



## Enforcer or banker? Some banks defy pressure from climate activists

FOLLOWING GOLDMAN SACHS mid-December announcement that it would stop financing new Arctic drilling, the big U.S. investment bank began to back-peddle.

On Jan. 21 at the World Economic Forum in Davos, Switzerland David Solomon, CEO of Goldman Sachs, told the meeting of business and world leaders that his bank would continue to raise funds for oil and gas companies, per a report in Daily on Energy.

"If you're looking for a line, there's not a line. There's a transition that's going on, and my view is this is going to be

see **INSIDER** page 15



## Oil Search Mitquq 1 exploration well intersects 180' Nanushuk pay

Oil Search said Jan. 22 that it intersected 180 feet of pay in the Nanushuk reservoir in its Mitquq 1 exploration well, which was spud Dec. 25 west of Alaska's central North Slope. The well is at 6,885 feet.

The company is preparing to set intermediate casing before drilling ahead to the Alpine C reservoir, the well's secondary objective.

As expected, the Nanushuk reservoir interval penetrated by Mitquq 1, which is about six miles from the proposed Pikka Nanushuk development A pad, or ND-A,

see **MITQUQ WELL** page 15



PETER BOTTEN

## State/fed ANWR border battle wages on; IBLA decision slides into 2020

An appeal decision on an ANWR border dispute — expected before the end of 2019 — has not yet been released, pushing the impasse between the U.S. Department of the Interior and the state of Alaska into yet another calendar year.

At issue is the ownership of 19,322 acres between the Canning and Staines rivers, which flow northward along the western side of the Arctic National Wildlife Refuge into the Arctic Ocean.

Interior press secretary Molly Block said July 8 that the matter was "under litigation (with Interior's Board of Land Appeals) and we expect it to be resolved before the end of the year."

The state made a request for priority conveyance of the lands on Oct. 17, 2014, during the administration of then-Gov. Sean

see **BORDER BATTLE** page 14

## RCA schedules public input on BP Pipelines-Harvest Alaska deal

The Regulatory Commission of Alaska has scheduled a public input hearing on applications filed by Harvest Alaska and BP Pipelines (Alaska) for transfer of pipeline assets. These transfers are part of the larger sale to Hilcorp (Harvest in a Hilcorp subsidiary) of BP's Alaska assets.

The hearing will be from 3 p.m. to 9 p.m. in the East Hearing Room at RCA's Anchorage offices.

The commission said an order scheduling the public input hearing and providing additional information regarding the proceedings would be issued before the hearing.

The commission said in its Jan. 17 notice of public hearing that it has received numerous comments, both in support of transfer of the BP Pipelines assets to Harvest and expressing concerns

see **RCA HEARING** page 14

### EXPLORATION & PRODUCTION

# Bill seeks partner

Armstrong: taking what learned west of Prudhoe to explore for sweet oil to east

By KAY CASHMAN

Petroleum News

Armed with what they learned west of Prudhoe Bay with the discovery of the giant Pikka oil field, Bill Armstrong's team and their partner Oil Search are now looking for giant fields on the other side of Prudhoe Bay. And Armstrong is soon going to be looking for a third partner for the eastern North Slope acreage, he told Petroleum News Jan. 20.

"We're taking what we learned at Pikka and applying it to a recently acquired 306,000-acre lease position we have to the east," he said.

"The area is an explorationist's dream. There have



BILL ARMSTRONG

been very few wells drilled, something like one well per 200 square miles, and most of those wells were drilled in the 1970s trying to find another Prudhoe Bay and almost all of the wells had good oil shows," Armstrong said. "It's like west Texas 100 years ago."

"Prior to finding all of that oil in the Nanushuk most people were saying the North Slope had very little remaining potential. Pikka changed all that," he said.

What's more, Armstrong and Oil Search's eastern North Slope acreage is on state lands and is close to existing infrastructure. Like Pikka, the area has multiple objectives that image beautifully on 3D seismic,

see **PARTNER SOUGHT** page 16

### FINANCE & ECONOMY

# New Mustang financing

AIDEA agrees to new loan terms in support of the new oil field on North Slope

By ALAN BAILEY

For Petroleum News

In a board resolution passed on Jan. 16, the Alaska Industrial Development and Export Authority agreed to change the terms of financing support for the development of the Mustang oil field on the North Slope, to accommodate delayed loan payments by Caracol Petroleum LLC, the field's majority owner.

Payments on the loan had been scheduled to begin in October but, following delays in the field startup, no payment was made. However, the field went into operation in November, according to data published by the Alaska Oil and Gas Conservation Commission.

AIDEA has also committed to make up to an additional \$35 million in loan financing available after July 1 to support development drilling at Mustang.

### Pioneering development

Mustang is the first field on the North Slope to have been developed and brought online by a small independent oil company. And, while the multiyear saga of the Mustang development illustrates the challenges that a North Slope development can present for a small company, support for the development

see **MUSTANG FINANCING** page 13

### EXPLORATION & PRODUCTION

# AK licensing draws apps

State managing 2 exploration licenses, with another in default and 2 pending

By KAY CASHMAN

Petroleum News

As of Jan. 14, the state of Alaska has two active exploration licenses, another in default and two license applications that are pending. According to the Division of Oil and Gas's website the two pending applicants are Cassandra Energy in the Gulf of Alaska (ADL file 393173) and Alaska Natural Gas Corp. in the Susitna Valley (ADL file 393572/393888).

Administered by Alaska's Division of Oil and Gas, which is part of the Department of Natural Resources, the exploration licensing program's objective is to encourage oil and gas exploration in areas far from existing infrastructure; areas with unknown hydrocarbon potential, and where there is a higher investment

The exploration licensing program's objective is to encourage oil and gas exploration in areas far from existing infrastructure, areas with unknown hydrocarbon potential and where there is a higher investment risk to the operator.

risk to the operator.

An exploration license gives the licensee the exclusive right to explore for oil and/or gas in the license area, requiring a one-time \$1 per acre fee and a specified minimum to be spent, a work commitment, on exploration. An annual report is due on the

see **LICENSING APPS** page 11

## ● PIPELINES &amp; DOWNSTREAM

# British Columbia out of tools

Government of Premier Horgan loses final court battle to prevent Trans Mountain expansion; verdict gives hope to TMX backers

By GARY PARK

For Petroleum News

When John Horgan was elected premier of British Columbia less than three years ago, he boasted that his government would use every tool at its disposal to stop expansion of the Trans Mountain pipeline.

The nine judges of the Supreme Court of Canada acted with dazzling speed on Jan. 16 when they delivered a unanimous verdict that emptied out the administration's once touted toolbox.

They stunned court observers by taking less than 30 minutes to reach a decision, dismissing the B.C. government's bid to regulate the flow of Alberta heavy crude across its territory to an export terminal in Vancouver.

In effect it upheld Canada's Constitution that gives the federal government and its regulatory agency the power to control the movement of natural resources across inter-provincial borders.

Justice Malcolm Rowe noted that the B.C. New

*The court has removed one of three hurdles standing in the way of the government selling the project to bidders from three First Nations organizations, giving them a chance to reap economic benefits from the pipeline.*

Democratic Party government made it clear before the 2017 provincial election that it was committed to stopping the Trans Mountain expansion, TMX, to 890,000 barrels per day from its current 300,000 bpd.

"Because that's what they said they were going to do, I believe them," he said as Canada's top court endorsed a B.C. Court of Appeal ruling last May which said the province could not impose restrictions on the pipeline's contents.

## Environmental concerns

Horgan said in a statement that his government was

"clearly disappointed by the decision, but this does not reduce our concerns regarding the potential of a catastrophic (bitumen) spills on our coast."

B.C. Attorney General David Eby echoed Horgan's pledge to fight to protect the B.C. environment.

"It's important to remember this was one of a suite of regulations the province put in place around toxic substances that can be brought into our province by train or pipeline or truck," he said, without being more specific.

However, Eby said his government had no plans to join Indigenous communities in a legal challenge claiming that First Nations have not been properly consulted by the Canadian government, which owns the Trans Mountain system and expansion project.

Andrew Wilkinson, leader of the Liberal opposition in B.C., said Horgan "knew the federal government held clear jurisdiction over the pipeline but he spent millions of dollars just in political posturing. When will the NDP

see **COURT BATTLE** page 4

## contents

Petroleum News

Alaska's source for oil and gas news

### ON THE COVER

#### Armstrong seeks partner

Taking what learned west of Prudhoe to explore for oil to east

#### New Mustang financing

AIDEA agrees to new loan terms in support of oil field on Slope

#### AK licensing draws apps

State managing 2 exploration licenses, another in default, 2 pending

#### Oil Patch Insider: Enforcer or banker? Some banks defy pressure from climate activists

#### Oil Search Mitquq 1 exploration well intersects 180' Nanushuk pay

#### State/fed ANWR border battle wages on; IBLA decision slides into 2020

#### RCA schedules public input on BP Pipelines-Harvest Alaska deal

### EXPLORATION & PRODUCTION

#### 3 Alaska geo survey releases annual report

DGGS annual report includes 2019 fieldwork on North Slope Nanushuk, Torok, Seabee formations

#### 4 US drilling rig count bounces back by 15

#### 7 Hilcorp, Eni have 5-year ice road plans

Companies apply to National Marine Fisheries Service for incidental take of mammals from ice road construction

#### 8 XCD opening Peregrine farm-out at NAPE

#### 10 ANS crude production in forecast range

### FINANCE & ECONOMY

#### 7 Signatures turned in for oil tax initiative

### GOVERNMENT

#### 5 United Nations joins pipeline fight

#### 6 AOGCC hears first appeal to new bonding

### LAND & LEASING

#### 9 BLM extends NPR-A plan comment period

### PIPELINES & DOWNSTREAM

#### 2 British Columbia out of tools

Horgan government loses final court battle to prevent Trans Mountain expansion; verdict gives hope to TMX backers

### UTILITIES

#### 4 RCA reports Railbelt status to Legislature



Alaska's  
Oil and Gas  
Consultants

Geoscience  
Engineering  
Project Management  
Seismic and Well Data



3601 C Street, Suite 1424  
Anchorage, AK 99503  
(907) 272-1232  
(907) 272-1344  
www.petroak.com  
info@petroak.com

● EXPLORATION & PRODUCTION

# Alaska geo survey releases annual report

Division of Geological & Geophysical Survey annual report includes 2019 fieldwork on North Slope Nanushuk, Torok, Seabee formations

By **KAY CASHMAN**  
Petroleum News

In mid-January, the Alaska Division of Geological & Geophysical Survey released its annual report, covering agency activities in 2019, such as fieldwork involving the North Slope Nanushuk, Torok, Seabee, Canning, Schrader Bluff, Sagavanirktok and Fortress Mountain formations.

Headed by Steve Masterman, state geologist and director, DGGS is part of the Alaska Department of Natural Resources and a sister agency to the Division of Oil and Gas. Among other things, DGGS provides geologic information to help industry discover and develop Alaska's energy resources.

According to Masterman, notable 2019 accomplishments related to the oil and gas industry include the following:

- DGGS staff safely completed more than 1,093 days of fieldwork and 2,500 square miles of geologic mapping.
- DGGS petroleum geologists conducted fieldwork in the North Slope foothills and near the 1002 area of Arctic National Wildlife Refuge.
- The Geologic Materials Center, or GMC, in Anchorage held a core-scanning workshop where more than 80 attendees reviewed state-of-the-art scanning technologies and results from vendor scans of GMC samples.
- DGGS conducted auger drilling for sand and gravel resources on the North Slope in a joint effort with the Bureau of Land Management that was partially funded by the Arctic Strategic Transportation and Resources, or ASTAR, project.

## ENI-funded project, and more

In 2019, DGGS' Energy Resources Section did reservoir archetype summaries on several Brookian formations on the North Slope — Fortress Mountain, Torok, Seabee, and Sagavanirktok — for an ENI-funded project with the Texas Bureau of Economic Geology.

The section also completed 12 days of helicopter-supported fieldwork in the Big



An Energy Resources Section led a two-day field trip for industry focused on key outcrops of the Nanushuk, Torok, Seabee, Canning and Sagavanirktok formations. Field tours such as this one spur exploration investment and development success by providing unique, high-quality outcrop analogue information that reduces exploration risk, thereby promoting discovery and production of Alaska's hydrocarbon resources.

Bend area south of Umiat, mapping bedrock formations in outcrop that host large oil accumulations in the subsurface of the eastern National Petroleum Reserve-Alaska and Colville River Delta region.

Another 10 days of helicopter-supported fieldwork done by the section on the North Slope characterized the petroleum reservoir potential of the Nanushuk and Torok formations west of the Dalton Highway; plus, another 10 days were spent evaluating petroleum systems east of the Dalton Highway, including the 1002 area of the Arctic National Wildlife Refuge.

Further, a large structure-from-motion survey was done of the Nanushuk and Torok formations at Slope Mountain for use as a base for mapping reservoir-scale sand bodies, and in modeling their seismic response (seismic forward modeling) to better understand the seismic signature of the Brookian Nanushuk oil reservoir sands in the subsurface at the big Willow and Pikka fields.

Masterman says indications are that 2020 will be another "impactful" year. Among others, projects already in the planning stages include drilling four stratigraphic core holes into Brookian

reservoir and source rocks, expansion of data collection under ASTAR, with additional data acquisition for sand and gravel resources, and petroleum geology.

Additional core workshops are planned at the GMC to advance industry understanding of the North Slope's Brookian reservoir rocks.

## Billions of barrels undiscovered

Northern Alaska continues to garner attention as one of the most prolific hydrocarbon provinces in North America, with 28 billion barrels of oil equivalent discovered to date onshore, and an estimated 30 billion barrels of oil and 181 trillion cubic feet of non-associated gas in undiscovered, but technically recoverable accumulations, said DGGS' annual report, quoting the U.S. Geological Survey 2012 assessment.

"Understanding the petroleum geology of this region is critically important for making new discoveries. To promote new exploration investment and reduce exploration risk, the Energy Resources Section conducts applied research on North Slope petroleum geology. Results of this work are published as high-quality geological maps and topical research reports that are available to the public at no cost," said

In 2019, DGGS' Energy Resources Section did reservoir archetype summaries on several Brookian formations on the North Slope — Fortress Mountain, Torok, Seabee, and Sagavanirktok — for an ENI-funded project with the Texas Bureau of Economic Geology.

DGGS' annual report.

The section has a long history of public outreach in the form of core workshops and field tours. In July 2019, it led a two-day-long tour that focused on key outcrops of the Nanushuk, Torok, Seabee, Canning, Schrader Bluff and Sagavanirktok formations in the central foothills that was "well attended by industry petroleum geologists and geophysicists," DGGS said.

The tour visited outcropping deltaic sand bodies in the Nanushuk and Schrader Bluff formations that "represent valuable analogues for large oil accumulations in the subsurface" and state geologists "discussed key features that influence reservoir quality" with participants.

Oil-stained "sandstones in the Seabee formation and immediately overlying organic-rich clay shales and oil-saturated silicified tuffs in the Hue shale were examined highlighting their function as a reservoir-source couplet," the report said.

The tours "allow DGGS scientists to share their insights on the region's petroleum geology, and for a general sharing of information among participating industry representatives," promoting discovery and production of Alaska's hydrocarbon resources and spurring exploration investment and development success by "providing unique, high-quality outcrop analogue information that reduces exploration risk," DGGS said.

The survey's annual report can be viewed online at:

<http://dggs.alaska.gov/webpubs/dggs/ar/text/ar2019.pdf>. ●

Contact Kay Cashman  
at [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

**NORTH SLOPE TELECOM, INC.**

connect your team  
**ANYWHERE, ANYTIME**

TELECOM, ENGINEERING,  
AND INSTALLATION  
Learn more at [NSTIAK.com](http://NSTIAK.com).



**MOTOROLA SOLUTIONS**  
Platinum Channel Partner

**Call us today!**  
[www.brookscampak.com](http://www.brookscampak.com)  
**(907) 659-6233**

**Brooks Camp is "your home away from home" on the North Slope**

Single Status rooms w/private bath  
24-hour spike room  
3 hot meals served daily  
Free WiFi and high speed internet

continued from page 2

## COURT BATTLE

stop the political games and let British Columbians get to work on a project supported by the majority of people in our province?”

He demanded to know much was spent on waging the legal fight, but Eby, who put the cost at C\$1 million by last March 31, said the bills were a fraction of those the province would face in the event of a TMX spill.

### Clearing the way

Alberta Premier Jason Kenney and Canada's Natural Resources Minister Seamus O'Regan said the Supreme Court ruling clears the path for completion of TMX by late 2022.

Tim McMillan, president of the Canadian Association of Petroleum Producers, said it was time for Canadians to “unite behind this nation-building project (so that they can) benefit from selling our responsibly produced products to global markets.”

Alberta Energy Minister Sonya Savage delivered a thinly disguised shot at B.C., saying the court decision was a “real slap-down of one province that was trying to block a project that has been determined to be in the national interest. It was a clear and decisive decision that sets out a clear

message to all governments that they need to stay in their lane.”

TMX attorney Maureen Killoran told the Supreme Court that it was time to “restore certainty” to a project that had faced years of opposition and obstruction which forced the original owner Kinder Morgan to sell the Trans Mountain assets to the Canadian government for C\$4.5 billion in 2018.

### One of three hurdles

The court has removed one of three hurdles standing in the way of the government selling the project to bidders from three First Nations organizations, giving them a chance to reap economic benefits from the pipeline.

But a spokesman for Finance Minister Bill Morneau said the government will remain the sole owner of the pipeline as long as any risk remains to completion of the expansion.

“We have been clear, however, that it is not our intention to be long-term owners of the project,” he said.

Until two court challenges — one claiming inadequate consultation with Indigenous communities and one examining the impact of TMX on marine life off the B.C. coast — have been dealt with the government said it would not officially accept any offers. ●

Contact Gary Park through [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

## EXPLORATION & PRODUCTION

### US drilling rig count bounces back by 15

The U.S. active drilling rig count bounced back by 15 to 796 the week ending Jan. 17, up from 781 the previous week and down by 254 from 1,050 a year ago.

The company reported that 673 rigs targeted oil (up 14 from the previous week; down 179 from a year ago) and 120 targeted natural gas (up one from the previous week; down 78 from a year ago). There were three miscellaneous rigs active (unchanged from the previous week and up by three from a year ago).

The company said 44 of the holes were directional, 709 were horizontal and 43 were vertical.

Texas, the state with the most active rigs at 401, was up five rigs from the previous week.

Alaska, New Mexico and North Dakota were each up three rigs.

Oklahoma, Utah and Wyoming were each up one rig.

Rig counts for California, Colorado, Ohio, Pennsylvania and West Virginia were unchanged from the previous week.

Louisiana was down one rig from the previous week.

Baker Hughes shows Alaska with 10 rigs active for the week ending Jan. 17, unchanged from a year ago.

The U.S. rig count peaked at 4,530 in 1981. It bottomed out in May 2016 at 404.

—KRISTEN NELSON

## UTILITIES

### RCA reports Railbelt status to Legislature

The Regulatory Commission of Alaska is sending a letter to the Alaska Legislature, with formal notification of the status of improvements to the manner in which the Alaska Railbelt electrical system is operated and managed. In 2014 the Legislature directed the RCA to investigate the advisability of forming an organization to oversee the operation of the system, which is currently operated by six independent utilities. In 2015 the RCA, in response to the Legislature's directive, issued five recommendations for addressing the issues that the electrical system faces, with the intention of improving the efficiency and safeguarding the security of the system.

Since then the commission has been encouraging voluntary actions by the utilities to address the commission's recommendations.

During a Jan. 15 RCA public meeting Robert Pickett, commission chair, read the contents of the letter, which is designed to go to the Legislature ahead of this year's legislative session, during which proposed statutory changes may be enacted, clarifying the commission's authority to regulate an organization such as an independent operator for the system. The commission has been reviewing its regulations, in anticipation of new statutes being enacted.

According to the letter, the commission sees particular progress towards one of its recommendations: the institution of a consistent set of enforced operating and reliability standards for the Railbelt grid. In April 2018 the Railbelt utilities filed a consistent single set of mandatory standards. And the utilities are in the process of forming the Railbelt Reliability Council, an organization that will adopt and enforce the standards, as well as adopting and enforcing system-wide interconnection protocols.

Although the utilities have been working towards addressing other recommendations, this work has not thus far achieved the desired results. Last year a proposed transmission company for the transmissions system filed an application to the commission for a certificate to operate, but later withdrew its application. And an initiative by Chugach Electric Association and Municipal Light & Power, potentially involving Matanuska Electric Association, to instigate the economic dispatch of the most efficient power generation came to a halt in 2018, pending the outcome of the proposed acquisition of ML&P by Chugach Electric.

In 2019, in response to one of the RCA recommendations, the Legislature granted the RCA the authority to hire up to five specialists, to assist the commission implement Railbelt electricity system changes.

—ALAN BAILEY

**Northern Solutions LLC**  
An Alaskan Company

MACHINE SHOP SERVICES | PREMIUM THREADING  
TOOL TESTING | DOWNHOLE TOOL DESIGN  
MANAGED SERVICES | SHOP & DATA SUPPORT  
ISO 9001:2015 CERTIFIED

**ANCHORAGE MACHINE SHOP**  
907-336-3343  
1270 E. 64th Avenue  
Anchorage, AK 99518  
[admin@nsakllc.com](mailto:admin@nsakllc.com)

**DEADHORSE MACHINE SHOP**  
907-331-7627  
At the corner of Spur & Spine  
Prudhoe Bay, AK 99734  
[deadhorse@nsakllc.com](mailto:deadhorse@nsakllc.com)  
[www.northernsolutionsak.com](http://www.northernsolutionsak.com)

**Petroleum**  
news

[www.PetroleumNews.com](http://www.PetroleumNews.com)

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

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

**NEWS**  
907.522.9469  
[publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

**CIRCULATION**  
907.522.9469  
[circulation@petroleumnews.com](mailto:circulation@petroleumnews.com)

**ADVERTISING**  
Susan Crane • 907.770.5592  
[scrane@petroleumnews.com](mailto:scrane@petroleumnews.com)

*Petroleum News and its supplement, Petroleum Directory, are owned by Petroleum Newspapers of Alaska LLC. The newspaper is published weekly. Several of the individuals listed above work for independent companies that contract services to Petroleum Newspapers of Alaska LLC or are freelance writers.*



OWNER: Petroleum Newspapers of Alaska LLC (PNA)  
Petroleum News (ISSN 1544-3612) • Vol. 25, No. 4 • Week of January 26, 2020  
Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518

(Please mail ALL correspondence to:

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

Subscription prices in U.S. — \$118.00 1 year, \$216.00 2 years

Canada — \$206.00 1 year, \$375.00 2 years

Overseas (sent air mail) — \$240.00 1 year, \$436.00 2 years

“Periodicals postage paid at Anchorage, AK 99502-9986.”

POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

DECADES PROUD  
DECADES AHEAD

- Oil and Gas Exploration • ALTA/ACSM Surveys • 3-D Laser Scanning
- Planning & Permitting • Utility and Drainage Projects
- Commercial Site Development • Residential Development
- Traffic Engineering • Statewide Service

**Lounsbury & Associates**  
Surveyors • Engineers • Planners

experience you can use  
ESTABLISHED 1949

[www.lounsburyinc.com](http://www.lounsburyinc.com)

• GOVERNMENT

# United Nations joins pipeline fight

*UN: work should be stopped on pipeline, hydro dam, without Indigenous communities' consent; Horgan rejects Coastal GasLink case*

By **GARY PARK**

For *Petroleum News*

Canada's resource-based provinces and its energy industry are caught between a rock (in this case the United Nations) and hard place (based on a small splinter group of First Nations leaders in a remote corner of northern British Columbia) in a dispute that could determine the economic shape of the country.

At stake are three mega ventures — LNG Canada's CS40 billion plan to establish an outlet for British Columbia natural gas with Asian buyers; the C\$15 billion expansion of the Trans Mountain bitumen export pipeline; and the C\$9 billion Site C hydro dam in northeastern B.C. designed to produce 1,100 megawatts of power.

A UN committee said it was worried that work was going ahead on the projects without the free, prior and informed consent of Indigenous groups.

## Coastal GasLink pipeline

The immediate test case involves the Coastal GasLink pipeline to ship gas from B.C.'s Montney field to a liquefaction plant and tanker terminal at Kitimat, with a threatened blockade of construction by hereditary leaders who are determined to defend their rights in unceded Wet'suwet'en lands.

Their claimed territory embraces a crucial pathway through the coastal mountain range, although the current pipeline operator TC Energy could use an alternative right of way at a cost running to hundreds of millions of dollars.

But the small group of hereditary chiefs is outweighed by all 20 Indigenous communities along the pipeline right of way who have signed access and benefits agreements with TC Energy and the B.C. government and embraced the pipeline as an acceptable environmental risk. Those signatories include the elected council of the Wet'suwet'en.

Although they have attracted sympathy from First Nations across B.C., the hereditary chiefs are fast running out of backing from the courts and the governments of Canada and B.C.

## Premier Horgan

Even B.C. Premier John Horgan, long an opponent of pipelines crossing his province to export terminals on the Pacific Coast, has brushed aside the objections of the hereditary leaders.

He said earlier in January that the

Coastal GasLink pipeline is vital to his region's economic future by securing an LNG industry.

Horgan said courts have ruled in favor of LNG Canada and he is determined to see work proceed on the pipeline.

"We want everyone to understand that there are agreements (on Coastal GasLink) with Indigenous communities that want to see economic activity and prosperity take place," he said. "All the permits are in place for this project to proceed ... and the rule of law needs to prevail in B.C."

There are also signs that Coastal GasLink opponents are undermining their position with word from the Royal Canadian Mounted Police, RCMP, that it has opened a criminal investigation after discovering animal traps and gasoline-soaked rags near a blockade set up by the hereditary chiefs.

RCMP officers said they found three stacks of tires covered by tarps and trees, along with jugs of gasoline, diesel, oil and kindling.

Coastal GasLink President David Pfeiffer said his company respected the rights of individuals "to peacefully and lawfully protest so long as their activities do not jeopardize the safety of the public, our employees, our contractors or the RCMP."

## Artifacts issue

Separately, a Wet'suwet'en tribe was challenged in its claims to have found two ancient stone tools and other artifacts near the pipeline right of way.

The B.C. Oil and Gas Commission said the "soils upon which the artifacts were found would not typically contain any such cultural artifacts," although a "definitive determination of their exact location or origin cannot be made."

However, hereditary chiefs have virtually exhausted their legal options now that the B.C. Supreme Court has extended an injunction it imposed a year ago when 14 Wet'suwet'en protesters were arrested for blocking access to pipeline work camps.

## UN enters arena

While the pipeline dispute is working its way towards a final resolution, the United Nations made a surprised entry into the arena when its Committee on the Elimination of Racial Discrimination pressed Canada to stop work on the three big resource ventures — Coastal GasLink, the Trans Mountain expansion and Site C

see **PIPELINE FIGHT** page 6

# ALASKA'S HEAVY EQUIPMENT SPECIALIST.

RELIABLE. EXPERIENCED.



- Serving Alaska since 1945
- Full service dealer
- Rentals, sales and leasing
- Service and parts support



**YUKON**  
EQUIPMENT, INC.



A proud subsidiary of  
**CALISTA CORPORATION**

**YUKONEQ.COM • 1.800.478.1541**

## Alaska's #1

Industrial Controls Representative



907.277.7555 | 1120 E. 5th Ave. Anchorage, AK



• Pinch Valves  
• Tideflex Check Valves  
• Pressure Sensors  
• Expansion Joints

arcticcontrols.com

## GOVERNMENT

# AOGCC hears first appeal to new bonding

Malamute Energy tells commission BLM already requires \$1.25M in bonding for the two wells, which are on federal acreage at Umiat

By KRISTEN NELSON

Petroleum News

Malamute Energy Inc., owner of 97.5% of Renaissance Umiat, and the field's designated operator, has two suspended wells on U.S. Bureau of Land Management leases at Umiat.

At a Jan. 16 Alaska Oil and Gas Conservation Commission hearing, asking for reconsideration of AOGCC's new bonding requirements for the wells, issues included the bond amount and who would be responsible for plugging and abandoning the wells, should Malamute fail to do the P&A work.

Malamute has a \$200,000 bond on file with AOGCC for the wells, but under the commission's new bonding regulations, which went into effect last May, Malamute would be required to post bonds totaling

\$800,000, \$400,000 per well for one to 10 wells, an increase of \$600,000 in their bonding with AOGCC.

After the commission notified operators of increased bonding requirements, a number of smaller operators, including Malamute, applied for reconsideration.

The Jan. 16 hearing was the such the commission has held on the reconsideration requests.

Malamute holds no state acreage and its only wells are the two on the federal leases at Umiat in the National Petroleum Reserve-Alaska.

## BLM primary regulator

Malamute Energy President Leonard Sojka told the commission in testimony at the hearing and in a Jan. 16 letter that BLM is the primary regulator of the two leases in the Umiat unit, which was formed last fall.

Malamute's bonds with BLM had been \$100,000 each for the two wells, a total of \$200,000, and in a July 9 letter requesting reconsideration Malamute said since it had \$200,000 in bonds with BLM, it was requesting that amount should be considered and it should only be required to post an additional \$400,000 — with the existing AOGCC bond and the existing BLM bonds making up the remainder of the \$800,000.

But the BLM bonding changed, Sojka said, with a BLM bond adequacy review in late 2019 resulting in an increase in required bonding for Umiat from \$200,000 to \$1.25 million, with half of the increase, \$525,000, required to be posted by early March.

With that increase from BLM, Sojka said Malamute is now requesting that AOGCC not increase its bonding beyond the existing \$200,000. The increase, he said, would be duplicate bonding for the two wells.

## Feds responsible

Rob Brumbaugh, section chief for oil and gas for BLM's Alaska office, said at the hearing that BLM's "position is that if an operator were to default on their obligation on federal leases in the NPR-A, the federal government would be responsible and hold the liability."

Commissioner Dan Seamont asked Brumbaugh if BLM would go after AOGCC bonding if it had to P&A the Umiat wells and the \$1.25 million wasn't enough.

Brumbaugh said there is no way for BLM to get the AOGCC bond.

In response to questions about how BLM came up with the \$1.25 million, Brumbaugh said specifics are run through a worksheet and the result is the bonding amount required.

Sojka told the commission there was no environmental risk from the wells, as "neither well will flow to surface without incremental pressure." He also said the wells "may provide significant benefit to a new partner, who may find the wells useful for further exploration or production activities."

Commissioners questioned the ability of BLM to cover plugging and abandonment with \$1.25 million.

Commissioner Jessie Chmielowski said in 2018 the cost of P&A for the two wells was projected at \$2.9 million.

Sojka said he thought a round number of \$3 million was still reasonable, but he said about two-thirds of that cost was the logistics of getting to Umiat. While he said Malamute was not ready to P&A the wells, there have been discussions of cheaper approaches with modular equipment flown in and the work done in summer without a snow road.

Commission Chair Jeremy Price asked Sojka for the history of the Umiat leases and what is planned there.

Malamute Energy was formed in 2016

see **NEW BONDING** page 8

THE LARGEST STEEL & PIPE SUPPLIER IN ALASKA

**LARGE C & R Pipe and Steel, Inc.**  
INVENTORY  
LOW TEMP  
PIPE AND PLATE

(907) 456-8386 SALES@CRPIPE.NET

401 E. Van Horn Rd | Fairbanks, AK | www.crpipelineandsteel.com



## Alaska's Premier Industrial Contractor

General Contracting  
Licensed Mechanical Contractor  
Fabrication & Installation of Process Piping & Structural Steel  
(ASME, D1.1, API etc.)  
Oilfield Labor Support  
Confined Space Entry  
Installation & Maintenance of Process Facilities  
R-Stamp Repairs and Alterations  
OQ Qualified Employees For DOT Work  
Drilling Rig Welders  
6 Years Without OSHA Recordable!

Contact

**JASON DANIELS**, president  
Phone: (907) 262-0658 • Cell: (907) 394-5520  
Email: jdaniels@chosencorp.com  
Web: www.chosencorp.com

continued from page 5

## PIPELINE FIGHT

— until they obtain approval from affected First Nations.

The UN stand attracted an immediate rebuff from Alberta Energy Minister Sonya Savage, who labelled the UN as an "unelected, unaccountable body" that has no business trying to direct work on energy megaprojects in Canada.

"With all the injustices in the world, it's beyond rich that (the UN) would seemingly single out Canada — one of the greatest champions of human rights, democracy and the rule of law," she said in a statement.

Savage said that a section of Canada's Constitution formally recognizes and entrenches Indigenous rights.

"It is ridiculous that the UN is targeting Canada and it's infuriating," she said.

Horgan said legislation his government

implemented last year under the United Nations Declaration on the Rights of Indigenous Peoples is "forward looking (and) not retrospective. We believe it will open up opportunities not just for Indigenous people, but for all British Columbians."

For now much attention is focused on the RCMP, which is responsible for enforcing the court rulings against construction site blockades.

A statement from the RCMP said its priority was to engage with Coastal GasLink, Indigenous communities and the B.C. government "to facilitate resolution without police enforcement."

It said the RCMP's senior commander in B.C. "has already been in direct contact with representatives of all stakeholder groups, including hereditary chiefs." ●

Contact Gary Park through publisher@petroleumnews.com

## Fire Protection Specialists

GMW has 17 years of experience working in Deadhorse supporting oil field activities on the North Slope of Alaska.

GMW Fire Protection has offices in Anchorage and Deadhorse

### GMW Provides the Following Services

- Fire Sprinkler Design and Installation
- Fire Sprinkler Inspections and Maintenance
- Fire Alarm Design and Installation
- Fire Alarm Inspections and Maintenance
- Special Hazards Design and Installation including FM-200 and water mist suppression systems
- Fire Extinguisher Inspection and Service including hydro-testing and re-charge
- Fire pump certification and inspections
- Portable gas monitors and systems installation and calibration
- Kitchen hood service and maintenance
- CO2 system maintenance and recharge

(907) 336-5000  
gmwfireprotection.com



• EXPLORATION & PRODUCTION

# Hilcorp, Eni have 5-year ice road plans

Companies apply to National Marine Fisheries Service for incidental take of small numbers of mammals from ice road construction

By KRISTEN NELSON  
Petroleum News

The National Marine Fisheries Service has received a request from Hilcorp Alaska LLC and Eni US Operating Co. Inc. for authorizations to take small numbers of marine mammals incidental to ice road and ice trail construction, maintenance and operation on the North Slope for a five-year period, 2020-25.

NMFS said it is proposing regulations to govern that take and requests comments through Feb. 18.

The proposed activity involves the Northstar Production Facility, the Spy Island Drill Site in the Nikaitchuq unit and the Oooguruk Drill Site in the Oooguruk unit, all in the Beaufort Sea off Alaska's North Slope.

Hilcorp constructs annual ice roads and trails during the ice-covered season to connect West Dock and Northstar. Eni builds and uses an ice road connecting the Oliktok Production Pad and the Spy Island Drill Site, SID, and also builds an annual ice road from shore to the Oooguruk Drill Site.

NMFS said both companies generally begin construction of sea ice roads and ice trails as early as possible, usually by late December. Maintenance and use of the ice roads and trails continue until the ice becomes too unstable to access, generally in mid-May.

Depending on the weather, from initial surveying until the ice is thick enough to allow wheeled vehicle travel is roughly six weeks.

Northstar, an artificial gravel island, is in state waters some 6 miles offshore Point Storkersen at a water depth of about 12 feet. NMFS said the region is covered by landfast ice in winter with water depths greater than 10 feet.

SID is also an artificial gravel island constructed in state waters in some 6-8 feet of water; it is some 3 miles north of Oliktok Point and just south of the Spy Island barrier island.

## Northstar ice roads, trails

The ice road from West Dock to Northstar is some 7.3 miles; it is used to transport personnel, equipment, materials and supplies, allowing use of standard vehicles such as pick-up trucks, SUVs, buses and other trucks.

"In some years depending on operational needs and weather conditions, Hilcorp may elect to not build the main improved ice

*NMFS said both companies generally begin construction of sea ice roads and ice trails as early as possible, usually by late December. Maintenance and use of the ice roads and trails continue until the ice becomes too unstable to access, generally in mid-May.*

road," relying instead on an ice trail that can support only tracked, lighter-weight vehicles, but NMFS said that to cover all scenarios Hilcorp is assuming that an ice road would be built each year for the next five years.

In water deeper than 10 feet ice must be some 8 feet thick to support construction equipment. Ice road construction activities occur 24 hours a day, seven days a week during construction, and are only halted in unsafe weather conditions such as high winds or extreme low temperature.

Steps to build the Norstar ice road include:

- Clear snow with tracked vehicles.
- Grade or drag ice to smooth surface, incorporating rubble ice or moving it off road surface.
- Drill holes through floating ice using rolligons equipped with ice augers and pumps.
- Pump seawater over floating ice.
- Flood the ice road.

NMFS said ice trails are unimproved access corridors used by Tuckers, snowmobiles and other tracked vehicles.

Hilcorp usually builds unimproved ice trails along the pipeline corridor from the valve pad near the Dew Line site to Northstar; from West Dock to the pipeline shore crossing; and from the hovercraft tent at Dockhead 2.

## Eni — Nikaitchuq, Oooguruk

NMFS said each year Eni builds an ice road and three ice pads, the ice road 4.2 miles from Oliktok Production Pad to SID in the Nikaitchuq unit, with both supported on water and grounded sections. The company also typically builds two floating ice pad parking areas at SID and one grounded ice pad at the Oliktok Point end of the ice road.

Floating sections of the ice road are constructed using pressure pumps to flood the ice surface with seawater with small rolligon vehicles with augers and pumps used for augering and flooding.

NMFS said rig mats are used to bridge small leads and wet cracks during construction and maintenance.

Eni plans to build an unimproved ice trail just west of and parallel to the sea ice road corridor near SID for use when the ice road is being constructed. It is not used after the ice road is open to regular traffic, but several shorter length trails may be needed after March 1 to work around unstable and unsafe areas of the ice road as the season progresses.

Eni requires a single ice road and staging area ice pad each year to operate the Oooguruk Drill Site. That ice road runs 5.5 miles, with an alternate 7-mile route used in years when an early road completion is required or an extra heavy load, such as a drilling rig, is expected. The ODS is in 4 to 6 feet of water and the area from the site to shore generally becomes grounded landfast ice in winter, NMFS said.

While ODS operations do not require offshore ice trails, a coastal trail in very shallow water right off the beach between Oliktok and the ODS ice road is sometimes

needed to demobilize equipment after tundra travel has been closed.

## Mitigation measures

There are extensive mitigation measures, including avoidance of ringed seal structures by a minimum of 150 feet during ice testing and new trail construction. If a seal is observed on ice within 150 feet of the centerline of the ice road, construction, maintenance or decommissioning activities must not occur, "but may proceed as soon as the ringed seal, of its own accord, moves farther than 150 ft distance away from the activities or has not been observed within the areas for at least 24 hours." NMFS said requirements are different for transport vehicles, those not associated with construction, maintenance or decommissioning, which may continue their route within the designated road/trail without stopping when a seal is observed within 150 feet. ●

Contact Kristen Nelson  
at knelson@petroleumnews.com

## FINANCE & ECONOMY

### Signatures turned in for oil tax initiative

The group collecting signatures to put a measure on the ballot to increase production taxes said Jan. 14 that they had collected more than 43,000 signatures; those signatures were submitted to the Alaska Division of Elections Jan. 17.

Primary sponsors of what is called the "Fair Share Act" are Robin Brena of Anchorage, Merrick Peirce of Fairbanks and Jane Angvik of Anchorage. The group, Vote Yes! For Alaska's Fair Share, organized last summer.

A group in opposition to the tax initiative, OneAlaska, formed in November. Co-chairs of that group are Nicholas Begich III of Eagle River; Genevieve Bell of Fairbanks, Gary Dixon of Anchorage, Jason Grenn of Anchorage, Crawford Patkotak of Utqiagvik, Bill Popp of Anchorage, Julie Sande of Ketchikan, Jill Schaefer of Soldotna, John Sturgeon of Anchorage and Jodi Taylor of Anchorage.

The last time an oil tax initiative was on the ballot was in 2014 when an initiative to recall the oil production tax enacted as Senate Bill 21 was defeated.

—PETROLEUM NEWS

## EXPLORATION &amp; PRODUCTION

# XCD opening Peregrine farm-out at NAPE

Larger maiden prospective oil resource of 1.6B barrels released in independent ERCE report for North Slope Nanushuk, Torok project

By KAY CASHMAN  
Petroleum News

XCD Energy is launching its farm-out campaign for Project Peregrine on Alaska's North Slope at NAPE in early February, XCD managing director Dougal Ferguson told Petroleum News Jan. 21.

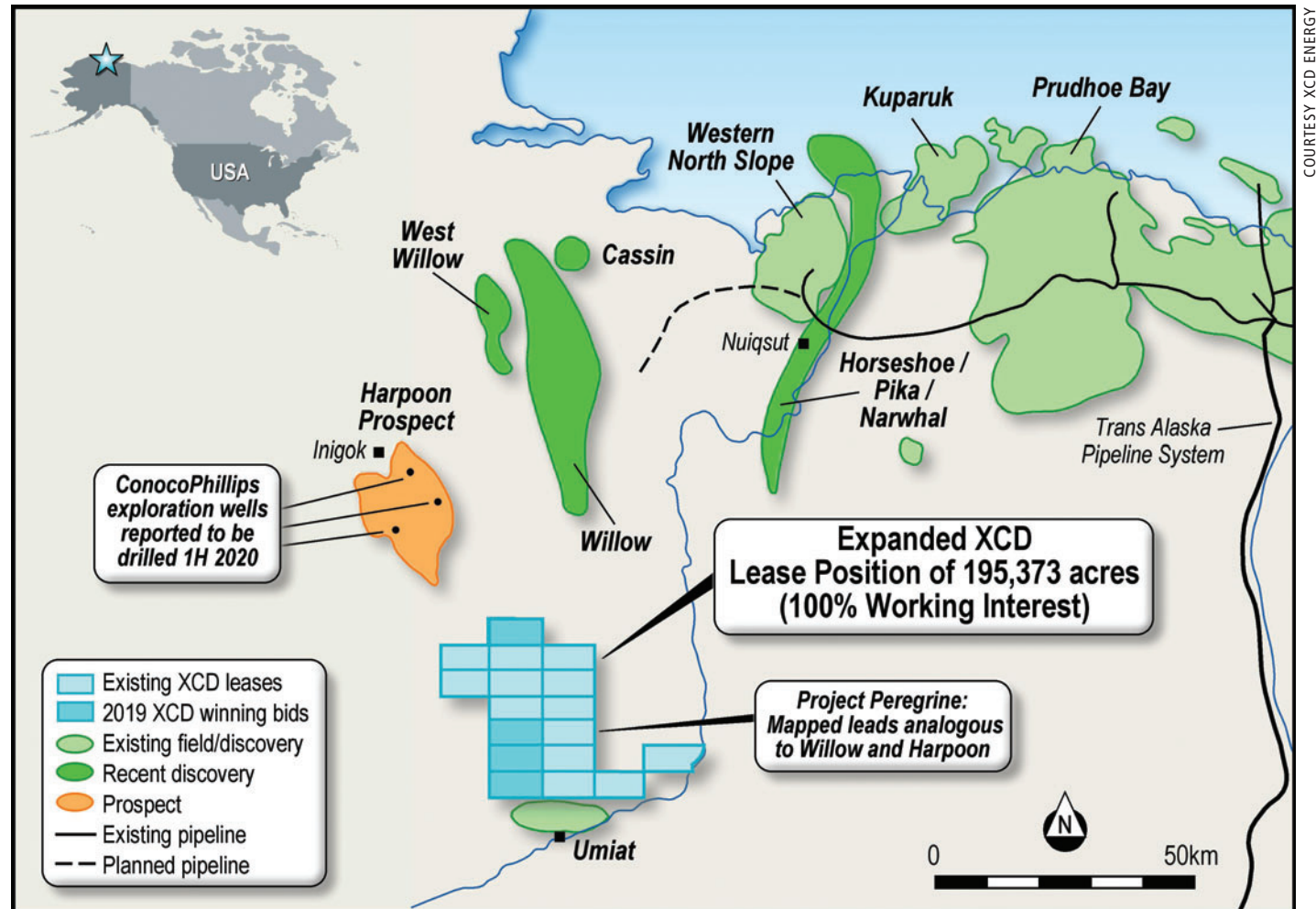
"We have kept it as broad as possible to attract as many players — large and small — as possible," he said, meaning XCD will be offering both a full option to access all three onshore prospects with a mean unrisks recoverable prospective resource of 1.6 billion barrels of oil, as well as a low-cost alternative that would drill only the shallow Nanushuk play in the Merlin and Harrier prospects, which contain approximately two-thirds of Peregrine's total oil.

The shallow Nanushuk prospects require drilling to only about 5,000 feet to fully test, whereas the third prospect, the Harrier Deep, is a Torok objective at about 10,000 feet.

Whereas the shallower Nanushuk Merlin and Harrier prospects can be drilled with a smaller, likely workover rig, the Harrier Deep prospect would



DOUGAL FERGUSON



require a conventional rotary rig, although it can be drilled from the same well bore as the Harrier.

In addition to the rotary rig being more

expensive, it would also require the building of ice roads, whereas a smaller rig could be transported via less expensive snow trails.

"We think we can drill both Merlin and Harrier (two shallow wells) for \$15 million-plus. We are working on that project

see **XCD FARM-OUT** page 9

**NORTECH**

Construction Administration  
Project Management  
Engineering Design  
Site Assessments  
Site Closure

Contingency Planning  
HSE Program Development  
Certified Inspection Services  
Regulatory Compliance Support

**ARCTOS**  
ALASKA

**Fairbanks**  
(907) 452-5688

**Anchorage**  
(907) 222-2445

**Juneau**  
(907) 586-6813

continued from page 6

## NEW BONDING

by Linc's creditors to acquire Renaissance Umiat (owned 97.5% by Linc), Sojka said. He told the commission his background is in finance and said he has been the company's sole employee since late 2016.

In the Jan. 16 letter Sojka said, "Malamute shareholders are former Linc Energy creditors who inherited the Umiat wells and the plug and abandonment obligation on which Linc had effectively defaulted."

Linc Energy drilled the two modern wells at Umiat in 2013 and 2014 but defaulted on its debt in 2016 and filed for bankruptcy protection.

In the Jan. 16 letter Sojka said the company's focus since acquiring Umiat has been to de-risk technical challenges at the field, "in hopes of attracting an oil industry partner." Malamute conducted a multidisciplinary reservoir workshop and conducted extensive tests on Umiat oil and those tests, he said, "confirmed that both the gasoline and the diesel fractions are low in total sulfur and have less than detectable readings for dibenzyl disulfide. That makes the Umiat oil a good candidate for producing Ultra Low Sulfur Fuels for sale into the Alaska North Slope market."

He said Malamute wants to find deeper oil at Umiat, because while reserves in the permafrost at the field conceivably could be produced, nobody in Alaska is doing that.

Sojka said Malamute has three technical studies underway the University of Alaska Anchorage, the first two of which are complete and the third expected to be complete soon. In response to a question from Seamount, Sojka said the studies were being done by Prof. Shuvajit Bhattacharya. Bhattacharya is an assistant professor in UAA's Department of Geological Sciences.

Sojka said there was now a unit with BLM, formed last year, with obligations over the next five years.

Asked by Chmielowski about the obligations of the unit, Sojka said it commits the company to drill another well within two to three years. According to AOGCC's new bonding regulations which require \$400,000 per well for operators with one to 10 wells, adding a third well would raise the commission's bonding requirement to \$1.2 million, close to the BLM bond requirement. ●

Contact Kristen Nelson  
at knelson@petroleumnews.com

## Real Alaskans. Real cargo.

Orange juice. Fresh produce. Refrigerators.  
Whatever you need, we deliver.

CONNECT WITH US / 800.727.2141 / [www.nac.aero](http://www.nac.aero) /



continued from page 8

## XCD FARM-OUT

as we speak and would hope to have that properly costed within the next month or so,” Ferguson said.

Initially XCD talked about the possibility of drilling this summer with a smaller rig.

“We are still talking with the guys about the possibility of summer drilling — but to be honest — we probably couldn’t make this summer even if all the stars aligned,” Ferguson told Petroleum News.

“We are talking about a helicopter transportable rig, but we are also now looking at potentially using a workover rig that can be transported on snow trails.”

### Independent report boosts resource estimates

The interview with Ferguson was spurred by a Jan. 21 announcement from XCD about a new, much larger maiden prospective oil resource of 1.6 billion barrels from an independent report generated by ERC Equipose, or ERCE.

The estimate is significantly higher than the internal estimate of 255 million barrels of oil that XCD announced for one of its primary objectives in September, three months prior to the company adding four new oil leases to its project by being top bidder for the acreage in the December federal lease sale in the National Petroleum Reserve-Alaska.

The earlier internal estimate only included one horizon from the Merlin prospect, which has now been matured to a mean resource estimate of 622 million barrels of oil as a result of multiple horizons being able to be intersected from one Merlin location.

The report also identified a new target, the Harrier Deep, which carried an unrisks mean of 572 million barrels of oil.

The data used to compile the independent prospective resource report included reprocessed 2D seismic data, basin modeling, petrophysical analysis of publicly available wells and historical geological records. The data was compiled and interpreted by XCD and was reviewed, validated and in some cases modified independently by ERCE.

### How compares to Willow, Harpoon

The 100% XCD-owned Project Peregrine covers an area of more than 195,000 acres within NPR-A.

The leases, which have a five to ten-year period remaining, are about 22 miles south of ConocoPhillips’ owned and operated Willow discovery, which XCD said is estimated to contain up to 800 million barrels of oil equivalent (see map adjacent to this story in the pdf or print version).

ConocoPhillips “is drilling four appraisal wells at Willow and up to three exploration wells at its Harpoon prospect, located about 15km (9 miles) northwest of XCD’s Harrier prospect. The Willow oil field is considered a direct analogy to XCD’s Merlin prospect while Harpoon is interpreted to lie on the same sequence boundaries as the Harrier prospect.”

According to Ferguson, “this is based on the 2D USGS data that we reprocessed where we have lines over both Willow and Harpoon. We ... assume they (ConocoPhillips) must be confident in what they see on the 3D — which we don’t have.”

XCD believes success at Harpoon would “materially upgrade” XCD’s Harrier prospect.

“Any success from the activity going on around us should really change people’s view on this highly prospective area and attract more interest in the company and

the area as results are announced,” Ferguson said.

### Who will operate?

When asked whether XCD would accept a farm-in partner who wanted to take over operatorship of Project Peregrine, Ferguson said, “If we introduce an experienced operator, we are more than willing to hand over the reins, but if it is a consortium of smaller players, we may decide to retain operatorship.”

If a major comes in as a partner and wants to shoot 3D seismic “and drill with a traditional drilling rig, that’s fine by us; but the low-cost drilling option also opens doors for mid to large independents that might feel they have missed the Nanushuk boat. They can have a crack at the shallow targets for a fraction of the cost and still find near a billion barrels, if successful,” Ferguson said.

XCD is planning to lock in a farm-in partner in time to begin exploration drilling during next winter’s drilling season. ●

Contact Kay Cashman  
at [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

## LAND & LEASING

### BLM extends NPR-A plan comment period

The Bureau of Land Management said Jan. 21 that it has extended the public comment period for the National Petroleum Reserve-Alaska integrated activity plan/draft environmental impact statement by 15 days to Feb. 5.

The comment period had been 60 days; it is now 75 days. BLM said the comment period was extended because of stakeholder requests.

The draft EIS for a new IAP for NPR-A was released Nov. 21 and includes four alternatives, ranging from Alternative A, the status quo, with 11.8 million acres offered for development under a 2013 record of decision, to Alternative D, which makes 18.3 million acres available for leasing, including the entire Teshekpuk Lake special area. Former Interior Secretary Ryan Zinke issued an order in May 2017 requiring a rework of the existing NPR-A plan to determine if more land could be opened for oil and gas leasing and the agency issued a notice of intent to prepare a new plan in November 2018.

BLM said the secretary’s order responded to requests from the state and the North Slope Borough “to increase opportunities for infrastructure and to help build capacity to support their aligned goals in light or recently increased activity on Alaska’s North Slope.”

“With advancement in technology and increased knowledge of the area, it was prudent to develop a new plan that provides greater economic development of our resources while still providing protections for important resources and subsistence access,” BLM Alaska State Director Chad Padgett said when the draft EIS was released.

—KRISTEN NELSON

• EXPLORATION & PRODUCTION

# ANS crude production in forecast range

Division of Oil & Gas tells Senate Finance average is 490,000 for first 5 months of fiscal year, just 2% below production forecast

By KRISTEN NELSON

Petroleum News

The Department of Natural Resources' Division of Oil and Gas updated the Senate Finance Committee on crude oil production figures at the committee's first meeting of the new legislative session.

In a Jan. 22 presentation by DNR Deputy Commissioner Sara Longan and reservoir engineer Maduabuchi Pascal Umekwe, the committee was told that for the first five months of the fiscal year, July through November, production averaged about 490,000 barrels per day, just 10,500 bpd, 2.14%, below the fall 2019 production forecast.

Umekwe told the committee the production forecast is developed by a team within the division whose daily duties include interacting with operators, giving those employees a good understanding of what goes on in the fields.

The production average for the five months, about 490,000 bpd, falls within the range of forecast which the division provided, he said.

## Modest decline on North Slope

Looking at North Slope production over the last five fiscal years, there were two years of consistent growth in production, from FY2015 to FY2017, followed by two years where decline averaged about 2%.

In details on the presentation slides the division said gains from FY15 through FY18 at Prudhoe Bay and Kuparuk were due to drilling and improvements in operational efficiency but said further efficiency improvements result in smaller production increases.

Prudhoe, operated by BP Exploration (Alaska), has returned to its pre-2016 decline, a modest 2% from FY18 to FY19, the division said.

At ConocoPhillips Alaska operated Kuparuk River there has been a strong decline in recently drilled wells as well as in base production.

Pending the second expansion at CD5 and Fiord West development, ConocoPhillips' Colville River has seen a decline, while Eni's Nikaitchuq had what the division called a production upset caused by a prolonged pipeline repair.

At the Hilcorp Alaska operated Northstar and Milne Point, on the other hand, the news was positive, with Northstar production up 9% on two consecutive fiscal years of growth, and Milne Point up 14%, FY18 to FY19.

On the eastern side of the Slope, the ExxonMobil Production-operated Point Thomson has seen year-on-year growth, the division said, which suggests facility challenges are being mitigated.

The division listed near future projects as additions of the Raven Pad at Milne Point, CD5 2X and Fiord West at Colville River, Nuna at Kuparuk and GMT2 in the National Petroleum Reserve-Alaska.

Umekwe said there will be 2020 quarter 1 drilling at the second expansion at CD5, CD5 2X, adding about 10 wells and an estimated addition of more than 10,000 bpd.

GMT2, sanctioned in October 2018, is under construction, Umekwe said, with first oil expected at year end 2021 and expected to peak at 35,000 to 40,000 bpd.

Pikka, Willow and Liberty are on the division's list for future projects with first oil from 2022 through 2025.

## Production forecasting

Umekwe said that in forecasting production the focus is on accuracy, with distinctions between currently producing fields with oil from existing wells and those under development — production expected to come online this fiscal year — where there is more uncertainty than for currently producing volumes. Under development includes projects that add incremental oil to existing fields or fields with first oil within a year. The third category is under evaluation, projects more than 12 months out, he said.

There is a relatively small uncertainty range with currently producing fields because they are online, while under development has more uncertainty and forecasts there always miss the mark, Umekwe said, whether on the high or low side.

With under evaluation volumes, he said, there are also commercial risks and the chance development won't happen within the 10-year window, including uncertainty in the start of sustained production and reservoir performance uncertainties. CD5 exceeded the projected production rate, Umekwe said, while GMT1 didn't meet the expected rate.

In near-term production, focus is on capturing impacts of scheduled maintenance, he said, and on engaging operators on near-term plans, drilling schedules and rig commitments.

For long-term projections, Umekwe said the division tries to keep in touch with operators on their field development plans and applies engineering judgment.

Comparing the state's forecast with producers' outlooks, he said the state's method in generating forecasts incorporates risks around timing. If a project is planned for 2022, the operator will reflect that in their estimates, he said, but the state doesn't take that as a given — it still applies risk. There are lots of projects, projects really close to coming online, that didn't come online, he said. Then explorers of fields that are not online often don't provide volumes — the state includes those projects, he said, but risks them.

The goal isn't to replicate numbers from the operators, Umekwe said, but to try to provide reliable numbers. ●

Contact Kristen Nelson  
at knelson@petroleumnews.com

A FULL-SERVICE ENGINEERING FIRM PROVIDING INNOVATION FOR 40 YEARS

P

N

D

ANCHORAGE | HOUSTON | JUNEAU | PORTLAND | SEATTLE | VANCOUVER, B.C.

WWW.PNDENGINEERS.COM

NORTH SLOPE, ALASKA

**INSPIRATIONS**  
Hair & Nail Salon

We offer personalized service, catering to the busy professional.

- 11am — 7pm (Late night appointments by pre-arrangement only)
- Each stylist has a separate, enclosed work area for your privacy and comfort

700 W Northern Lights Blvd., Anchorage, Alaska 99503

• Call for appointments • 229-6000

Mention  
this ad and  
receive a 10%  
discount on  
hair services!

continued from page 1

## LICENSING APPS

license showing direct expenditures.

License information for the Southwest Cook Inlet (ADL file 392536) remains on the division's website even though Cook Inlet Energy abandoned its application in 2015 when its parent, Miller Energy, was in bankruptcy. The division left the final finding on its website because the area will be offered in the division's 2020 Cook Inlet areawide lease sale and the information provides a historical reference for the area, which is on and offshore the Iniskin Peninsula on the west side of Cook Inlet, opposite Kachemak Bay.

### Usibelli Coal Mine

The two current exploration licenses are issued to Usibelli Coal Mine in the Healy basin (ADL file 390606), a 10-year license effective Jan. 1, 2011, with a \$500,000 work commitment, and to Samuel Cade and Daniel Donkel in the Houston-Willow basin (ADL file 391282), a six-year license effective Dec. 1, 2018, with a \$500,000 work commitment.

Usibelli, whose license was for 204,883 acres, drilled the 1,279-foot HC No. 1 coalbed methane test well in mid-2014, meeting its \$500,000 work commitment. Although the company has been engaged primarily in coal mining operations since Emil Usibelli and his partner T.E. Sanford began operating in the region in 1943, Usibelli was interested in using nearby methane in coal seams to fuel operations.

The company permitted a four-well program seven miles east of Healy. The plan called for drilling one well toward the end of summer and returning the following summer to conduct additional testing of the initial well and drill as many as three delineation wells.

Usibelli conducted the program on land mined in the 1950s and 1970s and utilized existing roads to reach the drill site. The 150-foot by 150-foot pad was built on a fill area previously used as an airstrip to support mining operations. The pad was smaller than most gas exploration pads because shallower coalbed methane wells require smaller rigs, per the company.

The HC No. 1 well "was successful in confirming the existence of gas in the basin, but it's inconclusive on a commercial level," Usibelli company representative Mitch Usibelli told Petroleum News in January 2017.

As of today, with a year left on the license, no more wells have been drilled.

### Samuel Cade and Dan Donkel

The Willow Houston license area on state-owned land covers some 18,698 acres north of Houston and generally east of the Parks Highway.

In its decision the division said the license area was near the southeast corner of the Susitna sedimentary basin. Some 22 exploratory wells, stratigraphic tests and core hole wells have been drilled in the basin, 13 clustered near Houston and Willow at the southeastern margin of the basin. Most of these were drilled to evaluate shallow gas and coalbed methane potential.

Exploration for energy resources began in the Houston-Willow area in 1917, when excavations for the Alaska Railroad exposed subbituminous coal, the division said, with coal mined intermittently and supplying military bases until at least 1955.

The U.S. Bureau of Mines drilled three Houston core holes in 1951-52, with reports of methane and brackish water. Anchorage Oil and Gas completed a fourth Houston

core hole in 1955, but there was no information on what that well encountered.

Anchorage Gas and Oil Development and Hackathorn Drilling completed five Rosetta oil and gas exploration wells between 1956 and 1962.

Then between 1998 and 2004, Growth Resource International and Evergreen Resources completed six coalbed methane exploratory wells in the Houston area.

"To date," the division said, "drilling in the area has encountered no oil shows, and only noncommercial quantities of gas."

Initially, in 2018, the term of the Cade-Donkel license was for 5 years but following negotiations with the licensees the division extended the term to 6 years on July 22, 2019. The work commitment is \$500,000.

### Pending Susitna license

Very little is known about the Alaska Natural Gas Corp.'s pending exploration license other than it was applied for in April 2017 and encompasses a block of land (acres unknown), most of which is west of the Parks Highway, beginning south of Willow, ending just south of Talkeetna on the eastern edge and extending beyond Skwentna on the western edge.

The division said the solicitation area consists of state-owned land within townships 18-25 north, ranges 5-12 west, Seward Meridian.

Alaska Natural Gas Corp. has an active business license in the state and its website <https://alaskanatgascorp.com/> refers visitors to R Pronovost, CFO, to "learn more about our current financing."

The website said the firm's "goal is to play an important economic role in Alaska by developing a new supply of natural gas for the benefit of the community and our shareholders."

### Pending Gulf of Alaska license

A great deal is known about the other pending license application — a 10-year oil and gas exploration license to Cassandra Energy Corp. on 65,773 state owned acres along the Gulf of Alaska coastline.

The division issued a preliminary written finding Aug. 2 in favor of granting the license, setting an Oct. 4 deadline for comments, later extending the date to Nov. 4.

William H. Stevens, president of Cassandra, has a lease-purchase option on the nearby 465-acre Katalla oil field with the Welch family of Cordova.

The license area consists of state-owned surface and mineral estate within township 19-21 south, range 5-8 east, Copper River Meridian, encompassing land and water in and around Controller Bay from north of the Okalee Spit northwest to Katalla Bay and Point Martin.

The work commitment for the Nikiski, Alaska-based Cassandra is \$1 million. Once that commitment is met, the company can request a conversion of the license to a lease with no other written finding required.

The license includes the Katalla and Yakataga area. Oil seeps were reported in the Katalla region and the north side of Controller Bay as early as 1896; in fact, the onshore Katalla area hosts at least 75 oil seeps and 11 gas seeps.

Commercial activity began in 1902, when Sir Thomas Boverton Redwood encouraged a British consortium, Alaska Development Co., to drill an exploration well near Katalla Meadows.

The population of Katalla expanded to 5,000 by 1908.

Between 1902 and 1931, there were 28 oil wells drilled in the Katalla oil field the Welch family now owns and 44

total wells drilled in the area.

In total, 154,000 barrels of oil were produced and refined in a small refinery that was completed in 1911 at the Katalla field until it burned down in 1933.

The refinery was not rebuilt, and people began leaving the area. Katalla's post office closed in 1943 as it became a ghost town.

There were unsuccessful attempts in the next century to develop the region, including a push in the early 2000s by Stevens, who at the time was also safety and health program coordinator for Inlet Drilling Alaska. He was temporarily delayed by challenges from environmental groups and although the project did eventually receive agency approval to move ahead, a federal development contract held by Chugach Alaska Corp., which had partnered with Cassandra, expired in 2004, putting an end to that effort.

Regarding the petroleum potential of the Gulf of Alaska license area, the division said, "both the Lower Tertiary and Middle Tertiary sequences contain effective oil- and gas-prone source rocks recognized as the source of numerous active petroleum seepages in the Yakutat-Gulf of Alaska basin. Unlike most regions of southern Alaska, the basin offers potential for both conventional and unconventional oil and gas resources."

Onshore "potential conventional reservoir targets include the sandy and conglomeratic portions of most of the Tertiary formations in the Yakutat terrane. Because the source of Tertiary sediments was onshore to the north and northeast, strata become finer grained with increasing shale content toward the south and southwest."

The license goes on to say, that "offshore, adequate porosity, permeability, and thickness to form conventional sandstone reservoirs is likely available only in the Kulthieth and Yakataga formations." Unconventional reservoir potential is locally exemplified by the oil seeps and oil wells that formerly produced from folded and fractured black shales in a fault zone mapped by Miller in 1975 in Oligocene strata equivalent to the Poul Creek formation at the Katalla oil field.

"Because the Gulf of Alaska region has experienced faulting and folding associated with compressional and strike-slip tectonics throughout the Tertiary, numerous structures were formed prior to the timing of petroleum generation and migration, and thus have the potential to form effective traps for conventional hydrocarbon accumulations. Stratigraphic traps are also likely to be present, given the lateral variations in depositional thickness, reservoir, and seal facies, and erosional truncations that are commonplace in structurally complex areas," the document said.

"For conventional plays, exploration challenges include locating undrilled traps of sufficient size to justify economic development. ... Although there is no evidence of a viable conventional petroleum system, it is likely that the unconventional shale play still holds technically recoverable oil and gas resources," the proposed license said, noting "current drilling and completion technologies would likely yield better flow rates and ultimate recovery than were achievable in the early 1900s."

The 5-year exploration license in default, which was originally issued to Rocky Riley and since assigned by him to Tolovana Energy at the same Fairbanks address, is in North Nenana (ADL file 392535) in Alaska's Eastern Interior, with a \$500,000 work commitment.

The license covers 25,294 acres in the Minto Flats State Game Refuge and is some 35 miles south and west of Fairbanks close to the Parks Highway and on the northern

see LICENSING APPS page 16



**American Marine Services Group**  
6000 A Street, Anchorage, AK 99518  
**907-562-5420**  
Deadhorse, AK  
**907-659-9010**  
www.amarinecorp.com • www.penco.org  
alaska@amarinecorp.com



- Commercial Diving
- Marine Construction Services
- Platform Installation, Maintenance and Repair
- Pipeline Installation, Maintenance and Repair
- Underwater Certified Welding
- NDT Services
- Salvage Operations
- Vessel Support and Operations



- Environmental Services
- Oil-Spill Response, Containment and Clean-Up
- Hazardous Wastes and Contaminated Site Clean-Up and Remediation
- Petroleum Vessel Services, e.g. Fuel Transfer
- Bulk Fuel Oil Facility and Storage Tank Maintenance, Management, and Operations

Anchorage
Honolulu
Los Angeles

# Committed to Alaska's Growth



Anytime, Anywhere

[www.nordic-calista.com](http://www.nordic-calista.com)  
**(907) 561-7458**



For Your Rig and Mobile Camp Needs

# Wolfpack Land Company is Offering 4,761 Acres of Prime Mineral Interest Ownership in the Kenai, Alaska Area for Oil and Gas Leasing

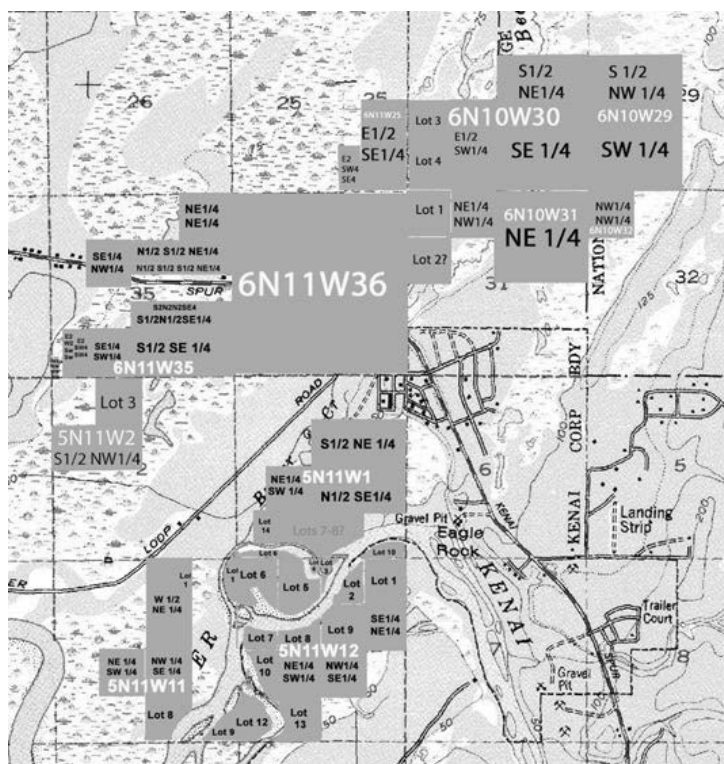
## Beaver Loop Road Area

Township 5 North, Range 11 West (Surveyed)  
 Section 1, Lots 6-8, 10, 14, S1/2NE1/4,  
 N1/2SE1/4, NE1/4SW1/4;  
 Section 2, Lots 3 and 6, S1/2NW1/4.  
 Section 11, Lots 1, 8, 9, W1/2NE1/4,  
 NW1/4SE1/4, NE1/4SW1/4;  
 Section 12, Lots 1-13, NE1/4SW1/4,  
 SE1/4NE1/4, NW1/4SE1/4.  
 Containing 1,063.51 acres, more or less.

Township 6 North, Range 10 West (Surveyed)  
 Section 29, SW1/4, S1/2NW1/4  
 Section 30, Lots 3 & 4, E1/2SW1/4, SE1/4,  
 S1/2NE1/4  
 Section 31, Lots 1 & 2, NE1/4NW1/4NE1/4  
 Section 32, NW1/4NW1/4  
 Containing 947.98 acres, more or less.

Township 6 North, Range 11 West (Surveyed)  
 Section 25, E1/2SE1/4, E1/2SW1/4SE1/4  
 Section 35, NE1/4NE1/4, N1/2S1/2NE1/4,  
 N1/2S1/2S1/2NE1/4, SE1/4NW1/4,  
 E1/2SW1/4SW1/4,  
 E1/2W1/2SW1/4SW1/4,  
 W1/2SW1/4SW1/4SW1/4, SE1/4SW1/4,  
 S1/2SE1/4, S1/2N1/2N1/2SE1/4,  
 S1/2N1/2SE1/4.  
 Section 36, All  
 Containing 1,105 acres, more or less.

Aggregating 3,116.49 acres, more or less.

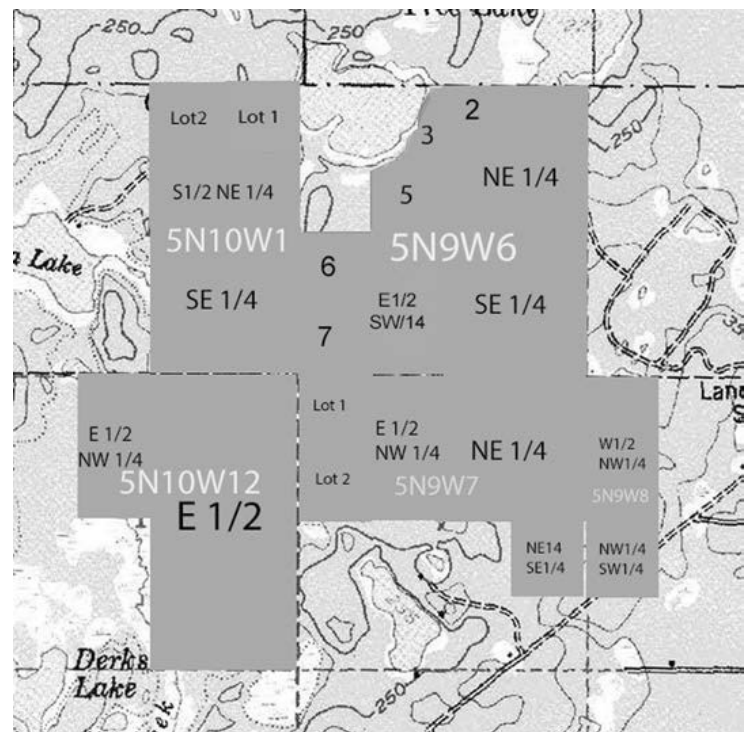


## Robinson Loop Road Area

Township 5 North, Range 9 West (Surveyed)  
 Section 6, Lots 2, 3, 5-7, SW1/4NE1/4,  
 E1/2SW1/4, SE1/4;  
 Section 7, Lots 1, 2, E1/2NW1/4, NE1/4,  
 NE1/4SE1/4;  
 Section 8, W1/2NW1/4, NW1/4SW1/4.  
 Containing 926.23 acres, more or less.

Township 5 North, Range 10 West (surveyed)  
 Section 1, Lots 1, 2, S1/2NE1/4, SE1/4;  
 Section 12, E1/2, E1/2NW1/4.  
 Containing 718.96 acres, more or less.

Aggregating 1,645.19 acres, more or less.



**These fee mineral rights have significant known hydrocarbons on or very near them. This prospect is not in a remote area. Everything is road accessible, winter and summer, with easy access to oilfield suppliers. Seismic data available.**

**Terms: \$3,000/acre, 25% royalty.**

**For more details contact Wolfpack Land Company, Houston, Texas, at [jim5thgn@outlook.com](mailto:jim5thgn@outlook.com), [jim@applecapital.net](mailto:jim@applecapital.net), or (907) 394-9148.**

continued from page 1

## MUSTANG FINANCING

also fits within AIDEA's mission of promoting commercial development within Alaska.

Brooks Range Petroleum Corp., a minority owner, operates the field. Caracol is owned by Singapore-based company Alpha Energy Holdings Ltd.

### Scaled down startup

Brooks Range had originally planned to start the field using permanent 15,000 barrels per day production facilities. However, following the oil price crash in 2014, the company had to put the project into "warm standby" mode before coming up with an alternative plan to install a modestly priced early production facility. The idea was to start production at relatively low rates and, then, as production ramps up, use the resulting revenue to upgrade the production facilities to a larger scale. And production has now started, following a delay of a few months in bringing the early production facility online.

The project was also impacted by Gov. Bill Walker's veto of tax credits that the state owed in support of the development of the field operations center.

*AIDEA had originally been involved in Mustang as an investor in the development of the field's access road, gravel pad and production facilities.*

"The AIDEA mission to advance economic development and create job opportunities can sometimes run into delays, disappointments, and missed production deadlines," said AIDEA Board Chairman Dana Pruhs when announcing the revised financing terms. "Brooks Range startup problems and the oil tax credits veto three years ago, along with other factors, created the largest workout situation at AIDEA as identified by the Dunleavy transition team in early 2019. Producing from these state oil leases in 2020 requires better understanding of North Slope challenges, reserve base lending, and capital requirements."

### \$64 million loan

AIDEA had originally been involved in Mustang as an investor in the development of the field's access road, gravel pad and production facilities. However, in 2019 the agency restructured its investment into a loan. The loan of \$64

million for the field development, together with \$6 million in interest, amounted to around \$70 million. The gross expected value of oil produced from the field is \$1.3 billion.

Interest rate on the loan was 8%, to be paid in 29 level quarterly installments, starting on Oct. 1, 2019.

### New loan agreement

Under the new agreement, the interest rate has been reduced to 6%, with the first payment of interest deferred until three months after the closing of the new loan agreement. The end result of arrangements in the loan agreement will be a reduction in the loan principal to \$63.6 million.

Initial payments on the loan will be interest payments only, with payments of principal plus interest starting in the seventh quarter of the payment schedule. Principal payments will be accelerated, starting in the 14th quarter. AIDEA has also committed to make up to an additional \$35 million in loan financing available after July 1 to support development drilling at Mustang. The additional financing is contingent on specific oil production targets being met and the establishment of a debt service reserve fund, AIDEA says.

### Alpha investment needed

The new loan arrangements are also contingent upon Alpha Energy Holdings investing \$60 million in the Mustang project in the first quarter of this year and advancing at least \$15 million to Caracol in the form of equity or a senior secured loan. Alpha Energy Holdings must also take steps to strengthen the management and management oversight of the Mustang project.

AIDEA has consented to the sale of certain non-essential oil field equipment and other assets, so that the sale proceeds can be used to pay off debt due to creditors.

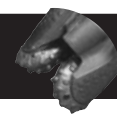
AIDEA says that other creditors are also agreeing to mechanisms for dealing with the Mustang situation, but that not all creditors have yet "come on board." Final agreement is needed by the end of January, AIDEA says.

"I want to thank the AIDEA Board and Gov. Dunleavy for assigning a high priority to fixing this problem," said Brooks Range CEO Majid Jourabchi. "Brooks Range and our contractors on the North Slope are completely aligned in what needs to be done, and the urgency to have it be so." ●

Contact Alan Bailey  
at abailey@petroleumnews.com



## Oil Patch Bits



### Cassee appointed Nordic Calista general manager

Calista Corp. said Jan. 15 that it has appointed longtime employee of Nordic-Calista Services Udo Cassee to fill new role as general manager. Cassee has filled several management roles with Nordic Calista since he started with the company in 2003.

Before Nordic Calista, Cassee spent 11 years of his oilfield career with Schlumberger where he worked through different field, engineering and management positions in the Netherlands, Norway, United Kingdom and

Alaska. He has extensive experience in the rig and service industry, offshore, onshore and Arctic operations.

Cassee holds a Bachelor of Science in oil and gas technology from the University "Noorder Haaks" in Den Helder, the Netherlands.

He is an active member with the Civil Air Patrol, working primarily with young cadets and the glider program. Cassee has volunteered as an active pilot with the Iditarod Air Force since 2012 and can be found along the trail supporting the Last Great Race.



UDO CASSEE

## Companies involved in Alaska's oil and gas industry

ADVERTISER	PAGE AD APPEARS	ADVERTISER	PAGE AD APPEARS	ADVERTISER	PAGE AD APPEARS	
<b>A</b>			<b>N-P</b>			
ABR Inc.		Cruz Construction		Nabors Alaska Drilling		
Acuren	7	Denali Universal Services (DUS)		Nalco Champion	15	
AES Electric Supply, Inc		Doyon Anvil		NANA WorleyParsons		
Afognak Leasing LLC		Doyon Associated		Nature Conservancy, The		
Airgas, an Air Liquide company		Doyon Drilling		NEI Fluid Technology		
Airport Equipment Rentals	14	Doyon, Limited		Nordic Calista	11	
Alaska Dreams		Egli Air Haul	9	North Slope Telecom	3	
Alaska Frontier Constructors (AFC)		exp Energy Services		Northern Air Cargo	8	
Alaska Marine Lines		F. R. Bell & Associates, Inc.		Northern Solutions	4	
Alaska Materials		Fairweather		NRC Alaska a US Ecology Co.		
Alaska Railroad		Flowline Alaska		Oil Search		
Alaska Steel Co.		Fluor		Pacific Power Group		
Alaska Tent & Tarp		Frost Engineering Service Co. – NW		PND Engineers, Inc.	10	
Alaska Textiles	15	Fugro		PENCO	11	
Alaska West Express		<b>G-M</b>			Petroleum Equipment & Services, Inc.	
American Marine	11	GMW Fire Protection	6	PRA (Petrotechnical Resources of Alaska)	2	
Arctic Controls	5	Greer Tank & Welding		Price Gregory International		
ARCTOS Alaska, Division of NORTECH	8	Guess & Rudd, PC		<b>Q-Z</b>		
Armstrong		HDR Engineering, Inc.		Raven Alaska – Jon Adler		
AT&T		ICE Services, Inc.		Resource Development Council		
Avalon Development		Inspirations	10	SALA Remote Medics		
<b>B-F</b>			Judy Patrick Photography		Security Aviation	
Bombay Deluxe		Little Red Services, Inc. (LRS)	7	Soloy Helicopters		
BrandSafway Services		LONG Building Technologies	15	Sourdough Express	16	
Brooks Range Supply	3	Lounsbury & Associates	4	Strategic Action Associates		
C & R Pipe and Steel	6	Lynden Air Cargo		Summit ESP, A Halliburton Service		
Calista Corp.	5	Lynden Air Freight		Tanks-A-Lot		
Carlile		Lynden Inc.		The Local Pages		
Chosen Construction	6	Lynden International		TOTE – Totem Ocean Trailer Express		
Colville Inc.		Lynden Logistics		Weston Solutions		
Computing Alternatives		Lynden Transport		Wolffpack Land Co.	12	
CONAM Construction		M-W Drilling	9			
		Maritime Helicopters				
		Matson				

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

continued from page 1

## BORDER BATTLE

Parnell, stating that the lands are not within the ANWR boundary and are available for selection by the state.

The state said the western boundary of ANWR had “been improperly mapped” for many years by the U.S. Fish and Wildlife Service, which manages the refuge. USFWS revised federal maps of the region to indicate that the Staines River is a part of the Canning River — the western boundary of ANWR as defined by Public Land Order 2214, issued in 1960.

The Parnell administration, following historical and legal research as well as a field inspection by the Alaska Department of Natural Resources and the Alaska Department of Law, concluded that the Staines is a separate river unto itself.

When Interior refused to transfer the lands, the state filed an appeal with IBLA.

IBLA is an appellate review body that exercises the delegated authority of the Secretary of the Interior to issue final decisions for the Department of the Interior.

Its administrative judges decide appeals from bureau decisions relating to the use and disposition of public lands and their resources, and other matters.

IBLA is headed by a chief administrative judge, according to the board and is separate and independent from the bureaus and offices whose decisions it reviews. Its decisions are final for the department and may be reviewed by U.S. District Courts.

### Disputed lands part of state leases

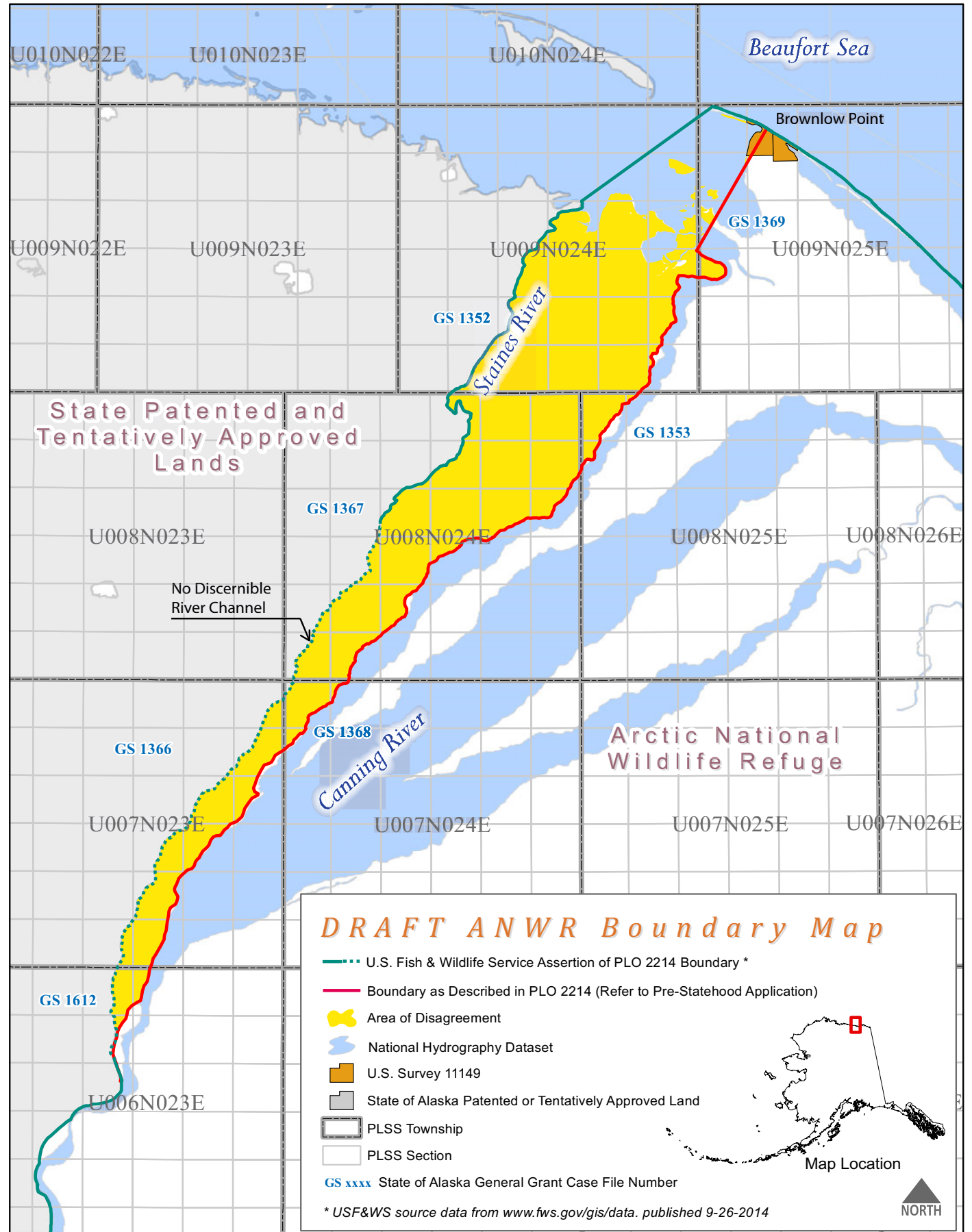
While there is currently no production from the disputed lands, existing state leaseholders are making lease payments on leases awarded with a caveat acknowledging the boundary dispute.

Jade Energy’s Sourdough prospect and 88 Energy’s Yukon Gold are thought to hold oil pools that cross under ANWR’s current border.

The U.S. Bureau of Land Management had tentatively approved the state land selections between the Canning and the Staines rivers but rescinded that approval under the conveyance process back in the ‘60s.

The acreage between the Canning and Staines rivers continues to be listed as a high priority area by the state, Marty Parsons, deputy director of the Alaska Department of Natural Resources’ Division of Mining, Land and Water, told Petroleum News in early January 2019.

Under the Alaska Statehood Act, which took effect in 1959, the federal government



still owes the state approximately 5 million acres. Because Alaska had no economic base to fund state government, the statehood act made a grant to the new state of 104 million acres of federal lands.

Parsons said he has been spearheading

the state’s effort to obtain the remaining 5 million federal acres. Parsons told Petroleum News in 2018 that if the agency’s effort to resolve the dispute — over the lands near ANWR — with Interior is not successful then the next step would be fed-

eral court.

### Battle waged for decades

The battle for the acreage on the western

see **BORDER BATTLE** page 16

**JOHN DEERE** | **AER** AIRPORT EQUIPMENT RENTALS

**DEERE**

**THE LARGEST AND MOST DIVERSE EQUIPMENT FLEET ACROSS ALASKA.**

907.456.2000 | [airporequipmentrentals.com](http://airporequipmentrentals.com)

PRUDHOE BAY FAIRBANKS DELTA ANCHORAGE KENAI

continued from page 1

## RCA HEARING

with the transfer.

RCA received comments calling for public hearings on the transfers, and responses from the applicants arguing that public hearings were not required (see story in Dec. 29 issue of Petroleum News).

At issue before RCA are requests for approval of the transfer of an indirect 32% interest in PTE Pipeline; an indirect 50% interest in Milne Point Pipeline; and a transfer of Certificate of Public Convenience and Necessity No. 311 which authorizes BP Pipelines to own and operate a 48.441% share of the Trans Alaska Pipeline System pipeline and a 47.5881% share of Valdez Marine Terminal tankage assets.

—KRISTEN NELSON

continued from page 1

## INSIDER

a multi-decade transition where we see changes in the way people allocate capital,” Solomon said in a panel discussion. “Should we not raise money for a company that is a carbon company or a fossil fuel company? The answer is no, we’re not going to (stop doing) that.”

The backlash from banks, Daily on Energy reported, came after climate activists, including 16 year old Greta Thunberg, demanded at Davos that companies, banks, and governments “immediately” halt investments in fossil fuel exploration and production, and divest from fossil fuels. (The theme of this year’s World Economic Forum: Stakeholders for a Cohesive and Sustainable World.)

Mike Corbat, CEO of Citibank, said Jan. 21 in Davos that it is not the role of banks to choose winners and losers.

“I don’t want to be the sharp end of the spear, meaning I don’t want to have to be the one telling (companies) or enforcing standards in an industry or business. ... We don’t want to find ourselves being the person that dictates winners and losers,” Corbat said, according to a Financial Times report. “A bank’s job is to support the communities in which it operates. It is not to dictate outcomes.”

According to the FT report, Brian Duperreault, CEO of AIG, “echoed Mr. Solomon’s line: while he stressed that AIG is embracing sustainability (partly under pressure of its own employees), he also said that he is not ready to impose a blanket ban on offering insurance to coal companies yet.”

A week before the Davos conference, BlackRock, the world’s largest asset manager, promised to make climate change central to its investment strategy. BlackRock CEO Larry Fink met with government and finance officials in Davos to explain the company’s new approach, per press reports.

“Climate change has become a defining factor in companies’ long-term prospects,” he was reported as saying. “Climate change is almost invariably the top issue that clients around the world raise with BlackRock. From Europe to Australia, South America to China, Florida to Oregon, investors are asking how they should modify their portfolios.”

### Following the money?

A third major financial institution also appeared to cave to pressure from climate activists: Bank of America, but its decision reflected more of a “follow the money” philosophy.

Per a report in Oil and Gas 360, “Bank

of America has committed \$300 billion to sustainable investments over the next decade. Since 2007, when the company issued its first Environmental Business Initiative, Bank of America has deployed more than \$126 billion to environmental business efforts.”

“There is a huge opportunity, whether it is green bonds or different types of financing for solar installations or wind installations,” Bank of America CEO Brian Moynihan said, noting that as more companies seek carbon neutrality, it will drive demand for new technology, though it will require power companies, above all, to make real progress, per the Oil and Gas 360 report.

“What we’re trying to say is, you deliver profits and success for customers, employees and shareholders. What managers like Larry Fink are saying is, success is along these dimensions. ... The key is to think about the balance and let industry and owners drive it,” Moynihan was quoted as saying in the Oil and Gas 360 report.

Moynihan rejected skepticism about the effort as being more public relations than substantive. “People say, ‘Isn’t this greenwash?’ Which part of \$300 billion do you understand is not greenwash? This is not some small process; it is a business force.”

Is the American dream in trouble?

The results of the new Edelman Trust Barometer set the stage for the opening of the forum, per The Hill.

The poll found that a majority of people around the world believe capitalism is doing more harm than good. In the U.S. 47% of those polled believe that capitalism does more harm than good.

### Alaska’s reaction

When Goldman Sachs said in mid-December that it was no longer financing new Arctic drilling, Alaska Gov. Mike Dunleavy said the state was going to reassess its relationship with Goldman Sachs.

“I think it’s unfortunate,” Dunleavy said in an interview on FOX Business’ Varney & Co. “We do a lot of business with Goldman Sachs. We’re going have to reevaluate that, have a discussion with them.”

So, what is the status of this reevaluation?

Deputy director of communications for the governor’s office, Jeff Turner, told Petroleum News Jan. 21 that “a meeting between the governor’s office and the leadership of Goldman-Sachs will take place to continue the discussion.”

—KAY CASHMAN

Contact Kay Cashman  
at publisher@petroleumnews.com

continued from page 1

## MITQUQ WELL

is separate from Pikka’s Nanushuk reservoir.

Previously Oil Search referred to the Mitquq prospect as a “high value tieback” to “future Pikka infrastructure.”

Based on preliminary evaluation of wireline logs with pressure and fluid sample data, the well intersected 197 feet of hydrocarbon pay comprised of 17 feet of net gas pay and 180 feet of oil pay. No water-oil contact was encountered with the Nanushuk interval.

After finishing drilling into the Alpine C reservoir, the well will be sidetracked to re-penetrate and core the Nanushuk reservoir, after which it will be flow-tested to assess deliverability and to provide a more accurate estimate of pay thickness and commercial viability. Results will be available in March or April, the company said.

### Stirrup to be spud soon

Oil Search also said the ice pad and ice road have been completed for drilling the Stirrup 1 exploration well, and the rig is onsite, with drilling expected to start shortly.

Success at the Stirrup prospect, which is close to the Horseshoe Block southwest of the Pikka unit, “could de-risk additional fairways to underpin a possible stand-alone” Horseshoe development, the company previously said, noting Stirrup was a direct analogue to the Horseshoe 1 Nanushuk discovery.

If time allows, Oil Search said Stirrup 1 will also be flow-tested this winter.

Gravel laying operations have begun in support of the early civil works program for the Pikka project, the company said in the Jan. 22 announcement, noting “excellent progress is being made, with the objective of building the road to the Pikka ND-B well pad so that development drilling may commence in 2021.”

### Ahead of schedule

This winter’s two-well, two-rig exploration program is ahead of schedule.

“Due to detailed planning, we were able to take advantage of early cold weather and commenced drilling the Mitquq 1 well ahead of schedule. Early

interpretation of the data collected to date indicates hydrocarbon-saturated, porous sands within the Nanushuk formation. The forward plan is to drill deeper to evaluate a secondary reservoir and then sidetrack the well to appraise the Nanushuk discovery with core and a flow test, which will help establish deliverability. The early results from the Mitquq 1 well are encouraging, but we still require further information and validation, which will be gathered over the next few months,” said Oil Search’s Managing Director Peter Botten.

“Additionally, we are pleased to have initiated laying gravel for the roads and well pads required to support early development and production operations at the Pikka unit development. This is an important milestone, as it represents our transition to development activities in anticipation of first oil in late 2022.”

### Taking on a third partner

According to a Dec. 18 Oil Search material progress report, Oil Search has commenced divestment of up to 15% of its 51% interest in the Pikka unit and adjacent exploration leases. This process is expected to be finalized in mid-2020, ahead of the final investment decision in third quarter.

Oil Search’s 49% partner in the area, Repsol, has made no announcement about divesting any of its Pikka interest, which is not a surprise, as the Madrid-based major has indicated it wants to increase its North Slope assets.

Lowering its ownership to 35% does not put Oil Search’s Pikka operatorship in jeopardy. Protecting its position as operator was accomplished through “a standard APIN model joint operating agreement” with Repsol that Oil Search talked about June 27 after its buyout of Armstrong. The APIN agreement is “better suited for a major development and the introduction of a new partner,” Oil Search said.

APIN is the Association of International Petroleum Negotiators, an independent not-for-profit professional membership association that supports energy negotiators around the world.

—KAY CASHMAN

Contact Kay Cashman  
at publisher@petroleumnews.com

## NALCO Champion

An Ecolab Company

Contact an expert today:

907-563-9866

[nalcochampion.com](http://nalcochampion.com)

### Essential Expertise for Alaska

Nalco Champion is the world leader in delivering programs that maximize production, protect assets and reduce TCO for Mining, Oilfield production, Refining, Industrial producers & Utilities. Our differentiated technologies and services

- Save water
- Increase energy
- Deliver cleaner air and water

# LONG®

Servicing all of Alaska

[www.LONG.com/Alaska](http://www.LONG.com/Alaska)  
(907) 561-3044

Your Partner in Innovative Building Solutions

Building Automation

HVAC Service

Security Solutions

Industrial Controls



BE SEEN • ENHANCED VISIBILITY FRC



ARIAT WORKER

carhartt FRC

Alaska Textiles

[alaskatextiles.com](http://alaskatextiles.com) 907-265-4880

continued from page 14

## BORDER BATTLE

border of ANWR goes back decades, to the earliest days of statehood.

On Feb. 24, 2015, Brent Goodrum, director of the Division of Mining, Land and Water in the Department of Natural Resources, provided an update of the boundary dispute to the House Resources Committee of the Alaska Legislature.

In 1964 the state filed general grant selection for lands adjacent to ANWR, then called the Arctic National Wildlife Range, including land west of the Canning River. Later that year, the land selection was tentatively approved by BLM.

The state requested clarification of the range boundary in 1965 and BLM amended the tentative approval, reducing the acres conveyed to the state.

In 1974 the state received patent to land west of the Staines River. In 1978 it reasserted claim to land west of the

Canning River — the acreage dropped from the state's original grant selection in 1965.

After the 1980 passage of the Alaska National Interest Lands Conservation Act and creation of ANWR, in 1981 the state "top filed" for land west of the Canning River under Section 906(e) of ANILCA.

The U.S. Fish and Wildlife Service published legal descriptions for ANILCA conservation system units in 1983. In 1992 the state relinquished selection of "those lands within the Arctic National Wildlife Refuge" but in 1993 the state reasserted "top filing" on land west of the Canning River.

In 2000 the state again reasserted selection for land west of the Canning River and in 2003 the state and USFWS conducted joint field inspection of the ANWR boundary. A report by DNR highlighted errors in the federal description of the disputed boundary.

Goodrum said the 2003 joint inspection was first led by DOI with specialists from BLM and FWS, followed by a state-led a three-day inspection of the area.

The Simpson Report, generated by the state, was supplied to both federal agencies, Goodrum said, but neither of those agencies generated a report back to the state.

After a 2011 DNR Division of Oil and Gas lease sale, including bids on tracts near the disputed boundary, that division began working with the Division of Mining, Land and Water to obtain acreage calculations.

By 2012, staff from the two divisions determined that the boundary issue needed more clarification.

Goodrum said the onshore and offshore boundary disputes involve different legal claims, with the Department of Law and the Division of Oil and Gas working the offshore claims for some 3,000 acres and Law and the Division of Mining, Land and Water working onshore claims.

In 2013 DNR began work to support priority conveyance of uplands and state assertions regarding state/federal land ownership at the ANWR boundary.

—STEVE SUTHERLIN

Contact Steve Sutherlin  
at [ssutherlin@petroleumnews.com](mailto:ssutherlin@petroleumnews.com)

continued from page 1

## PARTNER SOUGHT

Armstrong said.

"It's really new and really exciting. I believe what we do on the eastern Slope will set off a whole new flurry of activity."

While "unconventionals have been getting most of the press, Alaska has quietly become the best spot on the planet for onshore conventional oil," he said. "Between our multi-billion barrel Pikka field and ConocoPhillips' billion barrel Willow discovery, it's an extremely exciting time to be in Alaska."

Armstrong has often said the North Slope "is a fantastic petroleum system ... arguably the best petroleum system in the entire world. And good things can happen to you when you're in a system that good."

Most of the acreage in the 306,000-acre block was secured in two North Slope areawide state lease sales. The initial 195,200 acres consisting of 120 tracts was acquired by Armstrong under the name Lagniappe AK LLC in the November 2018

lease sale as part of an ongoing hunt for oil pools missed by previous explorers. (Lagniappe means "a little extra" in Cajun.)

The acreage was identified as being highly prospective for oil in a regional study conducted jointly by Armstrong and Oil Search in 2018.

More recently, Oil Search was top bidder on 39 leases covering approximately 80,000 acres in the December 2019 state sale.

All the tracts in the 306,000-acre eastern North Slope block are today 50% owned and operated by Oil Search and 50% held by Armstrong in accordance with the companies' area of mutual interest agreement, or AMI.

In a mid-2019 interview Oil Search said that the two companies would continue to work together in reviewing opportunities on the North Slope, leveraging Armstrong's technical capabilities and experience in the identification of additional potential growth opportunities in Alaska, particularly in Brookian sequence, the youngest of the region's major petroleum bearing rock sequences.

"We're trying to continue to make the play that we discovered to the west, the Nanushuk at Pikka," Bill Armstrong told Petroleum News Jan. 30, 2019, about the Lagniappe leases, although not naming the analogous, lookalike formation.

"The amount of running room this concept has is just massive in Alaska ... going east from Pikka we ... see the same thing. We're really excited. It's still a wildcat play. It still has risk, but it has huge potential," he said.

In addition to the Nanushuk lookalike, Armstrong saw "a whole other idea that has never been chased that we like but is nothing like the Nanushuk. Yet, it too is exciting and wild and wide open," he said in the interview a year ago.

"There are so many zones, so many objectives out there on the North Slope that could work. You chase one thing and find another. So many discoveries have been found by accident."

For example, "we were pursuing the Alpine and Kuparuk at Pikka and the Nanushuk was just a secondary objective,

yet it was the one that worked the best — although the Kuparuk and Alpine worked too," Armstrong said.

Although the oil was stacked in several reservoirs, Pikka estimates were billed at the time as rivals to legendary North Slope giants. "The proven contingent oil reserve number makes the discovery the largest since the Alpine field, the probable contingent reserve number the largest since the Kuparuk field, and the possible contingent number makes the discovery the largest since Prudhoe," then-Alaska Department of Natural Resources Commissioner Mark Myers said in February 2016.

After acquiring the first eastern North Slope leases Armstrong said of Pikka, "It's hard to believe that in this day and age ... a play like Nanushuk could lie essentially unexplored: onshore, shallow oil ... with massive room to run and in, of all places, the United States. Who would have guessed?" ●

Contact Kay Cashman  
at [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

continued from page 11

## LICENSING APPS

margin of the Nenana basin, which is the basin where Doyon Ltd. drilled several wells over the past decade — with no commercial discoveries.

The Nenana basin is considered prospective for hydrocarbons and has been an exploration target for several oil companies including Union Oil of California and Atlantic Richfield. Most recently, activity has been conducted by Rampart Energy and Doyon and its partners.

In 1962, Union drilled the Nenana No. 1

well to a total measured depth of 3,062 feet. In 1984, Atlantic Richfield drilled the Totek Hills No. 1 well to a total measured depth of 3,590 feet. Both wells were drilled along the flanks of the southern part of the Nenana basin, and both bottomed in metamorphic rocks. Gas associated with coal beds were encountered in both wells, but no oil shows were reported. Both wells were plugged and abandoned.

During the 1990s and 2000s the USGS conducted petroleum resource assessments of the area, updated and digitally processed gravity data, field mapping and sampling for thermal maturity and organic richness of potential source rocks enhanced under-

standing of the area.

Rampart Energy drilled the Nunivak No. 1 well in a thicker portion of the Nenana basin in 2009, approximately 31 miles south of the southern boundary of the license area.

The well reached a total measured depth of 11,136 feet and never reached metamorphic basement rocks, bottoming in non-marine sediments of Late Paleocene age. This stratigraphy had not been encountered in the previous wells. The age date places these non-marine, fine grained, coal bearing rocks in the age equivalent Cantwell formation.

Nunivak No. 1 cuttings samples were

analyzed for organic richness and thermal maturity. The samples indicated good oil and gas source rocks are present in some coals and micritic or fine-grained, carbonate cemented clay stones. Samples from Nunivak No. 1 were predominantly immature for hydrocarbon generation based on thermal maturation studies.

Starting in 2013, Doyon and its partners drilled five wells — three in the basin's central saddle, and two wells in the deeper more northerly part of the basin, above the presumed oil and gas kitchen. ●

Contact Kay Cashman  
at [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)



**SOURDOUGH**  
moving freight since 1898  
**EXPRESS**

**Dependable Service Since 1898**  
Visit [www.SourdoughExpress.com](http://www.SourdoughExpress.com)