State anticipates increased oil production in the near term

Among the bright spots in the Fall 2014 Revenue Sources Book recently published by the State Department of Revenue (DOR) is the prediction that Alaska will see higher oil production in the near term.

“North Slope oil production between FY 2013 and FY 2014 held steady, and it is expected to increase by approximately 15,000 barrels per day and 10,000 barrels per day in FY 2016 and 2017, following decline of 22,000 barrels per day in FY 2015” says acting DOR Commissioner Marcia Davis.

“We are optimistic that new projects announced since tax reform passed will continue to lead to more oil.”
— AOGA President and CEO Kara Moriarty

DOR attributes the anticipated gain to increased company spending on North Slope projects. “Given the forecast in investment trends, we expect that oil production should remain above 500,000 barrels per day for the next three fiscal years,” says Davis.

The State continues to predict declining production in the out years, but admits to taking a conservative approach to planning for new oil that may come from future investments.

“We are seeing a positive trend for oil production and TAPS throughput since SB 21 was enacted, and we are optimistic that new projects announced since tax reform passed will continue to lead to more oil,” says Kara Moriarty, AOGA president and CEO. “Alaska projects require a long lead time because of the size and complexity of North Slope operations, so investors tend to take a longer view here. 2015 looks to be a positive year for the industry.”

Cook Inlet continues to perform

The Revenue Sources Book also highlighted another positive development: Cook Inlet oil production continues to rise, as evidenced by a 30 percent increase in just the last year. The revitalized basin now produces about 16,000 barrels per day, up from 8,900 barrels just four years ago, a jaw-dropping increase of 80 percent.

To no one’s surprise, oil and gas revenue continues to dominate as the largest contributor to the State of Alaska’s unrestricted general funds, standing this year at 88 percent, according to DOR.
BP Alaska hire rate remains high, with 80% of workforce Alaska residents

BP Alaska has released its annual Alaska Hire Report showing the company’s continued focus on recruiting, training and hiring Alaskans. The new report, which includes 2013 hiring and spending data, shows a BP Alaska workforce made up of 80 percent Alaska residents.

“*When you are working to build a long-term, sustainable oil and gas industry in Alaska, one of the keys to success is building a quality local workforce,*”

— Janet Weiss, BP Alaska President

The Alaska Hire Report has been published annually since 1997 as a result of the development of the Northstar oil field and BP’s agreement with the State of Alaska. It highlights the numerous intern, hiring and mentoring programs aimed at training Alaskans for continued employment in the oil and gas industry.

The 2014 publication reports an Alaska workforce of roughly 2,250 employees and 6,000 contractors. It also shows that BP spent $2.15 billion in Alaska in 2013, more than $1.75 billion (81 percent) with Alaska companies.

“When you are working to build a long-term, sustainable oil and gas industry in Alaska, one of the keys to success is building a quality local workforce,” BP Alaska President Janet Weiss states in the publication. “Our focus, as always, is a safe, reliable oil and gas business that provides jobs and opportunities for Alaskans for decades to come.”

The Alaska Hire Report also includes details of the internship programs in 2014. BP Alaska hosted dozens of summer interns in engineering, business, sciences and legal. Many of the interns go on to be hired by BP in subsequent years and will enter the Challenge program, which is a three- to four-year development program for full-time, college-graduate hires.

BP’s continued investment in Alaska’s university system, support for the Alaska Native Science and Engineering Program, and community investment dollars for more than 800 nonprofit and educational organizations are all part of BP’s continued focus on a strong Alaska business.
The story of Alaska’s oil and gas industry means a lot to Kara Moriarty — it is one she tells every day as the industry’s biggest proponent.

As chief executive of the Alaska Oil and Gas Association (AOGA), Moriarty has made a career of being an advocate for the production, development and exploration of the North Slope and Cook Inlet, and has also become an expert on tax legislation, environmental protection and wildlife species.

“There’s never a shortage of issues. For me, personally and professionally, that’s what makes this job dynamic,” Moriarty says.

Growing up the daughter of a cattle rancher in South Dakota, Moriarty fell into oil and gas by happenstance.

She began her career as an elementary school teacher and, through a series of twists and turns, has found herself in charge of one of Alaska’s most influential industry-member organizations.

Her experience includes working for two senators, and she is a former president of the Greater Fairbanks Chamber of Commerce.

Through it all, she has held tightly to the lessons she taught as a teacher.

“In a lot of ways, I’m still serving as an educator — instead of a classroom, I get the opportunity to communicate about complicated oil and gas issues to the general public, to policymakers, to legislators. It’s all about communicating and informing and providing information,” Moriarty says.

“It’s about taking a complex issue and breaking it down to make sure people understand the complexities in as straightforward a manner as possible.”

Moriarty discovered a passion for education early. While in her last year of teaching school at Mount Marty College in Yankton, South Dakota, she made the spontaneous decision to board a plane bound for Anchorage.

She was offered a job teaching in a village south of Barrow on the North Slope in the National Petroleum Reserve-Alaska.

Joining AOGA as a program associate in 2005, Moriarty worked her way up to the role of chief executive nearly three years ago.

“When I came to AOGA, I was nervous because I was only going to work in one industry,” she explains — whereas her duties at the Fairbanks Chamber of Commerce involved working with several different disciplines.

“I didn’t realize how little I knew about the oil and gas industry. I’m still learning every single day.”

Since taking the reins at AOGA in 2012, Moriarty has been involved in some of the industry’s biggest issues, including advocating for oil tax reform introduced last year. Most recently, she campaigned against a referendum to repeal the oil tax reform.

“I knew coming in that we were embroiled in a tax fight, and rightly so because we were not competitive and something needed to change. There are high costs involved with Alaska that there is nothing the state can do about — we are a long way from market, it’s very expensive to get a rig and it’s a different type of rig that can operate in the Arctic,” she says.

“Just because the referendum failed and we get to keep the better tax policy, it doesn’t mean our work is over. We still have a responsibility to the public and to the Legislature to continue to tell the story that oil tax reform is working.”

AOGA is also involved in litigation challenges on endangered species and has litigation pending for additional testing for small, remote incinerators by the Environmental Protection Agency.

Continued on page 4
FOCUS ON SAFETY:
New technology used in helmets at Point Thomson allows for greater worker safety

At Point Thomson, worker safety is the highest priority. Since March 2013, ExxonMobil has installed the SCAN-LINK Radio Frequency Identification System, or RFID, in every worker’s helmet issued by the project to help protect them from moving equipment.

The system works with special SCAN-LINK tags that are placed in the helmet and antennas that are mounted on the back exterior of equipment. As a ground worker moves within 15-20 feet of a vehicle equipped with the system, a monitor displays the nearby ground worker and an alarm sounds in the vehicle’s cab. Together, these alert the operator of a ground worker who is nearby. The system is another level of safety for workers, particularly in the blind spots of equipment and North Slope low-visibility conditions.

Point Thomson is the first to use this SCAN-LINK technology on the North Slope. ExxonMobil is proud to continue to bring innovative technology to Point Thomson—the forefront of Alaska’s new era of natural gas development.

Point Thomson is a natural gas and condensate field located 60 miles east of Prudhoe Bay on the North Slope of Alaska. The Point Thomson reservoir holds an estimated 8 trillion cubic feet of natural gas and 200 million barrels of natural gas condensate, a high-quality hydrocarbon similar to kerosene or diesel. The Point Thomson gas resources represent about 25 percent of known gas resources on the North Slope. ExxonMobil is developing initial facilities with the capacity to produce up to 10,000 barrels per day of natural gas condensate.

New SCAN-LINK technology at work on the North Slope

Former schoolteacher finds a new class in Alaska (continued from page 3)

Its next challenge is the federal government’s approaching leasing round for the Arctic offshore sector in mid-November.

AOGA wants to see “continued, predictable lease sales” and clarity on the 2008 lease sale so that Shell can proceed with plans to drill an exploration well in 2015.

“I want AOGA to be known as the one-stop shop for information on the oil and gas industry,” says Moriarty. “I want AOGA to be the first organization that the public, policymakers and legislators think of when they want to know something about the industry, whether it’s tax revenue, finding a job or the investment climate.”

“We are entering the next chapter of Alaska’s oil and gas history. We’ve already seen an uptick in investment, we’ve already seen increases in production. It’s too soon to tell what the end of this chapter’s going to look like, but we’ve seen incredible progress.”

Note: This article originally appeared in the October 10, 2014, edition of Upstream, the international oil and gas newspaper, and is protected by copyright. It appears with permission.
To use a cliché, “Everything old is new again.” In this case, low oil prices have returned to Alaska with no immediate relief in sight. While no one can predict what oil prices will do in the short or long term, one bright spot exists: 2015 still looks like it will be a positive year from the perspective of investment and development in Alaska’s oil fields. After oil tax reform passed in 2013, companies said it would likely lead to more investment and more oil. It turns out they were right. Just recently, the State of Alaska’s Department of Revenue confirmed this in its Fall 2014 Revenue Sources Book when Acting Commissioner Marcia Davis wrote, “we anticipate higher production in the near term than previously forecast. North Slope oil production between FY 2013 and FY 2014 held steady, and it is expected to increase by approximately 15,000 barrels per day and 10,000 barrels per day in FY 2016 and 2017, following decline of 22,000 barrels per day in FY 2015.”

Acting Commissioner Davis also said Alaska is benefitting from additional North Slope investment. In the same report, she wrote, “our long-term view is optimistic. Greater investment by the oil and gas industry on the North Slope and solid performance of state investments make Alaska’s overall financial health sound.”

This is all positive news in a state that relies on oil for most of its revenue. While Alaskans can’t control oil prices or volatile commodity markets, we can make sure we have a stable, predictable business climate so companies will continue to spend their investment dollars here in Alaska. When that happens, we all win.
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 for the benefit of all Alaskans.

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