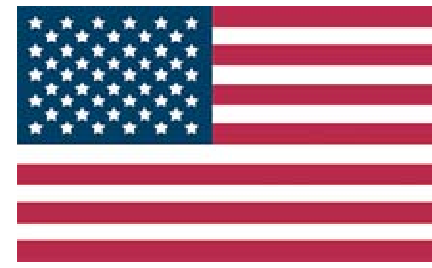
NEW CLASSIFIEDS SECTION INSIDE

PETROLEUM NEWS ALASKA



"It is the mark of an educated mind to be able to entertain a thought without accepting it."

—ARISTOTLE

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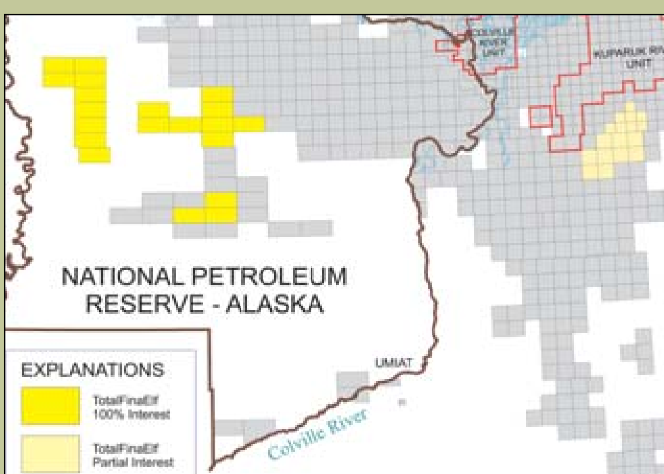
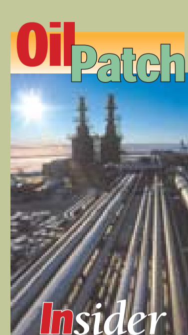
TotalFinaElf: Bidding to win



Last week Petroleum News • Alaska carried three articles related to the June 3 oil and gas lease sale in the National Petroleum Reserve-Alaska, including two stories about the high bidder,TotalFinaElf. One article included a map of TotalFinaElf's acreage prior to the Bureau of Land Management's NPR-A sale. This week, Mapmakers Alaska has released a map showing all of TotalFinaElf acreage on the North Slope, including the leases it picked up at the NPR-A sale. See page 10 of this issue.

Hepworth named author of PNA's new Oil Patch Insider column



Wadeen Hepworth has been selected by Petroleum News • Alaska to write its new Oil Patch Insider column, which appears on page 5 of this issue.

Until recently, Hepworth served as assistant to PNA's publisher, Kay Cashman. She was promoted to columnist based on her experience at PNA and her 21 years in freight sales and management at the Alaska Railroad.

"She's natural news gatherer; plus Wadeen knows a lot about the oil patch from her time at the railroad, which included the years the trans-Alaska oil pipeline was under construction," Cashman said.

The first Oil Patch Insider carries a combination of news, chitchat and speculation, including a prediction of a 30 percent increase in rig activity in the next 270 days; an announcement of an ARCO retirees barbecue; details about a new business in Kenai that cleans pipe protectors; and the latest about Becky Gay, Laurie Gray, Craig Tornga, Jim McHale and others.

NPR-A lease sale allows exploration momentum to continue westward

No development plans are on the table after the June 3 Bureau of Land Management's National Petroleum Reserve-Alaska lease sale, but Anadarko Petroleum Corp., which bid with Phillips Alaska Inc., said the acreage will allow exploration momentum to continue to the west. Anadarko's share of the combined $9.6 million in bids was $2.7 million and the 34 tracts the companies acquired cover more than 282,000 gross acres. With the new acreage, Anadarko's net leasehold in NPR-A will total 277,500 acres.

Anadarko said the tracts are primarily west of the companies' Moose's Tooth discovery.

see ANADARKO page 9

I N S I D E

■ EXPLORATION & PRODUCTION

Headed to the Beaufort

Armstrong Resources tells state it will drill as many as three wells from ice pads on the Beaufort Sea south of Thetis Island next winter

By Kristen Nelson
PNA Editor-in-Chief

A new player, independent Armstrong Resources LLC of Denver, Colo., has begun permitting discussions with the state to drill as many as three wells in the Beaufort Sea next winter.

The Armstrong oil and gas leases are offshore north and west of the Kuparuk River unit.

The company plans to drill on its acreage south and west of Thetis Island. Access will be by sea ice roads from the Oliktok Point dock.

Plans are to plug and abandon all wells prior to March 15, based on a Jan. 20 spud date at the first location.

Ice road construction would begin at the Oliktok

see ARMSTRONG page 11

Focus on Exploration

Ed Kerr

Ed Kerr, vice president of land and business development for Armstrong Oil & Gas Inc., told PNA after last October's state Beaufort Sea areawide oil and gas lease sale that the Denver independent is a privately held company formed about 15 years ago by the company's president, Bill Armstrong, a geologist by training.

see COMPANY page 11

■ MINING

More money sought for Healy power plant retrofit

Up to $125 million from DOE pending to replace experimental equipment

By Patricia Jones
PNA Contributing Writer

State and federal funds have poured nearly $300 million into an experimental design for a coal power plant in Healy, yet the facility sits idle while its owners scramble for more money to install conventional technology.

The Healy Clean Coal Project, designed to produce 50 megawatts of electricity a day for the Interior Alaska power grid, has not operated since January

see PLANT page 19

Alaska Industrial Development and Export Authority

The one-of-a-kind Healy Clean Coal Project, designed to produce 50 megawatts of electricity a day for the Interior Alaska power grid, has not operated since January 2000.

■ WORLD OIL

Canada's energy Eldorado could solve U.S. energy deficit, despite soaring costs

Talk of up to 10 million barrels per day tempered by capacity to build the projects, worries about greenhouse gas emissions; but 2 million barrels seen as realistic

By Gary Park
PNA Canadian Correspondent

"It takes a lot of staying power," ruefully remarked Neil Carmata, Shell Canada Ltd.'s senior vice president of oil sands.

He knows of what he speaks, having faced the wrath of employers and shareholders over a C$1.4 billion increase in the budgeted cost of Shell Canada's C$5.2 billion Athabasca project in northern Alberta.

"You ain't lived until you have had to tell some guys in The Hague (Royal Dutch/Shell's headquarters in the Netherlands) that you are 33 percent over budget," Carmata recalled at a recent conference.

The third of Alberta's big-scale oil sands ventures, Athabasca is due to come on stream at 150,000 barrels per day later this year.

The same Shell-led partnership, that includes Chevron Resources Canada Ltd. and Western Oil Sands Inc. with 20 percent stakes each, also has visions of growing to 540,000 barrels per day over the next decade.

see ENERGY page 12

1 2 3 SERIES

In this final part of a three-part series, Taking Canada's Energy Pulse, Petroleum News • Alaska correspondent Gary Park looks at the challenges and rewards of unlocking the vast potential of Alberta's oil sands, 35 years after the first commercial-scale project was brought on line.

Alaska Rig Report

North Slope - Onshore

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
Doyon Drilling			
Dreco 1250 UE	14 (SCR/TD)	W-203, W-Pad Tri-Lateral	BP
Sky Top Brewster NE-12	15 (SCR/TD)	Idle, Endicott Is.	BP
Dreco 1000 UE	16 (SCR)	Stacked, workover/sidetrack rig crews still warm	Available
Dreco D2000 UEBD	19 (SCR/TD)	CD2-48 Production drilling at Alpine	Phillips
OIME 2000	141 (SCR/TD)	Milne Point, S-Pad drilling on MPS-27, multi-lateral wells	BP
Nabors Alaska Drilling			
Trans-ocean rig	CDR-1 (CT)	Stacked, Prudhoe Bay	Available
Dreco 1000 UE	2-ES (SCR)	Prudhoe Bay, D-22B	BP
Mid-Continent U36A	3-S	Stacked, Prudhoe Bay	BP
Oilwell 700 E	4-ES (SCR)	Warm stacked, Milne Point	BP
(*Not Available*)	7-ES	Being repaired, under contract	BP
Dreco 1000 UE	9-ES (SCR/TD)	Prudhoe Bay, L-109	BP
Oilwell 2000 Hercules	14-E (SCR)	Stacked, Prudhoe Bay	Anadarko
Oilwell 2000 Hercules	16-E (SCR/TD)	Stacked, Teshekpuk Lake	Phillips
Oilwell 2000	17-E (SCR/TD)	Stacked, Point McIntyre	Available
Emsco Electro-hoist -2	18-E (SCR)	Stacked, Deadhorse	Available
OIME 1000	19-E (SCR)	Stacked, Deadhorse	Available
Emsco Electro-hoist Varco TDS3	22-E (SCR/TD)	Stacked, Milne Point	Available
Emsco Electro-hoist Canrig 1050E	27-E (SCR/TD)	Prudhoe Bay, PSI-6	BP
Emsco Electro-hoist	28-E (SCR)	Stacked, Deadhorse	Available
OIME 2000	245-E	Kuparuk, 1D-103	Phillips
Nordic Calista Services			
Superior 700 UE	1 (SCR/TD)	Kuparuk, moved to DS-15 well 31A	Phillips
Superior 700 UE	2 (SCR)	Moved to Prudhoe to start conversion to Coil Tubing	Pending, BP
Ideco 900	3 (SCR/TD)	Moved to 2P-427, Meltwater	Phillips

North Slope - Offshore

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
Nabors Alaska Drilling			
Oilwell 2000	33-E (SCR/TD)	Northstar Is., NS-12	BP

Cook Inlet Basin – Onshore

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
Marathon Oil Co. (Inlet Drilling Alaska labor contractor)			
Taylor	Glacier 1	GD 1, Susan Dionne 3	Marathon
Inlet Drilling Alaska/Cooper Construction			
Kremco 750	CC-1	Stacked	Available
Nabors Alaska Drilling			
Rigmasters 850	129	Released, stacked in Anchor Point	Available
National 110 UE	160 (SCR)	Stacked, Kenai	Available
Continental Emsco E3000	273	Stacked	Phillips

Cook Inlet Basin – Offshore

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
XTO Energy (Inlet Drilling Alaska labor contract)			
National 1320	A	Idle/Middle Ground Shoal	XTO Energy
National 110	C	Middle Ground Shoal, platform C, well C24A-23 LN, Spud June 10	XTO Energy
Nabors Alaska Drilling			
IDECO 2100 E	429 (SCR)	Redoubt Shoal #4	Forest Oil
Unocal (Nabors Alaska Drilling labor contractor)			
Oilwell 2000 E		Steelhead Platform, Idle	Unocal
National 1320 OUE	54	Actively drilling G-12RD3	Unocal
National 1320 OUE	55	Idle	Unocal
Oilwell 860	56	Idle, Monopod Platform	Unocal
Draw works removed	57	Idle, Granite Point Platform	Unocal
National 1320 UE	58A	Idle, King Salmon Platform	Unocal
Draw works removed	58B	Idle, Granite Point Platform	Unocal
OIME SD8M	60	Idle, Bruce Platform	Unocal
National 1320 OUE	76	Idle, Dolly Varden Platform	Unocal
National 1320 OUE	77	Idle, Dolly Varden Platform	Unocal
IDECO 2100 E (Unocal's only mobile rig)	428	Stacked, Baker platform, northern most platform in Middle Ground Shoal	Available

Bering Sea-Port Clarence

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
Fairweather			
Dreco 147	SDC	Stacked, Port Clarence	EnCana

Mackenzie Delta-Onshore

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
Akita Equtak			
Rigmaster E-1500	60 (SCR/TD)	Stacked, Swimming Point, NT	Petro-Canada
Dreco 1250 UE	63 (SCR/TD)	Stacked at Tuktoyaktuk	Devon ARL Corp.

The Alaska Rig Report as of June 11, 2002.
Active drilling companies only listed.

TD = rigs equipped with top drive units WO = workover operations
CT = coiled tubing operation SCR = electric rig

This rig report was prepared by Wadeen Hepworth

Photo courtesy XTO Energy, Inc.

Baker Hughes North America rotary rig counts*

	June 7	May 31	Year Ago
US	847	854	1264
Canada	180	164	275
Gulf	108	109	161

Highest/Lowest

US/Highest	4530	December 1981
US/Lowest	488	April 1999
Canada/Highest	558	January 2000
Canada/Lowest	29	April 1992

*Issued by Baker Hughes since 1944

Rig start-ups expected in next 6 months

Nordic Calista

Rig 2 (SCR) — Stacked at Kuparuk, will be converted to CT unit in JV with Schlumberger, similar to NC #1 JV. Start-up expected September, at an unknown location.

Unocal (Nabors Alaska Drilling labor contractor)

Rig 76 — Idle/Dolly Varden platform, start-up mid 3rd quarter.
Rig 77 — Idle/Dolly Varden platform, start-up mid 3rd quarter.
Rig 129 — Start at Swanson River mid-June on KGSF-1.
Rig 56 — Start in mid-June on A-29RD following completion of G-12RD3 redrill.

Fairweather

SDC — Undergoing re-activation, Port Clarence, MODU will be moved by Fairweather to EnCana McCovey prospect north of Prudhoe Bay in Beaufort Sea in August. Drilling expected to begin in November for EnCana.

Akita Equtak — No other start-ups in the next six months.

XTO (Inlet Drilling Alaska labor contract)

Rig C — In August, the rig on XTO Platform C will be shut down and the one on XTO Platform A activated.

The Alaska Rig Report is sponsored by:

XTO Energy, Inc.

XTO ENERGY

PIPELINES & DOWNSTREAM

Burden promoted, moves to Texas; Cason new Tesoro Alaska president

Last week, Gene Burden officially stepped down as president of Tesoro Alaska and Rodney Cason, Tesoro's refinery manager at Kenai, took his place as president of the company.

"What's happened in Alaska is consistent with what Tesoro is doing system-wide," Cason told PNA and in a June 12 interview. "The intent of the company for some time has been to make the president of the region and the refinery manager the same person."

Four of Tesoro's six refinery managers have taken over as regional presidents, he said. Cason has been with the company since 1976 and been in management since 1986. His entire 26 years with Tesoro has been in Alaska.

Cason moved to Alaska from San Angelo, Texas, in 1976 with his father, intending to teach school in the state but got a job with Tesoro before the school year began and stayed with the company. Cason will continue to be based in Kenai and plans to visit the Anchorage office, the company's retail headquarters for the state, approximately once a week. He plans no major changes for Tesoro's operations in Alaska.

After a vacation in Paris, Gene Burden has landed in San Antonio. When PNA spoke to him on June 10, he wasn't certain of his new title but he said he has been promoted to head Tesoro's system-wide human resources department, including labor relations for its six refineries, five of which have labor contracts.

"I will be responsible for all the company's conventional human resource activities and government relations, both federal and state," he said. "I will still have a lot of interactions with the state of Alaska in my new position … and be up there from time to time. … I feel more at home there than any place I have ever lived. In a few more years I expect to land up with a cabin in Alaska — at least for summer months."

It has been 18 years since Burden moved from Texas to Alaska.

—Kay Cashman

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ARCTIC GAS

Bush advisers don't like gas line measures in energy bill

White House advisers oppose a provision in the energy bill that mandates an Alaska route for a North Slope natural gas pipeline.

A 17-page White House analysis of the bill, with views from two dozen agencies, also finds fault with a $20 million Alaska job-training program inserted into the bill by Sen. Frank Murkowski. A White House spokeswoman said the document contains only "staff-level technical comments."

"They don't necessarily reflect the administration's positions," said Claire Buchan.

Both the House and Senate version of the energy bill would require a North Slope gas pipeline to go south into the Alaska Interior before crossing into Canada.

But banning an "over-the-top" route into the Canadian Arctic may prevent builders from choosing the most cost-effective project, two White House agencies say, echoing the position of Alaska's major oil producers.

The White House's support for gas line construction is officially "route neutral," Buchan said.

—The Associated Press

■ GOVERNMENT

Governor signs SB 371, also requires regulations

By Kristen Nelson
PNA Editor-in-Chief

Gov. Tony Knowles signed Senate Bill 371 June 7, allowing exclusion of general and nationwide permitted activities from project consistency reviews.

The exclusion is a response to the recent Alaska Supreme Court decision in Cook Inlet Keeper v. State of Alaska, a dispute over disposal of mud and cuttings from exploration activities at the Osprey platform.

SB 371 clarifies, the governor said in his transmittal letter, that under the Alaska Coastal Management Program the coordinating agency has the discretion to exclude from project review activities permitted under general and nationwide permits.

Knowles says clarification needed

The governor said the clarification was necessary "because the implications of the court decision on the state's permitting system go far beyond the subject matter of this particular case. It could jeopardize oil and gas permits as well as other resource development activities."

But the governor also said he believes the court "raised a good point regarding the need in certain circumstances to review generally permitted activities in the context of a particular project. Such a review is not necessary in all instances," he said, "but is appropriate where there is a significant project involving multiple state or federal permits."

> ***Therriault … "hopes to pull together a working group made up of the regulators, the regulated and the conservation community to look at how we can streamline the process without compromising environmental protections."***

Discretion required

The governor said that in conjunction with signing SB 371, he is requesting the Coastal Policy Council to require the Division of Governmental Coordination "to include activities covered by a general or nationwide permit within the scope of review for projects that require a DGC coordinated review."

Generally permitted activities will be considered for "significant projects requiring multiple state or federal permits," Knowles said, but "other projects requiring permits from just a single state agency do not have to undergo this additional consideration."

Pat Galvin, director of the Division of Governmental Coordination, told PNA June 11 that SB 371 "gives the coordinating

see SB 371 page 6

PIPELINES & DOWNSTREAM

RCA schedules Kenai-Kachemak pipeline hearing for July 23

The Regulatory Commission of Alaska has closed the docket on the original Kenai Kachemak Pipeline application for a line from Kenai to Anchor Point and set a hearing for the new application for the 33 mile line from Kenai to Ninilchik.

The pipeline plan was revised to the shorter line in April after Unocal Alaska reported it failed to find commercial quantities of natural gas on the southern Kenai Peninsula.

The new application for a certificate of public convenience and necessity was filed May 16. The commission has set a hearing on the application for July 23 at 8:30 a.m. and appointed Janis Wilson as administrative law judge to conduct the proceedings.

ExxonMobil seeking reduced punitive damage award in Valdez case

Exxon Mobil Corp. asked a federal district court in Anchorage to reduce a $5 billion punitive damage award levied against it resulting from the 1989 Exxon Valdez oil spill to no more than $40 million.

ExxonMobil spokesman Tom Cirigliano said June 12 that the company is following up on a decision by a panel of the 9th U.S. Circuit Court of Appeals last November.

The appeals court panel found that the $5 billion awarded by an Anchorage jury in 1994 to commercial fishermen, Alaska Natives, property owners and others harmed by the spill was excessive. It ordered the Anchorage court to reduce the award.

ExxonMobil said that the punitive damages should be $25 million, the amount of the fine imposed by the government, and shouldn't exceed $40 million, or twice the compensatory damages awarded to private plaintiffs.

ExxonMobil said it paid $300 million to more than 11,000 Alaskans and businesses soon after the spill. It also paid $2.2 billion on the cleanup from 1989 to 1992, when the state and the Coast Guard declared it was complete and $1 billion in settlements with the state of Alaska and the federal government.

—The Associated Press

FINANCE & ECONOMY

BARTLESVILLE

Phillips' Chairman, CEO Mulva honored by industry peers

James J. Mulva, chairman and CEO of Phillips Petroleum Co., has been named the 2002 Petroleum Executive of the Year. He was nominated and selected for the honor by his peers in the international oil and natural gas industry.

James J. Mulva, Phillips chairman and CEO

Mulva will receive the award at a special ceremony during the 23rd annual Oil and Money Conference Nov. 5 in London. The conference is co-hosted by the Energy Intelligence Group and the International Herald Tribune.

Tom Wallin, president of EIG, says Mulva was chosen for the award in recognition of the aggressive steps he has taken to grow Phillips and position it to compete long-term in an increasingly difficult business environment. Since Mulva became CEO in 1999, Phillips' asset base has grown from $15 billion to one that will exceed $75 billion when the company's merger with Conoco is completed later this year.

Phillips' growth came through a series of strategic transactions. Through two joint ventures, the company created the premier midstream business in the United States and established one of the largest chemicals companies in the world. These were followed by two major acquisitions — the purchase of ARCO's Alaska business and Tosco's refining and marketing assets.

BP's Browne on selection committee

These transactions set the stage for Phillips' most important move, its merger with Conoco. Expected to be completed in the second half of the year, the merger will create ConocoPhillips, the sixth-largest energy company in the world, based on reserves, and the fifth-largest global refining and marketing company.

The selection committee for the Petroleum Executive of the Year Award included Sir John Browne, group chief executive of BP; Thierry Desmarest, chairman and CEO of TotalFinaElf; Luis E. Giusti, senior advisor at the Center for Strategic and International Studies; Vittorio Mincato, CEO of ENI; Sir Mark Moody-Stuart, former chairman and managing director of Royal Dutch/Shell; Masahisa Naitoh, vice chairman of Itochu Corp.; and Nader H. Sultan, deputy chairman and CEO of Kuwait Petroleum Corp.

Past recipients include Moody-Stuart in 2001, Desmarest in 2000, Lucio Noto, former vice chairman of ExxonMobil, in 1999, Giusti in 1998, and Browne in 1997.

■ WASHINGTON, D.C.

OPEC crude oil basket price above $22 per barrel for third consecutive month

Natural gas wellhead price is projected to be approximately $2.90 per thousand cubic feet for 2002, compared to $4.10 per mcf in 2001; gas storage levels are still above the five-year average

By Petroleum News • Alaska

May marked the third consecutive month that the Organization of Petroleum Exporting Countries' basket price averaged above $22 per barrel, the lower end of the organization's target range, the U.S. Department of Energy's Energy Information Administration said June 7 in its short-term energy outlook.

The EIA said the OPEC basket price has been above $22 per barrel since March 8, and is projected to remain within the target range throughout June, with prices rising at end-2002 and early 2003 before declining again in mid-2003. West Texas Intermediate was almost $1 per barrel higher in May than in April, averaging $27.04 per barrel.

Gas wellhead projected at $2.90 an mcf

In U.S. natural gas markets, the EIA said it projects the annual average natural gas wellhead price to be approximately $2.90 per thousand cubic feet for 2002, compared to about $4.10 per mcf last year.

In 2003 the EIA expects a return to more normal (lower) levels of gas in storage, continuing economic growth and rising crude oil prices should drive natural gas wellhead prices higher, probably into the range of $3.20-$3.30 per mcf.

The EIA noted that natural gas prices are higher now than they were in February, during the height of the winter and said it is atypical to see spot natural gas prices higher in the cooling season than during the heating season.

Moreover, the agency said, working gas in underground storage has remained at exceptionally high levels for the past several months.

The EIA natural gas storage report of June 6, for the week ending May 31, showed the amount of gas in storage at 1,893 billion cubic feet, up 105 bcf from the previous week, up 436 bcf from a year ago and 330 bcf (21.1 percent) above the five-year average.

The EIA said it believes a downward correction to below $3 per mcf is likely in the next two to three months if summer weather is normal or cooler than normal. ◆

Gas prices likely to continue to rise, predicts rig publication

Editor's note: The May 30 edition of The Land Rig Newsletter carried the following brief, titled "Rise in finding and development costs suggests higher natural gas prices."

Best argument yet that higher base commodity prices constitute the new energy reality is evident by looking at how natural gas finding and development costs have increased for operators over the last few years.

While improved technologies have increased initial production rates and offset some of the increase in finding and development costs, cash production costs have been flat for the last decade, suggesting exploration and production firms achieved whatever efficiencies were available through systemic changes.

Lease operating expenses have gone up while overhead costs have gone down. Bottom line is that natural gas prices will be moving to a higher base level than was the case historically.

It is not uncommon anymore to see average gas prices above $3 listed as a necessity for the industry just to keep production flat.

This figure is up more than 75 cents in just the last five years. If average finding and development costs have moved up 40 cents, then base gas price necessary for minimal field activity is now well above $2.50 Henry Hub equivalent.

Oil Patch Insider is a column written by Wadeen Hepworth, who until now has been assistant to Petroleum News • Alaska's publisher, Kay Cashman. The column will appear three times per month. Contributions to this column do not have to be identified, so feel free to call Wadeen with news or tips. She can be reached at (907) 770-3506 or via email at insiders@gci.net.

Good news for Alaska's oil patch: Insiders in Alaska's drilling industry told our publisher, Kay Cashman, that The Land Rig Newsletter's drilling activity outlook, which predicts a 30 percent increase in working land rigs over the next 270 days, is probably dead-on for Alaska.

One particularly optimistic executive predicted a 50 percent increase over the next two winter drilling seasons.

But a very reliable insider at BP said he expects drilling activity to remain flat for BP in Alaska in 2002. That's good news because the word on the street is much grimmer for BP with expectations that mid to long term investments in the Gulf of Mexico are eating up a lot of cash for other North American projects – i.e. Alaska.

Everyone expects the increase in drilling activity to come from Phillips, Anadarko, TotalFinaElf, EnCana and others.

For more information on The Land Rig Newsletter's 270 day outlook, email publisher@landrig.com.

No, they didn't forget to schedule it: The annual luncheon of the Alaska Gas & Oil Association and the Anchorage Chamber of Commerce is set for July 15 instead of its usual May date. No theme has been decided for the meeting, but several of the oil companies are expected to send speakers. Last year, Phillips Alaska's President Kevin Meyers announced the National Petroleum Reserve-Alaska discoveries at this luncheon, so don't miss it.

Do you suppose they waited to schedule the meeting for after the June 3 NPR-A lease sale for a reason?

We'll let you know more as soon as we know. Tickets must be purchased from the Chamber by July 10. The luncheon meeting will be held in the Summit Hall at the Egan Center. Cost is $18.50 per person. For reservations call 272-2401.

Interested in knowing who attended the pre-permitting meetings with Armstrong Resources in Anchorage last week for its wells near Thetis Island? (See cover story in this issue.) Armstrong's Stu Gustafson was accompanied by Bob Britch, president of Northern Consulting, and John Lewis, vice president of Natchiq Technical Services.

ARCO retirees are meeting for a barbecue in Sterling on June 19. Jack White, who used to be projects administrative supervisor at the Kuparuk field, is president of the 120-member ARCO Northern Lights Retiree Club.

He says there are about 550 retired ARCO employees living in Alaska, about 325 of those in Anchorage. Jack, who wants to increase the ARCO retiree group's membership in Alaska, can be reached at (907) 333-2269.

He said BP's manager of political affairs is coming up from Houston to attend the barbecue. (Jack also sits on the board of directors of the Phillips Alaska Civic Action Group, a grass roots non-partisan political action group.)

Alaska Railroad ordered it, Steelfab built it, Carlile moved it and North Star Terminal and Stevedoring "picked" the bridge for the railroad airport terminal. At 23 feet 10 inches wide, 9 feet high, 128.6 feet long and weighing 209 tons, the bridge is the largest single piece of freight that has ever been moved across Anchorage. (See photo.)

Too heavy to cross bridges, the route Carlile took in the early morning hours of June 13 was from Gambell to 36th

see INSIDER page 6

FINANCE & ECONOMY

continued from page 5

INSIDER

and down Spenard Road. Yours truly was there.

Turning the corner from 4th Avenue to Gambell was a work of art and the suspense was too intense to leave my viewing spot, therefore, I am scrambling at 3 a.m. to include this in my column.

Carlile rented two moving dollies (the tires worked independently) from Lampson in Seattle.

North Star will use two 150-ton Manitowoc 4000 cranes and one 300-ton Manitowoc 2250 crane to lift the bridge.

Congratulations to Steelfab, Carlile and North Star Terminal for one great job.

Watch for a complete photo feature on this move in PNA's Petroleum Directory, which will be inserted in the next issue of the newspaper.

Jim McHale, president and CEO of Alaska Clean Seas will retire for the third time on August 21. Jim said this time he hopes retirement sticks although I wouldn't place a bet on it.

Jim is one of the players at Prudhoe Bay; in addition to running the oil spill co-op he sat on several boards and an advisory council.

Jim retired from the Air Force in 1980 and again from Alyeska Pipeline Service Co. where he worked 18 years in project and construction management.

His replacement, Brad Hahn from the Alaska Department of Environmental Conservation, will start June 17.

Jim plans on catching fish at his "camp site" on the Kenai River and spending the winters in Florida. He's too young to leave the oil patch so everyone hopes this is just another temporary retirement.

Did you know…. The commodore of Seward's William H. Seward Yacht Club is Marty Lemon, drilling manager at Phillips.

Bob Stinson, president of Conam Construction, is a member of the club and recently sailed his 35' J-Boat, called the Noatak, in the annual boat parade. Bob said that many oil patch workers have boats and second homes in Seward where the winds are perfect for sailing. Saturday, June 15 the club is holding one of their several races each year.

Hats off to Craig Tornga, who received the 2001 Thomas Crowley Trophy last month. Craig is the general manager of oilfield services for Crowley in Alaska and the award is the top honor an employee can receive from Crowley.

Tom Crowley Jr., who presented the award, said "Craig is a person with a can-do attitude who is always looking for new business opportunities, even those that are outside his normal scope of responsibility."

Craig helped Crowley secure the Orlan tow contract last year, a mammoth project utilizing two Crowley business units and selling not only Crowley's skills in ocean towing, but its health, safety & environmental programs as well. The tow involved moving a huge concrete island drilling structure (CIDS) from the North Slope to Sakhalin Island.

Courtesy of Wanice Cowles

The bridge for Alaska Railroad's airport terminal rounding the corner at 4th Avenue and Gambell Street.

Becky Gay, BLG Group, has thrown her hat into the political arena and is running for State House in District 26. Although formerly registered as a non-partisan, she will run on the Republican ticket.

Becky Gay

Becky, a 33-year resident of Anchorage, is blessed with a high-energy level (and a degree in economics) that has kept this gal in unique jobs all over the state.

Most Alaskans remember her as the executive director of the Resource Development Council, a position she held for 13 years. During the Hickel administration she managed the state's effort to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration and development. From 1997 to 1999 she served as the government affairs administrator for Mayor Ben Nageak of the North Slope Borough.

Anyone who knows Becky knows she doesn't back away from a challenge and digs in her heels for what she believes. So hang onto your hat folks, this should be one fun race to watch.

Phil Snisarenko at Nordic/Calista Services says that rig No. 2 will be ready to drill on Sept. 1.

The rig was shut down in February 1999 for $1 million worth of conversion work.

Nordic/Calista has joint ventured with Schlumberger and together they are doing the work on rig No. 2 at Prudhoe Bay.

Lynden Transport will move a new derrick, built in Edmonton, Canada, up the Alaska Highway in July.

The derrick will make it easier to handle coiled tubing and can be lowered so the Nordic/Calista rig can move under power lines more easily, Phil said.

The rig will drill for BP at Prudhoe Bay, Milne Point, EOA and WOA.

Another merger has taken place in the oil patch but this time it is two Japanese trading companies. Marubeni Tubulars, Houston, a key player in the Alaska pipe business in the 1970s through the early '90s has merged with Itochu Tubular America Inc. in Houston, Texas.

The new company is called Marubeni-Itochu Tubular America Inc.

Allen Eckhardt, a vice president at Marubeni, who shipped thousands of tons of tubular pipe over the Seward dock will now sell line pipe including up to 64 inch outside diameter gas line pipe.

On his trips to Alaska, Allen made some pretty hairy drives to Seward in near white-out conditions with an Alaskan who was dumb enough to ride with him. He speaks German and Texan and some other interesting languages during white out conditions.

He can be reached at (281) 368-7032.

If you have dirty pipe protectors lying around you might want to call Astech in Kenai.

Astech – which is spelled with all capital letters when you don't have to follow AP style — is the new kid on the block of innovative new businesses. The company opened their doors in April and outgrew their plant so fast they moved to a new location on June 1.

Companies ship their pipe protectors in state transportation department approved bags or boxes to the Astech plant to be cleaned. The specialized bags ensure no oil or grease escapes into the environment.

For those not familiar with the term pipe protectors, they are the steel or plastic caps placed at either end of tubular pipe to protect the pipe threads from damage. The lubricant used inside the pipe protectors to insure they screw onto the pipe correctly is called "pipe dope" which is simply a form of grease and oil.

Astech has a filter system that cleans the protectors, removes and burns the lubricants in an environmental incinerator that turns the product to ash. An environmental impact study was done by IT Alaska based on info provided by Astech. The study determined the ash is not hazardous but the company decided to handle it as a hazardous material because of the uncertainty of future environmental rules.

After the protectors are clean the company determines which protectors need to go to the dump and which can be salvaged, sold or returned to their owners. Some are shipped back to the pipe mills.

Donald Parker of Petroleum Equipment & Supply is general manager of Astech. Al Hull is the facility manager. Al can be reached at (907) 394-0957.

Harold Heinze and his wife Cheryll have thrown two hats into the political arena.

Harold has filed for the Alaska Senate in District L that covers downtown and mid-town Anchorage. His wife Cheryll has been working on her campaign for State House in District 24 in Midtown. You may remember they tried life in Talkeetna but found they missed the city and moved back to Anchorage.

Surprise — they too are running as Republicans. Are there any Democrats left in Alaska?

Harold said he is the only Republican running in his district against one Democrat so their race will be decided on Nov. 5. While he has not put his platform together it will include the economy and working with industries and state government to create more jobs.

New people in the oil patch may not know that Harold was president of ARCO Alaska from 1983-87, president of ARCO Transportation from 1987-90 and commissioner of the Department of Natural Resources from 1990 to 1993.

Do you think he misses the rain of Juneau and wants to return bad enough to seek political office?

I'll ask Cheryll when I interview her next week.

Oil & Gas Supply has moved its headquarters to 6108 McKay Street in Anchorage from Kenai. But the company will also keep its Kenai office open.

Oil & Gas Supply sells industrial hydraulic hose, fittings, repair gasket material, sheet rubber, stainless steel valves, fittings, tube and hose.

The company's phone number in Anchorage is (907) 344-2512 or (888) 266-2512 if you're calling from outside the area.

Laurie Gray, CN Aquatrain agent, and his wife Karen have recently returned from a two-week vacation in Peru. Laurie said it was everything he hoped to be and even more.

Pictures Laurie, bring in those pictures so we can travel in our armchairs.

continued from page 4

SB 371

agency discretion in whether to exclude activities covered by nationwide and general permits from a project review."

The governor asked the Coastal Policy Council "to require DGC to exercise that discretion by including the activities within the scope of reviews done by DGC," Galvin said. "DGC is more than capable of doing this without affecting our ability to complete consistency reviews on time," he said.

Joe Balash of Sen. Gene Therriault's staff told PNA Galvin had indicated while SB 371 was in the Legislature that the language allowed DGC to require site-specific reviews on general permits and that the circumstances for project-specific reviews of general permits would be specified in regulations.

Balash also noted that Therriault is working on a larger review of the state's permitting system and "hopes to pull together a working group made up of the regulators, the regulated and the conservation community to look at how we can streamline the process without compromising environmental protections."◆

■ KENAI PENINSULA

Study shows Kenai River wetlands shrinking

Fish and Wildlife Service study finds loss rate slower than Lower 48 and other developed areas in Alaska

By The Associated Press

A new federal study indicates the wetlands that support the Kenai River system are drying up — but at a much slower rate than other developed areas of the state and the Lower 48.

The study, commissioned by the Environmental Protection Agency and conducted by the Fish and Wildlife Service, analyzed total wetland acreage in the lower Kenai River area between 1950 and 1996.

It was done to determine the effects of development in the Kenai, Soldotna and Sterling areas on wetlands that support the Kenai River Watershed.

Fish and Wildlife researchers Jonathan Hall and Sheila Kratzner looked at aerial photographs and maps from 1950, 1977 and 1996. Using advanced measuring equipment, they mapped and compared data to determine how much wetland acreage was lost.

The results are both an indication that the river is in good shape and a warning that wetland loss in the watershed is real, said Phil North, EPA Kenai watershed coordinator.

The results are both an indication that the river is in good shape and a warning that wetland loss in the watershed is real, said Phil North, EPA Kenai watershed coordinator.

"We have lost a significant portion (of wetlands) so far. It's not major yet, but we're moving in that direction," he said.

The study was confined to 149,459 acres between Skilak Lake and the mouth of the Kenai. Of that area, roughly 32.1 percent is classified as wetlands or deep-water habitats, including lakes and streams.

The report concludes that between 1950 and 1996, a total of 707 acres, or 1.7 percent, of wetlands within the study area was lost.

Fish and Wildlife researchers Jonathan Hall and Sheila Kratzner looked at aerial photographs and maps from 1950, 1977 and 1996. Using advanced measuring equipment, they mapped and compared data to determine how much wetland acreage was lost.

Loss less than in Anchorage

North said that is not nearly as high as other areas, such as Anchorage, but it does represent a threat to the stability of the river system and the community in general.

"This is our warning that we're not immune from affecting the river," he said.

North said Anchorage has lost more than 50 percent of its wetlands during the past 50 years."And the salmon are struggling in their streams," he said.

According to the study, most of the wetlands lost have been filled for either residential developments, roads or industrial uses.

The study shows how the sources of wetlands loss have changed as the peninsula has developed. Between 1950 and 1977, 54.9 percent of wetlands loss was the result of road construction and industrial development. During that same time, residential wetlands loss accounted for just 18.9 percent of the total.

As development trends began to shift from infrastructure and industry to residential development, those numbers shifted. Between 1977 and 1996, residential loss accounted for the loss of 68.78 acres, or 48.9 percent of loss.

That compares to 33.3 percent attributed to road construction and industrial development. ◆

TRAVERSE CITY, MICH.

Marathon recognized for environmental stewardship

Marathon Oil Co. was one of four oil and gas companies which received the annual Chairman's Stewardship Award from the Interstate Oil and Gas Compact Commission June 10. The award recognizes projects that demonstrate creativity and sensitivity to the environment while meeting the nation's energy needs.

Marathon was recognized for two projects demonstrating resource conservation in the Indian Basin Field in Eddy County, N.M.

Marathon was recognized for two projects demonstrating resource conservation in the Indian Basin Field in Eddy County, N.M.

One project treats reduced water for use in drilling operations, reducing demand on local groundwater.

Marathon was also recognized for reducing air emissions by upgrading 14 less fuel-efficient engines with nine "clean burn" compressor engines to power compressors that send natural gas through gathering lines. The new engines reduced natural gas fuel consumption by 350,000 cubic feet per day, or 13 percent of total fuel requirements, which sharply cut air pollutants and greenhouse gases.

Other companies honored were: Merit Energy Co. for its work with the Wasatch-Cache Petroleum Showcase; Dominion Exploration and Production for the largest nature preserve ever donated to The Nature Conservancy of West Virginia; and the Michigan Oil and Gas Association for spearheading the effort to create the Michigan Natural Resources Trust Fund.

The annual Chairman's Stewardship Award also serves as a challenge to companies and organizations to produce projects that demonstrate creativity and sensitivity to the environment while meeting our nation's energy needs.

continued from page 1

ANADARKO

"The additional acreage in the NPR-A will allow us to continue our exploration momentum westward across the petroleum reserve, to examine new ideas and explore new stratigraphic intervals," John Seitz, Anadarko president and CEO, said in a statement.

"Alaska is an important frontier exploration area," Seitz said. "Anadarko is one of the largest acreage holders on the North Slope, and these new tracts further enhance our prospect inventory."

Mark Pease, Anadarko's vice president of international and Alaska operations, said earlier this year that his company and its partner, Phillips Alaska Inc., hope to declare their NPR-A Moose's Tooth prospect commercial this year.

courtesy of Anadarko Petroleum

John Seitz, Anadarko president and CEO

The Moose's Tooth was one of several prospects with discovery wells announced in May 2001 by Phillips Alaska President Kevin Meyers.

"Though the results are preliminary, we're confident the discoveries will prove to be of commercial quantities. We believe that the five successful wells have encountered three separate hydrocarbon accumulations," Meyers said at the time.

Ownership in Moose's Tooth and Alpine is split between Phillips at 78 percent and Anadarko at 22 percent. Phillips is the operator of both.

Bob Schneider, field manager for the Fairbanks office of BLM, which is responsible for permitting and monitoring surface activities in the NPR-A told PNA in late May that he expects to receive a full field development proposal this fall from Phillips, one of three companies that have drilled a total of 13 exploration wells in NPR-A in the last three years.

New players help share risk

Phillips Alaska spokeswoman Dawn Patience told PNA after the sale that Phillips is pleased with the sale results and "pleased to see some of the new players in NPR-A because it offers the opportunity to share the risk out there."

Phillips put $8 million on the table, she said, and spent $6.89 million on its share of leases on which it was apparent high bidder with partner Anadarko.

Patience also noted that new companies and expanded acreage have the potential to create new jobs and new revenues for the state.

Want to know more?

If you'd like to read more about recent exploration in the NPR-A, go to Petroleum News • Alaska's Web site and search for these articles, which are part of what has been published in the last six months.

Web site:
www.PetroleumNewsAlaska.com/

2002
■ **June 9** TotalFinaElf not new to Alaska
■ **June 9** BLM prepares for NPR-A activity, playing catch up with industry
■ **June 9** Bidding to win: Phillips and Anadarko take most tracts at NPR-A lease sale; TotalFinaElf spends most
■ **June 2** BLM planning for full field development in NPR-A
■ **May 26** Alpine trend shows best NPR-A oil potential, says geologist Ken Bird
■ **May 19** U.S.G.S.: NPR-A may hold significantly more oil than previously estimated
■ **May 19** Decision time (Houle says NPR-A at crossroads: Will feds exclude the most prospective area — the Barrow arch? Will the northwest get 79 stipulations from northeast?)
■ **May 5** BLM releases 2002 NPR-A sale details
■ **April 21** BLM finalizes unitization, other regulations for NPR-A leases
■ **March 24** Taking the lead (spud its first well in Alaska, the Altamura No. 1 in the NPR-A)
■ **March 24** Drilling moves west in NPR-A
■ **March 17** Phillips drilling at Hunter
■ **Feb. 3** Anadarko, Phillips hope to declare NPR-A prospect commercial in 2002
■ **Jan. 20** Logistics will be challenge in northwest NPR-A
■ **Jan. 13** BLM sets meetings on NPR-A plan, extends comment period

2001
■ **Dec. 23** BLM issues environmental assessment for Anadarko's exploration in the NPR-A
■ **Dec. 9** Phillips to drill, collect environmental data in NPR-A

EnCana's Alaska program growing

Alan Boras, spokesman for EnCana Corp., told PNA that his company's acquisitions at the June 3 NPR-A lease sale are part of the company's "growing program of exploration in Alaska." EnCana took five of six leases at the BLM sale on which it bid $974,236.

EnCana came to Alaska in 1999 as AEC Oil & Gas (USA) Inc., a subsidiary of Alberta Energy Co. Ltd. which merged with Pan-Canadian Energy Corp. in April to become EnCana Corp.

In March, AEC told the Legislature that the company had 1.3 million exploration acres. It added 56,980 acres at the NPR-A lease sale.

Boras told PNA that the NPR-A acreage adds to acreage the company holds in the foothills and on the North Slope.

"This just adds to our portfolio and will be part of our ongoing exploration program," Boras said.

—Kristen Nelson, PNA editor-in-chief

■ NORTH SLOPE

Winter exploration wrap: Results out on most North Slope drilling

Phillips the operator on all reported wells: three in NPR-A, one in the Colville River unit, two at western edge of Kuparuk, two in Kuparuk uplands to the south

By Kristen Nelson
PNA Editor-in-Chief

Basic data is available for most of this winter's North Slope winter exploration drilling, which wrapped up in early May when warming weather closed the tundra.

As expected, Phillips Alaska Inc. was the most active — and almost the only — company doing winter exploration this season. Anadarko Petroleum Corp. drilled a National Petroleum Reserve-Alaska exploration well, but final data is not available for Altamura.

Information is available on three winter exploration wells Phillips has plugged and abandoned in the NPR-A.

Hunter A was completed March 20 in section 30 township 9 north range 1 west, Umiat Meridian. The well reached a measured depth of 9,600 feet and a true vertical depth of 9,325 feet.

Mitre 1 was completed April 21 in section 1 T10N-R2E, UM. Measured depth was 8,240 feet; true vertical depth was 8,234 feet.

Lookout 2 was completed May 5 in section 25 of T11N-R2E, UM. Measured depth and true vertical depth were both 8,200 feet.

Hunter drilled to southwest

The Hunter A is the farthest west Phillips has drilled in the NPR-A, some 28 miles southwest of Nuiqsut, and farther south than any of the 2000 or 2001 NPR-0A wells.

The Mitre and Lookout wells are west of Nuiqsut, in the general area of the announced discovery wells. The 2 Lookout is some two miles northeast of the 1 Lookout discovery well, one of three discovery wells left temporarily suspended in 2001 to allow further evaluation in 2002.

The 1 Mitre is some two miles east-

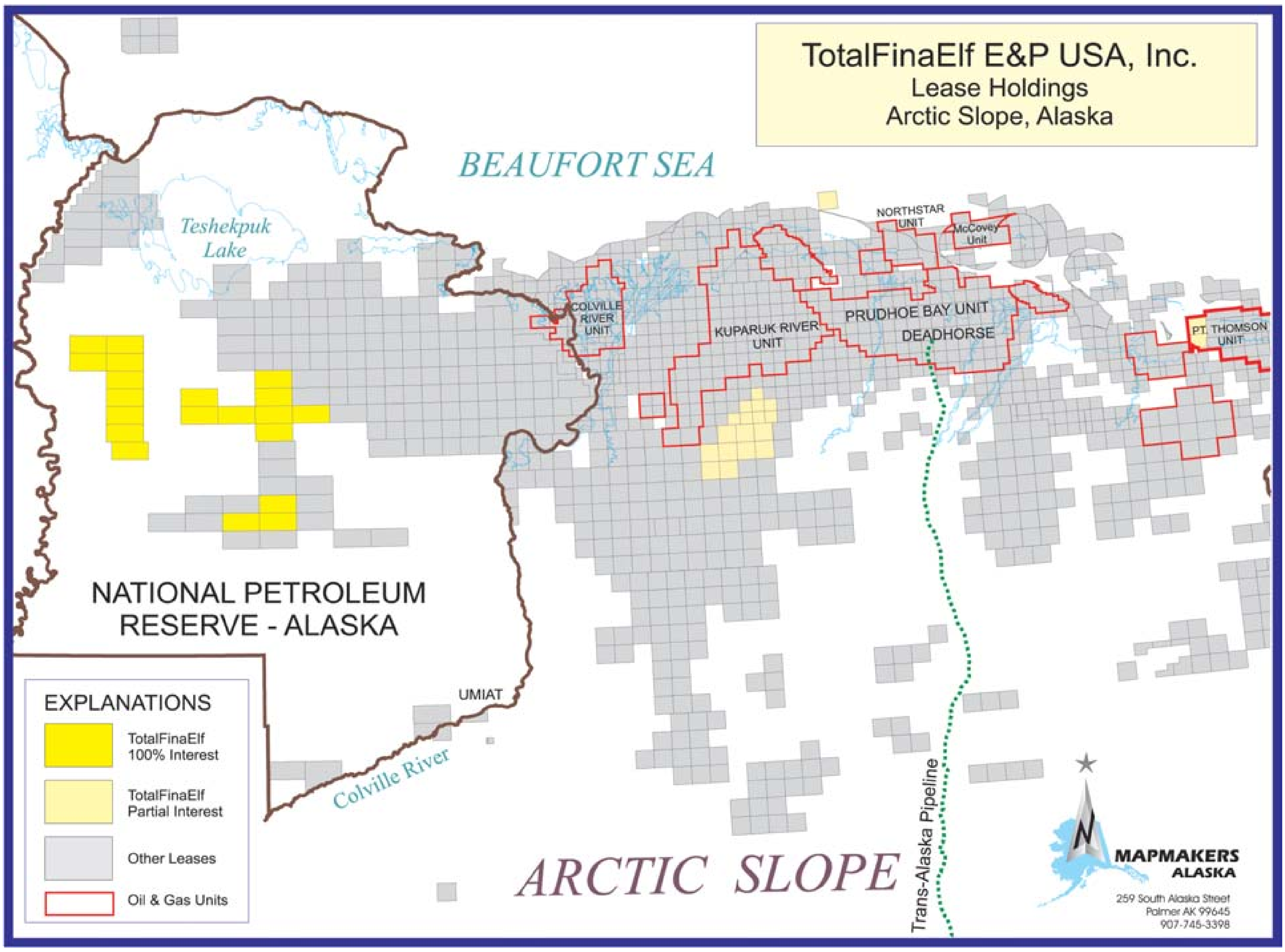
see RESULTS page 10

Four NPR-A wells added to state's extended confidentiality list

Except for depths, location and completion date, well data is held confidential by the Alaska Oil and Gas Conservation Commission after a well is completed for more than two years: a 30-day filing period plus 24 months.

Operators can ask for extended confidentiality from the commissioner of the Department of Natural Resources if "the required reports and information from a well contain significant information relating to

see LIST page 10



Last week Petroleum News • Alaska carried three articles related to the June 3 oil and gas lease sale in the National Petroleum Reserve-Alaska, including two stories about the high bidder, TotalFinaElf. One article included a map of TotalFinaElf's acreage prior to the Bureau of Land Management's sale. This week, Mapmakers Alaska has released this map showing all of TotalFinaElf acreage on the North Slope, including the leases it picked up at the NPR-A sale. Existing players in the NPR-A took the largest number of tracts at the June 3 lease sale, but TotalFinaElf dominated the dollar side of the sale, accounting for more than 83 percent of the apparent high bids, $53,144,770 of $63,144,770. See the June 9 edition of PNA for more information.

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LIST

the valuation of unleased land in the same vicinity." Phillips Alaska Inc. has made that request and received extended confidentiality for well information from four National Petroleum Reserve-Alaska wells completed in 2000: Clover A, Spark 1, Spark 1A and Rendezvous A.

Discoveries announced by Phillips Alaska Inc. and Anadarko Petroleum Corp. in NPR-A in May 2001 include the Spark wells, Moose's Tooth C, Lookout 1, Rendezvous A and Rendezvous 2.

There are 16 wells on the state's extended confidentiality list, including the 1986 Chevron USA Inc. KIC well in the Arctic National Wildlife Refuge and BP Exploration (Alaska) Inc.'s 1994-96 Yukon Gold No. 1, Sourdough No. 2 and Sourdough No. 3 west of ANWR.

—Kristen Nelson, PNA editor-in-chief

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RESULTS

northeast of the Spark discovery wells. The 1A Spark, the sidetrack, tested at 1,550 barrels per day of liquid hydrocarbons and 26.5 million cubic feet per day of gas.

Colville River well sidetracked

In the Colville River unit Phillips completed a sidetrack to the Nigliq No. 1 drilled last year some six miles west of the Fiord discovery well in the northwest corner of the unit. The original well bore, the 1 Nigliq, was completed last year to a measured depth of 8,040 feet and a true vertical depth of 7,875. The sidetrack, the 1A Nigliq, was permitted last year and drilled this year to a measured depth of 9,820 feet and a TVD of 7,195 feet. Both wells were plugged and abandoned.

Information is available on three winter exploration wells Phillips has plugged and abandoned in the NPR-A.

West and south of Kuparuk

On the western edge of the Kuparuk River unit Phillips drilled at the Cirque prospect where predecessor ARCO Alaska drilled in the early 1990s. Cirque is about midway down the western border of the unit, between already developed western Kuparuk prospects Tarn and Meltwater. The 3 Cirque had a measured depth of 6,677 feet and a true vertical depth of 6,096 feet. The 4 Cirque reached only 78 feet.

South of Kuparuk, Phillips has completed two wells: the 1 Grizzly along the Itkillik River and the 1 Heavenly farther east on Arctic Slope Regional Corp. lands.

These prospects are far south of infrastructure. Phillips said almost 40 miles of ice road would be required to reach Grizzly, which is south-southeast of the Kuparuk River unit. Heavenly is east of Grizzly.

Both wells were plugged and abandoned.

The 1 Grizzly had a measured depth of 8,510 feet and a total vertical depth of 7,987 feet. The 1 Heavenly had a measured depth of 9,590 feet and a TVD of 9,372 feet. ◆

continued from page 1
ARMSTRONG

Point dock, heading southwest along the shore for approximately three miles and then turn due west three miles to Location No. 3, continue northwest two miles to Location No. 1 and straight north to Location No. 2.

The company said ice roads and drill pads will be built up using seawater until grounded ice is obtained.

Approximately 10 miles of ice roads will be constructed beginning as early as Dec. 1, depending on the weather. All sea ice operations would be complete by March 22.

Leases acquired last year

Armstrong acquired its tracts in Harrison Bay west of Oliktok Point at the state's Beaufort Sea areawide oil and gas lease sale in October, bidding some $4.2 million and taking 10 of 12 leases on which it bid. The company bid $316.39 an acre for tract 378, the highest per-acre bid in the sale.

Exxon Corp. worked this area in the early 1990s, unitizing leases previously held by Amerada Hess Corp. In its proposal for a Thetis Island unit Exxon told the state the unit "encompasses several prospective horizons throughout the proposed area."

Exxon drilled from Thetis Island and said it planned to test "several objectives from the Cretaceous through Triassic-Ivishak."

Exxon's plan of exploration for the unit included as many as three wells and a seismic program. Exxon drilled an 8,460-foot vertical exploration well, the Thetis Island No., which the Division of Oil and Gas certified as capable of producing in paying quantities in February 1995. The Thetis


Steve Schmitz

Exxon drilled an 8,460-foot vertical exploration well, the Thetis Island No.1, which the Division of Oil and Gas certified as capable of producing in paying quantities in February 1995.

Island unit terminated in May 1995.

In August 1996, Exxon assigned its interest in the lease containing the well to Anadarko Petroleum Corp., which still holds the lease.

Armstrong's Location No. 1 is in the southwest quarter of section 7, township 13 north, range 8 east, Umiat Meridian; No. 2 is in the northwest quarter of section 31-T14N-R8E, UM; No. 3 is in the northwest quarter of section 16-T13N-R8E, UM.

Second independent to drill Beaufort

Armstrong is the second independent oil company planning to drill in the Beaufort Sea next winter.

EnCana Corp., formerly Alberta Energy Corp. and AEC Oil & Gas (USA) Inc., plans to explore the McCovey prospect in the central Beaufort during the 2002-2003 winter season. The McCovey unit includes three federal and four state of Alaska leases and is approximately five miles northeast of Reindeer Island and 12 miles east of the Northstar field. BP Exploration (Alaska) Inc. has also filed a unit plan of exploration to drill an exploration well, the Sak River No. 1, in the Sakonowyak River exploration unit on the North Slope in the vicinity of Gwydyr Bay for independent Alaska Venture Capital Group LLC.

The surface location will be on onshore in a lease owned by BP and Phillips Alaska Inc., which is not in the Sakonowyak River unit. The bottomhole location will be offshore in a unit lease owned by Kansas-based AVCG.

The well was supposed to be drilled this past season but has been rescheduled by BP for next season. ◆

Want to know more?

If you'd like to read more about Armstrong Resources, go to Petroleum News • Alaska's web site and search for these recently published articles.

Web site:
www.PetroleumNewsAlaska.com
2002
■ **Feb. 3** Affordable access to facilities key to attracting new oil companies - February 03, 2002
2001
■ **Oct. 28** North Slope, Beaufort Sea areawide lease sales bring in $12.9 million (with sidebar on Armstrong)

continued from page 1
COMPANY

Kerr said the company's focus is on finding oil.

When a prospect reaches production, he said, Armstrong has historically brought in somebody to operate. El Paso Production and Anadarko have both operated for Armstrong.

"We don't operate wells. As far as the drilling per se, that's something we have chosen to date not to do. We are an oil and gas company that's heavily driven by science," Kerr said.

He said Armstrong has a lot of ex-Exxon people on staff, predominately in geophysics and geology.

The company was drawn to Alaska by the oil basins in the state: "The best place in the world to look for a big oil accumulation is next to another big oil accumulation," Kerr said. And, he said, Armstrong has people on its staff who have experience in Alaska.

Kerr wouldn't speculate after the lease sale in October on when the company would move ahead with its leases, but he said the company knew what it was going to do.

"We're going to go out here and we're going to drill a well."

Kerr said Armstrong would probably rely for actual drilling on companies in Alaska with drilling expertise — companies like Phillips Alaska Inc. and BP Exploration (Alaska) Inc.

"Our expertise, I would say, is in finding oil and gas. And that's what we focus on. We do not focus on drilling of the wells…

"We would hire somebody to come in and drill the wells for us," he said.

Phillips and BP have experience and "knowledge of how to do things right on the North Slope … it would only make sense to utilize that expertise."

—Kristen Nelson, PNA editor-in-chief

■ CANADA

ExxonMobil units pooling knowledge, assets for mega-developments

Company studying feasibility of projects that could cost C$8.3 billion and yield 410,000 barrels per day within 10 years, although Imperial Oil takes cautious line on timetable

By Gary Park
PNA Canadian Correspondent

● **STORY 2 of PART 3**, Taking Canada's Energy Pulse

ExxonMobil Corp., already Canada's oil sands/heavy oil giant, is blowing dust off a possible C$8.3 billion in projects for northern Alberta.

Its sister companies — Imperial Oil Ltd. and ExxonMobil Canada — are combining their knowledge and assets to support a "world-scale" development, said Charles Ruigrok, Imperial's oil sands vice-president.

They have agreed to work together to assess the feasibility of several different development prospects, he told a recent FirstEnergy Capital Corp. oil sands investment conference.

He said that although Imperial has yet to set any timetable "there will be value to be derived" from pooling the joint resources.

On the table are adjoining leases north of Fort McMurray, where earlier plans have pointed to a possible 410,000 barrels per day of output over the next 10 years.

Imperial and Husky Energy Inc. are joint owners of one lease, with Imperial as 75 percent owner and operator of a portion deemed suitable for surface mining and Husky as 80 percent owner and operator of portion that would use various extraction methods including steam injection to recover deeply buried bitumen deposits.

Husky has talked big development

Although Imperial has insisted any reports of commercial development are premature, Husky last year talked of development in a big way, with two project costing C$4.8 billion (US$3 billion) and achieving output of 250,000 barrels per day by 2012.

Husky said talks with Imperial were being advanced, but Imperial cooled speculation, saying it was examining all of its many opportunities in the region.

It said the Kearl lease was a "very attractive area for future development in broad terms, but we have no defined plans."

As well as processing 65,000 barrels per day of Canadian heavy crude, Imperial has a 25 percent stake in the giant Syncrude Canada Ltd. oil sands

see EXXONMOBIL page 13

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ENERGY

But that goal is not yet firm. "We need to get this (Athabasca) thing under our belt," said Carmata.

Profit not an issue

What he is not worried about is whether there will be a demand for oil from about two dozen bitumen and heavy oil ventures that are on the table, carrying a total price tag of C$86 billion in direct and related costs to develop a reserve base of about 3 trillion barrels.

Shell Canada president Tim Faithfull conceded before the Calgary-based company's annual meeting in April that "shareholders are very disappointed" with the Athabasca overruns.

"They also recognize the underlying robustness of this project and the value it adds to the overall portfolio of Shell Canada, so we continue to see support from them that's very strong," he said.

Wilf Gobert, an analyst with Peters & Co. in Calgary, said the reason is simple: "The projects are so damn profitable."

The Fort McMurray region represents the greatest concentration of economic development anywhere in the world, inspiring talk among some industry observers that production could eventually hit 10 million barrels per day, five times Canada's current oil output and close to double U.S. domestic production.

But Carmata said projections of even 5 million barrels per day must be tempered by two realities: The limits to just how much capacity there is to build the mega-projects and how far Canada will go in restricting greenhouse gas emissions in a sector generally identified as one of the worst environmental culprits because the high sulfur content in the raw oil sands.

He said a more reasonable target is 2 million barrels per day within a decade.

U.S. interested in oil sands

Awakening U.S. interest in the oil sands was reflected in comments by senior U.S. energy officials at recent conferences in Calgary.

Vicky Bailey, assistant U.S. energy secretary, said it is wise for the United States to "look at more stable domestic and hemispheric sources of supply," at a time when the country is relying on exports for almost half its consumption.

Thomas Huffacker, first secretary for energy affairs with the U.S. Embassy in Ottawa, even more pointedly commented that the Alberta oil sands can play a key role in "our energy future."

What the rush to tap into the oil sands riches has done is promote even greater innovation in the region as companies chase a competitive edge, lower costs and greater certainty.

Technological advances for new projects

Nexen Inc. (formerly Canadian Occidental Petroleum Ltd.) and Canadian Natural Resources Ltd. (better known by its stock symbol CNQ) are both leading new projects and are both counting on technological advances to give them an edge.

Nexen, in partnership with OPTI Canada Inc., is set to spend C$2.3 billion on the Long Lake project by 2004 or 2005 to produce 70,000 barrels per day from 3.7 billion barrels of recoverable bitumen.

CNQ is putting the final touches on plans for its Horizon operation to exploit 6 billion barrels over 50 years, starting with a first phase that will cost C$4.9 billion and start producing at 100,000 barrels per day in 2007, possibly growing to 300,000 barrels per day within a decade.

Gary Nieuwenburg, Nexen's vice-president of business development and corporate planning, said Long Lake hopes to combined steam-assisted gravity drainage (SAGD) to force deep bitumen deposits to the surface with "full-field" facilities to upgrade the bitumen and limit the use of natural gas in the processing.

"Historically, natural gas has controlled the possibility of bitumen production," he said.

What Nexen is aiming for is to make Long Lake nearly energy self-sufficient, producing a clean synthetic fuel gas along with high-quality 37 API light sweet synthetic crude.

The "breakthrough" field upgrading technology will help the partnership take 8 to 10 API bitumen, convert it into a light sweet synthetic product and trade at about a $1 a barrel premium to West Texas Intermediate "at costs that are comparable to conventional light oil production," said Nieuwenburg.

CNQ plans mobile crushing unit

CNQ senior vice president Steve Laut told an April oil sands conference sponsored by FirstEnergy Capital Corp. that Horizon is also being designed to achieve a high quality product at 34 API with less reliance on natural gas.

The company believes it can cut costs by C$100 million a year with a mobile crushing unit instead of the conventional mining methods, with shovels and trucks, used by Suncor Energy Inc. and Syncrude Canada Ltd. in their pioneering ventures.

The Canadian Oil Sands Trust Inc., a 22 percent partner in the Syncrude consortium, is also promoting Syncrude's high-grade sweet blend that is expected to show even more improvements over the next five years.

The netback for the blend is already about 70 percent higher than conventional crude, at about C$13.50 a barrel compared to C$7.90, said trust president Marcel Coutu.

As Syncrude introduces its phased expansions on the way to 500,000 barrels per day by 2015, new technologies and processes will yield a higher quality, lower sulfur content product, even as early as 2005, he said. ◆

■ CANADA

BC Gas, Enbridge tussle over rights to ship oil sands production

Producers Conoco, TrueNorth Petro-Canada and Canadian Natural Resources are looking for shipping options for another 700,000 barrels per day of output from northern Alberta; Enbridge studies new markets in California, Asia-Pacific Rim

By Gary Park
PNA Canadian Correspondent

● **STORY 3 of PART 3**, Taking Canada's Energy Pulse

With a multi-billion-dollar wave of oil sands projects under way in Alberta and even more on the horizon, there is growing urgency to build pipelines and refineries to handle the flood of new production, the bulk of which is destined for U.S. markets.

The pipeline race is pitting Calgary-based Enbridge Inc. and Vancouver-based BC Gas Inc. against each other in pursuit of new outlets for heavy and synthetic crude as both cast an eye to California and the Asia-Pacific Rim.

The battle for business involves several producers, notably Conoco Canada Ltd., TrueNorth Energy Inc., Petro-Canada and Canadian Natural Resources Ltd., who are in talks with unnamed potential shippers to carry upwards of 700,000 barrels a day expected to come on stream in the next six years.

A full feasibility study is under way to seek a "relief valve" for producers from the crowded U.S. Midwest markets. Based on early "high level" findings, the expected netbacks from the California region compare favorably with the U.S. Midwest. —Richard Bird, Enbridge Inc.

Pipeline contest public

In recent weeks the pipeline contest has gone public, with BC Gas staking a claim as the next major pipeline company to build a delivery system from northern Alberta.

Through its wholly owned subsidiary Bison Pipeline Ltd., BC Gas is working on joint engineering and technical studies with potential shippers, including TrueNorth and Petro-Canada.

Bison plans to invest more than C$800 million on a 310-mile line from TrueNorth's site near Fort McMurray in northeastern Alberta through Petro-Canada's site to Edmonton. Initial capacity is targeted at 100,000 barrels per day, with ultimate capacity set at 450,000 barrels per day.

A Bison spokesman said the massive investment expected in the Athabasca region means the pipeline "would not be enough anyway. As a pipeline company we're just trying to capture some of those opportunities. I am assuming that other pipeline companies would want to do the same thing."

TrueNorth is aiming for first-phase production of 95,000 barrels per day from its C$2 billion project in 2005, with output doubling by 2008. Petro-Canada has two projects it hopes will yield 110,000 barrels per day in 2006. Both say they are still negotiating with other pipeline companies.

For BC Gas, Bison represents a second project in the bitumen region. It has just completed its Corridor Pipeline, operated by subsidiary TransMountain Pipe Line Co., to carry 215,000 barrels per day from Shell Canada Ltd.'s new oil sands operation to an Edmonton refinery.

Enbridge looking at other pipelines

In its low-key manner, Enbridge is looking to build on its Athabasca line, which has capacity to move 570,000 barrels per day, but is currently shipping only about 100,000 barrels per day for Suncor Energy Inc.

An Enbridge spokesman says Athabasca's full capacity should be attained within about five years.

Meanwhile, the company has its eyes set on opening up alternative markets in California and the Asia-Pacific Rim by studying the netbacks of a possible 400,000-barrel-per-day pipeline to the British Columbia coast.

Richard Bird, vice president for transportation north, said a full feasibility study is under way to seek a "relief valve" for producers from the crowded U.S. Midwest markets.

Based on early "high level" findings, the expected netbacks from the California region compare favorably with the U.S. Midwest, he said. ◆

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EXXONMOBIL

operation that is engaged in an C$8 billion US$5 billion) expansion to move production to 360,000 barrels per day by late 2004, or 20 percent of Canada's crude output.

In addition, Imperial is solo owner and operator of the Cold Lake heavy oil project, where production is now about 130,000 barrels per day and has embarked on a C$1 billion expansion.

One property shelved in 1999

The other Kearl lease under study is ExxonMobil Canada's 1.7 billion barrel bitumen property which was shelved in 1999 when the company said it needed to take a "more prudent, paced" approach at a time when oil sands development costs were spirally upwards at an alarming rate.

Initial plans called for a start-up at 100,000 barrels per day in 2005, but the wholly owned unit of ExxonMobil said it wanted to study design changes and improvements that could boost the production target to 160,000 barrels per day.

Ruigrok acknowledged that Imperial's exposure to the volatile heavy oil sector is raised as a concern on occasions, but he noted that the company has some protection from its significant downstream integration — including refineries in Alberta and Ontario — for the bulk of its production.

On the table are adjoining leases north of Fort McMurray, where earlier plans have pointed to a possible 410,000 barrels per day of output over the next 10 years.

Refining could be issue

In fact, refining capacity for Canada's heavy crude could be the biggest issue facing the sector if U.S. demand for the product grows as much as expected to tap into 180 billion barrels of recoverable oil using current technology, said John Mawdsley, a FirstEnergy heavy oil analyst.

A recent FirstEnergy study estimated that the U.S. Midwest took 729,000 barrels per day of Canadian heavy crude, 92 percent of capacity, largely because of the attractive economics.

In North America, five refineries have control of 64 percent of the heavy refining capacity accessible to Canadian heavy crude, said Mawdsley, with BP PLC controlling 20 percent and Koch Industries Inc. at 16 percent.

The best hope for a fresh alternative is a proposal being developed by Calgary-based pipeline Enbridge Inc. which is studying the netback economics of accessing, by various alternatives, new markets in California and the Asia Pacific Rim for 400,000 barrels per day of production.

Richard Bird, vice-president for transportation north, said a full feasibility study is under way to see a "relief valve" for producers.

Based on early "high level" findings, the expected netbacks from the California region compare favorably with the U.S. Midwest.

BC Gas also in running

Also in the running to open up new markets is Vancouver-based BC Gas Inc., which plans a C$1 billion line to start shipments by mid-2005 and have eventual capacity of 450,000 barrels per day.

It is negotiating with TrueNorth Energy Inc., which expects to move 190,000 barrels per day from its Forty Hills project by 2008, and Petro-Canada, which is aiming for 110,000 barrels per day from two projects by 2006.

Enbridge, meanwhile, already has a 570,000 barrel-per-day line from the Athabasca oil sands region to Edmonton, with Suncor Energy Inc. as the only current customer, but Petro-Canada has signed up for 60,000 barrels per day and EnCana Corp. has contracted for up to 115,000 barrels per day.

Enbridge is confident it will reach full capacity on that line within five years. ◆

■ STATEWIDE

As expected, eastern Interior, Seward Peninsula and southwestern Alaska are mining exploration hot spots this year

Geologist Curt Freeman says continued strong gold prices have not yet affected the majors — and probably won't — but are benefiting smaller companies who are raising money at rates not seen in half a decade

By Curtis J. Freeman, CPG #6901
PNA Contributing Columnist

Alaska's seasonal madness began in earnest in May as the snows disappeared and the drills, rock picks and sample bags were put back into use. Drilling programs are sprouting up from Interior to southwest to the Seward Peninsula and several places in between.

The continued strong gold prices have not yet affected the majors and probably won't until stability is achieved but the stronger gold markets are affecting smaller companies who are raising money at rates not seen in half a decade (since that thing in Indonesia).

As expected, Eastern Interior, Seward Peninsula and southwestern Alaska appear to be the exploration destinations of choice for 2002 but don't be surprised to see some new areas muscle their way into the limelight.

The author

Curt Freeman

Curt Freeman, CPG #6901, is a well known geologist who lives in Fairbanks. He prepared this column for Petroleum News • Alaska on May 31.

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Western Alaska

NovaGold Resources has discovered a new zone of gold mineralization at its 23 million ounce Donlin Creek deposit in southwestern Alaska. The company said initial results from the area, called the Akivik Zone, indicate similarities to the multi-million ounce Acma zone approximately 500 meters to the south. Drilling has intercepted mineralized intrusive porphyry dikes and sills. Initial reverse circulation drilling results include DR02-643 which included 6.1 meters grading 3.9 grams of gold per tonne, 6.1 meters grading 2.4 grams of gold per tonne and an additional 32 meters grading 2.1 grams of gold per tonne. The first core hole in this new zone returned 17.9 meters grading 5.6 grams of gold per tonne. Assays are pending on a second mineralized zone in the same hole. The Akivik zone remains open down dip and along strike to the northwest and southeast. Elsewhere on the property, infill diamond drilling in the Acma zone has verified grade and continuity of previous holes. Highlights include: 17.7 meters grading 8.8 grams of gold per tonne in hole DC02-673, 44.9 meters grading 3.7 grams of gold per tonne and 57.9 meters grading 4.9 grams of gold per tonne in hole DC02-675 and 59.3 meters grading 6.9 grams of gold per tonne and 45.7 meters grading 6.0 grams of gold per tonne in hole DC02-677. To date a total of 5,800 meters of core and reverse circulation drilling has been completed in 65 drill holes (41 RC and 24 core holes). Drilling and preliminary feasibility work continued on the project.

NovaGold Resources has discovered a new zone of gold mineralization at its 23 million ounce Donlin Creek deposit in southwestern Alaska.

Diamond drilling has commenced on **Northern Dynasty Minerals**' Pebble copper-gold project near Iliamna. The company said initial drilling will include 22,000 feet of core in approximately 30-40 holes designed to test a series of previously defined geochemical and geophysical targets within a 34 square mile IP chargeability anomaly. A primary focus of this year's work is delineation of additional higher-grade copper — gold resources similar to one previously outlined within the property which contains estimated resources of 54 million tonnes grading 0.54 percent copper and 0.46 grams of gold per tonne.

NovaGold Resources and TNR Resources plan to conduct a $500,000 exploration program on the Shotgun gold project north of Dillingham. Details of the field program were not released.

Rio Fortuna Exploration is planning to conduct exploration on its Divide gold project in the Nome District. The company said previous work on the project returned promising results from soil surveys and trenching. Details of the field program were not released.

Eastern Interior

The Tundra Telegraph recently reported that **Teck-Cominco** and partner **Sumitomo Metal Mining** are planning to conduct up to 30,000 feet of diamond core drilling on their Pogo gold project in the Goodpaster District. Although details have not been released by the company, the drill contractors and geochemical laboratories are smiling and drilling should begin in mid-June.

Tri-Valley Corp. intends to conduct exploration drilling of lode and placer targets on its Richardson project. The company said total costs are expected to be on the order of $1,250,000 to test one deep placer and two lode targets. Four core holes (2,400 feet) are planned for the Buckeye/Bald Knob anomaly where six previous holes drilled by Placer Dome returned values up to 0.13 ounces of gold per ton from gold-bismuth-tellurium-bearing quartz veins. At the Hilltop zone three holes totaling 750 feet are planned in an area where rock chip channel samples returned values up to 1.9 ounces of gold per ton. In addition, between these two lode prospects in First Chance Creek the company plans to evaluate a previously un-mined deep placer prospect that reportedly contained gravels with up to 0.25 ounces of gold per pan. The test program calls for three drill lines across the creek totaling 108 reverse circulation drill holes totaling 8,500 feet.

North Star Zeus has signed an agreement with AngloGold U.S.A. Exploration Inc. whereby AngloGold can earn a 65 percent interest in the West Pogo project in the Goodpaster District by completing exploration expenditures of $800,000 and making cash payment totaling $170,000 over 6 years. North Star did not release its plans for the current season.

Alaska Range

Nevada Star Resources shareholders approved the company's takeover of **MAN Resources** and with it, control of the 120 square mile Eureka-Tangle Lakes platinum group element prospect in the central Alaska Range. For the 2002 field season, the company said it plans a Phase I exploration program of geological mapping, induced polarization and ground magnetics and geochemical sampling combined with a preliminary drill program. This program is budgeted at $300,000 and will be carried out in July. A major Phase II drill test of targets defined by Phase I is tentatively scheduled for late summer.

Southeast Alaska

Kennecott (70.3 percent) and **Hecla** (29.7 percent) said that newly instituted mining methods at the Greens Creek mine (modified long-hole stoping) have increase feed to the mill which processed a record 2,300 tons of ore in a day. Efforts continue to make this production figure an average figure as opposed to a record figure.

Santoy Resources said it plans to conduct drilling at its Salt Chuck palladium-copper prospect on Prince of Wales Island.

Santoy Resources plans to conduct drilling at its Salt Chuck palladium-copper prospect on Prince of Wales Island. The company said its primary target will be the 1.2 kilometer zone between the old Glory Hole and the West Adit. Mineralization in this zone is up to 125 meters wide.

Quaterra Resources recently said that 750 line-kilometers of airborne magnetics and 6-frequency Impulse electromagnetics will be conducted on its Duke Island copper — nickel — platinum group element prospect near Ketchikan. The program is designed to follow up 2001 drilling and sampling results to better define drill targets planned for later in 2002.

Other News

Rafting records on the Tatshenshini and Alsek Rivers in northwestern British Columbia indicated the year following the decree that created a park and prohibited development of the giant Windy-Craggy copper — nickel deposit, a total of 1,319 visitors made their way down the rivers.

These rafters were one of the primary reasons the park came into being and they were supposed to be the core of a new economic engine that would rival mine development. The number of rafters has now dwindled to a mere 800 per year with an estimated annual impact of only $500,000.

These figures pale in comparison to the $50 million spent on exploration prior to closure and the estimate $400 million in annual revenue that the mine was forecast to generate. You might also ask British Columbia's cash-strapped government if they could use the estimated $63 million in annual federal and provincial taxes the mine would have produced.

Viceroy Resources has announced that gold production dropped sharply at its Brewery Creek mine in the Yukon which has prompted the company to begin heap leach detoxification and stabilization. These permanent closure steps will be accompanied by pit, dump and road reclamation and revegetation in 2002.

Copper Ridge Explorations announced acquisition of the HEM Breccia iron oxide-copper-gold project on the Dempster Highway north of Dawson. The company plans to conduct exploration on the project in search of Olympic Dam type mineralization. The company can earn a 100 percent interest in the property by completing $600,000 in exploration work and making payments of $95,000 over five years and issuing 200,000 shares. The company plans a program of prospecting and geological mapping, geophysical surveys including magnetometer and gravity and soil geochemical surveys over this largely overburden-covered property.

■ PETERSBURG

AIGC looking into bringing natural gas to Southeast Alaska communities

Plan is to begin serving Ketchikan with utility gas; retrofitting would be required, but company says fuel costs would drop by at least 20 percent

By The Associated Press

A plan to bring natural gas to over a dozen Southeast Alaska communities faces several hurdles, including finding about $80 million to fund the project.

If the Alaska Interstate Gas Co. can find the funding, the project would begin by serving Ketchikan with utility gas, not natural gas.

Natural gas is methane and utility gas is a mixture of propane and dry air. The utility gas would be shipped in rail tanks on barges from British Columbia. Each community would have a storage facility and underground distribution lines.

Ketchikan would require $20 million in infrastructure. Sitka and Juneau would follow with another $50 million to get those systems up and going.

The company said it can provide residents with a less expensive alternative to fuel oil, electricity or propane for heating homes, water tanks, dryers and stoves.

A recent feasibility study paid for by the company suggests it can cut customers costs by at least 20 percent once a home or business has the appropriate appliances or is retrofitted.

"We have a superior product and a cheaper product that will result in economic benefits to all consumers and the industrial folks in particular," AIGC Senior Vice President Paul Rusanowski told CoastAlaska radio network.

One of AIGC's assumptions is that all of the seafood processors in Ketchikan, Sitka and Juneau would convert to gas. But as of yet, the company does not have any firm commitments.

AIDEA funding a possibility

Bob Poe, executive director of the Alaska Industrial Development and Export Authority, said there are several possibilities for funding the project.

That includes funding by AIDEA that would help with the initial phase, providing service to Ketchikan, and afterward assess whether the additional phases are realistic.

Poe said another option is conduit bonds, which require other investors. A couple of bond companies have eyed the project but Poe said the feasibility study needs additional information.

The possibility that AIDEA may offer financial assistance to AIGC is bothersome to officials with the 4-Dam Pool electric utility. The group recently purchased four hydroelectric facilities from the state, including Ketchikan's Swan Lake plant and the Tyee plant which supplies power to Wrangell and Petersburg.

Acting director Dave Carlson said it doesn't make sense to lend the 4-Dam Pool money to buy the hydro plants only to also offer financing for a company in direct competition.

"I understand that part of their plan is to try and hook up the canneries to use this. That would cause a decrease in kilowatt hour sales," Carlson said.

But Rusanowski said offering utility gas should improve development opportunities and ultimately increase demand for electrical companies.

"We're not going after the major electrical loads. We're primarily going after the home and hot water loads." ◆

■ ANCHORAGE

Proposed borough fuel transfer tax sparks opposition

Air carriers threaten suit if fuel transfer tax approved by Fairbanks North Star Borough voters; most of tax would be on jet fuel, say proponents

By the Associated Press

The Alaska Air Carriers Association said it will sue the Fairbanks North Star Borough if voters approve a 2-cent-per-gallon fuel transfer tax.

Williams Alaska Petroleum Inc., the Alaska Air Carriers Association and the Alaska Railroad Corp. said state and federal laws prohibit the tax.

Most of the money from the proposed tax likely would come from jet fuel Williams Alaska sells to Anchorage from its North Pole refinery, said Merrick Peirce, spokesman for A Bright Future for Fairbanks, the group pushing the proposed fuel tax.

The tax would bring in $24 million — enough to reduce property taxes by 40 percent throughout the borough. Property taxes have doubled during the last 15 years. Peirce said.

Jeff Cook, vice president of external affairs for Williams Alaska, said Williams \pays the third-largest amount of property tax in the borough, about $3 million annually. Although it would save about $1 million a year in property taxes if the fuel transfer tax is approved by voters, Williams would suffer severe financial losses from its jet fuel sales, Cook said.

Jet fuel shipments would be hit

Williams provides about half of the jet fuel for the Ted Stevens Anchorage International Airport. Cook said if his company were hit with the tax, it would lose its customers to Tesoro Alaska Petroleum Inc. or to Outside producers.

Petroleum makes up most of the freight revenue for the Alaska Railroad, projected at $36 million for 2002. If Cook is right, the railroad would suffer huge losses, said Patrick Flynn, Alaska railroad spokesman. He said the railroad believes the tax is not allowed under federal law. The proposed tax, Flynn said, would "discriminate against rail transport and exempt pipeline fuel."

David Leone, a special assistant for Mayor Rhonda Boyles, said neither the borough nor the Fairbanks City Council have taken a position on the proposed tax.

The borough has hired Av Gross, a former state attorney general, to give a legal opinion on the borough's power to tax fuel transfers.

State law prohibits taxation of fuel used for heating and power generation or fuel used in airplanes that operate flights to foreign countries. Cook said most of the jet fuel Williams produces is used for foreign flights. ◆

ANCHORAGE

This year's trans-Alaska pipeline shutdown set for July 27-28

The Joint Pipeline Office said June 6 that this year's scheduled annual shutdown of the trans-Alaska pipeline system will be July 27-28. JPO said that one of this year's more complex efforts during the shutdown will be the replacement of remote gate valve 39. The remote gate valve replacement is a result of a JPO and Alyeska Pipeline Service Co. 1997 memorandum of agreement requiring testing of 177 mainline valves by 2000. JPO said all operating mainline valves have been tested and remote gate valves 60 and 80, check valves 122 and 74 and a valve at Pump Station 9 have been repaired or replaced.

Valve maintenance is ongoing, the JPO said, and if internal leak through or damage is identified, valves will be repaired or replaced.

JPO said there will be a review of Alyeska's plans before this year's work is done. JPO will have staff in the field and at the control center during shutdown, replacement and startup.

WASHINGTON, D.C.

Pipeline critic Richard Fineberg calls for citizens oversight panel

A trans-Alaska oil pipeline critic is calling for a public oversight panel similar to the Regional Citizens Advisory Councils set up after the Exxon Valdez oil spill.

The recommendation is part of a report on the pipeline system released June 12 by the Alaska Forum for Environmental Responsibility. The report was written by Richard Fineberg, a frequent pipeline critic.

At a news conference in Washington, D.C., Fineberg said the pipeline has numerous physical, operational and management problems that are not being addressed in the pipeline right-of-way renewal process which currently is under way.

Reauthorization should require a citizens oversight group to give the pipeline more scrutiny than it's currently getting from the owner companies and government regulators.

"It should not be left to engineers and bureaucrats to make the call on their own. We should all be in the mix," Fineberg said. The report says climate change and melting permafrost are among future problems facing the pipeline.

An Alyeska spokesman did not immediately return a call for comment on the report.

—The Associated Press

PNA CLASSIFIEDS

Consultants

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AK oil & gas basemaps, well data, geology maps 8.5"x11" & 11"x17" plat maps (1:250,000). (303)573-8958. G. D. Bechtold.

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Doyon

Doyon Drilling is now hiring for: **Electrician** Summary:Installs, maintains and repairs drill rig electrical systems, apparatus and electrical and electronic components of drill rig machinery and equipment. Essential Duties: Maintains and repairs the electrical and electronic equipment associated with drill rig top drives, draw works, iron roughnecks, SCR's AC motor controllers, DC motors, AC generators, air conditioners PLC's and oilfield mud and gas monitoring systems. installs power supply wiring and conduit for newly installed machines and equipment such as mud pumps, motors and conveyors. **Pitwatcher** (Solids operator) Summary: Performs drilling fluid mixing operations, drilling fluid property sampling, monitoring of well bore returns, maintenance of mud pumps and drilling fluid circulation system. Essential Duties: Maintain drilling fluid solids control and circulation equipment. Carry out routine drilling fluid property sampling. Mixing of drilling fluid chemicals and maintenance of drilling fluid properties. Cleaning and maintenance of rig drilling fluid pits. Follow DDI and customer operating and reporting procedures. Maintain clear communications with relief, mud engineer, Derrickman and **Driller** Mechanic Summary: Responsible for the operability, maintenance and repair of all drill-rig related machinery and support equipment such as engines, motors, pumps, winches, pneumatic tools and conveyor systems as directed by the rig toolpusher. Essential Duties:Works on the following: Drill rig top drive systems. Drill rig draw work systems. Drill rig mud pumps. SCR systems. Caterpillar and Detroit Diesel engines. Allison transmissions, air conditioners, glycol, hydraulic and pneumatic systems. Drill rig heating and heat distribution systems including boilers and fans. Our mailing address is:Doyon Drilling, Inc. 101 W. Benson Blvd.Suite 503 Anchorage, AK 99503 Phone:907-563-5530 Fax: 907-561-8986 Our email address is: jobs@doyondrilling.com Attachments should be in one of the following standard formats: Microsoft Word (Windows),RTF

TESORO

Manager, Projects Tesoro Petroleum Corporation is a dynamic growing company in the business that keeps the world running: Energy. We refine, distribute and market petroleum products in Alaska, Hawaii and the western states. We are looking for an individual to fill the position of Manager, Projects at our refinery in Kenai, Alaska. This position manages maintenance and construction projects associated with the Kenai Refinery, Kenai Pipeline Company, Tesoro Alaska Pipeline Company and Tesoro products distribution terminals. Duties include, but are not limited to, participating in long-range planning for turnarounds, unit modifications, construction of new facilities; responsibility for directing and tracking of engineering and construction contractors; working with Refinery engineering and environmental staff to ensure compliance with regulatory requirements and industry recommended practices; providing overall management and coordination of turnaround with maintenance and operations personnel; and management of assigned AFE's and tracking of expenditures.Candidates must have a B.S. in an engineering field (either Civil, Mechanical, Chemical, Industrial or equivalent), with 10 years increasingly responsible maintenance or construction planning experience. The successful candidate must have experience reading and interpreting construction plans and specifications, permit requirements, special provisions and test reports; establishing and maintaining effective working relationships with others; planning and organizing work activities, setting priorities; identifying alternative courses of action; anticipating and resolving problems using sound judgment; communicating effectively, orally and in writing; working long and irregular hours. **Mechanical Engineer** We are looking for an individual to fill the position of Mechanical Engineer at our refinery in Kenai, Alaska. This position is responsible for performing mechanical engineering functions pertaining to all of the refinery's systems and rotating, reciprocating and fixed equipment. Duties include, but are not limited to, gathering and interpreting engineering data on mechanical equipment, troubleshooting equipment and recommending solutions, planning and directing preventive maintenance on equipment, performing economic studies pertaining to refinery operation improvements, serving as project engineer and evaluating bids on outside equipment and services for expansion projects and construction of new facilities, and assisting bringing new units on new stream. Candidates must have a B.S. in Mechanical Engineering, with three years directly related experience; including, working knowledge of ANSI, ASME and API codes relating to refinery operation and construction practices; knowledgeable in welding, metallurgical and corrosion standards. Skills required also include excellent communication (written and oral); analytical, problem-solving skills in both team and independent environment; strong computer skills; and organizational skills to meet deadlines and to prioritize multiple objectives. SAP experience is a plus. Human Resources Consultant Tesoro Alaska Company P.O. Box 3369 Kenai, AK 99611-3369 907-776-8191 (phone) 907-776-5546 (fax) hpeterson@tesoropetroleum.com (email) **Process Engineer** We are looking for an individual to fill the position of Process Engineer in Kenai, Alaska. This position provides a broad range of process engineering activities (including safety and environmental issues) to the Kenai Refinery. Duties include, but are not limited to, monitoring assigned units for optimal performance; maintaining process targets; troubleshooting process problems; assisting with startups and shutdowns; evaluating process improvements, developing incentives and economically justifying projects. Candidates must have a B.S. in Chemical Engineering, with two years of related experience working in the petroleum refining or petrochemical industry. Human Resources Consultant Tesoro Alaska Company P.O. Box 3369 Kenai, AK 99611-3369 907-776-8191 (phone) 907-776-5546 (fax) hrservices@tesoropetroleum.com(email) (MSWord attachments only)

Equipment

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20' & 40' Containers for Sale or Lease, contact Lee Petersen at Sourdough Express, Inc. 907-452-1181.

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Investment Opportunities

Alaska Independent needs operator to explore and develop prime North Slope/Cook Inlet prospects. Call Rick 907-456-2300 or email bluemax@gci.net.

Leases/Prospects Available

Alaska oil and gas leases, North Slope 17,500 acres, Cook Inlet Basin, 8,000 acres. Proven reserves, permitting in progress. Call 907-452-5149, fax 907-452-5203.

Five Cook Inlet leases for sale: The Redoubt Shoal area leases include one off the north-eastern edge of Kalgin Island and one directly south of Redoubt. The other three leases are (1) east of the North Middle Ground Shoal gas field (2) adjacent on the east to Forest Oil leases south of the North Cook Inlet field in mid-Cook Inlet, and (3) adjacent to the North Cook Inlet unit. For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Five North Slope leases for sale: One lease is adjacent to BPX leases just southeast of Kuparuk; two leases are directly south of the Prudhoe Bay unit and two leases are adjacent to the Prudhoe Bay unit near Deadhorse. For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Four North Slope leases for sale: Three south of Prudhoe Bay and one west of the Dalton Highway near TAPS. Each tract has an abandoned well: tract 137 the Nora Federal No. 1 (a 17,658 foot vertical hole plugged and abandoned in 1970); tract 651 the Sequoia No. 1 (an 8,910 foot vertical hole plugged and abandoned in 1992); tract 658 the N. Franklin Bluffs Unit No. 1 (a 3,500 foot vertical hole plugged and abandoned in 1973); and tract 663 the Toolik Federal No. 1 (a 10,814 foot vertical hole plugged and abandoned in 1969). For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Looking for partners for six prospects in Cook Inlet - Corsair, Raptor, Tutna, Valkyrie, Viggen, Olsen Creek. See www.forestoil.com. Click on First Boston presentation; go to Cook Inlet, page 14 for details on four prospects. Contact: Jim Arlington, Land Dept., jdarlington@forestoil.com Serious inquiries only.

Meetings/Events

Alaska Support Industry Alliance Events
Saturday, July 20
The Alliance—Kenai Chapter Golf Tournament Kenai Golf Course. For information/regis-

VECO

CAREERS AT VECO **MEL Coordinator** - Anchorage, Alaska Maintains MEL database in Passport. Supports project work with assigning of tag numbers and tag to document updating. Ensure MEL completion from construction. Also provides maintenance of both electronic and hard copy files as needed. Maintains vendor document tracking and files as needed. Provides support to BP engineering document control. Updates data elements in electronic document system Job duties: require a proficiency in Microsoft Office software with an emphasis on the use of Word, Excel, operating in a Windows 2000 environment. Proven database and brio query experience. Requires solid understanding of engineering drawings and tag equipment numbering as they relate to the development of work packages. Experience with BP's document management system, EDDI, and CMMS. Good organizational skills are needed in the maintenance of both electronic and hard copy files. Position often requires the ability to multi-task and interface with various clients and their specific needs. This is a Regular/Full-Time Rotational position (2 weeks on, 2 weeks off, 7 days a week, 11.5-hour work day) This is a field-based location, without vacation and sick leave accrual. More Jobs at VECO: **Executive Assistant** - Anchorage, Alaska Duties and Responsibilities: Provide secretarial and administrative support to the Sr. Executives. Function as a representative and liaison between the Executives and all levels of personnel within the corporation, as well as to the Sr. Executives of client companies. Schedule and coordinate internal and external meetings, to include client participation, video/audio logistics, and preparation of meeting materials. Coordinate extensive complex travel planning and arrangement, including both domestic and international travel. Maintain Senior Executive calendars using outlook. Coordinate processing of Bid and Performance Bonds for VECO Corporation and VECO entities. Maintain and update bond log sheet. Compose and prepare correspondence as required. Maintain flow of documents requiring the signature / approval of the Sr. Executives. Maintain executive files and telephone list. Obtain Notary Public commission in support of VECO-related business processes. Overtime required as job responsibilities dictate. Function as back-up to Executive Assistant team members. Coordinate video teleconference scheduling and set-up with Regional vtc coordinators. Technical Skills Required: Knowledge and experience in the use of the following software applications: Microsoft Word, Excel, Microsoft Outlook, and PowerPoint. Personal Skills Required: Must be able to function as a member of a team. Must be mature and reliable and able to easily adapt to change. Must be able to manage sensitive matters with tact and utmost confidence. Must be able to multi-task and maintain professional demeanor under stress. This is a Regular/Full-Time Position, Anchorage Location. CAREERS - JOB LISTINGS Regular mail and faxed resumes for this posting can be sent to: VECO Corporation Alaska Region Recruiting Department 949 E. 36th Avenue Suite 500 Anchorage, AK. 99508 Email Resume to: Careers@VECO.com or fax (907) 762-1040 Please quote tration, please call (907) 563-2226 **Wednesday, August 8** The Alliance--Fairbanks Chapter Golf Tournament Fairbanks Golf Course. For information/registration,please call (907) 563-2226

IADC annual meeting Mark the date for the annual meeting of the International Association of Drilling Contractors, Sept. 25-27, in the Hyatt Regency Hotel, 123 Losoya St. on the Riverwalk, San Antonio. This event is the premiere gathering of drillers and drilling service contractors throughout the world. Conference fee is $500. Contact Leesa Teel 281-578-7171 ext 21 (leesa.teel@iadc.org) for more information or to make an advanced reservation.

Miscellaneous

In July, Petroleum News • Alaska is publishing a special publication about the independent oil and gas companies doing business in Alaska. **"The Independents: Alaska's Energy Future"** will contain in-depth profiles about each of the independents, as well as maps of their leaseholdings in Alaska. The publication will also have directory information for each independent, such as contact names and numbers, web sites, email addresses, etc. Please call Susan Crane at (907) 770-5592 for more details.

Petroleum News • Alaska classified ads are an affordable and effective way to reach people in the oil and gas industry. Our weekly paper, combined with PNA's eBook (electronic version of the newspaper), is offered to several thousand readers around the world each week and reaches 95% of middle and upper management in Alaska's oil and gas industry. Your ad will be viewed on-line and in our weekly paper for only $4/line for Employment ads and $8/line for all other categories. Please call **907-644-4444, e-mail classifieds@gci.net**, or visit us on-line at PetroleumNewsAlaska.com.

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Recreation/Lodging

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Supplies

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Legal Notice

Right-of-Way Application Notice, AS 38.35.070, Kenai-Katchemak Pipeline, LLC Body of Notice: State Pipeline Coordinator's Office 411 West Fourth Avenue, Suite 2C Anchorage, Alaska 99501 (907) 257-1300 Notice Of Application Under AS 38.35.070 Kenai-Kachemak Pipeline, LLC Pipeline Right-Of-Way Lease Application, ADL 228162 The Commissioner of the Department of Natural Resources, pursuant to AS 38.35.070, hereby gives notice that Kenai-Kachemak Pipeline, LLC (KKPL LLC) submitted a revised Pipeline Right-of-Way Lease Application dated May 10, 2002, superseding the previous Pipeline Right-of-Way Lease Applications dated December 18, 2001, and March 20, 2002, in accordance with the Alaska Right-of-Way Leasing Act, AS 38.35.050. A prior notice of the application dated March 20, 2002, was published on April 3 or 4, 2002. The revised May 10, 2002 application reflects changes to the right-of-way legal description and the project description. KKPL LLC proposes to construct a pipeline to transport natural gas. The proposed Kenai-Kachemak Pipeline will extend from the most northern point of Kenai, at an existing ENSTAR facility located near Mile 12.4 of Kalifonsky Beach Road, to the most southern point that is approximately 13 miles north of the community of Ninilchik at Mile 128 of the Sterling Highway. The proposed pipeline may be up to 16 inches in diameter and will handle a future potential flow rate of up to approximately 444 million standard cubic feet per day of natural gas at 1480 pounds per square inch gauge (psig). KKPL LLC requests a 60-foot wide right of way for construction of the pipeline with some exceptions: an additional construction area that is identified below; and for directional drilling under rivers and streams, a 100 foot-wide by 300-foot long area on each bank. KKPL LLC requests a 20-foot wide permanent pipeline right-of-way. During construction, the applicant requests the use of approximately 230 acres of State lands and approximately 77 acres for the permanent pipeline right-of-way. The proposed pipeline right-of-way primarily follows: Kalifonsky Beach Road, Sterling Highway, and section line easements. The proposed pipeline will be buried and approximately 32 miles in length, with approximately 31 miles of the pipeline located on State lands. State lands are described below starting with the most northerly segment and moving in a southerly direction. Private lands planned for crossing will not be authorized by the State and are not listed below. The following is a general description of the State lands that KKPL LLC requests for the proposed pipeline right-of-way lease. All land is located within the Seward Meridian, Third Judicial District, State of Alaska, and all milepost references are approximate. Kalifonsky Beach Road—Mile 12.4 to Mile 0 This segment of the alignment begins at approximately Mile 12.4 Kalifonsky Beach Road and ends at approximately Mile 0 of Kalifonsky Beach Road. Mile 0 is Kalifonsky Beach Road's intersection with Mile 108.8 of the Sterling Highway. The below-described lands are within the Kalifonsky Beach Road right-of-way limits and described by township in a southerly direction: Sections 30 & 31, Township 5 North, Range 11 West Sections 1, 12, 13, 24, 25 & 36, Township 4 North, Range 12 West Sections 1, 13 & 24, Township 3 North, Range 12 West Sections 6, 7, 18, 19 & 30, Township 3 North, Range 11 West At approximately Mile 2.4 to Mile 2.9 in the vicinity of the Kasilof Airport, KKPL LLC requests an additional 60-foot wide by approximately 2,693-foot long temporary construction area paralleling the subject road right-of-way on the following State-owned parcel lying east of Kalifonsky Beach Road: The SE1/4 of the NW1/4 AND the E1/2 of the SW1/4 AND the E1/2 of the W1/2 of the SW1/4, of Section 18, Township 3 North, Range 11 West. Sterling Highway—Mile 108.8 to Mile 109 This segment of the alignment begins at approximately Mile 108.8 of the Sterling Highway from the intersection with Kalifonsky Beach Road, moves in a southerly direction ending at approximately Mile 109 of the Sterling Highway within Section 30, Township 3 North, Range 11 West within the Sterling Highway right-of-way limits. Sterling Highway (Mile 109) to Lands under Kasilof River and Crooked Creek, and along Section Line Easements This segment of the alignment leaves the highway right-of-way limits at approximately Mile 109 of the Sterling Highway, moves in a southwesterly direction, enters on private lands, enters State-owned lands under Kasilof River and Crooked Creek, and runs south along section line easements that are also used by the Homer Electric Association utility right-of-way. The alignment re-enters the Sterling Highway right-of-way at approximately Mile 111 of the Sterling Highway. The following lands within this segment are proposed for the pipeline: The proposed pipeline will cross under Kasilof River for approximately 310 feet in length within SW1/4 of the SW1/4 of Section 30, Township 3 North, Range 11 West. A 50-foot wide Section Line Easement approximately 528 feet in length within Section 30, Township 3 North, Range 11 West, across Government Lot 9. A 50-foot wide Section Line Easement approximately 53 feet in length, lying west of the Sterling Highway, within N1/2 of the NW1/4 of Section 31, Township 3 North, Range 11 West. A 50-foot wide Section Line Easement approximately 4,066 feet in length traversing State land within N1/2 AND N1/2 of the S1/2 AND the S1/2 of the SE1/4 lying east of Cohoe Loop Road within Section 36, Township 3 North, Range 12 West. KKPL LLC proposes to cross under Crooked Creek for approximately 25 feet in length near Mile 111 of the Sterling Highway within this Section. Sterling Highway—Mile 111 To Mile 128 This segment of the alignment begins at approximately Mile 111 of the Sterling Highway and ends at approximately Mile 128 of the Sterling Highway, 13 miles north of the Ninilchik community. The below-described lands are within the Sterling Highway right-of-way limits and described in a southwesterly direction: Section 36, Township 3 North, Range 12 West Sections 1, 12, 11, 14, 15, 22, 21, 28, 29 & 32, Township 2 North, Range 12 West Sections 5, 6, 7 & 18, Township 1 North, Range 12 West Sections 13, 24, 23, 26, 27, 34 & 33, Township 1 North, Range 13 West Section 5, Township 1 South, Range 13 West At Mile 124.2 of the Sterling Highway, KKPL LLC requests an additional pipeline right-of-way that diverges from the main pipeline to the G. Oskolkoff gas well pad site. The line extends west for approximately 290 feet within the highway right-of-way limits. This proposed line is located within W1/2 of the SE1/4 of Section 23, Township 1 North, Range 13 West. The public may obtain copies of the application at cost or view the application at the following location: State Pipeline Coordinator's Office 411 West 4th Avenue, Suite 2C Anchorage, AK 99501-2343 Open Monday thru Friday Hours: 7:30 AM to 5:00 PM Copies of the application will also be available for viewing at the following locations: Anchor Point, Public Library, Homer, Public Library, Kasilof, Public Library, Kenai, Community Library, Ninilchik, Community Library, Soldotna, Public Library, In accordance with AS 38.35.200(a), a person will have standing to seek judicial review of a decision of the Commissioner of the Department of Natural Resources on this application only if: (1) the person is an applicant, competing applicant or a person who has a direct financial interest affected by the lease that is subject of this notice of application; and (2) the person delivers a written objection to the application to the State Pipeline Coordinator's Office not later than 60 days from the date of initial publication of this notice. The State of Alaska, Department of Natural Resources, State Pipeline Coordinator's Office complies with Title II of the Americans with Disabilities Act of 1990. Individuals with disabilities who may need auxiliary aids, services, or special modifications to participate in this review may call (907) 257-1300 or 269-8411 TTY/TDD. Please provide sufficient notice in order for the Department to accommodate your needs. The State Pipeline Coordinator's Office reserves the right to waive technical defects in this publication. John Kerrigan State Pipeline Coordinator

Legal Notice

Proposal To Amend The Right-Of-Way Lease For The Trans-Alaska Pipeline, ADL 63574 Publish Date: 04/22/2002 Location: Anchorage, Fairbanks Region: Central; Northern Body of Notice: State Pipeline Coordinator's Office 411 West 4Th Avenue, Suite 2C Anchorage, Alaska 99501 (907) 271-5070 Public Notice Under AS 38.35.070 Subject to the provisions of Alaska Statutes (AS) 38.35.015 and pursuant to the regulations promulgated thereunder, the State Pipeline Coordinator's Office received an application from Alyeska Pipeline Service Company, as agent for the Trans-Alaska Pipeline owner companies, that proposes to amend the Right-Of-Way Lease for the Trans-Alaska Pipeline, ADL 63574, to include approximately 77.0 acres of land at three locations along the Sagavanirktok River. The lands proposed for addition to the Lease are located at pipeline mileposts (PLMP) 32.8, 37.8, and 72.3 and are generally described as: PARCEL 1: Township 5 North, Range 14 East, Umiat Meridian, Alaska. Section 6, SW4 and Section 7, NW4, those lands adjacent to the Trans-Alaska Pipeline System (TAPS) right-of-way comprising a 700'x1600' area as depicted on the drawing submitted with the application labeled "PLMP 32.8 SAG RIVER REVETMENT PROPOSED ROW ACQUISITION, PLATE 1 AT SEC. 6 & 7, T 5N, R14E, UMIAT MERIDIAN, ALASKA" Containing 25.7 acres, more or less. PARCEL 2: Township 5 North, Range 14 East, Umiat Meridian, Alaska., Section 32, and Township 4 North, Range 14 East, Umiat Meridian, Alaska., Section 3, Those lands adjacent to the TAPS right-of-way comprising a 1100'x1400' area as depicted on the drawing submitted with the application labeled "PLMP 37.8 SAG RIVER CHANNEL PLUG PROPOSED ROWACQUISITION, PLATE 1 AT SEC. 32, T 5N, R 14E, SEC. 3, T 4N, R14E, UMIAT MERIDIAN, ALASKA"Containing 35.0 acres, more or less. PARCEL 3: Township 2 South, Range 14 East, Umiat Meridian, Alaska. Section 16, NE4, those lands adjacent to the TAPS right-of-way comprising a 450'x1500' area as depicted on the drawing submitted with the application labeled "PLMP 72.3 SAG RIVER REVETMENT PROPOSED ROW ACQUISITION, PLATE 1 AT SEC. 16, T 2S, R14E, UMIAT MERIDIAN, ALASKA" Containing 15.5 acres, more or less. The application, in summary, proposes to install three river erosion control structures along the Sagavanirktok River. The purpose of these structures is to stabilize the channel of the Sagavanirktok River adjacent to the pipeline right-of-way. Pursuant to AS 38.35.070(3) copies of the notice or application will be furnished at cost to persons requesting them. In accordance with AS 35.35.200(a), a person will have standing to seek judicial review of a decision of the Commissioner of the Department of Natural Resources on this application only if: (1) the person is an applicant, competing applicant, or a person who has a direct financial interest affected by the lease that is that is the subject of this notice of application and (2) the person delivers a written objection to the application to the State Pipeline Coordinator's Office not later than 60 days from the date of initial publication of this notice. The State of Alaska, Department of Natural Resources, State Pipeline Coordinator's Office, complies with Title II of the Americans with Disabilities Act of 1990. Individuals with disabilities who may need auxiliary aids, services, or special modifications to participate in this review may call (907) 271-5070 or 269-8411 TTY/TDD. Please provide sufficient notice in order for the Department to accommodate your needs. The State Pipeline Coordinator's Office reserves the right to waive technical defects in this publication. /s/ John Kerrigan Publish April 22, 2002 State Pipeline Coordinator Revision History: 04/22/2002 03:27:41 PM by Sharon Fremming/OOC/DNR/State/Alaska/US

Legal Notice

Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission Re:Swanson River Unit 213-10 Well A-028405 and A-028077 Section 10, T8N, R9W, Seward Meridian Kenai Peninsula Borough, Alaska Unocal Alaska by letter dated June 3, 2002, and received by the Commission on June 5, 2002, has requested an order allowing a spacing exception in accordance with 20 AAC 25.055(a)(4) for the drilling and production of a development gas well that will be the second gas production well within a governmental section and will be closer than 3000' to a well capable of producing from the same pool. Surface Location: 1725 feet FNL and 628 feet FWL, Section 10, T8N, R9W, SM Anticipated Productive Interval: 2818' FNL, 590' FWL Bottom Hole Location: 3103' FNL, 552' FWL, S10, T8N, R9W, SM The Commission has tentatively set a public hearing on this application for July 23, 2002 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on July 15, 2002. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on July 15, 2002, except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on July 23, 2002. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before July 18, 2002. Cammy Oechsli Taylor, Chair Published Date: June 1, 2002

Companies involved in Alaska's oil and gas industry

All of the companies listed above advertise on a regular basis with Petroleum News • Alaska.

PETROLEUM NEWS ALASKA

Business Spotlight

Forrest Crane

Clif Burnette, executive vice president

Alaska Textiles

Alaska Textiles roots are with Alaska Cleaners, in business in Alaska since 1946. Established as a separate entity in 1981, Alaska Textiles supports 25 full and part time employees specializing in providing fire safety apparel for oil workers, restaurant and health care uniforms, and the distribution of hospitality items, for which it is the largest local supplier. Alaska Textiles recently added a division that offers corporate gifts and embroidery or screen printed apparel.

Executive Vice President Clif Burnette has been with Alaska Textiles for the last five years, bringing a wealth of sales experience and marketing intuition to the company. He enjoys vacationing in Hawaii and has recently discovered a passion for the game of golf.

Forrest Crane

Karl Kisser, Alaska district manager

SECORP

SECORP was established in Alaska in 1985, employs 18 people, and is uniquely qualified to assist its customers in operating safely and efficiently. The company provides a variety of services and products including expediting services for oil, gas and mining industries, gas detection, breathing air and remote medical and emergency services.

Karl Kisser moved to Alaska from Washington in 1995, fulfilling a life long dream. He has worked with SECORP for six years, and has recently been named the Alaska district manager. He brings 13 years of emergency medical experience to this position. Karl is a private pilot who owns a Citabria KCAB and enjoys flying in Alaska.

continued from page 1

PLANT

2000. That's when the Fairbanks-based Golden Valley Electric Association terminated a power purchasing agreement with the plant's owner and developer, the Alaska Industrial Development and Export Authority.

Then, and now, GVEA claims that technology incorporated in the design of the experimental coal plant at Healy — while capable of producing electricity — does not work on a reliable, cost-effective basis.

"There's not one other power plant like this in the world, nor is another one ordered. It's simply a failure of the technology," said Kate Lamal, vice president of power supply at GVEA. "Golden Valley does not want to be strapped with this. We need to make cheap and reliable power for our customers."

AIDEA has more than $80 million invested

AIDEA, with more than $80 million in state bonds invested in construction of the Healy plant, can't begin to recoup its investment unless it can sell electric power generated by the coal-burning unit.

In its current, unused status, AIDEA's annual costs for the Healy Clean Coal Project are $6.5 million in debt service and $2.3 million for "warm storage," said Lynn Kenney, public information officer at AIDEA.

"That's keeping the heat and the lights on," she said. "We're aggressively pursuing all options to stop the outflow of cash from AIDEA."

One of those options includes asking the federal government for more money to cover costs to rip out the experimental, clean burning technology and retrofit the plant with conventional equipment, similar to that used in the neighboring older power plant at Healy owned and operated by Golden Valley.

Already, the U.S. Department of Energy has funneled $117 million into the project, part of the original $292 million budgeted for the plant. The state Legislature in 1990 awarded a $25 million grant for the project and AIDEA raised $85 million in bonds. Golden Valley contributed about $7 million, which includes in-kind services and the use of equipment.

History of plant

The Healy plant was one of 40 projects selected by the U.S. Department of Energy's Clean Coal Technology Program, an effort to come up with new methods of burning fuels by reducing pollutants that cause acid rain.

The Healy plant incorporates two new technologies that are designed to reduce the amount of nitrous oxide and sulfur dioxide released in the atmosphere. One of the technologies involves an entraining combustion system that burns coal in stages to minimize the formation of nitrogen oxide. The specialized combustor also melts earth and clay contaminants in coal, removing them as slag.

The second technology involves disposing of molten slag that accumulates on the walls of the combustor, using soot blowers to knock the material down, where it is treated with limestone to reduce the sulfur dioxide.

"There's not one other power plant like this in the world, nor is another one ordered. It's simply a failure of the technology." —Kate Lamal, vice president of power supply, Golden Valley Electric Association

H.C. Price served as general contractor for the construction job, excluding the boiler, combustor and turbine, which were purchased and installed under separate contracts.

TRW Space & Technology Division furnished the experimental combustion system and JOY Environmental Technologies Inc. developed the flue gas desulfurization system.

Problems during testing

Problems arose at the plant during the testing phase, back in early 1998. Initial problems included coal buildup along the 250-foot delivery system, according to Mike Kelly, then the president of Golden Valley.

Additionally, the experimental technology required twice as much limestone as anticipated for the desulfurization process, and more workers to oversee operations in the plant, bumping up operational costs.

Golden Valley filed complaints with state utility regulators and in state court, and an independent power consultant was hired to evaluate whether the plant could operate on a commercial basis.

In the midst of a 90-day test in late 1999, an explosion in the coal pulverization area knocked the plant off-line for 36 hours. No one was injured in the blast.

The consultant found that, while the power plant performed in "accordance with design specifications and tolerances" during the test completed Nov. 15, 1999, that level of productivity came as a result of burning a higher grade of coal than originally anticipated.

The consultant also noted the presence of 17 contractors hired by AIDEA had "significantly" reduced downtime when equipment problems arose during the three-month test period.

Based on that evaluation, Kelly terminated the power sales agreement with AIDEA and laid off his staff at the Healy Clean Coal Project.

Retrofit considered for idled plant

Because the experimental technology cost more to produce electricity, Golden Valley refused to take over operations of the plant. The electric utility has lobbied for a retrofit, which would replace the experimental technology with conventional coal burning equipment.

"AIDEA has a huge investment … they're loosing their shorts on this thing," said Lamal, at Golden Valley. "They've got to get it operating to start paying off their bonds."

U.S. Sen. Frank Murkowski included an amendment in the Senate's energy bill that would allow a $125 million loan to AIDEA for the retrofit. That bill is still pending.

"We are very appreciative of Sen. Murkowski's efforts. That gives us more options," Kenney said.

She said that AIDEA is considering a less costly retrofit. "We would keep the basic technology in place … but work on solving some of the problems that did show up in the 90-day test," Kenney said. "It would be much less than the $125 million full retrofit, where we would rip out everything there and start over."

The partial retrofit doesn't interest Golden Valley, Lamal said.

"We do not want to operate the existing technology," she said. "For the same reason we did not want to after 90-day test. It's not safe, economical or reliable."

In the meantime, Golden Valley is pursuing a low interest loan for a full plant retrofit under the Rural Utility System, part of the U.S. Department of Agriculture. "We use RUS for funding for a lot of our projects," Lamal said.

GVEA other scenarios

To meet the growing need for electricity in Interior Alaska, Golden Valley is moving forward with other options for new sources of power, Lamal said.

"We'll be making a business decision when the engineering numbers come in — what we believe to be the best option for us," she said. "September is the target we're currently heading at."

On the forefront is a heat recovery steam generator at the utility's North Pole plant, which adjoins the Williams refinery just south of the downtown district.

The recovery unit being considered will take heat generated by the oil-fired turbine and turn it into steam, generating an additional 30 megawatts of power for the Interior grid.

"It makes the unit very efficient," Lamal said. "We're pretty definite we'll be moving forward with that project."

No dollar estimate for the heat recovery unit will be available, she said, until Golden Valley goes out for engineering bids.

"We want to have added generation by January 2005, because that's when we will need additional power," Lamal said. "We do not believe the Healy Clean Coal Project will be operational by then."

Should AIDEA come up with funds for a retrofit, Golden Valley would be interested in renegotiating a power purchase agreement, Lamal said.

"There will always be a place for Healy Clean Coal Project in our power generation mix."◆


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