



# **What Does the Future Hold for Oil and Gas in Alaska?**

**Resource Development Council  
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# **MUTUAL GOALS:**

A vital oil and gas industry that contributes  
to a vibrant economy for Alaska

# **Goal: a vital oil and gas industry that contributes to a vibrant economy for Alaska**

## **OPPORTUNITIES:**

Existing Fields

Heavy Oil

Wildcat Exploration (NS & CI)

NPR-A

Offshore

Gasline

## **CHALLENGES:**

Declining Production

Location, Location, Location

High Costs

High Risk

Litigation

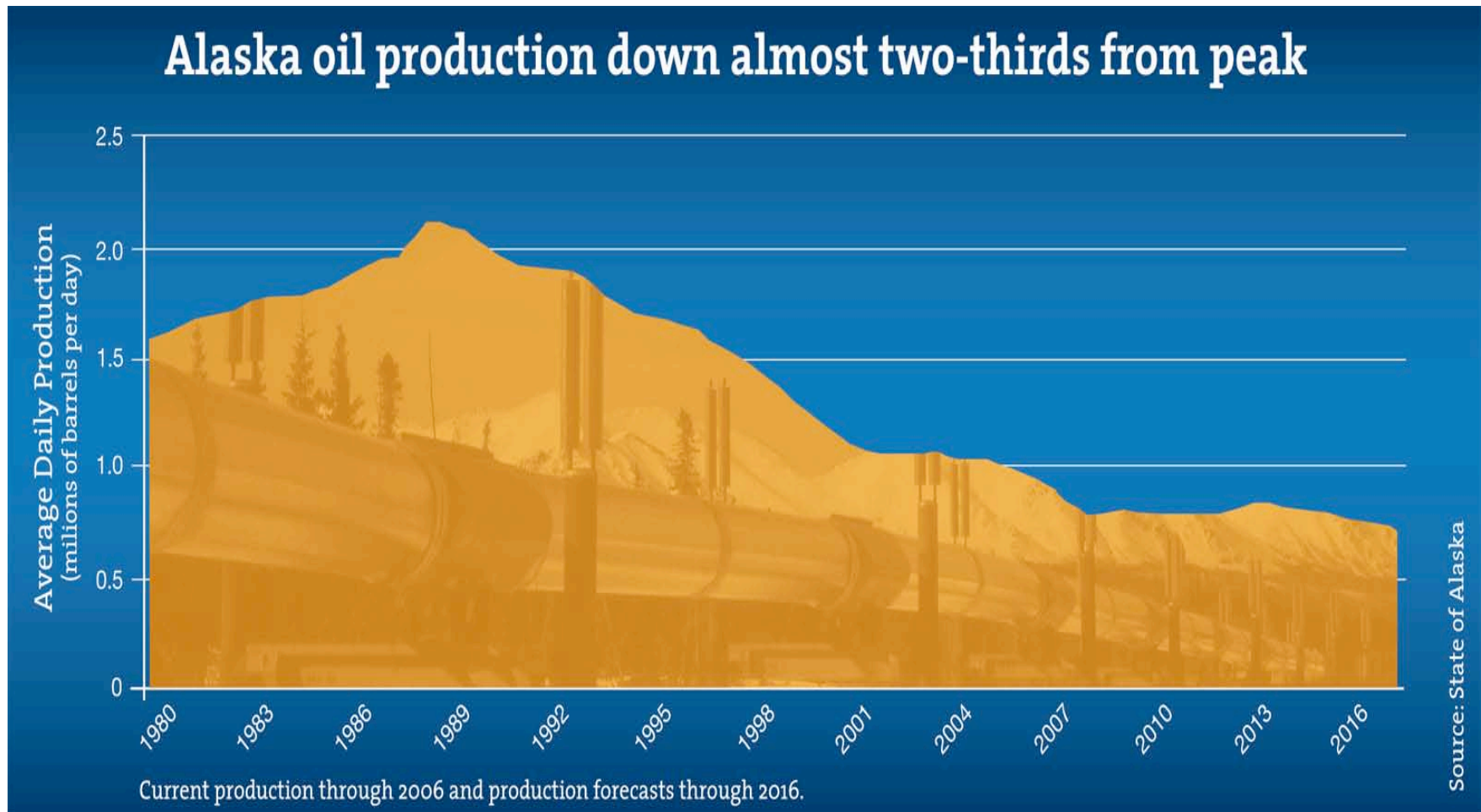
Outside Influences

Workforce Replacement

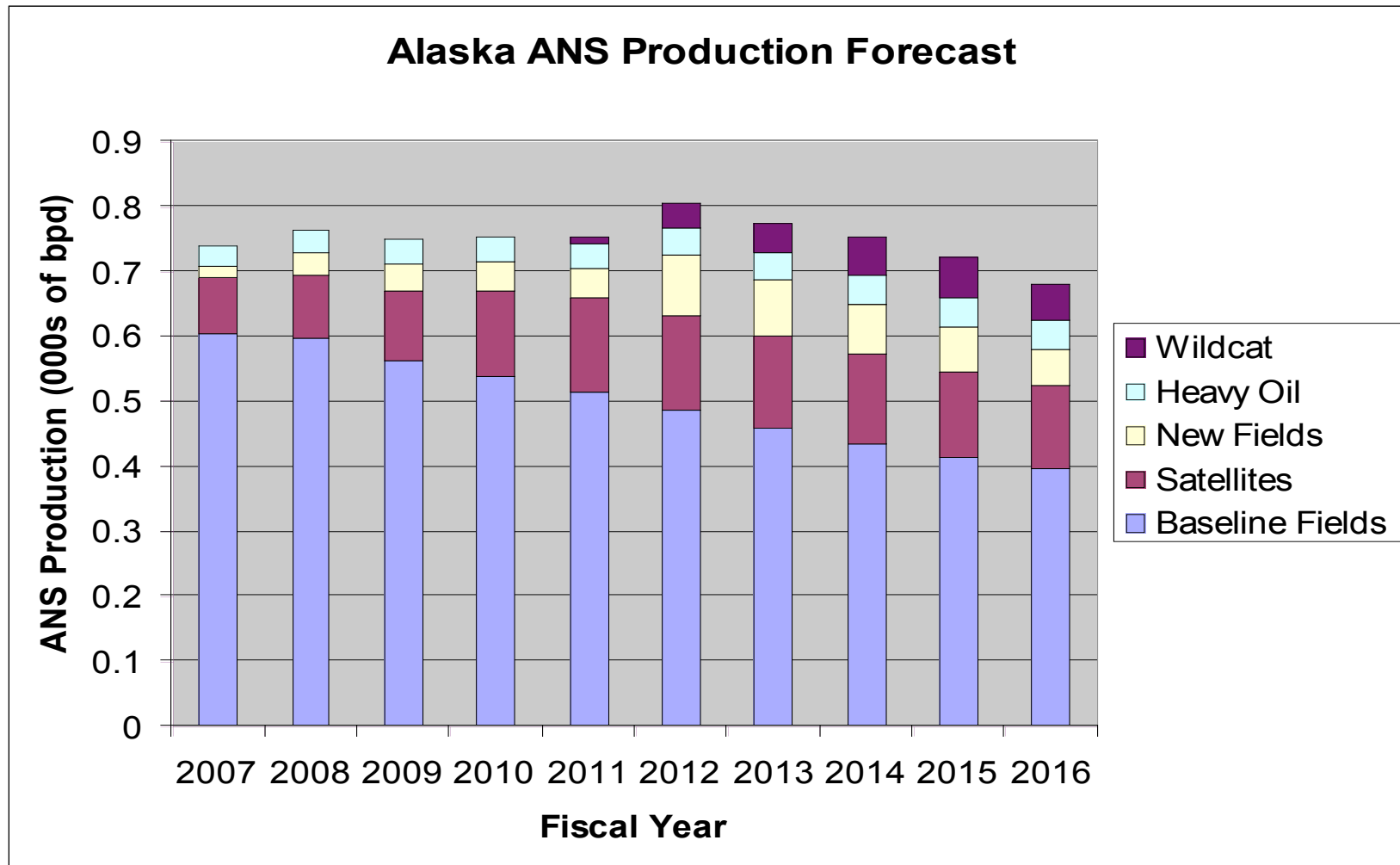
Fiscal Instability



# #1 Issue: Production Decline



# Where will future oil come from?



SOURCE: DOR *Spring 2007 Revenue Source Book*, pg. 99  
 New Fields = Fiord, Liberty, Nanuk, Known Onshore, Oooguruk, and Nikaitchuq  
 Satellites = PBU Satellites and KRU Satellites  
 Baseline Fields = Prudhoe Bay, Kuparuk, Endicott, GMPA, Alpine, and Northstar

Wildcat = NPRA  
 Heavy Oil = Milne Point, West Sak (Kuparuk)

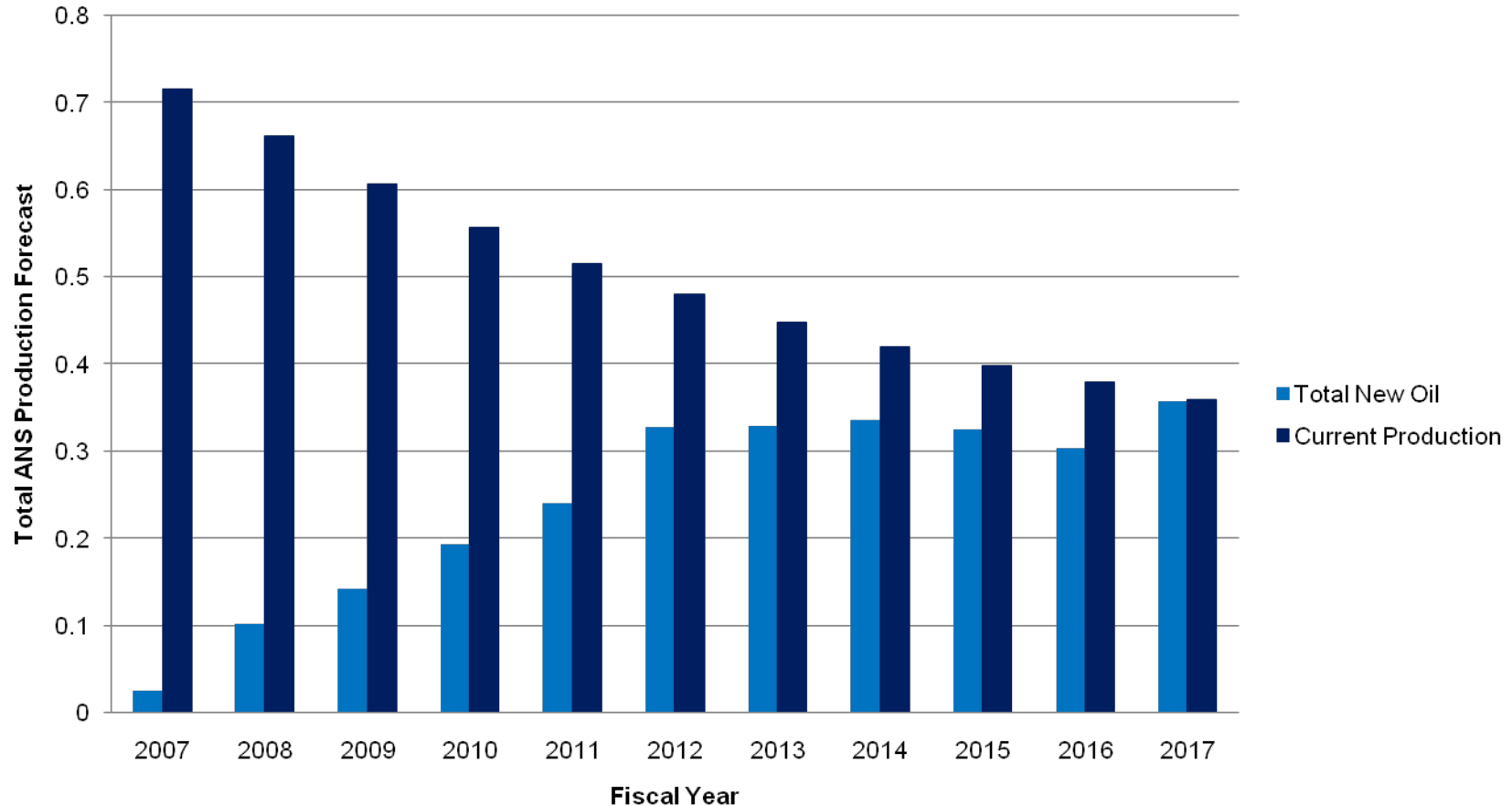
# Importance of Investment

“..by FY 2010 one-quarter of our projected oil production will come from projects requiring significant new investment.”

- Department of Revenue, *Revenue Sources Book*, Spring 2007

# In 10 years, 50% will come from **NEW OIL**

New Oil as a Percentage of Total Oil



- Department of Revenue, *Revenue Sources Book*, Spring 2007

# State Oil & Gas Revenues

	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	* <u>Projected FY07</u>
<b>Royalty</b>	\$1,420MM	\$1,906MM	\$2,396MM	\$2,071MM
<b>Production Tax</b>	652MM	863MM	1,200MM	2,125MM
<b>Property Tax</b>	266MM	261MM	288MM	288MM
<b>Corporate Income Tax</b>	<u>299MM</u>	<u>524MM</u>	<u>661MM</u>	<u>565MM</u>
<b>Total</b>	\$2,637MM	\$3,554MM	\$4,545MM	\$5,049MM
<b>% of Unrestricted Revenue</b>	87%	89%	89%	87%

\* Royalty figure includes estimated Permanent Fund contribution (\$529MM)

Property Tax figure (also known as ad valorem) includes estimated local government shares (\$234MM)

Total (minus Permanent Fund, local property tax) represents 87% of unrestricted general fund revenue



# Is PPT Broken?

- In the first nine months, the state received over \$805 million more than under the ELF system
- DOR has indicated FY 07 PPT revenues will be approximately \$1 billion more than under ELF
- Investment is continuing
- Regulations not completed
- PPT to be revisited in 2011

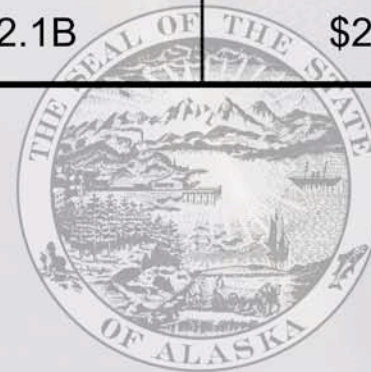
# Will ACES Secure New Investment?

Commissioner Pat Galvin: “Frankly, we have not said that ACES improves the investment climate. Clearly, there’s going to be a larger state share and that isn’t going to make the economics better.”

# Project Net Present Value of Cash Flows (10% Discount Rate)

\$40 Test Price (\$ Millions)

	Status Quo PPT	ACES Plan	16% Gross Tax <i>No Capital Credits</i>	19% Gross Tax <i>With Capital Credits</i>
Field/Project A	178	128	-35	27
Field/Project B	72	48	-22	9
Field/Project C	59	27	-53	-22
Field/Project D	-64	-90	-398	-282
<i>Production Tax Revenues FY2008 @ \$60 oil price</i>	\$1.3B	\$2.0B	\$2.1B	\$2.0B





# What are the Policy Goals?

- Increase investment, thus increasing production?
- Create long-term jobs and investment in Alaska?
- More state revenue over the long-term?
- Provide incentives to encourage new exploration?



# Take A Stand



[www.aoga.org](http://www.aoga.org)

- 1) Contact Your Legislators
  - Make it Personal
- 2) Display a car magnet and yard sign
- 3) Submit your opinion on the state's website
- 4) Participate in Public Testimony
  - Tentative for Tuesday, Oct. 23
- 5) Submit a Letter to the Editor