



"Terrorist attacks can shake the foundations of our biggest buildings, but they cannot touch the foundation of America."

—PRESIDENT GEORGE W. BUSH

Pipeline bullet hole plugged



Alaska Department of Environmental Conservation

A bullet hole discovered in the trans-Alaska pipeline Oct. 4 was successfully plugged on the evening of Oct. 6. See story and photos on page 9.

State, feds give interim approval to Northstar participating area

The Alaska Department of Natural Resources, Division of Oil and Gas, issued an interim approval for the Northstar participating area Oct. 5. The division said that in a final supplemental submission on Sept. 26, BP Exploration (Alaska) Inc., Northstar operator and majority owner, said sustained unit production was expected within weeks and requested approval by Oct. 1 to allow time to prepare for field start-up.

BP submitted the application in April, but the division said parties were unable to reach agreement before the Oct. 1 date requested, and said it was issuing the interim decision "to prevent delaying the commencement of production from the Northstar Reservoir" and would issue the commissioner's findings and decision with a complete evaluation of the application in the near future.

Northstar includes both state and federal leases in the Beaufort Sea.

The U.S. Department of the Interior Minerals Management Service issued its approval Oct. 10.



Judy Patrick

Northstar development on Seal Island. Photo taken in September. As PNA goes to press on the morning of Oct. 11, no official field start-up date has been given but it is expected soon.

see NORTHSTAR page 16

EXPLORATION & PRODUCTION

Forest Oil expands Osprey platform, plans to lay pipeline in spring

Redoubt recovery could be more than 100 million barrels if company estimate of 450 million barrels in place and 25 percent recovery rate prove correct

By Kristen Nelson
PNA Editor-in-Chief

In recent presentations to analysts, Forest Oil Corp. has said it is estimating 450 million barrels of original oil in place at the company's Redoubt Shoal unit in Cook Inlet: 400 million barrels in the southern and central fault block — penetrated by the first two wells — 40 million barrels in the northern sliver and an additional 10 million barrels at the northern edge of the field.



Gary Carlson, Forest Oil Corp.

At a 25 percent recovery rate, Forest said, that would be 113 million barrels of oil.

Gary Carlson, Forest Oil senior vice president, Alaska business unit, has said in the past that 50 million recoverable would be good news at Redoubt.

"That's the reason we committed when we saw the second



Judy Patrick

Forest Oil Corp.'s Osprey platform with Nabors Alaska Inc. Rig 429 at Redoubt Shoal in Cook Inlet.

well," Carlson told PNA Oct. 1. "The company was willing to come in with the capital," he said, "because even though we figured out ways to do things a lot more economical, it's still expensive to do business in the inlet. And of course if the field's big enough, you don't mind spending the money to get it."

Carlson said 25 percent is "a recovery rate that you would expect with either a secondary recovery or a strong water drive." At the McArthur River field, he said, recovery is more than 40 percent from their water flood, originally called pressure maintenance.

see FOREST OIL page 15

EXPLORATION & PRODUCTION

Strategically positioned North Fork exploration project back on track

Independent North Star Energy hopes to take advantage of proximity to proposed Kenai-Kachemak gasline; decides not to drill water well due to area landowners' concerns, will haul in water

By Kay Cashman
PNA Publisher

Gas-Pro Alaska LLC's plan for a North Fork well on the lower Kenai Peninsula was on hold for a few weeks after investors raised concerns about the time it was taking to permit the exploratory well, project geologist Keith Summar told PNA.

Summar is vice president of exploration for North Star Energy Group Inc. of Tulsa, which purchased Alaska-based Gas-Pro last year.

"We dropped off the radar screen for awhile, but it was just a matter of regrouping," he explained in an Oct. 10 interview.

"North Star is a very small company and privately funded. ... We thought Alaska was supposed to be a friendly place for independents but ... the permitting process here is very formidable and daunting to a small company like ours. It takes a tremendous amount of time compared to projects in the Lower 48 and internationally. And time is

"Unocal is permitting two more well locations. ... Phillips' Cosmopolitan project is about eight miles west of us on the Sterling Highway. Marathon's been actively exploring. All of this is going to provide impetus for that line to be laid."
—Keith Summar, North Star Energy Group

money. ... Investors don't like that kind of uncertainty," Summar said.

Hence the hold up. But the project is back on track, he said, and moving forward.

How fast it will move will depend on whether Summar and his partners decide to drill an oil well or a gas well.

Oil well requires contingency plan

An oil well requires an oil spill contingency plan that must be approved by the Alaska

see NORTH FORK page 16

I	N	S	I	D	E
NPR-A: Who gets the money?					7
Nicolai Creek begins production					11
Feds forecast tepid energy demand					6
Danco says, integrate or investigate					12
Phillips files to drill exploratory wells					3
Murphy appeals Point Thomson decision					8
Burlington continues building northern corridor					5

COMING

12 • 30 • 01



*Full color,
glossy, coffee
table edition.*

Phillips' first 50 years in Alaska.

**To be a part of this one-time edition,
please call (907) 522-9469.**

A special publication of



ON DEADLINE

EXPLORATION & PRODUCTION

Phillips files to drill up to seven exploratory wells for south Kuparuk exploration project

Phillips Alaska Inc. has filed applications with state agencies to drill up to seven new exploratory wells on state lands near the southern boundary of the Kuparuk River unit "during or beyond" the 2001-2006 winter drilling seasons, the Alaska Division of Governmental Coordination said Oct. 11.

The Kuparuk exploration project drill sites are Andros No. 1, Antigua No. 1, Cayman No. 1 and Cirque No. 3 and 4. They are located in T. 9N and 10N, R. 7E-10E, Umiat Meridian.

The project would involve approximately 16 miles of ice roads, 6 inches thick, and up to two 500-by-500 foot ice drill pads per site using approximately 36,593,000 gallons of water from existing permitted sources in the Kuparuk unit. Phillips is applying for authorization to gain early access to the tundra for ice road and pad construction, which could result in road and pad construction beginning as early as Dec. 1 this year.

The company proposes to drill up to three penetrations — one well and up to two sidetracks — per pad, except at the Cirque well sites, where it would drill up to two wells and two sidetracks per pad.

Phillips said it may conduct on-site well testing at any of the well locations. All wells would be plugged and abandoned at the end of each drilling season, however, wells may be temporarily suspended if evaluations cannot be completed before the close of tundra travel in the spring of each season.

Rolligons, or similar tundra travel vehicles, (or wheeled vehicles on an ice road) will be used to transport the drilling rig to and from the drill sites.

DGC said an Oil Discharge Prevention and Contingency Plan amendment approval is needed from the Alaska Department of Environmental Conservation before the start of operations. Phillips' plan amendment "is proposed to demonstrate compliance with the prevention and response requirements for their 2001-2001 winter oil exploration season," DGC said.

—Kay Cashman



Just Between Us

Carlile's people are Carlile's success. From the second you call until the minute your cargo reaches its destination, we're on it—every minute of every day. It's the Carlile promise. From our front-line dispatcher, to a worldwide network of transportation partners, over 350 Carlile employees are the team behind your transportation needs. All the way down the line. That's customer service. That's Carlile.



1800 East First Avenue • Anchorage, AK, 99501
tel (907) 276-7797 • fax (907) 278-7301
www.carlilekw.com

Delivering the World

Index

ON DEADLINE	3
FINANCE & ECONOMY	6
LAND & LEASING	7
PIPELINES & DOWNSTREAM	9
EXPLORATION & PRODUCTION	11
ARCTIC GAS	13



Dan Wilcox, CEO

Dan Wilcox	CHIEF EXECUTIVE OFFICER	P.O. Box 231651
Kay Cashman	PUBLISHER	Anchorage, AK 99523-1651
Kristen Nelson	EDITOR-IN-CHIEF	Editorial
Steve Sutherlin	MANAGING EDITOR	907 522-9469
Gary Park	CANADIAN CORRESPONDENT	Editorial Fax
Alan Bailey	CONTRIBUTING WRITER	907 522-9583
Dawnell Smith	CONTRIBUTING WRITER	Editorial Email
Judy Patrick Photography	CONTRACT PHOTOGRAPHER	edit@gci.net
Mary Craig	CONTROLLER	Bookkeeping & Circulation
Wadeen Hepworth	ASSISTANT TO THE PUBLISHER	907 522-9469
Susan Crane	ACCOUNT EXECUTIVE	Bookkeeping & Circulation Fax
Brian Horne	SPECIAL PROJECTS COORDINATOR	907 522-9583
Steven Merritt	PRODUCTION DESIGN	Advertising
Kari Hanson Designs	ADVERTISING DESIGN	907 245-2297
Brian Feeney	ADVERTISING DESIGN/INTERNET DESIGN	Advertising Fax
Dallas Erwin	CIRCULATION SALES MANAGER	907 522-9583
Tim Kikta	CIRCULATION REPRESENTATIVE	Advertising Email
		adsales@gci.net

Petroleum News • Alaska and its supplement, Petroleum Directory, are owned by Petroleum Newspapers of Alaska LLC. The newspaper is published at weekly. Several of the individuals listed above work for independent companies that contract services to Petroleum Newspapers of Alaska LLC or are freelance writers.



Udelhoven Oilfield System Services, Inc.

- Mechanical and electrical inspection, revamp, functional check out, commissioning and as built programs
- Construction, industrial and modular fabrication
- HVAC, state certified plumbers
- Insulation
- Structural
- Welding
- Process piping

184 East 53rd Avenue
Anchorage, AK 99518
Phone 907-344-1577
Fax 907-522-2541

P.O. Box 8349
Nikiski, AK 99635
Phone 907-776-5185
Fax 907-776-8105

Pouch 340103
Prudhoe Bay, AK 99734
Phone 907-659-8093
Fax 907-659-8489

Petroleum News Alaska, ISSN 10936297, Week of October 14, 2001
Vol. 6, No. 12

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

(Please mail ALL correspondence to:
P.O. Box 231651, Anchorage, AK 99523-1651)

Subscription prices in U.S. — \$52.00 for 1 year, \$96.00 for 2 years, \$140.00 for 3 years.

Canada / Mexico — \$65.95 for 1 year, \$123.95 for 2 years, \$165.95 for 3 years.

Overseas (sent air mail) — \$100.00 for 1 year, \$180.00 for 2 years, \$245.95 for 3 years.

"Periodicals postage paid at Anchorage, AK 99502-9986."

POSTMASTER: Send address changes to Petroleum News Alaska, P.O. Box 231651, Anchorage, AK 99523-1651.

SERVICE & SUPPLY

Nabors looks at 50,000 foot rig, 19E to go back to work for Phillips

Nabors Alaska Drilling Inc. has completed a design study on a drilling rig with capabilities to drill 50,000 feet in a horizontal direction, Nabors Alaska President Jim Denney told PNA Oct. 2.

"We're looking at building it; there's no firm deal to build it yet — it's just conceptual. We've done a ton of work on it and we think it has significant advantages over competitors' rigs."

Repairs and modifications to Rig 19E are almost complete, Denney said. The drilling rig is under contract to do exploration drilling on the North Slope for Phillips Alaska Inc. this winter.

In addition to repairing the derrick, which was seriously damaged when it fell over March 26, just prior to spudding Phillips' Rendezvous well in the National Petroleum Reserve-Alaska, Denney said the company has made improvements to 19E's pipe handling and mast raising systems. Both upgrades will make the rig safer and more efficient.

—Steve Sutherland

LAND & LEASING

Gramm ANWR amendment to Aviation Security bill dropped

Frustration widespread as Senate Democrats maneuver to sidestep normal committee procedure on Energy Security bill

By Steve Sutherland
PNA Managing Editor

On Oct. 10, U.S. Sen. Phil Gramm, R-Tex., added an amendment to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas drilling to Senate Bill 1447, the Aviation Security bill, but the amendment did not pass a cloture vote Oct. 11 and was dropped from the bill.

The amendment included comments from Gramm expressing frustration that Democrats had made unrelated amendments to the Aviation Security bill, particularly the Carnahan amendment that called for relief to laid-off airline workers. The Carnahan amendment was also dropped from the bill.

Gramm said an ANWR provision had been adopted by a fairly substantial bipartisan vote in the House of Representatives, and that his amendment had just as much to do with aviation security as amendments offered

by Democrats on the same bill.

"Quite frankly, I think nothing could do more to immediately bolster national security than enable us to produce more oil and gas here at home at a price consumers can afford to pay to turn the wheels of energy and agriculture," Gramm said.

The strategy of Senate Majority Leader Tom Daschle and Energy Committee Chairman Jeff Bingaman to suspend mark up of national energy legislation and bypass the normal committee process has met with substantial criticism in Washington, and it constitutes an admission that Bingaman did not have support in the committee to kill ANWR development, an Arctic Power spokesman told PNA Oct. 11.

"It's a victory without having to vote," the source said, adding that if rational discussion of energy issues is allowed, it appears the Senate would vote in favor of ANWR development. ♦



Yute Air in conjunction with Flight International now offer non-stop Learjet service throughout Alaska and the lower-48.

Flight Alaska
dba YUTE AIR

just call "Capt. Rick" at (907) 830-7222

www.yuteair.com • (907) 342-3050
3600 W. International Airport Rd. • Anchorage, AK



BROOKS RANGE SUPPLY, INC.

YOUR SOURCE ON THE SLOPE FOR:

- welding supplies • automotive and truck parts
- hardware • tools
- building materials • glass • propane
- hydraulic hoses and fittings
- paint and chemicals • safety equipment

Open 24 hours, 365 days a year

#1 Old Spine Road • Prudhoe Bay, Alaska 99734
Toll free: (866) 659-2550
(907) 659-2550 Fax: (907) 659-2650

EXPLORATION & PRODUCTION

Cosmopolitan drilling set to begin, first spill drill held

Phillips Alaska Inc. plans to spud the first well at its proposed Cosmopolitan unit near Nikiski in Lower Cook Inlet the week of Oct. 14, Phillips spokeswoman Dawn Patience told PNA Oct. 10.

Drilling at the Hansen No.1 well is expected to continue for 150 to 240 days and is being done from private land on a bluff overlooking Cook Inlet. The sidetrack will extend up to 18,500 feet (3.5 miles) to reach an offshore bottom hole at approximately 7,000 vertical feet.

The well will be drilled to depths sufficient to penetrate the Lower Tyonek sand prone interval correlative to the section seen in the nearby Starichkof State No. 1 well.

"Phillips held its first spill prevention drill at the Hansen well site on Oct. 4. The deployment drill involved: ADEC, U.S. Coast Guard, Nabors Alaska Drilling, Cook Inlet Spill Prevention and Response, Udelhoven, Peak Oilfield Services, SLRoss, McLane, Epoch. The exercise was observed by Cook Inlet Regional Citizens Advisory Council and the Cook Inlet Keepers," Patience said.

In August, Phillips filed a final application with the state Division of Oil and Gas and the U.S. Minerals Management Service to unitize Cosmopolitan's seven state lower Cook Inlet leases, totaling 24,600 acres, and two federal Outer Continental Shelf leases, totaling 9,765 acres.

Working interest owners in the proposed Cosmopolitan unit are field operator Phillips, Forest Oil Corp, Rosewood Resources Inc., Devon Energy Corp, ExxonMobil and Hunt Petroleum Corp.

SECURITY

State considers checkpoints, restrictions on Dalton Highway

State officials are considering restricting traffic on the Dalton Highway to protect the trans-Alaska oil pipeline and North Slope oil facilities from terrorist attacks.

The options range from closing the road to the public to putting up checkpoints along the highway, said Del Smith, deputy commissioner of public safety. "No final decision has been made. We have to look at the legalities."

Smith is among those serving on Gov. Tony Knowles Disaster Policy Cabinet, a group of state officials evaluating the security of the state's transportation, energy and communications facilities. The group is scheduled to submit its recommendations by Oct. 27.

Officials with Alyeska Pipeline Service Co., which operates the 800-mile pipeline, favor some type of traffic restriction on the highway, also known as the haul road.

"We've suggested to the state that one way to help secure the pipeline and the North Slope oil fields would be to provide some degree of control. It's up to the state to determine what that might be," said Bill Howitt, Alyeska's senior vice president in Fairbanks.

The need for additional protection for the pipeline was driven home last week when a man fired a .338-caliber bullet into the line, causing a 285,600-gallon oil spill. The suspect, Daniel Carson Lewis, is being held on \$1.5 million bail.

—Maureen Clark, The Associated Press

■ FINANCE & ECONOMY

Burlington Resources continues building northern corridor

Company makes cash bid for gas-rich Canadian Hunter Exploration to become North America's third-largest gas producer, with special focus on Rocky Mountain region

By Gary Park
PNA Canadian Correspondent

Houston-based Burlington Resources Inc. ended rampant speculation over the likely suitor for Canadian Hunter Exploration Ltd. with a C\$3.3 billion all-cash bid for the Calgary-based company that moves it into the No. 3 spot among North American gas producers, behind only ExxonMobil Corp. and BP p.l.c.

It's part of a Burlington strategy to develop its own supply corridor from the Arctic, down the Rocky Mountains in Canada and the United States and ending at the San Juan Basin.

The Oct. 9 deal, unanimously approved by both boards of directors and due to close later this year, will almost double Burlington proved reserves in Canada to 2.8 trillion cubic feet equivalent and boost its gas output to about 870 million cubic feet per day.

Although the company has properties in the East Irish Sea, the North Seam China, Latin America and Africa, the inclusion of Canadian Hunter's holdings will mean 90 percent of its assets are in North America, of which 90 percent will be gas and 40 percent of the gas reserves will be in Canada.

Burlington will step up drilling program

Burlington chairman, president and chief executive officer Bobby Shackouls told a conference call that the potential upside for Canadian Hunter, with chances to discover 3.2 trillion cubic feet equivalent of probable and possible reserves, "will fuel our growth for years to come."

He said Burlington plans to step up Canadian Hunter's drilling program, certain that the fundamentals for North America's gas prospects are strong and partly because there has been "very little supply response from record drilling levels" that could lead to a rapid tightening of supplies.

Burlington executives said the jewel in the deal is Canadian Hunter's Deep Basin interests, including 1.5 million acres that could hold 1.7 trillion cubic feet equivalent of probable and possible reserves.

Shackouls said the Deep Basin, where Canadian Hunter pioneered deep drilling in the foothills of Canada's Rockies, was complementary to Burlington's major assets in the San Juan Basin of New Mexico and Colorado.

Because the Deep Basin is less mature than San Juan, Burlington believes it can draw on its experience to add "significant value" to its new Canadian properties by drilling up to 120 wells a year.

Company has acreage across Arctic

Occupying a dominant role in the Canadian Rockies also strengthens Burlington's bridge to the Arctic, where it has established footholds in both the North Slope and Mackenzie Delta this year.

In June it joined the parade of companies setting up camp on both sides of the Alaska-Canada border, using its Canadian subsidiary as the vehicle to win 32 tracts of land in the state of Alaska's North Slope Foothills areawide lease sale.

That followed its acquisition of 540,000 exploration acres in the Mackenzie Delta, either on its own or in partnership with BP and Chevron Canada Resources.

Burlington director of investor relations John Carrara said at the time that Burlington was seeking an option on its future plans. "We believe two pipelines will be built that with provide access for Mackenzie and Alaska gas," he said.

Carrara said both the North Slope and

In June, (Burlington's) ... Canadian subsidiary ... (won) 32 tracts of land in the state of Alaska's North Slope Foothills areawide lease sale. That followed its acquisition of 540,000 exploration acres in the Mackenzie Delta, either on its own or in partnership with BP and Chevron Canada Resources.

Mackenzie Delta fit into the narrow, but long corridor of Burlington properties stretching from the Arctic, down Western Canada to the U.S. Rocky Mountains and San Juan Basin.

The Burlington-Canadian Hunt deal, approved unanimously by both companies' boards of directors, involves an offer of C\$53 a share, almost C\$14 above Canadian Hunter's last closing price and C\$7 above its 52-week high.

After 28 years in business, Canadian Hunter has accumulated proved reserves of

1.2 trillion cubic feet and 6.2 million barrels of oil, producing a daily average of 430 million cubic feet of gas and 2,700 barrels of oil and condensate. The Canadian Hunter reserves expand Burlington's reserve base to 11.5 trillion cubic feet of gas equivalent.

Deep Basin is major prize

The major prize is Canadian Hunter's 1.5 million acres in Western Canada's Deep Basin, which ranks as North America's third largest gas field and features 17 major producing prospects. Canadian Hunter also has interests in seven major fields in the Western Canadian Sedimentary Basin, the source of about 80 percent of Canada's gas output.

Burlington made its first foray across the border in 1999, buying Poco Petroleum Ltd. for C\$4.2 billion, then added 46 billion cubic feet of reserves from Petrobank Energy and Resources Ltd.

see BURLINGTON page 6

SAFE
for snowcones

You're looking at the cornerstone of our ongoing commitment to a clean environment. At Nabors Alaska Drilling, our workers are encouraged and empowered to recommend changes that will help us improve our operations. And the value of first-hand knowledge is stated in our Environmental Management System: *Most improvements originate from employees who are directly involved with the activity, at the root of impact—the people actually doing the work.* At every level and at every site, our goal is to keep the environment so clean you can taste it!

NABORS ALASKA DRILLING, INC.

NORDIC-Calista

Providing innovative completion, workover, sidetrack, and drilling services on the North Slope of Alaska

Phone: (907)563-7458
Fax: (907)563-8347
e-mail: nordic@gcl.net

4700 Business Park Blvd Suite 19

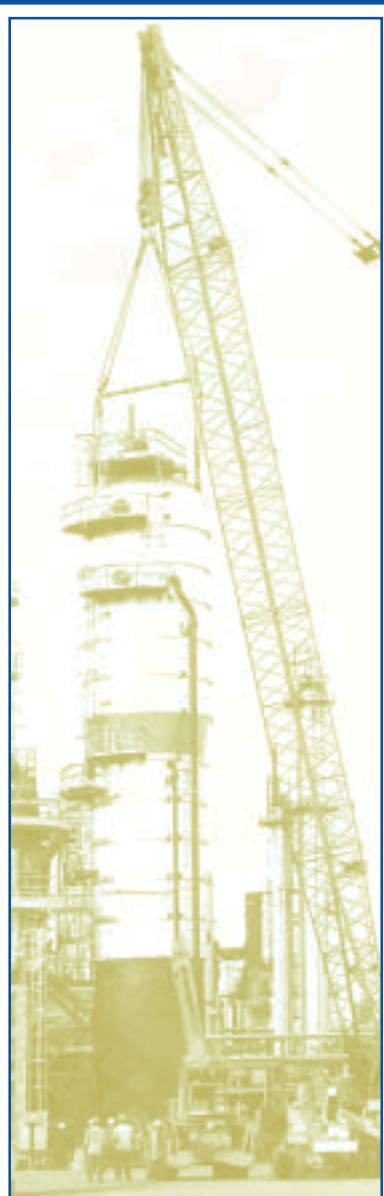
continued from page 5
BURLINGTON

for C\$57 million. It's also bogged down in regulatory squabbling in Alberta that has blocked the negotiated sale of 251 billion cubic feet of reserves, plus 314,000 net acres, by Atco Gas to Burlington for C\$550 million.

Burlington's move is the latest in a series of takeovers by U.S.-based companies pursuing natural gas sources in Canada. The other big transactions have seen Devon Energy Corp. buy Anderson Exploration Ltd. for almost C\$7 billion and Conoco Inc.'s purchase of Gulf Canada Resources Ltd. for C\$9.8 billion.

Shackouls said Canadian Hunter's assets are "the right fit with our North American natural gas strategy."

He said the "combination of current production, outstanding long-range potential, high working interests and its proximity to our own major production in Canada make it a crown jewel." ♦



ENGINEERING EXCELLENCE

**Complete Multi-Discipline
Engineering Services
& Project Management**

Concept and Feasibility Studies
Project Scope and Development
Cost Estimating and Scheduling
Engineering and Detailed Design
Procurement Services
Field Engineering
Inspection and Quality Control
Environmental Engineering

**Serving Alaska Industry
Since 1974**



**ALASKA ANVIL
INCORPORATED**

509 W. 3rd Ave.
Anchorage, AK 99501-2237
(907) 276-2747
FAX: (907) 279-4088

50720 Kenai Spur Hwy.
Kenai, AK 99611
(907) 776-5870
FAX: (907) 776-5871

ANCHORAGE

Jim Palmer eyes retirement

Jim Palmer will vacate the post of vice president, Alaska external affairs for BP Exploration (Alaska) Inc. Nov. 1 to assume a newly created position as the company's senior political advisor for Alaska. Pat Presley, currently BP general manager of state government relations on the West Coast, will take over BP's Alaska external affairs organization. Palmer will remain in Anchorage until retirement from BP in February 2003.

"I've been thinking about retirement for some time; I want to spend more time with my family," Palmer said in a statement. "But before leaving the company, I want to help Pat transition into one of the best and most challenging jobs in all of BP, and be available to Steve Marshall as he begins his assignment as BP's Alaska president."

Before joining BP in 1984, Palmer was a staff member in the Alaska Legislature and the U.S. Senate. His Anchorage tenure was punctuated by a three-year BP posting in Washington, D.C., during the early 1990s.



Jim Palmer will stay on as a senior political advisor until 2003.

NEW YORK

ChevronTexaco fifth largest international energy company

Chevron Corp. and Texaco Inc. stockholders voted Oct. 9 to approve the merger of the companies, announced Oct. 16, 2000. The U.S. Federal Trade Commission approved a consent order Sept. 7 allowing the merger to proceed subject to certain divestiture requirements.

ChevronTexaco Corp. said Oct. 10 that the merger makes it the second-largest U.S.-based energy company and the fifth largest in the world based on a market capitalization of \$97 billion.

ChevronTexaco said the combined company ranks third in the world in oil reserves and fourth in oil and natural gas production, with exploration and production operations in all of the world's most prolific and promising regions. The company's unified downstream business will operate 25,000 retail outlets located on six continents with a refining capacity of 2.2 million barrels per day.

ALBERTA

Nabors Industries moves to acquire Alberta driller

19552 Yukon Inc., an affiliate of Nabors Industries Inc. owns 3,313,800 Command Drilling Corp. common shares representing approximately 11.28 percent of the outstanding common shares, 19552 Yukon said in an Oct. 6 statement. 19552 Yukon has been making purchases of Command's shares on the Toronto Stock Exchange in furtherance of 19552 Yukon's Sept. 26 offer to purchase all outstanding Command common shares on the basis of \$3.30 cash per share.

Douglas A. Cutts, Command chief financial officer, told PNA Oct 9 that TD Securities Inc. will act as financial advisor to the board with respect to the unsolicited offer. Command will make a recommendation to stockholders as early as Oct. 15.

19552 Yukon said it may make further purchases as circumstances permit and in accordance with the terms of its offer and applicable law.

Command builds rigs and operates 15, primarily in Alberta.

—Steve Sutherlin

■ WASHINGTON, D.C.

Tepid energy demand forecast by feds

EIA report: Low demand and ample supplies will temper energy prices this winter

By Steve Sutherlin
PNA Managing Editor

The economy is not expected to provide impetus to growth in energy demand this winter, the Energy Information Administration of the U.S. Department of Energy said in its October short-term forecast. Activity levels in the industrial sector are expected to be particularly weak. Assuming normal weather, relatively weak demand and generally ample fuel inventories portend sharply lower fuel prices compared to last winter. Most of last year's dramatic increase in average residential natural gas costs is expected to be undone this winter.

Oil prices subside

World oil prices spiked in September following the terrorist attack, but then fell sharply as OPEC reassured world markets that it would maintain plentiful supplies on world markets. World oil demand was weakening even before the crisis.

The U.S. average imported crude oil price in September was an estimated \$22 per barrel, down about \$1.90 per barrel from August levels, while the price of U.S. benchmark West Texas intermediate crude averaged about \$26 per barrel in September. Tightening of world oil markets in the fourth quarter predicated on continued world demand growth is unlikely.

The U.S. average imported crude oil price in September was an estimated \$22 per barrel, down about \$1.90 per barrel from August levels, while the price of U.S. benchmark West Texas intermediate crude averaged about \$26 per barrel in September.

Lower residential heat costs expected

Winter — defined as the period from October 2001 to March 2002 — is expected to bring lower heating bills than last winter, particularly for homes that heat with natural gas.

Heating demand is expected to be 7 percent below levels of last winter, with inventories of key heating fuels — especially natural gas — noticeably above year-ago levels, which should help insulate prices from an unanticipated surge in demand. Crude oil prices and consumer fuel prices are expected to be significantly lower than last winter.

The agency expects residential natural gas prices will be down 29 percent, residential heating oil prices will be down 13 percent and propane prices will fall 17 percent from last winter's levels. Combined reductions in prices and expected usage rates are expected to lower winter heating bills for typical households by about 34 percent for natural gas-heated homes, 17 percent for oil-heated households, 23 percent for residences using propane as a main heating fuel, and 3 to 4 percent for households heating with electricity. The predictions assume normal winter weather. ♦

Petroleum Equipment & Services Inc.

is proud to represent RBI-Gearhart

Anchorage: (907) 248-0066
Prudhoe Bay: (907) 659-3199
fax: (907) 248-4429
5631 Silverado Way, Suite G
Anchorage, AK 99518
www.pesiak.com

LAND & LEASING

WASHINGTON, D.C.

National energy: Dashle to control timing of energy discussion in Senate

U.S. Senate Majority Leader Tom Daschle controls the introduction of energy security legislation to the Senate now that the issue is out of the hands of the Senate Energy and Natural Resources Committee. While Daschle can choose the time, he is bounded by Senate plans to adjourn by the end of October, energy committee sources told PNA.

■ Update on page 4

Congressional Democrats said Oct. 9 the energy committee would invoke a Senate rule to suspend marking up energy legislation for the current session of Congress.



Sen. Frank Murkowski

Ending committee consideration of an energy bill came at the request of Daschle, Jeff Bingaman, energy committee chairman said in a press release, adding that the move is an attempt to avoid a contentious issue that could divide Congress. Instead of a bill that undergoes the normal committee review and amendment process, Bingaman will propose energy legislation that can be added to the Senate calendar for action prior to adjournment.

Supporters of opening ANWR could amend the bill once it reaches the Senate floor.

Sen. Frank Murkowski, ranking member of the energy committee said the action by Bingaman would have the effect of causing partisan issues to erupt in Senate floor discussions of energy policy.

"This action by the Democrat majority has taken the nation's energy security and made it a partisan issue locking out Republicans and the entire committee process.

The Senate Democrat leadership has abandoned the bipartisan approach established in the House when Republicans and Democrats came together to pass their energy bill (H.R. 4).

"Such action by the Senate leadership is inappropriate at a time when our country is seeking unity on an energy policy, recognizing the vulnerability of our nation. Our increasing dependence on foreign energy helps facilitate terrorism.

"Already our economy has been disrupted. We cannot afford to let our nation's energy be disrupted as well. Clearly, the public supports a bill. Labor supports a bill. Our national security demands a bill."

—Steve Sutherlin

Congressional Democrats said Oct. 9 the energy committee would invoke a Senate rule to suspend marking up energy legislation for the current session of Congress.

WESTERN NORTH SLOPE

NPR-A: Who gets the money?

North Slope communities receive \$28 million in grants; allow \$12.3 million to slip through to state coffers to help fund shortfall in statewide Power Cost Equalization program

By Steve Sutherlin
PNA Managing Editor

In part one of this story, which appeared in the August issue, PNA reported that federal law mandates the state of Alaska give its share of all royalties generated by oil and gas leasing in the National Petroleum Reserve-Alaska to the North Slope municipalities most impacted by the development of the reserve — specifically, Wainwright, Atqasuk, Barrow, North Slope Borough and Nuiqsut.



The money is paid out in grants requested by those communities. The state distribution formula is: one quarter goes to the Permanent Fund, one half of one percent goes to the public school trust fund and the balance goes to the general fund

where the Legislature can appropriate part of all to the Power Cost Equalization program, which benefits most rural, or "Bush," communities in Alaska.

In fiscal year 2000, the state of Alaska collected approximately \$40.3 million from the federal government for its 50 percent share of NPR-A oil and gas royalties.

The North Slope Borough intentionally pulled enough qualified grant applications to allow approximately \$12.3 million to slip through to the general fund because money was needed to fill a shortfall in the Power Cost Equalization program, Marla Berg, a spokeswoman for the North Slope Borough, told PNA. The program provides subsidies to make energy affordable for approximately 100,000 Alaskans in 190 rural communities throughout the state. Berg was an aide to Sen. Al Adams when the deal was made.

As a result of the borough's action, only about

see MONEY page 8

NPR-A community grants

Pending or active

City of Atqasuk

- FY2000
- Basic Local Government Operations: \$ 109,000 — Active In Progress
- Community Center Maintenance & Operations: \$ 90,000 — Active In Progress

City of Barrow

- FY2001
- Maintenance & Operations - Public Facilities: \$650,000 — Pending
- FY2000
- Renovation & Upgrade of Barrow Teen Center & Community Center: \$1,000,000 — Active In Progress
- Design, Construction & Purchase of Retractable Boat Ramp: \$1,000,000 — Active In Progress
- Upgrade of Playgrounds and Upgrade of Indoor and Outdoor City Recreation Facilities: \$109,670 — Active In Progress
- Maintenance Building Construction: \$ 630,000 — Active In Progress

North Slope Borough

- FY2001
- Wainwright Basic Local Government Operations: \$ 250,000 — Pending
- Tracking & Analyses of Teshekpuk Lake Caribou Herd: \$ 150,000 — Pending
- Harvest Monitoring: Subsistence Documentation: \$100,000 — Active In Progress
- Waterfowl Surveys: \$150,000 — Pending
- FY2000
- All Infrastructure Services Study: \$1,500,000 — Active In Progress
- Nuiqsut Above Ground Service Connections: 2,100,000 — Active In Progress
- Police Officer for Nuiqsut (Three Years) \$ 100,000Active In

Progress

- Wainwright Community Center & City Hall Renovation: \$191,283 — Active In Progress
- Fire Department Equipment & Training for Atqasuk, Barrow, Nuiqsut, and Wainwright: \$1,114,150 — Active In Progress
- Harvest Monitoring: Subsistence Documentation: \$100,00 — Active In Progress
- Survey & Inventory of Fish Resources in the Lake & Streams of Eastern NPR-A: \$150,000 — Active In Progress
- Tracking & Analysis of Teshekpuk Lake Caribou Herd Movements & Distribution: \$150,000 — Active In Progress
- Waterfowl Surveys in NPR-A: \$150,000 — Active In Progress
- Village Power Plant & Electrical Distribution/Waste Heat Distribution Systems Upgrade: \$10,069,367 — Active In Progress

City of Nuiqsut

- FY 2001
- Basic City Government Operation & Maintenance: \$ 200,000 — Pending
- Cultural Center Operation & Maintenance:\$288,000 — Pending
- Emergency Hunting Shelters: \$ 60,000 — Pending
- Wooden Deck Ball Court: \$30,000 — Pending
- Teen Center Operation & Maintenance: \$121,310 — Pending
- FY 2000
- Basic Local Government Operations (Five Years) \$ 200,000 — Active In Progress
- City Hall Expansion/Kisik Center Renovation\$ 340,000 — Active In Progress
- Cultural Center: \$939,800 — Active In Progress
- Day Care Construction/Operation & Maintenance: \$495,400 — Active In Progress
- Natural Gas Conversion - Home/Building: \$2,200,000 — Active In Progress
- Natural Gas Piping Distribution: 3,800,000 — Active In Progress
- Retractable Boat Ramp: \$765,000 — Active In Progress
- Graveyard Fencing: \$156,000 — Active In Progress

City of Wainwright

No NPR-A grants active or pending

KUUKPIK / FAIRWEATHER
GEOPHYSICAL, LLC



VERITAS
Geophysical Integrity

715 Street Anchorage, Alaska 99501
(907) 258-3446 FAX (907) 279-5740



When your operations traverse more than 500 square miles of new tundra every winter, a sound environmental management system and quality people to implement it are the difference between success and failure. The partnership of Kuukpik/Fairweather and Veritas DGC Land is working hard at "Raising the Bar" when it comes to environmental responsibility.

EASTERN NORTH SLOPE

Murphy appeals Point Thomson decision, charges forced integration**Company tells Department of Natural Resources that only Alaska Oil and Gas Conservation Commission can force unitization — and then only after a hearing**By Kristen Nelson
PNA Editor-in-Chief

Murphy Exploration & Production Co. has appealed the Aug. 29 approval by the Department of Natural Resources, Division of Oil and Gas, of the expansion-contraction agreement for the Point Thomson unit.

Murphy, a minority working interest owner at Point Thomson, has asked for repeal of the Aug. 29 decision and reinstatement of the July 31 decision, with a Dec. 31 deadline for parties to file written consent.

Murphy is also requesting a hearing.

In a Sept. 10 letter to Division of Oil and Gas Director Mark Myers, who signed both decisions, William Gage Jr., senior landman with Murphy, said that Murphy "was never a party to the application or the approval process" and thus is "uncertain of the status of our leasehold interest" in the Point Thomson unit.

The company's formal Oct. 4 appeal to DNR Commissioner Pat Pourchot, from attorneys Robin Brena and David Wensel of Brena, Bell & Clarkson, P.C., of Anchorage, said that DNR's August decision is inconsistent with Alaska law:

"If other lessees desire to integrate their interests with Murphy's interest," the appeal said, "such integration should either be negotiated or the proper statutory procedure should be followed. Additional time for negotiation and disclosure would be of

benefit to the parties. Regardless, the DNR's informal attempt at integration violates Alaska law and must be reversed."

Murphy's attorneys said in its appeal that it did not consent to the expansion-contraction agreement, "nor did Murphy consent to the integration of its interests in its leases... Nevertheless, in its August Decision the DNR approved the Application and integrated the Units."

benefit to the parties. Regardless, the DNR's informal attempt at integration violates Alaska law and must be reversed."

Others approved

The division's July 31 decision, approving a contraction-expansion agreement for the unit and requiring various drilling commitments, required unanimous approval of working interest owners by Aug. 15. On Aug. 13, the division granted Murphy an extension to Aug. 30 to approve the agreement.

The division received written acceptance from all of the other working interest owners in the expansion-contraction leases on Aug. 15. The division said Aug. 29 that

Division of Oil and Gas Director Mark Myers said in the Aug. 29 letter that the approving working interest owners "have sufficient interest in the unit area to have reasonably effective control of unit operations."

Murphy charges forced integration

Murphy's attorneys said in its appeal that it did not consent to the expansion-contraction agreement, "nor did Murphy consent to the integration of its interests in its leases... Nevertheless, in its August Decision the DNR approved the Application and integrated the Units."

The appeal also said that no petition was ever submitted to the Alaska Oil and Gas Conservation Commission and no hearing was scheduled or held:

"The DNR simply imposed the integration upon Murphy."

Compulsory unitization falls under the

purview of the AOGCC, not DNR, Murphy's attorneys said. They cited Alaska Statute to the effect that the commission can force unitization, but only after it has made a finding, following proper notice and hearing.

DNR, Murphy's attorneys said, lacks the authority to integrate units absent the consent of all the working interest owners.

Murphy is requesting a hearing and a pre-hearing conference to establish procedures and factual issues to be decided.

Point Thomson owners moving toward development

Subsequent to the August approval by the division, the Point Thomson working interest owners moved ahead with development plans, and submitted an 18th plan of development, which Myers approved Sept. 14. Unit operator ExxonMobil Production Co. told the division that during the 18th plan of development, working interest owners will select a location for a delineation well, contract for a rig, file permit applications, continue environmental studies, initiate preliminary engineering and complete reservoir simulation modeling.

ExxonMobil told the division in the 18th plan of development that the Point Thomson working interest owners plan to seek expedited permit approvals to be able to begin continuous development drilling no later than 2006. ♦

Meet your
drilling and
production
goals with
INTEGRATED
FLUIDS
ENGINEERING



IFE™ optimizes all the fluid-related products and services on your well to help you reach TD in fewer days, achieve maximum production sooner and comply with environmental regulation- all at the lowest total project cost.

Contact your local M-I Swaco DSR representative to see how IFE and our other technical solutions are helping operators lower their project costs.



A Smith/Schlumberger
Company
www.midf.com

Integrated Fluids Engineering and IFE are marks of M-I L.L.C.

continued from page 7

MONEY

\$28 million was paid out in grants to North Slope communities, releasing the remainder of the \$40.3 million to flow into state coffers. \$3.2 million went to the Permanent Fund, \$65,000 went to public school trust fund and \$9.1 million was paid into the Power Cost Equalization program.

"A lot of residents in rural Alaska were in danger of losing their power subsidy," Berg said, adding that it came at a time when many communities were already facing hardship, such as the disastrous low fish runs on the Yukon River.

"The borough was put in the uncomfortable position of choosing between the money or thinking of its rural neighbors," she said. "The borough did the right thing."

The total number of grants submitted to the Division of Community and Business Development, which administers the NPR-A grant program, was \$71 million. According to Tena Young, grants administrator for the division, many of the requests did not meet program criteria, which are established by federal law.

In FY2001, she said, the entire \$1.7 million received from the feds for NPR-A oil and gas royalties was used for community grants. ♦

MEXICO in ALASKA

Serving Alaska Since 1972

Recognized As:
"One of the Nations 50 Best Hispanic Restaurants"
As Featured in: Hispanic Magazine
(we serve only Mexican style)

7305 Old Seward Hwy.
(corner of 72nd & Old Seward,
between Dowling & Dimond)

349-1528

Summer Hours

Lunch	Dinner
Monday-Friday	
11 a.m. - 3 p.m.	5 p.m. - 10 p.m.
Saturday	
12 noon - 3 p.m.	5 p.m. - 10 p.m.
Sunday	
4 p.m. - 9 p.m.	



We will be open during
road construction

There will always be a way to
MEXICO in ALASKA
Offering a Constuction Special
\$9.95

Casual, Friendly,
Family Atmosphere &
VERY VERY Mexican!



Geotechnical Engineering
Environmental Sciences
Engineering Geology
Water Resources

Bright Minds ...
Down to Earth



1750 Abbott Rd., Ste 200
Anchorage, Alaska

907-344-6001

FAX: (907) 344-6011

Golder Companies Worldwide

PIPELINES & DOWNSTREAM



Courtesy of Alyeska Pipeline Service Co.



Courtesy of Alyeska Pipeline Service Co.

Top right, Oct. 4: Crude oil shoots out of the pipeline after it was punctured by a bullet. Above, fall 2001: Testing the newly designed hydraulic clamp.

STATEWIDE

Trans-Alaska pipeline, shut down by bullet hole Oct. 4, back in service Oct. 7

Alaska North Slope production, at approximately 900,000 barrels per day Oct. 3, dropped to 70,000 bpd; was ramping back up Oct. 8 at 500,000 bpd

By Kristen Nelson
PNA Editor-in-Chief

Some 6,800 barrels, 285,600 gallons, of Alaska North Slope hit the ground about 45 miles north of Fairbanks between the time a bullet punctured the trans-Alaska oil pipeline at about 3 p.m. Oct. 4 and 3 a.m. Oct. 6 when a hydraulic clamp sealed off the spill.

An Alyeska Pipeline Service Co. surveillance helicopter spotted oil on the ground and suspects in the area and ANS production, which had been at about 900,000 barrels a day, was cut in half and then to 5 percent as North Slope producers shut in wells until the line could be repaired.

Alyeska said its Operations Control Center, responding to notification of oil on the ground and a drop in pressure, immediately began shutting down the north end of the line. Oil was allowed to flow south through the line in an effort to reduce oil pressure.

Although the line was shut in, oil continued to be released due to the static pressure. Pressure inside the pipeline was approximately 525 pounds per square inch at the time of the incident.

Crews included fire fighters

Alyeska mobilized response crews, heavy machinery and a special land spill strike team to the scene to clean up the oil



Oct. 7: Permanent repair. A Thread O Ring has been welded onto the pipeline.

and hired a contractor from Houston, Texas, to provide expert petroleum fire fighters to aid in the response. A crane was mobilized to the scene to install a hydraulic clamp on the hole.

More than 100 Alyeska and contract responders, working 12 hour shifts, were on the scene by Oct. 5, working to contain and recover spilled oil, with additional resources en route.

The temporary hydraulic clamp installed at 3 a.m. Oct. 6 stemmed the

see PIPELINE page 10



Above, Oct. 6: Alyeska Pipeline Service Co. responders with hydraulic clamp in place on pipeline. Below, Oct. 7: Cleanup.



Courtesy of Alaska Department of Environmental Conservation

Courtesy of Alaska Department of Environmental Conservation



Take a closer look...

With more than 150 years of worldwide experience, **Montgomery Watson Harza (MWH)** is the environmental engineering, construction, and technology company to meet your needs. While you may be familiar with some of our more traditional services, we encourage you to take a closer look at our **IT Services**. MWH can help you design and implement **IT master plans** to fully integrate existing components into an efficient and manageable IT network. We also offer a wide range of **web solutions** including:

- web-based **GIS applications**
- web-based **archival systems**
- web-based **data management systems**.

www.mwhglobal.com

tel 907 248 8883
fax 907 248 8884
4100 Spenard Rd
Anchorage, AK



BARTLESVILLE, OKLA.

Marine Spill Response Corp. signed as Polar Tankers' primary response contractor

Phillips Petroleum Co. said Oct. 4 that Marine Spill Response Corp. will be the primary response contractor for Polar Tankers Inc. on the West Coast and in Hawaii.

Phillips said its membership in the Marine Spill Response Corp. funding organization, Marine Preservation Association, was effective Sept. 26.

Phillips' Polar Tankers subsidiary manages marine transportation of Phillips' Alaska North Slope production.

Marine Spill Response Corp. is the largest dedicated, oil spill response program in the United States and is classified as a primary responder under the Oil Pollution Act of 1990.

The Marine Preservation Association is a nonprofit, tax-exempt corporation organized to help all petroleum and energy related industries to address problems caused by marine oil spills. Marine Preservation Association has responded to the mandate of the United States' Oil Pollution Act of 1990 by providing private industry funding for the Marine Spill Response Corp. to respond to oil spills in U.S. coastal waters and certain rivers and harbors.

Polar Tankers, based in Long Beach, Calif., operates a fleet of five vessels ranging in size from 50,000 to 190,000 DWT dedicated to the Alaska crude trade. These ships include the Polar Endeavour, the first of five, state-of-the-art Millennium Class double-hulled tankers. Phillips said that the Millennium Class tankers are the first crude oil carriers being built specifically for the Alaska trade in compliance with the Federal Oil Pollution Act of 1990. The ships meet and/or exceed existing and proposed environmental regulations and have set new standards for innovation and environmental protection, the company said.

—Petroleum News • Alaska



On July 11, the Polar Endeavour sailed into the Port of Valdez where it loaded its first shipment of Alaska North Slope crude.

continued from page 9 PIPELINE

flow of oil. The temporary clamp was removed to allow for permanent repair the evening of Oct. 6. Alyeska said a Thread O Ring plug was welded onto the pipeline to permanently repair the damage. The company said this procedure has been used in different repair operations several times on the pipeline and is proven technology.

The pipeline was restarted at 3:24 a.m. Oct. 7 and was fully operational at 7:35 a.m.

Alyeska said North Slope producers were released to full production at 7 a.m.

The Williams and Petro Star refineries in North Pole were returned to normal supply at 9 a.m. Oct. 7.

Alyeska said a Thread O Ring plug was welded onto the pipeline to permanently repair the damage. The company said this procedure has been used in different repair operations several times on the pipeline and is proven technology.

The pipeline shutdown did not impact loading operations at the Valdez Marine Terminal.

Alyeska said that environmental cleanup efforts continue at the site. As of Oct. 8, an estimated 108,600 gallons of the 285,600 gallons spilled had been recovered.

A suspect in the shooting was apprehended by the Federal Bureau of Investigation and the Alaska State Troopers. ♦

ANCHORAGE

JPO extends EIS scoping period for trans-Alaska pipeline right of way renewal

The Bureau of Land Management Joint Pipeline Office said Oct. 4 that it has extended to Oct. 19 the public scoping period for the trans-Alaska pipeline right of way renewal environmental impact statement.

The EIS will address environmental, social, subsistence and economic impacts from renewing the right of way.

Two public scoping meetings cancelled last month have been rescheduled.

The Fairbanks rescheduled meeting will be Oct. 10 at the BLM's Northern Field Office from 3-5 p.m. and from 7-9 p.m.

The Barrow rescheduled meeting will be Oct. 12 at the Inupiat Heritage Center from 3-5 p.m. and from 7-9 p.m.

R & R S C A F F O L D E R E C T O R S I N C .

"We've never had an OSHA safety violation in our company history. We're the company that contractors and OSHA inspectors go to for accurate, up-to-date scaffold regulations and information"



MENTION THIS AD AND GET AN R&R T-SHIRT WITH YOUR ORDER!

- Scaffold & Equipment Rentals
- Scaffold Sales
- Scaffold Erection
- Competency Training
- Prices competitive with Lower 48
- Large inventory
- Unprecedented safety record

We will ship from the U.S. or Alaska to anywhere in the world!

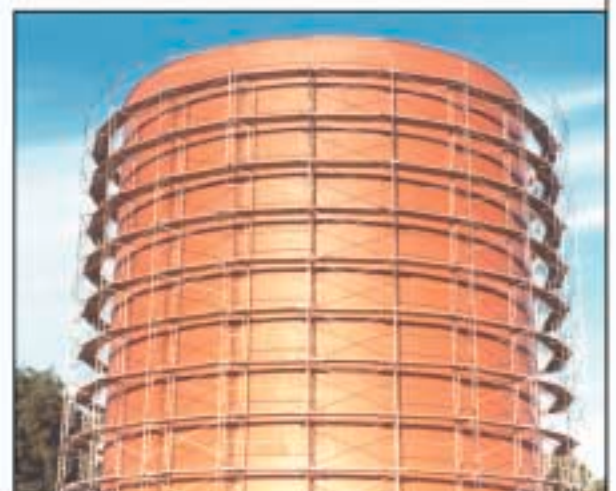
1150 E.68th Avenue
Anchorage, Alaska 99518

Tel: (907) 344-5427

Fax: (907) 349-3268

Email: info@scaffold-alaska.com

Web: www.scaffold-alaska.com



CALL 1 - 8 8 8 - 5 5 0 - 5 4 2 7

EXPLORATION & PRODUCTION

CENTRAL NORTH SLOPE

Phillips applies for Corps of Engineer permit for Palm discovery

Phillips Alaska Inc. has applied for a U.S. Army Corps of Engineers permit to place approximately 282,000 cubic yards of gravel for proposed Drill Site 3S, approximately 4.9 miles west of Drill Site 3G in the Kuparuk River unit. (See story in August issue of PNA.)

Drill Site 3S will develop the Palm discovery, announced May 18 by Phillips and BP Exploration (Alaska) Inc.

The accumulation is estimated to contain 35 million barrels of recoverable reserves.

Phillips Alaska, operator of the Kuparuk field, holds a 55.29 percent interest; BP Exploration holds a 39.28 percent interest; Unocal, ExxonMobil and Chevron each hold minor interests.

Construction of the drill site and access road are scheduled to begin in January and the initial phase of drilling would be completed by the end of 2003.

—Kristen Nelson

STATEWIDE

Two days of pipeline work drops ANS September production 6 percent

Two days of downtime on the trans-Alaska pipeline triggered a 5.9 percent drop in average Alaska North Slope liquids production for September, to an average of 917,538 barrels a day, down 5.9 percent from an average of 975,365 bpd in August.

The pipeline was shut down for scheduled maintenance on pump stations and valves Sept. 22-23. ANS production started to decline mid-month and was off sharply for those two days, averaging close to 550,000 bpd compared to averages of more than 950,000 bpd for most of the month.

The sharpest production drop was at Prudhoe Bay, where the September average was 454,821 bpd, down 10.46 percent from an August average of 507,937 bpd.

Alpine was the only field where production increased in September, averaging 96,971 bpd, up 10.26 percent from an August average of 87,951 bpd. Alpine set a new one-day production record of 103,854 bpd Sept. 25.

Kuparuk River had the smallest decrease, down 1.99 percent to

Alpine set a new one-day production record of 103,854 bpd Sept. 25.

see PRODUCTION page 12

COOK INLET

Nicolai Creek field production begins from west side of Cook Inlet

Independent Aurora Gas has first company-operated production in Alaska from worked over well, with more than 3 million feet of gas a day being sold to Unocal

By Kristen Nelson
PNA Editor-in-Chief

Aurora Gas LLC said Oct. 8 that gas sales have begun from its Nicolai Creek unit on the west side of Cook Inlet. Aurora has been in business in Alaska since 1994, and owns some production at the Kenai and Cannery Loop gas fields, but this is its first company-operated production in Alaska.

Half going to Agrium

Scott Pfoff, president of Aurora Power, a partner in Aurora Gas, told PNA that the first sales occurred Oct. 3. Half of the production is dedicated long term to Unocal for the Agrium fertilizer plant at Nikiski, he said, and the other half is being sold to Unocal under a short-term arrangement.

Aurora Gas purchased the interests of Unocal and Marathon in the Nicolai Creek gas field in early 2000. Wells had been drilled in the field when companies were looking for oil and some gas was used for field operations.

No. 3 shut in for 20 years-plus

The Nicolai Creek No. 3 well had been shut in for more than 20 years. Aurora cleaned out the well, re-perforated and gravel packed it last December.

In February the well tested at 4 million cubic feet of gas a day from five commingled perforated intervals of the Upper Tyonek formation at depths of 1,900 feet to 2,380 feet.

Aurora said production from the No. 3 is exceeding 3 million cubic feet per day and is increasing as the well continues to unload fluids used during work over operations.

In February the well tested at 4 million cubic feet of gas a day ... Ed Jones said Aurora expects the production rate to come up once the excess water is out of the well bore and back pressure is reduced.

The company plans to pursue similar development opportunities with small fields already discovered in Cook Inlet. ... Aurora hopes to drill at least one exploratory well sometime within the next two to three years.

Production should rise

Ed Jones, Aurora Gas executive vice president and project manager, told PNA Oct. 8 that the well is still unloading fluid from the work over and there is higher back pressure due to processing the gas for sale than when the well was being tested. The gas is compressed and dehydrated at the well site.

Jones said it will probably be a matter of days to get excess water out of the well bore from the gravel pack work over. He said Aurora expects the production rate to come up once the excess water is out of the well bore and back pressure is reduced.

The company has done preliminary planning for additional work at the field, Jones said. The projects include one new surface location; one re-entry and sidetrack of an existing well; and one re-entry and perforation of an existing well.

One more workover possible this fall

Jones said that because of the season and remaining planning and permitting, it will probably be next spring before more work is done at the field, although, he said, there is a possibility of one work over this fall.

Pfoff told the Alaska Support Industry Alliance earlier this year that Aurora would spend between \$2 and \$2.5 million on the first Nicolai Creek well, including hookup and facilities.

The company plans to pursue similar development opportunities with small fields already discovered in Cook Inlet, Pfoff told The Alliance: "We see this as a real niche for us."

In addition to Nicolai Creek, he said, Aurora hopes to drill at least one exploratory well sometime within the next two to three years. ♦

LCMF Incorporated

A Subsidiary of Ukpeaġvik Iñupiat Corporation



Professionals in Arctic Systems

- Architectural Design
- Project Management
- Engineering Solutions
- Development Planning
- Hydrographic Surveys
- Land Surveying & Mapping



KUUKPIK-LCMF, LLC: Energy Industry Technical Services Support & Consulting

139 East 51st Avenue • Anchorage, Alaska 99503 • Phone: 907-273-1830 • Fax: 273-1831



Global Experience...
from north of '60 to Antarctica.

Offering engineering, municipal, legal, route location and construction survey services, computer assisted design and drafting, project supervision and management.

CALCITE BUSINESS CENTER
151 INDUSTRIAL ROAD
WHITEHORSE, YUKON
CANADA Y1A 2V3

TEL. (867) 668 2000
FAX (867) 667 2220
EMAIL: MANAGER@YES.YK.CA

■ COOK INLET

Integrate or investigate, petitioners tell panel

Post-hearing brief for petitioners Danco Inc. and Monte Allen says AOGCC should use its authority and financial resources to support little-guy petitioners against big-guy Phillips

By Kristen Nelson
PNA Editor-in-Chief

Things are starting to wrap up in the Alaska Oil and Gas Conservation Commission hearing on a petition from Danco Inc. and Monte Allen to add two leases to the North Cook Inlet unit.

The petitioners' post-hearing brief, originally due July 31, reached the commission — after several extensions of the deadline — on Oct. 1. The extensions bumped the date for Phillips Alaska Inc. and Phillips Petroleum Co. to file their brief to Oct. 29. The commission then has 30 days to issue a decision.

The petition to integrate the two leases was filed in 1996 by Dan Donkel of Danco Inc. and Monte Allen. They had been unable to persuade the North Cook Inlet unit owners — then Phillips Petroleum Co. and ARCO Alaska Inc. — to integrate the leases into the unit after the state's estimate of remaining gas reserves in the unit jumped by 1 trillion cubic feet.

Phillips and ARCO were the working interest owners in the two northern leases; Danco and Allen held overriding royalty interests. Donkel and Allen believe the additional gas is coming from the two northern leases and that they should be receiving overriding royalties.

The commission dismissed the petition and the petitioners took the matter to state court. The petition was remanded to the commission by the Alaska Supreme Court last year after the court disagreed with a commission decision dismissing the peti-



Natural gas is produced from the Tyonek platform at the North Cook Inlet unit.

Judy Patrick

tion because it was filed Aug. 30, 1996, the day before the leases expired.

The commission had said that any decision it made would be moot because the leases expired before it could hear the matter. The court said the commission had the authority to make its decision retroactive and remanded the petition for a hearing on the merits.

Petitioners want state to investigate

The petitioners' Oct. 1 post-hearing brief, from co-counsel Frederick E. Brown of Fairbanks, focused on the information available to the petitioners, as opposed to information available to Phillips Alaska Inc. and Phillips

Petroleum Co. (who are opposing the Danco group before the commission) and on what role the commission should play in investigating the claims of the petitioners.

Phillips has operated the Tyonek platform at the North Cook Inlet unit since production began in the 1960s, and was a partner with ARCO Alaska Inc., whom it subsequently acquired, in deeper oil exploratory drilling in the area in the early 1990s.

Brown objected to the commission's decision earlier in the proceedings that neither seismic from the deeper oil horizon nor seismic surrounding the leases was relevant

to this decision and said that on the issue of the surrounding seismic the commission "adopted Phillips' view" on the relevance of the data.

Dave Lappi, whom Brown noted was recognized by the commission as an expert witness for the plaintiffs, said in the post-hearing brief that information about zones below those from which gas is produced "are relevant because the state's unitization rules should have required new discoveries to be included" in the Phillips-operated North Cook Inlet unit. Lappi said possibly the deep zones were ignored "because it would have been complicated to include" them in a field whose gas is dedicated to the liquefied natural gas plant at Nikiski.

"The fact that these (deeper oil discoveries) are not in production, or not economic, has nothing to do with unitization as evidenced by all the units the state has created that are not in production and not economic... "Lappi gave the Point Thomson unit and the Pioneer unit as examples.

Commission needs to act affirmatively

Brown said that participating areas — portions of units in production — are to "be

see PETITIONERS page 16

"Who deserves quality phone service?... Everyone!"

With the acquisition of Barrow, Alaska, ASTAC is now in the position to effect the quality of communications across the North Slope of Alaska. So, as we adjust to our new role, we are also setting the lofty goal of connecting 100% of our customer base.

We are encouraging every resident, and every business to get connected with local and/or long distance telephone service from ASTAC. For those who cannot afford the connection, we are aggressively promoting our Lifeline and Link Up Assistance programs to bring phone service to our low income membership. We want everyone to participate in modern telecommunications as a means to strengthen our communities, support those in need, and to support the widespread sharing of information. That's the power of membership. That's ASTAC.

"The North Slope- 100% connected, that's our goal!"

ASTAC
Arctic Slope Telephone Association Cooperative
1 800 478 6409

"Gas is Good"
Good for our homes. Good for our economy. Good for our state.

Natural Gas is good:
It warms our homes and businesses. Makes most of our electricity. And provides jobs for the people who live here.

Unocal Alaska brings the resource to market so the gas can be used. To do that, Unocal Alaska pays taxes and royalties to the State of Alaska. Last year alone Unocal Alaska paid over \$60 million to our state government.

Brought to you by **UNOCAL** Alaska

continued from page 11
PRODUCTION

an average of 208,184 bpd in September from an August average of 212,417 bpd.

Milne Point averaged 51,768 bpd in September, down 2.07 percent from an August average of 52,884 bpd.

Lisburne was down 6.91 percent with a September average of 74,368 bpd compared to an August average of 79,890 bpd.

Endicott averaged 31,426 bpd in September, down 8.4 percent from an August average of 34,306 bpd.

Cook Inlet production averaged 34,000 bpd in September, down 2.26 percent from an August average of 34,787 bpd and ANS natural gas liquids (included in Prudhoe Bay production) averaged 40,414 bpd in September, down 5.65 percent from an August average of 42,832 bpd.

—Kristen Nelson

ARCTIC GAS

CANADA

Breakaway Deh Cho community supports Mackenzie pipeline

A major crack has developed in the ranks of Northwest Territories aboriginal communities, with the Acho Dene Koe backing a Mackenzie Valley gas pipeline.

The First Nation's council voted unanimously on Oct. 2 to take the next business step towards building a pipeline from the Mackenzie Delta.

Chief Judy Kotchea said the community agreed it "must participate in this business opportunity," relying on its extensive experience in the oil and gas industry and its "traditional knowledge and respect for our land."

The vote endorsed a memorandum of understanding reached in June by the Aboriginal Pipeline Group, representing the bulk of aboriginal communities along the proposed pipeline route, and the Mackenzie Delta Producers Group, consisting of Imperial Oil Ltd., ExxonMobil Canada, Conoco Canada Ltd. and Shell Canada Ltd.

A spokesman for Imperial, the lead player in the producers' consortium, welcomed the participation of "one of the Deh Cho leaders," who had originally rejected the terms for up to one-third aboriginal ownership in the pipeline.

Acho Dene Koe has active player

Kotchea said her community respects the views of the Deh Cho communities but believes it "must move forward now. We want to participate in building a Mackenzie Valley natural gas pipeline and we want our people, especially the young people, to have the long-term benefits."

The Acho Dene Koe has been an active player since 1994 in the Fort Liard area of the lower Northwest Territories, where gas has been produced for the past 18 months from a series of major finds involving exploration by Chevron Canada Resources Ltd., Ranger Oil Ltd. (now owned by Canadian Natural Resources Ltd.), Purcell Energy Ltd., Canadian Forest Oil Ltd., Paramount Resources Ltd. and Berkley Petroleum Corp.

Mike Nadli, grand chief of the Deh Cho First Nations, said he was not surprised by the Acho Dene Koe action, but disappointed that his umbrella organization did not get advance notice.

The Deh Cho has represented 10 communities, nine of which have refused to sign the memorandum of understanding until issues covering land claims, benefits, access fees and royalties have been negotiated with the federal government — a process that has been forecast to take at least another year, which the Delta producers consider would be too late to make decisions on gas development.

Both the producers and the Northwest Territories have hinted they have plans to bypass any dissident First Nations.

—Gary Park

■ C A N A D A

Canada urges Washington to reject ban on "over-the-top" line

Letter to U.S. Energy Secretary calls for "equal, fair consideration" of all route alternatives; Foothills suggests Canada has "shifted from its legal obligations"

By Gary Park
PNA Canadian Correspondent

The Canadian government has put itself in the thick of a raging controversy over preferred Arctic gas pipeline routes by calling on Washington to derail any legislative attempt to block an "over-the-top" option.

While insisting it has not dropped its proclaimed neutrality on the route, Canada said it wants all routes to be "afforded equal, fair consideration."

It made the case in response to an amendment passed by the U.S. House of Representatives in August to prevent an offshore line from being built.

Canada's Ambassador to the U.S. Michael Kergin, in a Sept. 5 letter to U.S. Energy Secretary Spencer Abraham,

see LETTER page 14



Canada's Natural Resources Minister Ralph Goodale said "legislative intervention" of the kind taken by the U.S. House was "completely inappropriate ... it would seem to be a clear attempt to skew the process."



Westcoast Energy CEO Michael Phelps asked the Canadian government to "reiterate to the United States its historic position in support of the (Alaska Highway) route."

■ C A N A D A

El Paso, Duke make bold moves into Nova Scotia offshore

U.S. pipeline giants compete for supplies in basin which has an estimated 54 trillion cubic feet of reserves and the prospect of faster development than Arctic regions

By Gary Park
PNA Canadian Correspondent

Two U.S. pipeline giants, Duke Energy Corp. and El Paso Corp., are leading a charge to secure Canadian natural gas supplies, betting a combined C\$3.2 billion in the past week on Nova Scotia's offshore.

Although a race has not been officially declared, El Paso has raised the stakes by estimating Canada's East Coast could be delivering 5 billion cubic feet per day, matching what most forecasters think could be the combined output from the North Slope and Mackenzie Delta.

The East Coast is also positioned for much quicker development than the Arctic, with PanCanadian Energy Corp. set to bring the

see OFFSHORE page 15

El Paso, Duke's Alaska connection

Both Duke and El Paso were participants in a mid-September phone conference with Gov. Tony Knowles and other major pipeline companies, including Enron, Williams and Foothills, on the proposed Alaska Highway natural gas pipeline.

Bob King, the governor's press secretary, told PNA that the purpose of the conference was to "sound out the pipeline owners on their level of interest in the gas line and their willingness to be partners" in the venture. "All pipeline companies were positive about the prospect of being involved in the line," King said.



Joining Tradition and Technology

- Project Management
- Engineering
- Design
- Construction Management
- Procurement
- Project Alliance

NANAColt

Engineering, LLC

ARCTIC GAS

continued from page 13

LETTER

urged the Bush administration to take whatever action it could to block the resolution.

"Canada's position ... is that industry should not be restricted in its assessment of routing proposals," said Kergin's letter, which has just been made public.

Natural Resources Minister Ralph Goodale, talking with reporters on Oct. 4, said the ambassador's letter merely reinforced Canada's position that politicians should not meddle in the regulatory process.

Legislative intervention called "inappropriate"

He said "legislative intervention" of the kind taken by the U.S. House was "completely inappropriate ... it would seem to be a clear attempt to skew the process."

But the stand has angered Calgary-based Foothills Pipe Lines Ltd., which has the rights from both the United States and Canada, dating from the late 1970s, to build the Alaska Highway pipeline.

In a Sept. 18 letter to Canada's Foreign Affairs Minister John Manley, Foothills accused Kergin of making statements that

"are fundamentally at odds with the Canadian government's obligations to Foothills and also to the United States and appear to us to represent a significant policy change by Canada.

"A change in policy, as contemplated by Ambassador Kergin, would, in fact, represent market interference," said the letter signed by Michael Phelps, chairman and chief executive officer of Westcoast Energy Inc. (which is in the midst of a takeover bid by Duke Energy Corp.) and Hal Kvisle, president and chief executive officer of TransCanada PipeLines Ltd. Westcoast and TransCanada are joint owners of Foothills.

"We are extremely disappointed that Ambassador Kergin now seems to be signaling that Canada has shifted from its legal obligations and is prepared to consider other routes for the movement of Alaska gas," the letter said. "We respectfully request that the Canadian government reiterate to the United States its historic position in support of the (Alaska Highway) route."

C\$1.5 billion in pre-build

Foothills has invested an estimated C\$1.5 billion in Canada on construction, expansion and maintenance of the so-called

"pre-build" phase of a highway pipeline in the belief that the "pre-build" would eventually be connected to a highway pipeline.

The "pre-build" has been operating for almost 20 years from central Alberta, and is now shipping 2.2 billion cubic feet per day in an eastern leg to the U.S. Midwest and 1.1 billion cubic feet per day in a western leg to California and the Pacific Northwest.

But Kergin's letter was greeted as "quite wonderful" by Doug Matthews, director of oil and gas for the Northwest Territories government.

He suggested the comments show that Canada has finally "joined this debate" over pipeline routes.

The Northwest Territories has repeatedly pressed the Canadian government to declare its support for a Mackenzie Valley pipeline over the Alaska Highway project to ensure that Mackenzie Delta gas gets developed before the North Slope comes on stream.

It has contended that if the North Slope leads the way, the Delta reserves might get shelved indefinitely.

As well, the Northwest Territories has been making a case for federal aid of C\$200 million to help create the infrastructure needed to boost Delta exploration and development. ♦

You can't get there...



without us.

We'll get your freight right where it needs to be — with fast, flexible and friendly service. Serving Alaska since 1961, PAF is committed to providing Alaska with the best in transportation services.

PACIFIC ALASKA FORWARDERS, INC.

800-426-9940
www.pafak.com

40 YEARS OF EXCELLENCE
Pacific Alaska Forwarders, Inc.

Companies involved in Alaska's oil and gas industry

ADVERTISER	PAGE AD APPEARS	ADVERTISER	PAGE AD APPEARS
Air Logistics of Alaska		Judy Patrick Photography	
Alaska Anvil	6	Kenworth Alaska	
Alaska Cargo Transport		Kuukpik - Fairweather - Veritas	7
Alaska Industrial Hardware		Kuukpik - LCMF	11
Alaska Interstate Construction		Lounsbury & Associates	
Alaska Mechanical		Lynden	
Alaska Rubber & Rigging		Managed Integrity Services (MIS)	
Alaska Steel		Mapmakers of Alaska	
Alaska Stucco & Fire Proofing		Mexico in Alaska	
Alaska Telecom Inc.		MI Swaco	8
Alaska Tent & Tarp		MT Housing	
Alaska Valve & Fitting		Montgomery Watson Harza	9
American Marine		MRO Sales	
Arctic Foundations		N.C. Machinery	
Arctic Power		Nabors Alaska	5
Arctic Slope Telephone Assoc.	13	NANA/Colt Engineering	13
Arctic Wire Rope & Supply		Natasha's Hair Removal	
Army/Navy Store		Natchiq Inc.	
ASCG Inspection Inc. (AII)		Nordic Calista Services	5
Avalon Development		North Star Terminal & Stevedore	
Badger Productions		Northern Air Cargo	
Baker Hughes Inteq		Northern Transportation	
Baroid Drilling Fluids		Northern Lights/Lugger	
BK Hanna Construction MATS		Offshore Divers	15
Brooks Range Supply	4	Pacific Alaska Forwarders	14
CCI		Peak Oilfield Service	
Cameron		Penco	
Carlile Transportation	3	Petroleum Equipment & Services	6
Cleanaire Alaska		Petrotechnical Resources of Alaska	
CN Aquatrain		Phillips Alaska	
Colville		Pinkerton Security	
Conam Construction	16	PSI Environmental & Instrumentation	
Crowley Alaska		R & R Scaffold	10
Dowland - Bach Corp.		Rolls Royce Energy Systems	
Doyon Drilling		Schlumberger Oilfield Services	
Dura-Wrap Containments		SECORP Industries	
Dynamic Capital		Security Aviation	
ENSR Corp.		Sensa	
Epoch Well Services		Snap-on Industrial	
Era Aviation		SOLOCO (DURA-BASE)	
Eurest Support Services		Testing Institute of Alaska	
Evergreen Helicopters of Alaska		TOTE	
F.A.T.S.		Totem Equipment & Supply	
Flight Alaska dba Yute Air	4	Udelhoven Oilfield Systems Services	3
Flowline Alaska		Umiat Commercial	
Forest Oil		United Rentals	
GBR Equipment		Unocal Alaska	12
Golder Associates	8	URS	
Great Northwest		VECO	
Guardian Security Systems		Vopak USA	
H.C. Price		XTO Energy	
Holiday Parks		Yukon Engineering Services	12
Hilton Anchorage Hotel			
Inspirations			

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



THE REST OF THE STORY

continued from page 1 FOREST OIL

The typical Cook Inlet Hemlock reservoirs are under saturated, he said — they don't contain as much gas in a barrel of oil as the oil could hold.

"A saturated oil, when you start lowering the pressure in the reservoir, some gas comes out of solution in the reservoir" and that helps maintain pressure. Without the gas release, he said, you start water flood early to provide pressure support.

"So we're planning a pressure maintenance project right from the beginning," he said. That was done with the big Cook Inlet fields in the 1960s, he said. "And so we recognize the need and we're going to build into our plans the water injectors."

Third well being evaluated

The Redoubt Unit No. 1 well tested at a stabilized flow of 1,010 barrels of oil per day from the Hemlock formation, the company said in February, and Redoubt No. 2 results, announced in June, were a test rate of 1,170 bopd from two intervals in the Hemlock. With artificial lift, combined production from the wells is expected to be 5,500 bopd.

Carlson said the third well is at total depth. He said they would do additional logging and sometime in November the company would have a new map of the field which would better describe the acreage, calculated at some 4,500 acres based on information to date.

Carlson said wells were taking about 75 to 90 days to drill. The fourth will be

about a 20,000-foot well which would be spud in October and would probably be completed at the end of the year.

"We're going to move the quarters to where they're out on a cantilever, like you see on most of the other platforms, and that way the drilling rig can move around from leg to leg without having to move the quarters."

—Gary Carlson, Forest Oil Corp.

Conam selected for pipelines

Carlson said permitting was not complete for development facilities for Redoubt Shoal. "We're hoping to have all the permits in hand by November," he said.

"There is some work that we can do without the permits. And we're doing the engineering. And we have selected the pipeline contractor, we've done just about all the engineering we need to do to install the pipelines."

Conam Construction Co. was the successful bidder on the pipelines, Carlson said. "And we are in the middle of clarifying bids for the facilities." He said Forest plans to finalize a bid number and contractor for the facilities over the next month.

"Our plans are to install the pipelines after the ice is out of the inlet next spring. And so we're talking about May, June time frame.

"And we're hoping to get facilities

work done all during the winter. Once we get a contractor selected." Carlson said he expects facilities modules to be put together on small skids at local shops and be ready to go next spring when the company can get on shore.

"And of course, we'll be working on the platform all winter, but we'll be able to hit the ground running.

"But we're still trying to get on production by the end of 2002," he said.

Additional deck space on Osprey

Because the Osprey was built and installed to be moved if Redoubt Shoal didn't prove to be commercial, the company held off "doing a significant amount of additional work out there until we proved up the oil field," Carlson said.

"We designed it to be removed and in order to do that we wanted to keep it as light as possible, recognizing that if we were successful, then we would have to make some modifications. So that was part of that planning clear back in the old Forcenergy days — we were just kind of following through on our plans," Carlson said.

About 20 percent of additional deck space has been added by expanding the two decks with cantilevers (see photo on cover of Oct. 7 issue of PNA).

The quarters have been in one corner of the platform — sitting over one leg and one set of drilling slots.

"We're going to move the quarters to where they're out on a cantilever, like you see on most of the other platforms, and that way the drilling rig can move

The Redoubt Unit No. 1 well tested at a stabilized flow of 1,010 barrels of oil per day from the Hemlock formation, the company said in February, and Redoubt No. 2 results, announced in June, were a test rate of 1,170 bopd from two intervals in the Hemlock. With artificial lift, combined production from the wells is expected to be 5,500 bopd.

around from leg to leg without having to move the quarters," Carlson said.

The other thing Forest has done for platform permanence is to install cathodic protection. That wasn't done the first year, Carlson, said, "because it's not that cheap to install these anode beds that you put on the ocean floor and until we were certain we were going to keep the platform at that location, we didn't install those.

"So we're busy doing what you'd call normal maintenance on platforms, knowing that the field's big enough to develop."

Forest Oil has also extended its one-year drilling contract with Nabors Alaska Drilling Inc. for rig 429 on the platform for two additional years.

The company said when Redoubt Unit No. 2 results were announced that the cost of field development drilling and facilities construction in 2001 and 2002 is estimated at \$150-\$175 million, with first production planned for the end of 2002. ♦

continued from page 13 OFFSHORE

region's second field into production by late 2004 or early 2005.

Its C\$1 billion Deep Panuke project is scheduled to start pumping at 400 million cubic feet per day and last eight to 12 years without any further discoveries.

Scotian Shelf in infancy

The Scotian Shelf, with projected recoverable reserves of about 54 trillion cubic feet around Nova Scotia's Sable field, is still in its infancy.

The Sable Offshore Energy Project consortium headed by ExxonMobil Corp. was first on stream in late 1999 and is now capable of shipping 600 million cubic feet per day to New England and Atlantic Canada.

The region is also the target for a new wave of exploration. Shell Canada Ltd. plans to spud a C\$65 million exploration well in shallow waters early in November; Marathon Oil Co. will start a deepwater well next month on the Scotian Shelf; and Chevron Canada Resources hopes to drill one well east of the Scotian Shelf next summer.

In addition, Calgary-based junior Canadian Superior Energy Inc. said it plans to drill later this year on the Scotian Shelf where it acquired 660 miles of seismic this year and another 420 miles in the immediate area.

Others among the companies with more than C\$1 billion in total exploration commitments include Kerr-McGee Oil and Gas Corp., BP Energy and PanCanadian Energy.

Pipelines a vote of confidence

But the arrival of the pipelines is seen as the strongest vote of confidence yet in the area and the beginning of a new era in Canada's pipeline sector, which has been dominated for decades by domestically

controlled TransCanada PipeLines Ltd., Enbridge Inc. and Westcoast Energy Inc.

Duke fired the opening shot in late August with its blockbuster \$8.5 billion bid for Westcoast, a takeover that will make it the first pipeline with continent-wide infrastructure on both sides of the Canada-U.S. border.

The deal would also double to 75 percent Duke's stake in Maritimes & Northeast Pipeline, which is the only gas transmission system from Canada's East Coast.

El Paso followed on Oct. 4 by announcing it is going ahead with plans to spend up to C\$2.4 billion on a 720-mile pipeline shipping gas from Nova Scotia's offshore to fresh markets in New York and New Jersey. The link would be Canada's first subsea system.

Two days later, Duke said it would spend C\$750 million to expand the Maritimes & Northeast system to the Boston area, more than doubling current capacity to 1.3 billion cubic feet per day by 2006 and eventually to 1.7 billion cubic feet per day.

A \$380 million expansion of the 650-mile Maritimes & Northeast system is already scheduled for completion in 2004.

New line projected to come on in 2005

El Paso and Marathon have studied the pipeline project, dubbed Blue Atlantic Transmission System, since last spring and hope to have the line completed by late 2005, coming on stream at 1 billion cubic feet per day.

Jay Holm, chief executive officer of El Paso's Eastern Pipeline Group, said a subsea pipeline is an "ambitious project," but offers a number of advantages over a land-based system, including minimal environmental impact and lower transportation costs for producers.

An El Paso spokesman said that in studying the exploration activity, his

company was "confident that the reserves are there" to support construction of a pipeline within the time frame established.

Even without the confirmation of new discoveries, putting the pieces in place makes sense, said Gord Currie, an analyst with Canaccord Capital Corp. in Calgary.

"El Paso's move looks like it is preempting the competition," he said. "If you have a year or two over anyone else in regulatory filings, then you're that far ahead in the race."

Williams also weighing a line

Another big U.S. pipeline player, Williams Companies, is also weighing the prospect of building a pipeline from the Nova Scotia offshore to the U.S. Northeast, said Mike Hantzsch, vice-president of business development with the company's Canadian unit.

He said Williams may also develop plants in Nova Scotia to extract gas liquids for sale in cities and possibly for petro-

chemical development.

To boost interest in the region the Canada-Nova Scotia Offshore Petroleum Board is holding a bidding round on Nov. 1. Sixteen 16 wells have been drilled near or within the areas covered by the tendered parcels and more than 250 seismic programs have been conducted since 1969.

In its most recent assessment, the Canadian Gas Potential Committee said that new drilling on the Scotian Shelf could yield a "bonanza" of new reserves, thanks largely to PanCanadian's Deep Panuke find of 1 trillion cubic feet last year.

The committee estimated the Sable sub-basin and Deep Panuke contained discovered resources of 10 trillion cubic feet of gas in place and 6 trillion cubic feet of nominal marketable gas.

The report also details two established and two assessed conceptual plays estimated to contain 27 trillion cubic feet of undiscovered gas in place and 11 trillion cubic feet of nominal marketable gas. ♦

Offshore Divers

Alaska's Underwater Experts

- Marine construction
- Subsea pipeline installation & inspection
- Underwater non destructive testing
- Underwater video & still photography
- Ship repair & salvage
- Cathodic protection system installation
- Bridge & platform maintenance
- American Bureau of Shipping external specialists



Web: offshoredivers.com

Tel: (907) 563-9060

Anchorage

THE REST OF THE STORY

continued from page 1 NORTH FORK

Department of Environmental Conservation, which in the last year has adopted new policies that other state and federal permitting agencies describe as allowing close to “zero tolerance” or “zero risk.” The costs associated with meeting DEC’s new policies also alarmed North Star’s investors.

A gas well “tremendously simplifies things for us because we don’t need a spill plan. But there’s no market for gas right now — not until there is a pipeline. Oil doesn’t need a pipeline. It can be trucked to the Nikiski refinery,” he said.

Most independents can’t afford to spend \$3 million to drill a well that they can’t put into production.

The decision on which type of well to drill will likely be made in the next few days, Summar said. There will be “less urgency if we decide to drill a gas well because there’s no market and right now, that’s what we expect we’ll be doing.”

The decision on which type of well to drill will likely be made in the next few days, Summar said. There will be “less urgency if we decide to drill a gas well because there’s no market and right now, that’s what we expect we’ll be doing.”

Near proposed Kenai-Kachemak gasline route

Despite permitting challenges and a delay in drilling (initially expected to happen this month), North Star’s principals are excited about the North Fork prospect.

“We think it has significant gas and oil reserves,” Summar said, “and it’s in a good position geographically because it’s near the proposed Kenai-Homer gas pipeline. ... We’re not directly in its path but it won’t cost much to lay a gathering line to us.”

Summar believes the 75-mile gas pipeline will be built in the next few years and so do its owners, the Kenai-Kachemak Pipeline Project consortium — Marathon Oil Co., Unocal Alaska, Alaska Electric Generation and Transmission, of which Homer Electric Association is the primary owner, and Alaska Pipeline Co., a subsidiary of Enstar.

Last month, the consortium told PNA that construction on portions of the pipeline could begin as early as fall 2002. Permitting was expected to begin this month.

“The fact that Marathon recently joined the group, we see as a very positive sign,” Summar said. “We have been

watching the activity in the area. Unocal is permitting two more well locations. ... Phillips’ new Cosmopolitan project is about eight miles west of us on the Sterling Highway (see news brief in the On Deadline section of this issue). Marathon’s been actively exploring. All of this is going to provide impetus for that line to be laid.”

Most independents can’t afford to spend \$3 million to drill a well that they can’t put into production.

Permitting started Feb. 9

According to Glenn Gray of the state Division of Governmental Coordination, his agency started a review of the North Fork project — referred to by DGC as the “Nikolaevsk Gas Exploration Wells (Northstar Energy) (AK 0102-01OG)” — on Feb. 9.

DGC and North Star held a public meeting on the project in Anchor Point on Feb. 28. They told attendees that development would involve building 250 feet of new road and a 1.5 acre gravel drill pad. North Star also expressed a desire to drill a water well near the drill site.

DGC extended the review deadlines on March 5, Gray reported in writing, “for information requests from review participants including the Cook Inlet Citizen’s Advisory Council, the DEC/Spill Prevention and Response Division and the Alaska Department of Fish and Game.”

Since that time North Star has changed drilling locations at the request of the Alaska Department of Fish and Game.

“We worked with Mark Fink from Fish and Game and Matt Rader from the Division of Oil and Gas to select a new drilling spot. They were both very helpful,” Summar said.

Water will be hauled in

Most recently, North Star decided not to drill a water well for the project but instead to haul water in.

“When we had our meeting in Anchor Point and announced the project, the people who came were concerned about us drilling a water well. We decided recently that we’re not going to drill a water well. We’ll haul water in because that’s what the local residents want and we want to be good neighbors,” Summar said. ♦

Editor’s note: Summar invited people who are interested in the project to call Gas-Pro’s phone number in Soldotna, (907) 262 4291, or North Star’s Tulsa office, (918) 748-8775. North Star’s fax number is (918) 748 8891.

continued from page 1 NORTHSTAR

The four state oil and gas leases each have a 20 percent-plus supplemental royalty and are estimated to contain 84.01 percent of the oil. These tracts are all owned 100 percent by BP. There are also three federal leases, estimated to contain 15.9 percent of the oil, two with a fixed sliding scale (minimum royalty of 16.66667 percent) and one with a 12.5 percent royalty. Murphy has a 10 percent interest in one of the federal leases.

Interim tract participation approved

The participating area agreement contains provisions for reevaluating tract participation — how much oil comes from each tract — based on actual production. Within two months of the first anniversary of the startup of Northstar production, BP will provide MMS and DNR any proposed revisions to the initial tract participation based on analysis of the first year of production.

MMS, DNR and the Alaska Oil and Gas Conservation Commission have formed a Northstar reservoir modeling team and within four months after the first anniversary of Northstar production, that team will recommend approval or rejection of proposed interim tract participation.

If MMS and DNR cannot reach consensus on tract participation within six months of the first anniversary of production, then the proposed interim tract participation will be effective beginning the first day of the seventh month following beginning of production.

Final tract participation will be determined after four years of production. The operator will submit proposed final tract participation, which will be evaluated by the joint MMS-DNR-AOGCC reservoir modeling team. MMS and DNR have six months from the fourth anniversary to approve the operator’s proposed tract participation, tract participation proposed by the joint team or an alternate final tract participation.

continued from page 12 PETITIONERS

revised from time to time, ... whenever such action appears proper as a result of further drilling operations or otherwise...”

“Otherwise?” he asked. “By suggestions from evidence already offered in this proceeding. And, in the very last, that evidence deserves affirmative acts of this Commission in its investigative mode, as discussed below.”

The petitioners said earlier in the proceedings that the commission should acquire and evaluate data as part of its duty to protect the rights of adjacent owners. The commission responded negatively to that suggestion, refusing “to take over the petitioners’ burden of developing and presenting their case.”

But, Brown said, Alaska statute “shows that the Commission has some affirmative duties, and not just the role of a passive court.” Among those affirmative duties is the “duty of investigation.”

“While Danco may not be as impeccable as a widow looking to a lease investment in oil and gas, it — and its co-petitioner Monte Allen, a retired Alaska Railroad employee — has no operating income from oil and gas production... Yet in one Order, the Commission speculates that Danco and Allen could do their own seismic surveying of the Cook Inlet, one of the most expensive investigative operations that the oil and gas industry experiences.”

If MMS and DNR do not approve identical final tract participation within six months of the fourth anniversary, then the final tract participation will be a weighted average of the MMS and DNR numbers, based on the percentage overall ownership of each (MMS 15.903 percent and DNR 84.097 percent).

Development drilling to continue

The fourth plan of development runs from Oct. 1 through Sept. 30, 2004. Activities in the third plan of development — except startup, scheduled for fourth quarter 2001, and work on the participating area — have been completed.

At startup, BP will have drilled three production wells, one gas injection well and one waste disposal well. BP will continue to drill and complete a total of 16 production wells and five gas injection wells as needed to maximize recovery from the Northstar reservoir.

The Northstar production facilities, on Seal Island, contain space for as many as 36 wells. Production is expected to peak at about 65,000 barrels per day and field life is estimated at 15 years.

No major additions are anticipated to facilities, but commissioning of plant and post-commissioning adjustments will continue.

Primary transport to Seal Island will be by barge and helicopter, but BP anticipates making an application to construct an ice road to the island during the winter of 2001-2002 to facilitate logistics.

Exploration planned

The state said that BP plans to continue to explore and appraise other acreage and formations within the Northstar unit during the fourth plan of development.

By the fourth anniversary of sustained production, Northstar participating owners will have begun drilling a well which tests state acreage lying at least one-half mile outside of the boundary of the PA, or the unit boundaries will automatically contract to exclude any state lease of which no part lies within an approved PA.

—Kristen Nelson

Brown said that Danco and Allen did the best they could in the hearing with the resources available to them, and “have shown quite enough with this evidence (and their lingering questions, raised in this memorandum and others) to cause the Commission to exercise its powers of investigation which it can use to offset the resource gulf...”

Commission staff should look at materials

Brown said that even though the commission has a limited staff, “at least some parties in its staff may conceivably look through at least some portions of the massive amounts of material requested to be filed...”

And the commission should use its subpoena power “to assist it further to investigate the matter...”

Brown said the statutory powers of the commission “recognize the need to protect persons with correlative rights” and give the commission a “rarely” used power and duty to investigate.

And, he said, Alaska courts have not ruled that petitioners with only correlative rights bear “a burden of proof in a proceeding of this kind.” The 1978 Legislature, in reconstituting the commission, made its role clear, he said.

“The Commission is urged to order the inclusions into the Unit; or alternatively to proceed as suggested in exercise of its authority to investigate.” ♦

CONAM SPECIALISTS IN ARCTIC CONSTRUCTION

- Project Management / Design Build
- Pipeline Construction & Maintenance
- Oilfield Facilities Construction & Maintenance
- Commercial / Residential Construction
- Water / Sewer Utility Systems
- Environmental Rehabilitation and Clean-Up

CONAM CONSTRUCTION COMPANY
301 W. Northern Lights Blvd., Suite 300
Anchorage, Alaska 99503
(907) 278-6600 • Fax: (907) 278-3255
conamak@aol.com