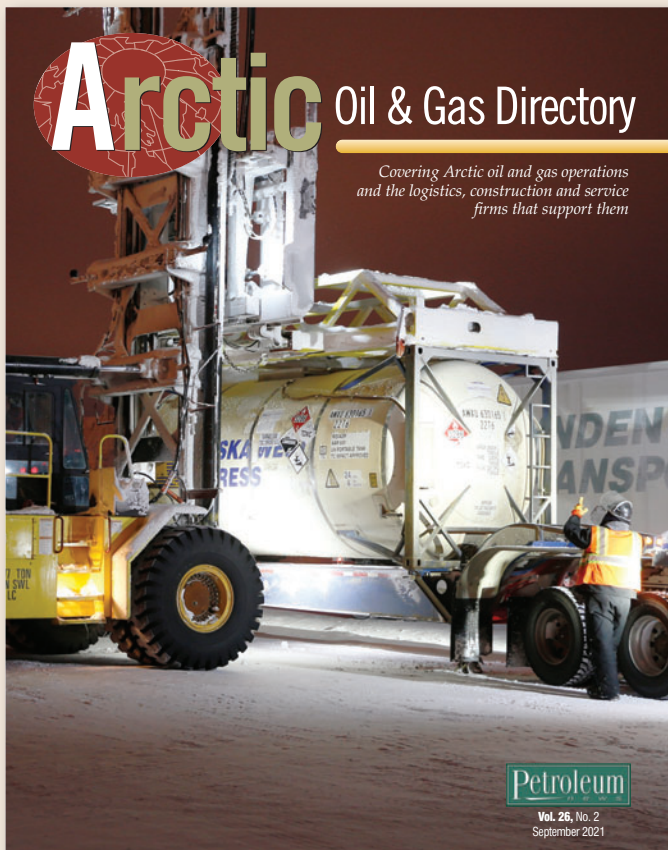




page 5 EV charging stations planned for AK road system; Cantwell online

## Latest Arctic Directory released



## Oil rockets higher; US crude stock downturn above analyst estimates

Alaska North Slope crude and Brent crude leapt into the upper \$70s Sept. 15, while West Texas Intermediate rocketed 3.1%, or \$2.15, to close at \$72.61 per barrel. ANS moved up by \$1.77 to close at \$75.59, besting Brent's closing price of \$75.46 — up \$1.86 on the day.

The gains brought the indexes near the highs of July. ANS was just 28 cents below its July 31 close, a dramatic turnaround after having suffered a 5.9% correction in August.

Sept. 15 action marked the fourth day of gains, following a

see **OIL PRICES** page 8

## Oil Search, Santos agree on takeover terms; target mid-Dec.

In a joint statement Sept. 10 Santos and Oil Search said that they have entered into a definitive agreement to merge the two companies into a “regional champion” in an all-scrip transaction. They expect the deal to be finalized in mid-December.

Merging the companies will create an oil and gas company with a market value of around \$15 billion (\$21B Australian dollars) and unlock between \$90 million and \$115 million in pretax savings each year, they said.

Oil Search's board unanimously approved the transaction

see **TAKEOVER TERMS** page 10

## Change in slow motion; green transition threatens Canadian jobs

Two years ago, in the last Canadian election, Prime Minister Justin Trudeau made a promise that has turned out to be largely empty.

He pledged that his Liberal government would introduce a “Just Transition Act” to help workers and communities reliant on the fossil fuel industry gain access to “training, support and new opportunities needed to succeed in a clean economy.”

Since then all that's happened has been a series of measures — clean fuel standards, carbon taxes and increased talk of scaling

see **GREEN TRANSITION** page 10

### EXPLORATION & PRODUCTION

# 88E lone explorer?

One exploration well definitely planned for Alaska North Slope this winter

By **KAY CASHMAN**  
Petroleum News

One oil and gas exploration well is being planned for Alaska's North Slope this coming winter, and that is 88 Energy's Merlin 2 well.

There is an outside chance (no confirmation yet) that Eni US Operating Co., a subsidiary of Italian multinational Eni S.p.A., will spud its second Nikaitchuq North extended reach exploration well in second quarter 2022. The Alaska Beaufort Sea prospect is in a federal OCS unit, Harrison Bay block 6423, which is approximately 6 miles from the Spy



**ERIK OPSTAD**

Island Drill site in the state of Alaska Nikaitchuq unit.

In its 14th plan of development for the Nikaitchuq unit, which runs from Oct. 1 through Sept. 30, 2022, operator Eni told Alaska's Division of Oil and Gas that facility upgrades will be completed to support the planned Nikaitchuq North exploration well.

NN-02 was supposed to be drilled this coming winter unless Eni requested another extension from the feds. No word on that yet.

ConocoPhillips, the North Slope's most consistent explorer, will not drill any exploration or

see **EXPLORATION WELL** page 11

### GOVERNMENT

# NPR-A plan review

BLM assessing if the plan meets Biden administration environmental policy

By **ALAN BAILEY**  
For Petroleum News

The Department of the Interior has issued a memorandum stating that it has instructed the Bureau of Land Management to re-evaluate the current NPR-A integrated activity plan and its associated environmental impact statement. The documents in question were approved by the Trump administration at the end of December 2020.

The memorandum, dated Sept. 7, appeared in conjunction with a court filing in one of two appeals in the federal District Court in Alaska challenging the legality of the IAP. The court cases have both been stayed while the DOI staff of the

**DOI requires BLM within 120 days to “provide the status of its evaluation and related actions.”**

Biden administration review the IAP.

The IAP in question sets the current rules for what land within the NPR-A can be included within oil and gas lease sales. When issued, the IAP increased the land area available for leasing from 11,763,000 acres to 18,581,000 acres relative to the previous IAP. Land newly opened for leasing included land within the Teshekpuk Lake Special Area, an area that includes important breeding

see **NPR-A PLAN** page 10

### EXPLORATION & PRODUCTION

# Hilcorp works CI assets

Monopod pipe work complete; P&A, drilling at NCI; new MGS pipelines in '22

By **KRISTEN NELSON**  
Petroleum News

Luke Saugier, senior vice president of Hilcorp Alaska, and three of the company's Cook Inlet managers updated the Cook Inlet Regional Citizens Advisory Council board of directors on the company's activities in Cook Inlet Sept. 10.

In a general update on the company's Cook Inlet business, Saugier said the company employs some 150 and Cook Inlet will continue to be an important part of the company's Alaska business.

Hilcorp began operating in Cook Inlet in 2012,



**LUKE SAUGIER**

first acquiring assets previously held by Chevron, then Marathon's gas fields and most recently the North Cook Inlet field from ConocoPhillips.

The company's efforts are going to focus on delivering natural gas to local markets, Saugier said, particularly from the Steelhead and Tyonek platforms, where Hilcorp will be drilling wells for years to come. He said there are tremendous gas resources that Hilcorp will continue to develop to supply the local market.

Hilcorp is the major Cook Inlet natural gas provider, owning the majority of the fields and operating the fields it owns as well as the Beluga

see **HILCORP ASSETS** page 6



● FINANCE & ECONOMY

# Hilcorp requests inlet royalty reductions

Division of Oil and Gas approves 5% royalty for oil production from Monopod Platform, denies reduction for Steelhead oil production

By **KRISTEN NELSON**  
Petroleum News

The Alaska Division of Oil and Gas has approved one Cook Inlet royalty reduction request from Hilcorp Alaska and denied a second.

The requests are based on a state statute which allows lessees of oil fields offshore in Cook Inlet to pay a reduced royalty rate — 5% vs. 12.5% — for production from a platform if production is certified by the Alaska Oil and Gas Conservation Commission to be less than 1,200 barrels per day during the preceding calendar quarter.

The division said the statute applies where production equaled or was more than 1,200 bpd and dropped below 1,200 bpd based on reservoir conditions, but not if the reduction was due to mechanical factors, environmental or facility constraints or market conditions.

Hilcorp applied for royalty reduction at the Monopod and Steelhead platforms, both in the Trading Bay unit.

### Monopod Platform

The division approved royalty reduction at the

*“Even without the issue with the A-07 well, Hilcorp estimates a 13.6% natural production decline rate at Monopod.”*

Monopod Platform.

The statute requires that the division determine “that the reduction in production from the platform or the field is based on average daily production during the calendar quarter based on reservoir conditions, and not the result of short-term production declines due to mechanical or other choke-back factors, temporary shutdowns or decreased production due to environmental or facility constraints, or market conditions,” the division said in its Sept. 9 approval.

Hilcorp told the division the Monopod production decrease “was due to mechanical issues in the A-07 well at the platform, as well as natural decline of the existing wells.”

The A-07 had been producing some 150 bpd.

“Even without the issue with the A-07 well, Hilcorp

estimates a 13.6% natural production decline rate at Monopod.”

In its decision the division said it reviewed information provided by Hilcorp and analyzed AOGCC production data for all the Monopod wells and determined the production decline at the Monopod was due to natural decline, not mechanical or other factors. Hilcorp’s decline rate places average daily Monopod production below 1,200 bpd in both the fourth quarter of 2020 and the first quarter of 2021, the division said, and the royalty for Monopod oil production is reduced to 5%, retroactive to the January 2021 production month.

### Steelhead Platform

The division did not approve a royalty reduction for oil production from the Steelhead Platform.

Hilcorp claims, the division said, that the production decrease was primarily due to scale issues in the M-31B well, ultimately leading to short-term production cessation from the well in the first quarter of 2021. Hilcorp

see **ROYALTY REDUCTION** page 3

## contents

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### ON THE COVER

#### 88E lone explorer?

One exploration well planned for Alaska North Slope this winter

#### NPR-A plan review

BLM assessing if plan meets administration’s environmental policy

#### Hilcorp works CI assets

Monopod work complete; P&A, drilling at NCI; MGS pipelines in ‘22

#### Oil rockets higher; US crude stock downturn above analyst estimates

#### Oil Search, Santos agree on takeover terms; target mid-Dec.

#### Change in slow motion; green transition threatens Canadian jobs

### ENVIRONMENT & SAFETY

4 Study: 60% of O&G should stay in ground

### EXPLORATION & PRODUCTION

4 US rotary rig count back up by 6 to 503

4 Hilcorp looking for Tyonek gas at Beluga

### FINANCE & ECONOMY

#### 2 Hilcorp requests inlet royalty reductions

Division of Oil and Gas approves 5% royalty for oil production from Monopod Platform, denies reduction for Steelhead output

3 Alberta rides fiscal wave

### GOVERNMENT

7 Vermont sues, alleges false climate info

### LAND & LEASING

7 State sets dates for fall areawide sales

### UTILITIES

5 EV charging stations for AK road system

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● FINANCE & ECONOMY

# Alberta rides fiscal wave

Province rebounds from economic depths; resource revenues forecast to rise almost 4-fold; production climbs 5.7%, exports up 4%

By GARY PARK

For Petroleum News

The Alberta government has turned its fiscal clock back at least seven years. But for how long is an open question.

Based on a lively first quarter, pointing to economic growth of 6.7% for the current budget year, accompanied by an increase in overall employment of 5.2%, the province has been able to stage a preliminary revival from the pit of pandemic woes.

Not surprisingly, this startling update has overhauled a tepid forecast laid out six months ago and is based as it has been for almost 70 years on robust oil and natural gas revenues.

The new numbers, released by Finance Minister Travis Toews, show returns from non-renewable resources could reach C\$10 billion in the 2021-22 fiscal year, compared with the C\$2.9 billion forecast in a February budget.

Toews said the deficit is still on track for C\$7.8 billion compared with the original target of C\$18.2 billion.

He summarized the outlook in a few words: "Economic growth is exceeding our expectations. Global demand for oil has outstripped supply, meaning oil prices are stronger than expected."

The budget details had been preceded a month ago by news that oil output in Alberta had surged past its 2019 peak before the pandemic disruption and collapse of energy prices.

ATB Economics said production averaged 3.53 million barrels per day in the first half of 2021, up 5.7% from the same period of 2020 and 1.8% better than the same period in 2019.

The vast majority — 86% — was attrib-

*"On the oil sands side, we're seeing facilities that have been potentially underutilized over the last two and a half years run up on production capacity," said Kevin Birn, vice president of Canadian crude oil markets for the research and analysis firm IHS Markit.*

uted to oil sands extraction.

"On the oil sands side, we're seeing facilities that have been potentially underutilized over the last two and a half years run up on production capacity," said Kevin Birn, vice president of Canadian crude oil markets for the research and analysis firm IHS Markit.

ATB Economics said the upswing is the continuation of a long-term trend, with volumes now 86.2% above where they were in 2010.

### Exports up

The amount of oil being exported from Alberta to other provinces and other countries (dominated by the United States) is also climbing fast, up 4% in this year's first half and 1.7% higher than in 2019.

The dollar value of exports for the six months was up C\$9.7 billion, 36.8% above the first half of 2020, ATB Economics said.

However, Alberta is not yet ready for a

celebration.

Overall revenue forecasts for the current fiscal year are C\$55 billion, C\$11 billion more than predicted, but expenses are pegged at C\$62.7 billion, more than expected because of crop insurance payouts caused by an extreme drought this summer. Total taxpayer-supported debt is projected to reach C\$106 billion by March 2022, with debt interest payments pegged at C\$2.6 billion a year.

"Since we're on the positive side of the roller-coaster, but still facing a huge upswing in the provincial deficit, this (turn-around) couldn't have come at a better time," said Mike Holden, chief economist at the Business Council of Alberta.

University of Calgary economist Trevor Tombe said Alberta has "been firmly on the revenue roller-coaster for as long as any of

us remember. We can't forget that an unexpected decline at some point may still happen."

Along with the latest numbers, the government has set average commodity prices of US\$65.50 a barrel for crude.

"We're not expecting to fully recover until 2022," said Toews, taking a familiar line used by finance ministers. "We know the next days, weeks and even months will be bumpy from an economic standpoint."

With that thought in mind, a new survey of business owners and the public by the Alberta Chamber of Commerce found that "diversifying the economy beyond oil and gas" is the top priority for 32% of respondents. ●

Contact Gary Park through publisher@petroleumnews.com


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continued from page 2

## ROYALTY REDUCTION

also attributed the production decline to "an estimated 14.7% decline rate in the West Foreland wells." The company said high decline rates at the West Foreland wells are because they are solely producing on primary depletion with very limited injection into the West Foreland reservoir.

Hilcorp said the M-31B well was treated with acid in April 2021 to remove scale but the electric submersible pump failed in May 2021.

The division said Hilcorp's requested effective date of April 1, 2021, for royalty modification was based on first quarter 2021 decrease in production and does not meet statutory requirements.

"The M-31B temporarily ceased production in May 2021 due to a mechanical problem with the ESP, which caused a decrease in total Steelhead production during the 2nd quarter of 2021. If the ESP had not failed, the Division estimates that 2nd quarter production would have been greater than 1,200 BOPD, which is also consistent with Hilcorp's submitted decline curve analysis. Therefore, the Division finds that the facts do not justify a royalty rate reduction to 5% for the Steelhead."

The disapproval is based on the decrease being due to a mechanical failure, the division said. ●

Contact Kristen Nelson at knelson@petroleumnews.com

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## EXPLORATION & PRODUCTION

### Hilcorp looking for Tyonek gas at Beluga

Hilcorp Alaska has applied to the Alaska Oil and Gas Conservation Commission for a spacing exception to allow drilling of the Beluga River Unit 223-24 well in the Beluga River Sterling/Beluga Undefined Gas Pool and the Beluga River Tyonek Undefined Gas Pool within the Beluga River field.

Hilcorp requested the spacing exception because there are multiple wells within the governmental section where the well is proposed and there is a vertical ownership change involved. There are no pool rules for the Beluga field, Hilcorp said, instead the commission issues well spacing exceptions, 22 in the field since 1972.

The change in ownership issue arises because from the surface down to the bottom of the Undefined Sterling/Beluga (also the top of the Undefined Tyonek), Hilcorp, the field operator, has a 33.3% working interest ownership and Chugach Electric Association has a 66.67% WIO. Below the top of the Undefined Tyonek, Chugach Electric has a 100% WIO, meaning the wellbore will cross the ownership boundary.

Hilcorp said the well will target the Undefined Tyonek, but if the deeper sands in the Tyonek “prove unsuccessful, it will move up hole targeting and testing additional sands in the Undefined Sterling/Beluga.”

This will be the first well in the Beluga River field targeting production from the Undefined Tyonek, Hilcorp said.

“All other existing wells within the Beluga River Field currently produce from the Undefined Sterling/Beluga,” Hilcorp told the commission in its Sept. 13 application.

The commission has tentatively scheduled a public hearing on the request for Oct. 20 at 10 a.m. in its Anchorage offices but said the hearing would be held only if the commission receives a written request by 4:30 p.m. Oct. 13, “indicating a significant degree of public interest.” If, however, there isn’t a timely hearing request filed, the commission may consider issuance of an order without a hearing. Information on the hearing will be available on the AOGCC Events webpage after Oct. 13, the commission said.

—KRISTEN NELSON

## EXPLORATION & PRODUCTION

# US rotary rig count back up by 6 to 503

By KRISTEN NELSON

Petroleum News

The Baker Hughes U.S. rotary drilling rig count was at 503 the week ending Sept. 10, up six rigs after an 11-rig drop the preceding week when Gulf of Mexico drilling closed down because of Hurricane Ida. The count was up by 249 from 254 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.

U.S. offshore rigs, a count which includes the Gulf of Mexico, stood at six Sept. 10, up by four from two the previous week and down by nine from 15 rigs a year ago.

The Sept. 10 count includes 401 rigs targeting oil, up seven from the previous week and up 221 from 180 a year ago,

with 101 rigs targeting gas, down one from the previous week and up 30 from 71 a year ago, and one miscellaneous rig, unchanged from the previous week and down by two from a year ago.

Sixteen of the rigs reported Sept. 10 were drilling directional wells, 461 were drilling horizontal wells and 26 were drilling vertical wells.

### Alaska rig count unchanged

The most significant week-over-week change in state counts was Louisiana (39), up by four rigs from the previous week.

Texas (235) was up by three rigs and Utah (12) was up by one rig.

Pennsylvania (17) was down two rigs.

Counts in all other states were unchanged, week-over-week: Alaska (5), California (6), Colorado (11), New Mexico (82), North Dakota (22), Ohio (12), Oklahoma (32), West Virginia (9) and Wyoming (18).

Baker Hughes shows Alaska with five rigs active Sept. 10, unchanged from the previous week and up two from a year ago, when the state’s count stood at three.

The rig count in the Permian, the most active basin in the country, was up by four from the previous week at 254 and up by 130 from a count of 124 a year ago. ●

Contact Kristen Nelson  
at knelson@petroleumnews.com

## ENVIRONMENT & SAFETY

# Study: 60% of O&G should stay in ground

By DREW COSTLEY

Associated Press Science Writer

Researchers who estimate how much of the world’s coal, oil and natural gas reserves should be left unburned to slow the increase in climate-changing gases in the atmosphere say even more of these fossil fuels should be left in the ground.

The researchers, from University College London, say earlier estimates, published in 2015, had to be updated.

They now calculate that nearly 60% of the world’s oil and gas reserves and 90% of the coal reserves need to stay in the ground by 2050 to meet climate goals of the Paris Climate Agreement.

Those limits would give the world a 50-50 chance of limiting global warming to 1.5 degrees Celsius (2.7 degrees Fahrenheit) compared to pre-industrial times, according to their study Sept. 8 in the journal Nature.

“We believe our new paper adds further weight to recent research that indicates the global oil and fossil methane gas production needs to peak now,” Dan Welsby, lead author and an energy and environment researcher at the University College London, told a news conference Sept. 7. “We found that global production needs decline at an average annual rate of around 3% (through) 2050.”

“We believe our new paper adds further weight to recent research that indicates the global oil and fossil methane gas production needs to peak now,” Dan Welsby, lead author and an energy and environment researcher at the University College London, told a news conference Sept. 7. “We found that global production needs decline at an average annual rate of around 3% (through) 2050.”

It’s been long known that emissions from burning fuels for electricity, transportation and other uses are the chief driver of climate change, pulling long-buried carbon in fossil fuels out of the ground and depositing that carbon into the atmosphere as carbon dioxide. Scientists say such heat-trapping gases are causing sea-level rise and extreme weather events around the world.

### Previous study

The last study like this was several months before world leaders drafted the 2015 Paris accord and pledged to reduce warming to well below 2 degrees Celsius

see RESERVES STUDY page 9

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• UTILITIES

# EV charging stations for AK road system

GVEA announces first level 3 station at Cantwell while AEA sponsored program moves ahead for the Railbelt highway system

By **ALAN BAILEY**  
For Petroleum News

With Golden Valley Electric Association announcing the startup of a new level 3 electric vehicle charging station at Cantwell on the Parks Highway, and with an Alaska Energy Authority sponsored program moving ahead to install a series of level 3 stations on the Alaska highway system, the high power charging station availability needed for long distance travel on Alaska roads is starting to appear. AEA has told Petroleum News that a level 3 charging station planned for Homer as part of the AEA program is expected to go into operation later in September. The Cantwell station is located at mile 214.5 on the Parks Highway, while the Homer station is at AJ's OldTown Steakhouse & Tavern.

People who charge their electric vehicles at home for local use typically do so overnight using a level 1 or level 2 charger. A level 1 charger consists of a normal 120 volt power outlet, while a level 2 charger uses a higher voltage to charge more rapidly. However, it takes several hours to charge a vehicle using these types of chargers. The more rapid charging required to top up the battery for a driver during a long distance journey requires a commercial level 3 charger that operates on high voltage, three-phase power.

Alaska based Recharge Alaska partnered with charger manufacturer Tritium to install the charging station in Cantwell. Tritium has said that it will build a heated winter enclosure for the charger, and has adjusted the charger coolant composition, to accommodate the extremely low temperatures that can occur at Cantwell during the winter.

### AEA funding

During its Aug. 12 meeting the AEA board discussed the status of its electric vehicle charging station program.

*According to AEA, charging stations are scheduled for installation at Seward, Homer, Soldotna, Cooper Landing, Anchorage, Chugiak, Trapper Creek, Cantwell and Healy.*

On June 14 the agency had announced that it was awarding around \$1 million in grants for the installation of electric vehicle charging stations on the state's connected road system. The AEA funding comes from Alaska's portion of a settlement with Volkswagen over the company's fraudulent manipulation of emissions testing on its diesel vehicles a few years ago, and from the Department of Energy's State Energy Program.

Board Chairman Curtis Thayer told the board that the eventual plan is to have chains of charging stations on both the Railbelt highway corridor from Homer to Fairbanks, and on the corridor connecting Glennallen, Tok and Delta Junction. The first phase of the program, now underway, with its \$1 million in funding, addresses the Railbelt corridor: \$350,000 in funding remains to address the other corridor, as a second phase.

The objective is to have a maximum distance of 100 miles between charging stations. Thayer said that AEA had received applications to install charging stations at all designated sites on the Railbelt corridor, except Girdwood, Nenana and Fairbanks. As a consequence, that target of a 100-mile maximum distance has been met, except for the 110-mile distance between Fairbanks and a station at Healy. One of the planned stations is at Cantwell, so that, including the GVEA funded station, there will ultimately be two stations in that area of the Parks Highway.

In its request for proposals, AEA specified a minimum charging power of 50 kilowatts for the charging stations and made up to \$100,000 in sponsorship funding

available for each station. In the event, all of the planned charging stations will have power ratings of 50 or 60 kilowatts. Thayer said that it could take up to an hour to charge a typical vehicle with this capacity of charger. Although more powerful charging stations with shorter charging times are being installed in some places in the Lower 48, the vendors opted for this power of charger for the Alaska system, Thayer said. The recently installed GVEA-funded charging station at Cantwell has a 50 kilowatt capacity.

### Installation schedule

According to AEA, charging stations are scheduled for installation at Seward, Homer, Soldotna, Cooper Landing, Anchorage, Chugiak, Trapper Creek, Cantwell and Healy. The agency has told Petroleum News that the installation of a number of the stations is being delayed by several months because of COVID-related supply chain issues, including microchip shortages. A level 3 charging station in Chugiak is now anticipated to go into operation during the winter of 2022. A level 3 charging station planned for the Dimond Center in Anchorage is now scheduled for the summer of 2022. And, with the exception of the charging station being completed in Homer, all of the other charging stations should go into operation in the spring of 2022.

Sean Skaling from Chugach Electric Association has told Petroleum News that a level 3 charger requires a 480-volt, three phase power supply. The electrical transmission system that approximately follows the Railbelt highway routing has plenty of capacity to supply these high power electric vehicle chargers. However, an electricity distribution system is needed to deliver the power from the transmission system to a charger. Fortunately, it appears that there are sufficient distribution systems

see **CHARGING STATIONS** page 9

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continued from page 1

## HILCORP ASSETS

River field, jointly owned with Chugach Electric Association.

As for the ultimate fate of Hilcorp's Cook Inlet facilities, Saugier said part of the company's vision is that it is the last owner. He said it is not Hilcorp's intention to sell to someone further down the food chain.

That's not going to happen, he said: Hilcorp will be the final owner of the assets.

### Plugging the wells

There are a lot of wells in Cook Inlet that eventually need to be plugged and abandoned, Saugier said, and Hilcorp is going to begin methodically working through that list and plugging and abandoning every year.

He said the company doesn't want to get to the end of field life with nothing done and will do here what it has done in other areas of the country where it works, which is systematically plug and abandon wells.

With the acquisition of BP's North Slope assets, the company acquired inhouse expertise on rigless abandonment that BP had used on the Slope, and will bring that technology into Cook Inlet, he said.

Hilcorp intends to extend the life of its Cook Inlet assets as long as possible, particularly the platforms, Saugier said, calling them remarkable from both a historical and technical perspective, and assets which would be very difficult to replace.

As for Cook Inlet drilling, he said the company will be fairly selective in its drilling projects, particularly those targeting oil, with gas projects top tier for the company.

### Platforms going forward

As for the fate of the platforms, the first step when a platform is no longer useful would be to plug the wells and empty the vessels, things which need to happen before a platform could ever be removed, Saugier said, and also work which lowers the risk from the environmental perspective.

Hilcorp's general intention is to leave the platforms in place in lighthouse mode for quite some time, he said, because a critical mass is needed for platform removal.

The platforms are very stable once the wells have been plugged and vessels emptied and Hilcorp is looking at possible uses for platforms no longer in production, Saugier said. Cook Inlet is ranked fifth in the United States for tidal power and one of the things Hilcorp is looking at whether the platforms could be repurposed for tidal power.

The platforms were built like battle-ships, he said, in a time before computer modeling when they built stronger than they thought they'd need.

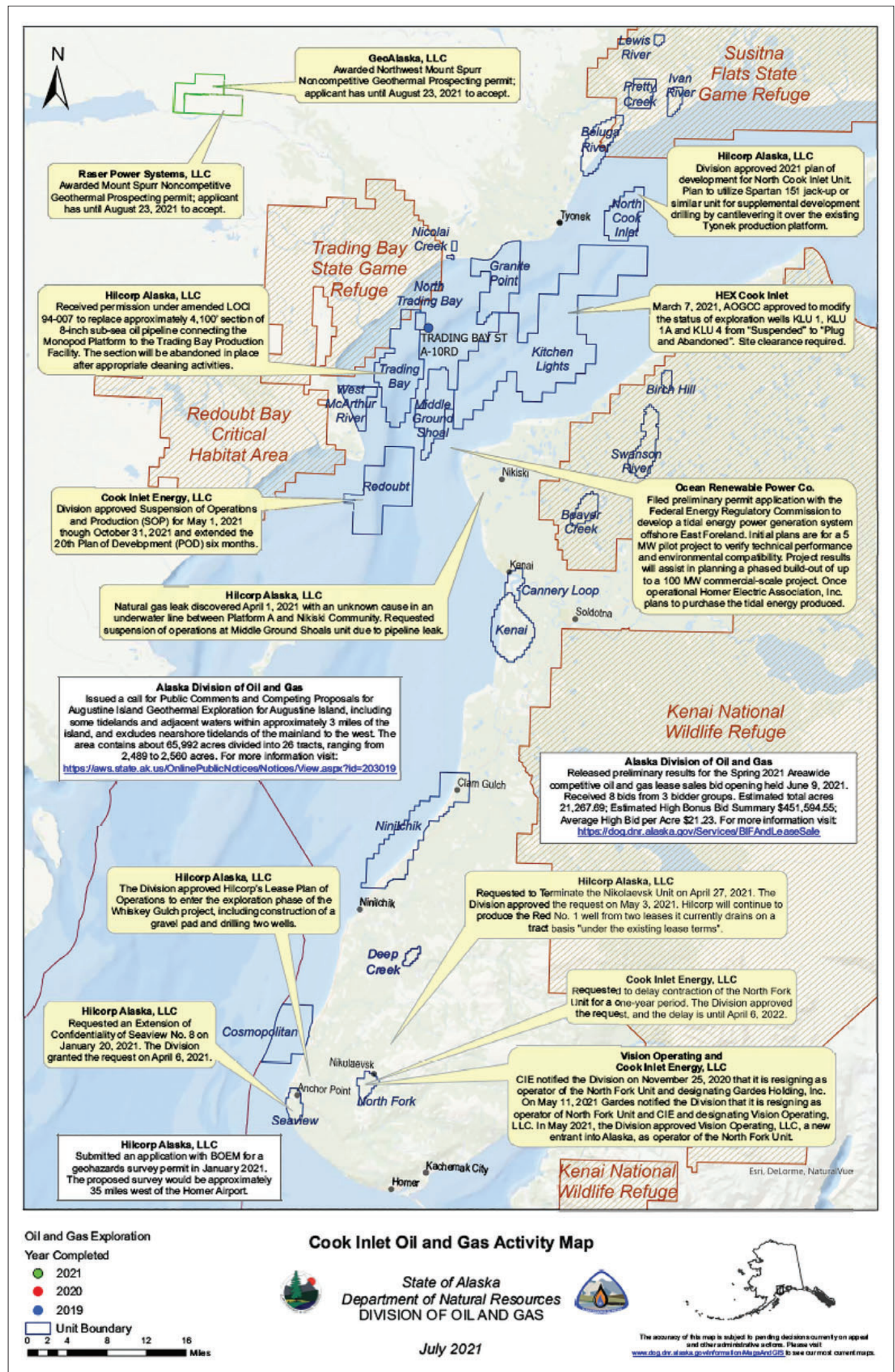
And when facilities need expensive work — such as replacement of the pipeline at Middle Ground Shoal — the company does work through whether to replace the line or move to abandonment, something Hilcorp works through that for all of its assets, Saugier said.

### Spartan 151

Paul Mazzolini, a drilling engineering advisor for Hilcorp in Alaska, reviewed Spartan 151 operations at North Cook Inlet for the CIRCAC board.

He said work for the jack-up this year involved plugging and abandonment operations and then moving to the Tyonek Platform for drilling.

Hilcorp mobilized the Spartan 151



from the Rig Tenders dock in early June and moved to the 17589-1A well for P&A work.

This well was drilled in 1962 as a relief well for the North Cook Inlet discovery well, Mazzolini said. The discovery well was brought under control and the 17589-1A was then drilled and tested. Basically all the lower zones were abandoned before they got off the well, Mazzolini said, but the surface cement was not put in place for permanent abandonment.

That was the job this summer.

But this was vintage 1960s equipment, and there were no longer any spares or any real information, he said.

Hilcorp mobilized with a team of specialists for subsea work and also had Wild Well Control, specialists in accessing old wells and blowout locations. They bring a different scope of expertise, Mazzolini said.

Once they got onto the well they found that the wellhead didn't have functional equipment needed and after trying to fix it in Nikiski, Hilcorp sent it to Texas to get help from a wellhead specialist to basically reverse engineer the equipment and retrofit it so it would function for P&A work.

Meanwhile, Mazzolini said, Hilcorp moved the Spartan 151 jack-up to the Tyonek platform, moved the rig onto the platform and began drilling. One well has been successfully drilled and a second is being drilled. Since the equipment in Texas won't be available until about mid-October, once the second well is completed the company will move on to drill a third well.

The rig will then be moved back onto the jack-up and the Spartan 151 will move back to the P&A location to complete that work. He said they expect to demobilize by mid to late November and

move the Spartan 151 back to the Rig Tenders dock.

### Monopod oil pipeline

Tasha Bacher, Hilcorp project engineer for the Monopod oil pipeline replacement, said that project was completed and the pipeline has been restarted.

She said steps in the process included acquiring necessary permits for the project from federal and state agencies.

The 4,100 feet of pipeline was assembled on the beach at Trading Bay in May. It was then pulled from the beach to the Monopod platform, using vessel resources shared with the Spartan 151, Bacher said. Once sections were in place on the seafloor, about 45 days of diving was required to do the tie-ins and once divers completed the work, the crossover into the existing line was done. She said

see **HILCORP ASSETS** page 7



continued from page 6

## HILCORP ASSETS

CISPRI (Cook Inlet Spill Prevention & Response Inc.) had a vessel on site during cutover, but there were no sheens reported.

The project also involved observers required by the National Marine Fisheries Service to spot mammals, but no mammals were encountered.

The pipeline was hydrotested at the end of August to ensure all connections were tight and the line was then restarted.

The line was replaced after an anomaly was detected during in-line pipeline inspection of the 8-inch oil pipeline between the Monopod and the Trading Bay Production Facility. In a May approval of Hilcorp's application for a miscellaneous land use permit for work on state land the Division of Oil and Gas said the section of line to be replaced would be "de-inventoried, and the entire pipeline will be flushed, and appropriately cleaned as part of the replacement activities prior to cutting or disconnecting sub-sea piping" with the replaced section to be abandoned in place.

Bacher said most of the old pipeline was buried.

### Middle Ground Shoal

Dan Polito, Hilcorp's project manager for the Middle Ground Shoal pipeline replacement, said platforms A and C at MGS have been shut-in since April of this year when a leak was discovered in the fuel line.

The Division of Oil and Gas approved a suspension of operations and production at the MGS unit in June. Hilcorp shut down MGS in April, fol-

*Hilcorp intends to extend the life of its Cook Inlet assets as long as possible, particularly the platforms, Saugier said, calling them remarkable from both a historical and technical perspective.*

lowing discovery of a fuel gas leak; the federal Pipeline and Hazardous Materials Safety Administration is requiring the company to replace the line which runs between Platform A and shore.

Polito said Hilcorp looked at alternatives ranging from lighthouseing the platforms to repairing or replacing the gas line. The company, he said, will do a full replacement of the gas line, and will also replace its sister 8-inch oil line. Two 8-inch lines will replace the existing 8-inch lines.

A lay barge will be used rather than pulling the line from shore, the procedure used for the Monopod pipeline replacement, because of the 7-mile length of the pipelines at MGS.

He said Hilcorp is working on planning, engineering and permitting for the work, and plans to mobilize as soon as the ice moves out of the inlet, probably in late May. The pipe lay will take three to four weeks, he said, followed by about two months of pipeline stabilization, ties and commissioning.

Polito said Hilcorp hopes to have the platforms back online about a year from now. ●

Contact Kristen Nelson at [knelson@petroleumnews.com](mailto:knelson@petroleumnews.com)

## LAND & LEASING

### State sets dates for fall areawide sales

The Alaska Division of Oil and Gas said Sept. 15 that bidding in its fall areawide lease sales — Beaufort Sea, North Slope and North Slope Foothills — will begin Oct. 15 and close Oct. 28 with bidding results available to the public online Nov. 3.

As in recent sales bidding will be through EnergyNet Services LLC, with bidder registration and bid submission at [www.energynet.com](http://www.energynet.com).

For both the Beaufort Sea and North Slope areawide sales the minimum bid is \$25 per acre, the royalty rate 16.67%, the primary lease term 10 years and the annual rental rate \$10 per acre. For the North Slope Foothills, the minimum bid is \$5 per acre, the royalty rate is 12.5%, the primary lease term is 10 years and rental rates are \$1 per acre in year 1, \$1.50 per acre in year 2, \$2 per acre in year 3, \$2.50 per acre in year 4, and \$3 per acre for years 5-10.

Detailed sale information and tract maps are available on the division's website at <https://dog.dnr.alaska.gov/Services/BIFAndLeaseSale>.

—PETROLEUM NEWS

## GOVERNMENT

### Vermont sues, alleges false climate info

Vermont on Sept. 14 became the latest state to sue some of the country's top fossil fuel companies by alleging they misled the public about the impact their products have on climate change.

The state wants the companies to tell consumers that the use of fossil fuel products harms the environment, Vermont Attorney General T.J. Donovan said after the lawsuit was filed in Vermont Superior Court in Burlington.

The warnings could be similar to those noting the danger of tobacco products or food products that include nutritional and calorie information, he said.

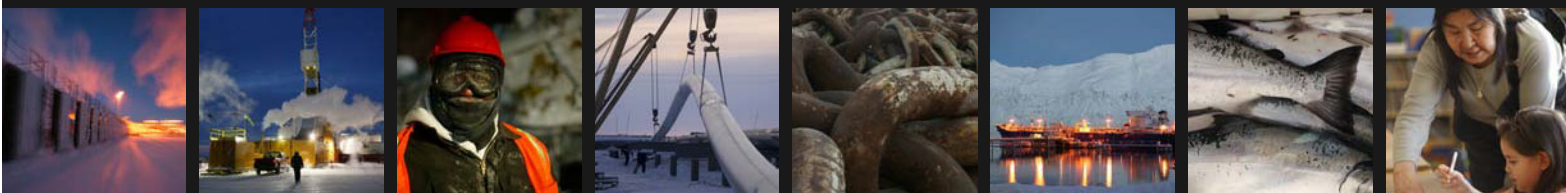
Donovan, speaking outside the Chittenden County courthouse in downtown Burlington where the lawsuit was filed, said they are not trying to prevent the companies from selling their products in the state and that Vermonters will continue to be able to use fossil fuels.

"What we are saying is that Vermonters have the right to know," Donovan said. "Give Vermonters accurate information. Put a label on the product and let Vermonters decide."

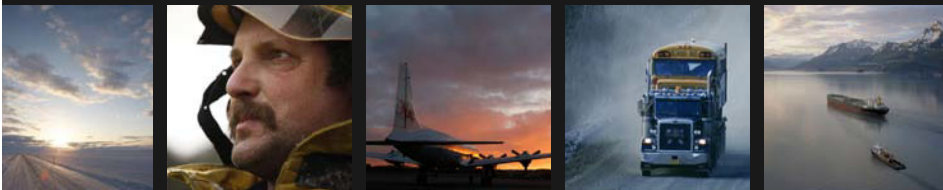
The suit names ExxonMobil Corp., Shell Oil Co., Sunoco LP, CITGO

see VERMONT SUIT page 8

# WHATEVER



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continued from page 1

## OIL PRICES

downturn Sept. 9 sparked by a drawdown of strategic reserves in China designed to quell price appreciation by reducing the need for imports.

But the indexes turned sharply higher on Sept. 10, as Tropical Storm Nicholas made its way toward the U.S. Gulf coast on the heels of Hurricane Ida, which had already disrupted oil and gas production in the Gulf of Mexico.

ANS gained \$1.40 Sept. 10 to close at \$72.97, while WTI gained \$1.58 to close at \$69.72, and Brent gained \$1.47 to close at \$72.92.

Based on Sept. 15 operator reports, the U.S. Bureau of Safety and Environmental Enforcement estimates that 537,193 barrels per day, representing 29.52% of the current oil production in the Gulf of Mexico is shut in, along with 39.40% of the gas production.

Prices began on an upward slope in early trading Sept. 15, turning parabolic on an announcement by the U.S. Energy Information Administration that U.S. crude reserves had fallen to the lowest level since September 2019.

On Sept. 13, 2019, U.S. crude reserves fell to 417.1 million barrels. For the week ending Sept. 10, reserves stood at 417.4 million barrels, down 6.4 million barrels from a week earlier, and down 78.6 million barrels from a year earlier, the EIA said. Analysts that answered a Reuters poll had expected a draw of only 3.5 million barrels.

Total motor gasoline inventories decreased by 1.9 million barrels to 218.1 million barrels, about 4% below the five-year average for this time of year, the EIA said.

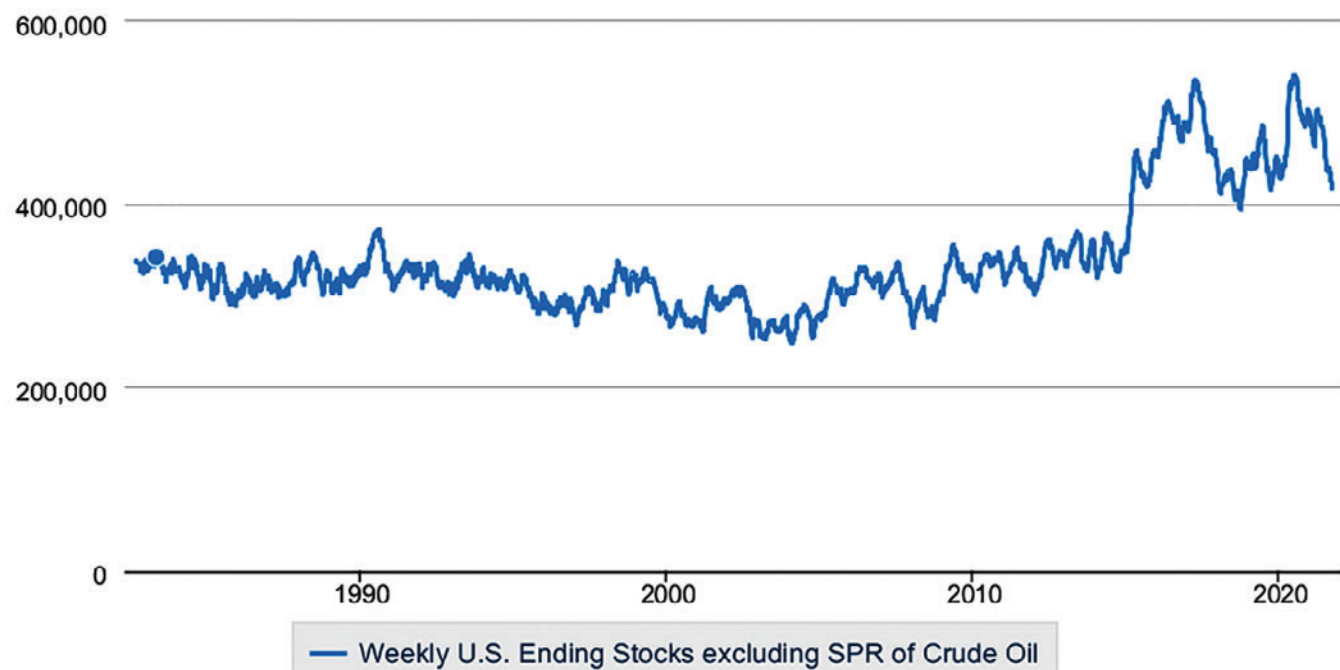
### OPEC calls for higher 2022 demand

The Organization of the Petroleum Exporting Countries has revised its estimates higher for oil demand growth in 2022.

2022 oil demand is expected to “robustly grow” by some 4.2 million barrels per day, up 0.9 million bpd compared to August’s assessment, OPEC said in its September monthly oil market report.

## Weekly U.S. Ending Stocks excluding SPR of Crude Oil

Thousand Barrels



Source: U.S. Energy Information Administration

Revisions were driven by both the Organization for Economic Co-operation and Development and non-OECD, as the recovery in various fuels is expected to be stronger than anticipated and further supported by a steady economic outlook in all regions, OPEC said.

OPEC now projects oil demand in 2022 to reach 100.8 million bpd, exceeding pre-pandemic levels.

The non-OPEC supply growth forecast for 2022 is unchanged at 2.9 million bpd, amid offsetting revisions, to average 66.8 million bpd, OPEC said, adding that the main drivers of liquids supply growth are Russia and the United States, followed by Brazil, Norway, Canada, Kazakhstan, Guyana and other countries in the Declaration of Cooperation between OPEC and allied producing countries.

The International Energy Agency and the EIA increased their own estimates of global oil demand growth in 2022, versus

their August reports. Those estimates remain well below OPEC projections, with IEA calling for growth of 3.24 million bpd, and EIA calling for growth of 3.64 bpd.

### Banks see likely price spike

Investment banks are sounding the call for higher prices in the near future, and into 2022. Goldman Sachs Group Inc. said oil will likely lead a rally in commodities next quarter, citing strong demand and “growing scarcity” of supply, according to a Bloomberg report.

Jeff Currie, Goldman Sachs global head of commodities research, said rising demand, production deficits and depleted inventories are leaving oil markets “extremely exposed” to disruptions in supply.

“The potential for oil prices to explode to the upside is increasing, particularly if you don’t get Iran,” he said.

Investors are moving away from long cycle investment because of poor returns and uncertain forward visibility, in favor of shorter cycle investment such as shale oil, Currie said in a Bloomberg TV interview. The paucity of long cycle projects could

lead to a significant supply crunch.

“What are you going to invest in when the uncertainty around climate change is as high as it is, and what technology is going to be used?” he said. “We’ve discouraged investment on a five to ten-year horizon, and now we’re beginning to see the implications of that.”

Bank of America Corp. said a colder-than-expected winter could push prices up toward \$100 at some point early in 2022.

A much colder than normal winter could lead global oil demand to surge by 1 million to 2 million bpd, with the winter supply shortfall easily exceeding 2 million bpd in such a scenario, the bank said in a Sept. 10 note.

“Downside risks include a new COVID-19 wave, taper tantrum, a China debt crisis, and the return of Iranian crude barrels,” the bank said. “Having said all of that, winter weather risk is quickly becoming the most important driver of energy markets.”

—STEVE SUTHERLIN

Contact Steve Sutherland  
at [ssutherland@petroleumnews.com](mailto:ssutherland@petroleumnews.com)



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continued from page 7

## VERMONT SUIT

Petroleum Corp. and other corporations.

In a Sept. 14 email, Casey Norton, a spokesperson for ExxonMobil, said the suit was baseless and without merit and they look forward to defending the company in court.

Citgo declined to comment on pending litigation. The other two companies did not immediately respond to requests for comment.

The Vermont lawsuit seeks to prevent the defendants from engaging in what the suit alleges to be further unfair or deceptive acts and practices.

“They have known for decades that the Earth’s climate has been changing because of emissions of CO<sub>2</sub> and other greenhouse gases, and that the fossil fuels they sell are the primary source of those emissions,” the lawsuit said.

Despite that knowledge, the companies have continued to sell their products in Vermont without informing consumers of the effect those products have on their environment,

the suit said.

“They market fossil fuel products to Vermont consumers by advertising that use of their products is supposedly better for the environment than other products, while staying silent in the ads about the continuing, significant contributions their products actually make to greenhouse gas emissions and climate change,” the suit said.

A recent report from the U.N.-appointed Intergovernmental Panel on Climate Change said global warming is already accelerating sea level rise and worsening extremes such as heat waves, droughts, floods and storms.

The Vermont lawsuit was filed under the Vermont Consumer Protection Act, alleging the companies misled the public about their actions, not for any alleged environmental damage.

The Center for Climate Integrity says Vermont is the sixth state to file a lawsuit against major oil and gas companies related to their alleged role in climate change. The District of Columbia has also filed a similar suit.

—ASSOCIATED PRESS



continued from page 4

## RESERVES STUDY

(3.6 degrees Fahrenheit), but preferably to limit it to 1.5 degrees Celsius.

That study, also conducted by University College London scientists, looked at how much countries would have to limit fossil fuel emissions to hold warming to 2 degrees Celsius. They found that a third of oil reserves, half of gas reserves and 80% of coal reserves would need to stay in the ground.

Emissions reductions proposed in this latest study dramatically increase the amount of fossil fuels that would need to stay in the ground to meet Paris targets.

The study comes less than a month after the International Panel on Climate Change reported that the world will likely cross the 1.5-degree-Celsius warming threshold in the 2030s under five scenarios of emissions reduction. Scientific consensus is that any warming past 1.5 degrees Celsius could result in catastrophic impacts, such as loss of species.

While acknowledging the IPCC report's grim outlook, Welsby said he wanted to model a scenario that would limit the worst impacts of climate change.

### Importance of policy

Dr. Philip J. Landrigan, editor-in-chief of the Annals of Global Health, said the paper underscores how important government and corporate policy are in limiting warming. "The nations and corporate entities need to readjust their targets and leave

oil, gas and coal in the ground if we're ever going to get there," Landrigan said.

His journal was one of over 200 health and medical publications that co-published an editorial Sept. 5 calling on world leaders to take emergency action to halt global warming.

In the editorial, medical and public health professionals highlighted the health impacts already wrought by our changing climate.

Dr. Renee Salas, who works in the emergency department of Massachusetts General Hospital, said she's seen patients come in with health conditions that have been created or exacerbated by the climate change impacts, such as heat stroke and respiratory problems.

While everyone is at risk for adverse health impacts from climate change, Salas said, children, the elderly, the poor and racial minorities are disproportionately bearing the brunt.

### Unequal impact

A report the week of Aug. 30 by the U.S. Environmental Protection Agency found that poor people and people of color will be impacted disproportionately by severe heat, flooding and air pollution caused by our changing climate.

Katharine Eglund of Gulfport, Mississippi saw her house nearly destroyed by Hurricane Katrina in 2005. The busy hurricane and storm season of 2020 cost her an additional \$12,000 in damages. And she spent most of her vacation this past week helping Gulf Coast residents survive and recover from

Hurricane Ida.

As chair of the National Association for the Advancement of Colored People's Environmental and Climate Justice Committee, she's seen firsthand how poor and minority residents of the region suffer from the impacts of climate change the most.

While she welcomed the fossil fuels findings of the new climate studies,

Eglund said she is frustrated world leaders haven't taken more action to reduce warming.

"Usually when these reports come out, ... frontline communities are like, 'Okay, we pretty much knew that,'" she said. "And we advocate to keep it all in the ground. And we keep listening to reasons why that can't be done, but we know it has to be done." ●

continued from page 5

## CHARGING STATIONS

serving local communities along the Railbelt corridor to support the installation of electric vehicle charging stations at appropriate spacings along the road system.

Interestingly, Cooper Landing, where a level 3 station is scheduled for installation, does not have the requisite three phase distribution network. The vendor who is installing this station has an ingenious solution to this problem through the use of a supplementary battery system, Skaling said.

### Most charging at home

Skaling also commented that, with most daily driving being within the range of a single battery charge, most people will charge their electric vehicles at home. Level 2 "destination chargers" at locations such as hotels and campgrounds will also provide

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In parallel with the ramping up of electric vehicle charging station installation, the Regulatory Commission of Alaska is considering a request by the Railbelt electric utilities for changes to commercial electricity tariffs, to improve the economics of commercial charging station operation. ●

Contact Alan Bailey  
at [abailey@petroleumnews.com](mailto:abailey@petroleumnews.com)



## Oil Patch Bits

### Lynden first trucking company in Alaska to earn SHARP awards

Lynden Transport employees earned the prestigious title of being the first trucking company in Alaska to earn a safety and health achievement recognition program award from the Alaska Department of Labor Standards and Safety. The award is part of AKOSH, a program to promote safe and healthful jobs for Alaskans while recognizing employers who operate exemplary safety and health systems. Both the Anchorage and Soldotna service centers were assessed and found to meet or exceed OSHA's safety and health guidelines.

According to HSSE Manager Richard Hennagin, Lynden Transport has worked with the group AKOSH Consultation and Training Services for many years. "This partnership, and a strong commitment from our management and operations teams, has led to improvements in the Lynden Transport safety and health programs over the years," he explains. "Employees in all departments have shown their commitment to improving the safety and health culture. When you consider that our people have been able to do all this in the conditions we endure — weather, traffic and a pandemic — it is truly humbling."

For more information visit: [info.lynden.com/blog](http://info.lynden.com/blog).



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continued from page 1

## TAKEOVER TERMS

and recommended that shareholders vote in favor of the merger in the absence of a superior proposal and subject to an independent expert concluding that the merger is in the shareholders' best interest.

The takeover by Santos is subject to a limited number of usual conditions including regulatory approvals, Papua New Guinea court approval and, of course, shareholder approval of both companies.

Santos' offer is 0.6275 of its own shares in exchange for each Oil Search share. Completion of the deal would lead to Santos shareholders owning around 61.5% of the combined company, and Oil Search shareholders holding the remaining 38.5%.

Oil Search is Papua New Guinea's largest oil producer and owns a minority stake in the Exxon Mobil Corp.-operated PNG LNG gas-export project in the country, which also counts Santos as an investor.

Oil Search owns undeveloped oil reserves in Alaska that it hopes to develop if it and 49% partner Repsol can sell up to a 30% stake split between them. Development of the Pikka unit is first on Oil Search's list of projects.

As previously reported in Petroleum News, Oil Search is on track to reach a final investment decision as soon as yearend if it picks up a satisfactory partner.

In his first briefing on the proposed merger, Santos Managing Director and CEO Kevin Gallagher said he would continue the sell-down process and would be "more flexible" about giving up operatorship than Oil Search has allegedly been with North Slope producer ConocoPhillips.

Gallagher said in a Q&A session on Aug. 17 with analysts: "We'll continue with Oil Search's plan and we'll be very flexible on what that would look like in terms of

operatorship."

Gallagher recently told Reuters he has a "very good relationship" with ConocoPhillips and sees the company as a "world class operator."

ConocoPhillips is a likely bidder for Oil Search's Alaska North Slope assets because the company holds most of the leases and infrastructure surrounding Pikka.

Plus, ConocoPhillips' top executive Ryan Lance has made it clear in recent financial presentations that his company is interested in picking up oil and gas assets in areas where it already operates, as long as the price is right and the deal brings value to the company's portfolio.

### Benefits of the merger

The merger implementation deed signed by Santos and Oil Search follows them each completing reciprocal confirmatory due diligence which began Aug. 6.

Per Santos' website, a merger between it and Oil Search will create a regional champion of size and scale with several benefits, including:

- Diversified portfolio of high quality, long-life, low-cost assets across Australia, Timor-Leste, Papua New Guinea and North America (Alaska) with significant growth optionality.
- Pro-forma market capitalization ... would position the merged entity in the top-20 ASX-listed companies and the 20 largest global oil and gas companies.
- Pro-forma 2021 production of approximately 116 million barrels of oil equivalent.
- Pro-forma 2P+2C resource base of 4,867 million barrels of oil equivalent.
- Investment grade balance sheet with more than US\$5.5 billion of liquidity to self-fund development projects, whilst maintaining further optionality and flexibility to optimize the portfolio.

- Strong ESG credentials including maintaining Santos' net-zero emissions target by 2040, focus on carbon capture and storage projects and Oil Search's social and community investment in Papua New Guinea and North America (Alaska).

### Executive statements

Oil Search Chairman Rick Lee said: "Put simply, this merger provides Oil Search shareholders with a compelling opportunity to participate in a larger entity with significant scale, product mix, ESG and geographic diversity, and access to capital. The combined entity will have the capacity to deliver on an exciting pipeline of organic growth opportunities."

Santos Chairman Keith Spence said: "We look forward to integrating our businesses to create one high performing team — with a vision of becoming a global leader in the energy transition."

### Merged company leadership

The combined Santos and Oil Search will be led by Gallagher, who said: "The merger will create a company with a balance sheet and strong cashflows necessary to successfully navigate the transition to a lower carbon future with the combination of Santos' leading CCS capability combining with Oil Search's ESG programs in PNG and Alaska to provide a strong foundation."

Following the completion of the merger, three non-executive directors from Oil Search will join the Santos board, which currently has eight directors.

Santos' head office will remain in Adelaide, Australia.

—KAY CASHMAN

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

continued from page 1

## GREEN TRANSITION

back Canada's oil and gas industry — that bolster forecasts by several economists and notably a report by TD Economics that by 2050 as many as 450,000 of 600,000 direct and indirect oil and gas jobs could become casualties of an enforced reduction in fossil fuel output.

"There's a role for governments to ensure these workers aren't forgotten and left behind," said Francis Fong, a senior economist with TD and co-author of the bank's report.

TD said fossil fuel demand will not disappear entirely, even in most net-zero emission forecasts.

But with the exploration, extraction and distribution of oil and gas accounting for more than 25% of Canada's greenhouse gas emissions, the industry is the prime target for emission-reduction efforts.

Fong told the Globe and Mail it's dangerous to assume that displaced oil and gas workers will find new jobs in the clean-energy sector.

### Industry increasingly threatened

And the pressure on the industry keeps

building, with the International Energy Agency calling for an end to new oil and gas projects, coinciding on a single day when three of the world's mega-fossil fuel companies — Royal Dutch Shell, ExxonMobil and Chevron — lost court cases or shareholder votes related to their emissions records and plans.

But the Canadian government's faltering efforts to impose standards for net-zero emissions by 2050 continually collides with information gaps on the nature of the challenge and the difficulty of bringing together a multitude of interests to achieve the target.

While confusion builds, the industry is grappling with a flight of oilpatch workers that imperils the demand for North American oil.

Having faced three oil busts in the past seven years, all resulting in hundreds of thousands of layoffs, experienced upstream engineers, rig hands and support workers have decided they no longer want to be part of what they view as a dying business.

Spending in the oil basins of the United States and Canada has been forecast by research firm Evercore ISI to drop by 7% this year, despite the surge in crude prices, while U.S. oilfield service workers lost an estimated US\$8.7 billion in annual wages to COVID-19, according to the Energy Workforce & Technology Council.

### Limited help from government

All of these trends suit the style of the Canadian government, which would sooner let problems resolve themselves than take action.

But the administration has had its hand forced in the current election campaign as it comes under pressure from the growing anti-petroleum factions in society.

The Trudeau Liberals finally intervened earlier in September by pledging C\$2 billion to help oilfield workers transition to "greener" jobs through a Future Funds program for Alberta, Saskatchewan and Newfoundland as part of a pledge to ensure those workers aren't left to their own devices as Canada pursues its climate-change commitments.

That approach doesn't get any support in

*Spending in the oil basins of the United States and Canada has been forecast by research firm Evercore ISI to drop by 7% this year, despite the surge in crude prices, while U.S. oilfield service workers lost an estimated US\$8.7 billion in annual wages to COVID-19, according to the Energy Workforce & Technology Council.*

the core of Alberta's oil sands such as Cold Lake where more than 2,000 of the community's 15,000 residents are employed in the sector's operations.

Mayor Craig Copeland said he doesn't believe most of those employed in the oil sands want to switch jobs, having already watched their house values drop by 40% over the past decade.

He said the Trudeau government's proposal for a "made-in-Canada" solution is not grounded in reality.

"Until you find a way to replace (the use of petroleum products) people won't even look at retraining," Copeland said.

Gil McGowan, president of the Alberta Federation of Labor, said climate change is a reality his province needs to confront.

"We've had a great ride with oil and gas, but the sector will never be the same engine for economic growth that it was," he said. "Pretending that we can ignore the direction that the world is heading to and go back in time is not in the best interests of Alberta workers."

McGowan said his organization has been lobbying for federal support of up to C\$20 billion a year to help producing provinces and their workers diversify, calling for federal money to fund green infrastructure projects, training and apprenticeships in affected provinces. So far there has been no response from Trudeau or his cabinet ministers with ties to employment or the oil and gas industry.

—GARY PARK

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

continued from page 1

## NPR-A PLAN

grounds for waterfowl and that supports Arctic wildlife such as caribou. The IAP also, in effect, eliminated the Colville River Special Area. Proponents of oil development argue that the use of modern technologies such as extended reach directional drilling significantly reduce environmental impacts and that development can take place safely and with minimal environmental disturbance. Environmental organizations vehemently disagree.

### Biden executive order

On Jan. 20 President Joe Biden issued an executive order for "protecting public health and the environment and restoring science to tackle the climate crisis," DOI wrote. The order, which set broad environmental policies for the federal administration, directed all federal agencies to review all agency actions promulgated, issued or adopted between Jan. 20, 2017, and Jan. 20, 2021, to identify any actions that may be inconsistent with the new policy. Agencies must consider whether any additional actions are needed to fully enforce the

policy.

DOI says that it has not yet decided whether to withdraw or replace the NPR-A IAP, but that its initial assessment indicates that the IAP is inconsistent with the policy position set out in the January executive order. The court memo says that the department believes that other alternatives may better serve the administration's policy.

### Plan evaluation

Consequently, DOI has directed BLM to evaluate the IPA and its associated EIS, to determine whether they "remain adequate" under the National Environmental Policy Act, the Alaska National Interest Lands Conservation Act and the Endangered Species Act. The purpose of this evaluation is for BLM to potentially adopt an alternative to the IAP and EIS approved in 2020, the memo says.

DOI requires BLM within 120 days to "provide the status of its evaluation and related actions." Meanwhile, during this period, BLM must not offer in oil and gas lease sales any tracts that were newly opened for leasing in the 2020 record of decision for the current IAP. ●

Contact Alan Bailey  
at [abailey@petroleumnews.com](mailto:abailey@petroleumnews.com)



continued from page 1

## EXPLORATION WELL

appraisal wells this coming winter, including Narwhal or Harpoon wells, Rebecca Boys told Petroleum News in a Sept. 9 email. Boys is media and advertising director for ConocoPhillips Alaska.

That said, ConocoPhillips's in-field work, including development drilling, is picking up on the North Slope.

Great Bear Pantheon will not be drilling another well this winter, but it will be re-entering its successful Talitha A exploration well in order to recover additional fluid samples.

That well was drilled and logged to the base of the Kuparuk formation, with sidewall cores taken from each potential reservoir interval (Kuparuk, Lower Basin Floor, Upper Basin Floor Fan sequences, Slope Fan and Shelf Margin Deltaic horizons). Although seasonal restrictions and operational prudence did not allow time for a flow test at all potential reservoir intervals, a flow test was conducted at the deepest of those intervals, the Kuparuk.

### Merlin 2 to the east

88 Energy said Aug. 16 that although it reserves the right to re-enter the Merlin 1 exploration well in the future, next year in first quarter it will drill Merlin 2, an appraisal well to the east and closer to the shelf break where the company expects "enhanced reservoir thickness and quality."

88 Energy also said its post well evaluation of Merlin 1, which was drilled in March to a depth of 5,267 feet in the National Petroleum Reserve-Alaska, has successfully demonstrated the presence of oil in multiple stacked sequences in the Cretaceous Nanushuk formation (N20 and N18 targets). An additional new target, the N19 sand, that was not previously mapped, also returned a strong hydrocarbon signature following geochemical analysis.

Analysis indicated 41 feet of net log pay across the three reservoir intervals, which are in the Nanushuk Grandstand sands.

These sands, 88 Energy said, show close correlation to the Lower Grandstand sands seen in 88 Energy's nearby Umiat field and petrophysical analysis has returned 138 feet of possible net pay.

In addition, 88 Energy said geochemical analysis of the cores from Merlin 1 established the "presence of a light oil with an estimated API gravity between mid-30 to low-40 API."

### Money in hand

The company said Sept. 2 that it had raised about \$17.7 million (\$24M Australian) in a share placing to finance Merlin 2. 88 Energy, which is the owner of four Alaska operating subsidiaries — Emerald House, Regenerate Alaska, Accumulate Energy Alaska, Captivate Energy Alaska — also said that with the share placing it will have enough cash to fund its working capital requirements and general and administrative overheads

*There is an outside chance (no confirmation yet) that Eni US Operating Co. ... will spud its second Nikaitchuq North extended reach exploration well in second quarter 2022.*

for at least 12 months.

"Completion of this placing positions 88 Energy strongly as planning and preparations continue for drilling of the Merlin 2 appraisal well," said chief executive Ashley Gilbert.

88 Energy said it is also looking for a farm-in partner for Project Peregrine, which holds the Merlin prospect.

### Lots of oil

Incorporating Merlin 1 results into Project Peregrine's dataset, 88 Energy revised Peregrine's mean total prospective resource to an estimated 1.6 billion barrels.

The objective of Merlin 1 was to assess three independent Nanushuk reservoir targets — N14, N20, and N18 — identified from reprocessed seismic data. All targets came in considerably deeper than expected.

Post well analysis indicated that the N14 horizon, the primary target of Merlin 1, was not intersected, as it was believed to lie about 600 feet deeper than the well's total depth.

The company said N14 remains a target of interest for the future.

Merlin 1 was drilled by one of 88 Energy's four Alaska operating subsidiaries, Emerald House. All the subsidiaries are run by long-time Alaska geologist and innovator Erik Opstad.

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

### Merlin 2 pre-planning

With Merlin 1, the company was looking at proving up a gross mean prospective resource of 645 million barrels of oil. With Merlin 2, 88 Energy is targeting a net entitlement mean prospective resource of 652 million barrels (unrisked).

Three potential locations have been selected for Merlin 2 and will be permitted, the company said, with pre-planning and rig selection under way.

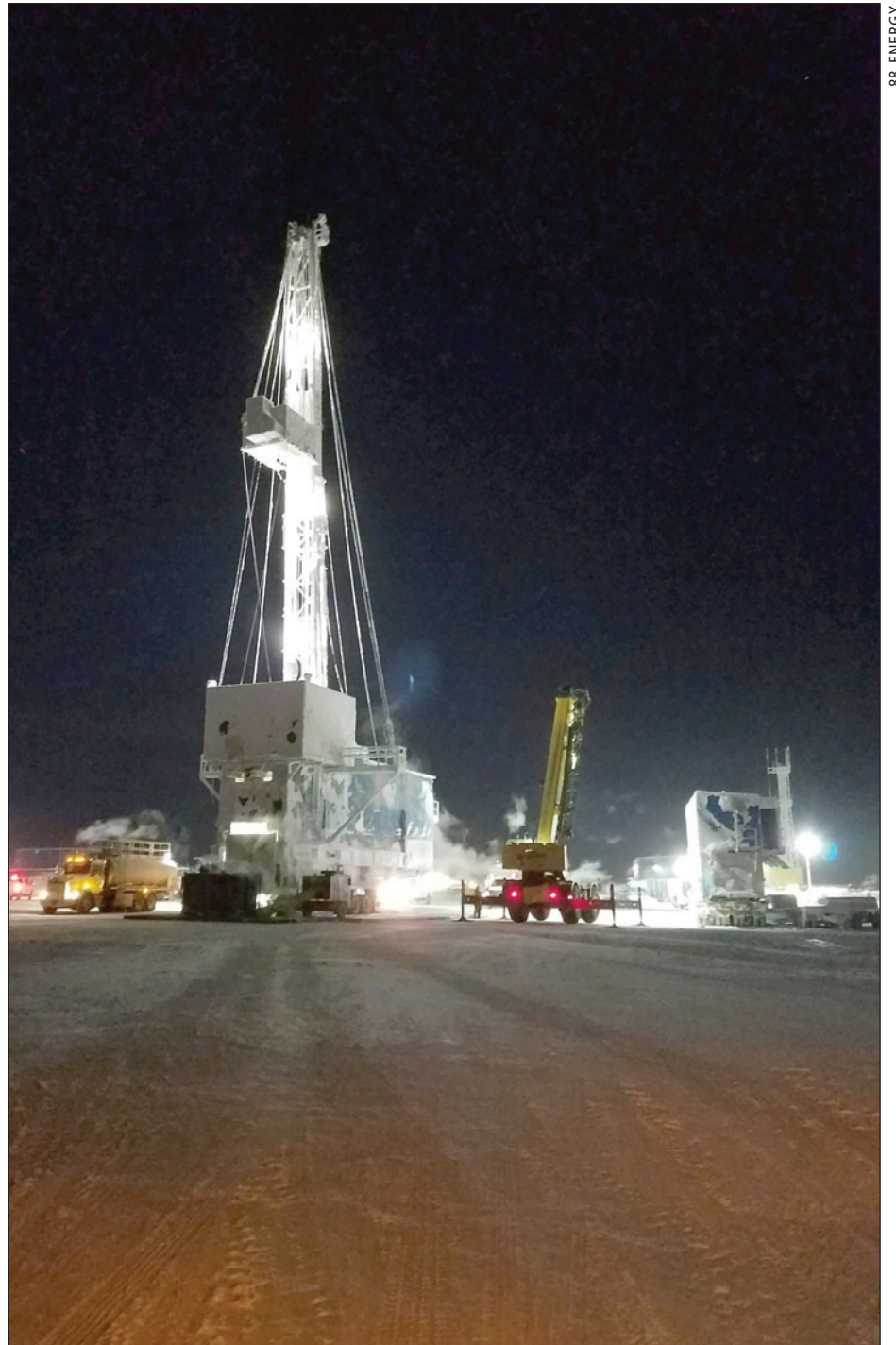
Merlin 2 is designed to target the thicker zones of reservoir intervals.

A potential infill 2D seismic program, consisting of 343 line miles, has been designed and costed, the company said.

Gilbert was quoted in the Aug. 16 report as saying: "We are thrilled with the results from the Merlin 1 exploration well. This is the best well we've drilled on the North Slope of Alaska to date, with light oil detected in the Nanushuk across three separate horizons."

88 Energy holds a 100% interest in the Peregrine Project, which also includes the Harrier prospect. ●

Contact Kay Cashman  
at publisher@petroleumnews.com



All-American Rig 111, commissioning. January 2021.



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