

straight talk



Alaska Oil and Gas Association

December 2008 - Issue 6

Alaska's Offshore – Mega Promise, Mega Uncertainty

Mega Promise

Alaska's offshore waters, referred to as the Outer Continental Shelf (OCS), hold mega resources that offer great potential for meeting the nation's energy needs. According to the U.S. Minerals Management Service (MMS), Alaska's OCS contains an estimated 27 billion barrels of oil and 132 trillion cubic feet of natural gas resources. By comparison, total production from the North Slope since 1977 has been 15.5 billion barrels.

MMS estimates that the Chukchi Sea is the most promising and materially undeveloped U.S. offshore petroleum basin. A record lease sale was held February 6, 2008, leasing over 2.7 million acres in the Chukchi Sea, and delivering a total of \$2.6 billion in bonus bids to the federal government.

Shell, one of Alaska Oil and Gas Association's 16 members, was a major player in that sale, winning 275 bids worth over \$2.1 billion. "We believe that Alaska's offshore could prove to be the next chapter in Alaska's oil and gas industry," stated Pete Slaiby, Shell's Alaska General Manager. AOGA members StatoilHydro and Eni Petroleum also participated in the sale.

Mega Uncertainty

Since acquiring leases in Alaska's offshore waters, companies have spent hundreds of millions of dollars. "The thousand-plus miles of seismic data we collected in both the Chukchi and Beaufort Seas will go a long way in helping us evaluate our leases," said Slaiby.

In addition to 3-D seismic work, companies continue to spend tens of millions of dollars each year on baseline studies, technology, training, equipment and strategies to ensure protection of Alaska's precious marine resources and subsistence lifestyles. Scientific research, conducted in 2008, included acoustic recorders, aerial over-flights, vessel observations and

(continued on page 5)

In This Issue:

Cover Story	1
Member Spotlight	2
Did You Know?	2
Technology/Pioneer Award	3
On The Job	3
Coastal Impact Assistance Program.....	4
Executive Director's Message.....	5
Member Companies	6



Towing the Kulluk drilling rig through the offshore waters.
(Courtesy of Shell)

Member Spotlight

Alyeska Pipeline Service Company

What year was Alyeska created?

Alyeska Pipeline Service Company was incorporated on August 14, 1970, to design, build, operate and maintain the pipeline, pump stations and the Valdez Marine Terminal.

Where is the Trans Alaska Pipeline (TAPS) located?

Alyeska is headquartered in Anchorage with field offices in Valdez and Fairbanks. The pipeline itself runs 800 miles, from Prudhoe Bay to Valdez.

Who are the owners of TAPS?

Alyeska operates the Trans Alaska Pipeline System as an agent for five owner companies: BP Pipelines (Alaska), Inc., ConocoPhillips Transportation Alaska, Inc., ExxonMobil Pipeline Company, Unocal Pipeline Company, and Koch Alaska Pipeline Company, L.L.C.

What is Alyeska’s main operation?

Alyeska personnel and contractors continually monitor, maintain and operate the Trans Alaska Pipeline System, commonly called TAPS, to ensure that oil flows safely, efficiently and in an environmentally sound manner. TAPS transports crude oil from Alaska’s North Slope, across tundra, rugged mountains and rivers, to Valdez, North America’s northernmost ice-free port. The scope of TAPS’ operation also includes the Ship Escort Response Vessel System, or SERVS, which is headquartered in Valdez. SERVS is made up of a fleet of sophisticated vessels that accompany tankers through Prince William Sound, and also protect the Sound and its environment in the event of an incident.



Section of Trans-Alaska Pipeline near Pump Station 4. (Courtesy of Alyeska Pipeline Services Company)

How many employees does Alyeska have in Alaska?

Approximately 2,000 people are employed through TAPS, including Alyeska and contractor employees.

What has been the total production through the TAPS?

TAPS carries approximately 17 percent of the nation’s domestic oil production. Since startup of the pipeline, TAPS has transported more than 15 billion barrels of crude oil, and over 19,000 tankers have loaded at the terminal.

What type of development/operational plans does Alyeska have for the future?

Alyeska is in the process of upgrading the Trans Alaska Pipeline System’s pump stations and control systems. The project, referred to as Strategic Reconfiguration, focuses on reducing physical infrastructure and modifying operations to suit today’s throughput. The new system is more efficient. Also, because it’s modular and scalable, it’s flexible and able to accommodate future increases or decreases in throughput. ♦

Did You Know?



Alaska’s oil and gas industry creates 41,744 jobs.

- Primary oil and gas companies generated 4,497 jobs in 2007.
- Industry spending in Alaska on goods, services and capital produced 8,410 support industry jobs.
- An additional 28,837 jobs were created throughout the rest of the Alaska economy by primary company and support industry spending.

Visit www.aoga.org for more facts about Alaska’s oil & gas industry.

Technology

Pioneer Receives Prestigious IOGCC Award

The Interstate Oil and Gas Compact Commission (IOGCC) is the leading authority on state regulatory programs, and works to ensure that domestic resources can be conserved and maximized in harmony with the environment.

At IOGCC's Annual Meeting on November 17, 2008, only four oil and gas related projects from across the nation received the Chairman's Stewardship Award for demonstrating exemplary efforts in protecting the environment.

AOGA member Pioneer Natural Resources, Alaska, received the award for small company for their Oooguruk Development Project.

On June 9, 2008, Oooguruk became the first field operated by an independent company in the history of the North Slope, and set a new cycle-time standard for the development of a North Slope offshore project.

The Oooguruk project consists of three main elements: the offshore drill site, the eight mile flowline system and the onshore tie-in pad. There are four separate lines carrying production fluids, gas, injection water and diesel fuel. Production fluids are transported in a special pipe-in-pipe design in the offshore section to help ensure protection of the environment.

By being the first independent operator on the North Slope, bringing the project in on time and on budget, Pioneer has set the example for other independents to be successful in Alaska. ♦



Ken Sheffield, President, Pioneer Natural Resources, Alaska receiving IOGCC Award from IOGCC Chairman, Governor Brad Henry (OK).



Merri with her official fishing guide and husband, Gary Pennington, after reeling in another winner.

On the Job

Merri Pennington, Merchant Representative, Tesoro

Her name is Merri Pennington and when she came to Alaska in 1974 she knew she'd never leave. Now she's a Merchant Representative at Tesoro, where she's worked for the last 28 years. Besides her affinity for Alaska and her commitment to Tesoro, Merri has two main loves in her life: her family and fishing.

Merri and her husband have two children, Jennifer and Jordan. They embody the quintessential Alaskan family, partaking of the outdoors and having a passion for hockey. When the weather is warm, you'll find them out on the Kenai, fishing. Among her photo gallery of trophies are some of the nicest trout you'll ever see – real beauties!

Merri's energy extends well past the rink and the river. She brings passion and a can-do attitude to her volunteer activities and work. She's been active in the United Way for many years – serving as Tesoro's ambassador, assisting in organizing the annual giving efforts and personally participating in the leadership giving program.

On the job front, Merri has a wide array of responsibilities, from marketing and accounting to customer relations. "I love working with all our great clients," she says. Merri has enjoyed her years at Tesoro. "We are like a family here and we've got a great company culture. We have strong core values of honesty, teamwork and safety," she says with pride. ♦

Thanks to Offshore Leasing

Alaska Coastal Impact Funds Increase

Although the state of Alaska does not receive direct tax revenue from development of its offshore resources in the Outer Continental Shelf (OCS), the state does receive federal funds through a program called the Coastal Impact Assistance Program (CIAP). This program is implemented by the Department of Interior's Minerals Management Service (MMS).

Due to the successful Chukchi Sea lease sale this past February, these funds have been increased from \$2.5 million each of the last two years, to between \$29 million and \$41.2 million in 2009 and 2010.

"Alaska plays a vital role in supporting our nation's offshore energy program," said MMS Director Randall Luthi. "The CIAP program provides a means of sharing oil and gas revenues with local communities that are engaged in the hard work of supplying America's energy needs."

The CIAP was established as part of the Energy Policy Act in 2005 to distribute \$250 million annually to

six states. In addition to Alaska, Alabama, California, Louisiana, Mississippi and Texas also receive a portion of the funds.

The Act requires that all CIAP funding be used for projects and activities for the conservation, protection, or restoration of coastal areas. The funding for Alaska will be shared between the state and eight eligible boroughs, with 65 percent going to the state and the remaining 35 percent going to the boroughs.

"The development of oil and gas resources in the federal waters off the shores of Alaska can contribute greatly to the energy supplies of this nation," Gov. Sarah Palin said. "I am pleased that a state like Alaska, rich with oil and gas resources and willing to accept the risk of OCS development, is offered and awarded a portion of the federal revenue generated from the OCS. The CIAP funding will provide for important projects benefiting the environment." ♦



Killabuk support vessel. (Courtesy of Shell)



AOGA Executive Director Message

A New Year is Upon Us

By Marilyn Crockett, Executive Director

As we all personally prepare our New Year's "lists", I'd like to offer a list of opportunities and challenges for 2009 from the perspective of Alaska's oil and gas industry.

A New Federal Administration: As we go to print, President-Elect Obama has not yet named his Secretary of Interior or appointed other officials that have direct oversight into the management of federal lands in Alaska. AOGA stands ready to work with the new administration. Any energy plan for the nation will need to include Alaska, as we have over 30% of the nation's technically recoverable resources. AOGA Members have spent billions of dollars for the rights to explore and develop these federal lands to meet the nation's energy needs. These investments must not be ignored.

Environmental Lawsuits: As mentioned in our lead story, environmental lawsuits continue to threaten development of Alaska's oil and gas resources. At the forefront of these lawsuits are challenges demanding Endangered Species Act listing of healthy populations of Alaska species which co-inhabit areas of Alaska oil and gas development. Supporters of these initiatives openly profess that their primary objective is to halt oil and gas development. No other area of the United States has been singled out for such an attack. Given the resources Alaska has to offer the nation, it is appalling that initiatives such as these will stand in the way of securing the nation's energy future. The State of Alaska has objected, and should continue to object, to this assault on development of Alaska's resources.

ACMP: Alaska's Coastal Management Program was revised in 2003 to remove numerous layers of duplicity with local, state, and federal regulations and to provide concise and predictable permitting in Alaska's coastal zone. Legislation to change this program is expected to be introduced next session.

If the changes undermine the significant streamlining accomplished five years ago, resource development—which benefits every resident of Alaska—will suffer.

Gas Pipeline: It goes without saying that a natural gas pipeline remains a top priority for all Alaskans. Low commodity values have prevented this project from succeeding in the past, and with the recent decline in natural gas and oil prices over the past four months, it is vital that a successful project weather the volatility of the market.

We have enjoyed this first year of providing Straight Talk to you and look forward to bringing you future issues in 2009. If there is something you would like to learn more about, please contact us at www.aoga.org. Happy New Year! ♦



(continued from cover)

tagging programs. Mr. Slaiby stated, "We are proud of this science and we look forward to building on it."

Due to various lawsuits and court rulings, Alaska's offshore companies have not been able to fulfill a key component – drilling. Recently, the 9th Circuit Court ruled to vacate the MMS's approval of Shell's Plan of Exploration. While companies consistently meet and exceed requirements for responsible Arctic exploration, they continue to face uncertainty due to America's court system.

Alaska's residents and the nation's population have expressed their strong support for responsible OCS development. Companies wishing to operate in Alaska concur. "We believe developing offshore Alaska is the right decision for the citizens of Alaska and the state's economy and will help provide a secure energy future for the U.S.," said Slaiby. ♦

Member Companies

AOGA's members are companies that represent the majority of oil and gas exploration, production, refining, transportation and marketing activities in Alaska. Our members are:

Alyeska Pipeline Service Company
 Anadarko Petroleum Corporation
 BP Exploration (Alaska) Inc.
 Chevron
 Eni Petroleum
 ExxonMobil Production Company
 Flint Hills Resources, Alaska
 Marathon Oil Company
 Pacific Energy Resources Ltd.
 Petro-Canada (Alaska) Inc.
 Petro Star Inc.
 Pioneer Natural Resources Alaska, Inc.
 Shell Exploration & Production Company
 StatoilHydro
 Tesoro Alaska Company
 XTO Energy, Inc.



AOGA Staff

From left to right: Tamara Sheffield, Support Services; Marilyn Crockett, Executive Director; Kara Moriarty, Deputy Director; Sami Glascott, Regulatory Affairs.

straight talk

www.aoga.org



121 W. Fireweed Lane, Suite 207, Anchorage, AK 99503-2035

AOGA Staff

Marilyn Crockett,
Executive Director

Kara Moriarty,
Deputy Director

Sami Glascott,
Regulatory Affairs

Tamara Sheffield,
Support Services

PRSRT STD
 U.S. Postage
PAID
 PERMIT NO. 69
 ANCHORAGE, AK