Outlook for Alaska’s Oil and Gas Development

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What I’ll Cover

- ConocoPhillips in Alaska
- Alaska’s Challenges
- CD5, Exploration & Renewal
- Tax Reform is Encouraging New Projects
- Closing Comments
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ConocoPhillips in Alaska Today

- Alaska’s Leading Oil Producer
  - 2013 production: 200,000 barrels of oil equivalent per day

- Alaska’s Largest State Taxpayer

- ~1,200 employees

- ~1,800 contractors average
  - Approximately 3,800 at peak

- Unwavering commitment to environmental, health and safety excellence
Alaska’s Challenges
U.S. Oil Production: Texas and North Dakota Lead the Way

Total U.S. Liquids Production
(million barrels per day)

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

Source: U.S. Department of Energy EIA
“Easy Oil” Is Gone

Challenged oil remains

- Complex, high cost wells
- Smaller reserve targets
- Fault blocks, flank oil
- Satellites, viscous and heavy oil
- Most new wells produce oil AND water
- Facilities handling ~ five times as much water as oil
1981: Kuparuk Waterflood Pressure Maintenance

1981-1986: Gas storage

1985: STP, IWAG, & Frac'ing startups

1988: SSEOR and MWAG startup

1996: NGL import and LSEOR startup

1996: NGL import and LSEOR startup

1997: West Sak startup

2000: Alpine startup

2001: Meltwater startup

2005 and 2011: 3D and 4D seismic

2009+: Coil Tubing Drilling rig

2012: CD5 Sanction

2012+: Steerable drilling liner

Future: Viscous, Low Perm, EOR+, Heavy

STP
North Slope Potential

- Huge Remaining Potential in Legacy Fields:
  - Prudhoe: 12 BBOE remaining oil in place + 26 TCF natural gas
  - Kuparuk: 3.75 BBOE remaining oil in place + 15 BBOE heavy oil

- Remaining Exploration Potential

- Potential AK LNG project

- Realization of Alaska’s North Slope Potential Dependent Upon:
  - Technology
  - Reasonable regulatory environment
  - Reasonable business climate
On-Going Work
CD5, NPRA Exploration, & Renewal
Managing Aging Assets

- $400 million in 2014 capital for Kuparuk renewal projects
  - 14 mile replacement of 30” seawater line
  - Pigging & other projects

- Similar efforts at Prudhoe Bay

- Expect continued significant expenditures to maintain ANS infrastructure
CD5 Development Progress

- CD5: On Schedule – On Budget ~$1 billion

- 2014 Winter Activity Successfully Completed
  - Three smaller bridges complete
  - Final bridge to be completed early 2015
  - Gravel in place

- Employment:
  - ~600 North Slope jobs required during two winter construction seasons
  - Major fabrication activities in Anchorage and Fairbanks

- Drilling start-up planned spring 2015

- First Oil Late 2015 - Estimated Peak Production 16,000 BOPD (gross) in 2016
2014 Exploration – 2 Wells Drilled in Greater Mooses Tooth Unit
Tax Reform is Encouraging New Projects
Two New Rigs Added: Nabors 7ES and Nabors 9ES

**Nabors 7ES**
- Began drilling in May 2013
- Additional production of 2,900+ BOPD gross as of March 30, 2014
- 100 direct and hundreds more indirect jobs

**Nabors 9ES:**
- Began drilling development wells in late January 2014
- 100 direct and hundreds more indirect jobs
Kuparuk Drillsite-2S (Shark Tooth)

- New Drillsite development in the southwestern periphery of the Kuparuk reservoir
- Targeting an undeveloped section of Kuparuk formation
- Peak workforce during construction: over 230 jobs in 2015
- Approximate cost to develop: ~$600 million (gross)
- Estimated peak production: 8,000 BOPD (gross)
- Field work and pad construction ongoing
- Targeted for approval October 2014
- First oil targeted in late 2015
Greater Mooses Tooth 1 (GMT1) – Development Overview

- **Project Summary**
  - Estimated cost - $900 million gross
  - First oil proposed late 2017 – peak rate ~30,000 BOPD gross
  - Estimate 500+ jobs during construction

- **Proposed Facilities**
  - 8-mile gravel road with 2 bridges
  - 11.8 acre gravel well pad
  - Pipeline, valve pads, power and communication infrastructure

- **Proposed Drilling**
  - Drill and complete 8 wells (3 producers and 5 water/miscible gas injectors)
  - Potential for additional wells development

- **Project Status**
  - Applied for development permits in July 2013
  - Project approval target 4Q 2014
  - Draft Supplemental EIS public comment period closed in April 2014
Nine-acre extension of Drill Site 1H

Additional surface facilities, ~19 new wells

Permits filed; anticipate funding request in late 2014

Approximate cost to develop: ~$450 million (gross)

First oil 2017; estimated peak production: 9,000 BOPD (gross)

Peak workforce during construction ~150
Setting the Stage for the AK LNG LNG Project

- BP, ConocoPhillips, ExxonMobil, AGDC and TransCanada working together to progress Alaska LNG project - $45 to $65 billion gross

- LNG plant site in Nikiski

- Significant benefits to Alaska

- Incentivizes exploration and long term North Slope investment

- Healthy oil business promotes the viability of North Slope gas project
2014 is a Step Change in Investment in Alaska
Alaska is Moving in the Right Direction

- COP plans for ~$2 billion in new investments through 2017
- Potential for thousands of jobs
- COP operated potential new oil
  - ~40,000 BOPD in 2018;
  - ~50,000 BOPD with CD-5
- Stemming the production decline
- Progress on the AK LNG project
- SB21 provides improved economic outlook for the state

Oil tax reform is key to realizing the potential of the North Slope - both oil and gas
Questions?