Making connections

Department of Energy predicts oil prices near $30 per barrel in 2003

July oil prices remained relatively high, averaging close to expectations, with the average spot West Texas Intermediate price for July approximately $27 a barrel, the U.S. Department of Energy’s Energy Information Administration said in its August short-term energy outlook.

Over the next year and a half, the agency said, “we think that likely scenarios for OPEC and non-OPEC output growth imply continued tightening of markets (lower commercial inventories) and continued support for crude oil prices near or slightly above current levels through mid-2003.”

The EIA said it expects the average spot price for West Texas Intermediate “to edge upward toward $30 per barrel by early to mid-2003.”

Cash-rich Canadian companies fuel stronger drilling forecast

Canada’s oil and gas exploration is moving increasingly to deeper prospects in northern regions as forecasts for the 2002 well count are raised on the strength of improved commodity prices.

The Petroleum Services Association of Canada now predicts 14,700 well completions for the year — up 700 from its most recent projection and support for crude oil prices near or slightly above current levels through mid-2003.

P.SAC president Roger Soucy told industry executives July 30 that companies have built up some cash flow and cash reserves and “now have to do something with them...we expect they'll be spending it on drilling.”

He said the industry became a “little bearish” towards the end of 2001 and into 2002 when commodity prices dipped.

Operators for hire

Fairweather E&P, Natchiq Technical Services offer exploration, production services for oil companies with leases in Alaska; can provide partial services or turnkey job

By Kay Cashman

A new type of oilfield service firm has evolved in Alaska: the operator for hire. Pioneered by Fairweather E&P Services Inc. in the mid-1990s, the formation of full-service E&P firms in Alaska was spurred by the inevitable attrition of independent oil and gas companies into the state’s maturing oil province and their need for local expertise.

What’s different about Alaska and other mature oil provinces is that some of the incoming oil companies, particularly the smaller ones, don’t want to set up complete operations in Alaska because of its challenging geographical and regulatory environment. Most of the new companies can’t justify the high cost of building the expertise, facilities and equipment it takes to operate in the state.

The full-service E&P firms are positioned to take the pain out of that process.

“We tend to provide services to the smaller companies that the bigger companies already have an in-house staff for. The little companies coming in need our help...The big ones don’t need a lot of help, they just need the small specialized stuff that we can provide,” Bill Penrose, senior project manager for Fairweather E&P, told PNA.

And then there were two

Today, there are two full service E&P companies in Alaska. Natchiq Technical Services was established in the fall of 2000. (See stories about both Fairweather E&P and Natchiq Technical on page 9.)

Natchiq Technical was recently selected by Denver-based Armstrong Resources LLC to oversee planning, engineering and implementation of its 2002 exploration drilling program.

Cash-rich Canadian companies

Cash-rich Canadian companies are raising oilfield service business in the United States.

Canada Energy Ltd. and BP Canada Energy Co., ExxonMobil Canada.

What’s different about Alaska and other mature oil provinces is that some of the incoming oil companies, particularly the smaller ones, don’t want to set up complete operations in Alaska because of its challenging geographical and regulatory environment. Most of the new companies can’t justify the high cost of building the expertise, facilities and equipment it takes to operate in the state.

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World Oil

Mackenzie Delta gasoline open season attracts 20 producers

By Gary Park

The Mackenzie Delta Produces Group has been swamped with responses from natural gas companies who answered an invitation to register their interest in obtaining space on a Mackenzie Valley pipeline.

A one-month open season designed to get an estimate on the number of potential shippers yielded expressions of interest from 20 companies, said a spokesman for Imperial Oil Ltd., the lead partner in the producers group. (ExxonMobil owns 69 percent of Imperial.)

Because of qualifications in the non-binding expressions of interest, he said Imperial will have to meet with all of the producers to get a more reliable fix on the total volumes nominated.

But he said the exercise will help the producers group to develop flexible plans for handling discoveries over and above the 800 million to 1 billion cubic feet per day expected to come from the Taglu, Parsons Lake and Nightingak, where proven reserves are currently 5.8 trillion cubic feet.

Producers are ExxonMobil controlled Imperial, Shell, Conoco, ExxonMobil

The 20 companies include the partners in the Mackenzie Delta Producers Group — Imperial, Shell Canada Ltd., Conoco Canada Ltd. and ExxonMobil Canada.

Although the others were not identified, they would likely include the Mackenzie Delta Explorers Group, consisting of Petro-Canada, Devon Canada Corp., EnCana Corp., Chevron Canada Resources, Anadarko Canada Corp., Burlington Resources Canada Energy Ltd. and BP Canada Energy Co.
**Alaska Rig Report**

<table>
<thead>
<tr>
<th>Rig Owner/Rig Type</th>
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<tbody>
<tr>
<td><strong>North Slope - Onshore</strong></td>
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<tr>
<td>Doyon Drilling</td>
<td>1250</td>
<td>Stacked, Prudhoe Bay</td>
<td>B.P.</td>
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<td>Sky Top</td>
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<td>Stacked, Deadhorse</td>
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<td>Doyon</td>
<td>1200</td>
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<tr>
<td>OIME 2000</td>
<td>141</td>
<td>Milne Point, 1P drilling on MM-15 soon, multi-lateral</td>
<td>B.P.</td>
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<tr>
<td></td>
<td>Ideco 900</td>
<td>3 (SCR/TD)</td>
<td>Moved to 2P-427, Meltwater warm stack</td>
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<td>Superior 700 UE</td>
<td>2 (SCR)</td>
<td>Moved to Prudhoe to start</td>
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<td>Emsco Electro-hoist Canrig 1050E</td>
<td>27-E (SCR/TD)</td>
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<td>Idle, Granite Point Platform</td>
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<td>National 1320 OUE</td>
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<td>Idle, Dolly Varden Platform</td>
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<td>Doyon 2100 E</td>
<td>60</td>
<td>Idle, Steelhead Platform</td>
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<tr>
<td>Nordic Calista Services</td>
<td>Superior 700 UE</td>
<td>1 (SCR/TD)</td>
<td>Kuparuk, moved to DS-12 well 14</td>
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<tr>
<td></td>
<td>Superior 700 UE</td>
<td>2 (SCR)</td>
<td>Moved to Prudhoe to start; conversion to Coil Tubing</td>
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<td></td>
<td>Idco 900</td>
<td>3 (SCR/TD)</td>
<td>Moved to 2P-427, Matwater warm stack</td>
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<td><strong>North Slope - Offshore</strong></td>
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<td></td>
<td>Akita Equtak</td>
<td>Rig 42</td>
<td>On barge moving south to Alberta. Location to be decided.</td>
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<td>XTO Energy (Inlet Drilling Alaska labor contractor)</td>
<td>National 1230</td>
<td>A</td>
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<td></td>
<td>National 110</td>
<td>C (TD)</td>
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<td>Nordic Calista</td>
<td>Rig 76</td>
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<td></td>
<td>Rig 77</td>
<td>Idle/Dolly Varden platform, startup mid September.</td>
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<td>Pulling Unit</td>
<td>Late August – October</td>
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<td>SDC</td>
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<td>Pulling Unit</td>
<td>Late August – October</td>
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<td>Fairweather</td>
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<td>SDC</td>
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</tbody>
</table>

**The Alaska Rig Report as of August 14, 2002.** Active drilling companies only listed. 

**TD** = rigs equipped with top drive units  
**WO** = workover operations  
**CT = coiled tubing operation**  
**SCR = electric rig**

This rig report was prepared by Wadeen Hepworth.

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<table>
<thead>
<tr>
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<tr>
<td><strong>Cook Inlet Basin – Onshore</strong></td>
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<tr>
<td>Marathon Oil Co. (Inlet Drilling Alaska labor contractor)</td>
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<td>GD 1, working on WL #1 RD</td>
<td>Marathon</td>
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<td></td>
<td>Taylor</td>
<td>Glacier 1</td>
<td>GD 1, working on WL #1 RD</td>
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<tr>
<td></td>
<td></td>
<td>Kremco 750</td>
<td>CC-1</td>
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<td></td>
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<td>National 135 UE</td>
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<td>Continental Emsco E3000</td>
<td>273</td>
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<td></td>
<td>Aurora Well Service</td>
<td>Franks 300 Scr. Expolorer III</td>
<td>AWS 1</td>
</tr>
</tbody>
</table>

**Cook Inlet Basin – Offshore**

- **XT Energy (Inlet Drilling Alaska labor contractor)**
  - National 1230 | A | Idle/Middle Ground Shoal | XTO Energy |
  - National 110 | C (TD) | Preparing for C43-14 worker | XTO Energy |

- **Nabors Alaska Drilling**
  - IDECO 2100 | 245 | Stacked, mid August through end of year | Phillips |

- **Nordic Calista Services**
  - Superior 700 UE | 1 (SCR/TD) | Kuparuk, moved to DS-12 well 14 | Phillips |
  - Superior 700 UE | 2 (SCR) | Moved to Prudhoe to start; conversion to Coil Tubing | Pending, BP |
  - Idco 900 | 3 (SCR/TD) | Moved to 2P-427, Matwater warm stack | Phillips |

- **Aurora Well Service**
  - Franks 300 Scr. Expolorer III | AWS 1 | Nicolai Creek Gas Field, Sidetrack NC1B | Aurora Gas |

**Rig start-ups expected in next 6 months**

- **Nordic Calista**
  - Rig 2 (SCR) | Stacked at Kuparuk, will be converted to CT unit in JV with Schumberger, similar to NC #1 JV. Start-up expected September, at an unknown location. |

- **Unocal (Nabors Alaska Drilling labor contractor)**
  - Rig 76 | Idle/Dolly Varden platform, startup mid September. |
  - Rig 77 | Idle/Dolly Varden platform, startup mid September. |
  - Pulling Unit | Late August – October | Nabor will perform 7 Swanson Workovers. |

- **Fairweather**
  - SDC | MODU on location at EnCana’s McCovey prospect off Prudhoe Bay. Drilling on McCovey to begin in mid-November. |

**Akita Equtak**

- **Rig 62** | On barge moving south to Alberta. Location to be decided. |

**XT Energy (Inlet Drilling Alaska labor contractor)**

- **Rig 38** | Waiting for equipment, then will start worker on C43-14 in August. |

**Aurora Well Service**

- **Pulling Unit** | Aurora Well Service LLC’s and Franks 300 Series well servicing unit is scheduled to do completions, sidetracks, and shallow straight hole drilling at Nicolai Creek gas field for Aurora Gas LLC. Will start working this summer. |
Phillips looking at one to four exploration wells this winter

Phillips Alaska Inc. has told regulators that it plans to drill one to four exploration wells this winter and is looking at sites ranging from the western side of Teshekpuk Lake in the National Petroleum Reserve-Alaska to state lands east of Nuiqsut. Bruce Webb, natural resource officer with the Division of Oil and Gas, told PNA Aug. 14 that Phillips told agency representatives that it is looking at drilling sites in four areas.

One area is at Puviag west of Teshekpuk Lake in NPR-A some 67 miles southeast of Barrow where the company has Nabors Alaska Drilling rig 16-E stacked on an insulated ice pad in section 35 township 16N range 10 west, Umat Meridian. The Bureau of Land Management told PNA in July that Phillips staked two wells in the area: the Puviag No. 1, NWNW 35-16N-10W, UM, and the Puviag No. 2, SESW 9-15N-10W, UM.

Other possible NPR-A well locations include Summit, Grand View, Power Line and Carbon.

On state lands Phillips has prospects at Cronus, Oberon and Placer, all in the area between the Colville River unit (Alpine) and the Kuparuk River unit. Webb said the Oberon prospect is in a group of leases where Phillips has a work commitment and will start losing acreage if they don’t drill.

Phillips is also looking at drill sites at Sunrise No. 3 and Titania, Webb said. Sunrise is northwest of Nuiqsut and Titania is directly east of Nuiqsut across the Colville River. Phillips’ plans will be finalized much closer to the start of tundra travel. Phillips Alaska spokeswoman Dawn Patience told PNA. She said that this was just a preview.

— Kristen Nelson, PNA editor-in-chief
ChevronTexaco second quarter net income at $407 million, down 81%

ChevronTexaco Corp. net income declined 81 percent to $407 million or 39 cents per share for second quarter 2002, versus $2.108 billion or $1.99 per share for the same period in 2001, the company said July 30.

A number of factors precipitated the slide, the company said, including lower natural gas and crude oil prices, lower refined product margins, a $531 million write-down of an investment in Dynegy Inc., environmental mediation and litigation expenses of $122 million, and foreign currency losses of $141 million.

Merger related expenses reduced earnings $73 million, but the company said it expects merger synergies to deliver savings of $2.2 billion annually by early 2003.

In the period in 2001, the company said, net income was $122 million, and foreign currency losses of $141 million.

Net oil-equivalent production declined 3 percent from last year’s second quarter, from 1.080 million barrels per day to 1.044 million bpd.

—Steve Sutherlin, PNA managing editor

Oklahoma independent acquires three Kenai Peninsula leases from Northstar Energy

By Petroleum News • Alaska

Environmental Energy Services Inc. (EESV) of Oklahoma City, Okla., said Aug. 8 it had acquired three Kenai Peninsula leases from Northstar Energy Group Inc. in June. The leases, encompassing about 11,710 net acres, are approximately 20 miles north of Homer, EESV said in a statement.

“This is the single-most important event in EESV’s short history. It moves us to being a viable energy company, a new industry for us,” —Environmental Energy Services Chairman Leon Blaser

The statement said the company “paid $500,000 cash, agreed to pay an additional $950,000 in 60 days, will issue 13,100,000 restricted shares of common stock, and granted Northstar an over-riding royalty interest in any oil and gas proceeds realized from the lease to acquire the leases, which, together with existing royalty interests, results in EESV having a 78 percent net revenue interest in the leases.”

EESV said it also will issue additional shares of common stock in the future “in the event the market value of the shares issued in the transaction do not have a market value of at least $6,550,000 at that time.”

As part of the agreement, EESV will drill at least one well on any of the three leases within one year of the acquisition.

The company said “initial geological and geophysical studies indicate possible recoverable reserves in excess of 31 million barrels of oil and 200 billion cubic feet of natural gas.”

EESV said it “anticipates raising the capital to fund drilling costs through a limited partnership drilling program, of which a portion of the proceeds will pay off the short-term obligation to Northstar.”

“Several parties have expressed interest in acquiring the gas from the leases. However, a pipeline will have to be built to transport the gas to market,” according to the statement.

The company said it “has had discussions with one entity that would build the pipeline at its expense in consideration for a royalty on any gas that is transported through the pipeline.”

EESV said it also is looking at the possibility of building the pipeline itself. It is currently researching the costs involved.

“I am excited about the potentials that exist within these leases. EESV is currently discussing drilling operations on the (Ninilchik) dome with several potential investment groups that would provide the drilling capital under a limited liability partnership arrangement.” EESV Chairman Leon Blaser said.

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BP second quarter earnings off by one third

BP said July 30 its second quarter pro forma result, adjusted for special items, was $2.1 billion, compared with $3.4 billion for second quarter 2001, a reduction of 36 percent.

The company said its results reflect a less favorable environment for exploration and production, and refining and marketing.

Net cash inflow from operating activities was $5.133 billion for second quarter 2002, up from $5.076 billion for second quarter 2001. Total hydrocarbon production for the quarter was at a record level of 3.546,000 barrels of oil equivalent, up 5.5 percent compared to same period in 2001, the company said. Incentives flowed from the continued ramp-up of projects commissioned in 2001, start-up of the King field in the Gulf of Mexico, improved operating efficiencies, and an increased interest in Sidanco which offset the impact of OPEC related quota restrictions and divestments.

Conoco earnings sag

Conoco said July 23 its net second quarter income fell to $141 million or 22 cents per share, a 77 percent drop from $665 million or 95 cents per diluted share for the period last year. Sharply lower natural gas prices, lackluster refining margins, and currency losses were to blame, the company said.

Revenue for the quarter totaled $9.7 billion, down 8 percent from $10.6 billion for the comparable period last year. Quarterly production was up 25 percent at 836,000 barrels of oil equivalent per day, versus 670,000 bopd per day in second quarter 2001.

Evergreen Resources profits down, production up

Evergreen Resources Inc. had second quarter 2002 earnings of $3.3 million or 17 cents per diluted share, compared with $11.2 million or 57 cents per diluted share in the second quarter of 2001, the company said Aug. 1.

Net gas sales increased to a record 104.4 million cubic feet per day for a total of 9.5 billion cubic feet in the second quarter, the company said, up 31 percent from the corresponding 2001 period.

The company said it will drill a total of eight wells beginning in September on its 64,000 acres of prospective coalbed methane properties in the Cook Inlet basin, with completion and production testing operations expected to begin in the fourth quarter of 2002.

Energy watchdog: oil demand weaker than expected in second half of year

International Energy Agency cites upward pressure on oil prices due to OPEC's surge in output from the Organization of Petroleum Exporting Countries. The IEA, headquartered in Paris, is the energy watchdog agency for the Organization for Economic Cooperation and Development, a group of wealthy, oil-importing nations.

Upward pressure on prices offset the dampening effects of tumbling world stock markets and a slight reduction of 50,000 barrels a day in its self-imposed output quota by 1.5 million barrels a day in July, the IEA said in its monthly oil market report, the first since the Iraq war.

The IEA also announced revised, higher figures for global demand dating back to 1991. It made the changes to reflect what it said had been the under reporting of past crude consumption in Iran, India, Egypt, and several other countries.

As a result, the agency predicted that worldwide demand would rise to revised levels of 76.3 million barrels a day in the third quarter and 78.2 million barrels a day in the fourth quarter.

Crude supplies grow in July

Crude supplies, meanwhile, grew to 76.5 million barrels a day in July, up 780,000 barrels a day from June. The IEA attributed this increase to a surge in output from the Organization of Petroleum Exporting Countries.

The 10 members of OPEC, excluding Iraq, boosted their combined production last month by 360,000 barrels a day. The producers’ cartel exceeded its self-imposed output quota by 1.5 million barrels a day in July.
Unocal CEO, CFO certify SEC filings

Unocal Corp. said Aug 13 that its chief executive officer and chief financial officer have signed and filed sworn statements with the U.S. Securities and Exchange Commission regarding the accuracy of the company’s recent reports filed with the SEC.

Unocal CEO Charles R. Williamson and Unocal CFO Terry G. Dallas signed sworn statements attesting as to the truth and completeness of the 2001 Annual Report on Form 10-K, as well as subsequent Form 10-Q and Form 8-K reports and proxy statement.

Unocal is one of 947 large public companies whose CEO and CFO are required by the SEC under Order No. 4-460 to file sworn statements affirming the accuracy of filings with the commission.

Williamson and Dallas also signed and submitted separate certifications for Unocal’s second quarter 2002 Form 10-Q as required by Section 906 of the Sarbanes-Oxley Act.

“You need to coordinate your portfolio to 16,100 boepd from 10,700 — trying to grow through the production drill bit. He views trusts as a natural progression for investors who have grown weary of a high risk business “that undeniably destroys equity from time to time.”

For investors, there is great appeal in knowing that the trust’s cash flow comes to them as monthly or quarterly distributions. As they have gained in recognition, trusts have also grown in their ability to attract equity from time to time.”

The five largest conventional producing trusts currently yield between 12 percent and 18 percent, according to Calgary-based Scotia Capital. The Western Canada Sedimentary Basin has matured to the point where major new fields are tougher to find there are assets that are better run by asset managers than those focused on growth through the drill bit.

As they have gained in recognition, trusts have also grown in their ability to attract equity from time to time.”

This month to approve a royalty trust spinoff production it has opted to ask shareholders for investors who have grown weary of a high risk business “that undeniably destroys equity from time to time.”

The current sector leaders are Enbridge Income Fund with 51,500 barrels of oil equivalent per day, Canadian Oil Sands Trust 47,700 bpd (all of it from the Syncrude Canada Ltd. oil sands operation) and ARC Energy Trust at 42,800 bpd.

The latest addition to the income ranks is Storm Energy Corp., which grew in four years to 13,000 bpd from 1,500 bpd, but rather that pursue growth for its own sake and risk declining production it has opted to approve a royalty trust spinoff producing about 8,500 bpd.

Storm President and Chief Executive Officer Matthew Brister said his company can get a higher valuation for its assets in an trust, while starting over with an E&P company with 4,000 bpd of production, allowing management to target a dou-

The path to the ranks of income trusts starts with small and junior producers — a breeding ground analysts say is quickly re-emerging from the disposal of non-core assets by companies involved in the tidal wave of mergers and acquisitions that has swamped the Canadian oil patch.

Rob Jennings, president and chief execu-

tive officer of Jennings Capital, said that with 72 percent of the Canadian industry’s total market cap now consisting of compa-

U.S. counterparts not the same thing

Ector said there is a clear distinction between Canadian trusts, which are actively managed, and their U.S. counterparts, referred to as master limited partnerships, which he described as “blow-downs” of production from their oil and gas properties.

The latest addition to the hierarchy was announced July 18 when Acclaim Energy Trust announced a C$384 million (US$290 million) deal to acquire the bulk of master limited partnerships from Ketch Energy Ltd., leaving Ketch to spin off its explo-

To increase output later in the year, said

“debatable” whether OPEC would need greater “volumes in July, they benefited from higher oil prices. Analysts say expectations that the U.S. Congress is also regulated by the United Nations, increased its daily output by 170,000 bar-

Call (907) 522-9469
Koch submits winning bid to supply additional oil to strategic reserve

The U.S. Department of Energy said Aug. 8 that Koch Supply & Trading LP will become the newest supplier of crude oil to the Strategic Petroleum Reserve under President Bush's plan, announced last November, to fill the nation’s emergency oil stockpile to its full capacity by 2005.

Secretary of Energy Spencer Abraham said Aug. 8 that the Wichita, Kansas-based company — one of the world’s largest crude oil trading companies — had submitted the winning bid to provide approximately 8 million barrels of crude oil to the petroleum reserve beginning Oct. 1 and continuing through April 30, 2003.

"With each contract like this, Americans gain another measure of energy security," Abraham said. "The SPR provides the nation with an energy resource that can be used as directed by the President to protect Americans against future supply disruptions."

DOE said the contract to Koch is part of the administration’s “royalty-in-kind” exchange program in which crude oil from federal leases in the Gulf of Mexico is exchanged for oil to be stored in the SPR for emergency protection against future supply disruptions.

Deliveries nearly 100,000 bpd

The agency said this contract will boost the average delivery rate of oil to the petroleum reserve under this program to nearly 100,000 barrels per day. Using the “royalty-in-kind” program, the Bush Administration has announced its intent to fill the nation’s emergency oil stockpile to its full capacity by 2005.

The program is carried out cooperatively with the U.S. Department of Interior’s Minerals Management Service. MMS recently awarded contracts for a similar amount of royalty oil to be delivered from designated Gulf of Mexico production platforms to “market centers.” Koch will receive the crude oil at the market centers and deliver “in-kind” crude to the SPR. Actual volumes arriving at the SPR are adjusted to account for transportation and quality differentials. Koch’s offer was selected on the basis that its exchange ratio provided the best value to the government.

The SPR currently holds 580 million barrels of crude oil deep in salt caverns created along the Texas and Louisiana coastlines.

ExxonMobil earnings fall on ‘significantly weaker’ refining margins, price weakness

ExxonMobil Corp. said Aug. 1 its second quarter 2002 earnings were $2.7 billion or 39 cents per share excluding merger effects and special items, versus $4.4 billion or 64 cents per share in the record second quarter of 2001.

Revenue for the second quarter of 2002 totaled $50.9 billion compared with $55.1 billion in 2001.

"The reduction in earnings reflected weakened conditions in most business segments, including lower price levels of crude oil and natural gas, significantly weaker refining margins and adverse foreign exchange effects," said Lee R. Raymond, ExxonMobil chairman. In second quarter 2002 the company spent $3.4 billion on capital and exploration projects, compared with $2.8 billion for the period last year, it said.

The company also bought back 27 million shares during the second quarter at a gross cost of $1.1 billion, it said, to offset the dilution associated with benefit plans and to reduce common stock outstanding.

— Steve Sutherlin, PNA managing editor
Governors signs bill reauthorizing RCA
Gov. Tony Knowles signed House Bill 3001 Aug. 9, extending the Regulatory Commission of Alaska Reauthorization was approved by the Legislature in special session, and for only a single year. Without reauthorization, the RCA would have had one year to wrap up its business and disband.

HB 3001 makes a number of changes in how the RCA operates.

The governor formerly appointed the chair of the commission for a one-year term; the chair could not be appointed to successive terms. HB 3001 provides that the chair will be elected by members of the commission for a one-year term, may be elected to three successive terms and may be reelected after one year of not serving as chair.

HB 3001 also makes a number of other changes in statutes governing the RCA. It adds a section on impartial decision making; specifies that the commission shall issue final orders within six months of the filing of complete applications; allows for issuance of orders without hearings if settlements are supported by all parties of record; and establishes a task force to inquire into the operation of the RCA and present a written report to the Legislature no later than Jan. 30, 2003.

The task force will have seven members, three appointed by the president of the Senate, three by the speaker of the House and one by the governor.

The RCA regulates public utilities by certifying qualified providers of public utility and pipeline services and ensuring that they provide safe and adequate services and facilities at just and reasonable rates, terms and conditions. The commission also determines the eligibility and the per kilowatt-hour support for electric utilities under the Power Cost Equalization program.

Petroleum News Alaska
New shallow gas regulations increase state's application fee
The Department of Natural Resources is amending regulations for state's shallow natural gas leasing program based on Senate Bill 319 passed in the last session which authorized an increase in the application fee for shallow gas leases from $500 to $5,000.

The Department also authorized the conversion of current shallow gas leases to the new program; the conversion verification fee is $4,000.

SB 319 also changed the shallow gas statute to allow production of gas from a field part of which is within 3,000 feet of the surface — the requirement had been that all of the field be within 3,000 feet of the surface — and increased the amount of shallow gas acreage that one lessor could hold from 46,080 acres to 138,240 acres. No changes were made in rent, royalties or term of lease: the annual rental payments remain $1 an acre for the life of the lease; the royalty is 6.25 percent unless the gas is produced in “direct competition” with conventional gas, in which case the royalty is 12.5 percent; and leases are for three years and can be extended as long as there is production.

Comments on the proposed regulations are due Sept. 13. Details of the regulation changes are available on the Division of Oil and Gas web page at http://www.dog.dnr.state.ak.us/oil/.

Alaska receives $4.5 million from U.S. Department of Interior
Alaska received more than $4.5 million as its share of federal minerals revenue despite a four-month court-ordered computer network shutdown. The Interior Department's Minerals Management Service said Aug. 1 that it distributed more than $338 million to 32 states during the first six months of 2002.

MMS said the money represents the states' cumulative share of revenues collected for mineral production on federal lands within state borders and from federal offshore oil and gas tracts adjacent to their shores.

MM's said the money represents the states' cumulative share of revenues collected for mineral production on federal lands within state borders and from federal offshore oil and gas tracts adjacent to their shores.
North Slope production down 9.5 percent in July

Alaska North Slope crude oil production averaged 934,479 barrels per day in July, down 9.4 percent from a June average of 1,032,085 bpd.

Prudhoe Bay (which includes production from Aurora, Borealis, Lisburne, Midnight Sun, Niaukuk, Orion, Point McIntyre, Polaris and West Beach) saw the steepest decline in production, down 13.1 percent to an average of 444,938 bpd in July, a drop of more than 67,000 bpd from the field’s June average of 511,991 bpd.

Endicott (includes production from Sag Delta, Eider and Badami) had the second steepest decline, with July average production of 27,167 bpd down 12.4 percent from a June average of 30,999 bpd, a drop of an average 2,832 bpd.

Lisburne (including Point McIntyre, Niaukuk, West Beach and North Prudhoe Bay State) averaged 64,855 bpd in July, down 9 percent from a June average of 71,288 bpd, a drop of some 6,433 bpd.

Production from Kuparuk River (including West Sak, Tabasco, Tarn and Melwater) averaged 197,328 bpd in July, down 6.5 percent from June average production of 211,015 bpd, a drop of more than 13,687 bpd.

Northstar production averaged 57,221 bpd in July, down 6.2 percent from a June average of 60,980 bpd, a drop of 3,759 bpd.

Milne Point production (including Kuparuk River, Schrader Bluff and Sag River) averaged 47,874 bpd, down 5.9 percent from a June average of 50,850 bpd, a drop of 2,976 bpd.

Alpine production (which includes Nanuk) averaged 95,096 bpd in July, up 0.1 percent (134 bpd) from a June average of 94,962 bpd.

Cook Inlet up 1%

Cook Inlet averaged 32,161 bpd in July, up 1 percent from a June average of 31,850 bpd. Oil production in Cook Inlet came from Beaver Creek, Granite Point, McArthur River, Middle Ground Shoal, Swanson River, Trading Bay and West McArthur River.

Prudhoe Bay natural gas liquids production averaged 31,342 bpd in July, down 22.6 percent from an average of 40,506 bpd in June, a drop of 9,164 bpd.

by Kristen Nelson, PNA editor-in-chief

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ANCHORAGE

Fairweather E&P becomes Alaska's first oilfield operations contractor for hire

Anchorage-based company offers broad palette of oilfield services; E&P customers include EnCana, Phillips, BP, Unocal, XTO, Aurora Gas

By Steve Sutherlin
PNA Managing Editor

Fairweather E&P Services Inc. pioneered an entirely new category of oilfield service firms in Alaska, the contract operator for hire. Smaller oil companies can avoid the expense and lead time required to operate in Alaska’s oil fields by hiring an experienced and established firm to provide complete exploration and production services.

Fairweather E&P offers management and contracting services, including drilling engineering and supervision, offshore shallow hazard and geotechnical surveys, permitting and regulatory coordination, production operations, remote location logistics, facilities decommissioning, and well abandonment, the company said. Tumkey operations include exploration drilling, well abandonments, Company said.

ANCHORAGE

Natchiq Technical Services builds E&P operational capability

Company is staffed to explore and produce on the North Slope for leaseholders who do not want to handle their own operations in the Arctic

By Kay Cashman
PNA Publisher

Natchiq Technical Services is positioning itself for an influx of independent oil and gas companies into Alaska, its president, David Johnston, told PNA at a recent interview.

By building a team of individuals with North Slope experience and applying itself to sister company expertise, the Anchorage-based company is able to offer exploration and production services to oil and gas companies who want to drill on the North Slope but do not want to operate there.

Natchiq Technical provides the support infrastructure and other services for independents wanting to operate exploration programs in Alaska,” said Johnston.

by Judy Patrick
PNA Managing Editor

Alyeska Pipeline Service Co. in mid-July contributed to production decreases. Alyeska had the pipeline down for planned maintenance July 27-28 and the company said that flow into pump station 1 was approximately 30 percent of typical flow rate throughout the shutdown.

Prudhoe had steepest decline, Endicott next

Production from Prudhoe Bay natural gas liquids production averaged 12,800 bpd in July, down 9.5 percent from June average production of 211,015 bpd, a drop of more than 30,999 bpd from the field’s June average of 511,991 bpd.

Badami had the second steepest decline, with July average production of 13,687 bpd.

Tarn and Meltwater) averaged 197,328 bpd in July, down 6.5 percent from a June average of 211,015 bpd, a drop of more than 13,687 bpd.

Northstar had the steepest decline, Endicott next

Lisburne, Midnight Sun, Niaukuk, Orion, Point Mcintyre, Polaris and West Beach) saw the steepest decline in production, down 13.1 percent to an average of 444,938 bpd in July, a drop of more than 67,000 bpd from the field’s June average of 511,991 bpd.

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by Kristen Nelson, PNA editor-in-chief
es in October, filed permit applications July 19 to drill three wells between Kuparuk and Thetis Island. Natchiq Technical will be Armstrong’s operator on the North Slope. (See story on the front page of the July 28 edition of PNA.) It will oversee planning, engineering and implementation of Armstrong’s 2002-2003 exploration plan, including well testing and selection of a company to build 10 miles of ice road.

“Natchiq Technical has experienced people who are cognizant of how a program needs to be conducted, what needs to be done, when it needs to be done and where to obtain all of the services needed for safe, efficient operations. They can greatly enhance a company’s local engineering, purchasing and logistics capabilities in Alaska,” Gustafson said.

E&P expertise

“We have expertise in all areas of E&P,” Natchiq Technical Vice President John Lewis told PNA in a recent interview. Lewis has more than 28 years of international oil industry experience, including management, marketing and product development. Most recently he worked at Fairweather E&P Services in Anchorage; prior to that he was with BBL Brit Intl Ltd. in Aberdeen, Scotland.

“Natchiq Technical provides technical consulting and management in drilling, completion and stimulation, well testing, facility engineering and design, production, and geology and geophysics. … We can handle parts of a project or we can do everything,” Lewis says.

Some of the services will come directly from Natchiq Technical and some from its sister companies in Natchiq Inc., such as Houston Contracting which does pipeline maintenance and construction, building trade construction and equipment maintenance. Houston got its start in Alaska in the early days of Prudhoe Bay.

Another Natchiq subsidiary which Natchiq Technical works with on projects is APC Natchiq. It designs, fabricates, assembles and delivers oilfield modules and has built sealift-sized modules for both BP’s Northstar oil field and Phillips Alaska Inc.’s Alpine oil field development, as well as done turnkey truckable modules for ARCO Alaska Inc., Conoco, Alyeska Pipeline Service Co. and the Petro Star Valdez Refinery.

Natchiq Technical got its start in Alaska with well fracturing, one of the services that is most challenging for oil companies who do not have Arctic E&P experience.

“The challenge with fracturing up on the North Slope is it’s high-perm fracturing. Typical fracturing, in the Lower 48, involves low permeability rock,” Johnston says.

Jim Abel, a former ARCO Alaska Inc. employee who heads up the well stimulation and fracturing group with Natchiq Technical, says, “That’s what fracturing was made for — low perm rock. We (ARCO Alaska) really had no historical analog when we came up here with respect to high perm fracturing. From an industry standpoint, this proved to be pioneering work. When I was with ARCO I was involved in the fracturing operations of all the major fields on the North Slope e.g. Prudhoe, Kuparuk, Point Mac, Tarn, see NATCHIQ TECHNICAL page 11
to Prudhoe Bay where it will work for testing and is currently being transported to a foot trailer that can be pulled by a truck.

Separator, is built into one 80-ton, 70-ton modular unit designed specially for the Arctic by its manufacturer.

The company is particularly proud of two new mobile flow-test units recently used on the North Slope for exploration testing. The company is particularly impressed with the environmental footprint and are safer than the modified Lower 48 flow-test units traditionally used on the North Slope for exploration testing.

BP.

The other, equipped with tanks to hold produced fluids and a flare stack for gas production, is designed for exploration wells. It involves three compact modules that can be flown into a drill site, driven in via ice roads or hauled by a rolligon. A key feature of the MTS units is a heat exchange unit, which is attached to a 100 kilowatt generator that supplies power to the unit. The exchange unit warms and circulates fresh air, eliminating the need for external diesel heating units, thereby reducing rig-up and rig-down time and cutting air emissions by approximately one-third. (A boiler unit is also has an excellent Native hire record, Regional Corp., a resident stakeholder of services to clients. Specialized sister companies include Fairweather Pacific LLC, Fairweather Marine Inc., Fairweather Geophysical LLC and Fairweather International Inc.

The Fairweather group of companies began in 1976 with Fairweather Inc., operating remote airstrips and providing expedi- tion, weather forecasts and ice informa-

Johnston says the exploration flow-test unit is designed to reduce rig-up and rig-down time by more than 50 percent, representing a significant cost savings and the possibility for operators to test more wells during the North Slope’s short drilling season.

Why did Armstrong choose Natchiq Technical?

“David Johnston, John Lewis, Jim Abel and their staff at Natchiq Technical have a firm grasp of operational and environ- mental hurdles for exploration and production operations in the Arctic,” Gustafson told PNA. “As part of a large family of companies under Arctic Slope Reconstruction and facilities decommissioning.

Here come the independents

Oilfield operations is perhaps the logi- cal outgrowth of the decades of experience the Fairweather group of companies have built in Alaska, coupled with the evolution of the region as an oil province.

“We’re a very mature oil field up here; the big fields are depleting and there doesn’t seem to be as much interest in the big companies to go out and do exploring now that the elephants are gone,” said Bill Penrose, senior project manager for Fairweather E&P.

Penrose was Fairweather’s project manager for turnkey drilling of the offshore ARCO Alaska Inc. Warthog No. 1 in Camden Bay, and is a former ARCO Alaska senior drilling engineer.

“We tend to provide services to the smaller companies that the bigger compa-

nies already have an in-house staff for,” he said. “The little companies coming in need our help. … The big ones don’t need a lot of help; they just need the small specialized staff that we can provide.”

26 years of Alaska oil field experience

Fairweather E&P is part of a group of interrelated companies that share resources and expertise to provide a wide assortment of services to clients. Specialized sister companies include Fairweather Pacific LLC, Fairweather Marine Inc., Fairweather Geophysical LLC and Fairweather International Inc.

“We started in 1993 — it has grown to be rather large, providing serv- ices for the oil and mining industries. In 1998 we started Fairweather Geophysical (which) has a joint venture with Kuukpik Corp., the Native corporation in Kaktovik, with a multi-year contract with Phillips doing 3D seismic on the North Slope.”

Fairweather Inc. has had employees in Canada, Japan, Dubai, Point Lay and Yuzhno-Sakhalinsk, Perry said.

“The service is to preserve the lessons learned and carry the baton to new engi-

neers, new fields and new companies moving to the North Slope. We currently provide consulting for BP’s North Slope fracturing program,” he says.

High perm fracturing is pretty com-

on place now in the Gulf of Mexico. Johnston says, but the vast majority of the work worldwide has been done in Alaska and “Jim’s been involved in the majority of that.”

Cutting down the time for well testing

Another service that Natchiq Technical offers its customers is well testing. The company is particularly proud of two new mobile flow-test units designed specially for the Arctic by its well group business manager Dan Wurthrich and built by APC Natchiq.

The advantages of the new well testing units?

Johnston says they cut costs, reduce rig-up and rig-down time, shrink the envi-

ronmental footprint and are safer than the modified Lower 48 flow-test units tradi-

tionally used on the North Slope for exploration testing.

One unit, the Millennium Test Separator, is built into one 80-ton, 70-ton trailer that can be pulled by a truck. The MTS is designed for in-field well testing and is currently being transported to Prudhoe Bay where it will work for BP.
ANCHORAGE

BLM head: issues of safety, health paramount in pipeline renewal

At an Aug.5 hearing in Anchorage, Clarke said the agency was sticking with its decision not to extend the public comment period

By Kristen Nelson
PKA Editor-in-Chief

issues of safety and health are paramount in the evaluation of renewal of the trans-Alaska pipeline system, Kathleen Clarke, national director of the U.S. Department of the Interior’s Bureau of Land Management, said in Anchorage Aug. 5 before a public hearing on the draft environmental impact statement for the renewal.

Clarke reiterated BLM’s earlier decision not to extend the public comment period of the federal grant and right of way for the trans-Alaska pipeline.

“Our preferred alternative would be to renew it for 30 years,” — Jerry Brossia, BLM’s authorized officer at the Joint Pipeline Office in Anchorage, said the three alternatives included the 30-year renewal, renewal for a shorter period of time and no renewal. “Our preferred alternative would be to renew it for 30 years.”

Brossia said conditions for renewal are that the lessee is in commercial operation, is in full compliance with the law and in full compliance with the terms of the lease.

The Alaska Forum for Environmental Responsibility is asking for establishment of a citizens’ oversight organization for the trans-Alaska pipeline system.

Brossia said such oversight is not in the current terms and conditions for the right of way and said there are citizen boards already, including the regional citizens advisory council and a BLM regional advisory council.

Clarke said existing citizen boards already provide public input and public advice.

Continued from page 11

FAIRWEATHER

Fairweather E&P. “Collectively the offices have 140 employees.”

Gardner said three offices offer staffing flexibility and a broad base of in-house expertise.

Fairweather E&P began with one-week desk operations, Penrose said, and grew gradually until one project vaulted the company to a new level.

“The watershed was in ’97 when we ended up working with ARCO, drilling a Beaufort Sea well for them — it moved us up a notch into much bigger projects. It was a turkney project. We got all the permits, mobilized the vessel, drilled the well and demobilized the rig,” he said.

The Warthog well was drilled with the Glomar Beaufort Sea I CIDS (concrete island drilling system). ExxonMobil has since purchased the CIDS, changed its name to Orlan, which means eagle in Russian, and moved it to Sakhalin.

We’re working projects several orders of magnitude larger than what we used to, with some of the larger outfits: EnCana, Phillips, BP, Unocal, XTO out in Cook Inlet, Aurora Gas, pretty much the industry as a whole here in the state of Alaska,” Penrose said.

Back in Sakhalin

Fairweather has recently returned to the oilfields of Sakhalin Island, providing medical services to Sakhalin Energy Investment Co., a joint venture of Royal Dutch Shell. Fairweather provided medical services to Marathon Oil Co. in Sakhalin from 1994 to 1998, and, Perry said, the company has learned how to operate profitably in that challenging province.

“We’re gonna make another run at it,” he said. “There’s an awful lot of development over there and it’s pretty much under way now, but in the big picture it’s just beginning.”

“We think starting a big project as well, there’s a lot of activity that’s going to happen over there in the next 20 years.”

Sherton said he has an interest in each of the Fairweather companies, which share clerical and support staff located in Fairweather Inc.’s Anchorage office.

“We have partners in each of the companies that have the specialized skills, education and training for the scope of work that we specialize in,” he said.

“We have synergy,” Gardner said.

“We can all draw from the strengths of the other Fairweather companies and their disciplines, and put together a pretty convincing team.”

He said “the Fairweather companies combined have 241 employees. In the winter when Fairweather Geophysical is most active the ranks swell by another 120 employees.”

“I think our overall greatest achievement is getting very good competent employees to work with us and stay with us,” Perry said. “Without great employees you can’t sustain any kind of operation, particularly in a small market like Alaska.”

Perry said the company has a simple recipe for success.

“We treat all of our employees like we like to be treated ourselves,” he said.

“We’re pretty result-oriented operation. We look at the objective, probably more than some of our competitors do, as opposed to the task of the day.”

Gardner said the company has a number of exciting projects on the horizon, but he declined to talk about them because of client confidentiality considerations.

“Our clients trust us to keep a lot of things confidential,” he said. “That’s one of the things we sell — hire us and your secrets are safe with us. We refer anything in the way of information on what we’re doing to the clients to release.”

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Devon hits some potholes as it blazes new trails in Canada

U.S. giant sells off and writes down some northern assets, but notches gas and heavy oil drilling successes, gears up for Arctic push; concerned about gaining access to proposed Mackenzie gasline, despite moves by producers to hold open season

By Gary Park
PNA Canadian Correspondent

It helps to be big as Devon Energy Corp. has discovered from its northward push into Canada. The Oklahoma City-based company created Devon Canada Corp. out of two major shopping trips north of the 49th parallel, buying Northstar Energy Corp. for CS$1.2 billion in 1998 and Anderson Exploration Ltd. for CS$1.1 billion in equity and debt last year, with combined gas reserves alone of more than 4 trillion cubic feet, plus 8 million net undeveloped acres, including the largest single land-holding in northern Canada of 2 million acres.

So far, so good. But the last four months have seen the parent company unload US$935 million worth of North American assets, about one-third or 45 million barrels of reserves estimated to have occurred in Canada, to reduce debt piled up from its purchases of Anderson and Mitchell Energy & Development Corp.

Devon Chief Executive Officer Larry Nichols said Aug. 1 that despite record production and revenues for the three months, including an average volume of 2.2 billion cubic feet per day of gas and 128,500 barrels per day of oil, Canadian gas prices were a “disappointment.”

Vince White, Devon’s vice president of communications and investor relations, said the price weakness included maintenance and breakowns on the TransCanada PipeLines Ltd. pipeline, low demand in the western United States, mild weather and unusually high levels of hydroelectric power availability.

With “all of these stars aligning,” the AECO hub is in range from 11,480 feet to 13,120 feet in 22 feet to 36 feet of water, while the eastern targets are in 27 feet to 40 feet of water, with all but one located in shallow offshore waters. The most remote is 80 miles from Tuktuk, Alaska.

Western targets range from 8,200 feet to 18,040 feet in 27 feet to 40 feet of water, while the eastern targets range from 11,480 feet to 13,120 feet in 22 feet to 36 feet of water.

The company said it plans to confine drilling activities to the landfast ice regime during the winter to avoid potential well control problems and oil spills during the open water season.

In partnership with BP Canada Energy Co. Devon has been targeting a Deep Permain prospect in the same area where Talisman Energy Inc. made its recent significant Muskan discovery.

Since the Anderson deal, Devon Canada president and chief executive officer John Richels has described as “high-potential.”

President Michel Scott said the high Arctic is beyond the reach of infrastructure that would allow significant activity for several more years, regardless of the gas discovery on the Delta earlier this year with Petro-Canada.

Northern lands highly rated

The highly rated northern Canadian exploration lands — with 2 million acres in the Mackenzie Delta, Beaufort Sea, Norman Wells and other parts of the Northwest Territories — have also moved into the spotlight, with Devon Canada outlining exploration plans for its four leases in a July 26 filing with the National Energy Board.

The company said it plans to finalize drilling locations after a two-year, three-dimensional marine seismic program is completed this summer, with hopes of spudding the first well during the 2004-05 winter.

When it acquired the four licenses in August 2000, Devon Canada committed to drill one well in each license within five years — a timetable it now says may be too short.

It says discussions have been started with Indian and Northern Affairs Canada, which issued the licenses, to review those commitments.

If the first well proceeds in 2004-05, Devon Canada says future wells will be drilled during consecutive winter seasons, with the primary objective of finding natural gas, which comprises 70 percent of the company’s Canadian production.

Five of the drilling targets are in a western exploration block and five in an eastern block, with all but one located in shallow offshore waters. The most remote is 80 miles from Tuktuk, Alaska.

Western targets range from 8,200 feet to 18,040 feet in 27 feet to 40 feet of water, while the eastern targets range from 11,480 feet to 13,120 feet in 22 feet to 36 feet of water.

The company said it plans to confine drilling activities to the landfast ice regime during the winter to avoid potential well control problems and oil spills during the open water season.

Provided Devon Canada is able to proceed with its project it will signal one of the major exploration advances in a region where 89 offshore wells were completed in the 1970s and 1980s before activities were suspended.

But the company has underlined the long-term nature of the Delta. Speaking to a North American natural gas conference in the spring, Devon Canada president and chief executive officer Michel Scott said the high Arctic is beyond the reach of infrastructure that would allow significant activity for several more years, regardless of the gas discovery on the Delta earlier this year with Petro-Canada.

Pipeline access a concern

Although the Delta is the high-profile region in the Canadian Arctic, he said producers are worried about gaining access to the proposed Mackenzie Valley pipeline, despite moves by the Mackenzie Delta Producers Group of Imperial Oil Ltd., Shell Canada Ltd., ExxonMobil Canada and Conoco Canada Ltd. to hold a non-binding open season for producers outside the consortium.

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Richels said that as production of conventional crude declines in the Western Canada Sedimentary Basin companies have no choice but to switch to heavier crude to sustain output levels.

He said more tests will be conducted this year to establish the reserves at the Jackfish site, where Devon Canada has a 100 percent working interest, adding “we wouldn’t be taking this next step if we weren’t optimistic about what we have found.”

Other companies with SAGD projects under way or proposed include Petro-Canada, Conoco Canada, OPTI Canada Inc./Nexen Inc. and Japan-Canada Oil Sands Ltd.

Editor’s note: Devon Energy Corp. is a 5 percent partner in the Cosmopolitan unit near Nikiski in Alaska’s Lower Cook Inlet with operator Phillips Alaska Inc. (70 percent) and Forest Oil Corp. (25 percent).
The following sections are VECO Alaska job opportunities open to all who meet the minimum qualifications. Safety Check List:

1. Fill out all necessary employment related paperwork.
2. Complete all training and safety related paperwork.
3. Obtain a company ID card.
4. Report all accidents and near misses.
5. Abide by all company policies.
6. Follow all company procedures.

Applicant must possess and easy going, pleasant personality with an eagerness to learn. Applicant must be flexible and able to adjust priorities as needed. Applicant must be willing to relocate. Applicant must be able to work independently and as a team. Applicant must be willing to accept positions that may vary in level of responsibility and physical demands. Applicant must possess andume research when necessary. b. Prepares reports involving tabulations or posted data and simple arithmetical calculations.

The following are VECO Alaska job opportunities open to all who meet the minimum qualifications. Salary Check List:

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Evolution, Exploration & Development, Exploration, Evaluation & Design Management, Field Exploration and Logistics Curt Freeman, Capt. Procter 4691 P.O. Box 80289 Fairbanks, AK 99708-8029 Fax: 907-457-5159 Phone: 907-455-8069 or mailed to avalon2@alaska.net Web: www.avalonak.com

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1. Must have a minimum 5 years experience in Oil & Gas industry in Alaska. 
2. Willing to work independently
3. Willing to work under pressure
4. Willing to relocate
5. Willing to accept challenging opportunities
6. Willing to travel extensively

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operator Alaska Independent needs
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WHITE SPRUCE

Ken Sigurdson 6411 A Street, Anchorage, Alaska 99518 USA Phone: (907) 277-5309Fax: (907) 550-8890 Please quote the Job Title and Recruiting Authorization No. (inapplicable) in all correspondence

The following sequenices are VECO Alaska job opportunities open to all who meet the minimum qualifications. HRIS/Benefits Coordinator - Anchorage, Alaska: Recruiting Authorization No. 4821. VECO Alaska benefits include health, dental, and vision insurance; 401K participation; and paid holidays, among other benefits. Contact: Jim Arlington, Land Manager, at (907) 760-1040 VECO Alaska Job Website: www.veco.com VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization.

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Meetings/Events

Alaska Support Industry Alliance Events
Tuesday, August 20: Lt. Governored by the Alliance and the Resource Development Council, Luncheon format.

Alaska Support Industry Alliance Events
Thursday, August 22: North Slope Oil and Gas Annual Convention and Trade Show Sheraton Hotel, Anchorage, Alaska August 8, 2002 Short Course Nov 4 - 5, 2002 Technical Sessions Nov 6 - 8, 2002 Trade Show Oct 22-23, 2002


AVCG looking for qualified partners for 104,000 acres on North Slope. Call 907-316-2243.

Looking for partners for five prospects in Cook Inlet - Astosch-Tutna, Corsair, Olson Creek, Vayley, Vignee. See www.forsitol.com for some prospect information. Click on the Books of America Special Presentation, June 18 PDF file, and then go to page 16. Contact Jeff J. Morgan, Anchorage Manager at jeff.morgan@forstoil.com. Serious inquires only.


IADC annual meeting with the data for the annual meeting of the International Association of Drilling Contractors, Sept. 25-27, in the Hotel Regency, 123 Losans St. on the Riverwalk, San Antonio. This event is the premier gathering of dollars and oil rigs, contractors among in San Antonio. The conference committee has booked hotel rooms. Contact: Sheraton Anchorage Hotel. For information/registration, please call (907) 963-2226.

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**Legal Notice**

STATE OF ALASKA Announces Two Oil & Gas Lease Sales

The Alaska Department of Natural Resources, Division of Oil and Gas, will conduct the NORTH SLOPE AREAWIDE and BEAUFORT SEA AREAWIDE competitive lease sales on September 27, 2002, in Anchorage, Alaska. These lease sales are part of a series of monthly lease sales conducted by the Alaska Division of Oil and Gas. Each lease sale includes lease areas that may be modified at the discretion of the Division.

The public is invited to attend the meetings, however, commission business meetings do not provide for public testimony. A finalized agenda will be prepared and posted at the Alaska Oil and Gas Conservation Commission's Conference Room in Anchorage, Alaska at the address below. The Agenda may be found on the Division of Oil and Gas website.

Chair, Alaska Oil & Gas Conservation Commission. Publish date: 7/16/02.


dated: 7/24/02.


dated: 7/22/02.


Publication date: 7/10/02.


Publication date: 7/24/02.


Publication date: 7/24/02.


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OPERATORS

Armstrong’s 2002-2003 North Slope explo-
ration program, which involves drilling three
wells between Kuparuk and Thetis Island.

“David Johnston, John Lewis, Jim Abel
and I, staff, are all quite happy that we have
a firm grasp of operational and environmental
hurdles for exploration and production oper-
ations in the Arctic. Natchaq Technical has
succeeded in getting people who are cognizant
of how a program needs to be conducted, what
needs to be done when, and when to do it all.
The services needed for safe, efficient opera-
tions,” Stu Gustafson, vice president of opera-
tions for Armstrong Resources, told PNA Aug.
14.

Canadian content has increased, said
Gustafson, a geologist, who has 18 years of
experience in Alaska, including North Slope
exploration. He believes Natchaq Technical can
“greatly enhance a company’s local
engineering, purchasing and logistics capa-
tilities in Alaska.”

Both Fairweather E&P and Natchaq Technical
are part of a larger group of compa-

ties with long-term experience in
Alaska’s oil patch — The Fairweather
Company and Natchaq Inc., respectively.

These affiliations, they say, allow the firms
to share resources and expertise with their
sister companies and to provide a wider
assortment of services to clients.

Business likely to grow

Business isn’t likely to slow down for
Fairweather E&P and Natchaq Technical.

Five years ago there were seven or eight
independents in Alaska. Today there are 24.
And more are expected to enter the
drillship market as such as BP wind down exploration

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northwest in OCS lease block Y-1578.

Soren Christiansen, EnCana’s drilling man-
ger, told PNA that cold stacking (“go
quiet”) mode of the drill ship was com-

“All people are off the vessel and it’s
totally shut down, as promised,” he said,
referring to EnCana’s conflict avoidance
agreement with the Alaska Eskimo
Whaling Commission. Under that agree-
ment, the drill ship will not generate noise
during the Native subsistence whaling sea-
son, which traditionally occurs from early
September through early October.

“We’ll go back (to the SDDS) in
late October and drill in mid-November,”
Christiansen said.

When asked about Fairweather E&P’s per-
fomance to date on the McCovey pro-
ject, an EnCana spokesman said, “We’re
happy with the services and things have
gone well.” The spokesperson noted that
every phase of the operation to date has been
completed on schedule or ahead of
deadline.

In the exploration plan it filed with the
U.S. Minerals Management Service,
EnCana said additional exploration or
delineation drilling may be considered
during the 2002-2003 drilling season,
depending on the outcome of the No. 1
well.

“If this initial well shows potential for
hydrocarbon development, the original
hole may be plugged back and sidetracked
to an even deeper bottomhole,”
EnCana said. The sidetrack, McCovey 1A,
would be on OCS lease block Y-1577, just
southwest of the surface location.

If drilling results are successful,
EnCana told MMS, it may keep the SDC
on location for further exploration and
delineation drilling in subsequent seasons.

The McCovey unit includes three feder-
al and four state leases in the central
Beaufort Sea about five miles northeast
of Rendeer Island and 12 miles east of the
Northstar field. Phillips Alaska Inc. and
Chevron are also partners in the unit.

The SDC is owned by Seatankers
Management Co. of Oslo, Norway, and
McKee Oil Services Co., which is 100
percent owned by the McCovey Offshore
Inc.

He said that although OPEC has lower-
ed production by 5 million barrels per
day, global demand has not fallen by that
level, opening the door for “opportunists
such as the Russians, who have taken their
production up by about 8.5 percent to
9 percent over the last two years.

In the meantime, Saudi Arabia has
seen its market share drop by about 17
percent over the past five years, roughly

equal, he noted, to that of Russia. A few
years ago, Russian oil production had
rebounded fairly quickly.“It looked like they were going to
be there for a while,” he said. “In fact, they
rebounded fairly quickly.”

The revised count includes 9,030 gas
dwells, 4,131 oil wells, 1,361 dry holes and
178 service wells, with Alberta account-
ing for 11,180 wells, Saskatchewan
2,586, British Columbia 3,012 and a bal-
ance spread across other regions.

The forecast is based on average oil
prices of US$24.75 per barrel, $1.75
higher than the April estimate, and aver-
egine gas prices of US$3.75 per thou-
sand cubic feet.

PAc president Roger Soucy told
industry executives July 30 that companies have built up some
cash flow and cash reserves and “now have to do something with
them — we expect they’ll be spending it on drilling.”

Shift to north, deeper wells

The biggest shift is to northern Alberta
and British Columbia from the shallow,
high-depletion fields in southern region, as E&P companies step
up their efforts to replace supplies from the over-worked
Western Canada Sedimentary Basin.

PSAC manager of corporate develop-
ment Zane Reiter said the average well
depth has increased between 10 percent
and 15 percent in northwest Alberta
and northeastern British Columbia and by 20 percent in the
Alberta foothills of the Canadian Rockies.

In a presentation to PSAC members,
Peter Tertzakian, chief energy econ-

continued from page 1

FORECAST

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The SDC makes 600 mile
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days.

June 23 Oil Patch Insider (search
for EnCana and SDC separately in
this column).

March 10 MMS On McCovey
exploration plan.

Dec. 6 State approves AEC Oil
and Gas (USA) as McCovey operator,
update of plan.

Dec. 2 SDC drill ship returns to
Beaufort Sea.

Nov. 25 A new light in the sea:
Alberta Energy moves forward with
McCovey exploration.

May Fairweather to manage SDC
unit.

Want to know more?

If you’d like to read more about the
SDC, go to Petroleum News • Alaska’s
web site and search for these recently published articles.

Websites:

PetroleumNews.Alaska.com

2002

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June 23 Oil Patch Insider (search
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—Gary Park, PNA

Canadian correspondent
Companies involved in Alaska’s oil and gas industry

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**THE REST OF THE STORY**

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**Week of August 18, 2002**

who have pledged to spend C$900 million over five years to explore the Delta. (See related story on page 13.)

The Mackenzie Valley Aboriginal Pipeline Corp. has a memorandum of understanding with the producers group that could see the Native group obtain a one-third equity stake in the pipeline by negotiating incremental initial supplies of 400 million to 500 million cubic feet per day.

The producers group has indicated that it could move from the current project definition phase by mid-2003 and enter the regulatory and approval phase — a process that could take up to four years.

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**continued from page 1**

**PRODUCERS**

Gasoline price increase small

An increase in average U.S. gasoline pump prices — up some 1.5 cents per gallon — was the first monthly increase since April, the agency said, but the average price ($1.38-$1.40 a gallon for regular gasoline) has remained stable since April.

"Since we expect some gradual increases in crude oil prices in the near term, some additional growth in pump prices may materialize in August and September as suppliers gear up toward Labor Day and the end of the peak driving season," the EIA said.

But the agency expects only modest increases, "perhaps a few cents per gallon, at most," unless there are "significant refinery problems."

In April, the EIA said, it projected an average summer (April to September) regular gasoline price of $1.46 a gallon. "Our best guess at this point is that the summer average will end up at about $1.40 per gallon, lower than originally expected thanks to good supply availability (including strong net imports) but higher than most years due to above-average crude oil costs."

Natural gas around $3 per mcf

The spot wellhead price for U.S. natural gas has "been weaving above and below" $3 per thousand cubic feet since mid-March, the EIA said. A sharp price volatility in the spring and early summer months, "has recently become calmer now that the summer is more than half over and a clearer picture of the likely winter storage situation emerges."

The agency said that while working gas in underground storage has been above the previous five-year average since the beginning of the year, by the end of July the storage level was some 15 percent higher than last year and about 17 percent above the previous five-year average for July.

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**OIL PRICES**

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