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Week of October 6, 2002

EXPLORATION & DEVELOPMENT

Wanted: Level playing field

Prices are good, Alaska has market, lots of gas, but if Marathon is going to continue to invest in inlet, state must address regulations, incentives

By Kristen Nelson
PNA Editor-in-Chief

Marathon Oil Co. has drilled 23 gas wells onshore Cook Inlet since 1998, including seven this year, and will spend almost \$36 million in Cook Inlet this year — up from \$11 million in 1998.

Marathon wants to continue exploring for natural gas on the Kenai, where the company is involved in seven active properties, six of which it operates, has six exploration prospects and is partnering with Unocal Alaska Resources in a natural gas pipeline.

But, Dan Taimuty, Marathon's Alaska manager of oil and gas developments told the Alaska Support Industry Alliance Sept. 26, the company competes for investment dollars with projects worldwide, and while Cook Inlet has the resources, access and market, it is not competitive



Dan Taimuty, Marathon Oil Co.

"... to permit an onshore exploration well in Alaska normally takes a minimum of six to eight permits or clearances... This is easily two to three times what might be required elsewhere in the United States."

—Dan Taimuty, Marathon Oil Co.

worldwide in permitting and in incentives.

Exploration success, plans

Marathon has had recent exploration success, announcing a gas discovery at Ninilchik in January with project partner Unocal Alaska Resources.

"This discovery was the realization of a focused exploration effort which Marathon initiated in late 1994 when our Wolf Lake and Sterling Deep discoveries were made," Taimuty said. Unocal joined Marathon in the Ninilchik exploration effort in late 2000: Marathon is operator and holds a 60 percent working interest; Unocal holds the remaining 40 percent.

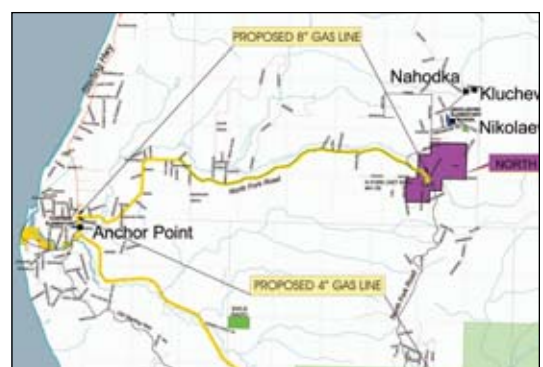
Two additional wells have been drilled and tested
see LEVEL page 23

PIPELINES

Northstar's Homer gasline project moves forward

By Kay Cashman
PNA Publisher

Following meetings with state, federal and Homer officials in late September, Northstar Energy Group Inc. told PNA it is moving forward with plans to build a natural gas pipeline to Anchor Point and Homer. The Tulsa-based independent, which purchased Alaska-based Gas-Pro LLC in 2000 and is the operator of the North Fork unit north of Homer, also said it plans to merge in the near future with a firm that will significantly expand Northstar's



See map of Northstar's proposed gasline routes on page 12 gas marketing and pipeline operational capabilities, but would not identify the firm.

In May, following Kenai Kachemak Pipeline LLC's announcement it would terminate its Kenai Kachemak gas pipeline in Ninilchik versus Anchor
see GASLINE page 12

EXPLORATION & PRODUCTION

Jet pumps put S pad on production

By Kristen Nelson
PNA Editor-in-Chief

BP Exploration (Alaska) Inc. put its new Milne Point S pad viscous oil development on production Sept. 1. S pad reflects a commercialization strategy for development of the Milne Point shallow Schrader Bluff accumulation that BP developed in 1999, David Jenkins, BP Exploration (Alaska)'s viscous team leader, told PNA Oct. 2.

There is viscous oil — thicker than the conventional oils at Prudhoe Bay and Kuparuk — on the North Slope from Kuparuk into Prudhoe Bay, and



David Jenkins, BP Exploration (Alaska)

what BP has done at S pad could form the basis for other developments. At Orion, a west side Prudhoe satellite, "they're looking to what we've done at S pad in terms of ideas they want to evaluate for how they put that development together," Jenkins said.

BP purchased Milne Point in 1994 from Conoco, but for the deeper Kuparuk oil, not Schrader Bluff. Conoco had made a run at developing the shallow Schrader Bluff, Jenkins said, with a conventional approach that looked at

see S PAD page 21



The Independents, a special publication of Petroleum News • Alaska, will be released on Nov. 21 at RDC's annual conference in Anchorage.

RDC's annual conference to include independents, new majors

As many as nine independent oil and gas companies doing business in Alaska will speak at the Resource Development Council for Alaska's annual conference on Nov. 21 and 21.

Alaska Resources 2003, which will be held at the Sheraton Anchorage Hotel, convenes with a session titled Alaska independents and new majors, RDC's Carl Portman told PNA Oct. 2.

Ken Boyd, former director of the state Division of Oil and Gas, will open the session with a talk about the changing face of the oil
see RDC page 16

Mackenzie Delta pipeline could be victim of climate change treaty

For the first time, the specter of the Kyoto Protocol as a threat to the Canadian pipeline industry has been raised by Alberta Energy Minister Murray Smith, with a blunt warning that the climate change treaty, if implemented in Canada, could put plans for a Mackenzie gas pipeline in doubt.

While arguing the case for Alberta as a hub for gas from both the North Slope and Mackenzie Delta, Smith told an international pipeline conference Sept. 30 that Kyoto



Alberta Energy Minister Murray Smith

see VICTIM page 21

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Alaska Rig Report

Rig Owner/Rig Type Rig No. Rig Location/Activity Operator or Status

North Slope - Onshore

Doyon Drilling

Dreco 1250 UE	14 (SCR/TD)	Prudhoe Bay, Drilling on W-Pad, W-38L1	BP
Sky Top Brewster NE-12	15 (SCR/TD)	Preping for January Drilling at Endicott	BP
Dreco 1000 UE	16 (SCR)	Stacked, Deadhorse	Available
Dreco D2000 UEBD	19 (SCR/TD)	CD2-29, Production drilling at Alpine	ConocoPhillips
OIME 2000	141 (SCR/TD)	Milne Point, drilling MPS-29 multi-lateral	BP

Nabors Alaska Drilling

Trans-ocean rig	CDR-1 (CT)	Stacked, Prudhoe Bay	Available
Dreco 1000 UE	2-ES (SCR)	Prudhoe Bay, A-22	BP
Mid-Continent U36A	3-S	Stacked, Prudhoe Bay	BP
Oilwell 700 E (Not Available)	4-ES (SCR)	Warm Stacked, Milne Point	BP
Dreco 1000 UE	7-ES	Being repaired, under contract	ConocoPhillips
Oilwell 2000 Hercules	9-ES (SCR/TD)	Prudhoe Bay, Borealis Field V-103	BP
Oilwell 2000 Hercules	14-E (SCR)	Stacked, Prudhoe Bay	Anadarko
Oilwell 2000 Hercules	16-E (SCR/TD)	Stacked, NPR-A, Teshekpuk Lake	ConocoPhillips
Oilwell 2000	17-E (SCR/TD)	Stacked, Point McIntyre	Available
Emsco Electro-hoist -2	18-E (SCR)	Stacked, Deadhorse	Available
OIME 1000	19-E (SCR)	Stacked, Deadhorse	ConocoPhillips
Emsco Electro-hoist Varco TDS3	22-E (SCR/TD)	Stacked, Milne Point	Available
Emsco Electro-hoist Canrig 1050E	27-E (SCR/TD)	Prudhoe Bay, Demobilizing	Available
Emsco Electro-hoist	28-E (SCR)	Stacked, Deadhorse	Available
OIME 2000	245-E	Stacked, mid August through end of year	ConocoPhillips

Nordic Calista Services

Superior 700 UE	1 (SCR/TD)	Kuparuk, Pad E, Well 9, Leg B	ConocoPhillips
Superior 700 UE	2 (SCR)	Moved to Prudhoe to start conversion to Coil Tubing	Pending, BP
Ideco 900	3 (SCR/TD)	Moved to 2P-427, Meltwater warm stack	ConocoPhillips

North Slope - Offshore

Nabors Alaska Drilling

Oilwell 2000	33-E (SCR/TD)	Northstar Is., NS-20	BP
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Fairweather

Dreco 147	SDC	On location - EnCana McCovey #1 cold stacked until late October	EnCana
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Cook Inlet Basin - Onshore

Marathon Oil Co.

(Inlet Drilling Alaska labor contractor)

Taylor	Glacier 1	GD 1, working on well KBU-41-7x in the Kenai Gas Field	Marathon
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Inlet Drilling Alaska/Cooper Construction

Kremco 750	CC-1	Stacked, Kenai	Available
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Nabors Alaska Drilling

Rigmasters 850	129	Stacked, Swanson River	Available
National 110 UE	160 (SCR)	Stacked, Kenai	Available
Continental Emsco E3000	273	Stacked	ConocoPhillips

Aurora Well Service

Franks 300 Srs. Expolrer III	AWS 1	Stacking rig and equipment in Nikiski or Kenai	Aurora Gas
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Cook Inlet Basin - Offshore

XTO Energy (Inlet Drilling Alaska labor contract)

National 1320	A	Idle/Middle Ground Shoal	XTO Energy
National 110	C (TD)	Idle	XTO Energy

Nabors Alaska Drilling

IDECO 2100 E	429E (SCR)	Osprey, Redoubt Shoal RU5	Forest Oil
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Unocal (Nabors Alaska Drilling labor contractor)

Not Available

Mackenzie Delta-Onshore

Akita Equitak

Dreco 1250 UE	63 (SCR/TD)	Stacked at Swimming Point	Petro-Canada
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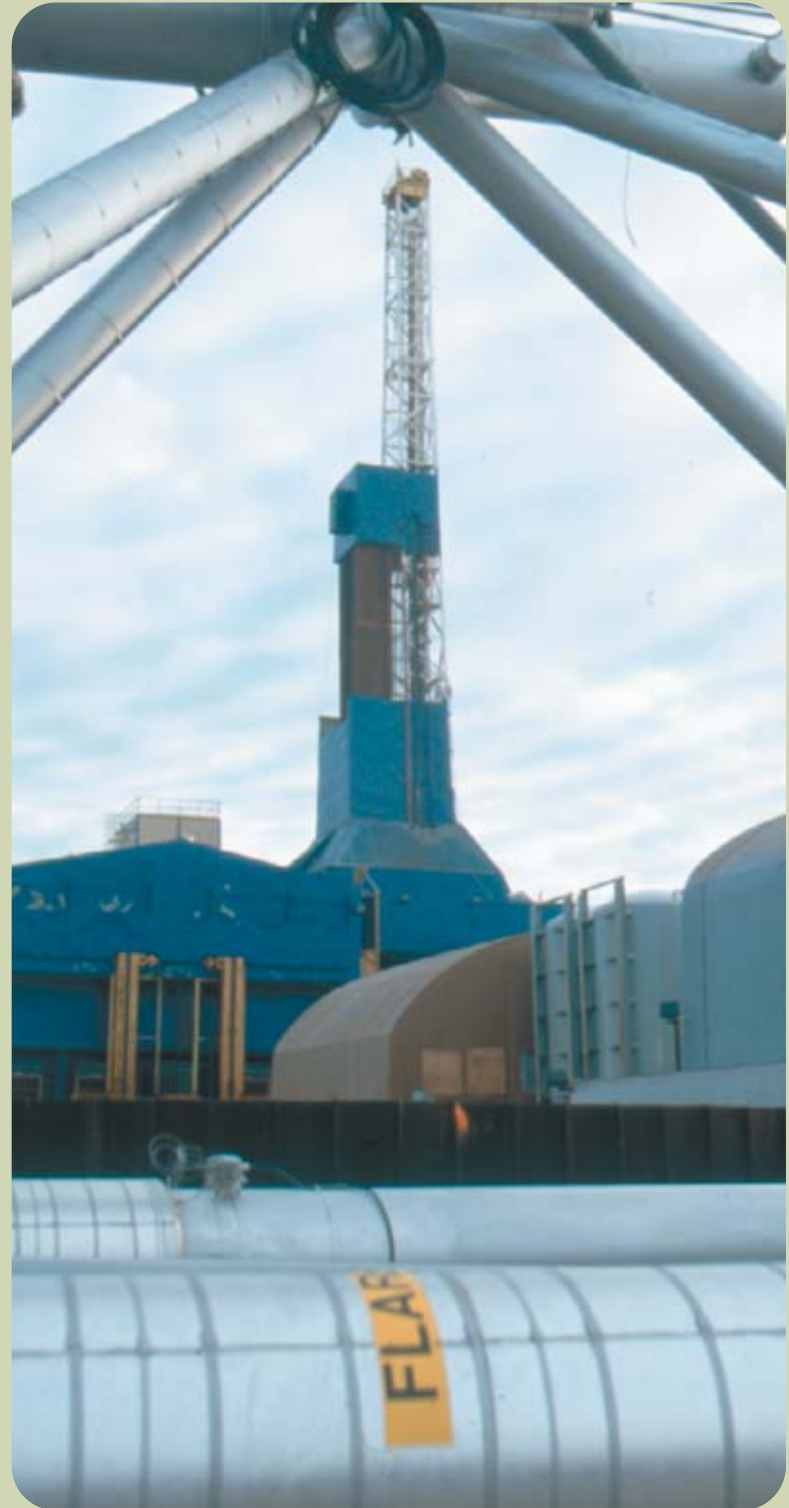
The Alaska Rig Report is sponsored by:



The Alaska Rig Report as of October 5, 2002.
Active drilling companies only listed.

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

This rig report was prepared by Wadeen Hepworth



Northstar Island, Nabors 33-E

Courtesy Judy Patrick

Baker Hughes North America rotary rig counts*

	September 27	September 20	Year Ago
US	875	852	1168
Canada	237	264	304
Gulf	112	114	135

Highest/Lowest

US/Highest	4530	December 1981
US/Lowest	488	April 1999
Canada/Highest	558	January 2000
Canada/Lowest	29	April 1992

*Issued by Baker Hughes since 1944

Rig start-ups expected in next 6 months

Nordic Calista

Rig 2 (SCR) Start-up expected October, at an unknown location.

Nabors

7ES Scheduled to start work in November.

Fairweather

SDC MODU on location at EnCana's McCovey prospect off Prudhoe Bay. Drilling on McCovey to begin in mid-November.

XTO (Inlet Drilling Alaska labor contract)

Rig C Will start drilling well C13-13LN in mid-October.

GOVERNMENT

House ANWR offer would open 1002 area to drilling and add 10 million acres of wilderness

U.S. House conferees voted 10-7 on Oct. 2 to accept a modified House offer to the Senate on oil development in the Arctic National Wildlife Refuge that would open the 1002 area to drilling and increase the wilderness area in the refuge by 10.2 million acres. The size of the 1002 area proposed for oil exploration would not be affected.

The proposal sets aside a total of 17.4 million acres of wilderness in the refuge, the largest single designation of wilderness ever made in one geographic place, according to Rep W.J. 'Billy' Tauzin, chairman of the conference committee.

The offer will now be sent to the Senate side of the conference committee for consideration. The Senate members, largely Democrats, could pass the House offer, vote it down, ignore it, or send an amended version back to the House side of the conference committee for reconsideration.

The conference committee is attempting to hash through the ANWR issue and other issues such as ethanol mandates and climate change, in order to move the energy bill to the full bodies of the House and Senate for a vote. Time is of the essence because Congress plans to adjourn in mid-October.

Whipping a dead horse?

During discussion of the ANWR offer in the conference committee, friends and foes of drilling argued vigorously, despite increasing pessimism on the part of observers about the prospects for an energy bill to pass this session.

"It's now in the hands of Sen. Bingaman for his conferees to accept or reject it," Roger Herrera, Washington, D.C. coordinator for pro-drilling group Arctic Power, told PNA Oct. 2.

If the energy bill makes it out of committee, Herrera said, it would need the

see ANWR page 4

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GOVERNMENT

Michael Bill named to AOGCC

Michael Bill, P.E., has been named to the petroleum engineer seat on the Alaska Oil and Gas Conservation Commission, Gov. Tony Knowles said Oct. 3. Bill, a petroleum engineer with 23 years experience in the Alaska oil industry, holds a degree in Chemical Engineering from the University of Wisconsin at Madison. He worked as a process, production, operations/analytical, and senior operations/analytical engineer for ARCO in Texas in the 1970s before moving to Alaska in 1979. Since then, he has worked in Cook Inlet and on the North Slope in various senior engineering positions.



Michael Bill

Bill has worked in well operations and surveillance, reservoir management and development, subsurface waste disposal, permitting and regulatory compliance and technical project management. He is the co-author of several technical papers and patents.

"The work of AOGCC is vital to the safe and economic operation of Alaska's oil and gas fields," Bill said. "I am honored to be chosen to serve on the Commission."

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ANCHORAGE



Steve Sutherlin

ANWR band members pictured from left to right: Joan Massart-Paden, Don Webster and Connie Wilhelm

Rockin' for ANWR

Give drilling a chance, says ANWR — the band, America's future relies on responsible drilling in ANWR — the refuge

By Steve Sutherlin
PNA Managing Editor

Anchorage-based rock and roll band ANWR believes in music with a message, and its message in the song, "Drilling — Yes or No" is that the nation needs oil from the Arctic National Wildlife Refuge, and Alaskans have a right to develop their resources.

There are lots of good reasons to drill in ANWR, but many people haven't become engaged enough with the issue to understand, the band said. That's where music comes in.

"Music touches the core of a person," said Joan Massart-Paden, ANWR keyboardist.

If America hears through music that real people support ANWR development, politicians blocking drilling might change their votes, she said.

"People won't listen to a debate or read a well-written article, but they'll listen to a four minute song," said Connie Wilhelm, vocalist and co-writer of "Drilling — Yes or No."

The profile of the six-piece band has risen rapidly since its inception in August. Already its drilling song has gotten airplay on The Rick Rydell radio program on 650 KENI radio in Anchorage, and a mention

in the Sept. 29 Alaska Ear column in the Anchorage Daily News.

The band grew organically, and isn't controlled by any commercial or political group, Massart-Paden told PNA. Wilhelm's co-writer Gary Webster, ANWR guitarist/vocalist, and bass player Dan Webster were playing in another band when Gary Webster heard Wilhelm singing as she went about her work at his dentist's office. He shared his idea for the ANWR name, and Wilhelm wrote the lyrics to the drilling song. Webster added the music.

When Webster went to speak with Kim Duke at Arctic Power about a web site for the band, Duke suggested Massart-Paden as a keyboardist. Massart-Paden was already working with drummer Bruce Finlay of the '60s group, The Sorrows, and lead guitarist Gene Hall. The six came together as ANWR and started recording.

As Congress considers the ANWR issue, the band is scrambling to find ways to get its message out. Already the opposition is planning a counter-attack, Massart-Paden said. The band has heard the Sierra Club is dusting off an anti-drilling song it recorded a while back, for re-release.

For more information visit: www.anwr-band.com. ♦

continued from page 3

ANWR

blessing of Senate Majority Leader Tom Daschle, a vocal drilling opponent, to reach the Senate floor in time for a vote.

"It's not impossible," Herrera said, but he added that the spirit of compromise on ANWR seemed to be missing on the part of Senate Democrats.

"If today is any indication, the energy bill is going to die," he said.

"Alaskans want this, Alaskans are for this proposal," Tauzin told the committee. He said recent interruptions in supply because of hurricane threats in the Gulf of Mexico underscored the need to diversify domestic sources of energy.

Rep. Ed Markey, D-Mass., said oil company representations of the footprint of drilling operations in the refuge are misleading.

"Drilling oil is a messy, inexact and unpredictable business," he said.

Markey displayed a map that showed drilling activity spread across the 1002 area, based, he said on a 1987 study of drilling in ANWR.

"My comment to my friend from Massachusetts is, so what?" said Rep.

George Miller, D-Calif., adding that ice roads and other new technology will minimize or eliminate long-term evidence of oil development in the area.

"Where are we going to get the energy for the next generation?" asked Rep. Don Young.

Murkowski promotes compromise

Following the vote, Sen. Frank Murkowski made a presentation to the conference that showed wintertime development on the North Slope using ice roads, followed by a summertime photo of the same areas showing little evidence of drilling.

Murkowski said oil development was important to the people who live in Alaska, and he reminded the committee that Alaska was entitled to develop its resources under the pact it made with Congress at statehood.

Murkowski said he was willing to compromise on energy issues that were important to other members of the conference committee, and he expected drilling opponents to compromise on ANWR in return.

— Steve Sutherlin
PNA managing editor

FINANCE & ECONOMY

TEXAS

Shell receives FTC approval for acquisition of Pennzoil-Quaker State

Shell Oil Co. received U.S. Federal Trade Commission clearance for its proposed acquisition of Pennzoil-Quaker State Co. Sept. 27.

Shell said Sept. 30 that it and Pennzoil-Quaker State entered into a consent order with the FTC to resolve the agency's concerns about the U.S. group II base oil marketplace. The transaction was expected to be completed Oct. 1.

Shell agreed to divest itself of Pennzoil-Quaker State's 50 percent ownership interest in Excel Paralubes, a base oil processing facility that is a joint venture between Conoco Inc. and Pennzoil-Quaker State, and place it immediately in a trust.

The facility, adjacent to the Conoco refinery near Lake Charles, La., has the capacity to produce some 21,000 barrels per day of group II base oil, the primary base stock in motor oil.

Shell said top levels of management for the lubricant facility have already been named.

Shell is a wholly owned member of the Royal Dutch/Shell Group of Cos.

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WASHINGTON, D.C.

U.S. oil and natural gas reserves up in 2001

The U.S. Department of Energy's Energy Information Administration said Sept. 27 that U.S. crude oil and natural gas proved reserves increased in 2001, replacing production by a substantial margin.

One new deepwater field in the Gulf of Mexico, BP's Thunder Horse, accounted for a significant portion of all new oil reserves. The EIA said that after development Thunder Horse will be the largest field in the Gulf of Mexico and is expected to produce at a peak rate of 250,000 barrels per day, with initial production expected in 2005.

One new deepwater field in the Gulf of Mexico, BP's Thunder Horse, accounted for a significant portion of all new oil reserves.

see RESERVES page 6

HOUSTON

Anadarko picks up historic Wyoming field, plans to use enhanced recovery methods

Company says its Alaska commitment still strong despite postponement of 2002 oil exploration well on North Slope; 2004 busy drilling season

By Allen Baker
PNA Contributing Writer

Anadarko Petroleum Corp. is spending \$265 million for a mature – if not senior citizen – oil field in the Powder River Basin and some other properties with the purchase of Howell Corp., announced Oct. 1.

The twist is, the company has also locked in a contract to buy carbon dioxide from the LaBarge gas field and plans to build a 125-mile pipeline to bring the CO₂ to the Powder River Basin for enhanced oil recovery.

Between the pipeline and the other costs associated with the EOR effort, Anadarko expects to invest \$200 million more in the Salt Creek field over the next couple of years.



Anadarko President John Seitz

\$13.50 cash margins

But the result will be booking reserves at about \$2.50 a barrel, and producing the oil with cash margins of \$13.50 a barrel, according to the company, based on \$21-a-barrel oil.

That's a standout investment, say Anadarko executives. They figure Anadarko can use its expertise in enhanced recovery, honed at the North Slope's Alpine and other fields, as it adds miscible injection to the Salt Creek field north of Casper, a field Anadarko President John Seitz calls "one of the largest remaining enhanced oil recovery opportunities in the Lower 48."

Alaska commitment strong

The investment doesn't detract from Anadarko's commitment to Alaska, the company says.

"Anadarko has made a major long-term commitment to exploration and development in Alaska, by assembling a huge land position and conducting annual seismic programs. In our case, the fact that we're not drilling more wells this particular winter is more of a timing issue than a reflection of our interest in and our future commitment to Alaska," Anadarko spokeswoman

Anne P. Vincent told PNA Oct. 2 when asked about the single exploratory well that Anadarko had planned to drill but recently postponed drilling until the winter of 2003-2004.

Anadarko is participating in two wells with ConocoPhillips this winter, as well as development wells at the Alpine field, she said. The company also will be drilling two methane hydrate wells in the central Arctic as part of a project for the U.S. Department of Energy.

"We still have a lot of seismic to evaluate before we drill another operated exploration well. Our expectation is that by the winter of

2004 we'll have several high-quality prospects ready to drill – in the (Brooks Range) foothills, NPR-A and the central North Slope," Vincent says. Just how the company goes ahead will depend to some extent on the outcome of the proposed gas pipeline, she notes. (Anadarko is one of the North Slope's gas explorers and, as such, has expressed concern about getting access to a gasline owned by the three ANS gas owners, BP, ExxonMobil and ConocoPhillips.)

\$2.5 billion budget

While some other companies are scaling back on exploration spending, Anadarko has budgeted an overall total of about \$2.5 billion for capital investments in 2003. The Alaska portion of that hasn't been determined yet, Vincent said. Anadarko invested about \$118 million in Alaska for 2002, \$85 million for 2001 and \$98 million for 2000.

Reallocating assets

John Seitz, Anadarko's president, said in a teleconference that the new acquisition basically represents reallocating money from lower-margin heavy oil properties in Canada to Wyoming. And Anadarko may have other cards to play in the Cowboy State.

Company geologists hit on the idea as they were researching Rocky Mountain prospects and evaluating the acreage obtained through the purchase of Union Pacific Resources, which included old land grants that came with the building of railroads across the West in the 19th century.

Old oil field

Howell's Salt Creek field, not far from the Teapot Dome, was discovered by Standard Oil in the early 1900s and had 1.7 billion barrels of original oil in place. It began producing in 1922 and was operated by Amoco before Howell took it over.

see ANADARKO page 6

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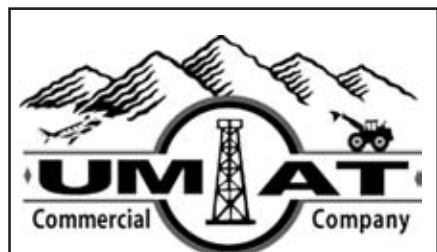
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continued from page 5 ANADARKO

Howell's working interest is very near 100 percent, Seitz said.

The Salt Creek output dwindled over the years to the current rate of about 5,300 barrels a day under water flood.

But Anadarko's geologists think they can use miscible carbon dioxide injection to push that daily rate to 40,000 barrels.

Carbon dioxide deal

In conjunction with the Howell acqui-

"Our expectation is that by the winter of 2004 we'll have several high-quality prospects ready to drill — in the (Brooks Range) foothills, NPR-A and the central North Slope."
Anne P. Vincent, Anadarko Petroleum

sition, Anadarko spent \$3 million for an exclusive deal to market carbon dioxide from the LaBarge gas field in southwestern Wyoming in the Powder River Basin, and obtained a price for the carbon dioxide that's about half the current price range of 50 to 70 cents per thousand cubic feet, Anadarko executives say.

The planned \$27 million pipeline would carry 250 million cubic feet of CO₂ gas daily, about double the amount Anadarko figures will be needed for enhanced recovery at Salt Creek.

Other Powder River fields also could benefit from enhanced recovery, Seitz said. With the Howell purchase, Anadarko is also getting the Elk Basin field north of Cody on the Wyoming-Montana border.

Cash deal

Anadarko will use cash for the Howell purchase, expected to close late this year or early in 2003. Both companies' boards voted unanimously to approve the deal.

Anadarko has commitments from holders of about 40 percent of the Howell stock to vote in favor of the takeover, which gives Howell shareholders about a 50 percent premium over the share price before the deal was announced, and more than double what it was bringing a year ago.

Recycling \$200 million

Anadarko calls the deal a recycling of about \$200 million from the sale of Canadian heavy oil properties.

Standard & Poor's Ratings Services said its outlook for Anadarko debt would remain unchanged.

"Essentially, we are swapping heavy oil properties for Howell's high-quality, light sweet crude, nearly doubling our cash margins per barrel while adding strong growth potential," Seitz said.

The Canadian properties produced about 20,000 barrels a day of heavy oil, which company officials say had a margin

continued from page 5 RESERVES

EIA said that in addition to the deepwater Gulf of Mexico federal offshore, Alaska also contributed to the growth of proved reserves, both from new fields and from

Want to know more?

If you'd like to read more about Anadarko in Alaska, go to Petroleum News • Alaska's web site and search for these recently published articles.

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2002

- Sept. 29 BLM issues leases from June NPR-A lease sale
- Sept. 8 Phillips applies to expand Colville unit
- Sept. 1 Phillips, EnCana take opposite sides on gas pipeline issues
- Aug. 25 Winter work to include new pads for Phillips
- Aug. 4 Low natural gas prices trigger slide in Anadarko earnings
- July 21 No new NPR-A wells staked
- July 21 Anadarko files plans for ... prospects in Foothills
- July 14 Tony Meyer Anadarko's new head of Alaska operations
- July 14 Anadarko to drill three wells on North Slope
- June 30 Anadarko suspends Altamura
- June 16 Winter exploration wrap
- June 16 NPR-A lease sale allows exploration momentum to continue westward
- June 9 BLM prepares for NPR-A activity, playing catch up
- June 9 Bidding to win - June 09, 2002
- June 2 BLM planning for full field development in NPR-A
- May 26 Foothills gets thumbs up
- May 12 Gaining access
- May 5 Anadarko shows 87 percent lower profit
- May 5 North Slope Foothills bidders set record for acres leased
- April 21 Things are changing in Cook Inlet
- April 15 Royalty board meeting on gas contracts postponed
- April 7 On deadline: Pourchot puts RIK on hold; delay likely to affect Foothills exploration
- April 7 DNR commissioner okays royalty gas contracts with Anadarko
- March 24 Drilling moves west
- March 10 Maurer, Anadarko to drill 3 gas hydrate wells
- Feb. 3 Anadarko, Phillips hope to declare NPR-A prospect commercial
- Feb. 3 Regulatory problems discourage industry investment
- Jan. 27 Whiskey Gulch project gets exploration approval
- Jan. 20 Anadarko to cut 2002 capital spending by half

2001

- Nov. 4 Alpine facilities might be expanded
- Aug. 28 Anadarko to drill two NPR-A wells south of Moose's Tooth this winter

of \$7 a barrel "in a good month."

Howell's total production amounts to about 12,000 barrels of oil equivalent daily, with about 88 percent of that oil. Anadarko expects to book 50 million BOE of proved reserves at the close of the transaction. ♦

field extensions.

The EIA said reserves additions exceeded production by 21 percent for oil and 31 percent for natural gas in 2001, with U.S. crude oil proved reserves increasing by almost 2 percent in 2001 proved reserves of dry natural gas increasing 3.4 percent.

The majority of crude oil discoveries in 2001 were in new fields, the agency said, particularly in the Gulf of Mexico federal offshore and in Alaska.

Proved reserves of crude oil in the United States declined 17 out of 19 years from 1977 through 1996, but increased four out of the last five years, the EIA said.

"New field discoveries of oil in 2001 were at the highest level since Alaska's Prudhoe Bay field (reserves) were booked in the 1970s," the agency said.

ANCHORAGE

MMS, UAF extend Coastal Marine Institute agreement

The U.S. Minerals Service and the University of Alaska Fairbanks have extended for five years a cooperative agreement that supports University of Alaska scientists conducting marine research related to oil and gas development in Alaska coastal waters.

MMS said it will provide up to \$1 million a year to UAF from 2003 through 2009.

"We are pleased to continue our partnership with UAF, and to have their scientists and students involved in gathering the information that we and the state need to understand what is happening offshore," MMS Regional Director John Goll said in an Oct. 1 statement. "We can take full advantage of their knowledge of Alaska, its marine waters, and the oil and gas industry."

The Alaska Coastal Marine Institute is administered by the University of Alaska Fairbanks School of Fisheries and Ocean Sciences.

In addition to extension of the agreement, MMS said eight new studies were funded to start this year in Cook Inlet, the Beaufort Sea and the Chukchi Sea.

UAF will also hold a workshop on sea ice circulation and modeling.

MMS developed the Coastal Marine Institute concept in 1991 and the Alaska CMI is one of three such institutes in the United States, with the others in California and Louisiana.

WASHINGTON, D.C.

USGS, geologic institute to make database public

The U.S. Geological Survey and the American Geological Institute said Oct. 1 that they have agreed to make the USGS global geographic information system database available to educators and the general public in the form of a DVD based world atlas.

The USGS global GIS database contains USGS and other public domain data, including global elevation, land cover, seismicity and resources of minerals and energy.

The package will include free GIS software allowing customized analysis of the data.

The USGS said the agreement improves accessibility and usability of global geo-spatial data, supporting the agency's mission of delivering earth science data to the general public.

Additional educational materials will be developed in several phases as resources become available. Beyond education, the data package will find use as a regional-scale reference and as an analytical tool for spatial analysis by government officials, researchers, the private sector, and the general public.

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In ceremonies at the company's global headquarters in Houston, Archie Dunham, chairman (r), and Jim Mulva, president and chief executive officer, raised the new corporate flag shortly after the merger of Conoco Inc. and Phillips Petroleum Company was completed. The merger makes ConocoPhillips one of the world's largest energy companies.



NEWS COLUMN

Alaska mining news summary: As assay results are coming in from projects around the state, metals prices continue to rise or hold steady triggering expectations of higher budgets for 2003

As the first snows of winter begin to fall around the state, more assay results are coming in and plans for next year are being formed. Metals prices continue to rise or hold steady and budgets for next year appear to be growing as a result. Several exploration projects remain in progress and are not likely to be completed before the end of October. By then we will have a good idea of how 2002 stacks up against previous year's exploration, development and production expenditures.

Here is what happened in the last month.

Western Alaska

NovaGold Resources reported additional drilling results from its Aurora and Akivik zones at its Donlin Creek deposit in southwestern Alaska. Results included hole DC02-740 with 14 meters grading 9.23 grams gold per tonne, hole DC02-741 with 20 meters of 7.89 grams gold per tonne and hole DC02-855 with 19 meters grading 6.60 grams gold per tonne, 13 meters grading 7.30 grams gold per tonne and 32.7 meters grading 4.62 grams gold per tonne.

This mineralization represents that farthest south drilling to date at Aurora and indicates that the Aurora, 400 and Acma zones may in fact represent a single large zone of near-surface mineralization. Additional follow-up drilling at the Akivik zone continued to intercept high-grade gold mineralization including hole DC02-854 which intersected 4.9 meters grading 17.1 grams gold per tonne.

Step-out drilling to the north of Akivik intersected 16.8 meters grading 4.25 grams gold per tonne in hole DR02-816 and 18.3 meters containing 6.4 grams gold per tonne in DR02-752.

Through early September the company had completed 27,000 meters of drilling in 94 core and 121 rotary holes and expected to complete an additional 9,000 meters of drilling by the end of October. The company expects to announce updated resource figures in October and indicated that mineralization discovered in 2002 should significantly increase the overall resources at Donlin Creek.

Northern Dynasty Minerals said it has completed its phase two drilling at its Pebble copper-gold project near

The author

Curt Freeman, CPG #6901, is a well known geologist who lives in Fairbanks. He prepared this column for Petroleum News • Alaska on Sept. 30.

Freeman can be reached by U.S. Mail at P.O. Box 80268, Fairbanks, AK 99708. His work phone number at Avalon Development is (907) 457-5159 and his fax is (907) 455-8069. His email is avalon@alaska.net and his Web site is www.avalonalaska.com



Curt Freeman

Iliamna and expected to have drill results in October.

The phase two program consisted of 27 diamond core holes totaling 6,000 meters of drilling on previously discovered mineralization as well as new target areas within the project.

A new zone of widespread copper mineralization was discovered during the program. The company indicated that additional drilling in the spring of 2003 is likely.

NovaGold Resources and joint venture partner TNR Resources released initial trenching results from their Rock Creek gold property near Nome.

Trench results from the Albion zone included 8 meters grading 2.88 grams gold per tonne in trench 101 and 12 meters grading 5.12 grams gold per tonne in trench 104.

Trench 104 is located more than 130 meters southwest of the currently drilled resource and suggests mineralization is open at depth and to the southwest.

Core drilling designed to upgrade resources to the measured and indicated categories was scheduled to start September 20.

Navigator Exploration and Chapleau Resources released results from their Kougarok tantalum project on the Seward Peninsula.

The company completed 2,438 meters of core drilling in seven holes covering a five square kilometer area of the project.

All holes intercepted anomalous tantalum mineralization but only hole 2002-04 intercepted potentially commercial grade mineralization.

The best intercept from this hole was 105.9 meters grading 169 ppm tantalum (206 ppm tantalum pentoxide) including 56 meters grading 209 ppm tantalum and 31.5 meters grading 233 ppm tantalum.

Although the drilling indicated that the system present at Kougarok was both large and well preserved, given current tantalum prices, the company indicated that the economic potential of the project was limited.

Nuvista, a non-profit subsidiary of Alaska Native corporation Calista Inc. reported preliminary plans to electrify portions of the Yukon-Kuskokwim delta region of southwest Alaska.

The phased program would include options to bring electrical power to the Donlin Creek deposit where electrical power requirements are expected to be significant should the deposit prove economic to bring into production.

The options being considered range in cost from \$192 million to \$450 million

Shear Minerals and Golconda Resources said additional drilling was completed at its Shulin Lake diamond project and that one additional micro-diamond was recovered from hole 10 where 16 micro-diamonds have been previously reported.

and would bring long-term savings of \$440 to \$694 million to electrical users in the region.

The state of Alaska contributed \$250,000 to allow completion of the recently released regional power needs study.

Eastern Interior

Freegold Ventures Ltd. released preliminary results from trenching conducted on its Golden Summit gold project in the Fairbanks District.

Approximately 1,145 feet of backhoe trenching was completed at six trenches in the Cleary Hill mine area.

Grab samples of quartz vein material in the trenches returned values up to 211 grams gold per tonne while channel samples values ranged up to 3 meters grading 4.29 grams gold per tonne and 8.8 meters grading 1.16 grams gold per tonne.

Gold mineralization is associated with quartz, quartz-carbonate or quartz sulfide bearing veins and with shear zones where quartz volume is relatively low.

Mineralized structures mapped in the trenches range from quartz veins with no apparent wall rock alteration or shearing to iron-oxide stained schist-hosted breccia and shear zones up to 100 feet in width and containing 1-20 percent crushed quartz in pods and veinlets.

Prior to reclamation activities, the farthest east trench was extended to determine the extent of gold mineralization (1.5 meters at 3.1 grams gold per tonne) near its northern end. This extension exposed additional mineralization included an 18-inch thick quartz vein which contained abundant coarse visible gold. Samples results from this new vein are pending.

Confirmation and step-out drilling have been recommended for October and November.

Teryl Resources and **LinuxWizardry Systems** said the state of Alaska has approved conversion of their Fish Creek claims to a mining lease. The property lies near Teryl and Kinross Gold's Gil claims where resources of 433,000 ounces have been announced.

The companies indicated that they intend to conduct additional drilling at Fish Creek after the ground freezes.

California-based **Tri-Valley Corp.** and Moscow-based **TsNIGRI** said they have formed Troika Mining Ventures and plan to list the company on U.S. and possibly foreign stock exchanges.

The partners indicated that they plan to vend one or more lode and/or placer gold properties into Troika from Tri-Valley's Richardson project in the Richardson District.

The newly formed company will look primarily at acquiring and developing high grade gold projects worldwide.

Alaska Range

Shear Minerals and Golconda Resources said additional drilling was completed at its Shulin Lake diamond project and that one additional micro-diamond was recovered from hole 10 where 16 micro-diamonds have been previously reported.

The company completed 3,221 feet of diamond drilling in five new holes. The diamond-bearing volcanoclastic unit was recognized in several of the holes. Diamond and indicator mineral analyses are being conducted on these holes.

The company also indicated that airborne geophysics and satellite imagery has identified a 2 kilometer diameter circular feature believed to be the source of the volcanics in the area. Additional work is planned after freeze-up.

Nevada Star Resources announced that field work was completed in September at its MAN copper — nickel — platinum group metal project in the central Alaska Range. The company completed approximately 250 meters of core drilling on the Canwell prospect plus mapping and geochemical sampling on the northern portion of the Eureka Block. A number of new nickel-PGE showings were reported.

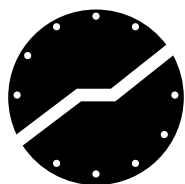
Exploration also was conducted on the intrusive hosted Gezzi copper-gold prospect and on the Broxson gold prospect. Analytical results are expected in October.

Other

The Alaska Miners Association will hold its annual convention at the Anchorage Sheraton hotel from Nov. 6 though Nov. 8 with short courses before and after the convention.

For details see the Alaska Miners Association website at www.alaskaminers.org.

For those that don't believe that investing in precious metals is a wise economic decision, take a look at this: **Lipper Inc.** reported that for the first nine months of 2002, the three safe-haven investment vehicles generated returns as follows: precious metals funds, 43.51 percent, real estate, 7.17 percent and bonds, 3.46 percent.



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WORLD OIL

CANADA

Partnership adds to British Columbia natural gas finds

A partnership of little-knowns has given a fresh jolt of optimism to northeastern British Columbia with a mid-September announcement of what could be a significant natural gas discovery.

The well was drilled to a total depth of about 10,100 feet in the Liard Basin, which spills across the border to a producing field in the lower Northwest Territories.

Although no flow rates or test results were released to indicate the size of the new pool wildcat, the well is the first of a multi-well rolling farm-in on 205,000 acres.

A majority interest in the well of 55 percent is held by privately owned Lightning Energy Ltd. The other players are Cassiar Resources Inc. and American Leduc Petroleums Ltd., which paid 15 percent of the costs of the discovery well to earn a 15 percent before payout working interest.

The producers have access to the Westcoast Energy Inc. pipeline system and expect production to start late this year or early in 2003.

—Gary Park, PNA Canadian correspondent

GREAT BRITAIN

Marathon Oil's Symphony pipeline has no investors

Marathon Oil Corp.'s proposed \$1.3 billion Symphony pipeline development connecting Norwegian natural gas fields to southern England is looking doubtful. After five months of marketing, the Houston energy company has failed to attract a single investor.

But Houston-based Marathon remains hopeful its blockbuster pipeline will go ahead, even if it means ceding control of it to another oil company.

The energy company announced the Symphony pipeline system last February, in a bid to carve itself a leading role in the supply of Norwegian gas to the British market, the world's third-biggest by consumption.

There's already one pipeline running to Britain from Norway — the Vesterled line with a capacity of 11 billion cubic meters — which is considerably underused, ferrying only about 1.5 bcm to 2 bcm a year.

But Britain, Norway's North Sea neighbor, is forecast to lose its self-sufficiency in oil and gas from late 2005 and quickly become a major importer thereafter, so pressure is building for new projects. Annual consumption in Britain is about 100 bcm.

Marathon's campaign to lure investors began in May. In July, it dramatically increased the pipeline's planned gas capacity to between 18 billion and 24 billion cubic meters a year — roughly a

see SYMPHONY page 10

■ C A N A D A

Kyoto could be billion-dollar boon for U.S.

Former U.S. cabinet secretary warns planned Canadian investments could spill over border into U.S.; Canadian Natural and EnCana talk of relocating oil sands upgraders

By Gary Park
PNA Canadian Correspondent

James Schlesinger, a former United States secretary of defense and secretary of energy, warned Canada that adopting the Kyoto Protocol would be an "act of pure folly" and could see billions of dollars of capital spending lost to the United States.

Try C\$4.2 billion for openers.

Schlesinger, now a senior adviser to the New York-based investment firm of Lehman Brothers, made his remarks Sept. 29 at a global business forum in the Rocky Mountain resort town of Banff, the same conference where a director of Canadian Natural Resources Ltd. warned that the upgrader portion of his company's planned C\$8.2 billion oil sands project could be built in the United States.

Murray Edwards said confusion over the actual

costs of implementing Kyoto could force Canadian Natural (better known by its stock symbol CNQ) to seek refuge south of the border.

"Our preference is to build in Canada ... where we have worked hard to become a meaningful player on the international stage," he said.

"It would be a major loss to this country to have Canadian companies moving their operations to the U.S.," but the Canadian government must understand "that uncertainty is causing this kind of result," Edwards said.

CNQ's Horizon project in northeastern Alberta is scheduled to come on stream in 2007 and grow over four years to the point where it is extracting 270,000 barrels per day of bitumen from a 6-billion barrel lease and converting that to 233,000 barrels per day of synthetic crude.

see BOON page 10

■ C A N A D A

Takeovers shrink international production by Canadian companies

Foreign ventures equivalent to 14 percent of domestic output; Talisman, EnCana leaders say global reach is necessary to reduce dependence on Western Canada

By Gary Park
PNA Canadian Correspondent

Four decades of almost unbroken growth went into reverse in 2001 as Canadian-owned E&P companies shrank their international ventures. In his ninth annual report, Calgary analyst Ian Doig, publisher of Doig's Digest, reported a 19.2 percent drop in natural gas production and a 1.6 percent decrease in oil output.

He said 94 Canadian E&Ps had landholdings in 57 countries last year, with 40 producing 607,374 barrels per day of crude oil and liquids from 28 countries and 23 pumping 631 million cubic feet of gas in nine countries.

In comparison, when Doig first started tracking Canada's global activities in 1993, crude oil and liquids production averaged 135,890 bpd and gas volumes were 328 million cubic feet per day.

The "foreign content" was equal to 14 percent of the oil and liquids produced in Canada and accounted

for 11 percent of total capital spending.

Downturn caused by takeovers

The downturn was largely caused by a wave of takeovers in 2001 which saw such major international producers such as Canadian Hunter Exploration Ltd., Chieftain International Inc., Gulf Canada Resources Ltd. and Gulfstream Resources Canada Ltd., along with many lesser operators, fall under the control of U.S.-based companies.

The five biggest Canadian E&P companies with international production are Talisman Energy Inc. (led by its 25 percent stake in a controversial Sudanese field), Nexen Inc. (which depends on the Yemen for half of its total output), Hurricane Hydrocarbons Ltd. (whose operations are concentrated in the volatile former Soviet republic of Kazakhstan), EnCana Corp. and Canadian Natural Resources Ltd. (both active in the North Sea, with

see TAKEOVERS page 10

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continued from page 9

BOON

The surface-mining operation carries a current price tag of C\$4 billion and the upgrader C\$4.2 billion. The upgrader is more energy intensive than the mine and would produce more greenhouse gas emissions, making the United States (likely Montana) a more attractive location for a refinery so long as the United States refuses to sign Kyoto.

EnCana project in question

EnCana Corp. has also said it is weighing the possibility of locating a bitumen upgrader in the United States, rather than Alberta.

Edwards said relocation by CNQ would result in the loss of 100,000 man-jobs during the construction phase and about C\$5.2 billion in taxes and royalties to the Alberta and Canadian governments over the projected 42-year operating life.

"We need from governments certainty as to rules, so that we can define the economic cost of Kyoto relative to building in Canada or the United States," Edwards said.

Noting that Canadian Prime Minister Jean Chretien has said it could take 10 years to develop a Kyoto implementation plan although the treaty is expected to be ratified by Parliament before Christmas, Edwards said he was not prepared to trust the government "as they muddle through this one."

He said CNQ's studies on the costs of meeting the Kyoto targets range anywhere from 50 cents to C\$7 a barrel for the Horizon operation, highlighting the difficulty of planning for an oil sands project.

In a July filing with the Alberta Energy and Utilities Board, CNQ predicted operating costs before factoring in Kyoto would be between C\$8.65 and C\$10.60 per barrel when Horizon is fully commissioned.

"The problem right now is that there are no defined rules (for implementing Kyoto)," Edwards said. "As a businessman, if you don't have defined rules, you have to make decisions in the absence of them and therefore you go where the certainty is."

Alberta Premier Ralph Klein said the "ramifications of the uncertainty surrounding Kyoto" are reflected in the comments by the chief executive officers of oil sands

operators such as CNQ, Syncrude Canada, EnCana, Petro-Canada, Nexen and ConocoPhillips Canada, whose investment decisions have either been placed in limbo or have warned that Kyoto could trigger a flight of investment capital out of Canada.

Petro-Canada CEO Ron Brenneman said his company, which plans to spend up to C\$7.2 billion in the oil sands over the next decade, is positioned to re-deploy its spending to the North Sea, North African and South American properties acquired in its takeover of Germany's Veba Oil & Gas.

"Most of the players in the oil sands are actually large companies with international operations and therefore we have other places to invest," he said.

Brenneman said he has "exhaustively and repeatedly" told Chretien and other cabinet ministers that Canada should abandon Kyoto and find a less disruptive way to tackle greenhouse gas emissions through a made-in-Canada approach.

EnCana chief executive officer Gwyn Morgan, the most outspoken oil patch opponent of the climate-change treaty, said talk of oil sands delays and possible cancellations are the first signs of the "real chill that will affect all of us."

"I predict we will hear more of these decisions, but there will be many more we won't hear about, as investors silently move their money elsewhere," he said.

In the three weeks since Chretien announced his intention to put Kyoto to a vote in Parliament, the Canadian oil patch has formed a common front with Canadian manufacturers and exporters to drum up nationwide opposition to Kyoto, drawing on internal government estimates that the accord could cost 200,000 jobs and wipe C\$16.5 billion off economic growth.

"I call upon the prime minister to launch a new climate change business plan to save our country ... not tear it apart," said Morgan. The anti-Kyoto campaign broadened Sept. 26 from the Alberta-based petroleum industry with the launch of a new coalition, drawn from 25 national organizations. The Canadian Coalition for Responsible Environmental Solutions brings under the one umbrella manufacturers, exporters, trucking firms and even consumer advocacy groups to fight the ratification plans. ♦

continued from page 9

SYMPHONY

fifth of Britain's current consumption — from an initial 10 bcm.

But, despite considerable effort, the company admits it has so far come up empty-handed in its pursuit of investors — ideally one from Norway and one from Britain — to help bankroll the project.

BP and Royal Dutch/Shell Group, Britain's top heavyweights, have also recoiled. BP says it prefers current North Sea pipeline infrastructure — much of which it owns and operates — to be used, while Shell says it has not received a

reply to "technical and financial questions" about the project.

Marathon is playing down the lack of interest as a deal-killer, saying bilateral talks continue.

"Negotiations aren't finished until they are finished," said Bill Hastings, chairman and managing director of London-based unit Marathon International Petroleum Ltd.

He conceded that the project won't go ahead unless two major energy companies sign up, hinting that their origin needn't be within Britain or Norway. "I don't think any single party can do this by themselves, us included."

—Michael Wang, Dow Jones Newswires

continued from page 9

TAKEOVERS

EnCana holding a major interest in Ecuador).

Overseas gas production was dominated by EnCana, Talisman, Nexen, Canadian Natural and Nike Resources Ltd., with the focus on the United States, U.K. North Sea, Indonesia, India and Ukraine.

Talisman said to be posed for growth

Speaking at a Canadian Association of Petroleum Producers investment forum in June, Talisman chief executive officer Jim Buckee said his company's international exposure — which accounts for about 55 percent of the company's total output of about 450,000 barrels of oil equivalent per day and is poised for more growth in Southeast Asia, Algeria and Trinidad — will help compensate for declining rates from the Western Canada Sedimentary Basin.

"I believe other companies will have to develop this international skill set in order to achieve acceptable rates of growth," he said.

EnCana chief executive officer Gwyn Morgan told the same forum that oil and gas investors should be concerned about the rising portion of cash flow that some compa-

nies require to simply maintain production from the declining Western Canada Sedimentary Basin.

He estimated that portion for his own company at 20 to 25 percent, based on forecast 2002 production of about 700,000 barrels of oil equivalent per day, of which 64 percent consists of North American gas production.

Service and supply abroad

Canadian service and supply companies have also edged on to the international stage, although in most cases they are content to keep their focus on the world's two biggest service markets — the United States and Canada.

In its most recent figures, the Alberta government estimated that exports from the province's services sector reached C\$397 million in 2000, with 70 percent of the exporters conducting their business in the United States, which contributed 99.7 percent of the international revenues.

Beyond the United States the best opportunities are emerging in Mexico, where a handful of Canadian firms have signed contracts with state-owned Petroleos Mexicanos, PEMEX.

Precision Drilling Corp., Canada's largest service company, opened that door with a US\$270 million deal with PEMEX and has since been steadily drilling natural gas wells in northern Mexico.

Beyond North America, there has been some dabbling in South America, the Middle East and Southeast Asia, especially in countries where Americans won't go, such as those under embargo, or aren't wanted.

Malcolm Cox, president and chief executive officer of Calgary-based Enerflex Systems Ltd., said his company is finding that Middle Eastern countries increasingly prefer to obtain their products and services from countries other than the United States. ♦



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EXPLORATION & PRODUCTION

COOK INLET

Four seismic, geochemical projects under way or proposed in Cook Inlet

Four Cook Inlet seismic or geochemical projects are on the state's books in stages ranging from approved to proposed consistency determination issued to first discussions.

WesternGeco received a proposed consistency determination (with the Alaska Coastal Management Program) Sept. 26 for a three-dimensional seismic program in the Sterling area. This is a 36 square mile program for Marathon Oil Co. on federal, state, Kenai Peninsula Borough, Native and private parcels.

Source point drilling will be done in October and November with helicopter portable seismic drills. Recording operations will be done in February and March.

Pangaea Geochemical Technologies will be doing a surface geochemistry soil vapor survey in the North Fork area on the southern Kenai Peninsula for Unocal Alaska Resources through the end of October. Two two-man teams will collect 350-500 one liter soil vapor samples using a probing devise mounted on a modified all-terrain vehicle and a small pump to lift the soil vapor sample to the surface. The ATV will use existing paths, cut lines, etc., Unocal told the state, and expects to collect 80 percent of the samples with the ATV. Any areas not accessible by path or line will be collected by the field crew using a hand-transported, hand-powered probing devise.

One-inch by four-foot hollow steel rods are hammered four to eight feet below ground level and soil vapor removed using a vacuum pump.

Projects in the planning stage include an onshore and offshore 2-D and 3-D seismic data program by Fairweather Geophysical/Veritas DGS. The areas include Anchor Point, Cook Inlet east, Cook Inlet north and the Forelands, a total of some 12-14 weeks of work which Fairweather has told the state it would like to complete by the end of May.

The application is not complete for this project, but Fairweather said it would use helicopter portable techniques for the onshore portion of the survey and ocean bottom cable and streamers for the offshore portion.

Aurora Gas LLC has begun discussions with the state for 25 line miles of 2-D seismic in the Soldotna area to be completed by October of next year.

—Kristen Nelson

WesternGeco received a proposed consistency determination (with the Alaska Coastal Management Program) Sept. 26 for a three-dimensional seismic program in the Sterling area. This is a 36 square mile program for Marathon Oil Co. on federal, state, Kenai Peninsula Borough, Native and private parcels.

■ N P R - A

ConocoPhillips applies to store rig over summer again at Puviaq

Exploration program under review for consistency with Alaska Coastal Management Program; DGC says company asking for maximum time for permits

By Kristen Nelson
PNA Editor-in-Chief

ConocoPhillips Alaska Inc. has applied to the U.S. Army Corps of Engineers to build another insulated ice pad to store a drilling rig over the summer near either the Puviaq No. 1 or No. 2 exploration well prospects in the National Petroleum Reserve-Alaska and has its exploration drilling program under Alaska Coastal Management Program consistency review.

Phillips Alaska (now ConocoPhillips) built an insulated ice pad last year in the same area and stored Nabors Alaska Drilling Inc. rig 16-E there over the summer. The corps said the ice pad used to store the drilling rig this



Nabors Rig 16-E

Judy Patrick

past summer will not be used again in 2003.

The 1.5 acre insulated ice pad is proposed for summer 2003 rig storage will be in either section 35 township 16 north, range 10 west,

Umiat Meridian (the Puviaq No. 1 location) or section 16-T15N-R10W, UM. The Puviaq locations are west of Teshekpuk Lake and south of Smith Bay approximately

see RIG page 13

■ N O R T H S L O P E

ANS production drops in September

Volume drop led by Prudhoe Bay, down 55,000 barrels per day; BP shut in 137 wells at end of August for testing, company says maintenance, weather also factors

By Kristen Nelson
PNA Editor-in-Chief

Alaska North Slope production averaged 890,956 barrels per day in September, down 8.6 percent from an August average of 974,873 bpd. Milne Point was a bright spot: Up 11.75 percent after BP Exploration brought S pad wells on line Sept. 1.

Production was down at Alpine due to planned maintenance, a drop of 21.6 percent from August. The Department of Revenue characterized a 23.84 percent production drop at Northstar as "continued start-up pains."

Prudhoe Bay production for September was down 11.93 percent, a drop of some 55,032 barrels per day from August.

Field operator BP Exploration (Alaska) took 137 wells off production at Prudhoe Bay in late August for testing after an explosion at A-22 which injured a worker. BP spokesman Ronnie Chappell told PNA Oct. 2 that BP first estimated that 150 wells would be taken off production. Those wells, he said, would have had a 60,000 bpd impact on Prudhoe production. But of the original 150 wells BP looked at to reconfirm casing integrity, only 137 were taken off production, reducing the maximum production impact to about 45,000 bpd. Some of those wells, Chappell said, would have been off production for reasons associated with facilities and ambient air temperature.

Of the 137 wells, 68 have undergone testing and

see PRODUCTION page 13

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EXPLORATION & PRODUCTION

continued from page 1

GASLINE

Point or Homer, Northstar said it was looking at building a line to connect its North Fork unit and other stranded gas properties to Anchor Point and then north to Ninilchik and south to Homer.

KKPL is jointly owned by Marathon and GUT LLC, a wholly owned subsidiary of Unocal Corp. ConocoPhillips Alaska Inc. owns approximately 23 percent of the participating area of the North Fork unit, but Northstar said is not involved in Northstar's pipeline plans.

KKPL's change spurs Northstar

Northstar had responded to KKPL's open season letter, issued in December of last year, saying it intended to "reserve up to 40 million cubic feet per day of capacity" in the new line.

Anticipating the Kenai Kachemak gas pipeline would extend to Anchor Point, Northstar had tested an existing well at its North Fork field, acquired additional leases at North Fork and began planning "an aggressive development drilling program," Larry Snead told PNA Oct. 2. Snead is in charge of Northstar's land and legal matters.

In late April, when KKPL said it would terminate its gas transmission line at Ninilchik, Northstar began to look for investors to build its own pipeline.

Construction of KKPL's pipeline is expected to begin early next year and be complete by October. No timelines have been established by Northstar, which is currently in the pre-permitting stage.

Might go north and south with lines

According to state officials who met with Northstar at the end of September, the company is looking at the possibility of building eight inch gathering lines from North Fork to both Anchor Point and the Ninilchik terminus of KKPL's line, as well as a four inch transmission line to Homer.

Snead said Northstar "has purchased data from Unocal that was gathered in the assessment of the route for the KKPL line from Anchor Point to Homer and has also retained Michael Baker Jr. Inc. to provide feasibility studies and engineering support." Michael Baker was the lead engineering firm for KKPL's project.

Snead also said "Schlumberger has recently completed an assessment of current well costs to support Northstar's efforts to continue with the development of the gas and oil reserves at the North Fork field," something that will remain "an objective for the company" despite the fact that Northstar told the state that the North Fork unit's gas well, number 4135 on a federal lease, is capable of supplying Homer with natural gas for 15 years.

"The number that has been around for that well is 12 billion cubic feet," a state official

Want to know more?

If you'd like to read more about the North Fork unit and Northstar Energy, go to Petroleum News • Alaska's Web site and search for these recently published articles.

Web site:
www.PetroleumNewsAlaska.com

2002
 ■ **May 5** Northstar Energy wants to build gasline to Anchor Point
 ■ **May 5** North Slope Foothills bidders.... (includes Cook Inlet areawide lease sale results)

2001
 ■ **Oct. 14** Strategically positioned North Fork exploration project back on track
 ■ **April 28** North Fork oil and gas well still under review

2000
 ■ **Nov. 28** Tulsa group buys Gas-Pro Alaska, is permitting North Fork gas well

cial told PNA Oct. 1.

"Northstar said they tested the well in October, last year, and it flow tested at about 4 million cubic feet a day from one interval at 8,500 feet. That's sort of a minimum to declare a well commercial. They said there were six more intervals, but that's all the detail they gave," the state official said.

In May, Northstar said the well tested "at more than 4.2 million cubic feet of gas per day from one sand" and that "other test information indicated that significant additional production could be achieved by perforating other sands in the well."

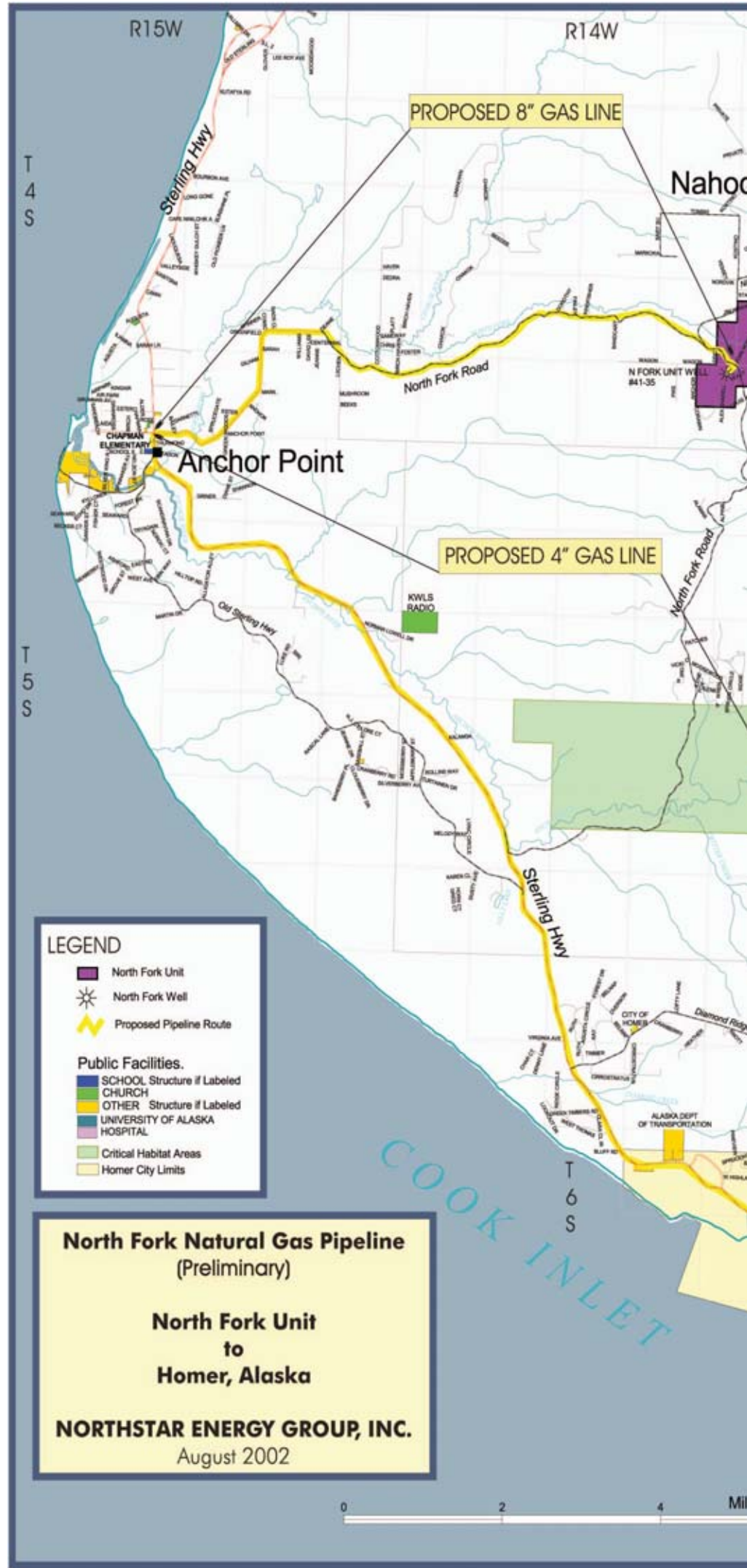
Prospects for development good

The state official said the North Fork unit has been shut in since 1965 for lack of a pipeline to market. "The same goes for Falls Creek and all the prospects along the highway. ... There has never been a pipeline to market for the gas. Now there is a potential shortage of gas, so the prospects for development are good."

He said the unit was originally "much larger and contracted down to the participating area boundary. ... I would say it's a good hunch that the prospect is larger than the existing unit or maybe there's more than one prospect."

Northstar is looking at more than one option for marketing gas in Homer, including marketing to commercial users, such as schools and the local hospital, and applying for a certificate from the Regulatory Commission of Alaska that would allow the company to market the gas to all area users, including residential.

"Now that we have gas marketing and pipeline operating specialists coming into our company with the merger, we have a lot of options," Snead said. ♦



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PRODUCTION

been approved for return to service, with 60 back in production as of Oct. 1. Chappell said BP is returning wells to production slowly and methodically. Some 20 of the 137 wells tested require additional remedial action after evaluation by BP's engineering group leaving 49 still being evaluated.

The impact of the wells offline for testing is about 20,000 bpd, he said, with production at Prudhoe also down due to planned maintenance at Gathering Center 2 and outside maintenance work being done before winter sets in.

Milne has largest increase

Lisburne September production was almost level with August — down just 0.09 percent.

On the plus side, Kuparuk River was up 0.43 percent, Endicott was up 2.39 percent and Milne Point, where the Department of Revenue reports that S pad wells came online Sept. 1, had a production increase of 11.75 percent from August to September.

Prudhoe Bay (production figures include satellite fields Midnight Sun, Aurora, Polaris and Borealis) had the largest per-barrel negative impact on production, with a September average of 406,262 bpd, down 55,032 bpd from an August average of 461,294 bpd.

Alpine (includes Nanuq production), which was down entirely five days early in the month for planned maintenance, averaged just 79,081 bpd in September, down from an August average of 100,853 bpd.

Northstar averaged 45,419 bpd, down 14,215 bpd from an August average of 59,634 bpd. At Lisburne (includes produc-

tion from Point McIntyre, Niakuk, West Beach and North Prudhoe Bay State), September production averaged 65,192 bpd, down just 61 bpd from an August average of 65,253 bpd.

The largest per-barrel and percentage gain was at Milne Point (including Schrader Bluff production), up 5,583 bpd to 53,116 bpd in September from 47,533 bpd in August.

Development of S pad, where production came on line Sept. 1, began in 2001. BP Exploration (Alaska) President Steve Marshall said last November that the project was estimated at \$150 million, \$50 million of that in 2001 and at least \$100 million in 2002. At that time BP was estimating fourth-quarter 2002 startup for the project.

The S pad project is a Schrader Bluff viscous oil project and BP is using new technology including jet pumps and long horizontal well sections with no sand control to produce the accumulation.

Endicott production (includes Sag River, Eider and Badami) averaged 28,418 bpd in September, up 664 barrels from an August average of 27,754 bpd.

Kuparuk River (includes production from West Sak, Tabasco, Tarn and Meltwater), averaged 213,468 bpd in September, up 916 barrels from an August average of 212,552 bpd.

Production of Prudhoe Bay natural gas liquids averaged 30,159 bpd in September, down 18.57 percent (6,877 bpd) from an August average of 37,036 bpd. The temperature at Pump Station No. 1 on the North Slope averaged 39.7 degrees F in September, compared to a four-year average for September of 38.6 degrees F.

Cook Inlet production averaged 31,197 bpd in September, up 1.55 percent (475 bpd) from an August average of 30,722 bpd. ♦

continued from page 11
RIG

67 miles southeast of Barrow, some of the farthest west tracts so far leased in the NPR-A.

The pad would be approximately 245 feet by 265 feet by six inches thick and would be covered with standard eight-foot by 24-foot by approximately four-inch to six-inch thick 25 psi expanded polystyrene foam insulation.

Panels weight approximately 700 pounds each and would be sandwiched between eight-foot by 24-foot sheets of 7/16-inch thick oriented strand board. Reinforced polyethylene film would be laid under the panels to prevent them from bonding to the ice and exposed panel surfaces would be covered with a white, opaque surface fabric designed to minimize thermal erosion of the

ice pad. Standard rig mats will be placed on the insulated panels with the drilling rig sitting on the mats.

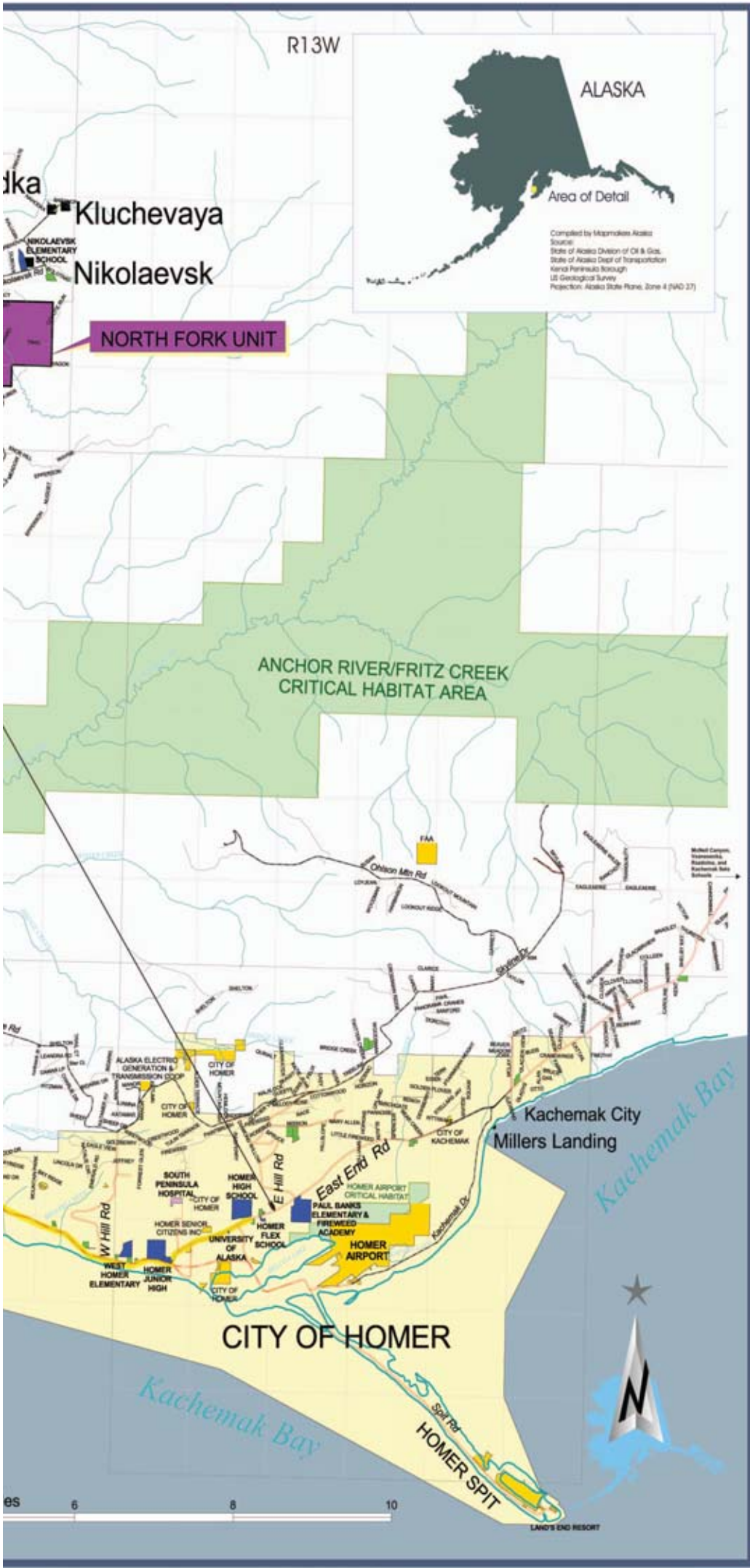
Ice berms may be constructed to divert spring runoff from the pad.

Drilling under review

ConocoPhillips has applications in for an exploration drilling program in the area this winter, with as many as two wells and side-tracks to each well possible at each of the sites over the 2002-04 drilling seasons.

Nabors Alaska Drilling Inc. rig 16-E is scheduled to drill at the Puviaq No. 1 and No. 2 locations this winter, and if drilling operations are not completed this winter, the company would store the drill rig at either site for winter 2003-04 drilling.

The Division of Governmental Coordination has begun a review of the proposed drilling program. Comments are due Nov. 4. ♦



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NORTH SLOPE

Borealis participating area approved

Area originally requested for inclusion has been expanded to include Chevron acreage, has grown from 6,320 acres to 7,760 acres

By Kristen Nelson
PNA Editor-in-Chief

The state and working interest owners at the western Prudhoe Bay unit Borealis satellite have reached agreement on formation of the Borealis participating area. Borealis has been producing as a state-approved tract operation since last November.

In a finding and decision issued Aug. 30, Department of Natural Resources, Division of Oil and Gas Director Mark Myers said that common practice at Prudhoe has been to make participating area approvals retroactive to the start of pilot test production, which in this case was Nov. 6, 2001, and Borealis was made effective retroactive to Nov. 1, 2001.

Prudhoe Bay field operator BP Exploration (Alaska) Inc. applied in March 2001 for a participating area at Borealis, a Kuparuk reservoir accumulation in the northwest corner of the Prudhoe Bay field. The division said that as of June 14 Borealis wells were producing at a combined rate of 29,800 barrels per day. The most recent Alaska Oil and Gas Conservation Commission figures show production from 15 completions in July with cumulative production of 6.63 million barrels.

When BP applied to form Borealis it did so on behalf of itself and ExxonMobil Corp., Forest Oil Corp., Mobil Alaska E&P Inc. and Phillips Alaska Inc. The proposed 6,320 acre participating area included portions of four leases, all owned 26.66467 percent by BP, 36.49270 percent by Phillips, 36.82263 percent by ExxonMobil and 0.02000 percent by Forest.

Additional information requested

The Division of Oil and Gas asked for additional information, and said it was also aware that Chevron might protest the application because it owns acreage to the northwest and southeast of the proposed participating area, which it claimed was within the boundaries of Borealis reservoir,

but which was not included in the proposed participating area.

Chevron did protest the participating area, saying "it does not include that portion of the Northwest Eileen Kuparuk Reservoir underlying Chevron's leases to the North, East, and South of the proposed BPA."

The state said BP argued that the Chevron acreage should not be included because it was of questionable reservoir quality.

Chevron did protest the participating area, saying "it does not include that portion of the Northwest Eileen Kuparuk Reservoir underlying Chevron's leases to the North, East, and South of the proposed BPA"

BP also applied to form a participating area at Polaris, a Schrader Bluff reservoir satellite also in the northwest corner of the Prudhoe Bay unit. Chevron also said its tracts should be included in Polaris. The state held a hearing on Polaris, issued an interim decision and said it agreed more with Chevron than it did with BP.

All agree to tract operations

On Oct. 1, 2001, the state said, BP on behalf of itself and Chevron, ExxonMobil, Forest and Phillips, requested tract operations approval for nine Borealis wells on L pad and V pad from Oct. 15, 2001, until the state approved a participating area for Borealis.

Revisions to the application were also submitted Oct. 15, the state said, expanding the proposed Borealis participating area to the north and west, to 7,760 acres in all, and making Chevron a party to the proposed participating area with a 2 percent interest.

Chevron notified the state Oct. 16 that the revised application satisfied its concerns, and that it now supported the revised application and the request for Borealis tract operation. The state approved the tract operation Oct. 31 and production began at L pad Nov. 6.

Formerly two operators

The state said that prior to BP becoming the only Prudhoe Bay operator in 2000, BP and Phillips managed Prudhoe

Bay west end development as two projects.

The BP project, the Eileen west end flood development, was planned to supply produced water and miscible injectant to W and Z pads via new pipelines from Gathering Center 2. Phillips managed the western region — or Northwest Eileen — development project, presented its development plan to agencies in 1999-2000 and subsequently received permits to construct V and L pads.

When BP became sole operator at Prudhoe, it combined the plans into the Prudhoe Bay west end development project and in January 2001 received state and federal agency authorizations for five new pipelines from Gathering Center 2 to the various west end drill pads: W, Z, V and L.

Hydrocarbons known since late 1960s

The Borealis participating area in the western part of the Prudhoe Bay unit — formerly referred to as Northwest Eileen — has been known to contain hydrocarbons since the late 1960s, the state said, with oil encountered in the Kuparuk formation while Ivishak appraisal wells were being drilled.

"The Kuparuk formation was not considered commercially viable until drilling infrastructure and pipeline facilities were in place and drilling and development methods became more economically efficient," the state said.

BP drilled three Northwest Eileen area appraisal wells in 1998. Two of the wells encountered oil in the Kuparuk sandstone while the third found commercial oil only in the Sag River/Ivishak. The Northwest Eileen wells, renamed L-100 and L-101, along with four other L pad wells, were placed in production in November 2001. Additional wells have been drilled and production in June 2002 averaged 29,888 bopd.

Borealis development plans

Development of the Borealis reservoir will be primarily from the L and V pads. The state said L pad provides slots for northern and central Borealis development and V pad provides slots for central and southern Borealis development. Some southern development wells may also be drilled

see BOREALIS page 15

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CONTINENTAL

Energy Secretary Abraham cites advance in 'smart' oil, gas drilling

By Petroleum News • Alaska

A major innovation, turning a drill pipe into a high-speed data transmission tool, was announced Sept. 30 by government and industry officials.

The new system, trade marked as IntelliPipe, was developed by the engineering team of Grant Prideco, Houston, Texas, and Novatek Engineering, Provo, Utah, with U.S. Department of Energy funding.

Officials said the new technology, a transmission tool capable of sending data from the bottom of a well 100,000 times faster than technology in common use today, "could revolutionize the way companies probe for oil and gas."



Spencer Abraham

The new drill pipe has built-in telemetry and can transmit large amounts of data to the surface as fast as 1 million bits per second, DOE said, and also allows data to be sent the other way, "giving drillers the first-ever capability to almost instantaneously direct and control the movement

The new system, trade marked as IntelliPipe, was developed by the engineering team of Grant Prideco, Houston, Texas, and Novatek Engineering, Provo, Utah, with U.S. Department of Energy funding.

of a drilling tool that is thousands of feet below the surface."

"The Intellipipe is one of the most remarkable advances in drilling technology in the last 25 years," said U.S. Energy Secretary Spencer Abraham in a statement. "President Bush, in the National Energy Policy, directed me to pursue advanced technology in energy production. I think the Intellipipe is exactly the type of technology we need to move our domestic production capabilities into the new century."

DOE said the "smart pipe" had had several field tests and is expected to be introduced commercially sometime next year. Grant Prideco and Novatek have formed a joint venture called IntelliServ (trademark) to market the technology.

Current speeds for down-hole drilling data are three to 10 bits per second, DOE said. ♦

continued from page 14

BOREALIS

from Z pad.

Reservoir pressure will be maintained through water flood and enhanced oil recovery techniques will be evaluated for potential to increase recovery from the reservoir. As of August 2002, 25 wells had been drilled from L and V pads. Water flood operations began in June.

Owners at Borealis are: BP 26.13138 percent; Chevron 2 percent; ConocoPhillips 35.76284 percent; ExxonMobil 36.08618 percent; and Forest 0.0196 percent.

Borealis production will use existing Prudhoe Bay facilities and infrastructure. There is a facilities sharing agreement, although the division said it is concerned about a provision for any Borealis owner to put changes to or continuation of the agreement up for a vote after Sept. 1, 2002. If such a continuation of the facility sharing agreement is put to a vote and fails, the facility sharing agreement would terminate in 120 days.

The division said it is unclear what would happen if the facilities sharing agreement terminated, and said it believes "a number of scenarios are possible if the FSA

is terminated, including the shut-in of production" from Borealis. The division said that if production were shut in, the division "may take action that includes, but is not limited to, convening a hearing to determine the appropriate facility sharing terms" for Borealis.

Gas disposition

Borealis contains small amounts of gas, and the Borealis owners have agreed that any Borealis gas delivered to Prudhoe production facilities will be considered "as having been used in operations as fuel, flared or lost." Any Borealis gas not used in operations as fuel, flared or lost, will be injected into the Prudhoe Bay reservoir.

DNR said it accepts for royalty reporting purposes that any Borealis gas which ends up at Prudhoe will be treated as Prudhoe Bay initial participating area gas. Royalties will be paid by Prudhoe owners when the gas is ultimately sold.

But DNR said that while it will allow this at Borealis because of the small amounts of gas in that reservoir, and because the royalties are the same for the various Prudhoe participating areas, the department "will consider whether to require a gas disposition report for other participating areas on a case-by-case basis." ♦

FOOTHILLS

Two Anadarko foothills projects don't need ACMP review

The Division of Governmental Coordination determined Sept. 13 that two Foothills exploration projects proposed by Anadarko Petroleum Corp., Arctic Char and Dolly Varden, would not need Alaska Coastal Management Program reviews. Kaye Laughlin of DGC said the decision was based on comments from state agency and the North Slope Borough.

NORTH SLOPE

ConocoPhillips applies to expand Kuparuk River pool area

ConocoPhillips Alaska Inc. has applied to the Alaska Oil and Gas Conservation Commission to expand the Kuparuk River oil pool area and the Kuparuk River injection area. The commission has tentatively scheduled a hearing for Oct. 29, but also said that if it did not receive any requests to hold a hearing by Oct. 17 it may issue an order on the applications without a hearing.

The company applied to the Department of Natural Resources Division of Oil and Gas for expansion of the Kuparuk River unit in August, and the proposed pool and injection area expansion covers a portion of this same area to the west of the exiting unit at the Palm discovery, where ConocoPhillips is developing drill site 3S to produce the oil and plans to begin production later this year.

The company told the state in its unit expansion application that portions of leases in the Palm area are planned to be developed in the winter 2002 and 2003 drilling seasons, targeting the hydrocarbon accumulation discovered in the Palm exploration program.

Both the Palm No. 1 and No. 1A wells "penetrated reservoir quality sands in the Kuparuk C4 interval," the company said, and well testing in April produced a final rate of 2,350 barrels per day of 26 degree API gravity oil. The Palm wells are in communication with the main Kuparuk reservoir.

The area proposed for the pool rules expansion includes sections, 1, 2, 11-16 and 21-24 in township 12 north and range 7 east, Umiat Meridian.

—Kristen Nelson

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KENAI

Contractor defends Marathon Oil seismic mapping plan to meeting of Sterling residents

Wells and other underground structures in Sterling should not be affected by Marathon Oil Co.'s plan to use dynamite and vibrating tools to seismically map the area, according to the contractor hired to do the job.

John Davis, operations manager for WesternGeco, discussed the project with concerned Sterling residents.

Similar work was done in Kenai in 1995 without any negative consequences to the environment, Davis told about 60 residents Sept. 26 at an informational meeting.

"You've got my word that if we screw up your well, we're going to fix it," he said.

Several residents asked what were the benefits of letting the mapping project take place and several said the \$45 an acre being offered to use property for the project was unfair.

Davis said that if natural gas or oil is found beneath Sterling, the entire community will stand to benefit. He said such a discovery would create more jobs.

The proposed project will map roughly 36 square miles of land, primarily to the northwest confluence of the Kenai and Moose rivers.

According to WesternGeco, the company plans to have 2,271 source points that will transmit data through a series of 7,583 receiving points. That data will then be compiled and used to gain a better perspective of subsurface formations in the area, the Peninsula Clarion reported.

Underground dynamite will be used in outlying areas, while large vibrating machines will be used to shake the ground along the road system.

Davis said the dynamite charges would be small and unobtrusive to nearby residents. He said the company would not do any blasting within 300 feet of existing structures or wells.

"We're not going to be shaking your house down," Davis said.

He said the company would honor any residents not wanting to participate, but he added that a less accurate map of the area could result.

Surveying for the project is scheduled to begin this week and completed by spring.

Davis said that if natural gas or oil is found beneath Sterling, the entire community will stand to benefit. He said such a discovery would create more jobs.

—The Associated Press

■ NPR - A

BLM finds no leaks so far at NPR-A abandoned wells

Agency to visit sites of drilling done from 1940s through 1980s by 2004, to check condition of old wells, will do reports and recommendations as they go

By The Associated Press

The Bureau of Land Management did not find anything alarming over the summer after it finished its first look at 37-years worth of abandoned wells and drill sites in the National Petroleum Reserve-Alaska.

BLM staff visited 30 of the 130 to 141 sites to determine how to bring them into compliance with rules governing abandoned petroleum exploration sites.

State officials feared that the wells would leak crude or gas if they were not capped properly.

The sites and wells are left over from federal exploration that began in the 1940s and continued to the 1980s on 23 million North Slope acres.

"We want to close the issue," said Bob Fisk, BLM senior program lead on legacy wells.

The abandoned sites became a BLM concern in 1976 when Congress transferred jurisdiction from the Navy to the Department of Interior and changed the reserve's name from Naval Petroleum Reserve No. 4.

BLM had not done anything with the wells and drill sites since then, but environmental laws have changed, requiring that all wells and drill holes be closed in a certain manner if work is concluded.

One well leaked last year

Last year one well in Cape Simpson leaked 30 to 50 gallons of crude. State environmental officials said the incident showed

the wells were not being maintained and that other NPR-A wells could be in similar conditions.

BLM countered that there was never any real damage because the well was in a place where crude oil seeps to the surface naturally.

But the bureau started a three-year program to visit each well or drill site, match their findings with old drilling records and come up with a plan, Fisk said.

BLM staff had difficulty finding drill sites this summer. Some collapsed and were either not visible or appeared only as small depressions, Fisk said.

None of the sites BLM investigated were leaking, he said.

The bureau plans to finish onsite inspections by 2004 but will be writing reports and recommendations along the way, Fisk said.

As production falls in other areas of the North Slope, oil company interest in NPR-A has stepped up. Last year, Phillips Alaska, now ConocoPhillips, announced it had discovered three new oil and gas fields in the reserve.

In May, government geologists increased their estimates of NPR-A reserves. The area holds between 1.3 and 5.6 billion barrels of economically recoverable oil, assuming prices of \$22 to \$30 a barrel, they concluded.

BLM will conduct another lease sale in 2004 in the northwest section of NPR-A and perhaps a section in the northeast, said Ed Bovy, BLM spokesman. Lease holders will not be responsible for the abandoned sites, Bovy said. ♦

continued from page 1

RDC

and gas industry in Alaska. Five years ago there were six or seven independents active in Alaska; today there are more than 20.

Confirmed speakers include Mark Hanley, public affairs manager for Alaska, Anadarko Petroleum; Tom Homza, Alaska manager, EnCana; Jim Dodson, vice president, Andex Resources; Gary Carlson, senior vice president, Forest Oil; Jim Weeks, president, Winstar; Bo Darrah, president, Alaska Venture Capital Group; and G. Scott Pfoff, CEO, Aurora Gas.

Representatives from independents Armstrong Resources and Evergreen Resources and majors TotalFinaElf and ChevronTexaco have also been invited to speak but have not yet confirmed, Portman said.

Representatives from state and federal government will address the conference about the part government plays in attracting oil and gas companies to Alaska.

Speakers include Mark Myers, director, Division of Oil and Gas; Henri Bisson, Alaska director, U.S. Bureau of Land Management; and John Goll, regional director, U.S. Minerals Management Service.

Gordon Birrell, vice president, Alaska consolidated team, BP Exploration (Alaska), is also scheduled to speak on Nov. 21.

The closing speech for the independents and new majors' session will be given by Rick Mott, vice president exploration-Alaska, ConocoPhillips Alaska Inc., who will talk about the role of Alaska operators in attracting other oil and companies to Alaska.

The final speech of the day will be by U.S. Rep. Don Young about transportation and infrastructure.

The Nov. 22 program includes Steven Griles, Deputy Secretary, U.S. Department of the Interior, Washington, D.C. He will talk about the Bush administration's policy on Alaska resource development.



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Veco Jobs: IT Operations Lead - Anchorage, Alaska Recruiting Authorization No. 827 Primary Job Duties: 1. Lead teams in setting priorities, integrating team efforts and ensuring that Service Level Agreements (SLA's) for daily and/or ongoing service delivery activities are met or exceeded. 2. Lead Teams to applying industry best practices for: • client support and processes/standards for delivering service • network configurations, management and monitoring • effective and efficient uses of technology 3. Lead teams in the application of project management, change management, asset management and other process systems and methodologies that support a stable and efficient computing environment. 4. Work with other regional team leads in planning and implementing Enterprise Wide strategies and systems as established and directed by Regional Managers and Corporate Director. 5. Assist Regional Manager in long range planning for regional WAN/LAN, data capacity and performance, and utilization of existing and new hardware/software technologies as they apply to the operations environment. 6. Assist Regional Manager in status reporting, budgeting and developing strategies for regional long term cost effective service delivery methods. 7. Provide permanent solutions using standards and automation to create a stable and cost effective computing environment across computing platforms and systems. Job Summary: Leads Technical Services, Help Desk/Desktop Support and Infrastructure teams to deliver LAN/WAN and overall computing environment services in a multi-location-networked environment. Oversees acquisition, installation, and maintenance of the region local area networks and wide area networks. Oversees LAN/WAN performance and security. Assigns personnel to various operations and directs their activities. Reviews and evaluates work and prepares performance reports. Assists in development of standard operating procedures. Confers with and advises subordinates on administrative policies and procedures, technical problems, priorities, and methods. Implements policies and procedures for LAN/WAN usage throughout the organization consistent with corporate directives. Consults with personnel in other information systems sections to coordinate activities. Responsible for meeting specified service level standards. Reports to Regional I.T. Manager. Other duties as assigned. Education, Experience, Special Skills and Training: 6+ years experience in LAN/WAN Network Administration and Service Delivery in a client server environment. Experience supervising or leading other technical personnel required. Customer service skills with excellent verbal and written communication skills an absolute must. Demonstrated knowledge of delivering Network Operations Services under a SLA or similar agreement required. Experience with Project Management, Change Management, Asset Management, and Help Desk trouble tracking tools required. Experience in the Microsoft Networking environment essential with Windows 9X, NT, 2000, IIS, SQL Server, network security, Net App file servers, Cisco routers/switches etc.. A 2-4 year College or University degree in a computer related field is preferred and 6 or more years of experience. 4 years of experience in a related position may be substituted for education. Should have multiple certification with MCSE level certification required.



Fire Maintenance Technician -Prudhoe Bay, Alaska Recruiting Authorization No. 1329 Summary Provides hands-on maintenance, repair, testing and inspection of fixed and portable fire protection systems and equipment. Responsible for the operational readiness and maintenance of assigned mobile fire fighting apparatus and equipment. Trains client and contractor employees in the use of safety and fire fighting equipment and procedures. Essential Functions: Inspects, services, maintains and repairs portable and wheeled fire extinguishers, installed fire protection systems (Halon, Dry Chemical, CO2, Deluge, Foam, Sprinkler, Standpipes, Hydrants, Division Valves), respiratory protection and breathing air equipment (SCBA, Air Line, Escape Paks, B/A Cylinders, and B/A Compressors). Conducts performance tests on facility fire-water systems and mobile fire apparatus. Conducts classroom and fireground training activities for the Emergency Response Team and employee training on fire protection and respiratory protection equipment. Assists Safety Specialists and Industrial Hygienists in the performance of their duties. Functions as crew chief on mobile fire fighting apparatus and as a member of the Rescue Team and/or Hazardous Materials Response Team. Directs emergency response crews during training and emergency operations. Maintains records and reports. Routinely performs safety and productivity observations; shop, field, and vehicle inspections; and is required to attend various components of technical, developmental and safety training. Must demonstrate support for the company's environmental management system objectives. Respiratory Specialist Functions: Inspects, repairs and tests airline supply respiratory equipment and systems field wide for safe operation. Trains employees in use and operation in respiratory protection equipment. Performs respiratory fit testing; service and maintenance on breathing air compressors; service and maintenance on personal protective equipment; and maintenance on fire extinguishers, division valves, halon, deluge, CO2 and dry chemical extinguishing systems. Flow test and calibrates SCBA regulators. Flow test, repair or replace SCBA and SAR masks. Service, repair, and hydrotesting of breathing air, SCBA, fire extinguisher, halon and other high and low pressure cylinders. Collects quarterly air sample on all breathing air compressors and ships to Independent Lab for analysis. Inspects, repairs and tests eyewash units field wide for safe operation. Maintains inventory for respiratory equipment and assigned eyewash units. Functions as crew chief during emergency responses, fireground operations and training exercises. Qualifications: Five (5) years related experience preferred. Must be able to work as part of a team; communicate effectively with fellow workers and alternate; and demonstrate adherence to established safety policies and procedures. Must possess a good working knowledge of fixed and portable fire protection equipment; installed fire extinguishing systems with emphasis on Halon 1301 systems; and mobile fire apparatus operations and related equipment. Must have working knowledge of fireground operations and be capable of directing fire fighting crews during emergencies, drills and routine training activities. Must have working knowledge of crane hand signals. Must obtain a State of Alaska Class III A certification for maintenance of special hazards systems and a State of Alaska Level III permit for maintenance, service, inspection and hydrotesting of portable fire extinguishers and obtain DOT registration for use of high-pressure hydrotest equipment. Must possess a current driver's license. Arctic experience preferred. Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level. Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is occasionally required to sit. Must be able to access all areas described in above job description, including pulling and carrying heavy objects up stairs. Must be in good physical condition to be a member of the Emergency Response Team and work under adverse conditions while responding to emergencies. FINE MOTOR SKILLS: Frequently required to use hands and fingers with sufficient dexterity to perform close, exacting and repetitive tasks. HEARING: Must be able to hear audible safety alarms and warnings. VISUAL ACUITY: Specific vision abilities required by this job include close vision. Vision must be adequate to perform above listed tasks in a safe manner. LIFTING: The employee must regularly lift, pull and/or move up to 50 pounds, and occasionally lift and/or move up to 70 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is occasionally exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. This is a Regular Full-time position located in Prudhoe Bay, Alaska with a 2 weeks on 2 weeks off rotation Please submit your resume to: VECO Corporation Alaska Region Attn: Ken Sigurdson 6411 A Street, Anchorage, Alaska 99518 USA Phone: (907) 277-5309 Fax: (907) 550-8890 Email Resume to: Careers@VECO.com or fax (907) 762-1040 VECO Corporation Job Website: www.vecocom. Please quote the Job Title and Recruiting Authorization No. (if applicable) in all correspondence.

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Legal Notice

STATE OF ALASKA Announces Two Oil and Gas Lease Sales

The Alaska Division of Oil and Gas (DO&G), will conduct NORTH SLOPE AREAWIDE and BEAUFORT SEA AREAWIDE competitive lease sales on OCTOBER 23, 2002 in Anchorage, Alaska.

North Slope Areawide 2002 Bidding Method: Cash bonus - \$10/acre minimum bid on all tracts. Fixed Royalty Rate: 12.5% on tracts below T7N, 16-2/3% on most tracts above T6N, Sliding scale royalty on 5 tracts along the Colville R. Term of lease: 7 years on all leases.

Beaufort Sea Areawide 2002 Bidding Method: Cash bonus - \$100/acre minimum bid on tract 79; \$10/acre on all other tracts. Fixed Royalty Rate: Set at 12.5% and 16-2/3%, depending on location. Term of lease: 10 yrs. and 7 yrs., depending on location. Visit www.dog.dnr.state.ak.us/oil/ for sale announcements, instructions to bidders, bid forms, and regional tract maps. If unable to access this information, contact Suzanne Gaguzis, (907) 269-8803, email at msg@dnr.state.ak.us. Published: 7/30/02.

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Meetings/Events

Alaska Miners Association Annual Convention and Trade Show Sheraton Hotel, Anchorage, Alaska, November 4 - 8, 2002 Short Courses Nov 4 - 5, 2002 Technical Sessions and Trade Show, Nov 6 - 8, 2002 Convention: Suppliers to the mining industry are represented

at the Trade Show. The Technical Sessions cover a spectrum of topics, including highlights in 2002 exploration activity in Alaska, issues affecting Alaskan miners and more. Gem & Mineral Show: Nov 8, Friday, 4:00 - 8:00 pm and Nov 9, Saturday, 10:00 - 6:00 pm. FOR MORE INFORMATION: Web Site: www.alaskaminers.org ama@alaskaminers.org Alaska Miners Association 3305 Arctic Blvd., Suite 202 Anchorage, AK 99503 TEL (907) 563-9229 FAX (907) 563-9225



Doyon Drilling, Inc. is currently accepting resumes for Electricians, Pitwatcher (Solids Operator), and Mechanics. Doyon Drilling, Inc. accepts resumes from individuals with direct on or off shore drill rig experience at the floorhand level and above. You may fax, mail or e-mail your complete resume to our Human Resources Department. Our mailing address is: Doyon Drilling, Inc., 101 W. Benson Blvd., Suite 503, Anchorage, AK 99503 Phone: 907-563-5530, Fax: 907-561-8986, Email: jobs@doyondrilling.com Attachments should be in one of the following standard formats: Microsoft Word (Windows) or RTF. Resumes should contain a listing of employment experience on oil and gas drilling rigs and should have a minimum of three verified references. Other application paperwork will be provided at the time of hire.

Electricians: Summary: Installs, maintains and repairs drill rig electrical systems, apparatus and electrical and electronic components of drill rig machinery and equipment. Essential Duties: Maintains and repairs the electrical and electronic equipment associated with drill rig top drives, draw works, iron roughnecks, SCR's AC motor controllers, DC motors, AC generators, air conditioners PLC's and oil-field mud and gas monitoring systems. Installs power supply wiring and conduit for newly installed machines and equipment such as mud pumps, motors and conveyors.

Pitwatcher (Solids Operator): Summary: Performs drilling fluid mixing operations, drilling fluid property sampling, monitoring of well bore returns, maintenance of mud pumps and drilling fluid circulation system. Essential Duties: Maintain drilling fluid solids control and circulation equipment, Carry out routine drilling fluid property sampling, Mixing of drilling fluid chemicals and maintenance of drilling fluid properties, Cleaning and maintenance of rig drilling fluid pits, Follow DDI and customer operating and reporting procedures, Maintain clear communications with relief, mud engineer, Derrickman and Driller.

Mechanics: Summary: Responsible for the operability, maintenance and repair of all drill-rig related machinery and support equipment such as engines, motors, pumps, winches, pneumatic tools and conveyor systems as directed by the rig toolpusher. Essential Duties: Works on the following: Drill rig top drive systems, Drill rig draw work systems, Drill rig mud pumps, SCR systems, Caterpillar and Detroit Diesel engines, Allison transmissions, air conditioners, glycol, hydraulic and pneumatic systems, Drill rig heating and heat distribution systems including boilers and fans.



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shutdown systems as related to explosion proof atmospheres. Electronics skills a plus. Driver's license required (note that this requirement may be waived at the company's discretion for employees hired on a temporary basis). Must possess Alaska State licenses 1B in Fire Alarms and IIIA in Special Hazards (and corresponding NICET certifications). Note: Skills tests may be required of new hires to demonstrate core proficiencies, or of existing employees to advance to a new job level. Physical Requirements: The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. MOBILITY: Employee frequently required to stand; walk; reach with hands and arms; climb or balance; and stoop, kneel, crouch or crawl. The employee is occasionally required to sit. Must be able to work from ladders and scaffolds to access instrumentation. FINE MOTOR SKILLS: Frequently required to use hands and fingers with sufficient dexterity to perform close, exacting and repetitive tasks. HEARING: Must be able to hear audible safety alarms and warnings. VISUAL ACUITY: Specific vision abilities required by this job include close vision. Vision must be adequate to perform above listed tasks in a safe manner. LIFTING: The employee must regularly lift, pull and /or move up to 40 pounds, and occasionally lift and /or move up to 70 pounds. COMMUNICATION SKILLS: Must display ability to read and understand job descriptions, safety/technical manuals and safety/warning signs. Must display sufficient oral communication skills to be able to give and receive oral safety warnings, instructions, and task assignments. ENVIRONMENT: While performing the duties of this job, the employee is frequently exposed to severe arctic weather conditions. The employee is frequently exposed to high, precarious places, confined spaces, and the risk of electrical shock. May be required to work with toxic or caustic chemicals. DISCLAIMER: The above description covers the principal duties and responsibilities of the job, specific to, and intended for, VECO Greater Prudhoe Bay projects only and may or may not reflect general duties and responsibilities on other VECO projects. This description should not be construed as a complete listing of all duties that may be required. This is a Regular Full time position located in Prudhoe Bay, Alaska, with a rotation of 2 weeks on 2 weeks off. Please submit your resume to: VECO Corporation Alaska Region Attn: Ken Sigurdson 6411 A Street, Anchorage, Alaska 99518 USA Phone: (907) 277-5309 Fax: (907) 550-8890 Email Resume to: Careers@VECO.com or fax (907) 762-1040 VECO Corporation Job Website: www.veco.com. Please quote the Job Title and Recruiting Authorization No. (if applicable) in all correspondence. VECO Corporation is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization.

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Legal Notice

Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission Re: Pioneer Unit, Matanuska – Susitna Borough Sections 1 and 2, T17N, R3W, Seward Meridian Affected Leases: Fee acreage, State of Alaska ADL 374121 Evergreen Resources (Alaska) Corporation by e-mail application dated and received September 7, 2002 has applied for an order allowing spacing exceptions in accordance with 20 AAC 25.055 (a) (2) and (a) (4) for the completion and production of four vertical gas wells within 3,000 feet of each other, within 1,500 feet of a property boundary and within the same governmental section. D.L. Smith No. 1 Surface Location: 3293 feet FNL and 293 feet FWL, Section 1, T17N, R3W, SM Bottom Hole Location: Same Gary & Jo Ann Stromberg No. 2 Surface Location: 1386 feet FNL and 933 feet FWL, Section 1, T17N, R3W, SM Bottom Hole Location: Same Robert L. Smith No. 3 Surface Location: 3272 feet FSL and 606 feet FEL, Section 2, T17N, R3W, SM Bottom Hole Location: Same Cornhusker No. 4 Surface Location: 2426 feet FNL and 141 feet FEL, Section 2, T17N, R3W, SM Bottom Hole Location: Same The Commission has tentatively set a public hearing on this application for October 15, 2002 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on September 27, 2002. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on October 11, 2002 except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on October 15, 2002. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before October 1, 2002. Cammy Oechsl Taylor Chair, Alaska Oil & Gas Conservation Commission Published Date: September 15, 2002

Legal Notice

NOTICE OF PUBLIC MEETINGS ALASKA OIL & GAS CONSERVATION COMMISSION Under the Open Meetings Act (AS 44.62.310), notice is given that the Alaska Oil and Gas Conservation Commission will meet in public meetings on dates September 4, 11, 18, 25, 2002, October 2, 9, 16, 23, 30, 2002 and November 6, 13, 20, 27, 2002 at 9:00 AM in the Commission's Conference Room in Anchorage, Alaska at the address below. The Agenda may include: general commission business including personnel; regulation matters; policy and budget matters; oil and gas conservation issues; legislative issues; and agenda items deferred from prior meetings. The public is invited to attend the meetings, however, commission business meetings do not provide for public testimony. A finalized agenda will be prepared and posted at the Commission's office by noon of the workday before each of the scheduled meetings. Circumstances may cause items to be either added or deleted from an agenda. If you have any questions about the agenda, please contact Jody Colombie at the Alaska Oil and Gas Conservation Commission, 333 W. 7th Avenue, Suite 100, Anchorage, Alaska 99501, (907) 793-1221. If you are a person with a disability who may need special accommodation in order to attend the public meeting, please contact Jody Colombie at the address or phone number indicated above as soon as possible but at least 72 hours before the accommodation is needed, to ensure that any necessary accommodations can be provided. Cammy Oechsl Taylor Chair Published August 9, 2002

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THE REST OF THE STORY

continued from page 1

S PAD

“carpet drilling the area,” required a number of new drilling pads and came it at about a billion and a half dollars.

BP tried to improve on conventional development ideas and came up with a plan that had five new pads, 75 miles of new pipeline, 10 miles of new road and a price tag of more than a billion dollars. It just wasn't economic.

A new plan

What was economic is the plan BP implemented when S pad construction began in 2001: one new pad, 7.5 miles of new pipeline and one mile of new road.

In 1999 BP developed an approach to Schrader Bluff development focused on tripling well productivity from 300 barrels a day to 1,000 barrels a day and more; reducing life-cycle costs by half; reducing drilling costs by 30 percent; and reducing infrastructure costs.

Productivity was tackled with horizontal wells.

BP had drilled some initial horizontal wells into the shallow viscous formation in 1998 to prove the concept, Jenkins said: “And in 1999, we began a very focused development specific to long horizontal wells, with a move toward multilateral wells.” The first multilateral well at Schrader Bluff was drilled in 2000, and “by 2001 we were getting good at it,” he said.

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2002

- **May 19** Viscous oil could be big plus for North Slope production
- **May 26** Jet pumps, horizontal sections, solve sand problem at BP's Milne Point: S pad drilling under way as facilities installation continues

2001

- **Feb. 28** BP to develop Schrader Bluff at Milne Point with only one new pad
- **March 28** A light in the tunnel: New drilling, completion technology help BP tap shallow, viscous Schrader Bluff crude oil at Milne Point

The long horizontal wells push the limits of shallow extended reach drilling, and extend the reach from a pad from 7,500 feet with conventional wells to 10,000 feet, allowing drillers to reach the accumulation from one new pad, S pad, and extensions on some existing pads.

Jet pumps

Life-cycle costs were a problem because electric submersible pumps, used to lift the oil, weren't sand tolerant — Schrader Bluff wells produced a lot of sand — and “cost about \$300,000 to replace every time they break. They break every two to three years,” he said, and viscous wells are expected to have 20-30 year producing lives. Compounding the problem is the production pattern of viscous wells, which have “a very long tail where the flow rate is relatively low,” below 200 barrels

a day. The rate required to support a workover to replace an electric submersible pump is more than 200 barrels, so reserves are lost at the end of a well's life because it isn't economic to replace the pump.

Jet pumps solved that problem: the technology is “extremely sand tolerant” and “there are no moving parts down hole,” Jenkins said. The business end — a couple of feet long — can be replaced using a wire line unit, and the average cost to change it out is about \$10,000, whereas a workover is required to change out an electric submersible pump and the work costs about \$300,000.

“S pad is ... the only pad on the slope where the sole artificial lift mechanism is jet pumps,” he said.

Five producers on line

Five producers are on line, Jenkins said Oct. 2, and the second injector is

ready to go on line. A sixth producer has been drilled but is not yet in production and a seventh producer is being drilled and will be completed before the end of October.

There have been challenges at S pad. “In actuality construction is a little bit behind,” he said. Most of the physical construction is complete, but not the functional checkout, which “means the actual facilities at the pad won't begin production until about mid-November.”

BP's target had been Sept. 1 production, and at the beginning of August the company tackled the problem of production with incomplete pad facilities.

“And it turns out,” Jenkins said, “there's another benefit to these jet pumps... you can drive them all the way from the central processing facility instead of just driving them from on pad.”

A bypass was built around the artificial lift facilities on S pad — the surface end of the jet pumps. “We were able to take water directly from the central processing facility out to the pad, bypass all these facilities, go straight down the well, and take all the fluid directly back to the plant, bypassing the (pad) facilities,” he said.

BP was able to get its S pad wells on line on schedule, although at only about half capacity because the full facility isn't up and running.

The five wells are each producing more than 1,500 barrels a day and the combined wells 8,000-10,000 barrels a day on about half of their lift capacity. ♦

continued from page 1

VICTIM

would be an “economic rock” on the pipeline sector's shoulders that could impair new development.

Implementing Kyoto would retard oil sands and conventional development “to the point that pipelines would not need to be built,” he said.

Because much of the natural gas demand spurring Mackenzie Delta pipeline development would be driven by the need for feedstock to power new oil sands projects, the protocol creates uncertainty for the proposed line along the Mackenzie valley, Smith said.

He said the only short-term boon stemming from Kyoto could be the construction of pipelines to deliver raw bitumen from

northern Alberta to upgrading facilities in the United States.

Demand for pipelines an opportunity

Smith pointed out that Kyoto is a source of uncertainty for a sector at a time when the demand for pipelines presents a “major opportunity.”

The U.S. Energy Information Administration, he noted, has predicted that North America will need about 53,000 miles of new transmission by 2010, requiring spending of more than US\$80 billion.

Kyoto aside, he said Alberta supports free and open markets for bringing northern gas to markets, without favoring either the North Slope or Delta projects.

“We want other jurisdictions to follow market-based principles as well,” Smith said. “Government intervention in the ener-

gy market place is usually counterproductive.”

But he insisted the best opportunity for unlocking the potential of both northern basins is to utilize an Alberta hub, taking advantage of a “sophisticated network” of producers, processors, pipeline companies, storage operators, markets, natural gas liquids extractors, electricity and oil sands producers and regulators.

Alberta hub to six major markets

The Alberta hub offers northern producers access to six major markets “rather than the more restricted markets they would reach with a bullet line straight through to Chicago,” Smith said.

He said the benefits are liquidity and efficiency — lower costs, more opportunity and better cash flows — with the ability to grow and adapt as supply and

demand shift.

Industry players have made major additions to Alberta's take-away pipeline capacity by expanding service to traditional markets such as Chicago and opening up new markets, such as the U.S. Northeast.

On the technology front, Smith said advances in pipeline materials, construction, design methodologies, rights-of-way management and satellite imagery increase the attractiveness of proposed northern pipeline development.

However, the costs of complying with Kyoto get in the way of decision-making and progress. Smith said he had been told that a politician in Alaska recently said his state “would be crazy to route a new gas pipeline through (Canada) if we ratify Kyoto.”

—Gary Park
PNA Canadian Correspondent

PNA CLASSIFIEDS

Legal Notice

Notice of Public Hearing STATE OF ALASKA Alaska Oil and Gas Conservation Commission Re: Pioneer Unit, Matanuska – Susitna Borough Section 30, T18N, R1W, Seward Meridian State of Alaska Affected Lease: ADL 384685 Evergreen Resources (Alaska) Corporation by e-mail application dated and received September 7, 2002 has applied for an order allowing spacing exceptions in accordance with 20 AAC 25.055 (a) (2) and (a) (4) for the completion and production of four vertical gas wells within 3,000 feet of each other, within 1,500 feet of a property boundary and within the same governmental section. Cook No. 1 Surface Location: 991 feet FSL and 888 feet FEL, Section 30, T18N, R1W, SM Bottom Hole Location: Same Lowell No. 2 Surface Location: 967 feet FSL and 1329 feet FEL, Section 30, T18N, R1W, SM Bottom Hole Location: Same Bering No. 3 Surface Location: 1523 feet FSL and 471 feet FEL, Section 30, T18N, R1W, SM Bottom Hole Location: Same Baranoff No. 4 Surface Location: 504 feet FSL and 423 feet FEL, Section 30, T18N, R1W, SM Bottom Hole Location: Same The Commission has tentatively set a public hearing on this application for October 15, 2002 at 9:00 am at the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. A person may request that the tentatively scheduled hearing be held by filing a written request with the Commission no later than 4:30 pm on September 27, 2002. If a request for a hearing is not timely filed, the Commission will consider the issuance of an order without a hearing. To learn if the Commission will hold the public hearing, please call 793-1221. In addition, a person may submit written comments regarding this application to the Alaska Oil and Gas Conservation Commission at 333 West 7th Avenue, Suite 100, Anchorage, Alaska 99501. Written comments must be received no later than 4:30 pm on October 11, 2002 except that if the Commission decides to hold a public hearing, written comments must be received no later than 9:00 am on October 15, 2002. If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Jody Colombie at 793-1221 before October 1, 2002. Cammy Oechsli Taylor Chair, Alaska Oil & Gas Conservation Commission Published Date: September 16, 2002 ADN AO# 02314011

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Business Spotlight



Forrest Crane

Douglas Stephens, General Manager Alaska

Schlumberger Oilfield Services

Schlumberger has been in operation for more than 75 years supplying products, services and technical solutions including innovative information technology tools to the oil and gas exploration and production industry. With facilities in Kenai, Anchorage and on the North Slope, Schlumberger employs about 400 people in Alaska. It has 80,000 employees worldwide in more than 100 countries and corporate offices in New York and Paris.

Douglas Stephens, general manager Alaska, received his degree in mechanical engineering from the University of British Columbia, and recently moved to his current position in Alaska. He has been with the company 14 years working in the Middle East, North Africa and Europe in operational, technical and management positions. Outside the office, Douglas enjoys spending time with his family, studying the history of the Mediterranean, skiing, golfing and fishing.



Forrest Crane

Jeff Wilcheck, District General Manager

SimplexGrinnell L.P.

SimplexGrinnell L.P. was formed in March 2001 by the merging of two companies that had 200 years of combined experience providing fire sprinklers, services or alarms. The company has more than 15,000 employees nationwide and more than 70 employees in its Alaska offices in Anchorage, Juneau and Fairbanks. SimplexGrinnell offers more than one-stop shopping for all fire protection needs, including security, nurse call, intercoms and phone systems.

Jeff Wilcheck, district general manager, has been with the company more than 13 years and in the fire protection field for more than 20, starting with Grinnell as a designer in the Anchorage office. He was the district general manager in Idaho for four and a half years before returning home in 2000. Jeff enjoys traveling, camping and fishing with his family. They hope to travel to Europe soon.

THE REST OF THE STORY

continued from page 1

LEVEL

since the discovery announcement, he said: "The discovery well and the two follow-up wells tested at a combined rate of 30 million cubic feet per day and proved up sufficient gas to justify commercial development."

Taimuty said testing of the fourth well has just been completed.

"While I can't comment on the results of the fourth well, I can confidently say that Marathon and Unocal are very encouraged by the results of the entire Ninilchik program so far."

Marathon has also applied to the state to form a Kasilof exploration unit on offshore state leases between Kenai and Ninilchik and is working on budget plans to drill in 2003. The well would be drilled from an onshore pad.

"The first well will likely be world-class in nature, as the reach required to access the structure from onshore is significant," he said. If commercial gas is found at Kasilof, development would take place over several years and the Kenai-Kachemak Pipeline would bring that gas to market.

Gas pipeline planned

Marathon and Unocal are partners in the Kenai Kachemak Pipeline LLC, and will construct a 33-mile 12-inch gas transmission pipeline from Ninilchik to the Kenai gas field. The gas pipeline, an open-access transportation system, will carry gas from Ninilchik to Kenai, Taimuty said, and with capacity of more than 120 million cubic feet a day has "ample un-contracted capacity" for either firm or interruptible gas transportation.

Permitting for the gas pipeline is under way, he said, and the companies plan to begin construction next year.

"Marathon believes that KKPL may also stimulate other natural gas developments south of Kenai," he said.

Technology to reduce costs

To continue to work what it sees as opportunities in the Cook Inlet basin the company has used technology to help make exploration and development economic.

In 2000, Taimuty said, Marathon commissioned its Glacier No. 1, a truck-mounted drilling rig, and has since drilled over 139,000 feet of new hole. The rig "is state of the art when it comes to environmental stewardship," he said, equipped with hospital-quiet mufflers and providing up to four levels of containment for drilling fluids. Because the rig is truck mounted, it can "move from one location to another very quickly and cost effectively compared to the other drilling rigs available in the Cook Inlet."

In 2001, the company began using the Escape technology, designed and developed by Marathon for production wells in the Kenai gas field, to "fracture stimulate multiple ... gas reservoirs in as little as two days," work which, "without Escape... could take over two weeks and would be most likely uneconomic," Taimuty said.

Focus on Cook Inlet natural gas

Marathon is focused on Cook Inlet natural gas, he said. In addition to gas at Ninilchik, Kenai and Kasilof, Marathon is also developing satellite fields at Swanson River in conjunction with Unocal. A draft environmental impact statement is out for public comment. These satellites will be tied into the Swanson River infrastructure — as Marathon's earlier Wolf Lake satellite was tied into Beaver Creek. Production at Wolf Lake began last November, and like Wolf Lake, Taimuty said, the Swanson River satellites are on lands in the Kenai National Wildlife Refuge where the subsurface oil and gas mineral rights are owned by Cook Inlet Region Inc.

Permitting a problem

Marathon believes that there is more gas to be developed in Cook Inlet, and both access for leasing and a market exist. Prices for gas have been low in Cook Inlet, Taimuty called it "historically a distressed gas price environment," but recent utility agreements have been at higher prices, so return to companies is improving.

There are, however, two problems that Marathon sees when it tries to compete worldwide for investment dollars.

The first, Taimuty said, "is a reasonable and predictable regulatory and permitting environment." In this area, "Marathon has significant concerns... As an example, to permit an onshore exploration well in Alaska normally takes a minimum of six to eight permits or clearances... This is easily two to three times what might be required elsewhere in the United States."

Permitting in Alaska involves "numerous stakeholders with very specific yet often redundant — or worse yet contradictory — requirements."

"In a number of instances, the permitting agencies cannot even agree as to what is actually required, making it highly unlikely that the companies can be assured that they can fully understand the requirements," he said.

And stipulations for permits have gone

— over the last several years — from two to three on a permit to as many as 20.

"And this is despite the fact that many of our normal operating procedures are aimed at compliance plus — that is, over and above regulatory requirements of most permits."

Lack of incentives

Marathon is also concerned about the lack of fiscal stability in Alaska, Taimuty said, and would like to see incentives for companies to reinvest in the state.

Marathon has tried for three years to get the state Legislature to pass an investment

tax credit for oil and gas exploration and development, but with no results, he said.

"At this time Marathon is uncertain whether it will continue to fight this effort alone."

And, he said, Alaska's "fiscal environment (is) more of a risk to success than a benefit." Marathon will continue to do business in Alaska, Taimuty said.

"However," he said, "our Alaska projects need to compete internally for future investment dollars and the risks uncovered here are real considerations in how companies decide how to allocate their capital resources." ♦

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