Petroleum news

page 3 History: Slope's 1st pentalateral well in production at Polaris in Prudhoe

Vol. 30, No. 26 • www.PetroleumNews.com A weekly oil & gas newspaper based in Anchorage, Alaska Week of June 29, 2025 • $2.50

North Slope LNG plant expected to start operations in September

During a June 3 board meeting of Fairbanks based Interior Gas Utility, Clay Beethe from Hilcorp Alaska told the board that the LNG plant that Hilcorp affiliate Harvest Alaska LLC is constructing on the North Slope is now anticipated to begin commercial operations at the beginning of September. The plant will supply LNG to IGU. First LNG production, on a test basis, is expected in July, Beethe said.

LNG for Fairbanks

IGU stores LNG in tanks in central Fairbanks and North Pole in support of its expanding number of natural gas customers in the Fairbanks region. Currently, the LNG is transported to Fairbanks by road from IGU's LNG plant near Point Mackenzie on the Cook Inlet. Hilcorp supplies gas to the LNG plant from its Cook Inlet gas fields.

However, given pending shortages in firm Cook Inlet gas supplies, in 2023 IGU agreed to contract with Hilcorp to obtain the gas from the North Slope instead of from Cook Inlet. IGU also signed a contract with Harvest for the construction and operation of a 150,000 gallons-per-day LNG plant to be built on a gravel pad near pump station 1 of the trans-Alaska pipeline. IGU has

see **SLOPE LNG PLANT** page 4

NPR-A environmental assessment largely reverts to previous plan

The new environmental assessment for the National Petroleum Reserve in Alaska integrated activity plan, released June 17, is a step toward a new record of decision for the National Petroleum Reserve-Alaska, returning the area available for leasing to an area similar to what it was in 2020, as opposed to the plan under an April 2022 ROD, which was consistent with the plan adopted in 2013.

The Bureau of Land Management is taking comments on the new plan through July 1.

Acreage available for leasing in NPR-A has changed as administrations have changed in Washington, D.C.

In 2013, under a Democratic administration, only some 11.8 million acres, about 52% of the total, were available for leasing. That changed when a Republican administration took over, with the 2020 ROD making 18.58 million acres, 82% of the total 22.8 million acres, available for leasing.

Then in 2022, under a Democratic administration, the area made available for leasing in 2022 was cut back to the 11.8 mil-

see **NPR-A ACREAGE** page 6

Greater Point Thomson unit gets conditional approval, large bond

Effective June 25, Alaska's Division of Oil and Gas conditionally approved formation of the Greater Point Thomson unit (GPTU) on and offshore the eastern North Slope adjacent to the Hilcorp-operated Point Thomson unit.

On the east it borders the Arctic National Wildlife Refuge. Working interest owners are Daniel Donkel and Samuel Cade, with Donkel Oil & Gas as unit operator.

Donkel O&G wanted the GPTU to cover 58,790 acres but based upon the division's review the agency reduced acreage to 35,122 acres.

The approved unit includes both western and eastern acreage but excludes unleased state lands and the Bachner/Forsgren acreage because unleased lands cannot be in a unit and Bachner/Forsgren didn't ratify the proposed GPTU agreements.

The division excluded leases that its analysis doesn't show contain a hydrocarbon reservoir/accumulation as required by statute and said Donkel's 5-year exploration plan "fails to show a

see **GPTU APPROVAL** page 4

FINANCE & ECONOMY

ANS War premium falls

ANS nosedives $9.27 in two trading days as Israel/Iran peace declared

By STEVE SUTHERLIN
Petroleum News

Alaska North Slope crude plummeted June 23 on news of a peace agreement between Israel and Iran in the wake of a decisive U.S. strike on Iran's massive underground nuclear weapons facility. ANS closed at $72.99 per barrel — down $6.77 on the day, as West Texas Intermediate plummeted $6.42 to close at $68.51 and Brent plummeted $5.53 to close at $71.48.

Prices continued to crater June 24 with ANS diving 2.50 to close at $70.50, WTI plunging $4.14 to close at $64.37 and Brent plunging $4.34 to close at $67.14.

In two trading days, ANS saw a $9.27 war premium erased from its price of $79.77 June 20.

Futures trading turned positive June 25 as losses were stemmed by strong U.S. crude demand seen in data from the U.S. Energy Information Administration showing a second consecutive massive weekly drawdown in commercial crude inventories.

In early Asian trade June 26 as Petroleum News went to press, WTI traded at $65.46, and Brent traded at $68.14.

U.S. commercial crude oil inventories for the week ended June 20 — excluding those in the Strategic Petroleum Reserve — plunged 5.8 million barrels from the previous week to 415.1 million barrels — 11% below the five-year average for the time of year, the EIA disclosed in its weekly report issued June 25.

Analysts answering a Reuters poll had called for a

see **OIL PRICES** page 7

LAND & LEASING

Cade, Donkel get leases

Work completed on Houston-Willow license earns 6 leases, plus Trust lease

By KAY CASHMAN
Petroleum News

The Houston-Willow exploration license issued to investors Samuel Cade and Daniel Donkel on Dec. 1, 2018, was converted to six oil and gas leases in January because the partners met their $500,000 work commitment for the license.

The six 10-year leases were issued by the Alaska Department of Natural Resources' Division of Oil and Gas "for the same approximate acreage that the license covered," or 18,698 acres, Jonathan S. Schick, natural resource specialist for the division, told Petroleum News on June 24.

The leases were issued with Samuel Cade at 75% WIO (working interest owner) and Daniel Donkel at 25% WIO.

The lease ADLs are 394297, 394298, 394299, 394300, 394301 and 394302, all effective Jan. 29.

When asked what work was done to cover the $500,000 work commitment, Schick said "the work included: a good deal of aerial imagery, magnetic and seismic surveys. It also included some surface geology studies, passive seismic data collection, processing of open source data, as well as costs for mobilization and demobilization."

These were costs that "qualified as direct expenditures and allowed them to apply to convert the license to leases," he explained.

The original license called for a five-year term with a $750,000 work commitment but was later

see **VALLEY LEASES** page 6

EXPLORATION & PRODUCTION

Milne S Pad expansion

Hilcorp planned work would upgrade facility, allow for up to 22 new wells

By KRISTEN NELSON
Petroleum News

Hilcorp Alaska filed an application June 5 with the Alaska Department of Natural Resources' Division of Oil and Gas for a unit plan of operations amendment to expand the Milne Point S Pad by 3.62 acres allowing for the drilling of up to 22 new wells.

The division said in a June 18 public notice that the plan would "upgrade the facility in anticipation of future additional wells and well work" and would include placing some 23,800 cubic yards of gravel to expand the existing pad and allow for "a header expansion, remote shelter, upgrades to the polymer skid, a booster pump module' and drilling

In its June 5 application Hilcorp told the state: "The facility expansion and associated drill wells are needed to manage increased production at S Pad within the MPU."

of up to 22 additional wells using the Doyon 19 rig.

The division is taking comments on the proposal through July 15.

Earlier proposals

In its June 5 request Hilcorp said an S Pad expansion was previously approved in October

see **MILNE EXPANSION** page 5

● EXPLORATION & PRODUCTION

Baker Hughes US rig count down 1 to 554

By KRISTEN NELSON
Petroleum News

Baker Hughes' U.S. rotary drilling rig count was 554 on June 20, down by one from the previous week — the eighth consecutive week of drops. The count was down by 34 from 588 a year ago, down by five from two weeks ago and down 33 over the eight weeks. This is the lowest the rig count has been since November 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, following 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 2024, the count peaked March 1 (and again March 15) at 629, hitting its low point June 28 at 581. In 2023 the count peaked early in the year at 775 on Jan. 13, bottoming out Nov. 10 at 616.

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 June 20 count includes 438 rigs targeting oil, down by one from the previous week and down 47 from 485 a year ago, with 111 rigs targeting natural gas, down by two from the previous week and up 13 from 98 a year ago, and five miscellaneous rigs, up by two from the previous week and unchanged from a year ago.

Forty of the rigs reported June 20 were drilling directional wells, 502 were drilling horizontal wells and 12 were drilling vertical wells.

New Mexico (92) and Wyoming (23) were each up by two rigs from the previous week.

Colorado (9) and Louisiana (32) were each up a single rig.

Texas (258) was down four rigs week over week.

Oklahoma (47) was down two rigs and North Dakota (29) and Utah (9) were each down by a single rig.

Rig counts in other states were unchanged from the previous week: Alaska (10), California (6), Ohio (11), Pennsylvania (18) and West Virginia (7).

Baker Hughes shows Alaska with 10 rotary rigs active June 20, unchanged from the previous week and up by one from a year ago when the state's count was nine.

The rig count in the Permian, the most active basin in the country, was down by two from the previous week at 271 and down by 37 from 308 a year ago. ●

Contact Kristen Nelson at knelson@petroleumnews.com

ALTERNATIVE ENERGY

Adak green ammonia production planned

According to a report in Alaska Business, green energy company Pacific H2 is partnering with Native regional corporation Aleut Corp. to establish a green ammonia production facility using wind farm generated electricity on Adak Island in the Aleutians. The concept is to ship liquefied ammonia, manufactured using green power, from Adak to Asian markets, for use as an industrial fuel.

According to the Pacific H2 website the company says that it would use its floating P2XFloater facility, moored in the deepwater port at Adak, to produce the ammonia. Ammonia transport ships could dock alongside the facility, to load with liquid ammonia. The production of the ammonia would involve the use of the onshore wind power for the electrolysis of water into hydrogen and oxygen. The hydrogen would then be combined with nitrogen from the air to form ammonia, which would be liquefied for shipment.

The company says that Adak Island is the site of a military base that closed in 1998 and that much of the infrastructure, including housing, fuel storage, road and dock remains usable, albeit with some repairs. And the ice-free port is the closest U.S. port to Asian countries such as Japan and South Korea. The use of the P2XFloater facility would simplify construction and enable flexibility for relocation, if necessary, Pacific H2 says. And Adak Island has excellent wind resources and some geothermal potential, the company says. Alaska Business reported that Aleut Corp. has leased approximately 3,500 acres of surface land to Pacific H2 for the installation of onshore wind turbines and supporting infrastructure.

—ALAN BAILEY

contents

Petroleum News | *Alaska's source for oil and gas news*

● THIS MONTH IN HISTORY

Slope's first pentalateral in production

20 years ago: Pushing technology envelope: 5 laterals producing from 27,000 feet of reservoir at Polaris, Prudhoe viscous satellite

Editor's note: This story first appeared in the June 5, 2005, issue of Petroleum News.

By **KRISTEN NELSON**
Petroleum News

BP Exploration (Alaska) is pushing the technology envelope at its Prudhoe Bay viscous oil satellites, drilling multiple horizontal lateral legs from single well bores to access as much reservoir sand as possible in the shallow Schrader Bluff reservoir. In 2003 BP drilled the first trilateral well on the slope; in 2004 it drilled the first quadrilateral; and this 2005 winter season the company completed the first pentalateral. All targeted the Schrader, either at Orion or Polaris, two satellite fields under development on the western side of the Prudhoe Bay field.

In the 1990s the Schrader was accessed with vertical wells, crossing vertically through multiple narrow reservoir sands, but production rates were not economic. Current well technology enables BP to drill horizontally, opening reservoirs to production for a mile or more; and the company is opening multiple reservoir sands from one well bore.

GIL BEUHLER

The five horizontal laterals in the S-213A well at Polaris access 27,000 feet of reservoir, Gil Beuhler, Prudhoe Bay satellite development manager, told Petroleum News in a May 10, 2005, interview. Compare that, he said, to 200-250 feet of reservoir opened up when a well is drilled vertically through four or five Schrader Bluff sands each up to 50 feet thick.

The impact on production is dramatic. The S-213A, sidetracked off an older vertical well bore, came on production in March at several thousand barrels per day and Beuhler said the last test he saw was in the 3,500-bpd range. While long-term flow rates are expected to be in the 1,000 to 1,500 bpd rate, the original vertical well, the S-213, had a long-term rate of 200-300 bpd, he said.

That production comes at a price, Buehler said, with a lot more money invested in this pentalateral, $10 million, than in a vertical well to the Schrader, which might cost a quarter of that to drill.

But those vertical wells "weren't fully accessing the potential" of the Schrader Bluff formation, he said. Although the multilateral wells are more expensive and more challenging, "now you're progressing the opportunity."

North Slope viscous oil is in shallow reservoirs, close to the permafrost: it is cold and doesn't flow as readily as oil in deeper, warmer reservoirs: hence the productivity problem which BP is addressing with multilateral wells. The shallow reservoirs also aren't as well consolidated as deeper sandstones and fine sand from the reservoirs is produced to the surface along with the oil. That issue — handling the solids — is a separate issue, Beuhler said, a facilities issue. Those solids have to be removed from oil processing facilities and trucked to a grind and inject facility, adding costs to Schrader production.

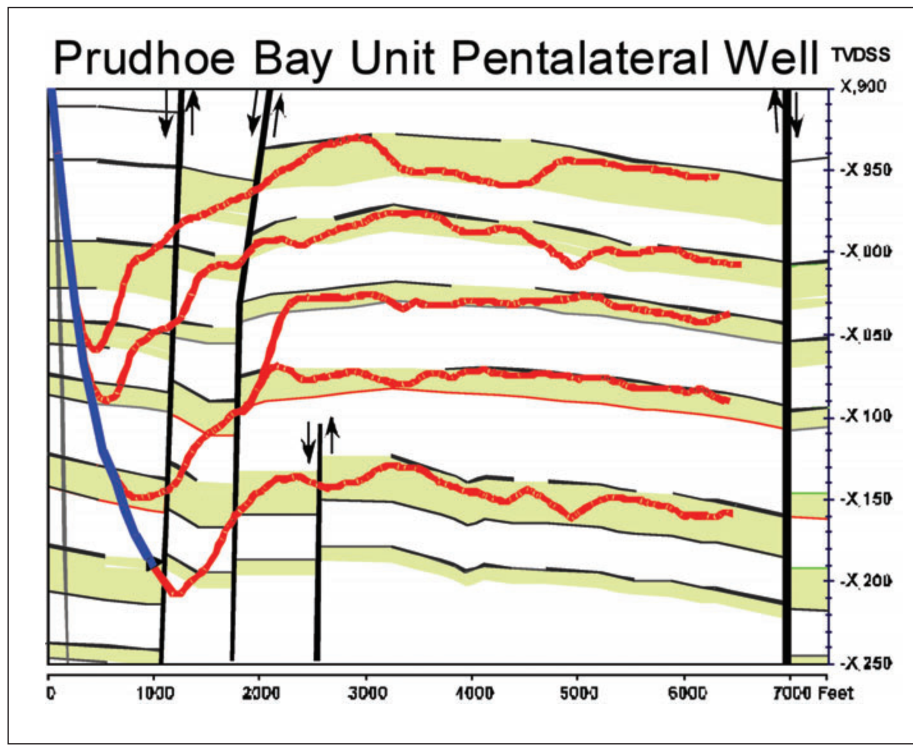
Wells more complicated

The wells BP is drilling in the Schrader Bluff formation — and wells that ConocoPhillips Alaska is drilling in the analogous West Sak formation at the Kuparuk River field — address the viscous oil productivity issue with technology. The companies have a regional viscous team which shares technology and best practices, Buehler said: "We can't afford to make the same mistakes across multiple assets. We can't afford to have a success and not apply it across all the assets." The team shares current challenges and technology developments, including where a new technology might best be tried first. It's "a very collaborative effort," he said, because the developments are similar and have "similar challenges that require similar solutions."

That's also true within BP-operated North Slope fields. Prudhoe Bay operations drilling engineer Mik Triolo started working the viscous issue at Milne Point and then moved over to Prudhoe, working on early multilateral and horizontal well designs.

MIK TRIOLO

The Polaris pentalateral builds on the technology used at the Orion quadrilateral, he said. Both have multi-lateral junctions. But the S-213A also has an open-hole junction kick-off for one sand small enough it didn't justify the cost of a junction box. Because of uncertainties about what the reservoir would do under production conditions — and how stable that open-hole junction would be once the well was producing — they ran an aluminum billet, an aluminum tube, out to the end of the liner and milled off that to reduce the open-hole area at the junction.



PETROLEUM NEWS FILE

Triolo said it too early to know how it will work, but the drilling portion of the work was successful, the liner was successfully inserted past the open-hole junction and "it significantly reduces the cost" of the two laterals because a junction isn't required.

S-213A took longer to drill

The L-201 quadrilateral took about 40 days to drill, Triolo said. The S-213A pentalateral took about 80 days to drill, partly

see **HISTORY** *page 4*

Petroleum news
www.PetroleumNews.com

Kay Cashman	PUBLISHER & FOUNDER
Mary Mack	CEO & GENERAL MANAGER
Kristen Nelson	EDITOR-IN-CHIEF
Susan Crane	ADVERTISING DIRECTOR
Heather Yates	BOOKKEEPER
Marti Reeve	SPECIAL PUBLICATIONS DIRECTOR
Steven Merritt	PRODUCTION DIRECTOR
Alan Bailey	CONTRIBUTING WRITER
Eric Lidji	CONTRIBUTING WRITER
Steve Sutherlin	CONTRIBUTING WRITER
Judy Patrick Photography	CONTRACT PHOTOGRAPHER
Forrest Crane	CONTRACT PHOTOGRAPHER
Renee Garbutt	CIRCULATION MANAGER

ADDRESS
P.O. Box 231647
Anchorage, AK 99523-1647

NEWS
907.522.9469
publisher@petroleumnews.com

CIRCULATION
281.978.2771
circulation@petroleumnews.com

ADVERTISING
Susan Crane • 907-250-9769
scrane@petroleumnews.com

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.

OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 30, No. 26 • Week of June 29, 2025

Published weekly. Address: P.O. Box 231647 Anchorage, AK 99523-1647
Subscription prices in U.S. — $118.00 1 year, $216.00 2 years
Canada — $206.00 1 year, $375.00 2 years
Overseas (sent air mail) — $240.00 1 year, $436.00 2 years

"Periodicals postage paid at Anchorage, AK 99502-9986."
POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

continued from page 1

GPTU APPROVAL

determined commitment to developing the resources that potentially underlie those leases."

Donkel committed to drill a single well on the western portion of the GPTU.

The division wants two exploration wells drilled; one in the western acreage and one in the eastern. It requires Donkel to post a $2.5 million bond, with half by June 25, 2026, and half by June 25, 2028. Upon completion of the two exploration wells, the $2.5 million bond will be returned to the applicant.

—KAY CASHMAN

Contact Kay Cashman at publisher@petroleumnews.com

continued from page 1

SLOPE LNG PLANT

obtained some new LNG trailers and has contracted with a trucking company to ship LNG by road from the North Slope LNG plant to Fairbanks.

Originally Harvest had anticipated completing the North Slope LNG facility by the end of last year. Clearly the project is taking longer to complete than had originally been envisaged.

Commissioning of the plant

Beethe told the IGU board that construction of the LNG plant is now 99% complete, with the project now transitioning into its commissioning phase. The bulk of the work now in progress involves the commissioning of the plant, Beethe said. Most of the commissioning work currently being carried out involves the electrical and computer systems, he said. On the more physical side of the commissioning, the project team has been wrapping up the inspection of vessels designed to hold fluids that will be used by the plant. Harvest is also starting to fill the vessels with the fluids.

The first fuel gas into the facility is anticipated for the week of June 20, Beethe said.

With first tests of LNG production expected in July, performance testing of the plant is now anticipated in August, leading to that expected Sept. 1 date for formal contractual commencement of the plant operations.

The plant has four major structures: a gas treatment building; a liquefaction building; LNG storage and truck loading facilities; and an office and power generation building. The plant connects to the main Prudhoe Bay field fuel gas pipeline via two above ground pipelines. One of the pipelines will deliver gas to the facility while the other pipeline will return carbon dioxide to the fuel line. The carbon dioxide will be extracted from the gas in the gas treatment building — Prudhoe Bay gas contains some carbon dioxide which must be removed before LNG can be manufactured.

Reducing air pollution

A primary objective of IGU's expanding gas supply business is the reduction of air pollution that results from the use of fuel oil and wood burning stoves in the Fairbanks region. According to a report to the state legislature for the fourth quarter of 2024, a total of 238 miles of natural gas mainline had by then been installed in the Fairbanks and North Pole region as part of what is termed the Interior Energy Project, the gas supply expansion project that IGU is conducting. By the end of last year IGU served more than 2,950 residential and commercial customers, the report said.

—ALAN BAILEY

Contact Alan Bailey at abailey@petroleumnews.com

continued from page 3

HISTORY

due to completion difficulties, "none that we were not able to overcome."

Buehler said that goes with technology development:

"We're pushing the technology envelope. We've got to; we can't live with status quo," so while it's painful to spend 80 days drilling a well, "if we don't do that we won't unlock the well component of the viscous strategy and technology development."

The angle of the wells — each lateral about a mile long — also makes them challenging, Triolo said. These are shallow extended reach drilling wells, with true vertical depths of between 4,000 and 5,000 feet, stepping out 12,000 to 13,000 feet in measured depth. That is at "the very edge of the envelope" industry-wide for shallow ERD wells, he said.

In addition to the aluminum billet, BP also ran swell packers in the S-213A well, Triolo said. The 10-foot-long elements are a little bigger than the liner and expand over time and seal off the annular area between the liner and the well bore. As the wells are drilled, logs are run, and determinations are made then whether to run in packers and where, providing future potential shut-off capabilities along the length of the lateral.

Packers help manage the well over time, Buehler said. In a vertical well if one reservoir zone starts producing water you can go in and shut off that zone. In a lateral well, the swell packer provides a way "to go in and isolate specific parts of a specific well bore."

"We're not just trying to maximize productivity right now, we're trying to maximize the total life-cycle benefit of the well," Buehler said. How will you manage the well 20 or 30 years from now? The swell packers are used for "formation integrity — trying to keep things in place" and for well-bore mitigation.

What's next?

More multilaterals per well isn't the direction Buehler sees this technology going in the Schrader Bluff formation.

The number of multilaterals depends on the number of sands in a reservoir, he said.

Typically, ConocoPhillips is drilling two laterals from West Sak wells while BP is drilling four to five in the Schrader. It's a function of the reservoir, Buehler said. "Their pay can be accessed with fewer laterals because it's a little bit thicker. … In Polaris we have five distinct pay intervals." Orion has four.

"The reservoir's talking to you in terms of how many laterals you need" and the technology component determines "how many laterals you can actually do," Buehler said.

As for what's next: "I would like to be able to drill farther," put in more open-hole junctions vs. junction boxes, because of the cost factor, and "be able to hold more of the reservoir in place and reduce our solids production." ●

Contact Kristen Nelson at knelson@petroleumnews.com

continued from page 1

MILNE EXPANSION

2021 and February 2022. The earlier approvals, which have expired, were for smaller expansions and would have included 10 additional wells. The gravel amount requested was smaller, 16,000 cubic yards in the earlier request and 20,000 cubic yards in the later request, and smaller expansion areas, 2.01 acres and 3.1 acres respectively.

Hilcorp took over as Milne Point operator (and initially as 50% working interest owner) from BP Exploration Alaska in 2014. In April of this year, the most recent month for which Alaska Oil and Gas Conservation Commission production data are available, Milne Point S Pad produced 89,925 barrels from nine wells, up from April 2014 production of 61,226 barrels from eight wells. All current S Pad production is from the Schrader Bluff formation.

Three of the currently producing wells are new since Hilcorp became operator and one was an existing well not in production in 2014 but brought back online in 2021. The three new wells came online in 2021.

Hilcorp has more than doubled production from Milne Point since it became operator, from a total of 7.08 million barrels in calendar year 2014 to 16.28 million barrels in calendar year 2024.

Proposed start date July 21

Project milestones would start with installation of vertical support members from July 21 through Aug. 31. Gravel would be placed Aug. 1 through Nov. 30, with the header extension installed in that same time period.

From Dec. 1 through March 31 of 2026, the remote shelter/E Mod would be installed, with preparation for drilling activities in May 2026 and drilling of grassroots wells from June 1, 2026, through Feb. 28, 2030.

Project milestones would start with installation of vertical support members from July 21 through Aug. 31. Gravel would be placed Aug. 1 through Nov. 30, with the header extension installed in that same time period.

Facility piping, electrical lines and instrumentation lines to tie wells into existing production facilities would occur from June 1, 2026, to Feb. 28, 2030.

The polymer skid and booster pump mod would be placed from Sept. 1, 2026, through Dec. 1, 2026.

Work description

In its June 5 application Hilcorp told the state: "The facility expansion and associated drill wells are needed to manage increased production at S Pad within the MPU."

The gravel placement will be primarily at the northwest corner of the pad, filling in a large area adjacent to the pad and squaring up that northwest corner, with smaller areas of gravel fill along the northern edge and at the northeast corner of the pad.

Vertical support members include eight 12-inch diameter and 10 14-inch diameter for the header and remote shelter/electric module and no more than 12 12-inch diameter VSMs for the booster pump.

Hilcorp said the VSMs will be driven into place.

The header extension will include 170 feet of each: 14-inch diameter production pipe; 8-inch diameter power fluid pipe; 3-inch diameter polymer pipe; 6-inch diameter source water pipe; and 4-inch diameter test header pipeline.

The remote shelter/E-mod to be placed on VSMs is some 50 feet long by 14 feet wide and 14 feet high, and once the remote shelter is installed an external staircase and landing platform will be constructed, with a transformer installed on the landing.

The booster pump module to be placed on VSMs is some 16 feet wide by 64 feet long.

The polymer skid modification, some 10 feet wide by 40 feet long, will be placed directly on the pad.

"Once placed, associated piping and electrical components will be installed to tie the header, remote shelter/E mod, booster pump module, and polymer skid into facility infrastructure," Hilcorp said.

The 22 drill wells will have conductors and well cellars installed, along with "infrastructure to tie-in the wells to existing production, including additional piping, heat trace, power, and instrumentation cables in cable trays, as necessary; and thermosiphons, as necessary," the company said. ●

Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

Expansion of F Pad partial pad separation

The Alaska Department of Natural Resources' Division of Oil and Gas has granted an application from Milne Point unit operator Hilcorp Alaska to expand partial on pad separation at F Pad.

The division said June 20 that Hilcorp applied to install a module with water and deoiler pump and motor at F Pad. The module would sit on 10 new vertical support members.

The 16-foot by 64-foot module will have an attached exterior walkway and stairway 5 feet by 10 feet.

Up to 550 feet of 6-inch diameter pipe, 420 feet of 8-inch diameter pipe and 60 feet of 12-inch diameter pipe will connect the module to the header and additional infrastructure.

The division said associated tubing and electrical components will be installed after the module is on the VSMs.

"The purpose of this project is to increase the produced water handling capacity for enhanced oil recovery at F Pad and relieve water handling restraints at R, F, and L Pads within the MPU," the division said.

F Pad production is from the Kuparuk River and Schrader Bluff formations. The pad accounted for some 10% of Milne Point production in May, the most recent month for which Alaska Oil and Gas Conservation Commission production data are available.

—KRISTEN NELSON

continued from page 1

NPR-A ACREAGE

lion acres offered under the 2013 plan.

Under the current Republican administration, the proposal released in mid-June is for 18.7 million acres, 82%, of NPR-A to be offered for lease.

New proposal

Under the new environmental assessment, while 18.7 million acres would be available for leasing, new infrastructure would be prohibited on some 4.3 million acres.

Special areas under the new plan include Teshekpuk Lake, Utukok River Uplands, Kasegaluk Lagoon and Peard Bay. The Colville River special area is not included, following BLM's determination in the 2020 ROD that raptor protections specific to that special area now covers all of NPR-A.

All of the Teshekpuk Lake special area would be available for leasing, but with no surface occupancy and timing limitation restrictions making some areas beyond the reach of current drilling technology. BLM said those areas would be kept available for a time when advances in drilling would make those areas available without surface occupancy.

In the Utukok River Uplands a core area would be unavailable for leasing and with a limitation on new infrastructure.

"A new ROD would authorize lease sales but would not directly authorize any on-the-ground activity associated with the exploration or development of oil and gas resources, or other land authorization, in the NPR-A. On-the-ground activities would require separate decisions following additional project-specific NEPA analysis," BLM said in the environmental assessment.

The new ROD would set requirements for lease sales at least through 2045, although not all areas identified in a new ROD would be offered in a first sale, BLM said, with timing and lands offered in following sales depending "in part on the response to the first sale and the results of any exploration that follows."

2022 ROD

Under the 2022 ROD, management was consistent with the 2013 ROD, making some 11.8 million acres, 52%, available for leasing, with the 11 million acres not available "including the majority of lands within Special Areas and much of the coastal area of the NPR-A along the Beaufort Sea."

New infrastructure was allowable on some 10.8 million acres, with limited new infrastructure — such as essential pipeline, road crossing and coastal infrastructure — available on some 3.3 million acres. No new infrastructure was allowed on 8.3 million acres, including the majority of the Utukok River Uplands and a sizeable area around Teshekpuk Lake.

The ROD said there were exceptions to the infrastructure prohibitions, including single season snow and ice infrastructure — even exploration pads over-summered; and exploration wells drilled in a single season.

The 2022 ROD reinstated the Colville River special area as it was approved in the 2013 ROD, and reverted boundaries of the Teshekpuk Lake and Utukok River Uplands special areas to those approved in the 2013 ROD.

2020 ROD

The 2020 ROD made some 18.58 million acres available for leasing, made lands available for application for pipelines and other infrastructure necessary for potential owners of Chukchi Sea and Beaufort Sea acreage to bring oil and gas across the NPR-A.

The plan adjusted the boundaries of the Teshekpuk Lake and Utukok River Uplands special areas and maintained the Peard Bay and Kasegaluk Lagoon special areas. The Colville River special area was eliminated because protections for raptors in that area were applied to all of NPR-A.

Of the 18,581,000 acres made available for leasing, some 132,000 acres in the northeastern part of the reserve would not be available for 10 years, "when a ten-year deferral established by this Decision in the Teshekpuk Lake Special Area expires," BLM said in that decision.

Some 4.1 million acres, a large majority of lands in the Utukok River Uplands and all of the Peard Bay and Kasegaluk Lagoon special areas were not available for leasing.

New infrastructure would be allowable on more than 13 million acres, including much of the Teshekpuk Lake special area, with limited new infrastructure allowed on some 5 million acres along certain river corridors and in certain parts of special areas.

—KRISTEN NELSON

Contact Kristen Nelson at knelson@petroleumnews.com

continued from page 1

VALLEY LEASES

revised to a six-year term with a $500,000 work commitment.

Shallow gas

According to the Division of Oil and Gas, some 22 earlier penetrations have been drilled in the Houston-Willow basin, mostly to evaluate shallow gas and coalbed methane.

Exploration began around 1917, when excavations for the Alaska Railroad exposed subbituminous coal. The coal supplied area military bases until at least 1955.

The U.S. Bureau of Mines drilled three core holes in 1951-52, with reports of methane and brackish water. Anchorage Oil and Gas completed a sidetrack of one of these core holes in 1955, but no information exists about the results.

Anchorage Gas and Oil Development and Hackathorn Drilling separately completed five wells between 1956 and 1962.

After a period of dormancy, Growth Resource International and Evergreen Resources completed six coalbed methane wells in the Houston area between 1998 and 2004.

The division approved the Houston-Willow exploration license in 2018 with the hope that modern exploration techniques "would likely help to resolve details of the anticline's geometry and to clarify its conventional gas and CBM resource potential."

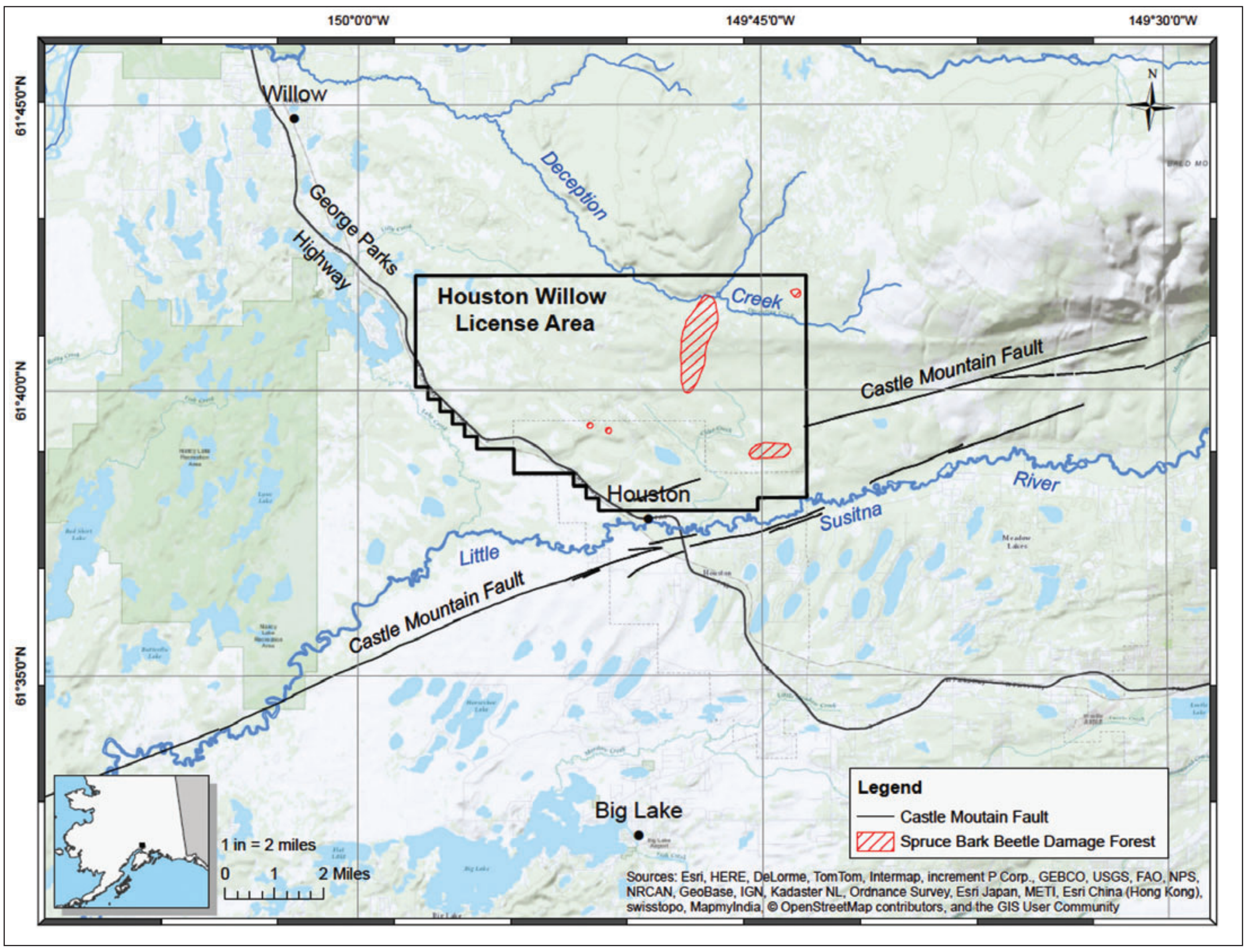
The division reported that no drilling in the area has encountered oil shows, and only non-commercial quantities of gas.

Trust lease negotiated

More recently, the Alaska Mental Health Trust Authority's Trust Land office, or TLO, negotiated an oil and gas lease with Cade on approximately 1,338.20 acres of unencumbered Trust hydrocarbon estate consisting of 14 separate parcels for the exploration and development of oil and gas, adding to the land package of six state leases issued to Cade and Donkel in January.

The 14 Trust parcels are within portions of Sections 5, 7, 8, 15, 20, 21, 23, 25, 28, 35 of Township 18 North, Range 3 West, Seward Meridian.

The exploration license area that has been converted to six state leases is located entirely within the Matanuska-Susitna Borough. It's in the Susitna River basin within the Matanuska-Susitna valleys.



STATE OF ALASKA

The area is bounded by the Alaska Range to the northeast, the Talkeetna Mountains to the northwest, and the Chugach Mountains to the south and east.

The six state leases are generally located north of the community of Houston, south of Willow and east of the George Parks Highway.

Trust terms, conditions

The Trust's negotiated terms and conditions include the following for the 14 parcels totaling a 1,338.20-acre lease.

1. A primary lease term of five years, continued indefinitely by commercial production.

2. Annual rent for Year 1, $3 per acre; Year 2, $4 per acre; Year 3, $5 per acre; Year 4, $6 per acre; Year 5, $7 per acre.

3. Production royalty is 12.5%.

Applicant Cade will be required to resolve surface use conflicts and damages, if any, in accordance with the provisions of the law applicable to private subsurface state owners.

Cade will also be required to enter into an oil and gas lease with the TLO, with the lease requiring full compliance with all applicable environmental laws. Additionally, the lease will include operating stipulations substantially the same as oil and gas leases issued on general state lands in recent years.

The TLO approved the negotiated lease on June 11 (MHT 9300102).

Opportunity for comment

Notice of the TLO's Best Interest Decision to issue the lease will take place as provided under regulations. Persons who believe that the decision should be altered because it is not in the best interest of the Trust or its beneficiaries, or because the decision is inconsistent with Trust management principles set out in regulations must provide written comments to the TLO on or before 4:30 p.m., July 18.

Following the comment deadline, the Trust's executive director will consider timely written comments. He may then modify the decision in whole or in part in response to such comments or other pertinent information or affirm the Best Interest Decision without changes.

The Best Interest Decision as modified or affirmed will become the final agency action.

If no comments are received by the end of the notice period, the Best Interest Decision will be final. ●

Contact Kay Cashman at publisher@petroleumnews.com

continued from page 1

OIL PRICES

797,000-barrel draw.

Gasoline and distillate levels plunged as well.

Total motor gasoline inventories fell 2.1 million barrels for the period to 227.9 million barrels — 3% below the five-year average for the season, The EIA said. Distillate fuel inventories fell 4.1 million barrels to 105.3 million barrels — 20% below the five-year average for the time of year.

Analysts in the Reuters poll had forecast a 381,000-barrel build in gasoline supplies.

"We are looking at big draws across the board," Phil Flynn, senior analyst with the Price Futures Group told Reuters. "This type of report can refocus on U.S. supply and demand, and less on geopolitics."

Crude was further supported by U.S. macroeconomic data showing lower consumer confidence and potential weaker-than-expected economic growth — raising hopes for a Federal Reserve interest rate reduction in July.

On June 20 ANS rose 10 cents to close at $79.77, WTI fell 21 cents to close at $74.95 and Brent rose 31 cents to close at $77.01. June 19 was a federal holiday.

On June 24, ANS closed at a $6.13 premium over WTI and at a $3.36 premium over Brent.

"Predicting geopolitical developments in the Middle East is a treacherous exercise, however, the Israeli stock market suggests that we may be witnessing a radical transformation of the Middle East now that Iran has been de-nuked," Ed Yardeni of Yardeni Research said in a note reported by MarketWatch June 23.

Yardeni said that the Trump administration may be able to make the region less febrile by expanding the 2020 Abraham Accords, in which several Arab nations recognized Israel.

He said, "In an ideal outcome, the Mullahs' regime would be overthrown in Iran, replaced by a new government that focuses on promoting domestic and regional prosperity rather than terrorism."

Conversely, the current regime could survive or be replaced by a military dictatorship — either way Iran would remain hostile to Israel and the U.S, Yardeni said, although that is not his base case.

"Such a government could prolong the war and create lots of havoc by attempting to close the Strait of Hormuz and by continuing to attack Israel and starting to target American interests in the Middle East," Yardeni adds. Under this scenario oil prices would spike, boosting the chances of a global recession.

"The market has shown that it's been very resilient to some of the geopolitical shocks that historically would have sent prices skyrocketing," Angie Gildea, U.S. energy lead for accounting giant KPMG told NPR. "We didn't see that much with Russia-Ukraine, and we haven't seen that with Israel-Hamas. And we're certainly not seeing that in this case."

Iran has not blocked the Strait of Hormuz, which analysts see as unlikely in part because of the intense economic pain it would cause Iran.

Rebecca Babin, a senior energy trader at CIBC Private Wealth told NPR that traders have learned to be cautious, based on crude price action after Hamas attacked Israel, or when Israel attacked Iran last year, or at other times when tensions have mounted.

Even if supply was not interrupted, there was a time when just the possibility of disruption might have pushed prices up to eye-watering levels — oil markets often respond to fear as much as to reality, Babin said.

The U.S. position as dominant worldwide oil producer is a stabilizing factor.

"The impact on the oil market is profound," said Jim Burkhard, S&P Global crude oil market research head. "It is among the most important factors why the response in the oil market to geopolitical conflict in the Middle East is limited and often disappears once the fear of a potential disruption dies down."

The U.S. can produce a lot more shale oil quickly, allowing a rapid response if there was a major supply disruption that led to a prolonged price hike, he added. ●

Contact Steve Sutherlin at ssutherlin@petroleumnews.com

Oil Patch Bits

TOTE Group expands leadership team, names new president

TOTE Group, a recognized leader in transportation and logistics overseeing some of the most trusted companies in the U.S., announced June 20 the expansion of its leadership team to support the organization's long-term vision, strategic alignment, and to enhance customer value. Alex Hofeling, currently president of TOTE Maritime Alaska, is being promoted to the new role of chief commercial officer. With this transition, Bill Crawford, who served as vice president of commercial, is being promoted to president of TOTE Maritime Alaska.

ALEX HOFELING

BILL CRAWFORD

Hofeling joined TOTE in 2013. Relocating to TOTE Group's headquarters in Jacksonville, Florida, to serve as CCO, he will oversee the organization's corporate and commercial strategy as well as marketing efforts across all business units. His focus will be on customer engagement, market expansion and integrated business development to support long-term, sustainable growth. In his previous role as president of the Alaska group, he partnered with customers, communities, public officials, labor interests and more to foster operational excellence and fulfill TOTE's commitment to serving those in the 49th state.

"Alex's thoughtful, values-driven leadership strengthens teams and drives performance," said Tim Nolan, president and CEO of TOTE Group. "His insights into our commercial landscape, along with his consistent focus on people, performance and safety, make him uniquely suited for this next chapter."

Taking over the helm as president of TOTE Maritime Alaska, Crawford will oversee all operations for the company based out of the Tacoma, Washington, office. He began his career at TOTE in the Anchorage office back in 2003 and brings over 26 years of experience in the shipping and LTL industries. In his previous role as VP of commercial, Crawford led the strategic plan for the sales and marketing teams and ensured key performance objectives for the organization were achieved.

"Bill knows our people, our culture, our business and the Alaska market through and through," said Nolan. "His passion and experience will be a tremendous asset as we continually look for ways to better serve our customers and communities in the Last Frontier."

Hofeling and Crawford will transition to their new roles on Aug. 4, 2025.

"We're proud to see our leaders take on new challenges and continue delivering value to our customers, employees, and partners," Nolan added.

Airgas announces annual BBQ and grand opening

Airgas, an Air Liquide company, said June 20 that it will be hosting its annual customer appreciation day BBQ at its Anchorage location on Aug. 12 from 10 a.m. to 3 p.m. The event will take place at 6415 Arctic Blvd., Anchorage, AK 99518.

Attendees can speak with Airgas Safety & Webmethod specialists and experts at several booths and enjoy a complimentary lunch, served from 11 a.m. to 2 p.m. For more information, call 907-562-2080.

Additionally, Airgas will host a second customer appreciation BBQ and grand opening at its new location in Fairbanks on Aug. 14 from 10 a.m. to 3 p.m. at 3000 Peger Rd., Fairbanks, AK 99709. Attendees will also have an opportunity to speak with specialists and enjoy a complimentary lunch. For more information, call 907-452-4781.

Companies involved in Alaska's oil and gas industry

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