STATEWIDE GROUP FORMS TO PROTECT ALASKA’S ECONOMIC FUTURE

Vote No on 1 will fight repeal of oil tax reform

A statewide group, Vote No on 1, has formed to oppose the referendum that would repeal the new oil tax reform adopted in April 2013. The referendum will be Ballot Measure 1 and will go before Alaska voters on the primary ballot on August 19, 2014.

Vote No on 1 was formed to defeat the referendum because the ballot measure would not encourage new oil production, grow Alaska’s economy or create new jobs. The group officially registered with the Alaska Public Office Commission on October 11.

What Others Are Saying:

“We’re not necessarily oil; we build housing ... just about everybody I touch base with is super encouraged again that, hey, there’s opportunity in Alaska, there’s money to be made here in Alaska. The bill (tax reform) was instrumental in my perspective ... it means more jobs for my employees and those that work in my industry.”

— Mark Larson, Builders Choice, Alaska

The Vote No on 1 group announced a diverse statewide leadership team representing business, organized labor and community leaders. The group’s co-chairs are Bob Berto of Ketchikan, president of Coastal Helicopters and TEMSCO helicopters; Rick Boyles of Anchorage, principal officer for Teamsters Local 959; Leslie Wien Hajdukovich of Fairbanks, former North Star Borough School Board president; Linda Leary of Anchorage, business leader and former transportation industry executive with Carlile Transportation Systems; and Rick Mystrom of Anchorage, former two-term Anchorage mayor. The group’s treasurer is Chuck Spinelli of Anchorage, head of family-owned Spinell Homes.

“This is an issue that deeply impacts Alaska’s economic future, and there will be spirited debate in the coming months,” said Leslie Wien Hajdukovich, one of the Vote No on 1 co-chairs. “Our goal will be to ensure voters understand the complex issues at

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INDUSTRY UPDATE:
Apache Alaska wins prestigious environmental award

Apache Alaska Corp. was recently honored when the Interstate Oil and Gas Compact Commission (IOGCC) presented its Chairman’s Stewardship Award to the company at its annual meeting in Long Beach, Calif. The IOGCC declared Apache the winner in the small-independent category.

Apache was nominated by the Alaska Oil and Gas Association (AOGA) for its use of wireless seismic technology in the Cook Inlet. The project is a large-scale, multi-year program that aims to gather best-in-class subsurface data while minimizing impact to surrounding areas and residents.

“We are immensely proud of this award because it formally recognizes what Apache Alaska practices every day—an unwavering commitment to protect the environments in which we operate,” said John Hendrix, general manager of Apache’s Alaska operations.

AOGA Executive Director Kara Moriarty agreed. “Our members take operating safely and responsibly very seriously, and Apache’s award is just another example of how they are achieving that goal,” said Moriarty. “Apache Alaska has been an industry leader on this project and they deserve the recognition.”

Since its inception in 1935, the IOGCC has voiced the need for sound oil and natural gas environmental policy. In 1996, the organization initiated the Chairman’s Stewardship Awards, which represent the commission’s highest honor for exemplary efforts in environmental stewardship. The awards recognize achievement and challenge organizations, companies and individuals nationwide to demonstrate innovation, dedication and passion for the environment.

ECONOMIC IMPACT REPORT:
BP Alaska supports more than 22,500 jobs, spends $1.5 billion in the state

A new report shows that BP’s business activities in Alaska help employ more than 22,500 people statewide.

In its U.S. Economic Impact Report 2013, BP detailed the impact of the $1.5 billion it spent with more than 350 vendors across the state in 2012. The activity supports the jobs of more than 2,300 BP employees and an additional 20,200 jobs in Alaska.

“For more than 35 years, Alaskan oil and gas production has been a principal piece of BP’s global portfolio. With new technologies and investment, it will continue to play an integral role in our company’s business strategy,” said BP Alaska Regional President Janet Weiss.

“Alaska has taken a significant step by establishing oil tax reform and it is BP’s job to respond in a way that will strengthen the economy of Alaska. There are tens of thousands of Alaskan jobs dependent in some way on BP operations in the state, and we believe that Alaska’s future and BP’s are very much intertwined.”

For a full copy of the report, visit www.BP.com/AmericaMap.
EMPLOYEE SPOTLIGHT:  
Glenn Fredrick, Chevron

Glenn Fredrick, Chevron’s Non-Operated Joint Ventures representative in Alaska, has been passionate about science and math since his high school days. After high school, he earned his bachelor’s degree in petroleum engineering at Montana Tech while spending his summers working in oil fields. His career in the oil and gas industry has spanned more than 35 years. He’s called Alaska home for nearly a decade.

“*If another part of the world is more competitive, that’s where the capital is going to go. I just hope that Alaska can keep things competitive.*”
— Glenn Fredrick

Fredrick started his work in the oil patch as a laborer, an entry-level position that introduced him to the hard work that comes with the oil and gas industry. He worked his way up in the summers and, by the end of his junior year in college, he’d moved into the office.

“Petroleum engineering combined all of the interesting areas I’d studied in school,” Fredrick said. “Physics, math and science all came together in one program where I could put them to use in my daily life. It doesn’t get much better than that.”

In 1976, his degree in hand, Fredrick started working with Union Oil Company of California (Union Oil was acquired by Chevron in 2005) as a field engineer. At the time, the company’s 18-month training program gave new employees the chance to be exposed to various types of engineering assignments, including production, reservoir and drilling disciplines.

Fredrick’s career has taken him to live in many places throughout the world, including Indonesia. “Learning about new cultures and traveling about the world has been an amazing part of my career,” said Fredrick.

“In 1996, I was working in Houston overseeing commercial and technical aspects of development in Azerbaijan,” Fredrick said. “That mega-project required the management of relationships between 10 owners working to put oil in a pipeline that traveled from the Caspian Sea to the Mediterranean. The pipeline travels across three countries. Oil development doesn’t get much more challenging.”

Fredrick has been in Alaska since 2004, working to ensure that Chevron’s interests are represented in joint ventures on the North Slope. He has high hopes for Alaska’s future, but says it will take a competitive environment to keep Alaska’s oil industry strong. “I’ve worked with a lot of foreign countries around the world, and everyone thinks their environment is the only one to work in,” said Fredrick. “Sometimes you have to step away from that and see that being competitive is very important. If the economic terms are too tight, people will go elsewhere. If another part of the world is more competitive, that’s where the capital is going to go. I just hope that Alaska can keep things competitive. I’m hopeful, because I have a family that loves it here and would like to continue on with a vibrant economy.”

Three new wells, three new rigs

Repsol plans to drill three new wells on the North Slope as part of its continued exploration work in Alaska.

Repsol is one of the most active exploration companies in Alaska. This coming winter season will be the company’s third year of drilling. Plans include drilling the Q-5 and Q-7 wells, which are in the Colville River area east of the Alpine field. A third well, named Tuttu 1, is farther east, near the Kuparuk River field.

The plan also calls for three new drill rigs to be moved into the area.

According to Bill Hardham, Repsol’s Alaska project manager, recent oil tax reform was “critically important” in the company’s decision to invest in the Alaska project. “When extreme weather conditions and geographic remoteness add up to a high cost of doing business, taxes can make or break a project,” said Hardham.
NORTH SLOPE NEWS:
Shell’s search-and-rescue capabilities augment North Slope response

Alaska spans 586,412 square miles – not including the abundant bodies of water that surround our state. Although state and federal agencies have robust search-and-rescue (SAR) operations, there are limitations: the North Slope Borough’s SAR helicopter cannot hoist people at sea, for example.

On the morning of Sunday, Sept. 8, the North Slope Borough (NSB) was unable to respond to a personal locator beacon’s call for help, so they asked for assistance from Shell Exploration and Production Co. A five-person group was overdue by two days, suspected to be adrift in the Beaufort Sea.

“Some of the obstacles the North Slope Borough faces are the lack of infrastructure, fuel, communications and the weather,” said Capt. Rick Beery, the pilot of Shell’s SAR helicopter. “The helicopter we fly is very capable. It’s top of the line and the best equipped for SAR in heavy weather.”

A low ceiling that day limited visibility for the search, which covered 75 square miles, but they knew time was of the essence. “That day, the wind was bad, blowing cold, wet and misty. No matter how experienced you are, your exposure can reduce survival from days to hours,” First Officer Jeff Smith said.

The crew waited in Deadhorse for the weather to clear to avoid undue risk. When the weather lifted, the crew headed out and spotted the group, who had found their way ashore, almost immediately. The rescued group – comprised of three men, two women and a dog – was cold and hungry, but uninjured.

A TEAM EFFORT
The Shell SAR team collaborated with the NSB to perform this mission. “This was a team effort,” Beery said. “We worked closely with the North Slope Borough and relied heavily on the use of Era Aviation’s Deadhorse facility during our re-fueling. It took all of us to get the job done safely.”

The team spends hundreds of hours training, including learning critical skills like hoisting over land and hoisting over open water during the night and in various weather conditions. The SAR crew understood that all the safety preparation provided more ability for a successful operation.

“We’re aware of the differences up here, so we can plan for them before going out. That makes the odds of having a successful mission much higher,” Smith said. “For those of us in the SAR business, helping others gives us the highest sense of purpose.”

Since 2006, Shell’s SAR helicopter has improved emergency services in the Alaska Arctic by augmenting the North Slope Borough’s SAR helicopter and seasonal Coast Guard assets deployed to the North Slope. September 8, the flight crewmembers consisted of Capt. Beery, First Officer Smith, hoist operator Mike Fout, rescue swimmer Justin Stout and medic Heidi Kenny.

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stake, have accurate information and, ultimately, make a decision to oppose the repeal measure,” added Rick Boyles, another Vote No on 1 co-chair.

Willis Lyford, an Anchorage marketing and public affairs executive, will serve as Vote No on 1’s campaign director.

“Our campaign will bring together Alaskans from across the state. Over the coming months, we will expand our organization to provide information about the benefits of oil tax reform passed by the Alaska Legislature this spring and how they positively impact Alaska’s economic future,” said Lyford.

IN FOCUS

A group of about 20 Alaska legislators and policy makers recently traveled to ExxonMobil’s Point Thomson to see firsthand how much progress has been made on the project.
AOGA EXECUTIVE DIRECTOR MESSAGE:
2014 is shaping up to be a great year for Alaska

As the mother of three young children, I have already hung the stockings with care in preparation for the Christmas season we celebrate in our home. Looking ahead to the new year, I wonder what we will find in Alaska’s 2014 stocking?

Fortunately, Alaska’s stocking will contain jobs, and one-third of all Alaska jobs can be attributed to the oil and gas industry. We may not provide the most direct jobs, but no other private-sector industry has the level of multiplier effect in Alaska. For every direct job provided by our production companies on the North Slope and Cook Inlet, exploration companies in both basins and the Outer Continental Shelf, the three in-state refineries and Alyeska Pipeline Service Company, another nine jobs are generated throughout the economy from indirect and induced jobs held by contractors, union workers, car salesmen, dry cleaners, restaurant owners, retailers, etc.

Alaska’s stocking will have revenues from the oil and gas industry. These revenues will continue to dominate the state treasury. Each year, about 90 percent of the state’s unrestricted general fund comes from four different oil and gas revenue sources. That means our friends in other resource industries like mining, fishing, tourism and timber provide less than 10 percent combined. Last fiscal year, oil and gas revenues topped $8.85 billion, which made up 93 percent of the state’s unrestricted revenue for 731,449 residents.

The main question is will Alaska’s stocking have increased production? We need it to continue to fuel Alaska’s economy. 2013 was not a kind year to Alaska as we slipped to fourth place in domestic production, behind even California. And this was a boom year for the rest of the United States. In fact, U.S. production is at levels not seen since the early 1990s, and every oil-producing state in the country increased production last year EXCEPT Alaska.

The good news is Alaska will have more investment in its stocking for 2014. Oil companies have already announced billions in new investments since the passage of oil tax reform in 2013. In fact, the rig count in Prudhoe Bay alone is increasing from five in 2012 to nine!

We have so much to be thankful for, and with any luck (and the defeat of Ballot Measure 1), our stockings will brim with even more prosperity, opportunity and good will at the end of the 2014 than at the beginning. May God Bless you all.

MEMBER PROFILE:

Q: When did Flint Hills arrive in Alaska?

Q: Where does Flint Hills operate in Alaska?
A: Flint Hills owns a refinery, truck and rail terminals, and a tank farm in North Pole, Alaska. It also maintains a jet-fuel terminal at the Fairbanks International Airport and a tank farm with truck and rail terminals at the Port of Anchorage.

Q: Where else does Flint Hills do business?
A: Flint Hills owns a refinery near Minneapolis, Minn., and a refinery in Corpus Christi, Texas, as well as a number of chemical and renewable plants located mainly in the Midwest.

Q: How many employees does Flint Hills have in Alaska?
A: Currently, Flint Hills has 145 employees.

Q: What types of expansion plans does Flint Hills have in Alaska?
A: Flint Hills is somewhat limited in what it can do by the high cost of fuel. We look forward to reassessing development and expansion opportunities in Alaska when lower cost and cleaner-burning natural gas is delivered to the Interior.

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The Alaska Oil and Gas Association (AOGA) is a business 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.

Learn more about the issues facing the largest economic driver in the Alaska economy at [www.aoga.org](http://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.

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Our member companies: Alyeska Pipeline Service Company; Apache Corporation; BP Exploration (Alaska) Inc.; Chevron; eni petroleum; ExxonMobil Production Company; Flint Hills Resources, Alaska; Hilcorp Alaska, LLC; Petro Star Inc.; Pioneer Natural Resources Alaska, Inc.; Repsol; Shell Exploration & Production Company; Statoil; Tesoro Alaska Company; and XTO Energy, Inc.