

straight talk



Alaska Oil and Gas Association

July/August 2009 - Issue 4

Moving Alaska Forward

As Alaska celebrates its 50th anniversary, it's appropriate to look back at the history of the oil and gas industry.



Secretary of State William Seward negotiated the Alaska purchase from Russia in 1867, but the initial drive for statehood did not begin until the 1920's. By the 1950's, momentum was building. A Constitutional Convention was held in 1955, but many still doubted Alaska would have the ability and/or tax base to support itself as a state.

The discovery of the 250 million-barrel oil field near the Swanson River in 1957 by Richfield Oil Company solidified support that Alaska could be economically self-sufficient. It also spurred interest by several other oil companies in the Kenai/Cook Inlet region, many of which are still present in Alaska today.

Following the Swanson River discovery, the territory held its first offshore oil and gas lease sale for tracts in the waters of Cook Inlet. This was the beginnings of Alaska's modern oil and gas age and provided the foundation for the state's revenue base. Even though oil and gas production and revenue were not as significant as they are today, the industry provided over 25 percent of the fledgling state's revenue for the first 10 years of statehood. The historic Prudhoe Bay lease sale in 1969 catapulted Alaska's revenue.

Today, with oil and gas currently providing 85 percent to 90 percent of the state's revenue and production in Cook Inlet and the North Slope in a natural decline, where does the future lie?

Companies are diligently working to develop Alaska's natural gas resources and studying the economics and risks of building a \$30+ billion gas pipeline that would transport an estimated 4 billion cubic feet of natural gas per day to North American markets. Other entities are studying the logistics

(continued on page 5)

In This Issue:

Moving Alaska Forward	1
OCS Comment Deadline	2
Oil & Gas Benefits	3
Member Spotlight.....	4
On the Job.....	5
AOGA Member Companies	6



Workers at the Swanson River Field, circa 1957
(photo courtesy Marathon Oil Co.)

Offshore Update

OCS Comment Period Ends Soon!

**Over 77 percent of Alaskans support OCS.
Show your support TODAY!**

Background:

The U.S. Department of the Interior is gathering additional public comments on the Minerals Management Service (MMS) 2010-2015 Draft Proposed Oil and Gas Leasing Program for the Outer Continental Shelf (OCS). This important document will set the stage for future oil and gas lease sales in the OCS, which holds huge potential for fulfilling America's and Alaska's energy needs.

Action Needed:

Comments are due by Sept. 21, 2009. Alaskans should encourage the MMS to move forward with the 2010-2015 proposed draft offshore plan. This plan should include all available areas for leasing.

Importance to Alaska:

Offshore activity is expected to create an annual average of 35,000 new jobs in Alaska with roughly \$72 billion in total payroll over the 50-year life of the projects.

OCS development would extend the life of the Trans-Alaska Pipeline System (TAPS) beyond the date it would be considered unviable using only onshore reserves.

All OCS areas should be considered for leasing, especially the Beaufort, Chukchi, and North Aleutian Basin regions of Alaska.

The waters of Alaska account for a significant portion (31 percent) of the nation's technically recoverable OCS resources.

Submitting Comments:

Submit written comments to:
Ms. Renee Orr
Chief, Leasing Division
Minerals Management Service,
MS 4010
381 Elden Street
Herndon, VA 20170-4817

Submit online comments to:
www.regulations.gov

For more information, please

visit the MMS website at
<http://www.mms.gov/5-year/2010-2015DPPComments.htm>

or call the AOGA office at
(907) 272-1481.



Oil and Gas Benefits Alaska

JOBS

- 41,744 Alaskan jobs are generated each year by the oil and gas industry.
- Oil and gas is the largest private industry in Alaska – generating 21% of private sector payroll.
- One in eight private sector jobs are generated by the industry in Alaska.

REVENUES

- In the past fiscal year, petroleum revenues totaled almost \$12 billion; which was 93% of the state's unrestricted general fund for FY 08.
- Since the completion of Trans-Alaska Pipeline System (TAPS), petroleum revenues have averaged 82% of the state's unrestricted general fund.
- A portion of oil revenues was set aside in 1976 for future generations. The Alaska Permanent Fund, now worth approximately \$32 billion, distributes an annual dividend. Since the dividend started in 1980, a family of four has received \$118,420.

RESOURCES

- To date, 15.9 billion barrels of oil have been transported through TAPS.
- Over 35 trillion cubic feet of natural gas are currently known on the North Slope.
- Alaska's federal offshore waters contain 31% of the nation's technically recoverable offshore resources.

PROJECTS/INVESTMENTS

- In 1974, work began on the largest construction project in the world: TAPS. Originally estimated to cost \$900 million to build, it was completed in 1977 with final costs of over \$8 billion.
- The proposed Alaska Gas Pipeline, estimated to cost \$30-plus billion, will be the largest pipeline project in the world.
- Current development projects cost billions; BP's Liberty field development will ultimately cost approximately \$1.5 billion. Exxon plans to invest over \$1.3 billion on the first phase of the Point Thomson Project. ♦





Shell Oil's Sakhalin Molipak platform off the coast of Sakhalin, Russia. (photo courtesy of Shell Oil)

Member Spotlight

Shell Exploration & Production Company

What year did Shell arrive in Alaska?

Feb. 9, 1960

Where does Shell currently hold leases in Alaska?

137 leases in the Beaufort Sea, 275 leases in the Chukchi Sea

Where else does Shell do business?

Shell explores and produces oil and gas in a number of countries including Australia, Scotland, Russia, Nigeria, Brunei, Norway, Canada, the U.S. and Brazil.

How many employees does Shell have in Alaska? 60

What type of exploration/development plans does Shell have for Alaska?

Shell believes the offshore could prove to be the next major chapter in Alaska's oil and gas history. According to Minerals Management Service (MMS) numbers, there could be more oil and gas reserves in the Alaska Outer Continental Shelf (OCS) than remaining reserves in the Gulf of Mexico. Shell has filed Plans of Exploration for both the Chukchi and Beaufort Seas leases that are scheduled to commence the summer of 2010. If those plans are approved and permits secured, Shell will drill one or two exploratory wells in both areas in 2010 in addition to conducting ongoing baseline science research and stakeholder workshops. ♦



Killabuk support Vessel. (photo courtesy of Shell Oil)

On the Job

Ray Schemanski Advanced Engineering Specialist and Training Coordinator, Marathon Oil Company

His name is Ray Schemanski and he's a Marathon Oil veteran, having worked for the company in the Cook Inlet region for the past 25 years.

Ray moved to Alaska from Michigan in 1978, brought here by the prospect of commercial fishing in Cook Inlet. He and his wife Tami fished with her grandfather for a couple of years before Ray joined Wade Oil Field Service Company in 1980 assisting in crane operations as a crane roustabout loading and unloading materials, among other duties. He soon decided that "the production side of things was greener pastures," so he earned his welding certification and started working for Marathon in 1984 as an operator. Ray has worked on four of the sixteen platforms in Cook Inlet and held both operations and production supervisory roles before becoming Marathon's advanced engineering specialist and training coordinator in March 2008.



Ray enjoys some time off with his grand daughters.

Ray's job is twofold and consists of developing and implementing a formal training program for production operators as well as overseeing quality control and regulatory compliance. "The sheer volume of information a person needs to know to stay current and in compliance with regulatory requirements is the most challenging part of my job, but it's rewarding knowing I've made a difference by sharing the knowledge I've gained over the years with others," Ray said.

Safety is the goal, he said, because "a knowledgeable crew has confidence in its abilities and is able to carry out critical work in a right and sound manner."

Ray and Tami make their home in Soldotna. As a "projects guy" he built their home on Whisper Lake and is currently helping his daughter's family build their own log home. Ray enjoys fishing, hunting and traveling, and his other passion is teaching. He holds an associate's degree in petroleum/process technology from Kenai Peninsula College and was an instructor for the college in 2007. "I'm proud to be

working for Marathon. Our corporate motto is 'clean, safe, responsible' and it makes me feel good to know that my grandchildren will get to experience the pristine beauty of Alaska, just as I have." ♦

(Moving Alaska Forward continued from page 1)

of developing natural gas for in-state use. According to the U.S. Minerals Management Service, Alaska's offshore waters (known as the Outer Continental Shelf or OCS) contain an estimated 27 billion barrels of oil and 132 trillion cubic feet of natural gas. This represents 31 percent of the nation's technically recoverable OCS resources.

It's not surprising that with the prospect of 35,000 new Alaskan jobs and \$72 billion in potential payroll over the next five decades, 77 percent of Alaskans say they support OCS development. Companies have already invested billions of dollars in obtaining leases for these areas but development progress is slow, with a constant barrage of environmental lawsuits and challenges hampering the drilling of exploration wells in this region. [See more information on page 2 about how Alaskans can express their support for OCS.]

Historians will look back at this decade as a pivotal moment for Alaska's history and economy. Hopefully, economic conditions will improve and environmentally-sensitive development plans come to fruition as Alaska's oil and gas industry looks toward the next 50 years. ♦

Alaska Oil and Gas Association
Member Companies

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

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:



straight talk



121 W. Fireweed Lane, Suite 207, Anchorage, AK 99503-2035
 ph. 907.272.1481

AOGA Staff

Marilyn Crockett,
 Executive Director

Kara Moriarty,
 Deputy Director

Tamara Sheffield,
 Support Services

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