Petroleum news

page 4 20 years ago: Aurora plans well re-entries, seismic, on west side

Vol. 28, No. 50 • www.PetroleumNews.com — A weekly oil & gas newspaper based in Anchorage, Alaska — Week of December 10, 2023 • $2.50

Petroleum News readers: Last 2 Dec. issues replaced by bulletins

KAY CASHMAN

The last two issues of December will be replaced by emailed news bulletins. The value of the news bulletin service is $225 per year, although there will be no extra charge to Petroleum News readers over the two-week period.

News bulletins cover the hottest news that is not immediately covered by other publications.

Bulletin stories are generally 300 to 600 words in length.

Some of the bulletins published in the last two weeks of December will also be covered in the first edition of Petroleum News in the first week in January if we determine more in-depth coverage is needed.

If you have any questions, please email publisher and founder Kay Cashman at publisher@petroleumnews.com

88's Accumulate Energy gets OK for Hickory 1 frac, flow testing

ASHLEY GILBERT

On Nov. 30, Accumulate Energy Alaska Inc. received approval for the Toolik River unit, Hickory 1, frac and flow testing unit plan of operations amendment from the Alaska Department of Natural Resources' Division of Oil and Gas that the company, a subsidiary of 88 Energy Ltd., applied for on Sept. 25.

Accumulate Energy, or AEA, is authorized to re-enter the Hickory 1 exploration well, drilled in the 2022-23 ice exploration season, and to perform a frac and flow test.

Hickory 1 is in the Toolik River unit, or TRU, approximately 30 miles south of Deadhorse in oil and gas lease 392314.

AEA plans to build a 500-foot by 500-foot ice pad connected to the Dalton Highway by a 400-foot by 35-foot ice road, with a total footprint of approximately 6 acres.

All American Oilfield Rig 111 will be used to test the well "at up to four separate intervals. Each interval will involve

see **HICKORY 1 WELL** *page 11*

RCA approves initial tariff for new Railbelt Reliability Council

The Regulatory Commission of Alaska has approved an initial tariff for the Railbelt Reliability Council, the organization that is taking oversight management of the Alaska Railbelt high voltage electricity generation and transmission system. The organization will enable a more coordinated approach to the management of the system by maintaining and mandating reliability standards for the system; administering rules for open access to the transmission grid; and conducting Railbelt-wide integrated resource planning.

The organization will recover its costs from the five independent utilities that, together with the Alaska Energy Authority, own and operate the electrical system.

The organization will recover its costs from the five independent utilities that, together with the Alaska Energy Authority, own and operate the electrical system. The expectation is that the more coordinated management of the system will ultimately result in cost savings that will more than compensate for the RRC's operational costs. The integrated resource planning will presumably also address the

see **TARIFF APPROVAL** *page 11*

GOVERNMENT

Injunction denied

District Court rejects ban on Willow work pending 9th Circuit appeal

By ALAN BAILEY
For Petroleum News

SHARON GLEASON

On Dec. 1 federal District Court Judge Sharon Gleason rejected a request for a temporary injunction that would have banned ConocoPhillips from conducting field work for its Willow oil-field development in the National Petroleum Reserve-Alaska, pending the resolution of an appeal against the development in the U.S. Court of Appeals for the 9th Circuit.

On Nov. 9 Judge Gleason issued an order rejecting two appeals by environmental organizations against the Bureau of Land Management's approval of the Willow development. The environmental organizations immediately appealed the decision to the 9th Circuit and asked the District Court to, meantime, issue an injunction against the field work. The organizations argued that the field work would cause irreparable damage to the natural environment in the NPR-A and would also impede subsistence activities in the region of the planned oil field.

ConocoPhillips is planning to conduct on-site field development work during the coming winter off-road construction season.

Opening briefs in the 9th Circuit appeal are due

see **WILLOW INJUNCTION** *page 9*

FINANCE & ECONOMY

Dollar up, ANS down

OPEC+ adherence to cuts questioned as US production hits all-time high

By STEVE SUTHERLIN
Petroleum News

Predictably, oil prices fell in early December as the U.S. dollar closed in on a two-week high, making crude pricier for holders of other currencies.

A plethora of other bearish factors ramped up the pressure on crude prices and losses accelerated on Dec. 6, slashing the price of Alaska North Crude by $2.61 to close at $75.98 per barrel. West Texas Intermediate plunged $2.94 on the day to close at $69.38, and Brent plunged $2.90 to close at $74.30.

ANS suffered a whopping $9.28 Wednesday to Wednesday loss from its Nov. 29 close of $85.16, as crude prices dipped to levels not seen since June.

Supply side matters weighed on prices as traders harbored doubts about adherence to voluntary supply cuts announced Nov. 30 by the Organization of the Petroleum Exporting Countries and its allied crude exporting nations. OPEC+ added some 1 million extra barrels per day of reductions to 1.3 million bpd of previous voluntary cuts Saudi Arabia and Russia had already in place.

"The voluntary element of the deal left the markets questioning whether the supply reduction

see **OIL PRICES** *page 9*

EXPLORATION & PRODUCTION

Cosmo 10th POD approved

Innovative C.I. producer seeks funds for oil drilling, gas development

By KAY CASHMAN
Petroleum News

JOHN MARTINECK

On Dec. 5, BlueCrest Alaska Operating COO John Martineck was notified by certified mail that the Cosmopolitan unit's 2024 proposed plan of development was approved by Alaska's Division of Oil and Gas for the period of Jan. 1 through Dec. 31, 2024.

BlueCrest, the company with the largest proved undeveloped oil and gas reserves in Alaska's Cook Inlet basin, committed to drill one oil well in 2025, specifically the H-10 Trident Fishbone well.

Planning for gas production will continue during the 2024 POD, which is the 10th POD for the unit. BlueCrest committed to provide a fully defined plan for the Tyonek Gas Development to the division as part of its 2025 POD submission. Gas production is expected in second quarter of 2027.

BlueCrest will update the division via a formal letter submitted no later than June 30, 2024, regarding progress to advance Cosmopolitan oil and gas development.

Funding an issue

BlueCrest planned to maintain production and drill one multilateral well during the 2023 POD.

see **COSMO POD** *page 8*

● PIPELINES & DOWNSTREAM

Tariff change requests filed with RCA

North Slope, Cook Inlet pipelines request increases, decreases, reflecting changing costs of operation, primarily volume driven

By KRISTEN NELSON
Petroleum News

The Regulatory Commission of Alaska said in early December it has received requests to revise intrastate pipeline tariffs from Cook Inlet Pipe Line, Endicott Pipeline, Kuparuk Transportation, Milne Point Pipeline and Northstar Pipeline. All changes are effective Jan. 1. There is also a request from Mid-Alaska Pipeline to update a monthly service payment.

The requested revisions are a mix of increases and decreases.

Cook Inlet Pipe Line is requesting an increase in the tariff for transportation from Granite Point or Trading Bay to the Swanson River Oil Pipeline, from $12.84 per barrel currently to $13.26 per barrel. Production data from the Alaska Oil and Gas Conservation Commission show production is down from both Granite Point and Trading Bay year over year.

There are two requests for tariff revisions from the Endicott Pipeline.

Hilcorp Alaska is the majority working interest owner and operator at Endicott, the Duck Island unit, where Endicott Pipeline is requesting an increase from $1.29 per barrel to $2.17 per barrel from the Endicott Main Production Island to Trans-Alaska Pipeline Pump Station No. 1. AOGCC data for October show an average of 5,892 bpd, down 14.7% from an October 2022 average of 6911 bpd.

The Endicott pipeline has also requested a tariff increase from the Badami Connection to pump station 1, from the current rate of 82 cents per barrel to $1.38 per barrel. The pipeline moves both Badami and Point Thomson volumes. Badami, owned and operated by Savant Alaska, a Glacier Oil and Gas company, had a year-over-year increase, more than offset by a year-over-year decline at Point Thomson. AOGCC data show Badami averaged 939 bpd in October, up 81.7% from an October 2022 average of 517, while Hilcorp-operated Point Thomson (ExxonMobil is the majority working interest owner) averaged 3,038 bpd in October, down 62% from an October 2022 average of 7,987 bpd.

Kuparuk

Kuparuk Transportation is requesting a decrease from 31.2 cents per barrel to 22.1 cents per barrel from the

see PIPELINE TARIFFS page 4

contents

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ON THE COVER

Injunction denied
District Court rejects ban on Willow work pending appeal

Dollar up, ANS down
OPEC+ adherence to cuts questioned; US output hits all-time high

Cosmo 10th POD approved
Innovative C.I. producer seeks funds for oil drilling, gas development

Petroleum News readers: Last 2 Dec. issues replaced by bulletins

88's Accumulate Energy gets OK for Hickory 1 frac, flow testing

RCA approves initial tariff for new Railbelt Reliability Council

ENVIRONMENT & SAFETY

3 EPA agrees to Fairbanks air quality plan

EXPLORATION & PRODUCTION

3 Baker Hughes US rig count up by 3 to 625

3 Tundra remains closed for off-road travel

7 **Nicolai Creek POD OK'd with conditions**
Division of Oil and Gas requires work by 2025, either plans for a workover at NCU 3, or completion of workover or redrill of NCU 10

7 Division approves Slope facilities work

FINANCE & ECONOMY

6 Hickory 1 well flow test fully funded

GOVERNMENT

4 Governor names Pokon DEC commissioner

PIPELINES & DOWNSTREAM

2 **Tariff change requests filed with RCA**
North Slope, Cook Inlet pipelines request increases, decreases, reflecting changing costs of operation, primarily volume driven

THIS MONTH IN HISTORY

4 Aurora Gas plans well re-entries, seismic

● EXPLORATION & PRODUCTION

Baker Hughes US rig count up by 3 to 625

International rig count 978 for November, up 16 from October, with 758 land rigs, 220 offshore rigs, compared to 910 a year ago

By KRISTEN NELSON
Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was 625 for the week ending Dec. 1, up by three rigs from the previous week, and down by 159 from 784 a year ago. The rig count has been up in six and down in two of the last eight weeks, with a gain of 13 against losses of 11, a reverse in a downward trend dominant since the beginning of May.

A drop of 17 on May 12 was the steepest drop since June of 2020, during the first year of the COVID-19 pandemic. The Dec. 1 count is the lowest since Feb. 4, 2022, when the count was 613. The count dropped below 700 the week ending June 2, the first time it has been that low since April 2022. This week's count is down from a high so far this year of 775 on Jan. 13. The high for 2022 was a count of 784 rigs at the beginning of December.

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

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

The count was in the low 790s at the beginning of 2020 prior to the COVID-19 pandemic, where it remained through mid-March of that year when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August 2020 when it gained back 10 rigs.

The Dec. 1 count includes 505 rigs targeting oil, up by five from the previous week and down by 122 from 627 a year ago, with 116 rigs targeting natural gas, down one from the previous week and down 39 from 155 a year ago, and four miscellaneous rigs, down one from the previous week and up by two from a year ago.

Fifty-four of the rigs reported Dec. 1 were drilling directional wells, 559 were drilling horizontal wells and 12 were drilling vertical wells.

Alaska rig count unchanged

Texas (306) was up by three rigs from the previous week.

North Dakota (32) and Pennsylvania (21) were each up by a single rig.

California (4) was down one rig week over week. Rig counts in other states were unchanged from the previous week: Alaska (10), Colorado (17), Louisiana (41), New Mexico (106), Ohio (12), Oklahoma (38), Utah (12), West Virginia (8) and Wyoming (16). Baker Hughes shows Alaska with 10 rotary rigs active Dec. 1, unchanged from the previous week and unchanged from a year ago when the count was also 10. Nine of the Alaska rigs were onshore, up by one from the previous week, with one rig working offshore, unchanged from the previous week.

The rig count in the Permian, the most active basin in the country, was up by three from the previous week at 314 and down by 36 from 350 a year ago.

International count up by 16

Baker Hughes' international rig count for November, issued Dec. 1, is up by 16 rigs from October at 978, with land rigs up 15 to 758 and offshore rigs up by one to 220. Compared to the November 2023 count of 910, this November's international count is up by 68, with land rigs up by 70 and offshore rigs down two.

Baker Hughes began providing a monthly international rig count in 1975. The international count excludes North America, which is included in the company's worldwide figures.

The Middle East accounted for the most rigs in the international totals for November, 347, followed by Asia Pacific with 218, Latin America with 175, Africa with 120 and Europe with 118.

The U.S. rig count averaged 619 in November, down four from October, and down 160 from November 2022, while the Canadian count for November averaged 197, up by five from October and down by four from November 2022.

Worldwide the rig count was 1,794 in November, up by 17 from 1,777 in October and down 96 from 1,890 last November. ●

Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

Tundra remains closed for off-road travel

The Alaska Department of Natural Resources' Division of Mining, Land and Water said Nov. 30 that all tundra opening areas are closed.

A soil temperature of 5 degrees C at 30 centimeters is required for opening, along with snow covering which varies by area.

The division said all monitoring stations in the eastern coastal area reported the required 6-inch snow depth, but none have met the soil temperature criteria; the same is true for the western coastal area, which also has a 6-inch snow depth requirement.

In the lower foothills area, only one monitoring station had met the required 9-inch snow depth and none had met the temperature criteria.

No monitoring was conducted in the upper foothills area, the division said.

The areas were sampled between Nov. 29 and Nov. 30, and the division said DNR staff will return to the North Slope Dec. 5 to continue monitoring, with the next status report expected out around Dec. 8.

—PETROLEUM NEWS

ENVIRONMENT & SAFETY

EPA agrees to Fairbanks air quality plan

The Environmental Protection Agency has announced that it has finalized its regulatory action on the Alaska Department of Environmental Conservation's plan for addressing air quality problems in the Fairbanks North Star Borough. EPA had previously disapproved a failure to address the emission of sulfur dioxide from stationary sources such as power plants. However, the agency now says that it has developed a new pollution model that demonstrates that sulfur dioxide does not contribute the fine particulate air pollution that plagues the Fairbanks region. In addition, the EPA has agreed that a mandate for the use of ultra-low sulfur diesel in boilers and for home heating is impractical.

The upshot is that EPA now anticipates receiving in July a revised air quality plan that it can approve.

The Fairbanks region suffers from severe air quality problems, in part because of the widespread use of wood burning stoves and oil burning furnaces to heat houses. Pollution also results from coal and oil-fired power generation, and from vehicle exhaust. Winter thermal inversions tend to trap cold air, holding pollutants close to ground level, thus causing people to inhale polluted air.

As previously reported by Petroleum News, in October EPA awarded a $10 million Targeted Airshed Grant to ADEC to help fund measures to improve air quality in the Fairbanks North Star Borough. The borough plans to use the grant funding to reduce fine particle pollution through a number of projects: the replacement of solid fuel heating devices, replacing oil fueled heating devices with natural gas or propane heaters, and making natural gas available to more consumers by extending the mainline natural gas distribution infrastructure.

Interior Gas Utility, the gas utility for the Fairbanks region, ships liquefied natural gas to Fairbanks and North Pole, to enable gas supplies for residents and businesses. The concept is to replace the use of wood and oil burning stoves with clean natural gas burning equipment. Extension of the utility's gas distribution lines will bring gas supplies to more customers.

—ALAN BAILEY

GOVERNMENT

Governor names Pokon DEC commissioner

Alaska Gov. Mike Dunleavy has appointed Emma Pokon as commissioner designee of the Department of Environmental Conservation. The governor said in a Dec. 5 announcement that Pokon has been acting commissioner since August.


EMMA POKON

"I have full confidence in Acting Commissioner Pokon and her ability to lead the department," Dunleavy said. "She has shown an immense amount of knowledge and prioritizes common sense solutions that balance environmental protection with economic considerations."

Pokon has been with DEC since February 2020. She was previously with the Alaska Department of Law and had served as senior assistant Attorney General assigned to support DEC.

Pokon represented the North Slope Borough in natural resource and environmental matters and was a law clerk for the Fairbanks Superior Court. She has a bachelor's degree in history with a minor in chemistry from Hamilton College, and a JD and a Master of Studies in Environmental Law from Vermont Law School.

"In my almost four years with the agency, I've witnessed the value of DEC's work to our state and residents," Pokon said. I'm honored to continue working with the many dedicated public servants at DEC to protect human health and the wellbeing of Alaskans."

Pokon's name will be forwarded to the Alaska State Legislature for confirmation.

—PETROLEUM NEWS

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Petroleum News and its supplement, Petroleum Directory, are owned by Petroleum Newspapers of Alaska LLC. The newspaper is published weekly. Several of the individuals listed above work for independent companies that contract services to Petroleum Newspapers of Alaska LLC or are freelance writers.

OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 28, No. 50 • Week of December 10, 2023

Published weekly. Address: P.O. Box 231647 Anchorage, AK 99523-1647
Subscription prices in U.S. — $118.00 1 year, $216.00 2 years
Canada — $206.00 1 year, $375.00 2 years
Overseas (sent air mail) — $240.00 1 year, $436.00 2 years

"Periodicals postage paid at Anchorage, AK 99502-9986."
POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

● THIS MONTH IN HISTORY

Aurora Gas plans well re-entries, seismic

20 years ago this month: Scott Pfoff describes the company's west side plans November 2003 at the Resource Development Council

Editor's note: This story first appeared in the Dec. 21, 2003, issue of Petroleum News.

By KRISTEN NELSON
Petroleum News

In 2004 Aurora Gas plans seismic, facilities construction and at least five reentries of existing wells on the west side of Cook Inlet, south of Anchorage.

Scott Pfoff, president and chief operating officer of Aurora Power, updated the Resource Development Council Nov. 20, 2003, in Anchorage on plans for Aurora Gas, the exploration and production branch of the company.

In 2003, Pfoff said, Aurora began natural gas production from the Lone Creek well No. 1.

The company produced its first natural gas from the Nicolai Creek field on the west side of Cook Inlet in 2001.

Aurora's operational niche, Pfoff said, is on the west side of Cook Inlet, some 60 miles southwest of Anchorage, and involves developing "shallow, onshore natural gas reserves that have been discovered, knowingly or unknowingly, that are within a reasonable distance of infrastructure and simply await development."


SCOTT PFOFF

The company reenters wells, completes them for natural gas production and installs facilities and pipelines to move the natural gas to existing pipelines.

Aurora partnered with Boelens' Wells Service of Thermopolis, Wyoming, in early 2002 to overhaul and equip the Aurora Well Service's Rig. No. 1, transported to Alaska in June 2002.

2003 work includes facilities

This year, Aurora shot a 26-square mile seismic program on the west side of the inlet, and constructed a 6-mile, 6-inch gathering line connecting the Lone Creek No. 1 pad with a new interconnection with the Granite Point to Beluga pipeline. Production and gas sales from the Lone Creek well began July 31, 2003.

The Aurora Well Services rig worked over the Nicolai Creek No. 3 well, and then drilled a new well, the Nicolai Creek Unit No. 9, and the company immediately began work on the "NCU 1-2-9 pipeline and facilities project," Pfoff said, named "1-2-9 because those are the three wells that will be tied in." The project includes a 4-inch, 2-mile pipeline to take production from the southern end of the Nicolai Creek field to Aurora's existing interconnection with the Cook Inlet Gas Gathering System.

Pfoff said the 1-2-9 project includes boring some 2,500 feet of pipeline under wetlands. Aurora will complete that work this year and plans a December startup, he said. "The facility is designed to handle about 12 million cubic feet per day and between the three wells we think we'll easily be at production facility capacity for at least several years."

Aurora Well Services also reentered and recompleted the Mobil Moquawkie No. 1.

Seismic, five reentries in 2004

Pfoff said Aurora plans in the neighborhood of 75 miles of 2D seismic on the west side in the first quarter of 2004. In the second quarter, he said, the company plans pipeline and facility project with a 4-mile gathering line to tie the Moquawkie field to the south to a new interconnection with the Cook Inlet Gas Gathering System.

And, he said, as with the company's last two work seasons, "we have more reentry candidates than available rig time," and will probably drill five reentries in 2004. ●

Contact Kristen Nelson at knelson@petroleumnews.com

continued from page 2

PIPELINE TARIFFS

Kuparuk River unit to Pump Station 1 on the Trans-Alaska Pipeline, and a decrease from 23.3 cents per barrel to 16.5 cents per barrel from the Milne Point Pipeline connection to pump station 1.

Kuparuk is operated by ConocoPhillips Alaska, and AOGCC data show production there is down some 2% year over year. However, production from Milne Point is up enough, 8% year over year, that the combination volume from the two has increased.

The Mid-Alaska Pipeline request is for an increase in the monthly service payment for pipeline services to Petro Star, an increase from $543,591 to $602,892 per month. Mid-Alaska is a 2.3-mile buried line between the Alaska Pipeline Service Co. North Pole metering station and the Petro Star Refinery.

The Milne Point request is for a decrease from 42 cents per barrel to 28 cents per barrel from the Milne Point Central Facilities to the Kuparuk Transportation Co., reflecting the increase in Milne Point production.

Northstar Pipeline requested an increase from $1.99 per barrel to $2.48 per barrel. Hilcorp Alaska is the Northstar field owner and operator. The line moves volumes from the Northstar Production Facility on Seal Island to pump station 1. AOGCC data show Northstar averaged 5,670 bpd in October, down 18.6% from an October 2022 average of 6,965 bpd. ●

Contact Kristen Nelson at knelson@petroleumnews.com

Congratulations

Thumbs up to HEX and AIDEA!

The Alaska Industrial Development and Export Authority said Oct. 25 that HEX Cook Inlet LLC and subsidiaries has produced enough natural gas for Alaskans to pay its $7.5 million investment by AIDEA eight months ahead of schedule.

HEX, Alaska's only locally owned and operated independent gas producer, is owned by John Hendrix.

The investment provided by AIDEA was instrumental in supporting HEX's acquisition of the Kitchen Lights Unit, which produces gas in the upper Cook Inlet and provides gas sales to electric utilities and gas utilities.

John Hendrix

Randy Ruaro

ABR, Inc.
Acuren
AES Electric Supply, Inc.
AIDEA
Airgas, an Air Liquide Company
Airport Equipment Rentals
Alaska Air Cargo
Alaska Dreams
Alaska Frontier Constructors (AFC)
Alaska Fuel Services
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Alaska Materials
Alaska Railroad
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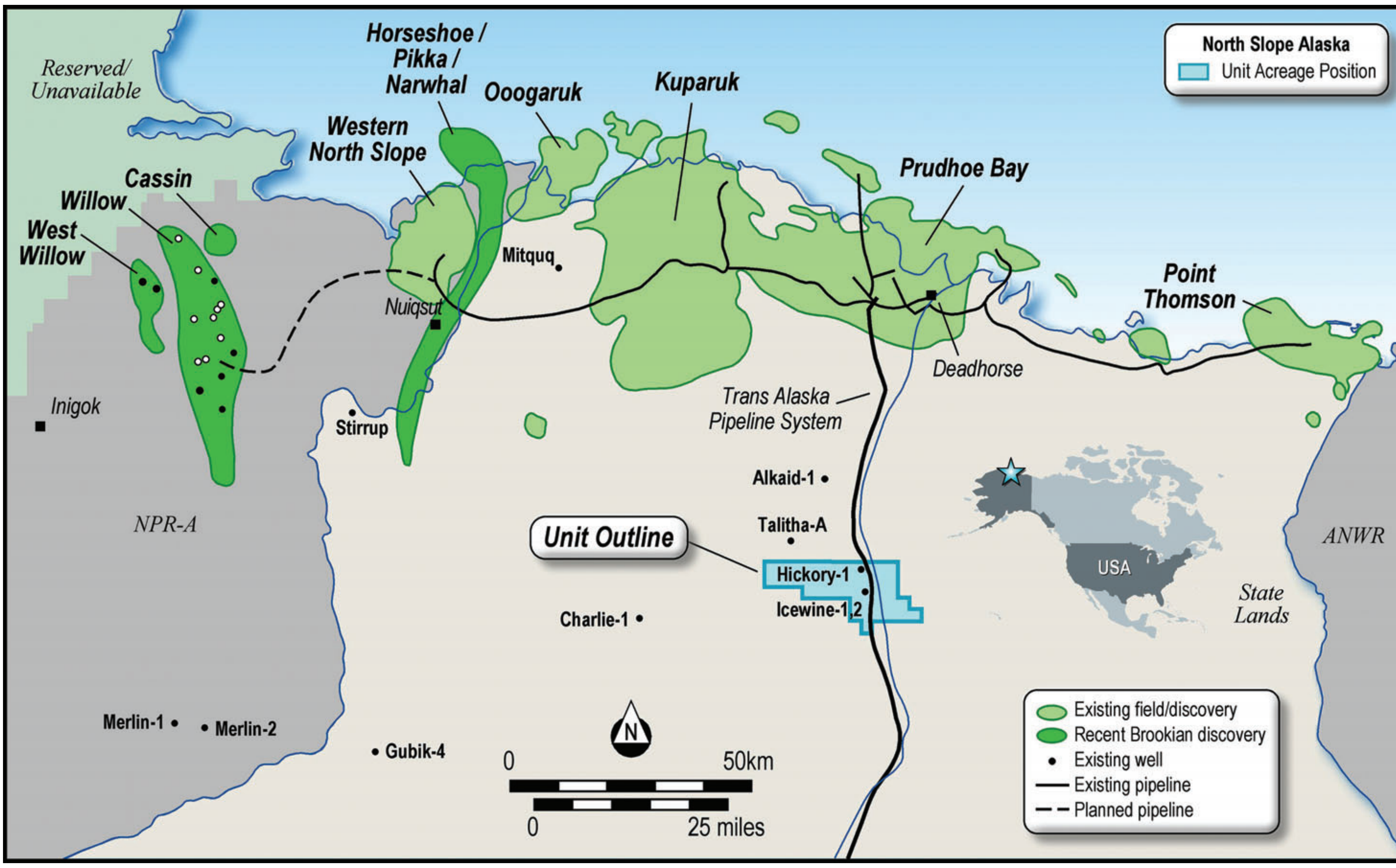

88 ENERGY LTD.

FINANCE & ECONOMY

Hickory 1 well flow test fully funded

By KAY CASHMAN

Petroleum News

In a Dec. 4 ASX announcement, 88 Energy Ltd. said it is fully funded from the "recent placement and receipt of these funds and is focused on delivering the successful flow testing of multiple reservoirs at the Hickory 1 well in Q1 2024."

Also the company said it has received US$2.0 million in funds from its Alaska North Slope Project Phoenix JV partner Burgundy Xploration LLC as part settlement of the US$3.745 million in unpaid cash calls.

88 Energy via its 100% owned subsidiary Accumulate Energy Alaska Inc., or 88E-Accumulate, has also entered into a "further standstill agreement with Burgundy which provides additional time for Burgundy to cure and pay the remaining outstanding funds due of US$1.745 million" by Jan. 31.

If Burgundy fails to pay by this date, Burgundy will immediately transfer to 88E-Accumulate 50% of Burgundy's working interest in all of Project Phoenix's Toolik River Unit leases.

If Burgundy fails to pay by this date, Burgundy will immediately transfer to 88E-Accumulate 50% of Burgundy's working interest in all of Project Phoenix's Toolik River Unit leases (or a pro rata amount of Burgundy's working interest if Burgundy pays some but not all of the outstanding cash calls amount by Jan. 31).

Within five days after Jan. 31 Burgundy will sign and return the "Hickory 1 flow test AFE at the revised working interest level post the transfer interest."

If Burgundy has not made payment for its share of the AFE cost within six months after the due date of the AFE cash call then Burgundy will transfer 50% of its remaining working interest in the Toolik River Unit leases.

88E-Accumulate said it maintains its rights under the joint operating agreement should Burgundy not be able to pay any future cash calls, including exercising the option to require Burgundy to relinquish its working interests in Project Phoenix and the joint venture.

The ASX release also said that Burgundy continues to support the progression of the upcoming Hickory 1 flow test program, and it has told 88 Energy it intends to fund its share of the flow test program. ●

Contact Kay Cashman at publisher@petroleumnews.com

● EXPLORATION & PRODUCTION

Nicolai Creek POD OK'd with conditions

Division of Oil and Gas requires work by 2025, either plans for a workover at NCU 3, or completion of workover or redrill of NCU 10

By KRISTEN NELSON
Petroleum News

The Alaska Department of Natural Resources' Division of Oil and Gas has approved Amaroq Resources' plan of development for the Nicolai Creek unit on the west side of Cook Inlet, the unit's 50th POD, but with conditions.

Amaroq's POD, submitted on Sept. 29 by G. Scott Pfoff, the company's president, said development and remedial well work and 3D seismic were planned.

At the Nicolai Creek unit 1B injection well, Pfoff said the company has prepared a work program to determine cause and possible remedies of increased pressures encountered during injection operations. "Its implementation requires a wireline unit and Amaroq is pursuing options for the funding of this work," he said.

At the NCU 10 well, he said the company has a tentative work plan and an authorization for expenditure has been prepared for a rig workover. But the company is also evaluating a grassroots well which could produce most of the remaining reserves at the NCU 10 and the NCU 3, a well which would require third party funding and would be done in lieu of workovers at the NCU 10 and NCU 3.

Amaroq has also licensed additional 3D data, Pfoff said, covering offshore acreage at Nicolai Creek, and has developed a work scope for analysis of that data, with priority to be given to identifying gas-bearing formations.

The approval with conditions, signed by division Director Derek Nottingham, requires work to be completed by the end of 2025, either:

Amaroq must commit to completing its plans for workover of the NCU 3 well to restore production by the end of 2025; or: since the company has identified 1 billion cubic feet of "proven undeveloped gas reserves" in the NCU 10, "Amaroq will commit to conducting a workover or redrilling" of NCU 10 before the end of 2025.

The division said Amaroq plans to install a booster compressor at the south production facility in the first half of 2024, which will allow additional gas production from NCU 2 and NCU 11, while maintaining NCU 9 production.

Nicolai Creek is one of Cook Inlet's smaller gas producers, averaging 0.08% of inlet production in October, the most recent month for which Alaska Oil and Gas Conservation Commission data are available.

Production began in 1968, the division said, and the field was shut-in from 1977 until 2001 when Aurora Gas took over as operator and 100% working interest owner from Union Oil Company of California. Amaroq — then called Aurora Exploration — became operator and 100% working interest owner effective Jan. 1, 2018, after Aurora gas filed for bankruptcy. ●

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EXPLORATION & PRODUCTION

Division approves Slope facilities work

The Alaska Department of Natural Resources' Division of Oil and Gas has approved amendments to plans of operation at the Milne Point and Point Thomson units on the North Slope.

The work at Hilcorp Alaska's Milne Point is the addition of three pullouts.

Two of the gravel road pullouts are on the Moose pad access road. Each will measure 40 feet by 40 feet by 8 feet and require 475 cubic yards of gravel. The division said in its Nov. 30 approval that equipment to be used in the work will be typical equipment such as a dozer, compactor, excavator, mini excavator and light plants. Gravel will be sourced from the Milne mine site.

The turnarounds will provide space for drilling rigs and road equipment to maneuver with improved efficiency and will provide better access in emergencies.

Gravel was to be placed beginning Nov. 30, the division said, and compacted as needed. Gravel was also to be placed beginning Nov. 30 for the third pullout, on the L pad access road. That pullout will be 40 feet by 40 feet by 6 feet and will require 355 cubic yards of gravel. The division said compaction and seasoning would occur through October 2024 as needed.

At Point Thomson, operator Hilcorp Alaska received approval Nov. 28 to permanently install two revetement mats, 20 feet by 8 feet by 2 inches, on the dock stairs walkway at the Central pad. The division said installation of the mats will prevent erosion at the bottom of the dock stairways and create a safer walking surface and more walkway from which to work.

The boat dock ramp was removed prior to freeze-up. Installation will take place once ice in the bay is grounded and able to support heavy equipment. When the ice melts in the spring, the mats will move into place and once they have stabilized the boat dock ramp will be reinstalled.

—PETROLEUM NEWS

continued from page 1

COSMO POD

Securing funding proved to be challenging due to former Gov. Bill Walker's "reversal on paying tax credits that were earned. This resulted in the freezing of BlueCrest's drilling program," Martineck told Petroleum News.

However, planning for the offshore Tyonek Gas Development continued in 2023. Also, the plant was configured to allow BlueCrest to conduct its hot oil treatments on-site to maintain production.

A reliable Petroleum News source said that BlueCrest recently submitted a royalty modification to the division, requesting the current 12.5% royalty be reduced to 5% for a period of time.

> *BlueCrest committed to provide a fully defined plan for the Tyonek Gas Development to the division as part of its 2025 POD submission. Gas production is expected in second quarter of 2027.*

Martineck confirmed this information.

"Approval could be a game-changer for companies like BlueCrest. It would show potential investors that the State is committed to bring these projects online … demonstrate the State's commitment. It's a perfect way the State can help until we refund our investment," he said.

Martineck said that a royalty reduction will entice investors to invest in Alaska because they know they will get their investment back. "It shows the State has some skin in the game."

As of Aug. 31, the Cosmopolitan unit cumulatively produced 2.15 million barrels of oil and 8.90 billion cubic feet of gas. The average oil production rate for the 12-month period ending Aug. 31 was approximately 727 barrels of oil per day, a slight decrease from 808 barrels of oil per day one year prior.

Average natural gas production rate for the 12-month period ending Aug. 31 was approximately 1.42 million cubic feet per day, a decrease from 1.85 million cubic feet per day one year prior.

Unit description

The Cosmopolitan unit's oil zones were developed from an onshore pad located on the southern Kenai Peninsula. Production is primarily oil but there is an associated gas component to it.

Accessed from its onshore pad using directional drilling, its wells extend from the pad under Cook Inlet into state of Alaska submerged lands, although no offshore facilities exist.

Production is processed on-site, and oil is trucked off location.

The H10 Trident well will be a multilateral well that will allow BlueCrest to drill the equivalent of 21-24 oil wells on 800-foot spacings.

The Cosmopolitan unit's Hansen field is 3 miles offshore and 5 miles north of the community of Anchor Point.

State leases ADL018790, ADL384403, ADL391903, and ADL391904 make up the unit.

Protecting public interest

In approving the prior PODs for the Cosmopolitan unit, the division considered the 11 AAC 83.303(b) criteria and found that the PODs promoted the conservation of natural resources, promoted the prevention of waste, and protected the parties' interests.

The division incorporated by reference those findings.

The public has an interest in the diligent development of the state's resources. Division Director Dennis Nottingham said in his approval letter that the plans outlined in the 2024 POD protect both this public interest by preventing waste through continued production and protect all parties by committing to drilling an additional well and committing to Tyonek Gas Development production in 2027.

"The 2024 POD therefore is necessary and advisable to protect the public interest," Nottingham wrote.

Parent BlueCrest Energy is a privately held oil and gas development company based in Fort Worth, Texas. Subsidiary BlueCrest Alaska Operating has a local office in Anchorage. ●

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continued from page 1

WILLOW INJUNCTION

by Jan. 4, with answering briefs due by Feb. 5.

Appeal unlikely to succeed

In rejecting the request for the injunction Gleason argued that the plaintiffs in the case were unlikely to "suffer irreparable harm in the absence of injunctive relief." Gleason also commented that the plaintiffs had not persuasively demonstrated potential injury to subsistence activities — there is, in fact, evidence that some of the planned activities, such as road construction and the construction of boat ramps, would actually help subsistence hunters, she wrote.

Gleason commented that Willow activities planned for the coming winter construction season would not impact the Teshekpuk Lake Special Area, an area of significant environmental sensitivity, and would only impact a tiny portion of the Colville River Special Area.

Gleason also wrote that an injunction is inappropriate, given that the plaintiffs are unlikely to succeed in their 9th Circuit appeal. Essentially, the plaintiffs have not presented any new arguments beyond those rejected by the District Court and, thus, have not shown that there is a likelihood of success on the merits of their claims, she wrote.

Gleason also said that the court gives considerable weight to comments by the Alaska congressional delegation and the Alaska Legislature, regarding the negative impacts on the Alaska economy of issuing an injunction.

Proceeding with field development is also consistent with the congressional directive in the National Petroleum Reserves Production Act, the federal act relating to oil and gas leasing and development in the NPR-A, Gleason wrote.

ConocoPhillips initiating winter work

According to information filed in conjunction with the court case, ConocoPhillips plans to install pipeline support members and some pipelines this winter, together with the construction of some gravel roads, including the completion of a gravel road to the site of the Willow Operations Center and the construction of a road from the operations center site to the site of the Willow Central Facilities.

ConocoPhillips Anchorage-based spokesperson Rebecca Boys has told Petroleum News that non-surface disturbing construction activities have already started — ice road route staking and prepacking of ice roads is underway. The company plans to start ice road construction in early December, depending on the weather. Surface disturbing activities such as gravel mining and placement, and pipeline construction, will begin as early as Dec. 21, also depending on the weather, Boys said. Construction materials for the 2024 winter season are now being delivered to the Willow staging area in the Kuparuk River unit, she said.

ConocoPhillips has about 800 staff and contractors currently working on the project. The company is well advanced in detailed engineering and has a thorough execution plan, Boys said. ●

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continued from page 1

OIL PRICES

would actually come into effect," said Fiona Cincotta, StoneX financial market analyst, Reuters reported Dec. 5.

Meanwhile, U.S. production soared, hitting an all-time high of 13.2 million bpd, slightly above the 2019 peak.

A surprise large drawdown of U.S. commercial crude inventories announced Dec. 6 by the U.S. Energy Information Administration could not stem the tide of losses.

Commercial crude inventories for the week ending Dec. 1 — excluding Strategic Petroleum Reserve changes — dropped 4.6 million barrels from the previous week to 445.0 million barrels, 1% below the five-year average for the time of year, the EIA said.

Analysts polled by Reuters had called for a 1.4 million barrel drawdown.

Conversely, total motor gasoline inventories jumped by 5.4 million barrels for the period to 223.6 million barrels — 1% below the five-year average for the time of year. the EIA said.

Analysts from the Reuters poll foresaw an increase of just 1 million barrels.

Also, on Dec. 6, Russian president Vladimir Putin traveled to the United Arab Emirates and Saudi Arabia to discuss oil production cuts with UAE President Sheikh Mohammed Bin Zayed Al Nahyan and Saudi Crown Prince Mohammed bin Salman. Talks with Iranian President Ebrahim Raisi were scheduled in Moscow Dec. 7.

Pre-meetings, Russian Deputy Prime Minister Alexander Novak said OPEC+ stands ready to deepen oil production cuts in the first quarter, Reuters reported Dec. 5.

"The OPEC+ deal did little to support prices and given the days of declines that followed it, traders are clearly very unimpressed," said Craig Erlam, senior market analyst UK & EMEA, at data and analytics firm OANDA.

Dec. 6 losses followed losses Dec. 5 that saw ANS fall $1.05 to close at $78.58, while WTI fell 72 cents to close at $72.32 and Brent fell 83 cents to close at $77.20.

On Dec. 4, ANS fell 66 cents to close at $79.64, WTI fell $1.03 to close at $73.04 and Brent fell 85 cents to close at $78.03.

December started with red ink in the wake of the OPEC+ announcement the previous day. ANS plunged $2.83 to close at $80.30, as WTI slid $1.89 to close at $74.07 and Brent plummeted $3.95 to close at $78.88.

ANS plunged $2.03 Nov. 30 to close at $83.15, while WTI plunged $1.90 to close at $75.96 and Brent edged 27 cents lower to close at $82.83.

ANS held a $1.68 premium over Brent on Dec. 6, while WTI traded at a $6.60 discount to ANS.

WTI and Brent were each up 39 cents in early Dec. 7 Asian trading as Petroleum News went to press.

Ignoring Gaza conflict a mistake

The oil market is not fully appreciating the potential disruption of the Gaza conflict — and that's a mistake, Bob McNally, president of energy consultancy Rapidan Energy Group said in a Dec. 6 CNBC Squawk Box Asia interview.

Rapidan thinks the risk of the conflict expanding and disrupting oil and LNG is not factored in by the market.

"We put the odds at about 30% that Teheran and Washington will be unable to arrest the escalation here, but 30% is about 30% higher than where the market is," he said, adding that when Hamas said shortly after it attacked Israel that it didn't plan to open up a front, the market has been ignoring the Gaza conflict.

"Navy ships are being attacked; commercial ships are being attacked … and the United States military is beginning to respond lethally against Iranian proxies in the region," McNally said. "We're not out of the woods; it may not be a 90% probability, but it is not zero." ●

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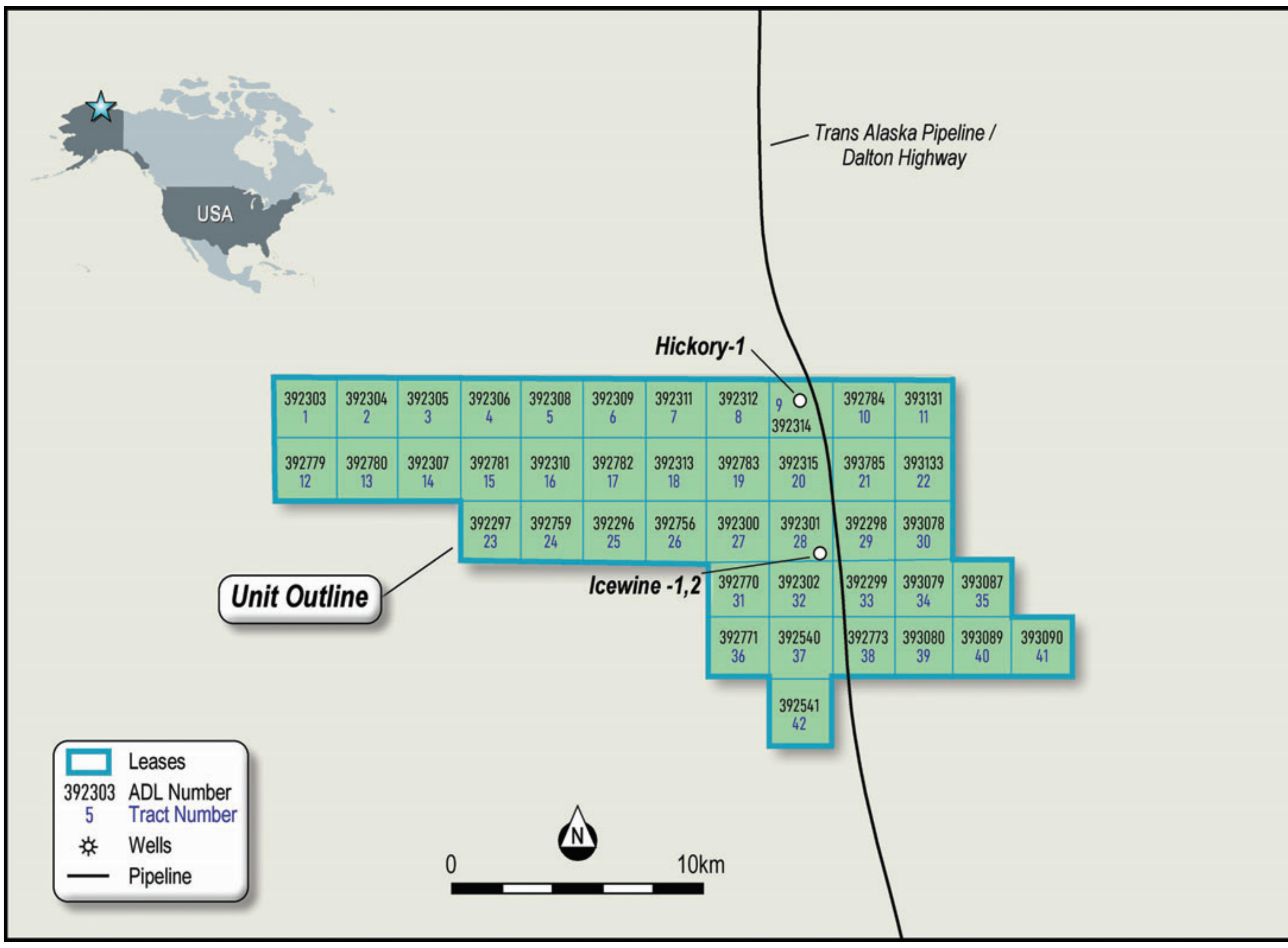
continued from page 1

HICKORY 1 WELL



88 ENERGY LTD.

perforation, fracking, then flowback through a production testing skid to determine viability," the division said in its Nov. 30 approval.

All buildings used for the project will be temporary. Facilities located on the ice pad to support the project will include a camp, storage and laydown areas, communications tower, connexes and maintenance shops. The camp will be equipped with offices, a medic/camp clinic, bathroom facilities, dining area, kitchen and food storage facilities, recreation area, and laundry facilities.

Ultra-low sulfur diesel fuel will be trucked to the project site by commercial carriers and stored in four 9,980-gallon tanks on pad as needed to support operations. Fuel storage, handling, transfers, and spill reporting will be conducted in accordance with AEA's Oil Discharge Prevention and Contingency Plan, North Slope Environmental Field Handbook, and the Alaska Safety Handbook, the division said in its approval.

Spill response equipment will be staged on location and managed by an onsite spill technician contracted through Alaska Chadux Corp.

Up to 4,000 barrels of drilling waste will be generated during drilling and hauled and disposed by injection in an offsite Class I or II UIC disposal well.

AEA does not intend to store drilling waste on site. Household hazardous wastes generated from camp operations will be combined with domestic wastewater and temporarily stored in the camp sewage tank modules before being hauled to the wastewater treatment plant for disposal, the division said in its approval.

All other wastes generated on site will be managed in satellite accumulation areas, manifested and then transported to approved disposal or recycling facilities at the completion of field operations.

During operations, up to 5,000 gallons per day of potable water will be required for domestic use. Potable water will be transported to the camp and rig pads by water truck.

For other fresh water uses, AEA has temporary water use authorizations from DNR's Division of Mining Land and Water, for withdrawal of ice chips and water from area lakes.

The Hickory 1 frac and test project is expected to begin Jan. 15 and be completed by tundra closing or mid-April, the division said in its Nov. 30 approval.

All American Oilfield Rig 111 will be used to test the well "at up to four separate intervals. Each interval will involve perforation, fracking, then flowback through a production testing skid to determine viability."

Stick picking and site inspection will occur during the following summer.

Tundra travel and ice construction will be permitted separately through LAS 34367.

Plan activities include the following:

- Construct ice pad and driveway
- Re-enter Hickory 1 well
- Frac and flow tests
- Stick picking
- Closeout site inspections

Hickory 1's location is at Meridian: Umiat Township: 5N Range: 14E Section: 19 69.77933, -148.71768 NAD83.

Review and comment

The division provided a review and comment opportunity for the activities considered for the authorization under this decision. The following government entities were notified on Oct. 9, for comment on the plan: Alaska Department of Transportation, U.S. Army Corp of Engineers, Alaska Department of Environmental Conservation, Alaska Department of Fish and Game, DNR's Division of Mining, Land and Water and DNR's Division of Oil and Gas, and the North Slope Borough.

The comment deadline was 4:30 p.m. Alaska time on Oct. 23. One comment was received and resolved without modifying the plan.

Conditions and stipulations

A certified As-Built Survey of the activity must be provided by AEA within one year of placement of the improvement. This As-Built must contain a hard copy, as well as a digital GIS file containing a shapefile or ESRI Feature Class to protect the State's interest. The division found that it is necessary to incorporate the following project-specific stipulations:

1. AEA must coordinate with Red Mountain Consulting LLC, to ensure that any summer activities do not conflict with ongoing trench rehabilitation efforts in the vicinity.

2. Exploration phase reporting. While active exploration operations authorized by this permit are being conducted, the applicant will provide a bi-weekly report to the division summarizing activities undertaken and their location within the permit area. The frequency and the substance of these reports may be modified to the satisfaction of the division, as needed.

This approval signifies only that the state of Alaska has no objection to the operations outlined in the plan amendment application. It does not constitute certification of any property right or land status claimed by AEA nor does it relieve the applicant of responsibility to obtain approvals or permits from other persons or governmental agencies that may also be required.

All stipulations contained in the original lease and subsequent plan approvals remain in full force and effect.

This approval expires on Nov. 30, 2026, if activities have not commenced.

The approval letter was addressed to Ashley Gilbert, AEA president, and 88 Energy Ltd.'s managing director.

—KAY CASHMAN

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continued from page 1

TARIFF APPROVAL

implementation of more renewable power generation for the Railbelt.

Given that the establishment of the RRC is still an ongoing process, the commission has recognized that some components of the tariff, including the reliability standards and the penalties that the organization will be able to impose on the utilities, are still under development. The commission is requiring these components of the tariff to be completed within two years, with the possibility of six-month extensions should those prove necessary.

The commission is also requiring some changes to the wording of the tariff, as filed.

—ALAN BAILEY

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