Forest gets OK for Redoubt EOR

The Alaska Oil and Gas Conservation Commission has approved water injection at Redoubt Shoal. If successful, enhanced oil recovery would increase recovery from 6 percent to 20 percent at the Cook Inlet field. See story on page 9.

Airlifting in foreign workers to solve an oil sands labor crunch; North Slope winter exploration plans include 85-mile ice road

SHORTAGES OF SKILLED LABOR have been a constant bugbear and source of cost overruns in the Alberta oil sands. To find an answer, Canadian Natural Resources is climbing to new heights, with plans to airlift foreign workers to fill some of the 6,000 construction jobs at its planned C$8.5 billion oil sands project.

The Canadian independent plans to conduct its search as far afield as Venezuela, India, Turkey, China, the Philippines, Hungary and South Africa and in building a landing strip near its Horizon project site to enable overseas workers to complete a one or two-week shift, then make a quick plane connection to their homes for a four-day break.

Having observed the multi-billion dollar overruns that have hit all of the recent mega-projects in the oil sands, Canadian Natural has decided that a lack of workers represents a bigger threat than the technological challenges of extracting and processing bitumen.

The company’s board is expected to give its final go-ahead for Tuvaaq approved:

Tuvaaq, the name for the field, was approved by the Alaska Oil and Gas Conservation Commission on Aug. 30. It is the largest rise of the new field, which may be required by the Alaska Native Claims Settlement Act. The company will begin its work on a 45-mile pipeline to enable overseas workers to complete a one or two-week shift, then make a quick plane connection to their homes for a four-day break. See Insiders page 19.

BLM completes five Alpine satellites’ EIS; modifies ConocoPhillips’ plan

By KRISTEN NELSON

An initial step

The Bureau of Land Management has released the final environmental impact statement for ConocoPhillips Alaska’s Alpine satellites development plan. BLM said Aug. 30 that the final EIS contains the agency-preferred alternative, which modifies ConocoPhillips’ proposal to develop five satellites in the National Petroleum Reserve-Alaska and in the Colville River Delta. The agency said major changes include: relocating portions of proposed gravel access roads and pipelines outside a three-mile setback for Fish Creek; raising pipelines to seven feet at the vertical support members, an addition of two feet to pass the bridge cross river across a channel of the Colville River; moving power lines from separate poles to cable trays mounted on the pipeline supports; and adding environmental enhancements to the access road to pad CD-4.

“We made a number of positive adjustments to reflect considerations raised by the public and cooperating agencies.” — Henri Bisson, BLM’s Alaska state director

Industry sidesteps CBM auction

Absence of bids helps cool off B.C.-Montana feud, but firms working on exploring private lands; B.C. energy minister ready to post Elk Valley properties again

By GARY PARK

Petroleum News Calgary Correspondent

A spat that threatened to become an international incident has been averted for now, after companies turned back on an Aug. 25 auction of coalbed methane drilling licenses in southeastern British Columbia. The Montana government, joined by community, aboriginal and environmental groups on both sides of the Canada-U.S. border had challenged the postings on grounds that it contravened a 1909 treaty that prevents either country from polluting cross-border water bodies.

Montana Gov. Judy Martz has taken her concerns to the U.S., Canadian and British Columbia governments, calling for a comprehensive environmental impact assessment before rights to 49,000 acres were awarded.

She was pleased to see coalbed methane development

see AUCTION page 18

Unocal’s Sardinia wildcat well yields few hydrocarbons

Well not commercial, Unocal says, but did find porous sandstones with some shows

By RAY TYSON

Petroleum News Houston Correspondent

The closely watched Sardinia wildcat, designed to test the western reach of the vast lower terti-

ary trend in “ultra-deepwater” Gulf of Mexico, turned out to be a disappointment and blessing for operator Unocal and its partners.

Unocal formally declared the $37 million Sardinia exploration well a “dry hole” Aug. 31, after reaching a total depth of 27,575 feet, which included 6,345 feet of water column in remote Keathley Canyon. The effort simply did not yield commercial results, but it did find porous sandstones with some shows.

see WILDCAT page 18

Unocal said it now plans to move the Discover Spirit drillship from Sardinia on Keathley Canyon block 681 to the Sequoia prospect on Mississippi Canyon block 941.
# Alaska - Mackenzie Rig Report

The Alaska - Mackenzie Rig Report is sponsored by:

**ConocoPhillips**

## Alaska Rig Status

<table>
<thead>
<tr>
<th>Rig Owner/Rig Type</th>
<th>Rig No.</th>
<th>Rig Location/Activity</th>
<th>Operator or Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North Slope - Onshore</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Doyon Drilling</td>
<td>Doyon 1250 UE</td>
<td>Mile Point, seventy MPH-19</td>
<td>BP</td>
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<tr>
<td>Sky Top Brooker NE-12</td>
<td>Sky Top Brooker 2000 UE</td>
<td>Deadhorse yard</td>
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<td>North Slope-Offshore</td>
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<tr>
<td>Nabors Alaska Drilling</td>
<td>Dreco 1250 UE</td>
<td>Mile Point, seventy MPH-19</td>
<td>BP</td>
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<tr>
<td>Mid-Continent</td>
<td>Dreco 1000 UE</td>
<td>Deadhorse yard</td>
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<td>Alpine, drilling CD2-09</td>
<td>ConocoPhillips</td>
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<td><strong>Cook Inlet Basin - Offshore</strong></td>
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<td>Aurora Well Service</td>
<td>Superior 700 UE</td>
<td>Stacked in Wasilla yard</td>
<td>Evergreen Resources Alaska Corporation</td>
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<td>Nabors Alaska Drilling</td>
<td>Superior 700 UE</td>
<td>Stacked at 12-acre pad</td>
<td>Kerr-McGee</td>
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<td>Marathon Oil Co.</td>
<td>Marathon 2-1100</td>
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<td>Marathon Oil Co.</td>
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<td>Inlet Drilling Alaska/Cooper Construction</td>
<td>Kremco 750</td>
<td>CC-1</td>
<td>Stacked, Kenai</td>
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<tr>
<td>Nabors Alaska Drilling</td>
<td>Superior 700 UE</td>
<td>Stacked at Kenai #7</td>
<td>Devlan Exploration</td>
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<td>Devlan Exploration</td>
</tr>
</tbody>
</table>

## Mackenzie Rig Status

**Mackenzie Delta-Onshore**

- **XTD Energy** (Inlet Drilling Alaska labor contractor)
  - **National 150**
    - **TJ:** A (TD)
    - **National 110**
      - **C (TD):** Drilling sidetrack C31-361D
  - **XTD**

**Central Mackenzie Valley**

- **AltaSask Equitak**
  - **Dreco 1250 UE**
  - **Dreco 1250 UE**
  - **National 370**

- **AltaSaskSantu**
  - **Dreco 1250 UE**
  - **Dreco 1250 UE**
  - **National 370**

**Nabors Canada**

- **AltaSaskKaska**
  - **National 380**

## Baker Hughes North America rotary rig counts*

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<tr>
<th>August 27</th>
<th>August 20</th>
<th>Year Ago</th>
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<td>US 1,239</td>
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<td>1,152</td>
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<tr>
<td>Canada 279</td>
<td>391</td>
<td>407</td>
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<tr>
<td>Gulf 88</td>
<td>91</td>
<td>108</td>
</tr>
<tr>
<td>US/Highest 4530</td>
<td>December 1981</td>
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</tr>
<tr>
<td>US/Lowest 488</td>
<td>April 1999</td>
<td></td>
</tr>
<tr>
<td>Canada/Highest 558</td>
<td>January 2000</td>
<td></td>
</tr>
<tr>
<td>Canada/Lowest 29</td>
<td>April 1992</td>
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</table>

*Issued by Baker Hughes since 1944

# Rig start-ups expected in next 6 months

<table>
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<tr>
<th>Rig Owner/No.</th>
<th>Rig Location/Activity</th>
<th>Operator</th>
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<tbody>
<tr>
<td><strong>AltaSask Equitak</strong> 62</td>
<td>Unalak No. 5 camp and construction equipment to be barged and staged at Mcorin Bay in early September</td>
<td>ConocoPhillips</td>
</tr>
<tr>
<td><strong>AltaSask Equitak</strong> 63</td>
<td>West Elkie rig camp and construction to be barged and staged at Elkie Island in early September</td>
<td>ConocoPhillips</td>
</tr>
</tbody>
</table>

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**The Alaska - Mackenzie Rig Report**

*This rig report was prepared by Wadeen Hepworth.
Husky gets a grip on oil sands costs

Having watched many of its peers tumble down the seemingly bottomless oil sands pit, Husky Energy figures it has an answer.

The smallest of the five Canadian-based producing and refining companies, Husky is resolved to be the toughest on matters of cost control.

It announced two engineering contracts Aug. 31, which will put the onus on SNC-Lavalin Group of Montreal and PCL Construction Group of Edmonton to be responsible for general cost overruns on their portion of the C$500 million Tucker project. Any changes Husky makes go on its tab.

The two firms are expected to start construction work this fall on a C$290 million central processing unit, aiming for a late 2006 or early 2007 start-up.

Husky Chief Executive Officer John Lau said in a statement that the contracts with SNC-Lavalin and PCL make Tucker “one of the first oil sands projects to use a lump-sum turnkey contract.” But it’s far from a first for SNC-Lavalin, which, among other similar deals, has recently completed turnkey projects at C$580 million heavy oil facility in Venezuela and a C$650 million petrochemical plant in Montreal.

It is also preparing bids for Canadian Natural Resources’ C$8.5 billion Horizon oil sands project, which includes a first phase of C$5 billion, about 80 percent of which will be covered by lump-sum contracts. SNC-Lavalin said its answer is to make detailed plans prior to embarking on construction. How well the process works is important for Tucker, which is aiming for peak output of 30,000-35,000 barrels per day over 35 years from recoverable binnens of 350 million barrels. It also sets the stage for Husky’s planned Sunrise oil sands project that could come on stream in 2008 and produce 200,000 bpd over 40 years from recoverable resources of 2.25 billion barrels.

The importance of the oil sands was underscored last month by Li Ka-shing, the Hong Kong billionaire who controls 72 percent of Husky through personal and family holdings. He told an earnings briefing that Husky has billions of barrels of potential oil sands reserves from which it has “yet to book a profit.”

—GARY PARK
PETROLEUM NEWS • WEEK OF SEPTEMBER 5, 2004

HOUSTON, TEXAS

Cheniere Energy affiliate adds two more LNG tankers for 2007 deliveries

An affiliate of Cheniere Energy Inc. has chartered two new LNG carriers, both for delivery in late 2007, when the company expects to be taking deliveries at its planned LNG terminal in Sabine Pass, La.

The affiliate chartering the vessels is J&S Cheniere S.A., which is a partnership of Cheniere and J&S Services and Investment, a private commodity trader. It already had one LNG vessel in service, the Tenaga Empur.

One of the new ships, with a capacity of 145,000 cubic meters or 38 million gallons, is being built by Kawasaki Shipbuilding Corp., Cheniere, based in Houston, announced that deal Aug. 26. J&S signed the time charter for up to 10 years with Kawasaki Kisen Kaisha, Ltd. The second tanker will hold a bit more, 154,500 cubic meters, and it will be built by Imabari Shipbuilding Co. Ltd. The time charter agreement, again 10 years, is with a joint venture company established by Kawasaki Kisen Kaisha, Shouei Kisen Kaisha Ltd., and others. That deal was announced Sept. 1.

Cheniere’s chairman and CEO, Charif Souki, said the two deals came just three weeks after the environmental impact statement was completed for the company’s Sabine Pass LNG terminal, indicating no significant impediments to getting permits for the facility.

“We believe we are on track to break ground in the first quarter of 2005 and be in service in late 2007 or early 2008,” Souki said.

In addition to the Sabine Pass facility in Louisiana, Cheniere is planning an LNG receiving terminal near Corpus Christi, Texas, and is a partner in another proposed LNG port venture with ConocoPhillips in Freeport, Texas.

---ALLEN BAKER

MOSS BLUFF, TEXAS

Natural gas fire near Houston burns out

A blaze at a natural gas storage facility northeast of Houston has burned itself out, but authorities could not say how much longer it will take to finish capping the cavern so more than 30 families can return home.

Natural gas being stored in Duke Energy’s Moss Bluff cavern ignited Aug. 19, causing tremors that shook residents from their beds. The blaze finally burned out, but authorities could not say how much longer it will take to finish capping the cavern so more than 30 families can return home.

A spokesman at Duke Energy, which also operates two other caverns at the facility, said the company did not know how much residual gas remains inside the cavern, although most of the 6 billion cubic feet of gas is believed to have been consumed by the fire.

Moss Bluff is a sparsely populated area about 40 miles northeast of Houston.

---THE ASSOCIATED PRESS

TEXAS

New natural gas wells hit record high

A total of 830 natural gas wells were completed in Texas in July — the highest number of completions for the year and a 36-year high, the Texas Railroad Commission reports.

The commission reported Aug. 25 that there were 134 more completions this July than in July 2003, a nearly 20 percent increase. The 830 completions also broke a 36-year record of 705, which was reached in March.

For the first time ever, Denton County this year has been one of the top 10 oil and gas producing counties in Texas.

Other areas reporting increased natural gas drilling in July were the Permian basin, particularly the Delaware basin and the western and northwestern reaches of the Central Basin Platform; Webb, Hidalgo, and Starr counties in South Texas; Freestone in East Central Texas; and Panola County in East Texas.

“The price is higher than it was a couple years ago, and it’s more stable than the oil price,” Morris Burns, executive vice president of the Permian Basin Petroleum Association, in Midland, told the Odessa American. “Worldwide disruptions of oil supply don’t have any affect on natural-gas prices. It’s a good market.”

---THE ASSOCIATED PRESS

INDEPENDENT AVC G FORMS NORTH SLOPE OPERATING COMPANY

AVC G creates operator called Brooks Range Petroleum; joins Palm lease with Armstrong in Two Bits prospect

KANSAS-BASED INDEPENDENT ALASKA Venture Capital Group has formed a new operating company and has joined its Palm lease with Armstrong Alaska to drill an exploration well this winter.

According to AVC G manager John Jay “Bo” Darrah, the independent formed Brooks Range Petroleum Corp., a Delaware corporation, in May, with plans to develop smaller satellite niches on the North Slope, mostly targeting 50 million-barrel prospects.

“However we have significant positions in two prospects that each exceed 100 million barrels and a third which has up to 90 million barrels of recoverable oil,” he told Petroleum News in August.

Those estimates are based on 3-D seismic that has been completed on about 40,000 acres of the company’s 140,000 acres of holdings on the North Slope. Major blocks held by AVC G include Conus, which has joint acreage also held by ConocoPhillips; Gwydyr Bay, located near the mouth of the Salomonyuk River (separate from Pioneer’s with the same name); Ihliklik River and Ocean Point.

AVC G also holds a four-section lease at Palm, located on the western edge of the Kuparuk River unit, which has a new producing Kuparuk sand well diagonally offsetting its acreage.

In August, AVC G joined its Palm lease with the “Two Bits prospect” held by Armstrong to provide enough acreage to justify drilling an exploration well, Darrah said. Armstrong will be the lead operator on this prospect, which is scheduled to be drilled this winter.

AVC G’s remaining prospects are in various stages of evaluation, Darrah said.

Working with ASRC Energy Services

The company opened an office in Anchorage in January, staffed by AVC G’s primary managers Edger Durne and Bo Darrah, as well as Bart Armfield. In addition to this land and exploration office, Brooks Range Petroleum is working closely with ASRC Energy Services, its primary field service provider.

The eight principal members of AVC G are involved in Brooks Range Petroleum.

“One of the reasons for the new company was in order to give us more of a name associated with the North Slope and part was for a corporate structure,” Darrah said.

The independent is increasing its North Slope activity this year and next, through the new company and by working with other independents. “Our goal for 2005 is to drill a minimum of one well and a maximum of three wells,” Darrah said. “Our interest would range in size according to commitments from those funding partners.”

---THE ASSOCIATED PRESS

NORTH SLOPE, ALASKA

AVC G creates operator called Brooks Range Petroleum; joins Palm lease with Armstrong in Two Bits prospect

By PATRICIA LILES

Palm lease with Armstrong in Two Bits prospect

AVC G joins Palm lease with Armstrong in Two Bits prospect

T he Kansas-based independent Alaska Venture Capital Group has formed a new operating company and has joined its Palm lease with Armstrong Alaska to drill an exploration well this winter.

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---THE ASSOCIATED PRESS
Climbing aboard the LNG wagon

TransCanada, Petro-Canada joint venture combines skills to answer expected surge in North America's natural gas appetite

By GARY PARK
Petroleum News Calgary Correspondent

TransCanada and Petro-Canada have turned the battle to build liquefied natural gas terminals in Canada into a heavyweight contest. The two energy giants have launched a joint effort to build a C$500 million facility in eastern Quebec in response to what TransCanada believes will be a 20 percent increase in North America's gas demand from 2002 to 2012.

Having been spurred in its efforts to establish an LNG terminal in Maine, TransCanada has decided to seek friendlier confines on the Canadian side of the border. If the Cacouca Energy project achieves its in-service date of 2009, it will handle 500 million cubic feet per day of imported LNG and could supply Ontario, Quebec, New York, New Jersey and Pennsylvania.

The terminal near Riviere-du-Loup would also have two storage tanks with total capacity of 6.8 billion cubic feet.

Petro-Canada, which has increasingly talked about the potential of LNG, believes it can deliver the upstream supply and marketing capability, while TransCanada will oversee construction and operation of any new pipelines.

Earlier this year, TransCanada and ConocoPhillips scrapped plans for an LNG facility in Maine after residents in the village of Harpswell voted against the proposed site, while a proposal for Cumberland, Maine, was also dropped.

Applications expected by mid-2005

Applications are expected to be filed with federal, provincial and local authorities by mid-2005 and construction will start in 2007 if regulatory approvals are received.

The unveiling of the Cacouca plan on Sept. 1 is the eighth LNG proposal for Canada. It pits TransCanada against its pipeline rival Enbridge in Quebec, where Enbridge, Gaz Metropolitain and Gaz de France have teamed up with plans for a C$700 million facility near Quebec City that is also targeting a 2009 start-up, handling daily volumes of 500 million cubic feet.

In Atlantic Canada, four projects have been floated, two of them at an advanced regulatory stage.

Privately held Irving Oil is moving ahead with its C$700 million plan for a New Brunswick terminal, to handle 1 billion cubic feet per day, while Anadarko bought a C$500 million, 1 bcf per day plan for a plant in Nova Scotia after paying an undisclosed sum to acquire privately owned Access Northeast Energy. Both are supposed to be on stream in 2007.

Meanwhile, Keltic Petrochemicals, a little-known, Halifax-based company, is shooting for a C$4 billion petrochemical and LNG facility in Goldboro, Nova Scotia.

It filed with federal regulators late last month to start work in 2005 on an LNG terminal to supply a petrochemical plant to produce plastic.

In addition, Stadia Terminals has said it is considering spending “hundreds of millions of dollars” to build a complex in Nova Scotia and capitalizing on its existing petroleum storage business.

In British Columbia, two ventures each carrying a price tag of C$300 million have been floated for deepwater ports — WestPac Terminals and Moneta Capital Partners near Prince Rupert and Galveston at Kitimat.

Both are targeting start-ups late this decade.

Shell orders study of Sakhalin whale issues

By ALLEN BAKER
Petroleum News Contributing Writer

Shell, the consortium led by Shell, has commissioned an independent review panel under the auspices of the World Conservation Union to look at mitigation measures to protect endangered western gray whales as the company develops the Sakhalin II phase 2 project. The review panel will study the company’s activities affect whales, and the effectiveness of various mitigation measures.

Sakhalin Energy has been operating offshore Sakhalin since 1996 and it has detected no discernible change in behavior of the animals from existing operations.

Reschedules summer work

According to Ian Craig, CEO of Sakhalin Energy, “Our determination to ensure we can develop the Sakhalin II Phase 2 Project in a sustainable manner was clearly demonstrated to the scientific community face an enormous challenge in trying to define, predict and manage the environmental consequences of Sakhalin development.

“The intent of our review will be to examine the evidence in an independent manner and to provide a scientific evaluation of potential impacts as well as the likely efficacy of proposed mitigation measures,” Reeves said.

Western gray whales feed off Sakhalin in summer

The western gray whales migrate to the Sakhalin region and feed offshore Piltun, in northern Sakhalin, in the summer months. A near-shore feeding ground and a recently discovered offshore feeding area are currently the only confirmed feeding locations of the whales, according to the scientists consulted by Sakhalin Energy.

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Energy income trusts reel in more producing assets

Two more energy trusts have returned from the acquisition trail with assets to bolster their production levels. Baytex Energy Trust is paying C$109 million in cash to take over an unidentified, privately held oil and gas company that has production in three areas of southern Alberta and Crescent Point Energy Trust has bought light oil producing assets in southeastern Saskatchewan for C$64.5 million.

For Baytex the deal will add 3,200 barrels of oil equivalent per day to its second-quarter output of 34,400 boe per day. The package includes daily production of 12 million cubic feet of gas and 1,200 barrels of light crude and natural gas liquids. Reserves are estimated at 5.5 million proved boe and 7.5 million proved plus probable, plus 120,000 acres of undeveloped land.

Crescent Point said its transaction covers three major properties that yield 1,655 barrels per day of light oil and gas liquids and 420,000 cubic feet of gas from proved plus probable reserves of 6.8 million boe. As well, there are 13,000 undeveloped acres. Oil in place on the properties has been calculated at more than 200 million barrels, with the potential to improve recovery over time.

The acquisition cost is C$37,360 per producing boe and C$9.48 per boe for proved plus probable reserves. Once the deals close Sept. 30, Crescent Point will raise its production to 9,150 boe per day, 68 percent light oil and 32 percent gas.

GARY PARK

Energy deals fuel Canada’s merger, acquisition market

Energy industry deals underpinned the bulk of merger and acquisition activity by Canadian companies in the first half of 2004, according to two companies that track the sector.

Investment banker Crosbie & Co. recently reported that 42 energy deals in the second quarter totaled C$12.5 billion, more than one-third of Canada’s 250 M&A’s worth almost C$35 billion. Topping the list were two offshore transactions — EnCana’s C$3.6 billion takeover of Denver-based independent Tom Brown and Petro-Canada’s C$1.15 billion purchase of Intrepid Energy with assets to bolster their production levels.

Tilak Dias, manager of M&A activity at Crosbie & Co., said most of the big oil and gas companies are diversifying their natural gas assets to utilize the heavy cash flow from record oil prices. Calgary-based Sayer Securities put the total enterprise value of the 250 deals at C$5 billion in the same period of 2003, according to two companies that track the sector.

Increase propelled by sales by U.S. firms

Propelling the increase was the sale of C$3.1 billion of Canadian assets or companies owned by U.S.-based companies — a figure that has continued to grow in the second half, with Calpine and Anadarko Petroleum unloading almost C$1 billion of holdings.

That is a complete turnaround from the opening years of the

By RAY TYSON

Magnum Hunter adds to swelling Permian position

Picks up $40 million worth of oil and gas properties in West Texas basin

The deal includes about 100 proved undeveloped locations in the Canyon, Clearfork, Spraberry and Wolfcamp formations, the company said, adding that its geologists and engineers also have identified additional upside potential on the properties using a new planned vapor recovery unit, as well as a proposed Clearfork formation waterflood.

Moreover, Magnum Hunter would have operational control over the entire 26,000 net mineral acres being acquired from the undisclosed seller. The transaction comes with about 171 producing wells that are currently 100 percent operated.

“All of the properties being acquired … are in close proximity to areas of existing company operations,” the company said Aug. 30. “This Permian

By MARY PEMBERTON

BP Exploration pays $18 million to settle a dispute over taxes.

Agreement follows audits of 2000, 2001 taxes and changes in how production valued after BP acquired ARCO refineries that process Alaska crude oil

BP Exploration (Alaska) Inc. has agreed to pay the state of Alaska $18 million to settle a dispute over taxes. The money was to be deposited Aug. 26 into the state’s Constitutional Budget Reserve Fund, the fund Alaska uses to bridge gaps in the state budget. Alaska relies on oil for more than 80 percent of its general fund revenue.

Specific terms and conditions of the agreement were not released.

The settlement concerned BP’s tax obligation for 2000 and 2001. BP and the state disagreed over the amount BP should pay in production taxes from North Slope oil coming from Prudhoe Bay and several smaller fields at Kuparuk, Endicott, North Star and Milne Point.

“This agreement represents a significant achievement in that it provides clarity on BP’s tax obligations pertaining to new issues,” Steve Marshall, president of BP Exploration (Alaska), said in a statement.

The dispute was over the value the company placed on the oil at the wellhead, minus certain costs, including operations and transportation, said BP spokesman Daren Beaudou. The oil company pays

see BP page 7

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By RAY TYSON

Petroleum News Houston Correspondent

Magnum Hunter again is spreading its wings over the U.S. Permian Basin, agreeing to buy $40 million worth of oil and gas properties in West Texas from a private seller to go along with $243 million in nearby southeastern New Mexico assets it purchased earlier this summer from EnCana subsidiary Tom Brown.

Among the fastest growing exploration and production independents in the United States, Magnum Hunter this time would gain a respectable 53 billion cubic feet of gas equivalent and rather sparse daily production of 3.4 million cubic feet of equivalent, consisting of 59 percent natural gas. But that’s just for starters.

see MAGNUM HUNTER page 7

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By RAY TYSON

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see MAGNUM HUNTER page 7
Is there an oil-price bubble; has it been pierced?

By BRAD FOSS
Associated Press Business Writer

In mid-August many energy traders and analysts spoke of $50-a-barrel oil as almost a sure thing. Now that crude futures have slid 11 percent from their recent peak, setting at $43 on Aug. 27, reaching the half-century mark anytime soon is considered more of a long shot.

More interesting, perhaps, is that over the past seven days not much has really changed in terms of global supply and demand.

So, was there an oil-price bubble? And, if so, has it popped?

With hindsight proving to be quite good, most market participants and industry experts say this summer’s rally fed heavily on fear-induced hype. Sure, a thin global supply cushion leaves little margin for error, but there are no fuel shortages. Meantime, high prices — gasoline peaked above $2 a gallon this summer — should gradually help bring more oil onto the market.

Yet while the retreat in prices may continue, experts said it is not because the building block of the bubble — the threat of a major supply mishap — is entirely gone or for ever.

Subtle shift

Instead, a subtle psychological shift appears to have taken place in the market, in which dire interpretations of global uncertainties have been toned down and the obsessions with daily economic and political news has been layered on a longer-term perspective.

“It reflects the fact that some of the hysteria of the moment is diminishing,” said William Ferer, president and director of research at W.H. Reaves, a New Jersey-based firm that invests in the oil sector. This has led to a lot of profit-taking by institutional investors, whose speculative bets helped propel prices higher, traders and analysts said. And more importantly, as the fear-factor recedes a little bit — thanks, in part, to a new peace deal that ended three weeks of fighting in Najaf, Iraq — market participants have come to the conclusion that prices soared too high, too fast late in the week of Aug. 16.

Conversations with brokers revealed that they are stepping back to assess potential supply problems more critically and on an individual basis, rather than lumping them all together, which tends to result in a more emotion-laden analysis.

For example, the legal and financial troubles of Russian oil giant Yukos had earlier in August prompted some oil traders to publicly fret the possibility that Yukos’ daily oil production of 1.7 million barrels could all but disappear from the global supply chain. Today the still-unresolved affair stirs more modest fears, as experts agree that any drop in Yukos’ export capabilities would likely be made up by one of its Russian rivals.

Similarly, lingering concerns that an Aug. 15 vote to recall Venezuela’s president would result in political turmoil and disrupt the country’s oil exports have mostly subsided.

Some factors ignored

The other component of this mindset shift was on display recently increased $480 million senior bank credit facility. Once the transaction closes, company debt would range between 52 and 54 percent of capitalization.

However, the company said its target is to reduce the debt ratio to 50 percent of capitalization by the end of the current fiscal year, in part from proceeds collected from the sale of “already identified non-strategic, non-core, higher lifting cost properties.”

The company said its goal is to achieve a ratio of between 40 and 45 percent by year-end 2005.

44 percent of the company’s overall net daily production and roughly 37 percent of its net daily natural gas production.

The combination of recent farm-ins from major companies, together with the Tom Brown properties, made Magnum Hunter one of the largest producers and mineral acreage owners in southeastern New Mexico.

Financially financed

Magnum Hunter said it intends to finance its latest deal through borrowings under its revolving line.

In the first half of 2000, U.S. buyers spent $34 billion on Canadian companies and assets, or 24 percent of the total M&A market. That share soared in 2001 to $316 billion or 61 percent of the total, then plummeted to a mere 4 percent in the first six months of this year.

On the sales front, U.S. companies sold $31 billion worth of assets in the first half of 2003, or 19 percent of combined M&A value — a figure that climbed this year to

continued from page 6

MAGNUM HUNTER

Basis has been a core area of geographic focus for (us) for the last 15 years.”

Properties predominately

in West Texas

The properties to be acquired are located predominately in Reagan and Upton counties of West Texas. Additional properties are situated in Glasscock, Mitchell and Gaines counties.

The deal is expected to close before Oct. 15 of this year with an effective date retroactive to Sept. 1, the company said.

Gary Evans, Magnum Hunter’s chief executive officer, said that considering the cost of properties in today’s high commodity price environment, “we believe this add-

continued from page 6

DEALS

decade, when U.S. operators were hungry for natural gas properties, Sayer said.

In the first half of 2000, U.S. buyers spent $34 billion on Canadian companies and assets, or 24 percent of the total M&A market. That share soared in 2001 to $316 billion or 61 percent of the total, then plummeted to a mere 4 percent in the first six months of this year.

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continued from page 6

BP

taxes based upon the wellhead costs.

“We filed in good faith what we thought that the state was and the state disagreed,” Beaudo said. “Whenever you are dealing with large sums of money I don’t think it is unusual to have a disagreement.”

Problem goes back to ARCO refinery acquisition

The problem goes back to 2000 when BP acquired ARCO and began refining its own oil with refineries at Carson in Los Angeles and Cherry Point in Washington, said Dan Dickinson, director of the tax division in the Alaska Department of Revenue.

The change in the way the company was
Pogo boosts U.S. reserves with $186M acquisition

Texas independent raises capital spending 36% to $565M; ‘high-potential’ GOM wells to be drilled

By RAY TYSON

Fast-growing independent Pogo Producing Co., which quadrupled production and more than doubled its reserve base over the last five years, is tackling an additional $189 million worth of natural gas properties in the U.S. San Juan basin.

The two acquisitions from undisclosed sellers would bolster Pogo’s proved reserves by an estimated 100 billion cubic feet of gas equivalent and production by 15 million cubic feet per day, Pogo said Aug 27. The deals were expected to close Sept. 1 and Dec. 1.

Upon closing, Pogo would have acquired more than 150 billion cubic feet of equivalent reserves for about $235 million to date in 2004.

Pogo’s reserves, consisting of 59 percent gas and 41 percent oil at year-end 2003, have increased to about 1.8 billion cubic feet of gas equivalent from about 847 million cubic feet five years ago. During the same period, daily gas volumes have increased to more than 300 million cubic feet from 141 million cubic feet, while daily oil production has gone to more than 58,000 barrels from roughly 18,000 barrels.

Pogo said it intends to drill about 50 wells on its recently acquired San Juan properties in 2005 and 2006. Pogo would operate the properties.

Just prior to the announced acquisitions, Pogo embarked on its most ambitious drilling program ever, increasing its 2004 capital budget in the second quarter by a hefty $150 million or 36 percent to $565 million.

Demand surge tapering

But many economists say the surge in oil demand, which caught the Organization of Petroleum Exporting Countries and most producers by surprise earlier this year, has begun to taper off as a result of soaring oil prices. Oil has cost more than $32 a barrel.

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NORTH AMERICA

North American rig count plummets by 103 to 1,518

The number of rotary drilling rigs operating in North America during the week ending Aug. 27 stood at 1,518, a sharp decline of 103 rigs from the previous week but still up by nine rigs compared to the same period last year, according to rig monitor Baker Hughes.

Canada accounted for most of the decline, falling by 112 rigs from the previous week to 279. The total count also was down by 128 rigs vs. the same period last year.

The number of rigs operating in the United States actually increased a net nine to 1,239 compared to the prior week and was up 137 vs. the year-ago period. Compared to the previous week only, the number of land rigs jumped by 12 to 1,127, while the number of offshore rigs decreased by two to 93 and the number of inland waters rigs slipped by one to 19.

Of the total number of rigs operating in the United States during the recent week, 1,069 were drilling for natural gas and 169 for oil, while one was being used for miscellaneous purposes. Of the total, 774 were vertical wells, 321 directional wells, and 144 horizontal wells.

Among the leading U.S. producing states, Texas saw its rig count surge by 19 in the recent week to 526 rigs. The count in New Mexico was up by two to 68, Oklahoma lost three rigs for a total of 167. The number of rigs operating in Louisiana decreased by five to 162, while the number of rigs in Wyoming decreased by one to 52.

North American rig count decreased by five to 162, while the number of rigs in Wyoming decreased by one to 162, while the number of rigs in Wyoming for a total of 167. The number of rigs operating in Louisiana decreased by five to 162, while the number of rigs in Wyoming decreased by one to 85 and the number of rigs in Alaska slipped by one to nine. California remained unchanged with 25 rigs.

—RAY TYSON

WYOMING

Geologist will lead Wyoming field trip to Green River

Interim Wyoming State Geologist Ronald C. Surdum will lead a free field trip into the Eocene Green River formation and other rocks in southwestern Wyoming Sept. 16 and 17. The Green River formation holds vast deposits of oil shale, as well as trona deposits, natural zeolites and interesting outcappings.

The Wyoming State Geological Survey will provide a field guide and road log/itinerary. Those who attend must provide their own lodging, transportation, food and drink.

The trip begins at the McDonald’s Restaurant in east Rawlins on Sept. 16 at 10 a.m. and that day’s trip will end in the Rock Springs area. The Sept. 17th session will begin at 9 a.m. at the Rock Springs McDonald’s at 1607 Elk St. and run into the late afternoon.

Those who want to attend are asked to register by providing their names, email addresses, and phone numbers. For more information, contact Richard W. Jones at rjones@uwyo.edu or call him at 307-766-2286, ext. 238.

—ALLEN BAKER

COOK INLET

Commission OKs water injection at Redoubt

If successful, enhanced oil recovery would increase recovery from 6 percent to 20 percent in Forest Oil’s offshore Cook Inlet field

By KRISTEN NELSON
Petroleum News Editor-in-Chief

Forest Oil Corp. has received permission to begin a waterflood pilot at its Redoubt Shoal field in Cook Inlet.

On Aug. 26 the Alaska Oil and Gas Conservation Commission authorized a test to evaluate water injection for enhanced oil recovery from the Hemlock formation through Sept. 30, 2007, unless Forest applies to extend the test, expand the pilot area or abandon the pilot.

Forest told the commission that without waterflood recovery of oil would be about 6 percent of original oil in place or about 3 million barrels without any pressure maintenance process. At full field development, the company estimates that waterflood might increase recovery to more than 20 percent. The pilot project will provide data on recovery benefits.

—REDUDBT page 10

NOVA SCOTIA

Trapped in the minor leagues

Dusters keep piling up in infant basin, but industry and Nova Scotia government press ahead to slash red tape, attract new investment

By GARY PARK
Petroleum News Calgary Correspondent

It’s a story that has echoes of the past for both Alaska and Alberta, where an act of faith and one last well were needed to strike oil and turn bleak prospects into a gusher of riches.

Just like Alaska in the 1960s and Alberta in the 1940s, the pressure to make a turnaround discovery is on Nova Scotia, which now clings to diminishing hopes that it can join the same offshore leagues as the Gulf of Mexico, West Africa and northwest Europe.

In just three years, 14 wells have been abandoned and three have been suspended, racking up a total bill of about C$680 million for wells that have cost from C$60 million to C$110 million.

That’s about half the work commitments that have been pledged over recent years by successful bidders.

While industry and government officials make no effort to hide their disappointment, they steadfastly refuse to buy the arguments that the day of reckoning is at hand, following three unsuccessful exploration efforts.

—TRAPPED page 11

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HOUSTON, TEXAS

Workover program yields results for GulfWest

A well remediation program initiated by GulfWest Energy earlier this year has produced solid results, particularly in Colorado’s D-J basin, where the Houston-based independent said workovers on 10 wells increased production 50 percent to 1.1 million cubic feet of gas per day.

In Colorado’s Zavala County, workovers thus far have increased production about 40 percent to 720,000 cubic feet per day, the company said Sept. 1.

The company said it also re-completed a gas well in Cameron Parish, La., where a 13,000-foot gas well was plugged back to a new zone in the Lacassine field. Daily production initially was increased from 500,000 cubic feet of gas and 40 barrels of oil to 1.5 million cubic feet and 100 barrels, the company added.

Workovers also are under way on the Texas Gulf Coast and at Grand Lake field in South Louisiana.

The $3.5 million workover program will be completed this year and additional development activities are currently being planned for 2005, the company said.

continued from page 9

REDoubt

Injection fluid for the waterflood pilot will be filtered, produced Hemlock formation water from Redoubt Shoal unit wells 1, 2, 5A and 7, with an initial injection rate of 2,500 to 3,000 barrels of water per day. Forest told the commission it anticipates injection will exceed withdrawals from the area offsetting the injector, with pressure support anticipated at the 1 and 7 wells, and possibly also at the 2 well.

The injection pumps will be at Forest’s onshore Kustatan production facility. There are five production wells in the Hemlock formation at the Redoubt Shoal field and waterflood will be through a single injector, Redoubt well 6, an oil producer with cumulative production of 177,497 barrels of oil through May 2004.

A pilot project lasting about 36 months is planned.

Forest told the Alaska Division of Oil and Gas in its fourth plan of development for Redoubt that it expects the pilot waterflood project will begin during the fourth quarter of 2004.

No further drilling planned

Forest also said in its plan of development that no additional wells to the Hemlock oil formation are planned from August 2004 through August 2005, the company said.

During the third plan of development (August 2003 to August 2004), “…a comprehensive field study was undertaken to try to explain the production thus far from the Redoubt Unit,” Forest said. Much of that information will be used in preparation of an application for an areawide injection order.

“Water injection/pressure maintenance is projected to begin by 2005,” the company said.

Also during the 2003-04 plan period, the Gas Technology Institute “continued its study, with some data provided by Forest, to determine if there are any seismic attributes that will allow for discrimination between coals and gas-charged sands in the shallow Tertiary sediments. Results of the study to date are inconclusive,” Forest said.

During the 2004-2005 plan period Forest said “plans to conduct studies regarding an anticipated waterflood of the Hemlock oil reservoir.” After evaluation of results of the pilot waterflood just approved by the commission, Forest said it will consider “additional drilling to further delineate the field and/or initiation of a full field waterflood.”

Gulf of Mexico

Current Deepwater Activity

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<th>Operator</th>
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<th>OCS</th>
<th>Lease</th>
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New Deepwater Activity

BP Exploration & Production Co. Inc. | AC 738 | OCS | 123 | 076 | 2,000 |

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Marathon plugs and abandons Crimson F-81

Following Marathon’s announcement Aug. 26 that its partnership had plugged and abandoned the deepwater Crimson F-81 well, Nova Scotia Energy Minister Cecil Clarke told Petroleum News that attention is now shifting to other plays in the zone and deciding what can be done to improve those prospects of a commercial find.

“Obviously, the level of success is not what we wanted it to be,” he said.

But the Nova Scotia and Canadian governments and industry leaders are looking for ways to speed up regulatory approvals and other measures to “mitigate” the high costs of drilling and raise the comfort level of operators, including the possible resumption of an incentive tax credit, Clarke said.

“We are not sitting back and waiting for someone else to decide the next play,” he said. “We want to be sharp and on our game.”

Clarke said “no one can take comfort” from Crimson’s failure to unlock commercial quantities of hydrocarbons, but added that Marathon has indicated plans to drill two wells in 2005.

“I’d be upset if Marathon said it was leaving the region, but it’s not,” he said.

Exploration licenses surrendered

However, others are. In June, 12 exploration licenses were surrendered to regulators, leaving the holders facing penalties of up to 25 percent of a total C$275 million, less qualifying expenses. Another 11 licenses carrying C$55 million in commitments are due to expire Dec. 31.

But perhaps the watershed will be reached over the next two years as Marathon and its partners decide what to do with two licenses, worth a combined C$370 million, easily the highest bids yet made for offshore Nova Scotia prospects.

The Empire and Cortland leases adjoin the Annapolis block where Marathon found gas deposits in 100 feet of rock formations in 2002 with its G-24 well, but decided to move to Crimson in the same block rather than drill a delineation well.

Empire is shared by Marathon 50 percent and two 25 percent partners, Murphy Oil and Norsk Hydro Canada Oil & Gas, while Cortland is held by Marathon at 75 percent and Murphy at 25 percent.

Marathon spokesman Paul Weeditz told Petroleum News that data from the Crimson well will be integrated with the company’s other information to determine what the Nova Scotia and Canadian governments and industry leaders are looking for ways to speed up regulatory approvals and other measures to “mitigate” the high costs of drilling and raise the comfort level of operators, including the possible resumption of an incentive tax credit, Clarke said.

mine the company’s next move.

In 2002, Marathon indicated it had identified 10 prospects/leads on trend with Annapolis over three blocks.

On the larger picture for Nova Scotia, Weeditz said it is too early “to make any sort of rush judgments on what the future might hold for us or our partners.”

Odds debated; also regulatory concerns

The chances of explorers making a find in the fledging basin have been repeated endlessly to bolster optimism.

Tim Brownlow, chairman of the Offshore-Onshore Technologies Association of Nova Scotia, said the chances of a discovery off Nova Scotia are close to one in six, compared with the global average of one in 10 for significant finds.

“We’re not dead yet,” he said, noting the region has logged just 130 wells compared with more than 20,000 in the Gulf of Mexico.

But not everyone is on the same page as Brownlow. A FirstEnergy Capital economist with the Atlantic Provinces Energy Council, said the string of dry holes “reinforces” the urgent need for a major discovery to “revive momentum in the offshore and to sustain investment activity.”

Brian Lee Crowley, president of the Atlantic Institute for Market Studies, said the region is now a serious concern that companies will be discouraged from entering the region, given the regulatory burden they face.

“In the short term things are not looking very good,” he conceded.

Few immediate plans

On the immediate horizon, other than Marathon’s decisions on its major exploration licenses, there is little to focus on. The Annapolis G-24 well and Chevrontexaco’s Newburn H-23 wells, both drilled in 2002, are scheduled to come off tight hole status this summer.

Canadian Superior Energy, after a controversy over its Mariner I-85 well earlier this year, has hired the geophysical survey vessel M/V Anticosti to start wellsite survey work on two new Mariner drilling locations. But, having lost its original Mariner partner El Paso, the Calgary-based junior might need backing to share the costs.

BEPCo, owned by the rich Bass family of Texas, is moving ahead with plans to drill two wells in the 2005-2007 period.

Other than that, member companies of the Canadian Association of Petroleum Producers have started to re-examine the geological model that has been the basis of recent activity in the offshore.

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Oooguruk and Kerr-McGee as 70 percent partner and operator at Nikaitchuq.

State records at the beginning of September show Armstrong as 100 percent working interest owner in the Tuvaaq leases, although Kerr-McGee spokesman John Christiansen told Petroleum News Sept. 1 that Kerr-McGee now holds the largest chunk of the unit.

“We expect to operate the exploratory well that is currently planned. We will have the largest interest in the unit but the exact interests (of the owners) has not been determined at this point.”

Kerr-McGee said in an earlier interview that one of its planned 2004-05 wells will test Tuvaaq.

Last month both Pioneer and Kerr-McGee executives told analysts that they are discussing partnering for its planned 2004-05 wells will test Tuvaaq.

The division is requiring the wells as a condition of approving Armstrong Alaska Inc.’s application to form the Tuvaaq unit in the near-shore waters of the Beaufort Sea on the North Slope between the Oooguruk and Nikaitchuq units. An exploration well is planned this winter for Tuvaaq, which lies north of the Milne Point and Kuparuk River units.

The new unit is the centerpiece of the 46,000-acre exploration play assembled by Denver-based Armstrong Oil and Gas. Armstrong brought in Pioneer Natural Resources as 70 percent partner and operator at Oooguruk and Kerr-McGee as 70 percent partner and operator at Nikaitchuq.

“Armstrong believes that the quality and thickness of the Sag River sandstones should increase to the north/northwest from the Milne Point area into the Tuvaaq unit area,” the division said, also noting that oil-stained Brookian sandstones were encountered in the Thetis Island No. 1 and Kalubik No. 1 wells southwest of Tuvaaq. A Brookian sandstone in the Kalubik No. 1 well tested oil at a rate of 10 barrels per day, and Brookian sands were also tested in the Thetis Island No. 1 well, producing mud filtrate with a trace of oil.

In the northern Milne Point unit and northeastern part of the Kuparuk River unit the primary oil production comes from lower A Kuparuk sandstone, and in the northwestern Kuparuk River unit Kuparuk C sandstone is preserved locally, with a significant portion of production from Kuparuk C, along with A sands. Some Kuparuk C sandstone is preserved southwest of Tuvaaq in the Kalubik wells and in the Colville Delta wells.

“Several” of the oil sands of oil-bearing Jurassic rocks in the Colville Delta area southwest of Tuvaaq: the Nechehik, Nuiqsut and Alpine. While the Alpine interval is not present in the northern Colville Delta, the underlying Nuiqsut sandstone appears to extend into and thicken in the Colville Delta area: “The overall Jurassic section appears to thicken to the east-northeast of the Colville Delta area based on the East Harrison Bay 1 and Oliktok Point 1 wells,” the division said.

“Armstrong submitted a strong technical application” that “Armstrong submitted a strong technical application that justified the size and shape of the unit.” Armstrong integrated and interpreted 3-D seismic surveys and tied that data to surrounding well control, using the data to identify targets including the Jurassic Nuiqsut and Sag River, Eileen and Ivishak sandstones.

Tuvaaq area could contain pods of Kuparuk C sandstone that “are dependent on the interplay of faulting,” the division said. The faulting probably separates the potential Jurassic reservoir in the Tuvaaq area from the Thetis Island accumulation.

“The key to unlocking the reserves within the Jurassic sands is producing the low API gravity oil without damaging the formation with drilling fluids,” the division said, in contrast to Sag River oil, expected to be higher API.

Armstrong has also identified Sag River and Sadlerochit potential by integrating 3-D surveys over the Colville Delta, Prudhoe, northern Milne Point, northern Kuparuk, Ooguruk, Tuvaaq and Nikaitchuq.

There are two Sag River structural prospects at Tuvaaq, and the division noted that geochemical analyses of oils from the Nikaitchuq and Milne Point wells predict that Sag River oil at Tuvaaq would be in the range of 36-38 degrees API, reservoir modeling predicts production rate of up to 2,500 barrels per day with horizontal wells.

Petroleum News Editor-in-Chief

By KRISTEN NELSON

Alaska OKs Tuvaaq unit on North Slope

Unit is one of three north of Kuparuk and Milne Point in shallow waters of Beaufort Sea

Want to know more?

If you’d like to read more about Kerr-McGee’s move into Alaska and its Tuvaaq unit go to Petroleum News’ web site and search for the following articles, which represent just a few of those published in Petroleum News in 2004.


2004

● Aug. 29 Kerr-McGee confirms North Slope JV talks with Pioneer

● Aug. 8 North Slope JV in works

● July 18 Kerr-McGee plans to drill up to six North Slope wells

● July 18 Where they lead

● June 27 Recent ANS exploration activity will impact facility sharing landscape

● June 20 State releases results of ANS facility sharing study

● June 13 Arc of plenty

● May 23 Cracking the nut

● April 25 Nikaitchuq tests at 960 bpd

● March 28 Discovery yields not just oil, but high-quality oil.

● Feb. 15 Drilling under way

● Feb. 8 Nikaitchuq unit wells to test 3 objectives

● Feb. 1 The Oil Patch Insider (Kerr-McGee files for North Slope Unit)

● Jan. 11 Happy New Year, Alaska (Armstrong brings in Kerr-McGee)

The new unit is the centerpiece of the 46,000-acre exploration play assembled by Denver-based Armstrong Oil and Gas. Armstrong brought in Pioneer Natural Resources as 70 percent partner and operator at Oooguruk and Kerr-McGee as 70 percent partner and operator at Nikaitchuq.

The division said in its decision approving the unit that “Armstrong submitted a strong technical application that justified the size and shape of the unit.” Armstrong integrated and interpreted 3-D seismic surveys and tied that data to surrounding well control, using the data to identify targets including the Jurassic Nuiqsut and Sag River, Eileen and Ivishak sandstones.

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That investment would allow the Houston-based company to drill 390 wells this year, up from 300 wells under the previous 2004 budget and up head over heels compared to the record-setting 248 wells Pogo drilled in 2003.

In this year’s second quarter alone, the company drilled 93 wells, 86 of which were completed as producers. Thirty-five of the 96 wells were drilled in the San Juan basin of southwestern New Mexico and southwestern Colorado, an area that represented just $7 million or 2 percent of Pogo’s former budget.

“These particular long-lived assets bolster our growing San Juan presence and fit well with our strategy of acquiring North American reserves,” Paul Van Wagenen, Pogo’s chief executive officer, said of the company’s recently acquired San Juan properties.

Forty-six percent or $190 million of Pogo’s former $415-million capital budget for 2004 was earmarked for the Gulf of Mexico and Gulf Coast regions. The company said “a significant” piece of the $150-million increase in capital expenditures would go to drilling at least five leases “high-potential” Gulf prospects on leases acquired by Pogo in the federal government’s Central Gulf of Mexico oil and gas lease sale held last March.

In the United States, Pogo also operates in the Rocky Mountains and Permian Basin of northwestern Texas and southeastern New Mexico. The two regions combined represented $65 million or 15 percent of its 2004 exploration and production budget.

Pogo’s biggest push overseas is in offshore Thailand where the company dedicated $115 million or 28 percent of its entire budget on exploration and development. The well-diversified independent also is active in the Denmark North Sea, New Zealand and Hungary.

Liquids production down

However, the company’s oil and other daily liquids production in the 2004 second quarter dropped to an average 58,000 barrels from a record 69,137 barrels in 2003 second quarter, in part because of a field shut in and facility upgrade in the Gulf of Thailand during the previous quarter. The company said it was trying to remedy the shortfall by completing more or recompleting “high concentration” oil wells in the Benchamas field.

Pogo also attributed some of the overall liquids shortfall to natural production decline at its Main Pass block 61/62 field in the Gulf of Mexico. The company said it would drill an additional well to improve reservoir drainage.

However, the company said the decline in oil volumes in the 2004 second quarter was offset by increased natural gas production that averaged 338.1 million cubic feet per day, up 12 percent from the 301.7 million cubic feet per day in the same quarter last year.

Still, Pogo’s net income of $65.2 million or $1.02 per share in the 2004 second quarter was down 18 percent compared to the $79.7 million or $1.29 per share the company earned in the 2003 second quarter. The company said its profit was reduced by $7 million because of a premium call on the early redemption of its outstanding 10 3/8 percent notes. However, the move is expected to save Pogo more than $11 million in annualized interest expense.

LESSONS FOR ALASKA FROM WYOMING?

Wyoming's gas authority has $1 billion in bonding authority to aid in infrastructure growth; goal to increase gas exports

By KRISTEN NELSON

Both Wyoming and Alaska have state gas authorities, and the director of the Wyoming agency was in Anchorage Sept. 1 to explain what his agency does to a joint meeting of the Alaska Legislative Budget and Audit and Senate Resources committees.

Bryan Hassler, executive director of the Wyoming Natural Gas Pipeline Authority, said the Wyoming agency was established because the lack of pipeline infrastructure out of the state created a price differential of about 50 cents a thousand cubic feet for Wyoming natural gas compared to national prices.

The Wyoming authority was established in 1979, but has only had paid staff in the last two years. The agency’s goal, Hassler said, is to increase the state’s export of natural gas from approximately 4 billion cubic feet a day to approximately 6 hef a day over the next four to five years. As pipeline capacity out of the state increases, the price of Wyoming gas more closely matches national prices, increasing revenues to the state from both the price increase and from the volume increase, and creating an opportunity for more resource development.

$1 billion in bonding authority

The authority has $1 billion in bonding authority “to build or cause to be built” infrastructure that will increase the net-back from natural gas sales to the state. The authority can build or lease capacity on projects owned by others, and can also acquire natural gas supplies to fulfill capacity commitment and provide conduit financing.

Hassler noted that both the Wyoming Natural Gas Pipeline Authority and the Alaska Natural Gas Development Authority were “established to promote the development of their respective state’s natural resources, were designed to be self supporting, the authorities can take ownership in a project and each authority can issue both tax-exempt and taxable bonds.”

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We did it by out-thinking, out-hustling and out-innovating the competition. And we did it by hiring the best people, listening to our customers and adopting the best practices on the North Slope and in Cook Inlet.

It’s no mystery what we do where we are. The experience and expertise we’ve gained will carry us into the future.

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In fact, you might say we’re well on our way.
Russia’s total oil output will rise to 450 million tons from 421 million in 2003, the Prime-Time news agency reported. The total production in 2002 was just 380 million tons, so the upward march remains robust but is slowing a bit, analysts have said. Putin’s comments may help steady the oil markets, where uncertainty about the Yukos situation has contributed to a rise in world oil prices.

BP has contract for Tangguh LNG production

BP AND ITS TANGGUH PARTNERS have signed a $2 billion sales agreement for liquefied natural gas from the Indonesian field that calls for supplying up to 800,000 tons a year for 20 years to affiliated company K Power of South Korea, BP said Aug. 31.

The company has said it plans a decision on whether to go ahead with Tangguh later this year, with costs estimated at $5 billion, but says executives say the timetable has already slipped a bit, to 2008 instead of 2007 for initial shipments. The new LNG contract, a firm 600,000 tons annually and up to 200,000 additional tons annually for the first 10 years of the deal, will be used to power a new plant that will start generating electricity in South Korea in 2006. K Power is a joint venture in which BP holds 35 percent and SK Corp. the remaining 65 percent.

BP signed a 20-year sales agreement in July that calls for 550,000 tons of LNG to be supplied to Korean steelmaker Posco, starting in 2008. Another deal calls for 2.6 million tons of LNG annually to be delivered at Fingal LNG terminal.

And, according to BP, the company is close to a deal to supply 3.7 million tons a year for a proposed Sempoa Energy terminal in Costa Azul, Mexico. That would cover the planned annual output of more than 7 million tons.

But the Chinese news service Xinhua and other news agencies quote Tangguh project executives as saying that the actual starting date for Tangguh production has slipped to 2008 from 2007, due to problems ranging from government approvals to construction issues.

Tangguh, about 2,000 miles east of Jakarta, has more than 14 trillion cubic feet of proven natural gas reserves. BP is the operator and has a 37 percent stake in the project. Partners are CNOOC Group and LNG Japan, a joint venture of Sumitomo Corp. and Nissho-Iwai.

Big profit gains for top Chinese oil firms

PETROCHINA CO. AND SINOPEC had substantial profit gains for the first half of the year, following in the footsteps of their counterparts in the West.

For PetroChina, Asia’s biggest oil firm, profits for the first six months of the year rose to 45.3 billion yuan, or $6.87 billion on oil and gas exploration and production this year, up 24 percent from 46.1 billion yuan in 2003. At Sinopec, capital spending is nearly as large, at 56 billion yuan ($8.75 billion) this year, up 12 percent from 50 billion yuan in 2003. Sinopec will use the money mostly for pipelines, refinery upgrades, and to build more retail stations.

--ALEN BAKER, PETROLEUM NEWS

San Ramon, Calif.

ChevronTexaco hits ‘significant’ discovery

ChevronTexaco said it made a significant natural gas discovery at its Wheatstone-1 well, located offshore 110 miles west-northwest of Dampier in Western Australia. A production test established a flow rate of 54 million cubic feet of gas per day, the company said Aug. 24. The lease is held 100 percent by ChevronTexaco affiliates ChevronTexaco Australasia and Texaco Australia. The Wheatstone Field extends north into an adjacent permit where ChevronTexaco affiliates also hold a 100 percent interest. The discovery further confirms the world-class gas resources offshore Western Australia and is the latest step in our ongoing efforts to explore and develop Australia’s gas resources,” said Jay Johnson, managing director of ChevronTexaco Australasia.

The Wheatstone-1 well was spud July 23 and drilled to a vertical depth of 11,096 feet using the semi-submersible Transocean Sedco 703 drilling rig in water depths of about 700 feet. The well encountered roughly 175 feet of net gas sands in the Jurassic Tithonian and Triassic Mungaroo AA sands within a 413-foot hydrocarbon column, ChevronTexaco said.

Norwegian oil rig strike poised to escalate

Strike hasn’t affected production because only drilling targeted

THE ASSOCIATED PRESS

A strike by Norwegian offshore oil rig workers dragged into its second month, employers were set to redate with a lockout planned for Sept. 2. The Norwegian Federation of Oil Workers Unions, or OFS, began a strike by about 200 workers on July 2, shutting down several mobile drilling rigs after failing to settle a new contract.

Since the rigs drill wells, rather than produce petroleum, the strike has had no impact on the Norway’s production of 3 million barrels per day, which makes the Scandinavian country the world’s third-largest oil exporter.

With the conflict deadlocked, the Norwegian Shipowners Association, representing the employers, announced in mid-August it intended to lock out another 300 OFS members at midnight Sept. 2 unless a settlement was reached.

Most of those also working on drilling rigs although the shipowners called for a lockout on the Petrojul 1 production ship, which produces about 30,000 barrels a day for the Norwegian state oil company, Statoil.

For safety reasons it can take 10 days or more from the start of the lockout to shut down the rigs. If the strike drags on, it could delay scheduled new production wells and thus reduce Norway’s planned output.

The government has the power to order the strikers back to work, but that was unlikely since the conflict does not seriously threaten daily production.

Both sides said they were prepared for a further escalation, with the union saying it was braced for a long strike.

“There are a total of 850 OFS members, and we could lock them all out,” the shipowners association’s director of communications, Marit Ytreide, told Dow Jones Newswires.

The union also threatened to escalate the conflict if there was a total lockout.

“We’re prepared to hold out past Christmas if we have to,” said OFS deputy leader Bloom Tjomsen. “And we could take out more (vessels).”

Norwegian labor law requires a two-week notice of strikes or lockouts, or an escalation of strikes.

The union said the conflict was mainly over its demand for job security for members. The employers said, however, that the union also demanded current contracts cover workers on platforms temporarily in Norway for repairs.

The shipowners association says the rig industry cannot afford to meet the union demands, since it already costs 250,000 kroner ($US35,700; euro29,000) more per day in personnel expenses to operate a rig in Norwegian waters than in the British sector of the North Sea.

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Officials investigate possible unreported spills involving tankers

ConocoPhillips tankers reportedly had three incidents not reported to company or Coast Guard as required by: 

ConocoPhillips management voluntarily reported these events to the authorities, and the company has been and will continue to cooperate fully with the appropriate authorities. The company also investigated or is in the process of investigating all of these events.” — ConocoPhillips

But the head of an oil industry watchdog group in Valdez said he was told that Conoco, as a company, later reported the incidents to authorities once it learned of them, but some employees, including tanker captains and a junior engineer, might be in trouble, the Anchorage Daily News reported.

Incidents not reported to company

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In a memo to his group’s board of directors, Devens noted a March 16 spill of bunker fuel onto the deck of the tanker Polar Endeavour that was not reported as required. Corporate spokesmen for Houston-based Conoco also declined to discuss specifics.

But they issued a written statement that said in part: “ConocoPhillips management voluntarily reported these events to the authorities, and the company has been and will continue to cooperate fully with the appropriate authorities. The company also investigated or is in the process of investigating all of these events.” — ConocoPhillips

The Regulatory Commission of Alaska has approved Pentex Alaska Natural Gas Co.’s application to acquire Fairbanks Natural Gas LLC. The commission said Aug. 26 that it granted the expedited approval requested in the June 10 application so that construction of proposed new facilities would not be delayed, and so that new equipment such as large compressors, pumps, liquefied natural gas manufacturing equipment and LNG tankers could be ordered for next summer.

Pentex told the commission that it plans 115 miles of new distribution lines and expansion to 5,800 customers by 2013, an expansion which will cost more than $35 million. Fairbanks Natural Gas was serving some 580 customers when the application was filed in June. (See story in July 11 issue of Petroleum News.)

The company provides natural gas to Fairbanks from Cook Inlet. The gas is liquefied and trucked to Fairbanks.

Pentex told the commission that Fairbanks Natural Gas has received inquiries for gas service from a number of new large customers including Lowes, Lithia Motors, Fred Meyer, the Fairbanks School District and new residential complexes.

Neither the name nor the day-to-day management of Fairbanks Natural Gas will change, Pentex told the commission.

The company said it plans to purchase two LNG cryogenic trailers and lease two others, and plans to add about 30 miles of distribution main per year.

ALASKA

RCA approves Pentex acquisition of Fairbanks Natural Gas

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PAXSON, ALASKA

Million-plus spending on MAN property

Nevada Star's nickel, copper, PGE property in Alaska Range receives $1 million-plus in 2004 exploration spending

By PATRICIA LILES
Petroleum News Contributing Writer

Two separate summer field exploration programs kicked off on the MAN nickel, copper and PGE property on the southern flank of the Alaska Range in central Alaska, with spending planned for this summer totaling $1.15 million.

"We are very excited by what we are seeing from the preliminary data, which verifies our assumptions about the magnitude of gold on the Specimen/Broxson area, and the location and mineralization of the embayment area on Canwell."

— Nevada Star President Robert Angrisano

Nevada Star Resource Corp., which put together the 269-square mile MAN property near the small community of Paxson at the intersection of the Richardson and Denali highways, has optioned roughly half of the parcel to Anglo American Exploration U.S.A.

Anglo began its preparatory work for this summer’s field season in May, with the actual on-the-ground work beginning earlier in August, according to Nevada Star President Robert Angrisano.

Anglo’s work this summer and fall includes completing a 2,500 line kilometer airborne Mag/EM survey, which is being flown with Anglo’s proprietary Spectrem aircraft. Geological mapping, prospecting, geochemical sampling and ground geophysics will also be completed this summer.

The new survey data will be combined with existing information from previous exploration programs to guide the ground program, with the goal of identifying drill targets for a winter drill program, Angrisano said.

"An exact date for the drilling program has not been set yet," he said. "This is a $600,000-plus summer program."

Company also working to north

In addition, Nevada Star is spending about $550,000 of its funds on the northern prospects of the MAN property, to include the Canwell, Rainy, Eureka and Broxson areas.

Field work started on July 1, which followed several months work on data processing of UTEM, VLF, Mag and airborne EM data into a 3D-magn inversion model, Angrisano said. Drilling was expected to begin in mid-August, using a reverse-circulation rig.

According to a company press release, Nevada Star anticipates completing 2,000 meters of drilling, but "the exact number of feet of drilling will depend on the mineralization identified during the drilling process," Angrisano added. "The purpose of the drilling program is to explore the discovered embayment area for mineralization."

Reprocessing data earlier this year identified a very large embayment area on the Canwell intrusion, which shows a large feeder to the west, connecting to the embayment area, according to a company press release.

Soil and rock samples showed elevated levels of PGEs and nickel in the area, the company said.

"We are very excited by what we are seeing from the preliminary data, which verifies our assumptions about the magnitude of gold on the Specimen/Broxson area, and the location and mineralization of the embayment area on Canwell," Angrisano said.

Editor’s note: For more detailed information about this project, please see the September issue of North of 60 Mining News.

Continued from page 13

LESSONS

Unlike the Alaska authority, Wyoming’s authority does not need legislative approval to issue bonds: it is authorized to issue up to $1 billion in bonds.

The board had operated without any permanent staff, but in 2002 the Legislature loaned it some $270,000-$280,000, and Hassler was hired as executive director. Another $1.7 million loan has been authorized by the Legislature, he said, in response to a new budget, and the authority now has a staff of four including two technical analysts and an administrative assistant, and money for bond counsel that the authority must need over the next two years to put together pipeline infrastructure projects.

“It is our intention to be self-supporting,” he said, and the authority has five years to repay its loan.

Not enough infrastructure

Unlike the North Slope of Alaska, where natural gas is stranded, Wyoming gas development is strangled: The problem the authority was designed to address is that the pipeline system in the central Rocky Mountains is too small to handle the resource, which means the gas supply is both undervalued and underutilized. In the area of Opal, Wyo., Hassler said, there is an estimated resource of 171 trillion cubic feet, but infrastructure only handles some 1.5 to 1.7 bcf a day. The infrastructure in the area, he said, is “very anemic for the potential resource base.”

Asked by Sen. Lyman Hoffman, D-Bethel, about the life expectancy of Wyoming’s gas, Hassler said that with a potential resource of 170 trillion cubic feet, with 1.3 tcf a year produced from the state, “there’s a 170-year reserve life at existing production rates.”

If the infrastructure were developed, he said, the state thinks it could grow from 4.2 billion cubic feet a day currently, to 6 bcf a day over the course of five years. “Wyoming could in all rights be able to produce 10 to 12 bcf a day of natural gas resource” if the resource base were fully developed over the next 10 to 12 years, he said. 

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## Companies involved in North America’s oil and gas industry

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### Alaska Anvil Inc.

Alaska Anvil is a multi-discipline engineering company that excels in planning and organizing quality projects. It brings together engineers, designers and technicians to provide complete, innovative and cost-effective solutions to a wide variety of petrochemical and industrial projects. Alaska Anvil maintains offices in Anchorage and Kenai, Alaska.

Ron Piltz has 34 years of structural and project engineering experience primarily in the petroleum, power generation and mining industries. The past 15 of those years have been with Alaska Anvil in Anchorage. Ron finds Alaska a great place for indulging his love of playing and coaching ice hockey. He, his wife June and son Joshua all enjoy outdoor activities, especially during this year’s incomparable summer.
continued from page 1

WILDCAT

quantities of hydrocarbons, the company said.

However, the Sardinia well, which took just 60 days to reach its objective, encountered more than 1,100 feet of porous sandstones, an encouraging sign because of its thickness and the fact it contained some hydrocarbons.

―While the results of Sardinia are dis.appo.ining, we are encouraged by the thickness of the potential reservoir encountered in the lower tertiary in this rank wildcard,‖ said Mike Bell, who heads up Unocal’s exploration ventures in the U.S. Gulf.

Moreover, the fact a potential reser voir exists more than 100 miles from major lower tertiary discoveries to the east in Walker Ridge “is a positive develop ment for Unocal’s deepwater program in the Gulf of Mexico,” Bell said.

Owners bidders at recent sale

And it was no coincidence that all four players in Sardinia — Unocal, Devon Energy, Spinnaker Exploration and Total — either together or individu ally scooped up available acreage rel atively near the prospect in last month’s Western Gulf of Mexico Lease Sale 192.

It also was obvious that preliminary well results from Sardinia were held from the public until after the Aug. 18 lease sale. Although no wells results have been released, Jack also was abandoned pending review of the data.

At least some big reservoirs

So, while the jury remains out on the true extent of the lower tertiary trend in ultra-deepwater U.S. Gulf, there’s no question the play holds at least some big oil reservoirs. They include Cascade and more recently St. Malo, which turned up an impressive 450 feet of net oil pay in the discovery well and 400 feet of net in an appraisal well.

Unocal said it now plans to move the Discoverer Spirit drillship from Sardinia on Keathley Canyon block 681 to the Seqoia prospect on Mississippi Canyon block 941. Unocal operates Seqoia with a 20 percent interest.

Unocal said it expects to take a charge to expense in the 2004 third quar ter of less than $1 million for the costs of the Sardinia well.

continued from page 1

BLM

across additional stipulations. "These agencies demonstrat ed a professionalism working together on this project and giving all stakeholders the opportunity to participate,‖ she said.

―The final EIS is the initial step in development of the five satellites,‖ Patience said. She said ConocoPhillips will be reviewing stipulations in the doc ument.

―A final decision to move forward on these projects won’t be sanctioned until after the record of decision is issued and the outcome of remaining permits are known,‖ BLM spokesman Ed Bovy told Petroleum News that the agency anticipates that the record of decision will be signed sometime in October.

Namu no go under borough’s permit stipulations

Patience said the North Slope Borough has issued a permit for CD-4, the pad south of Alpine at the Namu discovery, but said "ConocoPhillips cannot move the project forward under the current permit stipulations." She said she could not provide any more information because the agency is negotiating those stipula tions with the borough.

ConocoPhillips will continue to work with the North Slope Borough on mer mit issues, she said; “But: ‘The permits for this project must be in hand before a deci sion is made on this winter’s activity.’

Varied land ownership

Three of the proposed drilling pads, CD-5, CD-6 and CD-7, are in NPR-A. CD-3 is on state of Alaska land and CD-4 is on land owned by Kuukpik Corp., the Native corporation for the village of Nuiqsut. CD-5 is on land conveyed to Kuukpik within NPR-A.

Twenty to 30 wells would be drilled from each pad and the unprocessed, three-phase (oil, gas and water) crude oil would be sent to the Alpine central process ing facility for processing. Processed oil would be transported through the existing pipeline system to the trans Alaska pipeline.

BLM said the development plan repre sented an important expansion of the esti mated 429 million barrel Alpine field. By 2006, initial production of more than 330 million barrels of additional oil is expected, the agency said.

The final EIS can be read on line through the BLM website www.ak.blm.gov.

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Auction

ment stalled, given the unanswered ques tions on the impact.

The government-owned parcels were in the Flathead and Elk river watersheds, creat ing fears of polluted waters from coalbed methane development finding their way into the Flathead, which carries special United Nations designation as a “wild and scenic river.”

Elk Valley is part of the Crownwest region, which is thought to hold 12 trillion cubic feet of British Columbia’s projected methane resource of 90 tcf, of which 20 percent is estimated to be com mercial.

Province interested in royalty revenues

Expanding its successful development of conventional oil and gas to coalbed methane was seen as the province’s next advance in generating royalties to the treasury.

How far the Elk Valley setback has undermined those hopes is a matter of debate.

Activists are emboldened by their suc cess, the industry is taking a timeout to assess its position and the British Columbia government is emphatic that this is only a matter of time.

Mike Gatens, chairman of the Canadian Society for Unconventional Gas, told reporters it appeared that potential bidders were chased away by the risks and costs, giving B.C. the chance to review the region, rather than the opposition.

Shell pursuing opportunities on private land

Among the likeliest bidders, Shell is pursu ing opportunities on private land.

It is holding talks with Tembec, a forest resource management company, and a coal producing partnership Elk Valley Coal to explore land flanking the bids properties.

The British Columbia government has given the owners five years to decide whether to move into gas production, after which the leases may be offered for bid.

If Shell gets approval to drill four wells this fall on private land it will successfully circumvent controversial government auc tions.

On a similar front, EnCana has estab lished a joint venture with Fording Coal to drill exploration wells on a lease also alongside the auction lands, while Chevron Canada Resources has drilled three test wells on Tembec property.

Coalbed involved in exploration include Petrobank Energy & Resources and Trident Exploration.

British Columbia Energy Minister Richard Neufeld was undeterred, declaring that the government will post the land again when there is interest from the industry. He again argued that the disputed area was linked to “local political agendas,” including Montana’s gubernatorial election this year.

Northern Montana’s own coalbed methane industry, Neufeld said the state’s efforts to prevent British Columbia moving into the sector was tough to swallow.

continued from page 1

THE REST OF THE STORY

WEEK OF SEPTEMBER 5, 2004

PETROLEUM NEWS •
Horizon in the final quarter, with the pace of construction expected to build in 2005 and peak in 2006. The three-phase undertaking is scheduled to produce 135,000 barrels per day in 2007 and grow to 232,000 bpd by 2012. The pool of 6,000 workers will include 5,000 trade jobs and 500 project management staff.

XTO decided not to test Cook Inlet coal seam

In October, Doug Schultz of XTO Energy told Petroleum News that XTO was thinking about testing a shallow coal seam in a shut-in well on a platform in the company’s Middle Ground Shoal oil field in Alaska’s Cook Inlet. XTO needed a cheap source of gas for its two platforms, something it had lost when Unocal shut down operations at the nearby Baker platform.

Kyle Hammond, XTO’s vice president of operations for Alaska and the Persian basin, told Petroleum News Aug. 26 that the company decided not to test the coal seam.

“The amount of fuel we needed and were going to get (from the coal) just did not make economic sense.”

XTO, a major coalbed methane producer in the continental United States, is getting gas from shore to run its platforms, something Schultz said more than doubled the cost of fuel for the platforms.

Cabinet ministers turn the page on politics

Alberta Premier Ralph Klein is losing two stalwarts from his cabinet after the next election, which is widely expected to be called for this November.

Finance Minister Pat Nelson, who has steered the province to debt-free status, and Energy Minister Murray Smith won’t seek reelection.

Nelson has held in high-regard in the petroleum industry, Smith earned his spurs, starting out as a rig hand, then launching his own oilfield services company before entering politics in 1993.

Despite a legal spat with Suncor Energy over royalty rates for the company’s latest oil sands expansion and a bitter, drawn-out feud over the shut-in of natural gas production in the oil sands region, Smith will leave politics with friends in both the industry and the environmental movement.

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Canada adds consul in Alaska

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ICE ROAD
wells, which are now owned by ConocoPhillips (78 percent) and partner Anadarko Petroleum (22 percent).
There are four well locations staked at Kokoda and three drilling permit applications filed with the Bureau of Land Management, although only one to two wells are expected to be drilled this coming winter due to the length of time it will take to build the ice road over the limited winter drilling season.
The permit applications include Kokoda No. 1, originally filed in August 2002 at a different location and refiled July 9 of this year, at SE1/4 SE1/4, Section 32, T. 12 N., R. 5 W., UM; Kokoda No. 3 at SW1/4 NW1/4, Section 33, T. 11 N., R. 5 W., UM; and Kokoda No. 2, filed in August 2002 at SW1/4 SE1/4, Section 10, T. 11 N., R. 5 W., UM.
• ConocoPhillips, Bounty and Defiance wells: A few miles west and north of Kokoda in NPR-A are the Bounty and Defiance prospects. ConocoPhillips applied for drilling permits from BLM on July 9 for wells at both sites.
• ConocoPhillips has talked to agencies about drilling three to six North Slope exploration wells this year, including those mentioned above, but none have been confirmed or sanctioned by the company.
• Armstrong Alaska, Two Bits: Armstrong is planning one to two wells at its Two Bits prospect just off the western edge of the Kuparuk River unit. The company told the state the wells will be drilled “from an existing gravel pad” which will be accessed by a three mile ice road from the Kuparuk 2M pad, which is connected to the North Slope gravel road system. The ice road will be built “to either the abandoned West Sak 18 gravel pad or an ice road constructed adjacent to the gravel pad.”
• Kerr-McGee, Nikaitchuq and Tuvaq unit wells: In July, Kerr-McGee filed an operation plan with the state to drill up to six exploration wells this winter offshore the Milne Point unit, three miles north of Oliktok Point, from two to three locations, using two, and possibly three, drilling rigs.
The company told the state the operations will be “nearly identical” to those in the same area last winter, with access by sea ice roads from Oliktok Point to ice pads on and adjacent to Spy Island.
The Nikaitchuq unit is at Spy Island, north of Oliktok Point and the Kuparuk River unit and northwest of the Milne Point unit. Armstrong’s Tuvaq unit (see story on page 12 of this issue) is immediately to the west of Nikaitchuq and one of the wells drilled by Kerr-McGee this winter will test that unit.
• Pioneer Natural Resources, Caribou well: Pioneer is looking at drilling a directional well northeast of Point McIntyre on trend with Northbar from the Point McIntyre 2 pad. The company is currently negotiating access with the Prudhoe Bay unit owners and is targeting a drill decision for October.
• Pioneer, Gwydyr Bay: Pioneer is looking at a development project on state leases in Gwydyr Bay, immediately north of the Prudhoe Bay unit, where it hopes to commercialize a smaller, previously discovered accumulation. The company’s preliminary plans include a new gravel pad and six wells tied back to Prudhoe. Pioneer is in the process of putting together a development plan, finalizing costs and assembling information for permitting.
• Anadarko, Jacob’s Ladder: At last report Anadarko was not able to get a partner lined up for its North Slope Jacob’s Ladder prospect in time to get permits for the upcoming drilling season.

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