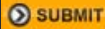


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Road to Umiat hits early review, draws support, concerns

by Christopher Eshleman / ceshleman@newsminer.com

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FAIRBANKS — State government is running hard with plans for a new haul road to reach the northern edge of the Brooks Range and, with it, access oil-rich foothills and a corner of the National Petroleum Reserve-Alaska.

Construction of the proposed 100-mile road to Umiat is at best a couple of years away but talk of the project is already influencing investment decisions.

A full-scale environmental analysis, anchored by \$8 million in fresh state aid, is in full swing and environmental and Alaska Native groups are peppering project managers with questions.

The road would lead to the doorstep of the petroleum reserve (NPR-A), positioning developers for the type of access government managers say is a logical first step as they encourage expanded North Slope development.

At the center of the discussion is the Umiat oil field, which sits just inside the NPR-A's southeast boundary. Significant development there — industry estimates suggest 250 million barrels can be recovered from the field alone — could increase flow through the trans-Alaska oil pipeline by close to one-tenth, while neighboring finds make it likely there's more oil and natural gas nearby.

"This is definitely believed to be a very oil-active area, (a) gas-rich area," consultant Stuart Paulus, whose firm, AECOM, is leading the project's environmental impact statement process, told a Noel Wien Public Library audience last month.

Yet among the questions is one of dollars and sense — that of whether sustained high oil prices undercut the justification for a state-built road that, absent subsequent development expansions or future public access, would stand to represent a driveway to a handful of oil fields. Pete Dronkers, a program director with the Northern Alaska Environmental Center, said he thinks many residents want clearer estimates of the foothills' aggregate oil holdings and sharper calculations of potential public benefits before they're asked to pony up for an almost \$400 million project. He said anything short of rigorous analysis threatens to leave the project framed as an inappropriately speculative public spending plan.

"I don't think it's a rational, logical decision," he said of policy action without clearer numbers, "and I don't think it's fair to taxpayers."

Native groups have also raised questions about the potential environmental impacts, but general interest in tapping more of the North Slope crisscrosses political and socio-economic boundaries in Alaska. In January Parnell asked the Legislature to help him finish major proposals, including the road to Umiat, under his "roads to resources" program within five years to "create access and economic opportunity previously thought impossible." A U.S. House panel is simultaneously considering a bill — the National Petroleum Reserve Alaska Access Act — aimed at expanding development opportunities at the reserve.

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The road would come within a few miles of a protected patch of land surrounding the Toolik Field Station, a major center for Arctic research. Biologists have paid close attention to the proposal, and state transportation managers have kept them aware of their progress, said Brian Barnes, science director at the station and director of the university-based Institute of Arctic Biology. Barnes said an advisory committee for the station has mulled potential impacts to, among other things, water movement and tundra west of the northern Dalton Highway. But Barnes said the prospect of more access also carries a potential upside if scientists can better reach remote research sites. A team of biologists, for example, has been limited to helicopter access as members study the site of a huge wildfire near the Anaktuvuk River. The road would let them reach the site by vehicle.

"A little worried, I'll admit," he said of the plan. "But from what we've seen to date, (we) can live with and maybe even take advantage of it."

The where and when

The gravel road would connect the Dalton Highway to the Brooks Range's northern foothills — an area more than 100 miles south of the massive Prudhoe Bay oil field.

It's land Parnell has nudged oil companies to explore, partly through financial incentives and tax cuts proposed in January.

The field sits a few miles northwest of the Umiat site — an old exploration camp — and the Colville River, the waterway ConocoPhillips has been unable to cross by bridge as it seeks to tap the NPR-A itself. Parnell said Wednesday his administration — which has studied the project in-house since 2009 — has generally assumed state government would play the lead role in funding or financing the proposed road.

That's a pledge Australian firm Linc Energy said represents a big deal to investors. The company on June 16 announced it had paid \$50 million for leases covering the Umiat field, saying the state's plan to build a haul road represented a significant factor in its decision. Peter Bond, the firm's chief executive officer, said Parnell's pledge to push for speedy development lifts much of the risk from explorers' and producers' shoulders, even as he said his company understands the proposal's pieces are far from sure things.

"We understand the risks," Bond said. Linc Energy is talking of building a feeder pipeline needed to connect the field to the trans-Alaska oil pipeline. Bond said analysis of the pipeline proposal by the previous controlling company at Umiat, Renaissance, positions his firm to follow through.

But the site is far enough from road systems and Alaska's pipeline system that state managers say incentives and government support could be needed for development to make sense. North Slope crude prices have held above \$100 for months, making capital investment in oil projects less risky and more profitable. Former Gov. Frank Murkowski, whose administration coined state government's "roads to resources" effort, said Alaska must nonetheless still commit major public dollars to encourage investment here.

The roads to resources program is one of the few steps Sarah Palin, during her successful 2006 primary challenge, credited the then-incumbent Murkowski with starting.

Now, Parnell and his resource managers like the program as well as they promote steps aimed at boosting oil production. All sides say significant activity around Umiat could pump up to 50,000 barrels of oil production per day.

Murkowski, also a former U.S. senator, recognized skepticism of the program given the high profits allowed by high oil prices today. But he said the same dynamic works at an absolute level around the world — which leaves Alaska standing as a relatively costly place to invest given limited access to resources, extreme climates and other factors. He said the state still offers less profit than oil basins elsewhere, and said North Slope production will likely keep falling unless companies can justify investments here.

"We've got to compete in a world market," he said Wednesday. "When you look at the prospects for development" — in Alaska — "you've got to be realistic."

Pros and cons

Others concerns have emerged this year as people weigh in on the road plan. Darcie Warden, president of the Alaska Wilderness League, attended a late June public meeting in Anaktuvuk Pass, and said the proposal drew hours of comments from residents worried about the Teshekpuk caribou, which roam much of Northwest Alaska. She said some suspect the road could injure the Teshekpuk herd's ability to migrate, as some evidence suggests the Dalton Highway has already.

"Basically if (migration patterns) are going to be impacted ... that doesn't bode well for them. They're caribou people," she said Saturday.

The Naqsramiut Tribal Council, the Anaktuvuk Pass City Council and a North Slope wilderness panel sent written environmental concerns to state lawmakers this spring as the Legislature reviewed the \$8 million grant now funding much of the environmental study.

Many, however, strongly support plans for the road and the broader idea of access to the NPR-A.

"There's never been a better time than right now," Tim Sharp, a business manager with the Alaska District Council of Laborers, told a congressional panel last month. He said federal help with road and pipeline plans — the type of help proposed by the House's access act — would pay off with construction jobs and increased domestic oil production to help counter, respectively, high unemployment and fuel prices. "From the prospective of the people I represent, and most Alaskans that I know, we need jobs and we need affordable energy and fuel."

The presence of oil at Umiat was confirmed as early as 1943, with gas found at nearby Gubik fields a few years later, Paulus told the Fairbanks audience last month. Drilling by the Navy in the NPR-A between 1944 and 1952 led to eight oil and gas discoveries including Umiat and Gubik, Paulus said. The decade-long stretch saw 44 test wells drilled and another three-dozen "core tests" completed in the area, the Alaska Department of Natural Resources said last week.

The environmental study's website (www.foothillswesteis.com) describes the 650-acre "Foothills Area" as part of the North Slope Borough and east of the NPR-A. Perhaps as notable, however, is the prospect of reaching the reserve's front door and positioning explorers and developers with a point of access. State resource managers say development in a handful of relatively unexplored regions — the Arctic National Wildlife Refuge, the NPR-A and the Outer Continental Shelf — at once could collectively push production above 1 million barrels per day, Parnell's magic number as he lobbies other states and federal offices to boost domestic production.

The state's work on the project to date has come straight from public coffers, but the question of how Alaska might fund a new \$400 million road has yet to be answered publicly. Government has taken different paths toward such projects, including financing plans for a port and road at the Red Dog Mine in northwest Alaska. It has also used simpler plans at, for example, the Rock Creek Gold Mine in Nome — built under the roads to resources mantra.

"I'll work with any funding mechanism to get that road moving," Parnell said Wednesday.

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