

PETROLEUM NEWS

A L A S K A



"Where self interest is suppressed, it is replaced by a burdensome system of bureaucratic control that dries up the wellsprings of initiative and creativity."

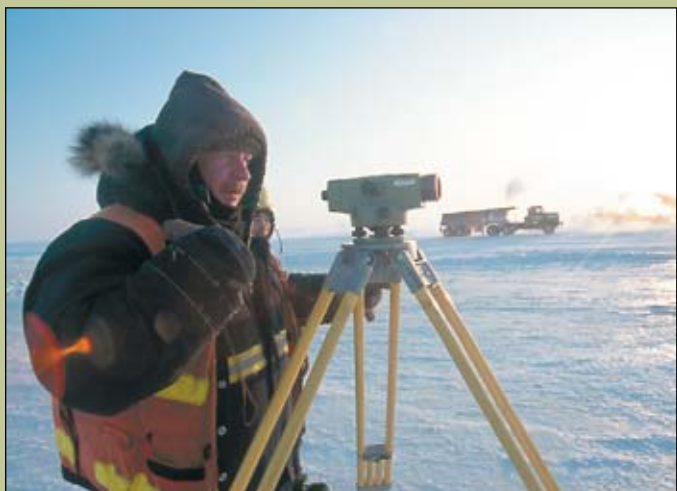
—POPE JOHN PAUL II

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Week of February 23, 2003

Exploring Northwest Kuparuk



Judy Patrick

See the first installment in a series of photo features documenting Pioneer Natural Resources and Armstrong Resources exploration of their Northwest Kuparuk prospect on pages 10 and 11. Above, Al Munson with Lounsberry & Associates at Ivik ice island.

Production incentives offered in upcoming MMS Beaufort Sea sale

The Minerals Management Service is including incentives in its upcoming Beaufort Sea oil and gas lease sale. Royalties will not be charged on the first 10 million to 45 million barrels of production from leases at the agency's upcoming Beaufort Sea lease sale (see story page 8), depending on the size of the lease and the distance from infrastructure. The royalty suspensions for Beaufort Sea sale 186 are for oil and condensate — natural gas is not included — and are subject to price thresholds. For a lease size of 770 hectares or less (approximately 1,900 acres) in zone A royalty payments would be suspended for the first 10 million barrels; the royalty suspension is 15 million barrels for zone B, farther from infrastructure.

Zone A includes tracts close to shore — and North Slope infrastructure — from Harrison Bay to Point Thomson. The vast majority of tracts offered in the sale are in zone B.

For leases from 771 to 1,540 hectares (about 1,900 to 3,800

see MMS page 2

Canada rejoins battle over Alaska Highway gas pipeline subsidies

Certain that a Mackenzie Valley gas pipeline application is in the offing, the Canadian government is again anxious to impress on U.S. legislators the damage that a subsidized rival Alaska project could inflict on North America's markets.

Indian and Northern Affairs Minister Robert Nault said Feb. 13 that he will visit Washington, D.C., later this month to argue that market forces alone, not loan guarantees and a floor price for gas, should determine the timing of a \$20 billion Alaska Highway project.

"The message to our American friends will be that we can deliver a secure supply of energy ...and we can do it using market forces," he told a Calgary news conference. "There's no need to

see SUBSIDIES page 2

■ EXPLORATION & PRODUCTION

Satellite explosion

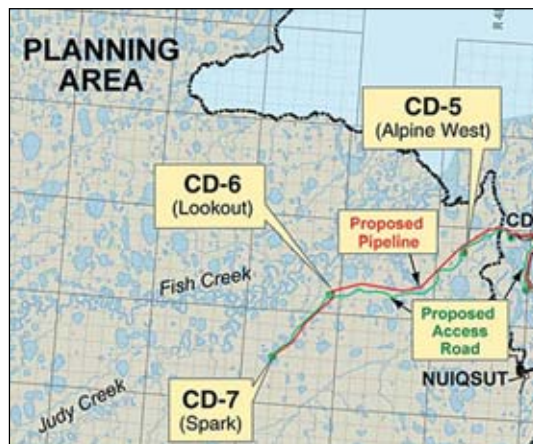
ConocoPhillips says as many as 10 more satellites possible within 30 miles of Alpine; there could be standalone facilities at Kuukpik, NPR-A

By Kristen Nelson
PNA Editor-in-Chief

ConocoPhillips Alaska Inc. has submitted an environmental impact statement proposal to state and federal agencies for the development of five satellites to its Alpine facilities in the Colville River unit on the northwest North Slope (see sidebar). In supporting documentation the company said as many as 10 additional satellites feeding back to Alpine within a 30-mile radius are possible, as well as standalone processing facilities in the National Petroleum Reserve-Alaska and at Kuukpik, which is northeast of the Colville River unit.

And, should a gasline be built from the North Slope, ConocoPhillips said gas processing facilities and a gas pipeline from NPR-A are also possible.

The company provided little more than a "heads up" on the possible additional satellites and standalone projects telling agencies that it is likely that more discoveries will be found and proposed for development, both within the Colville River unit and in the northeast NPR-A.



See full map on page 12

Three possibilities

Three types of discoveries could lead to future development, the company said: "(1) additional satellite oil discoveries that flow back to Alpine for processing; (2) oil discoveries with stand-alone pro-

see SATELLITES page 12

■ LAND & LEASING

ANWR may be best bet to balance state budget

Lease sale in refuge could lead to \$1.2 billion windfall for state

By Steve Sutherlin
PNA Associate Editor

The fastest way to break loose a major piece of oil and gas revenue to balance the state budget may be a lease sale in the Arctic National Wildlife Refuge.

Arguably, ANWR could lead to more money in state coffers, faster than a North Slope gas line. While production royalties are more distant on the horizon,

see ANWR page 19

Congress didn't say yes or no to ANWR work

The new spending bill approved by Congress doesn't include money to start the process that will culminate in a lease sale in the Arctic National Wildlife Refuge.

But it doesn't ban spending on such work, either, which the original House blueprint for the bill did.

Nevertheless, nothing is going to get done on the ground until the lawmakers in Washington give their approval to open the coastal plain to drilling.

"The big kahuna is still opening ANWR," said Cam Toohey, the Interior Department's top official in Alaska, in a Petroleum News Alaska

see CONGRESS page 20

■ NORTHERN GAS

Study: LNG line could bring millions in state revenue, local economist disagrees

By Ellen Lockyer
PNA Contributing Writer

Last fall, Alaska voters spoke in favor of a state-run liquid natural gas line from the North Slope to tidewater in Valdez. Sixty-two percent of ballots were cast in favor of Proposition 3, which requires the state to create a gasline port authority to finance and build the facility.

The port authority is not in place yet although Gov. Frank Murkowski faces

a Feb. 25 deadline to make it a reality.

The plan looks good on paper, but some doubt the LNG plan is the best thing for the state and at least one economist says it is a big mistake to tie the state's fortunes to LNG.

Doug Reynolds, an oil economist at the University of Alaska Fairbanks, and author of "Scarcity and Growth Concerning Oil and Energy," defended the Tony Knowles' administration's Alaska Highway natural gas pipeline

see LNG LINE page 6



Scott Heyworth

Forrest Crane

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GOVERNMENT

Permanent fund asks AOGCC to investigate North Slope costs

The Alaska Permanent Fund Corp. has asked the Alaska Oil and Gas Conservation Commission to investigate whether costs associated with transporting North Slope oil have limited the amount of oil developed from state leases.

The permanent fund board of trustees passed a resolution Feb. 12, requesting that the commission conduct "an investigation of all maintenance and operational practices, including tariff and facility pricing that may have an impact (limiting) the amount of oil developed from state leases..." The board asked the commission to report "the results of the investigation and any steps that the AOGCC is prepared to take to increase production from state leases."

Robert Storer, executive director of the Alaska Permanent Fund Corp., said in a Feb. 19 letter to AOGCC Commissioner Dan Seamount that when Trustee Carl Brady introduced the resolution he told the board he had concerns "regarding the tendency of the larger oil companies in Alaska to allow their leased oil fields to lay undeveloped as the oil companies pursue more economically viable opportunities elsewhere around the world" while "smaller oil companies might find such fields economically attractive for current production, which would benefit the state."

Brady was concerned that barriers, "namely standing underutilized leases," bar smaller companies from leasing the fields and producing oil.

Storer said the board is aware that its concerns "may extend to other regulatory agencies in addition to the AOGCC," and asked Seamount to share the concerns expressed in the resolution with "any relevant agencies."

continued from page 1

SUBSIDIES

subsidize different routes to make it profitable."

Nault said he has received strong indications that Alaska is making a renewed effort to obtain federal subsidies to allow development of North Slope gas.

Energy bill alive and well

"It's my understanding that (a comprehensive U.S. energy bill) is alive and well and it will be reactivated, if it hasn't been reactivated already," he said.

"We don't believe it is helpful to skew the marketplace by the use of subsidies."

Nault, while adamant that the Canadian government remains route neutral, said the government has "not ruled out loan guarantees" for a Mackenzie Valley project if the United States moves in that direction, but indicated that is unlikely.

However, government support could help with local infrastructure and job training in the Northwest Territories.

"We have always been able to involve ourselves in the whole area of training and in developing joint ventures and spin-offs that come from major initiatives like this," he said.

Northwest Territories' pipeline office

Nault announced that his department will provide an additional C\$10 million over three years to establish a new Pipeline Readiness Office in Yellowknife, Northwest Territories.

Northern regulatory boards will receive C\$6 million to help coordinate environmental assessments and regula-

tory reviews as part of a one-stop shopping approach that will eliminate duplication and speed up decision-making.

Nault said former National Energy Board chairman Roland Priddle, who is representing the federal government in pipeline negotiations, will soon be offering his assessment of a commercial solution for the pipeline.

While in Calgary, Nault also met with industry executives and the Aboriginal Pipeline Group on efforts to obtain C\$70 million to pay for the APG's share of preliminary design and regulatory work on the C\$3 billion pipeline.

"We're getting as close as we've ever been" to an application for a pipeline out of Canada's Arctic, reaffirming previous indications by the Mackenzie Delta Producers Group that it hopes to formally enter the regulatory phase this year, he said.

"There's a lot of encouragement in the discussions we have had with the (Mackenzie Delta) producers and the APG."

APG chairman Fred Carmichael told CBC North last week that progress is being made, although Nault described as a "little out of whack" other news reports that the APG has reach an agreement that would see TransCanada PipeLines Ltd. finance the aboriginal share.

Nault said the Delta producers are not involved in the financing talks, but would have to be brought in if any deal changed the terms of the memorandum of understanding signed last year by the APG and the producers.

"We're ready as a government to regulate a major initiative (like the pipeline) and we're looking forward to applications from the industry," he said.

—Gary Park, PNA Canadian correspondent

continued from page 1

MMS

acres), 20 million barrels in zone A would be royalty free, 30 million barrels in zone B.

For leases of 1,541 hectares or larger (more than 3,800 acres), 30 million barrels in zone A would be royalty free, 45 million barrels in zone B.

The royalty suspensions are subject to a price threshold, based on \$28 per barrel in 1994 and adjusted for inflation. Royalty on all oil production in a calendar year is due if the average Nymex oil price for that year exceeds the adjusted threshold.



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GOVERNMENT

Sen. Murkowski expects first major ANWR floor fight in March

U.S. Sen. Lisa Murkowski said if a provision to open the Arctic National Wildlife Refuge to oil and gas exploration is added to a budget reconciliation bill as expected, the “first major floor fight” on the issue might take place as early as the end of March.

Murkowski said in remarks to Commonwealth North Feb. 19 that she expects a huge battle in the Senate in the next six months over ANWR and a proposed North Slope natural gas pipeline, but there are reasons for optimism on both.

“It’s cold back east, and there’s lots of snow back east,” she said.

The economy is being hurt by high energy prices, and by concerns about stability of supplies, she said, adding that consumers are spending \$100 million more per day for energy than one year ago.

Murkowski said reliance on supplies from political hot spots such as Venezuela and Iraq are winning converts to the cause of domestic production.

“Do you think these are islands of political stability?” she said. “I think not.

“If there was ever a time for a rational energy policy, it’s now.”

Murkowski said she recently had a face-to-face conversation with President Bush about ANWR, and he assured her the administration is committed to do whatever it takes to get the refuge opened this year.

Just say no to “either/or”

The North Slope gas pipeline issue will likely be addressed in an energy bill this

see MURKOWSKI page 4




Sen. Lisa Murkowski



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■ GOVERNMENT

Proposed bills extend contingency plans, create permit clearinghouse

Governor's bill would extend life of oil discharge and contingency plans from three years to five; Democrats propose unified application form, centralized permitting in Office of the Governor; \$3.1 million proposed to fund Arctic Power's ANWR education efforts

By Kristen Nelson
PNA Editor-in-Chief

Gov. Frank Murkowski has introduced a bill to extend the life of oil spill contingency plans from three years to five and Democrats have introduced a bill creating a uniform resource permit application and a permit clearinghouse in the Office of the Governor.

The Department of Environmental Conservation says the change proposed in House Bill 113 and Senate Bill 74, introduced Feb. 19 at the request of the governor, will give them more time in the field inspecting and verifying.

"We are asking that the renewal period be increased to five years for oil discharge prevention and contingency plans, from the present law which requires they be redone every three years," the governor said in a statement.

Murkowski said the "bill acts on my goal to streamline the permitting process with no loss of environmental protection. In fact, this change will allow the Department of Environmental Conservation to increase its field presence and work directly with operators on the ground to improve performance and make practical enhancements to their spill prevention and response capabilities."

DEC Commissioner Ernesta Ballard,

"... This change will allow the Department of Environmental Conservation to increase its field presence and work directly with operators on the ground to improve performance and make practical enhancements to their spill prevention and response capabilities." —Gov. Frank Murkowski

who developed the legislation at the governor's request, said, "The bill compliments my department's initiatives to shift emphasis away from the administrative review and approval process to the actual inspection and verification of response capability, which fall clearly under the purview of our enforcement authority." Ballard also said the "bill supports the governor's goal of fostering clarity and certainty through clear and consistently applied industry requirements."

Oil spill prevention and contingency plans are required of operators of oil terminals, refineries, pipelines, exploration and production facilities, oil tank vessels, non-tank vessels, oil barges and railroad tank cars. Plans are publicly noticed, reviewed and approved by DEC if they meet state requirements.

Larry Dietrick, director of DEC's Division of Spill Prevention and Response,

said in the analysis on a "zero" fiscal note for the bill that DEC's administrative review and approval process "can often become bogged down in legal and adjudicatory challenges from third parties."

"The application, review and approval process for oil spill prevention and contingency plans has become unnecessarily burdensome to applicants and DEC," Dietrick said. "The ability to prevent and respond to spills will be improved by increasing the capacity to conduct on-site regulated facility and vessel inspections, spill drills and exercises, technical assistance, and interaction with regulated operators to enhance response preparedness."

Democrats propose own bill to streamline permitting

Democratic legislators introduced identical bills in the House and Senate Feb. 5 to streamline the state's permit application process by creating a "one-stop shopping" clearinghouse in the Office of the Governor for projects that require permits from two or more resource agencies.

House Bill 78 (Senate Bill 60) would establish a unified permit application form for the natural resource agencies and a unified permit application clearinghouse in the Office of the Governor. The Division of Governmental Coordination, which coordinates permit reviews under the Alaska Coastal Management Program, was just moved out of the Office of the Governor as part of the governor's designation of the Department of Natural Resources as the state's lead permitting agency.

"Individuals and industry leaders should be able to apply for projects without having to fill out multiple applications,"

House Minority Leader Ethan Berkowitz, D-Anchorage, said in a statement.

HB 78 provides that permit decisions will be issued within 60 days unless the commissioner of an agency finds additional time is needed to meet agency statutory requirements.

"This is a simple, good idea that is going to make Alaskans' lives easier," said House Minority Whip Beth Kerttula, D-Juneau. "It provides for an effective, efficient and accountable government."

"Alaskans have said loud and clear that permit streamlining is a priority," said Rep. David Guttenberg, D-Fairbanks. "We're calling for swift action on this first step to permit streamlining."

Bill briefs

HB 86, "An Act relating to permits by the state," introduced Feb. 10 by Rep. Hugh Fate, R-Fairbanks, addresses permit challenges. "Work on a project for which a permit has been issued may be enjoined in a judicial or administrative proceeding only if the challenge is based on new scientific information or newly recognized local traditional knowledge."

HB 101 would provide \$3.1 million from the general fund to the Department of Community and Economic Development for payment as a grant to Arctic Power for education efforts on or after Jan. 1, 2003, "to open the coastal plain of the Arctic National Wildlife Refuge for oil and gas exploration and development." The \$3.1 million includes \$100,000 "for the participation of the Native Village of Kaktovik in support of the education efforts undertaken by Arctic Power..." The bill, introduced Feb. 14, was scheduled for a hearing Feb. 20. ♦

■ LAND & LEASING

Last chance for ANWR

ANWR situation is 'CODE RED,' Herrera says, time to rally the fight

By Steve Sutherlin
PNA Associate Editor

CODE RED is the current state of alert for passage of a provision to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration, says Roger Herrera, Arctic Power's Washington, D.C., coordinator.

Right now is probably the last chance to make a credible push for drilling in ANWR, Herrera told Arctic Power's annual meeting in Anchorage Feb. 14. Those sentiments were supported by other speakers.

This session will also be Herrera's last push. He said he plans to retire from his post at Arctic Power, regardless of how the ANWR issue pans out in the current

session of Congress.

With a Republican president, a Republican majority in the U.S. Senate, and a Republican governor in Alaska, political forces are aligned in favor of opening the refuge to exploration, Herrera said. However, the unprecedented political advantage only means it is possible this year to pass legislation that would open the coastal plain to drilling.

Fifty votes needed

It is not a done deal by any means, he said. Determined and clever opponents of exploration in ANWR, such as Senate Minority Leader Tom Daschle, lie waiting to spoil the efforts of drilling supporters, Herrera said.

"It's hard to pass legislation, and easy
see CHANCE page 7

continued from page 3

MURKOWSKI

summer, Murkowski said. Her Democratic colleagues tend to favor the idea of a gas line, while opposing ANWR drilling. Republicans from gas producing states generally support ANWR drilling, but are concerned about the effect on prices if price supports are used to encourage the building of the gas line.

Murkowski said she is standing firm against the idea that Alaska should be

happy to get a gas line instead of ANWR drilling, or vice versa, because the nation needs the energy from both.

"Demand is going to outstrip supply," she said. "Alaska gas has got to be there."

Another misconception Murkowski said she is encountering is the idea that renewable energy sources and alternative energy sources can take the place of ANWR or the North Slope gas line.

"It's not an either/or debate, we have to have an interim, a bridge," she said.

—Steve Sutherlin, PNA
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4Q revenues in millions, % change from 4Q 2001
4Q daily production, % change from 4Q 2001

		profits	%	revenues	%	production	%
AGRIUM	AGU	\$12	—	—	—	—	—
ANADARKO	APC	\$309	+186	\$1,117	+40	1,682MMCF/214,000BBL	-10 /+22
BP	BP	\$2,635	+49	—	—	2,049,000BBL/8,936MMCF	+2/+2
CHEVRONTXACO	CVX	\$904	—	\$27,058	+26	1,844,000BBL/4,336MMCF	-8/-1
CONOCOPHILLIPS	COP	-\$410	—	\$23,527	+171*	1,620,000BOE	-5**
ENCANA	ECA	—	—	—	—	—	—
EVERGREEN	EVG	—	—	—	—	—	—
EXXONMOBIL	EOM	\$4,090	+53	\$56,211	+18	2,497,000BBL/11,667MMCF	-1/+3
FOREST	FST	\$9.2	—	\$127.6	+2	246.8MMCF/22,500BBL	-9/-26
MARATHON	MRO	\$194	—	\$8,614	+26	210,000BBL/1,238MMCF	+4/-8
MURPHY	MUR	\$57.6	+100	\$1,082	+31	81,559BBL/251MMCF	+17/-14
PETRO CANADA	PCZ	C\$356	+439	C\$3,005	+69	326,400BBL/878MMCF	+292/+20
PIONEER	PXD	\$18.4	—	\$197.7	+16	53,839BBL/380MMCF	-3/+16
SEMCO	SEN	\$4.6	—	\$146.3	+10	—	—
TESORO	TSO	-\$27.7	—	\$2,001	+58	—	—
TOTALFINAELF	TOT	—	—	—	—	—	—
UNOCAL	UCL	\$96	—	\$1,572	+24	161,000/1,737MMCF	-11/-9
WILLIAMS	WMB	—	—	—	—	—	—
XTO	XTO	—	—	—	—	—	—

*Does not include Conoco revenues for prior period
**Includes Phillips and Conoco production for both periods

Dollar figures in millions

BOE: barrels of oil equivalent
BBL: barrels of crude oil and condensate
MMCF: billions of cubic feet of natural gas

DENVER

Forest Oil posts quarterly profit as productions volumes drop

Forest Oil Corp. earned \$9.2 million in the fourth quarter as higher prices made up for a continuing slide in production of both oil and gas.

The Denver-based independent lost \$29.7 million in the fourth quarter of 2001 as a result of Enron-related charges and impairments on foreign properties. Forest showed a \$2.9 million profit in the third quarter.

For 2002 as a whole, earnings were \$24.5 million, just a quarter of what the company made in 2001.

This year's fourth quarter did mark the start of production from Forest's Redoubt Shoal field in Cook Inlet, a project that has taken a major part of Forest's capital spending.

The company said the reduced fourth-quarter production total resulted from the hurricane in the Gulf of Mexico, property sales, and the normal declines caused by reduced capital spending. Those were the same reasons cited for a similar decline last quarter, but production has dropped even further since then.

For the fourth quarter, gas flows averaged 246.8 million cubic feet a day, down 9 percent from the same period in 2001 and down 4 percent from the third-quarter number. Annual production took a bigger drop from the 2001 figure, 15 percent, to 252.2 million cubic feet daily.

But Forest was rescued by a higher average sale price, at least for the fourth quarter. Forest's natural gas sold for an average of \$3.58 for each thousand cubic feet, 28 percent higher than fourth-quarter 2001, when the average price was \$2.79.

Liquids down despite Redoubt

Liquids production was 22,500 barrels daily in the recent quarter, down 26 percent from 30,600 barrels in the final quarter of 2001 and down from 24,400 barrels daily in the third quarter. The company did say that lack of tanker shipments in Alaska led to higher inventories at the end of the year than expected, so that may have cut the daily figure a bit.

Average sale price for the liquids rose 14 percent compared with the 2001 fourth period, to \$21.87 a barrel in the last quarter of 2002.

Capital spending for 2002 was \$354.2 million. Of that, 30 percent went to exploration and 70 percent to development, with a substantial part of the development budget going to Redoubt Shoal.

Over the year, Forest drilled 69 wells, with an overall success rate of 75 percent. The company expects to put \$300 million to \$350 million into capital projects this year.

Revenues for the quarter were \$127.6 million, up 2 percent from a period a year ago and up by the same percentage from the third quarter number. Annual revenues for 2002 were \$471.7 million. That's down by a third compared with 2001.

—Allen Baker, PNA contributing writer



JUNEAU

Palin, Ruedrich named to Alaska Oil and Gas Conservation Commission

Gov. Frank Murkowski named former Wasilla Mayor Sarah Palin and Republican Party Chairman Randy Ruedrich to the Alaska Oil and Gas Conservation Commission Feb. 18.

The commission is a quasi-judicial regulatory agency overseeing the underground operations of the state's oil industry on private and public lands and waters. Among other things, it is tasked with ensuring maximum ultimate resource recovery, preventing waste of oil and gas resources, protecting the correlative rights of the mineral interest owner, and managing the U.S. Environmental Protection Agency's Class II Underground Injection Control program for oil and gas wells.

Palin was appointed to the commission's public seat, replacing Cammy Taylor, whose term expired at the end of last year. A lifelong Alaskan, Palin earned a journalism degree from the University of Idaho and has worked as a journalist and a commercial fisherman, the governor's office said.

Ruedrich was appointed to the engineers' seat on the commission, replacing Mike Bill who was appointed to the seat by Gov. Tony Knowles in October after the Legislature

see COMMISSION page 7

The commission is a quasi-judicial regulatory agency overseeing the underground operations of the state's oil industry on private and public lands and waters.



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continued from page 1

LNG LINE

proposal before a recent gathering in Anchorage.

“No one is going to invest in a LNG project ... that’s the bottom line ... if Alaska wants to do it with Permanent Fund money, that’s the only way LNG is going to happen,” Reynolds said. “The Alcan has better economics than LNG.”

George K. Baum study touted by Heyworth

Tell that to Scott Heyworth. Heyworth, an Anchorage longshoreman, is one of the chief sponsors of the so-called All Alaska liquid natural gasline from the North Slope to tidewater in Valdez. And he is the architect of the ballot initiative that wooed the voters in the first place.

Heyworth sat in the lobby of a downtown hotel in Anchorage in early February, handing out summaries of the latest financial analysis concerning the LNG line from Prudhoe Bay to Valdez. New figures put forward by George K. Baum and Co. of Seattle have nothing to do with the cost of building the proposed gasline, but they project revenues of between \$350 million and \$1 billion annually for state coffers once the LNG line is operational. Baum and Co. financed the Alyeska Marine Terminal in Valdez, and, according to Yukon-Pacific Corp.’s Paul Fuhs, has secured \$2 billion dollars worth of bonds for Alaska projects during the past decade.

“This is a huge new revenue source for the state of Alaska, and I think it should be very good news for Gov. Murkowski and his administration who are trying to get additional revenue from natural

resources,” Heyworth told reporters.

Assumes railroad involvement

The investment bankers’ analysis is based on an assumption that contracts for the gas will be in place before the project begins. Baum and Co. used information provided by Yukon-Pacific to come up with financing options for the LNG line that indicate that the project is 70 to 100 percent bondable.

And, the analysis assumes that tax-exempt debt for all or a portion of the project can be issued through the Alaska Railroad Corp.

State house finance co-chair John Harris asked Yukon Pacific for the data, and requested the financial analysis from Baum and Co. Harris is overseeing the finance committee’s deliberations on a

George K. Baum and Co. used information provided by Yukon-Pacific to come up with financing options for the LNG line that indicate that the project is 70 to 100 percent bondable.

budget for the gasline port authority.

Build it and they will come

Yukon Pacific provided two configurations of the gasline project: a base case and a lean case. Both include costs for a gas conditioning plant on the North Slope, a pipeline with compressor stations to deliver the gas to Valdez, a facility to separate the hydrocarbons at Valdez, and a liquefaction plant with marine terminal at Valdez.

Capital costs include a fleet of LNG and liquid propane gas tankers and a LNG receiving facility somewhere on the West Coast.

Both configurations include extraction of propane from some of the gas for sale as LPG to Asia.

The base case further includes extraction of ethane and/or butane in Valdez to feed a petrochemical industry in Southcentral Alaska.

The lean case would not have the value-added options.

Yukon Pacific estimates the capital cost for the base case to be \$13 billion dollars.

Baum and Co. analysts presented six scenarios, examining the base case and the lean case for three different financing options. The options are 70 percent tax exempt debt and 30 percent equity; 70 percent taxable debt and 30 percent equity; and 100 percent tax-exempt debt.

For each case, analysts computed potential revenues to the gasline authority and to the state of Alaska, cautioning that only 25 percent to 30 percent of the project can be financed tax-exempt if the Alaska Railroad option is not available.

If that were the case, a portion or all of the tax -exempt debt would be subject to bond cap allocation by the State Bond Committee. The tax -exempt portion of the debt would be limited to purposes permitted by tax laws. In correspondence to Harris, Baum and Co.’s John Urbina said the project can be financed in the bond market if the railroad vehicle is available. Urbina said the best option would be to have some equity contribution from private sponsors, because a state-owned facility would entail risk the state may not want to assume.

Economic model first

“They’re saying that all these scenarios work.” Heyworth says. “There’s a thousand combinations — they’re saying that we could make a lot of money for the state of Alaska by building this project. That the numbers work.”

Heyworth admits that a lot of work has to be done before financing and bonding can begin. “We are not going to build it and they will come. We’ll get the economic model in place before we look for financing.”

Heyworth says the markets have to be lined up first. When the authority is finalized, it has to negotiate a well head price with the producers then, line up long term contracts with markets and secure a gas supply from the producers.

“I personally think a good market for Alaska is the state of California or the U.S. West Coast. That’s where the shortages are. There aren’t any gas shortages in the Midwest where the Canadian line wants to go to. We’ve always said that the shortages in America are on the West Coast and I think that the Valdez project is a good fit for California and I hope we talk to those states in the negotiating process.”

Economist defends Alcan gasline

Economist Reynolds disagrees. He says California represents a mature gas market.

“There may be some needs there, but it’s not going to be much.” And he says Japan and China, two other destinations for LNG, are mature, slow growing markets as well. He points to huge reserves of natural gas in Indonesia and Australia, reserves which could fill the needs of slow-growing Asian markets for the next 15 years.

But North American markets are bound to grow, and Reynolds uses something called the Hubbert curve to predict just how high they will be in five or 10 years. M. King Hubbert was a Shell petroleum engineer and a Ph.D. He taught at Princeton, too, and devised a

method of predicting energy trends.

“The Alcan route has greater economies of scale, Reynolds says. “The bigger the pipeline, the lower the cost ... you don’t get that with LNG. The Lower 48 is going to need more gas and they are going to need it in the next five or 10 years. So there’s better economics with the Alcan. That’s the route.”

Gas prices will increase

Based on the Hubbert curve, Reynolds says, his model suggests after 2007 to 2010 the price (of gas) will radically increase. “Already some increases are visible in the price now, so that probably will continue. The Hubbert curve is a way of analyzing the gas supply in southern Canada. And it suggests that the supply will get to a peak in a decline mode and as demand goes up, and supply goes down, you’ll get this radical increase in prices. When that happens, they’ll be needing a lot of new supplies ... maybe they’ll import some LNG into the U.S., but probably they’ll need Alaskan gas to be transported by a pipeline to the lower 48,” Reynolds says. The U.S. Congress is considering a tax break on such a pipeline, which to some people is a subsidy, he says. “It could turn into a subsidy. Some energy producing states are against that, because they are afraid that with so much gas hitting the market it will radically lower the price of natural gas. I do not believe that will happen, this pipeline will take five to 10 years just to build and by that time they are really going to need a lot of gas in the Lower 48, based on Hubbert curve analysis. ... So I think that if Congress gives tax breaks it’ll create more stability for U.S. consumers and more energy security for the U.S. as a whole. I hope Congress does help with some tax breaks for the pipeline.”

Gas is more complicated economically than is oil, he says. Gas by itself is not economic to develop, so the quantities of natural gas that went along with oil discoveries on the North Slope in the sixties just sat there. High gas prices in the seventies created an incentive to market natural gas, and industry deregulation during the eighties helped spur competition. Reynolds says current low natural gas prices won’t stay down long.

Price volatility

He predicts some price volatility coming. “Volatility in the energy market is an indication that things are probably going to go up,” he says. “I predict prices will go up, and stay up, because there’s going to be that shortage. They’re going to need sources in the Lower 48 and where’s it going to come from? It’s going to come from Alaska. The Alcan route gives lower costs and a better price because prices will be higher in the Lower 48 than in the Pacific Rim.”

And a Northern route? Reynolds says there is some evidence that it is less expensive. But, he says, Exxon and its affiliates are going to do a stand-alone MacKenzie Delta pipeline. There is no radical economic advantage of going over the top versus going along the Alcan, according to Reynolds.

One of the problems of over the top, he says, is a potential leak. “What if a leak or a breakdown or a problem happened under the Beaufort Sea when it is ice covered? Under the ice. You can’t get to it for nine months. That’s a nine-month supply shortage. The Southern route is always accessible, always repairable ... always easy to get to.” ♦

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NORTHERN GAS

■ NORTH AMERICA

U.S. industrial gas demand headed for sharp drop

Researchers say declining industrial consumption to be offset by rising use of gas for power generation, but don't expect a drag on prices over next three years

By Gary Park
PNA Canadian Correspondent

Industrial demand for natural gas could drop by 2.8 billion cubic feet per day over the next three years and moderating crude oil prices could trigger fuel switching that reduces demand by another 1.1 billion cubic feet per day, says a research report by Virginia-based Friedman Billings Ramsey.

But the combined drop will not be enough to send gas prices into a tailspin like that of the 1990s because of several factors: a U.S. economic recovery, greater consumption of gas for power generation and environmental regulations that promote gas consumption over that of more polluting alternatives.

The report is based on Gross Domestic Production growth assumptions of 1 percent a year for 2003, 2004 and 2005 that will actually boost demand over the period by 2.3 billion cubic feet per day.

The biggest gain, said FBR, will be 2.4 billion cubic feet per day for electrical generation, followed by 1.5 billion cubic feet

from the imposition of new nitrous oxide emissions standards this year and in 2004.

On the supply side, the base Lower 48 supply is projected to shrink by 1.3 billion cubic feet per day, while imports from Canada are forecast to decrease by 500 million cubic feet per day.

But liquefied natural gas is expected to climb by 1 billion cubic feet per day, while U.S. exports to Mexico will fall by a similar amount.

Supplies from drill bit falling short

FBR says new supplies of gas from the drill bit are falling short of offsetting the growing decline rates from existing production in the United States and Canada, with Canadian exports to the United States dropping last year for the first time since 1986.

It says Canadian volumes will decline by 300 million cubic feet per day this year and 200 million cubic feet in 2004 before flattening out in 2005, mainly because of lower Canadian production and partly because of lower industrial consumption.

FBR predicts 2003 gas prices will average \$4.40 per thousand cubic feet, then ease back to \$4 in 2004 and \$3.70 in 2005, assuming moderate economic growth, a slump in crude prices to \$22 per barrel and "normal" weather.

It says the "current overwhelming supply/demand imbalance" should support its expectation of sustained strength in gas prices.

U.S. industrial demand dropping

On the U.S. industrial demand front, FBR says that in addition to the loss of 2 billion cubic feet per day since 2000 another 2.5 billion cubic feet will disappear by the end of 2005 as existing hedges, that provide some price protection, evaporate and chemical plants shut down in North America.

In addition, environmental and security costs will put added burdens on already thin industrial margins in the United States.

But the role of gas in power generation, which has expanded from 14 percent of market share in 1993 to 22 percent today, will account for another 3.1 billion cubic feet per day of consumption over the forecast period.

The report says FBR expects natural gas to "capture a greater share of the power generation market, as significant recent increases in capacity have positioned natural gas as the dominant major supplies of electricity ..."

Assessing the Canadian outlook, FBR warns that a combination of lower

... a combination of lower initial productivity and faster decline rates has set the stage for a "perilous" situation in which last year's drilling cutback and an absence of world-class discoveries will reduce Canadian gas production volumes this year. —Friedman Billings Ramsey

initial productivity and faster decline rates has set the stage for a "perilous" situation in which last year's drilling cutback and an absence of world-class discoveries will reduce Canadian gas production volumes this year.

However, a drilling recovery this year should put the brakes on production erosion in 2004, when rising demand from the oil sands and heavy

oil fields will boost Canadian industrial demand and lower exports to the United States.

The report says the potential of both the Mackenzie Delta and coalbed methane will not materially affect Canada's supply in the near term.

FBR believes northern British Columbia and Alberta hold the best odds of yielding "surprises" for Canada's production.

Coalbed methane, Mackenzie may close gap

Speakers at a Canadian Institute conference in mid-January cautioned that beyond 2012 the United States may not be able to count on Canada's conventional gas supplies to make up any supply shortfall.

Bill Langford, director of forecasting with TransCanada PipeLines Ltd., said the best hope for closing the gap lies with Canadian coalbed methane, Mackenzie Delta and possibly North Slope gas and liquefied natural gas to meet a projected annual demand of 23.7 trillion cubic feet in the next decade.

J. David Hughes, a member of the Canadian Gas Potential Committee, said a recent National Energy Board prediction that Canada could have a yearly shortfall of 2.8 trillion cubic feet to 4.9 trillion cubic feet by 2025 underscores how critical coalbed methane and other unconventional gas sources are in the equation.

Langford said TransCanada is believes North American demand will reach 30.5 trillion cubic feet by 2010, propelled by gas-fired power generation, based on average price estimates of US\$3.50 per million British thermal units on the New York Mercantile Stock Exchange.

He said TransCanada doubts a Nymex price of \$4 is sustainable over the long term. ♦

continued from page 4

CHANCE

to block it," he said.

The Senate is divided about 50-50 on the ANWR issue. In the past session, the threat of filibuster by drilling opponents kept ANWR supporters at bay because 60 votes would have been needed to break the filibuster.

This spring the ANWR drilling outlook is more positive because of the opportunity to insert an ANWR drilling provision in a budget reconciliation bill, which cannot be filibustered, therefore a majority vote prevails. Only 50 votes are needed under this scenario to approve drilling, because the vice president, a supporter of ANWR development, casts the tie-breaking vote.

Last session, the House approved ANWR drilling with passage of its energy bill, H.R. 4, but a House and Senate conference committee failed to agree on a joint energy bill.

Herrera said the House would likely continue its support of exploring for



Roger Herrera

Forrest Crane

energy in the refuge, thanks in part to continued vocal support on the issue from organized labor, and a pro-exploration stance on the part of House leadership.

On a good day, 49 votes for ANWR, says Herrera

"On a good day" in the Senate there are 49 votes in favor of exploring the coastal plain, Herrera said.

The ANWR issue has been "a splendid rallying point" for fund raising by environmental groups, and those groups are spending millions of dollars on a media campaign to derail efforts to find energy in the refuge, he said. Arctic Power has only a fraction of the opposition's budget to counteract the anti-drilling messages.

Heartfelt letters of support for ANWR exploration addressed to members of Congress, particularly to Senators, are the best bet and most realistic strategy to counteract the anti-drilling media spending, Herrera said. Letters from Alaskans are needed, he said, and Alaskans can also ask relatives in other states to write their own senators on the issue.

Senators need to know that Alaskans support exploration in ANWR, and that development in the refuge will generate jobs all over the country.

"Lets go hell for leather on this," Herrera said. ♦

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COMMISSION

adjourned, and had not been confirmed.

Ruedrich told Petroleum News Alaska Feb. 19 that he will continue to serve as chairman of the Republican party but in a "modified capacity."

Ruedrich earned Bachelor of Science, Master of Engineering and Doctor of Philosophy degrees in chemical engineering

from Texas A&M University. He has worked in the oil and gas industry in various capacities for more than 30 years, including as operations manager for Atlantic Richfield Co. in Sana'a, Yemen, and in Surrey, United Kingdom. In Alaska, he worked for ARCO's Alaska as a senior drilling engineer and was general manager of Doyon Drilling.

The appointments were effective Feb. 19.

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CALGARY

Alberta oil sands boost North American reserves

North America’s share of the world’s oil reserves rocketed to 18 percent last year from 5 percent in 2001, for one reason — the vast oil sands reserves of northern Alberta. Now that the sprawling resource has been officially added to the global energy mix, Cambridge Energy Research Associates said Canada’s oil reserves alone rose to 180 billion barrels from 5.6 billion barrels and helped push the world tally up by 18 percent to 1.213 trillion barrels.

CERA’s Global Oil Trends 2003 report, released Feb. 12, joined the industry publication Oil & Gas Journal in factoring the oil sands into total world reserves and several other reputable organizations are moving in that direction.

Alberta Energy Minister Murray Smith mounted an aggressive campaign last May to get recognition for the oil sands from the International Energy Agency and the International Petroleum Agency.

He said the estimated total of 175 billion barrels of recoverable bitumen using existing technology “is so critical to North American energy and supply that (the IEA and IPA) have to include these reserves in their calculations.”

Bitumen reserves could be 315 billion barrels

The Alberta Energy and Utilities Board believes future projected development using rapidly emerging new technology will boost the bitumen reserves to 315 billion barrels, with CERA forecasting that the oil sands sector could expand five-fold to 5 million barrels per day.

CERA said Canada, along with Russia and Brazil, led the way in raising non-OPEC output by 1.1 million barrels per day last year.

OPEC production declined by 1.9 million barrels per day as the cartel cut back on the flow from member countries.

World-wide consumption grew by a mere 20,000 barrels per day to 76.7 million barrels per day, the smallest gain since 1983.

The U.S. dependency on Canadian oil was captured in National Energy Board statistics for 2002, which showed 62 percent of Canada’s production was shipped south of the 49th parallel.

Exports averaged 1.45 million barrels per day to the end of November, up 4 percent from 2001, with the gains coming from synthetic and bitumen output in northern Alberta and crude from Newfoundland’s Hibernia and Terra Nova offshore fields.

Heavy crude exports surged past 1 million barrels per day from 827,058 barrels per day in January, but light crude exports also climbed to an 11-month average of 539,500 barrels per day, up 6.5 percent from the previous year and close to peak levels in 2000.

—Gary Park, PNA Canadian correspondent

STATEWIDE

Potential state, federal oil, gas lease sales

Agency	Sale and Area	Proposed Date
MHT	Cook Inlet	Spring 2003
DNR	Cook Inlet Areawide	May 7, 2003
DNR	Foothills Areawide	May 7, 2003
MMS	Sale 186 Beaufort Sea	Sept. 24, 2003
DNR	North Slope Areawide	Oct. 22, 2003
DNR	Beaufort Sea Areawide	Oct. 22, 2003
MMS	Sale 191 Cook Inlet	2004
DNR	Cook Inlet Areawide	May 2004
DNR	Foothills Areawide	May 2004
BLM	NE NPR-A	June 17, 2004
BLM	NW NPR-A	June 17, 2004
DNR	North Slope Areawide	October 2004
DNR	Beaufort Sea Areawide	October 2004
MMS	Sale 195 Beaufort Sea	2005
DNR	Cook Inlet Areawide	May 2005
DNR	Foothills Areawide	May 2005
DNR	North Slope Areawide	October 2005
DNR	Beaufort Sea Areawide	October 2005
MMS	Sale 199 Cook Inlet	2006
MMS	Sale 202 Beaufort Sea	2007
MMS	Chukchi Sea/Hope Basin	interest based
MMS	Norton Basin	interest based

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

This week’s lease sale chart
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■ BEAUFORT SEA

MMS issues final EIS for Beaufort Sea planning area

Agency’s preferred alternative is leasing over entire 9.8 million acre planning area, from Barrow to the Canadian border

By Kristen Nelson
PNA Editor-in-Chief

The U.S. Department of the Interior’s Minerals Management Service has issued a final environmental impact statement for the Beaufort Sea planning area, covering proposed oil and gas lease sales 186, 195 and 202.

The agency’s preferred alternative offers 1,877 whole or partial blocks covering 9,770,000 acres. MMS said the area, minus leased blocks, would be offered in each of the three sales. That is Alternative I.

Alternative II is no lease sales.

Alternative III is a Barrow subsistence whaling deferral, which MMS said was developed “in response to scoping comments received in Barrow.” Alternative III would offer 1,851 whole or partial blocks (some 9.6 million acres), removing 26 whole or partial blocks in areas in which whales have been taken in the west near Barrow, some 1 percent of “commercial resources opportunity.” MMS said the majority of bowhead hunting is in the Chukchi Sea, in an area already removed from leasing in the final 2002-2007 proposed five-year program.

Alternative IV would defer the Nuiqsut subsistence whaling area, 30 whole or partial blocks, some 5 percent of the opportunity to discover and develop and economic field, and offer 1,847 whole or partial blocks, some 9.6 million acres.

Alternative V would remove the Kaktovik subsistence whaling area, some 28 whole or partial blocks, reducing the opportunity to discover and develop and economic field by some 3 percent, and would offer 1,849 whole or partial blocks, some 9.6 million acres.

Alternative VI, the eastern deferral, would remove the area east of Kaktovik, a reduction of 3 percent of opportunity, and offer 1,817 whole or partial blocks, some 9.5 million acres. This deferral adjoins an area that the state of Alaska has deferred in recent sales.

Alternative I includes standard stipulations and information to lessees clauses, plus three optional mitigating measures: Stipulation 7 (pre-booming requirements for fuel transfers); Stipulation 8 (lighting of structures to minimize effects to spectacled and Steller’s eiders); and ITL 17 (information to lessees on archaeological and geological hazards reports).

Stipulation 7 requires pre-booming of fuel barges for fuel transfers (excluding gasoline) of 100 barrels or more occurring

three weeks prior to or during the bowhead whale migration.

Stipulation 8 requires offshore structures associated with offshore drilling to be lighted or marked in a manner that does not attract migrating spectacled or Steller’s eiders and minimizes the likelihood the birds will collide with the structures. “The MMS and the Fish and Wildlife Service will cooperatively develop lighting requirements and identify where, when, and on what type of structures the requirements should be applied.” MMS said it would develop specific lighting requirements by April 1, 2004, and issue requirements. Sale 186 is scheduled for Sept. 24, 2003; sale 195 for 2005; and sale 202 for 2007. Comments relating to the FEIS will be accepted through March 14.

MMS said it based its analysis on zones determined by water depth and proximity to existing North Slope infrastructure. The near-shallow zone is in the central Beaufort Sea offshore Prudhoe Bay between the Canning River and the Colville River in water depths of less than 30 meet.

The midrange-medium zone extends from Barter Island in the east to Cape Halkett in the west in water depths of 30 to 100 feet. The far-deepwater zone extends from the Canadian border to Barrow in water depths which may exceed 600 feet, “although we expect most development would take place in water depths less than 125 feet and within 25 miles from shore,” the agency said.

In the shallow zone, exploration is expected to be from artificial ice islands grounded on the seabed in shallow water supported by ice roads; bottom-founded platforms could be used in water depths of 10-20 meters. Drill ships would be used in water deeper than 20 meters.

“Because mobile ice conditions in deeper water makes ice roads unfeasible, deeper water ... operations would take place during the summer open-water season and would be supported by icebreakers and supply boats,” the agency said.

In the near-shallow zone development would probably be from artificial gravel islands or mobile concrete structures set on the seafloor. In the midrange-medium zone, development could resemble near zone in shallow water, although fields would have to be larger to be economic and there would be more emphasis on extended reach drilling. In the far-deepwater zone, large accumulations would be required for project economics and probably multiple platforms. ♦

ANCHORAGE

Alaska Oil and Gas Association, DOE co-sponsor North Slope conference

The Alaska Oil and Gas Association and the U. S. Department of Energy are co-sponsoring a two-day conference on reducing the effects of oil and gas exploration and production on Alaska’s North Slope on Feb. 27-28 at the Egan Center in Anchorage. Presentations, which will begin at 8 a.m. each day and conclude by 5 p.m., include industry overviews of environmental studies, future developments, rehabilitation practices and exploration, production and operations activities, along with an extensive series of presentations on specific environmental studies conducted in the Alaska Arctic.

In conjunction with the conference AOGA will host a reception for attendees at 5 p.m. on Feb. 27 in the Chart Room of the Anchorage Hilton Hotel.

To register call Rhonda Lindsey at DOE at (918) 669-2005.

EXPLORATION & PRODUCTION

ANCHORAGE

Governor looking at well workover tax credits and other production incentives

At Arctic Power's 19th annual meeting Feb. 14 in Anchorage, Gov. Frank Murkowski offered some specifics on what he is considering to stimulate Alaska's oil production.

In addition to his plans to reform permitting, he said he is looking at offering producers tax credits for working over existing wells to stimulate production in the short term.

"This proposal could offer producers a short window of opportunity, maybe two, three years, to take advantage of a well workover credit," Murkowski said.

The administration is also "looking at project-specific incentives" to develop heavy oil.

The governor said, "This could involve a tax or royalty break if the wellhead price (for viscous oil) ... would fall below a certain price per barrel."

The incentive would be offered only to those viscous oil producers who are not already producing, or planning to produce, viscous oil.

Murkowski also said "the major companies who hold the leases on heavy oil and elect not to develop them in the short term" will be encouraged by the state to "farmout their interests to independents who specialize in heavy oil development."

Exploration incentives under review

Streamlining existing incentives is also under consideration. The administration is reviewing the state's current tax incentive for exploration that "allows companies to offset a portion of their state severance tax or royalty oil by the amount of up to half their exploration cost for new wells," the governor said.

The process, he said, "requires a special hearing and volumes and volumes of paperwork to the state to justify the incentive. The process is far more complicated than what other states require for exploration. The question we have: Is it necessary?"

If Alaska were to follow the example of other states Murkowski said "we could increase exploration drilling on the North Slope."

The governor is also looking at requiring companies to make seismic data public after eight to 10 years. He said, "currently there is no time limit in making this data available."

Removing impediments

Murkowski cited lack of affordable access to North Slope facilities and pipelines as a "major disincentive for independents. ... One option for addressing this situation is for the state to require — as a condition of approving development plans — rea-

see INCENTIVES page 17



Gov. Frank Murkowski

Forrest Crane

JUNEAU

Irwin makes access to land, more efficient permitting his priorities

New natural resources commissioner points to project team concept for large projects as key stimulating development and state revenues

By Patricia Jones
PNA Contributing Writer

Tom Irwin, Alaska Department of Natural Resources commissioner, advocates increasing land access and clarifying the regulatory permitting process as crucial steps to stimulate oil and gas development, which will, in turn, boost state revenues.

In an interview with Petroleum News Alaska on Feb. 18, Irwin keyed in on those two methods among a myriad of incentives and tax credits being discussed by Gov. Frank Murkowski's administration as ways to increase Alaska's oil production in the short term. (See adjacent news item.)

"These two areas are right up in front. ... We need a clearer permitting process, one that does not

compromise any principles, but is clear. And we need access," Irwin said.

Large project permitting teams

He can speak first-hand about the state's permitting process because of his former role as general manager of the Fort Knox gold mine near Fairbanks. Irwin was part of a team of experienced mining employees working for Amax Gold who came to Alaska in 1992 to develop and permit what eventually became the state's largest open-pit gold mine.

Included in that original Fort Knox development team was Bill Jeffress, who recently left his Fort Knox position as manager of environmental services to take over as director of the state's Division of Governmental Coordination, which oversees the Alaska Coastal Management Program. The Murkowski administration has moved both DGC and the Department of Fish and

see IRWIN page 17



DNR Commissioner Tom Irwin

Greg Liles

ANCHORAGE

Commission finds general satisfaction in survey of customers

Consultants hired by Alaska Oil and Gas Conservation Commission surveyed agency's customers in December, found AOGCC generally respected

By Kristen Nelson
PNA Editor-in-Chief

Customers are generally satisfied with the work of the Alaska Oil and Gas Conservation Commission, a survey done for the commission in December has found, but there are some "rubs" in the process that need work.

Feb. 11, before new commission members were named (see story page 5 this issue), then-commission Chair Cammy Taylor, Commissioner Dan Seamount and former-Commissioner Mike Bill



Cammy Taylor, former AOGCC chair



Dan Seamount, AOGCC

updated Petroleum News Alaska on the results from the agency's customer survey.

Taylor said companies raised the issue during the budget process of how many people were needed.

"And Dan (Seamount) has asked since the first day he came here (Jan. 13, 2000), what do the companies think about that we're doing?"

The immediate trigger for the survey came last year, she said. The commission thought it "proac-

see SURVEY page 17

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Exploring Northwest Kuparuk, part one in a series

Over the next few weeks Petroleum News Alaska will carry a series of photo features chronicling the winter exploration program at the Northwest Kuparuk prospect, which is located in the shallow waters of the Beaufort Sea between Thetis Island and the Kuparuk River unit.

The oil companies involved are independents Pioneer Natural Resources Co., the operator, and Armstrong Resources LLC, which initially developed the prospect and brought Pioneer to Alaska. They hope to drill three wells at the prospect this winter, the first by either company in Alaska. Pioneer and Armstrong are also the first independents to drill on the North Slope without a major North Slope oil producer as a partner.



Clockwise from top, Catco's rollogon RD-105 with portable spray pump. Peak Oilfield Service Co.'s Trimmer at work with ice chips in foreground. AIC's ice road equipment builds the road to Oooguruk well's island.

Photos by
Judy Patrick



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Clockwise from top, Catco's equipment building island for Natchiq well. Alaska Interstate Construction's Trimmer makes ice chips for road and pad construction. Marker stick at Oooguruk indicating that 10 more feet is needed to finish island construction.

Photos by
Judy Patrick

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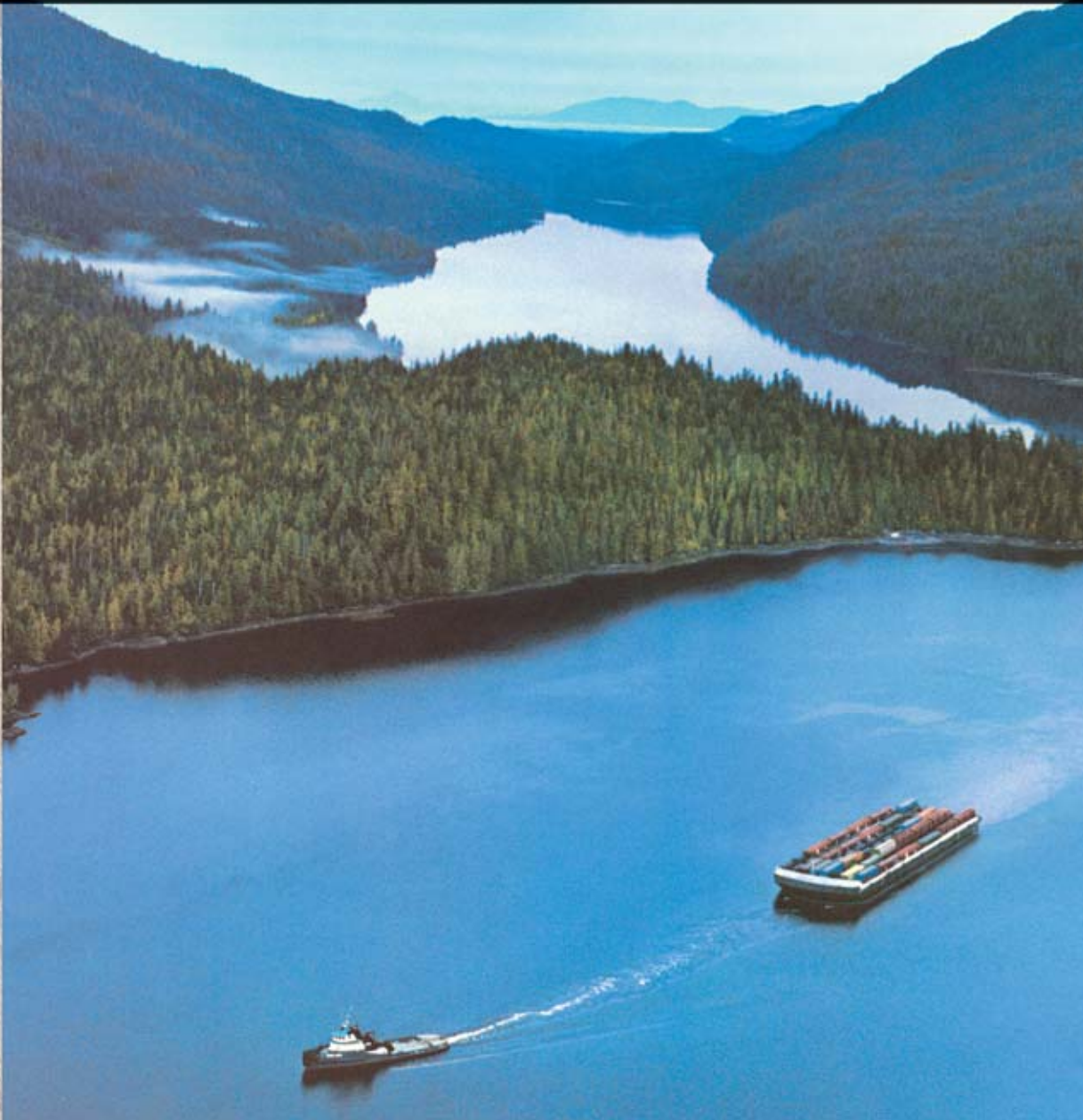
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BLM begins EIS for NPR-A development in connection with proposal from ConocoPhillips

The Bureau of Land Management said Feb. 18 that it plans to evaluate oil development in the northeast corner of the National Petroleum Reserve-Alaska and along the Colville River.

BLM said the plan calls for an environmental impact study in connection with a proposal from ConocoPhillips. The agency will evaluate prospective satellite oil fields that could lead to the first commercial oil production from the NPR-A by 2008. BLM said other oil from the Colville River area could begin flowing as soon as 2006.

BLM said it will serve as the lead agency, providing day-to-day coordination and direction for the Alpine satellite development plan EIS. Cooperating agencies include the state of Alaska, U.S. Army Corps of Engineers and the Environmental Protection Agency. BLM said it has selected Entrix, an environmental consulting firm, to assist in preparing the EIS. Work will begin following publication of a notice of intent in the Feb. 18 issue of the Federal Register.

Public scoping meetings will be held next month in Anchorage (March 6), Barrow (March 17), Nuiqsut (March 18) and Fairbanks (March 20).

"These meetings will help BLM identify issues, alternatives and potential mitigation as well as help provide resource, subsistence and other valuable information for the development of the EIS," BLM Alaska State Director Henri Bisson said in a statement.

"We want to ensure that the development of our natural resources are done in an environmentally sound manner," he said. The agency will accept scoping comments through March 31.

BLM has awarded leases on 1.5 million acres following two competitive lease sales in 1999 and 2002, which raised \$167.8 million in bonus bids, funds which the federal government shares 50:50 with the state of Alaska.



Bureau of Land Management

continued from page 1

SATELLITES

cessing; and (3) natural gas discoveries and the associated pipeline."

Additional exploration and delineation drilling are necessary for such discoveries, the company said.

Potential future development of satellites would be similar to those now proposed, with gravel roads, pads and airstrips, and pipelines taking production to Alpine for processing.

The Kuukpik area leases are in the Beaufort Sea at the mouth of the Colville River, adjacent to leases where Pioneer and Armstrong are drilling their Kuparuk Northwest prospect this winter.

"At this time it is estimated that up to 10 such satellite discoveries, in addition to the five discussed in this document, may be developed in this manner. The precise location of these discoveries is not known at this time but would generally be within 30 miles of Alpine due to engineering constraints," the company said.

It is also possible that large enough reservoirs may be found to justify stand-alone facilities, ConocoPhillips said. "The location and details of such a facility are not known at this time but would likely be similar to Alpine." Such a facility could have its own satellites.

"Although this scenario is not being proposed for any location at this time, with continuing exploration activity in the NPR-A it is possible that such a facility could be constructed in the future, most likely beyond the 30-mile radius around Alpine," the company said. The third category of project is gas: if there were a gas pipeline from the North Slope, "gas reserves in the NPR-A may be developed to provide gas for this pipeline. In such a scenario, gas processing facilities and pipelines could be constructed in the NPR-A."

ConocoPhillips included a map which "depicts a cluster of both (1) announced discoveries within the former Kuukpik unit approved by the state of Alaska, and (2) the surface locations in the CRU and Northeast NPR-A" where the company "has drilled an exploration well since 1999 or has permission to do so in the next few years."

The Kuukpik area leases are in the Beaufort Sea at the mouth of the Colville River, adjacent to leases where Pioneer and Armstrong are drilling their Kuparuk Northwest prospect this winter. The Kuukpik unit was terminated in 2001, after Kuukpik unit operator Phillips Alaska Inc. notified the state that it would not commit to drill a well in the unit before June 1, 2002, as required by the third plan of exploration for the unit. Six leases are held with certified wells: ADL 355036, ADL 355037, ADL 355038, ADL 355039, ADL 365577 and ADL 365578. Pioneer Natural

Resources Inc. is drilling the Ivik well this winter season on the lease just west of ADL 355036, and the Oooguruk on the lease just to the north of ADL 355036. Pioneer and Armstrong Resources LLC, which developed the drilling prospect, are working what they call the Kuparuk Northwest prospect.

Fiord and Nanuq under review

ConocoPhillips began permitting the two Colville River unit satellites, Fiord (Colville Delta North) and Nanuq (Colville Delta South) in 2000. In 2001 the company announced several discoveries of oil and gas accumulations on its leases in the northeast planning area of NPR-A and west of the Alpine facility. "Additional information has since been gathered from the NPR-A discoveries" the company said, and it "is now in the process of determining the commerciality of these prospects."

The three NPR-A prospects under evaluation are Alpine West, Lookout and Spark, all within approximately 20 miles of the Alpine central processing facility.

There are two sites operating at the Colville River unit now, CD-1 and CD-2. Proposed drilling site names for the satellites are: CD-3 (CD North, Fiord); CD-4 (CD South, Nanuq); CD-5 (Alpine West); CD-6 (Lookout); and CD-7 (Spark).

ConocoPhillips said the proposed Lookout (CD-6) and Spark (CD-7) satellites are on federal lease tracts owned by ConocoPhillips and Anadarko Petroleum Corp. The proposed Alpine West (CD-5) satellite is on lease tracts the partners own on Native land within NPR-A. CD North (CD-3) is on state-owned surface; CD South (CD-4) is on Kuukpik Corp. owned surface. The state and Arctic Slope Regional Corp. have subsurface ownership at CD-3 and CD-4.

CD North would include a standalone drilling pad connected to an airstrip and apron-taxiway by an access road. Access to the pad would be from Alpine by small aircraft or helicopter to the all-weather gravel strip.

ConocoPhillips said a winter development drilling program at CD North would "avoid impacts to wildlife and subsistence activities during summer months." Three to five winter drilling seasons would be required to drill up to 32 wells; a relief rig would require access via ice road. The drilling rig would be moved before break-up for use elsewhere during summer months.

The CD South (CD-4) satellite would include a gravel pad and a 3.6 mile all-weather gravel road to Alpine. Up to 32 wells would be drilled "on a scheduled that includes a seasonal compliment to the proposed CD North (CD-3) program," the company said. Pipelines from both satellites would connect to existing Alpine facilities.

NPR-A satellites

ConocoPhillips said "the NPR-A satel-

see SATELLITES page 13

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■ KENAI PENINSULA

Marathon looks to Falls Creek as part of Ninilchik unit development

Field is one of six in Cook Inlet, discovered but not-producing, which received royalty relief from the Legislature in the late 1990s, provided production begins by end of this year

By Kristen Nelson
PNA Editor-in-Chief

Marathon Oil Co. has submitted a plan to the Alaska Oil and Gas Conservation Commission Feb. 13 for the Falls Creek gas field. Falls Creek lies within the Marathon-operated Ninilchik unit on the Kenai Peninsula south of Clam Gulch.

It was one of six discovered but not producing Cook Inlet fields the Legislature made eligible for royalty

Marathon said the Falls Creek Unit No. 1 RD is currently shut-in awaiting the completion of the Kenai Kachemak pipeline and first gas delivery is planned for the fourth quarter of 2003.

relief in the late 1990s. Fields included in the program were discovered before Jan. 1, 1988, and were undeveloped or shut in from at least Jan. 1, 1988, through Dec. 31, 1997. Production for sale must begin before Jan. 1, 2004.

Gary Carlson, senior vice president of Forest Oil Corp., told the House Special Committee on Oil and Gas at an Alaska Oil and Gas Association presentation Feb. 18 that industry views the Cook Inlet royalty relief program as successful and noted that the five-year deadline forced companies to move more quickly. With a re-drill planned at Cosmopolitan (Point Starichkof), he said, companies are now producing or working to bring into production all six fields identified in the legislation. The fields are: Falls Creek, Nicolai Creek, North Fork, Point Starichkof, Redoubt Shoal and West Foreland.

Under the program royalties for the fields are reduced to 5 percent for the first 25 million barrels of oil and the first 35 billion cubic feet of gas produced in the 10 years following the beginning of production for sale.

The role assigned to the AOGCC

relates to the Alaska hire and Alaska contractor goals which the Legislature included in the program. Companies wishing to take advantage of the royalty reduction submit a plan to the commission. If the plan contains a voluntary agreement by the lessee to use its best efforts to employ residents of Alaska consistent with law and to contract with firms in the state for work in connection with the development of the field, the commission holds a public hearing with 45 days of receipt of the plan and approves the plan.

The Falls Creek hearing is scheduled for March 13.

Marathon field operator

Marathon is the field operator at Falls Creek, and owns 50.45 percent of working interest in leases at the field. Other working interest owners include Unocal Oil Co. (33.64 percent) and Phillips Alaska Inc. (15.91 percent), Marathon said in its application.

Standard Oil Company of California discovered gas in the Tyonek formation at the Falls Creek Unit No. 1 well, drilled in 1960-61. Several intervals were tested, Marathon said, and three Tyonek intervals were productive. The interval from 7,562 feet to 7,600 feet measured depth was extensively tested in June 1961, and had a stabilized flow rate of 1,980 thousand cubic feet a day and 2.2 barrels of water a day over two days.

The well was subsequently shut in.

Marathon re-drilled the Falls Creek Unit No. 1 in 2001 and tested the Tyonek T-3 reservoir between 8,714 feet and 8,750 feet MD in April 2002. The company said the calculated 24-hour flow rate for this reservoir is 6,687 mcf a day with no associated oil or water production.

Falls Creek Unit No. 1 RD is the only well in the field.

Falls Creek field gas reserves occur on two state oil and gas leases, ADL 590 and ADL 389737.

Awaiting pipeline

Marathon said the Falls Creek Unit No.

include a gravel pad and an all-weather gravel road, approximately 10 miles, connecting to Alpine West (CD-5).

Spark (CD-7) would be on BLM oil and gas lease AA081802 in sections 16, 17, 20 and 21 of T10N-R2E, UM, and would include a gravel pad and a six-mile all-weather gravel road connecting to Lookout (CD-6).

Timeframe

ConocoPhillips said the satellites "may be constructed simultaneously or independently." Under a typical schedule, the company said, "construction of an ice road, the access road, drilling pad and pipelines would be completed in the first and second winters after permit approval for each individual satellite."

After gravel is placed, development drilling and workover operations "would continue intermittently throughout the life of the field."

Construction and final road compaction and grading and some facilities installation would occur in the third year and final installation of facilities, pipeline, utilities and oil production start-up would begin in the third year.

The company does not provide an estimate for pre-construction, which includes environmental studies, permitting and engineering. ♦

1 RD is currently shut-in awaiting the completion of the Kenai Kachemak pipeline and first gas delivery is planned for the fourth quarter of 2003.

"Once production is established and the associated data is obtained, the field will be developed as appropriate," the company said.

Marathon said it is accepting applications for four production operator positions to assist with bringing the Ninilchik unit — which includes the Falls Creek field — into production and said it expects to complete any work necessary

to bring the field into production using its current Kenai employees and its current contractors.

Marathon said it has an annual Alaska operating and capital budget of more than \$75 million and its 33 Anchorage employees and 19 Kenai employees are all Alaska residents. The company said its goal is to fill all its new Alaska staff positions with Alaska residents and noted its numerous oil and gas lease agreements with Cook Inlet Region Inc. obligate it to use its best efforts to preferentially hire CIRI shareholders. ♦

KENAI PENINSULA

Alaska Crude applies to reenter, test well

The Alaska Oil and Gas Conservation Commission said Feb. 14 that Alaska Crude Corp. has applied for a spacing acceptance to allow it to reenter and test the Moose Point Unit No. 1 exploratory gas well. The surface location of the vertical well is 2,124 feet from the east line and 2,512 feet from the north line of section 14, township 9 north, range 9 west, Seward Meridian.

The well falls within 1,500 feet of a property line, hence the application for the spacing exception. The commission said it has tentatively scheduled a public hearing for March 18, but if it receives no requests to hold the hearing, it will consider making a decision on the application without a hearing.

The Moose Point well, some 25 miles northeast of Kenai, was drilled in early 1978 by Amarex Inc. The well was had a total depth of 10,058 feet. It was logged and drill stem tests were run. The well was suspended in March 1978 and plugged and abandoned a year later.

The Moose Point well is north of the Birch Hill gas field on a 4,800-acre lease for which Richard E. Wagner paid \$5.01 an acre in the 2001 Cook Inlet areawide lease sale.



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continued from page 12

SATELLITES

lites are in the early stages of planning" to all estimates of gravel volumes and lengths of roads and pipelines are approximate. Utility lines — power and communication — would be suspended on vertical support members or buried in the gravel road. Local power generation may be used at Lookout (CD-6) and Spark (CD-7).

"The satellites would be services and maintained by crews based at Alpine, and 20 to 30 wells would be drilled at each location."

Alpine West (CD-5) will be in section 8 of township 11 north, range 3 east, Umiat Meridian, on Arctic Slope Regional Corp. oil and gas lease NPR1. CD-5 would be approximately six miles south-southwest of Alpine and west of the Nigliq Channel of the Colville River. ConocoPhillips said one Alpine West exploratory well was drilled from the CD-2 pad in 2001.

The CD-5 satellite would include a gravel pad and a three-mile all weather gravel road and vehicle-capable bridge across the Nigliq Channel, beginning near CD-2 on the existing gravel road that connects CD-2 with Alpine. Lookout (CD-6) would be on BLM oil and gas lease AA081819 in section 25 of T11N-R2E, UM, and would



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Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission Re: Sterling Unit Well No. 43-9. Sterling Gas Field Unit, Aquifer Exemption Order, Kenai Peninsula, Alaska. Marathon Oil Company by letter dated October 17, 2002, has applied for an Aquifer Exemption Order for Sterling Unit Well No. 43-9 pursuant to 20 AAC 25.440. The Commission has tentatively set a public hearing on this application for March 11, 2003 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on February 24, 2003. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on March 10, 2003, except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on March 11, 2003. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before February 28, 2003. Cammy Oechsli Taylor, Chair. Published Date: February 7, 2003, ADN AO# 02314029, Clarion AO # 02314031

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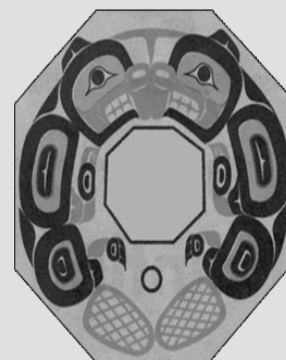
Mechanics: Summary: Responsible for the operability, maintenance and repair of all drill-rig related machinery and support equipment such as engines, motors, pumps, winches, pneumatic tools and conveyor systems as directed by the rig toolpusher. Essential Duties: Works on the following: Drill rig top drive systems, Drill rig draw work systems, Drill rig mud pumps, SCR systems, Caterpillar and Detroit Diesel engines, Allison transmissions, air conditioners, glycol, hydraulic and pneumatic systems, Drill rig heating and heat distribution systems including boilers and fans.



Fire Maintenance Technician- Prudhoe Bay, Alaska Recruiting Authorization No.1329 Summary: Provides hands-on maintenance, repair, testing and inspection of fixed and portable fire protection systems and equipment. Responsible for the operational readiness and maintenance of assigned mobile fire fighting apparatus and equipment. Trains client and contractor employees in the use of safety and fire fighting equipment and procedures. Essential Functions: Inspects, services, maintains and repairs portable and wheeled fire extinguishers, installed fire protection systems (Halon, Dry Chemical, CO2, Deluge, Foam, Sprinkler, Standpipes, Hydrants, Division Valves), respiratory protection and breathing air equipment (SCBA, Air Line, Escape Paks, B/A Cylinders, and B/A Compressors). Conducts performance tests on facility firewater systems and mobile fire apparatus. Conducts classroom and fireground training activities for the Emergency Response Team and employee training on fire protection and respiratory protection equipment. Assists Safety Specialists and Industrial Hygienists in the performance of their duties. Functions as crew chief on mobile fire fighting apparatus and as a member of the Rescue Team and/or Hazardous Materials Response Team. Directs emergency response crews during training and emergency operations. Maintains records and reports. Routinely performs safety and productivity observations; shop, field, and vehicle inspections; and is required to attend various components of technical, developmental and safety training. Must demonstrate support for the company's environmental management system objectives. Respiratory Specialist Functions: Inspects, repairs and tests airline supply respiratory equipment and systems field wide for safe operation. Trains employees in use and operation in respiratory protection equipment. Performs respiratory fit testing; service and maintenance on breathing air compressors; service and maintenance on personal protective equipment; and maintenance on fire extinguishers, division valves, halon, deluge, CO2 and dry chemical extinguishing systems. Flow test and calibrates SCBA regulators. Flow test, repair or replace SCBA and SAR masks. Service, repair, and hydrotest of breathing air, SCBA, fire extinguisher, halon and other high and low pressure cylinders. Collects quarterly air sample on all breathing air compressors and ships to Independent Lab for analysis. Inspects, repairs and tests eyewash units field wide for safe operation. Maintains inventory for respiratory equipment and assigned eyewash units. Functions as crew chief during emergency responses, fireground operations and training exercises. Qualifications: Five (5) years related experience preferred. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate adherence to established safety policies and procedures. Must possess a good working knowledge of fixed and portable fire protection equipment; installed fire extinguishing systems with emphasis on Halon 1301 systems; and mobile fire apparatus operations and related equipment. Must have keen working knowledge of fireground operations and be capable of directing fire fighting crews during emergencies, drills and routine training activities. Must have working knowledge of crane hand signals. Must obtain a State of Alaska Class III A certification for maintenance of special hazards systems and a State of Alaska Level III permit for maintenance, service, inspection and hydrotesting of portable fire extinguishers and obtain DOT registration for use of high-pressure hydrotest equipment. Must possess a current driver's license. Arctic experience preferred. Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level Please submit your resume to: Recruiting Department 949 E. 36th Avenue Suite 500 Anchorage, AK. 99508 Email Resume to: Alaska.Careers@VECO.com or fax (907) 550-8890 Veco Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization

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Legal Notice

Notice of Public Meetings Alaska Oil and Gas Conservation Commission Under the Open Meetings Act (AS 44.62.310), notice is given that the Alaska Oil and Gas Conservation Commission will meet in public meetings on March 5, 12, 19, 26, 2003, April 2, 9, 16, 23, 30, 2003 and May 7, 14, 21, 28, 2003 at 9:00 AM in the Commission's Conference Room in Anchorage, Alaska at the address below. The Agenda may include: general commission business including personnel; regulation matters; policy and budget matters; oil and gas conservation issues; legislative issues; and agenda items deferred from prior meetings. The public is invited to attend the meetings, however, commission business meetings do not provide for public testimony. A finalized agenda will be prepared and posted at the Commission's office by noon of the workday before each of the scheduled meetings. Circumstances may cause items to be either added or deleted from an agenda. If you have any questions about the agenda, please contact Jody Colombie at the Alaska Oil and Gas Conservation Commission, 333 W. 7th Avenue, Suite 100, Anchorage, Alaska 99501, (907) 793-1221. If you are a person with a disability who may need special accommodation in order to attend the public meeting, please contact Jody Colombie at the address or phone number indicated above as soon as possible but at least 72 hours before the accommodation is needed, to ensure that any necessary accommodations can be provided. Cammy Oechlsi Taylor, Chair. Published February 13, 2003, ADN AO# 02314033.



Foreman - Drilling Support Dispatcher - Prudhoe Bay, Alaska Summary:

Primary contact between the client representatives in the field, receiving technical data and recording information on tracking log system to update reports for various clients and company departments. Dispatching of men and equipment to perform the various jobs in the field. Essential Functions: Schedules jobs, procures procedure data, fluid

requirements, equipment requirements, personnel requirements and coordinates contractor personnel and fluids dispatching. Prepares and records data necessary to maintain logbooks, reports, assembles and maintains a database file system required for the administration of the Drilling Support group. Routinely performs safety and productivity observations; shop, field, and vehicle inspections; and is required to attend various components of technical, developmental and safety training. Must demonstrate support for the company's environmental management system Qualifications: Must have at least five years experience in oil field fluid transfer, hauling and dispatching, with a minimum of two (2) years of leadership responsibilities. Must be computer literate, with knowledge of client computer systems a plus. Must have a basic equipment background and training on vacuum/ tanker trucks, Super Sucker/Guzzler trucks, bed tandem trucks and a thorough knowledge of the Client's fluids transfer policy. Must be knowledgeable in safe operation of the various equipment and be able to train others in such. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate commitment to established safety policies and procedures. Driver's license required. Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee is occasionally required to access mechanical, electrical, and utility systems in performing equipment inspections. Employee's duties will require sitting the majority of each work shift. FINE MOTOR SKILLS: Occasionally required to use hands and fingers with sufficient dexterity to perform close and exacting tasks. Employee's duties will require frequent use of the computer. HEARING: Must be able to hear audible safety warnings and alarms. VISUAL ACUITY: Specific vision abilities required by this job include close vision. Vision must be adequate to perform above listed tasks in a safe manner. LIFTING: The employee is occasionally required to lift and/or move up to 50 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is occasionally exposed to severe arctic weather conditions. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. Please submit your resume to: Recruiting Department 6411 A. Street Anchorage, AK. 99518 Email Resume to: Alaska.Careers@VECO.com or fax (907) 550-8890 VECO Alaska Job Website: www.veco.com VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization



Equipment Operators - Prudhoe Bay, Alaska EQUIPMENT OPERATOR –

DRILLING SUPPORT VAC TRUCK/BED TANDEM/WATER TRUCK/SUPER SUCKER/GUZZLER/LOADER DRILLING SUPPORT Summary: Drives and operates heavy equipment and fluid transport trucks. Essential Functions: Drives and operates heavy equipment and fluid transport trucks. Routinely performs safety and productivity observations; shop, field, and vehicle inspections; and is required to attend various components of technical, developmental and safety training. Must demonstrate support for the company's environmental management system Qualifications: Each level describes qualifications that may be in addition to those listed at lower levels. Level 200 Related work experience preferred. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate adherence to established safety policies and procedures. Must possess Class A CDL with TX endorsements and have the ability to drive a tractor/trailer combination. Must provide current driving record, driver's physical exam medical certification card, and copy of current CDL. May be required to pass a road test given by a qualified VECO supervisor. Level 300 Previous operation of light/heavy duty trucks, tractor/ trailer, various loaders/forklifts, and bed tandems in construction or oil industry required. Must demonstrate knowledge of applicable equipment (e.g. vac truck, water truck, bed tandem or Super Sucker/Guzzler) as well as knowledge of applicable policies, equipment operation and safety issues. Must demonstrate ability and knowledge of all loading and off loading facilities. Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level. Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is required to sit. Must be able to access all areas described in above job description. HEARING: Must be able to hear audible safety alarms and warnings. VISUAL ACUITY: Vision must be adequate to perform above listed tasks in a safe manner. LIFTING: The employee must regularly lift, pull and/or move up to 50 pounds, and occasionally lift and/or move up to 70 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is occasionally exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. Please submit your resume to: Recruiting Department 6411 A. Street Anchorage, AK. 99518 Email Resume to: Alaska.Careers@VECO.com or fax (907) 550-8890 VECO Alaska Job Website: www.veco.com VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization

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STATE OF ALASKA ANNOUNCES TWO OIL AND GAS LEASE SALES NORTH SLOPE FOOTHILLS AREAWIDE 2003 COOK INLET AREAWIDE 2003



The Alaska Division of Oil and Gas (DO&G), will offer lands for competitive leasing in North Slope Foothills Areawide 2003 and Cook Inlet Areawide 2003 oil and gas lease sales on May 7, 2003. Sealed bids must be received by DO&G by 4:00 p.m. local time on May 5.

North Slope Foothills Areawide 2003

Bidding Method: Cash bonus – minimum bid on all tracts – \$5 per acre.
Fixed Royalty Rate: 12.5% – all leases.
Term: 10 years – all leases.

Cook Inlet Areawide 2003

Bidding Method: Cash bonus – minimum bid on all tracts – \$5 per acre
Fixed Royalty Rate: 12.5% – all leases.
Term: 7 years – all leases.

Annual Lease Rental

\$1.00/acre for the first year, \$1.50/acre for the second year, \$2.00/acre for the third year, \$2.50/acre for the fourth year, and \$3.00/acre for the fifth and following years.

Bidder's Information

Visit division's website, www.dog.dnr.state.ak.us/oil for complete Sale Announcements, Instructions to Bidders, Bid Forms, and Regional Tract Maps. If unable to access this information, contact Suzanne Gaguzis, (907) 269-8803, email at msg@dnr.state.ak.us.

PNA CLASSIFIEDS



General Maintenance Tech - Drilling Support - Prudhoe Bay, Alaska

Recruiting Authorization No. 2225 Summary: Performs various manual, unskilled, and/or skilled tasks as required for Drilling Support and VAI Base operations. This position will be assigned primarily to the VAI Base wash rack facility. Essential Functions: Routinely performs safety and productivity observations; shop, field, and vehicle inspections; and is required to attend various components of technical, developmental and safety training. Must demonstrate support for the company's environmental management system objectives. Each level describes job duties that may be in addition to those listed at lower levels. 100 Level Performs manual labor supporting all field and shop and wash rack activity. Duties will vary according to project needs, but may include cleanup, heavy labor such as shovelling, cleaning interior and/or exterior of tanks, vacuum trucks, Super Suckers/Guzzlers and tankers, or working with and assisting skilled or semi-skilled crafts in the performance of their tasks. This may include lifting, carrying and holding materials in support of other crafts, cleaning tools, equipment and work areas. May deliver non-mobile equipment such as light plants and heaters to the field. 200 Level Performs manual labor, unskilled, and/or skilled tasks that are not covered by a skilled craft. May assist skilled or semi-skilled crafts in such areas as carpentry, rigging, mechanics, tire repair and welding. Depending on assignment may be required to prepare and process various types of documentation including permits and perform data input into database of work performed. May operate a loader. 300 Level Performs various skilled and/or unskilled tasks as required for Drilling Support and VAI base operations. May perform duties including light mechanical work; scaffold erection, maintenance and disassembly, rigging and bolt up; and outside building maintenance. May operate boom truck (requires training and a minimum Class B CDL). Note: Skills tests may be required of new hires to demonstrate core proficiencies or of existing employees to advance to a new job level. Qualifications: Each level describes qualifications that may be in addition to those listed at lower levels. 100 Level (General Labor) Related work experience preferred. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate adherence to established safety policies and procedures. Driver's license required (note that this requirement may be waived at the company's discretion for employees hired on a temporary basis). 200 Level Minimum of one (1) year related experience preferred. 300 Level Minimum two (2) years related experience preferred. Must be able to work with minimal supervision and be capable of performing assigned tasks with limited general technical guidance. Must have a general understanding of basic mathematics. Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level. Physical Requirements The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is occasionally required to sit. Must be able to access all areas of a facility, including climbing scaffolding and ladders. Depending upon assignment, work may involve hard physical labor. HEARING: Must be able to hear audible safety alarms and warnings. VISUAL ACUITY: Vision must be adequate to perform above listed tasks in a safe manner and be able to correctly interpret control panel alarms. LIFTING: The employee must regularly lift and/or move up to 50 pounds, and occasionally lift and/or move up to 70 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is occasionally exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. Please submit your resume to: Recruiting Department 6411 A Street Anchorage, AK. 99518 Email Resume to: Alaska.Careers@VECO.com or fax (907) 550-8890 VECO Alaska Job Website: www.veco.com VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization.

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Painters Ref: 3/24
Hazmat Trans: 2/26-28
Confined Space: 3/4-5

Legal Notice

Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission Re: Aurora Oil Pool, Prudhoe Bay Field, Area Injection Order Modification. BP Exploration (Alaska), Inc. by application dated December 9, 2002, has applied for a modification to Area Injection Order No. 22 to authorize use of miscible injectant to enhance recovery from the Aurora Oil Pool, Prudhoe Bay Field, on the North Slope of Alaska. The Commission has tentatively set a public hearing on this application for March 4, 2003 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on February 19, 2003. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on February 28, 2003 except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on March 4, 2003. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before January 31, 2003. Cammy Oechsli Taylor, Chair. Published Date: January 28, 2003, ADN AO 02314028.



Lead - Drilling Support - Prudhoe Bay, Alaska

Recruiting Authorization No. 2224 Summary: Working under the supervision of a supervisor, provides day-to-day direction to work crew. This position will be assigned to the VAI Base wash rack facility. Essential Functions: Remains on site as single point of contact for work crew. Supervises and/or directs other employees. Examines work and materials for compliance with specifications. Accountable for safe work practices. Provides leadership to work crew in accordance with attached Team Leader expectations. Performs craft job duties as required. Will be required to use a computer to enter information in to a spreadsheet and/or a database. May be responsible for recording and reporting daily labor hours to timekeeper. Must have or receive BP "Red Book Generator training" and will be responsible for filling out fluid and solids waste manifests. Leads will be assigned to work crews based on job requirements. Job requirements will be evaluated based on a number of factors, including size of crew, work complexity, and any applicable state or federal requirements. Routinely performs safety and productivity observations; shop, field, and vehicle inspections; and is required to attend various components of technical, developmental and safety training. Must demonstrate support for the company's environmental management system. Qualifications: Minimum of five years experience in petrochemical environment preferred. Must possess the knowledge, ability and skills to direct other craftsmen. Experience with craftwork being performed strongly preferred. Must be well versed in operations, safety and environmental practices and policies. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate adherence to established safety policies and procedures. Driver's license required (note that this requirement may be waived at the company's discretion for employees hired on a temporary basis). Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is occasionally required to sit. Must be able physically able to access all mechanical, electrical, and utility systems. FINE MOTOR SKILLS: Frequently required to use hands and fingers with sufficient dexterity to perform close, exacting and repetitive tasks. HEARING: Must be able to hear audible safety alarms and warnings. VISUAL ACUITY: Specific vision abilities required by this job include close vision. Vision must be adequate to perform above listed tasks in a safe manner. LIFTING: The employee must regularly lift, pull and/or move up to 50 pounds, and occasionally lift and/or move up to 70 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is occasionally exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. TEAM LEADER EXPECTATIONS • Promote safety in the team environment as an integral part of the business process. • Demonstrate your commitment to a safety culture that is incident and injury free. • Promote environmental stewardship. • Conduct responsibilities with the highest degree of financial integrity and business ethics. • Know and comply with all applicable regulations seeking assistance, as required, from the appropriate authority. • Treat all workers with respect and dignity. • Represent Veco and client interests with highest degree of professionalism and integrity. • Develop understanding of Veco's safety, human resources and business procedures. • Deal in all issues from a factual basis avoiding rumor and innuendo. • Treat employees fairly and consistently. • Provide frequent performance feedback to team members. • Contribute to team member evaluations on a consistent basis. • Develop and maintain a highly efficient and effective alternate relationship. • Maintain a clear understanding of your level of authority and operate within that authority. • Maintain communication with supervisors and your team to assure continual alignment with contract objectives. • Lead team to accomplish goals and objectives established by management. • Assist in assessing team member performance and assist in skill development. • Encourage upward feedback from team members. • Know who your customers are and provide the best service practical. • Identify and use resources both in and outside the organization to enhance processes. • Continually seek improvement in processes. • Promote a sense of ownership in all activities. • Encourage team member participation in activities that promote community enhancement. 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Legal Notice

Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission Re: Moose Point Unit No. 1; ADL 389922; Section 14, T9N, R9W, SM, AK; Kenai Peninsula Borough, Alaska. Alaska Crude Corporation by application dated January 23, 2003 and received by the Alaska Oil and Gas Conservation Commission ("Commission") on January 28, 2003, has applied for an order allowing a spacing exception in accordance with 20 AAC 25.055 for the re-entry and testing of the Moose Point Unit No. 1 exploratory gas well. The surface location of the well is 2,124' FEL, 2,512' FNL, Section 14, T9N, R9W, Seward Meridian ("SM"). This vertical well falls within 1,500 feet of a property line. The Commission has tentatively set a public hearing on this application for March 18, 2003 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on March 3, 2003. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on March 17, 2003 except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on March 18, 2003. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before March 4, 2003. Cammy Oechsli Taylor, Chair, Alaska Oil & Gas Conservation Commission. Published Date: February 14, 2003, ADN AO # 02314034. Published Date: February 14, 2003, Clarion AO # 02314035.

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THE REST OF THE STORY

continued from page 9

SURVEY

tively addressed some issues with a particular company — and we learned later that from the company's perspective, it was very different." The company, which Taylor did not name, saw roadblocks and hurdles where the commission did not.

The commission decided it needed try to understand how people outside the agency viewed how it was doing its job. An outside firm, PGS, was hired to interview the agency's customers and compile a report.

"What was important to us was to find out candidly what people had to say," Taylor said.

Decision-specific questions

The questions that PGS asked about the commission's work were "tailored around the kinds of decisions that companies generally get from us: permit to drill, application for sundry approval and assorted conservation orders," Taylor said.

In January, commissioners and senior staff participated in a workshop where PGS rolled out survey results.

Seamount said recommendations and comments from the commission's customers — as well as commission and staff knowledge — were used in what PGS called a "process design workshop."

"We diagrammed the business process," Bill said.

Diagrams were done "for three different processes that we have: one was sundry applications; one was permit to drill; and the other one was the conservation orders," Seamount said.

Survey results were added to the diagrams of work flow, identifying "what they called the rubs," Taylor said. "Either because we internally had identified them as a problem. Or the companies had identified a problem."

Unfamiliarity, who to contact

Rubs, said Seamount, included such things as "unfamiliarity with the regulatory requirements," not knowing who to contact at the commission and "insufficient clarity of permit requirements." Sixteen rubs were identified for sundry applications, 26 for



Mike Bill, former AOGCC commissioner

The survey results also included "a number of comments recognizing significant improvements made over the last year or two." —former AOGCC Chair Cammy Taylor

conservation orders and 21 for permit to drill applications.

"The results of the survey were generally really positive," Seamount said.

The survey firm has "done work for other state agencies and other regulatory agencies," Taylor said. "And I think what impressed them was that for a regulatory agency, the response was very favorable." PGS found that the commission "compared very favorably with regulators in other jurisdictions with which those interviewed had had experience," she said.

The survey results also included "a number of comments recognizing significant improvements made over the last year or two," Taylor said.

Examples, contacts requested

Seamount said that one of the agency's performance measures is the time it takes to issue a drilling permit (see chart in Feb. 16 issue of PNA). That has been tracked per quarter for the last three years, he said, and has gone down from 17-21 days to 10-14 days. Bill said the commission's process takes longer for conservation orders because of the public process: the commission has to publish notice and set a hearing date.

Drilling permit requirements are very specific, Taylor said: "But if you were asking for a conservation order for pool rules, there's nothing in the regulations that says you must give us the following information."

That could be solved, she said, with examples on the commission's web page.

Another request which could be solved on the web page is information on the right contact at the commission for a specific thing, she said.

The survey also found a conflict between "almost too much written guidance" and "not specific written guidance."

Taylor said this is "fairly common in the regulatory world: some people want to make sure that they have very specific guidelines ... (and) some people perceive that as being too restrictive" where a variance may be appropriate for new technology or a slightly different kind of project. ♦

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IRWIN

Game Habitat Division's regulatory responsibilities into DNR, putting the department front and center for permitting future development projects.

Irwin complimented the permitting process used by the state's large mine project team in the early 1990s.

"We had great success with the large mine project concept when Fort Knox was permitted. It's our intent to use that concept in permitting any large project statewide, to expand it into all natural resource developments," Irwin said.

"There's a huge cost for mob (mobilization) and demob. Too many dollars are going into mob and demob, and they are not going into drilling holes." —DNR Commissioner Tom Irwin

Basically, the process involves DNR supplying a project manager to serve as the point of contact between industry and agencies. Other state agencies report to that project manager; federal agencies are also invited to join the team.

Irwin describes the team concept as efficient and a way to keep the permitting process on track with the different agencies' priorities.

"You are acquiring the priorities and making the system move efficiently," he said. "All the issues are addressed by people with decision-making authority, who can coordinate these issues."

Improved access could spark development

Irwin also points to road development on the North Slope as a way to stimulate additional oil and gas development. He briefly discussed a road to Nuiqsut, a concept that has already received attention from planners with the state Department of Transportation and Public Facilities.

"To encourage more exploration, we need access," Irwin said. "The winters seem to be getting colder later, and warmer earlier. There's a huge cost for mob (mobilization) and demob. Too many dollars are going into mob and demob, and they are not going into drilling holes."

He compared Alaska's exploration work with that in Canada, where he said that "thousands of holes are being drilled ... to do that, they drive roads in there."

"I'm not saying we need to put roads everywhere, but we need to figure out how to provide better access," he added.

Additional access will aid both existing producers and new companies exploring Alaska's North Slope, Irwin said, something he's discovered during recent talks with various oil and gas companies.

"Independents need access to ground," he said.

The new administration's message to industry, Irwin said, is "... to make things more cost effective, without losing protection of the Alaskan environment."

Division heads soon to be named

Irwin, who was named head of DNR in mid January, has yet to announce three other key positions within the department. Those positions include director of the Division of Oil and Gas, director of the Division of Mining, Land & Water and director of Forestry.

Mark Myers, who has served as director of Oil and Gas, is "incredibly capable," Irwin said. "I've spent more time with Mark than any other single person on the job. I'm very pleased with Mark's knowledge on what is really the most critical part of the state."

People are Irwin's number one priority, he added. "You've got to build the right team."

Those three key positions will be announced in less than two weeks, Irwin said. "I'll make my decision soon," he said. ♦

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INCENTIVES

sonably priced access by other companies when there is excess capacity available," he said.

Another impediment to development cited was the lack of roads on the North Slope. The state is "taking a very serious look at (building) a state road to Nuiqsut," Murkowski said.

Another impediment to development that he would like to see removed is the "high cost" of transporting oil through the trans-Alaska pipeline system.

The administration is "in the process of meeting with Alyeska Pipeline and the (TAPS) owners to review what steps could be taken to lower the costs for transportation," the governor said.

Murkowski would like to see the trans-Alaska pipeline tariff lowered by "50 cents to a dollar or more over the next few years."

The administration is "in the process of meeting with Alyeska Pipeline and the (TAPS) owners to review what steps could be taken to lower the costs for transportation," the governor said.

More development on western North Slope

The governor is also in discussions with ConocoPhillips Alaska, Anadarko Petroleum Corp. and the Bureau of Land Management, trying to accelerate the development of oil and gas fields on state lands in the vicinity of the National Petroleum Reserve-Alaska and ConocoPhillips' nearby Alpine field. (See related news item on page 1, top story.)

"There are multiple fields with substantial potential now being considered for development in this area," Murkowski said.

—Kay Cashman, PNA publisher & managing editor

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Business Spotlight



Rick Wilson, marine operations manager

American Marine Corp.

American Marine Corp., a full-service marine operation, is headquartered in Honolulu and has offices in Anchorage and Long Beach, Calif. Specialties are marine construction, commercial diving, ocean rescue and salvage, oil spill response, pipeline installation and repair, and tank cleaning and repair.

Rick Wilson is marine operations manager. He's a commercial diver who has worked on tugs between Alaska and the mainland since 1989. Rick moved to Alaska from Seattle in May and is still wondering when winter will start. His new blended family includes a 12-year-old daughter and 14-year-old twins, a boy and a girl. They are all awesome, says Rick. Frequent trips to the home office necessitate regularly surveying the island on two wheels and reporting on surf conditions.



Cathy Janigo, Chenega's director of sales and marketing

Hawthorn and Clarion Suites

Two downtown Anchorage hotels are owned and operated by the Chenega Native Corp. — Hawthorn Suites at 1110 West 8th and Clarion Suites at 325 West 8th. The hotels have offered added value to their customers since 1998. Deluxe two-room suites, free breakfasts, airport shuttle and free parking are offered at the same price of standard hotel rooms.

Cathy Janigo is Chenega's director of sales and marketing. She's been in the Alaska travel and visitor industry for 15 years and joined the corporation two years ago. An Alaskan for 22 years, Cathy can't imagine ever leaving her wonderful network of friends and family, nor the great adventure opportunities she enjoys. Just a few are snow machining, skiing, biking and fishing.

THE REST OF THE STORY

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ANWR

lease sale proceeds might flow into state coffers in time to offset the depletion of the constitutional budget reserve. The injection of ANWR lease dollars could give the state breathing room to get the gas line and other new developments on line for support of the state budget into the future.

Under the expected 50-50 revenue split, Alaska would receive half of the \$2.4 billion the Bush administration estimates a lease sale would bring in. The president's proposed budget, released Feb. 3, calls for Congress to open the refuge to oil drilling and begin leasing tracts to oil companies in 2005.

Speaker of the Alaska House of Representatives Pete Kott told the Resource Development Council's annual conference Nov. 21 there would be an \$800 million draw on the constitutional budget reserve in 2003, leaving, at that rate, about a year and a half reserve in the fund.

Roger Herrera, Arctic Power's Washington, D.C., coordinator, said in remarks to the Resource Development Council in Anchorage Dec. 5 that if a bill with a provision to open ANWR is signed this spring, the first lease sale on the coastal plain could occur before the next election. Economically, there is nothing on the horizon for the state with the immediate impact of ANWR, he said.

"In my opinion, from viewing the politics of this issue, the short-term immediate benefits of ANWR to the state of Alaska far exceed any other issue that's on the agenda of Congress, including the gas pipeline," Herrera said. "The sale could bring in hundreds of millions, if not billions of dollars to the state of Alaska."

U.S. Sen. Ted Stevens says opening the Arctic National Wildlife Refuge to oil exploration in 2003 will be tough, but possible.

"That's our job this year — to see if we can get that done," Stevens told the Anchorage Chamber of Commerce Dec. 16.

EIS and seismic needed

Ken Boyd, a former director of the state's Division of Oil and Gas told Petroleum News Alaska the state might see leasing revenue in three years or so from the date Congress authorizes opening ANWR.

A North Slope gas line needs an energy bill to proceed, and possibly state financial incentives as well, whereas ANWR probably would fly on its own merits, Boyd said, but, he added, once congressional approval is obtained there are a number of other issues to be worked out.

"We've got to think about some things," he said. "Will the whole 1002 area be leased at once?"

Areawide leasing has worked better for the state as opposed to nominated leasing, he said. Areawide leasing allows bidders to lease entire prospects at once.

"You don't cut prospects in half," Boyd said.

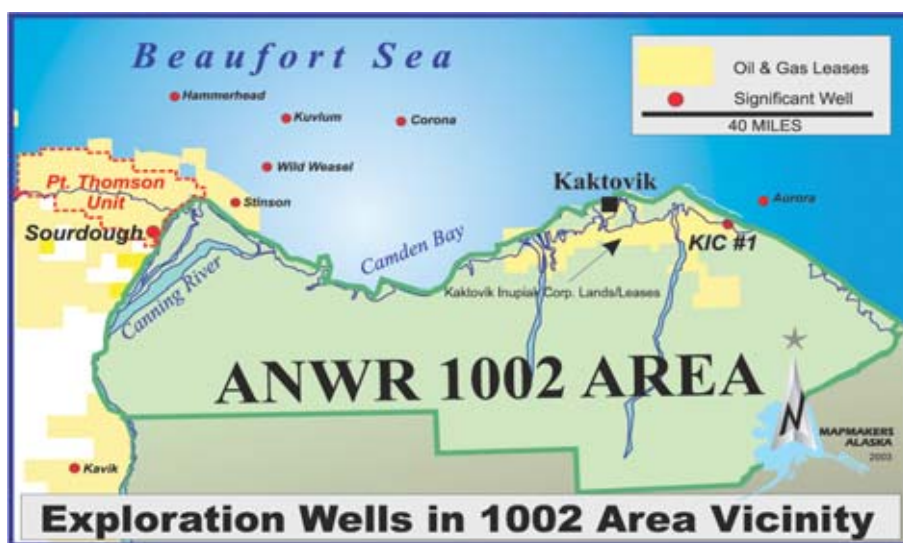
Areawide leasing also eliminates the uncertainty of when the next sale will be, he said.

Making the entire exploration area available at once would likely return the highest amount from bids, but there is more to it than just holding a sale. An updated environmental impact statement is needed, for instance.

"I can't imagine you could have a lease sale until you know what the rules are," Boyd said, adding that refreshing the EIS is probably an 18-month process.

The EIS could affect the amount of the lease proceeds.

"Hopefully, the EIS doesn't produce onerous stipulations that are costly," Boyd said.



After the EIS, the next issue is how and when to gather seismic data on the coastal plain. "Do you lease right now or allow a season of seismic?" Boyd said. "Seventeen year old 2D is all that's out there. Everybody has the same seismic — that's sort of interesting."

Boyd, who participated in planning the shoot of existing seismic data, said there needs to be a strategic plan to approach seismic data gathering.

"I imagine there would be a group shoot — a consortium," he said. "Everyone would

have to decide what to shoot, otherwise the players with the most money buy up all the views."

It isn't an automatic assumption that the findings of a seismic program in ANWR will result in higher bids, although 3D almost always benefits lease proceeds, Boyd said.

Fresh 3D seismic could give the companies confidence to make higher bids on more leases, he said, but seismic is a two-edged sword.

"People think 3D seismic makes rocks

better," Boyd said. "That's not true."

"Sunfish in (Cook Inlet) is an example of how 3D seismic can kill a project. It wasn't as good as they thought."

When does the state get the money?

When does the state get the money from ANWR? First Congress must open it, Boyd said. After that, refreshing the EIS could take 18 months, followed by 18 months, more or less, to shoot seismic.

Assuming the feds hold a bonus bid sale, there will be proceeds coming in at the time of the sale, but the money probably won't be delivered in one chunk, Boyd said. In state sales, the state usually gets a 20 percent deposit and then gets the rest when the lease is issued. Delays of six months or more to process leases are common.

Once leases are issued, the government will collect annual rents on the leases, but rentals by comparison to bonus bids aren't blockbuster revenue, Boyd said. The next major income would be the royalty stream, at least five years from approval of exploration. It takes time to drill wells and delineate the finds. Infrastructure must be built to carry the oil and gas to market before royal-

see ANWR page 20



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THE REST OF THE STORY

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ANWR

ties puff up state coffers.

Sourdough — ANWR's first oilfield?

The Sourdough prospect lies 50 miles east of Prudhoe Bay, along the western boundary of ANWR's coastal plain. BP Exploration (Alaska) Inc announced a discovery there in 1997.

Some geologists think the Sourdough reservoir extends east into ANWR. If Sourdough is developed, producing wells on state lands might cause a pressure decline, causing oil and gas fluids to migrate across the border from acreage in ANWR.

Sourdough's wells, Yukon Gold No. 1, Sourdough No. 2 and Sourdough No. 3 are on the state's extended confidentiality list, however, BP said in its 1997 press release announcing the discovery that the field might contain about 100 million barrels of recoverable oil.

"BP and Chevron believe the field could be economically developable," said Eric Luttrell, then BP's vice president of exploration and new developments, in the 1997 statement. "We are in the process of plan-

ning further technical work in the area to determine the extent and economic viability of the discovery."

Sourdough is part of the Point Thomson unit. As a condition of recent expansion of the unit, the state is requiring development of the Sourdough prospect by 2010. Under the expansion agreement, development drilling in the unit must begin in the unit by June 15, 2006. Seven development wells must be complete by July 1, 2008.

Point Thomson output will flow to the Badami field 20 miles away, bringing infrastructure within 10 miles of Sourdough. Once the lines reach Sourdough they are on the doorstep of ANWR.

By contrast, the KIC well, inside the refuge on Kaktovik Inupiat Corp. lands, is another 80 miles east of Point Thomson. KIC is the only well inside the boundaries of ANWR. Its distance from infrastructure poses a unique transportation challenge.

Sourdough needs a big brother

Sourdough, at 100 million barrels, probably isn't big enough to warrant development by itself, given the distance from existing infrastructure, Bill Van Dyke of the Division of Oil and Gas told PNA, but it could be attractive as a secondary develop-

ment to a larger field, such as Point Thomson, with a potential 300 million barrels recoverable. The economic equation also depends on what sort of production rate could be expected from the prospect — would it be 20,000 barrels a day or 5,000?

"Once the gas cycling project (at Point Thomson) is on line and the kinks are worked out of it, then it would make sense to look at smaller pools around the edges," Van Dyke said.

Boyd agreed.

"The main target is the Thomson sands," he said. The geology of Sourdough has been explored, but less is known about what part of the reservoir may lie to the east, in ANWR. Ideally, the ANWR portion of the prospect would be assessed, and if oil is there, the entire play could be unitized and drilled for maximum recovery from the structure. But the ideal case would require opening the refuge to leasing.

"Sourdough was shot in 3D from stem to stern, but (in the 1002 area), less than 1500 miles have been shot in the whole 1.5 million acres," Boyd said.

The most exciting part of the story may well be what lies across the ANWR boundary. Based on the most recent assessment by the U.S. Geological Survey, most of the oil

in the 1002 area lies north of the Marsh Creek anticline, adjacent to Sourdough. The 1998 assessment involved three years of study by 40 USGS scientists, who coordinated work with federal and state agencies, and several universities, the agency said. New field studies were conducted, new well and sample data were analyzed, and new geophysical data were acquired. All 1,400 miles of seismic data collected by a petroleum industry consortium in 1984 and 1985 were reprocessed and reinterpreted.

Sourdough might be the gateway to a great deal of oil, but until ANWR is explored, its contents remain a mystery.

"They say the northwest corner is where the oil is," Boyd said. "I think their science is sound, but it doesn't make it right." ♦

continued from page 1

CONGRESS

interview. Interior's Bureau of Land Management will be in charge of doing the work if it's approved.

Appropriations bills in recent years have included provisions that barred any spending on pre-lease work in ANWR. Supporters of ANWR didn't make a big effort to get that language removed, said a staff member for Alaska Sen. Ted Stevens, because it really didn't have an impact as long as leasing hasn't been authorized. They saw it as simply a political ploy that played well back home.

This year, U.S. Rep. David R. Obey, a Wisconsin Democrat, tried to insert a similar provision in the 2003 spending bill.

But that language was rejected in the final version of the legislation that was sent to President Bush for his signature, said Chuck Kleeschulte, an assistant to U.S. Sen. Lisa Murkowski.

"The bill is neutral on ANWR. There's nothing that says you can — and nothing that says you can't now that the Obey language has been taken out — redirect money for field work in ANWR," Kleeschulte said.

But there's no money earmarked for such work either, he noted.

Obey submitted language that would have prohibited spending," Kleeschulte said. "Once he took that out, it didn't make the positive occur."

If exploration is approved, "I assume they'll have sufficient money in various accounts to do this work," he said. "They might want to begin doing work this summer (on environmental assessments) to speed things along rather than wait until next summer."

According to Toohey, the process went like this: "In the House conference report for the 2003 budget (basically the House blueprint for a compromise bill), there was a provision that said no dollars could be used for ANWR pre-leasing activities.

"But the Senate conference report said, 'We do not agree with the House language. And if leasing is authorized by Congress, the BLM may spend dollars for a lease sale in ANWR.'"

The Senate language won out.

But it's still not really a big deal, since Congress could easily allocate money for new environmental studies and other pre-leasing work if it gets over the big political hurdle — actually approving oil exploration in the coastal plain.

And Toohey made it plain that the Interior Department wasn't going to get out ahead of their ultimate bosses in the halls of Congress: "It allows us in May, if Congress authorizes ANWR, to do some work. But we are totally dependent on congressional activity," he said.

"At this point, Congress is in the driver's seat on whether there will be development on the coastal plain."

—Allen Baker, PNA contributing writer

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