

# House Resources Committee

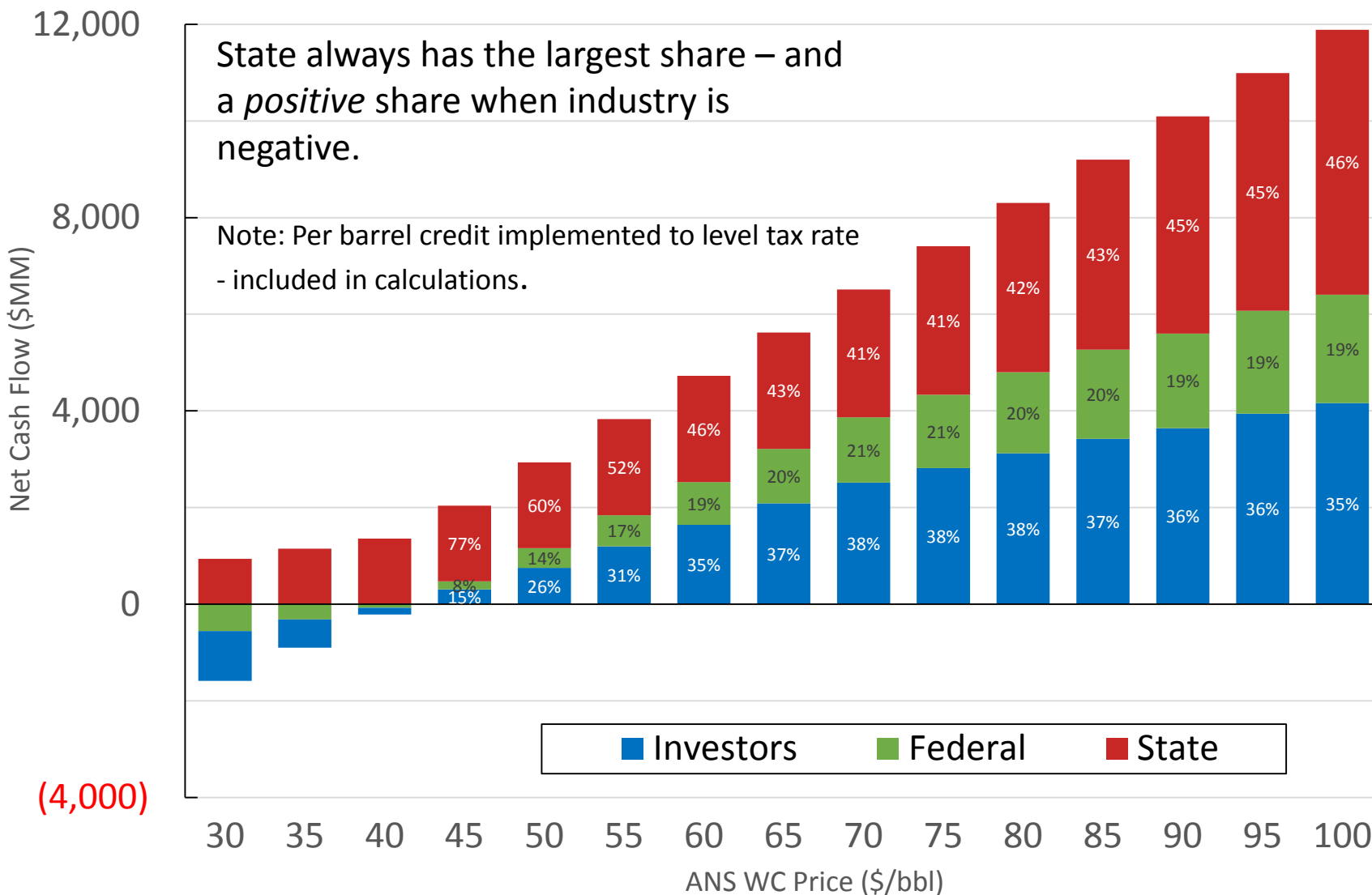
Scott Jepsen, VP External Affairs and Transportation  
ConocoPhillips Alaska

February 1, 2017

# SB21 Has Improved Alaska's Investment Climate

- Basic tax structure of SB21 has placed Alaska in a competitive position.
  - Flatter tax rate over a broad range of prices.
  - Secures revenue to the State at lower prices (4% minimum).
- Increased investment resulting in jobs, production and improved State revenue outlook.
- Increased competition from the unconventional opportunities in the L48 have made it even more important that Alaska not increase its cost structure through tax increases.

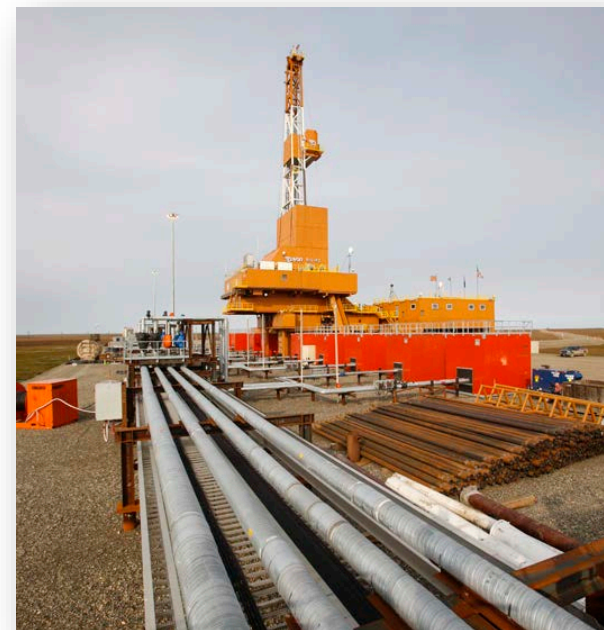
# FY 2017 Producer Share vs ANS WC - Fall 2016 RSB Assumptions



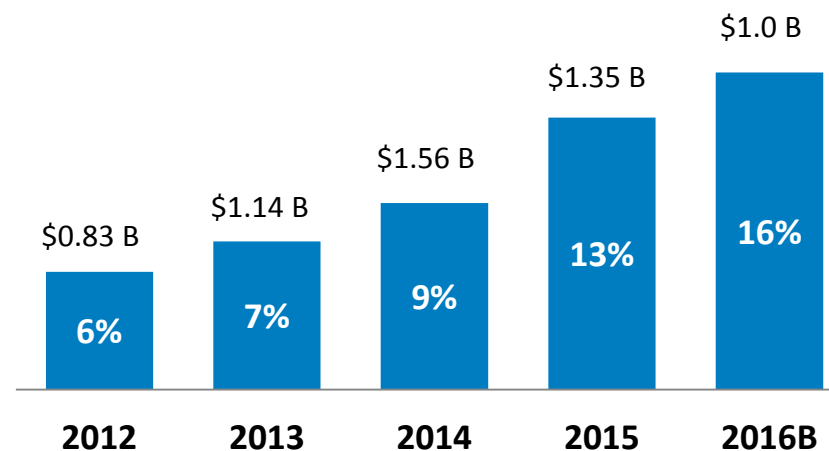
State share shown excludes tax credits other than per barrel tax credits.

# Activities Since Tax Reform (SB21) Passed

- Added two rigs to the Kuparuk rig fleet, 2013-2015
- Two new-build rigs delivered in 2016
  - Doyon 142 and Nabors CDR3
  - Averaged 5 rigs at Kuparuk/Alpine during 2016.
- Sanctioned ERD Rig in 2016
- North East West Sak – DS1H
- New drill site at Kuparuk (DS 2S) – on stream a year ago
  - Estimated 8,000 BOPD gross peak production rate
  - About \$475 million gross cost to develop and 250+ construction jobs
- Sanctioned Greater Mooses Tooth 1 in 2015
- Permitting Greater Mooses Tooth 2
- Willow discovery and December 2016 lease sale
- Significant other industry investment



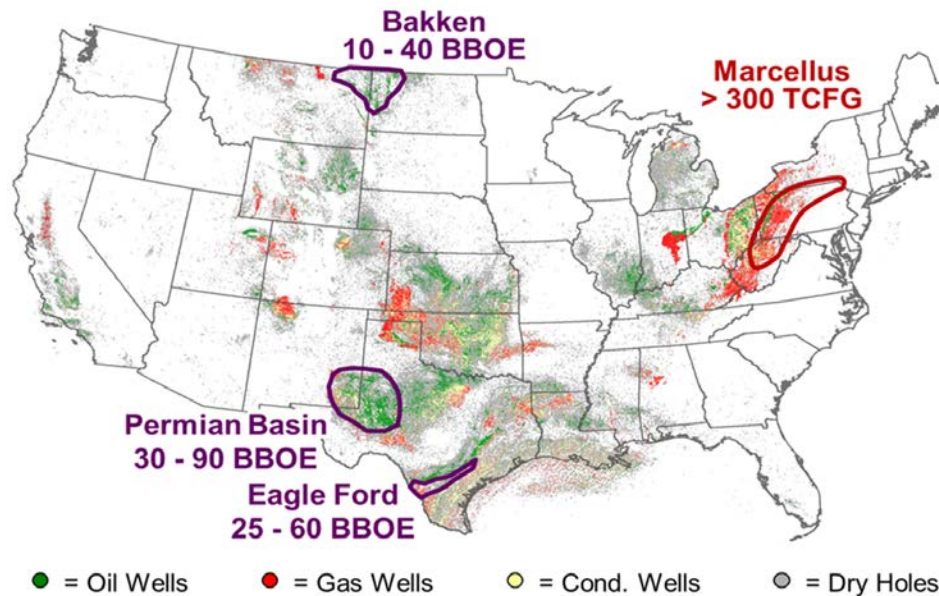
Alaska Capex as % of COP Total



**North Slope oil production grew 2% in 2016, the first growth in 14 years.**

Source: Alyeska Pipeline Service Company Press Release December 30, 2016

# Significant Investment Competition



- Oil and gas price environment remains challenging for producers.
  - Less capital available for investment.
  - Companies allocate capital to lowest cost-of-supply projects.

- Alaska must compete against unconventional plays that:
  - Are cheaper to develop and operate;
  - Are closer to market;
  - Have fewer regulatory hurdles.

***Alaska is still opportunity rich, but so is the Lower 48. Alaska's tax policy will play a role in determining if Alaska can continue to attract investment.***

Map shows wells drilled since the start of the 20<sup>th</sup> century; well locations from the US Geological Survey; resource estimates based on publicly available sources and ConocoPhillips estimates.