



page 20 years ago: Total's Alaska chief:
3 company looking to grow in US

Harvest plans demobilization or power generation at Christy Lee

The Christy Lee platform in Cook Inlet no longer functions as an oil transfer point but has a possible future in wind or tidal power — or it may be removed.

Hilcorp subsidiary Harvest Alaska has applied for a lease renewal — and a lease contraction — for the lease on which the Christy Lee platform sits.

The platform was built in 1967 and tankers loaded crude there for delivery to the KPL Dock on the Kenai Peninsula. That use ended in 2018 when Harvest constructed the Cross Inlet Project, allowing oil to be moved via pipeline from the west side.

In a June 12 decision on the lease renewal, Division of Oil and Gas Director Derek Nottingham said the division proposes to issue a lease renewal for ADL 32391 to Cook Inlet Pipe Line LLC. CIPL, which holds the lease, is owned and operated by Harvest Alaska.

The existing lease covers 392 acres of tidelands on the west side of Cook Inlet; the lease renewal application is for 40 acres, just the area around the Christy Lee Off-Shore Terminal.

Harvest said the original lease covered the route of the

see **CHRISTY LEE PLATFORM** page 5

Hawkish Fed stance fizzles rally; China demand growth moribund

Despite a pause in rate increases by the U.S. Federal Reserve, oil prices turned lower to end the trading day June 14 as hawkish comments from the Fed quashed an attempt to extend a rally from the previous day.

Alaska North Slope crude fell 80 cents on the day to close at \$74.61 per barrel, West Texas Intermediate dropped \$1.15 to close at \$68.27 and Brent slid \$1.09 to close at \$73.20.

A soft U.S. inflation report and interest rate cuts in China June 13 sparked a rally, taking ANS \$2.12 higher to close at \$75.41, as WTI leapt \$2.30 to close at \$69.42 and Brent surged \$2.45 to close at \$71.84.

The U.S. Bureau of Labor Statistics announced that the 12-month inflation rate was down to 4% — the lowest reading in more than two years.

The People's Bank of China reduced the rate on 237 billion Chinese yuan (\$33 billion) of one-year medium-term lending facility loans to select financial institutions by 10 basis points —

see **OIL PRICES** page 4

Hilcorp looks at shallow gas at Granite Pt, estimates 40-100 bcf

Hilcorp Alaska has applied to the Alaska Oil and Gas Conservation Commission for definition of a gas pool at its Granite Point field in Cook Inlet, and for pool rules for development of that gas pool.

AOGCC production data show the field currently produces primarily oil — in April, the most recent month for which production data is available, it accounted for some 26% of Cook Inlet oil production (an average of 2,244 barrels per day) and just 1.6% of Cook Inlet natural gas production (an average of 3,256 thousand cubic feet per day).

At a June 6 hearing Hilcorp representatives told the commission the company believes there is a sizeable gas accumulation at the proposed Granite Point gas pool, some 40-100 billion cubic feet of natural gas. This gas would be produced from the Bruce platform. AOGCC records show that cumulative production through April of this year is some 143.5 bcf from all three platforms at Granite Point, gas which is either used as fuel gas or shipped to market via the Kenai Beluga Pipe Line.

see **GRANITE POINT GAS** page 4

PIPELINES & DOWNSTREAM

ROW lease issued

DNR grants 22-mile Pikka Sales Oil Pipeline right-a-way to Santos subsidiary

By **KAY CASHMAN**

Petroleum News

Per an Oct. 21, 2022, order of the Regulatory Commission of Alaska, on May 31 counsel for Oil Search (USA) Inc. sent RCA copies of the final approval of the right-a-way lease for the Pikka Sales Oil Pipeline that the company had received from the Alaska Department of Natural Resources.

The non-exclusive right-a-way lease was signed May 24, granting the ROW lease to Santos Ltd. subsidiary Oil Search (USA) for the pipeline that will transport sales quality oil from the Nanushuk



BRUCE DINGEMAN

Processing Facility, or NPF, to a Tie-in Point, or TIP, near the Kuparuk Pipeline Extension, or KPE.

Operated by Santos' Oil Search (Alaska), or OSA, the Pikka unit development is west of the central North Slope. The project is being progressed in phases with first oil from Phase 1 expected in May 2026. Official reserves for Phase 1 are booked at 397 million barrels, with an expected peak annual rate of

80,000 barrels of oil per day.

Pikka Phase 1, with its 41 Nanushuk and two Alpine C wells, will have waterflood with water

see **ROW LEASE** page 8

EXPLORATION & PRODUCTION

Pantheon gets busy

Independent resource assessment, Alkaid #2 data-gathering frack job

By **STEVE SUTHERLIN**

Petroleum News

Pantheon Resources is wasting no time putting the proceeds of its recent capital raise to work on Alaska's North Slope.

Pantheon sold 104,179,027 new shares in an oversubscribed offering on the Alternative Investment Market unit of the London Stock Exchange in May.

Initially the company planned to raise \$10.5 million, but it ultimately raised approximately \$22 million.

"Given that a lot of people felt that the market — especially in the AIM market in London — there wasn't really money available for E&P com-

Cheatham said the company has a webinar coming up in just a few weeks. "We'll discuss strategic direction of the company," he said.

panies," Jay Cheatham, Pantheon CEO told Petroleum News in a June 12 interview. "It got a lot of publicity over there because we were able to raise about double what we had intended to raise."

Cheatham said Pantheon had already hired Netherland Sewell and Associates to do two independent contingent resource reports — first on its Theta West project, followed by its Alkaid project.

see **PANTHEON MOVES** page 7

ALTERNATIVE ENERGY

Exploring Augustine

GeoAlaska files plan, will use non-intrusive subsurface geophysical measurements

By **KAY CASHMAN**

Petroleum News

On June 9 Anchorage-based GeoAlaska LLC filed a revised plan of exploration with Alaska's Division of Oil and Gas for Mount Augustine. It was initially filed on May 15. The division approved the plan on June 14.

Mount Augustine is an active stratovolcano on Augustine Island in Cook Inlet a little over 68 miles southwest of Homer. Mount Augustine with its shallow magma chamber is believed to have geothermal potential.

Anchorage-based GeoAlaska was established in



PAUL CRAIG

If such a (working hydrothermal) system is suggested by the geophysical data analytics, then GeoAlaska will evaluate ... drilling one or more temperature gradient wells on Augustine Island during summer 2024.

May 2020 by Paul Craig for the purpose of developing geothermal resources in Alaska.

Geothermal energy is generated by tapping into the heat produced by volcanic activity, and it can

see **GEOALASKA PLAN** page 6

PIPELINES & DOWNSTREAM

Tariffs go up, down, driven by volume

RCA approves Point Thomson pipeline tariff increase based on lower volumes, Milne Point pipeline tariff decrease on higher volumes

By KRISTEN NELSON
Petroleum News

The Regulatory Commission of Alaska has approved tariff changes for two North Slope pipelines — Milne Point and Point Thomson — both operated by Harvest Alaska, a subsidiary of Hilcorp.

A big increase per-barrel shipped, from \$7.86 to \$12.49, was approved June 1 by RCA for the Point Thomson pipeline, running from the Point Thomson unit central production facility to the Badami pipeline connection.

Harvest filed the revised tariff rate for the Point Thomson Export Pipeline on May 30.

“This tariff revision is made in accordance with the Settlement Agreement between the State of Alaska and PTE Pipeline dated August 1, 2019, which the Commission approved on August 27, 2019,” Harvest said in its filing.

Harvest said using the settlement agreement tariff methodology the PTE Pipeline calculated a \$7.85 per barrel tariff that became effective Jan. 1. The settlement agreement provides that the rate can be changed during the course of the year if additional data results in at least a 10% increase or decrease in the maximum rate.

“Through the first five months of this year, actual

A big increase per-barrel shipped, from \$7.86 to \$12.49, was approved June 1 by RCA for the Point Thomson pipeline, running from the Point Thomson unit central production facility to the Badami pipeline connection.

throughput on PTEP has been significantly lower than the projected throughput” which PTEP used to calculate the \$7.86 per barrel rate, the company said in its May 30 filing. Actual operating expenses have also been marginally lower than the estimated expenses.

The company said it anticipates that the current throughput trend will continue through the end of the year, with a recalculation resulting in an increase in the 2023 rate of more than 10%.

PTE Pipeline said it has shared the updated throughput information with the state and consulted with the state on the proposed rate increase, and based on that consultation, the state has waived the 60-day review period in the settlement agreement.

The new rate goes into effect July 1. RCA said comments on the filing are due by 5 p.m., June 22.

Milne Point

The Milne Point pipeline runs from the Milne Point central facilities to the Kuparuk Transportation Co. The current rate is 66 cents per barrel; the proposed rate is 42 cents per barrel.

The new rate was approved by RCA June 1.

In its May 30 tariff filing, Harvest said the tariff revision is pursuant to the settlement agreement.

The current rate was effective Jan. 1, the company said, and for the first five months of the year, MPOP throughput “has been substantially higher than the projected throughput” used to calculate the 66 cent tariff; operating expenses have been lower than anticipated.

“If these trends continue for the remainder of 2023, as anticipated,” the company said, a recalculation would result in a decrease of more than 10%.

The company said it has consulted with the state regarding the proposed rate decrease and is authorized to say the state waives the 60-day review period.

Comments are due by 5 p.m. June 22, RCA said. ●

Contact Kristen Nelson
at knelson@petroleumnews.com

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● EXPLORATION & PRODUCTION

US rotary count stabilizes, down by just 1

Domestic rig count at 695 sixth week in a row of declining numbers; lowest count has been since April 2022; biggest drop in Texas

By **KRISTEN NELSON**
Petroleum News

The Baker Hughes' U.S. rotary drilling rig count approached stability June 9, down just one to 695 from the previous week's count of 696 and down 38 from 733 for the same period a year ago. A drop of 17 on May 12 was the steepest drop since June of 2020. The June 9 count is the lowest since April 2022. The count dropped below 700 the week ending June 2, the first time it has been below 700 since April 2022.

The count dropped in six consecutive weeks of the past eight, with the current count down from 753 eight weeks ago and down from a high so far this year of 771 on Jan. 20. The high for 2022 was a count of 784 rigs at the beginning of December.

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.

Baker Hughes shows Alaska with seven rotary rigs active June 9, unchanged from the previous week and down by one from a year ago when eight rigs were active.

The count was in the low 790s at the beginning of 2020 prior to the COVID-19 pandemic, where it remained through mid-March, 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 9 count includes 556 rigs targeting oil, up one from the previous week and down by 24 from 580 a year ago, with 135 rigs targeting natural gas, down by two from the previous week and down 16 from 151 a year ago, and four miscellaneous rigs, unchanged from the previous week and up by two from a year ago.

Fifty-one of the rigs reported June 9 were drilling directional wells, 625 were drilling horizontal wells and 19 were drilling vertical wells.

Wyoming (17) was up two rigs from the previous week.

Louisiana (53), New Mexico (108), Oklahoma (44) and Utah (13) were each up by one rig.

Texas (353) was down six rigs and Colorado (16) was down by a single rig.

Rig counts in other states were unchanged from the previous week: Alaska (7), California (2), North Dakota (36), Ohio (10), Pennsylvania (24) and West Virginia (15).

Baker Hughes shows Alaska with seven rotary rigs active June 9, unchanged from the previous week and down by one from a year ago when eight rigs were active. All seven of the Alaska rigs were onshore, unchanged from the previous week, and no rigs were working offshore, also unchanged the previous week.

The rig count in the Permian, the most active basin in the country, was down by two from the previous week at 346 and up by one from 345 a year ago. ●

Contact Kristen Nelson
at knelson@petroleumnews.com

● THIS MONTH IN HISTORY

Total's Alaska chief: Looking to grow in US

20 years ago this month: Total in Alaska because company considers Alaska to have exploration potential; looking for oil in NPR-A

Editor's note: This story appeared in the June 1, 2003, issue of *Petroleum News Alaska*.

By **KRISTEN NELSON**
Petroleum News

Total is in Alaska because the company wants to grow in the United States, the company's Alaska area manager, Jack Bergeron, told the Alaska Support Industry Alliance May 22, 2003.

Formerly known as TotalFinaElf, the company produces 2.4 million barrels a day of oil equivalent worldwide with most of its production and income from Europe — including the North Sea — and Africa, as well as the Middle East where it is the second largest producer among private companies.

One percent of Total's income comes from North America, where the company has oil production in the deepwater Gulf of Mexico and primarily gas production along the Gulf Coast of Texas, Louisiana and Mississippi, Bergeron said.

"Why are we in Alaska? Because we want to grow in the United States and we're exploring heavily in the deepwater (Gulf of Mexico). We need some more growth," he said.

Total's geological and geophysical teams in the United States looked at Alaska, and "consider Alaska to have one

of the largest — if not the largest — potential for exploration in the whole world."

And, he said, it's politically friendly.

"It's a wonderful place to be exploring for oil and gas," he said.

And all of Total's predecessor companies, Total, PetroFina and Elf Aquitaine, "have been in Alaska at one time or another," Bergeron said, although never as operators.



JACK BERGERON

Nabors 14-E rig selected

Last summer the company leased 20 blocks totaling 229,000 acres in the northeast National Petroleum Reserve-Alaska for \$53 million. It has since opened a small office in Anchorage.

"This winter we shot additional 2D and 3D seismic, it's being processed now," he said.

Total is permitting three prospects, Caribou East, Caribou West and Fox.

"Our plans are to drill the first well next winter and drill a subsequent well the next winter to explore these prospects," Bergeron said.

The Anchorage office is supported by a large geological and geophysical staff in Houston, which is working on the

And all of Total's predecessor companies, Total, PetroFina and Elf Aquitaine, "have been in Alaska at one time or another," Bergeron said, although never as operators.

NPR-A prospects, he said.

Permitting work is underway, he said, and the company is contracting for a rig with Nabors Alaska Drilling.

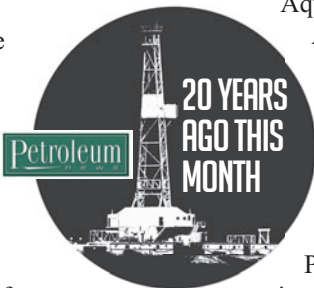
"I don't know if the ink's all dry yet, but we do have a contract and I have a rig now, now we've got to find a place to put it," he said.

The company will use Nabors rig 14-E, he said, a modular rig. The plan is to move it on rolligons, although the company is "still looking into Herc'ing the rig, or at least parts of it, or some the supplies — the stuff to get us started to make that (winter on-tundra) window as long as we can."

In addition to the prospects, he said, Total has another block to the west "that we don't have a named prospect on yet, but hopefully by the seismic we shot we'll come up with one."

Bergeron said the company's prospects in NPR-A are all oil prospects. While the company is about 85% gas in the United States, he said, worldwide Total is an oil company, about 65-70% oil.

The company is looking for oil in Alaska, he said, its prospects are oil prospects, "if we find gas we've got an interesting problem, as everybody else does." ●



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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

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GRANITE POINT GAS

In a public notice for its June 6 public hearing on the request the commission said: "Pool rules typically define the vertical and map extent of a particular pool and establish rules that modify the statewide requirements to enable more efficient operations while providing an equally effective means of protecting underground freshwater, protecting correlative rights, and conducting safe and environmentally sound operations."

Bruce platform wells

Hilcorp is proposing that the gas pool at Granite Point be "defined as the accumulation of gas common to and which correlates with the accumulation" in the Granite Point 1 well (an exploration well drilled in 1965) between measured depths of 3,095 feet and 7,725 feet.

In its June 6 presentation to the commission, Hilcorp said it planned to develop the Granite Point gas pool from the Bruce platform, where slots are available for new grassroots wells. It told the commission Bruce platform is in good condition and said it planned to bring the Spartan 151 rig to the platform for the drilling, as there isn't current a rig on the platform.

In its application to the commission, Hilcorp said it anticipates starting the drilling program this fall and said this was part of its "commitment to extend natural gas production from legacy offshore production facilities throughout Cook Inlet."

Because Granite Point was developed for oil, the company told the commission,

data is not as good in the shallow section where gas is found and it plans to do as much data gathering as possible in drilling the new wells.

Three platforms

There are three platforms at Granite Point: Anna, Bruce and Granite Point, all installed in 1966. The Department of Natural Resources certified the Granite Point 1 as capable of producing in 1966.

Hilcorp acquired Chevron's Cook Inlet assets in 2012.

The South Granite Point unit was formed in 1995. DNR approved formation of the South Granite Point sands participating area and the Hemlock participating area in 2008 and the South Granite Point unit contracted to the participating areas, with the remainder of the Granite Point field not unitized.

In 2014 Hilcorp as sole working interest owner of the Granite Point field and the South Granite Point unit requested an expansion of the unit to include three non-unitized leases associated with the Anna and Bruce platforms, an expansion approved by DNR in 2015, with a change in name to the Granite Point unit of the consolidated Granite Point field and South Granite Point unit.

AOGCC approved vertical alignment of the Middle Kenai and Granite Point oil pools, adjusted the affected area of the pools, eliminated interwell oil spacing and established a minimum set-back distance from exterior oil pool boundaries.

—KRISTEN NELSON

Contact Kristen Nelson
at knelson@petroleumnews.com

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OIL PRICES

from 2.75% to 2.65%, CNBC reported June 13. It was the first such cut by the central bank in 10 months.

Analysts at major banks see a cycle of rate cutting ahead for China and see the recent cuts as a signal that the country's government recognizes the need to provide stimulus to jump start its economy.

There is some question if the current measures are enough.

"Much more easing is needed, particularly fiscal backed by central gov funding," Société Générale economists said. "However, the drip mode of easing — preferred by Chinese policymakers — may not be well suited to containing the mounting deleveraging pressure within the economy."

On June 12, worries over China's sputtering economic recovery slammed crude prices. ANS plunged \$2.83 to close at \$73.29, WTI plunged \$3.05 to close at \$71.12 and Brent plunged \$2.95 to close at \$71.84.

China is the largest buyer of crude oil on the planet, and its reopening after three years of pandemic lockdowns is taking longer than many market participants had expected.

ANS fell 85 cents June 9 to close at \$76.12, as WTI dropped \$1.12 to close at \$70.17 and Brent slid \$1.17 to close at \$74.79.

ANS eked out a gain of 41 cents June 8 to close at \$76.97, but WTI dropped \$1.24 to close at \$71.29 and Brent fell 99 cents to close at \$75.96 and flip from a premium over ANS to a discount of \$1.01.

By June 14, ANS had opened a \$1.41 premium over Brent. From Wednesday to Wednesday, ANS fell \$1.95 from its close of \$76.56 June 7 to \$74.61 June 14.

June 14 prices were also affected by a bearish surprise spike in U.S. commercial crude oil inventories for the week ending June 9, which increased by 7.9 million barrels

from the previous week, the U.S. Energy Information Administration said. Analysts polled by Reuters had anticipated a 1.3 million barrel decline. At 467.1 million barrels, U.S. crude oil inventories stood at the five-year average for the time of year.

Total motor gasoline inventories increased by 2.1 million barrels from the previous week to 220.9 million barrels — 7% below the five-year average for the time of year, the EIA said. Both finished gasoline and blending components inventories rose over the period.

Supplies in the Strategic Petroleum Reserve fell by 1.9 million barrels to 351.7 million barrels on June 9, the EIA said. The SPR contained 511.6 million barrels on June 10, 2022.

Fed cuts but talks tough

The Fed said it was keeping its key interest rate at 5%, the first time it has held the rate steady in more than a year.

The Fed wants to assess whether rates are already high enough to curb price increases, and it made clear that it is ready to resume interest hikes if inflation doesn't continue the path to its target rate of 2%.

The Fed action has been called a "hawkish pause," meaning that the Fed is on guard to strike if inflation rears its head. The Fed forecast it will likely raise interest rates as high as 5.6% before the end of 2023, according to the central bank's projections released on June 13.

Fed Chair Jerome Powell said the July Federal Open Market Committee "will be a live meeting," because "a decision hasn't been made."

Many oil traders are concerned that the Fed will go too far, killing demand for gasoline, air travel, and industrial fuels.

On the supply side, JPMorgan cut its oil price forecasts for 2023 and 2024 because it sees global supply growth offsetting a record rise in demand, and inventory build-up will quell the risk of price spikes.

see OIL PRICES page 5

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CHRISTY LEE PLATFORM

pipelines from shore to the Christy Lee and the shoreline corridor, but those areas are no longer needed, “given that the pipelines were abandoned in place with closure documentation submitted in February 2022.”

The company applied for a 30-year lease extension; the division is issuing a 10-year renewal.

No current value

Harvest said the Christy Lee has no current value, but “the platform is potentially valuable for tidal and/or wind power generation, repurposing or scrap.”

There are two options for Christy Lee, Harvest said: partial decommissioning involving removal of the topsides; or a tidal and/or wind power assessment.

The company said its schedule of proposed activities includes:

2023 — begin collecting corrosion data on platform jackets, to be done by divers, followed by a study of “passive deconstruction of jacket legs through corrosion.”

2023-30 — continue collection of periodic corrosion data on the platform jackets.

2030 — front-end engineering and design, FEED, to repurpose Christy Lee, “if deemed viable.”

2033-34 — coordinate with other platform owners “on cost sharing for out-of-region equipment mobilization, and update FEED for topside removal.”

2035 — remove upside of Christy Lee “unless Harvest and DNR agree topsides should remain in place for potential conversion to tidal and/or wind platform.”

Christy Lee

Harvest said the Christy Lee platform was constructed in 1967 “by lifting a floating barge onto four supporting legs, which was then jacketed into position.” The platform is in some 60 feet of water.

Until 2018, west side Cook Inlet crude oil went by pipeline to the Drift River Terminal where it was stored and then moved through dual pipelines to the Christy Lee where it was offloaded to tankers and transported to the KPL Dock in Nikiski for delivery to the Tesoro Refinery.

After construction of the Cross Inlet pipeline project in 2018, CIPL stopped using Drift River, the pipelines and the Christy Lee.

Work completed in the summer of 2019 included: cleaning offshore and onshore pipeline segments and abandon-



Christy Lee platform when it was active as a crude oil transfer point.

ing them in place; pigging, cleaning and testing of pipelines; removal of diesel fuel, lubricants and antifreeze from Christy Lee; removal of usable products; cessation of corrosion protection; and installation of solar and/or wind powered navigation lights.

Partial decommissioning

The decommissioning project, Harvest said, involves long-term corrosion study and Christy Lee topside removal.

The company is considering different approaches to topside removal including cutting the topside into varying sized pieces or refloating the barge.

Harvest commissioned a FEED study in the fall of 2022 which used 3D modeling to study plans including cutting the topside into small pieces, initially aimed at using local resources — rejected as local resources were found unsuitable; cutting the topside into blocks of 50 tons or less to use Pacific Northwest resources — rejected

because it would require some 57 days to execute.

The focus then turned to disassembling the topside into four sections, requiring heavy lift to execute, but estimated to take only 12 days.

“At this time, the Heavy Lift option appears preferable, especially if the mobilization of out-of-region resources could be combined with similar activity by Hilcorp or other Cook Inlet entities,” Harvest said.

Refloating the barge is the other option. Once the barge was cut free, lowered and refloated, the legs would be severed and loaded onto the barge or another, with the fendering system and walkways also removed and loaded onto the barge.

Alternative energy

The alternative energy project would involve installing wind and weather monitoring on the Christy Lee and Harvest said it is also exploring participating with Hilcorp in a study of repurposing platforms for tidal and/or wind generation, which would require the topsides of the Christy Lee to remain in place for structural integrity.

—KRISTEN NELSON

Contact Kristen Nelson
at knelson@petroleumnews.com

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OIL PRICES

The bank revised its average Brent price forecast for 2023 to \$81 per barrel from \$90 and for West Texas Intermediate to \$76 a barrel from \$84 previously, Reuters reported June 14. It cut its 2024 price forecasts for Brent to \$83 per barrel from \$98 and for WTI to \$79 a barrel from \$94.

Goldman Sachs reduced its oil price forecasts by 10% on weak demand in China and a glut of supply from sanctioned countries, including Russia, CNN reported June 12.

Goldman now thinks Brent crude will cost \$86 a barrel in December, versus a previous estimate of \$95, while WTI will cost \$81 a barrel, down from \$89.

—STEVE SUTHERLIN

Contact Steve Sutherlin
at ssutherlin@petroleumnews.com

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continued from page 1

GEOALASKA PLAN

be used to generate electricity. It's considered a clean and sustainable energy source because geothermal energy does not emit greenhouse gases or pollutants, and it has the potential to provide a reliable source of energy. It's one of the few renewable energy sources that can provide 24/7 baseload energy, as it can operate continuously, regardless of weather conditions or time of day. Other renewable energy sources, such as solar, wind, tidal and hydro, are intermittent and dependent on seasonal occurrence and weather conditions.

GeoAlaska currently holds a geothermal exploration permit (ADL 394080) on the southern part of Augustine Island.

This summer GeoAlaska intends to collect and analyze geophysical data on and around its permit holdings, using non-intrusive subsurface geophysical measurements.

The goal is to gather and interpret scientific evidence to reduce subsurface uncertainty and objectively assess the presence of a working hydrothermal system.

If such a system is suggested by the geophysical data analytics, then GeoAlaska



Full Geometrics Stratagem EH-5 AMT setup. Shown are cables, stainless steel electrodes, magnetic coils, data logger and in field controller. Total weight is less than 160 pounds.

will evaluate the commercial merits of drilling one or more temperature gradient wells on Augustine Island during summer 2024 to confirm subsurface hydrothermal parameters.

The "resulting data and interpretations could ... result in carbon neutral energy production that will provide long term energy security for the Alaska Railbelt

region, benefiting some 65% of all Alaskans," GeoAlaska said.

Jurassic units

The south side of Augustine Island contains uplifted blocks of Jurassic sedimentary rocks that protrude above the surrounding flank deposits. These Jurassic units are assumed to extend to the north, probably within close proximity to the magma chamber/conduit underlying Augustine volcano, GeoAlaska said.

The company's current geothermal model "involves reservoir(s) that may be fed by fluid upflow from the heat source underlying the current main volcanic center and/or in-situ heating of the reservoir fluids by thermal conduction from the hot rocks within and around the magma conduit. The shale units are anticipated to provide an impermeable seal isolating the heated waters in the reservoir from the cooler meteoric waters and seawater above."

If GeoAlaska is correct, the reservoir dynamics would reduce heat loss from the reservoir through thermal convection

It's considered a clean and sustainable energy source because geothermal energy does not emit greenhouse gases or pollutants, and it has the potential to provide a reliable source of energy.

involving these cooler waters.

The location and orientation of the shale unit appears to be "optimally configured to reduce convection between the seawater and the reservoir formations underlying the shale unit," GeoAlaska said.

The goal of the exploration efforts at Augustine will be to identify the presence of a resistivity contrast between high resistivity bodies below and low resistivity anomalies above which could represent a trapped hydrothermal system and identify vertically oriented low density anomalies which could represent structural features such as fractures or dykes.

Gravity and MT surveys

GeoAlaska's 2023 plan of geophysical exploration at Augustine Island includes a Gravity Survey and MT Survey.

The company plans to start the surveys on July 28. Their current assumption is that MT will take 24 days and gravity will take an additional seven days.

A gravity survey is a geophysical method used to measure the variations in the Earth's gravitational field caused by differences in density of the underlying rocks. This survey involves measuring the acceleration due to gravity at various points on the Earth's surface and using these measurements to create a map of the subsurface density variations.

MT survey usually refers to a Magnetic Resonance Sounding (MRS) or Magnetotelluric (MT) survey. It is a geophysical method used to study the electrical conductivity of subsurface rocks and soils.

Using state-of-the-art tools for 3D subsurface imaging, GeoAlaska intends to map the underground geologic structures and fluid pathways. Each investigation adds information, refines the image, and reduces economic risk.

GeoAlaska plans to obtain 192 gravity survey stations and 29 MT survey stations.

The objectives for the geophysical gravity surveys are to conduct a ground-based gravimetric survey over approximately 11 square kilometers on the south flanks of Mount Augustine.

Stations will be spaced at ~250 meters, depending on local topography and terrain conditions, for a total of 192 total station locations.

Survey stations have been classified in first, secondary and 'nice to have' categories to focus the team during the allotted time. ●

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PANTHEON MOVES

Theta West should be finalized first part of July, and Alkaid probably toward the end of summer, he said. “Those are two really big mountains for us, especially Theta West, to have an independent expert on it because it’s so huge and will include the new acreage that we leased from the state in last year’s lease sale that’s just recently been formally awarded; most of that acreage is associated with Theta West.”

Wood Mackenzie named Theta West one of the top single discoveries worldwide in 2022.

“In fact, it was the largest onshore discovery last year,” Cheatham said. “It was in the top five, but the largest onshore and the only one in a tax royalty regime; all the others are in deep water production sharing contracts offshore.”

“We’re excited about it, we need to put more wells in it obviously,” he said.

“We’ve got an old ARCO well from 1988/89, the Pipeline State No. 1 well in the southeastern portion of our acreage that touched it at its most southern and eastern pinch out,” he said. “We moved a few miles away from that to drill Talitha A and it was there as well, and of course the big step out ten and a half miles to the Theta West No. 1 well where we saw the expansion of the basin floor fan moving significantly updip.”

Cheatham said Pantheon was right on its prognosis, its geology and geophysics team had done a great job.

“They said they thought it would expand by about 50% — which it did — and I think we missed the top by 50 feet over ten and a half miles,” he said. “That was a pretty extraordinary pick by the G&G team.”

Pantheon calls the acreage that it recently acquired a “chimney.”

“It looks like a chimney; it’s a long vertical rectangle sit-

ting on top of our existing acreage,” Cheatham said, adding that it sits due north of and adjacent to the Theta West acreage.

It was chosen because of a continuation of better reservoir going further updip into that section.

“We need to drill a well in that, subject to funding of course,” he said. “We’ve got certainly an upgrade in our resource from that acreage; we won’t say a whole lot about that until Netherland and Sewell have completed their report, but it’s got billions of barrels of oil in place and in that chimney area.”

Reentering Alkaid No. 2 well

In late summer or early fall Pantheon will reenter the Alkaid No. 2 well to perforate, frack and test the shelf margin deltaic that sits immediately above the Alkaid zone of interest, the Alkaid anomaly that it drilled a horizontal well in. The work will be in the vertical portion of the well.

“It was a little bit unexpected to see as well developed a shelf margin deltaic as we saw in this extreme northeastern location on our acreage; we were drilling the vertical portion of the Alkaid No. 2 and we were pleasantly surprised that the shelf margin deltaic extends up into the northeast corner of our Alkaid unit,” Cheatham said.

“We saw 65 plus feet of really well-developed sand and we’ll go in and perforate it in 10-to-15-foot interval there,” he said. “We’re going to do a larger than normal North Slope frack, and horsepower is at a premium on the North Slope so it looks like that operation will probably take place late summer or sometime in September.”

“Since our shelf margin deltaic — really the better portion of that reservoir — is much further south, this test is really a data gathering exercise,” he said. “We plan to put geophones out when we frack ... that will help us gather data that will allow us to better design future frack jobs.”

The goal for future fracking is to propagate horizontally a larger areal extension in reservoirs rather than vertically.

The data will help to determine where the fracks are propagating, what’s the orientation, how much water and sand to use, and how far the fracks extend.

“We want to extend them out as far as possible,” Cheatham said. “We’ll change the parameters on those fracks somewhat from what we did at the lower zone in Alkaid No. 2 and see what kind of differences it makes.”

“We do expect to get an oil flow rate, obviously, but this is not designed to get a headline flow rate that we would go out and advertise that it’s a gusher and everything is economic,” he said.

Cheatham said that Pantheon had excess sand flowing back into the well bore from the 29-stage frack in the horizontal section of the Alkaid No. 2 well.

“It’s normal. You have a workover rig standing by that if you get sand coming back into your horizontal, you can easily go in and clean it out,” he said. “We got more sand than our flowback unit could handle and that caused us some problems; we had to shut the well in and we cleaned it out with coil tubing initially and that did a pretty good job, but we weren’t sure because the coil tubing couldn’t get all to the end of the horizontal.”

“Later, when a rig was available, we pulled the tubing and packer out and cleaned it out with a larger unit,” he said. “We will endeavor to find a frack stimulation that minimizes the amount of sand flowing back into the wellbore.”

Cheatham said the company has a webinar coming up in just a few weeks.

“We’ll discuss strategic direction of the company,” he said. “We will reveal what the production data we got from Alkaid No. 2 tells us about ultimate recoveries, what the implication is for future wells, and what kind of improvements we think we can make with progressing our frack design in the future.” ●

Contact Steve Sutherlin
at ssutherlin@petroleumnews.com



Business Spotlight



PND Engineers Inc.

Founded in 1979 and headquartered in Anchorage, Alaska, PND Engineers Inc. is a dynamic civil engineering firm with more than 100 full-time employees, over half of whom are professionally licensed engineers and surveyors.

PND provides a diverse package of engineering services, including general civil, structural, geotechnical, marine, and coastal engineering; land surveying; hydraulics and hydrology; sanitary/wastewater; value engineering; inspection; quality assurance; construction engineering; cost administration; fabrication inspection; permitting; right-of-way acquisition; site remediation; pollution control; demolition; and in-house research and development.

Taylor Mortensen, EIT, PND staff engineer

PND staff engineer Taylor Mortensen, EIT, joined PND in 2019 after graduating from Montana State University with a B.S. in civil engineering. Prior to attending college, Mortensen was a P-3 flight engineer with the U.S. Navy.

His current role at PND is structural engineering, and he also serves as the project manager for the majority of bridge and infrastructure inspections performed on the North Slope.

Mortensen’s goal is to continue to expand PND’s bridge and structural inspection department, specifically utilizing his rope access inspection qualifications.

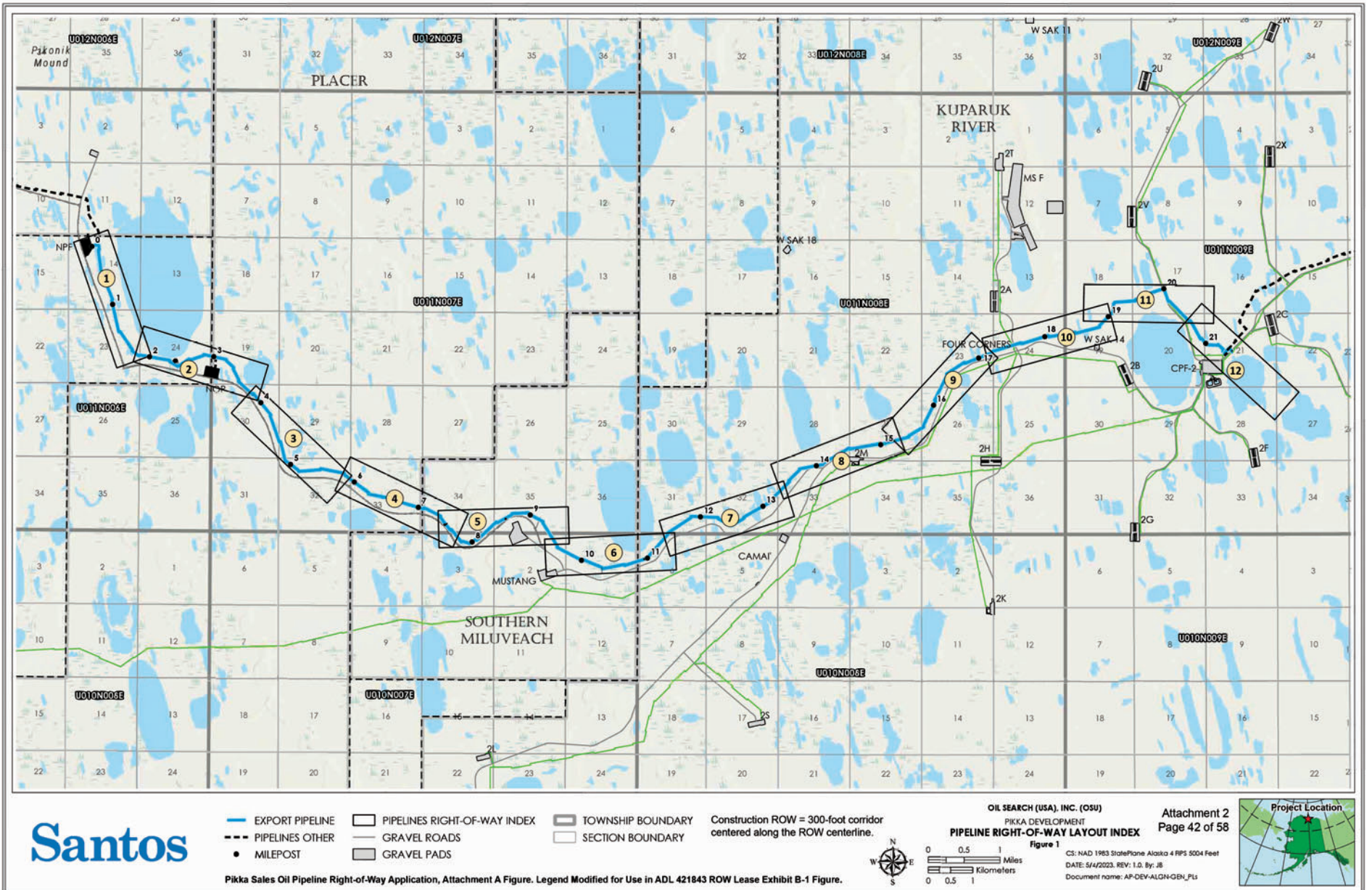


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ROW LEASE

initially from the seawater treatment plant OSA is building, and later using produced water when the rate is high enough to avoid freezing issues in the line between the NPF and the Phase 1 ND-B pad.

ROW lease ADL 421843 was granted only for the purpose of construction, operation and termination of the approximately 22-mile long oil transportation pipeline, consisting of one-16-inch diameter main segment, a 12-inch diameter tie-in segment, an 8-inch gas pipeline, a 16-inch seawater pipeline, and associated power and fiber optic cables.

The entire above-ground oil pipeline will be on lands owned by the state of Alaska.

During construction the ROW lease is 300 feet wide, decreasing to 60 feet wide for operations.

Oil Search (USA), or OSU, cannot use the land for any other purpose.

Length of lease

The ROW lease, signed by DNR Commissioner John Boyle and Bruce Dingeman, OSU executive vice presi-

dent and OSA president, will expire on May 24, 2053, 30 years from its effective date.

If the lessee OSU intends to renew the lease, it must give written notice to the DNR commissioner of its intent no less than two years before the expiration date.

The commissioner can renew the lease if the Pikka Sales Oil Pipeline is in commercial operation and if the lessee is in compliance with all terms of the lease, all state federal and local laws, including but not limited to state laws pertaining to regulation and taxation of the pipeline, and any agreement between the state and the lessee pertaining to regulation and taxation of the line.

Common carrier line

In the attachments to the ROW lease, Oil Search (USA) as the lessee assumes the status of, and performs all functions under, the lease as a common carrier.

Per the covenants, the lessee must "accept, convey and transport oil without unjust or unreasonable discrimination in favor of one producer ... including itself."

The lessee must take the oil "delivered or offered without unreasonable discrimination that the Regulatory Commission of Alaska ... with jurisdiction over common carrier pipelines shall, after a full hearing with due notice to the interested parties and a proper finding of

facts, determine to be reasonable in the performance of its duties as a common carrier,"

Furthermore, during the term of the ROW lease, the lessee at its own expense must maintain the pipeline and leasehold in good repair.

The lessee is also obligated to begin construction of the Pikka Sales Oil Pipeline within four years of the effective date of the lease and must begin operation within five years of the ROW lease effective date.

Rental amount

The lessee has to pay the state of Alaska an annual rental payment of \$787,454. 18.

This rental amount will be adjusted based on a formal appraisal "on or before 1 year after the effective date."

Plus, the annual rental amount is subject to adjustment by the state five years from the effective date and every fifth year anniversary thereafter.

The initial appraisal and all subsequent appraisals will be done by an independent appraiser selected by the lessee from a list provided by DNR.

All appraisals must be paid by the lessee. ●

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at publisher@petroleumnews.com

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