

HJR

54

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 3/25/96

FURTHER:

DATE TURNED INTO OFFICE: 4-10-96

The Resources Committee considered CS FOR HOUSE JOINT RESOLUTION NO. 54(RES) am Encouraging the lessees of Alaska's vast North Slope natural gas reserves to reach agreement to market gas.

and recommends:

- be replaced with SEN CS S HJR (RES)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by Committee
- further referral to the Committee

- Senate Bill:
- same title
 - new title
- House Bill:
- same title
 - technical title
 - new: SCR

SIGNING DO-PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>					
<i>[Signature]</i>					
<i>[Signature]</i>					
<i>[Signature]</i>					
<i>[Signature]</i>					
CHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>	CHAIR:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<i>DR</i>	<i>7/1/95</i>	<input checked="" type="checkbox"/>	<i>10CS used</i>

APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

FAX MEMORANDUM

Adams, Morgenthaler and Company, Inc.

3333 Denali, Suite 100 Anchorage, AK 99503-4088

(907) 279-0431

FAX (907) 272-5593

e-mail amc@alaska.net

FAX: 465-3810 and 465-3799

DATE: 04/03/96

JOB NAME: Alaska NS Gas Line

TO: Alaska Legislature

AMC JOB #: P0571

ATTN: Sen. Loren Lemman and
Rep. Gene Kubina

SUBJECT: Gas Line Model

FROM: Dave Adams 

Number of Pages: 3

Dear Sen. Lemman and Rep. Kubina:

Thanks to you I received the actual financial model used by the Department of Revenue to model the gas line. As you know, the model showed that *our* gas was too expensive for the market. Unfortunately the model simultaneously used three assumptions that were too high.

Attached is a copy of the model as I received it. Also attached is a reformatted copy with new assumptions along the lines of what Yukon Pacific Corp. has been trying to tell us.

As you can see, the original assumptions resulted in a "break even price" of \$4.99, which is well above market. Using the assumptions outlined in my February 21 letter to you, the *price drops to under \$3.00!* Using slightly more pessimistic numbers, the gas price still comes in *near \$3.00!* In a \$3.50 world, that's important!

It looks like *our* gas is viable in the market and should be produced without delay.

Perhaps the other projects being pursued by the companies sitting on *our* gas will yield more to the bottom line for *their* shareholders, but they will return *zero* to Alaskans. *Our only* stake is in our North Slope gas. The oil companies owe their loyalty to their shareholders, to be sure. But our government owes its loyalty to Alaskans. Who's in charge here? Who's interests take priority?

Please take assertive measures to get the Knowles Administration moving on this important issue. It was the Administration's model that the Commissioner used to show the gas line was not viable. The same model should have the credibility to show that the line indeed is viable.

What are we waiting for?

CC: Jeff Lowenfels, YPC

attachments

ps: I will e-mail the spreadsheet to you so you can play your own "what ifs"

• P0571V1K040) doc

"Value-added Engineering Services"

Operator Initials: _____

Gasline ROR Model

RECEIVED

APR 02 1996

Adams, Morganthaler and Company
2333 Denali, Suite 100
Anchorage, Alaska 99503

Original Ver.

operating cost 0.5
capital cost 15000
% non-strip 0.733333
years 25
real equity for 5
nom equity for 12.903
nominal debt for 10.903
tax gross-up factor 0.6981
percent equity 0.25
percent debt 0.75
btu adj 1.15
ret on capital dur constr 1101

year	gas vol (bc/d)	gas vol (bc/yr)	oper cost	cepr	undepr amt - prop tax	prop tax	depr - (for return)	undepr amt - return	ret on base (all tax mtr)	inc tax allow	interest	sev tax	cost of service	disc factor	disc cost	disc vol
0	0.4	148	73	800	15000	220	194	4851	826	437	1432	7	3393	0.941	3193	137
1	0.8	292	146	800	14400	211	194	4657	601	419	1432	13	3423	0.834	2853	243
2	1.2	436	219	800	13800	202	194	4463	576	402	1432	20	3451	0.738	2548	323
3	1.6	584	292	800	13200	194	194	4269	551	385	1432	26	3480	0.654	2275	382
4	2	730	365	800	12600	185	194	4075	526	367	1432	33	3508	0.579	2032	423
5	2	730	365	800	12000	176	194	3881	501	350	1432	33	3458	0.513	1773	374
6	2	730	365	800	11400	167	194	3687	476	332	1432	33	3409	0.454	1547	332
7	2	730	365	800	10800	158	194	3493	451	315	1432	33	3354	0.402	1350	294
8	2	730	365	800	10200	150	194	3299	426	297	1432	33	3303	0.356	1177	260
9	2	730	365	800	9600	141	194	3105	401	280	1432	33	3251	0.316	1026	230
10	2	730	365	800	9000	132	194	2911	376	262	1432	33	3200	0.280	895	204
11	2	730	365	800	8400	123	194	2716	351	245	1432	33	3149	0.248	780	181
12	2	730	365	800	7800	114	194	2522	325	227	1432	33	3097	0.219	678	159
13	2	730	365	800	7200	106	194	2328	300	210	1432	33	3046	0.194	592	142
14	2	730	365	800	6600	97	194	2134	275	192	1432	33	2995	0.172	515	126
15	2	730	365	800	6000	88	194	1940	250	175	1432	33	2943	0.152	449	111
16	2	730	365	800	5400	79	194	1746	225	157	1432	33	2892	0.135	390	99
17	2	730	365	800	4800	70	194	1552	200	140	1432	33	2841	0.120	340	87
18	2	730	365	800	4200	62	194	1358	175	122	1432	33	2789	0.106	295	77
19	2	730	365	800	3600	53	194	1164	150	105	1432	33	2738	0.094	257	68
20	2	730	365	800	3000	44	194	970	125	87	1432	33	2687	0.083	223	61
21	2	730	365	800	2400	35	194	776	100	70	1432	33	2635	0.074	194	54
22	2	730	365	800	1800	26	194	582	75	52	1432	33	2584	0.065	168	48
23	2	730	365	800	1200	18	194	388	50	35	1432	33	2533	0.058	146	42
24	2	730	365	800	600	9	194	194	25	17	1432	33	2481	0.051	127	37

total 25828 4496
levelized incl amt 3.74
btu adj 1.15
break even price 4.99



Gasline ROR Model

printed 4/3/86

operating cost \$ 0.60 /mcf (O&M costs)
 capital cost \$ 13,500 millions
 % non-strip 73.33% (subject to property taxes)
 years 25 useful life
 real equity ror 2% after inflation and taxes
 nom equity ror 8.0645% pre-tax and pre-inflation, assumes inflation = 3 and taxes are 38%
 nominal debt ror 8.0645% assumes 2% below equity ROR
 tax gross-up factor 0.6981 see Appendix B page 1
 percent equity 10%
 percent debt 90%
 dtu acf 1.15
 rel on capital cost cont \$ 236 millions

model created by Roger Marks, State Petroleum Economist
 format changes by Dave Adams (no formulas changed)
 capital cost/DTU leverage changes made to reflect probable gas price

year	gas vol (bc/yr)	gas vol (bc/yr)	oper cost	undepr amt - depr	prop tax	depr (for return)	undepr amt - return	rel on base (all tax near)	incl tax allow	interest	serv tax	cost of service	disc factor	disc cost	disc vol (bc/yr)	
0	84	146	73	543	13,500	108	63	1,588	128	89	1,011	7	2,045	0.962	1,968	140
1	88	292	146	543	12960	190	63	1523	123	86	1011	13	2108	0.860	1877	250
2	12	438	219	543	12420	182	63	1459	118	82	1011	20	2171	0.824	1789	361
3	16	584	292	543	11880	174	63	1396	113	79	1011	26	2234	0.787	1703	445
4	20	730	365	543	11340	166	63	1332	107	75	1011	33	2297	0.750	1620	515
5	20	730	365	543	10800	158	63	1269	102	71	1011	33	2281	0.653	1489	477
6	20	730	365	543	10260	150	63	1205	97	68	1011	33	2264	0.604	1368	441
7	20	730	365	543	9720	143	63	1142	92	64	1011	33	2247	0.559	1256	408
8	20	730	365	543	9180	135	63	1078	87	61	1011	33	2231	0.517	1154	378
9	20	730	365	543	8640	127	63	1015	82	57	1011	33	2214	0.479	1060	349
10	20	730	365	543	8100	119	63	952	77	54	1011	33	2198	0.443	973	323
11	20	730	365	543	7560	111	63	888	72	50	1011	33	2181	0.410	894	299
12	20	730	365	543	7020	103	63	825	67	46	1011	33	2164	0.379	821	277
13	20	730	365	543	6480	95	63	761	61	43	1011	33	2148	0.351	754	256
14	20	730	365	543	5940	87	63	698	56	39	1011	33	2131	0.325	692	237
15	20	730	365	543	5400	79	63	634	51	36	1011	33	2114	0.301	638	219
16	20	730	365	543	4860	71	63	571	46	32	1011	33	2097	0.278	583	203
17	20	730	365	543	4320	63	63	508	41	29	1011	33	2081	0.257	538	188
18	20	730	365	543	3780	55	63	444	35	25	1011	33	2065	0.238	492	174
19	20	730	365	543	3240	48	63	381	31	21	1011	33	2048	0.220	451	161
20	20	730	365	543	2700	40	63	317	26	18	1011	33	2031	0.204	414	149
21	20	730	365	543	2160	32	63	254	20	14	1011	33	2015	0.189	380	139
22	20	730	365	543	1620	24	63	190	15	11	1011	33	1998	0.175	349	127
23	20	730	365	543	1080	16	63	127	10	7	1011	33	1982	0.162	320	118
24	20	730	365	543	540	8	63	63	5	4	1011	33	1965	0.150	294	109

total \$ 23,872 6753
 levelized incl amt 3.54
 dtu acf 1.15
break-even price \$ 3.07

pattern was much the same with little change month on month but a 9.6% rise year on year. January gas revenues were estimated to have risen by £0.54m (\$0.83m) a day over December to £21.56m/d and were 7% up on January last year.

■ Turkmenistan-Pakistan/Pipelines

Gazprom 'Joining Unocal line'

Reports in official Turkmen media this week said Russian gas giant Gazprom was planning to join the project led by US Unocal to build an export gas pipeline from Turkmenistan to Pakistan via Afghanistan (IGR 293/16). Top officials from both firms were said to have reached agreement for Gazprom to join the current 60/40 partnership between Unocal and Delta oil company of Saudi Arabia planning to build the line. However, a Unocal official said talks remained preliminary and would continue when a Unocal team went to Moscow for further negotiations with Gazprom and other Russian oil and gas firms.

Meanwhile, Afghanistan signed an agreement with Argentina's Bidas on a rival project also aimed at shipping Turkmen gas via Afghan territory to Pakistan. Bidas signed on behalf of TAP Pipelines International, a group also including Turkmen, Afghan and Pakistani interests.

■ Turkmenistan-Japan/LNG-Pipelines

Turkmen LNG to Japan flagged

Turkmenistan could eventually export some 10m tonnes (t) of LNG to Japan in addition to gas shipped via a planned natural gas pipeline to Japan, according to Turkmen oil and gas minister Esenov Aman Geldy. If the port of Turkmenbashi on the Caspian Sea coast was revamped, Turkmen gas could be liquefied and shipped via the Red Sea. A feasibility study on the line by Japan's Inpex, China's National Petroleum Corp and Exxon of the US was due for completion in September, said Esenov. If the 6,250 km project, costed at an estimated \$9.5bn, was carried out, initial Turkmen supplies to Japan would not be less than 25 Bcm/yr. The ministry earlier said it hoped four-year construction of the line would start in 2000.

■ Russia/Companies

Gazprom/Lukoil 'In battle'

Gas giant Gazprom and leading Russian oil major Lukoil are in a battle to control the petroleum products market in the Astrakhan region of

southern Russia in a struggle analysts believe could spread elsewhere in the country, Interfax news agency reported recently. Regional official said Gazprom last year started building petrol stations in Astrakhan and neighbouring Kalmykia. Previously only Lukoil had sold products through both wholesale and retail outlets while Gazprom unit Astrakhangazprom limited itself to sales via wholesalers. The new Gazprom move forced Lukoil to cut petrol and diesel prices by an average R100 (\$0.021)/litre. As well as gas, sulphur and chemicals, the Gazprom unit produced about 1.5m tonnes/yr of petroleum products, said Interfax. This year it planned to boost petrol and diesel sales to 0.6mt and, according to company chief Viktor Shchugotyev, open 12 new petrol stations.

■ Russia-Azerbaijan/Pipelines

Gasline blast near Chechnya

A gas pipeline section in Russia's Dagestan near the Caspian Sea exploded last Sunday (10 March), severing supplies for heating and cooking in nine out of 39 Dagestan regions, according to the Russian emergency situations ministry. A half metre section of the 1020 millimetre (40-inch) diameter line linking Mozdok in Russia's North Ossetia with Azerbaijan was severely damaged, it said. The explosion was latest of a number in the region where separatist Chechen rebels have been attacking energy infrastructure. Both the emergencies ministry and Interior ministry declined to comment on cause of the weekend blast.

Late last month supplies via a line linking Azerbaijan and Makhachkala and other towns and villages in Dagestan were resumed after by a pipeline rupture in Russia's Chechnya. Itar-Tass news agency quoted Dagestangazprom gas company as saying the line had been ruptured near the village of Shelkovskaya in Chechnya, 3 km from the Dagestan border, by an act of sabotage.

■ Russia/Pipelines

Gaslines hit by blasts

Continuing explosion and fire problems on Russian gas pipelines, apart from insurgency-linked sabotage (see separate story), were underlined by recent incidents affecting Chelyabinsk, Kaliningrad and Sakhalin regions. A stretch of the Bukhara-Urals line in Chelyabinsk was damaged by a blast and fire in late February, according to the regional civil defence,

Antacid a must

100 303 30574 120 020

By LEW M. WILLIAMS, JR.
For the Daily News

Gov. Tony Knowles has asked four of his cabinet officers to review how the state can move ahead on marketing North Slope natural gas.

Rep. Gene Kubina, D-Valdez, has introduced a resolution "encouraging the lessees of Alaska's vast North Slope natural gas reserves to reach agreement to market gas."

The state House Special Committee on Oil and Gas chaired by Rep. Norman Rokeberg, R-Anchorage, and the House Resources Committee chaired by Rep. Bill Williams, D-Saxman, held hearings Thursday and Friday to seek information about what is blocking marketing of Alaska natural gas.

Jell Lowenfels, president of Yukon Pacific Corp., which wants to transport natural gas from Prudhoe Bay to Valdez for sale to Pacific Rim markets, testified Thursday. Representatives of the oil companies testified Friday.

What's holding up building a trans-Alaska natural gas pipeline and marketing another Alaska resource is simple. The major oil companies can't agree among themselves. The solution to that argument is easy if the state administration has the guts to do it — order what is called integration of company rights in the Prudhoe Bay oil pool so that no oil company or companies has an unfair advantage over others.

That integration can be done by the Alaska Oil and Gas Conservation Commission. But first there has to be agreement among the three commissioners: David Johnston, David Norton and Tuckerman Babcock. The commissioners currently disagree on how to proceed.

Johnston, the chairman, was appointed to the commission by Gov. Steve Cowper and reappointed by Gov. Walter Hickel. Norton is a new appointee. When Gov. Tony Knowles appointed Norton, a City of Anchorage staffer when Knowles was Anchorage mayor, the governor abandoned tradition. He failed to reappoint longtime commission member Russell Douglas. In the past, commissioners were reappointed by governors to assure continuity in a highly technical field. For the first time no commission member has oil industry expertise.

Johnston and Norton want to hold more hearings and have set one for April 11. The oil companies will be expected to explain whether the current agree-

ment among them is impeding oil and gas recovery and wasting the resource; and whether the commission should order integration.

Babcock wants to order integration immediately because the oil companies have been dragging their feet, requesting hearing postponement after hearing postponement.

Yukon Pacific is frustrated. It has all of the permits it needs to proceed with constructing a multi-billion dollar, 800-mile gas line from Prudhoe Bay to Valdez. Construction will take seven years. It has commitments from South Korea and Taiwan to purchase the gas. Lowenfels says that the Japanese won't commit until the oil companies and the state agree on marketing the gas.

Agree? Last we heard the oil and gas on the North Slope belong to the people of Alaska. Eleven oil companies have contracts to remove the oil and sell it for a price to benefit Alaskans and make the companies a profit.

What happened is that in setting up a unitizing agreement (which says what each company owns in Prudhoe Bay) the oil companies created a problem unique in Alaska and anywhere else in the world. They did it with the state's approval, which gives the state some obligation to untangle the mess.

The time was 1973. There was an oil embargo creating a shortage in the United States. The oil companies were frantic to get oil out of Prudhoe Bay, as were all Alaskans. The state faced bankruptcy and needed the revenue. Oil companies couldn't agree on the value of gas from the field so they put gas value aside until later. "Later" showed up in the 1990s when a push began to market Alaska natural gas.

Failure to agree on the price of natural gas liquids exchanged among themselves is what blocks marketing of Alaska natural gas. The dispute is over a relatively small 40,000 barrels of natural gas liquids that move down the oil pipeline each day with the more than million barrels of oil. The dispute is not over the millions of cubic feet of gas envisioned to go through a natural gas pipeline.

Under the 1973 unitizing agreement, British Petroleum (BP) was given the right to 31 percent of the oil in Prudhoe Bay. Arco and Exxon were given 22 percent each and the other nine developers, 5 percent. Conversely, Arco and Exxon own the right to 84 percent of the natural gas (42 percent each) and BP only 14 percent. The other 2 percent goes to the other nine companies. The conflict is obvious over whether to market the natural gas or reinject it in the ground to force out more oil. But the real conflict is over setting a value on the gas

Ketchikan Daily News

equus status by the companies since oil production began in 1978.

The uniting agreement runs until 2005 unless the state Oil and Gas Conservation Commission forces agreement by integrating ownership. Naturally, the oil companies would prefer to reach agreement among themselves, fearing how the state commission would assign ownership.

Gov. Knowles and his Department of Natural Resources oppose immediate integration. If the commission agrees to enforced integration it could be enacted by Dec. 31. There is little chance of that because Knowles has been partial toward the oil companies. They want more time to negotiate among themselves. Like until 2005. They probably will get it, especially after Sabcock's term runs out December 31 and Knowles appoints another commissioner. That means more delay in marketing Alaska natural gas.

Expecting the oil companies to reach agreement among themselves is unrealistic. Each side has filed conflicting petitions with the Alaska Public Utilities Commission and with the Oil and Gas Conservation Commission. Each has made diametrically opposite appeals to the Department of Natural Resources. BP is suing in Alaska Superior Court for a declaratory judgment in its favor. Exxon and Arco responded by suing BP. Once an issue is in court, resolution is a long time down the pipeline, meaning there is no light at the end of the pipeline for Alaskans who want to benefit from marketing Alaska natural gas. (Excuse the cliches. We have to insert something to make an issue interesting that is otherwise as boring as it is serious.)

As the result of this standoff, the oil companies have stated "There will be no major gas sale before 2005 unless owners agree otherwise."

We could add, "that unless Alaskans become angry and force the Oil and Gas Conservation Commission (and the governor) to act."

It is reported that oil company officials and their lawyers have been working in Houston for more than 2 months on a program that they estimate may take more than 18 months. They are trying to reach agreement before they face enforced integration.

They have an incentive to agree among themselves because the Oil and Gas Conservation Commission has run out of patience and probably won't postpone its April 11 hearing, not after accumulating 23,000 pages in its inves-

tigation of the problem. There are calls for some investigative journalism to determine to what extent the oil companies are ripping off Alaskans.

In the meantime, oil company representatives are deflecting public attention from the real problem by saying the state has to get its financial house in order before it is economically feasible to market Alaska natural gas. They don't acknowledge that selling Alaska gas will create revenue to close the state's fiscal gap. They also distract from the real issue by calling for more favorable legislation from the governor and the legislature which, in effect, mean less royalty to the state for marketing Alaska's most valuable natural resource — oil.

Marketing natural gas also can help Alaskans reduce their cost of government and their living standards by making natural gas available to villages and towns throughout the state. That will reduce the energy subsidy now paid to villages to offset the high cost of shipping in oil for heat and energy.

Alaskans would use only a small amount of the natural gas which can be produced at Prudhoe Bay. Most of it would be sold overseas, meaning Japan, Korea, Taiwan and other purchasers will be subsidizing Alaska energy by making the pipeline feasible.

Another important factor requiring some solution to the oil companies' stalemate is that within a few years oil production will be allowed on the coastal plain of the Arctic National Wildlife Refuge.

ANWR development will be allowed if our congressional delegation convinces President Clinton to reverse his stand against ANWR development, if Clinton fails in his re-election bid, or if Alaska's powerful Sen. Ted Stevens is re-elected and becomes chairman of the Senate Appropriations Committee. The latter is the most likely scenario at this time.

With that ANWR oil and gas potential added to the Prudhoe Bay production, Prudhoe gas has to be marketed to make way for ANWR gas.

At the same time all of this goes on, the oil companies are hedging their bets, anticipating no end to their dispute. They are working on natural gas projects elsewhere in the world to get gas on line before 2005. BP has three new prospects it is working on in Southeast Asia, near New Guinea. Exxon is working on six gas projects in the Middle East and Russia.

If any come on-line, the oil companies will no longer be interested in marketing Alaska gas. They will leave Alaskans when the oil is gone with a "belly" full of gas and no "entirety."

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

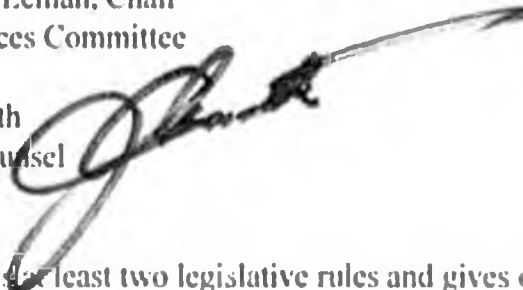
MEMORANDUM

April 10, 1996

SUBJECT: Draft SCS CSHJR 54(RES), relating to a gas transmission line (Work Order No. 9-LS0715\N)

TO: Senator Loren Lemam, Chair
Senate Resources Committee

FROM: Jack Chenoweth
Legislative Counsel



This draft committee substitute breaks at least two legislative rules and gives other reason for drafting heartburn.

Joint resolutions are to be treated as bills. Uniform Rule 49(a)(5). Under that principle, arguably, establishment of the task force ought to be noted in the resolution title. However, that would necessitate a resolution title change. Changes in the title in the second house are usually accompanied by a concurrent resolution waiving appropriate Uniform Rules of the Legislature in order to permit the title change. In this case, you've not indicated that you want to treat with any of these matters, and I have ignored them.

Joint committees are to be established by concurrent resolution. Uniform Rule 21(b). Certain specifics about the joint committee should also be addressed in the resolution. Uniform Rule 21(c). This addition to HJR 54 does neither.

Other questions: How large the task force? Legislators only? Is provision being made for an appropriation for the task force's work? When, specifically, does the task force expire?

Unless someone presses hard on the noncompliance with the first matter, these are not failures or omissions of constitutional magnitude--only of noncompliance with the appropriate legislative rules. The press and public may call the handling of it into account, but the courts will not.

JBC:glc
96-220.glc

Enclosure

HJR54

TONY KNOWLES
GOVERNOR



P O Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 12, 1996

The Honorable Norman Rokeberg
Chair, House Oil and Gas Committee
Alaska State Legislature
State Capitol, Room 110
Juneau, AK 99811-1182

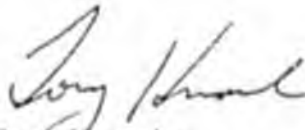
Dear Chairman Rokeberg:

As you may remember, several weeks ago I directed four members of my cabinet to assess the steps necessary to develop, transport, and market Alaska's enormous natural gas reserves. As this process continues, I have requested Department of Revenue Commissioner Condon to take the lead on behalf of my Administration.

House Joint Resolution 54 by Representative Gene Kubina has the support of my Administration because it will play a significant role in encouraging meaningful dialogue between the various parties.

A project of this magnitude would have a tremendous impact on the state's economy, providing many jobs and much needed state revenue. I urge your favorable consideration.

Sincerely,


Tony Knowles
Governor

9-LS0715W
Chenoweth
2/12/96

CS FOR HOUSE JOINT RESOLUTION NO. 54()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES KUBINA, Green, Barnes, Navarre, Mackie, Grussendorf, Phillips, B.Davis, Willis, Sanders, Davies, Robinson, Rokeberg, Ogan

A RESOLUTION

1 Encouraging the lessees of Alaska's vast North Slope natural gas reserves to reach
2 agreement to market gas, expressing the legislature's support for an Alaska North
3 Slope (ANS) gas transmission pipeline, and requesting the President of the United
4 States and the Governor of the State of Alaska to publicly support and take
5 action that will help expedite the construction of that system.

6 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 WHEREAS Alaska has at least 26,000,000,000,000 cubic feet of natural gas reserves
8 in the Prudhoe Bay field and perhaps two to three times that amount of potential natural gas
9 reserves; and

10 WHEREAS, beginning in the period 2002 - 2005, there may be an increasing gap
11 between supply and demand for natural gas in the Pacific Rim; and

12 WHEREAS market and economic studies indicate favorable conditions for the sale of
13 liquefied natural gas (LNG) to these Pacific Rim markets; and

14 WHEREAS major permits for one possible pipeline route from the North Slope to
15 Valdez have been completed; and

1 WHEREAS the sale of Alaska gas to Pacific Rim markets will improve the nation's
2 trade imbalance without adversely affecting other industries or labor; and

3 WHEREAS the design, sourcing, and construction of a LNG project could infuse several
4 billion dollars into the United States economy; and

5 WHEREAS the construction of such a pipeline would provide approximately 10,000
6 temporary construction jobs for two years and over 600 permanent private sector jobs in Alaska;
7 and

8 WHEREAS the State of Alaska will earn substantial revenue each year from projected
9 gas sales, which would help fill the state's fiscal gap; and

10 WHEREAS a gas pipeline across Alaska could make available environmentally friendly
11 energy along the pipeline route and encourage development that will increase local employment
12 and local tax revenue; and

13 WHEREAS the Alaska Municipal League's 1996 policy statement includes the following
14 language: "The League, therefore, strongly encourages all potential participants in the project,
15 including the State of Alaska, to immediately convene to develop a unified proposal to present
16 to the Asian LNG buyers so that all Alaskans will directly benefit from this unique opportunity";
17 and

18 WHEREAS natural gas stored as a cryogenic liquid is an efficient and safe means of
19 transporting large quantities of gas with no significant risk to the public; and

20 WHEREAS securing a market for Alaska North Slope (ANS) gas will be important;
21 there is strong competition for Pacific Rim markets from competing projects in Malaysia,
22 Australia, and other nations; and

23 WHEREAS Alaska faces competition from other projects and must, therefore, move to
24 secure a place in Asian markets; and

25 WHEREAS Taiwanese and South Korean buyers have issued letters of intent to purchase
26 ANS liquefied natural gas from Yukon Pacific Corporation; and

27 WHEREAS Japanese buyers must also commit to buying ANS LNG to make an Alaskan
28 project feasible;

29 BE IT RESOLVED that the Alaska State Legislature respectfully requests the North
30 Slope natural gas lessees to intensify their efforts to establish satisfactory contractual
31 relationships for transportation and sale of ANS gas to Pacific Rim purchasers as soon as
32 economically possible; and be it

1 **FURTHER RESOLVED** that the State of Alaska respectfully requests the President of
2 the United States to demonstrate national support for an ANS gas transmission project to Asian
3 LNG buyers; and be it

4 **FURTHER RESOLVED** that the Governor is respectfully requested to

5 (1) assure the Asian LNG buyers that the state will provide continuity and
6 stability in regards to North Slope natural gas supply, tax structure, and regulatory policy;

7 (2) continue support of the Joint Pipeline Office, which administers an
8 innovative, efficient, and cost-effective permitting system; and

9 (3) meet with all parties to determine how the state can help facilitate the ANS
10 gas transmission pipeline; and be it

11 **FURTHER RESOLVED** that the Alaska State Legislature strongly supports the
12 construction of an ANS gas transmission pipeline and offers its assistance to the parties involved
13 in order to speed completion of an ANS gas transmission project.

14 **COPIES** of this resolution shall be sent to the Honorable Bill Clinton, President of the
15 United States; the Honorable Al Gore, Jr., Vice-President of the United States and President of
16 the U.S. Senate; the Honorable Bruce Babbitt, Secretary of the Interior; the Honorable Ted
17 Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young,
18 U.S. Representative, members of the Alaska delegation in Congress; to John Snow, Chairman
19 and Chief Executive Officer, CSX Corp.; to Jeff Lowenfels, President, Yukon Pacific
20 Corporation; to Mike Bowlin, Chairman and Chief Executive Officer, Atlantic Richfield
21 Company, and J. K. "Ken" Thompson, President, ARCO Alaska, Inc.; to John Browne, Chief
22 Executive Officer, British Petroleum, and John Morgan, President, B.P. Exploration (Alaska),
23 Inc.; to Lee R. Raymond, Chairman and Chief Executive Officer, Exxon Corporation, and Jim
24 Branch, Alaska Production Manager, Exxon Alaska; to Shigenobu Yamamoto, Consul General
25 of Japan; to Byuung Hak Min, Consul General of the Republic of Korea; and to Jyhyuan Lo,
26 Director General of the Republic of China.

When politics precedes price

The Natuna gas field's size and complexity makes it one of the industry's biggest challenges to date, say Manuela Saragosa and Robert Corzine

Plans to develop one of the world's largest natural gas fields in Indonesian waters off Borneo are evoking strong emotions in the region and in the industry.

To its supporters, the Natuna field is a unique energy resource in the midst of the world's fastest growing economies. Its future revenues are badly needed by Indonesia. But critics say the plan to exploit its reserves off Natuna, an island about 600km north-east of Singapore, will consume billions of dollars of investment and produce gas at costs well above current market rates.

The only point of agreement is that Natuna's size and complexity make its development one of the oil industry's most challenging projects to date. The field is the largest undeveloped hydrocarbon resource in southeast Asia, comparable in size to Norway's Troll, western Europe's largest gas field.

Total gas volumes are around 10,000bn cubic feet, or 6,000bn cubic metres. Only a quarter of this is useable, but even that would be enough to meet Japan's total natural gas needs for 17 years.

Plans to develop it have been studied since 1980. But in 1994 Exxon, the largest US oil company, and Pertamina, Indonesia's state oil company, launched a joint partnership to exploit the field, with the aim of launching the eight-year construction phase in 1997.

There is little doubt of the political will to develop Indonesia's natural gas output, with the country's balance of payments suffering as oil production has declined. The Jakarta government has set up a series of high-powered committees to get the Natuna project moving, involving some 16 ministers.

Mr Jusuf Habibie, Indonesia's ambitious minister of research and technology, is chairman of the Natuna Project Execution Team, the most important of the committees. Its advisory team includes General Feisal Tanjung, the powerful armed forces chief.

"No one should underestimate the determination of those involved to make it work," says an industry analyst familiar with the project.

No big engineering contracts have yet been issued, although Pertamina officials say those companies which have invested in Indonesia or have a presence there will rank among the favourites. "If you don't fulfil this condition, you're not in," notes one western diplomat.

A leading role looks likely for Amec, the UK construction company which has been asked by Jakarta to organise an engineering consortium. Amec is already well established in Indonesia, working on a joint venture with PAL, the state-owned shipbuilder which is one of several "strategic" industries that Mr Habibie takes an interest in.

However, sceptics in the oil industry cast doubt on the viability of the Natuna project. In spite of its location in the centre of an energy-hungry region its development has proved troublesome.

The main problem is that 71 per cent of its contents is unwanted carbon dioxide, a "greenhouse gas" associated with global warming. Extracting and disposing of it in an environmentally acceptable way is technically difficult and contributes to the forecast development cost of more than \$40bn, one of the most expensive gas projects ever undertaken.

Some industry observers say Pertamina and Exxon will need to get \$450-\$5 per million BTUs for

Natuna gas - well above the prevailing price of \$3-\$3.70 for natural gas landed in Japan, the biggest energy markets in the region.

Natuna officials are reluctant to discuss pricing, and note that competitiveness can be measured in other ways. They believe that customers might be prepared to pay extra to secure supplies closer to home, rather than from potentially less stable Middle Eastern liquefied natural gas suppliers.

"We don't use the word 'premium'," says Mr Fritz Voigt, vice-president of Exxon's international gas division. "and we don't want a project that needs a premium. We expect every project to stand on its own."

But he adds there may be many factors to take into account in deciding whether the project is viable. "Profitability is in the eye of the beholder," he says. The Indonesian government, for example, says that there will be benefits for Natuna island in the exploitation of the gas field. The project will bring investment to the island, contributing to the economic development of the remote area.

And Natuna officials believe they can find "ways to share the pain". To secure supplies from the region, buyers might agree to pay higher prices in the early years to reflect the heavy initial costs of building infrastructure such as a harbour, airport and town on Natuna island.

This might be offset by the phased development plan which will defer other costs until later in the project. Natuna's eventual capacity will be 12 processing units or "trains" producing 15m tonnes of liquefied natural gas a year. But initially only two will be built out

of six scheduled for phase one. There is also the possibility of increasing the project's revenue in the early years by exporting the gas to Thailand through an under sea pipeline.

"It is an appealing idea," says Mr Voigt, who foresees no major technical problems in laying the 1,000-mile pipeline from the offshore platforms to Thailand.

However, Natuna's backers have yet to establish a market for the field's gas. No sales agreements have been signed and without them financing cannot begin.

Mr G.A.S. Nayoan, senior executive vice-president of Natuna Gas Field Development, the government committee working on the details of the project, says that Pertamina has convinced potential buyers of the project's technical feasibility. But commercial negotiations have yet to begin. Japan, the biggest buyer of Indonesian natural gas, is the logical target. In November, 13 potential Japanese buyers and financiers - including Nissho Iwai, Marubeni, Mitsubishi, three private Japanese upstream oil companies and the Japan National Oil Corporation - were flown to the US for long briefings from Exxon on the technical aspects of extracting Natuna's carbon dioxide.

The plan is to dispose of it in an aquifer, an underground rock formation which stores gas or liquid. "We are satisfied that all their questions were answered," says Mr Voigt.

Natuna executives believe growing concerns in Japan about the future of nuclear energy could enhance the attractiveness of natural gas in general and Natuna gas in particular. "I don't want to bank on such political changes," says Mr Voigt, but "there could be more upside than downside" for Natuna.

Other potential markets are Taiwan and South Korea. There could also be future demand from China, which "a few years ago was not even a topic for conversation", according to Exxon.

Opponents of Natuna, meanwhile, say that the priority being accorded the project will mean that development of other gas discoveries in Indonesia will be neglected. Arco, the US company, has discovered a promising gas field in Irian Jaya with smaller reserves thought to be around between 5,000bn and 15,000bn cubic feet and a carbon dioxide content of only 10 per cent.

"It would be very difficult to launch Natuna at the same time as Arco's [new discovery]," says one Jakarta-based oil and gas executive. "Without Arco, Natuna was difficult but now frankly there is possibly a much cheaper source of gas which is much more profitable for Indonesia."

Natuna will "compete against whoever stands up", says Mr Voigt at Exxon. For all its complexity, it has one clear advantage: its size will guarantee the country's role as a leading supplier of liquefied natural gas well into the 21st century.

Mr Nayoan says that Natuna is "on track and on time", but analysts say several big issues need to be solved soon. One is to sign up buyers for the gas before construction begins next year.

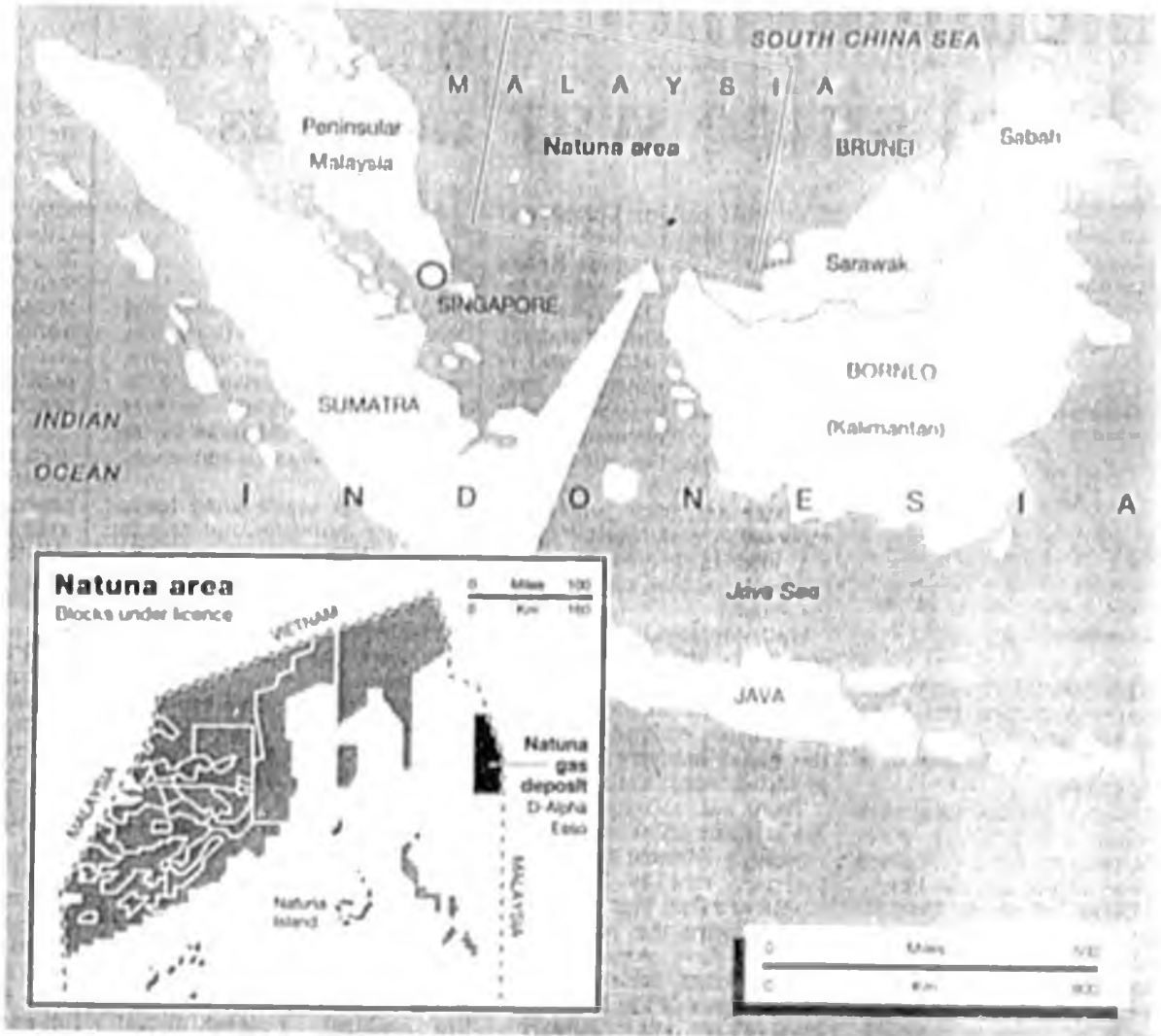
Mr Voigt says Natuna is "much closer to the point of making arrangements with the markets" than commonly thought, but he declines to be drawn on timetables. "We won't be held hostage to self-imposed deadlines," he says.

Natuna: a prestige project

Another priority is to agree the equity structure for the project. Pertamina and Exxon each have a 50 per cent stake but are keen to involve others to spread the risk.

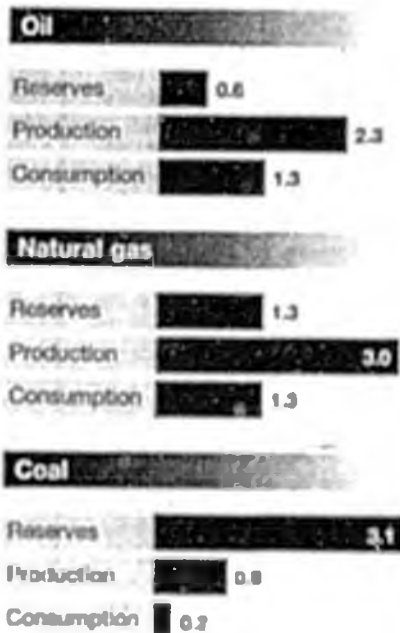
Mobil Oil of the US is negotiating for a 26 per cent share that would come out of Pertamina's interest. Japanese companies are also interested in part of Pertamina's stake, although negotiations will not start until agreement has been reached with Mobil. The idea is that Pertamina would be left with an 11 per cent holding in the project.

However, there is confidence among those involved in the project that issues such as these can be resolved. The heavy political commitment of Jakarta to Natuna means that it is seen as much as a symbol of national prestige as a commercial venture. If Indonesia is to secure the leading role as a natural gas supplier to Asia, failure is not an option.



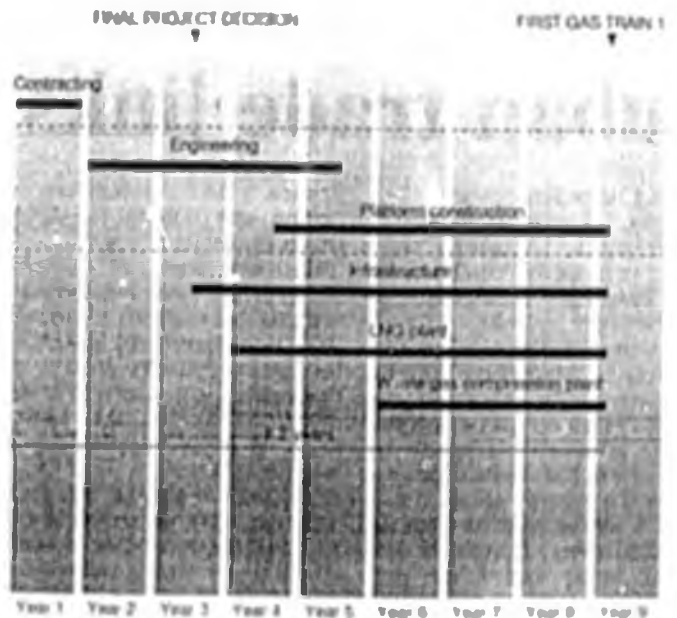
Indonesia: a share of the world

Fossil fuels, 1994



Source: Pertamina

The project schedule



Source: Pertamina

Financial Times
Thursday
March 7, 1996

Need extra
pages

- 1819
22

INTERNATIONAL GAS REPORT

Covering the Gas and Gas Liquids Industry Worldwide

15 March 1996

Issue No. 295

ISSN 0266-9382

Landmark Malay/Thai deal	1
LNG - the sunshine and clouds	2
* BP/Texaco head Aussie talks	4
UK upstream eyes dash for gas	2 4
Gas key to Spain power revamp	5
Mojave throws in Calif towel	6
Small GdF quake - few dead	6



FINANCIAL TIMES
Energy Publishing



BP/Texaco lead Aussie LNG talks

British Petroleum, a one-sixth partner in the North West Shelf joint venture, and Texaco, owner of a 28.6% stake in the West Australia Petroleum group (WAPET), will lead talks on the proposed big expansion of LNG production in Western Australia. The two independent groups were chosen because of perceptions of undue influence being exerted by either Shell or Chevron, each of which holds equity in both joint ventures, with Shell holding a controlling stake in Woodside Petroleum Ltd, operator of the North West Shelf. Technical studies between the joint ventures are being undertaken on possibilities of blending gas from WAPET's Gorgon field with gas from North Rankin and Goodwyn fields in the North West Shelf.

If studies show the two feedstock gases can be merged, then Texaco and BP will lead talks on how the North West Shelf project can be expanded to meet growing Asian gas demand. Tentative plans call for construction of two new

LNG production trains with Antonine's (10/yr) capacity each to be built adjacent to the existing Liquefaction facilities at Dampier, Western Australia. BP chief executive officer and managing director for worldwide operations Rodney Clark said BP stood firmly behind expansion of the North West Shelf project, adding that the recent Perseus gas discovery, adjacent to the North Rankin gasfield, might be sufficient to support an expansion of that project.

He said the two joint ventures had approached the matter of expanding Australia's LNG industry in the correct fashion. Clark and BP expected the demand peak for new LNG production from Australia to come between 2005 and 2010, meaning expansion would need to be under way by the end of next year to allow construction of the new capacity. Analysts have estimated that up to A\$15bn (\$11.5bn) may ultimately be spent on LNG expansion in WA.

IT International Gas Report, 15 March 1996, 2014

Australia and Alaska LNG Project Comparison

Alaska (TAGS)	
Proposed Market Timing	2003-2005
Volume	15 MTPA
Cost	\$13.4 Billion

VS.

Australia	
Proposed Market Timing	2002-2005
Volume	6 MTPA
Cost	\$11.3 Billion??

TAGS Competition is Other Undeveloped Gas Fields in:

	<u>Start-up Date</u>	<u>Annual Volume</u>
▲ Qatar (Qatargas & Rasgas)	2005	6-10 MMTA
▲ Indonesia (Natuna Island)	2004	15 MMTA
▲ Sakhalin (Russia)	2004	6 MMTA
▲ Yemen	??	5 MMTA
▲ Papua New Guinea	??	4 MMTA
▲ Oman	2005	6 MMTA
▲ Australia	2003	16 MMTA
▲ Irian Jaya	??	??

Each host country (together with the private gas producers shown above) is actively promoting its project as the next post-2000 LNG supplier to Asia.

adopted 4-10-96

WORK DRAFT

WORK DRAFT

WORK DRAFT

9-LS0715AN
Chenoweth
4/10/96

**SENATE CS FOR CS FOR HOUSE JOINT RESOLUTION NO. 54(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION**

BY THE SENATE RESOURCES COMMITTEE

**Offered:
Referred:**

**Sponsor(s): REPRESENTATIVES KUBINA, Green, Barnes, Navarre, Mackie, Grussendorf, Phillips, B.Davis, Willis, Sanders, Davies, Robinson, Rokeberg, Ogan, Kott, Foster, Masek, Williams, Therriault, Ivan
SENATORS Pearce, Lincoln, Frank**

A RESOLUTION

1 Encouraging the lessees of Alaska's vast North Slope natural gas reserves to reach
2 agreement to market gas, expressing the legislature's support for an Alaska North
3 Slope (ANS) gas transmission pipeline, and requesting the President of the United
4 States and the Governor of the State of Alaska to publicly support and take
5 action that will help expedite the construction of that system.

6 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 **WHEREAS** Alaska has at least 26 trillion cubic feet of natural gas reserves in the
8 Prudhoe Bay field and perhaps two to three times that amount of potential natural gas reserves;
9 and

10 **WHEREAS**, beginning in the period 2002 - 2005, there may be an increasing gap
11 between supply and demand for natural gas in the Pacific Rim; and

12 **WHEREAS** market and economic studies indicate favorable conditions for the sale of
13 liquefied natural gas (LNG) to these Pacific Rim markets; and

14 **WHEREAS** major permits for a pipeline route from the North Slope to Valdez have
15 been completed; and

1 **WHEREAS** the sale of Alaska gas to Pacific Rim markets will improve the nation's
2 trade imbalance without adversely affecting other industries or labor; and

3 **WHEREAS** the design, sourcing, and construction of a LNG project could infuse several
4 billion dollars into the United States economy; and

5 **WHEREAS** the construction of such a pipeline could provide approximately 10,000
6 temporary construction jobs for two years and over 600 permanent private sector jobs in Alaska;
7 and

8 **WHEREAS** the State of Alaska will earn substantial revenue each year from projected
9 gas sales, which would help fill the state's fiscal gap; and

10 **WHEREAS** a gas pipeline across Alaska could make available environmentally friendly
11 energy along the pipeline route and encourage development that will increase local employment
12 and local tax revenue; and

13 **WHEREAS** the Alaska Municipal League's 1996 policy statement includes the following
14 language: "The League, therefore, strongly encourages all potential participants in the project,
15 including the State of Alaska, to immediately convene to develop a unified proposal to present
16 to the Asian LNG buyers so that all Alaskans will directly benefit from this unique opportunity";
17 and

18 **WHEREAS** natural gas stored as a cryogenic liquid is an efficient and safe means of
19 transporting large quantities of gas with no significant risk to the public; and

20 **WHEREAS** securing a market for Alaska North Slope (ANS) gas will be important;
21 there is strong competition for Pacific Rim markets from competing projects in Malaysia,
22 Australia, and other nations; and

23 **WHEREAS** Alaska faces competition from other projects and must, therefore, move to
24 secure a place in Asian markets; and

25 **WHEREAS** Taiwanese and South Korean buyers have issued letters of intent to purchase
26 ANS liquefied natural gas from Yukon Pacific Corporation; and

27 **WHEREAS** Japanese buyers must also commit to buying ANS LNG to make an Alaskan
28 project feasible;

29 **BE IT RESOLVED** that the Alaska State Legislature respectfully requests the North
30 Slope natural gas lessees to intensify their efforts to establish satisfactory contractual
31 relationships for transportation and sale of ANS gas to Pacific Rim purchasers as soon as
32 economically possible; and be it

1 **FURTHER RESOLVED** that the State of Alaska respectfully requests the President of
2 the United States to demonstrate national support for an ANS gas transmission project to Asian
3 LNG buyers; and be it

4 **FURTHER RESOLVED** that the Governor is respectfully requested to

5 (1) assure the Asian LNG buyers that the state will provide continuity and
6 stability in regards to North Slope natural gas supply, tax structure, and regulatory policy;

7 (2) continue support of the Joint Pipeline Office, which administers an
8 innovative, efficient, and cost-effective permitting system;

9 (3) encourage the private developers of the gas pipeline and the state's labor
10 forces to develop an Alaska hire agreement for the ANS gas transmission project; and

11 (4) meet with all parties to determine how the state can help facilitate the ANS
12 gas transmission pipeline; and be it

13 **FURTHER RESOLVED** that the President of the Senate and the Speaker of the House
14 of Representatives, Alaska State Legislature, appoint an interim working group to track progress
15 and assist the transportation permit holder, the working interest owners of the Prudhoe Bay and
16 Point Thompson units, and the administration in developing a unified proposal for presentation
17 to the Asian market; the legislative interim working group shall report on the status of the
18 project and any proposed legislative actions to the Resources Committees of the Alaska House
19 of Representatives and Alaska Senate by February 1, 1997; and be it

20 **FURTHER RESOLVED** that the Alaska State Legislature strongly supports the
21 construction of an ANS gas transmission pipeline and offers its assistance to the parties involved
22 in order to speed completion of an ANS gas transmission project.

23 **COPIES** of this resolution shall be sent to the Honorable Bill Clinton, President of the
24 United States; the Honorable Al Gore, Jr., Vice-President of the United States and President of
25 the U.S. Senate; the Honorable Bruce Babbitt, Secretary of the Interior; the Honorable Ted
26 Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young,
27 U.S. Representative, members of the Alaska delegation in Congress; the Honorable Tony
28 Knowles, Governor of Alaska; to John Snow, Chairman and Chief Executive Officer, CSX
29 Corp.; to Jeff Lowenfels, President, Yukon Pacific Corporation; to Mike Bowlin, Chairman and
30 Chief Executive Officer, Atlantic Richfield Company, and J. K. "Ken" Thompson, President,
31 ARCO Alaska, Inc.; to John Browne, Chief Executive Officer, British Petroleum, and John
32 Morgan, President, B.P. Exploration (Alaska), Inc.; to Lee R. Raymond, Chairman and Chief

- 1 Executive Officer, Exxon Corporation, and Jim Branch, Alaska Production Manager, Exxon
- 2 Alaska; to Shigenobu Yamamoto, Consul General of Japan; to Byuung Hak Min, Consul General
- 3 of the Republic of Korea; and to Jyhyuan Lo, Director General of the Republic of China.




Alaska State Legislature

Official Business

State Capitol
Juneau AK 99801

MEMO

TO: Legal Services
via fax: X2029 this page only

FROM: Annette Kreitzer, Aide to
Senate Resources Committee 

DATE: April 9, 1996

RE: CS HJR 54: Favor Trans-Alaska Gas System & LNG Sales

Please create a Senate Resources committee substitute for HJR 54 that incorporates the following resolve:

Be it further resolved that the President of the Senate and the Speaker of the House appoint an interim working group on North Slope gas commercialization. The purpose of the working group is to track progress and assist the transportation permit holder, the working interest owners of the Prudhoe Bay and Point Thompson units, and the Administration in developing a unified proposal for presentation to the Asian market. The legislative interim working group will report on the status of the project and any proposed legislative actions to the House and Senate Resources committees by February 1, 1997.

DRAFT

CS language for HJR 54

Be it further resolved that the Alaska Legislature requests the President of the Senate and the Speaker of the House to appoint a ~~bi-partisan~~ interim working group on North Slope gas commercialization. The purpose of the working group is to track progress and assist the transportation permit holder, the working interest owners of the Prudhoe Bay and Point Thompson units, and the administration in developing a unified proposal for presentation to the Asian market. The legislative interim working group will report on the status of the project and any proposed legislative actions to the House and senate Resources Committees at the beginning of the 1997 Legislative session.

DRAFT

Paul Fuhs

PROFESSIONAL SERVICES

Phone: (907) 790-3030

E-Mail: pfuhs@ptialaska.com

10652 Porter Lane Juneau, Alaska 99801 FAX: (907) 790-1990 Call phone: (907)723-8019

TELEFAX TRANSMISSION

TO: Annette #Pgs 2

MESSAGE:

hope you had a good Easter!

Paul

only 1 received.



Alaska State Legislature
Representative Eugene Kubina
Minority Whip

During Session
Alaska State Capitol
Juneau, Alaska 99801-1182
(907) 465-4859
Fax (907) 465-3799

During Interim
PO Box 2463
Valdez, Alaska 99686
(907) 835-2111
Fax (907) 835-2097

Sponsor Statement

HJR 54-Marketing of North Slope Gas

The marketing of North Slope natural gas, and the construction of a transportation pipeline, could be the most significant industrial project to be undertaken in Alaska for decades to come.

The financial returns to the state would be significant: 10,000 temporary construction jobs, over 600 permanent private sector jobs, and substantial revenues per year from gas sales to help address the state's current fiscal gap.

HJR 54 addresses four key issues concerning this project:

First. HJR 54 requests the President of the United States to include an Alaskan gas line as part of our nation's trade issues. North Slope gas sales could improve the nation's trade balance by an estimated four billion dollars per year.

Second. HJR 54 places the Alaska State Legislature on record as requesting the Governor of Alaska to give the creation of a gas pipe line a top priority within his Administration.

Third. HJR 54 indicates the strong support by the Alaska State Legislature to see the marketing of North Slope natural gas and the construction of a gas transmission pipeline and related facilities.

Fourth. HJR 54 encourages the establishment of an immediate North Slope natural gas forum between the various principles involved in the oil and gas industry (both in production and transportation), the state government, and the federal government.

There are many questions that need to be answered about the development and marketing of the vast fields of natural gas on the North Slope. Given the ownership issues, the complex market factors, and the various timelines

faced, it is crucial that an ongoing formal dialogue between the various parties be established to help resolve the various issues.

Of key importance here is timing. The global market for natural gas is quite competitive, and there are a number of new projects being considered to meet international demands within the next decade. If Alaska is going to compete for this natural gas market, immediate steps to begin the process may be necessary. That is the goal of House Joint Resolution 54.

End of statement.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

No. 2
Bill Version: CS HJR 54 (RES)
(H) Publish Date: 3/18/96

Title: Encouraging the lessees of Alaska's vast North Slope natural gas reserves to reach...

Dept. Affected: Natural Resources
BRU: Management & Administration

Sponsor: Reps Kubina, Green, Barnes, Navarre...
Requestor: HOUSE RESOURCES COMMITTEE

Components: Commissioner's Office
Serial #: 423

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	00	00	00	00	00	00

CAPITAL	00	00	00	00	00	00
----------------	-----------	-----------	-----------	-----------	-----------	-----------

REVENUE	00	00	00	00	00	00
----------------	-----------	-----------	-----------	-----------	-----------	-----------

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	00	00	00	00	00	00

POSITIONS:

Full-time						
Part-time						
Temporary						

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)
see attached analysis

Prepared by: HOUSE RESOURCES COMMITTEE Date: March 14, 1996
Representative William K. Williams, Co-Chair Phone: 465-3715
W.K. Williams Phone:

THE WHITE HOUSE

WASHINGTON

March 12, 1996

Dear Governor Knowles:

Thank you for your recent letter regarding developments in the Alaskan natural gas project.

I have followed with interest your efforts to move this project forward because I believe the development of Alaska's North Slope will bring income and job growth to your state. As you know, I am committed to promoting U.S. exports of goods and services throughout the markets of the Asia Pacific region. This growing market presents a real opportunity for expanding exports, and I'm confident Alaska can compete effectively against other potential natural gas suppliers. Prime Minister Hashimoto is interested in closer economic ties with the United States, and I will encourage Japan to look to Alaska as a reliable supplier of LNG.

I wish you success in your efforts to promote Alaska, its people and its resources.

Sincerely,



The Honorable Tony Knowles
Governor of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

EXXON COMPANY, U.S.A.

POST OFFICE BOX 2180 • HOUSTON, TEXAS 77252-2180

MAR 25 1996

NATURAL GAS DEPARTMENT

JUDITH M. GIBSON
VICE PRESIDENT

March 22, 1996

The Honorable Eugene Kubina
Alaska State Legislature
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representative Kubina:

As Vice President of Exxon Company, U.S.A. Natural Gas Department, I am responsible for marketing Exxon's domestic gas resources and would like to respond to several of the issues raised in your March 14 letter to Mr. James Branch.

Exxon is fully complying with its lease obligations to the State of Alaska and takes those obligations very seriously. Exxon alone has spent over \$90 million to date seeking to commercialize its North Slope gas reserves. Exxon continues to work jointly with ARCO and BP to pursue the optimum development of Prudhoe Bay oil and gas reserves. The three companies recently completed a joint study that identified ways to reduce the cost of an LNG project. The study concluded that an Alaska LNG export project is not economically viable at this time. Results of that study have been reviewed with the Administration and Legislature. Joint studies are continuing with the major focus being work with the State to develop adequate and certain fiscal terms.

Many of the concerns raised in your letter appear to be based on press articles relating to the Natuna project in Indonesia. Exxon is very interested in commercializing all of its resources and progressing all of its potential projects. Very large resource development projects, wherever located, require extensive technical plans, lengthy construction programs, and substantial capital investment long before revenues begin. Each has its own unique characteristics which impact its feasibility and simple comparisons of projects are difficult. However, all successful LNG ventures require long term, predictable arrangements among governments, investors, purchasers and financiers. The Indonesian government, Pertamina (the Indonesian national oil company) and Exxon have negotiated over a period of more than five years to develop and arrive at supportive fiscal terms for a Natuna project. That is only one of the many steps necessary for commercialization of an LNG project. The article attached to your letter notes that Natuna (like Alaska) has much to overcome before becoming commercial.

March 22, 1996

The conclusion of the recent study by Exxon, ARCO and BP that an Alaska LNG export project is not economically viable at this time is consistent with that reached by the Administration based on its independent study and communicated in a January 22, 1996 report to Governor Knowles. Exxon will continue to work cooperatively with ARCO and BP to further reduce the cost of an Alaska project and will work with the State of Alaska to develop adequate and certain fiscal terms necessary for a project of this size. In addition, Exxon maintains frequent contact with the Far East market and is keeping that market aware of Exxon's interest in and efforts to commercialize the gas resource in Alaska.

I have asked Mr. Branch to personally deliver this letter and to clarify these issues as well as answer any other questions you may have.

Sincerely,

A handwritten signature in cursive script, appearing to read "James Miller".

JM

c - Governor Tony Knowles
Members of the Alaska State Legislature
The Alaska Congressional Delegation
Commissioner John Shively
Commissioner Wilson Condon
Commissioner William Hensley
Attorney General Bruce Botelho
Alaska Oil and Gas Conservation Commission

During Session
Alaska State Capitol
Juneau, Alaska 99801-1182
(907) 465-4953
Fax (907) 465-3199

Alaska State Legislature
Representative Eugene Kubina
Minority Whip

During Interim
PO Box 2463
Juneau, Alaska 99806
(907) 835-2111
Fax (907) 835-2097

MAR 18 1996

14 Mar 1996

Mr. James F. Branch, Production Manager
Exxon Company, USA
P.O. Box 196601
Anchorage, Alaska 99519-6601

Dear Mr. Branch:

I am enclosing a copy of the March 7, 1996 edition of the Financial Times. Even the most cursory review of the article reveals that Exxon is seriously pursuing the \$40 billion dollar Indonesian Natuna project.

This comes as quite a surprise given your company's position that the Alaska/North Slope liquefied natural gas (LNG) project is too expensive and the market window projected by Yukon Pacific is premature. Yet, it is clear that Exxon is aggressively promoting a more expensive LNG project to serve the same market and the same market window as the Alaskan project. I am more than extremely concerned that Alaska's largest North Slope gas holder is promoting an alternative project that is not in Alaska's best interest.

I am reminded that Exxon did not accompany the other two major North Slope producers on their trip to the Asian markets in October of 1995. I am also reminded of Mr. Judd Miller's testimony before the Legislature that Exxon has five other liquefied natural gas projects that compete with an Alaska/North Slope Gas Project. Needless to say, I am very concerned.

In fact, I believe that there is a growing belief among many of Alaska's public policy makers that your company is not living up to its obligations under your state leases.


Mr. Branch, let me be very candid here. How can Exxon market Indonesia's \$40 billion dollar LNG project so actively and yet remain adamant that Alaska's \$13 billion dollar LNG project is not economically viable. How can

your company rationally market \$5 dollar gas from Indonesia and yet say that Alaska's \$4 dollar gas is too expensive?

I believe that I am speaking for an increasing number of Alaskans in saying that it is time for the Exxon management to clarify a very fundamental point: in brief, how do your actions in Indonesia reconcile with your legal obligations under applicable lease law, your leases, and your North Slope Unit Agreement?

I sincerely hope that your response to my inquiry will be forthcoming.

Sincerely,


Representative Gene Kubina
District 35

GK/tvb

c.c.: Governor Tony Knowles
Members of the Alaska State Legislature
The Alaska Congressional Delegation
Commissioner John Shively
Commissioner Wilson Condon
Attorney General Bruce Botelho
Alaska Oil and Gas Conservation Commission

When politics precedes price

The Natuna gas field's size and complexity makes it one of the industry's biggest challenges to date, say Manuela Saragosa and Robert Corzine

Plans to develop one of the world's largest natural gas fields in Indonesian waters off Borneo are evoking strong emotions in the region and in the industry.

To its supporters, the Natuna field is a unique energy resource in the midst of the world's fastest growing economies. Its future revenues are badly needed by Indonesia.

But critics say the plan to exploit the reserves off Natuna, an island about 600km north-east of Singapore, will consume billions of dollars of investment and produce gas at costs well above current market prices.

The only point of agreement is that Natuna's size and complexity make its development one of the oil industry's most challenging projects to date. The field is the largest undeveloped hydrocarbon resource in southeast Asia, comparable in size to Norway's Troll, western Europe's largest gas field.

Total gas volumes are around 210,000bn cubic feet, or 6,000bn cubic metres. Only a quarter of this is recoverable, but even that would be enough to meet Japan's total natural gas needs for 17 years.

Plans to develop it have been studied since 1960. But by 1971 Exxon, the largest US oil company, and Pertamina, Indonesia's state oil company, launched a joint partnership to exploit the field, with the aim of launching the eight year construction phase in 1977.

There is little doubt of the political will to develop Indonesia's natural gas output, with the country's balance of payments suffering as oil production has declined. The Jakarta government has set up a series of high powered committees to get the Natuna project moving, involving some 16 ministries.

Mr Jusuf Habibie, Indonesia's ambitious minister of research and technology, is chairman of the Natuna Project Execution Team, the most important of the committees. Its advisory team includes General Faisal Tanjung, the powerful armed forces chief.

"No one should underestimate the determination of those involved to make it work," says an industry analyst familiar with the project.

No big engineering contracts have yet been issued, although Pertamina officials say those companies which have invested in Indonesia or have a presence there will rank among the favourites. "If you don't fulfil this condition, you're not in," notes one western diplomat.

A leading role looks likely for Amec, the UK construction company which has been asked by Jakarta to organise an engineering consortium. Amec is already well established in Indonesia, working on a joint venture with PAL, the state-owned shipbuilder which is one of several "strategic" industries that Mr Habibie takes an interest in.

However, sceptics in the oil industry cast doubt on the viability of the Natuna project. In spite of its location in the centre of an energy-hungry region its development has proved troublesome.

The main problem is that 71 per cent of its contents is unwanted carbon dioxide, a "greenhouse gas" associated with global warming. Extracting and disposing of it in an environmentally acceptable way is technically difficult and contributes to the forecast development cost of more than \$200 million, one of the most expensive gas projects ever undertaken.

Some industry observers say Pertamina and Exxon will need to get \$150-\$500 million for

Natuna gas - well above the prevailing price of \$1.50 for natural gas landed in Japan, the biggest energy markets in the region.

Natuna officials are reluctant to discuss pricing, and note that competitiveness can be measured in other ways. They believe that customers might be prepared to pay extra to secure supplies closer to home, rather than from potentially less stable Middle Eastern liquefied natural gas suppliers.

"We don't use the word 'premium'," says Mr Felix Voigt, vice president of Exxon's International gas division. "And we don't want a project that needs a premium. We expect every project to stand on its own."

But he adds there may be many factors to take into account in deciding whether the project is viable. "Profitability is in the eye of the beholder," he says. The Indonesian government, for example, says that there will be benefits for Natuna island in the exploitation of the gas field. The project will bring investment to the island, contributing to the economic development of the remote area.

And Natuna officials believe they can find "ways to share the pain". To secure supplies from the region, buyers might agree to pay higher prices in the early years to reflect the heavy initial costs of building infrastructure such as a harbour, airport and town on Natuna island.

This might be offset by the phased development plan which will defer other costs until later in the project. Natuna's eventual capacity will be 12 processing units or "trains" producing 15m tonnes of liquefied natural gas a year. But initially only two will be built out

of six scheduled for phase one. There is also the possibility of increasing the project's revenue in the early years by exporting the gas to Thailand through an under-sea pipeline.

"It is an appealing idea," says Mr Voigt, who foresees no major technical problems in laying the 1,000-mile pipeline from the offshore platform to Thailand.

However, Natuna's backers have yet to establish a market for the field's gas. No sales agreements have been signed and without them financing cannot begin.

Mr G.A.S. Nayoan, senior executive vice president of Natuna Gasfield Development, the government committee working on the details of the project, says that Pertamina has convinced potential buyers of the project's technical feasibility. But commercial negotiations have yet to begin. Japan, the biggest buyer of Indonesian natural gas, is the logical target. In November, 13 potential Japanese buyers and financiers - including Nishio Iwai, Marubeni, Mitsubishi, three private Japanese upstream oil companies and the Japan National Oil Corporation - were flown to the US for long briefings from Exxon on the technical aspects of extracting Natuna's carbon dioxide.

The plan is to dispose of it in an aquifer, an underground rock formation which stores gas or liquid. "We are satisfied that all their questions were answered," says Mr Voigt.

Natuna executives believe growing concerns in Japan about the future of nuclear energy could enhance the attractiveness of natural gas in general and Natuna gas in particular. "I don't want to bank on such political changes," says Mr Voigt, but "there could be more upside than downside" for Natuna.

Other potential markets are Taiwan and South Korea. There could also be future demand from China, which "a few years ago was not even a topic for conversation", according to Exxon.

Opponents of Natuna, meanwhile, say that the priority being accorded the project will mean that development of other gas discoveries in Indonesia will be neglected. Arco, the US company, has discovered a promising gas field in Irian Jaya with smaller reserves thought to be around between 5,000bn and 15,000bn cubic feet and a carbon dioxide content of only 10 per cent.

"It would be very difficult to launch Natuna at the same time as Arco's (new discovery)," says one Jakarta-based oil and gas executive. "Without Arco, Natuna was difficult but now frankly there is possibly a much cheaper source of gas which is much more profitable for Indonesia."

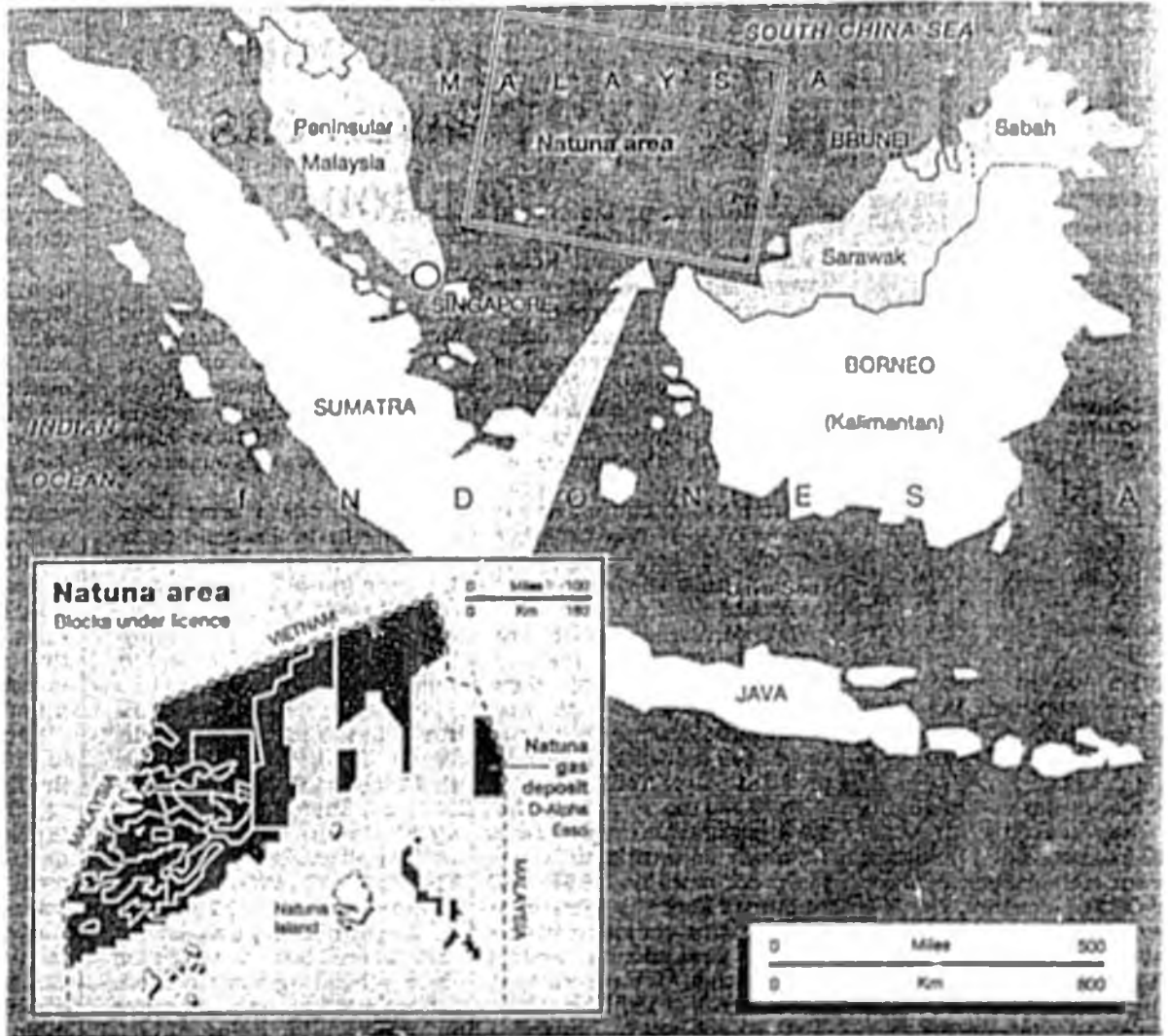
Natuna will "compete against whoever stands up", says Mr Voigt at Exxon. For all its complexity, it has one clear advantage: its size will guarantee the country's role as a leading supplier of liquefied natural gas well into the 21st century.

Mr Nayoan says that Natuna is "on track and on time", but analysts say several big issues need to be solved soon. One is to sign up buyers for the gas before construction begins next year.

Mr Voigt says Natuna is "much closer to the point of making arrangements with the markets" than commonly thought, but he declines to be drawn on timetables. "We won't be held hostage to self-imposed deadlines," he says.

other priority is to agree the project structure for the project. Pertamina and Exxon each have a 50 cent stake but are keen to give others to spread the risk. Mobil Oil of the US is negotiating a 26 per cent share that would cut out of Pertamina's interest. Japanese companies are also interested in part of Pertamina's stake, though negotiations will not start until an agreement has been reached with Mobil. The idea is that Pertamina would be left with an 11 per cent holding in the project. However, there is confidence among those involved in the project that issues such as these can be resolved. The heavy political commitment of Jakarta to Natuna is that it is seen as much as a symbol of national prestige as a commercial venture. If Indonesia is to cure the leading role as a natural gas supplier to Asia, failure is an option.

Natuna: a prestige project



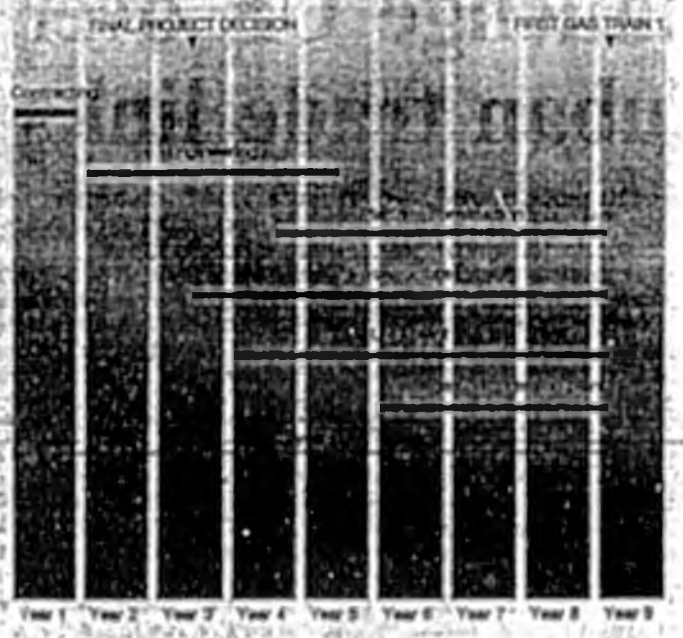
Financial Times
wednesday,
march 7, 1996

Indonesia: a share of the world

Fossil fuels, 1994



The project schedule



BRISTOL BAY BOROUGH
RESOLUTION NO. 98-11

A RESOLUTION EXPRESSING SUPPORT FOR AN ALASKA NORTH SLOPE (ANS) GAS TRANSMISSION PIPELINE AND URGING THE GOVERNOR OF THE STATE OF ALASKA AND THE ALASKA LEGISLATURE TO SUPPORT AND TAKE ACTION THAT WILL HELP EXPEDITE ITS CONSTRUCTION.

WHEREAS, House Joint Resolution No. 54, a resolution encouraging and supporting the construction of an Alaska North Slope gas transmission pipeline, has been introduced for consideration by the Alaska State Legislature; and

WHEREAS, the vast reserves of proven natural gas in the Prudoe Bay and associated North Slope oil and gas fields, if developed, will provide many new jobs and substantial revenues for the State of Alaska; and

WHEREAS, the Alaska Municipal League's 1996 policy statement strongly encourages all potential participants to immediately convene to develop a unified proposal to present to the Asian LNG buyers so that all Alaskans will directly benefit from this unique opportunity; and

WHEREAS, time is of the essence in securing a market for Alaska North Slope gas because (1) a market window is expected to develop in the Asian Pacific within the next few years, and (2) if gas sale contracts are not signed during this period, it appears that Alaska will not have another opportunity for large volume gas sales for at least another decade; and

NOW, THEREFORE, BE IT RESOLVED that the Bristol Bay Borough Assembly respectfully urges the Governor of the State of Alaska to take steps and support efforts that will help to assure the construction of the Alaska North Slope gas pipeline; and

BE IT FURTHER RESOLVED that the Alaska State Legislature cooperate and offer its assistance to all parties involved in order to help assure and speed the construction of the Alaska North Slope gas pipeline.

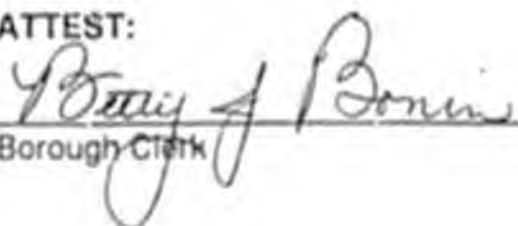
ADOPTED by a duly constituted quorum of the Bristol Bay Borough Assembly this 4TH day of MARCH, 1996.

IN WITNESS THEREOF:



Mayor

ATTEST:



Borough Clerk

**BRISTOL BAY BOROUGH
RESOLUTION NO. 96-10**

A RESOLUTION IN SUPPORT OF THE FORMATION OF A BRISTOL BAY ALTERNATIVE ENERGY TASK FORCE.

WHEREAS, all Bristol Bay communities are currently dependent upon high-cost diesel-power generated electricity to service area residences, schools and businesses; and

WHEREAS, the recent 15% cut made to the Power Cost Equalization Program in rural Alaska has increased costs for area residents, schools and businesses; and

WHEREAS, reductions in State spending are expected to result in additional cuts in the Power Cost Equalization program; and

WHEREAS, the Bristol Bay Native Association requested that the Governor establish a Bristol Bay Alternative Energy Task Force to develop recommendations on alternative energy sources for Bristol Bay communities;

NOW, THEREFORE, BE IT RESOLVED that the Bristol Bay Borough Assembly supports the establishment of a Bristol Bay Alternative Energy Task Force and recommends that representatives from Bristol Bay businesses, native organizations, local governments and other interested entities meet together to discuss the formation and implementation of such a task force.

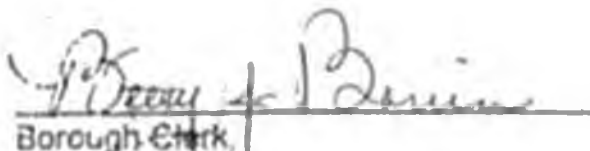
ADOPTED by a duly constituted quorum of the Bristol Bay Borough Assembly this 21st day of February, 1996.

IN WITNESS THEREOF:



Mayor

ATTEST:



Borough Clerk

Fax Transmittal Memo

To Representative Kubina

From Jacki Martin, Clerk
Haines Borough

Phone (907) 746-2716 Fax (907) 746-2711

Per instructions from Bill Moxam
Attached is a copy of Resolution # 393 passed
at our regular assembly meeting last night. If
you have any questions, please contact me at the above
number

HAINES BOROUGH
RESOLUTION #393

A RESOLUTION OF THE HAINES BOROUGH ASSEMBLY IN SUPPORT OF HOUSE
JOINT RESOLUTION NO. 54.

WHEREAS, the Trans Alaska Gasline proposal project would help fund
state government and offset our shrinking oil revenues, and

WHEREAS, with proven natural gas reserves of over 26 trillion cubic
feet, Alaska can both utilize and export substantial quantities of
this energy source for decades to come, and

WHEREAS, if our state is going to see this enormous project become
a reality within the next decade we have to begin the process now
as there are other global gas reserves being considered for
development that will be competition for our proposed markets.

NOW THEREFORE BE IT RESOLVED that the Haines Borough Assembly goes
on record in support of HJR 554 urging the lessees of Alaska's
North Slope natural gas reserves to move promptly forward in
reaching an agreement to market Alaska's natural gas.

PASSED AND APPROVED by a constituted quorum of the Haines Borough
Assembly this 19th day of March 1996.

ATTEST:
Jacki Martin
Jacki Martin, Clerk/Treasurer

Jerry L. Lapp
Jerry L. Lapp, Mayor

DENALI BOROUGH, ALASKA

RESOLUTION NO. 96-03

A RESOLUTION IN SUPPORT OF HOUSE JOINT RESOLUTION NO. 54.

WHEREAS, Alaska has 25,000,000,000,000 cubic feet of proven natural gas reserves in the Prudhoe Bay and associated North Slope oil and gas fields and perhaps two to three times that amount of potential natural gas reserves; and

WHEREAS, a determination has been made that at least one possible pipeline route is feasible, and action on permits for that route has been completed; and

WHEREAS, the construction of such a pipeline would provide 10,000 temporary construction jobs and over 600 permanent private sector jobs in Alaska; and

AND WHEREAS, a gas pipeline across Alaska will make available environmentally friendly energy along the pipeline route and encourage development that will increase local employment and local tax revenue.

NOW THEREFORE BE IT RESOLVED: The Denali Borough Assembly supports House Joint Resolution 54, a resolution that urges the lessees of Alaska's North Slope natural gas reserves to move promptly forward in reaching an agreement to market Alaska's natural gas.

PASSED and APPROVED by the DENALI BOROUGH ASSEMBLY this 10th day of March, 1996.

ATTEST:



John C. Somachis
Mayor
Julie L. Miller
Borough Clerk



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 463-5480

February 9, 1996

Representative Norman Rokeburg, Chair
 House Oil and Gas Committee
 Alaska House of Representatives
 Room 110 State Capitol
 Juneau, Alaska 99801-1182

Dear Representative Rokeburg:

We are writing to you in support of HJR 54 regarding the North Slope's natural gas reserves to market gas and develop a gas transmission line. Although the Alaskan Municipal League has not taken a specific position on HJR 54, I have attached an excerpt from the League's policy statement regarding municipal support for the development of a North Slope to Valdez Natural Gas Pipeline. The League strongly endorses the construction of natural gas pipeline and associated liquefied natural gas facilities at the earliest date.

Sincerely,

 Kevin Ritchie
 Executive Director

Enclosures

cc: Paul Fuhs
 Legislative Committee, Land Use, Resources, & Economic Development

Post-it Fax Note	7871	Date	2/9/96	Page #	3
To	Paul Fuhs	From			
Ct./Dist.		Ct.			
Phone #		Phone #			
Fax #	790-1990	Fax #			

Member of the National League of Cities and the National Association of Counties

VALDEZ CHAMBER OF COMMERCE
VALDEZ, ALASKA
RESOLUTION NO. 95-03

A resolution of the board of directors of the Chamber of Commerce of Valdez, Alaska representing its membership of which the majority consists of businesses operating in our community and surrounding areas, supporting the construction of the natural gas pipeline in the corridor established by the existing oil pipeline.

Whereas, the state of Alaska is currently reviewing its financial position and attempting to balance the budget,

Whereas, the timeline for start up operations would be accelerated due to the existing infrastructure and permits in hand,

Whereas, the earlier operations date would bring new revenue dollars into the state coffers through taxation and production that would assist with balancing of the state budget,

Whereas, the economies of more communities would benefit by use of the existing corridor,

Whereas, an ice free port entry for the shipping vessels reduces the potential risk factor,

Whereas, the safety response equipment, levels of expertise already in existence in Valdez is proven, tested, effective and efficient reduces catastrophic state wide impact,

Whereas, this route minimizes the need of any new excavation of land,

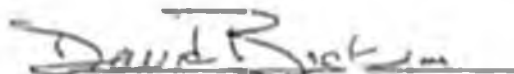
Whereas, use of the existing corridor would draw less criticism from environmental and animal activist groups that would impact the tourism industry of our state,


Therefore, let it be resolved the Valdez Chamber of Commerce supports and endorses the construction of a natural gas line in the corridor already established by the oil pipeline constructed for transportation of oil.

PASSES AND APPROVED BY THE BOARD OF DIRECTORS OF THE
VALDEZ CHAMBER OF COMMERCE OF VALDEZ, Alaska, this 11th
day of July, 1995.

Valdez Chamber of Commerce

ATTEST:


David Beck, Chairman


Jean Stewart, President

SOUTHWEST ALASKA PILOTS ASSOCIATION

P.O. Box 977
Barrow, Alaska 99603

Tel. (907) 235-8783
Fax. (907) 235-6110

February 8, 1996

Representative Norm Rokeberg
Chairman, House Oil and Gas Committee

Dear Chairman Rokeberg:

The Southwest Alaska Pilots Association supports HJR 54, which encourages the legislature and administration to do all they can to help support construction of a trans-Alaska pipeline system to Valdez for the export of Alaska North Slope natural gas.

The Southwest Alaska Pilots currently provide pilotage services to tankers calling on Prince William Sound and Cook Inlet. We view construction of a natural gas transportation system as an important work opportunity for us in safely piloting LNG tankers into Alaskan waters. We currently pilot the LNG ships into the Phillips Petroleum facility in Kenai. LNG is a clean cargo, and in our experience, the ships are well maintained and professionally operated.

This project is also important for all the people of Alaska because of the jobs it would create, the state revenues it would generate, and the positive effects it would have on Alaskan communities near the pipeline corridor which would have access to the gas.

Thank you for your efforts and the efforts of other legislators and administration officials in helping bring this project about.

Sincerely,

Captain A.J. Joslyn
by *AJ*
Captain A.J. Joslyn
President, SWAPA

Post-It Fax Note	7671	Date	2-9/96	# of pages	8
To	Paul Fuhs	From	Donna H		
Co/Dept		Co	UBS Men		
Phone #		Phone #	586-5840		
Fax #	790-1990	Fax #			

Presented by: Mayor & Assembly
 Introduced: 02/12/96
 Drafted by: J.R.C.

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 1806

A Resolution Encouraging Lessees of North Slope Natural Gas Reserves to Reach a Gas Marketing Agreement, Expressing Support by The City and Borough of Juneau for an Alaska North Slope Gas Transmission Pipeline, and Requesting the President of the United States and the Governor of the State of Alaska to Support and Expedite Construction of Such Pipeline.

WHEREAS, Alaska has 26 trillion cubic feet of proven natural gas reserves in the Prudhoe Bay and associated North Slope oil and gas fields and even more in potential natural gas reserves, and

WHEREAS, by the end of this century, there will be a significant and increasing gap between supply and demand for natural gas in developing countries in the Pacific Rim, and

WHEREAS, market and economic studies indicate favorable conditions for the sale of North Slope gas to these Pacific Rim markets, and

WHEREAS, the sale of Alaska gas to Pacific Rim markets will improve the nation's balance of trade, and

WHEREAS, the design, sourcing, and construction of a gas transmission line connecting the North Slope to southern markets will infuse substantial funds into economies throughout the United States, and

WHEREAS, the construction of such a pipeline would provide thousands of temporary construction jobs and hundreds of permanent private sector jobs in Alaska, and

WHEREAS, income to the State of Alaska from gas sales, which would help fill the state fiscal gap, and

WHEREAS, a gas pipeline across Alaska would provide energy along the pipeline route and encourage development that would increase local employment and local tax revenue, and

WHEREAS, the 1996 policy statement of the Alaska Municipal League states that some Asian buyers have issued letters of intent to purchase Alaska North Slope liquefied natural gas, that others could do so upon receipt of certain commitments from sellers, and that Alaska should take advantage of this window of opportunity before it closes;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. That the Assembly of the City and Borough of Juneau supports efforts by North Slope natural gas lessees to establish satisfactory contractual relationships for transportation and sale of Alaska North Slope gas to Pacific Rim purchasers as soon as possible.

Section 2. That the Assembly of the City and Borough of Juneau respectfully requests the President of the United States to demonstrate national support for an Alaska North Slope gas transmission project.

Section 3. That the Assembly of the City and Borough of Juneau respectfully requests that the Honorable Tony Knowles, Governor of the State of Alaska:

(1) assure Asian buyers of Alaska North Slope liquefied natural gas that the state appreciates the value of continuity and stability in the supply and pricing of North Slope natural gas;

(2) continue support of the Joint Pipeline Office and its efforts to administer an innovative, efficient, and effective permitting system; and

(3) meet with all parties to determine how the state can help facilitate the Alaska North Slope gas transmission pipeline.

Section 4. That the Assembly offers its assistance to the parties involved in order to speed completion of an Alaska North Slope gas transmission project.

Section 5. That the Clerk shall distribute copies of this resolution to the Honorable Bill Clinton, President of the United States; the Honorable Tony Knowles, Governor of the State of Alaska; the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators; the Honorable Don Young, U.S. Representative; the Honorable Jim Duncan, State Senator; and the Honorable Kim Elton and the Honorable Caren Robinson, State Representatives.

Section 6. Effective Date. This resolution shall be effective immediately upon adoption.

Adopted this day of 1996.

Mayor

Attest:

Clerk

By: Dan LaSota
 Hank Hove
 Jay Quakenbush
 Karen Parr
 Bob Logan
 Paul Chizmar
 Layne St. John
 Cheryl Kilgore
 Hank Bartos
 Ladd McBride
 Larry Hackenmiller

Introduced: 01/25/96
 Adopted: 01/25/96

RESOLUTION NO. 96-009

A RESOLUTION SUPPORTING HOUSE JOINT RESOLUTION NO. 54 PENDING IN
 THE LEGISLATURE OF THE STATE OF ALASKA PERTAINING TO THE
 DEVELOPMENT OF THE TRANS-ALASKA GAS PIPELINE AND LIQUID NATURAL
 GAS SALES

WHEREAS, HJR 54 has been introduced in the Alaska State Legislature
 and has been referred to three committees; and

WHEREAS, HJR 54 , in part, calls for the Alaska State Legislature to
 "respectfully request the North Slope natural gas lessees to intensify their efforts to
 establish satisfactory contractual relationships for transportation and sale of Alaska
 North Slope Gas to Pacific Rim purchasers as soon as possible"; and

WHEREAS, the Assembly has recently adopted Resolution 95-081 calling
 for the Legislature to withhold financial incentives from North Slope Oil producers until
 they make Alaska North Slope Gas available for sale; and

WHEREAS, the Borough believes that development of the Trans-Alaska
 Gas Pipeline through the existing pipeline corridor is essential to the future economic
 health of the State of Alaska; and

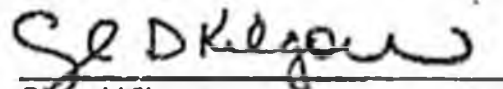
WHEREAS, the Borough believes that it is also essential that labor for any project, especially of this scope, come from the skilled and ready work force that already exists in the State of Alaska; and

WHEREAS, the language of HJR 54 as it was introduced does not contain references to local hire or specify the desired location of the proposed Trans-Alaska Gas Pipeline.

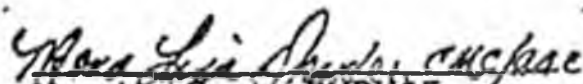
NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Assembly respectfully urges passage of HJR 54 with appropriate consideration given to Alaska hire and locating the project through the existing pipeline corridor.

BE IT FURTHER RESOLVED that copies of this resolution shall be sent to the Honorable Tony Knowles, Governor, State of Alaska, the Commissioner of Natural Resources, and members of the Alaska State Legislature.

PASSED AND APPROVED THIS 25TH DAY OF JANUARY, 1998.


Cheryl Kilgore
Presiding Officer

ATTEST:

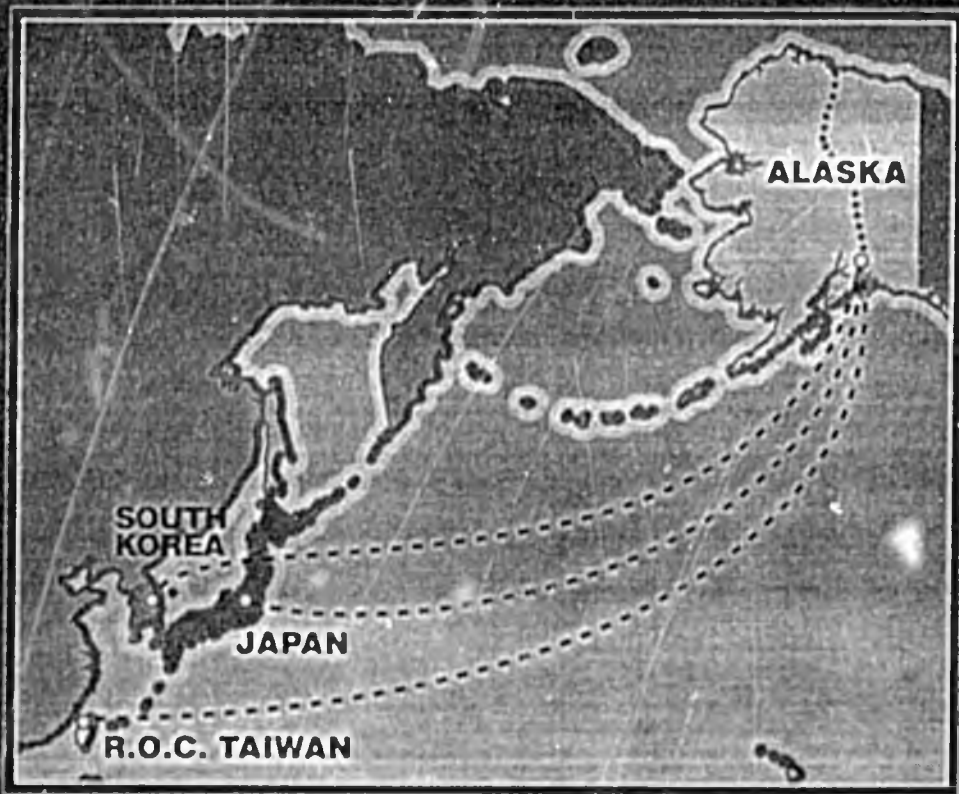

Mona Lisa Dreder, CMCI/AE
Municipal Borough Clerk

Ayes: LaSota, Santos, Hackenmiller, Parr, Hove, McBride, Logan, St. John, Quakanbush,
Chizmar and Kilgore
Nays: None

THE FOLLOWING DOCUMENT
HAS NOT BEEN FILMED
BUT IS AVAILABLE IN THE
ORIGINAL FILE

YUKON PACIFIC CORPORATION

TRANS-ALASKA GAS SYSTEM



T A G S