

straight talk

Alaska Oil and Gas Association



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Good, Bad and Unknown

The U.S. Minerals Management Service (MMS) conservatively estimates the federal waters adjacent to Alaska’s coastlines contain 25 billion barrels of oil and 122 cubic feet of natural gas, over 30% of the nation’s resource.

With over 81% of Alaskans supporting OCS/offshore development, residents have been anxiously awaiting the recent announcement made by U.S. President Barack Obama and the Secretary of the Department of Interior Ken Salazar on the Administration’s energy policy, including their strategy for development of the Outer Continental Shelf (OCS).

Alaska’s OCS Future

The Administration’s decision on March 31, 2010 brought good news, bad news, and some unknown news for Alaskans.

The good news is the current leases in the Chukchi and Beaufort Seas remain valid, including those sold at the historic sale in 2008, totaling over \$2.6 billion. This decision allows industry to continue their work in obtaining permits for exploratory and seismic work. The lease sale planned for Cook Inlet will move forward if there is interest from industry.

The bad news is the area around Bristol Bay, known as the North Aleutian Basin has been taken off the table for consideration, even though the communities closest to the potential development are supportive of OCS development. Additionally, additional lease sales planned in the Chukchi and Beaufort for the current leasing period (2007-2012) have been cancelled.

The unknown news is that the MMS has not made a final determination for the next leasing period from 2012-2017. The agency will entertain their option to conduct future lease sales in 2012-2017 in Chukchi and Beaufort, but their decision to move forward on the 2012-2017 leasing period will depend on a new study the United States Geological Survey will conduct over the next 120 days.

Further decisions yet to be made by the MMS about future lease sales will be imperative for Alaskans to realize the full potential of OCS development. Not only will OCS development produce over 35,000 jobs over the next 50 years, production from OCS will keep the Trans Alaska Pipeline System (TAPS) flowing for another generation. ♦

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Above: Killabuk support vessel in the Outer Continental Shelf.

On the Job

**John Baldrige, Pipeline Director,
Alyeska Pipeline Service Company**



“My job also allows me to explore many of the beautiful areas of our state, including Prudhoe Bay and the Brooks Range and Yukon River regions.”

His name is John Baldrige and he’s a lifelong Alaskan, 30-year Alyeska Pipeline Service Company employee and dedicated community volunteer.

Born and raised on the Kenai Peninsula, John started working as a marine technician at Alyeska’s Valdez Marine Terminal in 1977. He recalls the early days of the Trans Alaska Pipeline System as being an exciting time. In fact, John was at Berth 5 when the first tanker containing North Slope crude oil left Valdez in August 1977.

John was promoted to terminal supervisor in 1988 and subsequently worked in various leadership/management roles, including oil spill prevention and response manager for the Ship Escort Response Vessel System (SERVS), terminal oil movements team lead and Valdez marine terminal manager. “Working as the marine terminal manager was fantastic,” John said. “Valdez is a tough environment to work in, but the job was very satisfying.”

In 2000, John moved with his family to Fairbanks as part of the team working on the TAPS right-of-way renewal. From 2002 onward he has been part of the Operations and Maintenance team. In 2007,

John was promoted to pipeline director. His current position entails leading the team that operates/maintains the pipeline facilities and right-of-way from Pump Station 1 to the fence line at the Valdez Marine Terminal, including pump stations, remote valves, the pipeline and related facilities.

John and his wife, Sheilah, have been married 32 years. Together they have four grown children and two grandchildren. John has been involved with United Way for a number of years, having served as president of the Valdez chapter and, most recently, as the TAPS Fairbanks 2009 campaign co-chair.

John says he feels incredibly lucky to have been part of the Alyeska team for the past 30-plus years. “Alyeska has great employees, and as pipeline director, I get to stop at all our field locations once a month to meet with employees and see the great work they’ve done,” he said. “My job also allows me to explore many of the beautiful areas of our state, including Prudhoe Bay and the Brooks Range and Yukon River regions. Overall, working for Alyeska has been a very rewarding experience.” ♦

Member Spotlight

Petro Star Inc.

What year did Petro Star begin in Alaska?

Incorporated October 1984.

Where does Petro Star operate in Alaska?

Petro Star Inc. is the only Alaskan-owned refining and fuel marketing company, with fuel sales groups in seven communities (Fairbanks, Anchorage, Valdez, North Pole, Kodiak, St. Paul, and Unalaska) and refineries in both North Pole and Valdez.



Where else does Petro Star do business?

Petro Star maintains a two person sales/support office in Seattle.

How many employees does Petro Star have in Alaska?

Approximately 300.

What types of products are refined at Petro Star?

Petro Star's two refineries draw crude supply from the Trans Alaska Pipeline (TAPS) to produce off-road and marine diesel, commercial and military jet fuel, and home heating oil.

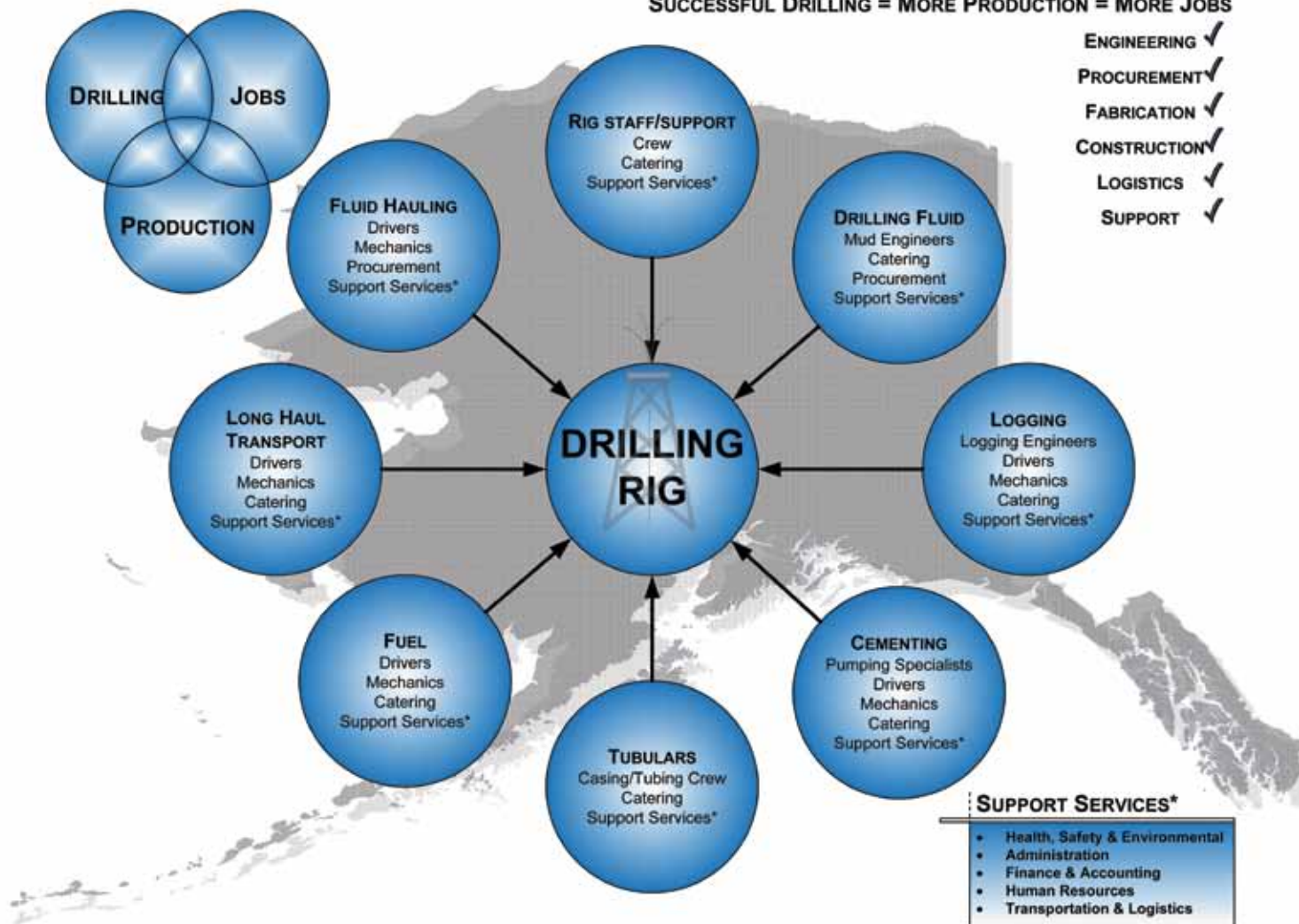
What type of expansion plans does Petro Star have?

Petro Star is installing a distillate hydrotreater and associated process units at its Valdez plant. The hydrotreater will allow Petro Star to desulfurize diesel fuel to meet specifications established by the Environmental Protection Agency. At peak construction, the Project will employ over one hundred fifty workers, and Petro Star will add approximately twenty permanent refinery positions to operate and maintain these new facilities. ♦



Photo sequence: A distillation tower is lifted into place at the Petro Star refinery in Valdez.

SUCCESSFUL DRILLING = MORE PRODUCTION = MORE JOBS



Source: CH2mHill

Industry Employment Update

Drilling Rigs Produce Jobs

A drilling rig is easily recognized as a core piece of equipment in the production of oil and gas. While it is hard to determine the exact number of jobs each drilling rig produces, each drilling rig in Alaska produces a variety of jobs. Jobs range from the actual rig staff and support to those involved in providing equipment and maintenance for the rig.

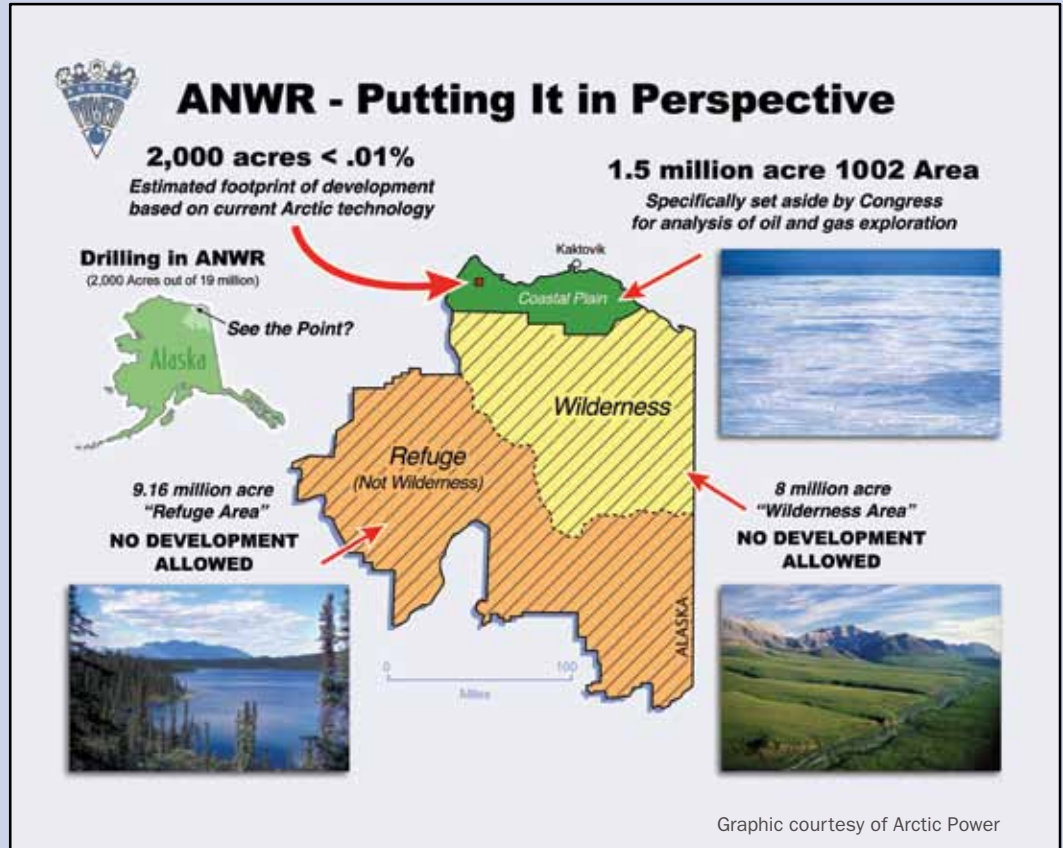
According to the Alaska Oil and Gas Conservation Commission, there were 17 active drilling rigs statewide as of April 8, 2010. The average number of active rigs in 2009 in Alaska was 16. By comparison, the average number of rigs in 2009 for the state of Texas was 432 and 53 in the state of North Dakota. ♦

ANWR Update

ANWR Review Important to Alaskans

The US Fish and Wildlife Service (USFWS) has announced it will be developing a revised comprehensive conservation plan (CCP) and environmental impact statement for the Arctic National Wildlife Refuge (ANWR).

When ANWR was created as part of the Alaska National Interest Lands Conservation Act (ANILCA) in 1980, only 8% of the area, known as the “1002 area”, was set aside for oil and gas development. Over 8 million acres elsewhere in the refuge was designated as wilderness. Development is permanently restricted on over 90% of ANWR.



The CCP process will take over two years to complete, with the final product offering recommendations for the Administration and Congress to consider. The end result of the CCP could be a recommendation to expand the wilderness designations inside ANWR to include the 1002 area, even though during the ANILCA debate, it was agreed that “no more” wilderness would be designated.

For the last twenty years, four out of five Alaskans consistently have supported opening ANWR to oil and gas exploration. In fact, 78% of Alaskans were supportive of development in ANWR just this past January.

Public comments are due to the USFWS by June 7, 2010 and can be submitted in writing to: Sharon Seim, Planning Team Leader, Arctic National Wildlife Refuge, 101 12th Avenue, Room 236, Fairbanks, AK 99701. They may also be submitted via email to

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ArcticRefugeCCP@fws.gov or by fax 907-456-0428. Public hearings will also be conducted across the state, including on May 11 in Anchorage and one in mid-May in Fairbanks.

Alaskans should engage in this process as it will be important in preserving the option of oil and gas development in the coastal plain in the future. ♦

Did You Know?



Alaskans support OCS and ANWR development

- 81% of Alaskans support OCS/Offshore development; and
- 78% of Alaskans support the opening of the coastal plain of ANWR to development.



Visit www.aoga.org for more facts about Alaska's oil & gas industry.

Alaska Oil and Gas Association Member Companies

- | | |
|----------------------------------|--|
| Alyeska Pipeline Service Company | Marathon Oil Company |
| Anadarko Petroleum Corporation | Petro Star Inc. |
| BP Exploration (Alaska) Inc. | Pioneer Natural Resources Alaska, Inc. |
| Chevron | Shell Exploration & Production Company |
| Eni Petroleum | Statoil |
| ExxonMobil Production Company | Tesoro Alaska Company |
| Flint Hills Resources, Alaska | XTO Energy, Inc. |

AOGA's members are companies that represent the majority of oil and gas exploration, production, refining, transportation and marketing activities in Alaska. Our members are:



straight talk

www.aoga.org



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