

Alaska's Oil Production Tax: Should There be Reform?

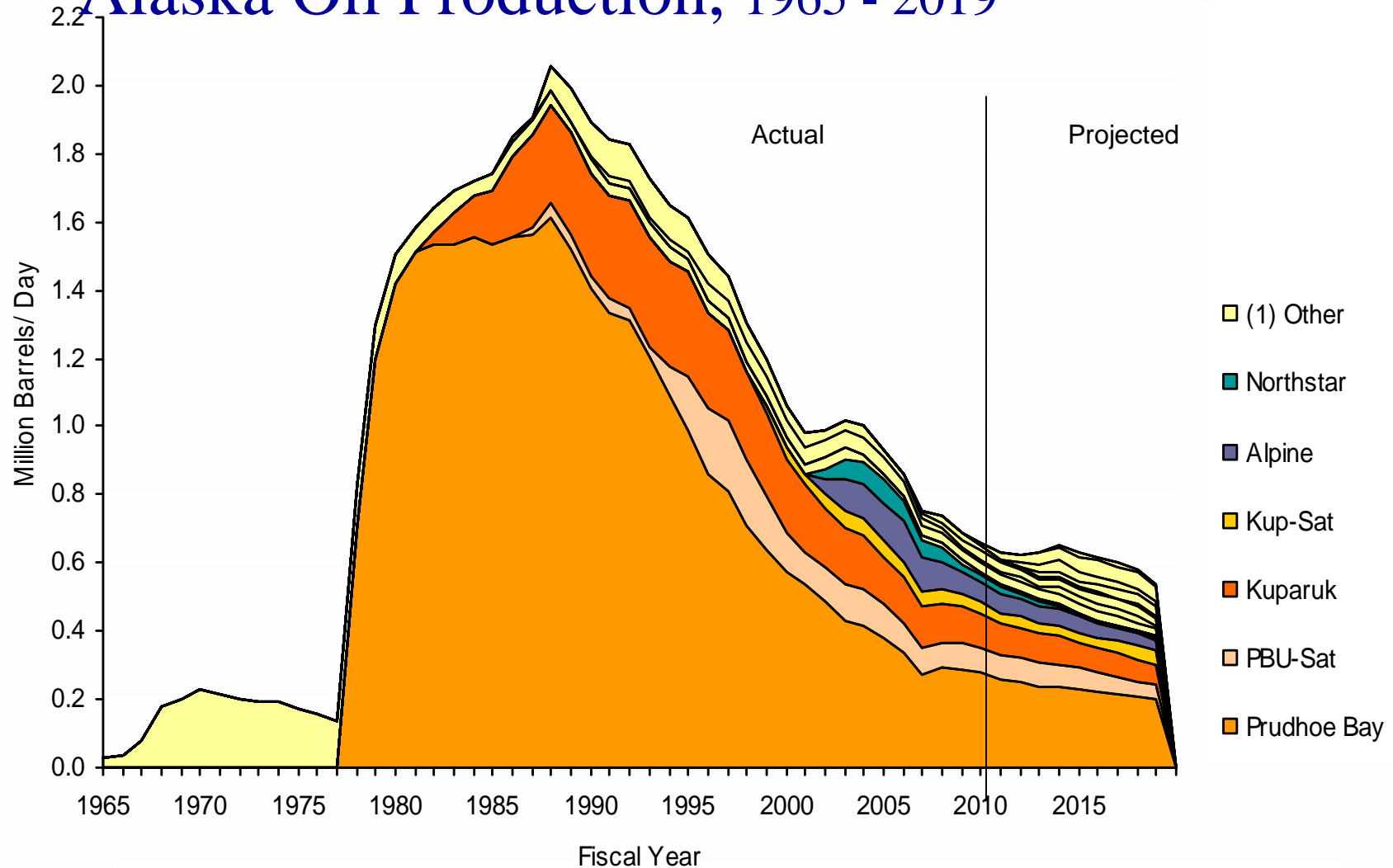
Dan E. Dickinson, CPA

7th Annual Oil & Gas Conference
Anchorage, AK

Sept 21, 2011

1 of 4 Images to set the Stage

Alaska Oil Production, 1965 - 2019



Source: Alaska Department of Revenue, Fall 2009 Revenue Sources Book & Fall 1999 RSB, DNR 2007 Oil and Gas Report
(1) Cook Inlet, Duck Island, Milne Point, Liberty, Pt Thomson, Fiord, Nanuq, Ooguruk, Nikaitchuq and NPRA.

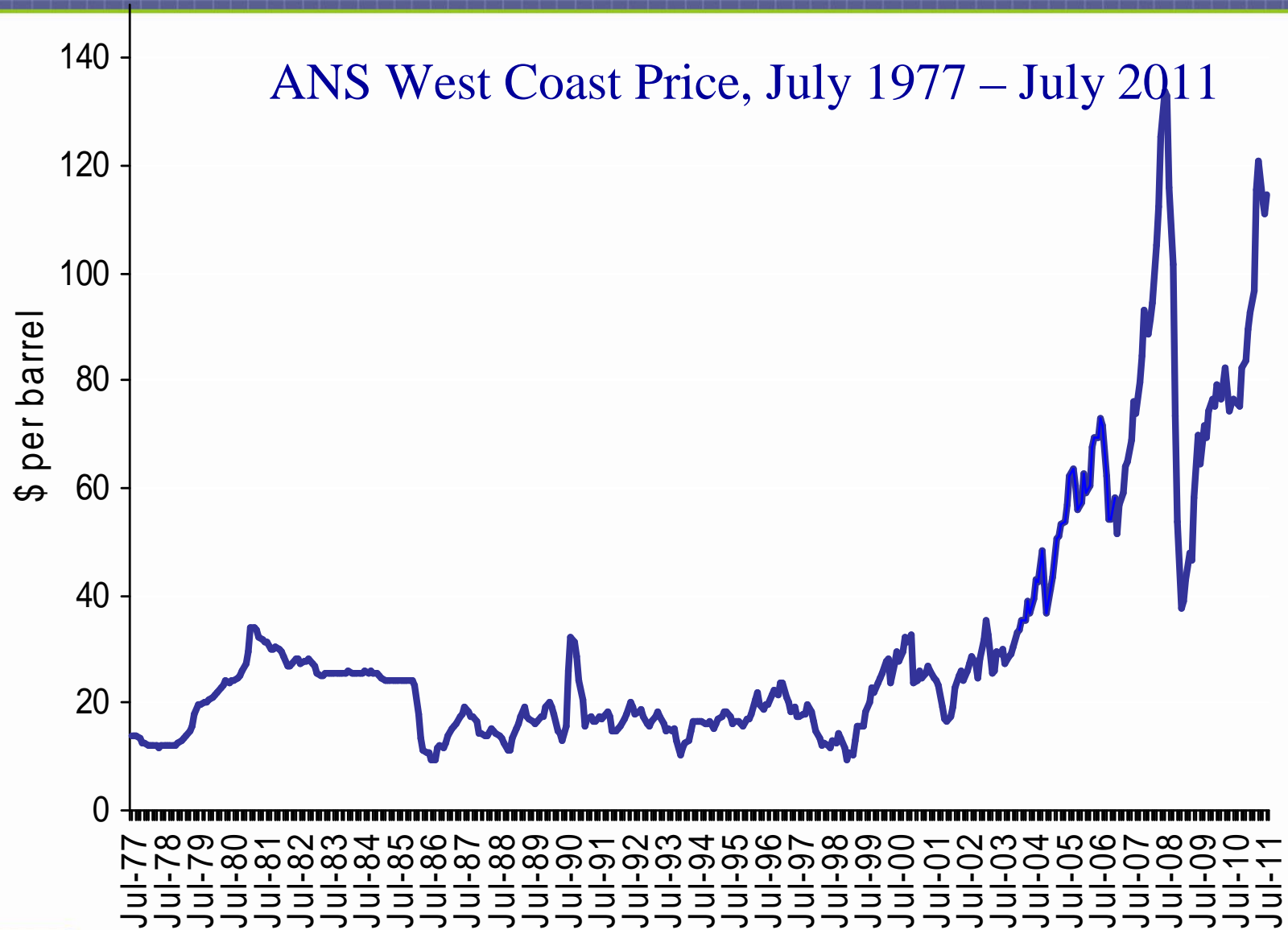
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7th Annual Alaska Oil & Gas Congress: Anchorage AK

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9.21.2011

2 of 4 Images to set the Stage



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Source: Alaska Department of Revenue, Tax Division

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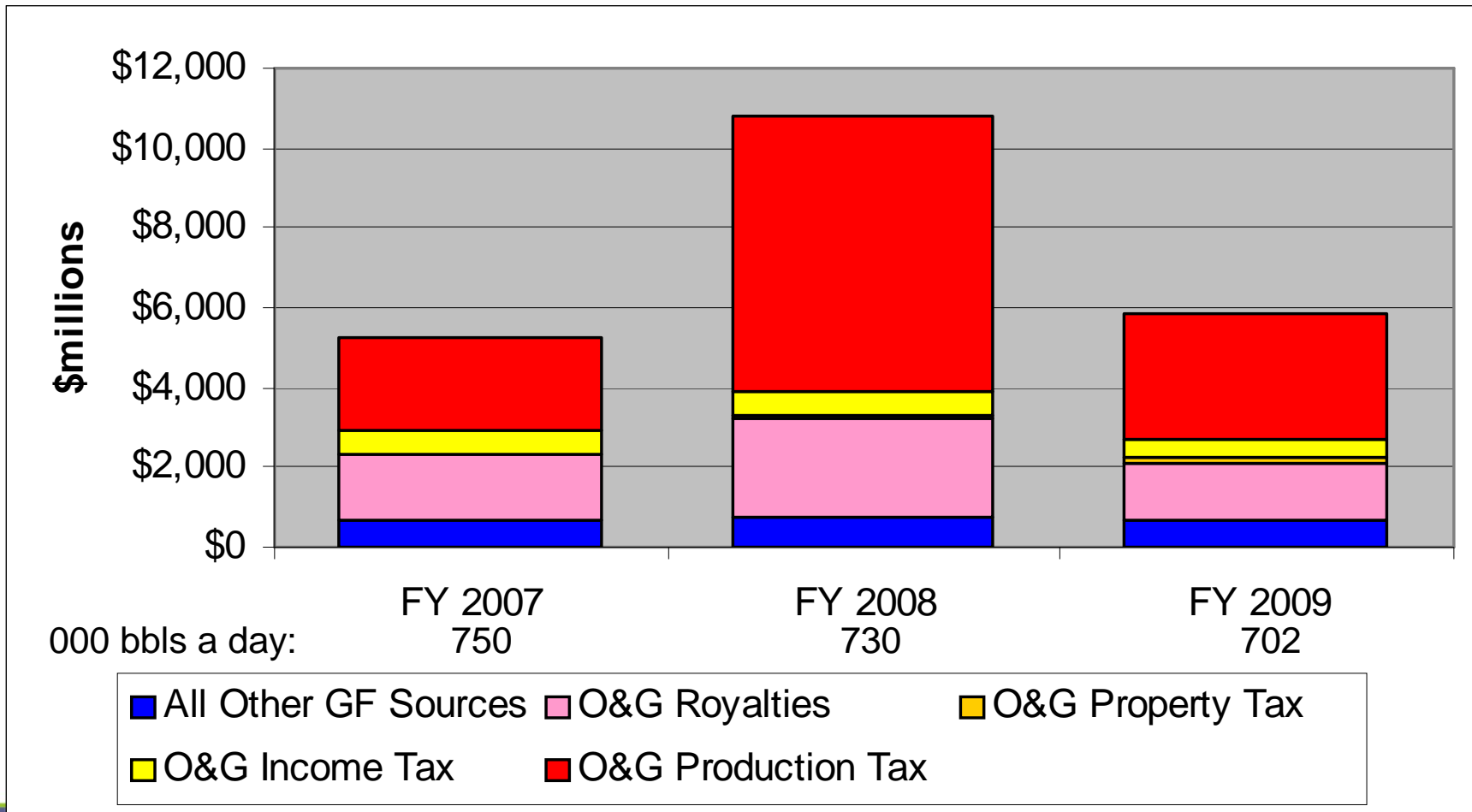
Production Tax - Specifics Matter

- 2003 -Exploration Credits Introduced
- 2006 (PPT) - Switch from Gross to Net
 - Credits expanded to cover investment and losses
 - Progressivity introduced
- 2007 (ACES) - Progressivity rate augmented to .4%/\$ above \$30 a barrel net (i.e. every \$10/bbl increase in net value raises total tax rate by 2.5%)
- 2010 (CIRA) - Credits expanded to cover well work (IDCs & Well Workovers) for Cook Inlet (not North Slope)
- 2011 HB 110 – introduced by Governor, Passed House
 - Credits Expanded to North Slope wells
 - Base rate and progressivity cut back with new “new field” tier that is 10% lower than existing fields

3 of 4 Pictures to Set the Stage

State of Alaska General Fund Revenues

WC ANS price: \$61.63 \$96.51 \$68.34



SOURCE: SOA DOR Fall 2007, Fall 2008 & Fall 2009 Revenue Sources Book

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3 of 4 Pictures to Set the Stage

State of Alaska General Fund Revenues (& WC ANS price)

	FY 2007	FY 2008	FY 2009
Average ANS WC Price/bbl	\$ 61.63	\$ 96.51	\$ 68.34
<i>figures in \$000,000:</i>			
O&G Production Tax	2,292.3	6,879.0	3,112.0
O&G Income Tax	594.4	605.8	492.2
O&G Property Tax	65.6	81.5	111.2
O&G Royalties	1,613.0	2,446.1	1,465.6
O&G Subtotal	4,565.3	10,012.4	5,181.0
All Other GF Sources	675.2	780.0	650.2
Total GF	5,240.5	10,792.4	5,831.2

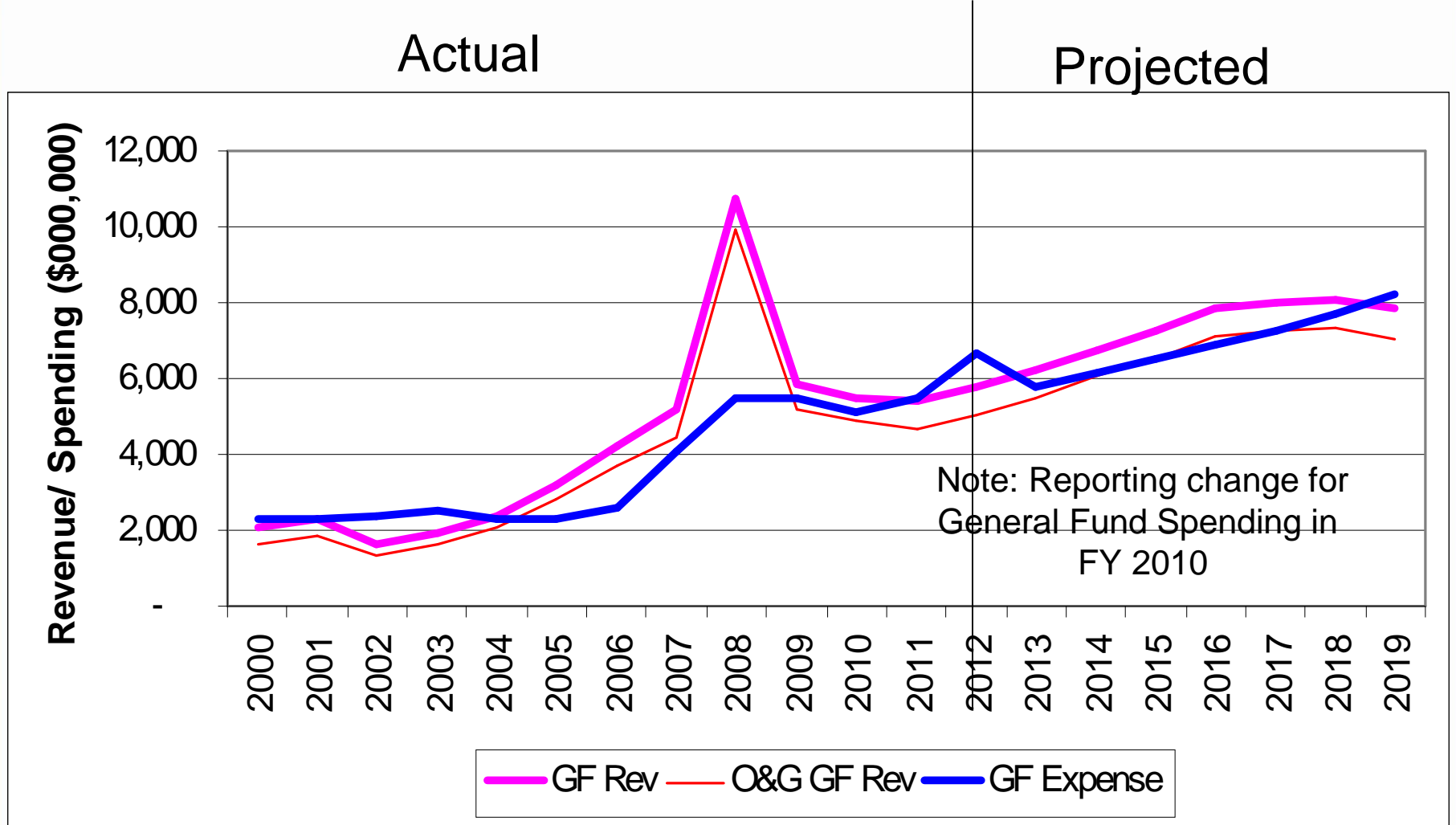
Thousands bbls a day:	750	730	702
O&G as % of State GF Rev	88%	93%	90%

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SOURCE: SOA DOR Fall 2007, Fall 2008 & Fall 2009 Revenue Sources Book

4 of 4 Pictures to Set the Stage

State of Alaska General Fund In/Out



Note: Projected spending is OMB 6% annual increase scenario

Source: Revenues from DOR RSB; actual spending Leg Finance annual Fiscal Summaries; projected Spending OMB 2010 10 year report

Thank You

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