

## MINUTES OF THE SENATE UTILITIES COMMITTEE

The joint meeting of the Senate and House Utilities Committees was called to order by Chairman Stan Clark at 9:30 a.m. on January 29, 2004 in Room 526-S of the Capitol.

All members were present except: Senator Jim Barone- excused  
Senator Robert Tyson, excused

Committee staff present:

Raney Gilliland, Legislative Research  
Emalene Correll, Legislative Research  
Ann McMorris, Secretary

Conferees appearing before the committee: Dick Brewster, BP, Oklahoma City

Others attending: See Attached List.

Chairman Clark reminded all present that the meeting room is electronically wired and a camera is on 24 hours. The microphones positioned throughout the room are on and pick up sounds and conversations.

Chairman Clark called the meeting to order and after the introduction of a bill by the House Utilities Committee, introduced Dick Brewster.

Natural Gas in the U.S. - (Attachment 1)

Using a power point presentation, E. Richard Brewster, BP - explained natural gas supply, demand and price in the U.S. He explained factors that affect price and how they work; the current supply and demand; some future projections that indicate how demand may out run supply and what can be done to avoid that result. BP's efforts to help provide more gas to the U.S. include (1) investing more than \$1 billion in 2003 to maintain and increase gas production in the traditional and growth areas in the U.S; (2) Initiating new LNG production in Trinidad with US as its natural market; (3) actively pursuing re-gas terminals on the east coast; (4) supporting new pipelines from the Rockies and San Juan to delivery gas from that area; (5) pursuing an Alaska pipeline project; and adopting conservation and efficiency measures in their own manufacturing operations; (6) investing in existing producing areas in Texas, Louisiana, New Mexico Oklahoma and Kansas; (7) in the Northern Rockies, BP expects to drill 121 new wells with a budget of over \$133 million; (8) BP is a leader in deep water drilling

He summarized by noting that we need to address the longer term issues and that state and federal governments play a vital role. State governments regulate locations and grant permits for gas wells, gathering lines and processing plants, establish safety regulations and enforce environmental regulations; and tax production. State Governments can (1) assure that state agencies allow regulated utilities to manage risk in gas purchases to help avoid consumer price spikes; (2) work with local & federal agencies to expedite permitting of LNG facilities, natural gas wells, plants and pipelines in an environmentally responsible manner; (3) develop state tax policies that encourage the use of solar and wind energy and conservation; (4) monitor and participate in FERC activities; and (5) producing states can encourage investment in mature producing areas with tax incentives for production from marginal wells, high cost wells and wells that use 3D/4D technology. Federal energy policy should: (1) include Alaska gas pipeline and allow the development of arctic gas; (2) allow natural gas development on federal lands with untapped resource potential and where development can occur consistent with environmental values; (3) provide an efficient process for making decisions on permit applications and resolving conflicts; (4) provide tax incentives for infrastructure development; and (5) provide tax incentives for alternate energy like solar and wind generation. Following the presentation, the committee members discussed points of concern and interest.

The next meeting of the Senate Utilities Committee will be on February 2, 2004.

Adjournment.

Respectfully submitted,  
Ann McMorris, Secretary  
Attachments - 1