Great cast: Mark Myers, Scott Ogan, Cindy & Malcolm Roberts, Ella Ede, Judy Patrick & Tom Barrett

Former Department of Natural Resources Commissioner Mark Myers and former Alaska legislator Scott Ogan have joined forces with a new company and technology that uses nanophysics to solve or minimize costly production issues the oil industry has been grappling with for decades related to asphaltene, paraffin and scale depositions and heavy oil viscosity flow, as well as larger problems associated with produced water.

The technology is called nanofluidity and the company is Houston-based Revelant Energy (see revelant.com). Revelant says the technology often decreases oilfield production costs, thus increasing profitability for producers, as well as increases oil production. In some applications it reduces the need for chemicals, which lessens the environmental impact.

Currently, under a nondisclosure agreement with a major... see INSIDER page 8

BC, Alberta go to war

British Columbia and Alberta are embarking on the most serious inter-provincial trade war in Canadian history as B.C. threatens to impose a cap on any new shipments of diluted bitumen by pipeline to rail from the oil sands to tanker terminals on the Pacific Coast.

The showdown between the two left-wing New Democratic Party administrations erupted when B.C. moved its opposition to Kinder Morgan’s Trans Mountain pipeline expansion up a notch when Premier John Horgan and Environment Minister George Heyman announced restrictions pending further studies by a scientific panel on the behavior of bitumen spills on land or water.

In doing so, B.C. effectively seized power over the C$7.4 billion plan to triple capacity on Trans Mountain to 890,000 barrels per day, by-passing Canada’s Constitution which gives the federal government jurisdiction over the movement of oil across provincial borders.

Prime Minister Justin Trudeau and other federal cabinet ministers quickly declared the pipeline expansion will go ahead without disclosing what actions Canada is prepared to take... see INSIDER page 9

BLM unwinding the Obama era methane gas flaring, venting rule

The Bureau of Land Management is proposing a new rule to change the regulations for venting and flaring of methane from oil and gas operations. The existing regulations were issued in 2016 as part of President Obama’s efforts to cut methane emissions from the oil and gas sector by 40 to 45 percent of 2012 levels by 2025. The regulations, for example, place limits on how much methane can be flared from a development well. Methane is a particularly potent greenhouse gas.

Late last year BLM delayed implementation of part of the Obama-era rule while the agency considered the fate of the rule... see TRADE WAR page 9

Wind farm challenge

RCA rules Delta Junction project uneconomic; Fire Island to be resolved

By ALAN BAILEY
Petroleum News

O n Feb. 6 the Regulatory Commission of Alaska issued an order declaring that a proposed wind farm development at Delta Junction is uneconomic and requiring Fairbanks-based Golden Valley Electric Association to withdraw its proposed tariff for the farm.

In a different development, Cook Inlet Region Inc. is proposing to expand its wind farm on Fire Island, offshore Anchorage. Anchorage-based Chugach Electric Association has filed a tariff for that proposal but, for technical reasons associated with the tariff case, the commission has ordered Chugach Electric to withdraw its tariff.

Determining what constitutes reasonable terms involves projecting both the cost of integrating the wind power into the electrical system and the benefits that the relevant electric utility would gain from the use of the wind power.

Both proposed developments appear to be located at sites that enjoy plentiful supplies of wind.

Contentious issue

The contentious issue of adding wind power to... see WIND FARMS page 10

Shuffling the deck

Canada streamlines regulatory assessments for major natural resource projects

By GARY PARK
For Petroleum News

The Canadian government has delivered on its 2016 election campaign promise to streamline the regulatory assessments of major natural resource projects.

The objective is to speed up the processing of hundreds of proposals worth more than C$500 billion that are planned for the next decade, said Environment Minister Catherine McKenna, in making the bold assertion that the administration of Prime Minister Justin Trudeau will show the world it can solve a growing polarizing... see PROJECT ASSESSMENTS page 11

Answering the questions

Barrett responds to issues raised about transition at Valdez Marine Terminal

By ALAN BAILEY
Petroleum News

D uring a presentation to the House Resources Committee on Feb. 7 Tom Barrett, president of Alyeska Pipeline Service Co., commented on some concerns that have been raised regarding the transition of marine services at the Valdez Marine Terminal from Crowley Marine Corp. to Edison Chouest Offshore.

The marine services operations provide tanker escort services in Port Valdez and across Prince William Sound, as well as oil spill response services for the tanker and terminal operations. When Edison Chouest takes over the service in July the company is bringing a fleet of brand new, purpose-built tugs and response barges. Concerns have been expressed over some aspects of the tug designs and over the weather limits for tanker operations.

Model testing

A tug design concern, which came from a report from a marine architect that Prince William Sound Regional Citizens’ Advisory Council had commissioned to assess Edison Chouest’s new fleet, questioned the lack of scale model testing of the vessels, to verify that the tug’s could handle anticipated sea conditions in Prince William Sound, Barrett told House... see VMT QUESTIONS page 11
Removing hydrogen sulfide from Alpine gas

North Slope Borough to install new skid to further process natural gas going to Nuiqsut; has applied for amendment to right of way

By KRISTEN NELSON
Petroleum News

Nuiqsut uses natural gas from the Alpine field and the North Slope Borough is proposing to install additional natural gas processing at Alpine to remove hydrogen sulfide, H2S, from the gas going into the Nuiqsut Natural Gas Pipeline. The borough has applied to the state for a right-of-way lease amendment for 1.5 acres at the Alpine pad for equipment installation.

A Dec. 15 letter from the borough mayor’s office to the State Pipeline Coordinator’s Section in the Department of Natural Resources says a natural gas processing skid would be installed on the main Alpine pad north of Nuiqsut, increasing safety of the gas delivered by Nuiqsut by removing H2S from the gas stream.

The borough said coordination between Alpine field operator ConocoPhillips, Kukakpik Corp. and the borough Planning Department will continue.

The right-of-way amendment request, prepared by Coffman Engineers, says the equipment to be installed would be an H2S gas scrubber.

In the amendment request Coffman says the original Nuiqsut gas conditioning module assumed 0 parts per million H2S in the natural gas, but subsequent data obtained by the Nuiqsut Gas Utility indicates H2S levels in the gas supplied to the utility ranged from 0 to 4 ppm from 2003-2006 with a sporadic range from 0 ppm to 10 ppm from 2007-2008.

In 2010 H2S levels ranged from 0-15 ppm.

Coffman says an increase in H2S levels in waterflooded oil fields “can occur under certain circumstances and is expected to continue to increase in the Alpine Field.”

Detrimental effects from H2S in natural gas can include “hazards to the human respiratory system which in sufficient quantities may be fatal”, accelerating corrosion of piping system and associated components, and hydrogen stress cracking in piping system and associated systems. Coffman does not provide parts per million at which such detrimental effects can occur, but says, “As a precautionary measure, it is beneficial to limit the content of H2S in utility gas systems.”

The North Slope Borough is responsible for equipment and operating costs to condition gas for pipeline transport and residential consumption in Nuiqsut and, Coffman says, “current equipment is not capable of supplying the existing gas in an efficient or reliable manner.”

A new skid will be installed with increased H2S removal capacity and the original equipment will be returned to use for dehydration of gas only.

The new conditioning skid is an improvement to Nuiqsut and not to the Alpine facility, so “the permit required for the work will require an extension of the existing right of way for construction and final operation of the new skid,” Coffman said.

The new module will be shipped as two units which will be attached and installed on the foundation at a site which is currently used to store connexes.

Coffman said modifications to the Nuiqsut gas line will be required and those are planned for a scheduled Alpine turnover. “If the edge of pad valve on the Nuiqsut line does not hold pressure, the entire Nuiqsut line will need to be de-instrumented for the piping modification.”

Contact Kristen Nelson
at knelson@petroleumnews.com

contents

ON THE COVER
Wind farm challenge
RCA: Delta Junction project uneconomic; Fire Island to be resolved
SIBAR, Page 10: REAP responds to wind power disputes
Shuffling the deck
Canada streamlines assessments for major natural resource projects
Answering the questions
Barrett responds to transition issues raised at Valdez Marine Terminal
Oil Patch Insider: A great cast
BC, Alberta go to war
BLM unwinding Obama era methane gas rule
ENVIRONMENT & SAFETY
3 US 9th Circuit tosses ringed seal appeal
6 Questions raised over oil spill bill
7 Cleanup of structure spray at Berth 5

EXPLORATION & PRODUCTION
7 More seismic datasets available from state
7 88 Energy seismic program underway
GOVERNMENT
7 AOGCC report: January 2018
NATURAL GAS
3 AIDEA bond extension moves in Senate
4 AGDC opens Nikiski satellite office
PIPELINES & DOWNSWERM
2 Removing hydrogen sulfide from Alpine gas
North Slope Borough to install new skid to further process natural gas going to Nuiqsut; has applied for amendment to right of way
4 State proposes ROW lease for Tyonek line

PETROLEUM NEWS • WEEK OF FEBRUARY 18, 2018

Oil Patch Insider: A great cast
BC, Alberta go to war
BLM unwinding Obama era methane gas rule
ENVIRONMENT & SAFETY
3 US 9th Circuit tosses ringed seal appeal
6 Questions raised over oil spill bill
7 Cleanup of structure spray at Berth 5

EXPLORATION & PRODUCTION
7 More seismic datasets available from state
7 88 Energy seismic program underway
GOVERNMENT
7 AOGCC report: January 2018
NATURAL GAS
3 AIDEA bond extension moves in Senate
4 AGDC opens Nikiski satellite office
PIPELINES & DOWNSWERM
2 Removing hydrogen sulfide from Alpine gas
North Slope Borough to install new skid to further process natural gas going to Nuiqsut; has applied for amendment to right of way
4 State proposes ROW lease for Tyonek line

Cruc Construction | Specialized Transport & Rigging
Alaska Interstate Construction | Cruz Energy Services | Cruz Marine
A- Const Company | A- Const Company

BUILDING ALASKA
FOR MORE THAN 37 YEARS
Experts in Resource Development and Heavy Civil Construction

TMI?
Shell plan approved
Nordi meets industry
Mistress in new plant

MOST LIKELY.
To subscribe call: 907-522-9469
Or visit: PetroleumNews.com
It is then distributed as natural gas. In taking this action the court has overturned a 2016 order by the federal District Court in Alaska. The District Court had upheld the appeals, saying that in listing the seals the National Marine Fisheries Service had speculated on what circumstances may or may not exist 80 to 100 years from now. The panel of three 9th Circuit judges that reviewed the case disagreed, saying the Fisheries Service’s view, that the ringed seal is likely to become endangered in the foreseeable future, is reasonable and supported by the record presented to the courts. Climate change models show the habitat of the Arctic ringed seals to be diminishing as sea ice recedes, the 9th Circuit Court order says. Essentially, the judges said that a closely related case in which the 9th Circuit rejected an appeal against the listing of the bearded seal set a precedent for the case involving the ringed seal, and that the court is now bound by that precedent. Moreover, the District Court, in its ruling, mistakenly required the Fisheries Service to have more quantitative data to support its prediction of the seal population’s tipping point — the data that were presented indicate that the seals are more likely than not to become endangered in the foreseeable future, the 9th Circuit order says. The organizations which appealed the listing, the Alaska Oil and Gas Association, the American Petroleum Institute, the North Slope Borough and the state of Alaska, are concerned about the potential impact of the listing on commercial and subsistence activities in the Arctic and claimed that the listing was not warranted, given the current healthy state of the seal population and a lack of adequate data supporting the listing decision. Following the 9th Circuit ruling in the bearded seal appeal, the appellees tried to elevate that case to the U.S. Supreme Court. However, the Supreme Court declined to take the case.

The bonding authority is needed for a firm delivery contract customer in the dead of winter, it cannot sign up additional customers, he said, and storage is required to meet that pledge. Additional storage will be completed by mid-summer 2019, Therriault said, allowing more production from the Cook Inlet LNG plant in the summer to fill expanded storage in Fairbanks for winter delivery.

Financing for the Interior Energy Project, established in Senate Bill 23, included a $57.5 million capital grant, a $125 million SETS loan (Sustainable Energy Transmission and Supply Development Fund) and the $150 million in AIDEA bonding authority, Kelly told the committees.  He said the AIDEA team overseeing the Interior Energy Project has diligently deployed the original financing packages to advance development of the consolidated investment-grade local gas utility, but unfortunately the AIDEA bonding authority is set to expire June 30 this year just as they are finally able to deploy it. The bonding authority is needed for increasing the production capacity of the LNG plant at Point MacKenzie and further expansion of the gas distribution lines in Fairbanks, Kelly said.

Contact Kristen Nelson at knelson@petroleumnews.com
State proposes ROW lease for Tyonek line

Hilcorp plans a new gas pipeline under Cook Inlet from the offshore Tyonek platform to Ladd Landing on west side of inlet

By ALAN BAILEY
Petroleum News

The Alaska State Pipeline Coordinator’s Section has issued a notice proposing to approve the establishment of a right of way for a new Cook Inlet subsea natural gas pipeline that Harvest Alaska, a subsidiary of Hilcorp Alaska, plans to construct. The pipeline will run from the Tyonek platform, offshore in the inlet, to Ladd Landing on the inlet’s west side. Public comments on the proposed right of way are due by March 14. An open house and public hearing are scheduled March 12 in the Nikiski Community Recreation Center on the Kenai Peninsula.

Eliminate Drift River terminal

The proposed pipeline construction, scheduled to begin when ice goes out in the inlet this spring, comes as part of a plan by Hilcorp to ship oil from the west side of the inlet to Nikiski on the east side by subsea pipeline, thus eliminating the continued use of the Drift River oil terminal on the inlet’s west side. The terminal is currently used to load oil onto tankers for shipment to Nikiski, but there are safety concerns because of the terminal’s proximity to the Redoubt Volcano.

Hilcorp’s plan involves using one of the twin subsea gas pipelines that form what is called the Cook Inlet Gas Gathering System to carry oil rather than gas west to east under the inlet. A short subsea oil line will connect the CIGGS lines to the existing oil pipeline system on the west side of the inlet.

The idea behind the planned new Tyonek subsea gas line is to maintain Hilcorp’s capability to transport gas across the inlet, after one of the CIGGS lines is switched to the carriage of oil. An existing gas pipeline connects the Tyonek platform to Nikiski, although Hilcorp also plans to replace an onshore segment of that line.

The carriage of adequate volumes of gas across the inlet forms a vital component of the gas supply arrangements for gas and electricity utilities in Southcentral Alaska, especially during the winter when gas demand is high.

In addition to its application for the Tyonek pipeline right of way, Harvest has applied for authorization of a change to the CIGGS right of way, to allow the carriage of oil on one of the CIGGS lines. SPCS says that it is still assessing that application.

Pipeline design

The design documentation for the planned Tyonek gas pipeline, referred to as the Tyonek W 10 pipeline, says that the subsea section of the 10-inch diameter line will be 5.5 miles in length. A 1.4-mile onshore section of the line will run from Ladd landing to the Nikiski terminal, after one of the CIGGS lines is switched to the carriage of oil. An existing gas pipeline connects the Tyonek platform to Nikiski, although Hilcorp also plans to replace an onshore segment of that line.

The idea behind the planned new Tyonek subsea gas line is to maintain Hilcorp’s capability to transport gas across the inlet, after one of the CIGGS lines is switched to the carriage of oil. Harvest has applied for authorization of a change to the CIGGS right of way, to allow the carriage of oil on one of the CIGGS lines. SPCS says that it is still assessing that application.

Pipeline design

The design documentation for the planned Tyonek gas pipeline, referred to as the Tyonek W 10 pipeline, says that the subsea section of the 10-inch diameter line will be 5.5 miles in length. A 1.4-mile onshore section of the line will run from Ladd landing to the Nikiski terminal, after one of the CIGGS lines is switched to the carriage of oil. An existing gas pipeline connects the Tyonek platform to Nikiski, although Hilcorp also plans to replace an onshore segment of that line.

The carriage of adequate volumes of gas across the inlet forms a vital component of the gas supply arrangements for gas and electricity utilities in Southcentral Alaska, especially during the winter when gas demand is high.

In addition to its application for the Tyonek pipeline right of way, Harvest has applied for authorization of a change to the CIGGS right of way, to allow the carriage of oil on one of the CIGGS lines. SPCS says that it is still assessing that application.

Pipeline design

The design documentation for the planned Tyonek gas pipeline, referred to as the Tyonek W 10 pipeline, says that the subsea section of the 10-inch diameter line will be 5.5 miles in length. A 1.4-mile onshore section of the line will run from Ladd landing to the Nikiski terminal, after one of the CIGGS lines is switched to the carriage of oil. An existing gas pipeline connects the Tyonek platform to Nikiski, although Hilcorp also plans to replace an onshore segment of that line.

The carriage of adequate volumes of gas across the inlet forms a vital component of the gas supply arrangements for gas and electricity utilities in Southcentral Alaska, especially during the winter when gas demand is high.

In addition to its application for the Tyonek pipeline right of way, Harvest has applied for authorization of a change to the CIGGS right of way, to allow the carriage of oil on one of the CIGGS lines. SPCS says that it is still assessing that application.
Hats off Nutrien!

Celebrating Agrium and Potash Corp.’s merger into Nutrien

The new organization formed by the recent merger of Canadian firms Potash Corp. and Agrium Inc. will be the global leader in reliable, low-cost crop nutrient production, combined with the largest agricultural retail-distribution network in the world. Nutrien’s Alaska asset — the fertilizer facility on the Kenia Peninsula — is headed by long-time Alaskan Fred Werth. Congratulations Nutrien and Mr. Werth.

Fred Werth, long-time Alaskan
A trucking industry official told the House Resources Committee on Feb. 9 that proposed contingency plan requirements would duplicate federal plan laws.

“Trucking industry perspective

The code of federal regulation ‘already prescribes contingency plans for the transport of oil,’ Thompson said. The Trucking Association wants the mandate for state contingency plans to be removed from the bill.

Oil spill penalties were set in the 1970s and 1980s but have not been altered since House Resources has introduced HB 322, using recommendations from the Alaska Department of Environmental Conservation. DEC is concerned that the fines have not kept pace with inflation and may no longer be sufficiently high to act as an effective deterrent against spilling oil.

The section that would require contingency plans for trucking operations reflects

Oil spill prevention and response readiness, in addition to the company’s spending on drills and exercises along the pipeline, Moriarty said.

DEC is concerned about the possibility of a highway oil spill, given that there are now two companies trucking crude oil on the Kenai Peninsula. A tanker truck accident could impact salmon bearing creeks and rivers on the peninsula.

We actually welcome this opportunity to be requirements for drills and exercises to test the plans.

The federal government, on the other hand, does not require the contingency plans to be pre-approved. The federal regulations require a trucking company to prepare plans and post the plans in its principle place of business and at truck dispatch points. Plans must specify actions such as training and the conducting of unannounced drills. The plans are then subject to random audits, with the potential for fines if the plans do not meet the regulatory requirements.

State review requirements?

Thompson pointed out that the U.S. DOT’s Federal Motor Carrier Safety Administration has an office in Alaska, with enforcement personnel who perform compliance reviews, including the checking of trucking company contingency plans.

Kristin Ryan, director of DEC’s Division of Spill Prevention and Response, said that DEC is excited to know that there is a contingency plan regulatory requirement similar to what the state is seeking. She said that the department would be happy to help with the conducting of spill response drills and exercises, and that DEC could add value in the review of the plans.

Thompson responded that his organization’s membership had not authorized him to comment on the possibility of state involvement in review of the federal contingency plans. He did not see any particular problem with sending copies of the plans to DEC. But his concern would be any resulting state review and approval process adding another layer of complexity to the procedures.

Thompson also emphasized the careful screening of truck drivers and the level of training that the drivers must go through before being allowed to drive oil-carrying trucks. In addition, one of the two carriers trucking oil on the Kenai Peninsula has been doing this for 30 or 40 years.

“They have done it safely. They have done it conscientiously. And to my knowledge there haven’t been any significant spills,” Thompson said.

Industry perspective

Kara Moriarty, president and CEO of the Alaska Oil and Gas Association, provided an oil industry perspective on the proposed increases in oil spill penalties.

“We actually welcome this opportunity to share with you and the public … the industry’s commitment to safety, and our diligence to prevent and prepare for the unfortunate incident of a spill,” Moriarty said.

Moriarty argued that, given the declining incidence of oil spills in the state and the large investment that the industry already makes in mandated oil spill prevention and contingency measures, increases in the oil spill penalties are unnecessary. For example, oil companies pay fees for membership in oil spill cooperatives that maintain equipment and expertise for responding to oil spills. Alyeska Pipeline Service Co., the operator of the trans-Alaska pipeline and the Valdez Marine Terminal, spends more than $800 million annually on oil spill prevention and response readiness, in addition to the company’s spending on drills and exercises along the pipeline, Moriarty said.

And crude oil spills have simply plummeted: just under 2 percent of total spills over the last couple of years, she said.

Moriarty also questioned a proposal to include produced water when calculating oil spill volumes for assessing spill penalties. The spillage of produced water has also been trending downwards, she said.

Given the downward trend in spills, given the money that the industry already spends on spill prevention and contingency, giving that the industry normally refunds DEC for the full cost of a spill response, and given that the industry already funds most of the Division of Spill Prevention and Response’s operating budget, what is the purpose of this bill, Moriarty asked.

“We do not need fines and penalties to encourage us to be diligent,” she said. The high cost of a response and cleanup is already a strong deterrent from incurring a spill, she added.

Bill modified

Subsequent to the Feb. 9 meeting and before passing the bill out of committee, House Resources modified the bill, replacing the section of the bill requiring contingency plans for truck operations involving the carriage of crude oil with a revised section requiring any commercial motor vehicle transporting crude oil on a highway or road maintained by the state to submit to DEC the oil spill response plan required under federal law.

Contact Kristin Nelson at kristin@alaskaogaa.com
EXPLORATION & PRODUCTION

More seismic datasets available from state

More sets of seismic data have become publicly available through the Geologic Material Center website under the terms of state tax credits, Alaska’s Division of Geological and Geophysical Services has announced. The data come in four sets corresponding to different surveys: the North Slope 3-D survey; the Cross Island ocean bottom geotechnical study; the North Slope geological field program; and the processing of the Pike bottom hole planning 2-D survey.

The North Slope survey was conducted in 2007 and covers about 124 square miles straddling the Beaufort Sea coast to the west of Prudhoe Bay. The Cross Island survey was conducted offshore Prudhoe Bay and inshore of Cross Island. The North Slope geological field program was conducted at various locations in the southern National Petroleum Reserve-Alaska and Brooks Range foothills. The Pike Bottom survey was conducted in 2006 and covers nearly 154 square miles of the Beaufort Sea, northeast of Prudhoe Bay.

Companies who have obtained state tax credits in conjunction with the conducting of seismic surveys have, under the terms of the credits, had to file the seismic data with the Alaska Department of Natural Resources. DNR catalogs and organizes the data. The agency can make the data available to the public 10 years after receiving it.

GOVERNMENT

Alaska Oil and Gas Conservation Commission report: January 2018

On Jan. 9, the Alaska Oil and Gas Conservation Commission granted (Conservation Order No. 341F) a request from BP Exploration (Alaska) Inc. to modify four rules from Conservation Order No. 341F at the Prudhoe Bay unit. The rules cover bottom-hole pressure surveys, gas-oil contact monitoring, production logging, and gas-oil ratio limits. The changes largely reduce the number of surveys BP is required to run at the unit. The extent of prior development has provided significant information about data points in those areas, according to BP, and the required number of surveys is no longer necessary.

On Jan. 22, the AOGCC approved (Docket Number: CO-17-0146) a request from Hilcorp Alaska LLC to redefine the vertical boundaries of the Ninilchik Beluga/Tyonek Gas Pool to accommodate new information gleaned from the Kalotsa No. 4 well. The change deepens the lower boundary of the Ninilchik Beluga/Tyonek Gas Pool by approximately 250 vertical feet, “allowing more efficient development of all Tyonek gas resources, improving resource recovery, and reducing administrative burden while preventing waste and protecting correlative rights,” according to the AOGCC. A hearing on the matter included comments from Don Shaw, a neighboring landowner who claimed an infringement on his correlative rights from the Frances landowner who claimed an infringement on his correlative rights from the Frances

On Jan. 31, the AOGCC approved (Docket Number: CO-16-0159) a request from Hilcorp to form the new Kuparuk Oil Pool at the Northstar unit. The pool is defined as “the accumulation of hydrocarbons common to, and correlating with, the interval between the measured depths of 12,156 and 12,446 feet on the resistivity well log as “the accumulation of hydrocarbons common to, and correlating with, the interval between the measured depths of 12,156 and 12,446 feet on the resistivity well log “the accumulation of hydrocarbons common to, and correlating with, the interval between the measured depths of 12,156 and 12,446 feet on the resistivity well log “the accumulation of hydrocarbons common to, and correlating with, the interval between the measured depths of 12,156 and 12,446 feet on the resistivity well log “the accumulation of hydrocarbons common to, and correlating with, the interval between the measured depths of 12,156 and 12,446 feet on the resistivity well log.

The cause is under investigation with early indicators that crude was leaking from the end caps of two (of four) loading arms. Alyeska President Tom Barrett told the House Resources Committee at a Feb. 7 hearing that the spill was probably 150-200 gallons. DEC said Alyeska has begun an investigation as to the cause. Barrett said the weather was bad, it may have been an ice plug. The spray was basically into a concrete deck which goes to a sump, he said, noting high winds and cold temperatures. He said Alyeska thinks there may be valve issues and because the system is 40 years old no one makes valves like that anymore. He said Alyeska is looking at a company which can manufacture the needed valves, but it will probably be next year before replacement valves will be available, so the company is looking at what they can do before then.

DEC said additional boom was deployed as a safeguard and cleanup of oiled structures continues, with a plan in place to clean structures using hot water, with runoff of hot water to be collected and routed to the terminal ballast water treatment system. Barrett said Alyeska’s goal is not to spill a drop, and noted that an earlier spill at Berth 5, which took place in September, cost Alyeska $2.5 million to clean up. The motivation for us, Barrett said, is not to have a spill. He said Alyeska pays an enormous amount of attention to not having things to clean up.

EXPLORATION & PRODUCTION

88 Energy seismic program underway

Australian-based 88 Energy Ltd. said Feb. 14 that its Icewine 3-D seismic program on the North Slope got underway Feb. 7. The land-based seismic survey is on state land some 12 miles west of the Dalton Highway and covers some 200 square miles.

The company said the focus of the program is principally across the western play fairway, “where the opportunity exists to mature and test multiple stacked conventional objectives with one well” and said others have had drilling success on the North Slope over the last four years using 3-D seismic data “to delineate and map similar stratigraphic/structural conventional targets.”

The seismic shoot is estimated to take some 45 days, the company said.

The objective of this year’s acquisition and interpretation effort “is to mature the conventional portfolio with a view to select one or more drilling candidates for the 2019 season,” the company said, with results expected this fall, “which will facilitate a planned farm-out prior to year-end on the drilling program.”

88 Energy also noted it has largely completed permitting for two potential drilling locations “allowing for prompt execution of the proposed 2019 drilling program.”

Accumulate Energy Alaska, 88 Energy’s local operating company, received Alaska Department of Natural Resources’ Division of Oil and Gas approval for a lease plan of operations for the Bravo No. 1 and Charlie No. 1 exploration wells on Feb. 5.

ENVIRONMENT & SAFETY

Cleanup of structure spray at Berth 5

Cleanup of oiled structures at Berth 5 at the Valdez Marine Terminal continues, the Alaska Department of Environmental Conservation’s Division of Spill Prevention and Response said Feb. 8 in a final situation report on the Feb. 3 spill.

Alyeska Pipeline Service Co. operations personnel discovered the spill Feb. 3 during rounds.

The estimated spill amount is fewer than 200 gallons to containment, with some spray to berth structures, equipment and pilings, and Alyeska continues to monitor the area around the clock, the division said.

While no sheen has been observed on the water, “a small unknown quantity of spray entered the water,” the division said.

The cause is under investigation with early indicators that crude was leaking from the end caps of two (of four) loading arms. Alyeska President Tom Barrett told the House Resources Committee at a Feb. 7 hearing that the spill was probably 150-200 gallons. DEC said Alyeska has begun an investigation as to the cause. Barrett said the weather was bad, it may have been an ice plug. The spray was basically into a concrete deck which goes to a sump, he said, noting high winds and cold temperatures. He said Alyeska thinks there may be valve issues and because the system is 40 years old no one makes valves like that anymore. He said Alyeska is looking at a company which can manufacture the needed valves, but it will probably be next year before replacement valves will be available, so the company is looking at what they can do before then.

DEC said additional boom was deployed as a safeguard and cleanup of oiled structures continues, with a plan in place to clean structures using hot water, with runoff of hot water to be collected and routed to the terminal ballast water treatment system. Barrett said Alyeska’s goal is not to spill a drop, and noted that an earlier spill at Berth 5, which took place in September, cost Alyeska $2.5 million to clean up. The motivation for us, Barrett said, is not to have a spill. He said Alyeska pays an enormous amount of attention to not having things to clean up.

WHAT’S THE BIG ATTRACTION? A. an industry institution B. quality, accurate reporting C. attractive, readable design

Foss has navigated the waters and extreme environments for nearly a century. We know that to succeed in the far North you need expertise, experience, well-built vessels, and trained crews dedicated to safety and ready for anything.

www.foss.com

TO THRIVE HERE YOU HAVE TO BE ALWAYS SAFE. ALWAYS READY.

To advertise in Petroleum News call Susan Crane at 907-770-5592

Subscribe at: www.petroleumnews.com

©2018 Petroleum News. All rights reserved.
Alaska's youth better understand the critical role of natural resources in our state."

Beki Kelly will continue to serve as the education program manager for ARE. "I look forward to leading this new team focused on next generation oil and gas workforce development," Kelly said.

In the book the Roberts share 45 years of their Alaska history, years that include their family and that span Wally Hickel's service as secretary of the Interior, including his oversight of the basic permitting process for the 800-mile trans-Alaska oil pipeline and his efforts to gain the congressional votes necessary to get pipeline construction approved.

The book also covers Hickel’s role in the settlement of Alaska Native land claims and the resultant Alaska Native Claims Settlement Act which was signed into law by President Richard Nixon in 1971 and was at the time the largest land claims settlement in United States history.

The Roberts also feature Hickel’s involvement in reducing the harvest of the world’s great whales and his accomplishments as Alaska’s governor (1966-1969 and 1990-1994), as well as his role in the international Community of Friends of Anchorage that grew out of the bid to host the Winter Olympics and was the beginning of Bridge Builders of Anchorage.

The Roberts also discuss AFL-CIO’s contribution to gaining federal approval to build the trans-Alaska oil pipeline, and Hickel and David Gottstein’s formation of Backbone in 1999, a citizen’s group that tracked government policies for Alaska’s oil and gas industry.

In 2010, the Roberts decided to write a book about the life and work of Hickel, a man they admire greatly. "We wanted to do something meaningful for Wally’s 20th anniversary," Cindy said. "We wanted to write a book that would make a difference and would last a lifetime - a celebration of Wally’s life and contributions to Alaska history."
continued from page 1

TRADE WAR

beyond opening discussions with the two provinces.

“It’s important to get our oil resources to markets other than the United States for the Alberta and Canadian economies to continue to grow,” he said.

Alberta Premier Rachel Notley, whose province stands to collect CS$1.5 billion a year from the pipeline expansion, refused to wait for Tradewest, imposing a ban on CS$70 a year of wine sales in her province.

She also suspended talks on buying CS$500 million a year of electricity from B.C. and warned she was “prepared to do whatever it takes to get this pipeline built.”

Notley appointed a special task force to map out a strategy that could include seeking court rulings to enforce the Constitution. Some have urged her to shut down pipelines delivering conventional crude and natural gas to B.C.

Hogan said he was “surprised at the response from Alberta … saber-rattling doesn’t get you very far.”

—Gary Park

Contact Gary Park through pubeditor@petroleumnews.com

continued from page 1

METHANE RULES

tive orders issued by the president, the pro-

posed rule responds to an order by Interior Secretary Ryan Zinke, requiring, among other things, a review of the 2016 rule.

Following publication of the proposed rule in the Federal Register, there will be a 60-day public comment period.

Strike a balance

“In order to achieve energy dominance through responsible energy production, we need smart regulations not punitive regula-

“Following up on my call today for a balanced approach to methane rules, I believe this proposed rule strikes that bal-
ance and will allow job growth in rural America.”

Several Republican lawmakers from oil and gas producing states have expressed their support for the BLM action.

“The impacts of BLM’s Obama-era venting and flaring rule would be devastat-
ing to the economy of New Mexico, which relies on the production of energy resources for thousands of jobs along with roughly 30-40 percent of the state’s operating funds,” said Congressman Steve Pearce, R-

New Mexico. “The full implementation of this rule would directly threaten funding for schools, teachers, hospitals, law enforce-
ment, and other essential services our commu-

unities rely on.”

Already regulated in Alaska

The venting and flaring regulations apply to oil and gas operations on federal land in Alaska, in particular in the National Petroleum Reserve-Alaska, where ConocoPhillips is pursuing a program of oil development. However, oil and gas wells in Alaska, including those on federal lands, are already subject to strict rules enforced by the Alaska Oil and Gas Conservation Commission and the Alaska Department of Environmental Conservation, to prevent the wattage of hydrocarbon resources and avoid air pollution. These rules include a prohibition of methane flaring or venting, other than in small volumes for specific allowed purposes.

—Alan Barley

Oil Patch Bits

Companies involved in Alaska and northern Canada’s oil and gas industry

ADVERTISER PAGE AD APPEARS

A

Afognak Leasing LLC
Alaska Energy Services, LLC
Alaska Dreams
Alaska Frac Consulting LLC
Alaska Frontier Constructors (AFC)
Alaska Marine Lines
Alaska Materials
Alaska Railroad
Alaska Rubber & Rigging Supply
Alaska Steel Co.
Alaska Textiles
Alaska West Express
Alpha Seismic Compressors
American Marine
Arctic Catering & Support Services
Arctic Controls
Arctic Fox Environmental
Arctic Wire Rope & Supply
Armstrong
ASRC Energy Services
AT&T
Avalon Development
Aviator Hotel

B-F

Bell & Associates
Bangkok Deluxe
BP
Brooks Range Supply
Calista Corp.
Cortek Heating Solutions
Chosen Construction

G-M

Colville Inc.
Computing Alternatives
CONAM Construction
Construction Machinery Industrial
Cruz Construction
Dowland-Bach Corp.
Doyon Anvil
Doyon Associated
Doyon Drilling
Doyon, Limited
exp Energy Services
Fairweather
Fluxnet
Foss Maritime
Fugro

N-P

MAPPA Testlab
Maritime Helicopters
Motion & Flow Control Products
Nabors Alaska Drilling
Naico Champion
NAHA Workforce
Nature Conservation,
NET Fluid Technology
Nordic Calista
North Slope Telecom
Northern Air Cargo
NRC Alaska
Nutrien
OptoExpress
Olgoonik Corp.
Opti Staffing
Pendo
Petco Star Lubricants
PRA (Petrotechnical Resources of Alaska)
Price Gregory International

Q-Z

Resource Development Council
SAExploration
Sourdough Express
Sustainability
The Local Pages
Unique Machines
Unibell
Valvoline Products
Waste Management

All of the companies listed above advertise on a regular basis with Petroleum News.
Regional load balancing

A single Raibelt-wide load balancing area would encourage the inclusion of small-scale power producers, as intended by the federal Public Utilities Regulatory Policies Act, or PURPA, the federal statute designed to encourage use of small-scale renewable energy systems, Rose said. Under the current balkanized arrangements, utilities claim that they are forced to run expensive and inefficient power generation units, to regulate varying wind power, he said.

Since the commission’s 2015 policy statement, the utilities have made moves towards the pooling of their most efficient power generation units, with three of the utilities, Chugach Electric Association, Municipal Light & Power and Matanuska Electric Association, moving ahead with the formation of a pooling arrangement for their generation and transmission assets; the utilities have been discussing the formation of a transmission company to operate the transmission grid, and Alaska Raibelt Cooperative Transmission and Electric Co., or ARCTEC, is in the process of investigating the formation of what it refers to as a Raibelt Reliability Council for the transmission system.

Looking for clarity

But REAP is still unclear what actions the commission intends to take to implement its 2015 recommendations, Rose wrote. The commission has not requested legal authority over the siting of power generation; has not imposed a deadline for the utility to investigate and establish grid reliability standards, he said.

Whereas the focus of ARCTEC’s RRC proposal also appears to be reliability standards, the region-wide economic dispatch of the most efficient power across the grid revolves around the cost of integrating the varying wind strength. That fluctuating power must be counterbalanced by equal and opposite fluctuations in some other power source, such as a gas or oil-fired power station. This regulation of the wind power costs money. And the larger the amount of wind power in relation to a utility’s total power generation capacity, the greater the impact of the wind power regulation on the economics of the overall power system. On the other hand, the cost of wind power is typically stable over long periods of time because the power generation does not require the purchase of fuel.

PURPA regulations

Under RCA regulations, driven by the federal Public Utilities Regulatory Policies Act, or PURPA, electricity utilities are required to purchase power from reasonable terms from qualifying facilities. But the consumer benefits that the relevant electric utility would gain from the wind power. Benefits can come, for example, from the displacement of some of the utility’s other power sources.

In the case of Delta Junction, Alaska Environmental Power LLC, owner of Delta Wind Farm, wants to expand its existing small 2-megawatt wind system by building a larger farm with a capacity of 13.5 megawatts. Saying that it is a qualifying facility, the utility commented on and questioned the method that GVEA has used to model the system economics resulting from the use of wind power. Benefits can come, for example, from the displacement of some of the utility’s other power sources.

Delta Wind Farm tariff

According to the commission’s Feb. 6 order, GVEA’s tariff for the Delta Junction wind farm indicated that the utility would charge the wind farm $3.2 million for estimated costs associated with integrating the wind power into the system, the economic impact of displacing other power sources, and the environmental and reliability benefits of adding wind power to the system.

Wind power presents a challenge to an electricity utility, because the generated power fluctuates with the vagaries of the varying wind strength. That fluctuating power must be counterbalanced by equal and opposite fluctuations in some other power source, such as a gas or oil-fired power station. This regulation of the wind power costs money. And the larger the amount of wind power in relation to a utility’s total power generation capacity, the greater the impact of the wind power regulation on the economics of the overall power system. On the other hand, the cost of wind power is typically stable over long periods of time because the power generation does not require the purchase of fuel.

Chugach Electric asked the commission to modify the connection costs earned over a 15-year period, were CIRI Wind must reimburse Chugach Electric for the commission wrote.

A dispute over study costs

Meanwhile the future of CIRI Wind’s First proposed wind farm has yet to be determined.

A complication has arisen, in that Chugach Electric requested that CIRI Wind foot the bill for Chugach Electric’s investigation into the practicalities and cost of connecting the expanded wind farm to the utility’s system. The utility has argued that CIRI Wind should have borne the cost of the investigation request rather than as a request for a tariff as a qualifying facility. And, in conjunction with that investigation request, CIRI Wind must reimburse Chugach Electric for the cost of the investigation study, Chugach Electric claimed.

Chugach Electric asked the commission to adjudicate the reimbursement dispute and meanwhile filed a tariff in accordance with PURPA requirements. That tariff documented estimated avoided costs and integration costs over a 15-year period, were the utility to accept power from the expanded wind farm. The utility commented that it sees no benefit from the integration of the wind power and warned that accepting the wind power may compromise the utility’s ability to use its more efficient power generation facilities.

The tariff also raises other issues, including questions over the validity of Chugach Electric’s estimates of the wind farm interconnection costs.

RCA doescket

On Feb. 8 the commission issued an order allowing the group of stakeholders who pays for the wind farm interconnection study and saying that adjudicating this type of dispute is not within its jurisdiction. Moreover, on Nov. 28 CIRI Wind had withdrawn its interconnection request, although still maintaining its request for a Chugach Electric tariff, the order said. And, because of that withdrawal of the original request, the commission said that there does not appear to be a current interconnection request. The commission concluded that the consequence is closing the tariff docket and ordering Chugach Electric to withdraw its proposed First Island tariff.

It is not clear what will happen next. °

Contact-Adim Rafteri
alrafti@petroleumnews.com
continued from page 1

AGENCIES SCRAPPED

The first step is to scrap two regulatory agencies — the National Energy Board, with an estimated lifetime to weigh economic, environmental, social and Indigenous issues and give proponents of larger ventures an early indication of how tough a process it will be. It will reflect the largest, most controversial applications to panels named by the government. Natural Resources Minister Jim Carr said the new framework will provide more certainty and be “far more transparent at a stage when heavy investment is required.”

“The CEAA will be recreated as the Impact Assessment Agency of Canada, with an enhanced mandate to weigh economic, environmental, social and Indigenous issues and give proponents of larger ventures an early indication of how tough a process it will be,” Carr said.

McKenna insisted that Canadians “understand that better rules will make us more competitive, not less.”

The CEAA will be recreated as the Impact Assessment Agency of Canada, with an enhanced mandate to weigh economic, environmental, social and Indigenous issues and give proponents of larger ventures an early indication of how tough a process it will be. It will reflect the largest, most controversial applications to panels named by the government.

Natural Resources Minister Jim Carr said the new framework will provide more certainty and be “far more transparent at a stage when heavy investment is required.”

He said the government will establish a list of “designated and non-designated” projects, with the major undertakings, such as interprovincial pipelines, falling into the designated category, making them subject to federal review within a 600-day time limit.

“Then when they are undersigned then the CER will determine (within a 300- to 450-day time frame) whether there will be an approval,” Carr said.

REACTION MIXED

The initial reaction is far from the acclaim the government might have hoped for, with industry officials saying the legislation appears to erect new hurdles, while environmentalists say it fails to clearly rule out projects that would have significant adverse impacts on the environment.

Ed Fast, a member of Parliament from the opposition Conservative Party, said the new rules will bog down the review process and be the “death knoll of major resource development in Canada.”

Chris Bloomer, chief executive officer of the Canadian Energy Pipelines Association, said the legislation will “introduce a whole bunch of broad public policy issues into the evaluation process and we need to understand how these are going to mesh and how they will impact the timing of the processes.”

Perry Bellegarde, national chief of the Assembly of First Nations, welcomed the “recognition of Indigenous peoples’ rights at every stage of the [approval] process,” but said there is “room for improvement.”

INDUSTRY CONCERNS

Steve Williams, CEO of Suncor Energy, which produces 460,000 barrels per day from the oil sands, gave a tepid reception to the changes, arguing that “other jurisdictions are doing much more to attract business, so Canada needs to up its game.”

“We’re having to look at Canada quite hard. The cumulative impact of regulation is higher taxation is in making Canada a more difficult jurisdiction to allocate capital in,” he said.

For now, Williams said, Suncor, even with a record C$3 billion from operations in 2017, will “look at Canada quite hard” before spending any of that money in its home territory.

Only four days later, on Feb. 15, Suncor did a quick about-face by acquiring Marathon Energy’s 5 percent stake in the Syncrude Canada oil sands operations for C$290 million. That raises to 58.74 percent Suncor’s stake in Syncrude which has a nameplate capacity of 350,000 bpd.

Tim MacMillan, CEO of the Canadian Association of Petroleum Producers, said “we are hearing from many sources that Canada is off the investment radar” since the cancellation of such mega-projects as Enbridge’s Northern Gateway pipeline, TransCanada’s Energy East pipeline and Petrobras’s Pacific North-West LNG project.

He suggested the new regulatory framework “is an opportunity to make a step change on clarity and give confidence to investors.”

Contact Gary Park through publiser@petroleumnews.com

continued from page 9

VMT QUESTIONS

Resources that the tugs’ designers had to use a computer-based design methodology, a methodology that is becoming standard practice and that is more accurate than model testing. However, in response to the concerns raised, Alyeska ordered model testing of the designs, Barrett said. He said that he had not yet seen a report from this testing, but had not heard anything to suggest that the designs were flawed.

Bow Thusters

Another issue arising from the marine architect’s report concerned the lack of bow thusters in the tug designs. Bow thusters can improve a vessel’s maneuverability. Barrett said that Alyeska had talked to a number of marine architects about this and that the decision not to install thusters related to the anticipated operational speed of the tugs. While the lowest excerpt speed in Prince William Sound is six knots, the thusters are useful up to around two knots.

And at the higher speeds the presence of the bow thusters could reduce the effective power of the vessels’ drive systems, thus reducing the tugs’ abilities to respond to an emergency, Barrett said.

Weather Limits

With respect to weather limits, on Jan. 18, the Utilities and Waste Management Commission, which had previously released a resolution stating that the limits for tankers crossing Prince William Sound should be no more severe than weather and sea conditions used for escort tug drills and training. In other words, if conditions are too dangerous for tug drills and training, conditions are too dangerous for tanker operations, the board said.

Barrett likened the training of tug crews in marginal weather to the condition of someone who is about to change a tire on a freeway, rather than at home on the driveway. The fact that the person has not changed a tire on a freeway does not make freeway driving dangerous, he said.

The tankers using the Valdez Maritime Terminal can safely transit Prince William Sound within the prescribed weather limits, Barrett said. But conducting exercises in heavy weather — perhaps tethering a massive tanker following a simulated massive tanker following a simulated engine failure — would significantly up the risk ante.

continued from page 9

REPORT RESPONSE

farm, has been curtailing about 10 percent of the wind farm output, despite having to pay for the power it does not use. Neither Chugach Electric nor the commission has developed any incentives to decrease this curtailment, Rose wrote.

Tariff inconsistencies

Reflecting on recent proposed wind farm tariffs — Golden Valley Electric Association’s tariff for a proposed wind farm at Delta Junction, and Chugach Electric Association’s tariff for an expansion to the Fire Island wind farm — Rose commented that there are differences between the tariffs that raise issues regarding the use of consistent tariff methodologies and hence encouraging power production by small producers that qualify under PURPA regulations.

For example, the tariffs span different lengths of time, take different approaches to the recovery of wind farm interconnection costs, and have not involved any analysis by the commission of interconnection benefits, Rose wrote.

While the commission made excellent recommendations in 2015 for grid reform and there has been incremental movement towards some of that reform, none of the reform has yet been completed. The continuing absence of a single load balancing region across the grid makes it easier for utilities to argue that wind power is too expensive; the penetration of non-hydro renewable power into the grid is extremely low; delays in grid reform will harm the region’s economy, and the risks of climate change continue to rise, Rose argued.

Rose suggested that the commission should take steps to accelerate the implementation of its recommendations.

—ALAN BAILEY
TRUCKING & LOGISTICS SOLUTIONS

carlile.biz | 800.478.1863