



## PRA Cook Inlet gas forecast indicates more development needed

In response to a commission by Enstar Natural Gas Co., Petrotechnical Resources of Alaska has updated its 2012 assessment of Cook Inlet gas demand and supply. The revised assessment indicates that at current rates of gas well drilling, gas supplies will start to fall short of demand in 2021. In the absence of the drilling of new wells, the shortfall would begin in 2019.

Originally, in 2010, PRA prepared a Cook Inlet study, analyzing the ability of the local gas industry to continue to meet utility customers' needs. Utilities Enstar, Chugach Electric Association and Municipal Light & Power commissioned that initial study in response to growing concerns at that time about the possibility of imminent shortfalls in utility gas supplies, as gas production from the Cook Inlet basin declined. PRA revised that original assessment in 2012.

The new revision to the PRA report appears to indicate a need for continued vigilance regarding the future adequacy of Cook Inlet gas supplies.

PRA prepares its assessments by analyzing the production  
see **GAS FORECAST** page 8

## State extends Great Bear leases in exchange for drilling commitments

Having applied for and been granted three-year extensions to a number of North Slope leases that had been due to expire on April 30, Great Bear Petroleum has decided to focus its future efforts on two blocks of leases: one straddling the Dalton Highway south of Prudhoe Bay and one south of the Colville River unit, Pat Galvin, the company's chief commercial officer and general counsel, told Petroleum News in a May 14 email. The company anticipates re-entering and testing its Alkaid No. 1 well, to the west of the Dalton Highway, drilling two new exploration wells by June 2019 and an additional exploration well by June 2020, Galvin said.

### Applied for extensions

In October 2017 Great Bear applied to Alaska's Division of Oil and Gas for three-year extensions to four blocks of leases, all of which had been issued in 2011 with seven-year terms — these leases had been due to expire on April 30 of this year. In March and early April the division agreed to extend all of the leases, which do not now expire until April 30, 2021. The

see **GREAT BEAR LEASES** page 8

## Governor's bonding play passes Legislature; suit has been filed

The Alaska Legislature wrapped its 2018 session in the early hours of May 13, including passage of the required operating and capital budgets and a bill authorizing use of earnings of the Permanent Fund for state government as well as for dividend payments.

The Legislature earlier passed House Bill 331, a bill requested by Gov. Bill Walker which allows bonding to pay cashable oil and gas tax credits. The bill, which passed the Senate May 11, had passed the House May 3. The House voted 22-16 in favor — 23-15 in favor on a reconsideration vote. The Senate voted 14-5. Both bodies passed the immediate effective date, the House 34-4, the Senate 18-1.

The governor had not signed the bill when this issue of Petroleum News went to press.

A constitutionality issue which was the subject of much discussion in both bodies will be decided in court: The Associated Press reports that a suit was filed in state court May 14, challenging the constitutionality of HB 331.

The constitutionality issue was raised by Sen. Bill  
see **BONDING PLAY** page 9

### NATURAL GAS

## CINGSA plans upgrades

Requests RCA approval of facility changes to assure gas storage reliability

By ALAN BAILEY

Petroleum News

Cook Inlet Natural Gas Storage Alaska LLC, or CINGSA, is concerned that its gas storage facility on the Kenai Peninsula is vulnerable to the failure of single item of equipment or of a storage well, a failure that would jeopardize the ability of the facility to support utility gas deliverability needs during cold winter weather.

As a consequence, the company has asked the Regulatory Commission of Alaska for approval of some upgrades to the storage facility, to add some redundant features that would guard against single points of failure at times when the facility plays a vital role in underpinning gas supplies for heating buildings and generating power in Southcentral

Alaska.  
However, the manner in which customers use the storage facility has turned out to be different from what CINGSA had anticipated when the facility was designed.

Alaska.

In part, the upgrade requirements result from patterns of gas storage usage that differ from what had originally been envisaged when the storage facility was designed, and from the operating characteristics of the storage wells, CINGSA has told the commission.

The proposed upgrades involve the drilling of

see **CINGSA UPGRADES** page 12

### EXPLORATION & PRODUCTION

## Mustang early start

State approves temporary facility installation for production this year

By ALAN BAILEY

Petroleum News

Alaska's Division of Oil and Gas has approved a plan filed by Brooks Range Petroleum Corp. to install a temporary production facility in the Mustang field, to allow some early oil production to start, potentially in late October of this year, before permanent production facilities go into operation. The idea would be to truck the produced oil to a designated point of sale or processing facility, until the permanent pipeline from Mustang to the nearby Alpine pipeline has been completed.

Brooks Range has been planning on first oil from Mustang in the first quarter of 2019, following installation of permanent facilities and the

hookup of the pipeline by the end of this year. However, the company's application for early production facility approval indicates that the tie in of the field to the Alpine line has not yet been scheduled.

Following the completion of functional checkout and the commissioning of the production arrangements, production startup could begin around Oct. 20.

### Rented module

According to the application, the idea is to rent

see **MUSTANG START** page 10

### PIPELINES & DOWNSTREAM

## Pipeline factions dig in

Canadian government likely to boost powers to advance Trans Mountain project

By GARY PARK

For Petroleum News

Warring factions are fast becoming more entrenched as the battle over the Trans Mountain pipeline project approaches a May 31 drop-deadline date set by Kinder Morgan.

Other than Kinder Morgan, which says the protests present an "unquantifiable risk" to the project, the most key player is the Canadian government, whose Natural Resources Minister Jim Carr has promised early federal legislation that is designed to crush the British Columbia government's court case to control the flow of crude oil through the province.

"We think that federal jurisdiction is clear; we're looking at legislation to see how we can enhance that," Carr said.

The most significant development is the emergence of professional protesters, who are setting up a permanent camp on public land near the Burnaby tanker terminal in the port of Greater Vancouver.

He would not comment on the exact nature of the legislation, but Bruce Ryder, a law professor at Toronto's York University, said the government can use legislation to signal that it will not allow provinces or municipalities to frustrate the pipeline construction.

Although Kinder Morgan has yet to disclose exactly what will happen if the government fails to

see **PIPELINE FACTIONS** page 11