Petroleum Production Tax

Update

April 2006

Alaska PPT Legislative Process

Governor Introduces PPT Bill

House

Resource Committee
- Debate & Amend

Finance Committee
- Debate & Amend

Rules Committee
Schedule

Floor Vote

House Bill Moving between Resources & Finance Committees

Senate

Resource Committee
- Debate & Amend

Finance Committee
- Debate & Amend

Rules Committee
Schedule

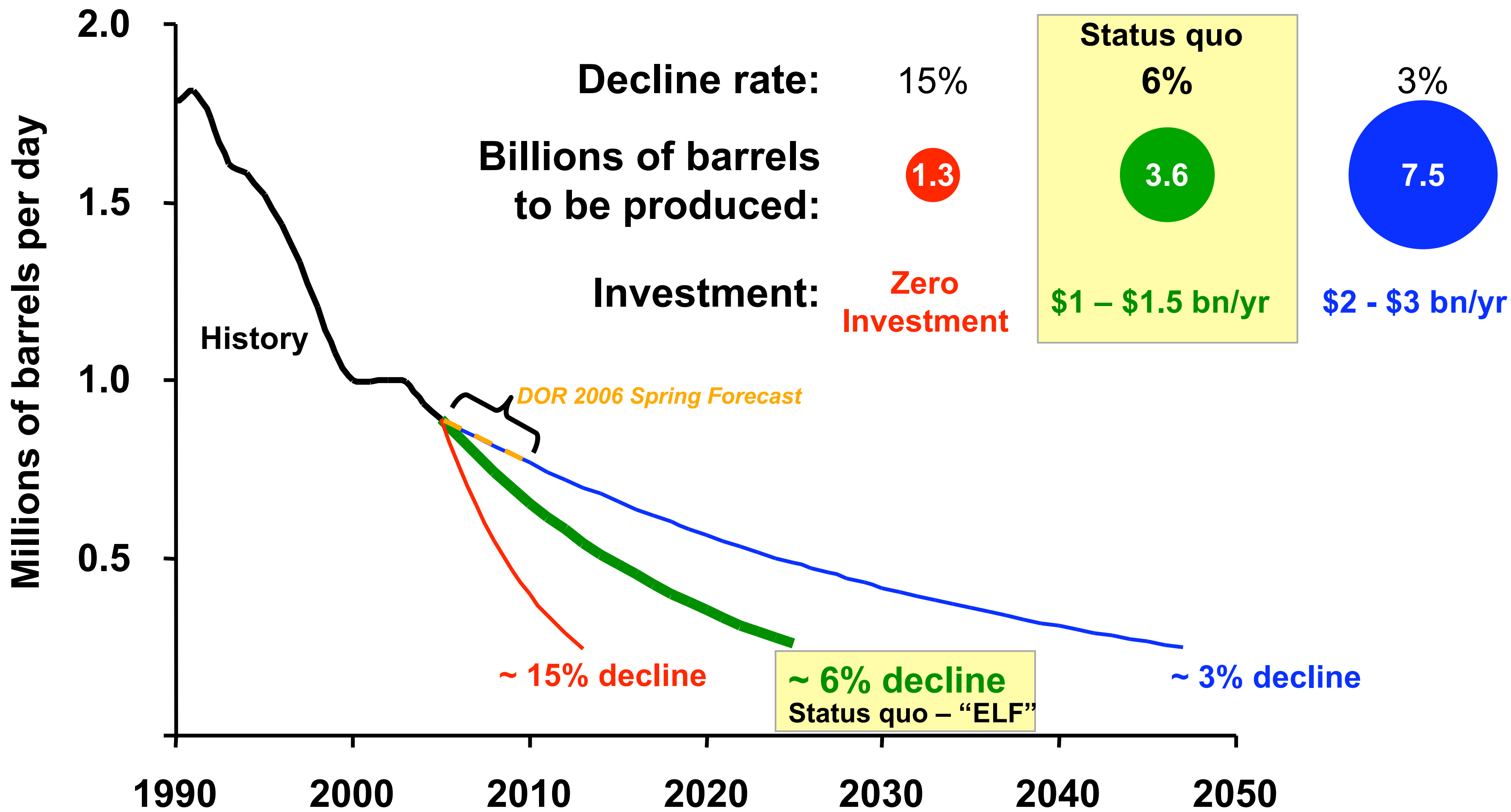
Floor Vote

Senate Bill currently in Resources Committee

Conference Committee
Consolidate/Compromise

Governor
Approves or Rejects

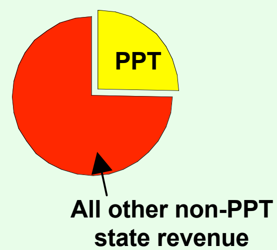
Investment Offsets Decline

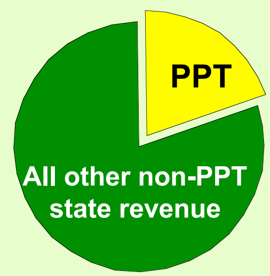


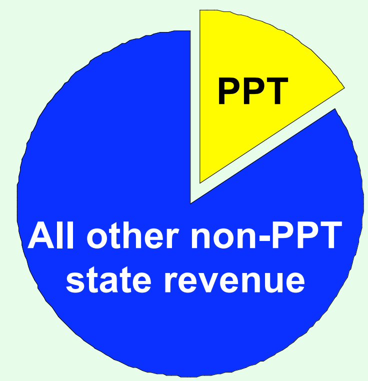
DOR Spring Forecast cannot be met without significant additional investment
The vast majority of that investment must be made in <u>existing</u> fields

Production Drives Revenue

		Status quo	
Decline Rate	15%	**6%**	3%
Produced Barrels	1.3 bn	3.6 bn	7.5 bn
Operating Expenses	$30 bn	$50 bn	$100 bn
Industry Investment	$1 bn	$20 bn	$60 bn
State Revenue *(estimate)* *Assuming 20/20 $40 ANS*	**$10 bn**	**$30 bn**	**$60 bn**



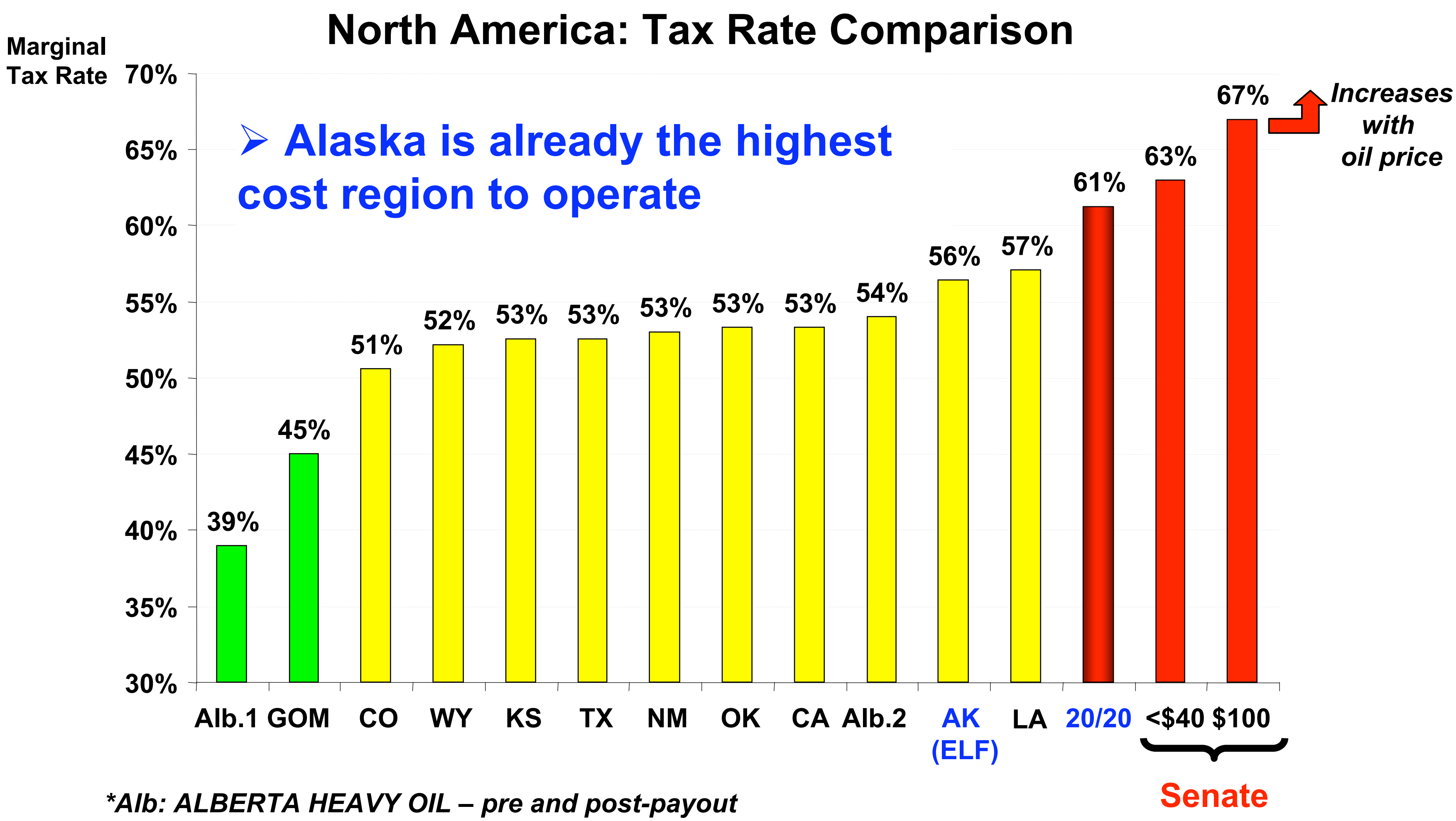




Less investment — More investment

Maximizing State Revenue means maximizing Production

US Marginal Tax Rates



BP data

Alaska will have the highest marginal tax rate

Key Messages

- Alaska has lots of oil & gas but production is declining! Decline is our common enemy!
- Significant additional investment is required to stem decline
- Maximizing production will maximize State revenues and benefits to Alaska
- With a 20% tax rate Alaska will have the highest tax rate & the highest cost structure in the US ……(25% is even worse!)
- The bill as drafted will not maximize benefits to Alaskans
- The UK and Alberta have successfully attracted significant investment and increased production by reducing taxes and are thus great role models