



Kevin Smith to run KLU platform, plant; Katalla expl. license denied

ALASKA-BASED HEX LLC, which owns and operates the Cook Inlet Kitchen Lights unit through its recent acquisition of bankruptcy debtor Furie Operating Alaska LLC and related debtor companies, has hired Kevin Smith as operations superintendent for the KLU onshore processing facility and the offshore Julius R production platform.

John Hendrix, HEX founder and top executive, “hooked me with his commitment to the local community,” Smith told Petroleum News in an Aug. 19 interview. “He promised go more local. Before (under the former owners of Furie) the operators and field personnel

see **INSIDER** page 8



US onshore taps open; OPEC+ holds steady in ‘slower recovery’

A majority of U.S. onshore operators plan to largely restore shut-in oil volumes by the end of the third quarter, while just a few will stretch curtailment into the rest of the year, according to a Rystad Energy analysis of 25 public oil operators’ second-quarter earnings released Aug. 14.

May curtailments at the companies peaked at 772,500 barrels per day, followed by cuts of a net 680,300 bpd in June, and 306,500 bpd in July, Rystad said, adding cuts are expected to fall to a net 74,300 bpd in August, with nearly all production to be reactivated by September.

Nearly all operators reported no issues bringing volumes back online, as work on issues such as maintaining reservoir pressure and well integrity preceded moderating output or

see **OIL PRICES** page 11

88 Energy completes XCD buy; two exploration wells this winter

On Aug. 17, 88 Energy Ltd. reported it has completed its acquisition of all the outstanding ordinary shares and listed options in XCD Energy Ltd., per the compulsory acquisition process announced on July 9. 88 Energy now owns 100% of the share capital of XCD.

Both companies have been focused on their Alaska North Slope prospects, all of which are undeveloped.

This coming winter 88 Energy subsidiary Accumulate Energy Alaska is planning to drill two Nanushuk prospects that it acquired as part of its off market takeover of XCD. The Harrier and Merlin prospects are in the 195,000-acre

see **XCD BUY** page 7

Power generation, electricity use evolving, experts tell legislators

On Aug. 14 three experts in the field of resource planning and reliability assurance for electricity systems talked to the Alaska House Energy Committee about the evolving world of electricity generation, transmission and distribution. During the last legislative session the committee was involved in the passage of Senate Bill 123, a bill designed to provide a statutory basis for the regulation of electricity reliability organizations, or EROs, in Alaska. The Regulatory Commission of Alaska is in the process of developing regulations for implementing the bill.

The Railbelt system

The particular focus in Alaska is a drive to unify the overall management of the Railbelt electricity system that stretches from

see **POWER GENERATION** page 7

LAND & LEASING

ANWR ROD approved

Lease sale next; wildlife, lands, waters, and indigenous uses protected

By **STEVE SUTHERLIN**

Petroleum News

U.S. Secretary of the Interior David L. Bernhardt signed a Record of Decision Aug. 17, approving the Coastal Plain Oil and Gas Leasing Program in the Arctic National Wildlife Refuge.

“I do believe there certainly could be a lease sale by the end of the year,” Bernhardt said in the press conference announcing the decision.

The leasing program is required by law in the Tax Cuts and Jobs Act of 2017 (Public Law 115-97), which was passed by Congress and signed into law by President Donald Trump on Dec. 22, 2017. The first of two congressionally mandated

The decision makes approximately 1,563,500 acres — or the entire program area — available for oil and gas leasing, leaving 92% of the 19.3-million-acre refuge off-limits to energy development by law.

lease sales in the area must be held no later than the end of 2021.

The act sets the royalty rate for leases at 16.67%, with 50% of adjusted bonus, rental and royalty receipts derived from the program directed to the State of Alaska.

The decision makes approximately 1,563,500 see **ANWR DECISION** page 12

EXPLORATION & PRODUCTION

Willow hits milestone

BLM releases final EIS for ConocoPhillips’ big NPR-A development; ROD next

By **KRISTEN NELSON**

Petroleum News

ConocoPhillips Alaska has reached another milestone for its Willow project in the National Petroleum Reserve-Alaska: On Aug. 14 the U.S. Bureau of Land Management released the final environmental impact statement for the Willow master development plan.

BLM said it has identified Alternative B, ConocoPhillips’ proposal, and Module Delivery Option 3, as the preferred alternative. The project is at the company’s Bear Tooth unit, west of currently producing Mooses Tooth.

Willow would have a peak production in excess of 160,000 barrels per day and a processing capac-

BLM said a record of decision would be signed no sooner than 30 days after the Federal Register publication.

ity of 200,000 bpd, BLM said, with an anticipated 30-year life.

In the initial draft EIS, published last September, BLM said ConocoPhillips expected peak production at Willow at up to 130,000 bpd; in the supplemental draft EIS, published in March, the agency cited the peak 160,000 bpd figure.

Total expected production over the life of the project, 590 million barrels, remains the same

see **WILLOW MILESTONE** page 10

NATURAL GAS

Gambling on natural gas

Buffett leads those who don’t believe shift to renewables will occur overnight

By **GARY PARK**

For Petroleum News

Those looking for hope in the natural gas sector could do worse than hitch their wagon to famed investment leader Warren Buffett.

The so-called Oracle of Omaha has made a strong bet in the industry by launching a US\$9.7 billion deal to buy the gas assets of Dominion Energy, rebuffing all the talk of a looming shift away from oil and natural gas.

Jim Shanahan, an analyst who covers Buffett’s Berkshire Hathaway, said the offer suggests Buffett does not expect the move to renewable energy “will come as fast as some people think.”

He said that although Berkshire Hathaway has

Oil exploration budgets, which affect associated gas production, have been drastically curtailed across North America and could result in a gas rebound.

an expanding clean-energy portfolio, the Dominion offer suggests the transition “is going to take time ... in the meantime, they have to be able to provide power generation to their customers.”

It also follows Buffett’s well-worn investing path, acquiring assets cheap in a buyers’ market.

Joining that school of thought, Canadian Natural Resources, CNR, Canada’s largest gas producer, is

see **GAS GAMBLE** page 11

● ALTERNATIVE ENERGY

Nukes enter new age

Alberta joins 3 other provinces to explore low-cost small modular reactors for use in oil sands, to advance economic diversification

By **GARY PARK**

For Petroleum News

Earlier this century then-Alberta premier Ralph Klein shrugged off a pitch to build a nuclear power plant in his province, emphatic that Alberta was a “fossil fuel based economy.”

A few years later, Ontario-based Bruce Power, a partnership that operates eight nuclear reactors, proposed building a facility in the Peace River region of northwestern Alberta to create steam for the thermal recovery of oil sands bitumen. That idea was shelved in the face of strong resistance in 2011.

But what goes around often comes around.

The idea of nuclear power has resurfaced with the Alberta government of Premier Jason Kenney signaling he is ready to join the provinces of Saskatchewan, Ontario and New Brunswick in a memorandum of understanding to explore emerging nuclear generation technology in the form of small modular reactors, SMRs.

Nate Trela and Hana Askren, who cover the energy sector for Mergermarket, wrote that SMRs appear to be gaining ground as a source of “carbon-free power to pair with

Even most of the doubters agree that it makes sense for Alberta to join the other three provinces and the federal government to make a relatively small investment in pushing the SMR idea to the point of conclusive decision making.

renewables, combined with promises of increased safety over traditional nuclear plants.”

Chris Colbert, chief strategy officer for SMR designer NuScale Power, said the “abundance of options” available for power in the U.S. are “solutions that the world will need.”

NuScale, along with StarCore Nuclear, Moltex and Advanced Reactor Concepts have told Mergermarket they are all seeking investment capital, while a United Kingdom consortium led by Rolls Royce is working on the development of a 440-MW reactor it calls an SMR.

Until now, SMRs have been limited in scope to generating less than 300 MW, making them easier to locate, while their modular format allows them to be fabricated off site.

Ontario and New Brunswick are the only Canadian

provinces producing nuclear energy, while uranium fuel is mined in Saskatchewan’s Athabasca resource region, which contains the world’s largest high-grade deposits of uranium and straddles the Saskatchewan-Alberta.

The Alberta announcement by Kenney and Energy Minister Sonya Savage said that signing on to the MOU is a part of the province’s efforts to explore potential avenues for economic diversification.

They said the development and deployment of SMRs could play a significant role in addressing climate change, meeting energy demand in remote and small communities and would advance research and innovation opportunities.

Kenney and Savage noted the SMRs would not emit greenhouse gases, making a powerful argument in support of the Canadian government’s commitment for Canada to achieve net-zero emissions by 2050.

Joseph Doucet, dean of the University of Alberta’s School of Business and a member of an Alberta panel that in 2008 examined the prospects for nuclear energy in Alberta, offered a blunt assessment. “It’s always good to think out of the box ... but it’s probably not going to happen,” he told

see **NUCLEAR POWER** page 5

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Alaska’s source for oil and gas news

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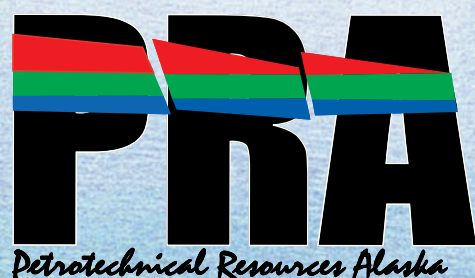
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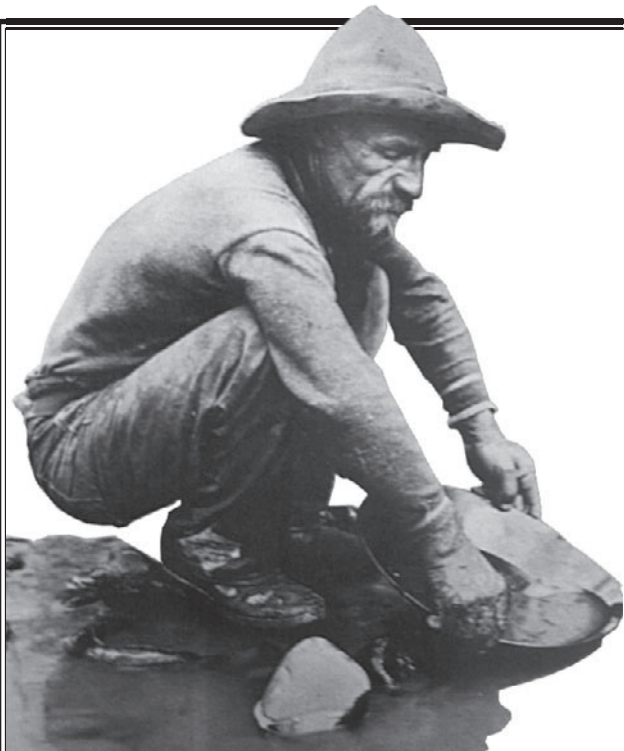


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PAID MESSAGE TO GOV. DUNLEAVY,
LEGISLATORS & AOGCC COMMISSIONERS
FROM OILMAN JIM WHITE

**THE TRUE BACKBONES OF ALASKA ARE THE
ALASKA NATIVES, PRE-STATEHOOD RESIDENTS AND
HOMESTEADERS THAT VOTED AND CREATED THIS
GREAT STATE OF ALASKA. THEY ARE THE
FORGOTTEN REAL HEROES OF ALASKA.**

“RESULTS ALWAYS DEFINE INTENT”

.....

Alaska has been a state the last 60+ years. Since Alaska became a state some 60 years ago, not one sole resident Alaskan has been able to explore or produce a single drop of oil or gas from his or her property. As a result, the immense wealth generated by Alaska’s oil and gas has gone outside the state rather than staying in the hands of individual Alaskans.

Something is terribly wrong with this “result.” So, let’s try to get to the heart of how we got here and what we can do to change it. After buying Alaska from Russia coaxing more citizens to come to the new territory of Alaska to homestead became a strategic necessity for the defense of the lower 48 states of America.

Following world war II, the US government desperately needed to have more new settlers to come, reside and settle in the new territory of Alaska to attempt to provide needed local civilian contract personnel in Alaska and produce fresh food and milk to service the thousands of soldiers and sailors who were being stationed in the territory of Alaska that were providing the 1st line of defense to protect the lower 48 states from any threats of any foreign nation.

Since Alaska’s gold rush, the US had been trying to entice new citizens to come to the territory of Alaska. The US government promise to any new settler was that they could come pick a new homestead in the territory of Alaska. The US Interior Department rules were clearly understandable by any new Alaskan homesteader. If he or she lived on that homestead for two years and made certain improvements on the land, then they could keep the land and all the oil or gas that might be produced beneath it. That was how the Katalla Oil Field, Alaska’s first oil field, was developed and was the enabling fact that allowed the Kennecott Copper mine to profitably produce and sell Alaska’s copper for the next 30 years. To this day, this shallow oil field of wells less than 1000 feet deep is still owned by private citizens.

Many lower 48 citizens came up to the frigid new territory of Alaska to attempt to prove-up a new Alaskan homestead. These new folks soon found out living in the Alaskan brush was an arduous task that required some cash, but a whole lot of extreme physical work, extreme privation, and a lot of ingenuity just to prove up his new homestead and survive for the two year requirement. To be awarded a homestead they had to live in an area having few if any roads, few neighbors, a lot of big bears, and no electricity or running water. But they knew if they toughed it out, they would end up owning the land and everything below it to call their own.

This all changed when Swanson River Oil Field was discovered on the Kenai Peninsula in 1957. Suddenly there was a major push to stop any homesteader anywhere in Alaska from being able to own their oil and gas beneath their property. It took an act of congress to ensure that the pre-1957 homesteaders got to keep their oil and gas, but everyone else was out of luck. Those that homesteaded their property after 1957 did not even get to keep the gravel, much less the oil and gas beneath their land. The state government could clear the trees off their property and take the gravel if they needed it to build a road.

But the pre-1957 homesteaders were different; they owned the oil or gas beneath their lands **ONLY IF** they could get it to the surface and could cash in on it. The bottom line is this, if you cannot get the oil or gas beneath your property to the surface, you don’t frickin own it.

In the 1970’s the federal government only required a \$10,000 bond to drill on federal lands. On homesteader’s land, the state of Alaska in its infinite wisdom set a bonding requirement that was ten times higher. Before any homesteader could even think about drilling even a shallow oil or gas well on their own land they would have to come up with \$100,000 cash bond. How many homesteaders do you know had an extra \$100,000 laying around in 1970? It is important to note that there are thousands of oil and gas wells in the lower 48 that produce from less than a couple hundred feet below the surface.

But wait, it gets even better. The state of Alaska has now raised the homesteader’s bonding requirement from \$100,000 to \$400,000! Even though the homesteader or their heirs technically own their oil and gas if they can get it to the surface, the high bonding requirements deprives them of their ability to get it to the surface where it can actually be sold and put into their bank account.

Another thing, the high \$400,000 drilling bond cost is just another form of state-imposed taxation. Unfair taxation was the premise that caused the 1770-settlers of Boston to dump all its English tea into the Boston Harbor.

This is a double whammy! The land is already required by law to be pledged as collateral to pay all well plugging costs beneath his own homestead regardless, even if someone else had drilled the well. Even though there are only a couple of hundred of pre-1957 homesteaders, the state of Alaska bureaucrats who are pushing for higher bonding amounts are effectively throwing the homesteader who helped create this great state of Alaska under the bus.

The end result of these unreasonable excessive drilling bonds is that not one Alaskan resident has ever been able to produce or sell a single drop of Alaska’s oil or gas since Alaska became a state some 60 years ago.

You might be thinking, “But what about the environment? If we let people drill on their own land, won’t they trash it?” This land is their life. The homesteaders love their land more than anyone. They and their heirs know the tremendous sacrifice and effort they had to put in to get this land. It is preposterous to say they don’t care about what happens to their land.

This writer believes that the current elected governmental officials are trying to do their best to restore equity back to the individual citizens of Alaska. We just need to make sure they do the right thing by lowering the bonding requirements so that individual Alaskans can be capable to rightfully explore for oil or gas on their own property.

Please again carefully remember, it is only when the oil or gas has come to the surface of the homestead can any homesteader be able to convert this produced oil and gas to cash-in-hand, and be deposited in the homesteader’s own bank account.

The state should be compelled to disclose all its findings for these drastic measures penalizing and depriving pre-statehood homesteaders of the option to convert any or all of their oil and gas beneath their pre-statehood homestead to the homesteader’s ownership.

-Jim White

EXPLORATION & PRODUCTION

Alaska oil output edging back up

North Dakota production rises, but Helms says it's short-lived; rigs down from 52 in March to 11 today, expects fewer by winter

By **KAY CASHMAN**
Petroleum News

North Dakota passed Alaska in 2012 to become the second leading oil producer in the United States behind Texas. Today Alaska production edging back to 500,000-plus barrels per day as ConocoPhillips Kuparuk River and Alpine output comes fully back online.

Alaska North Slope oil production started the year averaging almost 515,000 bpd, but began dropping in May (433,840 bpd) and then in June (349,339 bpd), as reduced demand from the coronavirus pandemic and a steep drop in oil prices took their toll, the largest hit an average of 40,000 bpd from ConocoPhillips fields in June.

Today the ANS oil price seems to be holding steady between \$40 and \$45 per barrel, down from \$68 in January but up from \$19 in mid-April. The result is oil fields are being put back online — the next will likely be the North Slope Badami field, operated by Glacier Oil and Gas subsidiary Savant Alaska.

Less and less ND drilling

In North Dakota producers have been

struggling to keep drilling rigs running, with oil companies idling wells and halting drilling plans in March after prices collapsed due to the brief oil price war between Saudi Arabia and Russia that was in part aimed at quashing the U.S. shale industry and the coronavirus pandemic that drastically reduced demand for oil.

North Dakota produced about 890,000 barrels of oil per day in June, slightly above May but still far below a peak output of nearly 1.5 million barrels per day in February.

Alaska's output peaked in 1988 at 2 million barrels day. Predictions are it will remain stable at just above 500,000 bpd and then in 2025 or so start to increase to 700,000 bpd with additional production from new fields, including Oil Search's Pikka development (135,000-plus bpd at peak) and ConocoPhillips Willow field (160,000 bpd at peak).

North Dakota Department of Mineral



LYNN HELMS

Resources Director Lynn Helms said Aug. 14 that the number of drilling rigs running in North Dakota dropped from 52 in March to only 11 in the field today. Helms said the rigs still running are mostly operated by big producers that are just trying to stay active, to ensure they will have workers and equipment in place whenever prices recover. He offered a grim outlook for the state's oil patch, saying the earliest rigs could come back is late 2021.

Flush production

Helms said the department is "pretty confident" that the state topped 1 million barrels a day in July and that he expects similar results in August. However, he attributes that to "flush production," or an increase due to curtailed wells coming back online. (The number of producing wells in North Dakota increased from 12,834 in May to 13,167 in June.)

But drilling is moving in the opposite direction, Helms said. "We don't want to get people too excited when next month we sit down and say, whoa, production's up 300,000 barrels a day. That's temporary. And the following month, production's up 250,000 barrels a day. That's temporary. That's that flush production, coming back from having restricted what we were doing. It's kind of like falling off the diet wagon."

The state had 12 drill rigs operating in June, down from 17 in May. There were 11 drill rigs operating in the state Aug. 14, and Helms said he wouldn't be surprised if that moves into single digits as winter arrives.

Helms also said that uncertainty over a Trump win in the presidential race has some producers increasing drilling on federal land while they still have support from the White House.

EPA rollback welcomed

The industry in North Dakota was celebrating Aug. 13 when the Environmental Protection Agency rolled back Obama administration rules designed to limit greenhouse gas emissions from oil and gas fields and pipelines.

"We appreciate the EPA's work on updating these regulations to reduce the unnecessary burden they placed on our industry," said Ron Ness, president of the North Dakota Petroleum Council. "In these past months we have been hit with a price collapse and decreased demand due to COVID, so getting relief from burdensome regulations will go a long way to help our industry recover." ●

—The Associated Press contributed to this story

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EXPLORATION & PRODUCTION

US rig count drops again; 244 a new low

The Baker Hughes U.S. rotary rig count dropped again the week ending Aug. 14, setting a new record low of 244 active rigs, down three from the previous week and down 691 from a year ago.

The Houston oilfield services company has issued a weekly rig count since 1944.

Prior to this year, the low was 404 rigs in May 2016.

New record lows were set for 12 consecutive weeks beginning May 8 when the count dropped to 374 rigs. The count dropped each week through July 24, when it hit 251, staying at 251 for the week ending July 31, before dropping again Aug. 7.

Rigs targeting oil, at 172, were down four from the previous week and down 598 from 770 a year ago. Seventy rigs targeted gas, up one from the previous week and down 95 from 165 a year ago. Two rigs were listed as miscellaneous, unchanged from last week and up two from a year ago.

Twenty-four of the holes were directional, 207 were horizontal and 13 were vertical.

see **RIG COUNT** page 6

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● FINANCE & ECONOMY

EIA offers background on energy trends

Agency has been touting uncertainty around monthly outlooks; August analysis provides background on forecast challenges it sees

By **KRISTEN NELSON**
Petroleum News

For several months the U.S. Energy Information Administration has been prefacing its monthly outlooks with statements about the uncertainty surrounding them. In its August Short-Term Energy Outlook, EIA said the outlook “remains subject to heightened levels of uncertainty because mitigation and reopening efforts related to the 2019 novel coronavirus disease (COVID-19) continue to evolve.”

In an August analysis, titled “Trends and Expectations Surrounding the Outlook for Energy Markets,” EIA said that as it approaches its annual forecast it conducted “an intensive internal review” aimed at identifying key issues it needed to consider in developing its annual reference case, with COVID-19 and macroeconomic activity key.

Talking about COVID-19, the agency said its longer-term modeling and analysis is “structured around observed data on historic relationships between factors such as prices and income and the decisions that consumers and producers make. A disruption on the scale of the COVID-19 pandemic has no modern precedent. This factor renders energy market projections more vulnerable to unforeseen behavior changes than has ever been the case.”

The impact on its annual forecast, the agency said, is that its reference case “remains dependent on assumptions rooted in experience to date.” With that in mind, use of the full range of its alternative scenarios will be “more important than ever.”

Oil and gas supply impacts

In discussing oil and natural gas supply, EIA said the impact of COVID-19 mitigation efforts is “primarily a demand-side shock, with higher impacts for liquids than for natural gas.”

Both oil and natural gas companies were “already headed toward relying on capital from cash flow instead of debt and equity,” EIA said, with companies already capital constrained before COVID-19.

With the current economic downturn, companies are “much more dependent on internal sources of capital because outside sources are less available or may require higher rates of return.”

2020-21 impacts

In the short term, this year and next, EIA said its model for Lower 48 oil and gas production is based on a model which reduces rig and well counts when West Texas Intermediate falls below \$45 per barrel or the Henry Hub natural gas spot price falls below \$2 per million British thermal units.

“In addition to this model-based drop, EIA assumes a

Both oil and natural gas companies were “already headed toward relying on capital from cash flow instead of debt and equity” EIA said, with companies already capital constrained before COVID-19.

further 30% reduction in drilling activity, on average, in the second quarter of 2020 and a 6% reduction in the third quarter of 2020 as a result of low oil prices related to the unprecedented effects of restrictions as a result of COVID-19.”

EIA said it expects the steepest declines in U.S. crude oil production in the second quarter of 2020, with declines averaging 500,000 barrels per day month-over-month, noting that many producers have already announced plans for reduced capital spend and drilling levels.

Production is expected to continue to decline, although more slowly, through March 2021, bottoming out at 10.7 million bpd, a 2.1 million bpd decline from record monthly production last November, with a modest rise through the end of 2021 as oil prices rise.

Annual average crude oil production in the U.S. is forecast at 11.7 million bpd this year and 10.9 million bpd next year, both some 100,000 bpd lower than the numbers in EIA’s April outlook.

2022-50 impacts

EIA said it expects lower prices in the short- and medium-term to decrease U.S. oil production.

“In the short to medium term, low oil prices may induce less petroleum product demand growth than might be expected, given the potential for longer lasting behavioral changes as well as a large global petroleum inventory.”

If global demand does not recover, EIA said, “the marginal U.S.-produced barrel from new investment is not needed and global demand can be met either by lower cost barrels produced outside the United States or by putting investment dollars back into U.S. wells currently curtailed, which also cost less than new investment.”

U.S. investment in oil and natural gas could remain “subdued even beyond 2025,” EIA said, depending on the global demand outlook.

Natural gas prices could increase because associated gas production will decline along with declines in oil production over the short to medium term, but EIA said net production effects may be limited, “because any increase from pure play natural gas regions in response to higher prices will be offset from the declines in associated gas.”

Adding to uncertainties for natural gas is highly uncertain international demand for liquefied natural gas

in both the medium and long term, something, EIA said, which was true even before COVID-19.

US expected to return to importing

With lower U.S. crude oil production this year and next and rising U.S. liquid fuels consumption expected in 2021, the U.S. is expected to return to being a net importer of crude oil and petroleum products in the third quarter of this year, remaining a net importer for most months through the end of 2021, EIA said.

Domestic crude oil production is down 12% from the beginning of the year, with fairly constant export volumes. The agency said the export trend may change “because the volumes that are currently in floating storage or en route to a destination are unclear.”

LNG issues

U.S. LNG exports are being impacted by COVID-19, EIA said, with LNG shipments from the U.S. cancelled, which is expected to result in a drop in LNG exports from 8.1 billion cubic feet per day in January to 4.6 bcf per day in September.

EIA said it expects U.S. LNG exports to reach pre-COVID-19 levels in the second half of 2021 but said “lasting market effects could reduce LNG exports in the medium term” compared to its projections.

Thirty to 33 cargoes were reported to be cancelled in June and 45 in August, EIA said, “with current global natural gas forward pricing suggesting additional continued weakness into the fall.”

In the medium to long term, 2022-50, LNG exports are governed by available export capacity and international oil prices. Most planned additions to U.S. export capacity are expected to be completed by the end of 2021. EIA said several proposed export projects have already announced cancellations or delays, likely lowering total projected export capacity through 2025.

The agency said it expects world oil prices to be lower from 2022-25, likely affecting U.S. LNG exports and decreasing capacity utilization since many global LNG shipments are on long-term contracts tied to global oil prices, while “U.S. LNG exports are linked to domestic natural gas prices and are traded on the spot market. As oil and non-U.S. LNG prices drop, U.S. LNG exports will face steeper price competition on the global market.”

EIA had projected average U.S. LNG exports of 9.5 bcf in the medium to long term, but now says it expects that volume to be lower from 2022-25, and while in the long term, driven by lower international oil prices, it expects exports to be lower, “the other major driver of LNG exports is international demand for natural gas, which remains very uncertain.” ●

Contact Kristen Nelson
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NUCLEAR POWER

reporters.

Keith Stewart, senior energy strategist with Greenpeace Canada, suggested the MOU announcement was “a press release and nothing more.”

Wayne Henuset, who pitched the idea of SMRs to Klein, insists the answer to Alberta’s long-term energy needs will rest with SMR technology. “Nuclear is going to happen in Alberta,” he insisted.

John Gorman, chief executive officer of the Canadian Nuclear Association, said the SMRs “can be mass-produced, which means that we can dramatically bring down the cost.” Even most of the doubters agree that it makes sense for Alberta to join the other three provinces and the federal government to make a relatively small investment in pushing the SMR idea to the point of conclusive decision making. ●

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EXPLORATION & PRODUCTION

Greater Point McIntyre area POD approved

Participating areas in GPMA have produced cumulative 316 million barrels as of end of March; April-March average some 27,900 bpd

By **KRISTEN NELSON**

Petroleum News

The Alaska Department of Natural Resources' Division of Oil and Gas has approved the 2020 plan of development for the Greater Point McIntyre area at the Prudhoe Bay unit.

The plan was submitted by BP Exploration (Alaska) in June, prior to the sale of that company's Alaska assets to Hilcorp; the approval was issued to Hilcorp North Slope, since July 1 the Prudhoe Bay operator.

There are six participating areas at the GPMA, the division said: combined Niakuk, Lisburne, North Prudhoe Bay, Point McIntyre, Raven and West Beach.

Initial production at GPMA began with the Lisburne PA in 1986; that PA is producing from the Wahoo and Alaph formations.

North Prudhoe Bay, which began production in the early '90s, has been shut-in since 2000. West Beach, where production also began at about the same time, has been effectively shut-in since 2001, although the division said it did produce briefly in 2009.

Production at the Point McIntyre and combined Niakuk PAs is from the Kuparuk River formation.

Raven, the most recently formed PA at Greater Point McIntyre, began sustained production in 2005 from the Ivishak and Sag River formations.

Cumulative production from the GPMA PAs, through the end of March, was 316 million barrels of hydrocarbon liquids. Production from GPMA averaged 27,900 bpd from April 1, 2019, through March 31, 2020, "a decrease of approximately 2,900 barrels per day from the same period the previous year," the division said.

Lisburne PA

BP planned four additional wells at the Lisburne PA during the 2019 POD period, plus non-rig rate-adding opportunities. The division said four wells were com-

The division said that "several additional Lisburne opportunities are being considered for future drilling by Hilcorp, with additional rate-adding non-rig interventions planned."

pleted in that PA last year. A fifth well was completed in this year along with one workover. There were also 55 total rate-adding non-rig interventions.

BP told the division in its 2020 POD that it had "matured" six drilling opportunities — two coiled tubing and four rotary. The division said that "several additional Lisburne opportunities are being considered for future drilling by Hilcorp, with additional rate-adding non-rig interventions planned."

North Prudhoe Bay PA

The division said the North Prudhoe PA continued to be shut-in during the 2019 POD "because of safety and environmental concerns."

For the 2020 POD, work continues to identify opportunities from maps generated by the 2014-15 North Prudhoe Seismic Survey. "Repairs to the West Beach pad, from which North Prudhoe Bay wells are drilled, have been identified," the division said.

Combined Niakuk PA

BP completed nine rate-adding jobs on six Niakuk wells during the 2019 POD period, and continued waterflood to maintain production.

For 2020, BP told the division it "expects that long-term production rates will continue to naturally decline due to increasing water cuts."

Data from the North Prudhoe seismic survey will be used for reservoir management and to analyze compartmentalization.

Point McIntyre PA

BP maintained production at the Point McIntyre PA through waterflood, miscible gas injection and routine scale inhibition during the 2019 POD, along with continued engineering work on the seawater treatment plant 36-inch pipeline to reduce vibration and increase throughput.

BP told the division that during the 2020 POD it "expects that long-term production rates will continue natural decline due to increasing water cuts and gas-oil ratios."

Hilcorp will continue investigation of injection well repairs at the P2-34 well to allow miscible injectant and will also evaluate offset wells to other miscible injectant wells.

Raven PA

BP perforated a well at Raven PA into the Sag River formation to test for productivity during the 2019 POD, and while the well was productive, it produced at 96% water cut, the division said.

BP also brought the NK-08B well online during the 2019 POD; that well continues to produce as a tract operation.

During the 2020 POD, Hilcorp plans to evaluate future drilling locations at Raven through evaluation of the North Prudhoe seismic survey, the division said.

West Beach PA

The West Beach PA has been shut-in since 2009, the division said.

Surface kit at West Beach has been evaluated and surface repairs identified, and engineering work will continue, with prospect identification possible through interpretation and structure mapping of the North Prudhoe seismic survey. ●

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Where Deals Happen

continued from page 4

RIG COUNT

Alaska count unchanged

The rig count in Louisiana (31) was up two from the previous week.

Rig counts were unchanged for Alaska (3), California (4), Colorado (5), North Dakota (11), Ohio (6), Oklahoma (11), Pennsylvania (20), West Virginia (5) and Wyoming (1).

New Mexico (45) was down by one rig from the previous week and Texas, with the most active rigs at 100, was down by four.

Baker Hughes shows Alaska with three active rigs Aug. 14, unchanged from the previous week and down by seven

from a year ago.

The rig count in the nation's most active basin, the Permian (117), was down by five rigs from the previous week, and down by 324 from a count of 441 a year ago.

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

The U.S. rig count peaked at 4,530 in 1981. The count for this week, 244, is a new low. Prior to declines which began in May of this year, the previous low was 404 rigs in May 2016.

—KRISTEN NELSON

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XCD BUY

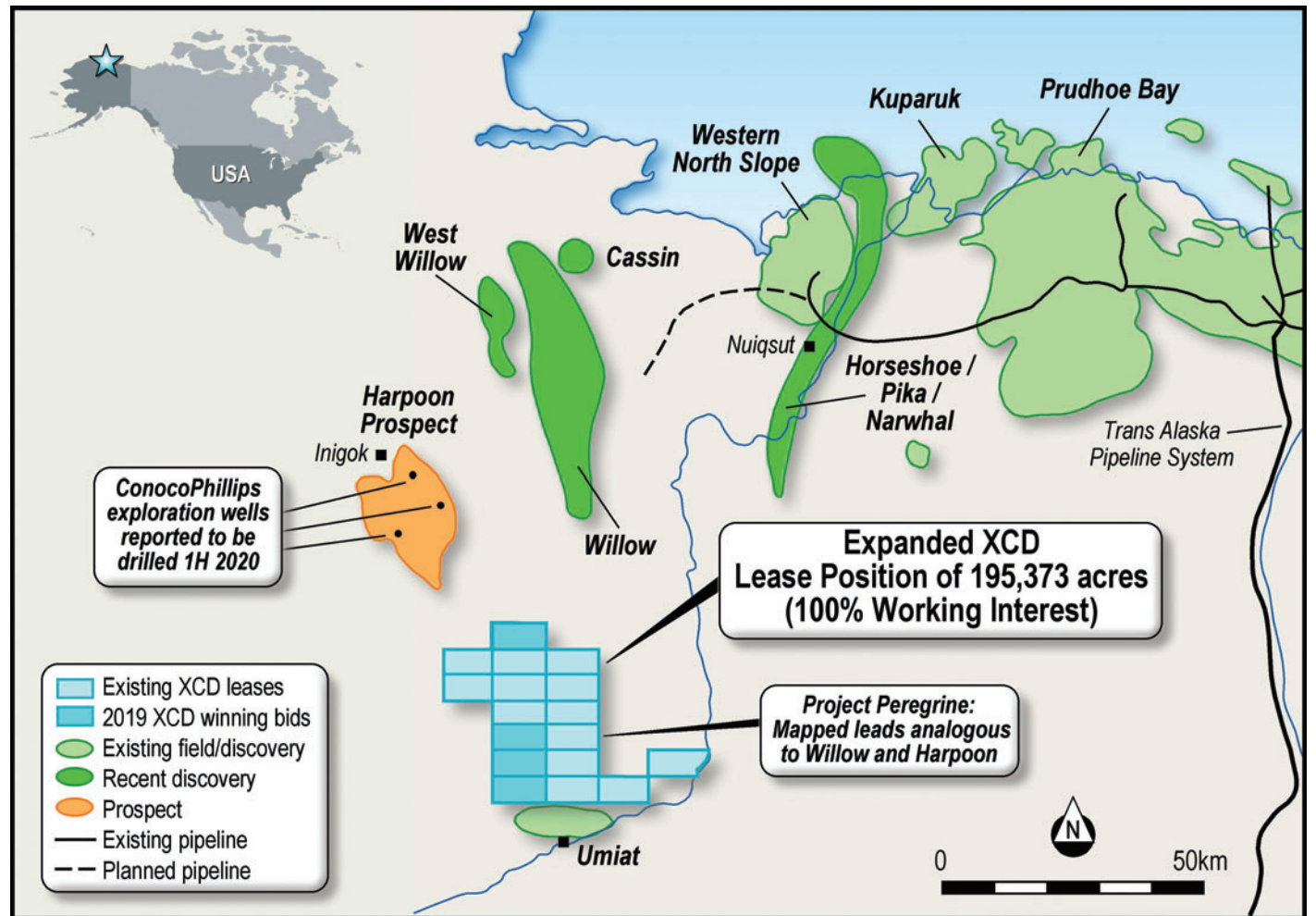
Peregrine block in the National Petroleum Reserve-Alaska (see map in print and pdf versions of this story).

On Jan. 21, then XCD managing director Dougal Ferguson told Petroleum News that ConocoPhillips' Willow oil discovery is considered a direct analogy to Merlin while ConocoPhillips' Harpoon prospect "is interpreted to lie on the same sequence boundaries as the Harrier prospect," between the Umiat oil field to the south and Willow and Harpoon to the north.

The Nanushuk formation requires drilling to only about 5,000 feet to fully test, whereas a third prospect in the Peregrine block, Harrier Deep, has a Torok objective at about 10,000 feet. It will not be drilled this coming winter.

In a July 13 interview, Erik Opstad, general manager operations for Accumulate, said the Harrier 1 and Merlin 1 exploration wells will be drilled into the shallow Nanushuk reservoir using a lightweight workover rig that can be transported off-road in pieces by tundra-safe track vehicles, versus a heavier rotary rig which would require an ice road.

The company will use existing gravel



This January 2020 XCD Energy map shows the wells at Harpoon that were supposed to be drilled last winter but ConocoPhillips cut its exploration season short because of Covid-19 and ended up drilling just one of the wells, Harpoon 2.

roads and snow trails to conduct the entire exploration program.

The Nanushuk formation requires drilling to only about 5,000 feet to fully test, whereas a third prospect in the Peregrine block, Harrier Deep, has a

Torok objective at about 10,000 feet. It will not be drilled this coming winter.

XCD has said the three onshore prospects hold a mean unrisked recoverable prospective resource of 1.6 billion barrels of oil, per an independent report

generated by ERC Equipoise. (Harrier Deep estimated at 572 million barrels.)

—KAY CASHMAN

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POWER GENERATION

the southern Kenai Peninsula, through Southcentral Alaska and north to the Fairbanks region. The system is owned and operated by six independent utilities and the State of Alaska. It is anticipated that the implementation of an ERO for the Railbelt would provide a number of benefits including the unified planning of new power generation and transmission facilities, the more cost effective transmission of power through the system, the more optimum usage of the most efficient generation, equitable access to the system for independent power producers and the mandating of a unified set of reliability standards.

The unique nature of the Railbelt system presents some particular challenges in its management and operation. While supporting a relatively small number of consumers, the system spans a huge geographic area, with some

lengthy transmission lines connecting the main electricity load centers.

The six utilities are forming an organization called the Railbelt Reliability Council, or RRC, with the intent of filing an application with the RCA for certification as a Railbelt ERO. Key components of SB 123 include requirements that the ERO conducts integrated resource planning, involving the forward planning of coordinated upgrades across the system, and the maintenance and enforcement of systemwide reliability standards. The RCA will have approval authority over integrated resource plans, proposals for major system upgrades and the reliability standards.

An evolving industry

A common theme in the three presentations to House Energy emphasized the importance of recognizing the manner in which planning by the electricity industry is evolving. In particular it is becoming critically important to consider the changing needs of electricity consumers, the speakers

emphasized.

Steve Colt, research professor in the Alaska Center for Energy and Power at the University of Alaska Fairbanks, said that, while in the 20th century integrated resource planning tended to focus on the provision of sufficient power generation capacity, nowadays transmission, distribution and electricity storage have come more into play. Moreover, as technologies such as electric vehicles and heat pumps come into use, the electricity loads can become more flexible, with loads managed through direct control and pricing to make optimum use of generation capacity.

Any factor that impacts the cost effectiveness of the electricity system should be considered in an integrated resource plan, Colt said.

Flexible capabilities

Picking up on these same issues, Michael Hogan, senior see **POWER GENERATION** page 9

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ALASKA
RAILROAD

continued from page 1

INSIDER

were supplied by a Louisiana company. John switched that over to Udelhoven.”

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

That process began immediately after the July 1 closing in an agreement with Udelhoven Oilfield System Services as general contractor for operations.

“All of our contract operators and field personnel will report to Udelhoven. Jim’s one of those men whose word you can trust with a handshake,” Hendrix said July 7 interview with PN, referring to company founder Jim Udelhoven who started the firm in 1970 in Kenai.

Smith’s father, who moved his family to Kenai in 1981 from Lewiston, Idaho, worked for Udelhoven.

“I told my Dad it’s sort of like we’ve come full circle,” said Smith, who had just retired from BP after 29 years when Hendrix coaxed him out of retirement. Smith’s three brothers, who also worked for BP on the North Slope, are now employed there by Hilcorp.

“For the last 29 years the lion’s share of my time was in operations up there,” Smith said.



KEVIN SMITH

He’s lived in Kenai since 1981, starting out as roughneck on the Tyonek platform in North Cook Inlet. But he soon decided rig work was not for him and went to the Slope for BP.

“In Prudhoe Bay I was the lead at Flow Station 2 and team lead at Flow Station 3,” Smith said; experience that should serve him well at the smaller-scale onshore processing facility and the production platform at Kitchen Lights. (The three flow stations at Prudhoe Bay separate raw crude oil, water and gas produced from the wells — the crude must meet certain pipeline specifications before being shipped to Pump Station 1 at the start of the Trans Alaska Pipeline System.)

Hex’s new approach

The July 12 PN issue reported that HEX was taking a new approach at the Kitchen Lights unit, starting with “looking at the rocks to see what our take is. There is a lot of data out there,” Hendrix said July 7, and various opinions on the oil and gas potential of the Cook Inlet offshore field.

At the same time HEX is focused on producing natural gas from Kitchen Lights and not in a hurry to go after the potential oil.

When HEX took over operations with its ownership of Furie on July 1, there were three wells in the unit that weren’t producing as much as they could be and a fourth well, A-4, the newest well, which was offline for two reasons: One, because the company was not allowed to produce from the Sterling formation and two, there were two wireline fish and a tubing plug in the well which prevented

them from accessing it and adding perforations to the Beluga formation.

Hendrix wanted to fix both issues as soon as possible.

Regarding the two wireline fish and the tubing plug he was hoping to start a fishing operation on A-4, which did occur.

“We made attempts to fish A-4 and learned a lot about it,” Hendrix said Aug. 19. “Prior to going to the next phase, we went ahead and punched the tubing to ensure production in case future fishing jobs prevented access. A-4 is currently producing about 2.0 MMCFPD. We now have several options in front of us.”

As for being able to tap not only the Beluga gas pool but also the Sterling formation, which contains both natural gas and water, that will require permission from the Alaska Department of Environmental Conservation to handle water on the unit’s Julius R production platform.

The company applied for an ADEC produced water permit, Hendrix said, noting only clean water will be disposed of from the platform.

“We are still waiting for a produced water permit from ADEC,” he said. “Under the Clean Water Act what we are requesting is allowable in Cook Inlet. We have mitigated current delays by purchasing critical line items in the hopes the water handling equipment can be installed before winter.”

Hendrix, who was raised in Homer, has close to four decades of experience in the energy industry in Alaska, the Lower 48 and internationally with Apache, BP and Schlumberger.

“We have a great team,” Smith said. “John Hendrix is the wells guy, Rick Dusenbery is the reservoir engineer guy, and I am the operations guy.”

—KAY CASHMAN

But the director wanted to make one thing clear: “The decision isn’t ruling out exploration in the Gulf of Alaska,” Stokes said. It only rules out Cassandra’s exploration proposal.

location about 40 miles east of Cordova.

Because of restrictions created by interagency land management agreements, the license area was significantly reduced since publication of the positive preliminary finding in August 2019.

For example, the U.S. Fish and Wildlife Service said no to including the state-owned coastal lands it manages along the coast of Controller Bay, limiting onshore state-owned lands in the license area suitable for staging equipment and siting drilling locations to the 1,346 acres of uplands at Palm Point and the mouth of the Katalla River.

The final finding noted shallow waters and navigation hazards in Katalla Bay; a “narrow entrance with rocky shoals and shifting gravel bar at the Katalla River mouth,” as well as “local severe winter weather conditions” such as wind speeds and wave heights nearly doubling, possibly increasing the risk of accidents and spills.

The reduced acreage and seasonal restrictions in the license area create “logistical challenges for mobilization; limit the amount of land ...; create challenges for bringing any discovered oil to market; and reduce exploration, development, and production activities to an annual five month period (Nov. 1-March 31) during which response times to potential spills could be slowed,” Stokes’ finding said.

While mitigations would lessen impacts, a large discovery would be required to justify the expense of facilities, he wrote, something current geologic data doesn’t appear to support.

In short, “the potential positive effects of the exploration license do not clearly outweigh or balance the potential negative effects to the other resources and habitat of the license area,” Stokes wrote.

William H. Stevens, president of Nikiski-based Cassandra, has a lease-purchase option with the Welch family of Cordova on the nearby 465-acre Katalla oil field where 154,000 barrels of oil were produced and refined in a small refinery that was completed in 1911. The refinery burned down in 1933 and was not rebuilt.

—KAY CASHMAN

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Stokes: Cassandra’s exploration license proposal too risky

AFTER A LENGTHY and thorough agency and public review that began in 2015, Tom Stokes, director of Alaska’s Division of Oil and Gas, issued a final finding on Cassandra Energy Corp.’s Gulf of Alaska oil and gas exploration license on Aug. 19, determining that the state’s best interests were not best served by approving it.

But the director wanted to make one thing clear: “The decision isn’t ruling out exploration in the Gulf of Alaska,” Stokes told Petroleum News. It only rules out Cassandra’s Katalla-Yakutat area exploration proposal for a remote coastal

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POWER GENERATION

advisor with the Regulatory Assistance Project, emphasized a need to move the focus to the overall flexibility of the electrical system, rather than on how much electricity to supply. Clearly, the capacity of the system still matters. But the system's capabilities will matter more — looking forward into the coming decades, factors such as the ability to ramp power generation up and down, and to ensure stability of the electricity supply in the face of generation and load variations will increasingly come into play. The more the operational adaptability of the electricity resource portfolio, the less capacity may be required, Hogan said. For example, the scheduling of the electricity load to better synchronize with forecast power generation can save substantial cost, he said. David Farnsworth, a principal with the Regulatory Assistance Project, commented that the need to be able to flexibly manage varying electricity loads has made the oversight of comprehensive planning something of a challenge for regulators.

Hogan emphasized the importance of adaptability, arguing that it has never been more important to balance the need to ensure the availability of the electrical system against the need to protect consumers from being saddled with decades of cost associated with imprudent investments in the system.

Supply reliability

Hogan also talked about the issues that surround electricity supply reliability. Although reliability is a paramount concern, every electrical system will experience outages. And the cost of ensuring some level of reliability escalates rapidly beyond a certain reliability level. On the other hand, there has tended to be an over emphasis on investment in generation capacity for assuring reliability, while undervaluing investment in transmission, distribution and other aspects of the electrical system. In the United States between 2012 and 2016, excluding unusual events such as hurricanes, 99.773% of supply interruptions resulted from distribution and transmission problems, Hogan said.

And achieving reliability increasingly needs to take into account the extent to which electricity demand can be controlled, rather than just considering the supply side of the system, Hogan suggested.

The planning process

In terms of the process for integrated resource planning, the speakers emphasized the importance of establishing a continuing planning process, able to respond to unanticipated changes that impact the electrical system, rather than simply producing a static plan. They also emphasized the importance of a public planning process, with access to planning information available to all stake-

holders in the system, including utility customers.

Farnsworth recommended that, while an integrated resource plan should involve a 20- to 30-year time horizon, there should be an associated action plan describing what should happen in the next two to five years. An integrated resource plan can successfully create a vision of what may happen in the long-term, while also addressing shorter term actions, he said. Planning involves evaluating options for the future, focusing on the more plausible scenarios and assessing the risks associated with different options.

Colt particularly emphasized the importance of considering people as an essential resource in the electrical system and, hence, a critical factor in the planning process. People bear the risks associated with the electricity supplies; make decisions impacting the electrical loads and about their own production of electricity; and they supply investment capital, he said.

Integrated resource planning can be a continuing transparent, iterative and adaptive process that seeks shared goals for stakeholders in the electrical system while encouraging new ideas, rewarding beneficial improvements, and empowering the sharing and management of risks, Colt said.

—ALAN BAILEY

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In addition, with the new virtual format, registrants have access to the presentations, exhibits and networking opportunities for an extended run. Summer NAPE on the NAPE Network concludes at 4 p.m. Aug. 27 with the Network Sweepstakes drawing for \$10,000. For more information visit www.NAPEexpo.com.

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WILLOW MILESTONE

under both volume projections.

ROD next

BLM said a record of decision would be signed no sooner than 30 days after the Federal Register publication.

ConocoPhillips Alaska spokeswoman Natalie Lowman told Petroleum News in an Aug. 17 email that the company is “pleased that the FEIS has been completed, and we look forward to the Record of Decision so we can proceed with the project planning.”

BLM said once the ROD has been signed, ConocoPhillips can submit applications to build drill sites, a central processing facility, an operations center pad, gravel roads, ice roads and ice pads, an airstrip, a freshwater reservoir, an ice bridge across the Colville River to transfer facility modules into NPR-A, pipelines and a gravel mine site.

Lowman said the FEIS “is the critical part in the process to permit and construct the Willow project.”

“In response to public involvement during earlier steps in the permitting process, we made changes that improve the overall project, most notably to the transportation of processing facility modules. We believe the BLM and cooperating agencies have done a robust, thorough, and extensive review of the project, and ConocoPhillips appreciates all the hard work it took to get to this point.”

ConocoPhillips said in July that it expects a final investment decision on the project in 2021 and first oil in 2025-26.

Second NPR-A development

ConocoPhillips has been producing from Greater Mooses Tooth 1 in NPR-A since 2018. That development is smaller, with an estimated peak production of 30,000 from GMT1, and 35,000-40,000 from a second drill site at GMT2, currently under construction. GMT does not have its own processing facilities. Its crude oil is processed through the existing Alpine facilities at the Colville River unit.

Willow, by contrast, will have as many as five pads and its own processing facility.

ConocoPhillips announced the Willow discovery in January 2017 and said at that time that depending on appraisal drilling and the chosen development scenario, the field could produce at a rate of up to 100,000 bpd.

A test at the Tinmiaq No. 2 well flowed 3,200 bpd of light 44 degree API oil over a 12-hour period, the company said in announcing the discovery.

“Willow’s proximity to existing infra-

structure improves the economic viability of the discovery. Development of Willow, a potential multi-billion dollar investment, could provide thousands of jobs during construction and could generate substantial revenue for the federal government, state, North Slope Borough, and communities in the NPR-A,” ConocoPhillips Alaska President Joe Marushack said in the discovery announcement.

Since 2017, exploration drilling has continued.

This April, Matt Fox, ConocoPhillips executive vice president and COO, talked about Willow in the company’s first quarter earnings call. He said Tinmiaq drilling results this winter were what was “expected” and said Willow development is on track.

“We’re working through Willow, and we’re in the concept selection stage just now. We have a timeline that would get us to the end of this year with the opportunity to select the concept. And by that, I mean, how big a facility do we build, how many drill centers do we have and so on,” Fox said.

Changes from DEIS

Following publication of the draft EIS last August, ConocoPhillips proposed design updates and a supplement to the draft EIS was issued in March. Substantial changes included a third sealift module delivery option (there had been objection to the first two options which required construction of gravel islands); a constructed freshwater reservoir; and up to three boat ramps for subsistence access.

ConocoPhillips’ proposal, which BLM identified as the preferred alternative in the FEIS, extends an all-season gravel road from GMT2 southwest toward the project area and has gravel roads connecting all project facilities, including the Willow Processing Facility, Willow Operations Center, airstrip and all five drill sites.

There would be 37 miles of gravel road and seven bridges, with infield pipelines connecting individual drill sites to the Willow Processing Facility and export/import pipelines connecting the processing facility to existing infrastructure on the North Slope.

Nine sealift barges are expected to be required to bring prefabricated modules to the North Slope. The new option ConocoPhillips developed for module delivery eliminates the proposed gravel island and would deliver modules to Oliktok Dock and use existing Kuparuk gravel roads and ice roads to move modules to the project area using an ice bridge to cross the Colville River near Ocean Point. ●

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BEYOND INSPECTION

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OIL PRICES

shutting in wells, Rystad said. The operators — driven by economic and technical considerations — shut in lower margin wells while reducing flowback on others.

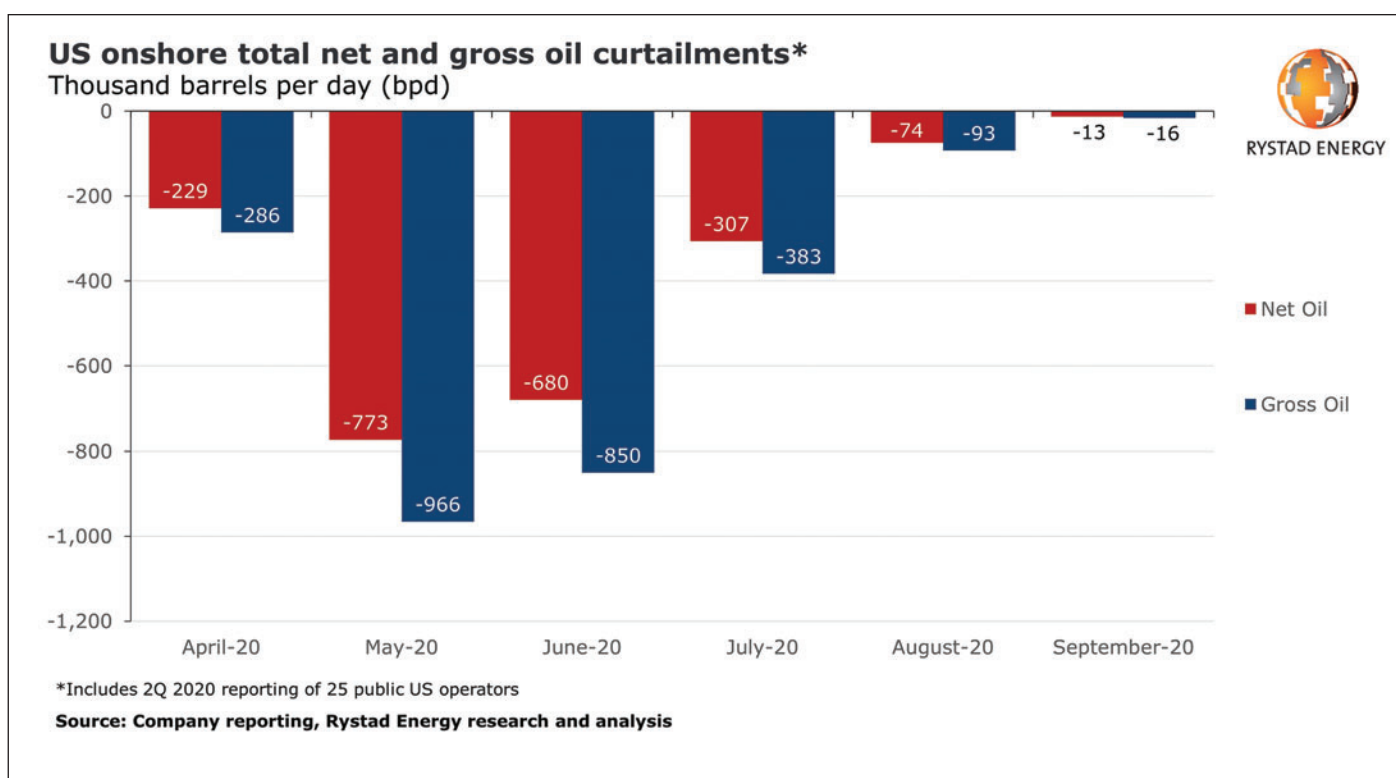
Oil prices continue to occupy a range in the low to mid \$40s. Brent prices managed to stay above \$45 per barrel Aug. 19, dropping 25 cents to \$45.21, as West Texas intermediate fell 18 cents to \$42.75. Alaska North Slope crude fell 7 cents to 43.26 Aug. 18.

OPEC+ stays the course

The Organization of the Petroleum Exporting Countries and its allies, including Russia, held firm on adherence to a previously agreed deal on oil output cuts.

OPEC+ will maintain current output policy, under which the group is reducing output by 7.7 million barrels per day, after a review by OPEC's Joint Ministerial Monitoring Committee during a meeting held by videoconference Aug. 19.

Following a review of crude oil production data for the month of July, the committee praised performance in overall conformity — recorded at 97% for participating OPEC and non-OPEC countries including Mexico.



The committee said there are some signs of gradually improving market conditions, including the inventory build in July being reversed and the lessening of the gap between global oil demand and supply.

“Nevertheless, the pace of recovery appeared to be slower than anticipated with growing risks of a prolonged wave

of COVID-19,” the committee said.

The committee underscored the fragility of the market and significant uncertainties, particularly associated with oil demand, and called for vigilance by all participating countries.

Meanwhile the oil industry faces yet another challenge: recruiting a new generation of workers. Young talent is

increasingly souring on oil and gas, and many workers affected by layoffs amid the pandemic are ditching the industry altogether, The Wall Street Journal reported.

—STEVE SUTHERLIN

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GAS GAMBLE

scooping up a smaller rival to expand its Western Canadian acreage.

For C\$461 million (including C\$350 million of debt), CNR will acquire Painted Pony Energy, including production of 270 million cubic feet per day of gas and 4,600 barrels per day of natural gas liquids, estimated at a fraction of what it would have paid three years ago.

The transaction comes on the heels of ConocoPhillips' US\$375 million purchase of Montney assets from Kelt Exploration in July and CNR's own acquisition last year of Devon Energy holdings for C\$3.8 billion.

Montney, which straddles the British Columbia-Alberta border, was estimated in 2013 to have reserves of 449 trillion cubic feet of natural gas and 14.5 billion barrels of gas liquids. The formation has lately been outperforming its U.S. rivals such as Permian and Marcellus.

Painted Pony, whose share price has tumbled from a high of C\$14 in 2014 to CNR's offer of C\$0.69 cash, has been weighed down by debt and long-term take-or-pay contracts and had only limited access to capital, restricting its ability to develop assets.

Michael Dunn, an analyst at Stifel, said the deal is an “opportunistic” chance for CNR to acquire high-quality drier gas to insulate the price of fueling its oil sands operations.

M&A activity

The stock market crash in energy stocks has provided a chance for larger companies to scoop up smaller competi-

tors in a muted environment that saw 18 merger and acquisition oil, gas and fuel deals valued at C\$827 million in the first half of 2020 compared with 25 transactions worth C\$6.78 billion in the same period of last year.

However, the early weeks of the second half has seen deals reach about C\$961 million, including the ConocoPhillips-Kelt purchase.

Calgary-based Keyera, one of North America's largest processors and shippers of natural gas, is unmoved by hints of more stable gas prices as it continues with plans to “optimize” its gathering and processing assets. That process includes closing and dismantling four central Alberta plants with 600 million cubic feet of capacity over the next two years.

A year ago Keyera launched the strategy by closing two other plants with 220 million cubic feet per day of capacity in the same area, although the company, after disposing of facilities that were built in 1950-60 will continue to operate 10 plants in Alberta.

“It's really because of a lack of (upstream activity),” Keyera Chief Executive Officer David Smith told the Globe and Mail four months ago.

“We still believe there are decades of economically attractive natural gas and liquids-rich gas to be developed.

“But the commodity prices over the last five or six years have not supported the level of drilling activity to keep the volumes flat, which have declined to the point where we can't justify keeping the plants open.”

Oil exploration budgets down

Oil exploration budgets, which affect

associated gas production, have been drastically curtailed across North America and could result in a gas rebound.

Calgary-based Birchcliff Energy has lowered its capital spending by C\$7.2 billion in Canada and US\$18 billion in the United States.

Birchcliff Chief Executive Officer Jeff Tonken said that move could “make it really good for natural gas producers such

as ourselves, noting that sales contracts have recently been locked in above C\$2 per thousand cubic feet for the rest of 2020, making the company's production from its Montney wells in northeastern British Columbia profitable. ●

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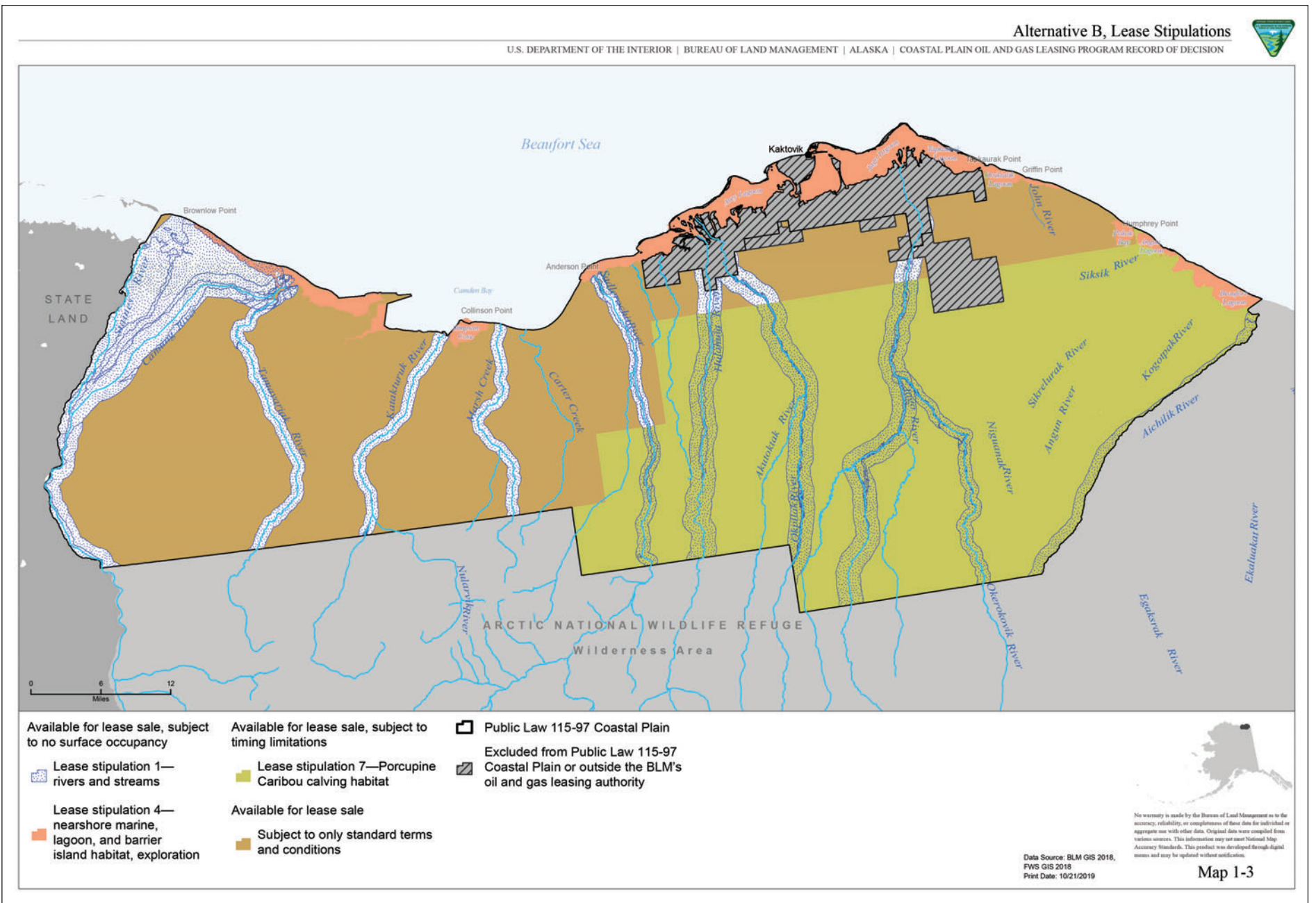
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ANWR DECISION

acres — or the entire program area — available for oil and gas leasing, leaving 92% of the 19.3-million-acre refuge off-limits to energy development by law.

In order to protect the unique character of the coastal plain, strict lease stipulations governing potential future exploration, development and transportation cover more than 60% of the program area.

Approximately 359,400 acres — 23% of lands available — will be subject to no surface occupancy stipulations within barrier islands and important aquatic habitats including rivers and streams,

nearshore marine waters, and lagoons.

Approximately 721,200 acres — 46% of lands available — will be subject to operational timing limitations in primary calving habitat area for the Porcupine caribou herd.

The entire project area is subject to 44 required operating procedures, ROP, which apply to oil and gas activities to avoid, minimize, and mitigate potential adverse impacts on resources and uses.

One ROP calls for temporary ice roads and drilling pads for exploration, to minimize surface impacts. Construction of gravel roads and pads will be prohibited for exploratory drilling. Use of a previously constructed road or pad may be permitted if environmentally preferred.

“Subsistence uses of coastal plain resources by rural Alaska residents and indigenous communities in Canada was given important consideration, in recognition of the life-sustaining customary and traditional uses of these resources,” the ROD said.

The decision also factored economic and community development opportunities to local residents and Alaska Native communities within and near the coastal plain.

Much of the economic and community development that has occurred in Native communities on the North Slope has been a direct result of oil and gas development, which provides job opportunities and substantial property taxes and other funding

for community infrastructure development such as new schools, healthcare centers, roads, and drinking water, wastewater, and other utility systems, the ROD said.

Access for activities assured

The act states that the secretary, acting through the U.S. Bureau of Land Management, “shall issue any rights-of-way or easements across the Coastal Plain for the exploration, development, production, or transportation necessary to carry out this section.” BLM said it interprets the plain language of the provision to require that it authorize any such rights-of-way necessary to carry out the coastal plain oil and gas program.

The waterway setbacks seek to minimize disruption of natural flow patterns and changes to water quality, and prevent the loss or change to vegetative and physical characteristics of floodplain and riparian areas, springs and auffs; the loss of spawning, rearing or overwintering fish habitat; the loss of cultural and paleontological resources; the loss of raptor habitat; impacts on subsistence cabins and campsites; and the disruption of subsistence activities.

But the decision recognizes that setbacks may not be practical in river deltas. In these situations, an exception may be granted if the operator can demonstrate there are no practical alternatives to locating facilities in these areas, that the proposed actions would maintain or enhance resource functions, and that permanent facilities are designed to withstand a 100-year flood.

Nearshore marine protections are in place. Exploratory drill pads, production drill pads or a central oil or gas processing facility will not be permitted in nearshore marine waters, lagoons or barrier islands within the boundaries of the coastal plain. ●

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