



## Cook Inlet Energy

February 19, 2013

Dear Representative Hawker,

Thank you very much for your continuing efforts to improve enhance the energy markets in Alaska. Last year Cook Inlet Energy supported your efforts to pass HB 9, and we find that the passing of the last year has only sharpened the case for creating mechanisms that can move gas into and out of the Cook Inlet. HB 4 would take concrete steps towards doing just that. Cook Inlet Energy is a small, Anchorage-based oil and gas company working hard to develop and deliver oil and gas to market to try to contribute to the solution to Alaska's future energy needs. We have had some success in increasing our gas production recently, and with several exciting gas exploration opportunities we hope to grow production for years to come. Unfortunately, no explorer can predict how successful they will be, let alone know for certain what the future cost or deliverability of any discovered gas would be. However, just as I emphasized last year, the economics of gas exploration in Cook Inlet are challenged because it is a small, isolated market with a limited consumer base. Without an ability to import and export gas from outside the region there is no spot market to sell into or buy from, and no market price. We will constantly be in either a state of shortage, or a state of oversupply. The last few winters we have seen very tight gas markets. This was especially challenging for our efforts to try to purchase fuel gas for our facilities. But we in Southcentral are also vulnerable to the risk that a large producer could lock the entire market up under long-term contracts, shutting competitors out of the market and stifling development of the Cook Inlet's abundant gas potential. And a truly large discovery could never find the necessary markets to recoup its investment. To have stable supply and stable prices, the region must be able to purchase additional gas when needed, and sell it when it can. HB 4 will take concrete steps toward the construction of a pipeline to Southcentral Alaska. It is our understanding that development of such a pipeline would involve an anchor shipper in Southcentral that would expand demand. This seems like the best plan on the table for creating a larger and more liquid gas market in Cook Inlet. Some fear that bringing North Slope gas into the region would pose a threat to Cook Inlet producers. Far from it. The threat posed to future Cook Inlet gas production is monopolization. Cook Inlet gas will always be able to compete against North Slope gas, as long as the pipeline tariff is not subsidized. But if there is no market to sell into who will invest in Cook Inlet gas production? Please keep up the good work. We earnestly hope that HB 4 can pass both chambers this year, and that it ultimately results in a project that helps monetize North Slope gas and stabilizes energy supply on the Rail belt. We very much hope as Alaskans that the resulting infrastructure in Southcentral has enough capacity to accommodate additional deliveries from the Cook Inlet Basin, and will be open to all on commercially reasonable terms.

Sincerely,

David Hall,  
CEO

Cook Inlet Energy, LLC