Petroleum news

page 2 EIA sees crude surplus dropping, US production continuing to decline

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Borealis working 2021-22 plans, starting planning, permitting work

Borealis Alaska Oil Inc. is continuing to progress plans for exploratory drilling in its Castle North prospect in the northeastern National Petroleum Reserve-Alaska, Richard Garrard, Borealis chief technical officer, has told Petroleum News. The intention is to drill in the winter of 2021-22, he said. The company is also evaluating the reprocessing of some 2-D seismic associated with its Grey Owl prospect trend on state land near the Arctic National Wildlife Refuge, Garrard said.

The company continues to seek joint venture partners for its drilling. At the end of 2019 the company completed a joint venture deal with Armstrong Oil and Gas, in which Armstrong obtained a 72% working interest in eight leases covering the Castle West prospect area in NPR-A.

see BOREALIS DRILLING page 15

Paying pandemic price; Alberta to spend on infrastructure, cut taxes

JASON KENNEY

The answer from the 15-month-old Alberta government of Premier Jason Kenney to unmistakable signs of gloom washing over its economy has been to gamble billions of dollars on an economic recovery plan and dent the province's once-treasured credit rating.

Topping the list is C$10 billion (C$3 billion more than was earmarked only four months ago in the 2020 budget) for infrastructure projects that are aimed at creating 50,000 jobs to twin some highways, repair bridges and lay natural gas pipeline extensions.

see ALBERTA PLAN page 16

Oil Search layoffs not in Alaska; Pikka project advancing

KEIRAN WULFF

The latest round of layoffs announced by Keiran Wulff, Oil Search's managing director, on July 1 did not involve the company's Alaska workers.

In charge of developing the big North Slope Pikka unit, Oil Search laid off Alaska workers in March and April.

"While seasonal contractors associated with our winter drilling and exploration programs represent the majority (of those layoffs), we have reduced full-time (Alaska) employees by about 15%," local spokeswoman Amy

see OIL SEARCH MOVES page 14

Newfield revisits Alaska

Newfield Exploration people left Alaska recently for the second time this year after visiting with industry officials regarding Alaska's oil and gas geology and operating environment.

Petroleum News reported a very hush hush visit by a Newfield team in early fall 2018 which included scientists making a multiday study of the North Slope's geologic potential. None of them handed out business cards.

Since the 2018 Alaska visit, much has changed for Newfield, most notably the company's acquisition by Ovintiv, formerly known as Encana.

While Newfield has no Alaska operating experience, Encana drilled the McCovey No. 1 exploration well in the Alaska Beaufort Sea in December 2002.

see NEWFIELD REVISITS page 16

EXPLORATION & PRODUCTION

New approach

HEX reviews Kitchen Lights reserves, aims to tap Sterling formation

By KAY CASHMAN

Petroleum News

JOHN HENDRIX

Alaska-owned HEX LLC is taking a fresh look at the reserves in the Kitchen Lights unit, which as of July 1 it owns and operates through its acquisition of Chapter 11 bankruptcy debtor Furie Operating Alaska LLC and related debtor companies.

"We are going to take a new approach to our natural gas reserves and future oil potential," the company's founder and top executive John Hendrix told Petroleum News July 7.

"That approach starts with looking at the rocks to see what our take is. There is a lot of data out there," he said, and various opinions on the oil and gas potential of the Cook Inlet offshore field.

Right now, though, Kitchen Lights is a gas producing unit with three wells that are not producing as much as they could be and a fourth well, A-4, the newest well in the unit, that is "offline because we cannot produce the Sterling formation at this time — and there are two wireline fish and a tubing plug in the well which is preventing us to access and add perforations to the Beluga

see HEX APPROACH page 14

FINANCE & ECONOMY

Hilcorp looks ahead

Prudhoe Bay gets a new operator, one with North Slope success already at Milne

By KRISTEN NELSON

Petroleum News

JASON REBROOK

Hilcorp took over as operator at Prudhoe Bay July 1, upon completing acquisition of BP Exploration (Alaska)'s upstream assets.

The acquisition included BP's interests at Prudhoe Bay, Milne Point and Point Thomson, as well as the operatorship at Prudhoe. The midstream portion of the transaction is expected to close in the third quarter, pending regulatory approval.

The $5.6 billion deal was announced last August.

The Alaska Department of Natural Resources and the Alaska Department of Environmental Conservation approved transfer of leases and permits needed for the upstream transfer on June 29, in advance of the June 30 date the companies had targeted for the asset transfer. The Regulatory Commission of Alaska has set a Sept. 28 date for its decision on transfer of the midstream assets.

What's next?

"Today we are significantly growing and strengthening our footprint in Alaska," Jason Rebrook, president of Hilcorp Energy Co., said in a July 1 statement following the upstream closing. "I'm especially proud of the team that's worked dili-

see HILCORP TAKES OVER page 14

EXPLORATION & PRODUCTION

Explorers still needed

Discoveries to plug supply gap of 460 billion to 760 billion boe into 2040

By STEVE SUTHERLIN

Petroleum News

Slashed oil and gas exploration budgets due to the COVID-19 oil market crash of 2020 have led to a sharp drop in discoveries.

Global discoveries of conventional resource volumes reached just 4.9 billion barrels of oil equivalent in the first half of 2020, the weakest-performing first half of the 21st century, according to Rystad Energy estimates.

Resource volumes were 42% lower, while the number of discoveries dropped by 31% versus the same period in 2019, Rystad said, adding that the average monthly discovered volumes so far this year are estimated at 810 million barrels of oil equivalent,

Gains incremental volumes enjoy from existing infrastructure are offset by the law of diminishing returns; the easy barrels have been developed and remaining resources are harder to recover, Wood Mackenzie said.

a 34% drop from the same period last year.

"Last year we saw the highest volumes of discovered resources since the last downturn. Based on the large number of high-impact exploration wells planned for this year, 2020 was meant to fol-

see EXPLORERS NEEDED page 10

FINANCE & ECONOMY

EIA Short-Term: Crude surplus dropping

Agency projecting US crude production will continue to fall in 2020, producing the first annual US production decline since 2016

By **KRISTEN NELSON**
Petroleum News

In its current Short-Term Energy Outlook, released July 7, the U.S. Energy Information Administration noted a number of forecast changes from its June outlook and continued to emphasize, as it did in June, that the outlook "remains subject to heightened levels of uncertainty" because of COVID-19, with reduced economic activity related to the pandemic responsible for "changes in energy supply and demand patterns."

EIA said the outlook is based on U.S. macroeconomic forecasts by IHS Markit, based on assumptions that U.S. gross domestic product declined by 6.4% in the first half of the year — compared to the same period in 2019 — and will rise through the rest of this year and 2021.

Oil prices

"Average Brent crude oil spot prices increased by $11 per barrel last month, averaging $40 per barrel in June," EIA Administrator Dr. Linda Capuano said in a statement accompanying the outlook release. "Oil prices rose as stay-at-home orders were lifted and OPEC+ extended its production cuts through July," she said, with Brent expected to average $41 per barrel in the second half of 2020 and rise to average $50 per barrel next year.


LINDA CAPUANO

While the $40 Brent average in June was up $11 from May, it was up $22 per barrel from "the multiyear low monthly average price in April," EIA said, with the Brent forecasts of $41 and $50 up $4 and $2 per barrel, respectively, from the June outlook.

Inventory changes

"Changes in supply and demand have shifted global oil markets from an estimated 21 million barrels per day of oversupply in April to inventory draws in June," Capuano said, with June consumption estimated to be up by almost 10 million bpd from April, "at the same time that global supply fell by 12 million barrels per day as a result of reduced production from OPEC+ and price-driven declines in the United States and Canada," she said.

EIA said it estimates that liquid fuels inventories were rising at a rate of 6.7 million bpd in the first half of the year, and are expected to decline by 3.3 million bpd in the second half of the year, and by 1.1 million bpd next year.

"Global oil demand continues to recover faster than previously estimated," Capuano said, although liquid fuels consumption for the second quarter was down an average of 16.3 million bpd from the same period last year.

EIA said initial data indicate it overestimated demand declines, and said while it estimates second quarter liquid fuels consumption averaging 84.4 million bpd, with the drop of 16.3 million bpd from the second quarter 2019 the largest decline for any quarter on record, it had estimated a 16.6 million bpd drop in its June outlook and an 18.8 million bpd drop in the May outlook.

Initial second quarter consumption data for the U.S. was 400,000 bpd higher than estimated in June and about 300,000 bpd higher in both Canada and Brazil.

The agency also said its most recent estimates of global

see **EIA OUTLOOK** *page 5*

contents

Petroleum News *Alaska's source for oil and gas news*

● EXPLORATION & PRODUCTION

Oooguruk partial gas processing studied

Eni tells state in POD goal to reduce costs, constraints of Kuparuk processing; electrical sharing with Nikaitchuq also studied

By KRISTEN NELSON
Petroleum News

Eni, which took over as 100% working interest owner and operator at Oooguruk effective Aug. 1, 2019, has submitted the 14th plan of development for the unit to the Alaska Department of Natural Resources, Division of Oil and Gas. The POD covers Oct. 1, 2020, through Sept. 30, 2021.

Eni, which operates the adjacent Nikaitchuq field, previously held a 30% working interest in Oooguruk.

Both the 14th and 13th PODs include studies of partial gas processing at the Oooguruk tie-in pad and power sharing with Nikaitchuq, the other Eni-operated North Slope field.

The accumulation was discovered by ARCO Alaska in 1992 but not developed until after independent Armstrong Oil & Gas did delineation work at the field in the early 2000s partnering with Pioneer Natural Resources. The two announced a discovery at Oooguruk in 2003 and the field was unitized that same year. Pioneer brought Oooguruk online in 2008, delivering crude oil for processing at the Kuparuk River unit. Initial production was from the Nuiqsut and Kuparuk reservoirs; Torok production was added later.

Eni took over at Oooguruk from Caelus Natural Resources Alaska, which took over Pioneer's interest, and operatorship, in 2014, acquiring an operating field and production which in 2014 averaged some 15,000 barrels per day. The most recent production data available from the Alaska Oil and Gas Conservation Commission is for May and shows Oooguruk production averaging 6,331 bpd.

There are 16 state oil and gas leases in the Oooguruk unit, some 35,271 acres.

Eni said cumulative production through May 2020 from the three participating areas at Oooguruk was some 41.1 million barrels.

Short 13th POD period

The 13th POD period was short, just March 1 through Sept. 30, providing alignment with Eni's internal business processes after it became Oooguruk operator (the Oooguruk plan period now matches that for Eni's Nikaitchuq unit).

"During the 13th POD low crude oil prices, lack of demand for oil, and the logistical interference of the COVID-19 pandemic resulted in budget cuts, production curtailments and project deferrals," Eni said.

Forty-two wells have been drilled and completed to date at Oooguruk, 28 in the Oooguruk Nuiqsut participating area, five in the Oooguruk Kuparuk PA and three in the Oooguruk Torok PA. There is one Oooguruk Nuiqsut-Oooguruk Kuparuk dual completion well, one disposal well, and four other unit wells including an appraisal well and a Kuparuk test well, both under long term shut-in, and two wells which have been plugged and abandoned, the Sikumi 1 exploration well and an appraisal well.

Current active wells include 23 oil producers (18 Nuiqsut, three Kuparuk, two Torok), 13 injectors (10 Nuiqsut, two Kuparuk, one Torok) and one disposal well.

Eni said average production from Oooguruk, January through May, was some 8,000 bpd, with a May average of some 6,300 bpd, 27% below the March rate of 8,700 bpd.

Eni said the partial gas processing study will be a focus of engineering efforts, to determine "feasibility of installing on-site gas processing and compression equipment at OTP, to mitigate gas processing constraints and reduce associated costs from CPF-3."

Beginning in April, the company said, production was impacted by Alyeska Pipeline prorations due to high inventories and low prices; and reduced gas handling at the Kuparuk River unit associated with ConocoPhillips' North Slope production curtailment, scheduled to run through at least July 1. Eni said the Alyeska proration was lifted May 22 and oil prices have improved, "but the KRU curtailment remains in place," resulting in a June Oooguruk production averaging some 8,300 bpd.

Facilities

A new 5-mile 12-inch seawater flowline from the Kuparuk River unit 30-inch low pressure seawater flowline to the Oooguruk tie-in pad, OTP, was commissioned during the 13th POD, along with a new seawater injection system pump upgrade project at OTP and the offshore Oooguruk drill site, ODS. "This system started in May 2020 allowing higher pressure and higher rate water injection at ODS," the company said.

The main recovery mechanism at Oooguruk is waterflood, and the seawater injection system, SWIS, enhancement project "will supply ODS with up to 25,000 bpd of seawater, increase water injection reliability, and avoid the detrimental alternative of KRU produced water injection." The project will also allow water injection supply pressures to be boosted from 2,800 psi to 3,700 psi, "which will significantly increase injectivity and flood throughput."

June 2020 injection is 12,000 bpd, Eni said, and that will increase to 25,000 bpd in the near term.

Eni said water for injection was not available from July 2019 through April 2020 because of SWIS infrastructure construction, and startup was delayed by logistical issues arising from COVID-19.

In the Oooguruk-Nuiqsut PA, future development plans include 12 additional wells, eight from available well slots and four from well slot reclaims.

Also contributing to production increase was a gas debottlenecking capital project at OTP, allowing reduced backpressure in the OTP production piping system, resulting "in several hundred additional barrels per day of production from ODS."

Eni said a hovercraft landing ramp was constructed at ODS, designed "to allow subsequent year-round personnel and equipment transportation to site using a hovercraft." This work was approved by the division as an amendment to the 13th POD.

Eni said the project would modify an existing ramp at ODS "to accommodate hovercraft operations while maintaining or improving the ramp's functionality for boat and barge operations." The company said hovercraft access would "provide logistical flexibility and help address health and safety concerns for personnel transfers to/from ODS." The configuration of the current ramp "does not support safe and efficient hovercraft operations due to the small size, which limits the approach/departure angle of the hovercraft and does not provide a sufficient landing area," Eni said.

Access to ODS has been by helicopter, by boat or barge in open water and by ice trail or road during the winter as well.

Studies underway

Eni said the 13th POD includes two studies.

The first is an engineering feasibility study looking at partial gas processing at OTP, which would "mitigate gas processing constraints and reduce associated costs from KRU CPF-3."

An electrical power sharing study is looking at interconnecting Oooguruk and Nikaitchuq power generation system allowing "a more robust and efficient power system sharing between the two development projects."

Drilling

Eni said it had planned several workovers during the 13th POD to recomplete shut-in or low performing wells "prior to drilling planned new wells in 2021," but both drilling and workover plans have been deferred due to low prices, lack of demand and logistic problems caused by COVID-19. The company said it did perform a number of well intervention and maintenance operations.

14th POD

During the Oct. 1-Sept. 30, 2021, 14th POD, Eni said Oooguruk will have a maintenance turnaround in the summer of 2021, timed to coincide with a planned maintenance turnaround at the Kuparuk River unit CPF-3, with work likely to include "tank and vessel internal inspections, in addition to equipment and piping system inspections."

Eni said the partial gas processing study will be a focus of engineering efforts, to determine "feasibility of installing on-site gas processing and compression equipment at OTP, to mitigate gas processing constraints and reduce associated costs from CPF-3."

Engineering work will continue on an electric power sharing study which is looking at "the feasibility of interconnecting the Nikaitchuq power infrastructure with the Oooguruk power structure."

The company said no drilling or workover activities are approved for the 14th POD, but Eni is considering scenarios to restart rig operations from ODS.

Two workovers are planned for ESP replacements. ●

Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

AOGCC OKs Kuparuk oil pool expansion

The Alaska Oil and Gas Conservation Commission has approved a request from ConocoPhillips Alaska for an amended order expanding the areal extent of the Kuparuk River oil pool.

The request, filed in March, was for inclusion of section 22 in township 13 north, range 3 east, Umiat Meridian, in the Kuparuk River oil pool. The requested expansion area is part of the Kuparuk River unit and is included in the AOGCC's Kuparuk area injection order.

The request, filed in March, was for inclusion of section 22 in township 13 north, range 3 east, Umiat Meridian, in the Kuparuk River oil pool.

The commission said in a June 29 decision that the issue was discovered when it reviewed a permit to drill application for ConocoPhillips Alaska's proposed KRU 3M-23A well and associated laterals. It was determined that some of the laterals would extend outside of the pool area, which would require spacing exceptions for the laterals to be drilled.

At that time, the commission said, it was discovered that KRU 3M-27 and a subsequent redrill, KRU 3M-27A, and lateral branches drilled from KRU 3M-27A were also outside the pool area.

Those wells have been in production for 24 years, and during that time the reservoir pressure at the wells has agreed with other pressure measurements in this portion of the Kuparuk River oil pool.

"A geologic cross section extending from KRU 3M-27 to wells inside the defined KROP affected area clearly demonstrates that the producing sands extend across the KROP boundary," the commission said. Seismic interpretation also shows the KRU 3M-23A and KRU 3M-27A "are in the same fault block as KROP wells KRU 3M-12 and KRU 3M-20."

Fluid property data for the 3M-27 and 3M-27A wells aligns with fluid properties in other portions of the KROP.

"Geological, geophysical, production, and reservoir data clearly demonstrate that CPAI's proposed expansion area is in communication with the KROP, and thus expanding the affected area is appropriate," the commission said.

—KRISTEN NELSON

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● PIPELINES & DOWNSTREAM

Not over 'til it's over for pipeline

Supreme Court of Canada appears to close legal options for Trans Mountain expansion opponents; 3 First Nations exploring alternatives

By GARY PARK
For Petroleum News

First Nations and environmentalists who have spent untold millions of dollars in legal fights to halt plans for expanding Canada's Trans Mountain pipeline system appear to have exhausted their legal options now that the Supreme Court of Canada has dismissed an appeal from three aboriginal communities.

For backers of the C$12.6 billion tripling of capacity on the link from Alberta to an export tanker terminal in Vancouver the road ahead after seven years of court and regulatory skirmishes appears to be clear.

But not so fast.

One of the First Nations' leaders — Leah George-Wilson of the Tsleil-Waututh Nation — is emphatic that "this is not the end of our story," and now plans to consult with her community before deciding what to do next.

Chris Lewis, a councilor with the Squamish Nation, said his community will now focus "on protecting our territory to the full extent possible."

Coldwater Chief Lee Spahan said his nation will push back against the planned route for the Trans Mountain expansion to 890,000 barrels per day of oil sands bitumen which he argues puts the community's sole source of water at risk.

Trudeau sees it as compromise

Prime Minister Justin Trudeau, whose government owns the Trans Mountain system, has repeatedly sold the project as a compromise between Canada's need to develop its natural resources and its desire to fund a transition to cleaner, greener energy.

Prime Minister Justin Trudeau, whose government owns the Trans Mountain system, has repeatedly sold the project as a compromise between Canada's need to develop its natural resources and its desire to fund a transition to cleaner, greener energy.

Canada's Natural Resources Minister Seamus O'Regan said the federal government has worked hard to accommodate concerns that aboriginal communities along the pipeline right of way have with the project, insisting those efforts have paid off at Canada's highest court.

He said work that is now underway can accelerate and create 4,900 jobs during the 30-month construction period.

Alberta Premier Jason Kenney said the Supreme Court ruling is another "legal vindication" for Trans Mountain, which has won over 120 of 128 First Nations through enticing benefits and land access agreements.

If the small minority of nations in those ranks decide to continue their fight that will likely involve attempts to blockade the laying of pipe across the British Columbia section.

The Kenney government has taken its own steps to end protests and blockades against Trans Mountain and other pipelines in Alberta through new legislation to prevent a repeat of actions that halted work on the C$6.6 billion Coastal GasLink pipeline, the underpinning of the C$40 billion LNG Canada export terminal in Kitimat.

Kenney described the Coastal GasLink actions to block railways, roadways and commuter trains at a cost of up to C$1 billion as "simply and plainly illegal" amounting to "anarchy."

Violations of his government's legislation carries fines of C$1,000 to C$10,000, up to six months in jail, or both, whole fines for second offences would increase to between C$10,000 and C$15,000 — measures that legal scholars, indigenous leaders and activists are challenging in court.

Alberta has responded by calling on other provinces and the federal government to introduce similar laws. ●

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● EXPLORATION & PRODUCTION

BP submits POD for Greater Point McIntyre

GPM area part of the Prudhoe Bay unit; majority of crude production comes from participating areas at Lisburne and Point McIntyre

By KRISTEN NELSON
Petroleum News

On June 26 BP Exploration (Alaska) filed its last North Slope plan of development as it prepared to close on the sale of its Alaska assets to Hilcorp.

The POD, submitted to the Alaska Division of Oil and Gas, is for the Greater Point McIntyre area, covering the Lisburne, Niakuk, Point McIntyre, Raven, North Prudhoe Bay and West Beach participating areas in the Greater Point McIntyre area of the Prudhoe Bay unit.

Due to COVID-19 and the drop in oil price, "BPXA is releveling PBU activity for the remainder of 2020," the company said, with activity plans uncertain for the POD year Oct. 1 through Sept. 30, 2021.

Lisburne and Point McIntyre are the participating areas at Greater Point McIntyre accounting for the most production, a combined 25,600 barrels per day, out of 27,940 barrels per day, with small amounts of production coming from the Niakuk PA and the Raven PA. The North Prudhoe Bay and West Beach PAs are not currently in production.

BP noted that due to COVID-19 and the drop in oil price, activity plans for the Oct. 1 through Sept. 30, 2021, plan year are uncertain, but in discussing the Lisburne PA said current plans include the L5-07 rotary well, which was begun in the previous plan period.

Lisburne PA

For the reporting period April 1, 2019, to March 31, 2020, crude, condensate and natural gas liquid rates for the Lisburne field averaged 11,800 barrels per day, with 4.3 million barrels of Lisburne oil and NGL delivered to the trans-Alaska pipeline during that period, the company said.

Gas production totaled 81.3 billion cubic feet for the reporting period, with 59.8 bcf re-injected into the Lisburne gas cap for pressure support and 6.4 bcf consumed as fuel or flare gas.

Per day, Lisburne gas production averaged 222.3 million cubic feet for the reporting period. BP said Lisburne NGL separation averaged 1,810 bpd with a total of 0.66 million barrels shipped through TAPS with crude oil.

Water production for the period was 5.2 million barrels for an average production rate of 14,200 bpd and average water cut of 55%.

BP said produced water from the Lisburne Production Center which is not used for water injection in the Point McIntyre reservoir is injected into two Cretaceous interval disposal wells, with water injection totaling 6 million barrels, for an average water disposal injection rate of 16,730 bpd. Seawater injection into the Lisburne gas cap continues as a supplement to the benefits of as injection for oil recovery. Lisburne gas cap water injection began in 2008 with a pilot, and during the 2016-17 reporting period that pilot was approved by the Alaska Oil and Gas Conservation Commission for permanent injection.

Issues with downtime at the injection well were resolved in the prior injection period, with sustained injection reestablished in June 2019 and 2.48 million barrels of seawater injected during the reporting period.

Peripheral Lisburne Wahoo seawater injection began in 2012, with 916,000 barrels injected during the reporting period. Seawater injection began mid-field in 2013, with 1.2 million barrels of seawater injected in the reporting period.

Seawater injection began in the Lisburne Alapah in 2013, with 1.954 million barrels injected during the reporting period.

Three new wells (L3-06, L5-03 and L5-27) and one new sidetrack (L3-22A) were drilled and completed into the Lisburne formation during the reporting period, with drilling on an additional new well, L5-07, 80% complete. Lisburne producer L1-31 was worked over and new tubing run during the reporting period.

There were 55 rate-adding non-rig interventions on 21 Lisburne wells during the reporting period, including perforations, hydrate and paraffin removal, hot oil treatment jobs, acid stimulations, gas-lift work, profile modifications, fill cleanouts, well integrity repairs, subsurface safety valve replacements and surface component repairs.

BP said the Lisburne Production Center continues to be gas constrained, with oil production rates influenced by seasonal ambient temperature cycles and corresponding compressor efficiencies.

The area was covered by the 2014-15 North Prudhoe seismic survey.

BP noted that due to COVID-19 and the drop in oil price, activity plans for the Oct. 1 through Sept. 30, 2021, plan year are uncertain, but in discussing the Lisburne PA said current plans include the L5-07 rotary well, which was begun in the previous plan period.

Four additional rotary and two coil tubing opportunities "have been matured" for possible future drilling "contingent on the continued performance of the wells drilled during the 2015-2019 period, the results of the current planned wells, and the business environment. Additional rate-adding non-rig interventions are planned."

Niakuk PA

Niakuk crude, condensate and NGL rates averaged 900 bpd for April 1, 2019, through March 31, 2020. BP said that production rate, combined with production from other Greater Point McIntyre area fields, fully utilized the available capacity at the Lisburne Production Center.

Delivery to the trans-Alaska pipeline was 0.324 million barrels for the plan year.

Gas production at Niakuk totaled 0.4 bcf for the reporting period, none of which reinjected into the Niakuk reservoir. BP said the produced gas is processed at the LPC and injected into the Lisburne and Point McIntyre reservoirs. The total of produced gas consumed as fuel or flared was 31 million cubic feet, with NGL separation averaging 19.16 bpd for a total of 7,000 barrels delivered and shipped with crude oil during the reporting period.

Water production was 4 million barrels for the reporting year, averaging 11,000 bpd. The produced water is processed at the LPC and injected into the Point

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EIA OUTLOOK

oil consumption in the second quarter were higher than previously forecast despite lower levels of global economic growth from Oxford Economics.

In this outlook, EIA said it assumes global oil consumption-weighted gross domestic product will decline by 5.7% from 2019, compared to an assumption in the June outlook of a 5% decline.

"The sharpest declines occur in the second quarter of 2020, when oil consumption-weighted GDP is estimated to have declined by 10.3% compared with the second quarter of 2019," EIA said.

In the June outlook, the assumed decline in second quarter 2020 GDP was lower at 8.6%.

The 2021 global GDP weighted by oil consumption is projected to grow by 6.3%, EIA said.

US crude production

"EIA expects U.S. crude oil production to continue to fall in 2020 as price-sensitive drilling continues to decrease in tight oil regions. This 2020 production decline is the first annual decline since 2016," Capuano said.

EIA said with West Texas Intermediate spot prices expected to remain less than $50 per barrel through 2021, U.S. crude production is forecast to average 11.6 million bpd this year and 11 million bpd in 2021, 600,000 and 1.2 million bpd, respectively, lower than the agency's June forecast.

The agency said it finalized the July forecast before the July 6 order temporarily closing the Dakota Access Pipeline.

Total liquid fuels production in the U.S. is projected to fall by 700,000 bpd this year, "largely as a result of reduced drilling in price-sensitive tight oil regions," EIA said, with U.S production expected to fall by 300,000 bpd in 2021.

Natural gas

U.S. natural gas production is projected to decline by 3% this year "as a result of decreased drilling activity and production curtailments caused by falling natural gas prices," Capuano said.

"Henry Hub natural gas spot prices averaged $1.63 per million British thermal units in June, the lowest average price since at least 1989," she said, with weak demand offsetting a decrease in production to keep prices low.

EIA is forecasting an increase to an average $1.93 per million Btu for the year and $3.10 in 2021.●

Contact Kristen Nelson
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● EXPLORATION & PRODUCTION

US rig count drop slows, only down by two

By KRISTEN NELSON

Petroleum News

The U.S. rig count averaged 274 in June (262 land and 12 offshore rigs), down 74 from a May average of 348 and down from a June 2019 average of 969.

The Baker Hughes' weekly U.S. oil and gas drilling rig count, released July 2 prior to the Fourth of July holiday, shows a continuing slowing in the drop, down by only two rigs from the previous week to 263 from 265, although down 700 from a year ago. The previous week, ending June 26, the count was down by just a single rig.

Each week in the last nine has set a new record for low numbers of rigs, 374 rigs on May 8 of this year; 339 rigs on May 15; 318 on May 22; 301 on May 29; 284 on June 5; 279 on June 12; 266 on June 19; 265 on June 26; and 263 for the current week.

But the count has dropped steadily for the last 15 weeks: down by two, one, 13, five, 17, 17, 21, 35, 34, 64, 73, 62, 64, 44 and 20 rigs respectively, a total of 472.

The Houston oilfield services company has issued a weekly rig count since 1944. Prior to this year, the low was 404 rigs in May 2016.

The company said 185 rigs targeted oil, down three from the previous week and down 603 from a year ago, while 76 targeted gas, up by one from the previous week and down 98 from a year ago. There were two miscellaneous rigs active, unchanged from the previous week and up by one from a year ago. Twenty of the holes were directional, 226 were horizontal and 17 were vertical.

Alaska count unchanged

West Virginia (6) and Wyoming (1) were each up by one rig from the previous week.

Rig counts were unchanged for Alaska (3), California (4), Colorado (5), North Dakota (10), Oklahoma (10), Pennsylvania (22) and Texas (112).

Louisiana (31) and Ohio (8) were each down by one rig from the previous week; New Mexico (48) was down by two rigs.

Baker Hughes shows Alaska with three active rigs July 2, down by six from a year ago.

The rig count in the nation's most active basin, the Permian (126), was down by five rigs from the previous week, and down by 317 from a count of 443 a year ago.

Baker Hughes has issued weekly rig counts for the U.S. and Canada since 1944 and began issuing international rig counts in 1975.

The U.S. rig count peaked at 4,530 in 1981. This week's count of 263 is a new low, surpassing lows set in the previous eight weeks. Prior to that the previous low was 404 rigs in May 2016.

International count down

Baker Hughes released its monthly worldwide rig count July 2.

The international count, which excludes North America, averaged 781 rigs in June (587 land and 194 offshore rigs), down 24 from 805 in May and down from 1,138 in June 2019.

The U.S. rig count averaged 274 in June (262 land and 12 offshore rigs), down 74 from a May average of 348 and down from a June 2019 average of 969. The Canadian rig count averaged 18 in June (16 land and two offshore), down five from a May average of 23 and down from a June 2019 average of 114.

Worldwide, international and North America, the June rig count averaged 1,073, down 103 from a May average of 1,176 and down from a June 2019 average of 2,221. ●

Contact Kristen Nelson at knelson@petroleumnews.com

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GPM UNIT

McIntyre reservoir.

BP said Niakuk activity focused on optimization of producers and scale management during the reporting period, with nine rate-adding non-rig interventions at six Niakuk wells.

The North Prudhoe seismic survey is being used for "a better understanding of subsurface areas of interest" at Niakuk and further analysis of compartmentalization at the field is underway, the company said.

North Prudhoe Bay PA

Production from North Prudhoe Bay PA occurred from a single well completed in 1993 at West Beach pad, BP said, with the well shut-in in early 2000 due to safety concerns "arising from continued proppant production from an earlier fracture stimulation of the Sag River Formation." While attempts were made to eliminate flowback of proppant, BP said production testing was suspended due to safety and environmental considerations and production is currently shut-in due to integrity concerns.

Total crude and condensate production to date is 2.1 million barrels.

BP said it has reviewed the condition and history of the WB-03, the single West Beach well, "and concludes that the well is not currently in condition to bring on line and flow." Options for restoring the well are under evaluation, the company said, noting there are challenges in development of the Ivishak and Sag River intervals "due to structural complexity, reservoir compartmentalization, and fluid contact uncertainty."

The surface kit at the West Beach pad has been evaluated and surface repairs identified, BP said, with additional engineering work planned.

Point McIntyre PA

BP said crude, condensate and NGL rates at the Point McIntyre PA averaged 13,800 bpd in the April 1, 2019, through March 31, 2020, period, with a total of 5.04 million barrels delivered to the trans-Alaska pipeline. "Field offtake was managed to maximize production within the available pipeline and facility constraints, while maintaining close to full voidage replacement," BP said.

All Point McIntyre production until October 2016 went to the LPC; completion of the STP-36 Project in October 2016 enabled PM-2 production to go to Gathering Center 1 for the entire plan year again.

Gas production from Point McIntyre totaled 53 bcf for the reporting period, with produced gas from the LPC injected into the Point McIntyre gas cap for pressure support and to "promote recovery in the upstructure area." Injection into the Point McIntyre gas cap/gravity drainage area totaled 33.5 bcf during the reporting period. Lean gas from the LPC supplied for reinjection is a mixture of gas from Point McIntyre, Lisburne and Niakuk.

Point McIntyre gas consumed as fuel or flared totaled 2.5 bcf during the reporting period.

NGL separation averaged 1,010 bpd; a total of 371,000 barrels was delivered to the trans-Alaska oil pipeline during the period.

Produced water for the period was 40 million barrels, an average of 109,200 bpd.

Raven PA

BP said Raven PA production, combined with production from other Greater Point McIntyre area fields, fully utilized Lisburne Production Center capacity "within reservoir management constraints."

Raven crude, condensate and NGL rates averaged 1,440 bpd for the April 1, 2019, to March 31, 2020, period, with a total of 530,000 barrels from the Raven PA delivered to the trans-Alaska oil pipeline during the period.

Raven gas production totaled 1.78 bcf during the period; the gas is processed at the LPC and injected into the Lisburne and Point McIntyre fields. Gas consumed as fuel or flared totaled 143 million cubic feet; NGL separation averaged 77.1 bpd with a total of 28,200 barrels delivered to the trans-Alaska oil pipeline. Raven water production totaled 680,000 barrels, with an average water production rate of 1,900 bpd. Raven produced water is processed at the LPC and injected into the Point McIntyre field.

Technical evaluations of Raven drilling options use the 2014-2015 North Prudhoe seismic survey, completed in April 2015.

West Beach PA

West Beach startup was in April 1993, BP said, with 11 penetrations — seven wells and four sidetracks. Total field production has been 3.37 million barrels of crude oil, with some 92% from the original WB-04 well.

"Oil production was suspended in 2Q 2001 due to increasing GOR and declining reservoir pressure," the company said.

Water injection at WB-06 began in late 2000 and continued through the fall of 2003, with an annular communication leak caused the injection to be shut-in.

The company described work on the WB-06, WB-05B in the early 2000s, with low rates of production, which BP said, combined with cool well head temperatures, might cause the 12-inch production line to "become inoperative due to hydrates."

The 6-inch test line between West Beach pad and LPC No. 1 pad had an external inspection in 2010 which found no evidence of structural problems.

BP: said the West Beach pad surface kit has been evaluated and repairs identified; engineering work will continue. ●

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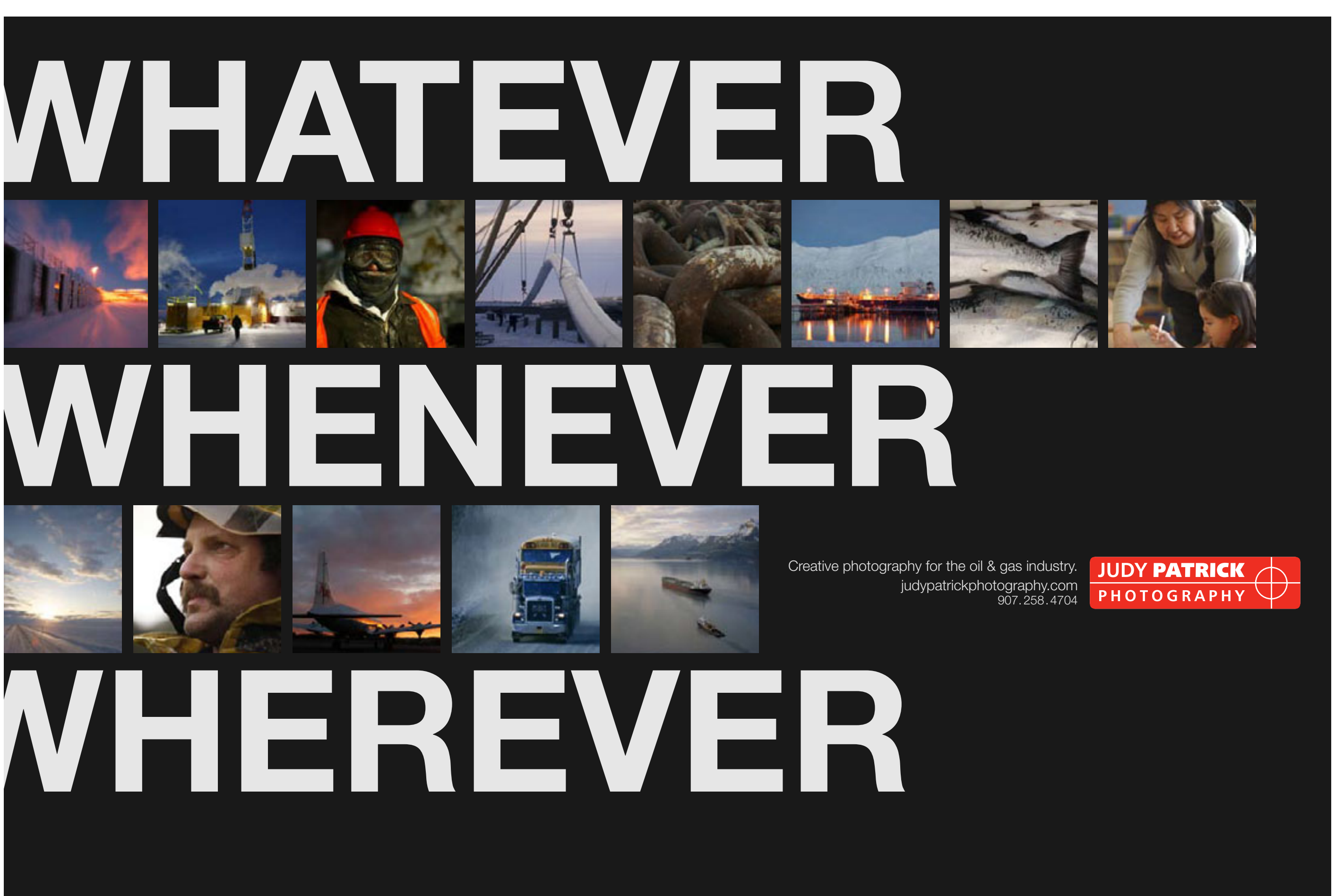

Congratulations

Congratulations HEX!

Thumbs up to John Hendrix and his people on the successful acquisition of Furie and its assets that are part of the Cook Inlet Kitchen Lights unit. This is good news for HEX — and for the state and citizens of Alaska.


John Hendrix

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● EXPLORATION & PRODUCTION

May ANS production down 13% from April

Drop reflects beginning of ConocoPhillips' 100,000 bpd cut in Alaska, end of Alyeska Pipeline proration affecting all producers

Cook Inlet gas production down 6.2%

Natural gas production in Cook Inlet averaged 198,445 thousand cubic feet per day, mcf, in May, down 7,098 mcf, 6.2%, from an April average of 204,584 mcf per day and down 10.4% from a May 2019 average of 221,353 mcf per day.

Seven fields account for 81% of gas production in the inlet, led by Hilcorp Alaska's Kenai field, which averaged 32,489 mcf per day in May, down 880 mcf, 2.6%, from an April average of 33,368 mcf per day, but up 3.5% from a May 2019 average of 31,398 mcf.

Hilcorp's Ninilchik field averaged 30,207 mcf per day in May, down 12%, 4,106 mcf per day, from an April average of 34,313 mcf per day and down 28.1% from a May 2019 average of 42,031 mcf per day.

Hilcorp's Swanson River averaged 29,516 mcf per day in May, down 8%, 2,551 mcf, from an April average of 32,067 mcf but up 4% from a May 2019 average of 28,395 mcf per day.

Hilcorp's McArthur River field averaged 23,684 mcf per day in May, up 2,864 mcf per day, 13.8%, from an April average of 20,819 mcf and up 3% from a May 2019 average of 23,003 mcf per day.

The Hilcorp-operated Beluga River field averaged 17,692 mcf per day in May, down 511 mcf, 2.8%, from a May average of 18,204 mcf and down 33.2% from a May 2019 average of 26,486 mcf per day.

Kitchen Lights, in May operated by Furie and as of a June 30 closing by HEX Cook Inlet, averaged 13,715 mcf per day in May, down 75 mcf, 0.6%, from an April average of 13,790 mcf per day, and down 4.3% from a May 2019 average of 14,329 mcf.

Hilcorp's North Cook Inlet field averaged 13,110 mcf per day in May, up 271 mcf per day, 2.1%, from an April average of 12,839 mcf, but down 8.4% from a May 2019 average of 14,306 mcf per day.

The 15 remaining fields account for 19% of Cook Inlet gas production.

Hilcorp's Beaver Creek averaged 10,104 mcf per day in May, up 959 mcf per day, 10.5%, from an April average of 9,145 mcf and up 30.7% from a May 2019 average of 7,734 mcf per day.

Hilcorp's Cannery Look averaged 5,223 mcf per day in May, up 763 mcf per day, 17.1%, from an April average of 4,460 mcf and up 47.9% from a May 2019 average of 3,531 mcf per day.

AIX's Kenai Loop averaged 4,362 mcf per day in May, down 868 mcf per day, 16.6%, from an April average of 5,230 mcf and down 14.5% from a May 2019 average of 5,102 mcf per day.

Hilcorp's Deep Creek averaged 3,980 mcf per day in May, down 94 mcf, 2.3%, from an April average of 4,074 mcf per day and down 14.1% from a May 2019 average of 4,633 mcf per day.

Hilcorp's Granite Point averaged 3,566 mcf per day in May, up 42 mcf, 1.2%, from an April average of 3,524 mcf per day, and up 31.2% from a May 2019 average of 2,718 mcf.

North Fork, operated by Cook Inlet Energy, a Glacier Oil and Gas company, averaged 3,472 mcf per day in May, down 121 mcf, 3.4%, from a May average of 3,593 mcf and down 15.6% from a May 2019 average of 4,111 mcf per day.

BlueCrest's Hansen field averaged 2,780 mcf per day in May, down 672 mcf, 19.5%, from an April average of 3,453 mcf per day, and down 65.4% from a May 2019 average of 8,030 mcf per day.

Hilcorp's Trading Bay averaged 2,191 mcf per day in May, down 929 mcf, 29.8%, from an April average of 3,121 mcf and down 35% from a May 2019 average of 3,373 mcf per day.

Hilcorp's Lewis River averaged 1,083 mcf per day in May, down 22 mcf, 2%, from an April average of 1,105 mcf per day but up 255.8% from a May 2019 average of 304 mcf per day.

Hilcorp's Middle Ground Shoal averaged 434 mcf per day in May, up 77 mcf, 21.6%, from an April average of 357 mcf per day and up 931.8% from a May 2019

see **COOK INLET OUTPUT** page 9

By KRISTEN NELSON
Petroleum News

Alaska North Slope production averaged 433,840 barrels per day in May, down 13%, 64,582 bpd, from an April average of 498,422 bpd, reflecting both a proration by Alyeska Pipeline Service Co. which ended May 22, and the beginning of a ramp down of production of 100,000 bpd scheduled for June by ConocoPhillips at the Kuparuk River and Colville River units, which the company said at the end of April would begin in late May.

The Alyeska proration, which affected all North Slope producers, began April 24 with a 10% cut, increased to 15% on May 8 and was reduced to 5% by May 15. That proration ended May 22 (see story in May 31 issue of Petroleum News).

The ConocoPhillips June production cut, announced April 30, included 100,000 bpd in Alaska, with ramp down to begin in late May (see story in May 3 issue of Petroleum News).

ConocoPhillips said June 30 that it expects to begin restoring curtailed production in Alaska during July.

May's ANS volumes included 392,557 bpd of crude oil, 90.5% of ANS production, down 12.5%, 56,292 bpd, from an April average of 448,849 bpd, and down 14.8% from a May 2019 average of 460,672 bpd. ANS May production included 41,283 bpd of natural gas liquids, 9.5% of production, down 16.7%, 8,290 bpd, from an April average of 49,573 bpd, and down 22.2% from a May 2019 average of 53,068.

Combined crude and NGL production for May, 433,840 bpd, was down 15.6% from a May 2019 average of 513,740 bpd.

Production data reported here is from the Alaska Oil and Gas Conservation Commission, which provides volumes by field and well on a month delay basis.

Largest drops at largest fields

The ConocoPhillips Alaska-operated Kuparuk River field had the largest month-over-month drop, averaging 65,607 bpd as the company ramped down for decreased production in June. This was a drop of 32.8%, 31,948 bpd, from an April average of 97,555 bpd at the Slope's second-largest field, and down 36.2% from a May 2019 average of 102,879 bpd.

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

The second largest month-over-month drop was at the BP Exploration (Alaska)-operated Prudhoe Bay field, the Slope's largest, which averaged 245,333 bpd in May, down 14,956 bpd, 5.8%, from a May average of 260,289 bpd, and down 9% from a May 2019 average of 269,659 bpd. Prudhoe May production included 206,982 bpd of crude, down 7,662 bpd, 3.6%, from an April average of 214,644 bpd, and down 5.8% from a May 2019 average of 219,690 bpd. Prudhoe NGL production averaged 38,351 bpd in May, down 16%, 7,294 bpd, from an April average of 45,645 bpd and down 23.3% from a May 2019 average of 49,969 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.

ConocoPhillips' Colville River unit, where production slowed in late May as part of the company's ramp down for reduced production in June, averaged 37,090 bpd, down 27.1%, 13,765 bpd, from an April average of 50,854 bpd, and down 28.3% from a May 2019 average of 51,759 bpd.

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

Badami suspending operations

Production from the Badami field on the east side, operated by Glacier Oil and Gas company Savant Alaska, averaged just 28 bpd in May, down 97.8%, 1,280 bpd, from an April average of 1,308 and down 98.4% from a May 2019 average of 1,721 bpd. Glacier has applied for a suspension of operations and production at the field, effective May 1 through July 15, 2021, citing low crude oil prices and the current lack of demand.

Eni's Oooguruk field averaged 6,331 bpd in May, down 1,230 bpd, 16.3%, from an April average of 7,562 bpd, and down 31.9% from a May 2019 average of 9,293 bpd.

The Hilcorp Alaska operated Endicott field averaged 6,574 bpd in May, down 969 bpd, 12.9%, from an April average of 7,543 bpd and down 7% from a May 2019 average of 7,071 bpd. Endicott production included 5,760 bpd of crude, down 810 bpd, 12.3%, from an April average of 6,569 bpd and down 8.5% from a May 2019 average of 6,291 bpd, and 815 bpd of NGLs, down 159 bpd, 16.4%, from an April average of 974 bpd, but up 4.5% from a May 2019 average of 779 bpd.

Northstar, also operated by Hilcorp Alaska, averaged 8,246 bpd in May, down 825 bpd, 9.1%, from an April average of 9,071 bpd, and down 22.6% from a May 2019 average of 10,655 bpd. Northstar production included 6,129 bpd of crude, up 11 bpd, 0.2%, from an April average of 6,118 bpd, but down 26.5% from a May 2019 average of 8,335 bpd, and 2,117 bpd of NGLs, down 836 bpd, 28.3%, from an April average of 2,953 bpd, and down 8.8% from a May 2019 average of 2,320 bpd.

The Hilcorp-operated Milne Point field

see **ANS OUTPUT** page 9

continued from page 8

ANS OUTPUT

averaged 32,435 bpd in May, down 359 bpd, 1.1%, from an April average of 32,794 bpd, but up 24.5% from a May 2019 average of 26,062 bpd.

ConocoPhillips' Greater Mooses Tooth in the National Petroleum Reserve-Alaska averaged 4,433 bpd in May, down 266 bpd, 5.7%, from an April average of 4,699 bpd, and down 60.9% from a May 2019 average of 11,335 bpd.

Only two North Slope fields, Nikaitchuq and Point Thomson, had month-over-month production increases; both also showed increases from May 2019.

Eni's Nikaitchuq averaged 18,144 bpd in May, up 407 bpd, 2.3%, from an April average of 17,737 bpd, and up 9% from a May 2019 average of 16,640 bpd.

The ExxonMobil-operated Point Thomson field averaged 9,618 bpd in May, up 340 bpd, 3.7%, from an April average of 9,278 bpd, and up 44.2% from a May 2019 average of 6,668 bpd.

Steep drop in Cook Inlet

Crude oil production in Cook Inlet averaged 11,563 bpd in May, down 16.5%, 2,291 bpd, from an April average of 13,854 bpd and down 16.1% from a May 2019 average of 13,779 bpd, driven by a large drop as Redoubt Shoal is shut in by Cook Inlet Energy, a Glacier Oil and Gas company, and smaller month-over-month drops at most other inlet fields.

Production from Redoubt Shoal averaged 187 bpd in May, down 88.9%, 1,489 bpd, from an April average of 1,676 bpd, and down 84.3% from a May 2019 average of 1,191 bpd. Glacier requested a suspension of production covering May 4 through April 30, 2021.

Glacier also requested a suspension for West McArthur River, that covers May 17 through April 30, 2021. The field averaged 237 bpd in May, down 36.6%, 137 bpd, from an April average of 374 bpd and down 57.1% from a May 2019 average of 553 bpd.

Hilcorp Alaska's McArthur River field, Cook Inlet's largest, averaged 3,611 bpd in May, down 8.1%, 317 bpd, from an April average of 3,928 bpd and down 28.4% from a May 2019 average of 4,834 bpd.

Hilcorp's Trading Bay field averaged 1,158 bpd in May, down 226 bpd, 16.3%, from an April average of 1,383 bpd and down 21.2% from a May 2019 average of 1,469 bpd.

Hilcorp's Beaver Creek averaged 147 bpd in May, down 16 bpd, 9.6%, from an April average of 163 bpd and down 58% from a May 2019 average of 351 bpd.

Hilcorp's Granite Point averaged 3,096 bpd in May, down 134 bpd, 4.2%, from an April average of 3,230 bpd, but up 23.3% from a May 2019 average of 2,452 bpd.

BlueCrest's Hansen field, the Cosmopolitan project, averaged 977 bpd in May, down 41 bpd, 4%, from an April average of 1,018 bpd and down 42.9% from a May 2019 average of 1,713 bpd.

Two Cook Inlet fields had small month-over-month increases.

Hilcorp's Middle Ground Shoal averaged 1,266 bpd in May, up 37 bpd, 3%, from an April average of 1,229 bpd and up 632.1% from a May 2019 average of 173 bpd.

Hilcorp's Swanson River field averaged 883 bpd in May, up 31 bpd, 3.7%, from an April average of 852 bpd, but down 15.4% from a May 2019 average of 1,044 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. ●

continued from page 8

COOK INLET OUTPUT

average of 42 mcf per day.

Hilcorp's Ivan River averaged 322 mcf per day in May, down 24 mcf, 7.1%, from an April average of 346 mcf per day and down 29.8% from a May 2019 average of 459 mcf per day.

Amaroq's Nicolai Creek averaged 219 mcf per day in May, down 41 mcf, 15.8%, from an April average of 260 mcf and down 46.9% from a May average of 413 mcf per day.

Hilcorp's Nikolaevsk averaged 208 mcf per day in May, up 20 mcf, 10.8%, from an April average of 187 mcf but down 64.1% from a May 2019 average of 578 mcf per day.

Operations are being suspended at two small fields operated by Cook Inlet Energy, a Glacier Oil and Gas company.

West McArthur River averaged 50 mcf per day in May, down 8 mcf, 13.1%, from an April average of 58 mcf per day and down 55.8% from a May 2019 average of 113 mcf, while Redoubt Shoal averaged 37 mcf per day in May, down 234 mcf, 86.3%, from an April average of 271 mcf and down 86% from a May 2019 average of 265 mcf per day.

Data 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.

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

—KRISTEN NELSON

FINANCE & ECONOMY

RCA accepts confidentiality of filings

In an order issued July 2, the Regulatory Commission of Alaska said documents submitted May 4 by BP Pipelines and Harvest Alaska as confidential meet statutory and regulatory requirements to be treated as confidential and the commission recognizes them as such.

The filings are part of dockets in three joint applications filed in September by BP Pipelines (Alaska) and Harvest Alaska for transfer to Harvest Alaska of BPPA's indirect 32% interest in PTE Pipeline, an indirect 50% interest in the Milne Point Pipeline and certificate of public convenience and necessity No. 311, which authorizes BPPA to own and operate 48.441% of Trans Alaska Pipeline System assets and 47.5881% of Valdez Marine Terminal tankage assets.

The midstream asset transfers are part of the Hilcorp purchase of BP's Alaska assets; the upstream portion closed June 30.

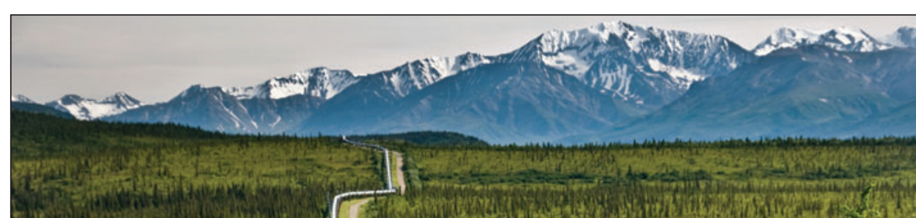
The commission said it had recognized the confidentiality of documents filed as such earlier in the process; the July 2 order applies to additional documents it requested and received May 4, documents for which applicants also requested confidential treatment.

Among the filings addressed were the amendment to the purchase and sale agreement: The commission said they previously classified the purchase and sale agreement as confidential and said the same rational applies. "Given the negotiated nature of this amendment to the agreement in a competitive climate, we find that the need for confidential treatment of the amendment outweighs the public interest in disclosure."

The remaining documents that are subject of the May 4 petition for confidentiality qualify as confidential under state statue precluding RCA "from disclosing to the general public documents related to the finances or operations of a pipeline carrier subject to federal jurisdiction if the document is not required to be filed with the appropriate federal agency."

The three pipelines are subject to federal jurisdiction and documents related to operations and finances are not required to be filed with the Federal Energy Regulatory Commission, RCA said, and the rationale applied to earlier filings is equally applicable to the May 4 filings.

—KRISTEN NELSON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PIPELINES & DOWNSTREAM

Developers cancel $8B Atlantic Coast line

By SARAH RANKIN

Associated Press

The developers of the long-delayed, $8 billion Atlantic Coast Pipeline announced the cancellation of the multistate natural gas project July 5, citing uncertainties about costs, permitting and litigation.

Despite a victory in June at the United States Supreme Court over a critical permit, Dominion Energy and Duke Energy said in a news release that “recent developments have created an unacceptable layer of uncertainty and anticipated delays” for the 600-mile project designed to cross West Virginia and Virginia into North Carolina.

The companies said a recent pair of court rulings that have thrown into question a permitting program used around the nation to approve oil and gas pipelines and other utility work through wetlands and streams presented “new and serious challenges.”

“This new information and litigation risk, among other continuing execution risks, make the project too uncertain to justify investing more shareholder capital,” the news release said.

The massive infrastructure project, announced with much fanfare in 2014, had drawn fierce opposition from many landowners, activists and environmental advocates, who said it would damage pristine landscapes and harm wildlife. Getting the project built would have involved tree removal and blasting and leveling some ridgetops as the pipe, 42 inches in diameter for much of its path, crossed mountains, hundreds of water bodies and other sensitive terrain and burrowed underneath the Appalachian Trail.

Opponents also questioned whether there was sufficient need for the gas it would carry and said it would further encourage the use of a fossil fuel at a time when climate change makes a shift to renewable energy imperative.

Legal challenges brought by environmental groups prompted the dismissal or suspension of numerous permits and led to an extended delay in construction. The project was years behind schedule and the anticipated cost had ballooned from the original estimate of $4.5 billion to $5 billion.

Reaction poured in July 5 from the project’s opponents, who lauded the demise of the project.

“If anyone still had questions about whether or not the era of fracked gas was over, this should answer them. Today is a historic victory for clean water, the climate, public health, and our communities,” Sierra Club Executive Director Michael Brune said in a statement.

The project’s supporters said the pipeline would create jobs, help aid the transition away from coal and lower energy costs for consumers. Economic development officials in distressed parts of the three states it would run through had hoped that the greater availability of natural gas would help draw heavy manufacturing companies.

“Unfortunately, today’s announcement detrimentally impacts the Commonwealth’s access to affordable, reliable energy,” the Virginia Chamber of Commerce said in a statement. “It also demonstrates the significant regulatory burdens businesses must deal with in order to operate.”

U.S. Energy Secretary Dan Brouillette said in a statement the project was killed by the “well-funded, obstructionist environmental lobby.”

Separately, Dominion, which is headquartered in Richmond, Virginia, and serves more than 7 million customers in 20 states, announced it had agreed to sell “substantially all” of its gas transmission and storage segment assets to an affiliate of Berkshire Hathaway. The transaction was valued at $9.7 billion, the company said.

The assets involved in the sale include more than 7,700 miles of natural gas storage and transmission pipelines and about 900 billion cubic feet of gas storage that Dominion currently operates, the company said.

Duke, which is headquartered in Charlotte, North Carolina, is one of the country’s largest energy holding companies. ●

continued from page 1

EXPLORERS NEEDED

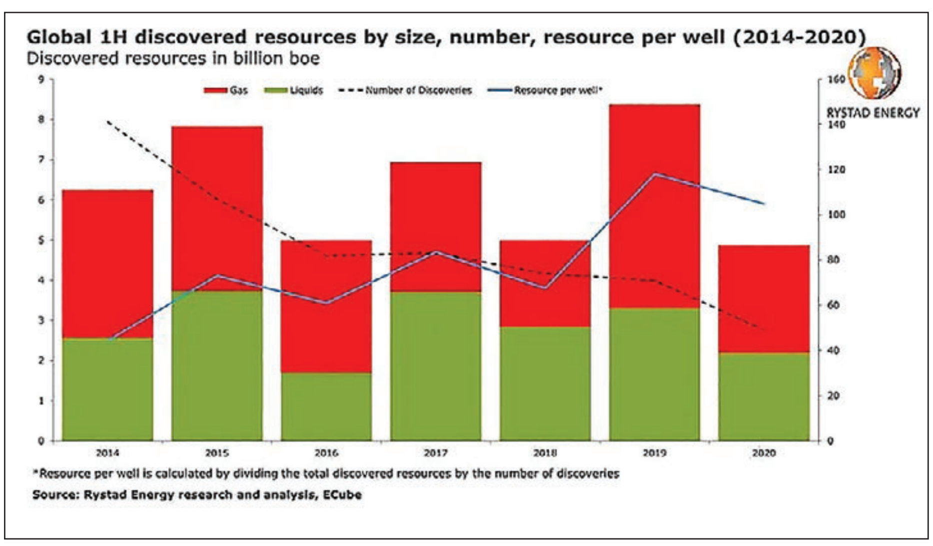
low the same path,” said Rystad Energy upstream analyst Taiyab Zain Shariff. “But then COVID-19 struck, and the oil market crashed in 2020 first quarter, resulting in delays and cancellations as operators cut budgets.”

As 2020 exploration results plummet, a future opportunity for explorers may be emerging.

A Wood Mackenzie report says upstream exploration is needed, and exploration will be critical in meeting future global energy demand, much of which is set to rely on oil and gas until well beyond 2040.

“Only about half the supply needed to 2040 is guaranteed from fields already onstream,” Wood Mackenzie said. “The rest requires new capital investment and is up for grabs.”

“Cumulative global demand for oil and gas over the next two decades will total at least 1,100 billion boe even in a 2° C scenario, and it could run as high as 1,400 billion boe on our base case forecasts,” Wood Mackenzie said, adding that some 640 billion boe can be met by proven developed supply from onstream fields, leaving a “supply gap” of some 460 billion to 760 billion boe.



Exploration can hold its own

With additional investment, all or more of the supply gap could be met from existing discoveries; exploration can hold its own in competition, Wood Mackenzie said.

“Only resources with the lowest cost and best economics are advantaged and should attract capital,” it said.

Carbon emissions mitigation actually could be a wildcard favoring exploration, as companies struggling to decarbonize disadvantaged older assets might find it cheaper to start afresh with new discoveries, Wood Mackenzie said.

“We think over 100 billion boe — split roughly 50:50 between oil and gas — will come from exploration, this means the industry needs to maintain its success rate of the past five years until at least 2030,” Wood Mackenzie said. “Full-cycle costs including discovery are surprisingly similar to point-forward costs of incremental brownfield and greenfield alternatives.”

Gains incremental volumes enjoy from existing infrastructure are offset by the law of diminishing returns; the easy barrels have been developed and remaining resources are harder to recover, Wood Mackenzie said.

Summer vacation for traders

A lack of oil price volatility has led to many traders sitting out the action as markets move sideways in recent weeks. Market volatility is at its lowest level since February.

In the first week of July, volumes for Brent crude dropped by a third, Bloomberg reported.

The number of contracts changing hands fell by 32% versus the average in June — down almost two-thirds from the price collapse in March.

“It’s a stark contrast with March and April, which saw frenzied trading of both major oil benchmarks as West Texas Intermediate crashed below zero for the first time on record,” Bloomberg said.

Output cuts from OPEC and its allies have helped re-balance the market, but prices have stalled as coronavirus cases spread worldwide.

“We have come to a natural pause,” said Harry Tchilinguirian, head of commodities strategy at BNP Paribas.

Traders are looking for signs that demand will recover or be hampered by the outbreak, he said.

In July, prices have traded in a range of less than $3, Bloomberg said, adding that in the unlikely event Brent were to stay in that range for the rest of the month, it would be the smallest monthly band since 2004, according to an analysis of ICE Futures Europe data. ●

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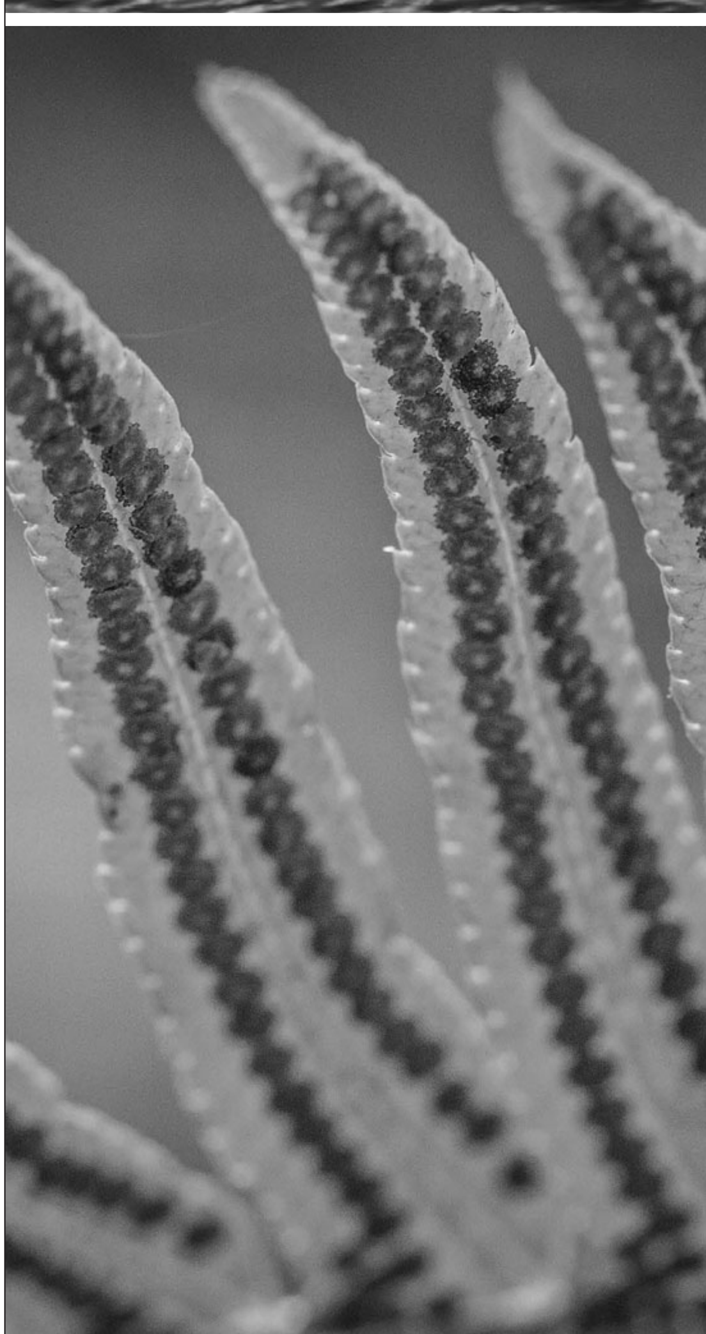

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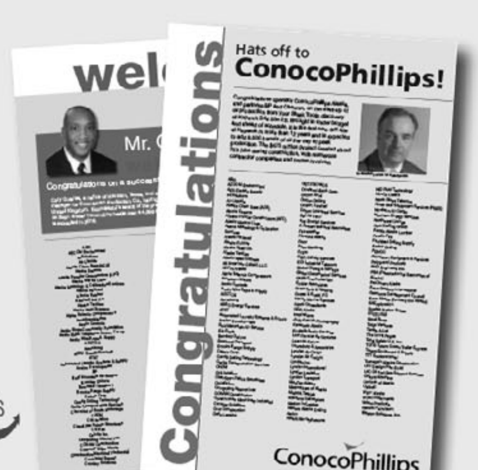

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● PIPELINES & DOWNSTREAM

Michigan judge allows restart of Line 5

By JOHN FLESHER

Associated Press Environmental Writer

A Michigan judge July 1 allowed Enbridge to resume pumping oil through a Midwestern pipeline, nearly a week after shutting it down because of damage to a structure that anchors a section of the line running through a Great Lakes channel.

Enbridge's Line 5 moves crude oil and liquids used in propane from Superior, Wisconsin, to Sarnia, Ontario, passing through parts of Michigan's upper and lower peninsulas. A four-mile-long segment divides into two pipes that cross the bottom of the Straits of Mackinac, which connects Lakes Huron and Michigan.

Circuit Judge James Jamo granted a request from state Attorney General Dana Nessel to close the line June 25 after Enbridge, the Canadian company that operates it, reported that an inspection had found damage to an anchor supporting the underwater section's eastern line. The pipe itself was unharmed, the company said.

During a hearing June 30, Enbridge attorneys urged Jamo to lift the restriction for the underwater western line so oil could resume flowing. The company says the interruption threatens supplies for customers of refineries that receive Line 5's oil in Michigan, Ohio and Pennsylvania, as well as the Canadian provinces of Ontario and Quebec.

Nessel's office argued for keeping the 645-mile-long line shut down until Enbridge provides additional information that would ensure it is being operated in a "reasonably prudent" manner. In his amended order July 1, Jamo said the company could restart the western line to conduct a safety test and could keep it running "subject to the results of the (test) and further order of this court."

Within a week of the restart, Jamo said, Enbridge must provide the state with test results for a particular area of the western line that a recent inspection found had apparently been scraped by a vessel cable or similar object. Test data for the rest of the line must be turned over "as soon as practical," he said.

The east line, meanwhile, will remain out of operation until the federal Pipeline and Hazardous Materials Safety Administration has completed an investigation of the damaged support and Enbridge has complied with all the agency's repair and maintenance requirements, Jamo said.

He also ordered the company and Nessel's office to compile a list of documents and other materials sought by the state by July 7.

Pledging to comply, Enbridge said it "will now begin safely restarting the west segment and anticipates operations will soon return to normal."

"Enbridge's Line 5 has served Michiganders safely without incident at the Straits crossing for more than 65 years," the company said in a statement. "We remain willing to work with the state going forward to address issues of concern about the safety of Line 5 and its ultimate replacement with The Great Lakes Tunnel that will contain a new section of pipeline."

The company reached a deal with the administration of former Republican Gov. Rick Snyder in 2018 to place a new underwater segment in a tunnel that would be drilled through bedrock beneath the straits. His Democratic successor, Gretchen Whitmer, has joined Nessel in criticizing the agreement, which awaits permits from state agencies.

Environmental groups have long pushed to shut down Line 5, which they contend is a safety hazard. They described Jamo's ruling as a rejection of Enbridge's contention that the state has no regulatory authority over interstate pipelines. "Today's ruling sends a clear message to Enbridge that it is not above state law and cannot continue to ignore the safe and well-being of our Great Lakes, our local businesses and our communities," said Beth Wallace of the National Wildlife Federation. ●

Petroleum news

Oil Patch Bits

Lynden Transport on the build with Sprung Industries

As reported by Lynden News July 1, Lynden Transport is delivering materials for a project at Fort Wainwright military base near Fairbanks, Alaska, this spring and summer. Drivers are hauling 58 loads of large tent frames and insulation from Salt Lake City and Calgary for the construction of seven buildings on base for customer Sprung Industries. According to Lynden Transport Regional Sales Manager Tony Vitoff, DynCorp International is handling the construction and Sprung Industries is supplying the materials. Loads are moving over the highway or water depending on construction timeline requirements and are being coordinated through Lynden Transport's Portland and Fairbanks service centers.

"Lynden Transport has gone the extra mile to support the Wainwright project by staging structures in their yard until we need them on site," says Gary Smith, DynCorp International project manager. "DI appreciates this kind of support which is critical to our collective success."

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Companies involved in Alaska's oil and gas industry

All of the companies listed above advertise on a regular basis with Petroleum News

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HEX APPROACH

formation," Hendrix said.

HEX wants to fix both issues as soon as possible.

When asked whether any new wells be drilled, Hendrix said with the 2018 A-4 well not yet in production, drilling a new well "is sort of like having a brand new 2018 truck with a flat tire in your driveway and going down to the dealership and buying a new 2020 truck. First you fix the 2018 truck."

"We're hoping to start a fishing operation on A-4 by late July," he said.

More gas in the Sterling

Hendrix is looking to get all four wells producing from the Sterling formation, versus just the Beluga gas pool, which will require permission from the Alaska Department of Environmental Conservation to handle water on the unit's Julius R production platform.

"We're applying for a DEC produced water permit," Hendrix said, noting only clean water will be disposed of from the platform.

"Once we're able to handle water on the platform we'll be able to produce from the Sterling formation, which has gas potential but with the gas comes water," he said.

Handling water on the platform will also greatly reduce the possibility of frozen hydrate plugs forming again in the 15-mile subsea pipeline from the offshore production platform to Kitchen Light's onshore gas processing facilities, a mishap that started in January 2019 for Furie, drastically slowing gas delivery and putting the company's gas supply contract with utility Enstar Natural Gas, and therefore homeowners gas supply, in jeopardy.

Hiring Alaskans

Throughout the process of acquiring Furie and its Kitchen Lights assets in the Delaware bankruptcy court, Hendrix said any new hires for Kitchen Lights would be Alaskans and Alaskan contractors, with a focus on the Kenai Peninsula.

That process has already begun in an agreement with Udelhoven Oilfield System Services as general contractor for operations.

"All of our contract operators and field personnel will report to Udelhoven. Jim's one of those men whose word you can trust with a handshake," Hendrix said, referring to company founder Jim Udelhoven who started the company in 1970 in Kenai.

"As an Alaskan with a lifetime of experience working in oil fields across our great state, I couldn't be happier that Alaskans now have the opportunity to advance the development and operation of this great Cook Inlet asset," Hendrix said June 30 when the sale closed. "HEX looks forward to bringing Kitchen Lights from base production to growth opportunities."

Raised in the south Kenai Peninsula town of Homer, Hendrix's experience includes general manager of Apache Corp. in Alaska and president of NANA Commercial Group, which is made up of subsidiaries that support resource development projects and other industries in Alaska and the Lower 48.

All told, Hendrix has close to four decades of experience in the energy industry — in Alaska, the Lower 48 and internationally with Apache, BP and Schlumberger. ●

Contact Kay Cashman at publisher@petroleumnews.com

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HILCORP TAKES OVER

GREG LALICKER

gently over the past 11 months to close this transaction and put us in a position to be ready for day one operations."

Hilcorp has major operations in Cook Inlet and on the North Slope, making it "one of the largest oil and gas producers in Alaska," the company said. On the North Slope, where it acquired some of BP's assets in 2014, the company highlighted its work at Milne Point where it has invested more than $700 million and doubled production, reaching 36,000 barrels per day of production from Milne in April. Hilcorp said that was the highest production at the field since May 2008. It expects to reach 40,000 bpd by the end of the year.

The company has nearly tripled its Alaska workforce as a result of the recent transaction, growing from some 550 employees to more than 1,450, with more employees expected to be added in the coming months.

"We look forward to continuing to drive economic growth, create Alaskan jobs and contribute to local economies for decades to come," said Greg Lalicker, Hilcorp Energy Co.'s chief executive officer. "Hilcorp is committed to safely and responsibly developing Alaska's natural resources."

TOM STOKES

Operating mature fields

The general sense from Petroleum News sources is that Hilcorp will cut costs at Prudhoe — it is known as a lean operator — and, once that is done, that it will drill more wells, increasing production.

A lean operation and drilling are things the company brought to Cook Inlet when it took over from Chevron and then Marathon in 2011 and 2012. While Hilcorp has worked to increase oil production in Cook Inlet, the main focus there has been natural gas, which feeds local needs in Southcentral Alaska.

Asked what he expects to see from Hilcorp in its new role of Prudhoe Bay operator, Tom Stokes, director of the Alaska Department of Natural Resources' Division of Oil and Gas, told Petroleum News: "Hilcorp is known for operating mature oil fields — known for increasing output from those fields — and that's exactly what we need."

"Hilcorp has proven itself at Milne Point," Stokes said. "They doubled output after they took over operatorship from BP. They bring innovation and creative processes to existing fields, such as use of polymer to increase production."

"Additional throughput is beneficial while new larger fields are being developed on the North Slope, such as Pikka and Willow." ●

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OIL SEARCH MOVES

Burnett told Petroleum News July 1, which brough the local total to 150 individuals, as previously reported.

The layoffs announced by Wulff were "unfortunate" and have "affected many of our colleagues overseas. That said, the recent round of reductions did not affect any of my Alaska colleagues," Burnett said.

All told, Wulff said full time employees will be reduced company-wide from 1,649 as of March 1, to 1,222, with a further 137 staff members to be transitioned out by the end of the year.

In his July 1 update Wulff said, "good progress is being made to reduce the breakeven cost of the Pikka unit development."

To date, Oil Search has slashed its expected global investment spending by $675 million, suspending all non-essential projects and activities in Papua New Guinea. In Alaska work to begin early oil production in 2022 at Pikka was put on hold. Plus, the company suspended formal talks to sell off a 15% stake in its Alaska assets.

Oil Search also moved its final investment decision on its Pikka project from 2020 to 2021, but the company is still on track for first oil in 2025, Bruce Dingeman, president of Oil Search Alaska, said May 8.

Pikka is expected to produce 135,000-plus barrels of oil per day at its peak, not including output from the Horseshoe discovery area.

Reducing Pikka breakeven

In February, Oil Search began a company-wide strategic review to re-evaluate its long-term vision, strategic focus and pathway for delivering superior shareholder returns. Given the market conditions over the past three months, the firm's short-term focus has been on stabilization, resulting in cost cutting, the US$700 million capital-raising and the steps just announced. The result of those actions, Wulff said July 1, would ensure Oil Search's long-term survival

"The painful decisions we have taken to optimize our organizational structure, enhance efficiencies and reduce operating costs have not been made lightly. They are the result of extensive studies aimed at ensuring we have an organizational structure that not only makes us more resilient to oil and gas price fluctuations but also embeds a culture of continuous improvement, operational excellence and strict fiscal discipline."

Oil Search has lowered its production cost guidance for 2020 to around $10.50 per barrel of oil equivalent before one-off restructuring costs, down from its previous guidance of $11-12 per boe. (The company said in May that it planned to reduce production costs to approximately $9.50-10.50 per boe through capital expenditure cuts at its operations in Papua New Guinea and in Alaska.)

In his July 1 update Wulff said, "good progress is being made to reduce the breakeven cost of the Pikka unit development."

—KAY CASHMAN

Contact Kay Cashman at publisher@petroleumnews.com

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BOREALIS DRILLING

Borealis, a re-brand of earlier company Nordaq Energy, has been focusing its exploration interests on two areas of the North Slope: the northeastern NPR-A and in the more easterly part of the Slope, to the south of the Badami oil field.

The Castle Prospect Trend

In the NPR-A, the Borealis leases lie in what the company terms the Castle Prospect Trend, a series of six individual prospects in the lower Nanushuk formation. These prospects are directly analogous to the geologic setting for major oil discoveries at Pikka, under development by Oil Search (Alaska), and by ConocoPhillips at Willow. The Castle prospects are directly southwest of Willow. And the Castle East prospect lies in the same sand body as the Harpoon prospect, where ConocoPhillips drilled an exploration well this winter.

Borealis is particularly focusing its attention on drilling in the Castle North prospect, where it has identified four drilling sites. A nearby gravel pad and runway developed for the drilling of the Inigok well in 1978-79 could be used as an operations base for drilling and seismic activities, thus reducing the cost of the drilling project.

Agile Seismic in Houston has now completed the reprocessing of 3-D seismic data for Castle North, Garrard said. The focus of the reprocessing was the shallow rock interval down to the base of the Nanushuk, he said. The reprocessed seismic was used in a Castle North shallow hazards assessment, conducted for Borealis by Fugro. The seismic and the associated assessment revealed a possible hydrocarbon related amplitude anomaly at a shallower depth than the planned exploration target at one of the drill sites, Garrard said.

Planning and permitting started

Because of logistical issues associated with the COVID-19 pandemic, Borealis has had to defer summer field studies of the drill sites until 2021. Meanwhile, Borealis has commissioned Owl Ridge Natural Resource Consultants in Anchorage to start the long lead permitting and planning, to meet a target 2021-22 drilling schedule, Garrard said. Because of the pandemic, the Bureau of Land Management has agreed to temporarily suspend the primary term of the NPR-A leases 100% held by Borealis, he said.

Borealis intends to drill one well, with the possibility of a second appraisal well, depending on the drilling results. If time is available, it may be possible to drill a third well, Garrard said. Drilling depths would be around 4,000 feet.

Borealis has found BLM's preferred alternative for its new NPR-A integrated activity plan to be encouraging for the future of NPR-A oil exploration, Garrard commented. This is important in encouraging ongoing exploration activities in the area, with the potential to result in more North Slope oil production and the maintenance of throughput in the trans-Alaska pipeline, he said.

The Grey Owl Trend

The Grey Owl Trend, near the ANWR border, also involves prospects in the Brookian rock sequence, the sequence that contains the Nanushuk formation. However, the Grey Owl prospects are in the Canning formation, a rock formation that consists of layered sandstones referred to as turbidites. Unlike the Nanushuk, which was formed on the upper edge of an ancient marine basin, the Canning turbidites were deposited on the basin floor. While the location of the turbidites in the axial region of the basin bodes well for reservoir quality, findings from the West Kavik Unit No. 1 well, drilled by Texaco in 1969, indicate the presence of over-pressured light oil in the Canning at Great Owl, Garrard said.

The area is just 25 miles south of existing oil infrastructure at Badami.

Currently, WesternGeco is reprocessing some 2-D seismic for the Great Owl area on a trial basis, to evaluate the possibility of better imaging the Canning reservoirs. If this trial proves successful, Borealis may consider the complete reprocessing of all of the licensed 2-D seismic for the area, Garrard said.

—ALAN BAILEY

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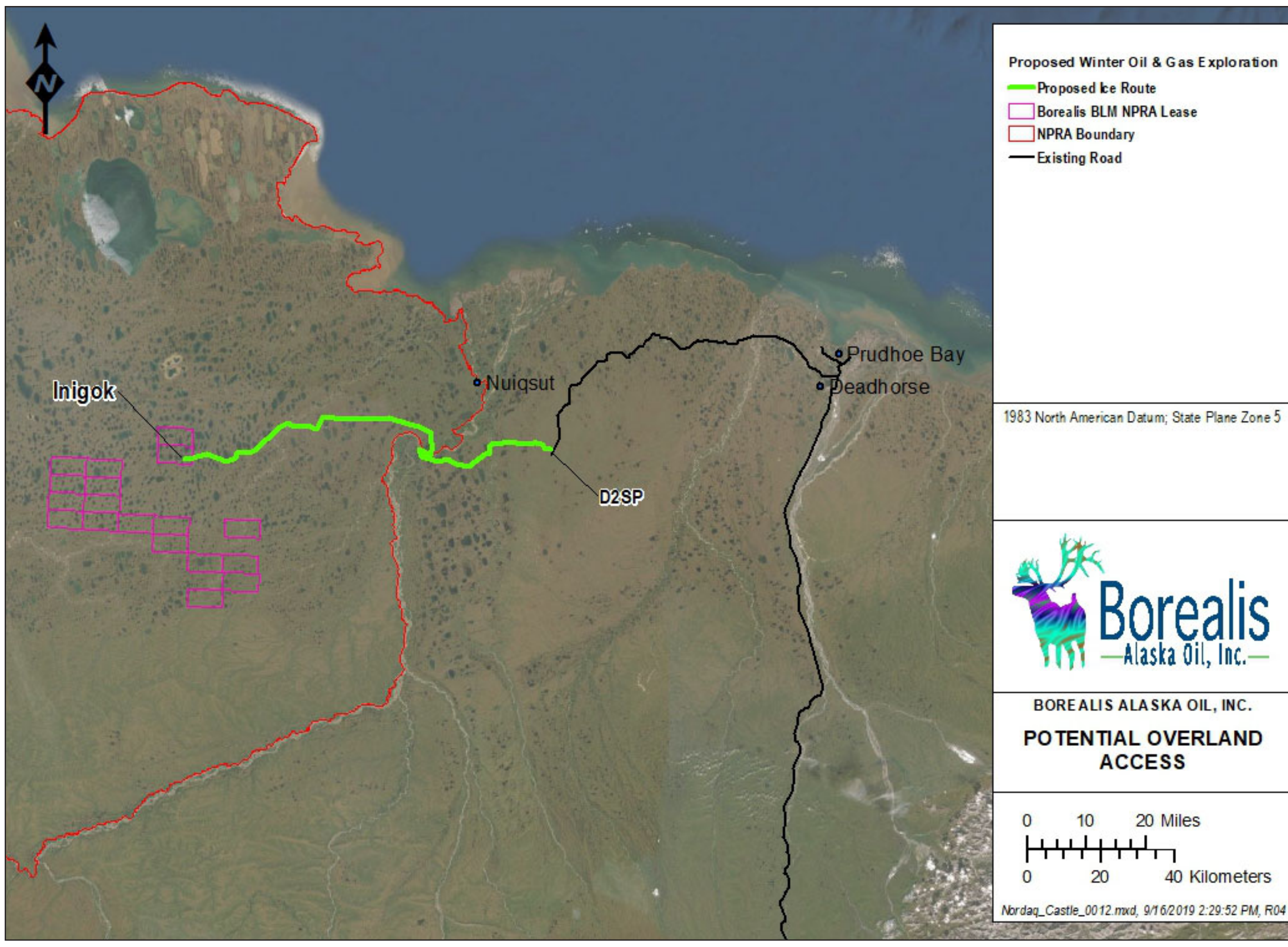

BOREALIS ALASKA OIL INC.

The Castle North Prospect Trend in the National Petroleum Reserve-Alaska is adjacent the Inigok airfield and gravel pad. Access would be by winter ice road.

Borealis is particularly focusing its attention on drilling in the Castle North prospect, where it has identified four drilling sites.

BOREALIS ALASKA OIL INC.

Use of the Inigok airstrip and gravel pad could reduce the cost of drilling in the Castle North Prospect Trend.

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NEWFIELD REVISITS

Encana plugged and abandoned the McCovey No. 1 in February 2003. The Calgary based independent, which first entered Alaska in 2000 as Alberta Energy, announced in December 2004 that it was pulling up stakes in Alaska and putting its Alaska holdings on the market.

Much too, has changed for Ovintiv since its Alaska days.

The most substantive transformation for the company began with the installation of Doug Suttles as president and CEO in mid-2013.

Suttles came to Ovintiv from BP, having held senior leadership positions including chief operating officer, BP Exploration and Production and president, BP Alaska. He was president of BP Sakhalin Inc., vice president for North Sea operations and president of BP's Trinidadian oil business.

Prior to joining BP, Suttles completed various production engineering assignments with Exxon from 1983 to 1988.

Under Suttles, Encana underwent its name change to Ovintiv, and in 2019, it moved its headquarters from Calgary to Denver.

At one point in 2003, Encana had almost 800,000 net acres in Alaska acquired through lease sales and partnerships.

Encana's partners at McCovey were ChevronTexaco and ConocoPhillips.

A plan to drill from an ice island raised concerns for Bowhead whales, so the project used the SDC — steel drilling caisson — built for the Arctic by Canadian Marine Ltd. in 1982 using an old tanker as a shell.

Encana bought leases in a northeast National Petroleum Reserve-Alaska lease sale in 2002.

Encana was sole bidder in Alaska's May 2003 North Slope Foothills areawide sale, bidding $36,576 for a 5,760-acre tract, adjacent to a large Anadarko Petroleum-Encana lease block south-southwest of Sagwon on the Dalton Highway.

Encana was second highest bidder at the September 2003 U.S. Minerals Management Service Beaufort Sea sale. It paid $3,550,158 and won all 24 tracts on which it bid, including a block of 19 tracts north of NPR-A in the Smith Bay area.

Encana spokesman Alan Boras told Petroleum News Sept. 25, 2003, that the 24 tracts the company took included about 100,000 acres on the western Beaufort and about 20,000 acres approximately 20 miles northeast of Prudhoe Bay.

Prior to this sale, Encana had 675,000 net acres in Alaska.

—STEVE SUTHERLIN

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continued from page 1

ALBERTA PLAN

Just as bold, is an immediate cut in corporate income taxes to 8% from 10%, accelerated by 18 months from the government's earlier target date. That is expected to wipe C$300 million from government revenues.

Comparing the new rate with British Columbia's 12%, Kenney said that as employers work to recover from the wreckage caused by COVID-19 they "can be confident that Alberta will be the best place in Canada — by far — to locate, bringing with them jobs and prosperity."

The overall recovery plan estimates the new tax will accelerate the creation of 55,000 new private sector jobs and stimulate C$13 billion in economic growth.

In addition, the government through a revitalized Alberta Enterprise Corp. will invest C$175 million over the next three years on capital funds to boost technology investment and attract early stage startup companies.

Initial response lukewarm

The initial response to this big-spending approach was lukewarm from New York-based Fitch Ratings, which downgraded Alberta's credit rating to double-A-minus from double-A, citing higher provincial borrowing and the resulting debt-to-gross domestic product burden.

Alberta Finance Minister Travis Toews said his government "remains committed to the responsible management" of its finances and will release an economic and fiscal update in August.

Kenney is counting on his plan "to address both the short-term and long-term challenges" facing Alberta by creating jobs that "will set us on the path for economic growth, diversification and renewal."

He hopes Alberta's "culture of resilience (will overcome) the greatest economic challenge of our time."

Kenney's strategy indirectly points the finger at Prime Minister Justin Trudeau's failure to deliver on long-promised aid for energy industry.

Toews said the recovery blueprint will be focused on "various industry sectors that we know have a great future (in Alberta), certainly energy and agriculture."

"We also believe that we can be very competitive and we have a bright future in the tech sector, tourism and petrochemical manufacturing."

He said Kenney's 12-member economic advisory council, that includes former prime minister Stephen Harper, has encouraged a focus on sectors "we believe can be very competitive," noting that technology firms have already grown by 87% since 2009.

The urgent needed to pump financial help into oil and gas companies is reflected in an 80% decline in the number of active oil rigs from a year ago, when some thought the industry had hit bottom, as the service sector shed C$8 billion in spending and more than 900,000 barrels per day of crude production was shelved.

Call for federal help

Times are so desperate that the Canadian Association of Petroleum Producers has called for help from Trudeau, including an immediate 100% tax deduction for capital investments, including those in clean technology and to reduce greenhouse gas emissions.

CAPP President Tim McMillan said a deduction program would be a "thoughtful tax change" that would be consistent with help extended to other industries across Canada.

Roughly in line with action taken by the Alberta government, CAPP said it wants the federal government to establish a panel of senior industry executives and government departments to underpin industry efforts to attract international investment. But there is no sign of any movement from the Trudeau administration.

The call comes amid industry frustration with federal liquidity support programs that were launched in April through Export Development Canada and the Business Development Bank of Canada.

Canada's Finance Minister Bill Morneau said billions of dollars would be available to help oil and gas companies, including C$750 million in "repayable contributions" to help companies meet new standards on methane emissions from oil production facilities.

But there is little confidence in Morneau's promises since he announced on March 25 that help for the industry was "hours, possibly days" away, adding "I'm not talking about weeks."

At the time Morneau conceded that although the 10 largest sector companies have existing credit relationships with their banks "they are under strain too."

The sense of despair among even the big league players boiled over in mid-June when Ovintiv (formerly Encana) and Enbridge slashed their payrolls.

Ovintiv laid off 640 staff, 25% of its workforce, and cut its operated rigs to seven from 23, saying the challenging reduction in global oil demand has "created the need for a dynamic response."

Enbridge, the largest North American pipeline company, said that although it will not implement layoffs at this time it has limited cuts to buyouts, with 800 of its 11,000 employees taking the offer of early retirement, severance, educational or personal leaves of absence, or part-time work.

Liquidity call

Canada's Natural Resources Minister Seamus O'Regan said the industry has told him over many weeks that liquidity is the most vital need.

"So we have attempted to get that out," he said. "I would acknowledge we still have some ways to go."

Shannon Stubbs, the natural resources spokeswoman for the opposition Conservative Party, said she had been unable to find even a two-paragraph note on the Business Development Bank of Canada website about its loan program, adding she has been inundated with calls and emails from corporate leaders in Alberta "who are barely hanging on while they wait for help. It's mind-boggling that (this program) is just allowed to drag on and on and on."

Ben Brunnen, CAPP's vice president of fiscal and economic policy, said companies are "increasingly concerned that liquidity won't come in time."

—GARY PARK

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