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Joint Committee on Natural Gas Pipelines

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Committee Hears of Progress on Pipeline **State and Federal Agencies Provide Updates on Pipeline Issues**

(Fairbanks) – On Tuesday the Joint Committee on Natural Gas Pipelines heard from state representatives on some of the legal and practical aspects surrounding construction of a natural gas pipeline and future gas sales.

Department of Revenue Commissioner Wilson Condon spoke to the committee on the status of a report to the Legislature regarding state ownership or involvement in a pipeline, and introduced Bill Gardner with Petrie Perkman, which has been hired to help prepare the report. Petrie Perkman is an investment and advisory firm that focuses on the oil and gas industry, providing information and analysis to private groups and governments around the world. Gardner outlined the process that the firm will take to make their final evaluation, and described some of the projects that they are currently working on for their clients.

Cammy Taylor and Julie Heusser, two of the three commissioners of the Alaska Oil and Gas Conservation Commission (AOGCC), provided information on the conservation orders that would apply to North Slope gas sales, as well as the conclusions of a study on the effects of gas production on oil field life. They explained that some of the conservation rules are based on outdated information but can not be revised until AOGCC obtains current technical data. Currently Conservation Rule Nine limits the production of natural gas from the Prudhoe unit to 2.7 billion cubic feet a day.

Jack Griffin, head of the Oil and Gas Division of the Department of Law, addressed legal questions from the committee regarding overlifting and underlifting by producers who hold interest in production fields. Overlifting and underlifting describes when a producer takes more or less than its allocated share from a field during a specific period of time. Griffin discussed how current leases would affect natural gas production as well as Prudhoe Bay Unit amendments. The committee also questioned Griffin about the procedures for terminating leases if producers do not produce and market the gas.

State Pipeline Coordinator Bill Britt updated the committee on the activities of the Gas Pipeline Office has engaged in since it last reported to the committee in July. The office has received signed memorandums of understanding from Foothills Pipe Lines and the oil and gas producers agreeing to reimburse the state for any costs incurred in preparing for and evaluating right-of-way permits for a gas pipeline. The office has held meetings with El Paso Gas, Williams Petroleum and Anadarko, and is establishing relationships with all of the federal agencies that would be involved in the construction of a pipeline.

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Page 2 – Aug. 14, 2001

Joint Committee on Natural Gas Pipelines

The North Slope Borough Assembly and Administration prepared a statement, presented to the committee by Mike Aamodt, expressing their strong objections to construction of a pipeline under the Beaufort Sea, often referred to as the "Over-the-Top" route.

Jim Samson and Charlie Cole told the committee of the recent activities of the Governor's Alaska Highway Natural Gas Policy Council. Public hearings were held in Juneau and Barrow, and council subcommittees continue exploring construction of a pipeline.

The hearings will continue tomorrow beginning at 9 a.m. in the Fairbanks North Star Borough Administration Center in the Assembly Chambers, 809 Pioneer Road. Public testimony will be taken beginning at 5:30 p.m., and speakers are asked to limit their comment to three minutes.

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