Petroleum news

page 3 Delay in draft ERO governance regs; complications encountered

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Amaroq to appeal AOGCC decision; RDC's virtual conf a newsmaker

AMAROQ RESOURCES WILL "almost certainly appeal" the Alaska Oil and Gas Conservation Commission's Nov. 9 decision revising the company's bonding requirements, Amaroq President Scott Pfoff told Petroleum News in a Nov.17 email.

Under its new bonding regulation AOGCC originally assessed Amaroq $2.4 million on six wells at $400,000 each for plugging and abandoning. Amaroq has an existing $200,000 statewide bond with the commission based on the previous regulation, so its additional bonding requirement would have been $2.2 million.

see **INSIDER** *page 10*

OCC rule targets banks that red-line oil projects in the Arctic

The Office of the Comptroller of the Currency proposed a rule Nov. 20 directing fair access to banking services — consistent with the Dodd–Frank Act mandate — from national banks, federal savings associations, and federal branches and agencies of foreign bank organizations.

While the rule aims to protect a wide range of industries that may have experienced discrimination from banks, the OCC — in a notice published in the Federal Register — referenced a June 2020 letter it received from the Alaska Congressional delegation regarding decisions by several of the nation's largest banks to stop lending to new oil and gas projects in the Arctic.

In response to the June letter, the OCC contacted several large

see **OCC RULE** *page 9*

Preliminary draft out for Julius R, includes produced water

In its 2020 plan of development for the Kitchen Lights unit HEX, the new owner of Furie Operating Alaska, said the company has been producing only from the Beluga formation on the Julius R platform in Cook Inlet since a hydrate plug forced shutdown of production in early 2019.

HEX Cook Inlet acquired Furie Operating Alaska out of Chapter 11 bankruptcy on July 1.

In the seventh plan of development for Kitchen Lights, submitted to the Alaska Department of Natural Resources' Division of Oil and Gas in September, HEX said Kitchen Lights production was restored in April 2019 but among the measures implemented to avoid future hydrate plugs — including periodic pigging, methanol injection and installation of additional heat trace

see **HEX DRAFT** *page 9*

December start for online bidding for state's northern lease sales

Online bidding for the state's northern oil and gas lease sale areas — Beaufort Sea, North Slope and North Slope Foothills — opens on Dec. 14, the Alaska Department of Natural Resources' Division of Oil and Gas said in a Nov. 20 sale notice.

These are the sales that have typically been held in the fall.

Division Director Tom Stokes told PN in October that the January date allow "for more time to improve data availability and GIS-shapefiles for bidders who may be new to Alaska."

In recent years the division and the Bureau of Land Management have coordinated sale dates, with the state opening bids in the morning and BLM in the afternoon. BLM has not yet set a date for its National Petroleum Reserve-Alaska

see **ONLINE BIDDING** *page 8*

FINANCE & ECONOMY

Spectacular recovery

ANS surges up 24% in 24 days; oil prices hit highest level in 8 months

By STEVE SUTHERLIN
Petroleum News

Nov. 24 will be a day to remember in the annals of oil price history, as the day when optimism for a return to post-COVID normalcy took flight. It was the day oil prices broke out of an eight-month-long trading trough that has dogged prices since the pandemic hit in early 2020.

Alaska North Slope crude jumped Nov. 24 to a post-COVID high close of $47.02 per barrel, a $1.74 increase for the day.

West Texas Intermediate flirted with the $45 mark, closing at $44.91, a gain of $1.85. Brent closed at $47.86, up $1.80.

At Petroleum News press time Nov. 25, WTI was trading at $45.49, up 59 cents and Brent was at $48.44, up 58 cents.

Jet fuel deliveries of 1 million bpd lifted 10.9% in October versus September, but still are lagging other fuel categories — down by 40.3% versus October 2019.

As Thanksgiving approaches, the spooky gloom of October has receded from consciousness like a bad nightmare. In October, oil posted its largest monthly drop since March as renewed lockdown measures spurred by a coronavirus surge stoked fears that demand recovery was doomed.

see **OIL PRICES** *page 11*

GOVERNMENT

Another lawsuit filed

Environmental organizations appeal against BLM OK of Willow development

By ALAN BAILEY
For Petroleum News

As part of what has become a continuing paradigm for planned North Slope oil and gas activities, on Nov. 17 the Sovereign Inupiat for a Living Arctic and four environmental organizations filed an appeal in the federal District Court for Alaska, challenging the Bureau of Land Management's approval of ConocoPhillips' proposed Willow oilfield development in the northeastern National Petroleum Reserve-Alaska.

In addition, on the eastern side of the North Slope, there have been further filings in four appeals against the Department of the Interior's decision to authorize oil and gas lease sales in the 1002 area of the Arctic National Wildlife Refuge.

The appeal against the Willow development argues that BLM's approval decision violated the National Environmental Policy Act, the Federal Land Policy and Management Act, and the Administrative Procedures Act.

The Willow appeal

The appeal against the Willow development argues that BLM's approval decision violated the National Environmental Policy Act, the Federal Land Policy and Management Act, and the Administrative Procedures Act.

see **WILLOW LAWSUIT** *page 11*

EXPLORATION & PRODUCTION

Upstream uptick

Canadian drillers forecast gain of 475 wells in 2021, would be 2nd worst total

By GARY PARK
For Petroleum News

Surviving is the operative word in Western Canada's upstream sector these days. Forget thriving.

In its annual forecast for the upcoming year the Canadian Association of Oilwell Drilling Contractors was only able to assemble a shred of hope, forecasting 3,771 wells in 2021, an increase of 475 wells from this year's expected count generating an additional 2,300 jobs.

That will make 2020 and 2021 the two worst years on record in the 73 years since Canada's breakthrough to commercial production in central Alberta.

CAODC President Mark Scholz candidly observed that the anticipated well increase next year represents only a "fragile recovery" that is the equivalent of grades for a school student struggling from F to D-minus.

In 2014 when commodity prices started their sickening plunge the well total was 13,089. Over the past six years there has been only one short-lived stab at recovery in 2018 when the industry posted 7,428 completions.

see **UPSTREAM UPTICK** *page 8*

● EXPLORATION & PRODUCTION

PODs filed for Duck Island, Northstar

Operator Hilcorp holds Duck Island production steady without planned workovers; Northstar plans include confirming Kuparuk oil rim

By KRISTEN NELSON
Petroleum News

Hilcorp Alaska, operator of Duck Island and Northstar, submitted annual plans of development to the Alaska Department of Natural Resources' Division of Oil and Gas Nov. 16 for the two units, the smallest of its North Slope operated fields.

Duck Island

The 39th POD for Duck Island covers Feb. 13, 2021, through Feb. 12, 2022.

Hilcorp said Duck Island production is from the Kekiktuk reservoir in the Endicott participating area; the Ivishak and Sag River reservoirs in the Eider PA; and the Sag River reservoir in the Minke tract operation.

Hilcorp has been holding DIU production fairly steady.

From Jan. 1 through Aug. 31, DIU production averaged 7,174 barrels per day, a volume which includes both black oil and natural gas liquids, the company said. In the 38th POD, submitted in November 2019, Hilcorp reported that from Jan. 1, 2019, through Sept. 30, 2019, DIU production (black oil and NGLs) averaged 7,100 bpd. The 37th POD, in November 2018, reported an average of 7,242 bpd (black oil and NGLs) from Jan. 1, 2018, through Sept. 30, 2018.

The previous 38th POD had included plans for up to three workover operations; the company also anticipated continuing to pursue efficiencies through well optimizations, including evaluation of shut-in wells for potential return to service.

"Hilcorp did not complete any of the anticipated workover operations," the company said in reporting on 38th DIU POD activities, "as the rig and capital allocated for those projects were diverted elsewhere."

Non-rig well work operations to optimize wells at the DIU were completed, as was continued optimization of the water separation train.

In the 39th POD, Hilcorp said long-range activities included performing a "tracer study to understand injector/producer response to target potential future drilling targets."

Planned well work and workover operations include converting MPI 01-25 from a producer to a gas injector; up to two additional workovers as needed; various non-rig well work operations.

Hilcorp said it plans a facility turnaround at the DIU in the summer for maintenance activities.

Northstar

The 17th plan of development for Northstar covers Feb. 13, 2021, through Feb. 12, 2022.

Long-range proposed developments at Northstar include exploring the opportunity to import gas from Prudhoe Bay through the existing Northstar Island gas pipeline which runs to Northstar Island from the PBU Central Gathering Facility and confirmation of "existence of the Kuparuk oil rim" and exploring the opportunity "to target any existing reserves," Hilcorp said.

Northstar production averaged 9,221 barrels per day

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● UTILITIES

Draft ERO governance regulations delay

RCA encounters complications in ensuring that the board overseeing operation of Railbelt electrical system will remain balanced

By ALAN BAILEY
For Petroleum News

The development of draft regulations for the governance of electric reliability organizations in Alaska is taking longer than anticipated, Regulatory Commission of Alaska Commissioner Antony Scott told a meeting of the RCA on Nov. 18. The commission had originally anticipated publishing the draft regulations for public review around the end of September but now hopes to have the regulations ready for publication at a special public meeting on Dec. 16.

The regulations are being designed to enable the implementation of Senate Bill 123, a bill passed earlier this year giving the RCA statutory authority to regulate EROs in Alaska. The immediate objective is the establishment of an ERO for the Alaska Railbelt electrical system, to enable a more unified approach to the management and operation of the system.

Three dockets

The commission has split the overall regulation development into three separate dockets. The regulations relating to ERO governance are being dealt with in the first of these dockets. Governance is potentially contentious, given the need to balance the needs of all stakeholders in the electrical system, including the electricity utilities, independent power producers and electricity consumers. The second docket is dealing with integrated resource planning for the electrical system and with commission pre-approval for the construction of new major facilities for the system. The third docket will deal with regulations for reliability standards and the rules for ERO operation.

The Alaska Railbelt electric utilities are in the process of forming the Railbelt Reliability Council, or RRC, an ERO for the Railbelt system. By first developing regulations required for ERO governance, the RCA wants to establish regulatory clarity for the RRC, as the organization moves towards applying for a certificate of public convenience and necessity from the commission.

Unanticipated complications

The upshot of two technical conferences in the first of the RCA dockets was commission approval of the terms of ERO governance regulations. The next step was to use these terms as a basis for draft regulations, to be published for public review. However, in trying to develop the regulations the commission has encountered some unanticipated complications and associated legal issues, Scott said during the Nov. 18 public meeting.

The complications emanate from a regulatory approach in which, rather than explicitly specifying the structure of an ERO board, the commission wants to retain discretion to rule on whether a proposed board structure is adequately balanced across the various stakeholders in the organization. This approach would also give the commission the ability to oversee the board structure in the event of mergers, acquisitions or other business changes, ensuring continuing balance in stakeholder representation, Scott said.

The commission is currently evaluating alternatives for dealing with these issues and this evaluation is taking some time, he said.

Issues to consider

Scott stressed that, meanwhile, any parties intending to apply for ERO certification should continue with their preparations as quickly as possible. In moving forward with an application it is important to ensure that the stakeholders on the ERO board will span the relevant interests in ERO decisions, with voting rights that appropriately balance those interests, he suggested. It is also important to ensure that initial balance in the board cannot subsequently be undermined.

"It would be extremely unfortunate if an initially balanced board, because of the ability to modify representation, became unbalanced," Scott said.

In addition, Scott commented on the need for ERO decision making to be able to take into account the evolving nature of the electricity industry. He also commented that a number of the commissioners had found that the proposed RRC board structure was close to having a balanced format.

Scott also said that the commission is very resource stretched for conducting work on the regulations, especially given the commission's high workload and the fact that the commission had not been able to fill some analyst positions that had been authorized by the state Legislature.

Progress on other dockets

Meanwhile the commission has held a successful technical conference in the second of the dockets, the docket addressing regulations for integrated resource planning and large project pre-approval. And during the Nov. 18 meeting the commission approved the issuance of a public request for suggested items for topics to be discussed in a technical conference in the third ERO docket. Given the number of subject areas in that docket, it is anticipated that this technical conference will last perhaps three days.

The commission is anxious to move ahead as expeditiously as possible with the dockets — during the upcoming legislative session the assistant attorney general who works with the commission in developing the regulations will have to give priority on working on legal issues associated with legislation being discussed in the Legislature. ●

Contact Alan Bailey at abailey@petroleumnews.com

● GOVERNMENT

GAO: end of export ban brought price rise

Government Accountability Office analysis looks at effects on crude oil markets of repeal in 2015 of US crude oil export ban

By KRISTEN NELSON
Petroleum News

The U.S. Government Accountability Office used U.S. Energy Information Administration data and interviews with industry stakeholders to gather information for an analysis of effects of the 2015 repeal of the U.S. ban on the export of crude oil. The analysis, released in October, analyzed EIA data from 2009 through 2019, and examined prices from January 2009 through March 2020 and crude oil pipeline capacity in the U.S. from the first quarter of 2010 to the first quarter of 2020.

GAO said it found that U.S. crude oil exports increased from less than half a million barrels a day in 2015 to almost 3 million bpd in 2019.

"The repeal of the ban expanded the market for U.S. crude il to overseas buyers and, along with other market factors, allowed U.S. crude oil producers to charge higher prices relative to comparable foreign crude oil."

Export ban

Congress banned the export of most domestically produced crude oil in 1975, following the 1973 global oil embargo and resulting economic recession, GAO said. U.S. crude production generally declined from 1975 to 2009, and U.S. imports, with the exception of 1979 to 1985, generally increased.

Starting about 2009 the extraction of shale oil increased due to advances in horizontal drilling techniques and hydraulic fracturing technologies, almost doubling U.S. crude production from 5.4 million barrels per day in 2009 to 9.4 million bpd in 2015, with industry analysts projecting a continuing increase, GAO said.

"Increasing domestic production resulted in a surplus of U.S. crude oil that generally could not be exported and sold outside the United States," contributing to domestic prices "significantly lower than international prices."

Ban repealed

Congress repealed the export ban in 2016, allowing U.S. crude to be freely sold on the global market.

Exceptions to the ban had allowed exports from Alaska's Cook Inlet, exports to Canada for use there, exports of certain California crude up to 25,000 bpd and exports made by the president under certain statutes resulted in an export of about 5% of U.S. crude, nearly all of which, GAO said, went to Canada.

With the repeal of the ban, U.S. producers could sell on the global market, and exports increased from 465,000 bpd in 2015 to 10 countries to almost 3 million bpd in 2019 to 43 countries.

"The repeal of the ban expanded the market for U.S. crude oil, allowing domestic producers to obtain higher prices relative to comparable foreign crude oil, according to our analysis and interviews with stakeholders," GAO said.

The expanded market and higher prices provided "stronger incentives for greater investment in domestic crude oil production," economists told GAO, and production increased compared to what it would have been had the ban remained in place, with total U.S. crude production rising by about a third, from some 9.3 million bpd in December 2015 to about 12.8 million bpd in December 2019.

Refining, transportation

GAO said profit margins for U.S. refiners likely fell because the U.S. price rose relative to international prices, forcing refiners to pay more for domestic crude after repeal of the ban.

But because gasoline prices are largely determined by the global market, "U.S. refiners could not pass on to consumers the additional costs associated with the increase in crude oil prices, resulting in a decrease in their profit margins."

Sectors of the U.S. transportation industry related to movement of crude oil have also been impacted by the repeal of the ban, with the demand for Jones Act tankers and barges to transport crude oil falling.

Exports of U.S. crude from the Gulf Coast rose by more than 200% from 2015 to 2017, with shipments likely on foreign vessels with cheaper operating costs than Jones Act tankers and barges. Imports of foreign crude to the East Coast rose by 35% in 2016, "likely to replace the decline in shipments of domestic crude oil from the Gulf Coast," GAO said.

An industry representative interviewed by GAO noted that some 80% of the Jones Act fleet was built between 2007 and 2016, and since the vessels have a lifespan of some 30 years, replacements are unlikely to be needed in this decade due to decline in demand.

GAO said refined products are still shipped on Jones Act vessels between domestic points lacking pipeline connections, as from Louisiana and Texas refineries "to consumers in Florida, due to a lack of pipelines connecting these states."

The complete report: "Crude Oil Markets: Effects of the Repeal of the Crude Oil Export Ban," GAO-21-118, is available on GAO's website at https://www.gao.gov/products/. ●

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HILCORP MOVES

of oil from Jan. 1 through Sept. 30, a volume including both black oil and natural gas liquids. The previous POD reported an average of 10,095 bpd (also black oil and NGLs combined) for Jan. 1, 2019, through Aug. 31, 2019.

There are three oil sand accumulations at the Northstar unit: Ivishak in the Northstar participating area, Ivishak in the Fido PA and Kuparuk in the Hooligan PA.

During the 16th POD, Hilcorp told the division it completed a workover at the NS-25 well. It also completed three surface facility operations: constructing an ice road for chiller module deliveries; installing support frames, setting chiller modules and installing associated chiller system piping; and commissioning the chiller for improved natural gas liquids recovery during warmer ambient temperatures.

Hilcorp said it did not acidize any Kuparuk PA producers due to undervoiding in the Kuparuk oil pool. The company said acidizing was deferred "until there is a more favorable voidage replacement ratio."

Hilcorp did workovers on three wells: it installed a subsurface safety value on the NS-25 to increase rate; added perforations to the NS-05, "though results were minimal"; and, also with minimal results, added perforations to the NS-11.

Long-range proposed developments at Northstar include exploring the opportunity to import gas from Prudhoe Bay through the existing Northstar Island gas pipeline which runs to Northstar Island from the PBU Central Gathering Facility and confirmation of "existence of the Kuparuk oil rim" and exploring the opportunity "to target any existing reserves," Hilcorp said.

For the 17th POD, in addition to its long-range plan for exploring importing gas from Prudhoe and the long-range plan to confirm existence of the Kuparuk oil rim, Hilcorp said it plans workover operations on the NS-20 to convert that Ivishak producer to a Kuparuk gas injector "to help offset voidage ratio in the Kuparuk horizon"; and replace corroded tubing in the NS-10.

For surface facilities work, Hilcorp said it would construct an ice road for workover operations at Northstar and plans an eight- to 10-day summer outage for maintenance. ●

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INTERNATIONAL

Kuwait faces reckoning, debt crisis looms

By ISABEL DEBRE

Associated Press

When Kuwait emerged from a months-long coronavirus lockdown, hundreds of Kuwaitis flocked to reopened stores, the lines clogging malls, snaking through hallways and spilling onto sidewalks.

But unlike much of the world, where long lines formed for donated food, Kuwaitis were waiting to buy Cartier jewelry.

The jewelry-store rush by Kuwait's long-coddled citizens is a symptom of a looming disaster. Kuwait, one of the world's wealthiest countries, is facing a debt crisis. The pandemic has sent the price of oil crashing to all-time lows and pushed the petrostate toward a reckoning with its longtime largesse, just as a parliamentary election approaches in December.

> *"COVID, low oil prices and the liquidity crisis have all come together in a perfect storm," said Bader al-Saif, an assistant professor of history at Kuwait University.*

"COVID, low oil prices and the liquidity crisis have all come together in a perfect storm," said Bader al-Saif, an assistant professor of history at Kuwait University.

Jobs for 90%

Like other Gulf sheikhdoms, Kuwait provides cushy jobs to roughly 90% of citizens on the public payroll, along with generous benefits and subsidies, from cheap electricity and gasoline to free health care and education.

This fall, the ratings agency Moody's downgraded Kuwait for the first time in its history. The finance minister warned the government soon wouldn't be able to pay salaries. Kuwait's national bank said the country's deficit could hit 40% of its gross domestic product this year, the highest level since the financial devastation of the 1990 Iraqi invasion and subsequent Gulf War.

With crude oil prices just above $40 a barrel, other nearby Arab states took on debt, trimmed subsidies or introduced taxes to sustain their spending. Kuwait, however, did none of that. Its break-even price for this year's budget was $86 a barrel, double current sales figures, putting its finances under strain.

That's not to say Kuwait will be begging for aid at international summits any time soon. The Kuwait Investment Authority holds assets of $533 billion, according to the Las Vegas-based Sovereign Wealth Fund Institute, making it the world's fourth-largest such fund.

No legal framework

The problem is Kuwait has no legal framework to deficit-spend beyond its current limit of $33 billion. It needs the country's strong and rambunctious 50-seat parliament — a rarity among Arab sheikhdoms — to grant approval.

A long-awaited public debt bill would allow Kuwait to borrow up to $65 billion and relieve the crisis. But drumming up billions for the government remains a thorny issue in a country rocked by high-profile corruption scandals. Public suspicion of government graft and mismanagement is growing alongside Kuwait's liquidity crisis.

Passing the bill will be the first legislative challenge for Kuwait's new emir, Sheikh Nawaf Al Ahmad Al Sabah. Sheikh Nawaf ascended the throne in September following the death of the 91-year-old Sheikh Sabah Al Ahmad Al Sabah, a seasoned diplomat who over 14 years made his tiny state a respected regional mediator.

Dec. 5 election

Incoming lawmakers after Kuwait's Dec. 5 election will decide the public debt bill's fate, and it won't be an easy sell.

"The whole system is corrupt," said Omar al-Tabtabaee, an independent lawmaker running for reelection. "There's corruption in our projects, in how they choose civil servants. No Kuwaiti is happy about our situation."

Earlier this year, al-Tabtabaee rejected a plan to raise Kuwait's debt ceiling, along with a majority of lawmakers who feared the fresh revenue would line the pockets of wealthy merchants and foreign banks.

"People have lost their trust in the government," said Mohammed al-Yousef, an independent Kuwaiti political analyst. "There have been so many scandals and not one minister is in prison."

The scandals include a scheme that looted billions of dollars from a Malaysian sovereign wealth fund, ensnaring a member of Kuwait's ruling family. Another smuggled Bangladeshi laborers into the country with the alleged help of lawmakers. Last year, the Cabinet resigned over accusations that hundreds of millions of dollars were missing from a military fund.

Now ministers are struggling to convince an increasingly resentful public. The former finance minister, Mariam al-Aqeel, left her post in February after coming under fire for suggesting the government close its deficit by taxing citizens and cutting salaries. Six Finance Ministry officials resigned in October in what was seen as a bid to drive out the current minister, who has pushed hard for the debt law.

Social contract

The resistance stems from Kuwait's decades-old social contract. Scaling back the bloated welfare state alters a system in which cradle-to-grave benefits buy loyalty — a recipe for unrest without concessions from the top.

"Kuwaitis think, why would I contribute my own money if the government isn't holding anyone accountable? If I can't see where their money is going?" said Barrak Algharabally, an expert in government budgeting at Kuwait University.

As Kuwait quarrels, available cash is dwindling. For the first time in history, oil revenues won't cover salaries and subsidies, which have swelled since 2006 and now eat up more than 70% of the national budget. At current oil prices and spending levels, the general reserve fund will dry up by December, said Raghu Mandagolathur, research director at the Kuwait Financial Center, an investment bank.

Even when the virus recedes, oil prices aren't expected to soar to 2014 peaks of over $100 a barrel. Experts say the pandemic has given Kuwait a glimpse of the future, jolting the country out of the assumption it can live beyond its means forever. But whether the shock will force much-needed reforms remains to be seen.

"We'll have fun for the next 10, 20 years, but what's next?" asked Algharabally, the budgeting expert. "What will happen to our sons and grandsons?" ●

EXPLORATION & PRODUCTION

US drilling rig count drops by two to 310

The Baker Hughes U.S. rotary rig count dropped to 310 for the week ending Nov. 20, down by two from 312 the previous week, a minor reversal in a gradual increase that began in mid-August. The count is still down substantially from a year ago, by 493 from 803.

When the count hit 244 the week of Aug. 14, it was not just the low for 2020, but the lowest it has been since the Houston based oilfield services company began issuing a weekly U.S. rig count in 1944.

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

At the beginning of the year the count was in the low 790s, 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 when it gained back 10 rigs.

This week's count includes 231 rigs targeting oil, down five from the previous week and down 440 from a year ago, 76 rigs targeting gas, up three from the previous week but down 53 from a year ago and three miscellaneous rigs, unchanged from the previous week and up three from a year ago.

Twenty of the holes were directional, 272 were horizontal and 20 were vertical.

Alaska count unchanged

The rig count for New Mexico (55) was up two from the previous week.

Oklahoma (13), Texas (144) and Wyoming (2) were each down by one rig week over week.

Rig counts were unchanged in the remaining states: Alaska (3), California (4), Colorado (4), Louisiana (38), North Dakota (11), Ohio (4), Pennsylvania (20), Utah (3) and West Virginia (7).

Baker Hughes shows Alaska with three active rigs Nov. 20, unchanged from the previous week but down by two from a year ago.

The rig count in the Permian, the most active basin in the country, was up by two from the previous week at 156, but down 249 from a count of 405 a year ago.

—KRISTEN NELSON

● PIPELINES & DOWNSTREAM

First Nations join Keystone XL pipeline

Five Indigenous communities plan C$1B equity investment in disputed line, promise to put environment at top of decision making

By GARY PARK

For Petroleum News

TC Energy has played what is widely viewed as its ace card in the Keystone XL gamble.

Ending a prolonged period of speculation and rumors, the Calgary-based pipeline giant has announced that a group of five Canadian First Nations has signed a deal to make an equity investment of up to C$1 billion in the shaky US$14.4 billion project.

The Indigenous-owned Natural Law Energy, NLE, representing three nations in Alberta and two in Saskatchewan, said it has until September 2021 to secure financing.

TC Energy said it will use similar ownership models in hopes of attracting additional First Nations along the pipeline route in Canada and the United States.

NLE Chief Executive Officer Travis Meguinis said that, although facing numerous legal actions in the U.S. and Joe Biden's threat to shred a key presidential permit for the project if he moves into the White House, the deal could play a vital role in gaining support for KXL not least because NLE has a "lot in common" with Biden.

He said NLE can ensure that KXL and projects like it "will be built with the protection of the environment at the forefront of every decision."

Alberta hails arrangement

Alberta Premier Jason Kenney hailed the NLE arrangement as a model of how to build "strong and trusted partnerships between industry and Indigenous groups" to generate jobs and wealth for the aboriginal communities.

"As stewards of the land, air and water, First Nations project partners will help ensure that Keystone XL — and projects like it — continue to be built with the protection of the environment at the forefront of every decision," he said in a statement.

James Coleman, a noted expert on pipeline law and a professor at Southern Methodist University in Dallas, said KXL still has to negotiate a daunting road, given Biden's campaign pledge.

But he conceded that TC Energy is making headway by building a "broad coalition: of moderate Democrats, labor union groups and Indigenous communities to back the project."

He told the Calgary Herald that the big question now is "whether that moves the needle for Biden or if he sticks to his guns to stop the pipeline. The odds are against them … but you don't stop playing."

Green-energy training program

To bolster its case, TC Energy has formed a green energy-training program to prepare union workers for future renewable energy jobs.

Hal Kvisle, a former CEO of TransCanada (the predecessor of TC Energy), said he hopes the next U.S. government "will wake up to the reality that North America still needs the oil (from KXL) and the U.S. refining venter needs heavy crude. The best place they can get it is from Canada."

TC Energy Executive Vice President Bevin Wirzba noted that by 2040 crude production in Western Canada is expected to displace about 1 million barrels per day of U.S. Gulf Coast imports from countries with a "poorer" environmental, social and corporate governance record than Canada.

He said TC Energy has been "repositioning" KXL in an attempt to gain more widespread support in the U.S. after more than a decade of delays.

But Dennis McConaghy, one of the original executives responsible for KXL, said it is "still going to be extremely difficult to get a Biden administration to support completion" of the pipeline.

He said Indigenous ownership and union backing would help "at the margins," although he believes Biden would use an executive order to scuttle KXL and notch a climate win. ●

Contact Gary Park through publisher@petroleumnews.com

● GOVERNMENT

Furie asks P&A status for suspended wells

Request filed with AOGCC based on work already done on 3 Kitchen Lights exploration wells; above seabed drill pipe the issue

By KRISTEN NELSON

Petroleum News

Furie Operating Alaska, acquired by HEX Cook Inlet out of bankruptcy effective July 1, has applied to the Alaska Oil and Gas Conservation Commission to permanently reclassify from suspended to abandoned status three offshore exploration wells at its Kitchen Lights unit in Cook Inlet — KLU 1, KLU 1A and KLU 4.

The commission issued a public notice on the applications and scheduled a hearing, set to be held telephonically due to COVID-19, for Dec. 23 at 10 a.m. with a call-in number of 1-800-315-6338, code 14331.

In its notice of public hearing the commission said Furie requested the status change without any further well work. The commission said the wells all have structural pipe extending 15 feet above the seabed floor.

Because its regulations require wellhead and equipment and casing to be removed to a depth of at least 5 feet below the mudline, the commission that that, on its own motion, it was scheduling the hearing to consider the request.

Furie's application

In separate applications for each reclassification, Furie said it has held a technical review meeting with AOGCC staff, and attached documents illustrating that the wellbores had "been properly plugged and abandoned" according to commission regulations.

The company said it was requesting a variance to regulations for offshore location clearance.

The wells have 15 feet of 30-inch casing above the seafloor.

Water depths at the wells vary: 192 feet for KLU 4, 203 feet for KLU 1 and to 212 feet for KLU 2A.

There are boulders on the seafloor, identified in bathymetry surveys, as tall or taller than the casing stubs, the company said, negating potential navigational hazards such as anchor snags.

The company provided overviews of the abandonment operations for each of the wells, and said the documents illustrate the wellbores have been properly plugged and abandoned in accordance with the commission's regulations.

Furie said environmental sampling during the exploratory drilling operations and biological assessments in the project area "show no sediments present, supporting minimal sea life."

There are boulders on the seafloor, identified in bathymetry surveys, as tall or taller than the casing stubs, the company said, negating potential navigational hazards such as anchor snags.

"Extreme tides in the Cook Inlet present unique challenges and potential risks to any surface or subsea operation," Furie said, and it "believes the human safety risk associated cutting off the remaining 15 feet of casing stub is high and not commensurate with the operational outcome." Furie said the wells have 30-inch casing caps which only enhance "the integrity of the abandoned wellbore."

Drilling history

KLU 1 is one of the wells (comparable applications and documentation were filed for all three wells). KLU 1 was drilled and suspended in 2011 and re-entered in 2012. It was drilled to 15,298 feet.

Furie included a memorandum from Jacobs Engineering Group on the environmental sampling conducted prior to,

see **SUSPENDED WELLS** *page 8*

EXPLORATION & PRODUCTION

Comments call out for Talitha exploration

The Alaska Department of Natural Resources' Division of Oil and Gas has put out a call for comments on Great Bear Pantheon's proposed Talitha A exploration well plan.

In a Nov. 23 notice the division said the Talitha A exploration well project was included in Great Bear's request for unit plan of operations approval. The division approved the Talitha unit Nov. 12 (see story in Nov. 22 issue of Petroleum News).

The plan is for one exploration oil well on oil and gas lease ADL 391658, some 8 miles west of Dalton Highway milepost 386.7.

Eight miles of ice roads and an ice pad measuring 500 feet by 230 feet will be constructed, with all operations performed on the ice pad, the division said.

Eight miles of ice roads and an ice pad measuring 500 feet by 230 feet will be constructed, with all operations performed on the ice pad, the division said. There will be a satellite office camp, storage areas and maintenance buildings.

"Primary drill objectives include testing and evaluating multiple targets in the Brookian and Kuparuk formations," the division said.

Comments on the Talitha A exploration well project close Dec. 23.

—KRISTEN NELSON

GOVERNMENT

AOGCC public meetings telephonic in '21

The Alaska Oil and Gas Conservation Commission has published dates for its 2021 public meetings, which the public is invited to attend telephonically until further notice due to health mandates issued as a result of the COVID-19 virus.

The number is 1-800-315-6338, code 14331.

The meetings start at 10 a.m. and phone lines will be available beginning at 9:45 a.m.

Final agendas will be available on the AOGCC's website and each meeting will include an opportunity for general public participation in the form of public comments on subjects relevant to the commission's work.

The commission said circumstances may cause items to be added to or deleted from an agenda or may cause a scheduled meeting to be cancelled.

Dates for 2021 are: Jan. 6; Feb. 3; March 3; April 7; May 5; June 2; July 7; Aug. 4; Sept. 1; Oct. 6; Nov. 3; and Dec. 1.

—PETROLEUM NEWS

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UPSTREAM UPTICK

Even the modest target for 2021 accompanied by hopes of a COVID-19 vaccine carries the risk of a red flag if the second wave of the virus exceeds current expectations.

CAODC President Mark Scholz candidly observed that the anticipated well increase next year represents only a "fragile recovery" that is the equivalent of grades for a school student struggling from F to D-minus.

Grasping at straws

Those grasping at straws did draw some added hope from a Conference Board of Canada projection that Alberta's economy will grow by 6% in 2021 after posting a decline this year of 7.7%, the worst contraction among Canada's 10 provinces.

Pedro Antunes, the board's chief economist, said the recession this year was "not as deep as originally feared, with the third quarter recovery exceeding initial expectations."

"The rebound will be pretty good. In fact, Alberta will lead the nation in terms of growth next year, but that's off a very low base," he said, warning that the outlook is "very precarious" for Canada's energy stronghold because of the surge in COVID-19 cases.

However, the initial signs are encouraging for the peak winter drilling season, with CAODC estimating 110 drilling rigs are active in Western Canada, compared with a dismal 17 rigs in June, a number not seen since long before the 1947 discovery.

Scholz said the Canadian industry is also pinning its hopes that OPEC and its allies will continue on their disciplined path and keep their oil supply in balance with demand.

Duncan Au, chief executive officer of CWC Energy Services, which operates drilling and service rigs in Canada and the United States, said he is counting on a more robust industry in the latter half of 2021, adding "we are slowly, gradually climbing" out of its current hole.

Nu-Vista Energy has set a capital budget for 2021 of C$180 million to C$200 million so long as benchmark U.S. crude prices average about US$45 a barrel, but anything below US$40 will force it to drop spending below C$140 million.

COVID cases on rise

What hasn't helped the outlook is word that COVID-19 cases are on the rise in Alberta's oil sands, where outbreaks have occurred at six work sites, with leading operators — Canadian Natural Resources, Imperial Oil, Syncrude Canada and Suncor Energy — reporting about 258 cases.

A spokesman for Syncrude said there is a strong likelihood that his company's positive cases were contracted in the near-by community and not at the workplace.

Scholz told CAODC members at a virtual event that a strategic review will soon disclose the evolution of efforts to reduce greenhouse gas emissions in the drilling sector.

"We know we must adapt, we know we have to change to a new reality, and our association is responding accordingly," he said.

At the same time, Scholz said Canadian oil and gas will be require "for decades to come." ●

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ONLINE BIDDING

sale. Lesli-Ellis Wouters, communications director for BLM Alaska, told PN in October that she anticipates a record of decision on the next NPR-A sale by the end of the year.

The first online state areawide sale was last spring for the Cook Inlet and Alaska Peninsula sales. The division contracted with EnergyNet.com LLC to provide online bidding.

The first online state areawide sale was last spring for the Cook Inlet and Alaska Peninsula sales.

The division contracted with EnergyNet.com LLC to provide online bidding.

Bidder registration and bid submission will be on the EnergyNet Government Listings site at www.energynet.com.

The State of Oklahoma and the federal Bureau of Land Management currently have upcoming oil and gas lease sales posted on the site.

The first day to submit bids for the Alaska sales will be Dec. 14; the deadline for bid submission is Jan. 7 at 4 p.m.

Results of bidding will be available to the public at the division's website Jan. 13 at 9 a.m.

The sale notice and documents are available online at https://dog.dnr.alaska.gov/Services/BIFAndLeaseSale under current lease sales.

—KRISTEN NELSON

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SUSPENDED WELLS

during and after drilling. Jacobs noted unsuccessful attempts to retrieve sediments and said only cobbles were retrieved, noting that "sampling devices showed wear from contacting either bedrock or large cobbles." In describing conditions at the KLU 1 site, Jacobs said the seafloor at that "location was found to be predominately rocks and cobbles. Pockets of sediment suitable for sample collection were not found despite attempts across the 810,000 square meter area."

Discussing what it would take to obtain sediments, Jacobs said it would require either "larger sampling devices or collection by diver or underwater rovers. Each of these alternatives would require a considerable amount of time, money and, in the case of diver-collected sediment, safety risks to coordinate and obtain samples. Based on what was found during this effort, there is no guarantee that sediment could be obtained."

Kitchen Lights produces from the Julius R natural gas platform.

As of October, the most recent month for which AOGCC has production data posted, there were four wells in production, all producing from the Beluga formation. The field averaged 14,114 thousand cubic feet of natural gas per day in October. ●

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OCC RULE

banks and determined that in 2019 and 2020, the banks had decided to withhold financial services to major energy industry categories, including coal mining, coal-fired electricity, and/or oil exploration in the Arctic.

"The terminated services were not limited to lending, where risk factors might justify not serving a particular client (e.g., when a bank lacked the expertise to evaluate the collateral value of mineral rights in a particular region or because of a bank's concern about commodity price volatility)," the OCC said. "Instead, certain banks indicated that they were also terminating advisory and other services that are unconnected to credit or operational risk."

The OCC said some banks indicated they would only make exceptions when benchmarks unrelated to financial risk are met, such as whether the country in which a project is located has committed to international climate agreements and whether the project controls carbon emissions sufficiently. "Neither the OCC nor banks are well-equipped to balance risks unrelated to financial exposures and the operations required to deliver financial services," the OCC said. "For example, climate change is a real risk, but so is the risk of foreign wars caused in part by U.S. energy dependence and the risk of blackouts caused by energy shortages."

Balancing those risks, the OCC said, is the purview of Congress and federal energy and environmental regulators.

Organizations involved in politically controversial but lawful businesses are entitled to fair access to financial services under the law, it said.

All banks must provide fair access to financial services, but it is particularly important that the nation's largest banks do, the OCC said.

"Large banks exercise sufficient market power to influence the price of financial services, and only the largest banks have the diversified balance sheets and sophisticated risk management systems to serve certain industries," it said. "It is also fair to place particular responsibilities on the largest banks because their systemic importance often results in their receiving assistance and favorable treatment from the government during periods of financial distress."

—STEVE SUTHERLIN

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HEX DRAFT

at the central processing facility — production was limited to the Beluga formation "to limit the amount of produced water entering the pipeline."

"With the Beluga reservoir in decline the upside prize for the new owners was returning the Sterling reservoir to production," requiring "a water handline permit for overboard discharge of the water," HEX said in the POD.

The company said it had assumed Sterling would be online in the fourth quarter of 2020, but now that production isn't expected to come online until the second quarter of 2021 at the earliest.

The company said all four of the wells on the Julius R platform have been perforated in both the Sterling and the Beluga.

"Obtaining the platform water handling permit more than doubles our remaining reserves and revenue," HEX said.

The Alaska Department of Environmental Conservations' Wastewater Discharge Authorization Program issued a notice of review Nov. 19, with a preliminary draft available for a two-day review by the applicant, ending Nov. 23, following which DEC will prepare a draft permit and fact sheet for a formal 30-day public review period.

The notice of review says the proposed permit is for reissuance of the initial wastewater discharge permit issued in 2014 for construction of the Julius R platform and pipeline, as amended.

Furie initiated natural gas production from the Julius R in late 2015 from a single well; today there are four wells completed into the Beluga and Sterling formations.

DEC said, "the addition of a system to treat produced water prior to its discharge to Cook Inlet from the platform represents a major modification to infrastructure affecting the proposed permit."

Furie Operating applied for reissuance of its Alaska Pollutant Discharge Elimination System individual permit for the Julius R platform in March 2019 and submitted an amendment in November 2019 to include an additional, new discharge of produced water.

Beluga

DEC said the 2014 permit was based on production from the Beluga formation with the assumption that produced water would be minimal, some 50 barrels per day, and that it could be transported via pipeline to the onshore central production facility for disposal.

"However, after completing wells and producing from the Sterling formation, the volume of produced water has significantly increased and includes gas hydrates that can cause pipeline freeze-ups that must now be considered," the department said.

DEC said the original assumptions, based on dry gas from the Beluga formation, were "found to be inappropriate," as Sterling gas is wet with produced water volumes of some 2,000 bpd.

"Further compounding produced water management difficulties, during the winter conditions of January 2019 while producing from the Sterling, gas hydrates formed in the produced fluids within the pipeline to the onshore facility causing a pipeline blockage substantial enough to completely halt gas production for 75 days," DEC said.

Sterling

To ensure that gas hydrates do not form in the pipeline, water needs to be removed at the platform.

"This situation posed a design challenge to find a produced water treatment system that could adequately treat the produced water and be installed within the limited space available at the platform," DEC said.

Furie submitted a preliminary application, without produced water, in February 2019, prior to expiration of the existing permit, and DEC said it administratively extended the 2014 permit "until Furie could conduct a pilot test for a produced water treatment system and submit a supplemental application allowing for permit reissuance."

The supplemental application was submitted in November 2019 with information based on successful completion of a pilot test.

DEC requires engineering plans for such a non-domestic wastewater treatment system and said Furie submitted those plans and they were approved in February 2020 but, the department said, Furie is waiting until the permit becomes effective to start construction.

—KRISTEN NELSON

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Petroleum news

Advertiser Index

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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INSIDER

Under AOGCC's new Nov. 9 ruling, Amaroq's total bonding requirement is $900,000 ($150,000 per well), less the existing $200,000 bond, so an additional $700,000 is required.

Still a lot of money for the tiny independent oil and gas company.

"AOGCC has proposed changes to … the Alaska Administrative Code that increase the number of annual installments an operator has to pay on increased bonding levels from 4 years to 7," Pfoff said. "However, Amaroq would be required to pay 71% ($500,000) of the increased bonding requirement in the first installment. This is very problematic for a company our size."

SCOTT PFOFF

Amaroq is on record as being supportive of AOGCC's efforts to embrace bonding requirements that give consideration to unique factors facing each operator when it comes to plugging and abandoning wells, Pfoff said: "However, the bonding requirements for Amaroq's wells should be approximately 50% less than AOGCC's decision of $150,000 per well."

PAUL CRAIG

Additionally, "AOGCC and the Department of Natural Resources need to work together to eliminate duplicative financial coverage for the same P&A costs," he said.

When Amaroq acquired the Nicolai Creek gas producing unit "we entered into a Dismantlement, Removal & Restoration Agreement (DR&R) with DNR, which obligates Amaroq to escrow funds sufficient to restore the lands including P&A of the wells."

In its decision, AOGCC stated that no evidence had been offered as to the amount of the DR&R funding that was dedicated to the costs to properly P&A Amaroq's wells.

"Amaroq," Pfoff said in his email to PN, "intends to provide the evidence and work with both agencies in an effort to resolve this issue."

"Lastly, Amaroq continues to consider legal remedies available to us should we be unable to achieve an acceptable bonding solution," he said.

Dr. Paul Craig, a board-certified neuropsychologist who practices in Anchorage and a veteran oil and gas investor in Alaska, was also approached by PN for a comment on AOGCC's Nov. 9 decision, as his independent oil and gas company, Trading Bay, owns one-third of Amaroq.

"Bottomline from my perspective is that if Amaroq is, in fact, required to post an additional $500,000 of bonding immediately, the net result is that the AOGCC may thereby push the Nicolai Creek unit from its current status as a going concern into the category of being a non-commercial enterprise by way of regulation," Craig wrote in a Nov. 17 email to PN.

"Obviously, we have to run the numbers to make a final determination about whether it is or is not a going concern. But shooting from the hip, the numbers currently imposed by the AOGCC do not look good from a purely commercial perspective," Craig said.

Turning the Nicolai Creek unit into a non-commercial enterprise through the regulatory process would result in the following, per Craig:

- Several Alaskan's jobs being lost in the middle of a pandemic.
- Loss of royalties paid to the State of Alaska.
- Loss of tax revenue — some of which is paid to the Kenai Peninsula Borough.
- Loss of proved producing reserves on the heels of the Nicolai Creek unit wells being plugged and abandoned.

AOGCC said in its Nov. 9 decision that Amaroq had filed a September 2017 affidavit from Ed Jones that estimated the cost to properly P&A the Amaroq wells at between $100,000 and $200,000 per well.

In 2019 Jones, operating as Plugging Inlet LLC, successfully plugged and abandoned 10 wells on Cook Inlet Region Inc. land near the Nicolai Creek field. The estimate Jones made in 2017 was based on the plan AOGCC approved for P&A of the CIRI wells, the commission said.

At a 2020 hearing on bonding reconsideration requests (see story in Feb. 23, 2020, issue of Petroleum News), Amaroq said it had hired Solsten XP to determine total P&A costs for Nicolai Creek, which Solsten estimated at $819,00 for all the wells. (Solsten is a well-known project management and contracting service company for the oil and gas industry in Alaska.)

The commission said Amaroq provided a second third-party P&A cost estimate totaling $470,000 or $78,333 per well for the six wells. AOGCC requested estimates for each well, and in March, Amaroq provided a revised third-party cost estimate of $491,675 to P&A the six wells.

The commission said Plugging Inlet LLC successfully completed the P&A of the CIRI wells in 2019.

"Because of the similarity of the CIRI wells to the Amaroq wells, on May 1, 2020, the AOGCC requested documentation of the actual costs incurred to P&A those 10 wells. On May 13, 2020, Jones provided the information which showed an average cost to P&A the CIRI wells of $151,000 per well," the commission said.

AOGCC said its Nov. 9 decision was based on the actual costs incurred in 2018 and 2019 to P&A the CIRI wells, as well as evidence provided by Jones. Consequently, it found an average cost of $150,000 per well, $900,000 for the six wells, to be a reasonable estimate for the Amaroq's wells.

On the issue of the DNR bond and trust account, the commission said that as of the date of its order "no evidence has been offered as to the amount of the DR&R funding that is dedicated to the costs to properly P&A Amaroq's wells."

That's because DNR does not break out those costs, so AOGCC does not recognize the bond that operators are required to have with DNR.

While the relationship between the two state offices might be unclear, one thing is very clear: Pfoff is not going to be regulated out of business without putting up a fight.

Stay tuned….

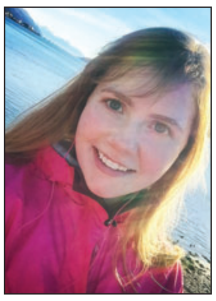
—KAY CASHMAN

RDC pulls off first virtual annual conference

EXECUTIVE DIRECTOR Marleanna Hall and her small staff, which includes Kari Nore, project manager, put together an interesting group of speakers for the Resource Development Council's 41st annual resources conference — and RDC's first annual resources conference that was virtual.

MARLEANNA HALL

Some of the speakers from Alaska's oil and gas industry included Joe Marushack, president, ConocoPhillips Alaska; Jill Fisk, asset team leader, Prudhoe Bay West, Hilcorp Alaska; and Darlene Gates, president, ExxonMobil Alaska.



KARI NORE

Marushack made the top of page 1 last week in Petroleum News with especially good news: ConocoPhillips Alaska is going from zero to four rigs on the North Slope in 2021, mainly thanks to the defeat of Ballot Measure 1, which would have significantly raised state oil taxes on the North Slope.

Fisk also made page 1. Hilcorp took over as operator at Prudhoe Bay on July 1, bringing a corporate culture of entrepreneurship and ownership to the state's largest field where it acquired a 26% interest from BP. Although Marushack said Prudhoe Bay unit activity going forward "is dependent on reaching a consensus with the major working interest owners, a discussion that's still under way," Fisk provided some perspective on what has changed since July 1.

Among other things, she mentioned:

- On the maintenance side, more fin fans were repaired at Gathering Center 1 in July than in the previous four years, leading to improved plant efficiency in the summer months.
- Hilcorp has been able to increase production by about 10,000 barrels per day, and as temperatures dropped in November, she said, there have been several days of more than 280,000 barrels of oil per day.
- In under a month, a contractor came up with an idea that saved more than $250,000 — evidence of Hilcorp's "taking ownership" strategy.

What was RDC's secret to pulling off this successful virtual conference?

"I think timing played a key part in our conference. If we hadn't had the election behind us (as well as Ballot Measure 1), I'm not sure the news from the producing companies would be positive. It was really about all of the Alaskans that voted no on 1. For the other industries, there is a lot of opportunity, and we are optimistic 2021 will be better, particularly for tourism and fishing," Hall said in a Nov. 19 mail to PN.

She also reminded us and our readers to "mark your calendars for an update from Oil Search on 12/3 for our breakfast program."

Done.

—KAY CASHMAN

Contact Kay Cashman at publisher@petroleumnews.com

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WILLOW LAWSUIT

The development includes the construction of drill sites, a processing center, an operations center and access roads.

The new appeal argues that when the U.S. Fish and Wildlife Service evaluated the potential impacts of the Willow project on polar bears, a species designated as threatened under the Endangered Species Act, "FWS failed to articulate a rational connection between the facts found and the no-jeopardy conclusion reached," thus violating both the ESA and the APA. FWS also failed to include in its evaluation a statement assessing the potential number of "incidental takes" of the bears, the appeal claims. The FWS evaluation of potential polar bear impacts was one of the factors taken into account in BLM's approval decision.

Adequate consideration of concerns?

The appellees also argue that, in preparing its final environmental impact statement for the Willow development, BLM failed to address "extensive concerns raised about the project and the agencies' analysis." Nor did the FEIS adequately consider the changes that ConocoPhillips made to its project plan following the publication of the original draft EIS, the filing says. Other issues raised in the filing include questions over adequate responses to public concerns regarding the potential environmental impacts of water crossings, including a planned crossing of the Colville River.

The appeal also argues that, in preparing the FEIS, BLM did not consider an adequate range of project alternatives, and that the agency had failed to require a right-of-way application from ConocoPhillips.

ANWR legal filings

Meanwhile, as previously reported in Petroleum News, there are four appeals already underway in the Alaska District Court, challenging the authorization of lease sales for the ANWR coastal plain. The first of these was filed by the Gwich'in Steering Group and 11 environmental organizations; the second by four other environmental organizations; the third by the Native Village of Venetie Tribal Government, the Arctic Village Council, and the Venetie Village Council; and the fourth by 15 U.S. states.

In mid-November the Alaska Oil and Gas Association and the American Petroleum Institute filed to intervene in all four cases. And at around the same time, the Bureau of Land Management filed its response to the various allegations in the third and fourth cases, with the agency arguing that for various reasons the allegations in the cases lack merit.

The Village of Venetie and Arctic Village are home to the Gwich'in, a Native people of Arctic Alaska and northern Canada. The Gwich'in have for many years expressed strong concern about the potential impact of oil and gas industrial activities on the Porcupine caribou herd that calves on the ANWR coastal plain — caribou form a primary subsistence food source for the Gwich'in.

However, there is a diversity of views on the North Slope regarding potential ANWR oil development, given the potential for development to bring economic benefits to the region. Supporters of oil development argue that the use of modern technology and limitations on surface land use can minimize environmental impacts. The Kaktovik Iñupiat Corp. recently requested authorization for 3D seismic surveying in the eastern region of the ANWR coastal plain. ●

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OIL PRICES

Oil has climbed out of the abyss in 24 days of November, risen from the first day of trading Nov. 2.

ANS led the march higher, from its close of $38.06 on Nov. 2 — up $8.96 or 24% month-to-date. WTI closed at $36.81 Nov. 2, up $8.10 or 22% month-to-date. Brent closed at $38.97 Nov. 2, up $8.89 or 23% month-to-date.

The recovery is even more spectacular, when considered from the $33.64 inter-day trading low of WTI on Nov. 2; the Nov. 24 close of $44.91 represents a gain of some 34%.

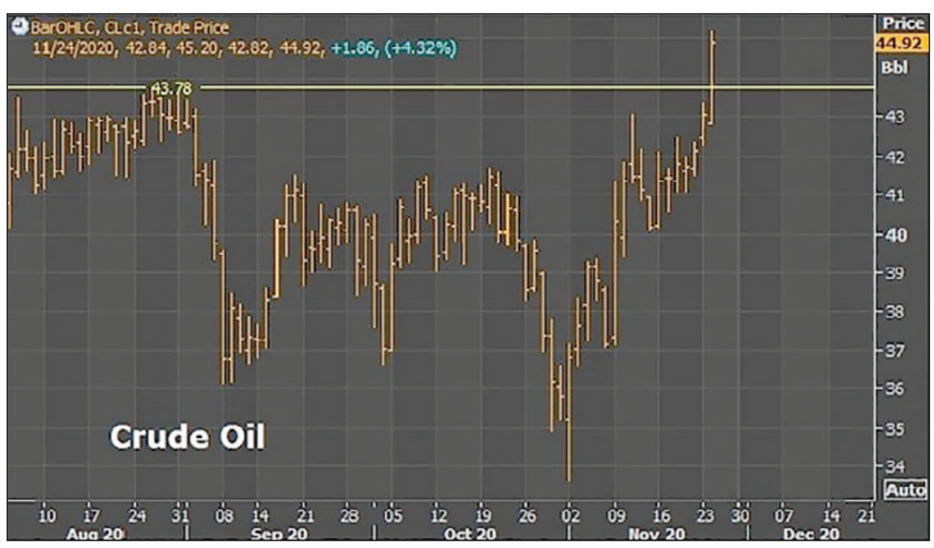
The fortunes of black gold were boosted by the advent of several other extremely valuable liquids — three vaccines for COVID-19.

AstraZeneca Plc broke the news early in the week that its COVID-19 vaccine could be up to 90% effective.

Pfizer Inc. with partner BioNTech SE and Moderna Inc. earlier released trial data showing their COVID-19 vaccines to be about 95% effective at preventing the illness.

Equities too seem to have shaken off October's malaise, a month of a broad market selloff, ending with the worst week for U.S. stocks since March.

Nov. 24 was a big day for stock prices. The Dow Jones Industrial Average crossed above 30,000 for the first time Nov. 24, having staged a rally of more than 60% from its March lows.



COVID vaccine news, aided by an increase in forward visibility on the U.S. presidential election outcome, fueled the surge.

November was especially good to oil stock — Nov. 24 was the apex of a broad rally in oil company equities. Chevron, for example, rallied to a close of $95.62, up 36% from the beginning of the month and up 85% from its March low of $51.60.

The stock market is forward looking, and quality names like Chevron may well have lifted into a higher trading range heading into 2021 as investors eye future profits resulting from higher production and prices, streamlined operations, and accretive acquisitions. Oil prices are another animal.

Stock shares don't pile up and tax storage capacity, and while supply and demand are also in play with equities, oil demand ultimately is reliant on consumption of the commodity.

Notwithstanding current benchmark prices over $45, the $40 to $45 channel at the center of recent price movement is likely still intact, as it was even in the face of October's sub-$40 excursions.

Before the recent coronavirus surge, analysts were hopeful that demand would cross above supply near the end of December, christening a new trading level for oil, but now most analysts and the Organization of Petroleum Exporting Countries see that line being crossed in mid 2021.

On the supply side, the largest factor now looming is the OPEC+ meetings Nov. 30 and Dec. 1 where the trade group is expected to reach a decision on whether to extend its current level of production curbs.

On the demand side, total October domestic petroleum deliveries in the

The recovery is even more spectacular, when considered from the $33.64 inter-day trading low of WTI on Nov. 2; the Nov. 24 close of $44.91 represents a gain of some 34%.

United States are a bright spot — up 5.5% from September, according to the American Petroleum Institute's latest monthly statistical report. Deliveries are 9% below the same month in 2019.

American consumers seem to have found private automobile travel to be a safer alternative to other options, spurring a price surge and record sales of used cars, and a tight supply of new ones. Those cars being out on the road rather than dealer lots bode well for gasoline demand.

The API numbers however, show a decrease of 0.9% in October motor gasoline deliveries versus September. That may simply be a seasonal change, as winter sets in. At 8.5 million barrels per day, October deliveries were 8.9% lower than October 2019.

Holiday freight loads have propelled October distillate deliveries to 3.9 million bpd, up 5.1% from September but down by 8.0% year over year.

Jet fuel deliveries of 1 million bpd lifted 10.9% in October versus September, but still are lagging other fuel categories — down by 40.3% versus October 2019. ●

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