

straight talk

Alaska Oil and Gas Association



June/July 2013

Hilcorp continues commitment in Alaska

Hilcorp continues to act on its commitment to “Stay, Produce and Grow” here in Alaska. The surprise bidder in this spring’s Cook Inlet area-wide lease sale, Hilcorp won 19 out of 22 leases for which it submitted bids. The state lease sale generated a total of 32 bids on 28 tracts of land in the Cook Inlet area. Hilcorp’s take was more than 145,000 acres for a total cost of \$2.6 million.

“We believe there’s a lot of life left in Cook Inlet,” said Hilcorp’s External Affairs Manager Lori Nelson, who also indicated that the company was certainly pleased with the outcome of the lease sale. “The tracts of land acquired in the lease sale simply allow Hilcorp to strengthen its position.”

The company has been successful at bringing many defunct wells back to life. It recently announced plans to bring new equipment to Alaska to make the process even more effective. Two custom-built pulling units are arriving this summer in the Cook Inlet region and are designed to do major maintenance on wells offshore.

Hilcorp spent \$238 million in Cook Inlet in 2012; Nelson says they will increase investment to \$300 – 350 million in 2013.

Cook Inlet Energy spent \$870,000 on 29,000 acres of land. It won five out of the six leases for which it submitted bids. ♦

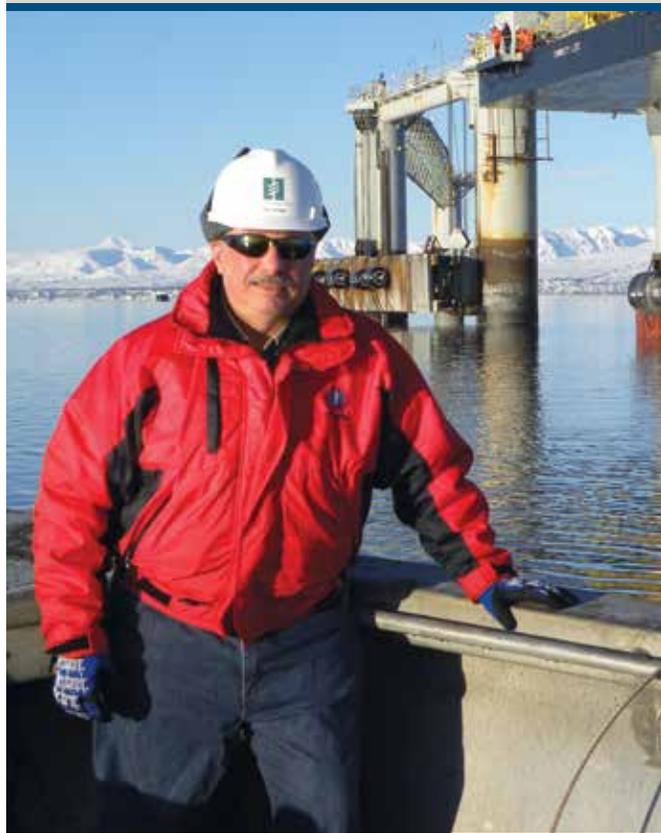
Repsol reflects on rewarding year of exploration

Repsol has had a successful 2012-2013 season of exploration. The Spain-based multinational company announced that it discovered oil in all three test wells it drilled over the winter. While everyone was pleased with the confirmation, officials say they were confident they would find oil. The area had been explored for nearly five decades and Repsol had the past data to use as it planned and prepared for tests. It also had the benefit of using the latest equipment and technology, including three-dimensional seismic.

Continued on page 3

In This Issue:

Hilcorp continues commitment in Alaska	1
Repsol reflects on rewarding year of exploration	1
Employee spotlight: Tavish Logan, AOGA intern	2
AOGA executive director message: Definition of instability	3
Focus on the future: AOGA annual luncheon	4
New developments: Judge reaffirms decision to vacate critical habitat	5
Member profile: Statoil	5



Hilcorp continues investment

Hilcorp came to Alaska in 2012 after acquiring Chevron assets. Earlier this year, Hilcorp closed a deal in which it acquired Marathon Oil properties.

Pictured above: Pete LaPella, Hilcorp Pipeline and Subsea coordinator

EMPLOYEE SPOTLIGHT: Tavish Logan, AOGA intern

An internship with Alaska Oil & Gas Association is the perfect way for an up-and-coming Alaskan to learn about the oil and gas industry. That's exactly what Tavish Logan hoped for when he applied to be AOGA's summer intern.

"In fact, the position has exceeded all of those expectations," said Logan.

Logan will be a sophomore this fall at Queen's University in Kingston, Ontario, Canada, where he's studying political science. He holds dual citizenship in the United States and Canada. Logan's mother is Canadian. Queen's University has an acclaimed political science department, just one of the many reasons Logan chose to attend.

"Studying in Canada provides me the opportunity to experience different cultures, both socially and academically," said Logan. "It gives me the chance to widen my horizons and better understand geopolitical issues between the two nations."

Logan would like to pursue a career in Alaska after he graduates in 2016. Right now, he is studying legal affairs and



Tavish Logan

public relations so he can conduct outreach to local, state and federal government about the importance of the oil and gas industry.

"That's why this internship is so valuable," he said. "It gives me opportunities to create future job connections and experience working within the industry."

In his short period of time as an intern with AOGA, Tavish witnessed great advancement for Alaska. A memorable moment for him was watching Governor Sean Parnell sign Senate Bill 21 into law.

"The bill-signing contextualized the impact the oil and gas industry has on Alaskans. Seeing so many young people in attendance

Continued on page 4

THE NEXT GENERATION

Colleen Durnford-Galanes

Colleen is a second-year intern with Alyeska Pipeline working in Valdez. As an engineer, she is in the field with the operations team. She says a big part of her success working on TAPS is the willingness of her coworkers to share and guide her with their knowledge and expertise.

Kristine Odom

Kristine is a third-year engineering intern with BP in Alaska. She will graduate from University of Alaska Fairbanks with a degree in petroleum engineering. She attended Ben Eielson High School near Fairbanks. She says in her intern role she enjoys learning the applications of petroleum engineering and networking with experienced professionals in the industry.

Josh Tempel

Josh is a second-year BP engineering intern from the University of Alaska Anchorage. Josh is a Marine Corps veteran who graduated from Soldotna High

School in 2002. This summer he will work as a drilling engineering intern at BP's headquarters in Anchorage.

Rachel Conley

Rachel is a 2011 graduate of West High School and is currently pursuing a geoscience degree at the University of Alaska Fairbanks. Rachel is interning with the Shell Communications and External Affairs division.

JoBeth Roberts

JoBeth attended high school in Tanana, Alaska, and recently graduated from the University of Alaska Fairbanks with a degree in process technology and a certificate in safety, health and environment. JoBeth will spend the summer working with Shell's Regulatory Affairs division. ♦

Repsol reflects on rewarding year of exploration continued from page 1

“We are very pleased with results from its three wells, which are located in the Colville River area on the North Slope,” said Repsol’s Alaska Project Manager Bill Hardham. “We conducted production tests on the Q1 and Q6 wells, which confirmed the discoveries.”



Photo: Judy Patrick Photography

Repsol will now assess and analyze its findings before making a definitive plan for future development. Officials say that they are optimistic about a production plan, but it could take years to execute.

“We have completed the campaign for this year and are in the process of planning our exploration/delineation

program for next year simultaneously with launching the development phase for this project,” Hardham said.

Repsol is tentatively planning to drill three additional wells during the 2013-2014 winter, with the combined objectives of further delineating the 2012-2013 discoveries and exploring new opportunities.

Armstrong Oil and Gas brought Repsol to Alaska in 2011 and has a 22.5 percent interest in the leases it sold to Repsol. Repsol made the decision to come to Alaska after hearing about efforts to reform the oil tax structure.

“Repsol had been evaluating Alaska for a few years and had declined due to the tax structure,” Hardham said. “But we were encouraged in 2011 when the administration and Legislature were acknowledging the problem and made a first attempt to fix it. At that point, we moved forward with purchasing leases, optimistic that the tax structure would be fixed.”

Repsol is growing its Alaska-based work force. In January, the company moved into its new, larger midtown office. ♦



Photo: Judy Patrick

Kara Moriarty

AOGA EXECUTIVE DIRECTOR MESSAGE: Definition of instability

A few weeks ago, I witnessed Governor Sean Parnell signing SB 21 into law. Dubbed the “More Alaska Production Act,” the legislation came after years of research, debate and expert analysis.

It was designed to make Alaska more competitive and increase oil production.

With production at historically low levels and Alaska’s investment climate remaining stagnant during record high oil prices, lawmakers from both sides of the aisle agreed the previous oil tax structure, “ACES,” was not working. ACES created one of the highest tax rates in North America. SB 21 puts Alaska back in contention for more investment, which will lead to more production.

Unfortunately, just days after the bill’s passing, a petition was filed for a referendum on SB 21. The repeal process is a big undertaking and requires thousands of signatures from across the state before it can be put on the August 2014 ballot. While the outcome is still unclear, the process alone creates a cloud

of uncertainty for oil companies looking to invest in our more competitive market. It is the very definition of instability.

The referendum movement on SB 21 is counterproductive and does absolutely nothing to increase production. The referendum does not support the governor’s principles for oil tax policy and, most important, it is not in the best interest of the long-term viability of the industry or the people of Alaska.

Oil companies are evaluating projects and they say the newly passed SB 21 gives them a more favorable economic outlook.

For example, BP recently announced a \$1 billion plan that would include bringing 200 new jobs and two new drill rigs to the North Slope by 2016. The five-year project would also include BP working closely with other working interest owners of Prudhoe Bay to start evaluating an additional \$3 billion in projects on the western side of Prudhoe.

The referendum places these and future announcements in jeopardy. Why would Alaska want to go back to a broken structure? Alaskans need to allow SB 21 to work. ♦

FOCUS ON THE FUTURE: AOGA annual luncheon

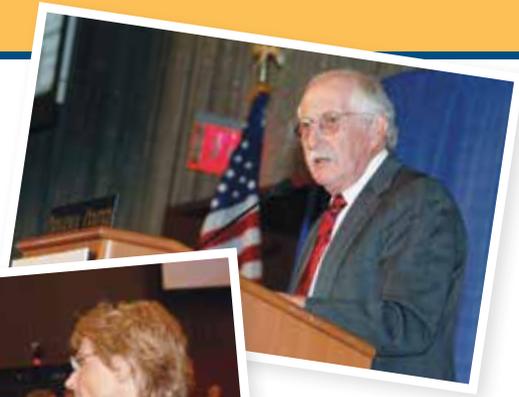
The role of Alaska's oil and gas in the global marketplace was the focus of this year's Alaska Oil and Gas Association (AOGA) luncheon. The May 8 event drew a crowd of nearly 600 to the Anchorage Dena'ina Center.

Economists Ed Rawle from Wood Mackenzie Research and Consulting and Scott Goldsmith from the University of Alaska Anchorage shared their views on this year's theme. It was a timely message, considering that the Alaska State Legislature had just weeks earlier passed oil tax reform legislation SB 21, designed to spur more oil production in Alaska.

"Taxing other major industries in Alaska like mining, fishing and tourism won't generate the revenue the state needs," Economist Scott Goldsmith said. "Fiscal restraint and securing new oil - it's what will protect the state's nest egg for future generations."

Goldsmith spent much of his presentation focused on Alaska's future generations, soliciting a call to action to think about tomorrow when making important decisions today.

"We've got a lot of potentially economically producible oil still in the ground, more than has been produced since Alaska became a state," he explained. "So we do have the



Above: UAA Economist Scott Goldsmith. Left: Senator Giessel with Repsol's Bill Hardham. Photos courtesy of Judy Patrick Photography.

potential to be an oil-based economy well into the future if we manage our resource properly."

Economist Ed Rawle discussed the competitive natural resource market that Alaska must now navigate.

"The point of Alaska LNG [liquefied natural gas] is whether it can find a home in an increasingly competitive market," said Rawle. In forecasting a global increase in demand for energy in the coming decades, Rawle said Alaska and the U.S. are expected to be a large part of increased LNG capacity for North America.

AOGA Executive Director Kara Moriarty ended the event by talking about the importance of standing strong in support of SB 21 to secure Alaska's future. A movement is currently underway to repeal the bill. ♦

Tavish Logan, AOGA intern continued from page 2

cemented the importance of oil tax reform to my generation," he explained.

Born in Alaska, Logan grew up in Anchorage and attended South Anchorage High School, graduating in 2012. While in high school, Logan competed on the speech and debate team and was the Alaska state champion in policy debate both his junior and senior years.

Logan now debates at the university level for the Queen's Debating Union, the oldest debating union in Canada.

"Debate provides an excellent opportunity to experience and discuss different viewpoints and ideas," said Logan. "Debating gives me the skills necessary to engage with people about a broad range of policy issues."

It's those skills and his razor-sharp wit that caught AOGA Executive Director Kara Moriarty's attention.

"Logan's research and writing skills bring a lot to our office," says Moriarty. "And his box-moving skills are the best in the industry!"

Outside of university, Logan enjoys reading books, watching movies and is considering attending a training camp so he can improve his box-moving skills. He also enjoys hunting, fishing and camping with friends and family.

Logan is the next generation of Alaska's decision-makers and, if there's one takeaway he's getting this summer at AOGA, it's the significance of oil to our state.

"As Alaskans, we can't underestimate the importance of oil and gas as a driver behind Alaska's economy and future," Logan said. ♦



NEW DEVELOPMENTS:

Judge reaffirms decision to vacate critical habitat

A Federal District Court judge stands by his initial decision to vacate the entire polar bear critical habitat listing. In a rare 22-page order, Chief Judge Ralph Beistline reiterated his decision that U.S. Fish and Wildlife Service (FWS) went too far in designating a huge swath of land as polar bear critical habitat.

FWS and intervening environmental groups had asked Judge Beistline to reconsider and alter his judgment after his initial decision in January of this year.

In an order rejecting FWS' request, Chief Judge Beistline explained, "Reconsideration is not to be used to ask the court to rethink what it has already thought." The court went on to say, "There is no dispute regarding the need to protect the polar bear. And, importantly, there is no question that the polar bear will be protected under current laws regardless of the critical habitat designation."

In 2011, the Alaska Oil and Gas Association (AOGA) and the American Petroleum Institute (API) jointly filed a lawsuit challenging the designation, which was joined by similar lawsuits filed by the State of Alaska and a coalition of Alaska Native groups, including Arctic Slope Regional Corporation.

"AOGA members support protecting critical habitat, but it is clear the designation in this case went too far," said AOGA Executive Director Kara Moriarty. "We applaud Judge Beistline's decision because it brings common sense and fairness back into the picture. Decisions need to be based on scientific data, not speculation." ♦

MEMBER PROFILE:



Statoil

Q: What year did Statoil arrive in Alaska?

A: In February 2008, Statoil acquired 16 leases in the U.S. Department of the Interior Outer Continental Shelf Chukchi Sea Alaska Oil and Gas Lease Sale 193. In 2010, Statoil also joined with ConocoPhillips as a non-operating partner in their 50 leases at the Chukchi Sea Devil's Paw prospect. Statoil has had a presence in Alaska since 2009 and opened a midtown Anchorage office in June of 2011.

Q: Where does Statoil operate in Alaska?

A: Statoil is currently in the exploration/planning phase for their 16 operated leases and 50 non-operated leases in the Chukchi Sea.

Q: Where else does Statoil do business?

A: Statoil is an international energy company with operations in 35 countries. Building on 40 years of experience from oil and gas production on the Norwegian continental shelf, Statoil is committed to accommodating the world's energy needs in a responsible manner, applying technology and creating innovative business solutions. Headquartered in Stavanger, Norway, with approximately 21,000 employees worldwide, Statoil is listed on the New York and Oslo stock exchanges.

Q: How many employees does Statoil have in Alaska?

A: Statoil has five full-time employees in the Anchorage office.

Q: What types of exploratory/development plans does Statoil have in Alaska?

A: In 2013, Statoil's efforts are focused on building relationships with Alaskan stakeholders and working with regulatory agencies and other operators to collaborate on development of Arctic drilling standards. The earliest Statoil drilling program would occur no earlier than the 2015 or 2016 open-water season. ♦



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Alaska Oil and Gas Association

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.

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.

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