REPORT ON THE ESTIMATED LIFE OF THE
ALASKA NORTH SLOPE PROVEN OIL RESERVES

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INCLUDES CONFIDENTIAL AND HIGHLY CONFIDENTIAL INFORMATION

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statute. It would be improper and inconsistent with the Statute to truncate the production forecasts based on a throughput or mechanical capacity constraint for TAPS

1. For tax year 2007 North Slope proven reserves are 8.2 billion barrels. The remaining life of these proven reserves extends through 2075.

2. For tax year 2008 North Slope proven reserves are 7.6 billion barrels. The remaining life of these proven reserves extends through 2075.

3. For tax year 2009 North Slope proven reserves are 7.4 billion barrels. The remaining life of these proven reserves extends through 2075.

A Common Sense Test

I am not aware of any oil basin that was shut in or quit producing when production rates, which had been higher, dropped below 200,000 b/d. I am also not aware of any major oil pipeline that was shut down or quit operating when throughput rates, which had been higher, dropped below 200,000 b/d.

Assuming a fixed simple 3% annual decline rate in production, the “stranded” reserves between the production rates of 200,000 b/d and 100,000 b/d would be 1.26 billion barrels. At an assumed wellhead value of $75/bbl, these reserves would be valued at 94.6 billion dollars. I cannot imagine that a prudent operator would strand these reserves based on a transportation constraint that could be remedied.

8. Summary

Summary

The Platt production forecasts presented in this report meet the definition of proven reserves in the statute. These production forecasts are still conservative, in that they do not include future production from (1) yet to be discovered oil fields, (2) a majority of the oil in place in the viscous and heavy oil reservoirs already delineated on the North Slope, (3) future reserve growth in existing fields, (4) the Federal Outer Continental Shelf (OCS) Beaufort Sea adjacent to the North Slope, except for a small portion of the now-producing NorthStar field and the soon-to-be producing Liberty field, and (5) ANWR.

It is important to again emphasize the earlier comments on “the timing of production” and “the estimated life of TAPS.” Future North Slope oil production is not a question of “if” but of “when.”

North Slope operators, except for Pioneer, are multi-national, integrated oil and gas companies. Even Pioneer is a multi-national “independent” oil and gas company. All these companies have
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worldwide projects and priorities to balance, and not just Alaska or North Slope projects to develop and produce.

These large companies have:

1. Limited numbers of staff;
2. Limited numbers of support contractors to draw on; and
3. Only so many dollars available to spend in any given year.

In addition, North Slope projects:

1. Require long lead time and often specialized equipment;
2. Face challenging logistics and supply-chain issues; and
3. Require permitting efforts that can take many years to complete.

So, North Slope development and production projects:

1. Do not move forward as fast as theoretically possible;
2. Are slower to move forward, as compared to other projects in say, for example, Kansas; and
3. Are often completed in phases or in smaller, more-manageable pieces.

This metered pace of development, at times, frustrates Alaska state officials and other oil and gas lessors, but it is a deliberate and very well-managed process. For better or worse, it is how many multi-billion dollar companies run their businesses. Projects and project phasing are optimized for maximum profit and efficiency.

I expect North Slope oil production will continue for many, many years to come. Production will continue at least through 2075. Adjustments will be made, if needed and as necessary, to the TAPS facilities, infrastructure, and operating practices to accommodate any challenges arising from lower oil flow rates in future years. I do not believe that the North Slope lessees will shut in or strand 200,000 b/d or even 100,000 b/d of North Slope oil production as a result of any potential “low flow” challenges associated with TAPS. Additionally, I do not believe that the people of Alaska would allow the waste or stranding of this precious natural resource.

The North Slope lessees and the TAPS operator have tremendous resources of talent and capital available to them to remedy any technical challenges associated with transporting oil in TAPS at lower flow rates.
9. Conclusion

Conclusion

1. For tax year 2007, the North Slope proven reserves are 8.2 billion barrels. The remaining life of these proven reserves extends through 2075.

2. For tax year 2008, the North Slope proven reserves are 7.6 billion barrels. The remaining life of these proven reserves extends through 2075.

3. For tax year 2009, the North Slope proven reserves are 7.4 billion barrels. The remaining life of these proven reserves extends through 2075.
Development & Service Wells and Wellbores Drilled (1998 – 2012*)
North Slope: Oil and Gas Only**
by ConocoPhillips Alaska, Inc.

North Slope
Oil and Gas Only

Number of Wells and Wellbores

Total Wells and Wellbores Completed, Suspended or Abandoned = 904 since 1998
**Does not include coal- or shale-bed gas, underground coal gasification, or geothermal

AOGCC

Operator
CONOCOPHILLIPS/ARCO
BP

* Counted on February 14, 2013