

page Son carrying on Jim White legacy; re-entering Pelch well in Kenai

Vol. 29, No. 13 • www.PetroleumNews.com

A weekly oil & gas newspaper based in Anchorage, Alaska

Week of March 31, 2024 • \$2.50

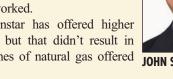
Sims: Not price, but market size preventing more gas development

Is there a lot of natural gas remaining in Cook Inlet?

Yes, Enstar President John Sims told the Resource Development Council March 21. Would offering producers a higher price lead to development of more volumes?

That hasn't worked.

Sims said Enstar has offered higher priced contracts but that didn't result in additional volumes of natural gas offered under contract.



He said it's not the market price for Cook Inlet natural gas that's holding back exploration and production to meet the

see INLET GAS page 5



In its 2023 10-K, ConocoPhillips reported on its Bear 1 wildcat, saying that "no commercial hydrocarbons were found and the well was deemed a dry hole and permanently plugged and abandoned." The well was "at a location 30 miles south of the Greater Kuparuk Area and east of the Colville River on state lands."

Bear 1, which was on oil and gas lease ADL 393519, was spud in late February and completed on April 3, 2023. The lease is neither contained within any existing unit nor adjacent to any ConocoPhillips unit.

As previously reported, prior to completion ConocoPhillips Alaska President Erec Isaacson described the company's Bear 1 well as a Brookian Topset play, which was what the Oil

see BEAR 1 WELL page 6

9th Circuit OKs incidental take regs, with rework of 1 component

On March 19 a three-judge panel in the U.S. Court of Appeals for the 9th Circuit issued a majority decision regarding a U.S. Fish and Wildlife Service five-year incidental take regulation for the minor disturbance of polar bears and walruses in the southern Beaufort Sea and adjacent lands. The decision requires FWS to rework one aspect of the regulation but also allows the regulation to remain in place meantime. One judge on the panel issued a dissenting decision, arguing that the regulation, as it stands, should be fully approved.

The regulation was designed to enable oil and gas exploration and development activities to be carried out in the region.

Impact on polar bears?

Several environmental organizations have argued that see TAKE REGULATION page 6

Pikka and nearby oil discoveries together could rival Kuparuk

Yereth Rosen's recent article in the Alaska Beacon about two speakers at the March 22 Meet Alaska conference carried highlights from Santos about its plans for the future that are worth highlighting.

The speech by Connor Dunn, a senior vice president with ConocoPhillips Alaska who oversees the Willow project, was covered by Petroleum News' Steve Sutherlin in a separate article in this issue.

MARK IRELAND Mark Ireland, senior vice president for



subsurface and exploration at Santos, the company that is

see SANTOS HIGHLIGHTS page 5

EXPLORATION & PRODUCTION

Willow's on the way

ConocoPhillips seeing banner season on the North Slope, from east to west

By STEVE SUTHERLIN

Petroleum News

onocoPhillips Alaska is in full swing with construction for its Willow project on the North Slope in the National Petroleum Reserve, which is estimated to produce 180,000 barrels of oil per day at its peak.

"At ConocoPhillips we're incredibly CONNOR DUNN busy with drilling in major projects all across the Slope from Kuparuk all the way out to Willow," Connor Dunn, vice president, Willow, said in a presentation to the Alaska Support Industry Alliance at its Meet Alaska event in



In addition to Willow, the company is proceeding with development of satellites in Kuparuk and continued exploration in the western North Slope area, Dunn said, adding that in a few years he expects to see some 2 billion to 3 billion barrels or more of development arise from these efforts.

"In all, ConocoPhillips has drilled nearly 68 exploration wells since the year 2000, including 28 in the NPR-A, and

that's generated significant exploration and development opportunities," he said.

"Willow gets a lot of the fanfare," he said. "There's over \$7 billion to first oil in 2029 but

see CONOCO UPDATE page 7

FINANCE & ECONOMY

Anchorage March 22.

ANS in consolidation

ANS up 10.1% YTD, on track for solid Q1 2024; OPEC+ plus cuts supportive

By STEVE SUTHERLIN

Petroleum News

laska North Slope crude added 13 cents March 27 to close at \$85.62 per barrel, while West Texas Intermediate slid 27 cents to close at \$81.35 and Brent slid 16 cents to close at \$86.09.

The Alaska benchmark extended its recent consolidation in the mid \$80s after trading in a tight \$1.19 range over the trading week ending March 27. Wednesday to Wednesday, ANS gained just 7 cents from its March 20 close of \$85.55.

On March 27, ANS closed at a \$4.27 premium over WTI, and at a 47-cent discount to Brent.

ANS is on track for a solid first quarter, up \$7.86 or 10.1% year to date on March 27. WTI and

"Russia's actions could push the Brent oil price to \$90 already in April, reach mid-\$90 by May and close to \$100 by September, keeping pressure on the U.S. administration in the run-up to elections," J.P. Morgan said.

Brent saw YTD gains of 10.74% and 8.39% respectively.

Quarterly gains were supported by supply cuts from the Organization of the Petroleum Exporting Countries and its allied exporting countries including Russia.

see OIL PRICES page 7

The wisdom of Herrera

A strange similarity between geologists and climatologists feeds disparity

By STEVE SUTHERLIN

Petroleum News

n 1960 I came to Alaska straight out of college in the UK and was given a job by BP as an exploration geologist," Roger Herrera said in remarks to Meet Alaska March 22 in Anchorage. "I cut my teeth here in Alaska in the days when there were no maps, only oblique aerial ROGER HERRERA photographs, which were very distorted

and not much information, so you started from

Herrera, reprising his role as closing speaker at the first Meet Alaska in 1984, shared that he traveled the world to many lands, taking the "broad



consensus of the area I was in as far as its geological potential is concerned."

"A field geologist never has enough information or hard data; if he or she doesn't have a fairly vivid imagination — perhaps a disciplined one but nevertheless vivid — they're not going to be any good at all because most of the rocks are hidden from them."

The rocks of interest are either under the ground or inaccessible on the surface,

he said. You must work it out with intelligence and persuade somebody to spend tens of millions of dollars to drill a well and make a discovery.

Herrera spent some 20 years "doing that sort of

see HERRERA'S WISDOM page 6

● EXPLORATION & PRODUCTION

Son carrying on Jim White's legacy

James "Jim" Wynn White plans to re-enter the Pelch Well on Beaver Loop Road in Kenai; father property rights advocate

By KAY CASHMAN

Petroleum News

The son of fierce property rights defender James "Jim" Wynn White is continuing his father's legacy by re-entering the Pelch Well on Beaver Loop Road in Kenai, Alaska.

James "Jim" Arnim White, a University of Alaska Fairbanks graduate with a doctorate in energy engineering from Texas A&M University, works as a renewable energy engineer in Washington state. After his father's company, Alaskan Crude, won an Alaska Supreme Court case against the Alaska Oil and Gas Conservation Commission, AOGCC issued Order 206, which allows them to keep their existing \$200,000 bond in place to suffice for the Pelch well.

And per the court decision, they are no longer responsible for the plugging and abandonment of the Burglin 33-1 well in Prudhoe and a shallow oil well in Katalla east of Cordova, he said in a recent email to Petroleum News.

"Instead of having to post an additional \$1,000,000 in bonding, we can now use those funds to complete the Pelch well on Beaver Loop Road in Kenai to help provide gas for Southcentral Alaska."

"My father would be so proud," he wrote. His father passed away on Jan. 22, 2021, in Houston, Texas.

Timing, location

White said the re-entry of the Pelch well would "probably take place in the summer of 2025."

While he and his family currently live in Washington,



Son and father prior to the elder Jim White's death in January 2021.

"we still have our shop and an apartment in Kenai. ... We can drive right out to the well site that's only a couple of miles from CINGSA," he noted.

"Although they need some work, we have two workover rigs at the shop, which can be used for reworking wells and drilling shallow gas wells," he added.

Against importing LNG

"My father's idea for how Alaskans could solve the current natural gas shortage they find themselves in is something that should be considered," his son wrote to Petroleum News in an email. "Instead of waiting for some white knight to swoop in and save them by importing LNG, Alaska should open up development of Alaska's natural gas to Alaskan residents," he wrote.

"His idea was to give landowners in Alaska the right to

explore for natural gas beneath their own property. The state of Alaska's DNR has had their chance to develop onshore gas in Southcentral Alaska; now it is time to give individual Alaskans the opportunity to develop their own resource. The state could start by releasing and making public ALL of the seismic data, maps, and analysis in their possession FREE to Alaskans. Alaskans should be able to see if there is a potential gas reservoir beneath their land," White wrote in the email to Petroleum News about his father's solution to the natural gas shortage in Southcentral Alaska.

"Any landowner should be able to then invest in drilling a well on their land in exchange for getting 87.5% of the gross revenue that comes from the well. To ensure that all the surrounding landowners within a square mile of the well also benefit, every landowner should receive a 12.5% royalty, risk free, right off the top for their proportionate share of gas that is produced beneath their property from day one," he wrote.

"If Alaska's Constitution won't allow giving away 100% of the royalty, then the state should at least share a majority of the royalty with the landowners, otherwise there is no benefit to having a gas well anywhere near their property," he added later.

"Accounting for the drilling and development costs would be on a 'last-in, first-out' basis. In other words, if the drilling costs are greater than anticipated, then contributors that pony up the last funds to get the well on should be entitled to get five times their money back before earlier investors do," White continued.

"Native corporations and Alaska Mental Health Lands

see WHITE LEGACY page 4

contents

Petroleum News

Alaska's source for oil and gas news

ON THE COVER

Willow's on the way

Conoco seeing banner season on North Slope, from east to west

ANS in consolidation

Up 10.1% YTD, solid Q1 '24 outlook; OPEC+ plus cuts supportive

The wisdom of Herrera

A strange similarity between geologists, climatologists feeds disparity

Sims: Not price, but market size preventing more gas development

Conoco: No commercial hydrocarbons in Bear 1
9th Circuit OKs incidental take regulations
Pikka and nearby oil discoveries
together could rival Kuparuk

ENVIRONMENT & SAFETY

Below-average maximum for Arctic ice

EXPLORATION & PRODUCTION

2 Son carrying on Jim White's legacy

James "Jim" Wynn White plans to re-enter the Pelch Well on Beaver Loop Road in Kenai; father property rights advocate

- **3** State OKs various Slope work projects
- **3** Baker Hughes US rig drops 5 to 624





Trusted upstream coverage >>

www.petroleumnews.com



FIRE PROTECTION ENGINEERING



Choosing the right life safety and fire protection engineering partner has never mattered more.

CAPABILITIES

- Fire and gas detection, alarm, and communication systems/mass notification
- Fire modeling
- ► Egress systems review/modeling
- Smoke control and management design/analysis/modeling
- Structural fire engineering
- Hydrant flow tests/analysis
- ► Fire suppression systems analysis/design
- Performance-based design analysis
- Passive fire protection analysis/design
- Fire and life safety code consulting/ code negotiation

EXPLORATION & PRODUCTION

Baker Hughes US rig drops 5 to 624

By KRISTEN NELSON

Petroleum News

he Baker Hughes' U.S. rotary drilling rig count was 624 for the week ending March 22, down by five rigs from 629 the previous week, and down by 134 from 758 a year ago, following a drop of seven rigs last week. The rig count increased in four and decreased in four of the last eight weeks, with a gain of 19 against a loss of 16 over the period, bucking a downward trend dominant since the beginning of May.

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 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

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

The March 22 count includes 509 rigs targeting oil, down by one from the previous week and down 84 from 593 a year ago, with 112 rigs targeting natural gas, down by five from the previous week and down 50 from 162 a year ago, and three miscellaneous rigs, unchanged from the previous week and unchanged from a year ago. Fifty-six of the rigs reported March 22 were drilling directional wells, 556 were drilling horizontal wells and 12 were drilling vertical wells.

Alaska (14) was up by one rig from the previous week.

Louisiana (44) was down by four rigs week over week.

New Mexico (106) and Pennsylvania (21) were each down by a single rig.

Rig counts in other states were unchanged from the previous week: California (6), Colorado (16), Kansas (1), North Dakota (32), Ohio (12), Oklahoma (44), Texas (294), Utah (12), West Virginia (9) and Wyoming (11).

Baker Hughes shows Alaska with 14 rotary rigs active March 22, up by one from the previous week and up by four from a year ago when the count was 10. Thirteen of the Alaska rigs were onshore, up by one from the previous week, with one rig working offshore, unchanged from the previous

The rig count in the Permian, the most active basin in the country, was down by one from the previous week at 315 and down by 348 from 353 a year ago. ●

> Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

State OKs various Slope work projects

The Alaska Department of Natural Resources Division of Oil and Gas has approved three North Slope infrastructure projects, including moving an existing camp, adding an airport gate and upgrading a transmission line.

A March 1 approval is of a request by Prudhoe Bay operator Hilcorp North Slope to relocate a camp from the Tarmac Pad at PBOC to the Annex Pad at BOC. Hilcorp told the division the camp was unoccupied and would be moved by cranes and transported by impassable wide load trucks.

At its new location the camp will tie in to existing electrical and mechanical infrastructure, the division said in its approval of a unit plan of operations amendment. New bull rails will be installed on the west side of Annex Pad.

The relocation is to provide housing in support of operations in the Western Operating Area, the division said.

The project was scheduled to begin March 1 and be completed by December. Annex Pad is some 9 miles northwest of Deadhorse and Tarmac Pad is some 2 miles northeast of Deadhorse.

A ConocoPhillips Alaska request for a unit plan of operation amendment for a new airstrip entrance gate at the Colville River unit was approved by the division March 22. The division said the gate will be installed at the existing Air Traffic Advisory Center Tower adjacent to the existing hanger at the Alpine Apron, with work scheduled to begin March 23 and be completed by the end of the 2024 winter off-road season.

Four 8-inch diameter vertical support members are to be installed, two 7-foot steel beams, two 3-foot steel beams, the 60-foot gate and four 6-inch diameter bollards.

A March 1 unit plan of operation amendment decision is for a ConocoPhillips Alaska transmission line upgrade at Drill Site 3B at the Kuparuk River unit.

The division said the work will upgrade the existing electrical transmission line supplying power from Central Processing Facility 3 to DS 3B and includes two armored power cables buried 3 to 4 feet deep in a trench some 575 feet long on the existing DS 3B gravel pad, with 100 feet of the cables on the tundra from the edge of the pad to the existing power pole. Work was scheduled to begin March 1 and be completed by the end of the 2024 winter construction season.

—PETROLEUM NEWS



Advertise in Petroleum News: Call 907.250.9769











80' x 115' Hangar and Camp at Deadhorse Airport — \$1.4 million

Rigid Tension Hangar 80' x 115', Schweiss Bi-fold door, Concrete floor plus rig mat section. Large ceiling mounted heaters. Well lit 7 Bedroom Camp attached to hangar, includes kitchen, living room, dining room, bathroom and shower room and 2 large offices. Additional buildings include a water room, a separate waiting room, and an extra 4 bedroom Jack and Jill style housing unit. Each of the J&J extra housing bedrooms have a vanity and sink, 2 rooms share a shower between them. Water room also has laundry facilities.

CONTACT: cell phone: call or text Judy Miller 907 250-7090; or judymalaska@yahoo.com



ENVIRONMENT & SAFETY

Below-average maximum for Arctic ice

Preliminary figures for the winter extent of Arctic sea ice, released March 26 by the National Snow and Ice Data Center, indicate Arctic sea ice likely reached its maximum extent March 14 at 5.8 million square miles, the 14th lowest maximum extent in the 46-year satellite record.

"While this year's maximum extent was not among the lowest in our records, the long-term decrease in extent continues," said NSIDC senior research scientist Walt Meier. "The winter maximum is not a good indicator of summer sea ice conditions, which are influenced by the thinner ice that now dominates the Arctic as well as spring and summer weather. For example, this year's maximum is lower than 2012, when the summer minimum extent set a record low."



Arctic sea ice extent for March 14, 2024, was 5.8 million square miles. The orange line shows the 1981 to 2010 average extent for that day.

NSIDC said this year's maximum extent is 247000 square

miles below the 1981 to 2010 average maximum of 6.04 million square miles and 232,000 square miles above the lowest maximum of 5.56 million square miles set March 7, 2017.

Since the maximum on March 14, extent has dropped some 62,000 square miles and the agency said the maximum number is preliminary, as continued winter conditions could push the ice extent higher. A full analysis will be issued in early April.

The downward linear trend from 1979 to 2024 is 15,400 square miles per year, 2.5% per decade relative to the 1981 to 2010 average, NSIDC said. Based n those values, maximum extent has declined 691,000 square miles since 1979, equivalent to the size of Alaska or five times the size of Germany.

—KRISTEN NELSON

Petroleum

Subscribe to Petroleum News: Call 281.978.2771

Petroleum

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

Gary Park CONTRIBUTING WRITER (CANADA)

Steve Sutherlin CONTRIBUTING WRITER

Judy Patrick Photography CONTRACT PHOTOGRAPHER

Renee Garbutt CIRCULATION MANAGER

Forrest Crane

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. 29, No. 13 • Week of March 31, 2024

CONTRACT PHOTOGRAPHER

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 2

WHITE LEGACY

landowners would benefit by getting their royalties as well, but details would need to be worked out if they only own the sub-surface mineral rights and not the surface rights. One possible solution may be to give the surface owners an overriding royalty on top of the 12.5% that would go to these important key stakeholders. This would make it slightly less attractive for investors, but not by much. The key is to foster a new and entrepreneurial way of thinking for ALL property owners in Alaska," he said.

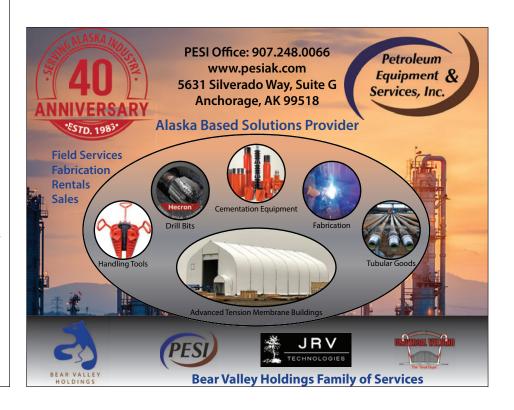
"There is a LOT of shallow gas, 5,000 feet or less, in Southcentral Alaska that could be drilled relatively inexpensively with small workover rigs like the ones we have in Kenai. But having to come up with an additional \$400,000 cash plugging and abandonment bond can make it unaffordable for most Alaskans. Instead of cash,

individual Alaskans should also be able to use the equity in their land as bonding for the plugging and abandonment costs," White said.

"I would add that instead of importing LNG, Alaska should be investing massive amounts of money in energy efficiency and renewables. Energy efficiency alone could cost-effectively reduce Southcentral Alaska's gas needs by at least 20%, while also lowering everyone's gas costs, and generating thousands of local jobs. There is an excellent business case to be made for Alaska to invest in both of these cost-effective strategies instead of leaving it in Permanent Fund bank accounts of a bunch of New York stockbrokers," White said.

"These ideas still need to be flushed out, but now is the time to have this conversation in Alaska," he finished. ●

Contact Kay Cashman at publisher@petroleumnews.com



continued from page 1

INLET GAS

looming natural gas shortage, it's the small market size, which means companies can't, in a reasonable amount of time, earn returns from the needed massive investment.

The problem is the expense — in the billions — for development and the very small and isolated market, Sims said.

With fewer than 800,000 people in the state, and natural gas usage of just 70 billion cubic feet per year, companies can't earn a return on their investment in a reasonable amount of time, he said.

In the Lower 48, by contrast, there is a population of millions and a correspondingly large and connected market for resources from any new project.

Enstar's role

Enstar's role in the natural gas market is as a certificated public utility, which means it has a duty to serve not shared by producers, independent power producers or anyone else, Sims said.

It must provide gas.

And not just to residential and retail customers.

Other utilities in Enstar's service area can call on Enstar to provide them with gas service, he said, as when Homer Electric Association wasn't able to renew its contract for natural gas and turned to Enstar.

HEA had been an Enstar transportation customer, but after it requested to be a gas sales customer, Enstar is now on the hook for HEA, he said, and over several months was able to negotiate a contract with Hilcorp for the volumes needed to serve HEA.

But, Sims said, the contract covering the HEA volumes isn't the type of firm contract Enstar has for its own volumes, which includes a penalty for non-delivery. The HEA contract excludes that provision.

And it isn't just HEA, Sims said: other utilities, Chugach Electric Association and Matanuska Electric Association, are also in Enstar's service territory. It happened in the past with Fairbanks Natural Gas: it came to Enstar when its contracted supplier in Cook Inlet couldn't deliver, he said.

Enstar's share of the 70 bcf per year gas requirement is about half, 35 bcf, and with

continued from page 1

SANTOS HIGHLIGHTS

developing the huge Pikka project west of the central North Slope, said the first and second phase of Pikka, plus other oil discovered nearby represent more than 1.5 billion barrels of known oil and could eventually rival Kuparuk, the second largest oil field on the North Slope.

"When we add in our annual exploration appraisal program, I think in a few years in the future, we'll be looking at north of 2, 3 billion barrels of development in front of us. And that's where we get to the scale of a Kuparuk," he said.

"We're seeing levels of activity that we haven't seen for a decade or so, with more to come," said Ireland, whose North Slope experience includes Western North Slope development manager for ConocoPhillips Alaska dating back almost 25 years. He was picked up in 2019 by Oil Search prior to its acquisition by

—KAY CASHMAN

Contact Kay Cashman at publisher@petroleumnews.com

the addition of HEA is up to some 40 bcf.

The old HEA contract ends this March, and Enstar's contract for the HEA volumes starts April 1.

Enstar's own existing contract runs through 2033, but contracts for the other utilities expire before then.

Scope of the problem

Sims said the group studying how to resolve the problem, Enstar and the other utilities working with BRG and Cornerstone, isn't ready to reveal the full draft of its Phase II report, but he said Phase II has whittled the utilities' options down to four.

And none of those options meet the 2028 4-year milestone when some gas contracts start to expire.

Liquefied natural gas is needed, and shipments would need to begin arriving in 2027 to get volumes into storage for 2028.

Permitting is the greatest time unknown in the process — Federal Energy Regulatory Commission and U.S. Corps of Engineers permitting durations, and the time to modify or construct in-water piers.

None of the proposed projects meets the 2028 date, with three of the four having start dates in 2029 or 2030, while a fourth starts only in 2032.

Legislative action needed

What can be done locally?

Sims said incentives from the Legislature — tied to firm contracts for Cook Inlet utilities — are essential because of the inability of the market to provide the needed investment.

There are a lot of ideas being floated in Juneau, he said, but urged focus on solutions the producers have told legislators are necessary for investment, particularly royalty reduction. Sims said royalty reductions would need to be tied to firm contracts with the utilities for the gas.

While strong support for Cook Inlet exploration and production is needed in the short term, the long-term focus needs to be on action on a large natural gas supply project

Storage, carbon sequestration

In addition to more supply, more gas storage is also needed.

Sims said CINGSA, Cook Inlet Natural Gas Storge Alaska, a subsidiary of Enstar, has won approval from the Regulatory Commission of Alaska to add two wells at its Kenai-area storage facility, providing additional production capability.

In response to a question from the audi-

ence, Sims said additional storage in Cook Inlet beyond CINGSA is also needed.

Renewables can provide power, but natural gas will continue to be required when wind and solar aren't available, and to meet peak needs, he said. A functioning transmission system is crucial for renewables to work, and Sims urged support for the \$200 million needed from the Legislature to match federal funds available to upgrade the transmission system.

Carbon sequestration is also important because it is becoming a requirement for companies to gain financing — Sims said it is as crucial as storage.

Residents and businesses are on the hook for cost impacts and illustrated the impact on the Anchorage School District — not even Enstar's largest customer — with the cost of gas alone \$4.9 million in 2023, a 30% increase would mean a \$1.47 million per year impact, Sims said.

The utilities group is working to minimize impacts, but he said the longer it takes to make a decision, to pick an option, the fewer options will be available and those at higher rates.

—KRISTEN NELSON

Contact Kristen Nelson at knelson@petroleumnews.com



continued from page 1

BEAR 1 WELL

Search/Armstrong team drilled at Pikka, Horseshoe, Stirrup, Mitquq — and that ConocoPhillips Alaska drilled at Willow.

On June 26, 2023, Alaska's Division of Oil and Gas approved a rental reduction for ConocoPhillips Alaska Inc.'s 74 contiguous leases on 136,197 acres in a vertical block along the eastern border of the National Petroleum Reserve-Alaska. The non-unitized leases are 19 miles south of the village of Nuiqsut.

CPAI earned the reduction by completing exploration and development work during the primary term of the leases, work that included drilling the Bear 1 wildcat.

Prior to spudding Bear 1, CPAI acquired and processed the Bear 3D seismic survey. Additionally, the company licensed well data for the Horseshoe 1 well, Stirrup 1 well, and the Horseshoe 3D and Kuukpik 3D seismic surveys that covered portions of the 74 leases. CPAI conducted analysis of the data including reprocessing of seismic surveys, fluid and rock samples, surface sediment sampling and analysis for hydrocarbon typing.

The work completed on the leases added to CPAI's understanding of the prospective reservoir targets on the acreage, the division said in its approval.

Western North Slope

In its 10-K ConocoPhillips described the Western North Slope as including its Colville River unit, the Greater Mooses Tooth unit and the Bear Tooth unit. In 2023, on average, ConocoPhillips Alaska had two rigs drilling throughout the year.

Per the 10-K the "Colville River unit includes the Alpine Field and four satellite fields. Field installations include one central production facility, which separates oil, natural gas and water. In 2023, we focused our development activities on the Narwhal

(Nanushuk) trend, a reservoir within the Alpine Field, and anticipate completing the current phase in 2024. The results will help inform the design and optimization of future development."

The Greater Mooses Tooth unit is the first unit established entirely within the National Petroleum Reserve-Alaska, or NPR-A. The unit was constructed in two phases: Greater Mooses Tooth 1 (GMT1) and Greater Mooses Tooth 2 (GMT2). Development activity continued in 2023, ConocoPhillips said in its 10-K.

On March 12, 2023, the Department of the Interior issued a Record of Decision, or ROD, approving the Willow project, and in December 2023, ConocoPhillips announced final investment decision, or FID.

The project will consist of three drill sites, an operations center and camp, and a processing facility.

First production from Willow is anticipated in 2029, the company said.

Transportation

In its 10-K filing ConocoPhillips also said it transports the petroleum liquids produced on the North Slope to Valdez, Alaska through an 800-mile pipeline that is part of Trans-Alaska Pipeline System, or TAPS.

"We have a 29.5% ownership interest in TAPS, and we also have ownership interests in and operate the Alpine, Kuparuk and Oliktok pipelines on the North Slope," the company said.

"Our wholly owned subsidiary, Polar Tankers Inc., manages the marine transportation of our North Slope production, using five company-owned, double-hulled tankers, and charters third-party vessels, as necessary. The tankers deliver oil from Valdez, Alaska, primarily to refineries on the west coast of the U.S." per the 10-K.

—KAY CASHMAN

Contact Kay Cashman at publisher@petroleumnews.com

continued from page 1

TAKE REGULATION

activities allowed under the terms of the regulation would result in damaging disturbance to polar bears. Consequently the organizations challenged the legal validity of the regulation in the Alaska District Court. In March 2023 the District Court ruled that the regulation was legally valid. The plaintiffs in the case subsequently appealed the District Court decision to the 9th Circuit — hence, the recent 9th Circuit ruling.

The 9th Circuit Court has now remanded the case back to District Court and required Fish and Wildlife to make appropriate changes to the regulation. Meanwhile oil and gas exploration and development activities in the region can continue.

Level A impacts

The court's requirement for a rework of the regulation revolves around the manner in which Fish and Wildlife had determined that activities would have a negligible impact on polar bears. In making this determination FWS had split its assessment of significant impacts, referred to as level A impacts, into two categories: serious and non-serious level A impacts.

While it was reasonable for the FWS to assess the overall level A impacts by splitting the impacts in this way, it is still neces-

sary to assess the total level A impacts, the majority judges argued. Otherwise the total level A impacts may be underestimated, they wrote.

The majority judges also ruled that FWS needs to assess the five-year cumulative risk of a level A take, rather than just the annual risk.

Impact on industrial activities

The court is allowing the incidental take regulation to remain in place while Fish and Wildlife makes the required changes to the regulation, because, the judges wrote, the FWS's errors "pale in comparison" to the potential impact of cancelling the regulation on industrial businesses operating in the

Beaufort Sea region. Also, cancelling the regulation would, in essence, criminalize oil and gas activities in the region since the regulation went into effect in 2021, the judges wrote. Moreover, the available evidence suggests the actual amount of level A takes of polar bears will likely be very small, they wrote.

The judge who dissented from the majority decision argued that FWS had provided adequate evidence that there would be a negligible impact on polar bears from industrial activities conducted under the terms of the incidental take regulation.

—ALAN BAILEY

Contact Alan Bailey at abailey@petroleumnews.com

continued from page 1

HERRERA'S WISDOM

thing" with BP before moving permanently back to Alaska for a second phase of his career.

"Basically, after 5 years of trying to get permits to drill exploration wells on the North Slope of Alaska, I decided that the government part or the political part of oil and gas was just as important as the geological part."

Herrera went to Washington, D.C., to advance the idea that the coastal plain of the Arctic National Wildlife Refuge should be open to responsible oil and gas development.

Which was the better, finding Prudhoe Bay in about 7 years or going to knock your head against the political hierarchy in D.C. for 15 years? he said, adding, "I don't have to explain that."

Herrera said a similarity he found between geologists and climatologists is very important to the situation in which we find ourselves in Alaska and natural resource states.

"If we can't develop our natural resources, we do not really have a future," he said. "They've got to beat these climate people."

"The climatologist is in the exact opposite position to the field geologist, he or

she has too much information, too much data, so with that situation they feel free to choose and pick the data that they think is relevant to what they want to achieve — their thesis of the moment — and so you find when you look at the international panel of climate change set up for the United Nations, which is really the bug bear of the present global warming situation. ..."

"If I may give you an aside: sedimentary geologists are basically paleo climatologists, they're looking at paleo environments and the climate that laid down the sediments at that time and for example I can tell you that in the days of the dinosaurs in Alaska the whole state was

covered in lush tropical forest."

Why? The climate was different and carbon dioxide was 10 times higher than it is here today, he said. Who was responsible for the formation of that carbon dioxide? "I don't think it was the oil industry or anybody else for that matter at that time."

"To finish off that little aside, what killed off the dinosaurs? A huge meteor or whatever it was, and that created the Gulf of Mexico and changed the climate of the world for thousands of years thereafter," he said. "Climate is always changing — any geologist knows that — and what we can thank our stars for is that today the climate is very compatible with us as human beings. We should be enjoying it and if it gets a bit warmer, so what?"

Snowbirds could fly north to Kaktovik or somewhere on the North Coast and build a golf course there, if it gets too hot — we're adaptable, he said.

Herrera said the current climate change hysteria is manufactured and must put into a perspective which is not being realized by governments today. He recommended reading "denial" books for information the media, the press, and the government don't disclose

"I'm not saying that man's production of some carbon dioxide has no effect, but I am saying that the reaction to that effect is out of all proportion to reality," he said.

Over geological time, there is time to modify things, "especially if you have hydrocarbons to bring out the modifications, control the climate, and so on," he said.

The next job — more difficult perhaps — is to persuade the powers that be that they're wrong worldwide, not just in D.C., he said, adding, "Perhaps you need to employ lots of geologists." ●

JOHN DEERE AND MOST DIVERSE EQUIPMENT FLEET ACROSS ALASKA.

PRIORIDE BAY FAIRBANKS DELTA ANCHORAGE KENAL
907.659.2000 airportequipmentrentals.com

Contact Steve Sutherlin at ssutherlin@petroleumnews.com

continued from page 1

OIL PRICES

WTI and Brent moved slightly higher in Asian trade March 28 as Petroleum News went to press.

U.S. inventories rose, according to the U.S. Energy Information Administration, but traders were cheered that the EIA build was sharply lower than the estimate by the American Petroleum Institute.

U.S. commercial crude oil inventories for the week ending March 22 — excluding Strategic Petroleum Reserve supplies — lifted 3.2 million barrels from the previous week to 448.2 million barrels — 2% below the five-year average for the time of year, the EIA said March 27.

Total motor gasoline inventories increased by 1.3 million barrels for the period to 232.1 million barrels — 1% below the five-year average for the time of year.

"We ... expect U.S. inventories to rise less than normal in reflection of a global oil market in a slight deficit. This will likely hand support to the Brent crude oil price going forward," Bjarne Schieldrop, SEB Research chief commodities analyst said in a note, according to a March 27 Reuters report.

U.S. commercial crude oil inventories for the week ending March 22 — excluding Strategic Petroleum Reserve supplies — lifted 3.2 million barrels from the previous week to 448.2 million barrels — 2% below the five-year average for the time of year, the EIA said March 27.

Prices fell March 26 on the API call for a 9.337 million barrel leap in U.S. crude inventories. ANS fell 61 cents to close at \$85.49, WTI fell 33 cents to close at \$81.62 and Brent fell 50 cents to close at \$86.25.

ANS leapt \$1.19 March 25 to close at \$86.10, as WTI and Brent gained \$1.32 each to close at \$81.95 and \$86.75 respectively.

Traders were spooked by rising conflict in the Middle East and Ukraine strikes on Russian oil facilities which could contract world crude supplies.

On March 22, ANS slipped 25 cents to close at \$84.91, WTI shed 44 cents to close at \$80.63 and Brent lost 35 cents to close at \$85.43.

ANS dropped 39 cents March 21 to close at \$85.17,

as WTI slid 61 cents to close at \$81.07, and Brent slipped 17 cents to close at \$85.78.

\$100 crude in September?

If Moscow follows through with a plan to cut oil production the price of oil could hit \$100 per barrel later this year, J.P. Morgan Global Commodities Research said in a note March 27.

A March 25 Reuters report said that Russia's government ordered companies to slash oil production to a target of 9 million barrels per day by the end of June to keep a pledge made to OPEC+. Russia claimed production of 9.5 million bpd in February.

J.P. Morgan said Russia's move was "surprising," and said it may boost U.S. gasoline prices to \$4 a gallon by May.

"Russia's actions could push the Brent oil price to \$90 already in April, reach mid-\$90 by May and close to \$100 by September, keeping pressure on the U.S. administration in the run-up to elections," J.P. Morgan

Contact Steve Sutherlin at ssutherlin@petroleumnews.com

continued from page 1

CONOCO UPDATE

there's actually just as much if not more activity in the next decade across our base business, so while Willow has been big in public and required a lot of focus there's just as much activity across the park in Prudhoe and elsewhere on the Slope; it's a really exciting decade ahead for industry in this stable fiscal environment."

At Prudhoe Bay, ongoing development drilling in in progress by field operator Hilcorp.

Willow — located about 30 miles as the crow flies west of the Alpine fields — is abuzz with gravel road and pipeline installation as well as construction of the Willow operations center in the first phase of the project, Dunn said.

There are 12 modules currently under fabrication for the Willow operations center, representing some 3,000 tons of equipment ahead of building the project's central facility, he said. Module transportation will commence in the second quarter of 2024.

The operations center will include a 500-person camp, clinic, water and wastewater facilities, workshop, and air strip. It will also house drilling infrastructure such as rig camps, shops, mud and proppant storage, and a cement plant.

Willow will feature a new 180,000 bpd processing facility and associated drill sites within the Beartooth unit and the NPR-A, Dunn said, adding that there will be three drill sites connected via field flow lines with about 30 to 70 wells per pad depending on the pad.

A new sales oil pipeline that will tie into the export side of the current Alpine pipeline and a water line will bring water from Kuparuk to support enhanced oil recovery and "standard development methodology on the Slope," he said.

"We have a new mine site that we're developing specifically for Willow," Dunn said.

"One of the first things someone told me when I got to Alaska is the two most important things are seawater and gravel," he said. "Coming from the North Sea that was not what I was expecting to hear, but you know developing new gravel resources has been incredibly important, and a big part of the Willow project success has been locating and securing additional gravel."

The 500-person operations center will be located a mile away from the Willow central facility.

Modules will travel over a 90-mile

transportation road from Oliktok Dock on self-propelled modular trailers at a snail speed, Dunn said.

"I apologize in advance for everybody that's gonna be stuck behind that one," Dunn said. "That is literally gonna be slower than the slowest move you can remember but it's just really gonna be a huge technological feat to bring those modules out to the Willow location — so we're excited."

The company has 150 people now with SAExploration working in the Willow area acquiring high quality seismic for planning and development drilling, he said.

Kuparuk still an activity hub

After some 40 years of operations, the Kuparuk River unit is still expanding, and producing.

"I know that having been there a couple of weeks ago they're at 97% bed space capacity, which has been a long time since Kuparuk has operated at that level," Dunn said. "There's two rotary rigs working in the field, two workover rigs and two projects being progressed to satellite developments within Kuparuk."

"We took the final investment decision on Nuna last year and that development is ongoing," Dunn said.

Nuna drilling is scheduled to start in late 2024. First oil is anticipated by early 2025, with an expected peak oil rate of some 20,000 barrels per day, per CPAI.

"We're also doing continued development drilling at Coyote which is also a Brookian topset development," Dunn said.

"In the northeast the fields are spread out, in Kuparuk we're doing viscous development with drill site 1H phase two drilling and the learnings of this will just feed into the next wave of viscous development, with eastern NEWS planned later in the decade within the Kuparuk River unit," he said. "So exciting time in the

park — activity across geological horizons and across geographical horizons within the field and after 40 years still continued running room and satellite development."

Western North Slope activity

The western North Slope is seeing continued development with the Doyon 26 extended reach drilling rig operating in the area and ongoing exploration activity, Dunn said.

"This is really the busiest season we've had at WNS in recent memory — stats are really significant — we've built this season alone 50 miles of ice road and 250 acres of ice pads," he said. "Now we're installing over 7 miles of gravel road, 60 acres of gravel for pads, 8 miles of pipelines, and over 1,700 vertical support members for the new pipelines that will be installed — so just a huge level of construction activity ongoing and the Slope really as we speak."

Dunn said that in addition to the busy season, the company is still doing the routine — operating safely and doing annual turnarounds across assets which are critically important to maintaining a reliable operation on the Slope.

"It amazes me every time I'm on the Slope just how we have the capability and expertise to operate in this really challenging environment; we have had a rough start to the season with a combination of some challenging weather however we are getting our key work done with the support of our contractors and industry support," he said. "We have a good number of weeks left in the season and we look forward to getting our critical work done."

Dunn said there are many new people coming to the Slope.

"People are coming to work on the Slope for the first time, so a lot of pride in that but it also presents an opportunity for us in the industry really to bring those people up to meet the standards and the values we have and at ConocoPhillips one of those values for us has been and remains our spirit values... safety of people ... I think that fits with what we're seeing this winter in terms of the focus on really bringing people on board with the culture that we have established in the North Slope and in Alaska."

Dunn said that on the safety journey the industry has evolved significantly over the decades.

"I think what's really important to us at this point in time is that we focus on those high consequence events, those events where serious injuries or even fatalities or loss of containment can occur, so that's our primary focus," he said. "We can do this ... we can operate safely; we can do it in a responsible way in an arctic environment — and we really do — and I feel proud to say that sets the standard for the rest of the world when it comes to development."

ConocoPhillips has acreage interest from the east side of Prudhoe Bay all the way out into the National Petroleum Reserve, spanning more than 100 geographical miles — a staggering development across from east to west, Dunn said. The company is one of the largest landholders and leaseholders across the state of Alaska including in the National Petroleum Reserve.

"We are actively working to develop and explore across all of them as an industry," he said. "One thing that makes me incredibly proud is the technological advancements we've seen as we've progressed from east to west over the decades and just how we minimize their footprint and really improved the quality of our projects over the decades."

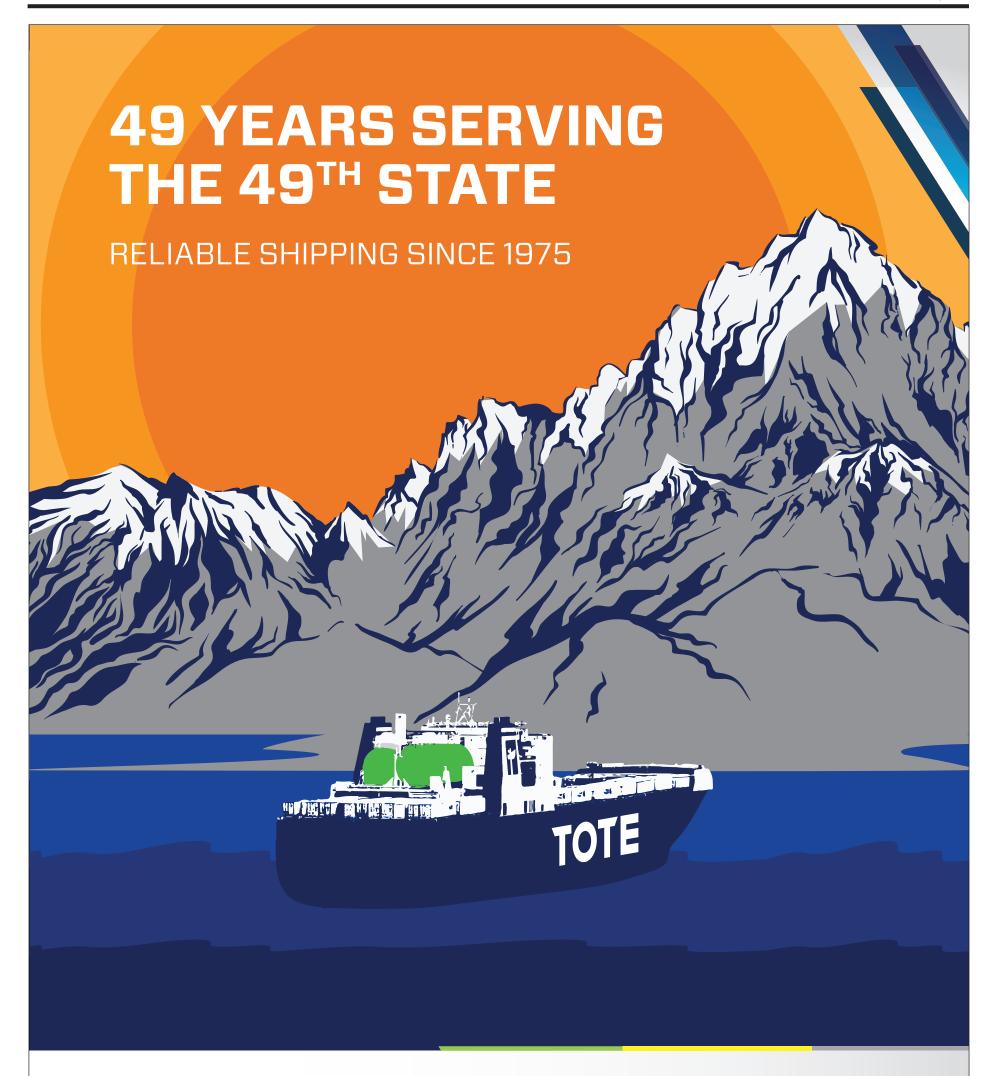
Contact Steve Sutherlin at ssutherlin@petroleumnews.com



EXPERIENCED, EFFICIENT, AND UPGRADED.

Count on Nordic-Calista's Rigs, enhanced with upgrades and meticulous maintenance, powered by Alaskan expertise for unmatched reliability and efficiency.

nordic-calista.com



This year, TOTE Maritime Alaska celebrates 49 years in the 49th State! With our "Built for Alaska" vessels and roll-on/roll-off operations, our service was designed to meet the unique needs of the customers and communities of the Last Frontier.





TOTEMARITIME.COM

Northbound 800.426.0074 | Southbound 800.234.8683