

Discussion Slides: Alaska Senate Finance Committee

April 9, 2012

Janak Mayer

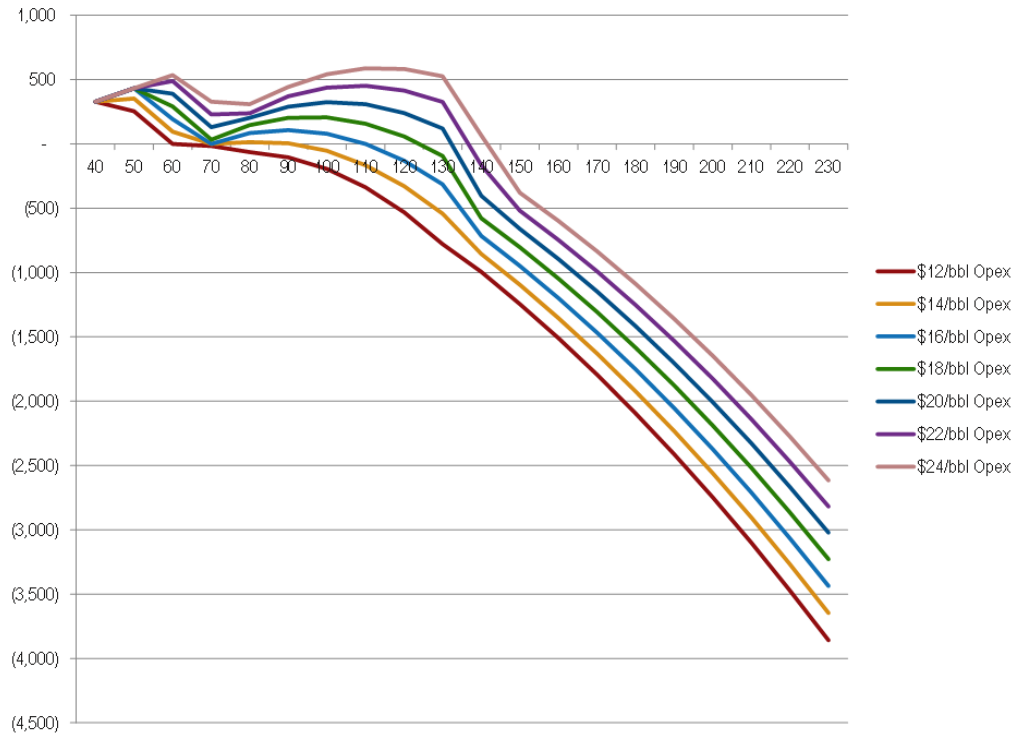
Manager, Upstream & Gas

PFC Energy

Cost Sensitivity – From April 3 Testimony and Discussion

Impact of Rising Operating Costs

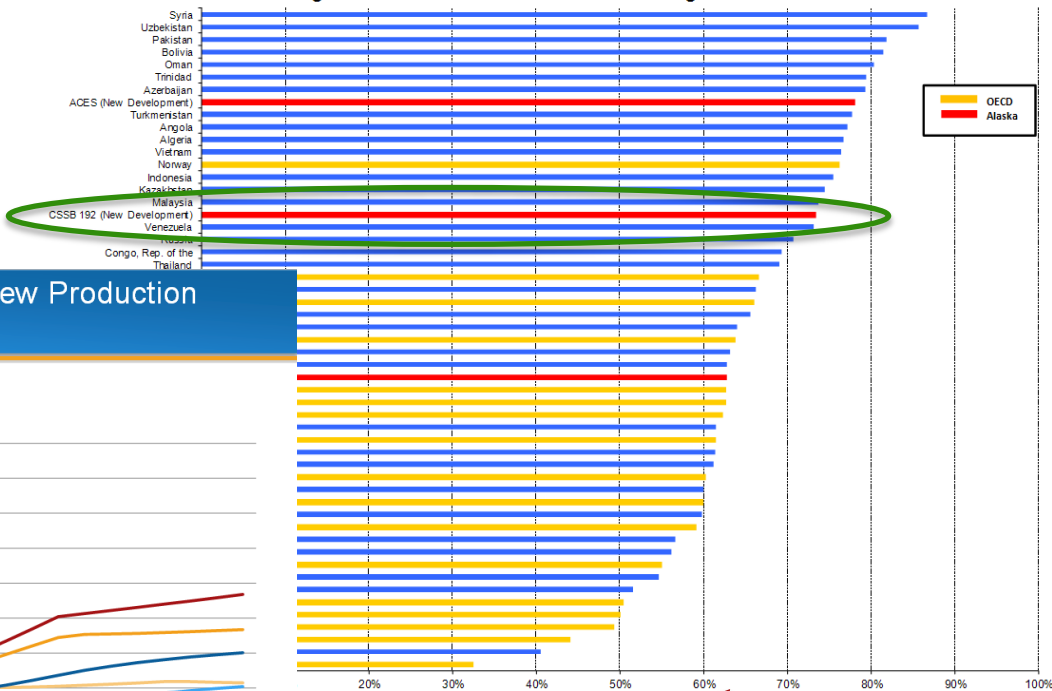
Revenue Difference Between ACES and Progressive Severance Option under Different Opex/bbl Assumptions



FY 2013 v Lifecycle Analysis – Impact of Costs & 7 year Time Limit

Regime Competitiveness: Relative Government Take

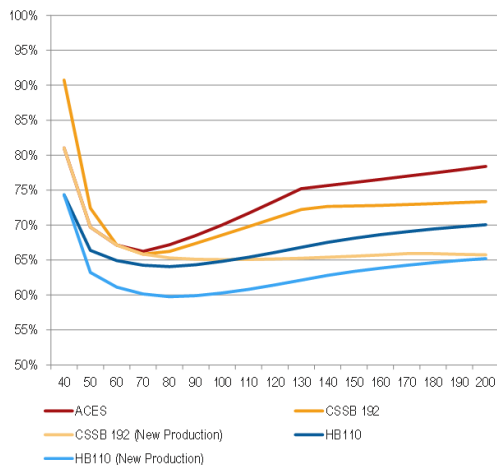
Average Government Take of Global Fiscal Regimes at \$100/bbl



From April 4 Slides

Total Government Take Comparison Including New Production Incentives

FY 2013 % Government Take					
ANS West Coast Oil Price	ACES	CSSB 192	CSSB 192 (New Production)	HB110	HB110 (New Production)
40	81%	91%	81%	74%	74%
50	70%	72%	70%	66%	63%
60	67%	67%	67%	65%	61%
70	66%	66%	66%	64%	60%
80	67%	66%	65%	64%	60%
90	69%	67%	65%	64%	60%
100	70%	69%	65%	65%	60%
110	72%	70%	65%	65%	61%
120	73%	71%	65%	66%	61%
130	75%	72%	65%	67%	62%
140	76%	73%	65%	68%	63%
150	76%	73%	66%	68%	63%
160	77%	73%	66%	69%	64%
170	77%	73%	66%	69%	64%
180	77%	73%	66%	69%	65%
190	78%	73%	66%	70%	65%
200	78%	73%	66%	70%	65%



Percent of indexing to inflation
by 2012 | Page 16 | April 9, 2012

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From April 5 Slides

Some Goals Are Mutually Exclusive

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at \$100+ /bbl
- More even split between state and companies above \$100/\$120 / bbl
- Achieve “meaningful” reform as defined by industry and administration

Some Goals Are Mutually Exclusive

ACES with 40% Cap

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- **Minimize complexity, including need for separate cost accounting**
- Reduce government take on new/incremental production
- **No increases on any taxpayers**
- **Revenue neutral at \$100+ /bbl**
- **More even split between state and companies above \$100/\$120 / bbl**
- Achieve “meaningful” reform as defined by industry and administration

Some Goals Are Mutually Exclusive

ACES with 40% Cap & SB305-style decoupling

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at \$100+ /bbl
- More even split between state and companies above \$100/\$120 / bbl
- Achieve “meaningful” reform as defined by industry and administration

Some Goals Are Mutually Exclusive

HB110

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at \$100+ /bbl
- More even split between state and companies above \$100/\$120 / bbl
- Achieve “meaningful” reform as defined by industry and administration

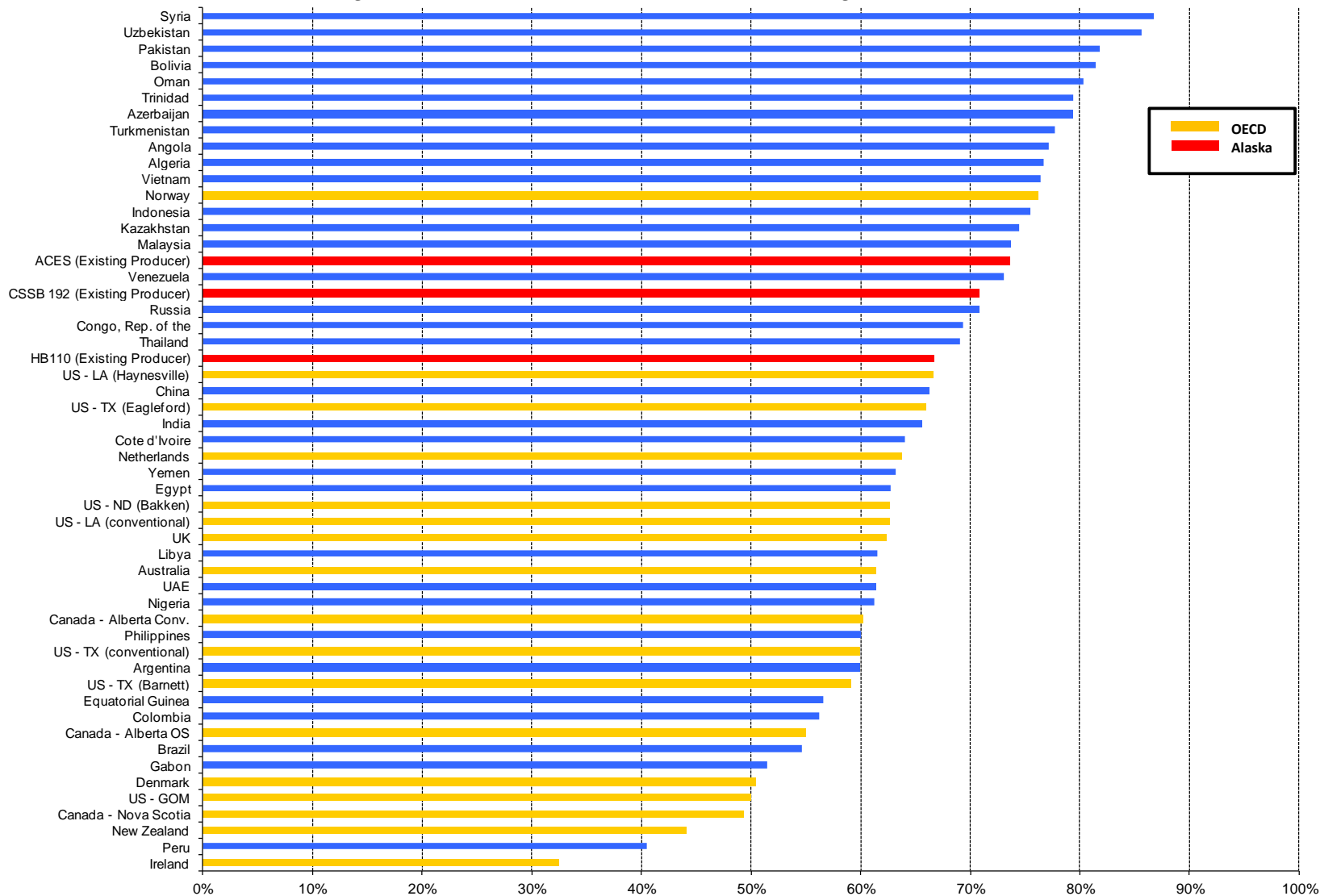
Some Goals Are Mutually Exclusive

CSSB192

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at \$100+ /bbl
- More even split between state and companies above \$100/\$120 / bbl
- Achieve “meaningful” reform as defined by industry and administration

Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$100/bbl



Note: CSSB 192 have not been adjusted for impact of indexing to inflation