

# Proposed Production Tax

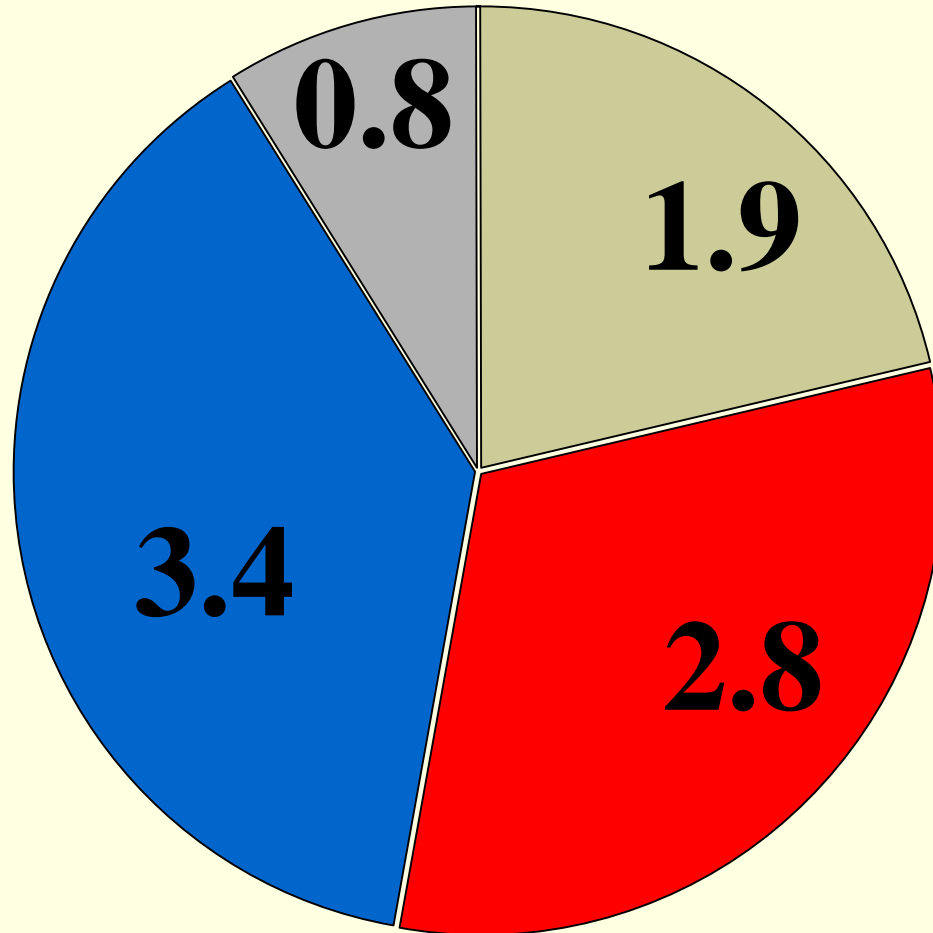
Alaska State Legislature  
Senate & House of Representatives  
Resources Committees

Dan E. Dickinson, CPA





*February 22, 2006*

# Unrestricted & Restricted Revenue

\$ 8.9 Billion

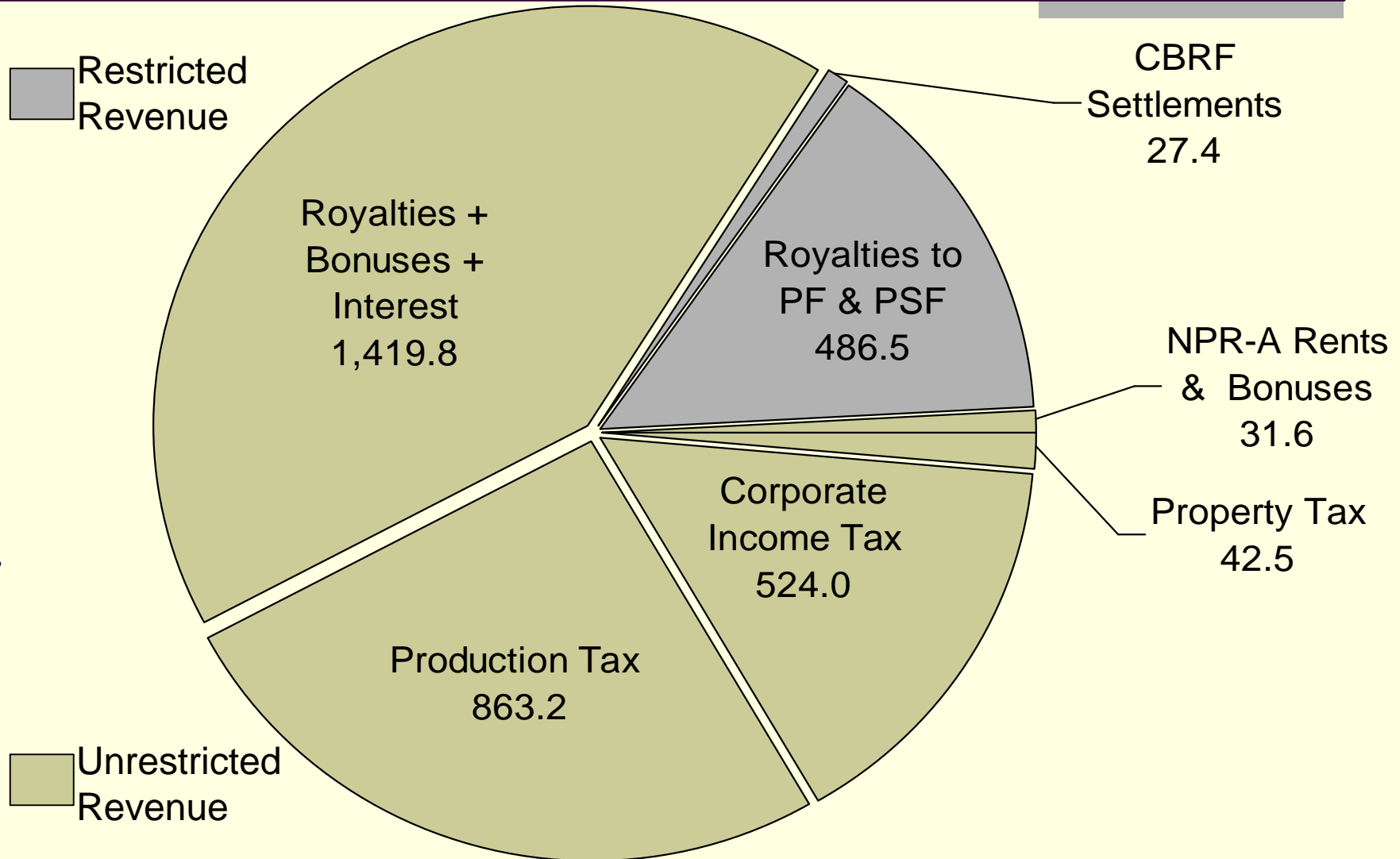


FY 2005

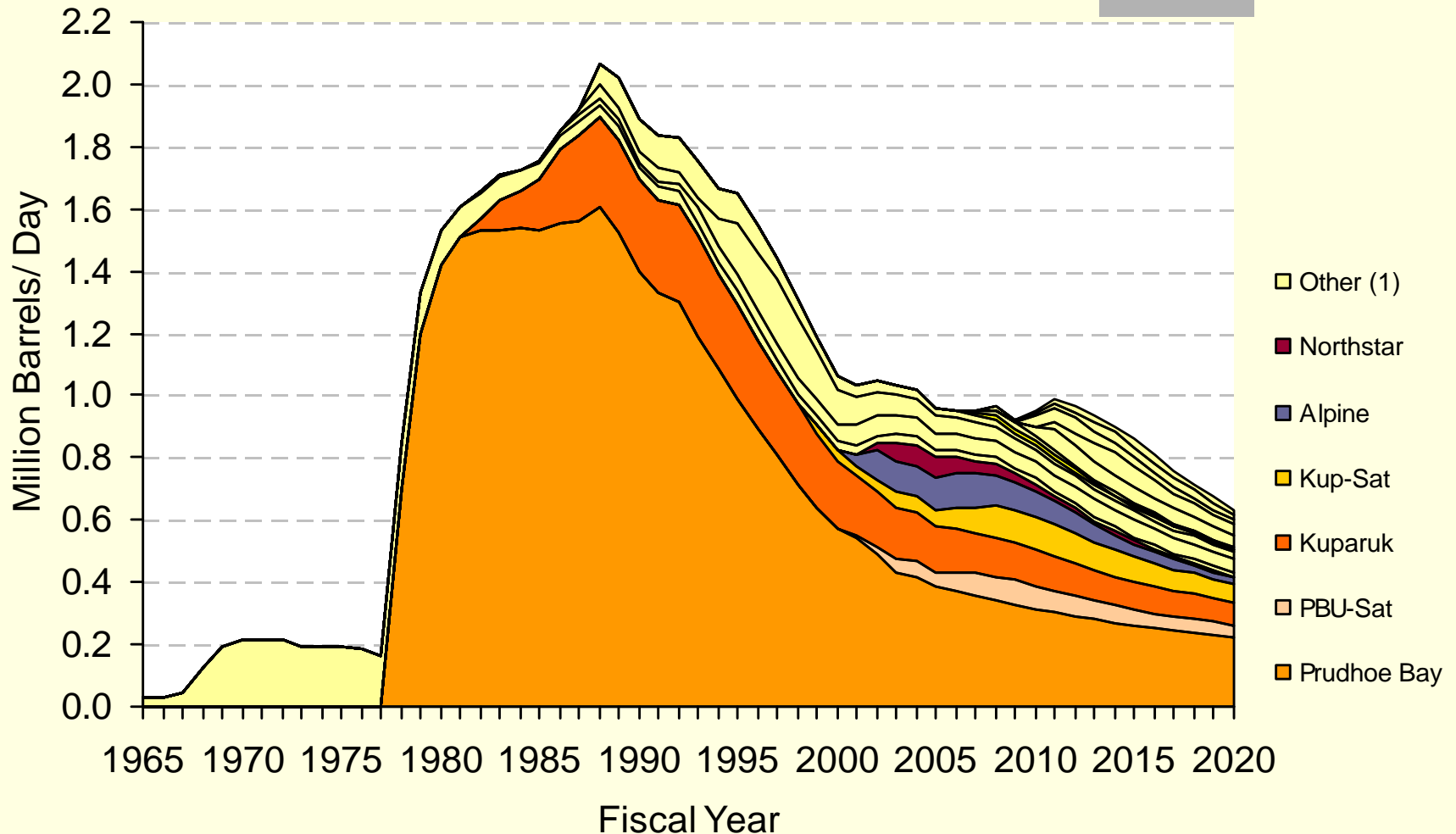
-  Federal
-  Investment
-  Oil
-  Other

# FY 2005 Petroleum Revenue

## \$ Million



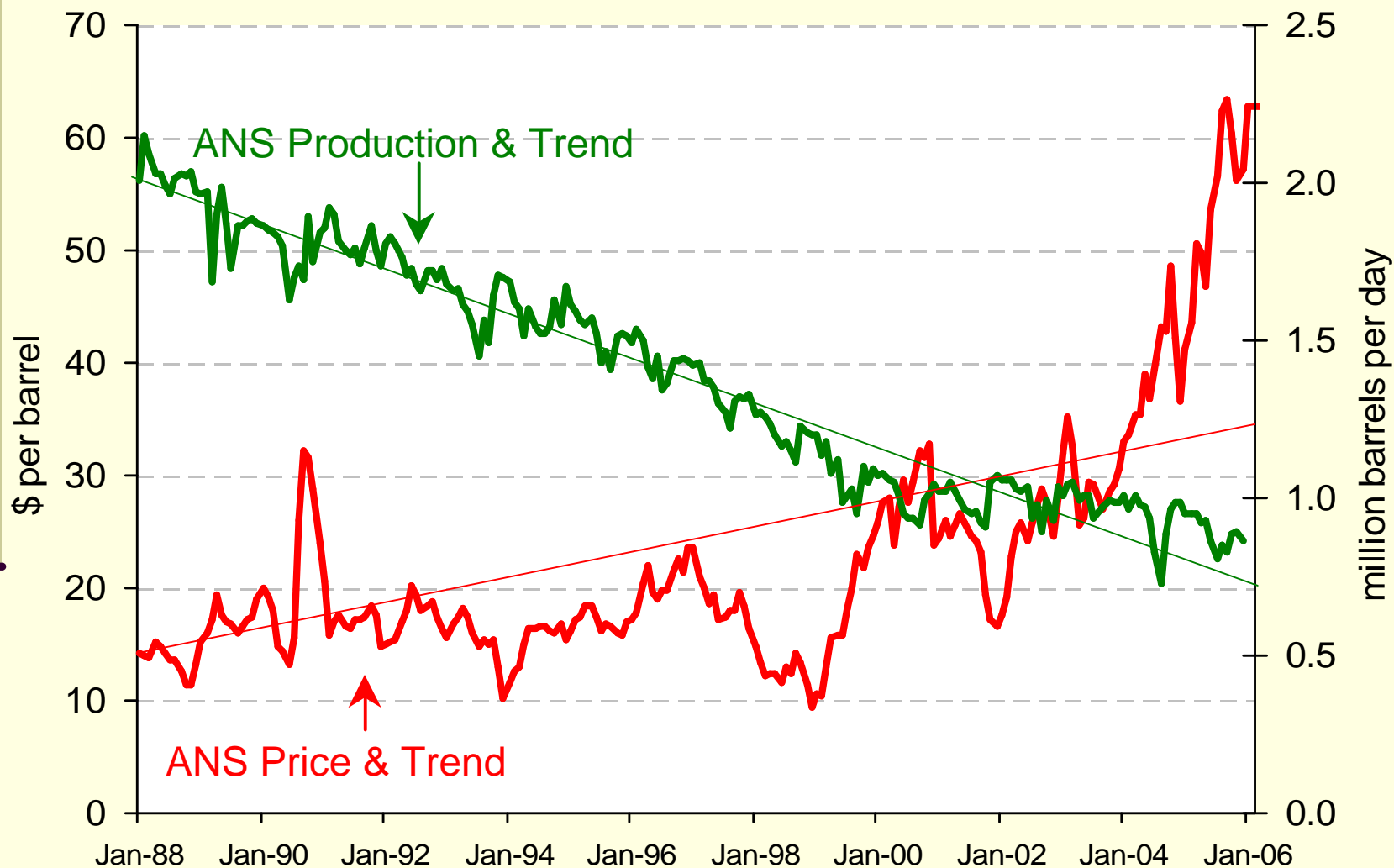
# Alaska Oil Production



Source: Fall 2005 Revenue Sources Book; Alaska Department of Revenue, Tax Division

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

# ANS West Coast Price & Oil Production

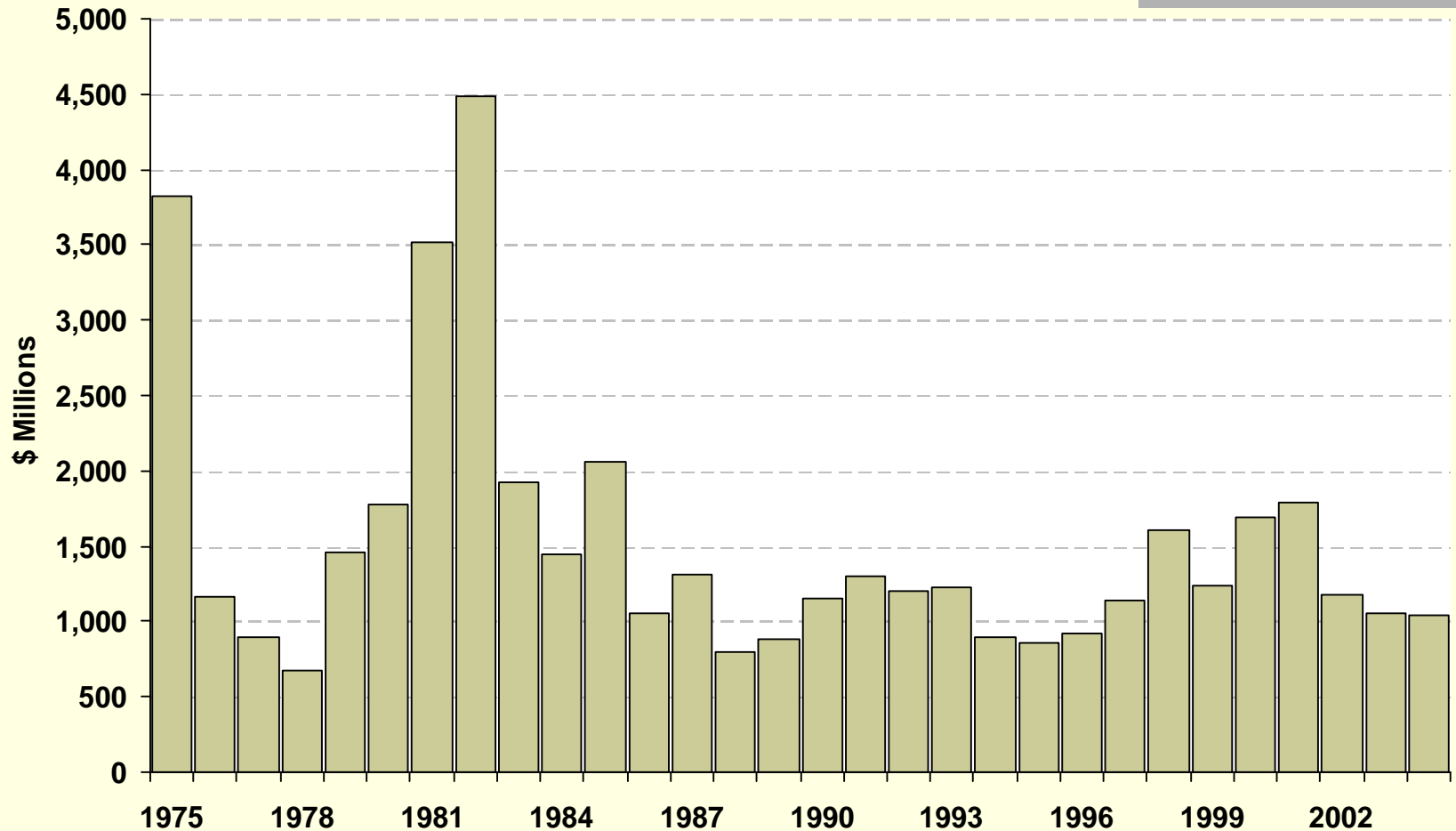


# Status Quo Issues

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- Revenues
- Investment
- Production
- Revenues

# Capital Spending on ANS Wells, Field Facilities & Exploration



Source: 1975-1989: Data from "International Oil Tax Comparison Study", April 1990;  
1990-2000: BP and ARCO Annual Reports and communications;  
2001-2004: BP and ConocoPhillips 2002-2003 Annual Reports and communications.

# 1. How the World Works (2005)

	Volume Millions barrels	\$ per barrel	\$ Million
Destination Value at Market	330	\$43.43	\$14,332
Less Tankering & Pipelines	<u>330</u>	<u>\$ 4.51</u>	<u>(\$1,488)</u>
Gross Value at Point of Production	330	\$38.92	\$12,844
Less Upstream Costs			
Operating:		\$ 3.33	
Capital and Exploration:		<u>\$ 3.18</u>	
Total	330	\$ 6.52	<u>(\$2,150)</u>
Net Value at Point of Production	330	\$32.40	\$ 10,694

## 2. Current Production Tax

	\$ Million
Gross Value at Point of Production	\$12,843.60
Royalty Rate	0.875
Value Net of Royalty	<u>\$11,238.15</u>
Tax Rate	0.15
ELF Rate	0.55
Tax (current)	\$ 927.15

# 3. Proposed Production Tax (PPT)

	\$Million
Value Net of Royalty	\$11,238.2
Less Upstream Cost Deductions	<u>(\$ 2,150.0)</u>
Taxable Value at Point of Production	\$ 9,088.2
	<u>.20</u>
	<u>\$ 1,817.6</u>
Tax Prior to Credits	
Credits (1,050 *.2)	(\$210.0)
Proposed Production Tax	\$ 1,607.6

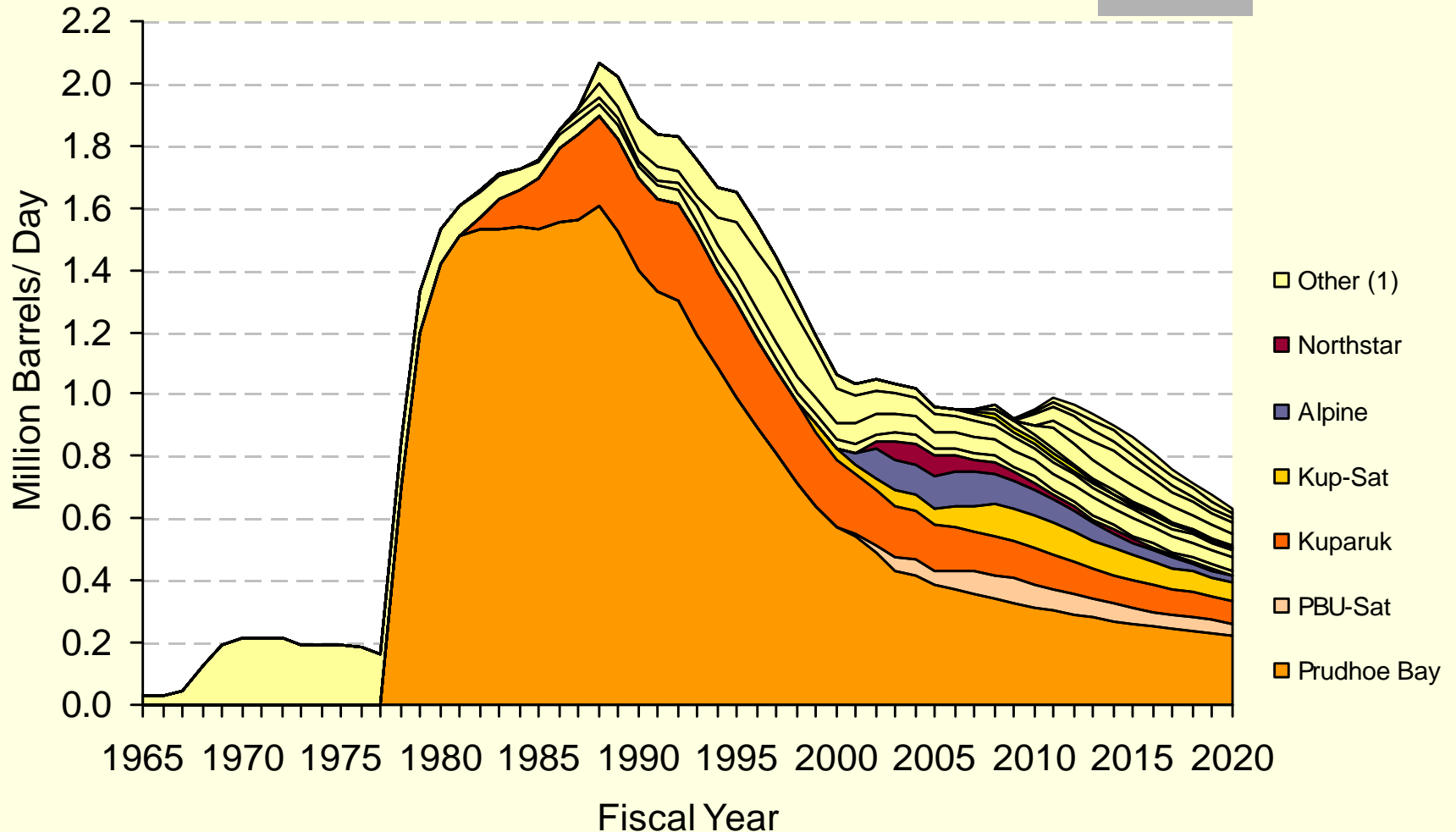
# 4. PPT with Investment

	\$ in Billion
Production Tax Net of Royalty	\$11,238.2
Less Upstream Cost Deductions	<u>(\$ 3,850.0)</u>
Taxable Value at Point of Production	\$ 7,388.2
<i>Times Tax Rate</i>	<u>.20</u>
Tax Prior to Credits	\$ 1,477.2
Credits (1,050+1,700)*.2	<u>(\$550.0)</u>
Proposed Production Tax	\$ 927.6

## 5. Implicit Cost From Proxy

	\$ in Billion
Production Tax Net of Royalty	\$11,238.15
Less Implicit Costs from Proxy	<u>(\$ 5,057.00)</u>
	\$ 6,181.00
Tax Rate	0.15
Same Production Tax	\$ 927.15

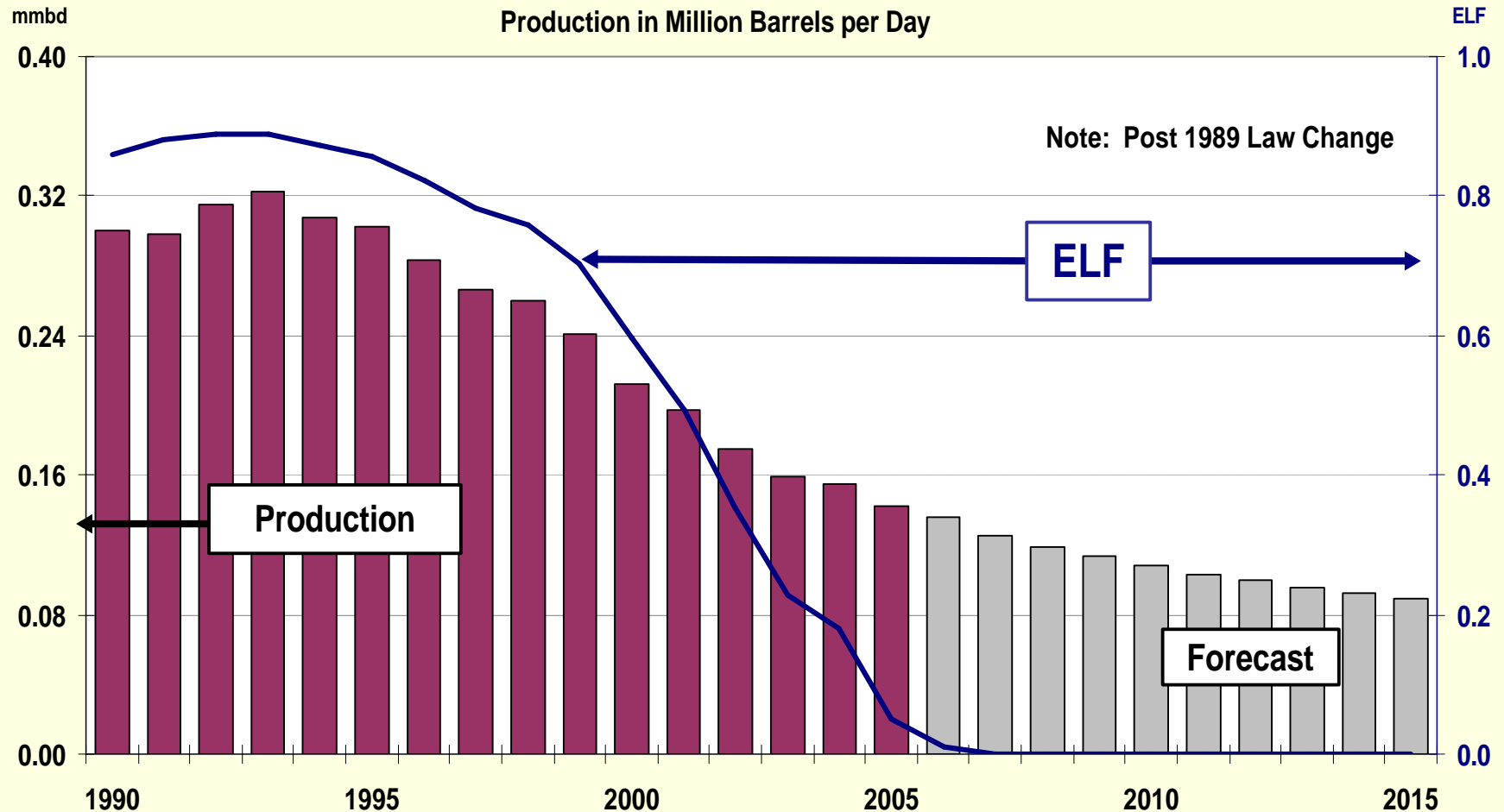
# Alaska Oil Production



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# Kuparuk ELF: Change with Aggregate ELF Decision



# Economic Limit Factor, FY 1995-2005 and FY 2006-2016

