



Alaska Crude Oil Disruption

Staff Update

California Energy Commission
Fuels and Transportation Division
Gordon Schremp

August 16, 2006





Actions to Date

- Energy Commission issued a confidential situation report to the Governor's Office on August 7, 2006
- Energy Commission staff continue to monitor California market
 - Production and inventory levels at refineries
 - Sourcing of alternative crude oil supplies
 - Possible reduction of gasoline and diesel fuel imports from Washington state refineries



Chronology of Events – August 2006

- August 4 – BP Exploration Alaska Inc. (BPXA) receives data from smart pig run from July
- August 6 – BPXA announces that they have commenced orderly shutdown of Prudhoe Bay crude oil production
 - Up to 400,000 barrels per day of Alaska North Slope (ANS) crude oil output could be reduced, approximately 50 percent
- August 9 – BPXA announces that approximately 200,000 barrels per day of ANS production has been temporarily shut in
- August 10 – BPXA announces that the Eastern Operating Area of Prudhoe Bay has been successfully shut in
 - Western Operating Area (WOA) still producing 120,000 barrels per day

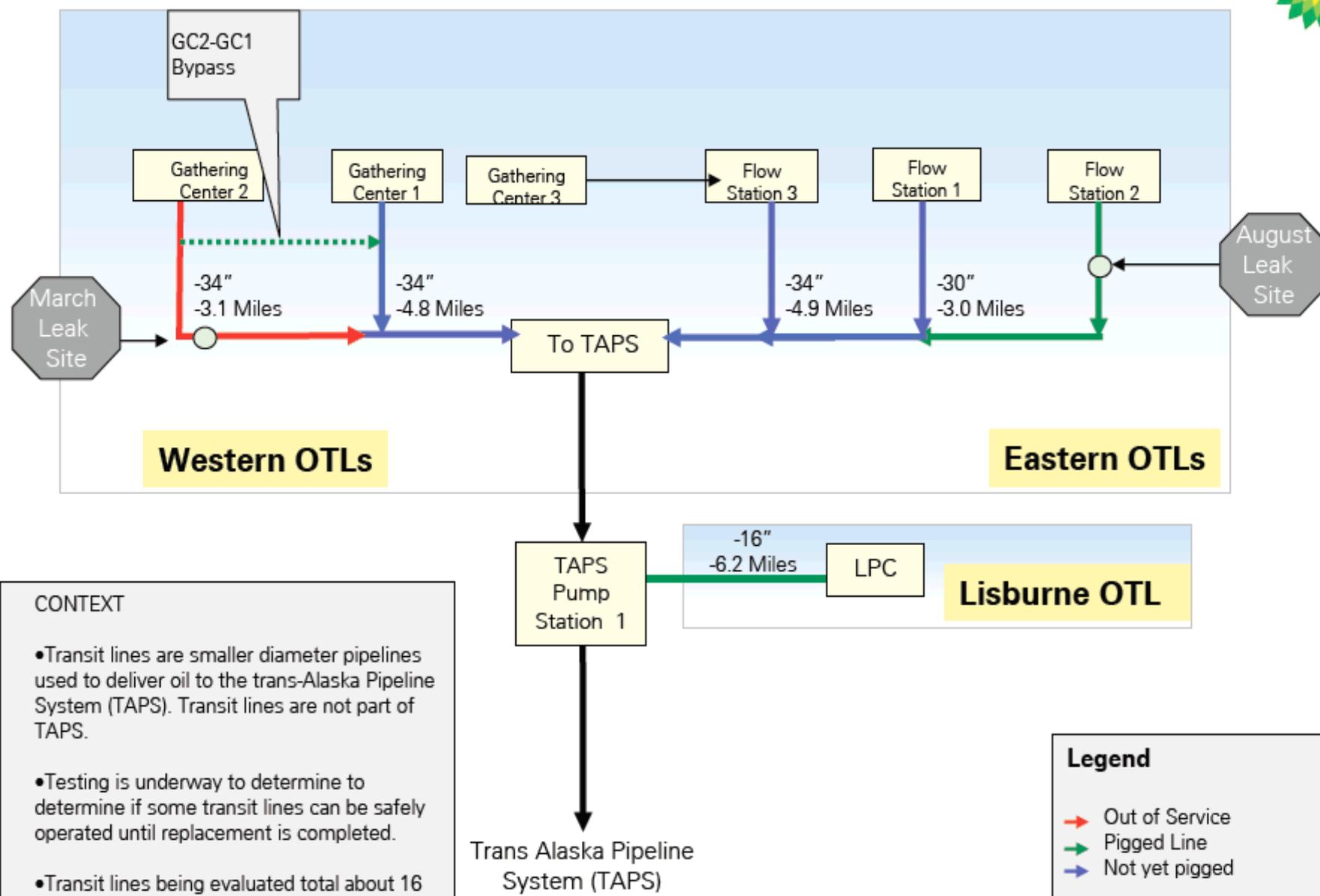


Chronology of Events – August 2006

- August 11 – BPXA announces that WOA production of crude oil and natural gas liquids up to 155,000 barrels per day
 - 16 miles of replacement transit pipe anticipated to be delivered some time during the 4th quarter 2006
- August 11 – BPXA announces that WOA will continue operating
 - 150,000 barrels per day of crude oil and natural gas liquids will slowly increase to 200,000 barrels per day
 - Instillation of 16 miles of new transit lines will be completed by early 2007



Prudhoe Bay Oil Transit Lines (OTLs)

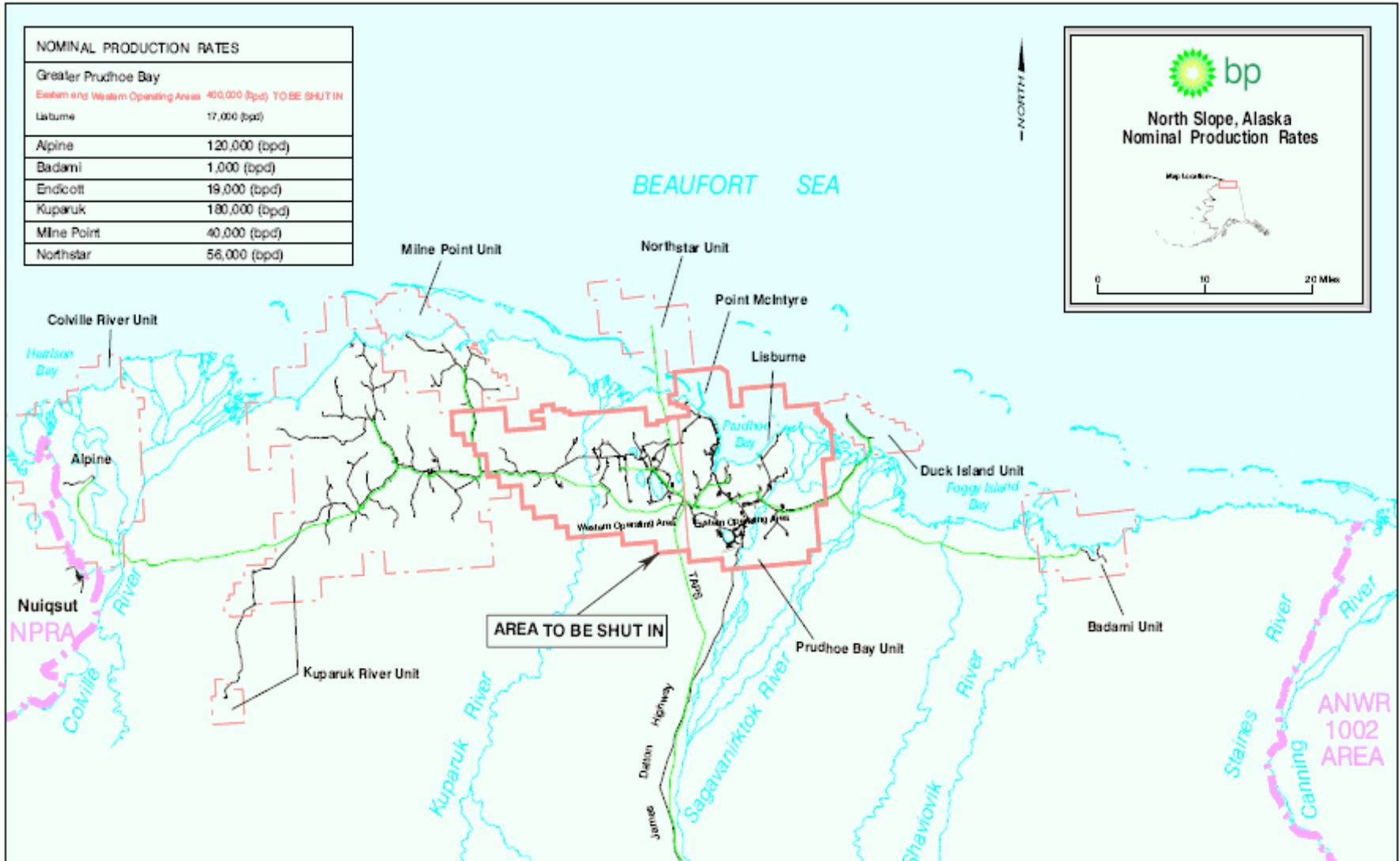


CONTEXT

- Transit lines are smaller diameter pipelines used to deliver oil to the trans-Alaska Pipeline System (TAPS). Transit lines are not part of TAPS.
- Testing is underway to determine if some transit lines can be safely operated until replacement is completed.
- Transit lines being evaluated total about 16 miles in length (Western and Eastern)

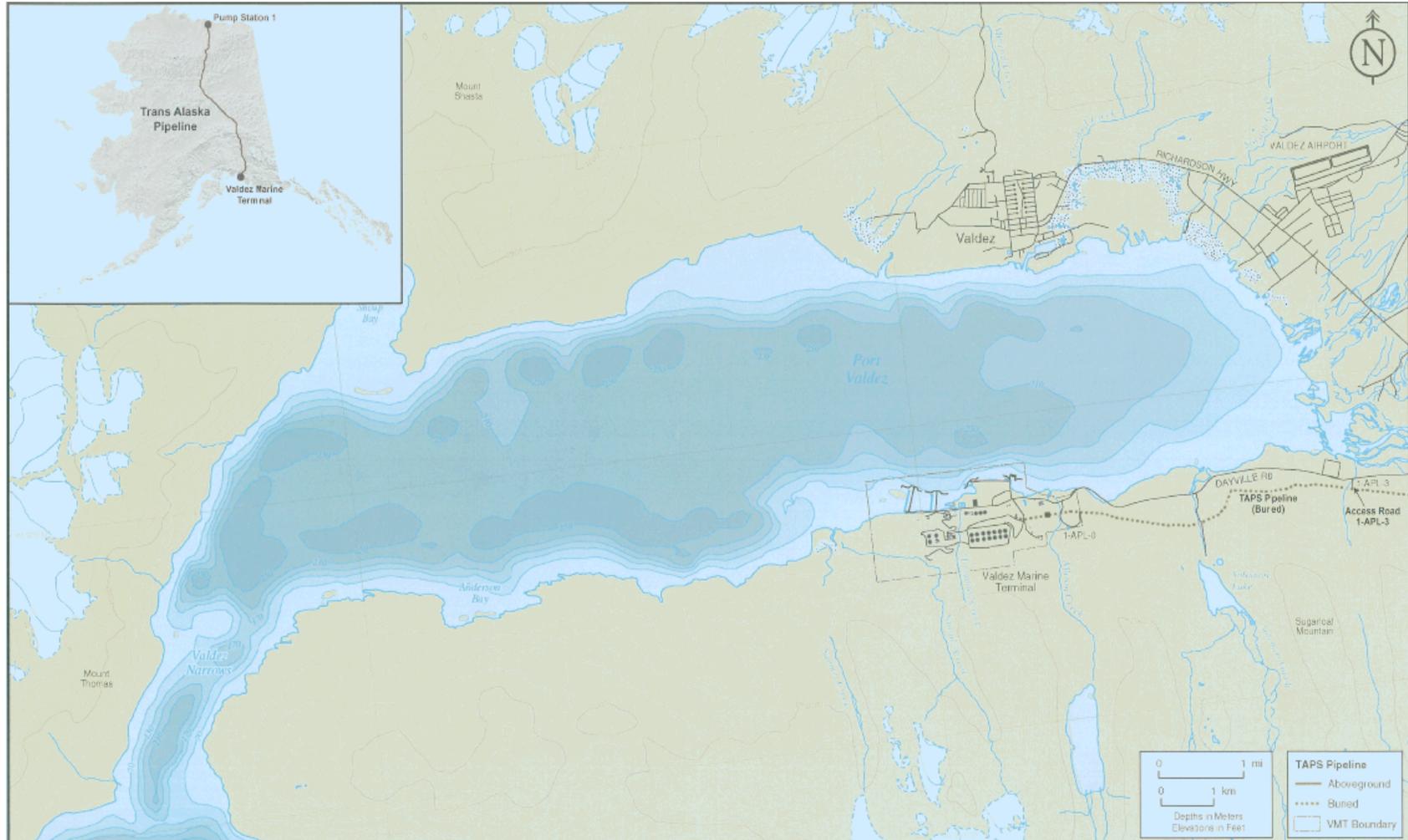


Alaska North Slope – Prudhoe Bay





Trans Alaska Pipeline System (TAPS)



800 Miles From Prudhoe Bay to Valdez Marine Terminal



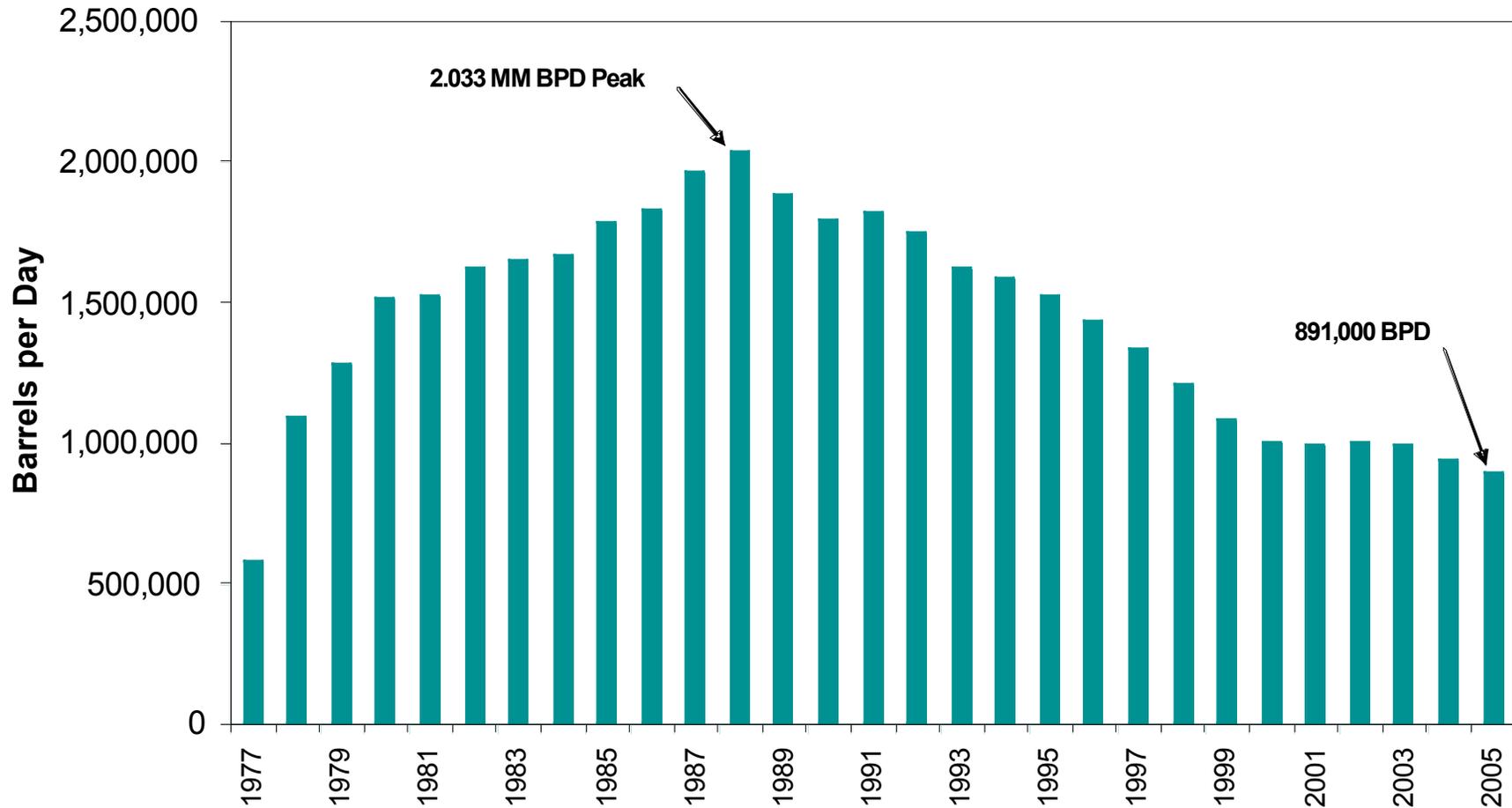
Valdez Marine Terminal



7 Million Barrels Crude Oil Storage Capacity



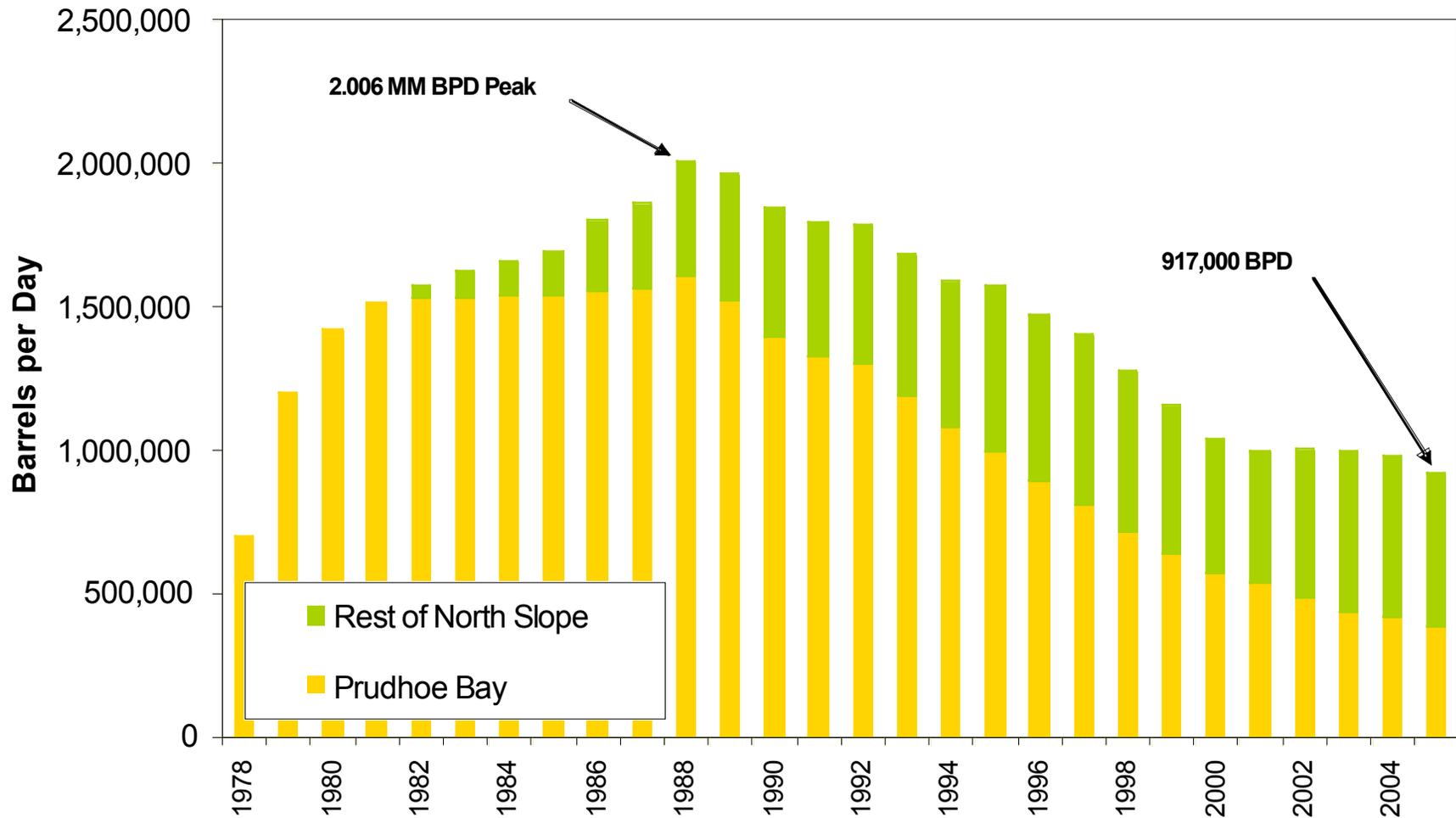
Trans Alaska Pipeline System (TAPS) Annual Throughput Averages (1977 to 2005)



Source: Alyeska Pipeline Company



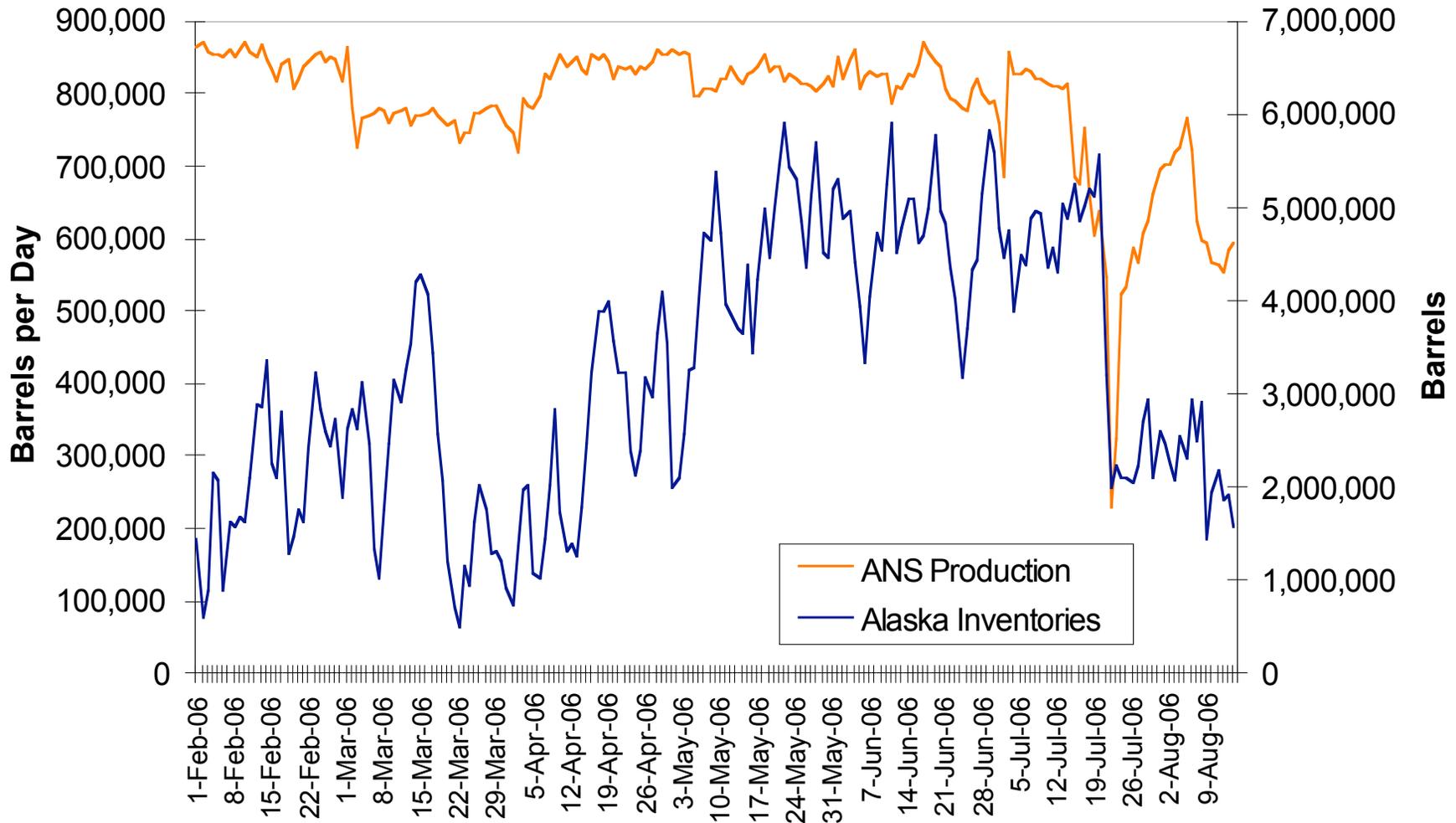
Alaska North Slope Production (1978 to 2005 FY)



Source: Alaska Department of Revenue



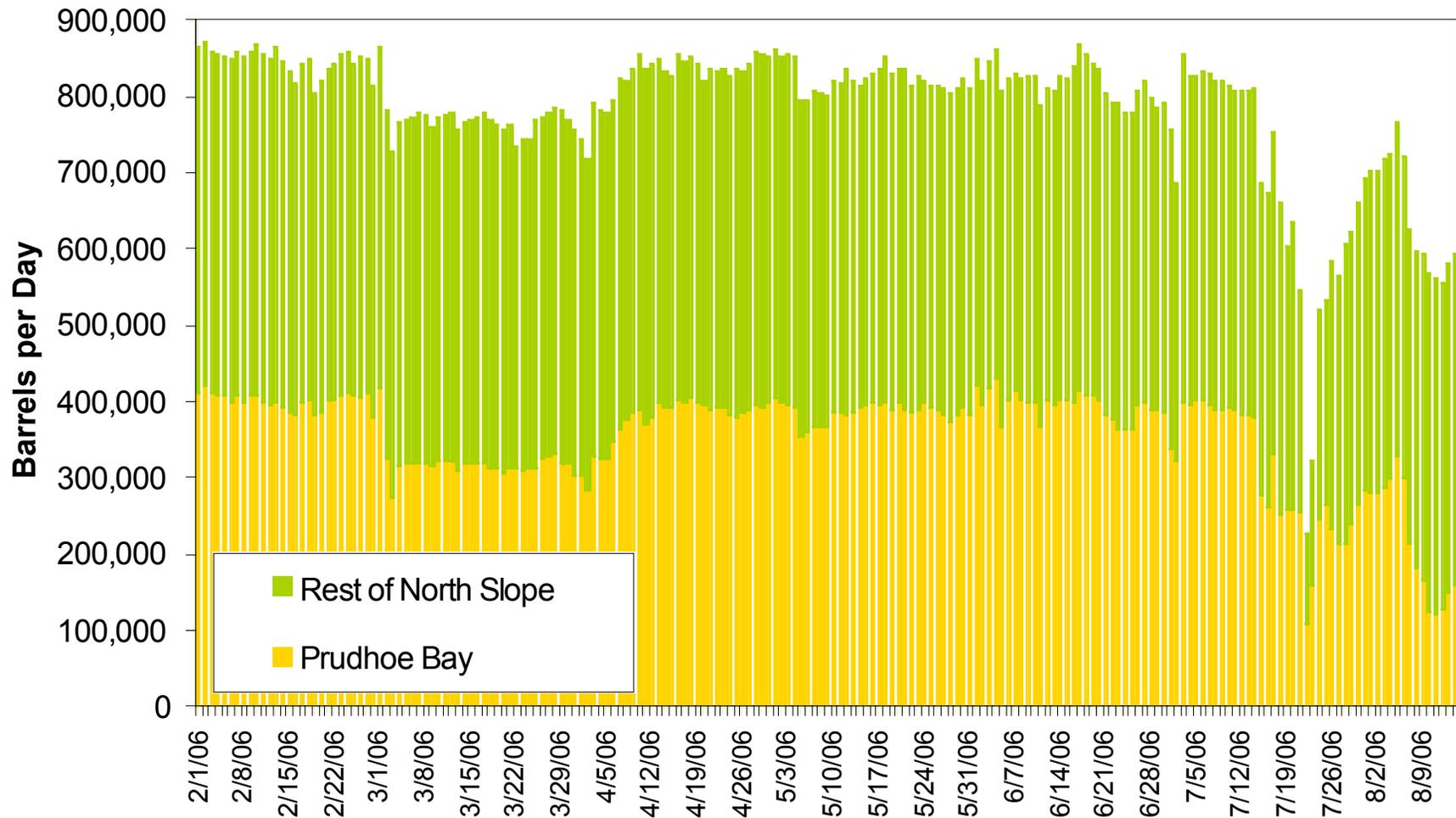
Alaska North Slope Production and Alaska Inventories (February 1 - August 14, 2006)



Source: Alaska Department of Revenue



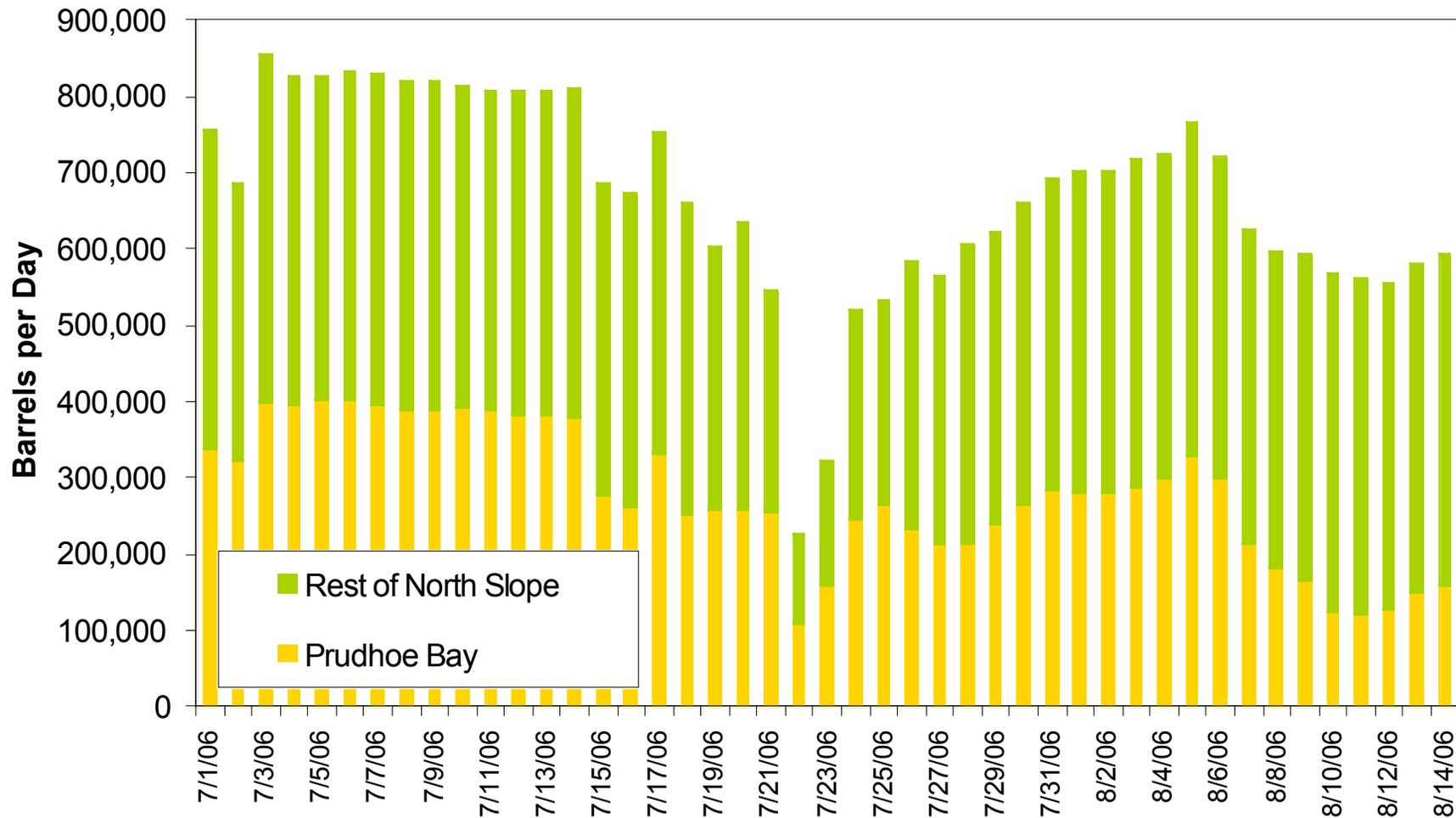
Alaska North Slope Production (February 1 - August 14, 2006)



Source: Alaska Department of Revenue



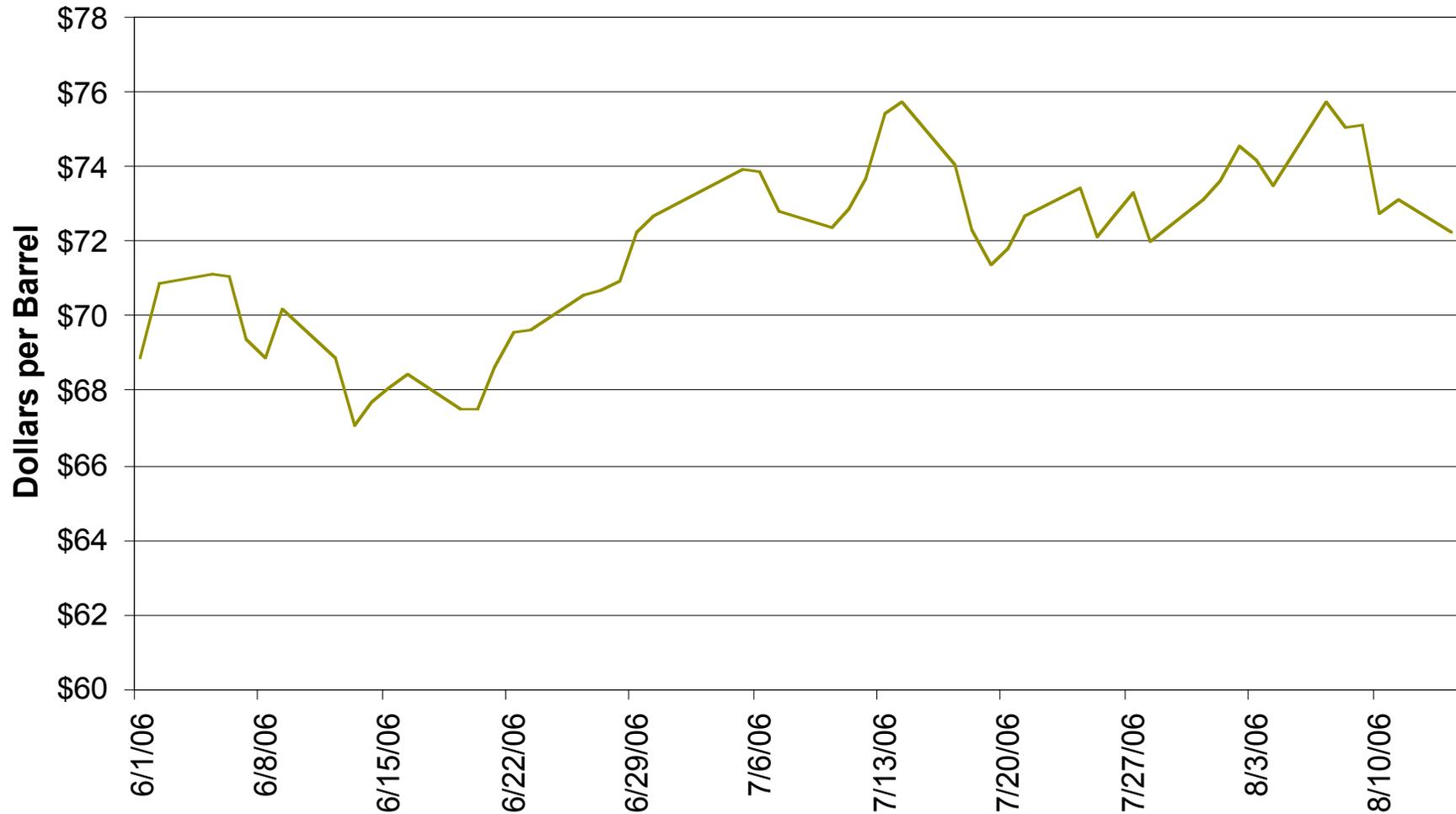
Alaska North Slope Production (July 1 - August 14, 2006)



Source: Alaska Department of Revenue



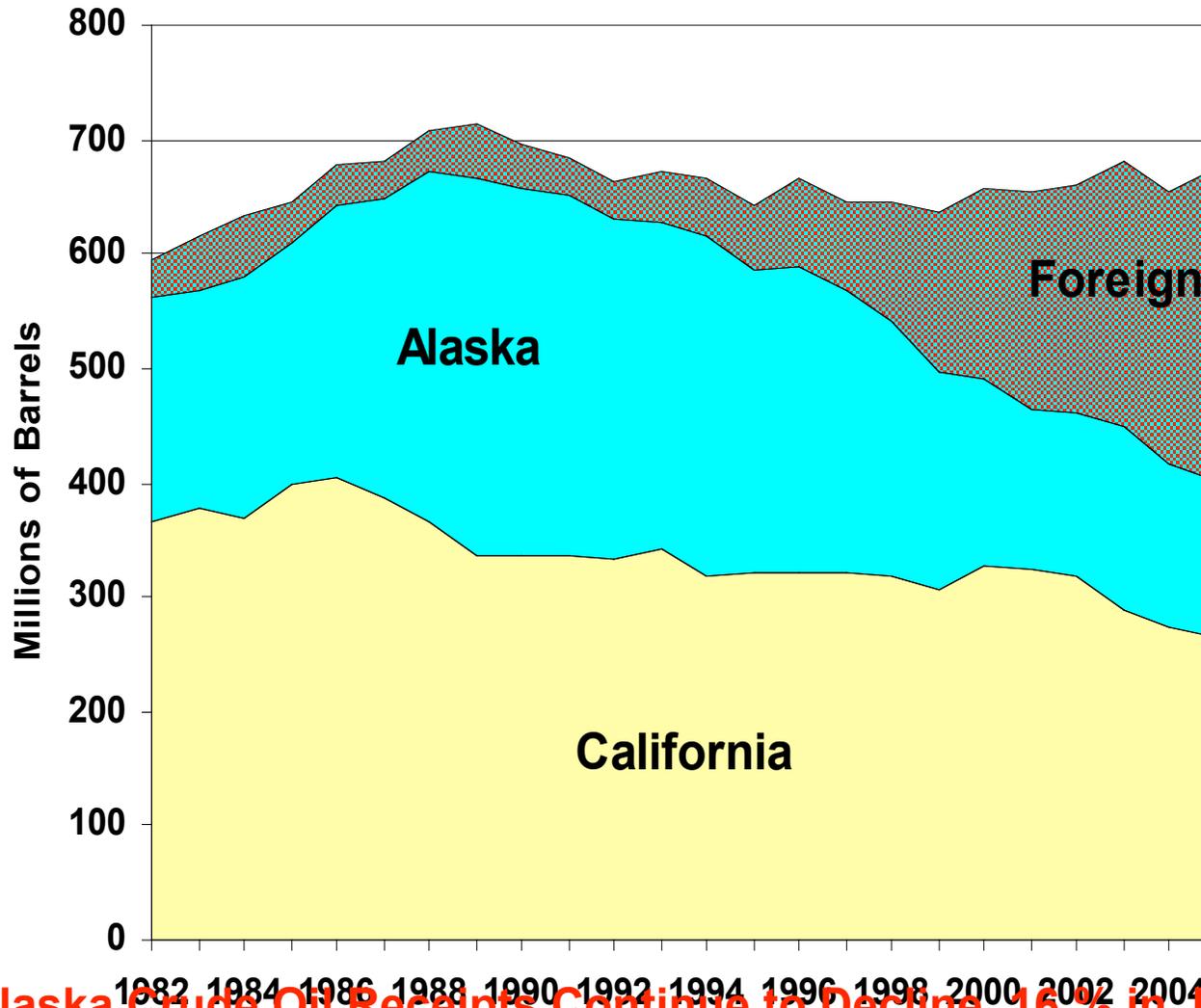
Alaska North Slope Crude Oil Prices June 1 through August 14, 2006



No Significant Impact on ANS Prices Since Announcement



Crude Oil Sources For California Refineries 1982 - 2005



Alaska Crude Oil Receipts Continue to Decline, 16 % in June 2006



Potential Impacts of Reduced ANS Supply

- No immediate impacts on California fuel supplies
- California refiners normally carry 7 to 10 days worth of inventory
- Most refiners should be able to continue normal operations for at least another couple of weeks
- Alternative sources of crude oil are being sourced by refiners
 - Will take several weeks to over a month for these new sources of crude to begin arriving at West Coast refineries
- Washington state refineries could experience greater impact due to higher percentage of Alaska crude use
- **But potential impact on refinery operations has been reduced with news that Alaska production is expected to decline by only 200,000 thousand barrels per day, rather than the original estimate of 400,000 barrels per day**