

**ALASKA OIL AND GAS ASSOCIATION TESTIMONY
TO SENATE RESOURCES COMMITTEE
ON SJR 13, OCS OIL & GAS EXPLORATION/DEVELOPMENT**

February 20, 2015

Good afternoon.

For the record, my name is Kara Moriarty and I am the President and CEO for the Alaska Oil and Gas Association (AOGA). The Alaska Oil and Gas Association (AOGA) is a professional trade association whose mission is to foster the long-term viability of the oil and gas industry for the benefit of all Alaskans. Our 14 member companies represent the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

Our members have been operating in the Arctic for more than 40 years. Oil and gas development is the backbone of Alaska's economy, and as the largest undeveloped energy basin in the United States, the Arctic Outer Continental Shelf (OCS) is truly the next generation of energy security for our country.

The Arctic OCS holds enormous oil and gas resources, estimated by the Department of the Interior at approximately 27 billion barrels of oil and 132 trillion cubic feet of natural gas. In comparison, the Trans-Alaska Pipeline System, or TAPS, has carried more than 17 billion barrels in just over 30 years. At one point, TAPS carried more than 2 million barrels of oil a day, but a decrease in the annual production from legacy on-shore fields has resulted in TAPS transporting approximately 500,000 barrels a day now. TAPS has played a critical link in the nation's energy security, transporting crude oil from Alaska's North Slope to west coast markets. OCS development in the Beaufort and Chukchi Seas could feed into TAPS and maintain its viability for years to come.

Additionally, oil and gas development in the Arctic OCS means more jobs for Alaskans. Development of the Chukchi and Beaufort Seas is predicted to produce an annual average of 35,000 direct and indirect jobs over the next half century for Alaska alone. Those jobs would represent a total payroll of more than \$70 billion.

Since 1971, 84 wells have been drilled in the Arctic OCS- all without incident. Industry has worked with communities to incorporate traditional knowledge in decision-making, establish Conflict Avoidance Agreements, and impose seasonal drilling limitations. New regulations and further research has further ensured that development and environmental protection can co-exist. Planned drilling areas are rather shallow, similar to near-shore Gulf of Mexico.



Three of our member companies hold leases within the withdrawn areas or directly adjacent to it. While the federal withdrawal language states that “nothing in this withdrawal affects the rights under existing leases in the withdrawn areas,” there are still many unknowns for operators, such as the ability to renew active leases or how the transport or building of infrastructure like a pipeline would be affected.



The prior four lease sales scheduled in the Beaufort and Chukchi Sea were included in the Bureau of Ocean Energy Management’s (BOEM) previous five-year leasing plan, but were withdrawn and subsequently not held. It is our fear that additional restrictions or delays will limit the opportunities for development in the Arctic OCS.

As the sea-ice stays open longer and other countries move forward with exploration and development in their waters, and transportation through the ice-free Northwest Passage, Alaska's arctic seas will be left largely unattended. With little infrastructure in place, communities along Alaska's northern coast will be at the greatest risk with no ability to respond. Development of the Arctic OCS for exploration and development would bring infrastructure to a very rural on-shore area and the industry's continued presence would provide security and response capabilities, should they be needed.

AOGA supports Senate Joint Resolution No. 13 to maintain all of the proposed leasing areas in the Beaufort and Chukchi Seas, and to resist additional restrictions on leasing in the final program. We also thank the resolution's sponsors for bringing it forward.

Thank you and I am happy to answer any questions.