**Stellar results**

Testing of Namushuk reservoirs at Oil Search's North Slope wells encouraging

By RAY CASHMAN

The well tests released by Oil Search on March 31 for its North Slope Mitqat and Stirrup prospects were very encouraging, said Keiran Wulff, the company’s managing director. The wells were drilled during this winter’s off-road exploration season.

The results were for the Namushuk reservoirs encountered in the Mitqat 1 ST1 and the Stirrup 1 exploration wells.

Mitqat 1 ST1, a sidetrack from the Mitqat 1 oil discovery, is 5.6 miles east of the proposed central processing facility of the Pikka unit development west of the central North Slope.

It encountered a net pay zone of 172 feet with a gas cap of 29 feet. On test, the well flowed at a stabilized rate of 1,730 barrels of oil per day from a single stimulated zone.

Oil Search said a high quality oil in a deeper reservoir at Mitqat was also discovered but not tested.

The Stirrup 1 exploration well, approximately 7.5 miles west of the 2017 Horsehoe discovery well and 22 miles southwest of the proposed Pikka development, encountered an oil column with net pay of 75 feet. On test, Stirrup 1 flowed at a stabilized rate of 3,520 bopd.

**Prudhoe drilling ends**

BP worker tests positive for COVID-19; company ends development drilling for ’20

By KRISTON NELSON

A Prudhoe Bay worker has tested positive for COVID-19 and field operator BP Exploration (Alaska) is pulling back to essential workers only at the field and ending development drilling for 2020.

In its annual progress report and 2020 plan of development update, which the Department of Natural Resources’ Division of Oil and Gas posted March 27, it said it expected to drill four to seven wells with a rotary rig and 15 to 20 wells with a coil tubing rig.

The positive COVID-19 test at Prudhoe was announced March 31.

BP Exploration (Alaska) spokeswoman Megan Baldino said the company confirms that a worker at Prudhoe Bay tested positive, and said BP is “following procedures and protocols to minimize” risk from the virus “and ensure the safety of our people.”

All non-essential activity on the Slope is being eliminated, she said in an April 1 email.

see PRUDHOE DRILLING page 10

**Keystone XL gets go-ahead**

Construction in full swing on giant pipeline; Alberta government takes equity stake

By GARY PARK

Underpinned by a major financial commitment from the Alberta government, TC Energy has stumped observers by announcing that the Keystone XL pipeline will emerge from 10-years of regulatory twists and turns and has already launched construction work towards a completion date in mid-2023.

The US$8 billion project is now scheduled to start delivering 830,000 barrels per day of oil sands bitumen over 1,210 miles from Alberta to Steele City, Nebraska, for onward delivery on an existing pipeline to U.S. Gulf Coast refineries, the largest concentration of heavy crude refineries in the world.

The Alberta government has agreed to invest US$1.1 billion in equity, which covers planned construction costs for the rest of 2020.

The remaining US$6.9 billion of capital investment is expected to cover costs in 2021 and 2022 and be funded through a combination of a credit facility of US$4.2 billion guaranteed by the Alberta government and a US$2.7 billion investment by TC Energy (formerly TransCanada).

TC Energy has already spent US$6 billion advancing the project, said Alberta Premier Jason Kenney. He said his government’s decision to cover the
A research team in the University of Alaska Anchorage has published the results of modeling of the potential spread of COVID-19 infections in Alaska. The team conducted the study in response to a request from the Municipality of Anchorage — the municipality is seeking data that can enable effective policies to deal with the pandemic.

“Quality data and quality data analysis allow us to project the course of the of the outbreak, so we can put forward appropriate policy and deploy resources in the most effective manner,” said Anchorage Mayor Ethan Berkowitz. “The UAA modeling team gathered data, synthesized best practice modeling and provided critical analysis. We will continue to work with them to inform decisions moving forward, and are appreciative that we can share this information and methodology with the governor and the state team, so that municipal and state actions are coordinated in the time ahead.”

**Publicly available model**

Using a publicly available model for projecting the infection spread, based on available data relating to the properties of the virus, and using current data regarding infections in Alaska, the team was able to construct future scenarios, based on different policies for limiting the rate of spread of infections.

“These mathematical models — along with the experience of other cities and countries around the world — show us how quickly this virus can spread,” said research team leader Dr. Tom Hennessy. “What we’re seeing is that if we do too little, we will overwhelm our hospitals and break our healthcare system. To save lives, we need to do as much as we can, as soon as we can, to prevent the spread of COVID-19 in Alaska.”

Essentially, infections from a virus such as COVID-19 typically increase exponentially, as one infection causes several other people to become infected. Left unchecked, this rapid and escalating rise in infections can overwhelm the capacity of the health care system to deal with serious, potentially fatal cases. If the rate of infection from one person to others can be reduced, the rate of infection increase can be slowed, thus lowering the number of serious cases that need to be dealt with at any specific time.

**Four scenarios**

As a consequence of their findings, the researchers recommended the urgent need for the implementation of some additional virus containment measures, including mandated shelter in place and narrower definitions of what constitutes essential businesses.
### Alaska Rig Status

#### North Slope - Onshore

**Dayone Drilling**
- **Rig No.**: 1250
- **Location/Activity**: Deadhorse, M-123-A
- **Operator or Status**: Hilcorp

- **Rig No.**: 1000
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: ConocoPhillips

- **Rig No.**: 2000
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: ConocoPhillips

**TSM-850**
- **Rig No.**: 147
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

**Nordic Calista Services**
- **Superior 700**: 1 SCR/CTD
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

**Spirtan Drilling**
- **Rig No.**: 1500
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

**Hilcorp Alaska LLC**
- **Rig No.**: 1
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

**TSM-850**
- **Rig No.**: 147
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

**Cook Inlet Basin – Onshore**

**BlueCrest Alaska Operating LLC**
- **Rig No.**: 37
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: BlueCrest Alaska Operating LLC

**Glacier Oil & Gas**
- **Rig No.**: 37
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: BlueCrest Alaska Operating LLC

**Cook Inlet Basin – Offshore**

**Hilcorp Alaska LLC**
- **Rig No.**: 1
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

**Nordic Calista Services**
- **Rig No.**: 36
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

**Spartan Drilling**
- **Rig No.**: 35
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

**Glacier Oil & Gas**
- **Rig No.**: 1320
- **Location/Activity**: Deadhorse, Stacked
- **Operator or Status**: Hilcorp Alaska LLC

### Mackenzie Rig Status

**Canadian Beaufort Sea**

- **Rig No.**: SDC
- **Location/Activity**: Roland Bay
- **Operator or Status**: SDC

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*The Alaska-Mackenzie Rig Report as of April 1, 2020. Active drilling companies only listed.*

*TD = rigs equipped with top drive units  WO = workover operations  CT = coiled tubing operation  SCR = electric rig

*This rig report was prepared by Marti Reeve*

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The Alaska-Mackenzie Rig Report is sponsored by: [ARMSTRONG]
Alaska Materials selected by Diamond Grid USA

ANCHORAGE: Alaska Materials president John Horjes, has announced a “Master Distribution Agreement” with Diamond Grid USA. The agreement is exclusive to develop the State of Alaska, and provides an open door to further development in the lower 48 states.

Horjes stated, “this is an example of how Alaska Materials serves as a platform for strategic alliances, and new product development. We will best serve Alaska and Diamond Grid through distribution, and work with the many companies already here in Alaska.”

Diamond Grid is “Made In USA”, other countries, and is a Global Market Leader in Surface Stabilization and Erosion Control Systems. Founded in Australia, their clients include the three largest mining companies in Australia, leading construction companies, and government entities. Since its beginning, it’s been a natural progression that Diamond Grid bring their high quality manufacturing, products, and services to the United States.

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Exploration & Production

DNR cancels tundra travel field season

Concerned with the safety of its staff and of people on the North Slope, in the face of the COVID-19 pandemic, the Alaska Department of Natural Resources has cancelled the remainder of its 2019-20 field season for monitoring snow conditions for off road winter tundra travel, DNR announced March 26.

DNR monitors the snow thickness and soil temperatures in state lands of the North Slope, to ensure that winter off-road travel and industrial operations do not damage the tundra. The agency opened the eastern and western coastal areas for this year’s winter season on Jan. 8. The lower and upper foothills areas, to the south, have remained closed.

Normally, DNR continues monitoring surface snow and temperature conditions, eventually announcing the closure of off-road travel when the snow thins and soil temperatures rise to a point where the tundra is no longer adequately protected. But this year the agency says that it will depend on information from people conducting guide and industry operations, or the use of webcams and the monitoring of weather forecasts to make tundra closure decisions. The agency says that it will be contacting operators, asking for information from snow observations.

While this is not our preferred method for tundra closure, we believe we can still make appropriate decisions with your help,” DNR wrote in a notification to operators.

The department also said that, in response to the pandemic, it is combining teleworking with some office time, and that staff anticipate being available by telephone and email, as normal.

—ALAN BAILEY

infection model

The modeling predicted that, under the no action scenario, new COVID-19 cases in the Anchorage/Matanuska-Susitna area would overwhelm the region’s healthcare capacity within weeks. There could be up to 7,400 patients requiring hospital care, in a region with just over 982 hospital beds, the modeling determined.

Social distancing would involve the possibility of population-wide testing of the virus, together with the quarantining of infected people. There would be public advocacy around social distancing behaviors, together with some school closures and bans on large gatherings. There would also be voluntary shelter arrangements for people at high risk from the effects of infection.

Shelter in place goes further, by mandating people to stay at home, except for certain activities such as critical employment, obtaining supplies, and exercising. Non-essential businesses would be closed. And violators of the orders could be fined.

In a lockdown, everyone would be subject to home quarantine, with non-essential travel banned, and with the state distributing food.

Model predictions

The model predictions for Anchorage/Matanuska-Susitna area, which would overwhelm the region’s healthcare capacity within weeks, there could be up to 7,400 patients requiring hospital care, in a region with just over 982 hospital beds, the modeling determined.

Social distancing would significantly reduce the number of hospitalizations required and would provide three to four weeks of preparation from March 25 for the influx of hospital patients. After that, current hospital capacity would be overwhelmed.

Currently Anchorage has policies similar to those assumed for the shelter in place scenario. Modeling of this scenario indicates that there would be fewer infection cases so long as the relevant mandates are in place. The infection rate would likely rebound, to far exceed hospital capacity, once the mandates are removed. However, the delay in the infection spike might provide time to increase the capacity of the healthcare system. And it is possible that the impacts of removing the mandates could be mitigated by reducing the restrictions a step at a time, rather than all at once, the researchers suggest.

A lockdown scenario, on the other hand, would maintain hospitalizations at levels within the hospital capacity. Adapting the model to the whole of Alaska, rather than just the Anchorage/Matanuska-Susitna region, showed similar results for the four scenarios, the researchers reported.

Recommendations

As a consequence of their findings, the researchers recommended the urgent need for the implementation of some additional virus containment measures, including mandated shelter in place and narrower definitions of what constitutes essential businesses. The closure of non-essential businesses needs to be enforced; non-essential workers should have to work from home; school closures need to be maintained; and non-essential travel to and within Alaska needs to be restricted. The quarantining of travelers entering Alaska needs to be coordinated between the state and local protocols. And there needs to be continued tracing of people who have contacted others who have been infected, with home quarantining of close contacts, the report says.

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Alberta's Kenney seeks joint action with US
Looking to combat 'predatory dumping' of Saudi crude; says 'unfriendly dictatorships' out to destroy continental energy sector

By GARY PARK
For Petroleum News

Alberta Premier Jason Kenney, faced with what he calls a "contraction" without precedent in his province’s oil industry, has reached out to the U.S. gov-
ernment, congressional leaders and gover-
ners from oil-producing states to explore a "coordinated action" to end the price war between Saudi Arabia and Russia.

"If the Saudis and Russians continue
this foolishness in the midst of a crash in
demand, you will see these kinds of cata-
strrophically low prices for some time," he said.

Kenney said options that could be explored include tariffs on North American oil imports, a closed U.S.-Canadian oil mar-
ket that bars shipments of crude from out-
side the continent, an investigation into dumping activity by OPEC and possible coordination among producers to curtail production.

"We cannot allow the Saudis and
Russians to effectively run us out of busi-
ness," he said. "We cannot let them win." Given that Alberta accounts for only 3%
of global production, Kenney conceded his province could be sideswiped by U.S. action to defend its own oil sector.

He is thus anxious to work in harmony with the U.S. government and industry.

His plea for attention from the U.S. occurred on the same day that Western Canadian Select, the heavy oil benchmark in Canada, dipped below US$4 a barrel — a 20-rig drop that week, and down by 278 from 1,006 a year ago.

Mike Walls, a senior analyst with Genscape, said oil demand in the U.S. could
slip by up to 3 million bpd.

"Every single crude grade and type is being hit by this, but Canada is being hit especially hard," he told the Calgary Herald.

Kenney managed a shred of hope, sug-
gest ing that "once we get through (COVID-
19) and see demand return, at some point...
we may want to pursue something like a
coordinated approach to curtailment of pro-
duction across North America."

"What I’m trying to do is remind our
partners in Washington and Texas is that
we must be partners on a North American
basis," he said. •

Contact Gary Park through publisher@petroleumnews.com

US drilling rig count down 44 to 728
Baker Hughes reports the number of rigs drilling for oil and natural gas in the U.S.
the week ending March 27 was 728, down by 44 from the previous week, eclipsing a 20-rig drop that week, and down by 278 from 1,006 a year ago.

In its weekly rig count the Houston oilfield services company said 624 rigs target-
ed oil, down 40 from the previous week and down by 192 from a year ago, while 102 targeted natural gas, down four from the previous week and down 88 from a year ago.

There were two miscellaneous rigs active, unchanged from the previous week and up by two from a year ago.

The company said 47 of the holes were directional, 653 were horizontal and 28 were vertical.

Only a single state, Utah, had an increase in active rigs, up by one to eight.

The rig count in Texas, the state with the most active rigs at 368, was down by 29 from the previous week.

Oklahoma was down by four rigs (to 39). Louisiana (at 44) and New Mexico (at 40) were up.

KAY CASHMAN

88 Energy's Charlie 1 well looking good
Australia independent 88 Energy said March 31 that its Charlie 1 appraisal well reached total depth of 11,112 feet in the Kuparuk formation on March 30.

The well, in the company’s central North Slope Icewine project, is operated by 88E subsidiary Accumulate Energy Alaska, which is run by geologist Erik Opstad, who has worked the Slope for more than 34 years.

Having drilled through and logged all seven targets, including the HRZ, 88E said logging while drilling results are "largely consistent" with BP’s 1991 Malguk 1 oil well.

With shows and elevated log response recorded over several horizons, the sig-
nificance of the similarities and differences to Malguk 1 won’t be known until after wireline logging has been done and analysis completed.

Wireline logging is underway and will take about seven days. Flow testing is expected to conclude in April.

Charlie 1 was designed as a step out of Malguk 1, which encountered oil shows with elevated resistivity and mud gas readings over multiple horizons during drilling but was not tested due to complications resulting in a lack of time before the winter drilling season closed. It was drilled using 2D seismic, which was inade-
quate for determining the extent of any of the targets encountered, whereas Charlie 1 was drilled using 2018 3D seismic.

Per 88 Energy, the gross mean prospective resource across the seven stacked targets is 1.6 billion barrels of oil (480 million barrels net to 88E).

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KAY CASHMAN
Wanted: East Badami drilling partner

Glacier Oil files 17th annual plan for Badami; after successful exploration well looks to exploit untapped North Slope Killian reservoir

BY KAY CASHMAN
Petroleum News

Savant Alaska, a Glacier Oil and Gas company, filed its 17th plan of development for the Badami unit on March 22 with the Alaska Department of Natural Resources’ Division of Oil and Gas. Meanwhile, the Houston independent continued to look for a partner to invest $200 million in a three to four year drilling program in the previously untapped Killian oil discovery on its leases outside the Badami Sands participating area.

The discovery, made in early 2018, is in the East Mikkelsen prospect (renamed Starfish by Glacier) between Badami and the Point Thomson unit. The discovery well, B1-07, was drilled directionally through the entire Canning formation and into the underlying Hue shale to evaluate the potential of the Killian sands. The Cretaceous Killian interval, which is a turbidite sandstone reservoir, is immediately above the oil source rock and below the Badami sands that form the main reservoir for the Badami oil field.

In early testing B1-07 produced 2,500 barrels per day, tapering off to 1,600 bpd by January 2019. Describing the Starfish prospect prior to drilling, a Glacier official said, “If this well works close to what we think it will, it should open up to seven more prospects similar to it.”

The Killian sands were previously encountered in the East Mikkelsen Bay No. 1 well drilled in 1971 by ExxonMobil predecessor Humble Oil & Refining Co. Using outdated technology, the vertical well hit oil in the Killian interval between 11,516 feet and 11,572 feet measured depth, with a tested flow rate of 700 barrels per day of 24 degree API oil.

Savant quickly brought the B1-07 well online in May 2018. Production without, with Killian oil

Production from the eastern North Slope Badami unit averaged 879 bpd in November 2015 prior to Savant assuming operatorship in January 2016. By January 2019, Badami was producing 2,323 bpd, with B1-07 accounting for 1,604 bpd. The unit’s processing facilities can handle 38,500 bpd, a reminder of the ambitions of the original operator, BP Exploration (Alaska).

It came as no surprise when Glacier President Phil Elliott told Petroleum News in an April 2019 email that “The B1-07 well was an economic success and proved the prospective value of a Killian-focused drilling initiative,” noting the well was expected to “pay out in less than 15 months.’’

Badami output averaged 1,357 bpd in February, down 3.8%, 53 bpd, from a January average of 1,410 bpd and down 25.6% from a February 2019 average of 1,823 bpd.

Badami problematic for BP

BP brought the Badami oil field into production in August 1998. From nearly the beginning, the complex geology involving the compartmentalization of the oil reservoir into multiple, discrete sand bodies rendered the Badami unit challenging to produce. Oil output declined severely quite early in field life — BP suspended production on three occasions, with the second suspension lasting for two years. Field suspension allowed the reservoir pressure to recharge, as subsurface oil slowly migrates between the various sand units.

Oil production peaked a month after
State OKs Milne Point S Pad expansion

By Kay Cashman
Petroleum News

The pad expansion allows Hilcorp to drill 10 new wells to increase production from the Ugnu reservoir. An estimated 18 billion barrels of heavy oil are known to exist in the shallow Ugnu formation above the reservoir rocks of major oil fields on Alaska’s North Slope. In a Feb. 26 presentation to a meeting of the House and Senate Resources committees David Wilkins, senior vice president of Hilcorp Alaska, said conventional Ugnu wells at Milne Point alone could produce a billion barrels of recoverable oil. The Milne Point field has four oil pools, starting with the shallowest, they are Ugnu, Schrader Bluff, Kuparuk River and Sag River. Ugnu oil is the thickest, coldest and most difficult to extract, making it expensive to develop and too viscous to flow unaided through a pipeline, while also being the least valuable of all North Slope crudes.

The work to expand S Pad, which is approximately 27.5 miles northwest of Deadhorse, involves discharge of 16,000 cubic yards of gravel fill into 2.94 acres (approximately a square shape of 328 feet by 319 feet with a cut out for an existing rectangular pad 179 feet by 169 feet).

The Jan. 29 application from Hilcorp came in the form of a unit amendment application to the 38th plan of development, which runs from Jan. 13 through Jan. 12, 2021.

The partners acquired the field outright in early 2012, followed by the Badami pipeline system, which BP sold to Nutsaq Pipeline, a 67.5/32.5% partnership of Savant and ASRC in 2014.

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Blue Crest loan

The request was made by Blue Crest to allow the company, flexibility in weathering the recent severe downturn in crude oil pricing, specifically Alaska crude, which benchmarks off of Brent, AIDEA said, adding that Blue Crest has paid below $30 per barrel, representing a more than 55% decline in the oil price since the start of the year.

“We end up paying more interest on the loan; we just defer paying off the principal on the loan,” J. Benjamin Johnson, BlueCrest Energy CEO and president, told Petroleum News April 1. “But we already paid the loan down to a very low number relative to the value of the rig. This is good for both parties.”

The investment committee and the AIDEA board reviewed the loan in July 2019 and the board approved a modification to the loan allowing for the release of its $6.1 million reserve account as a negotiated pre-payment of the loan, AIDEA said. The principal balance of the loan has been reduced from $22.9 million in July, to $13.2 million as of the last payment date March 1, 2020.

Alan Weitzner, AIDEA chief investment officer, said the total amount of deferred principal payments over the year would be effectively $4.8 million.

“In that period of time, we have already put us in a position of a lower principal balance than it would otherwise have been at this point in time, to include this period of forbearance on the principal payment,” Weitzner said, adding that the loan would be fully paid July 1, 2023, and the board approved this at this point in time and they have shown commitment to make, particularly given current conditions in the oil patch since the loan was originated, largely due to the abrupt veto of oil tax credit reimbursements under the Walker administration.

“The action will support the retention of the existing 18-person operation staff and lead to the employment of over 150 persons with the continued development of the field by Blue Crest later this year per the plan of development,” the authority said.

Johnson said he and his investors were diligently working to finance the company’s 2020 drilling program, which would multiply jobs at the company’s lower Kenai Peninsula Cosmopolitan field exponentially.

AIDEA mission bolstered by Blue Crest loan

One of the cornerstones of AIDEA’s mission to promote economic growth is to bolster employment opportunities for Alaskans, and BlueCrest’s contribution was noted in the staff recommendation.

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Johnson said he and his investors were diligently working to finance the company’s 2020 drilling program, which would multiply jobs at the company’s lower Kenai Peninsula Cosmopolitan field exponentially.

“We’re still working with our investors to figure out when we will do it; we’ve designed it, and we’re working on permits but it’s just really a function of what happens in the market in the short term here,” he said. “When we drill, we easily bring on another 150 jobs running that big rig with all the projects and all the service companies that work with it.”

BlueCrest intends to use a trident configuration, which involves the drilling of three fishbone wells into the Hansen oil pool from a single wellbore drilled 3 miles out and 1.5 miles down from the company’s shore-based pad situated north of the city of Anchor Point.

“It’s really nothing new, what we’re doing is just tripling what we’ve done before — that has worked well,” Johnson said. “It’s no new technology, but it’s just an extension of the fishbone proven. A lot of the other producers around the U.S. in particular are having to shut down.”

Exogenous factors create challenge for AIDEA, borrowers

“This is a difficult situation brought to Alaska by Blue Crest by exogenous factors and this is a relatively easy answer given the difficulty of this situation,” Boutin said. “We’ll be bringing other workhorses to the board case by case and the answers won’t always be as easily reached as the staff — we think this one is and we strongly recommend that this particular workout be approved in the way we’ve proposed it.”

Dana Pruhs, AIDEA board chair, cautioned that exogenous factors may well make the board’s job increasingly difficult in the coming weeks, particularly if the state’s visitor industry is hit hard by the coronavirus.

Pruhs noted that in excess of $50 million had been committed by the authority for relief so far in the board meeting that day.

“Two million or 4 million doesn’t sound like a lot today, but I’m here to tell you that when there’s 50 people standing at the door — or 100 — the next thing you know we’re not going to have the ability to do anything,” Pruhs said.

Pruhs said the authority needed to have the ability to swiftly determine what each forbearance will mean to AIDEA’s cash flow, to establish a floor and close certain

“The time when we do get a request for a loan modification we immediately know what the effect is to the organization,” he said. AIDEA’s collateral for the loan — originated in December 2016 — is the BlueCrest Rig No. 1, a 50-person man camp and associated pipe, equipment and tools.

—STEVE SUTHERLIN
Contact: Steve Sutherlin at ssutherlin@petroleumnews.com

Oil Search’s board and executive team have agreed to take a 20% salary cut for the next six months

“Oil Search’s board and executive team have agreed to take a 20% salary cut for the next six months,” said Oil Search Managing Director Dr. Keiran Pruhs. “We have treated our team members with respect and will continue to offer them support through the hard times ahead,” said Oil Search Managing Director Dr. Keiran Pruhs.

Said Pruhs. “We’ll be bringing other workhorses to the board case by case and the answers won’t always be as easily reached as the staff — we think this one is and we strongly recommend that this particular workout be approved in the way we’ve proposed it.”

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5 PAD EXPANSION

96 feet toe-to-toe) of Palustrine emergent wetlands, per a U.S. Army Corps of Engineers 70-day public notice for the project issued March 9.

In its application to the Division of Oil and Gas, Hilcorp’s proposed schedule for the project was to place gravel for the pad extension starting March 20, finishing it by May 1. Drilling of the new wells was to begin next and be done on May 1, 2021.

June 1 was the proposed start date for the installation of piping, mains and associated infrastructure, with completion by July 1, 2021.

Hilcorp said half the new wells would be “Jet Pump producers with half injectors as currently planned.”

But as drilling continued results might necessitate adjustments to the pumping of producers and injection of injectors.

Additional infrastructure, including a temporary new Separator, heat exchangers, polymer facilities, and pump drives, may be installed on pad, but these will be permitted separately once we have

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The AOGCC bonding requirement, formerly $100,000 for a single well and $200,000 for multiple wells, was raised last May after a lengthy series of hearings, with the new amounts reflecting the commission’s concern that companies would abandon wells, leaving the landowner, typically the State of Alaska, to pick up the cost for plugging and abandonment.

The commission has been working with the Bureau of Land Management for a number of years to get wells drilled decades ago by the federal government in the National Petroleum Reserve-Alaska plugged and abandoned.

The commission notified companies with permitted wellheads last July, laying out the additional amounts required to bring bonding up to the new requirements, which are based on the number of permitted wellheads: $400,000 per well for one to 10 wells; $6 million for 11-40 wells; $10 million for 41-100 wells; $20 million for 101-1,000 wells; and $30 million for more than 1,000 wells.

The commission received requests for reconsideration from a number of companies: AIX Energy, Alaskan Crude, Amurak Resources, Cook Inlet Energy, Malrene Energy and Savant Alaska.

In 2017, before the new bonding regulations were finalized, the commission considered a requirement for companies to provide estimates of costs to plug and abandon all of their wells, receive the commission’s concurrence on the amount and then bond to cover that cost, with an update every five years — or whenever the operator made significant changes.

For exploration wells, an operator applying for a permit to drill would have had to submit an estimate of costs to properly P&A.

In 2018 the commission dropped that approach and adopted a multitiered bonding approach, eventually settling on what was adopted last year.

The commission was able to increase bonding amounts on its own authority because the $100,000 and $200,000 were set in law as minimums, not maximums.

Something the commission can’t do on its own and has asked legislators to consider is going after a previous operator if the current operator fails to P&A.

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On test, Stirrup 1 flowed at a stabilized rate of 3,520 bopd from a single stimulated zone. To pursue an exploration drilling program in the 2020/21 winter season. Until oil prices improve it will focus on maintaining capabilities, advancing work needed to comply with permitting obligations and pursuing opportunities to minimize costs and add value to Pikka unit development.

All of this will “enable Oil Search to respond quickly when oil prices improve,” Wulf said. But the company “remains committed to progressing the Pikka unit development,” he said, which is likely to go online in 2024 and peak at 135,000 bopd. The company has said that success at the Stirrup prospect could de-risk additional fairways to underpin a possible standalone Horsethief development, noting Stirrup is a direct analogue to the Nanushuk discovery.

Oil Search has referred to the Mitqaq prospect as a “high value tieback” to future Pikka infrastructure. With testing complete at both well locations, the crews are demobilizing and expected to be off location by mid-April.

In addition, the winter season early civil works program, which has included the construction of ice and gravel roads, gravel pads and a bridge, is expected to be completed shortly, with all crews, equipment and support infrastructure to be demobilized by the end of April.

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WULFF WEIGHS IN

“While we are encouraged by the success of our 2019/20 Alaskan exploration program, with oil discovered in all three penetrations, at Mitqaq 1, Mitqaq 1 ST1 and Stirrup, and excellent flow rates achieved in the two well tests,” Wulf said.

At present, Oil Search does not plan to pursue an exploration drilling program in the 2020/21 winter season. Until oil prices improve it will focus on maintaining capabilities, advancing work needed to comply with permitting obligations and pursuing opportunities to minimize costs and add value to Pikka unit development.

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PRUDHOE DRILLING

“The safety and wellbeing of staff and contractors and respect for the communities in which we operate is our highest priority.”

With workforce safety the priority, “Activity is limited to safety critical and regulatory compliant activity so we can focus on safe compliant operations,” with this year’s two-rig drilling program being ended.

Divestment program

An April 1 release from BP discussed the company’s worldwide COVID-19 response. It did not mention any instances of workers testing positive for the virus. The only mention of Alaska was in a discussion of the company’s divestment program, which said the company was on track to deliver $15 billion of announced transactions by mid-2021, but noted that: “The phasing of receipt of $10 billion of divestment proceeds by the end of 2020 may be revised as transactions complete, particularly while volatile market conditions persist. This includes the sale of our Alaskan business to Hilcorp which we continue to expect will complete during 2020, subject to regulatory approvals.”

That $5.6 billion sale was announced in August. BP is the current operator at Prudhoe, with a 36.3% interest; other working interest owners in the field are ExxonMobil Alaska Production with 36.4%, ConocoPhillips Alaska with 26.36% and Chevron USA Inc with 1.16%.

Hilcorp is buying BP’s Alaska assets, including its share of Prudhoe, and taking over as Prudhoe Bay operator. That deal is going through regulatory approvals, with the Regulatory Commission of Alaska, reviewing the turnover of pipeline assets, recently projecting a September 2020 date to finalize its work on the ownership transfers. Other state agencies have not published completion dates. BP and Hilcorp had said they hoped to finalize the deal in the second quarter of the year.

2019 drilling

The annual progress report and 2020 update covers the initial participating areas at Prudhoe, the oil rim and gas cap participating areas. The greater Point McIntyre area and Prudhoe western satellites are covered in separate plans of development, due in July and October respectively.

The report notes that Prudhoe Bay is in its 43rd year of operation — 32 years beyond the end of its production plateau — and that unit owners are focused on efficient operation of existing wells and facilities.

The field is well developed, with more than 1,400 wells.

“Minimizing natural decline is the constant goal,” the report said.

In 2019, a rotary rig and a coil rig worked at Prudhoe in what the report described as “a total of two PBu rig years drilling 37 IPA wells”.

Projected 2020 well activity, now ended, was for four to seven rotary penetrations, which BP said was about the same as in 2019, but a decrease in coil penetrations from 22 in 2019 to “15-20 in 2020 if more non-IPA wells are drilled and RWOs are done with the rig.” IPA rig workovers were expected to increase from five in 2019 to six to nine in 2020.

“Technical work to identify and evaluate drilling locations that are economically viable in the current oil price environment is ongoing,” the report said.

New high density broadband seismic was acquired in 2019, BP said, and was processed at an accelerated rate, allowing “more efficient drilling and the progression of additional resources.” A merger of 2015 and 2019 survey data was planned for completion in 2020.

2019 production

Crude and condensate from the IPA averaged 165,033 thousand barrels per day in 2019, down from 174,200 thousand bpd in 2018. BP said the production rate, combined with volumes from the PBU satellite fields and a portion of Point Mckinley, was fully utilized available PBU processing capacity within reservoir management constraints.”

The volume delivered to the trans-Alaska pipeline in 2019 was 62.2 million barrels, from 63.6 million barrels in 2018. IPA gas production was 7,031 million cubic feet per day in 2019, down from 7,011 million in 2018, but re-injection of gas was 6,300 million cubic feet per day, up 1% from 2018 when it was 6,296 million.

The report said gas production taken in kind and removed from the PBU included 5.5 billion cubic feet, 0.2% of produced gas, and about 12 million barrels of natural gas liquids, about 19 billion cubic feet, 0.7% of produced gas.

IPA NGL production averaged 45,600 bpd for the reporting period, a total of 15.9 million barrels, with 12.1 million barrels delivered to the trans-Alaska oil pipeline and 3.8 million barrels taken to the Kuparuk River unit.

Produced water averaged 985,000 bpd, down from 893,000 in 2018.
PRUDHOE DRILLING

ConocoPhillips cuts

Other major North Slope fields — Kuparuk and Alpine at the Colville River unit — are operated by ConocoPhillips Alaska. The Colville River POD update, submitted to the division in March, said the company was planning as many as 21 wells. The most recent Kuparuk plan, covering Aug. 1, 2019, through July 31, 2020, called for drilling of five grassroots rotary wells and some 20 coil tubing wells.

In a March 18 update, ConocoPhillips said it was cutting some $200 million from its Alaska spend. Matt Fox, ConocoPhillips executive vice president and chief operating officer, said there would be “reduced drilling in Kuparuk in the western North Slope, not laying down a couple of rigs for some time in the Kuparuk and Alpine area,” with an estimated 2,000 barrel per day impact on production.

The company said details would be presented in its first quarter earnings conference call on April 30.

In a March 25 update on COVID-19, published on ConocoPhillips’ website, the company said there were no cases of COVID-19 in its North Slope operations.

regulatory approvals.”

He also thanked President Donald Trump (who reversed President Barack Obama’s decision to scuttle the venture) and Kenney “for their advocacy without which ... this project could not have advanced.”

In addition, Girling noted that TC Energy has an existing $30 billion secured capital program. To get ahead of the anticipated opposition, the company noted that six comprehensive reviews by the U.S. Department of State over the past decade concluded that the project “can be built and operated in an environmentally sustainable and responsible way.”

As well, Keystone XL will be safer and generate less greenhouse gas emissions than “current methods of transporting crude oil to market.”

On an earnings call in February, Girling noted that his company had acquired 100% of the needed pipeline right of way through Montana, South Dakota and Nebraska.

On March 27 the last piece of Doyen’s extended reach drilling rig, Doyen 26, left Deadhorse for the CD2 pad in the Colville River unit. The derrick and floor section mounted here is being pulled by three large haul trucks cabled together.

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KEYSTONE XL

spending impetus needed to complete Keystone XL is a “concrete vote of confi- dence in the future of the Canadian energy sector. We are in a crisis environment with a crash in oil prices, but the COVID-19 pan- demic will end and global demand will return.”

“When we reach that point, Alberta absolutely has a major pipeline in commission,” Kenney said. He said the Saudi Arabia-Russia price war in the middle of a health crisis “high- lights now more than ever why we need energy independence” and an interconnect- ed North American oil and gas market.

Without his government’s investment “we are certain that Keystone XL would not be built. In part because of the chaos in glob- al energy markets, private sector capital is not available to finance the project. We can’t wait any longer,” Kenney said.

He said that without Keystone XL he was concerned about the “demoralization of our industry, the zero access to capital, the shut- downs and layoffs that are happening. (Those trends) could become fatal for our industry if we don’t throw lifeline into the future so that when we get back to some kind of nor- malcy in markets, we can attract that investment.”

TC Energy said it expects to buy Alberta’s US$1.1 billion stake once the pipeline is in service and plans to raise about US$1 billion by selling some of its shares.

TC Energy said it has 20-year shipping agreements with “strong, credit-worthy counterparties” for 575,000 bpd and esti- mates those deals will generate US$1.3 bil- lion a year in earnings.

In addition, current contracts for 115,000 bpd from Hardisty in central Alberta to the Gulf Coast on the existing Keystone line will be transferred to the new facility under 20-year contracts.

It estimates construction work over the next three years will create thousands of construction jobs in Canada and the U.S. and eventually yield “tens of millions in provincial income taxes” every year.

TC Energy Chief Executive Officer Russ Girling said his company was grateful for the “backing of landowners, customers, indigenous groups and numerous partners ... to help us secure project support and key
hence increasing the development footprint in an environmentally sensitive area. About 65 Doyon employees will work on Rig 26. Workers will also be needed for camps, transport and other oilfield support services. —KAY CASHMAN

AOGA conference rescheduled

ORIGINALLY SCHEDULED FOR MAY 28, the Alaska Oil and Gas Association's annual conference has been rescheduled to July 30. “Due to the recent outbreak of COVID-19 and the unknowns around its resolution, our team feels that postponing this year’s annual conference would be in the best interest of the health and safety of all participants,” AOGA said on its website. The big annual oil and gas conference will be held at the Den’a Ina Civic & Convention Center in Anchorage. Sponsorship, exhibitor and individual registration information can be found at www.aogaconference.org.

China produces record amounts of hydrates

IN 2017 CHINA ANNOUNCED that for the first time it had extracted gas from an ice-like solid, methane hydrate, under the South China Sea. Methane is the primary component of natural gas, which in the icy solid is trapped in a lattice of water molecules. Methane hydrates hold vast reserves of natural gas and are often referred to as “fire ice” or “flammable ice” because when the methane is released it will burn when it encounters fire.

The U.S. Department of Energy says the world’s methane gas hydrates supply could be as much as 250,000 to 700,000 trillion cubic feet.

Many other regions including Alaska’s North Slope and off the west coast of Japan are working on how to tap those reserves, but extraction is extremely difficult and expensive — i.e. not cost-effective. Officially known as methane clathrates, they are formed at sub-zero temperatures and under high pressure and can be found in sediments under the ocean floor as well as beneath permafrost on land.

Gas can be released from hydrates through a combination of elevating the temperature or reducing the pressure causing them to break down into water and methane gas, the primary component of natural gas. One cubic meter of the compound releases about 164 cubic meters of gas.

According to a March 30 article in OilPrice.com, the Chinese claim they have produced a record amount of hydrates — 861,400 cubic meters.

Intriguingly, methane hydrate disassociation has been credited for sustained gas production from the East Barrow gas field at the western end of the North Slope. If this theory for gas production from the field proves correct, the phenomenon would demonstrate the possibility of continuous gas production from hydrates through depressurization of the hydrate resource. —KAY CASHMAN

Trump meeting with U.S. oil executives

PRESIDENT DONALD TRUMP IS MEETING with U.S. oil industry leaders at the White House on April 3 to discuss ways to help the domestic oil and gas industry as companies are “ravaged” by a price war between Saudi Arabia and Russia and falling demand for energy due to the coronavirus outbreak.

Executives from Exxon Mobil, Chevron, Occidental Petroleum and Continental Resources are among those that have been invited to meet with the president. First reported by The Wall Street Journal, Trump confirmed the meeting at a White House press briefing the evening of April 1. “I’m going to meet with the oil companies on Friday,” he said. “I’m going to meet with independent oil producers also on Friday, or Saturday, maybe Sunday. We’re having a lot of meetings on it.”

The Journal reported that topics to be raised at the meetings will include a tariff on Saudi Arabia oil coming into the U.S. and a Jones Act waiver that would allow non-American ships to transport oil and other goods between U.S. ports. Such waivers have been used by the federal government before during emergency situations, and at least once to bring a jack-up drilling rig into Alaska’s Cook Inlet.

Trump also said he had recently spoken with the leaders of both Russia and Saudi Arabia and believed the two countries would make a deal to end their price war and within a “few days” lower production in order to help bring oil and gas prices back up.

“Worldwide, the oil industry has been ravaged,” he said. “It’s very bad for Russia, it’s very bad for Saudi Arabia. I mean, it’s very bad for both. I think they’re going to make a deal,” he was quoted as saying in press coverage.

A source familiar with Trump’s plan told Reuters that oil refiners and small producers would also be represented in the meetings. —PETROLEUM NEWS

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