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Week of June 30, 2002

Arriving in Seward July 7



Courtesy of Aurora Well Service LLC

A truck-mounted drilling rig is headed to Alaska from Wyoming via Carlile Transportation. The pulling unit is mounted on a carrier (semi) and has a derrick that telescopes up and can work over wells or drill new wells up to 8,500 feet. The rig is owned by a joint venture between Boelens Well Service of Thermopolis, Wyoming, and Scott Pfoff of Aurora Power Resources Inc., which is affiliated with Aurora Gas LLC, a Cook Inlet gas producer and explorer. In addition to work for Aurora, the joint venture - Aurora Well Service - will be going after drilling work with other producers. See news item on page 3.

Voters wanted for new precinct at Prudhoe Bay; Deadhorse excluded

The hottest news on the North Slope this week is that Prudhoe Bay now has its own voting precinct and will be recruiting voters.

The new voting precinct is numbered 40-036. The approximate number of people working at Prudhoe Bay and Deadhorse is 5,000. The current number of registered voters for the area is 118 (87 Prudhoe, 31 Deadhorse) but as of this writing the state does not plan to include Deadhorse in the precinct.

To compare numbers: Point Lay has 120 registered voters and Anaktuvuk Pass has 319. The Division of Elections is not sure of the exact boundaries but will have them identified in about two weeks. Currently the precinct will only be able to vote in state and federal elections. The North Slope Borough will decide if they can vote in local elections.

Did you know Prudhoe Bay has a community council? I didn't but found this is the group of people that requested the voting precinct. There were three reasons for the request: the polling place for Prudhoe voters was in Anaktuvuk Pass which meant voters had to either fly 168 miles to their polling place or use an absentee ballot; the absentee ballot was difficult for voters and did not reach Barrow in a timely manner; and the voters wanted better representation.

Prudhoe couldn't vote in borough elections yet approximately 90 percent of borough money comes from Prudhoe through state and local taxes. Prudhoe Bay has no say on Prudhoe decisions

see INSIDER page 5



GOVERNMENT

Running out of time

Administration wants new ACMP regulations approved before Knowles leaves office; final approval rests with gubernatorial candidate Lt. Gov. Fran Ulmer

By Kristen Nelson
PNA Editor-in-Chief

Proposed changes to the consistency determination portion of the Alaska Coastal Management Program regulations are in what the state Division of Governmental Coordination hopes will be final revisions after facing strong opposition from both industry and the environmental community at a Coastal Policy Council meeting June 20-21.

The regulations are the basis for a determination by the state as to whether a project, such as a proposed oil field, is consistent with the Alaska Coastal Management Program. They also determine which projects are subject to a coastal zone program review.

Tom Atkinson, executive director of the Alaska Conservation Alliance, told the council the proposed regula-

see ACMP page 11



Judy Brady, executive director of the Alaska Oil and Gas Association, said key problem areas include an unlimited geographic reach which conflicts with federal regulations that require a clear and exact inland boundary to the coastal zone.



State officials are working hard to get the new Alaska Coastal Management Program regulations approved before the Knowles administration leaves office. Final approval will rest with Lt. Gov. Fran Ulmer, who is running for governor.

GOVERNMENT

Fish and Wildlife head promotes cooperation with stakeholders

Paul Hoffman, deputy assistant secretary of Interior, says if ANWR drilled, U.S. Fish and Wildlife and Parks would be in charge of development

By Steve Sutherlin
PNA Managing Editor

Paul Hoffman, deputy assistant secretary for Fish and Wildlife and Parks of the U.S. Department of the Interior was in Anchorage June 24 to meet with department employees in Alaska. Hoffman went on to Fairbanks, and then to a float trip on the Noatak River, which flows westward along the south foothills of the Brooks Range below the National Petroleum Reserve-Alaska. Hoffman oversees the National Park Service and the U.S. Fish and Wildlife Service, which manage the lands the Noatak flows through.

"We think the people of Alaska know best how to solve the problems that face Alaska" —Paul Hoffman, deputy assistant secretary for Fish and Wildlife and Parks of the U.S. Department of the Interior

Hoffman said he was meeting with Fish and Wildlife Service offices to advance the administration's agenda with regard to the use of the public lands. He said President Bush is taking a businesslike approach to the management of federal lands, setting

see COOPERATION page 16

THE INDEPENDENTS

AVCG: Kansas oil men partner to explore leftovers on North Slope

Bo Darrah, Bart Armfield start with acreage from wildcatter Fred James, amass 108,000 acres on slope

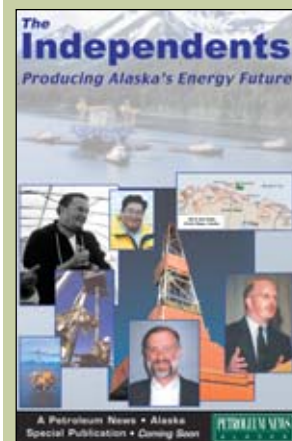
By Karen Aho
PNA Contributing Writer

Alaska Venture Capital Group LLC was formed in mid 1999 by two experienced oil men and longtime acquaintances Bo Darrah and Barton Armfield. Darrah had 30 years of experience managing a privately held oil company based in Wichita, Kansas; Armfield had extensive, and recent, history on Alaska's North Slope with Alaska Petroleum Contractors.

The other owners in AVCG were all privately held, independent oil and gas companies that were actively exploring and operating in the

see INDEPENDENTS page 15

Third in a series



This story is an abridged version of an article that appears in "The Independents: Producing Alaska's Energy Future," a special publication Petroleum News • Alaska is releasing later this summer.

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HISTORY

All-American recalls first field experience in Alaska

1953 Phillips geologist Charles Darling ran in hip boots to train for upcoming basketball season; wins Olympic medal in 1956

By Jen Ransom
PNA Staff Writer

When geologist Charles Darling was first deciding which company to work for in the mid-1950s, it wasn't the lure of high pay or top-of-the-line equipment that made him choose Phillips Petroleum Co.

"Phillips had a basketball team," Darling told PNA in a recent interview. "I was an all-American in college, and I wanted to keep playing."

But basketball or no basketball, Darling was itching to get some real field experience. A recent newlywed, Darling was thinking that he would end up doing something in the Rocky Mountains.

But in May 1953, Darling was part of Phillips' first geologic surface exploration party to come to Alaska to look at the geological makeup of the Katalla-Yakataga region, which is about 50 miles east of Cordova.

Gets merit badge in geology

Darling was first introduced to geology in junior high, as a Boy Scout in Montana. He received a merit badge in geology and the interest sparked. He attended the University of Iowa, where the 6' 8" geologist-in-the-making played basketball. Fresh

out of college, Darling says that the time he spent studying the geology in the Katalla region was the only time in his 29 years with Phillips that he had to actually use the complex geology he studied in college.

"You had to establish sea-level first," he said. "It was the only time I had to map an area so overturned."

Fifth in a series



This is the fifth in a group of articles from a special publication that Petroleum News • Alaska is releasing in September celebrating Phillips Petroleum's first 50 years in Alaska.

The exploration party, lead by geologist Phil O'Rourke, spent five months confirming the results of earlier mapping done by the U.S. Geophysical Survey in the Katalla-Yakataga region.

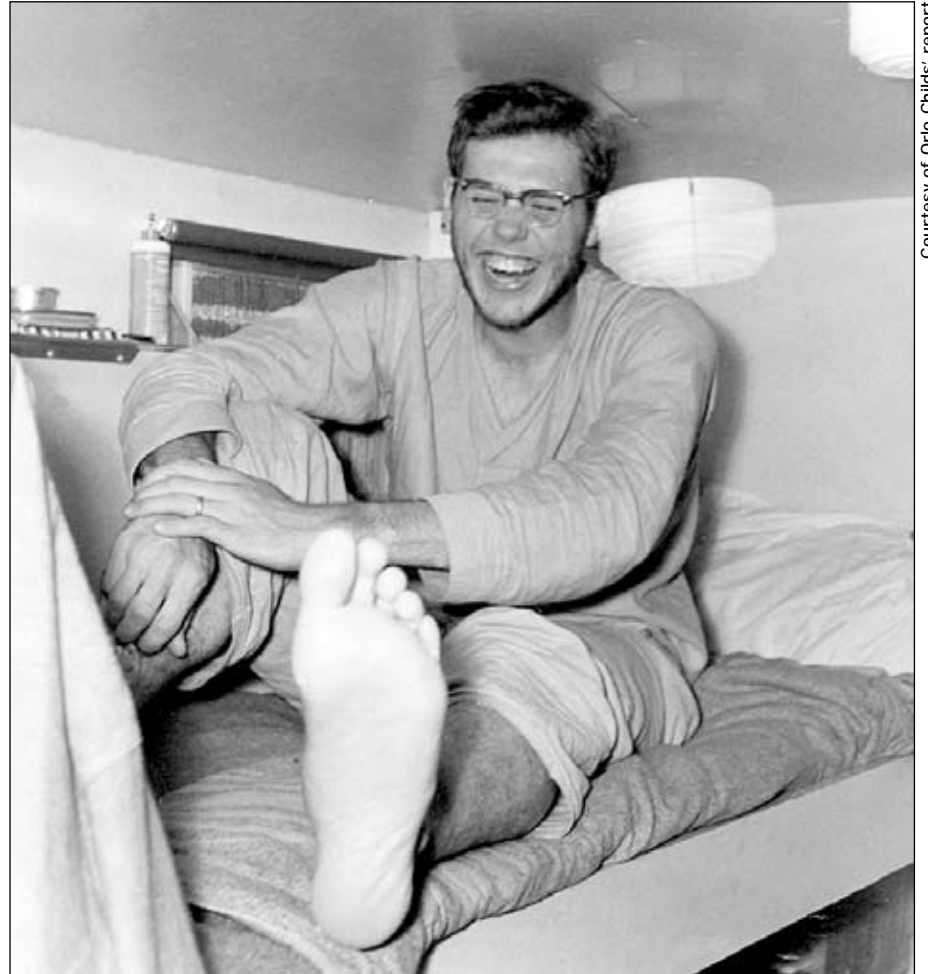
The group found a number of oil seeps that the USGS had not mapped, and Darling estimates that some of the seeps were leaking about a barrel of oil a day.

The Sullivan Anticline, where Phillips' partner Kerr Industries first drilled, was heavily overturned, Darling said: "It was so complex we couldn't establish where the reservoir rocks were."

An unfriendly welcome in Cordova

The rocks weren't the only complex situation the geologists faced during their stay in Alaska.

When the group first arrived in Cordova, weather held them there for almost two weeks before they could fly out to base camp. The group had never spent much time on the coast, so they wandered around the docks and beaches daily.



Courtesy of Orlo Childs' report

Despite the mechanical assistance provided to the geologists at Katalla-Yakataga, such as airplanes, helicopters and trucks, the basic equipment on which the geologists depended were their feet and strong legs. Here Chuck Darling shows his elongated natural equipment as a geologist.

Darling remembers the people were very unfriendly at first.

What Darling and the other geologists didn't realize was that their daily harbor excursions were creating a stir. It wasn't until a local bartender established that the

visitors were geologists, not fish and wildlife game wardens, that the town opened up and welcomed them.

"It was okay to be a geologist," Darling said, recalling how people invited him into

see HISTORY page 15

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A special publication of



Courtesy of Orlo Childs' report



Here Keith Calderwood, the makeshift camp barber, gives Norm Mundorff a much-needed haircut. Beards, however, were considered a private problem, and each geologist was responsible for cutting his own. When the geologists met back up a few months after their summer in Alaska, the clean-shaven men could barely recognize their once-hairy coworkers.

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SERVICE & SUPPLY

Drilling company moves unit to Alaska

Alaska's newest drilling company, Aurora Well Service LLC, is having its first drilling unit shipped to Alaska, David L. Boelens, vice president of Aurora Power Resources Inc.'s Alaska operations told PNA June 26.

The truck-mounted drilling rig is coming from Wyoming, and is due to arrive in Seward July 7. From there, the Franks 300 Series well servicing unit will go to Peak Oilfield Service Co.'s yard in Nikiski where Aurora has other equipment stored.

Aurora Well Service is a joint venture between Boelens Well Service LLC of Thermopolis, Wyoming (two-thirds interest) and Scott Pfoff (one-third). Pfoff is president and CEO of Houston-based Aurora Power Resources and Anchorage-based Aurora Gas. In addition to doing completions, side-tracking and straight hole drilling at Aurora Gas' Nicolai Creek gas field in west Cook Inlet, Boelens is going after other drilling work.

"In addition to completion work and side-tracks, this unit can drill shallow gas wells, top to bottom," he said.

"We've contacted all the companies and invited them to take a look at the unit. ... The pulling unit does not require a big crew," Boelens said. "It takes a tool pusher overseeing it and four other people running the rig itself."

Camp open at Shirleyville

Aurora Power (51 percent) and the Native Village of Tyonek (49 percent) partnered last year to build a 20-person camp for west Cook Inlet operations. That camp is now operating at Shirleyville, next to the Granite Point tank farm and runway, tribal administrator Angela D. Sandstol told PNA, and is also catering to customers outside its ownership group. Robert and Shirley Eckstrom's restaurant and bar, purchased by Tyonek, has been remodeled for the camp and is now called "The Galley."

Pfoff and Steve Severy, both formerly with Marathon Oil Co., started Aurora Gas, which became Aurora Power Resources, in 1994. Aurora Gas LLC was formed in 2000 and is jointly owned by Ed Jones and Andrew Clifford of Orion Resources and Aurora Power.

—Kay Cashman, PNA publisher

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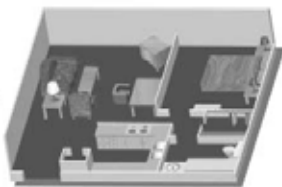
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ARCTIC GAS

Bush assures Chretien he favors market-based decision on gasline

President George W. Bush has taken some of the heat out of a brewing fight between U.S. and Canadian interests by assuring Canadian Prime Minister Jean Chretien that the White House prefers a private sector decision on Arctic natural gas development.

The two leaders, who met June 26 in the Canadian Rockies as part of the summit of leaders from the world's eight largest industrialized nations, agreed they "should not necessarily legislate" an outcome to competing northern pipeline projects.

A senior Canadian government official told a news briefing at the G8 summit that Bush, referring to a U.S. Senate bill proposed to subsidize construction of an Alaska gas line, told Chretien: "As you know, I have not signed that bill yet."

That was interpreted by Canadian officials as a sign that Bush is open to rewriting the legislation, which has provoked anger among Canadian industry and government leaders, who argue that subsidies could cripple gas production across North America, stall plans to develop Mackenzie Delta gas indefinitely and undermine U.S. efforts to develop a secure continental energy supply.

But Canadian and U.S. officials concede that Bush's remarks fall far short of a commitment to veto or rework any legislation and say they do not expect a final stand from the president until after the November mid-term elections.

The Canadian government has hinted that if the United States subsidizes the Alaska route, Canada may retaliate with tit-for-tat policies that support construction of a Mackenzie Valley pipeline.

Natural Resources Minister Herb Dhaliwal, who does not believe two northern pipelines would be viable over the short term, said Canada is ready to block approvals for an Alaska line to cross Canadian territory if the project is subsidized.

—Gary Park, PNA Canadian correspondent

LAND & LEASING

Potential state, federal oil, gas lease sales

Agency	Sale and Area	Proposed Date
MHT	Cook Inlet	Fall 2002
DNR	North Slope Areawide	Oct. 23, 2002
DNR	Beaufort Sea Areawide	Oct. 23, 2002
MMS	Sale 186 Beaufort Sea	2003
MMS	Sale 188 Norton Basin	2003
DNR	Cook Inlet Areawide	May 2003
DNR	Foothills Areawide	May 2003
DNR	North Slope Areawide	October 2003
DNR	Beaufort Sea Areawide	October 2003
MMS	Sale 191 Cook Inlet/Shelikof Strait	2004
MMS	Sale 193 Chukchi Sea/Hope Basin	2004
DNR	Cook Inlet Areawide	May 2004
DNR	Foothills Areawide	May 2004
BLM	NW NPR-A	June 17, 2004
DNR	North Slope Areawide	October 2004
DNR	Beaufort Sea Areawide	October 2004
MMS	Sale 195 Beaufort Sea	2005
DNR	Cook Inlet Areawide	May 2005
DNR	Foothills Areawide	May 2005
DNR	North Slope Areawide	October 2005
DNR	Beaufort Sea Areawide	October 2005
MMS	Sale 199 Cook Inlet/Shelikof Strait	2006
MMS	Sale 202 Beaufort Sea	2007
MMS	Sale 203 Chukchi Sea/Hope Basin	2007

Agency key: DNR, Alaska Department of Natural Resources, division of oil and gas, manages state oil and gas lease sales onshore and in state waters; MHT, Alaska Mental Health Trust Land Office, manages sales on trust lands; MMS, U.S. Department of the Interior's Minerals Management Service, Alaska region outer continental shelf office, manages sales in federal waters offshore Alaska.

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FINANCE & ECONOMY

OSLO, NORWAY

Norway to lift production from 1.5 million to 1.2 million bpd

Norway, the world's third-largest oil exporter after Saudi Arabia and Russia, will lift a voluntary 5 percent cut in its oil production at the end of June because of an improved petroleum market and a possible need to stabilize prices, the oil minister announced June 20.

Norway reduced production by about 150,000 barrels per day for the January through June period to help the Organization of Petroleum Exporting Countries cut supply to counter a price fall.

Oil Minister Einar Steensnaes said the decision was made based on higher oil prices and projections of greater demand in the second half of the year.

Even though it is not an OPEC member, this northern nation of 4.5 million people often cooperates with the cartel's efforts to manage the volatile world oil market.

He said oil prices, which were in the \$16 to \$17 per barrel range when the decision to hold back production was made, were currently up to \$24 to \$25 per barrel.

A ministry statement said demand for oil was expected to increase by 1.5 million to 2 million barrels per day by the end of 2002.

Norway, which has a production capacity of about 3.2 million barrels per day, will resume full production on July 1.

—The Associated Press

Oil Minister Einar Steensnaes said the decision was made based on higher oil prices and projections of greater demand in the second half of the year.

■ J I D D A H , S A U D I A R A B I A

Saudis meet with oil firm chiefs about \$25 billion in gas projects

Difference in opinion over return for gas development; Saudis offer 8-12%, Exxon, Shell want 15-18% return, source says compromise reached

By John R. Bradley
Associated Press Writer

Saudi Crown Prince Abdullah met with officials from the world's top oil firms to discuss obstacles hindering investment projects in three core ventures worth \$25 billion in the Gulf kingdom's gas fields.

Abdullah, the oil-rich state's de facto ruler, met separately June 23 with Phillip Watts, the chairman of the Royal Dutch/Shell Group of Companies, and ExxonMobil chairman Lee R. Raymond, the official Saudi Press Agency reported.

Saudi Arabia approved offers from Shell, ExxonMobil and six other companies a year ago to work three large Saudi gas fields. But disagreements over various issues — including the level of revenues for the companies — have twice delayed the signing off on final deals. A Western diplomatic source said the companies are seeking 15-18 percent in annual revenues from gas produced in the fields, while Saudi Arabia wants the figure to be at 8-12 percent.

The source, speaking on condition he not be further identified, said both sides reached a "compromise" June 23. He did not elaborate.

The Saudi Press Agency said several Saudi ministers — including the ministers for foreign affairs, oil, finance, industry and planning — were at the talks.

The Saudis and oil company representatives also talked about oil investment issues, the agency said.

Last June, Saudi Arabia signed agreements with nine international oil companies, marking its first major foreign investment in its energy sector since nationalizing the industry in 1975.

BP, Phillips, Total, also involved

Core venture one is led by ExxonMobil, along with Shell, BP and Phillips. ExxonMobil also leads core venture two in partnership with Occidental and Marathon. Core venture three is led by Shell, along with TotalFinaElf and Conoco.

The Western companies, including Royal Dutch/Shell and ExxonMobil, are expected to help Saudi Arabia convert its utilities from oil-burning to natural gas, which would free up more of the kingdom's crude oil for export.

Saudi Arabia's state-owned energy company, Saudi Aramco, will be an equity owner in the projects.

Saudi officials have said that if the companies discover oil, they will be compensated and the fields will be repossessed by Saudi Arabia.

Saudi Arabia nationalized its oil fields in 1975 after tension caused by the Arab oil embargo against the West that began two years earlier, and closed its energy exploration and production sectors to foreign investment. Although locked out of the production of energy, ExxonMobil has \$5 billion in refining and petrochemical joint ventures in the country and is the largest foreign purchaser of crude oil and other hydrocarbons from Saudi Aramco. ♦

continued from page 1

INSIDER

yet these decisions often involve sensitive issues. Several people related this to our forefathers being taxed but having no representation in England (and Prudhoe can't even get a boat in during the winter to throw the tea overboard). In addition Prudhoe Bay has one assembly member for 5,000 people yet Barrow has four assembly members for approximately 4,000 people.

To sum it up: the North Slope Borough gets the majority of the money and gets to make all the

decisions about Prudhoe. Prudhoe is taxed for garbage service, utilities etc. but — and I found this interesting — have to provide and pay for their own garbage service, utilities, etc. So they pay twice for these services.

I asked Director of the state Division of Elections Janet Kowalski why Deadhorse was not included in the precinct and she said because they were thinking of the distance between it and Prudhoe Bay and winter driving conditions. This didn't hold any water with me because I have driven all over Prudhoe including Deadhorse, Kuparuk and Milne Point during the winter months so driving Deadhorse to Prudhoe was just a hop skip and jump down the road. It just doesn't seem to make logical sense to not include Deadhorse in the precinct when they are so close.

When I asked about the boundaries for the new Prudhoe Bay precinct Janet wrote that 'the legal description for boundaries for all precincts are being prepared for submittal to the U.S. Department of Justice for final approval. They are in draft form and won't be released until the whole state is done in a

week or so.'

Asked if it was unusual for a new precinct to only have state and federal voting rights but not local voting rights she replied that 'local boroughs and first class governments set their own district boundaries according to state and federal law. State law requires that state precincts be considered during the local redistricting process.' She said that the reapportionment board sets the federal redistrict boundaries and the division of elections sets the precinct boundaries. I'm not sure exactly how that answered my question but when we talked on the phone I understood that it was pretty well decided by each borough. It would seem to me that if Prudhoe Bay meets these laws they would have to be included in the local voting process.

That brings me to

Bertha Panigeo, borough clerk. I can say with all sincerity that what this country needs is a million Bertha's sitting in clerk positions. If she was in Florida there is no doubt she would clean up its election mess. She laughed when I told her this and replied that other people told her the same thing.

In the position since 1996 she has become a certified municipal clerk and is working on her masters municipal clerk certification. Her deputy clerk is certified and each worker in the office cross-trains.

Bertha said the borough just learned of the new precinct and are trying to understand what it means. She met with borough officials this morning (June 26) to do some brainstorming and try to decide how they need to proceed. On July 8 there will be a phone meeting with Janet Kowalski and Monica Giang, the Nome election supervisor for Region 9.



Janet said the reason for the meeting is that the borough wants to understand the new lines since they have a local districting process of their own.

Janet is following the normal precinct process to analyze the locations, look at administrative efficiencies, and identify the proposed precinct, to follow state law for public notice and the federal law for Section 5 Voting Rights Act approval from the U.S. Department of Justice. She said that due to the redistricting process, they have evaluated every single precinct in the state.

Do you understand why I said they have done one great job?

Bertha said they are not opposing nor are they negative about the new precinct but need to look at the numbers to see if it is feasible to include them in the next general election in October. The cost of securing a polling place, providing two election judges, one election chair and printing the necessary ballots needs to be considered because the costs have not been included in the borough budget. Absentee ballots might be used.

This reporter wondered if maybe Prudhoe could hold a bake sale to help out. I am told there will be no comment from the mayor until the meeting with Janet.

Which finally brings us to the registered voters. Did you know that state statute Sec. 15.05.020 would allow any person that has worked at Prudhoe for more than 30 days to change their registration to Prudhoe Bay?

Individuals who own homes elsewhere are not precluded from registering to vote at Prudhoe although they can't register more than one place. So the push for voter registration is on and letters have been sent to encourage people to register 30 days prior to the election on August 27.

Keith Silver, president of the Prudhoe Bay Community Council, said, "managers are constantly under the gun to show our North Slope Borough resident hire percentage. This is one way to increase that percentage." He also stated that the voting registration

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continued from page 5
INSIDER

is a personal decision best made by the individual but said he changed his registration because he makes his money at Prudhoe Bay and decisions made in the North Slope Borough affect him more than decisions made where he owns a home. And, he said, voters in Prudhoe Bay have more impact than those in a larger community because of the small number of voters.

ONTO LESS POLITICAL SUBJECTS....

Keep those golf clubs handy (as though we need to tell a golfer that) because there is another tournament on July 20 at the Kenai Golf Course. The Alliance-Kenai golf tournament needs volunteers and is asking people to sign up for some creative sounding positions. You could be a hole-watcher (sounds easy), goodie bag distributor or mobile beverage cart operator. Who knows those positions may look good on a resume some day.

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BP SETS RECORD WITH THE FIRST TRI-LATERAL WELL IN ALASKA.... Mik Trilol, BP Exploration (Alaska)'s operations drilling manager for Greater Prudhoe Bay, told me June 26. Mik said the reason for drilling the well in the Greater Prudhoe Bay area at W-203 was to prove up the Bluff viscous oil rate potential, to reduce the environmental footprint and to prove up tri-lateral well design to apply to other areas across Alaska. The company used Doyon rig 14 and Baker Hughes TAML 3 hook hanger junctions on the ultra-slimhole well design.

BP set multi-lateral well records with a total footage of 19,515 feet and a 94 percent geo-steering efficiency in 10-foot sands.

This is also the first horizontal well drilled with more than 10,000 feet of net pay. Contributing to the success of the drilling was excellent mud dilution and hole cleaning strategy.

We'll have photos and a more detailed description in our next issue.

ALYESKA SAID RELIABILITY ON THE TRANS-ALASKA PIPELINE IN MAY WAS 100 PERCENT.... with no prorations for the month. May throughput was 31,733,000 barrels, with a daily average throughput of 1,024,000 barrels per day.

Throughput in 2002 through May was 157,644,000 barrels; daily average throughput through May was 1,044,000 barrels per day.

TOTAL THROUGHPUT SINCE THE TRANS-ALASKA PIPELINE STARTED FLOWING JUNE 20, 1977, HAS BEEN APPROXIMATELY 13,791,000,000 BARRELS!

CONGRATULATIONS TO PAUL LAIRD AT BP EXPLORATION (ALASKA)....

who received a second national award for "Following the Yellow Brick Road," a speech written by Laird and delivered by former President Richard Campbell — both wearing sparkling red running shoes — at RDC's 2001 annual meeting.

This award, the 2002 Bronze Anvil Award from the Public Relations Society of America, recognizes the best use of creative tactics in a public relations campaign. "Following the Yellow Brick Road" also won a 2002 International Gold Quill Excellence Award from by the International Association of Business Communicators.



Paul Laird

NEWS FROM THE SECOND LARGEST STATE....

Our spies in Houstonville had some interesting trivia to send our way. American Fast Freight has hired Paul Hunter, a born and bred Texan, to market its Alaska transportation services.

According to Mike Schuller, who does PR for American Fast Freight, the company is taking a look at whether they will open a terminal in Houston or Dallas or have Paul work out of his home to sell its consolidating and freight forwarding services.

The latest downsize in the Japanese trading companies is Mitsui, Houston. Ed Griffin, general traffic manager for 17

years, has left the company and is looking at other options that can utilize his international expertise.

Not to be outdone Sumitomo, another Japanese Trading Company, beat Mitsui to the pass by closing its Houston, Los Angeles and Florida offices several months ago. New York will be the main point of contact for line pipe and oil tubular goods. A little more investigative work will discover the full extent of the downsizing. We do know that Bill Pownell, Houston traffic manager, for over 20 years got caught in this purge.

JIM HARRISON, THE NEW DRILLING MANAGER AT UNOCAL ALASKA, PREVIOUSLY WORKED AS.... Unocal's deputy director sub surface operations in Bangkok, Thailand.

He is currently out of the state but as soon as he returns I hope to find out what the heck his former jobs duties were. He was in charge of performance drilling operations, drilling technicians and contract management in Thailand. Sounds like he had a full plate and a little fishing on the Kenai may be greatly appreciated as R&R.

GREG JONES OF ALYESKA PIPELINE SERVICE CO. HAS BEEN PROMOTED.... to senior vice president of operations as part of a reorganization which will take effect July 1. Jones has been senior vice president of the Valdez business unit. In his new position, he will be responsible for all operations, baseline maintenance and right of way maintenance, as well as the marine terminal and Servs.

NORTHERN TESTING LABORATORIES DESERVES A PAT ON THE BACK.... for receiving the U.S. Small Business Administration (SBA)

"Administrator's Award for Excellence." They received the award for being nominated as the regional "Small Business Prime Contractor of the Year" by the U.S. Department of the Army. The award was given "in recognition of outstanding contribution and service to the nation by a small business in satisfying the needs of the Federal procurement system."

Peggy Pollen said NTL is classified as a woman-owned small business. Hey guys, Peggy gave up household dishwasher to play in microbiology and chemistry services for potable water and wastewater. Now that is one heck of a career transition.

INLET DRILLING WILL BE MOVING ITS CC1 RIG.... from Tyonek to Kenai on July 1. Carla Marshall said the rig will be stacked at Kenai. Inlet Drilling does work for Marathon Oil and XTO Energy as a labor contractor.

Oil Patch Insider is written by Petroleum News • Alaska columnist Wadeen Hepworth. The Insider appears three times per month. Individuals providing news or tips to Wadeen do not have to be identified in the column. She can be reached at (907) 770-3506 or via email at insiders@gci.net.

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EXPLORATION & PRODUCTION

NPR-A

Anadarko suspends Altamura

Anadarko Petroleum Corp. suspended its Altamura No. 1 exploration well in the National Petroleum Reserve-Alaska April 11.

Altamura is the first well the company has operated on the North Slope. It is on a 100 percent Anadarko-owned lease.

Measured depth on the Altamura is 9,100 feet, true vertical depth is 9,041 feet. The surface location is in section 30 of township 9 north, range 2 east, Umiat Meridian. The bottomhole location is in section 31 of T9N-R2E, UM.

Anadarko has a large lease acreage position in Alaska and is partner with operator Phillips Alaska Inc. in the Colville River unit where the Alpine field is being produced. Phillips is also operator and Anadarko's partner in about half of Anadarko's acreage in the NPR-A and central Arctic.

Anadarko is the operating partner for the remainder of the company's Alaska properties, mainly in the Brooks Range foothills.



Judy Patrick

Nabors Alaska Drilling Inc. rig 14-E drilling at Altamura this winter for Anadarko Petroleum Corp.

Altamura most southern

The Bureau of Land Management said in its environmental assessment of the Altamura prospect that Anadarko is proposing to drill two exploratory wells at Altamura, one in the 2001-02 winter season and one in the 2002-03 winter season.

BLM said the purpose of the Altamura project is to delineate the potential southern extension of the oil and gas formation discovered on nearby leases.

The Altamura is the farthest south of the current NPR-A exploration wells, some four miles south of the Rendezvous discovery announced last year.

Anadarko is partner with operator Phillips in the discoveries made in NPR-A at wells drilled in the 1999-2000 and 2000-01 winter drilling seasons. Five wells and a sidetrack targeted the Alpine producing horizon, all encountered oil or gas and condensate: Spark No. 1 and Spark No. 1A, Moose's Tooth C, Lookout No. 1, Rendezvous A and Rendezvous No. 2.

—Kristen Nelson, PNA editor-in-chief

■ POINT THOMSON

State issues decision on Point Thomson unit expansion and contraction

Interim decision last year allowed for non-unanimous working interest owner approval after Murphy wouldn't agree to plan

By Kristen Nelson
PNA Editor-in-Chief

The Division of Oil and Gas has issued a finding and decision on the application for a second expansion and third contraction of the Point Thomson unit for which unit operator Exxon Mobil Corp. applied in February 2001 on behalf of itself, BP Exploration (Alaska) Inc. and Chevron U.S.A. Inc.

The division said an interim decision last August approved the amended application — reflecting the final agreement reached between the state and the applicants — but did not include the basis for the decision, presented in the finding and decision issued May 23. In response to the 2001 application the division proposed different conditions and there were discussions and counter proposals resulting in a July conditional decision requiring acceptance of terms by all working interest owners.

The decision requires exploration drilling to evaluate the western extent of the Thomson sand reservoir by June 15, 2003; commencement of development drilling by June 15, 2006; completion of seven development wells within the unit by June 15, 2008; and allocation of production to expansion acreage by specified dates. The agreement also increases the royalty rate on eight of the 12 expansion leases and provides for contraction of acreage and dollar charges if the unit owners fail to meet drilling commitments.

Murphy only owner not to sign on

Atofina Petrochemicals Inc. had objected to the initial application because its leases north of the existing Point Thomson unit were not included and proposed an expansion, but later said it would not submit an expansion application.

All of the working interest owners agreed to the terms except Murphy Exploration and Production Co. In August, the division issued the interim decision, removing the requirement for unanimous consent by the working interest owners.

Murphy appealed the interim decision to the Commission of the Department of Natural Resources; the commissioner has not yet issued a decision.

The division said the amended application approved in the interim decision last year will expedite production and development of the unit area, and with the conditions included in the amended application, the economic benefits to the state outweigh the economic costs of extending the primary terms of

Want to know more?

If you'd like to read more about the Point Thomson unit, go to Petroleum News • Alaska's Web site and search for these recently published articles.

Web site: www.PetroleumNewsAlaska.com

2002

■ **June 23** Exxon puts out RFP for Point Thomson EIS

■ **May 19** Drilling will be challenge at Point Thomson, says Williams

■ **April 21** Murphy continues to appeal state's Point Thomson decision

2001

■ **Dec. 9** ExxonMobil working to make Point Thomson economic

■ **Nov. 18** Exxon's Point Thomson will be North Slope's first high-pressure condensate field

■ **Oct. 14** Murphy appeals Point Thomson decision, charges forced integration

■ **Oct. 7** Point Thomson pegged at \$1.3 billion; offshore compressors not needed for over-the-top route

■ **Sept. 30** State accepts 18th plan of development for Point Thomson

■ **August** Working interest owners submit Point Thomson development plan

■ **August** Point Thomson unit aligned, Phillips now an owner

■ **August** State conditionally approves Point Thomson unit expansion-contraction

leases committed to the unit.

The division said if it had continued to require unanimous consent for approval of expansion and contraction of the Point Thomson unit, and Murphy declined to accept the conditions, most of the expansion acreage leases would have expired — including both of Murphy's leases. In addition, neither Murphy nor the state would have had the benefit of the working interest owners' commitment to explore the expansion acreage and develop the unit area within the specified time and under increased royalty rates.

The Point Thomson unit expansion area is approximately 40,364 acres within 12 leases; approximately 7,572 acres within four leases contracted out of the unit.

The revised unit area is approximately 116,607 acres within 46 leases. ♦



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■ CANADA

Mackenzie Delta producers open door to all explorers in region

Announcing non-binding open season to assess potential gas supplies from Delta, Imperial executives emphasize challenge posed by Alaska gas

By Gary Park
PNA Canadian Correspondent

The powerful Mackenzie Delta Producers Group is taking the first step to ensure all gas owners in the region have access to a pipeline along the Mackenzie Valley.

In issuing notice June 22 of a non-binding

open season for space on the proposed pipeline, Imperial Oil Ltd. — the senior partner in the Delta consortium — said the objective is to design a pipeline that will be able to handle all the gas that is discovered and ready to be produced by start-up time, possibly 2010.

The initial design for a 1,300-mile pipeline will have capacity for output of

800 million to 1 billion cubic feet per day from the Taglu, Parsons Lake and Niglingak anchor fields.

It will also have space for up to 500 million cubic feet per day from new discoveries or existing significant discovery licenses — production that would open the way for the Mackenzie Valley Aboriginal Pipeline Corp. to obtain up to a one-third equity stake in the pipeline.

Staged expansions possible

The concept also recognizes the possibility of staged expansions beyond the start-up level.

Imperial senior vice president K.C. Williams told reporters June 17 that the non-binding commitments from both Delta producers and explorers are intended to help his group assess potential gas supplies by asking prospective shippers for gas composition, resource estimates and deliverability data.

"It is quite high risk," he told reporters at a Canadian Association of Petroleum Producers' investment symposium. "The explorers have to rely on their projections of drilling activity."

But he acknowledged the role of the Mackenzie Delta Explorers Group, which includes Petro-Canada, Devon Canada Corp., EnCana Corp., Chevron Canada Resources, Anadarko Canada Corp., Burlington Resources Canada Energy Ltd. and BP Canada Energy Co., who have committed a combined C\$900 million to five-year exploration licenses for the Delta.

Williams said those companies are "making substantial commitments and their first priority is to produce the gas the day (a pipeline) starts up. The problem is they don't know who will make the discoveries."

Petro-Canada find expected to accelerate drilling

Petro-Canada signaled its intention in May to become a leading-edge player in the Canadian Arctic by announcing a "significant" Delta discovery of up to 300 billion cubic feet in partnership with Devon Canada — a find that is expected to accelerate drilling plans for this winter.

A spokesman for Petro-Canada said the explorers' group, although "not officially

at the table" with the producers' group, is actively negotiating with the MVAPC. Meanwhile, the producers' group — Imperial, Shell Canada Ltd., Conoco Canada Ltd. and ExxonMobil Canada — is in the midst of a three to four-year phase to prepare and file regulatory applications to develop its proven reserves of 5.8 trillion cubic feet.

Williams told reporters that because the group is dealing with new regulators it is difficult to predict how long the process might take, but "we are optimistic Delta volumes can be brought on stream by 2010."

He again stressed the need to get Mackenzie Delta gas to market before gas

Alaska gas would strand delta gas

The Mackenzie Valley project is counting on spare capacity in the existing Enbridge Inc. liquids pipeline from Norman Wells, in the central Northwest Territories, to Alberta and the TransCanada PipeLines Ltd. network in Alberta.

"We can't afford to build new infrastructure just for Mackenzie gas," Williams said.

If Alaska gas were to reach southern markets first "it would not only strand Mackenzie Delta gas but would have the potential to strand other gas in Western Canada," said Williams. "There would be no space for Mackenzie Delta gas for a decade or two."

He conceded that the producers' open season would vary from the usual pattern of providing for non-binding commitments, followed by binding commitments at the application stage.

In this case, the producers' group has proposed to pipeline regulators that a second binding season should be held as the applications moves through the regulatory process, he said.

The approach has been welcomed by Devon Canada vice president of frontiers Michelle Scott, who told reporters that the producers' group has made its first "concrete" move to listen to other producers in the region.

The non-binding nature of the open season gives the smaller producers time to prove up their reserves. ♦

WASHINGTON, D.C.

Industry study supports tax credit for Alaska natural gas line

Sens. Tom Daschle and Frank Murkowski are promoting a new oil company-sponsored analysis that endorses tax credits for a natural gas line from Alaska to the Lower 48. (See related news brief on page 4.)

Murkowski, R-Alaska, and Daschle, the Democratic majority leader from South Dakota, issued a joint news release June 25 touting the findings of the study, conducted for Phillips Petroleum Inc.

The study was released two days before House and Senate negotiators begin crafting a compromise energy bill. The Senate version of the bill contains the tax credit for the gas line, as well as a construction loan guarantee. The House version contains neither.

Charles River Associates wrote the report for Phillips, said Don Duncan, the oil company's vice president of government relations in Washington. He said the report was prompted by lobbying in Canada by Arctic Resources Corp., which wants to build a line on an alternative "northern" route that would be prohibited under both the House and Senate bills.

"Arctic Resources has been levying charges and got the Canadians excited that the financial mechanism that passed the Senate would create market distortions in the United States and would do the same at the Alberta hub," Duncan said. "We knew that wasn't the case," he said, but the company wanted an independent analysis to confirm it.

The Canadians, however, haven't been convinced. Pam Chappell, spokeswoman for the Canadian embassy in Washington, said the subsidy is bad news for Canada and the United States.

The credit "will distort natural gas markets, undermine their efficiency and slow development and production in the rest of the United States and Canada," she said. "This would reduce U.S. energy security, counter to the purpose of the act."

Alaska Gov. Tony Knowles and Murkowski have said Canada doesn't have much room to complain, since it has provided subsidies to some major energy projects over the past decade.

Chappell said those subsidies went to oil projects that weren't large enough to affect the market. Duncan, though, said the Alaska gasline would only supply 5 percent of the total North American market and that it would have an eight- to-10-year development period.

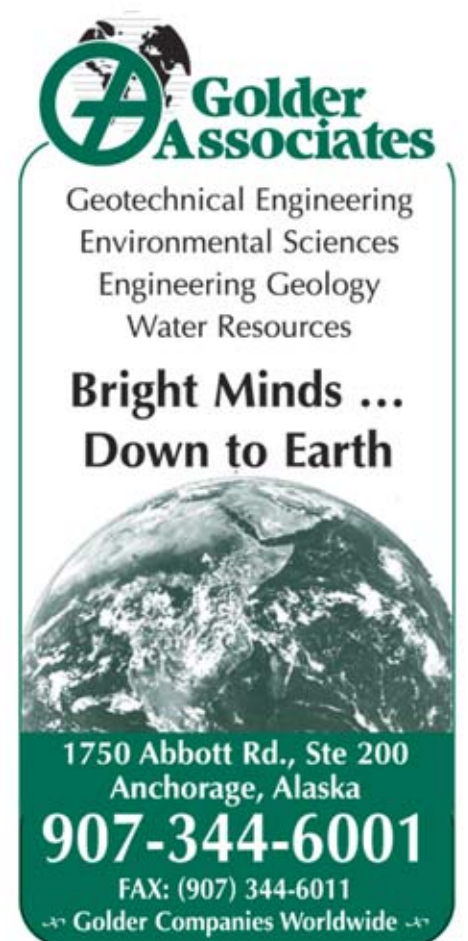
The Charles River report predicted that the proposed tax credits would benefit all consumers by making possible a line that will lower energy prices.


see STUDY page 11




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HOUSTON, TEXAS

Conoco discusses GTL technology with Qatar official

Qatar Minister of Energy and Industry, Abdullah bin Hamad Al Attiyah, met with Conoco Chairman and CEO Archie Dunham June 21.

"We continued our discussions of a possible venture using Conoco's proprietary gas-to-liquids technology, which converts natural gas into premium liquid petroleum products," Dunham said in a statement. "This technology has the potential to help meet the world's growing demand for affordable energy."

Conoco said Qatar has the world's third largest natural gas reserves and has said it will substantially increase gas exports over the next 10 years.



Qatar Minister of Energy and Industry, Abdullah bin Hamad Al Attiyah, left, met with Conoco Chairman and CEO Archie Dunham June 21.

Courtesy of Conoco

SUGAR LAND, TEXAS

Unocal cutting jobs in Sugar Land, gulf region

Unocal Corp. said June 20 that its Gulf Region business unit will restructure and lay off some 200 workers in Sugar Land and gulf region field offices, about 7 percent of Unocal's total U.S. workforce. Unocal said the restructuring is expected to reduce pretax costs by approximately \$20 million a year. Broad organizational changes will "eliminate unnecessary work processes" and reconfigure Unocal's gulf region unit "to meet current and future business needs."

"The difficult steps we took today are part of a restructuring that will have a long-term positive impact for our business unit, its employees and for Unocal overall by equipping us to succeed in a new and challenging business environment," said Ken Butler, gulf region vice president.

Unocal said it started restructuring its exploration program late last year, with the focus of the program redirected from the Gulf of Mexico's mature shallow depths to the emerging deep shelf play.

Butler said the restructuring also would involve the divestment of properties by year-end that are marginal to Unocal. The impact of the asset sales on production and reserves is expected to be minimal.

Unocal said it expects to record a non-cash special item charge of approximately \$12 million after tax for the restructuring program in the second quarter 2002.

■ L O N D O N

Britain: Canadian firm's North Sea oil field is biggest find in 25 years

EnCana has drilled eight wells in Buzzard field, estimates 500 million barrels of recoverable oil from field in area

By Bruce Stanley
Associated Press Business Writer

A Canadian oil company prospecting in part of the North Sea overlooked by a larger rival has discovered a field that could rank as the region's biggest petroleum find for 25 years, the government said June 20.

The Buzzard oil field off Scotland's eastern coast could contain more than 1 billion barrels of crude, Energy Minister Brian Wilson said. He based the announcement on an appraisal by EnCana, the firm that first discovered oil there one year ago.

EnCana has drilled eight exploratory wells since then and plans to begin producing oil at Buzzard in 2005. Analysts suggested the firm should be able to recover about half of the crude contained there.

"To actually get to this stage in 2002 and find a 500 million-barrel recoverable field is awe-inspiring," said Jason Kenney, an industry analyst at ING Financial Markets in Edinburgh, Scotland.

Many of the North Sea's biggest fields were discovered during a flurry of exploration and development that began in the 1970s off the coasts of the United Kingdom and Norway. More recent finds have generally been smaller.

Buzzard was originally part of a concession held under license by Amoco Corp. EnCana, known formerly as PanCanadian Energy (UK) Ltd., started exploring at Buzzard in 1998 and struck its first oil there last June.

Area believed to be of limited potential

"The Buzzard discovery was made in an area previously believed to be of limited potential at a time when the U.K.C.S. (U.K. Continental Shelf) was considered to be mature," Wilson said in a statement.

"This is very good news for the future of the U.K. oil and gas industry."

EnCana estimates the "oil in place" at Buzzard to total between 850 million and 1.1 billion barrels. The firm expects to spend around \$1.5 billion to extract it, the Department of Trade and Industry said.

Wilson cited EnCana's success as vindication for the government's policy of allowing newcomer companies to search for oil in offshore areas where existing license-holders have chosen not to explore for crude or develop an earlier find. Britain has about 250 such "fallow" offshore areas that the govern-

Conoco sells some U.K. North Atlantic-North Sea interests

Conoco said June 5 that it has agreed to sell some of its U.K. interests in the Atlantic Ocean and the North Sea to OMV UK Ltd., the British subsidiary of OMV, the Austrian energy company. OMV is purchasing Conoco's stakes in the Sulven crude oil and natural gas discovery in the U.K. sector of the northeast Atlantic Ocean and in Block 20/7a in the central North Sea for \$28 million.

Conoco said the deal gives OMV a 32.5 percent equity in Blocks 204/14 and 204/15, of which Conoco is operator. The blocks, 84 miles west of the Shetland Islands, contain the bulk of the Sulven reservoir, which BP discovered in 1996 with an exploration well in Block 204/19, immediately to the south.

After winning the unallocated 204/14 and 204/15 blocks in a so-called mini-licensing round in 1997, Conoco drilled two wells proving that Sulven contains both crude oil and natural gas. The entire discovery, in which BP, AGIP and Amerada Hess are the other co-venturers, remains to be unitized.

Conoco acquired its 22.39 percent interest in Block 20/7a, which lies 69 miles northeast of Aberdeen, Scotland, through its acquisition of Saga UK in 2000. Like Sulven, the block, which is operated by PanCanadian (now EnCana Corp.), is not included in Conoco's portfolio of strategic developments and prospects in the U.K.

ment wants to develop.

License in area relinquished by BP

Buzzard is in an area 62 miles northeast of the city of Aberdeen, in part of a block that the government licensed to Amoco in 1995 for exploration.

Amoco, now owned by BP PLC, relinquished the area containing Buzzard after making a review of where it wanted to focus its exploration activities. Amoco had to choose where to invest its finite resources and decided that Buzzard didn't fit in then

see FIND page 10

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GILLETTE, WYO.

Marathon Oil sues over Interior decision on methane

A decision by the U.S. Interior Department to block three coalbed methane leases in the Powder River Basin is being challenged by the company which owned the leases.

Marathon Oil Co. filed suit June 20 asking the U.S. District Court in Cheyenne to review the decision.

One day earlier, an internal challenge was made. The Interior Department's Division of Mineral Resources filed a petition for reconsideration and asked that the effectiveness of the order be halted.

The department's Board of Land Appeals ruled in April that the Bureau of Land Management failed to use updated environmental studies before granting the three methane leases.

The board issued its order after a challenge by two environmental groups, the Wyoming Outdoor Council and the Powder River Basin Resource Council, claiming BLM illegally leased land to coalbed methane drillers because it did not thoroughly review the environmental effects of production as required by federal law.

If the decision stands, it could call into question the validity of many other federal leases issued with out-of-date land management plans.

"Marathon believes that BLM appropriately reviewed the environmental effects prior to awarding the leases and fully complied with the National Environmental Protection Act," said Christian Carrell, a spokeswoman for Marathon, which is based in Houston, Texas.

The board's decision came after almost two years of litigation and hearings.

Tom Darin, an attorney for the Wyoming Outdoor Council, said he would "rigorously" explore the possibility of a cross claim against Marathon.

"Now that we have this case in federal court, why not go after the real issue?" he said.

The issue is whether other federal coalbed methane leases in the Powder River Basin are also invalid, based on the same reasoning the Interior judges used, he said.

"We may take a hard look at all (of Marathon's) existing leases and determine if it is appropriate to file a cross claim to wipe all those out," Darin said.

—The Associated Press

IRVING, TEXAS

ExxonMobil and Qatar Petroleum to supply LNG to the UK

Qatar Petroleum and Exxon Mobil Corp. said June 24 that they have signed an agreement for the supply of liquefied natural gas from Qatar to the United Kingdom.

The agreement was signed by Abdullah bin Hamad Al-Attiyah, Qatar minister of energy and industry, and Harry Longwell, director and executive vice president of ExxonMobil and covers the development of two LNG trains, expected to be the largest ever built by industry. The feed gas will be from Qatar's giant North Field, with proven natural gas reserves in excess of 900 trillion cubic feet. Qatar Petroleum will have a 70 percent equity interest in the LNG trains and ExxonMobil 30 percent.

The companies said the LNG trains will be built at Ras Laffan Industrial City in Qatar. LNG shipments are scheduled to begin in 2006-2007 and continue for 25 years. ExxonMobil is investigating potential import facility sites in the United Kingdom.

Longwell said the project will supply the first LNG imports to the United Kingdom in 20 years.

"UK indigenous gas supplies are expected to decline in the near future," Longwell said, "and by the end of this decade a shortfall is anticipated that will have to be met from other sources such as LNG imports."

DURANGO, COLO.

Oil and gas drilling restricted

The fire risk in southwestern Colorado has grown high enough to prompt federal restrictions on oil and gas operations.

The Bureau of Land Management has placed new requirements on all drilling, testing and pipeline construction around Durango to guard against new wildfires.

"Their operations can continue, but we've created requirements that they take extra fire-prevention measures," Jim Powers, assistant manager for physical resources in the BLM's San Juan Public Lands Center, said June 20.

He said BP Amoco shut down some of its wells near Durango June 20 because of the fire.

Denver-based Evergreen Resources shut down 65 of its gas wells, representing about 5 percent of its production capacity. Williams Co. of Tulsa, Okla., shut down 178 gas wells for two days because of a fire in the Trinidad area earlier this month.

—The Associated Press

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FIND

with its global strategic portfolio, BP said.

Britain began producing oil in the North Sea in 1975. It had 5 billion barrels of total

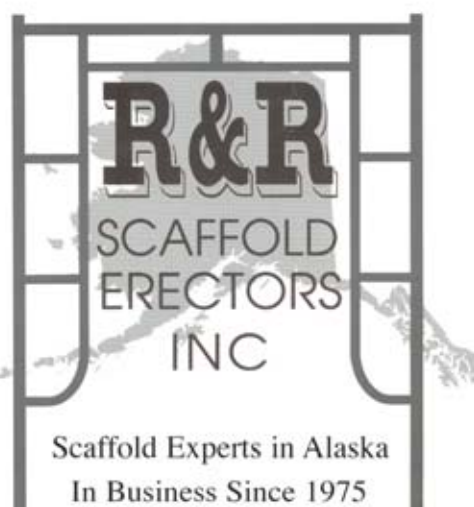
proven oil reserves in 2000, according to last year's edition of the authoritative BP Statistical Review of World Energy.

The Department of Trade and Industry hopes to attract \$4.5 billion in annual investment in North Sea oil. ♦

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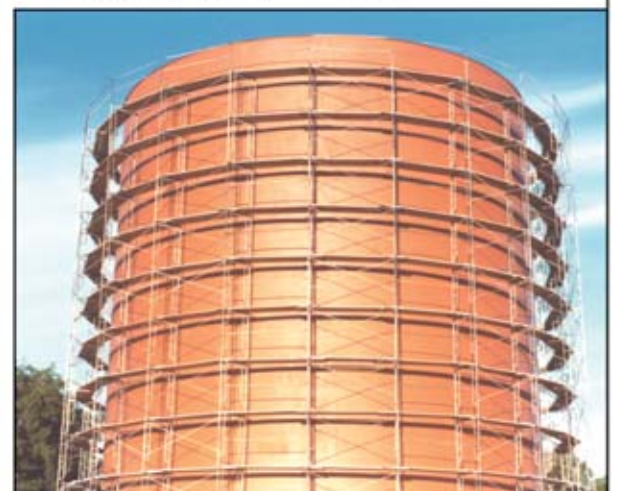


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THE REST OF THE STORY

continued from page 1

ACMP

tions "eviscerate" the ACMP while Judy Brady, commenting on behalf of the Alaska Oil and Gas Association, said the proposed regulations are "fatally flawed," lack clarity and predictability give the program an unlimited geographic reach.

DGC Director Pat Galvin said the regulation revisions would not be presented for council approval in June, as originally planned, but would be revised for a July meeting.

Three-year process

Revision of the regulations began in 1999 when the DGC received a federal \$100,000 grant to revise regulations which govern state determination of whether projects in the coastal zone — or projects potentially impacting the coastal zone — are consistent with the coastal zone regulations. The state program is the result of a federal program enacted by Congress in 1972. Galvin said the program turned coastal zone management over to a state once it developed a plan which met federal standards. The federal government provided some of the funding and federal agencies agreed to follow the state's plan for their own activities.

Randy Bates, the DGC project analyst who has been working on the regulations revision for three years, said Alaska's regulations went into effect in 1984 and there have been very few changes since. The proposal brings the regulations up to date, Bates told the council, including compliance with federal regulations, which were amended in December 2000.

Fatally flawed

Industry comments at the June Coastal Policy Council meeting and in writing focused on uncertainties industry sees in the proposed regulations: uncertainties about whether projects will be determined to be impacting the coastal zone and therefore need a consistency determination and uncertainty about how long that determination will take.

In written comments to the council, Brady, executive director of AOGA, said the organization's members are unanimous in believing the redrafted proposed regulations are "fatally flawed," a description echoed in other comments.

Brady said key problem areas include lack of clarity and predictability in applicability and scope: an unlimited geographic reach; provisions in conflict with federal regulations requiring a clear and exact inland boundary to the coastal zone; an incomprehensibly broad definition of activity.

In comments to the council, attorney Tom Leppo, speaking on behalf of AOGA, said activities covered by the regulations are so broad that "subsistence qualifies as an activity under this."

Leppo said AOGA has been involved in this and can't tell by looking at the regulations if they would apply to a project or how long it would take to get a consistency determination.

A number of companies and organizations told the council they concurred with AOGA's comments, including: Sealaska Corp., Kennecott Greens Creek Mining Co., Phillips Alaska Inc., Unocal Alaska, BP Exploration (Alaska) Inc., the Alaska Miners Association Inc., Chugach Alaska Corp. and SeaRiver Maritime Inc.

The North Slope Borough said for the most part it believes the proposed regulations are an improvement over the current regulations, but has concerns with some of the language.

Scope too narrow

The Alaska Conservation Alliance told

the council the scope of the consistency review is "overly constrained" and will not ensure that projects are consistent with the Alaska Coastal Management Program. In written and oral comments, Tom Atkinson said the scope of review in the regulations forces focus on a small portion of the project and limits review for project expansions. The cumulative impacts review — not only direct coastal effects of a project, but also indirect and cumulative effects — is eviscerated, he said

Decision sought under Knowles administration

Galvin said DGC would revise the proposed regulations and have a new version out in two weeks so that the council can take testimony again when it meets July 23-24 and finalize the regulations then.

The goal is to have the package through the approval process under this administration, Galvin said, and the Department of Law has said that the end of July is the latest the council could act to get regulations on the books before a new governor takes office.

Once the council has approved the regulations they go to the Department of Law for review and changes that could require council approval. The National Oceanic and Atmospheric Administration also has to approve the regulations.

Then the lieutenant governor has to sign off.

Program at critical juncture

Galvin told the council he believes the program is at "an extremely critical juncture in its evolution and potentially its survival."

"The political environment that we're in right now which is, frankly, that permit reform, whatever term you want to use for the concept, is going to come, one way or another," Galvin said, with industry groups, major candidates for governor and the Legislature all talking about a review of the permitting process.

"Coastal management, like it or not, is going to be a very big part of that discussion. And frankly, you're heard over the course of testimony, very differing philosophical views about what the program is and also what it should be."

Galvin said that if the council doesn't pass a package, the program will be "extremely vulnerable" to a new administration.

"And so I do feel that having the package... is going to be an extremely critical thing for this program when it comes to the next level of discussion."

Galvin said the council will face some hard choices when it meets in July:

To make the program more specific regulation language will have to be limited, he said, and there are already arguments between those who say the current language is too limited and those who say it is too expansive.

"I don't want to give you the illusion that over the next couple of weeks some magic's going to happen and we're going to be able to come up with a plan that's going to meet all these concerns." ♦

continued from page 8

INDUSTRY

At the same time, the credits would likely cost the government nothing, it said. That's because the authors figure prices will stay high enough to prevent the tax credit from kicking in. The tax credit would start whenever gas prices at the Alberta hub fall below \$3.25 per mil-

lion British thermal units. The money saved must be paid back whenever prices rise above about \$4.90.

"Since June 2001, the 35-month futures contract has indicated a price range of \$3.50 to \$3.75," the report said. "This signals a market expectation that over the long-term, natural gas prices will be considerably higher than they were expected to be before 1999."

—The Associated Press



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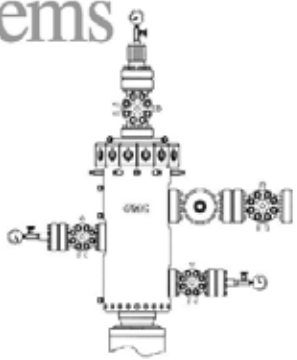
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Five Cook Inlet leases for sale: The Redoubt Shoal area leases include one off the north-eastern edge of Kalgin Island and one directly south of Redoubt. The other three leases are (1) east of the North Middle Ground Shoal gas field (2) adjacent on the east to Forest Oil leases south of the North Cook Inlet field in mid-Cook Inlet, and (3) adjacent to the North Cook Inlet unit. For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Five North Slope leases for sale: One lease is adjacent to BPX leases just southeast of Kuparuk; two leases are directly south of the Prudhoe Bay unit and two leases are adjacent to the Prudhoe Bay unit near Deadhorse. For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Four North Slope leases for sale: Three south of Prudhoe Bay and one west of the Dalton Highway near TAPS. Each tract has an abandoned well: tract 137 the Nora Federal No. 1 (a 17,658 foot vertical hole plugged and abandoned in 1970); tract 651 the Sequoia No. 1 (an 8,910 foot vertical hole plugged and abandoned in 1992); tract 658 the N. Franklin Bluffs Unit No. 1 (a 3,500 foot vertical hole plugged and abandoned in 1973); and tract 663 the Toolik Federal No. 1 (a 10,814 foot vertical hole plugged and abandoned in 1969). For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Looking for partners for six prospects in Cook Inlet - Corsair, Raptor, Tutna, Valkyrie, Viggen, Olsen Creek. See www.forestoil.com. Click on First Boston presentation; go to Cook Inlet, page 14 for details on four prospects. Contact: Jim Arlington, Land Dept., jdarlinton@forestoil.com Serious inquiries only.

Meetings/Events



Alaska Support Industry Alliance Events
Saturday, July 20, 2002
 The Alliance-Kenai Chapter Golf Tournament Kenai Golf Course. For information/registration, please call (907) 563-2226.
Wednesday, August 8, 2002
 The Alliance-Fairbanks Chapter

Golf Tournament Fairbanks Golf Course. For information/registration, please call (907) 563-2226.

Wednesday, August 7, 2002
 The Alliance-Fairbanks Chapter Golf Tournament Fairbanks Golf Course.

Friday September 27, 2002
 Alliance Annual Meeting Sheraton Anchorage Hotel.

Friday January 24, 2003
 Meet Alaska 2003 Sheraton Anchorage Hotel For information/registration, please call (907) 563-2226.

IADC annual meeting Mark the date for the annual meeting of the International Association of Drilling Contractors, Sept. 25-27, in the Hyatt Regency Hotel, 123 Losoya St. on the Riverwalk, San Antonio. This event is the premiere gathering of drillers and drilling service contractors throughout the world. Conference fee is \$500. Contact Leesa Teel 281-578-7171 ext. 21 (leesa.teel@iadc.org) for more information or to make an advanced reservation.

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Legal Notice

Proposal To Amend The Right-Of-Way Lease For The Trans-Alaska Pipeline, ADL 63574 Publish Date: 04/22/2002 Location: Anchorage, Fairbanks Region: Central; Northern Body of Notice: State Pipeline Coordinator's Office 411 West 4Th Avenue, Suite 2C Anchorage, Alaska 99501 (907) 271-5070 Public Notice Under AS 38.35.070 Subject to the provisions of Alaska Statutes (AS) 38.35.015 and pursuant to the regulations promulgated thereunder, the State Pipeline Coordinator's Office received an application from Alyeska Pipeline Service Company, as agent for the Trans-Alaska Pipeline owner companies, that proposes to amend the Right-Of-Way Lease for the Trans-Alaska Pipeline, ADL 63574, to include approximately 77.0 acres of land at three locations along the Sagavanirktok River. The lands proposed for addition to the Lease are located at pipeline mileposts (PLMP) 32.8, 37.8, and 72.3 and are generally described as: PARCEL 1: Township 5 North, Range 14 East, Umiat Meridian, Alaska. Section 6, SW4 and Section 7, NW4, those lands adjacent to the Trans-Alaska Pipeline System (TAPS) right-of-way comprising a 700'x1600' area as depicted on the drawing submitted with the application labeled "PLMP 32.8 SAG RIVER REVETMENT PROPOSED ROW ACQUISITION, PLATE 1 AT SEC. 6 & 7, T 5N, R14E, UMIAT MERIDIAN, ALASKA" Containing 25.7 acres, more or less. PARCEL 2: Township 5 North, Range 14 East, Umiat Meridian, Alaska., Section 32, and Township 4 North, Range 14 East, Umiat Meridian, Alaska., Section 3, Those lands adjacent to the TAPS right-of-way comprising a 1100'x1400' area as depicted on the drawing submitted with the application labeled "PLMP 37.8 SAG RIVER CHANNEL PLUG PROPOSED ROWACQUISITION, PLATE 1 AT SEC. 32, T 5N, R 14E, SEC. 3, T 4N, R14E, UMIAT MERIDIAN, ALASKA" Containing 35.0 acres, more or less. PARCEL 3: Township 2 South, Range 14 East, Umiat Meridian, Alaska. Section 16, NE4, those lands adjacent to the TAPS right-of-way comprising a 450'x1500' area as depicted on the drawing submitted with the application labeled "PLMP 72.3 SAG RIVER REVETMENT PROPOSED ROW ACQUISITION, PLATE 1 AT SEC. 16, T 2S, R14E, UMIAT MERIDIAN, ALASKA" Containing 15.5 acres, more or less. The application, in summary, proposes to install three river erosion control structures along the Sagavanirktok River. The purpose of these structures is to stabilize the channel of the Sagavanirktok River adjacent to the pipeline right-of-way. Pursuant to AS 38.35.070(3) copies of the notice or application will be furnished at cost to persons requesting them. In accordance with AS 35.35.200(a), a person will have standing to seek judicial review of a decision of the Commissioner of the Department of Natural Resources on this application only if: (1) the person is an applicant, competing applicant, or a person who has a direct financial interest affected by the lease that is the subject of this notice of application and (2) the person delivers a written objection to the application to the State Pipeline Coordinator's Office not later than 60 days from the date of initial publication of this notice. The State of Alaska, Department of Natural Resources, State Pipeline Coordinator's Office, complies with Title II of the Americans with Disabilities Act of 1990. Individuals with disabilities who may need auxiliary aids, services, or special modifications to participate in this review may call (907) 271-5070 or 269-8411 TTY/TDD. Please provide sufficient notice in order for the Department to accommodate your needs. The State Pipeline Coordinator's Office reserves the right to waive technical defects in this publication. /s/ John Kerrigan Publish April 22, 2002 State Pipeline Coordinator Revision History: 04/22/2002 03:27:41 PM by Sharon Fremming/OOC/DNR/State/Alaska/US

Legal Notice

Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission Re: Milne Point Unit, Schrader Bluff Oil Pool BP Exploration (Alaska), Inc by application dated June 19, 2002, has applied to expand the affected area of the Schrader Bluff Oil Pool Rules of the Milne Point Unit, as established by Conservation Order No. 255. The Commission on its own motion is considering both expansion and contraction of the affected area for the Schrader Bluff Oil Pool Rules, to more accurately reflect the extent of the pool with potential for development within the Milne Point Unit. In addition, the Commission proposes to consolidate and consider updating the rules governing development and operation of the Schrader Bluff oil pool. Acreage in the following state leases are being considered for full or partial addition to the pool: ADL380109, ADL380110, ADL375133, ADL375132, ADL028232, ADL355018, ADL388235. Acreage in the following state leases are being considered for full or partial contraction from the pool: ADL389718, ADL047432, ADL389717, ADL047433, ADL047434, ADL047438, ADL025509. The Commission has tentatively set a public hearing on this application for July 30, 2002 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on July 15, 2002. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on July 28, 2002 except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on July 30, 2002. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before July 19, 2002. Cammy Oechsli Taylor, Chair Oil and Gas Conservation Commission

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Business Spotlight



Forrest Crane

Karen Boshell, director of sales and marketing

Hilton Anchorage

The Anchorage Hilton hotel has been in operation for more than 30 years and is one of 2,000 in the Hilton brand. It recently received a \$15 million renovation, including a 6,000 square foot conference center to its existing 18,000 meeting space and offers complete catering and service support. Meeting rooms provide Internet connectivity and video conferencing capabilities, and hotel rooms are available to suit the business and tourist traveler.

Karen Boshell was raised in Alaska. Her professional background has been in hotel and restaurant sales. Karen has been with Hilton for the last eight years and is the director of sales and marketing. She enjoys typical Alaskan activities such as hiking, fishing, skiing, and stays in shape during summer by roller-blading.



Forrest Crane

Bruce Clulow, Alaska manager

WesternGeco

Western Geophysical, established in 1933, and Geco-Prakla, a member of the Schlumberger Group, merged in December 2000 to become WesternGeco, the world's largest seismic services company. The company offers single contracts up to complete life-of-field seismic operations. WesternGeco has an extensive multi-client seismic data library, and possesses Q, the world's only single-sensor seismic acquisition and processing system. It can plan, acquire and process conventional 2D and 3D surveys and is capable of time lapse (4D) as well as multi-component surveys.

Bruce Clulow, Alaska manager, has been with WesternGeco for 28 years. He has worked primarily on international assignments, the last in Abu Dhabi, and has a mechanical engineering background. He enjoys the vast array of outdoor activities available in Alaska.

THE REST OF THE STORY

continued from page 1
INDEPENDENTS

Lower 48.

Although the other owners considered the North Slope one of the few remaining domestic regions with the potential of generating commercially viable prospects for independents, they were not comfortable with the idea of venturing into the harsh Arctic environment on their own.

So they hooked up with Darrah and Barton, who, in turn, connected with Alfred "Fred" James, a Wichita-based geologist and independent explorationist with a solid reputation for his knowledge of North Slope geology.

AVCG purchased a small acreage position that James held on the North Slope and signed James to a two-year, exclusive contract as a geologic consultant. In the next two and a half years AVCG amassed a total of 108,000 acres of leases that it either owns or controls on the North Slope.

Currently, AVCG has five distinct prospect blocks: Cronus, East Cirque, Itkillik River, Ocean Point and the Sakonowak River unit (Gwydyr Bay).

Charter makes slope access possible

At the time of its formation, Darrah and Armfield thought opportunities would become available as a result of the proposed BP-ARCO merger. However, the final merger resulted in far different opportunities than expected.

"Namely, a massive divestiture of acreage didn't occur," Armfield said. But the Charter for Development of the North Slope that was signed Dec. 2, 1999, by the state, ARCO, Phillips Petroleum Co. and BP gave smaller oil companies such as AVCG reason for hope because it contained provisions that made access to BP and Phillips' controlled facilities on the North Slope possible for small oil and gas producers.

Drilling postponed one year

AVCG is working with BP Exploration (Alaska) Inc. in the Sakonowak River exploration unit.

The 11,520-acre unit contains five state oil and gas leases, offshore and onshore at the mouth of the Sakonowak River in Gwydyr Bay. The unit abuts the western border of the Northstar unit and is three miles north of the Prudhoe Bay unit boundary.

BP holds approximately 62 percent of the working interest while AVCG holds the remaining 38 percent. AVCG will fund the program and BP will retain a working interest in the prospect after the test well is drilled.

The Sak River No. 1's surface location will be onshore in a lease owned by BP and Phillips Alaska Inc., which is not in the Sakonowak River unit. The bottom-hole location will be offshore in a unit lease owned by AVCG.

The well has a primary target in the Kuparuk C 1 sand at a total vertical depth of 8,500 feet and a measured depth of 12,500 feet. Estimated recoverable reserves in the core area are expected to



John "Bo" Darrah Jr., AVCG



Fred James, independent geologist

AVCG working two other prospects: Ocean Point and Itkillik River

In addition to its Sakonowak River unit joint venture with BP Exploration (Alaska) Inc., Alaska Venture Capital Group LLC is working two other North Slope prospects — Ocean Point and Itkillik River.

The Ocean Point acreage is bounded by the National Petroleum Reserve-Alaska on the west. The block consists of 57,709 acres acquired over the last few years through Alaska state areawide lease sales.

AVCG owns 2-D seismic data shot over the area, and company officials told PNA the area has "definite signature," indicating the potential of large reserve capacities.

It is in a strategic area just south of an active exploration and discovery area in the NPR-A owned by Phillips Alaska Inc. and Anadarko Petroleum Corp.

AVCG plans to acquire additional partners to jointly shoot 3-D seismic over the area to identify the most strategic prospect locations.

Itkillik River: AVCG joins active area

The Itkillik River lease area is made up of a block of four leases totaling 22,734 acres in the southern Colville River area. These leases are six miles west of Tarn and Meltwater producing properties that are operated by Phillips and have a combined recoverable reserve estimate in excess of 120 million barrels of oil, AVCG officials said.

Companies operating leases in the surrounding area are actively exploring and developing it. Discoveries, AVCG said, are closing in around its lease area.

AVCG officials said they plan to acquire additional partners to jointly shoot 3-D over the area to identify the most strategic prospect locations.

Editor's note: AVCG did not provide any information on its East Cirque and Cronus leases.

range between 41 and 62 million barrels of oil equivalent with a geological chance factor of 51 percent.

In addition to the primary C 1 target, additional sections within the Kuparuk sands present an upside potential in excess of 300 million barrels of oil equivalent.

A second exploration well is to be completed by May 1, 2004.

The first well was supposed to be drilled this past season but has been rescheduled by BP for next season, Armfield said.

Drilling, he said, is contingent upon securing permits and final funding.

AVCG is currently acquiring additional partners to join it and BP in drilling in Sakonowak River Unit No. 1 during the 2003 drilling season. ♦

Editor's note: See story in next week's edition of Petroleum News • Alaska about the new technology from Pangaea Geochemical Technologies that AVCG has been using when doing its hydrocarbon survey.

continued from page 2
HISTORY

their homes. "But they sure didn't want anyone from fish and wildlife snooping around."

Once the geologists finally made it to base camp, they conducted field research daily, as long as the helicopter could fly out. The area is known for its damp weather and overcast days.

"We had raingear," he recalled when asked about the weather conditions. "There was a ridge about three miles away from camp. It was at least three weeks before we could even see it from camp."

But rain or shine, most days were spent out in the field. Darling and his fellow geologists quickly figured out that the nose-ums flew right through the mesh head nets issued to them by Phillips. New netting had to be sent special delivery. But Darling also made another bug discovery, one which he kept to himself.

"I learned early on that the gnats tended to gather around the highest object," he said. "I squatted down every time we grouped together."

An Olympic athlete

But Darling had more on his mind that how to get away from the bugs.

The exploration party was planning on staying until possibly October, and basketball season would have already started by the time he returned home. Worried that he might not be ready to play, Darling had to figure out a workout routine in the field.

"I had to keep in shape," he said. "So I ended up running on down the beach in knee-high hip boots. I ran two miles a day."

Darling's dedication to basketball not only lead him to play on Phillips team, he

also played on the U.S. Olympic team, and won a gold medal in 1956.

As for the basketball season of the fall of 1953?

"I came back to Bartlesville and had a full-court scrimmage the day after we got back," he said. "Running in sand kept me in good shape."

Darling is now retired from Phillips and resides in Colorado. He is one of several geologists who is helping Petroleum News • Alaska document Phillips' early history in Alaska. ♦



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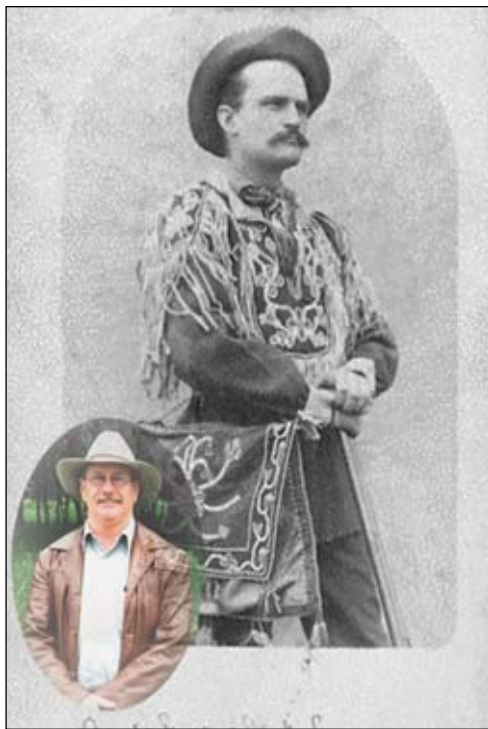
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THE REST OF THE STORY

In 1885, S. B. McLenegan, an officer in the U. S. Revenue Marine Service was ordered to make a reconnaissance of the Noatak River, which flows westward along the south foothills of the Brooks Range south of what is known today as the National Petroleum Reserve-Alaska. The photo bears a handwritten inscription: "Noatak River, Hotham Inlet."

Paul Hoffman, deputy assistant secretary for Fish and Wildlife and Parks of the U.S. Department of the Interior (inset photo) will float the river in late June and early July.

One hundred and twelve years later the river is much the same as McLenegan experienced it, a liquid highway in a remote and roadless region. The river starts in the Gates of the Arctic National Park near Mount Igikpak, at 8,510 feet the highest peak in the Brooks Range, and flows more than 300 miles to the Chuckchi Sea near Kotzebue. Along the way it cuts through the Noatak National Preserve, which is under the jurisdiction of the National Park Service.



Main photo courtesy of the University of Alaska Consortium Library. Inset photo by Steve Sutherland

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COOPERATION

goals based on outcomes such as acres restored or wildlife saved, rather than simply throwing resources at problems.

The department will seek to maintain access to public lands for economic reasons, including energy development, timber grazing, hunting and fishing, while still protecting the lands for future use, Hoffman said. But while the administration has a clear goal for the lands, it wants to set a new tone of consideration for stakeholder interests and input. The department is endeavoring to go to the localities involved and find solutions to land use issues rather than employ a top-down model of management.

Hoffman said department employees would be charged to think less like regulators and more like cooperators.

"We want to begin with the people in the field that interact with the citizens and companies, not only change the laws and regulations they are charged with enforcing but to change the way in which they carry out their mission," he said.

Hoffman said that in making his visit to the state he intended not only to become familiar with Alaska, but also to identify people whose knowledge would contribute to the management and responsible development of prospective lands under his jurisdiction.

"We think the people of Alaska know best how to solve the problems that face Alaska," he said.

Fish and Wildlife would oversee ANWR development

Hoffman said most energy production on federal lands is under the purview of the Bureau of Land Management, but that if oil activity took place in the Arctic National Wildlife Refuge, it would fall under the management of the Fish and Wildlife

Service.

Hoffman said there were two primary reasons Secretary of the Interior Gale Norton so strongly supports oil exploration in ANWR. First, it is apparent that government leaders and the majority of the people support the opening of ANWR, he said, and secondly, new domestic oil production has economic and security importance to the nation.

"We believe by drilling in the winter and by using ice roads and ice pads, and having mitigations to minimize influence on migrating caribou herds that we can have our cake and eat it too," Hoffman said. "The resource can be developed in a way that is considerate of the wildlife resources on the refuge"

Hoffman said there are already examples of responsible oil extraction from federal reserves and parklands, for instance, an oil development at South Padre Island drilled from private land nearby.

Hoffman said it is important that ethical science be brought to bear on the decision making process. He said the department was in the process of developing an ethics policy.

"You don't decide what your outcome is going to be and then try to find the science to support it, you go out and do the science from a neutral position and find out what the science tells you," he said.

Hoffman said during his tenure he would like to help restore people's faith in federal land management practices. He intends to carry a message to Interior agencies directing them to work with other agencies within the department, with other federal agencies, and with state and local governments.


Hoffman said he has experience at bringing diverse interests to the table to negotiate over resource issues.

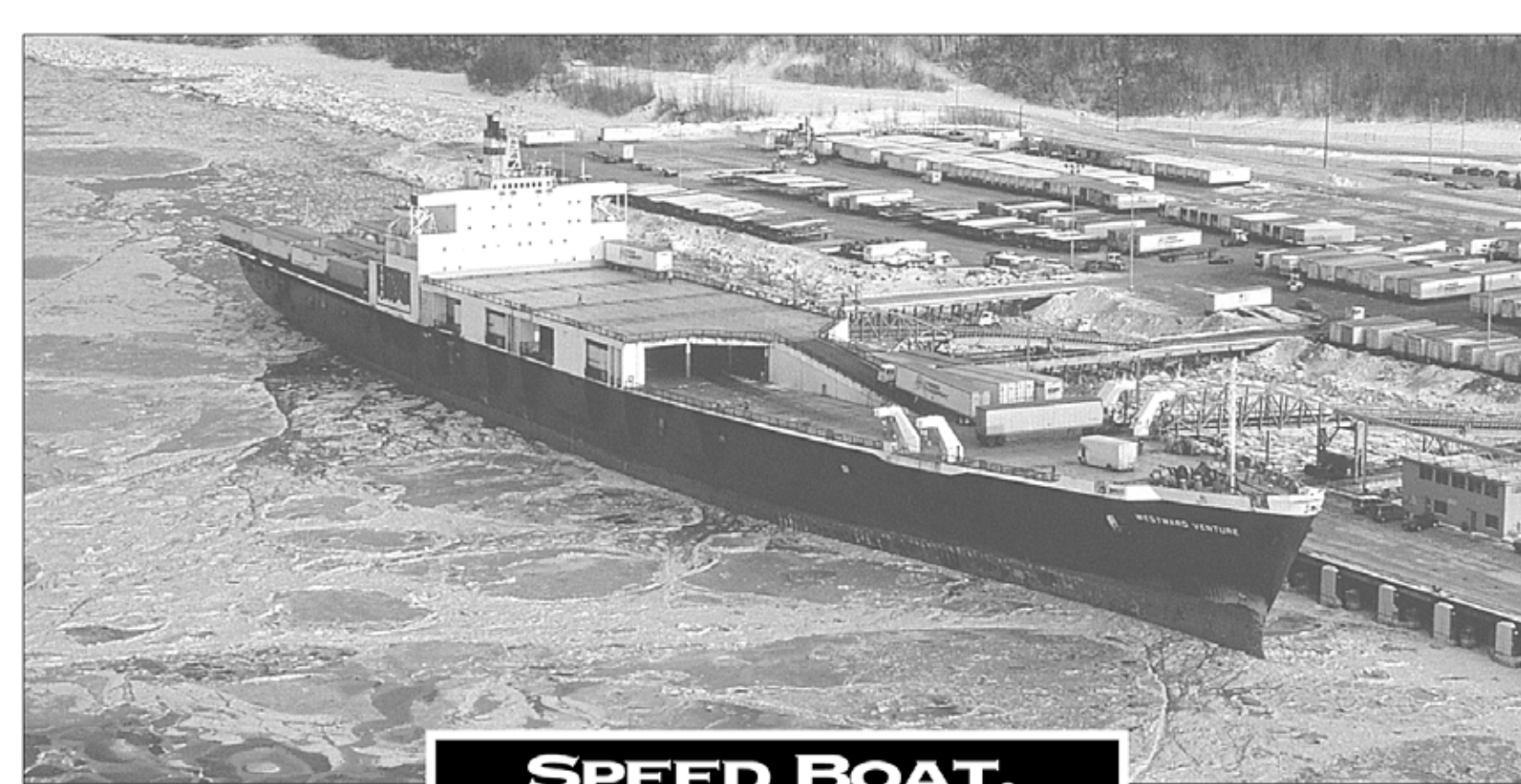
"I worked in the chamber of commerce in a small town in Wyoming very dependent on access to federal lands for livelihoods, whether it be grazing, timber, or oil and gas production." ♦

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