Murkowski, relinquished his seat to become governor of Alaska, appointed to the Senate in 2002 when her father, Sen. Frank Murkowski, relinquished his seat to become governor of Alaska. (His 22-year lifetime rating was 83%).

$451,595 bid on 8 tracts, 21,268 acres, in Cook Inlet area wide sale

The Alaska Division of Oil and Gas released preliminary results June 9 for the Alaska Peninsula and Cook Inlet area wide lease sales. No bids were received in the Alaska Peninsula sale. Bids have been received on Alaska Inlet tracts in just three sales since the area was first offered in 2005, the division said in a January annual report to the Legislature, with the last bids received in 2014 and no remaining oil and gas leases for the Alaska Peninsula area.

The division received eight bids on eight tracts from three bidders in the Cook Inlet area wide, a total of $451,594.55 on 21,267.69 acres. This was the second Cook Inlet area wide sale. See OIL PATCH INSIDER page 7

88 Energy buys out partner APDC, now has 100% of Project Peregrine

In exchange for US$14 million in shares, a 1.5% overriding royalty interest and 88 Energy has acquired its partner’s 50% working interest in Project Peregrine in the northeastern part of the National Petroleum Reserve-Alaska. The 195,000-acre package includes the recently drilled exploration well in the Merlin prospect, as well as the Harriet prospect.

The buyout of Alaska Peregrine Development Co. LLC’s interest gives 88 Energy a 100% working interest in Project Peregrine. See LEASE SALES page 8

McKinley API is bullish on Alaska Bringing global capital back home

McKinley Alaska Private Investment LLC, a part of McKinley Management LLC, is bullish on Alaska, according to McKinley CEO and CIO Rob Gillam.

McKinley was established in Anchorage 30 years ago by Gillam’s father Bob Gillam, based on the assumption that with the advent of the computer, money managers based in Alaska could be competitive with those based on Wall Street, Gillam said in remarks to the Anchorage Economic Development Corp.’s AEDC Voice Monthly Webinar June 9.

Gillam said that investors may not remember every detail of presentations he has made over the years, but “they always remember Alaska.”

“They always remember where I’m from,” he said.

By STEVE SUTHERLIN

WTI closes above $70

Anoka, Brent held $70 in June; low summer fuel demand moderates prices

As work moves ahead to build a geothermal electricity generation facility on a flank of the Makushin Volcano on Unalaska Island in the Aleutians, there is optimism about the outcome of the geothermal project, executives involved in the development told a meeting of the Commonwealth North Energy Policy Study Group on June 4.

"Once this gets established, I think it’s going to be a springboard for a lot of different activities that could come in and potentially be a showcase for how to transform a community and make it more vibrant, using green energy," said David Matthews, program manager for Ounalaska/Chena Power LLC, or OCCP, the company developing the geothermal system.

From previous exploratory drilling there is a known significant source of hot geothermal water underground on the side of the volcano facing the City of Unalaska, the island’s main community.

Eric Reindeers, city manager for the City of Unalaska, described the community that the geothermal system would support — the city hosts the Makushin Volcano on Unalaska Island in the Aleutians.

Geothermal optimism

Makushin could transform Unalaska, say city, power system developers

By ALAN BAILEY

Despite fluctuations, ANS and Brent have held on to the lower $70s trading range since entrances at the beginning of June — ANS on June 2 and Brent on June 1.

Europe, and on hopes that the spike in COVID-19 cases in Asia is abating, passenger jet fuel has been a laggard in transportation fuel demand since the pandemic began, but domestic travel continues to increase. The number of passengers passing TSA checkpoints in the United States reached 1,984,658 on June 6, versus 441,255 passengers.

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**US rig count down 1, first drop in a month**

By KRISTEN NELSON
Petroleum News

The Baker Hughes U.S. rotary drilling rig count dropped by one rig the week ending June 4, to 456, the first time the count has dropped (also by one) since April 23. The count was up by 172 from 284 a year ago. When the count bottomed out at 244 in mid-August last year, it was not just the low for 2020, but the lowest the count has been since the Houston based oilfield services company began issuing weekly U.S. numbers in 1944.

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

The count was in the low 790s at the beginning of 2020, 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 when it gained back 10 rigs.

The June 4 count includes 359 rigs targeting oil, unchanged from the previous week and up by 153 from 206 a year ago, 97 rigs targeting gas, down by one from the previous week and up by 21 from 76 a year ago, and no miscellaneous rigs, unchanged from the previous week and down by two from a year ago.

Twenty-five of the rigs reported June 4 were drilling directional wells, 415 were drilling horizontal wells and 16 were drilling vertical wells.

**Alaska rig count unchanged**

The New Mexico rig count (73) was up by two rigs from the previous week.

Louisiana (52) was down by one rig and Texas (216) was down by two.

Counts in all other states were unchanged from the previous week: Alaska (4), California (6), Colorado (9), North Dakota (16), Ohio (10), Oklahoma (28), Pennsylvania (17), Utah (9), West Virginia (11) and Wyoming (4).

Baker Hughes shows Alaska with four rigs active June 4, unchanged from the previous week and up by one from a year ago, when the state’s count stood at three.

The rig count in the Permian, the most active basin in the country, was down by one from the previous week at 232 and up by 91 from a count of 141 a year ago.

**International count**

Baker Hughes’ international rig count (which excludes North America) was 750 in May, up by 55 from April, with land rigs up 41 to 451 and offshore rigs up 14 to 179, the company said in a June 4 release. The international rig count was down 55 from last year’s count of 805, with land rigs down by 39 and offshore rigs down by 16.

The world rig count for May, international and North America, was 1,262, up by 86 from 1,176 in May 2020.

The U.S. rig count averaged 453 in May, up from an April average of 436 and up 105 from May 2020.

The Canadian rig count averaged 59 in May, up by one from an April average of 58 and up 36 year-over-year.

The Houston based oilfield services company began issuing weekly U.S. numbers in 1944 and began issuing the monthly international rig count in 1975.

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Contact Kristen Nelson at knelson@petroleumnews.com

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### US rig count down 1, first drop in a month

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EIA says prices to stabilize, then decline

Agency expects crude production to increase as OPEC+ raises production, US tight oil production accelerates, outpacing consumption

By KRISTEN NELSON

Petroleum News

T he U.S. Energy Information Administration expects Brent crude oil prices to stabilize mid-year, averaging some $68 per barrel in the third quarter, and then decrease to an average of $60 next year, the agency said in releasing its June Short-Term Energy Outlook June 8. “In the coming months, we expect global oil production to catch up with the increases we’ve seen in demand in 2021,” said EIA Acting Administrator Stephen Nalley. “U.S. and global oil producers are increasing their production, which should help moderate oil prices that have increased significantly as global risks about the COVID-19 pandemic have begun to ease.”

Prices of crude oil and liquid fuels consumption is expected to grow 6% this year, to 97.7 million barrels per day, and increase another 4% next year, to 101.3 million bpd, responding to growth in global demand.

U.S. crude oil production is forecast to average 11.8 million bpd in 2022, up 4% from 2020, the agency said, with OPEC production projected to reach 28.7 million bpd in 2022, up 12% from 2020.

Brent prices

Brent crude oil spot prices averaged $68 per barrel in May, EIA said, up from April, with the higher May prices attributed to a continuing decline in global oil inventories, although the pace of decline was slower in the first four months of the year.

The agency expects global oil production to increase in the coming months to match rising global oil consumption, with the increase in production largely as a result of the OPEC+ decision to raise production.

We expect rising production will and the persistent global oil inventory draws that have occurred for much of the past year and lead to relatively balanced global oil markets in the second half of 2022,” EIA said, with Brent prices expected to remain near current levels in the third quarter, averaging $68 per barrel.

“Baker Hughes’ U.S. crude oil rotary rig count, which serves as an indicator of active U.S. crude oil production capacity, reached a low of 172 active rigs on August 14, 2020,” EIA said. The number of U.S. oil-directed rigs has more than doubled since a low of 80 in May 2020.

The pace at which crude oil producers deploy drilling rigs at any price level is an important driver of crude oil production in U.S. tight oil basins,” the agency said. EIA said it expects the oil-directed rig count to continue to increase in response to an increase in West Texas Intermediate crude oil prices from less than $50 per barrel in late 2020 to a monthly average of $65 per barrel in May.

“Models show changes in rig counts typically lag behind changes in the WTI price from between three and six months, and production typically comes online about two months after rig deployment,” the agency said. “Assuming that other factors remain constant, price increases over the past month will likely continue to drive rig deployments through most of the rest of 2021. However, the recent changes in rig counts indicate operators, notably in the Permian, could be deploying fewer rigs at current oil prices than they have previously deployed when oil prices were at similar levels.”

EIA said while U.S. crude oil producers “have some incentive to remain cautious about deploying rigs and increasing production because of overall market uncertainty,” if WTI prices remain near $65 per barrel, as it is forecasting, “prices will continue to provide an incentive for producers to deploy additional rigs and resume production.”

Lower 48 onshore production in May was 8.9 million bpd, EIA said, “near its highest level so far in 2021,” and is expected to reach almost 9.3 million bpd by December, with further increases expected into 2022.

But, EIA said, it has lowered its forecast from that in recent short-term outlooks “because of relatively fewer rig deployments at existing price levels, particularly in the Permian.” It previously forecast production of almost 9.4 million bpd by December.

“Assumptions about the oil price levels at which rigs are deployed are one of the key uncertainties in our forecast,” the agency said.
DEC issues final report on inlet gas leak

On June 8 the Alaska Department of Environmental Conservation, Division of Spill Prevention and Response, issued a final situation report on Hilcorp's 2021 natural gas leak, which was reported April 1.

A helicopter bringing supplies to Platform A in Hilcorp Alaska's Middle Ground Shoal field reported bubbles on the surface at about 4:25 p.m. April 1, and Hilcorp reported a gas leak to DEC at 5:30 p.m.

DEC said the bubbles were not from natural produced from the platform but a processed dry natural gas, 98.67% methane, used as fuel gas on Platform A and Platform C.

DEC said Hilcorp estimates that some 2.6 million standard cubic feet of the fuel gas had escaped before the line was shut-in April 3.

An investigation into the cause of the release is ongoing, overseen by the federal Pipeline and Hazardous Materials Safety Administration, which has jurisdiction over design, construction, operation and maintenance of natural gas pipelines.

The 8-inch pipeline remains shut-in.

When the leak was discovered, DEC said, “Hilcorp immediately shut-in Platforms A and C and began reducing pressure in the natural gas line,” with source control achieved April 3 at about 1:30 p.m. by activating the block valves.

Hilcorp conducted sonar and diving activities to access the damage when ice conditions in Cook Inlet allowed.

DEC said it “determined that there is no risk to the environment following the shut-in of the line,” and said Hilcorp conducted several overflights and aerial observations from the platforms, with no wildlife observed near the surface where the bubbling occurred.

DEC said there is no ongoing release of gas and the line is out of operation until permanent repairs are replaced.

PILEMSA has approval authority for repairs, and DEC said it is taking no further response action.

By GARY PARK

Canadian rivals in heavyweight scrap

Midstream rivals Brookfield, Pembina in bidding war for Inter Pipeline

Brookfield has edge; analyst looks for ‘multiple’ offers

It’s turned into a bare knuckles contest unlike anything seen in the Canadian oil patch for many years, as Pembina Pipeline and Brookfield Infrastructure Partners wage battle to secure the prized midstream assets of Inter Pipeline.

After the last four months the contest has moved from a hostile takeover bid by Brookfield, trumped by a proposal from Pembina, then to a counteroffer from Brookfield.

“Continue holding on for the ride … it should be fun,” said National Bank of Canada Financial Markets analyst Patrick Kenny in a research note, adding he “would not be surprised to see multiple rounds of bids.”

Other observers were caught off guard, with Ralf Tahmazian, who manages energy-focused funds at Canoe Financial, admitting he “didn’t really anticipate” the second offer from Brookfield.

In fact, Canoe sold its Inter Pipeline shares after Brookfield launched its initial offer and moved the proceeds into midstream rivals Keyera and Gibson Energy.

Tahmazian expects the bidding war to send equity prices rising across the midstream sector, ending with Brookfield using its financial clout to win the day.

“The margin is thinner really quick for Pembina … they don’t have a lot left in the tank for fighting Brookfield,” he said.

Whatever the outcome, Brookfield “stands to make a handsome profit given its accumulated direct and indirect stakes” in Inter, said Raymond James analyst Frederic Bastien.

Brookfield took advantage of the first wave of COVID-19 and the Saudi Arabia-Russia oil price war last year to assemble the largest shareholding in Inter, whose shares bottomed out at one point to C$7.76 per share. Those shares since have posted a major rebound, topping C$20.45.

Brookfield went public in February with a C$1.7 billion bid, including up to C$4.9 billion in cash. Inter initially dismissed that offer outright, arguing its company was worth significantly more, then changed its tune after conducting a strategic review.

On June 1, Pembina won the favor of Inter’s board by offering C$8.38 billion in cash and shares to absorb Inter’s assets and create a combined entity with 16,000 miles of oil and natural gas pipelines and capacity to transport 6.2 million barrels equivalent of oil, gas and natural gas liquids. In addition, a merger of Pembina and Inter would increase its processing capacity by 40 percent to 8.8 billion cubic feet per day.

Pembina said its offer valued Inter at C$19.45 per share compared with Brookfield’s estimated offer of C$16.50 per share.

Pembina Chief Executive Officer Michael Dilger said Inter had been in his sights for 10 years, including two previous failed bids. “The timing is right. Scale matters, service matters, the synergies here are incredible,” he said.

Pembina has estimated its takeover would deliver pre-tax synergies worth C$150 million to C$250 million a year.

Brookfield wanted no time taking back a third round June 2 by raising its bid to C$8.48 billion, upping its cash-and-shares bid to C$19.75 per share. It blasted Inter’s board for privy to an offer of C$19.50 per share while accepting Pembina’s “inferior offer” at the same time agreeing to pay Pembina C$30.50 million breakup fee if their deal did not close.

The bidding battle drove Inter’s shares to almost C$20.30, an indication that investors were counting on Pembina and Brookfield to drive the purchase price even higher.

Also caught up in the mix is Inter’s continuing search for a commercial partner in its unfinished Heartland petrochemical complex north of Edmonton, with cost overruns of C$500 million hiking the projected to C$44 billion.

The Heartland facility is scheduled to convert Alberta propane into polypropylene plastic pellets for manufacturers if it becomes fully operational in 2022.

No substantial new Slope, Beaufort info

In a June 8 decision, Alaska Division of Oil and Gas Director Tom Stokes said the division received no timely comments on an April 12 request for substantial new information for the 2021 North Slope and Beaufort Sea areawide oil and gas lease sales. Sales are held if a written best interest finding, valid for 10 years, finds the sale in the interests of the state.

The North Slope areawide final finding was issued in 2018; the Beaufort Sea final finding in 2019.

Each year, the division issues a call for new information for that year’s lease sale, and based on that response to the call, the director determines whether substantial new information has become available which would justify a supplemental to the final best interest finding.

The submission period ended May 14, with no timely comments received. The director found that no substantial new information was received to justify supplements to either final finding.

The North Slope and Beaufort Sea areawide sales, along with the North Slope Foothills sale, are scheduled for fall. The Foothills sale did not require a call for substantial new information because the best interest finding for that sale was issued in February.

—PETROLEUM NEWS
Congratulations GeoAlaska!

Congratulations Paul Craig & GeoAlaska in getting a Mount Spurr geothermal prospecting permit from the Division of Oil and Gas. We hope your exploration program proves successful. It would be great to have a source of energy with a zero-carbon footprint providing electricity to Southcentral Alaska.

Paul Craig of GeoAlaska
Oil pipeline foes protest Enbridge’s Line 3

By DAVE KOLPACK
Associated Press

Hundreds of protesters vowing to do whatever it takes to stop a Canadian-based company’s push to replace an aging pipeline blocked a pump station June 7 in northern Minnesota, with some people chaining themselves to construction equipment before police began making arrests.

Environmental and tribal groups say Enbridge Energy’s plan to rebuild Line 3, which would carry Canadian tar sands oil and regular crude from Alberta to Wisconsin, would worsen climate change and risk spills in sensitive areas where Native Americans harvest wild rice, hunt, fish, gather medicinal plants, and claim treaty rights.

By evening, at least 30 people were arrested by state police and sheriff’s officers, but the number “is growing rapidly,” Ashley Fairbanks, a spokeswoman for Treaty People Gathering, told The Associated Press.

None of them appeared to resist as allies chanted “We love you.” Protesters said the Treaty People Gathering was the largest show of resistance yet to the project.

The crowd showed no signs of leaving hours after an earlier protest at the headwaters of the Mississippi River, roughly 20 minutes away, where they chanted “Stop Line 3!” and “Water is life!”

“This is important. This is what we need,” actress June Fonda told the AP at the rally, motioning toward the crowd as she held signs with President Joe Biden’s image that said, “Which side are you on?”

She urged protesters to keep pressuring Biden to halt construction so his administration can study any harm to the environment and indigenous people. The Mississippi River is one of the water crossings for the pipeline.

Fonda said Line 3 protesters are going to Standing Rock this place,” referring to the Dakota Access pipeline, which is owned by a different company and was the subject of major protests near the Standing Rock Indian Reservation in the Dakotas in 2016 and 2017.

Activists said they were pitching tents at the pump station site June 7, and an AP reporter saw people rolling a large wooden spool that holds wire into a pile of trees and twigs. Police were directing traffic.

Elizabeth Craggert-Borne, 55, of Cambridge, Massachusetts, sat in a beach chair perched in front of a boat blocking the entrance to the work site. She was equipped with a homemade device made of rebar, PVC pipe and handcuffs, in order to make it more difficult for authorities to remove her from the site.

“We’re just foot soldiers,” she said.

“But we’re here to stay,” Minnesota Public Radio News reported.

Enbridge said that 44 workers were on site Monday, but said it is about 60% complete. The company said it “hoped all parties would come to an agreement to complete the project,” according to The Associated Press.

Enbridge is gearing up for a final construction push on Line 3, which clips a corner of North Dakota on its way across northern Minnesota to Enbridge’s terminal in Superior, Wisconsin. The Canadian and Wisconsin replacement segments are already carrying oil. The Minnesota segment is about 60% complete. The company has said it plans to put the line into service late this year.

Enbridge, which updated the projected total cost for Line 3 in February to $7.3 billion (U.S.), has been touting the economic benefits, including about 4,000 jobs as full-scale work resumes.

Both sides are awaiting a ruling from the Massachusetts Court of Appeals on a legal challenge by environmental and tribal groups that want to overturn state regulators’ approval of the project. The court is expected to rule by June 21 on whether Enbridge adequately proved a long-term need.

The independent Public Utilities Commission approved the project, but the state Department of Commerce, two tribes and other opponents argue that the company’s demand projections failed to meet the legal requirements. Enbridge and the PUC say the projections compiled.

EXPLORATION & PRODUCTION

NPR-A, Cook Inlet data due for release

The Alaska Department of Natural Resources’ Division of Oil and Gas said June 2 that well and seismic data and information will be made available to the public within 30 days.

The data is for two areas, Cook Inlet and the North Slope.

The Cook Inlet data is the Apache Alaska Corp. Stingray 2D seismic survey on the west side in township 9 north, range 14 west and township 8 north, range 14-15 west, Seward Meridian.

The North Slope data is the PGS Renaissance 3D seismic, described on an accompanying map as the Umiat 3D reprocessing seismic survey, in township 1 north, range 1 east and 1-3 west; and township 1 south, range 1 east and 1-3 west, Umiat Meridian. The map shows an area primarily in the National Petroleum Reserve-Alaska with some overlap into adjacent state acreage.

—PETROLEUM NEWS

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PETROLEUM NEWS • WEEK OF JUNE 13, 2021
In 2020, Sullivan’s rate was 74%, Young and Murkowski tied at 52% that year; Young’s voting record down 17 points from 2019 and Murkowski’s up 6 points from 2019. ACUF also grades on issues of importance to Americans. Fossil fuels, a sub-category of Energy and Environment, includes oil, natural gas and coal. The three members of Alaska’s delegation are rated as voting 100% of the time with conservatives on matters involving fossil fuels.

**Strongest, weakest issues**

Sullivan’s strongest conservative issues are listed as:

- Government Integrity and Transparency
- Regulations
- His weakest issues (just one):
  - Taxes, Budget and Spending

That said, his conservative voting record on second amendment human dignity (includes abortion) and election issues are all 100%.

Young’s strongest issues on a conservative scorecard are:

- Human Dignity (includes abortion)
- National Security
- 2nd Amendment
- Personal Liberty
- Property Rights

His weakest issues are the following, meaning he frequently votes across the aisle with Democrats on these matters:

- Education
- Welfare and Poverty
- Government Integrity and Transparency
- Taxes, Budget and Spending
- Labor

Murkowski is listed as strongest on only one issue:

- 2nd Amendment

Her weakest issues in which she frequently votes with Democrats are:

- Education
- Regulations
- Labor

- Human Dignity (includes abortion)

Of Alaska’s congressional delegation, Murkowski is the most criticized by conservatives and the only one of the three Alaska delegates to be labeled a RINO, or Republican in name only.

Both she and Young are up for re-election in 2022. Murkowski faces a strong conservative Republican opponent in that race — Kelly Tshibaka, most recently the state commissioner of administration.

Unlike Murkowski, a vocal critic of Donald Trump whom the former president has vowed to oppose in the 2022 elections, Tshibaka supports Trump’s America First agenda.

More on Murkowski and Young contenders in next week’s Oil Patch Insider.

**State by state ratings**

The Center for Legislative Accountability is an initiative of the American Conservative Union Foundation. It produces the scorecard, which is the longest-running conservative congressional voting tally in America. By 2015 all state legislators and lawmakers were also rated.

Alaska is number 17 on its list of states, with an all-time rating of 60%. Number one on the list — the most conservative state — is Tennessee with an all-time rating of 74%, followed by Florida at 67% and North Carolina at 66%.

Other oil and gas producing states with higher conservative ratings than Alaska are Wyoming, Texas, Oklahoma and Ohio.

Surprisingly, Louisiana is number 22 and has an all-time rating of 57%.

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**Arctic studies center established**

**SEN. DAN SULLIVAN**

June 9, U.S. Sen. Dan Sullivan and Rep. Don Young (both R-Alaska) released a statement applauding the Department of Defense’s decision to establish the Ted Stevens Center for Arctic Security Studies, an initiative that the Alaska delegation has worked to both authorize and appropriate funding for.

The 2021 National Defense Authorization Act, or NDAA, that passed in December 2020 included an amendment to establish a new regional DoD center — the first DoD regional center in the Arctic and the first new DoD regional center established since 2000.

According to Sullivan and Young, the center, named after the late Sen. Ted Stevens, R-Alaska, will support defense strategy objectives and policy priorities through a unique academic forum, while also fostering strong international networks of security leaders.

“In the 2021 NDAA, my team and I were able to include provisions for historic investments in the Arctic, including new icebreakers, space-based communications, critical military infrastructure, and new initiatives for remote locations,” Sullivan said.

“Today, Secretary of Defense Lloyd Austin announced that another provision I was able to include as a member of the Senate Armed Services Committee — the Ted Stevens Center for Arctic Security Studies — will come to fruition. Alaska is the reason that the United States is an Arctic nation, which is why we are fighting for the center to be based in our state. This would be instrumental in cultivating the Arctic policy expertise that is desperately needed in the Department of Defense,” Sullivan said.

“In order to address the rise of great power competition in the Arctic, the Ted Stevens Center will serve as a new focal point for strategic thinking as it combines Alaska’s extensive reserve of Arctic expertise with the best and brightest minds from around the world,” he said, thanking Austin for his focus on “this critically-important geopolitical area of the world.” U.S. Sen.Lisa Murkowski, R-Alaska, for initially conceiving of the idea and working to appropriate funds for the center, and Young for “carrying it across the finish line in the House."

Young said he was “very pleased” to see the center get one step closer toward its establishment.

“My friend, our late Senator Ted Stevens, was not only a steadfast advocate for Alaska, but he also fully recognized the strategic importance of the Arctic to America’s national security,” Young said.

“America is an Arctic nation because of Alaska. As the region changes, it becomes even more important for us to secure peace and stability through American leadership. America’s national security,” Young said.

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Peregrine and removes any financial or technical barriers that existed under the split ownership structure, according to 88 Energy’s June 7 ASX announcement. Instead of pausing work while results from the Merlin 1 well are evaluated, it frees the company to move forward next winter with Harrier 1 and a possible re-entry or sidetrack at Merlin 1. APDC “had indicated that it was contemplating a pause in activity to further understand the results from Merlin 1.” (On April 6, 88 Energy announced: “It is now too late in the season to initiate flow testing operations and the forward program. . . The well may be re-entered in the future . . . in order to drill a sidetrack and conduct a flow test.”)

The June 7 ASX release also said that while APDC was encouraged by the initial results from Merlin 1, “it is unlikely to be able to satisfy anticipated funding requirements for operations in future seasons” and APDC does not hold 88 Energy back from future development of the acreage. 88 Energy also said that APDC’s owners “do not have the technical acumen nor operational expertise to add value in a remote Alaskan context.”

APDC, a Delaware limited liability corporation formed late last year for investment in Project Peregrine, has not yet posted the names of its members. It did issue the following statement regarding the sale to 88 Energy, which was included in the June 7 ASX release: “We are very proud of the important role that we played in the drilling of Merlin 1 and the initial exploration program at Project Peregrine. However, we also recognize that we are unlikely to be able to satisfy anticipated funding requirements for operations in future seasons. Because we do not want to hold 88 Energy back from future development of the acreage, we felt that it was prudent to enable 88 Energy to consolidate its interest in Project Peregrine to allow the project to move forward. APDC has maintained exposure to vast potential upside associated with Project Peregrine through a royalty interest and other value triggers.”

88 Energy is targeting more than 1 billion barrels of oil at Peregrine, in gross mean prospective resources that include the oil-rich Namushuk formation. With Merlin 1, the company was looking at proving up a gross mean prospective resource of 645 million barrels of oil with the Namushuk reservoir as the main target. 88 Energy is looking at an additional 417 million barrels of oil in gross mean prospective resources with its drilling of next winter’s Harrier 1 exploration well.

As reserves proved up
As part of its APDC acquisition, 88 Energy also has to pay APDC a US$10 million cash payment if gross 2P (proven and probable) reserves of 100 million barrels are defined within 36 months; plus cash payments of US$2.5 million per 50 million barrels of gross 2P reserves added above that within 36 months (capped at five additional cash payments).

“Excluding a bona fide farm-out,” 88 Energy also must pay APDC 10% of the gross sale proceeds if it assigns more than 49% of Project Peregrine to a new partner within 24 months.

APDC remains liable for all outstanding Merlin 1 cash calls and will have contributed US$20 million toward the project at completion of the agreement, 88 Energy said.

Full control
“This is an excellent outcome for our shareholders as we now have full control of the project, including the possibility of further farm-out to a new partner with greater technical and operational capability, ahead of future planned drilling and exploration activity,” 88 Energy’s Managing Director Ashley Gilbert said.

“With the additional data we now have in hand, the potential for improved trans- action metrics has increased. We also remain optimistic about the future results from the ongoing laboratory tests related to the Merlin 1 well,” he said, adding that having 100% working interest in Project Peregrine as well as its 100% interest in the neighboring Umiat field, “opens up significant potential” for 88 Energy “to realize value in the region.”

Good results to date
Merlin 1 was spud March 10, 2021. It was drilled by one of 88 Energy’s four Alaska operating subsidiaries, Emerald House — all the subsidiaries are run by long-time Alaska geologist and innovator Erik Opstad.

Opstad used All-American Rig 111, a lightweight, inexpensive portable rig that did not require an ice road.

The shallower Namushuk wells do not need a heavier rotary rig, which would require an ice road transport it.

Rig 111 was moved in pieces during the off-road winter season by tundra-safe track vehicles on snow trails.

Although the use of snow roads and lightweight, portable rigs has been studied and considered by XCD, Armstrong and Oil Search, 88 Energy was the first to conduct such a program on the North Slope.

Downhole results appear to speak well for ongoing exploration in the Merlin and nearby Harrier prospect.

A summary of encouraging results in the June 7 announcement read as follows:

- Moderate to good reservoir quality in multiple sand packages.
- Free good fluid observed on NMR.
- Thicker Namushuk formation and more prograding/aggrading sequences than seen further north.
- Additional targets identified.
- Extensive shows throughout the well.
- RDT hydrocarbon evidence when pressure reduced.

The Harrier and Merlin prospects lie between the Umiat oil field to the south and Willow, Harpoon and Pikka to the north.

Merlin is considered a direct analogy to ConocoPhillips’ Willow oil discovery, while ConocoPhillips’ Harpoon prospect “is interpreted to lie on the same sequence boundaries as the Harrier prospect,” 88 Energy has said.

Plans to drill a Harrier 1 well during the 2021 winter season were dropped because of delays caused by a Biden Executive Order.

A deeper Torok objective in the Harrier prospect lies at about 10,000 feet. 88 Energy has announced no plans to drill it.

—KAY CASHMAN

Contact Kay Cashman at publisher@akresource.com

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88 ENERGY LTD

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LEASE SALES

offered in online sealed bidding. In the first online sale, held in June 2020, the division received three bids from Hilcorp Alaska LLC, for $178,492 in bonus bids.

In this year’s Cook Inlet arena sale, bidders included Furie Operating Alaska LLC, HEC LLC and Strong Energy Resources LLC.

In a statement after the sale the state said Furie is an established operator at the Kitchen Lights unit in northern Cook Inlet, HEX recently acquired majority working interest in Furie and is a new bidder, while Strong Energy is a new entrant in Cook Inlet.

Furie is on the southern Kenai Peninsula at the KNi-29T, 117.87 acres, for a total of $83,500, 23, division records show. The company currently holds some 9,724 acres of state oil and gas leases, 9,712 acres of that offshore in Cook Inlet where it produces natural gas at Kitchen Lights.

One of the tracts Furie took, C08802, is on the southern Kenai Peninsula at the
security is not a partisan issue. Naming the Arctic Center for Security Studies after a consensus builder like Senator Stevens is an incredible testament to his legacy of patriotism and multilateralism. I know that he would be proud to know that the state he loved will soon be home to a critical diplomatic hub,” Young said.

—COMPILED BY KAY CASHMAN

Most against break with fossil fuels

ON MAY 26, the Pew Research Center released new national survey results showing that while most Americans support an array of measures to address climate change, they stop short of a full break with fossil fuels.

Sixty-four percent said the U.S. should use a mix of energy sources going forward — including oil, coal and natural gas, along with renewables. Only 33% of Americans support phasing out fossil fuels entirely.

And the public is closely divided over the idea of phasing out the production of gas-powered vehicles by 2035, a report attached to the poll said.

“Partisan gaps in views of climate change remain vast — from the salience of the issue to the role for government addressing it. And divisions over renewable energy and stricter environmental regulations are wider today than they were under Donald Trump’s administration, due to increased opposition among Republicans,” Pew said.

The survey also found that 60% of Americans said that increasing job and economic growth is a very important consideration to them when it comes to proposals to reduce the effects of climate change.

The national poll was conducted April 20 to 29 among 13,749 U.S. adults. The Washington, D.C.-based Pew Research Center is a nonpartisan fact tank that informs the public about the issues, attitudes and trends shaping the world. As a nonprofit, tax-exempt 501(c)(3) organization, it is a subsidiary of The Pew Charitable Trusts, its primary funder.


—COMPILED BY KAY CASHMAN

Companies involved in Alaska’s oil and gas industry

Companies said four of the tracts were announced, the HEX Group of companies said four of the tracts were adjacent to the company-operated Kitchen Lights unit and Julius R production platforms.

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MCKINLEY API

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As clients told him what they were looking for, Gillam realized it “sounds like home.”

“We turned the funnel upside down and funded a whole new enterprise called McKinley Alaska Private Investment with the idea of bringing capital from everywhere back home to make this place different,” he said. “We are thinking of Alaska-themed investment opportunities.”

Gillam said his firm coinvests with large, recognized global experts, with experience in capital and strategic asset allocations, be it oil, technology, or other areas. It works in three areas, private equity, direct investment, and direct lending.

Alaska is unique

“Everywhere I go in the world, people know the word Alaska,” he said. “The mandarin translation for Alaska is ‘tongues of the sea’.”

Alaska is very central to the Arctic strategy of the nation, he said.

With federal and state spending down, private investment is needed, Gillam said, adding that there is more demand for money than there is money.

“We’re looking for best-in-class operational partners and capital partners to come here, who might not otherwise come,” he said. Alaska needs to get the word out.

Alaska is at a risk of the world passing us by, Gillam said, adding that Alaskans need to channel what his grandparents called the pioneer spirit.

“We have a history of making things happen, and this is our chance to do it again,” he said.

“Wall Street is really passing energy financing by, but whether or not we create a real alternative is the most energy production goes into petrochemicals, which include the production of plastic, which goes into your Tesla,” he said. “Unless we solve that problem, oil and gas is still going to be a part of our economy, and if we can do it better and cleaner, of course we would like to do that.”

—STEVE SUTHERLIN

Contact Steve Sutherlin at sutherlin@petroleumnews.com

port of Dutch Harbor and has a population of about 4,700 residents, with that population roughly doubling during the peak of the fishing season.

“Our diverse island community is the home to the largest commercial fishing port in the nation and is just off the great circle route,” Reinders said.

So, given what appears to be an excellent location for geothermal power use, what are the obstacles to a geothermal development? The possibility of developing Makushin geothermal resources has been a subject of research and debate for many years.

A geothermal power plant typically involves a high upfront cost but, once built, delivers energy at a predictable and stable price. Normally a facility of this type would be connected to a large electricity grid that would take all of the generated power, Matthews said.

However, with a small isolated grid, as on Unalaska, the generation facility needs to put out power to follow the varying power demand. But, with a vibrant community at a location that can attract business activities, the Makushin geothermal presents a great opportunity, Matthews said.

At present, electricity on Unalaska comes from diesel power generation. Reinders said that the island’s current installed generation capacity amounts to 56 megawatts. The city’s electric utility accounts for 22 megawatts of that capacity, with independent, self-generating entities accounting for the other 34 megawatts of capacity.

The self-generating entities consist primarily of the fish processing plants that are located on the island. Utility sales go mostly to other industrial customers, Reinders said.

Fish processing power demand

Given the economies of scale that come from building a large geothermal plant as possible, a major concern revolves around the need to have the fish processing companies sign up for geothermal energy as a replacement for their current diesel generation systems.

Apprently, although the processing companies have shown an interest in the geothermal power development, they have thus far been unwilling to sign up to power purchase agreements.

However, confident that the long-term benefits of geothermal will prevail, the developers are planning a geothermal facility that will put out 36 megawatts, delivering 30 megawatts of power to the Unalaska meter, Matthews said.

OCCP and the city utility have signed a 10-year power purchase agreement involving an annual payment of $16.3 million per year, rising at 1 percent per year. Asked about the economics of the project, Matthews said that projections show that the geothermal energy, unlike diesel, would be stably priced, with a price only slightly higher than the average price of diesel generated power on Unalaska over the past seven years.

However, there is obviously risk to the rate structure if some power capacity goes unused.

The generation system

To supply power at the planned rate, OCCP anticipates using two to three production wells, to deliver hot geothermal water into the power generation plant, which will be located on a plateau on the side of the volcano. Cooled geothermal water, having passed through the plant, would be pumped back underground through three injection wells for reheating, thus forming a closed loop system. The plan is to install several generation units at the site, rather than a single large unit, given the remote location and the need to be flexible in follow-

ing the electricity load, Matthews said.

A 14-mile transmission line will connect the power plant to the city’s power grid. The line will follow the access road to the plant for 10 miles, and then go undersea for 4 miles to reach the city. The plan is to use modular designs for offsite construction of the facilities for the power plant, in a similar manner to the approach to constructing offshore infrastructure on the North Slope, Matthews said.

Unalaska Corp., one of the partners in OCCP, is the Native corporation for Unalaska and owns the land sub-

surface rights required for the geothermal power — there is no state or federal land involved. This greatly simpli-

fies any land and resource access issues.

“We have a 50-year agreement for the resource already paid for,” Matthews said.

Farbanks based Chena Power, the other OCCP part-

ner, runs the only operational geothermal plant in Alaska and is providing equipment, including drilling rigs and camps, for the project. This contribution and the access to Unalaska land together amount to $45 million of in-kind investment in the project, an investment that helps the project on its front end, Matthews said.

Work is progressing

And, with the project anchored by the power purchase agreement with Unalaska, work has been moving ahead. OCCP now has its major permit applications approved and has developed a class three cost estimate. The partner-

ship is engaged in seeking competitive bids for the power plant and the geothermal resource gathering system — four responses to a request for proposal for the work have now been shortlisted to two contenders, Ormat Technologies and Kaasian USA, with bids from these companies due in June.

Several projects have been contracted, including an assessment of the strength and resilience of the power grid; a geochemical analysis of the geothermal fluids; road and transmission line routing and design; and a marine survey for the subsea section of the transmission line. An investigation has identified all wetlands, and biological and archaeological resources in the project area. Construction of the access road has started, with the intent to continue this construction during the summer.

Two studies are also underway. One, led by the city, involves assessing the interconnection and integration of the geothermal system with the Unalaska electrical grid. The other, led by OCCP, is studying the potential use of air source heat pumps for heating buildings on Unalaska — heat pumps, working like reversed air condi-

tions, can be a particularly efficient means of using electricity for space heating.

The timing and cost of any needed upgrades to the Unalaska power distribution system are being consid-

ered and have been studied, to enable the city to proceed with some of the necessary distribution system construc-

tion. The project team is looking at a go live date for connecting up the system around 2023, Matthews said.

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PROVINCIAL SHOWDOWN

possible line spill, dragged Trans Mountain (owned by the Canadian government) and indirectly Alberta crude produc-
ers, through provincial and federal courts, short of seeking a hearing before the Supreme Court of Canada.

He came to the end of that road in late April when the Federal Court of Appeal ruled that Alberta had the constitu-
tional right to control the volume and destination of its oil flowing across other provinces to domestic or over-
seas markets.

The “turn-off-the-taps” legislation

That came two years after a lower court suspended Alberta’s Preserving Canada’s Economic Prosperity Act and a constitutional challenge to the “turn-off-the-taps” legislation, which was labeled the “turn-off-the-taps” legislation that Alberta would have used to restrict or shut off shipments of natural gas, oil or refined fuels to destinations outside the province.

It was an act that was introduced by the Alberta govern-
ment of Premier Rachel Notley, under pressure from Kenney’s United Conservative Party.

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OIL PRICES

The $70s may represent the new normal trading range for the oil benchmarks in coming weeks.

Despite fluctuations, ANS and Brent have held on to the lower $70s trading range since entrances at the beginning of on the corresponding day in 2020, and 2,669,860 passengers on the day in 2019.

The TSA checkpoints saw 1,900,170 passengers on Memorial Day.

The U.S. State Department is lifting some restrictions on international travel, raising hopes of a recovery in foreign travel demand during the second half of 2021. On the other hand, prices may be held in check by other factors.

While there was a 5 million-barrel draw on crude oil stocks on the week to June 4, stocks of gasoline and other fuels jumped on weak demand, according to Energy Information Administration data for the week that included Memorial Day week-
end. Producers supplied 17.7 million bar-
rels per day, versus 19.1 million in the pre-
vious week.

The U.S. dollar is showing signs of strength, as the Federal Reserve may consider tapering its bond-
buying stimulus, a bearish development for dollar denominated assets such as oil.

Traders are watching negotiations on the Iran nuclear deal between the United States and Iran which may lead to a lifting of sanctions against Iran, which would lead to the release of up to 1 million bpd of crude to the market.

However, U.S. Secretary of State Antony Blinken said he expects that even if Iran and the United States reconstruc-
ted the nuclear deal, many U.S. sanctions on Iran would remain.

“I would anticipate that even in the event of a return to compliance with the JCPOA, hundreds of sanctions will remain in place, including sanctions imposed by the Trump administration,” Blinken said in remarks June 8 to a Senate committee. “If they are notconsistent with the JCPOA, they will remain unless and until Iran’s behavior changes.”

A report that China’s crude imports fell 15% year-over-year in May has weighed on Asian prices, although refinery mainte-
nance may account for a portion of the drop.

The U.S. dollar is showing signs of strength, as the Federal Reserve may con-
sider tapering its bond-buying stimulus, a bearish development for dollar denominat-
ed assets such as oil.

Finally, the 40% run-up in prices so far this year to the $70s may have led to profit taking on the part of oil traders.

Goldman says US is reopening

The Goldman Sachs Research “U.S. Reopening Scale” hit “7” at the beginning of June, for first time since the onset of COVID-19.

The position of the scale — with 1 being in lockdown and 10 being fully open — is based on several data sources across key stay-at-home and back-to-normal cate-
ories, and their growth (or decline) rela-
tive to a pre-pandemic baseline, Goldman said in a June 4 release.

Back-to-normal trends such as seated dinners from OpenTable, box office trends and online travel all improved versus the prior week, Goldman said.

Google measures of transit mobility lev-
els are now about 19% below pre-COVID-

levels, versus 40% below in February, Goldman said. Meanwhile, gasoline demand is now comparable to 2019 levels.

Workplace mobility, however, has been slow to improve — 31% below pre-
COVID levels currently, largely unchanged from 30% earlier in February, which is sup-
porting at-home purchasing behaviors like food delivery, Goldman said.

“How quickly people return to the office and how closely attendance resembles pre-
pandemic levels has emerged as a critical debate across multiple industries,” Goldman said. “Corporate America will return to the office over the next six months, which — coupled with strong office employment growth — will support gradual occupancy recovery for office properties.”

Goldman Sachs remains bullish on oil prices.

Jeff Currie, Goldman Sachs global head of commodities research, told Bloomberg Television June 2 that oil will benefit from spending on green energy projects.

Green CAPEX stimulates oil as well as the metals, Currie said.

“We think right now, given the under-
performance of oil, oil could be the real

sneaker over the course of the next six to eight weeks,” he said.

Constitutional issues

The Alberta government argues that the Canadian Constitution gives provinces the power to export natural resources across other domestic territories.

While some take the view that jurisdictional disputes over that right have come to an end, some matters remain unresolved in British Columbia’s view.

It argued in its court filings over the original “turn-
off-the-taps” legislation that the law was unconstitution-
al because it assumed Alberta was giving itself the right to punish another province.

University of Alberta constitutional law professor Eric Adams argued the new law remains constitutionally dubious, despite its modifications, suggesting that any future court might view Alberta’s actions as unfairly punitive.

Nixon stressed that that the amended legislation “is not just about B.C.”

In fact, he said, Alberta is encouraged by progress on the Trans Mountain expansion adding the cross-border relationship “has gone very well as of late.”

However, many have accused Kenney of engaging in showboating by extending the life of legislation they think is never likely to be used.

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