



Alaska State Legislature
Representative Harry Crawford
Representative Les Gara
716 W. 4th Avenue, Anchorage, Alaska 99501

October 11, 2007

James L. Bowles
President of ConocoPhillips Alaska
700 G St.
Anchorage, AK 99501

Craig Haymes
ExxonMobil Alaska Production Manager
3301 C St., 4th Floor
Anchorage, AK 99508

Doug Suttles
President of BP Exploration Alaska Inc.
900 E. Benson Blvd.
Anchorage, AK 99501

Re: Misleading Advertising Campaign on Oil Taxes

Dear Sirs:

We are writing to ask that you provide the public with a fair picture on oil taxes as we prepare for a special session to fix the current Petroleum Production Tax (PPT) law.

Recent ads funded by the industry suggest that the major oil companies in this state do not make enough money to fairly invest in Alaska – a dubious claim. We hope you might start providing the public with the side of the story your ads do not tell: that Alaska is the region in the world where ConocoPhillips, and likely ExxonMobil and British Petroleum, earns among its highest profit margins.

According to ConocoPhillips' own Annual Report, last year that company made a higher profit margin in Alaska than in any other region in the world except for one. It shows that on \$6.5 billion in Alaska revenue, Conoco earned a very healthy \$2.3 billion in clear, after-tax profits, or a profit margin of 35%. The report also shows Conoco's profit margins in Alaska are approximately 25% higher than they are for Conoco's total worldwide operations. That annual report information is attached. According to the report, Conoco earned the following profit margins around the world:

| | |
|-----------------------|--|
| Alaska: | 35% |
| World (total) | 28% |
| Middle East & Africa: | 7% |
| Russia: | Negative earnings |
| Europe: | 22% |
| Lower 48: | 27% |
| Canada: | 30% |
| Pacific Asia: | 42% (but \$1.5 billion in Asia profits compared to \$2.3 billion in Alaska). |


Reports in prior years show Alaska has been one of Conoco's highest profit regions in the world for most of this decade. Exxon and British Petroleum don't provide the public with information on their Alaska profits, and we expect their profit margins, at least on the highly profitable large fields like Prudhoe Bay are similar.

We have the following requests:

1. In your next series of ads we'd like the following true statement to be provided to the public: "ConocoPhillips admits that it makes higher profit margins in Alaska than almost anywhere else in the world."
2. We would also ask that British Petroleum and Exxon provide audited information to Alaskans, and the legislature, stating what profits, and profit margins, they make on their North Slope operations.

We agree that a fair tax system would include provisions to encourage needed investment, and have worked to do that. But misleading the public by not mentioning that Alaska is among the most profitable places to do business in the world for your companies skews the public debate.

We look forward to your response, and to a fair debate on the need for oil tax reform. I think you would concede that an informed public is better than a misinformed public. We would like to work with you to create a favorable investment climate in this state, and a law that also allows Alaskans to achieve what the Constitution requires: "...the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people." We continue to appreciate the investments your companies make in Alaska, and we look forward to a robust and honest debate during the Special Session.

Sincerely,

 Rep. Harry Crawford


 Rep. Les Gara

cc: Marilyn Crockett, Alaska Oil and Gas Association
 Jeanine St. John, Alaska Support Industry Alliance

• **Results of Operations**

| Year Ended | Millions of Dollars | | | | | | | | | | |
|---|-------------------------|----------|------------|--------|--------|--------------|------------------------|--------------------|-------------|--------|------------|
| | Consolidated Operations | | | | | | | | | | Equity |
| December 31 | Alaska | Lower 48 | Total U.S. | Canada | Europe | Asia Pacific | Middle East and Africa | Russia and Caspian | Other Areas | Total | Affiliates |
| 2006 | | | | | | | | | | | |
| Sales | \$ 6,304 | 3,408 | 9,712 | 2,951 | 5,950 | 3,755 | 1,965 | — | 140 | 24,473 | 5,161 |
| Transfers | 210 | 4,023 | 4,233 | — | 2,954 | 9 | 542 | — | — | 7,738 | 2,821 |
| Other revenues | 2 | 56 | 58 | 145 | 14 | (8) | 127 | — | 4 | 340 | 108 |
| Total revenues | 6,516 | 7,487 | 14,003 | 3,096 | 8,918 | 3,756 | 2,634 | — | 144 | 32,551 | 8,090 |
| Production costs excluding taxes | 708 | 893 | 1,601 | 706 | 814 | 324 | 215 | — | 27 | 3,687 | 739 |
| Taxes other than income taxes | 914 | 554 | 1,468 | 52 | 37 | 91 | 10 | 1 | 30 | 1,689 | 3,444 |
| Exploration expenses | 105 | 222 | 327 | 246 | 73 | 121 | 44 | 32 | 17 | 860 | 46 |
| Depreciation, depletion and amortization | 460 | 2,272 | 2,732 | 1,155 | 1,200 | 512 | 220 | 1 | 21 | 5,841 | 461 |
| Property impairments | — | 15 | 15 | 131 | — | 10 | — | — | 19 | 175 | — |
| Transportation costs | 610 | 555 | 1,165 | 104 | 316 | 89 | 18 | — | 10 | 1,702 | 420 |
| Other related expenses | 11 | 44 | 55 | 15 | 87 | 18 | 38 | 43 | 28 | 284 | 52 |
| Accretion | 34 | 36 | 70 | 39 | 97 | 8 | 2 | — | — | 216 | 6 |
| | 3,674 | 2,896 | 6,570 | 648 | 6,294 | 2,583 | 2,087 | (77) | (8) | 18,097 | 2,922 |
| Provision for income taxes | 1,409 | 1,064 | 2,473 | (193) | 4,578 | 1,061 | 1,931 | (13) | (7) | 9,830 | 891 |
| Results of operations for producing activities | 2,265 | 1,832 | 4,097 | 841 | 1,716 | 1,522 | 156 | (64) | (1) | 8,267 | 2,031 |
| Other earnings | 68 | 183 | 251 | 191 | 335 | 62 | 32 | (4) | (25) | 842 | 133 |
| Net income (loss) | \$ 2,333 | 2,015 | 4,348 | 1,032 | 2,051 | 1,584 | 188 | (68) | (26) | 9,109 | 2,164 |
| Results of operations for producing activities of equity affiliates | \$ — | — | — | — | — | — | (6) | 1,229 | 808 | — | 2,031 |