

straight talk



Alaska Oil and Gas Association

January/February 2010 – Issue 1

Cook Inlet Belugas

Comment period for critical habitat designation proposal extended to March 3

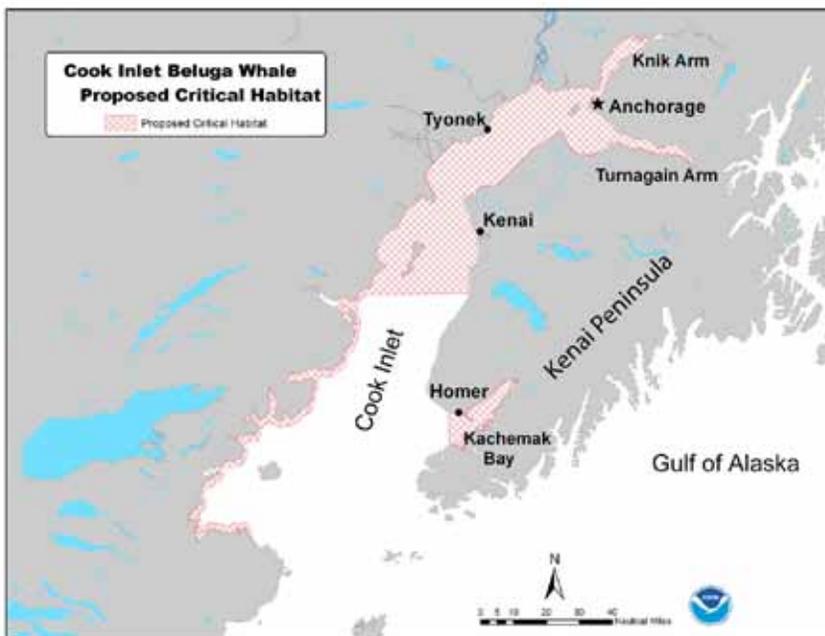
The comment period for the proposed critical habitat designation for the Cook Inlet beluga whales has been extended.

After the Cook Inlet beluga whales were designated as an endangered species in 2008, the National Marine Fisheries Services (NMFS) developed a proposed rule to allocate critical habitat for the whales. The proposal was released Dec. 2. NMFS has granted an extension for public comments on its proposal. All comments are due by March 3.

The proposed critical habitat area encompasses more than 3,000 square miles of Cook Inlet, including the inlet's entire upper half and areas where beluga whales and industry activities have co-existed for decades.

The population decline of the beluga whale has NOT been attributed to development activities. In fact, the beluga population has increased by almost 16 percent in four years since the unsustainable subsistence harvest ended.

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NMFS sets public hearings on Cook Inlet beluga proposed habitat

- Soldotna: Feb. 3, 6 p.m.
- Homer: Feb. 4, 6 p.m.
- Wasilla: Feb. 11, 6 p.m.
- Anchorage: Feb. 12, 6 p.m.



Member Spotlight

ExxonMobil

What year did ExxonMobil arrive in Alaska?

ExxonMobil's history in Alaska spans more than 50 years. Beginning in the 1950s, ExxonMobil has explored throughout Alaska, including Cook Inlet, Alaska Peninsula, Gulf of Alaska, St. George Basin, Norton Sound, Navarin Basin, Yukon Flats, Beaufort Sea and the North Slope.

Where does ExxonMobil operate in Alaska?

ExxonMobil is the operator of Point Thomson, located about 60 miles east of Prudhoe Bay. In addition, ExxonMobil has working interests in the Prudhoe Bay, Kuparuk, Endicott and Granite Point fields.

Where else does ExxonMobil do business?

ExxonMobil operates facilities or market products in most of the world's countries and explore for oil and natural gas on six continents.

How many employees does ExxonMobil have in Alaska?

Currently, ExxonMobil has 65 employees working in Alaska. Additionally, in 2009 over 1,700 people worked on or provided services to Point Thomson, contributing to its success. This number to grow during planned construction phases beginning in 2011.

What is ExxonMobil's production in Alaska?

During 2009, ExxonMobil's average daily production was approximately 123,000 barrels of oil per day.

What type of exploration/new development plans does ExxonMobil have for Alaska?

ExxonMobil and its co-venturers have been producing from Prudhoe Bay for more than 30 years and continue to make substantial annual investment to develop Prudhoe Bay resources. As operator of Point Thomson, ExxonMobil is advancing one of the highest-pressure gas cycling projects in the world, employing world-class drilling wells. The initial development phase will require more than a \$1



Point Thomson July 2008



Point Thomson 18 months later

billion investment and the company plans to remain on track for start-up by year end 2014. Future development phases will be progressed after this initial phase. As the largest holder of discovered gas resources on the North Slope, ExxonMobil continues to actively pursue commercialization of these resources, including participation with TransCanada in the Alaska Pipeline Project. ♦

Production Update

Milestone Reached as Production Declines

A major milestone in Alaska oil production was reached in October 2009, when the 16th billion barrel of oil was transported through the Trans-Alaska Pipeline System (TAPS). However, production in the past 10 years has declined by over 38 percent.

Seventy-four percent of Alaskans are concerned about the decline in North Slope production.

Production averaged 697,764 barrels per day (bpd) in December 2009. The Department of Revenue (DOR) is predicting that production will experience another 4.8 percent decline for the current fiscal year (FY 2010) ending June 30, 2010. The following year, FY2011, DOR is forecasting a 5.4 percent decline.

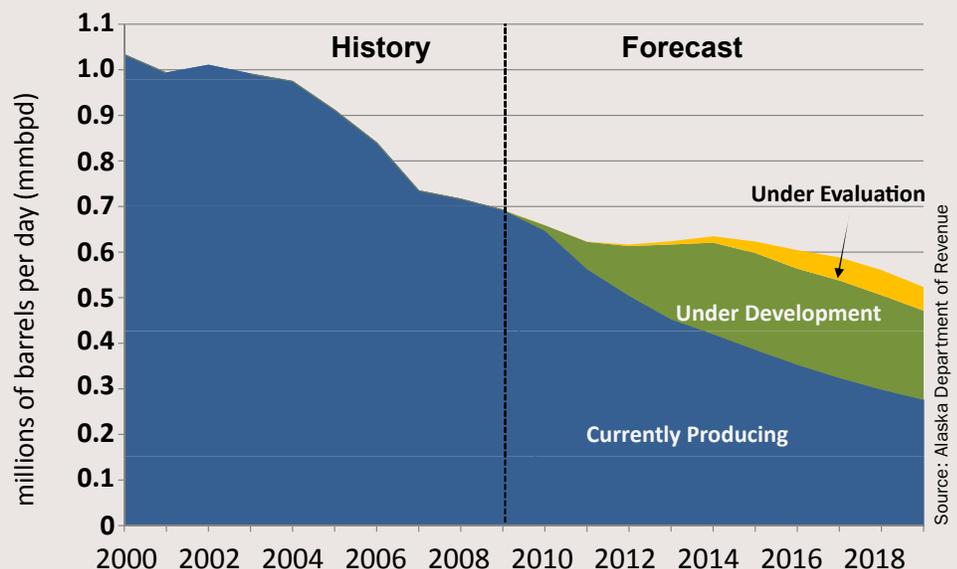
According to the latest production forecast from DOR, it will take until late 2013 or early 2014 to reach the 17th billion barrel throughput marker.

This production forecast assumes that by 2014, 33.9 percent of Alaska's oil

production will be from "new oil." New oil is classified as production coming from fields that are currently under development or evaluation.

With a large majority of Alaskans concerned about production decline, focus must be given to address this issue. ♦

Alaska North Slope Production, FY 2000-2009 and Forecasted FY 2010-2019



Source: Alaska Department of Revenue

(Cook Inlet Belugas continued from page 1)

If NMFS's proposed rule passes, any activity in the area would require additional permitting and mitigation measures that would increase construction and operation costs – WITHOUT any direct benefit to the whale. The rule would affect not only oil and gas-related activities, but other important projects such as the Port of Anchorage expansion, Anchorage wastewater discharges, military operations and more.

It is important for the NMFS to hear from Alaskans who disapprove of this broad critical habitat designation. AOGA is working with the Resource Development Council (RDC) and a large group of stakeholders. For more information, visit www.akrdc.org. ♦

Comments must be identified by "RIN0648-AX50" and may be submitted by:

- 1) Visit www.regulations.gov for email instructions
- 2) Mail: NMFS, Alaska Region, Attn: Ellen Sebastian, P.O. Box 21668, Juneau, AK 99802
- 3) Fax: (907) 586-7557

On the Job

Sofia Wong, Point Thomson Project Technical Manager ExxonMobil

Her name is Sofia Wong and she's relishing her new position as ExxonMobil's Point Thomson Project Technical Manager. A self-described "people person," Sofia's primary duties include internal/external interfaces. Her position gives her the opportunity to interact with individuals within her company and all over the state, including communities in the area near Point Thomson.

Prior to moving to Alaska, Sofia spent 12 years in Houston, Texas working in different organizations within ExxonMobil. She began her career at ExxonMobil's Baytown refinery, and moved to the upstream to work on large capital projects seven years ago. Her focus was West African deep water projects, which entailed traveling all over the world. "ExxonMobil strives to continually broaden the scope of its employees; I feel very fortunate to have had the opportunity to work in many different facets of the company and see much of the world along the way," Sofia said.



Sofia is pictured here with her husband Silas and their three children: Alex, Claudia and Julian

Sofia holds a bachelor's degree in chemical engineering from Clemson University. Born and raised in a suburb of Washington, D.C., and having worked primarily in Houston, she feels fortunate to call Alaska home. "My husband and three kids and I love the outdoors and the lifestyle Alaska affords us," Sofia said. "Downhill skiing, hiking, fishing – pretty much all our free time is spent outside. We've spent many weekends at Hilltop and Alyeska this winter."

Recently, Sofia coordinated a calendar contest for students at the Harold Kaveolook School in the village of Kaktovik. The contest focused on connecting students to their Inupiat culture through artwork. "These sorts of projects are wonderful because they not only encourage young people to think about their heritage, but help others understand the culture of the people in the Point Thomson area." ♦

State Budget Update

State Budget Process Relies on Oil Forecasts

"General fund" and "unrestricted revenue" are terms we often hear as the state budget is being discussed during the Legislative session. Essentially, unrestricted revenue in the state's general fund is used to finance the majority of state government services.

For the coming fiscal year, FY2011, the Department of Revenue (DOR) forecasts oil prices will average \$76.35 per barrel with production of 631,000 per day.

Governor Parnell utilized this forecast in developing the proposed budget that the Legislature will use as a starting point for crafting the state's budget.

The Governor's proposed budget would spend approximately \$5.1 billion in general funds, of which, 89% is petroleum revenues.

DOR predicts petroleum revenues will provide at least 87 percent of the unrestricted revenue for the next decade. Since the completion of the Trans Alaska Pipeline System (TAPS) in 1977, petroleum revenues have comprised roughly 82 percent of the state's unrestricted revenue. ♦

AOGA Executive Director Message

Navigating the Coming Decade



By Marilyn Crockett, Executive Director

As we look to a new decade, the oil and gas industry is faced with multiple opportunities and challenges.

The Federal Administration: Three out of four Alaskans are concerned that the policies being considered in Washington, D.C., will have a negative impact on developing the state’s resources. Agencies have proposed designating hundreds of thousands of square miles as critical habitat for polar bears and beluga whales in the Arctic and Cook Inlet. And Alaska is still waiting for the Department of Interior to make decisions on the Outer Continental Shelf five-year leasing program.

Environmental lawsuits: Lawsuits continue to be a vehicle for groups wanting to halt oil and gas development in Alaska. While the industry is a long way from winning the war, two recent victories include decisions regarding the protection of polar bears and walrus in the Beaufort and Chukchi Seas.

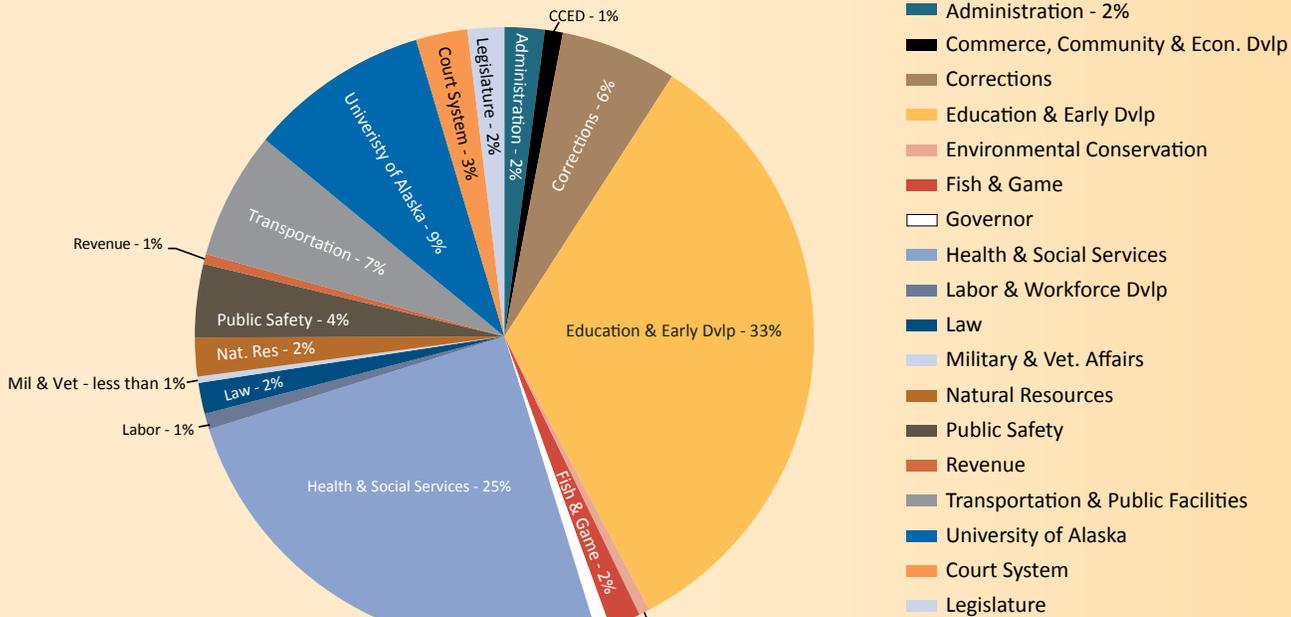
ACMP: Predictable and concise permitting is essential for timely and cost-effective development of state oil and gas projects. Two bills currently pending in the Alaska State Legislature would reverse the Alaska Coastal Management Program (ACMP) permitting system, which would cause delays and increased costs.

Taxes: Legislation to amend Alaska’s production tax regime has been introduced. A comprehensive evaluation is needed to ensure Alaska is positioned to attract the capital investment dollars necessary to stem production decline into the future.

Gas pipeline: The race is on as the two competing projects prepare for open season, a crucial step in the process to build a gas pipeline from Alaska’s North Slope to Canada and the Lower 48. The open season will reveal potential shippers’ interest in the projects.

We will continue to provide information and updates on these and other issues in the coming year. ♦

Governor's proposed FY 2011 general fund spending by department



Source: Office of Management and Budget

Alaska Oil and Gas Association

Member Companies

Alyeska Pipeline
Service Company

Anadarko Petroleum
Corporation

BP Exploration (Alaska) Inc.

Chevron

Eni Petroleum

ExxonMobil Production
Company

Flint Hills Resources, Alaska

Marathon Oil Company

Petro Star Inc.

Pioneer Natural
Resources Alaska, Inc.

Shell Exploration
& Production Company

Statoil

Tesoro Alaska Company

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.

straight talk



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