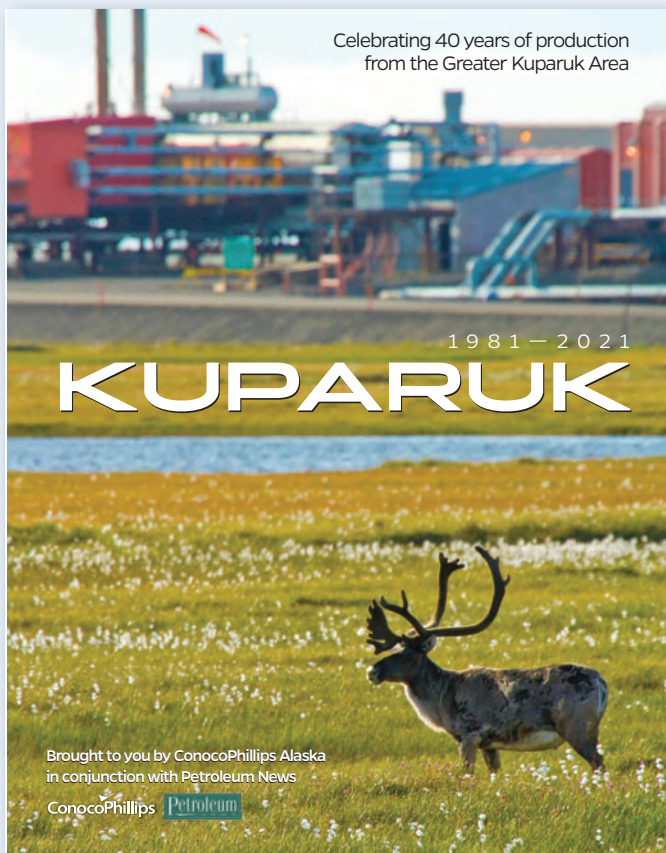


page 88E says 3 of Pantheon exploration
5 targets extend into Project Icewine

Kuparuk anniversary magazine



A special magazine dedicated to the first 40 years of oil production from ConocoPhillips Alaska's Greater Kuparuk Area.

Santos reaffirms Pikka; Brower, Sullivan want Haaland to say this

IN AN APRIL 21 QUARTERLY REPORT for the three months ending March 31, Oil Search owner Santos reaffirmed its guidance on its northern Alaska Pikka project, saying Pikka Phase 1 has received all major environmental and regulatory approvals and is on track to be ready for a final investment decision by mid-year.

The Australia-based company also confirmed in its 2022 guidance the \$400 million capital expenditure necessary to fund Pikka Phase 1.

The only uncertainty on Pikka's horizon had been the right of Santos subsidiary Oil Search (Alaska), to use to use roads in the ConocoPhillips Alaska's Kuparuk River unit between Pikka and the North Slope infrastructure OSA needed to use to

see INSIDER page 9

AOGCC OKs test fluids, extended work window for Thunderbird rig

Hilcorp North Slope, the Prudhoe Bay operator, has brought in a new workover rig at the field and has faced some issues with the Alaska Oil and Gas Conservation Commission on test fluids and a seasonal work window for the rig.

In an April 7 decision and an April 12 order on reconsideration, AOGCC approved, at least conditionally, requests from Hilcorp on use of fluids other than water for blowout preventer equipment testing, and on the extent of the work window for the rig.

Hilcorp has said the Thunderbird Rig 1, which is not designed for winter work in an Arctic environment, will be used seasonally — at issue was the extent of that season.

At a Feb. 22 hearing, Aras Worthington, senior technical advisor for Alaska operations for Hilcorp, told the commission

see THUNDERBIRD RIG page 8

FINANCE & ECONOMY

Tug of war a draw

Demand destruction fears cool rally on 8 million barrel US crude drawdown

By STEVE SUTHERLIN

Petroleum News

Alaska North Slope crude fell 26 cents April 20 to close at \$110.60 per barrel, as West Texas Intermediate gained 19 cents to close at \$102.75 and Brent fell 45 cents to close at \$106.80.

April 20 trading was a tug of war between fears of demand destruction and fears of supply disruption sending prices up and down before closing with little change.

As markets opened, prices jumped on an announcement from the U.S. Energy Information Administration that U.S. commercial crude inventories had been drawn down by 8 million barrels for the week ending April 15 — the largest draw

Demand fears were stoked by an International Monetary Fund report warning that the Russia-Ukraine war will set back global recovery from the coronavirus pandemic.

since the week ended April 30, 2021.

At 413.7 million barrels, U.S. crude oil inventories are 15% below the five-year average for this time of year, the EIA said.

Prices were further supported by indications from German officials that Germany will soon phase out purchases of Russian oil, and later phase

see OIL PRICES page 11

EXPLORATION & PRODUCTION

Ninilchik work continues

Hilcorp requesting contraction delay for more exploration, delineation at unit

By KRISTEN NELSON

Petroleum News

Hilcorp Alaska is requesting another delay in unit contraction at Ninilchik as it continues to delineate reserves within the unit, according to an April 18 letter from Cody Terrell, Hilcorp Alaska landman, to Alaska Division of Oil and Gas Director Derek Nottingham.

Terrell said Hilcorp is requesting a contraction delay to July 31, 2023.

The unit's original 10-year contraction date was Dec. 12, 2013, based on the beginning of sustained production; Hilcorp acquired the Ninilchik unit from Marathon Oil Co. on Feb. 1, 2013.

Alaska administrative code requires that 10

"Hilcorp anticipates submitting the necessary unit and PA adjustments following the completion of the planned delineation projects, no later than the end of the 2nd quarter of 2023 (prior to the requested deadline)," Terrell said.

years after sustained production, a unit area must be contracted to lands in an approved participating area and lands facilitating production, including adjacent lands necessary "for secondary or tertiary recovery, pressure maintenance, reinjection, or cycling operations," Terrell said, but the unit

see NINILCHIK WORK page 7

EXPLORERS PREVIEW

Fate of Eni's Nikaitchuq North drilling uncertain

Company misses initial deadline for spudding follow up well in Arctic OCS; has been working to increase production from Nikaitchuq

By ERIC LIDJI

For Petroleum News

Eni US Operating Co. Inc. designed its facilities at the Nikaitchuq unit to handle 40,000 barrels per day. With some tinkering, they could be expanded to 50,000 barrels per day.

But right now, after 11 years of productive life, the offshore unit in the coastal waters of the Beaufort Sea north

of Oliktok Point is averaging some 17,000 barrels of oil per day.

To fill the gap between production and capacity, the local arm of the Italian major has been pursuing a range of projects in recent years. It has added multilaterals to existing wells, improved well design, repaired and maintained wells, and tested new sands.

Throughout, the company has also

see EXPLORERS PREVIEW page 10



● EXPLORATION & PRODUCTION

AOGCC approves disposal at North Fork

Aquifer exemption required before Vision Operating can begin underground disposal allowing company to deal with produced water

By **KRISTEN NELSON**

Petroleum News

The Alaska Oil and Gas Conservation Commission has approved an application from Vision Operating for underground disposal of Class II oil field waste fluids at its Kenai Peninsula North Fork unit.

The commission said injection operations cannot begin until it issues, and the U.S. Environmental Protection Agency approves or does not act on, the company's request for an aquifer exemption for the unit.

In its application Vision indicated that it plans to expand natural gas production from North Fork.

The Dec. 21 application, signed by Vision Operating President Stephen Hennigan, said there are eight wells at the field with as many as 22 producing and pressure maintenance wells possible, up to two disposal wells, and ancillary equipment and production processing and handling facilities for oil, gas and water.

In February, the most recent month for which AOGCC production data are available, North Fork averaged 3.3 million cubic feet of natural gas per day.

Planned disposal

In its April 18 ruling AOGCC said six of the eight wells at North Fork are producing and two are shut-in, one of which, NFU 23-25, the company intends to convert to disposal injection operations.

NFU 23-25 was drilled in 2012 as a gas development well and three Tyonek formation intervals were perforated and tested. The deepest, 10,138-10,169 feet measured depth (8,294-8,325 feet true vertical depth subsea) produced only water, while two upper perforation intervals (7,107-7,131 feet TVDSS), were tested together but produced only 103 thousand cubic feet cumulatively over five days production scattered over six months.

The commission said Vision's disposal injection plans call for perforations into an unidentified waste disposal pool comprising as many as 13 separate Tyonek sandstone intervals divided between two zones, with the deeper disposal zone from 7,107-8,046 feet TVDSS and the shallower from 4,475-5,275 feet TVDSS.

Aquifer exemption zone

The commission said Vision's application includes a

request for an aquifer exemption order for the Tyonek below 3,418 feet TVDSS, underlying 1,920 acres within the unit boundary. Vision separately requested a freshwater exemption from the U.S. Environmental Protection Agency.

The commission said it will provide a ruling on the requested aquifer exemption in a separate decision.

Disposal fluids

The majority, 73.1%, of proposed disposal fluids will be produced water from North Fork wells.

"Vision does intend to dispose of solids laden fluids (including drilling muds or cuttings) as additional future wells are planned for the NFU development," the commission said, with those fluids estimated to be some 1.1% of the total volume and solids free workover fluids and completion brines contributing an estimated 23.4% of total disposal volumes. Vision said the disposal well would not be used for commercial purposes, but only for fluids from the North Fork unit.

A 30-year project life is estimated. ●

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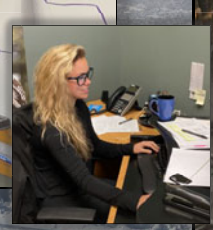
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● EXPLORATION & PRODUCTION

AOGCC OKs pilot Ugnu program at Milne

Increased production projected from polymer injection proposed by operator Hilcorp at S Pad, starting with 1 producer, 2 injectors

By KRISTEN NELSON
Petroleum News

The Alaska Oil and Gas Conservation Commission has approved a pilot injection project for pressure maintenance and enhanced recovery from the Ugnu reservoir at the Milne Poine unit.

Hilcorp Alaska, the working interest owner and operator at Milne Point, applied in November for a pilot polymer injection project at S Pad. The company said approval is required because polymer is not approved for enhanced oil recovery under the existing area injection order and prior temporary administrative approval for water/gas injection into the Ugnu sand expired.

The project builds on work begun by the previous field owner and operator, BP Exploration (Alaska) in 2003, Hilcorp said, and is for a subset of the overall S Pad development area.

Hilcorp began using polymer injection for Schrader Bluff oil at Milne Point in 2018 and said that year that it expected polymer to increase Schrader recovery from 10% to 15% of oil in place at Milne to as much as 50%.

Milne history

In its April 14 approval, the commission reviewed Milne Point development

Socal's Kavearak Point 32-25 well, some 3 miles north-northeast of S Pad, the first well in the Milne Point unit, was drilled and suspended in 1969, finding oil in the Ugnu and Schrader Bluff intervals and also discovering the underlying Kuparuk River oil pool.

Conoco Inc. conducted extensive delineation and development drilling for the Kuparuk River oil pool at Milne between 1980 and 1985, installed a pipeline and processing facilities, and began production in November 1985.

Between 1989 and 1991, Conoco acquired and interpreted a 3D seismic survey, focused on the Schrader Bluff and Ugnu formations, installed four drilling pads and drilled 21 wells to develop the Schrader Bluff pool in the southwestern portion of the unit, beginning regular production in March 1991.

BP purchased Conoco's interest at Milne in early 1994 and began an aggressive Schrader Bluff development program, including expansion of S Pad. Twenty-one development and service wells were drilled and brought online from S Pad in 2002, with an additional 40 wells drilled between 2003 and 2012 from S Pad into the Schrader Bluff and Ugnu oil pools.

Hilcorp bought into Milne Point in 2014 and became unit operator.

Between 2019 and 2021, the commission said, Hilcorp drilled eight additional wells from S Pad, one Ugnu and seven Schrader Bluff wells.

Production from the Ugnu undefined oil pool began in November 2003 and continued sporadically until 2013 from five wells, the commission said, with total production of 122,062 barrels of oil.

Since 2019 there has been a single Ugnu producer at Milne, MPU S-203, with cumulative production of 185,408 additional barrels.

Experience with polymer injection elsewhere on the North Slope indicates the expected recovery factor for the project area would be between 9% and 25%, an estimated recoverable reserve of 540,000 to 1.5 million barrels in the initial pilot area, the commission said.

Ugnu recovery estimates

The commission said the primary recovery factor for Ugnu oil is estimated to be between 4% and 8%, with oil in place in the proposed pilot project area estimated at some 6 million barrels. Experience with polymer injection elsewhere on the North Slope indicates the expected recovery factor for the pilot project area would be between 9% and 25%, an estimated recoverable reserve of 540,000 to 1.5 million barrels in the initial pilot area, the commission said.

A three-well pilot is planned: a central horizontal producer with offsetting horizontal injectors.

"Should this project prove the viability of a polymer waterflood, the pilot project would be expanded by adding up to 10 additional wells to test the concept on a larger area before committing to field wide development," the commission said. There are an estimated 70 million barrels in place in the expanded pilot area with recoverable reserves of some 6.3 million to 17.5 million barrels based on the same 9% to 25% recovery factor.

"Should the expanded pilot project show the polymer waterflood is technically and economically viable, it could be expanded field wide," the commission said.

The water injection rate for the pilot is anticipated to be 2,000-8,000 barrels of

see PILOT PROJECT page 4



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EXPLORATION & PRODUCTION

US drilling rig count up by 4 to 693

The Baker Hughes' U.S. rotary drilling rig count was 693 on April 14, prior to the Easter weekend, up by four from the previous week and up 254 from a count of 439 a year ago.

When the count dropped to 244 in mid-August 2020 it was the lowest the domestic rotary rig count has been since the Houston based oilfield services company began issuing weekly U.S. numbers in 1944.

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

The count was in the low 790s at the beginning of 2020, where it remained through mid-March, when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August 2020 when it gained back 10 rigs.

The April 14 count includes 548 rigs targeting oil, up by two from the previous week and up 204 from 344 a year ago, with 143 rigs targeting gas, up by two from the previous week and up 49 from 94 a year ago, and two miscellaneous rigs, unchanged from the previous week and up by one from a year ago.

Thirty-two of the rigs reported April 14 were drilling directional wells, 636 were drilling horizontal wells and 26 were drilling vertical wells.

Baker Hughes shows Alaska with eight rigs active April 14, up by one from the previous week and up by five from a year ago, when the state's rig count stood at three.

Alaska rig count up by one

The rig count in Texas (346) was up by four from the previous week. West Virginia (14) was up by two rigs.

Alaska (8) and Oklahoma (51) were each up by a single rig week over week. Pennsylvania (23) was down by two rigs week over week while Louisiana (56) and New Mexico (95) were each down by a single rig.

Rig counts in all other states were unchanged week over week: California (7), Colorado (15), Kansas (1), North Dakota (33), Ohio (12), Utah (13) and Wyoming (16).

Baker Hughes shows Alaska with eight rigs active April 14, up by one from the previous week and up by five from a year ago, when the state's rig count stood at three.

The rig count in the Permian, the most active basin in the country, was up by two from the previous week at 334 and up by 107 from 227 a year ago.

—KRISTEN NELSON

"Industry Resilience, Safety Evolution"



The Alaska Safety Advisory Council invites you to attend the 40th Annual Alaska Governor's Safety and Health Conference.

The AKGSHC promotes education, networking, awards, and the improvement of safety and health in our Alaska workplaces. The updated platform (virtual) allows businesses and personnel throughout the entire state to participate. This is great for networking, cost, and general fun. We expect to see a diverse set of attendees and speakers at this year's conference!

This year, we celebrate the resilience of our industry and recognize the milestones we have achieved.

Conference details:

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- **Platform:** Virtual
- **Registration:** <https://akgshc.com>

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LAND & LEASING

Division issues call for new information

The Alaska Division of Oil and Gas has issued a call for new information for three upcoming lease sales: the 2022 Beaufort Sea, North Slope and North Slope Foothills areawide sales.

The division said April 15 that sales for these areas are tentatively scheduled for the second half of 2022 and is requesting “substantia new information that has become available over the past year” and said based on the information received, it will either issue supplements to the existing best interest findings or decisions of new substantial new information.

The most recent Beaufort Sea final best interest finding was issued in 2019, that for the North Slope in 2018 and that for the North Slope Foothills in 2021. The division said no supplements have been issued.

Findings are available on the division’s website:

<http://dog.dnr.alaska.gov/Services/BIFAndLeaseSale>.

Substantial new information must be received by 5 p.m. May 16.

Substantial new information is requested for matters listed in AS 38.05.035(g) including:

- Property descriptions and locations;
- Petroleum potential;
- Fish and wildlife species and habitats;
- Current and projected uses in the area;
- Governmental powers to regulate exploration, development, production and transportation of oil and gas or gas only;
- Lease stipulations and mitigation measures;
- Method/methods most likely to be used to transport oil or gas from sale area;
- Reasonably foreseeable cumulation effects of exploration, development, production and transportation of oil and gas or gas only;
- Reasonably foreseeable fiscal effects of lease sale and subsequent activity;
- Reasonably foreseeable effects of exploration, development, production and transportation; and
- Bidding method or methods.

—PETROLEUM NEWS

Alaska Oil and Gas Attorney Opening

The State of Alaska, Department of Law is recruiting for an attorney to join the Oil and Gas Section.

The position description and application information is available at:

<https://law.alaska.gov/department/jobs/0122-OG-01.html>

• LAND & LEASING

State extends Placer unit until Quokka decisions are in

By KAY CASHMAN

Petroleum News

As reported in the April 10 issue of Petroleum News, on April 1, ASRC Exploration, or AEX, operator of the North Slope Placer unit, sent a letter to Derek Nottingham, director of Alaska’s Division of Oil and Gas, requesting an extension of the Placer unit’s fifth plan of development and a corresponding extension of time to submit the sixth POD. The six-month extension to Dec. 31, 2022, was tied to Oil Search’s application to form the Quokka unit, which includes the Placer leases.

On April 19, Nottingham approved AEX’s request.

In his notification letter to Erik Kenning, AEX senior director of lands and natural resources, he provided the following background:

- The fifth Placer unit’s POD period was originally set to expire on Dec. 31, 2021.

- On Dec. 8, 2021, however, the division approved AEX’s initial request to extend the fifth POD period through June 30, 2022, due to the pending Placer lease assignment to Oil Search (Alaska), operator of the proposed Quokka unit.

- On Dec. 30, 2021, the division received an application to form the Quokka unit from OSA. An exhibit in that application listed the Placer leases followed by an asterisk stating, “Assignment of Working Interest from AEX, pending.”

- The proposed unit area, shown on Exhibit B of the Quokka application, includes the Placer unit. Due to the pending assignment applications, AEX joined the proposed Quokka application as a working interest owner.

- The assignment applications and Quokka application are currently being adjudicated and separate decisions will be issued for each.

The six-month extension to Dec. 31, 2022, was tied to Oil Search’s application to form the Quokka unit, which Placer leases were included in.

AEX requested the additional six-month extension of the fifth Placer POD period due to the pending applications.

Finding and decision

“When considering a POD, the Division must consider the criteria in 11 AAC 83.303(a) and (b),” Nottingham wrote.

“Accordingly, the Division considered the public interest, conservation of natural resources, prevention of economic and physical waste, protection of all interested parties including the state, environmental costs and benefits, geological and engineering characteristics of reservoirs or potential hydrocarbon accumulations, prior exploration activities, plans for exploration or development, economic costs and benefits to the state, and any other relevant factors, including mitigation measures. 11 AAC 83.303(a), (b).”

In approving the prior PODs for the Placer unit, Nottingham wrote in his decision letter to Kenning, that the division “considered the 11 AAC 83.303(b) criteria and found that the PODs promoted conservation of natural resources, promoted prevention of waste, and protected the parties’ interests.”

In its April 19 decision, Nottingham incorporated those findings by reference.

Finally, the sixth Placer POD is due Oct. 3, 2022, 90 days before the fifth POD expires. ●

Contact Kay Cashman
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continued from page 3

PILOT PROJECT

water per day per injection well, the commission said.

Commission conclusions

In its conclusions the commission said an enhanced recovery injection order is appropriate for the pilot project, with reservoir simulation modeling showing “a polymer enhanced waterflood injection into the Ugnu Reservoir should substantially improve oil recovery” while the technical and economic feasibility of the operation is not known.

The enhanced recovery injection order will expire three years after injection activ-

ity begins unless an extension is granted.

The commission required an annual progress report beginning in April 2023 and a final report within 90 days of completion of the pilot injection project, with reports to include:

- Information on any adverse events related to the pilot injection project;
- Average and maximum injection rates and pressures for each injection well;
- Results of any surveillance and/or tracing testing;
- Discussion of whether an enhanced recovery response was noted; and
- Discussion of plans for upcoming year. ●

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EXPLORATION & PRODUCTION

Pantheon targets extend into 88E's Icewine

By **KAY CASHMAN**
Petroleum News

Shares in 88 Energy Ltd. rose slightly after the company announced that recent exploration success near its Icewine leases on Alaska's North Slope Pantheon Resources and third-party mapping using available well information from Pantheon suggests that three targets extend into the Project Icewine area (see map in the pdf and print versions of this story).

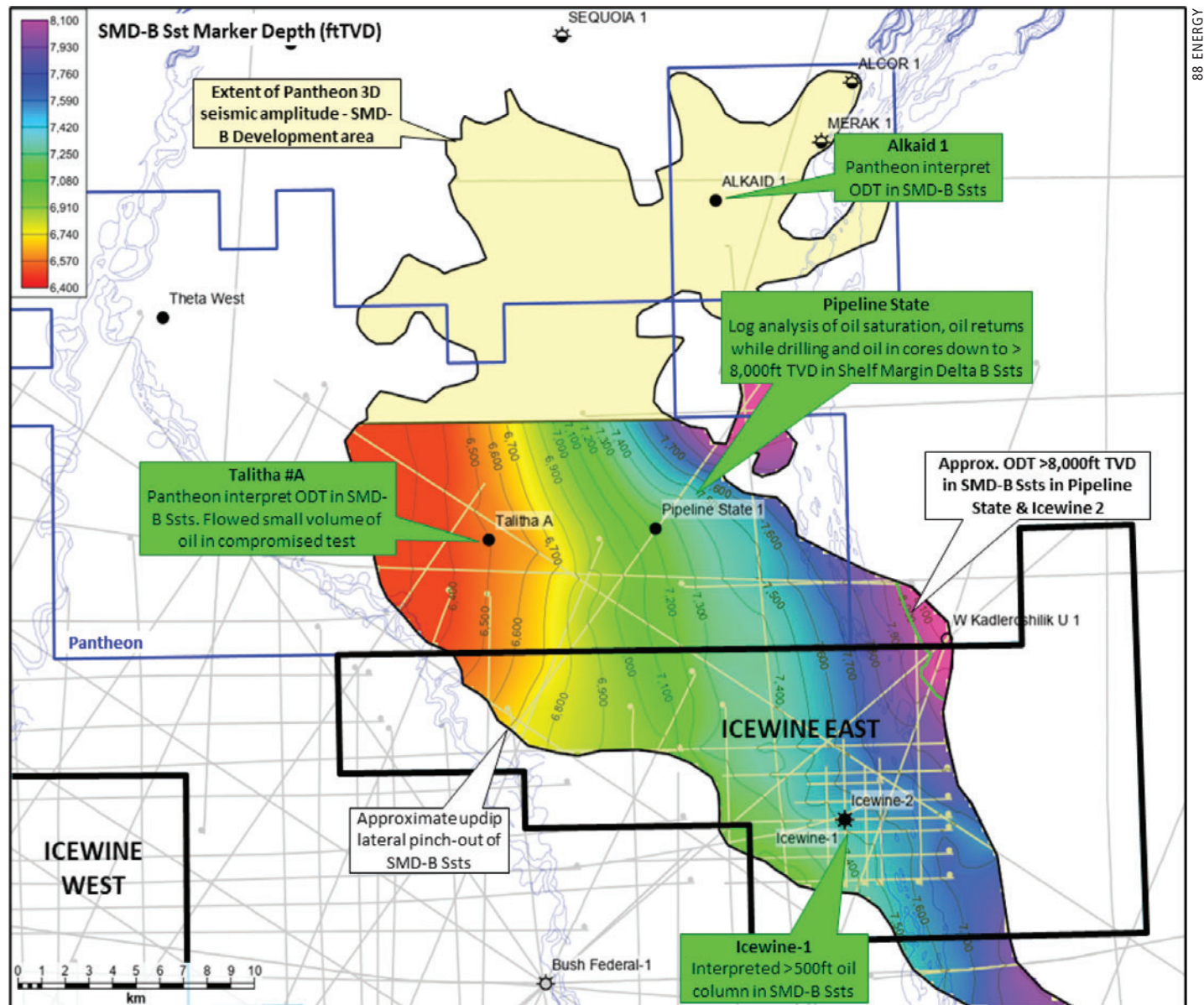
Recent Pantheon well tests confirmed light, sweet oil from multiple reservoirs, which 88 Energy said is positive for the prospectivity of Icewine. Specifically, the company said Pantheon “plus internal 88E data, including Icewine 1 and Icewine 2 well logs and existing 2D seismic, indicates that all play fairways extend into the Project Icewine lease holding.”

88 Energy also said it is in talks for a farm-out of the project and expects to complete the mapping of the prospects in April that will form the basis for a new resource estimate for Icewine. It is expected to be released sometime in second quarter.

88 Energy also said it is in talks for a farm-out of the project and expects to complete the mapping of the prospects in April that will form the basis for a new resource estimate for Icewine. It is expected to be released sometime in second quarter.

In its ASX April 8 announcement, 88 Energy summed up the good news in the following highlights:

- Preliminary third-party mapping of the Shelf Margin Delta play indicates extension of the SMD play fairway, where neighbor Pantheon Resources has had significant success in recent months, onto 88E's Project Icewine leases.
- Mapping of Seabee Lower Basin Floor Fan (BFF) and Slope Fan System (SFS) approaching finalization.
- Completion of independent resource



update for Project Icewine scheduled for Q2 2022.

- Discussions and negotiations with potential Project Icewine farm-in parties ongoing.
- Development of forward work program to assess the potential of the SMD, SFS and BFF play fairways on the Project Icewine acreage is progressing.

Brookian plays

The source rocks (GRZ/HRZ) for the Brookian plays within the Project Icewine area are “modeled to be within the oil mature window, with historical wells reporting abundant oil shows and

interpreted oil saturations from electric log data,” 88 Energy said.

“Recent Pantheon wells — Alkaid-1, Talitha-A and Theta West-1— have flowed 35 to 40° API oil from multiple Brookian reservoirs. Pantheon testing has confirmed reservoir deliverability of light, sweet oil,” 88 Energy said, referring to its shareholders to look at Pantheon’s releases of Feb. 7 and 21, which “88 Energy believes is positive for the prospectivity of the adjacent Project Icewine acreage.”

Pantheon drilled the Talitha-A well, which is 2.8 miles north of the Project Icewine permit boundary, in Q1 2021.

“The well was suspended following a production test of the Kuparuk, with Pantheon announcing its intention to return to test additional targets, namely the BFF, the SFS and the SMD, during the 2022 drilling season. Earlier this year, Pantheon re-entered the Talitha-A well and individually flow-tested the BFF target and the SFS target, which resulted in the sustained recovery of light oil over a three-day period from each test. All targets are interpreted by the company, and independently, to extend into the Project Icewine acreage,” 88 Energy said April 8. ●

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ENVIRONMENT & SAFETY

Work continues to bring CD1 back online

Work continues to bring CD1 wells back online after the pad at the Colville River unit's Alpine field was shut-in following a March 4 natural gas release. ConocoPhillips Alaska is the Colville River unit working interest owner and operator.

Except for waste and produced water injection wells at CD1 remain shut-in, according to the April 19 situation report from the Alaska Oil and Gas Conservation Commission, the most recent update available when this issue of Petroleum News went to press.

The gas release was first observed from the ground at the wellhouse of well CD1-05 and natural gas releases occurring at seven wells on the pad and through cracks on the pad near Doyon Rig 142.

The source of the gas was identified as the C-10 Halo zone of the WD-03 disposal well which was being drilled when the release occurred. The C-10 Halo zone had not been cemented, ConocoPhillips said, because it had not been interpreted "as a significant hydrocarbon zone."

On April 13 AOGCC reported that an open hole cement plug was in place in the WD-03 well and said once the cement was set the plug would be tested. On April 15 the commission reported that the initial pressure test on the open hole cement plug was unsuccessful.

A new cement plug was placed, the commission said April 18, and once the cement had cured it would be tested; that was the status reported April 19: "Waiting for cement to cure," the commission said.

AOGCC production data for March shows total crude from CD1 for the month was 3,579 barrels, compared to 45,726 barrels in January and 42,191 barrels in February. Natural gas production from CD1 totaled 201,156 thousand cubic feet, mcf, in January, 195,471 mcf in February and 66,634 mcf in March, including 24,275 mcf from the "Halo undefined gas" pool through well WD-03.

—KRISTEN NELSON

GOVERNMENT

NM adopts stiffer O&G pollution rules

New Mexico regulators have approved more rules aimed at cracking down on pollution from the oil and natural gas industry amid the national debate over domestic production and concerns about global energy market instability.

Gov. Michelle Lujan Grisham's administration on April 14 praised the rules, calling them among the toughest in the nation.

"This is a momentous step forward in achieving our goals of lowering emissions and improving air quality. New Mexicans can be proud of the fact that we are leading the nation by implementing rules that protect our families and their environment," said Lujan Grisham, who is running for reelection.

The Democrat has pushed for more regulations throughout her first term and the rules approved the week of April 11 by the state Environmental Improvement Board mark the second part of her plan for tackling pollution blamed for exacerbating climate change.

High fuel prices are hurting household finances as the New Mexico state government benefits from a financial windfall linked to record-setting oil production in the Permian Basin. New Mexico last year surpassed North Dakota to become the No. 2 oil producing U.S. state behind Texas.

State oil and gas regulators adopted separate rules earlier this year to limit venting and flaring at petroleum production sites to reduce methane pollution.

This latest effort, led by the state Environment Department, focuses on oilfield equipment that emits smog-causing pollution, specifically volatile organic compounds and nitrogen oxides.

It includes minimum requirements for oil and natural gas producers to calculate their emissions and have them certificated by engineers and to find and fix leaks on a regular basis. The rule would apply to compressors, turbines, heaters and other pneumatic devices used at the production sites.

The New Mexico Oil and Gas Association, which represents producers, expects the new rules will reduce emissions. But industry officials said New Mexico oil and gas production is responsible for only a small amount of the state's ozone pollution.

Ozone pollutants also can be found in wildfire smoke and vehicle emissions. The U.S. Environmental Protection Agency is considering classifying some of the largest cities in the nation as "severe" ozone pollution violators.

The Independent Petroleum Association of New Mexico criticized the rules, saying the state opted to remove a more flexible regulatory framework for low-volume producers after being pressured by environmental groups. The industry group said April 15 that the rules will lead to premature plugging of still-productive wells.

New Mexico lawmakers in a recent special session approved tax rebates to offset increased prices for fuel and other consumer goods.

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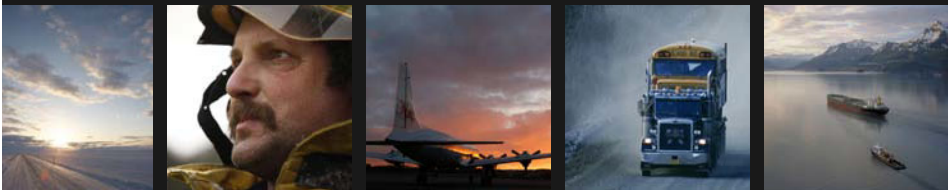
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NINILCHIK WORK

agreement and Alaska administrative code provide that “mandatory unit contraction may be delayed by DNR if circumstances so warrant.”

Hilcorp has requested a delay every year since 2013, Terrell said, “in efforts to fully delineate the reserves” within the unit, with the most recent request a two-year extension approved June 25, 2020.

The current request for an extension is to support continued exploration efforts and allow time to resolve an appeal regarding the Falls Creek participating area.

“Hilcorp anticipates submitting the necessary unit and PA adjustments following the completion of the planned delineation projects, no later than the end of the 2nd quarter of 2023 (prior to the requested deadline),” Terrell said.

Exploration and development

Terrell reviewed the work Hilcorp has done at the Ninilchik unit since acquiring it in early 2013, including exploration and development drilling. He said Hilcorp has also done workovers and facility improvements “designed to expand and optimize production,” work which will continue through 2022 and extend into 2023.

“This work will ultimately transition the NINU from its current exploratory/delineation status,” Terrell said.

Following completion of the company’s exploration and delineation work it will expand existing Ninilchik participating areas to include existing and historic production. Hilcorp has already made a substantial investment at Ninilchik and plans to continue exploration and delineation projects, he said:

- 2015 — aerial gravity and magnetics survey completed over the unit and surrounding areas with data from the survey used to plan exploratory drilling program;

- 2016 — unit and participating area expansion proposed at Falls Creek based on previous year’s exploration work with an appeal still pending;

- 2017 — seven stratigraphic test wells completed within and in the vicinity of the unit, with data being used in planning proposed well design for Pearl 2A well and for unit and participating area reconfiguration; and

- May 2020 to current — five grassroots wells drilled within unit, as well as “numerous workovers, perforation adds,

Hilcorp has requested a delay every year since 2013, Terrell said, “in efforts to fully delineate the reserves” within the unit, with the most recent request a two-year extension approved June 25, 2020.

and rate add projects within the NINU to delineate the structure and increase production rates.”

Pearl 2A

The exploration pad for the Pearl 2A well was constructed in 2017, Terrell said, with the well originally planned for 2017 but deferred.

Hilcorp has now permitted the Pearl 2A, which was scheduled to spud about March 23 and Terrell said Hilcorp commits to completing Pearl 2A and analyzing drilling data by June 30, “unless unforeseen delays occur.”

The company anticipates drilling data from the Pearl 2A “will determine how both the Unit and PA will be reconfigured.”

Hilcorp applied to the Alaska Oil and Gas Conservation Commission for a spacing exception to drill the Pearl 2A well in January. The company drilled seven Pearl

stratigraphic wells in 2017. In its drilling permit application the company said, “Pearl 2A will be the first Hilcorp exploration well drilled around the southern extent of the existing Ninilchik Unit Field.”

When it approved the drilling permit AOGCC said Pearl 2A would target unproven gas reserves in the Beluga and Tyonek formations within the Pearl undrilled gas pool and Beluga/Tyonek pool.

Blossom 1, Abalone

Terrell said Hilcorp plans additional well work at the existing Blossom 1 exploratory well, likely beginning in mid-July. He said the company will complete the work and evaluate production data by mid-September, barring unforeseen delays, and “anticipates that the results from the well work on Blossom 1 will determine how both the Unit and PA will be configured.”

AOGCC data show Blossom 1, completed in 2015, as a single completion gas well in the Beluga-Tyonek gas pool, drilled to a total measured depth of 11,200 feet and a true vertical depth of 7,584 feet. AOGCC records show no production from the Blossom 1.

Terrell said Hilcorp has identified

Abalone, within the Ninilchik unit just north of the Falls Creek PA, as a prospect, and plans to conduct a field study in 2022 to identify possible wells in and around the prospect. He said Hilcorp commits to completing the field study and deciding by the end of the year, unless there are unforeseen delays, and anticipates the field study will “determine how both the Unit and PA will be reconfigured, as well as identify areas of the NINU that may contribute to production.”

Falls Creek

The Falls Creek PA issue was remanded to the Department of Natural Resources commissioner by the Alaska Supreme Court in April 2021 after that court overruled the DNR commissioner and the Alaska Superior Court. The Supreme Court found that the holder of an overriding royalty interest in a state lease, in this case PLC LLC and MH2 LLC, owned by Paul Craig and family, had standing against DNR in a 2017 decision in which DNR excluded a state lease in which PLC holds an ORRI from inclusion in the Falls Creek PA. ●

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THUNDERBIRD RIG

the new rig is “relatively lightweight, mobile, and is capable of most of the scope of the workovers we plan to do in Greater Prudhoe Bay.” He said the rig uses a tenth of the fuel of predecessor workover rigs, which are larger and less mobile, and does not require rig matting of roads to move from pad to pad.

Test fluid

The commission initially denied a request from Hilcorp for use of 60/40 methanol/water or 9.8 ppg brine as blowout prevention equipment test fluids in lieu of water. Hilcorp requested a hearing on the issue, which was held in February.

Following that hearing, which included testimony that 9.8 ppg NaCl solution and a

60/40 methanol water blend have small compressibility factors and should be considered similarly non-compressible as water for testing purposes, the commission granted Hilcorp’s request to use 60/40 methanol/water or 9.8 ppg brine as blowout prevention equipment test fluids.

Work window

But in its April 7 decision the commission limited the Thunderbird to operations from May 1 through Oct. 31.

Hilcorp had requested an operating window from April 15 until Nov. 15 based on average temperatures at Prudhoe. The company told the commission it was not its intent to operate the rig year round because the rig was not designed for operation in extreme cold weather and has structural limitations at minus 20 degrees Fahrenheit. At the February hearing the company said it intended to operate the rig

six to seven months per year as it was not a fully enclosed and winterized rig.

The commission said there were issues last winter, noting the Thunderbird failed a BOPE test and “struggled to achieve passing annular closure times on its BOPE equipment during cold weather.”

“Because of the difficulties encountered in achieving a passing test in early November 2021, AOGCC does not approve Hilcorp’s proposed operating window of April 15 through November 15 for the Thunderbird rig,” the commission said.

“Thunderbird’s lack of a winterization package makes it unsuitable to operate in the weather conditions encountered during winter months and some time periods of the spring and autumn shoulder seasons.”

Reconsideration request

Hilcorp responded to the commis-

sion’s April 7 decision on April 11.

The company listed additions to the rig’s equipment it has made since November for cold weather and modifications to the BOPE system to address issues of concern to the commission.

Hilcorp said it had already mobilized crews for the rig, expecting to start April 15, based on AOGCC approvals for work which indicated April as the start date, giving the company “every reason to assume that there would be no curtailment of the season since the Sundries were approved with no discussion of the start dates.”

Hilcorp said that taking two weeks off the beginning and end of the rig’s work season, one-sixth of the company’s current operating season for the rig, would eliminate up to four rig workovers.

“There will be production impacts to the late startup and earlier shut-down,” Hilcorp said.

The company proposed that it mobilize the rig as planned on April 15, as it had an agreement with the rig contractor and would have to pay the rig’s day rate regardless of when the work started.

Hilcorp proposed rigging up the BOPE system to the well and testing the BOPE with an AOGCC witness requested to show “that the BOPE system performs to the specifications required and under the weather conditions prevailing at that time.”

“If the BOPE system passes all tests to the Commission’s satisfaction, Hilcorp requests that we immediately we allowed to go to work on the well.”

In its April 12 order on reconsideration the commission acknowledged concerns identified by Hilcorp, including “having already mobilized rig crews and established work agreements with the rig contractor based on AOGCC approved well workover permits that identify intentions for an April 15 startup.”

The commission said Hilcorp has added to the rig’s winterization since 2021.

AOGCC approved Hilcorp’s requested startup date of April 15 and said decisions on the seasonal limit imposed in the April 7 order “beyond the 2022 startup date will be based on Thunderbird rig equipment and performance.”

—KRISTEN NELSON

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INSIDER

develop the Pikka project, including access to OSA's seawater treatment plant and the trans-Alaska oil pipeline system which would take Pikka liquids to market.

OSA reportedly turned down ConocoPhillips' proposal for OSA to pay \$95 million in fees for use of the roads and applied to the state for a permit to access them, which the Alaska Department of Natural Resources granted in late March. According to a Reuters story, ConocoPhillips is challenging that permit, per a letter the company sent to DNR Commissioner Corri Feige on April 5.

Feige gave ConocoPhillips until May 18 to file additional information and has given OSA until June 7 to respond, but she denied a request from ConocoPhillips to halt the land use permit while the challenge is being considered.

What Sullivan, Brower want Haaland to tell Alaskans

AS THIS ISSUE OF PETROLEUM NEWS goes to press on April 21, U.S. Interior Secretary Deb Haaland is visit-



KEVIN GALLAGHER

ing Alaska, including a stop in Utqiagvik, previously known as Barrow, Anchorage, Fairbanks, Seward and King Cove.

The whirlwind tour of travel and stakeholder meetings is in a state where the federal government manages some 60% of the land.

Haaland, the first Native American to hold a cabinet position, will be joined on her trip by Tracy Stone-Manning and Martha Williams, the national heads of the Bureau of Land Management and the Fish and Wildlife Service.

Haaland's visit is a commitment that she gave to U.S. Sen. Dan Sullivan, R-Alaska, prior to her confirmation.

An April 17 op-ed by Sullivan and Democratic North Slope Borough Mayor Harry Brower Jr. said "we are heartened that she's living up to this commitment." (The op-ed was first published in the Anchorage Daily News.)

While she is traveling around Alaska, Sullivan and Brower want Haaland to announce changes to the Interior Department's policies under the Biden administration that



DEB HAALAND



DAN SULLIVAN

they view as being harmful to the state's oil and gas production and to its rural communities.

"Because of the power Interior secretaries have over our state, the relationship between the secretary and state leaders has at various times in history been strained. And many of the decisions that the Interior Department, or DOI, has made under Secretary Haaland's charge have the potential to continue that strained relationship," the op-ed said.

"Specifically, among other actions that she might take, we would like her to announce the following: She and the president will faithfully execute the law as it relates the Arctic National Wildlife Refuge, or ANWR; DOI will fully support the Willow project by recommitting to complete the Environmental Impact Statement in June, as well as committing to support other energy projects within the National Petroleum Reserve in Alaska, or NPR-A; announce that DOI will accept the King Cove Road land exchange without further studies; and, at long last, approve the signed public land orders that will allow Alaska Native Vietnam-era veterans to apply for the land



HARRY BROWER JR

see INSIDER page 11

Petroleum news

Oil Patch Bits

PND remembers Dennis Nottingham and David Pierce

PND Engineers Inc. said recently that two of its past presidents, Dennis Nottingham PE and David Pierce PE SE, passed away in early 2022.

Nottingham, co-founder of PND, died March 6. He was 84 years old. Born in 1937 in Fort Benton, Montana, Nottingham is one of the most influential engineers in Alaska history. He leaves behind a legacy that extends well beyond the 49th state. Enshrined in the Alaska Innovators Hall of Fame in 2015 by the Alaska Statewide Committee for Research as "the bridge builder," Nottingham designed more than 300 Alaska bridges. He won the prestigious NOVA Award from the Construction Innovation Forum Inc. in 1998 for PND's Open Cell Sheet Pile bulkhead technology. Nottingham co-founded PND in 1979, then served as company president for 30 years until his retirement in 2009.

Pierce, one of PND's first hires, died in February after a courageous yearlong battle with cancer. He worked at PND for more than 30 years, beginning in Anchorage in 1982, and later helping to launch and lead the Seattle office from 1988 to 2012. He helped develop many challenging and recognizable projects across Alaska, the Pacific Northwest, and the United States,



DENNIS NOTTINGHAM



DAVID PIERCE

including Seattle's Bell Street Pier, Shilshole Marina and improvements to the port in his hometown of Bandon, Oregon. Pierce served as PND president from 2009 to 2012. He then moved closer to his home in Oregon and went to work for an old friend at Advanced American Construction where he assumed the role of chief engineer, continuing to work for another decade until his passing.

APWA to hold charity event in Anchorage April 29

The Anchorage Petroleum Women's Association recently said that it will be holding a charity event April 29 from 6 p.m. to 9 p.m. at the Discovery Theater in the Alaska Center for The Performing Arts at 621 W. 6th Ave., Anchorage, Alaska 99501.

Enjoy a night of food, cocktails, music and auction items to benefit this year's chosen charity the Alaska Youth Orchestra.

Please join for a tapas-style dinner, drinks, and silent and live auction items, all capped off with a short private concert by AYO. Admission is \$100 per person and is open to all adults ages 21+.

Space is limited, to reserve your spot now go to:

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EXPLORERS PREVIEW

been pursuing expansion projects, including two projects to step out development to the east and the west, within its unit boundaries. But its most ambitious project involves a block of leases to the north, beyond the unit.

The multiyear Nikaitchuq North exploration program is targeting an unidentified seismic anomaly in federal waters of the Outer Continental Shelf, north of the existing state managed Nikaitchuq unit. The company drilled an initial well in the 13-lease Harrison Bay Block 6423 Unit in 2018 and 2019 and initially planned to return to the area to drill a follow-up well this winter. The company had not drilled the well by early April 2022.

Aside from drilling locations, and other details included in permitting documents, the company has kept many of the details of the program private for now. But in a presentation to the Alaska Resource Development Council in 2017, Eni suggested that the Nikaitchuq North project could “double recoverable reserves and replace decline.”

Eni SpA is one of the largest oil companies in the world. It employs some 33,000 people in more than 70 countries and produces nearly 2 million barrels of oil equivalent daily.

Alaska represents a small percentage of that global operation, but it has become a stable and predictable source of production and revenue for the company over the past decade.

Eni actually began its life in Alaska in the 1960s, when an earlier subsidiary conducted activities in Cook Inlet. Its current tenure dates to the mid-2000s when the company acquired onshore exploration acreage in the central North Slope and then partnered with Armstrong Resources to pursue promising nearshore acreage off the North Slope coast.

Eni began developing the Nikaitchuq unit in 2008 and brought the unit online in January 2011. To date, the company has spent more than \$2 billion developing the unit. The development includes an onshore facility at Oliktok Point and an offshore facility at Spy Island, as well as independent processing facilities and a sizable drilling program.

Decade of expansion

The Nikaitchuq North project emerged during a transitional period at the unit.

Eni suspended development drilling at Nikaitchuq in May 2015 during a downturn in oil prices. The decision came as the company was considering its options for expansion.

After completing its initial drilling program for the Oliktok Point Pad in October 2012, Eni shifted to a campaign to projects that would extend field life. It sidetracked existing wells in 2013 and 2014 and appraised an undeveloped nearby N sand target in 2014.

Continuous drilling began at the Spy Island drill site in November 2012. The company expanded the program in early 2013 with its first multilateral well and expanded the program again in late 2013 by adding laterals to all new Spy Island production wells.

The company conducted the West Extension Project at Spy Island between the third quarter of 2014 and early 2015 and launched the East Extension Project in 2015, before suspending all drilling activities at the unit and putting Doyon Rig 15 in cold stack.

Eni emerged with a new direction in 2017. The company released the Nabors 245 rig in late 2017 and contracted the new Nordic Calista Rig No. 4 for workover activities. It also announced Nikaitchuq North, its first Alaska exploration venture since drilling wells at the onshore Rock Flour and Maggiore prospects in the central North Slope in 2007.

NN-01

The Nikaitchuq North project is technically ambitious.

Instead of building a new artificial island, Eni proposed ultra-extended reach drilling from its existing Spy Island drill site. NN01 would have a vertical depth of 8,131 feet and a measured depth of 34,150 feet. NN02 would have a vertical depth of 8,329 feet and a measured depth of 38,173 feet. Proposed sidetracks would measure about 1,000 feet.

To accommodate those extreme angles, the company requested upgrades of Doyon Rig 15, increasing the top drive torque to 72,000 foot pounds from 63,000 foot pounds and also increasing the pressure rating for the drilling mud manifold, according to Eni.

On the administrative side, Eni acquired ADL

Continuous drilling began at the Spy Island drill site in November 2012. The company expanded the program in early 2013 with its first multilateral well and expanded the program again in late 2013 by adding laterals to all new Spy Island production wells.

393175 in a state Beaufort Sea lease sale in late 2016. Sandwiched between the state unit and the federal unit, it provided “some protection acreage, should there be any future development opportunities involving the Nikaitchuq North Exploration Project,” the company explained in its development plan.

NN-01 faced numerous obstacles and setbacks.

Eni spud the well in late December 2017 using Doyon Rig 15, but “unforeseen impacts to the drilling schedule” delayed drilling activities until February 2018. The company was aiming for a target around 34,000 feet but ultimately suspended the ultra-extended reach well in August 2018 at a total depth of 30,010 feet, “as a result of drilling complications.”

The company resumed drilling operations at NN-01 in January 2019. But in April 2019, unidentified complications once again forced the company to suspend operations.

The delays forced Eni to defer plans for a sidetrack. With summer approaching, the company was facing seasonal drilling restrictions off the coast of the North Slope.

NN-02

In a subsequent plan of development, Eni turned away from NN-01 and toward a second well, NN-02, targeting the same seismic anomaly. The plan called for spudding the well in the second quarter of 2020 and reaching a target depth by the third quarter of the year.

But drilling plans were stalled again after working interest partner Shell “elected to go non-consent in the drilling of NN-02 well therefore causing Eni to temporarily postpone drilling plans,” Eni wrote in a report to the U.S. Bureau of Ocean Energy Management.

The U.S. Bureau of Safety and Environmental Enforcement ultimately granted Eni a two-year suspension of its program, giving the company until April 2, 2022, to drill NN-02.

In early March 2022, U.S. Bureau of Safety and Environmental Enforcement Press Secretary Sandy Day told Petroleum News that Eni had neither drilled the NN-02 well nor filed for a suspension of operations, or SOO. Under the terms of the SOO, simply spudding the well would automatically extend the leases, even if operations were immediately suspended. The “original SOO for Eni was effective for two years starting April 3, 2020. The SOO will expire on April 2, 2022, unless some other action is taken. To date, there have been no conversations with Eni regarding another SOO,” Day said.

Without drilling activities to automatically extend the leases, Eni would need to negotiate with BSEE or the U.S. Bureau of Ocean Energy Management on new leasing terms.

Timing

Timing matters.

Eni is using Doyon Rig 15 both for the Nikaitchuq North exploration project and for ongoing development activities at the Spy Island drill site of the Nikaitchuq unit.

Ongoing development drilling is important, as Eni is facing an upcoming contraction.

State regulations give companies 10 years of sustained production before automatically contracting a unit down to its productive leases — meaning leases included in a participating area, leases under plans of exploration or development, or leases actively or indirectly being developed. The window is intended to give operators enough time to gradually expand production while discouraging companies from “warehousing” productive leases that could possibly be developed more quickly by another company.

Eni asked the state to defer a pending contraction of six leases near Spy Island, north of Oliktok Point. The leases were added to the unit as part of an October 2007 expansion.

The acreage is believed to contain potentially commercially recoverable reserves in the Cretaceous Schrader Bluff and the Triassic Sag River formations — too small to be developed independently of Nikaitchuq but large enough to be worthwhile for Eni.

For those reasons, and given the recent delays caused by the coronavirus pandemic, the state approved the deferral, giving Eni until the end of September 2022 to test the leases.

Target

Aside from the general information about depths and locations found in its permitting documents, Eni has provided little information about its target at Nikaitchuq North.

To date, Nikaitchuq unit development has been limited to the OA sands of the Schrader Bluff formation. The company tested the potential of the N sand over the past decade.

Given the relative heaviness of Schrader Bluff oil, it would require considerably technical assistance to flow and would appear to be an unlikely target for the project.

Using the geometry of the well as a clue, it would appear Eni is targeting Jurassic Alpine sands at the Nikaitchuq North leases. Before Eni came onto the Nikaitchuq unit, operator Kerr-McGee and its partner Armstrong had publicly discussed the possibility of testing the Jurassic Nuiqsut sandstone and the Triassic Sag River sandstone north of the unit.

Other plays

For a time, it seemed that Eni might be moving into exploration in Alaska.

Eni acquired several significant assets when Caelus Natural Resources Alaska LLC left the state in 2018 and 2019. Eni acquired 70% interest of the Ooguruk unit, giving it complete working interest and operatorship of the nearshore Beaufort Sea oil field.

Through its deal, Eni also acquired some 350,000 acres of undeveloped leases in the eastern North Slope. Sitting between the Prudhoe Bay unit and the Point Thomson unit, the block was relatively near several pieces of crucial North Slope infrastructure: the city of Deadhorse, the Dalton Highway and the trans-Alaska oil pipeline.

Given that proximity to infrastructure, Caelus had believed it could economically produce plays smaller than 100 million recoverable barrels — small by North Slope standards.

Caelus never drilled exploration wells in the acreage, but it acquired 175 square miles of new 3D seismic data and reprocessed another 275 square miles of existing 3D data.

The seismic data and information from surrounding legacy wells “confirm deeper petroleum system elements and de-risked shallower Brookian reservoirs and hydrocarbon charge and phase within the area,” Caelus said in statements. Those prospects had mostly been ignored, according to Caelus, until the Pikka and Horseshoe discoveries in the central North Slope renewed interest in the shallow Brookian Nanushuk formation.

Eni initially expressed enthusiasm with the opportunities in the eastern North Slope, saying it planned to “apply its business model and experience,” involving “fast-track exploration” and “a short time to market” for the “potential new discoveries.”

But Eni surrendered the acreage in July 2021. Asked why it relinquished the property, the company told Petroleum News: “Eni completed its exploration studies on the area the leases covered and the prospectivity of the area didn’t meet Eni’s economic metrics.”

For Eni, the primary benefit of the Caelus deal was gaining complete working interest in the offshore Ooguruk unit. The state-managed unit is located immediately to the west of the Nikaitchuq unit. Eni had already been a 30% minority owner in the unit since Pioneer Natural Resources Alaska Inc. brought it into production in 2008.

The three big moves of the past few years — the Ooguruk acquisition, the eastern North Slope relinquishment, and the move into Nikaitchuq North — suggest that Eni is prioritizing its existing developments over wildcat exploration. But those moves also indicate that Eni is willing to pursue ambitious exploration work in Alaska that has the potential to significantly extend the productive life of its first and still primary asset.

There are successful North Slope models for this approach, most notably ConocoPhillips’ decades-long push to extend development to the west of the Kuparuk River unit. It will be interesting to see where Eni goes next, regardless of the success of Nikaitchuq North. ●

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OIL PRICES

out purchases of Russian natural gas.

COVID-19 lockdowns in China continued to weigh on trader optimism for oil demand, keeping prices in check, however.

Demand fears were stoked by an International Monetary Fund report warning that the Russia-Ukraine war will set back global recovery from the coronavirus pandemic.

The IMF projects that global growth will slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023, it said in its April World Economic Outlook released April 19. The estimates are 0.8 and 0.2 percentage points lower for 2022 and 2023 than the IMF predicted in its January report.

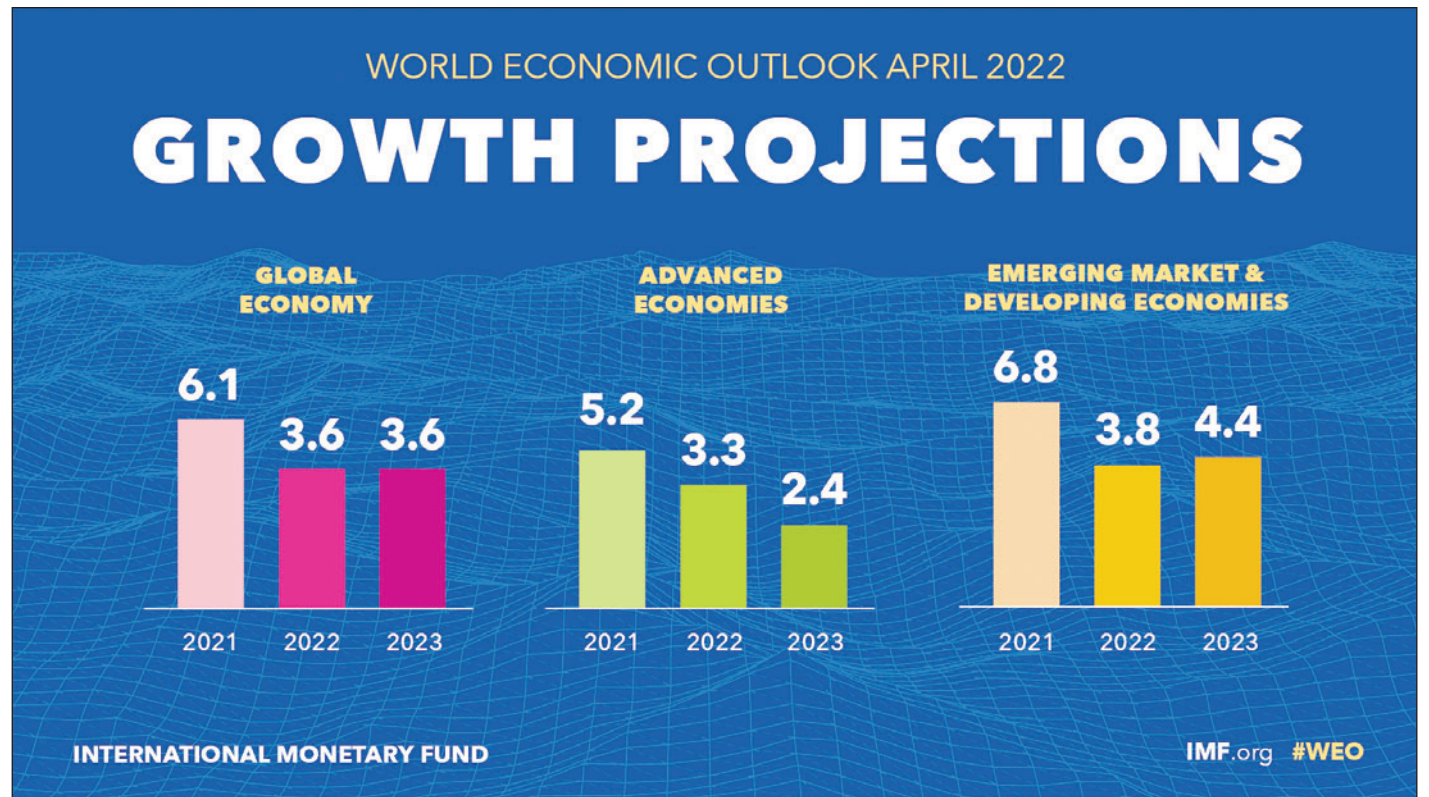
The IMF forecast assumes that the conflict remains confined to Ukraine, and that further sanctions on Russia exempt the energy sector — although the impact of European countries' decisions to wean themselves off Russian energy and embargoes announced through March 31, 2022, are factored into the baseline.

Prices fell sharply on April 19. ANS dropped \$5.05 to close at \$110.86, WTI slid \$5.65 to close at \$102.56 and Brent plunged \$5.91 to close at \$107.25.

On Monday April 18, prices were buoyed following the three-day Easter holiday as demonstrations against Libyan Prime Minister Abdul Hamid Dbeibah led to the shutdown of Libya's largest oil field. ANS closed at \$115.91, WTI closed at \$108.21 and Brent closed at \$113.16 — its first foray above \$113 per barrel since late March.

April 20 prices were lower than those on the previous Wednesday, April 13. ANS fell \$1.75 on the week, WTI fell \$1.50 and Brent fell \$1.98.

As Petroleum News went to press early April 21, WTI and Brent were trading slightly above their April 20 closing prices.



On April 20, 2020, WTI crude futures closed at a negative \$37.63 per barrel as demand destruction from the pandemic intersected a price war between Saudi Arabia and Russia.

Not so fast

German Foreign Minister Annalena Baerbock said Germany will stop importing oil from Russia by the end of the year, according to an April 20 Reuters report.

"I therefore say here clearly and unequivocally yes, Germany is also completely phasing out Russian energy imports," Baerbock said at a meeting with Baltic countries. "We will halve oil by the summer and will be at zero by the end of the year, and then gas will follow, in a joint European roadmap, because our joint exit, the complete exit of the European Union, is our common strength."

Near term oil prices moved higher on the news, but the rally faded.

Phil Flynn, senior market analyst at The Price Futures Group told MarketWatch April 20 that there is speculation that traders are rolling some of their trades into futures contracts at the back end of the curve.

Traders reportedly are "selling the front end and buying the back end" partly because there's some talk that European Union sanctions on Russian oil will happen later in the year and not sooner, Flynn said.

Comments by German Finance Minister Christian Lindner to the BBC April 20 supported the view that eliminating Russian oil from Germany's energy mix will take longer than Baerbock had previously indicated.

"We have to be patient," Lindner told the BBC. "We are willing to stop all energy imports from Russia, it's just a matter of time."

Lindner said a sudden halt to Russian energy imports could cause the physical

shutdown of German producers such as manufacturers and carmakers.

"I don't fear economic costs, I fear the physical scenario — if you have to stop the supply for a complete production line, this causes more than economic costs," he said.

Lindner said any calculation on Vladimir Putin's part that Germany would continue to rely on Russian energy was wrong, as was the approach of previous Berlin governments of relying on Russia for oil and gas.

"It was a strategic miscalculation from German governments, over the last two decades, and now we have to work on energy diversification," he said. "In the end, we don't want to have any further business with Putin."

Germany currently obtains 25% of its oil and 40% of its gas from Russia. ●

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INSIDER

allotments that they were promised."

Sullivan and Brower had the following to say regarding the oil and gas industry:

"The NPR-A on Alaska's North Slope contains billions of barrels of oil and has the potential to contribute hundreds of thousands of barrels of oil a day to meet our country's energy needs. Roughly the size of Indiana, the NPR-A was set aside in 1923 specifically for oil production in case of emergencies. We believe that Russia's invasion of Ukraine, the disruption this is causing energy markets, and the astronomical prices Americans are paying at the pump, all constitute an emergency.

"Yet the Biden administration continues to take actions, including freezing drilling on federal lands, that delay fields — like Willow — that are on the cusp of production, and making it impossible to explore and produce oil in other areas of the NPR-A.

"Further, Secretary Haaland is from New Mexico, where there is considerable energy production on tribal lands. On those lands, and throughout the state, the Bureau of Land Management, under DOI, has approved thousands of oil and gas permits during the secretary's tenure, so she should understand how such production benefits Indigenous communities.

"Because of resource development on Alaska's North Slope and elsewhere in the state, Alaska Natives are no longer

among the most impoverished peoples on the planet. While the needs are still great, they are no longer one whale hunt away from starvation. We have health care clinics and schools in our communities. We have come far. We respectfully ask Secretary Haaland to treat Alaska like she treats New Mexico and allow us to continue developing our economy so that the progress we have made isn't undone," the op-ed said.

"While Secretary Haaland visits our state, she will witness our great diversity of people and cultures, our geography, and a climate worthy of study by the finest scientific minds. She will see the promise of a new Arctic frontier. She will also see how our vast reserves of oil and gas, as well as minerals and metals, could and should play an integral role in moving our country toward an "all-of-the-above" energy future that includes

renewables. . ."

The above text represents only part of what Sullivan and Brower's op-ed said.

Fitch gives Alaska an A+

ON APRIL 14, the Alaska Department of Revenue said that the day before Fitch Ratings revised its outlook on the State of Alaska to stable from negative and affirmed its "A+" rating on the state's general obligation, or GO, bonds.

Fitch also revised the outlook to stable from negative, and affirmed its "A" rating, on state appropriation and Alaska Municipal Bond Bank Authority bonds, Revenue said.

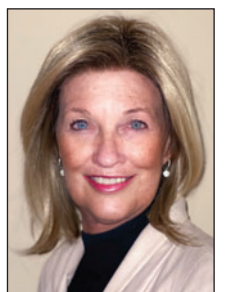
This is the second improvement to outlook by credit rating agencies within the previous 30 days, "reflecting capacity to replenish budgetary reserves driven by the recent surge in energy prices and the consistent Percent of Market Value (POMV)

formula enacted in 2018," Revenue said.

Revenue Commissioner Lucinda Mahoney was quoted as saying, "I remain encouraged with the recent credit outlook improvements but want to continue to advocate for long-term fiscal restraint in the face of heightened energy prices. We remain cognizant of energy price volatility and want to ensure we're prepared for the future with sustainable management of the state's reserves."

—COMPILED BY KAY CASHMAN

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