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Department Releases Fall 2009 Revenue Forecast

Anchorage – Department of Revenue Commissioner Patrick Galvin today released the *Fall 2009 Revenue Sources Book* which provides a summary of FY 2009 revenue, and projects revenue for FY 2010 and FY 2011. The *Fall 2009 Revenue Sources Book* provides detail about the sources and levels of revenue anticipated, and will be posted today on the department’s website, www.revenue.state.ak.us.

Fiscal year 2009 was a tumultuous year for the price of Alaska North Slope (ANS) oil. It began the year at about \$130 per barrel, then five months later dipped down to \$38 per barrel, and finally ended the year at about \$70 per barrel. Total general fund unrestricted revenue in FY 2009 was \$5.8 billion. In FY 2010 and 2011, the department forecasts oil prices to be \$66.93 and \$76.35 with unrestricted revenues totaling \$4.8 billion and \$5.2 billion, respectively. The oil price and revenue forecast for FY2010 represents a significant increase from the forecast provided last Spring, which estimated an average FY2010 oil price of \$58.29 and unrestricted revenues of \$3.2 billion. Revenue from oil and gas production is expected to provide over 87% of the state’s unrestricted revenue through FY 2019.

Oil production on the North Slope declined 3.3% from FY 2008 to FY 2009, and declines are expected to continue into the near future. In FY 2010, we forecast daily output of approximately 659,000 barrels of oil, a 4.8% decline, and in FY 2011, we forecast a 5.4% decline, down to approximately 623,000 barrels per day. We anticipate new production coming from the Nikaitchuq field before the end of CY 2010, and continued development in the new Ooguruk field and in Point Thomson. Exploration in the National Petroleum Reserve-Alaska, the Foothills, and parts of the Colville River Unit are ongoing. Production is expected to increase in fiscal years 2013 and 2014, rising above FY2011 levels, and then begin to decline again in FY 2015.

The level of future investment on the North Slope is a key input in the estimation of future oil production and its associated production tax. Operators provide the department with their projections of expenditure levels for up to five years into the future. Based primarily on information for oil and gas operators, we forecast spending on the North Slope to continue at or above current levels, and slightly increasing in FY 2011, with forecasted lease expenditures of \$4.5 billion and \$5.0 billion in FY 2010 and 2011, respectively.

Non-oil revenues are forecasted to total \$610 million in FY 2010 and \$589 million in FY 2011. These estimates are down from \$650 million in FY 2009.

To download a copy of the Fall 2009 forecast, visit the Tax Division’s website at www.tax.alaska.gov/programs/sourcebook.