

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources, Military and Veterans Affairs

Session: January - April
State Capitol
Juneau, AK 99801-1182
Phone: 907-465-2693
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Interim: May - December
145 Main Street Loop, Ste 221
Kenai, AK 99611
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Official Business

MEMORANDUM

TO: Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee

FROM: Rep. Kurt Olson

DATE: April 11, 2009

RE: House Joint Resolution 26-LS0896\R Hearing Request
HJR 33

Pending introduction and referral, I respectfully request a hearing on House Joint Resolution 26-LS0896\R at your earliest possible convenience.

The resolution urges immediate action by the governor, the Alaska Congressional delegation, and state and federal agencies to assist in the restart of oil production in Cook Inlet that was affected by the eruption of Mt. Redoubt.

The shut down of the Drift River oil storage and transfer facility after the eruption of Mt. Redoubt has adversely affected oil and gas production and development in the Cook Inlet basin. The closure threatens to cripple the regional economy with a decline in oil and gas production, potential price increases, and layoffs in the oil and gas sector and the industries that support it.

The economic welfare of the region depends on resumed production in the Cook Inlet, and I urge the appropriate parties to assist in the restart of production in the region.

Please contact my staff, Konrad Jackson, at 465-4954 with any questions regarding this legislation.

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Sponsor Statement

HJR 26-LS0896\R (HJR 33)

Alaska's economy is largely dependent on oil and gas production in the Cook Inlet basin. Much of this production has been stopped, however, due to the recent volcanic activity at Mt. Redoubt. The production stoppage threatens to cripple the state economy with a decline in oil and gas production, potential price increases, and substantial layoffs.

The shutdown of the Drift River oil storage and transfer facility is a substantial blow to production and development in the region. The facility is a crucial waypoint in the delivery of oil produced from Cook Inlet platforms and is integral to the operation of the Trading Bay and Granite Point facilities, the Tesoro refinery in Nikiski, and future oil and gas development and production in the Inlet. Its closure not only affects platforms and facilities in the Cook Inlet basin, but the support industries on which they depend.

Because the economic implications of reduced production in the Cook Inlet have the potential to affect the state economy in such a profound way, I respectfully urge the appropriate parties to assist in the restart of production in the region.

I kindly ask for your favorable consideration of this legislation. If you have any questions or concerns, please do not hesitate to contact me or my staff.

HOUSE JOINT RESOLUTION NO. 33

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES OLSON, Chenault, Johnson, Gatto, Ramras, Neuman, Thomas, Hawker, Coghill, Muñoz, Wilson, Fairclough, Lynn, Millett

Introduced: 4/13/09

Referred: Resources

A RESOLUTION

1 **Urging immediate action by the governor, the Alaska Congressional delegation, and**
2 **state and federal agencies to assist in the restart of oil production in Cook Inlet that was**
3 **affected by the eruption of Mt. Redoubt.**

4 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **WHEREAS** a period of increased volcanic activity began at Mt. Redoubt on
6 March 22, 2009; and

7 **WHEREAS** the proximity of Mt. Redoubt to state population centers, airports, and oil
8 production facilities makes the recent volcanic eruptions particularly threatening to Alaskans;
9 and

10 **WHEREAS** the eruption cycle that began on March 22, 2009, resulted in massive
11 snow and glacial melt in the Drift River Valley, leading to the flooding of the Drift River; and

12 **WHEREAS** the Drift River oil storage and transfer facility is located in the floodplain
13 of the river and in the path of flooding caused by lahars; and

14 **WHEREAS**, in an effort to avert a potential oil discharge into Cook Inlet, the Drift
15 River terminal was shut down, and the oil in its storage tanks was drawn down; and

1 **WHEREAS**, because of the complexity of crude oil production in Cook Inlet, the
2 length of time production wells are shut down adversely affects the ability to return to normal
3 production levels; and

4 **WHEREAS** the Drift River terminal, as a crucial waypoint in the delivery of oil
5 produced from Cook Inlet platforms, is integral to the operation of the Trading Bay and
6 Granite Point facilities, the Tesoro refinery in Nikiski, and future oil and gas development and
7 production in the Cook Inlet; and

8 **WHEREAS** the shutdown of the Drift River facility disrupts oil production on Cook
9 Inlet platforms and adversely affects the operation of oil and gas facilities throughout the
10 Cook Inlet basin; and

11 **WHEREAS** the oil services industries on which these platforms and facilities depend
12 have been forced to curtail production and lay off workers as a result of the closure of the
13 Drift River terminal; and

14 **WHEREAS** a prolonged closure of the terminal threatens to cripple the regional
15 economy, with a decline in oil and gas production, potential price increases, and layoffs in the
16 oil and gas sector and the industries that support it;

17 **BE IT RESOLVED** that the Alaska State Legislature urges immediate action by the
18 governor, the Alaska Congressional delegation, and state and federal agencies to assist in the
19 restart of oil production in Cook Inlet that was affected by the eruption of Mt. Redoubt.

20 **COPIES** of this resolution shall be sent to the Honorable Barack Obama, President of
21 the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and
22 President of the U.S. Senate; the Honorable Ken Salazar, United States Secretary of the
23 Interior; the Honorable Lisa P. Jackson, Administrator of the U.S. Environmental Protection
24 Agency; Admiral Arthur E. Brooks, Commander, Seventeenth Coast Guard District; the
25 Honorable Tom Irwin, Commissioner, Department of Natural Resources; the Honorable Larry
26 Hartig, Commissioner, Department of Environmental Conservation; and the Honorable Lisa
27 Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young,
28 U.S. Representative, members of the Alaska delegation in Congress.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HJR 33
 () Publish Date: _____

Identifier (file name): _____ Dept. Affected: _____
 Title RESTART COOK INLET PRODUCTION RDU _____
 Sponsor OLSON, Chenault, Johnson, Gatto, Ramras, Neuman... Component _____
 Requester _____ Component Number _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

Prepared by: House Resources Committee
 Division: _____
 Approved by: Representative Mark Neuman, Co-Chair
House Resources Committee

Phone 465-3715
 Date/Time 4/13/09 12:00 AM
 Date 4/13/2009