



page 3 Mathew Rexford: Our village is not a national monument!

ANS leaps on stockpile drawdown, OPEC forecasts increased demand

Alaska North Slope crude vaulted \$2.57 to close at \$66.26 April 14, while Brent jumped \$2.91 to \$66.59, and West Texas Intermediate popped \$2.97 to close at \$63.15.

After a string of docile trading days with movement counted in pennies per day, trading went ballistic April 14 on news from the U.S. Energy Information Administration that U.S. crude inventories had fallen to levels not seen since February, after the largest drawdown in two months.

The Organization of the Petroleum Exporting Countries added fire to optimism on the demand side, sweetening its outlook for 2021 economic activity and oil demand in its Monthly Oil Market Report released April 13.

The cartel lifted its 2021 global oil demand forecast by see **OIL PRICES** page 8

PHMSA requires Hilcorp to replace its MGS fuel gas system pipeline A

The federal Pipeline and Hazardous Materials Safety Administration is requiring Hilcorp to replace the fuel gas pipeline between the company's Middle Ground Shoal A Platform and the MGS onshore facility.

A leak was reported in the fuel gas line April 1. (See story in April 11 issue of Petroleum News.)

PHMSA issued a corrective action order, CAO, on April 3, requiring reduced pressure in the fuel gas line, the Middle Ground Shoal A pipeline, completion of a temporary repair within 15 days and a shutdown of the line if that deadline could not be met.

see **HILCORP PIPELINE** page 3

Dunleavy introduces energy act to spur renewable fuels development

On April 9, Alaska Gov. Mike Dunleavy introduced the Alaska Energy Independence Act (SB 123, HB 170) establishing a "tried and true method to spur sustainable energy development."

The bill creates the Alaska Energy Independence Fund through which the Alaska Industrial Development and Export Authority, or AIDEA, will develop and market renewable energy loan programs and products for Alaskans, "catalyze the clean energy market in Alaska through private sector co-investment, and receive federal funds that may

see **ENERGY ACT** page 12



GOV. MIKE DUNLEAVY

Alberta pumps C\$408M into Inter Pipeline petrochemical complex

The Alberta government has dug deep into its piggybank to pull out a C\$408 million cash grant for Inter Pipeline's Heartland Petrochemical Complex, HPC, near Edmonton — the first allocation under the province's Petrochemicals Incentive Program.

The handout will be paid in three equal instalments over four years, once Heartland comes on stream in 2022, and will cover up to 12% of eligible capital costs.

The complex, which has been wrestling with construction delays and budget overruns, is rated by Inter Pipeline President Christian Bayle as a potential world-class integrated propane dehydrogenation and polypropylene production facility.

He said HPC's construction has created thousands of technical, manufacturing and construction jobs and has been a

see **PETROCHEM COMPLEX** page 12

LAND & LEASING

Falls Creek rebound

Supreme Court finds PLC LLC has standing as ORRI owner, remands to DNR

By **KRISTEN NELSON**

Petroleum News

The Alaska Supreme Court has ruled that the holder of an overriding royalty interest in a state lease has standing. The ruling came in a case brought by PLC LLC and MH2 LLC, owned by Paul Craig and family, against the Alaska Department of Natural Resources over a decision DNR made in 2017 excluding a state lease in which PLC holds an overriding royalty interest, ORRI, from inclusion in the Falls Creek participating area at the Ninilchik unit on the Kenai Peninsula.

Hilcorp Alaska, operator at Ninilchik, had included the area in which PLC holds an ORRI in its appli-

"PLC has a sufficient personal stake because had DNR approved the unit operator's original proposed expansion, PLC's lease would have been included, resulting in a direct financial benefit," the court said.

cation to the division, but the area was not included in the approved Falls Creek participating area.

When PLC appealed the decision to the DNR commissioner, the appeal was dismissed on the grounds that as an ORRI owner, PLC lacked

see **FALLS CREEK** page 9

GOVERNMENT

Alaska DNR vs. USA

Assertive approach to secure title on submerged lands promised at statehood

By **STEVE SUTHERLIN**

Petroleum News

After 62 years of federal foot dragging on clearing title to submerged lands promised to the state under the Alaska Statehood Act, Gov. Mike Dunleavy's Unlocking Alaska Initiative seeks a path to resolution.

At stake is the right of Alaskans to ply the waters of navigable rivers and lakes, and the state's right to manage those waters and the lands that lie beneath them.

The state is adopting a new proactive approach by unilaterally asserting management over the disputed waterways.

"In short, we will act like the owners that we are

of the submerged lands under these conspicuously navigable waters that fall within ANILCA areas in the State of Alaska," James Walker, Alaska Department of Natural Resources natural resource manager James Walker said in an April 8 presentation to the Alaska Support Industry Alliance.

Passed by Congress in 1980, ANILCA — the Alaska National Interest Lands Conservation Act — designated more than 100 million acres of federal land in Alaska as new or expanded conservation system units, CSU. Recognizing Alaska's unique rural lifestyle, the act included language to protect traditional transportation routes on land and water.

Walker, in his role at the DNR's Division of

see **DNR VS. USA** page 10

GOVERNMENT

It cuts both ways

API estimates cross-border crude flow accounts for 15% of liquids supply needs

By **GARY PARK**

For Petroleum News

In his first five months as Montana's Attorney General, Austin Knudsen has wasted no time tackling President Joe Biden's decision to scuttle the Keystone XL pipeline, teaming up with other states in mounting a legal challenge against the move.

Interviewed on CTV's Alberta Prime Time, he accused Biden, who entered the White House as a self-proclaimed pro-union president, of throwing 4,000 pipeline workers "under the bus" and potentially costing Montana US\$127 million a year in lost wages, taxes and benefits.

Knudsen welcomed positive backing from



AUSTIN KNUDSEN

Saskatchewan Premier Scott Moe, whose province's oil producers stood to gain access to 20% of the 830,000 barrels per day link to Texas Gulf Coast and Oklahoma refineries.

He said Moe has expressed a willingness to join forces with the 17 U.S. states that have filed the lawsuit against the Biden administration.

Court action

The court action claims that only the U.S. Congress can grant or reject permits for oil pipelines that cross an international border, not a presidential administration.

see **CROSS-BORDER CRUDE** page 4

● PIPELINES & DOWNSTREAM

Judge orders delay amid debate over line

By JAMES MACPHERSON & DAVE KOLPACK

Associated Press

A judge on April 9 delayed a decision on whether the Dakota Access Oil pipeline should be shut down while the U.S. Army Corps of Engineers conducts an environmental review on the project, after lawyers for the pipeline asked for more time to outline the effects of recent changes in the economy.

U.S. District Judge James Boasberg granted the 10-day continuance after the Biden administration declined to intervene in the case, which an attorney for the Standing Rock Indian Reservation said is “deeply” disappointing to the tribes.

“The decision here today is to keep operating, which is the same decision as the previous administration,” Earthjustice attorney Jan Hasselman said during the hearing. “The company gets to keep the benefits of operating the pipeline that was never properly authorized while the community has to bear the risks and the consequences.”

Boasberg ordered the hearing mainly for the Corps to explain how it could proceed without a federal permit granting easement for the \$3.8 billion pipeline to cross beneath Lake Oahe, a reservoir along the Missouri River that is maintained by the Corps. Corps attorney Ben Schifman told the judge that the agency might act on the permit issue at some time, which Boasberg described as a possibility of “sooner, later or not at all.”

The hearing in Washington, D.C., was originally scheduled for February. But the Corps filed a motion to

postpone the hearing in order to allow officials from Biden’s administration more time to familiarize themselves with the case, including the 2016 lawsuit filed by the Standing Rock Sioux Reservation in an attempt to stop construction.

“I too am a little surprised that this is where things stand 60 days later,” Boasberg said. “I would have thought there would be a decision one way or another at this point.”

Hasselman said he expected the Corps to make a decision April 9 and objected to the delay.

“We strongly disagree with the idea that you need another round of declarations and expert reports,” he said. “We agreed to 60-day extension as courtesy and don’t think it should be used against us. Let’s not go through another round of competing expert reports. You’ve seen them many times.”

Hasselman told reporters that the hearing April 9 was a chance for the Biden administration to prove its commitment to improving tribal relations and the environment.

“Today was the day to see whether this rhetoric was going to be matched with action and they fell short,” Hasselman said.

Pipeline attorney David Debold said “a lot has happened with our economy and overall markets” in the last five months and the continuance is warranted.

Further environmental study

Boasberg in April 2020 ordered further environmental

study after determining the Corps had not adequately considered how an oil spill under the Missouri River might affect Standing Rock’s fishing and hunting rights, or whether it might disproportionately affect the tribal community.

Texas-based Energy Transfer estimated it would cost \$24 million to empty the oil and take steps to preserve the pipe. It said it would have to spend another \$67.5 million each year to maintain the line while it’s inoperable. The company did not immediately return messages for comment left April 9.

The \$3.8 billion, 1,172-mile pipeline crosses beneath the Missouri River, just north of the Standing Rock Sioux Reservation that straddles the North Dakota-South Dakota border. The tribe, which draws its water from the river, says it fears pollution.

The pipeline was the subject of months of sometimes-violent protests in 2016 and 2017 during its construction. The tribe took legal action against the pipeline even after it began carrying oil from North Dakota across South Dakota and Iowa to a shipping point in Illinois in June 2017.

Former President Barack Obama’s administration originally rejected permits for the project, and the Corps prepared to conduct a full environmental review. In February 2017, after Donald Trump took office, the agency scrapped the review and granted permits, concluding that running the pipeline under the Missouri River posed no significant environmental issues. ●

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Alaska’s source for oil and gas news

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HILCORP PIPELINE

On April 6 PHMSA amended that CAO, requiring Hilcorp to replace the line between Platform A and shore.

After the fuel gas leak was discovered April 1, Hilcorp initially reduced pressure in the fuel gas line, which carries transmission-quality natural gas, 98.67% methane.

It further reduced the pressure in compliance with the April 3 CAO.

On April 3 Hilcorp reported an abnormal operating condition — a pressure drop and increase in flow on the line. As a result, Hilcorp shut in the line. The company also reported that day that it was able to locate heaters which it could use to assist in freeze protection which had been provided by fuel gas from the MGS-A pipeline.

In response to the leak Hilcorp planned a multi-beam sonar survey and said it would attempt to get divers into the area when it was possible to do that safely.

The amended CAO specifies that the affected segment of the line, shut-in April 3, is to remain shut-in and may not be restarted until authorized by the PHMSA director under terms of the amended order.

Hilcorp then has 45 days to submit a replacement work plan and 365 days from the April 6 date of the order to complete the replacement.

Fifth leak

PHMSA said this is the fifth leak on the MGS-A line since June 2014. Leaks previously occurred in June 2014 and August 2014, December 2016 through May 2017 and in 2019.

Most of the leaks “were determined to be caused by rock contacting the pipeline in areas where the pipeline was not continuously supported by the seabed,” PHMSA said; cause of the 2019 leak was “corrosion/weld discontinuity.”

Prior leaks were repaired with bolt-on split-sleeve clamps.

PHMSA said the 2014 leaks were 42 yards apart, the 2016-17 leak was some 2/3 mile from the previous two leaks and the current leak is in the general vicinity of the 2014 leaks.

A consent agreement following the 2016-17 leak required corrective measures, including integration of in-line inspection and sonar inspection results. That integration, PHMSA said, identified locations which required pipeline repairs or other mitigation measures. “Repairs and other mitigation actions included application of a pipeline clamp, coating repairs, and pipeline protection and stabilization,” the agency said.

PHMSA said state and federal agencies, including the Alaska Department of Environmental Conservation and the National Oceanic and Atmospheric Administration’s National Marine Fisheries Service “have expressed concerns to PHMSA regarding damage to marine life in the Cook Inlet as a result of methane release into the water.”

Terms of amended CAO

The amended CAO requires that the MGS-A line remain shut-in and may not be operated until authorized by the PHMSA director.

Prior to restart, a restart plan must be approved, providing for adequate patrolling of the area during restart, which must occur in daylight. Pressure on the line may not exceed 65 psig until a higher operating pressure is approved by the director.

The restart plan must provide a repair plan.

The amended CAO says the affected segment of the line must be temporarily repaired by April 17 and permanently

A replacement work plan is required within 45 days and replacement must be completed within 365 days.

repaired by May 1, and Hilcorp must develop and implement a “Pipeline Leak Inspection and Repair Plan” for the MGS-A line.

Conditions are specified for removal of the pressure restriction.

Hilcorp is required to complete a root cause failure analysis and submit a final report to the director within 120 days. The analysis “must be supplemented or facilitated by an independent third-party and must document the decision-making process and all factors contributing to the failure.” Selection of an independent third party requires prior approval of the director.

A replacement work plan is required within 45 days and replacement must be completed within 365 days.

Line installed in 1965

Hilcorp purchased Middle Ground Shoal Cook Inlet oil and gas facilities from XTO Energy in September 2015, a purchase which included the MGS-A pipeline.

The Middle Ground Shoal A pipeline is an 8-inch diameter line from the MGS onshore facility to A Platform, installed in 1965; the portion from the A Platform to C Platform was installed in 1967.

MGS Platform A was the earliest to be installed in Cook Inlet, in 1964, by Shell.

XTO, formerly Cross Timbers, purchased Shell’s Cook Inlet interests, including Platform A and Platform C, in 1998.

Both the MGS-A and MGS-B lines originally carried oil. MGS-A was converted to gas service in 2005. MGS-B no longer carries oil, but Hilcorp maintains a flow of water to that line and has told PHMSA that MGS-B could freeze in colder temperatures in a low-flow or no-flow condition, potentially causing a breach in that line.

Fuel gas provided by MGS-A is used to power boilers and the platform, providing freeze protection for MGS-B.

Hilcorp was ultimately able to mobilize heaters to the platform, allowing it to continue to flow water to MGS-B.

—KRISTEN NELSON

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LAND & LEASING

Our village is not a national monument!

In a recent opinion piece Matthew Rexford reminded people that the Village of Kaktovik is the only community in the 19 million acre Arctic National Wildlife Refuge, as well as the only permanent settlement on the narrow strip of coastline that is the ANWR 1002 area, where there is “great oil and gas potential.”

President of Kaktovik Iñupiat Corp. and tribal administrator of the Native Village of Kaktovik, Rexford said that “despite the picture often painted by politicians and outside special interests, ANWR is not a desolate wilderness. It never has been. The Kaktovik Iñupiat have lived here for thousands of years, and we refuse to allow our land to be managed by the federal government and unaccountable agencies that are either indifferent, or downright hostile, to the interests of local communities they are supposed to serve. Our village is not a shiny monument for outsiders to gawk at — it is our home.”



MATTHEW REXFORD

For the past 40 years, Rexford said, the ANWR debate has been largely framed by lawmakers and environmental groups and has centered around the caribou, polar bears, tundra and birds.

“But,” he asked, “what about the people — my people? Aren’t we worth preserving? Don’t we get a say in whether oil can be developed on our land so we can have an economy?”

In March, the Alaska House of Representatives passed a resolution pushing back on President Joe Biden’s moratorium on oil and gas leasing in ANWR.

“Alaska House Joint Resolution 12 urges the president to uphold the 2017 Tax Cuts and Jobs Act that approved ANWR leasing and begin permitting lease holders,” Rexford noted. “The resolution also opposes designation of the refuge as a national monument, a unilateral move the president is considering that would require no congressional approval and would end any possibility of ANWR development, at least for the next four years.”

HJR 12 has been met with bipartisan support in the Alaska Legislature and is “described as a united effort by Alaskans to defend their state’s energy rights against a hostile federal administration,” he said.

“While that may be the intent of the resolution, it represents something far bigger for those of us living inside the refuge — human rights,” Rexford said.

“This is an inconvenient and uncomfortable truth for the federal government and others who oppose ANWR development, so they pretend we don’t exist. It’s easier to justify locking up the refuge when no one acknowledges that people live here, own land and support responsible development here.”

—KAY CASHMAN

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EXPLORATION & PRODUCTION

US rotary rig count at 432, a gain of two

The Baker Hughes U.S. rotary drilling rig count, 432 on April 9, was up by two from 430 the from the previous week and down 170 from a count of 602 a year ago.

When the count bottomed out at 244 in mid-August last year, it was not just the low for 2020, but the lowest the count has been since the Houston based oilfield services company began issuing weekly U.S. numbers in 1944.

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

The count was in the low 790s at the beginning of 2020, where it remained through mid-March, when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August when it gained back 10 rigs.

The April 9 count includes 337 rigs targeting oil, unchanged from the previous week and down 167 from 504 a year ago, 93 rigs targeting gas, up two from the previous week and down by three from 96 a year ago, and two miscellaneous rigs, unchanged from the previous week and unchanged from a year ago.

Eighteen of the holes reported April 9 were directional, 394 were horizontal and 20 were vertical.

Alaska unchanged from previous week

Utah (8) was up by two rigs from the previous week.

Ohio (10) and Oklahoma (20) were each up by a single rig.

Louisiana (46) and Wyoming (4) were down by one from the previous week. Baker Hughes shows Alaska with three rigs active April 9, unchanged from the previous week and down by three from a year ago, when the state's count stood at six.

Rig counts in other states were unchanged from the previous week: Alaska (3), California (7), Colorado (10), New Mexico (70), North Dakota (14), Pennsylvania (19), Texas (209) and West Virginia (11).

The rig count in the Permian, the most active basin in the country, was unchanged from the previous week at 224, but down by 92 from a count of 316 a year ago.

—KRISTEN NELSON

continued from page 1

CROSS-BORDER CRUDE

Knudsen said he would welcome having Alberta Premier Jason Kenney and KXL owner TC Energy participating in the suit.

"The president lacks the power to enact his 'ambitious plan' to reshape the economy in defiance of Congress's unwillingness to do so," the lawsuit states.

Scott Lincicome, a North Carolina-based U.S. trade lawyer, said KXL was conceived before the U.S. was energy self-sufficient and was justified as a project of national security for the U.S.

API report

At the same time, a report by the American Petroleum Institute, API, noted that cross-border petroleum trade between the U.S. and Canada has doubled since 2010 — with liquids shipments flowing south across the border climbing to 5.5 million barrels per day in 2019 from 2.75 million bpd in 2010 and reaching a total value of US\$96 billion a year — driving home the critical role energy infrastructure plays between the two countries.

Canada supplied 58% of U.S. heavy crude imports in 2019, most of it headed to refiners in the U.S. Midwest and Gulf Coast, while U.S. crude accounted for 72% of imports into Eastern Canada.

With the surge in U.S. production since 2010, shipments to refiners in Canada rose 10-fold to 500,000 bpd in 2019.

"It is staggering to consider that each country relies on the other for approximately 15% of total petroleum liquids supply," API Senior Vice President Frank Macchiarola told an online investment symposium held earlier in April by the Canadian Association of Petroleum Producers.

Smooth flow upended

But what was once a smoothly functioning two-way flow has been upended by the revocation of KXL's permits, the threat by Michigan Gov. Gretchen

Canada supplied 58% of U.S. heavy crude imports in 2019, most of it headed to refiners in the U.S. Midwest and Gulf Coast, while U.S. crude accounted for 72% of imports into Eastern Canada.

Whitmer to shut down Enbridge's 540,000 bpd Line 5 which supplies 55% of her state's propane needs and fierce opposition to Enbridge's Line 3 replacement which is scheduled to come on stream in 2022.

Phil Skolnick, an analyst with Eight Capital, said there is both a strong appreciation of the importance of the cross-border trade, especially among Gulf Coast refiners, or "no appreciation at all" from those focused on the impact of fossil fuels on climate change.

Alberta Energy Minister Sonya Savage conceded to the symposium that her government and the industry "needs to do more to ensure (oil and natural gas) are accepted by the public in the United States and a broader range of policymakers."

Craig Bryksa, chief executive officer of Crescent Point Energy, said the loss of KXL is a "blow to the sector," but he believes Canadian exporters will have enough pipeline capacity over the medium-term if Line 3 and Line 5 advance.

"But I guess it doesn't matter if you're on the north or south side of the border, there will be some challenges in getting that infrastructure built," he said.

Macchiarola told the Globe and Mail that "at the end of the day, policymakers are responsive to the public. If the public understands what's at stake with these decisions on infrastructure, they will in turn influence the decision makes to rethink the (KXL, Line 5 and Line 3 decisions) and re-examine the issues from different perspective."

He said API, through its report by ICF Resources, "is trying to provide that different perspective." ●

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CORRECTION

Correction: Plugging, not abandoning

In the story, "Beaten to pulp: 88E stock down on Merlin results; investors not reading between lines?" in the April 11, 2021 issue of Petroleum News, Dr. Paul Craig was misquoted as saying "plugging and abandoning."

In fact, Craig said "plugging the well."

The story was about 88 Energy's recent Merlin 1 exploration well in the National Petroleum Reserve-Alaska, which the company has said it might re-enter next winter to drill a sidetrack.

Merlin 1 was one of only two exploration wells drilled on the North Slope this winter — the results from both were encouraging for those on the hunt for Nanushuk formation reserves.

Per the article, Craig told Petroleum News April 6 what other experienced North Slope operatives were only willing to say off the record: Although "88 Energy stock got beaten to a pulp on the news about the Merlin 1 well, I like the results. But the market doesn't read between the lines. Short-term investors see 'plugging the well' and assume it's a dry hole with no commercial potential."

Kevin Frank, a geologist and section chief of the state Division of Oil and Gas' resource evaluation team, also liked the results, which he described as "encouraging."

This comment and others made by Frank were endorsed by his boss, Division of Oil and Gas Director Tom Stokes.

Frank and others were also excited about a new Nanushuk zone that was found in the well.

"Particularly encouraging is the apparent presence of oil in a zone that has not previously been targeted in NPR-A. Whilst the potential volumetric size of this zone is not yet known — as it was not a mapped target in Merlin-1 — the formation could be extensive based on initial interpretation," Dave Wall, 88 Energy's outgoing managing director, said in an April 6 operations update.

—KAY CASHMAN

GOVERNMENT

NPSL adjustment bills move in Legislature

Senate Resources moves bill allowing gas leasing from submerged lands; House Fisheries begins hearings; two more referrals in House

By KRISTEN NELSON
Petroleum News

Two proposals from the governor — allowing the commissioner of the Department of Natural Resources to make adjustments to net profit share leases and allowing DNR's Division of Oil and Gas to offer offshore gas-only leases with no surface access in a restricted area — are moving in the Legislature.

The bills, Senate Bill 61 and SB 62, are out of their first Senate committee of referral, Senate Resources, with referrals to Senate Finance, where neither had been scheduled when this issue of Petroleum News went to press.

In the House, the Resources Committee amended the NPSL bill, House Bill 82, and the committee substitute was scheduled for its first hearing in House Finance April 15.

The offshore gas-only leasing bill, HB 81, had its first hearing in the House Special Committee on Fisheries; it has referrals to both Resources and Finance.

Net profit share leases

SB 61, the net profit share bill, emerged from Senate Resources substantially as submitted by the governor. The CS has conforming language changes proposed by Legislative Legal.

HB 81, the House version, underwent a number of changes in House Resources. In slides prepared for the April 15 House Finance Committee hearing on the bill, the Division of Oil and Gas itemized the difference between the original and the CS, the most significant of which are:

- HB 81 creates eligibility for modification when future production requires additional capital — a provision which applied to both royalty and net profit share modification. The CS restricts this to only net profit share modifications. Reasoning in House Resources was that there are only 26 NPS leases in the state, but all leases involve a state royalty share, creating the possibility of a very large volume of requests for modifications.

- The CS also adds a requirement that the lessees incur capital expenditures and requires the commissioner to determine that the expenditures are needed to maximize economic production.

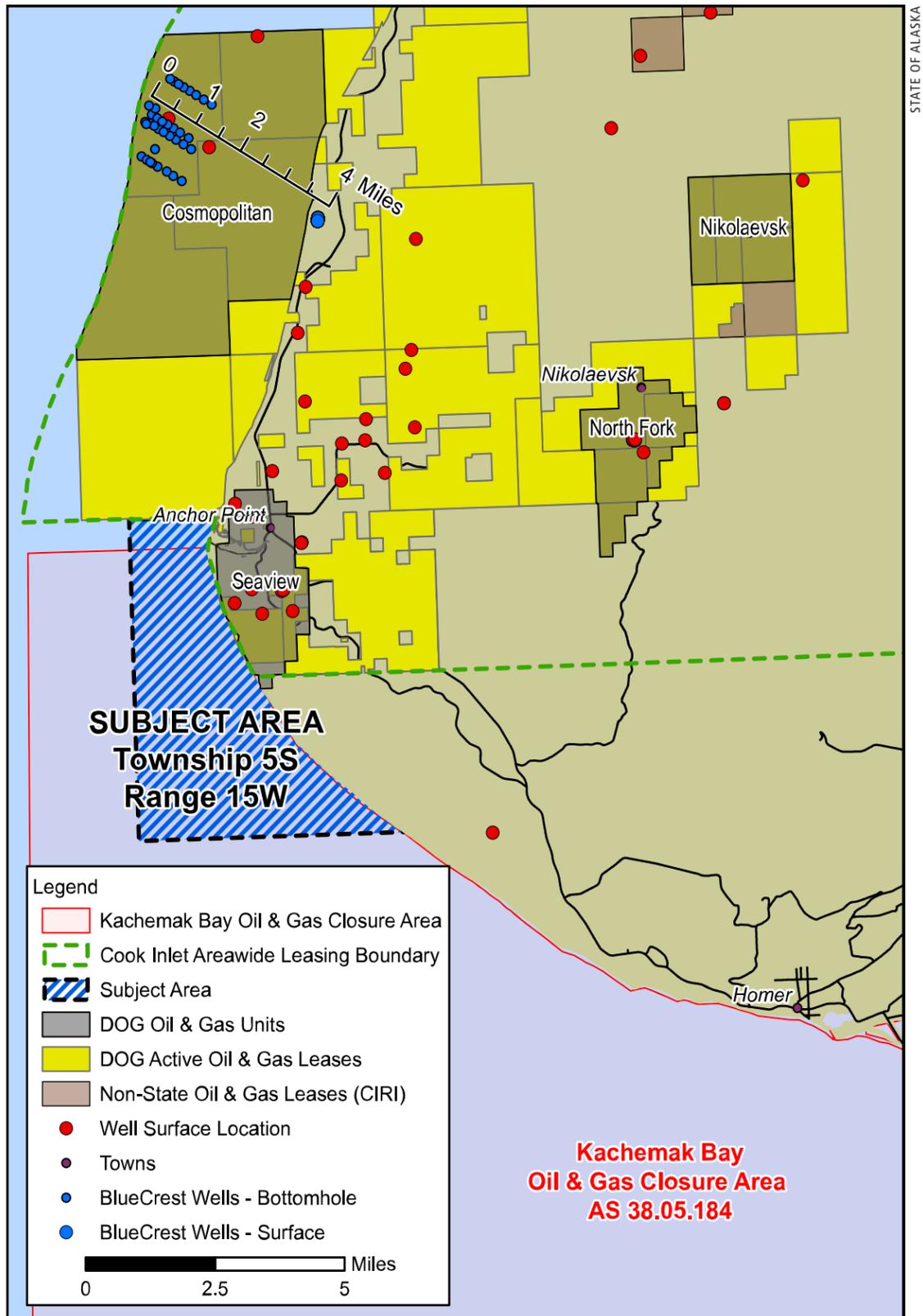
Offshore gas leases

The Senate version of the bill allowing offshore gas-only leasing, SB 62, cleared Senate Resources April 7, headed to Finance, where it had not yet been scheduled when this issue of PN went to press.

The House version, HB 82, drew a lot of questions from members in the House Special Committee on Fisheries when the bill had its first hearing April 6.

The bill would make a portion of the Kachemak Bay Oil and Gas Closure Area subject to gas-only leasing, no surface use

see **DNR PROPOSALS** page 8



STATE OF ALASKA

TMI?

Petroleum News

This week's Mining News: **Shell plan approved**, **Notley rattles industry**, **MEA moves to new plant**

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Governor's bills would promote geothermal

Proposed modernization of statutes is aimed at encouraging the exploration and development of Alaska's geothermal resources

By **ALAN BAILEY**

For *Petroleum News*

The Alaska Legislature is considering bills introduced by Gov. Mike Dunleavy, Senate Bill 104 and House Bill 135, to encourage exploration and development of Alaska's geothermal energy resources.

On April 9 officials from the Alaska Department of Natural Resources talked to the Senate Resources Committee about SB 104 and its objectives.

Reflecting on a recognition that Alaska's geothermal resources have not been developed to the extent that the state would like, Steve Masterman, director of Alaska's Division of Geological and Geophysical Surveys, told the Resources Committee that the idea was to modernize the geothermal statutes.

"So we are trying to revise the statutes to make exploration of our geothermal resources more attractive to industry and thereby promote their exploration and ultimate development, in order to promote clean energy industry jobs," Masterman said.

Alignment with oil and gas statutes

Essentially the bill would align the statutes governing geothermal activities with the statutes for oil and gas exploration and development, increase the time available for a company to explore an area, and provide the means for a company to explore a larger area than is realistically possible under current statutes.

The bill would bring the statutes up to date, in part, by eliminating temperature limitations for resources which can be considered geothermal — modern technology allows the production of geothermal energy from lower temperature resources than had been possible in the past, Masterman explained.

Similar bills, SB 161 in the Senate, were introduced to the last Legislature but did not complete the legisla-

And, while a geothermal power plant based on the known pool of hot water at the springs could supply some of the power than Nome uses, a plant based on the thus-far undiscovered hot water source may be able to generate much more power, potentially fully fueling Nome and the proposed graphite mine nearby, Masterman said.

tive process by the end of last year's legislative session.

Key features

Haley Paine, deputy director of Alaska's Division of Oil and Gas, described to the committee some of the key features of the new bill. The proposed statutory changes would include a change in terminology, with prospecting permits being termed prospecting licenses — this would align the geothermal terminology with that for oil and gas exploration. To allow more time for geothermal exploration activities, a prospecting license could run for five years, rather than the two years of a geothermal prospecting permit.

To allow a licensee a greater land area for exploration, the maximum land area encompassed by a license would be 100,000 acres, rather than the current 51,200-acre maximum for a permit. And, as with oil and gas exploration licenses, there would be the potential to convert a prospecting license to a geothermal lease, based on completed work commitments and an acceptable exploration plan. These conditions for conversion to a lease allow flexibility in the arrangements, without having to try to define what is meant by a commercial geothermal discovery, Paine commented.

A current provision giving surface landowners preferential rights for geothermal exploration under their lands

would be removed from the statutes. And, under the proposed statutes, a prospecting license would not be required for the exploration and development of geothermal resources for domestic, non-commercial or small-scale industrial use.

Existing statutes for geothermal land leasing would not be changed. As with oil and gas, the state can hold periodic lease sales, with lessees having geothermal prospecting and development rights on leased state land. Paine said that since 1983 the state has held four geothermal lease sales: three in the area of Mount Spurr and one on Augustine Island. Mount Spurr and Augustine are both active volcanoes on the west side of Cook Inlet. Only one of these lease sales, the 2008 Mount Spurr sale, resulted in competitive bidding and subsequent on-the-ground exploration activities. However, all Mount Spurr leases were subsequently relinquished, Paine said.

Mount Spurr

Masterman talked about the exploration that had resulted from the 2008 Mount Spurr lease sale, and about the geothermal potential at Pilgrim Hot Springs, near Nome on the southern Seward Peninsula. A geothermal power plant at Mount Spurr could potentially supply electricity to the Railbelt electric grid at Beluga on the Cook Inlet coast. Geothermal energy in the Pilgrim Hot Springs area could potentially support Nome and a proposed nearby graphite mine.

Both of these geothermal locations illustrate the value of being able to explore over a relatively wide area for a lengthy time period.

Hot springs at the surface a few miles to the south of Mount Spurr's active crater point to the existence of a subsurface reservoir of hot geothermal water that would be the prime target for geothermal drilling. But where in the subsurface might that reservoir be? — it could lie

see **GEOTHERMAL BILLS** page 7

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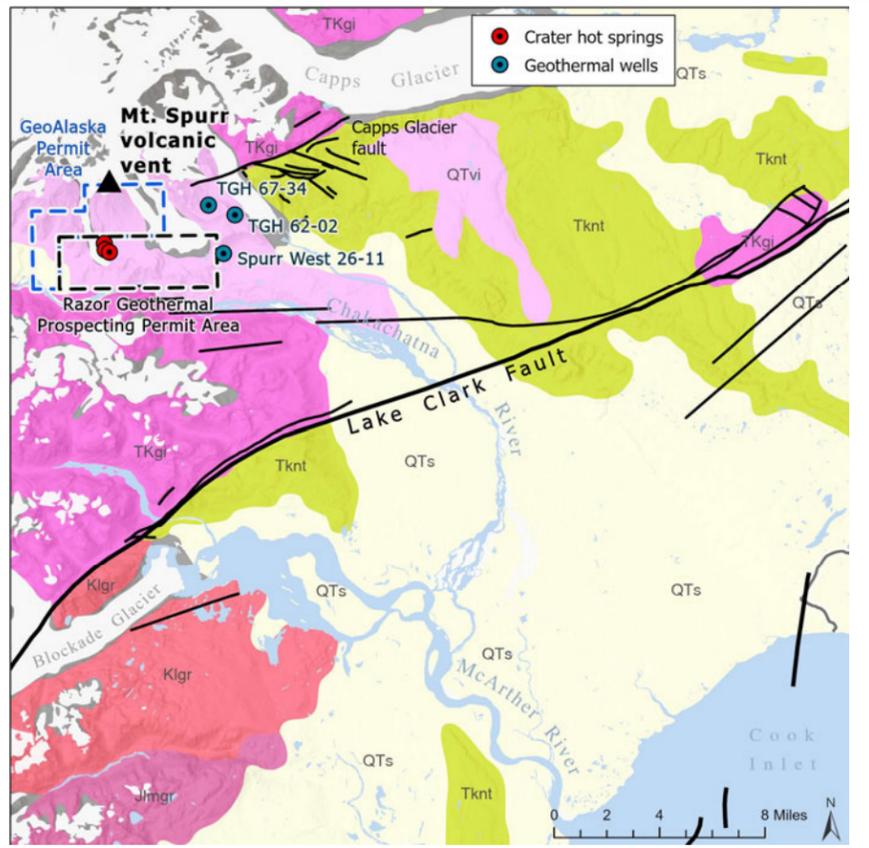
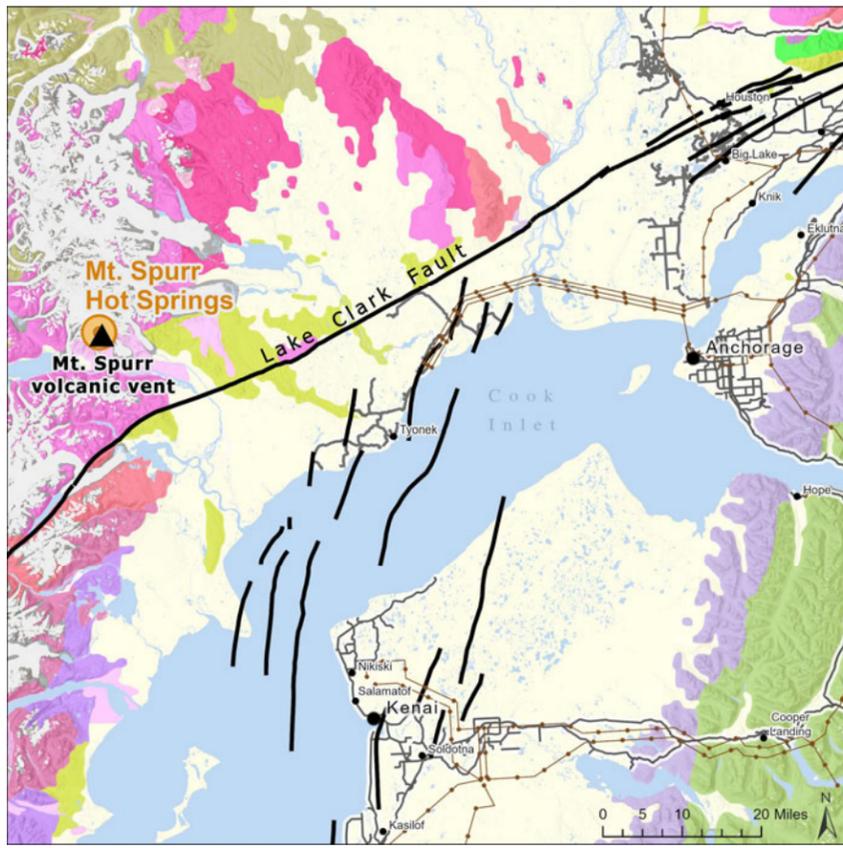
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MT SPURR



There are surface hot springs to the south of the active crater of Mount Spurr volcano. Geothermal drilling to the southeast of the volcano following a 2008 lease sale failed to find the hot water source. Proposed new prospecting permit areas encompass the springs.

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GEOTHERMAL BILLS

several miles from the hot springs.

Masterman reviewed the complex geology of the area. In particular, a major fault, the Capps Glacier fault, runs east to west on the south side of Mount Spurr. Following surveying activities, Ormat Nevada, the company that acquired most of the tracts sold in the 2008 lease sale, opted to drill three wells into sedimentary strata below shallow volcanic rocks on the south side of the fault. However, the wells did not encounter any warm or hot rocks or water, Masterman said.

New explorers in the region, armed with that knowledge, would have to use geology and geophysics to search elsewhere for the elusive geothermal reservoir.

“So they have a difficult task in front of them,” Masterman said. “They have to try to trace the hot water back from the surface exposure to the reservoir, and drill

into that reservoir.”

It would take several seasons of geologic mapping and geophysical surveys, to assess where to drill, he said.

Pilgrim Hot Springs

The area around Pilgrim Hot Springs is also marked by some significant faulting. In particular, the area to the north of the springs has dropped vertically to form a faulted block referred to as a graben, probably several thousand feet thick, Masterman explained.

Past drilling at the springs has identified water at a temperature of about 90 C at a depth of about 300 feet. But the subsurface temperatures are cooler below this depth, indicating that the hot water originates somewhere to the side of the springs, rather than underneath. But no one yet knows from where the water has flowed — perhaps it has migrated up one of the faults in the area.

Exploration to date has been carried out in a tiny area immediately around the

springs. Locating the hot water source would require exploration over a much wider area over an extended time period — hence the value of some of the statutory changes in the new bill, Masterman commented.

And, while a geothermal power plant based on the known pool of hot water at the springs could supply some of the

power than Nome uses, a plant based on the thus-far undiscovered hot water source may be able to generate much more power, potentially fully fueling Nome and the proposed graphite mine nearby, Masterman said. ●

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LAND & LEASING

Call for new info for two northern sales

The Alaska Department of Natural Resources, Division of Oil and Gas, has issued a call for new information for the Beaufort Sea and North Slope areawide oil and gas lease sales.

These sales, along with the North Slope Foothills areawide, have typically been held late in the year, and the division said they are tentatively scheduled for the second half of this year.

The division is requesting any substantial new information that has become available over the last year for the Beaufort Sea and North Slope areawide sale areas; substantial new information must be received by 5 p.m. May 14 to be considered.

Best interest findings were most recently issued in 2019 for the Beaufort Sea areawide and in 2018 for the North Slope areawide. The division said no supplements have been issued.

Based on information received, the division said it would either issue supplements to best interest findings for the sale areas, or decisions of no substantial new information.

The division is not requesting substantial new information for the North Slope Foothills sale area because a preliminary best interest finding was issued in February and public comments are being accepted through April 26.

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continued from page 5

DNR PROPOSALS

allowed. The goal, Division of Oil and Gas Deputy Director Hailey Paine and Shawn Clifton, program and policy specialist, told House Fisheries, is to allow the state to lease acreage and capture royalties from resources underlying lands with no surface use allowed.

This would only allow drilling and development from nearby unrestricted land and would not allow for any surface use, Paine said.

The area proposed for gas-only leasing is offshore adjacent to the Seaview unit, a natural gas field which Hilcorp is developing.

If the offshore area is not leased, molecules of gas from the unleased acreage offshore could migrate to wells drilled from onshore, and if the offshore acreage is unleased, the only option for the state to receive royalties would be through the Alaska Oil and Gas Conservation Commission by petitioning AOGCC for a ruling on correlative rights — a determination of who owns the

resource, Paine said.

The bill would provide revenues to the state from leasing and from natural gas production from the area under the closure area.

The George Ferris rig

Clifton told the committee the Kachemak Bay closure area was conceived in the 1970s after the George Ferris rig got stuck in the mud.

That resulted in the Legislature authorizing buyback of leases in the area and creation of the Kachemak Bay closure area, where no leasing is allowed.

HB 82 would only allow leasing of the subsurface for gas; there would be no surface disturbance allowed — no drilling offshore, no pipelines and no platform. This opens offshore acreage so the state can lease the subsurface and a lessee could access it from shore. The state would get the royalty revenue, along with bonus bids from leasing the acreage.

Members of this committee include Rep. Sarah Vance, a Republican from Homer.

She said this change would be a “heavy lift” for her district because of the George Ferris incident, citing concern about spills.

Paine said any drilling would happen from shore so there would be nothing to leak in the offshore area; she also cited extensive regulatory protections from both state and federal agencies.

Rep. Dan Ortiz, an independent from Ketchikan, asked what has changed that brings this bill up now.

Clifton said there is a lot of new lease activity onshore in the area, both from the state and from private resource owners. Homer is an area that was homesteaded before statehood, when patents included the mineral estate, and the onshore mineral rights owners, the state and private parties, have leased to Hilcorp, which is developing natural gas in the area.

The bill was held, with more information requested from DNR; it had not yet been scheduled for another hearing when this issue of PN sent to press. ●

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OIL PRICES

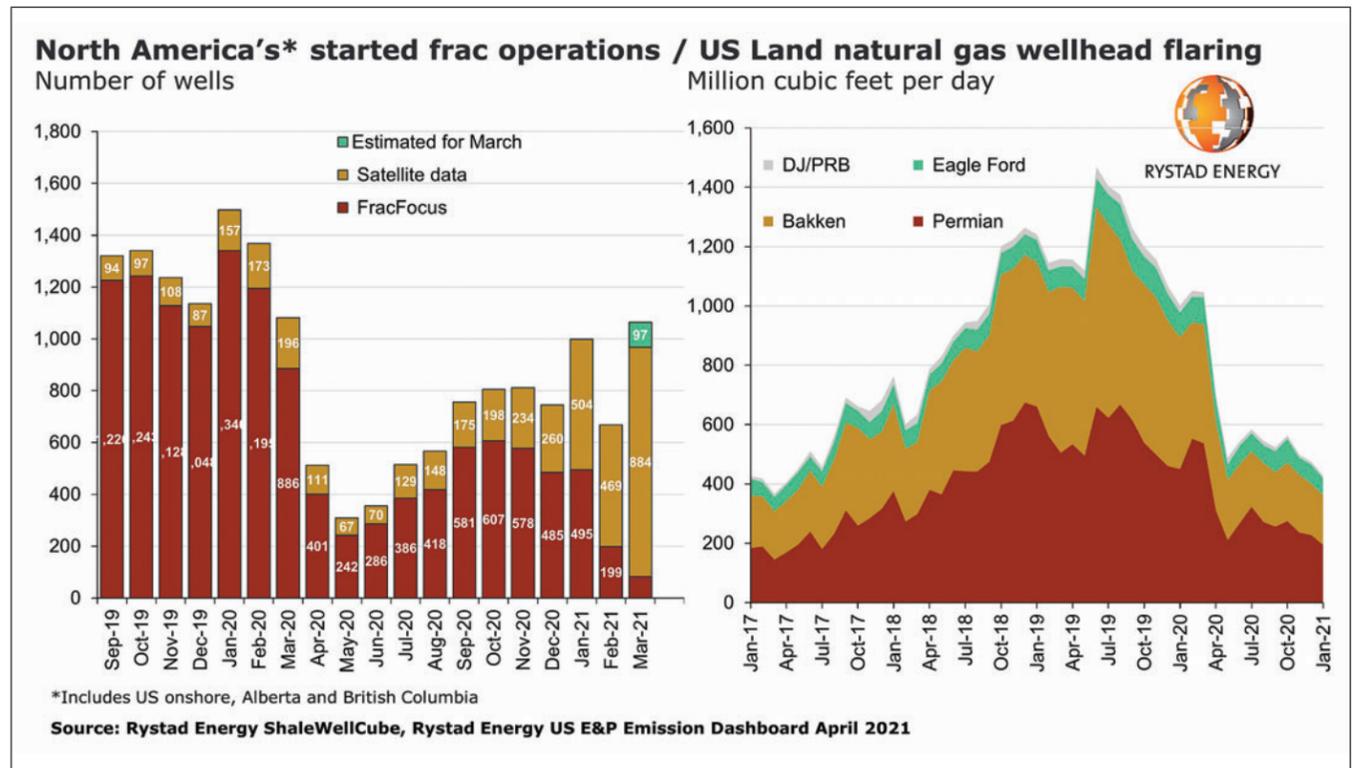
100,000 barrels per day while lifting its global economic growth forecast to 5.4%, an increase of 0.3%. Global oil demand is expected to average about 96.5 million bpd in 2021.

“Additional U.S. stimulus measures and an accelerating recovery in Asian economies are expected to continue supporting the global economic growth forecast,” OPEC said. “However, this forecast remains clouded by uncertainties, including, but not limited to, the spread of COVID-19 variants and the speed of the vaccine rollout.”

“Sovereign debt levels in many regions, inflationary pressures, and central bank responses are key factors to monitor,” OPEC said.

OPEC said the second half of the year looks better than previously expected as the pace of COVID-19 vaccinations stepped up, largely in wealthy nations, contributing to an easing of lockdown measures and travel restrictions.

The cartel expects U.S. economic growth in 2021 to reach 5.7%, while the GDP growth forecast for the Euro-zone in 2021 remains at 4.3% and Japan’s GDP growth forecast remains at 3.1%. China’s GDP is forecast to increase by 8.4% in 2021, and India’s 2021 GDP growth forecast was revised up to 9.8%. Brazil’s growth forecast stands unchanged at



3.0%, while Russia’s growth forecast for 2021 also remains at 3%.

On the supply side, Non-OPEC liquids supply for 2021 was revised down by 0.03 million bpd from March and is now forecast to grow by 0.9 million bpd to an average of 63.8 million bpd, OPEC said.

Higher prices could potentially translate into a higher level of U.S. production in 2021, as the drilling and completion trend portends future robust monthly

growth, OPEC said. However, the U.S. liquids supply forecast in 2021 is expected to continue at growth of 0.16 million bpd year over year. The other main drivers of 2021 supply growth in 2021 are expected to be Canada, Norway and Brazil.

OPEC crude oil production in March increased by 0.20 million bpd, month over month, to average 25.04 million bpd, according to secondary sources.

In the United States, data for Q1 2021 showed that total gasoline consumption losses are smaller than previous months, implying that the impact of COVID-19 on gasoline demand is fading, but data for jet fuel consumption remains far below normal levels, OPEC said, adding that the easing of restrictions and the traditional summer driving season should lift global gasoline requirements further.

Global oil demand for gasoline and diesel shows a marked improvement in gasoline demand versus 2020, but summer consumption isn’t expected to surpass 2019 levels due to pandemic-related challenges, OPEC said. On the other hand, diesel consumption is projected to be driven by sizeable stimulus programs in many economies, most notably the U.S.

The programs are expected to encourage growth in industry and infrastructure, particularly in Asian economies, including construction of buildings and roads along with increased demand for agricultural products, the cartel said. Nonetheless, diesel consumption is projected to remain under pre-COVID-19 levels for the entire year.

North American fracking recovers

Fracking in North America has recovered to near pre-pandemic levels, with the count of started frac jobs hitting a 12-month high in March, according to a Rystad Energy report. Completed wells in the Permian basin during Q1 2021 exceeded the required output maintenance level, signaling that oil production will rise in the current quarter but will

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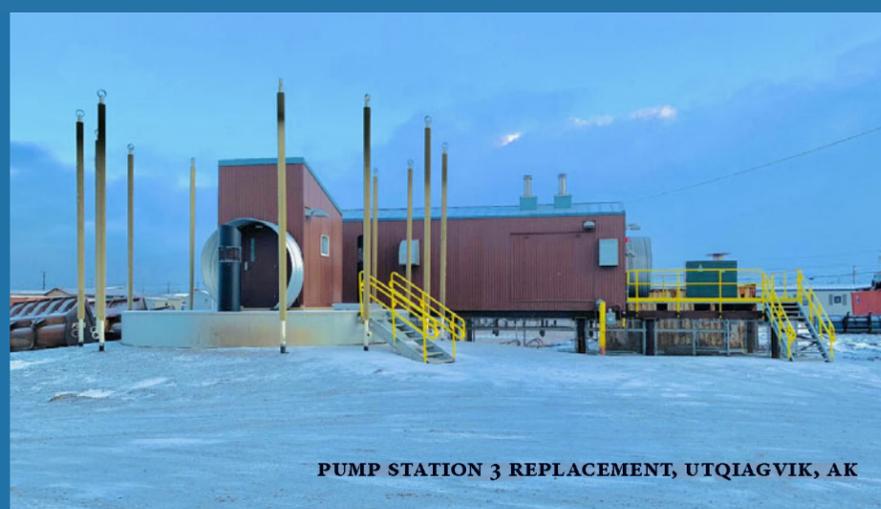
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PUMP STATION 3 REPLACEMENT, UTQIAGVIK, AK

continued from page 1

DNR VS. USA

Mining, Land and Water, is charged with pursuing the state's Public Access Assertion and Defense, PAAD, program, a multi-front approach to rapidly resolve submerged lands issues.

"The first way we are going to be doing and implementing this initiative is through intensified quiet title litigation against the federal government," Walker said. "The governor's initiative has many spokes; there are many prongs to this approach and intensified litigation is one of them."

Governor's announcement

Arguably the squeakiest spoke in the wheel is Dunleavy's public announcement that the state will assert management over the submerged lands in question.

Walker said DNR Commissioner Corri Feige has notified the U.S. Bureau of Land Management of the action

by letter, while Deputy Commissioner Brent Goodrum has sent letters to notify park superintendents, refuge managers and forest managers.

"Our goal is that by assertion of management hopefully the federal government will agree with us that these conspicuously navigable waters are indeed navigable, in fact, in the law the state owns the submerged lands," Walker said. "If, however, they disagree with our management of the action, that will give us the necessary predicate pursuant to the federal Quiet Title Act to commence litigation."

"One area where we have seen this already is in Crescent Lake in the Lake Clark National Park and Preserve," Walker said, adding that Crescent Lake is a huge, conspicuously navigable lake of great use and enjoyment by many Alaskans, and that federal overreach there has been to the detriment of Alaskans who wish to enjoy those navigable waters.

"We started receiving permits applications from various commercial users to place mooring buoys within Crescent Lake to facilitate the landing and taking off of

aircraft," he said, "They've also filed permit applications to store the boats — that the park service is requiring at great cost and danger for them to bring in and take out before and after each open water season — that they store those boats for the winter months below the ordinary high water mark on the gravel that would constitute submerged state lands."

The applications were filed with the state Division of Land and Water, and as required, with the U.S. National Park Service, Walker said. The park service commented but did not assert their ownership. "Those permit applications were thereafter adjudicated, and taken care of pursuant to state practice," he said. "This is the example of one way that we would like our state management of submerged land to work within the CSUs."

Sturgeon case

"We want to create this new approach, this new mindset, that if you are on state owned submerged lands you

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FALLS CREEK

wrong to not approve the original application."

"The Commissioner denied PLC's appeal in July 2017, reasoning an ORRI holder like PLC held a 'nonpossessory interest in a percent of a production at the surface, free of costs,' and thus lacked standing to appeal a decision regarding unit expansion. The Commissioner did not address PLC's substantive arguments," the court said.

PLC appealed in Alaska Superior Court, which agreed with DNR's ruling that the company lacked standing to appeal to the commissioner, reasoning, the Supreme Court said, "that PLC was not 'aggrieved by' DNR's actions but that PLC would be 'if the participating area was being contracted. The superior court concluded that ORRI holders lack standing to appeal an expansion of the participating area."

The Supreme Court noted that the Superior Court struck a document submitted by PLC, Appendix A, from the appeal record. The document contained publicly available information from AOGCC. "PLC suggested the Appendix A data contradicted DNR's conclusion that hydrocarbons were not being extracted from the area under its lease."

DNR had moved to strike Appendix A.

Previous ORRI decisions

"Whether PLC has standing hinges on the definition of the words 'aggrieved by' in AS 44.37.01(b)," the court said, with standards of review being reasonable basis or independent judgment. The state argued for reasonable basis "because an ORRI holder's standing to challenge a unitization decision is intertwined with the management of Alaska's oil and gas resources," but the court said it disagreed.

"Standing is a fundamental legal concept that determines who can and cannot pursue legal claims. Even in the complicated administrative arena of oil and gas law, we apply our independent judgment to interpret a statutory standing requirement."

The court said while two types of standing are generally recognized — citizen-taxpayer and interest-injury — the Legislature has limited standing by statute "in some highly regulated areas, like land use and resource management."

"PLC has a sufficient personal stake because had DNR approved the unit operator's original proposed expansion, PLC's lease would have been included, resulting in a direct financial benefit," the court said.

The state argued that PLC should sue the operator to recoup any missing payments.

"But the availability of a remedy in an alternative proceeding does not negate standing in this proceeding," the court said.

No conflict

The court said its decision, that PLC has a stake because DNR's decision affects PLC's interest, "does not conflict with our prior cases considering the rights of ORRI holders."

In *Allen v AOGCC*, "ORRI holders unsuccessfully petitioned for forced unitization the day before their leases expired," the court said, and while AOGCC had dismissed the appeal as moot, the court said it disagreed "because a retroactive unitization order would operate to extend the ORRI holders' leases," and noted that "AOGCC had conceded standing."

In *Gottstein v. DNR*, the court said it "affirmed dismissal of a lease's ORRI holders' due process claims in relation to DNR's approval of a unit operator's proposed development plan excluding the lease from development." That lease, the court said, was set to expire if not explored and did expire after DNR approved the plan.

The Superior Court upheld DNR's decision in *Gottstein* and the Supreme Court affirmed that decision, citing *Allen* on the issue of standing and stated again that the court expressed no view on how the issue of standing would be decided had that issue been raised. "In response to the ORRI holders' due process claim, we determined 'approval of the [plan] neither

deprived nor infringed on [the] overriding royalty interest' in the lease, describing the ORRI holders' property interests as unchanged by the decision and noting the working interest holders had the same right to develop the lease as before the plan was approved."

The court said Gottstein addressed due process rights of ORRI holders, not standing.

"A party need not prove an agency has infringed upon or deprived it of its fundamental rights just to establish it has an appreciable personal stake in an administrative action," the court said.

But even if the legal questions were identical, the court said the facts in *Gottstein* "are fundamentally different," with ORRI holders in *Gottstein* pressing to have the unit operator develop the lease, while "here, PLC claims the unit operator already has." In *Gottstein* the operator excluded the lease, but in this case, the court said, the operator initially included the lease, and "DNR was the entity that excluded the lease from the expansion."

Appendix A

In arguing that it has been injured by the decision, PLC relied primarily, the court said, on Appendix A, a document not in the agency record and not submitted to or considered by the agency, "so the superior court did not abuse its discretion in refusing to consider Appendix A."

The state said the court argues nothing in the record shows hydrocarbon production from beneath the lease in which PLC holds an ORRI, but the court noted that Hilcorp originally included 80 acres of the lease in its application to expand the FCPA "and described that acreage as 'proven to contribute' to the production of natural gas," and PLC told DNR in a letter that the FCPA should include even more of the lease and "included geological data that PLC claims justifies its position."

The court said "PLC is not specifically required to prove hydrocarbons are being removed from beneath its lease to show an adverse affect on its interest. We express no opinion on whether PLC's ultimate position, that the expansion

should include PLC's lease, is correct. That is a question on the merits the Commissioner is much better situated to resolve. But by showing first that the unit operator applied to expand the unit to include PLC's lease as 'proven to contribute' to hydrocarbon production and second that DNR excluded PLC's lease from the expansion, PLC has made a plausible allegation of injury sufficient to establish standing here."

The court said the alleged injury "is sufficient to satisfy the statutory requirement that PLC be 'aggrieved by' DNR's decision. We thus conclude PLC had standing to appeal DNR's decision to the Commissioner."

The court said the Superior Court did not abuse its discretion in striking Appendix A from the record, since the record on appeal from an administrative agency consists of original papers and exhibits filed with the agency, along with information considered by the agency in making its decision.

The court said PLC could have presented the material in Appendix A in its original appeal to the commissioner but did not do so, and "did not seek to supplement, modify, or correct the record with the unit operator's geological report actually submitted to DNR but missing from the record on appeal."

Hilcorp submitted a confidential geological report to DNR as part of its original application to expand the FCPA, and only the cover page appears in the appellate record. But the court said that "does not give PLC authority to bring new, different evidence before an appellate body."

The materials contained in Appendix A were not submitted to DNR and were not relied on by the commissioner in the decision nor by the Superior Court.

"We thus conclude the superior court did not abuse its discretion by striking Appendix A from the record," the court said.

The court reversed the Superior Court decision and remanded the matter to DNR "for further proceedings consistent with this opinion." ●

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DNR VS. USA

need to talk to the State of Alaska about permit requirements of authorized uses; if you are on the upland, you need to talk with the federal government regarding what permits you need and what uses you can make of these,” Walker said. “This is the balance that was created by ANILCA, this is the balance that was articulated by the United States Supreme Court not once but twice in unanimous opinions in the John Sturgeon case.”

In March 2019, the U.S. Supreme Court ruled 9-0 in favor of John Sturgeon, a moose hunter legally using a hovercraft on the Nation River in the Yukon Charley Preserve in 2007. National Park Service Rangers threatened to cite him for violating a NPS ban on using hovercraft in federal park units. Sturgeon sued, pursuing the case through the 9th Circuit Court of Appeals and finally to the Supreme Court.

DNR wants to take what it did at Crescent Lake and apply it statewide, Walker said.

“If there is infrastructure that the federal government has built — docks, that type of thing ... built on state submerged lands without state authorization or permits where one is required, we want to work with them, to help them get into compliance with state law where applicable,” he said. “We also want them to encourage users of state submerged lands to contact the state regarding permitting requirements, as opposed to overreaching and attempting to permit activities that are occurring on state lands.”

The Supreme Court repeatedly said in both Sturgeon opinions that Alaska is different; Alaska is the exception to the rule, Walker said.

“We have this thing called ANILCA in Alaska, so what is good practice in the management of areas in the Lower 48 is not the management system that we use and that is lawful within the State of Alaska.”

Spreading the word

Walker said the second prong of the governor’s initiative is to advise Alaska citizens, others in state government, commercial entities and the federal government what specifically is owned by the State of Alaska within federal conservation system units.

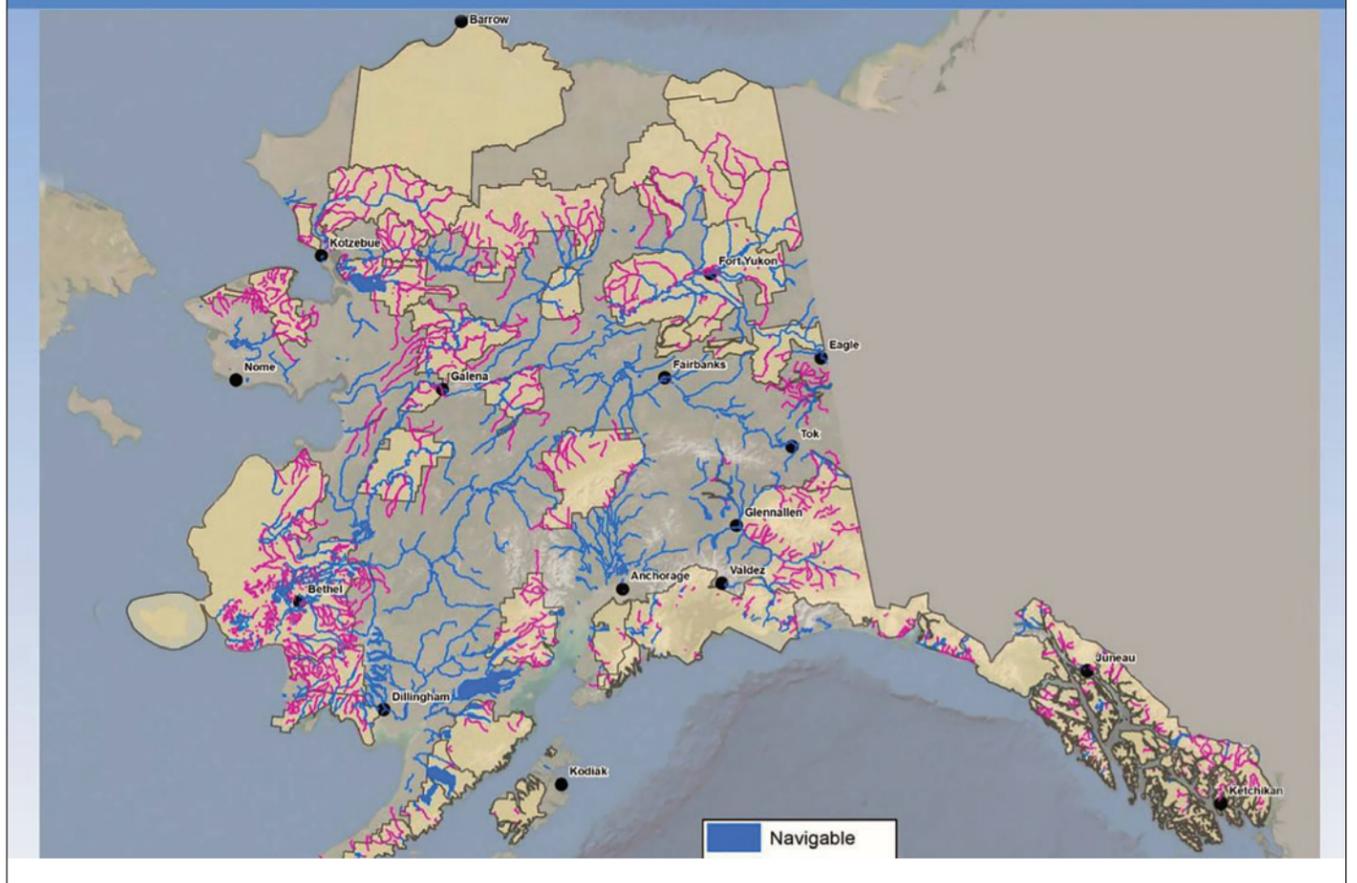
“To that end, we are in the process of developing a layer for our official state navigable waters dataset that will identify those waters within the CSUs within the ANILCA areas that we believe are conspicuously navigable and belong to the State of Alaska,” he said. “We have been very conservative in the work that we have done; we have not gone as far upstream as we think we could prove in litigation because we want to give certainty to our citizens that if you rely upon this you are relying upon the state’s best analysis of what they would win in litigation.”

Phase one of the new layer for the dataset, which will go live April 15, includes all National Park Service areas in Alaska plus the Tongass National Forest, Walker said. Phase two, later, will include U.S. Fish and Wildlife Service areas as well as the Chugach National Forest, and Phase three would be a mop up of general BLM land and some other remaining projects.

The U.S. Fish and Wildlife Service area in western Alaska is particularly dominated by water, and DNR’s identification work there is probably going to be more time consuming, Walker said, adding that the agency will roll those results out in phase two as quickly as it can.

“The idea is that we are putting everyone on notice that these are conspicuous waters that we in the State of Alaska

STATE-OWNED NAVIGABLE WATERS ACKNOWLEDGED TO DATE



“We want to create this new approach, this new mindset, that if you are on state owned submerged lands you need to talk to the State of Alaska about permit requirements of authorized uses; if you are on the upland, you need to talk with the federal government regarding what permits you need and what uses you can make of these,” Walker said.

believe belong to the state as part of its birthright pursuant to the equal footing doctrine, the Alaska Statehood Act, and the federal Submerged Lands Act,” he said. “We got what every other state got, and that is namely the submerged lands under all navigable rivers and tidally influenced rivers within the state as part of the birthright, the promise to us that we would have the economic wherewithal to sustain ourselves as a state.”

Playing offense

Walker said another spoke of the initiative is playing offense in federal and state land planning projects. “All too often, we see in federal land planning initiatives throughout Alaska that they refuse to acknowledge state owned navigable waters as well as state owned RS 2477 rights of way,” Walker said. “The response is always, ‘Oh, it’s not the proper forum in which to adjudicate such issues so were not going to do that but we’re going to manage these lands like they don’t exist.’”

Revised Statute 2477 was a congressional grant of rights of way repealed in 1976, however, rights of way that existed at that date expressly remain as valid existing rights.

Walker said the state will push back very strongly that state property rights be recognized in federal planning initiatives.

The information process is a two-way street.

DNR would like citizens to share

information on how water routes are used, to aid in its analysis of waterways in the state, Walker said. If citizens encounter incidents with federal law enforcement on state lands, the state wants to hear about any federal overreach.

“The state will act accordingly, and appropriately up to and including litigation,” he said.

“We’re also working to publish various scientific and peer reviewed articles that assist us in clearing state title remotely though using principles of hydraulic geometry and other physical characteristics of rivers that would expedite this process,” Walker said, adding that the current pace would take “hundreds of years.”

“Science could bring closure to these questions within the immediate future,” he said. “This is not something that should take hundreds of years.” ●

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Aim of incentive program

The Alberta incentive program is aimed at generating investment for the development of petrochemical facilities

and taking advantage of a growing global petrochemical sector, utilizing Alberta’s abundant natural gas reserves to diversify its economy.

Dale Nally, Associate Minister of Natural Gas and Electricity, said the Inter Pipeline, IPL, facility will be the first of its kind in North America.

He said HPC has allowed 150 Alberta companies to benefit from construction of the complex, creating 16,000 direct and indirect full-time jobs over four years, C\$200 million in tax revenue for provincial and municipal governments and pumped C\$3 billion directly into the Alberta economy.

Once HPC starts operations it will offer 1,000 direct and indirect jobs and generate C\$50 million a year in annual

tax revenues for a wide range of public services and infrastructure.

Although Rachel Notley, leader of the Opposition New Democratic Party, said she supports the HPC project, but questioned why the government was giving up \$200 million in royalty credits.

“We shouldn’t be throwing money out the door as though it’s not ours and we need to get as much growth as we can with as little incentive as we can,” said the former premier of Alberta who is now far ahead of the United Conservative Party government of Premier Jason Kenney in polling.

Franco Terrazzano, Alberta director of the Canadian Taxpayers Federation, said the Kenney government deserves credit for lowering its corporate tax rate and

making Alberta more competitive, but it was “mind-boggling” to spend so much taxpayer money on HPC.

Some analysts believe it will now be even more difficult for Brookfield Infrastructure Corp. to succeed in its hostile bid to acquire IPL — a deal valued at C\$7.1 billion, including a maximum cash payment of C\$4.9 billion. Brookfield already holds a 19.65 percent ownership stake in IPL.

The original offer, which is set to expire June 7, is being vigorously opposed by IPL management.

—GARY PARK

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OIL PRICES

likely fall again later in the year.

Rystad said it estimates 1,064 frac operations for March, exceeding the January activity level by 6.5%.

Most major basins will achieve production maintenance in the second quar-

ter of the year, even some sequential production growth, Rystad said. The exceptions are the Bakken and Anadarko, where operators may struggle to cope with the base decline this quarter.

“The Permian was disproportionately hit by the Texas winter crisis in February and activity in the region grew significantly in March. We have already detected 429 started frac operations in March,

while February 2021 ended up at 260 wells,” said Artem Abramov, Rystad head of shale research. “Permian oil production maintenance currently requires about 300 unconventional well completions per month, so the basin is set for production growth already in the second quarter.”

But frac rates are trending downwards from March, with the two-week average

frac count down from over 100 mid-March to 65 currently — which is below the production maintenance level, Rystad said, adding that if the trend continues, the Permian production recovery in the second quarter might not be long-lasting.

Despite the significant recovery in frac activity, Rystad said it has seen structural declines in gas flaring since early in Q1 2020.

“This trend emphasizes the industry’s commitment to gradually eliminate routine flaring and develop tight oil resources in an environmentally responsible manner,” Rystad said.

—STEVE SUTHERLIN

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ENERGY ACT

become available for clean energy development.”

The proposal includes an initial fund capitalization of \$10 million that the governor thinks will further leverage and attract private sector investment.

Modeled after similar programs nationwide, Alaska would become the 20th jurisdiction to develop this approach to financing clean energy.

“This bill and this concept is something all Alaskans can get behind because the focus is cheap, reliable energy opportunities that can benefit all Alaskans on both a micro- and a macro-level,” Dunleavy said. “With the state’s abundance of renewable fuel sources, like water, wind, and solar, Alaska is poised to be a leader in energy independence for its citizens.”

Modeled after similar programs nationwide, Alaska would become the 20th jurisdiction to develop this approach to financing clean energy.

“It will further increase access to affordable, local energy resources that keep energy dollars circulating in local economies, and create new jobs and businesses,” the press release from the governor’s office said.

—KAY CASHMAN

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