Overview

- BP in Alaska – working with the State over 50 years

- Alaska has great resource potential and people

- Under ACES, Alaska is at the back of the line in competition for investment

- HCS CSSB 21(RES) meets the Governor’s four principles and will put Alaska back in the game of oil investments
BP in Alaska – 54 years, and counting…

BP presence in Alaska since 1959

- **Operating area**
  - 250 miles north of the Arctic Circle
  - 1200 sq. miles (approximately the size of Rhode Island)
  - Prudhoe Bay Unit, Endicott, Milne Point, Northstar

- **People**
  - 2,300 BP Alaska employees
  - 6,000 contract employees

- **Facilities (start-up 1977)**
  - 11 major production facilities
  - 2 major gas facilities
  - 3 water handling facilities
  - 2000 production/injection wells

- **Prudhoe Bay**
  - Original production estimate ~9.6 billion barrels
  - Cumulative production has exceeded 12 billion barrels
  - More than 2 billion barrels remaining
  - Largest field in North America – 35 years
  - COP ~36%, XOM ~36%, **BP ~26%**, CVX ~2%
Estimated Capital Spending for Exploration and Development
Alaska North Slope vs. U.S. and Worldwide Spending*
2003 - 2012

* North Slope based on tax return information; U.S. based on top 50 public companies; worldwide based on top 75 public companies

Econ One Research
Both conventional and unconventional oil production has grown in the Lower 48.

Source: EIA – Annual Energy Outlook 2013 Early Release, December 5, 2012
Alaska does not compete for investment
Why doesn’t ACES work?

Example at $110 per barrel

- Alaska State Revenue $36
- Federal Income Tax $12
- Deductible Costs $40

$22 – less *non-deductible expenses

* Source: DOR RSB Fall Forecast 2012, for FY 2013

* AS 43.55.165(e)
HCS CSSB 21(RES) versus ACES

ACES

• Progressivity discourages investors
• Links credits to spend
• Complex
• High base rate

HCS CSSB21(RES)

• Eliminates progressivity
• Links credits to production
• Simpler
• Higher base rate balanced with credits
In summary

- TAPS is ¾ empty and ACES has not delivered increased production

- HCS CSSB 21(RES) is a game changer and a signal that Alaska is ready to compete for investment

- The HCS CSSB 21(RES) structure could work:
  - Balances a high base rate with appropriate credits
  - Requires production to earn credits
  - Doesn’t pick winners and losers
  - Provides a foundation for future opportunities