



## Exceeding expectations at Palm



JUDY PATRICK

Pictured above is Nabors Alaska Drilling Rig 7-ES at drill site 35 at the Palm discovery's participating area west of the Kuparuk River unit on Alaska's North Slope. Discovered in April 2001, the 35 million barrel accumulation came on line at the end of 2002 and is "currently averaging around 20,000 barrels of oil per day, which is approximately three times the expected rate for this point in the development program," ConocoPhillips spokeswoman Natalie Knox told Petroleum News May 21. The company plans to drill 19 development wells at Palm, which is in communication with the main Kuparuk reservoir. Development drilling for this year should finish up in mid to late summer, Knox said.

## U.S. gas storage building slowly

U.S. natural gas storage is building slowly but still remains well below the seasonal norm, setting up a potentially strong price floor this summer and into next fall.

Depending on just how hot its gets this summer, natural gas prices should range between \$5 and \$7 per million cubic feet, Stephen Smith of Mississippi-based Stephen Smith Energy Associates

see **STORAGE** page 19

*Depending on just how hot its gets this summer, natural gas prices should range between \$5 and \$7 per million cubic feet, Stephen Smith of Mississippi-based Stephen Smith Energy Associates said May 19.*

## GOVERNMENT

# Setting litigation limits

Alaska Legislature gives permitted Cook Inlet projects the go ahead

By **KRISTEN NELSON**

Petroleum News Editor-in-Chief

In addition to streamlining the Alaska Coastal Management Program, the Alaska Legislature has acted to free existing state-approved projects — and the state departments which approved them — from continuing litigation. It has also voted to limit appeals of future state decisions on such projects.

House Bill 86, as amended in the Senate, gives legislative approval to Cook Inlet basin oil and gas projects with final authorization, permit or approval from the Alaska Department of Environmental Conservation, the Department of Fish and Game, the Department of Natural Resources or the division of governmental coordination.

Oil and gas projects are legislatively authorized and approved within the Cook Inlet basin if they have, as of the effective date of the legislation, "a final authorization, permit, or other form of approval."

In the future, projects receiving a consistency determination are "not subject to review, stay, or injunction by

see **LITIGATION** page 16



JUDY PATRICK

The poster child of Cook Inlet: Forest Oil's Osprey platform at its Redoubt Shoal field, the subject of 10 years of coastal zone consistency litigation against the state, beginning with the leases and including an injunction which stopped drilling.

## EXPLORATION & PRODUCTION

# Devon: 20 tcf recoverable

Independent plans 50 horizontal 2003 wells at Dallas/Fort Worth gas field

PETROLEUM NEWS HOUSTON STAFF

Big exploration and production independent Devon Energy is sitting atop an unconventional natural gas reserve of gargantuan proportions near metropolitan Dallas-Fort Worth in East Texas.

Barnett Shale, acquired in Devon's acquisition of Mitchell Energy early last year, is said to hold an estimated 120 trillion cubic feet of gas, 20 tcf of which the company believes may be recovered. That's the equivalent of 20 world-class natural gas fields.

The reservoir is a blessing in that the resource is



Devon CEO Larry Nichols

ever present and therefore not subject to the geological complexities of more conventional natural gas reservoirs: hydrocarbon migration, traps and rock porosity and permeability.

The tight nature of shale reservoirs, however, does pose its own set of challenges, in particular the need for wide-scale hydraulic fracturing to create artificial permeability so that gas can flow freely.

However, it appears Devon has been up to the challenge. Since acquiring Mitchell,

see **DEVON** page 17

## NORTHERN GAS

# Yukon resource deal under fire

Pat Duncan believes Kaska First Nation has veto rights over Alaska Highway gas pipeline; warns revenues from Yukon could flow across border to British Columbia

By **GARY PARK**

Petroleum News Calgary Correspondent

An initial deal intended to open up aboriginal land straddling the Yukon-British Columbia border to resource development may also contain veto rights over construction of an Alaska Highway gas pipeline, said former Yukon premier Pat Duncan.

The pact, signed May 9 by Yukon Premier Dennis Fentie and leaders of the Kaska Nation, was hailed by Fentie as laying the foundation for development of the southeast Yukon.

But Duncan believes the deal gives the Kaska control over resource development of their traditional lands, includ-

see **YUKON** page 19



"It's a sell-out" of the Yukon's resources ... "Yukoners have every reason to be absolutely outraged." —Former Yukon premier Pat Duncan

## I N S I D E

Herrera: Oil prices to rise	5
BLM sets aggressive NPR-A agenda	7
Gas drilling in Canada on way to record year	2
Alaska limits public interest litigant legal fees	3
Houston Exploration's first deep gas discovery	4



## • GOVERNMENT

# Governor signs coastal zone changes

By KRISTEN NELSON

Petroleum News Editor-in-Chief

**A**laska Gov. Frank Murkowski signed House Bill 191 and Senate Bill 142 May 21. The bills are companion pieces, HB 191 streamlining the Alaska Coastal Management Program, and SB 142 designating the Department of Natural Resources as the lead agency for natural resource development projects in the state. (See related story on page 1.)

The governor's office said that while HB 191 "reforms and streamlines" the ACMP, the bill "retains the general structure of the current program, but makes several important changes that will eliminate the duplicity and regulatory confusion of the current program."

The Alaska Coastal Policy Council is eliminated and the council's authority for development of statewide standards and approval of district coastal management plans is transferred to the Department of Natural Resources, which has one year to adopt regulations "establishing clear and

enforceable statewide standards and criteria for the approval of new district coastal management plans."

Coastal districts are retained, as are existing coastal resource service areas, but coastal districts are required to submit new or revised coastal management plans to DNR for review and approval. Districts are required to have "enforceable policies that are clear, concise, provide greater uniformity throughout the state and do not duplicate state and federal requirements."

"The goal of HB 191 is to create a new coastal management program that retains the benefits of the federal Coastal Zone Management Act of 1972, but eliminates the complexity and duplication built into the current ACMP," Murkowski said. "It provides certainty and predictability to the process by clarifying standards and responsibilities for program implementation."

SB 142 authorizes the Department of Natural Resources to "lead and coordi-

see **COASTAL** page 17

## NORTHERN GAS

### Gas drilling in Canada on the road to record year

A rapid growth in natural gas drilling has put Canada well on the road to a record year.

Ignoring the usual spring downturn, operators set industry highs for well completions and new well permits for the first four months of 2003.

Completions soared to 5,485, 74 wells ahead of the 2001 record, while permits tallied 8,449, outstripping the 2001 benchmark by 808 approvals.

There was no hint of a let-up in April, with the industry logging 1,395 completions, short of the 2001 record of 1,515, although new permits climbed to 1,610, compared with 940 in April 2002.

Gas development completions hit a new all-time peak at 2,482, 22 percent ahead of last year, while gas discoveries totaled 1,092, slightly ahead of the previous record of 1,012 in 2001.

The outlook for gas is unabated, with 5,423 of the permits issued targeting gas prospects in Alberta, Saskatchewan and British Columbia — surpassing the 2001 record of 4,781 gas permits and outstripping the January-April total in 2002 by almost 2,000.

### EnCana leads the pack

Of the four-month completions, Alberta had 3,006 gas wells, 811 oil, 449 dry holes and 42 service wells for a total of 4,308.

Saskatchewan recorded 848 wells — 424 oil, 371 gas, 37 dry and 16 service. British Columbia reached 269 wells — 193 gas, 53 oil, 22 dry and 1 service.

Eastern Canada had 36 wells, Manitoba 21 and Northern Canada three, although not all of the drilled in the Northwest Territories had been completed.

Easily leading the pack was EnCana, with 2,236 new permits, more than quadruple Canadian Natural Resources at 547.

For April, EnCana obtained 386 well licenses, ahead of Canadian Natural 187, Apache 143, EOG Resources 126 and Enerplus 71.

—GARY PARK, Petroleum News Canadian Correspondent



### ENGINEERING EXCELLENCE

Complete Multi-Discipline  
Engineering Services  
& Project Management

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

**Serving Alaska Industry  
Since 1974**



**ALASKA ANVIL  
INCORPORATED**

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

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

## Safety, It's Our Only Business

### •Medical Services•

Remote medical support including EMT III's, Paramedics, and a most complete set of medical equipment and supplies. We specialize in complete remote medical support and we are a "State Certified Life Support Emergency Medical Outside Hospital" provider.

### •Safety Equipment•

SECORP Industries has been a leader in the safety industry for 30 years. Our equipment meets the Industry's highest standards and is maintained in excellent condition at all times.

### •Detection & Monitoring•

SECORP Industries has extensive experience in designing, fabricating and implementing state-of-the-art gas detection and monitoring systems encompassing designs that are practical, innovative, high quality systems as well as easy and cost effective to operate and maintain.

### •Consulting Services•

SECORP Industries' Consultants demonstrate expertise in all sectors of the safety industry. From developing Safety Procedures and Contingency Plans, to On-Site Emergency responses, your safety needs will be evaluated and fulfilled by our qualified personnel.

### •Training Services•

SECORP Industries Training Department offers quality instruction in several diverse areas. We offer courses in H<sub>2</sub>S Safety & Awareness, Respiratory Protection, Confined Space Entry, Hazard Communications, First Aid and CPR.

### SECORP INDUSTRIES

5520 Lake Otis Pkwy - Suite 103 • Anchorage, AK 99507  
Karl J. Kisser, District Manager

**(907) 562-9722**



**SOURDOUGH**  
moving freight since 1898  
**EXPRESS**

*Big enough  
to do the job...*



*Small enough  
to care.*

*"Dependable Service since 1898"*



Bob Bolding  
Business Development

[www.sourdoughexpress.com](http://www.sourdoughexpress.com)

1800 West 48<sup>th</sup> Ave.  
Anchorage, AK 99517  
800-488-2654

**ENSR. Alaska**  
INTERNATIONAL

Anchorage • (907) 561-5700  
Fairbanks • (907) 452-5700  
1-800-478-4307

Permitting/NEPA  
Risk Assessment  
Contaminated Site Cleanup  
Environmental Compliance  
Property Transfer Assessments  
Air & Water Quality Management

**Providing environmental  
solutions to Alaska industry  
since 1977!**



GOVERNMENT

Alaska passes bill to limit public interest litigant attorney's fees

Alaska House Bill 145, an administration bill “prohibiting discrimination in the awarding of attorney fees and costs in civil actions,” passed and is awaiting transmittal to the governor. This bill went through a number of changes. The final version bans any discrimination in awarding of attorney's fees to public interest litigants except in cases involving constitutional issues.

Debate on the Senate floor May 20 gave a flavor of the issues in this hard-fought partisan vote.

Bill will hurt non-constitutional claims

Hollis French, D-Anchorage, said “the bill purports to try to ward off increased litigation, to try to ward off arguments made with little merit, to try to push down those vexatious lawsuits that are brought representing citizens and concerned groups — frequently against the government.”

French said he thinks litigants in natural resource cases will continue to bring their claims, and will bring them under the state constitution “and I expect that some future court is going to rule that those are constitutional claims which allow them to recover their attorney's fees either way the case comes out.”

He said the bill will hurt those with non-constitutional claims that we should support and cited cases ranging from the Spenard Action Committee which sued the Municipality of Anchorage to enforce zoning laws against prostitution, to Alaska Gun Collectors vs. State of Alaska and Tony Knowles, brought by Wayne Anthony Ross on behalf of Alaskans objecting to government destroying guns confiscated by law enforcement.

French also said he thinks the bill “is going to wind up straight in court in a great big hurry” because, he said, the bill is a court rule change, but doesn't meet the requirement of stating that it is a court rule change.

“We haven't made that statement,” he said. “We're purporting to change the rules.

see FEES page 4

Issue Index

EXPLORATION & PRODUCTION .....	10
FINANCE & ECONOMY .....	5
GOVERNMENT .....	7
INTERNATIONAL .....	6
MINING .....	14
NORTHERN GAS .....	16
ON DEADLINE .....	2



KAY CASHMAN, PUBLISHER & MANAGING EDITOR

Dan Wilcox	CHIEF EXECUTIVE OFFICER	ADDRESS
Kristen Nelson	EDITOR-IN-CHIEF	P.O. Box 231651
Steve Sutherlin	ASSOCIATE EDITOR	Anchorage, AK
Gary Park	CANADIAN CORRESPONDENT	99523-1651
Wadeen Hepworth	ASSISTANT TO THE PUBLISHER	EDITORIAL
Alan Bailey	CONTRIBUTING WRITER	907.522.9469
Allen Baker	CONTRIBUTING WRITER	EDITORIAL
Ellen Lockyer	CONTRIBUTING WRITER	edit@gci.net
Paula Easley	COLUMNIST	BOOKKEEPING
Patricia Jones	CONTRIBUTING WRITER	& CIRCULATION
Judy Patrick Photography	CONTRACT PHOTOGRAPHER	907.522.9469
Firestar Media Services	DIRECTORY PROFILES	Circulation Email
Mapmakers Alaska	CARTOGRAPHY	circulation2@gci.net
Mary Craig	CHIEF FINANCIAL OFFICER	ADVERTISING
Susan Crane	ADVERTISING DIRECTOR	907.770.5592
Forrest Crane	CONTRACT PHOTOGRAPHER	Advertising
Steven Merritt	PRODUCTION DIRECTOR	Email
Tom Kearney	ADVERTISING DESIGN MANAGER	adsales1@gci.net
Heather Yates	CLASSIFIEDS MANAGER	CLASSIFIEDS
Tim Kikta	CIRCULATION REPRESENTATIVE	907.644.4444
Dee Cashman	CIRCULATION REPRESENTATIVE	Classifieds Email
		classifieds@gci.net
		FAX FOR ALL
		DEPARTMENTS
		907.522.9583

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

### A Bigger Footprint: Where Size Matters...

Want wireless phone service? What you really *need* is a big "footprint". Footprint is the term that describes coverage area, and nobody offers you more footprint than ASTAC Cellular. In fact, when it comes to our North Slope coverage footprint, there is no second place.

From Wainwright to Kaktovik, with seamless coverage from Nuiqsut to Badami and down the road to PAD 2L, *only* ASTAC Cellular has both the footprint you need and the rate packages you want- all supported with local customer service you count on.

The others don't even come close.

Switch to ASTAC Cellular, get more of what you want wireless for - footprint!

**ASTAC CELLULAR**  
1-800-563-1931

## unitech of alaska

FULL LINE OF ENVIRONMENTAL PRODUCTS AND EQUIPMENT

Duck Ponds • Portable Tanks • Filtration • Solidifiers  
Spill Packs • Pit & Berm Liners • Chemical Sorbents  
Industrial Supplies • Geomembranes • Skimmers  
Full Line of Sorbents • Barrels & Drums  
Containment Boom

2130 E. Dimond / Anchorage, AK 99507 / Local: 349.5142  
Toll Free: 800.649.5859 / Unitech@alaska.com

CONVENIENT • SECURE • COST EFFECTIVE

# SHRED ALASKA

ONSITE DOCUMENT SHREDDING

SHRED ALASKA shreds your unwanted data onboard a custom designed truck equipped with a high power industrial shredder.

Bonded • Insured • Licensed

- \$.28 cents per pound
- \$40 min. charge for call-in service
- Purging files, year-end cleanouts
- Certificate of Destruction
- Weekly, monthly, or annually scheduled service 929-1154

SHRED ALASKA will furnish a locked container for customers that would like a monthly pickup scheduled.

\$30 monthly scheduled pickup  
\$28 for second monthly pickup

\$60 monthly scheduled pickup  
\$58 for second monthly pickup

Cindy & Larry Hinkle at 907-929-1154 • [shredalaska@ak.net](mailto:shredalaska@ak.net)

Petroleum News (ISSN 10936297) Week of May 25, 2003  
Vol. 8, No. 21  
Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518  
(Please mail ALL correspondence to:  
P.O. Box 231651, Anchorage, AK 99523-1651)

Subscription prices in U.S. — \$52.00 for 1 year, \$96.00 for 2 years, \$140.00 for 3 years. Canada / Mexico — \$165.95 for 1 year, \$323.95 for 2 years, \$465.95 for 3 years.  
Overseas (sent air mail) — \$200.00 for 1 year, \$380.00 for 2 years, \$545.95 for 3 years.  
"Periodicals postage paid at Anchorage, AK 99502-9986."

POSTMASTER: Send address changes to Petroleum News, P.O. Box 231651 • Anchorage, AK 99523-1651.  
NOTICE: Prior to April 6, 2003, Petroleum News was formerly known as Petroleum News Alaska.



continued from page 3

## FEES

The supreme court's going to toss this one out on its ear."

### Not a legislative doctrine

Robin Taylor, R-Wrangell, said awarding of attorney's fees to public interest litigants is a doctrine established by the courts, not "by any legislative body or even our Congress."

He related asking the under secretary of the U.S. Department of Agriculture how much the U.S. Forest Service paid out in one year on suits that it won. The answer: \$40 million, "in legal fees on public interest litigants who had their case defeated when they got to court."

Alaska law, Taylor said, provides "attorney's fees and costs for the prevailing party. This is a system that has a very, very chilling effect upon people bringing specious litigation," he said.

For example, he said, Alaska's Attorney General is going after the litigants in the Miller's Reach fire case to recover the \$2.5 million the state spent defending the case.

"I think that has a major chilling impact on frivolous litigation and is a very healthy thing," he said.

But with public interest litigants, "you have court-made law that in fact provides the opposite public policy," Taylor said. It encourages people to bring specious suits in the hope not only of prevailing and stopping a project, but of delaying it, he said. Public interest litigants lost when they sued to stop a timber sale, lost in trial court and lost on appeal, Taylor said, but defending the suit cost the lumber company so much money that even though it

won in the end it abandoned the project.

"That was public interest litigation. That's what public interest litigation can do, if you're a zealot, if you want to misuse the legal system and if you want to use it as a harassment tool for your own ends and purposes," he said.

Taylor said he shared his colleague's concern that the bill could have "a chilling effect on litigation that may be very important to all of us on reapportionment" or on other social issues.

But important cases will find support, he said, and public interest litigants should be putting up bonds to compensate for lost opportunity if they are wrong.

"I'm enough of a civil libertarian to be torn on this issue," Taylor said, "but I'm enough of a realist that we have to do something in this instance. This is the only piece of legal reform legislation that I'll be supporting this year," he said.

### No abolishment

Ralph Seekins, R-Fairbanks, said the bill does not abolish public interest litigant status. What the bill does, he said, is put "public interest litigants on an equal footing with anyone else that brings an action and they now have the risk, if they lose, of having to pay."

Under current law public interest litigants are entitled to full attorney's fees "even if they have multiple issues and they only win on one issue," he said. There are no fees against them if they lose. And even if they lose, they may still get full attorney's fees if later the agency changes its practices in a way similar to what they advocated. "Nowhere else in the law is someone allowed that kind of regard for bringing action," Seekins said.

—KRISTEN NELSON, Petroleum News Editor-in-Chief

## • EXPLORATION & PRODUCTION

# Houston Exploration racks up first deep gas GOM discovery

Company acquires more 3-D seismic; plans five more deep wells

### PETROLEUM NEWS HOUSTON STAFF

The Houston Exploration Co., a small independent with a penchant for growth and picking good prospects, says it has scored its first geologically deep natural gas discovery on the Gulf of Mexico's continental shelf.

The No. 1 exploratory well, drilled to a depth of 19,800 feet in just 44 feet of water, tested at 20,000 million cubic feet per day and could produce at higher rates when the field is brought into production, the company said May 21.

*Since going public in 1996, Houston Exploration has grown its production an average 22 percent a year to a current 288,000 million cubic feet per day of gas equivalent.*

"Being in only 44 feet of water, we will be able to bring this well into production quickly, and with the current pricing environment, it will be highly economic for Houston Exploration," said Charles Adcock, the company's senior vice president and general manager of the offshore region.

The company said it is hoping to bring the well on stream in this year's fourth quarter and may drill "one or two more wells" on the prospect, located on High Island Block 115. The federal lease is owned 50-50 by Houston Exploration and El Paso with El Paso serving as operator under a previously announced joint venture agreement.

Because El Paso farmed into leases initially held 100 percent by Houston Exploration, El Paso paid for drilling costs on the first four shallow gas wells. On the fifth, a deep gas well at High Island 115, El Paso picked up two-thirds of the esti-

mated \$15 million cost, Houston Exploration said. Under the agreement, one more well remains to be drilled.

### Company turns to deep gas drilling

Houston Exploration is now turning its attention to deep gas drilling, hoping to drill 10 to 20 wells over the next two to three years, Adcock said.

The company has 118 leases on the continental shelf and has budgeted for five more deep gas wells in 2003. West Cameron 227, the next well in the inventory, should begin drilling in July, the company said.

"The economics are going to be very, very good," he said, adding that Houston Exploration will be satisfied with natural gas targets of 30 to 35 billion cubic feet while hoping for larger ones.

"We certainly are trying to find the big reserve accumulations," Adcock said. "These would have a huge impact for us."

Houston Exploration recently signed an agreement with Fairfield Industries to license offshore 3-D seismic data that will double the company's current in-house 3-D resources. Included in the agreement is Fairfield's recently released 3-D information from its deep-shelf program "that will be instrumental in developing a strategy for the play," Houston Exploration said.

Since going public in 1996, Houston Exploration has grown its production an average 22 percent a year to a current 288,000 million cubic feet per day of gas equivalent. Net proved reserves at year-end 2002 stood at 650 billion cubic feet of equivalent.

Revenues in the 2003 first quarter also rocketed to \$128 million from \$74.8 million in the 2002 first quarter, while net income leaped to \$41.7 million or \$1.34 per share from \$12.5 million compared to the year-ago period. •



## YOUR SOURCE ON THE SLOPE FOR:

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

**Open 24 hours, 365 days a year**

#1 Old Spine Road • Prudhoe Bay, Alaska 99734

Toll free: (866) 659-2550

(907) 659-2550 Fax: (907) 659-2650

## CORRECTION

The Petroleum Directory listing for First National Bank of Alaska in the May 18 issue was incorrect. The correct listing is as follows:

First National Bank Alaska  
101 W. 36th Ave., Anchorage, AK 99503  
Contact: Bill Inscho  
Phone: (907) 777-3577  
E-mail: binscho@FNBAAlaska.com  
Website: www.FNBAAlaska.com

*One of the strongest, most financially secure commercial banks in the nation, First National offers a range of deposit, lending, escrow and bankcard services at 27 branches across the state. Member FDIC and equal housing lender.*



Alaska's Underwater Professionals  
**907-563-9060**  
Anchorage, AK





## SAN RAMON, CALIFORNIA

### ChevronTexaco enters international LNG market

ChevronTexaco said May 21 that it has formed a global natural gas business, making it the latest major oil company to pursue a larger role in the production and shipment of liquefied natural gas from remote locations to industrialized markets, such as North America, where demand for gas is growing and large-volume LNG imports are expected to be part of the future supply equation.

In the past year ConocoPhillips, ExxonMobil and Marathon Oil have identified LNG as an important component of their growth strategies.

ChevronTexaco Global Gas will be headed by John D. Gass, 51, currently the managing director of ChevronTexaco's Southern Africa business unit in Luanda, Angola, where he has been responsible for development of the Angola LNG project with partner Sonangol.

The new company will also play a key role in ChevronTexaco's plans to commercialize its existing natural gas resource base and oversee ChevronTexaco's shipping company, pipeline operations, and involvement in the Sasol Chevron gas-to-liquids joint venture.

## NEW YORK, NEW YORK

### Crude futures rally

Crude futures rallied on both sides of the Atlantic May 21 after data showed that U.S. petroleum inventories failed to grow as much as some analysts had expected. The Energy Department, reported that crude oil inventories grew by only 600,000 barrels, even as imports soared. Meanwhile, the American Petroleum Institute trade group painted an even more bullish picture of inventories, reporting a decline in crude stocks. At the New York Mercantile Exchange, front-month July crude futures jumped as high as \$29.60 a barrel before settling at \$29.03, up 62 cents.

Despite the late-session pullback, analysts and traders said futures stand on positive ground and are likely to top the \$30 mark.

"You could easily see prices at \$30 a barrel," said Tony Rosado, a trader at Zone Energy, a New York based brokerage firm. "The markets are bullish. We're on orange alert, the stats are bullish, and you had a draw in crude."

## CORRECTION

In the May 18 edition of Petroleum News, page 4, Total E&P USA spokeswoman Kathy Temple was quoted as saying that each subsidiary of Total S.A. will decide whether or not to follow the parent company's lead in shortening its name from TotalFinaElf to Total. Temple was misquoted. She said each subsidiary must follow the parent company's lead to take on the new identity.

• WASHINGTON, D.C.

## Herrera: Oil prices to rise

Key factors include Saudi situation and expected peak in world production

By STEVE SUTHERLIN

Petroleum News Associate Editor

Oil prices will ease skyward, particularly when world oil production peaks in an estimated three years, says Petroleum News' favorite oil price guru, oil and gas consultant Roger Herrera.

"There are a few things we all should be thinking about with regard to future prices," he told Petroleum News May 19. "Most forecasters aren't thinking about critical factors in the near future."

First, Saudi Arabia, with its aging king and equally doddering social situation, is ripe for change, Herrera said. The social revolution in Saudi Arabia could have considerable impact on world oil prices.

"I'm not suggesting oil production from Saudi Arabia would shut down, but it could lose its role as swing producer in OPEC," he said.

### Hubbard curve

Second, the Hubbard curve concept, which was accurate in predicting the peak in U.S. domestic production, will be just as prescient with regard to world production, Herrera said. A peak in world oil production is predicted to happen within the next three years.

The pattern is predictable, but the timeframe of price increase is made less clear by uncertainties surrounding the economies of Japan, China and India.

Herrera expects a slow but inevitable increase in the price of crude, but if the aforementioned economies remain sluggish, it will take longer for prices to take off.

"The Japanese economy: will it beat economic problems and turn around?"

"Will China's economy turn up and regain its growth rate?"

"Will India's economy improve?" Herrera asked. "If so, expect positive effect in terms of



ROGER HERRERA

FORREST CRANE

### Want to know more?

If you'd like to read more about Roger Herrera's oil price predictions, go to Petroleum News' web site archives and search for these articles, published in the last three years.

Web site: www.PetroleumNews.com

#### 2002

● May 26 Herrera says cloudy crystal ball shows: Oil price status quo, until it's upset

#### 2001

● Sept. 30 Oil prices in the lap of the gods, says PNA's favorite economic guru

#### 2000

● Dec. 28 Oil prices will "normalize" in high 20s, lower 30s, predicts Herrera

● July 28 Herrera sticks to his guns: says high oil prices here to stay

● Feb. 28 Major drops in oil prices thing of the past, says Roger Herrera

increasing prices," he said.

Over the next three years, one can predict with certainty that the Saudi situation, the Hubbard curve, or both will impact oil prices, he said.

### Between now and then

Between now and then, however, prices are more problematic to predict.

"We know what the Russians are doing, and we know what the Canadians are doing with respect to tar sands," Herrera said, adding that there will be lots of available oil for the next three years; then prices will start edging up.

If OPEC is disciplined enough, it has the wherewithal to keep oil prices within its specified healthy trading range of \$22 to \$28 a barrel, Herrera said.

The value of OPEC's basket of crude was around \$26.24 on May 19, up from \$23 a barrel just following the Iraq war.

The key is the Saudis, Herrera said: Saudi spare capacity is the variable.

see HERRERA page 6

Since 1973

**Maritime Helicopters**  
AUTHORIZED BELL SERVICE CENTER

VESSEL - HELICOPTER  
CHARTER - CONTRACT  
MINING - SEISMIC  
CONSTRUCTION - LONG LINE  
STATEWIDE

3520 FAA ROAD HOMER, AK 99603 HOMER: (907) 235-7771 KODIAK: (907) 486-4400

www.maritimehelicopters.com

**EVERGREEN**

Clean Gas

Good Neighbor

Clean Energy

**EVERGREEN RESOURCES (ALASKA) CORP.**  
A Subsidiary of Evergreen Resources, Inc.

• UNITED KINGDOM

# African LNG to go to Louisiana facility

*In its drive to become a leading LNG player, BG wants Iran's gas*

By **GARY PARK**

*Petroleum News Canadian correspondent*

**B**G Group of the United Kingdom says progress has been made on two liquefied natural gas deals that would see the bulk of production from two African projects shipped to a BG-controlled terminal in Louisiana.

BG said May 13 that letters of intent have been signed for two long-term sales and purchase agreements that could involve exports totaling 6.9 million metric tons a year to the Lake Charles terminal.

A memorandum between BG and Nigeria LNG covers deliveries of 2.5 million metric tons a year for 20 years, starting no later than early 2006. Final terms are expected to be concluded in the third quarter of 2003.

Shareholders in Nigeria LNG are Nigeria's National Petroleum Corp. 49

percent, Shell 25.6 percent, TotalFinaElf 15 percent and Eni 10.4 percent.

## Second deal involves Marathon

A second deal involves a letter of understanding with a Marathon Oil subsidiary covering 3.4 million metric tons a year of LNG deliveries from Equatorial Guinea for 17 years, starting in 2007.

BG Chief Executive Officer Frank Chapman said in a statement that although Lake Charles is seen as the principal market, there is "total flexibility" on the desti-

nation.

BG has 80 percent capacity rights at Lake Charles until September 2005 and 100 percent from then until 2024.

In its drive to become a leading global LNG player, BG has embarked on preliminary negotiations for a share in development of Iran's South Pars field and has deals in the works in Trinidad and Egypt.

Chapman told reporters that once BG has locked up an LNG supply portfolio, it will explore both long-term and short-term opportunities in the U.S. market. ●

*continued from page 5*

## HERRERA

Other countries have reserves, but the Saudis have the excess capacity. But, Herrera added, OPEC must remain unified to exert control on the market. If all the OPEC members cheat a little, it adds up.

## Oil will remain King

On Jan. 11, 1999, when the price of oil was at \$9 a barrel, Herrera predicted world oil prices would rise significantly within six months.

Skeptics scoffed, but his predictions were correct.

Even in the face of the higher energy prices he expects, Herrera doesn't foresee a major shift in energy use patterns.

It is important for the government to be realistic about the need to increase production, because alternative fuels won't solve

*The key is the Saudis, Herrera said: Saudi spare capacity is the variable. Other countries have reserves, but the Saudis have the excess capacity.*

domestic energy needs in the near term, Herrera said.

"Will Congress be able to pass an intelligent energy bill, including ANWR?" he asked.

Prices will rise until alternative fuels kick in, he said.

"I don't recognize a political will to go bananas on alternative fuels," Herrera said, adding that politicians give lip service to the concept for political gain, but practical limits cast alternative fuels in a minor role.

Even if ethanol production reaches maximum production levels proposed in the energy bill, it would provide only a minute increment of additional energy to the nation, he said. Production of ethanol is very energy

demanding. Renewable fuels might reach 8 percent to 10 percent of the nation's energy diet, if pushed by government policy. Massive oil price increases are needed to make alternative fuels economically attractive, Herrera said.

It will be 10 years before alternative fuels make a dent in the energy mix, and practical hydrogen-fueled vehicles are probably 20 years out, he said.

The oil age is 100 years old, and we have used about half of the world supplies, Herrera said, but an increased rate of use means the remaining half of world oil will not last another 100 years, but more likely only another 50 years.

"In your and my lifetime, and probably that of your children, oil will still be king," he said.

People's habits won't change until oil is harder to get, Herrera said.

"There's no mandate for change, the way people buy and drive automobiles," he said.

"We are quite happy with the status quo,

but as soon as (our energy use patterns) become untenable, our attitude will change."

## Energy generates wealth

Herrera doesn't understand why some people regard energy use as an undesirable thing.

"Energy is surely good, using it in any fashion generates wealth," he said. "The fact that we can afford to use it is a good thing."

Americans obviously think energy is affordable, Herrera said. Gasoline would have to be priced considerably higher before it would change our lifestyle.

"Look at Europe, taxes are higher, but European lifestyles are not different from ours even though gasoline prices are essentially twice those of the United States," he said. "Europeans drive cars, drive far and drive fast."

Americans have the economic wherewithal to pay gasoline price increases for decades before it starts cramping lifestyles, he said. ●



**ASRC Energy Services**  
a subsidiary of Arctic Slope Regional Corporation

## A new name

for Alaska's proven partners. ASRC Energy Services is:

**Natchiq, Inc.**  
**APC Natchiq**  
**Natchiq Sakhalin**  
**Houston Contracting Company**  
**Global Power and Communications**  
**Natchiq Technical Services**  
**Tri-Ocean Natchiq Engineering**  
**Omega Natchiq**  
**Natchiq Environmental Compliance**  
**Technologies**

Together we are poised to help the oil and gas industry meet new challenges. The Natchiq companies have been good early-field-life partners. As ASRC Energy Services, we will be a great late-field-life partner.

www.asrcenergy.com



## NORTH SLOPE, ALASKA

### Interim Northstar tract participations approved

The state of Alaska has approved Northstar interim unit tract participations, an interim determination of ownership of the oil produced from the Beaufort Sea field.

The Alaska Department of Natural Resources, Division of Oil and Gas, said May 16 that Northstar operator BP Exploration (Alaska) proposed interim participations for the Northstar participating area in January and supplied supplemental data in February.

There are both state and federal tracts at Northstar and a joint state-federal Northstar reservoir modeling team reviewed the data and recommended proposed interim participations to the director of the Division of Oil and Gas and the regional supervisor of the Minerals Management Service in April.

A final redetermination will be made after four years of production from Northstar.

The joint team has requested meetings with BP's subsurface team over the next three years to define methodologies that BP will use to develop final unit tract participations. The joint team said periodic staff level meetings would enable it to act more quickly to issue recommendations to the commissioner and the regional supervisor on BP's proposed final redetermination.

The Northstar participating area is 82.16 percent on state and 17.84 percent on federal leases. BP has 98.58 percent of the participating area acreage; Murphy Exploration (Alaska) has 1.42 percent.

## ANCHORAGE, ALASKA

### AOGCC gives Donkel a rehearing on his petition

The Alaska Oil and Gas Conservation Commission has given Daniel K. Donkel a rehearing on his petition for compulsory unitization of North Slope Alaska state oil and gas lease ADL 380066 with one or more other tracts. The commission dismissed the petition "without prejudice" on April 23 and cancelled a scheduled hearing, saying it had not been provided proof by Donkel that he had notified owners of interests in affected tracts of the petition. The commission said that if it ordered compulsory unitization, that would affect property rights of owners of interests of tracts included in the unit. In a May 4 e-mail to the commission, Donkel said that if the commission would hold a hearing on his unitization request, "I will 'Notice' in protest, all of the interested parties." Donkel said, however, that the commission "never provided the names and addresses to me." He also asked the commission to prepare the papers for the notice.

Donkel asked the commission: "Prior to publishing a Notice of Hearing, please provide me with the names and addresses of all interested parties so that I may provide them with my Petition and a copy of your published Notice of Hearing."

#### Commission doesn't have information

The commission said May 15 that it "has no more information

see **REHEARING** page 8

## ANCHORAGE, ALASKA

# BLM sets aggressive agenda for NPR-A issues

*Bisson says oil could flow from Alpine satellite proposal in 2008*

By **KRISTEN NELSON**

*Petroleum News Editor-in-Chief*

The Bureau of Land Management "has a fairly aggressive agenda of things that we want to accomplish in the next few years," Henri Bisson, Alaska state director of the federal Bureau of Land Management, told the Alaska Support Industry Alliance May 15.

That agenda is aggressive both in content and in timetable. And many of the agenda items are in the National Petroleum Reserve-Alaska, including lease sales, environmental impact statements for a planning area and for a development project, a supplemental EIS, a reevaluation of how the agency's North Slope science needs should be met and unitization for National Petroleum Reserve leases.



**HENRI BISSON, BLM**

KRISTEN NELSON

Other agency priorities include speeding up the land transfer process in Alaska and planning efforts for public lands managed by the agency's Glennallen and Anchorage field offices.

BLM is moving ahead with all these projects, Bisson said: "And everything that we said we're going to do is on schedule and we're going to get the work done."

#### NPR-A a focus

In the 23 million acre NPR-A, "the largest contiguous block of public land administered by the BLM anywhere in the United States," Bisson said, the agency held oil and gas lease sales in the 4 million acre northeast planning area in 1999 and 2002, leasing 193 tracts, some 1.4 million acres, for \$167 million in bonus bids.

A draft EIS is under way for the ConocoPhillips Alaska-Anadarko Petroleum proposal for Alpine satellite development. Thirty-six comments are being evaluated and BLM expects to issue a draft

see **BLM** page 9

## JUNEAU, ALASKA

# Legislature passes several resource bills in final days

*Approved: lease acreage increase, gasoline bonds, tax credits, RCA extension*

By **KRISTEN NELSON**

*Petroleum News Editor-in-Chief*

The Alaska Legislature, which adjourned May 21, passed a number of resource bills in its closing days, bills which increased acreage and offered incentives for development. This is the first year of the two-year session. The Legislature reconvenes Jan. 12.

Among bills with the most bipartisan support were increases in acreage, both for coal and for oil and gas leases.



**Rep. Hugh Fate, R-Fairbanks, sponsored HB 283**

House Bill 283, doubling the acreage of state coal leases an individual or company may hold, passed the Senate unanimously and will go to the governor for his signature. Also popular in the House, where it passed 34-1, the bill increases the state coal lease limit from 46,080 acres to 92,160 acres. The bill was sponsored by Hugh Fate, R-Fairbanks, and brings Alaska statute in line with recent changes in federal coal acreage limits in the Lower 48 states.

House Bill 246, increasing the amount

see **LEGISLATURE** page 8

## Surplus Petroleum Tanker Loading Berth For Sale

Alyeska Pipeline Service Company acting as Agent for and on behalf of Owners of the Trans Alaska Pipeline System (TAPS) is planning to offer for sale (salvage & removal) Berth #1 of the Valdez Marine Terminal located in Valdez, Alaska. Berth #1 is a steel floating dock, with 13 buoyancy chambers, designed for vessel sizes from 16,000 to 120,000 DWT, with an overall weight of approximately 6.5M lbs. Loading platform is 390' x 96'. Deck is 33' above water level. Primary fendering at 175' each side of center of loading dock. Quick Release mooring system. Designed to withstand 12' tsunami ship at berth, 20' tsunami without ship at berth. Berth is held approx. 180' offshore with struts/walkways pinned to three steel shore piles. Designed for crude oil and ballast water transfer operations with fuel transfer capability across 2 loading arms. Equipped with four each 12" diameter FMC Chicksan loading arms at 11' spacing. Each arm has 20,000 bbl/hr capacity, providing 80,000 bbl/hr total flowrate. Loading Arm Quick Disconnect is 12". Fire water/fire foam distribution system. No vapor collection equipment. The successful buyer would be responsible for safely removing the complete berth without interrupting on-going crude oil loading operations at other nearby berths. If interested, please submit your company profile, experience, previous projects and other relevant company information to satterleesr@alyeska-pipeline.com. Questions may be directed to Steve Satterlee at 907-787-8310. Responses will be used to develop a qualified bidder's list for a competitive solicitation.





## MRO Sales Inc.

— Brings You —

Chemola  
Cost-effective, Quality  
Maintenance Products  
Valve Lubricants and Sealants

**Anchorage: (907) 248-8808**  
fax: (907) 248-8878  
5631 Silverado Way, Suite G  
Anchorage, AK 99518  
www.mrosalesinc.com



## HOUSTON, TEXAS

### Coughlin moves south to Jones Day

Patrick Coughlin, who worked for a number of years on Alaska oil and gas issues as special counsel to the Alaska Senate Resources Committee, deputy director of the Alaska Division of Oil & Gas and assistant attorney general of the state of Alaska, Oil & Gas Section, has relocated to Houston, Texas. Coughlin has become a member of the international law firm of Jones Day, which has a significant oil and gas practice in Alaska. He hopes to continue to work on Alaska matters and his family is planning to move to Houston this summer.

continued from page 7

## REHEARING

about relevant property ownership than the petitioner does and is in no better position to conduct a search for the owners than is the petitioner."

The commission said "it is properly the petitioner's burden to effect notice of his petition on affected owners."

It said the requirement is that the petitioner notify by certified mail owners whose identify and mailing address are either known to the petitioner or can be ascertained by reasonable efforts.

"Reasonable efforts for this purpose include properly searching the property records of the pertinent Recorder's Office

and the oil and gas lease transaction records of the Department of Natural Resources," the commission said.

The commission said that if Donkel informs it in writing by June 2, that he "intends to comply with the Commission's property owner notification requirements as clarified in this order," it will schedule a hearing on the petition after it receives an affidavit "demonstrating that the notification requirements have been met."

The commission said that if it does not hear from Donkel or if he declines to comply with its notification requirements, it will issue a final order on rehearing affirming the dismissal of the petition.

—KRISTEN NELSON,  
Petroleum News editor-in-chief

### Need Hose?

Alaska Rubber & Supply has the largest in-state stock of industrial and hydraulic hose and fittings for any application and all industries. We have pumps, fittings, v-belts and . . .

If we don't have it we can get it!

**ARS**

Alaska Rubber & Supply, Inc.

**GOODYEAR**

VISA

5811 Old Seward Hwy.  
Anchorage, AK 99518  
Toll Free: 800-478-7600  
Local: 907-562-2200  
Fax: 907-561-7600  
info@alaskarubber.com  
www.alaskarubber.com

## Midtown Auto Parts & Machine Inc.

Quality Brand Name Auto Parts

Complete Cylinder Head Services

Cylinder Head Pressure Testing

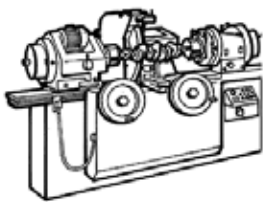
Crank Grinding • Flywheel Grinding

Hot Tanking • Boring • Honing • Engine Balancing

Long Blocks • Short Blocks • Reman. Heads

Ground Cranks • Recon. Rods

**AERA**  
ENGINE REBUILDERS ASSOCIATION



FEDERAL  
MOGUL

SEALED  
POWER

FELPRO

Call: **907.561.7433**

202 E. Potter Drive • Anchorage, AK 99518

http://midtownmachine.cjb.net

## Northern Testing Laboratories, Inc.

### Extensive Experience

Cold region water and wastewater utility system monitoring and operations support  
Environmental baseline and site contamination investigation support services  
Corrosion monitoring and consultation services for water utilities  
Bioremediation monitoring using microbiological activity tests  
Hazardous waste testing including waste oil screening and TCLP analysis

### Certified Analytical Testing

ADEC, EPA, NVLAP, AIHA/NIOSH  
Public Water Supply  
Fuel Contaminant (Alaska UST/LUST Approved)  
Asbestos (Air & Bulk)  
Microscopic Particulate Analysis for Determination of Groundwater  
Under the Influence of Surface Water  
U.S. Department of Agriculture  
Plant and Soil Materials Importation License

### Environmental Consultation Services

Water and Wastewater Operations Training and Consultation Services  
Water System Sanitary Surveys  
Pilot and Bench Scale Testing

### North Slope Oilfield Services

365 Day/Year Soil, Water and Waste Stream sampling at Prudhoe Bay  
Certified Microbiology Laboratory  
Rapid Response GC Lab Services

3330 Industrial Avenue  
Fairbanks, AK 99701  
(907) 456-3116

5761 Silverado Way, Unit N  
Anchorage, AK 99518  
(907) 349-1000

Pouch 340043  
Prudhoe Bay, AK 99734  
(907) 659-2145

**Alaska's Water Quality Professionals Since 1980**

Alaskan Woman Owned and Managed

continued from page 7

## LEGISLATURE

of state oil and gas lease acreage an individual or company can hold, passed the Senate unanimously. The House concurred on Senate changes. This is an administration bill. It increases the upland acreage limit for oil and gas leases from 500,000 acres to 750,000 acres, except for land north of the Umiat Meridian baseline.

The increase was recommended by the Alaska Division of Oil and Gas because new state programs conducive to holding larger blocks of land have been initiated since the original limits were imposed, including areawide leasing, shallow gas leasing and exploration licensing. New areas of the state have also been opened to leasing as a result of some of the programs, such as the gas-prone Brooks Range Foothills.



Rep. Vic Kohring, R-Wasilla, sponsored HB 267 and co-sponsored HB 28



Rep. Norman Rokeberg, R-Anchorage, sponsored HB 11 and co-sponsored HB 28

### Bonds for gas pipeline

Another bill with broad support was House Bill 267, gas pipeline financing through the use of Alaska Railroad bonds. The bill, sponsored by Vic Kohring, R-Wasilla, was approved 20-0 in the Senate and 35-0 in the House. The bill authorizes the Alaska Railroad to issue tax-exempt bonds to raise funding for construction of a natural gas pipeline from the North Slope.

HB 267 authorizes the Railroad to issue up to \$17 billion in bonds for the pipeline.

Kohring said this bill complements the reauthorization of the Alaska Stranded Gas Development Act, passed earlier in the session. That bill, sponsored by Hugh 'Bud' Fate, R-Fairbanks, allows the state to negotiate with producers for a payments in lieu of taxes and royalty adjustments for natural gas sales.



Sen. Tom Wagoner, R-Kenai, sponsored SB 185



Rep. Mike Chenault, R-Nikiski, sponsored HB 57 and HB 61



Rep. John Harris, R-Valdez, sponsored House Concurrent Resolution 21

### Oil and gas incentives, tax credits

The Legislature also passed royalty, incentive and tax credit measures.

The most recently passed, House Bill 28, by Vic Kohring, R-Wasilla, and Norman Rokeberg, R-Anchorage, provides a more flexible method to calculate oil and gas royalties, allowing the state to encourage production of oil and gas fields that might be marginal or not economical-

*On the Cook Inlet royalty reduction, Wagoner said: "The choice is simple. Provide these smaller oil producers some monetary incentive in the form of royalty relief or lose the royalty revenues all together as these producers pack-up and leave Alaska. To me the choice is easy."*

ly feasible under the current system. This bill passed the House 36-0, and the Senate 20-0.

House Bill 57, royalty gas contracts, by Mike Chenault, R-Nikiski, gives the commissioner of the Alaska Department of Natural Resources authority to negotiate royalty contracts on natural gas and includes manufacturers in the process. This goal here is to keep Agrium's Nikiski fertilizer plant operating because of the importance of the plant to the Kenai Peninsula's economy. It passed the House 30-6, the Senate 16-4; the House concurred with Senate changes 28-8.

House Bill 61, also by Chenault, creates a new income tax credit for exploration and development of natural gas reserves south of the Brooks Range. The bill passed the House 33-4, on reconsideration, it passed the Senate 20-0; the House concurred with Senate changes 34-0. This credit sunsets Jan. 1, 2013.

Senate Bill 185, by Tom Wagoner, R-Kenai, started life as a royalty reduction bill for oil produced from Cook Inlet fields and platforms as they near the end of production capability, with a goal of keeping facilities operating as long as possible. The bill was amended at the request of the governor to include tax credits for exploration in the next four years.

On the Cook Inlet royalty reduction, Wagoner said: "The choice is simple. Provide these smaller oil producers some monetary incentive in the form of royalty relief or lose the royalty revenues all together as these producers pack-up and leave Alaska. To me the choice is easy."

He said the royalty reductions will keep "critical infrastructure in place in the event that new deposits are discovered."

The tax credit amendment is aimed at bringing the cost of exploration in Alaska more in line with costs of exploration in other oil provinces around the world.

The vote in the House was 32-4, the vote in the Senate to concur with House amendments was 14-6.

### RCA, Alaska Energy Policy Task Force

The Legislature approved extension of the Regulatory Commission of Alaska. The Senate approved House Bill 111 20-0; the House had approved that measure 36-0.

House Concurrent Resolution 21, sponsored by John Harris, R-Valdez, establishes a nine-member Alaska Energy Policy Task Force to review and analyze the state's current and long-term energy needs.

The task force will submit a report to the Legislature on a Railbelt energy plan by Dec. 31, and a plan for non-Railbelt areas by March 31; the task force terminates April 15. The resolution passed the House 34-0 and the Senate 18-1.

### Permanent fund deposits

House Bill 11, by Norman Rokeberg, R-Anchorage, was approved by the Legislature. The bill changes the statute that directs 50 percent of Alaska's mineral revenues to the Permanent Fund and returns the amount to the constitutionally required 25 percent. The bill passed the Senate 11-9; the House concurred with Senate amendments by a vote of 21-12. ●



continued from page 7

## BLM

EIS in October, Bisson said. A final EIS and record of decision on this project are expected early next summer, he said, "and we expect that some of the oil being addressed in that EIS would be the first actual production from the NPR-A and would begin flowing by 2008."

In other areas of the northeast planning area BLM is increasing its resource estimates, based on "more recent drilling information and new seismic data. ... The number will be a little lower north of Teshekpuk Lake because there's been no drilling or no seismic data collected in that area," Bisson said.

### Reevaluation of Northeast NPR-A

The agency announced in April that it will "take a second look at the northeast portion of the National Petroleum Reserve," Bisson said. That second look will involve preparation of a supplemental EIS to address two questions: should the agency make additional areas in the northeast planning area available for oil and gas leasing, and if so, under what conditions; and should the agency's surface management for the northeast area be "more consistent with what is shaping up for the northwest portion of the National Petroleum Reserve?"

BLM is reevaluating the northeast planning area because 600,000 acres around Teshekpuk Lake were placed off limits to leasing in the original EIS and 240,000 acres were made available for leasing but with no surface occupancy allowed.

The agency has changed its estimates of oil in place and believes "that up to 2 billion barrels of technically recoverable oil has been unnecessarily placed off limits," Bisson said. Some "development in the vicinity of Teshekpuk Lake is absolutely essential to the viability of the Barrow Arch plays, both offshore and onshore," he said, and BLM now knows exploration can be done safely with little environmental impact.

"We think we have a better strategy to permit development with greater flexibility than we previously thought. Whether or not we can do what I think we can do will depend a lot on the public's ability to understand and accept the difference between an adaptive process and prescribed stipulations," Bisson said.

The previous decisions is being revisited because of the significance of energy resources in the northeast National Petroleum Reserve, he said. A final record of decisions for changes in the northeast NPR-A plan should be signed by the end of 2004, with a lease sale in June 2005.

### Northwest NPR-A draws 96,000 comments

The draft EIS for the northwest National Petroleum Reserve planning area, some 8.8 million acres, was released in January. BLM used a state-of-the-art Internet site, Bisson said, and anyone with a computer could look at all of the text and maps and "write on them electronically and submit them to us with corrections, comments and alterations."

Bisson said the agency may have "succeeded too well" with the Internet site: it received almost 96,000 comments. Because most of them were the same or very similar comments, however, "the same technology that made it possible to send comments easily also makes it possible for us to evaluate them more easily."

It took a week, but a team of nine read "each and every one of those comments, one at a time, and they used their software

*"Whether or not we can do what I think we can do will depend a lot on the public's ability to understand and accept the difference between an adaptive process and prescribed stipulations."*

—Henri Bisson, BLM

power to evaluate and categorize the comments," he said.

BLM also received "lengthy, substantial and detailed comments" from the Audubon Society, the state of Alaska, the North Slope Borough and some others. BLM's staff is working on preferred alternative and Bisson said he has been "personally consulting informally with a number of groups, including industry, the North Slope Borough, Alaska Natives, environmental groups, other federal agencies and even the governor, to clarify issues identified in the comments."

BLM held a workshop with state, North Slope Borough and federal agencies the week of May 5 "to sort through our proposed stipulations and mitigation measures for oil and gas exploration and development. We're very close to a decision on what measures to include in the final EIS," he said.

The final EIS is due out the first week of October and a record of decision by the end of the year. A lease sale in the northwest planning area is proposed for June 2004.

### Science management oversight group

BLM is also moving ahead with establishment of a science management oversight group to provide coordination on science needs between land owners, industry and scientists. Federal managers have already met several times "and have agreed to pursue a partnership with the state and the North Slope Borough to better manage our science needs," Bisson said. There have been informal meetings with state commissioners and he said the next step is a meeting with the state and North Slope Borough to discuss the proposal.

What is being proposed, he said, is establishing a federal-state-borough science management partnership "focused on the development of a science and data management strategy that meets the needs of land owners, industry and the public," he said. A science advisory team would make recommendations to the oversight group and public workshops would help shape and modify strategy.

The intention is not, Bisson said, to hold up decisions while more information is gathered.

"It is to ensure that we can make better, more timely and more defensible decisions as we move ahead."

### Lands transfer, new planning efforts

BLM is also working with Alaska's Congressional delegation on accelerating lands transfer from the federal government. The program is scheduled to end in 2020, but if proposed legislation passes in Congress and BLM gets the necessary

funds, "we'll be done in 2009 instead of 2020," Bisson said.

BLM is working with its resource advisory council, the Bristol Bay Native Corp. and the Alaska Department of Natural Resources on a 39-township pilot area near Bristol Bay. "This pilot will help us to develop procedures to unravel the maze of land segregations that prevent mineral exploration and development on remaining public lands managed by BLM," he said.

BLM is also beginning two new planning efforts on areas managed by its Anchorage and Glennallen field offices: "oil and gas leasing and other future uses of BLM will be considered in both of those plans," he said.

And the agency is close to completing "specific Alaska guidance" for unitization of BLM leases in the National Petroleum Reserve-Alaska. ●



## Alaska Telecom, Inc.

### Complete Communications

- Engineering Services
- Two Way Radios
- Installations, Maintenance & Service
- Rentals & Leases
- Satellite Phones
- Trunked Radio Service
- Cellular and Paging Anchorage-Fairbanks-Deadhorse

**Committed to Reliability, Quality Products, and Premier Customer Service**

www.alaskatelecom.com email: sales@alaskatelecom.com

907-344-1223 Anchorage  
907-456-1223 Fairbanks



**MOTOROLA**  
Authorized Two-Way Radio Dealer

## We know the oil patch

When your job depends on fast delivery of equipment and supplies, Northern Air Cargo gets the job done with overnight service to the Slope five days a week. And with our Nac Link service, we can move your shipments from the lower 48 to Alaska and the Slope with one simple call. Put us to the test. We'll deliver the goods.



**All Cargo. All the Time. WorldWide.**

Call (907) 243-3331 in Anchorage, (907) 474-9606 in Fairbanks, toll-free at 1-800-727-2141 or visit our website at www.northernaircargo.com



## LOUNSBURY & ASSOCIATES

Surveyors • Engineers • Planners

"Earthquake repairs. Building the Sterling Highway. Surveying the oil patch and all along the pipeline. When you've been around as long as we have, you make history." Craig Savage, President & Jim Saville, Vice President

### experience you can use

ESTABLISHED 1949

- Civil Engineering
- Project Management
- Commercial Development
- Residential Development
- Planning & Permitting
- Transportation Design
- Oilfield Surveying
- ALTA/ACSM Surveys

907-272-5451 www.lounsburyinc.com





## NORTH SLOPE, ALASKA

### Alpine expansion begins

ConocoPhillips and Anadarko Petroleum unveiled plans May 16 for a \$60 million project to expand oil production capacity at the Alpine field on Alaska's North Slope.

The companies said the Alpine capacity expansion project phase 1 — acronym ACX1 — will go on line late next year. ACX1 will increase both water and gas handling capacities at the Alpine facility, allowing for increased oil production and maintenance of reservoir pressure. Additional expansion opportunities are still being studied, the companies said. A 5,000 barrel-per-day production increase is expected from the \$60 million phase 1. Production began at Alpine in November 2000 and current production averages 100,000 bopd.

There are 68 wells at Alpine, all developed with horizontal well technology, 34 producers and 34 injectors, at the two Alpine drill sites. A total of 94 wells are planned. Enhanced oil recovery is in place at Alpine. Both the well design and EOR will help extract more oil from the reservoir, the companies said. ACX1 design engineering is by NANA/Colt Engineering in Anchorage and the companies said truckable module fabrication will be put out for bid once detailed engineering is complete. VECO Alaska has already been awarded the ACX1 North Slope construction contract.

ConocoPhillips Alaska operates the Alpine field, which is owned 78 percent by ConocoPhillips and 22 percent by Anadarko Petroleum.

## CANADA

### Vintage sets aim on Canada

The Canadian subsidiary of Vintage Petroleum rates 2003 as a "very important" year for its northern operations, with a heavy emphasis on frontier prospects, said Chief Executive Officer Craig George.

"We feel like we're at a turning point in Canada," he told analysts in a conference call on May 8.

The company is evaluating exploration play concepts on licenses that are 50 percent owned and cover 440,000 net acres of the Central Mackenzie Valley. But this year's drilling in the Northwest Territories has been disappointing, including a dry hole drilled in partnership with Devlan Exploration in the Grandview Hills area of Peel Plateau and a failure to find commercial quantities of gas from testing three wells that were drilled two winters ago.

But George said Vintage is seeking core area acquisitions to focus on potentially high-impact exploration, such as the Foothills trend of northeastern British Columbia. The company plans five Foothills wells to depths of 5,000 to 8,250 feet, targeting gas reservoirs.

It also agreed to conduct exploration activities as operator on four Nova Scotia onshore blocks, which cover 1.5 million gross acres. A 4,900-foot oil well is planned for the third quarter, said George, who rated the prospect at 15 million barrels on a gross unrisks basis.

The Tulsa, Okla.-based independent needs an early lift to reverse a decline in first-quarter Canadian production to 4,156 barrels of oil per day and 65.3 million cubic feet of gas from 5,866 barrels of oil and 79.5 million cubic feet of gas a year earlier.

—GARY PARK, Petroleum News Calgary Correspondent

## • WESTERN CANADA

### Burlington bullish on Canada

CEO Shackouls rates Western Canada as 'far less mature' than Lower 48; takes measured approach to Mackenzie Delta; opposes Alaska Highway incentives

By GARY PARK

Petroleum News Calgary Correspondent

**B**urlington Resources is moving Canada up its priority list, going against the prevailing wisdom that the Western Canada Sedimentary Basin is a fading opportunity.

Bobby Shackouls, chairman and chief executive officer of the Houston-based independent, said May 13 that Canada is a "far less mature oil and gas province than the Lower 48."

Bullish about his firm's prospects in Alberta, British Columbia and the Mackenzie Delta, he told reporters after meeting North American analysts in Calgary that "the gas is there."

The challenge, he said, is to apply the right technology and skills to get the economics "to the point that getting (the gas) out of the ground makes for good business."

Already Canada's third largest gas producer after spending C\$6.3 billion over four years taking over Poco Petroleum and Canadian Hunter Exploration along with some Alberta gas assets of Atco,

Burlington is increasing its spending to achieve growth of 5 percent to 8 percent a year even without further purchases.

For the first quarter, when it spent 46 percent of its 2003 budget of C\$600 million and drilled more than 300 wells as operator and 50 as a partner, the company raised daily production to 852 million cubic feet of natural gas, 28,000 barrels of natural gas liquids and 5,100 barrels of oil.

In the opening quarter of 2002, output averaged 790 million cubic feet of gas, 28,900 barrels of liquids and 11,300 barrels of oil.

#### Forty percent of volume from Western Canada

Combined Canadian volumes averaged 1.05 billion cubic feet equivalent per day, a gain of 2 percent from a year earlier, meaning that 40 percent of Burlington's total volumes came from Western Canada.

Exiting 2002, Burlington held Canadian reserves of 2.29 trillion cubic feet of gas — after gaining 341

see BURLINGTON page 13

## • NORTH SLOPE, ALASKA

### AOGCC approves Aurora EOR

On reconsideration, enhanced oil recovery approved at Prudhoe satellite

By KRISTEN NELSON

Petroleum News Editor-in-Chief

**T**he Alaska Oil and Gas Conservation Commission has approved BP Exploration (Alaska)'s plan to use miscible injectant for enhanced oil recovery at the North Slope Aurora Oil Pool after initially denying it. BP got approval May 6 after submitting additional written materials. The commission also cancelled a hearing, saying BP submitted documents "sufficient to rule on the merits of the application without need for a further oral hearing."

In another action on the same Prudhoe Bay satellite pool, the commission issued revised Aurora pool rules May 15. This was an action the commission carried out on its own volition.

BP applied for a modification of the Aurora oil pool area injection order to allow for injection of miscible injectant for enhanced oil recovery in December. The commission rejected that application in April over con-

cerns that reservoir pressures were below minimum miscibility pressure in at least one of the blocks at Aurora and possibly in portions of two others. The commission also said production and waterflood at Aurora were not being conducted "in a manner consistent with testimony provided" when BP applied for pool rules in the area.

The commission said BP's "current reservoir management strategy is unclear" and asked for a comprehensive reservoir plan for Aurora which would address "water injection and re-pressurization of the reservoir in preparation for miscible gas injection to ensure greater ultimate recovery of the oil in place" at Aurora.

#### EOR planned for second quarter

Tract operations began at Aurora in November 2000 and the commission approved water injection in 2001. BP's EOR proposal is for water injection alternating with miscible gas injection beginning in the second quarter of 2003. BP estimates that additional recovery with misci-

see AURORA page 13

What can our  
fiber optics do  
for you?

Make you a hero.  
**SENSA**

SENSA® fiber-optic technology is a unique distributed temperature system that allows real-time monitoring of the complete well profile and lets you proactively manage and improve well performance. This next-generation technology provides a new level of understanding of dynamic fluid flow in both production and injection wells. It also gives you the information you need to effectively evaluate and implement optimization strategies.

Used around the world in more than 300 wells of all types, SENSA fiber-optic technology is providing valuable insight into well performance and reservoir exploitation.

When you want better decision-making data, contact the oil and gas industry leader in fiber-optic technology for answers at (907)-273-1700.

**Schlumberger**

www.slb.com/oilfield



## • NORTHWEST TERRITORIES

# Paramount makes headway in NWT

*Company brings new oil and gas production on, acquires land*

By GARY PARK

Petroleum News Calgary Correspondent

**P**aramount Resources is continuing to extend its footprint in the Northwest Territories, bringing oil and natural gas wells into production, engaging in one of the region's most active drilling programs and building a land base at the Arctic Circle.

The Calgary-based company reported May 15 that new wells are being brought on stream in the lower Northwest Territories, with oil production from Cameron Hills and gas from the Chevron et al Liard 2K-29 (I-40) Nahanni well.

With completion of a C\$5 million oil processing plant at Cameron Hills, oil started flowing on April 7, although operational snags have delayed achieving the 1,500 barrels per day target until mid-May.

The Nahanni well flowed at 30 million cubic feet per day on production test and came into production at 20 million cubic feet per day at the end of April.

At Colville Lake at the Arctic Circle, Paramount has acquired about 650,000 acres over three years, believing the area has "significant potential for large-scale gas and condensate reserves."

Having taken on Apache Canada as a

*Anadarko and Paramount have submitted applications to the National Energy Board for six significant discovery licenses.*

50 percent partner for all of its Colville Lake lands, Paramount participated in two wells of about 4,750 feet each at the Nogha prospect.

The first, Nogha C-49, was drilled, cased and completed as a gas well and Nogha M-17 was drilled and cased, although completion was suspended due to spring thaw.

The Paramount-Apache partnership also purchased and reprocessed two-dimensional trade seismic data at the Nogha Block and carried out a 2D survey over about 100 miles of a federal exploration license.

The data will be evaluated this spring to define future drilling locations.

## Anadarko Canada also drilling

Following a 2002 farm-out in the Arrowhead-West Bovie area of the lower Northwest Territories, Anadarko Canada drilled five deep and three shallow exploration wells.

Two were suspended because of spring break-up and three will resume drilling next season once freeze-up permits access to the site.

Of the remaining wells, three have been classified as gas discoveries. Two wells discovered hydrocarbons and require further evaluation and one

shallow gas well was abandoned.

Anadarko and Paramount have submitted applications to the National Energy Board for six significant discovery licenses.

Under a 2002 farm-out in the Liard area, Anadarko shot a three-dimensional seismic survey over a federal exploration license last year and spud the Liard P-16 well in February.

The well reached a total depth of 10,250 feet and encountered gas within the Nahanni formation.

Anadarko now plans to test the capability of the well once spring break-ups ends.

Following its sale of northeastern Alberta assets to Paramount Energy Trust in February, Paramount is forecasting 2003 production from the NWT, Alberta, Saskatchewan, Montana and North Dakota of up to 160 million cubic feet per day of gas and 7,000 barrels of oil, generating cash flow of about C\$200 million.

Its capital spending program for the year is C\$150 million-\$175 million.

The company views itself as a growth-oriented intermediate producer, focused on upstream oil and gas and holding 3.6 million acres of undeveloped land. •

- environmental services
- regulatory support
- power & energy
- engineering



new partners

new services

new name



**MWH**  
MONTGOMERY WATSON HARZA

## Moving Rail Cars to Alaska Since 1962.

Now you can ship  
your freight to  
America's largest state  
by North America's  
largest railroad and  
the world's largest  
railcar barge.



**CN AquaTrain**

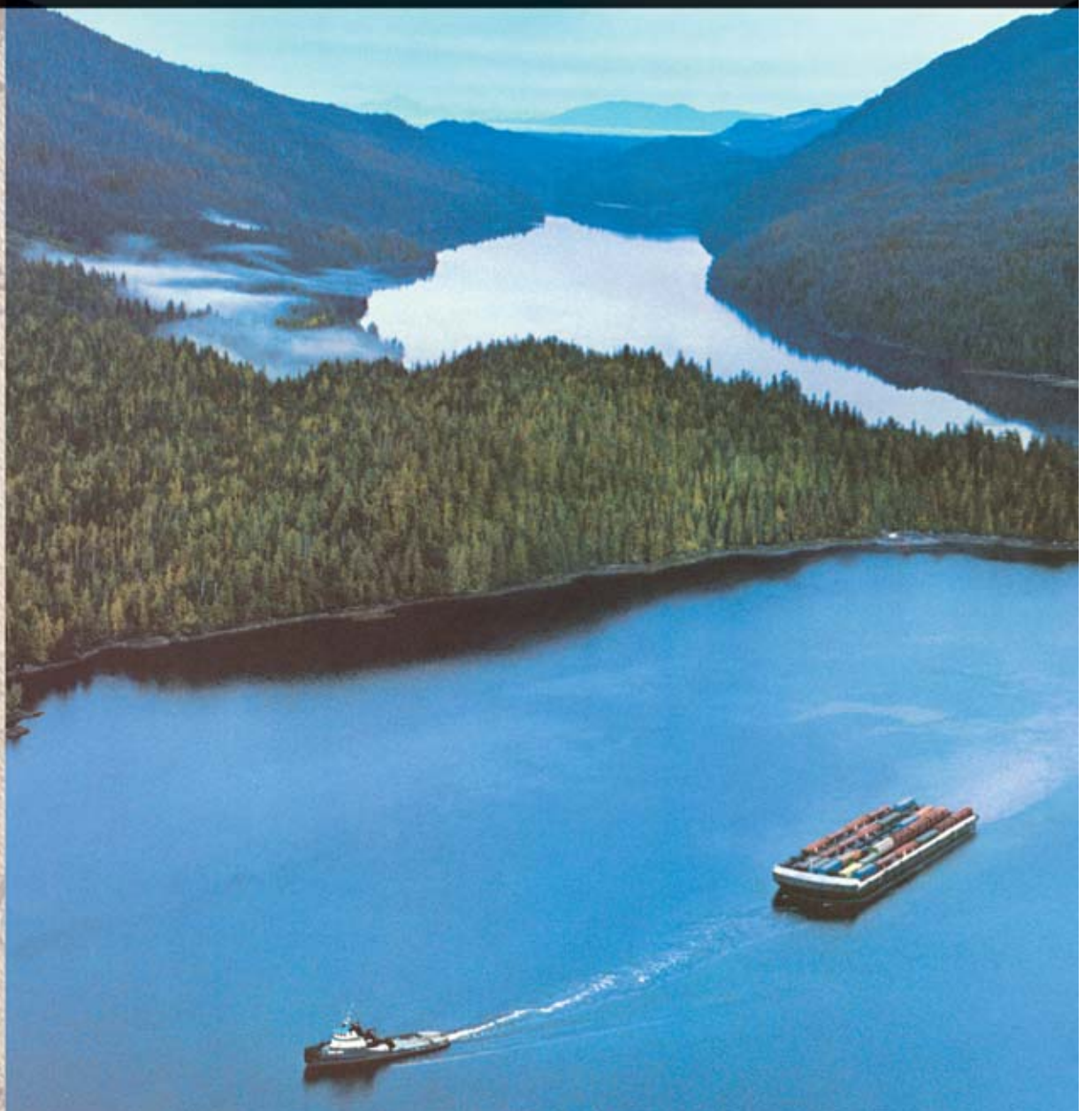
Toll free: (800) 999-0541

Phone: (907) 279-3131

Fax: (907) 272-3963

E-mail: lag@alaska.net

3015 Madison Way, Anchorage, AK 99508-4416





## Quality construction on tough sites throughout Alaska



- Petroleum industry construction
- Heavy civil construction
- Underground utilities
- Gravel and rock products
- Reclamation
- Cold weather construction
- Erosion control
- Sitework

FAIRBANKS BASED

(907) 452-5617

E-mail: [info@grtnw.com](mailto:info@grtnw.com)[www.grtnw.com](http://www.grtnw.com)

## Kenworth Alaska

SERVING ALASKA FOR OVER 25 YEARS  
YOUR OILFIELD VEHICLE SUPPORT

For higher profits you need productivity. That's where Kenworth performs the best. The trucks work hard and owners appreciate the durable, comfortable cabs. It's said that when you "think success" you succeed.

We say "think Kenworth."

## Anchorage

2838 Porcupine Drive  
Anchorage, AK 99501AK Toll-Free: 800-478-0602  
Phone: 907-279-0602  
Fax: 907-258-6639

## Hours:

Mon. - Fri.: 7:00 a.m. - Midnight  
Saturday: 8:00 a.m. - 4:30 p.m.

## Fairbanks

3730 Braddock Street  
Fairbanks, AK 99701Phone: 907-455-W900  
Fax: 907-479-8295

## Hours:

Mon. - Fri.: 7:00 a.m. - 6:00 p.m.  
Saturday: 9:00 a.m. - 1:00 p.m.Email: Parts • [kwakarts@gci.net](mailto:kwakarts@gci.net)  
Email: New/Used Truck Sales • [kwaksales@gci.net](mailto:kwaksales@gci.net)

## ● GULF OF MEXICO

## Gulf producers to work together on development

Huge risks for Shell, Chevron, Unocal in ultra-deepwater Alaminos Canyon

## PETROLEUM NEWS HOUSTON STAFF

Major players in the Gulf of Mexico's ultra-deepwater Alaminos Canyon, faced with enormous financial risks, now say they are going to work together on how best to proceed with developing combined reserves that could exceed 1 billion barrels of oil equivalent.

But field operators Shell, ChevronTexaco and Unocal indicated the planning process alone could take several years and obviously years longer before first oil is produced from wells planted roughly 10,000 feet below the ocean surface.

Located in the most southern portion of the western gulf near Mexican territorial waters, Alaminos Canyon development could be the world's deepest in terms of water depth.

With two discoveries in the bag and a possible third one in the neighborhood, the companies are said to be learning toward a hub or central production facility versus stand-alone developments. That would open the door to information sharing while spreading financial and technical risk.

Trident holds announced estimated reserves of 150 million to 200 million barrels. Great White reserves have not been disclosed but industry analysts speculate it contains around 400 million barrels.

Just east of Trident is the ChevronTexaco-operated Toledo prospect with pre-drill estimates of 400 to 500 million barrels. Coupled with Great White and

Trident, combined reserves could easily surpass 1 billion barrels of liquids should Toledo pan out.

ChevronTexaco is shopping up to 50 percent of its 100 percent interest in Toledo in an effort to spread risk. An initial exploration well there could run \$30 million to \$40 million, the company has indicated.

## Faster development closer to pipelines

At lesser water depths closer to existing pipelines, Shell-operated Great White and Unocal-operated Trident likely would be on much faster tracks to development. These discoveries would be considered more than worthy of stand-alone developments.

But in remote areas like ultra-deepwater Alaminos Canyon, where pressures and temperatures are mind-boggling, technologies are being stretched to the limit and even questioned, making project commitments difficult. There appears to be no room for costly errors at those extreme depths.

"There is a great emphasis on doing it right the first time," commented one industry official at Houston's Offshore Technology Conference earlier this month. "The price failure is very high."

Well integrity is a major issue, as well as maintaining flow through sub-sea pipelines and risers that take oil and gas from the ocean floor to production facilities at the surface. The buildup of solids, such as waxes

see PRODUCERS page 13



110' x 210' x 109' high Seward, AK



130' x 180' Alpine Field, AK



55' x 104' Anchorage, AK

## Consider This...

Engineered clear-span design in widths up to 160 feet, manufactured to any length.

Cover-All™ combines high quality components with a superior balanced design for optimal wind and snow load strength.

ViperSteel™ framework, clad with triple coated Gatorshield®, provides a service life three times longer than conventional galvanized steel.

DuraWeave® covers provide a naturally bright interior that saves on costly lighting bills and are virtually maintenance free. Exclusive from Cover-All,™ they carry a 15 year pro rata warranty.



Paul Nelson, Anchorage  
**1-907-346-1319**

Henry Brown  
**1-907-646-1219**

Or Call Our National Call Center:  
**1-800-268-3768**

[www.coverall.net](http://www.coverall.net)

Innovative Building Solutions



continued from page 10

## AURORA

ble gas injection will be 3-5 percent of original oil in place.

In its May 6 approval the commission said it denied the original application because BP did not submit sufficient technical data to demonstrate that the miscible injectant "would remain miscible throughout the planned flood area." The commission said BP "fully addressed the concerns" when it applied for rehearing in late April. Miscible gas injection will begin where water injection has been established, in the West and North of Crest blocks. The commission said water injection has recently increased and "is equal to or slightly exceeds reservoir withdrawal" in those blocks.

The commission also said that BP reservoir studies showed "insignificant reserve loss from delayed waterflood" at average reservoir pressures above 2,400 pounds per square inch. It concluded that current average reservoir pressure is above 2,700 psi, and said enriched gas would remain miscible "provided the average reservoir pressure remains above this pressure."

BP had also requested approval of lean gas injection to maintain reservoir pressure. The

commission did not approve that request, saying information provided was insufficient to show the impact of lean gas on ultimate recovery. It said BP could seek approval for lean gas injection "at a later date when plans and recovery benefits are better defined."

### Additions to Aurora pool rules

The commission issued revisions to Aurora pool rules May 15. The commission is requiring a monthly report showing daily allocation data and daily test data for the Prudhoe western satellite production metering plan. It also noted that approval of that plan expires Aug. 31, and said it will determine continued authorization of metering and allocation procedures at a hearing no later than July 31.

The pool rules are also changed to reflect approval of water and miscible gas injection at Aurora. The commission said miscible gas injection outside of North of Crest and West blocks (approved in the injection order) must be approved "prior to long-term injection."

The commission is requiring review of pool production factors and issues as part of a previously required annual reservoir surveillance report and a discussion of BP's reservoir depletion plan and status of reservoir repressurization activity as part of the annual plan of operations and development. ●

continued from page 10

## BURLINGTON

bcf from the drill bit and 268 bcf through purchases — making up 29 percent of its worldwide proved reserves.

Its oil reserves dwindled to 14.4 million barrels, largely following the sale of 43.3 million barrels, but gas liquids climbed to 59.8 million barrels from 47.7 million barrels.

Chief Operating Officer Randy Limbacher told a conference call April 24 that Burlington is "very pleased with the performance of these assets and are continuing to realize appreciable growth in these properties."

Its confidence in prospects north of the 49th parallel was reflected in first-quarter land buying, when Burlington Resources Canada spent C\$11.32 million on 61,650 acres — 42,130 acres in Alberta and 19,520 acres in British Columbia.

Of those buying land under their own name, Burlington topped the list, although brokers operating on behalf of unidentified clients led the way, with Scott Land & Leasing spending C\$47.07 million for

448,255 acres.

Shackouls said further acquisitions are possible by his company, although a deal would have to offer a "competitive advantage ... and be accretive to value creation."

### Mackenzie Delta also of interest

In addition to Burlington's many prospects in Alberta and British Columbia, the Mackenzie Delta is attracting strong company interest, boosted by last month's North Langley K-30 commercial find with farm-in partners Chevron Canada Resources and BP Canada Energy.

Shackouls expects another one or two wells will be drilled in 2004, but spending will be cautious until a Mackenzie Valley pipeline moves closer to reality.

He said Burlington hopes to gain "enough data to make appropriate decisions" without having "a lot of stagnant capital that we can't get a return on."

Shackouls was emphatically opposed to any U.S. government incentives to build an Alaska Highway pipeline, arguing that the market should "determine both the price and the route" of North Slope gas. ●

continued from page 12

## PRODUCERS

and gas hydrates, are said to be particularly problematic.

### Floating production, storage and offloading system

Field owners in Alaminos Canyon also will have to settle on a production and transportation system, perhaps some form of a floating production, storage and offloading system, more commonly known as an FPSO, with shuttle tankers to transport the oil to shore. The closest pipeline system may be beyond economic reach.

FPSOs are widely used around the world, not only because they can be less expensive than installing deepwater pipelines but because they also give producers the flexibility to ship oil to markets offering the best price.

However, FPSOs are untested in the Gulf of Mexico, despite the fact the U.S. Minerals Management Service approved their use for the region two years ago. There have been no applications, according to MMS.

The Canyon Express gas-gathering system, located in east Mississippi Canyon and launched in September 2002, holds the current world record water depth for production at 7,200 feet, flowing through the world's third longest gas-gathering line at 57 miles.

Canyon Express also was the first time that production from multiple fields has been commingled using advanced sub-sea technology, including the use for the first time of sub-sea multiphase meters in allocating production from three different fields — King's Peak, Aconcaugua and Camden Hills. Total operates Canyon Express. Partners include Pioneer Natural Resources, Marathon Oil, BP and Nippon Oil Exploration USA.

In addition to Alaminos Canyon, Kerr-McGee's Merganser and Vortex discoveries in Atwater Valley, located in 8,000 to 9,000 feet of water, is a candidate for the next deepest gulf development. However, Kerr-McGee has said it needs a few more finds before pursuing a "hub-and-spoke" natural gas development in the region. ●

## Three valuable local resources: Gas, oil, and a reliable health plan.



The Alliance and Premera Blue Cross Blue Shield of Alaska share a common commitment to Alaska and the oil and gas industry. We've been part of this state for years and we've both formed close ties with the people whose livelihoods depend on Alaska's precious resources. That's why Premera is working in partnership with the Alliance to offer health plans with exclusive services for

*Alaska's leading industrial companies rely on Premera Blue Cross Blue Shield of Alaska for quality health coverage;*

*Dowland Bach Corporation*

*LCMF*

*Alaska Steel*

*Udelhoven Oilfield System Services*



Alliance members. Our plans are backed by local account management and a customer service team dedicated to supporting Alaska residents. So whether you're in Prudhoe Bay or Valdez, we're with you. Best of all, unlike other local resources, you'll never have to drill through tundra to find us. To learn more about plans available through the Alliance, call General Manager Larry Houle at (907) 563-2226.

**PREMERA** |   
**BLUE CROSS BLUE SHIELD OF ALASKA**

We're here. We're with you.



## FAIRBANKS, ALASKA

### Alaska stakes first riverbed claim; more to be filed

Alaska has become the first state in the nation to claim a riverbed under a new process designed by the Bush administration to give up federal interests in some roads and waterways. Alaska claimed about 500 miles of the Black River, from its headwaters near the Canadian border to its mouth on the Porcupine River just upstream of Fort Yukon. Submerged lands under navigable waters belong to states, according to federal law, and the state argues that the Black River and several tributaries are navigable.

So it has asked the U.S. Bureau of Land Management for a "recordable disclaimer of interest" on the river. That's a statement from the federal government that it has no stake in a property.

The Bush administration said in December that it would encourage applications for such disclaimers.

Environmental groups accuse the administration of endangering existing and future wilderness areas by using the disclaimers to recognize road rights of way in Alaska and other Western states.

But the disclaimer process also can be used by states to claim navigable waters. So Alaska jumped at the opportunity, asking for the Black River disclaimer on Feb. 14, according to Michael Haskins, BLM's land and realty branch chief in Anchorage.

#### Feds have not disputed claim in past

Changes are not likely to be noticeable if the state wins its claim. The federal government hasn't disputed the state's ownership in the past.

There is no mining in the river, and a disclaimer won't affect the authority of federal and state fish and wildlife managers, according to Tina Cunning, a co-chair of a state agency working group on navigable waters.

Nevertheless, the state believes the Black River claim and others like it are "crucially important" to establish access rights for Alaska residents, said Cunning, who also serves as the Department of Fish and Game's state-federal program manager in Anchorage.

"We have these thousands and thousands of rivers and lakes in the state that we thought we got title to at statehood, but that we have had to go individually to court on," Cunning said.

The state has secured title to just 13 such waters since 1959, she said. The Black, Kandik and Nation rivers were the subject of one such case in the 1990s. A state-federal working group under former Gov. Walter Hickel and the first Bush administration tried to resolve the disputes out of court.

The group selected the three rivers as test cases, out of a list of about 200 clearly navigable water bodies. The federal agencies dropped out during the Clinton administration. So the state sued.

It won on the Kandik and Nation rivers, which flow southwestward into the Yukon between Circle and Eagle. But the federal government adopted a novel legal strategy on the Black River. It simply refused to say whether it had an interest.

#### Judge unable to rule

Because of the peculiarities of federal law, the judge was not

see **CLAIM** page 15

## ● MCGRATH, ALASKA

### New look at Nixon Fork

*Mystery Creek Resources plans to explore closed underground gold mine in remote central Alaska this year, may restart production in 2004*

By **PATRICIA JONES**

*Petroleum News Contributing Writer*

**A** Denver-based mining company is breathing new life into the underground, high-grade Nixon Fork gold mine — closed since mid-1999 — located in the remote region near McGrath, Alaska.

Mystery Creek Resources Inc., a wholly owned subsidiary of publicly traded St. Andrew Goldfields Ltd., acquired a mining lease for the closed gold mine last winter, according to Mystery Creek President Paul Jones.

He said plans for Nixon Fork include starting an exploration program this summer and continuing underground prospecting this winter, in hopes of discovering enough mineable gold to restart the processing facilities in the later part of 2004.

"We took a very careful look at what has been done there before. Nixon Fork is a good property, with good geology," Jones told *Petroleum News* May 15. "We would not be up there doing this if we were not confident in the potential."

According to a company press release, Mystery Creek will need to spend \$8.9 million to restart production. In addition to exploration spending, development costs will include refurbishing the mill, which is in "very poor shape," Jones said. Mystery Creek is also in the process of re-permitting the mine, and should a production decision be made, the company will need to acquire and ship mining equipment.

Nixon Fork facilities were abandoned by trustees in a bankruptcy court case, Jones said, and the mining leases reverted back to original property owners — McGrath-area miners with family ties to the property starting in the 1920s.

#### Past production at Nixon Fork

Consolidated Nevada Goldfields Inc. started gold and copper production at Nixon Fork in October 1995, after spending about \$13.5 million to construct facilities at the remote mine, located roughly 30 miles northeast of McGrath.

Equipment to construct and operate the 150-ton per day mill, a 50-person camp and a tailings dam and water containment system, along with underground mining machines, was flown to the site in 75 trips on a C-130 Hercules aircraft, according to

the 1995 Alaska Mineral Industry Report.

A workforce of about 60 produced a gold and copper concentrate that was flown biweekly from Nixon Fork to Palmer, Alaska, then shipped to Japan for final processing.

Annual production from 1996 through 1998 averaged a little less than 40,000 ounces per year, according to state mineral reports. Copper production ranged from 170 tons in 1996 up to 500 tons in 1998, when Real del Monte Mining Corp. took over operations.

Nixon Fork's gold grade averaged more than one ounce per ton of rock, according to Dick Swainbank, mineral development specialist with the Alaska Department of Community and Economic Development.

"From our point of view, that was a nice little producer for a while. But with the price of gold going down for a while, they just were not making a profit," Swainbank said. "With the price of gold going up, a number of these things are going to be reexamined."

Copper, while included in the mineral concentrates shipped out, didn't factor much into the economic mixture of Nixon Fork, he added. That's because copper prices also dropped, from \$1.03 per pound in 1997 to today's price of about 70 cents per pound.

#### Growing gold reserves

Notable about the state's past reports at Nixon Fork is that operators continued to explore the area, making discoveries that replaced the amount of gold mined nearly every year.

"They were basically keeping up with themselves, and had a number of targets that hadn't been tested yet," said Swainbank. "Those types of deposits are notoriously difficult for exploration because they occur in a relatively small area with little pipes and pockets."

Mystery Creek plans to use a three-dimensional geological modeling system, developed by an affiliated company called Geoinformatics Exploration, to aid in that exploration work.

"It's a sophisticated proprietary software used very successfully in Australia and we're using it in Timmins, Ontario," Jones said. "It makes the ini-

see **NIXON FORK** page 15

## AVALON



DEVELOPMENT  
CORPORATION

## AVALON DEVELOPMENT CORP.

*Mineral Exploration Consulting Services*

*Property Evaluations*

*Exploration Design & Management*

*Field Exploration and Logistics*

Curt Freeman, Cert. Prof. Geologist #6901

P.O. Box 80268 Fairbanks, AK 99708

Phone 907-457-5159 Fax 907-455-8069

email [avalon@alaska.net](mailto:avalon@alaska.net)

web site [www.avalonalaska.com](http://www.avalonalaska.com)



• BRITISH COLUMBIA

# British Columbia edges toward recovery

*Mining revenues slide in 2002, but profits higher; major player resume exploration*

By GARY PARK

Petroleum News Calgary Correspondent

**B**ritish Columbia's more industry-friendly government has raised hopes of a turnaround in the mining sector after a decade of decline, but jobs and growth are still wavering.

In its annual report released May 14, PricewaterhouseCoopers said that although average salaries and benefits climbed almost C\$9,000 to C\$90,000 last year, total employment fell to 6,729 from 7,630.

Of the mining companies surveyed, gross revenues decreased by C\$200 million to C\$3.53 billion, net revenues dipped by C\$100 million to C\$2.5 billion, but profits rose to C\$107 million from C\$61 million.

A major blemish has been the stunning comeback of the Canadian dollar, which is up 15 percent this year at 73 cents (U.S.) and is being forecast by some analysts to surge past 80 cents by mid-2004.

For every 1 cent increase against the U.S. dollar, the currency of world commodity trading, the British Columbia mining industry stands to lose C\$22 million in revenue.

## Stepped up exploration

However, the province — having delivered tax and land use policy changes — is getting its first taste in years of stepped up exploration for gold and base metals, dominated by the return of Toronto-based Noranda for the first time in 8 years to the Kerr-Sulphside gold-copper property in a deal with Seabridge Gold.

The Mining Association of British Columbia is also encouraged by exploration plans for the area around Barrick Gold's Eskay Creek mine, one of the province's richest deposits, as part of the government's forecast of a

hike in spending this year to C\$60 million-C\$80 million from last year's paltry C\$40 million.

Barrick, Heritage Minerals, Rimfire Minerals, Roca Mines and Teck Cominco are all exploring in the region.

John Bowles, a mining practice leader with PricewaterhouseCoopers, told a news conference that British Columbia has not had a new mine opening since Northgate Exploration's gold-copper mine at Kemess in 1999.

Meanwhile, there have been six mine closures over the four years and "we expect more to come over the next 10 years," he said.

Gary Livingstone, president of the mining association, said that unless exploration spending grows to C\$150 million-C\$200 million a year the industry faces further decline.

Even so, he said the fall in revenues last year was "not dramatic and that's the important point. It's gradual, but it's constant, and that's what is troubling." ●

continued from page 14

## CLAIM

able to rule on who owned it, Cuning and Haskins said.

Haskins said BLM refused to take a position because it was worried that the state would swamp it with such cases, which in turn would take resources away from efforts to transfer other federal land to Native corporations and the state itself.

Congress promised the state about 100 million acres in 1958 and Native corporations about 44 million acres in 1971. But

BLM is still working to convey the land.

"If, in fact, the state could turn around and file on all these other rivers, it could really throw us in terms of our workload," Haskins said.

Refusing to take a position didn't do much to clear up who owns what in Alaska, he acknowledged.

"That's where this 'recordable disclaimer of interest' process is going to be the next best thing," he said. "It's going to save the federal government and state a lot of time and money in the courts."

Haskins said BLM is charging the state

a \$7,400 processing fee. That figure will probably come down on future filings, he said.

Cunning said the state plans to file more claims shortly.

BLM published notice of the state's

claim in the May 8 Federal Register. It will take written comment for 90 days after that date and then make a decision. No public hearings will be held.

—THE ASSOCIATED PRESS

continued from page 14

## NIXON FORK

tial exploratory drilling more intelligent ... we will finish up modeling of the geology at Nixon Fork and use that model to develop exploratory targets."

He expects the summer surface exploration program to start sometime in July and continue throughout the rest of the summer. The underground winter program will follow up on already identified resources and "other things the summer program may turn up," Jones said. "Our intention is once we start, it will continue until we get to feasibility."

According to the company's press release, all categories of gold resources

reported by previous operators in June 1999 totaled 194,214 ounces of gold.

"The difference between resources and reserves is that no one places resources in production. We need to upgrade resources to reserves. The level of certainty for resources is much less than the level of certainty for reserves," Jones said. "The whole point of the summer and winter program is to upgrade and increase the reserves that are there."

A development decision weighs on whether geologists can define enough gold reserves to justify putting the property back into production, he added. Gold prices factor heavily in that decision-making process.

"At \$355, it's a good project," Jones said. "That property will do well at that price." ●

## INTEGRATED

---

## SYSTEMS GROUP, INC.

**Simplified Solutions For Complex Challenges**

Fire Alarm, Gas Detection, Optical Flame Detection, Contracting and Engineering Services

5730 B Street Anchorage, AK 99518  
Phone 907.569.3473 569.FIRE  
Fax 907.569.1301 info@intsysgrp.com



## US BEARINGS AND DRIVES

Formerly Besco

**Added Value is Our Product — Our People Make the Difference**

V-Belts & Sheaves • Packing & Gaskets • Seals • Bearings • Pillow Blocks  
Sprockets & Chain • Motors & V.F.D.'s • Conveyor Components & Belting  
Couplings • O-Rings • Loctite & CRC • Specialties

*Doing Business in Alaska Since 1952*

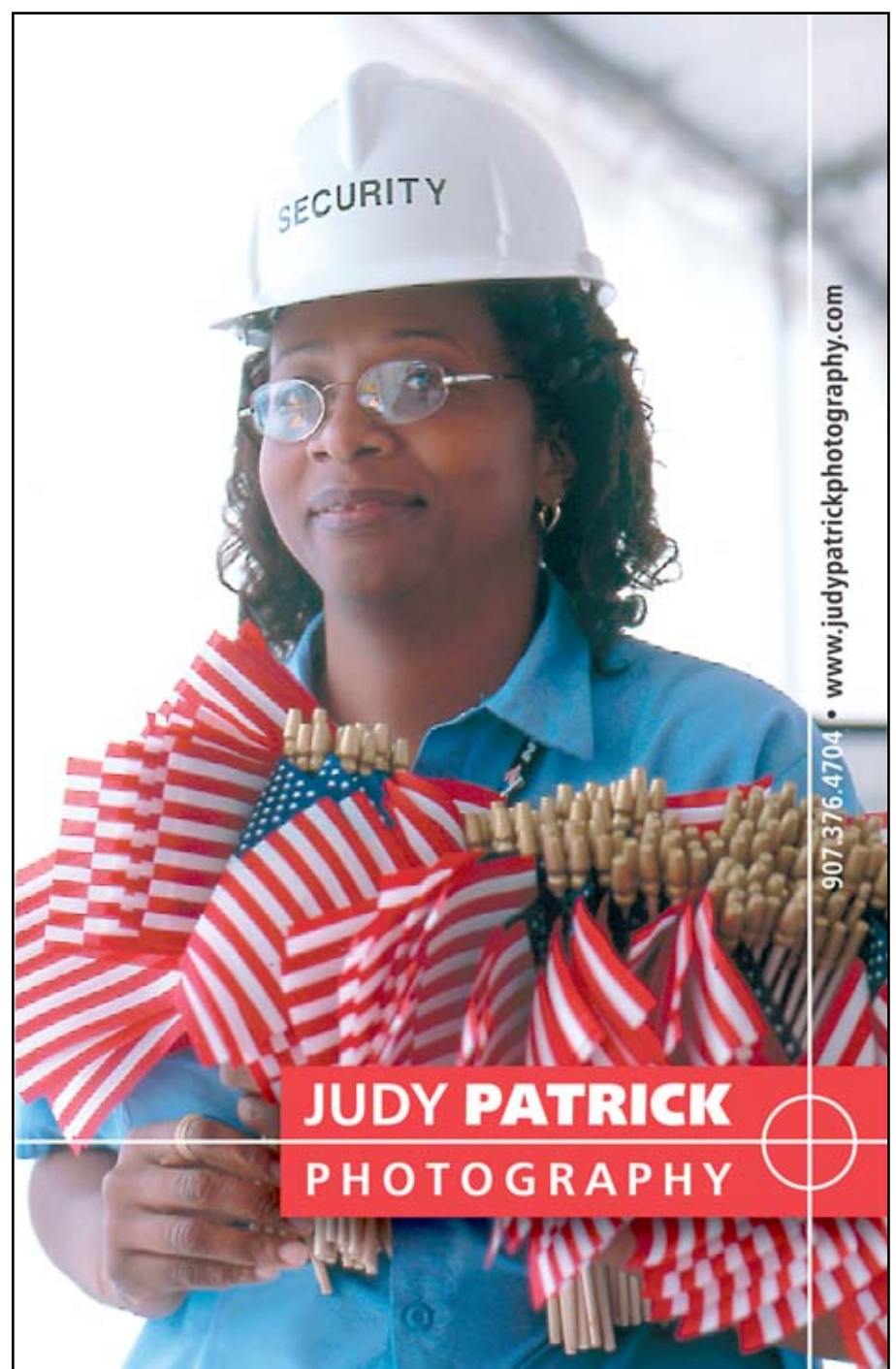
611 E. International Airport Rd | Ph 563-3000 | After Hours 250-2826 | Toll Free 800-478-6205 | Fax 563-1003 | www.bearings.com

# NEI FLUID TECHNOLOGY

Phone: 561.4820  
Fax: 562.2316  
Email: neifluid@ptialaska.net

**Suppliers of:**

- Petrochemical refueling & testing equipment
- Meters and valve systems for oil & gas industry
- Portable measurement for petroleum, chemicals and bulk liquids
- Refrigerant recovery/recycling equipment



SECURITY

907.376.4704 • www.judypatrickphotography.com

**JUDY PATRICK PHOTOGRAPHY**



continued from page 1

## LITIGATION

any court” unless an appeal is brought by the applicant or by an affected coastal district, excepting claims based on the U.S. or Alaska constitutions. That portion of the bill has a statewide impact. (See related story on ACMP legislation on page 2.)

*... the company would like to make Alaska “one of the cornerstones of Forest Oil — but honestly, the continuing litigation and the uncertainty has caused grave concern for us.”*

—Trey Wilson, Forest Oil

The bill coincides “with an executive branch reorganization directly affecting” the named resource agencies, and is, the bill's findings state, “intended to help facilitate the reorganization and the transition to a new administrative structure by removing from those agencies the burden of possible or on-going litigation over past administrative decisions.”

The original bill, as it passed the House, provides civil liability for malicious claims against state-permitted project, and that provision remains in the bill.

### Senate amendments from Therriault

House Bill 86 was sponsored by Hugh Fate, R-Fairbanks, and amended in Senate Judiciary by Senate President Gene Therriault, R-North Pole. Therriault said he was concerned about the decline in Cook Inlet oil and gas production and the fact that Forest Oil, just bringing new production on in the inlet at the Redoubt Shoal field after “wading through our very lengthy permitting process” is being “dogged by litigation.”

“What I'm asking for in this amendment,” Therriault said in Senate Judiciary May 16, “is having gone through that process — our state permitting process — jumped through all the hoops, that the Legislature once and for all say that the project has been issued its permits, we expect them to live under their permits, up to the performance of their permits, but we'd like the project to go forward.”

Committee vice-chair Ogan said he encountered permitting issues with a mine project in his first year in the

Legislature. The company doing that project said they didn't mind jumping through the state's permitting hoops, but, he said, they needed a “linear process” — they needed to know that when they had jumped through hoops A through Z, they weren't going to have to go back and start all over again at hoop A.

Without a linear process, when companies have to go back through the hoops, “it costs time; it costs money; and it discourages investment.

“And I can't tell you how many people we have run out of this state with a big ‘we're not open for business sign’ by not having that linear process.” With this bill, Ogan said, “everybody knows what the rules are going to be and at the end of the process... they have some certainty that they can invest” in the state.

### Litigation costs plus uncertainty

While the provision approving Cook Inlet oil and gas projects with existing permits is not specific to any company, Forest Oil testified in favor of the amendment.

Gary Carlson, Forest Oil senior vice president, told the committee the bill “as amended is critical to Forest Oil and its Alaska operations.” The company now has oil production from the Osprey platform at Redoubt Shoal, he said, after investing more than \$200 million in the project, and is just now starting to see return on its investment.

Carlson said the Osprey is the first platform in Cook Inlet to grind and inject all drill cuttings, the first to re-inject all produced fluids on location, the first to electrify the drilling rig.

“As an investor in the state's resource development, we have done what the state has asked — plus,” he said.

But in spite of that, and in spite of “voluntary efforts to minimize conflicts and to provide enhanced environmental protection,” Redoubt Shoal development “has been the subject of continuing litigation quite literally since before the leases were issued by the state of Alaska,” Carlson said.

Litigation costs and the cost of shutting down a rig following a court injunction have totaled \$2 million, he said.

And it isn't just the cost, it's the continuing uncertainty, he said: Forest Oil is doing development drilling “under the very real threat that the Alaska Supreme Court could issue an injunction.

see LITIGATION page 17

## ● HEALY, ALASKA

# Shallow gas leases filed in Interior Alaska

*Alaska's only coal producer, Usibelli Coal Mine, starts its coalbed methane exploration program, drilling planned next summer*

By PATRICIA JONES

Petroleum News Contributing Writer

Usibelli Coal Mine Inc., headquartered in central Alaska near Healy, has taken its first step in exploring coalbed methane development and production.

Earlier in May, Usibelli filed eight shallow gas leases on state land northeast and adjacent to the company's coal mining leases. (See news brief in May 18 edition of Petroleum News.)

“We've got thickness of coal and the right kind of formation that is typically looked at for coalbed methane,” Steve Denton, Usibelli's vice president of business development, told Petroleum News May 19. “We thought it was prudent to take a look at the possibility of methane production in the future ... the first step in doing that is applying for leases.”



STEVE DENTON

After working through permitting and leasing issues this summer and fall, Usibelli plans its first coalbed methane test wells in the summer of 2004, he said.

“It's not a terribly aggressive program — basically the first thing we'll drill some test wells to see if we've got anything,” he said. “The first test well pattern will probably be five wells. We really need to do some basic geology before we even know where the drilling should be.”

Consulting with Usibelli on its initial shallow gas program is the Casper, Wyo.-based Goolsby, Finley & Associates, a company Denton described as very active in coalbed methane work in the Powder River region. “The coal there is very similar to the coal we have here,” he added.

### Deep coal formations

The eight shallow gas leases cover about 46,000 acres of land, he said, most located northeast of Usibelli's existing mining claims that are about three miles northeast of the Parks Highway community of Healy. Two of the shallow gas leases are located adjacent to the Parks Highway, Denton said.

“There are a few sections that overlap our coal leases, but most (of the shallow gas leases) don't have coal leases on it,” he said. “It's not the area I would pick to mine coal next.”

That's because the subsurface coal ranges from 200 feet to 2,000 feet deep on those shallow gas lease lands, he said. Usibelli, which currently produces about 850,000 tons of coal each year, uses open-pit mining to extract coal from near-surface deposits.

*Recent changes in state regulations regarding shallow gas leasing have also contributed to Usibelli's new effort. “It makes it a little bit more friendly to go after these smaller quantities of gas.”*

—Steve Denton, Usibelli Coal Mine

“We're looking for coal to mine at 500 feet or less,” he said. “If you're talking about surface mining and shallow gas development, the two don't cross paths often.”

The underground coal formation on the shallow gas leases runs up to 120 feet thick, Denton said, and the company has identified five to six coal seams that have potential for coalbed methane production.

Yet the majority of that coal is not included in Usibelli's 100 million tons of coal mining reserves, because of its depth, Denton said.

“If we were going to go underground, we might get into that,” he said. “That would be many decades, if not centuries away, because we have so much shallow coal.”

### Future shallow gas uses

In addition to the large seams of coal, other indications exist for the potential of coalbed methane, Denton said.

“Some of the wells around here have had a little bit of gas — the deeper water wells,” he said. “Nothing that we've seen approach marginal amounts for production of gas. ... Water wells are nowhere deep enough (for coalbed methane production), and some of the deeper formations may have better potential.”

Usibelli hasn't placed any kind of estimate on the potential amount of gas contained in shallow gas leases, he said.

“Gas quantities in coal can be such a wide range, until you've done some testing, it's hard to put anything out there that wouldn't be total fantasy,” Denton said. “It's definitely in the formative stages for us. As time goes on, we'll have a better picture of what the potential is. Really it is a shot in the dark right now — we know for sure we have a lot of coal in the ground.”

Should testing show economically producible gas resources, Usibelli could market it to existing gas distributors in Alaska, Denton said.

“If we do find a lot of gas, we can sell it for three to four times what we sell the coal for,” he said. “For us, even if it's a fairly small amount of gas, it could be used for internal use. We consume quite a bit of electricity and heat.”

Recent changes in state regulations regarding shallow gas leasing have also contributed to Usibelli's new effort. “It makes it a little bit more friendly to go after these smaller quantities of gas,” Denton said. ●

# PRA

*Petrotechnical Resources Alaska*

Alaska's Oil and Gas Consultants

Geology, Geophysics, Engineering

www.petroak.com

(907)272-1232

# MTS

Machinery Technical Support  
Anchorage, AK

Phone (907) 250-4499 Fax (907) 243-4066  
E-mail mts.ak@att.net

Machines speak  
many languages

MTS listens







# Companies involved in North America's oil and gas industry



## Business Spotlight



FORREST CRANE

Craig Welch, general manager

### Brooks Range Supply

This Prudhoe Bay parts and industrial supply company is located about a mile from the Deadhorse, Alaska, airport. Its specialty is to have on hand or in quick time any item needed by North Slope customers. The Helmerick brothers purchased the 23-year-old company in 2000, broadening inventory and more strongly emphasizing safety and environmental operations.

General Manager Craig Welch has 30-plus years' experience in parts and mechanics and was parts manager for a heavy equipment manager in Oregon for 10 years. A single dad, his two daughters, 27 and 23, still live in Oregon. Craig once surprised a reporter by telling her his father owned the Katalla Oilfield, where oil was first discovered in Alaska.



COURTESY GREAT NORTHWEST

Buzz Otis, company founder

### Great Northwest Inc.

Operating from Fairbanks, Alaska, Great Northwest has worked the state, providing excavation, sewer and water utilities, road and airport construction, paving, gravel and rock products, reclamation, and cold weather construction, including ice roads. Founder Buzz Otis has three partners — John Minder, Randy Brand and Tony Johansen — all very active in Fairbanks civic and educational organizations.

Buzz and his team believe in achieving personal goals and making a difference in life, easy to do in a great state like Alaska, says Buzz. He and Renee Webb-Otis, married for 22 years, have three children, Ben (14), Patrick (9) and Jenna (6). They enjoy boating, fishing, hockey and warm winter vacations. And he swears drenching the woman in the Cadillac convertible (top down) with a 2-inch hydroseeder hose was an accident!

ADVERTISER

PAGE AD APPEARS

ADVERTISER

PAGE AD APPEARS

### A

Agrium	
Air Logistics of Alaska	
Alaska Airlines Cargo	
Alaska Anvil	2
Alaska Coverall	12
Alaska Interstate Construction	
Alaska Marine Lines	20
Alaska Railroad Corp.	
Alaska Rubber & Supply	8
Alaska Telecom	9
Alaska Tent & Tarp	
Alaska Textiles	
Alaska Valve & Fitting	
Alaska West Express	20
Alaska's People	
Alliance, The	
Alpine-Meadow	
American Marine	
Anchorage Hilton Hotel	
Arctic Controls	
Arctic Pacific Enterprises	
Arctic Slope Telephone Assoc. Co-op	3
ArrowHealth	
ASRC Energy Services	6
Avalon Development	14

### B-F

Badger Productions	
Baroid Drilling Fluids	
Brooks Range Supply	4
Cameron	
Carlile Transportation Services	
Chiulista Camp Services	
Chugach Technical Services	
Clarion Suites	
Cleanaire Alaska	
CN Aquatrain	11
Coldwell Banker	
Colville	
Conam Construction	
ConocoPhillips Alaska	
Cook Inlet Tug & Barge	
Crowley Alaska	
Cruz Construction	
Dowland - Bach Corp.	
Doyon Drilling	
Dura-Wrap Containments	
Dynamic Capital Management	
Eagle Enterprises	
Engineered Fire Systems	
ENSR Alaska	2
Epoch Well Services	
Era Aviation	
ESS Support Services Worldwide	
Evergreen Helicopters of Alaska	19
Evergreen Resources Alaska	5
F.A.T.S.	
Fairweather Companies, The	
First National Bank Alaska	
FMC Energy Systems	
Flowline Alaska	
Forest Oil	
Frontier Flying Service	

### G-M

Golden North Van Lines	
Golder Associates	
Great Northwest	12
H.C. Price	
Industrial Project Services	
Inspirations	
Integrated Systems Group	15
IRF Group	
Java King	
Jackovich Industrial & Construction Supply	
Judy Patrick Photography	15
Jungle Jim's Floorcovering	
Kenai Aviation	
Kenworth Alaska	12
KPMG LLP	
Kuukpik Arctic Catering	
Kuukpik - Fairweather - Veritas	

Kuukpik - LCMF	
Lounsbury & Associates	9
Lynden Air Cargo	20
Lynden Air Freight	20
Lynden Inc.	20
Lynden International	20
Lynden Logistics	20
Lynden Transport	20
Lynx Enterprises	
Machinery Technical Support	16
Mapmakers of Alaska	
Marathon Oil	
Maritime Helicopters	5
MI Swaco	
Michael Baker Jr.	
Midtown Auto Parts & Machine	8
Millennium Hotel	
Montgomery Watson Harza	11
MRO Sales	7

### N-P

Nabors Alaska Drilling	
NANA/Colt Engineering	
Natco Canada	
Neeser Construction	
NEI Fluid Technology	15
New World Technology	
Nordic/Calista Services	
Northern Air Cargo	9
Northern Lights	
Northern Testing Laboratories	8
Northern Transportation Co.	
Offshore Divers	4
Oil and Gas Supply Co.	
Oilfield Transport	
PDC/Harris Group	
Pacific Rim Leadership Development	
Panalpina	
Peak Oilfield Service Co.	
Penco	
Perkins Coie	
Petroleum Equipment & Services	
Petrotechnical Resources of Alaska	16
PGS Onshore	
ProComm Alaska	
PSI Environmental & Instrumentation	

### Q-Z

QUADCO	
R & R Scaffold Erectors	
Salt + Light Creative	
Schlumberger Oilfield Services	10
SECORP Industries	2
Security Aviation	
Seekins Ford	
Shred Alaska	3
SimplexGrinnell	
Snowbird Management	
SOLOCO (Dura-Base)	
Sourdough Express	2
Span-Alaska Consolidators	
STEELFAB	
Taiga Adventures	
Tec Labs	
Thrifty Car Rental	
TOTE	
Totem Equipment & Supply	
Travco Industrial Housing	
Tucker Sno-Cat	
Udelhoven Oilfield Systems Services	
Umiat Commercial	19
Unique Machine	
Unitech of Alaska	3
United Van Lines	
Univar USA	
URS	
U.S. Bearings and Drives	15
Veco Alaska	
Wayne's Original Texas Bar-B-Q	
Wood Group (Alaska)	
XTO Energy	
ZY-TECH Global Industries	

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



continued from page 1

YUKON

ing the Alaska pipeline.  
She argued that the right of way for Foothills Pipe Lines to build the line has been formally recognized and the land has been set aside.  
If the Kaska now have a veto over the pipeline they have rights not available to other Yukon first nations, Duncan said.

Fentie had said deal didn't include land

Fentie had previously assured the legislature that the deal being negotiated had nothing to do with land, resource rev-

enues or giving the Kaska a veto over development on their lands.  
Questioned by reporters on May 12, he refused to say whether he stood by that commitment.  
Duncan and Yukon New Democratic Party leader Todd Hardy said the deal offers the Kaska benefits that have not been offered to the territory's 12 first nations that have either ratified land claims or signed memorandums of understanding with the Yukon government.  
Hardy said the outcome will cause a "great deal of uncertainty" within industry and the appearance of preferential treatment for the Kaska.  
He said Yukon nations that have either signed final agreements or reached mem-

orandums of understanding with the Yukon could now make a case to reopen their negotiations.  
The Kaska incorporate two first nations in the Yukon and three in British Columbia, which heightens Duncan's objections to the agreement.  
She said benefits totaling "potentially millions of dollars" from Yukon resources could end up in the hands of British Columbia first nations.  
"It's a sell-out" of the Yukon's resources, she declared on May 12. "Yukoners have every reason to be absolutely outraged."  
Duncan believes the two Yukon-based Kaska first nations are entitled to receive money from resource development, but

she is flatly opposed to distributing cash among the British Columbia first nations.  
Hardy also noted that the Canadian government has been excluded from its traditional role in land claims discussions.  
Kaska deputy chief negotiator Victor Mitander, while conceding there is a "lot of work" ahead to get federal participation in the final agreement, said the bilateral deal allows oil, natural gas, mining and forestry development to proceed with the consent of the Kaska, although there is not yet a revenue-sharing deal in place.  
While the political squabbling continues, the Kaska are organizing meetings with the Yukon government to establish the ground rules for a disposition of oil and gas licenses. ●

continued from page 1

STORAGE

said May 19.  
"A summer as hot as last year would likely drive gas prices to the upper half of this range and, for brief periods, possibly beyond," Smith said.  
To reach minimal normal levels, he

For the week ending May 16, Smith's supply-demand model projected a gas storage build to a total of 995 billion cubic feet, up 95 billion cubic feet from the previous week.

added, gas storage would have to increase by a net 11 billion cubic feet each week over the remaining 30 weeks remaining in the build season to wipe out the current projected storage deficit of 347 billion cubic feet.  
"We've been chipping away at the deficit for the last four or five weeks, with the average price a little over six dollars," Smith said. "So we're going to need some kind of price that looks like that ... to get back to normal."

Comparison to five-year average

Normal is how current weekly storage levels compare to the five-year average for any particular week between 1994 and 1998. Smith issues his forecasts a week ahead of official reports and has now beat consensus estimates for nine consecutive weeks.  
For the week ending May 16, Smith's supply-demand model projected a gas stor-

age build to a total of 995 billion cubic feet, up 95 billion cubic feet from the previous week. That compared to 1.342 trillion cubic of total average storage for the same week during the 1994 to 1998 period.  
The model's projected build was 11 billion cubic feet more than the normal seasonal average of 84 billion cubic feet for the week, suggesting the deficit would decrease by 11 billion cubic feet to 347 billion cubic

from the previous week's 358 billion cubic feet. Smith attributed the projected storage build mainly "to demand destruction resulting from the sharp recent run-up in gas prices."  
With an average Henry Hub gas price of \$6.05 the previous week, he explained, "it was less expensive for refiners to burn distillate fuels and various other petroleum product streams at most refineries."

The upward pressure on gas prices for the week reflected the market's "growing realization" that the gas storage deficit had been roughly the same during the previous 12 weeks, Smith said.  
"This means that the pace of demand destruction will have to increase if minimum November storage levels are to be achieved," he said.  
—PETROLEUM NEWS HOUSTON STAFF



**Umat Lodge**  
907-452-9158

**OPEN 24 HOURS ALL YEAR**  
Lodging • Meals • Logistics  
• Equipment Rentals  
• Aviation Fuel Sales

**The Umat airstrip is the best on the CENTRAL NORTH SLOPE.**

UCC PROVIDES FULL-SERVICE accommodations and logistical support for northern remote activity from our scenic Colville River Site.

**2700 S. Cushman  
Fairbanks, AK 99701  
907-452-6631  
907-451-8632 fax  
www.umat.com**



## Total Aviation Services

Evergreen's diverse fleet, our reputation for quality service and safety, our commitment to customer service, and our ability to mobilize on short notice makes us a proven Industry leader in Alaska, nationally and globally!

- Evergreen International Aviation, Inc.
- Evergreen International Airlines, Inc.
- Evergreen Helicopters, Inc.
- Evergreen Aviation Ground Logistics Enterprises, Inc.
- Evergreen Aircraft Sales & Leasing, Co.
- Evergreen Air Center, Inc.
- Quality Aviation Services, Inc.
- Evergreen Aviation Museum
- Evergreen Orchards
- Evergreen Agricultural Enterprises, Inc.
- Evergreen Humanitarian and Relief Services, Inc.

**Serving Alaska since 1960**

**HELICOPTERS:**

- Light, Medium and Heavy Lift
- Petroleum Exploration and Production
- Construction
- Forestry and Firefighting
- Government and Scientific Support
- Peacekeeping
- Utility Installation and Maintenance Support

**AIRLINES:**

- DC-9 and Boeing 747
- Scheduled Cargo Service
- Charter Services to, from and within Alaska

**GROUND HANDLING:**

- Ramp Services and Refueling
- Wide-bodied Aircraft Maintenance

**Bases at Anchorage, Nome, Cold Bay, and Deadhorse**  
1935 Merrill Field Dr., Anchorage, AK 99501  
Tel: 907.257.1500 • Toll Free: 800.958.2454 • Fax: 907.279.6816

[www.evergreenaviation.com](http://www.evergreenaviation.com)



# **LYNDEN**

*We Have the People and the Tools to Solve  
Alaska's Most Difficult Transportation Challenges.*



## **ALASKA MARINE LINES**

...barge service throughout  
Southeast Alaska.

## **ALASKA WEST EXPRESS**

...contract, bulk &  
specialized transport.

## **LYNDEN LOGISTICS**

...customized logistics  
services & solutions.

## **LYNDEN AIR CARGO**

...scheduled air freight  
& charter services.

## **LYNDEN INTERNATIONAL**

A Division of Lynden Air Freight, Inc.

...worldwide air & ocean  
forwarding services.

## **LYNDEN TRANSPORT**

...full service transport  
to, from & within Alaska.

## **LYNDEN AIR FREIGHT**

...dependable air freight  
forwarding services.

**[www.lynden.com](http://www.lynden.com)**

**The Lynden Family of Companies**



**Innovative Multi-Modal Transportation Solutions**