

Approved: February 24, 2004
Date

Carl Dean Holmes

MINUTES OF THE JOINT MEETING OF HOUSE AND SENATE UTILITIES COMMITTEES.

The meeting was called to order by Senate Utilities Chairman Stan Clark at 9:35 a.m. on January 29, 2004 in Room 526-S of the Capitol.

All members were present except: Representative Eric Carter
Representative Bonnie Huy
Representative Peggy Long-Mast
Representative Judy Morrison

Committee staff present: Mary Galligan, Legislative Research
Jo Cook, Administrative Assistant

Conferees appearing before the committee: Dick Brewster, BP America

Others attending: See Attached List.

House Utilities Chairman Holmes addressed the House members and asked for bill introductions. Representative Kuether moved to introduce a committee bill dealing with the construction and upgrade of transmission lines. Representative Sloan seconded the motion. The motion carried.

Chairman Clark introduced Dick Brewster, Director of Government Affair for BP America, who provided a presentation titled 'Natural Gas in the US – Supply - Demand - Price – Future Supply – What BP is Doing' (Attachment 1). Mr. Brewster told the joint committees that even though there are a number of challenges, the market is working and is the most efficient way of meeting those challenges and that while the temptation is to focus solely on the short term, government policy as well as industry needs to address the long term issues. Mr. Brewster responded to questions from the committee.

The meeting adjourned at 10:13 a.m.

The next meeting is Friday, January 30, 2004.

JOINT MEETING HOUSE AND SENATE UTILITIES COMMITTEES GUEST LIST

DATE: January 29, 2004

NAME	REPRESENTING
Dick Brewster	BP America
Paul Johnson	PACK
Rick Tongeman	Kansas Gas Service
Larry Dyles	" " "
Ken Peterson	KS Petroleum Council
Andy Shaw	SWK/A
Mike Rues	AT&T
Patricia Dubbell	Amesboro
Steve Johnson	Kansas Gas Service
ALAN COBB	KCCT
Tom Bruno	EKOGA
Julie Hein	Hein Law Firm
TOM DAY	KCC
Bob Kuehbiel	KCC
David Sprang	Carb
Don Schmitt	KIIOGA
Whitney Jamon	KS Gas Service
Amy Campbell	Midwest Energy



Natural Gas in the U.S.
Supply – Demand – Price
Future Supply
What BP is doing

Price Factors 2003



Significant Factors Affecting Price

Economy

- Weather
- Storage
- Supply
- Logistics
- Increasing Demand/New Uses of Gas

HOUSE UTILITIES

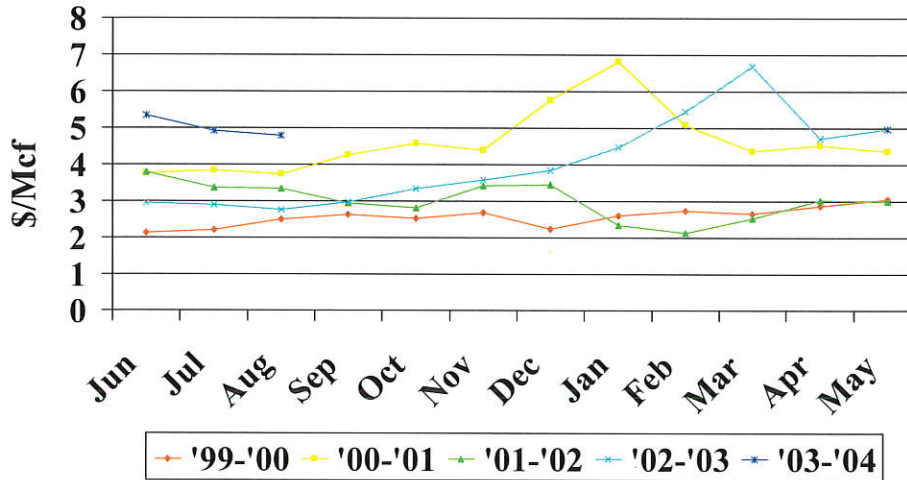
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ATTACHMENT 1

Historical Wellhead Gas Prices



Historical Wellhead Prices

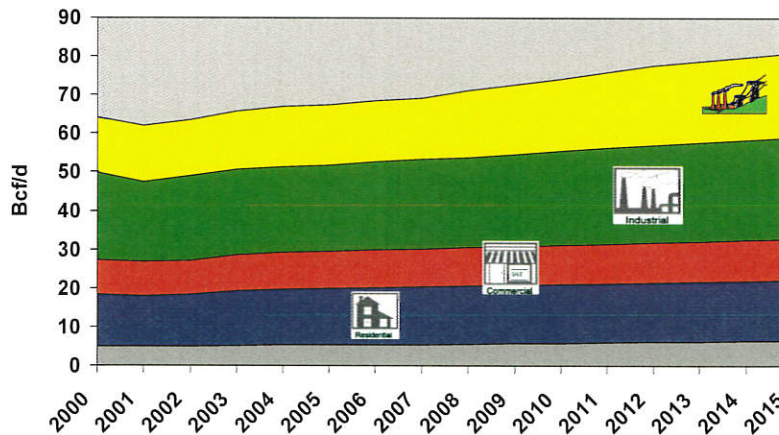


•Source: <http://tonto.eia.doe.gov>

Future U.S. Natural Gas Demand



•Source: EIA Annual Energy Outlook, 2003

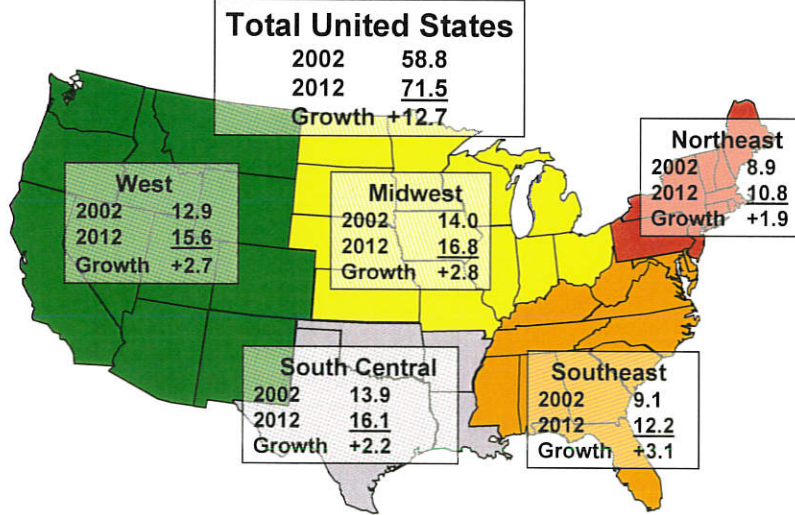


- Demand is expected to grow in all power sectors, led by power generation
- Over 90% of recently constructed generation projects are gas fired

U.S. Demand Outlook

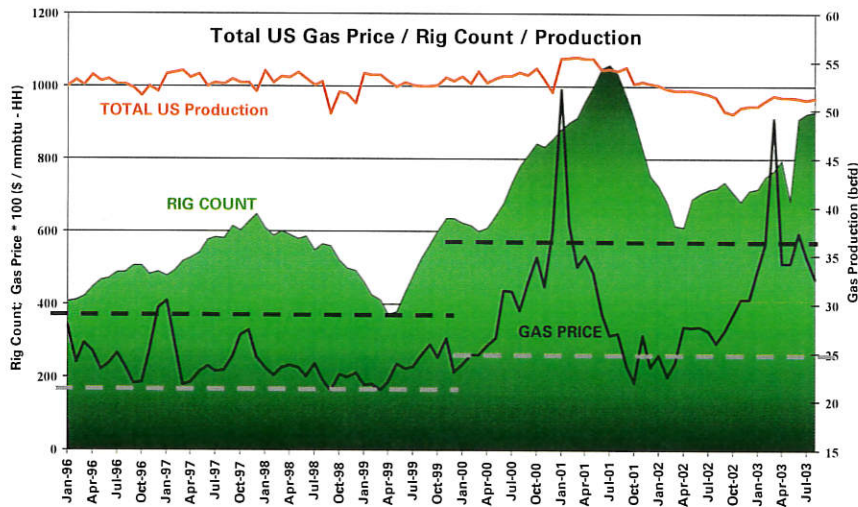


Source: EIA, AEO 2003

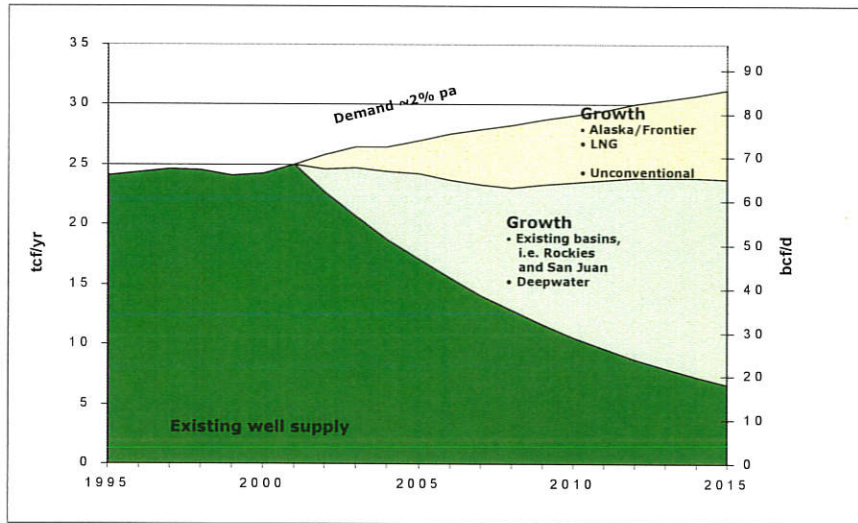


Does not include Estimated Pipeline, Lease & Plant (8.8%)

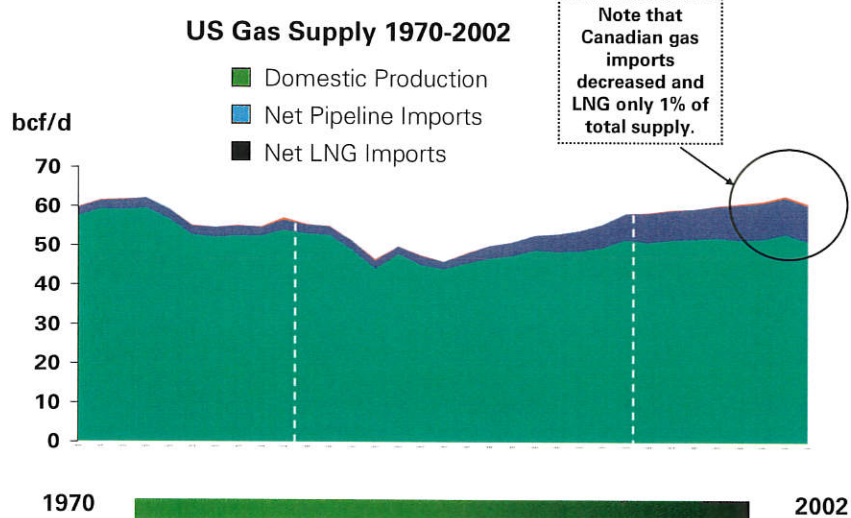
U. S. Domestic Gas Supply Challenge



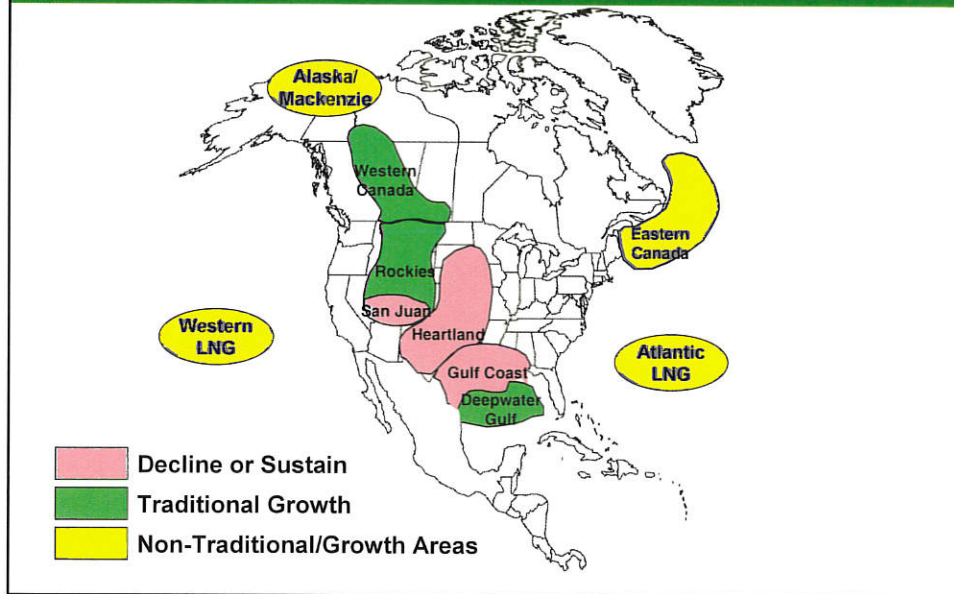
North America Supply Demand Outlook



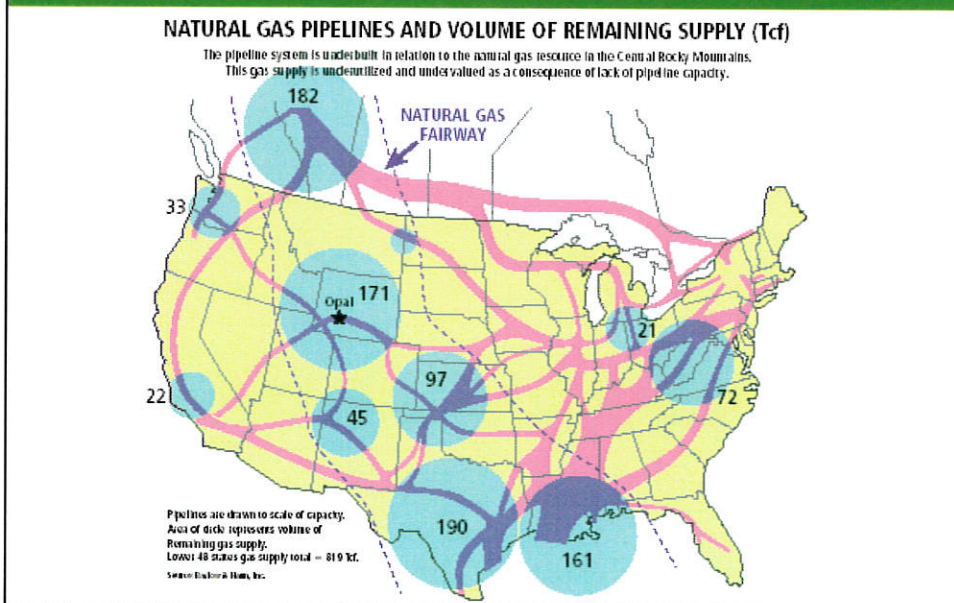
U.S. Increased Reliance on Foreign Gas



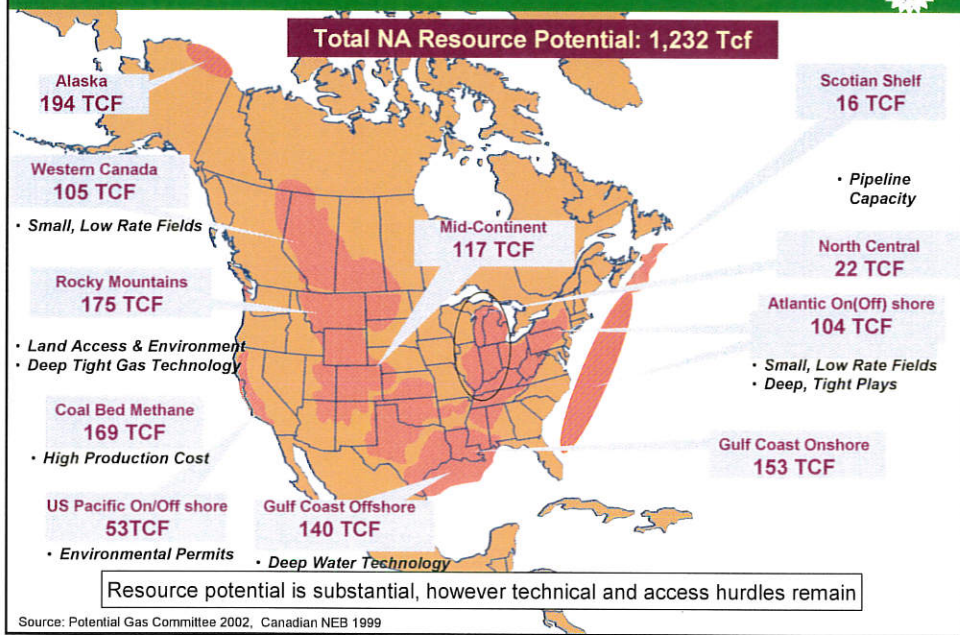
Non-traditional and traditional supply sources are needed



Areas to Develop



NA Gas Resource Potential



Arctic Gas Can Close a Third of the Prospective Supply Gap

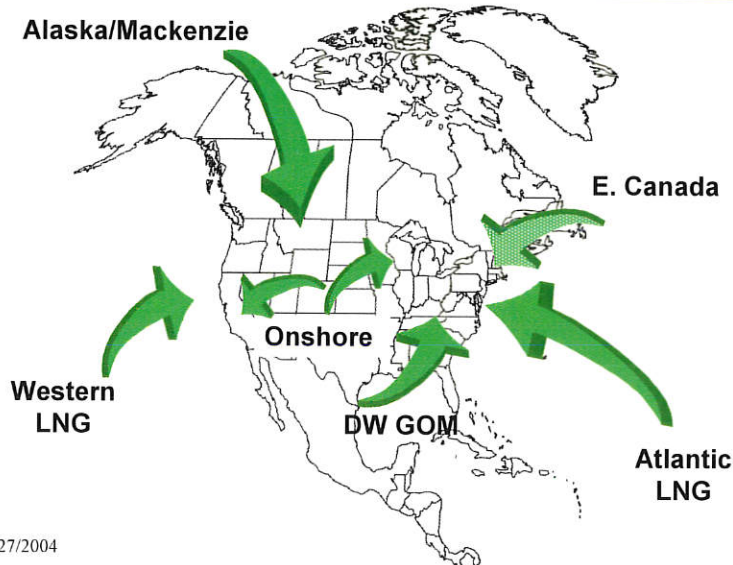


The Alaska & Mackenzie Gas Pipelines are the key basin-opening infrastructures



- Alaska's North Slope has substantial gas resources: 35 TCF discovered, 100 TCF potential
- Transportation is the main cost. A buried pipeline is the most efficient way to market
- Both Northern and Southern routes were studied and could be safely built and operated.
- Costs approximately \$20 billion to build a 4.5 bcfd pipeline with expansion capability to 5.6 bcfd
- Toll to U.S. markets is approximately \$2.40/mcf

BP -- Part of the Solution



What BP is Doing to Enhance Gas Supplies



- Investing more than \$1 billion in 2003 to maintain and increase gas production in the traditional and growth areas in the U.S.
- Initiating new LNG production in Trinidad with US as its natural market
- Actively pursuing re-gas terminals on the east coast
- Supporting new pipelines from the Rockies and San Juan to deliver gas from that area (Cheyenne Plains Pipeline, Kern River Pipeline, and others)
- Pursuing an Alaska pipeline project
- And we are adopting conservation and efficiency measures in our own manufacturing operations.

17

BP As Part of the Solution



- More specifically, we are investing heavily in existing producing areas in Texas, Louisiana, New Mexico, Oklahoma, and Kansas.
 - In 2003 we have begun a multi year well drilling program, investing \$140-\$150 million, and expecting to drill some 300 wells.
- In a similar program, in the Northern Rockies, in 2003, we expect to drill 121 new wells with a budget of over \$133 million.
- BP is a leader in deep water drilling, with a vital stake in deep water Gulf of Mexico drilling.

In Summary



- Even though there are a number of challenges- the market is working and is the most efficient way of meeting them.
- In the short term there are steps that producers, consumers, regulators and government take..
- While the temptation is to focus solely on the short term, we need to address the longer term issues. Government policy needs to address the long term issues..
- BP is a major part of the solution to meet customer energy needs.

State Governments Play Vital Role



- State governments
 - Regulate locations and grant permits for gas wells, gathering lines, processing plants
 - Establish safety regulations and enforce environmental regulations
 - Tax production and often personal property used in production.
 - BP works closely with state governments as we provide energy resources.

What State Governments Can Do



States can:

- Assure that state agencies allow regulated utilities to manage risk in gas purchases to help avoid consumer price spikes.
- Work with local & Federal agencies to expedite permitting of LNG facilities, natural gas wells, plants and pipelines in an environmentally responsible manner.
- Develop state tax policies that encourage the use of solar and wind energy, and conservation.
- Monitor and participate in FERC activities to encourage additional pipelines and producer access to pipeline capacity.
- 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:



- Include Alaska Gas Pipeline & allow the development of arctic gas.
- Allow natural gas development on federal lands with untapped resource potential and where development can occur consistent with environmental values.
- Provide an efficient process for making decisions on permit applications and resolving conflicts.
- Provide tax incentives for infrastructure development.
- Provide tax incentives for alternate energy like solar and wind generation.

Natural Gas Supply/Demand



Natural gas remains a preferred source of energy.

There are adequate reserves in North America, if they can be developed and delivered.

Government policy should encourage development in an environmentally safe manner.

The market place will continue to respond to changing conditions.

BP is part of the solution and will continue to invest in bringing gas to consumers in the U. S.