

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON OIL AND GAS**

May 3, 2007

3:03 p.m.

MEMBERS PRESENT

Representative Vic Kohring, Chair
Representative Kurt Olson, Vice Chair
Representative Nancy Dahlstrom
Representative Jay Ramras
Representative Mike Doogan
Representative Scott Kawasaki

MEMBERS ABSENT

Representative Ralph Samuels

OTHER LEGISLATORS PRESENT

Representative Berta Gardner
Representative Craig Johnson

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 13

Urging the attorney general, the producers of natural gas in the Cook Inlet region, and the Regulatory Commission of Alaska to work to secure long-term and affordable supplies of natural gas for the people and businesses of the state.

- MOVED HJR 13 OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 12

Urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration, development, and production.

- MOVED CSHJR 12(O&G) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HJR 13

SHORT TITLE: NATURAL GAS FOR STATE RESIDENTS

SPONSOR(S): REPRESENTATIVE(S) GARDNER

03/12/07 (H) READ THE FIRST TIME - REFERRALS

03/12/07 (H) O&G, L&C
04/12/07 (H) O&G AT 3:00 PM CAPITOL 120
04/12/07 (H) Heard & Held
04/12/07 (H) MINUTE(O&G)
04/19/07 (H) O&G AT 3:00 PM CAPITOL 120
04/19/07 (H) -- MEETING CANCELED --
04/26/07 (H) O&G AT 3:00 PM BARNES 124
04/26/07 (H) -- MEETING CANCELED --
05/03/07 (H) O&G AT 3:00 PM BARNES 124

BILL: HJR 12

SHORT TITLE: ENDORSING ANWR LEASING
SPONSOR(S): REPRESENTATIVE(S) JOHNSON

03/07/07 (H) READ THE FIRST TIME - REFERRALS
03/07/07 (H) O&G, RES
04/26/07 (H) O&G AT 3:00 PM BARNES 124
04/26/07 (H) -- MEETING CANCELED --
05/03/07 (H) O&G AT 3:00 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE BERTA GARDNER
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Testified as the sponsor of HJR 13.

REPRESENTATIVE CRAIG JOHNSON
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: As the sponsor, introduced HJR 12.

ROBERT THOMPSON
Kaktovik, Alaska
POSITION STATEMENT: Testified in opposition to HJR 12.

PAMELA A. MILLER, Arctic Coordinator,
Northern Alaska Environmental Center (NAEC)
Fairbanks, Alaska
POSITION STATEMENT: Testified in opposition to HJR 12.

DEBBIE MILLER, Author
Fairbanks, Alaska
POSITION STATEMENT: Testified in opposition to HJR 12.

ACTION NARRATIVE

CHAIR VIC KOHRING called the House Special Committee on Oil and Gas meeting to order at [3:03:17 PM](#). Representatives Doogan, Kawasaki, Olson, and Kohring were present at the call to order. Representatives Dahlstrom and Ramras arrived as the meeting was in progress.

HJR 13-NATURAL GAS FOR STATE RESIDENTS

[3:03:33 PM](#)

CHAIR KOHRING announced that the first order of business would be HOUSE JOINT RESOLUTION NO. 13, Urging the attorney general, the producers of natural gas in the Cook Inlet region, and the Regulatory Commission of Alaska to work to secure long-term and affordable supplies of natural gas for the people and businesses of the state.

[3:04:09 PM](#)

REPRESENTATIVE BERTA GARDNER, Alaska State Legislature, sponsor of HJR 13, explained a change made to that legislation by the senate. Representative Gardner said that the resolution will now be addressed to the U. S. Department of Energy, Office of Fossil Energy, and not the attorney general and the Regulatory Commission of Alaska (RCA). This change will be made by an amendment offered at a later time. She informed the committee that she asked the Department of Natural Resources (DNR) whether she should continue with the passage of the resolution since the attorney general has intervened in the license extension proceedings. Mr. Kevin Banks, Acting Director, Division of Oil and Gas, DNR, advised Representative Gardner to continue.

[3:05:36 PM](#)

REPRESENTATIVE OLSON observed that the resolution was filed after the Department of Energy of closed testimony.

REPRESENTATIVE GARDNER replied that the Senate companion resolution was filed prior to the closure of testimony.

[3:06:23 PM](#)

REPRESENTATIVE DOOGAN moved to report HJR 13 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HJR 13 was reported out of the House Special Committee on Oil and Gas.

[3:06:53 PM](#)

The committee took an at-ease from 3:07 p.m. to 3:08 p.m.

HJR 12-ENDORSING ANWR LEASING

[3:08:26 PM](#)

CHAIR KOHRING announced that the final order of business would be HOUSE JOINT RESOLUTION NO. 12, Urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration, development, and production.

REPRESENTATIVE CRAIG JOHNSON, Alaska State Legislature, sponsor, informed the committee that HJR 12 is similar to previous resolutions regarding the Arctic National Wildlife Refuge (ANWR). He noted that HJR 12 is more environmentally friendly and includes provisions for alternative sources of energy, protection of wildlife, and the use of directional drilling. Representative Johnson recalled that previous resolutions have not had a positive result.

[3:09:39 PM](#)

REPRESENTATIVE DOOGAN asked whether Representative Johnson is offering the committee substitute (CS).

[3:09:45 PM](#)

REPRESENTATIVE JOHNSON said yes.

[3:10:00 PM](#)

REPRESENTATIVE DOOGAN moved to adopt CSHJR 12, Version 25-LS0188\E, Bullock, 5/2/07. There being no objection, CSHJR 12(O&G) was before the committee.

[3:10:53 PM](#)

REPRESENTATIVE JOHNSON described a new paragraph on page 2, line 5-9, that said that future development would be enhanced. On page 3, line 11-14, a new paragraph encourages the use of directional drilling, and on line 26, there is another reference to directional drilling. In addition, on page 3, line 29 to page 4, line 1, the addition of a new paragraph urges the development of other energy sources.

[3:11:49 PM](#)

CHAIR KOHRING expressed his support for the resolution that now encourages directional drilling.

[3:12:17 PM](#)

REPRESENTATIVE JOHNSON noted that the state wants to develop its resources responsibly.

[3:12:32 PM](#)

CHAIR KOHRING asked whether Representative Johnson has received any response to the resolution.

[3:12:36 PM](#)

REPRESENTATIVE JOHNSON responded no; however, some opposition is expected.

[3:13:39 PM](#)

CHAIR KOHRING asked about the prospects for the issue in Washington, D. C.

REPRESENTATIVE JOHNSON relayed that opening ANWR to drilling has the support of the President and his administration, but not of Congress.

CHAIR KOHRING opened the hearing to public testimony.

[3:14:42 PM](#)

ROBERT THOMPSON informed the committee that he is a 20 year resident of Kaktovik. He expressed his opposition to development in ANWR and opined that the American public has been misled by Alaska's congressional delegation. He stated that the area in ANWR is only five percent of the land available to the oil industry on the North Slope. Mr. Thompson said that climate change is partly responsible for a reduction of the Porcupine Caribou herd by fifty to sixty thousand animals, and that there is only one musk ox left. As a subsistence hunter, he said that he is opposed to turning ANWR into an oil field. Mr. Thompson stated that many people living in Kaktovik are opposed to drilling in ANWR and a new investigation of their opinions should be made. He expressed his concerns about the cumulative

impact of opening ANWR to development and the possibility that it would lead to drilling offshore. He also is concerned about the possibility of air pollution. Mr. Thompson said that the American people have indicated their desire to protect ANWR. He supported the provision in HJR 12 that encourages the use of alternative energy. Mr. Thompson concluded by saying that opening ANWR to development will give the oil companies 100 percent control of North Slope.

[3:18:45 PM](#)

CHAIR KOHRING asked for clarification of the connection between climate change, development in ANWR, and the loss of animals.

[3:19:22 PM](#)

MR. THOMPSON responded that the proposed development is to be compatible with wildlife. He referred to a 1987 study, and added that his community has received rain during recent winters. Additional winter habitat studies need to be done and Congress should have the information from the new studies before voting on this issue.

[3:20:42 PM](#)

PAMELA A. MILLER, Artic coordinator, Northern Alaska Environmental Center (NAEC), expressed her opposition to HJR 12. She said that HJR 12 is not in the best interest of Alaskans. The residents of Fairbanks were instrumental in the establishment of ANWR and are a part of a region that is facing problems due to climate change. Ms. Miller stated that ANWR provides a scientific baseline and study area that is separate from the developed areas of North Slope. She noted that there is interest in Alaska in renewable sources of energy and a reduction of the dependency on oil. Ms. Miller opined that oil companies can not be trusted to protect environmental health and safety, and she read from the Fairbanks News-Miner about the withholding of documents by BP Exploration (Alaska) Inc. She said that the NAEC has notified state authorities about past violations by the industry and no action was taken. She referred to page 3, line 8 to 10 of the resolution that read:

WHEREAS the state will ensure the continued health and productivity of the Porcupine Caribou herd and the protection of land, water, and wildlife resources during the exploration and development of the coastal plain of the Arctic National Wildlife Refuge;

MS. PAMELA MILLER continued to say that the state has a [poor] track record for regulation in the refuge. Ms. Miller concluded by saying that directional drilling is in practice at Prudhoe Bay; however, the industry will not use this alternative when it is uneconomic, and applications for its use are limited. She opined that development in ANWR will change the character of the plain and foothills.

[3:26:44 PM](#)

CHAIR KOHRING observed that the state and the country need oil exploration and the development of other options, too.

[3:27:04 PM](#)

REPRESENTATIVE RAMRAS asked whether Ms. Miller has children in the North Star Borough school system.

[3:27:43 PM](#)

MS. PAMELA MILLER answered that she has pursued her career, and participates in activities at the local elementary school.

[3:28:36 PM](#)

REPRESENTATIVE RAMRAS stressed that the state contributes to education, roads, and government, and asked for suggestions on how to fund those services without further exploration for oil.

[3:29:31 PM](#)

MS. PAMELA MILLER responded that the oil companies should not be able to deduct the cost of repairs from royalty taxes. In addition, future royalties from state land, and revenue from the gas line project, are sources of revenue. She also recommended reviewing tax rates on existing oil production.

[3:31:09 PM](#)

DEBBIE MILLER testified that she is an author and former school teacher and has lived in Fairbanks for 31 years. Ms. Miller testified that she has spent a lot of time in ANWR walking across the coastal plain and studying songbirds, trees, and animals. She expressed her strong opposition to HJR 12. Ms. Miller said that she first testified in 1986, that some places in Alaska, such as the arctic coastal plain, need to be closed

to industrialization. She noted that 20 million acres in Alaska are open to industrial development on the North Slope with 27 producing oil fields that are spread over 1,000 square miles. She recalled that earlier predictions of the demise of North Slope oil production have proven false. In fact, the oil companies currently are not calling for development in ANWR and have more promising areas to explore. Ms. Miller stated that research into the production of hydrogen by geothermal energy is an alternative for Alaska. She urged members to send a resolution to Congress recommending research into alternative fuels, rather than oil exploration in the refuge.

[3:37:13 PM](#)

CHAIR KOHRING thanked the testifiers and closed public testimony.

[3:37:20 PM](#)

REPRESENTATIVE OLSON referred to page 3, line 5 to 7 which read:

WHEREAS the oil industry has shown at Prudhoe Bay, as well as at other locations along the Arctic coastal plain, that it can safely conduct oil and gas activity without adversely affecting the environment or wildlife populations;

REPRESENTATIVE OLSON said that the language was more of an endorsement of the oil companies than they deserve, and suggested a change in the language.

REPRESENTATIVE JOHNSON agreed, and stated that the infrastructure on the North Slope is aging. He remarked:

I would hate to condemn a whole industry, based upon, and I'm not minimizing the accident or, or the culpability of the parties. But I'd also hate to, you know, maybe every producer doesn't fall into that same category. So, I think a term like "generally" ... would be a good way to go. ... I don't think we want to ... through this resolution, bless what the oil industry has done.

[3:39:23 PM](#)

REPRESENTATIVE OLSON opined that, with this change, the resolution will have more credibility.

[3:39:29 PM](#)

REPRESENTATIVE KAWASAKI moved [Amendment 1], as follows:

Delete Page 3, lines 5-7

REPRESENTATIVE RAMRAS objected.

REPRESENTATIVE KAWASAKI remarked:

As members of the House Oil and Gas Committee we get the [Department of Environmental Conservation (DEC)] briefings ... We get these DEC spill reports and contamination reports on oil transit lines and small lighter lines outside of the transit line system that leak daily. ... If we put this WHEREAS without any significant changes in it, I think that it's an endorsement of how well they are doing things and, quite frankly, I don't think the industry is doing it that greatly in the state of Alaska. ... The oil companies and the oil industry have not had a great record up there; certainly, recently, in containing adverse environmental effects.

[3:41:13 PM](#)

REPRESENTATIVE DOOGAN said:

If we don't believe that we can put some version of this WHEREAS in this resolution then, basically, I believe we're saying we shouldn't pass the resolution. Because, if we can't depend on the oil industry to perform what we're asking Congress to let them do, in an environmentally safe manner, then I don't see why we would be petitioning Congress to let them do it at all. I think that we ought to be able to find some language here that reflects the reality of what seems to be happening as the, as the, facilities of Prudhoe Bay age...

[3:42:32 PM](#)

REPRESENTATIVE RAMRAS suggested replacing the word "safely" on page 3, line 6, with the word "generally".

[3:43:06 PM](#)

REPRESENTATIVE KAWASAKI maintained his motion to adopt [Amendment 1].

[3:44:18 PM](#)

A roll call vote was taken. Representative Kawasaki voted in favor of [Amendment 1]. Representatives Olson, Ramras, Doogan, and Kohring voted against it. Therefore, [Amendment 1] failed to be adopted by a vote of 1-4.

REPRESENTATIVE RAMRAS offered Conceptual Amendment 2, as follows:

Page 3, line 6
Delete "safely"
Insert "generally"

[3:44:31 PM](#)

REPRESENTATIVE DOOGAN objected and offered the following wording: "is capable of conducting oil and gas activity". He opined that anyone can support the aforementioned statement.

[3:45:20 PM](#)

REPRESENTATIVE RAMRAS accepted Representative Doogan's amendment to Conceptual Amendment 2.

[No objection to the amendment to Conceptual Amendment 2 was stated, and the committee treated it as adopted.] Therefore, before the committee is Conceptual Amendment 2, as amended, which read as follows:

Page 3, line 6, following "plain,";
Delete "it can safely conduct"
Insert "is capable of conducting "

[3:45:20 PM](#)

CHAIR KOHRING asked if there was any objection to Conceptual Amendment 2, as amended. There being no objection, Conceptual Amendment 2, as amended, was adopted.

[3:45:58 PM](#)

REPRESENTATIVE KAWASAKI offered [Amendment 3], which read:

Page 1, line 14, following "North Slope Borough, and";
Insert "many of the"

REPRESENTATIVE JOHNSON expressed his approval for Amendment 3.

[3:46:47 PM](#)

There being no objection, Amendment 3 was adopted.

[3:46:52 PM](#)

REPRESENTATIVE KAWASAKI moved that the committee adopt [Amendment 4], as follows:

Page 2
Delete lines 17-18

He stated that the 10 percent per year rate of production decline is not accurate. In fact, the Department of Revenue crude oil rate forecast for 2007 to 2016, for Prudhoe Bay, Field 2, ranges from a 2 to a 3.8 percent decline in production.

[3:48:13 PM](#)

REPRESENTATIVE JOHNSON responded that the amendment could simply delete the percentage and end the sentence on page 1, line 17, following "declining" since everyone would probably agree that Prudhoe Bay is declining.

REPRESENTATIVE KAWASAKI said he accepted Representative Johnson's suggestion.

[3:48:37 PM](#)

CHAIR KOHRING offered the amendment to Amendment 4 on behalf of Representative Johnson. Amendment 4, as amended, read as follows:

Page 2, line 17;
Delete "by approximately 10 percent a year"

[No objection was stated, and the amendment to Amendment 4 was treated as adopted. No objection was stated for Amendment 4, as amended.]

CHAIR KOHRING announced that [Amendment 4, as amended] was adopted.

[3:49:41 PM](#)

REPRESENTATIVE KAWASAKI offered [Amendment 5], as follows:

Page 3, line 1;

Delete "an area of only 2,000 to 7,000 acres,
which is less than one-half of one percent"

Insert "a small portion"

REPRESENTATIVE RAMRAS objected.

REPRESENTATIVE KAWASAKI explained that the size of the area to be affected by oil exploration is a matter for debate. He noted that "2,000 to 7,000 acres" is a number that is generally accepted; however, his research revealed that more acreage could be affected by the footprint of development.

[3:51:42 PM](#)

REPRESENTATIVE JOHNSON expressed his acceptance of the change. He stated that "small portion" may be less accurate and that he did not want to deceive the reader. He stressed that 7,000 acres is a substantial portion of land.

[3:53:09 PM](#)

REPRESENTATIVE DOOGAN asked whether Representative Kawasaki's concern is that more than 7,000 acres can be affected.

[3:53:26 PM](#)

REPRESENTATIVE KAWASAKI answered that the land between separate parcels that equal 2,000 acres can be affected. He said that he felt the limit of 2,000 to 7,000 acres of affected land is wrong.

[3:54:06 PM](#)

REPRESENTATIVE DOOGAN remarked:

We're talking about the size of the footprint for production on the coastal plain. So, we think the footprint is going to be larger than 7,000 acres, because that's a pretty big footprint, I mean, if

we're actually talking about an oil and gas field, 7,000 acres is a pretty big oil and gas field on the surface. ... So, we have to be concerned that the footprint's actually going to be bigger than 7,000 acres to support the amendment. Is that correct?

[3:55:06 PM](#)

REPRESENTATIVE KAWASAKI replied:

It's my concern that ... it would actually affect more than just 7,000 acres. And I think that to highlight that it's only going to affect 2,000 to 7,000 acres is wrong. But, I do agree that, overall, when you think of the 1.5 million acre coastal plain that it is a small portion of that. I'm just saying I think it's going to be more than 7,000 acres that are totally affected.

[3:55:28 PM](#)

REPRESENTATIVE RAMRAS maintained his objection.

A roll call vote was taken. Representatives Doogan and Kawasaki voted in favor of the amendment. Representatives Olson, Ramras, and Kohring voted against it. Therefore, the amendment failed by a vote of 2-3.

[3:57:00 PM](#)

REPRESENTATIVE OLSON offered [Amendment 6], as follows:

Page 3, line 8, following "will";
Insert "strive to"

REPRESENTATIVE OLSON said that a natural disaster outside of the state's control can affect the health and productivity of wildlife.

REPRESENTATIVE JOHNSON voiced his acceptance of the amendment.

There being no objection, Amendment 6 was adopted.

[3:58:57 PM](#)

REPRESENTATIVE KAWASAKI stated that the resolution identifies significant gas reserves in ANWR; however, there may not have

been meaningful studies made to support this claim. He then said:

On page 3, line 24, under the FURTHER RESOLVED, be it resolved then, the activity is conducted in a manner that protects the environment and the naturally occurring population levels of the herd. I guess ... the two things are exclusive to each other, so we might not be able to do both. It was just a concern, that we recognize that. ... The other part was that we want ... we'd like the activity to be conducted in a manner that uses directional drilling, and I don't know if we really want to say that.

[4:00:45 PM](#)

REPRESENTATIVE DOOGAN thanked the sponsor of HJR 12 for offering a more balanced version of the resolution. He said that there are legitimate concerns of the affect of oil development on the wildlife refuge and the coastal plain. However, the state needs oil and gas development to maintain the present high standard of living for its citizens.

[4:02:26 PM](#)

REPRESENTATIVE JOHNSON stated that the purpose of the resolution is to keep the development of ANWR on people's minds.

[4:03:06 PM](#)

There being no objection, CSHJR 12, Version 25-0LS0188\E, Bullock, 5/2/0-7, as amended, was reported out of the House Special Committee on Oil and Gas.

[4:03:22 PM](#)

CHAIR KOHRING thanked members for their service to the committee.

[4:04:25 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Oil and Gas meeting was adjourned at 4:04 p.m.