The U.S. Oil & Gas Renaissance – Alaska’s Role

Resource Development Council
Remarks by Ryan Lance
June 24, 2014
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North America Has New Abundance of Low-Cost Natural Gas

North America Production versus Demand

- U.S. & Canada Demand

Shale Production
Non-Shale Production

Rising shale gas production will soon enable LNG exports

Source: Wood Mackenzie

Source: U.S. Department of Energy, EIA, Annual Energy Outlooks
U.S. is poised to become a net LNG exporter

Source: U.S. Dept. of Energy, Energy Information Administration
Global Natural Gas Prices

Wide divergence between pricing in major markets

Source: Bloomberg
Global LNG Supply/Demand

LNG demand grows rapidly, enabled by increasing supply. High project risks act as barrier to entry and keep market relatively balanced.

- Rising pipe and LNG supply competition beyond 2018 with some constraints
- Significant base decline
- Slippage of projects under way
- Announced LNG projects have substantial execution risks:
  - Reservoir and technical
  - Partner and government alignment
  - Experience and alignment of participants
  - Sales
  - Substantial cost inflation
  - Other above-ground factors

Source: ConocoPhillips
>400 MTPA (52 BCFD) of potential exports filed with authorities

- ~40 export terminals have filed with authorities* in North America
- In the U.S., DOE has permitted 6 projects or ~9 BCFD for non-Free Trade Agreement exports to date
- Sabine Pass is the only project under construction
- Global LNG demand and competing supplies will restrict the number of projects built

*Filed with U.S. Federal Energy Regulatory Commission or Canada National Energy Board
The Shale Revolution Has Spread to Liquids

Liquids production is increasing toward a new record

U.S. Oil Production: Texas and North Dakota Lead the Way

Top 5 U.S. Oil Producing States
(million barrels per day)

Source: U.S. Department of Energy EIA, as of 4/1/2014
The North Slope Story

- Legacy fields (Prudhoe and Kuparuk) made Alaska a major crude oil producer
- Enhanced oil recovery & other cutting-edge technologies help maximize rate & recovery
- As legacy fields declined, space became available for developing new fields
- Investment in new production minimal during ACES
- Improved investment climate now leading to renewed North Slope investment

Source: U.S. Department of Energy EIA and ConocoPhillips
“ELF” Tax Period Encouraged Significant New Production

18 new fields developed, adding over 250,000 BOD to TAPS

Led to several-year flattening of production despite low oil prices

Sources: Alaska Department of Natural Resources and U.S. Department of Energy EIA
Can Alaska’s North Slope Rebound?

- Best opportunities are in legacy fields
  - 28 BBls of light & viscous oil resources remain
  - 32 TCF of natural gas resources

- Technology will play a role

- SB 21, the More Alaska Production Act, is working
  - Encouraging new investment
  - Setting the stage for a world-class LNG project
Since SB 21 Passed, ConocoPhillips Has Taken Action

- **Increased Capital Spending**
  - 2014 Alaska capital budget is $1.7 billion, up 50% from 2013
  - That’s double our average from 2008-2012
  - Added two rigs to Kuparuk rig fleet

- **Announced ~$2 Billion in New Projects**
  - Drill site at Kuparuk (DS 2S) – Targeting approval late 2014
  - Development in NPRA (GMT 1) – Targeting approval late 2014
  - Viscous oil development in Kuparuk (1H NEWS) – Targeting approval late 2014
  - Hundreds of direct & indirect jobs during construction
  - Potential to add 40,000+ BOPD of new oil in 2018
  - AKLNG Project moving forward – State & industry working together

Alaska is Moving in the Right Direction
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