



# The U.S. Oil & Gas Renaissance – Alaska’s Role

Resource Development Council

Remarks by Ryan Lance

June 24, 2014



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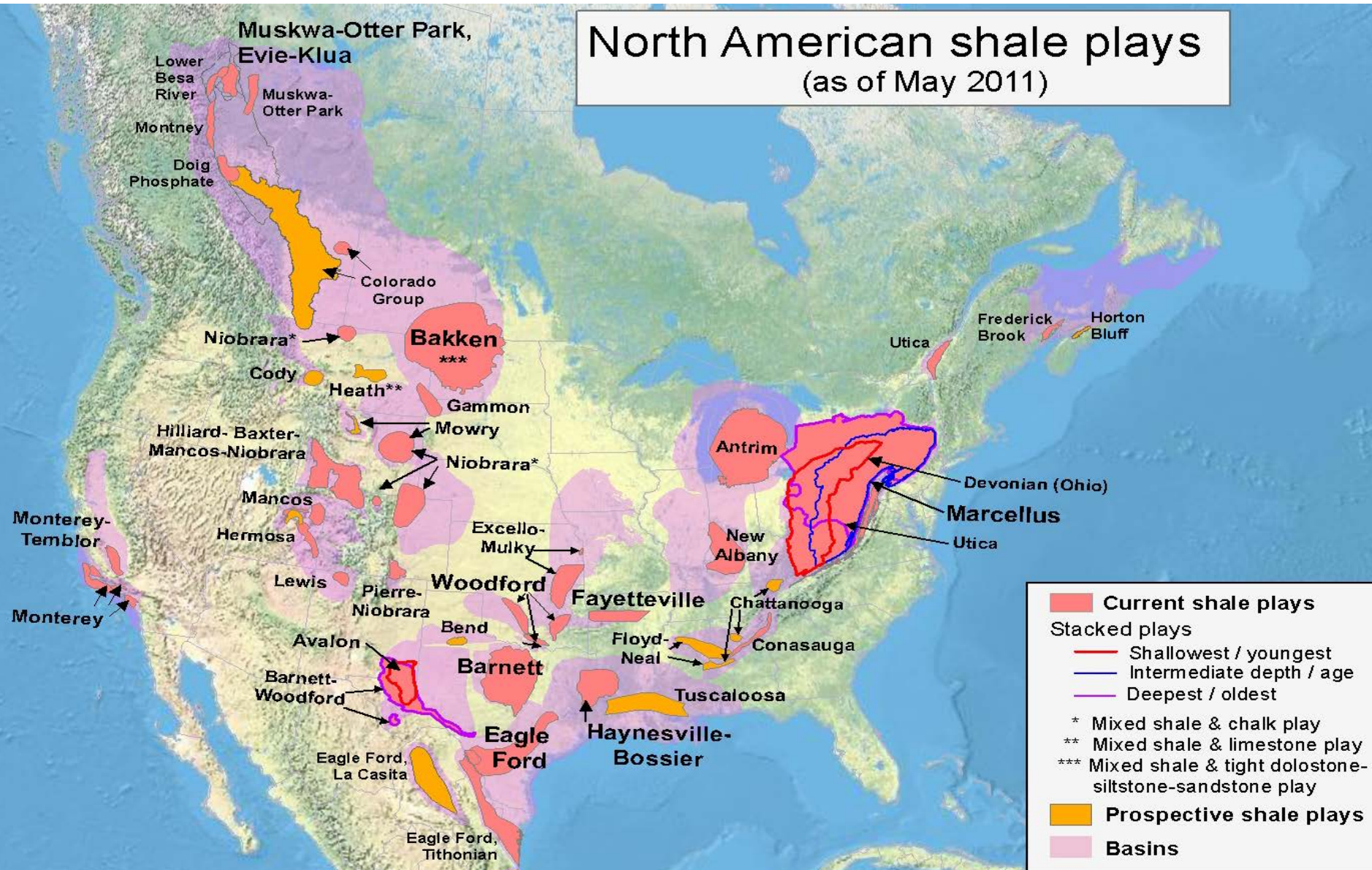
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# North American Shale Plays

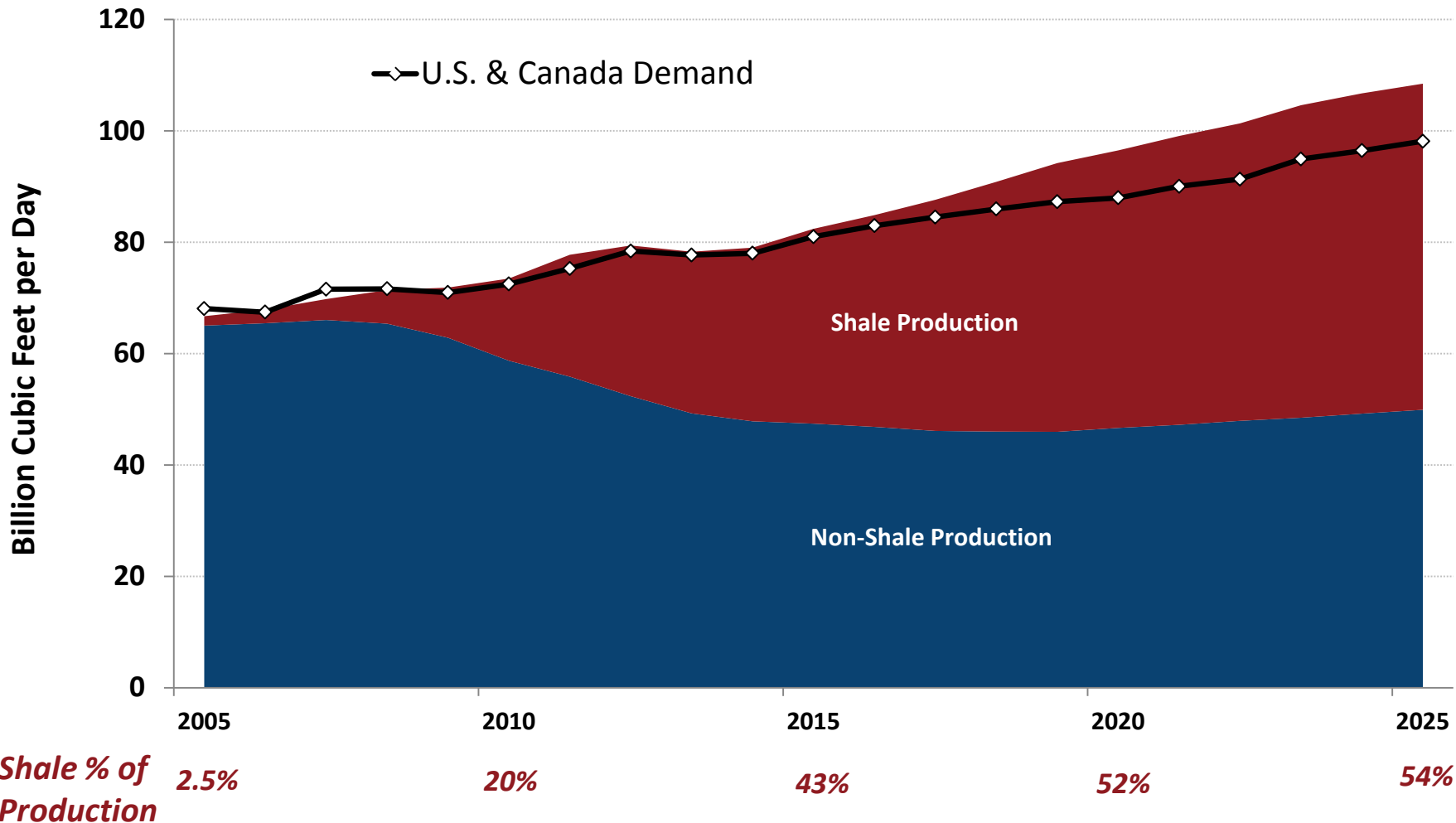
## North American shale plays (as of May 2011)



Source: U.S. Department of Energy, EIA

# North America Has New Abundance of Low-Cost Natural Gas

## North America Production versus Demand



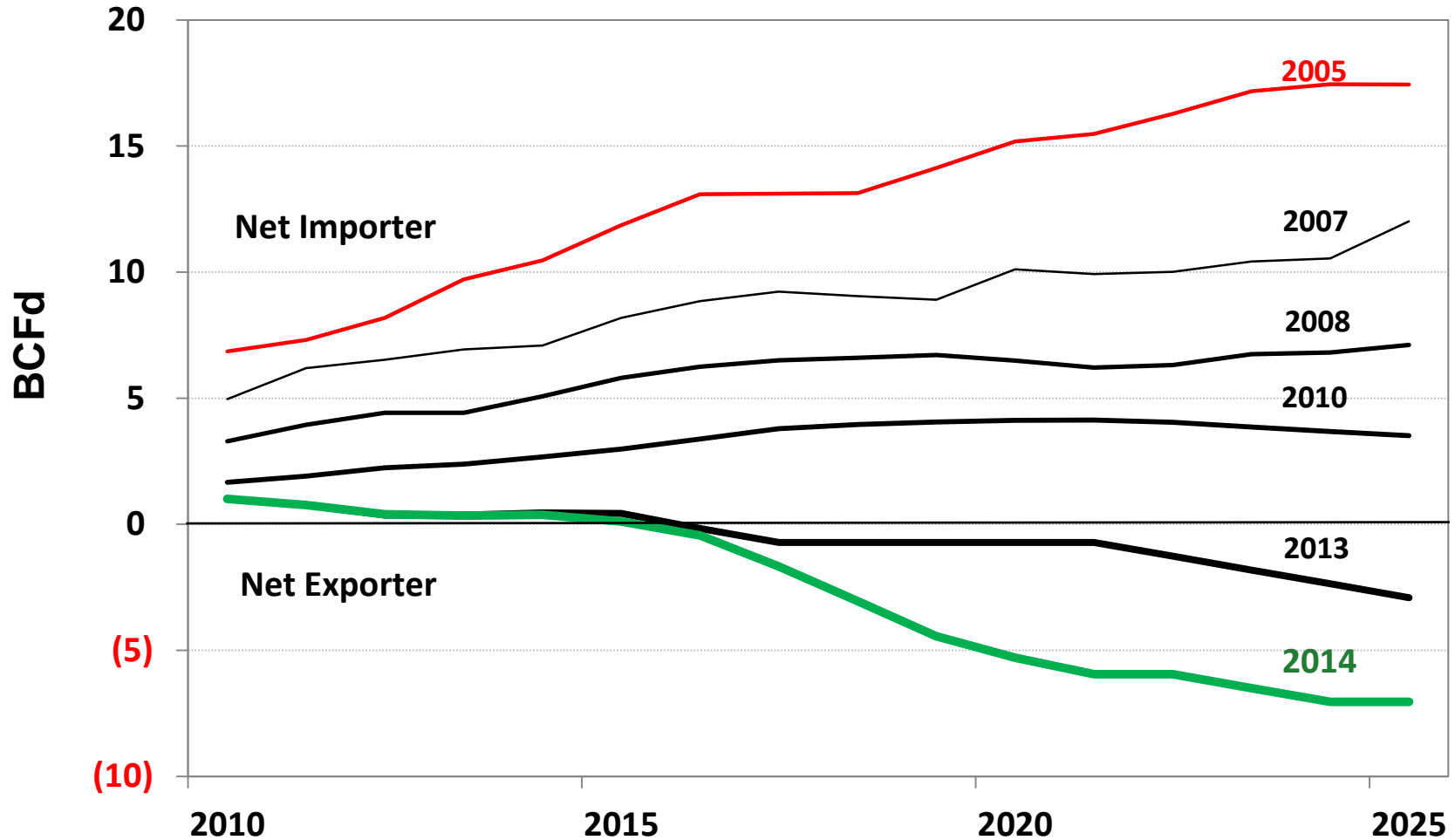
**Rising shale gas production will soon enable LNG exports**

Source: Wood Mackenzie

Source: U.S. Department of Energy, EIA, Annual Energy Outlooks

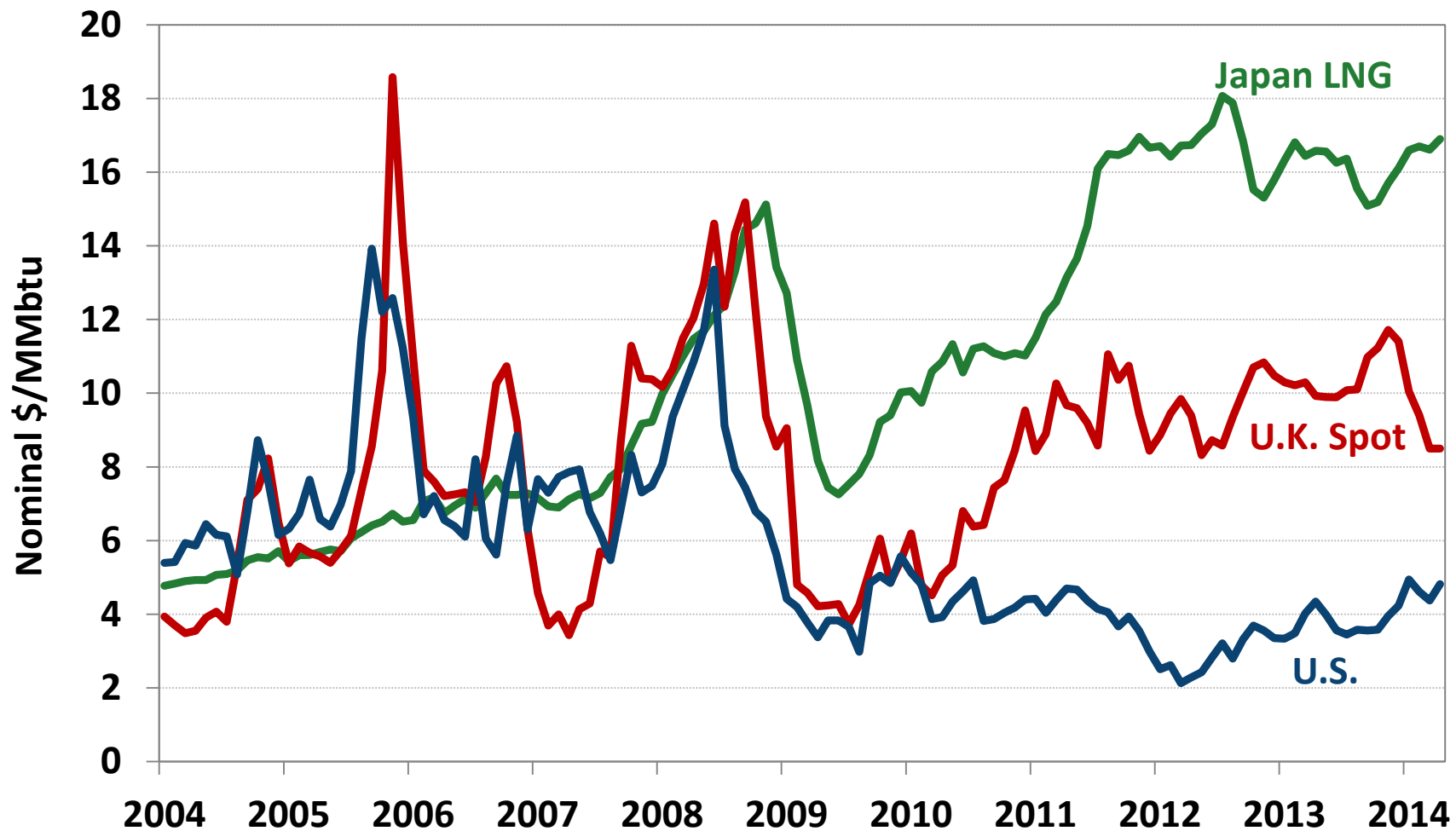
# U.S. LNG Import / (Export) Projections

## Historical U.S. Department of Energy Projections



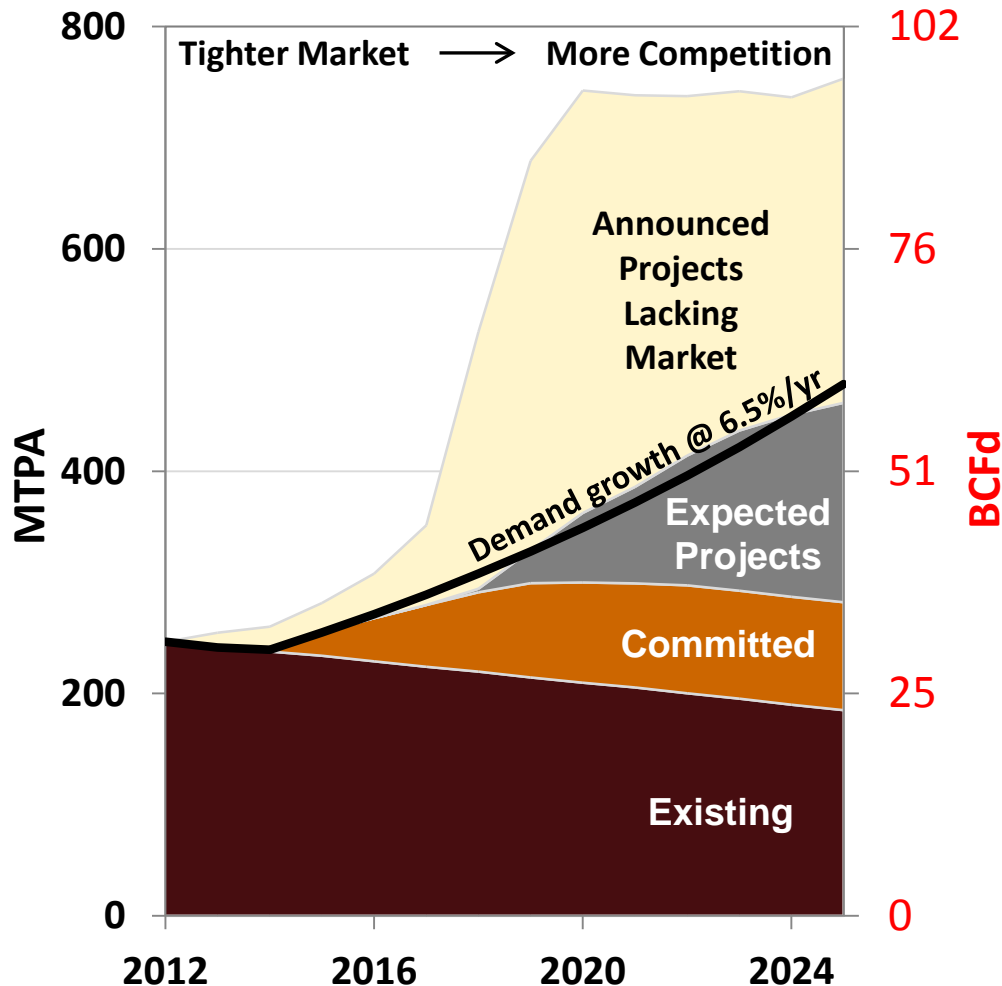
**U.S. is poised to become a net LNG exporter**

# Global Natural Gas Prices



Wide divergence between pricing in major markets

# Global LNG Supply/Demand



- Rising pipe and LNG supply competition beyond 2018 with some constraints
- Significant base decline
- Slippage of projects under way
- Announced LNG projects have substantial execution risks:
  - Reservoir and technical
  - Partner and government alignment
  - Experience and alignment of participants
  - Sales
  - Substantial cost inflation
  - Other above-ground factors

**LNG demand grows rapidly, enabled by increasing supply. High project risks act as barrier to entry and keep market relatively balanced.**

# Proposed Natural Gas Liquefaction & Export Projects



- ~40 export terminals have filed with authorities\* in North America
- In the U.S., DOE has permitted 6 projects or ~9 BCFD for non-Free Trade Agreement exports to date
- Sabine Pass is the only project under construction
- Global LNG demand and competing supplies will restrict the number of projects built

**>400 MTPA (52 BCFD) of potential exports filed with authorities**

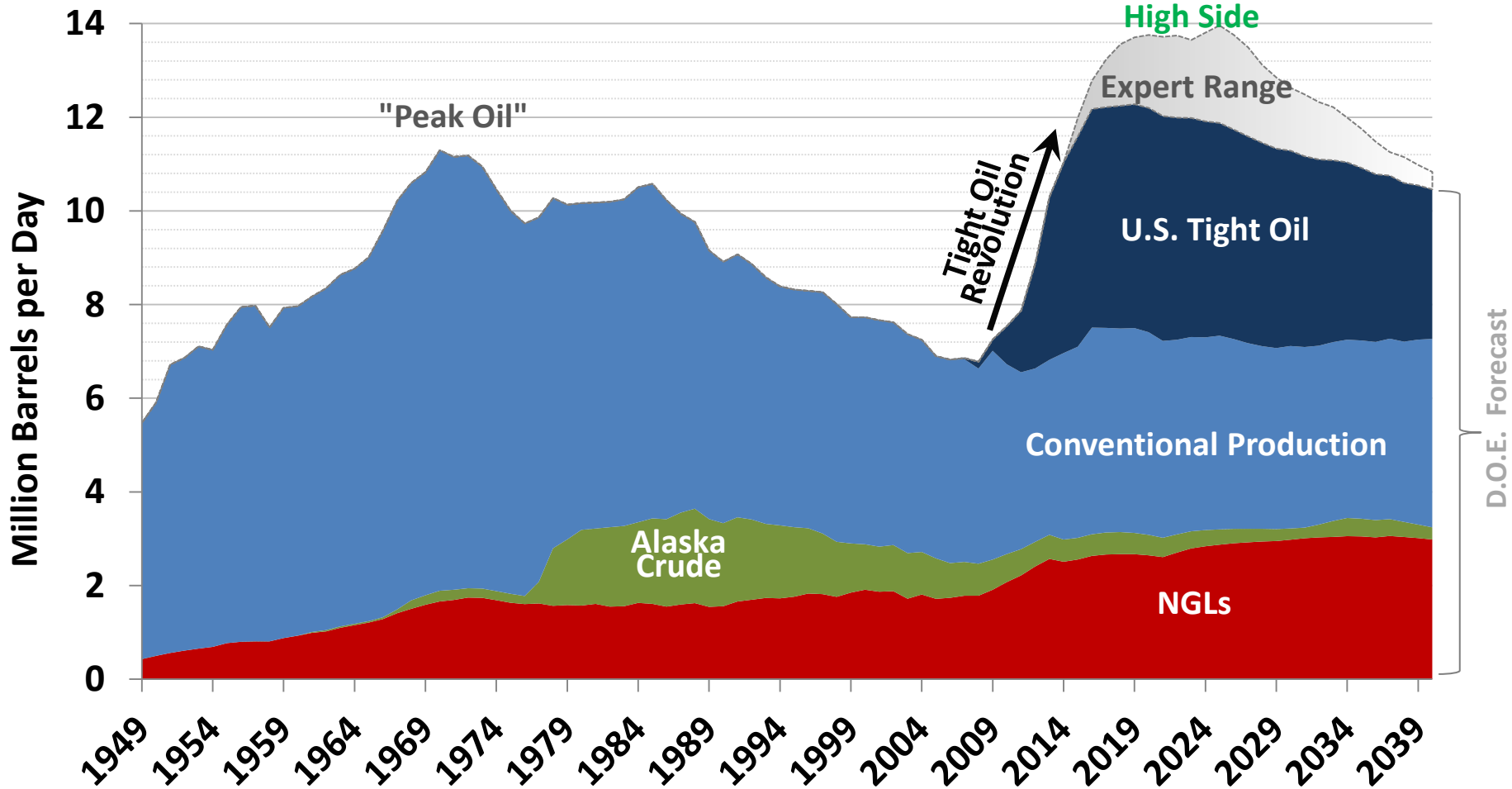
\*Filed with U.S. Federal Energy Regulatory Commission or Canada National Energy Board



# The Shale Revolution Has Spread to Liquids

## U.S. Crude, Condensate and Natural Gas Liquids Production

Department of Energy Forecast

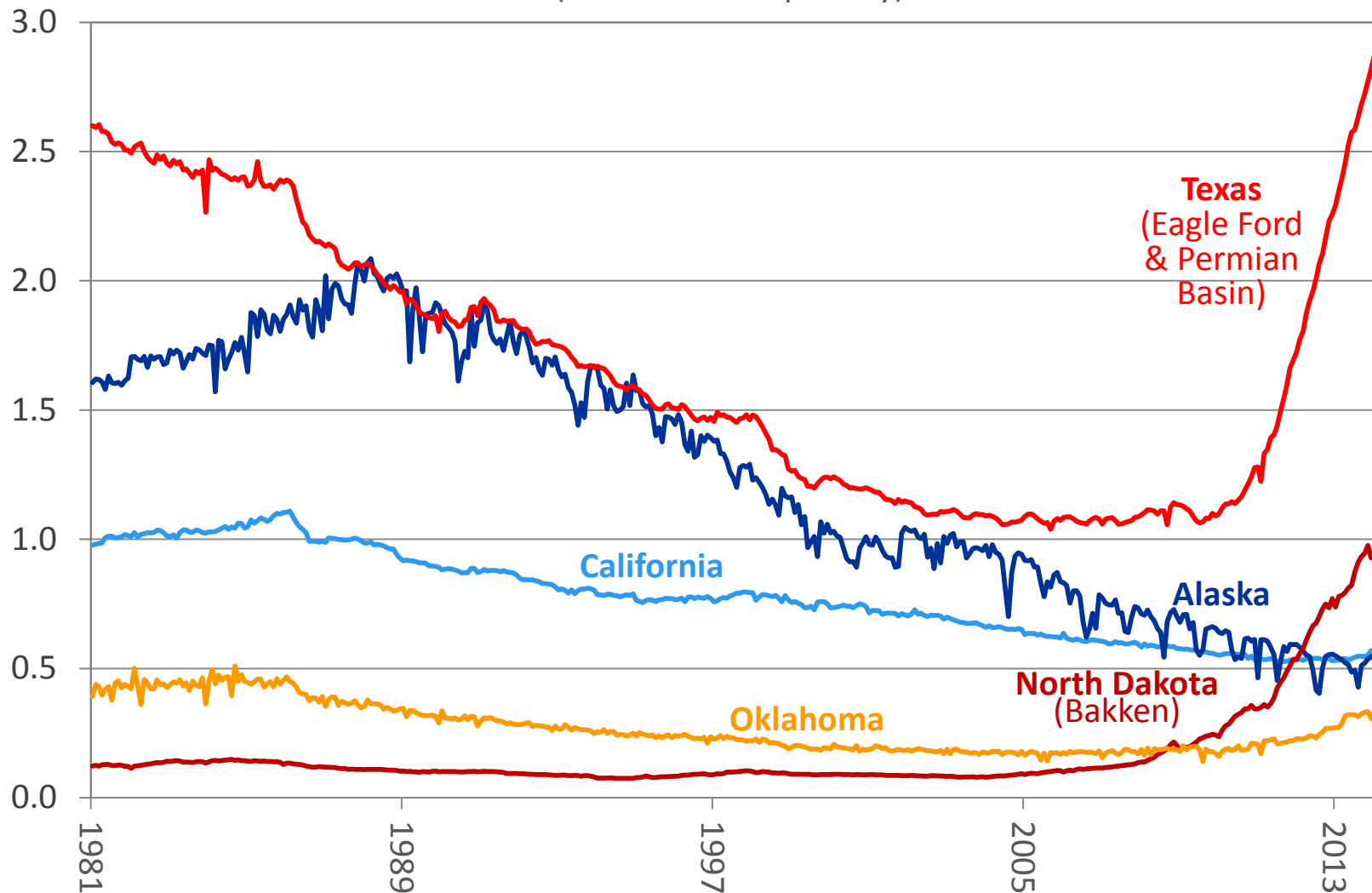


Liquids production is increasing toward a new record

Source: U.S. Department of Energy, EIA, Annual Energy Review 2013, Table 5.1b. Forecast from EIA Annual Energy Outlook 2014

# U.S. Oil Production: Texas and North Dakota Lead the Way

**Top 5 U.S. Oil Producing States**  
(million barrels per day)

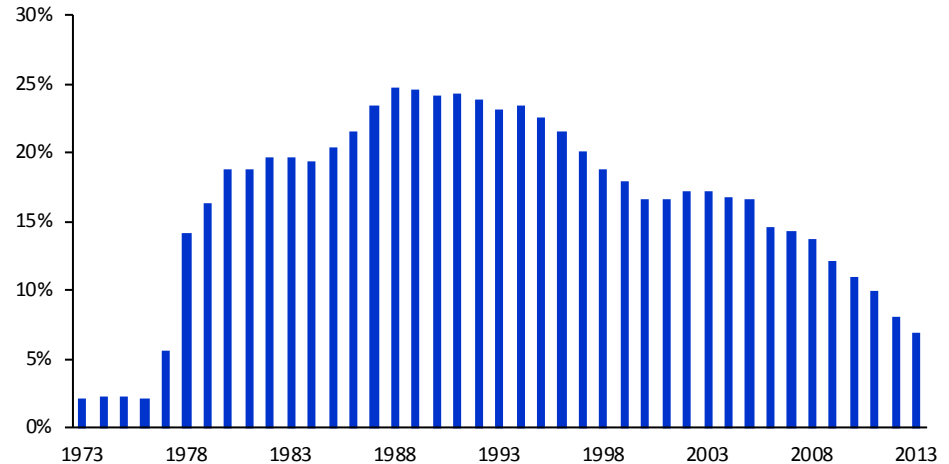


Source: U.S. Department of Energy EIA, as of 4/1/2014

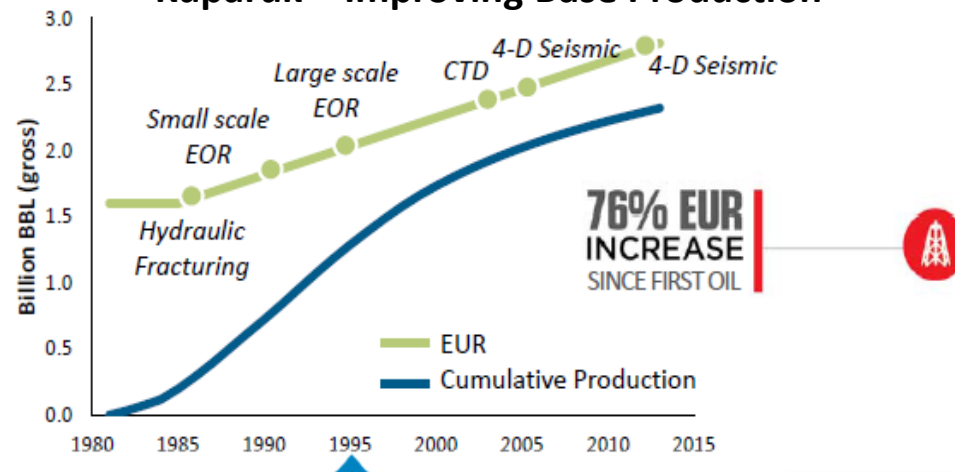
# The North Slope Story

- Legacy fields (Prudhoe and Kuparuk) made Alaska a major crude oil producer
- Enhanced oil recovery & other cutting-edge technologies help maximize rate & recovery
- As legacy fields declined, space became available for developing new fields
- Investment in new production minimal during ACES
- Improved investment climate now leading to renewed North Slope investment

Alaska Fraction of Total US Oil Production



Kuparuk – Improving Base Production

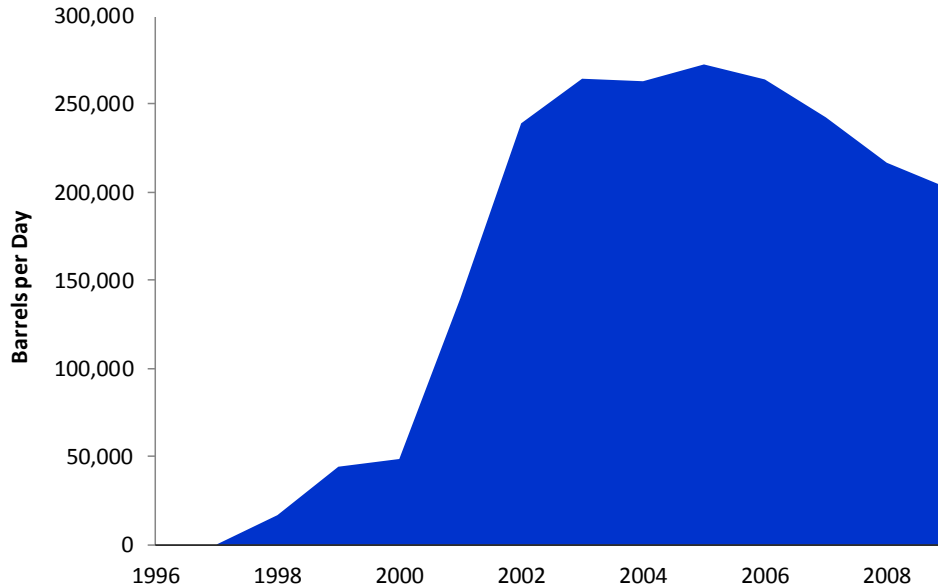


**76% EUR INCREASE**  
SINCE FIRST OIL



# “ELF” Tax Period Encouraged Significant New Production

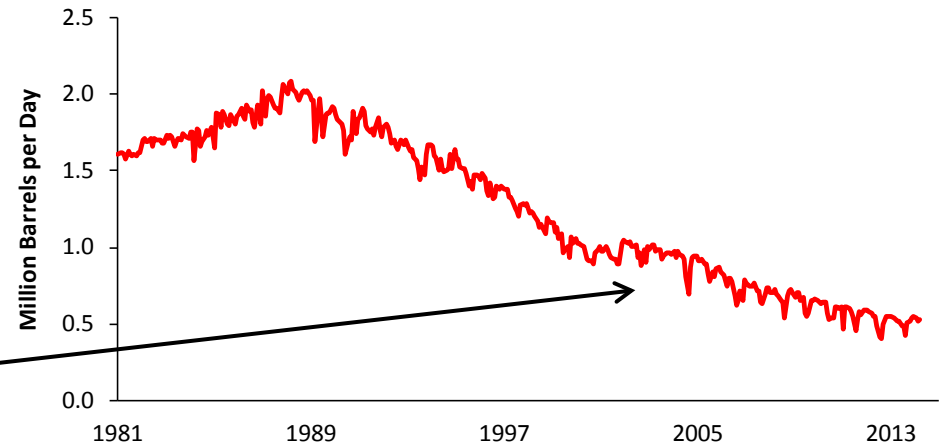
## New Field Production Under ELF



18 new fields developed,  
adding over 250,000 BOD  
to TAPS

Led to several-year flattening of  
production despite low oil prices

## Total Alaska Production



Sources: Alaska Department of Natural Resources and U.S. Department of Energy EIA

# Can Alaska's North Slope Rebound?

- Best opportunities are in legacy fields
  - 28 BBls of light & viscous oil resources remain
  - 32 TCF of natural gas resources
- Technology will play a role
- SB 21, the More Alaska Production Act, is working
  - Encouraging new investment
  - Setting the stage for a world-class LNG project

CD5 Construction Activities



# Since SB 21 Passed, ConocoPhillips Has Taken Action

## ➤ Increased Capital Spending

- 2014 Alaska capital budget is \$1.7 billion, up 50% from 2013
- That's double our average from 2008- 2012
- Added two rigs to Kuparuk rig fleet

## ➤ Announced ~\$2 Billion in New Projects

- Drill site at Kuparuk (DS 2S) – Targeting approval late 2014
- Development in NPRA (GMT 1) – Targeting approval late 2014
- Viscous oil development in Kuparuk (1H NEWS) – Targeting approval late 2014
- Hundreds of direct & indirect jobs during construction
- Potential to add 40,000+ BOPD of new oil in 2018
- AKLNG Project moving forward – State & industry working together



**Alaska is Moving in the Right Direction**



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