**Hilcorp only bidder**

Company drops almost $4 million on state, federal Cook Inlet lease sales

By KRISTEN NELSON
Petroleum News

Two standout results from state and federal Cook Inlet lease sales June 21 were Hilcorp Alaska LLC — the only bidder in the sales — picking up what is, for Cook Inlet, frontier exploration acreage, and the fact that the federal government offered, and received bids on, outer continental shelf acreage off Alaska.

The sales, Alaska’s annual areawide Cook Inlet lease sale and the federal Bureau of Ocean Energy Management’s Cook Inlet lease sale 244, brought in combined bids of almost $4 million. Bids for both sales were opened in Anchorage June 21, with the state doing its usual live bid reading and BOEM — for the first time in an Alaska sale — reading bids online.

While the federal blocks off Ninilchik and Cosmopolitan are close to production, the larger blocks in the southern inlet are clearly exploration acreage.

**HD hot Prudhoe debate**

Horizontal drilling not invented on Slope, but proved there commercially in 1980s

By TIM BRADNER
For Petroleum News

The Prudhoe Bay oil field, 40 years old this year, has been an incubator for new technologies that have helped reshape the world’s oil industry.

None were so far-reaching — or hotly debated at the time — as horizontal drilling. But there were others, too.

Horizontal drilling was a radically new type of oil well, proved first commercially at Prudhoe in 1983.

**AGDC begins solicitation**

Looking for non-binding capacity interest in AKLNG from producers, Asian markets

By KRISTEN NELSON
Petroleum News

The Alaska Gasline Development Corp. began capacity solicitation for the Alaska LNG project June 15. AGDC President Keith Meyer told the organization’s board that day that the capacity solicitation would help determine potential phasing of capacity or segments. The solicitation will run from June 15 through Aug. 31, he said, with a focus on North Slope producers and Asian consumers and a goal of identifying who wants capacity in the first phase of the project and how much capacity.

AGDC, an independent public corporation of the state of Alaska, took over leadership of the AKLNG project at the end of 2016 after the project’s industry partners — BP, ConocoPhillips and ExxonMobil — decided to pause work while the state wanted to continue.

Meyer told the board it probably wouldn’t be a widely advertised open season but would focus on Alaska producers and Asian consumers.

**40 years of North Slope oil flow**

Prudhoe Bay and the trans-Alaska oil pipeline reached the 40-year mark June 20. Prudhoe, originally expected to produce some 9.6 billion barrels, has already produced more than 12.5 billion barrels, field operator BP said in a statement, making Prudhoe the most productive U.S. oil field of all time.

Production began from Prudhoe, then the only producing North Slope field, on June 20, 1977.

“Forty years is extraordinary for a field that was supposed...”

see 40 YEARS page 16

**Hilcorp plans new Ninilchik pad**

Hilcorp Alaska LLC wants to build a new drilling pad to support a one-well delineation program on private lands located just beyond the southern boundary of the Ninilchik unit.

The local subsidiary of the Texas-based independent plans to drill and test a gas well at the Pearl pad at the coastal Cook Inlet unit, according to recent permitting documents.

The proposed 3.77-acre gravel pad would be on private surface lands on the Kenai Peninsula. The company is also... see NEW PAD page 16

**ASRC advances Placer development**

ASRC Exploration LLC is moving forward on a potential Placer unit development.

The exploration arm of Arctic Slope Regional Corp. plans to spend the upcoming development year — running from September 2017 to September 2018 — completing a reservoir map using new and existing seismic data; negotiating for access to regional infrastructure; and continuing engineering work for drilling pads, roads and pipelines.

see PLACER UNIT page 16

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**NEWS NUGGETS**

**An Australian explorer plans to merge stellar high-grade copper projects in Alaska. Read more in North of 60 Mining News, page 7.**

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**HISTORY**

**Drills add 400 meters to high-grade**

Redstar Gold Corp. June 21 reported that drilling has traced... see DRILLING DEBATE page 12

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**LAND & LEASING**

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**POLARIS**

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**TIM BRADNER**
Oooguruk unit drilling still on hold

Caelus planning eight-well workover program this year and designing six future grassroots wells; expects limited Nuna activity

By ERIC LIDJI
For Petroleum News

Caelus Energy Alaska LLC expects to continue its suspension of drilling activities at the Oooguruk unit this year but is also easing back into development work. The local subsidiary of Texas-based Caelus Energy LLC is not planning any drilling activities at the North Slope unit over the coming year. But the company expects to conduct a workover campaign and has identified six wells to pursue in the future.

The company suspended drilling operations at Oooguruk in May 2016 and reduced its workforce by 25 percent in an effort to reduce costs in the face of market uncertainty.

In a plan of development submitted to state authorities in early June, the company proposed suspended drilling activities for another year, beginning this September. But the company is planning for future development activity at the Oooguruk unit, particularly in the Oooguruk Nuiqsut participating area, the largest of the three oil pools at the unit. The company has finished planning for six of the remaining 13 well locations — eight new wells and five reclaimed well slots — at the participating area. The new wells are ODSN-05, ODSN-08, ODSN-09, ODSN-11, ODSN-12 and ODSN-20. Caelus is planning eight workover projects at the unit, scheduled to begin starting this August. The workovers include recompletions to improve flow efficiency at seven existing wells (ODSN-02, ODSN-04, ODSN-16, ODSN-17, ODSN-28, ODSN-31 and ODSN-39) and a test of the Kuparuk formation in the Ivik fault block using a dual Nuiqsut and Kuparuk completion in the existing ODSN-29 well. The company is also planning integrity repairs on three existing wells, ODSN-02, ODSN-04 and ODSN-28.

Previous year

To date, Caelus and its predecessor Pioneer Natural Resources Alaska Inc. have drilled 43 wells at the Oooguruk unit — 28 at the Oooguruk Nuiqsut participating area, five at the Oooguruk Kuparuk participating area, four at the Oooguruk Torok participating area, five appraisal and exploration wells outside of those three participating areas and one disposal well. Through April, the company is also running extended pre-production tests of the Kuparuk formation in the Ivik fault block using a dual Nuiqsut and Kuparuk completion in the existing ODSN-29 well. The company is also monitoring the ODSN-03i after discovering early water injection breakthrough in its offshore areas” before eventually converting the wells to injection.

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Without drilling activities, development work over the past year focused primarily on maintaining and upgrading facilities and on addressing development in other ways.

At the Oooguruk Nuiqsut participating area, Caelus spent the past year evaluating three existing injection wells in a proposed expansion area: the ODSN-06i well drilled in the northeast corner of the participating area near the Ivik exploration well, the ODSN-07i well drilled in the northern end of the participating area to support the ODSN-02 and ODSN-28 producers and the ODSN-10i well drilled in the southwest of the expansion area. The company briefly used ODSN-07i as a production well before converting it to injection in January. The company is also running extended pre-production tests of the ODSN-06i and ODSN-10i wells “to assess long term reservoir performance in these new development areas” before eventually converting the wells to injection.

The company is also monitoring the ODSN-03i after discovering early water injection breakthrough in its offshore area. The company is also running extended pre-production tests of the Kuparuk formation in the Ivik fault block using a dual Nuiqsut and Kuparuk completion in the existing ODSN-29 well. The company is also planning integrity repairs on three existing wells, ODSN-02, ODSN-04 and ODSN-28.

see OOGURUK DRILLING page 5
Rauscher: Proceed carefully on HB 111
Sutton Republican enjoying freshman term on House Resources Committee and immersion into oil and gas issues facing Legislature

By STEVE QUINN
For Petroleum News

Never let it be said that House Rep. George Rauscher gives up. The freshman lawmaker got into office on his third attempt, having beat incumbent Jim Colver last year. He lost his first attempt to Eric Feige in 2012, then came back to tie two-time House Resources co-chair Feige in 2014, but both times lost to Colver.

Rauscher, a Sutton Republican, gave it a third try and timed it well as Colver fell out of favor with the Republican Party who threw their support behind Rauscher. Colver began leaning away from his party on some oil tax provisions less friendly to the industry and was considered a liability.

Rauscher’s victory kept the current Democratic-led majority’s margin as slim as it’s ever been, 22-18.

“Rauscher: Being in Resources goes to the community I live in. I live in a community that’s really focused on the oil and gas industry and was considered a liability. Rauscher’s victory kept the current Democratic-led majority’s margin as slim as it is: 22-18.”

It was important to our district that Jim did not win,” Rauscher said of his decision to try a third time. “I think more people in my district realized we have a problem with Jim Colver representing us and they didn’t want that to happen again. They saw me out the third run.”

Rauscher himself got a seat on the House Resources Committee, one of four freshmen on a committee that featured no one with more than two terms on the committee.

He shared his first year’s experiences with Petroleum News

Petroleum News: Let’s start with your first year. You got Resources. I know that takes the caucus support, but was that something you pursued?

Rauscher: Being in Resources goes to the community I live in. I live in a community that was founded by coal. The military took over the coal mines in the Anchorage area which were started in the early 1900s. They utilized that coal. They kept Palmer warm, they kept Anchorage warm. They kept the war going. The effort in WWII was all support by coal coming out of the mines in Jonesville and Eska.

Those were actually live coal mines that were supporting all of those efforts. You’ve got to remember coal started to disappear toward the 50s right after we started looking at diesel and other means. It was completely phased out in the Eska and Jonesville area during the 70s. Most of those mines closed in the early 80s. Since then, we have always wanted the coal mines to start back up. A Japanese company tried to start the coal mines up again. It didn’t work out for them.

Usibelli bought those companies. They tried to start up Wishbone. They worked real hard to get those up and running. Back then I was just getting on the community council. I thought it was going just a little too far to the left. I wanted to see the coal mines go. There were some environmental issues. I probably got elected (resources subcommittee) chairman (on the Sutton Community Council) back then because I never had a political opinion in the public eye. I was always accepted in the community as a fairly nice guy, cooperative, somebody that works within the community. Somebody that gets things accomplished and always volunteered.

I was also a soccer coach and because my daughter had a game during the first meeting I couldn’t attend. While I was gone, I was named the chairman because he does the most work. I started to see Usibelli getting pushed out of the arena. I thought it was kind of unfair. They were trying to get project going that would create jobs. It was really important to me to get the jobs created. They were driving far to work to Anchorage.

I began an alliance or at least a friendship I should say with Usibelli. I think that’s how it all began. But you also have to remember that Sutton is an oil town. Most of the people when I was first there in the late 70s and 80s, they all worked for Parker Drilling and Brinkerhoff. I know I started out with Brinkerhoff. As recently as three years ago I worked for Dave Cruz and we were working on ice pads where you would maintain the hotels.

You’d be the pump operator, ordering sewer out and ordering water in, taking care of the whole operation there whether it’s parking, electric generators and getting it out on the ice once it’s scraped and leveled, then getting it out of there before May 1 once the ice melted. That was all part of the job and that process.

You were able to see what the oil companies went through from a different aspect. When you’re working for drilling outfits, you see what it takes for a drilling outfit to get their pad up from a place where there is no well, drill it in an exploration environment, come back to do a workover when you have the infrastructure.

So you see all that, but you don’t see everything else until you’ve actually been a camp operator. When you’re a camp operator, you’re working with all of the surface companies. Half of the equipment is parked right there on the pad. You’re talking to these operators. You’re going to the sites all the time. You’ve got the ice roads being maintained. It’s a big operation.

So when we are sitting at the table trying to decide who should be where, what they should do and what committees should they be on, you basically laid forth what experience you have and what committees you feel you should be on. So that’s how it happened.

Petroleum News: So, with your background and this being your freshman year, what have you learned most on Resources?

Rauscher: I have learned that it’s a whole different game when you’re in the minority. When you’re in the minority, you don’t have as much sway. You don’t have much pull. You have four votes to five so you’re really not going to get too far. You can put in amendments. If they are good and if they are agreeable you may get them through. Most of the time you don’t have the votes to get them through. I did have a bill — HB 6 — and that was the Jonesville bill. It ran all the way through the House (it’s in Rules awaiting floor vote). It (Sen. Mike Dunleavy’s companion bill SB 65) ran through the Senate and it’s sitting in Finance. That’s not too bad for a freshman. I think that’s a pretty good accomplishment. That’s not an easy task.

You have to remember I probably replaced somebody who the leadership would have appreciated having back (Colver). That kind of has some offset to it. I think I over a period of time that dwindled. I think in the beginning that was a factor. I believe they (majority) have accepted me pretty well. I think I became something other than what they envisioned. I think we can get along pretty well.

Petroleum News: In this your first year, you’re faced with a pretty heavy hitting bill, HB111. What are your thoughts on this bill?

Rauscher: I remember answering a question of yours early on. I think there were a lot of moving parts. I didn’t have that at the point, the committee bill, I don’t think it was good for Alaska. There were too many tax issues involved for the state, for the producers to enjoy, work with us as I think that would entice them to want to continue in Alaska. So I think all those things are pretty important. We all realized cashable credits had to end. It wasn’t working for the state. It wasn’t working for the producers. We also realized the NOL’s (net operating losses) moving forward was one way we absolutely could make a save of that. I believe the majority in the House wanted to go for the whole bill all at once to fix every-

See Rauscher Q&A page 12

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A new understanding of the Cook Inlet

Analysis of seismic data by state geoscientists reveals complexity of the west side of oil and gas basin in Southcentral Alaska

By ALAN BAILEY

A
ccess to seismic data and some continuing analysis of that data by geoscientists from Alaska’s Divisions of Oil and Gas and Geological and Geophysical Surveys is leading to a new understanding of the structure of the west side of Alaska’s Cook Inlet basin, DGGS geologist Robert Gillis told the American Association of Petroleum Geologists Pacific Region annual conference on May 23. An understanding of the structure of the basin is of great importance in figuring out potential targets for developing oil and gas in the prolific petroleum province of the basin.

Forearc basin

The basin consists of what geologists refer to as a “forearc basin,” a regional area of subsidence that forms between an oceanic trench and a volcanic arc, in a region where one plate of the Earth’s crust is subsiding beneath another plate. In the case of the Cook Inlet basin, that subsidence began in the early Jurassic and has continued to the present day, albeit with a hiatus in the middle Cretaceous. The result is a massive thickness of tens of thousands of feet of Mesozoic and Cenozoic strata in the basin.

The Jurassic strata within the older Mesozoic section include rocks of the Tuxedni group, the main source of oil in the Cook Inlet oil fields. Sands in the younger and shallower Cenozoic section form the reservoirs for the producing oil and gas fields. Some of the natural gas in the fields has come from the Tuxedni in association with the reservoir, with much of the gas has come from Cenozoic coals, resulting from microbial action in the coals.

Forces exerted on the basin by northward plate movement to the south have created stresses within the basin, including shear stresses that have created a series of north-northeast trending fold and fault structures in the Jurassic strata. These structures have become the forearc basin targets for oil and gas exploration and development — an examination of a map of the Cook Inlet shows the fields and well locations lined up along the structures.

Bounded by faults

The basin is bounded by major regional faults: the Border Ranges fault on the southeastern side, on the Kenai Peninsula, and the Castle Mountain and Bruin Bay faults on the northwestern side: the Bruin Bay fault runs northeast from the Alaska Peninsula, while the Castle Mountain fault cuts across the northern edge of the basin, separating the Cook Inlet basin from the Susitna basin to the north. Gillis explained that current understanding of the structure of the basin derives primarily from U.S. Geological Survey mapping carried out in the 1960s and 1970s. Although oil has subsequently been produced, much of the history of the basin remains puzzling.

Access to seismic

However, since 2006 DOG and DGGS have been conducting some new research into the geology of the basin. Although that research has tended to focus on the basin’s stratigraphy, attention has also moved to the basin’s structure. In particular, recent access to some 2-D seismic data for the west side of the basin has enabled a new evaluation of the structure of that part of the basin, Gillis explained.

The seismic data prove particularly valuable on that west side, because much of the bedrock is obscured by recent sediments, thus making surface geologic mapping very challenging. The conventional view of the structure of the west side of the basin is that the Bruin Bay fault runs onshore quite close to the west coast of the inlet but bends northward in

CORRECTIONS

Alaska LLC surrenders North Slope leases

Alaska LLC surrendered 10 leases in May, according to a corrected lease sale report.

The small Fairbanks-based independent surrendered four leases — ADL 391715, ADL 391716, ADL 391717 and ADL 391740 — it held on the Canning River, in the eastern North Slope. The leases were set to expire at the end of April 2018. The company kept a contiguous lease — ADL 392099. The company also surrendered six other leases located farther to the west — ADL 391737, ADL 391738, ADL 391769, ADL 391770, ADL 391771 and ADL 391772. Those leases were also scheduled to expire in April 2018.

An earlier version of the monthly lease report, as reported in the June 16 issue of Petroleum News, accidentally provided the wrong lease numbers for the surrender.

Elif Aquaitane, not Eni

In a story in the June 18 issue we incorrectly identified the first company to attempt a commercial horizontal drilling well, in Europe, as Eni. It was Elif Aquaitane (now part of Total) that drilled the first well.

Speaker name correction

In the June 18 issue of Petroleum News the article “A large gas prone sedimen-
tary basin” incorrectly attributed a talk at the American Association of Petroleum Geologists Pacific Section annual meeting about the Peters Hills basin to Richard Saltus. In fact the speaker was U.S. Geological Survey geologist Peter Haessler. Petroleum News apologizes for any confusion.

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LAND & LEASING

No substantial new information

The director of the Alaska Division of Oil and Gas has issued a decision of no substantial new information for the 2017 Beaufort Sea, North Slope and North Slope Foothills areawide lease sales.

Comments were received on the terms and conditions of sales, on declines in the Central Arctic caribou herd, on moose populations in the game unit spanning from the Canning River to the Colville River, on impacts to waterfowl in marine and terrestrial habitats and on polar bear habitats.

The comments on lease sale terms and conditions were forwarded for consideration by the director and the Department of Natural Resources commissioner for consideration when setting terms and conditions for lease sales.

The other comments will be considered, the division said, “for incorporation into the North Slope AreaWide Preliminary Best Interest Finding that is currently being drafted,” but do not “rise to the level of substantial new information” that would justify supplementing the existing best interest finding.

—PETROLEUM NEWS

EXPLORATION & PRODUCTION

AOGCC OKs new Alpine pool boundaries

The Alaska Oil and Gas Conservation Commission has approved expansion and contraction of the geographic boundaries of the Alpine oil pool.

Alpine is the largest producing area in the Colville River unit, which also includes satellites at Fidor, Naniq and Qannik.

Operator ConocoPhillips Alaska applied to the commission in January for an expansion of the Alpine pool to the west and a contraction on the east.

In a June 15 order the commission said work at the new CD-5 pad at Alpine indicates the productive area of the Alpine oil pool “likely extends beyond the western boundary of the current pool boundaries” while portions of the pool on the eastern edge “do not appear to be contributing to production” and are also on acreage beyond the current boundaries of the Colville River unit.

In May the Alaska Division of Oil and Gas approved an expansion to the west and a contraction to the east of the Alpine participating area — the division’s definition of the productive area within a unit. The division said the change essentially brings recent CD-5 drilling into the participating areas.

In its decision the commission said ConocoPhillips plans to drill an additional well development in the expanded Alpine oil pool, a well which would have been outside the acreage of the existing pool.

—KRISTEN NELSON

continued from page 2

OOOGURUK DRILLING

the relevant zone and removed the plug in April to resume injections and monitoring. “The surveillance data from the program will be used to assess reservoir management and remediation alternatives.”

The injection rate of the ODSN-27i and ODSN-34i wells was “significantly lower” following the shutdown of seawater deliveries from the Kuparuk River unit in September 2016.

“Attempts were made to clean any debris possibly plugging the lateral by back-flowing and surging the wells. Injection performance is under review,” Caelus wrote. At the Oooguruk Kuparuk participating area, production continued from horizontal producers ODSK-14 and ODSK-41, with ODSK-38i as the primary injector. The company returned the ODSK-35Ai well to injection this year. The company shut-in the ODSK-33 well “due to very high water-cut and significant hydraulic backout effects.”

At the Oooguruk Torok participating area, production continued from the ODST-39 and ODST-45A wells. The company recompleted the ODST-45A well in April 2016 to remove scale build up. The effectiveness of an April 2017 workover to address the problem is still being evaluated. The company also restored injection at the ODST-46i well after repairing a tubing leak to the inner annulus caused by a leaking gas lift valve.

The ODST-47 well is non-productive “due to mechanical failures.” Caelus is planning to contract the participating area to remove acreage associated with the well and instead use the well slot for future development of the larger Oooguruk Nuiqsuit participating area.

Nuna

Caelus undertook similar activities at the proposed Nuna development over the past year.

The company sanctioned the Oooguruk unit satellite development in early 2015 and completed initial infrastructure associated with the project, including a drilling pad and access road. The company also began initial permitting for a potential second pad.

But the suspension of drilling activities in early 2016 led Caelus to postpone aspects of Nuna, moving the start-up date to “2018 or later” from an earlier date of late 2017.

Over the past year, the company undertook a lot of non-drilling tasks at Nuna, including a continued refining of cost estimates and an assessment of the commercial viability of the project based on drilling and engineering results and on permitting requirements.

This coming year, the company expects to continue design, engineering and procurement work and ongoing geologic studies with the goal of a 2018 or later startup for Nuna. Those work plans include an ongoing evaluation of “facility construction schedule and cost in light of oil price and tax structure environment,” according to the company.

Contact Eric Lydia
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continued from page 4

COOK INLET GEOLOGY

the area of Trading Bay to play into or be cut off by the Castle Mountain fault at a point somewhere to the northwest of the Beluga River gas field. Thus, the entire northwestern margin of the basin would be characterized, in effect, as a single, continuous system of major faults.

But the state’s analysis of the newly available seismic data has revealed that traditional interpretation to be incorrect, with the actual structure of the basin being much more complicated than previously thought.

Structure revealed

Gillis said that an analysis of the seismic has revealed that, in fact, the Braun Bay fault does not bend to the north at Beluga but instead fizzes out along its continuing more northeasterly trend. The area through which the Braun Bay fault was assumed to track more northerly to meet the Castle Mountain fault is in fact characterized by a swarm of discontinuous steeply dipping faults that trend in a north-northeasterly direction. In the Cenozoic, the Braun Bay fault has less regional importance than previously thought, Gillis commented.

Curiously, seismic imaging of the Braun Bay fault shows the fault cutting through Cenozoic strata, with the West Foreland formation, one of the older formations in the Cenozoic, being thousands of feet thicker on one side of the fault than on the other. That appears to indicate a relationship between deposition of the West Foreland and movement on the fault at the time of deposition. The younger and shallower Hemlock formation, on the other hand, has the same thickness on either side of the fault, Gillis said.

Apparently field mapping done in conjunction with the state’s Cook Inlet research near Capps Glacier, on the northwest basin margin, has also revealed a relationship between the deposition of Cenozoic sediments and structural movement in the area of the basin margin.

Contact Alan Bailey
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As well as residential Septic & Water tanks
State expands Conoco’s Colville River unit

Adding single federal lease would support proposed Fiod West development; first project for new expanded reach drilling rig

By ERIC LIDJ
For Petroleum News

The state has approved the seventh expansion of the Colville River unit.

In a June 14 decision, Division of Oil and Gas Director Chantal Walsh agreed to a request from ConocoPhillips Alaska Inc. to add approximately 240 acres to the unit.

The expansion adds a single federal lease — AA 84140. The lease is located toward the northern end of the unit, along the Colville River, but within the existing unit area. The expansion would support the Fiod West development, in the northwest of the unit.

ConocoPhillips plans to drill “through or near” the expansion acreage using extended reach drilling from the existing CD-2 pad. The company has commissioned a rig for the program and expects the rig to be delivered before the end of the 2020 ice road season.

As with the entire unit, ConocoPhillips operates the lease and owns 88 percent working interest. Anadarko E&P Offshore LLC owns the remaining 22 percent working interest.

The expansion acreage is in the Fiod West development area, one mile west of the current Fiord Nechelik participating area. Earlier this year, ConocoPhillips Alaska President Joe Marushack described the Fiod West project as one of the most likely. He said it would be given a high priority in the near future.

The expansion acreage is in the Fiord West development area, one mile west of the current Fiord Nechelik participating area. Earlier this year, ConocoPhillips Alaska President Joe Marushack described the Fiord West project as one of the most likely to be given a high priority in the near future.

By ERIC LIDJ
For Petroleum News

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For Petroleum News

The state has approved the seventh expansion of the Colville River unit.

In a June 14 decision, Division of Oil and Gas Director Chantal Walsh agreed to a request from ConocoPhillips Alaska Inc. to add approximately 240 acres to the unit.

The expansion adds a single federal lease — AA 84140. The lease is located toward the northern end of the unit, along the Colville River, but within the existing unit area. The expansion would support the Fiord West development, in the northwest of the unit.

ConocoPhillips plans to drill “through or near” the expansion acreage using extended reach drilling from the existing CD-2 pad. The company has commissioned a rig for the program and expects the rig to be delivered before the end of the 2020 ice road season.

As with the entire unit, ConocoPhillips operates the lease and owns 88 percent working interest. Anadarko E&P Offshore LLC owns the remaining 22 percent working interest.

The expansion acreage is in the Fiord West development area, one mile west of the current Fiord Nechelik participating area. Earlier this year, ConocoPhillips Alaska President Joe Marushack described the Fiord West project as one of the most likely to be given a high priority in the near future.
Drills add 400 meters to high-grade Shumagin zone gold vein at Unga

Redstar Gold Corp. June 21 reported that drilling has traced the high-grade gold vein at the Shumagin zone of its Unga gold project for 1.350 meters, which is an extension of about 400 meters. During the spring program at Unga, a historic high-grade gold property on an island just off of the Alaska Peninsula, Redstar completed 12 holes at roughly 100-meter centers, primarily targeting extension of the Shumagin gold zone. "We are excited to have intersected the Shumagin vein structure along strike to the southwest and, in addition, intersected the vein structure within the main breccia system to the northeast with infill drill holes," said Redstar President and CEO Peter Ball. "The work completed this spring both confirms the extension of the vein structure and, importantly, shows that the structure remains open along strike and at depth." The company said 10 of these holes drilled during the first phase of 2017 drilling at Unga cut Shumagin-style breccia, vein mineralization. "Delineating the expansion potential of the Shumagin gold zone to the southwest has been the company's prioritized goal for the initial 2017 spring exploration and drill program," said Redstar Vice President of Exploration Jesse Grady. "A significant segment of vein breccia at the Shumagin gold zone has now been defined that can be infill drilled, while regional exploration efforts can focus on the other noteworthy gold prospects." Cure from this drilling has been sent to the lab and assay results are expected in early July. In addition to the drilling, the spring program included mapping, geochemical soil and surface rock sampling, and geophysical surveys. The company said it is currently planning the next phase of 2017 drilling at Unga, which will focus on completing a NI 43-101-compliant resource for the Shumagin gold zone, where 77 holes have been drilled, including 37 completed by Redstar since 2011. Additionally, Redstar is planning to drill other priority gold zones along the roughly six-mile-long Shumagin vein structure, such as Orange Mountain, Empire Ridge, Aquila-Amethyst, and the newly discovered footwall vein to the north of the Shumagin gold zone. "Exploration along this long-lived structure is significant and continues to yield solid results each time the drill bit turns," said Ball. "Once again, the methodical step-out diamond drill program southwest towards Orange Mountain has intersected the Shumagin vein structure."

Black bear kills Pogo explorer

Sumitomo Metal Mining Pogo June 19 reported that a contract employee was fatally attacked by a bear while carrying out geological field work on the Interior Alaska gold property. A second contract employee who was attacked was transported to Fairbanks Memorial Hospital, where he was treated for non-life-threatening injuries and released the same day. The victims were working at an exploration site about five miles away from the main camp at the Pogo Mine when the bear attacked. A mayday was called and in accordance with site emergency response procedures, a helicopter responded with a paramedic and a physician’s assistant on board. Pogo Mine personnel immediately reported the attack to the Alaska State Troopers. The bear, which was later identified as a cinnamon black, was generally considered tired, black bears have been involved in 10 fatal attacks on humans since 2010, including two such attacks in Alaska in June.

Australiabased Polaris Minerals Ltd. is set to debut as a new exploration company focused on advancing Caribou Dome and Stellar, high-grade copper-copper-gold projects in Alaska. This new exploration company will be the product of a merger between Coventry Resources, a Perth-based junior that has focused on exploring and expanding Caribou Dome for the past two years, and Vista Minerals Pty Ltd., a privately owned Down Under explorer that owns rights to the adjacent Stellar copper-gold project. The merger, along with an associated financing and share consolidation, will need to be approved by Coventry shareholders before the deal can be finalized. This approval is expected to be reached at shareholder meeting in West Perth, Australia, on June 30. Once the deal is finalized, Polaris will own two high-grade copper properties that blanket roughly 22 miles of highly prospective ground along the south flanks of the Alaska Range and just north of the Denali Highway. 

Polaris formation

In addition to Coventry and Vista, the property merger involves Millrock Resources, the owner of the Stellar property. To bring these neighboring properties into one well-funded exploration company, Millrock has agreed to sell Stellar to Vista Minerals in exchange for 25.14 million Vista shares, or 27.7 percent of the Australia-based explorer. This outright exchange of property for shares terminates a 2015 agreement under which Vista was earning an 80 percent stake in the copper-gold property. The transaction also simplifies the formation of Polaris, the new company that will arise when Vista shareholders, including Millrock, exchange their shares for Coventry shares. To complete the Polaris formation, Coventry plans to raise AUS10 million and consolidate its shares on a 1-for-5 basis. As a result of the transaction, Millrock would own roughly 25.65 million Polaris shares, or about 9 percent of the expected 284 million shares of the new exploration company. Mark Rojancic, who started out as an accountant in the resource sector before rising to top executive positions and is currently the chairman of Coventry, will serve as Polaris’ executive chairman. Frazer Tabear, a geologist with 30 years of experience, including his work for Vista, will be the CEO of the new company. With the money raised, the merged Polaris team plans to invest US$60 million – about US$3.1 million at Caribou Dome and US$2.9 million at Stellar – on exploration and feasibility work over the next two years. 

Expanding Caribou Dome

In April, Coventry published the first resource for the high-grade, sediment hosted copper deposit at Caribou Dome that meets modern standards. Using a 0.5 percent cut-off grade, 2.8 million metric tons of total resource (measured, indicated and inferred) averaging 3.1 percent (190 million pounds) copper has been outlined at Caribou Dome. This resource conforms to JORC standards, the Australian standard for reporting exploration results that is similar to Canada’s NI 43-101. The overall Caribou Dome resource includes 1.6 million metric tons of near surface material considered to be amenable to open pit mining that averages 3 percent (107.8 million lb) copper, and 1.2 million metric tons of underground mineable resource averaging 3.2 percent (82.3 million lb) copper. This high-grade deposit is found along an 800-meter-long area of the property that is centered on a historically explored area at Caribou Dome. Over the past two years, Coventry has identified a number of other areas of high-grade mineralization along a strike length of 11 miles at Caribou Dome, including lateral and depth extensions of the deposit. Expanding the near surface resource ahead of the prefeasibility level work slated for later this year is a priority for Polaris. The near-surface resource is amenable to mining in two small open pits. An undeveloped area between these pits is one of the priority drill areas; an area immediately northeast of these pits is another. The resource area is also open to the southwest and at depth. The second deepest hole Coventry drilled at the Caribou-Dome deposit cut 15.4 meters averaging 7 percent copper about 260 meters below the surface, which demonstrates the potential for adding high-grade copper to the underground resource. Together, these areas provide compelling

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NEWS NUGGETS

First gold at Brucejack

Pretium Resources Inc. reported June 20 the first gold at its Brucejack Mine in northwestern British Columbia. The Valley of the Kings deposit at Brucejack hosts 15.6 million metric tons of proven and probable reserves grading 16.1 grams per metric ton (810,000 ounces) gold. This includes 3.3 million metric tons of proven reserves averaging 14.5 g/t (1.6 million oz) gold, enough ore for the first three years of production. Pretium has steadily reached constructed milestone operations over the past several months, including the energization of the commercial powerline to the operation in March. The installation of the SAG and ball mills was finished in April, and the mills, flotation and gravity circuits are now fully operational. In addition to the pouring of the first doré at Brucejack, gold–silver concentrate from the flotation circuit is being produced and readied for shipment. Construction crews are being phased out as construction winds down and the operations team ramps up toward commercial production. Upon reaching commercial production, the high-grade underground mine at Brucejack is expected to produce 7.27 million ounces of gold over an 18-year mine life, or roughly 404,000 oz per year of the precious metal annually, according to a feasibility study completed in 2016. 

Seabridge to drill a blind KSM discovery

Seabridge Gold June 21 reported that it is set to begin drilling two highly prospective targets at KSM—the down plunge projection of the Lower Iron Cap zone and a new target that could represent a fifth, higher grade deposit at this enormous gold-copper project in northwestern British Columbia. Both targets were discovered in IC-16-62, the last hole drilled in the 2016 drill program. The company plans to complete around 8,750 meters in 10 holes to test these targets. “This is the twelfth successive season we have drilled at KSM and, quite remarkably, we believe it could be one of our most productive,” said Seabridge Chairman and CEO Rudi Fronk. Hole IC-16-62 cut 555.2 meters grading 0.83 grams per metric ton gold, 0.24 percent copper and 4.4 g/t silver, beginning at a depth of 201 meters. This interval returns an average of 0.88 grams per metric ton gold, 0.25 percent copper and 4.5 g/t silver, beginning at a depth of 353 meters in the Lower Iron Cap zone. This year’s drilling will test for continuity of this mineralization down plunge of the existing resource. If successful, Seabridge said the hole spacing could add several hundred million tons of mineralized material to the Lower Iron Cap resource. IC-16-62 also cut a shallower blind target consisting of an incomplete interval of more than 60.7 meters averaging 1.20 g/t gold, 0.95 percent copper and 4.1 g/t silver, beginning at a depth of 201 meters. This interval could have been considerably wider but no core was recovered from 150 to 173 meters and from 183 to 201 meters while the orientation of the drill hole was being modified using down hole tools. Seabridge notes that the interval between 173 and 183 meters returned 0.53 g/t gold and 0.55 percent copper. This target is believed to be the higher grade core zone of a porphyry copper–gold system projected against the Iron Cap deposit on a fault. The holes targeting the down plunge projection of the Lower Iron Cap zone are expected to cross the blind discovery. Seabridge Chairman and CEO Rudi Fronk commented:

NEWS NUGGETS

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POLARIS

expansion targets as Polaris considers the best approach to mining this high-grade copper deposit.

More high-grade copper

Beyond expanding the delineated copper deposit, Polaris also plans to investigate some of the other targets Coventry has discovered across the 14-mile prospective trend blanketed by the Caribou Dome property. Sampling and geophysical surveys carried out over the previous two years has turned up a number of exploration targets extending northeast and southwest of the resource area. In fact, this work has identified extensive copper-in-soil anomalies over the entire 7,000 meters of strike tested, including a highly prospective area stretching northeast from the deposit. Fronz told Mining News that Senator, a 5,000-meter-long prospect at the north-eastern end of the property, will be a priority exploration target Polaris if the company is successful in raising the funding.

Soil samples collected from Senator have returned up to 0.17 percent copper and select rock chip samples from outcrops in the area have returned up to 12.1 percent copper. Polaris has outlined plans to complete mapping and inducing polarization geophysical surveys at Senator prior to drilling this prospect that borders the Stellar property immediately to the northeast.

Stellar exploration

While gathering data for a prefeasibility study at Caribou Dome, Polaris plans to complete similar, though slightly earlier staged work, at the neighboring Stellar gold-copper property. Situated immediately northeast and along the same trend as Caribou Dome, the Stellar claims cover the Zackly copper-gold-silver deposit, which hosts a historical resource of 218,944 ounces of gold and 66.9 million pounds of copper contained in a deposit of 1.54 million metric tons grading 4.5 grams per metric ton gold and 2.9 percent copper. The exploration work at Stellar will likely be managed by Millrock, which has an agreement in place to carry out the program. One of the primary goals for Polaris is to elevate the historic gold-copper resource at Zackly to modern JORC standards. To do this, the companies are planning to carry out additional IP geophysical over Zackly and areas immediately to the east and west and then drill twin holes within the main Zackly skarn to confirm the historical resource.

The resource area at Zackly covers less than a third of a 3,000-meter-long stretch of known gold-copper skarn mineralization that has been identified by Millrock and Vista. In 2016, Vista conducted IP surveys over the west flank of Zackly and Jupiter, a separate but related copper prospect about 1,800 meters north of the main Zackly skarn. Millrock collected one sample from the Jupiter prospect area in 2013 that returned 23 percent copper. Mars a large copper-gold prospect at the western edge of the property and immediately northeast of the Senator prospect on the Caribou Dome claims, is Polaris’ top Stellar exploration target outside of the Zackly–Jupiter area. Polaris would also like to explore Gemini, a 2,000-meter-long copper-gold soil anomaly north of Jupiter, Moonwalk, a “Tintina-style” gold anomaly at the northern end of Stellar. By upgrading and expanding Zackly-Jupiter and testing some of the other prospects, Polaris hopes to have the information needed to complete a Stellar prefeasibility study in 2018.

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POLARIS

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Kinross Fort Knox/Fairbanks Gold Mining Inc.

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Located 5 miles northeast of Fairbanks, Fort Knox is the largest gold producing mine in Alaska. During 2016, Fort Knox began producing gold again, and this year, the seven-million-ounce gold produced and the 20-year anniversary of commercial operations.

Usibelli Coal Mine

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Arctic's wide variety of wire rope and cable, crane rope, lifting and transportation chain, sold in bulk. Also carry a wide variety of chemical and specialty compounds, truss, rubber, v-belts, pumps, Enerpac equipment, Kamlows, plumbing fittings, and much more. We perform hydro testing up to thirty thousand psi, p&i testing up to 150 thousand pounds. All training comes standardized with certification & RFID certification tracking capabilities.

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CONAM Construction Co. is an operating unit of Quanta Services (NYSE:PAW).
We have been anxiously awaiting the snowmelt so we can begin,” said Frank. “We now expect Iron Cap will become considerably larger, much like Deep Kerr over the past three years. We are also keen to see how the new discovery proves up, given its exceptional grades and the possibility that it may extend to the north, west and east. IC-16-62 is one of the few times we have stepped out into an area without a surface expression of mineralization. This blind discovery confirms our belief that KSM still contains significant untapped discovery potential.”

**Largest Kennedy North diamond found to date**

Kennedy Diamonds Inc. June 19 reported the recovery of a 7.76 carat white octahedral diamond with no inclusions from sampling of the Faraday 3 kimberlite at Kennedy North, the largest gem quality diamond discovered so far at the project. A total of 460.5 carats of diamonds larger than 0.85 millimeters were recovered from 276.4 metric tons of material collected from Faraday 3 during the winter 2017 program, for a sample grade of 1.67 carats per metric ton. A total of 26 diamonds of one carat or greater were recovered, of which nine are gem-quality and seven are “near gem” quality. The five largest diamonds recovered from the bulk sample are: 7.76 carat white/colorless octahedron with no inclusions; 4.02 carat white/colorless octahedron with minor inclusions; 3.41 carat off-white octahedron with minor inclusions; 3.38 carat off-white octahedron with noticeable inclusions; and 3.08 carat off-white octahedron with no inclusions. Since drilling was designed to sample the thickest parts of the pipe in order to maximize carats recovered for the purpose of resource definition, Kennedy Diamonds cautions that the sample grade reported of the bulk sample may not be representative of the grade of the entire kimberlite pipe. “While the grade achieved for the Faraday 3 kimberlite is in line with expectations, the recovery of a high quality 7.78 carat gem from the sample is extremely exciting. This stone represents the largest diamond recovered from our bulk sampling activities on the project to date,” Kennedy Diamonds President and CEO Rory Moore. “As with Faraday 2, the size distribution and quality characteristics of the Faraday 3 diamonds appear better than those recovered from Kelvin to date, with a notable trend of increased quality with diamond size and a higher incidence of well-formed crystals in the larger size fractions.” Kennedy North also reported the recovery of 76.8 carats of commercial-size diamonds from a 26.37 metric ton sample collected from the Faraday 1 kimberlite, for a sample grade of 2.91 carats per metric ton. The five largest diamonds recovered from the Faraday 1 sample are: 3.21 carat white/colorless tetrahexahedron with noticeable inclusions; 2.35 carat off-white transparent octahedron with no inclusions; 2.31 carat off-white transparent octahedron with no inclusions; 1.94 carat brown transparent octahedral twin with noticeable inclusions; and 1.64 carat white/colorless tetrahexahedron with no inclusions. The Faraday 3 and Faraday 1 samples were collected during the winter 2017 program at Kennedy North that was designed to further delineate both kimberlites as well as to recover sufficient carats from Faraday 3 for valuation. Kennedy North is located about seven kilometers (4.5 miles) southwest of Gahcho Kué, the newest diamond mine in Northwest Territories.

**Desert Star cuts deal to acquire Kutcho, BC**

Desert Star Resources Ltd. June 15 reported that it has signed a definitive agreement to acquire full ownership of Capstone Mining Corp.’s Kutcho copper-zinc-gold-silver project in northern British Columbia. To acquire Kutcho, Capstone subsidiary that owns Kutcho, Desert star has agreed to pay C$28.8 million in cash and issue enough shares to provide Capstone with 9.9 percent of Desert Star’s issued and outstanding shares. A prefeasibility study prepared for Desert Star outlines a mine at Kutcho that would produce 378 million pounds of copper and 473 million lb of zinc, plus by-product gold and silver, over 12 years of production. The base case estimate of this study generates an after-tax net present value (8 percent discount rate) of C$265 million and an internal rate of return of 27.6 percent using metal prices of US$2.75/lb copper, US$1.30/lb zinc, US$17.62/oz silver and US$1,250/oz gold. Desert Star has developed plans to advance Kutcho to a fully permitted project with a feasibility study completed by the end of 2019. This work includes additional geotechnical work on the deposits; a drill program to collect metallurgical samples and upgrade a portion of the inferred mineral resources to the measured and indicated categories; additional metallurgical test work to optimize metallurgical parameters; and environmental baseline studies. Significant exploration upside has been identified through historic work including several priority drill ready targets prospective for the discovery of new deposits. Mineralized drill intersections along strike and down plunge to the west from the Esso deposit – one of three volcanogenic massive sulfide deposits found at the Kutcho project – is one such target. Highlighted drill intercepts from this area include 7.2 meters averaging 1.96 percent copper, 5.24 percent zinc, and 18 grams per metric ton silver. The FW zone, a relatively narrow sulfide lens beneath the Kutcho Main zone is another target. A historic estimate, prepared as an internal document for Esso in 1979, outlined 230,000 metric tons averaging 1.47 percent copper, 5.52 percent zinc, 0.4 g/t gold and 43.7 g/t silver. In addition, there is favorable untested stratigraphy east of the Main zone, and on the southern portion of the property. “We believe Kutcho is an exceptional opportunity, with significant near-term upside potential in both the project economics and expansion of the existing mineral reserves and resources,” said Desert Star President and CEO Vince Sorace. Upon completion of the Kutcho acquisition, Desert Star proposes adding Stephen Quinn, president and CEO of Midas Gold and former CEO of Sherwood Copper (predecessor to Capstone); former BC Mines Minister Bill Bennett, and former Kamnik Gold Vice President of Sustainability Allison Rippin Armstrong to its board of directors. “Desert Star is guided by an experienced board, management and technical team with experience in project development, permitting and finance, all committed to working closely with First Nations, local communities and all levels of government,” said Sorace. •
Alliance applies for unit at Hemi Springs

By KRISTEN NELSON

Alliance Exploration LLC has applied to the Alaska Division of Oil and Gas for formation of the Hemi Springs unit. The Carson City, Nevada-based company filed the application June 6; the division noted it June 20; comments are due July 24.

The division said the area proposed for the unit is three state oil and gas leases some 18 miles due west of Deadhorse, near the Kuparuk River and Prudhoe Bay units; the area is adjacent to the southern boundary of the Prudhoe Bay unit.

Alliance said it owns 100 percent working interest in the leases and that approval of the proposed unit would cover some 10,133 acres of state lands.

The proposed unit area “includes two separate reservoir targets, Kuparuk C and Ivishak,” Alliance said. “The primary reservoir target is a stratigraphic trap in the Kuparuk C and defined by an amplitude anomaly observed in the Storms 3D Seismic survey.”

The company said the ARCO Hemi Springs State 1 is the only well in the proposed unit area. It found oil in the Kuparuk C but was not drilled in the “most optimum location for Kuparuk C pay production.” That well also penetrated the Ivishak and found a think pay section.

In an initial plan of exploration, Alliance said it is proposing a two-well drilling program for the proposed two-year plan. Both wells are planned on Tract 2 in the proposed unit (ADL 392104). The first well will target “a seismic amplitude anomaly in the Kuparuk C” and the second well, which would be drilled depending on results of the first well, would target a structural high in the Ivishak formation.

In its exploration plan, Alliance said that by March 31, 2018, it would begin operations to drill the first well at Hemi Springs, a straight pilot hole to the bottom of the Ivishak formation. The well would then be logged, a whipstock set and a lateral drilled to the southwest in the Kuparuk C.

The company said that if log evaluation indicates prospective hydrocarbon zones those would be tested and completed.

By March 31, 2019, Alliance said it would begin operations to drill the second well, a straight pilot hole to the bottom of the Ivishak formation which would be logged and tested based on evaluation of data collected. A whipstock would then be set and a lateral drilled to the northeast in the Kuparuk C, and tested if log evaluation indicates prospective hydrocarbon zones.

Tract 2, ADL 392104, the site for both proposed exploration wells, is a 2,560-acre tract with a Nov. 30, 2022 expiration date. The other two tracts expire this year: Tract 1, ADL 391544, is a 2,501-acre tract with a June 30 expiration date; Tract 3, ADL 391545, is a 2,512-acre tract with a June 30 expiration date.

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In Alaska, 78 percent of BP employees live here

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EXPLORATION & PRODUCTION

Doyon requesting Mustang pad storage

Doyon Remote Facilities & Services LLC wants permission to store camp equipment at a drilling pad at the Southern Miluveach unit to support an unidentified future program.

The oilfield services company recently asked the state Division of Mining, Land and Water for a five-year authorization to temporarily store a 140-man camp and related equipment at the gravel Mustang pad, the first development at the North Slope unit.

In its application, the company told regulators that it does not yet have a contract for the work program and that the proposed camp would not be operational without a contract.

A joint venture operated by Brooks Range Petroleum Corp. built the Mustang pad to support the initial development at the Southern Miluveach unit. The development has been underway for several years but delayed by technical and economic factors.

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---ERIC LIDJI

EXPLORATION & PRODUCTION

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COLVILLE RIVER UNIT

reach rig.

Geology

According to the decision, seven previous exploration wells surround the expansion acreage: Nechelik No. 1, Temptation No. 1, Temptation No. 1A, Nigliq No. 1, Nigliq No. 1A, Iapetus No. 2 and Char No. 1. All seven wells encountered either the lower Cretaceous Kuparuk River formation, Upper Jurassic Nechelik sandstone or both, according to the decision. Sohio drilled the Sohio Nechelik No. 1 well in 1982, ARCO drilled the Temptation No. 1 and Temptation No. 1A well and sidetrack in 1996; and Phillips drilled the Nigliq No. 1 and Nigliq No. 1A well and sidetrack in 2001.

ConocoPhillips drilled the Iapetus No. 2 well in 2005. The company drilled the Char No. 1 well in 2008. The well produced 3,620 barrels of oil per day in a subsequent test.

The state formed the Fisrd Nechelik participating area in 2006. ConocoPhillips subsequently drilled 13 production wells and 10 injection wells at the participating area, producing some 13.4 million barrels of oil through the beginning of this year, according to the state. “Well data from the Fisrd Nechelik (participating area) and the seven exploration wells described in this decision indicate that the Nechelik sandstone trend continues west toward the seventh expansion area,” Walsh wrote in her decision.
Rauscher Q&A

thing. Then when it got to Finance it took it even further, which I think was kind of a downfall. Talking to Senate Resources, I think they were looking at taking smaller steps. That’s what they were willing to work with.

I had put in an amendment that basically covered some of what I had asked for right now for maybe ringfencing. I tried to sell it as something they could own in the House and take a little more next year. As it worked out, they kind of lost it. Now they Senate will probably get closer to what they wanted.

Petroleum News: Of the criticisms regularly heard around the state, is the tax system or the fee system too complicated?

Rauscher: It’s true. Very true. It’s too complicated. The fact is that it’s so complicated that no one except for Paul (Seaton), (Geran) Tarr and (Andy) Josephson can comment on it. Everybody else, they are not wanting to deal with it, so it’s complicated. That right there.

If you remember, Finance wanted to put in DNR taking over certain functions. That opened up a whole new department for DNR. It would cost a lot of money. There would be a lot of downsizing, learning curve, shifting and shuffling responsibility. It didn’t seem like it would make sense to me. It seemed like it was too much work to me.

Petroleum News: You mentioned saying I realized what they were doing. They wanted to capture more information. They wanted more information than what they were given. I think that was a big part of it. I think we sacrificed too much. It was too much for me. That’s just my opinion.

Old-school drillers and production managers at BP didn’t like the idea, he said. “They were very suspicious of any deviations over 62 degrees from vertical because they’d had too many bad experiences with stuck pipe,” Stagg remembers.

Horizontal wells are at 90 degrees. “Just that they hadn’t been done,” Stagg said.

Stagg remembers the fierce criticism in the beginning. He was given the assignment to do the first horizontal well in Prudhoe and he faced skeptical colleagues. He recalled one memorable drilling department meeting. “You should be fired,” for pushing horizontal wells, an old-style production manager told him.

There were some people who were in positions to make it happen. A key supporter, Stagg said, was Doug Webb, then a senior BP manager in Houston (formerly in Alaska) who overrode the traditionalists’ opposition.

“His commitment to Alaska, and to Stagg.”

“BP’s” commitment (to the idea) was strong in spite of the opposition from middle management. I was asked to prepare an AFE (authorization for expenditure). Doug Webbs flew to Alaska to sign it. That right there is listened to all the predictions of massive cost overruns and he said “we’re going to do it anyway.” Stagg remembers.

Practice well in Texas

However, BP’s Alaska management at the time insisted that a practice well be drilled in Texas to prove the concept — and on Houston’s budget, not Alaska’s. This was done, and in sandstone rock similar to Prudhoe. “We drilled 9,000 feet vertically and out 1,600 to 1,800 feet horizontally, and we showed we could do it,” Stagg said.

However, the drill rig needed a “top-drive” unit to quickly. “It seemed at times that the geologists barely had time to go to the bathroom,” Stagg recalls.

Surprisingly, this was a new concept in drilling. “It was a huge success, silencing the naysayers. It produced 12,500 barrels per day, a very good well compared with a good result from a conventional well, then cost targets were met. It was too much for me. That’s just my opinion.

Drilling DEBATE

Bay, and which helped pave the way for production of oil and gas in Cook Inlet. It was the first in the state to go over 40,000.

At Prudhoe, however, the success of horizontal wells led to other breakthroughs, like drilling with lower-cost coiled tubing units for sidetrack wells, or wells drilled laterally, underground, from older well bores, as well as multilateral wells, where several wells are drilled underground from an old well.

These technologies have extended the economic life not only of Prudhoe but other North Slope fields.

“Horizontal and sidetrack drilling were a lifesaver for Prudhoe Bay,” said Dick Maskell, a retired BP drilling engineer. “We were tapping out small pockets of oil previously bypassed to be commercially produced.

Prudhoe is now expected to ultimately produce 13 billion barrels or more compared with 6.7 billion estimated in 1977. New technology and new types of wells were crucial in adding reserves.

Other technologies

To be workable, however, horizontal drilling had to be matched with other new technologies developed outside Alaska but quickly imported to the state, such as measurement-while-drilling, or MWD, and its companion system, logging-while-drilling, or LWD.

These systems, along with new devices to control the direction of the drill bit, helped set the stage for true horizontal drilling. Drilling Co. rig was modified with a top-drive, the first for horizontal wells to be used. An Alaska United

Aquitaine (now Total), in drilling what were really horizontal wells. “It was done, and in sandstone rock similar to Prudhoe,” Stagg remarks.

“Horizon...
Stagg doesn’t remember who first came up with the idea of putting a drill bit and motor at the end of the coiled tube, and drilling with it, but he recalls a great deal of experimentation in the early 1990s within both ARCO and BP on new things that could be done with coiled tubing.

“Coiled tubing was an interesting technology but when it was first introduced to Alaska we used it for interventions on existing wells. We were mostly doing well treatments with different fluids, pumping acid or nitrogen to help stimulate the well,” BP’s Greg Sarber explained. There was a push on to do more things with coiled tubing because it was much cheaper than a big rotary rig.

However, innovations within companies need champions, and Stagg gives credit to Chris Phillips, the production manager, for being a key internal advocate for coiled-tubing drilling.

Phillips tasked Eric Walker, then in BP’s wells group, with expanding uses for coiled tubing eventually to drilling. Walker brought Brock Williams and Ted Stagg into his group.

Parallel track at ARCO

ARCO was on a parallel track and actually ahead of BP, Stagg said. Within that company Don Scheve, then ARCO’s production manager, was the champion for coiled-tubing drilling, Stagg said. BP’s Sarber said other ARCO advocates on the ARCO side included Curtis Blout and David Hearn. They were “two of the biggest innovators,” he said.

However, a big obstacle to drilling with coiled tubing became apparent. The drillers could install a “whispstock” device in the bore of the older well to deflect the drill bit but there was no “mill” that could be installed on the coiled tubing that was capable of auguring a hole through the steel pipe for a new sidetrack well.

Mike Yore at Weatherford invented one. Stagg said, “He went out to the shop and just fabricated it. We tried it and it worked,” he said. Yore’s mill has evolved and just fabricated it. We tried it and it worked,” he said. Yore’s mill has evolved and just fabricated it. We tried it and it worked. Stagg doesn’t remember who first combined drill rig and coiled-tubing unit. That was the right approach but improvements in efficiency were needed. Out of that collaboration, Stagg said, came Nordic-Calista Rig 1, the first combined drill rig and C-T unit to be built. The design has been improved substantially in the years since.

A small workover rig is needed in coiled-tubing drilling to run long strings of production piping into a completed horizontal sidetrack and to manage the quantities of drill mud needed to clean the hole and control the down-hole pressure, and to keep the well safe.

Turf encroachment

The oilfield innovators still had to wear their flak-jackets, however. Conventional rotary-drilling managers weren’t happy about seeing their turf encroached on.

“I remember once showing up at a drill pad with my coiled-tubing unit, where there was also a drill rig, and having the drilling supervisor come rushing out, yelling at me to get my equipment off ‘his pad,’” Stagg recalls.

Coiled-tubing drilling was a break-through technology but Eric Walker, now retired, said there are limits to it being used off the North Slope, at least for now. One is the heavy weight of the coils used for drilling, particularly when combined with a mobile workover rig, which creates issues when roads have weight limits.

The North Slope oilfield road system is designed for wide, heavy loads, which means equipment like Nordic 1 and 2 can be moved easily and efficiently, Walker said in an interview. This isn’t usually the case elsewhere, however.

Coiled-tubing drilling has been tried on the Kenai Peninsula, for example, but the local roads can’t take the weight of the units. They have to be broken down to be moved, which adds time and cost, he said.

Another limitation is that the large-diameter production tubing used on the North Slope’s older wells, with diameters of 7 and 5 1/2 inches, can easily accommodate the coiled tubing. In the Lower 48 states production tubing of 2 3/8 inches and 2 7/8 inches diameters are common. “With narrower tubing, drilling with coiled tubing would be much more difficult,” Stagg said. But given the pace of innovation in the industry, coiled-tubing drilling might someday become common industry-wide.

Eric Lidji
Inlet and the liquefaction plant at Nikiski. Prudhoe, the pipeline from Prudhoe to Cook Slope, the pipeline from Point Thomson to include the gas treatment plant on the North Slope leasing

Six bids in state sale
Hilcorp bid on six tracts in the state sale, 26,822 acres, for a total of $922,392.30. The tracts included two between the Hilcorp-operated Pretty Creek and Beluga River units on the west side, three tracts at Kalgin Island in the southern part of Cook Inlet and one tract off the southern end of the Hilcorp-operated Ninilchik unit, straddling the shore line south of Ninilchik.

In the state sale Hilcorp paid the most per acre, $38.10, for tract 754, off the southern end of the Ninilchik unit, for a total of $171,540.30, but it paid the most per tract, $199,652 ($35.15 per acre) for the most northerly of the Kalgin Island tracts.

In the BOEM sale, Hilcorp bid a total of $3,034,815 on 14 tracts, some 76,615.5 acres. The farthest north are two tracts in outer continental shelf waters off Ninilchik. The company also bid on one tract offshore Cosmopolitan, a block of three tracts in mid-inlet south of Anchor Point and a larger block of eight leases to the southwest.

The company bid the most per tract, $474,582 each, for two tracts in the most southerly block.

Federal leasing
“Today was the first time in nearly a decade that parcels off Alaska have been leased,” Vincent DeVito, counselor to the Secretary for Energy Policy, said in a statement after the sale. “This is the latest sign of continued industry optimism in the Trump Administration,” he said.

Hilcorp bid on six tracts in the state sale, 26,822 acres, for a total of $922,392.30. “This sale represents an important step forward for energy development in Alaska,” said Dr. Walter Cruikshank, acting BOEM director. “It demonstrates our commitment to environmentally responsible energy development that provides economic opportunities and generates jobs,” he said.

Sale 244 is the last in BOEM’s 2012-17 five-year OCS leasing program.

Development vs. exploration
“The leases we acquired today help strengthen our ability to continue to provide energy and jobs for Alaskans,” Hilcorp Alaska spokeswoman Lori Nelson told Petroleum News in an email after the sale.

Hilcorp came into the state in 2011 with a purchase of Chevron’s producing Cook Inlet assets, and later acquired Marathon’s Cook Inlet assets, all with the goal of increasing production from mature fields.

While three of the state tracts on which it bid are adjacent to existing company production, the Kalgin Island tracts, 103, 106 and 143, are clearly exploration prospects, with only one of the three tracts having ever been drilled.

Champlin Petroleum drilled the 11,350-foot Beard State 1-11 well on tract 103 in 1994; it was plugged and abandoned.

Two wells have been drilled on leases adjacent to those on which Hilcorp bid. Hunt Oil drilled Kalgin Island State 1 to 14,509 feet in 1966 east of tract 143 in 1966. That 14,509-foot well was plugged and abandoned in 1966. Hunt Oil also drilled Oldman’s Bay State 1 in 1966 south of tract 106; that 12,483-foot well was plugged and abandoned in 1966.

While the federal blocks off Ninilchik and Cosmopolitan are close to production, the larger blocks in the southern inlet are clearly exploration acreage. 

—A copyrighted oil and gas lease map from Mapmakers Alaska was a research tool used in preparing this story.

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A description of the capacity solicitation from AGDC says it will offer “prospective foundation customers certain rights and prices to reserve capacity on the Alaska LNG system.”

AGDC’s capacity solicitation provides North Slope producers the opportunity to monetize the natural gas resources currently stranded on the North Slope,” Meyer said in the press release. Others in the solicitation include “qualified third parties, including LNG buyers and traders,” AGDC said, “including global LNG customers who seek to secure their own North Slope natural gas supply and toll on Alaska LNG.”

Under a tolling model the infrastructure is not owned by the producing companies, as is the case with the trans-Alaska oil pipeline, but is owned separately with shippers paying a toll to ship on the line and use the project’s other facilities such as the liquefaction facility proposed for Ninilchik.

The corporation said it would continue to market directly to Asian LNG buyers throughout the capacity solicitation process, and would “reserve the transferrable capacity on the Alaska LNG system to accommodate those volumes for customers that prefer to purchase LNG at the jetty rather than become a capacity holder.”

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NEW PAD

planning a new gravel access road to connect the proposed pad to Woodsong Court, which in turn connects to the Sterling Highway. The company told state regulators that it would widen the intersection of Woodsong Court and the Sterling Highway, presumably to accommodate the increased truck traffic.

The state is accepting comments on the plan through July 17.

Since taking over the Ninilchik unit, Hilcorp has been drilling exploration or delineation wells between existing drilling pads. The company built the Bartolozzit pad within the unit and the Greystone pad just beyond the unit boundaries. The proposed drilling pad would target a section south of the existing Susan Dionne-Paxton participating area.

Hilcorp plans to use the Schlumberger Drilling SLR 169 rig for the program.

The Alaska Oil and Gas Conservation Commission issued a permit on June 13 for Hilcorp to drill the Pearl No. 1A stratigraphic test well.

---ERIC LIDJI

As far as facility sharing is concerned, ASRC Exploration did not explicitly name any other parties in the negotiations.

of development for the year just ending — the company had been pursuing development on three fronts: analyzing data from the well and processing associated seismic data, beginning discussions with nearby operators over future facility sharing, and completing initial design and cost estimate work for key infrastructure for a future development.

Reprocessing seismic

The seismic work involves reprocessing the newly acquired Tabasco 3-D seismic survey and merging the information with the previously licensed WBA and Kookpuk 3-D surveys. The company is intending to “complete initial reservoir mapping and use the results of the reservoir mapping and data analysis to generate geologic and dynamic reservoir models to plan development well locations within the target reservoir.”

As far as facility sharing is concerned, ASRC Exploration did not explicitly name any other parties in the negotiations. But among industry watchers, the Placer project has long been discussed in connection with the Mustang development in the Southern Miluveach unit to the south. Southern Miluveach operator Brooks Range Petroleum Corp. designed its facilities to be larger than its immediate needs, to accommodate nearby operators.

The result of the facility sharing negotiations will determine the final cost estimates for Placer unit drilling pads, roads and pipelines, according to ASRC Exploration.

---ERIC LIDJI

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40 YEARS

to have a 30-year life,” said BP Upstream Chief Executive Bernard Looney in a statement. “With continued innovation and investment, the expertise of our people and an unwavering commitment to safe and reliable operations, we firmly believe that the story of Prudhoe Bay is far from over.”

BP credited the additional 3 billion barrels produced beyond original proved reserves, behind the Eagle Ford and Spraberry fields in Texas.

Janet Weiss, president of BP’s Alaska region, said Prudhoe “has repeatedly defied the odds and remains a major contributor to U.S. energy security and to the state’s economy.”

Working interest owners at Prudhoe include BP at 26 percent, ConocoPhillips at 36 percent, ExxonMobil at 36 percent and Chevron at 1 percent.

---KRISTEN NELSON

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PLACER UNIT

The company reached a major milestone at the project in early 2016, when it completed the Placer No. 3 exploration well after nearly a decade of preparation and permitting.

The company later announced that the well had identified one productive interval and suggested the potential for identifying additional intervals, with more drilling. The state legitimized those claims by certifying the Placer No. 3 well as being capable of producing economically, which can be used to extend the lifespan of certain leases.

In the year since ASRC Exploration announced its drilling results — in its plan to extend the lifespan of certain leases.

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