Point Thomson Project Moving Forward

ExxonMobil has safely mobilized Nabors Rig 27E to the Point Thomson Project central pad approximately 60 miles from Deadhorse, Alaska, via a recently constructed ice road and is preparing to complete drilling of the PTU-15 and PTU-16 gas injection wells. The project is moving forward as scheduled. Production is set to commence by year end in 2014.

With numerous upgrades over the last year, Nabors 27E is among the most capable rigs ever to drill in the state of Alaska. The rig is equipped with a new mud system, additional power generation capacity and the mast and substructure upgrades necessary to safely drill the deep, abnormally pressured Point Thomson reservoir.

Approximately half the Point Thomson reservoir extends offshore under the Beaufort Sea. With reservoir pressures exceeding 10,000 pounds per square inch, world-class drilling technology will be required for this remote Arctic program. Drilling from an onshore insulated pad, the rig will reach targets more than two miles offshore and nearly two-and-a-half miles deep. The wellhead and wellbore tubulars utilize special high-strength steel and corrosion-resistant alloys.

“The remote permafrost environment and the deep, abnormally high-pressure reservoir conditions are pushing the limits of our drilling capability,” Craig Haymes, Alaska Production Manager for ExxonMobil, says. “The Point Thomson Project wells will be among the most complex ever drilled. We are on schedule to produce Point Thomson by year-end 2014.”

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Member Spotlight

BP Exploration

What year did BP arrive in Alaska?
BP Exploration (Alaska) Inc. opened its first office in Alaska in 1959, 50 years ago.

Where does BP operate in Alaska?
BP Exploration (Alaska) Inc. operates 13 North Slope oil fields and four North Slope pipelines. It also owns a significant interest in six other producing fields along with the Trans Alaska Pipeline System (TAPS). In addition, BP operates a GTL (gas-to-liquids) research plant on the Kenai Peninsula. BP Alaska is an upstream business unit of the BP Group.

Where else does BP do business?
Globally, BP operates across six continents and its products and services are available in 100 countries. BP is among the 10 largest oil companies worldwide and is the fourth largest corporation. The Alaska business is a key part of BP and the second largest resource base for BP worldwide. Alaska North Slope gas represents the largest known, undeveloped gas resource in BP’s global portfolio.

How many employees does BP have in Alaska?
BP’s Alaska workforce includes nearly 2,000 employees and some 6,400 contractors. More than 81 percent of BP Alaska’s employees call Alaska home.

What is BP’s production in Alaska?
Net production rate - 204,300 barrels of oil equivalent per day.

What type of exploration/new development plans does BP have for Alaska?
Today, BP is looking ahead to the next 50 years. The company is exploring with technologies like ultra-extended-reach drilling and cold heavy oil production wells. BP is renewing the North Slope infrastructure and making real progress on Denali – The Alaska Gas Pipeline.

Denali – The Alaska Gas Pipeline
Denali – The Alaska Gas Pipeline will be the largest private construction project in North America. It is planning for the construction of a pipeline to deliver 4 billion cubic feet of natural gas a day from the North Slope of Alaska to markets in the Lower 48, Alaska and Canada and will provide the opportunity for access to gas along the pipeline route.

Liberty
In 2008, BP announced it was moving ahead with the development of the first offshore project located in federal waters, called Liberty. BP also launched construction of a specialty-built drilling rig needed to drill the wells which will reach out six to eight miles. BP anticipates Liberty drilling will begin in 2010. Oil production is expected to start up in 2011 and will ramp up to about 40,000 barrels per day.

Heavy Oil Research
BP is testing new heavy oil development technology at Milne Point on the North Slope. The challenges are huge. This oil has a cold, thick and sticky consistency; today the most significant heavy oil resource is uneconomic to produce. Yet, we know that heavy oil development will be important to sustaining Alaska’s oil production far into the future. BP’s heavy oil test at Milne Point in the summer 2008 was successful, and plans call for more test wells as the research project continues.
The American Petroleum Institute (API) recently awarded the 2008 Distinguished Operator Award to Alyeska Pipeline Service Company. The award is among the oil industry’s top honors and is reserved for pipeline operators that demonstrate excellence in safety, environment and integrity.

“This is among the industry’s highest honors and it is not awarded lightly,” Alyeska President and CEO Kevin Hostler said. “API sets rigorous minimum criteria to just apply, and simply meeting those targets does not guarantee a company will receive the Distinguished Operator Award. The fact that Alyeska has been honored with this speaks to the pride and teamwork of the Trans Alaska Pipeline System (TAPS) employees who are committed to safety, the environment and the integrity of the pipeline.”

The Distinguished Operator Award is API’s highest safety and environmental performance award for pipeline operators. Only one large operator may win the award each year.

“This is a clear indication that Alyeska Pipeline Service Company remains committed to excellence, and we congratulate them on receiving this award,” Gov. Sarah Palin said. “Alyeska’s responsible efforts are what can prove to the rest of America that Alaska is willing and able to responsibly develop resources for the security of Alaska and the nation.”

The award recognizes Alyeska’s long track record of community outreach, public safety, environmental performance (supported by five environmental awards), safety performance, integrity management and use of technology.

“Though TAPS is facing challenges associated with declining throughput, this award shows that Alyeska remains committed to safety, the environment and to Alaskans and their communities,” Hostler said. “All TAPS employees should be proud of the teamwork it takes every day to safely and reliably maintain and operate the pipeline.”

Alyeska previously won the Distinguished Operator Award in 2005. In addition to the Distinguished Operator honor, API also awarded Alyeska with the 2008 Environmental Performance Award.

On the Job
Tom Homza, Principal Regional Geologist, Shell Exploration

Don’t get the idea that Tom Homza spends his days talking to a bunch of rocks. But you could make the argument that certain rocks talk to him all day long. The subject matter? History, of course. “My work enables me to continually develop an integrated picture of the geologic history of an area, specifically for me: northern Alaska,” says Homza.

Homza’s roots are in Connecticut, but after 20 years in the Last Frontier, it’s abundantly clear that Alaska is now his home. Homza works as a Principal Regional Geologist at Shell Exploration and Production where he and a team of geologists and scientists are responsible for developing and evaluating oil and gas prospects in offshore Alaska.

After Homza graduated with his geology degree in 1989 from the University of Vermont, he attended graduate school at the University of Alaska Fairbanks, working extensively in the Arctic National Wildlife Refuge (ANWR). It was there Homza got his first taste of “Alaskana”- complete with a Fairbanks twist.

“I lived in an old log cabin with minimal amenities to say the least,” recalls Homza. “It was perfect living for the time and the age.”

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On April 14, Secretary of the Interior Ken Salazar hosted a special meeting in Anchorage to hear the public’s opinion about development of Alaska’s offshore resources in the Outer Continental Shelf (OCS). The Anchorage meeting was one of four hearings held throughout the United States.

Recent research has revealed that 77 percent of Alaskans support responsible offshore development. Thanks to the teamwork of several trade associations, unions, industry leaders and contractors, the packed crowd at the April 14 meeting was overwhelmingly in support of more jobs, improved access to and the safe development of Alaska’s OCS.

Alaska Gov. Sarah Palin kicked off the event by detailing why the federal government should develop the most promising undeveloped hydrocarbon basins in North America that exist right here in Alaska. She was followed by all three members of Alaska’s Congressional Delegation who also emphasized the role Alaska should play in providing the nation’s energy. State Sen. Lesil McGuire and State Rep. Charisse Millett expressed the Legislature’s support for OCS development, as did several local mayors from communities across the state. Public testimony continued until late in the evening, and OCS supporters of all walks of life came forward to express their opinions. The Resource Development Council (RDC) has posted many of the remarks that were made during the hearing on its Web site, www.akrdc.org.

In addition to the large turnout and testimony, several other activities occurred. The Alliance, along with a large union contingent, organized a “March for Jobs” and RDC sponsored a luncheon attended by more than 450 guests. AOGA hosted a trade show and provided free coffee and snacks throughout the day.

Secretary Salazar has extended the comment period on the 2010-2015 lease plan for the U.S. Minerals Management Service. The lease plan is the first step in the continuation of offshore development. Comments will be accepted through Sept. 21. To provide comment, please contact the AOGA office or visit www.mms.gov.

(Point Thomson continued from page 1)

Point Thomson is estimated to contain 25 percent of the North Slope’s known natural gas resources. A decision last January by the Alaska Department of Natural Resources enabled the ice road, site construction and drilling operations to proceed. Concurrently, the Point Thomson owners and the State of Alaska are working together to resolve the remaining Point Thomson issues to ensure the project remains on schedule for production by 2014.

Today, more than 100 contractors, employing over 250 people, are working on the Point Thomson Project. It is anticipated that over 500 jobs will be created by 2014. Over $120 million was invested at Point Thomson in 2008 and an additional $250 million is projected in 2009. The Point Thomson project provides a sound, phased approach, initially installing high-pressure gas cycling facilities and ultimately leading to natural gas sales. Point Thomson development is critical to the success of an Alaska natural gas pipeline.
AOGA Executive Director Message

What a Difference a Year Makes
And nowhere is it probably more true than here in Alaska.

By Marilyn Crockett, Executive Director

Last year the U.S. Minerals Management Service conducted a lease sale in the Chukchi Sea that generated what was then a record $2.7 billion in bonus bids. This area has been estimated to be the most promising Outer Continental Shelf (OCS) area in the country.

A year later, the U.S. Court of Appeals has vacated and remanded the very five-year OCS leasing program under which that record-setting lease sale was held, leaving all parties to scratch their heads about what the future holds for OCS. This is disappointing news to the ¾ of Alaskans who support OCS development.

Moving to the economic scene, last year at this time the price of a barrel of crude was topping $125. That price, coupled with the significant increase in the State’s production tax enacted in October 2007, resulted in FY08 petroleum revenues to the State of Alaska totaling a whopping $11.2 billion – 93 percent of the State’s unrestricted general fund revenues.

Today, crude oil prices are hovering at $50. The Alaska Department of Revenue’s adjusted revenue projection for FY09, released last month, estimates that petroleum revenues will be down by almost half to $5.8 billion.

To cope with this economic downturn, oil and gas companies have implemented cost reductions and closely re-examined planned investments. In some cases, they have deferred projects. Nevertheless, there is good news on the Alaska front, and here are two significant examples.

BP remains committed to and is moving forward with development of the 100-million barrel Liberty oilfield. Construction of the world’s most powerful land drilling rig is nearly complete, and drilling is scheduled to commence in early 2010. Located in federal waters, production could begin in 2011.

Development of the Point Thomson Unit is continuing as planned. Today, the drilling rig is on location and preparing to drill, and production could commence by 2014.

This past year provides a stark reminder of the extreme volatility of the oil and gas industry. It also serves as an important reminder that two factors affect oil and gas revenues: price and production. While nothing can be done about price, we do have the ability to influence production. AOGA remains committed to ensuring the long-term viability of the industry for the benefit of all Alaskans.
After completing his Ph.D. in 1995, Homza went to work for BP exploration group in London and then returned to Alaska to work for EnCana in 2002. In 2005, a part of EnCana was sold to Shell Exploration and Production. Homza has been clad in a Shell pecten ever since.

Homza notes that his particular specialty lies in the “stratigraphy” (or rock column) structure of the northern Alaska geology, and that his primary tools involve seismic data and well information that is analyzed to provide recommendations on project development. “My focus over the years (greatly aided by access to good data) has allowed me to accumulate a body of knowledge from which I can develop a reasonable, yet always incomplete, story about its geologic evolution,” says Homza.

As for his off time, Tom spends most of it with his wife, Julie, and their two boys, Will and Jon. Julie and Tom met while freshmen in Vermont. Homza describes his wife as nothing short of “amazing” in her many abilities, which include being a mixed media artist, woodworker, plumber and quilter. “Just name it and she can do it,” he says. Homza also has a flare for art. He enjoys painting landscapes with acrylic and generally produces two to three paintings a year. The entire family is very involved in baseball and soccer and the group also likes to play pick-up hockey. He is proud of their athletic abilities and the family’s involvement in the Abbott-O-Rabbit Little League organization.

Homza is an easygoing guy who has seen more of Alaska than most and muses on what it is about his job that he finds satisfying. “It’s like moving toward a solution in a 4- or 5-dimensional detective case over the course of a career.”