

Alaska Oil and Gas Association



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April 22, 2020

Representative Geran Tarr
Alaska State Legislature
1500 W. Benson Blvd
Anchorage AK 99503
Electronic Submission: representative.geran.tarr@akleg.gov

RE: COVID-19 Impacts and Response

Dear Representative Tarr:

Thank you for reaching out regarding the Alaska oil and gas industry's preparedness and response to the coronavirus (COVID-19) pandemic, as well as related operational impacts. While conditions continue to unfold and change almost daily, please accept this letter as a status update.

As always, the safety and well-being of our employees, contractors, and Alaskan communities remains our highest priority. From the start of this fast-moving pandemic, industry members have closely monitored the spread of COVID-19 and responded to guidance from the World Health Organization, U.S. Centers for Disease Control, and state and local officials. Recognizing the critical nature of protecting our workforce and insulating operations from the spread of COVID-19, companies moved swiftly to enact health safety measures even before required. Since mid-March, both AOGA members and non-members have also engaged in regular (often daily) calls to share protocols, guidance documents, and available resources, working to ensure a unified industry response that protects public health.

Keeping Our Workforce Safe and Facilities Operational

While "critical infrastructure" designations by the U.S. Department of Homeland Security, State of Alaska, and local jurisdictions have been crucial to the continued production, transportation, and refining of oil and gas in Alaska, operations have nonetheless been impacted as companies work to minimize the risk of COVID-19. To keep personnel safe, facilities operational, and comply with the Governor's health mandates, companies have taken the following steps (as applicable):

- Maintained regular communication with employees and contractors regarding the COVID-19 response, including government health mandates, policy and operational changes, CDC guidelines, etc.
- Closed in-town offices and required all staff who can to work remotely
- Cancelled all non-essential out-of-state and in-state travel

- Limited travel to North Slope facilities, and the number of company personnel onsite at production, transport, and refinery facilities throughout the state
- Requested State and federal regulatory agencies to limit facility visits to business-critical needs and utilize teleconference and/or virtual communications as much as practicable
- Suspended all non-essential civilian travel through/use of facilities
- Instituted medical screenings, including temperature checks, for commuter flights and other facility entrance/exit checkpoints
- Upon screening, required any employee with symptoms of COVID-19 or known contact with a positive or suspected case of COVID-19 to obtain clearance from a physician before boarding transport to a facility or returning to work
- Requiring cloth face coverings on all aircraft, while in transit, and while working on the North Slope in community areas (in most locations)
- Acquired necessary stock of PPE (if not already on-hand) and created distribution processes for employees, including for communal transport (bus, airplane)
- Implemented rigorous protocols to ensure employee social distancing where possible, including at onsite dining facilities and from outside personnel (vendors, truck drivers, agency visitors)
- Worked with medical professionals to identify acceptable Anchorage hotels for quarantining of individuals, contracted for ground transportation meeting socially distance standards, and developed alternatives for air transport due to changes in service providers
- Enhanced sanitation of buildings and all ground and air transport
- Invited employees to complete a survey to voluntarily identify as high risk per CDC guidelines so company medical teams are aware
- Modified schedules/lengthened work rotations to reduce the number of change-outs, manage fatigue, and allow employees to complete a 14-day quarantine in Alaska before returning to work
- Implemented requirement at some non-North Slope facilities for employees to overnight onsite for the entirety of their hitch, rather than return home each day
- Denied facility access to persons who have been out of state in the past 14 days
- Instituted mandatory 14-day home self-quarantine for all off-shift workers, with some companies requiring completion of a daily health log to monitor compliance
- Enacted a strict 14-day self-quarantine requirement within Alaska for all personnel who live out of state or have recently traveled out of state before returning to the North Slope
- Developed response procedures should an employee currently onsite or having been onsite display symptoms or have had potential contact with a positive or suspected case of COVID-19 (isolation, medical monitoring, contact tracing, reporting, transport)
- Working with local communities to share best-practices and response plans, donate any surplus PPE to local hospitals, and identify gaps in available community healthcare resources
- Coordinated with Lower 48 and other global operators to learn more about past COVID-19 cases and better inform Alaska response

In addition to the above, some significant alterations to exploration and contractor activity have also occurred in response to the COVID-19 pandemic:

- 3/18/2020: ConocoPhillips Alaska announced an early end to its exploration drilling activities to reduce the number of North Slope personnel that could be exposed to COVID-19.
- 3/18/2020: Marathon Petroleum Corporation's Kenai Refinery announced the delay of its mid-April turnaround, an event bringing hundreds of contractors to the peninsula to perform

integrity-driven maintenance, upgrades, and inspections at the refinery to ensure its continuous operation throughout the year. However, work at the refinery continues and the turnaround is expected to take place this fall.

- 3/31/2020: BP Alaska announced an end to this season's drilling program, laying down two rigs and reducing all non-essential activity at Prudhoe Bay. This decision was made as activity was being limited to safety critical and regulatory compliance for the purpose of focusing on employee safety. Existing oil production continues.
- 4/7/2020: ConocoPhillips Alaska announced the decision to demobilize its drilling rig fleet at Kuparuk and Alpine fields to further reduce the number of North Slope workers that could be exposed to COVID-19. Wells in production continue to produce oil.

While precautions vary somewhat by company and location, as an industry we have worked hard to coordinate response efforts and maintain best practices to ensure the safety of our workforce. To date, state health officials have confirmed only one case of COVID-19 on the North Slope at Prudhoe Bay (announced March 31, 2020). This individual is an Alaskan resident who had traveled out of state prior to health mandate restrictions.

Demand and Price Related Impacts

As you are no doubt aware, the coronavirus (COVID-19) pandemic has also had a significant impact on energy markets, causing significant reductions in fuel demand. The pandemic-induced drop in demand, coupled with an increase in crude oil supply due to increased international production, has presented considerable challenges. Even with last week's agreement by OPEC and partner countries to a production cut of nearly 10 million barrels, the industry still faces a severe drop in oil price, as well as national storage capacity issues (as evidenced by the recent crash of May WTI oil futures contracts).

Alaska's oil and gas industry is still adjusting to this new environment. Given the average cost to produce and transport a barrel of oil in Alaska is \$39.16 before taxes and royalties, reductions in capital spending are expected. To date, AOGA is aware of the following company announcements:

- 3/18/2020: ConocoPhillips Alaska announced capital spending reductions of approximately \$200 million in Alaska due to reduced drilling in Kuparuk and the Western North Slope.
- 3/18/2020: Oil Search announced planned expenditure reductions of about \$80 million in Alaska in 2020. The Company plans to delay Final Investment Decision and order of long lead items for the Pikka development, the additional time allowing further optimization, with a focus on reducing the break-even of the project. The company has also initiated staffing and salary reductions and has announced they will not pursue an exploration drilling program in the 2020/21 season.
- 4/16/2020: ConocoPhillips Alaska announced an additional \$200 million cut in capital spending in Alaska, for a total of \$400 million this year primarily due to reduced drilling activity.

Despite these unprecedented and challenging times, Alaska's oil and gas industry remains focused on the safety and well-being of our employees, contractors, and fellow Alaskans. We will continue to work collaboratively with local, state and federal officials to meet all regulatory requirements, while safely delivering the energy resources Alaskans depend on. We remain confident in Alaska's long-term outlook

and new discoveries on the horizon. By taking careful and deliberate action now, we aim to establish a stronger path to economic recovery for the benefit of the industry and all Alaskans.

Sincerely,

A handwritten signature in black ink, reading "Kara Moriarty". The signature is fluid and cursive, with the first name "Kara" and last name "Moriarty" clearly distinguishable.

Kara Moriarty
President/CEO