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Joint Committee on Natural Gas Pipelines

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Committee Explores Cook Inlet Natural Gas

(KENAI) – The Joint Committee on Natural Gas Pipelines heard testimony today on the future of Cook Inlet natural gas and the utilities and industries that rely on it.

“While the prospect of finding more natural gas in the Cook Inlet area is good, even the best estimates do not show the supply to the industries and private citizens that use this gas lasting for more than 15 or 20 years,” said Sen. John Torgerson (R-Kasilof). “It is really clear that without Alaska’s North Slope gas we could have trouble heating our homes and keeping jobs for Alaskans when Cook Inlet starts to run out.”

Bill VanDyke, Tim Ryherd and Will Nebesky, all with the Alaska Department of Natural Resources, discussed how long current reserves Cook Inlet natural gas reserves are expected to last, and said they are confident that future gas exploration will be successful and that more fields will be discovered.

The committee heard testimony from Agrium Inc., a fertilizer manufacturer with a plant on the Kenai Peninsula, as well as Unocal and Phillips, regarding their plans for Cook Inlet natural gas and whether North Slope natural gas would be beneficial or even necessary to future operations.

Chris Tworek, vice president of supply management for Agrium, said that his company is willing to work with the State and oil and gas producers to bring Alaska’s North Slope Natural Gas to market. He said the addition of North Slope gas to available Cook Inlet supplies would ease expansion plans for Agrium’s plant, ultimately increasing jobs for Alaskans and revenue for the State.

All three agreed that the positive outlook for discovering more Cook Inlet natural gas is a key component to their continued operations. Dan Thomas with Unocal and Scott Jepson with Phillips said that their companies have plans to increase exploration for new fields in the near future.

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Scott Heyworth, chair of Citizens Initiative for an All-Alaskan Pipeline, told the committee that his group has collected more than half of the signatures necessary to place an initiative on next November's general election ballot. This initiative would create a State of Alaska Gas Authority, allowing a wholly State-owned gas line as an option for bringing North Slope natural gas to market.

Foothills Pipe Lines, Ltd. is in the process of re-enlisting all of the withdrawn partners into the Alaska Partnership according to John Ellwood. Foothills has been working toward a cooperative agreement with Alaska natural gas producers to bring North Slope natural gas to market, and resolving the withdrawn partner issue will allow the completion of this process.

Richard Peterson, president/CEO of Alaska Natural Gas to Liquids Company, told the committee that his firm is proposing to build a gas to liquids (GTL) plant in the Cook Inlet area, and is "bullish" on the prospect of future Cook Inlet gas discoveries. Excess hydrogen and nitrogen produced in the GTL process could be sold to Agrium, helping their plant remain competitive in the export products market.

Tony Izzo, president of ENSTAR Natural Gas Company, told the committee that unless significant new reserves are found in the Cook Inlet, North Slope natural gas will be necessary after 2020 to meet projected ENSTAR customer needs.

Coal bed methane, natural gas extracted from coal beds, has the potential to replace declining gas reserves in the Cook Inlet according to Mark Sexton, president/CEO of Evergreen Resources, Inc. Despite failed attempts by other companies to extract coal bed methane in the past, Evergreen is confident that they have the expertise and state-of-the art equipment that will allow them a good chance to be successful drilling in the Cook Inlet.

"The testimony that we have heard over the last two days reinforces that Alaska's North Slope natural gas must be brought to market and that we must find a way to get some of that gas to in-state users," said Torgerson.

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