

ALLIANCE GAS CONTRACT TESTIMONY
June 2, 2006

Thank you. My name is James Gilbert, and I'm president of Udelhoven Oilfield System Services and the Alaska Support Industry Alliance. I'm testifying on behalf of the Alliance, a trade organization representing 400-plus companies with more than 30,000 Alaskan employees that provide goods and services to Alaska's oil, gas and mining industries.

The Alliance board of directors is conducting an in-depth review of the draft "Alaska Stranded Gas Fiscal Contract" between the state and the three major North Slope producers and plans to submit detailed written comments later this month.

As business people, though, we understand that a contract is an agreement involving two or more willing parties, not a wish list that benefits just one. It's a product of compromise and consensus resulting from hours, days or even years of negotiation, and it represents give-&-take by everyone involved.

As such, and pending completion of the Alliance's detailed review, the agreement negotiated between the administration and the producers is fair and balanced, representing the best interests of the state, the producers and all Alaskans. It's the best opportunity for commercializing North Slope gas and creating generations of jobs for Alaskans and business revenues for Alaskan companies, as well as sustainable, long-term revenues for the state.

We believe the contract enables the earliest possible construction of a gas project and guarantees Alaskans will begin reaping jobs and business opportunities sooner rather than later.

Work on project planning, early field work and regulatory activity will begin generating jobs and business opportunities within a few months of contract ratification, with the producers planning to spend \$1 billion prior to project sanction.

The agreement also encourages the use of Alaskan contractors, suppliers and workers; provides for in-state gas usage with strategic take-off points, and provides for 3rd-party access and capacity expansion. All of these are Alliance priorities for a gas project.

The Alliance believes the Lower 48 is the most logical market for North Slope gas, and the highway route covered by the contract is the most competitive project for supplying that market.

By providing the lowest transportation costs, a highway route would yield the greatest revenues to the state. It would also minimize gas usage and loss enroute to market.

A gas pipeline has been a dream of Alaskans since long before the Alliance was established in 1979 to promote responsible development of Alaska's oil, gas and mineral resources. We believe this contract is the most viable means of transforming that dream into reality.

If Alaskans insist on getting everything we want from this contract, we run the very real risk of not getting anything we want, because the project won't be built. For the sake of Alaska's future, we can't wait another 30 years.

Thank you.