About

The Alaska Oil and Gas Association (AOGA) is a non-profit trade association that represents the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

Our mission is to foster the long-term viability of the oil and gas industry in Alaska.

We provide:

• A forum for communication and cooperation with members, the public and local, state and federal governments
• Development of common industry positions through our Board of Directors, five standing committees and several work groups
• Input on local, state and national legislative and administrative actions that affect the petroleum industry in Alaska

Learn more about the issues facing the largest economic driver in the Alaska economy at www.aoga.org. Sign up for our newsletters and follow us on Facebook and Twitter for the latest information on the oil and gas industry in Alaska.

Contact information: 907-272-1481 or info@aoga.org
Facebook: AlaskaOilAndGas
Twitter: @AOGA

Our member companies

President: Pete Slaiby, Shell
2nd Vice President: Todd Abbott, Pioneer
2nd Vice President: John Hendrix, Apache
Treasurer: John Barnes, Hilcorp
Secretary: Kara Moriarty, AOGA
Oil and gas revenues provide over 93% of the state's unrestricted general funds.

It is estimated that 1/3 of all Alaska's jobs, approximately 110,000 jobs, are attributed to the oil and gas industry.

For each dollar earned by employees of the primary companies, a total of three and a half payroll dollars are generated in Alaska.

<table>
<thead>
<tr>
<th>In this report</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>12</td>
</tr>
</tbody>
</table>
A message from the Executive Director

Thank you for reading the Annual Report of the Alaska Oil and Gas Association (AOGA). It is a pleasure to serve as the Association’s Executive Director. For the past 47 years, AOGA has been the professional trade association for Alaska’s largest private sector industry. As such, we actively promote every phase of oil and gas development, from exploration to production, both onshore and offshore, Cook Inlet and the North Slope as well as the transportation of our resources and the refining industry.

Since even before statehood, the oil and gas industry has partnered with Alaskans. The state’s success and future parallels the industry’s success and future, and the future is full of opportunities and challenges that the industry and state must face together.

The state continues to be blessed with world class resources. However, the challenge is we are not the only location on the globe with an abundance of resources. Our opportunity is to ensure that we have strong federal and state policies that allow for access, effective permitting, and a competitive fiscal regime to be able to develop both our oil and gas resources for the benefit of all Alaskans for the next generation.

AOGA stands ready to continue our mission and we look forward to working together to secure a bright future for all Alaskans and the next generation.

Kara Moriarty
Executive Director
Testimony across the state

As industry’s professional trade association, AOGA’s role is to provide input on local, state and national legislative and administrative actions that affect the oil and gas industry in Alaska. In the last 12 months, AOGA has offered testimony, delivered presentations and submitted comments to a wide range of audiences; including state and federal agencies and communities statewide. This past year major topics included:

- access and planning for oil and gas activities in the Arctic.
- ensuring laws designed to protect species are based on sound science and research.
- testifying to legislators and residents on the importance of oil tax reform.
- ensuring state and federal regulations regarding environment, production and operations are created fairly and with all interests represented.

Making headlines

With oil and gas being Alaska’s largest private sector industry, it is no surprise; AOGA has been hitting the airwaves and making front page news this past year. Executive Director Kara Moriarty emphasized issues important to the industry and to Alaskans by conducting more than 40 television, newspaper and radio interviews. The media made it possible to convey industry’s role and position on topics that directly affect the outcome of oil and gas production in the state.

Oct. 2012:
The State of Alaska assumed full primacy for the Alaska Pollutant Discharge Elimination System. AOGA worked closely with the State to transfer full authority of this program from the EPA to the State.

Dec. 2012:
Sponsored educational seminar for new and existing legislators and staff.

Jan. 2013:
Successfully challenged critical habitat designation for polar bears in federal district court.

Mar. 2013:
Filed intent to sue federal government over the listing of the bearded and ringed seals as threatened or endangered.

April 2013:
Supported state production tax reform and actively worked on passage of Senate Bill 21.
Conservation of marine mammals & wildlife

“AOGA members are committed to protecting wildlife they interact with during the course of doing business.”
AOGA’s members have a long history of supporting and advocating wildlife conservation and research in the Arctic and the Cook Inlet, and are committed to protecting the various species of wildlife they interact with during the course of doing business. AOGA continues to work closely with federal and state agencies to develop reasonable protections for wildlife, based on sound science and research. In 2012-2013, AOGA’s efforts have resulted in successful court decisions and issuance of practical regulations providing for responsible development of Alaska’s resources.

- On August 20, 2012, the Ninth Circuit Court of Appeals sustained the U.S. Fish and Wildlife Service’s (USFWS) regulations authorizing take of small numbers of polar bear and Pacific walruses incidental to oil and gas activities in the Chukchi Sea and adjacent coast under the Marine Mammal Protection Act (MMPA). The decision is a strong win for AOGA which intervened in support of USFWS. The Ninth Circuit found that USFWS correctly analyzed the potential of oil and gas exploration and development activities to effect the species in the regulations, which were in effect from 2008 to 2013. AOGA is currently working with USFWS to issue final incidental take regulations for the Chukchi Sea to protect these species while exploration and development proceeds in the Outer Continent Shelf in 2013 to 2018. AOGA will continue to be a longstanding supporter of the MMPA regulatory process as an effective means of balancing responsible oil and gas development with conservation of marine mammals in the Arctic.

- On January 11, 2013, the Federal District Court vacated the USFWS designation of polar bear critical habitat in favor of AOGA and other interested stakeholders. Of particular concern to the District Court were decisions by the USFWS to list extensive areas of land as critical habitat in the absence of evidence demonstrating features essential to polar bears were even present. As stated by the court, “[USFWS cannot] designate a large swath of land in northern Alaska as ‘critical habitat’ based entirely on one essential feature that is located in approximately one percent of the entire area set aside.” The court agreed that USFWS overstepped its bounds when it designated an area the size of California as polar bear critical habitat despite abundant polar bear populations.

- In 2012, AOGA engaged with USFWS over the development of a special 4(d) rule for polar bears and associated draft Environmental Assessment (EA) under the National Environmental Protection Act (NEPA). The D.C. federal district court previously sustained the 4(d) rule against various challenges by eNGOs, a case in which AOGA intervened in support of USFWS, but found that the Service had failed to comply with NEPA. In February 2013, USFWS announced final promulgation of the proposed rule, nearly identical to the original final 4(d) rule adopted by the Service in 2008. The Service’s final rule in effect reissues the 4(d) rule, but this time is supported by NEPA analysis and a finding that the rule has no adverse effects, but instead beneficial impacts for polar bear conservation.
In 2012-2013, AOGA continued its ongoing efforts to promote balanced protection and conservation of species allowing for the responsible development of Alaska’s oil and gas resources.

• On March 19, 2013, AOGA filed intent to challenge the decision of the National Marine Fisheries Service (NMFS) to list certain populations of Arctic bearded and ringed seals as threatened or endangered under the Endangered Species Act. There is no scientific evidence linking climate change now or in the future to adverse impacts on these species, but NMFS’ decision to list is based on speculation of how climate change might affect the bearded and ringed seals in over 100 years. AOGA opposes the listings because they are further removed from the state of scientific knowledge than any previous decision to list a species on the sole basis of a future threat. If it is lawful to list Arctic bearded and ringed seals as threatened when their populations are currently healthy, abundant, and wide ranging, and are experiencing no adverse effects linked to climate change, then it is possible to list any and virtually all species on the basis of unsupported speculation.

• On March 19, 2013, AOGA filed intent to challenge the decision of the National Marine Fisheries Service (NMFS) to list certain populations of Arctic bearded and ringed seals as threatened or endangered under the Endangered Species Act. There is no scientific evidence linking climate change now or in the future to adverse impacts on these species, but NMFS’ decision to list is based on speculation of how climate change might affect the bearded and ringed seals in over 100 years. AOGA opposes the listings because they are further removed from the state of scientific knowledge than any previous decision to list a species on the sole basis of a future threat. If it is lawful to list Arctic bearded and ringed seals as threatened when their populations are currently healthy, abundant, and wide ranging, and are experiencing no adverse effects linked to climate change, then it is possible to list any and virtually all species on the basis of unsupported speculation.

In February 2013, AOGA submitted comments jointly with the American Petroleum Institute, on the critical habitat proposal for the ringed and bearded seals. NMFS has not yet proposed any critical habitat for ringed and bearded seals, but has instead requested preliminary public comments regarding a potential designation. There will be another round of public notice and comment if and when NMFS proposes a critical habitat designation and issues a draft economic impact analysis. AOGA’s comments requested NMFS not proceed with designation at all or, alternatively, to very narrowly tailor the designation.

• Since its inception, AOGA has been a member of the stakeholder panel of the Cook Inlet Beluga Whale recovery team, organized by the NMFS to promote the recovery of the beluga whale in South Central Alaska. AOGA provided written testimony regarding the first draft recovery plan released earlier this spring, during the final meeting of the joint stakeholder and science panels. AOGA will look to work with NMFS and submit additional comments as NMFS develops their own recovery plan based on the draft received and the summary of stakeholder panel comments submitted in the coming months.

• In August 2012, USFWS and NMFS released a proposed rule that would determine how economic impacts are calculated for the purpose of critical habitat designations. The proposed rule would allow the Services to consider only the minimal administrative costs incremental to a critical habitat designation rather than the actual economic impact. AOGA worked jointly with the Petroleum Association of Wyoming to develop comments in October 2012 and February 2013 encouraging the Services to support consideration of all economic impacts in the designation of critical habitat.
Promoting & maintaining access to Alaska’s resources

“AOGA has worked to maintain and promote access to Alaska’s rich oil and gas resources.”
Over the past 47 years, AOGA has worked to maintain and promote access to Alaska’s rich oil and gas resources, from the Cook Inlet to the Outer Continental Shelf (OCS). AOGA continues that vital work today by closely monitoring federal regulations and permitting schemes to ensure Alaska’s reserves will be unlocked and developed for the benefit of our economy and security of our nation.

According to the Institute of Social and Economic Research, commercialization of oil and gas resources in the Beaufort and Chukchi Seas could generate $193 billion (in 2010 dollars) in revenues to federal, state and local governments over the next fifty years and result in the creation of 54,700 jobs nationwide. Nearly 50 billion barrels of recoverable oil reserves and 223 trillion feet of recoverable gas may be found in the North Slope and Alaska’s OCS, representing 43 percent of the nation’s total oil potential and 25 percent of its gas potential. In the last year, AOGA has worked collaboratively with other industry trade associations to oppose attempts of federal overreach to lock down resources vital to stemming the decline of throughput in the Trans-Alaska Pipeline System (TAPS). TAPS is a critical national infrastructure that will face operational challenges without additional supply.

- The National Petroleum Reserve-Alaska (NPR-A) is estimated to hold nearly 1 billion barrels of recoverable oil and more than 50 trillion cubic feet of natural gas. Despite its potential, oil and gas has not been commercially produced from the NPR-A. This lack of production can be attributed to an onerous and uncertain federal process. Consistent with the original intent for its establishment 37 years ago, AOGA has pushed for the responsible development of the 23 million-acre Reserve for decades. In response to the Department of Interior’s Integrated Activity Plan and draft Environmental Impact Statement, AOGA testified and jointly submitted comments with American Petroleum Institute (API) in support of opening all of NPR-A’s lands for oil and gas leasing, with balanced surface protections which do not preclude development and transportation of energy resources. In February, 2013, the Dept. of Interior released its final development plan. While the plan accommodates the potential for a pipeline corridor, the most promising areas of the reserve are off limits for development. The NPR-A is not a wildlife refuge, a national park, monument, or wilderness area; its primary purpose is to provide for the expeditious development of oil and natural gas resources and AOGA will continue to promote its development and fight for access to this vital reserve.

- Alaska’s OCS is estimated to hold approximately 27 billion barrels of oil and 132 trillion cubic feet of natural gas, and its development is essential to any effort to reduce the nation’s dependence on foreign sources of oil. In 2012, AOGA provided testimony and comments opposing many aspects of NMFS’ draft environmental impact statement (EIS) on the effects of oil and gas activities in the Arctic, and maintained that, at a minimum, the plan must analyze alternatives that reflect the reasonably foreseeable level of oil and gas activity in the Beaufort and Chukchi Seas. The draft was revised and NMFS released a supplemental draft EIS earlier this year for public review ending in June 2013. Alaska’s oil and gas industry has operated safely and responsibly in ecologically sensitive Arctic environments for over five decades, and Alaskan operations have been a proving ground for technologies that have steadily reduced both the footprint and the impacts of exploration and production activities in Alaska.

In 2012, AOGA also provided testimony and submitted comments opposing the EPA’s premature assessment of the Bristol Bay Watershed. The assessment sets a dangerous precedent for all Alaska industries, because the EPA prepares the assessment in advance of any permit application. AOGA participated in panel discussions to explain AOGA’s concerns with the assessment, including the chilling effect the assessment could have on the collection of scientific data.
In the last year, AOGA participated in a working group of stakeholders, congressional, legislative and agency representatives to discuss Arctic initiatives and activities, ensuring continued access and encouraging development of Arctic resources. AOGA is actively involved in Arctic Council issues in advance of the Council’s U.S. chairmanship in 2015-2017. In addition, AOGA continues to monitor activities on National Ocean Policy, including regular communication with policymakers and other industry trade associations.

Resource potential

<table>
<thead>
<tr>
<th>State land</th>
<th>Federal land</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cook Inlet</strong></td>
<td><strong>Offshore Arctic</strong></td>
</tr>
<tr>
<td>599 mbo and 19 tcf gas</td>
<td>27 bbo and 132 tcf gas</td>
</tr>
<tr>
<td><strong>Onshore North Slope</strong></td>
<td><strong>NPR-A</strong></td>
</tr>
<tr>
<td>Conventional: 5 bbo and 35 tcf gas</td>
<td>896 mbo and 53 tcf gas</td>
</tr>
<tr>
<td>Heavy/viscous: 24-33 bbo</td>
<td><strong>ANWR</strong></td>
</tr>
<tr>
<td>Unconventional: 2 bbo and 12 tcf gas</td>
<td>10 bbo and 35 tcf gas</td>
</tr>
</tbody>
</table>

mbo - millions of barrels of oil
bbo - billions of barrels of oil
tcf - trillion cubic feet

One-third of Alaska jobs are tied to Oil.

What percentage of general fund comes from oil revenue?

- 35% Federal government
- 31% All basic sectors
- 34% Petroleum sector

Source: ISER: Goldsmith.

Source: Alaska Department of Revenue.

AOGA joined many who successfully rallied to ensure a no vote on ballot measure 2. It could have dramatically slowed or stopped development activities across Alaska.
Preserving clean air and clean water

“The oil and gas industry in Alaska has a long history of partnership with state and federal agencies.”
The oil and gas industry in Alaska has a long history of partnership with state and federal agencies to help ensure that oil and gas operations do not adversely impact the environment. AOGA works cooperatively with Environmental Protection Agency (EPA) and the Alaska Department of Environmental Conservation (DEC) to address and maintain reasonable regulations for the protection of Alaska’s air and water quality.

• In October 2012, DEC assumed authority over the permit for discharges for oil and gas activities in state waters, completing its phased implementation of the Alaska Pollutant Discharge Elimination System. AOGA worked collaboratively with DEC to reduce the backlog of discharge permits previously administered by the EPA. AOGA was proud to participate in that process which has resulted in a more efficient permitting process under Section 402 of the Clean Water Act.

• On February 7, 2013 EPA, published its final rule on Commercial and Industrial Solid Waste Incineration Units (2013 CISWI Rule). Among other actions, the 2013 CISWI Rule made minor modifications to the previously published final CISWI rule, including some minor changes to the emission limits for the small, remote incinerators (“SRI”) subcategory. As a result of the final rule, many SRIs, used for the disposal of camp waste in Alaska’s oil & gas and mining sites, must retrofit to comply with new EPA air emissions limits or force shut down. AOGA continues to work with the Alaska Miners Association and other stakeholders to address the logistical challenges the rule presents unique to Alaska and to engage EPA to address compliance issues.

• AOGA submitted comments on EPA’s proposed rule amending the National Emission Standards for Hazardous Air Pollutants (NESHAP) for Reciprocating Internal Combustion Engines (RICE) and New Source Performance Standards for Stationary Internal Combustion Engines. The rule was the result of a settlement agreement between EPA and various stakeholder groups. AOGA generally supported the agreement and the proposed rule’s addition of a remote engine subcategory.

• AOGA submitted comments on EPA’s proposed rule to revise the National Ambient Air Quality Standards (NAAQS) for particulate matter, disagreeing that the current NAAQS are no longer adequate to protect public health and welfare.

AOGA Executive Director Kara Moriarty and Greater Fairbanks Chamber of Commerce Executive Director Lisa Herbert at Mile 0 of the Trans-Alaska Pipeline in October 2012.
Other regulatory matters

“From our state capitol to our nation’s capitol, AOGA works closely with policy makers and agency leaders..”
From our state capitol to our nation’s capitol, AOGA works closely with policy makers and agencies to ensure the long term viability of the oil and gas industry in Alaska.

- AOGA submitted comments in August 2012 to the U.S. Army Corps of Engineers supporting the timely issuance of a Clean Water Act Section 404 dredge and fill permit for the Point Thomson project to ensure first production to occur as planned by the winter of 2015-2016.

- AOGA testified before the state legislature in February regarding Senate Bill No. 27, a bill later passed by the legislature authorizing the State of Alaska to seek primacy for dredge and fill permitting in state waters. AOGA looks forward to working in tandem with the administration and other stakeholders to ensure that Section 404 assumption will be effective both for the state and industry, and is achievable in Alaska without unduly burdening state resources.

- In April 2013, AOGA provided written comments and testimony regarding Alaska Oil and Gas Conservation Commission (AOGCC’s) proposed regulations of hydraulic fracturing operations in Alaska. AOGA’s members are supportive of hydraulic fracturing chemical disclosure consistent with routine disclosures already submitted to the chemical registry database, FracFocus. AOGA looks forward to working with AOGCC to develop final regulations that are reasonable and address any future public concerns without imposing unnecessary or duplicative restrictions.

Executive Director Kara Moriarty welcomes Senator Lisa Murkowski before a meeting with AOGA’s board of directors.
Our mission is to foster the long-term viability of the oil and gas industry in Alaska.