



This month: Petroleum Directory

Petroleum
D I R E C T O R Y

Providing information about companies that serve North America's oil and gas industry

UpFront
A road grader cuts a solitary path along a North Slope ice road in this photo taken by photographer Judy Patrick

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CANADA

ALASKA

section
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Volume 9, No. 4
January 2004

See section C for the monthly Petroleum Directory, a collection of company news and profiles.

U.S. and Norway in Nova Scotia flag flap; Kuparuk gets extra rig

NORWEGIAN RIG OWNERS are wrapping themselves in the Maple Leaf in an attempt to stop a U.S. company from drilling a natural gas well offshore Nova Scotia.

Ocean Rig of Norway has applied to the Canadian Transportation Agency to have its semi-submersible rig Eirik Raude registered in Canada and head off plans by Marathon Oil to use the U.S.-based drillship Deepwater Pathfinder owned by Transocean to probe the Annapolis block starting in late April.

Marathon as 30 percent operator, with EnCana (26 percent), Norsk Hydro (25 percent) and Murphy Oil (19 percent) as partners, notched Nova Scotia's first deepwater success in 2002



see **INSIDER** page A2

ALASKA

The wait is over

Alaska receives two North Slope gas pipeline project applications

By **LARRY PERSILY**

Petroleum News Government Affairs Editor

The wait is over and negotiations will begin immediately. The state of Alaska has received two separate project applications under the Stranded Gas Development Act to each negotiate a contract for payments in lieu of state and municipal taxes for a North Slope natural gas pipeline.

Gov. Frank Murkowski was scheduled to announce the pipeline company application Jan. 22 in Fairbanks and the producers' application Jan. 23 in Anchorage. He said state negotiators will start work immediately with both applicants, with the intent of sub-

mitting contracts to the Legislature for approval this session. Lawmakers face a May 12 adjournment deadline.

MidAmerican Energy Holdings Co., a pipeline operator and gas and electrical service company controlled by Warren Buffet's Berkshire Hathaway Inc., is the lead member of the application that also includes Pacific Star Energy LLC and Cook Inlet Region Inc.

MidAmerican holds 80.1 percent of the new limited liability company established with Pacific Star and CIRI, which hold options to take up to the 19.9 percent. The new company is named MEHC Alaska Gas

see **WAIT** page A18



Two applications "suggests a competitive component we didn't have before," said Alaska Gov. Frank Murkowski.

NORTH SLOPE, ALASKA

The North Slope: A geologist's dream, an investor's nightmare

By **KRISTEN NELSON**

Petroleum News Editor-in-Chief

Why are there so few companies exploring Alaska's North Slope, a basin with recognized world-class hydrocarbon potential?

The answer is cost: "The North Slope basin is the most expensive onshore basin in the world. ... And it may even be one of the most expensive basins in the world, including offshore basins," Mike Dunn told the Anchorage chapter of the International Association for Energy Economics Jan. 20.

Dunn, vice president of New Tech Engineering, an Anchorage, Alaska-based consulting firm, was talking about a problem he confronted as a consult-

see **THE SLOPE** page A13



A CATCO rolligon in blowing snow on Alaska's North Slope. Photo taken during the day, mid-winter.

CANADA

Mackenzie line is litmus test

Environmentalists demand 'state of the art' hearings for gas project

By **GARY PARK**

Petroleum News Calgary Correspondent

Environmentalists have emerged from hibernation to challenge the resolve of the new Canadian government under Prime Minister Paul Martin.

The Sierra Club of Canada, the Canadian Nature Federation and the Canadian Arctic Resources Committee are all demanding a full public assessment of the C\$5 billion Mackenzie Gas Project.

In coordinated news releases Jan. 15, the three

see **LITMUS** page A19



Environmentalists are challenging the resolve of the new Canadian government under Prime Minister Paul Martin, pictured above.

BREAKING NEWS

A7 Terasen toys with trust: B.C. firm looks for money-raising opportunities as race to build oil sands pipelines intensifies

B1 Alaska builds North Slope roads: State scraps Foothills road in favor of extending Spine Road, looks at Point Thomson road

A7 Six to eight exploration wells scheduled: ConocoPhillips, Total and Kerr-McGee to drill on North Slope this winter



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continued from page A1

INSIDER

with their Annapolis G-24 well, using a Transocean ship.

Marathon applied to the transportation agency in November for admission to bring the Deepwater Pathfinder to Nova Scotia waters.

That automatically triggered a notice from the agency, asking whether any Canadian vessels were capable of handling the job.

Ocean Rig responded before Christmas, saying the Eirik Raude would be available once it completes drilling EnCana's Weymouth offshore license, after which Ocean Rig and EnCana will dissolve their East Coast drilling partnership that was formed in 2002.

To secure the contract, Ocean Rig said it planned to switch the registration of the Eirik Raude from the Bahamas to Canada, even though Marathon has told the transportation agency the rig is unsuitable and its price is too high.

A spokesman for Marathon said the Annapolis well, which could hold 5 trillion to 15 trillion cubic feet of reserves, will be in jeopardy if the Canadian government attempts to block the use of the Pathfinder.

A spokesman for the transportation agency, indicating a decision will be made no later than March, said economic factors will be taken into consideration.

North Slope Kuparuk field gets extra rig

The ConocoPhillips-operated Kuparuk River unit has had just one conventional drilling rig doing field development drilling since spring 2002. In February, a second rig — Nordic Calista 3 — will go to work doing mainly development drilling at the field, ConocoPhillips spokeswoman Dawn Patience confirmed this month. It will be joining Doyon 141, which returned to Kuparuk in November after a 60-day loan to BP.

Nabors promotes Jim Denney, Dave Hebert

Jim Denney, president of Nabors Alaska Drilling since 1994, has been promoted to chairman of both Nabors Alaska and Pool Well Service. He will move from Anchorage to Houston, Nabors Industries

Schlumberger gets visit from Duke of York



The Duke of York visits Schlumberger Oilfield Services' the Global Drilling Technology Centre in Stonehouse, England. The Duke, son of Queen Elizabeth II and formerly known as Prince Andrew, toured the facility July 21 as the nation's special representative for international trade and investment. The Schlumberger facility currently has about 140 employees and will employ 80 more when an addition is completed later this year, the company said.

COURTESY OF SCHLUMBERGER

said in a Jan. 15 statement, maintaining responsibility for Nabors Alaska while assuming control of the company's Lower 48 well servicing and workover business.

In Alaska, Dave Hebert has been promoted from drilling superintendent to general manager and John Neason has been named drilling superintendent in Hebert's place.

Nick Petronio, president of Pool Well Service, will continue in his present position, reporting to Denney.

Gene Isenberg, chairman and CEO of Nabors Industries, said the changes were being made "to more effectively exploit the inherent synergies between our drilling and well servicing workover operations."

Denney, Isenberg said, has more than 30 years in the drilling industry, bringing "a wealth of operations, commercial and technical experience to both these organi-



JIM DENNEY



DAVE HEBERT

zations."

Denney started with Loffland Brothers in 1977, which was acquired by Nabors in 1990, and spent 17 years in the North Sea, including nine years in Aberdeen, Scotland as operations manager for Nabors North Sea business.

Hebert began his Arctic drilling career in 1978, joining Nabors a year later. He has been drilling superintendent for the last nine years.

Neason joined Nabors in 1997, following an eight year career in the U.S. Navy as an electrical maintenance instructor and technician on nuclear powered submarines.

Wyoming family honored as 'Citizens of West'

The True family of Casper, Wyo., who built a network of energy, oil and agriculture businesses from a one-rig drilling company, were honored as the "Citizens of the West" Jan. 14.

The award is given yearly at the National Western Stock Show in Denver, Colo., to recognize Westerners who embody the pioneer spirit, stock show officials said.

H.A. "Dave" and Jean True and their four children share this year's honor.

Dave True, who died in 1994 at age 79, and his family built True Cos., which includes ranches in Wyoming, North Dakota and Arizona and the True Drilling Co. The children are: Tamma True Hatten and H.A. "Hank" True III and Diemer and Dave True.

Jean True described her husband as a modest man, who would have been tremendously honored to receive the award, but would have been especially happy to have the entire family together.

"I think seeing all the little ones here (would be the highlight), I really do," True said. "That would be a real joy."

Proceeds from the award dinner benefit the National Western Scholarship Trust, which supports 60 scholarships to colleges in Colorado and Wyoming. Previous recipients of the award include Vice President Dick Cheney, former Wyoming Sen. Alan Simpson and William K. Coors.

Editor's note: Oil Patch Insider is written by Kay Cashman, Petroleum News publisher and managing editor. Petroleum News Calgary correspondent Gary Park, The Associated Press, contract photographer Judy Patrick and Petroleum News contributing writer Allen Baker contributed to this week's Insider.

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ALASKA

BP, ConocoPhillips set capital budgets

ConocoPhillips Alaska's 2004 capital budget has been set at \$600 million, up from an actual capital spend of \$530 million in 2003, Darren Jones, the company's vice president for Kuparuk and Cook Inlet told the Kenai chapter of the Alaska Support Industry Alliance Jan. 20. Daren Beaudo, spokesman for BP Exploration (Alaska), told Petroleum News Jan. 14 that BP has a 2004 capital estimate for Alaska of \$660, "which is right on par" with the company's 2003 capital spend. In a stable investment environment, Beaudo said, the company sees opportunities to maintain "capital investment in that neighborhood for the next five years."

Jones said the majority of ConocoPhillips Alaska's spend would be for Prudhoe Bay, Kuparuk and the company's western North Slope operations, and includes ongoing construction of the company's fourth and fifth Endeavour class double-hulled tankers.

—PETROLEUM NEWS

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CALGARY, ALBERTA

Junior company on verge of commercial CBM production

Thunder Energy, a Calgary-based junior, aims to join the emerging ranks of coalbed methane producers in Alberta this year.

Doug Dafoe, Thunder president and chief executive officer, said the company expects to integrate its first commercial CBM project with its conventional business, which is projected to reach 45 million cubic feet per day in 2004.

By year's end Thunder hopes to have 10 percent of its production coming from CBM, he said.

Thunder has budgeted C\$70 million from cash flow to drill an estimated 125 wells this year, up from 110 wells in 2003, including a "significant" expansion of CBM activity.

In the Fenn-Big Valley area of central Alberta, where the company plans 66 shallow conventional gas wells, it is also targeting 50 wells in the Horseshoe Canyon coals.

Thunder said CBM development is contingent on a four-well pilot test north of Edmonton. Two other pilots have been completed with "encouraging" results.

Alberta company strikes landmark land access deal with aboriginals

A breakthrough deal between aboriginals and the petroleum industry will give Atlas Energy access to about 10 percent of the 52,000-acre Bigstone Cree First Nation's reserve, 250 miles north of Edmonton.

The deal will give Bigstone a role in decision-making and ownership of 10 to 20 percent of the successful wells, opening the way for the newly established Bigstone Oil and Gas firm to expand into oil and gas partnerships off the reservation.

Atlas President Richard Lewanski said the drilling target is a low-risk proposition.

The plans call for 18 horizontal wells on the Pelican Lake heavy oil field, with each well expected to produce 200 barrels per day.

Pelican Lake is a conventional play tapped by 600 wells and does not require speculative exploration or the use of costly technology.

Lewanski said the agreement includes commitments to make aboriginal workers and contracting firms preferred suppliers to the project.

He said more partnerships with Native communities are likely because the drilling prospects beneath aboriginal lands are usually less developed than the surrounding mineral rights.

• KENAI, ALASKA

Conoco still evaluating Cosmopolitan well

Company completing work at Cook Inlet's Tyonek platform, considering additional compression, new wells, at Beluga

By KRISTEN NELSON

Petroleum News Editor-in-Chief

ConocoPhillips Alaska is still evaluating results from its exploration drilling at the Cosmopolitan prospect in the Cook Inlet basin near Anchor Point on Alaska's Kenai Peninsula.

Darren Jones, the company's vice president for Kuparuk and Cook Inlet, told the Kenai chapter of the Alaska Support Industry Alliance Jan. 20 that results from the well are still confidential, but noted the company has "done extra work on it to evaluate what we've seen so far" and is "still studying it, studying what our options are with it."

ConocoPhillips Alaska, a major North Slope operator, has operations in Cook Inlet, legacies of the company's Atlantic Richfield and Phillips Petroleum predecessors: the Beluga gas field on the west side of Cook Inlet, the Tyonek platform at the North Cook Inlet gas field and the Nikiski liquefied natural gas plant.



FORREST CRANE

Darren Jones was asked if the company has plans to develop the oil ARCO found off the Tyonek platform in the 1990s. "We still have that as a long-term opportunity," he said, although focus at the platform is now on natural gas. The oil found at the platform is "pretty deep ... so it's going to take a good favorable price environment to make it an economic project."

company also ran smaller tubing in a fourth well to allow for better hydraulic following remedial work in that well, Jones said.

"This work will ensure Tyonek deliverability for the LNG plant."

ConocoPhillips provides 70 percent of the natural gas for the LNG plant from the North Cook Inlet field, the remainder comes from gas fields operated by Marathon Oil, a partner in the plant.

Jones said the current contract for LNG runs out in March 2009, "however it is our desire to extend the contract if the gas reserves in the inlet are sufficient to meet both the local utility and the LNG requirements." Jones was asked if the company has plans to develop the oil ARCO found off the Tyonek platform in the 1990s.

"We still have that as a long-term opportunity," he said, although focus at the platform is now on natural gas. The oil found at the platform is "pretty deep ... so it's going to take a good favorable price environment to make it an economic project."

Additional compression, drilling possible at Beluga

At the Beluga River gas field, which supplies natural gas to Southcentral Alaska, demand varies from 90 million cubic feet a day in summer to 180 million cubic feet per day in winter, Jones said. Additional compression options are being evaluated at Beluga, "and possible well additions to maintain the deliverability as the field pressure declines."

Jones said there's been a lot of talk recently about declining Cook Inlet gas reserves. While "existing known reserves" in the Cook Inlet basin "will eventually be exhausted by ongoing demand" that doesn't mean Southcentral Alaska will run out of gas.

"ConocoPhillips believes that the Cook Inlet is entering a period of new exploration and discovery," Jones said.

"For the first time in 30 years, a producer that finds gas might actually be able to begin selling it soon after the field is hooked up." He said Cook Inlet is just beginning to come out of its first stage of discoveries, when "easily accessible" reserves are developed. Now, Jones said, higher prices for natural gas have "led to an increase in drilling, followed by new discoveries."

In the next five to 10 years, he said, exploration work "will tell us a lot about the potential of the basin." •



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Workover program winding up at Tyonek

The North Cook Inlet field provides ConocoPhillips' share of the natural gas for the LNG plant. Jones said a workover program at the platform was begun last year, and should be complete in February. It included sidetracking one well and completing two previously unused well bores. The

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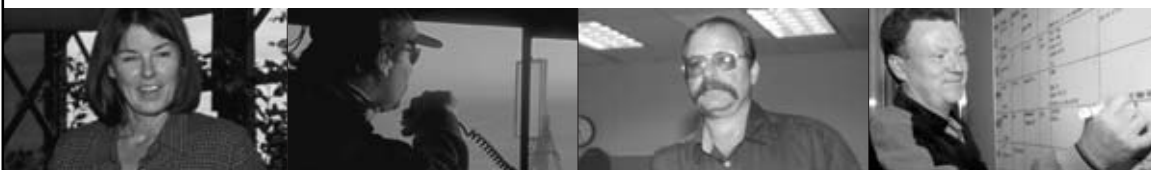
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MEXICO

Lewis Energy awarded natural gas block

San Antonio, Texas-based Lewis Energy Group will become the first U.S. company to produce natural gas for Mexican state oil monopoly Petroleos Mexicanos, just across the border from its home turf. Lewis said Jan. 16 that it had bid \$343.6 million for a 20-year contract to develop the Olmos block in the Burgos basin of north-eastern Mexico. Lewis plans to produce 40 million cubic feet a day of gas at Olmos, the fifth block awarded by Petroleos Mexicanos, or Pemex, under its multiple service contracts program.

"This represents an opportunity to share the technologies we have developed within the Lewis Energy Group with Pemex on the exploration and development of the Burgos Basin, which is strategic for development of Mexico's gas reserves," Lewis said in a statement. Lewis described the contract as a "significant growth opportunity," as the company continues to look abroad to expand its exploration and production portfolio. Pemex now has commitments to produce 440 million cubic feet a day, with investment of \$4.4 billion over the life of the multiple service contracts. Two large blocks, which sought combined investment of \$5.6 billion, received no bids and will be modified in the coming months. Pemex may tender the blocks again, or assign them directly. Pemex hopes that the current round of contracts will contribute 1 billion cubic feet a day to its gas production by 2006, doubling the output at Burgos. By then, Pemex aims to be producing close to 7 billion cubic feet a day of natural gas, up from 4.5 billion at present.

—THE ASSOCIATED PRESS

San Antonio, Texas-based Lewis Energy Group will become the first U.S. company to produce natural gas for Mexican state oil monopoly Petroleos Mexicanos, just across the border from its home turf.

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ANCHORAGE, ALASKA

Palin's resignation from AOGCC leaves only one commissioner

By KRISTEN NELSON

Petroleum News Editor-in-Chief

Sarah Palin resigned from the Alaska Oil and Gas Conservation Commission effective Jan. 20, leaving two seats on the three-member panel vacant. Randy Ruedrich resigned late last year from the petroleum engineer seat in a controversy over possible conflicts of interest between his role as a commissioner and his role as chair of the Republican Party in Alaska. That seat has not been filled.

Alaska Gov. Frank Murkowski said in a Jan. 16 statement that he had accepted Palin's resignation as commissioner, a position she has held since Feb. 19, 2003. Palin filled the public seat on the commission, and was its chair.

"It is with regret that I accept Sarah's

resignation," the governor said. "She has done a fine job and made a good contribution to the operations of the AOGCC."

Palin told Petroleum News "it is time for me to move on." She said "a contributing factor," although not the sole reason, "to my deliberations as to when it was time to move on was the controversy surrounding the former commissioner," referring to Ruedrich, who resigned in November.

Palin said she had no immediate plans, but said she has "a huge passion to serve Alaska and Alaskans," especially in a resource development capacity.

She said that Dan Seamont, the remaining commissioner, "has been doing double duty ... and will have to do that for some time."

Her resignation leaves the commission at something of an impasse: commission orders, even drilling permits, require the signatures of at least two commissioners, and two commissioners are required for the agency to conduct public business or hold hearings.

Joe Brenckle of the governor's press office told Petroleum News Jan. 22 that no decision has been made yet when to appoint new commissioners. ●



JUDY PATRICK

Sarah Palin's resignation leaves the commission at something of an impasse: commission orders, even drilling permits, require the signatures of at least two commissioners.

NORTH SLOPE, ALASKA

Gas pipeline improves Point Thomson economics

By KAY CASHMAN

Petroleum News Publisher & Managing Editor

When North Slope producers, BP, ConocoPhillips, ExxonMobil, and MidAmerican Energy Holdings Co. filed natural gas pipeline applications with the state of Alaska (see page A1 story) this month, they brought a North Slope gas pipeline a step closer to reality. They also increased the likelihood of Point Thomson unit development because a gas pipeline to take the slope's stranded gas to market vastly improves the economics of the eastern North Slope unit, which contains a world-class natural gas resource.



BILL VAN DYKE

Point Thomson's principal owners — operator ExxonMobil, BP, Chevron and ConocoPhillips — have been trying to find a way to make a gas cycling project work for the unit. Their intent was to produce liquid condensate until a gas pipeline was built that could deliver Point Thomson's 8 trillion cubic feet of gas to market.

But ExxonMobil told the state in December that a standalone gas cycling project was not economic. (See follow-up story on page A11.)

A gas pipeline from the North Slope would give Point Thomson owners the option of selling gas along with liquids, Bill Van Dyke, petroleum manager with the Alaska Division of Oil and Gas, told Petroleum News in a Jan. 21 interview.

"There are several scenarios open for Point Thomson with a gas line in place, not just one," Van Dyke said.

One scenario would be "no cycling at all, so they wouldn't have to re-inject the gas, avoiding the re-injection capital and operating expense. They could just produce gas, strip out the liquids, and move the liquids to TAPS and the gas to the gas line. That would dramatically change the economics for the better, but it would also ultimately negatively impact the liquids recovery from the field," he said.

Another scenario would be partial gas cycling: "If you were producing 2 bcf a day, for example, you could sell 1 bcf and cycle the other bcf back into the reservoir," Van Dyke said.

"A gas sale also opens up options to move some or most of the processing to Prudhoe Bay. Point Thomson could essentially be just a drill site. You could take the fluids through a flow line to Prudhoe where they already have separation equipment. You could have a sparse operation at Point Thomson. You can probably do everything cheaper at Prudhoe which is not as remote. You also might not need a road to Point Thomson," he said. (See related road story on page B1.) ●

• BRITISH COLUMBIA

Terasen toys with trust

B.C. firm looks for money-raising opportunities as race to build oil sands pipelines from Alberta intensifies

By GARY PARK

Petroleum News Calgary Correspondent

Terasen, Canada's second largest oil pipeline company, has given added momentum to its pursuit of oil sands pipeline opportunities.

The Vancouver-based company said Jan. 19 it is looking at several ways to raise the billions it might need to get production from northern Alberta to the British Columbia coast.

Topping the list is the possible conversion to an income trust of its natural gas distribution unit, which accounts for about 70 percent of Terasen's profits by supplying fuel to 95 percent of British Columbia consumers.

Terasen Treasurer David Bryson told reporters in Vancouver that the parent company would retain operating control of the unit if it decides a "partial conversion is one way of funding our plans."

Other money-raising possibilities include selling stakes in its existing pipelines — the 250,000 barrels per day Trans Mountain pipeline from Alberta to the British Columbia coast and Washington state refineries and its Corridor pipeline from the oil sands to Shell Canada's Scotford refinery near Edmonton.

But Bryson said the shopping list would exclude Terasen's one-third stake in the Express line from Alberta to Wyoming that Terasen plans to boost from 172,000 bpd to 280,000 bpd in 2005.

Trans Mountain is already on the table for a possible C\$2.1 billion twinning to handle oil sands production that could grow by three-fold over the next 20 years to 2.5 million bpd.

As well, Terasen is dusting off plans for a possible C\$1 billion Bison pipeline project to deliver 320,000 bpd from the oil sands to Edmonton.

Other funding possibilities

Bryson said the other possibilities for Terasen include selling a share of the natural gas unit to a pension fund, making a straightforward equity offering or establishing a buying consortium as it did with two large pension funds to buy the Express pipeline.

Selling the pipeline units would likely

Other money-raising possibilities include selling stakes in its existing pipelines — the 250,000 barrels per day Trans Mountain pipeline from Alberta to the British Columbia coast and Washington state refineries and its Corridor pipeline from the oil sands to Shell Canada's Scotford refinery near Edmonton.

fetch less than C\$500 million, whereas the gas unit is worth about half of Terasen's market capitalization of about C\$2.6 billion.

The trust route has already been taken by Calgary-based Enbridge, its oil sands pipeline rival.

Last spring, Enbridge achieved net cash proceeds of C\$350 million and a pre-tax gain of C\$210 million by establishing a fund from its 50 percent interest in the Canadian segment of the Alliance natural gas pipeline and its 100 percent ownership of a Saskatchewan pipeline.

From the initial public offering, Enbridge held back 35-45 percent of the trust which it will reduce to 15-20 percent as additional ordinary trust unit offerings are made.

Bryson said the major pipeline expansions are long-term undertakings, but decisions will likely be made in 2005.

How much capital Terasen might need will depend "on what the financing requirements are," he said.

Earlier this month, Terasen chose a site near Nanaimo on Vancouver Island for a planned C\$100 million liquefied natural gas storage facility.

It plans to start construction in 2005 and bring the facility on line in 2007, pending approvals from several British Columbia agencies.

The LNG facility is designed to provide cheaper gas to BC Hydro's 265-megawatt Duke Point power plant and feed up space on Terasen's natural gas lines from the mainland. ●

NORTH SLOPE, ALASKA

North Slope exploration plans set

Based on interviews with Alaska Division of Oil and Gas Director Mark Myers and oil company officials it appears six to eight oil exploration wells will be drilled on Alaska's North Slope this winter.

Here's the breakdown:

- ConocoPhillips 4 wells — Placer (west of Kuparuk unit and part of company's unit expansion commitment) and three wells in the northeast part of NPR-A close to previous drilling and discoveries

- Kerr-McGee/Armstrong Alaska: 1-3 wells, Northwest Milne prospect

- Total: 1 well, Caribou prospect, NPR-A

There was no indication as of Jan. 22 whether or not ConocoPhillips plans to drill a Titania well, which is part of a Colville River unit expansion well commitment. It has to be drilled by June 1 to keep acreage in the unit.

— KAY CASHMAN, Petroleum News publisher & managing editor



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ALASKA

Potential Alaska, federal oil gas lease sales

Agency	Sale and Area	Proposed Date
MMS	Sale 191 Cook Inlet	May 19, 2004
DNR	Cook Inlet Areawide	May 2004
DNR	Foothills Areawide	May 2004
BLM	NW NPR-A; some NE	June 2, 2004
DNR	North Slope Areawide	October 2004
DNR	Beaufort Sea Areawide	October 2004
MMS	Sale 195 Beaufort Sea	March 2005
DNR	Cook Inlet Areawide	May 2005
DNR	Foothills Areawide	May 2005
BLM	NE NPR-A	June 2005
DNR	North Slope Areawide	October 2005
DNR	Beaufort Sea Areawide	October 2005
DNR	Alaska Peninsula Areawide	October 2005
MMS	Sale 199 Cook Inlet	2006
MMS	Sale 202 Beaufort Sea	2007
MMS	Chukchi Sea/Hope Basin	interest based
MMS	Norton Basin	interest based

Agency key: BLM, U.S. Department of the Interior's Bureau of Land Management, manages leasing in the National Petroleum Reserve-Alaska; DNR, Alaska Department of Natural Resources, Division of Oil and Gas, manages state oil and gas lease sales onshore and in state waters; MHT, Alaska Mental Health Trust Land Office, manages sales on trust lands; MMS, U.S. Department of the Interior's Minerals Management Service, Alaska region outer continental shelf office, manages sales in federal waters offshore Alaska.

This week's lease sale chart
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CANADA

More warning signals for energy trusts

Canada's oil and gas trust bandwagon is growing less crowded as analysts warn that a five-year boom could be winding down.

A study by BMO Nesbitt Burns was the latest negative signal for 2004, with analysts Gordon Tait and Les Stelmach advising unit holders to brace for a downturn.

They predicted that "cash flows, and therefore distributions, will trend lower over the next few quarters.

"As a result, our target prices tend to be below current trading prices."

The BMO Nesbitt Burns report comes on the heels of a study by Standard & Poor's and other investment dealers who suggest that investments in oil and gas trusts are among the riskiest in the income trust sector.

Since a 25 percent drop in 1998 in returns to unit holders, energy trusts have made an unbroken bull run.

Last year, the S&P/Toronto Stock Exchange energy trust index rose 27 percent and, including distributions, posted a total return in 2003 of about 45 percent.

National Bank Financial said an average gain of 40 percent a year over the past five years is an "unsustainable pace."

The S&P study said distributions "will be pressured as oil and gas prices vary and reserves are depleted."

BMO Nesbitt Burns awarded "outperform" ratings for this year to: ARC Energy Trust, Canadian Oil Sands Trust, NAL Oil & Gas Trust, Peyto Energy Trust and Vermilion Energy Trust.

Canadian Oil Sands Trust, with a 35.49 percent ownership stake in the Syncrude Canada oil sands consortium, has a reserve life index of 35 years and an average 4.3 percent yield — far lower than the conventional trust companies, but more dependable.

With a 20 percent rise in its unit price in 2003, Canadian Oil Sands' total return surpassed 25 percent.

At the high end, Peyto, which converted to a trust in 2003, notched a total return last year of 152 percent.

With a reserve life index of 16 years, compared with about 10 years for its peers, Peyto has also taken the unusual step for a trust of pledging to continue drilling rather than depleting its reserves, or building production through acquisitions.

—GARY PARK, Petroleum News Calgary correspondent

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NEWFOUNDLAND

Hibernia partners offered extension on new reservoir

Partners in offshore Newfoundland's Hibernia consortium have been given an extension to evaluate a second reservoir that could add to the expected 25-year production life of the Grand Banks oil field.

The Canada-Newfoundland Offshore Petroleum Board wants the consortium to drill one or two wells in the Ben Nevis/Avalon reservoir in return for stretching the evaluation period to mid-2005 from Sept. 30 this year.

The heavily faulted Ben Nevis/Avalon is located west of the main Hibernia reservoir and could hold 453 million barrels of Hibernia's estimated 1 billion barrels, although proven reserves are only 69 million barrels.

So far only five of a predicted 16 wells have been drilled in Ben Nevis/Avalon.

To get the extension, the ExxonMobil-led consortium must submit a plan by mid-2004 outlining how it plans to delineate the northwest portion of the reservoir.

Hibernia currently has permission to produce 80.4 million barrels per year.

—GARY PARK, Petroleum News Calgary correspondent

NORTH AMERICA

Rig count jumps in Canada, United States to 1,690

The North American rotary rig count during the week ending Jan. 16 rose in both the United States and Canada to a combined 1,690 rigs, up 96 from the previous week and up 325 compared to the same period last year, according to rig monitor Baker Hughes.

The biggest increase came in Canada where exploration and production companies continued to ramp up for the winter drilling season. The count increased by 75 to 563 rigs versus the previous week, and also was up by 43 rigs compared to the same week last year.

The United States regained nearly all of the rigs lost during the previous week, increasing by a net 21 to 1,127 rigs. That also was an increase of 282 rigs compared to the same period last year. Land rigs alone increased by three to 1,003 and offshore rigs increased by three to 104, while inland water rigs decreased by two to 20.

Of all rigs operating in the United States, 980 were drilling for natural gas and 145 for oil, while two were being used for miscellaneous purposes, according to Baker Hughes. Of the total, 750 were drilling vertical wells, 288 directional wells and 89 horizontal wells.

Among the leading producing states in the United States, Texas registered the largest increase in rigs, increasing by 17 to 466 rigs. Wyoming picked three rigs for a total of 71. California's count increased by one to 26 rigs, and Louisiana's was up by one to 163 rigs. Alaska was unchanged at 10 rigs. Oklahoma's count slipped by three to 146 rigs, and New Mexico's was down by two to 70 rigs.

—PETROLEUM NEWS

• NORTH SLOPE, ALASKA

Working the iron

BP kicks up Point McIntyre production with de-bottlenecking work

By KRISTEN NELSON

Petroleum News Editor-in-Chief

BP Exploration (Alaska), which operates the Prudhoe Bay and Greater Point McIntyre oil fields on Alaska's central North Slope, is investing in facilities de-bottlenecking to produce more oil from Point McIntyre.

A \$25-\$35 million project, originally called "waterwheel" and now called "PM2 to GC1" (Point McIntyre drill site 2 to Gathering Center 1), will increase oil production from Point McIntyre, where half of the wells are shut in because of lack of pipeline space to the Lisburne Production Center and lack of gas and water handling capacity at the center.

While exploration and development drilling get the credit for stemming the decline in North Slope crude oil production levels, oil can only be produced if facilities are in place to process and transport it. Facilities de-bottlenecking can add barrels without new drilling, and at the slope's older fields, existing facilities — built to handle peak levels of production — can be put to new uses.

Ken Rupp is BP Exploration (Alaska)'s project sponsor for this facilities work, which will initially add some 5,000 barrels per day to Point McIntyre production. And, Rupp told Petroleum News, in the future the impact of this facilities work, a group of related projects, is expected to produce a production increase of up to 9,000 bpd.

In addition to de-bottlenecking to allow Point McIntyre wells, half of which have been shut in, to be produced, BP is also making changes to move water to places it is needed and to move miscible injectant, which is what will produce the second, longer term, increase in Point McIntyre production.

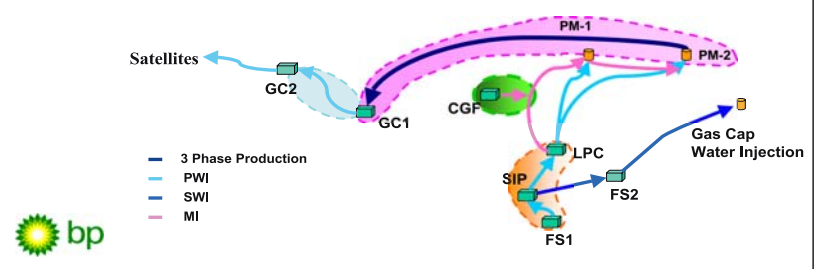
Alignment of Prudhoe Bay field ownership and consolidation of field operatorship at Prudhoe and the Point McIntyre area fields under BP following the sale of ARCO's Alaska assets to Phillips Petroleum in

2000 made this project possible, Rupp said Jan. 14, and planning started for this work that same year.

The project does not involve any new wells. And putting existing infrastructure to new uses brought the project in at a cost of \$25 million to \$35 million, compared to costs in the hundred-million dollar range if alignment had not taken place and fields with different owners and different operators had to build new facilities.

Greater Prudhoe Bay Production Optimization Projects:

1. GC1 to GC2 Produced Water (PW) Tieline
2. PM-2 Three Phase Production to GC1
3. Conversion of Pt. McIntyre (PM) field from Source Water (SW) to Produced Water (PW) injection
4. Pt. McIntyre Supplemental Miscible Injectant (MI)



Point McIntyre oil to Prudhoe

BP is rerouting both crude oil and water.

The oil that is being rerouted comes from Point McIntyre, formerly operated by ARCO — where Rupp worked for 20 years before moving to BP when that company took over as operator of all of the Prudhoe Bay field (formerly operated on the east side by ARCO and on the west side by BP) and Point McIntyre and Lisburne (formerly operated by ARCO).

Point McIntyre is an offshore accumulation north of Prudhoe Bay produced from two onshore drilling pads, one on the causeway at West Dock, the other to the west at Point McIntyre. Three-phase production from Point McIntyre — the mixture of oil, gas and water that comes from the reservoir — is sent southeast to the Lisburne Production Center in a 24-inch diameter pipeline.

That line is "packed full," Rupp said, and Point McIntyre production "is constrained by ... three-

see BP page A10



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continued from page A9

BP

phase production limits in the common line” to the Lisburne Production Center, where the oil, gas and water are separated.

In addition, the ability of the Lisburne Production Center to handle water and gas is limited.

As a result, about half of the wells at Point McIntyre are shut in, Rupp said.

Opportunity in old seawater line

But there is another pipeline available, a

36-inch line that was formerly used to carry seawater from the seawater treatment plant to Gathering Center 1 in the Prudhoe Bay field.

The seawater treatment plant was shut down in the mid-1990s, Rupp said, when there was enough produced water (water separated from the crude oil) to meet field needs, so



Ken Rupp, BP Exploration (Alaska)

JUDY PATRICK

much produced water in fact that some of it was disposed of into Cretaceous formations.

But the old seawater line is there, “so we’re going to use that line in three-phase service,” he said. It will carry three-phase production from Point McIntyre pad 2 to Gathering Center 1, which has excess water-handling capacity, which Lisburne lacks.

By making use of that available capacity, Rupp said, “we can boost production.

“We’re anticipating, at least initially, on the order of about 5,000 barrels a day” increase in production, he said.

The line is hooked up and ready to go, some additional pig runs are being done to clean the line out and it is expected to be operational in early February.

Enhanced oil recovery opportunities also exist

The project is also increasing the enhanced oil recovery opportunity at Point McIntyre.

“We’re attempting to optimize production around the field through this project by better utilizing our available infrastructure — and part of this is the MI production, miscible injection production, at the CGF (Central Gas Facility), where ... we are in fact now supplying additional miscible injectant to Point Mac.”

Enhanced oil recovery began at Point McIntyre several years ago, Rupp said, using miscible injectant produced at the Lisburne Production Center, “but it’s limited in the volume that it can supply, and CGF has got a greater supply of miscible injectant and again, it’s an optimization opportunity. The Point Mc field is a much more efficient use of that.”

Rupp said the enhanced oil recovery benefits won’t be seen immediately, but over time, as the miscible injectant moves additional crude oil to the production wells, the total increased production from both projects is expected to total as much as 9,000 bpd increased production.

The project, he said, makes the best use of available infrastructure and “the best use of the available miscible injectant.”

More water to Gathering Center 1

On the water side, the excess water-handling capacity at Gathering Center 1 is more than just an opportunity for Point McIntyre. The GC1 area of the field also needs water, which is used, as is miscible injectant, to increase oil production. The west side water flood plant was shut down, Rupp said, and there is now a need for water in the

Gathering Center 2 area on the west side, where the western Prudhoe Bay field satellites are being developed.

At one time there was excess water on the slope that was being disposed of in the Cretaceous formation.

“That’s gone away,” Rupp said. “We now have a demand for water.”

So processing Point McIntyre crude oil through Gathering Center 1 not only increases oil production from Point McIntyre, the produced water separated out at GC1 “supplies a secondary benefit, additional water to meet those demands in the GC2 area.”

Last year Gathering Center 1’s produced water was tied into Gather Center 2’s produced water “so we could ship excess water from GC1 area through GC2 area, which then is sent out to the satellites and other areas that need the water.

“So this is all part of a continuing process of optimizing and moving water where we need it,” Rupp said.

More demand on water at Point McIntyre

The increased production from Point McIntyre resulting from bringing Point McIntyre production to Gathering Center 1 will increase the demand for water at Point McIntyre, which currently gets its water from the seawater treatment plant, which also supplies the gas-cap water injection project.

There are constraints on the system because of the demand for seawater for gas-cap water injection and other projects.

Another of the projects under way, the Greater Point McIntyre Area produced water conversion project, will take produced water from Flow Station 1 “in enough quantity to meet the demand up at Point Mc,” Rupp said. Lisburne does generate produced water, but not in quantities sufficient to meet the Point McIntyre demand.

Point McIntyre will be converted to produced water for waterflood injection with excess produced water from Flow Station 1 on the west side of the Prudhoe Bay field, combined with the Lisburne produced water, so that seawater currently going to Point McIntyre can be used in the gas-cap flood injection.

“And by doing this we almost eliminate entirely any disposal of produced water into the Cretaceous (formation), so it’s really making efficient use of our water throughout the field,” Rupp said.

A lot of synergies

It will also help with water needed at the western satellites.

“Two years ago we were disposing of 80,000 barrels a day of (produced) water into the Cretaceous” at Gathering Center 2, he said, but with the western Prudhoe satellites in production, “that water picture has changed a bit to the point where we’re short of water and we need to supply additional water to support satellites and the other floods in the GC2 area.”

There are other opportunities for water use in the main Prudhoe field as well, he said, so the demand for water has “really gone up... and this project helps meet that demand.”

The project “is a real opportunity,” Rupp said, to make “best use of available infrastructure, the best use of the available miscible injectant we have, and (with) water — optimize it, minimize disposal...”

There are a lot of synergies, he said, not the least of which is in capital costs. If ownership alignment had not occurred, he said, and “Lisburne and Point Mc were separate, they’d be left to their own devices and be faced with 50 to 100 million dollar type investments to accomplish this same thing.” ●

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• NORTH SLOPE, ALASKA

Point Thomson owners opt to stay in game

ExxonMobil has until June 15, 2006, to begin development drilling at North Slope field or pay state \$20 million

By KRISTEN NELSON

Petroleum News Editor-in-Chief

It's hard to tell who blinked, but negotiations between ExxonMobil and the state of Alaska over extending an opt-out date for development drilling at the North Slope's Point Thomson unit ended when the Alaska Division of Oil and Gas denied a request from operator ExxonMobil for a third extension.

At that point the Point Thomson owners had a choice, Alaska Division of Oil and Gas Director Mark Myers said: Pay the state \$10 million and be relieved of further obligations under the unit expansion agreement, or proceed ahead and begin development drilling by the June 15, 2006 deadline — with \$20 million due if that deadline is not met.

The owners decided to stay in the game, sticking with the original agreement that calls for Point Thomson development to begin by June 15, 2006, Houston-based ExxonMobil spokesman Bob Davis told Petroleum News Jan. 16.

He said the owners, which include BP Exploration (Alaska), Chevron U.S.A. and ConocoPhillips Alaska, are continuing to have discussions with the state in an attempt to identify a project, but said the same concerns expressed in December about resources, cost and revenues still exist. (See story on page A1 about the impacts a gas pipeline from the North Slope could have on Point Thomson unit economics.)

Standalone project not economic

ExxonMobil told the state in mid-December that "a standalone project prior to gas sales is not economically viable under the current fiscal system," and asked for a change in the opt-out date. ExxonMobil is the unit operator at Point Thomson, an undeveloped high-pressure gas condensate field on the Beaufort Sea at the eastern edge of state lands on Alaska's North Slope.

The development plan the companies have been working on for the field is to produce the condensate, separate the liquid

component for shipment down a pipeline which would connect to the existing Badami pipeline, and then re-inject the natural gas. Because the Point Thomson reservoir is at much higher pressure than Prudhoe Bay, production and re-injection would be more costly.

And, work the Point Thomson owners completed recently led to a "significant reduction" in the estimate of liquid reserves at the field, ExxonMobil told the state in December.

Opt-out date at issue

The state approved a major field expansion at Point Thomson in 2001, contingent on development drilling beginning at the field by June 15, 2006. That date was not at issue in the latest state decision.

What was at issue was an option in the 2001 agreement allowing the unit owners to opt out of the expansion acreage by June 15, 2003, if they found the development uneconomic, by paying the state \$8 million to compensate for bids the state could have received on the expansion-area acreage had it been available for lease sales. The core acreage at Point Thomson is held by a long-term agreement with the state that says those leases can be held until transportation exists to move the resource to market.

The state has approved two extensions of the opt-out decision date for the expansion acreage in exchange for increasing the payment from \$8 million to \$10 million.

In December, ExxonMobil requested an extension of the opt-out date with an increase in the payment of \$4 million a year, prorated one-twelfth of the amount a month based on an actual opt-out decision. The \$4 million a year would be in addition to the \$10 million, prorated through June 15, 2006, when development drilling must begin — or the owners must pay the state \$20 million.


No proposals that would warrant extension

In early January, the Division of Oil and Gas denied the December request to extend the date.

Division Director Mark Myers said in a Jan. 8 letter to R.F. Buckley of ExxonMobil Development Co., the chairman of the Point Thomson unit owners committee, that the division appreciates the "expertise and resources that the owners

dedicated" to evaluating the gas cycling project at Point Thomson in coming to the conclusion that "the gas cycling project is currently uneconomic..." ExxonMobil representatives met with Division of Oil

see POINT THOMSON page A12




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Want to know more?

If you'd like to read more about the eastern North Slope's Point Thomson unit go to Petroleum News's Web site and search for these articles, published in the last two years. These are just a few of the stories in which Point Thomson is mentioned.

Web site: www.PetroleumNews.com

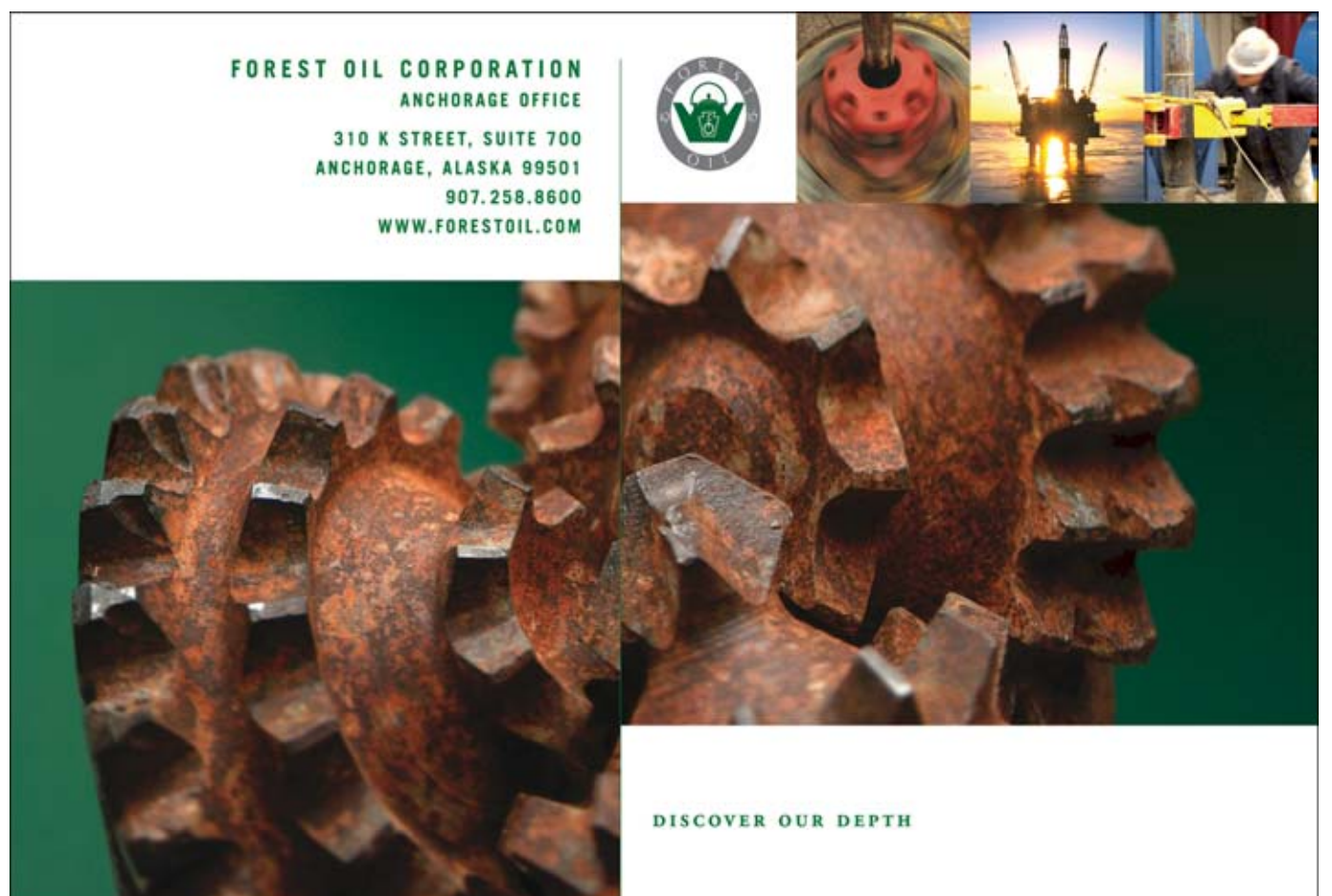
2004

- Jan. 4 ExxonMobil says Point Thomson not viable as standalone
- Jan. 4 A cloudy forecast

2003

- Dec. 14 Coming down
- Aug. 17 Alaska gas pipeline application in works
- Aug. 17 Point Thomson owners slow up project
- June 22 BP to mothball Badami
- June 22 AOGA: Kudos to Juneau
- Feb. 23 ANWR may be best bet to balance state budget
- Feb. 16 A step forward: Point Thomson now under wing of ExxonMobil Development

see KNOW page A12



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NOVA SCOTIA

Explorer 'very encouraged' by drilling

Canadian Superior Energy has provided one of the rare upbeat messages from offshore Nova Scotia in recent times, reporting "very encouraging" results from its exploration well.

The Mariner I-85 well, about 180 miles southeast of Halifax, reached about 13,120 feet on Jan. 16 and is scheduled to achieve its targeted depth of 18,370 feet about mid-February.

El Paso Oil & Gas Canada, an indirect subsidiary of El Paso Corp., is paying two-thirds of the US\$30 million costs in return for a 50 percent stake in the prospect.

The well is testing one of three large structures that have been identified in the Mariner block, which directly offsets the Venture gas field with reserves of 1.6 trillion cubic feet.

Calgary-based Canadian Superior is one of the largest holders of East Coast exploration acreage at 1.29 million acres. Through its wholly owned subsidiary, Canadian Frontier Energy, it received two exploration licenses last month for two parcels acquired for C\$12.86 million last June.

—GARY PARK, Petroleum News Calgary correspondent

DALLAS, TEXAS

Wiser plans drilling on Louisiana acreage

Wiser Oil Co. plans to drill at least three wells this year in western Louisiana, after entering a long-term exploration agreement with a private Dallas-based minerals company that Wiser didn't name.

The deal involves 141,000 acres in Calcasieu and Beauregard parishes, along the Texas border near Lake Charles. Wiser will operate the property with a 50 percent working interest. Other terms of the deal were kept private. It was announced by Dallas-based Wiser Jan. 21.

Wiser will begin drilling one prospect in the second quarter of this year. That will target the Yegua trend at about 13,500 feet. The company plans to drill at least two other wells on the acreage this year.

The land covers several active plays, including the Frio, Hackberry and Wilcox trends. George Hickox Jr., Wiser's chairman and CEO, says there is extensive 3-D seismic coverage of parts of the acreage, but it "has been sparsely tested for the targets we intend to pursue."

—PETROLEUM NEWS

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KNOW

2002

- Dec. 22 Five bucks a barrel
- Dec. 8 Point Thomson on schedule for start-up in early 2007
- Nov. 3 Bidders appear to be filling in around the edges at Oct. 24 lease sales
- Oct. 27 EPA sets scoping meetings
- Oct. 27 State takes in \$2.7 million at North Slope, Beaufort Sea lease sales
- Sept. 29 MOU streamlines Point Thomson permitting
- July 28 Point Thomson owners opt to pay penalty, drop acreage at Red Dog
- July 28 ExxonMobil applies for Point Thomson pipeline right of way
- July 21 Alaska's oil and gas industry asks state for permitting, fiscal certainty
- June 30 State issues decision on Point Thomson unit expansion and contraction
- June 23 Exxon puts out RFP
- May 19 Drilling will be challenge at Point Thomson, says Williams
- April 21 Murphy continues to appeal state's Point Thomson decision
- April 7 DNR commissioner okays royalty gas contracts with Anadarko, AEC
- Feb. 3 ChevronTexaco boosts Alaska spending 48 percent
- Jan. 6 State offers 70 percent of Prudhoe Bay, Point Thomson royalty gas

continued from page A11

POINT THOMSON

and Gas staff in early December to discuss how the state's fiscal system might be changed to make a gas cycling project economic.

However, Myers said in denying the deadline extension, the Point Thomson owners had "not made any specific proposals that would warrant a further extension of the contraction election deadline." ●

continued from page A1

THE SLOPE

ant working with companies interested in coming to Alaska: "The minimum economic size on the North Slope: why is it so large and what can we do to reduce it?"

Minimum economic size is a question addressed by oil companies of all sizes: It's not, can I find oil in this basin, it's if I find oil can I make money producing it?

Over the last five or 10 years, Dunn said, most companies have adopted a methodology that lets them look at a combination of factors — geologic risk, reserve size, development costs and cash flow models — and then determine the minimum size field needed to make money. The result, minimum economic size, can be compared with opportunities in basins worldwide.

Dunn said when he did the analysis for independents interested in the North Slope "sticker shock" was the typical reaction.

Sticker shock

Dunn said prospects 50 miles from North Slope infrastructure would have to be about 360 million barrels to break even, and when he explains that to companies looking at Alaska, the reaction is not positive. Companies who can find 100 million barrels in the Gulf of Mexico in 8,000 feet of water and make money aren't likely to be interested in a basin where they would have to find 360 million barrels just to break even.

Some companies do look harder, he said, and question whether you really have to spend a billion dollars for a facility and gravel and infield pipelines for 120,000 barrels a day. They start looking at what has been done in Canada or in Russia and thinking it can be done cheaper on the North Slope.

Rigs are another issue. Dunn said companies compare \$110,000 a day "as the spread day-rate on a drilling rig in a land-rig operation" on the North Slope with \$100,000 a day for a jack-up rig in the Gulf of Mexico with boat and helicopter support: another unfavorable comparison.

There is another wrinkle to this.

If you have to find 360 million barrels to break even, that's about a 1 in 20 chance of making a commercial discovery, Dunn said, based on how the U.S. Geological Survey estimates the numbers and sizes of fields in basins. There are just limited numbers of fields that large.

Why the cost?

There are legitimate reasons for high costs on the North Slope, he said. It's a long way from markets, it's a long way from major population centers and the climate is very harsh. But Dunn said he believes some of the reasons for high costs are based on the culture which grew up on the North Slope when oil was discovered — billions of barrels of oil in a single field.

Prudhoe Bay, he said was "the best thing and the worst thing to happen to the North Slope."

It established infrastructure, and only a field of that size could have justified the facilities at Prudhoe and the trans-Alaska pipeline.

But it also created a culture where people said 'money is no object, this is Prudhoe Bay.'

There are things you could afford to do at Prudhoe Bay, because of its size, that you can't afford to do at the types of fields being looked at for development now, Dunn said.

Can any of that be changed?

Is Alaska that different

Dunn said another part of the "cultural"

side of the cost equation is the notion that Alaska is different, i.e. just more expensive.

That was true 30 years ago. "Alaska was different," he said. The North Slope was the first Arctic basin developed and a lot of technology had to be developed specifically for Prudhoe Bay.

But today there are Arctic developments in both Canada and Russia, and Alaska is not as different as it once was.

Dunn said he's done a lot of benchmarking of Alaska costs to costs in Canada. "It is surprising how much less expensive those developments are" in Canada, he said. And part of the reason for the difference is that the Canadian Arctic industry started with small gas fields and "they've just had to figure out cheaper ways to develop these fields."

Opportunities to reduce costs?

What opportunities exist to reduce costs?

Dunn said an Energy Information Administration study comparing drilling costs in Alaska with those in the Lower 48 found it would cost about \$2.5-\$3 million to drill a 10,000 foot well on the North Slope, compared with about \$750,000 to drill a 10,000 foot well in south Texas. And, Dunn said, drilling on the North Slope is generally faster.

So, he asked, how much of the cost difference is due to the harsh climate and the distance from infrastructure? And how much is due to the way things are done. "I don't know exactly," Dunn said, "but I do think there's some opportunity to reduce the costs on the North Slope."

Typically independents follow majors into basins, he said, and independents "might take a more hands-on approach" to cost reduction and work the drilling costs a little harder.

"Independents have traditionally been better at cost reduction and cost control," Dunn said, it's one of their "core competencies" because they are developing smaller fields than those developed by the majors, and have to figure out ways to reduce costs — or they go out of business.

What if costs could be reduced?

Dunn said that if you plug cost reductions into the formulas used to calculate minimum economic size the changes can be dramatic.

The trans-Alaska oil pipeline tariff, for instance. If capital costs came out when that tariff has a re-opener in 2009, and the tariff dropped by \$1.25 a barrel that takes about 60 million barrels out of the 360 million minimum economic field size. Dunn used a one-sixth royalty rate, and if you drop that to one-eighth, that takes the minimum barrel size down to about 270 million barrels.

And what if there were some way to reduce the marine transportation cost, now driven up by the requirement to use Jones Act tankers? What if moving ANS crude to the West Coast was comparable to moving

see THE SLOPE page A14

CANADA

Well completions exceed 20,000 mark

An unmatched third quarter propelled Canada to 21,805 oil and gas wells in 2003, shattering the previous high of 18,184 in 2001.

Normally the slowest period of the year, the third quarter saw a record 7,028 wells drilled, with the pace continuing in the final three months which saw another 5,820 wells.

July topped the year with 2,714 wells rig released, including 1,508 shallow gas targets.

Of last year's total, development wells accounted for 16,281, completions and exploratory holes contributed 5,524.

Alberta operators logged 16,411 wells, a gain of 43 percent over 2002 and a new record; Saskatchewan topped its previous benchmark, finishing 4,163 new wells, up 19 percent from 2002 and beating the 1997 record of 3,848; and British Columbia climbed 63 percent from 629 wells in 2002 to 1,025 last year. Of the other regions, Northern Canada posted 28 wells completions compared with 10 in 2002. The bulk of activity was in the Fort Liard region of the lower Northwest Territories.

Manitoba finished 95 wells and Eastern Canada had 83 completions.

—GARY PARK, Petroleum News Calgary correspondent

Normally the slowest period of the year, the third quarter saw a record 7,028 wells drilled, with the pace continuing in the final three months which saw another 5,820 wells.



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RUSSIA

Russia not planning major tax hike

The Russian government doesn't plan on substantially increasing the overall tax burden on oil companies but may shift its focus to taxing profits made from high oil prices, Prime Minister Mikhail Kasyanov said Jan. 16.

"We need to look at how the tax system works, especially in regards to different price parameters," Kasyanov said, while addressing recently elected deputies to the State Duma, Russia's lower house of parliament, during their first session.

Russia President Vladimir Putin has called for higher taxes on Russian energy companies in a bid to help develop other sectors of the economy. Russia's young, aggressive oil giants have put the nation in a neck-and-neck race with Saudi Arabia to be the world's No. 1 crude exporter. Oil accounts for more than 50 percent of Russian export revenues, while the industry pumps in 40 percent of federal budget revenues.

But resentment is growing that the government is getting shortchanged by crafty oil giants that use tax loopholes such as offshore tax havens to reduce their tax burden, lining their shareholders' pockets instead of state coffers. The government has recently begun shutting down some of those loopholes. Putin has said that the additional revenue from higher oil taxes could be used to help boost other sectors of the Russian economy, which remains overly dependent on the export of natural resources.

Kasyanov told lawmakers in Moscow that the government may target profits made at an oil price of US\$25 a barrel, although he didn't specify whether he was referring to the Urals or Brent price. He also said the government may create a tax system that would give breaks to oil fields where extraction is difficult, a move to encourage new developments in the sector. Kasyanov noted, however, that Russian oil companies face taxes comparable to their peers in other countries. Analysts have said that the Russian government is trying to use increased taxes as a way to gain more control over the influential, privatized oil companies.

—THE ASSOCIATED PRESS

continued from page A13

THE SLOPE

oil from Venezuela to the Gulf of Mexico, a reduction of 50 cents a barrel?

The construction cost of facilities is a very large item.

Dunn said he looked at tax rolls and found that Alpine and Northstar were considerably more expensive than Badami when Badami costs were factored to handle more barrels, using a scaling factor used by chemical engineers. If facilities could be built on a Badami model, that would cut the cost substantially, and bring the minimum field size down to a little more than 150 million barrels.

And what if there was a better rig, or a better way to drill North Slope wells, and that cost could come down to \$80,000 a day, and then, given that independents are known for cutting costs, on top of all of this the independent finds a way to cut another 20 percent?

Stars in alignment

Dunn acknowledged that in his example — which cuts the minimum economic size down to about 100 million barrels — that "all the stars are lined up." This is, he said,

the best you could expect.

"You've gotten some tariff reduction, marine costs are a little lower, you've got a one-eighth royalty, you've captured all of the lessons learned at Badami, you've worked the drilling rig and the drilling support real hard — and then you've got another 20 percent cost reduction on top of that."

Is it just impossible?

Dunn cited an example from the Norwegian sector of the North Sea, where development also started with a large expensive field — Ekofisk — and where, in the early 1990s, the Norwegian government began hearing that it was too expensive to operate, and companies said they would look elsewhere to invest.

Government officials, operators, service companies and drilling contractors got together and looked at the costs, and they took 70 percent out of the capital cost between 1993 and 1998. Dunn said he didn't know how differences in such things as water depth and field size were handled in this comparison, "but the point is that they thought there was some potential for cost reduction and they worked it and sure enough, they delivered on it."

What if the minimum was 100 million barrels?

So what if 100 million barrels was the economic minimum, how does that change things?

Dunn said it changes the chance for success from 1 in 20 at the 360 million barrel size to 1 in 7 because there is a lot more potential for finding 100 million barrel fields than there is for finding 360 million barrel fields. And when more fields are developed, more infrastructure is built — making even smaller accumulations economic.

And what if there is no way to reduce costs?

Well, geologists love the North Slope basin — they know there is a lot of potential — but investors hate it, he said. "It's not about the resource, it's about reserves — and we need economic reserves. The minimum economic size has got to be reduced, or this basin will die," Dunn said. "This basin is not competitive with other basins."

And it is the costs that define minimum economic size: development cost, operating cost, transportation cost, royalty cost, tax cost, he said. If those costs can be reduced, if the minimum economic size were 100 million barrels, the value of the basin increases because there are more fields you can develop, and as infrastructure develops, smaller fields become economic.

"What's the value of that in terms of billions of billions of dollars to the state's economy, to the oil companies, if you can affect the minimum size?" Dunn asked. ●

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NPR-A

Norton signs decision for northwest NPR-A; lease sale for area and some northeast acreage possible June 2

U.S. Secretary of the Interior Gale Norton has signed the record of decision for the Bureau of Land Management's plan for managing the 8.8 million acres of public land in the northwest portion of the National Petroleum Reserve-Alaska.

The document the secretary signed Jan. 22 includes some changes to BLM's preferred alternative.

At the request of BLM's Alaska Resource Advisory Council, leasing will be deferred in the Colville River special area until the combined Southern NPR-A plan and Colville River management plans are complete.

At the request of the North Slope Borough, a setback stipulation of one-half mile was added for Naklavik Creek.

There were also minor changes for clarity or to correct omissions during planning, and a required operating procedure was added to address cultural and paleontological resources.

USGS estimates 5.9-13.2 billion barrels

The U.S. Geological Survey has estimated that the NPR-A contains between 5.9 billion and 13.2 billion barrels of technically recoverable oil, with a mean estimate of 9.3 billion barrels.

BLM plans to hold a lease sale for selected tracts in the northwest NPR-A June 2. Some northeast tracts along the border of the northeast and northwest areas will also be offered at the sale.

Kasegaluk Lagoon special area created

As part of the record of decision the secretary designated 102,000 acres as the Kasegaluk Lagoon special area. "This area is important for migratory birds and marine mammals and features marine tidal flats that are rare on the North Slope. I concur with BLM's recommendation for this area and see no reason to wait," Norton said in a statement.

BLM will include "no surface occupancy" restrictions that prohibit permanent structures and contain other protective stipulations on any leases issued in this special area.

The final northwest plan also defers leasing on about 1.5 million acres (17 percent of the planning area) near Wainwright for the next 10 years; provides no surface occupancy stipulations along coastal areas, in deepwater lakes, along key rivers (16 percent of the planning area) and in the Kasegaluk Lagoon special area; designates special study areas of more than half a million acres each for Pacific black brandt and caribou; calls for areawide studies on habitat for Spectacled and Steller's eiders (both listed as threatened under the Endangered Species Act) and yellow-billed loons; and implements stipulations to minimize loss of raptor foraging habitat within the existing Colville River special area.

—KRISTEN NELSON, Petroleum News editor-in-chief

● WASHINGTON, D.C.

Energy bill on the wait list

Senate vote not expected until late February; backers still short

By LARRY PERSILY

Petroleum News Government Affairs Editor

Energy bill proponents and opponents are starting the new year the same way they ended last year — counting votes and waiting. Supporters, however, have one less senator in their column with the loss of Sen. John Ensign, R-Nev., who announced he will join the effort to filibuster the bill.

The measure, which passed the House in November, is stuck in the Senate, which returned to work Jan. 20 after its holiday vacation. But first the Senate has to vote on the omnibus spending bill needed by federal agencies already four months into the fiscal year without a final budget.

The energy bill is not scheduled to come up for a vote until the end of February, said an aide to Senate Energy Committee Chairman Pete Domenici, R-N.M.

Until then, lawmakers and lobbyists on both sides of the bill are working to count to 60 — the number of senators needed to shut off debate on the measure and move the bill toward final passage. Backers had 58 votes when the Senate tried in November to pass the measure, which includes substantial tax incentives

and expedited permit review provisions for an Alaska natural gas pipeline project.

Senator blames high cost and nuclear waste issue

Ensign, who was among the 58 willing to close down debate, announced Jan. 16 the bill's \$23-plus billion price tag of tax credits and other financial hits on the federal treasury is among the reasons for his decision to switch sides.

The senator also is critical of tax breaks for the nuclear power industry, "especially since they're targeting our state for disposal of nuclear waste," said his aide, Jack Finn. Nevada state officials are fighting to overturn a 2002 decision by President George Bush to store spent nuclear power plant fuel at a site near Las Vegas.

"The Ensign decision, while disappointing, isn't going to cost us the energy bill," Domenici spokeswoman Marnie Funk told the Wall Street Journal.

In addition to counting votes, the bill's supporters need to worry about the calendar, too, said Chuck

see ENERGY BILL page A16

● JUNEAU, ALASKA

LNG bills get first hearing

Alaska lawmakers start work on gas authority project funding, Heinze looking to sell bonds to raise initial \$200 million additional funding

By LARRY PERSILY

Petroleum News Government Affairs Editor

Senate Resources Committee members took no action Jan. 21 on a bill to appropriate \$2.15 million for the Alaska Natural Gas Development Authority or a separate measure allowing the authority to consider building its pipeline and liquefied natural gas export terminal on Cook Inlet instead of at Valdez.

It was the first hearing this session on legislation dealing with the state gas authority, which was created by a citizens initiative on the November 2002 ballot and which faces a June 2004 deadline to submit a plan to lawmakers



"We are not going to build this project with state money."
—state gas authority CEO Harold Heinze.

for a state-owned LNG project to move North Slope gas to market on the U.S. West Coast or the Far East.

Senate Bill 241, sponsored by Senate President Gene Therriault, R-North Pole, would appropriate an additional \$2.15 million to the gas authority for the balance of this fiscal year ending June 30. The authority has spent the \$150,000 lawmakers appropriated last session, and also the \$200,000 additional funding approved this past fall.

The authority explained to the committee it needs the \$2.15 million for engineering and design, cost and schedule work,

see LNG BILLS page A16

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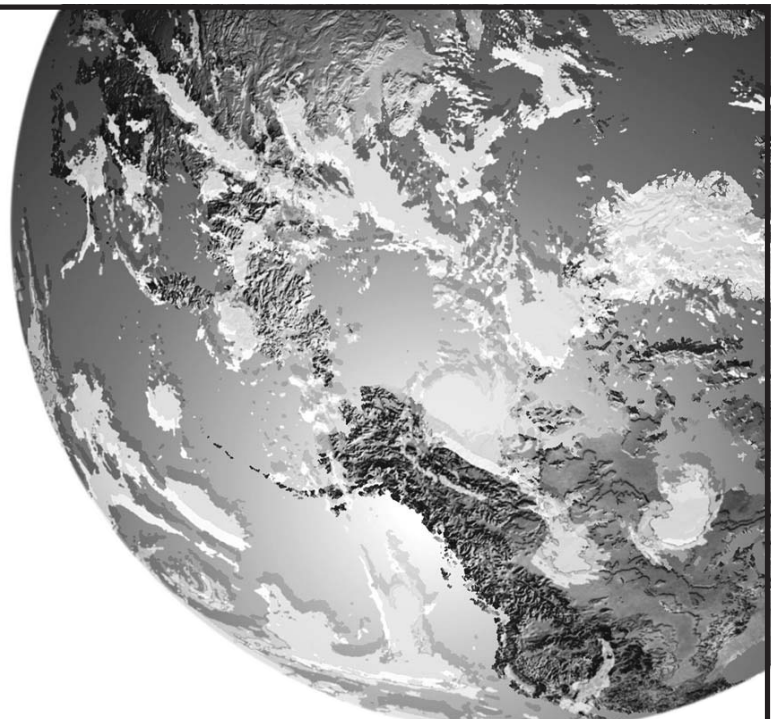
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ENERGY BILL

Kleeschulte, spokesman for Sen. Lisa Murkowski, R-Alaska. Sooner is better than later, Kleeschulte said, explaining that the bill's chances for passage diminish as it gets closer to the partisan politics of the presidential campaign season.

The simplest solution, he said, would be an early vote on the bill, without any changes. "It's a question of finding the votes," with supporters needing to find at least three more senators willing to vote to stop debate.

After reaching the 60-vote majority to block a filibuster, the bill would require just a simple 51-vote majority for final passage.

Liability waiver the biggest problem

Though Alaskans look to the bill for its gas pipeline incentives and funding for other energy projects, the big issue holding up passage is the provision releasing manufacturers of the gasoline additive methyl tertiary butyl ether, known as MTBE, from any pollution liability. House leadership is demanding the liability waiver remain in the bill, but several senators have said they would be willing to change their votes and support the bill if the waiver is dropped.

"The impasse on MTBE has not been resolved," said John Katz, director of the state of Alaska's office in Washington, D.C. "That is the largest single stumbling block to getting an energy bill."

And while some spectators have started talking about splitting the bill into pieces to pass the agreeable items and setting aside the controversial provisions,

Katz doesn't see that happening. "The leadership doesn't seem ready to release any of the hostages, yet."

Domenici is of the same thought. "The one option I absolutely will not consider is breaking this bill up," he said in a prepared statement Jan. 20.

Definitive statements are not the exclusive province of senators in this debate. House Energy and Commerce Chairman W.J. "Billy" Tauzin, R-La., and House Resources Chairman Richard Pombo, R-Calif., addressed a letter earlier this month to the House speaker, blaming the Senate for the stalemate: "We would urge you to use your offices to educate obstructionist senators about the serious energy difficulties their constituents face, now and into the future."

Louisiana is home to many of the MTBE producers, and Tauzin pushed hard to win the liability waiver in the bill.

Cold winter, high gas prices could help

This winter's extreme cold in the Northeast and rising energy prices might help in the search for winning votes in the Senate. "We keep hoping and expecting that high gas prices will have some impact on the process," Katz said.

It's unlikely the process will result in another shot for Alaska to convince lawmakers to reopen the bill and add a provision allowing oil and gas exploration in the coastal plain of the Arctic National Wildlife Refuge, Katz said. "It just doesn't seem to be a dynamic at the moment in the energy bill debate."

The state has been pushing for years to open ANWR to drilling, and could turn its efforts to including the ANWR provision in the federal budget reconciliation bill expected for a vote this spring. ●

NPR-A

BLM asks for tract interest in NPR-A northwest for lease sale proposed for June

The Bureau of Land Management said Jan. 22 that it is offering industry a second opportunity to submit nominations or refine past nominations for tracts in the northwest planning area of the National Petroleum Reserve-Alaska. The agency said the information would help it determine which tracts to offer in the next oil and gas lease sale, anticipated for June 2004.

Nominations should identify specific townships and be ranked by priority, the agency said, and must be received by Feb. 9.

Address to: State Director, BLM, 222 W. 7th Avenue No. 13, Anchorage AK 99513-7599, marked "NW NPR-A tract nomination."

continued from page A15

LNG BILLS

financing and project economic consultants.

"I was very upfront with board members that they would have to justify the funding," Therriault told the committee, which took testimony on the bill and held it for further deliberations.

Administration reviews funding request

The administration is reviewing the authority's funding request and is a couple of weeks away from having a recommendation, said Steve Porter, deputy commissioner at the Department of Revenue and liaison to the gas authority.

After completing its project development plan this summer, the authority's board of directors and the Legislature, governor and public will need to decide if the \$12 billion project is feasible, said Harold Heinze, chief executive officer of the gas authority. The next phase would be 18 months and \$200 million in work for engineering, ordering pipe and equipment, permits and regulatory reviews, and negotiating gas purchase and sales contracts, Heinze said.

A final decision whether to build the project would come in January 2006, he told the committee, distributing a chart that shows the first LNG shipments by December 2008, assuming the authority can convince North Slope producers to sell or ship gas for the project and the authority can arrange financing for construction.

Authority would sell bonds

Rather than seek state money to cover the \$200 million, Heinze said, the authority would sell "financial instruments" to investors who are used to putting money into risky ventures.

The initiative that created the gas authority gives it legal standing to sell bonds backed by revenue from the project, but makes clear the project stands on its own and the state general fund is not responsible for the debt.

Supporters of a state-owned LNG project say it could make enough money to cover its borrowing and return billions to the state general fund over the life of the gas reserves.

Resources Chairman Sen. Scott Ogan questioned Heinze about the economics of competing in the crowded Pacific Rim

LNG market, adding that he understands there is a lot of gas at or near tidewater that can be delivered to market cheaper than Alaska gas.

Senator questions competitiveness

"The overriding consensus of all the talking heads in the industry and analysts ... is that the world is awash with LNG," said Ogan, a Palmer Republican.

The financial test, Heinze said, will come when the gas authority goes to bankers and investors to raise money. "We are not going to build this project with state money," he said.

Sen. Fred Dyson, R-Eagle River, asked Heinze if the federal Jones Act, which requires U.S.-flagged vessels for domestic trade, could cause a problem or a heavy expense for the authority when overseas LNG competitors could use foreign vessels to deliver gas to the U.S. West Coast.

Perhaps the authority could order tankers with only their hull built in U.S. shipyards, to meet the requirement of the federal law for U.S.-bottom vessels, but then send the unfinished ships to foreign yards to have their "innards" installed at lower cost, Heinze said.

Terminal site at issue

Resources Committee members also heard and held Senate Bill 247, which would amend statute to allow the authority to consider running its pipeline to Cook Inlet instead of Valdez. Kenai freshman Sen. Tom Wagoner introduced the measure and said it would ensure that the authority considers all options for its LNG project.

"This amendment is not against the will of the voters" who approved the initiative for a Valdez project, Wagoner said in a sponsor statement. "Rather it is a protection of the voters' interests by expanding the project description to determine the most economical project."

He also presented the committee with a resolution from the Kenai Peninsula Borough assembly, approved just one day earlier, supporting the bill and calling on the authority to compare the economics of both routes.

Extra work for the authority would cost more money, Heinze told the committee.

Gas authority board member Scott Heyworth, sponsor of the citizens' initiative, said the legislation is unnecessary because the law already requires the authority to study a possible spur line to the Cook Inlet distribution grid from its main line to

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As always a strong presence is expected from the Russian Far East project operators and key government representatives. Speakers include Sakhalin Administration's Offshore Development Department, executives from Exxon Neftegas, Sakhalin Energy, BP Sakhalin, Fluor Daniels, Rosneft and other key officials. The conference represents a joint US Industry-Government effort of bringing together key regional decision makers with the purpose to inform US companies about current and upcoming procurement and tendering opportunities in the RFE.

William Lawton, Principal Commercial Officer of The U.S. Consulate General Vladivostok will be chairing the Russian Far East Energy Conference.

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The event is organized with support from the State of Alaska Department of Community and Economic Development, the US Department of Commerce, Commercial Service, Export Assistance Center, the Alaska Support Industry Alliance, the Alaska Miners Association, Resource Development Council, the Associated General Contractors, Alaska, World Trade Center Alaska, the Northern Forum, City of Anchorage.

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Companies involved in North America's oil and gas industry



Business Spotlight

By PAULA EASLEY



Dawn Kowal, NCPT (phlebotomist)

FORREST CRANE

ArrowHealth/EMSI

ArrowHealth is a woman-owned Alaska enterprise that provides drug and alcohol screening, clinical trials, DNA paternity testing, health risk assessments and insurance examinations. It is also the Alaska branch of Examination Management Services Inc., a national organization of some 6,000 health professionals. All employer services are FDA approved.

Dawn Kowal is a nationally certified phlebotomist (her nameplate reads "certified vampire") and supervising examiner for EMSI in Alaska. She also handles drug and alcohol collections and paternity testing throughout the state. On staff a year, Dawn appreciates the ongoing training programs and exciting work. She and husband Gary have two sons, 13 and 14, who keep them "hockey prisoners" in winter and out camping or fishing on summer weekends.



Bob Pettit, sales & service coordinator

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Well Safe

Well Safe's primary focus is providing clients with high-quality safety products, including gas detection equipment and breathing air systems. In addition, the Alaska office provides emergency medical technicians and paramedics for remote site coverage. Equipment servicing, customer training and consulting are also offered.

Bob Pettit joined Well Safe in August 2003 with 20 years of Air Force fire protection and crash rescue experience and 18 years in the private emergency response field. He's certified as an EMT, fire explosion investigator, and in respiratory equipment repair. Bob and his wife Robin have three children — Jeanette, Scott and Debbie. A treasured possession is a photo of Bob Hope perched on an elephant taken during a USO visit to Thailand.

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WAIT

Transmission Co.

Pacific Star, founded by former ARCO Alaska Inc. President Ken Thompson, is a consortium of Alaska Native regional corporations that came together to buy a stake in a natural gas project. CIRI, the regional corporation for Cook Inlet, is taking its own share in the MidAmerican venture. CIRI is the largest private landholder in Southcentral Alaska, with \$660 million in shareholder equity as of Dec. 31, 2002.

Application covers all three producers

The second application is from the three major North Slope producers: ConocoPhillips, BP (Exploration) Alaska and ExxonMobil.

The producers' application is for a project that would include a gas conditioning plant on the North Slope and an 1,800-mile pipeline capable of carrying 4.5 billion cubic feet per day of gas from the slope to the North American distribution grid in Alberta.

MidAmerican's proposed project — also at 4.5 bcf per day — does not include a gas conditioning plant, and the 745-mile pipeline would stop at the Alaska/Canada border.

Getting two applications to negotiate a gas line fiscal contract with the state is more than just good news, the governor said. "It gives us leverage we've never had before."

Though it doesn't mean any of the companies have decided to build the multibillion-dollar project or start ordering miles of steel pipe, it is the most visible step forward in years.

Industry and administration officials said it could take eight to nine years to plan, design, permit and build the gas line.

In addition to state fiscal contract negotiations, natural gas market price and demand projections, and construction cost cutting, Senate action on the federal energy bill also

could affect the eventual decision for an Alaska pipeline. The energy bill, which includes substantial tax incentives and expedited permitting provisions for the project, is stuck in the Senate, at least three votes short of passage. A vote is not expected before the end of February.

Alaska has been waiting for a gas pipeline ever since explorers found oil and gas on the North Slope 35 years ago. A strong effort failed in the mid- and late-'70s, and subsequent attempts at a project in the 1980s and 1990s always fell short of proving it could be done at a profit. The natural gas price spike of 2000-2001 and continued projections of gas shortages and high prices in North America have rekindled hope this might be the decade that Alaskans see steel pipe come ashore for the line.

"There are all kinds of potentials" from the two applications, said Murkowski's chief of staff Jim Clark.

MidAmerican Energy Holdings, based in Des Moines, Iowa, has \$19 billion in assets and owns the Kern River Gas Transmission Co., which it bought from Williams Cos. in 2002. The line runs almost 1,700 miles from the gas fields of Wyoming to Bakersfield, Calif., carrying 1.7 bcf per day.

"This is a well capitalized organization," Murkowski said of MidAmerican. "They are certainly a legitimate and experienced performer in pipeline and gas transportation."

MidAmerican has 38,000 miles of pipe

In total, MidAmerican has 38,000 miles of gas pipeline, serves 5 million gas and electric customers in the United States and England, and has 11,000 employees.

In addition to picking up the Kern River line from Williams in 2002 for almost \$1 billion, MidAmerican bought the Northern Natural Gas pipeline from Dynegy Inc. the same year for just under \$2 billion. Northern Natural Gas is a 16,600 mile interstate pipeline transporting 4.3 bcf per day from the Permian Basin in Texas to the upper

Midwest.

MidAmerican, CIRI and Pacific Star officials were scheduled to present their stranded gas application to the state Jan. 22 in Fairbanks. The state received the producers' application Jan. 13 and, after approving it for completeness, was scheduled to formally accept it at a press conference in Anchorage on Jan. 23. The producers amended their application Jan. 20 to add Exxon, which had been holding out from joining the effort.

TransCanada in on the talks

Although not named in the pipeline company application, Calgary-based TransCanada has been talking with the MidAmerican venture and the state about joining the project to move the gas through Canada. The company and its wholly owned subsidiary Foothills Pipe Lines Ltd. operate more than 24,000 miles of natural gas pipeline across Canada. It also holds partial interest in half a dozen other companies that own 4,500 miles of gas pipe in the United States.

TransCanada assumed 100 percent ownership of Foothills last summer. As the owner of Foothills, TransCanada holds the 1978 Canadian regulatory certificate that granted Foothills exclusive rights for the Canadian portion of the Alaska Natural Gas Transportation System, the U.S. and Canadian governments' name for the Alaska Highway gas line route from Alaska to the North America distribution grid in Alberta and Lower 48 markets.

Any effort to build a gas pipeline from Alaska through Canada will have to deal with the U.S.-Canada treaty that set out the rules to build and operate the line. And while TransCanada believes its rights are still valid more than 25 years later, other observers question whether the deal is enforceable and even whether the latest proposal for a much larger gas line falls under the jurisdiction of the treaty.

And while MidAmerican's application

stops at the Canadian border, the producers' application has a bit of its own geography issue, too.

Pipeline route unsettled

Although the application refers to two possible pipeline routes, ConocoPhillips said in a letter to the state that it is applying for only the route along the Alaska Highway into Canada, Murkowski said. BP, according to the governor, indicated the application could apply to either the highway route or the so-called over-the-top route, while also acknowledging that state law bans permitting of that route.

The Legislature in 2002 prohibited permitting of any route from Prudhoe Bay, "over the top" to connect with proposed natural gas development and a pipeline at Canada's Mackenzie River delta.

Exxon has always said it wants to keep its options open for any economical North Slope gas line project, and there is nothing with the application to indicate the company has changed its position, Murkowski said. Nor has the state changed its opposition to the over-the-top route.

The state negotiating team, led by the Department of Revenue with the departments of Law and Natural Resources also on the team, will start separate negotiations with the two applicants, the governor said. It could result in two contracts coming to the Legislature for approval.

"There are a lot of possibilities at this point," the chief of staff said.

"It suggests a competitive component we didn't have before," Murkowski said.

Talks under way for months

The governor said state officials have been talking with the producers for several months, reviewing what would be needed in a project application. Talks with MidAmerican also have been under way since late last year.

The Stranded Gas Act, adopted in 1998 and amended last year, allows the state and a project sponsor to negotiate a contract for payments in lieu of all state production, property and corporate income taxes, municipal sales taxes, and any other state or municipal levies. The intent is to provide a more certain fiscal structure for the project than the assortment of taxes subject to annual change.

Under the law, the contract, which is negotiated in private, is subject to at least a 30-day public comment period before going to the Legislature. Lawmakers cannot amend the contract; they can either approve it or reject it and recommend the administration make changes.

Municipalities will be involved

Because municipalities along the pipeline route would be affected by the negotiations to trade their property tax revenues for contractual payments, the act includes a provision for a municipal advisory group to assist the Department of Revenue in the negotiations. That group held its first meeting last fall.

The receipt of two private-industry applications for a gas pipeline to the Lower 48 could dampen legislators' enthusiasm to give more money to the Alaska Natural Gas Development Authority's effort to build a state-owned line to Valdez for shipping liquefied natural gas around the Pacific Rim. The authority, however, believes there is enough gas on the North Slope to supply both projects, and it is proceeding with its quest for \$2.15 million in additional state funds for its planning work this session.

The governor was hesitant to comment on the future of a state-owned project, now that he has applications for two private proposals to move gas to market.

"The economics have to make the determination of how Alaska gas finds its way into the markets," he said. ●

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continued from page A1

LITMUS

groups staked out their positions on the 800-mile pipeline in advance of an impending decision by the Canadian Environmental Assessment Agency on a hearing procedure.

They expressed concern that there is not yet a coherent plan to weigh the impact of a pipeline, which they claimed could be international in scope.

Sierra Club Executive Director Elizabeth May said the pipeline is Canada's biggest mega project since plans for a multi-billion dollar hydroelectric scheme at Great Whale in Quebec were aborted a decade ago.

She said Martin must assure Canadians that the Mackenzie review will be "state of the art" and at least up to the standards set for Great Whale.

Groups say project transforming Canada's Arctic

Karen Wristen, executive director of the Arctic resources committee, said the project is already "transforming the landscape of Canada's Arctic" as the

They insisted on identifying large self-regulating ecosystems and key wildlife habitat areas to qualify for legal protection before a pipeline is approved.

Department of Indian Affairs and Northern Development invites proposals to develop oil and natural gas resources in the Mackenzie Valley and Delta and the Beaufort Sea to "feed this pipeline for decades."

She said the Martin government needs to provide a clear outline of what the pipeline review process will examine "in terms of long-term, cumulative effects."

Wristen said it's clear the industry plans "extensive exploration throughout the region and we need to consider what that is going to add up to over the 50 or more years that this pipeline will be operational."

Nature Federation President Julie Gelfand said that although northerners must have every opportunity to participate in the environmental process "the environmental, social and economic impacts of the pipeline go far beyond the

north."

She insisted Martin must make the assessment of the Mackenzie project a national priority.

Wristen said six northern non-governmental organizations laid out their expectations in October 2001 when they called for processes that are "rigorous (and) examine the need for and alternatives to energy projects, including a 'no-go' option ..."

She said the Bathurst caribou herd, which is vital to aboriginal subsistence, is already under "enormous pressure" and would be endangered by gas drilling, feeder networks and processing facilities.

Specific concerns about pipeline effects

The three groups listed their specific concerns about the various adverse environmental effects of a pipeline:

- Greenhouse gas emissions from construction and operations;
- Loss of capacity of boreal forests and bogs to store carbon;
- Impact of climate change in the Mackenzie Valley, as reflected by permafrost melting and Arctic ice thinning,

on pipeline operations;

- Fragmentation of wildlife habitat, especially critical habitat for species at risk;

- Loss of habitat for 8,000 lesser snow geese and 80 other bird species in the Kendall Island Bird Sanctuary, where the Taglu and Niglintgak gas fields (two of the Delta's three anchor fields) are located;

- Damage to fish and fish habitat resulting from increased sediment loads from pipeline construction; and

- Risks of pipeline breaks in areas of permafrost/non-permafrost transition areas such as 500 river and stream crossings.

They insisted on identifying large self-regulating ecosystems and key wildlife habitat areas to qualify for legal protection before a pipeline is approved.

Hart Searle, a spokesman for Imperial Oil, the lead partner in the Mackenzie project, told Petroleum News that discussions are taking place with regulators to "make sure things are well in hand" for the environmental review.

He said the proponents are now waiting for the terms of reference for the assessment. ●

WYOMING

Environmental groups appeal seismic Red Desert permit

Four conservation groups have appealed a seismic exploration project in Wyoming's Red Desert.

Houston-based Veritas DGC Inc. wants to search for oil and natural gas in a 279-square-mile area north of Wamsutter using 31-ton "thumper" trucks to determine the underground structure.

The Bureau of Land Management concluded in December that the project would result in no significant impact to the Red Lake Dunes area.

But the Laramie, Wyo.-based Biodiversity Conservation Alliance contends the BLM never considered a lower-impact alternative for the project, such as buggy-mounted drills and helicopters.

—THE ASSOCIATED PRESS

DALLAS, TEXAS

Wiser well tests at 16,000 mcf per day

Small independent Wiser Oil said its previously announced Ship Shoal block 322 discovery on the Gulf of Mexico's continental shelf tested at rates up to 16 million cubic feet of natural gas per day. The well will be tied back to an existing platform using sub-sea technology with first production anticipated in early 2004, the company added.

Wiser also said Jan. 16 that production from its West Cameron block 488 discovery, announced last August, has commenced and is currently producing 9.7 million cubic feet of gas per day. Wiser owns a 25 percent interest in the block, which is operated by fellow independent Remington.

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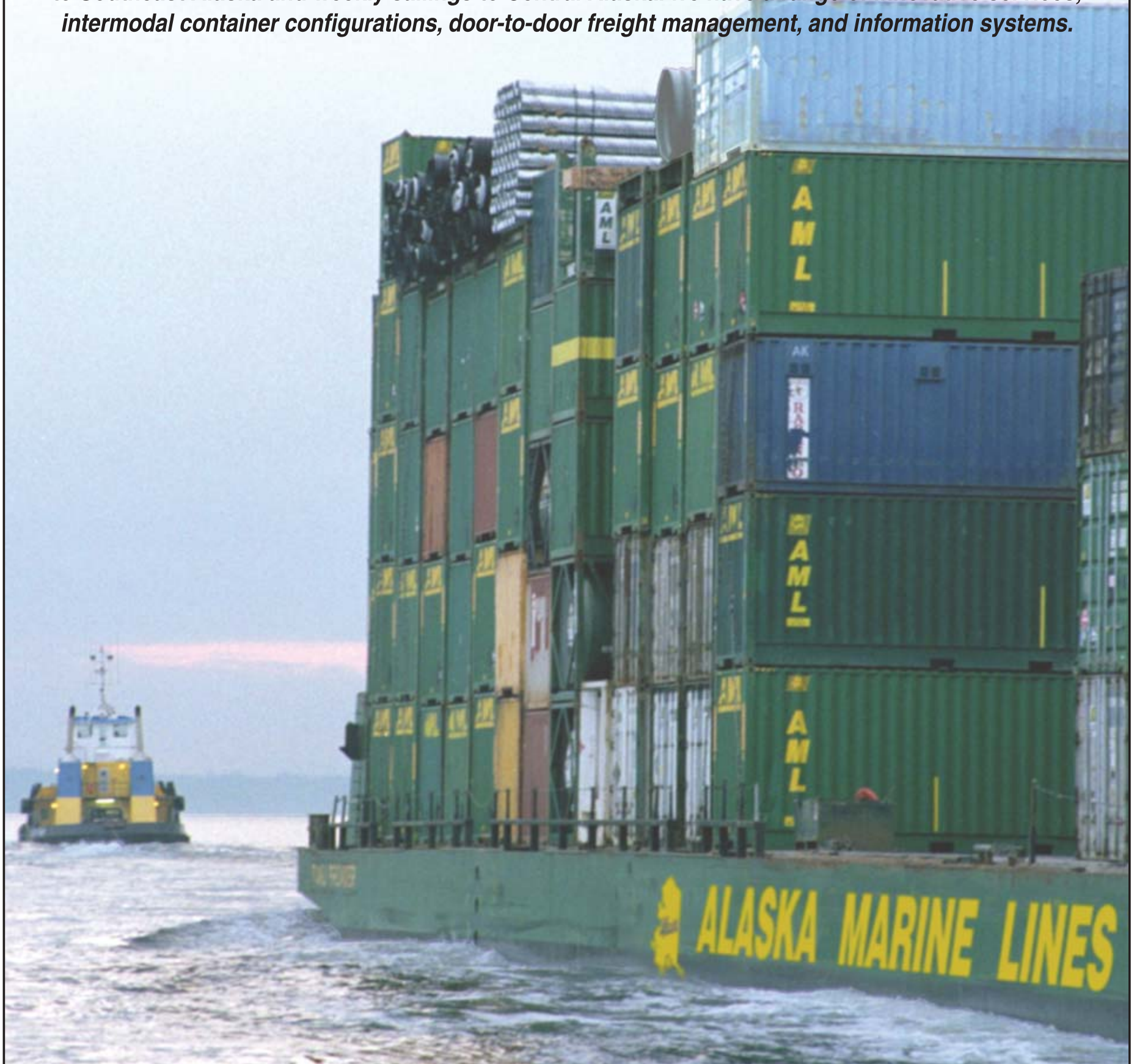
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COURTESY ANADARKO

Anadarko Petroleum said Jan. 20 that the Marco Polo platform, the deepest tension leg platform in the world, has been successfully installed in 4,300 feet of water 160 miles south of New Orleans in the deepwater Gulf of Mexico. The 196 foot hull traveled 13,000 miles from South Korea to Anadarko's Marco Polo discovery on Green Canyon Block 608, where it has been mated to its 6,725 ton topsides, which were constructed in Corpus Christi, Texas. Marco Polo is Anadarko's first deepwater development in the Gulf.

Anadarko spreads deepwater wings; six discoveries in 3 years

Anadarko Petroleum is on the fast tract in the deepwater Gulf of Mexico, racking up a half-dozen oil and gas discoveries in three years and preparing to launch the company's first-ever deepwater production at its first discovery, Marco Polo.

The big Houston independent said Jan. 20 that the \$220 million Marco Polo platform, the deepest tension leg platform in the world, was successfully installed — following delays — in 4,300 feet of water about 160 miles south of New Orleans. First production is now expected in July.

see MARCO POLO page B4

Government land grab shows no sign of slackening in Canada

Government land sales in Alberta and British Columbia entered 2004 the way they exited 2003 — at a sizzling pace.

The first auction of the year in Alberta fetched C\$57.1 million for 142,401 conventional hectares (351,873 acres) and 33,536 hectares (82,867 acres) of oil sands leases.

British Columbia pumped C\$20.6 million into government coffers when 41,202 hectares (101,810 acres) changed hands, almost C\$3 million ahead of the opening sale last year.

On a comparative basis, sales of conventional properties in Alberta averaged C\$383.87 per hectare, compared with British

see LAND GRAB page B2

NORTH SLOPE, ALASKA

Extending the Spine

State of Alaska scraps Foothills road for shorter route to NPR-A

BY LARRY PERSILY

Petroleum News Government Affairs Editor

State planners have decided the best way to connect National Petroleum Reserve-Alaska oil and gas leases with the North Slope road system is to extend the Spine Road that runs through the Prudhoe Bay and Kuparuk River fields straight west across the Colville River.

The decision is a change from earlier plans to build a much longer year-round gravel road from Pump Station No. 2 on the North Slope Haul Road, south of North Slope operations at Deadhorse, then running west through the Foothills before looping back north to the Colville River crossing and NPR-A.

That route, measuring 102 miles, was estimated at \$350 million to \$400 million, which included the cost of turning the river bridge, but it avoided the problem of turning the Spine Road into a route for through traffic. It also could have brought road access to the Foothills region, southwest of Prudhoe Bay.

The new plan, at just 18 miles for the straight route, is projected at no more than \$150 million, said Mike McKinnon, project manager for the

see ROAD page B11

State looking at road to Point Thomson project

While proceeding with design and permitting for a road west into the National Petroleum Reserve-Alaska, the Alaska Department of Transportation and Public Facilities also is looking at the possibility of a road east, past the Badami field and toward the Point Thomson unit.

The department recently issued a notice to proceed to consulting firm CH2M Hill, which has a \$250,000 contract to examine the potential value of an all-season gravel road to Bullen Point, about 50 miles east of the North Slope Haul Road (Dalton Highway).

The consultants' report, due in October, will ask and answer the same questions as CH2M Hill's 2003 study of road access west from Prudhoe Bay to NPR-A, said Mike McKinnon of the Department of Transportation planning office in Juneau.

The questions, McKinnon said, include: Is there a practical route for the road? Will there be a return to the state from increased oil and gas

see POINT THOMSON page B11

HOUSTON, TEXAS

Business looking up for drillers, service companies

Rowan and BJ Services first to report, both turn fourth quarter profits

PETROLEUM NEWS

Rowan Companies and BJ Services, the first major contract driller and oilfield services company out of the earnings chute, said enough to clearly indicate these sectors are in recovery and getting stronger with every quarter following a tough couple of years.

Rowan climbed out of the red in the 2003 fourth quarter, reporting a profit of \$4.4 million compared to a loss of \$2.8 million in the year-ago quarter. The company did miss analysts' expectations by 2 cents per share on revenues of \$195.8 million, but has now managed to string together two consecutive profitable quarters.

BJ turned in a quarterly profit of \$61.5 million or 38 cents per share on revenues of \$600.8 million, up 2 percent from the prior quarter and a whopping 81 percent versus the same period a year earlier. Moreover, the company is looking for earnings to rise 15 to 20 percent in 2004, largely on improving market conditions.

"We're getting solid feedback from our customers," Bill Stewart, BJ's chief executive officer, said in a Jan. 20 conference call with analysts.



COURTESY ROWAN COMPANIES

Rowan's optimism is partly fueled by declining natural gas production in the United States and increased estimates for deep gas reserves in the relatively shallow waters of the Gulf's continental shelf, a hot bed of exploration activity and a focus for Rowan's high-powered Gorilla rigs. Pictured above is Gorilla V.

Rig utilization and day rates up at end of year

Rowan, which posted a profit of 5 cents per share for last year's final quarter, did lose \$7.8 million for full-year 2003. However, company revenues, rig utilization and day rates in December were at or near highs for the year, Danny McNease, Rowan's chief executive officer, told

see ROWAN page B10

PIPELINES & DOWNSTREAM

continued from page B1

LAND GRAB

Columbia's C\$500.80.

Top bidders were Samson Canada, a unit of Oklahoma-based Samson Investment, which paid C\$3.04 million for 3,328 hectares or an average C\$912.47 per hectare, for a lease southeast of Grande Prairie in northwestern Alberta.

Windfall Resources paid an average C\$704.87 per hectare for 2,304 hectares of an adjacent lease in an area dominated

by natural gas development, including deeper exploration prospects.

Dynamic Oil & Gas and StarPoint Energy made a successful bid of C\$1.73 million for 283 hectares — at a breathtaking average of C\$6,104 per hectare — near Cypress in northeastern British Columbia and paid a similar amount for an adjoining 283-hectare parcel.

Windfall paid \$1.07 million or \$751.67 per hectare for 1,418 hectares about 6 miles southwest of the Cypress parcel.

Also on the land front, final statistics

for 2003 show Chevron Canada Resources dominated land buying in Canada by obtaining 1.06 million hectares in Newfoundland's Orphan basin, followed by its partners in the venture, ExxonMobil Canada and Imperial Oil, with 532,497 hectares and 31,248 hectares respectively.

Scott Land & Lease, acting for confidential clients, accumulated 823,618 hectares, followed by 12 other brokers.

The year saw 599 companies buy or commit exploration funds to gain access to land, compared with 573 in 2002.

Outside of brokers, Burlington Resources Canada, Husky Energy and Canadian Natural Resources all surpassed the C\$20 million mark in their acquisitions.

—GARY PARK, Petroleum News Calgary correspondent



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ASIA



Polar Endeavour

ConocoPhillips' Polar Endeavour to go in for dry dock maintenance

The Polar Endeavour, ConocoPhillips' first Endeavour class double-hulled tanker, will go to Asia this spring for its first regularly scheduled dry dock maintenance.

The company said Jan. 19 that the dry would occur in Asia, because no shipyard on the U.S. West Coast can accommodate a vessel the size of the Polar Endeavour, the first of ConocoPhillips' crude oil carriers built for the Alaska crude oil trade in compliance with the federal Oil Pollution Act of 1990.

ConocoPhillips said that during the routine dry docking of the vessel personnel from the American Bureau of Shipping will inspect the condition of the vessel's cargo and ballast tanks as well as its twin propellers and rudders. The vessel's hull will be painted "with the most current, environmentally friendly, tin-free coating system," the company said. The vessel is expected to be out of service for about 30 days.

The Polar Endeavour was commissioned for service in July 2001 and has completed 71 voyages. It is operated by Polar Tankers, a wholly owned subsidiary of ConocoPhillips.





ConocoPhillips said the trip to Asia is expected to occur during the second quarter. Depending on market economics, the Polar Endeavour may carry a load of Alaska North Slope crude oil to Asia and return to the United States with a load of crude oil.

ConocoPhillips has three Endeavour class tankers in service and two under construction. The newest double-hulled tanker, the Polar Discovery, joined the Polar Tankers fleet in November 2003. Two more Endeavour class vessels are scheduled to join the Polar fleet, one in 2004 and the fifth in 2005. The entire ConocoPhillips U.S. flag tanker fleet will be double-hulled by 2008.

—PETROLEUM NEWS

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HOUSTON, TEXAS

Plains All American Pipeline expanding Cushing terminal

Plains All American Pipeline L.P. is expanding its terminal at Cushing, Okla., by adding new tanks to hold an additional 1.1 million barrels of crude.

The Houston-based partnership will spend about \$10 million on the project, which will boost total storage capacity to 6.3 million barrels. Construction should be finished sometime in the third quarter.

The Cushing terminal can handle up to 800,000 barrels of crude throughput daily.

—PETROLEUM NEWS

NEW JERSEY

New Jersey's dual-fuel cars filling up with petrol, not propane, reports state audit

Most of the nearly 1,700 cars in the state of New Jersey's motor pool that can also run on natural gas are often being filled with gasoline, and more than half have never been filled with the cleaner-burning natural gas, according to a state audit.

The audit also said another 250 of the vehicles had seen less than 10 gallons of the compressed natural gas fuel over their lifetimes.

A New Jersey Treasury spokesman blamed a lack of stations where the vehicles could be filled with gas as a reason for reliance on gasoline.

Over the past seven years, New Jersey has spent \$9 million to buy the vehicles, which cost about \$5,000 more than regular gasoline-fueled cars. As of 2002, the state had purchased 1,692 of the vehicles.

Most of the cars were bought under a 1992 federal law requiring states to make 10 percent of their vehicle purchases advanced-technology, low-polluting cars by 1997, and 75 percent by model year 2001.

The review by the Office of the New Jersey State Auditor covered September 2000 to December 2002, overlapping the administrations of Gov. James E. McGreevey and former Gov. Christie Whitman, who signed an executive order in 1999 requiring the state to exceed the federal mandate's provisions.

Environmental benefit not received

"The state has incurred significant incremental costs without receiving a corresponding environmental benefit," according to the audit, which was released last summer with little fanfare.

An audit two years ago came to much of the same conclusion.

see **PROPANE** page B4

A New Jersey Treasury spokesman blamed a lack of stations where the vehicles could be filled with gas as a reason for reliance on gasoline.

• ANNISTON, ALA.

Fuel cell technology has combat uses, says Auburn

University scientists demonstrate fuel cell using hydrogen separated from diesel, working with Department of Defense to increase miles per gallon

BY MATTHEW KORADE

The Anniston Star

Imagine a fuel as cheap and available as gasoline that could get 90 miles to the gallon. If scientists at Auburn University have their way, cars of the near future may get just that — and the technology is already here.

Fuel cell technology is the future of the automotive industry, and soon could be part of the Department of Defense's next wave of combat systems.

The cells run on the same thing rockets use — hydrogen. Fuel cell technology takes a regular fuel and pulls off its hydrogen molecules, which are stored as gas. The electrons from the hydrogen then power a battery. The process is chemical, and there is no combustion. The primary byproduct is water.

The process is three times more efficient than regular fuel, and would do for automobiles what power plants do for cities. Instead of powering toaster ovens, the fuel cells would turn a car's wheels.

As a military application, the technology has the potential to save the Department of Defense a considerable amount of money, experts say. Fuel in the military always is at a premium. Defense officials have determined it costs about \$40 to move one gallon of diesel fuel from Kuwait to Baghdad.

More distance from diesel

But with a fuel cell, a truck with a given amount of diesel can run three times the usual distance, delivering more food, more men and more supplies where they are needed.

"That's a tremendous leverage factor," said Bruce Tatarchuk, a professor of chemical engineering and director of the Center for Microfibrous Materials Manufacturing at Auburn University in Auburn, Ala. He is deeply involved in fuel cell development.

Scientists have known about the advantages of hydrogen fuel since they began using it to power rockets. But super-cooled liquid hydrogen is difficult to store and move.

Thus, converting to widespread use would be expensive and take years, and would require creating an alternative to the world's trillion-dollar infrastructure.

But they realized there is already a lot of hydrogen in hydrocarbon fuel — diesel fuel, jet fuel, gasoline. All they would have to do is invent a process that removes the carbon and sulfur and they could take advantage of the oil industry infrastructure.

And that's exactly what scientists at Auburn University did.

In December, they held a demonstration. They took jet fuel, which is very similar to diesel, and catalytically converted it, separating out the sulfur, carbon dioxide and carbon monoxide, and the fuel cell ran.

The university had been working with Department of Defense officials to procure funding for their research. Those present, including military officials from around the state, were impressed.

"Auburn has what I believe is a doggone unique concept," said Gen. Gerald Watson, who serves in part as a military liaison for the university. Watson said Auburn is "dialoguing significantly" with the Army's Tank-automotive and Armaments Command, which supervises the Anniston Army Depot.

On a technological-readiness scale of one to 10, one being the theory stage and 10 being ready for mass market, the design of the hydrogen-based fuel-cell is at a four or five, Tatarchuk said.

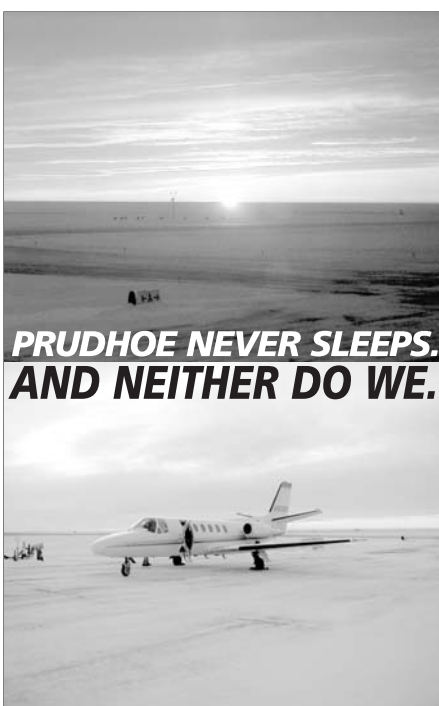
Diesel engines prime candidates for fuel cell upgrades

Almost all the depot's work is done on diesel engine systems, which are prime candidates for fuel cell upgrades.

Auburn's demonstration was only a working design, but the day of seeing hydrogen-powered tanks may not be far off. On a technological-readiness scale of one to 10, one being the theory stage and 10 being ready for mass market, the design of the hydrogen-based fuel-cell is at a four or five, Tatarchuk said.

For widespread military applications, however, a lot of work needs to be done, he said. That work entails re-engineering of the entire military inventory and upgrading the legacy fleet.

see **FUEL CELL** page B4



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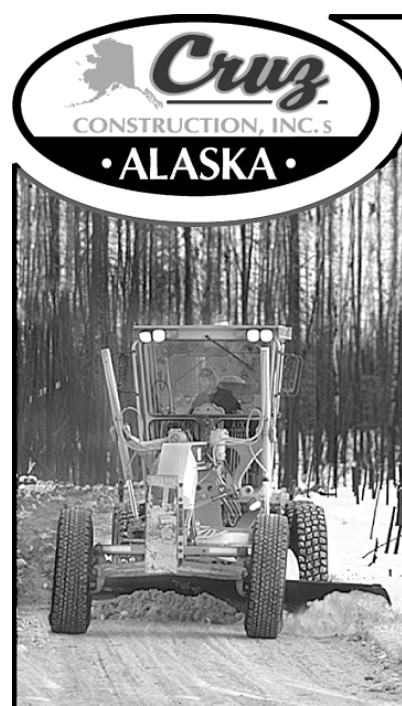
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HOUSTON, TEXAS

Mission buys New Mexico properties

Houston-based independent Mission Resources said Jan. 15 that it has agreed to buy an 80 percent operated working interest in the Jalmat Field in Lea County, N.M., for \$26.7 million in cash. The seller was not disclosed.

Net production from the properties, located in the Permian basin, is about 4.8 million cubic feet of gas equivalent. Mission said it expected to book roughly 25 billion cubic feet of equivalent reserves from the properties this year, adding that it would use proceeds from property divestitures and some cash to pay for the acquisition.

"This acquisition reflects our strategy of shifting our production mix towards gas, increasing our percentage of operated properties, and driving down unit operating costs," said Robert Cavnar, Mission's chief executive officer.

—PETROLEUM NEWS

continued from page B1

MARCO POLO

"We anticipated some weather delays in our schedule, but they persisted beyond our estimates and caused us some delay in start-up," said Mark Pease, vice president of U.S. onshore and offshore activities for Anadarko. "Everything that we could control during the project was on schedule and completed without a hitch."

Anadarko initially hoped to bring Marco Polo on stream during this year's first quarter.

Facilities built to process 120,000 barrels of oil per day

Facilities were built to process 120,000 barrels per day of oil and 300 million cubic feet of gas per day, although Anadarko declined to discuss projected production rates for Marco Polo until the company's Jan. 27 conference call on 2003 fourth-quarter earnings.

Anadarko's reluctance to talk about production levels ahead of the call could be due to a lack of firm reserve estimates and performance metrics for two other Anadarko discoveries in the immediate

area, K2 and K2 North. Both are expected to be tied back to the Marco Polo platform at Green Canyon block 608.

Upon sanctioning the project in late 2001, Anadarko said Marco Polo would have firm capacity of 50,000 barrels per day of oil and 150 million cubic feet per day of gas, with the remainder of the capacity to be available to Anadarko for additional production and to third parties with fields in the area.

Discoveries in area around facility

But subsequent discoveries by Anadarko and its partners in the area could have changed the equation with regard to third-party availability. The K2 North find announced last November encountered 128 feet of net oil pay in the same zone as K2 and "significantly" extended the boundaries of the K2 field northward, Anadarko said. The company said additional drilling would be required to determine its full potential.

Marco Polo's 196 foot hull traveled 13,000 miles from South Korea to the installation site, where it was mated to its 6,725 ton topsides. With the platform in place, Anadarko said only that it would proceed with installation of the platform

rig and tiebacks and completion of Marco Polo's six development wells. Oil and gas export pipelines also are to be connected to the platform, the company said.

GulfTerra Energy Partners and Cal Drive International actually own the platform structure, while Anadarko serves as operator.

In addition to the Marco Polo, K2 and K2 North discoveries, Anadarko has scored three gas finds in the eastern Gulf of Mexico — Jubilee, Atlas and Spiderman. All are candidates for a proposed hub development or central production facility that also could handle production from fields owned by other companies.

Anadarko holds interests in 536 blocks in the Gulf, 288 of them in deepwater.

—PETROLEUM NEWS

continued from page B3

FUEL CELL

"You can't do that overnight," he said.

There are about five kinds of fuel cells. Some are available right now.

For example, the Stryker infantry transports use a hybrid engine that runs on fuel cell power or combusted fuel. General Dynamics builds the vehicles at the depot. Auburn's hydrogen fuel cell technology has incredible potential, officials said. It could be used to generate electrical power the way coal and other fuels are doing that today.

Eventually, it could find its way into every automobile. It could also mean great things for Alabama, with its booming auto-manufacturing industry, and for Calhoun County, with its depot, Watson said.

"It shows the relationship, if you will, the partnership that industry and academia and the community has, what we're doing to come together, to pull a program together and to create in this community a very efficient military operation down there at the depot," he said.

How fast the technology will get here will depend on how much the national, state and local leadership focus on making research dollars available, he said. ●

continued from page B3

PROPANE

"The state has not resolved the significant conditions noted in our prior report," the current review noted.

McGreevey administration officials said that last year 10 percent of the vehicles had been powered by natural gas. And the audit did note the state has made more use of natural gas: As of November 2002, 56 percent of the vehicles had never been filled with natural gas, compared with 73 percent in 2000.

Treasury spokesman Tom Vincz said the vehicles have been mainly fueled with gasoline because there are only three state-run natural gas filling stations. Twenty-one other such stations in the state are run by utilities and other agencies required to use the cars.

The situation in New Jersey is also playing out in other states, according to Tom Ostrye of the Houston-based Hanover Co., a producer of natural gas stations.

"They buy the vehicles, then nobody wants to fool with them. There are some states that are better than others," Ostrye told The Star-Ledger of Newark.

—THE ASSOCIATED PRESS

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\$5,000,000 and above	2.35%	2.96%

Premier Fixed Credit Line[†]
Minimum Draw: \$250,000

Loan Size	1 Year Rate*	2 Year Rate*	3 Year Rate*
\$500,000 – \$999,999	3.09%	3.84%	4.40%
\$1,000,000 – \$4,999,999	2.84%	3.59%	4.15%
\$5,000,000 and above	2.59%	3.34%	3.90%

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CANADA

Canada ponders future of Petro-Canada, Hibernia

To sell or not to sell — the question is swirling around the new Canadian government's stakes in Petro-Canada and the Hibernia oilfield offshore Newfoundland.

Finance Minister Ralph Goodale said Jan. 16 that no decision has been made on either holding, but the government is ready to act "when we think the time is right to gain the maximum Canadian advantage."

He told reporters that the government has never regarded the future of the two assets as a "public policy issue ... this is a commercial issue, an economic issue."

Natural Resources Minister John Efford, a former cabinet minister in Newfoundland, said he plans to discuss the Hibernia file with Prime Minister Paul Martin.

The 8.5 percent interest gives the government 13,000 barrels of oil per day, or US\$118 million a year if oil averages US\$30 per barrel.

Among analysts, that means the asset is worth in the range of C\$500 million to C\$700 million and would be a less controversial decision than unloading the 19 percent stake in Petro-Canada, which was created in 1975 as a wholly state-owned company to protect Canada's energy supplies.

The 49.4 million shares would fetch about C\$3.2 billion at current stock prices, less the book value of about C\$600 million.

Goodale said the government is taking a "lot of very good advice from internally and externally" on Petro-Canada, "but no decision has been made and I wouldn't want anyone to speculate about that."

He also noted that if he were to speculate "that would influence the timing of our decision (and) I would be improperly interfering in the marketplace."

However, Goodale has earlier said the government could make a decision in the "short term" to sell.

—GARY PARK, Petroleum News Calgary correspondent

SOUTH KOREA

Korea to increase crude oil reserves, expects higher prices

The South Korean government said Jan. 18 that it will increase its oil reserves from 149 million barrels to 159.4 million barrels in expectation that the current rise in global oil prices will continue longer than expected. The new reserves number, 159.4 million barrels, is 110.3 days' worth of oil as compared to 102.8 days' worth of oil, which was kept in the reserve last year.

"Most institutions forecast oil prices will fall in the second quarter, but we will take necessary steps to tame prices at home if global prices continue to remain high," the Ministry of Commerce, Industry and Energy said in a press release.

Korea imports most of its oil from the Middle East. Increases in global oil prices results in immediate hikes in import and consumer

see **KOREA** page B6

● CANADA

Canada faces flat E&P year

Lehman survey says 2004 upstream spending at C\$13.6 billion will be close to 2003; at \$2.3 billion EnCana leads field of 58 companies in North America

BY GARY PARK

Petroleum News Calgary Correspondent

The feverish pace of drilling, well licensing and land buying in 2003 is expected to level off in Canada this year, according to a capital spending forecast by New York-based investment bank Lehman Brothers.

A survey of 58 E&P companies projects spending (all amounts in U.S. dollars unless otherwise indicated) of \$13.64 billion in 2004, compared with \$13.67 billion last year. Calculations covering a longer list of companies point to spending of about C\$27 billion (about US\$20.8 billion), up from C\$26.9 billion (US\$20.7 billion) in 2003.

In keeping with their drilling activities, the list of spenders will be led by EnCana at \$2.31 billion, a gain of 5 percent over last year; Canadian Natural Resources \$1.19 billion, also up 5 percent; and Husky Energy, \$1.28 billion unchanged.

For those with operations in the United States, EnCana is set to spend \$960 million in the United States, 32 percent ahead of 2003 and Nexen plans to

invest \$320 million in the Gulf of Mexico, 34 percent ahead of last year.

Of the five Canadian-based companies with major activities beyond North America, Talisman Energy has budgeted \$881 million, EnCana \$580 million, Canadian Natural \$530 million, Petro-Canada \$490 million and Nexen \$310 million.

Reflecting the pressure on companies to reach outside their domestic base, those same five spent C\$8 billion buying international assets in 2002.

Because many companies were still engaged in their budgeting process, some of the spending estimates were developed by Lehman Brothers.

During last year's robust commodity prices, 62 percent of Canadian companies raised their initial budgets, 21 percent made no changes and 17 percent under-spent, compared with 40 percent of U.S. independents, 27 percent of U.S. majors and 35 percent of other international companies who over-spent their budgets. Worldwide, 43 percent of companies spent more than they originally budgeted, 27 percent

see **SURVEY** page B6

● LONDON

IEA: crude oil stocks tight in developed countries

THE ASSOCIATED PRESS

Oil stocks in developed countries dropped below the five-year average in November, with heavy consumption in Japan and the United States leading a trend which pushed crude prices higher, the International Energy Agency said Jan. 16.

U.S. crude stocks continued to fall in early January, dropping 6 million barrels below the notional minimum operating level of 270 million barrels, the agency said in its monthly Oil Market Report.

"Colder weather in the U.S., surging natural gas prices, strong economic growth and robust Asian product demand supported (higher) prices," the report said.

OPEC production increased by 195,000 barrels per day in December to boost daily output to 27.9 million barrels, the highest level since

March 2001, the Paris-based IEA said.

Total OPEC crude supply averaged 27.6 million barrels per day in November, up 255,000 barrels per day from October — largely on the strength of an increase of 320,000 barrels a day in Iraq.

Exports from Basra in southern Iraq reached 1.55 million barrels per day.

"The estimate of OPEC's November output suggests a collective decision to ignore the new production target while prices are high," the IEA said.

"The 4 December decision to leave targets unchanged until a mid-February meeting suggests that the producer group intends to meet winter demand, while retaining sufficient flexibility to constrain supplies should prices fall. Higher-than-expected November output bolstered flat non-OPEC supply growth and helped

see **OPEC** page B6



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CALGARY, ALBERTA

North Slope part of Talisman's '04 budget

A Talisman Energy subsidiary will spud the first well on its North Slope farm-in acreage this year, with a budget of C\$15 million. The Calgary-based independent offered no further details in announcing a 3 percent hike in its overall capital spending this year to C\$2.35 billion. The Alaska acreage, acquired by Talisman's Fortuna Exploration subsidiary last June in a farm-in deal with operator Total E&P USA, covers 360 square miles in the National Petroleum Reserve-Alaska. Talisman CEO Jim Buckee said last year that the property contains at least four 300-500 million barrel prospects. Fortuna will participate in drilling the exploration well to earn a 30 percent interest, with the right to earn a similar stake in the remaining prospects.



JIM BUCKEE

Company-wide, Talisman expects Malaysia, Vietnam and Algeria to figure large in its plans to raise output by up to 12 percent this year or 445,000 barrels of oil equivalent per day. It has already more than offset the loss of 60,000 bpd of production after unloading its Sudanese operations last year.

Buckee said the company has "built a high-reward exploration portfolio, with sizeable, albeit higher-risk, prospects in all our operating areas, in particular Colombia, Qatar, Alaska and Trinidad." About 50 percent of the total exploration and development budget is earmarked for North America, 25 percent for the North Sea and 25 percent for a wide array of other international ventures.

Talisman also said it drilled a successful well near Corning, New York. The well tested at 18 million cubic feet per day and could have reached 30 million cubic feet if it had not been limited by the testing equipment.

—GARY PARK, Petroleum News Calgary correspondent

The 20 leading Canadian E&P spenders are (\$ millions):

	2004E	2003E	% Change
EnCana	\$2,310	\$2,195	5%
Husky Energy	\$1,275	\$1,275	0%
Canadian Natural Resources	\$1,185	\$1,129	5%
Petro-Canada	\$875	\$1,030	- 15%
Talisman Energy	\$788	\$790	0%
Imperial Oil	\$785	\$785	0%
Devon Energy	\$696	\$680	2%
Burlington Resources	\$690	\$626	10%
Penn West Petroleum	\$532	\$448	19%
Apache	\$450	\$450	0%
Anadarko Petroleum	\$400	\$450	- 11%
Shell Canada	\$400	\$350	14%
ConocoPhillips	\$375	\$410	- 9%
Chevron Canada	\$325	\$325	0%
Murphy Oil	\$265	\$260	2%
Nexen	\$248	\$235	6%
EOG Resources	\$185	\$180	3%
ExxonMobil	\$175	\$200	- 13%
Paramount Resources	\$150	\$125	20%
Suncor Energy	\$135	\$117	15%

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continued from page B5

SURVEY

made no change and 30 percent spent less than planned.

The survey said the most important factors in E&P spending this year, in order of priority, will be: Three-dimensional and four-dimensional seismic; fracturing technology (which has made the greatest gain); horizontal drilling; directional drilling; reservoir recovery optimization and intelligent well completions. ●

continued from page B5

OPEC

to moderate price gains, but some of the supply potential was constrained by Russian Black Sea shipping delays.

"Looking forward, there appears to be little growth in non-OPEC supply through to the end of the first quarter, while Iraqi export growth appears to be limited due to infrastructure constraints," the report said.

Crude oil futures dropped nearly 3 percent on the New York Mercantile Exchange Jan. 15, after trading as high as US\$35.41 overnight. Traders attributed the drop in part to profit-taking, and also to a U.S. report this week which showed that stocks of refined products remain above five-year averages despite the tight crude supply. ●

continued from page B5

KOREA

prices.

The ministry blamed recent high oil prices on speculation spurred by a weaker dollar, colder weather and delayed recovery in oil exports by Iraq.

It predicted oil prices will stay high in the first quarter — in the range of \$26-\$29 per barrel — before falling to \$22-\$25 in the second quarter.

In an attempt to diversify its oil import sources, Korea decided to reduce taxes on oil imported from areas other than the Middle East, the ministry said Jan. 16.

—PETROLEUM NEWS

CANADA

Canadian pipeline group wants red tape untangled

The Canadian Energy Pipeline Association is calling for a single federal agency to clear out the bureaucratic jungle that stands in the way of project approvals.

David MacInnis, president of the association, told newly appointed Natural Resources Minister John Efford that the "current morass of regulation is the single biggest impediment to this industry."

Both pipeline and offshore projects face a multitude of federal and provincial regulators that the industry insists must be cleaned up or Canada risks losing investment.

EnCana has warned that development of its Deep Panuke gas field offshore Nova Scotia could be scrapped unless regulatory authorities can simplify and speed up the process.

MacInnis urged Efford to establish a "priority projects office,"

to give first priority to pipeline schemes that connect incremental supply and/or connect supply/demand balances.

Preston Manning, a former leader of the official opposition in Canada's Parliament, said ... that if a fraction of the money being spent by the United States on securing cheap Middle East oil was devoted to Arctic gas and accelerated oil sands development the United States would "end up with a more secure petroleum source at lower cost than relying on petroleum from other parts of the world."

Pilot project suggested

The association also suggested there could be a pilot project involving the Department of Fisheries and Oceans, which poses one of the greatest challenges to the industry because it is so decentralized and its regulations are enforced differently from region to region. Efford committed himself to discuss that proposal with Fisheries and Oceans Minister Geoff Regan and other cabinet ministers.

The Energy Pipeline Association said the priority should be on new pipelines and upgrading existing infrastructure to get new supplies from Canada's North and Alberta's oil sands to market.

Despite Efford's indications that he is delving into a new national energy policy for Canada, MacInnis said it is not yet clear that the government has "decided energy policy plays a role in providing for economic growth."

Preston Manning, a former leader of the official opposition in Canada's Parliament, said Prime Minister Paul Martin should go beyond a national policy and seek a continental energy security pact with the United States.

see REGULATIONS page B8



David MacInnis, president, Canadian Energy Pipeline Association, said the "current morass of regulation is the single biggest impediment to this industry."

• JUNE AU, ALASKA

Alaska legislators want action on gas pipeline

Lawmakers want to do something this session to encourage decision

BY LARRY PERSILY

Petroleum News Government Affairs Editor

There's no question that Alaska legislators want to see something happen this session to get started on building a pipeline to carry North Slope natural gas to market — any market.

The questions are which project to support, whether the state should own a piece of the line, and whether the state should push the issue through risk-sharing with pipeline developers or by threatening action if North Slope producers take no action.

"The caucus is adamantly supporting movement on the gas line this year," said House Speaker Pete Kott, speaking for his 28-member Republican-led majority caucus.

Kott, in his 12th year representing Eagle River, said he wants to introduce legislation by the end of February to enable the state to provide some type of price-support mechanism to share in the risk if gas prices drop too low. He doesn't know if that would be credits against production taxes or lower tax

rates, but he believes some form of price-risk sharing is needed if the state is to convince companies to spend \$20 billion on a pipeline from Alaska to mid-America.

Congressional negotiators drafting a federal energy policy bill in November rejected efforts to include a price-risk provision in the measure, though the bill — currently

stuck in the Senate — includes accelerated depreciation and a federal loan guarantee for the project. Failure by Congress to help cover periods of low gas prices with federal tax credits started speculation that perhaps the state would step in with a similar mechanism.

The producers have never strayed from their interest in the project, but at least two of the North



House Speaker Pete Kott

see GAS LINE page B8

• UNITED STATES

Chase continues for LNG

El Paso, Exxon announce progress, while Australia looks to U.S. market

BY LARRY PERSILY

Petroleum News Government Affairs Editor

The list of proposed new liquefied natural gas receiving terminals for North America is at almost three dozen, with the latest news coming from El Paso Corp. and Exxon Mobil Corp.

Meanwhile, Australia's Industry Minister said his country is looking to export a profitable slice of its 100-plus trillion cubic feet of natural gas reserves to U.S. markets by the end of the decade.

"We can supply long term into the U.S. with reliability," Industry Minister Ian Macfarlane said Jan. 15, after meeting in Australia with U.S. Energy Secretary Spencer Abraham.

Development of Australia's large gas reserves has become an international effort. Among the familiar oil and gas names with interests in Australia's gas fields and proposed LNG export

projects are ChevronTexaco, ExxonMobil, ConocoPhillips, Royal Dutch/Shell and BP; Australia-based BHP Billiton and Woodside Petroleum; and Japanese-based Mitsubishi Corp. and Mitsui & Co.

Australia, Indonesia, Russia are competitors

Macfarlane said Australia's toughest competitors for the U.S. market are LNG supplies from Indonesia and Russia.

Just last month Indonesia announced a deal with San Diego-based Sempra Energy to supply about 500 million cubic feet per day of LNG to a receiving terminal proposed for Mexico's Baja Peninsula, 35 miles south of the U.S. border.

The terminal, a joint project of Sempra and Royal Dutch/Shell, is scheduled to start operations in 2007 at 1 bcf per day. Shell has not announced

see LNG page B9

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GAS LINE

Slope majors say the line is too risky a venture without some government involvement. They worry that construction delays and overruns or low market prices when the gas starts flowing in the next decade could cost billions of dollars.

State risk would have to be affordable

"I think people are ready to take that leap of faith forward," Kott said of possi-

ble state assistance during times of low prices, though he cautioned any financial risk to the state would have to be minimal — meaning affordable. And any state assistance would require assurances that the pipeline will be built, he said.

Although the state would be risking less revenue in years of low gas prices, it would clearly come out ahead with jobs, economic development and billions of dollars of tax and royalty revenues over the life of the project, Kott said.

A natural gas pipeline is the state's "best shot at real money" in the next eight or nine years, he said. Alaskans are frus-

trated at seeing state revenues shrink while gas worth billions of dollars sits underground, waiting for a pipeline to turn the resource into cash, Kott said.

The Department of Revenue estimates the state's production tax and royalty take from a gas line could be as much as \$600 million a year, assuming the gas sells for \$4 per thousand cubic feet and there is a pipeline tariff of \$2.40 per mcf.

Kott rejects ideas that instead of sharing the price risk or offering other tax incentives, the state should push for a new tax on the gas if producers fail to develop a pipeline project. "There are a few of my colleagues who believe that's how we get them to react," but Kott said he sees fewer than 10 votes in the 40-member House for such a bill.

Upside potential needed, too

Rep. Eric Croft said he, too, might be willing to accept some form of state sharing in the risk of low prices, but not if it's one-sided. "I will not simply absorb the low side," the four-term Anchorage Democrat said. "I am willing to take some of the downside risk if I get some of the upside potential."

But unlike the House speaker, Croft wants to consider legislation that would hold the possibility of a costly reserves tax over the producers. The tax, Croft said, would take effect only if the companies don't build a gas line project while also refusing "an otherwise qualified offer" to sell their gas to another pipeline developer.

Croft said he plans to introduce a reserves tax bill this session, similar to unsuccessful efforts he supported in 2000 and 2001.

Whether it's a reserves tax on gas not being produced, or using the state's other lease and regulatory tools to force a decision by the producers, Croft said it's simply a matter of lawmakers summoning the political will to make a move.

He dismissed as unworkable suggestions by some that the state should look into taking back North Slope oil and gas leases if the companies decide for another year not to commit to a gas line project. "That's a freakin' 10-year lawsuit," he said of any legal battle over trying to take back the leases.

Croft prefers non-producer-owned line

While Kott said he prefers to work

with producers on their proposal for a pipeline to mid-America, Croft also wants the pipeline but without BP, ConocoPhillips and ExxonMobil as the owners. "I am of the opinion that we don't want a producer-owned pipeline," he said.

A non-producer owned project would be better for the smaller companies that are looking for gas in Alaska and competing against the majors, Croft said, and would avoid what he believes have been problems with the majors owning the oil production and the only oil pipeline out of the state.

"I am willing to take some of the downside risk if I get some of the upside potential," said Anchorage Rep. Eric Croft.

Croft said his preference would be a gas line owned by "some combination" of pipeline companies and the state, with room for individual Alaskans to buy shares.

Voters established the Alaska Natural Gas Development Authority in November 2002 to determine if a wholly state-owned project is economically feasible to pipe North Slope gas to Valdez, where it would be liquefied and loaded on tankers for Pacific Rim buyers. The authority has spent all of its \$350,000 for this fiscal year and is asking legislators for an additional \$2.15 million this session.

Kott says highway line best opportunity

Kott said he expects the authority will get some but not all of its money. Working toward a producer-financed and owned project is preferable to the state getting into the business, he said. And, he said, he believes the marketing opportunities are stronger for a pipeline feeding the large mid-America market than trying to compete with an abundance of LNG supplies in highly competitive Pacific markets.

"I think for the most part getting gas to market following the highway route is going to be the most effective," he said.

see GAS LINE page B9



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REGULATIONS

He said that if a fraction of the money being spent by the United States on securing cheap Middle East oil was devoted to Arctic gas and accelerated oil sands development the United States would "end up with a more secure petroleum source at lower cost than relying on petroleum from other parts of the world."

—GARY PARK, Petroleum News Calgary correspondent

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• C A N A D A

Gold beckons again in Canada's North

Three new gold mines and work at older projects planned in Northwest Territories and Nunavut Territory

BY GARY PARK

Petroleum News Calgary Correspondent

Regardless of a bumpy ride lately for gold prices, there are growing hopes of a bullion revival in Canada's North.

An array of newcomers is getting positioned to revive exploration in the Northwest Territories and Nunavut Territory, with three new mines expected to open within four years and others coming back into focus.

All this comes just weeks after the last fully operational gold mine was closed at Yellowknife.

Miramar Mining, which shut down its Con Mine in November, may also be the first out of the blocks with a new operation — a C\$39 million mine on Nunavut's northern coast, east of Bathurst Inlet.

The 1.6 million ounce resource could be in production within two years, with C\$15 million budgeted for additional exploration in 2004.

As well, Miramar, enthused about predictions that gold will fetch about US\$450 an ounce by mid-year, plans to spend C\$25 million over the next two

Despite a sharp plunge in gold values in mid-January, triggered by a rebound in the U.S. dollar, industry reports remain bullish about the outlook for 2004.

years developing its Goose Lake and George Lake properties, which hold an estimated 1.3 million ounces of gold about 310 miles northeast of Yellowknife.

Feasibility study under way for Meadowbank

Vancouver-based Cumberland Resources, which raised C\$34 million last summer, is close to completing a final feasibility study for its Meadowbank project, 40 miles north of Baker Lake, Nunavut.

A C\$200 million plant could be operational by late 2006, offering 250 jobs.

Toronto-based Wolfden Resources aims to start production by late 2007 from its High Lake and Ulu properties on the west side of Bathurst Inlet. High Lake is largely a copper-zinc resource with some

see GOLD page B10

continued from page B7

GAS LINE

But if the producers don't want to build the highway line, perhaps the state could buy the gas and then re-sell it to a third party that would operate the pipeline, Kott said, without the state having to own and operate the project.

The speaker is hoping for a different attitude among some of his colleagues toward gas line incentives this year as opposed to 2002, when he tried to move a bill granting a state and municipal property tax break for the project of several hundred million dollars. Opponents blocked the measure from coming to the full House for a vote, led by Republican Rep. Jim Whitaker of Fairbanks, who objected that the tax incentive was too broad and lacked a sufficient payback provision.

Whitaker left the Legislature late last year for his new job as mayor of the Fairbanks North Star Borough.

Speaker believes colleagues willing to help

Noting the change in several House seats the past two years, Kott said the new members are more willing to provide incentives for the project.

The speaker said he expects the House Finance Committee will hold hearings in early February, "putting the industry's feet to the ground," and asking them what it will take to get the project off the drawing boards and into concrete and steel.

He also planned to meet this month with Dan Fauske, executive director of the Alaska Housing Finance Corp., to talk about what the state could do to possibly help with bonding for the project. "He's always been my go-to guy for putting together bonding packages."

Though AHFC's mission in state law is to provide housing loans and administer the state's low-income housing programs, lawmakers have in the past turned to the corporation to assist with non-housing bond issues. ●

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LNG

which of its Pacific basin projects will supply the 500 million cubic feet of LNG for its half of the terminal's capacity, though Russia's Sakhalin Island is seen as a likely candidate.

A Sempra official reported Jan. 19 the company expects to sign its 20-year contract for Indonesia LNG by the end of June. The gas will come from Indonesia's Tangguh project, the nation's third LNG producing and export plant. The largest owner at Tangguh is BP.

Qatar signs another LNG deal

North America markets are not the only target for new LNG developments.

Qatar Liquefied Gas Co. signed a deal Jan. 15 to supply 200 million cubic feet per day for 20 years to Spain's Gas Natural SDG. The new supply will start flowing in 2005. Gas Natural is Europe's largest buyer of Qatargas LNG.

Qatar's natural gas reserves are estimated at between 500 trillion and 900 trillion cubic feet, giving it more than enough supply to be an active player in worldwide LNG markets.

But in North America, the issue isn't so much LNG supply as which of the 30-plus proposed new receiving terminals will be built and which will never advance beyond the planning stage.

El Paso Corp. received good news Jan. 15 when the U.S. Maritime Administration gave its approval for the company's plan to build an LNG receiving terminal 116 miles off the Louisiana coast. The terminal will consist of a mooring buoy with a flexible steel pipe connected to undersea pipelines to carry the gas to shore.

The company said it expects to start construction later this year, with the start-up of operations set for December at 400 million to 500 million cubic feet of gas per day.

ExxonMobil announced Jan. 15 it plans to develop a \$600 million LNG receiving terminal on the Texas Gulf Coast to handle up to 1 bcf per day starting in 2008 or 2009. The company said it started the permit process late last year with the Federal Energy Regulatory Commission for the Vista del Sol project, near Corpus Christi, Texas.

The company also is working toward

getting its FERC permit for an LNG terminal near Port Arthur, Texas, near the Louisiana border about 250 miles up the coast from Corpus Christi.

ExxonMobil in October signed a deal to import 2 bcf per day from Qatar, with the supply contract expected to run 25 years.

"We can supply long term into the U.S. with reliability," said Australia's Industry Minister Ian Macfarlane.



IAN MACFARLANE

Exxon having problems in Alabama

Meanwhile, ExxonMobil is having a problem with its proposal to build an LNG terminal near Mobile, Ala. Some residents near the Hollinger Island project, two miles south of Mobile's city limits, are fighting the project, challenging its safety. They are pushing in court to stop the project.

The Alabama Port Authority, which backs the project, asked a state court judge Jan. 14 to dismiss the residents' lawsuit. The judge is considering the state's motion.

Separate from the lawsuit, Alabama Gov. Bob Riley sent letters to the state port authority and FERC, stating his opposition to the project "until an independent safety study has been completed and evaluated." The Republican governor said the study should look at a "worst-case scenario" of an accident or terrorist attack.


ExxonMobil issued a statement the day after the court hearing, disputing reports that it is considering dropping the project. The company confirmed it had not yet applied to FERC for a permit for the site, and added it is looking at the "economic climate" in Alabama.

Jury award concerns Exxon

Company spokesman Bob Davis of Houston cited the governor's opposition and last year's \$11.9 billion Alabama state court jury verdict against the company in a royalty dispute as factors that worry the company.

"The court ruling, I think, is indicative of a general environment in Alabama that certainly concerns us," Davis told the Mobile Register newspaper.

The Alabama Port Authority sees it differently. "The royalty dispute is a totally distinct, separate issue," said Chairman Tim Parker. "It's apples and oranges. ... If they want to link it, that's their business," he told the Mobile Register. ●




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GOLD

quantities of gold, while Ulu has an estimated 565,000 ounces of gold.

The project price tag is expected to be C\$80 million, including a temporary port on the Bathurst coast.

London-based Barclays Capital predicts gold will hit US\$470 an ounce before mid-year and average US\$420 through 2004. GFMS, also based in London, predicts gold will ride out some volatile swings and top US\$450 by June 30, while averaging US\$437 for the entire year.

Industry reports bullish about 2004 gold prices

Other schemes in the works include the reassessment of an ore body near Rankin Inlet, Nunavut, by Calgary-based Comaplex Resources.

Tyhee Resources is certain there is still gold to be recovered from the long-closed Discovery Mine, 55 miles north of Yellowknife.

If combined with the nearby Nicholas Lake deposit, there could be

about 500,000 ounces to recover.

Similarly, Toronto-based Seabridge Resources is taking another look at the Courageous Lake deposit that was prospected 25 years ago by Noranda and holds an estimated 3.5 million ounces of gold.

Due diligence and engineering studies are needed to determine whether the property, 145 miles northeast of Yellowknife, is a candidate for development.

Despite a sharp plunge in gold values in mid-January, triggered by a rebound in the U.S. dollar, industry reports remain bullish about the outlook for 2004.

London-based Barclays Capital predicts gold will hit US\$470 an ounce before mid-year and average US\$420 through 2004. GFMS, also based in London, predicts gold will ride out some volatile swings and top US\$450 by June 30, while averaging US\$437 for the entire year.

However, GFMS Managing Director Philip Klapwijk forecasts that jewelry demand could fall by 9 percent in 2004 after a 7.1 percent decline last year.

GFMS analyst Bruce Alway said the rising gold price will cause more miners to back away from hedging, or locking in future gold sales at fixed prices. ●

continued from page B1

ROWAN

analysts in a Jan. 15 call.

McNease also said mushrooming LNG projects in the Middle East, Australia and Trinidad should provide plenty of work for its premium jackup rigs in the near-term.

"We are optimistic that 2004 will con-

Rowan's optimism also is fueled by declining natural production in the United States and increased estimates for deep gas reserves in the relatively shallow waters of the Gulf's continental shelf, a hot bed of exploration activity and a focus for Rowan's high-powered Gorilla rigs.

tinue this trend and are confident that Rowan rigs will continue to lead deep-shelf drilling efforts in the ever-tightening Gulf of Mexico market," McNease said, citing a recent survey of independent operators indicating exploration and production activities this year could exceed 2003 levels by nearly 25 percent.

McNease's observations are supported by rig monitor Baker Hughes, which counted 101 rigs operating in the Gulf for the week ending Jan. 16, up by three but still down by six rigs compared to the same weekly period last year. Day rates tend to increase over time as specific rig markets tighten.

Rowan's optimism also is fueled by declining natural gas production in the United States and increased estimates for deep gas reserves in the relatively shallow waters of the Gulf's continental shelf, a hot bed of exploration activity and a focus for Rowan's high-powered Gorilla rigs.

The company's worldwide offshore rig utilization was 92 percent during the 2003 fourth quarter, compared to 94 percent in the third quarter and 88 percent in the year-ago period. Gulf day rates of \$42,400 increased by \$3,300 or 9 percent from the third quarter and by \$6,900 or 19 percent for the same period last year.

Rowan's land rig utilization was 80 percent during the 2003 fourth quarter versus 68 percent for the year-ago period. The average day rate of \$11,200 increased by \$200 or 2 percent from the 2003 third quarter and by \$1,700 or 18 percent from the year-ago period, the company said.

Rowan's lower-than-expected profit for the 2003 fourth quarter was attributed largely to the company's aviation division in the Gulf and Alaska, which generated \$2.5 million compared to \$29.2 million a year earlier.

BJ's operating income margins up

Meanwhile, BJ said operating income margins for its fiscal year 2004 first quarter ending in December were 15.8 percent, up from 15.5 percent in the previous quarter and up 11.4 percent a year earlier. The improvement was attributed primarily to gains in the United States, Canada and Mexico and efficiencies in its labor force and equipment utilization.

Results for BJ's mainstay pressure pumping services outside North America were less impressive, with revenues down 2 percent quarter-over-quarter. That performance was attributed largely to slower activity in Saudi Arabia and Abu Dhabi, partly offset by increases in Africa.

Revenue from BJ's other services — tools, fluid, tubular, pipelines and chemicals — was flat sequentially but up 16 percent from the same period a year earlier. All service lines increased except for completion fluids, which declined primarily because of less activity in the Gulf of Mexico, the company said.

BJ poised to increase hiring

BJ also is poised to gear up on the hiring front. Stewart told analysts he has received requests from field divisions to fill some 150 positions, another strong indication the oilfield service market is on the upswing. "We need to add personnel," he said.

BJ also is flush with cash, which the

While BJ is expecting a strong performance ahead in North America, it expects continued softness in the Gulf of Mexico rig market.

Stewart said he would prefer to use for acquisitions but also is available to pay down debt and to buy back shares of the company. "We do have a significant amount of cash," he said.

However, while BJ is expecting a strong performance ahead in North America, it expects continued softness in the Gulf of Mexico rig market.

Tidewater, which owns and operates the world's largest fleet of vessels serving the global offshore industry, proves just how tough it can be in the Gulf where the company has reverted to expense-cutting to cope with operating losses.

The company recorded earnings of \$18.3 million or 32 cents per share on revenues of \$169.4 million for its fiscal year 2003 third quarter ending in December. That compares to earnings of \$23.6 million or 42 cents per share on revenues of \$163 million for the same period a year earlier. ●

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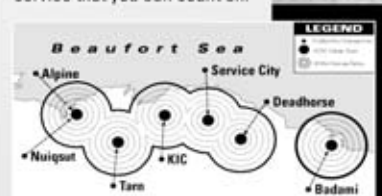


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ROAD

Alaska Department of Transportation. That estimate includes limited improvements to the existing Spine Road, including more gravel and adjusting some turns in the road, he said.

Through traffic presents problems

Looking at the cost differential, McKinnon said, it became clear to state officials the shorter route is the better way to go, although it presents its own problems. North Slope producers are nervous and cautious about opening the Spine Road to through traffic.

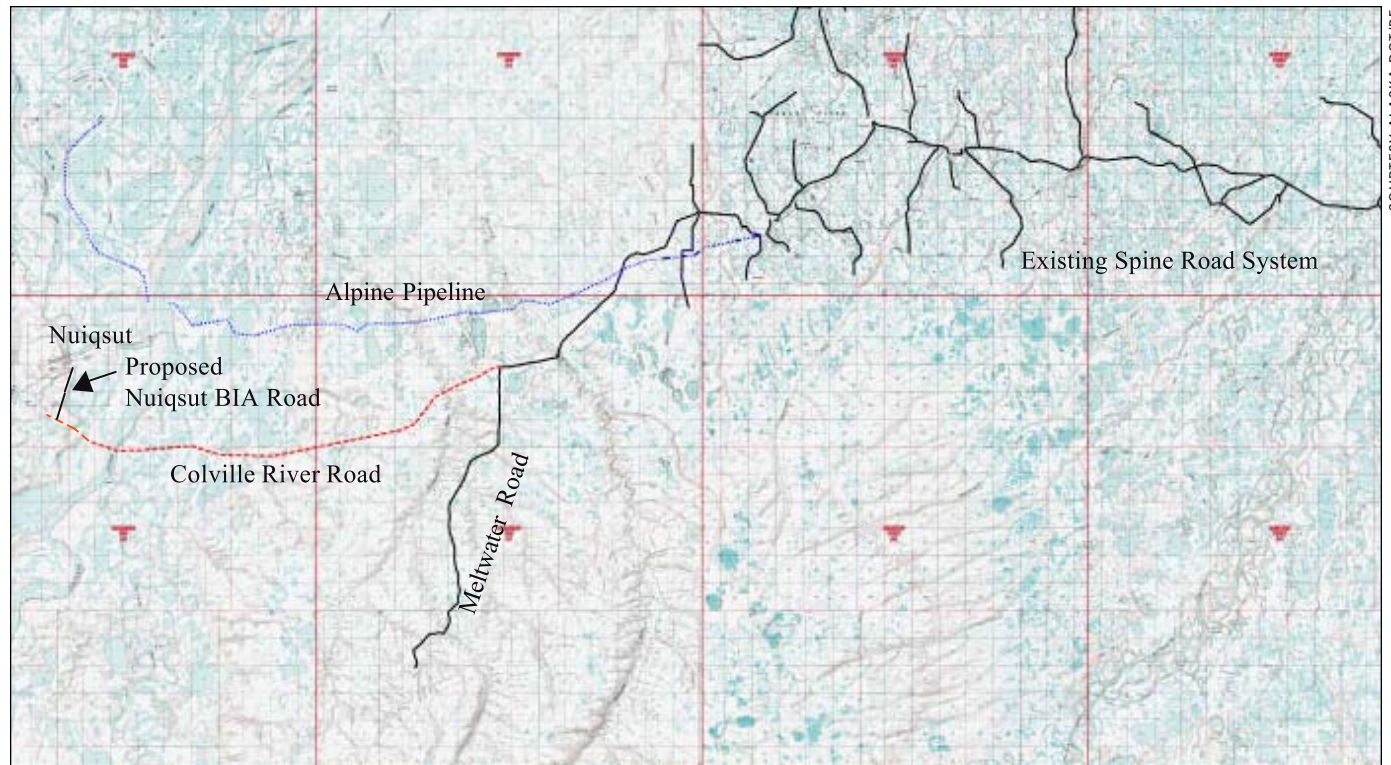
“While we see benefits of a limited-access road, we have serious concerns regarding the safety of our employees and the security of 15 percent of America’s domestic oil supply that must be addressed,” said ConocoPhillips spokeswoman Dawn Patience.

BP spokesman Daren Beaudou offered a similar comment. “As field operator, we have expressed our concern to state officials regarding connecting the Spine Road westward if it suggests the Prudhoe Bay oil fields be opened uncontrollably to anyone who wants access.

“From a safety and energy security standpoint, we must remember we’re living in a post-9/11 world, and terrorism is a very real concern.”

State will need to negotiate with North Slope producers

Now that the state has decided on the route, it will have to negotiate with the producers for use of the Spine Road — addressing security issues and answering who will pay for maintenance and operations of the road and the extension.



“The state must be prepared to assume the expense of maintaining the road, providing emergency response to incidents as well as law enforcement support,” Beaudou said. The cost and operation of gates, barriers, fences and labor to staff access points also should fall to the state, he said.

The producers currently pick up the entire check for maintenance along the year-round, gravel Spine Road, which generally is closed to all but their own vehicles and contractors.

The Spine Road, actually a series of roadway extensions built over the past 30 years of North Slope development, extends westward 57 miles from the

see ROAD page 12

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POINT THOMSON

exploration and production? Are there sufficient sites for gravel for the roadbed?

Companies hold leases all around Badami and Point Thomson, and year-round road access from Prudhoe Bay could serve a lot of those holdings, said Bill Van Dyke of the Oil and Gas Division at the Department of Natural Resources. “How you make the loop determines how many leases you cut through.

“There are definitely properties in that area.”

The Badami unit was the North Slope’s easternmost production facility until BP closed down production last year, citing steadily declining flow rates and production problems ever since the wells started pumping in 1997. The flow was down to 1,350 barrels per day in May 2003 when BP, 100 percent owner of the unit, announced its closure plans.

State approval for the temporary production closure expires in June 2005. See related Point Thomson unit story in section A, Exploration & Production section.

— LARRY PERSILY, Petroleum News government affairs editor

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ROAD

North Slope Haul Road (Dalton Highway) at Deadhorse, passing drilling pads and production facilities along the way.

Extension would start at Tarn Road

McKinnon said the state's latest proposal is to extend the road from its junction at the Tarn/Meltwater Road, at the western end of its reach. From there, it is 15 miles to the Colville River, where a 3,300-foot-long bridge would cross the river into NPR-A.

A final 2.3 miles of road would be built on Native corporation-owned land across the river to avoid the federal prohibition on year-round gravel roads linking NPR-A to the North Slope road system.

The Department of Transportation last month submitted permit applications to the U.S. Army Corps of Engineers, with jurisdiction over wetlands crossings, and the Alaska Department of Natural Resources, which must approve gravel sites and rights of way. The new design is

called the Colville River Road, McKinnon said.

In addition to saving a couple hundred million dollars by choosing the shorter, more direct route, the new plan acknowledges there is not an immediate need for the longer, southerly route. There just isn't as strong an opportunity for oil production along that corridor as there is in NPR-A.

"We recognize that in the future the Foothills Road West will have merit," McKinnon said. A road extension south and west into the Foothills region would stay on the list of potential projects to serve more North Slope acreage, followed later by a north-south route heading back to the Colville River Road.

But that latter piece is still a ways off, he said. "We recognize that for the foreseeable future the north-south segment is not on the books ... not even on the radar screen."

NPR-A key to state production

On the screen, however, is ConocoPhillips' preliminary success in finding oil in NPR-A, where the company has been exploring since 1999. The state's

intent is that year-round road access into the area would help make development of the discoveries more attractive to the company while also prompting ConocoPhillips and others to undertake more exploratory drilling.

The company is cautious, however, in counting the potential benefits from the road project.

"It seems premature to assess the long-term economic savings without understanding the funding mechanism. In addition, we need to understand the costs associated with mitigating any safety and security concerns," Patience said.

NPR-A is essential if the state is to reach its latest projections for long-term North Slope production, on which Gov. Frank Murkowski has pegged Alaska's future fiscal health. The Department of Revenue in its forecast issued last month estimated 114,000 barrels a day of NPR-A production by 2014, about 13 percent of the slope's total production that year.

"The need for North Slope road connectors to improve access to the NPR-A was found to be the most important investment the state could make in furtherance of resource development opportunities for Alaska's economy," the Department of Transportation said in its project description.

Ice road use more limited

"Recent reductions in the ice road season on the North Slope and a new generation of oil and gas exploration opportunities combine to make all-season access important to continued development."

Warming arctic temperatures have shortened the window for construction and use of ice roads to reach drilling sites, cutting the season from 220 days in 1970 to just 103 days in 2002, the department said. Average North Slope winter temperatures have warmed up by more than 4 degrees since 1971, according to University of Alaska statistics.

"There is a practical limit to how far exploration can reach without the aid of all-season roads," the department said.

The proposed Colville River Road would be built up with eight feet of gravel to protect the permafrost, at a width of 32 feet, according to the permit application. The bridge crossing would be about 11 miles south of ConocoPhillips' operations at Alpine and three miles south of the village of Nuiqsut.

The timetable for the project assumes the Army Corps' environmental review is

completed in 18 to 24 months, McKinnon said, either as an environmental assessment or as a full environmental impact statement. While the review is under way, the state plans to work on preparing bid-ready designs for the construction work.

"Recent reductions in the ice road season on the North Slope ... make all-season access important to continued development." —Alaska Department of Transportation project report

Construction starting in 2006

The Department of Transportation already has advertised for engineering services, he said, and will work with North Slope producers and North Slope Borough officials on security and access issues so that all of the pieces are ready to go when the permits are granted.

"The design and permits should conclude at roughly the same time," McKinnon said.

Construction would start in 2006, with completion projected for 2009. Perhaps three-quarters of the total cost will go toward the Colville River bridge, he said.

There have been no decisions on how to pay for the project, said McKinnon and Brad Pierce of the governor's budget office. The state most likely would look for federal dollars, Pierce said, possibly looking to the North Slope Borough to also help with financing.

Federal and borough assistance makes sense, Pierce said, looking at Department of Revenue estimates — based on oil at \$22 a barrel — that show the federal treasury would take about 32 percent of the wellhead value of NPR-A production through corporate income taxes and royalties, with the North Slope Borough in line for about 11 percent of the wellhead value through property taxes.

Nuiqsut access could be part of funding

And although federal funding rules usually prohibit financial assistance for roads closed to public use, McKinnon said the anticipated access for Nuiqsut residents could overcome that potential problem. The all-season road link for residents would provide access to the jet airport at Deadhorse and could reduce freight costs for food and fuel, in addition to giving villagers a way to get to oil field jobs.

Part of the project plan also includes working with the federal Bureau of Indian Affairs, which is looking at building a three-mile gravel road to connect the village of 450 residents with the new state road.

"There is a potential for the state to take construction responsibility for the proposed BIA road to accelerate Nuiqsut's connection to the Colville River Road," according to the state's project description. ●

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A road grader cuts a solitary path along a North Slope ice road in this photo taken by photographer Judy Patrick

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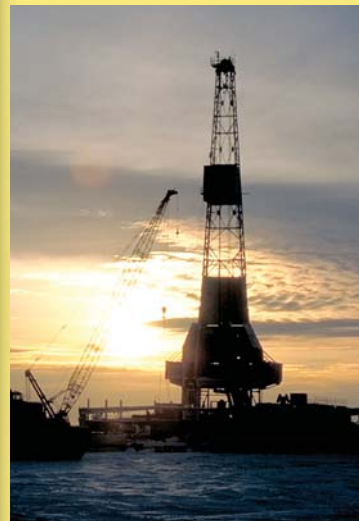
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Innovation: the key to Alaska's future

NANA/Colt breaks new ground in engineering design

By ALAN BAILEY

Petroleum Directory Contributing Writer

The evolving Alaska oil and gas industry requires creative thinking to overcome the economic hurdles of developing smaller oil fields in a remote and challenging environment. And that's what's been driving NANA/Colt Engineering LLC, one of Alaska's most successful full-service engineering contractors.

NANA/Colt was formed in November 1997 as a partnership between NANA Development Corp. and Colt Engineering, a large Canadian oil and gas contractor. NANA/Colt Engineering has since established an exemplary reputation for innovative engineering design and project management. The company also provides operation and maintenance support for existing oil and gas facilities.

"It's not business as usual in Alaska ... there need to be ways of eliminating costs from the facilities and thinking outside the box when designing new facilities," John Minier, president and general manager for NANA/Colt, told Petroleum News.

"We're definitely a leader in designing the next generation of North Slope facilities."

State-of-the-art design

Take, for example, a new production pad that NANA/Colt has recently designed for the North Slope.

"We have designed a new satellite production pad that could potentially reduce surface costs by 75 percent," Minier said.

Many of the cost savings resulted from a novel design that enables the completion of most of the fabrication and welding before moving the facility to the North Slope.

NANA/Colt is also helping the oil companies overcome the challenges of developing viscous oil on the Slope. For example, the company is the engineering contractor for BP's Orion project.

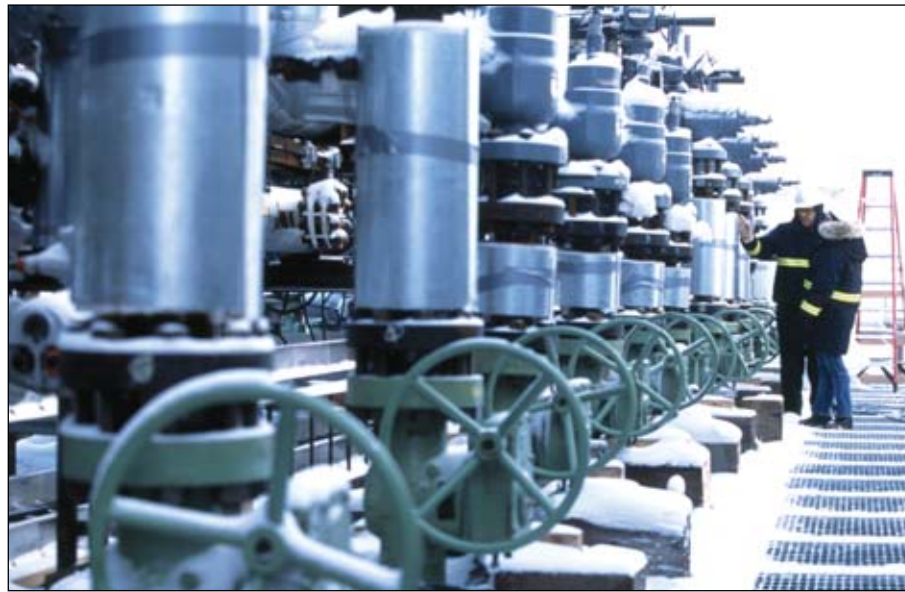
"The question (for Orion) came down to economics and feasibility — what works and what doesn't work," said Jim Steward, NANA/Colt's vice president of engineering. "Our folks have been doing that economic analysis, the hydraulic studies and the feasibility studies."

Working with the independents

The arrival of small independent oil companies on the Alaska oil scene is triggering a paradigm shift in the approach to oil development. And that new way of doing business dovetails into NANA/Colt's creative approach to engineering design.

"The independents are very good at taking the constraints away — a 'give me your best shot' (approach)," said Craig Morrison, NANA/Colt's vice president of alliances.

Future oil fields on the North Slope will be much smaller than Prudhoe Bay and will need to buy production and transportation capacity in the existing facilities,



Inspecting equipment on the new Prudhoe Bay WRD production pad engineered and designed by NANA/Colt

Minier said. NANA/Colt's cost-effective designs and the company's experience with the existing North Slope infrastructure place the company in an ideal position to support this new mode of oilfield development.

"When you have to build facilities that have to interact with existing facilities it sometimes gets creative — integrating power supplies, equipment utilization, and

only requires each design element to be entered once — the internal workings of the system keep track of how all the various design elements link to each other and to the drawings or other documentation.

"For example, the structural (engineer) needs to know that a big pump's going to be sitting here and piper needs to know that (the same) big pump's going to be sitting there," said Greg Cooke, vice president and manager of projects. "(The information about the pump) is only entered once ... that reduces errors, increases speed and makes many of the drawings much more automated."

Three-dimensional scanning

An engineer can now use a three-dimensional scanner in conjunction with the AutoCAD system to create digitized drawings directly from field observations — a laser

beam scans back and forth, locating objects and measuring distances at a field site. Data can travel from the North Slope by fiber optic line to Anchorage.

"(The engineer can) open an AutoCAD drawing, discuss it ... he's already scanned it in, so you've got data downloaded in AutoCAD form and ... you're done," Cooke said. "What used to take a team on-site to do now can be done by one field person feeding that information back to here (in Anchorage)."

In another technical innovation, so-



Two NANA/Colt designers check out the equipment at the Alpine field wastewater plant

production capacity," Minier said.

Technical leadership

NANA/Colt's technical leadership in engineering design supports the company's innovative design work. The use of new technology enables engineers to work faster and smarter than ever before — which translates to reduced costs and better products for the customers.

"There are two ways ... to apply technology — you either embrace it or you tolerate it,"

Morrison, said. "This group, from the management structure through the employees, embraces the new technologies."

NANA/Colt takes great particular pride in its state-of-the-art, computer-based design system, commonly termed an AutoCAD system. A traditional AutoCAD system requires separate data entry for each type of engineering drawing. However, the data-centric type of system that NANA/Colt is implementing



SmartBoards and Videoconferencing improve the efficiency of NANA/Colt's engineering tools and staff

called electronic smart boards linked together over the Internet assist team discussions and reduce the need for time con-

suming and expensive travel.

"You can have a giant drawing on a giant screen and that drawing can be viewed in Canada, it can be viewed on the North Slope, it can be viewed right here (in Anchorage)... and everyone can make their fixes to it," Cooke said.

Diversification

In addition to maintaining its technical leadership, NANA/Colt is ensuring a full order book through business diversification, both within and outside the oil and gas industry.

"We've also moved into the Cook Inlet region and are now supporting most of the producers (there)," Minier said. For example, NANA/Colt has designed a pipeline to Aurora's gas well on the west side of Cook Inlet, he said.

As well as building on its established reputation for pipeline design, NANA/Colt, has achieved an impressive track record in designing fire and gas systems.

"We have supported Milne Point and Endicott in some upgrades and we think that we are becoming the 'go-to' company for fire and gas systems in Alaska," Minier said. "... It's highly important and critical to our clients now."

Power plant design

Outside the oil industry, NANA/Colt has been diversifying into the engineering of commercial buildings and power plants.

"One of the projects we did this year was owner engineering support and then preliminary engineering for Golden Valley Electric Association's North Pole power plant expansion," Minier said.

NANA/Colt works with customers ranging from large multi-national corporations to small electric utilities or other organizations. Regardless of the size and type of customer, NANA/Colt brings its state-of-the-art engineering technology and a full range of services, including project management and material procurement.

The company also takes a flexible approach to its scope of services and can tailor its pricing to the amount of risk and to the size of project that a customer feels comfortable with.

"If you're willing to listen to what customers want and are flexible to what you're going to give to fit that, it makes a much more harmonious arrangement and generally satisfies both sides of the deal," Cooke said.

People oriented

With NANA/Colt's people oriented culture, Minier sees an empowered, motivated and trained workforce as the key to the kind of creative thinking the company encourages.

"We have established a very strong loyalty with our employees to us and us to our employees," Minier said. "We will continue to try to make NANA/Colt an excellent place to work, attracting the highest caliber of people."

And Minier views creative thinking — thinking "outside the box" — as an essential factor in moving industry forward in Alaska.

"Sometimes it really does take starting totally over — if you're always trying to improve the bow and arrow you'll never invent a gun," Minier said. ●

Editor's note: Alan Bailey owns Badger Productions in Anchorage, Alaska

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COMPANY NEWS



Drillship Discoverer Deep Seas

New depth, pressure marks set at well in Gulf of Mexico

New records were set in December on a ChevronTexaco project drilled by Schlumberger Oilfield Services in the Gulf of Mexico. The well was the Tonga No. 1 exploratory prospect in Green Canyon Block 727.

The companies say the drilling tools sent down from a Transocean Inc. drillship set new marks for measurement-while-drilling and logging-while-drilling. The true vertical depth reached was 31,824 feet, surpassing the prior record by 700 feet. Maximum downhole pressure reached 26,138 pounds per square inch.

"We were able to capture and transmit 100 percent of the data in real time, without lost time or trips, which was critical to the success of this ultra-deep exploration well," said Paal Kibsgaard, president of drilling and measurements for Schlumberger Oilfield Services.

The drillship Discoverer Deep Seas was working in 4,695 feet of water about 150 miles southwest of New Orleans when the records were set.

ASRC firm lands federal contract

A subsidiary of Barrow, Alaska-based Arctic Slope Regional Corp. has been awarded a multimillion-dollar government contract to provide construction management services to the U.S. Department of Energy's Strategic Petroleum Reserve, based in New Orleans.

ASRC Constructors Inc. was awarded a two-year contract through the government's 8(a) set-aside program for small, disadvantaged businesses. The \$26 million contract allows for three one-year extensions that could increase its total value to more than \$60 million, the Energy Department said.

The oil in the petroleum reserve is stored in underground salt caverns along the Gulf of Mexico coast.

New executives named at TOTE

Phil Morrell has been promoted to vice president marine operations at Totem Ocean Trailer Express Inc. Morrell, who joined the company in 2002 as marine superintendent, will now oversee all of TOTE's marine operations. He has more than 22 years of experience in the shipping industry, with prior jobs at Todd Pacific Shipyards, Sunmar Shipping, and Holland America Line.



PHIL MORRELL



CLAUDIA ROBERTS

Also promoted at TOTE was Claudia Roberts, who now holds the title of vice president pricing. She will oversee pricing, documentation and market research for the firm, which runs ships between Tacoma, Wash., and Anchorage, Alaska. Roberts, who has worked for the company for two decades, is the first woman to hold the title of vice president in TOTE's 28-year history.

VECO to mentor Nanuq

Nanuq Inc. and VECO Alaska Inc. have entered into a mentoring agreement, in which VECO will assist Nanuq in how to be more competitive in the construction, operations and maintenance of energy and other resource development projects, VECO told Petroleum News in early January.

Nanuq is a subsidiary of Kuukpik Corp., the Native village corporation for the community of Nuiqsut, which is near ConocoPhillips Colville unit on Alaska's North Slope.

VECO is an Anchorage-based oilfield service corporation.

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COMPANY NEWS



COURTESY OF ASTAC

New portable repeater extends cellular service on North Slope

A telephone cooperative on Alaska's North Slope has added a new cellular repeater on wheels to extend cellular telephone for construction and drilling crews working along the route from the Alpine field into the exploration areas of the National Petroleum Reserve-Alaska and Oliktok Point.

Arctic Slope Telephone Association Cooperative announced installation of the equipment Dec. 19, saying the new repeater will extend cellular coverage as much as 30 miles past the area covered by any service before.

No cell phone service previously existed beyond the co-op's Alpine coverage areas and along the remote ice roads, according to ASTAC.

Once the construction season has ended, the company will be able to move the repeater to support other remote operations on the North Slope.

ASTAC has about 6,000 access lines in a territory spanning 90,000 square miles and including eight North Slope communities in addition to the oil industry complex in and around Deadhorse.

For more information on cellular service, call Nina Murtagh at 800-563-1931.



COURTESY OF SOLOCO

The Bravo mats' four-foot square size and weight of just 50 pounds enable them to be hand carried into position.

Soloco features lightweight, portable mats

Looking for portable mats to floor your temporary work site, roadway or outdoor event? You might want to check out Soloco LLC's new line of lightweight mats that the company has designed for rapid installation on soft ground.

This new Bravo Mat System™ supplements the Lafayette, La.-based company's heavier system of DUR-BASE® mats.

The Bravo mats' four-foot square size and weight of just 50 pounds enable them to be hand carried into position. And the small dimensions of the mats allow them to form a mosaic that will fit almost any shape of surface and that can circumvent obstacles such as trees. After slotting the mats into place, a few turns with a hex-head wrench lock adjacent mats together, using internal twist-lock fasteners.

Soloco claims that a two-person crew can lay and install a 20-foot by 50-foot floor in less than an hour.

Construction from strong, lightweight thermoplastic makes the mats durable and strong — Soloco says that the mats can support "normal vehicle traffic." Rubberized surfaces on the mats provide traction and make the mats resistant to weather, oil and chemicals.

Soloco has already supplied Bravo mats to the U.S. military for tent floors and other military applications. However, the company sees a host of other potential uses, including temporary roads for special events, walkways, general construction sites, emergency response sites, golf course maintenance, landscape maintenance and outdoor catering.

You can find more information about the mats on the web at www.bravomat.com or by calling Soloco at 1-877-MY-BRAVO.

COMPANY NEWS

MEDC launches heavy duty control stations for hazardous locations

MEDC has launched a new range of heavy duty UL listed control stations designed for potentially explosive atmospheres in both onshore and offshore applications, the company said in a recent press release.

"These nearly indestructible units are made of corrosion-free, UV-stable heavy duty glass reinforced polyester with an ingress protection rating of NEMA 4x and 6 (IP 66 and 67). Customers may select one, two and three-way control stations with a full range of options such as pushbuttons, indicator lights," MEDC said.

The new control stations are suitable for applications in "areas requiring Class I, Division 2, Groups A-D –

North American method – and Class I, Zone 1 ATEX IIC, T5/T6 (IEC classification) certification standards for potentially explosive atmospheres," the company said.

MEDC control stations and its other safety devices are made of corrosion-proof GRP material that the company said has "proven superior in durability and dependability in hazardous offshore and land-based facilities" worldwide, including locations in Europe, Asia, Africa, Indonesia and North America.

BP has selected the control stations for installation on its Atlantis, Mad Dog and Thunderhorse platforms in the deepwater Gulf of Mexico, MEDC said.



MEDC has launched a new range of heavy duty UL listed control stations designed for potentially explosive atmospheres.

MEDC releases safety project reference directory

Houston-based MEDC said it has completed a new Safety Project Reference Directory that lists more than 300 projects in which the company's manual, visual and audible alarms and loudspeakers were specified for diverse environments, from hazardous locations and potentially explosive atmospheres to harsh industrial and marine environments.

The directory listings "cover installations with widely divergent weather patterns, from the stormy waters of the North Sea, to the deserts of the Middle East, to the tropical rain forests of Southeast Asia and South America, to the frigid conditions of Siberia and Alaska," MEDC said.

The directory is designed to assist engineers and operations managers in quickly identifying suitable safety solutions and providing access to users with real-world experience similar to their own. It is available at MEDC's web site – www.medc.com — or print copies can be obtained by calling 713 937-9772 or faxing 713 937-9773 or by email at us.sales@medc.com

Corporate Challenge 2004

Anchor Town Sports Association has announced a new recreational sports opportunity – Corporate Challenge 2004!

Corporate Challenge is an intramurals program for employees of any company in Anchorage. Throughout the year a series of athletic competitions will be presented. Entrants represent their employers and rack up points toward the Grand Championship. Companies may enter as many teams as possible in each event, subject to space availability. The more teams entered, the greater the chances of racking up total points. All participants must be actual employees of the sponsoring company at the time of the competition.

Awards will be presented for each competition, and a Grand Championship will be presented in December 2004.

Entry fee is \$500 per company, plus entry fees for each competition.

Call Anchor Town Sports at 272-4200 or email atsa@gci.net for more information, or to sign your company up for Corporate Challenge 2004.

2004 Corporate Challenge Schedule

Nordic Ski Race February 2004 Host: Nordic Skiing Assoc. of Anchorage	Coed Softball Tournament July 2004 Host: Anchor Town
Bowling March 2004 Host: Center Bowl	Golf Tournament August 2004 Host: O'Malley Golf Course
3-on-3 Basketball April 2004 Host: Lumen Christi High School	Darts September 2004 Host: alaskadarts.com
Coed Beach Volleyball May 2004 Host: Anchor Town	Coed Volleyball October 2004 Host: Anchor Town
Canoe/Kayak Race June 2004 Host: Knik Canoers and Kayakers	Pool November 2004 Host: Billiard Palace

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Chiulista Camp Services employee Dennis Zaukar works as a driller assistant at the Donlin Creek project, an advanced gold exploration project located about 10 miles due north of the village of Crooked Creek, Alaska.



Chiulista Camp Services employee Maria Sattler of Stony River, Alaska, shown working in the kitchen of the Nordica Calista Rig 2 camp near Kuparuk.

People and supplies for remote sites

Chiulista Camp Services has established a business that benefits everyone working and living in the remoter part of Alaska

By ALAN BAILEY

Petroleum Directory Contributing Writer

A specialty service that adds value for customers while also enabling people to find meaningful employment seems a sure-fire path to business success. So it's not surprising to see how Chiulista Camp Services Inc., a subsidiary of Calista Corp., has flourished since the company first started its catering services for the Donlin Creek gold exploration project back in 1995.

Chiulista Camp Services excels in the logistics of arranging high-quality catering and temporary workers in the more remote parts of Alaska. And, in providing these services, the company brings employment to villagers in rural areas.

"It's one of life's minor victories," George Gardner, president of Chiulista Camp Services, told *Petroleum News*, as he explained how his company's operations have benefited both clients and employees.

Catering

By contracting with Chiulista Camp Services for catering services, a company can eliminate the headache of providing good meals to workers at a remote site, Gardner said. Chiulista Camp Services organizes the logistics of moving food supplies to the site and provides cooks and housekeepers.

"You don't have to worry about it and you get a better product, better food for your employees," Gardner said.

This service has proven so valuable that Chiulista Camp Services now operates statewide and has recently expanded into catering for fish processing plants. The company feeds about 125 people in Petersburg during the fish processing season, as well as operating similar services in Cordova, Naknek and Nome, and for the Donlin Creek and Nixon Fork gold projects, as well as on the North Slope, Gardner said.

Logistics

Gardner said that getting the food to remote locations presents the biggest challenge for the catering services.

"I think the biggest challenge is logistics — making sure that the supplies get out to them, so they're able to perform wherever they are," Gardner said. The trick is knowing the fastest and the most cost-effective way of getting things to the site, he said.

Chiulista Camp Services' extensive knowledge of freighting arrangements in and to Alaska coupled with the company's years of experience in moving freight around

Alaska enable the company to overcome the logistical problems. Most food moves by airfreight, although barges with refrigeration units can ship supplies around the coast.

The company's experience in logistics has enabled it to help customers in a variety of industries move general materials and supplies to remote locations.

"We also provide expediting services, because with the

the remoter parts of the state.

And, given travel cost and times around Alaska, it's particularly important to hire the right person to work in a remote situation.

"If you send employees out to a project and they don't work out, then getting them back and replacing them with someone else is an expensive proposition," Gardner said.

A win-win situation

As well as benefiting customers, the jobs arranged through Chiulista Camp Services have proved a major boon for the villagers of rural Alaska. The jobs bring money into the villages and the work arrangements blend well with the subsistence lifestyle. It's a real win-win situation for all concerned.

"It's an ideal situation for both us and the employee. Anyone able to work some of the longer hours that are required at rural sites or up on the slope can provide meaningful income to their households and their villages," Gardner said.

And with the typical two weeks on, two weeks off work schedule, people find ample time for their traditional activities.

"In the summer if they take an additional two weeks off, all of a sudden they have a six-week span in which they can

do their subsistence hunting and fishing," Gardner said.

The arrangements can also enable customers to find permanent employees.

"By providing a temporary worker that can do the job, our client there can see if they might be a good fit for them on a permanent basis," Gardner said. "If they hire that employee, that's absolutely fine with us."

Future expansion

With eight years of business development behind it, Chiulista Camp Services continues to seek ways to expand. In addition to its recent foray into supporting fish processing centers, the company is looking at joint venture partners for construction and heavy equipment operations. The company is also applying for 8(a) certification.

"We're looking to some stronger joint venture partners to provide additional services, pretty much geared towards remote Alaska," Gardner said. "We want to retain our strength in remote and rural Alaska and build on it."

And the company's niche suite of services that support remote operations seems a continuing formula for success. ●

Editor's note: Alan Bailey owns Badger Productions in Anchorage, Alaska.



Two Chiulista Camp Services employees storing some of the hundreds of thousands of core samples at Donlin Creek, an advanced gold exploration project near the Kuskokwim River in southwest Alaska.

different projects we know all the suppliers here in town that can provide products for construction or for mining or for oil production," Gardner said.

Temporary workers

In parallel with its catering and logistics services, Chiulista Camp Services supplies temporary workers for projects in remote sites.

"One thing we've been fairly successful with is providing temporary laborers for some special projects," Gardner said. "Nearly all the people we provide are either shareholders of Calista Corporation or (other) Alaska Natives."

The company provides a variety of qualified people, including heavy equipment operators, mechanics and survey personnel. The company also supplies other construction-related and general laborers.

"For the most part these are personnel who have proven themselves to us on a very remote site project — (shown) that they can do what needs to be done," Gardner said.

So, by contracting through Chiulista Camp Services, a customer can be sure of finding reliable workers. In addition, many of the people who Chiulista Camp Services supplies come from rural villages, so that they are fully used to dealing with the issues of living and working in

COURTESY OF CHIULISTA CAMP SERVICES

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The Arctic Millennium marks a new age of drilling performance

NIED's first fully automated Arctic class exploration drilling rig is designed for safety and engineered for speed

By SUSAN BRAUND

Petroleum Directory Contributing Writer

The new millennium is synonymous with revolutionary change. NIED's contribution to the future of drilling in the new millennium is the Arctic Millennium rig, a revolutionary drilling approach that will result in major reductions in drilling costs.

"The new rig is a step change that will deliver unprecedented performance to the drilling industry," says Conrad Perry, NIED LLC's Alaska project manager, who has 19 years of international experience with drilling producers and co-fabricators and 10 years experience in Alaska.

"The cost of exploration is tremendous. The Arctic Millennium is the most modern, Arctic-rated, land rig in the world — a lighter rig with a lighter footprint that will dramatically affect those costs."

NIED LLC is a wholly owned subsidiary of NI Energy Development Inc.; Nissho Iwai Corp., a top Japanese global trading company, owns both companies.

"Continuous improvement or evolutionary change created today's drilling standards. NIED LLC sought to help its energy partners become even more successful by raising operational standards in drilling of exploration wells," the company said. "The energy partner's goals concentrated on flawless HSE performance and significantly reduced well costs."

The rig

The Arctic Millennium rig, the first fully automated Arctic-class drilling rig, is designed to provide operators with a fit-for-purpose solution to their exploration and



The Arctic Millennium's automated pipe handling increases rig safety.

development needs.

With its small footprint, state-of-the-art triple-option power system, and module weights under 80 tons, the track-mounted rig can deliver cost effective and technologically superior drilling capabilities to locations throughout Alaska's North Slope and other remote areas, the company said.

Perry reports that, after months of construction, commissioning and testing, NIED LLC began marketing the rig in July of 2003.

"We've drilled with it ... three weeks of hard rock, hard-time drilling in Brady, Texas. Testing it in Texas extended the design temperature range from minus 40 to plus 95. We are not only promoting the rig, but the new concept of drilling ... so many more rigs will follow based on what we have done here."

Rig features

The rig design combines a host of innovative features and benefits: mobility, accelerated rig up time, automation, small footprint, increased safety and several power options. "The combined features work together to save our clients millions of dollars in exploration costs, while performing as a state-of-the-art development drilling platform" says Perry.

MOBILITY

Ice roads may no longer be required to access remote



The Arctic Millennium rig assembled.

exploration sites. With the Tundra Track® system's disbursed load, North Slope locations tied into the existing road system will be accessible at any time, even during breakup.

"Because of light footprint, the thick, heavy ice roads are not required for transporting this rig to its location 100 miles off infrastructure. It may require snow to protect the vegetation, but not the ice to distribute the load. We just go!" says Senior Project Engineer Jack Newell.

"We've proved the movability of the rig, and not just on paper, we've seen it move. At 55 psi, it exerts about the same loading pressure as a loaded F-350 pickup with camper."

SET UP

The Arctic exploration rig takes only one day of rig up — not the two or three weeks required for conventional rigs — making this rig capable of drilling several exploration wells in a winter season.

Previously, the only reasonable way to drill past 100 miles out of the Prudhoe infrastructure was the modular Rolligon rig, which takes 25 days to put together, 14 days to dismantle and includes 150-180 pieces. In comparison, the Arctic Millennium travels at 10 mph, goes together in 24 hours, and only includes

11 pieces. The Arctic Millennium rig is brand new, not repainted or refurbished — a new rig designed for the Arctic.

AUTOMATION

As the first Arctic rig to be designed entirely in 3D CAD, the programmable logic controlled, high tech design draws together automated features used on various land and offshore rigs over the last two decades. According to the company, the AM Rig integrates this functionality with an advanced computer control system and select technology transfers from other industries, to produce a robust, mobile, automated, and health, safety and environment friendly drilling machine — fit for purpose.

TRIPLE-OPTION POWER SYSTEM

The Arctic Millennium rig can operate with computer-controlled low emission diesel engines, hi-line power, or with a combination of diesel and hi-line power using a motor/generator and the diesel engines together, powering the

hydraulic systems.

HSE friendly

"Global standards of health, safety and environmental excellence are designed into the AM Rig," says Newell.

Health — The Arctic Millennium is the first rig to use a closed tank mud system to reduce the volatile compounds, odors and emissions of today's drilling fluid formulas.

Safety — Automated equipment minimizes rig crew contact with reciprocating and rotating equipment during most routine operations and reduces crew size compared with conventional rigs.

"During normal tripping operations, drill pipe is not handled by a human. This is good," says Perry. "When you combine men and iron people can get hurt. The AM removes a lot of potential for accidents. No more men hanging 90 feet up in the air or throwing heavy wrenches to make connections — 'we're making it as safe as possible by removing unacceptable hazards and letting machines do the hard and dangerous work.'"

Environmental — The Arctic Millennium rig delivers minimal environmental impact. In addition to the Tundra Track® system's low ground loading pressure, the electric drive delivers zero emissions and low acoustic impact. To avoid uncontrolled release, rig liquids are double contained to 110 percent of tank volume and other design elements and have taken waste minimization and pollution prevention into account.



Conrad Perry, NIED Alaska general manager. NIED is seeking to partner with an experienced rig contractor in the Arctic.

Overcoming traditional barriers

"There is a tendency in the industry to resist the automation, a tendency to go with the familiar," cautions Newell, "Kind of an 'If it works, why change it?' attitude, but the automation makes it safer for everyone. It's actually an aide to man. The computer alerts the driller of potential problems and provides checks and balances to human error."

Working this rig requires more technical skills, but according to

NIED, jobs and services won't be eliminated, rather resources will be reallocated and training provided to drilling personnel. Jobs and services will be spread more efficiently so cost per well goes down.

"Drilling in Alaska is not difficult — it's just a logistical nightmare," says Perry. "The Arctic Millennium rig gives operators more opportunity for success."

NIED, however, is not a rig contractor; it is seeking to partner with an experienced rig contractor in the Arctic.

Instead of drilling one site per season, there's now the possibility of from three to five sites, thereby providing more exploration opportunities, more development and more revenues into the state.

"There's more long-term business to go around if Alaska has more discoveries. It's about more bites of the apple," comments Perry. ●

Editor's note: Susan Braund owns Firestar Media Services in Anchorage, Alaska.



Moving the Millennium's power module.

Alaska Telecom: The only name you need to know for remote communications

By SUSAN BRAUND

Petroleum Directory Contributing Writer

Alaska Telecom's story is the stuff of Alaska legends. CEO Lloyd Morris started the fledgling company at his dining room table in Anchorage in 1981 and has built it into a communications company providing technical and wireless communications services around the world, often under demanding logistic and environmental constraints.

Morris, a veteran of the broadcast industry, came to Alaska when satellite communications were changing the face of the state's telecommunications infrastructure.

As the oil industry began to boom in the early '80s Alaska Telecom was instrumental in bringing telecommunication services to Prudhoe Bay and other remote locations.

Years of providing communications in hazardous, remote or otherwise demanding assignments have transcended into international work. The company's crack team of technicians and engineers, sometimes called the communications SWAT team from Alaska, has provided NBC with intricate radio links for the Summer Olympic games in Seoul, Korea, and Barcelona, Spain; an emergency post-war radio system for the Kuwait government reconstruction effort; and various telecommunications systems in Dubai, the South China Sea, Singapore, Mainland China, Indonesia and Azerbaijan. In Alaska, the company regularly installs and maintains communications sites and towers across the state. The company owns some sites and manages others for clients.

Alaska Telecom, according to company materials, is an experienced and progressive company specializing in the engineering, implementation and service of sophisticated communications networks to support public and private needs. COO Martin Stewart says "Our primary goal is to provide our customers with the highest quality communications products and professional services available."

"We're the only name you need to know in remote communications," says Morris, recalling one of his favorite company stories: "On an early project for Shell Oil in Deadhorse, my brother Bill climbed down the 100 foot tower we had just finished constructing after a long cold day, dog tired and chilled to the bone. The Shell company man said chidingly, 'could you move that tower 20 feet to the left?' Bill held back for a moment and replied, 'you just tell us where you want it and get to hell out of the way!' Thank goodness the company man had a good sense of humor! He later told me 'that's what I like about your people, they will do whatever it takes.' The point here is that we listen closely to what is required by our customer and figure out how to provide it."

Services

Engineering services — project management, site surveys, telecommunication systems design, communications path design, equipment evaluation, generations of specifications, emergency response communications plans, systems test and acceptance documentation.

Construction and installation — expertise in logistically supporting construction and installation of the following technologies under difficult and isolated conditions: communications towers, shelters, power generation plants, voice, facsimile and data encryption equipment, navigational aids, terrestrial microwave, cellular and trunked radio networks.

Design and integration — Alaska Telecom has designed, procured, and integrated a variety of complex systems, typically within critically compressed time frames. These systems have consistently provided high quality service with reliable operations. Some systems profiles include: private communications systems for support of remote sites; portable electronics shelters housing com-



Alaska Telecom's V-SAT antenna at remote communications center

munications systems and monitoring equipment; cellular and trunked radio networks, including transportable equipment modules; specialty radio systems, linking for multi-event television broadcasting.

Maintenance and service — Alaska Telecom responds flexibly and rapidly to changing customer requirements, including varying personnel levels and technical specifications.

Strategic Staffing

In the early '80s multiple contractors were used to provide a complete communications system. "In contrast," says Morris, "we had engineers and technicians who could design, construct and turn up and test a total system. Our team had good primary and secondary skills with some level of expertise in multiple areas. Take Joe King, for example; here is a guy who is a master electrician, diesel mechanic and can erect towers and troubleshoot equipment — what more could you ask for? We reasoned if we could put multi-talented people in the field who could handle the necessary tasks, we could cut the number of bodies and also become a central point for solving problems. Our mantra has become 'if you design it, you have to be able to install it, turn it up and make it work!'"

The company is large enough to provide the depth in personnel and resources to implement large-scale projects, yet small enough to efficiently respond and adapt to evolving project parameters and challenging situations.

Continuing their creative approach to staffing, Morris noticed that mountain climbers possess a unique, transferable skill set: ability to climb towers, high safety awareness, knowledge of efficient logistics and field resourcefulness. "Alaska climbers Vern Tejas and Barney Griffith work for us when not climbing," says Morris proudly.

Some shift in skill sets over last 10 years

To some degree over the last 10 years, as bandwidth requirements have grown, the skill sets needed have shifted somewhat, according to CFO Kevin Gray, and now include more familiarity with data/computer technology.

In general, Alaska Telecom is an interesting place to work: "There are lots of challenges, a good atmosphere and we give people broad latitude to make independent decisions," says Gray. "If you're motivated, there's plenty of opportunity and freedom within the job to learn more"

A sign of stability, many of the company's 29 employ-

ees have been there long-term. Morris attributes their longevity to his willingness to accommodate people's real-life needs into their schedules.

"Many of our employees are long in the tooth," he jokes. "Sandy Garvin, an 18-year employee worked a flex schedule when her children were small. Today, she's a driving force and on a first-name basis with many clients, as well as being a wealth of institutional knowledge. It was worth being flexible to meet her needs. It's a two-way street, we recognize priorities in life and the company has to do business, too."

Leveraging logistics

The company's expertise in logistics has been a natural outgrowth of remote projects in demanding conditions.

"We go in totally self-sufficient," says Morris. "You have to be prepared. Supplies are far away, so in-depth planning is necessary. We got good at logistics, and learned a lot of tricks. For instance, we use bright red packing boxes to make our shipment easy to find, always bring extra 'widgets,' and just think logistically. We have identified an efficient way of doing business."

Wireless services

Alaska Telecom is also a service provider for wireless services, providing two-way radio, cellular, paging and e-mail services in Alaska. One communications mini-gem, according to Gray, is the pocket-sized Blackberry. "Just think, wouldn't it be nice to access your e-mails on a pocket-sized device you can carry with you? Research shows that 70 percent of you travel with laptops for e-mail alone. The Blackberry follows you with no hassle, no dialups in hotel rooms, with access in population centers in all 50 states, Puerto Rico and U.S. Virgin Islands. For areas out of service areas, it stores messages for 72 hours and it synchronizes with your computer."

The data service runs \$49.95 a month for unlimited messages and the units cost between \$500 and \$185, depending on screen size. The Blackberry is compatible with two types of e-mail: Microsoft Exchange and pull methods like Yahoo, Hotmail and smaller servers.

Other features include contact lists and calendar; software is also available for spreadsheets.

"It becomes a way to manage your life more efficiently," he comments. "You can respond quickly to important messages, in taxis, airports, at lunch, even stopped in traffic."

Get dialed

Alaska Telecom believes that cellular rate plans should be simple, and they should reflect your lifestyle and needs. The company offers user-friendly rate plans, whether you use a lot of minutes or a few, are a daytime, nighttime, analog or digital user, there's a rate plan to fit your needs.

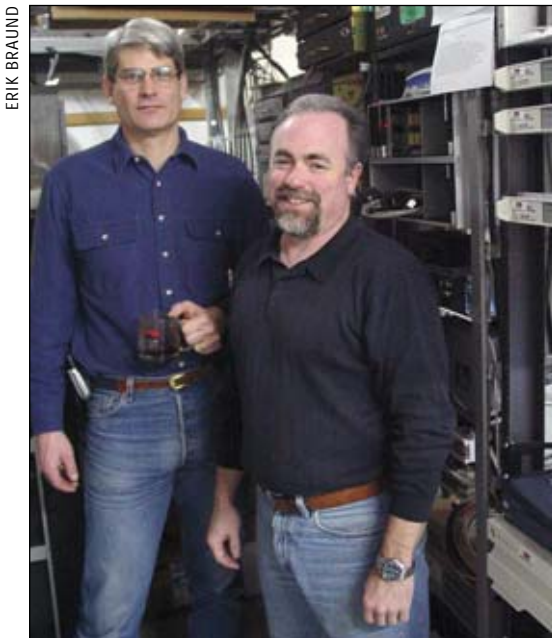
Company ads say it best: "We're flexible to meet your lifestyle. If you can't find what you need, ask us, we might have a plan that fits just you. Now that's customer service! That's Alaska Telecom — come in and get dialed!"

Experience counts

For more than 22 years, Alaska Telecom has operated worldwide, often under demanding logistical and environmental constraints.

"We have developed a well-deserved reputation for quality workmanship, timely response, high standards of safety, and respect for budgetary considerations," adds Gray.

Editor's note: Susan Braund owns Firestar Media Services in Anchorage, Alaska.



Martin Stewart, COO and Kevin Gray, CFO discuss a telecommunication project.

COURTESY ALASKA TELECOM

ERIK BRAUND

COURTESY OF UNITECH



Above, Unitech of Alaska, 2130 East Dimond Boulevard in Anchorage, is a leading distributor of environmental equipment and industrial supplies in Alaska. At right, Unitech's Garrett Miller displays a small, under vehicle containment berm. Miller is a warehouse manager, designer and fabricator.



ERIK BRAUND

Unitech of Alaska

Pallets, pails and pumps, shovels, sand and sorbent, containers, cans and kits — Unitech supplies it all, with a steady stream of good cheer

By SUSAN BRAUND

Petroleum Directory Contributing Writer

Tucked away in the trees at the end of East Dimond Boulevard in Anchorage is Unitech of Alaska, a warehouse bursting at the seams with environmental equipment and industrial supplies. Although there are no little Feng Shui fountains or soothing background music, the atmosphere is, well — it's downright harmonious, thanks to the tight-knit crew that operates the business.

"We've worked hard during the last few years of turmoil to keep things going smoothly and continue building the business, which has brought us close," says General Manager Debbie Hawley. "We're like a family, a little family who takes care of each other, backs each other up — everything a family does."

An Alaska owned and operated company since 1985, Unitech was in a downhill dive after the death of a major shareholder until Don Rogahn, of North Star Wiper and Absorbent, purchased it in April 2001.

"Now we're doing great! Don saved the company, paid off old debts and renewed contracts," says Hawley. "He's been in the industry for 35 years and has holdings all across the country. With his help we have stabilized and added lines, especially in sampling and filtration supplies."

Unitech operates with staff of four

Once a 14-employee company, it now operates efficiently with four knowledgeable staff members: Hawley; Curly Arndt, sales manager; Dave Herrell, outside sales representative; and Garrett Miller, warehouse manager/custom designer.



Unitech's Dave Herrell and Debbie Hawley in front of a bright yellow equipment shelter, one of the company's many field products.

Dave and Curly are an ideal sales duo: Dave is a former environmental business owner and Curly, a company veteran, has been called a "walking catalog." From her office in the depths of the warehouse, Debbie runs a tight ship and dispenses good cheer. Garrett, an employee for seven and a half years, designs and fabricates custom containment berms and spill kits and liners from geotextiles that protect the ground under tanks and vehicles. Unitech also fabricates custom filtration systems.

Trained in oil spill response and hazardous material handling and response, the staff is often called upon to consult and problem solve with clients to determine the best approach to cleanup or remediation challenges.

Of course, with such a compact crew, there are always "other duties as assigned." That's where the cheerful part comes in handy.

Solid service

"We put the customer first, by providing attentive customer service, which obviously keeps people coming back. We're a one-stop shop available 24 hours a day," says Hawley. "We always have somebody on call after hours. Once, to help a customer make a deadline, we got the order ready, staged it, and would have

even had it delivered for them if we needed to — we really do go the extra mile!"

Products

Unitech is now the leading supplier of environmental cleanup and remediation products in the state, with products from more than 100 companies.

"And, we're always on the lookout for new products that help our customers," says Herrell.

Unitech has a large inventory of spill control products, from spill containment through proper disposal packaging — the support supplies it takes to keep the oil industry running — from rags, bags and booms to a myriad of cans, containers and spill kits. Turning a corner in the warehouse or a page in the catalog reveals tents and tanks, pallets, pails and pumps, shovels, sand and sorbent — lots and lots of sorbent. — in boom, pad or roll form.

Unitech supplies sorbent products not only to the oil companies, but also to federal, local and state government agencies and the private sector, and has become the largest sorbent distributor in Alaska and is the only authorized distributor in the Pacific Northwest for the Oily Waste Bag, which handles dirty sorbents.

As an example of their diverse products and sizes, Hawley and Miller animatedly explain that they also supply zipper-lock-type bags for Jerky Jim's Alaskan Homemade Beef Jerky — a shop favorite.

Winter doesn't pass unnoticed around this Alaska warehouse, for sure. Unitech goes through four truckloads, or 296,000 pounds of Snow 'n Ice, an environmentally friendly form of ice melter popular with management companies, hospitals and other public facilities.

Fair pricing

The company wants to outgrow its current location according to Hawley, "that would mean we are growing and doing well!"

Right now, however, pricing is everything. "We've taken so many hits from vendors on the price increases. Last years hikes were everywhere — steel, shipping, fuel — so the cost of doing business went up, she reports with concern. "It was horrible; we could not maintain a 90-day pricing list. There was a 47 percent increase due to economic sanctions and conditions in the country. We've had to raise our prices by 10 percent. Of course our customers were not happy, but they understood and know that if our prices go down, we pass it on. We want to keep our customers by providing the best price, the best product and the best service." ●

Editor's note: Susan Braund owns Firestar Media Services in Anchorage, Alaska.

ERIK BRAUND



Collection of Unitech cans — a myriad of sizes of cans are available for environmental sampling and other purposes.

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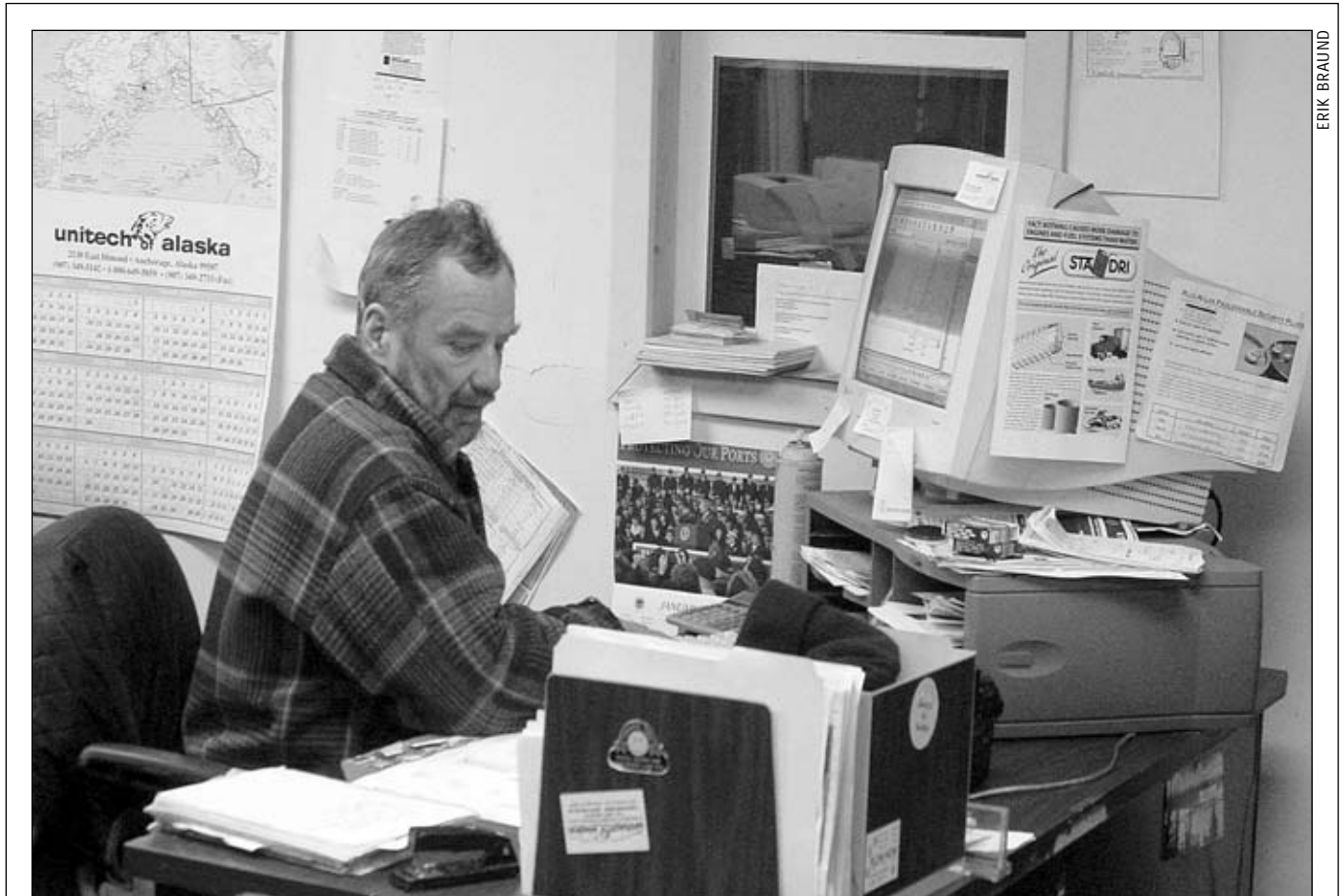
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MEDC design, manufacture and sell a range of UL/CENELEC approved field devices for fire & gas and communications systems for use in potentially explosive atmospheres.

PSI Environmental & Instrumentation

1611 E. 1st Ave.
Anchorage, AK 99501
Phone: (907) 272-8010
Fax: (907) 272-9005
Soldotna office:
36275 Kenai Spur Hwy, Ste. 2
Soldotna, AK 99669
Phone: (907) 260-5725
Fax: (907) 260-5730
Email: info@psienv.com
Website: www.psienv.com
PSI is your local supplier for gas detection equipment and supplies. We carry portable and fixed systems available for purchase or rent and calibration gases at very competitive rates.

Unitech of Alaska

2130 E. Dimond Blvd.
Anchorage, AK 99507
Contact: Debbie Hawley
Phone: (907) 349-5142
Phone: (800) 649-5859
Fax: (907) 349-2733
Email: unitech@alaska.com
Other Office:
Unitech Southeast
Contact: Bob Bacolas
Phone: (907) 790-4439
Fax: (907) 790-4469
Email: unitech@gci.net
UOA is Alaska's only 24-hour oil spill remediation, environmental and industrial supply company. Specialty areas include sorbents, geotextile, containment berms, drums and ice melt.

Well Safe Inc.

209 E. 51st Ave.
Anchorage, AK 99503
Contact: Ken Carroll, district mgr.
Phone: (907) 743-9871
Fax: (907) 743-9872
Email: kcarroll@wellsafe.com
Web site: www.wellsafe.com
A full service safety company specializing in remote medical support, expeditions, confined space rescue teams, H2S and safety consultants, OSHA training and rental/sales of gas detection and breathing air systems.

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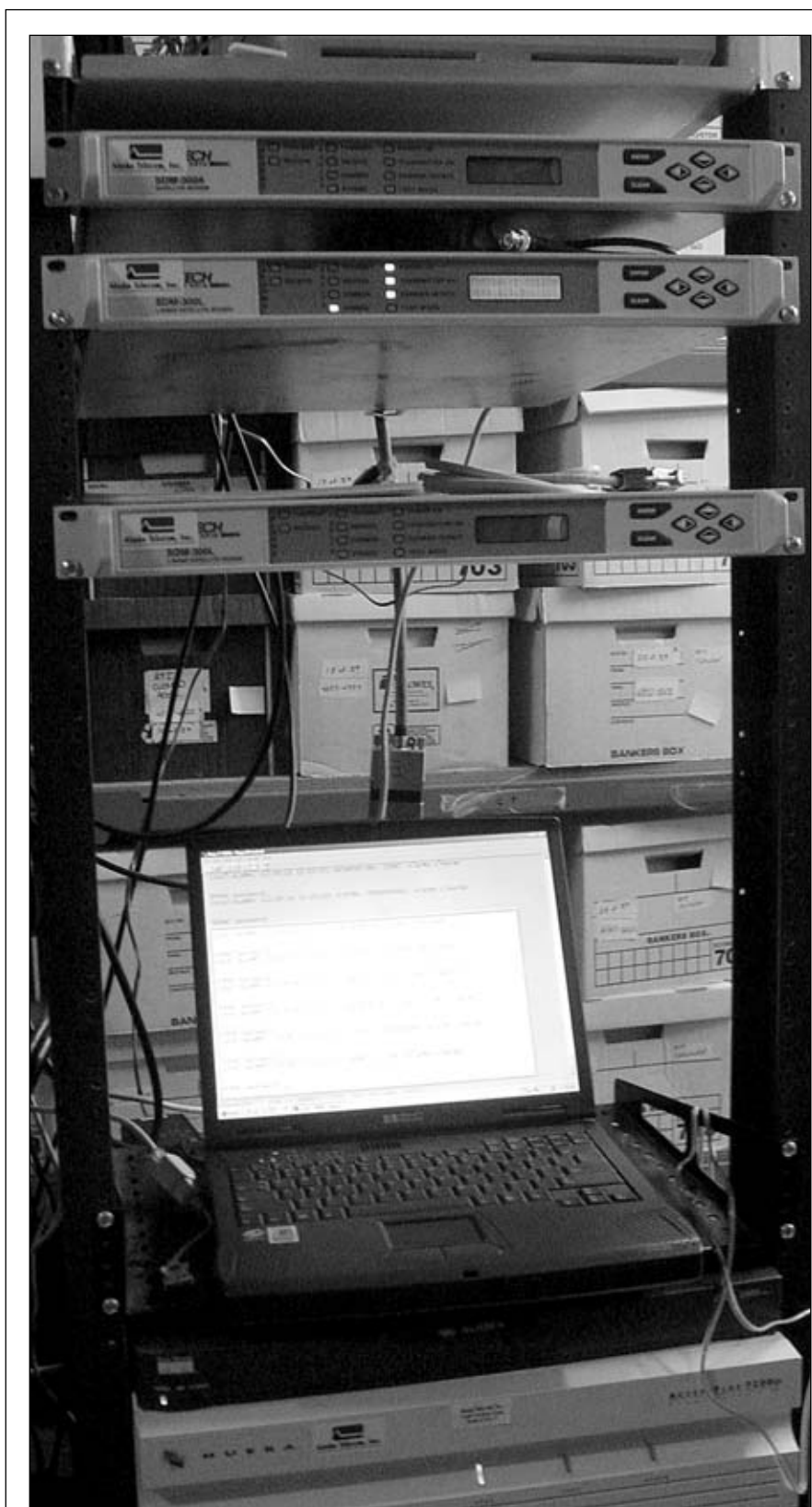
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5761 Silverado Way, Ste P
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Contact: Rick MacMillan
Phone: (907) 562-5588
Fax: (907) 562-5898
Email: rickkac@aol.com

Seismic & Geophysical

Hunter 3-D

9898 Bissonnet St., Ste. 362
Houston, TX 77036
Contact: Dan Huston, vice president
Phone: (713) 981-4650
Fax: (713) 981-4650
Email: hunter3d@wt.net
Web site: www.hunter3dinc.com



A V-SAT system testbed, Alaska Telecom. The system is tested at both ends before deployment to a remote location. See the company profile on page C13.

Hunter 3-D is a geophysical consulting company based in Houston, Texas. We interpret seismic, gravity and magnetic data for projects in Alaska and worldwide.

Kuukpik/Veritas

2000 E. 88th Ave.
Anchorage, AK 99507
Contact: Jeff Hastings
Phone: (907) 258-3446
Fax: (907) 279-5740
Email: Jeff_Hastings@VeritasDGC.com

PGS Onshore

341 W. Tudor Rd., Ste. 206
Anchorage, AK 99503
Contact: Larry Watt, Alaska area mgr.
Phone: (907) 569-4049
Fax: (907) 569-4047
Email: larry.watt@pgsonshore.com
Houston Office
738 Hwy 6 South, Ste 900
Houston, TX 77079
Contact: Gehrig Schultz
Phone: (281) 589-6732
Fax: (281) 589-6685
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Fax: (907) 777-1515
Email: llangla@capital-office.com
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Steel Fabrication

Peak Oilfield Service

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Anchorage, AK 99503
Contact: Bill Stamps, business development/ex. affairs
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Fax: (907) 263-7070
Email: billstamps@peakalaska.com
Web site: www.peakalaska.com
Alaska based general contractors.

STEELFAB

2132 Railroad Ave.

Anchorage, AK 99501
Contact: Janet Faulkner, vice president
Phone: (907) 264-2819
Fax: (907) 276-3448
Email: jfaulkner@steelfabak.com
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Contact: Mike Huston, V.P.
Phone: (907) 276-2858
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P.O. Box 8349
Nikiski, AK 99635
Phone: (907) 776-5185
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Phone: (907) 264-2819
Fax: (907) 276-3448
Email: jfaulkner@steelfabak.com
STEELFAB is the largest Alaskan-owned steel service center in the state. It provides pressure vessels, modules, special design items and raw steel products.

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ASTAC/fm, a division of ASTAC

4300 B St., Ste. 501
Anchorage, AK 99503
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Phone: (907) 563-3989
Phone: 1-800-478-6409
Fax: (907) 563-1932
Email: don@astac.net
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139 E. 51st Ave.
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Contact: Richard Rearick, architectural mgr.
Contact: Willey Wilhelm, engineering mgr.
Contact: Tony Hoffman, survey mgr.
Phone: (907) 273-1830
Phone: (800) 955-1830
Fax: (907) 273-1831
Email: lcmfanch@alaska.net
Other Offices:
Barrow: (800) 478-8213
Email: ktoovak@lcmf.com
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E-mail: csavage@lounsburyinc.com

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Contact: Jim Sawhill, vp
Email: jsawhill@lounsburyinc.com
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Website: www.lounsburyinc.com
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Hay River, NWT X0E0R9
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Fax: (907) 263-7083
Email: tnelson@citci.com
Web site: www.alaskapeople.com
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Anchorage, AK 99518
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Fax: (907) 279-8430
Email: ggardner@calistacorp.com
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Fax: (907) 743-9872
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American Marine svc. group
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Fax: (907) 562-5426
Email: alaska@amsghq.com
Web site: www.amsghq.com
American Marine Corp. provides full service marine construction and diving services throughout Alaska and the Pacific Basin.

Offshore Divers
5630 Silverado Way, A-9
Anchorage, AK 99518
Contact: Don Ingraham, owner/mgr.
Contact: Leif Simcox, owner/operations mgr.
Phone: (907) 563-9060
Fax: (907) 563-9061
Email: don@offshoredivers.com
Web site: http://www.offshoredivers.com
Offshore Divers is an Alaska owned diving contractor specializing in sub-sea oilfield work on mooring systems, pipelines, platforms and docks in Cook Inlet, on the North Slope and in Valdez.

Storm Chasers Marine Services
P.O. Box 757
Seward, AK 99664
Contact: Mica Van Buskirk
Phone: (907) 224-3536
Fax: (907) 224-6080
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American Marine svc. group
Phone: (907) 562-5420
Fax: (907) 562-5426
Email: alaska@amsghq.com
Web site: www.amsghq.com
American Marine Corp. provides full service marine construction and diving services throughout Alaska and the Pacific Basin.

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Anchorage, AK 99518
Contact: Don Ingraham, owner/mgr.
Contact: Leif Simcox, owner/operations mgr.
Phone: (907) 563-9060
Fax: (907) 563-9061
Email: don@offshoredivers.com
Web site: http://www.offshoredivers.com
Offshore Divers is an Alaska owned diving contractor specializing in sub-sea oilfield work on mooring systems, pipelines, platforms and docks in Cook Inlet, on the North Slope and in Valdez.

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Phone: (800) 478-0602
Fax: (907) 258-6639
Email: parts@kenworthalaska.com
Email: sales@kenworthalaska.com

Website: www.kenworthalaska.com
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Fax: (907) 450-4007
Email: fleetsales@seekins.com
Website: www.seekins.com
Ford Lincoln Mercury dealer located in Fairbanks Alaska providing solutions to your transportation needs. Parts and service support in Fairbanks and Prudhoe Bay.

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Nikiski office:
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Nikiski, AK 99635
Phone: (907) 776-5185
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Natco Group engineers, designs and manufactures process, wellhead and water treatment equipment and systems used in the production of oil and gas worldwide.

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Fax: (907) 265-1502

Evergreen Resources Alaska
P.O. Box 871845
1075 Check St., Ste. 202
Wasilla, AK 99687
Contact: Corri Feige, consulting geophysicist
Phone: (907) 357-8130
Fax: (907) 357-8340
Email: corrif@EvergreenGas.com
Web site: www.EvergreenGas.com
Evergreen Resources Alaska, a wholly owned subsidiary of Evergreen Resources Inc. (NYSE:EVG), is an independent energy company specializing in exploration and development of unconventional natural gas.

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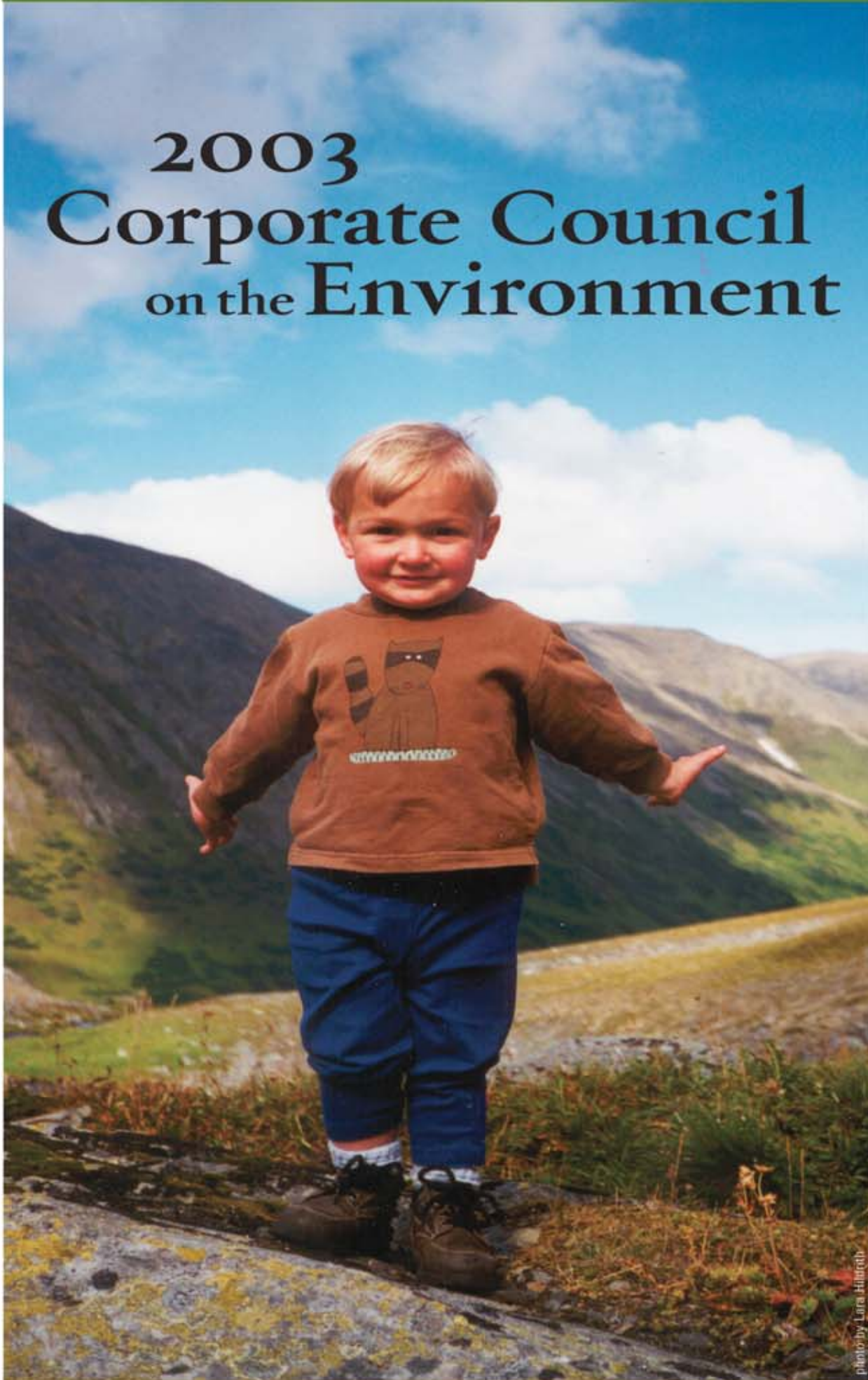
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3201 C St., Ste 800
Anchorage, AK 99503
Contact: John A. Barnes, regional mgr.
Phone: (907) 561-5311
Fax: (907) 564-6489
Website: www.marathon.com

Unocal Alaska
909 W. 9th Ave.
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ONLINE: nature.org/alaska
EMAIL: alaska@tnc.org

photo by Lara Hiltz

company snapshots

COURTESY OF NANA/COLT



Above, staff on site to assist the construction crew during installation of new Prudhoe Bay WRD facilities that were engineered and designed by NANA/Colt. At right, The Arctic Millennium's Tundra Track exerts only 55 psi loading pressure on the tundra. The track-mounted rig can deliver cost effective and technologically superior drilling capabilities to remote locations.



COURTESY OF NIED LLC



COURTESY OF ALASKA TELECOM

A tower rigger at an Alaska Telecom communications site in Deadhorse.

COURTESY OF CHIULISTA CAMP SERVICES



Chiulista Camp Services employee Edward Sakar of Crooked Creek working as a geologic technician studying drill core samples at Donlin Creek.

ERIK BRAUND



COURTESY OF NANA/COLT



Above, Unitech warehouse manager, designer and fabricator Garrett Miller pulls yards of textile for custom cutting into a tank liner or containment berm. The company also makes other custom items like motorcycle seat and barbecue covers. At left, NANA/Colt's Todd Smith and Tom Stapleford review the layout for a new satellite drill site.