



Archer seeks to move lawsuit

Archer Drilling LLC wants to move its legal battle with Buccaneer Energy Ltd.

The drilling contractor wants to remove the case to the U.S. Bankruptcy Court for the Southern District of Texas, where Buccaneer is undergoing bankruptcy proceedings.

Archer and its affiliate Rig Inspection Services (US) LLC believes the case should be moved because it could have an impact of Buccaneer's debtors, including Archer.

Buccaneer had hired Archer to refurbish, move and operate its Endeavour jack-up rig, but the companies parted ways in late 2012, each making claims against the other. The case has been sitting in the 165th Judicial District of Harris County, Texas, since late 2012.

—ERIC LIDJI



JUDY PATRICK

August ANS output down 5.9%; Inlet crude breaks 17,000 bpd

A 36-hour scheduled shutdown of the trans-Alaska oil pipeline Aug. 29-30 and turnaround work at North Slope oil fields, combined with naturally declining production, resulted in a 5.87 percent August-over-July drop in ANS crude oil production. August ANS production averaged 395,726 barrels per day, down almost 25,000 bpd from a July average of 420,420 bpd.

Tax Division information shows that the largest drop, by percentage and barrels, was at the North Slope's largest field, BP Exploration (Alaska)-operated Prudhoe Bay, which averaged 170,268 bpd in August, down 10.64 percent (20,275 bpd) from a July average of 190,543 bpd.

Prudhoe, where turnaround activities were scheduled June through September, produced 126,020 barrels Aug. 1, peaked for the month at 234,742 barrels Aug. 26, then dropped to 31,650 barrels Aug. 30, the concluding day of Alyeska Pipeline Service Co.'s second scheduled summer maintenance shutdown. By Sept. 2, Prudhoe production was back above 200,000 bpd.

Prudhoe production includes satellites at Aurora, Borealis, Midnight Sun, Orion, Sag River and Schrader Bluff, as well as production from the Milne Point and Northstar fields.

Alaska Oil and Gas Conservation Commission data shows Milne Point averaged 19,361 bpd in July, down 4.67 percent from a June average of 20,310 bpd, while Northstar averaged 8,747 bpd in July, down 2.23 percent from a June average of 8,946 bpd.

Information for August comes from the Alaska Department of Revenue's Tax Division which reports North Slope oil production for the most recent month consolidated by major production centers and provides daily production and monthly averages. More detailed data, including Cook Inlet and individual North Slope fields and pools, is reported by the Alaska Oil and Gas Conservation Commission on a month-delay basis, so current AOGCC data is for July production.

see **ANS PRODUCTION** page 16

NATURAL GAS

Through to 2019

Chugach Electric makes public the data in Hilcorp gas supply agreement

By ALAN BAILEY

Petroleum News

Chugach Electric Association has released volume and price information for the recently announced extension to its gas purchase agreement with gas producer Hilcorp Alaska. In an Aug. 27 filing with the Regulatory Commission of Alaska the utility said that it has contracted for the purchase of 3.3 billion cubic feet of gas between April 1, 2018, and March 31, 2019, at an average supply rate of about 9 million cubic feet per day. Chugach Electric has an option to increase the annual volume to 8.76 billion cubic feet, if the utility notifies Hilcorp by Oct. 1, 2016, of its intent to take the additional gas.

By allowing the possibility of Hilcorp gas supplies in 2018 to fall short of Chugach Electric's needs, the electric utility has presumably left the door open for gas producers other than Hilcorp to find a market for utility gas from the Cook Inlet basin.

Consent decree pricing

The agreed price is \$8.03 for base load gas, \$10.04 for gas to meet high gas demand in the winter and \$12.04 for emergency gas supplies. These

see **SUPPLY AGREEMENT** page 15

GOVERNMENT

Joining forces on energy

Leaders of Canada's provinces, territories make breakthrough on energy strategy

By GARY PARK

For Petroleum News

The Alberta government's long-cherished dream of a national energy strategy in Canada is suddenly within reach, but it's not quite what Alberta had in mind.

At their latest annual conference, Canada's 10 provincial and three territorial leaders moved decisively in a pan-Canadian direction, with the balance tilted — inevitably — by the two largest provinces.

The newly elected premiers of Ontario (Kathleen Wynne) and Quebec (Philippe Couillard) played key roles in drafting the outline

For the NWT, however, Ramsay clings to hope that oil should be shipped to the Trans Alaska Pipeline for export from Valdez, while gas from the Mackenzie Delta could finally get to market as feedstock for LNG projects in British Columbia.

for a strategy, which puts the emphasis on climate change, by reducing greenhouse gas emissions, and clean energy.

That downplayed Alberta's goal of achieving a

see **ENERGY STRATEGY** page 15

NATURAL GAS

Next LNG steps approved

AIDEA board OKs early work, concession for North Slope plant for Interior supplies

By ALAN BAILEY

Petroleum News

On Aug. 25 the board of the Alaska Industrial and Export Authority passed a couple of resolutions that move forward a project to build a liquefied natural gas plant on the North Slope, for the supply of natural gas to Fairbanks and the Alaska Interior.

One resolution authorizes AIDEA to spend \$1.6 million, in addition to an existing commitment of \$4.5 million, for the early procurement of long lead-time items needed for the plant, while the engineering and design work for the plant is still in progress. The other resolution approves an agreement for the construction and operation of the plant by Northern Lights Energy LLC, a subsidiary

of MWH Americas Inc.

LNG for the Interior

Referred to as the Interior Energy Project, the project involves the construction of a 6 billion cubic-foot-per-year capacity plant for converting North Slope natural gas into LNG, for trucking to the Interior using the North Slope Haul Road. The LNG will be transported to a storage and re-gasification facility in the Fairbanks North Star Borough, for distribution to gas consumers.

Paid for through a combination of private and state funding, the objective of the project is to alleviate the high cost of energy in Fairbanks and the Interior by providing a supply of natural gas that

see **NEXT LNG STEPS** page 14

contents

Petroleum News

North America's source for oil and gas news

ON THE COVER

Through to 2019

Chugach Electric makes public the data in Hilcorp gas supply agreement

Joining forces on energy

Leaders of Canada's provinces, territories make breakthrough on energy strategy

Next LNG steps approved

AIDEA board OKs early work, concession for North Slope plant for Interior supplies

Archer seeks to move lawsuit

August ANS production down 5.9%; Cook Inlet crude breaks 17,000 bpd

ENVIRONMENT & SAFETY

4 Coast Guard recertifies Cook Inlet RCAC

FINANCE & ECONOMY

6 PetroChina closes deal — almost

10 Miller looks to spur Tennessee selloff

Company says it wants to divest Appalachian basin oil and gas assets to focus on its 'crown jewels' in Alaska; bids due by Sept. 24

11 Conoco, Exxon TAPS tariffs on hold

GOVERNMENT

5 Ulmer discusses Arctic, research efforts

Chair of US Arctic Research Commission says US two-year term heading Arctic Council will bring focus to Alaska, Arctic policy

INTERNATIONAL

11 A \$400 billion investment for Rosneft

14 Pemex says output to increase in 2015

NATURAL GAS

4 Chasing new LNG, LPG markets

AltaGas, Painted Pony form strategic alliance to combine Montney gas production, new processing facility, to export from BC to Asia

8 Tall stack of authorizations await

The Alaska LNG project faces formidable permitting; below is a primer on the federal agencies whose approvals would be required

10 AGDC expands staff, promotes after SB 138

PIPELINES & DOWNSTREAM

6 British Columbia refinery plan gets lift

Former high profile Canadian cabinet minister lends experience to bitumen refinery on Pacific Coasts; views project as 'legacy'

What's the big attraction?



- A. an industry institution
- B. quality, accurate reporting
- C. attractive, readable design

To advertise in Petroleum News call Susan Crane at 907-770-5592, or Bonnie Yonker at 425-483-9705. To subscribe visit PetroleumNews.com, call 907-522-9469, or email circulation@PetroleumNews.com.

UMIAQ

UICUMIAQ.COM

UMIAQ Anchorage
6700 Arctic Spur Road
Anchorage, AK 99518
P: (907) 677-8220
F: (907) 677-8286

UMIAQ Barrow
P.O. Box 955
Barrow, AK 99723
P: (907) 852-7447
F: (907) 852-6488

UMIAQ RESOURCE DEVELOPMENT

- REGULATORY PLANNING & COMPLIANCE
- RESPONSE PLANNING & OPERATIONS
- STAKEHOLDER & COMMUNITY RELATIONS
- HEALTH, SAFETY, ENVIRONMENTAL & TRAINING
- LOCAL TRADITIONAL KNOWLEDGE
- CAMP LOGISTICS & SERVICES
- WORKFORCE DEVELOPMENT

UMIAQ DESIGN

- ARCHITECTURE
- CIVIL, ENVIRONMENTAL, MECHANICAL & STRUCTURAL ENGINEERING
- SURVEYING & GEOSPATIAL ANALYSIS
- MUNICIPAL SUPPORT SERVICES

UMIAQ SCIENCE

- ARCTIC RESEARCH
- ARCTIC SCIENCE & LOGISTICS SUPPORT
- CULTURAL RESOURCE MANAGEMENT
- INSTRUMENTATION & TECHNICAL SUPPORT

DIVERSIFIED DEVELOPMENT AND SUPPORT SERVICES IN THE ARCTIC & BEYOND

A MEMBER OF THE UKPEAGVIK IÑUPIAT CORPORATION FAMILY OF COMPANIES

Computing Alternatives

Information Technology Professionals

WE OFFER THE FOLLOWING SOLUTIONS TO PUBLIC AND PRIVATE SECTORS

- Custom Web, Desktop, & Mobile apps
- IT Business Analysis
- Database Design & Modeling
- Microsoft Server Maintenance
 - SQL Server Database Administration
- Oil & Gas Risk Assessment and Regulatory Compliance Tools
 - Revenue Taxation
 - Hospitality Systems

Ph| 907-644-4522
Fx| 907-644-4523
services@Computing-ALT.com
www.Computing-ALT.com
5701 Silverado Way, Ste. I
Anchorage, AK 99518

Alaska - Mackenzie Rig Report

| Rig Owner/Rig Type | Rig No. | Rig Location/Activity | Operator or Status |
|--------------------|---------|-----------------------|--------------------|
|--------------------|---------|-----------------------|--------------------|

Alaska Rig Status

North Slope - Onshore

| | | | |
|---|--|--|---|
| Doyon Drilling Dreco 1250 UE Dreco 1000 UE Dreco D2000 Uebd AC Mobile OIME 2000 | 14 (SCR/TD) 16 (SCR/TD) 19 (SCR/TD) 25 141 (SCR/TD) | Prudhoe Bay DS01-02, workover Prudhoe Bay C-19, workover Alpine, rig maintenance Prudhoe Bay DS 14-22 Kuparuk 2E.01 | BP BP ConocoPhillips BP ConocoPhillips |
| Kuukpik | 5 | Prudhoe Bay | Available |
| Nabors Alaska Drilling AC Coil Hybrid Dreco 1000 UE Mid-Continental U36A Oilwell 700 E Dreco 1000 UE Dreco 1000 UE Oilwell 2000 Hercules Oilwell 2000 Hercules Emsco Electro-hoist-2 Emsco Electro-hoist Varco TDS3 Emsco Electro-hoist Canrig 1050E | CDR-2 2-ES (SCR-TD) 3-S 4-ES (SCR) 7-ES (SCR/TD) 9-ES (SCR/TD) 14-E (SCR) 16-E (SCR/TD) 18-E (SCR) 22-E (SCR/TD) 27-E (SCR-TD) | Kuparuk 2F-18 Prudhoe Bay Prudhoe Bay Prudhoe Bay Kuparuk Kuparuk Prudhoe Bay Prudhoe Bay Prudhoe Bay Prudhoe Bay Deadhorse, under contract to ExxonMobil for 2015 | ConocoPhillips Available Available Available ConocoPhillips ConocoPhillips Available Available Stacked Stacked |
| Emsco Electro-hoist Oilwell 2000 Academy AC Electric CANRIG OIME 2000 Academy AC electric CANRIG Academy AC electric Heli-Rig | 28-E (SCR) 33-E 99AC (AC-TD) 245-E (SCR-ACTD) 105AC (AC-TD) 106-E (AC-TD) | Prudhoe Bay Prudhoe Bay Deadhorse Oliktok Point Deadhorse Deadhorse | Stacked Available Available ENI Available Available |
| Nordic Calista Services Superior 700 UE Superior 700 UE Ideco 900 | 1 (SCR/CTD) 2 (SCR/CTD) 3 (SCR/TD) | Prudhoe Bay Drill Site D-14B Prudhoe Bay Well Drill Site H-28 Kuparuk Well 1Y-14 | BP BP ConocoPhillips |
| Parker Drilling Arctic Operating Inc. NOV ADS-10SD NOV ADS-10SD | 272 273 | Prudhoe Bay DS 18 Prudhoe Bay DS W-59 | BP BP |

North Slope - Offshore

| | | | |
|---|--------------|-------------------------------------|---------------------------|
| BP Top Drive, supersized | Liberty rig | Inactive | BP |
| Doyon Drilling Sky top Brewster NE-12 | 15 (SCR/TD) | Spy Island SD37-DSP 1 RWO, workover | ENI |
| Nabors Alaska Drilling OIME 1000 | 19AC (AC-TD) | Oooguruk ODSN-02 | Pioneer Natural Resources |

Cook Inlet Basin – Onshore

| | | | |
|---|---------------------------------|---|--|
| Kenai Land Ventures LLC (All American Oilfield Associates, labor Contract) Taylor | Glacier 1 | Kenai Loop Drilling Pad #1 | Buccaneer Energy Ltd. |
| All American Oilfield Associates IDECO H-37 | AAO 111 | Kenai Yard | Available |
| Aurora Well Services Franks 300 Srs. Explorer III | AWS 1 | Sterling, Stacked out at D&D yard | Available |
| Doyon Drilling TSM 7000 | Arctic Fox #1 | North Kenai, stacked | Nordaq |
| Nabors Alaska Drilling Continental Emsco E3000 Franks IDECO 2100 E Rigmaster 850 | 273E 26 429E (SCR) 129 | Kenai Kenai Kenai Kenai | Available Stacked Stacked Available |
| Saxon TSM-850 | 147 | Ninilchik Unit, Bartolowits pad drilling Frances #1 | Hilcorp Alaska |
| TSM-850 | 169 | Swanson River | Hilcorp Alaska |

Cook Inlet Basin – Offshore

| | | | |
|---|----------|---|-----------------------|
| XTO Energy National 110 | C (TD) | Idle | XTO |
| Spartan Drilling Baker Marine ILC-Skidoff, jack-up | | Spartan 151 Upper Cook Inlet KLU#1 | Furie |
| Cook Inlet Energy National 1320 | 35 | Osprey Platform RU-1, workover | Cook Inlet Energy |
| Hilcorp Alaska LLC (Kuukpik Drilling, management contract) | | Monopod Platform, Drilling Trading Bay ST A-31 | Hilcorp Alaska LLC |
| Patterson UTI Drilling Co LLC | 191 | West McArthur River Unit #8 | Cook Inlet Energy |
| Kenai Offshore Ventures LeTourneau Class 116-C, jack-up | Endeavor | Port Graham | Buccaneer Energy Ltd. |

Mackenzie Rig Status

Canadian Beaufort Sea

| | | | |
|---|-----|------------------------|-----------|
| SDC Drilling Inc. SSDC CANMAR Island Rig #2 | SDC | Set down at Roland Bay | Available |
|---|-----|------------------------|-----------|

Central Mackenzie Valley

| | | | |
|--------------------------|----|---------------------------|-----------|
| Akita TSM-7000 | 37 | Racked in Norman Well, NT | Available |
|--------------------------|----|---------------------------|-----------|

The Alaska - Mackenzie Rig Report as of September 4, 2014.
Active drilling companies only listed.

TD = rigs equipped with top drive units WO = workover operations
CT = coiled tubing operation SCR = electric rig

This rig report was prepared by Marti Reeve



JUDY PATRICK

Baker Hughes North America rotary rig counts*

| | Aug. 29 | Aug. 22 | Year Ago |
|--------|---------|---------|----------|
| US | 1,914 | 1, 896 | 1,776 |
| Canada | 409 | 405 | 399 |
| Gulf | 63 | 62 | 61 |

Highest/Lowest

| | | |
|----------------|------|---------------|
| US/Highest | 4530 | December 1981 |
| US/Lowest | 488 | April 1999 |
| Canada/Highest | 558 | January 2000 |
| Canada/Lowest | 29 | April 1992 |

*Issued by Baker Hughes since 1944

The Alaska - Mackenzie Rig Report
is sponsored by:



● NATURAL GAS

Chasing new LNG, LPG markets

AltaGas, Painted Pony form strategic alliance to combine Montney gas production, new processing facility, to export from BC to Asia

By GARY PARK

For Petroleum News

In one of the most decisive moves yet to launch exports of liquefied natural and petroleum gas from British Columbia, a gas producer and midstream company have entered a 15-year strategic alliance.

The two Calgary-based companies, Painted Pony Petroleum and AltaGas, said the definitive agreement will provide preferred access to international energy markets for Painted Pony's production from the Montney resource play in north-east British Columbia.

In the first phase, AltaGas will build and operate a shallow-cut processing facility with capacity of 198 million cubic feet per day in the Townsend area, 60 miles north of Fort St. John.

The facility is expected to cost up to C\$350 million and be in-service by late 2015. Commercial operation is still sub-

Painted Pony said its Montney acreage, where it has drilled seven net wells in the first half of 2014, consists of a thick, stacked over-pressurized play and liquids rich gas, positioning it to take advantage of any LNG project.

ject to regulatory approvals.

AltaGas Chairman and Chief Executive Officer David Cornhill said the alliance is a "testament to AltaGas' strategic assets and capability, as well as Painted Pony's confidence in our ability to connect producers to new markets, including Asia."

Patrick Ward, chief executive officer of Painted Pony, said the two companies are "fully aligned with respect to the potential for Montney gas development and the timing required for achieving our mutual goals."

He said the alliance presents "viable

solutions" for providing a long-term marketing option for rapidly growing natural gas and gas liquids production.

Painted Pony goes pure play

The deal came only a month after Painted Pony unloaded its oil resource plays in the Saskatchewan Bakken by selling the assets in that province for C\$100 million to become a "pure-play" operator in the Montney formation.

The junior E&P company said all of its capital spending will now be earmarked for 130,000 net acres in the Montney to accelerate the pace of its production and reserves growth.

Painted Pony said its Montney acreage, where it has drilled seven net wells in the first half of 2014, consists of a thick, stacked over-pressurized play and liquids rich gas, positioning it to take advantage of any LNG project.

In the second quarter, Painted Pony produced 77 million cubic feet of gas compared with 39 million a year earlier, generating realized prices of C\$4.97 per thousand cubic feet, up C\$1.18 from the same period of 2013.

AltaGas will become the primary marketer for Painted Pony's gas and gas liquids output from its British Columbia land base by seeking deals through its North American and global network.

Once the first phase of the processing facility is completed, the partners will consider building additional infrastructure in northeast British Columbia, including a possible second phase of the Townsend facility which could include a deep-cut system for enhanced recovery of gas liquids.

In return for providing the plant, AltaGas will pay C\$50 million to buy 4.2 million Painted Pony shares.

Triton LNG project

AltaGas and its Japanese partner, Idemitsu Kosan, are pursuing their Triton LNG project, which could see a terminal built at either Kitimat or Prince Rupert.

Canada's National Energy Board has already agreed to issue a permit for Triton to export 2.3 million metric tons a year of LNG.

That joint venture is also working on a scheme to export LPG (mainly propane) from the recently acquired Ferndale LPG export terminal in Washington state and from a proposed new LPG terminal on the British Columbia coast.

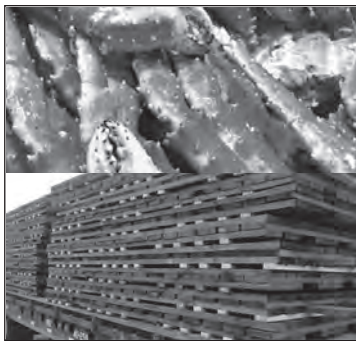
Robert Kwan, an analyst with RBC Dominion Securities, said the AltaGas-Painted Pony arrangement is a positive strategic move.

"This transaction is another example of how AltaGas is strategically thinking about how to put the pieces together to expand its natural gas and NGL infrastructure base and create momentum behind its LNG and LPG export initiatives," he said in a note to clients.

"While work still remains on the export initiatives, securing gas and liquids supply is a positive for those projects."

Michael Harvey, another RBC analyst, said that although the Townsend plant decision was expected "we view the strategic alliance agreement as an incremental positive." ●

Contact Gary Park through publisher@petroleumnews.com



WORK IS BETTER WHEN YOU'RE FED GOOD.

- Catering and Cleaning Services
- Equipment Rental

Kenai, Alaska | (907) 283-9877
jdickinson@fivestaroilfieldservices.com
www.fivestaroilfieldservices.com



Petroleum

www.PetroleumNews.com

| | |
|---------------------------------|-----------------------------------|
| Kay Cashman | PUBLISHER & EXECUTIVE EDITOR |
| Mary Mack | CEO & GENERAL MANAGER |
| Kristen Nelson | EDITOR-IN-CHIEF |
| Susan Crane | ADVERTISING DIRECTOR |
| Bonnie Yonker | AK / NATL. ADVERTISING SPECIALIST |
| Heather Yates | BOOKKEEPER & CIRCULATION MANAGER |
| Shane Lasley | IT CHIEF |
| Marti Reeve | SPECIAL PUBLICATIONS DIRECTOR |
| Steven Merritt | PRODUCTION DIRECTOR |
| Alan Bailey | SENIOR STAFF WRITER |
| Eric Lidji | CONTRIBUTING WRITER |
| Wesley Loy | CONTRIBUTING WRITER |
| Gary Park | CONTRIBUTING WRITER (CANADA) |
| Rose Ragsdale | CONTRIBUTING WRITER |
| Ray Tyson | CONTRIBUTING WRITER |
| Judy Patrick Photography | CONTRACT PHOTOGRAPHER |
| Mapmakers Alaska | CARTOGRAPHY |
| Forrest Crane | CONTRACT PHOTOGRAPHER |
| Tom Kearney | ADVERTISING DESIGN MANAGER |
| Renee Garbutt | CIRCULATION SALES |
| Ashley Lindly | RESEARCH ASSOCIATE |
| Dee Cashman | RESEARCH ASSOCIATE |

ADDRESS
P.O. Box 231647
Anchorage, AK 99523-1647

NEWS
907.522.9469
publisher@petroleumnews.com

CIRCULATION
907.522.9469
circulation@petroleumnews.com

ADVERTISING
Susan Crane • 907.770.5592
scrane@petroleumnews.com

Bonnie Yonker • 425.483.9705
byonker@petroleumnews.com

FAX FOR ALL DEPARTMENTS
907.522.9583

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

OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 19, No. 36 • Week of September 7, 2014
Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518

(Please mail ALL correspondence to:
P.O. Box 231647 Anchorage, AK 99523-1647)
Subscription prices in U.S. — \$98.00 1 year, \$176.00 2 years
Canada — \$185.95 1 year, \$334.95 2 years
Overseas (sent air mail) — \$220.00 1 year, \$396.00 2 years
"Periodicals postage paid at Anchorage, AK 99502-9986."

POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

● ENVIRONMENT & SAFETY

Coast Guard recertifies Cook Inlet RCAC

By KRISTEN NELSON

Petroleum News

The U.S. Coast Guard has recertified the Cook Inlet Regional Citizens Advisory Council as an alternative voluntary advisory group under the Oil Pollution Terminal and Oil Tanker Environmental Oversight and Monitoring Act of 1990.

The recertification, dated Aug. 27, terminates Aug. 15, 2015.

Real Admiral D.B. Abel, commander of the 17th Coast Guard District, said the Coast Guard received 54 comments from the public on the proposed action, all "in

support of the CIRCAC application for recertification." Abel said the comments "consistently cited CIRCAC's broad representation of the respective community's interests, appropriate actions to keep the public informed, improvements to both spill response preparation and spill prevention, and oil spill industry monitoring efforts that combat complacency as intended by the Act."

"We are gratified that the Coast Guard has again recognized the importance of our continued presence in Cook Inlet," CIR-

see RCAC RECERTIFICATION page 5



egli air haul
INC.

Serving Alaska since 1982

Mountain Work • Sling Load Operations
Crew Haul • Aerial Survey
Aerial Filming • Offshore Operations

Ph: 907-246-3554 Fx: 907-246-3654
Web: www.egliair.com

GOVERNMENT

Ulmer discusses Arctic, research efforts

Chair of US Arctic Research Commission says US two-year term heading Arctic Council will bring focus to Alaska, Arctic policy

By STEVE QUINN

For Petroleum News

Former Alaska Lt. Gov. Fran Ulmer is going to be one busy lady the next few years, if she isn't already. She recently was named special advisor on Arctic science and policy by U.S. Secretary of State John Kerry.

She is also serving as the chair for the U.S. Arctic Research Commission and in 2010 received a presidential appointment to the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling.

Next year the U.S. will begin serving a two-year term as the chair to the Arctic Council, which will bring focus on the country and state's role in Arctic policy and development.

Ulmer discussed these topics with Petroleum News in a recent interview.

Petroleum News: Let's start with the U.S. Arctic Research Commission. Talk a little about its mission.

Ulmer: The U.S. Arctic Research Commission was created by Congress in the early 1980s to provide advice to Congress, the president and federal agencies on Arctic research policy. It has done a variety of things over the years to fulfill that mission, including hosting workshops and seminars, providing research reports on specific topics, providing regular goals and objectives for the federal agencies as they plan their federal research expenditures.

It's a body that is created by Congress, but the members are appointed directly by the president, and I was appointed by President Obama as the chair. He designates who the chair is. It's staffed by people who are in Washington, D.C., and in Anchorage. So the Executive Director John Farrell, he's in D.C., the deputy Cheryl Rosa is here in Anchorage

Petroleum News: What kind of role does this play as it relates to resource development?

Ulmer: The research done in the Arctic informs decision makers, whether they are in the public sector, like federal agencies trying to make choices about permits, or the private sector trying to decide what the risk profile is about particular developments, and how to manage that risk and how investments can be protected. Information is pretty essential

for any decision maker — public or private sector — and the idea behind the Arctic research as it relates to federal agencies is to make sure the money being spent — whether spent by the Interior or National Science Foundation — actually reflects those areas where there is the most need for information, for data, for analysis, for understanding.

So it may not directly impact the decisions about economic development in the Arctic but it certainly helps people make better choices about where to invest, where to build a port, or to the extent where oil development is likely to interfere with subsistence users and where it's more compatible with the region. It's not directly to benefit individual, company or project, but the research dollars spent by the federal government unquestionably add to the understanding of the region.

This region is, generally speaking, still is a little mysterious. It's a place where there are a lot of uncertainties. That's largely because it's still a region with low population and with very low amounts of industrial activity compared to areas farther south. There are still big parts of the Arctic where we are learning, charting and mapping and getting the kind of information that is essential for making good decisions.

That's accelerated and emphasized — maybe even made more challenging — by the fact that this is a region that is changing so rapidly because of warming, ice retreats, permafrost thawing, coastal erosion, all of it. It's a very dynamic space. The fact that there is a lot of changing going on and there is a lot of pressure to provide additional infrastructure and facilities, things that doing research, gathering information and contributing to the understanding to this region is more important now that it's ever been.

Petroleum News: Speaking to that, and work being done now being more important that it's ever been, the U.S. takes over as chair of the Arctic Council and you received a special advisor appointment, can you please speak to that?



FRAN ULMER

Ulmer: Secretary (John) Kerry asked me to provide assistance to him and Admiral Papp as the U.S. approaches this chairmanship. I'm happy to do so as a long-time Alaskan. I'm hoping adding perspectives of this region can contribute to the choices that get made by this administ4ration as it develops its chairmanship agenda. As we produce output from that chairmanship, hopefully I can be a link to various individual, entities, business, universities, etc, and contribute those efforts.

Petroleum News: Alaskans know who you are, but who is Admiral Papp? Most Alaskans don't know who he is, even as he recently visited the state.

Ulmer: He spent his entire career with the U.S. Coast Guard, and the Coast Guard is a big player in Alaska, has been for a long time for a variety of the services that they provide in fisheries enforcement to search and rescue. So his experiences in the Coast Guard, particularly as it relates to shipping navigation

and search and rescue, is central to the big questions that face all of the Arctic nations regarding safety and reducing risk.

It's safety for people, it's safety for marine mammals, and it's safety for the environment. I think his understanding of the resources available of the Coast Guard but also from the other federal agencies that have participated with the Coast Guard in doing a lot of the work in Alaska and doing a lot of the work in the North Pacific will help

bring reality in some of the proposals and some of the projects that get undertaken during the U.S. chairmanship.

Petroleum News: Getting back to you being here in Alaska and that liaison of sorts, whether it's to Secretary Kerry or Admiral Papp, how important is it to have the Alaska aspect? I ask this because a lot of people tell me when

see **ULMER Q&A** page 13

continued from page 4

RCAC RECERTIFICATION

CAC Executive Director Michael Munger said in an Aug. 28 statement.

CIRCAC was established in 1990 to provide oversight, monitoring, assessing and evaluation of oil spill prevention, safety and response plans, terminal and oil tanker operations, and environmental impacts of oil tanker and oil terminal operations in Cook Inlet. The council has 13 members representing boroughs, cities and municipalities, Alaska Native, commercial fishing, aquaculture, tourism, recreation and environmental groups in the Cook Inlet region.

Annual recertification

It must recertify every year with the Coast Guard to ensure it is meeting mandates spelled out in the Oil Pollution Act of 1990 and representing interests of communities within the vicinity of oil terminal operations, although a complete application, which the council submitted this year, is required only every three years. For 2015, Abel said, CIRCAC will only need supply a letter describing "any substantive changes" to the information

provided this year.

CIRCAC's primary funding source is a long-term contract with companies operating in Cook Inlet, including: Cook Inlet Pipeline Co., Cook Inlet Energy, Buccaneer, BlueCrest Energy (beginning June 2014), ConocoPhillips, Tesoro, Hilcorp Alaska, XTO Energy and Furie Operating Alaska.

The contract provides for \$1.3 million per year with an annual Anchorage CPI increase.

CIRCAC also secures funding from other sources in the course of conducting joint scientific and technical research and spill prevention activities. Sources of external funding include: AK Designated Legislation/Kenai Peninsula Borough; Kenai Peninsula Borough (separate from above); Alaska Legislature (separate from above); U.S. Fish & Wildlife Service; National Oceanic and Atmospheric Administration; NOAA/ National Marine Fisheries Service; Tesoro; National Fish & Wildlife Foundation; Prince William Sound RCAC; and U.S. Coast Guard. ●

Contact Kristen Nelson
at knelson@petroleumnews.com



Let us take the lead.

At Cook Inlet Tug and Barge, our knowledgeable employees take pride in getting the job done safely and on time for our customers. We operate a fleet of powerful Ice Class tugs and we're ready for anything Mother Nature sends our way.

Need assistance? We're ready to help.

(907) 277-7611 cookinlettug.com



Harbor • Tanker & Barge Escort/Assist • Construction Support • Port Expansion • Dredging Support • LNG Support • Equipment Delivery & Supply

CraneSafe's Multi Purpose Crane

Phantom Mouse®

ACCESS Casing Slips

Safety Clamps

Bottleneck Elevators

Access Backsaver®

Tubing Tongs

FLOAT VALVES

ACCESS Drill Collar Slips

BEARINGS, SEALS AND WIRE LINE SHEAVES

Stabbing Guides

AOI Instrumentation

Mud Pump Fluid End Assem-

Mud Line Gate Valves

Fluid End Expendable Pump Parts

Drill Pipe and Casing Tongs

PETROLEUM EQUIPMENT & SERVICES, INC

DOWNSTREAM DIVISION

Phone 907-248-0066 Fax 907-248-8878

www.PESIAK.COM

FXRUM™

ENERGY TECHNOLOGIES

FINANCE & ECONOMY

PetroChina closes deal — almost

State-owned PetroChina has restored — more or less — the Chinese government's credibility in meeting its commitments on energy deals.

Almost three months behind schedule, the giant company agreed Aug. 29 to deliver C\$600 million in cash immediately to secure full ownership of the Dover oil sands project by Athabasca Oil Corp.

But there is still wriggle room left for PetroChina, which said it will pay the balance in four installments — C\$300 million in March 2015, C\$150 million in August 2015 and C\$134 million in August 2016 — over the next two years.

In addition, it has trimmed the final payment to C\$1.184 billion from the original C\$1.32 billion, meaning nearly half the total is now in the form of irrevocable, stand-by letters of credit issued by HSBC Bank Canada and pay higher interest than Athabasca's bank accounts.

FirstEnergy Capital analyst Michael Dunn said in a note the interest payments on the installments will pay about 1.7 percent, working out to about C\$10 million in additional payments.

Phil Skolnick, an analyst with Canaccord Genuity, suggested the news could have been more positive had Athabasca received what it was promised in a lump sum.

Athabasca insisted the payment schedule will not interfere with its financial capability as it embarks on the next phase of developing the liquids-rich Duvernay shale gas formation in northern Alberta and another oil sands project called Hangingstone.

"Closing of the Dover transaction is an important milestone for Athabasca and marks the beginning of a new chapter for our company," said Chief Executive Officer Sveinung Svarte.

"We can now finalize our business strategy which will be focused on profitable production and reserve growth, cash flow growth, cost discipline and balance sheet flexibility."

The announcement ended what has been shaping up as a stalemate that started in June in closing the buyout of Athabasca's remaining 40 percent stake in the 250,000 barrels per day Dover project.

Investor confidence had been eroded amid Chinese reports that some PetroChina senior officials with ties to its Canadian subsidiary, Phoenix Energy Holdings, were part of an anti-corruption investigation by the Chinese government.

PetroChina has reported a 4 percent increase in its first half profit to US\$11.1 billion and is expected to benefit from China's most aggressive economic changes in more than a decade as President Xi Jinping presses for state-owned enterprises to take on a larger market role.

The government also hiked natural gas prices by 15 percent in July and announced that prices would rise even more to reflect the cost of importing the fuel by pipeline from Russia and as LNG.

—GARY PARK

PIPELINES & DOWNSTREAM

British Columbia refinery plan gets lift

Former high profile Canadian cabinet minister lends experience to bitumen refinery on Pacific Coasts; views project as 'legacy'

By GARY PARK

For Petroleum News

A former high-profile cabinet minister in the Canadian and Alberta governments has added weight to a long-shot proposal to build a refinery on the British Columbia coast to process oil sands bitumen for export to Asia.

Stockwell Day, once deputy premier in Alberta, has been announced as a senior adviser and board member for Pacific Future Energy Corp. two months after the Vancouver-based enterprise disclosed a C\$10 billion plan backed by Mexico's Grupo Salinas.

He is seen as a key participant in managing potentially contentious dealings with industry, community, aboriginal and environmental interests.

Day was emphatic that he should not be viewed as a "trophy in the window" or a conduit to government investment, insisting Pacific Future is not looking for taxpayer dollars.

However, he did not rule out signing a crude supply agreement with the Alberta government similar to one signed with the Northwest Redwater Partnership for a 50,000 bpd project near Edmonton.

Second round of funding

The proponents are just entering a second round of funding commitments from private investors to take on the challenge of building the first oil refinery in Canada in three decades, with the hope of reducing objections to the tanker shipment of crude bitumen off the British Columbia coast.

Day said Pacific Future is "presenting (the scheme) to investors as a stand-alone project without government financial aid," unlike the rival Kitimat refinery proposed by newspaper mogul David Black, who is seeking an C\$8 billion government loan guarantee for a C\$32 billion plan to build a refinery, a pipeline from Alberta and a fleet of tankers.

Pacific Future's plan involves a 200,000-barrels-per-day facility, expandable to 1 million bpd, compared with Black's Kitimat Clean venture to process 550,000 bpd. A smaller refinery has also

been floated by aboriginal businessman Calvin Helin.

Pacific Future is also touting its proposal as the world's "greenest" refinery by using advanced European refining technology to capture and store greenhouse gases.

The oil sands bitumen would be processed into gasoline, diesel, kerosene and other products that would be less harmful to the environment if there was a tanker accident.

Day said he is unhappy that the bulk of Canada's oil production is shipped to refineries in the United States, which is turning into a shrinking market as "they approach self-sufficiency. It's time to open up new offshore markets," he said.

Goal to start engineering work this year

Day said he is optimistic, despite the shaky economics of refinery construction, that funding can be secured to start engineering work and choose a refinery site this year, leading to a regulatory application in 2015.

He said the refinery idea appeals to him as "an exciting legacy project for Canada."

Pacific Energy's plans involve creating a partnership with First Nations in the Prince Rupert area.

The plan is being directed by Samer Salameh, head of the telecommunications business and new business development for Grupo Salinas, a conglomerate owned by billionaire Ricardo Salinas, with more than 100,000 employees and operations in 11 countries.

Day said he shares the concerns of British Columbians over the environmental risks posed by pipeline projects — Enbridge's Northern Gateway and Kinder Morgan's Trans Mountain expansion — to ship bitumen to the Pacific Coast for export to Asia.

He rejected any suggestion of a "carte blanche acceptance of an energy proposal" unless the venture can deal with legitimate issues raised by aboriginals and the concerns about the dangers posed by

see **BC REFINERY PLAN** page 8

Solutions for
Alaska's onshore
and offshore
resource
development.

Local expertise and global resources,
from concept to operational support.

- Project Delivery
- Arctic Design
- Modularization
- Logistics

nanaworleyparsons.com

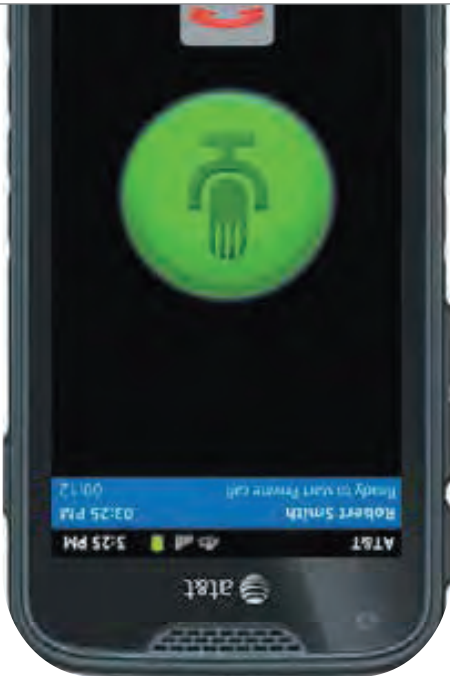
NANA WorleyParsons

Colville
COLVILLE TRANSPORT LLC

Providing Clients
The Advantage
One Mile at a Time

(907) 786-8083 | colvilleinc.com

We have a large polar bear blocking the entrance.



Roger that. Call us when all is clear.



Instant communication when you need it most.
Introducing AT&T Enhanced Push-to-Talk.

We understand how your business works. That's why we engineered a new push-to-talk service that works better for you.

AT&T Enhanced Push-to-Talk delivers more of everything you need—instant communication, up to 1,000 contacts and flexible network technology. Plus, it's available on a broad array of devices and platforms.

Visit your local AT&T store to get your business started today.

To learn more, call 1-800-792-9281 or go to att.com/enhancedPTT4

You push-to-talk. We pushed it further.

Rethink Possible® 

Information on Enhanced Push-to-Talk, including terms and conditions, can be found online at www.att.com/enhancedptt4. © 2014 AT&T Intellectual Property. All rights reserved. AT&T, the AT&T logo and all other AT&T marks contained herein are trademarks of AT&T Intellectual Property and/or AT&T affiliated companies.

• NATURAL GAS

Tall stack of authorizations await

The Alaska LNG project faces formidable permitting; below is a primer on the federal agencies whose approvals would be required

By **BILL WHITE**

Researcher/writer for the Office
of the Federal Coordinator

Army Corps of Engineers

The project would touch a variety of wetlands in the 800-mile span between the Nikiski port in southern Alaska and Point Thomson/Prudhoe Bay on the Arctic Coast:

- Forested wetlands whose disruption could affect nutrients, stream flows and water quality.

- Scrub-and-shrub wetlands that serve a similar function as forested wetlands, but also support bird nests and animal browse.

- Emergent wetlands of sedges, grasses and scattered shrubs that buffer floodwaters, moderate stream flows and are home to juvenile fish, waterfowl and other wildlife.

- Miscellaneous other wetlands, which include ponds, small lakes and streams.

Within these types of wetlands lie many nuances and subtleties — such as those slaked by groundwater; those fed by rain, snow and overland flow; and those watered by both, to cite one example.

This is where the Corps of Engineers comes in. It regulates the discharge of dredged or fill material into U.S. waters or wetlands. Trenching the pipeline through wetlands would disturb them and would need Corps approval. The Corps would consider not only the trench, but how the buried pipeline would affect the function of surrounding wetlands. Or it would direct

the sponsors to avoid particular wetlands.

The same goes for any wetlands affected by constructing the LNG plant, pipeline compressor stations, pipeline construction camps and the like, as well as the gas treatment plant at Prudhoe.

The Corps also would permit the pipeline crossing of rivers and other navigable water bodies, whether the pipe spans the river or tunnels under it.

This permit stems from one of the nation's oldest environmental laws: the Rivers and Harbors Act of 1899. Section 10 basically aims to avoid the chaos of anybody putting anything they want in waters that other people use.

A Section 10 permit aims to protect the navigable integrity of the water body from new structures, dredging or disposed material.

The Corps has a third permitting authority that could apply to the Alaska LNG project. If the project sponsors need to deepen the shipping channel to Prudhoe Bay's West Dock so that sealifts of deeper-draft barges could deliver construction materials, the Corps would permit transport of dredged sediment to an offshore disposal site in the Beaufort Sea.

The Corps or the Environmental Protection Agency separately would permit the offshore disposal site, as discussed in



BILL WHITE

the next section.

Environmental Protection Agency

Alaska LNG would need to build a huge plant at Prudhoe Bay to remove carbon dioxide and other impurities from the produced gas. This would be a megaproject all by itself, likely costing more than \$10 billion.

LNG buyers don't want CO2 in the gas. LNG sellers don't want it either. CO2 doesn't burn, it becomes corrosive when mixed with water, and it would solidify during liquefaction (think dry ice), clunking up the machinery.

So the project sponsors would build a gas treatment plant to remove about 500 million cubic feet a day of CO2 from the produced gas stream and inject it back underground to help pressure more Prudhoe oil to the surface.

The gas treatment plant mainly would be built outside Alaska, hauled to the North Slope aboard sealifts during three or four summers, then assembled. These would be the biggest sealifts there in many years. An approach channel might need to be deepened to get the mega-barges into Prudhoe's West Dock.

If so, the sponsors would need a Corps of Engineers permit before depositing dredged material in the ocean. The EPA would need to concur on the permit. Either the Corps or the EPA would identify a Beaufort Sea disposal site. If the EPA designates the site, the EPA and the Corps would develop a site-management plan and revise it every 10 years. If the Corps picks an alternative site, the EPA must approve it.

Any dredging that might be needed in upper Cook Inlet for LNG plant construction at Nikiski or operations would follow a simpler process. The project sponsors would need a Corps permit and disposal

site. EPA wouldn't need to OK the permit but would maintain oversight of the permit and disposal site.

EPA could play several other roles in the Alaska LNG project.

It would review and have oversight of Corps' permits to place construction fill material in wetlands, streams, rivers and lakes.

The Alaska Department of Environmental Conservation has been delegated responsibility to issue permits on air emissions — from the gas treatment plant, the LNG plant, pipeline compressor stations and elsewhere — and wastewater disposal. The EPA has authority to step in if it finds the state permits are inconsistent with applicable laws and regulations.

EPA also would be a cooperating agency and would review the adequacy of the Alaska LNG environmental impact statement.

Fish and Wildlife Service/National Marine Fisheries Service

Congress has split oversight of endangered and threatened species, and marine mammals. It assigned some to the Fish and Wildlife Service. The National Marine Fisheries Service oversees others.

Polar bears, walruses and sea otters, among others — Fish and Wildlife Service.

Whales, seals and sea lions, among others — National Marine Fisheries Service.

The Alaska LNG sponsors would need authorizations from both agencies. The processes are similar and rigorous under the variety of federal laws that apply, principally the Marine Mammal Protection Act of 1972 and the Endangered Species Act of 1973.

Other laws are important, too, such as the Migratory Bird Treaty Act, Bald and

see **LNG PERMITTING** page 9



WITH FLYAWAY REWARDS POINTS

...get bonus points
when you book online

EARN 10 POINTS for each flight flown

EVERY 200 POINTS fly round-trip anytime
to any community



Sign-up today at flyravn.com/flyaway-rewards

Reservations: 800-866-8394
flyravn.com

FLY AWAY
REWARDS

Ravn
ALASKA

Some restrictions apply. See website for details. Points not awarded on FlyAway Rewards tickets. Some services are provided by other airlines in the Ravn family.

continued from page 6

BC REFINERY PLAN

moving raw bitumen over land and on water.

Without "full and proper engagement" with aboriginal communities the role of potential investors is meaningless, Day said.

But he argued that Pacific Future also has the chance to create value-

added job opportunities in British Columbia.

Day said the there is an economic case to be made for a refinery despite the admission by the Canadian Fuels Association, representing refiners, that the sector must overcome "low return, low growth, capital intensive, politically sensitive and environmentally uncertain" issues. ●

Contact Gary Park through
publisher@petroleumnews.com



For higher profits you need productivity, that's where Kenworth performs the best. The trucks work hard and owners appreciate the durable, comfortable cabs. Kenworth builds the most dependable truck on the market.

Anchorage
2838 Porcupine Drive
Anchorage, AK 99501
AK Toll-Free: 800-478-0602
Phone: 907-279-0602
Fax: 907-258-6639

Hours:
Mon. - Fri.: 7:00 a.m. - Midnight
Saturday: 8:00 a.m. - 4:30 p.m.



Fairbanks
2262 Van Horn Rd.
Fairbanks, AK 99701
Phone: 907-455-9900
Fax: 907-479-8295

Hours:
Mon. - Fri.: 7:00 a.m. - 6:00 p.m.
Saturday: 8:00 a.m. - 5:00 p.m.

Kenworth — The World's Best

Email: Parts • parts@kenworthalaska.com
Email: New/Used Truck Sales • kleaf@kenworthalaska.com

continued from page 8

LNG PERMITTING

Golden Eagle Protection Act, Fur Seal Act, Magnuson-Stevens Fisheries Conservation Act's essential fish habitat provisions and, of course, the National Environmental Policy Act, which mandates that agencies describe and disclose the environmental implications of their decisions.

To account for the incidental take of marine mammals — unintentional harassment, injuries or deaths — each agency would issue an “incidental take authorization.” These come in two forms: A one-year incidental harassment authorization, or a letter of authorization valid for up to five years and supported by specific regulations. The authorization would govern the do's and don'ts of Alaska LNG activities pertaining to the marine mammals.

The public process needed to obtain these can take months to more than a year, depending on the type of authorization requested.

As for endangered or threatened species, the gas project could encounter perhaps 10 or more of them. Ten were listed in the October 2012 environmental impact statement for the smaller, 737-mile state-sponsored gas-pipeline project from Prudhoe Bay to near Anchorage.

These were bowhead, fin, humpback and Cook Inlet beluga whales, Steller sea lions, Eskimo Curlews, polar bears, spectacled and Steller's eiders, and the Southwest stock of Northern sea otters.

The endangered Cook Inlet belugas were named even though the state-sponsored gas pipeline would stop short of Cook Inlet. The belugas were noted because the project might need to deliver construction materials to the Port of Anchorage, which could disturb whales and their critical habitat. Pipeline construction also could cross salmon streams that flow to Cook Inlet, possibly reducing the food available to belugas, the EIS said, although both risks could be mitigated to minimize the chances of a problem. The Alaska LNG project plans to lay its pipeline across Cook Inlet, through beluga habitat, though sponsors haven't selected their preferred route yet.

The Alaska LNG list of affected endangered or threatened species could exceed 10. For example, the project could affect Beaufort Sea bearded and ringed seals, which were listed as threatened in December 2012.

Then again, humpback whales could come off the endangered list. Their count is up and biologists are considering whether to delist them.

Under the Endangered Species Act, if the Fish and Wildlife Service or National Marine Fisheries Service determines the project is likely to harm a species or its critical habitat, the agency would study the situation and issue a “biological opinion” discussing it and an incidental take statement, if appropriate, allowing construction to proceed under strict conditions.

Bald and golden eagles, and their nests, are protected under a separate law. Killing obviously is a no-no. But so are noises that can be avoided. Construction projects make plenty of noise. Project sponsors would identify the nests along the route and avoid them. A Fish and Wildlife Service permit would be needed for any incidental harm to the eagles or their nests.

Winter construction, when fewer birds are around, is one way to avoid the eagles, endangered birds and migratory birds protected by other federal laws.

Seasonal construction also could mitigate damage to salmon streams and other “essential fish habitat” recognized under the Magnuson-Stevens Act. Federal biologists would be consulted for their recommendations on ways to minimize or eliminate

harm from any project work in such habitat.

Pipeline and Hazardous Materials Safety Administration

The 800-mile pipeline would endure extraordinary stresses and strains due to the terrain and soils it would traverse.

One potential problem: Slopes that could slump, taking the buried pipe with it.

Or these: Frost-heaving ground that could lift the pipe, or thawing frozen soils that cause the pipe to sag.

Or this: Abrupt ground shifts during earthquakes.

Pipeline engineers have devised techniques called strain-based design to combat such stresses and strains.

The Pipeline and Hazardous Materials Safety Administration is charged with ensuring the pipeline would be built and operated to meet the objectives of federal safety standards.

The regulations don't really speak directly to the kind of severe longitudinal strain peculiar to Alaska. It's possible, if not likely, the Alaska LNG sponsors would propose to use new or different construction materials or methods — such as in the properties of the steel pipe or the pipe coating — or strain-based design elements that regulations don't specifically cover.

PHMSA would consider issuing a special permit for each deviation from the regulations, as long as the proposed methods or materials meet the standards' objectives.

Coast Guard

The Coast Guard would play two roles, one reviewing applications for bridges across navigable waterways and another for the LNG plant.

Bridges: Any bridges for the project would be subject to various laws that aim to ensure that the reasonable needs of navigation are maintained on all of the nation's navigable waters.

If the pipeline needed to bridge a navigable waterway, such as the Yukon River, the sponsors would apply for a permit. The Coast Guard would analyze potential navigation impacts as well as environmental, historical and/or socio-economic impacts covered under NEPA and related laws and regulations.

LNG plant: The Alaska LNG plant operating at full capacity would load about five tankers a week. The Coast Guard would assess the suitability of Cook Inlet to handle LNG tanker traffic.

Under a passel of laws as well as an

executive order from President Harry Truman in the feverish early days of the Cold War, the Coast Guard has responsibility for the safety and security of waterways, ports and other facilities along waterways, such as LNG plants. This extends to LNG carrier operations in transit and at berth.

The Coast Guard would require project sponsors to submit a “water suitability assessment” of the channel that tankers would sail to and from the LNG plant. The assessment would cover water depths; tidal range; other traffic in the channel; bridges; underwater pipelines and cables; maneuvers required to berth; where people live nearby and other details.

The Coast Guard also would send to FERC its recommendation and analysis to assist the commission with its decision whether to approve the LNG facility.

Beyond this, the Coast Guard generally would support FERC's overall environmental-impact analysis work, providing information on tanker and port operations, potential hazards and ways to mitigate them. Coast Guard regulations detail the fire and earthquake codes, emergency communications and systems, safety training and procedures that the Alaska LNG sponsors would need to follow for their Nikiski terminal.

Before the plant starts up, the owner or operator would need the Coast Guard to approve its facility security plan, and would submit its operations and emergency manuals.

Department of Energy

Congress has barred any natural gas from leaving U.S. borders without Department of Energy approval.

Alaska LNG sponsors likely would apply to the department for two authorizations. That has been the practice among prospective LNG exporters in recent years.

One application would seek permission to export to any of the 18 nations with which the United States has a free-trade agreement covering natural gas. Getting Energy Department approval of these applications is automatic because such trade is deemed to be in the nation's interest.

The other application would cover exports elsewhere in the world. This would apply to almost all LNG importing nations, including such biggies as Japan, China, India and Taiwan. Getting these applications approved can be much more difficult, time consuming and political.

The national interest is key. Federal law

says permission to export gas to non-free-trade destinations will be granted unless, after a hearing and public process, the government “finds that the proposed exportation ... will not be consistent with the public interest.” Opponents of a proposal must make a persuasive case that exports would be bad for the United States — or the gas can go overseas.

Energy Department officials have said they consider adequacy of U.S. gas supply, energy security, price, job creation, gross domestic product, balance of trade, the environment and other factors in weighing the national interest.

For proposed Lower 48 U.S. LNG exports, opponents have included some gas-consuming petrochemical businesses and utilities, environmentalists and some people who live near the proposed plants.

The Energy Department had approved seven applications for exports to non-free-trade partners as of spring 2014, conditioned on the projects also getting FERC sanctioning. The agency determined opponents did not make strong enough cases against exports. The average time from application to conditional approval was 23 months.

As of spring 2014, the Energy Department had 26 other applications pending. The department also proposed a new approach: To act on applications only after FERC — or other federal agency in charge of environmental assessment — has sanctioned a project for construction, rather than issue conditional approvals while FERC considered the project.

The president

In 1976, Congress said that if North Slope gas gets exported, the president must specifically say the exports won't hurt the United States.

This presidential involvement applies only to North Slope gas, not to any of the Lower 48 LNG export projects under way or proposed.

Here's what was up back then.

In 1976, the United States was amid an energy crisis.

Oil — U.S. oil production and reserves were shrinking. Imports were rising. Gasoline prices soaring. An Arab oil embargo — the OPEC Age had dawned.

Natural gas — production and reserves sagging, shortages looming.

Inflation pounded consumers — up 11 percent in 1974; another 9.1 percent in

see **LNG PERMITTING** page 10



**For nearly a century
Foss has successfully
navigated Alaska's most
extreme environments.**

ALWAYS SAFE. ALWAYS READY.

Find out more about Foss in the Arctic at
www.foss.com.



NATURAL GAS

AGDC expands staff, promotes after SB 138

The Alaska Gasline Development Corp. has made promotions and new hires to meet the obligations of Senate Bill 138, which gave AGDC the responsibility of developing the Alaska LNG export project on the state's behalf.

Leslie "Fritz" Krusen, formerly with ConocoPhillips, has been named vice president Alaska LNG and has primary technical and project management responsibility for AGDC's participation in the Alaska LNG export project. Krusen was most recently chief facilities engineer for ConocoPhillips in Houston and has 25 years of LNG experience, including six years as head engineer at Conoco's Kenai LNG plant and four years as project manager for Alaska gas commercialization. He starts with AGDC Oct. 1.

Bruce Tangeman, formerly deputy commissioner for the Department of Revenue, chief financial officer for Doyon Utilities and corporate budget officer for the Alaska Railroad Corp., has joined AGDC as vice president administration and finance and will have overall responsibility for AGDC's finances, internal administration and operations.

Kathy Day has joined AGDC as communications director. Day has owned her own public relations firm, was director of public relations at a leading Anchorage-based PR agency and is a former television and radio journalist. Day will be responsible for internal and external communications focusing on media and public relations and community engagement.

Greg Cashen has joined AGDC as administrative services director. Cashen was formerly special assistant and assistant



FRITZ KRUSEN



BRUCE TANGEMAN



KATHY DAY



GREG CASHEN



JOE DUBLER



FRANK RICHARDS



see AGDC STAFF page 11 MILES BAKER

FINANCE & ECONOMY

Miller looks to spur Tennessee selloff

Company says it wants to divest Appalachian basin oil and gas assets to focus on its 'crown jewels' in Alaska; bids due by Sept. 24

By WESLEY LOY

For Petroleum News

Miller Energy Resources Inc. is stepping up efforts to sell its assets in its home state of Tennessee.

In dealing away those properties, Miller aims to focus on its operations in Alaska, where the company produces most of its oil and gas.

Miller announced Aug. 28 it had retained an oil and gas marketing and advisory firm, PLS Inc. of Houston, to help divest Miller's holdings in the southern Appalachian basin in Tennessee.

Miller said it would evaluate "all reasonable bids" submitted by a Sept. 24 deadline.

"We are one step closer to completing an important part of our strategic realignment," said Scott Boruff, Miller's chief executive. "While we continue to believe our assets in Tennessee provide significant upside for any potential buyer, the sale will allow us to focus our time and resources on our crown jewels in Alaska."

Miller first revealed plans on June 24 to divest its Tennessee assets. The company said the move was part of a restructuring and cost reduction program.

"After interviewing several firms, the company selected PLS Inc. to help identify and solicit bids from potential buyers," Miller said Aug. 28.

The Tennessee portfolio

Based in Knoxville, Miller is a small, publicly traded company listed on the New York Stock Exchange.

The company has reported total net production of just over 3,000 barrels of oil equivalent per day.

In Alaska, the company operates through its Anchorage-based subsidiary, Cook Inlet Energy LLC. Producing properties include the Osprey offshore platform, the onshore West McArthur River oil field, and the North Fork natural gas field on the Kenai Peninsula.

The company is poised to expand to the North Slope once it wraps up a pending deal to acquire Savant Alaska LLC, operator of the Badami field.

Miller has a long history in Tennessee's modest oil patch.

In its Aug. 28 press release, the company described its holdings in the Volunteer state.

"Miller Energy Resources operates about 44,800 gross acres in Scott, Morgan, Roane and Campbell counties. The majority of the acreage is held by production. Geologic objectives include the Fort Payne, Monteagle, Mississippian Lime and Chattanooga Shale formations. Miller has identified more than 25 horizontal drilling targets for the Mississippian Lime, as well as the Monteagle. Additionally, Miller cur-

see MILLER SELLOFF page 16

continued from page 9

LNG PERMITTING

1975.

Americans were mad, worried, apprehensive.

In 1976, Congress passed the Alaska Natural Gas Transportation Act to help spur development of a pipeline system that would flow North Slope gas to the rescue through Canada down into Lower 48 markets.

To ensure Alaska gas helped North Americans, Section 719j says that if North Slope gas exports exceed 1 million cubic feet a day to somewhere other than Canada or Mexico, "the President must make and publish an express finding that such exports will not diminish the total quantity or quality nor increase the total price of energy available to the United States."

How much is 1 million cubic feet per day? Not much — the furnaces of roughly 1,600 Anchorage homes burn through that

amount on a typical January day. A pretty low threshold to trigger the presidential finding. The law remains active.

On Jan. 12, 1988, LNG exports of North Slope gas got such a presidential finding. The now-shelved Yukon Pacific LNG export project was pending then, but President Ronald Reagan's finding doesn't specifically mention that project. It simply declares generically that it's OK to export the gas.

It's unclear whether this 1988 finding would still apply to an export project 30 or more years later, or whether the finding would need to be revisited. U.S. natural gas markets have evolved considerably since the 1980s. ●

Editor's note: This is a reprint from the Office of the Federal Coordinator, Alaska Natural Gas Transportation Projects, online at www.arcticgas.gov/tall-stack-authorizations-await-alaska-lng-project.

Part 1 ran in the Aug. 24 issue.


**NORTH SLOPE
TELECOM, INC.**

Alaska's Premier Motorola Dealer
 Providing Alaskans with two way radio and wireless communications.


**MOTOTRBO™ PROFESSIONAL
DIGITAL TWO-WAY
RADIO SYSTEM.**
 The future of two-way radio.

907.751.8200 | www.nstia.com





Part Business Stay. Part Getaway.

\$219

From

Per night

Rate is per room, per night, based on availability.

With refreshing work spaces and inspiring design, SpringHill Suites makes your Alaska business trip a breath of fresh air.

SpringHill Suites by Marriott®
 Anchorage Midtown
 3401 A Street
 Anchorage, AK 99503
 907-273-3724
marriott.com/ancsh

• FINANCE & ECONOMY

Conoco, Exxon TAPS tariffs on hold

By KRISTEN NELSON
Petroleum News

The Regulatory Commission of Alaska has suspended tariffs filed by ConocoPhillips Transportation Alaska and ExxonMobil Pipeline Co. for the trans-Alaska oil pipeline and established temporary intrastate rates equal to the filed rates, but subject to refund with interest.

Both companies filed reduced intrastate rates.

ExxonMobil proposed rates of \$3.74 per barrel to North Pole, \$5.86 per barrel to the Valdez Marine Terminal and \$5.83 per barrel to the Petro Star Refinery connection in Valdez. RCA said ExxonMobil's current rates are \$4.09 to North Pole, \$6.44 to the Petro Star Refinery connection in Valdez and \$6.47 to the Valdez Marine Terminal. The commission said the proposed rates are based on a 2013 test year.

ConocoPhillips proposed the same new rates as ExxonMobil, also using a 2013 test year. ConocoPhillips' current rates are \$4.32 to North Pole, \$6.84 to the Petro Star Refinery in Valdez and \$6.87 to the Valdez Marine Terminal.

P-97-004 (151)

The commission had established "uniform, cost-based rates" to the three intrastate delivery points in a decision on 1997-2000 rates, P-97-004 (151), a decision affirmed by the Alaska Superior Court and ultimately by the Alaska Supreme Court.

In a proceeding on post-2000 rates, the commission determined that "the just and reasonable rates" established in that order

should remain in place until new rates were approved.

As the companies filed subsequent rates, those were suspended and the dockets for revised tariff filings using test years of 2007, 2008 and 2009 were consolidated and concurrent hearings held with the Federal Energy Regulatory Commission, which regulates interstate rates.

Subsequent files have also been suspended.

In its current filing, the commission said ExxonMobil asserted that the purpose of the filing was to update the company's intrastate rates using the methodology in Order 151 and current information on costs and throughput. The commission described ConocoPhillips' filing using the same language.

In both cases the commission said it was establishing "temporary rates equal to the filed rates because the filed rates were purportedly calculated under the Order P-97-004(151) methodology."

Tesoro objects

Tesoro Alaska Co., through its counsel, Brena, Bell & Clarkson P.C., filed a formal complaint and protest to both filings.

Tesoro does not protest the reduction in rate, the filing said in both responses,

see TAPS TARIFFS page 16

INTERNATIONAL

A \$400 billion investment for Rosneft

Undeterred by being banned from the United States as a consequence of the Ukraine crisis, Igor Sechin, the president of Russian oil company Rosneft, told Der Spiegel that his company plans to invest \$400 billion in the Arctic by 2030, according to an article that appeared in the German magazine on Sept. 1. Rosneft thinks that there is as much oil in the Arctic as Saudi Arabia has in oil reserves, Sechin said.

On Aug. 9 Rosneft and ExxonMobil announced that a joint venture formed by the two companies had begun drilling the Universitetskaya-1 exploration well in the Kara Sea in the Russian Arctic using a Norwegian drilling rig, the West Alpha. Russian President Vladimir Putin gave the signal for the start of drilling over a video link to the Kara Sea involving Sechin and Glenn Waller, head of ExxonMobil Russia, Rosneft said when announcing that the drilling operation was under way.

"The start of exploratory drilling in the Kara Sea is the most important event of the year for the global oil and gas industry," Sechin said. As a result of this work we hope to discover a new Kara Sea oil-bearing province."

Sanctions raise speculation

There has been much speculation about the potential impact of U.S. and European sanctions against Russia on western companies operating in Russia. The Financial Times has reported that the United States, for example, has restricted Rosneft's access to capital and imposed a ban on the transfer of oil exploration technologies into Russia.

BP owns a nearly 20 percent stake in Rosneft.

It appears that the formation of the joint venture between Rosneft and ExxonMobil predates the sanctions, the Financial Times said. There are, however, questions regarding whether the joint venture will be able to progress beyond the drilling of its first Kara Sea well, the paper reported.

Questioned by Der Spiegel about how sanctions might impact Rosneft's investments, Sechin said that Rosneft makes sufficient profits to finance its own debt.

—ALAN BAILEY

continued from page 10

AGDC STAFF

commissioner for the Department of Labor and Workforce Development, a former executive director of the Alaska Workforce Investment Board and most recently performance review project manager with the Alaska Division of Legislative Audit. His responsibilities include contract oversight and risk management functions.

Staff promotions

In addition, Joe Dubler, formerly corporate vice president and chief financial officer, has been named vice president commercial operations with overall responsibility for business development, commercial operations and gas marketing.

Frank Richards, P.E., formerly director, pipeline engineering, is now vice president engineering and program development with overall responsibility for design, engineering, environmental, regulatory, project management and construction planning.

Miles Baker, formerly director of external affairs and government relations, is now vice president external affairs and government relations with overall responsibility for corporate communications, public relations, media stakeholder engagement and government relations.

—PETROLEUM NEWS



MOTION INDUSTRIES

COMPLETE HYDRAULIC SALES & SERVICE REPAIR, DESIGN, FIELD SERVICE PUMPS, MOTORS, VALVES, CYLINDERS

Tel: 907.563.3000 • Fax: 907.563.1003

611 E. International Airport Rd., Anchorage, AK 99518-1302 USA

www.motionindustries.com

LEADING THE INDUSTRY IN ADVANCED FABRIC COVERED STEEL BUILDINGS

ALASKA DREAMS INC.
STRUCTURAL BUILDING SOLUTIONS

TOLL FREE 1.855.455.7712
FAIRBANKS | ANCHORAGE | WASHINGTON

WWW.ALASKADREAMSINC.COM
INFO@ALASKADREAMSINC.COM



Oil Patch Bits

UMIAQ hires Cynthia Trapp as new associate scientist

Cynthia Trapp has joined UMIAQ LLC as an associate scientist in the environmental department. Trapp has more than 16 years of experience in the petroleum industry with expertise in emergency response and management, regulatory compliance and stakeholder engagement. She has gained valuable first-hand experience in responding to numerous and varied petroleum industry incidents, and has directly participated in both corporate emergency response operations, as well as field based response activities. She is dedicated to communicating and educating the public on emergency response and public safety principles and practices through UMIAQ's environmental department. Most recently Trapp was engaged in Shell Canada Ltd.'s emergency response stakeholder database and public safety initiatives, as well as with BP Exploration Alaska's incident management plan harmonization initiative.



CYNTHIA TRAPP

Working in both Alaska and Canada, Trapp is familiar with both regulatory environments. She has a proven track record for successfully advancing oil and gas projects through both U.S. and Canadian regulatory processes to meet specific clients' needs and timelines. Trapp has organized and facilitated several open house and conflict avoidance sessions with members of the public impacted by oil and gas development, and has also

facilitated many regulatory agency meetings to expedite project review and approval timelines. The UMIAQ environmental department provides key services for Alaska-based operations from project planning, to construction through production. These services include environmental permitting and impact assessments, agency coordination and consultation, and regulatory compliance management.

Crowley named a Top 100 3PL provider

Maritime Corp.'s logistics group has been named a Top 100 Third-Party Logistics Provider by Inbound Logistics for the sixth consecutive year. Editors selected Crowley and fellow honorees from hundreds of candidates based on each company's ability to meet and surpass readers' evolving outsourcing needs.

"This award is — again — a great testimony to the hard work of our entire team, which continues to focus on streamlining our customers' supply chain through the unique vertical integration that Crowley offers clients," said Crowley's Frank Larkin, senior vice president and general manager, logistics. "If time is indeed money, our customers recognize that making one call to Crowley can help them find the extra velocity they are looking for in delivering their products to market. We are grateful to once again receive this recognition from the editors of Inbound Logistics."

see OIL PATCH BITS page 14

Companies involved in Alaska and northern Canada's oil and gas industry

| ADVERTISER | PAGE AD APPEARS | ADVERTISER | PAGE AD APPEARS | ADVERTISER | PAGE AD APPEARS |
|--------------------------------------|-----------------|---------------------------------------|-----------------|--|-----------------|
| A | | N-P | | | |
| Acuren USA | | Dowland-Bach Corp. | | Nabors Alaska Drilling | |
| AECOM Environment | | Doyon Anvil | | Nalco | |
| Air Liquide | | Doyon Drilling | | NANA WorleyParsons | 6 |
| Aircraft Rubber Mfg. (ARM-USA) | | Doyon, Limited | | NASCO Industries Inc. | |
| Alaska Analytical Laboratory | | Doyon Universal Services | | Nature Conservancy, The | |
| Alaska Clean Seas (ACS) | | Egli Air Haul | 4 | NEI Fluid Technology | |
| Alaska Communications | | Engineered Fire & Safety | | NMS Lodging | 10 |
| Alaska Dreams | 11 | Expro Americas LLC | | Nordic Calista | |
| Alaska Marine Lines | 16 | F. Robert Bell and Associates | | North Slope Telecom | 10 |
| Alaska Railroad | | Fairweather | | Northern Air Cargo | |
| Alaska Rubber | | Five Star Oilfield Services | 4 | Northern Electric Inc. | |
| Alaska Steel Co. | | Flowline Alaska | 14 | Northrim Bank | |
| Alaska Textiles | | Fluor | | Opti Staffing Group | |
| Alaska West Express | 16 | Foss Maritime | 9 | PacWest Drilling Supply | |
| Alpha Seismic Compressors | | G-M | | PENCO | 13 |
| American Marine | 13 | GBR Oilfield Services | | Pebble Partnership | |
| Arctic Controls | | GCI Industrial Telecom | 15 | Petroleum Equipment & Services | 5 |
| Arctic Slope Telephone Assoc. Co-op. | | GCR Tires & Service | | PND Engineers Inc. | |
| Arctic Wire Rope & Supply | | Global Diving & Salvage | | PRA (Petrotechnical Resources of Alaska) | |
| ARCTOS | | GMW Fire Protection | | Price Gregory International | |
| Armstrong | 3 | Golder Associates | | Remote Access Technology (RAT) | |
| ASRC Energy Services | | Greer Tank & Welding | | Resource Development Council | |
| AT&T | 7 | Guess & Rudd, PC | | Ravn Alaska (formerly Era Alaska) | 8 |
| Avalon Development | | Hawk Consultants | 13 | Q-Z | |
| B-F | | HDR Alaska | | SAExploration | |
| BP | | IFR Workwear | | Security Aviation | |
| Baker Hughes | | Inspirations | | Sophie Station Suites | |
| Bald Mountain Air Service | | Judy Patrick Photography | | STEELFAB | |
| Battelle Anchorage | | Kakivik Asset Management LLC | | Stoel Rives | |
| Bombay Deluxe | | Kenworth Alaska | 8 | Taiga Ventures | |
| Brooks Range Supply | | Kuukpik Arctic Services | | Tanks-A-Lot | |
| Calista Corp. | | Last Frontier Air Ventures | | The Local Pages | |
| Canrig Drilling Technology | | Lister Industries | | Think Office | |
| Carlile Transportation Services | | Little Red Services, Inc. (LRS) | | Total Safety U.S. Inc. | |
| CCI Industrial Services LLC | | Lounsbury & Associates | 14 | TOTE-Totem Ocean Trailer Express | |
| CGG | | Lynden Air Cargo | 16 | Totem Equipment & Supply | |
| ClearSpan Fabric Structures | | Lynden Air Freight | 16 | TTT Environmental | |
| CN Rail | | Lynden Inc. | 16 | Udelhoven Oilfield Systems Services | |
| Colville Inc. | 6 | Lynden International | 16 | UMIAQ | 2 |
| Computing Alternatives | 2 | Lynden Logistics | 16 | Unique Machine | |
| CONAM Construction | | Lynden Transport | 16 | Univar USA | |
| ConocoPhillips Alaska | | MagTec Alaska | | URS Alaska | |
| Construction Machinery Industrial | | Mapmakers of Alaska | | Usibelli | |
| Cook Inlet Energy | | MAPPA Testlab | | Verizon | |
| Crowley Solutions | | Maritime Helicopters | | Vigor Alaska | |
| Cruz Construction | | M-I Swaco | | Volant Products | |
| Delta Leasing | | Miller Energy | | Weston Solutions, Inc. | |
| Denali Industrial | | Motion Industries | 11 | All of the companies listed above advertise on a regular basis with Petroleum News | |

continued from page 5

ULMER Q&A

they go to Washington, they find people view this state and the Arctic with disconnect. Do you find that?

Ulmer: I think there are a lot of misconceptions about the Arctic in general. I think there is a lot of work to be done in educating and explaining to people who have never been to Alaska or have an idealized view of Alaska and the Arctic. That's a very important role for all of us who live here, all of us who communicate: the media; the congressional delegation; the businesses who are not only here but also do business around the world.

We have an obligation to explain this place and get people interested in it. The recent interest over the last few years in the Arctic is providing a window of opportunity for the education to take place. It's very hard to tell somebody about something if they are not interested. If they are interested, it's a lot easier. Right now they are interested in the Arctic. They are interested because there has been media coverage about ice retreating. There has been media coverage about iconic marine animals that symbolize the Arctic like polar bears and some of the threat marine animals face when the ice retreats. I think there is an opportunity to explain why the Arctic matters beyond the Arctic. In other words there is a lot happening now and will be happening in the near future that will impact other regions in the Lower 48 and in the world and yes, I do think that is a piece of what not only I can do, but our U.S. Senators our governor, our legislators, our media, our business can help paint a more realistic picture of what's going on in the Arctic.

Petroleum News: OK, so let's say I've never been to Alaska and know every little about it because I've been in another part of the country most of my life. Why does the Arctic matter?

Ulmer: Let's start with the basics. People live in the Arctic, unlike Antarctica where there are penguins. In the Arctic there are people who have lived in the Arctic for centuries who have developed a lot of expertise and sense of place, which is very important culturally but it's also important in terms of the economy and society. So the expertise that has been developed not just in Alaska and Canada but in Finland and throughout the Arctic region is valuable to people as they try to develop within the region some of the economic opportunities that exist.

The USGS for example has estimated that an extraordinary amount of oil and gas is here. So the opportunity over some period of time for oil, gas and minerals to be developed in the Arctic, they definitely impact people who live beyond our Arctic region in terms of access to resources and the opportunity in some cases for business development, jobs and investment.

The Arctic really matters to people who don't live here from another perspective and that is the way in which the Arctic influences the weather at mid latitudes. There is a fair amount of interesting research that is being discussed not just in academic journals, but in the media as well about the polar vortex and the extent to which the warming conditions in the Arctic and the retreat of the Arctic sea ice, which creates a significant wobble of the jet stream.

This means areas in the Lower 48 may experience more warmth or more cold, or more wet and dry conditions for longer periods of time than has been experienced in the past. Weird weather, I guess, is the

best way to put it. The changes in the amount of ice in the Arctic changing the jet stream, also changes the weather in the Lower 48. This is a hypothesis. I don't want to be quoted as say this is a reality.

It's a hypothesis that some of the atmospheric scientists who are looking at changes occurring in mid latitudes and tying it to the sea ice and warming in the Arctic. There is emerging science that says what happens in the Arctic doesn't stay in the Arctic, and that there are connections between the weather systems, so it's important for people to get better educated about how interconnected these water, atmosphere, temperature connections connect globally.

Petroleum News: You were on the task force that reviewed the Deepwater Horizon spill. What kind of lessons from that spill can be applied to the Arctic as companies move forward with any decision to develop?

Ulmer: The commission that I served on, of course primarily focused on the Macondo well and the Gulf of Mexico. We did have a section in our report specifically addressing other areas, specifically the Arctic. We made a few recommendations including that the U.S. adopt Arctic specific drilling standards for oil and gas development in the Arctic and that it set a high standard and be a model for other regions in the Arctic like Russia and Greenland. So the highest possible standards and the lowest possible risk would be the rule. The reason we made those recommendations is probably pretty obvious. The Arctic is a valuable, vulnerable and challenging place to do business. To provide an adequate level of assurance to the indigenous people who live in the Arctic and who rely on marine mammals and fish and the resource provided in an environment that isn't jeopardized by industrialized activity is incredibly important.

The Department of the Interior is releasing soon its Arctic specific standards for oil and gas development. They submitted supposed regulations to OMB for review so it's in the review process now. I don't know what those regulations will say. The work the Interior is doing on that is consistent with the idea that the Deepwater Horizon Oil Spill Commission had and that is the Arctic isn't like the Gulf of Mexico and that it does require additional precautions to make sure risk is reduced.

One of the other things to take from the Deepwater Horizon experience, is it's really best to emphasize on prevention rather than focus on the preoccupation with oil spill response. The reason I saw that is once the oil is in the water, it is incredibly difficult to recover it, whether

you are in the most ideal conditions like the Gulf of Mexico where you've got all kinds of responders — boats and planes — responders on the water as quickly as possible and much quicker than the Arctic region. Even there in the Gulf of Mexico, only a small percentage of the oil spilled in that disaster ever got recovered.

And so the idea that in the Arctic where you would have periods of darkness, extreme cold, ice, hurricane-force winds, all of the challenging conditions that add much more difficulty in responding to a spill means that it's important that all efforts possible are made to make sure you don't get a spill. In other words, it's all about prevention. It's all about reducing risk. To the extent possible having containment systems ready, willing and able to get the oil out as much as possible and as soon as possible as opposed to trying to get the oil out of icy waters. A number of reports have been released in how you would respond to a spill in icy waters. The Arctic Research Commission did a report on that.

Petroleum News: OK, so you've noted the importance of oil spill prevention. What about oil spill response? A spill could come from outside our borders and would need to respond?

Ulmer: Yes, of course. There is a lot being done. The U.S. Arctic Research Commission did a report on all of the research that's been done on how you would respond to an oil spill in ice waters. That report, which is available online at www.arctic.gov, will tell you everything that so far has been researched and will also provide a list of what needs to be done and what hasn't been done in understanding how you could effectively clean up an icy spill. In addition to that report, the National Research Council recently released a report similar to ours that identifies the gaps. In other words what don't we know, what do we need to know and also what kind of networks of responders might help if there is a spill whether it's from shipping or whether it's from oil and gas.

In addition to those two things which lays out what do we know and what do we need to know, there is also research done by the oil industry itself and by various educational institutions and universities doing research into how you change the technology. What kind of dispersants would work in cold water? How would you modify the suction devices that get used? I guess what I'm trying to say is there are a lot of people interested in this topic.

Now, the Arctic Council adopted in 2013 an agreement among the Arctic Eight to work out oil prevention and response coordination. The search and rescue agreement and the oil spill

response agreement lay out a lot of things that need to be done by the countries including doing training exercises and exchanging technologies. So there is a whole lot of effort in that regard compared to 10 years ago. Most people will admit we don't have nearly enough the capacity to respond and we need additional investment by the private sector and the public sector.

Petroleum News: Closer to home, the Legislature's Arctic Policy Commission has been busy these last two years. What kind of value can this group bring to the discussion with the U.S. becoming the Arctic Council chair next year?

Ulmer: It's important for the state of Alaska to give clear direction to itself and others as to what its priorities are as relates to the Arctic. I think that the fact the Arctic Policy Commission exists and is trying to raise the awareness level within the state on the importance of the Arctic and the importance of providing necessary infrastructure, I think that is a really good thing. I applaud the fact that they are an entity that exists within the public and private sector. It's the Legislature, community leaders and business leaders, a cross section that I think is very healthy. I hope the Legislature and the governor take to heart some of the recommendations some things the state can do itself. We are always looking to the federal government to do X, Y, and Z. there are a number of things the state of Alaska can do itself. It's definitely a combined thing: state, federal, community and private sector. Having the AAPC be part of the dialogue and increasing the discussion that's taking place in state about the future of the Arctic is very healthy.

Petroleum News: Moving on to the larger body, the Arctic Council, you noted

see **ULMER Q&A** page 14

American Marine Services Group
6000 A Street, Anchorage, AK 99518
907-562-5420
Deadhorse, AK
907-659-9010
www.amarinecorp.com • www.penco.org
alaska@amarinecorp.com

- Commercial Diving
- Marine Construction Services
- Platform Installation, Maintenance and Repair
- Pipeline Installation, Maintenance and Repair
- Underwater Certified Welding
- NDT Services
- Salvage Operations
- Vessel Support and Operations

- Environmental Services
- Oil-Spill Response, Containment and Clean-Up
- Hazardous Wastes and Contaminated Site Clean-Up and Remediation
- Petroleum Vessel Services, e.g. Fuel Transfer
- Bulk Fuel Oil Facility and Storage Tank Maintenance, Management, and Operations

Anchorage **Honolulu** **Los Angeles**

Providing project management professionals for major projects throughout Alaska and the world

www.hawkpros.com
907.278.1877

INTERNATIONAL

Pemex says output to increase in 2015

Mexico's state-owned oil company Petroleos Mexicanos estimates its crude production will increase to 2.4 million barrels per day in 2015, compared with the 2.35 million barrels per day it expects to produce this year, a company official said Aug. 29.

Gustavo Hernandez, director of Pemex's exploration and production unit, said the upward estimate is based on the company's plans to reactivate hundreds of mature oil fields and start production in recently discovered reserves as part of new rules governing a historic opening of Mexico's state-run oil, gas and electricity industries to foreign and private companies.

Pemex was awarded rights to exploit 83 percent of the country's proven and probable reserves under the newly enacted opening of the energy business. The company has said it will form alliances with private firms in some of those fields. The government awarded Pemex rights to only 21 percent of the country's possible reserves. The company had asked for 31 percent.

The allocations given to Pemex are part of the so-called "Round Zero," the first areas on land and offshore to be assigned under an energy overhaul signed into law by President Enrique Pena Nieto earlier in August. The new law allows private and foreign firms to sign production and profit-sharing deals in the oil, gas and electricity industries. The government expects opening the oil industry to private and foreign firms will bring in \$12.6 billion in investment annually over the

Pemex was awarded rights to exploit 83 percent of the country's proven and probable reserves under the newly enacted opening of the energy business.

see **PEMEX OUTPUT** page 16

continued from page 12

OIL PATCH BITS

Each year, Inbound Logistics recognizes the best logistics solutions providers based on their ability to offer diverse operational capabilities, scalability and experience to meet unique supply chain and logistics needs. Editors selected this year's class of Top 3PL providers from a pool of more than 250 companies. They carefully analyzed submissions for consideration by conducting phone interviews and online research, and compared that data to readers' burgeoning global supply chain and logistics challenges. The resulting list celebrates logistics service providers that are at the top of their game while detailing the broad array of services and solutions they provide.

New equipment helps companies reduce carbon footprint

Brice Equipment, a subsidiary of Calista Corp., has invested in two new pieces of equipment that will help companies operating in Alaska greatly reduce their fuel consumption and dramatically lower carbon emissions. Brice Equipment is the only Alaska dealer for the JetHeat Micro-Turbine Heater, the most advanced industrial heater on the market. It's the only diesel-fired portable heater in the world converting more than 98 percent of fuel input into useable heat output. The result is a savings of over \$500 per day in fuel. The JetHeat offers substantially reduced CO₂, NO_x and SO₂ emissions, meeting stringent air permitting requirements.

Brice Equipment also exclusively offers the Puritan Arctic Heat Generator. The AHG eliminates problems associated with continuous idling of larger diesel assets in cold weather regions. Idling and insufficient engine loading causes heavy exhaust output (wet stacking) that damages equipment. The AHG allows operators to shut down the primary engine, which greatly reduces both the fuel burned per hour and sooty emissions output. Not only does this help the environment, it saves companies from costly repairs associated with engines continually running cold.

For more information visit www.briceinc.com or call 907-488-6422 in Fairbanks or 907-659-2330 on the North Slope.

Editor's note: All of these news items — some in expanded form — 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 March.

continued from page 13

ULMER Q&A

how it's incumbent on several groups to educate the rest of the country about Alaska and it being an Arctic state, making us an Arctic country. Can having the U.S. take over as chair help drive that?

Ulmer: Yes, I do. I think it will provide a teachable moment, an opportunity for attention that is given to the chairmanship by the media and working group activities, it will provide information and

it will give to the media something interesting to cover other than the retreat of sea ice. Having the attention and being center stage, it will generate a lot of interviews and coverage that will give people in the Lower 48 more of a sense about what's happening here and why it matters, perhaps raise for them a question in their own minds that there is something I need to know more about. ●

Contact Steve Quinn
at squinnwrite@gmail.com

continued from page 1

NEXT LNG STEPS

can replace the use of expensive diesel fuel and fuel oil. An affordable supply of natural gas in the Fairbanks region could also alleviate air pollution issues arising from the use of wood stoves and liquid fuels.

In January AIDEA picked MWH as the contractor to manage the construction of the LNG plant.

Funding approved by the state Legislature for the project provides for a combination of a capital appropriation and a low interest loan through the AIDEA-managed Sustainable Energy Transmission and Supply Development Fund, known as SETS. MWH has said that it will provide its share of the funding through private equity.

Concession agreement

The agreement between AIDEA and MWH that AIDEA approved on Aug. 25 is called a "concession agreement," recognizing that AIDEA wants to retain ownership of the LNG plant while granting MWH, through Northern Lights Energy, the right to build the plant and then to operate the plant for up to 30 years. By enabling the finalization of the concession agreement, the Aug. 25 decision will allow MWH to proceed towards closure of the financing of the project by engaging a contractor to operate the plant, contracting for the sale of LNG to gas utilities, completing negotiations for the purchase of gas as feedstock for the facility and assisting in the design of the plant, AIDEA says.

In parallel with work managed by MWH, AIDEA says that it has contracted directly with engineering firm Kiewit for the construction of a pad on the North Slope for the LNG facility and to conduct early design, engineering and procurement work. Pad construction is scheduled for completion by Sept. 30.

Project funding

According to the concession agree-

ment, the private equity component of the project funding will come from Northleaf Mid-Market Infrastructure Partnership LP, with minimum funding of \$20 million. AIDEA says that it will provide state capital funding of up to \$35 million and a SETS loan of up to \$110 million. MWH's bid for the project in late 2013 estimated the cost of constructing the LNG plant at around \$217 million.

At financial close for the project, AIDEA, MWH, Northleaf and Fairbanks electricity utility, Golden Valley Electric Association, will all commit to project funding or to becoming part of the project, AIDEA says. Golden Valley has been considering the use of LNG from the North Slope as a means of reducing the cost of power generation in Fairbanks.

AIDEA has previously approved a \$20 million loan to help gas company Fairbanks Natural Gas build the LNG storage and distribution facility in Fairbanks.

Preliminary work

AIDEA says that, while the resolution approving the concession agreement with MWH will move the Interior Energy Project towards financial close, the other Aug. 25 resolution approving some early project funding will enable some equipment procurement and the preliminary front-end engineering design work needed to develop an estimated cost for building the LNG plant. That, in turn, will lead to a financial model for predicting the price of LNG delivered from the plant to customers in the Interior.

Estimated pricing of the LNG is presumably required for contract negotiations with prospective LNG purchasers.

AIDEA says that it is sharing the project risk with MWH by bearing some of the costs needed to achieve financial close, with an understanding that MWH will reimburse AIDEA for these costs if financial closure is achieved. If financial closure cannot be achieved, the project will presumably come to a halt. ●

Contact Alan Bailey
at abailey@petroleumnews.com

WE KNOW PIPES, INSIDE AND OUT.

At Flowline Alaska, we've spent decades helping to keep oil flowing on the North Slope. It's a record we're proud of, and we look forward to a future where we can provide the service and support necessary to grow and expand Alaska's energy industry. Because we want to keep Alaska's oil flowing, today and tomorrow.



flowlinealaska.com | 907.456.4911

DECADES PROUD DECADES AHEAD

- Oil and Gas Exploration • ALTA/ACSM Surveys • 3-D Laser Scanning
- Planning & Permitting • Utility and Drainage Projects
- Commercial Site Development • Residential Development
- Traffic Engineering • Statewide Service

experience you can use

ESTABLISHED 1949

www.lounsburyinc.com

continued from page 1

SUPPLY AGREEMENT

prices are identical to those for the previous year in the Hilcorp supply agreement, with the pricing corresponding to price ceilings set in a consent decree agreed between Hilcorp and the state of Alaska.

The modified agreement with Hilcorp, which goes into effect on Jan. 1, 2015, includes a provision for Chugach Electric to buy additional gas at any time during the duration of the agreement, if the utility needs the gas and if Hilcorp has the gas available. The price of this additional gas would correspond to the price of base-load gas at the time of purchase.

Chugach Electric had filed the contract extension with the Regulatory Commission of Alaska on Aug. 1, seeking commission approval of the agreement. But in that filing the Southcentral Alaska utility did not make the contracted gas volumes or gas prices public, asking instead that the commission would rule

these aspects of the contract confidential. The utility argued that public access to some of the terms of the agreement could compromise the utility's ability to negotiate other gas supply agreements with other gas producers.

But in its Aug. 27 filing the utility withdrew its petition for confidentiality, not providing any explanation for its change of heart but saying that it may raise the confidentiality issue as a potential future regulation change.

Mitigate price risk

In its new filing with the commission, Chugach Electric says that the minimum gas volumes in the contract extension help mitigate future gas price risk by securing gas at a fixed price. The extension provides for a cost of between \$26.5 million and \$70 million for gas supplies, versus projected annual revenues of around \$200 million. Chugach Electric anticipates managing its gas demand variability both through terms already set in its contract with Hilcorp and through the

use of the Cook Inlet Natural Gas Storage Alaska facility on the Kenai Peninsula, the filing says.

According to data presented in the Aug. 27 filing, Chugach Electric anticipates that its total gas supply requirements in 2018 will be 8.8 billion cubic feet, with the utility's existing Hilcorp supply agreement meeting 2.2 billion cubic feet of that demand. Adding in the 2018 portion of the 3.3 billion-cubic-foot commitment in the agreement extension adds 2.5 billion cubic feet to the 2018 supply, leaving a supply gap of 4.1 billion cubic feet. However, Chugach Electric could fill that supply gap by invoking the potential increase in the supply volume from 3.3 billion cubic feet to 8.76 billion cubic feet, as spelled out in the revised agreement.

Market opportunity

By allowing the possibility of Hilcorp gas supplies in 2018 to fall short of Chugach Electric's needs, the electric utility has presumably left the door open

for gas producers other than Hilcorp to find a market for utility gas from the Cook Inlet basin. Gas producers have expressed concern about the impact of Hilcorp dominance in the Cook Inlet utility gas market, with all producers needing market outlets for their gas to justify the cost of finding and developing gas fields.

Hilcorp spokeswoman Lori Nelson told Petroleum News in a Sept. 2 email that Hilcorp's investments in the Cook Inlet basin are resulting in increased gas production and that meeting gas supply commitments to local utilities is a priority for the company.

"Right now the longest range commitments we have made span into early 2019," Nelson said. "Increased activity and production from Hilcorp and other operators in the inlet is positive sign that local utilities will be able to purchase the gas they need from local producers for several years to come." ●

Contact Alan Bailey
at abailey@petroleumnews.com

continued from page 1

ENERGY STRATEGY

national agreement on the transportation of oil crude across Canada and to export terminals on the west and east coasts.

Even so, if Canada is to develop a national strategy that meets with the approval of Alberta and Saskatchewan, there will have to be a national consensus on the importance of laying new pipelines to move crude oil as well as natural gas to liquefaction terminals.

Unresolved tensions

Wynne acknowledged that there are unresolved tensions between those provinces that want progress on tackling climate change and the western provinces that are desperate to open new markets to offset the rapid decline in sales to the United States.

"I think that is tension that will continue to exist but the reason it is important to have a Canadian energy strategy is that we've got to manage that tension — it exists and we have to deal with the realities of the oil sands and transporting that fuel," she told the Globe and Mail.

"The oil sands are very important to the economic well-being of this country, there's no question about that," she said, tossing a security blanket in Alberta's direction.

"At this point in our history, we have businesses all across Canada, including Ontario, that are dependent on the oil sands," Wynne said, adding she is certain the petroleum industry is committed to lowering its greenhouse gas emissions on a per-barrel basis, but not — as most environmentalists would prefer — as a flat limit on carbon output, regardless of how much the production of crude bitumen rises.

Climate-change issues

Couillard had made it clear he would endorse a strategy only if climate change and clean energy were included.

At the closing news conference, he praised his peers for their willingness to make the "essential link between environment and an energy strategy."

Couillard also announced he will be host to a climate-change summit next spring in Quebec.

If all the premiers (including a new leader in Alberta) accept that invitation it will be a dramatic reversal from a time when now-ousted Alberta Premier Alison Redford, in a scandal over her expense claims, tried to place all of the emphasis on oil sands development and new pipelines to carry Alberta's oil and gas resources.

The document issued by the premiers

outlines the vision and principles of a Canada Energy Strategy, declaring that it should "reflect the shared values of Canadians; strengthen our economy and create jobs; identify opportunities to develop, transport and transmit energy ... and maintain the highest degree of environmental safeguards and protection, including by addressing climate change, climate resilience and reducing greenhouse gas emissions globally."

Concern over US production

Northwest Territories Industry Minister David Ramsay said he has "seen a real willingness of people to work together, but it hasn't morphed into a national energy

strategy."

"With the United States rapidly ramping up production and becoming less reliant on imports from Canada, we need to get our collective thinking in order in terms of how we will get our resources to market," he said.

But Ramsay said he is uneasy that investors on Canada's upstream and potential buyers of that oil and gas may already have lost patience.

He said it is "frightening" to realize that Canada may have lost an opportunity while other jurisdictions around the world have capitalized on new markets.

For the NWT, however, Ramsay clings to hope that oil should be shipped to the

Trans Alaska Pipeline for export from Valdez, while gas from the Mackenzie Delta could finally get to market as feedstock for LNG projects in British Columbia.

Dylan Jones, chief executive officer of the independent Canada West Foundation, welcomed the progress made by the premiers at a time when he doubted they were capable of a breakthrough.

He said the leaders, by using their influence and credibility, have shown they are capable of playing a key role in moving Canada's energy agenda forward. ●

Contact Gary Park through
publisher@petroleumnews.com





Pacific
Pile & Marine

- Pile Driving
- Dredging
- Bridge & Pier
- Access Trestles
- Sheet Pile
- Demolition
- Heavy Lift
- Steel Structures
- General Contracting

620B East Whitney Road | Anchorage, AK 99501

TECHNOLOGY SOLUTIONS FOR THE ENERGY SECTOR

Oil | Gas | Mining
Full Life Cycle Communications

GCI Industrial Telecom has proven experience designing for and working in demanding environments. As experts in the field, our aim is to provide innovative full life cycle communications solutions to increase your productivity.





Your Business Technology PartnerSM

877.411.1484
gci-industrialtelecom.com

continued from page 10

MILLER SELLOFF

rently owns and operates approximately 650 wells which currently produce approximately 57 bopd and 400 mcf/d net and believes there to be tremendous value in implementing an ongoing workover and recompletion program.”

Raising capital

Miller has worked aggressively to raise capital to push its Alaska program.

The company recently completed a public offering of preferred stock, raising gross proceeds of about \$18.4 million. Miller said it would use the proceeds for “general corporate purposes.”

Miller management has plans to make presentations at some upcoming investor conferences, including the Imperial Capital Global Opportunities Conference on Sept. 18 at the Waldorf Astoria in New York City.

As for activity in the field, subsidiary Cook Inlet Energy on Aug. 22 obtained a state permit to drill the Olson Creek No. 2 exploratory well. Olson Creek is a natural gas prospect on the inlet’s west side. ●

Contact Wesley Loy
at wloy@petroleumnews.com

continued from page 1

ANS PRODUCTION

Alpine, Endicott down

The ConocoPhillips Alaska-operated Alpine field averaged 45,086 bpd in August, down 8.28 percent from a July average of 49,155 bpd. Tax Division records show that the field was offline beginning Aug. 29; by Sept. 2 production was beginning to ramp back up. ConocoPhillips Alaska said earlier in the summer that the annual turnaround at Alpine would begin in August, with major maintenance and some tie-in work, estimated to take several days.

Alpine includes satellite production from Fiord, Nanuq and Qannik.

The BP-operated Endicott field averaged 8,371 bpd in August, down 7.75 percent from a July average of 9,074 bpd. Endicott includes satellite production from Sag Delta, Eider and Minke, as well as production from the Savant Alaska-operated Badami field to the east. AOGCC data shows that Badami averaged 1,044 bpd in July, down 4 percent from a June average of 1,087 bpd.

Kuparuk almost level

Production from the ConocoPhillips-

operated Kuparuk River field averaged 146,674 bpd in August, down 0.11 percent from a July average of 146,833 bpd.

Kuparuk production includes satellite production at Meltwater, Northeast West Sak, Tabasco and Tarn, as well as from the Eni-operated Nikaitchuq field and the Caelus Alaska-operated Oooguruk field. AOGCC data shows Nikaitchuq averaged 23,522 bpd in July, down 0.18 percent from a June average of 23,563 bpd, while Oooguruk averaged 15,414 bpd, up 233 percent from a June average of 4,623 bpd. The July volume for Oooguruk is back in the range that the field has been producing in recent months.

The BP-operated Lisburne field averaged 25,327 bpd in August, up 2 percent from a July average of 24,815 bpd.

Cook Inlet breaks 17,000 bpd

Cook Inlet production averaged 17,343 bpd in July, breaking the 17,000-bpd barrier, and up 12.66 percent from an average of 15,394 bpd in June. Prior to June, inlet production had averaged more than 16,000 bpd since August 2013.

The largest production increase, 196 percent, was at the XTO-operated Middle Ground Shoal field, which averaged

1,790 bpd in July, up from 604 bpd in June. That June volume, however, was a dramatic drop from a volume which at been running at about 2,000 bpd.

The Cook Inlet Energy-operated West McArthur River field had a 44.67 percent increase, averaging 1,862 bpd in July, up from 1,287 bpd in June.

Hilcorp’s Trading Bay field averaged 2,892 bpd in July, up 13 percent from a June average of 2,560 bpd, and its Swanson River field averaged 2,229 bpd in July, up 7.4 percent from a June average of 2,075 bpd.

Overall, all three Cook Inlet oil producers had month-over-month production increases, led by XTO at Middle Ground Shoal (its only field), followed by Cook Inlet Energy with a 21.85 percent month-over-month production increase to 2,930 bpd and Hilcorp with a 1.92 percent increase to 12,623 bpd.

Other fields in Cook Inlet had month-over-month production declines: Hilcorp’s Beaver Creek down 17 percent to 107 bpd from 128 bpd in June; Cook Inlet Energy’s Redoubt Shoal down 4.44 percent to 1,068 bpd in July from 1,118 bpd in June; Hilcorp’s McArthur River field, at 4,730 bpd down 3.35 percent from a June average of 4,894 bpd; and Hilcorp’s Granite Point field, down 2.26 percent at 2,665 bpd from a June average of 2,727 bpd.

ANS crude oil production peaked in 1988 at 2.1 million bpd; Cook Inlet crude oil production peaked in 1970 at more than 227,000 bpd.

—KRISTEN NELSON

Contact Kristen Nelson
at knelson@petroleumnews.com

Only pay for the speed you need... Dynamic Routing!SM

At Lynden, we understand that plans change but deadlines don’t. That’s why we proudly offer our exclusive Dynamic Routing system. Designed to work around your unique requirements, Dynamic Routing allows you to choose the mode of transportation — air, sea or land — to control the speed of your deliveries so they arrive just as they are needed. With Lynden, you only pay for the speed you need!

DESTINATION: FAIRBANKS

ETA: 9:30 - 11:30 A.M.

| S | M | T | W | T | F | S |
|----|----|----|----|----|----|----|
| 31 | 1 | 2 | 3 | 4 | 5 | 6 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |



ALASKA

LYNDEN
Innovative Transportation Solutions

www.lynden.com 1-888-596-3361

continued from page 11

TAPS TARIFFS

but called the new rate “unjust and unreasonable because it includes, among other items: faulty adjustments to throughput; improper treatment of owner-direct costs, including ad valorem costs related to prior periods; failure to support affiliate costs; and unreasonable and imprudently incurred costs” for the strategic reconfiguration project which Alyeska Pipeline Service Co. has been implementing.

The complaint referenced RCA’s “last approved tariff for shipments to the Valdez Marine Terminal” of \$1.96 per barrel and FERC’s last approved rate of \$3.93 per barrel, and said at \$5.86 per barrel, the new requested rate, the “total revenue requirement is out of line and disproportionately distributed in intrastate ratepayers.” ●

Contact Kristen Nelson
at knelson@petroleumnews.com

continued from page 14

PEMEX OUTPUT

next three years.

Private exploitation of Mexico’s oil and gas drilling is being allowed for the first time since the industry was nationalized 76 years ago.

Hernandez said Aug. 29 that more than a third of the country’s production will continue to come from the Ku-Maloob-Zaap field in the Bay of Campeche in the Gulf of Mexico.

Mexico is expected to produce 2.8 million barrels per day by 2018, crude production that will come from both Pemex and the other companies expected to enter the Mexican oil market, Hernandez said.

—ASSOCIATED PRESS