



The First Alaskan Oil & Gas Experience The Cook Inlet Basin

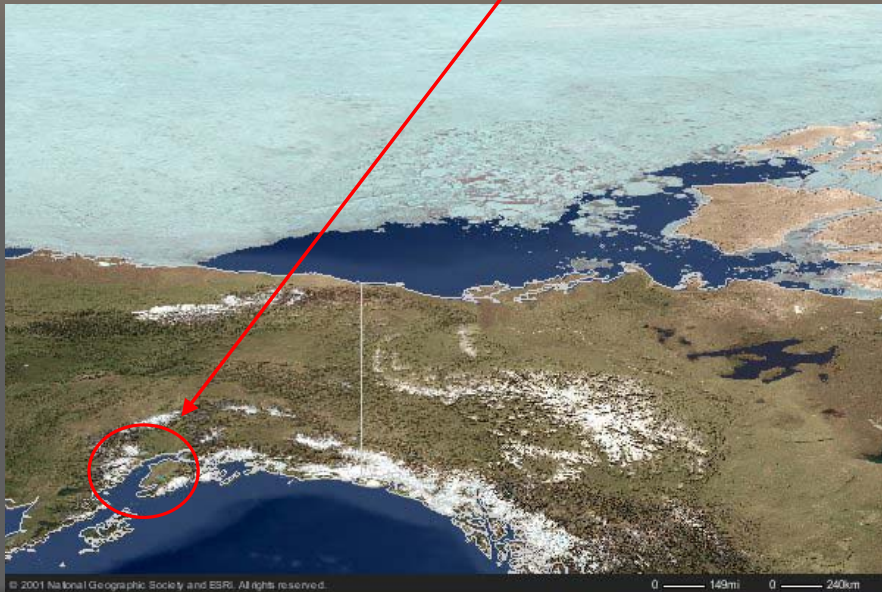
Presented by:

Bill Popp, Oil & Gas Liaison

Kenai Peninsula Borough, Alaska

Good afternoon. It is a pleasure to be here today to share with you the history of offshore and onshore oil & gas development in the Cook Inlet Basin of Alaska.

Where is Cook Inlet?



Here is a quick look at where Cook Inlet is located in relationship to Alaska and to British Columbia.

The Kenai Peninsula Borough

- Incorporated January 1, 1967
- Total Area: 40,000 sq. Kilometers
- Population: 51,187
- Median Age: 36.3
- School Enrollment: 9,725
- Median Family Income: \$71,420*
- Total Assessed Property Values: \$12,716,523,106*

Source: KPB "2001 Situations & Prospects"

*Expressed in Canadian Dollars



This set of statistics gives an initial view of the basics of the Kenai Peninsula Borough's demographics. Now lets take a quick visual tour of some of our communities.



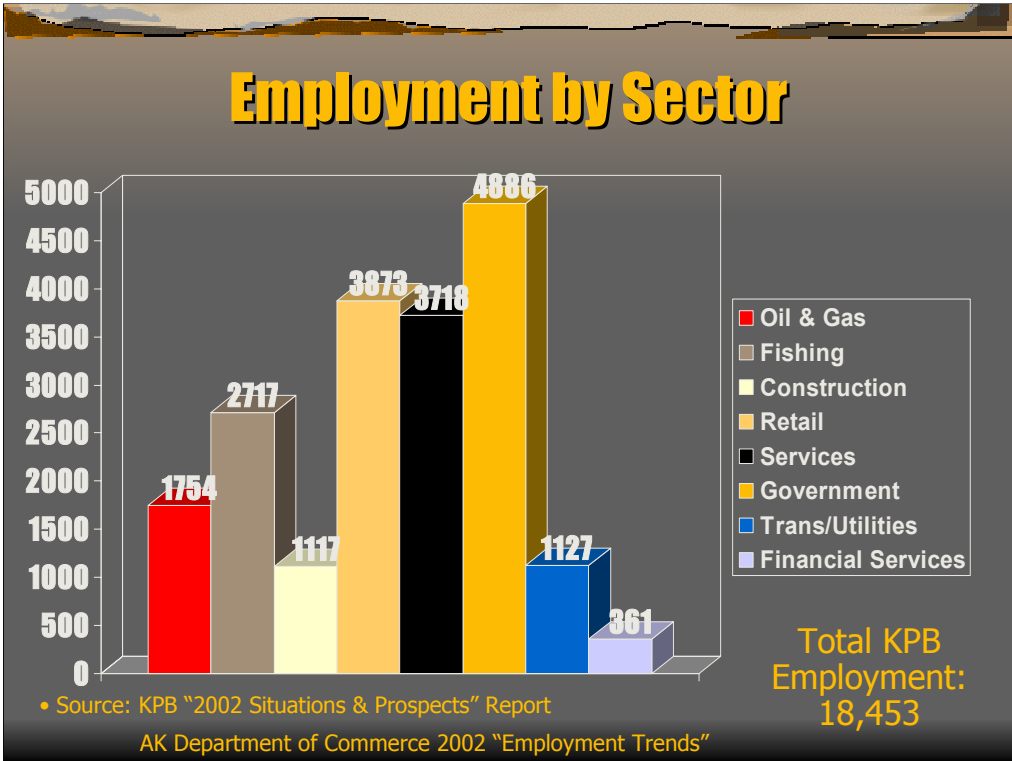
The 56,000 people who make up the population of the Kenai Peninsula Borough are diverse in their cultural background, their love of the land and their passion for the outdoors. Even though we live for our summers, winter is when we really get to play.

Kenai Peninsula Borough Industries & Economic Sectors

- ⇒ Oil & Gas Exploration, Production & Value Added Manufacturing
- ⇒ Commercial Fishing and Processing
- ⇒ Tourism
- ⇒ Retail
- ⇒ Construction
- ⇒ Service

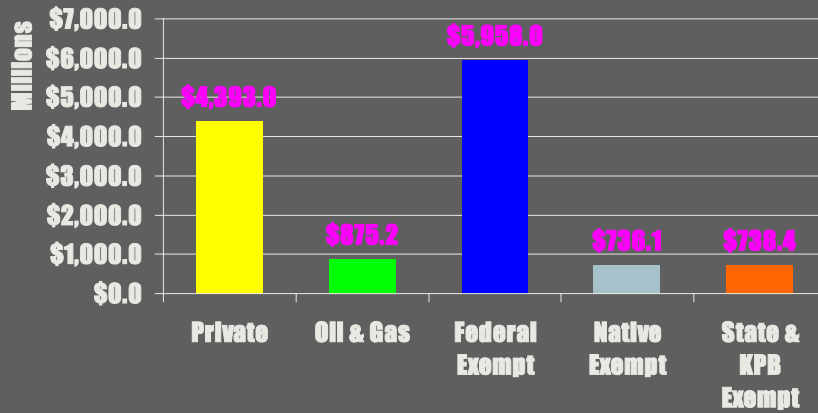


The economy of the Kenai Peninsula Borough is also diverse, with a mix of 5 main sectors. Oil & Gas, Commercial fishing, tourism, retail and construction. Coming on strong in recent years are the professional sectors with Health Care making strong gains as an emerging sector of our economy.



This is a quick look at employment numbers by sector.

How the Pieces Fit Together: Assessed Property Valuations



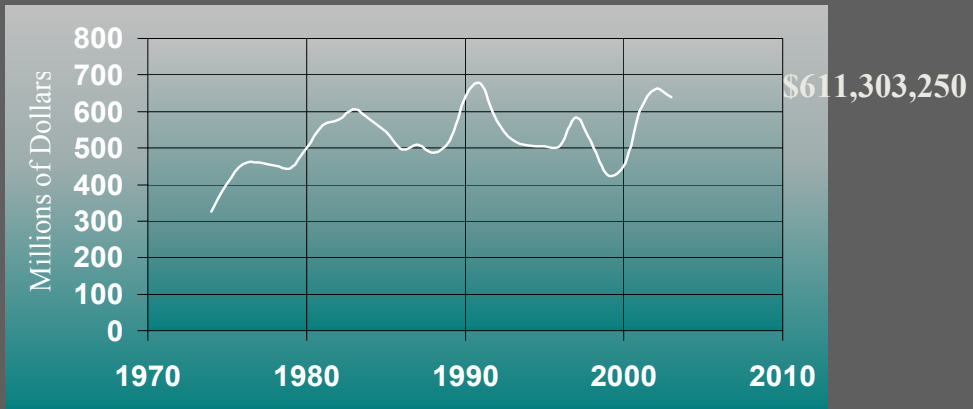
Source: KPB 2002 Situations & Prospects Annual Report

Values expressed in Canadian Dollars

One measure of our economy is land valuations. Here is a general look at ownership within the Kenai Peninsula Borough.

KPB 43.56

Total Assessed Value



Source: AK Dept. of Revenue 06/01/04 Expressed in U.S. Dollars.

This chart represents the full history of oil & gas valuations within the Kenai Peninsula Borough since the mid 1970's. You can see a series of cyclical peaks and valleys in the total valuations, all of which are affected by a number of factors including the pricing of oil, aging facilities, new exploration or production work, new facilities or equipment and general market conditions in the oil & gas industry.

Economic Impacts of Oil & Gas Industries on the KPB

- ⇒ \$9.2 million (AS 43.56) Oil & Gas Property Taxes
- ⇒ \$5.0 million in Value Added Industry Property Taxes
- ⇒ Total KPB Property Taxes for FY2004 Estimated at \$59.8 million out of \$94.9 million Total Revenues
- ⇒ 1754 Oil & Gas Industry Related Jobs or 9.9% of KPB Employment in 2002
- ⇒ \$100,245 / annual Avg. Oil & Gas Wage equals 18% of total KPB Payrolls Paid in 2002
- ⇒ \$41,895 / annual KPB Average Wage in 2002



All Monetary Figures Expressed in Canadian Dollars

Sources: KPB FY2005 Annual Budget, Projected Revenues

"2002 Situations & Prospects" KPB Annual Report

Now let's look at the direct impacts of the oil and gas industry on the Kenai Peninsula Borough.

100+ years of Cook Inlet Oil & Gas Exploration

1900



Alaska State Library PCA 20-125

Wood Derrick circa 1900

1957



Richfield's discovery at Swanson River, reported in the July 23, 1957, edition of the Anchorage Daily Times, set off an oil-leasing frenzy.

2003



Nabors Drill Rig #273

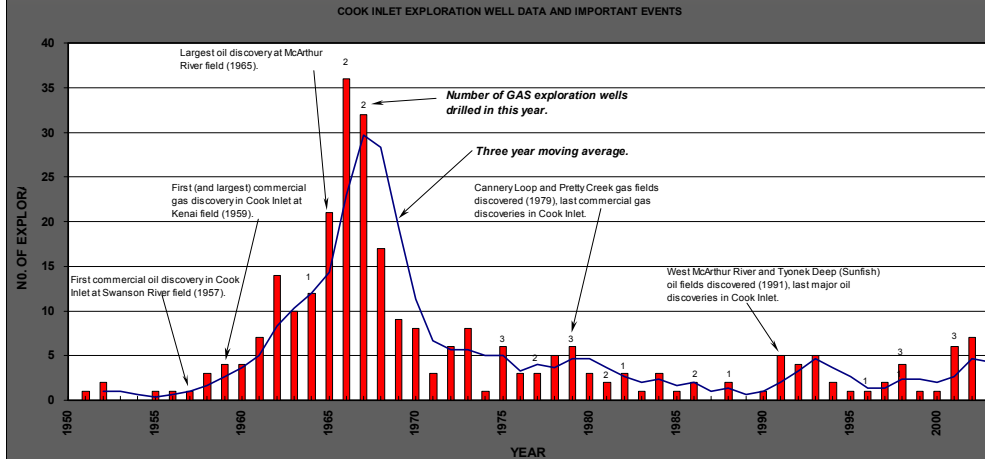
As you can tell, the oil and gas industry is a vital part of our economy and has a very long history of activity in the Cook Inlet Basin.

1900- an example of the type of drilling rig used in early exploration in the Cook Inlet Basin. This rig was actually photographed in Prince William Sound at the Katalla site.

1957- the headlines for the first commercial oil discovery in the Swanson River Field in the northern Kenai Peninsula

2003- the largest drill rig in Alaska at work at the Cosmopolitan prospect near Anchor Point in the lower Kenai Peninsula in late 2002. This drill rig is capable of pulling 1.5 million pounds of drill pipe from down hole and directionally drilling to a target up to 4 miles away from the drill pad.

Timeline of Cook Inlet Exploration



Source: State of Alaska, Department of Natural Resources, Division of Oil & Gas

tjr 11/2001

Exploration activity in Cook Inlet took off in the late 50s and peaked in the mid 60s. Since then industry attention has shifted to the North Slope and diminished in Cook Inlet. Again, this is typical of a mature basin.

Note: Important discoveries are noted. Peak of exploration drilling in 1965. Prudhoe Bay was discovered in 1968.

The View of Cook Inlet Oil & Gas



Top left- Osprey platform installed in 2000. 1st new platform in Cook Inlet in 18+ years

Center left- Marathon Oil Company (minority partner in the LNG plant) LNG tanker. One of two new tankers brought on line 1998. LNG plant uses 70 billion cubic feet of natural gas annually.

Lower left- Tesoro refinery & dock with tanker offloading crude

Lower center- Agrium Nitrogen plant. Uses 55 billion cubic feet of gas annually.

Lower right- Aurora Gas drill site on the shores of Cook Inlet

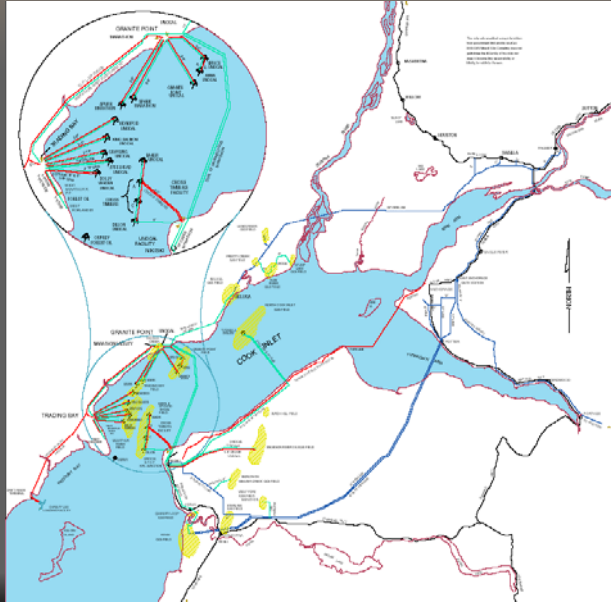
Center right- Granite Point platform

Upper right- Drill floor of the Nabors 273 rig during operations

Upper Center- Commercial set netters harvesting red salmon next to the Tesoro oil tanker dock. One of the most successful set net sites in Cook Inlet.

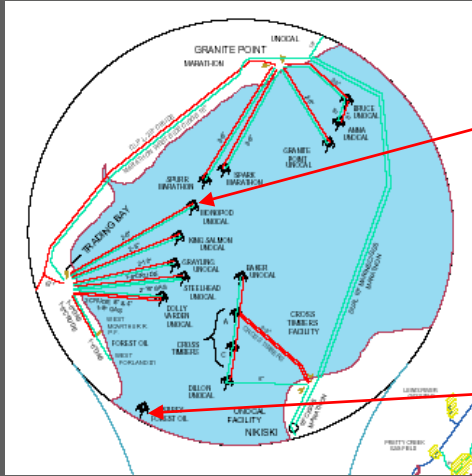
Center- Marathon Oil Company's Glacier #1 rig drilling for natural gas ¼ mile from my home in Kenai.

Current Cook Inlet Infrastructure



This is look at the major oil & gas infrastructure for the Basin including platforms terminals and pipelines

Cook Inlet Platforms



Unocal Monopod Platform



Forest Oil Osprey Platform

Here's a closer look at the platforms. This map shows 15 of the 16 platforms in the Cook Inlet. All are located within a few miles of shore and rely on pipelines to deliver oil or natural gas to shore. Pictured in the upper right is one of the oldest platforms, the Monopod, which was installed in 1964. It is currently shut in and is not producing at this time.

The other platform pictured is the newest in Cook Inlet, the Osprey, which was installed in 1994 at a cost of over \$300 million Canadian Dollars. This platform is in production today, producing up to 2,500 barrels of oil daily.

Natural Challenges in Cook Inlet

- ⇒ Three active volcanoes with history of recent eruptions
- ⇒ Earthquakes resulting from multiple active fault lines in region
- ⇒ Risk of tsunamis caused by earthquakes or volcanic eruptions
- ⇒ Winter pan ice flows
- ⇒ Dramatic tidal flows



In Cook Inlet, we face numerous natural challenges and difficult working conditions when trying to develop oil & gas.



Granite Point Platform in Pan Ice Flows

Cook Inlet Pan Ice seen from platform service ship

Mt. Redoubt April, 1990

1964 9.2 Earthquake, Anchorage

11/02 7.9 Earthquake, North Slope Pipeline

Historical views of the natural challenges facing all development in Cook Inlet and Alaska.

Cook Inlet Spill Prevention & Response Incorporated

- Funded by Industry
- Provides Rapid Response Capability & Strategic Response Assets
- Working in Partnership with CIRCAC, Local & State Agencies
- Hiring & Training Local Commercial Fishers & Their Boats



Boom Deployment Drill

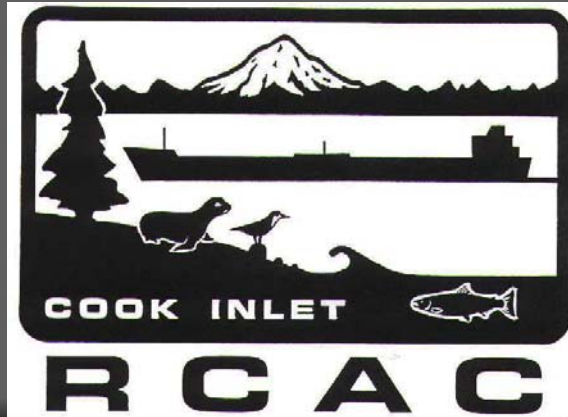


Absorbent Recovery Drill

CISPRI is the regions front line defense entity in the event of a spill. Over recent years, CISPRI has actively engaged and contracted with commercial fisherman to act as first responders for spills by staging equipment on or near their boats and by training the owners/operators on how to use the equipment effectively and safely. These contracts can go for as much as \$5,000 per year, with the necessary training costs also picked up by the oil & gas companies.

These contracts also have an added benefit in that these trained and certified boat owners can take that training and certification and use it to obtain employment with the oil & gas industry during the off season when they aren't fishing. With these certifications, these commercial fisherman become highly sought after by the oil & gas industry to fill high paying jobs.

Cook Inlet Regional Citizens Advisory Council



Spill prevention and public involvement in this and other processes is also a vital step to preventing the mistakes and accidents of the past. Cook Inlet Regional Citizens Advisory Council was an important step in responding to this need. Mr. Mike Munger, CIRCAC's Executive Director, can provide more detailed information on this organization. He can be reached at www.circac.org.



Addressing the Public's Concerns: The Tri-Borough's Resolution

The Kenai Peninsula Borough, Lake & Peninsula Borough and the Kodiak Island Borough worked to develop the following five policy points that became the Tri-Borough's Resolution:

1. No Off-Shore Loading of Tankers
2. Specific Plans to Avoid Conflicts Between Commercial Fishing Gear and Oil & Gas Development
3. Adequate Spill Prevention & Response Capabilities
4. Identification of Critical Habitat Areas
5. Provisions for Local Government Revenue Sharing

How do we address the problems and objections related to offshore drilling in Cook Inlet? That was the question asked by the Kenai Peninsula Borough Government after several proposals came forward to offer leases in the federal waters of lower Cook Inlet. Here is the answer the Kenai Peninsula Borough developed with the Kodiak Island Borough and the Lake and Peninsula Borough. The Tri Borough's Position Paper & Resolution. This document has developed into the foundation for the proposed Federal lease sales in 2004 & 2006. It addresses the significant concerns of the communities and major stakeholders such as the commercial fishing and tourism industries through its five specific policy positions.

**For More Information
Please Visit:**

www.cookinletoilandgas.org



Home of the
2006 Arctic Winter Games



Please visit our website for more information regarding oil & gas issues in the Cook Inlet Basin.

