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# ELF Aggregation Decision

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Presentation to The Alliance

Frank Murkowski, Governor

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Alaska Department of Revenue, Tax Division

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# Original Intent of ELF

- Protect marginal fields
  - ◆ Tax should not cause a field to shut-in
  
- Tax base is gross value at wellhead
  - ◆ Downstream costs deducted
  - ◆ Upstream costs covered by ELF proxy
    - Shield the volume of oil required to cover direct operating costs from taxation
  
- With the introduction of field size factor in 1989
  - ◆ Large fields pay higher tax
  - ◆ Small (marginal) fields pay little or no tax

## Fields With Positive ELF

	<b>2005</b>	<b>2008</b>	<b>2011</b>	<b>2014</b>	<b>2017</b>	<b>2020</b>
<b>Prudhoe</b> <sup>(1)</sup>	.8166	.7511	.6910	.6224	.5638	.5250
<b>Orion</b> <sup>(1)</sup>	---	.0005	.0009	---	---	---
<b>Borealis</b> <sup>(1)</sup>	.0398	.0250	.0002	---	---	---
<b>Kuparuk</b>	.1045	---	---	---	---	---
<b>Tarn</b>	.0133	---	---	---	---	---
<b>Schrader Bluff</b>	---	.0040	.0333	.0995	.1019	.0536
<b>Pt McIntyre</b>	.0832	.0377	.0054	.0005	---	---
<b>Alpine</b>	.8197	.8083	.5671	.1881	.0248	.0003
<b>North Star</b>	.8273	.3444	.0021	---	---	---

<b>Tax Free Barrels</b>	51%	62%	60%	68%	77%	81%
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(1) prior to aggregation

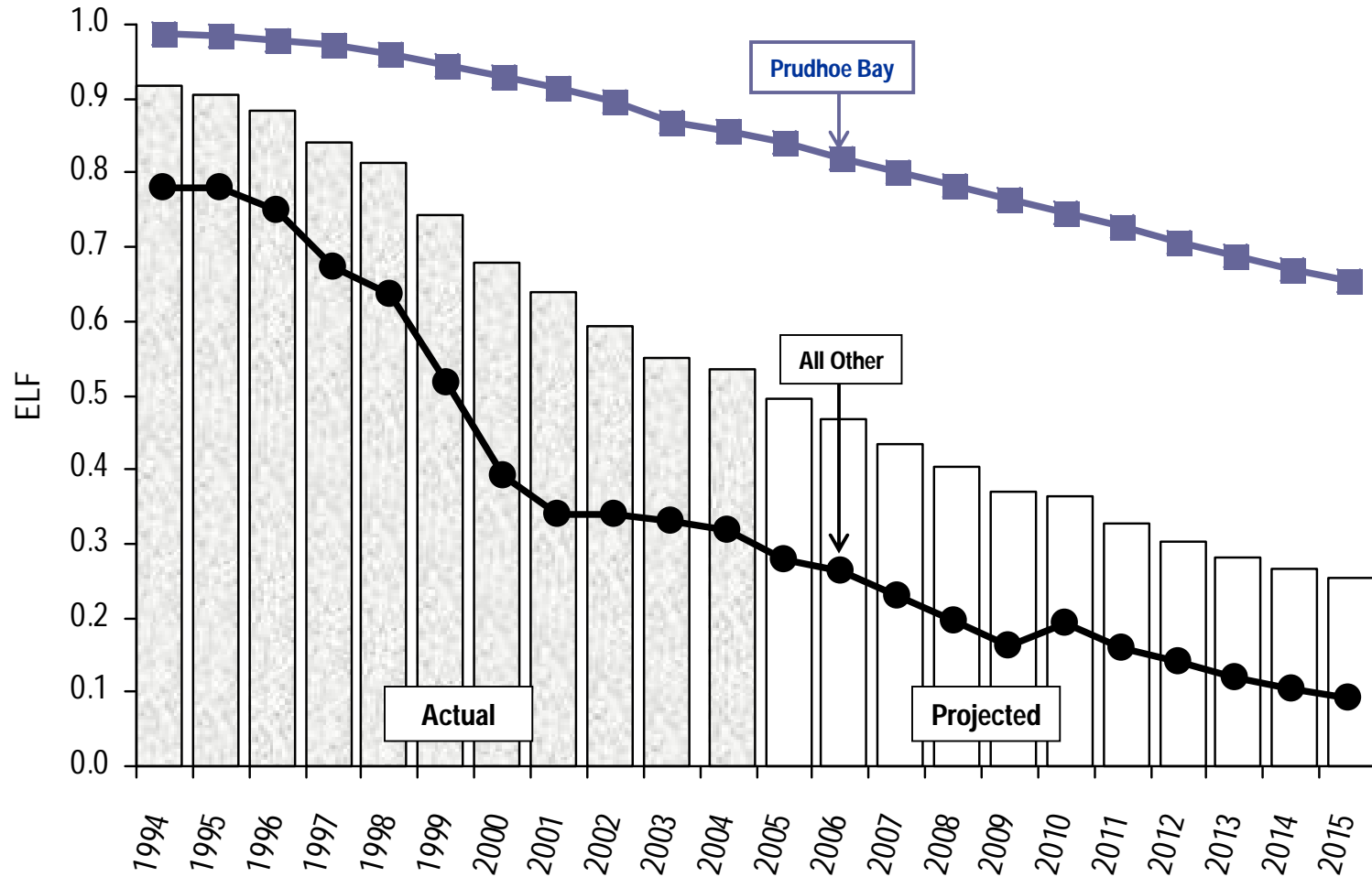
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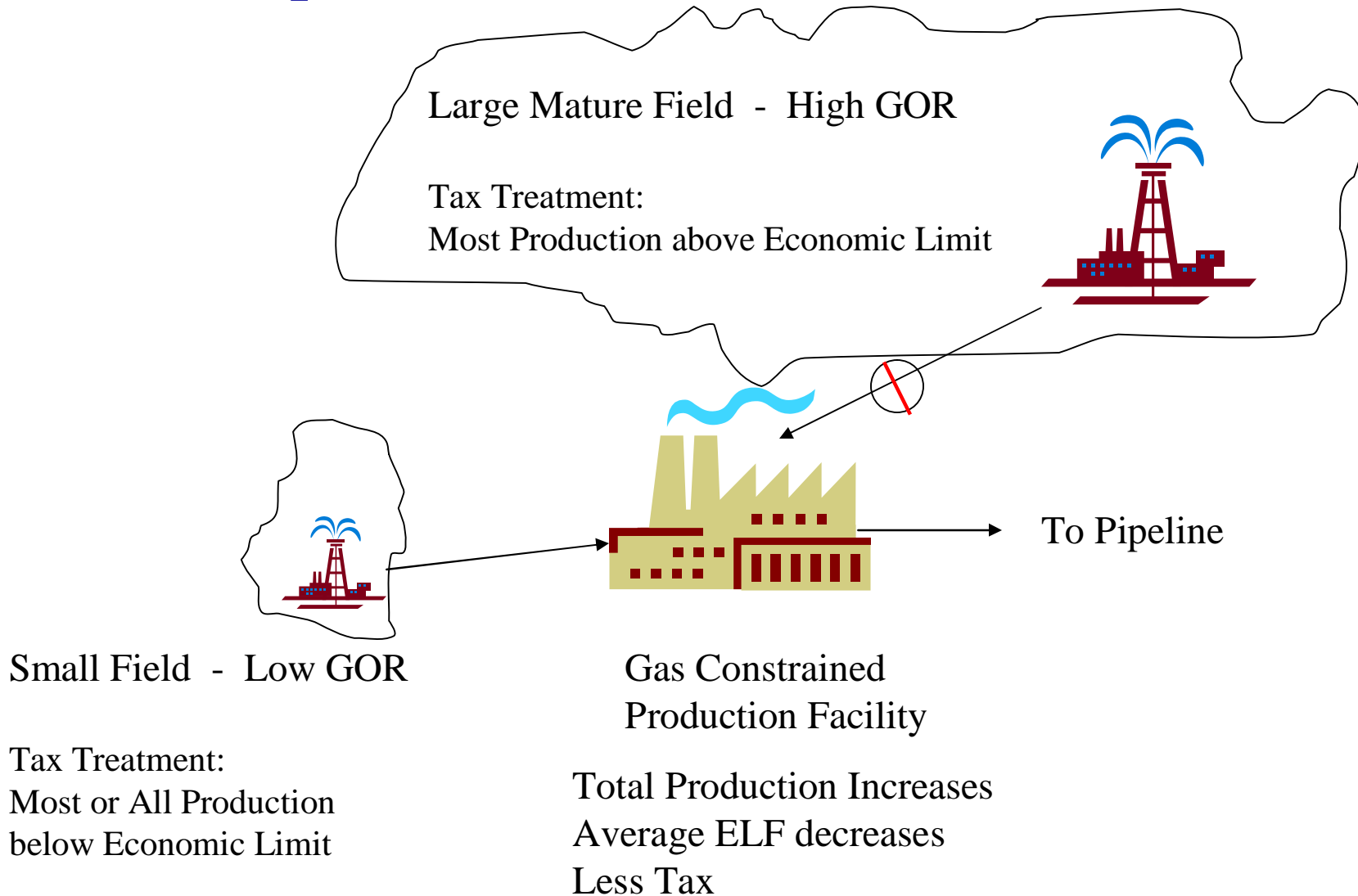


# ELF Forecast & History

(without aggregation)



# Unified Operations: “Best Well” Produces

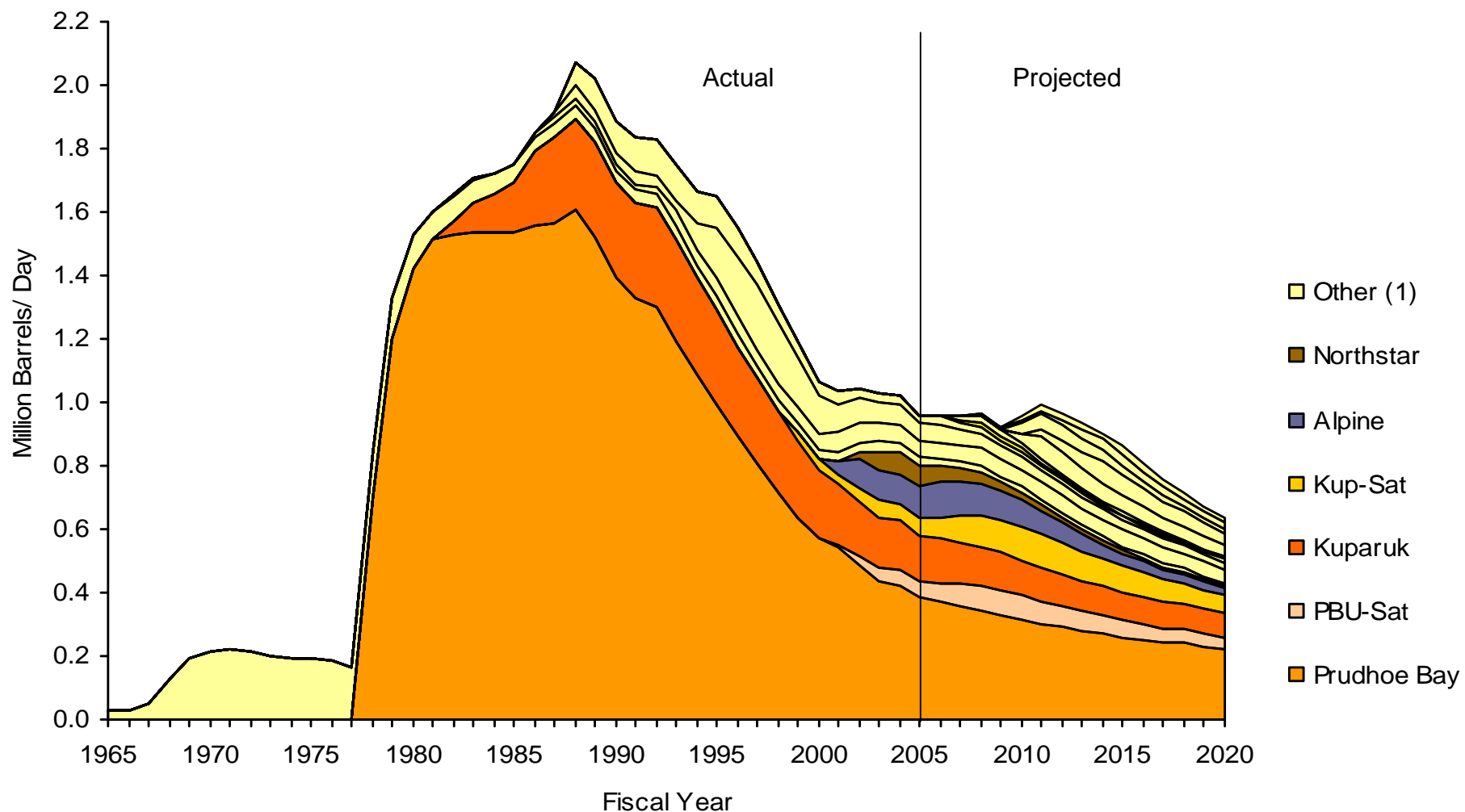


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## Solution: Administrative ELF Change

- Department has discretion under AS 43.55.013 (j) to aggregate certain “leases or properties (or portions of them)...”
  
- Aggregation in Prudhoe Bay Unit
  - ◆ Prudhoe IPA, Midnight Sun, Aurora, Borealis, Pt McIntyre, Orion and Polaris
  
- Prudhoe fields being operated as a single entity

# Alaska Oil Production, 1965 - 2020

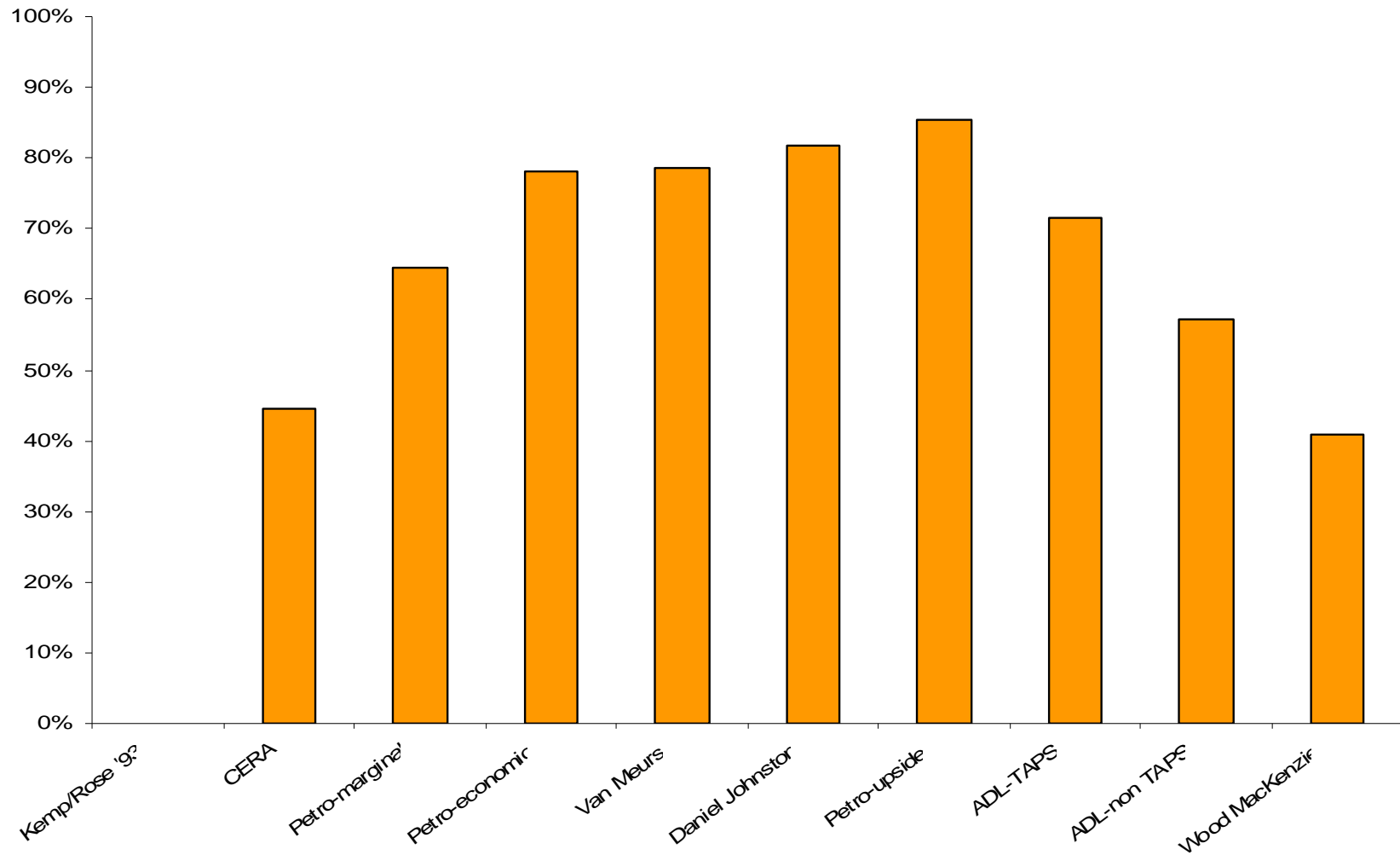


Source: Alaska Department of Revenue, Fall 2004 Revenue Sources Book

(1) Cook Inlet, Duck Island, Milne Point, Greater Point McIntyre, Liberty, Known On & Offshore, Fiord and NPRA.

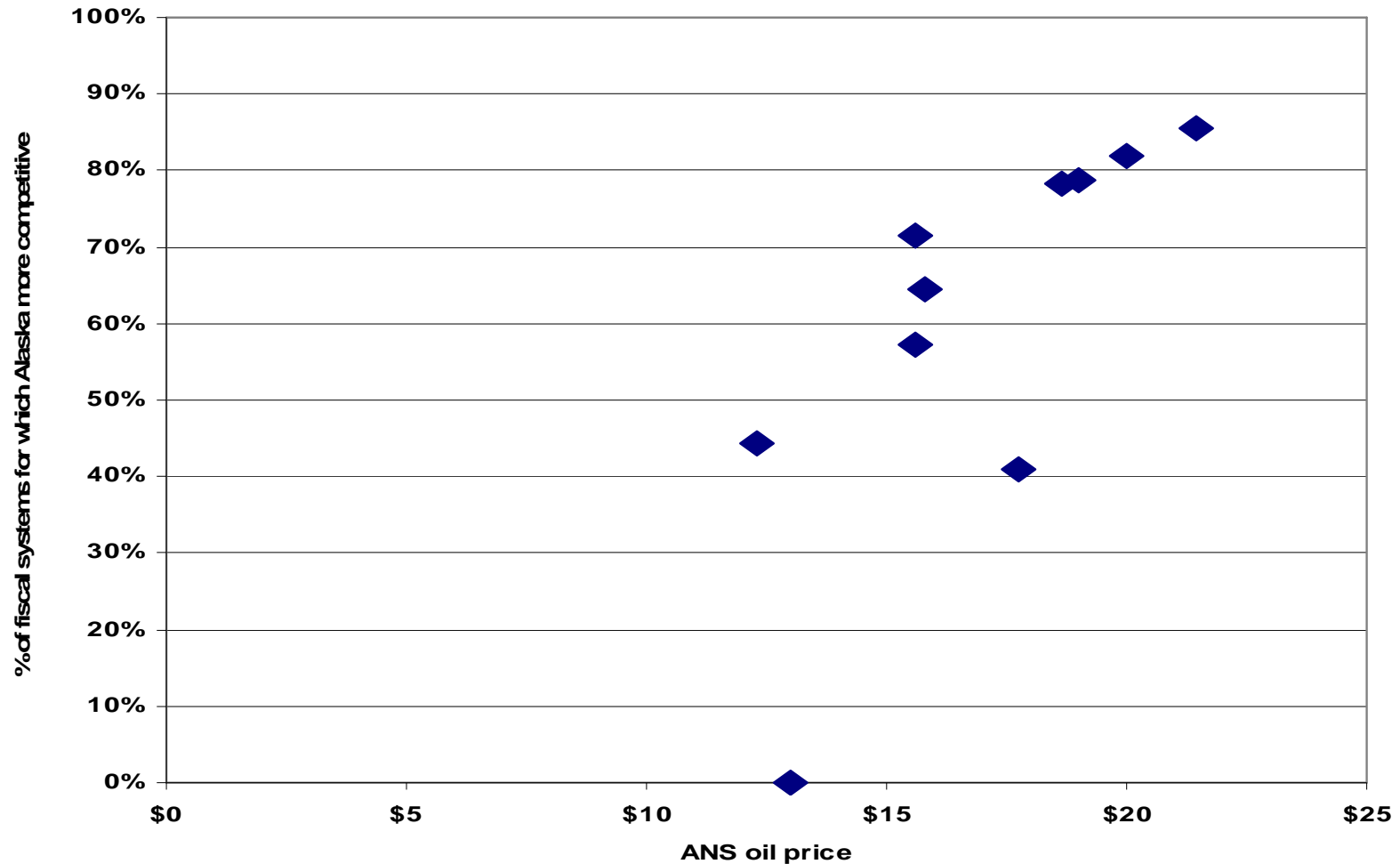
# Most Experts Rate Alaska as Competitive

(100% is most competitive, 0% is least competitive)

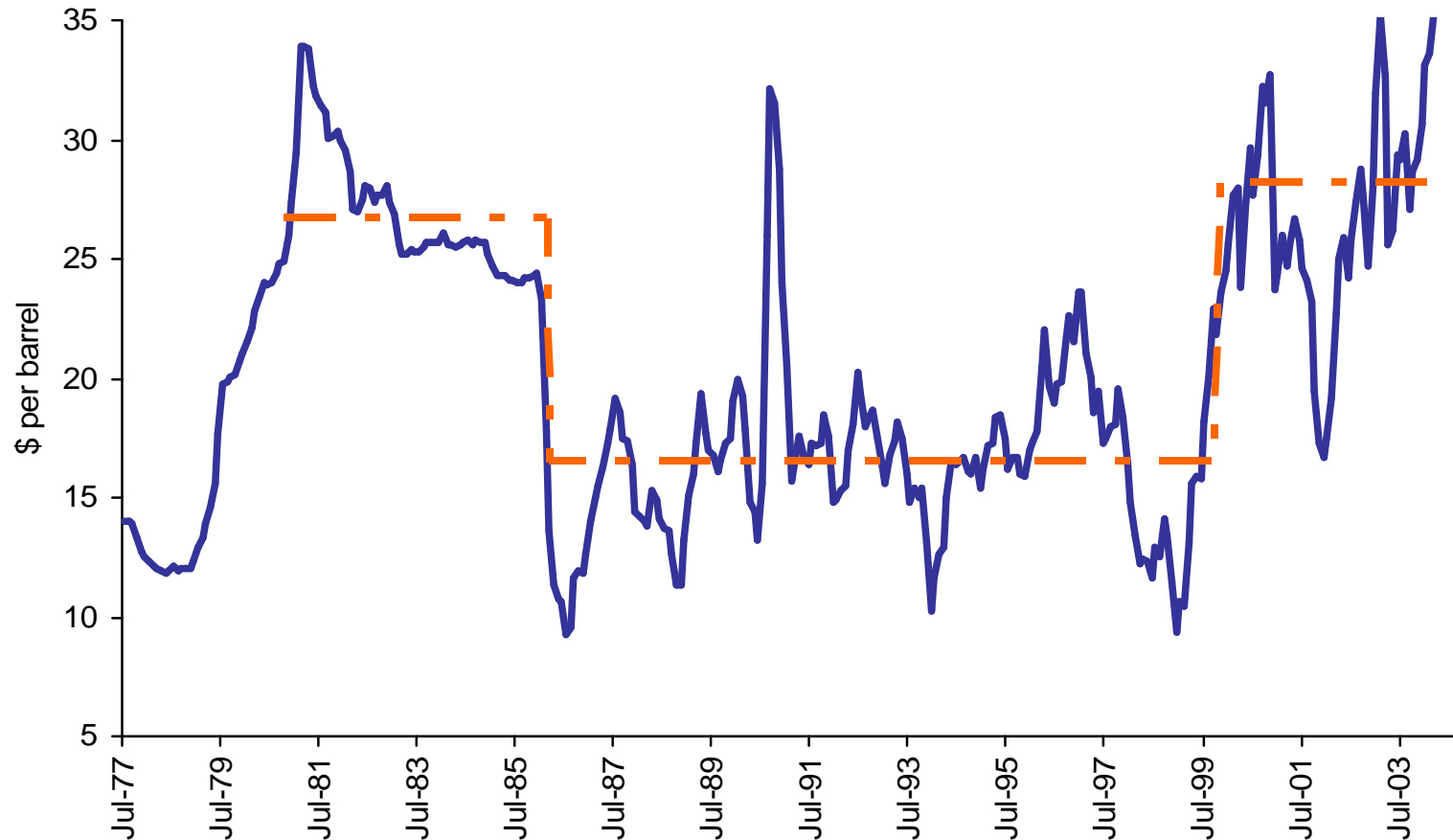




# Alaska's Fiscal System Ranking Dependent on Underlying Price Assumption



# ANS West Coast Price, July 1977 – November 2004



Source: Alaska Department of Revenue, Tax Division