PETROLEUM NEWS
ALASKA

"As Prime Minister, I could not waste my time having internal arguments."

—MARGARET THATCHER, 1979, REGARDING CABINET SELECTIONS WHO SHARED HER GOALS, BELIEFS

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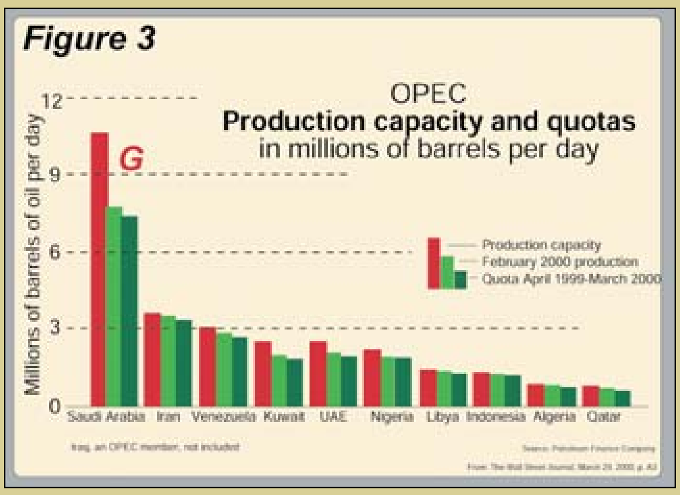
Are we running out of oil?



Are we running out of oil? Some geologists say yes; some no. The U.S. Geological Survey has no official position on the subject. In fact, the personal opinions of the agency's geologists differ. In the 2000 report found on pages 8 and 9 of this issue, USGS geologist Les Magoon, based in Menlo Park, Calif., provides information that supports the assumption the world is rapidly running out of new sources of oil to meet a growing demand. Later this month, Petroleum News Alaska will talk to a USGS geologist whose opinion differs with this report.

Colder temperatures, full operation on pipeline kick production up 12%

Alaska North Slope crude oil production averaged 1,033,814 barrels a day in December, up 12.3 percent from a November average of 920,591 bpd. November production took a hit early in the month when the pipeline was shut down for several days to assess and repair damage from the Nov. 3 earthquake. It was also colder in December, which improves production, averaging -1.8 degrees Fahrenheit at Pump Station 1, compared to 11 degrees F for November. Both temperatures were higher than three-year averages of 3 degrees F for November and -7.9 degrees F for December.

Lisburne (including Point McIntyre, Niakuk, West Beach and North Prudhoe Bay) had the largest percentage production increase, averaging 68,835 bpd in December, up 16.32 percent from 59,177 bpd in November.

Endicott (including Sag River, Eider and Badami) averaged 29,751 bpd in December, up 14 percent from a November average of 26,096 bpd. Production from Kuparuk (including West Sak, Tabasco, Tarn and Meltwater) averaged 220,791 bpd in December, up 13.81 percent from a November average of 193,999 bpd. Prudhoe Bay (including Midnight Sun, Aurora, Polaris and Borealis) averaged 503,693 bpd, up 13.8 percent from a November average of 442,621 bpd. Alpine (including Nanuq) averaged 102,813 bpd in December, up 10.53 percent from a November average of 93,019.

Milne Point (including Schrader Bluff and Sag River) averaged 52,732 bpd in December, up 3.61 percent from a November average of 50,896 bpd. Northstar held almost level, up just 0.76 percent to a December average of 55,199 bpd after a November average of 54,783 bpd.

Prudhoe Bay natural gas liquids averaged 47,065 bpd in December, up 16.82 percent from a November average of 40,290 bpd. Cook Inlet production averaged 29,937 bpd in December, up 4.92 percent from a November average of 28,534 bpd.

—Kristen Nelson, PNA editor-in-chief

INSIDE

LAND & LEASING

Unlocking ANWR

Law review article: Development of BP-discovered Sourdough field near refuge is key to opening the coastal plain, whether or not feds go after drainage royalties

By Kristen Nelson
PNA Editor-in-Chief

What is the impact of proposed development at Sourdough, just west of the Arctic National Wildlife Refuge, on the congressional prohibition on oil production from the coastal plain of the refuge?

In a December article in the Duke University School of Law's Alaska Law Review, "The Arctic National Wildlife Refuge, Correlative Rights, and Sourdough: Not Just for Bread Anymore," Robert Corbisier asks how, absent of drilling in ANWR, can the federal government protect its royalty rights when production begins from the adjacent Sourdough field at the end of the decade?

Rob Corbisier

Rob Corbisier, in the Alaska Law Review, concludes that oil beneath state land can be legally developed, "and, under the common law rule of capture, any oil that might migrate from federal land would belong to producers on state leases." The state would receive all of the royalties, including those "from oil that may have originated in ANWR."

Corbisier, formerly a staff assistant and legislative aide to U.S. Senator Frank Murkowski, graduates this year from Vermont Law School. He concludes that, in the absence of a vote by Congress to open ANWR, there are four possibilities to resolve the drainage issue: leasing by the secretary of the Interior; action by Alaska against the United States to force unitization; a suit by the state against the federal government to avoid future liability for royalties; and action by the federal government to receive royalties.

Issue not academic

The impact of ANWR production restrictions on Sourdough is not academic: Sourdough, where a discovery was announced by BP Exploration (Alaska) Inc. in 1997, is part of the Point Thomson unit and as a condition of recent expansion of the unit the state of Alaska is requiring development of the Sourdough prospect by 2010.

Unit operator ExxonMobil has presented initial plans for development and the Environmental Protection Agency as lead agency is preparing an environmental impact statement. ExxonMobil's Alaska manager, Jack Williams, said in November that if the EIS process and state permitting are completed on schedule, "then the Point Thomson owners will be in a position to make a decision to proceed with development during the first quarter of 2004." Thomson sands production, he said, would start in early 2007.

The state's agreement with the Point Thomson owners also includes production at Sourdough and another prospect, Lynx, by June 15, 2010.

The drainage issue

Corbisier asks how the federal government can determine if drainage is occurring from acreage

see ANWR page 2

NORTHERN GAS

Exploration activities on Mackenzie Delta heighten gas pipeline optimism

Companies roll out winter plans as freeze-up opens door to drilling; Aboriginal Pipeline Group fuels hopes by hinting a financing deal is in the works

By Gary Park
PNA Canadian Correspondent

A surge of exploration activity on the Mackenzie Delta by companies intent on proving up northern gas reserves is bolstering optimism that a deal involving a pipeline along the Mackenzie Valley is drawing closer.

Now that a freeze-up has finally cleared the way to move rigs, Petro-Canada, Devon Canada Corp., Chevron Canada Resources and BP Canada Energy Co. are all ready to participate in winter gas wells on the Delta, while EnCana Corp. and its partners Conoco Phillips Canada Ltd. and Anadarko Canada Corp. have contracted for Delta seismic programs.

In addition, various combinations of Paramount Resources Ltd., Apache Canada Ltd., Canadian Natural Resources Ltd., Devlan Exploration Inc. and Vintage Petroleum Canada Inc. have wells planned for the Central Mackenzie Valley at sites

see MACKENZIE page 13

Canada pumps fresh life into Alaska Highway line

The Canadian government has revived a federal agency which was created in 1978 to oversee the Canadian portion of an Alaska Highway natural gas pipeline, but has languished for the past two decades.

Robert Skinner was named before Christmas as administrator of the Northern Pipeline Agency to take the place of Kenneth Vollman, who is chairman of the National Energy Board.

This follows the creation in October of a similar position for the proposed Mackenzie Valley pipeline, when former NEB Chairman Roland Priddle was selected to represent the Canadian government in negotiations with government, aboriginal and industry representatives.

The Northern Pipeline Agency faded from

see PIPELINE page 15

continued from page 1

ANWR

closed to leasing, and once the determination is made, what steps can state and federal governments take to protect their respective rights?

As owners of adjacent land, state and federal governments have correlative rights, Corbisier said, including rights against waste, against spoilage, against malicious depletion and the rights to a fair opportunity to extract and to conduct operations to enhance recovery (such as water flood).

The 1980 Alaska National Interest Lands Conservation Act prohibits production in ANWR and says that there will be no leasing or other development from the refuge until authorized by Congress.

Corbisier asks: "Does the Act's ban on oil production apply to oil drainage from ANWR to adjacent state-owned land? Does … the Act trump Alaska's sovereign right to develop its land when there is drainage? Does Alaska have any remedy that would allow legal production from ANWR? Does the federal government have any method that would allow it to prove drainage and claim royalties from state-produced oil or gas?"

Congress prohibited not only production but "leasing or other development leading to production of oil and gas" from ANWR, so does that prohibit Alaska from developing land which may drain ANWR? Corbisier asks.

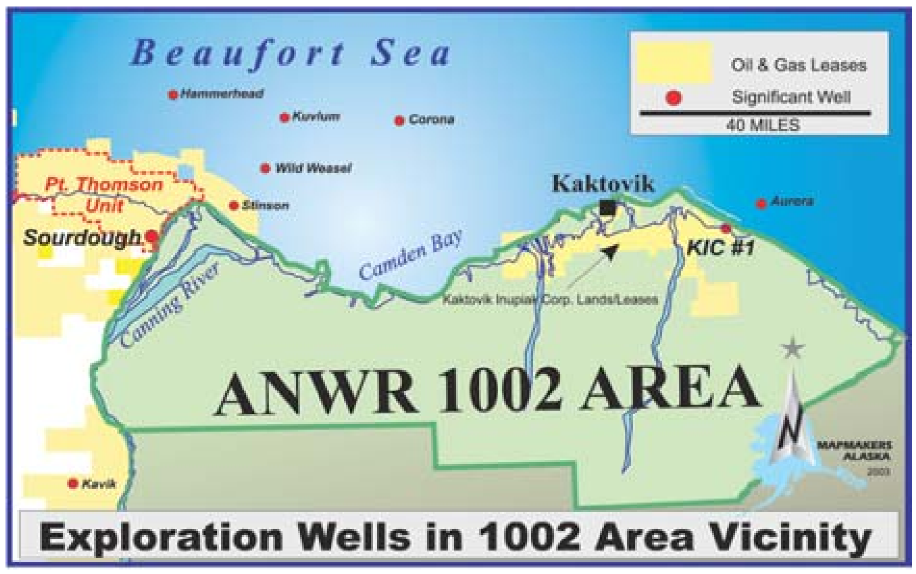
He concludes that since Congress did not designate all of ANWR as wilderness but provided for opportunities for economic and social needs of the state with a focus on preserving the natural values of the surface, that drainage is not prohibited because it does not conflict with the ban on surface development.

Rule of capture

The courts have ruled that oil and gas are subject to the rule of capture: a landowner can drill on his property and has a right to what he produces, even though it may be drained from the adjacent property.

"The owner of the drained land has no legal remedy, but may protect his rights by drilling a well of his own in order to capture the same resource," Corbisier said, subject to "regulations such as well-spacing and boundary setbacks…"

He said courts have ruled subsurface trespass illegal: A well bore cannot reach into adjacent property, including: "the more modern technologies of directional drilling, extended reach wells, horizontal drilling and designer wells when they cross into another person's land."



Corbisier concludes that oil beneath state land can be legally developed, "and, under the common law rule of capture, any oil that might migrate from federal land would belong to producers on state leases." The state would receive all of the royalties, including those "from oil that may have originated in ANWR."

Preventing waste by unitizing

Alaska could also force unitization.

Both the federal government and the state have legislation to prevent waste of oil and gas resources and require unitization of oil and gas fields. With unitization, Corbisier said, the rule of capture no longer operates because lease owners share in the costs and production of the entire resource, and are able to enhance production through practices such as water flood.

Alaska's statute allows forced unitization if parties cannot reach agreement on their own, he said. There is also a reverse twist on the prohibition against waste.

"Theoretically," Corbisier said, "this policy against waste could be superceded by either state or federal law explicitly sanctioning waste. If oil reserves are proven to exist in the 1002 area, a law sanctioning waste may be necessary to designate the area as wilderness."

Executive authority to lease

The federal Mineral Leasing Act of 1920 allows the Secretary of the Interior to issue leases when federal lands are being drained by adjacent leasing, Corbisier said, but that leasing provision does not apply to lands withdrawn for specific purposes, such as ANWR. He notes that one court has held states have a sovereign right to drain from closed federal lands. "If so, then it would follow that the federal government has a corresponding obligation to lease its lands for mineral development if it suspects that its resources are being drained."

Even if this doesn't apply to ANWR, the state "could force the federal government into a lease sale pursuant to its authority to force unitization," Corbisier said.

Proving drainage

If production begins from state lands adjacent to ANWR, could the federal government prove drainage?

At least one case uses a regulatory definition of proved reserves, but that is "in the context of contract law as opposed to determining the existence of a reservoir," Corbisier said. Within the regulatory context, he said, "an expert must show that oil exists on the state land, and that based on the geology, that same pool of oil is economically productive on the ANWR side. If the data is sufficient the analysis ends."

But, Corbisier said, it depends on the definition of proved reserves that the court uses: A widely accepted definition from the American Gas Association requires a consideration of "existing operation conditions, which preclude development in ANWR." I.e. with development precluded, there are no proved reserves.

If existing data cannot be used to prove reserves in ANWR, and hence drainage onto Alaska lands, "the federal government will need to use a well to establish that drainable reserves exist in ANWR," Corbisier said.

And in that case, if there is no drilling, the federal government may allow royalties from ANWR to slip away to the state.

Alaska, Corbisier said, "cannot afford not to proceed with Sourdough's development if it hopes to open the door to exploring ANWR's coastal plain. Sourdough is the key to this door."

Even if the federal government allows its royalties to slip away: "If Sourdough is developed, Alaska wins." ◆

EXPLORATION & PRODUCTION

Marathon applies to expand pad at Kenai gas field, will add four wells

Marathon Oil Co. has applied to expand an existing pad, Kenai gas field pad 41-7, to support four additional gas wells. Marathon told the U.S. Army Corps of Engineers that while the Kenai gas field has been producing gas since 1961, and is a mature field, "Marathon is still identifying promising pay intervals within the structure that have not been produced previously." The company said it believes that remaining reserves warrant capital investment to maintain production from the field.

Alaska Oil and Gas Conservation Commission figures for November show the field producing some 1 billion cubic feet of natural gas a month from 28 completions in the Beluga, Sterling and Tyonek formations, with cumulative production from the field at 2.3 trillion cubic feet

Alaska Oil and Gas Conservation Commission figures for November show the field producing some 1 billion cubic feet of natural gas a month from 28 completions in the Beluga, Sterling and Tyonek formations, with cumulative production from the field at 2.3 trillion cubic feet.

The Corps said in a public notice published Jan. 7 that approximately 49,300 cubic yards of clean gravel will be discharged into 3.8 acres of wetlands to support four natural gas wells including well cellars, production buildings, a compressor building and additional wastewater storage capacity, a snow storage area, parking, new vehicle travel patterns, a switch gear building for electrical service, buried utility lines, flow lines from each well head to production building(s), meters and possibly dehydration equipment.

Additional production wells will be at the north end of the pad and expansion on the northwest side would be used for installation of production facilities. Expansion to the southwest and south would accommodate re-routing vehicle traffic away from the core areas of the pad and to the south of the existing structures, and also allow for additional production facilities.

Pad 41-7 is in sections 6 and 7 of township 4 north, range 11 west, Seward Meridian.

—Kristen Nelson, PNA editor-in-chief

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WORLD OIL

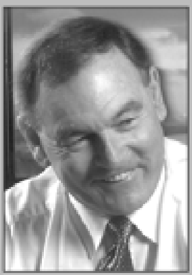
Production begins in China's Bohai Bay

Phillips China Inc., a subsidiary of ConocoPhillips, and China National Offshore Oil Corp. Ltd. announced first production from the Peng Lai 19-3 field in China's Bohai Bay Dec. 31.

"This is a significant achievement for our companies to have production from this large oil field approximately three years after it was discovered," said Roy Lyons, president of Phillips China. "This demonstrates the continuous cooperation of CNOOC and ConocoPhillips to develop China's energy resources."

ConocoPhillips and China National Offshore Oil signed a petroleum contract in December 1994 granting ConocoPhillips the right to explore Block 11/05, a 2.3 million-acre area located in Bohai Bay. China National elected to participate in the PL 19-3 Phase I development with a 51 percent working interest.

Phillips China drilled the PL 19-3-1 discovery well in May 1999, ConocoPhillips said, followed by six successful appraisal wells. Phase I development will utilize one 24-slot wellhead platform and a floating production, storage and offloading facility, with daily gross production rates expected to reach 35,000 to 40,000 barrels of oil per day with 17,500 to 20,000 bpd net to ConocoPhillips.



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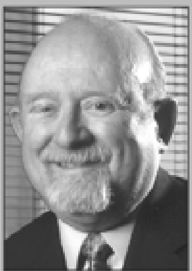

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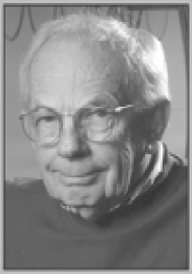

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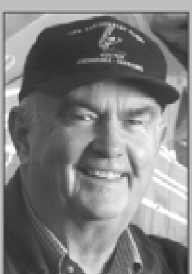

Richard A. Wien

GOVERNMENT

Murkowski gets U.S. Senate committee seats; says she will focus on ANWR, gasline, transportation

Alaska's newest U.S. senator, Lisa Murkowski, has been confirmed on four committees she will serve on.

Sen. Lisa Murkowski

Murkowski will serve on the Energy and Natural Resources Committee, the Environment and Public Works Committee, the Veterans Affairs Committee and the Indian Affairs Committee.

Murkowski was confirmed Jan. 7.

Earlier, she was escorted to the front of the Senate chamber by Alaska's senior senator, Ted Stevens, and her father, Alaska Gov. Frank Murkowski, where she repeated the oath administered by Vice President Dick Cheney.

Lisa Murkowski said she will focus on several projects, including drilling in the Arctic National Wildlife Refuge, a natural gas pipeline and large transportation projects coming up for consideration this session.

Stevens elected U.S. Senate president pro tempore

The U.S. Senate has elected Sen. Ted Stevens, R-Alaska, as president pro tempore.

After his election Jan. 7, Stevens received a lengthy round of applause from the floor then quickly began moving resolutions and legislation in cooperation with Majority Leader Bill Frist, R-Tenn.

Sen. Ted Stevens

As Senate president pro tempore Stevens will preside over Senate sessions and is third in the line of succession to the presidency, behind the vice president and the speaker of the House.

As Senate president pro tempore Stevens will preside over Senate sessions and is third in the line of succession to the presidency, behind the vice president and the speaker of the House.

Vice President Dick Cheney, who is officially the president of the Senate, administered the president pro tempore's oath to Stevens over two Bibles-one that Stevens carried as a cargo plane pilot in World War II and one that belonged to his grandmother.

While the new position gives Stevens the authority to preside over the Senate when Cheney is not present, in practice most presidents pro tempore turn the duty over to other senators on a rotating basis.

—The Associated Press

FINANCE & ECONOMY

Chase retiring from BP's board, to be replaced by Olver

BP p.l.c. said Jan. 9 that Rodney Chase, 59, will retire from the company April 23. He has stepped down as deputy chief executive and until his retirement will be senior advisor to the group chief executive, Lord Browne.

Richard Olver

Paying tribute to Chase, Lord Browne said: "Over the course of his 38-year career Rodney has made an outstanding contribution to BP. He has played a critical part in all the major developments of recent years that have transformed the company into one of the world's leading energy businesses."

Richard Olver, 56, succeeds Chase as deputy chief executive. He will hold accountability for health, safety and the environment, human resources management, marketing, technology and digital business. He will have regional responsibility for Europe (including Russia), the Middle East, Africa and the Americas.

Tony Hayward, 45, succeeds Olver as chief executive of exploration and production.

Hayward, John Manzoni, 43, chief executive of refining and marketing, and David Allen, group chief of staff, will become managing directors of the group effective Feb. 1. Allen, 48, will be accountable for economics and planning, corporate communications and senior management education.

FINANCE & ECONOMY

NORWAY

Norway can't help overcome possible world oil shortage

Norway won't be able to boost its oil flows in the event of a global shortage because its production is already at full capacity, the oil ministry's spokeswoman said Jan. 7.

Oil prices have soared in recent weeks on concerns of a U.S.-led attack on Iraq and a six-week nationwide strike in Venezuela that paralyzed its oil industry. Iraq and Venezuela can each produce about 2 million barrels of oil per day.

Norway, the world's third largest oil exporter, expected an

see NORWAY page 6

WORLDWIDE

Iraq exports some 2 million barrels a day; global production 76 million bpd

Facts about Iraq oil production and the possible fallout from a war:

• Capacity: Iraq claims production capacity of 3.5 million barrels a day. That level is questioned by outside experts in light of severe damage to oil fields and facilities in the 1991 Gulf War and Iraq's earlier war with Iran.

• Production: 2 million to 2.5 million barrels a day. Major oil producing fields are the Kirkuk in the north, East Baghdad field in the central region and the Rumaila fields in the south.

see IRAQ page 6

■ LONDON

Source: OPEC members weigh hike in oil output by up to 1.5 million barrels

Cartel agreed on production cuts, to be effective Jan. 1; analyst suggests current discussions reflect reality that members won't cut production with Venezuela strike and threat of war against Iraq

By Bruce Stanley
Associated Press Business Writer

OPEC members are debating whether to make an exceptional increase in oil output of up to 1.5 million barrels a day, in an effort to calm markets nervous about worsening unrest in Venezuela and a possible war against Iraq, a source at the cartel said Jan. 7.

OPEC officials have said the group cannot pump enough additional crude to make up for a simultaneous loss of exports from Venezuela and Iraq.

Such a hike in production would represent a sharp and sudden reversal in OPEC policy. The Organization of Petroleum Exporting Countries decided less than a month ago to slash its output by as much as 1.7 million barrels a day in the hope of preventing a price crash when seasonal demand dips this spring.

However, since OPEC's Dec. 12 decision in Vienna, Austria, worrisome signs of a potential shortage have begun to appear.

Oil shipments from Venezuela, normally OPEC's third-largest producer, have dwindled by some 80 percent due to a month-old strike aimed at forcing the country's president Hugo Chavez from office. A U.S.-led attack on Iraq would halt exports from that country, which has the world's second-biggest crude reserves after Saudi Arabia.

OPEC officials have said the group cannot pump enough additional crude to make up for a simultaneous loss of exports from Venezuela and Iraq. Market fears have driven crude prices well above the psychologically important threshold of US$30 a barrel, as a result.

OPEC oil ministers have consulted by telephone over the past three days to try to decide how to respond, said the source, speaking on condition of anonymity from the cartel's headquarters in Vienna, Austria.

OPEC's 11 members supply about a third of the world's crude. Iraq doesn't participate in the group's production agreements because the United Nations oversees the bulk of its exports.

Saudis proposing largest increase

Saudi Arabia, OPEC's most influential member, has proposed that the group raise its output by 1.5 million barrels a day — or 6.5 percent of its official target — to try to dampen prices. Several other

see OPEC page 6

TEXAS

Texaco name falling victim to oil industry merger

The Texaco star is dimming on many corners, as the effects of the rash of oil mergers in recent years trickle down to the service station level.

The mega-deals that created industry giants such as Exxon Mobil Corp., ChevronTexaco Corp., BP plc, and ConocoPhillips resulted in the quick combining of the exploration and refining businesses of different companies. While those shifts occurred largely out of the public view, the latest changes are more noticeable as the Shell logo replaces thousands of black-and-red Texaco stars across the country.

As name-brand changes go, “We're not sure whether we can find another in any industry that's this size,” said Russell Caplan, vice president of Shell Oil Products U.S. “We can say confidently it's the biggest thing we've attempted.”

The makeovers of many Texaco stations can be traced to Texaco's 2001 merger with Chevron.

Antitrust regulators forced Texaco to sell its U.S. gas stations, which it owned through a stake in a joint venture with Shell and another partnership with Shell and Saudi Refining Inc.

Overnight, Houston-based Shell Oil became the supplier for 21,000 Shell and Texaco stations in the United States, but Shell wanted to supply only 15,000 stations.

Some locations sold

As a result, Shell, a subsidiary of the Anglo-Dutch oil company Royal/Dutch Shell, is selling some company-owned locations and telling some independent Texaco operators it doesn't want them to fly the Shell flag. At the same time, some Texaco operators are turning down Shell.

The surviving Texaco stations can move under the ChevronTexaco umbrella as early as June 2004. Two years later in 2006, the San Francisco-based company will regain exclusive use of the Texaco name from Shell.

ChevronTexaco officials say the Texaco brand will still have value in 2006, but have not said what they plan to do with the name.

Shell and the Texaco stations it is taking over control about 14.3 percent of the U.S. gasoline market, according to a national survey by the Lundberg Letter, an industry publication. ExxonMobil is next at 11.8 percent, then BP at 11.7 percent and ConocoPhillips at 11.3 percent.

—The Associated Press

continued from page 5

NORWAY

average daily production of 3 million barrels from its fields in 2003, down slightly from last year, said ministry spokeswoman Sissel Edvardsen.

“We have no extra capacity, and that capacity we have is already in full use,” she said by telephone. Edvardsen also said there were no immediate plans for production in any new fields.

Even though Norway is not a member of the Organization of Petroleum Exporting Countries, it has often cooperated with the group in attempts to regulate world supply.

On Jan. 6, Russia’s Energy Minister Igor Yusufov said during a visit to Kuwait that there was shortage of between 1 million to 1.5 million barrels of oil per day worldwide.

Norway is the second largest oil exporter outside OPEC, after Russia.

—The Associated Press

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IRAQ

• Exports: Average of just under 2 million barrels a day in 2002, not counting smuggled oil. Exports administered under a U.N. an "oil for food" program.

• Reserves: Proven reserves estimated at 112 billion barrels, second only to Saudi Arabia. Oil resources could be three times that because vast areas have yet to be explored.

Worldwide oil

• Global production: 76 million barrels a day, about a third of that from the Middle East.

• U.S. imports: 11 million barrels a day of oil and oil products, 56 percent of consumption.

Response to oil disruption

• Other producers have up to 5.5 million barrels of excess capacity and have signaled they will increase production to replace lost Iraqi oil.

• Emergency stocks: Industrial nations hold nearly 4 billion barrels to be used in response to a supply disruption. This represents 114 days of net imports to those countries, according to the International Energy Agency.

• U.S. emergency stocks: 592 million barrels in the Strategic Petroleum Reserve, a system of salt caverns on the Texas-Louisiana coast.

• When triggered: President Bush can ordered a draw on emergency stocks if supplies are significantly disrupted. Maximum drawdown is 4.7 million barrels a day, but actual release is likely to be much less.

• How long will stocks last: A draw of 2 million barrels a day from the U.S. reserve would counter 286 days of expected disruptions, the administration has said.

Potential trouble

• War goes badly, drags on: Global oil shortfall might not be adequately replaced by other producers. Persian Gulf producers may face political pressures and not act.

• Venezuelan production: If month-long political strife continues, country's 3 million barrels a day may not be available.

• Saddam Hussein's response: Iraqi oil fields may be set afire as Saddam did in Kuwait as he withdrew during the Gulf War. Saudi and other Persian Gulf fields may be sabotaged.

—The Associated Press

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OPEC

OPEC members agree on the need to pump more oil but have been reluctant to go as far as the Saudis, the source said, attributing his information to an earlier conversation with OPEC Secretary General Alvaro Silva.

“He said most of them are considering 1 million (barrels a day). Only the Saudis are saying 1.5 million,” the source said Silva told him.

Algeria and Libya are among the five or six member countries advocating an increase of 1 million barrels a day, the source said.

Adam Sieminski, an oil price strategist at Deutsche Bank, argued that OPEC is trying to put “an official stamp” on the decision many of its members have already made to ignore the production cuts they agreed to last month. The cuts were to have taken effect Jan. 1.

“They're not going to materialize, not until Venezuela is back in the market,” Sieminski said.

Venezuela exports down by at least 2 million bpd

Venezuela's exports have plunged due to the strike by at least 2 million barrels a day — roughly the same amount of crude that Iraq exported daily in December, analysts said.

OPEC's ministers haven't reached a decision yet, and they were expected to continue their talks into the weekend, the OPEC source said.

They aim to reach a consensus by Jan. 15, the likely deadline for action on a separate output-adjustment agreement that OPEC members put in place long ago. Under this agreement, OPEC has approved a production increase of 500,000 barrels a day if its benchmark crude price exceeds US$28 a barrel for 20 consecutive trading days.

The OPEC benchmark price is calculated one day after each trading session. On Jan. 6, the benchmark price was US$30.71 a barrel, the 14th consecutive day on which the price exceeded US$28.

OPEC has been selective about applying its output-adjustment mechanism in the past, but current market conditions suggest members would face strong pressure to do so this time.

Crude prices eased somewhat Jan. 7. February contracts of North Sea Brent crude fell 57 cents a barrel to US$29.63 in midday trading in London. In New York, the price of light, sweet crude for February delivery tumbled 76 cents to US$31.34 a barrel.

Despite the recent run-up in prices, OPEC faces a thorny challenge if it decides to boost daily production by as much as 1.5 million barrels.

Its main concern is that it might increase supplies just as seasonal demand for crude begins to fall in the spring. OPEC's nightmare is that an increase in output would coincide with weakening demand, a resumption in Venezuelan exports and a lightning war in the Persian Gulf that causes only a brief interruption in Iraqi exports.

Analysts say such a hypothetical confluence of events could create a glut of crude and cause prices to weaken. ◆

PETROLEUM NEWS ALASKA

PIPELINES & DOWNSTREAM

WASHINGTON, D.C.

Federal right of way renewal for trans-Alaska pipeline signed

Alaska Gov. Frank Murkowski jointed Secretary of the Interior Gale Norton Jan. 8 at a signing ceremony at the Department of Interior in Washington, D.C., to renew the federal trans-Alaska pipeline system right of way. The signing included the secretary's record of decision and eight separate 30-year right of way renewal agreements.

Gov. Frank Murkowski

"This is a great day for Alaska and for the nation," Murkowski said in a statement. "The TAPS pipeline today carries 17 percent of domestic oil production — and has flowed as much as 25 percent — as it has every day for the past 30 years, with no major incidents. With the signing of these renewals, we acknowledge the forward thinking of those who designed and constructed the pipeline system, as well as the competent operation of it."

Gale Norton

Murkowski said the oversight provided by the 13 state and federal agencies in the Joint Pipeline Office has worked well. "The JPO provides efficient, effective oversight to make sure the pipeline is operated in a safe, environmentally-sound, and financially productive manner. The TAPS pipeline has carried more than 14 billion barrels of oil, generating more than $400 billion in economic benefit to the nation. So, the JPO's oversight is a cooperative effort of which we can justifiably be proud," Murkowski said.

Murkowski also acknowledged the participation of the many Alaskans who spoke out during the renewal process. "There was a concern expressed about many aspects of the renewal, from the desire to have a citizen's oversight group, to whether the pipeline divides Alaska," Murkowski said.

"I believe those concerns have been more than adequately addressed, the public process works, and we will continue to be vigilant in our oversight of the operation and management of the pipeline," he said.

The state signed its right-way-agreement renewal Nov. 26 for the pipeline to operate on 344 miles of state lands for 30 more years on Nov. 26 in Anchorage.

It took 70,000 workers and three years to complete the 800-mile, $8 billion pipeline from Prudhoe Bay to the Port of Valdez. Oil first began flowing through the line on June 20, 1977.

Norton, Fineberg disagree on safety

At the signing ceremony Norton praised the engineering and safe operation of the 800-mile pipeline that runs from the North Slope to the Port of Valdez. The system, she said, was put to an unintentional test Nov. 3 when a 7.9 earthquake struck the area, something pipeline critic and environmental consultant Richard Fineberg says raised concerns that the line might rupture if a larger earthquake strikes the same fault.

■ ANCHORAGE

RCA issues conditional certificate for Kenai Kachemak Pipeline

Commission requiring 'unconditional guarantees' of financial capability for GUT LLC, revised tariff and connection agreements before first shipment and brief in support of proposed tariff and 'contract carriage'

By Kristen Nelson
PNA Editor-in-Chief

The Regulatory Commission of Alaska has conditionally granted Kenai Kachemak Pipeline Co. LLC a certificate of public convenience and necessity to construct and operate a new common carrier gas pipeline on the Kenai Peninsula subject to proof of financial backing and submission of a final tariff and a brief in support of the tariff.

The commission said in a Dec. 24 decision that the certificate will be issued when the pipeline company "files unconditional guarantees from a financially acceptable entity for GUT" — the subsidiary of Unocal which is a partner in the pipeline — and from Marathon Oil Co., "that KKPL will construct, operate, maintain and terminate the Kenai Kachemak Pipeline."

> ***A second receipt point into the pipeline will be within the Ninilchik unit and, the RCA said, there will be two additional delivery points "near the communities of Ninilchik and Kasilof in anticipation of additional gas distribution activities."***

A revised tariff, supported by a brief, is due no later than 90 days before the first shipment, along with all connection agreements.

The 33-mile 12-inch-diameter pipeline will extend from the Kenai gas field to near the Susan Dionne pad near the southern boundary of the Ninilchik exploration unit near Ninilchik and will connect new gas discoveries along the Kenai-Kachemak pipeline system to the existing Alaska Pipeline Co. and Kenai Nikiski Pipeline Co. pipelines near Kenai. Gas can be delivered either to Kenai Peninsula or Anchorage destinations. A second receipt point into the pipeline will be within the Ninilchik unit and, the RCA said, there will be two additional delivery points "near the communities of Ninilchik and Kasilof in anticipation of additional gas distribution activities."

The pipeline company will build, own and operate the two primary delivery meters at the Kenai Nikiski Pipeline and Alaska Pipeline pipelines; "other initial delivery and all receipt points will be connected to facilities to be constructed by the shipper or other person requesting the interconnect," the commission said.

Alaska LLC

The Kenai Kachemak Pipeline is a member-managed Alaska limited liability company with two members: GUT, a wholly owned subsidiary of Union Oil Company of California (40 percent) and Marathon Oil (60 percent). The Kenai Kachemak Pipeline will be managed through a management committee with each member appointing two representatives and GUT appointing the initial chairman. RCA said that after initial operation, the member with the largest volume commitment will appoint a new chairman.

The line was originally proposed from Kenai to the Kachemak area, and Northstar Energy Group Inc., along with Unocal Alaska and Marathon, submitted initial non-binding expressions of interest. Following disappointing drilling results in the Kachemak area, however, the pipeline company "decided not to extend its system south beyond the Ninilchik unit," and only Unocal Alaska and Marathon submitted binding agreements in the final open season.

The system has two rate schedules: firm transportation service and interruptible transportation service.

Requirements for certificate

The RCA said that because natural gas is needed in Southcentral Alaska, and in communities within reach of the proposed pipeline, and because there is no other pipeline in the area, the proposed pipeline "is required by the present and future public convenience and necessity."

On the issue of whether Kenai Kachemak Pipeline and its member owners Marathon and GUT are "able and willing to properly construct and operate the proposed pipeline," the commission found that Marathon and GUT, through its parent company Unocal, had the experience necessary to build, own and operate the pipeline.

The commission said, however, that it also requires applicants to be financially able to meet the obligations of pipeline ownership and operation. Kenai Kachemak Pipeline filed financial statements of its owner companies. Marathon meets the commission's requirements, but GUT does not.

The RCA said it was told in testimony at a

see CERTIFICATE page 10

USGS science for a changing world

ARE WE RUNNING OUT O

Q! Are we running out of oil?
A! Wrong question! The question is "When is **THE BIG ROLLOVER**?"

Q! What's **THE BIG ROLLOVER**?
A! It's when the demand for oil outstrips the capacity to produce it.

Q! Has **THE BIG ROLLOVER** occurred before?
A! On a smaller scale, yes! The U.S. ROLLOVER occurred in 1970 (Figure 1, ***A***). Remember those long lines at the gas stations in 1973? It has also occurred in the Former Soviet Union (Figure 1, ***B***). **THE BIG ROLLOVER** is global, not local.

Q! Does that mean we are running out of energy?
A! Not exactly! It means we are going to be running short of a very convenient form of energy, one that propels our **Planes**, **Trains**, and **Automobiles**! Up until now, it has been a buyer's market but after **THE BIG ROLLOVER**, it will be a seller's market (Figure 1, ***C***)

Q! Whose fault is it? Who's holding out?
A! Nobody, just like the 'buffalo' and 'the fish in the sea,' they are just less plentiful. Same with oil, there is a limit to how much oil the world can produce every day. We are not running out of oil, it will just become more precious.

Q! Should we do something to prepare for **THE BIG ROLLOVER**?
A! Just like preparing for the Y2K BUG.... talk about it, talk about it, and talk about it!

Q! What good is talk?
A! As somebody once said, "You can't solve a problem until you know you have one."

Q! Then what?
A! After we get through the finger pointing, then real solutions will come forth from very creative people in science and technology, in business and politics, in city, state, and Federal governments, and in our other institutions. We all are the stakeholders!

Q! Wouldn't it be better to get started solving this problem before **THE BIG ROLLOVER** is upon us?
A! Absolutely! There's no substitute for planning and implementing that plan before the oil shortage occurs. We can turn a lose-lose situation into a win-win situation if we start now.

DISCLAIMER
This paper is published with approval of the director of the U.S. Geological Survey, but the interpretations and opinions presented are the author's, not those of the U.S. Geological Survey, whose scientists have diverse opinions on this and most other subjects.

Figure 1

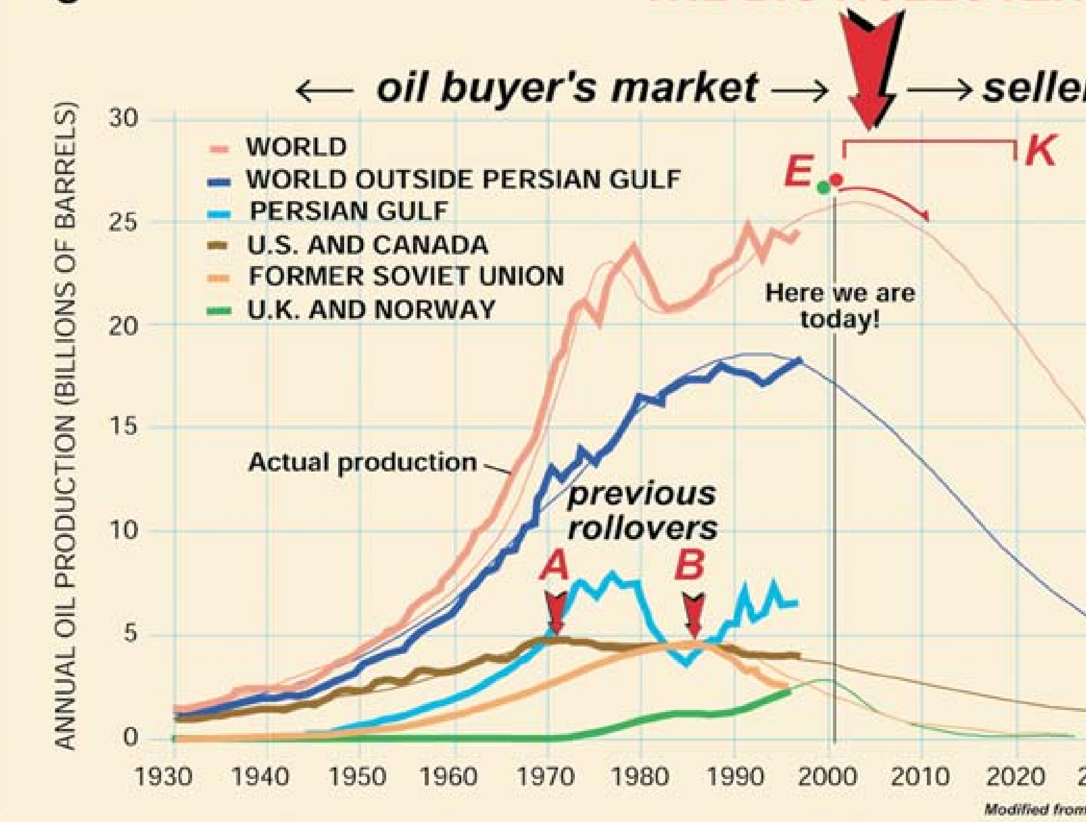
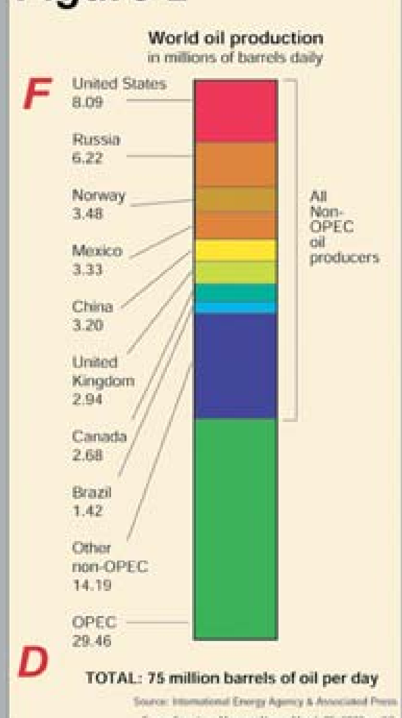
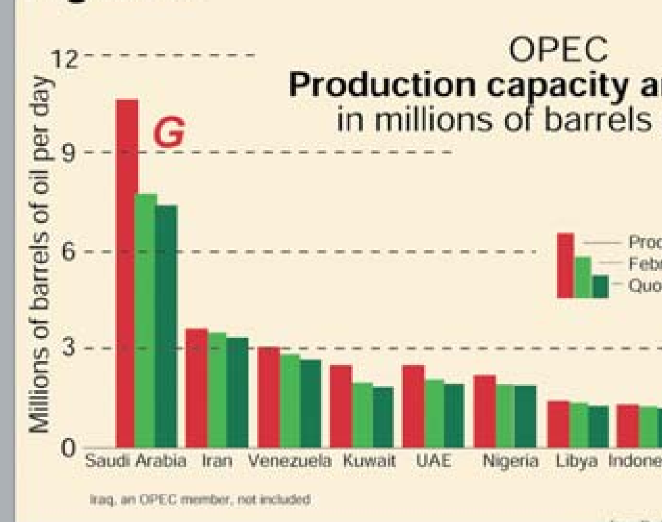


Figure 2



1 Barrel of oil = 42 U.S. gallons

Figure 3



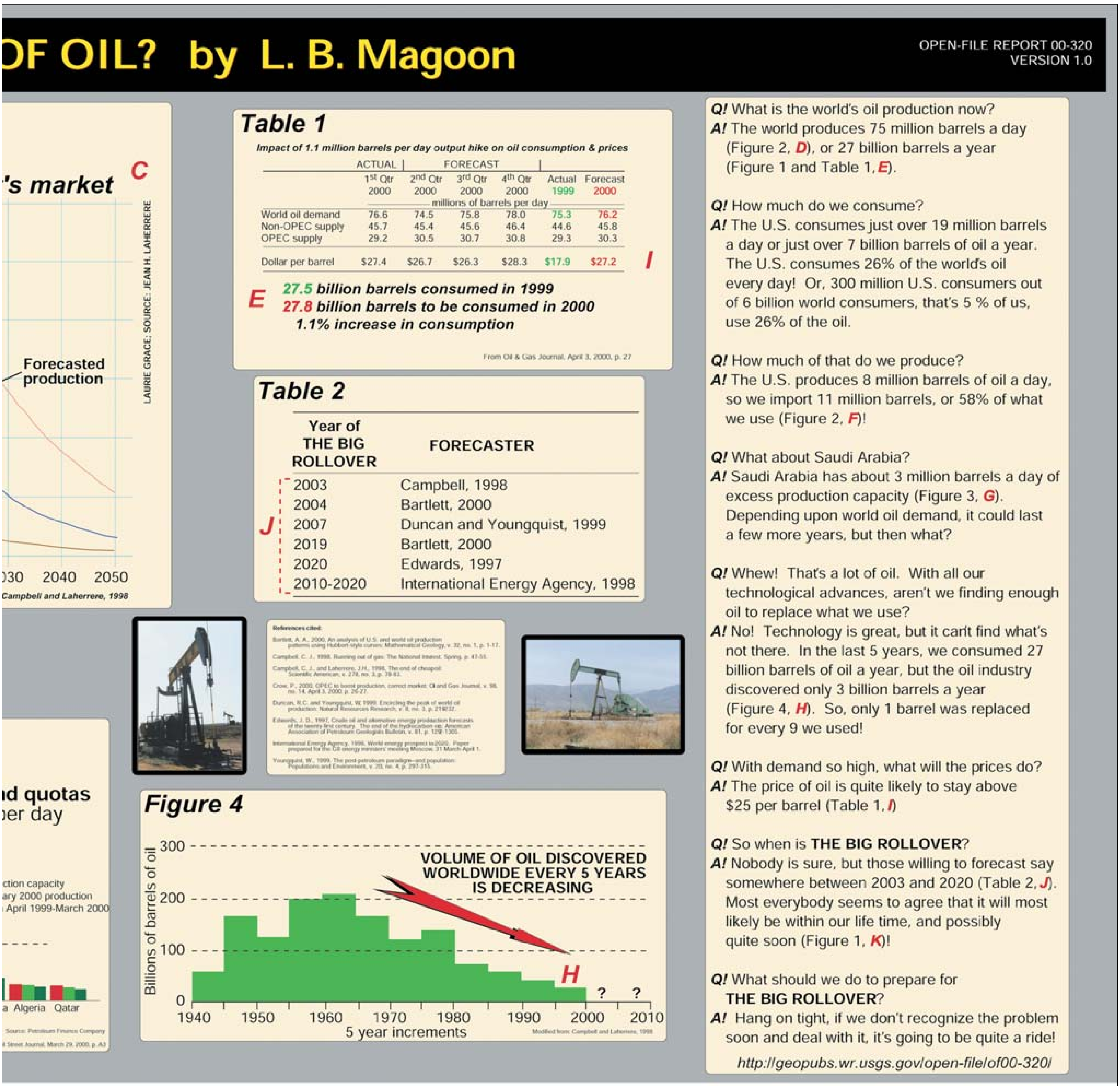


Table 1

Impact of 1.1 million barrels per day output hike on oil consumption & prices

	ACTUAL	FORECAST				
	1st Qtr 2000	2nd Qtr 2000	3rd Qtr 2000	4th Qtr 2000	Actual 1999	Forecast 2000
	millions of barrels per day					
World oil demand	76.6	74.5	75.8	78.0	75.3	76.2
Non-OPEC supply	45.7	45.4	45.6	46.4	44.6	45.8
OPEC supply	29.2	30.5	30.7	30.8	29.3	30.3
Dollar per barrel	$27.4	$26.7	$26.3	$28.3	$17.9	$27.2

I

E

27.5 billion barrels consumed in 1999
27.8 billion barrels to be consumed in 2000
1.1% increase in consumption

From Oil & Gas Journal, April 3, 2000, p. 27

Table 2

Year of THE BIG ROLLOVER	FORECASTER
2003	Campbell, 1998
2004	Bartlett, 2000
2007	Duncan and Youngquist, 1999
2019	Bartlett, 2000
2020	Edwards, 1997
2010-2020	International Energy Agency, 1998

J

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Youngquist, W., 1999, The post-petroleum paradigm—and population: Populations and Environment, v. 20, no. 4, p. 297-315.

Figure 4

Q! What is the world's oil production now?
A! The world produces 75 million barrels a day (Figure 2, ***D***), or 27 billion barrels a year (Figure 1 and Table 1, ***E***).

Q! How much do we consume?
A! The U.S. consumes just over 19 million barrels a day or just over 7 billion barrels of oil a year. The U.S. consumes 26% of the world's oil every day! Or, 300 million U.S. consumers out of 6 billion world consumers, that's 5 % of us, use 26% of the oil.

Q! How much of that do we produce?
A! The U.S. produces 8 million barrels of oil a day, so we import 11 million barrels, or 58% of what we use (Figure 2, ***F***)!

Q! What about Saudi Arabia?
A! Saudi Arabia has about 3 million barrels a day of excess production capacity (Figure 3, ***G***). Depending upon world oil demand, it could last a few more years, but then what?

Q! Whew! That's a lot of oil. With all our technological advances, aren't we finding enough oil to replace what we use?
A! No! Technology is great, but it can't find what's not there. In the last 5 years, we consumed 27 billion barrels of oil a year, but the oil industry discovered only 3 billion barrels a year (Figure 4, ***H***). So, only 1 barrel was replaced for every 9 we used!

Q! With demand so high, what will the prices do?
A! The price of oil is quite likely to stay above $25 per barrel (Table 1, ***I***)

Q! So when is **THE BIG ROLLOVER**?
A! Nobody is sure, but those willing to forecast say somewhere between 2003 and 2020 (Table 2, ***J***). Most everybody seems to agree that it will most likely be within our life time, and possibly quite soon (Figure 1, ***K***)!

Q! What should we do to prepare for **THE BIG ROLLOVER**?
A! Hang on tight, if we don't recognize the problem soon and deal with it, it's going to be quite a ride!

http://geopubs.wr.usgs.gov/open-file/of00-320/

Want to know more?

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

Web site: www.PetroleumNewsAlaska.com

2002

- **Nov. 24** Joint Pipeline Office ties up six renewals, one new ROW permit
- **Oct. 6** Wanted: Level playing field
- **Sept. 8** Marathon Oil permitting two new pads at Ninilchik unit
- **Sept. 8** The Oil Patch Insider
- **Sept. 1** Kenai Kachemak pipeline secures long-term commitments, finalizes design
- **Aug. 4** DGC issues consistency determination for proposed Kenai Kachemak pipeline
- **June 16** RCA schedules Kenai Kachemak pipeline hearing for July
- **May 5** Unocal unsuccessful in gas exploration on Lower Kenai
- **April 28** Marathon announces two more successful tests at Ninilchik
- **April 7** Right of way application filed for Kenai Kachemak gas line
- **Feb. 10** Marathon's budget for Alaska up from last year
- **Jan. 27** Unocal, Marathon announce gas discovery at Ninilchik
- **Jan. 27** Unocal Alaska capital budget to be around $80 million this year
- **Jan. 27** Commission approves new South Ninilchik well location
- **Jan. 20** Gas delivery to Enstar driving Kenai Kachemak Pipeline schedule

2001

- **Dec. 23** Pipeline begins open season
- **Dec. 16** Unocal, Marathon going forward with Kenai Kachemak pipeline project
- **Nov. 18** Unocal budgets $112 million for exploration, pipeline
- **Nov. 11** Permitting field work to begin for Kenai Kachemak pipeline
- **Sept. 23** Marathon joins Kenai Kachemak Pipeline Project

continued from page 7

CERTIFICATE

September hearing that Unocal "made a business decision two years ago to create GUT to hold the gas pipeline assets" of the company. Unaudited financial statements showed that for the period ending Dec. 31, 2001, GUT had a negative equity of $300,500 and a net loss of $300,500. "Based on this information," the commission said, "we find that GUT is not financially fit because it has not established that it has sufficient financial assets, equity or income to provide for the construction of the Kenai Kachemak Pipeline."

The commission said its record for the application do not contain any financial information from Unocal and based on the record, "we conclude that GUT, owner of a 40 percent interest in KKPL, is not financially fit unless it submits an unconditional financial guarantee, from a financially acceptable entity, to construct, operate, maintain and terminate the Kenai Kachemak Pipeline."

Once that submittal is made, the commission said, "then KKPL will meet the certificate of public convenience and necessity application requirement of being financially fit."

It is for that reason that the commission made a conditional grant.

Unocal Alaska spokeswoman Roxanne Sinz told PNA Jan. 2 that Unocal submitted a letter to the RCA that morning, asking that one document suffice for current parent guarantees, and asking that a document Unocal filed earlier with the Alaska Department of Natural Resources be accepted as the required parent guarantee.

The RCA also said Kenai Kachemak Pipeline had asked "for authority to construct additional receipt and delivery points within its defined service area as may be requested from time to time by shippers or other persons." The commission said, however, that Alaska statutes require permits for additional receipt and delivery points, so commission review is required.

Contract carriage an issue

The commission said the Kenai Kachemak Pipeline's proposed tariff "includes separate estimated rates for firm transportation service and for interruptible transportation," a tariff structure known as "contract carriage" which has not been allowed in the past under Alaska statute. The Legislature recently amended the statute "to allow for contract carriage for the transportation of gas on the North Slope of Alaska," the RCA said, but there is a question of whether contract carriage for gas pipelines is permissible elsewhere in the state.

In addition to whether contract carriage is allowed for this gas pipeline, the commission said the facts in this proposal also raise a policy question: "Should contract carriage be allowed when a pipeline is owned by affiliates of the producers/shippers?"

The commission said the issues are sufficiently important "that on the limited record before us we are unwilling to resolve them at this time."

The tariff in this case also "raises issues of rate design, rate levels and general tariff terms and conditions" and costs are incomplete since there is only an estimated construction cost.

The commission said it is not required to approve a tariff at this time, and is ordering Kenai Kachemak Pipeline to file a revised tariff when construction costs are known, and to file "a supporting brief addressing known issues already raised in this docket." The revised tariff and the brief must be filed at least 90 days before the first shipment on the pipeline. ◆

■ CANADA

Shell-led oil sands project strikes early hiccup

Alberta's third full-scale synthetic crude operation hit by fire and explosions in first week of start-up process, but partners confident of rebounding and happy with technology

By Gary Park
PNA Canadian Correspondent

Shell Canada Ltd. and its minority partners had a baptism of fire in embarking on the production phase of a new oil sands venture in Alberta.

Within a week of extracting its first bitumen from a 5-billion-barrel reserve, the Athabasca Oil Sands Project was idled by an early-morning fire and "minor" blasts Jan. 7, a fresh setback to a C$5.7-billion (US$3.6 billion) project that had already been rocked by a series of cost overruns of about 50 percent.

The project entered 2003 with bitumen production from its Muskeg River mine at 50,000 to 60,000 barrels per day and was shipping the oil-laden tarry substance in diluted form to Shell Canada's upgrader near Edmonton.

Production of synthetic crude was expected to peak at 155,000 barrels per day later in 2003.

In a statement Jan. 7, Shell Canada said repairs should not materially affect the scheduled start up of the first synthetic crude from the Scotford upgrader, although the full extent of the damage and needed repairs are still being assessed.

A spokeswoman for Athabasca told PNA that the partners had been "really pleased" with the way the greenfield technology had been operating in the first week.

Mishaps not unknown

Mishaps are not unknown in the challenging process of extracting bitumen, separating it from sand and upgrading the resource to a marketable commodity.

The oil sands pioneers — Suncor Energy Inc., with 24 years' experience, and Syncrude Canada Ltd., now entering its 25th year — have had their full share of setbacks from fires, explosions and technical breakdowns.

Syncrude's most recent large-scale mishap was an explosion in October 2000 which slashed output for the year by 18.5 percent to about 74 million barrels.

But Shell Canada remains determined to parlay its hard-earned experience in the oil sands sector into a series of expansions and new projects that could generate up to 525,000 barrels per day during the next decade.

Budget overruns common

Like all other oil sands ventures currently under way, Athabasca has been rocked by budget overruns blamed on a shortage of skilled labor, engineering challenges and rising materials costs.

The project was estimated to cost C$3.8 billion for a mine, pipeline and upgrader when originally unveiled in 1999, but the partners — Shell Canada 60 percent and Chevron Canada Ltd. and Western Oil Sands Inc., with 20 percent each — swallowed an extra 50 percent, still less than the 70 percent hike in the cost of a recent Suncor expansion.

Undeterred, Shell is already moving the next pieces into place to exploit what Neil Carmata, senior vice president oil sands, describes as a "world-class resource with 9 billion barrels. Ultimately, we can push this resource over 500,000 barrels per day."

Next phase already in works

The next phase, already before the Alberta Energy and Utilities Board, is targeted at boosting Athabasca output to 225,000 barrels per day between 2005 and 2010.

That is due to be followed by a new standalone mining and extraction project at the Jackpine lease, with bitumen production of about 200,000 barrels per day at a cost of C$2 billion. The mine would be built by 2008 at the earliest.

A further Jackpine phase is also on the books to add another 100,000 barrels per day.

Carmata said the timing will depend on factors such as market conditions and the outcome of the regulatory process.

If all of those stages proceed, analysts have speculated that Shell Canada will have added reason to favor accelerated development of Mackenzie Delta gas, where its wholly owned Niglintak field is projected to have a 15-year reserve life index, with a productive capacity of 180 million cubic feet per day.

At 225,000 barrels per day, the Athabasca project is expected to consume more than 140 million cubic feet per day of gas. An expansion of 200,000 barrels per day would require 125 million cubic feet per day, for a combined total almost 50 percent greater than Shell Canada's output from the Delta. ◆

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Employment

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VECO

Fire Maintenance Technician- Prudhoe Bay,Alaska Recruiting Authorization No.1329 Summary: Provides hands-on maintenance, repair, testing and inspection of fixed and portable fire protection systems and equipment. Responsible for the operational readiness and maintenance of assigned mobile fire fighting apparatus and equipment. Trains client and contractor employees in the use of safety and fire fighting equipment and procedures. Essential Functions: Inspects, services, maintains and repairs portable and wheeled fire extinguishers, installed fire protection systems (Halon, Dry Chemical, CO2,Deluge, Foam, Sprinkler, Standpipes, Hydrants, Division Valves), respiratory protection and breathing air equipment (SCBA, Air Line, Escape Paks, B/A Cylinders, and B/A Compressors).Conducts performance tests on facility firewater systems and mobile fire apparatus. Conducts classroom and fireground training activities for the Emergency Response Team and employee training on fire protection and respiratory protection equipment. Assists Safety Specialists and Industrial Hygienists in the performance of their duties. Functions as crew chief on mobile fire fighting apparatus and as a member of the Rescue Team and/or Hazardous Materials Response Team. Directs emergency response crews during training and emergency operations. Maintains records and reports. Routinely performs safety and productivity observations; shop, field, and vehicle inspections; and is required to attend various components of technical, developmental and safety training. Must demonstrate support for the company's environmental management system objectives. Respiratory Specialist Functions: Inspects, repairs and tests airline supply respiratory equipment and systems field wide for safe operation. Trains employees in use and operation in respiratory protection equipment. Performs respiratory fit testing; service and maintenance on breathing air compressors; service and maintenance on personal protective equipment; and maintenance on fire extinguishers, division valves, halon, deluge, CO2 and dry chemical extinguishing systems. Flow test and calibrates SCBA regulators. Flow test, repair or replace SCBA and SAR masks. Service, repair, and hydrotesting of breathing air, SCBA, fire extinguisher, halon and other high and low pressure cylinders. Collects quarterly air sample on all breathing air compressors and ships to Independent Lab for analysis. Inspects, repairs and tests eyewash units field wide for safe operation. Maintains inventory for respiratory equipment and assigned eyewash units. Functions as crew chief during emergency responses, fireground operations and training exercises. Qualifications: Five (5) years related experience preferred. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate adherence to established safety policies and procedures. Must possess a good working knowledge of fixed and portable fire protection equipment; installed fire extinguishing systems with emphasis on Halon 1301 systems; and mobile fire apparatus operations and related equipment. Must have keen working knowledge of fireground operations and be capable of directing fire fighting crews during emergencies, drills and routine training activities. Must have working knowledge of crane hand signals. Must obtain a State of Alaska Class III A certification for maintenance of special hazards systems and a State of Alaska Level III permit for maintenance, service, inspection and hydrotesting of portable fire extinguishers and obtain DOT registration for use of high-pressure hydrotest equipment. Must posses a current driver's license. Arctic experience preferred. Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level Please submit your resume to: Recruiting Department 949 E. 36th Avenue Suite 500 Anchorage, AK. 99508 Email Resume to: Alaska.Careers@VECO.com or fax (907) 550-8890 Veco Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization

Doyon

Doyon Drilling, Inc. is currently accepting resumes for Electricians, Pitwatcher (Solids Operator), and Mechanics. Doyon Drilling, Inc. accepts resumes from individuals with direct on or off shore drill rig experience at the floorhand level and above. You may fax, mail or e-mail your complete resume to our Human Resources Department. Our mailing address is: Doyon Drilling, Inc., 101 W. Benson Blvd., Suite 503, Anchorage, AK 99503 Phone: 907-563-5530, Fax: 907-561-8986, Email: jobs@doyondrilling.com Attachments should be in one of the following standard formats: Microsoft Word (Windows) or RTF. Resumes should contain a listing of employment experience on oil and gas drilling rigs and should have a minimum of three verified references. Other application paperwork will be provided at the time of hire.

Electricians: Summary: Installs, maintains and repairs drill rig electrical systems, apparatus and electrical and electronic components of drill rig machinery and equipment. Essential Duties: Maintains and repairs the electrical and electronic equipment associated with drill rig top drives, draw works, iron roughnecks, SCR's AC motor controllers, DC motors, AC generators, air conditioners PLC's and oilfield mud and gas monitoring systems. Installs power supply wiring and conduit for newly installed machines and equipment such as mud pumps, motors and conveyors.

Pitwatcher (Solids Operator): Summary: Performs drilling fluid mixing operations, drilling fluid property sampling, monitoring of well bore returns, maintenance of mud pumps and drilling fluid circulation system. Essential Duties: Maintain drilling fluid solids control and circulation equipment, Carry out routine drilling fluid property sampling, Mixing of drilling fluid chemicals and maintenance of drilling fluid properties, Cleaning and maintenance of rig drilling fluid pits, Follow DDI and customer operating and reporting procedures, Maintain clear communications with relief, mud engineer, Derrickman and Driller.

Mechanics: Summary: Responsible for the operability, maintenance and repair of all drill-rig related machinery and support equipment such as engines, motors, pumps, winches, pneumatic tools and conveyor systems as directed by the rig toolpusher. Essential Duties: Works on the following: Drill rig top drive systems, Drill rig draw work systems, Drill rig mud pumps, SCR systems, Caterpillar and Detroit Diesel engines, Allison transmissions, air conditioners, glycol, hydraulic and pneumatic systems, Drill rig heating and heat distribution systems including boilers and fans.

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In the interest of providing more space for editorial content, Petroleum News • Alaska has cut back its classifieds to the following sections:

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MACKENZIE

strategically near the expected pipeline route.

All of the companies are among the independents expected to chase new gas reserves to gain an option on pipeline space if the Mackenzie Delta Producers Group — Imperial Oil Ltd., ConocoPhillips Canada, Shell Canada Ltd. and ExxonMobil Canada — takes the next step towards Delta development.

Recent events spur exploration

The hopes of the independents are being raised by a convergence of recent events, notably indications that the Aboriginal Pipeline Group is close to obtaining the financial backing to gain a one-third equity stake in a Mackenzie Valley pipeline along with growing anxieties over the gas supply-demand outlook for North America.

"All the signals are there," said Michel Scott, Devon Canada's vice president of frontiers, when asked if a decision to proceed with a pipeline is possible this year.

Petro-Canada, Devon, Chevron and BP are all ready to participate in winter gas wells on the Delta, while EnCana and its partners Conoco Phillips and Anadarko have contracted for Delta seismic programs.

He told Petroleum News Alaska Jan. 7 that Devon is "very encouraged by what's happening" with the aboriginal group's negotiations and with the growing emphasis on the need to develop frontier gas.

Ice road construction under way for Nuna well

Here's a breakdown of the known plans for this winter:

• Petro-Canada, as operator, and Devon Canada expect to spud Nuna I-30 in late January. The well, about 45 miles northeast of Inuvik, will probably be drilled to a depth of 11,800 feet. It is about 19 miles southwest and on trend with Tuk M-18, last winter's discovery well, which was drilled 9,850 feet, tested at a restricted rate of 30 million cubic feet per day and has estimated sustained deliverability of up to 80 million cubic feet per day from recoverable reserves of about 300 billion cubic feet.

A spokesman for Petro-Canada told PNA that the Nuna well is about two weeks later than originally planned because of "unseasonably warm weather," but "things have frozen up nicely due to a Delta cold snap that began last month and has continued into January." He said ice-road construction is under way and a rig will be moved mid-month.

• Devon, which inherited major Delta and shallow Beaufort Sea acreage from its takeover of Anderson Exploration Ltd., plans to spud a second shallow gas well north of Inuvik with Petro-Canada and an undisclosed third party, Scott confirmed. He said drilling should start before the end of January.

• Chevron Canada, as the operator of record, and BP Canada hope to spud an C$8 million prospect well in March after completion of an ice road in the North Langley area 60 miles northwest of Inuvik and 60 miles west of Tuktoyaktuk. The partners are hopeful they will acquire "good information" from the well, which is expected to take one month to complete. Chevron and BP gained access to the property through a farm-in deal with Burlington Resources Canada Ltd.

• The EnCana-ConocoPhillips-Anadarko partnership has contracted for about 150 miles of two-dimensional seismic and up to 40 square miles of three-dimensional seismic over two Delta exploration licenses. Other seismic activities have largely been sidetracked by the fall decision of seismic joint venture WesternGeco to close its land operations in Canada and the Lower 48.

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Companies involved in Alaska's oil and gas industry

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Business Spotlight

Forrest Crane

Ron Wilson, general manager

Doyon Drilling Inc.

Doyon Drilling supplies oil well services and equipment. It provided the North Slope's first self-propelled four-module drilling rig; developed the only two-module land rig with gas turbines, and a one-piece self-contained drill rig and one-piece service rig. Doyon Drilling also has the majority interest in the redesigned mobile exploration well Rig 141.

General Manager Ron Wilson worked on the 1982 crew that offloaded Rig 9 at Prudhoe Bay and held drilling and rig supervisory positions before moving to the Anchorage office in 1994. Ron and wife Belinda, a longtime manager for Nabors Alaska Drilling, both insist their company is the best. With three hockey-playing sons, a Lake Creek cabin, and a love for boating and losing golf balls, life is never dull.

Forrest Crane

David L. Matthews, vice president

H.C. Price Co.

H.C. Price's Alaska Division opened in 1974 to construct Section 3 of the trans-Alaska pipeline; other divisions are in Texas and Canada. The company specializes in Arctic construction and logistically difficult projects, including hydro and coal power generation, and disaster relief management. Its modern production techniques are widely used by the pipeline industry.

David L. Matthews, vice president and Alaska area manager, joined the company in 1981 after working for Alyeska Pipeline during TAPS construction. He's been in Alaska since 1975 and earned a BS in Civil Engineering from University of Missouri-Rolla. Married to Robin Richardson, David loves fishing, hiking and reading, preferably on a warm ocean beach, and being dad to four daughters ages 23, 21, 17 and 13.

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MACKENZIE

• ConocoPhillips and Shell Canada are continuing to evaluate seismic shot last winter, while ConocoPhillips has embarked on engineering work on the Parsons Lake gas discovery of 3.2 trillion cubic feet made by Gulf Canada Resources Ltd., which was bought by Conoco in mid-2001.

"All the signals are there," said Michel Scott, Devon Canada's vice-president of frontiers, when asked if a decision to proceed with a pipeline is possible this year.

• Devlan Exploration hopes to complete and test three gas wells drilled two winters ago directly adjacent to the Mackenzie Valley pipeline route, while spudding one new well on the 1.07 million acres (net 636,462 acres) it holds in partnership with Vintage Petroleum Canada in the Grandview Hills area of Peel Plateau. If the gas prospects yield significant reserves, Devlan has identified about 150 locations for further drilling.

• Canadian Natural Resources plans three gas wells on its leases at Colville Hills northeast of Norman Wells, the most northerly producing oilfield in Canada. The company has indicated it may drill 40 wells over the next five years, proving three structures believed to have reserve potential of up to 250 billion cubic feet.

• Paramount Resources and Apache Canada, alternating the operator role, intend to drill two gas wells south of Colville Lake, with projected deliverability of up to 10 million cubic feet per day. They will likely drill to about 8,200 feet, spudding the first well about the third week of January, said Hugh Klassen, corporate operating officer at Paramount.

Financing news possible by mid-January

Alongside the flurry of exploration activities, perhaps the most crucial breakthrough of all seems within sight.

Earlier this month, Aboriginal Pipeline Group chair Fred Carmichael was reported by Canadian Press as saying a "good news" announcement is possible by mid- to late-January on the financing needed to secure one-third Native ownership of the proposed C$3 billion Mackenzie Valley pipeline.

Having been rebuffed in November by the Canadian government in its bid for federal loan guarantees, the aboriginal group, while still negotiating with the government, has pursued other options, including a possible deal with the private sector.

It is believed that if the group can arrange C$300 million, it could obtain the balance through banks.

Chevron Canada, as the operator of record, and BP Canada hope to spud an C$8 million prospect well in March after completion of an ice road in the North Langley area 60 miles northwest of Inuvik and 60 miles west of Tuktoyaktuk.

Aboriginal backing imperative

But without the backing of the Aboriginal Pipeline Group, which represents all but one of the aboriginal groups affected by a pipeline right of way, Delta gas development and a pipeline would face the same impasse as 20 years ago when aboriginal opposition and uncertain economics saw the project shelved.

Meanwhile, the case for Arctic gas is rapidly gathering momentum as industry experts and government agencies warn of tightening North American supplies, galloping exploration costs and the looming prospects of price volatility.

Replacing production a concern

Against a background of the highest prices in almost two years, which carry reminders of the record values in early 2001, the Arctic is again in focus as a vital source of long-term volumes.

A Canadian gas insight report issued by Lehman Bros., the global investment bank, bluntly warned that unless the industry shifts its spending to more expensive, less mature areas of the Western Canada Sedimentary Basin it will become "increasingly difficult to offset production declines" in the region.

The study noted that overall Canadian gas production — which meets about 15 percent of U.S. demand — was down about 0.5 percent in 2002 and faces another decline of 2 to 4 percent in 2003. ◆

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PIPELINE

the scene in the early 1980s when the first attempt to deliver gas from Alaska through Canada to the Lower 48 was deemed uneconomic.

Skinner, who has a doctorate in geology, worked as a senior federal official before becoming a private consultant in 1995.

Official based in Calgary

A spokesman for Northern Affairs Minister Robert Nault said Skinner will be based in the Calgary office of the NEB and be assigned to make sure Canada has the regulatory pieces in place should the industry decide to proceed with the highway pipeline.

The spokesman said a full-time administrator is needed at a time when interest is building in Arctic pipeline issues.

Larry Bagnell, the Yukon representative in the Canadian parliament, said in a statement Dec. 15 that Skinner's appointment is a "very positive development for the North.

"The revitalization of the Northern Pipeline Agency sends a very strong message about the importance of regulating and handling of these massive and important infrastructure projects.

"It's encouraging to see such a knowledgeable person engaged in such a crucial position. I'm pleased to see that the development of Arctic gas continues to be taken very seriously by the (Canadian) government."

Bagnell said he has impressed on Skinner the importance of a pipeline from

Meantime, a First Nations Oil and Gas Summit, originally scheduled for the first week of December in Whitehorse, will be held later this month, the First Nations Alaska Highway Pipeline Working Group has announced.

Alaska to the Yukon and Canadian economies.

The two have agreed to meet early this year to discuss the processing system for a pipeline.

Summit scheduled

Meantime, a First Nations Oil and Gas Summit, originally scheduled for the first week of December in Whitehorse, will be held later this month, the First Nations Alaska Highway Pipeline Working Group has announced.

The major objective of the planned in-camera meeting will be for leaders of First Nations along the highway pipeline route in the Yukon, British Columbia and Alberta to sign a draft protocol agreement on oil and gas development.

The pact will seek to maximize the political, economic and social role of First Nations in the planning, building and operation of a pipeline, while ensuring the protection of aboriginal and treaty rights and First Nations' land and resources.

The postponement of the summit allowed Native leaders to attend other major oil and gas conferences as well as make contact with each other, premiers of Western Canada's provinces, federal cabinet ministers and industry experts.

—Gary Park, PNA Canadian correspondent

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