

Prudhoe Bay Shutdown Impacts

August 18, 2006

Alaska Department of Revenue

Terminology

- Total Revenue includes:
 - Royalty – Oil & Gas
 - Severance Tax – Oil & Gas
 - Property Tax – Oil & Gas
 - Income Tax – Oil & Gas
 - Non-Oil



FY 2007 Budget

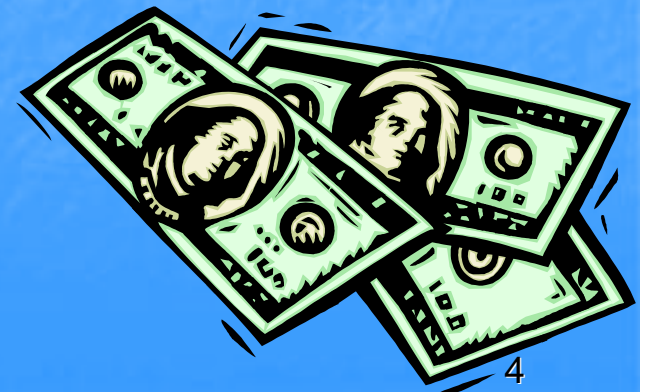
General Fund Unrestricted Revenue, Millions

Royalty – Net PF	1,491.4	43.4%
Production Tax	967.6	28.2%
Income Tax	479.2	13.9%
Property	36.7	1.1%
Bonus, Rent, etc	33.5	1.0%
Total Oil	3,008.4	87.5%
Non-Oil	428.3	12.5%
Tot Budget	3,436.7	100.0%

Source: Spring 2006 *Revenue Sources Book*, page 77.

Agenda

- **ANS Oil Production – 2 Scenarios**
 - 200,000 b/d
 - Gradual Increase up to 400,000 b/d
- **Crude Oil Prices – 2 Scenarios**
 - RSB Prices
 - Futures Prices
- **Comparisons:**
 - Lost Revenue
 - Budget Surplus/Deficit
 - Cumulative Surplus/Deficit
- **Liquidity**
- **Conclusions**

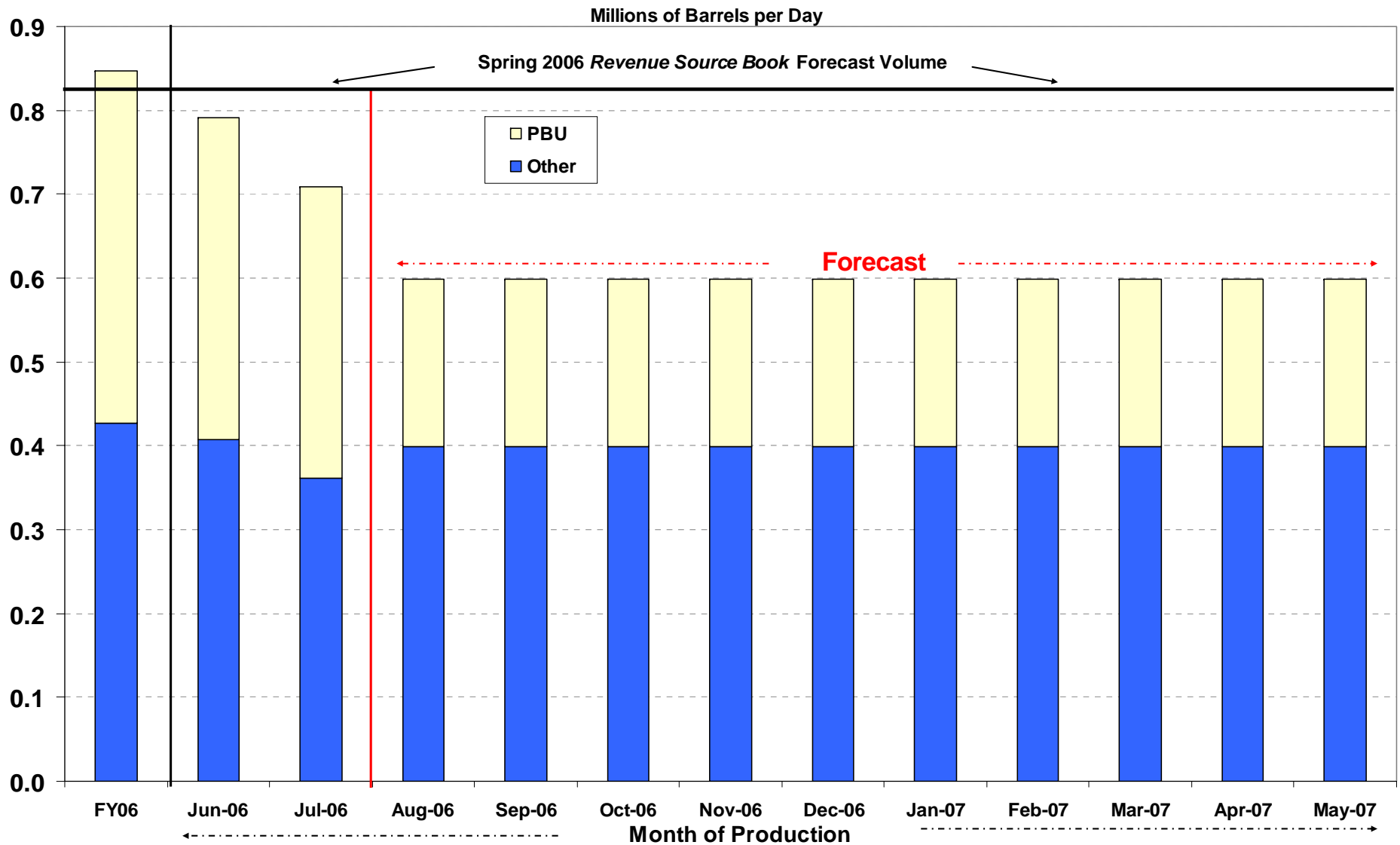


ANS Crude Oil Production Volumes



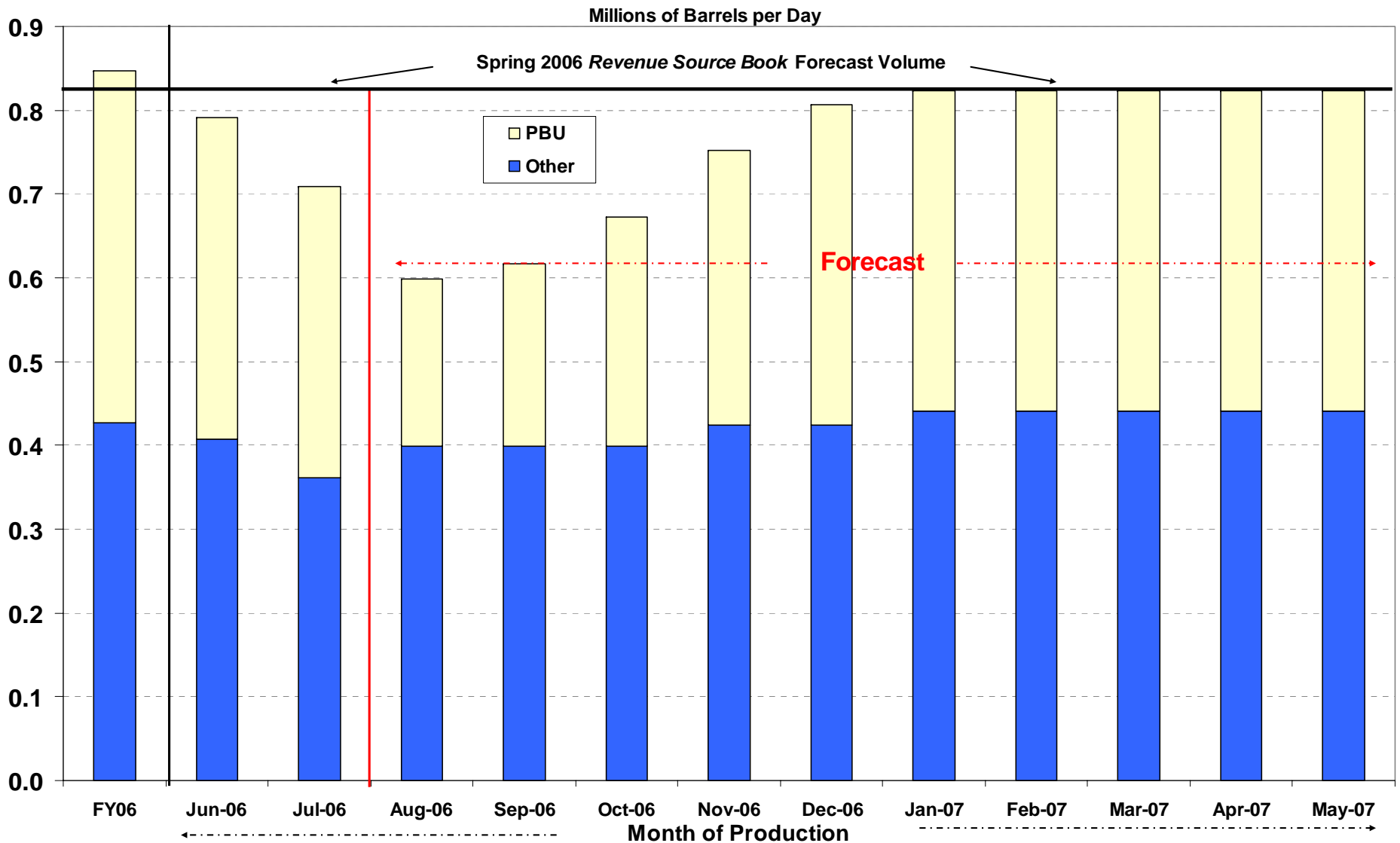
ANS Crude Oil & NGL Production

Assumes PBU Production Averages 200,000 b/d for Remainder of Year



ANS Crude Oil & NGL Production

Assumes PBU Averages 200,000 b/d for August and Increases 1,800 b/d to 410,000 barrels on December 31 and averages 400,000 b/d thereafter



Crude Oil Prices



Daily WTI Crude Oil Prices

Climbing the Wall of Worry

Crude oil price per barrel, July 2005-August 2006



Source: Cambridge Energy Research Associates

WTI Futures Prices

<HELP> for explanation, <MENU> for similar functions.

P233 Comdty CT

Screen Printed

Session: **COMB**

Contract Table

WTI CRUDE FUTURE

Monitoring enabled.

Exchange Web Page

Pricing Date: **8/17/06**

New York Mercantile Exchange

Grey date = options trading

--LATEST AVAILABLE--

2

1209950	17798	Previous
OpenInt	TotVol	Close

↓ Scroll	Last	Change	Time	High	Low	OpenInt	TotVol	Previous Close
1)CLU6 Sep06	70.81	-1.08	5:49	71.75	70.44	108772	8747	71.89
2)CLV6 Oct06	72.17	-1.02	5:49	73.15	71.81	242562	6462	73.19
3)CLX6 Nov06	73.20	-.99	5:47	74.10	72.86	82092	1061	74.19
4)CLZ6 Dec06	73.95	-1.01	5:39	74.90	73.64	122022	1155	74.96
5)CLF7 Jan07	74.66	-.84	4:38	75.50	74.66	50012	29	75.50
6)CLG7 Feb07	75.00	-.90	1:39	75.90	75.00	22378	10	75.90
7)CLH7 Mar07						29523	0	76.20
8)CLJ7 Apr07						34262	0	76.43
9)CLK7 May07						31426	0	76.60
10)CLM7 Jun07	76.00	-.71	0:56	76.55	76.00	58691	162	76.71
11)CLN7 Jul07						13747	0	76.75
12)CLO7 Aug07						8048	0	76.76
13)CLU7 Sep07						11597	0	76.74
14)CLV7 Oct07						7643	0	76.69
15)CLX7 Nov07						10054	0	76.63
16)CLZ7 Dec07	75.80	-.76	5:00	76.44	75.75	123436	111	76.56
17)CLF8 Jan08						20819	0	76.44

Australia 61 2 9777 8600

Brazil 5511 3048 4500

Europe 44 20 7330 7500

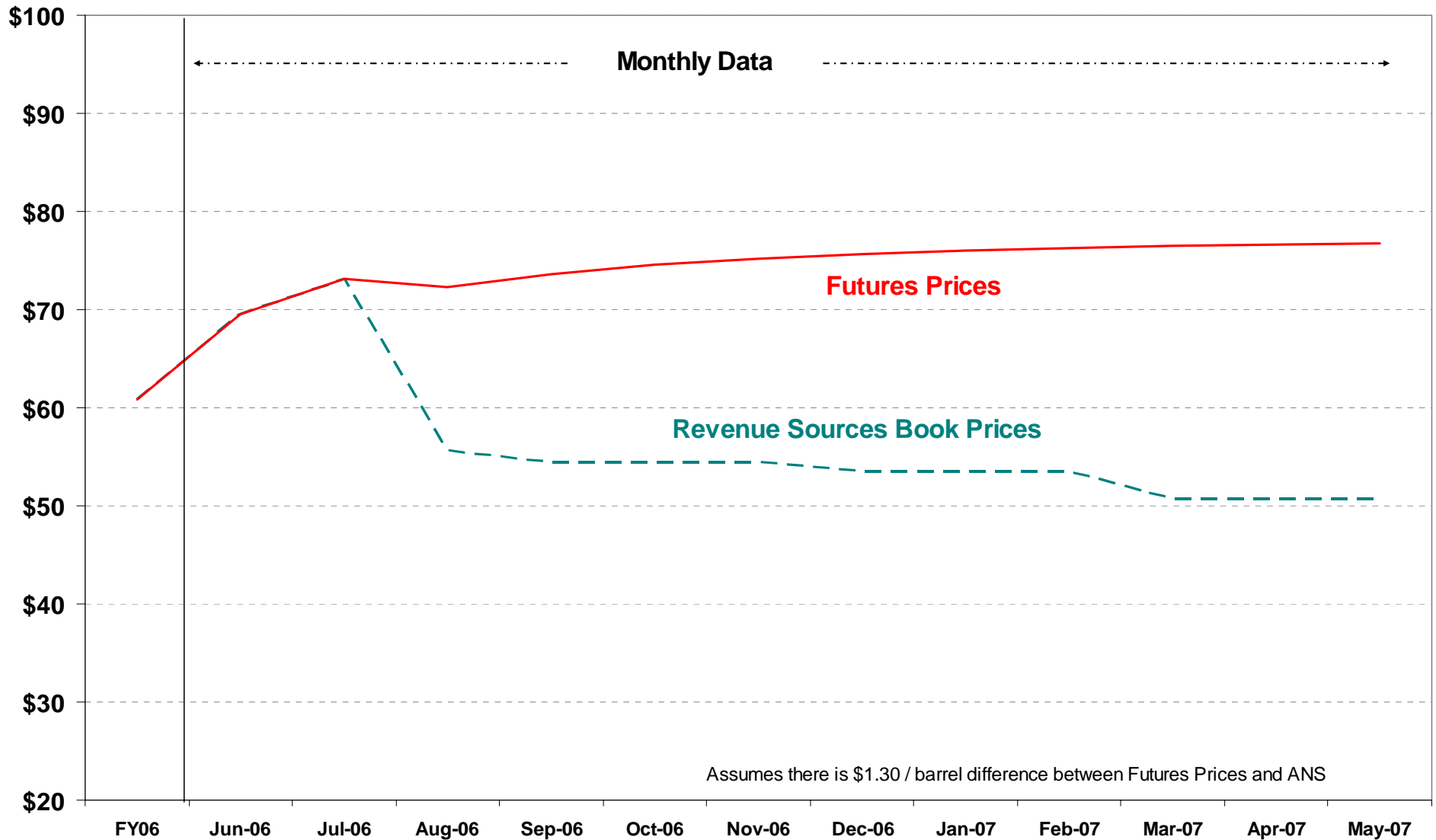
Germany 49 69 920410

Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2006 Bloomberg L.P.

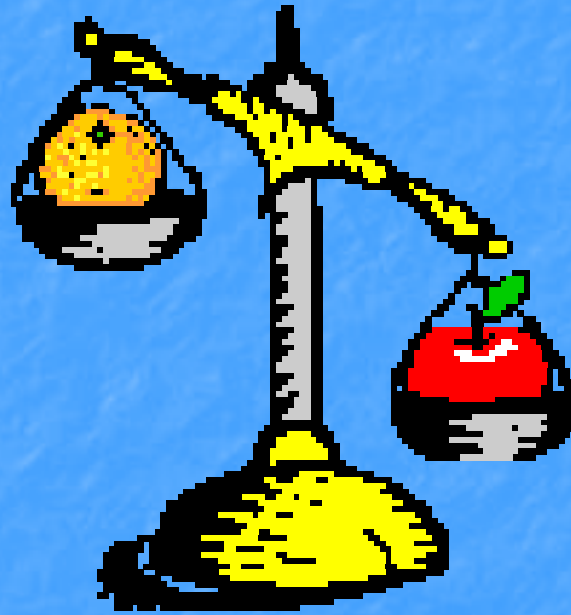
1 17-Aug-06 5:50:33

ANS Crude Oil Price Scenarios

US Dollars per Barrel



Comparisons



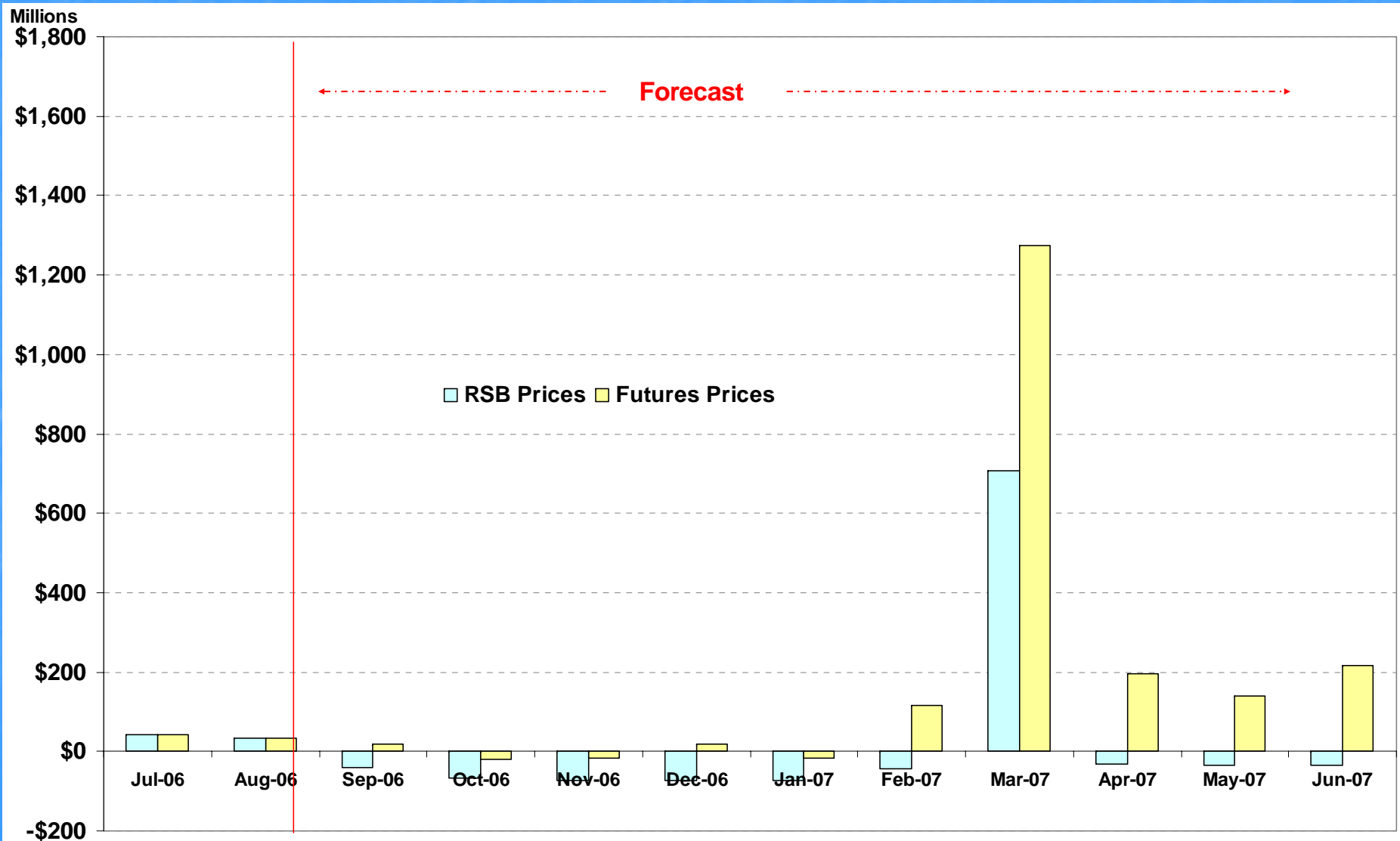
Cumulative Losses Due to PBU Shutdown

July 1, 2006 to June 30, 2007

Millions of Dollars		
	Futures Prices	RSB Prices
200,000 b/d	-2,041	-1,148
Increase to 400,000 b/d	-816	-460

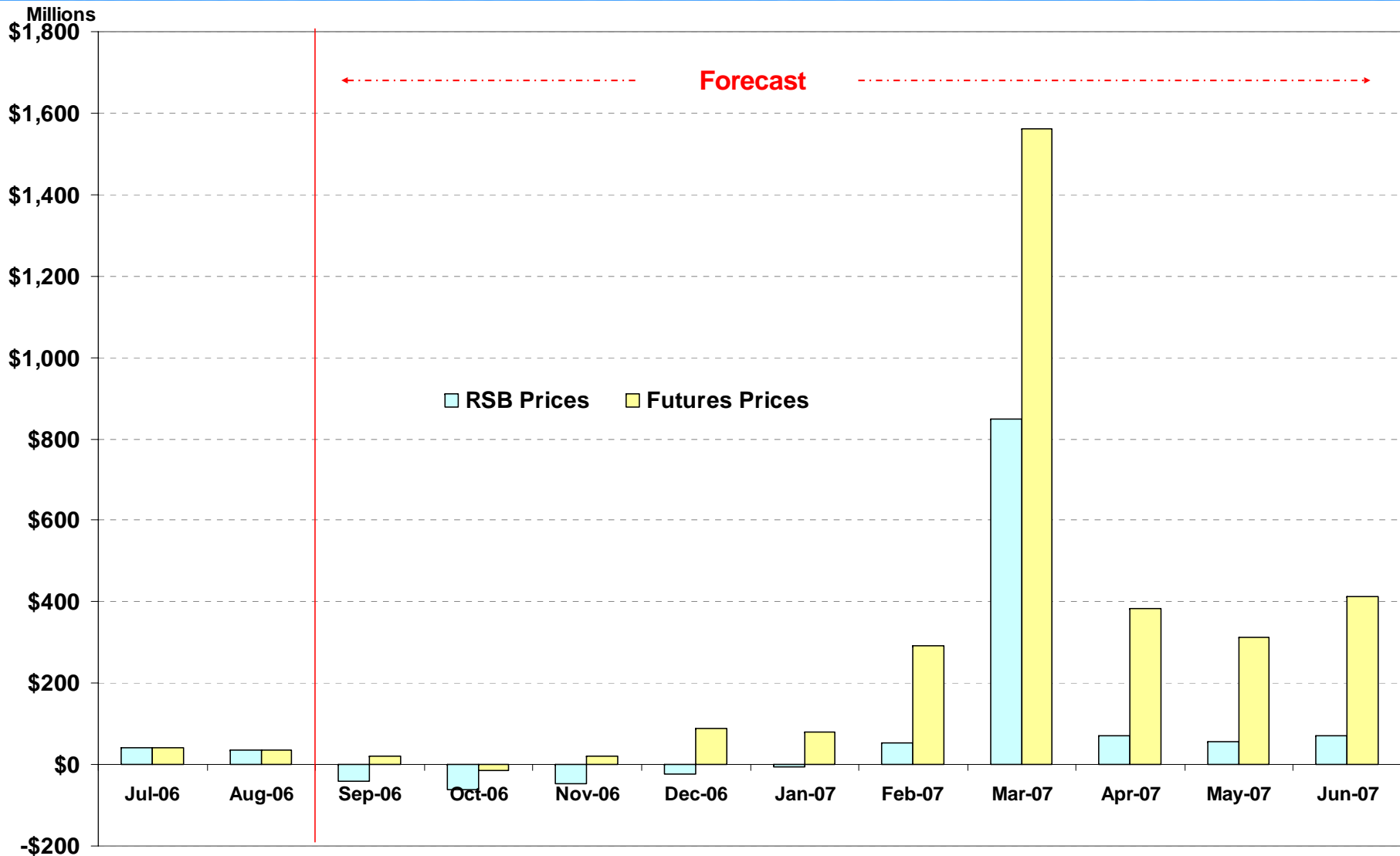
Monthly Cash Flow versus Budget

Assumes 200,00 b/d PBU Production



Monthly Cash Flow versus Budget

Volumes Increase up to 400,000 b/d



Cumulative Revenue Compared to the Revenue Budget

July 1, 2006 to June 30, 2007



Millions of Dollars

Futures Prices

RSB Prices

200,000 b/d

+2,002

+308

Increase to
400,000 b/d

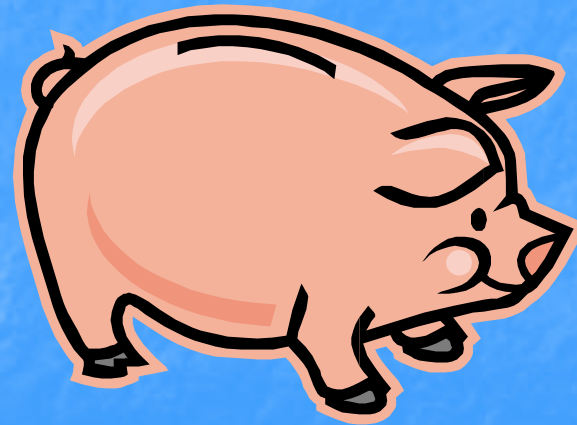
+3,233

+999

Liquidity

■ CBRF = \$2.3 b

■ PF Earnings Reserves = \$2.5 b



Conclusions

Regardless of Assumptions

- The Loss to the State is substantial.
- Due to higher oil prices for the Fiscal Year to-date, and incremental revenues from the PPT, it is *unlikely* the State will have to cut spending to avoid a deficit.
- The State has substantial reserves to address cash flow timing issues and, with legislative approval, to cover a deficit.