



RENAISSANCE ALASKA, LLC

House Bill No. 110

Testimony –Wednesday, March 23, 2011

Representative Stoltze, members of the committee, thank-you for the opportunity to speak with you today on House Bill 110.

Firstly, let me introduce myself and Renaissance Alaska, LLC (Renaissance). My name is Mark Landt and I am the Executive Vice President, Land and Administration for Renaissance, which is headquartered in Houston, Texas. Renaissance was formed in November 2006 and completed the initial funding of a business plan that solely focuses on growth in Alaska. The major area of focus for Renaissance is the Umiat Oil Field on the North Slope.

Since its formation, Renaissance has acquired BLM and State oil and gas leases on 19,358 acres located on the Umiat Oil Field located in the National Petroleum Reserve-Alaska (“NPRA”) and the Gubik Gas Field on the North Slope, Alaska.

Since we last testified on Senate Bill 309, the State of Alaska has made significant progress in providing the incentives necessary to encourage drilling and development in the Cook Inlet, Alaska. Specifically the Special Credits for drilling the first three wells drilled to a Pre-Tertiary prospect from a Jack-up drilling rig and the repeal of the future spend requirements to monetize the tax credits provided in SB 309 and the additional 20 percent tax credit for all drilling in the Cook Inlet basin under HB 280. The combined tax credits and being exempt from production tax in ACES, makes the fiscal environment in the Cook Inlet one of the most competitive in the world.

The State of Alaska has demonstrated tremendous leadership and acted decisively to revitalize oil and gas exploration and development activities in the Cook Inlet. Similar leadership and progressive action is required to revitalize oil and gas activities on the North Slope. The giant fields have been discovered and oil through-put for TAPS continues to fall and now stands below initial estimates regarding the economic life of the line. Alaska will increasingly depend on the discovery and development of smaller fields, technically challenged resources and known reserves remote from existing infrastructure. This testimony is to address the significant challenges we see for the development of the North Slope’s extensive, untapped oil and gas resources and specifically the undeveloped reserves located at the Umiat oil field.

The Umiat oil field was discovered in the late 1940s by the U.S. Navy in search of new sources of oil after World War II. It remains undeveloped to this day in spite of delineation by 12 legacy wells; the shallow depth of its consolidated, productive reservoirs; sweet, light 37 degree API gravity oil; and over 1 billion barrels of original oil in-place. To this point, remoteness (92 miles from TAPS), part of the reservoir in permafrost, and low reservoir energy have been the main development challenges. All of these challenges have been addressed through modern technological advancements such as multi-lateral horizontal drilling, electric submersible pumps, and cold gas injection for pressure maintenance to bring the Umiat development closer to fruition. Remoteness given the arctic environment is still a key challenge.

Renaissance, through Renaissance Umiat, LLC, controls the undeveloped Umiat oil field and a portion of the undeveloped Gubik gas field 12 miles to the east-northeast. Since acquiring the acreage in 2006 and 2007, Renaissance has de-risked the project through an 86 square mile 3-D seismic survey acquired in 2008 and extensive geoscience and development cost studies.

Renaissance has also focused on the plan of development and contracted third parties, including NANA WorleyParsons, Schlumberger, ASRC, Cardno (previously Entrix) and Umiatq (subsidiary of UIC) on pipeline route and cost, facility layout and costs, horizontal (lateral) development techniques, and obtained an independent reserve report from Ryder Scott and Associates (one of the top oil and gas reservoir engineering firms in the world). This report has estimated 250 million barrels of recoverable oil from the shallow zones at Umiat with peak field production of approximately 50 MBOPD. In addition, the University of Alaska at Fairbanks has a DOE grant to, among other things; confirm cold gas injection as the preferred pressure maintenance mechanism.

One of the development considerations is the ability to bury the pipeline in the shoulder of the road to lower the pipeline costs and to have less of a visual impact to the environment. Since the oil is being produced cold (28-32 degrees F) and the gravity is 37 degrees, this option to move the oil exists with no risk of melting the permafrost. The oil would be heated to pipeline specs at the TAPS connection.

The Umiat oil field is unique. There is no analogy in the world of light sweet oil being produced at these shallow depths with a portion of the reservoir in permafrost. The lack of analogy and distance from infrastructure has made this project difficult to compete for investment capital given the concerns on permitting the project and the multiple winter seasons required to develop the field. Although Renaissance feels it has addressed the key technical concerns, the distance from infrastructure is still a major risk factor. Your support of "Roads to Resources" and specifically the Environmental Impact Statement being prepared by the Department of Transportation for the transportation corridor between Umiat and TAPS is going a long way to reduce this risk. Current development cost is estimated to be \$1.3 billion dollars and further technical studies are underway to finalize the Plan of Development prior to raising the funding necessary for project development. Renaissance has spent in excess of \$43MM on the Umiat project to date.

Although Renaissance is solely focused at Umiat, we must compete for capital in the international financial markets. We strongly support the proposed amendments to ACES to increase the tax credits and reduce the progressivity factor to make Alaska more competitive as an oil producing state.

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