

Alaska's Oil and Gas Taxes

Additional Roundtable Examples

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How did we get here – 4 fold increase in tax UPDATED

| Fiscal Year | Production Taxes | | | X Check | | | | | Royalty | | |
|-------------|---------------------------------|----------------------------------|---|---------------------|-------------|----------------------------------|-----------------------------------|--------------------------|---------------------|--------------------------------|---------------------|
| | Prod Tax Rev (\$ 000 000) | Less CI gas (\$000 000) | Apples to Apples Rev (\$000 000) | 2008\$ / 2004 \$ | WC Price | Million bbls daily Prod | Million bbls annual Prod | Price times volume | 2008\$ / 2004 \$ | Royalty Rev (\$ 000 000) | 2008\$ / 2004 \$ |
| | (A1) | (A2) | (A) | (B) | (C) | (D) | (E) = (D) * 365 | (F) = (C) * (E) | (G) | (I) | (J) |
| 2004 | 651.9 | (24.7) | 627.2 | | 31.74 | 0.999 | 364.6 | 11,573.5 | | 1,056.1 | |
| 2005 | 863.2 | (24.4) | 838.8 | | 43.44 | 0.931 | 339.8 | 14,761.6 | | 1,419.9 | |
| 2006 | 1,199.5 | (33.2) | 1,166.3 | | 60.80 | 0.858 | 313.2 | 19,040.7 | | 1,784.1 | |
| 2007 | 2,208.4 | (6.0) | 2,202.4 | | 61.83 | 0.750 | 273.8 | 16,926.0 | | 1,613.0 | |
| 2008 | 4,940.5 | (6.0) | 6,879.0 | 11.0 | 96.51 | 0.730 | 266.5 | 25,715.1 | 2.2 | 2,446.1 | 2.3 |

Tax Increase attributable to changes in rules= 11.0 /2.2 = 5

*Note: Tax revenues from some North Slope gas sales will be included in revenues with no corresponding volume effect. That adjustment (adding .004 to the daily volume) will not materially affect the outcome. NS NGL are in both vols and \$. Data from Fall 2008 Revenue Sources Book, from Appendix A-4a (royalty sum of royalty & Bonuses etc.), C-2a and B-1a. Cook Inlet Gas adjustment from Fall 2007 RSB, Appendix A-5a (CI data not broken out in Fall 2008 RSB)
Note: Historical volume and price data in Fall 2008 RSB differ from same historical data series in Fall 2007 RSB and earlier.

Combined Progressivity Example 1

| | |
|------------------------------------|-----------------------|
| | Oil Only |
| Daily Vol | 0.7 mmbbls |
| | 365 |
| Annual Volume | <hr/> 255.5 mmbbls |
| Annual Barrel Equivalent | 255.5 Annual Boe |
| ANS Price | \$ 79.72 |
| Transportation to Market | (6.34) |
| Gross Value at Point of Production | <hr/> 73.38 |
| Value times Volume | \$ 18,749 |
| Non Royalty % | <hr/> 87.5% |
| Taxable Wellhead | \$ 16,405 |
| US Costs (millions \$) | 4,337 |
| Taxable Value or PTV (millions \$) | <hr/> <hr/> \$ 12,068 |
| Non Royalty Fraction | 87.5% |
| Taxable volumes | 223.6 |
| Prog Base (taxable value/volume) | \$ 53.98 |
| Less \$30 | <hr/> 30.00 |
| Starting Point | \$ 23.98 |
| Rate per dollar | <hr/> 0.4000% |
| Prog rate | 9.5922% |
| base rate | <hr/> 25.0000% |
| Total Rate | 34.5922% |
| Total (Tax Rate * PTV) | 4,174.6 |

Combined Progressivity Example 2

| | Oil Only | Incremental Gas |
|------------------------------------|------------------|-----------------------|
| Daily Vol | 0.7 mmbbls | 4.2 bcf |
| | 365 | 365 |
| Annual Volume | 255.5 mmbbls | 1533 bcf |
| | | Convert to boe 6 |
| Annual Barrel Equivalents | 255.5 Annual Boe | 255.5 Ann B/e |
| ANS Price | \$ 79.72 | Henry Hub Price 6.08 |
| | | Adj to Alberta (0.75) |
| Transportation to Market | (6.34) | (2.88) |
| Gross Value at Point of Production | 73.38 | 2.45 |
| Value times Volume | \$ 18,749 | 3,756 |
| Non Royalty % | 87.5% | 87.5% |
| Taxable Wellhead | \$ 16,405 | 3,286.4 |
| US Costs (millions \$) | 4,337 | |
| Taxable Value or PTV (millions \$) | \$ 12,068 | 3,286.4 |
| Non Royalty Fraction | 87.5% | 87.5% |
| Taxable volumes | 223.6 | 223.6 |
| Prog Base (taxable value/volume) | \$ 53.98 | \$ 14.70 |
| Less \$30 | 30.00 | 30.00 |
| Starting Point | \$ 23.98 | NO PROG |
| Rate per dollar | 0.4000% | |
| Prog rate | 9.5922% | |
| base rate | 25.0000% | |
| Total Rate | 34.5922% | |
| Total (Tax Rate * PTV) | 4,174.6 | |

Combined Progressivity Example 3

| | Oil Only | Incremental Gas | Combined |
|------------------------------------|------------------|-----------------------------------|----------------------------------|
| Daily Vol | 0.7 mmbbls | 4.2 bcf | |
| | 365 | 365 | |
| Annual Volume | 255.5 mmbbls | 1533 bcf | |
| | | Convert to boe | |
| Annual Barrel Equivalents | 255.5 Annual Boe | 255.5 Ann B/e | 511.00 Ann B/e |
| ANS Price | \$ 79.72 | Henry Hub Price Adj to Alberta | |
| | | 6.08 | |
| | | (0.75) | |
| Transportation to Market | (6.34) | (2.88) | |
| Gross Value at Point of Production | 73.38 | 2.45 | |
| Value times Volume | \$ 18,749 | 3,756 | |
| Non Royalty % | 87.5% | 87.5% | |
| Taxable Wellhead | \$ 16,405 | 3,286.4 | |
| US Costs (millions \$) | 4,337 | | |
| Taxable Value or PTV (millions \$) | \$ 12,068 | 3,286.4 | 15,354.4 |
| Non Royalty Fraction | 87.5% | 87.5% | 87.5% |
| Taxable volumes | 223.6 | 223.6 | 447.1 |
| Prog Base (taxable value/volume) | \$ 53.98 | \$ 14.70 | 34.34 |
| Less \$30 | 30.00 | 30.00 | 30.00 |
| Starting Point | \$ 23.98 | NO PROG | 4.34 |
| Rate per dollar | 0.4000% | | 0.4000% |
| Prog rate | 9.5922% | | 1.7361% |
| base rate | 25.0000% | | 25.0000% |
| Total Rate | 34.5922% | | 26.7361% |
| | | | (Smaller rate times larger base) |
| Total (Tax Rate * PTV) | 4,174.6 | (69.4) | 4,105.2 |

Combined Progressivity Example - Data

DATA:

Base Case: Oil & Gas Prices from 1/26/08 AND

Volumes assumed to be equal, with heating value of one:

Very close to:

DOR RSB for 2008 is .730 a day

TC AGIA Proposal 4.5 bcf a day

US Costs DOR 2008

Adj to Alberta - TC AGIA proposal (page 2.10-5)

Toll: "nominalized levelized toll including fuel"