



Judge says ConocoPhillips to win road access suit in Superior Court

STATE LOSES IN NORTH SLOPE road access lawsuit. That was the headline in Tim Bradner's Nov. 25 Alaska Economic Report.

A state Superior Court judge said Nov. 22 that he will "rule against the state Department of Law and for ConocoPhillips, a North Slope oil producer, in a complex and important law case involving access to North Slope oilfield roads. The state has indicated that it will appeal the decision to the Alaska Supreme Court," Bradner reported.

In a nutshell, "Oil Search (now Santos Ltd.) needed to use oilfield roads built by ConocoPhillips through the Kuparuk River oil fields to reach state leases where Oil Search planned the new Pikka oil field. Typically oil companies allow other firms to use their roads during exploration and pre-development when traffic is light," Bradner wrote.

"During construction, when traffic is heavier, arrangements are made to share maintenance and repair costs. What's unusual in this case is that ConocoPhillips and Oil

see **INSIDER** page 11

AEA is purchasing battery storage services for stabilizing hydro

During a Nov. 18 special meeting of the board of the Alaska Energy Authority the board approved resolutions to obtain battery energy storage services from Railbelt electric utilities, to stabilize oscillations in the turbines in the Bradley Lake hydroelectric power facility on the Kenai Peninsula.

Curtis Thayer, executive director of the Alaska Energy Authority, has explained to Petroleum News that Bradley Lake's 120-megawatt generation capacity was originally designed to be provided by three 40-megawatt generators but was actually built using two 60-megawatt generators. In the event of a sudden large change in power generation or use in the Railbelt, the two-generator configuration at Bradley Lake is susceptible to oscillations that could cause damage to

see **BATTERY STORAGE** page 10

Alaska approves NFU contraction deferral to coincide with POD

On Nov. 21, executive Mark Landt of Vision Resources, a Gardes company, received a letter of approval from Alaska's Division of Oil and Gas regarding Vision's Sept. 6 request to defer contraction of the North Fork Unit acreage.

The Cook Inlet basin North Fork Unit, or NFU, is made up of five state oil and gas leases totaling 2,601.84 acres, and one participating area, the NFU Gas Pool No. 1. Sustained production from the NFU began in April 2011.

Effective May 1, 2021, Vision became the NFU operator.

The NFU's 10-year mandatory contraction date was originally April 6, 2021. Cook Inlet Energy LLC, on behalf of Vision, requested a delay of the 10-year mandatory unit contraction until April 6, 2022.

see **NFU DEFERRAL** page 10



FINANCE & ECONOMY

ANS in war risk flux

Israel/Hezbollah ceasefire drop offset by OPEC+ output moderation talks

By **STEVE SUTHERLIN**

Petroleum News

Alaska North Slope crude edged 6 cents lower Nov. 26 to close at \$71.73 per barrel, while West Texas Intermediate shed 17 cents to close at \$68.77 and Brent shed 20 cents to close at \$72.81.

In four trading days ending Nov. 26, crude prices were whipsawed by changing perception of global war risk, but ANS ended the period priced just 20 cents less than its close of \$71.93 on Nov. 20.

The most dramatic price movement of the week was on Monday, Nov. 25 when word broke of a pending cease-fire agreement between Israel and Hezbollah forces in Lebanon.

The news sent ANS plunging \$2.19 to close at \$71.79, as WTI plunged \$2.30 to close at \$68.94 and Brent plunged \$2.16 to close at \$73.01.

The cease fire was made official Nov. 26, but prices were supported by word that the Organization of the Petroleum Exporting countries and its allied producers were discussing an extended delay to a scheduled crude production increase due in January, according to OPEC+ sources quoted by Reuters.

The sources came forth after OPEC+ members Iraq, Saudi Arabia and Russia held talks Nov. 26 in Baghdad, Iraq, ahead of a Dec. 1 OPEC+ meeting to

Usually, it is cheaper to find oil and gas than to buy, especially if asset quality is important, WoodMac said, adding that the mergers and acquisitions market for advantaged pre-final investment decision assets is competitive and fully priced.

set 2025 production policy.

Prior to Nov. 26, crude prices were in an uptrend sparked by an escalation of long-range missile attacks between Ukraine and Russia.

On Nov. 22, ANS jumped 91 cents to close at \$73.98, WTI leapt \$1.14 to close at \$71.24 and Brent jumped 94 cents to close at \$75.17.

ANS leapt \$1.14 Nov. 21 to close at \$73.07, while WTI leapt \$1.23 to close at \$70.10 and Brent vaulted \$1.42 to close at \$74.23.

On Nov. 26, ANS traded at a \$2.96 premium over WTI and at a \$1.08 discount to Brent.

GasBuddy said its annual Thanksgiving Travel Survey revealed that 72% of Americans plan to take a road trip over the holiday — a 75% increase from the 41% that planned to take a trip by car in 2023.

"Of those not traveling by car, 10% plan to fly and

see **OIL PRICES** page 9

GOVERNMENT

Impact of royalties

House Resources hears Gaffney Cline analysis of Cook Inlet gas development

By **KRISTEN NELSON**

Petroleum News

Would royalty reduction spur more natural gas development in Cook Inlet?

The Legislature has been considering changes to natural gas royalties and Nov. 19 the House Resources Committee heard an analysis Gaffney Cline prepared at the request of the Legislative Budget and Office Committee addressing the issue.

Nicholas Fulford, senior director of Gaffney Cline, told the committee that there are an array of risks facing any investor in Cook Inlet oil and gas, including cost, aging infrastructure, limited services, the challenges of weather and operating in the inlet, environmental considerations and liabilities of decommissioning.

Then there is the lack of access to a broader market, with any new gas likely going to one of a handful of buyers, buyers who are looking to diversify their energy sources.

Add to that the possibility of a gas line from the North Slope, making it more difficult to ensure that there would be long-term secure sales for any new project producing Cook Inlet gas.

Fulford said he sees the biggest risks as cost pressures and having a long-term reliable buyer who would support the investment with an adequate price.

While changes in royalty may be helpful, Fulford said, it's a larger resource base that really improves economics, with higher average production "significantly" improving the investment case.

And were a gas line to be built from the North Slope, that would substantially change the market dynamic in Southcentral, something which would be of concern to investors, he said. Fulford suggested a measure of state support could help protect against price changes should a North Slope gas line be constructed.

Types of developments

Fulford said Gaffney Cline's modeling showed that while royalty changes can help create a case for investment in a project, gas purchase price and production levels are more influential, with royalty reductions broadly comparable to savings in operating and capital requirements.

The modeling looked at two hypothetical Cook Inlet projects — a standalone shallow water gas field and incremental drilling at an onshore gas field. Fulford said that generally incremental drilling from existing onshore or offshore locations

see **ROYALTY IMPACT** page 10



CURTIS THAYER



MARK LANDT

● EXPLORATION & PRODUCTION

Hilcorp submits PODs for small fields

One well completed over summer at Duck Island, work continues on second; POD shows no recent or planned drilling at Northstar

By KRISTEN NELSON
Petroleum News

Hilcorp Alaska submitted plans of development Nov. 12, with revised versions Nov. 20, for its two smallest North Slope fields. The POD for the Duck Island unit — also known as Endicott — was submitted to the Alaska Department of Natural Resources’ Division of Oil and Gas. The POD for Northstar, which contains state and federal leases, was submitted to the division and to the U.S. Department of the Interior’s Bureau of Safety and Environmental Enforcement.

Both PODs are for Feb. 13, 2025, through Feb. 12, 2026.

These fields, along with Prudhoe Bay, report both crude oil and natural gas liquids production.

Duck Island

The new Duck Island POD is the 43rd for the unit, which has production from the Kekiktuk reservoir in the Endicott participating area; the Ivishak and Sag River reservoirs in the Eider PA; and the Sag River reservoir in the Minke tract operation.

In the previous POD, the 42nd, Hilcorp had anticipated drilling up to one grassroots well with the possibility of the second, contingent on results from the first.

Alaska Oil and Gas Conservation Commission records show the MPI 2-72 was completed in June, while work on the MPI 2-74 was continuing.

One sidetrack, the MPI 1-17B, was anticipated, but not drilled. Hilcorp said the net profit share lease in the Sag Delta North PA “does not make sidetracking this well economic” and said it was working with the division to address the issue.

The new Duck Island POD is the 43rd for the unit, which has production from the Kekiktuk reservoir in the Endicott participating area; the Ivishak and Sag River reservoirs in the Eider PA; and the Sag River reservoir in the Minke tract operation.

Three rig and non-rig wellwork projects were completed during the 42nd POD, along with a number of surface facility operations: a debottlenecking, corrosion reduction, plant stability project; module leveling, Endeavor island repair; MPI 2-72 and MPI 2-74 facility tie-in; three-phase pipeline repair; and inter-island gas line sleeve repair; a 3-inch LACT meter upgrade was ongoing.

During the 43rd POD Hilcorp listed two long-range development activities: convert LSZ of Kekiktuk to gravity drainage; explore remaining Kekiktuk, Ivishak and Alapah opportunities.

No grassroots wells or sidetracks are planned, but the company does plan up to two rig workover operations, with additional workovers as needed and various non-rig wellwork operations.

Facility projects planned for the 43rd POD include inspecting bridges, continuing 3-inch LACT meter upgrade and module leveling.

In September, the most recent month for which AOGCC production data are available, Duck Island averaged 4,168 barrels per day, 3,964 bpd of crude, 95.1% of the production, and 204 bpd of NGLs, 4.9%.

Northstar

In the previous, 20th POD for Northstar, no wells or

sidetracks were planned or drilled. Hilcorp did two rig and non-rig related wellwork projects. The company completed planned surface facility operations: modified surface equipment to allow produced water to be routed to NS-20 in support of water injection, work which the company said it expected to complete by the end of the 20th POD period. It also continued ongoing repair of the island’s coastal defenses.

It did not complete expanding the existing gas lift system to allow placing additional wells on gas lift, based around the NS-20 well, where a temporary setup was tested, but the company determined a permanent installation would not be economically viable and cancelled the project.

Hilcorp said it had anticipated support of the NS-19 water injection project but decided to utilize the NS-20 well instead, since NS-20 was already completed in the Kuparuk and simulating modeling indicated greater reserve recovery from that well.

For the 21st POD, long-range activities include exploring an opportunity to implement downdip water injection for pressure maintenance in the Kuparuk reservoir, reviewing potential coil tubing drilling candidates and determining “if coil tubing drilling operations are economically viable, or even mechanically feasible, on Northstar Island.”

No grassroots or sidetrack drilling is anticipated; workovers will be performed as needed.

Facility operations involve continued repair of the island’s coastal defenses.

AOGCC data for September show Northstar production averaged 5,159 bpd, 2,714 bpd of crude (52.6%) and 2,445 bpd of NGLs (47.4%). ●

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Alaska-Mackenzie Rig Report

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
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Alaska Rig Status

North Slope - Onshore

All American Oilfield LLC			
IDECO H-37	AAO 111	Magtec Yard, Stacked	Available
Doyon Drilling			
Dreco 1250 UE	14 (SCR/TD)	Milne Point, J-46	Hilcorp Alaska LLC
Dreco 1000 UE	16 (SCR/TD)	Deadhorse, Drilling Prep	Santos
Dreco D2000 Uebd	19 (SCR/TD)	Badami, Standby	Cook Inlet Energy LLC
AC Mobile	25	Kuparuk, 1H-106	ConocoPhillips
OIME 2000	141 (SCR/TD)	Deadhorse, Drilling Prep	Armstrong
	142 (SCR/TD)	Kuparuk, 3T-612	ConocoPhillips
TSM 700	Arctic Fox #1	Deadhorse, Standby	Available
ERD	26	Alpine, MT7-88	ConocoPhillips
Hilcorp Alaska LLC			
Rotary Drilling	Innovation	Prudhoe Bay, Z Pad	Hilcorp Alaska LLC
Nabors Alaska Drilling			
AC Coil Hybrid	CDR-2 (CTD)	Milne Point, CPF-02A	Hilcorp Alaska LLC
AC Coil	CDR-3 (CTD)	Prudhoe Bay	Hilcorp Alaska LLC
Dreco 1000 UE	7-ES (SCR-TD)	Kuparuk, 1B-09	ConocoPhillips
Dreco 1000 UE	9-ES (SCR/TD)	Stacked	Available
Oilwell 2000 Hercules	16-E (SCR/TD)	Stacked	Brooks Range Petroleum
Emsco Electro-hoist			
Oilwell 2000 Canrig 1050E	27-E (SCR-TD)	Stacked	Available
Academy AC Electric CANRIG	99AC (AC-TD)		Available
OIME 2000	245-E (SCR-ACTD)	12 Acre Pad, stacked	Available
Academy AC electric CANRIG	105-E (AC-TD)	Megrez-1	Pantheon Resources
Academy AC electric Heli-Rig	106AC (AC-TD)	Stacked	Available
Nordic Calista LLC			
Superior 700 UE	1 (SCR/CTD)	Deadhorse	Available
Superior 700 UE	2 (SCR/CTD/TD)	Deadhorse, stacked	Available
Idec 900	3 (SCR/TD)	Kuparuk	ConocoPhillips
Rig Master 1500AC	4 (AC/TD)	Oliktok Point	ENI
Parker Drilling Arctic Operating LLC			
NOV ADS-10SD	272	Pikka	Santos
NOV ADS-10SD	273	Milne Point	Hilcorp Alaska LLC

North Slope - Offshore

Doyon Drilling			
Sky top Brewster NE-12	15 (SCR/TD)	Nikaitchuq, Standby	Hilcorp Alaska LLC
Nabors Alaska Drilling			
OIME 1000	19AC (AC-TD)	Oooguruk, Cold Stacked	Hilcorp Alaska LLC

Cook Inlet Basin – Onshore

BlueCrest Alaska Operating LLC			
Land Rig	BlueCrest Rig #1	Stacked	BlueCrest Alaska Operating LLC
Nordic Calista LLC			
	Rig 37	Kenai	CINGSA
Hilcorp Alaska LLC			
TSM-850	147	Beluga River Unit, F Pad	Hilcorp Alaska LLC
TSM-850	169	Pearl Pad	Hilcorp Alaska LLC

Cook Inlet Basin – Offshore

Hilcorp Alaska LLC			
National 110	C (TD)	Platform C, Stacked	Hilcorp Alaska LLC
	Rig 51	Steelhead Platform, Stacked	Hilcorp Alaska LLC
	Rig 56	Monopod A-13, stacked	Hilcorp Alaska LLC
Baker Marine			
ILC-Skidoff, jack-up	Spartan 151	Cook Inlet	Hilcorp Alaska LLC
Glacier Oil & Gas			
National 1320	35	Osprey Platform, activated	Glacier Oil & Gas

Mackenzie Rig Status

Canadian Beaufort Sea

SDC Drilling Inc.			
SDC Mobile Offshore Drilling Unit Rig #2		Set down at Roland Bay	Available

The Alaska-Mackenzie Rig Report as of November 25, 2024.
Active drilling companies only listed.

TD = rigs equipped with top drive units WO = workover operations
CT = coiled tubing operation SCR = electric rig

This rig report was prepared by Marti Reeve



JUDY PATRICK

Baker Hughes North America rotary rig counts*

	Nov. 22	Nov. 15	Year Ago
United States	583	584	625
Canada	201	200	192
Gulf of Mexico	12	12	19

Highest/Lowest

US/Highest	4530	December 1981
US/Lowest	244	August 2020

*Issued by Baker Hughes since 1944

The Alaska-Mackenzie Rig Report
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• THE PRODUCERS PREVIEW

HEX/Furie moves on Cook Inlet gas

Jack-up rig at Kitchen Lights platform drilling for more natural gas for Alaskans at Julius R Platform

Editor's note: This story comes from the 2024 edition of The Producers magazine, which will be published in mid-January 2025.

By **KAY CASHMAN**
Petroleum News

John Hendrix's message on Oct. 3, 2024, to his fellow Alaskans: "Great day for HEX/Furie and Alaska. Jack-up rig on our platform today at 10 am!! Drilling local natural gas for Alaskans!"

The Enterprise 151, formerly named the Spartan 151, is the jack-up.

The platform is the Julius R Platform, or JRP.

The field is the 83,000-acre Kitchen Lights unit.

And long-time Alaskan John Hendrix is the owner of HEX, the parent of HEX Cook Inlet. HEX CI is the only 100% Alaskan-owned oil and gas company currently operating in the state.

Hendrix formed the HEX companies for the purpose of purchasing Furie Operating, its sister companies and their Cook Inlet assets — principally to switch the Cook Inlet Kitchen Lights unit from foreign and Outside ownership to Alaska

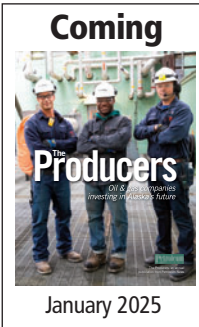
ownership. He accomplished this on June 30, 2020, making the purchase from a Delaware bankruptcy court.

In addition to the Kitchen Lights unit, the assets he acquired include the JRP, a 15-mile subsea gathering line and an onshore natural gas processing facility at Nikiski on the Kenai Peninsula.

While the platform is the newest and smallest in Cook Inlet, the unit is the largest by acreage and is considered to have undeveloped potential for natural gas.

Drilling for natural gas from the JRP meets the mandatory drilling conditions of the 10th plan of development that were written into the POD by the Alaska Department of Natural Resources' Division of Oil and Gas, which stated "Furie will drill a grassroots well or sidetrack well targeting additional gas resources during the 2024 POD," which runs from Jan. 4, 2024, to Jan. 3, 2025.

HEX risked drilling even though the division had not given final approval on HEX's application for royalty reduction, which was essential to help make the unit



economic. HEX risked drilling because the jack-up rig was available and there was urgent need for natural gas in Alaska.

Hendrix, owner and top executive for both Furie and HEX, told Petroleum News on Oct. 30, that "we're taking a leap of faith by drilling this well. We're just trying to prove we are committing ourselves.

We're here for Alaskans. ... We're doing our part."

The Kitchen Lights platform, the Julius R, is the smallest in the inlet with space for just four well slots; that is until HEX employed the latest technology.

"We currently have ... six conventional 30-inch slots that with new technology we can put two wells in each," Hendrix told PN on Oct. 31.

"We have also contacted the original builders, engineers and divers to add additional slots to grow our well count to 12 wells," he said.

The new sidetrack, KLU A-1A, was sidetracked off one of the original four well slots.

Hilcorp owns jack-up

Purchased for approximately \$40 million from Enterprise Offshore Drilling by Hilcorp Alaska on May 31, the Enterprise 151 is a 150 H class independent leg, cantilevered jack-up that can drill to 25,000 feet and operate in water depths up to 151 feet.

It is the only jack-up in the region and Hilcorp said it would make the rig available to other companies operating in Cook Inlet, presumably when Hilcorp is not using it on its own properties/leasehold.

AIDEA financing

On Oct. 23, 2024, the board of the Alaska Industrial Development and Export Authority, or AIDEA, passed a resolution approving a "revolving line of credit for a HEX Cook Inlet development project to increase Cook Inlet natural production and supply."

HEX had applied to AIDEA for the \$50 million revolving line of credit to finance a "multi-year Julius R platform based offshore and a land-based North Kenai exploration development program and associated infrastructure development for the Kitchen Lights unit ... and on

other oil and gas leases held by Furie or HEX."

In its resolution, AIDEA said that HEX has proposed "substantial new investments in drilling, including the KLU A-1A (drilled in October 2024) and A-4A sidetracks, which would bring additional gas to market, but these projects are contingent on royalty relief at commercially reasonable terms that incentivize increased production of Cook Inlet natural gas for south central Alaska."

In its resolution AIDEA said there was a "forecast supply deficit of natural gas in the Cook Inlet" and "transmission outages will happen during January and February, the highest electrical load time.

Unimpeded natural gas delivery to central and northern regions for electrical generation is critical to prevent blackouts."

In an Oct. 23 memo to AIDEA board members, Executive Director Randy Ruaro said the new funding is under AS 44.88.172, the Economic Development Account, over a 5-year period.

He said economic and development benefits for Alaska include:

—Enhancing the competitiveness of Alaska's natural gas markets by broadening access and resources.

—Increase jobs to five new permanent jobs and up to 100 during development operations.

—Retention of a resident skilled workforce in Alaska's oil and gas industry.

—Increased production of essential natural gas supply from the Cook Inlet.

—Possible future expansion.

In keeping with AIDEA's mission, Ruaro said HEX is an Alaska owned company with a focus on hiring and training Alaskans for Alaska's oil and gas sector.

He noted that HEX successfully paid off the 2020 \$7.5 million AIDEA loan early and has provided evidence of sufficient collateral.

Identifying gas zones

In its 10th POD Furie said G&G evaluations will continue with the priority of identifying additional gas zones that are

see **PRODUCERS PREVIEW** page 5



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PRODUCERS PREVIEW

potentially reachable from the Julius R platform.

The company is continuing to monitor production from existing producing wells and to identify mechanical additions that could extend economic gas production.

In the 10th POD period, the company intends to do wireline interventions as necessary with its own wireline equipment to maintain production levels from existing wells.

Timing of drilling

The timing of HEX CI Furie Operating’s drilling plans were included in the two incidental harassment authorizations, or IHAs, the company received from the National Marine Fisheries Service, or NMFS.

These authorizations are effective from Sept. 13, 2024, through Sept. 12, 2025, for year 1 activities, and Sept. 13, 2025, through Sept. 12, 2026, for year 2 activities.

Per NMFS Furie is planning to conduct the following natural gas activities:

In year 1, Furie will relocate the Enterprise 151 jack-up production rig to the JRP site and conduct production drilling of up to two natural gas wells with the Enterprise 151 across 45-180 days.

During year 2, Furie will again relocate the Enterprise 151 rig to the JRP site and conduct additional production drilling.

Furie proposes to conduct the rig towing activities between April 1 and Nov. 15 each year, but if favorable ice conditions occur outside of that period, it may tow the rig outside of that period.

Permits, production

The Alaska Oil and Gas Conservation Commission currently lists two drilling permits for Furie Operating in the Kitchen Lights unit: KLU A-4A permitted June 25, 2024, and KLU A-1A permitted Sept. 13, 2024.

In August 2024, Furie averaged 9.745 million cubic feet per day of natural gas from two wells at Kitchen Lights, according to recent data from AOGCC — 5.21% of inlet gas production in that month. ●

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• EXPLORATION & PRODUCTION

Baker Hughes US rig count down 1 at 583

By KRISTEN NELSON

Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was 583 the week ending Nov. 22, down by one from the previous week, down by 42 from 625 a year ago and down two from two weeks ago. Over the last eight weeks the rig count was unchanged in three weeks,

down in four and up in one week with losses of five and a gain of one, continuing a downward trend dominant since the beginning of May. This is the lowest domestic rig count since December 2021.

A drop of 17 to 731 on May 12, 2023, was the steepest weekly drop since June of 2020, during the first year of the COVID-19 pandemic, when the count also dropped by 17 to 284 on June 5, fol-

lowing drops as steep as 73 rigs in one week in April. The count continued down to 251 at the end of July 2020, reaching an all-time low of 244 in mid-August 2020.

For 2023, the count hit its low point Nov. 10 at 616, down from a high of 775 on Jan. 13, 2023. In 2022, the count bottomed out at 588 Jan. 1, reaching a high for the year of 784 on Nov. 23.

When the count dropped to 244 in mid-August 2020, it was the lowest the domestic rotary rig count had been since the Houston based oilfield services company began issuing weekly U.S. numbers in 1944.

Prior to 2020, the low was 404 rigs in May 2016. The count peaked at 4,530 in 1981.

The count was in the low 790s at the beginning of 2020 prior to the COVID-19 pandemic, where it remained through mid-March of that year when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August 2020 when it gained back 10 rigs.

The Nov. 22 count includes 479 rigs targeting oil, up one from the previous week and down 26 from 505 a year ago, with 99 rigs targeting natural gas, down two from the previous week and down 17 from 116 a year ago, and five miscellaneous rigs, unchanged from the previous week and up by one from a year ago.

Forty-six of the rigs reported Nov. 22 were drilling directional wells, 521 were drilling horizontal wells and 16 were drilling vertical wells.

Alaska rig count unchanged

Texas (281) was up two rigs from the previous week while Oklahoma (44) and Wyoming (19) were each up by a single rig.

Louisiana (30) was down three rigs week over week; California (5) and Colorado (10) were each down one rig.

Rig counts in other states were unchanged from the previous week: Alaska (10), New Mexico (102), North Dakota (34), Ohio (10), Pennsylvania (15), Utah (11) and West Virginia (10).

Baker Hughes shows Alaska with 10 rotary rigs active Nov. 22, unchanged from the previous week and unchanged from a year ago.

The rig count in the Permian, the most active basin in the country, was unchanged from the previous week at 303 and down by 11 from 314 a year ago. ●

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• THIS MONTH IN HISTORY

Alaska part of Pioneer's portfolio

20 years ago: Company targets first Alaska production in 2006 from previously discovered Gwydyr Bay accumulations north of Prudhoe

Editor's note: This story first appeared in the Dec. 5, 2004, issue of Petroleum News.

By KRISTEN NELSON

Petroleum News

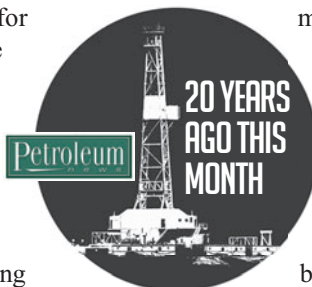
Pioneer Natural Resources is targeting first Alaska production in 2006 from small, known Gwydyr Bay accumulations, and will be working on fiscal terms with the state for its Oooguruk discovery, looking for a reduction in royalties for those leases.

Alaska is part of Pioneer Natural Resources' commercialization portfolio — along with the Gulf of Mexico, North Africa and South Africa gas, Ken Sheffield, president of Pioneer Natural Resources Alaska, told the Resource

Development Council for Alaska's annual conference in Anchorage Nov. 18, 2004. Pioneer Natural Resources Alaska is a subsidiary of Irving, Texas-based Pioneer Natural Resources.

Pioneer has been making investments in Alaska now for a couple of years, Sheffield said, and has six plays in its Alaska portfolio, including the company's Oooguruk discovery, where Pioneer has a 71% working interest in some 63,000 gross acres and is the operator.

This discovery, Sheffield said, "located near the mouth of the Colville River ... is a pretty sizeable oil accumulation in the shallow waters of the Beaufort Sea," but



making the project commercial is "quite challenging."

"Pioneer's been working this problem very hard over the last year," he said, and the company believes there is a good chance "under certain economic conditions, of bringing this project forward."

Pioneer will be doing some additional engineering studies next year at Oooguruk "to further define the scope of the project" and to produce cost estimates for the project, as well as beginning some permitting work, and will be discussing royalty reduction with the Alaska Department of Natural Resources, because "this is an economically challenged project and we really need to protect the down side in the event that oil prices were to fall

"And that's the biggest risk for us, is you have to spend a lot of money and a lot of time and a lot of effort, and it will be sometime before we know whether we'll ever really make money."

to a low level and that's an essential part of us moving forward with this project."

Gwydyr north of Prudhoe Bay

At Gwydyr Bay, just north of Prudhoe Bay, Pioneer has a 100% working interest and is targeting production in 2006 from these "small, previously discovered accumulations that would be satellite fields tied back to Prudhoe Bay."

Pioneer is exploring the Tuvaq prospect in partnership with Kerr-McGee. Tuvaq is adjacent to Oooguruk, Sheffield said, and Pioneer will have a 40% interest in the well that will be drilled there this winter.

South and east of Northstar Pioneer has 100% interest in what it calls the Caribou prospect, an area which could be drilled from Prudhoe Bay infrastructure, he said, "and we're working with the unit owners to try to find a plan to move that project forward."

South of Prudhoe Bay Pioneer has a 50% working interest in 130,000 acres in the Storms Lead area where the company's partner is ConocoPhillips and "where we're moving forward with a 3D seismic survey."

In the National Petroleum Reserve-Alaska, Pioneer is a 20-30% owner in some 884,000 gross acres, in partnership with operator ConocoPhillips and Anadarko, "and that's a big part of our long-term strategy."



KEN SHEFFIELD

JUDY PATRICK

Upfront risk

It will be later in this decade before Pioneer could have production from Alaska, Sheffield said, so the company's money will be at risk for a long time before there is a payoff from Alaska.

Investment considerations that a company like Pioneer looks at when making investments in Alaska, he said, include high cost operations, high transportation cost to market and long project cycle time.

"And that's the biggest risk for us, is you have to spend a lot of money and a lot of time and a lot of effort, and it will be sometime before we know whether we'll ever really make money."

On the plus side, Sheffield said, "the business climate in Alaska is opening up for independents — there's a lot of opportunities for us to invest." The regulatory process is improving and "although we're not exploring for gas right now, being positioned on the North Slope" will give the company a chance "to be a player in the gas market" in the future.

But "the threat of higher taxes concerns as considerably," Sheffield said, as do regulatory and project delays.

Right now, he said, Pioneer has no production from Alaska, just a lot of "money tied up" in the state. ●

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continued from page 1

OIL PRICES

87% are not traveling at all,” GasBuddy said.

WoodMac: High-impact exploration reduces scope 1, 2 emissions

Reduction of scope 1 and 2 emissions from extraction and refining is more effectively achieved through discovering new fields rather than improving existing fields, according to the November 2024 Horizons report from Wood Mackenzie.

Retrofitting old fields is expensive, it said.

New fields benefit from modern decarbonization technologies and increased facilities throughput, making them cleaner, WoodMac said.

Successful exploration lowers oil and gas prices to consumers, cuts carbon intensity and adds value for resource holders and explorers, WoodMac said, adding, “High-impact exploration, targeting resources large enough to support new infrastructure hubs, offers a compelling opportunity for those with the requisite skills and appetite to achieve economic and decarbonization goals.”

New fields do not swell demand; global oil and gas demand growth of some 50% since 2000 exceeds everything happening in exploration, WoodMac said. Demand doesn’t grow when exploration succeeds or shrink when it fails.

“Exploration through the current decade is on track to provide 12% of global oil and gas supply,” WoodMac said. “If we assume that these new fields displace existing supply options with emissions intensity typical of older fields, then global scope 1 and 2

New fields do not swell demand; global oil and gas demand growth of some 50% since 2000 exceeds everything happening in exploration, WoodMac said. Demand doesn’t grow when exploration succeeds or shrink when it fails.

emissions in 2030 would be cut by around 6%.”

Exploration does not increase demand; therefore, it does not add to global scope 3 emissions, it said.

For oil in particular, new supply in upcoming decades will come primarily from new investment in existing fields, it said.

Much of investment by large players is in high-impact exploration for new plays and basins that only begin to add revenues several years into the future, WoodMac said. High-impact explorers seek to improve portfolio quality; growth or replacing production might be secondary.

The industry urgently needs new barrels to help fix its acute shortage of advantaged resources — low-cost, lower-emissions resources needed to displace dirtier and higher-cost alternatives, it said.

Better to find than buy

Usually, it is cheaper to find oil and gas than to buy, especially if asset quality is important, WoodMac said, adding that the mergers and acquisitions market for advantaged pre-final investment decision assets is competitive and fully priced.

“First movers and fast followers into new basins and plays capture most of the value,” it said.

Most of the bigger discoveries are in deepwater, WoodMac said. To move the needle, explorers will likely need new frontiers, deepwater, or both.

Frontier plays — having no production from similar reservoirs in the same basin — stand out by resource scale, accounting for over 40% of total volumes discovered in the past decade, WoodMac said. Frontier saw most giant discoveries — more than 500 million boe — versus emerging, established and mature plays.

Frontier drilling added more than 80 million boe per well, seven times wells in mature plays, it said. Most new frontiers are in deep offshore.

“Deepwater projects enjoy high recovery per well and tend to have lower emissions intensity than shelf and onshore proj-

ects,” WoodMac said.

“After more than a century of exploration, it may seem that there must be few good prospects left to drill, but it was ever thus,” WoodMac said. “The next big thing is seldom obvious before its discovery.”

New technology often provides the key — for example, ability to drill in ever deeper waters, it said.

“Today, the industry is excited about the potential of artificial intelligence to continue improving seismic data and interpretation,” WoodMac said. “Ever sharper resolution of the subsurface could be the catalyst for a wave of innovation and new geological ideas.” ●

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Airgas receives Military Friendly 2025 Gold recognition

As reported by Fabricator.com Nov. 20, Airgas, an Air Liquide company, has been awarded Gold Level recognition on the 2025 Military Friendly Employers list by VIQORY for the third consecutive year, following three years of the Silver Level designation. Military Friendly identifies organizations with a comprehensive commitment to serving the military and veteran community with meaningful outcomes and impact.

Airgas, a supplier of industrial, medical and specialty gases, continues its 42-year history of supporting veterans and military families, actively recruiting associates with military

experience and working to incorporate policies and provide tools that support associates currently in the service. Such efforts include helping transitioning veterans identify opportunities for career growth during their postmilitary career, providing mentorship and offering access to training to cultivate new skills.

To earn the designation, Airgas was evaluated using both public data sources and responses from a proprietary survey. Final ratings were determined by combining Airgas’ survey score with an assessment of the company’s ability to meet thresholds for recruitment, new hire retention, employee turnover, and promotion and advancement of veterans and military employees.

Oil Patch Bits



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ROYALTY IMPACT

had fairly positive economics without royalty relief.

For the new development, the modeling looked at a platform with all necessary infrastructure; at a development in which a platform tied back to another offshore structure; and a third option tied back to an onshore facility.

An offshore development to produce 250 billion cubic feet of gas has marginal economics if it is standalone. For it to be economic, a tie-back to either an offshore or onshore facility is needed.

An offshore platform with 500 bcf of recoverable volume is significantly more attractive than the 250 bcf, Fulford said.

While changes in royalty may be helpful, Fulford said, it's a larger resource

base that really improves economics, with higher average production "significantly" improving the investment case. Modeling assumed a gas price similar to existing Cook Inlet gas contracts, some \$8.50 per million British thermal units.

Cook Inlet reserves

In the same hearing, the Alaska Department of Natural Resources' Division of Oil and Gas addressed the issue of remaining natural gas reserves in Cook Inlet.

Director Derek Nottingham of the Division of Oil and Gas said some 500,000 people in Alaska, 70% of the state's population, depend on gas for heat and electricity. Of some 70 billion cubic feet a year used, Enstar has 35 bcf under contract, Chugach Electric has 19 bcf, Matanuska Electric has 6 bcf, the Interior Gas Utility has 5 bcf and Homer Electric

has 1 bcf.

Gas production in Cook Inlet has been declining since 1990, when it peaked at more than 850,000 thousand cubic feet per day, averaging just over 200,000 mcf pr day currently.

Nottingham reviewed estimates of Cook Inlet gas reserves, including that one by the U.S. Geological Survey in 2011 that estimated the mean of undiscovered, technically recoverable gas is some 13.7 trillion cubic feet, with the mean of unconventional gas 5.3 tcf. The Bureau of Ocean Energy Management in 2011 estimated 1.2 tcf of additional mean resources in the federal southern Cook Inlet outer continental shelf.

But, he said, of that potential of some 14 tcf of conventional gas in the Cook Inlet basin, that covers an area in excess of 5 million acres, while the area the state leases out some 2.8 million acres.

Significant amounts of those volumes, Nottingham said, may never be economically recoverable.

A lot of the gas resource in the federal estimates is from the wildlife refuge on federal lands, so of that huge 14 tcf resource, a lot is in inaccessible lands or lands that it may not be possible to be developed, or in pools so small they can't be developed economically.

2022 forecast

Weston Nash, commercial analyst with the division, said the last gas forecast for Cook Inlet was done in 2022, an independent analysis to provide information on gas supply issues. It used public production data, he said, and standardized economic limits for each unit, with an assumption of 15 new development wells per year until 2030, but no new wells beyond that. The analysis assumed a flat gas price at 70 bcf, escalated with inflation but does not forecast market changes and does not include contributions from non-producing known prospects.

Nash's slides included the cost of a hypothetical new gas project targeting 250 bcf of recoverable resource — something he said would be a very significant field for Cook Inlet, most likely offshore, which increases capital expenses.

The investment is estimated at \$350 million, with a 3-year development time and operating expenses of 50 cents per thousand cubic feet. Assuming that investors would require a 4-year payback period and a minimum annual real return of 15%, the cost of that gas supply would be \$12.26 per mcf, compared to current \$8-\$9 per mcf prices. ●

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NFU DEFERRAL

On April 20, 2022, the division approved a delay for the NFU until April 6, 2023, and on March 3, 2023, the division further agreed to extend and delay the unit contraction until Oct. 6, 2024.

On March 4 the division approved Vision's proposed 59th Plan of Development, or POD, for the NFU, effective March 31 until Dec. 31, 2025.

The 59th POD requires Vision to begin drilling a well in the NFU by the end of the calendar year 2025 and maintain operations to bring that well into production.

Vision is seeking capital to support drilling of a well within the NFU and

requests that to support the continued exploration efforts and coincide with the 59th POD, the division exercise its authority to further extend and delay the mandatory unit contraction deadline.

Since the division has placed conditions on the currently approved POD, it is in the public's interest to delay contraction of the NFU through Dec. 31, 2025, the division said in its Nov. 21 approval letter.

Anyone with questions regarding this decision, should contact Heather Beat with the division at 907-269-8792 or via email at heather.beat@alaska.go.

—KAY CASHMAN

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BATTERY STORAGE

the power grid and, in an extreme case, to the Bradley Lake powerhouse itself.

In agreements that span 15 years AEA will pay utilities monthly fees for the battery services, using bond financing that can be used in support of Bradley Lake. Initially the agency is obtaining services from Homer Electric Association, Chugach Electric Association and Matanuska Electric Association. Fairbanks based Golden Valley Electric Association is currently in the process of obtaining its new battery energy storage system and, so, is not being requested for services at this point. Chugach Electric and MEA jointly own a new battery system and HEA has its own system.

Under the arrangements AEA will have priority over using the battery systems for dampening oscillations, should

oscillations occur. AEA and the utilities are now engaged in developing the protocols required to provide the battery energy services in support of Bradley Lake, Thayer said.

There had been concerns about the possibility that the battery service arrangements might jeopardize federal tax credits associated with the battery purchase by Chugach Electric and MEA. However, this issue has now been resolved, Thayer said. Thayer commented that the agreements with the utilities amount to \$28 million in funding for the battery services over the next 25 years, funding that will operate to the benefit of the electricity ratepayers. And this comes as part of strengthening the Railbelt electrical system, he said.

—ALAN BAILEY

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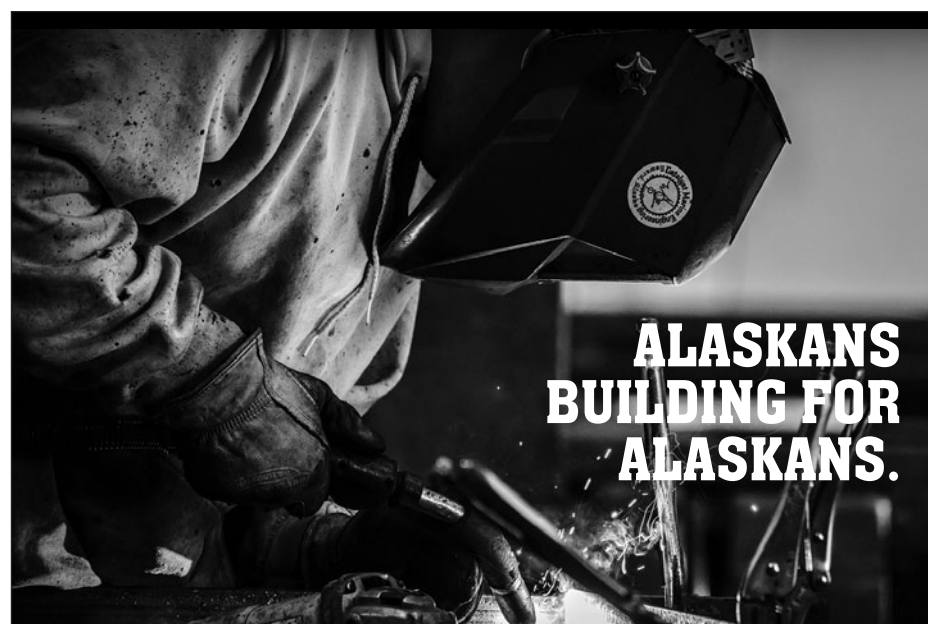


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INSIDER

Search were unable to come to agreement for use of the Kuparuk roads during the Pikka construction phase that began a couple years ago and is ongoing,” Bradner reported.

Proposals for cost-sharing were exchanged but the parties could not agree on terms, he wrote.

“No matter how the state high court rules precedent will be set that will affect not only the petroleum industry but mining and other industries where private roads cross public lands for access to properties,” Bradner wrote. Things came to a head, he reported, “when Oil Search was in negotiations with lenders to fund Pikka’s multi-billion dollar startup cost for phase one (this was prior to the Oil Search acquisition by Santos). There was still no longer-term agreement for using the roads, and at that point a letter from ConocoPhillips warned it might terminate access to its roads. That spooked Oil Search, which ... went to the Department of Natural Resources to ask for access to the roads through a state land use permit. This would be an unprecedented use of this procedure, normally used for small-scale surface land access on state lands. It would essentially become an easement along, or on top, of a private road to allow use by a third party, Oil Search. There was still no agreement on cost-sharing and ConocoPhillips complained that Oil Search (by now Santos) was using the roads for free, with ConocoPhillips picking up \$10 million to \$12 million in annual maintenance costs.”

“Oil Search, however, complained that ConocoPhillips had also asked for a road ‘access fee’ in addition to cost-reimbursement. An access fee is unprecedented on the slope, it said,” Bradner reported.

DNR was in a “difficult position because state oil and gas leases guarantee the companies’ access to leases across adjacent state lands for exploration and development. It’s unclear whether ConocoPhillips would have carried through on its threat to cut road access, but from the state’s point of view a private road owner denying access to a road for access to nearby state leases was untenable,” Bradner reported.

“Oil Search/Santos could have built its own road but having two roads side-by-side seems illogical, if for no other reason than the added environmental impact,” Bradner said.

Oil Search pressed DNR to issue the road-use permit.

ConocoPhillips sued, arguing this amounted to a form of taking of private property rights. State Superior Court Judge Andrew Guidi said on Nov. 22 that he will agree with ConocoPhillips in his final decision, Bradner reported.

In Bradner’s view the “case is lose-lose for Alaska no matter how the Supreme Court rules.”

No matter how the Superior court rules on this it, he wrote, it “would set an unfortunate precedent. The same is true for a Supreme Court decision. If the superior court decision against the state and for ConocoPhillips is upheld in the Supreme Court, it could set a precedent for private landowners to block access to state resources. Absent some solution there might also be a liability for the state if it is unable to guarantee access, as provided for in the state oil and gas lease. If the court sides with the state and against ConocoPhillips it would also signal to new oil investors that their infrastructure, in this case roads, will be open to ‘free-riders’ or those using them free of charge,” Bradner wrote.

“Either message to investors is bad news. The state could always pursue a condemnation procedure but that gets messy and winds up with the state owning the infrastructure,” Bradner wrote.

“This case should be settled among the parties before a Supreme Court decision comes. Once the state high court renders a decision it is set, absent some intervention by the state Legislature,” Bradner concluded.

Editor’s note: Tim Bradner can be reached by email at timbradner@pobox.alaska.net or by phone at 907-440-6068

PN reporting on road use March 27, 2022 issue:

“DESPITE A 10-FOLD difference between what Oil Search (Alaska) is willing to pay (\$60 million) and what ConocoPhillips Alaska Inc. wants (\$600 million), ConocoPhillips thinks the two companies will be able to reach an agreement allowing Oil Search access to roads in the Kuparuk River unit, which will enable Oil Search to develop the multi-billion-barrel North Slope Pikka unit.”

That’s the beginning of one of the articles written by Petroleum News on the road use issue.

Check it out in PN archive at: <https://www.petroleumnews.com/pnad/s/41776607.shtml>

ConocoPhillips donates \$2M

ON NOV. 21 the University of Alaska Anchorage announced a \$2 million

donation from ConocoPhillips Alaska to the Ted Stevens Foundation to create the Alaska Leaders Archive at the UAA/APU Consortium Library.

“We are excited to partner with the Ted Stevens Foundation as a lead donor to preserve and share our state’s history through the Alaska Leaders Archive,” said Erec Isaacson, president, ConocoPhillips Alaska. “This is an opportunity to equip future generations of Alaskans with the historical foundation to understand the challenges, triumphs, and lessons of those who came before them. ConocoPhillips Alaska is proud to be part of this significant project, which will empower future leaders and ensure that Alaska’s rich history is preserved for years to come.”

The Alaska Leaders Archive project was launched in 2023 with the gift of the records of Senator Ted Stevens to UAA by the Ted Stevens Foundation. The Stevens collection is one of the largest congressional archives in history. The records document the transition of Alaska from a territory to a state and the important legislative accomplishments of Senator Ted Stevens during his 40 years of public service. His work shaped policy in ways that continue to impact our state today, UAA said in its press release.

The collection showcases the Senator’s profound commitment to key issues in Alaska and our nation, including energy, education, healthcare, communications, Indigenous rights for Alaska Natives, amateur sports, infrastructure, military, the Arctic, and much more. The Stevens collection will serve as the cornerstone of the Alaska Leaders Archive, which includes historical collections totaling more than 7,000 boxes

from more than 130 Alaska leaders, elected officials, and community figures.

“The Alaska Leaders Archive will provide a window into the leadership and decision making that shaped Alaska’s history,” said UAA Chancellor Sean Parnell. “Their legacy has a great deal to teach our students and future generations of Arctic leaders.”



EREC ISAACSON

In collaboration with the Ted Stevens Foundation, UAA plans to renovate and expand the UAA/APU Consortium Library to house the Alaska Leaders Archive.

“Senator Stevens was a strong believer that challenges could only be solved by bringing different voices and perspectives together. The Alaska Leaders Archive brings together the rich history of that collaboration and we hope it encourages leadership in the same spirit,” said Lily Becker, daughter of Senator Stevens and President of the Ted Stevens Foundation.

The creation of the Alaska Leaders Archive will involve multi-phase construction and renovation at the UAA/APU Consortium Library. The completed project will include the addition of state-of-the-art archival facilities, a teaching area, and space to display items from these important collections.

—Oil Patch Insider is compiled by Kay Cashman

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