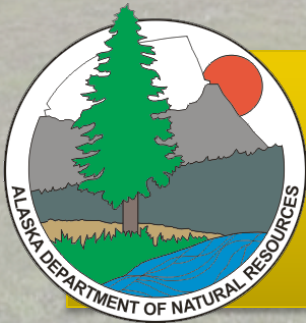


State of *ALASKA*

America's Energy Solution



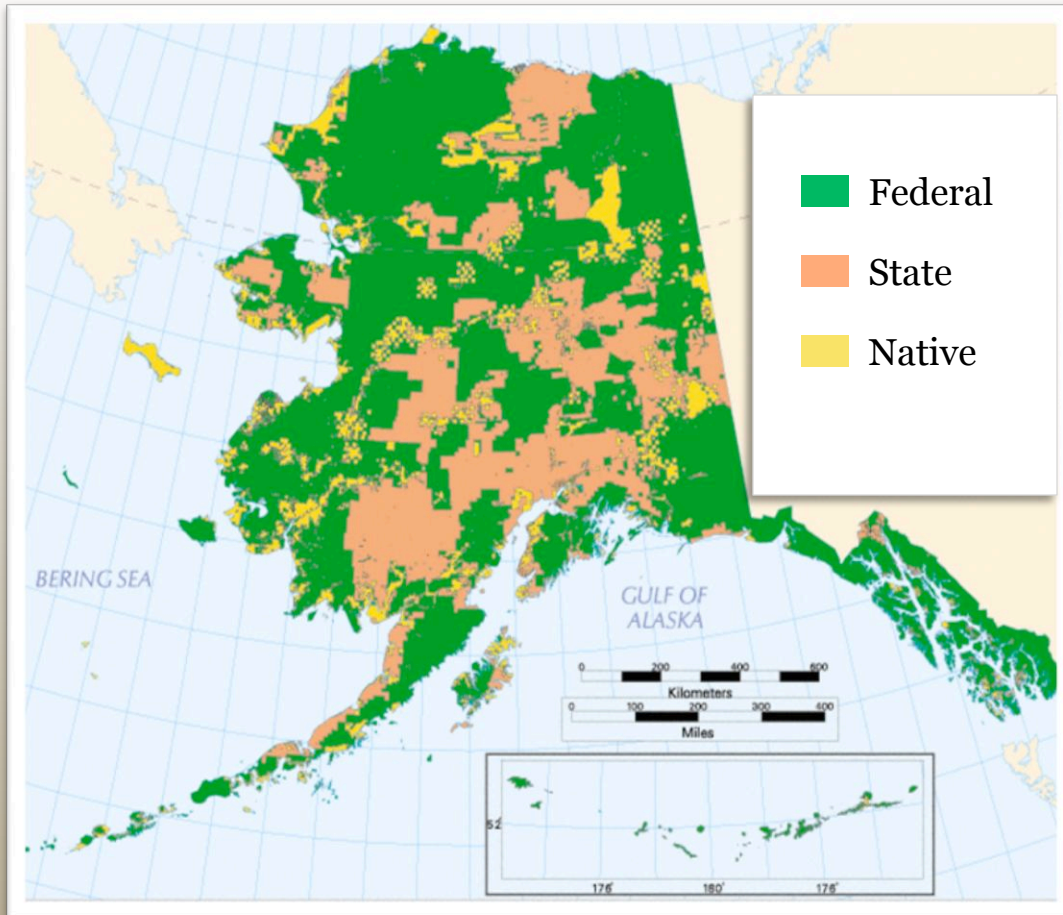
Commissioner Daniel S. Sullivan
Alaska Department of Natural Resources

Alaska...

- Encompasses 586,412 square miles—twice the size of Texas
- Is larger than all but 18 sovereign nations
- Has more coastline than all other U.S. states combined
- Has more than 3 million lakes and half of the world's glaciers
- Is the least densely populated U.S. state



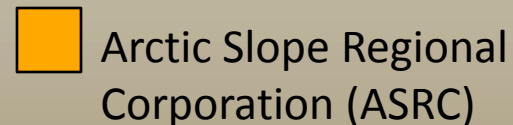
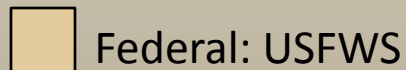
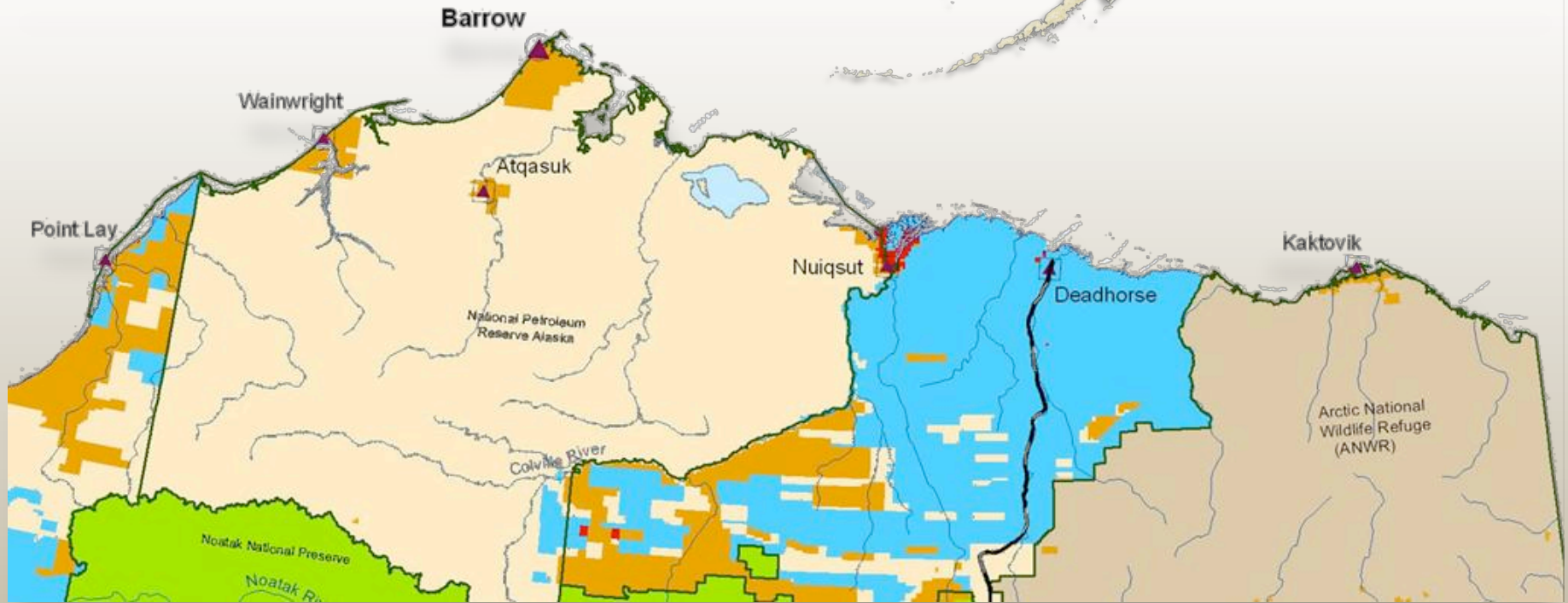
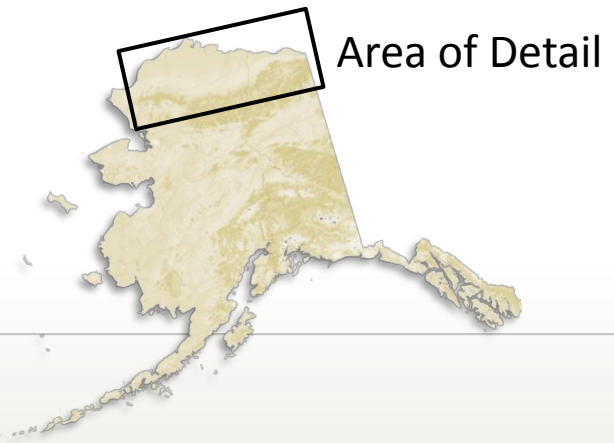
Land Ownership: Statewide



- **Federal Land**
 - More than 200 million acres
- **State Land**
 - Approx. 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and 40,000 miles of coastline
- **Native Corp. Land**
 - 44 million acres

Land Ownership:

Alaska's North Slope



State Land:

Alaska Department of Natural Resources (DNR)

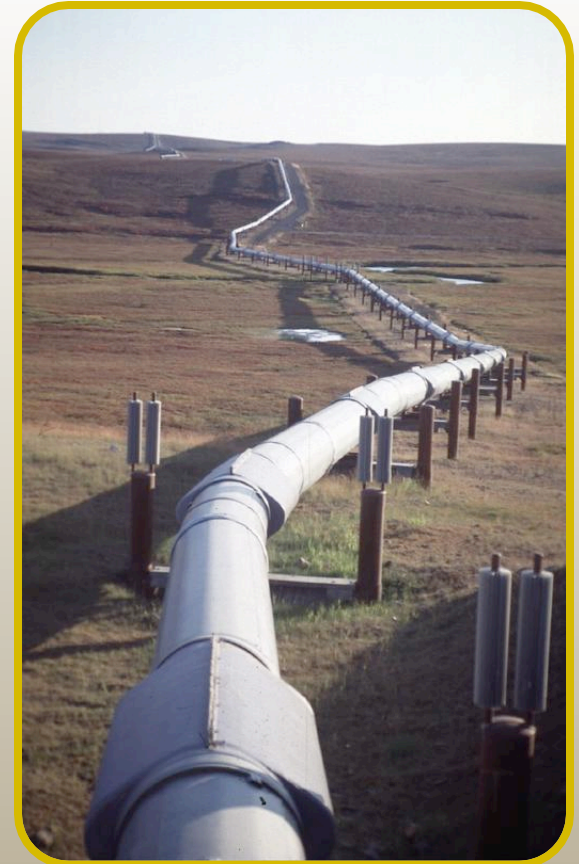


- **Mission:**

- *To develop, conserve and maximize the use of Alaska's natural resources consistent with the public interest*

- **Article 8, Section 1 of the Alaska Constitution provides that:**

- *“it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.”*



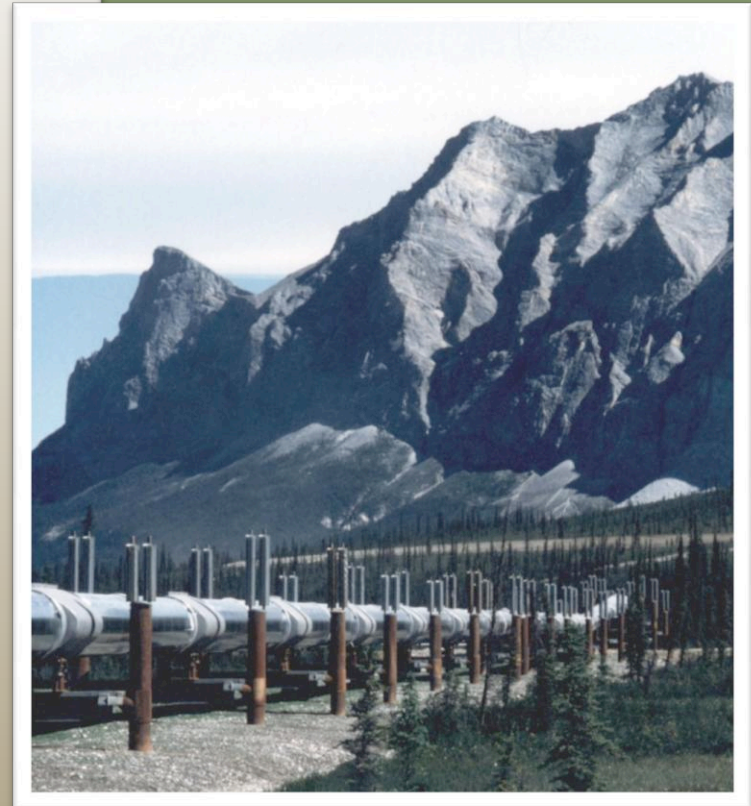
State Land:

Alaska Department of Natural Resources (DNR)



- DNR manages one of the largest resource portfolios in the world, including land, water, and hydrocarbons
- DNR manages all oil and gas fields on state land, including two of the largest oil and gas fields in N.A.
 - 1,300 oil and gas leases
 - 50 oil and gas units
 - Gas storage projects
 - 4 active and 2 proposed exploration licenses and 16 geothermal licenses

*DNR balances
environmental
stewardship with
responsible resource
development*



Alaska:

As a Storehouse



- **Oil:** 40 billion barrels of undiscovered, technically recoverable reserves, not including massive quantities of unconventional sources (shale, heavy oil, etc.)
- **Gas:** 236 trillion cubic feet of undiscovered, technically recoverable reserves
- **Coal:** 17% of the world's coal resources; *2nd most in the world*
- **Copper:** 6% of the world's copper resources; *3rd most in the world*
- **Lead:** 2% of the world's lead resources; *6th most in the world*

Alaska:

As a Storehouse



- **Gold:** 3% of the world's gold resources; *7th most in the world*
- **Zinc:** 3% of the world's zinc resources; *8th most in the world*
- **Silver:** 2% of the world's silver resources; *8th most in the world*
- **Rare earth elements:** over 150 occurrences
- **Timber:** 17% of the nation's forest land
- **Water:** ~40% of the nation's fresh water

Alaska:

A World-Class Hydrocarbon Basin



- The North Slope of Alaska remains a world-class energy basin, with *more oil than any other Arctic nation*
- There are 40 billion barrels of oil and 236 trillion cubic feet of natural gas on the North Slope and OCS
 - Does not include the estimated tens of billions of barrels of heavy oil, shale oil and other unconventional sources

Compared to most basins, Alaska is relatively underexplored, with 500 exploration wells on the North Slope, compared to Wyoming's 19,000

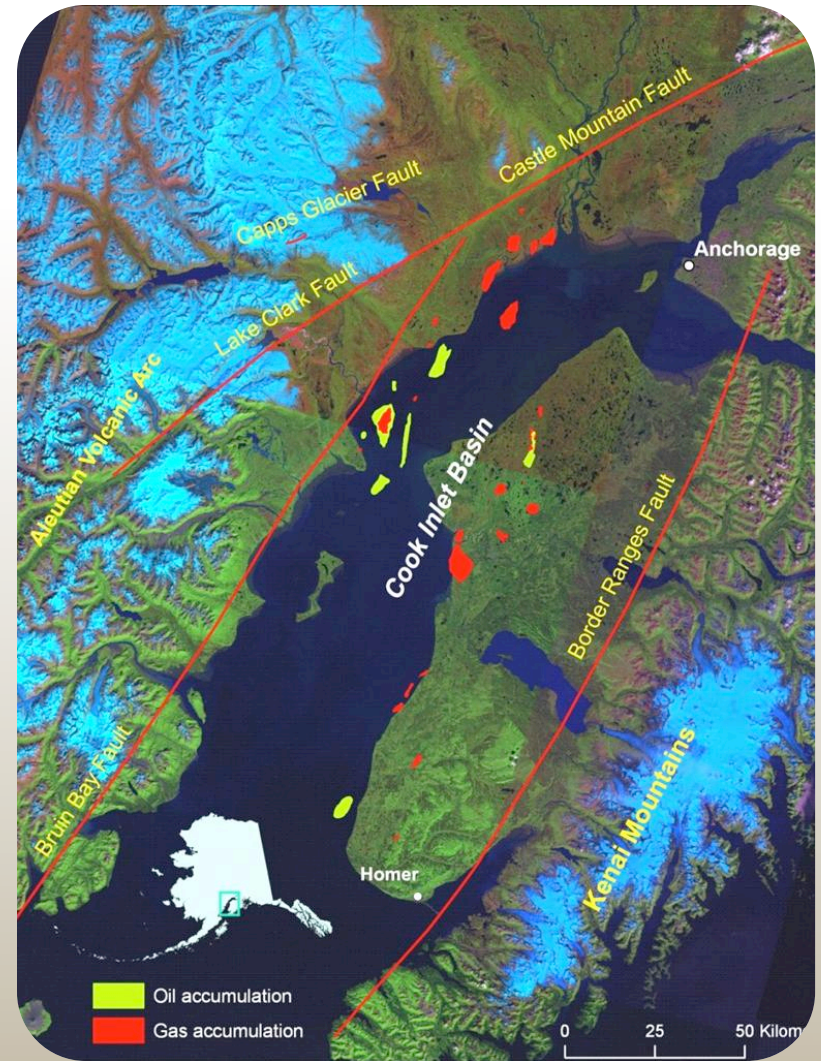
Alaska:

A World-Class Hydrocarbon Basin



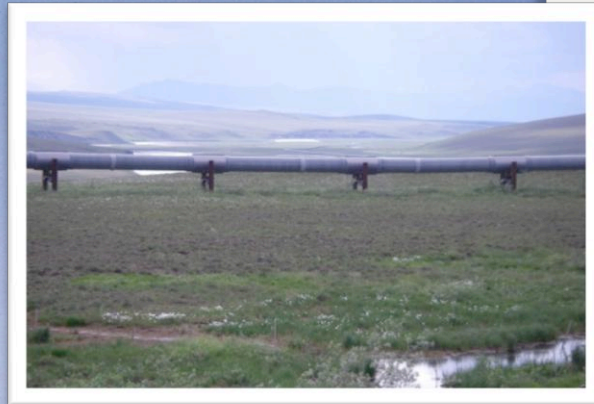
Cook Inlet

- There is more than one billion barrels of oil and 2.6 trillion cubic feet of gas in Cook Inlet

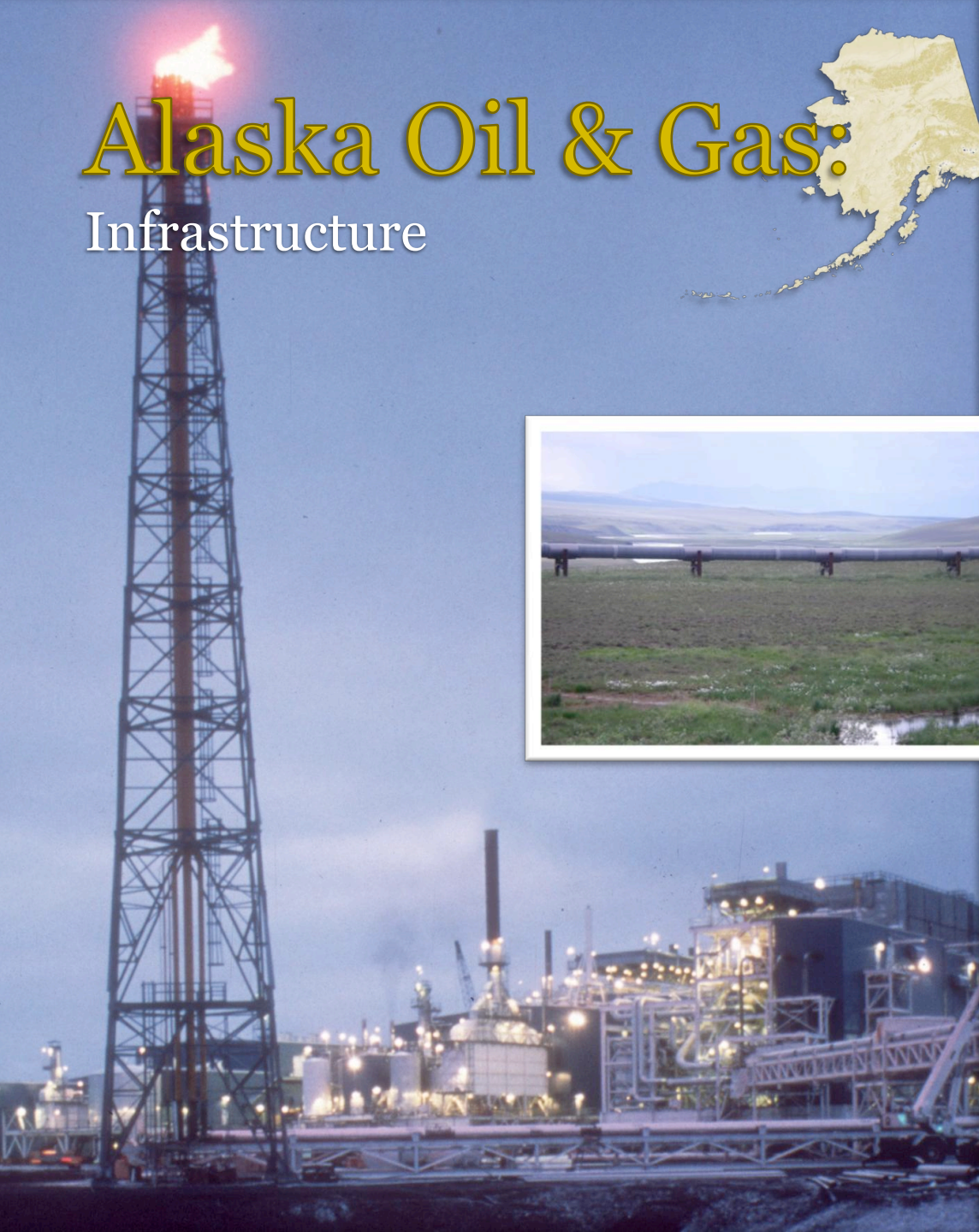


Alaska Oil & Gas:

Infrastructure



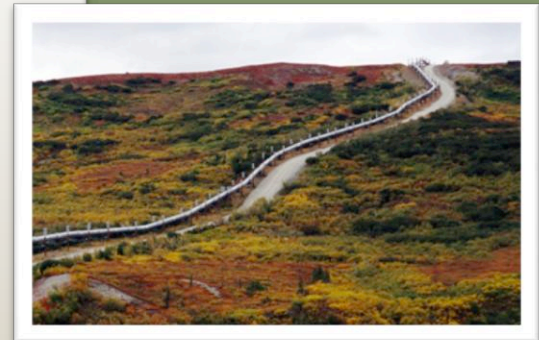
- 800-mile Trans-Alaska Pipeline System
- Refineries on the North Slope and in the Interior, Valdez, and Nikiski
- Export/shipping terminals in Valdez and Nikiski



Alaska Oil & Gas: Exploration & Development Incentives



- Tax Credits and Royalty Modifications
 - Favorable tax credits for exploration
 - 30-40% tax credit for eligible capital expenditures
 - Cook Inlet
 - 100 percent of exploration expenses for the first well drilled in the inlet via a jack-up rig, up to \$25 million
 - The North Slope's newest oil producers—Pioneer and Eni—both received royalty modifications



Alaska Oil & Gas: Exploration & Development Incentives



- Proposed Tax Reforms
 - The state is proposing additional measures to improve its fiscal competitiveness. For example:
 - Lower the top marginal rates for the highest tax bracket to 50% for legacy fields and 40% for new fields
 - Lower the base tax rate from 25% to 15% for new fields
 - Extend the 40% tax credits for capital spending to additional activities
 - Tax credits could be claimed in a single year instead of two



One Million Barrels/Day:

Arresting TAPS
Throughput Decline



- The first oil entered TAPS in June of 1977
- TAPS has transported over 16.3 billion barrels of oil and natural gas liquids
- Production peaked at 2.2 million barrels per day in the late 1980s, representing 25% of the U.S. domestic production
- Since its peak, however, TAPS throughput has steadily declined
- Today, TAPS throughput averages about 640,000 barrels per day
- The situation is URGENT



One Million Barrels/Day:

Arresting TAPS Throughput Decline



“TAPS is a critical component of our nation’s energy infrastructure. As throughput declines, pipelines operational challenges increase, particularly during winter.”

- Gov. Parnell, 4/12/11

- Enhance Alaska’s global competitiveness and investment climate
- Ensure the permitting process is structured and efficient in order to accelerate resource development
- Facilitate and incentivize the next phases of North Slope development
- Unlock Alaska’s full resource development potential by promoting constructive partnerships between the state and key stakeholders
- Promote Alaska’s resources and positive investment climate to world markets

Alaska Pipeline Project: AGIA



- Project remains on track
- We have a world-class pipeline company as a licensee that has partnered with a world-class energy company
- The project has made great progress with permitting, field work, and modeling – the amount of work accomplished is impressive
- Open season held in summer 2010 with bidders and there are ongoing commercial negotiations
- We are closer to building a gas pipeline than we have ever been before

Challenges to Development:

Federal Obstruction



- Projects delayed or derailed
- Opportunities foreclosed
- Jobs lost and investment climate chilled
- But we will redouble our cooperative efforts

All Americans should be concerned about federal government policies that undermine U.S. interests across such a broad spectrum of critical areas.



Challenges to Development:

Federal Obstruction



- State has repeatedly reached out to explain why federal decisions are not in the public interest and why we support certain development activities
 - We testify before committees
 - We provide scientific documents
 - We speak with federal officials
- When persuasion fails, we will continue to litigate
 - When we do, we strongly believe that we are also defending and promoting broader American interests

Our preference is to have a federal government that joins in the mutually beneficial goal of responsible resource development in Alaska.

But we will fight when the state exhausts administrative and legislative remedies.

Gov. Urges Access to Alaska's OCS Resources

March 31, 2011, Anchorage, Alaska – Governor Sean Parnell today sent a letter to Interior Secretary Ken Salazar urging the federal government to work with the state on development of Alaska's Outer Continental Shelf (OCS) resources.

"The decisions BOEMRE will make in scoping and selecting a preferred alternative in the NEPA process for the OCS leasing program are critical," wrote Governor Parnell. "Instead of financing new foreign sources of oil in the OCS off Brazil, we need to develop and increase our domestic supply of oil and gas."

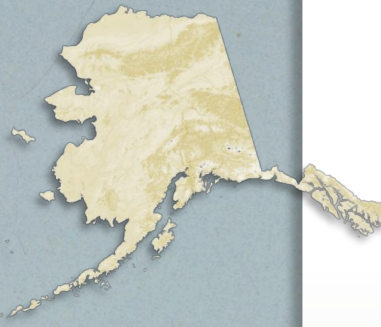
Governor Parnell continued to highlight the vast resources available onshore and offshore in Alaska, citing a 2008 USGS report and a University of Alaska study detailing the massive reserves held in Alaska.

"Alaska is the United States' most important and most abundant domestic source of future oil and gas," wrote Governor Parnell.

The governor also detailed the significant safety and spill prevention regulatory requirements in Alaska. He asked Interior Secretary Salazar to ensure that BOEMRE staff work directly with Commissioner Sullivan to ensure Alaska's input is considered as the process guiding OCS leasing moves forward.

Today's letter follows written testimony provided by Natural Resources Commissioner Dan Sullivan at a public scoping meeting held February 25, 2011 in Anchorage by the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). BOEMRE is currently considering a preferred alternative in the National Environmental Policy Act (NEPA) process for OCS leasing.

Challenges to Development : Federal Obstruction



Recent federal decisions and policies have focused on proactively shutting down resource development in Alaska.

- NPR-A CD-5 permit denial
- DOI's "Wild Lands" Policy
- OCS permitting delays shutting down exploration activities
- ANWR "Wilderness" designation
- 200,000 square miles of critical habitat designated for polar bears
- Ocean zoning/marine spatial planning
- Point Thomson EIS delay



Challenges to Development: Permitting Process



- State is working to streamline its complex permitting system
- The objectives are to:
 - Make immediate improvements in the timely processing of all land and water use applications
 - Increase the number of secure, on-line services for permit applications
 - Reduce costs for applicants
- The state will also need the federal government's partnership to streamline federal permitting

