BP to sell some assets to Hilcorp, focus on additional Prudhoe Bay activity

In what represents the beginning of a new era in oil production in Alaska, BP agreed to sell some interest in four North Slope oilfields to Hilcorp even as it plans to pump $1 billion into Prudhoe Bay over five years, starting with the first of two rigs in 2015. By 2016, BP expects to bring its rig count at Prudhoe Bay to nine, the highest it has been in seven years.

In the sale, which must still be approved, Hilcorp would receive all of BP’s interest in the mature offshore Endicott and Northstar fields and half of its stake in the Milne Point and Liberty oilfields.

Janet Weiss, president of BP Exploration Alaska, says oil tax reform played a large role in the decision to bring an influx of capital into Alaska oilfields.

“Thanks to tax reform, Alaska is now on course for increased investment and production and even the possibility of LNG,” Weiss said.

Most of the 250 workers associated with the four fields are expected to receive offers from Hilcorp. BP also said it expects Hilcorp to boost production in the two fields where it is keeping 50-percent stakes, Milne Point and the offshore Liberty field.

For its part, Hilcorp says its experience in breathing new life into older, more mature oilfields is a natural fit for the North Slope. The company has been an aggressive operator in the Cook Inlet, investing more than $300 million in the Southcentral basin in 2013 alone.

Hilcorp also cited recent changes in the tax structure for North Slope producers as an encouraging sign for the long-term viability of its operations, as well as the overall health of the oil and gas industry in Alaska.

“This is huge news for Alaska and the industry,” said Alaska Oil and Gas Association President and CEO Kara Moriarty. “Alaska finally has a fiscal system that encourages oil production in Cook Inlet and on the Slope, which is a great thing for all Alaskans. We are confident this deal will result in just that—more oil in the pipeline.”
INDUSTRY IN THE COMMUNITY:

In March, Alaska Resource Education (ARE) launched its new “Girl Scouts Energy Patch.” The patch is part of a series that represents ARE’s newest expansion in partnership with the Girl Scouts of Alaska.

The four patches include: Energy, Minerals, Forestry and Natural Resources. The last is a culminating patch that scouts may earn after they have achieved the first three.

At the launch event, Girl Scouts participated in an activity they needed to earn the energy patch, called “Finding Oil in a Cake.” In this activity, the scouts learned how geologists find oil in the ground by using straws and colored, layered cakes to simulate core sampling and the Earth’s layers. The chocolate cake represented oil, and their cakes had green and blue decorations to represent lakes and wetlands, which were used to teach about rules and regulations around resource exploration and extraction.

ARE staff and female volunteers who work in industry led the activities, which provided the scouts with first-hand knowledge about what it means to work in resource exploration and extraction, as well as learn from women in the industry. Of course, after the activity, the girls were able to eat their cakes.

More information about ARE can be found at www.akresource.org.

More information about the Girl Scouts of Alaska can be found at www.girlscoutsalaska.org.

BP wins safety award

BP Exploration Alaska’s Central Power Station in Prudhoe Bay has again been awarded the Alaska Voluntary Protection Program’s (VPP) “Star” level for outstanding employee safety and health programs.

VPP recognizes and promotes effective workplace safety and health management through a cooperative program between a company’s management, employees and the Alaska Department of Labor and Workforce Development’s Occupational and Safety Section.

“The VPP Star re-certification is a testament to our team’s proactive commitment to safety,” facility managers Art Milan and Michael Dobesh stated. “We have embedded this culture into the fabric of our facility and the team members are very proud of their accomplishment.”

A Girl Scout Brownie navigates cake and frosting to simulate safely drilling for oil.
Welcome, Caelus Energy Alaska!

Pioneer Natural Resources recently closed the sale of its Alaska subsidiary, including the Beaufort Sea Oooguruk oilfield, to Caelus Energy Alaska for $300 million.

James C. Musselman, president and CEO of Caelus Energy Alaska LLC, stated, “We are excited to enter the North Slope through the purchase of Pioneer’s assets. The current Pioneer Alaska team is very impressive and has the experience to develop the significant resource potential they have identified and help us grow the business in the future. We are attracted to Alaska because of the enormous geologic opportunity as well as the incentives, such as Senate Bill 21 (oil tax reform), that the state has put in place to encourage energy investment by independent oil and gas companies.”

Kara Moriarty, AOGA president and CEO said, “We welcome Caelus Energy to Alaska and AOGA. We are excited about their interest in pursuing more investment in Alaska, which will lead to more oil in the pipeline. We also wish Pioneer continued success as they focus on their core assets.”

BP’s newest truckable module will help enable more Alaska oil production

BP Lead Project Engineer Kara Dunphy and NANA Development Corp. Project Manager Fred Elvsaaas supervised the building of BP’S $13.5 million Gathering Center 2 (GC2) truckable module. The debottlenecking module will improve the gas-handling capability of an existing low-pressure separator module at GC2, which will add about 2,000 barrels of oil per day. The module was built at the NANA Big Lake facility. Construction started in the fall of 2013, employing 79 workers and six subcontractors.

AOGA welcomes Kate Blair to the team

Meet Kate Blair, AOGA’s new committee and projects coordinator. Kate joins the AOGA team after spending the last eight years as a specialty pharmaceutical representative covering the state of Alaska. She also spent time in New York as a training manager, during which she provided training to representatives across the United States.

Prior to moving to Alaska in 2006, Kate was a Division 1 women’s college hockey coach at both the University of Maine and Mercyhurst University. She earned her Bachelor of Science degree from Rochester Institute of Technology and a Master of Science from Mercyhurst University.

Kate’s initial duties will be to provide assistance to several of AOGA’s committees, and she will staff the organization’s Cook Inlet Task Group and the Offshore Committee/Arctic policy.
In an exciting turnaround and what Alaska Deputy Revenue Commissioner Bruce Tangeman calls a “banner headline,” the State of Alaska revised its official revenue forecast in April and now projects an increase in oil production following the passage of oil tax reform.

What else can I say but “Wow!” For years, AOGA has been ringing alarm bells about the continued oil production decline rate and why it should concern all Alaskans. Now, just five months after the fall forecast was published, we are seeing production actually beating the forecast. I have been following the State forecasts for 15 years, and this is the first time production is higher than expected. This is beyond welcome news for a state that relies on oil and gas revenues to fund 90 percent of its unrestricted spending.

The revised forecast confirms what we have been saying: oil tax reform is driving new production and working as intended. Indeed, oil tax reform was engineered to boost production, and the new forecast predicts thousands more barrels of oil flowing through the pipeline.

Tom Barrett, Alyeska Pipeline Service Co. president, said the revised forecast was good news for the pipeline, which arguably serves as the economic artery of the state. “Alaska depends on us to safely deliver the oil that funds so many state services,” said Barrett. “That’s why Alyeska and the TAPS owners have aggressively pursued solutions to declining flow.”

The new forecast revised FY 2014 North Slope production estimates from 508,200 barrels per day to 521,800 barrels per day, an increase of 13,600 barrels per day from the fall 2013 forecast.

It’s a new day for oil in Alaska. We must keep this momentum going and protect all the jobs and prosperity that come with it.

**MEMBER PROFILE:**

**TESORO**

**Q:** What year did Tesoro arrive in Alaska?
**A:** 1969

**Q:** Where does Tesoro operate in Alaska?
**A:** Kenai and Anchorage, with retail locations across the state

**Q:** Where else does Tesoro do business?
**A:** Tesoro has refineries in:
• Anacortes, WA
• Salt Lake City, UT
• Mandan, ND
• Martinez, CA
• Los Angeles/Carson City, CA
Tesoro’s corporate headquarters are in San Antonio, TX, with operations in more than 22 states.

**Q:** How many employees does Tesoro have in Alaska?
**A:** 210 at the refinery, 30 full-time contractors and about 250 employees at Tesoro retail stores

**Q:** What are Tesoro’s plans for Alaska?
**A:** Tesoro has served Alaska fuel needs since 1969 and plans to continue offering the clean-burning fuels necessary to drive our economy forward while providing excellent employment opportunities to Alaskans around the state. Tesoro will continue to actively participate in the communities where we operate and prioritize the safety of our employees, our neighbors and the environment.
SMALL BUSINESS SPOTLIGHT:
In a town thirsty for jobs, oil’s economic impact makes it possible, says Alehouse owner

Matt Tomter owns the Eagle River and Palmer City Ale Houses. He manages more than 100 employees and says his biggest concern is making sure Alaskans have a fun place to go. Based on the bustling scenes at both locations, it appears he has realized that goal.

“In Eagle River, many of our neighbors and guests at my restaurant work in the oil and gas industry. An increase in jobs means more people dine out. It’s simple math: getting more people to work means more growth for our economy.”

With the recent passage of oil tax reform, Tomter has seen the benefits. The oil companies, he says, are fueling the success of his two restaurants.

“Private sector growth means long-term economic stimulus for the people of Alaska. Creating jobs in the oil industry positively impacts business of all types, all over Alaska.”

For Tomter, his hopes for oil tax reform go beyond the immediate – he wants to see the state grow and prosper so that his two teenage daughters can work in Alaska and enjoy the same opportunities he had.

“I believe the all-Alaska gas line is essential to our long-term energy needs as Alaskans. Oil tax reform has made it economically exciting for the oil and gas producers to be involved. We need the gas line and we need the producers to help make it happen. The jobs this project will create are immense. We need this to happen!”

Alyeska named one of World’s Most Ethical Companies third year in a row

The Ethisphere Institute has recognized Alyeska Pipeline Service Company as one of the World’s Most Ethical (WME) Companies for the third year in a row.

“Alyeska employees and contractors earned this recognition by a commitment to ethics and integrity that extends beyond formal policy – it is an integral part of the TAPS culture,” said Alyeska Pipeline Service Company President Tom Barrett.

Alyeska is recognized for demonstrating:
• Established policies and procedures that foster ethical behavior
• Corporate citizenship programs, including the annual United Way campaign, school partnerships and matching employee philanthropy contributions
• Excellent code of conduct and an open work environment that encourages employees to raise concerns and identify company improvements
• Direct lines of communication between the workforce and leadership

The World’s Most Ethical Companies designation recognizes companies that go beyond making statements about doing business ethically and translates those words into action.
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](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.

Contact information: 907-272-1481 or info@aoga.org

Facebook: AlaskaOilAndGas Twitter: @AOGA