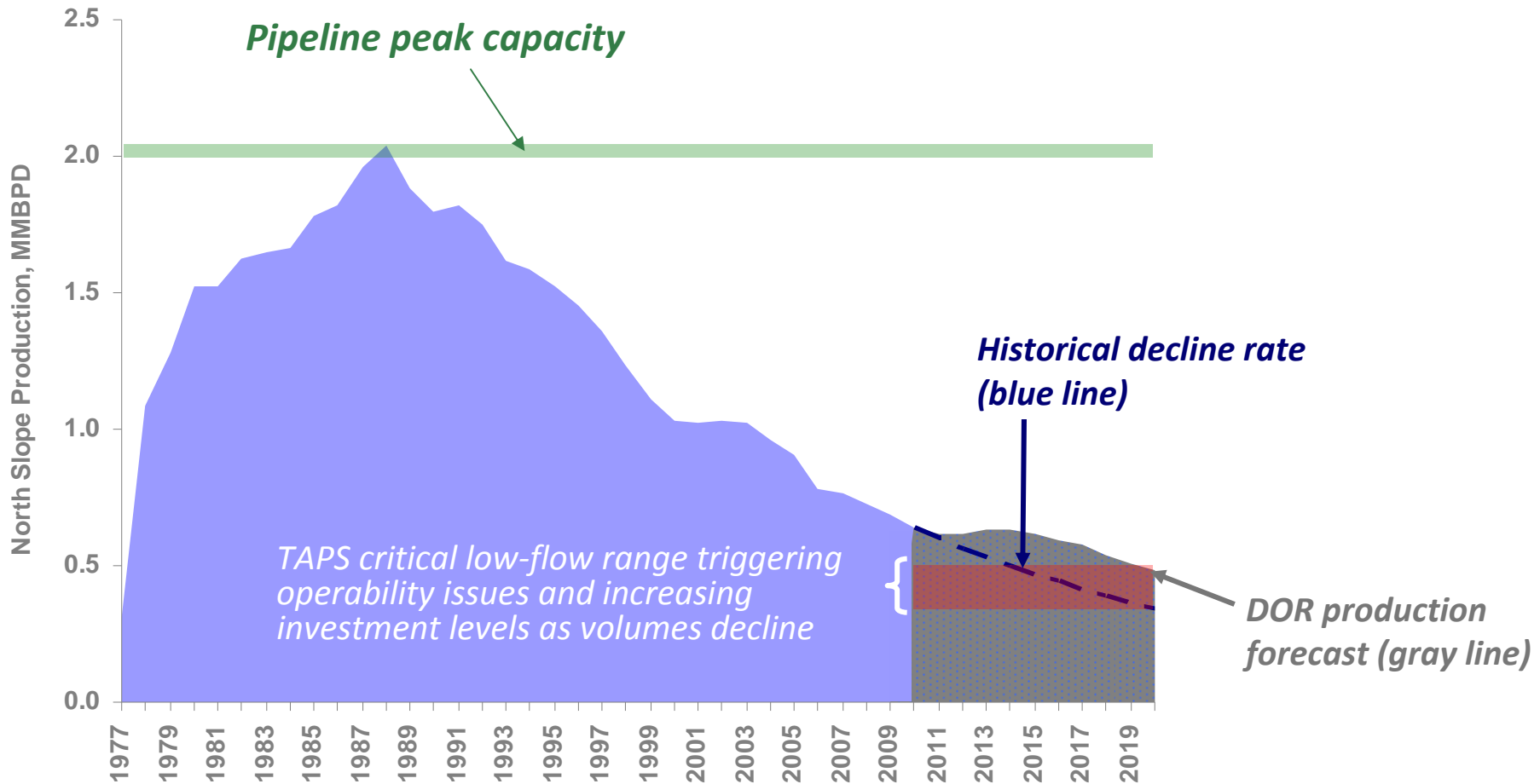


Impact of Oil & Natural Gas on Alaska's Economy

- **The foundation of Alaska's \$39 billion Permanent Fund**
- **Provides 80-90% of Alaska state general fund revenue**
- **Provides ~1/3 of Alaska jobs**
- **Enables significant local business opportunities**

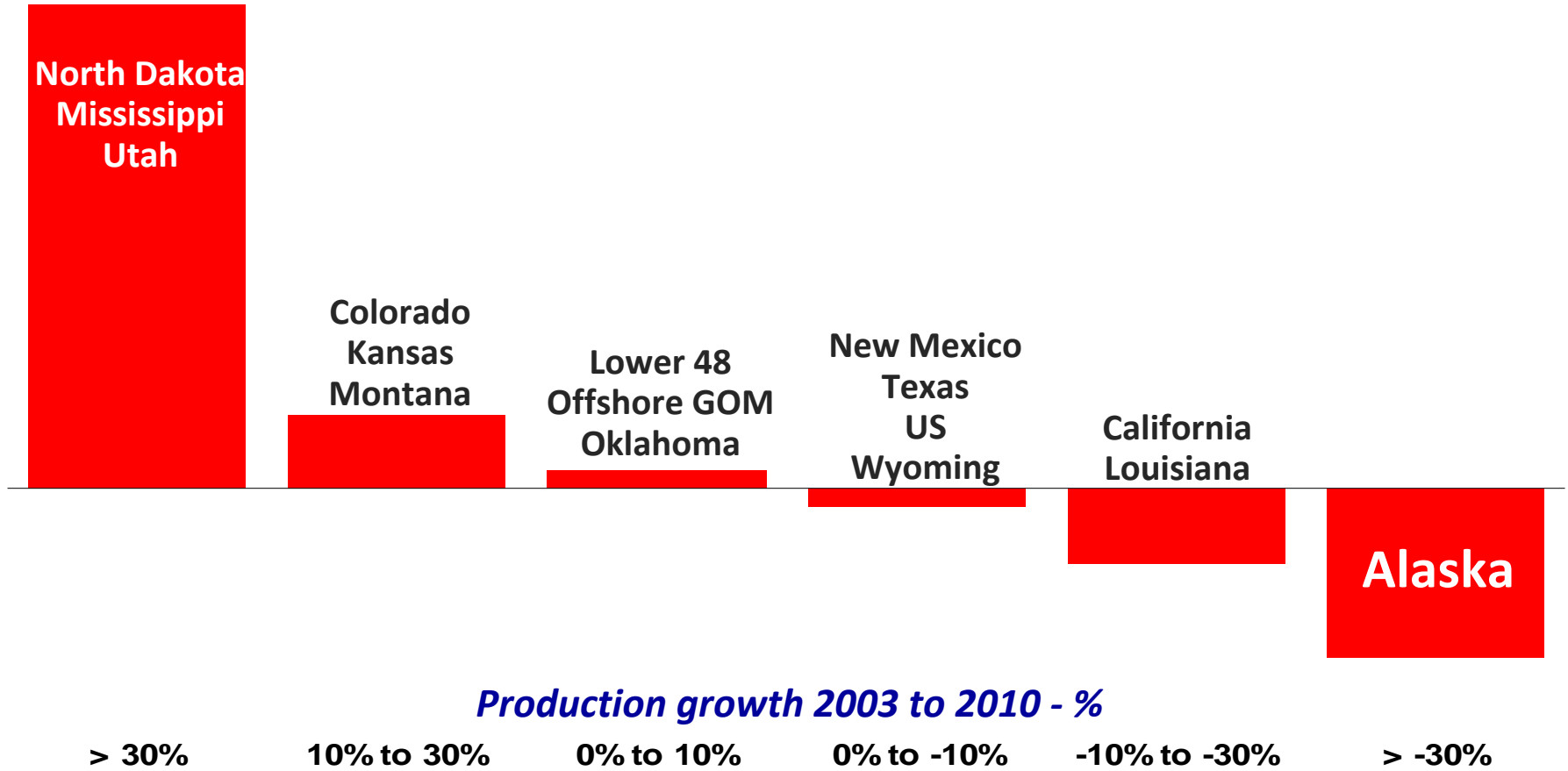


TAPS Future Relies on New Production



Stimulating production investment key to TAPS future

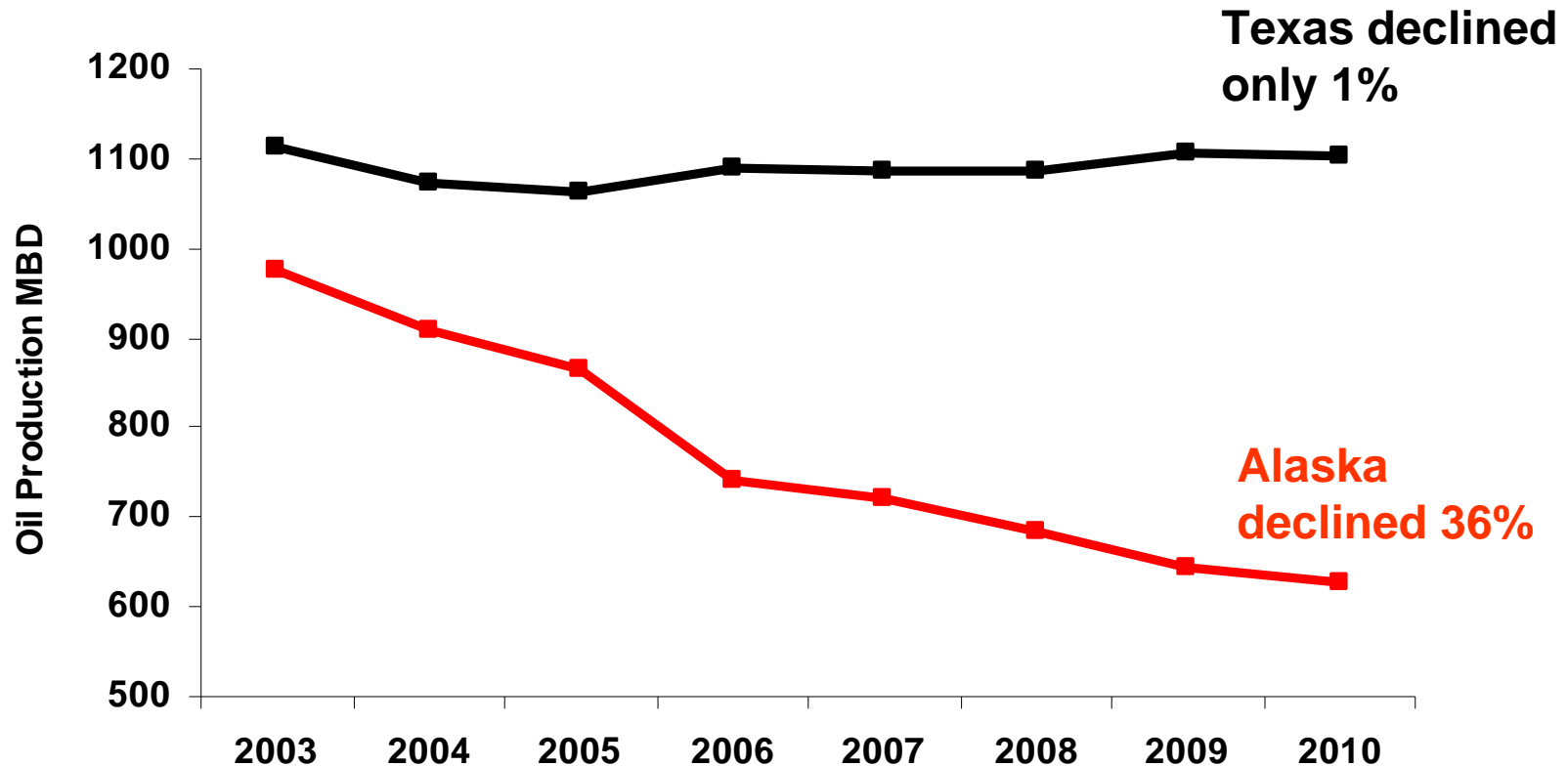
U.S. Production Changes Since 2003



Alaska lags other states despite high prices

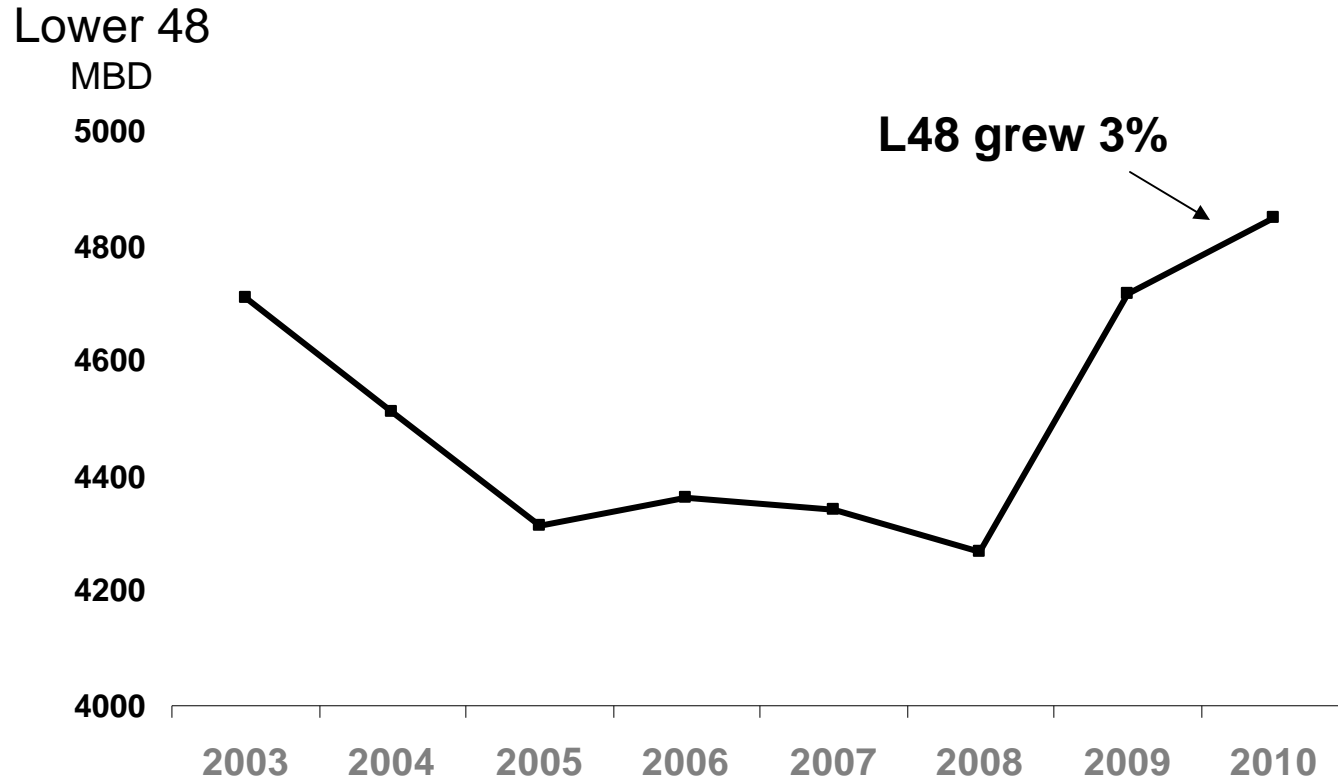
Source: Energy Information Administration
Regions with minimum 50,000 bopd production

Texas and Alaska Oil Production



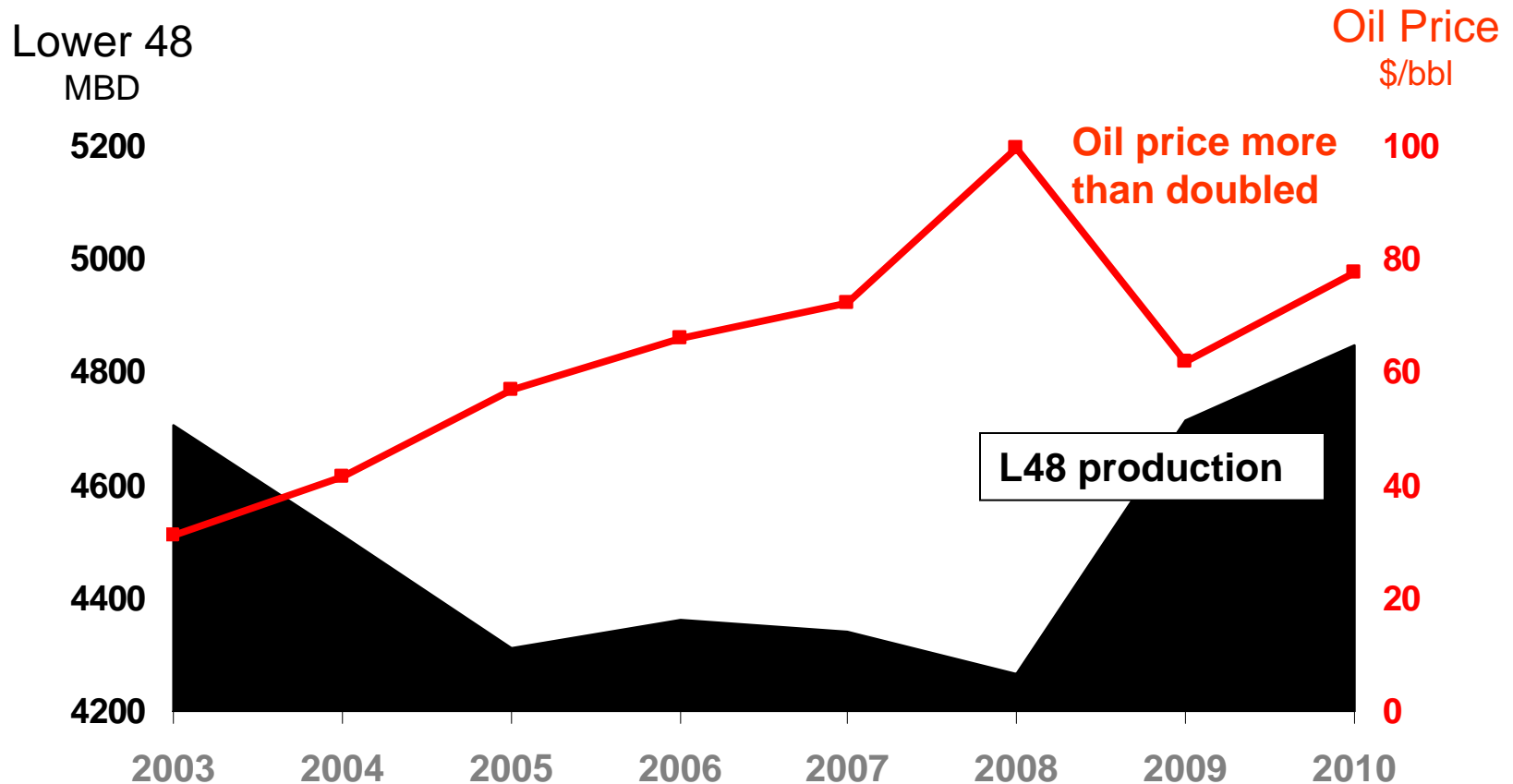
Mature regions can mitigate decline

Lower 48 Oil Production Growth



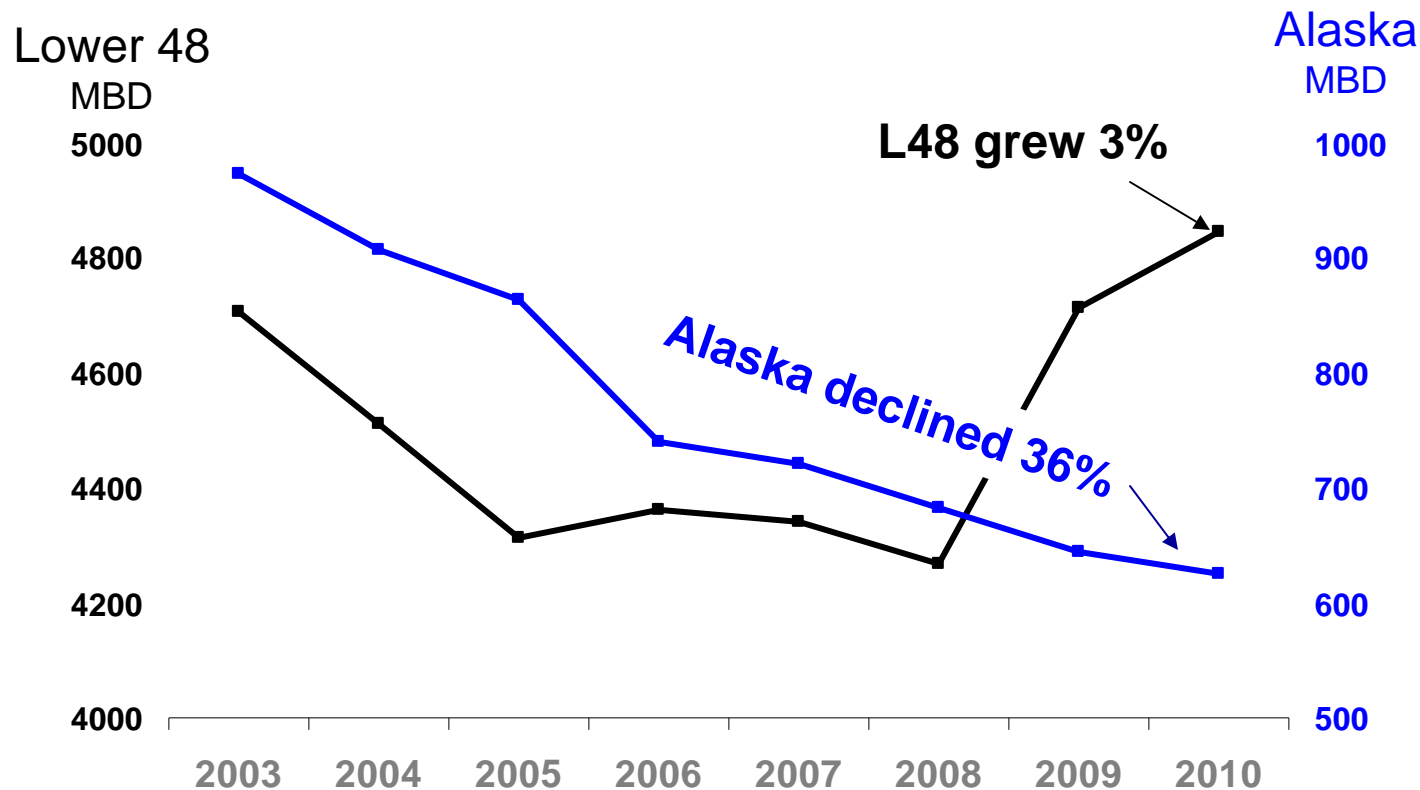
Lower 48 up 3% from 2003 level, up 12% from 2005

Lower 48 Oil Production Relative to Price



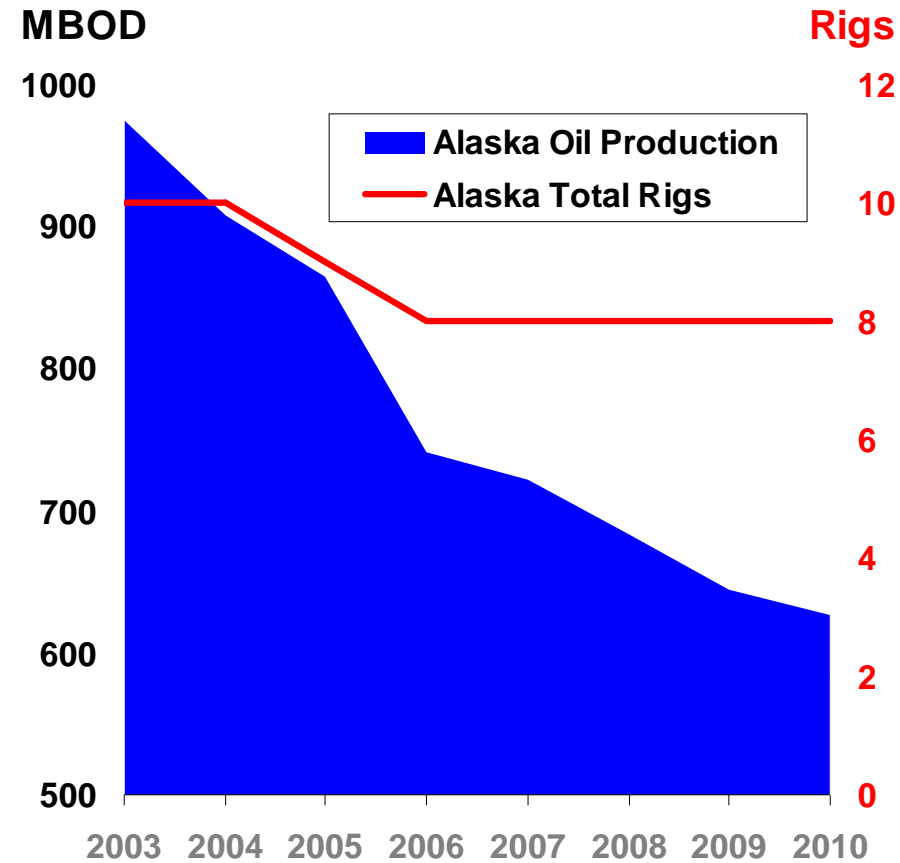
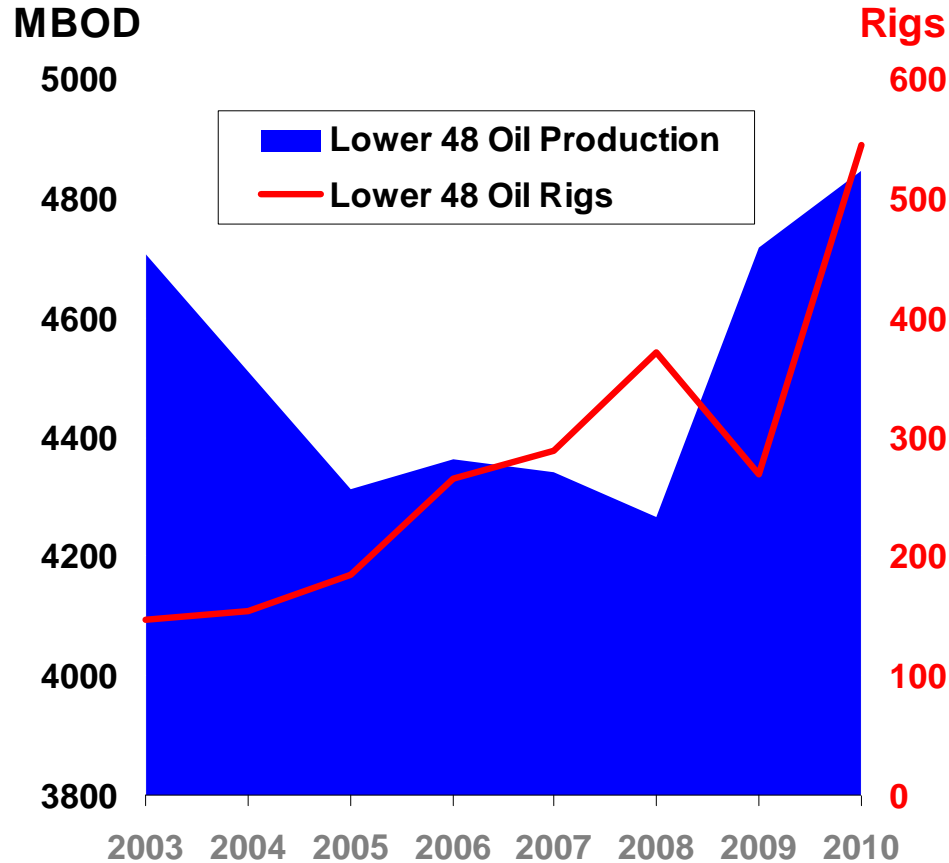
Lower 48 production responded to price increase

Alaska Production Decline Relative to L48



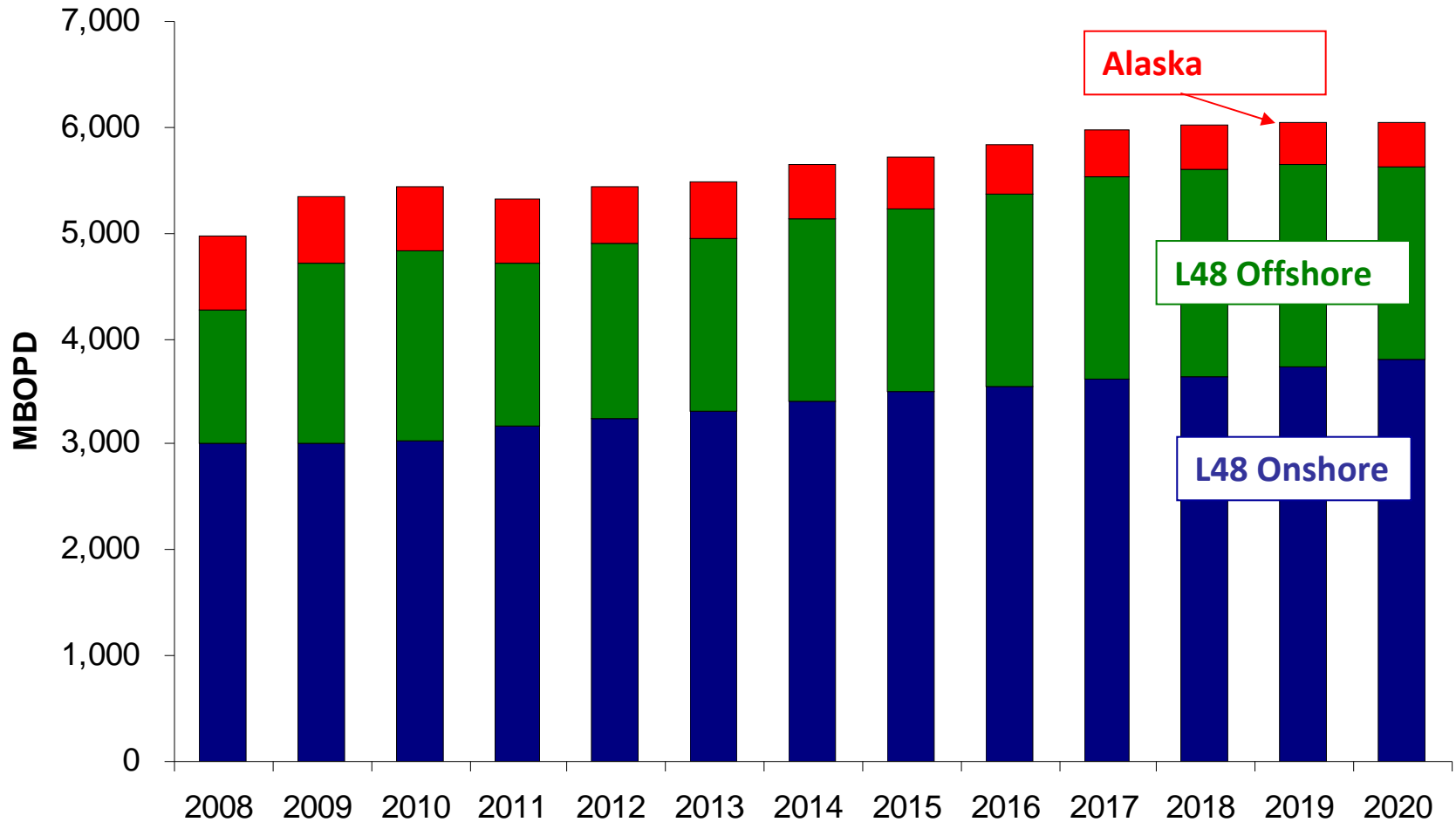
Lower 48 up 3% from 2003 level, up 12% from 2005

Rising L48 Rig Count Stems Oil Decline

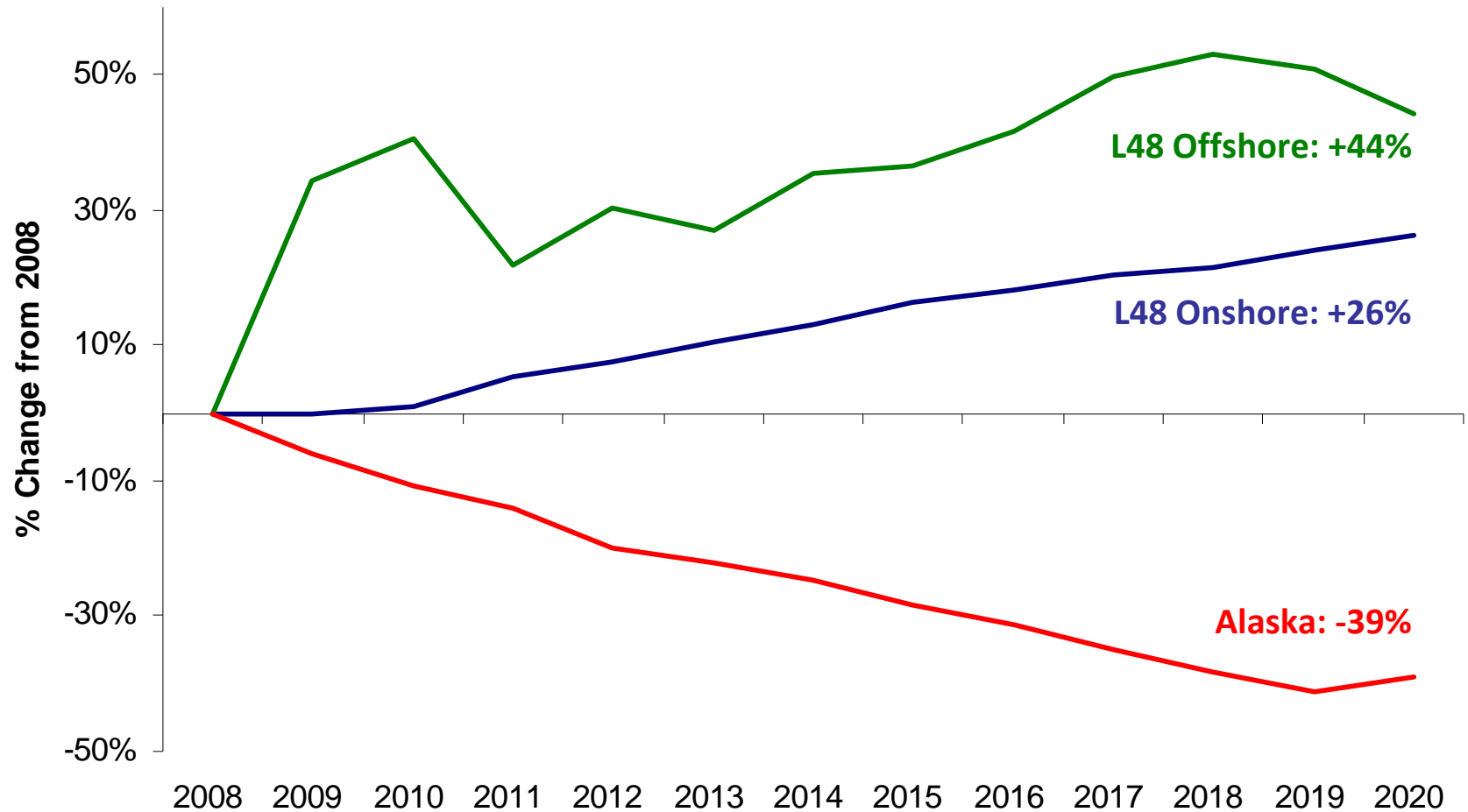


Increased production follows increased drilling

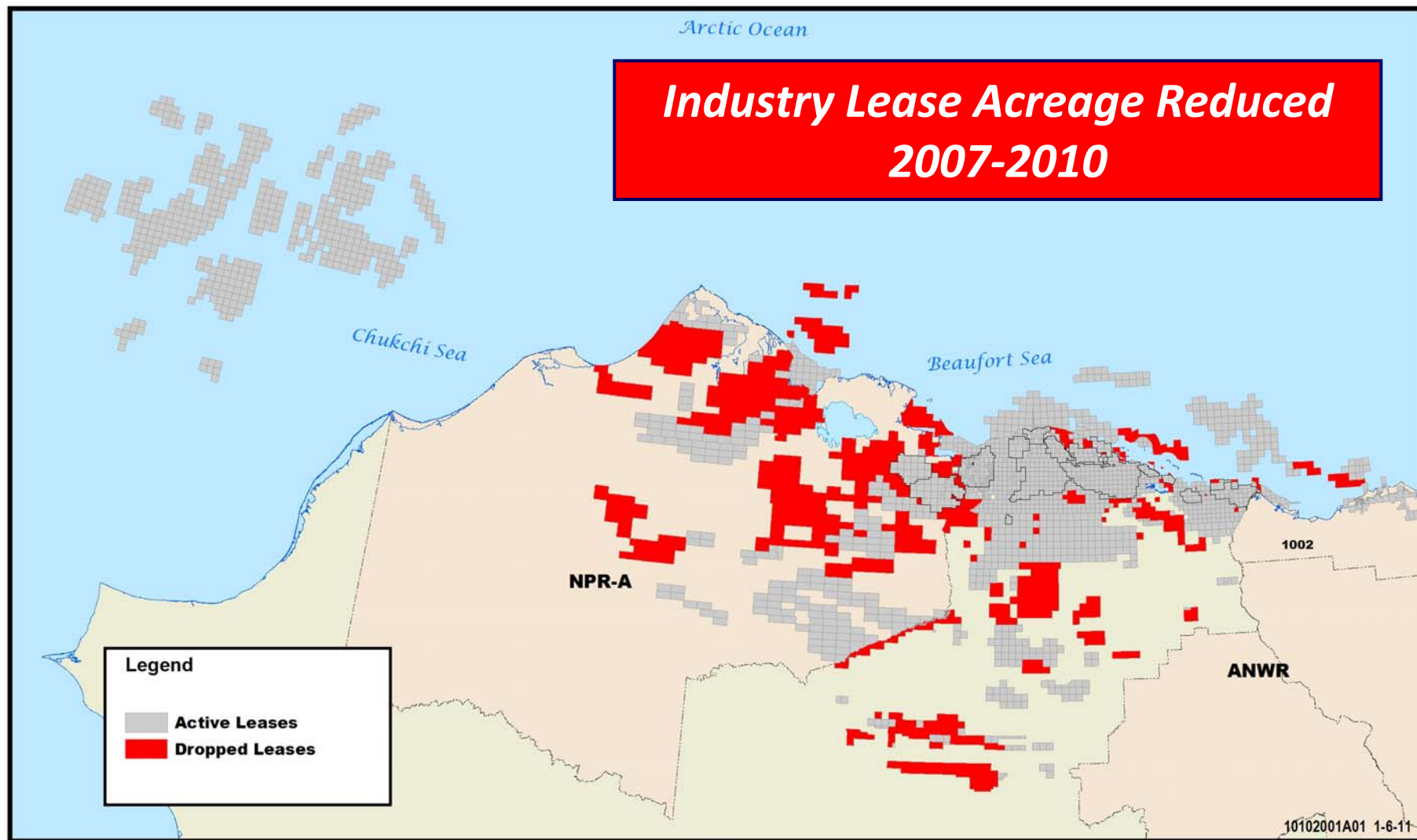
United States Oil Production Forecast



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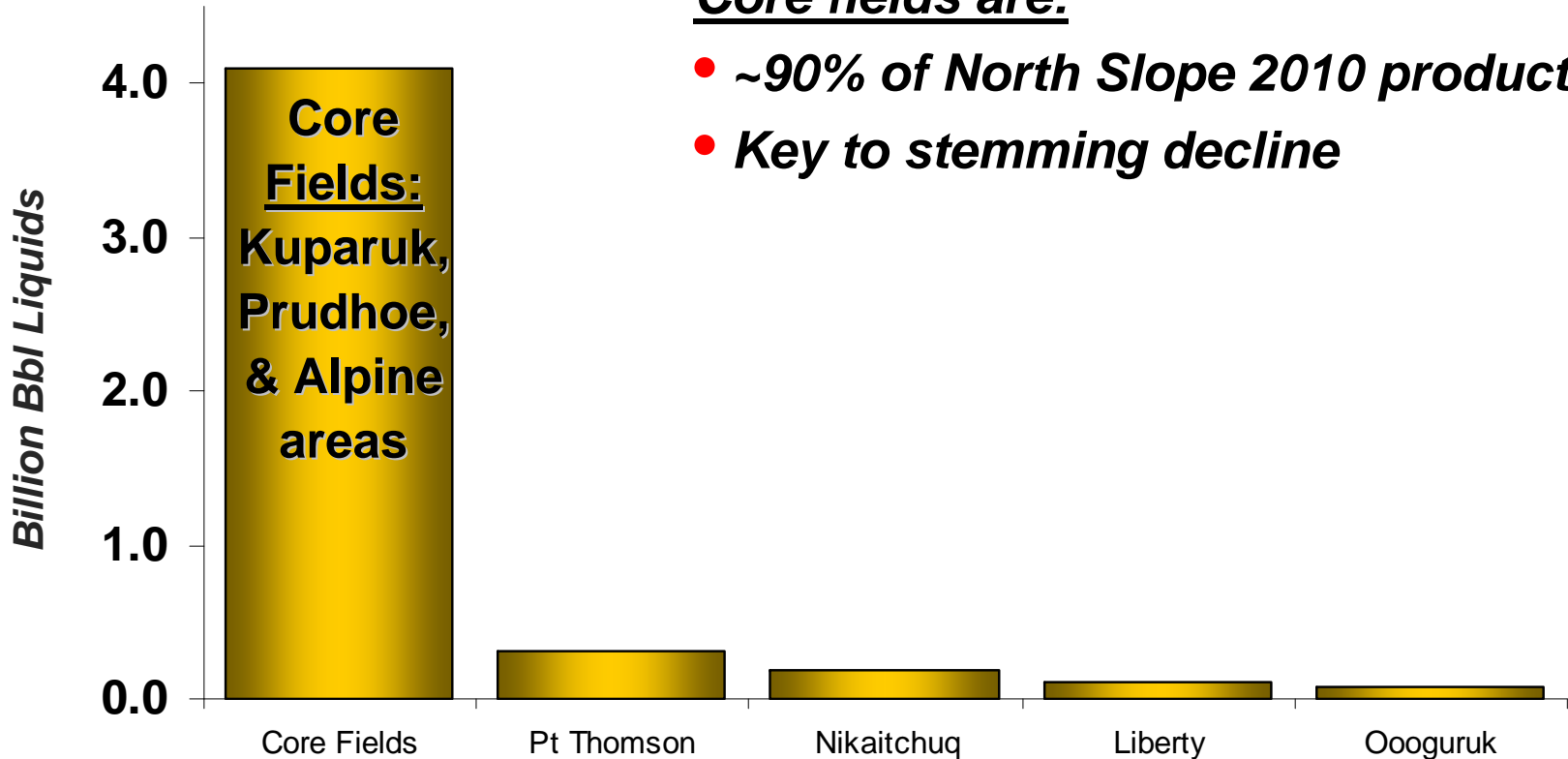
Alaska Industry Acreage Reduction



North Slope Remaining Barrels

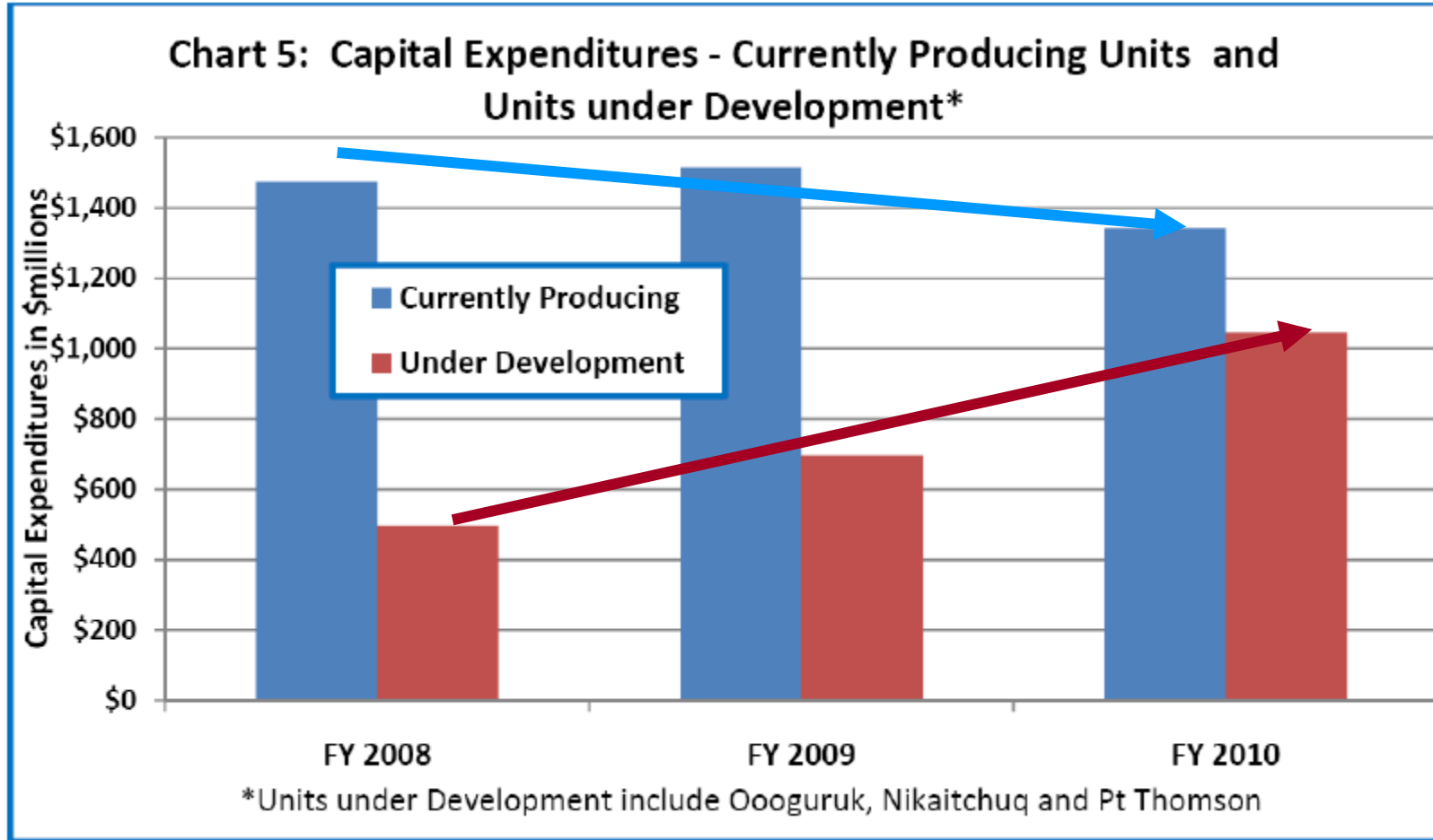
Core fields are:

- ~90% of North Slope 2010 production
- Key to stemming decline



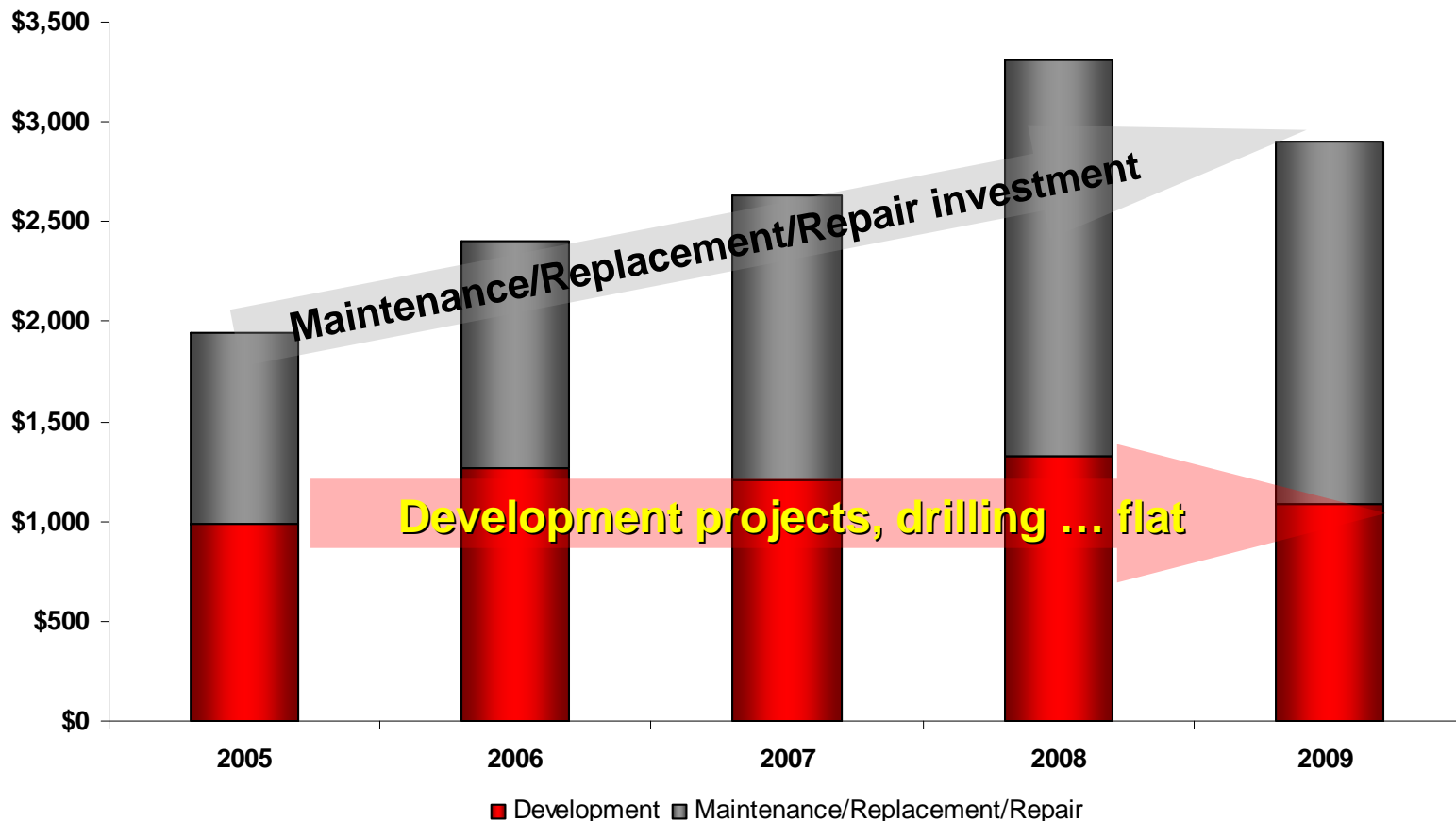
Core fields are dominant source of state production

Capital Expenditures



Core Field Investments Extend Field Life

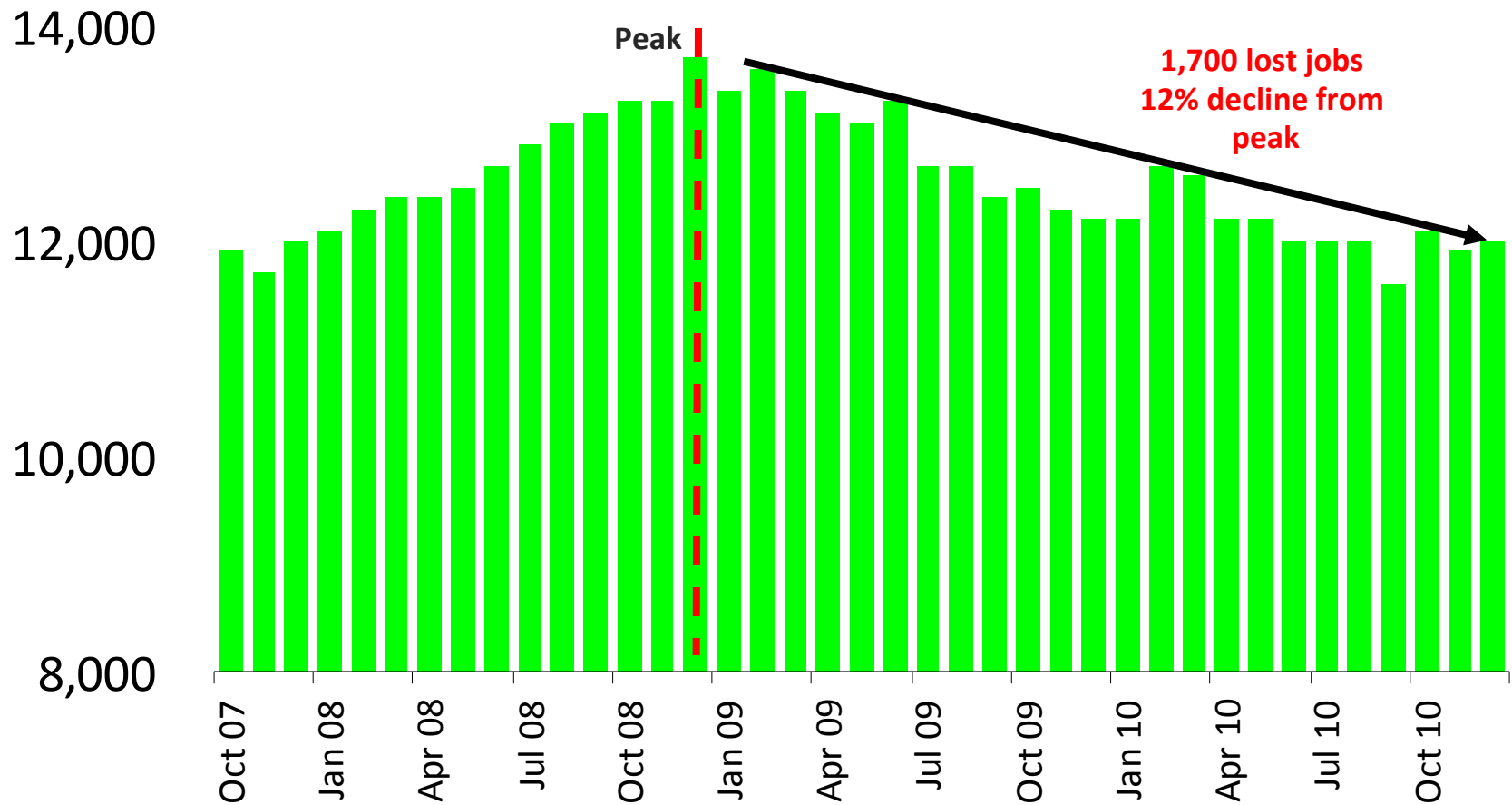
*Prudhoe, Kuparuk, Alpine (Core fields) gross investments include **capital/operating expense**, \$MM*



Maintenance investment essential to extending field life

Declining Oil & Gas Employment

State of Alaska Oil & Gas Sector



Various Forms of Alaska Fiscal Take

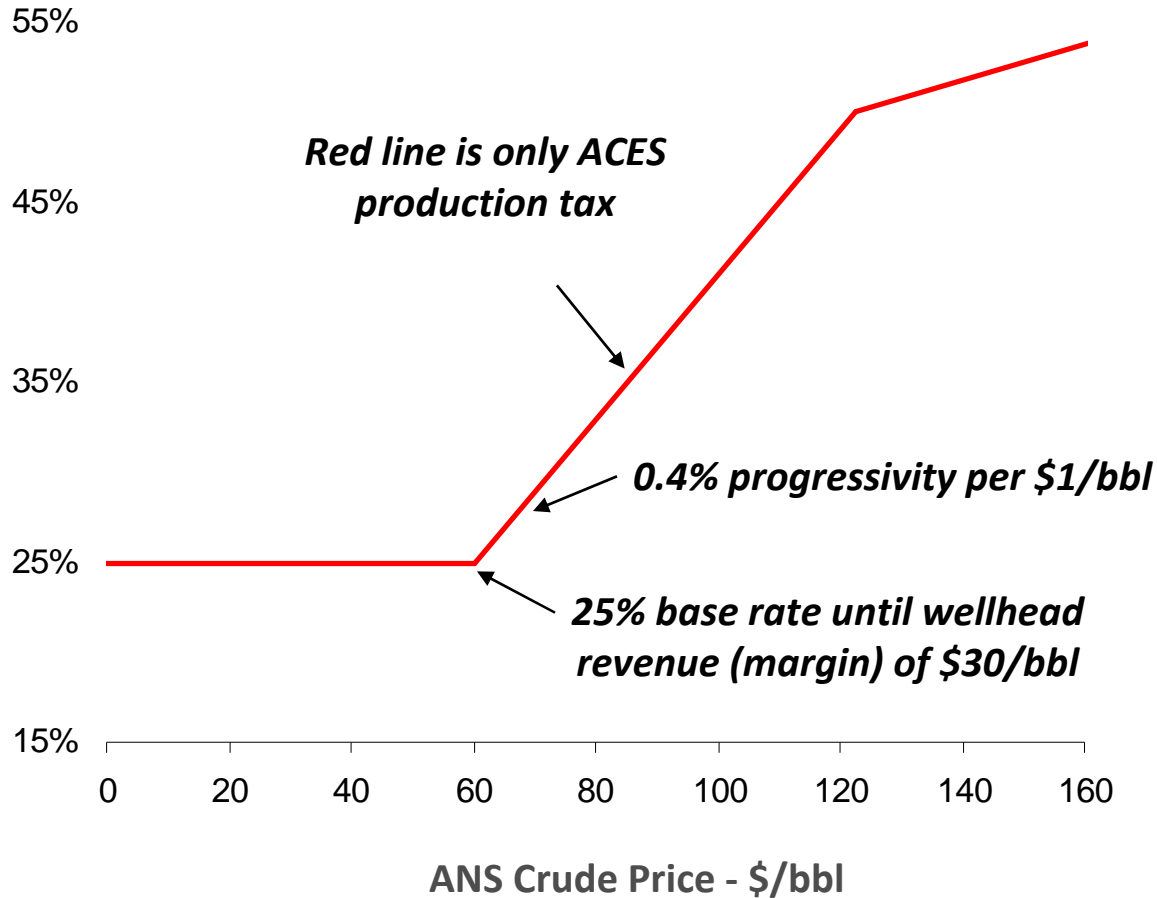
- **Royalty**
- **Alaska Production Tax (ACES)**
- **Property Taxes**
- **State Corporate Income Tax**

Production tax is the largest and varies with price (margin)

ACES Tax Rises with Price

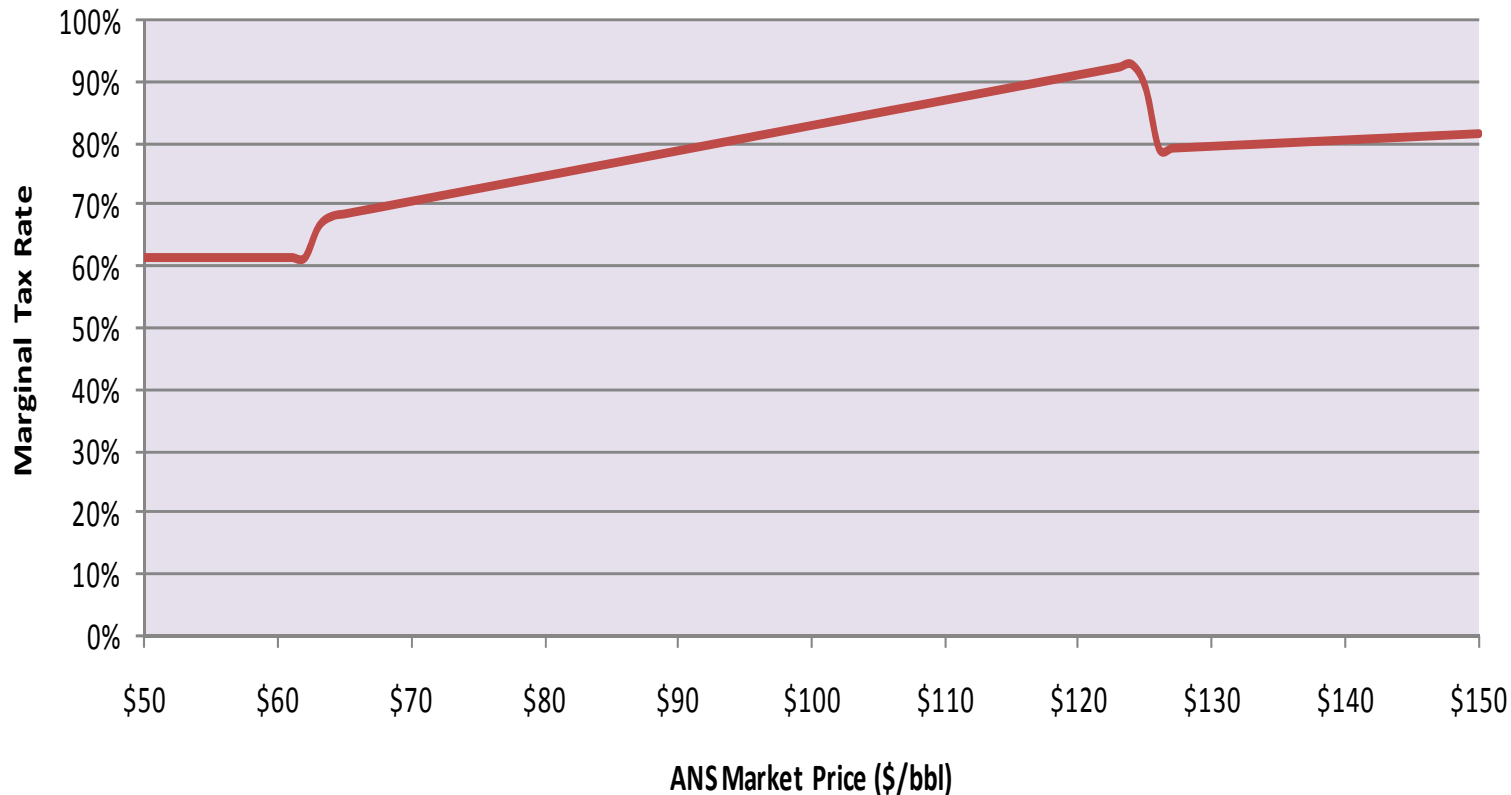
ACES Production Tax Rate - %

(does not incl. other forms of govt take such as royalty, federal, other taxes)



ACES Marginal Tax Rates

Marginal Tax Rate under ACES (All State & Federal Taxes & Royalties)
How Much Gov't Gets When Price Goes Up \$1

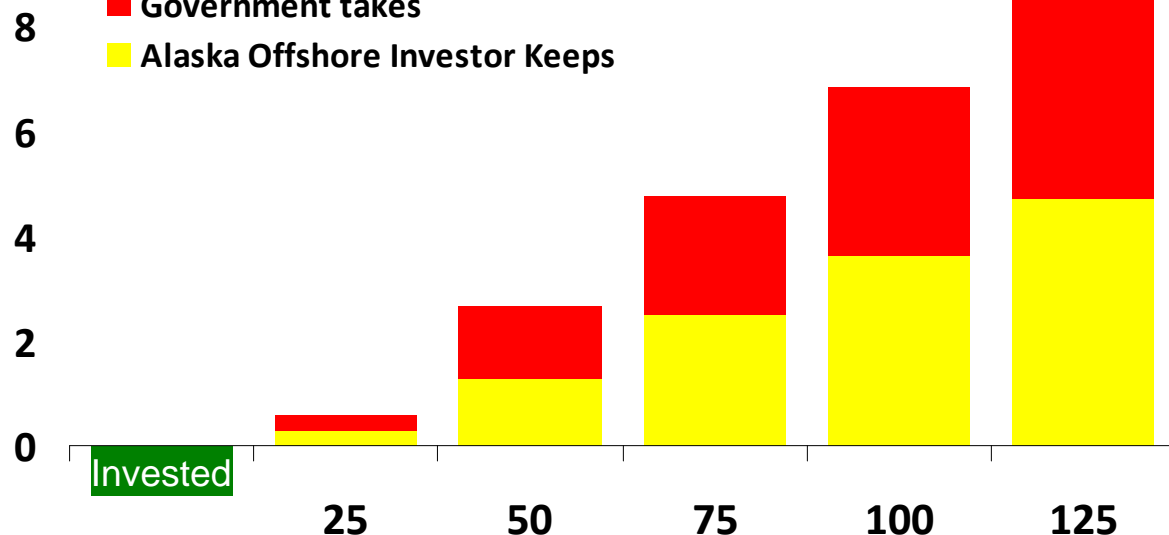


Example – \$1B Investment (Success Case)

\$B

Federal (OCS)

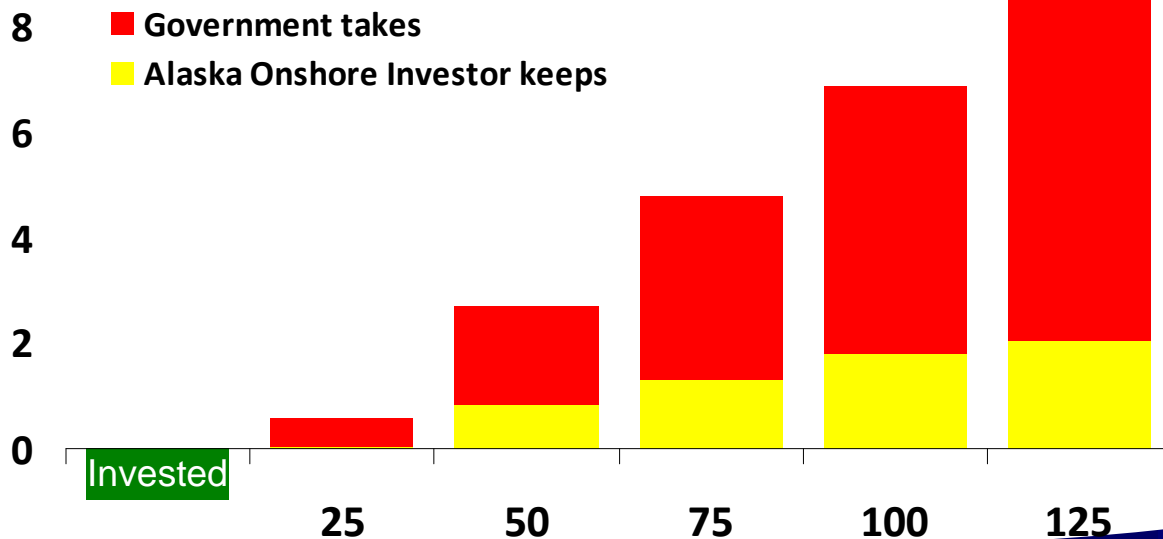
- Government takes
- Alaska Offshore Investor Keeps



Adequate returns in success case justify up front investment risk

Alaska

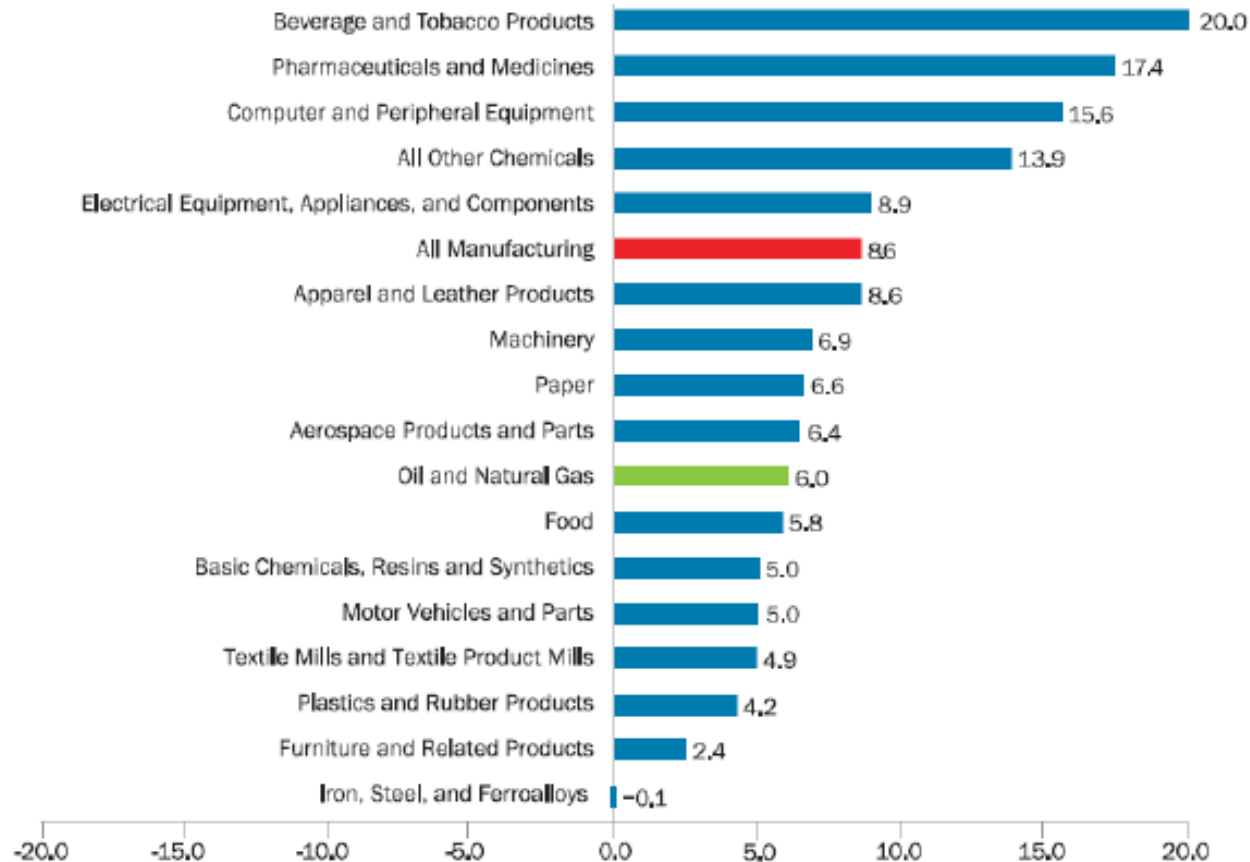
- Government takes
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Alaska onshore fiscal terms: Risk / reward is out of balance

Earnings by Industry

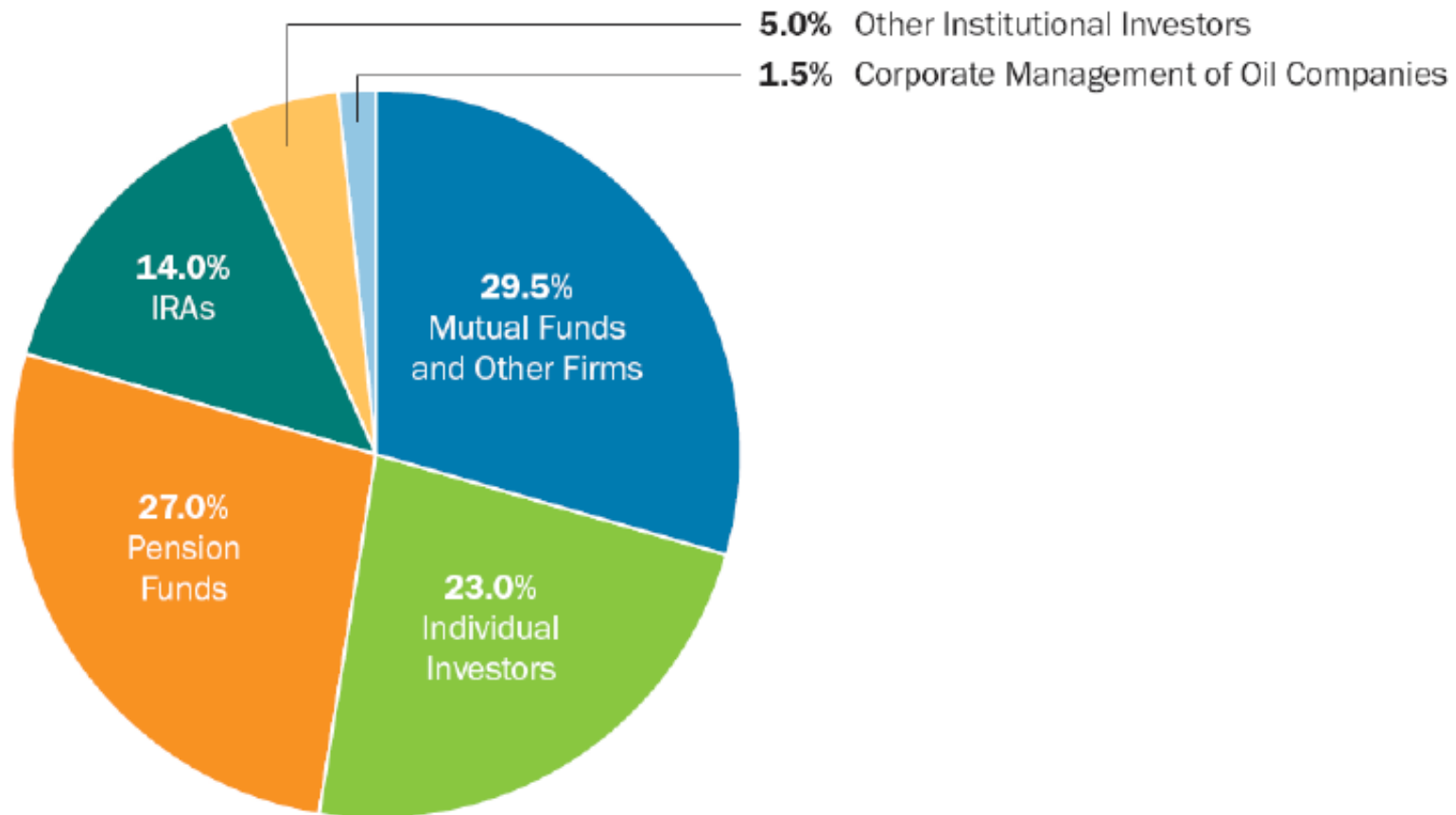
Third Quarter 2010 Earnings by Industry (net income/sales)



Sources: Based on company filings with the federal government as reported by U.S. Census Bureau and *Oil Daily*.

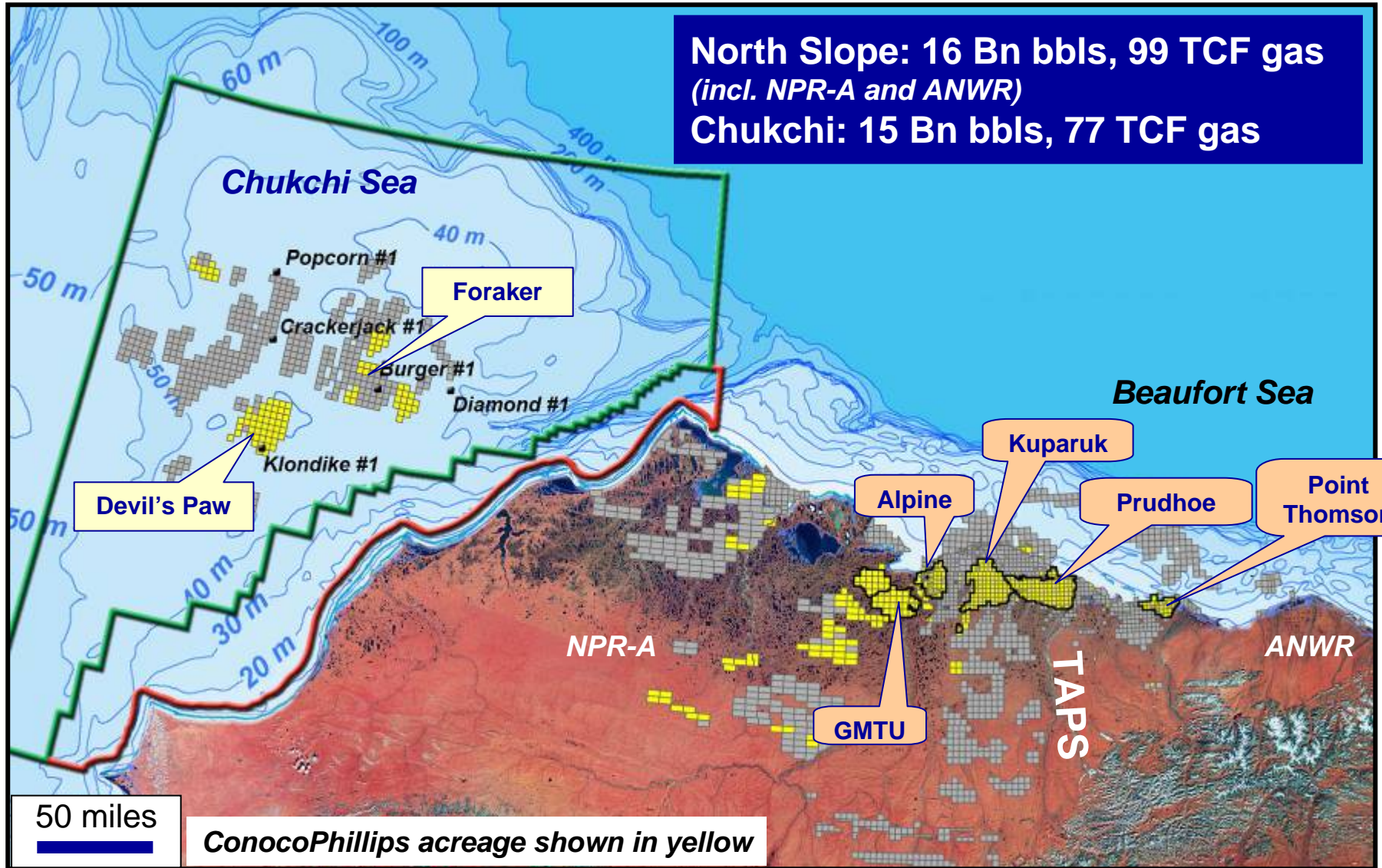
“Big Oil” Investors

Who Owns “Big Oil?” (Holdings of Oil Stocks, 2007)



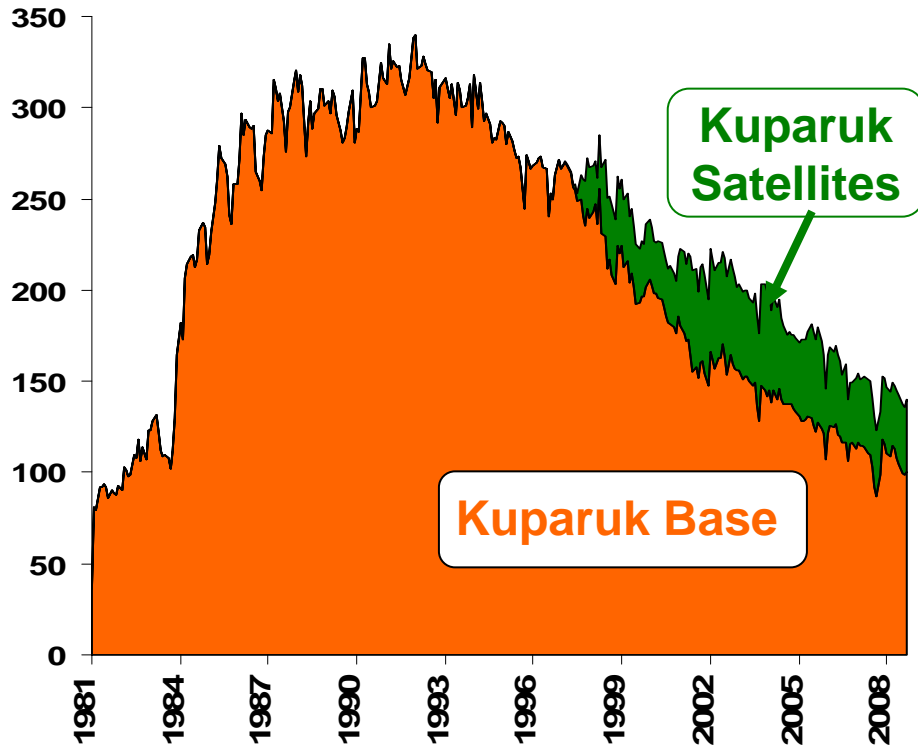
Source: *The Distribution of Ownership of U.S. Oil and Natural Gas Companies*, SONECON, September 2007.

Alaska's Resource Potential

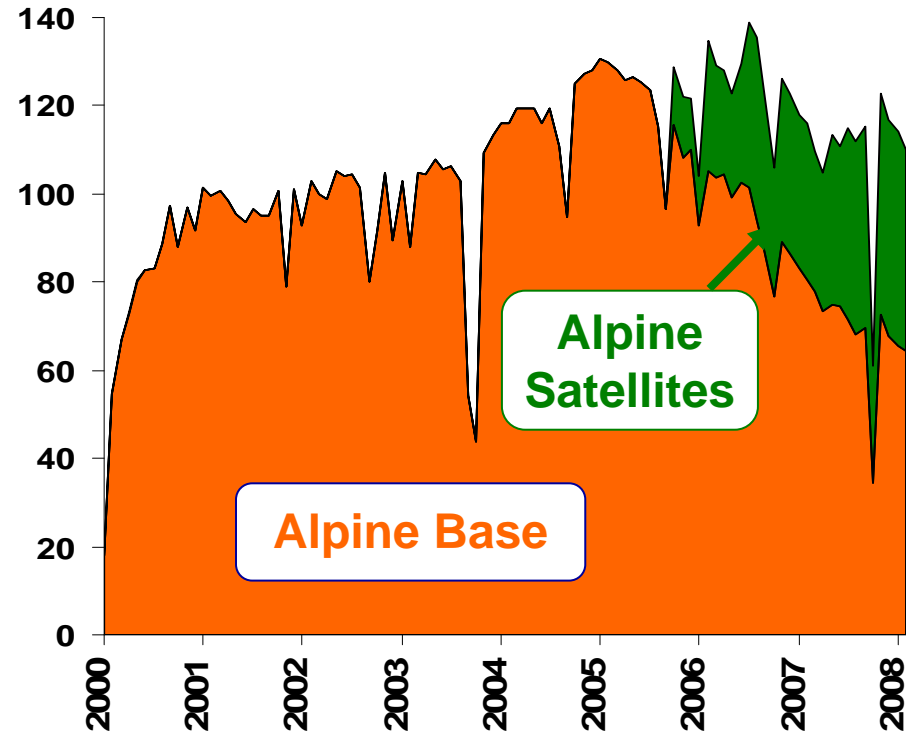


Impact of Satellite Developments

Kuparuk Production - MBD

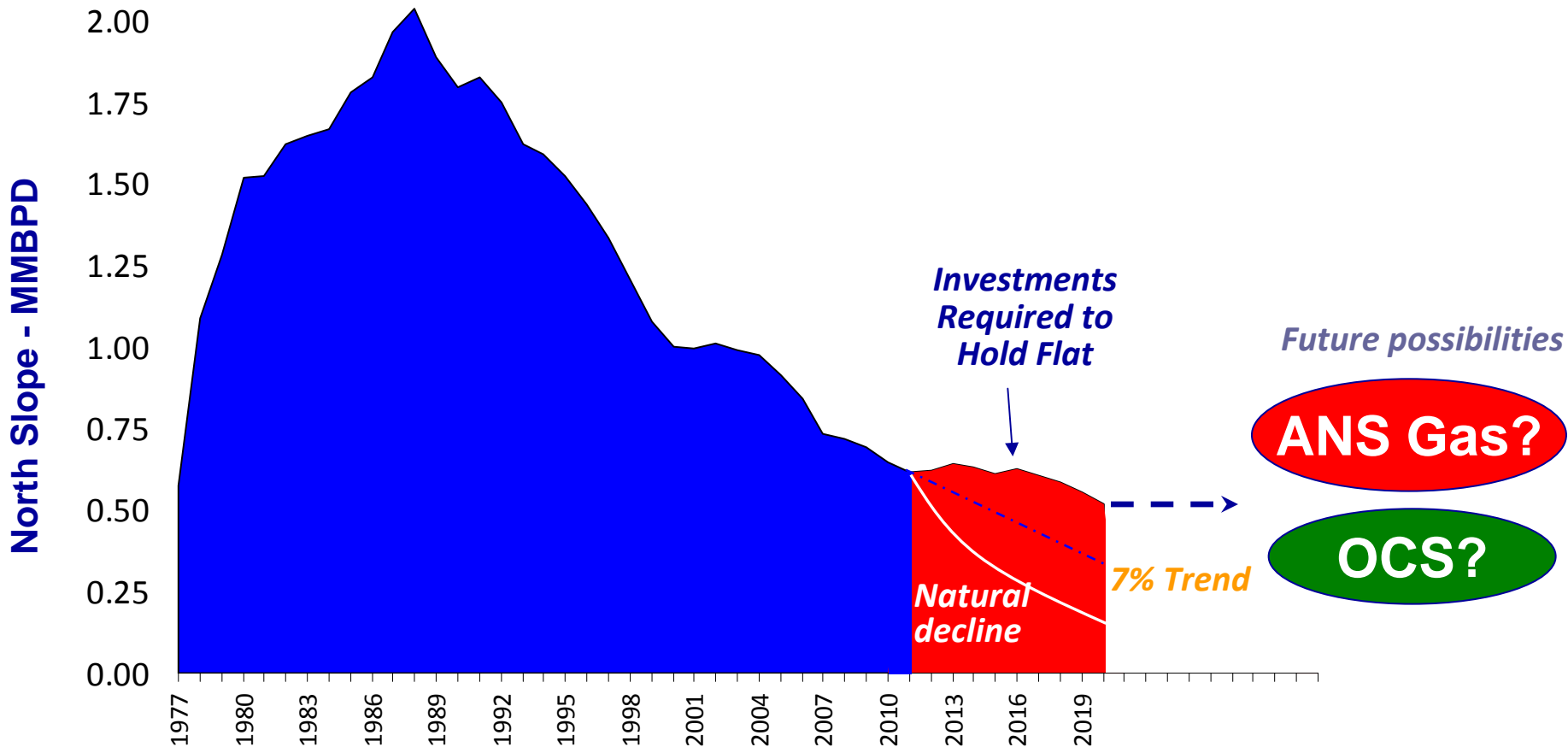


Alpine Production - MBD



Investment reduces decline

Alaska's "Bridge" to Growth Projects



Solid base oil business is key