Petroleum news

page 2 EIA: Brent up slightly over June forecast, to average $69 this year

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Slope methane hydrate testing on hold pending US DOE funding

A project involving the testing of methane hydrate production on the North Slope is on hold, pending a U.S. Department of Energy decision on whether to continue to provide funding support for the project. In a June 24 filing by Oliktok Pipeline Co. with the Regulatory Commission of Alaska the pipeline company asked approval for temporary disconnection of its Oliktok Pipeline from the project, while the project is on pause. The pipeline had been shipping natural gas to the methane hydrate test site for use as fuel for the project.

The testing involves the use of test wells drilled from an existing gravel pad in the Prudhoe Bay unit.

The RCA filing says that DOE approval for continued funding is not anticipated until September 2026. According to the filing, the Arctic Slope Regional Corp. subsidiary involved in the methane hydrate research project as part of an international team has indicated that it anticipates reconnecting the project to the Oliktok pipeline in September 2026 and then resuming the transport of gas through the pipeline for approximately three years.

As previously reported in Petroleum News, ASRC Energy Services has recently received approval from the Alaska

see HYDRATE FUNDING page 5

49% of oil on federal lands in Alaska, the USGS has estimated

The U.S. Geological Survey, in an estimate released in late June, said 49% of undiscovered technically recoverable oil resources on federal onshore land are in Alaska. The national total is 29.414 billion barrels of oil, of which the estimate for Alaska is 14.458 billion.

Ranking is by volumetric means of total estimated reserves for U.S. federal lands, with New Mexico (8.926 billion barrels of oil), Nevada (1.407 billion), Wyoming (988 million) and Texas (916 million) rounding out the top five states.

For natural gas, the national total is 391.553 trillion cubic feet, of which 111.034 trillion is attributed to Alaska, 28%, still the largest volume of any state, followed by New Mexico (85.39 trillion cubic feet), Colorado (60.12 trillion), Wyoming (47.138 trillion) and Texas (16.777 trillion).

For natural gas liquids, however, New Mexico and Wyoming top the estimate list, with Alaska, at 926 million barrels, coming in third, accounting for 11% of the total: New Mexico (3.92 billion barrels), Wyoming (1.57 billion), Alaska

see USGS ESTIMATE page 5

Hilcorp looking at Clam Gulch area in 21st Ninilchik unit POD

Hilcorp Alaska is continuing to evaluate drilling in the northern-most portion of its Ninilchik unit on the Kenai Peninsula, in the Clam Gulch area, the Alaska Department of Natural Resources' Division of Oil and Gas said in its July 8 approval of the unit's 21st plan of development.

The Ninilchik unit, NINU, was formed in 2001 and has four participating areas: Falls Creek, Grassim Oskolkoff, Susan Dionne-Paxton and Pearl. Hilcorp acquired the NINU from Marathon Oil Co. in 2013.

Ninilchik is one of Cook Inlet's major natural gas producers. Alaska Oil and Gas Conservation Commission data show the field produced 11.8 billion cubic feet in the 2024 calendar year, down from 15.8 bcf in 2023, which was the peak year since Hilcorp acquired the field from Marathon. Through May of this year the field has produced a total of 293.5 bcf.

The division said Hilcorp drilled three development wells during the 20th POD, Aug. 1, 2024, through July 31, all into

see KENAI DRILLING page 5

FINANCE & ECONOMY

ANS hugs 2-week high

Geopolitics, gasoline demand counter big OPEC+ production boost

By STEVE SUTHERLIN

Petroleum News

Alaska North Slope crude, along with West Texas Intermediate and Brent, lifted to two-week highs despite a larger than expected production boost from the Organization of the Petroleum Exporting Countries and its allied exporting nations.

On July 5, OPEC+ approved a supply increase of 548,000 barrels per day for August, well above the widely expected increase of 411,000 bpd, which would have matched the cartel's increases for May, June and July.

On Sunday July 6, after months of calm, a Greek-managed Liberian-flagged ship was attacked in the Red Sea by Yemen based Houthi rebels, followed by a second such attack July 7.

On July 7, ANS reacted to the upside — adding 69 cents to close at $72.96 per barrel — as WTI jumped 93 cents to close at $67.93 and Brent jumped 78 cents to close at $69.58.

> ***On July 5, OPEC+ approved a supply increase of 548,000 barrels per day for August, well above the widely expected increase of 411,000 bpd, which would have matched the cartel's increases for May, June and July.***

see OIL PRICES page 7

UTILITIES

RTO files its first tariff

Organization overseeing Railbelt transmission system says how it will operate

By ALAN BAILEY

For Petroleum News

The Railbelt Transmission Organization, the newly formed entity for overseeing the fees charged for use of the Alaska Railbelt electricity transmission system, has filed its first tariff with the Regulatory Commission of Alaska. The tariff, which requires RCA approval, specifies how the RTO will determine the fees charged for use of the transmission system by electricity utilities and independent power producers in the Railbelt electrical system.

The concept is to develop and oversee a new Railbelt electricity transmission tariff arrangement that removes current impediments to competition in the bulk power market in the Railbelt. Because of the manner in which the current tariffs for the use of different sectors of the transmission grid stack on top of each other, the tariff arrangements tend to deter the development of new power generation that could transmit power over long distances.

> ***The objective is to obtain RCA approval of the method that will be used to determine an open access transmission tariff, rather than at this stage proposing the rates to be charged for the use of the transmission system.***

see RTO TARIFF page 6

EXPLORATION & PRODUCTION

Plan to expand Seaview

Hilcorp proposing merger into Seaview of Whiskey Gulch discovery to north

By KRISTEN NELSON

Petroleum News

Hilcorp Alaska is in the process of applying to expand its lower Kenai Peninsula Seaview unit to include its Whiskey Gulch gas discovery to the north, where Alaska Oil and Gas Conservation Commission records show the company drilled 20 stratigraphic test wells and three exploratory gas wells. At Seaview AOGCC records show two exploratory gas wells, only one of which has produced, and seven stratigraphic test wells.

In a decision on the Seaview unit plan of development issued July 2, Alaska Department of Natural Resources' Division of Oil and Gas Director Derek Nottingham said because the Seaview unit will expire Oct. 7 and Hilcorp's application to expand Seaview to include Whiskey Gulch is not yet complete, the division can only approve the Seaview POD for Aug. 1 through Oct. 7.

DEREK NOTTINGHAM

He advised Hilcorp to apply for a unit term extension for Seaview no later than Sept. 1.

"Upon approval of either the SVU expansion application or SVU term extension, whichever occurs before October 7, 2025, Hilcorp may provide either (1) a written request to extend the POD period

see SEAVIEW EXPANSION page 6

FINANCE & ECONOMY

EIA: Brent up slightly over June forecast

Expected to average $69 this year, up from $66, but dropping to $58 in '26; Henry Hub also down to $3.70 per Btu from $4 in June

By KRISTEN NELSON

Petroleum News

The U.S. Energy Information Administration said July 8 in its Short-Term Energy Outlook that it has revised its forecast for the Brent crude oil price for 2025 to an average of $69 per barrel, up 4.4% from the June forecast of $66 per barrel. The 2026 forecast, however, is down 1.3% from the June forecast of $59 per barrel to $58.

EIA said the change reflected unrest in the Middle East.

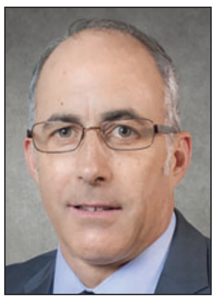
"The oil market is experiencing uncertainty from regional conflict, demand growth, and several other factors," said EIA Acting Administrator Steve Nalley. "Our forecast for lower oil prices comes from basic economic fundamentals that when supply grows faster than demand, prices decrease."

EIA said its June forecast of $66 per barrel for Brent this year was released just before the escalation of the conflict over Iran's nuclear program, with the increase "driven largely by higher near-term prices due to a more significant geopolitical risk premium from the conflict."

Significant global inventory builds are expected to exert downward pressure on prices, driving the projected $58 per barrel in 2026.

Brent averaged $66 per barrel in the first half of the year but prices increased for the first time in five months in June, averaging $71 per barrel, with the potential for higher prices in the second half of the year reflecting "the importance of the Strait of Hormuz to global oil supply," with some 20% of global petroleum shipped through the strait.

Growing inventories



STEVE NALLEY

Even with higher geopolitical risk premiums, EIA said it anticipates growth in global oil inventories and a consequent downward price pressure.

The increase in global oil inventories was an estimated 1.2 million barrels per day in the first half of the year, with an increase of 0.9 million bpd average expected through the end of the year, and an expected 1.1 million bpd storage growth in 2026.

Although major supply disruptions are not forecast, EIA said risks to oil supply remain, including the possibility of a break in the Israel-Iran ceasefire and elevated tensions in the Russia-Ukraine conflict, along with uncertainty around trade negotiations between the U.S. and its trading partners.

Future OPEC+ decisions and member compliance are also uncertain factors.

Global consumption

Global liquid fuels consumption is forecast to increase by 0.8 million bpd this year and by 1.1 million bpd next year, "driven almost entirely by demand from non-OECD countries," EIA said, where growth is forecast to average 0.9 million bpd this year and 1 million bpd next year, with OECD consumption falling 0.1 million bpd this year and largely unchanged next year.

Global liquids fuels production is forecast to rise by 1.8 million bpd this year and increase another 1.1 million bpd in 2026, with growth in countries outside OPEC+ led by the United States, Brazil, Canada and Guyana — estimated to increase by 1.3 million bpd this year and 0.5 million in 2026.

Based on relatively weak demand growth and strong supply growth, OECD commercial inventories are expected to increase from an average of 61 days of supply in the first half of this year to 62 days in the second half and 66 days by the end of 2026. EIA said this is well above the 2018-24 average (excluding 20-21 during COVID).

US production declines

EIA said U.S. crude production is forecast to decline from almost 13.5 million bpd in April to 13.3 million bpd by the end of 2026, reflecting the expectation that the West Texas Intermediate spot price will fall through 2026, ending that year at $53 per barrel, down some 22% from June 2025, and resulting in producers drilling and completing fewer wells.

Production of 13.5 million bpd in the U.S. was "an all-time high," and forecast to decline to some 13.3 million bpd in the fourth quarter of 2026, EIA said, averaging some 13.4 million bpd both this year and next.

Drilling and completion activity in the U.S. is slowing, with 5,164 well completions in Lower 48 producing states in the first half of this year. EIA said producers would have to complete more than 5,400 wells in the second half of the year to match 2024 numbers.

In 2024, "higher oil output per well meant that U.S. crude oil production grew despite relatively low well completions. This year, productivity growth has been

see EIA OUTLOOK page 3

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EXPLORATION & PRODUCTION

Baker Hughes US rig count down 8 to 539

Count is lowest since October '21; international June count is 913 rigs, 730 land, 183 offshore, up from May, but down from 2024

By KRISTEN NELSON
Petroleum News

Baker Hughes' U.S. rotary drilling rig count was 539 on July 3, down by eight from the previous week — the tenth consecutive week of drops. The count was down by 46 from 585 a year ago, down by 15 from two weeks ago and down 48 over the 10 weeks. This is the lowest the rig count has been since October 2021.

A drop of 17 to 731 on May 12, 2023, was the steepest weekly drop since June of 2020, during the first year of the COVID-19 pandemic, when the count also dropped by 17 to 284 on June 5, following drops as steep as 73 rigs in one week in April. The count continued down to 251 at the end of July 2020, reaching an all-time low of 244 in mid-August 2020.

For 2024, the count peaked March 1 (and again March 15) at 629, hitting its low point June 28 at 581. In 2023 the count peaked early in the year at 775 on Jan. 13, bottoming out Nov. 10 at 616.

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 July 3 count includes 425 rigs targeting oil, down by seven from the previous week and down 54 from 479 a year ago, with 108 rigs targeting natural gas, down by one from the previous week and up seven from 101 a year ago, and six miscellaneous rigs, unchanged from the previous week and up by one from a year ago.

Baker Hughes shows Alaska with 10 rotary rigs active July 3, unchanged from the previous week and up by one from a year ago when the state's count was nine.

Forty-four of the rigs reported July 3 were drilling directional wells, 480 were drilling horizontal wells and 15 were drilling vertical wells.

Alaska rig count unchanged

No states had week-over-week rig count increases.

Oklahoma (43) was down three rigs from the previous week; New Mexico (90) and Texas (456) were both down by two rigs; and Pennsylvania (17) and Wyoming (17) were each down by a single rig.

Rig counts in other states were unchanged from the previous week: Alaska (10), California (6), Colorado (8), Louisiana (31), North Dakota (29), Ohio (11), Utah (9) and West Virginia (7).

Baker Hughes shows Alaska with 10 rotary rigs active July 3, unchanged from the previous week and up by one from a year ago when the state's count was nine.

The rig count in the Permian, the most active basin in the country, was down by five from the previous week at 265 and down by 40 from 305 a year ago.

International rig count up by 27 in June

Baker Hughes' monthly international rig count for June, issued July 3, is up by 27 from May at 913 and down 44 from a count of 957 in June 2024, with land rigs up by 31 at 730, month over month, and offshore rigs down by four at 183.

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 June, 339, followed by Asia Pacific with 204, Latin America with 143, Europe with 125 and Africa with 102.

The U.S. rig count averaged 554 in June, down by 20 from 573 in May, and down 35 from June 2024, while the Canadian count for June averaged 133, up 17 from 116 in May and down 29 from June 2024.

Worldwide the rig count averaged 1,600 in June, up 24 from 1,576 in May and down 107 from 1,707 in June 2024. ●

Contact Kristen Nelson at knelson@petroleumnews.com

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EIA OUTLOOK

mixed: crude oil production from newly completed wells is growing more slowly or declining in the major oil-producing regions," EIA said.

Henry Hub

EIA said natural gas storage is projected to grow, resulting in lower natural gas prices. Henry Hub averaged just over $3 per million British thermal units in June and is expected to average almost $3.40 in the third quarter, down 16% from the agency's June forecast, with LNG demand and production the key price drivers.

Marketed natural gas production averaged 116.8 billion cubic feet per day in the second quarter, up 4.7 bcf per day compared to the second quarter last year, with production expected to remain near that level through 2026, EIA said, averaging some 116 bcf per day in both 2025 and 2026, sustained by higher natural gas prices.

Henry Hub averaged $3.67 per million Btu in the first half of 2025, up from $2.11 in the first half of 2024. ●

Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

Division OKs dredging, Milne pad work

The Alaska Department of Natural Resources' Division of Oil and Gas has approved annual maintenance dredging of the West Dock Causeway at the Hilcorp North Slope-operated Prudhoe Bay unit and installation of chemical injection containment modules at R Pad in Hilcorp Alaska's Milne Point unit.

In its July 2 approval, the division said the dredging of seafloor sediments around the West Dock Causeway maintains dock heads 2 and 3 navigational access and the flow of seawater to the Seawater Treatment Plant.

The division said dredging will be from the dock or barge surface using an excavator, with the project expected to begin July 5.

Diagrams accompanying the approval show the south leg of the causeway extending from West Dock at Prudhoe to the barge docking area at Dock Head No. 2; the middle leg extending to Point McIntyre No. 2 Pad and Dock Head No. 3; and the north leg extending to the Seawater Treatment Plant.

The division said dredging will be from the dock or barge surface using an excavator, with the project expected to begin July 5.

At Hilcorp Alaska's Milne Point, in a July 8 decision the division approved a unit plan of operations amendment allowing Hilcorp to install three chemical injection containment modules on R Pad at Milne Point. The division said the project will provide a receiving location for chemicals from bulk storage, with pumps assisting vehicles in retrieving the chemical to support facility and well work activities.

The 6.5-foot by 6-foot containment modules will be placed directly on the pad; secondary containment is built into the design of the skid.

Once the modules are placed, necessary piping, tubing and electrical components will tie them into facility infrastructure.

Work is scheduled to begin in July.

—KRISTEN NELSON

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● THIS MONTH IN HISTORY

Pioneer in at Cosmo, still being studied

20 years ago: Conoco has until November to begin shooting seismic at Cook Inlet discovery, or can drill by November 2006

Editor's note: This story first appeared in the July 17, 2005, issue of Petroleum News.

By KRISTEN NELSON
Petroleum News

Pioneer Natural Resources Alaska has come in as a working interest owner in the offshore Cook Inlet Cosmopolitan prospect, taking a 10% interest from operator ConocoPhillips Alaska in March 2005.

Drilling beginning in 2001 followed up on a discovery made in 1967 by Pennzoil, which used a jack-up drilling rig to drill a 12,112-foot vertical hole, the Starichkof State No. 1, recovering oil at 6,800 feet and 6,900 feet.

The joint state-federal Cosmopolitan unit was approved in 2001 offshore the southern Kenai Peninsula north of Anchor Point and a well and a sidetrack were drilled.

A second plan of exploration, for two years, approved last October, requires additional seismic acquisition to begin by Nov. 14, 2005, and be complete by Nov. 14, 2006. Or the unit owners can drill another well, with commitment to the well required this November, and drilling by the end of the plan period in November 2006.


MARK MYERS

ConocoPhillips has not said what it plans to do, but Veritas DGC has applied to do a seismic shoot which includes an offshore area of Cook Inlet from south of Anchor Point to north of Happy Valley. The Cosmopolitan unit lies in the southern area of the proposed 3D seismic acquisition, which would be shot beginning in September.

Division of Oil and Gas Director Mark Myers provided an update on Cosmopolitan in late December 2004 to an overriding royalty interest owner who had objected because the second plan of exploration did not include production from the sidetrack well.

Alaska Oil and Gas Conservation Commission records show the Hansen well was spudded in October 2001 and plugged and abandoned in April 2003. The Hansen 1-A, the sidetrack, was drilled in early 2003 and completed in June of that year. Both wells are listed by the commission as single zone oil wells.

Briggs Nesmith told Myers in a letter that he understood the existing well was capable of producing at 1,000 barrels of oil per day "and even with $4 per barrel trucking cost, the well is far more than economical," he said, apparently referring to how the oil was transported when testing was done at the prospect. In Myers' response he told Nesmith that while the second plan of exploration doesn't require production and sale of oil, it does require either additional seismic or a well by November 2006.

"I believe the additional reservoir delineation work planned for the next two years is necessary," Myers said.

In addition to the need for more technical data, Myers said there are other reasons the Hansen well and sidetrack at Cosmopolitan are not in production.

The state requires "a comprehensive plan to develop the entire reservoir, not just produce one well," he said. And the well is not equipped to handle permanent production.

The working interest owners also are not prepared to initiate permanent production, he said: "They do not have all the spill response and other permits and regulatory approvals needed to begin production and sales."

A plan of development must be submitted and approved and a participating area formed before the field is put on permanent production.

ConocoPhillips formerly had a 70% interest in the prospect; 10% of that interest is now held by Pioneer. The other working interest owners are Devon Energy Production with 17.5% and Forest Oil with 12.5%. Forest formerly had 25% but last summer it sold half of its interest to Devon.

Pipeline needed

Transportation is also an issue, as Cosmopolitan is not connected to existing Kenai Peninsula oil pipelines.

Myers called transportation "a major challenge" to production from the field.

"Trucking product on the Sterling Highway (i.e. trucking the oil north to Kenai) is risky, even if that risk can be made small." The highway, he said, is crowded with tourists in the summer and dangerous at times in the winter, and even if the risk of trucking the oil could be lowered, "local residents and other Alaskans don't want the increased truck traffic…"

A pipeline from Cosmopolitan to the Kenai area will likely be required for long-term sustained production, Myers said.

The state also must evaluate the project. State regulations require the Department of Natural Resources "to evaluate the costs and benefits of production to the environment as well as economic costs and benefits" of the development, Myers said. The benefits of production of 1,000 bpd "do not necessarily exceed the costs, real or perceived."

ConocoPhillips formerly had a 70% interest in the prospect; 10% of that interest is now held by Pioneer. The other working interest owners are Devon Energy Production with 17.5% and Forest Oil with 12.5%. Forest formerly had 25% but last summer it sold half of its interest to Devon. ●

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USGS ESTIMATE

(926 million), Montana (601 million) and Colorado (375 million).

The majority of undiscovered technically recoverable Alaska oil is in northern Alaska, 14.059 billion barrels, followed by southern Alaska at 299 million barrels and central Alaska at 100 million barrels.

Alaska's natural gas distribution is similar: 104.1 trillion cubic feet of natural gas in northern Alaska, followed by 3.751 trillion in southern Alaska and 3.182 trillion in central Alaska.

For natural gas liquids, however, while northern Alaska still tops the list at 844 million barrels, central Alaska is second at 74 million and southern Alaska third at 8 million.

Federal lands

USGS said the current estimate is based on assessments completed since the 1995 assessment, with 579 conventional- and continuous-type assessment units assessed or reassessed since 1995.

USGS said the report allocates "mean volumes of potential undiscovered, technically recoverable conventional- and continuous-type oil and gas resources underlying Federal lands of the onshore provinces of the United States." The agency said resources not currently technically recoverable — tar sands, oil shales, gas hydrates, gas in geopressured brines — are not included.

The estimate includes lands with federal surface ownership, which generally includes mineral estate ownership.

This includes lands under BLM, the Bureau of Land Management, including BLM wilderness areas and BLM roadless areas; National Park Service, NPS, including NPS wilderness areas, NPS protected withdrawals; U.S. Department of Agriculture Forest Service, including FS wilderness areas, FS roadless areas, FS protected withdrawals; U.S. Fish and Wildlife Service, FWS, including FWS wilderness areas, FWS protected withdrawals, wilderness study areas; U.S. Department of Energy; U.S. Department of Defense; Bureau of Reclamation; and Tennessee Valley Authority.

USGS said the report allocates "mean volumes of potential undiscovered, technically recoverable conventional- and continuous-type oil and gas resources underlying Federal lands of the onshore provinces of the United States."

—KRISTEN NELSON

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KENAI DRILLING

the Paxton-Kalotsa-Dionne structure, an increase from the one development well into that structure that the company proposed in that POD.

Kalotsa 9 was drilled in January, with successful perforations in the Tyonek formation, followed by Kalotsa 10 drilled in February, also with successful perforations into the Tyonek and results not yet known from perforations in the Lower Beluga formation done in May. The third well, Paxton 13, was drilled in April with perforations to be added in May.

Successful perforations were added to Pearl 10, Paxton 6, Kalotsa 5, Pearl 2A, Kalotsa 1, Kalotsa 7 and Kalotsa 8, while added perforations at Pearl 11, Kalotsa 2, Kalotsa 3 and Kalotsa 4 showed no change in productivity.

Perforations and testing at Blossom 1 were unsuccessful, yielding no gas to the surface.

Between April and May of this year Hilcorp added or will add Beluga formation perforations in Kalotsa 2, Paxton 3, Paxton 10 and Paxton 11.

2025 POD

Proposed work in the 2025 POD, Aug. 1 through July 31, 2026, includes:

•Continued evaluation of an exploration well in the northern-most, Clam Gulch area, portion of NINU;

•Evaluation of two planned development wells targeting Tyonek and Beluga formations in the Paxton-Kalotsa-Dionne and Falls Creek structures;

•Various rig and non-rig well projects, including: workover to return Susan Dionne 7 to production; coil cleanout operations; adding perforations; setting plugs or patches for potential water shutoff; continuing evaluation of adding velocity strings or other artificial lift options; and additional well work as needed.

Hilcorp will also identify pad work needed at Kalotsa "for future development of the Paxton-Kalotsa-Dionne structure."

—KRISTEN NELSON

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HYDRATE FUNDING

Department of Natural Resources' Division of Oil and Gas to extend the methane hydrate test program through to August 2028. Earlier testing in the project began in September 2023 and was completed in July 2024. The division approval requires work at the project site to recommence by June 2028.

A natural gas resource

Methane hydrate is a solid in which molecules of methane, the primary component of natural gas, are concentrated inside a lattice of water molecules. Huge quantities of the material, which remains stable within a certain range of relatively high pressures and low temperatures, are known to exist around the base of the permafrost under the North Slope. Gas can be released from hydrates through some combination of elevating the temperature or reducing the pressure of the hydrate resource.

Alaska's North Slope is considered a particularly suitable venue for testing the production of natural gas from methane hydrate, given the presence of large quantities of methane hydrate, onshore, in a region with an extensive oil and gas development and production infrastructure. Successful testing on the North Slope could lead to methane hydrate development anywhere in the world where there are conveniently located methane hydrate resources.

—ALAN BAILEY

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RTO TARIFF

The formation of the RTO was mandated by the state Legislature in a bill passed during last year's legislative session, with a deadline of July 1, 2025, to file an initial tariff with the RCA. Hence the tariff filing.

A mechanism for transmission fees

The new tariff sets out the parameters and rules under which the fees for use of the transmission system will be set. The objective is to obtain RCA approval of the method that will be used to determine an open access transmission tariff, rather than at this stage proposing the rates to be charged for the use of the transmission system. Further steps are needed before the RTO can offer its services to the Railbelt electricity businesses, the RTO told the commission. And the Railbelt utilities will themselves need to make certain RCA filings, to establish the process for implementing the new transmission system rates, the RTO wrote.

As one of its initial steps in developing the tariff, the RTO employed some standard tests used by the Federal Energy Regulatory Commission to determine which components of the electrical system are "transmission assets," subject to RTO oversight. For example, some high voltage lines used by an individual utility may only be used by that particular utility and are, therefore, considered to be part of the utility's distribution system, and not part of the transmission system. The RTO has developed a map of all of the transmission lines that would fall under its jurisdiction.

Differences from the Lower 48

And, unlike regional transmission organizations in the Lower 48, the RTO is not responsible for the planning of changes in the transmission system. Nor, given the isolation of the Railbelt grid, does the RTO have to deal with interconnections with other transmission grids managed by other entities. In addition, given the terms under which the RTO has been legislated to operate, the organization identifies itself as a "transmission service administrator," rather than as a "transmission provider," as is common in the Lower 48.

To determine future rates for use of the transmission system, the RTO has adopted an existing methodology, but with modifications that recognize some unique characteristics of the Railbelt system. The costs incurred by each transmission system operator will be factored into an overall cost of service that is used, together with an acceptable rate of return, to establish the unified rate charged for use of the system.

One complication is the existence of "legacy agreements," previously established contractual agreements that will need to grandfathered into the new transmission system rates. The existence of these agreements will result in some continued discrepancies in the rates applied to different sectors of the grid — in the Lower 48 it took many years for the transmission markets to address these legacy agreements, the RTO told the commission.

Transmission system constraints

Another issue results from the constraints in the use of the transmission system that result from the existence of just one limited capacity transmission line between the Anchorage area and the Kenai Peninsula, and just one limited capacity transmission line between Southcentral Alaska and Healy to the north. The capacity on these lines is fully subscribed to Railbelt electricity utilities, to handle their native loads, leaving little firm transmission capacity available for other entities until additional transmission lines are constructed. The RTO may need to consider this issue when determining the revenue requirement that is used to calculate the unified rate charged for the use of the transmission system, the RTO told the RCA.

In its tariff the RTO has also specified a protocol for allocating the revenue requirements of the individual transmission system operators, when determining the rate charged for the use of the system, the RTO told the commission. ●

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SEAVIEW EXPANSION

as set forth herein or (2) an proposed amended POD for the period covering October 8, 2025 through July 31, 2026." Aug. 1 through July 31, 2026, was the POD period for which Hilcorp applied in its POD.

Hilcorp has 10 days to notify the division whether it accepts the proposed modification.

The Seaview unit was approved in August 2020, the division said, consisting of "hundreds of individual tracts and owners" including the state, with Hilcorp Alaska the only working interest owner and the unit operator.

The company has produced gas from one well, Seaview 8.

AOGCC production data show that well produced from June 2021 through August 2022, a total of 181.84 million cubic feet of natural gas.

2024 POD

During the 2024 POD, the division said, Hilcorp conducted shallow stratigraphic test drilling "to better understand the structural relationship between the SVU and Whiskey Gulch" to the north. The company evaluated the potential for a test well to assess shallow sands which could not be reached from existing wellbores, but "elected not to drill a test well, citing the assessed risk and limited resource potential of the shallow sand objectives."

> *During the 2024 POD, the division said, Hilcorp conducted shallow stratigraphic test drilling "to better understand the structural relationship between the SVU and Whiskey Gulch" to the north.*

Hilcorp said it would evaluate additional perforations in Seaview 8 and Seaview 9, but the division said it chose not to add new perforations, "opting instead to wait for production results from deeper intervals before moving to shallower zones."

The company did flow test the Seaview 8 producing zone, and the test "indicated that the interval is no longer productive."

Hilcorp had proposed evaluating coalbed methane potential at Seaview.

"While no CBM data was collected at Seaview, coal injectivity and production tests were conducted at Whiskey Gulch," the division said.

2025 POD

The division said Hilcorp is in the process of providing additional information to support its application to expand Seaview to the north to include Whiskey Gulch leases.

For the 2025 POD, Hilcorp will:

•Evaluate drilling a well at Seaview to test a potential structural high to the north;

•Evaluate addition of perforations in Seaview 8 and Seaview 9;

•Evaluate data collection and coalbed methane testing at Seaview 8 and Seaview 9, work which "may include conducting a workover, perforations, injectivity test and production assessments"; and

•Pursue facility improvements. ●

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OIL PRICES

Crude rose again July 8, with ANS up 62 cents to close at $73.59, WTI up 40 cents to close at $68.33 and Brent up 57 cents to close at $70.15.

July 9 trading was subdued as traders considered data showing a lift in U.S. gasoline demand offset with a jump in crude inventories, and renewed attacks on Red Sea shipping by Houthi rebels. WTI added 5 cents on the day to close at $68.38, and Brent added 4 cents to close at $70.19.

UAE Energy Minister Suhail al-Mazrouei said July 9 that oil markets were absorbing OPEC+ production increases without building inventories, which means they are thirsty for more oil.

"You can see that even with the increases for several months we haven't seen a major buildup in inventories, which means the market needed those barrels," he was quoted in a Reuters report.

U.S. commercial crude oil inventories for the week ended July 4 leapt 7.1 million barrels from the previous week to 426 million barrels — 8% below the five-year average for the time of year, the U.S. Energy Information Administration said in its July 9 petroleum report.

Analysts answering a Reuters poll had on average expected a draw of 2.1 million barrels.

Total motor gasoline inventories fell however, by 2.7 million barrels for the week to 229.5 million barrels — 1% below the five-year average for the time of year, EIA said, adding that gasoline demand rose 6% to 9.2 million barrels per day over the week.

AAA said it projects a record 72.2 million people traveling 50 miles or more from home over the Independence Day holiday period from June 28 to July 6, an increase of 1.7 million domestic travelers compared to 2024 and 7 million more than in 2019.

Distillate fuel inventories decreased by 0.8 million barrels for the period to 102.8 million barrels — 23% below the five-year average for the season.

Prior to the three-day Fourth of July holiday weekend, traders were cautious heading into the OPEC+ production meeting. ANS slid 21 cents July 3 to close at $72.27, WTI dropped 45 cents to close at $67.00 and Brent fell 31 cents to close at $68.80.

On July 2, geopolitical heat from Iran's decision to halt cooperation with the United Nations nuclear watchdog and a trade deal between the United States and Vietnam juiced prices. ANS gained $1.67 on the day to close at $72.27, while WTI and Brent each leapt $2.00 to close at $67.45 and $69.11 respectively.

ANS gained $2.77 from its close of $70.82 on July 1, to $73.59 on July 8.

On July 8, ANS closed at a $5.26 premium to WTI, and at a $2.77 premium to Brent.

Record travel on holiday week

AAA said it projects a record 72.2 million people traveling 50 miles or more from home over the Independence Day holiday period from June 28 to July 6, an increase of 1.7 million domestic travelers compared to 2024 and 7 million more than in 2019.

"AAA is seeing strong demand for road trips and air travel over Independence Day week," AAA Mountain West Group spokesperson Doug Johnson said in a June 23 release. "With the holiday falling on a Friday, travelers have the option of making it a long weekend or taking the entire week to make memories with family and friends."

AAA projected 61.6 million people will travel by car, a 2.2% increase over last year and the highest volume on record.

AAA expects 5.84 million travelers will fly to their destinations — 8% of all Independence Day travelers, a 1.4% increase over the previous record set last Independence Day week.

According to the Transportation Security Administration, 3,041,954 passengers were screened though TSA checkpoints Sunday July 6. The total exceeded the previous record of 3,013,622 passengers screened in a single day, set Sunday July 7, 2024.

According to a July 2024 TSA release, July 7 was the first time since the TSA was founded in November 2001 that TSA officers screened more than 3 million travelers on a single day at airports across the country.

Other notable 2025 passenger counts occurred on July 7 (2,916,531) and July 3 (2,923,165). ●

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Petroleum news

Oil Patch Bits

Verde signs distribution agreement with Alaska Materials

Verde Resources Inc., through its main subsidiary Verde Renewables Inc., said July 2 that it is pleased to announce the signing of an exclusive distribution agreement with Alaska Materials LLC. This partnership will see Alaska Materials distribute Verde's innovative, sustainable building products across Alaska.

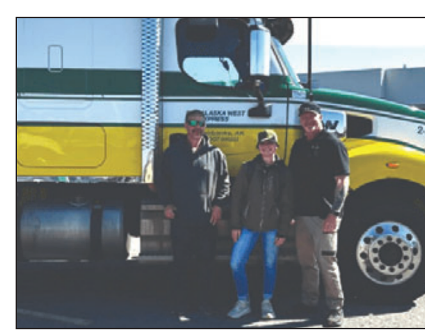
Alaska Materials is a trusted "direct ship" wholesale supplier, renowned for its ability to efficiently deliver construction, building and specialty materials throughout Alaska. Whether delivering truckloads of rig mats to the North Slope or a barge load of materials for a remote village school and housing, Alaska Materials is known for its quick turnarounds and logistical expertise.

As part of the agreement, Alaska Materials has committed to a minimum order of $500,000 in Verde products. This collaboration marks a significant step in establishing Verde's presence in the Alaska market while supporting the state's infrastructure needs with cost-effective, eco-friendly and carbon-sequestering materials.

"We are excited to partner with Alaska Materials, whose extensive experience and reliability in serving remote regions make them an ideal distributor," said Jeremy Concannon, chief growth officer of Verde Resources. "This agreement not only creates our market presence in Alaska but also furthers our commitment to providing sustainable, next-gen building materials to industries that benefit both Alaska and the tribal community."

For more information about Verde products, visit https://www.verderesources.com.

Lynden sponsors UAA auto & diesel expo


COURTESY LYNDEN

From left, Mike Gaiser, Katarina Goumas and Mark Pliska at the Expo in Anchorage.

As reported by Lynden News July 1, Lynden was a sponsor of the third annual University of Alaska Anchorage auto and diesel expo last month in Anchorage. Lynden Transport Operations Assistant Mike Gaiser, Alaska West Express Human Resources Generalist Katarina Goumas and HSSE Specialist Mark Pliska spent the day talking to truck lovers and auto enthusiasts at the Lynden tent. Lynden Transport and Alaska West Express trucks were onsite with the goal of sharing Lynden capabilities, answering questions and recruiting future drivers and mechanics.

Pliska made the trip to the event from his office in Fairbanks and described the event as a great experience to connect with the general public and potential employees. The university event aims to bring together education, industry and the public to showcase exciting opportunities for Alaskans and spark enthusiasm for the future of automotive and diesel careers.

Companies involved in Alaska's oil and gas industry

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