

# Senate Resources Committee

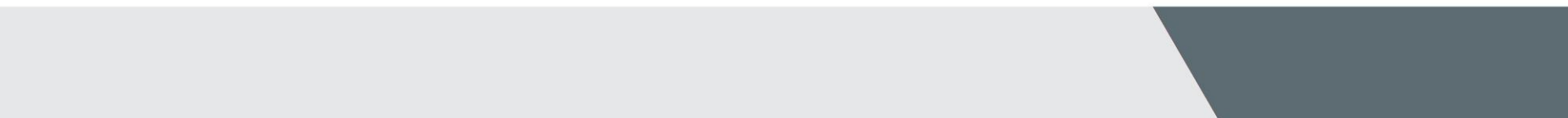
## SB130

Scott Jepsen, VP External Affairs

Paul Rusch, VP Finance

**ConocoPhillips Alaska**

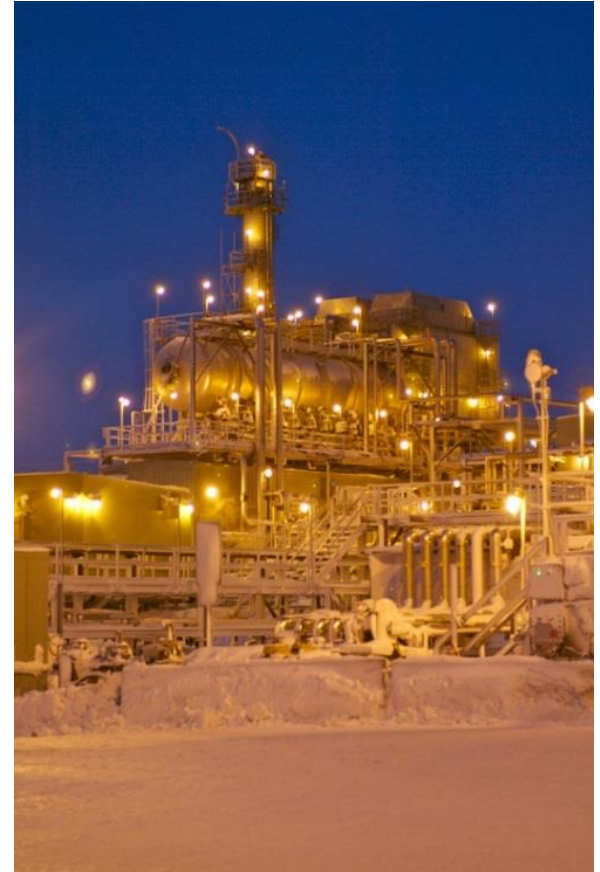
April 8, 2016

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- Look back since SB21 passed
- Economic Environment
- Key Concerns with SB130
- Observations

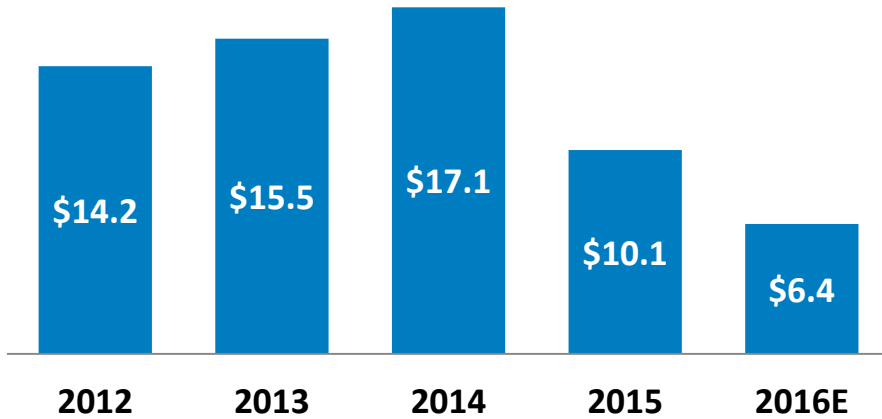
# Activities Since Tax reform (MAPA) Passed

- **Added two rigs to the Kuparuk rig fleet**
  - Investment has decreased Kuparuk Unit decline
- **Two new-build rigs are on order – deliver 2016**
- **New Drill site at Kuparuk (DS 2S) – on stream October 12, 2015**
  - Estimated 8,000 BOPD peak production rate
  - About \$500 million gross cost to develop
  - 250+ construction jobs
- **Viscous oil expansion in Kuparuk (1H NEWS)**
  - About 8,000 BOPD gross, 100+ construction jobs
  - About \$450 million gross cost to develop
  - Under construction – first oil 2017
- **New development in NPRA (GMT1)**
  - Final investment decision made late 2015
  - About \$900 million gross cost to develop; peak gross rate ~30,000 BOPD
  - About 600-700 construction jobs
  - First oil 2018
- **Permitting underway for GMT2**
  - \$1+ billion gross investment
  - Will create 600-700 jobs
- **Active Exploration Program**
  - Two wells drilled in 2014
  - Acquired GMT1 Seismic – 2015
  - Three wells in 2016 (NPRA)



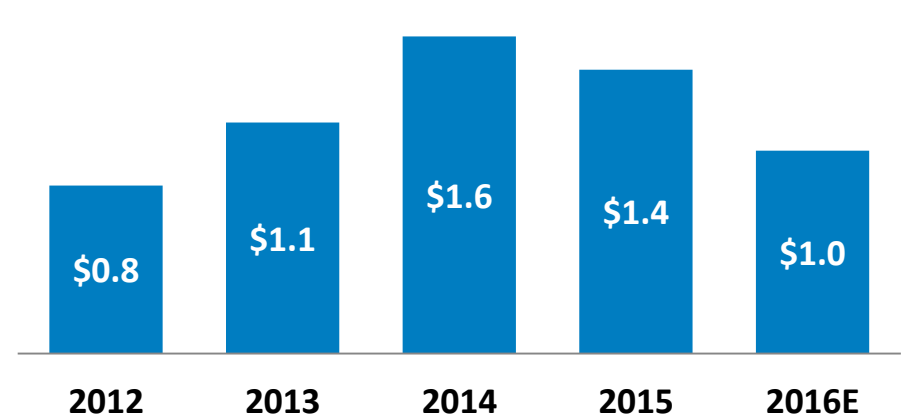
# Capital Spending Trends

ConocoPhillips Capital Spend (\$B)



Total Company capital reduced 63% since 2014

ConocoPhillips Alaska Capital Spend (\$B)

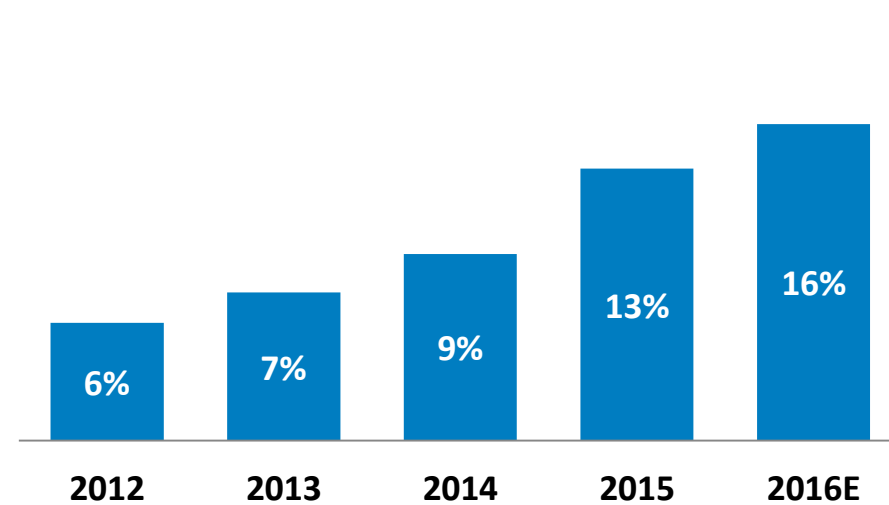


2016E Alaska capex ~ 25% higher than ACES years (~\$0.8 B/yr 2007-2012)

ANS WC Oil Prices (\$/bbl)

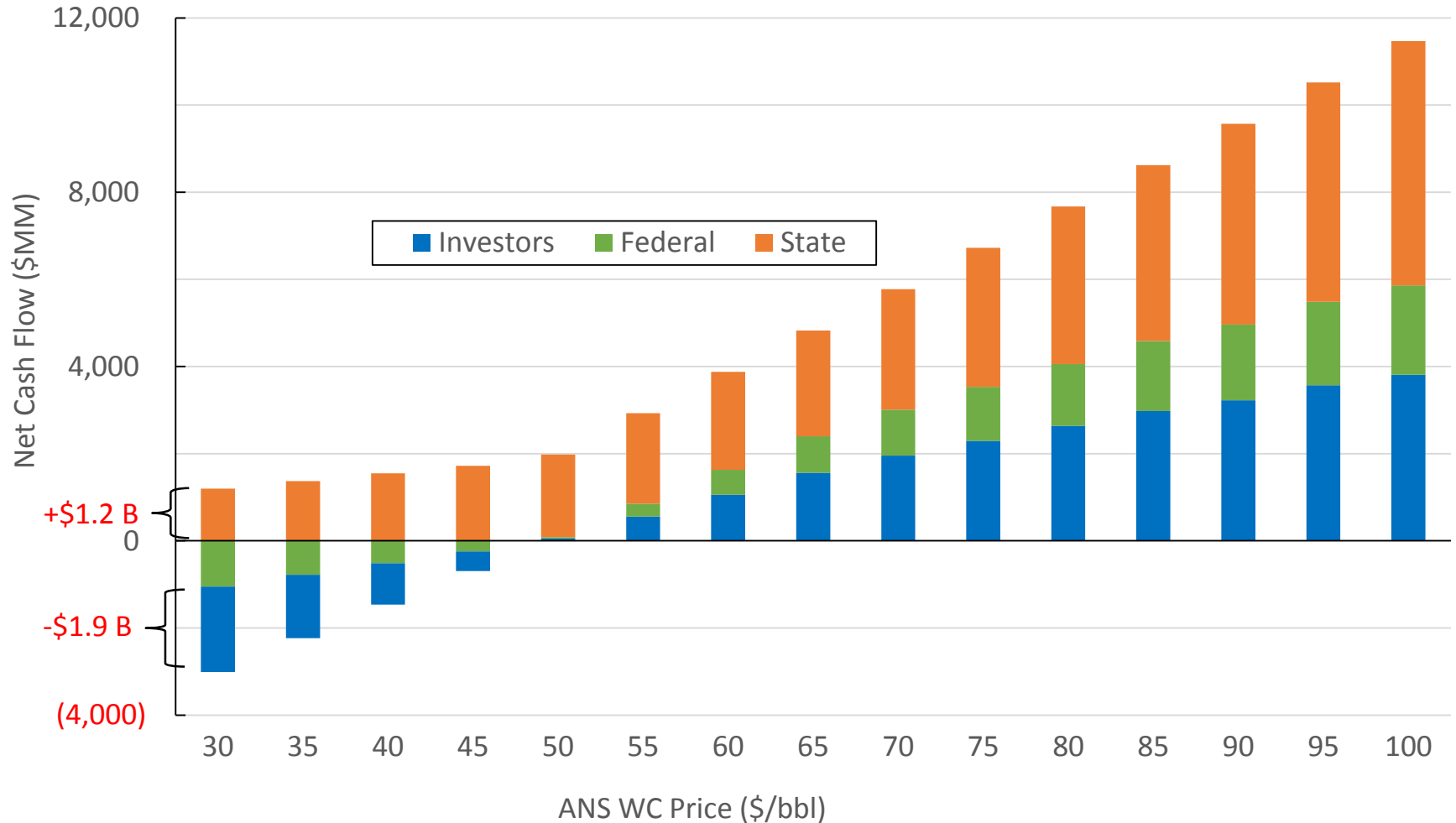


Alaska Capex as % of COP Total



# North Slope Investors Negative at Current Pricing

2017 FY Cash Flow - Spring 2016 RSB assumptions



State share shown excludes tax credits other than production tax credits

# Key Concerns with SB130

- Increase in minimum tax from 4% to 5%
  - 25% tax increase when industry in negative cash flow position
  - ConocoPhillips in excess of \$100 MM cash flow negative in 2015
- Hard minimum tax floor
  - Represents a potential tax increase when oil prices are low – moving in the wrong direction
- Increase interest rate on taxes due
  - Current tax system leads to uncertainty on final tax amount due until audits have been completed
  - Pace of completing audits and appeals (6+ years) leads to excessive interest charges
- Restricting per barrel credits to the monthly installment violates the principle of an annual tax levy
- Taxpayer Confidentiality

- Significant changes in tax law would validate concerns regarding State's ability to implement a stable oil and gas fiscal policy
  - Only 19 months since SB21 ratified by voters
  - Long-term investment requires durable, reasonable fiscal framework
- House Resource CS to HB247 an improvement over original bill
- Any changes that increase tax burden/costs could adversely impact ConocoPhillips current and future investments