

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3214 96

Recommendations

MGS Offtake

- There is insufficient evidence at this time to recommend increasing Rule 9 Offtake
 - No request for modification of Rule 9
- Depletion planning should be required prior to commitments to sell gas

Recommendations

Pre-MGS Strategies/Plans

- Regardless of timing of request for modification near term strategies needed to prepare for MGS
 - Increase oil capture prior to MGS
 - Minimize well and facility downtime
- Mechanism needed for exchanging information during the depletion planning stage

Role of the Alaska Oil and Gas Conservation Commission in Establishing Allowable Gas Offtake Rate for Prudhoe Bay

The State of Alaska and other interested parties are engaged in determining how best to bring North Slope gas to market. The Alaska Oil and Gas Conservation Commission ("AOGCC") has a very important role in this process – to protect the public's interest by preventing waste and insuring greater ultimate recovery of both oil and gas. To fulfill this role, the AOGCC will decide what gas production rates should be allowed from Prudhoe Bay and other North Slope oil fields. Considering only the laws of science, these decisions are very simple; to prevent waste and insure a greater ultimate hydrocarbon recovery, produce all of the oil in a reservoir first and then "blow down" its gas cap only when there is no commercially recoverable oil left. The AOGCC recognizes, however, that many other factors will – and should – be considered in exercising its regulatory powers.

Before considering other factors, it is essential first to understand the science. Extracting gas from an oil field like Prudhoe Bay triggers a series of events. First, the pressure in the gas cap decreases and becomes lower than the pressure in the oil-bearing part of the reservoir. As driven by the laws of physics, the reservoir then works to get back to equilibrium, i.e., the same pressure throughout. To do this, some oil, which is at a higher pressure, moves up into the lower pressure gas cap and the pressure in the oil-bearing part of the reservoir drops. This process continues as the pressure throughout the reservoir equalizes at a lower pressure than before. And as more gas is withdrawn, the process repeats, causing more oil to move into the gas cap and also causing the reservoir pressure to decrease further.

Both the movement of oil into the gas cap and the decrease in reservoir pressure jeopardize oil reserves.

Let's look at movement of oil into the gas cap first. Think about what happens when you drain the oil from your car or when you pour cooking oil into a measuring cup. When you empty the container, some of the oil sticks to it and will not come off. That is what happens to oil when it moves into the gas cap, a part of the reservoir that has never contained oil but has always only held gas. However, because that container is porous rock rather than glass or plastic, the amount of oil that sticks is much greater. The previously "dry" reservoir rock becomes coated with oil. Although some of this oil can be produced, a substantial portion (in some fields over 20 to 30 per cent) sticks to the rock and will never come out. In short, producing gas without replacing the gas cap fluids will cause some oil to stick to the reservoir rock and result in a decrease of ultimate recovery of oil.

Now let's look at decreasing reservoir pressure. Think about an aerosol container. It starts out with high pressure inside; if you puncture it, it will explode. As you use it, more and more of the fluids – both the active product and the carrier gas -- are released and the pressure decreases until, eventually, you push the button and nothing happens. When you shake it, you might be able to hear that there is still hair spray or some other product inside, but you can no longer get it out. At this point the pressure has decreased so that you could even puncture the container and nothing would happen. Similarly, in an oil reservoir, the reservoir pressure provides the energy that allows the oil to flow through the reservoir and up the well bore. As fluids are produced, the

pressure decreases and the reservoir loses this energy. Eventually, as more and more gas is produced and the pressure continues to drop, there is insufficient energy to drive the oil from the reservoir. Typically operators of oil reservoirs maintain reservoir pressure and energy by re-injecting produced gas and injecting water to replace produced oil. They continue this process until they have recovered all the oil. Then, when no commercially recoverable oil is at risk, they "blow down" the gas cap. They do this because producing gas from an oil reservoir and not replacing it will result in a decrease of reservoir energy and, therefore, a decrease in oil recovery.

Another bad thing happens when the reservoir pressure decreases; some oil changes from liquid to gas. The remaining oil becomes thicker. Think about soup cooking; as water evaporates, the remaining liquid becomes thicker. In an oil field this thickening makes it harder for the oil to flow and, thus, decreases oil recovery. We all know that it is much easier to suck water up a straw than it is molasses.

In summary, looking simply at the reservoir engineering science, producing gas from an oil reservoir while there is still commercial oil remaining, to be produced WILL cause a portion of the oil resources to be lost and, thus, the gas cap in an oil reservoir should only be "blown down" when no more commercially recoverable oil remains.

The explanation above assumes that all of the gas can be recovered after all of the oil has been produced, and for most Lower 48 scenarios this is a reasonable assumption. However, for the North Slope, there will be a trade-off between leaving oil in the ground and leaving gas stranded, and this trade-off will be influenced by several factors.

For example, the remaining useful life and increasing operating cost of the aging North Slope infrastructure will impact this balance between losing oil and stranding gas. Much of the North Slope infrastructure that was put in place thirty years ago for oil production will still be necessary for gas production. As this infrastructure ages, two things happen: 1) the cost to operate the equipment increases, and 2) components break and must be repaired or replaced. The later in time the gas is produced the higher the costs will be to operate, repair and replace equipment and, thus, the sooner the gas will become uneconomical to produce and the more gas will be left stranded.

The minimum rate at which TAPS can operate will also impact the balance between losing oil and stranding gas. Although the gas will have its own line which will operate independently of TAPS, continued operation of the TAPS line will impact the economic life of the gas production because, as long as TAPS is operating, many of the operating, repair and replacement costs will be shared by both the oil and gas production, thus extending the time before either becomes uneconomical.

These and other factors will complicate the gas off take rate and timing decisions for North Slope fields. The AOGCC is charged with preventing waste and insuring the greater ultimate recovery by making sure that the operators act in accordance with good oilfield engineering practices. In executing this responsibility, the AOGCC must be cognizant of the balance between oil recovery optimization and gas recovery optimization. This will be no trivial task.

Role of the Alaska Oil and Gas Conservation Commission in Approving Pool Rules for the Point Thomson Field

The State of Alaska and other interested parties are engaged in determining how best to bring North Slope gas to market. The Alaska Oil and Gas Conservation Commission ("AOGCC") has a very important role in this process – to protect the public's interest by preventing waste and insuring greater ultimate recovery of oil and gas. To fulfill this role, the AOGCC must determine what gas production rates should be allowed from North Slope oil fields. As part of this process, the AOGCC will evaluate ExxonMobil's proposed plan to develop the Point Thomson Field as a gas field rather than as an oil field. Generally, the most total hydrocarbon recovery from a retrograde condensate field would be achieved by conducting gas cycling operations to produce condensate (a liquid hydrocarbon that is considered "oil" under the Commission's governing law) until all of the economically recoverable liquid hydrocarbons have been produced. Only then should the gas be sold. The AOGCC recognizes, however, that many other factors will – and should – be considered in exercising its regulatory powers.

Point Thomson is the largest proven yet still undeveloped field in Alaska. It is also one of the most difficult to develop and manage properly because the majority of the resources are contained in what is called a retrograde condensate reservoir. Retrograde condensate reservoirs around the world tend to be deeper and have higher pressures and temperatures than conventional reservoirs. These abnormally high temperatures and pressures cause the fluids in the reservoir to have unusual properties. Thus, a retrograde condensate reservoir acts differently than a typical oil field such as Prudhoe Bay or a typical gas field such as the Kenai Gas Field. The differences in behavior are technically complex and difficult to describe, understand, and address; yet understanding and addressing these differences are essential to evaluating whether a plan of development satisfies the conservation requirements administered by the Commission.

A conventional oil reservoir is typically filled with a liquid hydrocarbon that has some solution gas in it. In such a reservoir all the fluid exists as a liquid, but as it is brought to the surface its pressure drops and some of its solution gas is released. The same thing happens underground. As the pressure decreases in the reservoir, gas in the oil comes out of solution. To understand how this works, think of a bottle of soda. Before the bottle is opened, its contents are under pressure and it appears that there is just liquid in the bottle. However when the cap is removed, the pressure in the bottle is reduced and bubbles will start to form and float to the surface of the soda.

Conversely, a conventional gas reservoir is typically filled with hydrocarbon gas. The gas may have a small amount of hydrocarbon liquid, called condensate, vaporized in it. This condensate will not drop out as a liquid in the reservoir because the temperature is too high. However it will separate from the gas when the gas is brought to the surface where the temperature is lower. This is similar to what happens when someone blows warm breath onto a cold window and watches it fog up. The water that exists as a vapor inside the warm lungs turns to condensation as it hits the cold window.

Retrograde condensate reservoirs do not behave in the same ways that conventional oil and gas reservoirs do. Dropping the pressure in the reservoir does not cause gas to form from oil, as is the case in a conventional oil reservoir. Nor does vaporized condensate remain a vapor, as is the case in a conventional gas reservoir. Rather, for a retrograde condensate reservoir, as the pressure decreases, liquids drop out of the gas in the reservoir.

When a retrograde condensate field is produced like a conventional gas field, the gas is produced and sold at high rates. Initially a large amount of condensate is produced with the gas. However the reservoir pressure drops quickly and condensate production drops dramatically because condensate is dropping out in the reservoir instead of at the surface. To further the problem, condensate that drops out in the reservoir is much more difficult to produce than that which remains entrained as a vapor in the gas. The liquid tends to build up and clog the pore spaces in the reservoir rock. Also, since this reservoir has never been exposed to liquid before, the rock acts as a sponge and some of the condensate will be immobilized and never come out. To make things worse, once the condensate comes out of the gas, very little of it will return to a gaseous state even if the reservoir pressure is later increased. In other words this is a problem that you can't fix after you cause it; it's like unringing a bell.

In addition to lost condensate recovery, if the reservoir pressure is reduced too quickly, the gas recovery will also decrease. The condensate that clogs up the reservoir and won't come out also blocks the gas from coming out. This is similar to an air filter on a car. When the filter is new, air will flow through it freely, but as it gets older the pores in the filter begin to clog with dirt (as the pores in the reservoir would clog with condensate) and the air will not flow through as well. Eventually no air at all will flow.

So what's the answer? To maximize condensate production from a retrograde condensate reservoir, it is necessary to keep the reservoir pressure high until the condensate has been recovered. Often this is accomplished through a process known as "gas cycling." In this process hydrocarbon gas is produced, the condensate is removed and sold, and the now-lean gas is injected back into the reservoir to maintain pressure and to sweep more condensate to the surface. As this process continues, the gas produced slowly becomes leaner and the yield of condensate decreases. Eventually the gas is stripped of most of the liquids and it is safe to sell the gas. This method delays gas sales, but it results in greater ultimate recovery of both liquid and gaseous hydrocarbons.

Another method used to develop retrograde condensate fields is to inject a substitute gas such as nitrogen or carbon dioxide either to replace or to supplement the produced gas for pressure maintenance. Unfortunately, there is currently no substitute gas available to Point Thomson.

These are just a few of the more common methods used for developing retrograde condensate fields and each has advantages and disadvantages that must be considered. Primary depletion as a gas field is the least efficient and results in the lowest hydrocarbon recovery. However, it is the simplest and cheapest method for the operator since it does

not require an investment in equipment to recycle the gas. Gas cycling yields greater hydrocarbon recovery but may be less attractive to the operator because it has a higher up-front development cost for compression and it has low up-front cash flow due to the deferral of gas sales. Injection of outside substances has the possibility of maximizing both condensate recovery and cash flow, but it is the most expensive method because in addition to compression equipment it requires the purchase of a substitute gas.

Selection of an optimal method of development must consider all of the unique aspects of the reservoir in question, as well as the practicality and applicability of the various development methods.

The operator of the Point Thomson Unit has indicated that the only development scenario that makes sense is to develop Point Thomson as if it were a normal gas field, which would likely result in significant loss of condensate. Since the AOGCC must determine whether this development option is consistent with good oilfield engineering practices and will result in greater ultimate recovery, the agency is working with an outside consultant who has extensive retrograde condensate reservoir expertise. The AOGCC and its consultant are evaluating different development options and developing a sound technical basis for conservation orders relative to the development plan that is ultimately proposed by the operator of the Point Thomson Unit.

Role of the Alaska Oil and Gas Conservation Commission in North Slope Gas Sales

The State of Alaska and other interested parties are engaged in determining how best to bring North Slope natural gas to market. The Alaska Oil and Gas Conservation Commission ("AOGCC") has an important responsibility in this process – to protect the public's interest by preventing waste and insuring greater ultimate recovery of oil and gas. To fulfill this role, the AOGCC must determine what gas offtake rates should be allowed from North Slope fields, most notably the Prudhoe Oil Pool and the Pt. Thomson gas condensate reservoirs.

There are over 35 trillion cubic feet of gas reserves within these two fields. However, hundreds of millions of barrels of oil and condensate could be lost if gas offtake from these fields is not correctly managed.

In general, maintaining reservoir pressure enhances oil recovery, but producing gas depletes reservoir pressure. Therefore, gas reserves in most fields are usually sold only after the liquid hydrocarbon reserves have been depleted. Until then, the gas that is produced is used to promote liquid production in various ways (including being reinjected so that it can provide the energy needed to get the liquid hydrocarbons to the surface and providing a source of gas for miscible injectant used in enhanced oil recovery operations). And that is exactly what is happening right now at Prudhoe Bay and other North Slope fields.

The North Slope gas sales project will ultimately involve trade-offs between oil and gas recovery. The documents *Role of the Alaska Oil and Gas Conservation Commission in Establishing an Allowable Gas Offtake Rate for Prudhoe Bay* and *Role of the Alaska Oil and Gas Conservation Commission in Managing Development of the Point Thomson Field* explain these trade-offs. This document explains the process the AOGCC is using to insure greater ultimate total hydrocarbon recovery, i.e., recovery of both oil and gas, as the North Slope gas project moves forward.

Normally, the operator of an oil or gas field applies to the AOGCC for "Pool Rules." These are specific rules that stipulate how to develop the reservoir in a way that maximizes oil and gas recovery. However, the Point Thomson Owners have not yet applied to the AOGCC for Pool Rules.

Nor have the Prudhoe Owners applied for amendment of current pool rules to allow for a higher gas offtake rate. The existing Prudhoe gas offtake rate was set in 1977 at 2.7 billion standard cubic feet (BCF) of gas per day. After deducting gas used as fuel and in enhanced recovery operations, this leaves about 2 BCF of gas per day available for sales. However, the gas sales scenarios that are being discussed publicly could require increasing the Prudhoe gas offtake allowable.

Normally the AOGCC would wait for an application from the Owners before performing the reservoir studies necessary to establish or increase gas offtake rates. However, that would delay the AOGCC's decision-making such that it could disrupt the timetable for a potential gas pipeline project. (The AOGCC needs to complete its evaluations and make its rulings for both

Prudhoe Bay and Pt Thomson so the Owners have approved gas offtake allowables that they can use in the "open season" process that is required under the Federal Energy Regulatory Commission ("FERC") regulations. The current draft version of the Alaska Stranded Gas Fiscal Contract requires the Producers to apply to the AOGCC within 6 months of the effective date of the contract for issuance of pool rules to authorize the field gas offtake rate for Point Thompson.)

Therefore, the AOGCC has chosen a proactive approach. There are two ways the Commission might take a proactive role with respect to such studies. One would be to conduct or arrange for consultants to conduct independent reservoir studies. The other would be to participate with the Owners and operators in their reservoir simulation studies, so that questions can be answered and adjustments can be made up front. Assuming adequate cooperation on the part of the Owners, the latter approach has significant advantages: lower cost to the State of Alaska, less time required to complete evaluation of the studies, more complete and accurate input data, and use of proven, probably more sophisticated reservoir evaluation tools.

In 2005 the Commission held hearings to inquire whether the gas offtake rate from Prudhoe should be updated. The AOGCC decided that, although the 1977 allowable was based on the best available data at the time, the appropriate gas offtake allowable must now be redetermined using the almost thirty years worth of reservoir description and performance information that has become available since 1977. Further, the Prudhoe Owners and the AOGCC established principles by which to perform collaborative studies. The report of the inquiry and the resultant study principles were issued by the AOGCC on December 5, 2005.

The AOGCC has contracted reservoir evaluation consultants to assist its technical staff in performing the Prudhoe study. The Prudhoe Owners have agreed to provide the AOGCC staff and consultants access to their simulators including the underlying engineering, geologic, and geophysical information. A data room has been set up in BP's Anchorage offices, equipped with computers and software allowing review of the simulator results. The Owners have voluntarily offered to make the data room information available. The information meets the standards of AS 31.05.035(d) and 20 AAC 25.537(b) entitling it to be held confidential during this study period.

This study process began in January 2006, and is anticipated to be complete by the end of this year. Following this study period, either the Owners will submit an application to amend the Prudhoe gas offtake allowable or the AOGCC will call for a hearing. In either case, the AOGCC will hold public hearings to review the development plans associated with the proposed gas sales. The Owners will be required to submit for the record reservoir studies that best reflect a reasonable range of offtake options and their effects. The AOGCC may request (including by subpoena) any other pertinent information that has been used in the study but is not included in the Owners' submission of evidence in the hearings. Claims of confidentiality for evidence in the hearings will be determined by the AOGCC during the course of the hearings under governing law.

On April 26, 2006 the AOGCC and the Pt. Thomson Owners agreed upon a similar process for studying the allowable gas offtake from that field. The AOGCC has contracted reservoir evaluation consultants to assist its technical staff in performing the Pt Thomson study. AOGCC staff and consultants will have access to a data room in ExxonMobil's Houston offices. The data

room will include reservoir engineering, geologic and simulation information and will be equipped with computers and software allowing review of the simulator results. The study will begin before September 2006 and will last up to six months. The Point Thomson Owners have indicated they plan to apply to the Commission in late 2006 or early 2007 for Pool Rules and a gas offtake allowable rate.

ALASKA AFL-CIO

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VINCE BELTRAMI
Executive President



BRUCE LUDWIG
Secretary / Treasurer

May 5, 2007

Chairman Chenault and other esteemed members of the House Finance Committee:

Thank you for the opportunity to testify. My name is Vince Beltrami and I am president of the Alaska AFL-CIO.

I would like to thank the Governor for the process that AGIA lays out. One thing is clear whether you agree or disagree with the AGIA strategy. No one in this state can say our Governor does not want to build a natural gas pipe line.

No one has offered up a better, fairer alternative. Speaking on behalf of the 60,000 Alaskan members the AFL-CIO represents, the Alaska AFL-CIO supports the AGIA in its present form; specifically, the component which includes a project labor agreement. I was happy to see the Governor's message in the April edition of the Labor Department's Trend publication, which demonstrates the Governor's commitment to and understanding of what it is the PLA brings to the project.

In order to train a workforce for this project, it is necessary to align with the best craft training available in the state. No one disputes the union apprenticeship programs do it best. We've been training for years, we are training now, and we will ramp up more and further training when an agreement is done.

Discussions we have had with oil company folks, discussion with our US delegation, and with most of our state legislators show that a PLA is widely believed to be a necessary component of a project like this.

My opinion is that this component and others in the Governor's plan may try to be leveraged to make this bill fail. If so, that in itself would be a tragedy not unlike the PPT debacle, serving the interests of a few instead of the interests of the many.

To demonstrate what goes on regularly, and the commitment the unions are, and have been, making to Alaskans, I would like to submit for the record a DVD I made yesterday. I was speaking with the training director of the NECA/IBEW training program on Thursday (May 3rd) when he mentioned he had eight students doing a 72 hour class at the facility on residential electricity. The

← and all enrolled in an Alaska Works Partnership program

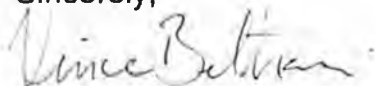
students, all Alaska natives from the Bethel region, were in the midst of training as we spoke. With no afore knowledge, rehearsal, or set up, I drove over to the school with my video camera, stepped out of my vehicle and recorded a few minutes of something that goes on all the time; the union apprenticeship programs training Alaskans at our facilities and out in the rural communities.

And we stand ready to train an Alaskan workforce to build a natural gas pipe line. Also, noteworthy, is all the training we do, comes at no expense to those getting the training. Employer contributions negotiated with the unions and, in some cases, supplemental monies from programs like STEP, help assure that Alaskans will be trained with little more than an investment in time and motivation. Our training records are a testimony to that fact.

While I respect the investment our producers have made in this state, I believe that Alaskans will be best served by using a process like AGIA to reach our ultimate goal: putting Alaskans to work to build a thriving economy.

Thank you for the opportunity to testify. I know and appreciate the fact that you are all working hard, and I urge you to continue to work hard for the passage of AGIA for the benefit of all Alaskans!

Sincerely,



Vince Beltrami
President
Alaska AFL-CIO



The Alaska Gasline Inducement Act and Alaska Hire

By Governor Sarah Palin

I have long recognized that AGIA must not only induce a gasline, but also must provide Alaskans real opportunities for gasline-related employment. This means offering vocational programs to train Alaskans for pipeline jobs, as well as assuring that Alaskans will fill those jobs. AGIA fulfills these goals in six ways.

First, AGIA requires that applicants commit to hire Alaskans for management, engineering, construction, operations, maintenance, and other gasline-related positions, and to contract with Alaska businesses to the extent permitted by law. Note that jobs to be filled are not short-term construction positions; we want Alaskans trained and experienced in all facets of this project, including its maintenance and management for the 40 or 50 years it is producing. Remember that the requirement is not limited to simply hiring Alaskans but to contracting with Alaska businesses to do pipeline work, which will expand the scope of the pipeline's impact on careers in Alaska.

Second, the AGIA requires that applicants commit to establishing a local headquarters in Alaska. This is an important requirement since project management will be coordinated in Alaska, enhancing the likelihood that management positions will be staffed by Alaskans.

Third, applicants must commit to negotiate a project labor agreement. A project labor agreement is basically a pre-construction bargaining agreement between management and labor, specific to the project. Under a PLA, costs are established for labor, including wages, benefits, and working conditions. PLAs provide a host of assurances for both management and workers. Stability in labor cost estimates lessens cost overrun risks. No-strike/lock-out agreements assure there are no management-labor disputes for the duration of the project, which promotes on-time delivery of project milestones. Local hiring halls can be established. Apprenticeship requirements would offer Alaskans the opportunity to learn on the job, with pay and benefits. PLA language would allow bidding for any pipeline-related work to be open to any qualified firm, union or non-union.

Fourth, AGIA requires the Commissioner of Labor and Workforce Development to develop a job training program for pipeline-related positions. It is so important to train a skilled Alaskan workforce and we are committed to doing this right. As an added benefit, it serves as an inducement to the licensee, which would prefer that the state handle this responsibility. We are pleased to do so.

Fifth, if explorers get financial terms that enable them to economically explore for, discover, and transport new gas to and through the line, it opens the North Slope basin to not just marketing the known 35 trillion cubic feet of gas there, but to the additional hundreds of trillion cubic feet of gas waiting to be discovered. A gasline that will transmit hundreds of trillions of cubic feet of gas for 40 or 50 years is a critical means to provide long-term vocational stability to Alaska workers.

Last, AGIA requires that the applicant commit to provide for a minimum of five delivery points of gas in Alaska. Off-take points from the main line provide opportunities for spur lines to fuel Alaska homes and businesses with Alaska gas. In-state delivery also requires additional infrastructure, which in turn requires additional personnel to build and maintain the infrastructure.

I believe strongly in offering Alaskans the best and most meaningful opportunities to capitalize on work generated by AGIA and the gasline it will facilitate. AGIA does that – it offers Alaskans not just jobs, but careers.

The above paragraphs are excerpts from Governor Palin's weekly Alaska Gasline Inducement Act briefing on Alaska hire. For further information on AGIA, please visit our website at <http://www.gov.state.ak.us/agia/>.

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

by Vince Bettrami
run time = 4 minutes

Alaska Works (AWP) and the Unions
Training Rural Alaskans
5-3-07



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RE: House Finance Committee Testimony (HB 177) May 5, 2007

Good afternoon Chairmen Chenault and Meyer, Co-Chair Stoltze and other esteemed and distinguished members of the House Finance Committee. My name is Lynn Johnson and as most of you know, I am the President and co-founder of Dowland-Bach Corporation and a past President of the Alaska Support Industry Alliance. First of all, I would like to thank you all for all of your diligent and thoughtful work to date on AGIA and HB 177. I suspect that you all have had numerous visits, e-mails and phone calls recently on this subject. The reason for all of this fuss is that Alaska needs to get going on a gas project now, not later. It appears to me that we are now farther away than ever from passing any legislation enabling construction of our natural gas pipeline to the lower 48. The three major players now say that they are not even going to bother to submit a bid and apply for a state license to build the North Slope gas pipeline. Without their participation, the probability of Alaska ever getting a gas pipeline is close to zero. We were much closer to a pipeline twelve months ago and it seems to be getting worse by the day.

As a businessman doing business with the producers, I obviously have empathy for their position, but this anti-big oil rhetoric has got to stop. Taxes on the oil portion of their current business provide 88% of our current state revenue and have done so for years, and this is how we treat them?? We need to make key changes to this bill prior to passage, including ones that include eliminating exclusivity and replacing prescriptive mandates with objectives.

In summary, if businesses such as mine are going survive, we all need to encourage the building of a gas pipeline in the near term by those capable of doing it. AGIA may well be the last chance at having this construction actually take place, and if we fiddle around for another five or six years, some other gas from another basin is going to fill the need in the Mid-West and Alaska gas will no longer be in such high demand. Let's fix AGIA and then pass it by ensuring that it addresses the needs of Alaskans, of the developer and transporter and of North Slope producers and shippers. It's Time. Thanks

Testimony regarding House Bill 177

May 5, 2007

By

Kelly Patrick, Alaska State Resident

Co-Chairmen Chenault and Meyer's, members of the House Finance Committee:

Good afternoon, my name is Kelly Patrick. As a long time Alaskan and an active participant in the community and public affairs, I appreciate your scrutiny and close examination of the bill as drafted by the Governor.

Oil revenue currently accounts for 90 percent of the states budget. Alaska North Slope oil production is decreasing and will continue to do so with the States budget situation becoming critical well before 2016. Certainly the House more than anyone understands the need to move swiftly and decisively towards replacing our oil based economy with a more diversified economy based on natural gas.

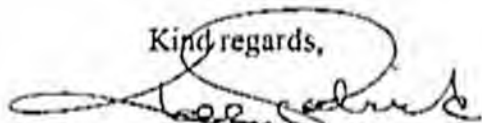
I am concerned that in the Governor's desire to be fair to all, we now have a bid process that does not contain the clear and objective criteria for the evaluation of applications that I would anticipate in any bid process. I am also concerned that providing a \$500 million incentive would encourage those without the financial strength to carry through with a project of this size. Most RFPs (or, in this case an RFA) that the normal business community contractors respond to have to show proof they have the financial wherewithal to pay their employees and are very specific that any expenses incurred during the course of the bid are not reimbursable. As a prudent business person, I would expect the State of Alaska to make the same requirement.

I also have to concur with previous testimony that points out that the State of Alaska needs to improve their internal processes in selecting project winners in an effort to reach a more productive and beneficial outcome for the people of the State of Alaska. The selection of this Licensee needs to follow a formalized, logical objective course. Any subjectivity in selection needs to be eliminated.

We all talk about making sure that we have future jobs for our children and grandchildren, as they are the ones who will continue to make Alaska prosperous. With the continual decrease in oil production to keep TAPS filled, it is imperative that we do not fail in getting an acceptable bid process in place preferably prior to the end of the first half of this legislative session.

I thank you for your time. I know that you want to do what is best for the State of Alaska and for its future generations. I ask that you make certain that HB 177 accomplishes that mission.

Kind regards,



Kelly Patrick



UDELHOVEN

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Mr. Chairman, members of the committee.

Thank you for the opportunity to testify on the AGIA Bill. My name is Jim Gilbert, and I'm President and testifying on behalf of my company, Udelhoven Oilfield System Services.

Our 400-plus employees provide technical expertise to the oil and gas industry in Alaska, the Gulf of Mexico, Tbilisi, Georgia and Bohai Bay, China.

First and foremost, we want a gas project ... sooner rather than later, and with the greatest long-term benefits for the State of Alaska, Alaskan workers, Alaskan businesses and all Alaskans. North Slope gas commercialization holds the key to Alaska's future.

We understand the importance and urgency of transforming our gas potential into a gas project. The opportunity to market our gas won't last indefinitely, and there's a very real risk of losing it altogether if we don't act quickly.

Agia needs fixing, listen to the producers and follow their lead.

Both the state and shippers need to be involved in and have oversight of a project execution plan that provides the greatest netbacks at the wellhead. A third-party pipeline builder with no production interests will have no incentive to reduce costs and no ability to "guarantee" the tariff in advance.

The Alaska Gasline Inducement Act may be our last and best chance to make a North Slope gas project a reality, but only if it's fixed before it's passed. In order to succeed, the bill must acknowledge the interests of Alaskans, and of North Slope producers and shippers.

Thank you.

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Aves Thompson, Executive Director
Alaska Trucking Association
House Finance Testimony, HB177
Saturday, May 5, 2007

Thank you. Mr. Chairman and members of the committee, I am Aves Thompson, Executive Director of the Alaska Trucking Association. The Alaska Trucking Association is a state wide organization representing trucking interests from Barrow to Ketchikan for more than 49 years. Our more than 200 members represent all of the diverse trucking operations in the state and many associate members who provide goods and services to our industry. On behalf of ATA, I thank you for the opportunity to testify on the subject of AGIA.

The highest priority of the Alaska Trucking Association is to get a gas line built, up and running and delivering Alaska's gas to market. We applaud the Governor and her team for promptly presenting AGIA to the legislature for their consideration.

We believe like others, that AGIA has a chance to bring a gas line to fruition. We also believe that certain changes must be made to make the gas line a reality. I will address some of the important issues as we see them.



If you got it, a truck brought it...

Alaska Trucking Association, Inc.

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- Bid requirements of the bill are far too specific. The better approach may be to set performance specifications or expectations or outcomes and let the bidders address how they will meet those expected outcomes. There may be other ways to reach these mutually beneficial outcomes, and the prescriptive nature of the current bill guarantees we will never hear the alternatives.
- The bill needs clear and objective criteria for evaluating applications. Some recommendations for criteria are:
 - Best financial return to the state,
 - Lowest level of risk of delays due to lawsuits, etc,
 - Highest probability of success,
 - Jobs, instate use of gas, etc.
 - Expansion provisions for adding gas to the line.
- The bill places too much emphasis on mitigating the short-term financial risks incurred by the pipeline builder and too little to address the much longer-term and greater risks of gas shippers. Fiscal certainty is an important issue for those that will be asked to commit to long term firm transportation agreements worth billions of dollars over the life of the agreements.

These are a few of our concerns and I'm sure you will hear from others today as they share their testimony. The Alaska Trucking Association is eager for this project to succeed and stands ready to assist in any way to help make this dream a reality. Thank you for your time.



If you got it, a truck brought it...

- Position on the Alaska Gasline Inducement Act -

HOUSE ~~SENATE~~ Bill ~~177~~ 177

5-May-07

My name is Maynard Tapp and I worked in Alaska since 1972, I am a citizen of Alaska since 1990 and Alaskan in spirit since 1954 when my dad worked for the U.S. Coast Guard in Barrow.

HOW TO DO THE DEAL NOW

1. Take the existing AGIA add what was learned by the legislature in the previous 3 years. I am not suggesting re-visiting the Stranded Gas Act.
2. Pass AGIA
3. Begin Negotiations with Qualified Candidates according to the following:-
 - a. In an open and transparent process, and in line with current AK State Procurement Policies, create a weighted evaluation system that will fairly judge the proposals prior to award that will be available for public scrutiny.
 - b. Require performance bonds from all participants that are willing to spend \$500 million on a Feasibility Study (approx 2% of total estimated cost).
4. Award the \$500 million based on a successful "Open Season"
5. Ask yourselves this question. "Are we better off with an inflexible former governor, or a currently inflexible commissioner?"

Remember, every day we delay the gas line –

- The state of Alaska loses \$4.2 million dollars.
- North Slope production and related state revenues decline at 6% per year.
- Competing projects and technologies around the world are not waiting for Alaska.

Do you want the federal government to take over the project?

State of Alaska Goals are; 1. Bring more oil to market; 2. Bring Gas to Market; and 3. Collect revenues for Alaskans.

CONCLUSION:

BE LEADERS for the sake of Alaska. Make AGIA your own. Pass AGIA. Work the details with the Administration.

Thank-you for the opportunity to speak to your committee.

**ALASKA SUPPORT INDUSTRY ALLIANCE HOUSE FINANCE TESTIMONY
ON HOUSE BILL 177
May 5, 2007**

Thank you, Chairman Chenault & members of the House Finance Committee. I'm Paul Laird, and I'm general manager of the Alaska Support Industry Alliance.

Our member companies provide the goods & services that make Alaska's oil, gas & mining industries possible. Their futures, like the futures of all Alaskans, depend on a North Slope gas project.

This bill, as currently drafted, won't get us one.

Some of you and many of your colleagues in the legislature privately acknowledge that the Alaska Gasline Inducement Act is flawed ... that it's more likely to induce years of disappointments & disputes than a gas line.

You've heard the arguments, you know the problems. I won't belabor them, and for that, you're welcome.

But on behalf of our 400+ members, their 30,000+ Alaska employees and everyone who depends on a strong Alaska economy for the long term, I urge you to fix them now.

Terms of the bill dictate that you may not get a second chance for many years, and by then, it may be too late.

We salute the efforts of some of you to induce compromise between two seemingly immovable forces - a popular governor with a plan that probably won't work and powerful North Slope producers with proposals that appear politically unpalatable.

Yes, we get it.

We salute your efforts to craft a bill that can achieve its objective.

We will support you when you make the tough decisions that will be required if this bill is to succeed.

Thank you.



NORTHWEST TECHNICAL SERVICES

Testimony regarding House Bill 177

May 5, 2007

By

Mary E. Shields, General Manager
Northwest Technical Services

Chairmen Chenault and Meyer, members of the House Finance Committee:

Good afternoon. My name is Mary Shields and I am the General Manager of Northwest Technical Services. We employ over 100 people in Alaska, most of whom work in the oil industry.

As a long time Alaskan (since 1972) and an active participant in many areas of Alaskan life, I appreciate your scrutiny and close examination of the bill as posited by the Governor.

As we are all aware, certainly you more than anyone else, it is the responsibility of the Legislature to foster an investment and development climate that will add value to our state resources and encourage participation in this enormous project. I am concerned that in the Governor's desire to be fair to all, we now have a bid process which does not contain the clear and objective criteria for the evaluation of applications which I would anticipate in any bid process. I am also concerned that providing a \$500 million incentive would encourage those without the financial strength to carry through with a project of this size. Most RFPs (or, in this case an RFA) to which I have responded require that Northwest Technical Services show proof that we have the financial wherewithal to pay our employees and are very specific that any expenses incurred during the course of the bid are not reimbursable. As a prudent business person, I would expect the State of Alaska to make the same requirement – we shouldn't pay any company to bid.

I also have to concur with previous testimony that points out that the State of Alaska has a disastrous record of selecting project winners. The selection of this Licensee needs to follow a formalized, logical objective course. Any subjectivity in selection needs to be eliminated.

We all talk about making sure that we have jobs for our children and grandchildren in the future. They are the ones who will continue to make Alaska prosperous. With the continual decrease in oil production to keep TAPS filled, with the sure loss of positions



NORTHWEST TECHNICAL SERVICES

and dollars to the state's coffers as this happens, it is imperative that we do not fail in getting an acceptable bid process in place – preferably prior to the end of the first half of this legislative session. We've all seen the charts.

I thank you for your time. I know that you want to do what is best for the state of Alaska and for its future generations. I ask that you make certain that HB 177 accomplishes that mission.

Kind regards,

Mary E. Shields
General Manager

My name is Joey Merrick, I'm from Eagle River and I'm also the Business Manager of Laborers' Local 341. We represent over 2100 members in south central Alaska comprised of Pipeline, Building Trades, Heavy and Highway workers. Thank you for working through the weekend to allow public testimony on HB 177.

We want to be sure that we are on record in support of a gas project as it is vital to Alaska's Economy. We appreciate the Administrations and the Legislators efforts to bring our gas to market and to put Alaskan's to work.

I appreciate the time the legislators are putting in on this very important Bill. Thanks for taking the time to meet with me over the last couple of days in Juneau as I know how busy you are at this time of the session. I hope I was able to show those of you who met with me that the only way to guarantee that Alaskans get to work first is through a project labor agreement.

There are many aspects of AGIA, but the issue that is the most important for the people that I represent, is putting the Alaskan people to work.

The best way to do that is with a Project Labor Agreement. It is a way that you can guarantee that Alaskan workers will be dispatched through Alaskan Hiring Halls and Alaskan Apprentices will be afforded opportunities to learn their craft and to keep their wages and benefits in Alaska to help maintain the economy.

Only through a Project Labor Agreement can we make sure that Alaska Native Hire will take place and we can help the growing unemployment rates in the Rural Villages.

We would encourage you to make sure that a Project Labor Agreement will stay in the AGIA to be sure that the Alaska Workers are able to take advantage of the Biggest Project in the states history and that Alaskans can help develop our gas.

Thank you for allowing me to speak on behalf of the Laborers Local 341 on HB177 and once again thank you for the work you are doing to bring our gas to market.

Joey Merrick

5-5-07

Page 1 of 1

NOTES 4-30-07 AGIA TESTIMONY for the Record

TO: Governor, Attorney General, Legislature, and the Citizens of Alaska

FROM: Paul D. Kendall -- 907-222-7882

REF: ALASKAS FUTURE - 8 Point Plan

I really think we need to outline an immediate business plan for a vision for Alaskas future...

I FIRMLY BELIEVE THAT ALL OF THE PROJECTS LISTED BELOW NEED TO BEGIN RIGHT AWAY WITH ALL DO HASTE !

PROJECTS TO UNDERTAKE: at the same time

1. Canadian Gas Line Project
2. Alaskan / American Sovereign Line to Valdez for Export and Alaskan economic infrastructure
3. Single Family Home and Residential "Energy Bill of Rights" (4 areas)
4. Village and Community Hydrogen Gas Fuel Conversion, Production and Implementation—One project per Major City area- + =# of lone villages
5. ANWAR Opening for the Purpose of Hydrogen Production, Storage, R & D for Alaska and for National Security Purposes..
6. The locating, relocating, and facilitating the legislature to full time to the Anchorage area for 9 months of the year -
Salary for full time representatives—
Extending all elected positions to min 4 years of service in office,
A 24 / 7 Alaska channel + use it as a political campaign channel
7. Very large Renewable Energy Applications Plan (no Fossil Fuels)
8. Permanent Fund Review - into land and new world energy technologies

If you tease, detail, grow, and initiate the above projects out;
Expand by subdividing into needs of each of the above projects
you will see a tremendous potential future.... HUGE !

But; Are we able to handle all of these at the same time ??

I want to be our HYDROGEN MANAGER / COMMISSIONER !! Please!

IN CLOSING __ Paul D. Kendall ---- 907-222-7882

-----END-----date 4-30-07-----

5-3-07

TO: Govenor, Atty Gen, Legislature and the people of Alaska

FROM: Paul D. Kendall

4 907-222-7882

AGIA NOTES::TESTIMONY

8 Yesterday, or rather early this am i sent you all an email titled Historical moments".. containing suggestions!
Just some filler—

12 The 3BNPs (3 big non-producers) have organized (those big downtown buildings ar full of staff) and you need to also, if you have to create new committees to take testimony on other things that i think are relevant to AGIA – which i know you probably dissagree..

16

Look, you have gotten into something that is going to require your full time to do right – and this is worth a lot of \$\$ and history

20 Look – ENERGY HAS BECOME HUGE--it is one of the four elements necessary for us to live as a viable society—sorry history tagged you guys to lead us to our new society; But if you want to quit; call me, i will take your place ! ha ha,

24

HEARINGS ON:

28 -Energy "Bill of Rights for Single Family home owners"

-Steel producers,

-California and western coastal states energy needs,

-Hydro-carbons definition,

32 -well head gas price \$3.56 p/mcf definitions,

-Oilfield leases in reference to taking out gas by us Alaskans now!,

-Oilfield leases in references to changing all leases now for future use.,

-Hydrogen Gas in all fields,

36 -ANWAR opening for hydrogen gas development,

-What are Hydrates –HUGE Discovery ?

-Gas Treatment Plant,

-Refinery,

40 -Ships shipping LNG,

-What is BTU & JULES,

-How Plastics and Hdrogen are made from natural gas in a refinery,

-What is coal gasification?

44 -Power Line Transmision developers

-What is happening in DUBAI, QATAR, SAUDIA ARABIA,

-Why is Saudla Arabia saying they will supply 25 % of worlds need for -

Hydrogen?,

- 48 -Meet the End users of Gas-big boys, industrial, states cities utilities
- Permanent Fund direction of investment
- Rail road bonding capacity 18 billion dollars
- 52 -What role, use, % of energy -- the Single family home plays in using -gas, electric, water, gasoline -

-----24-----
 TOTAL to date = _____ PRIORITY of Hearings _____

56



60

Please consider the following:

- 64 1. Need to see a discussion and understanding of how \$3.56 per MCF at the well head is figured...
- 68 2. HYDRO-CARBONS—What specifically are they ?
Where do they come from (oil and gas only)
How do they interact? What do they make?
how big are they to each other?
- 72 3.***** Should we consider taxing by the Molecules ? BTUs ? or Jules ?
?? and or Carbon releases ? I am serious about learning on this *****
- 76 4....Please stop using the term F.T. ! Its use should be for inside traders only!
You must use the description it represents -- even if its over and over again --- F.T. disconnects the viewing public because its too big of a term to be attached to F.T. use....the 3NPs know that too...
- 80 5. Someone was just telling me that the 3BNPs were shipping gas all along with the oil and were generating other revenues outside the agreed to terms and they were under suit for perhaps a lot of money for doing so—we had better look at the gas processing, or treatment plant or direct outputs closely to see if gas was stripped of something of value ?

84

Thank You,

88

Respectfully and Sincerely,

Paul D. Kendall
907-222-7882

-----END-----

Historical moments 5-2-07
 AGIA TESTIMONY
 Paul D. Kendall

6 5-2-07

Ladies and Gentlemen,

I have been very busy as a citizen-- but now, off work and ready to help in any way i can..
 If you all were here.. We could cut your lawn for you, or go fer you lunch or donate some money
 12 to you so you could "stay in the frey" and so on - so to speak..

Look, I (and i really think WE) see what is going on! Its a coordinated squeeze from two or more
 fronts or flanks and directions..

If I may talk openly; They have you sequestered in Juneau; Isolated and unaccessable to the
 rest of us, away from your homes, where your families rest, rewind, reconstruct, and support
 18 each other ..

Maybe i am wrong about being sequestered in Juneau; But i don't think so. History reflects that
 Shangrila can be a cell, compound or prison also..

Every Major Event in History shows or tells of Equal amounts of courage or strength that
 have to be willed up to equal an unjust act or event....

24 By now, you must see, they have mustered their people/staffs/consultants/lobbyist, associaes,
 connections and insiders!

(and there is always insiders-that is why you are in the public and have to stay there; it is
 your safety and foundation)

30 THEY HAVE A PLAN--I THEY ARE SERIOUS ABOUT WHATEVER IT IS THEY ARE DOING!
 YOU MUST PREPARE EQUALLY--

Look, find a calm place and reflect; You will see the NON-Producers (Burkes' Term) have a
 game plan. Its coordinated, Methodical, Rehersed, Discussed, Its been role-played...And;
 Its too good not to be!

36 1. They have captured equal camera and public time; This is being coordinated

2. By them occupying space and time -- Then they win because no one else can fill that space
 with enlightening or unexpected testimony - or you guys can't rest --

(Some times you lose but win by occupying the lime,space, or presence which could be
 something unplanned for. Its usually a weighted judgement call)

42 3.They have confused the possible competition in several ways; "You seek to create uncertainty
 amongst your bidders" Conoco Phillips 5-7 07

48 4. Their determination to keep you without clear insight or indications as to what to do is
 because they continue to lure you with greed, fear, worry, uncertainty,; They are in
 essence trying to force you to "collapse in on yourselves"!

5.

We all send each other signals in many and rapid ways. Little conveyances via facial, body,
 sounds, looks that tell the other its ok, i am with you on this,etc. or, i am uncertain. These signals
 are usually verybrief, honest,clear, well meant and subtle in nature.

54

But when you have some one who is willing to wedge in between those fundamental moments of conveyances we give teach other --so as to-- mimic those signals but not be sincere; It is such a fundamental betrayal of our subtle, minimal values of unexpressed and unquestioned honest signaling;

60

That it is very difficult to see! -

THAT is why they always start out with the " WE REALLY WANT THIS-- BIG MONEY ---They are lying or at least not being open and partnering with you as us the people..

66

It is sir and Mams very, very concerning. It is such a betrayal of such minimal fundamental values we give to each other.. This is not a good sign.

if a car or life insurance man came to your door and tried to sell you a policy and acted this way you would ask him and his associate to leave with him..ya know?

72

And you know why you would do this? Because there is no FATIGUE, GREED or FEAR involved in your decision reasoning

6... They will, if not are now, trying to divide you one at a time ..

78

I cannot convey to you in strong enough terms; I am not sure what the producers are up to; Until you find out you must be prepared to make history at your will; That means in my opinion you must do the following with the Governor participation

1.....Go meet and talk it out.. -DECLARATION OF

" A STATE OF UNUSUAL AFFAIRS"

84

2.....Place yourselves into a temporary salaried status,

3.....Place yourselves into an ongoing state of

" CONTINUOUS IN SESSION- YEAR ROUND"

with needs for "vacation or temporary cessation of business"

90

4...establish an ending date for the SESSION IN JUNEAU AND
"RECONVENING IN ANCHORAGE AND/OR FAIRBANKS"

5.....Maintain AGIA schedual of needs as per Governor and Team

96

6..... Do not get spooked! These are simply times of an unusual "state of affairs"

Get a little R&R with your families while your special assignment team sets up your next hearing, cams, and location, etc.!

Important- you do not task your Juneau team or critical mass team that is taking care of everyday business—you can backwash with disruption and workloads if not careful.

102

7.....Quit calling all the NON producers' buddies and associates (FERC- DOE- PUC)

And no more telephone interviews !

Those are just stupid on stupid -- you lose and we lose -- Ya gotta see a mans eyes and face... You do not want to lose your citizens feeling included in this process.

108 8.You cannot let the non producers drive you! (isolated, detached from family, travel, fatigue, scheduling, you are being uploaded and down loaded at a hell of a clip here. etc.) the non producers will disassemble you if you let them – you and we all have limitations...Get with the Gov..

114 9.....Calm, Self Esteem, Relaxed, Patient, Rename and Review "Our Alaskan /American Gas line"--- Talk to California,, Look at WELL HEAD PRICING (the well head pricing I think will make them nervous) DO A HYDROGEN BREAK-FUN LEARN HOW ABOUT A BIG STEEL MANUFACTURER- --NPs probably own them too.

10. I strongly suggest you do not allow any more meetings ON OR OFF CAMERA, OFFICIAL OR UNOFFICIAL with the NON PRODUCERS UNTIL FURTHER NOTICE ! (perhaps, ?? only secure runners)

120 The NON producers will look to use your request from you "to get back to them in writing" to come back into the picture ! Do not allow this – they will press the issue and entise you with going to give you something-- bullshit .

They can send it over with runner or on secure line. "You people need a little off the burner time".

126 If I read this right, the non – producers must maintain the full court press and that has certain needs to work – They cannot back off now that the full court press is building !!

You must not allow them to do public cameras again—Unless they are sworn in by a judge and prepared to give official dialogue –

132 This meandering , evasive, wiggling, wavering, crippled, tortured, twisted, convuluted, knotted, wrinkled, greed titilated, condescending, anti-american, anti-alaskan, cowardly, kaniving, kind bullying, Enron dialogue, of non answered and high school chess like crap is over..

138 Sometimes in life you have to accept the lot you got or life gives ya; and if it's a battle they want, well, -- If the NPs don't straighten up we gonna send our governor on every commercial and talk shows all across AMERICA—Yea, that should scare the hell out of em...eh humor.. But, I'll bet she could do it!

Sorry about the long letter:—I know your busy—Come on, We love big crap!

Inspire us your pepople! This is Alaska!

The *3NPs are all Texans. (Aren't they?)

144 Do the declaration, money, session and meets thing! Nobody corners or surrounds ya dudes – It's a serrengetti thing!

Paul D. Kendall

907-222-7882

150 * 3NPs – Check it out ! the "3 Non Producers" Is that neat or what ? Yea, see I just invented – well, me and Eddy Burke; He made up the Non Producers,, I just fashioned it I guess !

-----END-----5-2-07-----



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RE: House Finance Committee Testimony (HB 177) May 5, 2007

Good afternoon Chairmen Chenault and Meyer, Co-Chair Stoltze and other esteemed and distinguished members of the House Finance Committee. My name is Lynn Johnson and as most of you know, I am the President and co-founder of Dowland-Bach Corporation and a past President of the Alaska Support Industry Alliance. First of all, I would like to thank you all for all of your diligent and thoughtful work to date on AGIA and HB 177. I suspect that you all have had numerous visits, e-mails and phone calls recently on this subject. The reason for all of this fuss is that Alaska needs to get going on a gas project now, not later. It appears to me that we are now farther away than ever from passing any legislation enabling construction of our natural gas pipeline to the lower 48. The three major players now say that they are not even going to bother to submit a bid and apply for a state license to build the North Slope gas pipeline. Without their participation, the probability of Alaska ever getting a gas pipeline is close to zero. We were much closer to a pipeline twelve months ago and it seems to be getting worse by the day.

As a businessman doing business with the producers, I obviously have empathy for their position, but this anti-big oil rhetoric has got to stop. Taxes on the oil portion of their current business provide 88% of our current state revenue and have done so for years, and this is how we treat them?? We need to make key changes to this bill prior to passage, including ones that include eliminating exclusivity and replacing prescriptive mandates with objectives.

In summary, if businesses such as mine are going survive, we all need to encourage the building of a gas pipeline in the near term by those capable of doing it. AGIA may well be the last chance at having this construction actually take place, and if we fiddle around for another five or six years, some other gas from another basin is going to fill the need in the Mid-West and Alaska gas will no longer be in such high demand. Let's fix AGIA and then pass it by ensuring that it addresses the needs of Alaskans, of the developer and transporter and of North Slope producers and shippers. It's Time. Thanks



LYNN C. JOHNSON
PRESIDENT

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Testimony regarding House Bill 177

May 5, 2007

By

Kelly Patrick, Alaska State Resident

Co-Chairmen Chenault and Meyer's, members of the House Finance Committee:

Good afternoon, my name is Kelly Patrick. As a long time Alaskan and an active participant in the community and public affairs, I appreciate your scrutiny and close examination of the bill as drafted by the Governor.

Oil revenue currently accounts for 90 percent of the states budget. Alaska North Slope oil production is decreasing and will continue to do so with the States budget situation becoming critical well before 2016. Certainly the House more than anyone understands the need to move swiftly and decisively towards replacing our oil based economy with a more diversified economy based on natural gas.

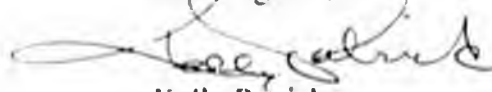
I am concerned that in the Governor's desire to be fair to all, we now have a bid process that does not contain the clear and objective criteria for the evaluation of applications that I would anticipate in any bid process. I am also concerned that providing a \$500 million incentive would encourage those without the financial strength to carry through with a project of this size. Most RFPs (or, in this case an RFA) that the normal business community contractors respond to have to show proof they have the financial wherewithal to pay their employees and are very specific that any expenses incurred during the course of the bid are not reimbursable. As a prudent business person, I would expect the State of Alaska to make the same requirement.

I also have to concur with previous testimony that points out that the State of Alaska needs to improve their internal processes in selecting project winners in an effort to reach a more productive and beneficial outcome for the people of the State of Alaska. The selection of this Licensee needs to follow a formalized, logical objective course. Any subjectivity in selection needs to be eliminated.

We all talk about making sure that we have future jobs for our children and grandchildren, as they are the ones who will continue to make Alaska prosperous. With the continual decrease in oil production to keep TAPS filled, it is imperative that we do not fail in getting an acceptable bid process in place preferably prior to the end of the first half of this legislative session.

I thank you for your time. I know that you want to do what is best for the State of Alaska and for its future generations. I ask that you make certain that HB 177 accomplishes that mission.

Kind regards,



Kelly Patrick



UDELHOVEN

Oilfield System Services, Incorporated

184 East 53rd Avenue
Anchorage, Alaska 99518-1222
(907) 344-1577 Fax (907) 522-2541

Mr. Chairman, members of the committee.

Thank you for the opportunity to testify on the AGIA Bill. My name is Jim Gilbert, and I'm President and testifying on behalf of my company, Udelhoven Oilfield System Services.

Our 400-plus employees provide technical expertise to the oil and gas industry in Alaska, the Gulf of Mexico, Tbilisi, Georgia and Bohai Bay, China.

First and foremost, we want a gas project ... sooner rather than later, and with the greatest long-term benefits for the State of Alaska, Alaskan workers, Alaskan businesses and all Alaskans. North Slope gas commercialization holds the key to Alaska's future.

We understand the importance and urgency of transforming our gas potential into a gas project. The opportunity to market our gas won't last indefinitely, and there's a very real risk of losing it altogether if we don't act quickly.

Agia needs fixing, listen to the producers and follow their lead

Both the state and shippers need to be involved in and have oversight of a project execution plan that provides the greatest netbacks at the wellhead. A third-party pipeline builder with no production interests will have no incentive to reduce costs and no ability to "guarantee" the tariff in advance.

The Alaska Gasline Inducement Act may be our last and best chance to make a North Slope gas project a reality, but only if it's fixed before it's passed. In order to succeed, the bill must acknowledge the interests of Alaskans, and of North Slope producers and shippers.

Thank you

Jim Gilbert
184 E. 53rd Ave
Anchorage, AK.

Alaska Trucking Association, Inc.

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946
www.aktrucks.org

Aves Thompson, Executive Director
Alaska Trucking Association
House Finance Testimony, HB177
Saturday, May 5, 2007

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- Bid requirements of the bill are far too specific. The better approach may be to set performance specifications or expectations or outcomes and let the bidders address how they will meet those expected outcomes. There may be other ways to reach these mutually beneficial outcomes, and the prescriptive nature of the current bill guarantees we will never hear the alternatives.
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These are a few of our concerns and I'm sure you will hear from others today as they share their testimony. The Alaska Trucking Association is eager for this project to succeed and stands ready to assist in any way to help make this dream a reality. Thank you for your time.



If you got it, a truck brought it...

- Position on the Alaska Gasline Inducement Act -

HOUSE ~~Senate~~ Bill ~~177~~ 177

5-May-07

My name is Maynard Tapp and I worked in Alaska since 1972, I am a citizen of Alaska since 1990 and Alaskan in spirit since 1954 when my dad worked for the U.S. Coast Guard in Barrow.

HOW TO DO THE DEAL NOW

1. Take the existing AGIA add what was learned by the legislature in the previous 3 years. I am not suggesting re-visiting the Stranded Gas Act.
2. Pass AGIA
3. Begin Negotiations with Qualified Candidates according to the following:-
 - a. In an open and transparent process, and in line with current AK State Procurement Policies, create a weighted evaluation system that will fairly judge the proposals prior to award that will be available for public scrutiny.
 - b. Require performance bonds from all participants that are willing to spend \$500 million on a Feasibility Study (approx 2% of total estimated cost).
4. Award the \$500 million based on a successful "Open Season"
5. Ask yourselves this question. "Are we better off with an inflexible former governor, or a currently inflexible commissioner?"

Remember, every day we delay the gas line –

- The state of Alaska loses \$4.2 million dollars.
- North Slope production and related state revenues decline at 6% per year.
- Competing projects and technologies around the world are not waiting for Alaska.

Do you want the federal government to take over the project?

State of Alaska Goals are; 1. Bring more oil to market; 2. Bring Gas to Market; and 3. Collect revenues for Alaskans.

CONCLUSION:

BE LEADERS for the sake of Alaska. Make AGIA your own. Pass AGIA. Work the details with the Administration.

Thank-you for the opportunity to speak to your committee.

ALASKA SUPPORT INDUSTRY ALLIANCE HOUSE FINANCE TESTIMONY
ON HOUSE BILL 177

May 5, 2007

Thank you, Chairman Chenault & members of the House Finance Committee. I'm Paul Laird, and I'm general manager of the Alaska Support Industry Alliance.

Our member companies provide the goods & services that make Alaska's oil, gas & mining industries possible. Their futures, like the futures of all Alaskans, depend on a North Slope gas project.

This bill, as currently drafted, won't get us one.

Some of you and many of your colleagues in the legislature privately acknowledge that the Alaska Gasline Inducement Act is flawed ... that it's more likely to induce years of disappointments & disputes than a gas line.

You've heard the arguments, you know the problems. I won't belabor them, and for that, you're welcome.

But on behalf of our 400+ members, their 30,000+ Alaska employees and everyone who depends on a strong Alaska economy for the long term, I urge you to fix them now.

Terms of the bill dictate that you may not get a second chance for many years, and by then, it may be too late.

We salute the efforts of some of you to induce compromise between two seemingly immovable forces - a popular governor with a plan that probably won't work and powerful North Slope producers with proposals that appear politically unpalatable.

Yes, we get it.

We salute your efforts to craft a bill that can achieve its objective.

We will support you when you make the tough decisions that will be required if this bill is to succeed.

Thank you.



NORTHWEST TECHNICAL SERVICES

Testimony regarding House Bill 177

May 5, 2007

By

Mary E. Shields, General Manager
Northwest Technical Services

Chairmen Chenault and Meyer, members of the House Finance Committee:

Good afternoon. My name is Mary Shields and I am the General Manager of Northwest Technical Services. We employ over 100 people in Alaska, most of whom work in the oil industry.

As a long time Alaskan (since 1972) and an active participant in many areas of Alaskan life, I appreciate your scrutiny and close examination of the bill as posited by the Governor.

As we are all aware, certainly you more than anyone else, it is the responsibility of the Legislature to foster an investment and development climate that will add value to our state resources and encourage participation in this enormous project. I am concerned that in the Governor's desire to be fair to all, we now have a bid process which does not contain the clear and objective criteria for the evaluation of applications which I would anticipate in any bid process. I am also concerned that providing a \$500 million incentive would encourage those without the financial strength to carry through with a project of this size. Most RFPs (or, in this case an RFA) to which I have responded require that Northwest Technical Services show proof that we have the financial wherewithal to pay our employees and are very specific that any expenses incurred during the course of the bid are not reimbursable. As a prudent business person, I would expect the State of Alaska to make the same requirement – we shouldn't pay any company to bid.

I also have to concur with previous testimony that points out that the State of Alaska has a disastrous record of selecting project winners. The selection of this Licensee needs to follow a formalized, logical objective course. Any subjectivity in selection needs to be eliminated.

We all talk about making sure that we have jobs for our children and grandchildren in the future. They are the ones who will continue to make Alaska prosperous. With the continual decrease in oil production to keep TAPS filled, with the sure loss of positions



NORTHWEST TECHNICAL SERVICES

and dollars to the state's coffers as this happens, it is imperative that we do not fail in getting an acceptable bid process in place – preferably prior to the end of the first half of this legislative session. We've all seen the charts.

I thank you for your time. I know that you want to do what is best for the state of Alaska and for its future generations. I ask that you make certain that HB 177 accomplishes that mission.

Kind regards,

Mary E. Shields
General Manager

My name is Joey Merrick, I'm from Eagle River and I'm also the Business Manager of Laborers' Local 341. We represent over 2100 members in south central Alaska comprised of Pipeline, Building Trades, Heavy and Highway workers. Thank you for working through the weekend to allow public testimony on HB 177.

We want to be sure that we are on record in support of a gas project as it is vital to Alaska's Economy. We appreciate the Administrations and the Legislators efforts to bring our gas to market and to put Alaskan's to work.

I appreciate the time the legislators are putting in on this very important Bill. Thanks for taking the time to meet with me over the last couple of days in Juneau as I know how busy you are at this time of the session. I hope I was able to show those of you who met with me that the only way to guarantee that Alaskans get to work first is through a project labor agreement.

There are many aspects of AGIA, but the issue that is the most important for the people that I represent, is putting the Alaskan people to work.

The best way to do that is with a Project Labor Agreement. It is a way that you can guarantee that Alaskan workers will be dispatched through Alaskan Hiring Halls and Alaskan Apprentices will be afforded opportunities to learn their craft and to keep their wages and benefits in Alaska to help maintain the economy.

Only through a Project Labor Agreement can we make sure that Alaska Native Hire will take place and we can help the growing unemployment rates in the Rural Villages.

We would encourage you to make sure that a Project Labor Agreement will stay in the AGIA to be sure that the Alaska Workers are able to take advantage of the Biggest Project in the states history and that Alaskans can help develop our gas.

Thank you for allowing me to speak on behalf of the Laborers Local 341 on HB177 and once again thank you for the work you are doing to bring our gas to market.

a. j. Merrick

5-5-07

NOTES 4-30-07 AGIA TESTIMONY for the Record

TO: Governor, Attorney General, Legislature, and the Citizens of Alaska

FROM: Paul D. Kendall -- 907-222-7882

REF: ALASKAS FUTURE – 8 Point Plan

I really think we need to outline an immediate business plan for a vision for Alaskas future...

I FIRMLY BELIEVE THAT ALL OF THE PROJECTS LISTED BELOW NEED TO BEGIN RIGHT AWAY WITH ALL DO HASTE !

PROJECTS TO UNDERTAKE: at the same time

1. Canadian Gas Line Project
2. Alaskan / American Sovereign Line to Valdez for Export and Alaskan economic infrastructure
3. Single Family Home and Residential "Energy Bill of Rights" (4 areas)
4. Village and Community Hydrogen Gas Fuel Conversion, Production and Implementation—One project per Major City area- + =# of lone villages
5. ANWAR Opening for the Purpose of Hydrogen Production, Storage, R & D for Alaska and for National Security Purposes..
6. The locating, relocating, and facilitating the legislature to full time to the Anchorage area for 9 months of the year – Salary for full time representatives— Extending all elected positions to min 4 years of service in office, A 24 / 7 Alaska channel + use it as a political campaign channel
7. Very large Renewable Energy Applications Plan (no Fossil Fuels)
8. Permanent Fund Review – into land and new world energy technologies

If you tease, detail, grow, and initiate the above projects out; Expand by subdividing into needs of each of the above projects you will see a tremendous potential future.... HUGE !

But; Are we able to handle all of these at the same time ??

I want to be our HYDROGEN MANAGER / COMMISSIONER !! Please!

IN CLOSING__ Paul D. Kendall ---- 907-222-7882

-----END-----date 4-30-07-----

5-3-07

TO: Governor, Atty Gen, Legislature and the people of Alaska

FROM: Paul D. Kendall

4 907-222-7882

AGIA NOTES::TESTIMONY

8 Yesterday, or rather early this am i sent you all an email titled Historical moments".. containing suggestions!
Just some filler—

12 The 3BNPs (3 big non-producers) have organized (those big downtown buildings ar full of staff) and you need to also, if you have to create new committees to take testimony on other things that i think are relevant to AGIA – which i know you probably disagree..

16

Look, you have gotten into something that is going to require your full time to do right – and this is worth a lot of \$\$ and history

20 Look – ENERGY HAS BECOME HUGE—it is one of the four elements necessary for us to live as a viable society—sorry history tagged you guys to lead us to our new society; But if you want to quit; call me, i will take your place ! ha ha,

24

HEARINGS ON:

- 28 -Energy "Bill of Rights for Single Family home owners"
-Steel producers,
-California and western coastal states energy needs,
-Hydro-carbons definition,
- 32 -well head gas price \$3.56 p/mcf definitions,
-Oilfield leases in reference to taking out gas by us Alaskans now!,
-Oilfield leases in references to changing all leases now for future use.,
-Hydrogen Gas in all fields,
- 36 -ANWAR opening for hydrogen gas development,
-What are Hydrates –HUGE Discovery ?
-Gas Treatment Plant,
-Refinery,
- 40 -Ships shipping LNG,
-What is BTU & JULES,
-How Plastics and Hdrogen are made from natural gas in a refinery,
-What is coal gasification?
- 44 -Power Line Transmission developers
-What is happening in DUBAI, QATAR, SAUDIA ARABIA,
-Why is Saudia Arabia saying they will supply 25 % of worlds need for -

Historical moments 5-2-07
AGIA TESTIMONY
Paul D. Kendall

6 5-2-07

Ladies and Gentlemen,

I have been very busy as a citizen-- but now, off work and ready to help in any way i can..
12 If you all were here.. We could cut your lawn for you, or go fer you lunch or donate some money to you so you could "stay in the frey" and so on - so to speak...

Look, I (and i really think WE) see what is going on! Its a coordinated squeeze from two or more fronts or flanks and directions..

18 If I may talk openly, They have you sequestered in Juneau; Isolated and unnaccessable to the rest of us, away from your homes, where your families rest, rewind, reconstruct, and support each other...

Maybe i am wrong about being sequestered in Juneau; But i don't think so. History reflects that Shangrila can be a cell, compound or prison also..

Every Major Event in History shows or tells of Equal amounts of courage or strength that have to be willed up to equal an unjust act or event ...

24 By now, you must see, they have mustered their people/staffs/consultants/lobbyist, associates, connections and insiders!

(and there is always insiders-that is why you are in the public and have to stay there, it is your safety and foundation)

30 THEY HAVE A PLAN--! THEY ARE SERIOUS ABOUT WHATEVER IT IS THEY ARE DOING!
YOU MUST PREPARE EQUALLY—

Look, find a calm place and reflect; You will see the NON-Producers (Burkes' Term) have a game plan. Its coordinated, Methodical, Rehersed, Discussed, Its been role-played.. And,

Its too good not to be!

36 1 They have captured equal camr _ and public time: This is being coordinated

2 By them occupying space and time -- Then they win because no one else can fill that space with enlightening or unexpected testimony - or you guys can't rest -

(Some times you lose but win by occupying the time,space, or presence which could be something unplanned for. Its usually a weighted judgement call)

42 3 They have confused the possible competition in several ways, "You seek to create uncertainty amongst your bidders" Conoco Phillips 5-2-07

48 4 Their determination to keep you without clear insight or indications as to what to do is because they continue to lure you with greed, fear, worry, uncertainty,. They are in essence trying to force you to "collapse in on yourselves"!

5.

We all send each other signals in many and rapid ways Little conveyances via facial, body, sounds, looks that tell the other its ok, i am with you on this,etc. or, i am uncertain . These signals are usually verybrief, honest,clear, well meant and subtle in nature

54

But when you have some one who is willing to wedge in between those fundamental moments of conveyances we give teach other –so as to-- mimic those signals but not be sincere; It is such a fundamental betrayal of our subtle, minimal values of unexpressed and unquestioned honest signaling;

60

That it is very difficult to see! –

THAT is why they always start out with the " WE REALLY WANT THIS-- BIG MONEY ----They are lying or at least not being open and partnering with you as us the people..

66

It is sir and Mams very, very concerning. It is such a betrayal of such minimal fundamental values we give to each other.. This is not a good sign.

if a car or life insurance man came to your door and tried to sell you a policy and acted this way you would ask him and his associate to leave with him..ya know?

72

And you know why you would do this? Because there is no FATIGUE, GREED or FEAR involved in your decision reasoning

6...They will, if not are now, trying to divide you one at a time..

I cannot convey to you in strong enough terms; I am not sure what the producers are up to; Until you find out you must be prepared to make history at your will; That means in my opinion you must do the following with the Governor participation

78

1.....Go meet and talk it out.. –DECLARATION OF

“ A STATE OF UNUSUAL AFFAIRS”

84

2.....Place yourselves into a temporary salaried status.

3.....Place yourselves into an ongoing state of
“ CONTINUOUS IN SESSION- YEAR ROUND”
with needs for “vacation or temporary cessation of business”

90

4 ..establish an ending date for the SESSION IN JUNEAU AND
“RECONVENING IN ANCHORAGE AND/OR FAIRBANKS”

5.....Maintain AGIA schedual of needs as per Govenor and Team

6..... Do not get spooked! These are simply times of an unusual “state of affairs”

96

Get a little R&R with your families while your special assignment team sets up your next hearing, cams, and location, etc.!

Important- you do not task your Juneau team or critical mass team that is taking care of everyday business—you can backwash with disruption and workloads if not careful.

102

7.....Quit calling all the NON producers’ buddies and associates (FERC- DOE- PUC)
And no more telephone interviews !

Those are just stupid on stupid – you lose and we lose – Ya gotta see a mans eyes and face... You do not want to lose your citizens feeling included in this process.

108 8. ...You cannot let the non producers drive you! (isolated, detached from family, travel, fatigue, scheduling, you are being uploaded and down loaded at a hell of a clip here, etc.) the non producers will disassemble you if you let them – you and we all have limitations...Get with the Gov..

114 9.....Calm, Self Esteem, Relaxed, Patient, Rename and Review "Our Alaskan /American Gas line"--- Talk to California,, Look at WELL HEAD PRICING (the well head pricing I think will make them nervous) DO A HYDROGEN BREAK-FUN LEARN HOW ABOUT A BIG STEEL MANUFACTURER- --NPs probably own them too.

10. I strongly suggest you do not allow any more meetings ON OR OFF CAMERA, OFFICIAL OR UNOFFICIAL with the NON PRODUCERS UNTIL FURTHER NOTICE ! (perhaps, ?? only secure runners)

120 The NON producers will look to use your request from you "to get back to them in writing" to come back into the picture ! Do not allow this – they will press the issue and entise you with going to give you something-- bullshit .

They can send it over with runner or on secure line. "You people need a little off the burner time".

126 If I read this right, the non – prod icers must maintain the full court press and that has certain needs to work – They cannot back off now that the full court press is building !!

You must not allow them to do public cameras again—Unless they are sworn in by a judge and prepared to give official dialogue –

132 This meandering , evasive, wiggling, wavering, crippled, tortured, twisted, convoluted, knotted, wrinkled, greed titilated, condescending, anti-american, anti-alaskan, cowardly, kaniving, kind bullying, Enron dialogue, of non answered and high school chess like crap is over..

138 Sometimes in life you have to accept the lot you got or life gives ya; and if it's a battle they want, well, -- If the NPs don't straighten up we gonna send our governor on every commercial and talk shows all across AMERICA—Yea, that should scare the hell out of em...eh humor.. But, I'll bet she could do it!

Sorry about the long letter—I know your busy—Come on, We love big crap!

Inspire us your pepople! This is Alaska!

The *3NPs are all Texans, (Aren't they?)

144 Do the declaration, money, session and meets thing! Nobody corners or surrounds ya dudes – It's a serrengetti thing!

Paul D. Kendall
907-222-7882

* 3NPs – Check it out ! the "3 Non Producers" Is that neat or what ? Yea, see I just invented – well, me and Eddy Burke: He made up the Non Producers..

150 I just fashioned it I guess !

-----END-----5-2-07-----



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House Finance
 Committee on #177 AGIA Committee Name
Dated 5-5-07
 Bill / Subject

TCC Resolution, copy attached.

SIGNED: James Woods
 Testifier
ADANA Chiefs Conference
 Representing
122 First Ave., Fbks., AK 99701
 Address / Phone Number

Tanana Chiefs Conference AGIA Project Labor Agreement Resolution

- Whereas; Tanana Chiefs Conference represents forty two sovereign Alaska Native Tribes whose tribal lands include the majority of right of way for any and all of the proposed southern route gas line projects being presently considered, and
- Whereas, Tanana Chiefs Conference represents a large potential workforce of underutilized tribal members, both male and female, skilled and non-skilled, and
- Whereas, Tanana Chiefs Conference has a sincere desire to build the capacity and skill levels of that workforce to help address village infrastructure construction projects and bring increased economic opportunity to its tribal members both now, and in the future, and
- Whereas, Tanana Chiefs Conference and some of its sub-regions and tribes have negotiated project, tribal and other collective bargaining agreements with some of the construction unions, mainly with the Laborers Union and Operating Engineers, with very positive outcomes, and
- Whereas, As a result, Tanana Chiefs Conference has seen a marked increase in participation by its tribal members with regards to job opportunities, training programs and apprenticeship programs along with pension plan participation and medical plan participation above and beyond IHS coverage, and
- Whereas, Tanana Chiefs Conference is fully supportive of Alaska Native hire and Alaska Local hire on whatever gasline project is finally decided upon, and
- Whereas, Tanana Chiefs Conference members supports construction project agreements that along with skills training, pension plans, and medical plans will deliver enforceable Alaska Native, and local, hire language for the construction of whatever gasline project is decided upon, and
- Whereas, Tanana Chiefs Conference does not want to repeat what happened during the Trans Alaska Pipeline System Project regarding Alaska Native preference opportunities by not being a part of a comprehensive Project Labor Agreement at the project's inception, and
- Whereas, Governor Palin's AGIA bill calls for a negotiated Project Labor Agreement for whatever gasline project is finally decided upon, and
- Whereas, Tanana Chiefs Conference has recognized that in light of applicable case law, the best vehicle to define real Alaska residency and real Alaskan Native status to ensure

preference and participation for its tribal members on any proposed gasline project is through a Project Labor Agreement,

Therefore Be It Resolved;

That the Tanana Chiefs Conference supports the Governor Sarah Palin's AGIA plan amendments as long as there is a Project Labor Agreement that contains as one of its tenants, enforceable project participation preference for qualified Alaska Native peoples in numbers and percentages that are generally reflective of the population demographics of the State of Alaska at the time the project begins.

May 4 2007



House Finance Committee

May 3, 2007

AGPA Project Description



Gas Conditioning Plant in Prudhoe Bay

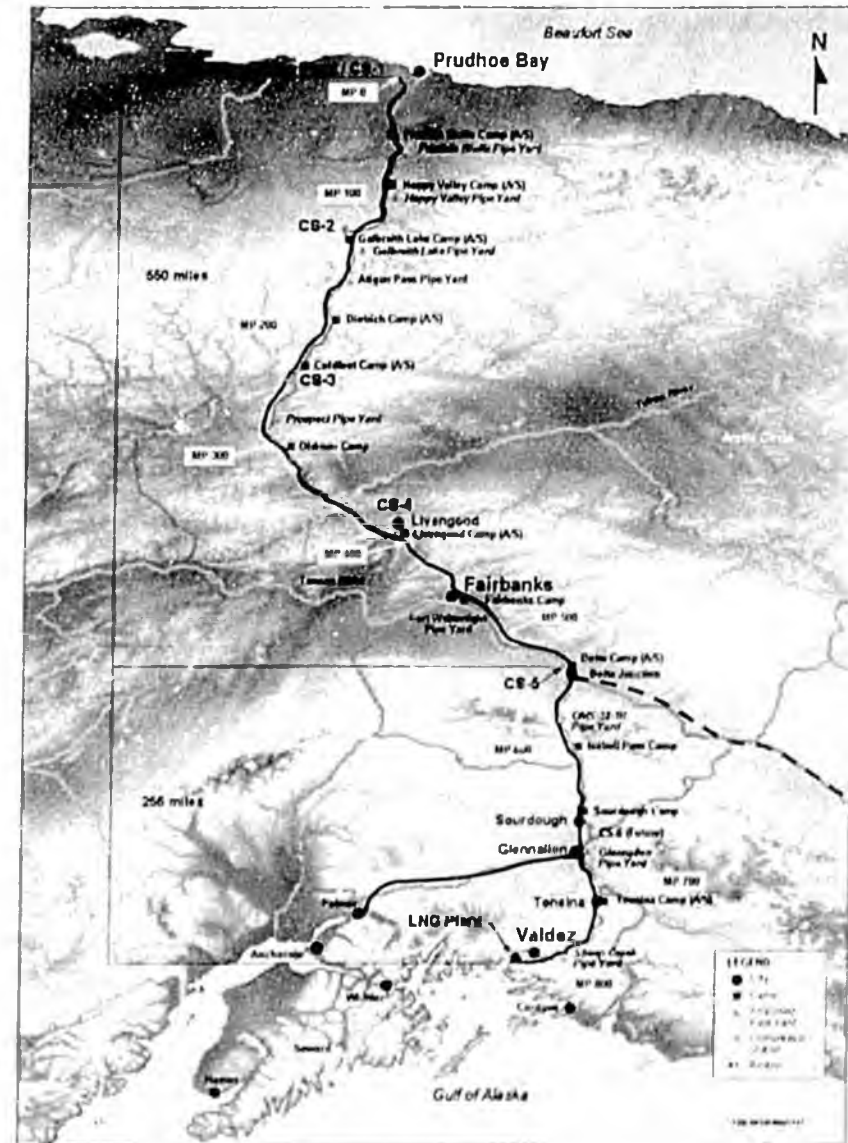
- removes impurities
- compresses and chills the gas to pipeline specifications

Pipeline from Prudhoe Bay to Valdez

- parallel to TAPS (max. capacity: 6 Bcf/d)
- pre-build to Delta Junction for later tie-in for the Alaska/Canada Highway Project
- tie-in at Glennallen for a spur line to Alaska South Central natural gas grid

LNG Facility in Valdez

- integrated LNG liquefaction and LPG extraction facilities
- includes storage and vessel loading facilities



Phased Project = Better Cost Overrun Risk Management



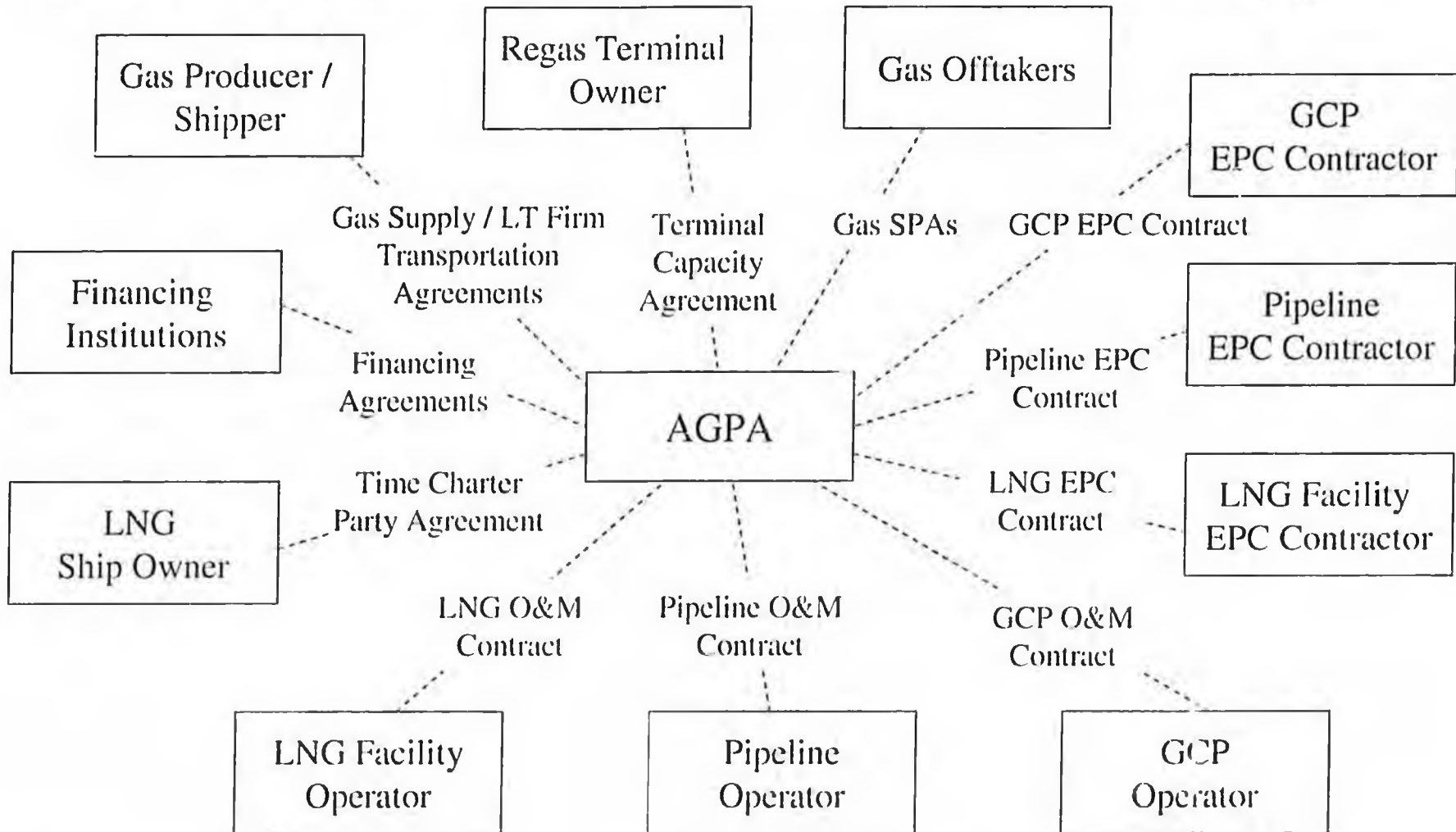
- 800 mile pipeline is 100% adjacent to TAPS, 100% in Alaska
- Infrastructure in place for entire line – roads, bridges, camp pads, etc.
- LNG project: lower overall cost overrun risk:
 - liquefaction facilities utilize proven technology and well-tested design, resulting in a relatively low level of uncertainty in cost estimate
 - low level of cost uncertainty for LNG marine transportation and regasification
 - pipeline component has the highest capital cost uncertainty – for LNG project the pipeline is only a portion of overall cost to market
- Phase approach with LNG project proceeding first: 2/3 less cost = 2/3 less risk
- Phase 1 can proceed with only one producer- rather than all three

Project Status



1. Project Route Permitted
2. The 12 Senior Permits Acquired
 - Yukon Pacific Corporation
 - \$100 million expended
 - Right-of-way
 - Project FEIS
 - LNG terminal permit
3. Bechtel Cost Estimates
 - Complete & Updated
4. Marine Transportation / Jones Act
 - MOU with the largest LNG shipping company in the world – Mitsui OSK Lines
5. Access to Multiple Markets
 - West Coast receiving terminal under construction
 - West Coast Alternatives
 - Hawaii
 - Pacific Rim
6. Anticipated Financing
 - 80% debt (Federal loan guarantee available)
 - 20% private funding

Indicative AGPA Project Structure



- Industry leaders will be involved in all components of AGPA's project

AGIA is Good for Alaska



Alaska Gasline Inducement Act (AGIA) Process:

- Open, transparent and competitive
- Identifies clear evaluation criteria
- Inducements to project applicants in exchange for specific commitments
- Empowers selected applicant to build successful consortium, leading to open season
- Separates the mid-stream from the upstream
- Brings in additional interested parties to develop Alaska's gas resources

AGIA Suggested Amendments

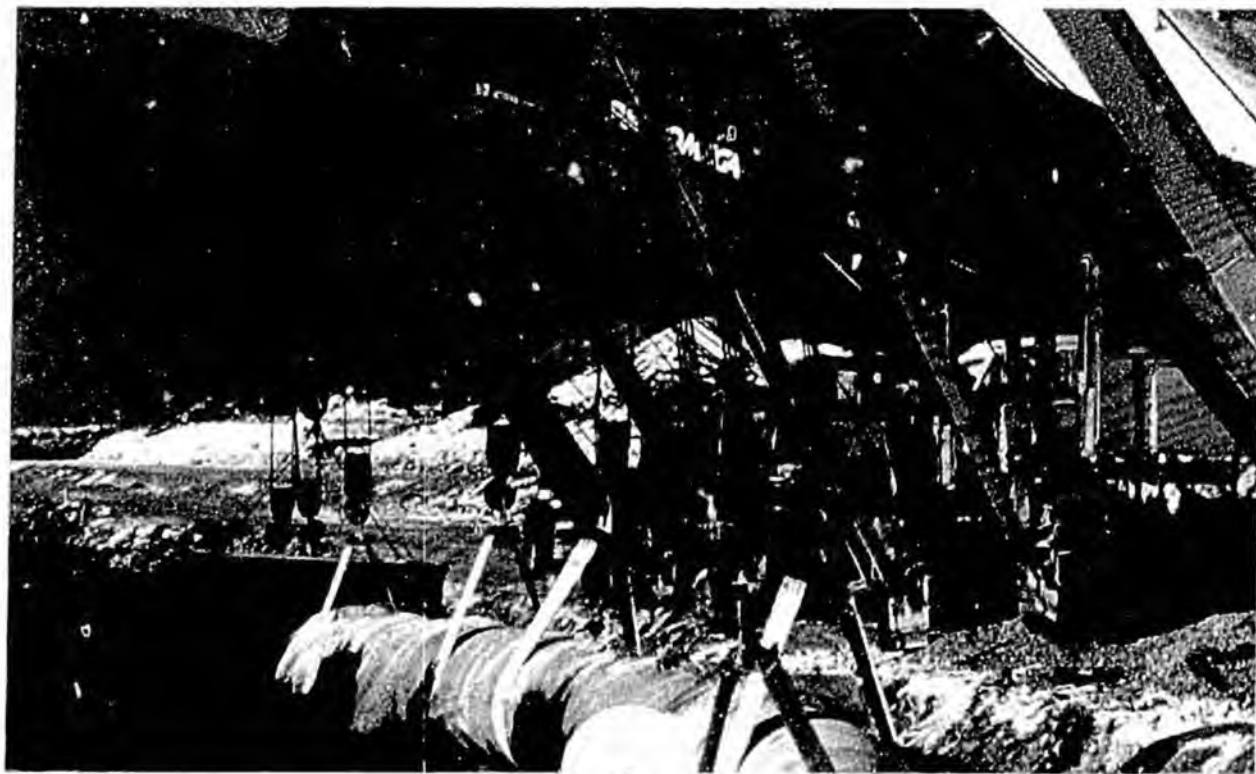


- Additional gas reserves needed? Budget and timeline for exploration program
- Analysis of making liquids available in Alaska for value added processing
- Current project cost estimate required with application

AGIA benefits towards advancing gas pipeline

- Rolled in rates – good for Alaska’s future
- Allows for independently owned infrastructure
- Follows successful model used in other countries who also use rolled in rates and independently owned pipelines.
- \$500 million skin in the game – sends very positive message about Alaska’s desire to commercialize Alaska’s gas
- Supports lowest tariff

The All-Alaska Gasline. The future is on the line.



Alaska Gasline
PORT AUTHORITY

Right Sized – Right Now!

May 4 2007

TransCanada - Proven Basin Developer



Regulatory Structure

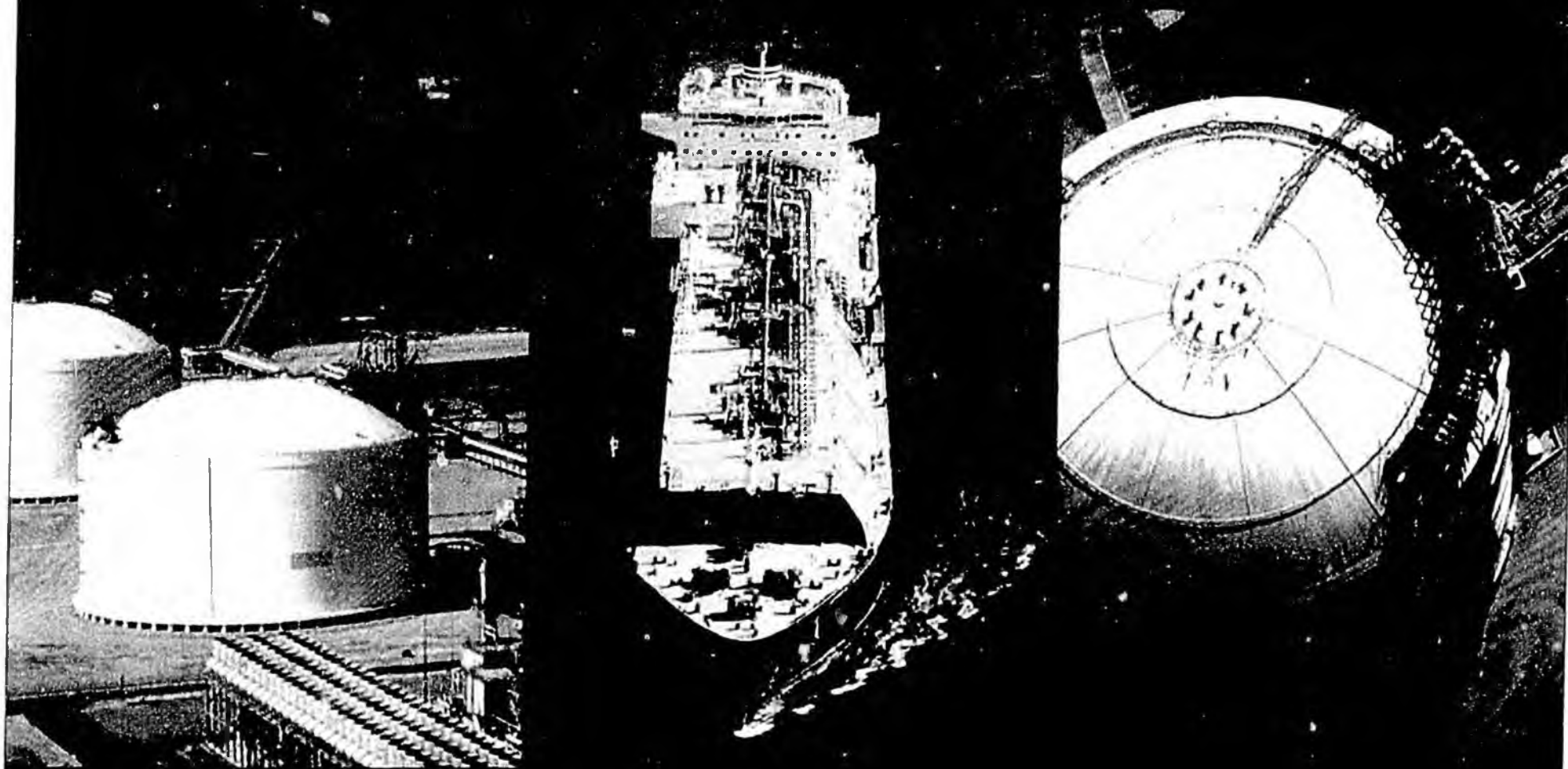
- Independent pipeline model
- Rolled-in tolls

May 4th

PM

BG North America

g



David Keane • Juneau • 3 – 4 May 2007

Legal Notice

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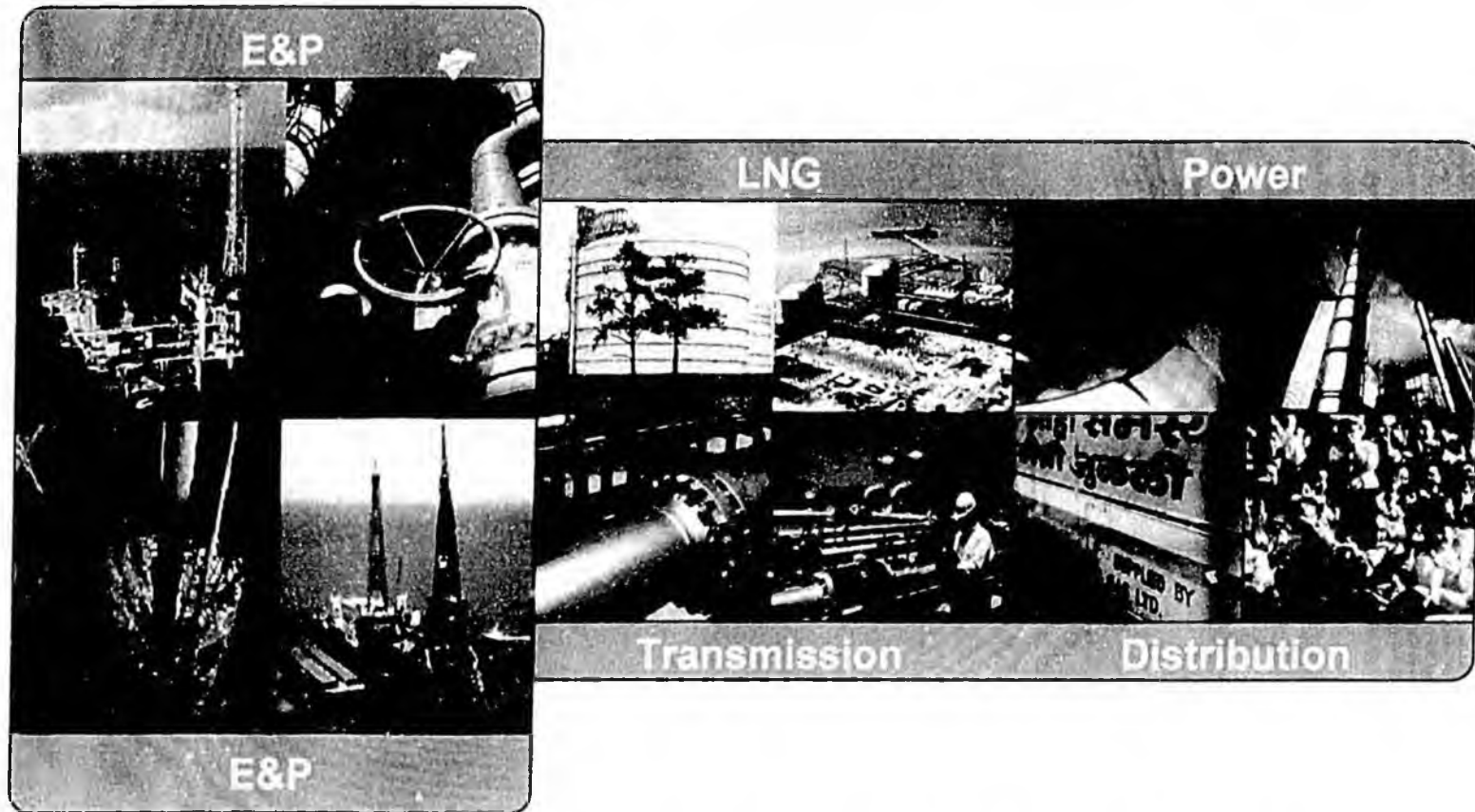
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BG Group snapshot



- A world leader in natural gas
- A FTSE 20 company, listed on London and New York Stock Exchanges
- Market capitalisation over \$49 billion
- Production circa 70% gas; 30% oil
- Employs approx 4,766 staff; 64% outside UK, at year end 06

Business model



Resources



Enabling



Markets

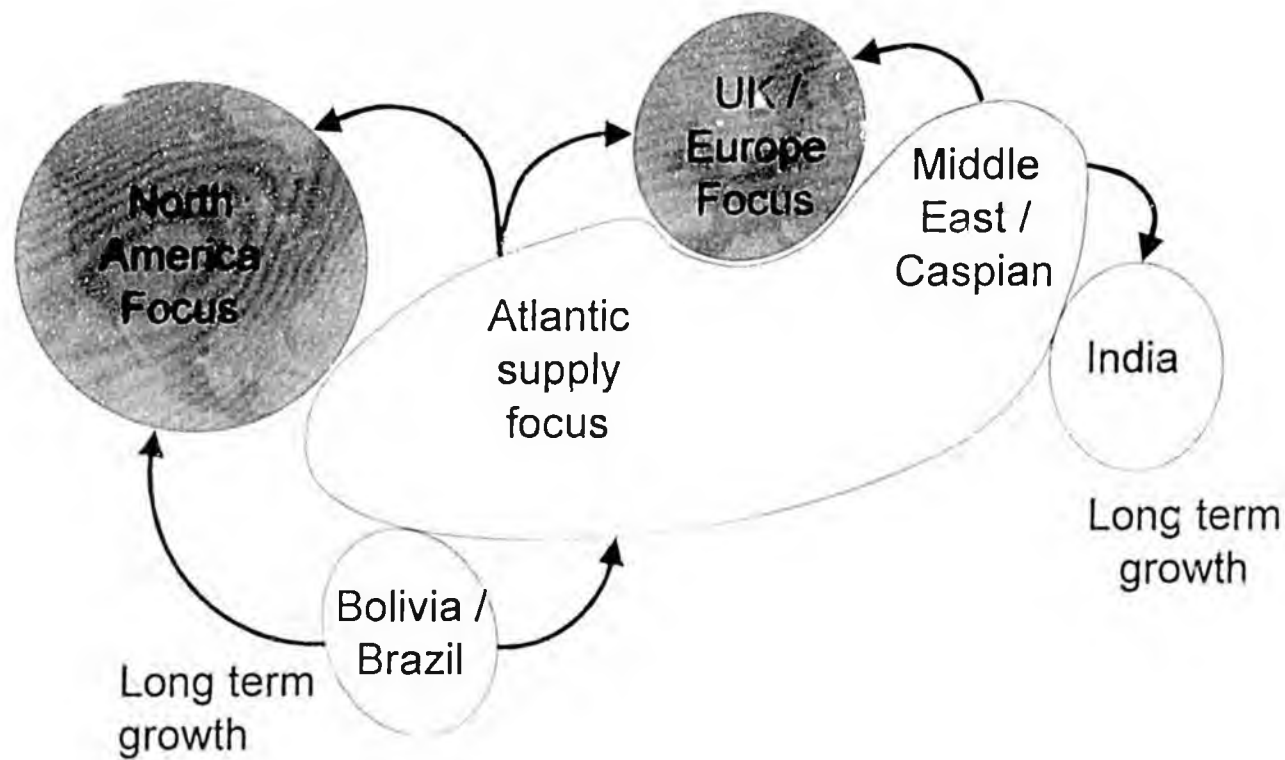
A global natural gas business

Countries of current operation



Active in over 25 countries

Gas market focus



Developed Market

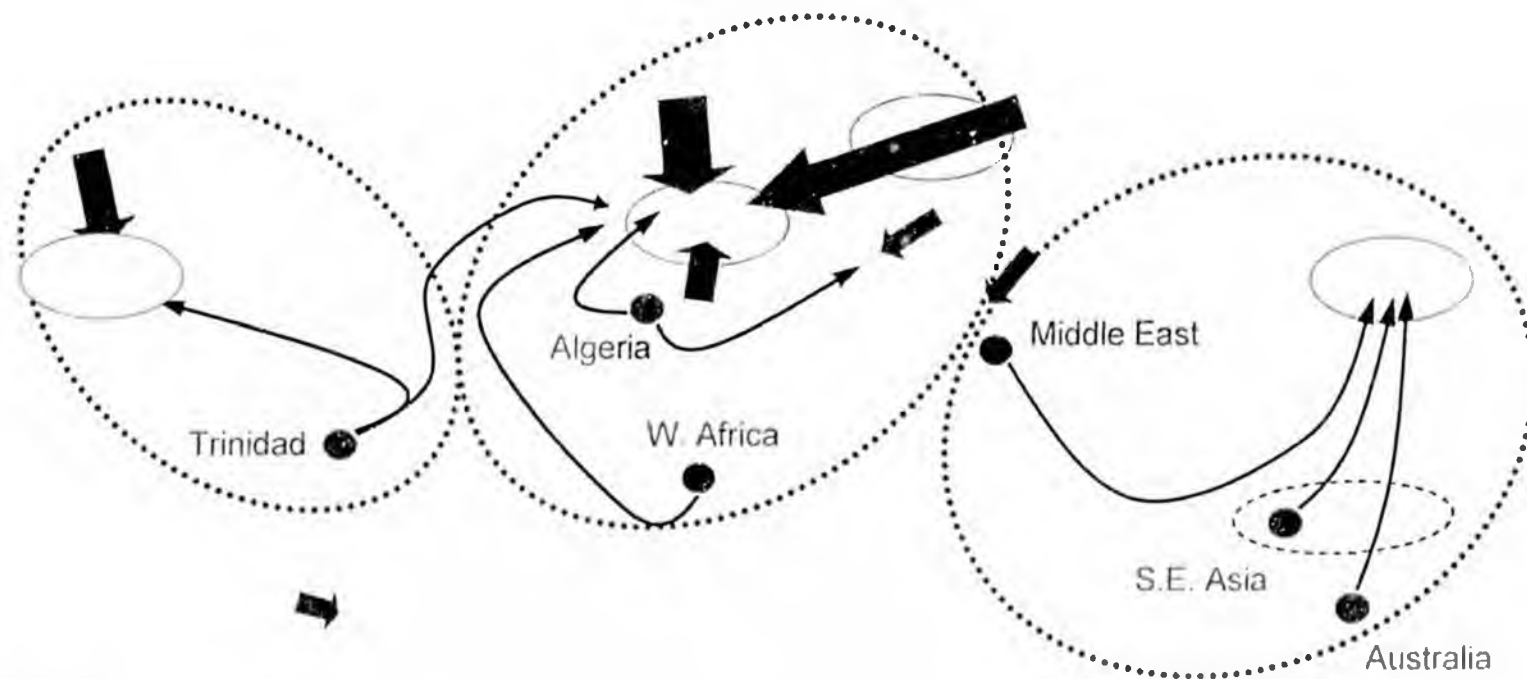


Developing Market



Supplies

Global gas trade – the recent past



Markets

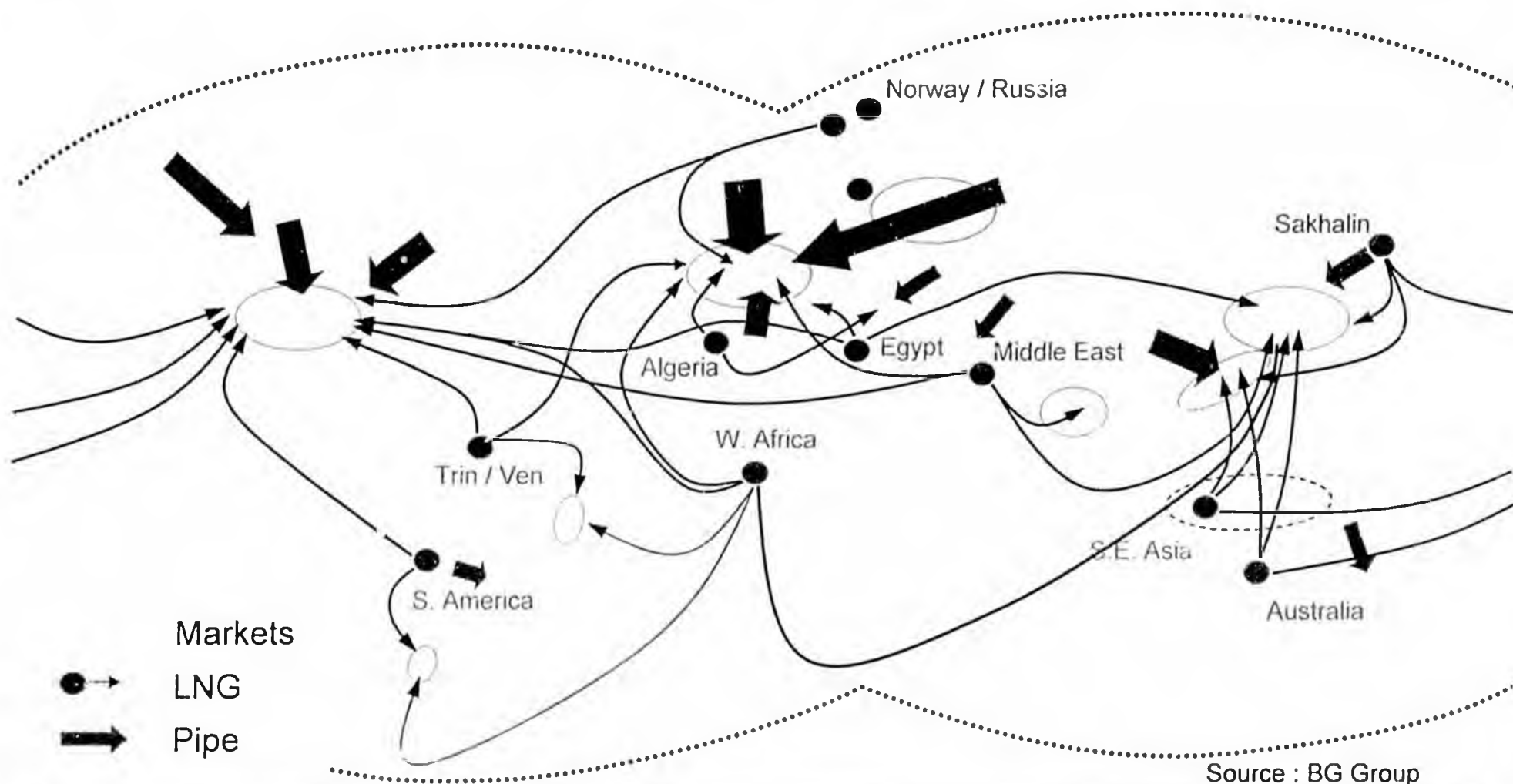
● → LNG

→ Pipe

Source : BG Group

Industry evolution: from three main trade regions...

Global gas trade – gradually evolving

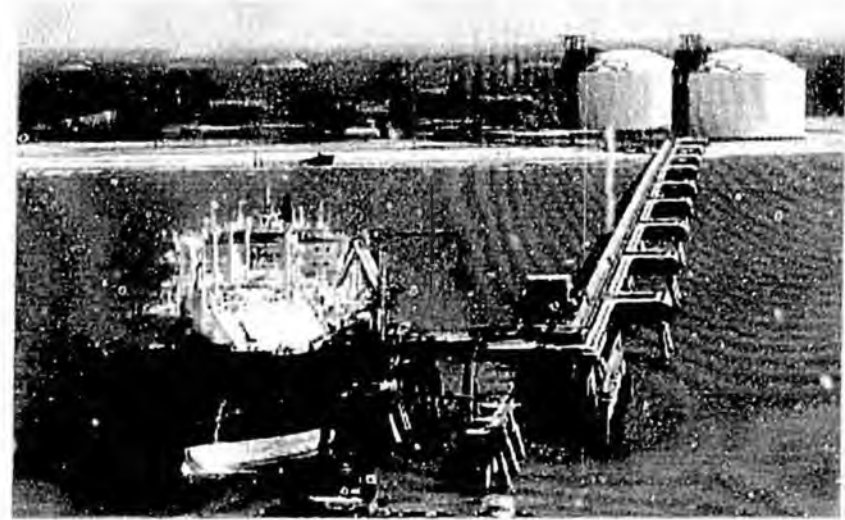


... to a globalising gas industry

BG LNG supply projects



- Train 1: 3.1 mtpa – 1999 (BG 26.0%)
- Train 2/3: 6.6 mtpa – 2002 (BG 32.5%)
- Train 4: 5.2 mtpa – 2005 (BG 28.9%)
- BG initiated project and was instrumental in Phillips design
- Single train start-up



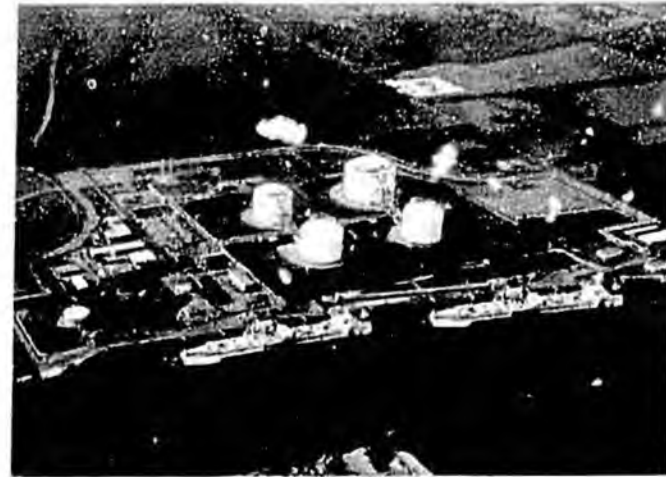
- Train 1: 3.6 mtpa – 2005 (BG 35.5%)
- Train 2: 3.6 mtpa – 2005 (BG 38.0%)
- Egypt's largest project financing to date
- Unique project commercial structure
- Utilized lessons learnt from ALNG

Atlantic LNG – total export capacity of 15 mtpa in just 7 years

US market summary



- Lake Charles import terminal
- Phase I expansion Q4 2005
 - 1.2 bcf/d sustainable send out
 - 1.5 bcf/d peak send out
 - 9.1 bcf total storage
- Phase II expansion Q2 2006
 - 1.8 bcf/d sustainable send out
 - 2.1 bcf/d peak send out
- Elba Island import terminal
 - 0.45 bcf/d sustainable send out
 - 0.67 bcf/d peak send out
 - 4.0 bcf storage capacity
 - 1.17 bcf/d firm send out & 8.2 bcf storage after second expansion



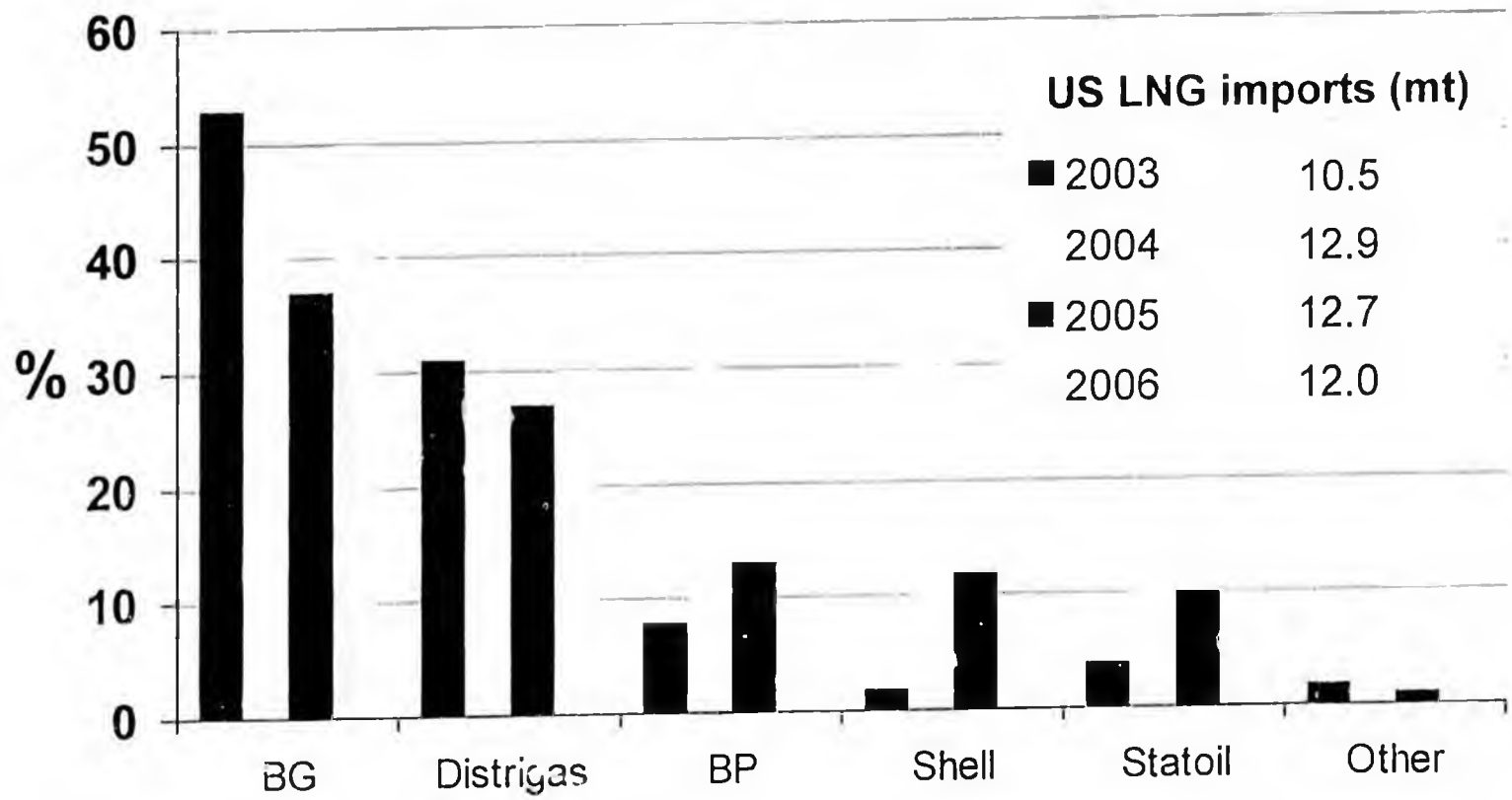
Lake Charles



Elba Island

LNG imports – 2003 to present

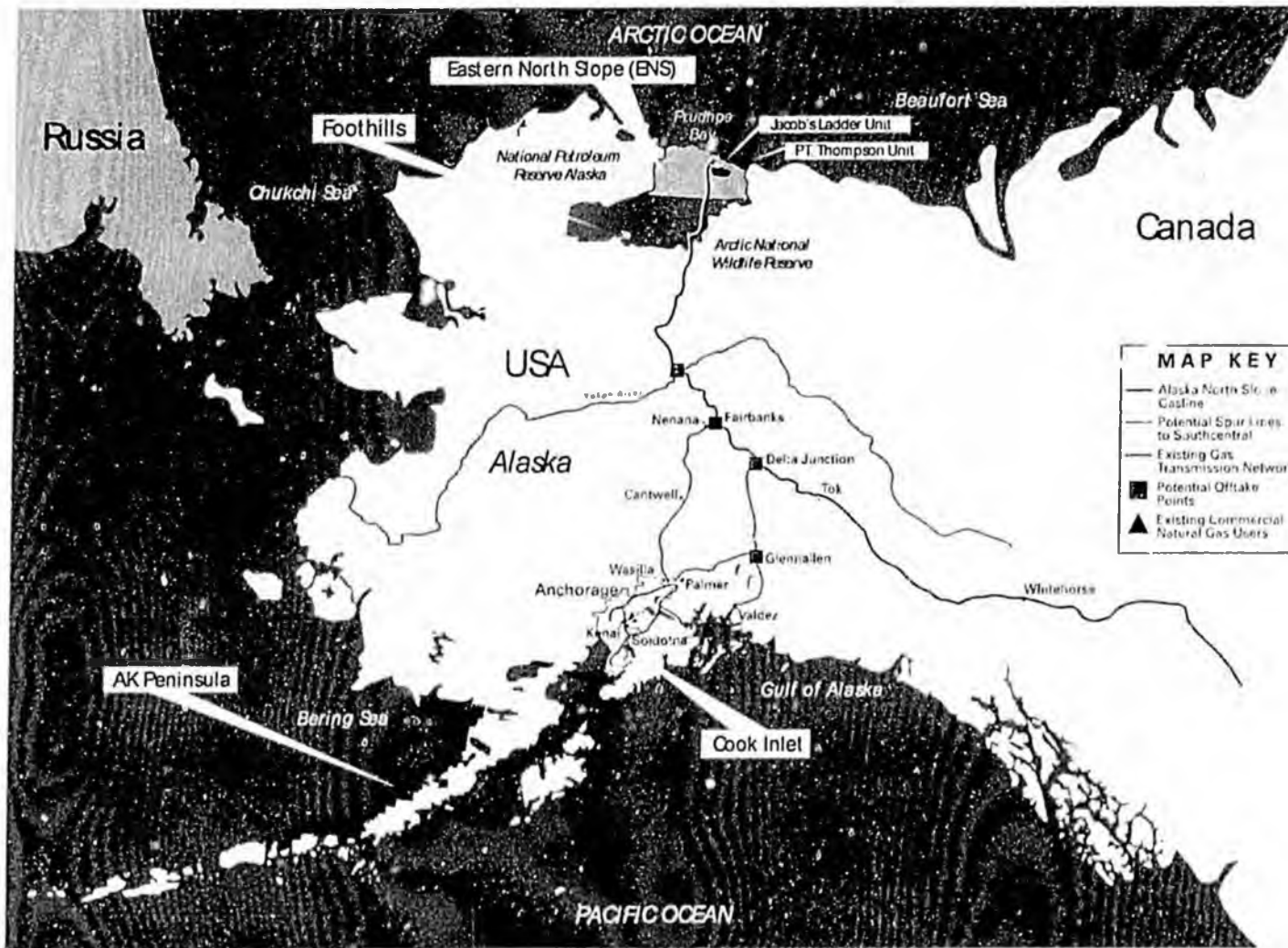
Share of US LNG imports



Source : DOE

BG – the largest US LNG importer in 2003, 2004, 2005 and 2006 11

Alaska E&P



2.1 million acres in the Foothills of ANS and .2 million in the ENS

Alaska Gasline Inducements Act



- BG is investing in Alaska
 - Exploring along North Slope and ENS
- BG supports AGIA
 - The process is fair, open and inclusive
 - BG supports the mandatory provisions on access and rates
 - Will encourage new explorers to invest in Alaska
- AGIA provides:
 - Opportunities for input by all interested parties
 - Several opportunities for legislators to provide input:
 - Initial legislation
 - When pipeline applications are submitted
 - Legislative review of the winning application

Alaska Gasline Inducements Act



- AGIA addresses BG's concerns by:
 - Providing a level playing field for all participants
 - Providing certainty that when we discover gas, we will have access to pipeline capacity
 - Providing a mechanism to ensure just and reasonable rates
- AGIA creates competition to build the pipeline and possibly an LNG export facility
- AGIA spells out what is required of any applicant
- Clearly identifies the State's "must haves"
- BG's "must haves" are:
 - Regulated pipeline
 - Open access provisions in the tariff
 - Just and reasonable rates

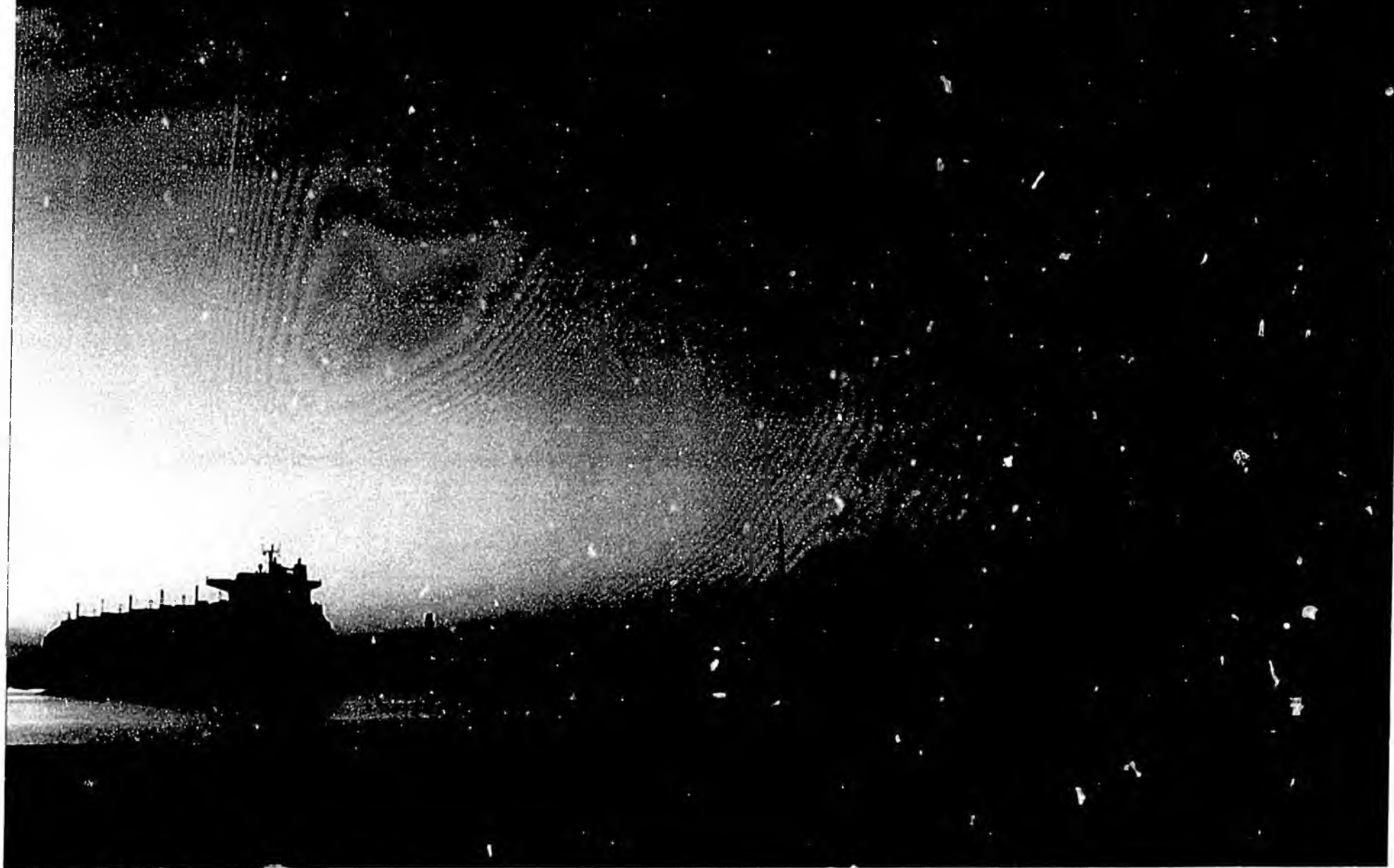
Key messages



- AGIA is good for Alaska and for the natural gas industry
- AGIA will encourage the continued development of Alaska's untapped natural gas reserves
- AGIA's purpose:
 - "...to encourage expedited construction of a natural gas pipeline that
 - (1) Facilitates commercialization of North Slope gas resources of the state;
 - (2) promotes exploration and development of oil and gas resources on the North Slope;
 - (3) maximizes benefits to the people of the state from the development of oil and gas resources in the state; and
 - (4) encourages oil and gas lessees and other persons in the state to commit natural gas from the North Slope to a gas pipeline system for transportation to markets in this state or elsewhere."

BG North America

09



5/4/07

**TESTIMONY OF JOHN K. NORMAN, CHAIR AOGCC
HOUSE FINANCE COMMITTEE
HB 177
MAY 4, 2007**

This afternoon I'll discuss the AOGCC's role in North Slope gas sales and give you a status report.

Most knowledgeable Alaskans know the significance of 35 TCF of natural gas. However, very few people realize that hundreds of millions of barrels of oil and condensate could be lost if gas offtake is not correctly managed.

Oil is Alaska's bird in the hand and gas is our bird in the bush. The AOGCC is responsible for setting the gas offtake allowables from the North Slope oil fields to ensure that we do not harm our bird in the hand while aspiring to grasp our bird in the bush.

In general, maintaining reservoir pressure enhances oil recovery, but producing gas depletes reservoir pressure. Therefore, gas reserves in most fields are usually sold only after most of the oil has been produced. Until then, the gas that is produced with the oil is used to promote increased liquid production in various ways.

For example, gas might be reinjected into the reservoir to provide the energy needed to get the liquid hydrocarbons to the surface, or the gas might be used for enhanced oil recovery operations.

Both of those are happening right now at Prudhoe Bay and other North Slope fields.

Therefore, North Slope gas sales are going to involve trade-offs between oil and gas recovery. It's not practical to get every drop of oil out of the ground before starting gas sales, and the AOGCC

certainly does not take that position. We do however need to ensure that the trade-offs that inevitably will occur result in greater ultimate recovery of both gas and oil

It is important to understand that Prudhoe Bay does have a existing gas offtake allowable. It is 2.7 BCF per day and it was set in 1977.

The AOGCC usually waits for an application from the operator to modify pool rules including offtake rates. However, in 2005 we recognized the following:

First, that serious discussions were taking place concerning major North Slope gas sales

Second, that the 2.7 BCF per day gas offtake allowable for Prudhoe Bay was set in 1977, when the field first began to produce; and, although that offtake rate was based on the best available information at the time, we now have 30 years and 11 billion barrels of production and production-related data to help determine a better number

Third, most of the publicly discussed pipeline options could require more than 2.7 BCF per day offtake from Prudhoe Bay

Forth, performing the necessary studies to determine an appropriate current offtake rate would take time, and

Fifth, the AOGCC did NOT want to be the cause of any project delays.

Therefore, to acquire the most current information, BP and the other Prudhoe Bay working interest owners agreed to provide the AOGCC staff and consultants access to their simulators including the underlying engineering, geologic, and geophysical information. They voluntarily set up a data room in BP's Anchorage offices,