

PETROLEUM NEWS

A L A S K A



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—UNKNOWN

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Week of December 22, 2002

'Free skimming' in the Beaufort



See story on page 7 about an oil spill clean up plan that uses ice as a boom.

Courtesy Minerals Management Service

Forest announces beginning of production at Redoubt Shoal

Forest Oil Corp. said Dec. 16 that it has begun production at its Redoubt Shoal field in Cook Inlet. The field, which began producing Dec. 9, is currently producing in excess of 4,200 barrels of oil per day from two of the four wells capable of production, the company said.

Forest said production is expected to be maintained near this rate until new onshore production facilities at Kustatan are completed. Current production is flowing to Forest-owned facilities at the company's West McArthur River field. After completion work is finalized on the other two wells in the field Forest will resume drilling activity. The company received a drilling permit for the Redoubt

see FOREST OIL page 2

Tundra access looks good; Shively joins Holland America; Peak to build Thetis ice roads

Despite the lack of cold temperatures into mid-December, Gary Schultz is predicting tundra travel will start earlier this year than last.

Warmer temps on the North Slope had oil company and state of Alaska personnel worried about when the movement of vehicles that are part of off-road exploration could begin, but it seems the lack of snow — i.e. insulation — has offset the warm temperatures.

Schultz, natural resource manager for the Alaska Division of Mining, Land and Water, told PNA Dec. 16 that the recent drop in temperatures combined with "a fair amount of wind and then rain," has resulted in the

see INSIDER page 13



FINANCE & ECONOMY

Five bucks a barrel

For every barrel of oil leaving state, \$5 needs to be reinvested, says Revenue; state must encourage investment to develop existing oil, find new fields

By Kristen Nelson
PNA Editor-in-Chief

The Alaska Department of Revenue estimates that it will take an investment of \$5 for every barrel of crude oil leaving the North Slope to maintain ANS production at a million barrels per day.

In its fall revenue forecast, issued in late November, Revenue analyzed



oil production as an economic opportunity, trying to answer the

questions of where additional oil development might occur over the next decade, and what state government could do to help that development.

Production is currently below the 1-million-barrel-a-day mark, and Revenue said it believes that beginning in fiscal year 2008 new fields should boost production back above 1 million bpd through 2012. Beyond 2013, unless companies have "significant exploration success, which will require the commitment of substantial money to the exploration and development of new fields," production will again drop below 1 million bpd.

What is the potential?

Revenue estimates oil potential at 7.172 billion



Winter exploration drilling in the National Petroleum Reserve-Alaska.

Judy Patrick

barrels of additional production from producing fields and 1.35 billion barrels from discovered but non-producing fields. The oil from discovered but non-producing fields includes 180 million barrels from Alpine satellites ("Nanuq, Fiord, etc."), 150 million barrels from Liberty, 560 million barrels from Point Thomson and others (Sourdough, Yukon Gold), 60 million barrels from Sandpiper and 400 million barrels from the National Petroleum Reserve-Alaska (Rendezvous/Spark).

The heavy oil deposits at Ugnu, 7 billion barrels,

see INVESTMENT page 2

NORTHERN GAS

It's time to get real about new gas supplies, says industry

American Gas Association wants barriers to exploration, production lowered; rates Alaska's potential at 250 tcf, enough to meet U.S. needs for a decade

By Gary Park
PNA Canadian Correspondent

The case for speeding up Arctic natural gas development has received a fresh lift from the American Gas Association, which warns that consumers face sharply higher prices in the next 10 to 15 years unless fresh supplies are brought to market.

In a report released Dec. 11, the AGA said Alaska gas and liquefied natural gas will "likely account for a significantly larger share of the supply mix" over the next two decades.

Describing the 35 trillion cubic feet of Prudhoe Bay as just the tip of the state's resource potential, the AGA said Alaska's gas resource base has been estimated at 250 trillion cubic feet — enough to support all of the United States' needs for more than a decade.

The study forecast that Alaska will be among the "non-traditional sources" providing the lion's

see INDUSTRY page 15



The American Gas Association's Dec. 11 report, "From the Ground Up - America's Natural Gas Supply Challenge," can be found at AGA's web site, www.aga.org

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INVESTMENT

and 1 billion barrels at Kuvlum and Hammerhead in the outer continental shelf are not included because there are not currently considered economic.

But, Revenue notes, to recover the 7.172 billion barrels in producing fields, investment is required. Only 3.752 million of those barrels can be recovered with what the department characterizes as modest additional investment. The remaining additional reserves, 3.42 million barrels, will require major additional investment.

And all of the discovered non-producing fields will require major additional investment.

Of the 8.5 billion barrels of additional production from currently discovered North Slope fields, "approximately 3.8 billion of those 8.5 billion barrels could be recovered with only those investments needed to preserve the integrity and safety of the facilities. ... Production of the other 4.7 billion barrels would require significant additional investment."

New discoveries

Revenue uses U.S. Geological Survey and Minerals Management Survey estimates of economically recoverable reserves from North Slope and Beaufort Sea discoveries not yet made to define discovery opportunities.

The number here is 10.3 billion barrels of estimated economically recoverable

reserves: NPR-A (excluding Rendezvous) 900 million barrels; central North Slope satellites 1.5 billion barrels; eastern thrust belt and Foothills 900 million barrels; the Arctic National Wildlife Refuge 4.4 billion barrels; and Beaufort shelf federal offshore 2.6 billion barrels.

The 10.3 billion barrels of "economically recoverable reserves" is based on \$22 per barrel for Alaska North Slope crude, Revenue's new long-term West Coast price estimate (see story in Dec. 8 issue of PNA).

Costs of production

The finding cost for new oil is about \$1 a barrel on the slope, Revenue said, a weighted average of a cost of more than \$1 a barrel for new fields and about 60 cents a barrel for new satellite accumulations.

To develop those discoveries, "to drill the necessary wells and provide the infrastructure to produce the additional 4.7 billion barrels of discovered North Slope oil requiring substantial investment," the department said it is estimating it will cost \$3 per barrel.

In addition, the companies also must spend \$300 million a year in "license to operate" capital, money the companies must invest in addition to routine operating and maintenance expenses to keep facilities operable and safe. Revenue said that based on discussions with operators it estimates this at about 2 percent of "existing and planned total capital expense for the facility."

"To maintain — and with luck increase — Alaska's North Slope oil production at a

million barrels per day, this analysis leads to the conclusion that for each barrel leaving the North Slope, \$5 must come back to pay for new exploration and development," Revenue said.

\$22 a barrel oil

What does this mean in relation to the price of ANS crude?

At prices of \$22 a barrel, the department said, "free cash flows attributable to North Slope production for both the Integrated-Producer at Prudhoe Bay and the Explorer-Producer in NPR-A would be about \$7.30 per barrel. We need to hope they will invest more than two-thirds of that amount in new exploration and production if we are to enjoy the benefits of million-barrels-per-day production after 2010."

And at \$22 a barrel, after money is set aside for reserve placement through exploration and development, that leaves producers roughly \$2.25 to pay interest and dividends. The \$22 barrel price for ANS crude oil sold on the West Coast is the department's new estimated long-term average. At \$17 a barrel, the department's old long-term average price, investors essentially would get nothing after subtracting for reserve replacement.

What can the state do?

Future production — and future state revenues — "depends in large part on the amount of money exploration and production companies spend to develop oil resources that have already been discovered on the North Slope and to discovery additional oil," Revenue said. And those company decisions "depend — in great part — on world oil prices and government regulatory and fiscal policies."

Some government policy makers will want to maximize public revenue while oth-

ers will want to maximize private economic activity, including jobs, the department said.

"The balance, sought by the host government in every oil province of the world, is to take a healthy share of the profits derived from oil while remaining competitive in the world marketplace for oil and gas investment dollars."

What changes could the state make in its fiscal policies?

The state could require investment as a condition of leasing, but, Revenue said, "such lease terms would probably reduce both the price and marketability of future leases."

The state could provide incentives through tax deductions or tax credits, lowering its take and essentially rewarding industry for investing. And it could provide a tax benefit for reinvestment in Alaska, something the state doesn't currently do. The department said "Alaska is particularly alone among major oil producers in not treating oil dollars that are reinvested here more favorably than oil dollars invested elsewhere."

Another thing the state could do is to make its fiscal system less regressive, thus sharing the risk of low oil prices and earning more when oil prices are high. Alaska's 20-mill property tax, production tax and royalty provisions in state leases are regressive, Revenue said, because they are not based on profits. "Even when prices are so low that oil production operations are unprofitable, the state continues to receive a share from some or all of these sources."

If the state's fiscal system were modified to be less regressive, the department said, and if such modifications were properly structured, the state could receive more total revenue while at the same time it would become a less risky place to explore and produce oil. ♦

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FOREST OIL

Shoal No. 6 development well Dec. 13 from the Alaska Oil and Gas Conservation Commission.

"This is a significant milestone in the development of the Redoubt Shoal discovery," Robert Boswell, Forest's chairman and CEO, said in a statement. "The discovery and development of Redoubt Shoal in 22 months was a great accomplishment by our team in Alaska. The

project demonstrates that large oil fields can be found in North America that are not deepwater related.

"We believe that Redoubt Shoal will have lower finding and development costs and a shorter development schedule than deepwater or international projects of similar size."

Boswell also said that Forest will be doing further exploration on oil and gas prospects "in and around Cook Inlet where we are now the largest oil producer and currently own one of the largest lease acreage positions."

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EXPLORATION & PRODUCTION

Forest Service approves plan of operations for Katalla, drilling could begin in late March, says Chuck Frey

The Chugach National Forest said Dec. 12 it has approved Cassandra Energy Corp.'s plan of operations for oil and gas drilling near Katalla, 56 miles southeast of Cordova and the site of Alaska's first commercial oil production in 1902.

Chuck Frey, planning staff officer for the Chugach National Forest, said work could begin as soon as the end of March if the agency's decision is not appealed and, if appealed, the decision is upheld on all points.

After a 45 day appeal period, which began Dec. 12, the Forest Service will have 45 days to respond to all appeals. Fifteen days from the end of the response period, work can begin at Katalla.

ACMP process nears completion

The project is nearing what appears to be successful completion of the Alaska Coastal Management Program review, a Division of Governmental Coordination official told PNA. The agency expects to issue a proposed consistency determination Dec. 18, as this issue of PNA goes to press.

The final determination will be issued five days later. The five-day period gives participants the opportunity to elevate the decision — i.e. appeal it to the next level of authority. Participants include the applicant, the Alaska Department of Fish and Game, the Alaska Department of Natural Resources and the Alaska Department of Environmental Conservation.

The Forest Service permits will not be issued until that review is final and the project was found to be consistent with the ACMP.

Two parts to plan

There are two major components of the plan of operations: (1) exploratory oil and gas drilling operations, and (2) access to the drill site and crew camp site which consists

see KATALLA page 13

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■ CANADA

Canada rolls dice, ratifies Kyoto treaty

The Liberty Party government of Prime Minister Jean Chretien sets cap on costs of greenhouse gas emissions, but industry wary until implementation details are negotiated; U.S.-based companies ready to go elsewhere

By Gary Park
PNA Canadian Correspondent

Canada has plunged into the unknown by ratifying the Kyoto Protocol and setting off a new wave of uncertainty over the future of investment in vital frontier projects.

Against a background of warnings by U.S.-based companies that they are prepared to pull back from Canada and invest elsewhere, the Liberal party government of Prime Minister Jean Chretien pushed through a motion to ratify Kyoto by 195 votes to 77 on Dec. 10.

The focus now shifts to the direct fallout on the multi-billion-dollar plans to develop Alberta's oil sands, Arctic natural gas and East Coast offshore oil and gas, which are viewed as an essential element of North American energy security.

The parliamentary approval came with a promise from the government to place a cap of C\$15 per metric tonne on the price industry must pay to reduce greenhouse gas emissions, although Natural Resources Minister Herb Dhaliwal said "we're pretty confident" the costs will more likely fall in the range of C\$5-C\$10.

In the long build-up to the vote, government officials had offered worst-case scenarios where the cost could be as high as C\$50 per tonne.

At C\$10, the per-barrel costs for the petroleum industry had been calculated at 3 cents for conventional crude, 1.5 cents for heavy crude and 10 cents for oil sands

Want to know more?

If you'd like to read more about the Kyoto treaty debate in Canada and its expected impact, go to Petroleum News • Alaska's web site and search for these recently published articles, which represent only about half of the Kyoto articles in the archives.
Web site: www.PetroleumNewsAlaska.com/

2002

- Dec. 8 Non-conventional crude won't be enough to meet rising world demand
- Dec. 8 Canada's Arctic operators chop staff, spending
- Dec. 1 Canada's revised Kyoto plan 'lipstick on a pig'
- Nov. 3 Major industries to carry up to 40% of Kyoto burden
- Nov. 3 Kyoto puts British Columbia's energy goals at risk
- Oct. 27 Canadian E&P companies keep tight hold on purse strings
- Oct. 6 Kyoto could be billion-dollar boon for U.S.
- Oct. 6 Mackenzie Delta pipeline could be victim of Kyoto
- Sept. 22 Canadian oil patch blindsided by Kyoto ratification
- Sept. 29 Kyoto Protocol cited as Alberta oil sands project scaled back
- May 26 NWT officials view climate change as threat to Arctic resource development
- March 10 Canada edges further away from early ratification of Kyoto

2001

- Dec. 16 Alberta warns Kyoto could drive capital, companies from Canada
- Jan. 28 Canada opposes Bush plans for ANWR exploration

production.

Implementation next phase of debate

Alberta Environment Minister Lorne Taylor said the announced cap was a good first step towards an implementation strategy — the next phase of the Kyoto debate.

"If there's a signed and guaranteed deal on (the C\$15 cap), that's a good place to start talking about an implementation plan because it offers some certainty as to what the numbers will be," he said.

But, from the Alberta government's standpoint, Taylor said the battle was far

from over.

"I've always said the ratification was going to pass and it's really a non-issue," he said. "All it does is allow the prime minister to stand on the international stage and thump his chest."

Pierre Alvarez, president of the Canadian Association of Petroleum Producers, expressed frustration that Parliament had endorsed the treaty.

"We still can't calculate the competitiveness implications," he said, noting that many of the industry's Kyoto-related issues remain unresolved.

Alberta Premier Ralph Klein, who spoke to U.S. energy investors in the plush surroundings of the New York Yacht Club on Dec. 9, insisted his government will not "be rattled by Kyoto."

"We're prepared to do whatever it takes — including launching a constitutional challenge (to defend Alberta's ownership of its natural resources) — to ensure Alberta's concerns are addressed in the implementation plan," he said.

But Klein told investors that a legal fight may not be necessary, with Chretien scheduled to step down in early 2004, likely to be replaced by former finance minister Paul Martin, who has pledged to open up a fresh dialogue in Canada about Kyoto.

Wide range of reaction

Across a broad spectrum of companies with interests in Canada there has been a wide range of reaction.

Among the U.S.-owned companies, Murphy Oil Corp. President Harvey Doerr said the global nature of most large oil companies allows them to "vote with their feet" if they are not happy about the Kyoto terms.

ConocoPhillips Canada Ltd. President Henry Sykes said that if the treaty punishes his company's investments then its budget — which includes a decision in 2003 on whether to proceed with a C\$1 billion oil sands venture — will shrink.

Duane Mather, president of the Canadian unit of Nabors Industries Ltd.,

said Kyoto in its present form could have a negative impact on the oilfield services company's spending in Canada, which has totaled about C\$700 million in the past 15 months and involves a fleet of 650 drilling rigs and 1,000 service rigs.

Petro-Canada is also facing a decision in March on whether to spend C\$200 million on engineering and equipment purchases leading up to a C\$5.2 billion oil sands development.

Chief Executive Officer Ron Brenneman has repeatedly cautioned that Petro-Canada, which is still 19 percent owned by the federal government, has little hope that the government can provide the details needed for a commercial decision.

In that event, oil sands plans could end up on the shelf, where they would remain for an indefinite period.

"The federal government, by adopting the Kyoto Protocol, is clearly discouraging this type of investment in Canada," Brenneman said in a statement. "So we will proceed cautiously and take a final decisions ... only when the implications for project economics are clear."

Real Doucet, vice president of oil sands at Canadian Natural Resources Ltd., said the C\$15 emissions cap lasts only until 2012, which offers no certainty to the company, which is immersed in a possible C\$8 billion project with an operating life of 50 years.

Canadian Natural Resources has already slashed its capital spending on the project by one-third to C\$200 million and has said it may locate its upgrading facilities in the United States to escape the penalties of Kyoto.

Not all oil sands players retreating

But not all of the oil sands players are retreating in the face of Kyoto.

Syncrude Canada Ltd., the world's largest producer of synthetic crude, decided last month to push ahead with a C\$5.67 billion expansion aimed at raising output to 360,000 barrels per day by 2005.

To date, the consortium has made no specific changes that are directly linked to Kyoto, although its newest expansion includes C\$1.4 billion in environmental spending as part of its goal to reduce carbon dioxide emissions by 35 percent per unit from 1990 to 2008 and sulfur dioxide emissions by 5 percent.

Nexen Inc. said Dec. 12 it will decide in 2003 whether to proceed with its C\$2.5 billion oil sands joint venture with OPTI Canada Inc. to tap a 6-billion-barrel bitumen reserve, starting to 70 barrels per day in 2007.

Nexen Chief Executive Officer Charlie Fischer, one of the most outspoken critics of Kyoto, told analysts he is still looking for certainty from the government on Kyoto's costs.

But he is more confident that "clarity will come" in time to let Nexen make a business decision within the next 12 months. ♦

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FINANCE & ECONOMY

ADVICE



Portfolio strategy update

Mixed signals

By David Gottstein

Editor's note: David Gottstein is with Dynamic Research Group in Anchorage.

The stock market has made an impressive advance since its October lows. Corporate earnings up nicely against a quarter and a year ago, a slight up-tick in consumer confidence, an improvement in unemployment claims, advancing productivity and modest economic growth, coupled with an aggressive move by the Federal Reserve in lowering the Fed Funds rate by half a percent to 1&1/4 percent have convinced many that we are on track for an economic recovery.

Where do we go from here?

The Republicans are riding high, and add a measure of pro-business momentum. Both the prospect of lower tax rates and the fiscal stimulus brought on by the war against terrorism are already being factored into the stock market.

The question is where do we go from here?

The market certainly has momentum in its favor, along with the aforementioned fundamental factors. However it is no longer cheap.

We peg the price earnings ratio on the S&P 500 at about 18, after giving ample credit for earnings quality. Optimistically assuming the worst is over.

Government stimulus key

So PE ratios might even be higher.

Once again current market price levels are trading at historically high PE's. Therefore future price gains will have to rely more on earnings gains as opposed to PE expansion.

We believe that the deep rate cut by the Fed reflects their concern about the strength of the economy, and its ability to sustain growth. Consumer demand is wearing thin on mortgage refinancing, as are auto sales propelled by cheap financing.

We believe if it were not for government stimulus brought on by growing deficits, that the economy would indeed be much more likely to be slipping backwards.

When job and demand growth pick up on a measurable basis, we will believe a continuation of the bull market will be justified. Until then we believe it is wise to be cautious.

What if wars drags on?

It appears that the good news is now priced into the market. The economy will grow, we will win the war quickly, if and when it comes, and things will get back to normal. That means 2-3 percent

see GOTTSTEIN page 6

■ A U S T R I A

OPEC agrees to trim oil production by at least 1.5 million barrels a day

Plan increases quotas, with hope cartel members will adhere to them; members estimated to be exceeding present quotas by as much as 3 million barrels a day

By Bruce Stanley
Associated Press Business Writer

In an unusual decision aimed at keeping crude oil prices from falling, OPEC agreed to cut production by the time seasonal demand dips early next year.

The Organization of Petroleum Exporting Countries said the Dec. 12 agreement would lead to a net reduction of 1.5 million to 1.7 million barrels a day in OPEC's actual output.

To achieve that goal, the group will take a counterintuitive approach: raising its official production target in hopes that member countries will be more likely to adhere to the quotas instead of exceeding them as they are now.

The pact is expected to have little, if any, impact on consumers.

Analysts estimate that OPEC is producing as much as 3 million barrels a day above its existing target of 21.7 million barrels. This gap between OPEC's target and its actual output widened during the autumn, leading many observers to question the group's credibility.

"If you bring quotas and production close together, the market begins to believe in quotas again," said Raad Alkadiri of The Petroleum Finance Co., a consultancy based in Washington.

OPEC, which supplies about a third of the world's crude, is fearful of oversupplying the market ahead of a seasonal, post-winter decline in demand in key markets in the Northern Hemisphere.

Six percent increase

Under the plan, which was proposed by Saudi Arabia, OPEC's most powerful member, the new production target will be increased by 1.3 million barrels a day, or 6 percent, to 23 million barrels effective Jan. 1. At the same time, the group urged its members to comply with their new quotas, OPEC President Rilwanu Lukman told a news conference.

"If you bring quotas and production close together, the market begins to believe in quotas again."
—Raad Alkadiri, The Petroleum Finance Co.

The new target will last indefinitely, Lukman said, speaking after oil ministers reached their agreement in a meeting at the cartel's headquarters in Vienna.

Analysts said the agreement would have a minimal impact on consumers of refined products such as gasoline and heating oil.

"This isn't designed to create a wholesale upward shift in crude prices," said Mike Rothman, an energy analyst at Merrill Lynch in New York.

Due to the current level of quota-busting, OPEC expects the quota increase to occur on paper only and not add any fresh barrels to the market. The plan's success hinges on the willingness of OPEC members to show greater discipline in tightening their taps on production in coming months.

However, Lukman acknowledged that some member countries might not have the political will needed to pump less oil in the hope of keeping prices firm.

In fact, some analysts questioned whether member countries wouldn't just continue busting the new, higher quotas. Bill Edwards, an independent consultant based in Houston, likened the increase in OPEC's target to a tempting dessert offered to a man on a diet.

Venezuela paralyzed

In assessing the oil market, OPEC delegates had to consider immediate disruptions to global supplies in Venezuela and the Gulf. A national strike in member state Venezuela has paralyzed oil shipments from that country, the world's fifth-largest crude exporter. The strike entered its 12th day Dec. 13.

The unrest in Venezuela has compounded uncertainty about the impact a U.S.-led military attack might have on crude production in Iraq, home to the world's second-largest oil reserves after Saudi Arabia.

"We wish to reassure consumers that we will do everything we can to maintain steady, secure supplies of crude at all times, to cover any eventuality that may arise. We have sufficient spare capacity within our organization to do this," OPEC's Lukman told delegates at the start of their meeting. ♦

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ANCHORAGE

Majority, minority complete Alaska Senate organizations

The Senate Republican majority named remaining committee chairs Dec. 4, after completion of recounts and resolution of court challenges and Senate Democrats met Dec. 9 to name minority leadership and committee assignments.

Johnny Ellis, D-Anchorage, will continue as Senate minority leader. Kim Elton, D-Juneau, is minority whip; Lyman Hoffman, D-Bethel, and Donny Olson, D-Nome, will serve on the Senate Finance Committee.

Senate majority leadership, announced in November, includes Gene Therriault, R-North Pole, Senate president, Ben Stevens, R-Anchorage, Senate majority leader; John Cowdery, R-Anchorage, chairman of the Rules committee; and Lyda Green, R-Wasilla, and Gary Wilken, R-Fairbanks, co-chairs of the Finance Committee.

Standing committee chairs named Dec. 4 include Tom Wagoner, R-Kenai, Community and Regional Affairs; Fred Dyson, R-Eagle River, Health Education and Social Services; Ralph Seekins, R-Fairbanks, Judiciary; Con Bunde, R-Anchorage, Labor and Commerce; Scott Ogan, R-Palmer, Resources; Cowdery, Transportation; and Robin Taylor, R-Wrangell, State Affairs.

Other majority members of the Finance Committee are Alan Austerman, R-Kodiak; Bunde; and Stevens. The other majority members of the Resources Committee are: Wagoner, Seekins, Dyson and Stevens. Taylor will chair the Legislative Council.

Minority members of standing Senate committees include Elton and Gretchen Guess, D-Anchorage, on Resources.

Rutherford turns down DNR post

Marty Rutherford, deputy commissioner of the Department of Natural Resources, sent an email to DNR employees Dec. 13 saying that she had been offered the position of DNR commissioner by Gov. Frank Murkowski on the previous Friday, December 7. Rutherford said she turned down the offer because she is leaving public service. (See related news item on this page.)

"For the past eleven years it has been my privilege to work at the Department of Natural Resources with all of you. ... I was greatly honored when Gov. Murkowski offered me the DNR commissioner position. However, for various reasons I have decided it is time for me to leave public service. I will resign around the middle of January," Rutherford said in the email.

"During the past 30 days the senior management team and I have been working with Gov. Murkowski's transition team, both the small department review team and the larger policy group. These teams, led by Harry Noah and including John Shively, have been collaborative, thorough and very non-intrusive. And, to your credit, they have determined that DNR is an effective and well run organization," she continued.

Rutherford said the transition from the Knowles to the Murkowski administration has "proceeded very smoothly."

She also said Murkowski's new Cabinet appointments are "outstanding individuals" and that she was "very impressed with the pragmatic approach embodied in the appointments and decisions to date."

Editor's note: See Oil Patch Insider for update on Marty Rutherford.

—Kay Cashman



Marty Rutherford

JUNEAU

Murkowski names Ernesta Ballard to head DEC, Bill Corbus at Revenue

Governor says Ballard can foster cooperation between DEC and EPA, Corbus can help bring participation in infrastructure development from outside investors

By Petroleum News • Alaska

Gov. Frank Murkowski has named Ernesta Ballard as commissioner of the Department of Environmental Conservation and Bill Corbus as commissioner of the Department of Revenue.

In an announcement Dec. 9, the governor also named Joel Gilbertson as commissioner of the Department of Health and Social Services, Marc Antrim as commissioner of the Department of Corrections and Greg O'Claray as the commissioner of the Department of Labor.

Murkowski said in a statement that he expects to continue the process of selecting qualified candidates for the remaining cabinet posts over the coming weeks.

"Together with the earlier appointment of Gregg Renkes at the department of law, we now have nearly half of the cabinet in place," Murkowski said. "I am looking forward to completing this process as soon as we can."

Ballard at DEC

Ballard has served as budget director at the University of Washington and senior vice president for retail banking at Seattle Trust and Savings Bank. She was regional administrator of Region 10 of the United States Environmental Protection Agency from 1983-86 and moved to Alaska in 1989 to become chief executive officer of the Cape Fox Corp. She holds a bachelor's degree from the University of Pennsylvania, attended Oxford University on a Thouron Scholarship, and received a master's in business administration from Harvard University.

She has been an environmental consultant since leaving Cape Fox.

"For DEC, we were looking for an environmental professional, who is committed to doing it right," Murkowski said. "Ernesta brings a strong background in implementing environmental policy at EPA Region 10, where she gained the respect of her colleagues. She is thus uniquely positioned to foster a new cooperation between the state and EPA, and to remove the unnecessary roadblocks

Ballard has served as budget director at the University of Washington and senior vice president for retail banking at Seattle Trust and Savings Bank. She was regional administrator of Region 10 of the United States Environmental Protection Agency from 1983-86 and moved to Alaska in 1989 to become chief executive officer of the Cape Fox Corp.

between the agencies," he said.

Corbus at Revenue

Corbus is the retired president of Alaska Electric Light and Power, the electric company that serves the Juneau area, where he has lived since 1970. Corbus holds a bachelor's degree in industrial engineering from Stanford University and a master's of business administration from the Amos Tuck Graduate School of Business Administration at Dartmouth College. He served as a Lt. J.G. in the U.S. Naval Reserve. From 1965-69, Corbus worked for Stone & Webster in New York City providing public utility security analysis, financial planning, and accounting.

In 1970, he joined Alaska Electric Light and Power as assistant manager, becoming general manager in 1978 and president in 1988.

"Bill Corbus has a solid, stable background in the management of financial resources, which, in these difficult times on Wall Street, will be good protection for Alaska's assets," Murkowski said. "At the department of revenue, we need a person who, in addition to managing the department well, will be able to husband our financial resources in the turbulent investment atmosphere back East. We have to protect our bond rating. Plus, I think it's about time that those outside Alaska, who have benefited over the years by managing and investing our financial resources, be called upon to bring some of it back to Alaska. I think this can be done in the form of participation in infrastructure development, and I think Bill Corbus is just the man to make it happen." ♦

continued from page 5

GOTTSTEIN

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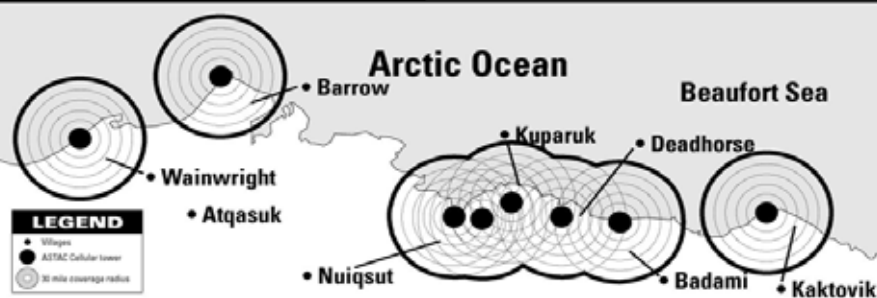
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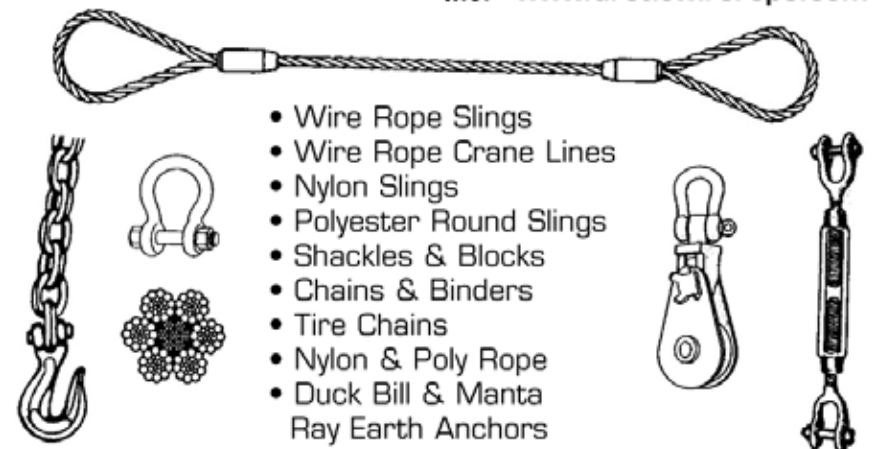
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LAND & LEASING

CANADA

Western Canadian land sales in tailspin

The strongest barometer of industry confidence, as well as a valuable source of government revenue, has tumbled to one of its lowest levels in the past decade.

Preliminary figures put total sales of government-owned exploration land in Alberta, British Columbia and Saskatchewan at C\$893 million for 2002, compared with C\$1.58 billion in 2001 and C\$1.49 billion in 2000.

As a measure of how tight-fisted E&P companies have become, despite a year of robust oil and natural gas prices, land-buyers forked over C\$501.5 million in Alberta, the worst year since 1993.

In the process they dragged average prices per hectare (2.471 acres) to C\$180.65 from C\$277.81 in 2001 and C\$298 in 2000.

Operators in British Columbia also displayed a similar, but less pessimistic mood, paying C\$288.5 million to secure exploration opportunities, lagging far behind a record C\$439.5 million in 2001, but still the province's second best year on record.

Like Alberta, the average per-hectare prices in British Columbia went into a tailspin, reaching C\$339.75 compared with C\$514.48 in 2001, but close to the C\$358 average in 2000.

Saskatchewan was the only region to buck the trend, with sales surging by 84 percent to C\$103 million from C\$56 million in 2001, propelled by investments of C\$73 million in a lively new gas play in southwest Saskatchewan.

Outside the three leading oil- and gas-producing provinces, it has been an even more dismal year.

More dismal in other areas

Auctions have produced a mere C\$14.3 million in work commitments in the Northwest Territories and C\$1.16 million in the Yukon.

On the East Coast offshore, Nova Scotia, although it issued no new exploration licenses, is sitting on C\$1.56 billion in work commitments that could stretch over the next 8 years.

Newfoundland, which has C\$500 million in exploration commitments, deferred its scheduled 2002 offshore land sale.

It said time is needed for the industry to shift its attention to deeper waters and other basins and for major interest holders to complete a process of consolidation.

Some observers say the decision to curb spending was not unexpected following the torrid exploration pace of 2001.

Many E&P companies slashed their budgets for land and seismic work after spending C\$3 billion acquiring rights in the previous two years, said Dale Tremblay, chief financial officer of Precision Drilling Corp., Canada's largest petroleum services company.

He said it makes no sense for companies to have idle investments if they have sufficient land to explore over the next five years.

In addition, many operators have taken the chance to divert cash flow into debt reduction and shore up their defenses for the next downturn, which history suggests is inevitable.

—Gary Park, PNA Canadian correspondent

ANCHORAGE

Alaska MMS chief: Access, permitting of primary concern to industry

Agency is looking at possible incentives for Beaufort Sea and Cook Inlet leasing, but, John Goll tells Alliance, industry has told agency that without access and clarification of permitting, incentives meaningless

By Kristen Nelson
PNA Editor-in-Chief

The Department of the Interior's Minerals Management Service hasn't yet decided what economic incentives it will offer as part of its upcoming Beaufort Sea and Cook Inlet oil and gas leases.

"The department is still considering options and if we finally do more forward with some incentives we will be announce those formally in the preliminary notice of sale for the Beaufort Sea in February," MMS Alaska Regional Director John Goll told the Alaska Support Industry Alliance Dec. 12.

But, Goll said, industry has made it pretty clear that if it doesn't have access to land and if the permitting issue isn't solved, incentives aren't all that important.

All three areas, he said, are among the Department of the Interior's national goals for Alaska: more access to prospective lands, "getting better clarity and certainty in the permitting area" and economic incentives for companies to explore and develop areas offshore Alaska.

Different EIS approach

MMS is working on the access issue, Goll said, taking a different approach than in the past with one environmental impact statement for three Beaufort Sea sales included in the current five-year plan and one EIS for two Cook Inlet sales, instead of one EIS for each sale. The draft EIS for Cook Inlet is out for comment, with public meetings scheduled for January (see sidebar).

The final EIS for the Beaufort Sea and the proposed notice of sale will be out in February, he said. The first of three Beaufort Sea sales is planned for September 2003, with additional sales proposed for 2005 and 2007.

In the Chukchi Sea-Hope Basin and Norton Sound areas, sales will be driven by industry interest.



John Goll, MMS

"If there is interest," Goll said, "we would develop a sales proposal around that area and then work towards a sale." If a call for interest produces no response, then the agency will ask the question again in a year.

Calls for both the Norton basin and Chukchi-Hope areas will be out early next year. A previous call for interest in the Norton basin drew no response. This will be the first Chukchi-Hope area call in this five-year plan.

"The Chukchi Sea shows tremendous potential both for oil and gas," Goll said. "Several wells were drilled there around 1990, but of course it's far from infrastructure..."

No wells have been drilled in the federal area of the Cook Inlet since the mid-1980s, Goll said. "With new technology today, new theories," the federal waters of Cook Inlet may be a place "to look again with regard to potential for oil and gas."

Why isn't permitting timely?

On the permitting issue, Goll said, the question is frequently asked: Why can't projects be permitted in a timely way?

Goll said he thinks some of the permitting uncertainty over the last few years comes from agencies wanting "to make decisions on issues that maybe are more rightly those of another agency." MMS is working on that problem with both federal and state agencies, he said.

The other issue he's seen crop up over the past few years, Goll said, is that many reviewers want to scrap the application they receive. The approach of many has been, he said, "let's forget what the applicant gave us to review. And let's redesign it ourselves the way we want."

Goll said MMS doesn't agree with that. "If a company brings a proposal that meets the laws and meets the regulations ... then why can't they get their permits?" he asked. Some smaller adjustments may be needed, "but not a wholesale redesign, and this is something that we believe really needs to be looked at."

Senior management involvement

When President Bush took office he issued an

see MMS page 8

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STATEWIDE

Potential state, federal oil, gas lease sales

Agency	Sale and Area	Proposed Date
MHT	Cook Inlet	Spring 2003
DNR	Cook Inlet Areawide	May 7, 2003
DNR	Foothills Areawide	May 7, 2003
MMS	Sale 186 Beaufort Sea	September 2003
DNR	North Slope Areawide	October 2003
DNR	Beaufort Sea Areawide	October 2003
MMS	Sale 191 Cook Inlet	2004
DNR	Cook Inlet Areawide	May 2004
DNR	Foothills Areawide	May 2004
BLM	NE NPR-A	June 17, 2004
BLM	NW NPR-A	June 17, 2004
DNR	North Slope Areawide	October 2004
DNR	Beaufort Sea Areawide	October 2004
MMS	Sale 195 Beaufort Sea	2005
DNR	Cook Inlet Areawide	May 2005
DNR	Foothills Areawide	May 2005
DNR	North Slope Areawide	October 2005
DNR	Beaufort Sea Areawide	October 2005
MMS	Sale 199 Cook Inlet	2006
MMS	Sale 202 Beaufort Sea	2007
MMS	Chukchi Sea/Hope Basin	interest based
MMS	Norton Basin	interest based

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

This week's lease sale chart
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Above photos: "Free skimming" test conducted by BP and Alaska Clean Seas in the Beaufort Sea, summer 2002.

Courtesy Minerals Management Service

Oil in the Sea III

The study "Oil in the Sea III" is the third report from the National Academies on petroleum released to the marine environment.

"New estimates indicate that the overall amount of petroleum released to the marine environment may be lower than earlier thought," the Academies say in the study, a manuscript version of which is available online through the National Academies Press at:

<http://search.nap.edu/nap/cgi/naptitle.cgi?Search=Oil+in+the+Sea+III>.

The reduced amount of petroleum "reflects, in part, advances over the last decade in marine transportation and oil and gas production techniques," the report says. Spillage in North American waters from 1990 to 1999 was less than one-third that of the previous decade, "and, despite increased production, reductions in releases during oil and gas exploration and production have been dramatic as well."

The releases from extraction and transportation represent less than 10 percent of releases from human activities, most of which comes "during consumption of petroleum, which include urban runoff, polluted rivers, and discharges from commercial and recreational marine vessels," which combined account for 85 percent of releases in North American waters, the study said.

The study's "best estimate" numbers for North America are 260,000 tonnes of releases with 160,000 tonnes (62.5 percent) from natural seeps, 3,000 tonnes (1.2 percent) from petroleum extraction, 9,100 tonnes (3.6 percent) from petroleum transportation and 84,000 tonnes (32.8 percent) from petroleum consumption.

continued from page 6

MMS

executive order on energy projects, "telling federal agencies that they need to move ahead on energy projects with a good pace," Goll said.

Principal agencies within the Department of the Interior — MMS, the Bureau of Land Management, the Fish and Wildlife Service — are meeting on permitting issues, Goll said, with Cam Toohey, special assistant to the secretary for Alaska, kicking off an all-day meeting Dec. 6 at MMS in Anchorage. MMS is also working with other major federal agencies including the Environmental Protection Agency and the Corps of Engineers.

"And a key to this," Goll said, "is not just meeting on a staff-to-staff level. It is really getting some of the senior management in the agencies involved..." That involvement wasn't always there, he said, but now Cam Toohey and Drue Pearce are working within Interior, "touching base with some of the senior management within the federal agencies, to make sure they're aware of what is going on and the importance of these projects."

MMS is also meeting with state agencies — the Department of Natural Resources, the Department of Environmental Conservation, the Department of Fish and Game and the Division of Governmental Coordination — to compare notes on offshore projects.

Spill response issue

One key joint federal-state issue is oil spill response planning, Goll said. Two years ago when BP and Alaska Clean Seas did broken ice oil spill trials, he said, there was a lot of publicity on failed tests.

Actually, Goll said, the barge-based advanced skimming system worked very well at funneling; unfortunately it funneled ice, not oil, which clogged the skimmers, making the system ineffective on ice concentrations above 10-30 percent.

Last summer, however, a successful "free skimming" test got no press.

Free skimming, Goll said, "is a tactic used in some other countries which "relies on ice to be the containment boom." The vessel operator locates a concentration of oil, maneuvers his vessel to the site and deploys a skimmer to collect the oil.

"You don't really need another boom," Goll said. "You're using the ice as the boom." The skimmer is then moved to the next location. Free skimming, he said, allows operators to "concentrate on collecting oil, rather than trying to push the ice out of the way and ice management."

The tactic increases the broken ice concentrations in which skimmers can work, he said. The vessels are also more maneuverable and can reach quickly in changing conditions, allowing retrieval of more oil.

Goll also noted that a recent National Research Council report, "Oil in the Sea III," found a dramatic improvement in spillage from the oil and gas industry and said that one issue in oil spill requirements is "how much credit can be given for the improvements that have occurred" in things like well control. (See sidebar.)

Another issue is differences in cleanup technique requirements. The state requires mechanical recovery, Goll said, while MMS can allow other approaches such as in situ burning.

see MMS page 8

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MMS issues draft EIS for proposed Cook Inlet sales

The Minerals Management Service issued a draft environmental impact statement for two proposed Cook Inlet federal outer continental shelf oil and gas lease sales Dec. 6.

The draft EIS is available for public comment, the agency said Dec. 11, and comments will be accepted until Feb. 11.

The EIS evaluates both Cook Inlet sales, sale 191 (2004) and sale 199 (2006). After completing the final EIS and proposed sale 191 in 2004, MMS said it will prepare a consistency determination and either an environmental assessment or, if necessary, a supplemental EIS for sale 199.

MMS will hold public hearings in January in Kenai/Soldotna, Homer, Seldovia and Anchorage. Hearings will be:

Anchorage, Jan. 16, 4-6:30 p.m., MMS Alaska Region Office, 949 East 36th Ave., Room 314;

Seldovia, Jan. 21, 7-9 p.m., Seldovia Community Center multi-purpose room;

Homer, Jan. 23, 7-9 p.m., Homer City Council Chambers, 491 E. Pioneer Way;

Kenai/Soldotna, Jan. 25, 11 a.m.-1 p.m., Kenai Merit Inn, 260 S. Willow St.

MMS will also hold a teleconferenced hearing Jan. 28 from 4-6:30 p.m. To testify at that hearing, call 1-800-764-2627.

The draft EIS is available on the MMS web page: www.mms.gov/alaska, or from MMS, 949 E. 36th Ave., Anchorage AK 99508-4302.

The area proposed for leasing is in Alaska's Cook Inlet in federal waters between three and 30 nautical miles offshore and covers some 2.5 million acres from just south of Kalgin Island to just northwest of Shuyak Island in water depths ranging from 30 to 650 feet. Shelikof Strait is not included in the proposed sale area.

continued from page 7

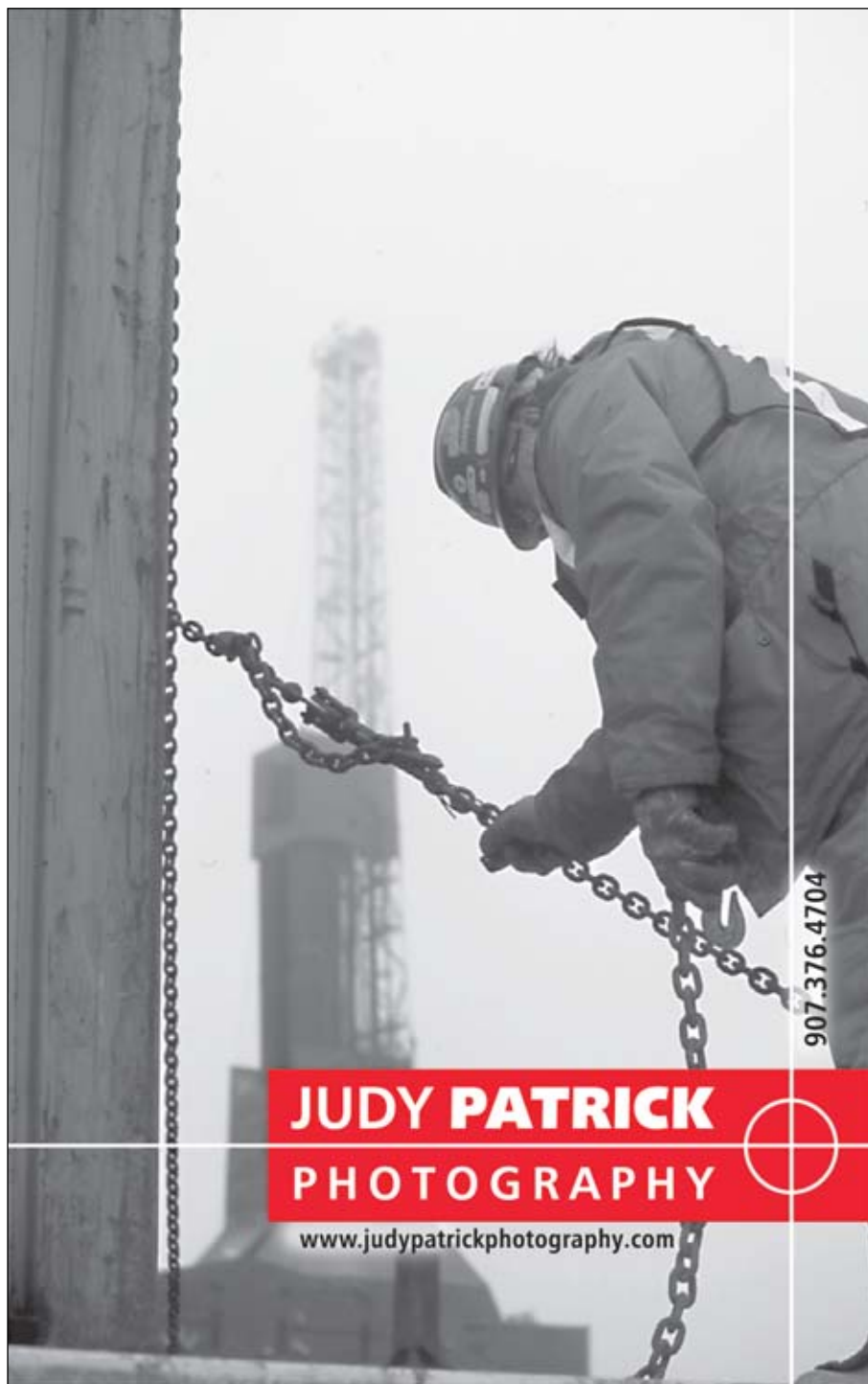
MMS

Incentives still under discussion

On the incentive issue, Goll said four terms of oil and gas lease sales (royalty rate, primary term of the lease, minimum bid and rental rate) can be varied by sale, and the agency is looking at how those terms can be set to provide an economic incentive to industry. MMS is also looking at using royalty suspension volumes in Alaska, an amount of oil or gas which can be produced free of royalty.

MMS is also looking at price floors — it would suspend royalties if the value of oil dropped below a certain price — and price ceilings, where royalty suspension volumes would stop if the price exceeds a certain amount. The ceiling, he said, protects the federal government and taxpayers from giving away too much of the royalties.

Goll said the MMS is looking at allowing operators more time to inventory what is around a discovery and said it hopes to have a rule on that change published in the Federal Register within the next month or two. ♦



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NORTHERN GAS

■ FORT ST. JOHN, B.C.

Little gasline impact expected at Sourdough Pete's

Eleventh in series, recreational vehicle park owner expects little economic boost from an Alaska gas pipeline project in Fort St. John

Patricia Jones



Bill and Sandra Cockwill

By Patricia Jones
PNA Contributing Writer

Bill and Sandra Cockwill know how to make long-term campers comfortable throughout the year at their recreational vehicle park located just south of this Alaska Highway community.

Called Sourdough Pete's RV Park, the facility offers a place to stay for campers, whether they be tourists traveling up and down the Alaska Highway, or workers employed in the area's oil and gas fields.

Road construction workers also frequent the RV park in Fort St. John, British Columbia, which offers full-service spaces even in winter months.

"We have water and sewer out to the sites," Bill Cockwill said. "We have to have all the services or it would not make much sense for them to stay, to only sleep in a trailer. It's their home."

But as the cold sets in, costs to run the

An Alaska gas pipeline project will likely not make a huge impact on the community, which is already used to accommodating the ebb and flow of oil field workers, Cockwill said.

park go up. Residents typically buy and use electric plug-in heaters to supplement their propane gas heaters in their recreational vehicles. Heat tape to keep the water and sewer lines open and flowing also contributes to electric bills that are "thousands and thousands and thousands of dollars a month," Sandra Cockwill said.

Despite close proximity to northern British Columbia gas fields and hydroelectric dam projects, utility bills seem to keep increasing in Fort St. John, the couple said. "It should be the cheapest in this area, but the further away you live, the cheaper it gets," Bill Cockwill said.

Yet they don't expect an economic reprieve, should a natural gas pipeline project bring Alaska's North Slope gas south. "We didn't see it in the last pipeline (the Alliance project), but maybe this will be different," Cockwill said.

And the couple said they don't anticipate an economic boost from an increase in customers, should that Alaska gas project be built.

"Oil companies usually bring their own camp — like a 400 to 500-man camp," Cockwill said. "It's not going to affect us much."

Furthermore, the actual construction could bypass Fort St. John, depending on the route selected by developers. "They'll go the shortest route, so it may be miles from the highway," he said. "The pipeline could miss Fort St. John by 50 to 100 miles."

An Alaska gas pipeline project will likely not make a huge impact on the community, which is already used to accommodating the ebb and flow of oil field workers, Cockwill said.

"This area gets used to little booms," he said. "The oil patch is up and down all the time — nothing steady." ♦

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Fire & Gas Technician - Prudhoe Bay, Alaska

Recruiting Authorization No. 1335 Summary: Installs, maintains, calibrates and adjusts fire and gas detection systems, instrumentation and instrument lops. Essential Functions: Calibrates and adjusts, repairs and installs fire alarms and gas detection systems. Interprets test data. Performs functional testing including the interface to process control and shutdown

systems. Uses and maintains tools and equipment employed to perform calibration testing (precision regulators and test gauges, volt-ohm meter, potentiometers, thermocouple calibrator, signal generator, leak detection unit oscilloscope and manufacturers specialized test equipment; i.e. Pyrotronics SU-9 calibrators. Routinely performs safety and productivity observations; shop, field, and vehicle inspections and is required to attend various components of technical, developmental and safety training. Must demonstrate support for the company's environmental management system objectives. Qualifications: Five (5) years experience as a process instrument technician or electrician in the oil or chemical industry and two (2) years of related technical/vocational training preferred. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate adherence to established safety policies and procedures. Must have knowledge of ISA Standards as well as the functional operations and adjustments of the various components of instruments and instrument loops such as controllers, transmitters, and level indicators; calibration; and trouble shooting instrument loops and loop tuning. Must have experience reading and interpreting drawings, specifications, vendor data, and technical data sheets. Must demonstrate knowledge of OSHA safe work practices associated with instrument power voltages; programmable controllers and distributed control systems; and fire and gas alarm and shutdown systems as related to explosion proof atmospheres. Electronics skills a plus. Driver's license required (note that this requirement may be waived at the company's discretion for employees hired on a temporary basis). Must possess Alaska State licenses 1B in Fire Alarms and IIIA in Special Hazards (and corresponding NICET certifications). Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level. Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. **MOBILITY:** Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is occasionally required to sit. Must be able to work from ladders and scaffolds to access instrumentation. **FINE MOTOR SKILLS:** Frequently required to use hands and fingers with sufficient dexterity to perform close, exacting and repetitive tasks. **HEARING:** Must be able to hear audible safety alarms and warnings. **VISUAL ACUITY:** Specific vision abilities required by this job include close vision. Vision must be adequate to perform above listed tasks in a safe manner. **LIFTING:** The employee must regularly lift, pull and/or move up to 40 pounds, and occasionally lift and/or move up to 70 pounds. **COMMUNICATION SKILLS:** Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. **ENVIRONMENT:** While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is frequently exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. **DISCLAIMER:** The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. This is a Regular Full time position located in Prudhoe Bay, Alaska, with a rotation of 2 weeks on 2 weeks off. Please submit your resume to: VECO Corporation Alaska Region Attn: Ken Sigurdson 6411 A Street, Anchorage, Alaska 99518 USA Phone: (907) 277-5309 Fax: (907) 550-8890 Email Resume to: Careers@VECO.com or fax (907) 762-1040 VECO Corporation Job Web site: www.veco.com. Please quote the Job Title and Recruiting Authorization No. (if applicable) in all correspondence. VECO Corporation is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization.



Process Operator - Field-Based -Alaska.

Alaska Process Operator Roles and Responsibilities: The Operations Technicians are expected to assist during pre-commissioning and commissioning activities, performing pressure/leak tests, equipment flushing/cleaning, functional checkout of equipment/instrumentation, and valve tagging and operating procedure development. The Operations Technicians will be required to perform both Control Room and field duties and be willing to undergo flexibility training to perform light maintenance tasks. Control Room duties will include: Plant operation via a DCS (Fischer/Rosemount Delta V) system to maintain safe operation at all times. Compiling daily production and environmental reports. Start up and shutdown of the facility. Operation and control troubleshooting. Assisting the technical support team with the demonstration program and technology development. Field duties will include: Operational troubleshooting, sample taking, instrumentation and equipment monitoring, routing blow down and maintenance tasks. The field technician will be required to man the DCS panel for short periods. It is expected that this will be a very demanding and challenging role working with cutting edge technology, including equipment, instrumentation and control, and analytical equipment, developing and optimizing the operating envelope and gathering the data necessary for commercial plant scale up. The successful candidates will work to a 12 hour shift pattern but also be flexible enough to accommodate call out to provide absence and sick cover. The selected candidates will be required to work within a team environment that is comprised of both shift and day personnel and be accountable for the safe, reliable operation of the facility. Experience: -Minimum of Five (5) years experience in facility or production operations. -Maintenance technicians will train in Operations encouraged to apply. -DCS Operations experience preferred. -Research, technology development experience would be an advantage. -Steam Methane Reforming, Hydrocracking or other chemical/refinery operations experience would be an advantage. -Strong oral, written and basic mathematical skills. -Demonstrated ability to work well in a team and respond effectively to changing situations. -Proven ability to learn quickly and utilize newly acquired skills. This is a Regular Full-time position, located in Kenai, Alaska. Please submit your resume to: Recruiting Department 949 E. 36th Avenue Suite 500 Anchorage, AK. 99508 Email Resume to: Careers@VECO.com or fax (907) 762-1040 VECO Alaska Job Web site: www.veco.com Email attachments should be in Microsoft Word or Rich Text format. VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization Please quote the Job Title and Recruiting Authorization No. (if applicable) in all correspondence.

Legal Notice

Legal Notice U.S.D.A. Forest Service Alaska Region Chugach National Forest Cordova Ranger District The purpose is to notify all interested persons that the following Decision Notice and Finding of No Significant Impact is available to the public pursuant to 36 CFR 215.9: Decision Notice and Finding of No Significant Impact Revised Environmental Assessment Oil and Gas Exploration in the Katalla Area, The purpose of the Decision Notice is to document the factors considered and the rationale used in making a decision concerning the potential effects of approving Cassandra Energy Corporation's Plan of Operations for oil and gas drilling near Katalla, Alaska. The decision consists of whether to approve the Plan of Operations. There are two major components of the Plan of Operations: (1) Exploratory oil and gas drilling operations; and (2) Access to the drill site which consists of establishment of a temporary staging area, construction of approximately 550 feet of temporary road, and use and maintenance of an existing temporary access road on National Forest System lands. The responsible official is: Dave R. Gibbons, Forest Supervisor Chugach National Forest 3301 C St. Anchorage, Alaska, 99503-3998 The decision and accompanying Environmental Assessment can be obtained from the Cordova District Ranger, P.O. Box 280, Cordova, Alaska, 99574-0280; and the Forest Supervisor's Office, 3301 C St., Anchorage, Alaska, 99503. They are also available on the Internet at: www.fs.fed.us/r10/plans_projects/katalla/index.html/. For more information on this Environmental Assessment please call Ken Hodges, Cordova Ranger District at (907) 424-4738; or Chuck Frey, Forest Supervisor's Office, Anchorage, at (907) 743-9557. The decision is subject to appeal pursuant to 36 CFR 215. Appeals must be filed with the appeal deciding officer: Dennis Bschor, Regional Forester U.S.D.A. Forest Service Alaska Region-Region 10 P.O. Box 21628 Juneau, AK 99802-1628 The appeal must be postmarked and submitted to the Appeal Deciding Officer within 45 days of the date of this publication in accordance with 36 CFR 215.13. The appeal period ends January 27, 2003. Pub.: December 13, 2002

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Electricians: 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 oil-field 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.

Mechanics: 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.



Human Resources Technician - Anchorage, Alaska Recruiting Authorization No. 4600. The Human Resources Department currently has an opening for an individual who is a service oriented, professional and enjoys working in a team environment. Requires a 2-year degree; or 2 years plus experience and/or training or equivalent combination of education and experience. Prior customer service or human resources experience a plus. Duties include helping administer VECO Alaska's employee benefit program, in accordance with company policy and procedures, and records system input and filing. Having some knowledge of legal requirements and government reporting a plus. Successful candidate will also research and resolve benefit issues and questions. Excellent interpersonal skills, oral and written communication skills, able to organize, prioritize work and meet deadlines. Proficient in the use of MS Access, Word and Excel preferred. Maintaining confidentiality is a must. Some travel required. Anchorage based. Regular Full-Time.

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Principal Mechanical Engineer - Anchorage, Alaska Minimum 12 years engineering experience. B.S.M.E With a P.E.(Alaska would be a plus). Experience in oil/gas or petrochemical design preferably in Production Facilities. Project Engineering as well as design engineering background. Strong skills in analyzing all technical aspects of assigned projects and recommend design changes as appropriate. Ability to define scope of work and develop and review schedules for assigned projects. Review drawings and check designs for conformance with client and code requirements. Provide technical assistance to less senior engineering and design personnel and evaluate results. Review vendor bids to assure compliance with specs. Participate in the development of engineering methods, techniques and criteria. Computer literate and familiar with standard engineering software and Microsoft Office Products. Solid background and understanding of ASME B31.3 AND B31.4 piping codes. Ability to lead a design team (one or more Mechanical Engineers and Designers). Previous supervisory or lead experience would be a plus. Good written and oral communication skills. Solid planning and organizational skills. Arctic engineering experience preferred. Position is Regular Full Time, based in Anchorage, Alaska.

Process Control Engineer - Anchorage, Alaska (Principal level) with 15 years + in implementation of instrumentation, process control systems engineering. Strong background in PROGRAMMING DCS Controls. Knowledge of hardware as well as software control systems. Previous experience performing quality checks and fault testing of software for reliability. Experience designing graphics displays and configuring facility automation control consoles. Ability to write control codes. Familiar with the following Bailey Infi90, Moore, Wonderware, Honeywell, Bradley, Fisher Rosemont. Training in PLC Programming, Advanced Process Control Techniques, Advanced Statistical Process Control. Evaluates, selects and applies standard design techniques, procedures and criteria to make design adaptations and modifications. Review design drawings and vendor submittal for assigned segments of a project for technical conformations to requirements to codes. Prepares design calculations, specs and sketches for instrumentation and control systems into overall project design. Assist with preparation to scopes of work, equipment estimates, installed cost estimates and budgets for project assignments. Strong computer literacy with good written, verbal and analytical skills. Familiar with standard engineering software. Has worked in refineries, oil and gas facilities is a must. Engineering degree required. Seeking an Alaskan P.E. Strong working knowledge of programming of DCS systems. Background in software and hardware. Comfortable working with programming and assisting less experienced engineers and designers with this aspect. Position is Regular Full Time, based in Anchorage, Alaska Please submit your resume to: Recruiting Department 949 E. 36th Avenue Suite 500 Anchorage, AK. 99508 Email Resume to: Careers@VECO.com or fax (907) 762-1040 VECO Alaska Job Web site: www.veco.com VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization

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THE REST OF THE STORY

continued from page 1

INSIDER

coastal areas "starting to firm up."

"There aren't many pockets of soft ground under the surface," he said. "Looking at what was happening earlier with the warm temps, we thought it might not open up until February, but there has been less snow this year to insulate the ground. ... And then it got cold. It was 31 below in Deadhorse this morning."

Schultz said he's "optimistic," and predicts an earlier opening than last year," which had the latest tundra access dates on record.

In 2002 the state broke the North Slope into two areas, Schultz said.

"The coastal area was opened to off-road travel on Jan. 25, 2002. The foothills had very deep snow and very little wind. This created a deep, fluffy snow layer that insulated the ground. There were areas in the foothills where the ground never did freeze completely," Schlutz said.

"In spite of this, we thought that the deep snow would protect the ground (especially since the seismic operator in this area was using only tracked equipment). Therefore, again on Jan. 25, we allowed off-road travel in the foothills on a project-specific basis under two conditions: a) that a DNR inspector had to be present to verify that no tundra damage was occurring and b) that the operator would have to fund a follow-up inspection the following summer to confirm that no damage had occurred. This work went well, and we did not find any significant tundra damage from this operation," he said.

SHIVELY HEADS TO HOLLAND AMERICA. ... Former Alaska Department of Natural Resources Commissioner John Shively started a new career Dec. 16 promoting a different type of natural resource — Alaska's wilderness, wildlife, glaciers,

fishing and Native culture.

Shively has accepted the position of vice president of external affairs for Holland America in Alaska.

But he's not totally leaving Jade North LLC, the consulting firm he founded in 2000 after resigning as commission. A partner in the firm, Patty Bielawski, is assuming Shively's management duties, but she said he will retain his partnership in the company and the title of senior partner.

Instead of being a fulltime consultant, he "will now serve in the role of senior advisor on strategic issues for the business rather than handle day to day client representation. We envision this as analogous to a partner who serves in an "of counsel" role in the legal profession," Bielawski said.

Anchorage-based Jade North provides consulting services for the natural resource, Alaska Native and government sectors.

MARTY RUTHERFORD JOINS JADE NORTH. ... In mid-January, Alaska Department of Natural Resources Deputy Commissioner Marty Rutherford will leave state government and become a partner at Jade North LLC, the company said Dec. 16. (See related article on page 6.)

Rutherford will "represent clients with natural resource extraction and transportation interests as well as assist clients with land management projects and issues with government, Native and other private land owners," Jade North said in a statement. Earlier this year Bill Schoephoester joined Jade North. He does electric utility and oil spill prevention and response planning, as well as project management services.

DRILLING TO START AT KUPARUK-THETIS PROJECT IN JANUARY. ... Pioneer Natural Resources



John Shively

Co. has all its permits to drill three exploration wells at its prospect between Thetis Island and the Kuparuk River unit. The company will begin drilling the first well (Ivik) in late January, Ken Sheffield, president of the Calgary-based Pioneer subsidiary and Alaska project manager, told PNA Dec. 16.



Ken Sheffield

Peak Oilfield Service Co. has been awarded the contract to build the project's ice roads, Sheffield said.

"As of today, we have not signed a rig contract, but plan to address this issue in the near term," he said.

The proposed exploration wells are offshore in approximately five to 10 feet of water. Drilling plans call for grounded sea ice pad locations that will be accessed via ice roads from Oliktok Point dock. No tundra travel is planned.

All sea ice operations are expected to be completed by the end of March.

continued from page 3

KATALLA

of barging equipment and supplies up the Katalla River from the Gulf of Alaska. It also involves construction of 550 feet of new temporary access road, establishment of a temporary staging area, and use and maintenance of an existing temporary access road on National Forest System lands.

Anchorage-based Cassandra plans to drill two or three exploratory wells directionally from private land acquired through a lease-purchase agreement from Del and Ginger Welch, who own the site of the old 465-acre Katalla oil field, into mineral estates owned by Chugach Alaska Corp., a regional Native corporation.

Under a 1982 agreement with the federal government, Chugach Alaska has to locate commercial quantities of hydrocarbons on the acreage by Dec. 31, 2004, or the subsurface rights revert to the government.

Cassandra has a lease-option for oil and gas rights on 10,134 acres from Chugach Alaska. The surface rights are controlled by the 5.9 million-acre Chugach National Forest, the country's second-largest national forest, after

southeast Alaska's Tongass.

Welch told PNA in earlier interviews that 44 wells were drilled at Katalla between 1901 and 1930, of which approximately 18 wells produced oil from fractured sandstone and siltstone of the Katalla formation at depths ranging from 360 to 1,750 feet. He said production per well varied from 15 to 240 barrels per month. Recorded production at Katalla over a 30-year period totaled 153,922 barrels of oil. Production ceased in 1933 when the Katalla refinery was destroyed by fire.

New wells will be deeper

The wells drilled from 1901 to 1930 had depths of up to 2,300 feet. Cassandra President Bill Stevens, who is the safety and health program coordinator for Inlet Drilling Alaska Inc. in Kenai, told officials he expects to find oil at deeper levels than previously drilled. He estimates the field could hold 200 million to 600 million barrels of recoverable oil.

Stevens said he plans to use Inlet Rig CC1 for an exploration drilling program that would start with two or three wells and, if they had commercial oil shows, could result in "as many as 12 wells on privately owned acreage, for a total cost of approximately \$20 million."

—Kay Cashman, PNA publisher

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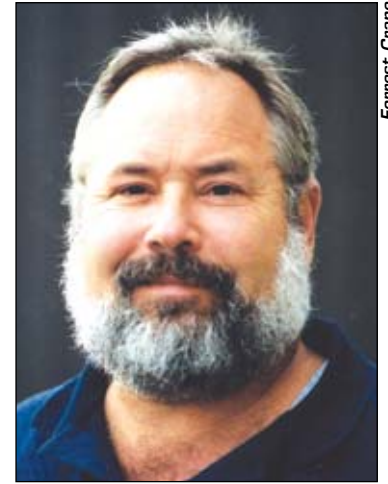
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Business Spotlight



John Brunton, vice president

Oil and Gas Supply

Located in Kenai and Anchorage, Oil and Gas Supply distributes and fabricates industrial hose and fittings, Aeroquip hydraulic hose and fittings, rubber and synthetic gasket material, stainless steel hose assemblies and expansion joints. Hydraulic system design, sales, service and repair, as well as Swagelok fittings, valves and stainless tubing, are available in Kenai. The staff has more than 100 years of industry experience.

John Brunton, vice president, has been in the business for 25 years. He purchased Oil and Gas Supply in 1995 with wife Jackie, president and "boss." They love entertaining and wave running at their Big Lake cabin, and golfing at nearby Settler's Bay. When the schedule allows it, they're off to their casa in Cabo San Lucas.



John Holland, marketing manager, Helicopter Division

Era Aviation Inc.

Era Aviation, an Alaska corporation since 1948, maintains headquarters in Anchorage. The Helicopter Division operates 100 aircraft for the oil and gas industry in Alaska, the West Coast and Gulf of Mexico. John Holland has been the division's marketing manager since 1997. The company's primary focus is meeting customer needs with the highest safety and performance levels.

Holland, a former Army UH-60 helicopter crew chief, graduated with honors from Embry-Riddle Aeronautical University and is licensed in fixed and rotor wing aircraft. Fishing and hunting — not work — brought him to Alaska. John is the father of two year old Emilie. He caught a 62-pound king during his first 10 minutes of fishing. "Unfortunately, it's been downhill ever since," he says.

Forrest Crane

Forrest Crane

THE REST OF THE STORY

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INDUSTRY

share of expected growth after 2010.

"At the wellhead, Alaska is the third largest gas producing state in the U.S.," the AGA said. "Since 1995, wellhead gas production has averaged 9.4 billion cubic feet per day, which is exceeded only by Louisiana and Texas.

On the price front, the AGA said analysts believe gas from non-traditional deepwater, Alaska and LNG sources, that may not have been viable at wellhead prices of US\$2 per million British thermal units, are more competitive in the range of US\$3-\$4

"However, 86 percent of this production is reinjected in order to improve oil recovery on the North Slope and because there is no pipeline" to the Lower 48.

But adding Alaska to the Lower 48 supply chain depends on "overcoming economic factors and impediments to siting facilities (as well as) the gap that develops between domestic production capability and growing gas demand," said the report, entitled From the Ground Up: America's Natural Gas Supply Challenge.

Government action urged

Among its recommendations, the AGA urged the federal government to take the lead in "overcoming the logjam created by a pervasive 'not in my backyard' attitude toward energy infrastructure development in this country.

"State officials must also recognize that economic development and environmental quality for their citizens hinge on increased natural gas supplies."

The AGA also urged Washington to work "closely and cooperatively" with the Canadian and Mexican governments to solve North America's challenge of "supplying competitively priced gas, in an environmentally sound manner, to a growing market."

New technologies need to be shared

In calling for technologies and practices to be shared among the three partners in the North American Free Trade Agreement, it noted that development Canada's East Coast offshore has been successful, while similar geological formations in the U.S. Atlantic are off-limits to producers, along with most of the West Coast and Eastern Gulf of Mexico.

Similarly, the development of coalbed methane in the U.S. Rocky Mountain region offers the potential for technology transfer to the vast, but untapped CBM resource of Canada.

"At the very least, projects to move gas from Alaska to the Lower 48 will require cooperative foresight by both (the U.S. and Canada) in order to efficiently and economically develop stranded gas supplies," the AGA said.

Canadian report also out

The AGA report was released one day before Canada's National Energy Board issued what could be a distant early warning for the Western Canada Sedimentary Basin, the largest single gas supply basin in North America and the source of at least 15 percent of U.S. gas needs.

The federal regulator said the Western Canada Sedimentary Basin — which sprawls from the Northwest Territories and Yukon through northeastern British Columbia, Alberta, Saskatchewan and into Manitoba — faces a drop of 4.3 per-

cent in deliverability over three years, lending weight to arguments that the Arctic is a crucial new source just to sustain current output.

The study projected deliverability will slide to 15.9 billion cubic feet per day by the end of 2004 from 16.6 billion cubic feet per day at the end of 2001, when production was already 900 million cubic feet per day short of a December 2000 market assessment by the NEB.

In continuing to scale back its forecasts for the basin, the NEB reinforced a growing sentiment that Canada is in an era when ever-increasing drilling is yielding ever-decreasing supplies.

Noting that the Western Canada Sedimentary Basin must achieve 3 bcf per day of new production each year just to maintain current levels, the NEB said: "For the past several years, it has taken an increasing drilling effort to accomplish this."

Move to riskier areas unlikely

But, despite a combination of lower initial production rates and faster decline rates since 1996, the industry is not likely to deviate from its strategy of recent years by making any sudden shifts to riskier areas of the basin, said the study.

It said that although low-cost, shallow wells in southeast Alberta and southwest Saskatchewan generally come on stream at a mere 200,000 cubic feet per day compared with 21 million cubic feet per day in the deep Foothills, the average drilling costs range from C\$100,000 for a shallow well to C\$10 million per well in the deeper, more complex Foothills plays, which are outside the financial means of all but the largest E&P companies.

Although the NEB forecast drilling in the Western Canada Sedimentary Basin will continue to rise over the next two years in response to growing North American demand, that will not be enough to compensate for lower initial productivity per well connection, which is already 25 percent below 1995 levels.

The only encouraging sign is that initial production rates for 2001 well connections appear to have stabilized at 2000 levels, while decline rates have shown some hints of flattening out, the study said.

The NEB plans to release a report on Canada's energy supply and demand outlook to 2025 in the spring of 2003.

Resources described as vast

But the American Gas Association report also gave hope in describing the North American gas resource base as "vast, diverse and dynamic," noting that it has kept pace so far with cycles in gas production and consumption.

It said current estimates of remaining U.S. and Canadian gas resource potential are substantially higher than they were 20 years ago, despite the consumption of 200 trillion cubic feet in the United States over that period.

Improvements in exploration and production technology and the momentum of market forces have contributed to a dramatic rise in the ultimately recoverable resource base in the United States, the AGA said, referring to estimates developed by the Potential Gas Committee of the Colorado School of Mines.

In 1980, the committee calculated the combined proved reserves, potential resources and cumulate production to date at 1,708 trillion cubic feet. At the end of 2000, the committee raised that figure by 30 percent to 2,208 trillion cubic feet.

Those revised figures reflected technological advances that made opened the door to new sources of gas, such as gas from coal seams or production from deposits located under thousands of feet of water, which have seen U.S. production

AGA president and CEO David N. Parker said the irony is that laws and regulations encourage the use of gas, but outdated concerns about the environmental impact of finding and producing gas make it increasingly difficult for companies to match consumer demand.

migrate to the deepwater Gulf of Mexico, south Texas, north Texas/Louisiana and the Rocky Mountain basins.

Non-traditional gas more price competitive

On the price front, the AGA said analysts believe gas from non-traditional deepwater, Alaska and LNG sources, that may not have been viable at wellhead prices of US\$2 per million British thermal units, are more competitive in the range of US\$3-\$4.

It said prices from the mid-1980s to 2000 were stable and actually fell when adjusted for inflation, but have since experienced fluctuations because of a tightening balance between supply and demand, creating a "tightrope" effect that is sensitive to even small changes in weather, economic activity or world energy.

The AGA also concluded that "current resource estimates for many frontier areas appear to be very conservative," arguing that geologists tend to underestimate the size of new fields.

"The simple act of exploring for natural gas in promising areas can, and often does, result in new discoveries over and above previous estimates," it said.

In that context, the AGA said Canadian production can grow, but likely outside the Western Canadian Sedimentary Basin except for development of coalbed methane reserves in Western Canada.

"In many ways, development of new gas resources in Canada reflects the challenges of discovery in the U.S.," the study said. "Basins in Western Canada, particularly in Alberta and British Columbia, have been extensively drilled, although not for as long a time as some producing regions in the U.S.

"More drilling will need to be targeted in Eastern Canada (offshore) and in the less explored northern tier of the Yukon, Northwest Territories and the Arctic Islands if Canadian production is to grow."

Projecting sources of U.S. traditional supply, the AGA estimated the Lower 48 will rise from 20.8-21.3 trillion cubic feet in 2005 to a range of 19.7-24.7 trillion cubic feet in 2020, while Canadian exports to the United States will climb from 3.9 trillion cubic feet in 2005 to between 4.5 and 7 trillion cubic feet over the 15 years.

Consumption is expected to soar 50 percent from 22 trillion cubic feet in 2001 to 33 trillion cubic feet in 2020, underscoring the critical importance of migration to new sources.

"Americans want a stable, reliable source of environmentally friendly energy that is produced in North America," said AGA president and CEO David N. Parker in a news release.

"They find it in natural gas. But, given the long lead time associated with producing and transporting natural gas, critical decisions must be made now.

"As a popular television psychologist might say, it is time to 'get real' about increasing supplies of natural gas in the face of growing customer demand."

Parker said the irony is that laws and regulations encourage the use of gas, but outdated concerns about the environmental impact of finding and producing gas make it increasingly difficult for companies to match consumer demand. ♦

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ConocoPhillips



Congratulations, ConocoPhillips Alaska Inc. on the startup of drill site 3S in the Kuparuk River unit last month. The Palm satellite is expected to hold 35 million barrels of recoverable reserves; oil that will help replace dwindling North Slope production from older, larger fields.

Special congratulations to ConocoPhillips Alaska for bringing Palm on line in 20 short months — measured from the spud of the discovery well to first production.

