Canadian Arctic needs jolt

It’s time for the Canadian government to develop a new energy and trade policy tied to the Arctic based on public infrastructure planning and federal funding, instead of falling even further behind the pace of development in other northern jurisdictions, says an international affairs think tank.

John Higginbotham, a senior fellow at Carleton University and the Centre for International Governance Innovation, said there is “just no sign of the vision and long-term political energy required to bring (Canada) up in any way to close the gap that’s emerging with Russia and Norway as the Arctic Ocean opens.”

The Centre held a conference in Ottawa in February that involved the premiers of the Yukon, Northwest Territories and Nunavut and top officials from Alaska and Greenland to draw attention to how far North America is lagging behind Europe and Asia in developing Arctic resources.

He said that in Norway, “the North is the first thing they think about in the morning and the last thing they think of at night. It’s probably the same for (Russian President Vladimir) Putin.”

see CANADIAN ARCTIC page 12

Electric vehicles in Alaska — current state, potential future

With much current interest in the potential for the electric motor to take over from the internal combustion engine as the dominant power source in road vehicles, how might this transformation unfold in Alaska? On Feb. 12 during the Alaska Forum on Environment and Resources there was panel discussion on how far North America is lagging behind Europe and Asia in developing new technologies.

Panelists commented that there are thought to be some 40 Tesla electric cars in the Anchorage area.

Sean Skaling, manager of business and sustainable program development for Anchorage-based Chugach Electric Association, commented that Chugach Electric is actively preparing for the possibility of the more widespread use of the new technology.

see ELECTRIC VEHICLES page 11

AGDC provides permit timelimes, answers other questions from Senate

The Alaska Gasline Development Corp. has provided answers to questions from Sens. Cathy Giessel and Anna MacKinnon, both Anchorage Republicans, posed following a January update to the Senate Finance and Resources committees. Giessel chairs Senate Resources; MacKinnon co-chairs Senate Finance.

Among numerous questions was the expected timeline to acquire various major federal permits and approvals.

AGDC said in its Feb. 22 response that it has submitted five applications for special permits to PHMSA, the federal Pipeline and Hazardous Materials Safety Administration, and expects to receive the permits in the first quarter of 2019.

It expects to receive an Army Corps of Engineers wetlands 404 permit for the Alaska Stand Alone Pipeline Project, ASAP, by this August, following a preliminary determination on wetlands.

see AGDC REPORT page 8

Judge rejects rule delay

Temporary injunction imposed on BLM rule suspending parts of venting, flaring regs

By ALAN BAILEY
Petroleum News

A judge in the federal District Court of Northern California has granted a preliminary injunction, preventing the U.S. Bureau of Land Management from suspending the implementation of parts of federal regulations issued in 2016 by the Obama administration to limit the venting and flaring of methane from oil and gas operations on federal land.

On Feb. 22 Judge William Orrick issued an order saying that the suspension rule had been arbitrary and capricious. And so, because the appeal against the suspension is likely to succeed, an injunction banning the immediate suspension of the regulations is warranted, the judge wrote.

The regulations under dispute were introduced in 2016 as part of President Obama’s efforts to use government regulation as a means of enforcing the reduction of U.S. emissions of greenhouse gases, including methane. BLM’s efforts to suspend the regulations reflect the Trump administration’s strategy of rolling back regulations that the administration sees as posing unwarranted limitations on

see BLM RULE DELAY page 9

The costs of inaction

Pipeline backlogs estimated to cost Canadian economy C$15.6 billion a year

By GARY PARK
Petroleum News

Strained oil pipeline capacity in Canada is starting to bite where it hurts, with energy stocks sinking to their lowest level in two years along with a steep discount in Canadian heavy crude prices that would cost the country’s economy C$15.6 billion a year at current levels.

Scotiabank chief economist Jean-Francois Perrault said in a report that delays in approving new pipelines “have imposed clear, demonstrable and substantial economic costs on the Canadian economy.”

The only hope for an easing of the pain is more rail capacity becoming available, lowering the cost to C$10.7 billion or 0.5 percent of gross domestic product for all of 2018, then C$7 billion annually or 0.2 percent of GDP until Keystone XL and Enbridge’s replacement of its Line 3 into the United States come on line.

But Perrault said that if either of those projects gets derailed there would be worse, the Canada’s economic well-being, with consequences for

see PIPELINE BACKLOGS page 12

DEC grants hearing

Questions raised over changes to Valdez Marine Terminal contingency plan

By ALAN BAILEY
Petroleum News

Larry Hartig, commissioner of the Alaska Department of Environmental Conservation, has granted a request for an adjudicatory hearing, reviewing the approval of revisions to the oil discharge prevention and contingency plan for the Valdez Marine Terminal. The hearing request had gone before the Alaska Office of Administrative Hearings, which had subsequently found that the hearing request was justified.

The Valdez Marine Terminal is the facility at which crude oil carried through the trans-Alaska pipeline is loaded onto tankers for export from Alaska. The contingency plan at issue relates to operations at the port. The transits of tankers to

see VMT PLAN page 12

GOVERNMENT

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see VMT PLAN page 12
January production up 3% month-over-month

Alaska North Slope crude averages 529,432 bpd, up from 514,636 bpd in December; Cook Inlet averages 15,987, down 1% from December

By KRISTEN NELSON
Petroleum News

Alaska North Slope crude oil production averaged 529,432 barrels per day in January, up 2.9 percent, 14,796 bpd, from a December average of 514,636 bpd, while Cook Inlet crude production was down 0.8 percent, month-over-month, averaging 15,987 bpd in January, down 136 bpd, from a December average of 16,123 bpd.

ANS production was down 0.6 percent from January 2017, while Cook Inlet production was up 10.4 percent year-over-year.

Raw data for this report comes from the Alaska Oil and Gas Conservation Commission, which provides production information by well on a month-delay basis. The largest month-over-month ANS increase, by percent and volume, was at the BP Exploration (Alaska)-operated Prudhoe Bay field, the North Slope’s largest, which averaged 274,483 bpd in January, up 7 percent, 17,914 bpd, from a December average of 256,569, although down 4.1 percent from January 2017. These volumes represent Greater Prudhoe area production, including Lisburne, Point McIntyre and Niakuk, as well as Prudhoe satellites Aurora, Borealis, Midnight Sun, Orion and Polaris.

Production at the ConocoPhillips Alaska-operated Kuparuk River field, the Slope’s second largest, averaged 121,257 bpd in January, up 2.9 percent, 3,449 bpd, from a December average of 117,808, and also up by 6.2 percent from January 2017. As with Prudhoe, these volumes represent the main Kuparuk field and also include satellites — Melwater, Tarn, Tabasco and West Sak.

Production from ConocoPhillips' Calville River unit — which includes Alpine and satellites at Ford, Nanuk and Qannik — averaged 67,089 bpd in January, down 2.4 percent, 1,642 bpd, from a December average of 68,731, but up 8.6 percent from January 2017.

The Hilcorp Alaska-operated Milne Point field averaged 20,673 bpd in January, up 4.4 percent, 876 bpd, from a December average of 19,797, and also up, 5.3 percent, from January 2017.

Emi’s Nikaitchuq field averaged 13,984 bpd in January, down marginally, less than 1 percent, from a December average of 13,987 bpd, but down 7.8 percent from January 2017.

Oooguruk, operated by Caesus Alaska, averaged 11,468 bpd in January, up 1.4 percent, 155 bpd, from a December average of 11,313, but down 33.5 percent from January 2017.

The Hilcorp-operated Endicott field averaged 6,954 bpd in January, up 0.8 percent, 54 bpd, from a December
Alaska - Mackenzie Rig Report

Rig Owner/Rig Type | Rig No. | Rig Location/Activity | Operator or Status
--- | --- | --- | ---

**North Slope - Onshore**

Doyon Drilling
- DCS 250 LE 14 (SC/R/TD) Stacked
- DDC 1000 LE 16 (SC/R/TD) Standby
- DDC 1000U Quid 19 (SC/R/TD) Alpine CDS-25 ConocoPhillips
- AC Mobile 25 Standby ConocoPhillips
- OME 2000 141 (SC/R/TD) NPRA TIMMAQ 8 ConocoPhillips
- TSM 700 Arctic Fox #1 Stony Hill 1, exploratory ConocoPhillips

Hilcorp Alaska LLC
- Rig No. 1 Milne Point Hilcorp Alaska LLC
- Kuuskik Drilling 5 Putu No. 2 ConocoPhillips

Nabors Alaska Drilling
- AC Corl Hybrid CDR-2 (CTD) Deadhorse BP
- AC Corl CDR-3 (CTD) Kuparuk ConocoPhillips
- DCS 1000 LE 2-ES (SC/R/TD) Deadhorse Available
- M6 Continental U3/8A 3-5 Deadhorse Available
- Oilwell 700 E 4-ES (SC/R/TD) Deadhorse Available
- Oilwell 1000 LE 7-ES (SC/R/TD) Deadhorse Available
- Oilwell 1000 LE 9-ES (SC/R/TD) Deadhorse Available
- Oilwell 2000 Hercules 144 (SC/R) Deadhorse Available
- Oilwell 2000 Hercules 16-ES (SC/R/TD) Mustang location Available
- Oilwell 2000 33-E Deadhorse Available
- Academy AC Electric CARRING 99AC (AC-TD) Deadhorse Available
- OME 2000 24-ES (SC/R/ACTD) Kuparuk Available
- Academy AC electric CARRING 105AC (AC-TD) Deadhorse Available
- Academy AC electric Hell-Rig 105AC (AC-TD) Deadhorse Available

Nordic Calista Services
- Superior 700 UE 1 (SC/R/TD) Prudhoe Bay Available
- Superior 700 UE 2 (SC/R/TD) Prudhoe Bay Available
- Idaco 900 3 (SC/R/TD) Prudhoe Bay Available
- Rig Master 1200AC 4 (AC/TD) Oliktok Point, well OR-12 ENI

Parker Drilling Arctic Operating Inc.
- NOV ADS-10SD 272 Prudhoe Bay OS-18 BP
- NOV ADS-10SD 273 Prudhoe Bay OSW-59 BP

**Cook Inlet Basin – Onshore**

BlueCrest Alaska Operating LLC
- Land Rig BlueCrest Rig #1 Anchor Point, drilling production section of H54

Glacier Oil & Gas
- Rig 37 West McArthur River Unit Workover Glacier Oil & Gas

All American Oilfield LLC
- DECO H-37 AAO 111 In All American Oilfield's yard in Kenai, Alaska Available

Aurora Well Services
- Frank's 300 Gr. Explorer II AWS 1 Stacked out west side of Cook Inlet Available

Saasen
- TSM-850 147 Stacked Hilcorp Alaska LLC
- TSM-850 169 Stacked Hilcorp Alaska LLC

**Cook Inlet Basin – Offshore**

Hilcorp Alaska LLC
- National 110 C (TD) Platform C, Stacked Hilcorp Alaska LLC
- Rig 51 Steelhead Platform, Stacked Hilcorp Alaska LLC
- Rig 51 Monopod Platform, Drilling Hilcorp Alaska LLC

Spartan Drilling
- Baker Marine LLC-Skiddoff, jack-up Spartan 151, Stacked Seward

Faroe Operating Alaska
- Randoff Offs jack-up Nikiski, OCS dock Faroe

Glacier Oil & Gas
- National 1300 35 Osprey Platform, active/gas Glacier Oil & Gas

Mackenzie Rig Status

Canadian Beaufort Sea

SDC Drilling Inc.
- SDC CANWAR Island Rig #2 SDC Set down at Roland Bay Available

Central Mackenzie Valley

Alaka
- TSM-7000 37 Racked in Norman Wells, NT Available


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

This rig report was prepared by Marti Reeve
EXPLORATION & PRODUCTION

Increased gas storage pressure approved

The Alaska Oil and Gas Conservation Commission has approved an increase to the maximum pressure in a reservoir used for natural gas storage in Hilcorp Alaska's Kenai gas field on the Kenai Peninsula. The pressure increase from 300 to 400 pounds per square inch will enable Hilcorp to store more gas in the reservoir.

In 2006 Marathon Oil Co., the previous Kenai field operator, obtained approval to use the depleted reservoir in the Sterling formation pool 6 C1 and C2 sands for gas storage. Marathon and later Hilcorp have used the storage facility to manage their contracted gas supplies, storing excess gas when demand is low to later bolster gas supplies when gas demand rises.

Although Marathon originally requested an allowable maximum pressure of 500 pounds per square inch, a pressure that the company said was more than 2,000 pounds per square inch below the level at which fracturing of the reservoir might occur, the company eventually settled on a maximum pressure of 300 pounds per square inch. The company said that this pressure would be more than enough to accommodate proposed gas storage activities.

AOGCC, in a Feb. 26 appeal, said that storage operations have evolved since Hilcorp became field operator. Hilcorp has been injecting more gas into the reservoir than did Marathon and has been regularly approaching the 300 pounds per square inch limit. Hilcorp asked to increase the pressure limit, so that storage operations can continue unhindered, the commission said. In approving the pressure limit increase, the commission said that the new pressure limit remains a long way below the fracture pressure for the reservoir, and that allowing for more flexible storage operations constitutes a sound engineering and geoscience decision.

—ALAN BAILEY

PIPELINES & DOWNSTREAM

Design change for Hilcorp pipeline plan

Proposed oil line system would use short converted gas line on Kenai Peninsula to transfer oil from CIGG's to the Swanson River line

C ook Inlet Pipe Line Co., a subsidiary of Hilcorp Alaska, has modified the design of the pipeline system that it plans to use to ship crude oil from the west side of Cook Inlet to Nikiski on the Kenai Peninsula. The company has filed the amended design with the Regulatory Commission of Alaska in conjunction with the company’s request for RCA approval of the planned pipeline system changes.

Use of a CIGGS line

CILP wants to ship oil under Cook Inlet using one of the existing twin natural gas pipelines that form part of the Cool Inlet Gas Gathering System. Gas carrying capacity across the inlet would be maintained by laying a new subsea gas line between the Tyonek offshore gas production platform and Ladd Landing on the west side of the inlet. An onshore section of the existing gas line between the Tyonek platform and Nikiski would also be replaced.

The idea is to eliminate the use of the Drift River oil terminal on the west side of the inlet. There are safety concerns associated with the terminal’s proximity to Redoubt Volcano. The use of one of the CIGGS lines involves the construction of a new 3.3-mile oil line on the west side of the inlet. An added benefit would be to provide gas to the fertilizer plant that is now owned by Nutrien (formerly Agrium). In converting the LP CIGGS line to the carriage of oil, the line would be connected to the Swanson River oil pipeline at a point where LP CIGGS crosses the Swanson River line. The Swanson River line delivers oil from the Swanson River oil field to Nikiski.

With the mothballing of the Nikiski fertilizer plant, the LP CIGGS pipeline has not been used for about 10 years, but has been maintained, pressured with gas, and is in good condition, CIPL told the commission. If Nutrien decides to restart the fertilizer plant, the company would not need the LP CIGGS line, since gas could be delivered to the plant through the nearby Kenai Beluga Pipe Line, CIPL wrote.

—ALAN BAILEY

Petroleum News (ISSN 1544-3612)    Vol. 23, No. 9    Week of March 4, 2018

P.O. Box 231647 Anchorage, AK 99523-1647

Published weekly.  Address: 5441 Old Seward, #3, Anchorage, AK 99518

Overseas (sent air mail) — $240.00  1 year,  $436.00  2 years

Periodicals postage paid at Anchorage, AK 99502-9986.

Published by Petroleum Newspapers of Alaska LLC. The newspaper is published weekly. Several of the individuals listed above work for independent freelance writers.

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Murkowski questions fall in Alaska hire

Senator asks oil and gas companies to provide local hire data and make suggestions for in-state workforce development and training

By ALAN BAILEY

Petroleum News

U.S. Sen. Lisa Murkowski has sent a letter to the five largest oil and gas companies operating in Alaska, raising concerns that state data indicate a rising percentage of out-of-state workers in the state’s oil and gas industry. The letter follows the publication by the Alaska Department of Labor and Workforce Development’s 2016 report on nonresidents working in Alaska.

That report indicates that, while there has been a large decrease in the overall number of workers in the Alaska oil and gas industry in response to the industry downturn in recent years, the proportion of non-resident workers increased to 37.1 percent from a level of 28.1 percent in 2009. Murkowski, in her letter, asked the companies for up-to-date information on the employment of Alaska residents, including employment by contractors and subcontractors. She also noted workforce training programs available in Alaska and asked what more can be done to ensure that the industry hires more Alaskans.

“I have taken full advantage of the opportunity to visit the many career and technical colleges for workforce training programs across the state. I see firsthand the many talented and skilled Alaskans we train each year,” Murkowski wrote. “What more can we do to build a well-qualified Alaska workforce for the oil and gas industry?”

Companies support Alaska hire

Oil producers in Alaska have told Petroleum News that they are committed to high levels of Alaska resident employment. ConocoPhillips spokeswoman Natalie Lowman said that her company strongly supports Alaska hire and buy and encourages its contractors to hire Alaskans. About 84 percent of the company’s Alaska employees live in the state, she said.

“We actively recruit Alaskans for ConocoPhillips positions and support a number of programs to train Alaskans for oil field related work,” Lowman said. “As part of our commitment to Alaska workforce development, we have a longstanding relationship with the University of Alaska.”

The company supports a number of other organizations that train Alaskans: the Alaska Native Science and Engineering Program, the Alaska Process Industry Career Consortium and Ilisagvik College. In addition, in an effort to support businesses that hire Alaskans, 87 percent of the company’s Alaska spending on goods, services and transportation in 2016 went to Alaska-based companies, Lowman said.

Dawn Patience, spokeswoman for BP Exploration (Alaska), told Petroleum News that BP’s current Alaska hire rate is 76 percent and that the company encourages its contractors to hire Alaskans. The company publishes an annual Alaska hire report — the latest edition, with data for 2016, emphasizes the company’s efforts to support the education and recruitment of Alaskans. According to the report, BP contributes funding to the University of Alaska system, provides internships for students and hires Alaska graduates. The company also partners with the university in industry related programs, while also supporting the Alaska Process Industry Careers Consortium, a program to prepare Alaskans for careers in the process industries.

The percentage of nonresident workers in the industry hovered around 28 to 30 percent between 2006 and 2009, before beginning a steady climb to 37.1 percent in 2016. Of oil and gas, and people who work for oilfield service companies. In 2016, 28.3 percent of the oil extraction workers were nonresident, a fall from 29.4 percent in 2015. The percentage of nonresident earnings also fell slightly, from 27.7 percent to 27.5 percent.

On the other hand, the proportion of nonresident employees in the service companies rose from 38 percent to 40 percent between 2015 and 2016. Comparisons of earnings between residents and nonresidents in the service sector are complicated by the fact that, in this sector, resident employees tend to work across more of the year than do nonresidents. So, while in service companies nonresident quarterly earnings in 2016 where higher than those of residents, residents earned more annually, the report says.

Contact Alan Bailey at abailey@petroleumnews.com
U.S. Interior Secretary Ryan Zinke is revamping a planned sweeping overhaul of his department with a new organizational map that more closely follows state lines instead of the natural boundaries he initially proposed, he told The Associated Press Feb. 23 in an exclusive interview.

The changes follow complaints from a bipartisan group of Western state governors that Zinke did not consult them before unveiling his original plan in January. The agency oversees vast public lands, primarily in the U.S. West, ranging from protected national parks and wildlife refuges to areas where coal mining and energy exploration dominate the landscape.

Zinke told AP that his goal remains unchanged: decentralizing the Interior Department’s bureaucracy and creating 13 regional headquarters. “At present we are mismanaging and squandering our assets through a layered bureaucracy that reflects a very old department that really has not reorganized since the turn of the last century,” he said. “We will be moving assets to the front lines and moving authority to make decisions and, I would argue, better decisions to the front lines.”

The redrawn map shows that states such as Colorado, New Mexico and Wyoming would fall within a single region instead of being split among multiple regions. Other states remain divided, including California, Nevada, Montana and Oregon.

Aspects of the original map remain, with some regions labeled according to geographic features and follow state lines, not boundaries of rivers and ecosystems. The new proposal resulted from discussions with governors, members of Congress and senior leaders at the agency, Interior officials said. Zinke spokeswoman Heather Swift said the original proposal had been a “discussion draft” rather than a finished document and was now being refined through a collaborative process.

Governor’s views heard

Western Governors’ Association Executive Director Jim Osgbourn said the organization was “gratified” Zinke listened to its concerns and shifted the agency’s plan to craft changes around state boundaries.

“The governors support the Department’s goal of operating more efficiently and effectively by moving more decision-making to the field,” Osgbourn said in a statement to AP. “We look forward to additional conversations with the Department on how to further refine the plan.”

House Committee on Natural Resources spokesperson Kate Schottel praised Zinke’s willingness to revise the plan and criticized the Obama administration.

“We applauded Secretary Zinke for actually listening to the public and adjusting plans based on feedback, a clear departure from the previous administration,” she said.

A retired Interior Department official expressed doubts over whether the proposal would achieve Zinke’s stated desire to move decision-making closer to the field level. Steve Ellis, former deputy director of the Bureau of Land Management, the second largest branch of Interior, said the reorganization could instead add another layer of bureaucracy with 13 new regional directors.

But Ellis added that the new map was an improvement because it’s more in line with existing administrative boundaries.

Changes in place

Zinke, a former Republican congressman from Montana, already has imposed major changes at the 70,000-employee Interior Department. He has rolled back regulations considered burdensome to the oil and gas industry and reassigned dozens of senior officials who were holdovers from President Barack Obama’s administration.

The vision of retooling the department’s bureaucracy plays into longstanding calls from politicians in the American West to shift more decisions about nearly 700,000 square miles of public lands under Interior oversight to officials in the region.

However, some Democrats have speculated that Zinke’s true motivation for the overhaul is to gut the department, noting that more than 90 percent of its employees already work outside Washington, D.C.

Zinke contends that he’s trying to streamline Interior’s management of public lands by requiring all of the agencies within the department to use common regional boundaries, including the Bureau of Land Management, National Park Service and Fish and Wildlife Service.

Zinke said Feb. 23 that his focus was on three areas: improving recreational access, simplifying environmental reviews and speeding up the permitting process for energy exploration and other projects on public lands.

Congress has the final word on the proposal.

By MATTHEW BROWN & DAN ELLIOTT
Associated Press

The vision of retooling the department’s bureaucracy plays into longstanding calls from politicians in the American West to shift more decisions about nearly 700,000 square miles of public lands under Interior oversight to officials in the region.

Some states still divided

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Congress has the final word on the proposal.
Consultant talks China to legislators

Wenran Jiang, brought in by LB&A, describes how China brings in, pays for, needed resources, often in exchange for infrastructure

By KRISTEN NELSON

Petroleum News

Wenran Jiang, Ph.D., has been a special advisor on China to the Energy Council, which is where Sen. Bert Stedman, R-Sitka, chair of the Legislative Budget & Audit Committee, became familiar with his work. LB&A has now contracted Jiang to provide legislators with a perspective on China.

Jiang gave two fast-moving presentations Feb. 22 in Juneau, first in the Senate and then in the House, covering China’s demand for energy and growth, which are major concerns for state leaders. By 2040, China’s energy use could double that of the U.S. and surpass the U.S. as the world’s top energy consumer in 2009, and its oil consumption has outpaced its production since the early 1990s.

Jiang said China is known for massive worldwide resource investments and has done deals which include building infrastructure in exchange for copper, building infrastructure and providing loans in exchange for oil.

Pollution

China still burns a lot of coal, Jiang said, and with that comes a lot of pollution. In addition to its big population, it is also a big manufacturer, another cause of pollution, with coal use mainly responsible for CO2 emissions. And the Chinese public is demanding pollution reduction, he said.

In the country’s current five-year plan there is a major shift to more efficiency, to more balance between development and environment. Targets in China are very ambitious, and the Chinese are working to meet them. But not all foreign investments have gone well, Jiang said, and there is now full scale bureaucratic scrutiny in China of such foreign investments.

The Bank of China and Sinopec have learned from Canadian investment, he said, with some $35 billion poured into Canada and some investments not doing well. As a result, there is an investment shift from Canada to the U.S.

Questions have been asked about investments which went bad and there is some soul searching going on, Jiang said, and the Chinese are cautious and hard negotiators.

China is the world’s largest growing market for LNG, driven both by population growth and by policy change. While the energy market is volatile, everybody sees potential.

And, he noted, the Alaska Gasline Development Corp. is well aware that a lot of work remains to turn their memorandum of understanding into an agreement.

Contact Kristen Nelson at knelson@petroleumnews.com
Martineau, Buckley join DNR

Faith Martineau has been named executive director of the Alaska Department of Natural Resources’ Office of Project Management and Permitting and Steve Buckley is the new mining section chief at DNR’s Division of Mining, Land and Water.

DNR said Martineau previously worked for Caelus Energy, SLR International Corp. and the U.S. Army Corps of Engineers. She is a member of the Alaska Association of Professional Landmen and has led interdepartmental teams and worked with local, state and federal agencies on large development projects. She was appointed in 2017 to the BLM Alaska Resource Advisory Council.

Buckley has been general manager of minerals for ScaIaska Corp. and a senior exploration geologist with NANA. He owned a natural resource consulting business in Whitefish for some 15 years. He has bachelor’s and master’s degrees in geology from the University of Montana and was appointed in 2017 to the Alaska Minerals Commission.

AGDC report

in March and distribution of the ASAP final supplemental environmental impact statement this April.

For the Alaska LNG Project, the 404 permit would be issued at the conclusion of the Federal Energy Regulatory Commission-led National Environmental Policy Act process. AGDC said it requested a schedule from FERC completing the NEPA process by the end of the year. While FERC has not responded to its request for a schedule, AGDC said if FERC is able to meet the requested schedule a Section 404 permit would be expected in the second quarter of 2019.

AGDC responded to existing FERC requests for additional data by January, but in February FERC made more data requests and said it was not able to move ahead until it had all the information it needed.

The U.S. Department of Energy issued export licenses in 2014 and 2015, but those were to the Alaska LNG Project LLC. AGDC said it is negotiating with the LLC for land rights for the proposed LNG plant at Nikiski and for the transfer of the export licenses. The license transfer will require federal approval, AGDC said, or it could apply for new export authorization.

Significantly fewer legislative approvals will be required under the new strategy, but if the state elects to take its gas as royalty in kind then a gas sale agreement between the Department of Natural Resources and AGDC would require legislative approval, as would an agreement DNR is working on with the producers on field cost allowances. AGDC also addressed mitigation costs for the Section 404 wetlands permit. It said it is actively engaged in discussions with the Corps for ASAP project costs and those discussions will pave the way for Alaska LNG. The costs for ASAP wetlands mitigation will be know by the time the Corps approves the ASAP draft compensatory mitigation plan, which will happen concurrently with issuance of the ASAP Section 404 permit, AGDC said. “Comments from the Corps have indicated there may be regions along the route where mitigation will not be required,” AGDC said. The Corps will calculate the final mitigation required for ASAP following its approval of the draft plan, anticipated to be completed this August.

“Mitigation costs for the Alaska LNG Project will be larger than costs for ASAP primarily due to Alaska LNG’s wetlands acreage being larger,” AGDC said, and could be some $20,000 per acre if it is required to use existing third-party mitigation programs. In areas where no third-party mitigation programs are available, it would be required to “mitigate through permittee responible mitigation that may include restoration of portions of impaired wetlands, which may be considerably more expensive,” AGDC said.

continued from page 1

JANUARY OUTPUT

average of 6,900, but down 12.7 percent from January 2017.

Hilcorp’s Northstar field averaged 9,496 bpd in January, down 1.4 percent, 131 bpd, from a December average of 9,627 bpd, but up 59 percent from January 2017.

Point Thomson, operated by ExxonMobil Production, averaged 3,326 bpd in January, down 6.7 percent from a December average of 3,545 bpd and also down 63.5 percent from January 2017. There is a single producing well at Point Thomson, and the number of days per month that well has produced, as well as average bpd when it is producing, varies widely — 16 days in January, up from two days in June, down from 30 in November, with production varying over the past year from as low as this January to as high as 9,575 bpd in November.

Badami, operated by Glacier Oil & Gas subsidiary Savant Alaska, averaged 702 bpd in January, down 4.5 percent, 33 bpd, from 736 bpd in December, and down 23.1 percent from January 2017.

Cook Inlet

Hilcorp is the major operator in Cook Inlet and its Beaver Creek field, the basin’s smallest producer, averaged 89 bpd in January, down 12.8 percent, 13 bpd, from 102 bpd in December, and down 95 percent from January 2017.

Granite Point, also operated by Hilcorp, averaged 3,058 bpd in January, down 6.8 percent, 224 bpd, from a December average of 3,282, but up 25.7 percent from January 2017.

continued from page 2

The Explorers 2018 magazine will be released as part of a Petroleum News subscription in the May 27 issue and at the annual Alaska Oil & Gas Association conference on May 31. Total distribution is expected to reach 24,500 copies from Petroleum News subscribers, Petroleum News’ website, the AOGA conference and other conferences in Alaska and Outside in the year that follows the magazine’s release, as well as from social media distribution.

The advertising deadlines for The Explorers 2018 are April 6 for placement and April 13 for camera-ready copy.

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In October the court upheld combined appeals by the states of California and New Mexico, and by a group of environmental organizations, against the June suspension rule. That case, which has now brought Orrick’s granting of a preliminary injunction, continues in District Court. The court has declined to link this case with appeals against the June suspension rule.

Orrick: no connection to evidence

Orrick, in his ruling, wrote, that “while the plaintiffs have shown irrefutable injury caused by the waste of publicly owned natural gas.” BLM’s reasoning for the rule suspension does not connect with evidence against the implementation of the venting and flaring rule. For example, BLM asserts that the regulations would jeopardize the economic viability of marginal or low-producing wells but does not provide any supporting evidence for this assertion. Nor has BLM provided any detailed analysis of anticipated compliance costs, Orrick wrote. BLM must present a detailed justification, including any new facts or evidence, for suspending the regulations, given that the regulations resulted from three years of study and deliberation, Orrick wrote.

Although the regulations at issue apply to drilling within the National Petroleum Reserve-Alaska, the Alaska Oil and Gas Conservation Commission and the Alaska Department of Environmental Conservation already have stringent regulations designed to prevent hydrocarbon wastage and to avoid air pollution in the state.

Contact Alan Bailey
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Alaska Materials to add Oregon office

Alaska Materials President John Horjes announced plans Feb. 20 for a new office in Lake Oswego, Oregon.

“We’re pleased to add Oregon to our operations, Oregon is a great state, and many of our mills, manufacturers, and distributors are there. I’m very familiar with the area having lived there for years,” said Horjes. "My investment banking years began there by funding Pacific Rehabilitation & Sports Medicine Inc. to its IPO (initial public offering), and then serving the company as an officer by doing its mergers and acquisitions. We grew it from three to over 70 locations in just a few years before selling it for $76M to Horizon/CMS healthcare in 1996. This is a good time to look at acquisition opportunities. There are many with no succession plan or exit strategy, so it should come as no surprise that I’m in talks with old friends,” he added.

Alaska Materials, with its IMPAC Co. relationship, will have offices in Alaska, Washington, Oregon and Hawaii. Alaska Materials also serves as a platform for activities including M&A, strategic alliances, and product development. For more information visit www.alaskamaterials.com or www.impaco.com.
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PETROLEUM NEWS  •  WEEK OF MARCH 4, 2018

continued from page 1

ELECTRIC VEHICLES

“...we are interested in electric vehicles because it seems like they’re the future. The world is moving towards them and we need to get ready for them,” Skaling said. “So, we’re trying to get ahead of the curve and be prepared.”

And in other utilities, the option has purchased an electric car and has installed a car charging station at its Anchorage headquar- ters. “We are also considering installing a level two electric vehicle charging station,” said Pat Mesdag, general manager of Alaska Electric Light and Power.

Batteries and mileage range

Benefits of electric vehicles

A significant benefit of an electric vehicle is its low fuel cost compared with a gasoline or diesel rig — an electric motor is much more efficient than an internal com- bustion engine. The operation of an electric car, charged through a home electrical system, will typically increase the home’s electricity usage by about 50 percent, but with the resulting electricity cost for non- electric vehicle use, an electric car will use about one third of the fuel for a conventional vehicle, Skaling said. Total annual fuel cost savings in Juneau from the use of electric vehicles currently amount to about $250,000, Mesdag commented.

Mark Spafford, general manager of the Department of Solid Services in the Municipality of Anchorage said that the municipality is investigating the use of electric trash collection vehicles and trash trans- fer tractors, to save on the cost of using the current gas-guzzling vehicles.

“We’re pretty much the best-case sce- nario for having an electric vehicle pay itself off in short order,” Spafford said.

“And so we’re getting ready to purchase a refuse collection vehicle this year and look- ing at doing a couple of light duty vehicles in our fleet this year as well.”

Skaling commented that, with no tailpipes and with the use of electricity from efficiently powered generation systems, electric vehicle use generates significantly less emissions than does the use of traditional vehicles. Using power from Chugach Electric’s system, dominated by hydropower, would reduce emissions by about 60 percent, he said.

At the Anchorage facility, the up-front cost of an electric vehicle can be high, maintenance costs are typically lower than for an internal combustion engine system, given that the electrical propulsion system, need not replace as rela- tively small number of moving parts. Engine oil changes, for example, become a thing of the past.

Batteries and mileage range

The Achilles heel of the new technology has in the past been the cost of the batteries and the relatively short range of the vehicles. However, battery prices are drop- ping rapidly, Skaling said. And vehicle ranges are steadily increasing. Mesdag said that many of the electric cars in Juneau are older models with rela- tively low mileage ranges. Those ranges depend on the cold winter weather, when some battery capacity is used for heating the car interiors. However, car owners charge their cars at home overnight. And there are pub- lic charging stations placed at a few strate- gic points on the road network, so that any car owner can complete any required round trip on the road system.

Skaling commented that in cold winter weather, an electric car’s heating system can be turned on while the car is still plugged in for charging, thus reducing the car’s interior warm by the time that the car is actually driven.

Dimitri Shiau, owner of an electric vehi- cle in Anchorage, said that he charges his car at home overnight and finds that he has ample mileage range for his use of the car in the Anchorage area. The challenge, how- ever, for an electric car owner in Anchorage is likely impractical. A major obstacle to this option would be the high capital costs of holding the number of bat- teries required, especially since different car models typically use different models of battery. Moreover, the pricing of battery swaps would need to take into account the relative age and condition of the batteries being exchanged.

Charger levels

In the parlance of electric vehicle tech- nology, there are three levels of battery chargers, each with a different range of charging rates.

Level one charging simply involves plugging the car into a regular 120-volt power outlet. Level two involves a 240- volt, 30 to 40 volts supply, similar to the power supply for a domestic clothes dryer or electric range. Level three is unspecified but higher, 400 volts and upwards. Public charging stations would normally be level two or level three.

Mike Willmon, who has experience of converting conventional vehicles to the use of electrical power, said that it would typi- cally take about 10 hours to charge a vehicle using a level one charger. Mesdag said that many Juneau electric car owners have level two chargers — these can charge a vehicle in about four hours, although, given the dis- tances driven in Juneau, a car can typically be fully recharged in less than two hours, he said.

Presumably a level three charger, if available, would charge a vehicle significa- ntly more quickly.

Mesdag commented that the availability of a level two charger can be a problem for someone who does not have access to off- street parking.

Betsy McGregor, environmental manag- er for the Alaska Energy Authority, said that AEA is investigating the use of some money from a settlement with Volkswagen to help fund an electric vehicle infrastruc- ture in the state. The settlement, resulting from Volkswagen’s fraudulent rigging of diesel engine emissions systems, allows for up to 15 percent of settlement funding to go to electric vehicle infrastructure. AEA’s pro- posal has to go through a public process.

“We hope to post the draft (proposal) by the end of February,” McGregor said.

Impacts on power distribution

Skaling said that Chugach Electric is investigating the potential impact of charg- ing electric cars on the utility’s power distri- bution system. The concern is that the simultaneous use of level two charging systems at multiple residences in a neighbor- hood could overwhelm the neighborhood electrical transmission system, ultimately increasing power distribution costs.

The utility is con- sidering ways of achieving a balance, per- haps providing incentives for long, slow charging or staggering charged.

Alaska Electric Light and Power’s tariff for the Alaska Division of Oil and Gas and has publicly noticed the company’s proposal and invited public comments.

The company wants to upgrade about 26 miles of roadway over a five-year period. Upgrades would primarily involve increasing the road widths to about 35 feet, about 6.5 feet above the ground surface. A side of a road may be extended by one foot to 20 feet. The improvements would apply to both main roads and drill site access roads. There would be about 48 acres of total new road footprint, with the toe-to-toe width of the road grader structures varying between 61 and 81 feet, depending on the terrain.

The total grader requirement would be 1.3 million cubic yards, with about 293,000 cubic yards used to widen the road footprints and the remainder being placed on top of the road structures.

—ALAN BAILEY

Exploration & Production

East side 3-D seismic permit approved

The Alaska Division of Oil and Gas has approved an application from SAExploration for a 3-D seismic survey on the eastern coastal area of the North Slope.

The Yukon 3-D survey covers some 251 square miles and the permit is effec- tive from Feb. 15 to May 31.

The survey will be on some 40 miles east of Deadhorse on state lands and waters in the North Slope region with SAE staging equipment from existing facilities in Deadhorse and the crew mobilizing to existing gravel pads near the project area.

The coastal reach of the area is described as from Bullein Point to the Staines River, but it also extends inland, with a map of the proposed survey area being a rough square ending at the Staines River on the east.

Facilities

Conoco plans Kuparuk road upgrades

ConocoPhillips Alaska has filed an amendment to its plan of operations for the Kuparuk River unit, signaling the company’s intent to make improvements to the unit’s gravel roads. Alaska’s Division of Oil and Gas has publicly noticed the company’s proposal and invited public comments.

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Solomon Gulch Hatchery in Port Valdez, near the maritime terminal. At issue is the speed with which protections for these two sites must be put in place, in the event of an oil spill at the terminal.

Decision matrix

According to Administrative Law Judge Cheryl Mandala, who filed the recommendation to grant the hearing, the issues in the revised plan arose from changes to a decision matrix used to prioritize actions to be taken during the first few hours of a response, and to changes to the specification of a worst-case discharge at the terminal. Mandala wrote that the decision matrix was originally developed in the aftermath of an oil spill in 1994, following which both the duck flats and the hatchery experienced oil sheening earlier than protective models had anticipated.

The contingency plan revisions at issue involved the first changes made to the decision matrix since 1994. The changes included the removal of some criteria, such as wave height, visibility and current direction, from the matrix. Also changed was the point system and point criteria that the matrix uses to indicate appropriate response actions.

The worst-case spill scenario changes included reducing the worst-case spill volume from 89,595 barrels to 85,595 barrels, but with the assumed wind conditions from the northeast increasing from one knot to seven knots.

Impacts deployment timing

Under the decision matrix scoring system for the previous version of the plan, a worst-case scenario would trigger the need to mobilize resources within five hours, to boom the hatchery and the duck flats. However, the decision matrix and worst-case discharge conditions in the revised plan would postpone the deployment of response resources to the hatchery until hour 12 of the response, and to the duck flats until hour 36, Mandala wrote.

In its challenge to the revised plan, Valdez Fisheries Development Association expressed concern about the need to take into account shifting weather and sea conditions, especially during the winter. The association also pointed out that the spill in 1994 resulted in oil reaching the hatchery under weather conditions similar to those in the revised plan’s worst case.

PWSRCAC challenged the changes to the decision matrix, commenting that under the revised matrix there are circumstances where a large spill at the terminal would not trigger a decision to protect the hatchery or the duck flats. PWSRCAC, while acknowledging that the new worst-case scenario changes the oil spill trajectory, argued for the need for the immediate enactment of protective strategies for the hatchery and duck flats in the event of any significant spill, Mandala wrote.

Flows in original matrix

Mandala wrote that DEC, when it approved the revised contingency plan, had commented that the revised decision matrix would allow decisions to be made correctly and quickly. Spill response exercises had demonstrated that the original version of the matrix was inefficient and had sometimes resulted in the deployment of resources to the hatchery and duck flats in circumstances where those resources should have been better used for the protection of other sensitive areas in Port Valdez. The revised matrix does not change the commitment to the protection of the hatchery and duck flats, DEC said.

The organizations requesting an adjudicatory hearing have clearly stated both their interests in the issues and nature of the issues at stake, Mandala wrote. And although DEC has opposed the hearing, DEC’s arguments revolve around issues that a hearing needs to resolve, not around issues determining whether the hearing should be held, she wrote.

Contact Gary Park through publisher@petroleumnews.com

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The Valdez Marine Terminal is the facility at which crude oil carried through the trans-Alaska pipeline is loaded onto tankers for export from Alaska.

But there is no consistent Arctic policy in Canada where there are worries about long-term economic development and making the kinds of investments we need," he said. Higginbotham said that Russia is building LNG facilities in its Arctic and using ice-breaking tankers to deliver the LNG to southern markets, while also investing in a commercial shipping route through the Northwest Passage. He said that plans to build a road into mineral-rich deposits in Canada’s North have remained idle for decades, although the federal government is weighing a request for C$365 million to help fund that project, while internet access throughout much of the Arctic is primitive by southern standards.

NWT Premier Bob McLeod said that attending recent conferences in the Arctic, including Iceland, has driven home to him that high latitudes do not have to limit investment.

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New oil sands projects

But the startup of new oil sands projects has fueled a rebound in crude-by-rail, with railways hauled 34 million barrels out of Canada in the first nine months of 2017, 8 percent up from all of 2016, the National Energy Board reported.

In response, Plains Midstream Canada said it is reopening its loading facility in Saskatchewan, while some railways have discounted shipments from Alberta to Texas to about US$12 a barrel, compared with US$10 by pipe.

The discount on Western Canada Select crude is now hovering around US$24 a barrel, compared with the spread of US$13 for the two years prior to the spill, and Scotiabank predicts it will average US$21.60 for all of 2018.

Alex Pourbaix, chief executive officer of oil sands producer Cenovus Energy, has echoed the concern of his peers, saying the price spread is having an extraordinary impact on the Canadian economy by triggering a transfer of wealth from Alberta and Canada to U.S. refiners and consumers. Bloomberg said the dearth of pipeline capacity, which has depressed Canadian oil and natural gas prices, is now bogged down in the squabbling between Alberta and British Columbia over the Trans Mountain expansion.

On top of that, the industry is facing carbon taxes other jurisdictions don’t have to pay and it’s competing with American drillers which are seeing taxes cut under the Trump administration,” the news agency said.

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