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Press Release

COMMISSIONER'S OFFICE

FOR IMMEDIATE RELEASE **No. 11-012**

December 15, 2011

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Department Releases Fall 2011 Revenue Sources Book

Anchorage – Department of Revenue Commissioner Bryan Butcher released the Fall 2011 *Revenue Sources Book* today, which summarizes FY 2011 revenue and projects revenue for FY 2012 through FY 2021. The department will post the *Revenue Sources Book*, an annual publication that provides detail about the sources and levels of revenue anticipated, on the department's website, at www.tax.alaska.gov.

Commissioner Butcher observed, "Alaska's revenue outlook is strong and relatively stable this year due mostly to continued high oil prices. However, because of our dependence on oil and its continued steady decline, we must maintain our conservative fiscal philosophy." He noted that oil prices increased steadily throughout FY 2011, which ended this past June, with Alaska North Slope crude oil averaging $94.49 per barrel. The department forecasts oil prices to remain stable and increase in fiscal years 2012 and 2013, to $109.33 and $109.47, respectively. Using this price forecast, unrestricted revenue is estimated to total $8.9 billion in FY 2012 and $8.2 billion in FY 2013. Unrestricted revenue in FY 2011 totaled $7.7 billion. Revenue from oil and gas production is expected to provide over 90% of the state's unrestricted revenue through FY 2016.

Oil production on the North Slope declined 6.3% between FY 2010 and FY 2011. Over the next decade, production is forecasted to continue its decline from the currently producing fields. However with the vast resources the State of Alaska is fortunate to have, the potential is there to minimize and even turn around the decline we have realized over the past several years. Significant ongoing investment will be needed to realize this potential. In FY 2012 the department forecasts production to decline 4.7%, with daily production averaging approximately 574,000 barrels of oil. The forecast for FY 2013 projects a 3.3% decline to an average of approximately 555,000 barrels per day. Both of these forecasts include a much greater decline from the currently producing sectors offset by potential new development from under development and under evaluation sectors. Most of the opportunities to add production from state lands are from continued satellite development at Alpine (Nanuq and Alpine West fields), continued developments at Oooguruk and Nikaitchuq, and expanded heavy/viscous oil development (Orion).

Commissioner Butcher further noted a change in the investments made on the North Slope between FY2010 and FY2011. While total investments increased from $4.7B to $4.9B (5.8%), capital expenditures decreased from $2.4B to $2.3B (-3%) while operating expenditures increased from $2.3B to $2.6B (15%). Capital expenditures for FY12 and FY13 are forecast to be $2.8B and $3.1B respectively however through the first four months of FY 2012 the capital expenditures are already lagging behind by $100 million compared to the same timeframe in FY 2011. The majority of the forecasted increase in capital spending is coming from the "newcomers" or explorers.

Unrestricted non-oil revenues are forecasted to total slightly more than $700 million in FY 2012 and FY 2013. These estimates are up from $624 million in FY 2011.

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To download a copy of the Fall 2011 forecast, visit the Tax Division's website at www.tax.alaska.gov.