



page 3 EIA: crude prices will stabilize, then decline, as production grows

Sullivan #1 on conservative score card; Arctic studies center; more

THE 50TH ANNUAL RATINGS of Congress by the American Conservative Union Foundation show that the voting records of Alaska's Republican delegation put Sen. Dan Sullivan voting with conservatives 79.42% of the time, Rep. Don Young 72.50% and Sen. Lisa Murkowski 56.45%.

Those are lifetime ratings through the end of 2020, so 6 years for Sullivan, 48 years for Young and 18 years for Murkowski, who was initially 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%.)

see OIL PATCH INSIDER page 7



\$451,595 bid on 8 tracts, 21,268 acres, in Cook Inlet areawide sale

The Alaska Division of Oil and Gas released preliminary results June 9 for the Alaska Peninsula and Cook Inlet areawide lease sales.

No bids were received in the Alaska Peninsula sale. Bids have been received on Alaska Peninsula 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 areawide, a total of \$451,594.55 on 21,267.69 acres. This was the second Cook Inlet sale to be

see LEASE SALES page 8

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 on production and other future considerations, 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 Harrier prospect.



ERIK OPSTAD

The buyout of Alaska Peregrine Development Co. LLC's interest gives 88 Energy a 100% working interest in Project

see 88 ENERGY BUY 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.

see MCKINLEY API page 10

GREEN ENERGY

Geothermal optimism

Makushin could transform Unalaska, say city, power system developers

By ALAN BAILEY

Petroleum News

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 Ounalashka/Chena Power LLC, or OCCP, the

Ounalashka Corp., one of the partners in OCCP, is the Native corporation for Unalaska and owns the land subsurface rights required for the geothermal power — there is no state or federal land involved.

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.

Erin Reindeers, city manager for the City of Unalaska, described the community that the geothermal system would support — the city hosts the

see UNALASKA GEOTHERMAL page 10

FINANCE & ECONOMY

WTI closes above \$70

ANS, Brent hold \$70 in June; low summer fuel demand moderates prices

By STEVE SUTHERLIN

Petroleum News

Alaska North Slope crude dropped 15 cents to close at \$72.08 per barrel June 9, Brent was unchanged at \$72.22 and West Texas Intermediate slipped 9 cents to \$69.96.

WTI briefly joined the \$70+ club June 8, rising 82 cents to close at \$70.05, its first close over \$70 since October 2018. ANS was up 69 cents to \$72.23 and Brent gained 73 cents to close at \$72.22. June — ANS on June 2 and Brent on June 1. WTI reached the \$70.05 level again in early trading at Petroleum News press time June 10.

The price strength has been bolstered by recoveries in demand in the United States, China and

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

see OIL PRICES page 11

GOVERNMENT

Alberta fights on

Wins right to complete Trans Mountain expansion, but revamps 'turn-off-the-taps'

By GARY PARK

For Petroleum News

Alberta's right-of-center Premier Jason Kenney apparently does not believe his left-of-center neighbor, British Columbia Premier John Horgan has learned a hard, costly lesson.

Either that or Kenney, leader of the United Conservative Party in his province, just wants to reinforce a high-court victory by further humbling Horgan and his New Democratic Party loyalists.

Up to this point, the spat between the two



JASON KENNEY



JOHN HORGAN

provinces over new energy pipelines has cost both sides undisclosed millions of dollars in legal fights.

The focal point of the latest showdown involved Trans Mountain's plan to triple capacity of its pipeline system, targeting the shipment of 890,000 barrels per day of crude bitumen from the Alberta oil sands across British Columbia, with tanker exports out of Vancouver.

It was Horgan who, in his campaign to arrest climate change and protect his residents from a

see PROVINCE SHOWDOWN page 11

● EXPLORATION & PRODUCTION

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

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.

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 worldwide rig count for May, international and North America, was 1,262, up by 73 from 1,189 in April and up by 86 from 1,176 in May 2020.

The U.S. rig count averaged 453 in May, up 17 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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● FINANCE & ECONOMY

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

The 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 economic concerns about the COVID-19 pandemic have begun to ease.”

Global petroleum 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 \$4 from April, with the higher May prices attributed to a continuing decline in global oil inventories, although the pace of decline was slower than 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 a result of the OPEC+ decision to raise production.

“We expect rising production will end the persistent global oil inventory draws that have occurred for much of the past year and lead to relatively balanced global markets in the second half of 2021,” EIA said, with Brent prices expected to remain near current levels in the third quarter, averaging \$68 per barrel.

Continued increase in OPEC+ production and “accelerating growth in U.S. tight oil production,” with other supply growth, is expected to “outpace decelerating growth in global oil consumption and contribute to declining oil prices,” with Brent expected to average \$60 per barrel in 2022, EIA said.

Global petroleum and liquid fuels consumption is estimated at 96.2 million bpd in May, up 11.9 million bpd from May 2020, but 3.7 million bpd below the May 2019 level.

Global consumption is forecast to average 97.7 million bpd for 2021, EIA said, up 5.4 million bpd from 2020, and forecast to increase by 3.6 million bpd in 2022 to average 101.3 million bpd.

Crude production

EIA is forecasting OPEC production to average 26.9 million bpd this year and 28.7 million bpd in 2022, increasing from an average of 25 million bpd in April to an average of 28 million bpd in the third quarter, based, the agency said, on its assumption that OPEC will raise production by about 1 million bpd each in June and July in response to rising global

demand and “seasonal increases in oil consumption for power generation for some OPEC members.”

Iran’s crude oil production is also expected to increase this year, even with sanctions in place, because the company’s exports are reported up for most of 2020.

U.S. crude oil production averaged 11.2 million bpd in March, up 1.4 million bpd from February, the agency said, with the March increase indicating that production outages from the February winter freeze were temporary and production has come back online quickly.

Prices of West Texas Intermediate are expected to remain above \$60 this year, EIA said, and “we expect that producers will drill and complete enough wells to raise 2022 production from 2021 levels,” and estimate 2022 production to average 11.8 million bpd, up from a forecast average of 11.1 million bpd this year.

Natural gas

The Henry Hub spot price of natural gas averaged \$2.91 per million British thermal units in May, up from an April average of \$2.66. EIA said it expects the price to average \$2.92 in the third quarter and \$3.07 for the year, up from a 2020 average of \$2.03.

The higher price reflects two factors, the agency said: growth in liquefied natural gas exports and rising domestic gas production outside of the power sector.

The Henry Hub spot price is expected to average \$2.93 per million Btu next year, “amid slowing growth in LNG exports and rising U.S. natural gas production.”

U.S. consumption of natural gas is expected to average 82.9 billion cubic feet per day this year, down 0.5% from 2020, with the decline in part because of a switch to coal by electric power generators as a result of rising gas prices. Residential and commercial natural gas consumption combined is expected to rise by 1.2 bcf per day from 2020 and industrial consumption to rise by 0.7 bcf, with rising consumption outside of the power sector “from expanding economic activity and colder winter temperatures in 2021 compared with 2020.”

U.S. consumption in 2022 is expected to average 82.8 bcf per day.

There was “a significant weather-related decline in U.S. natural gas production in February,” but production rose by 6 bcf per day in March to 92.3 bcf per day, and dry natural gas production is expected to average 92.9 bcf per day in the second



STEPHEN NALLEY

“We expect rising production will end the persistent global oil inventory draws that have occurred for much of the past year and lead to relatively balanced global markets in the second half of 2021,” EIA said, with Brent prices expected to remain near current levels in the third quarter, averaging \$68 per barrel.

half of the year and 93.9 bcf in 2022.

Oil-directed rotary rig count

“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, up by 187 to a total of 359 on May 28.

“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.

“Our 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 deploy-

ment,” the agency said. “Assuming that other factors remain constant, price increases over the past month will likely continue to drive rig deployments through much 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. ●

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ENVIRONMENT & SAFETY

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 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.

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

—PETROLEUM NEWS

PIPELINES & DOWNSTREAM

Canadian rivals in heavyweight scrap

Midstream rivals Brookfield, Pembina in bidding war for Inter Pipeline; Brookfield has edge; analyst looks for 'multiple' offers

By GARY PARK

For Petroleum News

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.

Over 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 Rafi 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 thinning 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 have since posted a major rebound, topping C\$20.

Brookfield went public in February with a C\$7.1 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\$8.3 billion in 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 pretax synergies worth C\$150 million to C\$250 million a year.

Brookfield wasted no time embarking on 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 privately snubbing an offer of C\$19.50 per share while accepting Pembina's "inferior offer" at the same time agreeing to pay Pembina a C\$350 million break 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 cost to C\$4 billion.

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

Contact Gary Park through publisher@petroleumnews.com

GOVERNMENT

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 responses to the call, the director determines whether substantial new information has become available which would justify a supplement 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.

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Congratulations

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

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● PIPELINES & DOWNSTREAM

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 Jane 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 Claggett-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 that a Border Patrol helicopter at one point hovered about 20 feet off the ground, blowing up sand and dirt, to try to get protesters to leave.

Workers evacuated

Enbridge said that 44 workers were evacuated from the site in an effort to de-escalate the situation. In a written statement, the company said it "hoped all parties would come to accept the outcome of the thorough, science-based review and multiple approvals of the project."

Spokeswoman Juli Kellner said the company will assess potential damage once it can safely reenter the site.

Enbridge says the 1960s-era Line 3 pipeline is deteriorating and can run at only about half its original capacity. It says the new line, made from stronger

steel, will better protect the environment while restoring its capacity and ensuring reliable deliveries to U.S. refineries.

More than 300 groups delivered a letter to Biden in May calling on him to direct the Army Corps of Engineers to suspend or revoke Enbridge's federal clean water permit for the project. They urged Biden to follow the example he set on the first day of his administration, when he canceled the disputed Keystone XL pipeline, citing worries about climate change.

Biden has not taken a stand on Line 3, and Minnesota Democratic Gov. Tim Walz is letting the legal process play out.

Biden's administration has declined to shut down the Dakota Access pipeline. In Michigan, Enbridge is defying an order by Democratic Gov. Gretchen Whitmer to shut down its Line 5 because of the potential for a spill in a channel linking two Great Lakes.

Final construction phase

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 Minnesota 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 complied. ●

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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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 score-card 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 legislatures and lawmakers were also rated.

Alaska is number 17 on its list of states, with an all-time rating of 60%.

Number 1 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%.

—COMPILED BY KAY CASHMAN

Arctic studies center established

ON 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 geostrategic 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

see OIL PATCH INSIDER page 9



SEN. DAN SULLIVAN



SEN. TED STEVENS

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88 ENERGY BUY

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 want to 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



Rig-111 commissioning work, in January 2021 for Merlin 1.

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 bil-

lion barrels of oil at Peregrine, in gross mean prospective resources that include the oil-rich Nanushuk formation. With Merlin 1, the company was looking at proving up a gross mean prospective resource of 645 million barrels of oil with the Nanushuk 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 capabil-

ity, 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 transaction 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 Nanushuk 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 excellent reservoir quality in multiple sand packages.
- Good free fluid observed on NMR.
- Thicker Nanushuk formation and more prograding/aggrading sequences than seen farther 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

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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 areawide sale, bidders included Furie Operating Alaska LLC, HEX 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 bid on five tracts, 14,053 acres, for a total of \$325,605.23, division records show. The company currently holds some 9,724 acres of state oil and gas leases, 9,713 acres of that offshore in Cook Inlet where it produces natural gas at Kitchen Lights.

One of the tracts Furie took, CI0802, is on the southern Kenai Peninsula at the

see LEASE SALES page 9

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OIL PATCH INSIDER

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. A nonprofit, tax-exempt 501(c)(3) organization, it is a subsidiary of The Pew Charitable Trusts, its primary funder.

See the full survey at <https://www.pewresearch.org/science/2021/05/26/gen-z-millennials-stand-out-for-climate-change-activism-social-media-engagement-with-issue/>

—COMPILED BY KAY CASHMAN

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LEASE SALES

producing North Fork natural gas field operated by Vision Operating, a Gardes Holding company. Two of the Furie tracts, CI0348 and CI0349, are adjacent to Furie's offshore northern Cook Inlet Kitchen Lights unit, which produces natural gas, and two additional tracts, CI0348 and CI0351, are adjacent to CI0348.

Furie's highest per-acre bid, \$56.57 per acre, was for CI0802, the tract at the North Fork gas field.

HEX LLC, which has no existing state leases, bid on two tracts onshore and offshore the Kenai Peninsula just north of Birch Creek, an estimated 5,750.28 acres. In a statement after the sale results 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 platform.

HEX CEO John Hendrix said the company's technical teams have "completed a large body of technical work in the past year and our experienced team continues to optimize existing production

The division received eight bids on eight tracts from three bidders in the Cook Inlet areawide, a total of \$451,594.55 on 21,267.69 acres.

and to search out opportunities that benefit the company and Alaskans."

Strong Energy Resources acquired a single lease, offshore the lower Kenai Peninsula northwest of Anchor Point and south of Cosmopolitan, paying \$24,499.58 for acreage estimated at 1,464.41 acres. Strong Energy out of Houston, Texas, has two leases on the North Slope in the Umiat area, some 1,622 acres, originally acquired by Woodstone Resources in a 2014 lease sale, and assigned to Strong Energy last August.

Strong Energy as registered with the Alaska Division of Corporations shows James S. Watt as 100% owner.

Watt has been active in Alaska in Southcentral and on the North Slope with Buccaneer and Renaissance.

—KRISTEN NELSON

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Oil Patch Bits



RESOURCE DEVELOPMENT COUNCIL
Growing Alaska Through Responsible Resource Development

RDC announces 46th annual membership luncheon

The Resource Development Council recently said that its 46th annual membership luncheon will be held June 30, 12 p.m., at the Dena'ina Center in Anchorage. Erec Isaacson, president, ConocoPhillips Alaska Inc. will be the featured speaker.

Individual registration will be available June 16.

RDC is looking to its membership to fund the mission by sponsoring and participating in this event.

For more information and to view current sponsors visit www.akrdc.org/annual-membership-luncheon.



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MCKINLEY API

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 a difference,” 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

Alaska; the Arabic translation for the word Alaska is Alaska; and all of those pools of capital — trillions of dollars — are looking for the same thing ... a safe, secure place to invest a lot of money, a place where resources are abundant and there’s not too much competition.”

Alaska is perfect for those factors, and it is unique, he said.

“We’re very unique, even relative to other oil producing regions in that we have a very significant tourism component to our business ... a very limited infrastructure ... by some accounts we are 50 years behind the infrastructure development of the rest of the United States.”

“That’s \$100 billion needed for ports and railroads, bridges and roads and other types of infrastructure, including technology,” he said.

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 all drive a Tesla, the reality is most energy production goes into petrochemicals, which include the production of plastic, which goes into your Tesla,” he said. “Until 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

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UNALASKA GEOTHERMAL

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,” Reindeers 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 volcano 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. Reindeers 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, Reindeers said.

Fish processing power demand

Given the economies of scale that come from building as large a 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. Apparently, 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 30-year power purchase agreement, involving an annual payment of \$16.3 million per year, rising at 1% 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 unsold.

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 clean, 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 following 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 oilfield infrastructure on the North Slope, Matthews said.

Ounalashka Corp., one of the partners in OCCP, is the Native corporation for Unalaska and owns the land subsurface rights required for the geothermal power — there is no state or federal land involved. This greatly simplifies any land and resource access issues.

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

Fairbanks based Chena Power, the other OCCP partner, 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 Ounalashka 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 partnership 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 Kaishan 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 conditioners, 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 considered and have been studied, to enable the city to proceed with some of the necessary distribution system construction. The project team is looking at a go live date for connecting up the system around 2023, Matthews said. ●

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PROVINCE SHOWDOWN

possible line spill, dragged Trans Mountain (owned by the Canadian government) and indirectly Alberta crude producers, 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 constitutional right to control the volume and destination of its oil flowing across other provinces to domestic or overseas 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 granted B.C. a temporary injunction blocking that act, 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 government of Premier Rachel Notley, under pressure from Kenney's United Conservative Party.

Notley's New Democratic Party administration never formally enacted the legislation during its remaining few months in office, but Kenney, at his first cabinet meeting two years ago, proclaimed the act into law, with a sunset clause of April 30, 2021.

For most observers, the Alberta-B.C. fight seemed to be over when Horgan conceded he had used all of the tools available to him.

But Kenney seemed unwilling to accept that Horgan had waved the surrender flag.

In May, he introduced a revamped version of the legislation, excluding refined products such as gasoline and diesel in a bid to sidestep any future constitutional challenges.

Alberta Environment Minister Jason Nixon said his government wanted to have the law in place only as a last resort in any future disputes over his province's ability to export its raw energy resources.

"Using this legislation will continue to be the final and not the first step in protesting Alberta's interests," he told reporters. "Like a fire extinguisher that you only use in case of an emergency."

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 remained unresolved in British Columbia's view.

It argued in its court filings over the original "turn-off-the-taps" legislation that the law was unconstitutional 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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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 weekend. Producers supplied 17.7 million barrels per day, versus 19.1 million in the previous 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.

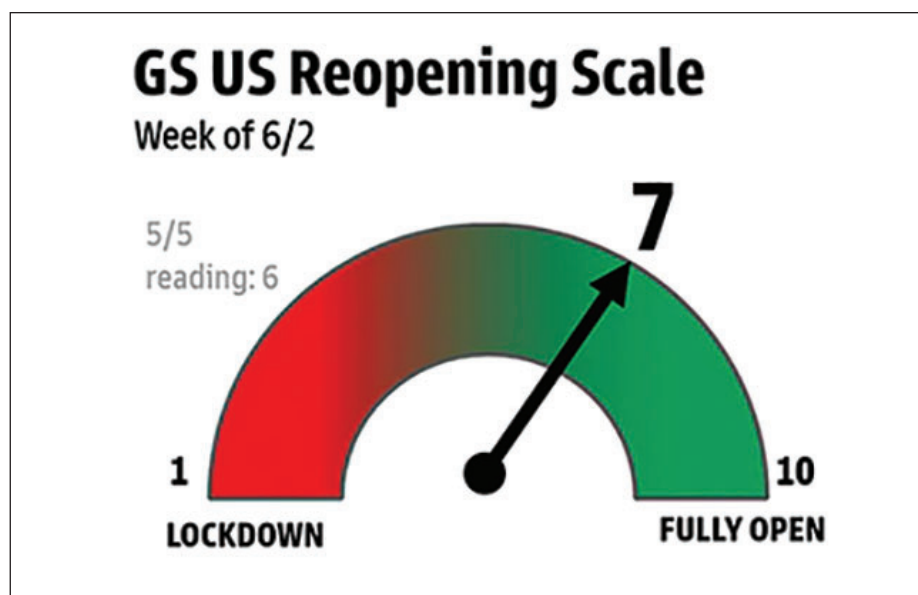
Traders are watching negotiations on the Iran nuclear deal between the United States and Iran which may lead to a lifting of sanctions against Iran, which would lead to the release of up to 1 million bpd of crude to the market.

However, U.S. Secretary of State Antony Blinken said he expects that even if Iran and the United States reconstruct 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 not inconsistent 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 maintenance may account for a portion of the decline.

The U.S. dollar is showing signs of



U.S. Reopening Scale — Goldman Sachs Research; data as of June 2, 2021

strength, as the Federal Reserve may consider tapering its bond-buying stimulus, a bearish development for dollar denominated 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 categories, and their growth (or decline) relative to a pre-pandemic baseline, Goldman said in a June 4 release.

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

Google measures of transit mobility levels 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 supporting 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. ●

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