

**ConocoPhillips Alaska
House Resources Committee
November 1, 2011**

INTRODUCTION:

Mr. Chairman, members of the committee, for the record my name is Bob Heinrich, and I am the vice-president of finance and administration for ConocoPhillips Alaska, based in Anchorage.

As I understand it, Mr. Chairman, your intent here today is to focus on potential impediments, now from a producer's perspective, to realizing the Governor's goal of increasing North Slope production, to get TAPS back up to 1 million barrels a day over the next 10 years.

First, we would like to say that we support the Governor's goal and believe that North Slope production can grow again. It will take a concerted effort to stem the decline, progress can be made, and we believe the primary driver will be through changes to ACES.

That being said, you asked us to focus in this hearing on permitting and access issues which might stand in the way of that goal. I will make some observations on these topics and then conclude with some comments on ACES. My observations will focus on state, not federal, access and permitting - if we were speaking about federal issues, my comments would be quite different.

On the topic of PERMITTING,

As all of us who live here understand, Alaska is a unique, environmentally sensitive place. In order to minimize our impact on the environment, we hold ourselves to high standards in all aspects of our operations, particularly in the areas safety and the environment.

Working in the arctic has always made North Slope operations and development activities a challenge. In order to minimize the impact of development, there is a complex set of regulations that the oil

industry must follow and it can be difficult to strike the right balance between over-regulation and appropriate regulation.

Today, I would like to take the opportunity to express our appreciation to the current administration, particularly the work the Department of Natural Resources has done, working together with resource companies, to facilitate the permitting of development-related activities, while protecting the interests of the state and its citizens.

An example of this is the recently issued 2011 “General Permit for Generally Approved Activities in an Oil and Gas Unit in the North Slope Borough”, issued by the Division of Oil & Gas for Kuparuk. This General Permit authorizes routine and common activities associated with oil and gas development on the North Slope - such as the on-pad removal and installation of well lines, bollards, thermosyphons, bull rails and guard rails which are now included in one annual permitting report.

This eliminates the need for industry to submit individual permit applications and drawings for these regularly performed tasks as they occur. This significantly reduces the amount of effort needed to get authorization for typical day-to-day maintenance and development activities.

We also appreciate other efforts that DNR has recently taken to improve the permitting process:

- The recent filling of vacant positions, some 37 referenced by Director Barron, in the Division of Mining, Land and Water and the efficiency review initiative to inventory, categorize and prioritize the current backlog of permits – which will help speed up the review and authorization of activities necessary for resource development.
- Also, plans to expand the use of general permits for routine activities, on-line permit applications, on-line data submittal, linkage of permits to other databases, and other automation efforts will further improve the permitting process.

We greatly appreciate the noticeable and ongoing effort of the administration to make the permitting process more efficient.

With that Mr. Chairman, let me turn to the topic of **ACCESS**:

In the industry, when we talk about access, we're talking about access to resources. And what is important to the industry is the regular opportunity to acquire prospective acreage in lease sales.

Since the implementation of the state's area-wide leasing program in June of 1998, ConocoPhillips has been a regular participant in the state's lease sales. We believe that area-wide sales provide the state the best opportunity to make minerals potential available to the industry for exploration and potential development. So in that regard, we do not see access to State acreage as an impediment to the governor's goal.

In SUMMARY, we support the governor's goal to grow North Slope production and boost throughput in TAPS. We believe the state's access to acreage and permitting systems are not the key hurdles to meeting that goal. As our experience shows in attempts to obtain a permit to build a roaded bridge to one of the Alpine drill sites, there are issues with federal permitting. We are not experiencing those same sorts of problems with the State of Alaska.

However, Mr. Chairman, we believe the most significant impediment to filling the pipeline is the state's fiscal system. As we have testified to this committee before, we believe ACES needs to be modified and is the most leveraging action the state can take to attract the investment needed to stem the production decline.

The passage of HB-110 was a step in the right direction. We encourage the Senate to pass the accompanying bill or similar legislation in the upcoming session. As our Chairman Jim Mulva stated earlier this year, if the business environment is improved, we will do our part to work, with our partners, to develop more of Alaska's challenged oil.

Thank you for the opportunity to testify Mr. Chairman, and I'd be happy to try to answer any questions the committee may have.