



April 11, 2012

Dear Speaker Chenault,

Thank you very much for your efforts to improve and enhance the energy markets in Alaska. As someone who has spent his adult life and raised a family in Nikiski, I know how vital natural gas availability is to sustaining our quality of life. As someone who has spent his entire career in the Cook Inlet oil & gas industry, I know how the decline of proven gas reserves in the Cook Inlet threatens our energy security. And as the CEO of Cook Inlet Energy, I can assure you that we are working hard to develop and deliver gas to market to try to contribute to the solution to our future energy needs.

Of course, I cannot guarantee that we will discover new gas fields, or exactly what the cost or deliverability of that gas might be. But I can tell you that the economics of gas exploration in a small and isolated basin such as the Cook Inlet are challenged because of the limited consumer base. A producer risks “over discovering” gas, where a large discovery could never find the necessary market to recoup its investment.

HB 9 aims to encourage construction of a pipeline to Southcentral Alaska that would not only supply the existing local market in case of Cook Inlet gas shortage, but would also encourage the re-opening of a large export market or development of large industrial customers, due to the necessary economies of scale in building this pipeline. This seems like the best plan on the table for attracting the anchor shippers necessary to develop a larger and more liquid gas market in Cook Inlet. I know you support the development of an in-state gas pipeline that would not shut out local producers from the market, but give us both the additional supply and demand necessary to create a more stable energy market.

We urge you and other house members to support HB 9, and to continue to work to ensure that the construction of an in-state line enhances the openness of the local gas markets. Far from being detrimental to Cook Inlet gas production, addressing the issue of market depth would be an unmitigated benefit to the exploration and development of Cook Inlet’s abundant reserves of natural gas.

Sincerely,

David Hall,
CEO
Cook Inlet Energy, LLC