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-----Original Message-----

From: Scott Heyworth <heyworth@gci.net>

Date: Wed, 20 Feb 2008 15:10:32

To: Scott R Heyworth <heyworth@gci.net>

Subject: more.....Alaska threatens oil leases over plan

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Alaska threatens oil leases over plan

February 21, 2008 - 8:35AM

from the AGE.com.au

Alaska could revoke leases for oil fields like Prudhoe Bay if top energy companies refuse to participate in a government natural gas pipeline plan, Gov Sarah Palin told Reuters in an interview.

Exxon Mobil Corp, BP Plc and ConocoPhillips together control more than 35 trillion cubic feet of known gas reserves on the Alaska North Slope.

But the companies declined to participate in a process backed by Palin to jump-start a long-delayed gas pipeline, arguing they needed a long-term tax deal from the state first.

Palin called the refusal "unconstitutional."

"When the conditions of these leases are not met, especially after decades, it is time to open them up and allow other companies to come in here and compete for the right to tap the resources," the Republican governor told Reuters this week in an interview.

The companies have said they are interested in developing the reserves, with ConocoPhillips studying a separate plan.

Palin's tough talk has the backing of many ordinary Alaskans who are suspicious of the influence of the oil companies, as well as Democrats in the state legislature.

However, many members of her own party worry Palin's aggressive approach is alienating the producers who will have to agree to long-term pipeline shipping deals if the \$30 to \$40 billion project is to secure financing.

Declining oil output is putting increasing pressure on Alaska to get its gas reserves into production to stave off a looming fiscal crisis.

Officials believe the state budget could fall into a significant deficit by 2012 even if oil prices remain near current levels. The most optimistic scenarios for the gas pipeline put it in service by late 2018.

Alaska already moved to cancel the lease of the undeveloped North Slope gas and condensate field at Point Thomson operated by ExxonMobil in December 2006 and Palin believes the cancellation should act as a wake-up call to the majors.

"We are saying if you don't want to develop, if it is not economic according to your parameters, if Alaska's gas reserves are going to compete with your other projects around the world, if you can't abide by the provisions in the lease you signed up to 30 years ago, its time to let the lease go and bring in some competition," Palin said.

State courts have backed Alaska's move to cancel the Point Thomson leases and a March 6 deadline has been set for Exxon and the state to work out a compromise.

Exxon announced late Tuesday a new \$1.3 billion development plan for Point Thomson that would see early condensate production begin by 2014, meeting a key state demand.

"Exxon Mobil remains committed to developing its North Slope gas resource and continues to evaluate its options for pursuing an Alaska gas pipeline project," Exxon spokeswoman Margaret Ross said on Wednesday.

ConocoPhillips and BP were not immediately available for comment.

The Alaska legislature passed new gas pipeline law in 2007 that called for competitive bids amid public outrage over an attempt by the previous governor to reach a deal with the majors in closed door talks.

Revelations over a widespread bribery scandal that implicated many prominent backers of the majors in the state legislature, as well as the state's largest oil field services company, further inflamed public sentiment.

However, of the five groups that applied to build the pipeline under Palin's Alaska Gasline Incentive Act (AGIA) only one applicant, Canadian pipeline operator TransCanada, was deemed to have met the minimum requirements of the law.