

Testimony of Tom Maloney
President
Resource Development Council
Before
Senate Labor and Commerce Committee
September 8, 2011
Anchorage, AK

Good afternoon. My name is Tom Maloney, President of the Resource Development Council's Board of Directors.

RDC members come from Alaska's five primary resource industries – tourism, oil and gas, mining, fishing, and forestry. All 78 RDC board members live in Alaska and represent virtually every sector of our economy.

The number one issue of concern to RDC members is the ongoing throughput decline in TAPS, given the pipeline is the lifeblood of our economy. The pipeline is now running at less than one-third capacity and throughput has dropped to the lowest level in its history.

Admiral Barrett, President of Alyeska Pipeline Service Company, discussed the challenges of low throughput on ~~TAPS~~ at last week's RDC breakfast forum. His outstanding presentation is available at akrdc.org.

The crux of the issue is we need more oil in the pipeline now and RDC urges the legislature to focus on public policy that will encourage new investment in actual production, which will result in increased Alaska hiring opportunities.

To illustrate the magnitude of the issue, in 2007 the State of Alaska forecasted that TAPS throughput would average over 800,000 bpd in 2011. Year-to-date – January through August – North Slope production averaged 568,762 pbd, highlighting an alarming production decline of approximately 30 percent below forecasts of just four years ago.

Exploratory drilling anticipated for this winter is great news and we pray it comes true and yields future commercial production in the next five to ten years. This

forthcoming activity is partly based on favorable exploration incentives and credits, which partially mitigate a company's risk. However, new explorers have told RDC they are taking a leap of faith, anticipating significant reform on the production side of the tax structure by the time their exploration efforts bear fruit.

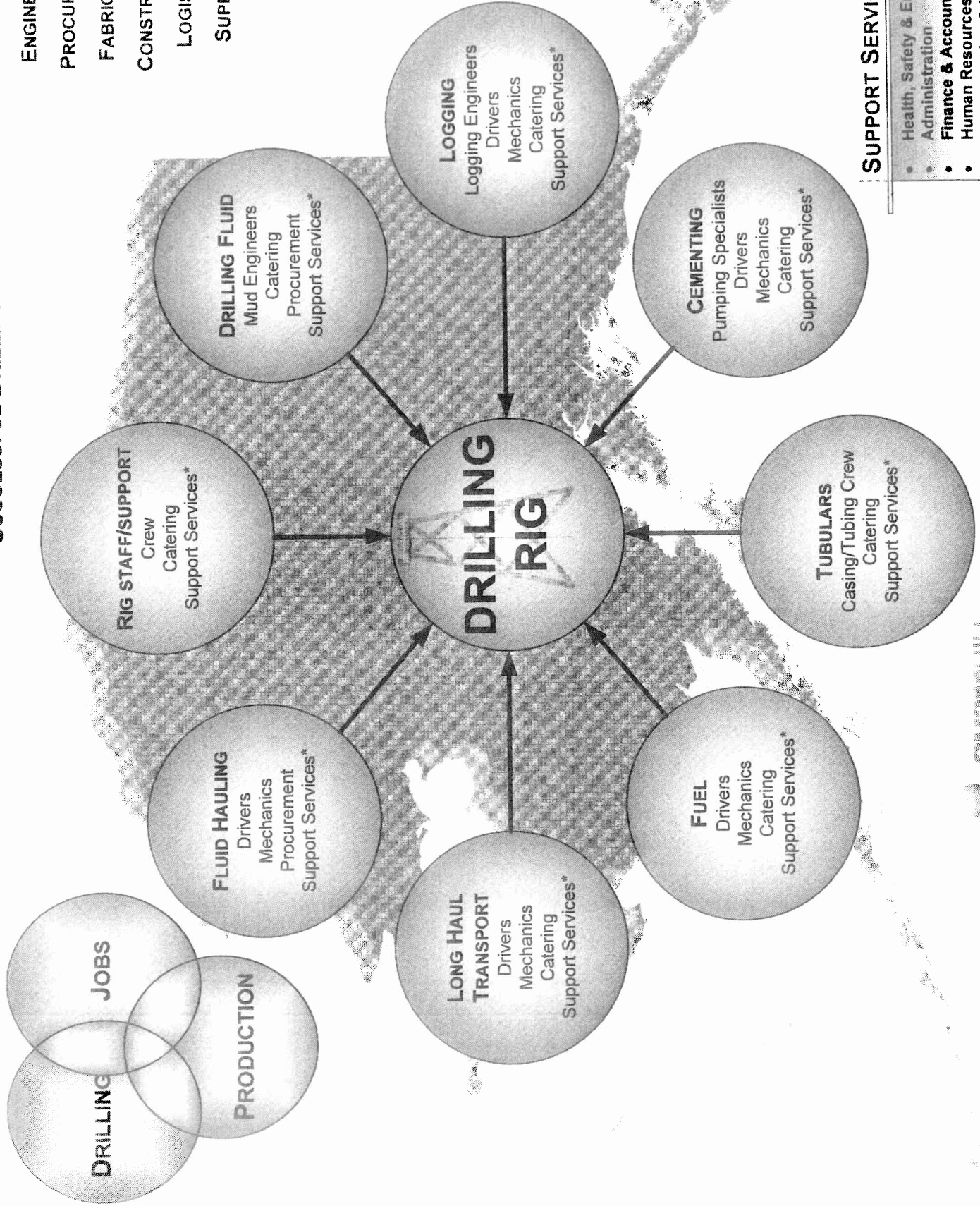
Exploration is a long-term prospect and in the meantime we need to see increased development drilling in the legacy fields of Prudhoe Bay and Kuparuk. Development drilling has remained virtually flat since 2007 at a time infield drilling should be through the roof during a period of high oil prices. Such drilling is our best option for getting new oil into the pipeline in the near term, increasing state royalties and Alaskan hire opportunities statewide in drilling, engineering, procurement, fabrication, construction, logistics and support services. The alternative at the current rapid pace of decline would be an oil pipeline that will soon face serious operational challenges and threats – leaving our entire economy at risk.

RDC appreciates the Committee's interest in growing Alaska jobs in the oil and gas sector and we strongly encourage the Committee and your colleagues in the legislature to look at public policy that will encourage investment in new production. Such investment will result in more jobs for Alaskans. The indirect benefits of these new jobs will also be magnified across our economy, as economist Scott Goldsmith has pointed out in recent studies.

Thank you for the opportunity to testify on this important issue.

SUCCESSFUL DRILLING = MORE PRODUCTION = MORE JOBS

- ✓ ENGINEERING
- ✓ PROCUREMENT
- ✓ FABRICATION
- ✓ CONSTRUCTION
- ✓ LOGISTICS
- ✓ SUPPORT



ALASKA GAS COMMERCIALIZATION

A Basin Opening Event

ENGINEERING & DESIGN

- ✓ GAS TREATMENT PLANT
- ✓ COMPRESSOR STATIONS
- ✓ MAINLINE PIPELINE
- ✓ INFILTRATION PIPELINES
- ✓ NORTH SLOPE MODES
- ✓ FACILITY INFRASTRUCTURE
- ✓ CAMP MODULES
- ✓ Sales / Distribution

SKILLS & JOB TRAINING

- ✓ FAIRBANKS TRADES
- ✓ ANCHORAGE TRADES
- ✓ KENAI PENINSULA TRADES
- ✓ OTHER LOCATIONS

PERMITS & REGULATORY

- ✓ EIS/NEPA EFFORT
- ✓ ENVIRONMENTAL CONSULTATION
- ✓ REGULATORY COMPLIANCE
- ✓ STATE & FEDERAL REGULATORY CONSULTATION

ROW BASELINE & DATA

- ✓ HYDROLOGY
- ✓ GEOTECHNICAL
- ✓ DIGITAL IMAGING
- ✓ CENTERLINE SURVEY
- ✓ SOIL & GRAVEL

PROCUREMENT & LOGISTICS

- ✓ MATERIALS
- ✓ EQUIPMENT
- ✓ SHIPPING & RECEIVING
- ✓ WAREHOUSING

CONSTRUCTION

- ✓ CAMPS, ACCESS ROADS, PIPE STORAGE
- ✓ OFFSITE MODULE FABRICATION
- ✓ GAS TREATMENT PLANT
- ✓ COMPRESSOR STATIONS
- ✓ MAINLINE PIPELINE

TRANSPORTATION INFRASTRUCTURE

- ✓ BRIDGES
- ✓ PORTS
- ✓ RAILROAD
- ✓ HIGHWAYS

INTERIOR POWER & ENERGY

- ✓ PIPELINE TAPS AT YUKON RIVER, FAIRBANKS, DELTA
- ✓ POWER CONVERSION
- ✓ LOCAL DISTRIBUTION FOR DOMESTIC HEAT

SUPPORT SERVICES

- ✓ WORKPLACE HSE
- ✓ HUMAN RESOURCES
- ✓ FINANCE & ACCOUNTING
- ✓ IT SUPPORT
- ✓ TELECOMMUNICATIONS
- ✓ PERSONNEL TRANSPORT

FUTURE E&P ACTIVITY

- ✓ EXISTING FIELDS
- ✓ NEW FIELDS