House Finance Committee

HCS SB21

Bob Heinrich, VP Finance
Scott Jepsen, VP External Affairs
ConocoPhillips Alaska

April 8, 2013
Alaska Decline Continues While Lower 48 Continues to Increase

Source: U.S. Energy Information Administration
Alaska Legacy Fields Still Provide Significant Opportunity

Legacy Fields are...
- About 90% of North Slope 2012 production
- Lion’s share of estimated future production
- Key to offsetting ANS decline

Greatest investment opportunity resides in existing legacy fields

*Source: DOR 2009 production forecast 2010 – 2050 volumes
“Easy Oil” In the Legacy Fields Is Gone

- Challenged oil remains
  - Complex, high cost wells
  - Smaller reserve targets
  - Isolated fault blocks, flank oil
  - Satellites and viscous oil
  - Most new wells produce oil AND water
  - Facilities handling ~ three times as much water as oil

- A billion dollars does not go as far as it used to...
  - 2000 Alpine development:
    ~80,000 BOPD
  - 2012 CD-5 Drillsite:
    ~18,000 BOPD
ACES Marginal Industry Share

Government and Industry Marginal Share in Alaska

% Marginal Share

ANS West Coast Oil Price - $/bbl

Based on Fall 2012 Revenue Sources Book data for FY2014
Earnings Per Barrel – ConocoPhillips Alaska and State of Alaska

Source: ConocoPhillips 10-K, 2007-2011; State share is royalties (estimated), production tax, ad valorem tax and state income tax, oil prices are average realized prices by ConocoPhillips on the West Coast.

ACES progressivity takes the upside
ConocoPhillips Capital Allocation

Investment has tripled in the Lower 48

Investment has remained flat in Alaska

Investment flows where investor has upside

Source: ConocoPhillips 10K
Government Take Competitiveness

Alaska Government Take Competitiveness - Comparable Regimes

- US - GOM
- Canada - Nova Scotia
- Brazil
- Canada - Alberta Oil Sands
- HCS SR21 New, 12.5%
- Canada - Alberta Convo.
- US - TX
- HCS SR21 New, 16.7%
- Australia
- US - ND
- UK
- US - LA
- Egypt
- HCS SR21 Existing
- India
- Russia
- US Alaska - ACES Existing Producer
- Malaysia
- Indonesia
- Norway
- US Alaska - ACES New, 16.7%

Alaska Hydrocarbons Fiscal Systems | © PFC Energy | Page 27 | 6 April 2013

PFC Energy
## Changes to ACES to Improve Alaska’s Investment Climate

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<tr>
<th>Objectives</th>
<th>HCS SB21</th>
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<tr>
<td>• Eliminate progressivity</td>
<td>• Slightly progressive tax structure, but significant improvement over ACES</td>
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<td>• Create a flatter tax rate over a broad range of prices</td>
<td>• Addresses tax increase at lower prices relative to ACES (previous CS)</td>
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<td>➢ Producer and State share proportionately as prices fluctuate and margins change</td>
<td>• Hard minimum tax provides more revenue to Alaska at low prices</td>
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<td>• Establish a tax structure creating an attractive investment climate</td>
<td>• 33% base rate is improvement</td>
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<td>➢ Competitive tax rate</td>
<td>• Has increased likelihood that PA expansions will receive the GVR</td>
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<td>➢ Provide the incentives to balance Alaska’s high cost environment</td>
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<td>➢ Incentives for both legacy and new field investments</td>
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### Question – Will proposed changes in ACES lead to increased investment?

New CS creates an environment that we believe will lead to increased investment and additional production.