Petroleum news

page 7 A watery answer? Irving Oil sends Alberta crude to Atlantic Canada

Vol. 25, No. 29 • www.PetroleumNews.com — A weekly oil & gas newspaper based in Anchorage, Alaska — Week of July 19, 2020 • $2.50

Ovintiv denies visit; Borade new AEX chief; A2A Rail surveying

IN RESPONSE TO A BRIEF TITLED "Newfield revisits Alaska" in last week's Petroleum News, Ovintiv communications director Cindy Hassler said July 13 that the company has no interest in investing in Alaska and sent no individuals bearing subsidiary Newfield Exploration business cards to the state.

In fact, no Ovintiv employees should be carrying Newfield business cards, she said, since they were all issued new Ovintiv cards in February and March.

Earlier this year, Encana rebranded itself Ovintiv and shifted its headquarters from Canada to the United States

see **INSIDER** *page 10*

9th Circuit rejects 2 appeals, finds NEPA requirements were met

On July 9 a panel of judges in the U.S. Court of Appeals for the 9th Circuit rejected two lawsuits in which several environmental organizations challenged the validity of recent Bureau of Land Management lease sales in the National Petroleum Reserve-Alaska. One of the cases challenged the lease sales held in 2016 and 2017, while the other case challenged the 2017 lease sale. Both lawsuits were dismissed last December by the federal District Court in Alaska. The plaintiffs subsequently appealed the cases to the 9th Circuit.

In both cases the environmental organizations argued that the BLM decisions to hold the sales had violated the National Environmental Policy Act by not adequately evaluating the potential environmental impacts of conducting the sales.

see **NEPA APPEALS** *page 10*

Light on the horizon: oil prices pop on July 15 OPEC+ agreement

MOHAMMAD SANUSI BARKINDO

Oil prices popped higher July 15 on news that the Organization of the Petroleum Exporting Countries and allied producers, collectively known as OPEC+, had agreed on a new set of production restraints in a virtual meeting of the Joint Ministerial Monitoring Committee, sending the Brent price about 2% higher for the day at $43.65 per barrel.

Prices were further supported by a sharp surprise drop in U.S. oil inventories, and by

see **OIL PRICES** *page 8*

Oil Search relinquishes 130 North Slope leases in non-cash write off

KEIRAN WULFF

On June 23, Oil Search (Alaska) LLC submitted a written surrender of 130 leases on Alaska's North Slope to the Alaska Department of Natural Resources' Division of Oil and Gas, which was acknowledged in a letter from Division Director Tom Stokes on July 9, who said the relinquishment takes effect on filing date. The surrendered acreage will be included in the next state North Slope and Beaufort Sea areawide lease sales; a date that has not yet been noticed, but last year the sales were held jointly in December.

see **OIL SEARCH LEASES** *page 10*

EXPLORATION & PRODUCTION

Lone explorer?

88 Energy buys XCD; looking to drill two North Slope wells this winter

By KAY CASHMAN
Petroleum News

ERIK OPSTAD

If ConocoPhillips does not finish its 2019-20 exploration drilling this coming winter, then the North Slope will have one lone explorer — 88 Energy subsidiary Accumulate Energy Alaska.

Accumulate is planning to drill two Nanushuk prospects that 88 Energy just acquired in an off–market takeover of XCD Energy, as reported in Petroleum News' July 13 news bulletin. The Harrier and Merlin prospects are in the 195,000-acre Peregrine block in the National Petroleum Reserve-Alaska.

On Jan. 21, XCD managing director Dougal Ferguson told PN 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." (See January 2020 XCD map in pdf and print versions of this story.)

see **LONE EXPLORER** *page 11*

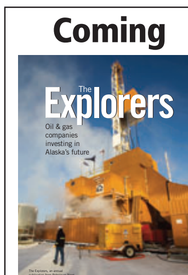
EXPLORATION & PRODUCTION

Eni trying again in 2022

Second Nikaitchuq North wildcat well postponed until first half 2022

By KAY CASHMAN
Petroleum News

Coming



August 2020

Eni US Operating Co. Inc., a subsidiary of Italian multinational Eni S.p.A., will likely spud its second Nikaitchuq North extended reach exploration well in second quarter 2022. The Alaska Beaufort Sea prospect is in a 13-lease federal OCS unit, Harrison Bay block 6423, which is approximately six miles from the Spy Island Drill site in the state Nikaitchuq unit (see map in pdf version of this story).

In Eni's 13th plan of development for the Nikaitchuq unit the major told Alaska's Division of Oil and Gas that it will do facility upgrades to support NN-02, including a new six-slot well containment shelter and associated well conductors. The work will be done during the 13th POD period from Oct. 1, 2020, through Sept. 30, 2021.

The original plan for NN-01, the first Nikaitchuq North wildcat, envisaged the potential drilling of a sidetrack well following completion of the main well. Eni no longer plans to finish drilling NN-01 or sidetrack it; rather it will try again with a new well.

Similar to the first ultra-extended reach well,

see **ENI 2022 PLANS** *page 11*

FINANCE & ECONOMY

Mustang sale postponed

AIDEA asking for cash for North Slope oil field; new auction date pending

By KAY CASHMAN
Petroleum News

The public auction of the Mustang oil and gas field that was scheduled to be held in the main entrance of the Alaska Court System Building in Barrow on July 31 has been postponed. A new date for the sale has not yet been set.

Lender Alaska Industrial Development and Export Authority is selling the property for cash to the highest bidder to satisfy all indebtedness, together with any interest and all necessary costs and expenses.

The sale date "was postponed as a matter of addressing logistics related to and handling of the case," Karsten Rodvik, AIDEA's external affairs officer, told Petroleum News July 15. "A new date has not yet been determined."

Mustang, which is in the Southern Miluveach unit adjacent to the southwest edge of the Kuparuk River unit, is the first oil field on Alaska's North Slope to have been taken from discovery to production by a small independent oil company — original operator and minority owner Brooks Range Petroleum Corp., or BRPC.

BRPC drilled the Mustang discovery well, North Tarn 1A, in January 2012. The field is thought to hold 21.2 million barrels of proven oil in place.

Hurt by last price crash

The company had originally planned to start the

see **MUSTANG SALE** *page 8*

● EXPLORATION & PRODUCTION

Hilcorp plans drilling at Beluga, Kenai

Company tells BLM production maintenance goal at both fields

By KRISTEN NELSON
Petroleum News

Hilcorp Alaska plans development drilling in both the Kenai and Beluga River units during plan periods from April 1, 2020, through March 31, 2021, the company told the U.S. Bureau of Land Management in plans of development submitted March 2.

The Kenai gas field is on the Kenai Peninsula while Beluga River is on the west side. Both are onshore fields.

Beluga

The Beluga POD is the 58th for the field.

Hilcorp said it plans two to three grassroots wells in the 2020 POD period using rig 169, each targeting the Sterling and Beluga gas sands. The company has already applied to the Alaska Oil and Gas Conservation Commission for spacing exceptions for two wells, BRU 241-34T and BRU 212-26. BRU 241-34T requires a spacing exception because the gas development well is within the same governmental section and within 3,000 feet of a well that is, or may be, capable of producing from the same pool, AOGCC said in a public notice.

A spacing exception is required for BRU 212-26 because that gas development well is within 1,500 feet of a property line where owners are different on both sides of the line, and also within 3,000 feet of a well that is, or may be capable of producing from the same pool.

When the wells would be drilled within the POD period is not indicated.

Hilcorp also said it anticipates several workovers at Beluga with Rig 401, with that work being evaluated and planned for execution in the second and third quarters of 2020.

Kenai

At the Kenai gas field, where the 2020 POD is the 62nd for the field, Hilcorp said it plans to drill KU 24-32 from the Kenai Unit Pad 34-31 targeting the Upper Tyonek and Beluga formations. The rig is not named.

Several uphole recompletions, perforation adds and rig workovers are planned for Kenai, the company said, along with routine repairs and replacement of facilities as needed to maintain and increase field production and operations.

Hilcorp owns and operates a grind and injection well in the Kenai gas field for Kenai unit operations, with G&I wells authorized by the AOGCC and the solid waste cell authorized by the Alaska Department of Environmental Conservation.

Hilcorp said it is in the process of re-permitting two injection wells from Class II to Class I injection wells, with approval anticipated during the 2020 POD period.

Large gas fields

Beluga and Kenai are large Cook Inlet basin gas fields. In May, the latest month for which production volumes are available from AOGCC, the Beluga River field averaged 17,692 mcf per day, while Kenai, in that month the most prolific gas field in the inlet, averaged 32,489 mcf per day.

During the 2019 POD Hilcorp did nine workovers at Beluga with a coil tubing unit. The company said overall results were "subpar." BRU 214-35 was returned to production with a perforation added to the Sterling A sands.

Hilcorp also conducted routine repairs and replacements at Beluga during the 2019 POD.

Cumulative gas production from Beluga was 9,668.6

see **HILCORP DRILLING** *page 4*

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● EXPLORATION & PRODUCTION

Eni has Nikaitchuq rigs cold stacked

Company has production drilling planned, but it has been deferred due to COVID-19, oil price crash; facilities work is continuing

By KRISTEN NELSON
Petroleum News

In its 13th plan of development for the Nikaitchuq unit, operator and 100% working interest owner Eni told the Alaska Division of Oil and Gas that while one oil producer and two dual lateral producers were completed at the Spy Island drilling site under the 12th POD, it has suspended drilling activities temporarily “due to the current oil price climate and the COVID-19 pandemic.”

Both rigs at the Nikaitchuq unit, Doyon rig 15 at the Spy Island drilling site and Nordic Calista rig 4 at Oliktok Point pad, are currently in cold stack, Eni said.

No drilling is planned at OPP or SID during the 13th POD, which covers Oct. 1, 2020, through Sept. 30, 2021. “Actual activities may change as conditions improve,” the company said.

Doyon 15 at SID and Nordic Calista 4 at OPP could be used for workovers, the company said, saying electric submersible pump workovers would be considered at both SID and OPP as ESPs fail.

12th POD drilling

In the 12th POD, covering Oct. 1, 2019, through Sept. 30, 2020, Eni drilled one oil producer, SP03-NE2, and two dual lateral producers, SP03-NE2L1 and SP10-FNL1, from the Spy Island drilling site.

Facilities work included commissioning and startup of a multiphase pump at SID to increase production capacity of the newly sleeved 10-inch subsea flowline from SID to OPP. The company also initiated an electrical power sharing study to evaluate interconnecting the Oooguruk and Nikaitchuq power generation systems. Eni, the Nikaitchuq operator, had a 30% interest in Oooguruk and acquired the other 70% and took over as Oooguruk operator in August 2019.

From Sept. 1, 2019, through May 31, 2020, Nikaitchuq oil production averaged some 19,400 barrels per day of oil and 39,600 bpd of water, a 67% water cut, the company said.

From April 24 through May 22, production was prorated by Alyeska Pipeline due to high inventories and averaged some 17,100 bpd of crude.

In June oil production averaged some 20,000 bpd.

In addition to the new producer and one of the new dual laterals, both completed last October, and the second dual lateral, completed in March, Eni did six rig workovers, three each at Spy Island and Oliktok Point, with two involving pulling and running new tubing, one related to electrical failure, one related to a tubing issue, one to upgrade an ESP pump and one for an ESP changeover.

More potential identified

SP03-NE2 drilling in the 12th POD included a pilot hole, SP03-NE2 PH, to the northwest, to refine structural interpretation.

“The pilot hole results were positive,” Eni said, “with the structure coming in higher than previously mapped. As a result, current conceptual development plans target six additional wells for the area.”

Facilities plans for the 13th POD include upgrades to support the exploratory NN02 well (see story on page 1 of this issue), two remaining SID injection wells “and the potential six new wells discovered

During the 13th POD Eni said it would perform routine maintenance and a planned maintenance turnaround in the summer of 2021, “coincident with the planned KRU CPF-3 maintenance turnaround.”

from the SP03-NE2 pilot-hole analysis from the Twelfth POD,” Eni said.

The facility upgrades include a new six-slot well containment shelter and associated well conductors and the requisite well tie-ins.

Drilling

Nikaitchuq, which consists of 11 state leases, some 21,200 acres, produces from the Schrader Bluff formation with drilling from two locations, Oliktok Point and Spy Island. Eni said planned OA reservoir drilling from OPP was completed in October of 2012, with continuous drilling beginning on SID in November 2012 with Doyon rig 15.

In 2013 a sidetrack campaign was started, continuing into 2014, adding a second lateral to selected OPP producers. The company said that as part of its 2014 summer drilling at OPP, “an N-Sand evaluation well was drilled. This was the first well drilled by Eni for the sole purpose of evaluating future N-Sand development.”

Eni drilled and completed the first multilateral well with slotted liner main bore and multiple open hole laterals in 2013 with the SP22-FN1 well, the laterals having no mechanical support or hydraulic isolation and dependent on natural borehole stability.

In the 2013 sidetrack campaign, eight laterals were added to OPP in the OA sand and completed with slotted liners.

In the third quarter of 2013, “a second lateral well path was implemented as a strategy for all producer wells on SID,” Eni said.

The OPP producer sidetrack campaign was completed in May 2014. Spy Island development drilling continued in 2014 and during the third quarter the West Extension Project started on SID, a project completed in 2015.

SID development drilling continued in 2015, with the East Extension Project started in the third quarter.

In the fourth quarter of 2015 drilling operations were suspended at SID and Doyon 15 was put in cold stack.

The focus of rig activity from the end of 2015 to 2018 was workovers for production maintenance, Eni said. In 2017 a rig modification was carried out on Doyon 15 in preparation for the NN01 exploration well, spudded in December 2017 (see Nikaitchuq exploration well story on page 1 of this issue).

SID dual lateral section drilling was reinitiated in May 2019, with drilling and completion of SP33-W3L1, and continuing with the dual lateral section SP33-W3 L1; a new producer was added to existing SP03-FN6 and its dual lateral SP03-FN6L1 in July 2019.

Facilities

During the 13th POD Eni said it would perform routine maintenance and a planned maintenance turnaround in the summer of 2021, “coincident with the

see **ENI RIGS** *page 4*

GOVERNMENT

BLM adds 7 to Resource Advisory Council

The federal Bureau of Land Management Alaska said July 8 that it has added seven members to its Resource Advisory Council, all appointed by Secretary of the Interior David Bernhardt to three-year terms.

BLM said the Resource Advisory Councils were created to allow local residents to provide direct input on BLM policies in their home states. Members may represent recreation, energy and minerals, Alaska Native interests, historical and archaeological and environmental sectors.

Two of the seven members were reappointed: Stan Foo, recommended by the Alaska Miners Association and Bronk Jorgensen, a placer miner, recommended by the Fortymile Mining District, both representing energy and minerals interests.

Also representing energy and minerals interests is first-time appointee John Schell, recommended and employed by ConocoPhillips Alaska as manager of land and business development.

First-time appointee Rada Khadjinova, a certified environmental regulation and permitting specialist with a local geotechnical, survey and subsea service company, represents rights of way and transportation.

Long-time Haines resident Jessie Badger, from a family of loggers, miners and commercial fisherman, will represent outdoor and commercial recreation/OHV use.

Avid outdoorsman, local guide and Cantwell resident Justin Mason will represent dispersed recreation interests.

Jusdi Doucet will bring a State of Alaska perspective from her position as deputy director of Alaska Mental Health Trust Land Office.

There are 15 members on the council. They provide advice and recommendations to the BLM Alaska State Director on resource and land management issues for some 70 million acres of BLM managed public land in Alaska.

“All of these RAC members live and work in Alaska and will provide those Alaska specific perspectives from the many uses our public lands can offer,” said Alaska State Director Chad Padgett.

—PETROLEUM NEWS

● PIPELINES & DOWNSTREAM

Alberta luring petrochem players

Province announces 10-year grant program for projects meeting criteria; watchdog organization concerned about 'blank check' aspect

By GARY PARK
For Petroleum News

Convinced it is hot on the trail of a "sky is the limit" investment opportunity, the Alberta government has rolled out a 10-year grant program to attract multibillion-dollar petrochemical projects.

When it is launched this fall, the Alberta Petrochemicals Incentive Program will offer government funding to every proposal that meets the government's operational criteria, said Dale Nally, Alberta's Associate Minister of Natural Gas.

He said the program will be open year-round for the next decade with no intermittent application deadlines, adding the government will not play a role in "picking winners and losers ... we're going to let the market do that."

As far as the government is concerned, the "sky is the limit," Nally said, while declining to set an upper spending limit.

He said "we're going to stop asking industry to revolve around a government schedule. We're going to revolve around theirs ... based on industry needs, not government desires."

> *The Chemical Industry Association of Canada estimated Alberta's chemicals sector is worth about C$12.1 billion and has created more than 58,000 direct or indirect jobs for Albertans.*

New program provides grants

Instead of offering royalty credits, the program will provide grants which Nally said could grow Alberta's petrochemical sector by more than C$30 billion by 2030, creating more than 90,000 jobs, a figure tied to historical development of the sector and industry partner forecasts.

But he conceded that too many new projects could overheat the sector, which is why the government will closely monitor the industry response over the initial decade.

The program will operate in parallel with Alberta's current C$1.1 billion petrochemical diversification program, which will continue to use royalty credits as an investment magnet.

Nally said the government's objective is to make prospective investors "think Alberta first" rather than chasing the petrochemical hubs in Saudi Arabia and Louisiana.

Reliability of feedstocks

Alberta believes it has established its reliability as a source of such petrochemical feedstocks as natural gas, methane, propane and ethane, which have seen the sector grow to account for one-third of the province's manufacturing exports.

Canada ranks 17th in proven global natural gas reserves and, in 2018, was the world's fourth-largest producer and sixth-largest exporter, 69% of which came from Alberta, with British Columbia and Saskatchewan making up the balance.

The Chemical Industry Association of Canada estimated Alberta's chemicals sector is worth about C$12.1 billion and has created more than 58,000 direct or indirect jobs for Albertans.

In a 2018 report the International Energy Agency suggested petrochemicals will be a driving force of global energy demand, with plastics doubling in demand since 2000.

The IEA predicted the sector will consume an additional 56 billion cubic meters of natural gas by 2030, representing close to 50% of Canada's total gas consumption at the time of the report.

"With our affordable 30-year supply of natural gas, technically skilled and educated workforce and respected innovation and research, Alberta is ready to seize the opportunity to become a global destination for petrochemical manufacturing," Nally said.

Concern over costs

The Canadian Taxpayers Federation voiced its concern over the absence of a cap on the program's costs.

"We need to get the economy going again, but the answer is not to make struggling taxpayers sign a blank-check for another petrochemical corporate welfare program," said the federation's Alberta director Franco Terrazzano. "Premier Jason Kenney should stay focused on tax relief instead of risking tax dollars trying to play investment banker."

He said the program is "privileging the petrochemical sector while making everyone else pick up the tab." ●

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continued from page 3

ENI RIGS

planned KRU CPF-3 maintenance turnaround." The company said details for the turnaround are still being worked out and the duration would be finalized "once KRU has defined the duration of their shutdown."

Eni said it plans to reduce diesel consumption by "electrifying the drilling rigs at both SID and OPP, as well as converting some building heaters from diesel fired to electric radiant heat."

There will be additional engineering efforts on the electrical power sharing study on the feasibility of interconnecting the Nikaitchuq and Oooguruk power infrastructures, a move which would "allow more robust and efficient power system sharing between the two development projects." ●

Contact Kristen Nelson at knelson@petroleumnews.com

continued from page 2

HILCORP DRILLING

million standard feet during the 2019 POD period, Hilcorp told BLM. There were 16 active wells during the 2019 POD, with annual production ranging from 3 million cubic feet to 1,305 million cubic feet.

At the Kenai unit, 2019 POD period cumulative production was 11,546.9 million standard cubic feet from non-storage wells. Hilcorp drilled the KU 24-05B well from Kenai unit pad 41-07, completing the well in August 2019 in the Tyonek D4, D3 and D2 sands.

Hilcorp did not indicate the number of active wells during the 2019 POD period, but AOGCC production data for May show 30 wells at the field with gas production for the month. ●

Contact Kristen Nelson at knelson@petroleumnews.com

Congratulations

Congratulations Hilcorp!

David Wilkins, Hilcorp Alaska

Hats off to Hilcorp for its successful acquisition of BP's upstream Alaska assets and taking over operatorship of Prudhoe Bay & thank you BP for more than 60 years of exemplary operations and citizenship in Alaska.

Janet Weiss, BP Alaska

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EXPLORATION & PRODUCTION

AEX has Corps permit for Placer road, pad

Company working permit side of project under terms of second amended 4th plan of development; facility sharing access work on hold

By KRISTEN NELSON

Petroleum News

Under terms of the January conditional approval of the second amended 4th plan of development for its Placer project, ASRC Exploration LLC has submitted a quarterly update to the Alaska Department of Natural Resources' Division of Oil and Gas.

The update was submitted by Chait Borade, who has succeeded Teresa Imm as president of AEX (see Oil Patch Insider in this issue of Petroleum News).

The progress report for April 1 to June 30 lists proposed operations to which AEX committed: 404 permit; NSB rezone; facility sharing agreement; and civil feed.

In addition to quarterly reports and meetings with the division, requirements of the second amended 4th POD included a $1 million performance bond which will be released to AEX if production begins from Placer no later than Oct. 31, 2022; if that production date is not met, the bond will be paid to DNR.

AEX received a 404 permit from the U.S. Army Corps of Engineers on May 28, authorizing discharge of fill for construction of a 7-mile, 37-acre road, leading to a 7-acre pad.

Permitting status

AEX received a 404 permit from the U.S. Army Corps of Engineers on May 28, authorizing discharge of fill for construction of a 7-mile, 37-acre road, leading to a 7-acre pad. Gravel required for the pad is estimated at 68,000 cubic yards; gravel for the access road is estimated at 325,000 cubic yards. The Corps said the project's total footprint is 44 acres.

The company also received a certificate of reasonable assurance under Section 401 of the Federal Clean Water Act of 1977 and provisions of the Alaska Water Quality Standards from the Alaska Department of Environmental Conservation for placement of dredged and/or fill material in waters of the U.S. associated with development of a gravel pad, a gravel access road and a three-phase pipeline.

The road to the proposed Placer drill pad is from the existing Mustang Road at the Mustang gravel mine.

AEX said its current DEC oil discharge prevention and contingency plan expires in November and it has submitted a plan renewal application and will be working with DEC during the review process.

The company applied to the North Slope Borough in March for gravel purchase from Mine Site F and said it has received a material sale contract for review and is having follow up discussions with UMIAQ on contract details and execution timing.

AEX said it is in discussion the Gordon Brower, director of the NSB Planning Department on the rezoning process for the project, and has been told it should take about four months due to location, smaller project size and the fact that AEX has received the USACE 404 permit. The company has a pre-application meeting with the borough July 22 and will submit the rezone application in the first half of August "pending a facility sharing agreement with the to be determined SMU operator." (See page 1 story on Mustang foreclosure.)

Contracting status

AEX said it has engaged PND to perform a civil study on the Placer surface facility. PND's role will be to develop cost estimates and associated construction schedules, manpower projections and fuel usage estimates with the study expected to be completed by mid-August.

AEX has engaged with Nanuq/AFC in discussions about material quality, gravel extraction, ice road and placement of the gravel road and pad and will be working to firm up additional details in the next 30-60 days.

Facility sharing agreement

AEX said it had been working with the Southern Miluveach unit operators on facility access and was notified at the beginning of May that the SMU operators were party to a foreclosure (see story on page 1 of this issue).

"With the notification that the project was going into a foreclosure through AIDEA, all future FSA negotiations are postponed until the end of the foreclosure," AEX said.

AEX does not plan to have its own processing facilities and had been looking to SMU, Mustang, for access to such facilities.

Other potential resources

"AEX has identified Kuparuk C as the anchor productive interval within the Placer Unit," the company said in its second amended 4th POD, with plans to develop the Kuparuk C reservoir with two horizontal multistage fracked producers and two injectors.

The company said in the POD that it "has also identified and evaluated the Nanushuk Topset and Alpine C sands and plans to include these prospects in its future Development Plan."

In the quarterly update the company said it "has continued the analysis of the Nanushuk interval because it could be a potential satellite development from the Placer Unit," and said it is conducting reservoir modeling studies for developing the Eastern Nanushuk.

The Eastern Nanushuk within the Placer unit could potentially be developed with five producers and five injectors, AEX said, noting that in the 404 permit it "designed the drill site to be large enough to accommodate additional wells." ●

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● PIPELINES & DOWNSTREAM

A watery answer?

Irving Oil launches first tanker load of Alberta crude from Vancouver through Panama Canal to its Atlantic Canada refineries

By GARY PARK

For Petroleum News

A new means of shipping oil sands crude from Alberta to Atlantic Canada is getting its first trial run.

If successful it could also rescue Alberta producers from the distress of sitting on a treasure trove of resource riches.

It could even be the only answer as the province watches its hopes for Keystone XL fade, following those of Enbridge's Northern Gateway link to Asia and TC Energy's (formerly TransCanada) Energy East proposal to connect with buyers in Europe and the Middle East.

The despair of the pipeline sector was reinforced earlier in July when a U.S. court ordered a shutdown of the Dakota Access line from North Dakota to Illinois and the decision by Duke Energy and Dominion Energy to scrap their Atlantic Coast Pipeline because of cost and regulatory challenges.

Turning to the high seas

Turning from the overland option to the high seas, Calgary-based oil sands major Cenovus Energy said it delivered a shipment through the existing 980-mileTrans Mountain pipeline for loading at Burnaby in the Greater Vancouver area.

That was to be followed by a 7,400-mile voyage on the tanker Cabo de Hornos to the Irving Oil refinery at Saint John, New Brunswick. The vessel has capacity of 74,543 deadweight metric tons.

Irving, with approval from Canadian regulators, chartered the Cabo de Hornos to test the ability of producers to access a new outlet.

Cenovus said the chance to refine more Canadian oil in Canada could create "economic value and improved energy security."

"We believe this success story demonstrates the ability of two companies to help drive Canada's economy with innovative solutions, even during these unprecedented times on turbulence created by COVID-19," the company said.

Cenovus executive vice-president Keith Chiasson said his company was "pleased with the economics of this transaction."

He said the deal is a "one-off shipment for now, but we believe that (it offers) the potential over time to create significant value for both companies and the entire country."

Relief of stress point

If a long-haul tanker delivery is shown to work it would relieve a stress point for producers who have contracted space on Trans Mountain once the system expands its capacity to 890,000 barrels per day from 300,000 bpd in another two years.

Irving has given no indication of how many oil sands producers have agreed to ship crude to its 320,000 bpd Saint John refinery, the largest in Canada.

Irving applied to Transport Canada in May to use foreign ships to source Canadian oil shipments, surprising many analysts with its claim that using a route through the Panama Canal was economically feasible.

In addition to its New Brunswick refinery, Irving has added to its capacity in the region by purchasing the only refinery in Newfoundland calling the transaction a "building block" in a larger strategy to source and process more Canadian crude.

A spokesperson for Irving said the elements "contribute to our long-term objective of helping Canada be even more competitive in the international landscape." ●

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● FINANCE & ECONOMY

Furie Chapter 11 bankruptcy case closed

Reorganization wrapped up; Kitchen Lights unit lease work completed as HEX takes over; agreement with ORRI owner Infinity filed

By STEVE SUTHERLIN

Petroleum News

The Chapter 11 bankruptcy case of Furie Operating Alaska LLC is officially closed, pursuant to a final decree and order signed July 1 by Judge Laurie Selber Silverstein and filed in the U.S. Bankruptcy Court for the District of Delaware.

The order also closed the Chapter 11 case of Corsair Oil & Gas LLC.

All remaining matters will be administered in the Chapter 11 case of the remaining debtor, Cornucopia Oil & Gas Company LLC. The caption in the remaining case is now modified to in re: Cornucopia Oil & Gas Company LLC, debtor, rather than Furie Operating Alaska LLC et al, debtors.

In the motion for entry of an order closing the lead case, attorneys for the debtors said the case closures would avoid imposing "significant costs on the debtors' estates."

The order came on the heels of success in meeting the effective date of Furie's third amended joint plan of reorganization which saw Anchorage based HEX Cook Inlet LLC close the deal to acquire the assets and existing equity interests of the debtors. HEX took control on July 1 of the offshore Cook Inlet Kitchen Lights unit, a natural gas production platform, related pipelines, and an onshore gas treatment terminal. (See story in July 12 edition: New approach: HEX reviews Kitchen Lights reserves, aims to tap

see FURIE BANKRUPTCY page 8

EXPLORATION & PRODUCTION

US rig count continues down, now at 258

The Baker Hughes' weekly U.S. oil and gas drilling rig count released July 10 showed another drop in the count, down five from the previous week, to 258, and down 700 from a count of 958 a year ago.

Each week in the last 10 has set a new record for low number of rigs, 374 rigs on May 8 of this year; 339 rigs on May 15; 318 on May 22; 301 on May 29; 284 on June 5; 279 on June 12; 266 on June 19; 265 on June 26; 263 on July 2; and 258 for the current week. 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.

Each week in the last 10 has set a new record for low number of rigs, 374 rigs on May 8 of this year; 339 rigs on May 15; 318 on May 22; 301 on May 29; 284 on June 5; 279 on June 12; 266 on June 19; 265 on June 26; 263 on July 2; and 258 for the current week.

The company said 181 rigs targeted oil, down four from the previous week and down 603 from a year ago, while 75 targeted gas, down one from the previous week and down 97 from a year ago. There were two miscellaneous rigs active, unchanged from the previous week and up by one from a year ago.

Nineteen of the holes were directional, 220 were horizontal and 19 were vertical.

Alaska count unchanged

New Mexico (49) was up by a single rig from the previous week.

Rig counts were unchanged for Alaska (3), California (4), Colorado (5), Louisiana (31), North Dakota (10), Ohio (8), Oklahoma (10), Pennsylvania (22) and Wyoming (1).

West Virginia (5) was down by one rig from the previous week.

Texas, which has the most active rigs in the country at 107, was down five.

Baker Hughes shows Alaska with three active rigs July 10, down by five from a year ago.

The rig count in the nation's most active basin, the Permian (125), was down by one rig from the previous week, and down by 312 from a count of 437 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. This week's count of 258 is a new low, surpassing lows set in the previous nine weeks. Prior to that the previous low was 404 rigs in May 2016.

—KRISTEN NELSON

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MUSTANG SALE

field using permanent 15,000 barrels per day production facilities, which would leave space for processing other nearby small fields, such as Placer. However, following the oil price crash in 2014, BRPC paused the project and came up with an alternative plan to install a modestly priced early production facility.

The idea was to start production at relatively low rates and, then, as production ramped up, use the resulting revenue to upgrade the production facilities to a larger scale. The company said the plan would still allow the handling of Placer oil.

Starting production in early November 2019, per the Alaska Oil and Gas Conservation Commission, Mustang produced 10,999 barrels of oil that month, averaging 478 barrels per day for the 23 days it was in production.

The field was offline for the entire month of December and has remained so, being officially put in warm shutdown mode in May while late payment and financing issues were resolved. But the Mustang owners were not able to make their payments, even after agreeing to a new, more lenient plan in January, and so AIDEA foreclosed.

Looking to cover debt

"The assets being sold are the real property as described in the Notice of Sale (first published on June 14), and the personal property as related to the Southern Miluveach unit," Rodvik said.

As of April 29, the first of two notes on the Mustang assets, including principal, late fees, accrued interest and foreclosure fees, is listed as $70,290,445.91 in the legal notice. The second note shows a principal balance of $6,119,409.00, accrued interest of $608,252.52, zero late fees, and a per diem of $2,179.52. The balance will continue to accrue interest after April 29.

The substitute trustee is Trustee Services of Alaska.

Payment must be made at the time of sale in cash or by cashier's check.

The Mustang assets include a gravel pad (on ADL 390680 approximately 16 miles east of Nuiqsut) and road, pipelines, related facilities, and state of Alaska leases which means the sale is subject to approval by the Alaska Department of Natural Resources.

The bidder must use its "best efforts to obtain DNR approval within 30 days after the auction date," the legal notice said.

If the bidder has not obtained that approval, or otherwise confirmed in writing to the trustee that it will purchase the property without obtaining DNR's approval within 30 days of the auction, the trustee has the right to cancel the sale to the bidder. ●

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OIL PRICES

positive news early in the week on testing of a coronavirus vaccine from the National Institutes of Health and Moderna Inc.

OPEC+ is actually raising production, which normally might be seen as a drag for prices, but the production increases were below what had been anticipated by traders.

OPEC+ will taper its production cuts from 9.7 million barrels per day to 7.7 million barrels per day, beginning in August, and continuing through the end of the year.

The actual production cut might be higher if laggards in the group make compensatory cuts starting in August due to missed targets earlier in the year.

The committee said it requested underperforming participating countries to submit a plan for implementation of the required compensation for the month June to the OPEC Secretariat by the end of July.

The reduction in production cuts has been anticipated by the market, as OPEC has signaled its opinion that the market is improving, despite daily headlines concerned over rising COVID-19 levels in the United States and elsewhere.

"Looking ahead, there is light on the horizon as some of the world's largest economies have begun phasing out their national lockdowns, which has ushered in a much welcomed surge in oil demand," said OPEC Secretary-General Mohammad Sanusi Barkindo, at a June 30 African ministerial roundtable co-hosted by the Senegal Ministry of Petroleum and the International Energy Agency, via video conference.

Positive supply-side momentum sprang from oil output reductions following historic OPEC-Non-OPEC Ministerial decisions in April and June, he said, providing much support to the market balancing process.

But, the secretary-general said, "We are not out of the woods yet."

"We must remain vigilant in order to address a forecasted contraction in global oil demand estimated at 9 million barrels per day for 2020," he said, citing the OPEC Secretariat's latest forecast.

"This is a massive undertaking, and we need all industry stakeholders to contribute," he said.

The monitoring committee said that achieving 100% conformity from all participating countries is not only fair, but vital for the ongoing rebalancing efforts and to help deliver long term oil market stability.

The committee said that extra supply resulting from the scheduled easing of the production adjustment will be consumed as demand recovers.

"While there could be localized or partial lockdowns reimposed in some places, the recovery signs are clear, both in physical and futures markets," it said.

US helped support prices

Barkindo told IHS Markit in a June 29 interview that the intervention of the United States, the G-20 and other leading producing countries was vital in securing April's historic production deal.

"We were able to reach out to the U.S. independents and we had established a line of communication with them; we have reached some level of comfort among ourselves," Barkindo said. "They have been participating also at their own levels to ensure that this conversation is inclusive and is led by the biggest producers."

Barkindo said OPEC sees its relationship with U.S. producers as one of support and cooperation.

"There is no objective whatsoever from us as a group or as individual countries to drive U.S. shale production out of business," he said. "No. It is not in our interest to do that. It is not in the interest of the global industry to do that. Without the U.S. shale probably, we could have entered into a worse crisis than we are seeing in this pandemic."

"Everybody has a role to play. We need to balance the various variables. You have supply. You have demand issues compounded by a virus that has triggered a worldwide pandemic and is still ongoing," Barkindo said. "This industry is a global industry. Without the leadership of the U.S. it would be impossible for any group of countries to be able to maintain sustainable stability."

—STEVE SUTHERLIN

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FURIE BANKRUPTCY

Sterling formation).

Furie filed notice June 30 that the effective date of the reorganization plan had occurred and the plan was substantially consummated on June 30, stating that "all conditions precedent to the effectiveness of the plan occurred or were waived in accordance with the plan's provisions."

State transfers leases

The State of Alaska on June 29 approved oil and gas lease transfers related to the HEX acquisition of the KLU, with an effective date of July 1.

The Department of Natural Resources Division of Oil and Gas received applications on June 23 to transfer all of the interest in leases held by Cornucopia and Corsair to HEX, from Deutsche Oel & Gas AG, parent company of the debtors.

The division said HEX agreed to conditions, as set out in the "HEX Cook Inlet Dismantlement, Removal, and Restoration Financial Assurances Agreement," which requires HEX to provide DNR with financial assurances and information to ensure that HEX is capable of satisfying its obligations under the leases.

The state also approved lease transfers required to implement the "RWIO consent letter," which reflects a settlement with royalty and working interest owners — Giza Holdings LLC; Taylor Minerals LLC; Allen Lawrence Berry; the 2007 Allen Lawrence Berry Trust; and Danny Davis.

In separate approval letters, the division approved the transfer of a 3.93750% working interest ownership from A. Lawrence Berry; a 3.43750% working interest ownership from Danny S. Davis; and a 2.625% working interest ownership from Taylor Minerals, LLC to Furie Operating Alaska LLC.

Furie, the state noted in its approval of lease transfers to HEX, is 100% owned by Cornucopia.

Withholding on ORRI payments

Also on July 1, Judge Selber Silverstein signed an order approving a stipulation of settlement dated June 10 between Furie and overriding royalty interest owner Infinity Limited, trading as Infinity Alaska Ltd, a corporation formed under the laws of Guernsey.

The stipulation said that on or about Dec. 10, 2019, the debtors began to withhold amounts otherwise payable to Infinity, subject to resolution of "certain federal withholding obligations arising under the Internal Revenue Code and applicable regulations."

As of the execution date of the settlement, the suspended funds held by Furie were $648,029.74 in the aggregate, it said.

Upon entry of an order approving the stipulation, Furie agreed to remit all suspended funds in its possession to the Internal Revenue Service for the benefit of Infinity, as the taxpayer, and Brutus AG (f/k/a Deutsche Oel & Gas, AG) ("Brutus"), as the statutory withholding agent.

From and after the effective date, reorganized Furie is to make such withholdings from amounts otherwise payable to Infinity on account of its ORRI as Furie reasonably determines is required under applicable tax statutes and regulations until the total amount withheld by Furie inclusive of the suspended funds is equal to the sum of $1,561,491.37 plus applicable fees and penalties, and other withholding amounts that come due and payable.

The parties shall use commercially reasonable efforts to cause Brutus to file forms 1042 and 1042-S (or other similar filings) with the IRS relating to all amounts remitted to the IRS prior to the effective date, the stipulation said. ●

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Petroleum news

Oil Patch Bits

Nordic-Calista Services, investing in Alaska's future

DAVE HILER, NORDIC-CALISTA RIG MANAGER

Nordic-Calista Services, a drilling and workover company owned by Calista Corp., said July 10 that it is in the process of updating Rig 2, located in Deadhorse.

Due to COVID-19, Nordic-Calista decided to look at ways to invest in Alaska's future and ready itself for when things would change. The new owners decided to invest capital and upgrade the Rig 2 mast.

Previously the mast on Rig 2 was a double, which means it could only rack two single joints of drill pipe at a given time. The new mast is a larger custom mast, referred to as a triple, capable of racking three drill pipes at a time. In addition, Nordic-Calista is increasing the rig's mast capacity, from a 300,000 pound mast to a 460,000 pound mast. The mast, currently located in Edmonton, should be installed sometime in September. Once the mast is installed, Nordic-Calista plans to invest in a top drive unit, providing the rig with a higher capacity for rotary drilling, side track drilling, or heavy workover. "The equipment we are adding really increases the capabilities," said Benjamin Wedin, operations manager Nordic-Calista, "It looks there will be some of that work on the horizon, so we are going to try to position to be ready for it."

Although Nordic-Calista does not currently have a customer in line to use Rig 2, due to COVID-19, the company was awarded a Paycheck Protection Program loan by the Small Business Administration, this has allowed for Nordic-Calista to keep its crews working to make it all happen. "We thought well, what can we do to get our crews back working," said Sharon Lechner, president of Nordic-Calista Services, "We decided let's invest some capital dollars somehow and put people back to work. The real driver was the SBA program because we could spend that money on our workforce and we also get the option of having a much better rig at the end of that period."

Nordic-Calista Services plans to have Rig 2 up and running by early October.

Lynden Oilfield Services delivers critical freight

COURTESY LYNDEN

As reported by Lynden News July 8, Lynden Oilfield Services equipment crossed tundra-covered public lands in Alaska this winter and spring to deliver critical infrastructure across the North Slope that couldn't wait until this summer's barging season.

Methanol, cement mixer trucks, front-end loaders, sheet steel and fire trucks were included in the remote deliveries. Time was limited as the tundra is closed to travel once the snow depth deteriorates. Air freight and other alternatives were not an option for most of the cargo due to weight and dimensional challenges.

"This season was the busiest yet for snow road projects, which meant many challenges for our team. With the hard work and innovative thinking of our crew we were able to pull it all off," says John Jansen, general manager of Lynden Oilfield Services. The team moved more than a million pounds of freight on the North Slope this season using the PistenBully snow cats. These deliveries allowed for more efficient and newer housing in the community of Atqasuk and helped the village of Utqia vik repair and replace fuel storage areas. Unlike conventional trucks that move freight on roads with existing right-of-way and permits, the PistenBully snow cats must travel across property owned by a variety of entities at an average speed of 9 mph.

The moves involve cooperation between Lynden companies and Alaska partners like the Bureau of Land Management, North Slope Borough and Alaska Department of Natural Resources. In all, Alaska West Express and Lynden Oilfield Services worked with 10 different local, state, and federal agencies and three native corporations this season.

Editor's note: Some of these news items will appear in the next Arctic Oil & Gas Directory, a full color magazine that serves as a marketing tool for Petroleum News' contracted advertisers. The next edition will be released in September.

Companies involved in Alaska's oil and gas industry

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

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INSIDER

under the leadership of company President and CEO Doug Suttles, former president of BP Alaska.

Like many oil and gas companies, Ovintiv switched to unconventional (shale) oil and gas operations versus conventional, which Alaska has in abundance. The company also took on additional debt — a decision that makes Hassler's denial even more believable since Ovintiv is not in a financial position to operate on the North Slope, where the rewards can be huge, but the costs are high.

Following substantial Ovintiv employee layoffs, in June Bloomberg quoted Hassler as saying: "Ovintiv is transitioning to lower production growth levels. … The new model we feel going forward will combine free cash generation, stronger balance sheet and modest growth. So more at maintenance activity levels."

—PETROLEUM NEWS

ASRC Exploration gets new president

LONG-TIME PRESIDENT of ASRC Exploration, Theresa Imm, has quietly retired from the Arctic Slope Regional Corp. subsidiary. Under her leadership AEX completed its first operated exploration well in Alaska in early 2016, when it drilled Placer No. 3 and that same year took over operatorship of the undeveloped North Slope Placer unit, which is adjacent to the Kuparuk River unit on the east and borders the Pikka unit on the west.


THERESA IMM


CHAIT BORADE

Chait Borade, a reservoir engineer who started with AEX in 2015 has stepped up to take Imm's place as company president.

Borade has a BS and MS in petroleum engineering from the University of Alaska Fairbanks.

—KAY CASHMAN

A2A Rail to begin surveying Canadian route this summer

A2A, THE ALASKA TO ALBERTA RAILWAY, plans to start detailed land surveying along the Alberta segment of the proposed route this summer.

In June 2019 Alaska Railroad Corp. and Alaska to Alberta Railway Development Corp. announced a "master agreement of cooperation" to build a 1,500-mile connection between Alaska Railroad and Canadian railroads that also serve the Lower 48 states.

A2A said in a July 7 release that it has commissioned engineering firm HDR to begin detailed land surveying on the Alberta segment "immediately."

Funding has been secured for the surveying and "A2A and its technical team will now embark on a 3-month planned process for field investigation and topographic modeling," with the surveying part of an accelerated development effort which will allow A2A to engage in early field activities in Alberta within the next 3 to 6 months.

A2A said its goal is to have the railroad operational in the mid to latter part of this decade.

Last summer A2A said the entire project is expected to cost some $13 billion, with A2A bearing the project cost, including reimbursing any costs incurred by ARRC to advance the project.

If the project is completed, A2A would receive a long-term lease from ARRC to operate the new railroad.

—PETROLEUM NEWS

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NEPA APPEALS

Greenhouse gas emissions

The lawsuit challenging the 2016 and 2017 lease sales argued that, when deciding whether to hold the sales, BLM had not adequately considered the potential greenhouse gas emissions that could result from the oil and gas development that the leasing could trigger. The plaintiffs also claimed that BLM had not adequately considered a range of possible lease sale configurations when evaluating the environmental impacts of the sales.

In rejecting this lawsuit the District Court said that the lawsuit, in effect, was targeting the adequacy of the NPR-A integrated activity plan that BLM had published in 2013. But, to challenge that plan, an appeal would have to have been filed with 60 days of the plan's publication, the court said. The court also said that the environmental impact statement developed in 2012 for the integrated activity plan had satisfied the NEPA requirements for conducting the lease sales.

The 9th Circuit judges, in their July 9 ruling, concurred that the EIS for the integrated activity plan was, in effect, the EIS for the subsequent lease sales envisaged under the plan. The judges also dismissed the concept that climate change impacts from the individual lease sales might differ from the findings from the required analysis conducted for the EIS. The fact that the plaintiffs' claims address information or circumstances knowable at the time when the EIS was developed means that the plaintiffs are now time barred from appealing the EIS findings, the judges wrote.

BLM's only obligation for its evaluations of the environmental impacts of the lease sales was to determine whether any new information or circumstances relating to environmental impacts had arisen since the EIS had been completed, the judges said.

EIS for the 2017 sale

The lawsuit relating to just the 2017 lease sale argued that BLM should have conducted a formal environmental assessment, and potentially an EIS, for the sale. In rejecting this case, the District Court had, as in the other case, said that the integrated activity plan EIS had, in effect, been the EIS for the lease sale. Moreover, the lease sale, in itself, would not trigger any physical activity on the land — any future exploration and development activities on leased land would require environmental review, the court commented.

Again, the panel of 9th Circuit judges concurred with the District Court, finding that the 2012 EIS had satisfied the NEPA requirements for conducting the 2017 lease sale.

Another appeal

The 9th Circuit Court is also in the process of gathering testimony in another case challenging oil and gas activities in the NPR-A. In this case the Native Village of Nuiqsut and five national environmental groups are questioning the adequacy of BLM's environmental review of ConocoPhillips Alaska's 2018-19 North Slope winter exploration plan and other industrial activities such as road and pad construction. After the District Court in Alaska rejected the case in January, the plaintiffs appealed the case to the 9th Circuit.

—ALAN BAILEY

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OIL SEARCH LEASES

The leases cut loose are "largely located on the edges of the company's western lease area," Amy Burnett, Oil Search's manager of U.S. media and communications, told Petroleum News July 15. "The reduction was in areas we have determined to be less prospective than other leases in our Alaska portfolio."

In looking at a map six of the leases are off the northwest corner of the Colville River unit; all the rest are in various locations south of the Kuparuk River unit.

"Even with the relinquishments, Oil Search continues to be among the top three leaseholders on Alaska's North Slope," Burnett said.

The relinquishment "helps to further focus" Oil Search's efforts in Alaska, she added, and is part of what the company identified in a July 13 Australian Securities Exchange announcement as an "immaterial impairment" in its plans to write off around $380 million in a non-cash, pre-tax charged for its half-year results, which closed June 30.

Most of the impairment will be assessed against Papua New Guinea area exploration assets and a gas-to-power project.

Due to relatively low oil prices and the related coronavirus pandemic, which are tied to reduced demand for oil, under the leadership of managing director Keiran Wulff Oil Search has been reducing costs where it can in order to ensure the company's long-term survival — all choices Wulff described as "painful" in a July 1 statement.

To date in 2020 Oil Search has slashed its expected global investment spending by $675 million, suspending all non-essential projects and activities in Papua New Guinea.

Although Alaska has not suffered the payroll and capital reductions of Papua New Guinea, work to begin early oil production in 2022 at Pikka was put on hold. Full project development, however, is still on track for first oil in 2025 from the 135,000 barrel per day oil field.

Leases surrendered June 23

The 130 state leases relinquished by Oil Search are as follows, with some having been issued as early as Jan. 1, 2013, and others as recently as July 1, 2018:

ADL 392159, 392271, 392581, 392715, 392775, 393163, 393651, 392160, 392316, 392582, 392716, 392776, 393164, 393652, 392317, 392583, 392971, 392777, 393165, 393653, 392318, 392584, 392778, 393654, 392319, 392798, 393673, 392320, 392799, 393674, 392321, 392800, 393675, 392322, 392801, 393676, 392323, 392802, 393677, 392324, 392803, 393678, 392325, 392804, 393679, 392326, 392805, 393680, 392327, 392806, 393684, 392328, 392807, 393685, 392329, 392808, 392330, 392809, 392331, 392810, 392332, 392811, 392333, 392812, 392334, 392813, 392335, 392814, 392336, 392815, 392337, 392816, 392338, 392817, 392339, 392818, 392357, 392819, 392358, 392820. 392359, 392821, 392360, 392822, 392365, 392823, 392366, 392824, 392368, 392825, 392370, 392826, 392372, 392827, 392373, 392828, 392829, 392830, 392831, 392832, 392833, 392890, 392891.

—KAY CASHMAN

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LONE EXPLORER

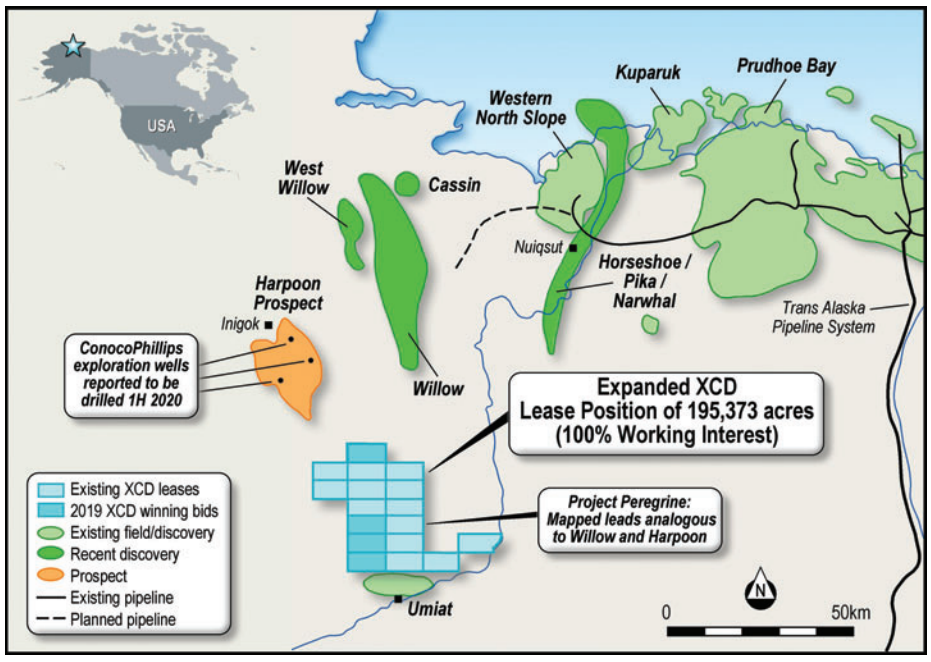
No ice roads

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 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.)



"We're starting the process for an oil spill plan for the federal acreage," Opstad said. Although the state has primacy with that type of permitting, the feds have some involvement.

"The only hurdle," he said is that the federal process can be daunting, and "timing is very important to this project."

Just a bit of paperwork left

The takeover bid by 88 Energy for all the fully paid ordinary shares and listed options in XCD "is basically closed now," David Wall, managing director of 88 Energy, told PN July 13. There is "just a bit of paperwork" left to finish now that more than 90% of the shareholders and option holders have agreed to the deal.

88 Energy's offer values the equity of XCD at approximately $8.9 million and delivers a premium to XCD shareholders and option holders, who will retain approximately a 20% ownership and participation in the future performance of the combined Perth-based companies, who are both focused on Alaska North Slope exploration.

ConocoPhillips an unknown

ConocoPhillips' decision to resume drilling on the North Slope is dependent on how soon oil prices recover and on Alaska's investment climate, company executive Scott Jepsen said May 8. And by investment climate, "I mean on whether or not the oil tax initiative passes," he said, noting the initiative calls for "a significant tax increase" which "will put a brake on future investment."

According to the Alaska Oil and Gas Association, if the tax initiative on the Nov. 3 ballot passes into law it will increase the state's oil tax by 150-300%, depending on the price of oil. ●

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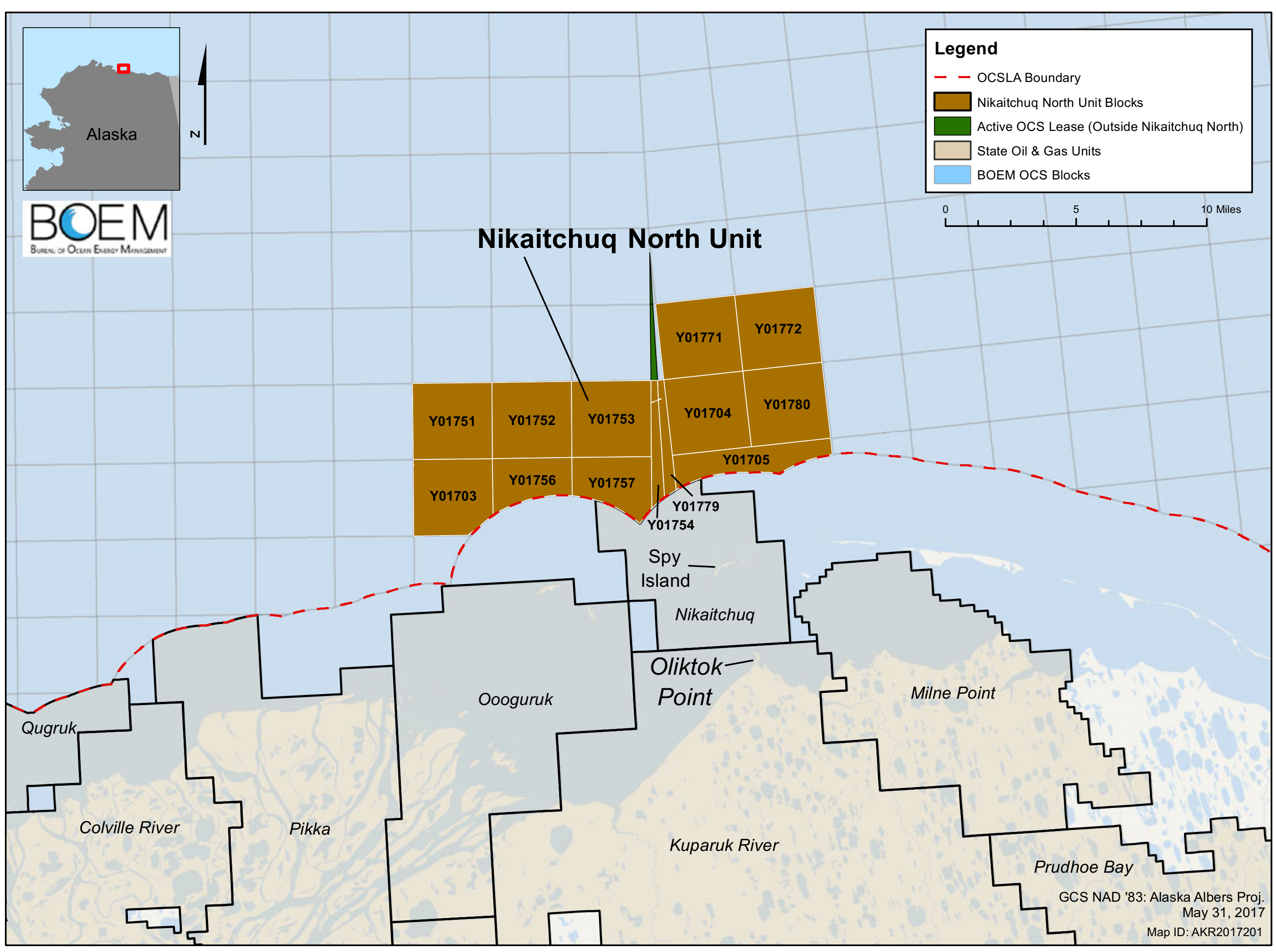
ENI 2022 PLANS

NN-02 will be an S-shape wellbore into the target reservoir and drilled from Spy Island Drill site, or SID, which is a man-made gravel island in shallow state waters off Oliktok Point where Nikaitchuq's onshore production and processing facilities are located.

With NN-02 Eni is again striving to break all Alaska records for extended reach drilling to reach a measured depth of 34,000-35,000 feet.

In Eni's 13th plan of development for the Nikaitchuq unit the major told Alaska's Division of Oil and Gas that it will do facility upgrades to support NN-02, including a new six-slot well containment shelter and associated well conductors. The work will be done during the 13th POD period from Oct. 1, 2020, through Sept. 30, 2021.



Short of its target

The NN-01 well was first spud at SID on Dec. 25, 2017, but drilling did not get underway until February 2018 because of what Eni said were "unforeseen impacts to the drilling schedule."

The well was drilled to a measured depth of 30,010 feet and suspended in August 2018, but not fully logged as it was short of its target which seismic showed to be at approximately 34,150 feet. NN-01 drilling was done with Doyon Rig 15, which had been specially modified for the well.

Drilling operations resumed in mid-January 2019, but due to the "drilling complications" at NN-01 that had plagued it from the start, Eni said it suspended the well in April of that year.

Two-year delay

In its 13th POD Eni said it planned to resume drilling operations by spudding a new well, NN-02, in second quarter 2020, aiming to reach target depth by third quarter 2020. The U.S. Bureau of Ocean Energy Management said Eni's NN-02 well would be "targeting the same seismic anomaly" as the first well.

However; Shell, Eni's working interest partner in the federal leases where the downhole target is located, "elected to go non-consent in the drilling of NN-02 well therefore causing Eni to temporarily postpone drilling plans," Eni told the agency.

As a result of its partner's decision not to participate in NN-02, Eni applied for and received from BOEM a suspension of operations for "an additional 2-year period, or until April 2022."

Geological target speculation

The seismic anomaly from 3-D over Nikaitchuq North was not identified by Eni in the public portion of the plans it filed with the division or with BOEM, but it left hints elsewhere; specifically in the Oil Discharge Prevention and Contingency Plan application that appeared to be based on tapping the Jurassic Alpine sands, which would certainly qualify as an anomaly in the area.

Whatever the case, the 25,957 barrels per day in the contingency plan application could not be referring to the heavy Schrader Bluff oil produced from the Nikaitchuq unit that is known to extend a long way north because that oil can't flow unassisted.

Also, the measured depth and angle of the well suggest one of the Jurassic sands.

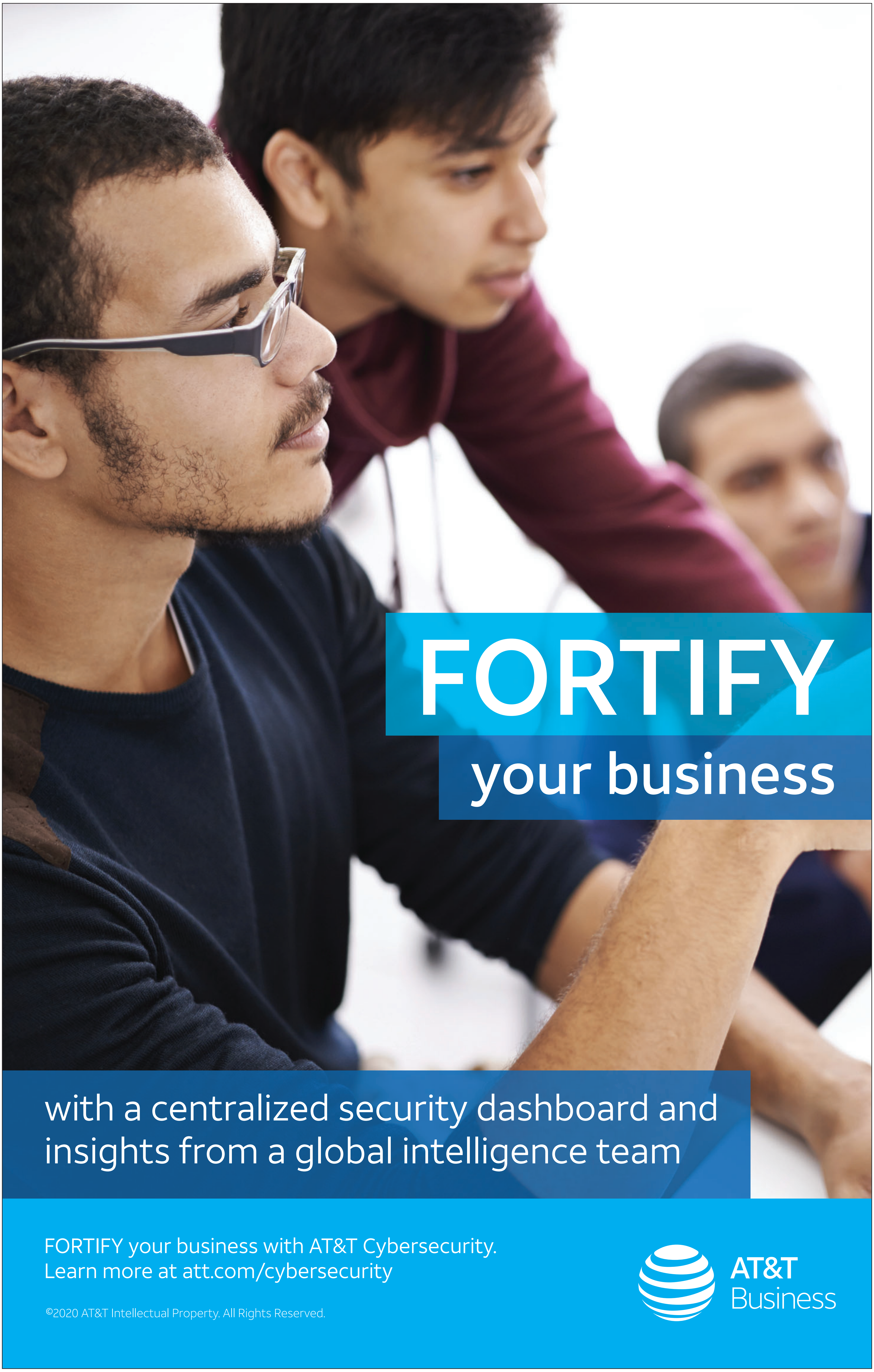
A previous Nikaitchuq unit operator, Kerr-McGee and partner Armstrong, talked about the possibility of testing the Jurassic Nuiqsut sandstone and the Triassic Sag River sandstone to the north.

Spare processing capacity

One of the reasons Eni gave for stepping out north of the Nikaitchuq unit to test the Nikaitchuq North prospect was it wanted new oil to take advantage of significant spare capacity in the standalone Nikaitchuq unit production facility, which can currently handle 40,000 barrels per day and can easily be expanded to 50,000 bpd, according to Eni Alaska Vice President Whitney Grande.

Production from Nikaitchuq averaged 18,144 bpd in May. ●

Editor's note: The above article was extracted from Petroleum News' annual Explorers magazine, which will be released digitally in mid-August at Summer NAPE, with the print version scheduled to be inserted in the PN issue of Aug. 23.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