

Chugach hires strategic officer; Oil Search lease control changes

ALLAN RUDECK JR., a professional engineer with extensive renewables experience and with more than 25 years with a leading energy company in the Upper Midwest, is joining Chugach Electric Association Inc. as chief strategic officer in June.

Rudeck comes to Chugach from ALLETE, a publicly held energy company headquartered in Duluth, Minnesota. ALLETE is comprised of regulated utilities as well as non-regulated operations and other energy-centric businesses. Chugach said Rudeck played a key role in growing ALLETE to become the top ranked investor-owned utility for investment in renewable energy based on market capitalization.

He has extensive experience with renewable energy development and acquisitions, including the addition of multiple large-scale wind projects, acquisition of a leading a distributed solar company, as well as the diversification and decarbonization efforts at Minnesota Power, where the company transitioned its power supply from 95% coal in 2005,

see **INSIDER** page 10

BSEE, ADEC MOU for oil spill planning, response coordination

The federal Bureau of Safety and Environmental Enforcement and the Alaska Department of Environmental Conservation have issued a memorandum, specifying how they will coordinate their offshore oil spill response arrangements around the Alaska coast.

ADEC oversees oil spill response capabilities in the state of Alaska, including in the state's nearshore ocean waters within 3 nautical miles of the coast. BSEE has equivalent federal authority over all offshore waters. Given that BSEE's authority overlaps with ADEC's in those nearshore waters, the two agencies need to coordinate their nearshore oversight. Although the agencies have coordinated their activities for many years, the new MOU will presumably bring some new efficiency and clarity to the agencies' roles and responsibilities.

"In accordance with this MOU, the parties will coordinate to implement requirements related to offshore facility oil spill

see **SPILL PLANNING** page 10

Seaview POD: Hilcorp evaluates perforations in Seaview 9 well

Hilcorp Alaska has submitted a fourth plan of development, POD, for its Seaview unit, a gas field and the company's farthest south development on the Kenai Peninsula. The only producing well at Seaview, Seaview No. 8, produced gas from June 2021 through part of August last year, but is currently shown as shut-in for the months since on Alaska Oil and Gas Conservation Commission records through March, the most recent month for which AOGCC production data is available.

Hilcorp said that during calendar year 2022 Seaview produced 63 million cubic feet of natural gas. This compares to total 2021 calendar year production, reported by the company in its 2022 plan proposal, of 146.9 million cubic feet.

In July, the most recent entire month of production for the field, AOGCC records show it averaged 238 thousand cubic feet per day, just 0.1% of total inlet gas production.

In its proposed POD the company did not discuss the fact that Seaview is not currently producing but said it "anticipates that current SVU production will be maintained and enhanced

see **SEAVIEW WELL** page 10

EXPLORATION & PRODUCTION

Growing Ninilchik

Hilcorp Alaska continues drilling at Cook Inlet's largest gas producer

By **KRISTEN NELSON**

Petroleum News

Hilcorp Alaska is continuing to grow production from its Ninilchik unit, currently the largest gas producer in Cook Inlet, drilling wells and expanding pads to accommodate new drilling and production.

Summaries of recent activities and immediate plans for the unit are included in a request to the Alaska Department of Natural Resources' Division of Oil and Gas for a delay in contraction of the unit and in the 19th unit plan of development, both dated May 1.

The request to delay unit contraction is for two years and would run through July 31, 2025.

In that request the company said state regulations require the unit area to be contracted to include only lands in approved participating areas and land that facilitates production but allow DNR to delay mandatory unit contraction if circumstances warrant.

The trigger date is 10 years after sustained production began. Marathon, the original Ninilchik operator, began sustained production at Ninilchik in 2003.

Hilcorp said it acquired Ninilchik from Marathon on Feb. 1, 2013, and has been pursuing "various exploratory and development drilling projects," along with workovers and facility improvements.

see **NINILCHIK UNIT** page 8

FINANCE & ECONOMY

Economy fear prevails

ANS plummets 12% in three trading days as traders gauge recession risk

By **STEVE SUTHERLIN**

Petroleum News

Alaska North Slope crude hit the skids May 3, cratering \$4.67 to settle on the precipice of the \$60s — at \$70.34 per barrel. West Texas Intermediate did slump into the \$60s, off \$3.06 to close at \$68.60. Brent dropped \$2.99 to close at \$72.33.

The heavy losses came despite a drawdown of U.S. crude reserves for the third week in a row.

Traders envisioned recession and demand destruction as the U.S. Federal Reserve heaped another quarter point of its bitter inflation medicine onto the U.S. economy, taking the Fed rate to 5% in the face of several high-profile bank failures.

A contraction in China's manufacturing sector threw cold water on the narrative of strong growth in the Asian nation following the end of draconian COVID-19 restrictions and lockdowns in the first quarter of the year.

China was of no help, reporting a manufacturing slowdown due to a lull in demand for its products.

This was not a one-day crude price slide; the indexes suffered on May 2 as well. ANS plunged \$3.98 May 2 to close at \$75.01, WTI plummeted

see **OIL PRICES** page 11

GOVERNMENT

Dunleavy wins dispute

Anchorage Superior Court rules against Legislature on pipeline tariff income

By **KAY CASHMAN**

Petroleum News

Reduction of oil pipeline tariffs as a result of proceedings before the Federal Energy Regulatory Commission had the effect of increasing the net taxable value of oil moving through the 800-mile trans-Alaska pipeline, which has produced hundreds of millions of dollars in additional state oil tax revenue.

The state of Alaska allows oil producers to deduct shipping costs from the amount they pay the state in taxes. According to a recent Alaska Beacon report by James Brooks, federal courts



GOV. MIKE DUNLEAVY

have ruled that companies were judging their costs to be too high. Thus FERC, which regulates pipelines in the U.S., issued new rules in 2018 that resulted in additional revenue for the state.

The Legislative Budget and Audit Committee, on behalf of the Alaska State Legislature, sued the governor over the interpretation of the Constitutional Budget Reserve Fund provision in the Constitution.

Defendants Alaska Gov. Michael Dunleavy, et al, came before the Anchorage Superior Court seeking an order compelling plaintiffs to deposit

see **TARIFF RULING** page 8

● EXPLORATION & PRODUCTION

ANS production down 2.3% from February

March average 484,939 bpd, down 11,532 bpd month over month, down 1.1% from March '22; Cook Inlet down 4%, down 7.5% from '22

By **KRISTEN NELSON**

Petroleum News

Alaska North Slope production averaged 484,939 barrels per day in March, down 11,531 bpd, 2.3%, from a February average of 496,470 bpd and down 1.1% from a March 2022 average of 490,268 bpd.

ANS crude averaged 426,551 bpd, 88% of the March total, down 10,630 bpd, 2.4%, from a February average of 437,181 bpd and down 0.8% from a March 2022 average of 430,183 bpd. ANS natural gas liquids, NGLs, averaged 58,387 bpd in March, 12% of the total, down 901 bpd, 1.5%, from a February average of 59,288 bpd and down 2.8% from a March 2022 average of 60,086 bpd.

Production data come from the Alaska Oil and Gas Conservation Commission which reports production by field and well on a month delay basis.

Most fields down month over month

Most North Slope fields saw a decrease in average production from February to March.

The Hilcorp North Slope-operated Prudhoe Bay field, the Slope's largest, averaged 277,421 bpd in March, down 1,735 bpd, 0.6%, from a February average of 279,166 bpd and down 0.8% from a March 2022 average of 275,353 bpd.

Prudhoe is one of three Slope fields — the others are Endicott and Northstar — with NGL production.

Prudhoe crude production averaged 222,699 bpd in March, 80.3% of the field's total, down 1,020 bpd, 0.5%, from a February average of 223,718 bpd but up 1.3% from a March 2022 average of 219,824 bpd. Prudhoe NGLs averaged 54,732 bpd in March, 19.7% of the field's volume, down 716 bpd, 1.3%, from a February average of 55,448 bpd and down 1.4% from a March 2022 average of 55,529 bpd.

In addition to the primary reservoir, production volumes from Prudhoe include Aurora, Borealis, Lisburne, Midnight Sun, Niakuk, Polaris, Point McIntyre, Put River, Raven and Schrader Bluff.

The ConocoPhillips Alaska-operated Kuparuk River field averaged 78,252 bpd in March, down 2,696 bpd, 3.3%, from a February average of 80,948 bpd and down 7.3% from a March 2022 average of 84,418 bpd.

In addition to the main Kuparuk pool, Kuparuk produces from satellites at Tabasco and Tarn, and from West Sak.

Declines at smaller fields

Hilcorp Alaska's Milne Point averaged 38,974 bpd in March, down 681 bpd, 1.7%, from a February average of 39,655 bpd but up 5.3% from a March 2022 average of 37,009 bpd.

ConocoPhillips' Colville River averaged 35,581 bpd in March, down 590 bpd, 1.6%, from a February average of 36,170 bpd but up 11.9% from a March 2022 average of 31,797 bpd.

In addition to oil from the main Alpine pool, Colville includes production from the Nanuq and Qannik oil pools.

ConocoPhillips' Greater Mooses Tooth in the National Petroleum Reserve-Alaska averaged 12,211 bpd in March, down 3,540 bpd, 22.5%, from a February average of 15,751 bpd and down 11.2% from a March 2022 average of 13,748 bpd.

Hilcorp Alaska's Northstar averaged 6,572 bpd in March, down 262 bpd, 3.8%, from a February average of 6,835 bpd and down 17.5% from a March 2022 average of 7,965 bpd. Northstar crude averaged 3,604 bpd in March, 54.8% of the field's production, down 69 bpd, 1.9%, from a February average of 3,673 bpd and down 19.2% from a March 2022 average of 4,461 bpd. Northstar NGLs averaged 2,968 bpd in March, 45.2% of the field's total, down 193 bpd, 6.1%, from a February average of 3,162 bpd and down 15.3% from a March 2022 average of 3,504 bpd.

Hilcorp Alaska-operated Point Thomson averaged 6,167 bpd in March, down 1,970 bpd, 24.2%. from a February average of 8,136 bpd and down 31.2% from a March 2022

see **ANS PRODUCTION** page 4

contents

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ON THE COVER

Growing Ninilchik

Hilcorp continues drilling at Cook Inlet's largest gas producer

Economy fear prevails

ANS plummets 12% in three days as traders gauge recession risk

Dunleavy wins dispute

Court rules against Legislature on pipeline tariff income

Chugach hires strategic officer; Oil Search lease control changes

BSEE, ADEC MOU for oil spill planning, response coordination

Seaview POD: Hilcorp evaluates perforations in Seaview 9 well

EXPLORATION & PRODUCTION

2 ANS production down 2.3% from February

SIDEBAR, PAGE 4: Cook Inlet gas production down 3.3%

6 PODs for 3 small Cook Inlet gas fields

Two companies, AIX, Hilcorp Alaska, file plans of development for Kenai Peninsula fields: Cannery Loop, Deep Creek, Kenai Loop

7 US rotary rig count up by 2 to 755

INTERNATIONAL

5 COP's steady cash flow generator

International conventional oil and natural gas provides reliable \$1B annually for Conoco with very low reinvestment rates

THIS MONTH IN HISTORY

7 TotalFinaElf plans NPR-A well

20 years ago this month: Company says exploration well will be the first in multi-year drilling program; 5-6 wells being permitted



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Alaska-Mackenzie Rig Report

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

Alaska Rig Status

North Slope - Onshore

All American Oilfield LLC			
IDECO H-37	AAO 111	Stacked in MagTec's Yard	Available
Doyon Drilling			
Dreco 1250 UE	14 (SCR/TD)	Milne Point, M-62	Hilcorp Alaska LLC
Dreco 1000 UE	16 (SCR/TD)	Standby	Available
Dreco D2000 Uebd	19 (SCR/TD)	Demobilizing	Available
AC Mobile	25	Alpine, MT7-11	ConocoPhillips
OIME 2000	141 (SCR/TD)	Standby	Available
	142 (SCR/TD)	Alpine, 3H-36	ConocoPhillips
TSM 700	Arctic Fox #1	Demobilizing	Available
ERD	26	Alpine, CD2-361	ConocoPhillips
Hilcorp Alaska LLC			
Rotary Drilling	Innovation	Prudhoe Bay, Z Pad	Hilcorp Alaska LLC
Nabors Alaska Drilling			
AC Coil Hybrid	CDR-2 (CTD)	Prudhoe Bay, L4 Pad	Hilcorp Alaska LLC
AC Coil	CDR-3 (CTD)	Kuparuk	ConocoPhillips
Dreco 1000 UE	7-ES (SCR-TD)	Kuparuk	ConocoPhillips
Dreco 1000 UE	9-ES (SCR/TD)	Stacked	Available
Oilwell 2000 Hercules	16-E (SCR/TD)	Stacked	Brooks Range Petroleum
Emsco Electro-hoist			
Oilwell 2000 Canrig 1050E	27-E (SCR-TD)	Stacked	Available
Academy AC Electric CANRIG	99AC (AC-TD)	Stacked	Available
OIME 2000	245-E (SCR-ACTD)	12 Acre Pad, stacked	Available
Academy AC electric CANRIG	105AC (AC-TD)	Stacked	Available
Academy AC electric Heli-Rig	106AC (AC-TD)	Stacked	Available
Nordic Calista Services			
Superior 700 UE	1 (SCR/CTD)	Deadhorse	Available
Superior 700 UE	2 (SCR/CTD/TD)	Deadhorse, stacked	Available
Idec 900	3 (SCR/TD)	Kuparuk	ConocoPhillips
Rig Master 1500AC	4 (AC/TD)	Oliktok Point	ENI
Parker Drilling Arctic Operating LLC			
NOV ADS-10SD	272	Deadhorse Yard, undergoing maintenance/upgrades	Santos
NOV ADS-10SD	273	Deadhorse, Stacked	Available

North Slope - Offshore

Doyon Drilling			
Sky top Brewster NE-12	15 (SCR/TD)	Spy Island SP42-NE4 L1	ENI
Nabors Alaska Drilling			
OIME 1000	19AC (AC-TD)	Oooguruk, Cold Stacked	ENI

Cook Inlet Basin – Onshore

BlueCrest Alaska Operating LLC			
Land Rig	BlueCrest Rig #1	Stacked	BlueCrest Alaska Operating LLC
Glacier Oil & Gas			
	Rig 37	West McArthur River Unit Workover	Glacier Oil & Gas
Hilcorp Alaska LLC			
TSM-850	147	Beluga River Unit, F Pad	Hilcorp Alaska LLC
TSM-850	169	Pearl Pad	Hilcorp Alaska LLC

Cook Inlet Basin – Offshore

Hilcorp Alaska LLC			
National 110	C (TD)	Platform C, Stacked	Hilcorp Alaska LLC
	Rig 51	Steelhead Platform, Stacked	Hilcorp Alaska LLC
	Rig 56	Monopod A-13, stacked	Hilcorp Alaska LLC
Nordic Calista Services			
Land Rig	36 (TD)	Kenai, stacked	Available
Spartan Drilling			
Baker Marine ILC-Skidoff, jack-up		Spartan 151, Tyonek Platform	Hilcorp Alaska LLC
Glacier Oil & Gas			
National 1320	35	Osprey Platform, activated	Glacier Oil & Gas

Mackenzie Rig Status

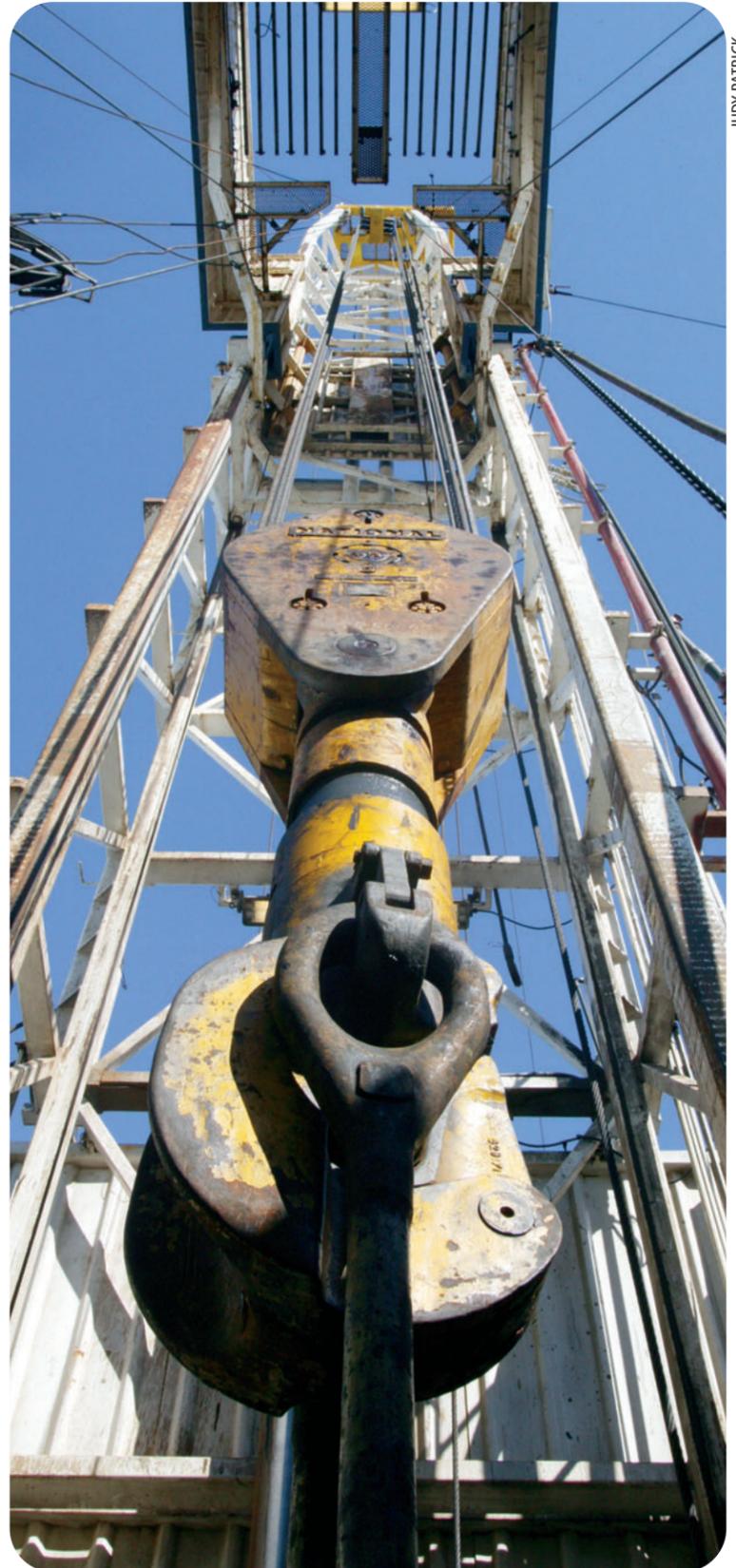
Canadian Beaufort Sea

SDC Drilling Inc.			
SDC Mobile Offshore Drilling Unit Rig #2		Set down at Roland Bay	Available

The Alaska-Mackenzie Rig Report as of May 3, 2023.
Active drilling companies only listed.

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

This rig report was prepared by Marti Reeve



JUDY PATRICK

Baker Hughes North America rotary rig counts*

	April 28	April 21	Year Ago
United States	755	753	698
Canada	93	105	95
Gulf of Mexico	19	18	13

Highest/Lowest

US/Highest	4530	December 1981
US/Lowest	244	August 2020

*Issued by Baker Hughes since 1944

The Alaska-Mackenzie Rig Report
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continued from page 2

ANS PRODUCTION

average of 8,960 bpd.

Hilcorp Alaska's Endicott averaged 5,919 bpd in March, down 457 bpd, 7.2%, from a February average of 6,376 bpd, and down 12.6% from a March 2022 average of 6,774 bpd. Endicott crude averaged 5,232 bpd in March, 88.4% of the field's volume, down 465 bpd, 8.2%, from a February average of 5,698 bpd and down 8.5% from a March 2022 average of 5,723 bpd. Endicott NGLs averaged 686 bpd in March, up 8 bpd, 1.2%, from a February average of 678 bpd but down 34.8% from a March 2022 average of 1,053 bpd.

Some increases

Production from one Slope field was basically flat from February to March, while volumes at two others increased month over month.

Savant Alaska's Badami field averaged 505 bpd in March, up 1 bpd, 0.2%, from a February average of 504 bpd but down 51.3% from a March 2022 average of 1,037 bpd. Savant is a Glacier Oil and Gas company.

Eni's Nikaitchuq averaged 16,369 bpd in March, up 111 bpd, 0.7%, from a February average of 16,258 bpd but down 7.6% from a March 2022 average of 17,710 bpd.

Eni's Oooguruk averaged 6,959 bpd in March, up 289 bpd, 4.3%, from a February average of 6,670 bpd and up 26.6% from a March 2022 average of 5,498 bpd.

Cook Inlet volumes down

Cook Inlet production averaged 8,750 bpd in March, down 373 bpd, 4.1%, from a February average of 9,122 bpd and down 7.5% from a March 2022 average of 9,459 bpd. NGL production in Cook Inlet, all from Swanson River, accounts for less than 1% of the basin's production.

All Cook Inlet fields had month-over-month production declines.

Hilcorp Alaska's McArthur River, the

inlet's largest liquids producer, accounting for 31.9% of basin production in March, averaged 2,795 bpd, down 106 bpd, 3.7%, from a February average of 2,901 bpd and down 1% from a March 2022 average of 2,821 bpd.

Hilcorp's Granite Point, with 26.1% of the basin's liquids production in March, averaged 2,282 bpd, down 6 bpd, 0.3%, from a February average of 2,288 bpd and down 7.7% from a March 2022 average of 2,471 bpd.

Hilcorp's Trading Bay, with 9.2% of March production, averaged 806 bpd, down 36 bpd, 4.1%, from a February average of 843 bpd and down 6.1% from a March 2022 average of 858 bpd.

Hilcorp's Swanson River, with 8.8% of March production (90% crude, 10% NGLs) averaged 769 bpd, down 18 bpd, 2.3%, from a February average of 787 bpd but up 3.6% from a March 2022 average of 742 bpd.

BlueCrest's Hansen averaged 727 bpd, 8.3% of March production, down 4 bpd, 0.6%, from a February average of 732 bpd and down 8.3% from a March 2022 average of 793 bpd.

Cook Inlet Energy's Redoubt Shoal averaged 537 bpd in March, 6.1% of inlet production, down 48 bpd, 8.2%, from a February average of 585 bpd and down 46.6% from a March 2022 average of 1,005 bpd. CIE is a Glacier Oil and Gas company.

Hilcorp's Beaver Creek averaged 451 bpd, 5.2% of inlet production in March, down 99 bpd, 18%, from a February average of 550 bpd and down 13.5% from a March 2022 average of 522 bpd.

CIE's West McArthur River averaged 382 bpd in March, 4.4% of inlet production, down 55 bpd, 12.6%, from a February average of 438 bpd but up 55.4% from a March 2022 average of 246 bpd.

ANS crude oil production peaked in 1988 at 2.1 million bpd; Cook Inlet crude oil production peaked in 1970 at more than 227,000 bpd. ●

Contact Kristen Nelson
at knelson@petroleumnews.com

Cook Inlet gas production down 3.3%

Natural gas production from Cook Inlet averaged 215,068 thousand cubic feet per day in March, down 7,350 mcf per day, 3.3%, from a February average of 222,418 mcf per day but up 4.6% from a March 2022 average of 205,550 mcf per day.

This data is from the Alaska Oil and Gas Conservation Commission, which reports production on a month-delay basis. For natural gas AOGCC reports measurements in thousands of cubic feet, mcf.

The half dozen larger inlet gas fields, those with production of at least 10,000 mcf per day, accounted for 79.9% of inlet production in March, this compares to 80.1% of production from the larger fields in February and 80.7% in March of 2022.

Hilcorp Alaska's Ninilchik averaged 46,157 mcf per day in March, 21.5% of inlet production, down 2,802 mcf per day, 5.7%, from a February average of 48,958 mcf per day, but up 35.5% from a March 2022 average of 34,057 mcf per day.

Hilcorp's North Cook Inlet averaged 40,674 mcf per day in March, 18.9% of inlet production, up 3,173 mcf per day, 8.5%, from a February average of 37,501 mcf per day and up 33.7% from a March 2022 average of 30,413 mcf per day.

Hilcorp-operated Beluga River (Chugach Electric Association is the majority working interest owner) averaged 37,284 mcf per day in March, 17.3% of inlet production, down 3,777 mcf per day, 9.2%, from a February average of 41,061 mcf per day and up 20.2% from a March 2022 average of 31,030 mcf per day.

Hilcorp's Kenai gas field averaged 21,642 mcf per day in March, 10.1% of inlet production, down 1,457 mcf per day, 6.3%, from a February average of 23,099 mcf per day and down 17.9% from a March 2022 average of 26,364 mcf per day.

Hilcorp's McArthur River averaged 15,773 mcf per day in March, 7.3% of inlet production, up 285 mcf per day, 1.8%, from a February average of 15,488 mcf per day but down 14.8% from a March 2022 average of 18,503 mcf per day.

Furie's Kitchen Lights averaged 10,362 mcf per day in March, 4.8% of inlet production, down 1,715 mcf per day, 14.2%, from a February average of 12,077 mcf per day and down 14.1% from a March 2022 average of 12,056 mcf per day.

Fifteen smaller fields made up the remaining 20.1% of inlet production in March.

Hilcorp's Beaver Creek averaged 8,176 mcf per day in March, down 673 mcf per day, 7.6%, from a February average of 8,849 mcf per day but up 11.8% from a March 2022 average of 7,322 mcf per day.

Hilcorp's Ivan River averaged 7,626 mcf per day in March, up 698 mcf per day, 10.1%, from a February average of 6,928 mcf per day but down 13.2% from a March 2022 average of 8,783 mcf per day.

Hilcorp's Cannery Loop averaged 5,947 mcf per day in March, up 1,185 mcf per day, 24.9%, from a February average of 4,762 mcf per day and up 17.7% from a March 2022 average of 5,053 mcf per day.

Hilcorp's Swanson River averaged 5,309 mcf per day in March, down 2,420 mcf per day, 31.3%, from a February average of 7,729 mcf per day and down 60.8% from a March 2022 average of 13,540 mcf per day.

Hilcorp's Deep Creek averaged 3,989 mcf per day in March, down 43 mcf per day, 1.1%, from a February average of 4,033 mcf per day but up 27.2% from a March 2022 average of 3,137 mcf per day.

Hilcorp's Granite Point averaged 3,276 mcf per day in March, down 52 mcf per day, 1.6%, from a February average of 3,327 mcf per day and down 6.8% from a March 2022 average of 3,513 mcf per day.

Vision Operating's North Fork averaged 2,475 mcf per day in March, down 237 mcf per day, 8.7%, from a February average of 2,712 mcf per day and down 22.3% from a March 2022 average of 3,186 mcf per day.

AIX's Kenai Loop averaged 2,295 mcf per day in March, up 331 mcf per day, 16.9%, from a February average of 1,964 mcf per day, but down 39.1% from a March 2022 average of 3,769 mcf per day.

BlueCrest's Hansen averaged 1,446 mcf per day in March, down 93 mcf per day, 6%, from a February average of 1,538 mcf per day and down 15.7% from a March 2022 average of 1,715 mcf per day.

Hilcorp's Trading Bay averaged 1,301 mcf per day in March, up 46 mcf per day, 3.6%, from a February average of 1,255 mcf per day but down 9.3% from a March 2022 average of 1,434 mcf per day.

Amaroq's Nicolai Creek averaged 503 mcf per day in March, up 223 mcf per day, 79.4%, from a February average of 281 mcf per day, and up 16,675.3% from a March 2022 average of 3 mcf per day.

Hilcorp's Lewis River averaged 367 mcf per day in March, down 41 mcf per day, 10.1%, from a February average of 409 mcf per day and down 55.2% from a March 2022 average of 821 mcf per day.

Hilcorp's Nikolaevsk averaged 243 mcf per day in March, up 29 mcf per day, 13.4%, from a February average of 214 mcf per day but down 14.7% from a March 2022 average of 284 mcf per day.

Cook Inlet Energy's Redoubt Shoal averaged 132 mcf per day in March, down 5 mcf per day, 3.5%, from a February average of 136 mcf per day and down 43.4% from a March 2022 average of 233 mcf per day. CIE is a Glacier Oil and Gas company.

CIE's West McArthur River averaged 92 mcf per day in March, down 6 mcf per day, 6%, from a February average of 98 mcf per day but up 67.6% from a March 2022 average of 55 mcf per day.

Cook Inlet natural gas production peaked in the mid-1990s at more than 850,000 mcf per day.

—KRISTEN NELSON

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By **KAY CASHMAN**
Petroleum News

In its 2023 Analyst and Investor Meeting in April where ConocoPhillips presented its updated 10-year plan, Chairman and CEO Ryan Lance said the company has “high-graded” its Brent-linked international conventional oil and natural gas assets and now operates in four countries: Norway, Libya, Malaysia and China. (The previous analyst and investor meeting was held three and a half years ago.)

Norway, where the company has operated for more than 50 years, Lance said, is a “great example of how we leverage existing infrastructure. We expect to have four subsea tiebacks all onstream in 2024.” Furthermore, ConocoPhillips Norway’s Greater Ekofisk license has been extended through 2048. Estimated 2023 production: 115 MBOED.

In Libya production is at 50,000 MBOED, a country the company describes as having “long-term optionality.”

In Malaysia, he said, ConocoPhillips continues to add “high-margin low cost of supply opportunities.” Estimated 2023 production: 40 MBOED.

And in China, “we’re progressing a wind farm project that will both reduce our GHG emissions and lower our operating costs.” Production sharing contract terms are aligned to 2039, per a chart displayed during the analyst and investor meeting, which listed production at an expected 30 MBOED for the offshore wind farm.

“In aggregate,” Lance said, “we see the international conventional business as a strong free cash flow generator, providing about \$1 billion a year over the next decade with very low reinvestment rates.”

In the Q&A session that followed presentations, Robert Brackett, senior research analyst for Sanford C. Bernstein & Co., Research Division, asked “what’s the role of exploration and Libya in the portfolio?”

“Well, exploration, we — with 20 billion barrels of resource below \$40 cost of supply — the exploration for us is near-term around existing infrastructure where we know the process pretty well. It’s Norway. It’s Malaysia. It’s what we’re doing up in Alaska. We’re not doing sort of high-risk, big elephant-finding kind of exploration. We don’t have to because of ... where the portfolio resides,” Lance said, asking Dominic Macklon, ConocoPhillips EVP of strategy, sustainability and technology, if he would like to add anything more.

“No, I think that’s right. I think we allocate \$150 million a year, which is reasonably modest. And I would say that’s up to \$150 million a year depending on the quality of the opportunities,” Macklon replied.

As for Libya, Lance said “it’s interesting. It’s — they’ve done a remarkable job getting it back up to 50,000 barrels a day. I think the interest we have in Libya primarily is the conversations we’ve had with the Libyan government, is the resource potential is quite large. And it’s very low cost of supply, but they’ve got to change the fiscal terms. So the gross margin contract that was the kind of contract that reentry was based on back in the Gaddafi era is not one that’s going to incentivize a lot of investment. So the question we really have around Libya: Is there line of sight to a different fiscal contract that would then represent a lot of upside, both for the country and certainly for our company. But — so

see **CASH FLOW** page 7

International Conventional: Steady Cash Flow Generator



Eldfisk

Brent-Linked Oil and International Gas

Norway – 115 MBOED

- Four subsea tie backs on track for onstream in 2024
- Greater Ekofisk Area license extended through 2048

Libya – 50 MBOED

- Increased working interest to ~20% in Waha Concession
- Long-term optionality

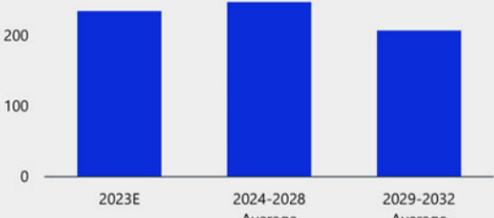
Malaysia – 40 MBOED

- Low Cost of Supply projects offsetting decline

China – 30 MBOED

- Production sharing contract terms aligned to 2039
- Progressing offshore windfarm in China

Production (MBOED)



Period	Production (MBOED)
2023E	~115
2024-2028 Average	~115
2029-2032 Average	~100

Country production numbers quoted are 2023 estimates. Free cash flow (FCF) is a non-GAAP measure defined in the Appendix.

~\$1B Per Year Free Cash Flow
Over the Next 10 Years at \$60/BBL WTI

ConocoPhillips 25



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EXPLORATION & PRODUCTION

PODs for 3 small Cook Inlet gas fields

Two companies, AIX, Hilcorp Alaska, file plans of development for Kenai Peninsula fields: Cannery Loop, Deep Creek, Kenai Loop

By KRISTEN NELSON
Petroleum News

Cook Inlet's largest gas producer, Hilcorp Alaska, and one smaller producer, AIX Energy, have filed plans of development for three of Cook Inlet's smaller gas fields, all on the Kenai Peninsula. Two of the fields are in the Kenai area — Cannery Loop and Kenai Loop — and the third, Deep Creek, is inland southeast of the community of Ninilchik.

Cannery Loop

Hilcorp's Cannery Loop is the oldest of the three fields and this is the 44th POD for the unit. The plan covers Aug. 1 through July 31, 2024.

Cannery Loop is the most productive of the three fields, averaging 5.95 million cubic feet per day in March, the most recent month for which Alaska Oil and Gas Conservation Commission production volumes are available.

Hilcorp said that during calendar year 2022 production at Cannery Loop was 4.66 million cubic feet per day, with cumulative production from the unit during 2022 of 1.71 billion cubic feet.

In 2022, under the previous POD, Hilcorp sidetracked two wells in the unit, CLU 05RD2 and CLU 10RD.

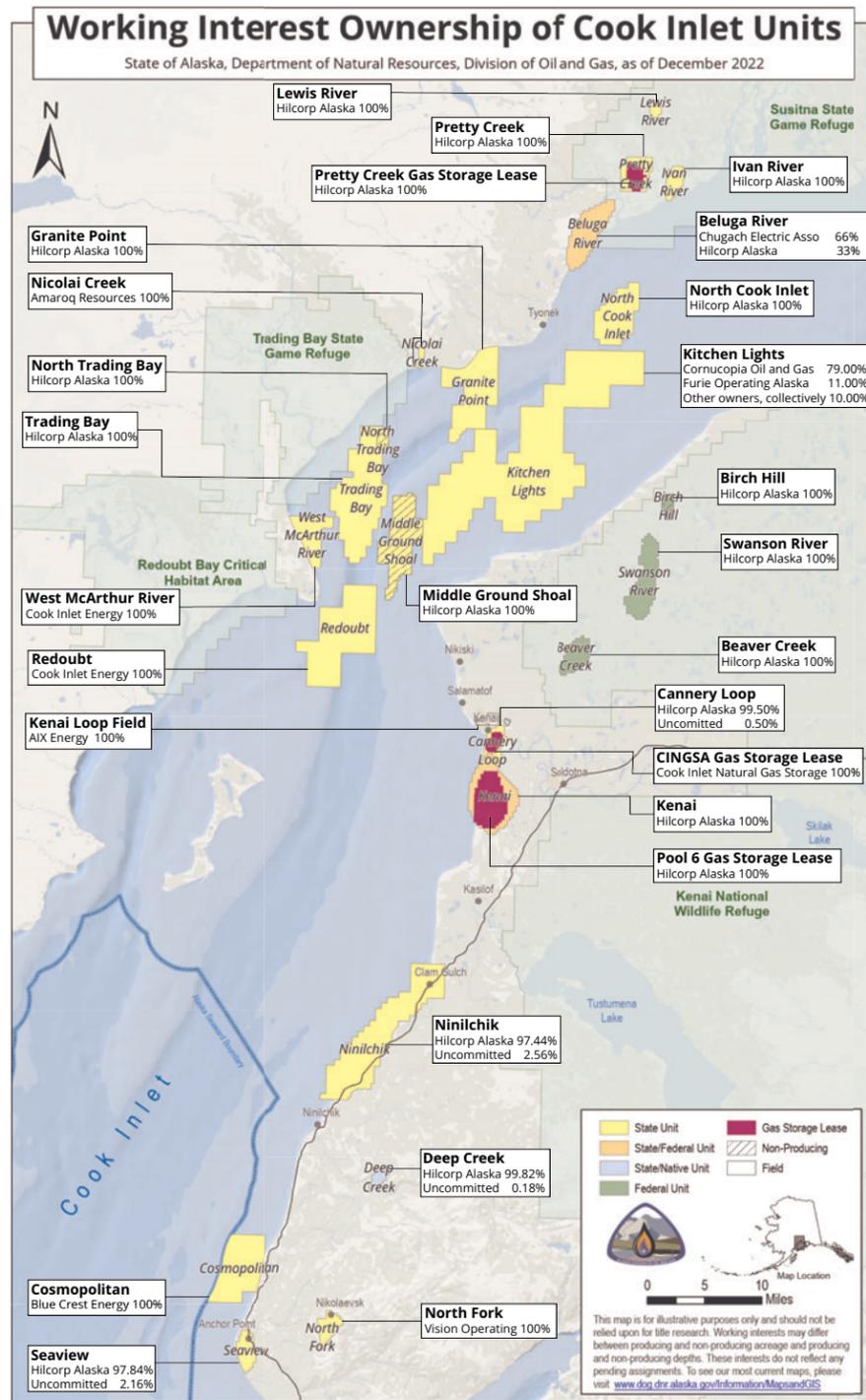
The company had planned as many as three sidetracks and, pending results from the sidetracks, said it anticipated drilling a grassroots well targeting the Beluga and Tyonek formations. The company said it would evaluate adding velocity strings and/or other artificial lift options.

It also planned various rig and non-rig well projects and planned to install a sales compressor on CLU pad 1 to increase throughput from the facility.

Hilcorp said it did not install an additional sales gas compressor and said it currently has no plans to install additional compression; it also did not drill any grassroots wells.

CLU 2023 POD

In its 2023 POD, Hilcorp said it is evaluating additional drill wells at



Cannery Loop targeting the Beluga and Tyonek sands and said it would evaluate adding velocity strings and/or other artificial lift options in various wellbores; it currently has no plans for drilling at the unit in 2023.

It also is not planning any additional sidetracks.

Various rig and non-rig well projects may include: preparations for potential sidetrack(s); coil cleanout operations; perforations of additional gas sands; and

plugs or patches for potential water shut-off activities.

The company said it would evaluate and perform additional well work opportunities as they arise.

No major facility upgrades are planned.

Deep Creek

Hilcorp's Deep Creek is a newer unit, on just its 20th POD.

Under the previous POD Hilcorp said it was evaluating a sidetrack from the HVB 16 well or drilling a new well, HVB 18. Both would target the Tyonek sands.

During calendar year 2022, Hilcorp said, average production from the Happy Valley participating area was 3.04 million cubic feet per day, with cumulative production for 2022 from the Happy Valley PA 1,109 million cubic feet.

There was also production from tract operations — acreage not in a participating area, which averaged 545 thousand cubic feet, mcf, for the calendar year. Hilcorp said two wells, HVB 14 and HVB 15, produce on a tract basis, with total cumulative tract production for the 2022 calendar year 199 million cubic feet.

During 2022 the company sidetracked one well, HVB-16A.

The POD the company just filed covers Aug. 1 through July 30, 2024.

Hilcorp said it has no long-term development plans but future wells “will be evaluated based upon current risked resource and economics, market demand, pipeline capacity, and competitiveness within Hilcorp's gas project portfolio.”

The company said it would evaluate and execute well work opportunities as they arise. “If well performance changes significantly on existing wells, rig workovers, perf adds, water shut-offs, and or fill cleanout will be evaluated as necessary” to maintain and enhance production.

No major facility upgrades are planned.

Kenai Loop

AIX Energy's Kenai Loop is the newest of this group of units, with the company filing the ninth plan of development and operations for the field, effective May 7 through May 6, 2024.

The discovery well, KL 1-1, was drilled in 2011; AIX took over as operator in the fall of 2014.

AIX said the field is developed from one drill pad, KL-1; there are four wells, two producers (KL 1-1 and KL 1-3); a well temporarily suspended, KL 1-2, which could possibly be used as a disposal well; and a shut-in producer, KL 1-4, not tied into the field's production system.

Cumulative (through March 31) gas production was 27.1 bcf, AIX said; cumulative water production was 11,114 barrels; cumulative condensate production was 2,897 barrels.

AIX said it sells all gas volumes from Kenai Loop to a single purchaser under a 3-year “Firm as Available” contract.

In its proposed ninth POD AIX said KL 1-3 was shut-in “due to declining reservoir pressure and mechanical issues with the compressor. A procedure to return it to production will be implemented.” The company did not say when the well was shut-in, but AOGCC records show the last significant volumes from

see INLET GAS FIELDS page 8

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• EXPLORATION & PRODUCTION

US rotary rig count up by 2 to 755

By **KRISTEN NELSON**
Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was up by two the week ending April 28 to 755, and up 57 from a count of 699 for the same period a year ago. The count increased in four of the past eight weeks and was up from 746 eight weeks ago but down from a high so far this year of 771 on Jan. 20. The high for 2022 was a count of 784 rigs at the beginning of December.

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

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

The count was in the low 790s at the beginning of 2020 prior to the COVID-19 pandemic, where it remained

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

The April 28 count includes 591 rigs targeting oil, unchanged from the previous week and up 39 from 552 a year ago, with 161 rigs targeting natural gas, up two from the previous week and up 17 from 144 a year ago, and three miscellaneous rigs, unchanged from the previous week and up by one from a year ago.

Forty-seven of the rigs reported April 28 were drilling directional wells, 685 were drilling horizontal wells and 23 were drilling vertical wells.

Alaska rig count down by 1

Louisiana (60) was up three rigs from the previous week, while New Mexico (107) was by two.

Ohio (11) and Pennsylvania (26) were each up by a sin-

gle rig.

Oklahoma (53) was down three rigs week over week, while Alaska (9) and North Dakota (39) were each down a single rig.

Rig counts in other states were unchanged from the previous week: California (2), Colorado (19), Texas (377), Utah (13), West Virginia (16) and Wyoming (18).

Baker Hughes shows Alaska with nine rotary rigs active April 28, down one from the previous week and unchanged from a year ago. Eight of the Alaska rigs were onshore, unchanged from the previous week, and one was working offshore, down one from the previous week.

The rig count in the Permian, the most active basin in the country, was up by three from the previous week at 361 and up by 26 from 335 a year ago. ●

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• THIS MONTH IN HISTORY

TotalFinaElf plans NPR-A well

20 years ago this month: Company says exploration well will be the first in multi-year drilling program; 5-6 wells being permitted

Editor's note: This story appeared in the May 4, 2003, issue of *Petroleum News Alaska*.

By **KAY CASHMAN**
Petroleum News

Next winter TotalFinaElf E&P USA is planning to drill its first well in a multi-well exploration program in the National Petroleum Reserve-Alaska.

"One well for next winter is the plan right now," Jack Bergeron, TotalFinaElf's manager of Alaska operations, told *Petroleum News* April 25, 2003.

TotalFinaElf has begun the process of permitting five or six well locations in two of its three NPR-A lease blocks but will drill just one well next winter, the first in a multi-year NPR-A drilling program.

No partnership announcements — yet

The well will be drilled on 100% TotalFinaElf leases, Bergeron said. He would not comment on whether or not the company has found a partner for those leases. Mike Sangster, vice president of business development for TotalFinaElf in the United States, said Nov. 21 that the company was interested in partnering with other NPR-A leaseholders to explore and develop its 20 leases, picked up in a June 2002 NPR-A lease sale.

The 2003-2004 winter well will be

drilled on either the Caribou or Fox exploration blocks from an ice exploration pad, the company has told government agencies.

Caribou East is in the vicinity of township 9N-range 4W, Umiat Meridian; T9N-R5W, UM; T10N-R5W, UM; and T9N-R6W, UM. Caribou West is in the vicinity of T9N-R7W, UM and T10N-R7W, UM. Fox is in the vicinity of T6N-R7W, UM and T7N-R5W, UM.

West of Caribou and Fox the company has a block of nine leases starting with T8N-R9W, UM and going up to T11N-R10W, UM. It will not be permitting any well locations on these leases this year, Bergeron said.

The company said a "rolligon transportable Arctic class land drilling rig" will be used to drill the 2003-2004 well, although a specific rig has not yet been chosen.

Drilling operations will be supported by both rolligon and aircraft, possibly using the 5,000 foot gravel airstrip at Inigok,

which is between TotalFinaElf's Caribou East and Fox prospects.

Under the company's present plan, fuel will be flown in from Deadhorse "either to a purpose built ice strip close to the drilling location or to a fuel depot which would be installed at Inigok," the company said.

TotalFinaElf is in the process of permitting an ice road from Meltwater.

Ballot agreements with the Prudhoe Bay unit owners for the disposal of waste mud and drill cuttings at an approved grind/inject facility at Prudhoe Bay are being negotiated, the company said.

TotalFinaElf, which will likely be renamed Total on May 6, re-entered Alaska in June 2002 with its purchase of the 20 NPR-A leases. ●



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continued from page 5

CASH FLOW

the holding cost is minimal. It's — the contract is pretty good or it's decent, covers our cost and sort of gives us a little bit of upside. But the real question is the further prize."

A country beset by political unrest and a change in government control, in Libya ConocoPhillips has an interest in the Waha Concession in the Sirte Basin. ●

Contact Kay Cashman
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continued from page 1

NINILCHIK UNIT

“This exploration and development strategy will continue throughout 2023 and extending into 2024,” the company said.

Hilcorp has added production since acquiring the field. Alaska Oil and Gas Conservation Commission production data show 2012 natural gas production from Ninilchik, the last year Marathon operated the field, of 11.58 billion cubic feet. For 2022, cumulation production was 13.01 bcf.

Hilcorp said the 10-year contraction date for Ninilchik was Dec. 12, 2013, and said it has requested that DNR delay contraction every year since then so that it could fully delineate reserves within the unit. The most recent request was for a two-year extension, which ends May 31, 2023.

Hilcorp said it is now requesting another delay in contraction, to July 31, 2025, to support continued exploration

efforts at Ninilchik and allow time to resolve appeals regarding two participating areas, Falls Creek and Susan Dionne-Paxton.

Hilcorp's work at Ninilchik

In its request for a contraction delay Hilcorp listed some of its activities at Ninilchik.

- 2015, completed aerial gravity and magnetics survey over unit and surrounding area, with the data being used to plan exploratory drilling program, which, the company said, will result in unit and participating area, PA, reconfigurations.

- 2016, proposed unit and PA expansion at Falls Creek, following prior year's exploration — this is still pending appeal.

- 2017, completed seven stratigraphic test wells within and in vicinity of Ninilchik unit; data used to plan well design for Pearl 2A and for unit and PA reconfiguration.

- May 2020 to date: company drilled five grassroots wells within unit; also

see **NINILCHIK UNIT** page 9

continued from page 1

TARIFF RULING

those funds into the state's General Fund.

The plaintiffs maintained that the funds from the oil pipeline tariff decision belonged in the Constitutional Budget Reserve Fund, the state's main savings account.

In December, the Legislature filed a “friendly lawsuit” asking the Superior Court to resolve the dispute. Attorneys from both sides presented oral arguments in the courtroom toward the end of April.

On April 28, Superior Court Judge Andrew Guidi ruled that the state is not required to deposit the money it received into the state's Constitutional Budget Reserve Fund.

In his decision, Guidi said that in 1990, Alaska voters created the Constitutional Budget Reserve Fund, or CBRF, when they approved Article IX, § 17(a) of the State Constitution by a nearly two-to-one margin. The CBRF serves as an emergency savings account, with constitutionally mandated limitations on the Alaska Legislature's ability to access the money.

Section 17(a), the section at issue in this case, created the fund. The section provides that “all money received ... as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation ... involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, produc-

tion, or property, shall be deposited in the budget reserve fund,” Guidi wrote.

So unless his decision is overturned on an appeal, the judge's April 28 decision in favor of Dunleavy upholds existing practice and avoids an alternative interpretation that could have reduced the amount of money available annually for state spending on things such as services and dividends.

“At oral argument, the (Legislature) argued repeatedly that Article IX, § 17(a) was always understood and intended to be broadly applied. History, however, stubbornly contradicts this narrative,” Guidi wrote in his decision.

Basically, he ruled that a dispute needs to directly involve oil royalties or directly involve oil taxes.

“FERC proceedings are not about royalties or taxes, and they are not about payments that producers will pay to the state. FERC has no jurisdiction over state royalties or taxes and cannot issue a decision resolving royalty or tax disputes,” Guidi said.

Attorney General Treg Taylor praised the ruling, which involves more than \$1 billion.

“Simply knowing the answer in a case like this, whichever way it turns out, gives the executive branch comfort about how to correctly understand the constitution's directives. Nevertheless, it is gratifying that the court agreed with the analysis and advice given by Attorneys General over the last several administrations. I am glad that advice was vindicated,” Taylor said in a statement. ●

Contact Kay Cashman
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continued from page 6

INLET GAS FIELDS

that well were in December. March production figures from the commission show Kenai Loop averaged 2.3 million cubic feet per day.

AIX said it will “evaluate the cost/benefit of tying in KL 1-4 to the production system to provide increased deliverability,

to provide redundancy to meet firm gas sales obligations and to possibly increase ultimate recovery.” The company will also evaluate recompleting wells for additional deliverability. A map accompanying the application shows KL 1-4 to be east of the other wells. ●

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continued from page 8

NINILCHIK UNIT

performed numerous workovers, perforation adds and rate add projects.

- 2022, four wells drilled within Pearl prospect within the unit — Pearl 2A, Pearl 8, Pearl 9, Paxton 6 — resulting in “discovery of commercial quantities of gas within the Pearl Structure, with first production beginning in December 2022.

- Sept. 23, 2022, submitted application for Pearl PA and to expand Ninilchik unit to include Pearl structure and allow for delineation; application pending approval from DNR.

- April 2023, drilled and completed Paxton 12 and Pearl 10, targeting Pearl structure gas sands; results from wells pending.

Work underway

Hilcorp also listed work it will complete in 2023-24:

- In process of drilling an additional well targeting Pearl structure sands (Pearl 11), with results expected by end of summer 2023, helping determine final boundary of Pearl PA.

- Preliminary plans in the first quarter of 2024 for additional well work on existing Blossom 1 exploration well, work planned for 2022, but “due to the significant gas discovery at Pearl, Hilcorp decided to delay the work for Blossom 1 to allow for additional drilling and delineation opportunities at Pearl.” Results from well work on Blossom 1 will determine how unit and PA will be reconfigured. The work will likely to done in the first half of 2023.

Appeals

The delayed contraction is also necessary because of the ongoing appeal process on the Falls Creek PA adjustment, the company said.

There is also an outstanding appeal filed in January 2008 on the proposal to combine the Susan Dione PA and Paxton tract operations to form the Susan Dionne-Paxton PA.

Hilcorp said it would be in both DNR’s and the public’s best interest to allow these issued to be settled before the unit contraction.

POD

In its proposed 19th POD for Ninilchik, covering Aug. 1 through July 31, 2024, Hilcorp summarized work done under the 2022 POD.

Production from Ninilchik during calendar year 2022 averaged 35.7 million cubic feet per day, the company said. This compares to 30.5 million cubic feet per day for calendar year 2021, which Hilcorp reported in its 18th POD, filed last April.

Hilcorp said it completed or is completing the six grassroots wells included in its 2022 POD: two wells, targeting Beluga and Tyonek sands within the Pearl structure from the Paxton pad (Paxton 6 and Paxton 12); and four wells from the Pearl pad, also targeting Beluga and Tyonek sands in the Pearl structure (Pearl 8, Pearl 9, Pearl 10 and Pearl 11).

The company completed a pad expansion at Paxton and a pad expansion and installation of facilities at Pearl pad.

Work under the 2022 POD which deviated from the

2022 POD included:

- Evaluating and planning a potential new pad between the Paxton and Pearl pads.
- Blossom 1 perforation add.
- Susan Dionne 8 — plans filed to convert well to Class I disposal well; conversion activities in progress.
- Grassim Oskolkoff 8 —fill cleanout and perf adds being considered for execution in 2022 POD period.

2023 POD

Under the 2023 POD Hilcorp said it plans to add perforations to Blossom 1.

It also plans one to three additional wells in the Pearl structure (Pearl 12, Pearl 13 and Pearl 14) based on results from Paxton 12, Pearl 10 and Pearl 11.

Workover program projects may include:

- Conversion of Susan Dionne 8 to a Class II disposal well.
- Fill cleanout at Grassim Oskolkoff.
- Evaluation of adding velocity strings and/or other artificial lift options.
- Additional well work opportunities will be evaluated as they arise.

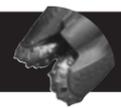
Hilcorp said that depending on results from Paxton 12, Pearl 10 and Pearl 11, not yet online, a new pad between the Paxton and Pearl pad is possible. The company is also evaluating an additional Pearl pad expansion.

At the Paxton pad, Hilcorp is evaluating installing additional compression. ●

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Oil Patch Bits



Doyon Ltd. announces acquisition of Fairweather LLC

Doyon Ltd., the Alaska Native regional corporation for Interior Alaska, announced May 1 that it has acquired Fairweather LLC, a leader in oilfield support services in Alaska.

Fairweather is joining the Doyon family of companies. This acquisition will support Doyon’s existing operations on the North Slope, providing expertise in oil field support, weather, logistics and medical services.

Fairweather LLC was founded in 1976 by Sherron Perry with a focus on providing aviation weather observation services to remote regions of Alaska. Responding to the growth of the emerging oil and gas industry, Fairweather expanded its operations to include a number of highly sought-after support services designed to support exploration and production activities.

“We are pleased to cross the finish line on this agreement with Doyon,” said Rick Fox, Fairweather senior vice president and general manager. “Fairweather has over 80 years of management experience, and over 180 employees, with expertise in oilfield services, avia-

tion, medical services, airport and weather support, and expediting and logistics services. We know our business model will continue to support Alaska’s North Slope.”

Doyon said Fairweather is a strategic investment opportunity in a growing Alaskan service-based organization — a business that complements Doyon’s existing oil field services in Alaska’s oil and gas industry.

Fairweather’s 180 team members will join the Doyon oil field service pillar, which includes Doyon Drilling, Mid-Alaska Pipeline, Doyon Associated and Doyon Anvil. These companies provide Arctic drilling, pipeline ownership construction, maintenance and operations, camps, engineering and procurement services to Alaska’s oil and gas industry.

“We are very pleased to have Fairweather join our family of companies. Fairweather has a well-earned reputation and there are many synergies between our existing Doyon oil field services companies and Fairweather,” said Aaron Schutt, Doyon president and CEO. “We are both Alaska-based companies focused on our employees, customers, safety, and successful project outcomes for our clients.”

Companies involved in Alaska’s oil and gas industry

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Rudeck has worked with ALLETE in various capacities since 1996 including engineer, plant manager, director of engineering services; vice president, generation; vice president, strategy and planning; president, ALLETE Clean Energy; and, most recently, as ALLETE safety and external affairs officer.

Some key responsibilities for Rudeck at Chugach will include leading the planning and development of key strategic initiatives, developing and maintaining Chugach’s Strategic Plan, preparing and maintaining the utility’s integrated resource plan, as well as working



ALLAN RUDECK JR.

closely with key accounts and government and non-government organizations.

Rudeck has a Bachelor of Chemical Engineering from the University of Minnesota Duluth.

DNR accepts control change for Oil Search leases

ON APRIL 24 Alaska’s Division of Oil and Gas approved a March 7 assignment application transferring complete interest in Oil Search (Alaska) LLC (OSA) from Oil Search Limited (OS Limited) to Santos Limited (Santos) for 428 North Slope leases.

The approval was signed by Division Director Derek Nottingham and is effective April 1.

The parties have represented the following to the division, which is part of the Department of Natural Resources:

- OSA is the working interest owner of all the leases, assets, permits, easements and other authorizations, and the operator of the Pikka, Horseshoe and Quokka units.

- OSA is 100% owned by Oil Search (USA) Inc., which is 100% owned by Papuan Oil Search Limited, who is 100% owned by OS Limited.

- On Dec. 17, 2021, OS Limited and Santos merged to form a combined company known as “Santos Limited” through a share exchange where OS Limited shareholders received 0.6275 new Santos shares for each share of OS Limited they owned, resulting in OS Limited shareholders owning 38.5% of the merged entity and Santos shareholders owning 61.5% of the merged entity.

- OSA will remain the working interest owner of all the leases, assets, permits, easements and other authorizations, and the operator of the Pikka, Horseshoe, and Quokka units.

- OSA has previously agreed to certain conditions as set out in the “Oil Search Financial Assurance Agreement” effective Aug. 15, 2022, that requires OSA to provide DNR with certain financial assurances and information to ensure OSA and its parent company is capable of satisfying its financial obligations to DNR for the dismantlement, removal, and restoration obligations under the leases and applicable statutes and regulations.

—COMPILED BY KAY CASHMAN

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continued from page 1

SPILL PLANNING

planning, preparedness and response, to minimize duplication of effort and aid the parties in the successful completion of their respective missions and responsibilities,” the memorandum says.

Oil spill response plans and exercises

One complication arises from the fact that oil facilities located in the nearshore waters must have spill response plans approved by both BSEE and ADEC, with those plans needing to comply with both federal and state regulations. The new memo states that, to the extent legally pos-

sible, BSEE and ADEC will, upon request, exchange copies of response plan submittals and associated correspondence.

The two agencies also agree that they will cooperate in scheduling, planning, conducting and evaluating oil spill response exercises designed to ensure the adequacy of oil spill response plans — the conducting of these exercises is a normal requirement for oil and gas operators, but each of the agencies has its own guidelines for carrying out the exercises. Each agency has now agreed that it may allow credits for exercises conducted under the requirements of the other agency. The agencies will also share notifications from operators about exercises.

Another issue relates to the inspection

of oil spill response equipment — an entity with an oil spill response plan has to be able to demonstrate access to the equipment needed to implement the plan. BSEE and ADEC have agreed that they will, where practicable, coordinate their equipment inspection activities, including exchanging information and potentially conducting joint inspections.

Response coordination

In the event of an actual oil spill response, the two agencies have agreed to promptly coordinate with each other and provide assistance upon request. In addition, each agency will inform the other, if a failure by an operator to comply with applicable statutes and regulations may

significantly increase an oil spill risk.

The agencies have agreed that they will share information electronically to the extent possible and, as much as possible, will share relevant information such as lease, drilling and offshore platform information. The agencies have also agreed to collaborate on research projects while also cooperating in research and other informational programs. Another area of cooperation will involve the availability of personnel to support those activities where the agencies have agreed to coordinate their efforts.

—ALAN BAILEY

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continued from page 1

SEAVIEW WELL

throughout the 2023 POD period.” The proposed plan will be effective Aug. 1 through July 31, 2024.

In its approved 2022 POD, Hilcorp had said it was evaluating additional perforations in Seaview 9. When it submitted the 2022 POD in April 2022, Hilcorp said Seaview 9 was drilled in the third quarter of 2021 targeting Beluga and Tyonek sands. “Additional permitting and work still needed to determine success,” the company said last year; it also said it was evaluating additional perforations in the Seaview 9.

Reporting on work completed under the 2022 plan, Hilcorp said it “elected to not add additional perforations in Seaview No. 9 during the 2022 POD period.”

The company had said it was moving the compressor at Seaview Pad No. 1 to Cannery Loop, and planned to replace it with a smaller compressor at the Seaview pad.

In its 2023 POD proposal the company said it currently has no long-term development activities for Seaview, but “future wells will be evaluated based upon current risked resource and economics, market demand, pipeline capacity, and competitiveness within Hilcorp’s gas project portfolio.”

In reporting on 2022 activities Hilcorp said it “did not replace the compressor at Seaview Pad No. 1 as planned because the smaller compressor is not needed at this time.”

In its 2023 POD proposal the company said it currently has no long-term development activities for Seaview, but “future wells will be evaluated based upon current risked resource and economics, market demand, pipeline capacity, and competitiveness within Hilcorp’s gas project portfolio.”

Hilcorp said it is evaluating additional perforations at

Seaview 9.

In its June 2022 approval of Hilcorp’s 2022 plan, the Alaska Division of Oil and Gas noted that in its 2021 plan Hilcorp proposed completing a pipeline to Seaview 8 and beginning production, drilling Seaview 9 and an additional well adjacent to the Seaview unit named Whiskey Gulch 1. “All of these operations were completed,” the divisions said.

In its 2022 plan submittal, Hilcorp discussed the Whiskey Gulch 1 and said its targets were potential oil sands in the Sterling, Beluga and Tyonek formations, “as well as potential deeper oil targets.” The company said it was still evaluating results of the well but had determined that the Whiskey Gulch prospect should not be included in the Seaview unit, something the company earlier said it was considering.

—KRISTEN NELSON

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continued from page 1

OIL PRICES

\$4.00 to close at \$71.66 and Brent plunged \$3.99 to close at \$75.32.

On May 1, ANS dropped \$1.28 to close at \$78.99, as WTI dropped \$1.12 to close at \$75.66 and Brent fell 23 cents to close at \$79.31.

In three days of trading, ANS augured \$9.93 lower, some 12% below its close Friday April 28 of \$80.27, which represented a gain of \$2.02 on the day. WTI also jumped \$2.02 — to close at \$76.87, and Brent rose \$1.17 to close at \$79.54.

ANS rose 43 cents April 27 to close at \$78.25, while WTI rose 46 cents to close at \$74.76 and Brent rose 68 cents to close at \$78.37.

From Wednesday to Wednesday, ANS slid \$7.45 from its April 26 close of \$77.82 to \$70.37 May 3.

U.S. commercial crude oil inventories for the week ending April 28 — excluding the Strategic Petroleum Reserve — fell 1.3 million barrels from the previous week to 459.6 million barrels, 2% below the five-year average for the time of year, the U.S. Energy Information Administration reported May 3.

Normally inventories and prices have an inverse relationship.

The SPR was down 2 million barrels, from 366.9 million barrels April 21 to 364.9 million barrels on April 28, the EIA said. On April 29, 2022, the reserve contained 550.0 million barrels.

Total motor gasoline inventories flashed a bearish signal, increasing by 1.7 million barrels from the previous week to

222.9 million barrels — 6% below the five-year average for this time of year, according to the EIA data.

A fear of demand destruction

A contraction in China’s manufacturing sector threw cold water on the narrative of strong growth in the Asian nation following the end of draconian COVID-19 restrictions and lockdowns in the first quarter of the year.

China’s manufacturing purchasing managers’ index, PMI, slid to 49.2 in April from 51.9 in March.

It was the first time in 2023 that the index moved below 50, according to the National Bureau of Statistics of China. Subindexes for new orders, new export orders and manufacturing employment fell below 50 as well.

The index is on a scale of 1 to 100, with values below 50 indicating contraction.

A spokesperson from the NBS said April’s contraction was due to “a lack of market demand and the high-base effect from the quick manufacturing recovery in the first quarter.”

With respect to China’s first quarter performance, “a smooth transition in COVID-19 prevention and control to the new phase was secured in a relatively short time, the production and demand registered a stable recovery, employment and prices were kept generally stable, residents income continued to rise, market expectation saw significant improvement and the national economy made a good start,” the NBS said in an April 18 release.

In the United States, the Fed’s rate

hike has taken its target interest rate above 5% for the first time since 2007. Financial markets reacted positively at first to the well-anticipated rate hike, but investors were hoping for an announcement of a pause in rates hikes, and markets fell when that announcement didn’t arrive.

“A decision on a pause was not made today,” Jerome H. Powell, the Fed chair said at a May 3 press conference. “We’ll be driven by incoming data, meeting by meeting, and we’ll approach that question at the June meeting.”

Tighter credit and a cooling economy will affect consumption and by extension, oil demand. The Fed is seeking to under-

stand the risk.

“We have credit conditions tightening not just in the normal way, but perhaps a little bit more,” Powell said. “We have to factor all of that in.”

European financial markets drifted lower early May 4 as investors considered the U.S. rate hikes and prepared for an announcement in London later in the day about an anticipated rate increase by the European Central Bank.

Brent crude bucked the trend, however, up by more than 1% in early trading as Petroleum News went to press. ●

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