

FY 2007 Oil Company Post-Tax Profit Margins Under Current Law

Sales Price ANS West Coast	\$60.00	\$40.00	\$20.00
Gross Revenue	\$16.20 Billion	\$10.18 Billion	\$4.16 Billion
Corporate Profit	\$6.94 Billion	\$3.86 Billion	\$0.77 Billion
<i>Corporate Profit Margin</i>	<i>42.8%</i>	<i>37.9%</i>	<i>18.5%</i>
State Revenue	\$3.89 Billion	\$2.62 Billion	\$1.34 Billion

FY 2007 Profits/Profit Margin Under Various PPT Rates

Sales Price ANS West Coast	\$60.00	\$40.00 & \$40.01*	\$20.00
30/20			
Corporate Profit	\$5.77 Billion	\$3.28 & \$3.44 Billion	\$0.95 Billion
Corporate Profit Margin	<i>35.6%</i>	<i>32.2% & 33.8</i>	<i>23.0%</i>
25/20			
Corporate Profit	\$6.11 Billion	\$3.48 & \$3.61 Billion	\$0.96 Billion
Corporate Profit Margin	<i>37.7%</i>	<i>34.2% & 35.5%</i>	<i>23.1%</i>
20/20			
Corporate Profit	\$6.45 Billion	\$3.68 & \$3.79 Billion	\$0.96 Billion
Corporate Profit Margin	<i>39.8%</i>	<i>36.1% & 37.2%</i>	<i>23.1%</i>

*We also provided information based on a sales price of \$40.01 in order to show the impact of the transition provisions, which are activated when prices exceed \$40/bbl. Volumes and transportation charges from March 2006 Department of Revenue Spring 2006 projections.

PPT analysis based on HB 488 as originally presented; variance at \$40 per barrel shown to demonstrate corporate incentive from transition credits.

Corporate Profit Margin is defined as: [well head revenues less (ANS operating and capital costs, State royalties, production taxes and surcharges, property taxes, and State and federal corporate income taxes)] divided by (gross ANS well head revenues).

To create these estimates, calculations separate from the PPT model were made because the PPT model accrues capital costs over 40 years. Thus, assumptions had to be made about the timing of capital costs.

The department has numerous models that serve specific purposes. The PPT Model meets the need to forecast long-term effects and should not be utilized within a time horizon of ten years or less. The Revenue-Share Model used for this analysis meets the need to analyze short-term forecasts to determine the distribution of petroleum revenues.

All department models are periodically updated based on new information and understandings of industry operations.