WELLS FARGO

Growing Alaska’s Oil Economy

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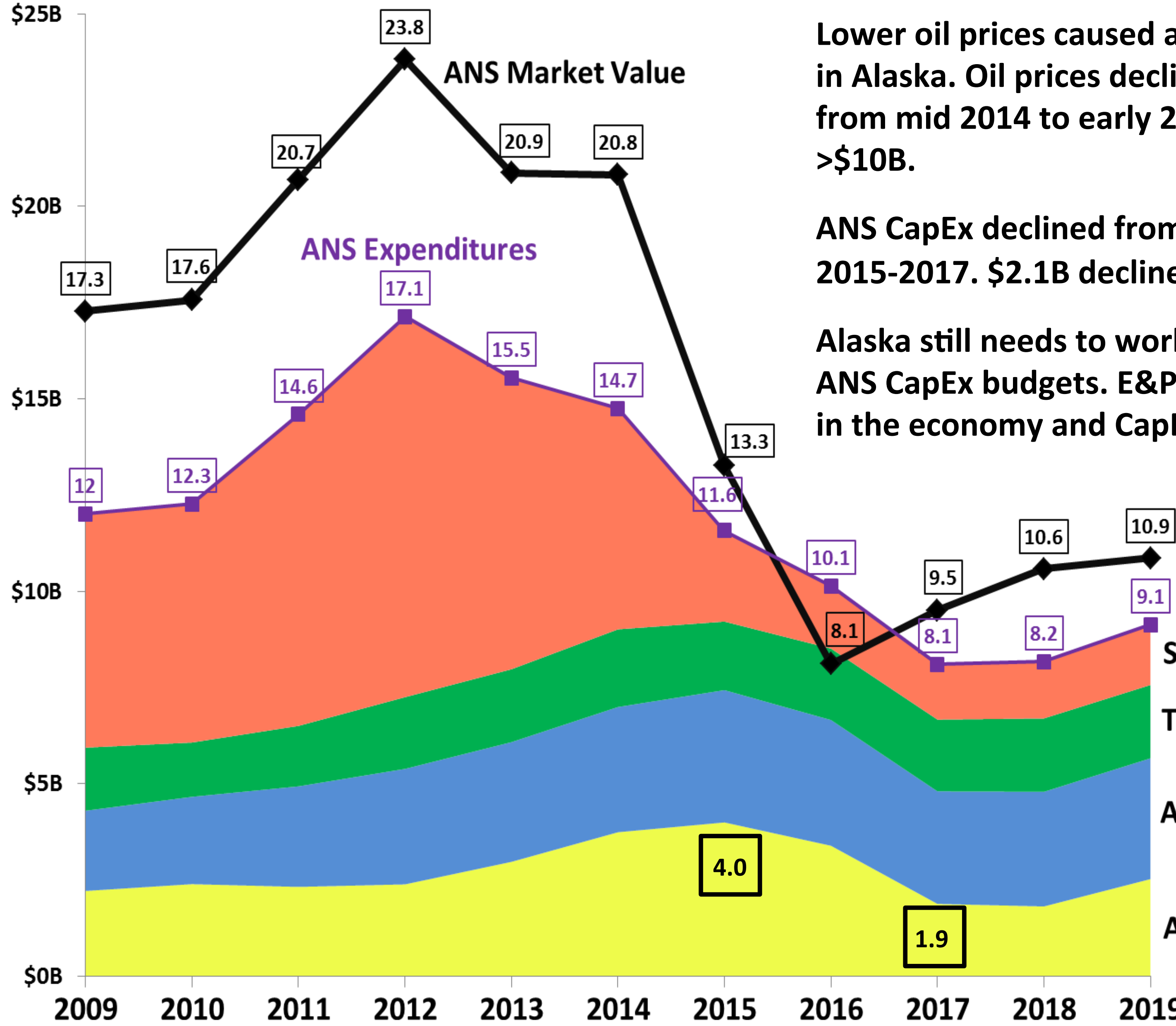
Together we’ll go far

Capital Expenditures aka CapEx is the key

CapEx are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. E&P's have some of the highest levels of CapEx of any industry. E&P CapEx includes the costs of finding and producing additional oil & gas necessary to replace or increase declining reserves and production. CapEx includes acquiring leases, conducting seismic surveys, engineering and design, building roads and pads, contracting drilling rigs, fabricating production modules, building pipelines, etc.

Alaska's Oil Recession and Spending



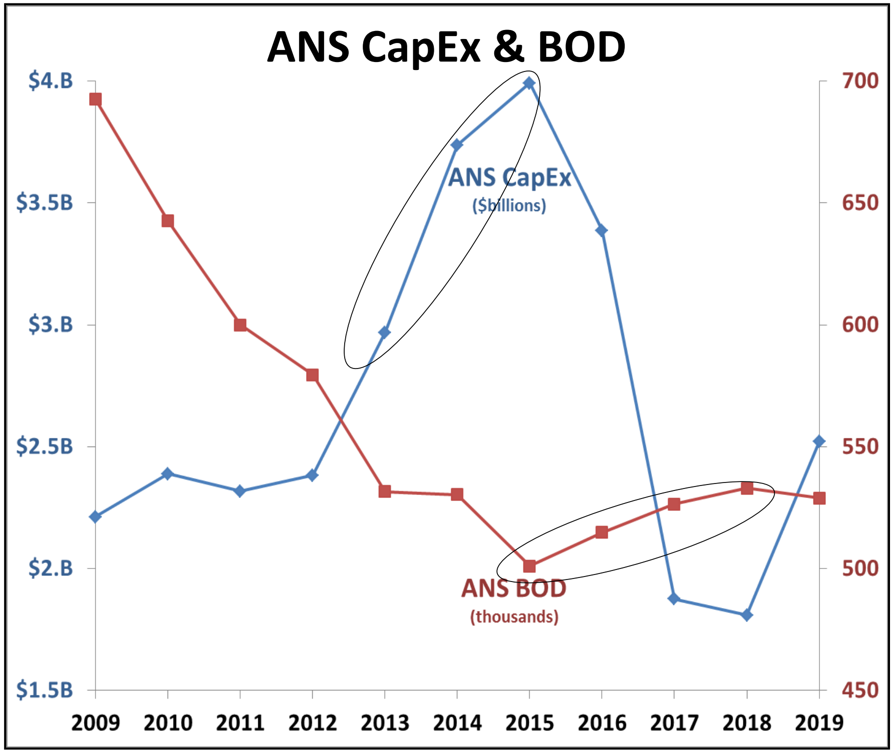
Lower oil prices caused a recession 2 years ago in Alaska. Oil prices declined from $110 to $26 from mid 2014 to early 2016, and GDP declined >$10B.

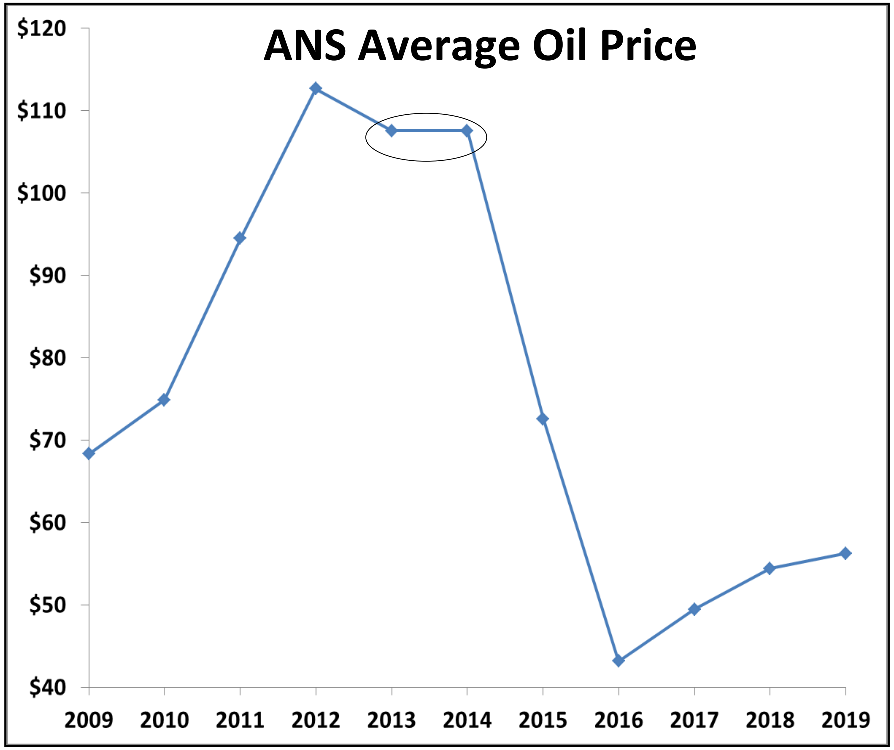
ANS CapEx declined from $4B to $1.9B from 2015-2017. $2.1B decline equals a 53% decline.

Alaska still needs to work to promote higher ANS CapEx budgets. E&P spending multiplies 9X in the economy and CapEx is the key to growth.

Source: Alaska Department of Revenue: Tax Division, Revenue Sources Book; McDowell Report

$3.6B CapEx Increases ANS Production





Oil prices drive CapEx but oil taxes have also been a factor in Alaska.

$3.6B average ANS CapEx from 2013-2015 was $1.2B or 50% higher than 2010-2012.

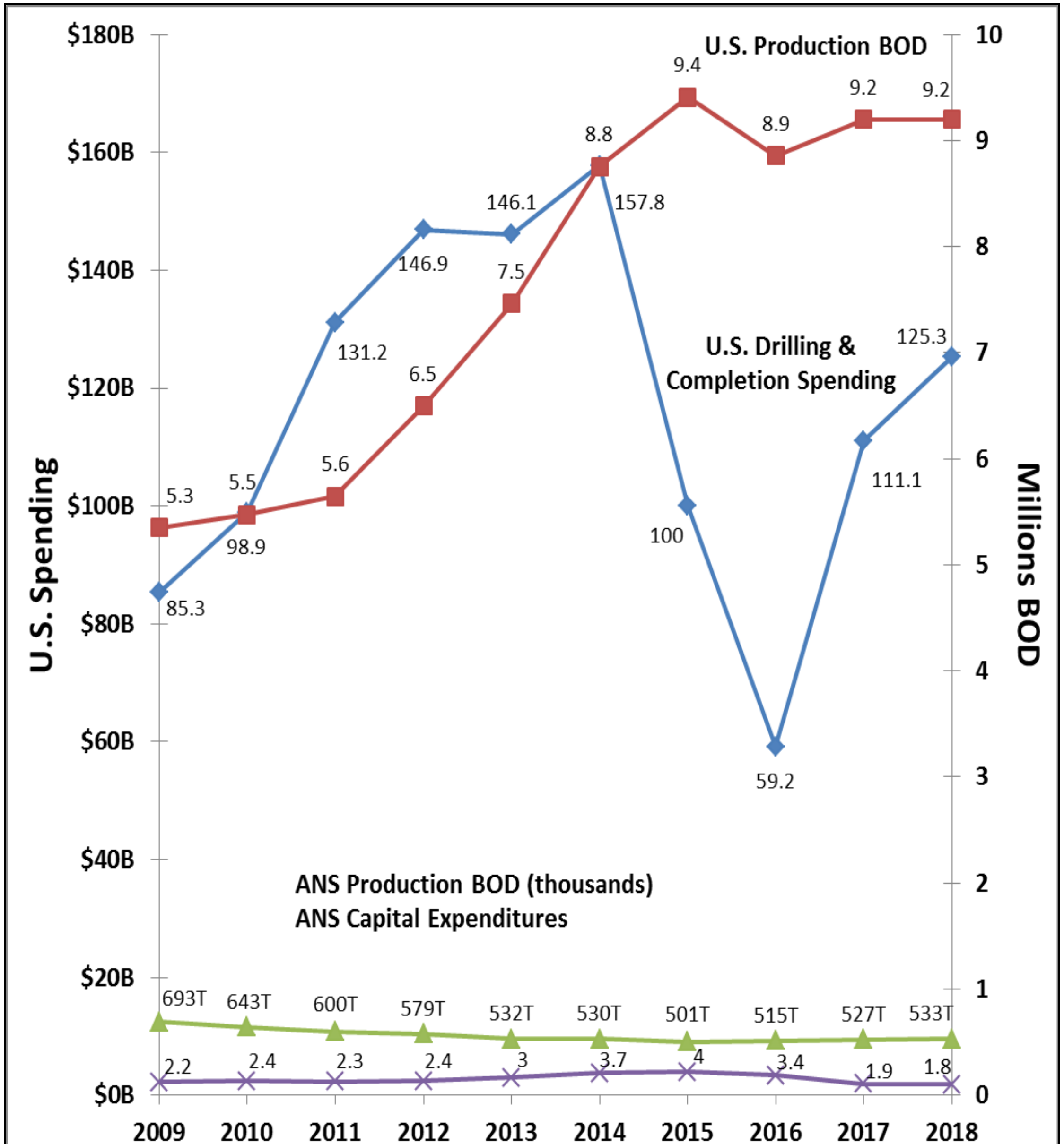
SB21 oil tax reform happened in 2013. Oil prices were constant at $108 from 2013-2014. Oil tax reform increased CapEx which increased ANS production.

ANS production increased from 501,000 bod to 533,000 bod as projected 2015-2018 averaging 2.1% per year.

What did the rest of the industry do in the U.S.? How competitive is Alaska attracting CapEx?

Source: Alaska Department of Revenue: Tax Division, Revenue Sources Book

U.S. E&P Spending & Oil Production



2017-2018 total U.S. spending is estimated $111B and $125B.

U.S. BOD increased 74% from 5.3 million bod to 9.2 million bod 2009-2017.

$1.9B ANS CapEx is 1.7% of $111B spending in 2017.

Recall from prior slide, $3.6B ANS grows oil production.

How does Alaska compete for $3.6B ANS CapEx, or 3.2% of industry spending, necessary to grow oil production past 2018?

Source: U.S. Energy Admin, Spears & Associates; Alaska Revenue Sources Book

Get Alaska's Finances In Order and Promote Higher CapEx on the North Slope.

Find a long term fiscal solution for the State of Alaska using POMV funding and State spending caps. People need confidence in the State of Alaska to invest in Alaska.

Do not change oil production taxes. Alaska voted on this in 2013.

Repurchase oil & gas tax credits. Restore investor confidence in Alaska.

If necessary, consider a broad based sales tax that captures revenue from all residents, and non-residents working and visiting Alaska.

Make Alaska's regulators (DNR, AOGC, and others) bring new projects online efficiently.

Work with the Federal lawmakers to permit and develop NPR-A, ANWR, and Alaska's OCS quickly.

Build roads on the North Slope like we did for Red Dog. State roads from Kuparuk to Alpine, and between North Slope communities, could be great investments for the State. Roads reduce the cost of new oil developments and serve broader purposes for North Slope communities.

These aren't new ideas, but a lot of work needs to get done and time is of the essence.

$3.6B ANS CapEx has proven to increase oil production. Alaska needs to continue to work to compete for more than 3% of the U.S. exploration and production spending annually. We need to be more than 3% competitive!!