

# PETROLEUM NEWS

A L A S K A



"Demand is going to outstrip supply. Alaska gas has got to be there."

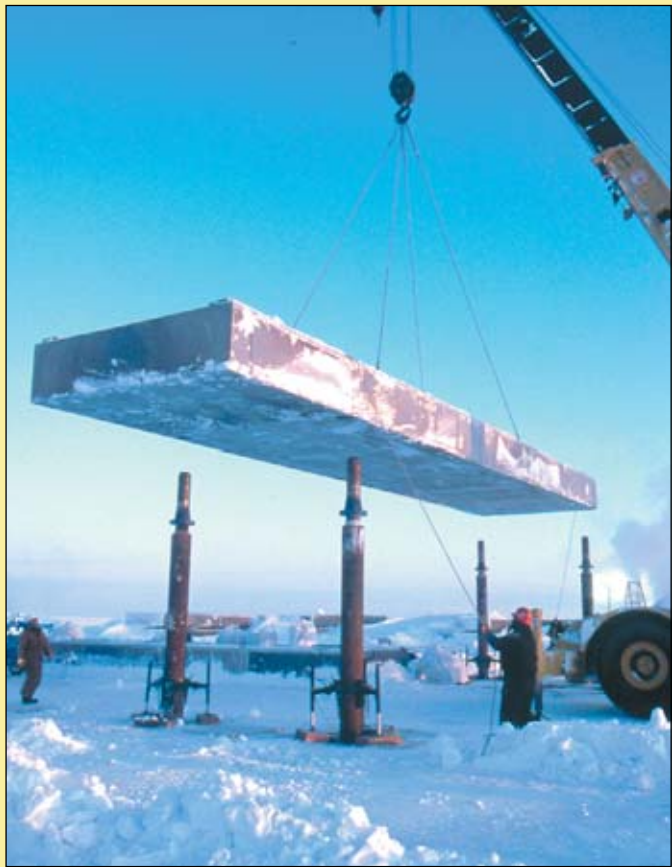
—U.S. SENATOR LISA MURKOWSKI, REMARKS TO COMMONWEALTH NORTH, FEB. 19

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Week of March 9, 2003

## Environmental evolution



Anadarko Petroleum Corp.

In this photo, a crane is lowering an aluminum module onto the steel pilings that will support Anadarko Petroleum Corp.'s Arctic drilling platform at its Hot Ice project on Alaska's North Slope. You can't see them very well, but in the photo, taken in late February, there are holes in the underside of the modules that will line up with the tip of the pilings. (See story below.)

### Anadarko's Arctic platform assembled, Hot Ice drilling to start this month

Anadarko Petroleum Corp. spokesman Mark Hanley told Petroleum News Alaska March 6 that the assembly of the 10,000 square foot Arctic drilling platform is complete. Drilling is expected to begin sometime this month from the platform, which is at the Houston-based independent's Hot Ice project south of the Kuparuk River unit on Alaska's North Slope.

It will be the first time the Arctic platform is tested.

All the equipment and the crew quarters sit on the platform which is 12 feet above the tundra. Hot Ice No. 1 will be the first completely cored gas hydrate well drilled in Alaska, Hanley said.

The modular platform, including the rig, weighs less than half a million pounds — compared to one to two million pounds for the big rigs without crew quarters — and can be transported via helicopter or rolligon. Anadarko has Brooks Range Foothills prospects, which are a long way from North Slope infrastructure. With the winter window for slope exploration shrinking, the mobile drilling platform provides an option for the company to explore without building costly ice roads or ice pads and explore over a longer period of time each year.

The Arctic platform could also replace gravel pads for production facilities and reduce the number of trips across the tundra, thereby reducing the environmental impact. (See related story on page 2.)

—Kay Cashman, PNA publisher & managing editor

## NORTHERN GAS

# Moving closer to production

Evergreen Resources to test deeper coals at Pioneer unit, aims to book reserves and launch production by year-end in the Mat-Su Borough

Petroleum News Alaska

Over 48 coalbed methane producer Evergreen Resources, liking what it saw in last year's Alaska drilling results, says it's planning a third, four-well pilot project this year to test deeper coals at its 48,000 acre Pioneer unit north of Anchorage in the Mat-Su Borough.

Evergreen CEO Mark Sexton also told analysts in a Feb. 27 conference that Evergreen is hoping to prove up sufficient gas reserves by year-end 2003 to launch first production. The Pioneer unit will be Alaska's first commercial coalbed methane operation.

"The goal is to have (sufficient) established proven reserves and be on line by the end of year, depending on gas quality and how fast we can get hooked up," he said.

Evergreen plans to spend \$7-\$8 million in Alaska in 2003, compared to \$6 million in 2002, the company told analysts. The bulk of capital planned capital spending, about \$97 million, is earmarked for Evergreen's coalbed methane operations in Colorado's Raton Basin.



Judy Patrick

see EVERGREEN page 2 Mark Sexton, Evergreen CEO

## GOVERNMENT

# Stevens asks for guide to the future, gets condemnation of the past

Zero impact, zero development seem standards in North Slope cumulative impact study from National Academies, but report does quell one rumor: there is no accumulated impact from oil and saltwater spills

By Kristen Nelson  
PNA Editor-in-Chief

In 1999 U.S. Sen. Ted Stevens asked Congress to fund a study by the National Academy of Sciences on cumulative effects of North Slope oil and gas activities. He saw the results March 3 and he was not happy.

In a March 4 statement Stevens said the report has been used to bring forth information that will be used as a weapon against oil and gas develop-



Sen. Ted Stevens



Sen. Lisa Murkowski

ment in Alaska, and said the report "should be weighed according to the prejudices of those who wrote it," noting that three of those participating in the study signed a petition to the president opposing development of the coastal plain of the Arctic National Wildlife Refuge.

U.S. Sen. Lisa Murkowski said in a March 4 statement that while she questioned some of the opinions of the National

see GUIDE page 24

## EXPLORATION & PRODUCTION

# North Slope seismic goes green

Accelerating changes in technology and methods radically reduce environmental impact of North Slope 3D seismic studies

By Steve Sutherlin  
PNA Associate Editor

Over the last 20 years, but more importantly over the last five to 10 years, North Slope seismic techniques and equipment have undergone a radical transformation, resulting in a staggering decrease in environmental impact, says Mike Faust, manager of geoscience for ConocoPhillips Alaska Inc.

Zero tolerance for damage is the norm, Faust said Feb. 27 in remarks to the U. S. Department of Energy/Alaska Oil and Gas Association confer-

"Now, incidental damage is absolutely unacceptable." —Mike Faust, manager of geoscience, ConocoPhillips Alaska Inc.

ence, "Reducing the Effects of Oil and Gas Exploration and Production on Alaska's North Slope: Issues, Practices and Technologies," in Anchorage.

In the 1960s and the early 1970s, survey crews plowed their source line with bulldozers. Survey

see SEISMIC page 14

## I N S I D E

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■ GOVERNMENT

# What's good for industry is good for the environment, says DOE

By Kay Cashman  
PNA Publisher & Managing Editor

At a recent conference in Anchorage, the director of the National Petroleum Technology Office, William Lawson, said that "one of the biggest things" that's happened since the 1970s is the "tremendous shrinking footprint" of oil industry operations on the environment (see adjacent diagram).

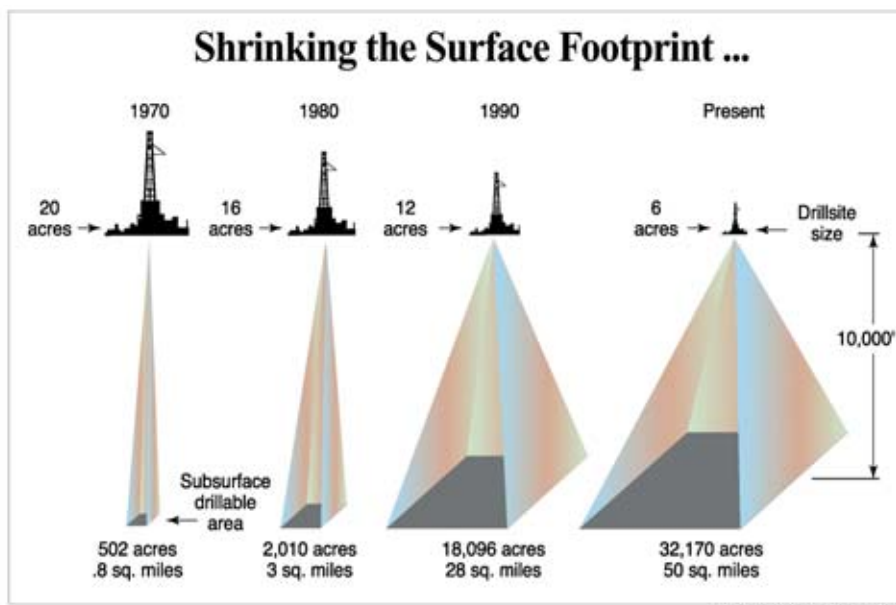
"This is an environmental evolution of the industry. Interestingly, things that make good economic sense often make good environmental sense," Lawson said at the Feb. 27-28 Alaska



William Lawson, DOE

Conference co-sponsored by the U.S. Department of Energy and the Alaska Oil and Gas Association. The theme of the conference was, "Reducing the effects of oil and gas exploration and production on Alaska's North Slope: Issues, practices and technologies."

Lawson said the oil and gas industry is shrinking the footprint in a number of ways, including "drilling a lot of wells from one pad, doing lateral wells. They're saving a lot



Bill Harrison, Kansas Geological Survey

of operating money and really reducing the impact" on the environment.

State Division of Oil and Gas Director Mark Myers said at a November resource conference that Anadarko Petroleum Corp.'s new Arctic platform (see photo on page 1) is an example of how technology is revolutionizing the way oil and gas development is done in Alaska.

"It's a very simple idea. It's one of these things that I struck my forehead when I saw

it and thought, why didn't I think of that? We need to extend the winter drilling season, we need to minimize environmental impact, here's a system that can do that, and probably can be done so cost effectively, obviously with a lower abandonment cost after production. It's so simple, it's so brilliant at the same time. Government needs to embrace and encourage these sorts of revolutionary ideas when they come along. We need to be in the forefront." ♦

continued from page 1  
**EVERGREEN**

Sexton hailed the Alaska Legislature and state regulators for "completely embracing" shallow-gas exploration and development and their efforts to speed up the permitting process. Evergreen had complained about the lengthy time required to obtain a drilling permit in Alaska.

"The business climate is excellent," Sexton said, "and there is still a recognized need for incremental gas supplies in the Anchorage area."

Two four-well pilots completed

**Evergreen plans to spend \$7-\$8 million in Alaska in 2003, compared to \$6 million in 2002, the company told analysts.**

The Denver-based independent last year completed two, four-well pilots at the Pioneer unit. All eight wells penetrated coal seams with aggregate thickness in excess of 100 feet, with some wells encountering as much as 160 feet of coal, the company said.

That compares to Vermejo coal thickness of 25 to 30 feet in the Raton Basin, Evergreen's core producing area.

"We're looking at Alaska with over three times as much coal, but it's not quite as gassy," a company official said. "But we

would expect, after adjustments, the wells to be about as good as Vermejo."

He also said the coals are "a little under pressured, but that's no big deal for us. We have a lot of coals to deal with."

Once operations are completed on a water disposal well in the Pioneer unit, fracture stimulations operations will begin on the first four-well pilot project, the company said.

Focus deeper coals

Evergreen said this year's Alaska pilot project will focus on deeper coals, explaining that these deeper targets could not be tested last year because of rig limitations below 3,700 feet.

"The lower half of the coals look more interesting than the upper 50 feet," a company representative said. "There's a lot more below, a lot of deeper coals. And we will be testing them with the next pilot."

Meanwhile, as the company prepares to pull the plug on its remaining international operations, Evergreen is now looking to Canada as a possible new coalbed methane area for the company.

"We're just looking for the right opportunity to get involved," the company said. "There's plenty of coalbed methane opportunities in Canada."

Evergreen said its remaining United Kingdom properties are for sale, adding that it expects any remaining international operations to conclude by the end of this year's second quarter.

The company reported a fourth-quarter profit of just \$1 million or 5 cents a share, largely due to a non-cash, after-tax charge resulting from an impairment on the value of its remaining assets in the United Kingdom. Excluding the charge, the company would have earned \$12.2 million or 62 cents a share. That compared to \$5.3 million or 27 cents a share for the same quarter a year earlier. (See related story on page 5 of this issue.) ♦



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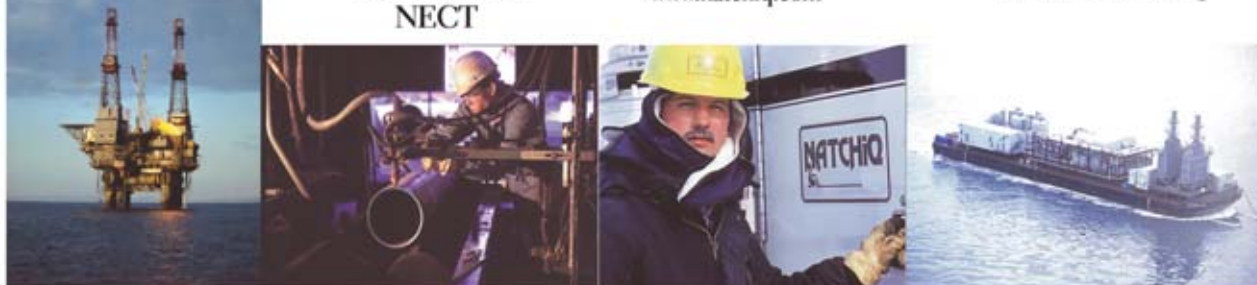


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# GOVERNMENT

## Governor submits bill stop full attorney's fees to public interest litigants

Gov. Frank Murkowski has sent bills to the Legislature which would change the way attorney's fees are awarded to, or against, public interest litigants in cases contesting decisions by the departments of Environmental Conservation, Fish and Game and Natural Resources. The bills apply to cases involving coastal consistency determinations, adoption of regulations, or decisions in which the public has had an opportunity to comment to the agency and seek administrative review before the agency.

At present, the governor said in a Feb. 28 transmittal letter, "Alaska case law creates an exception to Rule 82 by which, in most circumstances, public interest litigants who prevail receive full attorney's fees, with no apportionment by issue, but are not liable for an opposing party's fees if the public interest litigant loses the case."

In other cases, under Alaska Rule of Civil Procedure 82, attorney's fees are awarded to the prevailing party and are limited to a specified percentage of the actual fees.

House Bill 145 and its counterpart, Senate Bill 97, provide "for specific rules that govern the award of attorney's fees to or against certain public interest litigants." The bills also amends Rule 82 "to require that attorney's fees be awarded to or against a public interest litigant" in the resource development situations described "in the same manner as attorney's fees are awarded to or against non-public interest litigants" under Rule 82.

The governor told the Legislature that the attorney's fee exception for public interest litigants "creates several undesirable incentives when decisions of the state are called into question.

"First, those seeking to preserve an action of the state have an incentive to avoid litigation because of the possibility of full attorney's fees being awarded against them.

see BILL page 4

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Kay Cashman, PUBLISHER & MANAGING EDITOR

<b>Dan Wilcox</b>	CHIEF EXECUTIVE OFFICER
<b>Kristen Nelson</b>	EDITOR-IN-CHIEF
<b>Steve Sutherland</b>	ASSOCIATE EDITOR
<b>Gary Park</b>	CANADIAN CORRESPONDENT
<b>Wadeen Hepworth</b>	ASSISTANT TO THE PUBLISHER
<b>Alan Bailey</b>	CONTRIBUTING WRITER
<b>Allen Baker</b>	CONTRIBUTING WRITER
<b>Paula Easley</b>	COLUMNIST
<b>Patricia Jones</b>	CONTRIBUTING WRITER
<b>Judy Patrick Photography</b>	CONTRACT PHOTOGRAPHER
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<b>Dee Cashman</b>	CIRCULATION REPRESENTATIVE
<b>Heather Yates</b>	ADMINISTRATIVE ASSISTANT

P.O. Box 231651  
Anchorage, AK  
99523-1651

Editorial  
907 522-9469  
Editorial Email  
edit@gci.net

Bookkeeping & Circulation  
907 522-9469  
Circulation Email  
circulation2@gci.net

Advertising  
907 770-5592  
Advertising Email  
adsales@gci.net

Classifieds  
907 644-4444  
Classifieds Email  
classifieds@gci.net

Fax for all Departments  
907 522-9583

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continued from page 3

## BILL

This is compounded by the fact that those seeking to overturn actions of the state have an affirmative incentive to take a chance on doubtful claims because they may win and earn large rewards in the form of full fees, without the counterbalancing risk of even partial fees being awarded against them.

"This is of particular concern," the governor said, "in the area of resource development where well-financed groups have sought to use litigation to impede the state's efforts to proceed with the orderly development of its resources."

No hearings were scheduled as of March 6.

### Other bills moving

House Bill 16, amending the Alaska Stranded Gas Development Act, was moved out of House Resources Feb. 28 and now heads to House Finance.

The original act had a deadline of June 30, 2001, for applications and applied only to liquefied natural gas projects. The amendments as passed out of House Resources have a dead-

line of March 31, 2005, for applications under the act. As introduced by Rep. Hugh Fate, R-Fairbanks, there was no deadline, but during discussions in the House Special Committee on Oil and Gas, Fate said the administration believed it was important to have a date to spur activity.

A definition of a qualified sponsor was changed from an entity having a net worth equal to at least 33 percent of the estimated cost of the project to at least 15 percent. Fate said this was to allow other people into the project and also as an encouragement to other people to do exploration.

Senate Bill 74, the governor's bill extending the renewal period from three to five years for oil discharge prevention and contingency plans, moved out of Senate Resources March 5. The bill has been amended since originally introduced to provide for a transition period. Plans approved by the Department of Environmental Conservation before the effective date of this bill shall be extended for two years or for a shorter period if requested by the holder of the approved plan.

—Kristen Nelson,  
PNA editor-in-chief

## WORLD OIL

# More deals expected in wake of Devon-Ocean merger

**If approved, deal would make Devon largest North American independent in production — ahead of Anadarko, EnCana and Occidental Petroleum**

Petroleum News Alaska

The pending blockbuster merger of big U.S. independents Devon Energy and Ocean Energy raises the bar for a possible new round of industry consolidation, analysts say.

Potential targets include a long list of exploration and production companies, such as Alaska producers Anadarko Petroleum and Unocal, as well as Ocean joint venture partner Kerr-McGee.

**Anadarko, currently the largest independent producer in the United States, "is now looking over its shoulder" following the Devon-Ocean deal. "Who is to say BP, ExxonMobil or Shell would not make an all-cash offer for Anadarko." —Fadel Gheit, Fahnestock & Co.**

But leave it to Larry Nichols, Devon's shrewd chief executive officer, to set the pace on consolidation. He has turned the merger and acquisition game into an art form with several key mergers, including PennzEnergy, Santa Fe Snyder, Anderson Exploration and Mitchell Energy.

Devon did it again two weeks ago with the announced friendly takeover of deepwater explorer Ocean Energy, an unexpected deal that involved no cash and no premium to Ocean stock. Under terms of the stock swap valued at \$5.3 billion, including the assumption of \$1.8 billion in Ocean debt, Ocean shareholders would receive 0.414 Devon shares and would own 32 percent of the merged company.

Moreover, the transaction would immediately improve Devon's balance sheet, despite adding more weight to its more than \$7 billion debt load. That's because the sheer size of the new company, with an enterprise value of \$20 billion, would serve to reduce Devon's debt-to-capital ratio to about 52 percent from a steep 61 percent.

The deal, if approved by shareholders and regulators, would transform Devon into the largest North American independent production wise with 650,000 barrels a day of oil equivalent, putting Devon ahead of Anadarko, EnCana and Occidental Petroleum. Devon would rank about fourth in reserves with 2.2 billion barrels of oil equivalent.

### Devon primarily a gas producer

Devon, primarily a North American natural gas producer, also gets a more balanced exploration and production portfolio with Houston-based Ocean, especially in deepwater Gulf of Mexico and offshore West Africa.

Analysts believe Devon may not be done with mergers, with Oklahoma's Kerr-McGee most often mentioned as a possible takeover candidate to help round out Devon's obvious desire for substantial, long-term reserves.

Like Devon, Kerr-McGee is based in Oklahoma and already holds a significant block of shares in Devon. Kerr-McGee also is a close ally of Ocean, partnering up with the company on several joint ventures including the Nansen-Boomvang complex in deepwater Gulf of Mexico. With Ocean alone, Devon would be the largest deepwater independent in the Gulf

with more than 500 blocks.

Fahnestock & Co. analyst Fadel Gheit, who has been predicting another round of industry consolidation, believes a host of independents would be vulnerable to takeovers once high-flying commodity prices retreat to more realistic levels and stock values, making shareholders uneasy and perhaps open to takeovers.

"This is like musical chairs," he said, "and once the music stops there is one less chair. Someone will be left standing with no place to sit but on the ground."

Anadarko, currently the largest independent producer in the United States, "is now looking over its shoulder" following the Devon-Ocean deal, Gheit said. "Who is to say BP, ExxonMobil or Shell would not make an all-cash offer for Anadarko."

In addition to Anadarko, Kerr-McGee and Unocal, Burlington Resources and Marathon Oil also could be vulnerable to takeover, Gheit said. Indeed, even Big Three North Slope producer ConocoPhillips could be a target, he added.

"ConocoPhillips wants to join the elite, but it is not yet big enough," he said. "Unfortunately, when they decided to get bigger the others decided to get bigger by buying each other."

### Analyst: bigger is better

And contrary to the claims of many companies, Gheit added, "bigger is better," particularly for those larger producers that are struggling to increase or even maintain production. Devon is a classic example. The company's own production last year increased 50 percent from 2001 due to the Anderson and Mitchell deals. But since the first quarter of 2002, output has decreased about 12 percent from 560,000 barrels of oil equivalent to 490,000 barrels of oil equivalent.

### Small stake in Cosmopolitan unit

Devon, while expressing little interest in Alaska, does hold roughly 2,400 acres of exploration lands in the state, inherited from Anderson Exploration, including a small stake in the ConocoPhillips-operated Cosmopolitan unit in Cook Inlet. But Devon does have solid footing in Canada's Mackenzie Delta and is well positioned to take advantage of any Canadian Arctic pipeline built to transport natural gas to the U.S. Lower 48.

Both Ocean and its chief executive officer, James Hackett, have links to Alaska's past. Hackett was the head guy at Seagull Energy, which once owned and operated Enstar Natural Gas Co. and Alaska Pipeline Co. Ocean eventually merged with Seagull and survivor Hackett became the new company's CEO. Ocean eventually sold the Enstar system to Semco Energy, as well as its coalbed methane stake in Alaska's Pioneer Unit to Denver-based Evergreen Resources.

Under the new Devon Energy, Nichols would retain his positions of chairman and CEO, while Hackett would become president and chief operating officer. The board of directors would consist of nine members from Devon and four members from Ocean. The deal is expected to close in this year's second or third quarter, the companies said. ♦



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# FINANCE & ECONOMY

## DENVER

### Evergreen boosts production, revenues grow by 60 percent

Evergreen Resources Inc. wrote off its remaining properties in the United Kingdom and in Ireland to the tune of \$11.2 million in the fourth quarter to cut its earnings to \$1.0 million. Denver-based Evergreen had already taken a big write-down in the third quarter on properties in those areas.



The company made \$5.3 million in the final quarter of 2001.

Evergreen's production in the fourth quarter rose 20 percent to 113.8 million cubic feet daily, up marginally from 110.8 cubic feet in the third quarter. And the average gas price kicked up 33 percent, compared to the 2001 quarter, to \$3.68 per thousand cubic feet.

That combination pushed revenues to \$38.7 million for the quarter, up 58 percent compared with the same quarter of 2001 and also up substantially from the \$29.7 million in the third quarter. For the year, however, revenues dipped 7 percent to \$112.1 million, compared with all of 2001.

For the full year, Evergreen showed a loss of \$8.3 million, compared with profits of \$38.5 million in 2001. Without the big charges for the overseas properties, the company would have had a profit of \$24.9 million, still a big decline from 2001.

In Colorado's Raton Basin, the core area for the coalbed methane producer, 161 wells were drilled during the year. The company plans to drill 160 more this year.

—Allen Baker, PNA contributing writer

## CALGARY

### EnCana boosts gas sales 21% as high prices bolster results

EnCana Corp. reported profits of C\$429 million in the fourth quarter as gas sales surged 21 percent compared with the total for its predecessor companies the year before. Comparisons with the prior period are difficult because of the merger that formed EnCana early last year.



The profit for the fourth quarter was more than double the C\$204 million the Calgary-based company posted in the third quarter of this year, when it took a big charge due to foreign exchange losses.

Average gas sales in the fourth quarter were 3.04 billion cubic feet daily, including 149 million cubic feet coming out of storage. Liquid sales averaged 271,000 barrels daily, up 8 percent from the total produced by Alberta Energy Co. and PanCanadian Energy Co. in the fourth quarter of 2001. That's about even with the third quarter production figure.

see ENCANA page 6

## NEW YORK

### Oil prices rally as U.S. steps up preparations for war

After falling sharply, prices turned around March 4, with April crude oil futures ending at \$36.89; natural gas for April delivery closed March 4 at \$7.041

The Associated Press

Crude oil futures rallied March 4, staging a sharp recovery after three straight sessions of declines on hopes that a war with Iraq could be averted. Between Feb. 27 and March 3, prices fell sharply as Iraq's increased cooperation with U.N. weapons inspectors and Turkey's rejection of access to U.S. troops sparked speculation that a U.S.-led attack on Iraq could be avoided, or at least delayed by several weeks.

But prices turned around March 4 as the United States stepped up military preparations for a possible war and indicated it would seek U.N. Security Council approval of a resolution on military action next week, analysts said.

At the New York Mercantile Exchange, April crude oil futures rose \$1.01 to end at \$36.89 a barrel after rising as high as \$37.18 intraday.

April heating oil futures ended up 1.26 cent at \$1.0486 a gallon, while April gasoline futures

climbed 1.74 cent to settle at \$1.1122 a gallon.

At London's International Petroleum Exchange, April Brent futures rose 61 cents to close at \$33.09 a barrel. Natural gas for April delivery retreated 12.1 cents to settle at \$7.041 per thousand cubic feet.

U.S. deploys 60,000 more troops

American officials, dismissing Iraq's destruction of its short-range Al Samoud 2 missiles as inadequate and insincere, pressed ahead for a final confrontation.

Military forces continued to mass in the Persian Gulf, with the United States deploying an additional 60,000 troops to the region atop the 230,000 troops already there. Turkey is also debating whether to resubmit a parliamentary motion to allow more than 60,000 U.S. troops to use the country as a northern front against Iraq.

At the same time, officials said they plan to see OIL PRICES page 7

## CALGARY

### Alberta government creates fund to ease revenue swings

By Gary Park  
PNA Canadian Correspondent

The Alberta government has moved to get a handle on its roller-coaster revenues by establishing a sustainability fund to pay for critical infrastructure.

Finance Minister Patricia Nelson introduced legislation Feb. 24 to create a capital account fund to protect Albertans from volatile energy prices.

The fund will be launched with about C\$450 million from an anticipated surplus of C\$1.8 billion for fiscal 2002-03, with about C\$910 million of that surplus directed to capital projects.

The government is now forecasting resource revenue of C\$6.4 billion for the year, which ends March 31, far ahead of its original estimate of C\$3.7 billion.

Premier Ralph Klein said the province has made great strides over the last decade, lowering its debt to C\$5 billion from C\$22 billion.

He said the sustainability fund will "establish a fiscal framework for the 21st Century" by bringing a new level of stability to government spending, without wavering from the commitment to balanced budgets.

Resource revenues over C\$3.5 billion will be transferred to the fund, which will be used to avoid program cuts when the revenues fail to meet that threshold. The fund will also be available to pay for emergencies such as drought relief or fighting forest fires.

"It means we won't ramp up spending when energy prices are high, but we will avoid spending

see ALBERTA page 7

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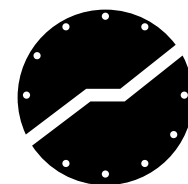
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## OIL COMPANY EARNINGS

Fourth Quarter 2002  
 4Q 2002 profits in millions, % change from 4Q 2001  
 4Q revenues in millions, % change from 4Q 2001  
 4Q daily production, % change from 4Q 2001

		profits	%	revenues	%	production	%
AGRIUM	AGU	\$12	—	—	—	—	—
ANADARKO	APC	\$309	+186	\$1,117	+40	1,682MMCF/214,000BBL	-10 /+22
BP	BP	\$2,635	+49	—	—	2,049,000BBL/8,936MMCF	+2/+2
CHEVRONTXACO	CVX	\$904	—	\$27,058	+26	1,844,000BBL/4,336MMCF	-8/-1
CONOCOPHILLIPS	COP	-\$410	—	\$23,527	+171*	1,620,000BOE	-5**
ENCANA	ECA	C\$429	—	C\$3,392	—	3,040MMCF***/271,000BBL	+21/+8
EVERGREEN	EVG	\$1	-81	\$38.7	+58	114MMCF	+20
EXXONMOBIL	EOM	\$4,090	+53	\$56,211	+18	2,497,000BBL/11,667MMCF	-1/+3
FOREST	FST	\$9.2	—	\$127.6	+2	246.8MMCF/22,500BBL	-9/-26
MARATHON	MRO	\$194	—	\$8,614	+26	210,000BBL/1,238MMCF	+4/-8
MURPHY	MUR	\$57.6	+100	\$1,082	+31	81,559BBL/251MMCF	+17/-14
PETRO CANADA	PCZ	C\$356	+439	C\$3,005	+69	326,400BBL/878MMCF	+292/+20
PIONEER	PXD	\$18.4	—	\$197.7	+16	53,839BBL/380MMCF	-3/+16
SEMCO	SEN	\$4.6	—	\$146.3	+10	—	—
TESORO	TSO	-\$27.7	—	\$2,001	+58	—	—
TOTALFINAELF	TOT	E1,372	+110	E26,898	+14	1,589,000BBL/4,532MMCF	+9/+12
UNOCAL	UCL	\$96	—	\$1,572	+24	161,000/1,737MMCF	-11/-9
WILLIAMS	WMB	-\$201	—	\$1,703	+8	—	—
XTO	XTO	\$56.1	+36	\$2,39.3	+31	551MMCF/18,880	+21/+3

\*Does not include Conoco revenues for prior period  
 \*\*Includes Phillips and Conoco production for both periods  
 \*\*\* Compares EnCana production to combined Alberta Energy and Pan-Canadian totals for 4Q 2001

BOE: barrels of oil equivalent  
 BBL: barrels of crude oil and condensate  
 MMCF: billions of cubic feet of natural gas

TotalFinaElf profits and revenues stated in Euros  
 Dollar figures in millions

## PARIS

## TotalFinaElf earnings increase as production rises 8 percent

European oil giant TotalFinaElf reported a profit of 1.37 billion Euros as higher production and prices were counterbalanced by a strengthening of the Euro and sharply lower refining margins.

Net income rose 110 percent, but excluding non-recurring items the improvement was just 13 percent. Fourth-quarter earnings declined from the third quarter, when TotalFinaElf made 1.64 Euros.

For the year, profits came to 5.94 billion Euros, down 22 percent from 7.52 billion Euros in 2001.

Liquids production hit 1.6 million barrels a day in the fourth quarter, up 5 percent from a year ago and even with the third-quarter number. Natural gas volumes notched up 15 percent from the year-ago figure to 5 billion cubic feet. That was a significant rise from 4.1 billion in the third quarter. Higher North Sea production and new fields in Norway and Syria contributed to that growth.

Operating income for the upstream segment rose 56 percent, excluding non-recurring items, to 2.52 billion Euros.

Downstream earnings were weak, in line with much of the industry, with a drop of 64 percent in operating income to 229 million Euros. Refinery throughput slipped 8 percent compared with the number a year earlier to 2.22 million barrels a day. The refineries ran 2.33 million barrels daily in the third quarter.

Profits in chemicals were also down, in this case by 44 percent, to 145 million Euros.

Sales for the quarter totaled 26.9 billion Euros, up 14 percent from a year ago and up 6 percent from the third quarter. For the year, sales slipped 3 percent to 102.54 Euros.

The Euro has been strengthening markedly, which hurts the company since oil is priced in dollars in world markets. That means TotalFinaElf gets fewer Euros for each barrel of oil than it would if the dollar were stronger. A Euro now buys about \$1.08. By comparison, in the third quarter of 2001 it was buying just 89 cents.

—Allen Baker, PNA contributing writer

## CARACAS

## Venezuela cuts oil production by 500,000 barrels a day

Venezuela has reduced oil production by 500,000 barrels a day after a slowdown in exports allowed storage tanks to be filled to capacity, a manager at the state oil monopoly said Feb. 28.

Crude output is now 1.6 million barrels a day, down from 2.1 million earlier this week, said Luis Marin, manager of Petroleos de Venezuela S.A.'s eastern division.

PDVSA has contracted extra ships to export the oil, and the problem should be resolved the first week in March, Marin told state news agency Venpres.

Venezuela is struggling to recover from a two-month strike by opponents of President Hugo Chavez, who are demanding early elections.

Oil production dropped to 200,000 barrels a day at the height of the strike, which began Dec. 2 and petered out this month.

Former PDVSA executives — fired for joining the strike — said Feb. 28 that production was 1.1 million barrels a day.

The lingering effects of the strike and expectations of U.S.-led attack on Iraq have helped push international oil prices to 12-year highs. Crude dropped to US\$37.15 on the New York Mercantile Exchange Feb. 28, after soaring to US\$39.99 a barrel Feb. 27.

Chavez said Feb. 28 that US\$30 a barrel was a "perfect" price for oil.

"We have to sell oil at a fair price. \$30 a barrel? Perfect," Chavez told state television station Venezolana de Television while touring an electricity plant in southeastern Venezuela.

His comments came 12 days before OPEC meets in Vienna, Austria to discuss whether to adjust production quotas. Chavez did not say what the Organization of Petroleum Exporting Countries should do.

—The Associated Press

continued from page 5

## ENCANA

Gas prices averaged C\$5.11 in the quarter. That's 42 percent higher than what the company collected a year ago and 44 percent above the third-quarter figure.

Liquids brought an average of C\$32.94, up 26 percent from the corresponding quarter of 2001.

For the year, profits totaled C\$1.25 billion on a pro forma basis that assumes

the companies operated as one entity for the entire year. The merger actually occurred in late January of last year.

Revenues for the quarter were C\$3.39 billion, up from C\$2.88 billion in the third quarter. The two predecessor companies operated separately in the last quarter of 2001, so a comparison isn't available.

For the year, EnCana's revenues were C\$11.21 billion.

—Allen Baker, PNA contributing writer

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■ L O N D O N

## Recent surge in OPEC output should help cool oil prices, experts say

**Analysts say 2 million barrels of Iraqi oil could be made up by other members of Organization of Petroleum Exporting States; Venezuela ramping up production**

By Bruce Stanley  
Associated Press Business Writer

A recent surge in Saudi Arabian oil production should help cool sizzling prices when crude shipments from the Persian Gulf reach U.S. ports within a month, industry analysts said Feb. 28.

Prices eased a day after spiking to a 12-year high in the United States on concerns about tight supplies. Some analysts said OPEC member countries were pumping furiously and argued that the current market turmoil would ease once these fresh barrels hit the market.

"A lot of the crude produced in January has not yet arrived. The situation may change drastically," said a senior source at the Organization of Petroleum Exporting Countries.

Fears of a war with Iraq are partly to blame for the latest run-up in prices. April contracts of U.S. light, sweet crude climbed as much as US\$2 Feb. 27 to peak at US\$39.99 a barrel in New York, the highest level since October 1990, when Iraq occupied Kuwait. Feb. 28, the April contract fell 60 cents to settle at US\$36.60 in New York.

In London, April contracts of North Sea Brent fell 25 cents to end at US\$32.79 a barrel. Fears that a war might create supply shortages have inflated prices by at least US\$5 a barrel, said the OPEC source, speaking on condition of anonymity from the group's headquarters in Vienna, Austria.

OPEC could make up difference

However, analysts said OPEC could probably make up the 2 million barrels a day that Iraq would be unable to export if fighting broke out in the Gulf. OPEC supplies about a third of the world's oil.

The cartel's most powerful member, Saudi Arabia, says it can produce up to 10.5 million barrels a day. That is substantially higher than the 8.5 million barrels a day that the International Energy Agency, a watchdog for oil-importing countries, said the country was producing in January.

"I think they're well above 10 million

barrels, and pumping," said Peter Gignoux, managing director of the petroleum desk at Salomon Smith Barney. Much of this additional crude is already on its way to the U.S. East Coast, a journey lasting about 45 days.

"There is a considerable amount of oil en route from Saudi Arabia," agreed Lawrence Eagles, head of commodity research for London brokerage GNI Ltd. Although it was unclear how many barrels were actually in transit, Eagles said the market would be "relatively balanced" if this fresh Saudi oil was counted as part of the global supply.

The United Arab Emirates and other OPEC members that aren't already producing at full capacity could boost the cartel's output further to help make up for any missing Iraqi barrels. "Altogether they can cover it — barely," the OPEC source said.

The recent price spike was most pronounced in the United States, the world's biggest importer of crude. While Iraq has been a factor in this surge, analysts said cold weather and the fallout from a strike in Venezuela's oil industry have played a bigger role.

"We've lived without Iraqi oil before. This doesn't bother me," Gignoux said.

Venezuela is steadily ramping up its production in the wake of a crippling strike. It has boosted exports from 700,000 barrels a day a few weeks ago to 1.4 million barrels today, and further increases are expected, Eagles said.

However, U.S. importers were slow to seek alternative sources of crude when the strike first disrupted Venezuelan exports in December. This slow response, together with the longer time it takes crude to reach North America from Saudi Arabia, has helped cause a temporary squeeze in the U.S. market, analysts said.

On top of the surge in crude prices, heating oil soared to historic highs this week as snow buried large parts of the United States.

"In my world of oil," Gignoux said, "I've seen chaos this week." ♦

ministers will meet the week of March 9 to discuss what they could do in the event of a war in Iraq.

OPEC countries have increased production in recent months in response to a strike in Venezuela and soaring oil prices. According to a Dow Jones Newswires survey, OPEC crude oil output jumped by 1.43 million barrels a day to 27.091 million barrels a day in February from January. ♦

needed to respond to infrastructure."

The new fund effectively moves beyond the Heritage Savings Trust Fund — Alberta's version of the Alaska Permanent Fund — which was established in 1976 to invest surplus oil and gas revenues and be drawn down only it times of great need.

The C\$12.4 billion fund has been largely dormant since 1987, and lost about C\$1.3 billion last year after getting mauled by the bear markets. ♦

## WASHINGTON, D.C.

### U.S. says Venezuela now an unreliable oil supplier

Top State Department officials told a delegation of Venezuelans that political disruptions have created serious doubts about the country's reliability as an oil supplier, an administration official said.

They called on the Venezuelan government and the opposition to negotiate a settlement to their differences, Charles Barclay, spokesman for the State Department's Bureau of Western Hemisphere Affairs, said Feb. 26.

The officials passed the message to Energy and Mines Minister Rafael Ramirez and the president of the Venezuelan state oil company, Ali Rodriguez.

The Venezuelan delegation was told that the way for the country to restore its reputation as a reliable oil supplier is for the government and the opposition to reach agreement on a "constitutional, democratic, peaceful and electoral solution," Barclay said.

The U.S. officials also urged that the parties work with Organization of American States Secretary General Cesar Gaviria, who has tried in vain to promote a settlement.

The Feb. 26 meeting occurred three days after Chavez assailed Gaviria for speaking out about the detention of a strike leader, saying his comments were "totally out of place."

He also criticized State Department spokesman Richard Boucher for saying the week of Feb. 17 that Washington was concerned that the detention could hinder peace talks.

"Gentlemen of Washington ... we don't meddle in your internal affairs," Chavez said. "Why does a spokesman have to come out and say they are worried? No, that is Venezuela's business."

Venezuela has been a leading source of U.S. oil imports, accounting last year for about 1.5 million barrels a day. Most analysts place part of the blame for the low supplies of crude and petroleum products in the United States on the loss of Venezuelan oil imports.

A general strike that was called in December as a protest against Chavez paralyzed the oil industry for a time and devastated the national economy. Oil production has recovered somewhat in recent weeks but is still well below normal.

—The Associated Press

**Venezuela has been a leading source of U.S. oil imports, accounting last year for about 1.5 million barrels a day. Most analysts place part of the blame for the low supplies of crude and petroleum products in the United States on the loss of Venezuelan oil imports.**



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### continued from page 5 OIL PRICES

bringing to a vote next week a Security Council resolution authorizing military action against Iraq. The measure, backed by Great Britain and Spain, faces stiff opposition from Security Council members.

Meanwhile, OPEC and non-OPEC oil

### continued from page 5 ALBERTA

cuts when prices drop below budget predictions," said Nelson.

If the fund grows above C\$2.5 billion, excess money can be used for debt repayment and capital projects, but not for program spending.

Nelson said Alberta's strong economy is attracting more people to the province. As a result, "an aggressive capital plan is

## ANCHORAGE

# AOGCC, with new members on board, tackles old and new business

*Commission members talk about role of commission, preliminary response to permanent fund board request, continuing streamlining*

By Kristen Nelson  
PNA Editor-in-Chief

The Alaska Oil and Gas Conservation Commission's three commissioners — two of them appointed by Gov. Frank Murkowski in February — are continuing to streamline the commission's business process, have a regulatory change in the works for shallow gas drilling and are finalizing a preliminary response to the request of the Alaska Permanent Fund Board that the commission investigate ways to increase North Slope oil recovery.

More important, with the new commissioners confirmed by the Legislature March 5, members are looking at the direction of the commission. Newly appointed commissioners Sarah Palin and Randy Ruedrich, and Dan Seamount, who has served on the commission since January 2000, talked to Petroleum News Alaska March 3, working day nine for Palin and Ruedrich.

## Many agencies involved

Palin said the request from the Alaska Permanent Fund Corp. board of trustees that the commission investigate whether the state is getting the maximum amount of oil from its leases and House Bill 69, now in the Senate, "An Act relating to regula-

tion of shallow natural gas leasing and closely related energy projects," are indications that the Legislature and other agencies "may want this commission to shift gears a bit."

The request from the permanent fund board, Palin said, asks the commission to do things beyond its purview:

"So we'll have to get the appropriate agencies onboard to work together in answering this."

Seamount said the commission is working on a preliminary response to the permanent fund board. "I think the response to this resolution's going out pretty fast," he said.

Ruedrich said there have been some tentative contacts with other agencies on the fund board request.

The Legislature, the departments of Natural Resources, Revenue and



Sarah Palin, AOGCC



Randy Ruedrich, AOGCC



Dan Seamount, AOGCC

Ruedrich said he wants to know: "Are we on the same page? Are we at least in the same book? How can we become more attuned to our leaseholder producer community?"

And in addition to the significant players, he said, "we need to figure out .. who else — by statute, by custom, by evolution — has become a participant in this and ... is all this helping? If not, what do we do to fix it?"

## Public perspective

Palin brings an outsider's perspective to the commission.

"It's an exciting opportunity and transition time is the best time to seize an opportunity," she said. "This is a great opportunity for the commission to work real closely with these other agencies."

"We know that oil and gas is Alaska's bread and butter," she said, and "all these agencies have a stake in this."

By statute the commission has a geologist, an engineer and a public member.

*The commission is working on a preliminary response to the permanent fund board. "I think the response to this resolution's going out pretty fast." —Dan Seamount, AOGCC*

Seamount holds the geologist seat, Ruedrich the engineer seat and Palin the public seat.

Palin said she believes one of the roles of the public member is outreach, both to the public and to other agencies, "letting people know what this commission does."

Seamount noted that Palin, who was elected twice to the Wasilla city council and twice as mayor of that city, also brings

Environmental Conservation, and the Regulatory Commission of Alaska, all "have a portion of the petroleum regulation and revenue activity," he said.

Ruedrich said he

wants to know: "Are we on the same page? Are we at least in the same book? How can we become more attuned to our leaseholder producer community?"

And in addition to the significant players, he said, "we need to figure out .. who else — by statute, by custom, by evolution — has become a participant in this and ... is all this helping? If not, what do we do to fix it?"

*The request from the permanent fund board asks the commission to do things beyond its purview: "So we'll have to get the appropriate agencies onboard to work together in answering this." —Sarah Palin, AOGCC*

management talents to the commission.

## Balancing role

Ruedrich said the public member also has a balancing role that "may not be explicitly obvious."

When the commission deals with issues of geology, he said, "the engineer becomes nearly as uninformed as the public member in terms of the technology there. ... correspondingly when we deal with the subsurface engineering... the geology member tends to be more parallel to the public member in that role."

If the public member were either a geologist or an engineer, he said, it would probably cause the commission to "skew one direction or the other in terms of what was important.

"So the public member brings a balancing aspect to the perspective. ... not everything is about metering oil and not everything is about reservoir management and not everything is about correlative rights..." he said.

## Long-time commission client

Ruedrich brings an interesting perspective to the commission.

"I have been a client of this commission off and on since 1972," he said. "In 1975 ... I was one of the co-authors of the principle document that our Arctic well design is based on."

He says "most people have always viewed coming to the commission with some concern" out or respect for the commission or "sometimes downright fear of what was going to happen next." The commission, he said, has "never been taken lightly.

"We have never been a lapdog for anybody in the industry."

Ruedrich says he remembers when the companies went into the commission for the pool rules hearing for Prudhoe Bay development. "That was a bid day and we had several engineers work for literally months to prepare for those hears." The hearings lasted two days. "They were very short. And very straightforward."

## In the works

Continuing work for the commission — in addition to its normal duties — includes the A-22 well explosion at Prudhoe Bay

see AOGCC page 10

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# NORTHERN GAS

## CALGARY

### DOE official tells Calgary conference Bush remains opposed to Alaska gas floor prices, tax credits

Alaska natural gas delivered by pipeline to the Lower 48 will be an "absolutely critical" element of supply in coming years, says a senior official with the U.S. Department of Energy.

But the Bush administration has no intention of supporting floor prices or tax credits to develop Alaska gas because of its belief that the market should be the driving force in developing gas resources, Jim Slutz, deputy assistant secretary of fossil fuel management, told a Canadian Energy Research Institute conference in Calgary March 4.

He said Washington does not want government action to interfere with more cost-effective supplies which could come on line.

"We are committed to allowing the market to find the solutions to bringing northern gas online in an economically viable manner," he said.

Slutz said President George W. Bush's national energy policy recommendation to expedite construction of an overland pipeline from the North Slope will require the U.S. to work "closely with Canada to be successful."

An inter-agency group is already working to streamline and

### Want to know more?

*If you'd like to read more about the Bush administration's position on Alaska gas pipeline incentives, go to Petroleum News • Alaska's web site and search for these recently published articles.*

**Web site:**  
www.PetroleumNewsAlaska.com

**2003**  
 ■ **March 2** BP official says Alaska gas pipeline could be reality by 2011  
 ■ **Jan. 5** Bush administration wants 2003 decisions on Arctic gas pipelines

**2002**  
 ■ **Nov. 24** Back in the saddle  
 ■ **Oct. 13** BP presents Bush administration with alternative to ConocoPhillips tax incentive  
 ■ **Sept. 22** Canadians run shuttle campaign in bid to sway U.S. legislators on energy bill  
 ■ **Sept. 8** Cross-border pipeline spat moves to highest levels in Alaska, Canada  
 ■ **July 28** Administration, Alaska delegation: North Slope gasline needs federal incentives  
 ■ **July 28** Forget Alaska Highway pipeline, think LNG or GTL  
 ■ **July 21** Bush warms to gasline incentives  
 ■ **July 21** BP asked by White House to suggest alternatives to gas price floor  
 ■ **July 14** Division widens  
 ■ **July 7** Imperial Oil eager to exploit any pipeline uncertainty in Alaska  
 ■ **June 30** Bush assures Chretien he favors market-based decision on gasline  
 ■ **June 2** Canada hardens resistance to prospect of U.S. gasline subsidies

see ALASKA GAS page 10

## ■ NORTH AMERICA

# North American natural gas takes a wild ride

**Continental markets face grim times as storage levels slump to near all-time lows; focus again on hastening development of Arctic and offshore frontiers**

By Gary Park  
PNA Canadian Correspondent

With North American natural gas prices surging to two-year highs in late February, ignited by bitterly cold weather in the Lower 48 that sapped volumes in storage, the fear factor is again stalking the industry.

On the New York Mercantile Exchange, the U.S. benchmark futures contract for March delivery rocketed to US\$9.20 per million British thermal units on Feb. 24, while spot prices in Ontario hit C\$21.92 (US\$14.69) per gigajoule (0.9482 British thermal units) before easing back to C\$9.70 entering March.

The Canadian Energy Research Institute expects prices to remain closer to C\$6.50 (US\$4.35) per gigajoule through 2003, as demand outpaces supply growth.

Inventories have been drawn down almost to record lows, with some analysts predicting a mere 500 billion cubic feet in storage by the end of March, and gas drilling remains sluggish in the United States — a volatile combination that spells a jump in consumer bills later this year.

### No demand growth

All of this is happening despite an absence of demand growth while the U.S. economy struggles to get back on its feet.

"There is the potential for crisis by next winter, or earlier," said Peter Linder, senior market strategist for DeltaOne Energy Fund, who was among the first to set off the alarm bells last fall.

Matt Janisch, an analyst with BMO Nesbitt Burns, told the firm's global resources conference Feb. 26, that achieving minimum storage levels by next winter requires a staggering 4 billion cubic feet per day of reduced consumption by residential and industrial users.

"This is a fear-driven market," said Martin King, an analyst with FirstEnergy Capital Corp.

What the outlook does is intensify the spotlight on Canada's Mackenzie Delta for the near-term and Alaska's North Slope over the longer-term.

Tim Hearn, chief executive officer of Imperial Oil Ltd., Canada's largest integrated oil company and the lead player in the Mackenzie project, told a media briefing Feb. 25 that he does not expect gas prices to remain at peak levels, nor is Mackenzie decision-making tied to such pricing volatility.

But he said Imperial will "push as hard as we possibly can" to move ahead with the first project to deliver gas from the Canadian Arctic to southern markets.

### Financing delays defer filing

Delays in securing financing for the Aboriginal Pipeline Group prevented the filing of a "preliminary information package" with regulators last year, although 2008 is still viewed as a possible start-up date.

If the proposed Mackenzie Valley pipeline operates to its initial pipeline design, volumes could include 1.2 billion cubic feet per day from the Delta producers and another 500 million cubic feet per day to fill the aboriginal portion.

For now, there are no other projects on the horizon in Canada that offer incremental growth on such a scale, which is a troubling outlook if Canada is to continue meeting about 16 percent of U.S. demand.

A Feb. 12 report by Lehman Brothers analysts Thomas Driscoll and Philip Skolnick said Canadian output was down 0.2 percent in 2002 and Western Canadian production dropped an estimated 2 percent in January from a year earlier.

"As the industry continues to struggle to maintain production levels in Western Canada, we estimate that total Canadian natural gas production will fall another 2 percent-4 percent in 2003," they said. "This should be bullish for North American natural gas prices."

### Lower 48 production down

A survey of 37 leading producers by Raymond James & Associates showed Lower 48 production

see RIDE page 10

**"There is the potential for crisis by next winter, or earlier."**  
—Peter Linder, DeltaOne Energy Fund



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## HOMER

## VECO gets millions in settlement

VECO Corp. will receive an extra \$4 million to settle a disagreement over the cost of moving an electric generator to the Agrium fertilizer plant in Nikiski.

VECO and Homer Electric Association Inc. used mediation to help settle a lawsuit filed by VECO over the dispute. VECO had claimed it was \$15 million extra due to cost overruns on the project, completed in 2001. Agrium and HEA will each pay part of the settlement, said HEA spokesman Joe Gallagher.

The Nikiski Cogeneration Facility was a project for Alaska Electric Generation and Transmission Cooperative Inc., an HEA affiliate. VECO won the \$23.2 million contract in 1999 to move an AEG&T turbine from Soldotna to the Agrium plant.

The project called for VECO to install a heat recovery steam generator on the natural gas powered turbine, and a digital control system, HEA said. The steam is used by Agrium to make its nitrogen-based products.

"It was a complicated project. There were some changes to the scope," VECO executive vice president Roger Chan said Feb. 21. "I think everybody's satisfied with how it worked out."

Gallagher said HEA expects the co-generation facility will mean a 6 percent reduction in area electric bills because it brought Agrium, a major consumer of electricity, back into the HEA grid.

—The Associated Press

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## AOGCC

last year. The "investigation is still ongoing and may lead to various considerations," Ruedrich said.

Seamount said BP Exploration (Alaska) Inc., the Prudhoe Bay field operator, will be providing the commission with additional information on the explosion. The commission has already determined, he noted, that there will be a new rule on annual pressure, the cause of the explosion.

Seamount said the commission's business process review continues. He is work-

**The commission has "never been taken lightly. We have never been a lapdog for anybody in the industry."**

—Randy Ruedrich, AOGCC

ing on a proposed reorganization of the commission's staff. "There will be some changes as far as task allocation and teams," he said, and changes to the commission's web page will make it easy for companies to identify the lead person for a specific application.

And a change in the commission's regulations for shallow gas drilling goes out for public notice this week, Ruedrich said. ♦

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## ALASKA GAS

coordinate the regulatory phase of an Alaska pipeline once the industry files an application.

In addition to Alaska gas, he said liquefied natural gas will make a growing contribution to U.S. consumption, noting that LNG already accounts for 55 percent of demand on some days in Massachusetts, where there is an LNG

terminal.

Slutz said it is not a choice between LNG or Alaska gas, because both will be needed.

"The market will determine the proportion of each of these supply sources, but governmental policies and regulation may contribute a less cumbersome and more efficient process to ensure the delivery of these supplies," he said.

—Gary Park, PNA  
Canadian correspondent

continued from page 9

## RIDE

fell in 2002 by 6.4 percent, year-over-year.

The one shred of hope has been the aggressive winter drilling program, with the Canadian Association of Oilwell Drilling Contractors estimating that 90 percent of its 667 available rigs were active in February.

Industry records show a record 2,147 wells were spudded across Canada in January — up 25 percent from a year ago and 63 wells ahead of the January 2001 benchmark — with close to 70 percent chasing gas prospects.

Even so, Roger Soucy, president of the Petroleum Services Association of Canada, said there is a tough road ahead to translate drilling into significant new volumes.

He said Feb. 26 that the potential for new gas discoveries has shrunk and the finds are smaller.

The same prognosis is contained in a new study by Purvin & Gertz Inc., which said new fields in the United States and Canada are depleting by 25 percent a year.

It said that because of the smaller discoveries in existing basins, prices are unlikely to fall below \$4 per million British thermal units for the next two years.

The hope for a turnaround rests heavily on an acceleration of projects in the Arctic, offshore Atlantic Canada and the U.S. Gulf Coast, plus development of liquefied natural gas and coalbed methane.

Purvin & Gertz forecasts that:

- Alberta, the dominant Canadian supply source for 50 years, has likely peaked at 13.7 billion cubic feet per day, with CBM being the best hope to sustain that output level.

- British Columbia could grow significantly from its 2.6 billion cubic feet per day if the hopes of large finds in the northeast are realized, but Saskatchewan is expected to level off at 600 million cubic feet per day.

- Fort Liard, in the lower Northwest Territories, could double volumes over the next 15 years to 300 million cubic feet per day, but the Mackenzie Delta/Beaufort Sea is the best bet for big gains, just as Alaska is the U.S. ace-in-the-hole.

Nova Scotia setback

In Canada, the biggest setback has occurred in offshore Nova Scotia, where EnCana Corp. has called an indefinite

"time out" for its Deep Panuke project, that was once expected to come on stream in late 2005 at 400 million cubic feet per day, the bulk destined for the U.S. Northeast.

Deep Panuke was to be Nova Scotia's second producing field after Sable, which pumps at peak volumes of 550 million cubic feet per day to serve New England markets, but has itself been rocked by a 11 percent reserve write down by partner Shell Canada Ltd. and is expected to start declining earlier than anticipated.

The Lehman Brothers report, dated Feb. 12, said the negative reserve revision "could point towards potential longer-term difficulties of maintaining production from the East Coast."

EnCana said last month the economics of developing estimated recoverable reserves of 935 billion cubic feet make no sense.

The National Energy Board and Canada-Nova Scotia Offshore Petroleum Board agreed Feb. 26 to suspend the public review process, asking for an update by Dec. 10.

EnCana chief executive officer Gwyn Morgan said major new discoveries boosting reserves to 1.4 trillion cubic feet would "help a lot" to make the C\$1.2 billion project viable, along with possibly tying Deep Panuke gas into the Sable delivery system and obtaining concessions from the Nova Scotia and Canadian governments.

"We hope we don't drop dead," he said. "We're trying to find a way of not doing that."

But the hunt for new gas has hit a series of snags with a succession of wells failing to yield commercial finds and EnCana abandoning its first deepwater well in January.

Politicians and industry players keep pointing out that Nova Scotia is an under-explored basin that will need patience. Some analysts take the view that unless some of the 10 exploration wells planned for this year hit pay dirt, E&P companies will take their money elsewhere.

A first quarter review by FirstEnergy predicts gas prices will average \$4.50 per million British thermal units at the New York Mercantile Exchange this year, compared with \$3.36 in 2006.

It said a drilling surge in Canada won't be enough to improve supply performance in 2004 and 2005.

The rapid draw down of storage levels that originally seemed adequate for winter needs will pose a challenge to regain levels of 3 trillion cubic feet by November, FirstEnergy said. ♦

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**STATEWIDE**

**February ANS production up 5 percent from January**

Alaska North Slope production averaged 1,055,952 barrels per day in February, up 5.17 percent from January production which averaged 1,004,054 bpd.

Average daily production between January and February was up 53,483 bpd at Prudhoe, 3,758 bpd at Kuparuk and 1,366 bpd at Northstar, more than offsetting decreases of 8,011 bpd at Lisburne and 4,431 bpd at Alpine.

The state Department of Revenue said in January that production was slowed at Milne Point, Alpine, Badami and Northstar early in the month due to various mechanical problems. The department noted only one such slowdown in February: an Alpine production dip from Feb. 13 to 18 because of problems with power generation.

Endicott (also including Sag River, Eider and Badami production) had the largest percent increase: up 19.54 percent, averaging 33,625 bpd in February compared to 28,128 bpd in January. Prudhoe Bay (including production from Midnight Sun, Aurora, Polaris and Borealis satellite fields) had the largest per-barrel increase, with a February average of 548,376 bpd compared to 494,893 bpd in January, an increase of 10.81 percent.

Northstar production averaged 50,201 bpd in February, up 2.8 percent from a January average of 48,835 bpd.

Kuparuk River (including production from West Sak, Tabasco, Tarn and Meltwater) averaged 218,922 bpd in February, up 1.75 percent from a January average of 215,164 bpd. Milne Point production (including Schrader Bluff and Sag River) averaged 49,177 bpd in February, up 0.48 percent from 48,941 bpd in January.

Lisburne production (including Point McIntyre, Niakuk, West Beach and North Prudhoe Bay State) averaged 60,296 bpd in February, down 11.73 percent from a January average of 68,307 bpd. Alpine production averaged 95,355 bpd in February, down 4.44 percent from a January average of 99,786 bpd.

Cook Inlet also down

In Cook Inlet February production averaged 29,392 bpd, down 8.96 percent from a January average of 32,285 bpd. The Department of Revenue told Petroleum News Alaska March 3 that production numbers are down for production coming into the Kenai Pipeline because Dillon platform is no longer in production.

Unocal Alaska operates the Dillon platform and the company said last fall that production from both Dillon and Baker platforms would be shut down because the platforms were no longer economic. At that time Alaska Oil and Gas Conservation Commission production figures showed Baker averaging 574 bpd and Dillon 452 bpd.

Unocal Alaska spokeswoman Roxanne Sinz told PNA in February that Dillon wells were shut in before the end of the year. Sinz said wells on the Baker platform are still producing. "We are re-evaluating timing of suspension for this facility," she said.

—Kristen Nelson, PNA editor-in-chief

**■ BROOKS RANGE FOOTHILLS**

**Geologists offer insights into geology of Brooks Range foothills**

**The Alaska Department of Geological and Geophysical Surveys' NPR-A-Foothills program is making some exciting discoveries near the Haul Road**

By Alan Bailey  
PNA Contributing Writer

A team of geologists working near the Haul Road on the north side of the Brooks Range is piecing together the detailed geology of some of the rocks that underlie much of the North Slope. The investigations are yielding new information about potential oil and gas source rocks and reservoirs.

"What we're trying to do ... is collect baseline geological data in the Foothills belt, north of the Brooks Range, south of the NPR-A (National Petroleum Reserve-Alaska), that are important for understanding the oil and gas resources of the area," Dave LePain, NPR-A-Foothills program leader in the Division of Geological and Geophysical Surveys, told Petroleum News Alaska.

LePain leads a team consisting of Rocky Reifentstahl, Ellen Harris and Paige Peapples of the Alaska Division of Geological and Geophysical Surveys and Gil Mull of the Alaska Division of Oil and Gas — Mull was one of the geologists who dis-



Gil Mull

"(There are) volcanic tuffs in the same part of the section and they just reek of oil ... you break them open and they smell like the floor of a gas station." —Dave LePain, Alaska Division of Geological and Geophysical Surveys

covered the Prudhoe Bay field back in the 1960s. This core team is collaborating with several other geologists.

Industry provides much of the funding for the pro-

see Foothills page 12

**■ INTERIOR**

**Looking for oil and gas in the Yukon Flats**

**Geologists from the DGGs and the U.S. Geological Survey are taking a renewed interest in the Interior Alaska's Yukon Flats basin**

By Alan Bailey  
PNA Contributing Writer

With so much attention on the exploration of the North Slope and the Cook Inlet, it's easy to forget that there are other potential oil and gas basins in and around the Alaska. Take, for example, the Yukon Flats basin that extends beneath the Yukon River, between the trans-Alaska pipeline and the Canadian border. Other than some preliminary exploration by Exxon and Texaco in the mid-'80s, industry has shown little interest in this 12,000-foot thick sequence of sedimentary rocks. Yet, it seems likely that the basin contains extractable hydrocarbons.

The Alaska Division of Geological and Geophysical Surveys is investigating the Yukon Flats

basin as part of an Interior basins program that includes the Nenana basin and the Copper River basin, Rocky Reifentstahl, a geologist with the Alaska Division of Geological and Geophysical Surveys, told Petroleum News Alaska recently. DGGs wants to evaluate the oil and gas potential of these basins and has done some initial field work and rock analysis in the Yukon Flats area, Reifentstahl said.

The U.S. Geological Survey is also assessing the oil and gas potential of the area.

Faulted basin

The Yukon Flats basin sits in a segment of the earth's crust that has dropped between two major faults. The two boundary faults extend east-west

see YUKON FLATS page 13



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## FOOTHILLS

gram.

"Our operational support ... and most of our analytical budget ... comes from an industry consortium that we've developed over the past five, six, seven years," LePain said.

### Mapping and stratigraphy

The program involves detailed geological mapping combined with investigations of the rock stratigraphy.

"We usually map in the area where we're

doing the detailed stratigraphic studies — the two kind of go hand in hand," LePain said.

And the study takes a particular interest in rocks that show potential economic value.

"We focus in on selected stratigraphic units that have economic significance, either as reservoirs or as source rocks," he said.

Geological mapping by the DGGs team also feeds into a federal program called StateMap, in which the U.S. Geological Survey is assembling detailed maps through state agencies. The StateMap program enables some federal funds to be applied to the mapping component of the DGGs work.

"Every year we submit a project proposal and a budget to the StateMap committee ... for funding," LePain said. DGGs alternates between energy and mineral related StateMap projects in successive years.

"All of the energy state maps have been up on the North Slope and over the last five years or so they've all been in the area that the NPR-A-Foothills program is working," he said. "So we use StateMap moneys and our industry consortium moneys to try to leverage each other."

### The Foothills belt

The study area sits in the Foothills belt of the Brooks Range, where rocks that lie under the North Slope become exposed at the surface.

Uplift and overthrusting of the Brooks Range more than 100 million years ago loaded and depressed the earth's crust to the north, forming the so-called Colville Basin that extends east to west under the North Slope. Erosion of the newly formed mountains dumped huge quantities of sand, silt and other debris into this basin over an extensive time period.

Later movement in the Brooks Range pushed the rock strata up to the surface along the north front of the mountains. As a result, the Foothills area affords excellent surface access to strata that are buried underground elsewhere. By detailed investigation of the surface exposures, the study team can provide valuable insights into the geology for people doing seismic exploration.

"What we're looking at is basically the outcrop equivalents of the units that occur in the subsurface to the north," LePain said. "... by looking at them in outcrop you're able to get information that you can't get when you're limited to just the subsurface ... so by providing outcrop details to the industry groups that are up there actively exploring, they can integrate that outcrop data set with their subsurface data and come up with a much better understanding."

### Oil-stained sands near the Haul Road

The team of geologists has found widespread outcrops of oil-stained Lower Cretaceous sandstones in the area west from the Haul Road to Chandler Lake. In that area, deepwater sands grade upward into shallow water or non-marine sands. Many of these sands exhibit excellent reservoir potential — some U.S. Geological Survey geologists have even suggested that the oil staining provides evidence of a breached, pre-existing oilfield.

"You've got these deepwater sands and shallow marine sands that have good indications of hydrocarbons having been in them in the past, so these are definitely potential reservoir rocks in the subsurface to the north," LePain said.

And there's an abundance of shales which could provide a rich source of hydrocarbons.

"Gil Mull's ... taken the lead on the source rock part of the stratigraphic study, focussing in on ... a unit that we call the Otuk formation," he said.

The Otuk formation, a deepwater deposit exposed just west of the trans-Alaska pipeline, a short distance north of the Brooks Range front, contains organic-rich shales and shaly limestones.

"Some of these have upwards of 10 to 15 percent total organic carbon, so they're rich marine source rocks and they're correlative with the Shublik," LePain said.

The Shublik is a stratigraphic unit that people recognize in the subsurface geology throughout the North Slope and that forms the source rock for much of the oil in the Prudhoe Bay area, he said.

Although people generally think that the thermal history of the rocks in the Foothills belt favors gas generation, Mull's analyses of the Otuk rocks reveals intriguing evidence of the formation of oil.

"For a long time the Foothills belt was largely regarded as a gas province ... Gil's work on these Otuk exposures suggests that that's probably the case," LePain said. "But some of his geochemical results are showing that there might be more oil potential than was originally recognized — that's very economically significant."

### Oil indications east of the Haul Road

The area east of the Haul Road between the Sagavanirktok and Ivishak Rivers is yielding some equally interesting finds. The rocks in this area post-date the rocks to the west and generally exhibit the depositional features of deeper water.

"The Colville Basin, north of the Brooks Range, was filled from west to east, so the older rocks are in the central part of the basin and the western part," LePain said. "As you go east, the rocks get younger and you get a predominance of the deep water facies."

The NPR-A-Foothills team has found a well-exposed 3,900-meter rock sequence on an unnamed drainage east of the Haul Road — the geologists are trying to correlate this sequence back to the detailed stratigraphy that they have established to the west. The fossils in the eastern sequence indicate an Upper Cretaceous age.

And there's ample indication of oil formation in these younger rocks.

"There's oil-stained sands in the base of that section ... and then there's also some brown paper shales that are probably correlative with the Hue shale gamma ray zone," LePain said. The Hue shale gamma ray zone is a very prominent North Slope subsurface log marker that people think to be an important hydrocarbon source rock.

Indeed, the paper shales that the team has discovered contain substantial organic material and may have generated oil that can be detected in an adjacent layer of a type volcanic rock called a tuff.

"(There are) volcanic tuffs in the same part of the section and they just reek of oil," LePain said, "... you break them open and they smell like the floor of a gas station."

### Assessing the reservoir potential

Following some initial funding from the Division of Oil and Gas for laboratory work, the team has supplemented its fieldwork with tests on rock samples, to determine the reservoir potential of the various sandstones in the study area. The lab tests

see Foothills page 13

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continued from page 11  
**YUKON FLATS**

along the northern and southern flanks of the basin. The area has filled with river deposits and other land-based sediments since the crust starting sinking at the start of so-called Tertiary time, about 65 million years ago.

Gravity and seismic surveys indicate a deep basin, especially in the southern part of the area.

"The indications from the seismic are that there's between 3,000 meters and 4,500 meters of Tertiary fill in the basin," Reifenhstahl said.

#### Hydrocarbon indications

And there's evidence that the sediments in the basin include hydrocarbon source rocks. For example, geologists have found tasmanite, a form of oil shale, in the north-eastern part of the basin. Tasmanite is a strange, elastic rock that you can light with a match — people sometimes call it "blubber rock," Reifenhstahl said.

Exxon exploration between 1984 and 1986 included some seismic lines and

some shallow wells around the perimeter of the basin. Exxon was looking for hydrocarbon source rocks but the company has not released the results of its work to the general public. Texaco also shot some seismic lines in the Yukon Flats in the mid-1980s.

The U.S. Geological Survey drilled a test well in 1994 and hit some gas generating coal at a depth of about 1,200 feet.

"About at the base of the section they hit a 29-foot big coal section, which is mid-Miocene coal," Reifenhstahl said. "They pulled it out and it was popping and cracking and diffusing gas."

A couple of years ago, a 10-mile seismic line, run by DGGS in conjunction with the Kansas Geological Survey, confirmed the existence of coalbeds at shallow depths. This particular seismic survey did not penetrate the deeper rocks and added little definition to the stratigraphy of the basin.

#### Rock sampling

Last September Reifenhstahl, travelling by helicopter with Rick Stanley of the U.S. Geological Survey, visited some of the sparse surface outcrops in the Yukon Flats

area. The two geologists collected representative rock samples for analysis.

"We probably looked at 16 to 20 Tertiary exposures," Reifenhstahl said.

Laboratory analysis of the rock samples revealed a thermal history that could support oil and gas generation.

"You'd look at them and say 'OK, you can't discount this basin because of an over-mature Tertiary section'," Reifenhstahl said. "The Tertiary section says 'yes, it's possible for this rock to contain oil and/or gas'."

The permeability and porosity of the rocks also include appropriate ranges for oil and gas reservoirs, although volcanic action may have clogged some of the sediments along the margins of the basin.

"The porosity ranges from 2 percent to about 26 percent, with an outlier of about 39 percent," Reifenhstahl said. "They're nice looking fluvial, graded stream deposits."

It all adds up to a strong possibility of hydrocarbon accumulations.

"What we're going to be looking for is probably shallow gas, possibly oil in the deepest part of the basin," Reifenhstahl said.

"There's a lot of coal in the section."

#### Defining the stratigraphy

DGGS is seeking funding to carry out a detailed investigation of the stratigraphy of the basin. With few wells and sparse 20 year old seismic, the geology of the area remains imperfectly understood — Reifenhstahl thinks that a portfolio on the reservoir characteristics of the rocks would provide an invaluable starting point for companies interested in exploring the area.

Rivers, cutting down through the land surface, have exposed hundreds of meters of rock in some places.

"What we're hoping to do is to go out to some of these Tertiary sections ... and actually do a more detailed stratigraphic analysis of the section," Reifenhstahl said. "... ultimately we'd like to put together a small portfolio on the potential reservoir characteristics of some of the Tertiary sections."

Meanwhile, Rick Stanley in the U.S. Geological Survey plans to publish later this year an assessment of undiscovered oil and gas in the basin, based on what information is currently available. ♦

continued from page 12  
**FOOTHILLS**

measure the porosity and permeability of the samples — the porosity determines how much fluid the rock can hold, while the permeability provides a measure of how easily fluids can flow through the rocks.

"So now what we do routinely when we're out in the field is we collect the samples from selected sand units and then we send off a limited suite for laboratory analysis," LePain said.

Team member Rocky Reifenhstahl has been assembling the results of the tests and also looking at microscope slides of the

rocks, to determine the internal features that give rise to the porosity and permeability.

LePain pointed out that weathering can make porosity and permeability measurements of surface exposed rocks misleading. However, he believes that the results of the lab tests yield generally useful information for assessing the reservoir potential at depth.

#### Future direction

So how will the NPR-A-Foothills program progress in the future?

When the program started about four years ago the team planned to investigate the surface geology all the way from the Haul Road to the DeLong Mountains at the

far western end of the Brooks Range. However, the discoveries in the rock outcrops in the area near the Haul Road have caused the team to focus on that area rather than moving further west.

"We've kind of become bogged down in the eastern part of that whole trend in the Chandler Lake, Sag River area, because there's so much geology there of economic significance," LePain said. "... each year as we think about the upcoming field season we can't really justify moving further out to the west, because there's so much left to be done."

With the program now entering the fifth year of what was initially a five-year plan, the project team will need to assess the

future direction. The program could move west, as originally envisaged. However, economic interest in the geology east of the Haul Road and the possibility of the coastal plain of the Arctic National Wildlife Refuge opening for exploration could favor an eastward move.

So, future direction will depend in part on where industry exploration goes — the program team will seek input from its sponsoring industry consortium and the Division of Oil and Gas.

Meanwhile the NPR-A-Foothills team continues to extend the knowledge of rocks that may turn out to be critical in future oil and gas discoveries. ♦

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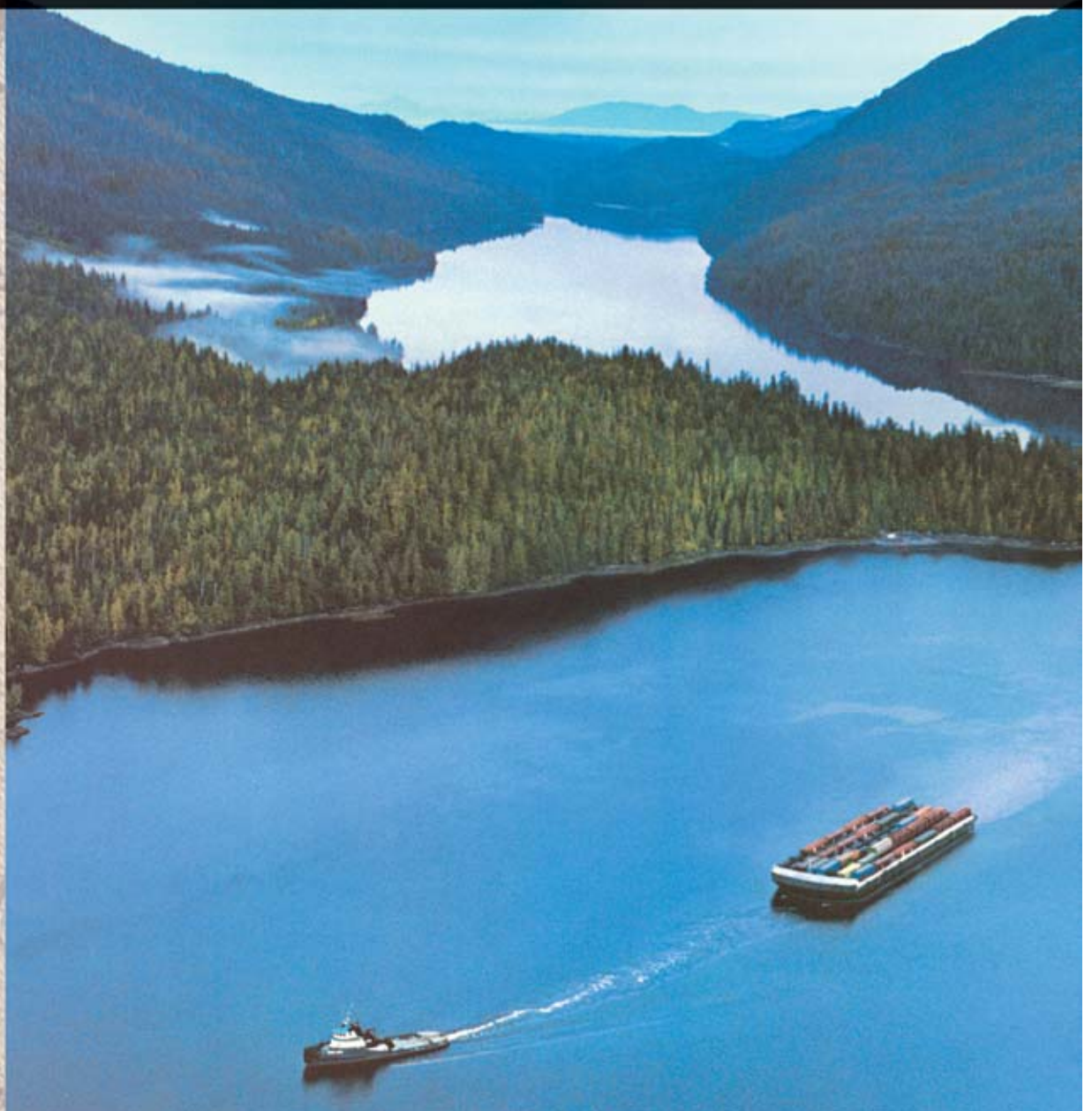
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**SEISMIC**

lines from that era are still visible today, Faust said. In the 1980s and early 1990s, he said, there was an attitude that there would be some incidental damage. Contractors made cost-benefit decisions about environmental impacts in the field.

“Now, incidental damage is absolutely unacceptable,” Faust said. “With a zero tolerance for damage, the seismic contractor is forced to come up with a solution to be able to get the data and make their profits, without doing any damage.”

New vehicles tread lightly

Early on, vehicles used in seismic shoots were on steel tracks, with skid-



980's to 1999 3 PSI - Steel tracked skid steering

steering systems similar to military tanks. When equipment turned, it was difficult to avoid tundra damage.

In the early 1990s companies tried rubber wheels to reduce pressure on the tundra, and articulated steering eliminated the tearing caused by skid steering. Rubber wheels were used on most survey vehicles by 1999.



Rubber tracked 2000 < 1 PSI differential steering

In 2000, companies took a new look at using rubber tracks. In the past, extreme cold caused rubber tracks to split and fall off vehicles, but new designs and new rubber compounds solved those problems.

Rubber tracks were fully implemented in 2001 on survey vehicles and personnel carriers, Faust said. By 2003, even the 90,000-pound vibrators were equipped with rubber tracks.

The change from steel tracks and balloon tires to rubber tracks has led to a dramatic reduction in tundra damage. The current weight-per-square-inch ratings for much of the equipment is less than 25 percent of the load for the same equipment 10 years ago, Faust said.

New survey design cuts impact

New “cross line swath” patterns in seismic surveys allow vehicles to travel for miles without turning — the maneuver that created most damage in the past. Companies are also placing survey lines farther apart. The footprint of the survey has been reduced while the subsurface image has improved at the same time, Faust said. The changes have shrunk the environmental impact of seismic acquisi-

tion.

A “button patch” design was tried in 1996 because it was very effective in other states, but it was a good fit for the North Slope, and was abandoned. Faust said. It minimized impacts of vibrators, but caused receivers to make lots of turns, increasing the likelihood of tundra scarring.

“No trace of the seismic activity seen by the third summer is the current standard,” Faust said.

3D seismic cuts impact over the life of the oil field

The use of 3D seismic early in the exploration process significantly reduces total cumulative impact of oil and gas operations in the sensitive Arctic environment, Faust said. 3D scans provide information that is useful over the life of an oil field. Before 3D, one well in 10 hit paying quantities of oil, he said, now 50 percent of wells hit paying quantities. The payoff is better results from fewer wells, aided by better placement of facilities and pipeline corridors.



Rubber Wheeled 1997 - 1999 2 PSI articulated steering

“We don’t drill in the wrong places now; we don’t put a gravel pad somewhere and find out five years later we should have put it two miles to the east, and put a second pad out,” Faust said.

From the 1960s to the 1980s, 2D seismic was the only method employed.

In the 1980s, and through the mid-1990s, 3D technology became much more common, and was shot in combination with 2D views.

From the mid-1990s on, 3D seismic became the standard. Seismic technology advanced, and equipment designs became more environmentally friendly, Faust said. Operational attitudes changed as well. Industry and regulators have become unforgiving of even small amounts of environmental damage.

In 1996, the 119,000-acre Alpine survey using the turn-heavy button patch pattern damaged 3.2 acres, Faust said. In 2001, a 672,000-acre cross line swath survey resulted in less than one acre of damage, but that damage was unacceptable.

“That crew was terminated, and they lost six or seven million dollars of income that year,” Faust said. “It wasn’t just that they had damaged a half an acre, but they didn’t have a technique in place to keep it from happening again.”

Contractors are now selected based on health, safety and environmental records, Faust said. ConocoPhillips requires its contractors to follow a prescribed checklist at the beginning of each day, to insure that HSE issues are prioritized, and to insure that the database of environmental and archeological hazards is updated. A representative of local communities, with a significant amount of subsistence understanding, travels with the surveyors to pinpoint archeological sites, Faust said.

Competition has developed among contractors, to provide the best HSE innovations and low impact equipment, Faust said.

“We continue to ratchet up the bar for environmental excellence,” he said. ♦

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# MINING NEWS

## A L A S K A

### SOUTHWEST ALASKA

#### Transportation, power hurdles for Donlin Creek development

Developers of the remote Donlin Creek deposit, located 175 miles from Bethel and 12 miles north of the Kuskokwim River in rolling hills, must carefully calculate costs to provide basic infrastructure for any mine that would operate at the 28 million ounce gold resource. (See related story this page.)

That's because there's little in the way of existing infrastructure on-site, and what is currently available has been developed in the past by exploration crews.

NovaGold Resources Inc., a Vancouver-based exploration company that currently owns 70 percent interest in the property, has studied logistical needs that a remote, large-scale open-pit mine and mill would require. In a presentation to the Fairbanks branch of the Alaska Miners Association Feb. 21, Doug Nickolson, NovaGold's senior projects engineer, talked about the company's "base case scenario" for Donlin Creek.



Doug Nickolson, NovaGold Resources

Patricia Jones

A work force of 300 to 400 employees, likely working 12-hour shifts, would process about 20,000 tons of ore a day, he said. Gold-rich rock would be crushed and processed, with gold bars shipped out, said Greg Johnson, vice president of corporate development.

#### Power an obstacle

Electric power is one of the key obstacles for such a development. Currently, NovaGold executives have looked at diesel generation on or near the site, but are open to other alternatives, such as a regional power plant or running power lines from the existing Railbelt grid.

"We would just as soon be someone's customer," Nickolson said. "Anything else is gravy — we would love for someone else to come in and provide power, as long as it meets the economic perimeters of the project."

Several studies are in the works that are considering the Donlin Creek power needs along with regional electric demand for the rural area, Johnson said. "There's a lot of interest from the state and the Denali Commission about a regional solution, such as a regional electric grid."

Calista Corp and the Kuskokwim Corp., Native corporations which own the mineral rights and land at Donlin Creek, are also looking at ways to provide power to the deposit as well as to shareholders in the area.

"One of the ideas is if the villages in the Alaska Village Electric Cooperative got together and build something that's a cooperative plant for the region," Johnson said. "There's also talk about a new power plant in Bethel, or a line over to the (Railbelt) Intertie."

Should these plans fall through, a diesel generation plant on-site would require substantial shipments of fuel, Nickolson said. "It would require 30 million gallons of fuel a year, just for a power plant," he said.

#### A barge a day

Fuel shipments, combined with consumable items needed at a mine and mill site, would require seven tug and barge deliveries a week during the 122-day river shipping season on the Kuskokwim

see DONLIN CREEK page 16

### SOUTHWEST ALASKA

#### Placer Dome goes back to work on the Prudhoe Bay of Alaska gold deposits

Vancouver company commits to \$30 million investment in less than five years for 28 million ounce resource in Kuskokwim mountains

By Patricia Jones  
PNA Contributing Writer

Calling it one of the company's top four development properties worldwide, mining giant Placer Dome is returning to Alaska to work the state's largest unmined gold deposit, the 28 million ounce Donlin Creek resource located in the Kuskokwim mountains of southwest Alaska.

UPDATE

The Vancouver, B.C.-based company, with mining operations worldwide that are expected to produce 3.5 million ounces this year, looks at Donlin Creek to help fulfill future production needs.

"It has the potential to one day become part of our overall long-term strategy," said Meghan Brown, senior communications coordinator for Placer Dome. "But it's not just switching the lights on quickly."

Under an agreement with joint venture partner NovaGold Resources Inc. announced Feb. 11 and

published in the Feb. 16 issue of Petroleum News Alaska, Placer Dome has a little less than five years to bring the property to a mine construction decision. That work includes spending \$30 million on Donlin Creek, to include to producing a feasibility plan and acquiring necessary permits to operate a large-scale mine and mill.

Terms of the agreement call for a minimum mine production of at least 600,000 ounces, but according to NovaGold's news release on the property deal, Placer Dome is currently looking at a high-tonnage operation that would potentially produce more than one million ounces per year.

That's more than double the size of Alaska's largest operating gold mine, the Fairbanks-area Fort Knox open pit mine and mill, which produced about 440,000 ounces in 2002.

A Placer Dome representative briefing state legislators during a natural resources committee meeting on Feb. 19 said Donlin Creek is the largest pro-

see PLACER DOME page 16

### STATEWIDE

#### Alaska mining news summary

By Curt Freeman  
PNA Contributing Columnist

Despite the drop in gold prices since a month ago, exploration activities in Alaska are picking up. Two drill programs have already kicked off in Interior Alaska and more are likely to be completed before the end of March. Contracts for drilling rigs, helicopters and experienced geologists are being finalized at a rate not seen here in half a decade. In addition, Alaska's new political administration is aggressively encouraging infrastructure development and making regulatory improvements to help Alaska's mineral industry grow. I also have to correct last month's lament that Alaska did not reach the \$1 billion value mark in 2002. More accurate figures recently were provided which indicate that Alaska's total mineral industry value topped the \$1 billion level for the sixth straight year. Production value was \$968.2 million, development value was \$33.5 million and exploration value was \$25.0 million bringing the year-end mineral value to \$1,026,700,000. All things considered, it's looking

#### The author

Curt Freeman, CPG #6901, is a well known geologist who lives in Fairbanks. He prepared this column for Petroleum News • Alaska on Feb. 28. Freeman can be reached by U.S. Mail at P.O. Box 80268, Fairbanks, AK 99708. His work phone number at Avalon Development is (907) 457-5159 and his fax is (907) 455-8069. His email is avalon@alaska.net and his Web site is www.avalonalaska.com



Curt Freeman

Patricia Jones

like a good year coming up.

#### WESTERN ALASKA

The eagerly awaited decision finally came and in the end surprised nobody. NovaGold Resources announced that Placer Dome has elected to increase its interest in the Donlin Creek gold project by 40% (to 70%). In order to acquire this additional interest Placer Dome must expend \$30 million on project development, complete a feasibility study and make a decision to construct a mine that produces at least 600,000 ounces of gold per year, all this by November 13, 2007. NovaGold would not be required to contribute additional funding

until after the first \$30 million is spent and may elect to have Placer Dome arrange financings for NovaGold costs related to mine construction. The companies are on-track to complete a revised resource estimate based on all of the drilling completed in the last year and to develop plans to address the project's power and access needs. Using a lower cut-off of 1.5 grams of gold per tonne, current resources at the project

see FREEMAN page 16

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## FREEMAN

stand at 9.9 million ounces grading 3.0 grams of gold per tonne in the measured and indicated category with an additional 17.9 million ounces of gold grading 3.0 grams of gold per tonne in the inferred category.

Now that day to day management of Donlin Creek has passed to Placer Dome, NovaGold Resources announced plans to accelerate exploration and development of its holdings in the Nome District, including the Rock Creek gold project under option to TNR Resources, and its Nome Gold and aggregate projects. Independent Preliminary Economic Assessments are being completed on both projects to determine optimal development plans and exploration requirements for later this year.

The U.S. Bureau of Land Management announced the beginning of a planning process designed to review opening of the Southern National Petroleum Reserve Alaska (NPR-A) to mineral development. NPR-A is an enormous track of land originally set aside as a strategic petroleum reserve but which happens to contain the eastern end of the Red Dog zinc belt. Exploration conducted by the U.S. Bureau of Mines nearly 20 years ago indicated that the Drenchwater and Story Creek deposits have 50 to 100 million-ton resource potential with Story Creek having grades that are higher than the extremely rich Red Dog deposit. Access to these deposits, from existing roads to the west or the east, will be key to developing these resources.

### EASTERN INTERIOR

Kinross Gold announced that it had a successful year of exploration at its Fort Knox mine in the Fairbanks District in 2002. The company indicated that it had recovered 410,520 ounces of gold at a cash cost of \$232 per ounce and added 623,000 ounces to new reserves as a consequence of renewed exploration drilling and revised engineering/mining techniques. In 2002 the operation mined 19.1 tons of material using a staff of 388 people, an activity that is expected to rise in 2003 to 33.5 million tons mined with a staff of 425 people. Projected production for 2003, from the combined Fort Knox and True North open pits, is 408,000 ounces of gold. Exploration spending by the company also is expected to increase in 2003 to \$3.5 million.

Teryl Resources and Linux Gold Corp. (formerly Linux Wizardry Systems Inc) announced that a 6 hole, 1,500-foot drilling program was underway on its Fish Creek prospect in the Fairbanks District. The drill program is designed to test several magnetic highs for lode gold – arsenic - bismuth mineralization similar to that on the adjacent Gil project (Kinross Gold 80%/Teryl Resources 20%). In addition, the drilling will test for alluvial gold mineralization similar to that recovered in previous drilling on the project.

### ALASKA RANGE

Nevada Star Resources announced that it has made arrangements to raise \$1.5 million to be used to continue exploration its MAN copper – nickel – platinum group element project in the central Alaska Range in 2003. Recent exploration discoveries in this area and the much anticipated release of airborne magnetic and resistivity data by the State Div. Geological and Geophysical Surveys and the U.S. Bureau of Land Management has prompted renewed staking of prospective ground in the area.

### NORTHERN ALASKA

Silverado Mines reported that underground development work is continuing at its Nolan Creek placer mine in the southern Brooks Range. By the end of January the company had advance approximately 426 feet upstream and 500 feet downstream along the Nolan Deep Channel. This work and other development work has resulted in a stockpile of approximately 7,000 cubic yards of gold-bearing gravel that will be treated in the summer of 2003. The company plans to continue drifting along the Nolan Deep Channel until warmer spring weather forces seasonal closure of the underground and conversion of the operations to mining of stockpiled gravels. The company expects to mine about 1,500 feet of channel this winter season and complete surface drilling on the property in late spring.

### SOUTHEAST

Hecla Mining (29.73%) and Kennecott Mining (70.27%) announced revised ore reserves on its Greens Creek mine on Admiralty Island. The year-end 2002 proven and probable reserves stood at 7,049,944 tons grading 0.13 ounces of gold per ton, 14.9 ounces of silver per ton, 4.2% lead and 11.4% zinc. This equates to about 903,000 ounces of contained gold and over 105 million ounces of contained silver. The mine also contains 2,725,637 tons of material classified as “other resources” grading 0.13 ounces of gold per ton, 17.0 ounces of silver per ton, 4.9% lead and 11.3% zinc.

### OTHER

State Democratic Senator Gretchen Guess and Democratic Representative Eric Croft introduced companion bills in the State legislature that would earmark revenue from mining claim rentals, leases, taxes and royalties for a mining infrastructure fund. These funds total about \$5 million per year and would be used for projects that would spur or support mining development in Alaska. The Alaska Department of Natural Resources would administer the funds. The bill also would change current state policies into statutes such that mining wastewater discharge would not have to be cleaner than the water was when it entered the operations. Current regulations allow this policy to be applied at the State’s discretion but this bill would convert the policy to statute. ♦

continued from page 15

## PLACER DOME

ject the company has ever taken on.

Size, logistics similar to Prudhoe

But Donlin Creek, which is among the 20 largest gold deposits worldwide, faces logistical challenges unlike Fort Knox, which happened to be located less than 25 miles from Alaska’s second largest city, and a long-time mining community.

Donlin Creek is more similar in size and logistics to Prudhoe Bay. It’s remote, located about 175 miles up the Kuskokwim River from Bethel, about 12 miles north of river from the village of Crooked Creek, nestled in the rolling hills which face harsh winters in southwest Alaska.

Power, transportation and labor needs will provide significant operating hurdles to overcome, as well as dealing with the technical, environmental and economic questions about the hard-rock gold resource.

“There are a number of complex issues that need to be addressed,” Brown said. “We’re very positive about the opportunities to do business in Alaska.”

Resource is open, could grow

But quantity of the valuable mineral, combined with steady market prices for gold, should help overcome many economic obstacles. NovaGold executives, who have been on the ground at Donlin Creek for several years, believe the 28 million ounce resource will grow as knowledge about the deposit increases.

“It’s still open at depth and along the strike, both east and west,” said Greg Johnson, vice president of corporate development at NovaGold and a geologist who worked on the property for Placer Dome in the early and mid 1990s. “In the long term, we’re confident it will continue to grow.”

Currently, the deposit is about three kilometers wide and about two kilometers long. Exploration drilling has generally stopped at the 1,000-foot depth, Johnson said, although a few deeper holes have been punched.

“We’re pretty confident with those few deeper holes that the system remains open at depth,” he said. “It depends on gold prices but yes, we will look at the economics of deeper drilling. There’s no question that there’s more gold to be found there.”

How much, and how quickly, remains to be seen. The two companies, which announced a new joint venture agreement for Donlin Creek on February 11, are first working on a new resource number. That number should be released sometime in March, Johnson said, along with a pre-feasibility study sometime later in the year.

The 28 million ounce resource, a number calculated and released by NovaGold last fall, is based on histori-

cal drill data from Placer Dome, combined with NovaGold’s \$10 million worth of work on the property since mid 2001. It’s based on a grade cutoff of 1.5 grams per ton, considered to be an economic level of production, should gold sell for \$350 per ounce.

“As gold prices scale up, you have the economies of scale available to decrease the grade cutoff,” Johnson said.

The average grade of the known Donlin Creek resource is three grams or .09 ounces per ton of rock, according to Johnson, considerably higher than the average grade at Fort Knox, which was .025 ounces per ton at the start of mining in 1996.

### Placer Dome returns to Alaska

Less than two years ago, Placer Dome pulled out of Alaska, turning over operatorship of its largest exploration project in the state, Donlin Creek, to NovaGold, a relatively new junior exploration company based in Vancouver, B.C.

At the time, Placer Dome had spent about five years on the exploration project and more than \$30 million to define a 13 million ounce resource. Although that resource was considered large, with record low gold prices at the time, it was considered uneconomic.

“As gold price dropped to \$250 an ounce, it became sub-economic,” Johnson said. “(NovaGold) believed it would be something of value when gold prices eventually turned around. We just didn’t know gold prices would bounce right away.”

NovaGold jumped in, spending roughly \$3 million during the first half year at Donlin Creek, targeting higher grade zones to see if the overall grade could be improved, Johnson said. Successful drilling results, a gradual increase in gold prices and company revenues from other mining properties in Alaska encouraged NovaGold to aggressively work the property in 2002. Although NovaGold had 10 years to spend \$10 million on the property to acquire a 70 percent interest, the company completed that obligation in 16 months, while doubling the resource estimate of the property.

Now, the tables are turned. Placer Dome must step up to the plate to reclaim a controlling 70 percent interest in Donlin Creek. But this time, the ante is considerably higher.

Placer Dome has slightly less than five years to reclaim its controlling 70 percent interest in the gold property, a timeline termed “realistic” by both companies.

“It does mean they have to get going on it,” Johnson added. “Clearly they can’t sit on it.”

Placer Dome could have remained at its current 30 percent share in the property, funding further development at that percentage. Or it could have converted to a non-contributing five percent net profits interest. ♦

continued from page 15

## DONLIN CREEK

River, he said.

“Basically there would be one barge a day being unloaded at Crooked Creek. To us, that’s not an excessive amount of traffic on the river, but we recognize it is a significant change to those people who live there,” Nickolson said. “It’s also a significant opportunity for locals as it would lower fuel

costs into that area.”

Access to the remote site also would require improvements to the existing dirt runway, now approximately 6,000 feet long, but with a substantial dip in the middle.

The existing winter trail from the Kuskokwim River to Donlin Creek also needs upgrading, and the state has already allocated about \$4 million to improve it to an all-season road, Johnson said.

—Patricia Jones, PNA  
contributing writer

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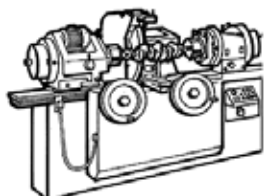
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**TotalFinaElf sells non-core Gulf of Mexico assets**

TotalFinaElf S.A. said March 6 that its U.S. oil and gas exploration and production subsidiary TotalFinaElf E&P USA Inc. has contracted to sell its interest in 13 non-core assets in the shallow water areas of the Gulf of Mexico.

TotalFinaElf's share of production from these 13 fields is some 4,500 barrels of oil equivalent per day. The company was the operator on only one of the fields and it retains exploration rights for horizons below current production depths in two of these assets.

The company said the sale of these properties is in accordance with its strategy in the Gulf of Mexico and Alaska of focusing exploration and production efforts on prospects with high reserve potential.

TotalFinaElf, as operator, recently begun production from the Aconagua field in the Mississippi Canyon area of the Gulf of Mexico using the Canyon Express gas gathering system and is developing the Matterhorn field in the same area. These deepwater developments are expected to significantly increase the company's gulf production.

**BANGKOK**

**Unocal, co-venturers outline spending plan for Thailand**

Unocal Thailand Ltd. and its co-venturers said March 3 that they expect to invest nearly US\$300 million on crude oil and natural gas projects in 2003 to support Thailand's drive to reduce imported energy. Randy Howard, Unocal Thailand's president, said that Unocal Thailand is focused on three key areas in 2003: exploring for additional oil and gas resources in the Gulf of Thailand, supporting the efforts of PTT Exploration and Production Public Co. Ltd. to develop the Arthit gas field in the Navamindra Production Area, and expanding crude oil production.

In 2002, Unocal Thailand gathered additional seismic data to prepare for expanded exploration activities in 2003. About 140 development and delineation wells are planned in 2003 to define new areas for possible future development in their offshore concessions. Unocal Thailand's exploration efforts have continued to expand the large oil and gas resource potential of Thailand. Over the last decade, the extensive exploration effort has led to an increase from 6 trillion cubic feet to over 14 tcf of resource potential to the Kingdom.

"Our capital investment over the last 10 years and continued application of technology has resulted in growing the clean-burning natural gas resources that fuel the Kingdom" Howard said.

Unocal Thailand is a partner (16 percent) with PTT Exploration and Production in the Arthit gas field, in the Gulf of Thailand area between Thailand and Vietnam. Development plans are under way by PTT for the start of gas production in 2006 into PTT's third major gas pipeline to Rayong. s

■ C A L G A R Y

**Anadarko takes lead role in Canada's north**

**Reports natural gas discovery in northwestern Alberta; plans full slate of exploration, development activities for 2003 from cap-ex of C\$540 million**

By Gary Park  
PNA Canadian Correspondent

Anadarko Petroleum Corp., having absorbed takeovers of two Canadian companies in 2001, is fast-emerging as one of the leading players in Canada's northern regions.

Spurred on by improved 2002 earnings and a natural gas discovery in northwestern Alberta, the Houston independent has set a capital spending program of C\$540 million for its Canadian properties this year.

Its program is expected to see it become the pacesetter in the Northwest Territories, notably in the Fort Liard gas play of the lower Northwest Territories, where it is drilling five exploratory wells, has five more planned and holds permits for two development wells.

The company announced Feb. 27 that it has made a gas find in the Saddle Hills area, boosting

its proven and probably reserves in the Alberta multi-zone play to 130 billion cubic feet from 90 billion cubic feet and a mere 6 billion cubic feet when it started exploration in late 2001.

Anadarko Canada president Bob Daniels said Saddle Hills is now a core development area, with C\$68 million earmarked for development drilling, seismic and midstream activities to extend the play. Another five exploratory wells and nine development wells are scheduled for other zones in the same play, where Anadarko holds 35,000 net acres.

For all of Canada, Anadarko expects to complete 322 development and 43 explorations wells this year, targeting an increase in output of more than 10 percent to 33 million barrels of oil equivalent, after allowing for last year's sale of heavy oil producing properties.

If it achieves that level, the company will rely

see ANADARKO page 21

■ B R I T I S H C O L U M B I A

**Showdown B.C.: Offshore political feud heats up**

**Federal, provincial cabinet ministers clash over 2010 start-up target; Dhaliwal pledges moratorium decision this year; Anderson accused of being a hindrance**

By Gary Park  
PNA Canadian Correspondent

The Canadian government will decide this year whether to lift the 1972 ban on Pacific offshore oil and natural gas exploration, says Natural Resources Minister Herb Dhaliwal, setting the stage for an all-out political battle.

A process is being established to "look at all the environmental, the social and economic considerations and by the end of the year make a decision on the moratorium," he told reporters Feb. 28.

Dhaliwal also made a case to a House of



Canada's Natural Resources Minister Herb Dhaliwal

Commons committee on economic union Feb. 27 for a three-person panel to spend the next six months examining all the issues facing the development of offshore resources.

As well, his department is working with the province of British Columbia to evaluate the concerns.

In joining forces with British Columbia and intensifying his lobbying within the federal government, Dhaliwal has set the stage for a clash with federal Environment Minister David Anderson, who, like Dhaliwal, represents a British Columbia constituency in the House of Commons.

see FEUD page 21

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## 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 been 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 possess 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 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 oil-field 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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Hazwoper 40: 3/10-14  
Hazwop Ref: 3/12, 25  
Asbestos 40: 3/3-7  
Asbestos Ref: 3/6, 11, 21  
Lead Abatement: 3/24-25  
Painters Cert: 3/26-27  
Painters Ref: 3/24  
Hazmat Trans: 3/18-20  
Confined Space: 3/4-5

## Legal Notice

**Notice of Public Meetings Alaska Oil and Gas Conservation Commission** Under the Open Meetings Act (AS 44.62.310), notice is given that the Alaska Oil and Gas Conservation Commission will meet in public meetings on March 5, 12, 19, 26, 2003, April 2, 9, 16, 23, 30, 2003 and May 7, 14, 21, 28, 2003 at 9:00 AM in the Commission's Conference Room in Anchorage, Alaska at the address below. The Agenda may include: general commission business including personnel; regulation matters; policy and budget matters; oil and gas conservation issues; legislative issues; and agenda items deferred from prior meetings. 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 Commission's office by noon of the workday before each of the scheduled meetings. Circumstances may cause items to be either added or deleted from an agenda. If you have any questions about the agenda, please contact Jody Colombie at the Alaska Oil and Gas Conservation Commission, 333 W. 7th Avenue, Suite 100, Anchorage, Alaska 99501, (907) 793-1221. If you are a person with a disability who may need special accommodation in order to attend the public meeting, please contact Jody Colombie at the address or phone number indicated above as soon as possible but at least 72 hours before the accommodation is needed, to ensure that any necessary accommodations can be provided. Cammy Oechlisi Taylor, Chair. Published February 13, 2003, ADN AO# 02314033.



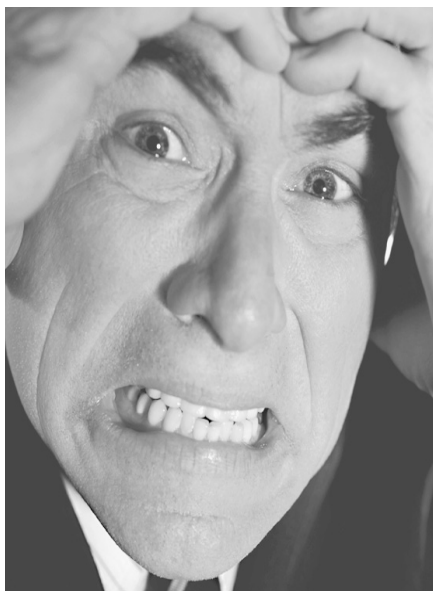
### Foreman - Drilling Support Dispatcher - Prudhoe Bay, Alaska Summary:

Primary contact between the client representatives in the field, receiving technical data and recording information on tracking log system to update reports for various clients and company departments. Dispatching of men and equipment to perform the various jobs in the field. Essential Functions: Schedules jobs, procures procedure data, fluid requirements, equipment requirements, personnel requirements and coordinates contractor personnel and fluids dispatching. Prepares and records data necessary to maintain logbooks, reports, assembles and maintains a database file system required for the administration of the Drilling Support group. 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 Qualifications: Must have at least five years experience in oil field fluid transfer, hauling and dispatching, with a minimum of two (2) years of leadership responsibilities. Must be computer literate, with knowledge of client computer systems a plus. Must have a basic equipment background and training on vacuum/ tanker trucks, Super Sucker/Guzzler trucks, bed tandem trucks and a thorough knowledge of the Client's fluids transfer policy. Must be knowledgeable in safe operation of the various equipment and be able to train others in such. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate commitment to established safety policies and procedures. Driver's license required. Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee is occasionally required to access mechanical, electrical, and utility systems in performing equipment inspections. Employee's duties will require sitting the majority of each work shift. FINE MOTOR SKILLS: Occasionally required to use hands and fingers with sufficient dexterity to perform close and exacting tasks. Employee's duties will require frequent use of the computer. HEARING: Must be able to hear audible safety warnings and alarms. VISUAL ACUITY: Specific vision abilities required by this job include close vision. Vision must be adequate to perform above listed tasks in a safe manner. LIFTING: The employee is occasionally required to lift and/or move up to 50 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is occasionally exposed to severe arctic weather conditions. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. Please submit your resume to: Recruiting Department 6411 A. Street Anchorage, AK. 99518 Email Resume to: [Alaska.Careers@VECO.com](mailto:Alaska.Careers@VECO.com) or fax (907) 550-8890 VECO Alaska Job Website: [www.veco.com](http://www.veco.com) VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization



### Equipment Operators - Prudhoe Bay, Alaska EQUIPMENT OPERATOR -

DRILLING SUPPORT VAC TRUCK/BED TANDEM/WATER TRUCK/SUPER SUCKER/GUZZLER/LOADER DRILLING SUPPORT Summary: Drives and operates heavy equipment and fluid transport trucks. Essential Functions: Drives and operates heavy equipment and fluid transport trucks. 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 Qualifications: Each level describes qualifications that may be in addition to those listed at lower levels. Level 200 Related work 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 Class A CDL with TX endorsements and have the ability to drive a tractor/trailer combination. Must provide current driving record, driver's physical exam medical certification card, and copy of current CDL. May be required to pass a road test given by a qualified VECO supervisor. Level 300 Previous operation of light/heavy duty trucks, tractor/ trailer, various loaders/forklifts, and bed tandems in construction or oil industry required. Must demonstrate knowledge of applicable equipment (e.g. vac truck, water truck, bed tandem or Super Sucker/Guzzler) as well as knowledge of applicable policies, equipment operation and safety issues. Must demonstrate ability and knowledge of all loading and off loading facilities. Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level. Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is required to sit. Must be able to access all areas described in above job description. HEARING: Must be able to hear audible safety alarms and warnings. VISUAL ACUITY: Vision must be adequate to perform above listed tasks in a safe manner. LIFTING: The employee must regularly lift, pull and/or move up to 50 pounds, and occasionally lift and/or move up to 70 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is occasionally exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. Please submit your resume to: Recruiting Department 6411 A. Street Anchorage, AK. 99518 Email Resume to: [Alaska.Careers@VECO.com](mailto:Alaska.Careers@VECO.com) or fax (907) 550-8890 VECO Alaska Job Website: [www.veco.com](http://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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## STATE OF ALASKA ANNOUNCES TWO OIL AND GAS LEASE SALES

### NORTH SLOPE FOOTHILLS AREAWIDE 2003 COOK INLET AREAWIDE 2003



The Alaska Division of Oil and Gas (DO&G), will offer lands for competitive leasing in North Slope Foothills Areawide 2003 and Cook Inlet Areawide 2003 oil and gas lease sales on May 7, 2003. Sealed bids must be received by DO&G by 4:00 p.m. local time on May 5.

#### North Slope Foothills Areawide 2003

Bidding Method: Cash bonus – minimum bid on all tracts – \$5 per acre.  
Fixed Royalty Rate: 12.5% – all leases.  
Term: 10 years – all leases.

#### Cook Inlet Areawide 2003

Bidding Method: Cash bonus – minimum bid on all tracts – \$5 per acre  
Fixed Royalty Rate: 12.5% – all leases.  
Term: 7 years – all leases.

#### Annual Lease Rental

\$1.00/acre for the first year, \$1.50/acre for the second year, \$2.00/acre for the third year, \$2.50/acre for the fourth year, and \$3.00/acre for the fifth and following years.

#### Bidder's Information

Visit division's website, [www.dog.dnr.state.ak.us/oil](http://www.dog.dnr.state.ak.us/oil) for complete Sale Announcements, Instructions to Bidders, Bid Forms, and Regional Tract Maps. If unable to access this information, contact Suzanne Gaguzis, (907) 269-8803, email at [msg@dnr.state.ak.us](mailto:msg@dnr.state.ak.us).



# PNA CLASSIFIEDS



## General Maintenance Tech - Drilling Support - Prudhoe Bay, Alaska

Recruiting Authorization No. 2225 Summary: Performs various manual, unskilled, and/or skilled tasks as required for Drilling Support and VAI Base operations. This position will be assigned primarily to the VAI Base wash rack facility. Essential Functions: 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. Each level describes job duties that may be in addition to those listed at lower levels. 100 Level Performs manual labor supporting all field and shop and wash rack activity. Duties will vary according to project needs, but may include cleanup, heavy labor such as shovelling, cleaning interior and/or exterior of tanks, vacuum trucks, Super Suckers/Guzzlers and tankers, or working with and assisting skilled or semi-skilled crafts in the performance of their tasks. This may include lifting, carrying and holding materials in support of other crafts, cleaning tools, equipment and work areas. May deliver non-mobile equipment such as light plants and heaters to the field. 200 Level Performs manual labor, unskilled, and/or skilled tasks that are not covered by a skilled craft. May assist skilled or semi-skilled crafts in such areas as carpentry, rigging, mechanics, tire repair and welding. Depending on assignment may be required to prepare and process various types of documentation including permits and perform data input into database of work performed. May operate a loader. 300 Level Performs various skilled and/or unskilled tasks as required for Drilling Support and VAI base operations. May perform duties including light mechanical work; scaffold erection, maintenance and disassembly, rigging and bolt up; and outside building maintenance. May operate boom truck (requires training and a minimum Class B CDL). Note: Skills tests may be required of new hires to demonstrate core proficiencies or of existing employees to advance to a new job level. Qualifications: Each level describes qualifications that may be in addition to those listed at lower levels. 100 Level (General Labor) Related work 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. Driver's license required (note that this requirement may be waived at the company's discretion for employees hired on a temporary basis). 200 Level Minimum of one (1) year related experience preferred. 300 Level Minimum two (2) years related experience preferred. Must be able to work with minimal supervision and be capable of performing assigned tasks with limited general technical guidance. Must have a general understanding of basic mathematics. Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level. Physical Requirements The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is occasionally required to sit. Must be able to access all areas of a facility, including climbing scaffolding and ladders. Depending upon assignment, work may involve hard physical labor. HEARING: Must be able to hear audible safety alarms and warnings. VISUAL ACUITY: Vision must be adequate to perform above listed tasks in a safe manner and be able to correctly interpret control panel alarms. LIFTING: The employee must regularly lift and/or move up to 50 pounds, and occasionally lift and/or move up to 70 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is occasionally exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. Please submit your resume to: Recruiting Department 6411 A Street Anchorage, AK. 99518 Email Resume to: Alaska.Careers@VECO.com or fax (907) 550-8890 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.

## Legal Notice

### Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission

Re: Kustatan Field Well No. 1 Disposal Injection Order Section 4, T07N, R14W, Seward Meridian, Alaska Forest Oil Corporation by application dated February 28, 2003, has applied for a Disposal Injection Order for Kustatan Field Well #1 pursuant to 20 AAC 25.252. The Commission has tentatively set a public hearing on this application for April 15, 2003 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on April 7, 2003. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on April 7, 2003, except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on April 15, 2003. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before April 7, 2003. Randy Ruedrich Commissioner Published Date: March 5, 2003



## Lead - Drilling Support - Prudhoe Bay, Alaska

Recruiting Authorization No. 2224 Summary: Working under the supervision of a supervisor, provides day-to-day direction to work crew. This position will be assigned to the VAI Base wash rack facility. Essential Functions: Remains on site as single point of contact for work crew. Supervises and/or directs other employees. Examines work and materials for compliance with specifications. Accountable for safe work practices. Provides leadership to work crew in accordance with attached Team Leader expectations. Performs craft job duties as required. Will be required to use a computer to enter information in to a spreadsheet and/or a database. May be responsible for recording and reporting daily labor hours to timekeeper. Must have or receive BP "Red Book Generator training" and will be responsible for filling out fluid and solids waste manifests. Leads will be assigned to work crews based on job requirements. Job requirements will be evaluated based on a number of factors, including size of crew, work complexity, and any applicable state or federal requirements. 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. Qualifications: Minimum of five years experience in petrochemical environment preferred. Must possess the knowledge, ability and skills to direct other craftsmen. Experience with craftwork being performed strongly preferred. Must be well versed in operations, safety and environmental practices and policies. 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. Driver's license required (note that this requirement may be waived at the company's discretion for employees hired on a temporary basis). Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is occasionally required to sit. Must be able physically able to access all mechanical, electrical, and utility systems. FINE MOTOR SKILLS: Frequently required to use hands and fingers with sufficient dexterity to perform close, exacting and repetitive tasks. HEARING: Must be able to hear audible safety alarms and warnings. VISUAL ACUITY: Specific vision abilities required by this job include close vision. Vision must be adequate to perform above listed tasks in a safe manner. LIFTING: The employee must regularly lift, pull and/or move up to 50 pounds, and occasionally lift and/or move up to 70 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is occasionally exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. TEAM LEADER EXPECTATIONS • Promote safety in the team environment as an integral part of the business process. • Demonstrate your commitment to a safety culture that is incident and injury free. • Promote environmental stewardship. • Conduct responsibilities with the highest degree of financial integrity and business ethics. • Know and comply with all applicable regulations seeking assistance, as required, from the appropriate authority. • Treat all workers with respect and dignity. • Represent Veco and client interests with highest degree of professionalism and integrity. • Develop understanding of Veco's safety, human resources and business procedures. • Deal in all issues from a factual basis avoiding rumor and innuendo. • Treat employees fairly and consistently. • Provide frequent performance feedback to team members. • Contribute to team member evaluations on a consistent basis. • Develop and maintain a highly efficient and effective alternate relationship. • Maintain a clear understanding of your level of authority and operate within that authority. • Maintain communication with supervisors and your team to assure continual alignment with contract objectives. • Lead team to accomplish goals and objectives established by management. • Assist in assessing team member performance and assist in skill development. • Encourage upward feedback from team members. • Know who your customers are and provide the best service practical. • Identify and use resources both in and outside the organization to enhance processes. • Continually seek improvement in processes. • Promote a sense of ownership in all activities. • Encourage team member participation in activities that promote community enhancement. Please submit your resume to: Recruiting Department 6411 A Street Anchorage, AK. 99518 Email Resume to: Alaska.Careers@VECO.com or fax (907) 550-8890 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.

## Legal Notice

### Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission

Re: Moose Point Unit No. 1; ADL 389922; Section 14, T9N, R9W, SM, AK; Kenai Peninsula Borough, Alaska. Alaska Crude Corporation by application dated January 23, 2003 and received by the Alaska Oil and Gas Conservation Commission ("Commission") on January 28, 2003, has applied for an order allowing a spacing exception in accordance with 20 AAC 25.055 for the re-entry and testing of the Moose Point Unit No. 1 exploratory gas well. The surface location of the well is 2,124' FEL, 2,512' FNL, Section 14, T9N, R9W, Seward Meridian ("SM"). This vertical well falls within 1,500 feet of a property line. The Commission has tentatively set a public hearing on this application for March 18, 2003 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on March 3, 2003. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on March 17, 2003 except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on March 18, 2003. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before March 4, 2003. Cammy Oechsli Taylor, Chair, Alaska Oil & Gas Conservation Commission. Published Date: February 14, 2003, ADN AO # 02314034. Published Date: February 14, 2003, Clarion AO # 02314035.

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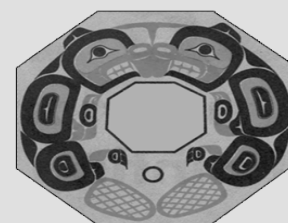
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**THE REST OF THE STORY**

continued from page 17

**FEUD**

Anderson was adamant in the Commons Feb. 28 that no offshore oil and gas ventures will be embarked on “without a proper analysis of the social, economic and environmental impacts.

“We have to analyze what the benefits and costs from an environmental point of view might be,” he said. “That is all I have asked for, that we have a proper assessment of the potential impact of this industry on the environment of the west coast.”

**Canada’s ocean coastlines fall under the sole jurisdiction of the federal government and since 1972 a federal moratorium has blocked any resource exploration of a region estimated to hold 10 billion barrels of oil and 42 trillion cubic feet of gas in four basins.**

Federal government has jurisdiction

Canada’s ocean coastlines fall under the sole jurisdiction of the federal government and since 1972 a federal moratorium has blocked any resource exploration of a region estimated to hold 10 billion barrels of oil and 42 trillion cubic feet of gas in four basins.

Anderson has an added personal stake in the future of the offshore. As a federal assistant deputy minister he was instrumental in establishing the 1972 ban.

Since Feb. 13, when the British Columbia government set a 2010 target for oil and gas to flow from the region, Anderson has warned that there is a “big price tag” — projected at C\$120 million — to evaluate the impact of earthquakes,

tsunamis, wave patterns and ocean currents on exploration and drilling.

He said that cost should be borne by the industry. “Why should they (the E&P companies) be given a free ride out of the taxpayers’ pocket?” he asked.

Anderson’s hard-line has infuriated British Columbia Energy and Mines Minister Richard Neufeld, who on Feb.

**A University of Victoria study has forecast offshore development could hold a total value of C\$500 billion over 30 years.**

28 accused Anderson of “trying to hinder (efforts to lift the moratorium) as much as he can.

“I don’t know what he has against people having well-paying jobs in British Columbia and his home province getting better economically and actually becoming the powerhouse it should be. No one can figure out why he is so much against it,” Neufeld said.

Province moving ahead

The British Columbia government, meanwhile, is driving ahead with its own plans, having released a strategy Feb. 19 that it hopes will include the offshore as a vital plank in generating C\$20 billion of new oil and gas investment by 2008.

The plan calls for an agreement with aboriginal and coastal communities by 2004 on offshore development, followed in 2005 by a regulatory agency to grant offshore exploration permits and leases.

The Ministry of Energy and Mines conceded offshore development remains “uncertain,” but insisted the offshore’s potential as a revenue-generator and boost for coastal communities is the best hope for a turnaround in an economically battered region.

A University of Victoria study has forecast offshore development could hold a total value of C\$500 billion over 30 years.

As the squabbling among politicians starts to build, the industry is taking a strictly neutral stance.

Industry on hold

Petro-Canada, Chevron Canada Resources and Shell Canada, the leaseholders in the Queen Charlotte Basin, along with the Canadian Association of Petroleum Producers, say they can do nothing until a complex, challenge set of issues are resolved: aboriginal land claims, environmental concerns and the two governments can establish a clear framework of regulations.

Otherwise, British Columbia has laid out a road map that it hopes will see oil and gas contributions to government revenues climb by 17 percent by 2004-05 fiscal year. The list includes:

- Removing “regulatory impediments and delays for doing business in B.C.” by facilitating road access to exploration sites, improving the geologic base of information and boosting development opportunities for unconventional resources such as coalbed methane.
- Increase drilling activity by 20 percent per year to 2005-06 and a doubling of oil and gas production by 2011.
- Implement a regulatory and competitive royalty regime to encourage more exploratory drilling and pilot production projects to tap the province’s estimated coalbed methane resource of 89 trillion cubic feet. A draft copy was released to the industry Feb. 3.
- To eliminate 5,846 of 17,716 of the province’s overall regulations by mid-2004. The province’s Oil and Gas Commission also aims to shrink its total regulatory requirements to 5,197 by 2005-06 from the current 6,200. ♦

continued from page 17

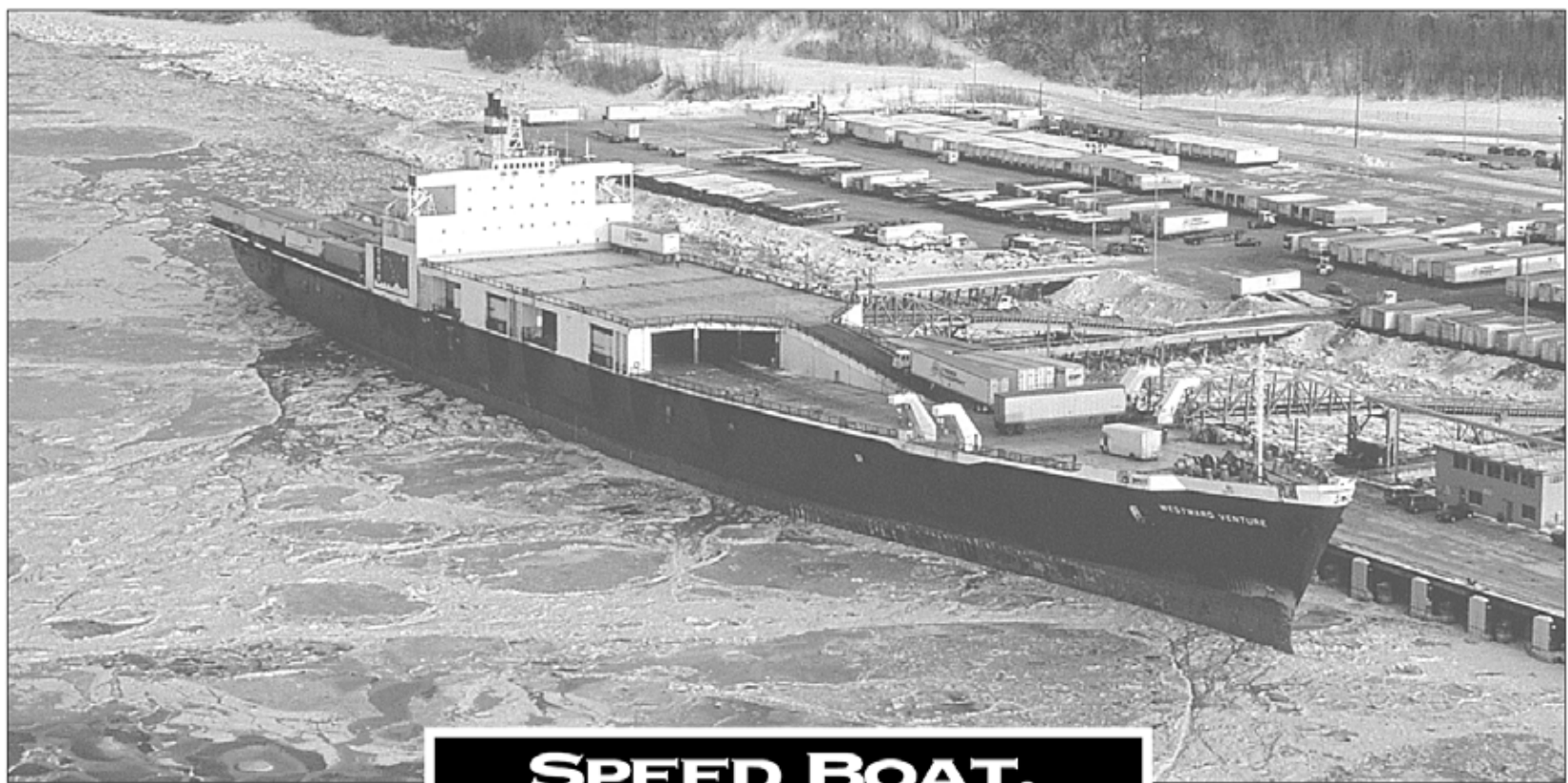
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on Canada for 16 percent of its worldwide volumes.

British Columbia also growth area

In addition to Saddle Hills and Fort Liard, primary growth areas include the Slave Point trend in northeastern British Columbia, where eight finds were reported in 2002; the Wild River area of Alberta’s Deep Basin; and a number of tight-gas plays in Western Canada. For those areas, the breakdown includes: two exploration and 46 developments wells to double output from in the Deep Basin tight play, where Anadarko holds 238,000 net acres; C\$50 million in 130 development wells in the tight plays in Saskatchewan’s Hatton field and British Columbia’s Halfway River play; C\$68 million for nine exploration and seven development wells in Slave Point; and delineation in British Columbia’s Monkman prospect where Anadarko, along with Talisman Energy Inc., National Fuel Exploration Corp. and Oiltec Resources Ltd. last year reported a regional play that could hold in excess of 1 trillion cubic feet of recoverable reserves.

Anadarko announced earnings for the final quarter of 2002 soared to US\$309 million from US\$108 million a year earlier, while year-end earnings rocketed to US\$825 million from US\$183 million, despite a drop in year-over-year revenues to US\$3.86 billion from US\$4.72 billion in 2001. ♦



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## Business Spotlight



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Joe Kapper, general manager

### Security Aviation Inc.

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The new general manager is Joe Kapper. A native Alaskan, he and wife Jackie spent 18 years in the San Francisco Bay area, running a successful design flooring business. They sold it and "came home" in 1997. Since then, he managed logistics and sales for Security. Joe is committed to the highest standards set by Dad, Mike O'Neill, but Joe might not keep the "Will Fly for Food" T-shirts.



Forrest Crane

David Volper, geoscientist

### Petrotechnical Resources of Alaska

Petrotechnical Resources of Alaska provides highly experienced technical professionals — geologists, geophysicists, engineers, project managers and management consultants — to Alaska's oil and gas industry. PRA recently constructed an Alaska database of all digitally available oil and gas exploration and development wells. Although primarily for client use, the data may also be purchased with or without interpretation. Details are at [www.petroak.com](http://www.petroak.com).

David Volper, geoscientist, was project manager for the database project. Before joining PRA four years ago, he spent 18 years with Sohio/BP. He came to Alaska when Sohio closed the San Francisco offices in 1985. David is hooked on biking and day hikes in the Chugach and Talkeetna mountains. He and family (wife Merideane Kennison and three children) vaguely recall enjoying cross-country skiing together.



# BP lends Pioneer assistance on North Slope; no Kuukpik facilities offshore, Coast Guard recertifies CIRCAC

The majors appear to be doing what they can to lend a hand to independent Pioneer Natural Resources Co., which is drilling its first wells on Alaska's North Slope this winter.

Oil Patch Insider sources say that Pioneer has asked to use one of BP's ball mills to grind cuttings from its drilling operations at the Northwest Kuparuk prospect between Thetis Island and the Kuparuk River unit.

Pioneer has Nabors Rig 27-E at the prospect but is also bringing in Nordic Calista Rig 3, which does not have an injector or grinder.

Pioneer is reportedly working on a ballot agreement with BP for use of the ball mill.

Pioneer already has a ballot agreement in place with Kuparuk unit operator ConocoPhillips Alaska Inc., without which the company might not have been able to drill the prospect.

## No offshore facilities for Kuukpik leases, says ConocoPhillips

ConocoPhillips Alaska Inc. submitted a clarification for Petroleum News Alaska's Feb. 23 story, "Satellite explosion."

The front page story reported that ConocoPhillips told state and federal agencies as many as 10 additional satellites within a 30-mile radius of its Alpine facility were possible in the future, as well as standalone processing facilities outside that radius in the National Petroleum Reserve-Alaska and for leases that might warrant development in the former Kuukpik unit.

ConocoPhillips' spokeswoman Dawn Patience emailed PNA Feb. 26, saying "there are no facilities outlined in this plan which border or extend into the Beaufort Sea or into the river itself."

Dawn was referring to an environmental impact statement proposal to agencies for the development of five Alpine satellites in the Colville River unit, which was part of the story. The 10 additional satellites and standalone facilities were mentioned in the EIS proposal's supporting documentation.

PNA's story does not mention the possibility of offshore facilities, but because the Kuukpik leases lie primarily offshore and at the mouth of the Colville River, Dawn was concerned that readers might assume the proposal called for offshore Kuukpik facilities. It does not.

## BLM to begin planning for southern NPR-A sale in 2004

Curt Wilson with the U.S. Bureau of Land Management had good news for the attendees of the Feb.27-28 Alaska Conference in Anchorage.

BLM, he said, is going to begin the planning process for a southern National Petroleum Reserve-Alaska oil and gas lease sale in 2004.

Curt didn't have much else to say about the southern planning process, except that BLM doesn't know a lot about the oil and gas potential in that part of the oil reserve.

## New head for Cook Inlet Regional Citizens Advisory Council

Jim Carter, executive director of the Cook Inlet Regional Citizens Advisory Council, is retiring. Recent press reports say Jim will be replaced by Mike Munger, the organization's operations director.

For those of you who don't know him, Mike has worked for both the oil industry and the Alaska Department of Environmental Conservation, and was environmental project manager for Alaska Technical Services in the 1980s.

Jim was the first president of the Cook Inlet Regional Citizens Advisory Council in 1990. He was hired as temporary director of the organization in July 1998.

## BP provides more information for Badami story

BP Exploration (Alaska) Inc. called after PNA's March 2 edition came out with more information for that issue's story on shutting down Badami - i.e. "BP continues to look at shutting down Badami, open to sale."

The story's headline suggests this isn't the first time BP has looked at shutting down production at its eastern North Slope Badami unit, but PNA was unable to verify that fact and include information about it in the story until after the newspaper went to press.

BP spokesman Daren Beaudou told PNA that BP has "contemplated shutdown (of Badami) since about 1991, off and on" because of the field's "high operating costs" and low production.

Daren also said Badami was officially "shut down only once since it began production and that was between February and May 1999. Production was so low from the field that the company was "concerned (crude oil in) a sales line might coagulate, thicken."

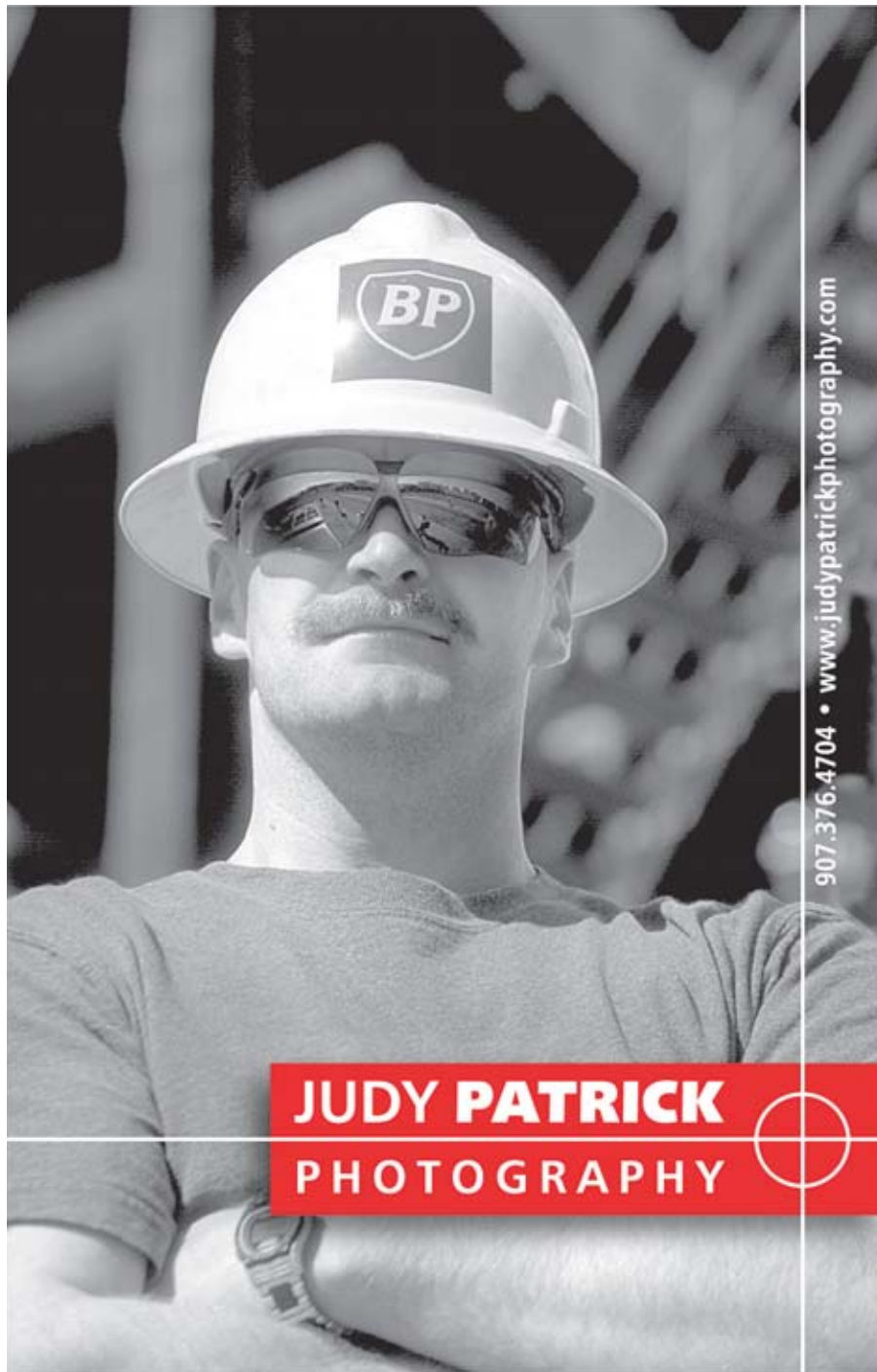
BP was able to fix that problem.

Badami is currently producing approximately 1,400 barrels per day. It was expect-

see INSIDER page 24



Pioneer Natural Resources has Nabors Rig 27-E at the Northwest Kuparuk prospect between Thetis Island and the Kuparuk River unit but is also bringing in Nordic Calista Rig 3, pictured here, which does not have an injector or grinder.





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## continued from page 1 GUIDE

Academy of Sciences study, she believes the report confirms that oil development can occur without harming Alaska's environment. She also said the report provides a blueprint for ways to improve development and mitigate any negative effects of energy exploration.

"I have some concerns about some of the assumptions in the report," Murkowski said. "It seems some of the scientists who worked on it considered any change in Alaska as negative regardless of the benefits that the change produced. When you look at a specific example, like a road, the residents of the area may view a road as a very positive benefit. But when they talk about change, any change, it is viewed in a negative light."

### Committee defends work

The committee which prepared the report talked about its work at a March 4 news conference.

Gordon Orians, chair of the committee and a professor emeritus of zoology at the University of Washington, said the committee looked at "all evidence for effects on the physical, biological and human environment on the North Slope" from oil and gas exploration and development, looking at both "effects to date ... to see how they've accumulated" and a scenario for future expansion, assuming prices were favorable for continued development, a continuation of the current regulatory framework and use of best available technology.

Orians said the committee's work had one positive result in the areas of oil spills.

"The committee did an exhaustive analysis of the oil spills on the North Slope and concluded that these have not accumulated over time — the effects have not accumulated over time — because these spills have been small, reasonably contained on pads and roads, small areas of the tundra have been effected and they have been rehabilitated before further damage has occurred."

### Roads, off-road seismic travel a problem

Roads, however, are a problem because they disrupt surface flows; ponds form on the sides of the roads; permafrost melts on the sides of the roads; and dust is carried off the roads onto surrounding vegetation, Orians said.

Seismic surveys, despite regulations, cause "a certain amount of damage to tundra vegetation and soils" and some of that damage persists "at least a couple of decades." Surveys are done in winter using off-road vehicles. Orians said the total amount of such damage cannot be determined because where companies shoot seismic is proprietary information.

Bowhead whales are driven farther offshore than they normally travel by seismic noise, causing risk to Native subsistence hunters who must go farther offshore to hunt them and increasing the chance that the whale meat will spoil or deteriorate before the hunters can get it back to shore.

Onshore, female caribou are "especially

sensitive to noise and activities" during calving, and "calving areas have been shifted to places with lesser quantity and poorer quality of vegetation," Orians said.

Some animals have done well: predators such as Arctic foxes, ravens and gulls that feed on garbage have increased. Because they also eat bird eggs and fledglings, they are a threat to bird populations.

Communities on the North Slope "have benefited substantially from the influx of financial resources coming from the taxation of the oil infrastructure," but economic benefits have been accompanied by "a number of conditions that most of the people in those villages find unsatisfactory and the committee recommends that more research be done to determine exactly how those negative effects are produced," and if and to what extent problems are the result of oil and gas activities.

### Lack of planning

Orians said the committee was concerned about a lack of planning and found that "different agencies and entities that have jurisdiction over what goes on have not communicated well with one another."

He said the committee hopes "that the impact of this report will be that by providing this first comprehensive scientific assessment of the effects on the environment of these activities and how they've accumulated over time," the report will be used by those making policy decisions "about the use of resources and the expansion of activities on the North Slope to inform their decisions so that the best possible decisions will be made and the undesirable effects on the environment that might otherwise occur can be avoided."

### Committee members

Bill Kearney, media relations officer for The National Academies, defended the selection of committee members. He said the "committee was made up of 18 experts chosen on the basis of their expertise in a wide range of areas, including oil exploration and development, geology, hydrology, biology, ecology, sociology, anthropology, economics and even physics of permafrost." Kearney said the committee included members who have worked in the oil industry.

"Rigorous procedures were followed to ensure that the committee was balanced and free from conflict of interest," Kearney said. And he noted that the committee "reached unanimous consent on all their findings and recommendations."

A ChevronTexaco official told Petroleum News Alaska that the overall tone of the report is very inflammatory, but when you wade through and get to the facts, it's very favorable toward additional development — and the report also makes it very clear that most of the damage occurred in the early years of exploration and development.

"You have to sort through the inflammatory language in the report to get to the facts," he said. "Towards the end of the part on seismic it makes it clear that seismic methods have changed drastically." ♦

## continued from page 23

### INSIDER

ed to produce more than 30,000 barrels a day at its peak.

"We're not interested in chugging along at that rate," Daren said.

### Coast Guard recertifies CIRCAC

The U.S. Coast Guard has recertified the Cook Inlet Regional Citizens Advisory Council, the council said March 3.

"Everything we do reinforces our mis-

sion of ensuring the safe transportation of oil in Cook Inlet," said the organization's out-going executive director, Jim Carter. "We made great progress last year and we're well on our way to another remarkable year in 2003," Jim Carter said.

The Oil Pollution Act of 1990 mandates citizens' advisory councils. The Cook Inlet council consists of 13 member organizations, including cities, boroughs and interest groups.

*Editor's note: News tips for Oil Patch Insider should be e-mailed to Kay Cashman at edit@gci.net.*