

straight talk



Alaska Oil and Gas Association

January 2011 – Issue 1

Production Decline Signals a Need for Change

With one-third of all jobs in the state being directly linked to the oil industry, it is no surprise that Alaskans are concerned about the decline in oil production and what it means to Alaska's economy. The pipeline is operating at only one-third of its capacity, and there has been a 39 percent decline in oil production in just the past 10 years.

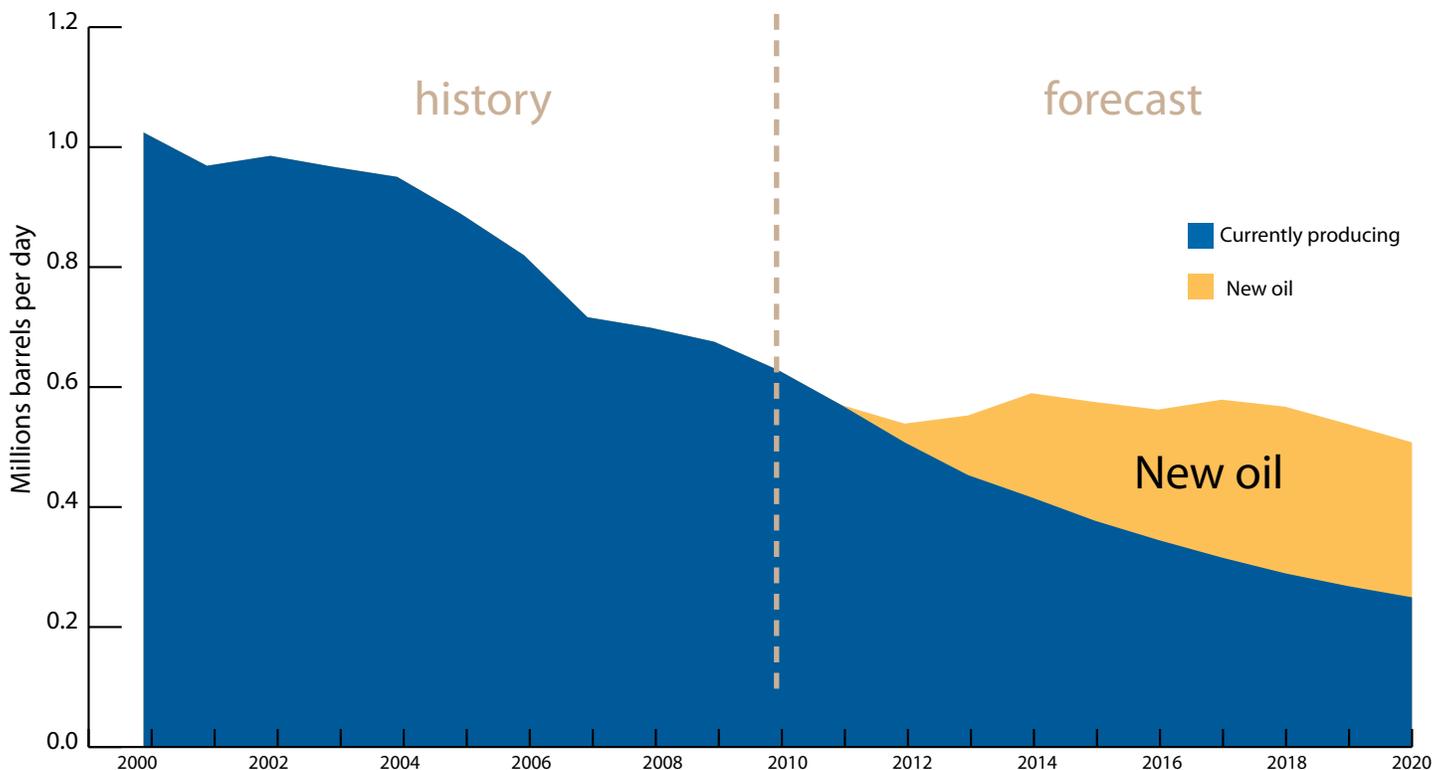
Alaskans want to see more oil produced, but the outlook, as displayed below, is troubling. More than 50 percent of total production will be from new oil by 2020, according to forecasts by the State of Alaska Department of Revenue. New oil means that the oil must come from fields that are currently under development or evaluation, but that will require a significant

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Alaska North Slope Production FY 2000-2010 and Forecasted FY 2011-2020



Source: Department of Revenue – Dec. 2010

Environment

Critical Habitat Surrounds Alaska

Thirteen different species are listed as endangered in Alaska, seven as threatened and nine more are under consideration for protection under the Endangered Species Act (ESA). (See box for details).

One of the key elements of the ESA is the designation of critical habitat for a listed species. The map below shows the range of listed and candidate species in our state. Alaska is in fact literally surrounded by potential critical habitat areas.

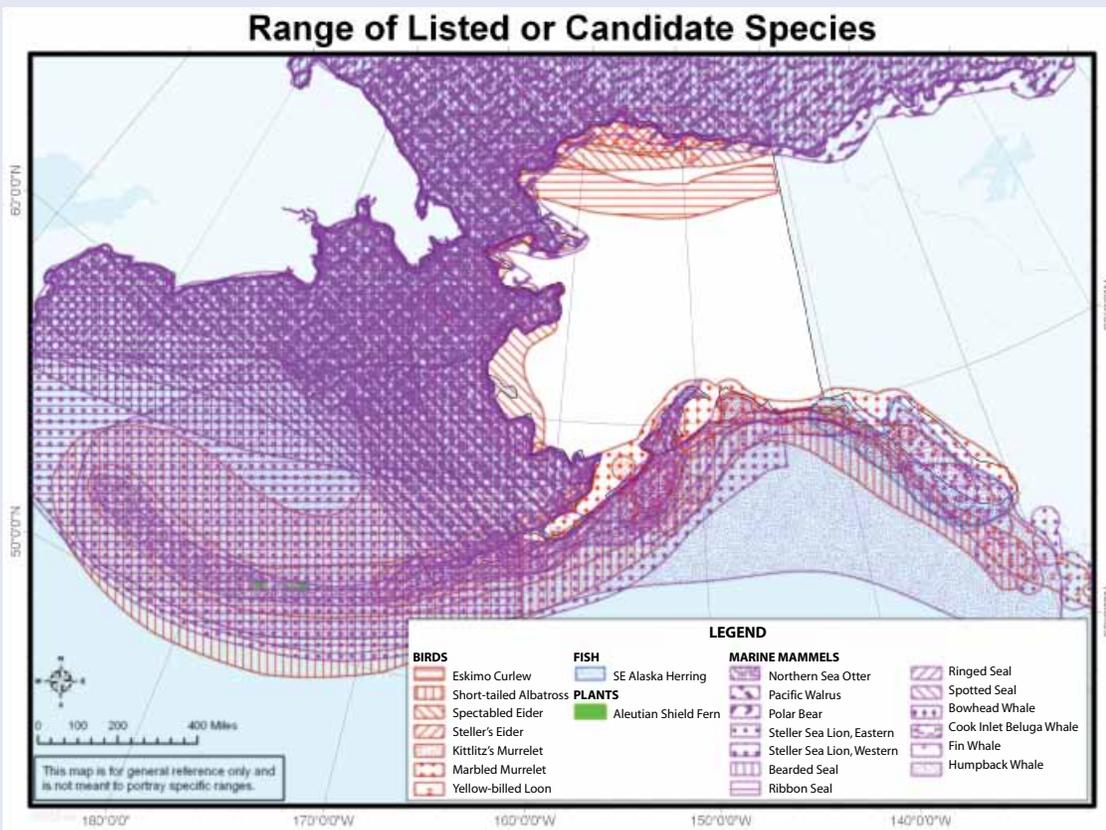
Critical habitat designation is supposed to occur at the time a species is listed or within one year after. Listing decisions can be made by two agencies. The National Marine Fisheries Service (NMFS) is responsible for marine species such as the Cook Inlet beluga whale, ice seals and stellar sea lions, while the U.S. Fish & Wildlife Service (USFWS) manages all fresh water fish and all other terrestrial species such as polar bears, sea otters and walrus.

Critical habitats are specific areas that contain physical or biological features essential to a species' conservation. Economic impacts must be considered when designating critical habitat and areas may be excluded where the benefits of exclusion outweigh benefits to a species.

Once an area is deemed to be critical habitat for a species, any project that requires federal permitting, funding or approval must undergo a consultation to ensure that the project is not likely to jeopardize the continued existence of the species or destroy or adversely modify its critical habitat.

There are several impacts from critical habitat designations and listing decisions. There is increased litigation as all final agency decisions are subject to citizen lawsuits. Agency decisions and consultation processes take time and add to project delay. Costs increase as consultations and litigation are expensive. Development projects can be restricted or prohibited and often there are competing critical habitat needs and recovery objectives for different species in the same area.

AOGA is involved in several pending challenges to designations and listing decisions and supports the legal efforts of the State of Alaska and its funding of research to understand various species and their habitats to support reasonable decisions. ♦



"Alaska is in fact, literally surrounded by potential critical habitat areas."

Member Spotlight

Member Spotlight: eni petroleum



The Nikaitchuq module glows brightly on a cold winter night. (Photo by Judy Patrick Photography and courtesy of eni Petroleum)

Endangered Species in Alaska

Endangered under the ESA (13)

- Short-tailed albatross (USFWS)
- Eskimo curlew (USFWS)
- Aleutian shield fern (USFWS)
- Stellar sea lion (western DPS) (NMFS)
- Leatherback sea turtle (NMFS)
- Whales (NMFS)
 - Blue whale, Bowhead whale, Cook Inlet beluga whale, Fin whale, Humpback whale, North Pacific right whale, Sei whale, Sperm whale

Threatened under the ESA (7)

- Spectacled eider (USFWS)
- Steller's eider (USFWS)
- Northern sea otter (southwest Alaska DPS) (USFWS)
- Stellar sea lion (eastern DPS) (NMFS)
- Polar bear (USFWS)
- Green turtle (NMFS)
- Loggerhead turtle (NMFS)

Under consideration for protection under the ESA (9)

- Ice seals (NMFS)
 - Bearded seal, Ringed seal
- Black-footed albatross (USFWS)
- Lynn Canal-Southeast Alaska herring (NMFS)
- Pacific walrus (USFWS)
- Queen Charlotte goshawk (USFWS)
- Kittlitz's murrelet (USFWS)
- Marbled murrelet (USFWS)
- Yellow-billed loon (USFWS)

1) What year did eni arrive in Alaska?

- **eni** arrived in Alaska in 2005 when it purchased a 30 percent interest in 103 leases on the North Slope from Armstrong Oil and Gas.

2) Where does eni operate in Alaska?

- **eni** is 100 percent owner and operator of Nikaitchuq, located to the immediate north of the Kuparuk Field. In addition, **eni** has working interests in Oooguruk onshore and in OCS leases in the Beaufort and Chukchi Seas.

3) Where else does eni do business?

- **eni** is an international, integrated oil company based in Italy that operates in more than 70 countries around the world.

4) How many employees does eni have in Alaska?

- Currently, **eni** has 104 employees working in the Anchorage office and on construction and production operations on the North Slope.

5) What is eni's production in Alaska?

- During 2010, **eni's** average production was 2,700 barrels of oil per day.

6) What type of exploration/new development plans does eni have for Alaska?

- **eni** plans to begin work on the second phase of the Nikaitchuq Project in 2011 by starting work on the Spy Island Drillsite. Additionally, **eni** plans to continue to work with its partners in the Beaufort and the Chukchi OCS, and on shore on the North Slope, to find economic opportunities for further production in Alaska. ♦

On the Job

Stephanie Lirette

Stephanie Lirette has watched Pioneer Natural Resources grow over the years. She began working as the company's executive assistant and HR coordinator in 2005 – just three years after Pioneer entered Alaska.

"When I started, we were a small Texas oil and gas company that was trying to make its presence known. Since I've been here, we've made history by being the first independent producer on the North Slope. I've gotten to be a part of that from the ground up," Lirette said.

Lirette and her family previously lived in her hometown of Fairbanks, where she worked for the statewide offices of human resources at the University of Alaska Fairbanks. But moving into the oil and gas industry was an exciting transition for her. Her husband, Todd Lirette, is a BP Exploration (Alaska) Inc. field operations and maintenance team lead who's worked on the North Slope for the past 20 years, so she was familiar with the area and the work.

Having a husband who's a field operations team lead means Lirette doesn't have to translate industry jargon, but even that has its limits. "When he gets home, we try to concentrate on our family and not talk a lot about work. My husband works a lot of hours during his two weeks on the slope. It's pretty much eat, sleep and work so when he is home, he tries to unwind and not do a lot of shoptalk." Lirette said.

Along with taking care of her children – 14-year-old Mackenzie, 9-year-old Jordyn and 3-year-old Mason – the couple enjoys planning for their annual trips to Hawaii.

"We got married in Maui, so we were going there for awhile, but lately we've fallen in love with Kona. I love it in Alaska, but the one thing I will never be able to get used to is the cold and the darkness. So we try to leave the state regularly to get our vitamin D. That's what we look forward to as a family every year," Lirette said. "If you have that plan and something to look forward to, it helps you get through the winter. I'm a believer in that."

During the past five years, Lirette has watched Pioneer expand and venture to new areas – even a new floor in the ConocoPhillips building.

"It's been amazing watching our project on the North Slope go from nothing to what it is today, and I feel pretty proud to be part of it."



Stephanie Lirette and her husband, Todd.

"We've tripled the amount of employees and taken on another floor in the ConocoPhillips building. By working on the human resources side of things, I have gotten to be part of this exciting growth first hand, as I get the opportunity to meet every employee who is hired as I'm the first point of contact, assisting with paperwork, understanding benefits, etc." Lirette said.

Lirette said her favorite part of the job is the variety, and that every day brings a different assignment. Throughout the years, she's just grown more committed to Pioneer.

"I love being part of that growth," Lirette said. "We made first oil in 2008, and it was an accomplishment felt by everyone working here at the time. It's been amazing watching our project on the North Slope go from nothing to what it is today, and I feel pretty proud to be part of it." ♦

Legislators Attend AOGA Educational Seminar

AOGA hosted its second Educational Seminar Jan. 6 for all newly elected legislators, current legislators and legislative staff. Based on feedback from the first seminar, which was a half-day session, this year's session was expanded to a full day, followed by a reception with AOGA's Board of Directors.

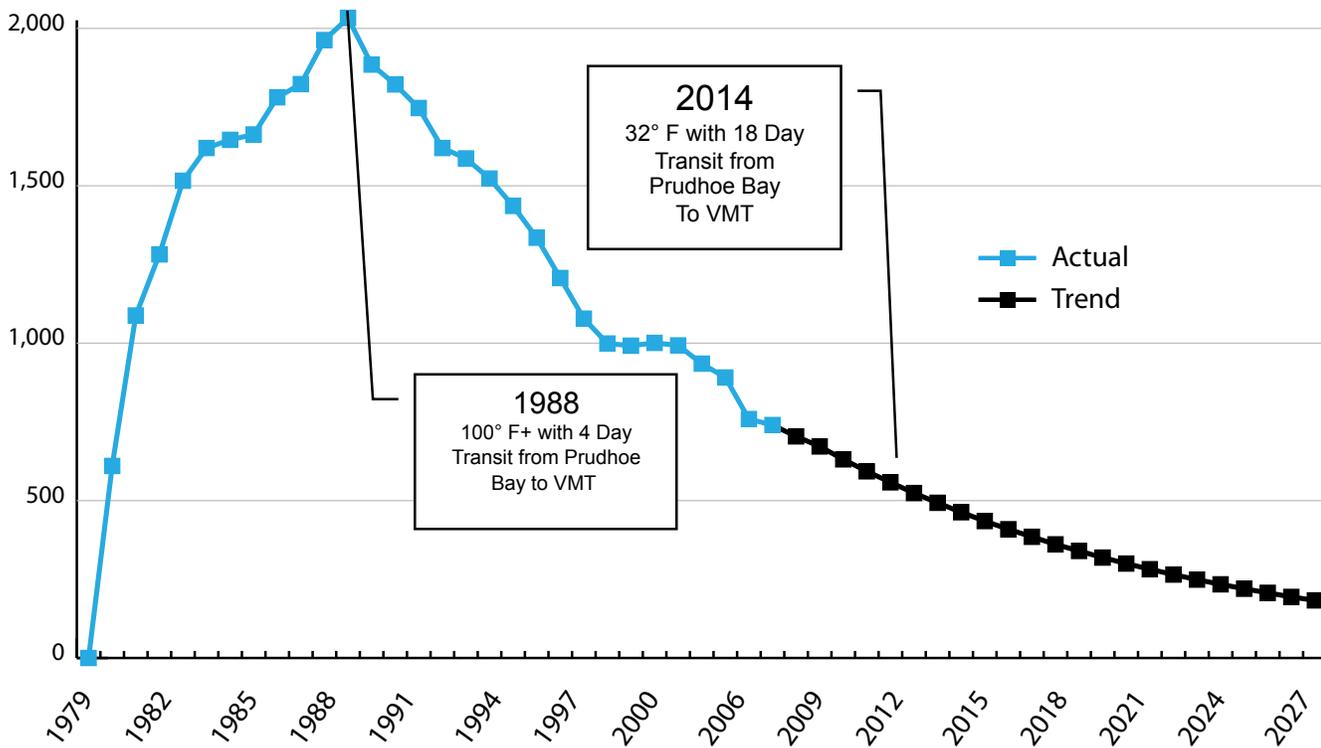
Company representatives with expertise in several disciplines shared information about many aspects of Alaska's oil and gas industry. Topics included: geology of Alaska, permitting, heavy and viscous oil, Cook Inlet, offshore, trans-Alaska pipeline and low flow challenges,

taxes, refining, leasing, Endangered Species Act, federal challenges and oil spill response.

Pioneer's Ken Sheffield, Chevron's John Zager and BP's Claire Fitzpatrick participated in a panel discussion about how companies make investment decisions in Alaska and beyond. The panel was a highlight of the seminar and AOGA will host a similar panel during its annual legislative luncheon in Juneau.

All of the PowerPoint presentations shared at the seminar can be found on AOGA's website, www.aoga.org.

Declining throughput



Taken from presentation given by Betsy Haines, Alyeska Service Pipeline Company.

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Production Decline Signals a Need for Change

level of investment that is not currently occurring. New oil also means new exploration wells, but only three exploration wells were drilled on the North Slope last year.

Why? Because the industry believes taxes are too high to encourage

these investments. Fortunately, the Governor and some members of the Legislature recognize that Alaska's production tax structure (ACES) needs to change to spur development, creating more jobs, improving the investment climate and increasing oil production.

AOGA looks forward to working with the Governor and the Legislature in making meaningful changes to ACES that will result in long-term jobs and investment for the state.

Alaska OCS - Benefits To Alaska and the Nation

- 35,000 jobs each year for 50 years of project life*
- Amounts to \$72 billion in payroll*
- Extends the life of Trans-Alaska Pipeline (now two thirds empty)
- Opens up “stranded” resources in National Petroleum Reserve – Alaska (NPRA)
- Gas reserves for gas line to Lower 48 states
- Domestic energy security



* 2009-Northern Economics & Institute for Social and Economic Research, Univ. of Alaska

Taken from presentation given by Pete Slaiby, Shell Exploration & Production.

Alaska Oil and Gas Association

Member Companies

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

Follow us on Facebook and Twitter. Learn more at aoga.org  



straight talk



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