

AP/AL: Appropriation **Project Type:** Gasline
Category: Natural Resources
Location: Statewide **Contact:** Jean Davis
House District: Statewide (HD 1-40) **Contact Phone:** (907)465-2422
Estimated Project Dates: 07/01/2011 - 06/30/2016

Brief Summary and Statement of Need:

This 3-year project, (FY12 is phase 2), provides critical data for evaluating natural gas potential in prospective unexplored basins near transportation corridors and population centers. Many basins in Alaska have geology conducive for natural gas, but the lack of data hinders evaluation of their gas potential. Some basins will not only have sufficient resource for local use, but may have volumes that justify export. Relevant data bearing on the gas potential of these areas will promote informed decisions regarding energy options and spur exploration. Funds will be used to evaluate existing data and gather new data on gas potential in selected basins and improving results for a Geological Development strategy.

| Funding: | <u>FY2012</u> | <u>FY2013</u> | <u>FY2014</u> | <u>FY2015</u> | <u>FY2016</u> | <u>FY2017</u> | <u>Total</u> |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Gen Fund | \$500,000 | \$200,000 | | | | | \$700,000 |
| Total: | \$500,000 | \$200,000 | \$0 | \$0 | \$0 | \$0 | \$700,000 |

| | | | | |
|---|---|---------------------------------------|---|-----------------------------------|
| <input type="checkbox"/> State Match Required | <input type="checkbox"/> One-Time Project | <input type="checkbox"/> Phased - new | <input checked="" type="checkbox"/> Phased - underway | <input type="checkbox"/> On-Going |
| 0% = Minimum State Match % Required | | <input type="checkbox"/> Amendment | <input type="checkbox"/> Mental Health Bill | |

Operating & Maintenance Costs:

| | <u>Amount</u> | <u>Staff</u> |
|--------------------------|---------------|--------------|
| Project Development: | 0 | 0 |
| Ongoing Operating: | 0 | 0 |
| <u>One-Time Startup:</u> | 0 | |
| Totals: | 0 | 0 |

Additional Information / Prior Funding History:

SLA2010/CH43 \$ 500,000 Compiled existing information on gas potential in interior basins along transportation corridors; targeted Susitna basin for more detailed evaluation of gas potential.

Project Description/Justification:

Alaska faces significant energy challenges that threaten the economic well-being of the population and the state's economic future. Simply stated, the state does not know where its energy is going to come from over the next few decades. More immediately, the high cost of fuel in rural and rail belt communities is having a strong adverse impact on families and local governments. While fuel costs in some areas have moderated with the current worldwide economic downturn, drastic price increases will return once the global economy starts to improve and demand for energy increases. The only way to mitigate this vicious cycle is to look for local sources of energy that have the potential to supply more affordable energy for local consumption.

A significant amount of recent work has been done to identify renewable sources of energy to help communities reduce the volume of imported fuel oil, yet many communities have a limited suite of options for locally-derived energy. Unlike wind, solar, and hydroelectric, the potential for natural gas is more difficult to discern because it resides deep underground. There are many sedimentary basins in

Alaska whose geological characteristics are conducive to natural gas, including unconventional gas. However, most of these basins are so poorly known that we do not have a realistic understanding of their gas potential.

This is a three-phase project for which this CIP request represents phase II. Phase III will request \$200,000 (FY2013) to complete the project. This project will look at prospective basins throughout the state whose geology suggests some potential for natural gas suitable for in-state use. Prospective basins include, but are not necessarily limited to, Yukon Flats, Middle Tanana (Nenana), Susitna, Copper River, Colville, and Cook Inlet. As an example to help illustrate the need for data, thick coal deposits are known from widely scattered locations in the Susitna Basin, yet we do not understand the distribution of these coal deposits well enough to begin evaluating their potential to supply natural gas. The same statement can be made regarding the Selawik, Yukon Flats, and Middle Tanana Basins – all three contain significant coal deposits, yet we know little of their geology and geographic distribution. This type of information is absolutely critical for realistic evaluations of the natural gas potential of these sedimentary basins. This project will identify those basins having geologic characteristics most conducive to natural gas deposits and will gather technical data to support more realistic evaluations of their gas potential. Resulting technical data will be appropriate for public release and will help spur private sector exploration investment. Project results will also provide state policy makers some of the essential information required to make informed decisions regarding viable alternate energy sources for Alaskan communities.

Why is this Project Needed Now?:

This project is time-sensitive. High energy costs are adversely impacting the state right now and decisions to fund projects involving alternate energy sources are currently being made. It is in the state’s long-term best interest to make sure that decision makers have access to the best information in order to make informed decisions that will allow pursuit of the most cost-effective and viable energy options. Failure to fund this project could result in poorly informed decisions when other, less expensive or intrusive options are available locally.

Specific Spending Detail:

| LINE ITEM | DOLLAR AMOUNT | DESCRIPTION (text) |
|-------------------|---------------|---|
| Personal Services | \$ 100,000 | Partial support for existing DGGs personnel; no new positions |
| Travel | \$ 10,000 | Travel for project planning and collaboration with project partners |
| Services | \$ 378,000 | Field work and contract services |
| Commodities | \$2,000 | Field supplies |
| Capital Outlay | \$ 10,000 | Field equipment |

State Match Required: (check one)

NO

YES

Project Support:

Other agencies and groups are known or considered likely to support this project proposal, including:

- Various regional native corporations, including Doyon Limited, Cook Inlet Region Incorporated, Arctic Slope Regional Corporation, Ahtna Regional Corporation, Bering Straits Regional Corporation, all hold surface and subsurface rights to large land positions in their respective regions of the state, and would benefit from improved understanding of the resource potential of their lands,
- Various native village corporations whose residents are bearing the burden of high energy costs,
- the U.S. Geological Survey Energy Resources Program is a regular collaborator with the Alaska Division of Geological and Geophysical Surveys and the Division of Oil and Gas, will embrace this project,
- oil and gas corporations exploring on the North Slope and Cook Inlet, and those interested in exploration opportunities in other Alaskan basins, will welcome the data and interpretive results generated through this project
- the University of Alaska-Fairbanks faculty and students