Petroleum news

Vol. 25, No. 41 • www.PetroleumNews.com — A weekly oil & gas newspaper based in Anchorage, Alaska — Week of October 11, 2020 • $2.50

page 7 US crude output rising from 2-year low of 10 million bpd in May

Glacier Oil initiates long-term suspension at Redoubt, WMRU

At the end of September, Cook Inlet Energy, a Glacier Oil and Gas company, submitted a supplemental notification to the Alaska Department of Natural Resources' Division of Oil and Gas, telling the agency of its intent to initiate a long-term suspension of oil production operations at the Redoubt unit and the West McArthur River unit, or WMRU, along with the Sword participating area, in the Cook Inlet basin. Approval for the existing suspension of lease operations was granted by the division on June 4.

The change in scope of the current suspension was "due to the longer-term global economic conditions that have negatively impacted operations" of the units, the company said.

Previously, the suspensions were identified as warm shutdowns but have been progressed to cold shutdowns and an

see **UNIT SUSPENSIONS** page 10

ADFG comments on humpback whale habitat designation

In an Oct. 2 letter to the Federal Energy Regulatory Commission regarding the FERC environmental assessment for the Kenai LNG Cool Down Project, the Alaska Department of Fish and Game drew FERC's attention to a federal proposal to designate much of the Lower Cook Inlet as critical habitat for the humpback whale. The designation could presumably impact the permitting of LNG tanker traffic through the Cook Inlet.

In October 2019 the National Marine Fisheries Service proposed designating a huge area of the ocean off the western and northwestern coast of the United States as critical habitat for the humpback whale. The designated area would include the Lower Cook Inlet, south of Kalgin Island, including the

see **WHALE HABITAT** page 11

Alyeska drops oil flow 25% from Oct. 3-6 to cut Valdez inventory

Alyeska Pipeline Service Co. reduced flow through the trans-Alaska oil pipeline by 25% for three and a half days in early October, Alaska Revenue Commissioner Lucinda Mahoney said in a House Finance Committee hearing Oct. 2.

Mahoney said pipeline operator Alyeska was concerned about continuing low market demand, a projected buildup of inventories at West Coast refineries and was looking to reduce high inventories of crude storage at the Valdez Marine Terminal.

As of Oct. 1, there were 5.1 million barrels of crude oil in the 14 storage tanks at Valdez, where there is space for about 6.5 million barrels.

About 490,000 barrels a day were being moved through the

see **PIPELINE FLOW** page 11

Alberta's Kenney calls on Trudeau to deliver on his bailout promises

JASON KENNEY

The latest round of layoffs by Canada's largest fossil-fuel companies and the withdrawal by Canada's top banks from lending to coal and the full range of oil developments has rattled, among others, Alberta Premier Jason Kenney.

On the heels of layoffs by TC Energy and Suncor Energy, Kenney said the trend is nothing less than a state of "economic emergency" for his province.

"The government of Canada would be moving heaven and earth if we saw layoffs of this scale in the central Canadian

see **ALBERTA AID** page 10

EXPLORATION & PRODUCTION

Hilcorp jack-up rig

ADEC issues preliminary OK to move Spartan 151 jack-up to Tyonek Platform

By **STEVE SUTHERLIN**

Petroleum News

Hilcorp Alaska LLC is advancing its plan to move the Spartan 151 jack-up rig to the Tyonek platform in the North Cook Inlet unit, approximately 40 miles west-southwest of Anchorage in 100 feet of water at mean lower low water.

The Alaska Department of Environmental Conservation issued a public notice Oct. 5 that it has made a preliminary decision to approve Hilcorp's application for an air quality control minor permit Hilcorp submitted March 18 for authorization to relocate the rig.

The company told Petroleum News Oct. 7 that it

In its 2019 POD for the North Cook Inlet unit, Hilcorp told the Alaska Division of Oil and Gas that it anticipated drilling the first development well from the Tyonek platform in 2020.

had no comment on the timing of the rig move or its current plans for the rig. A Petroleum News source said the rig mobilization could take place in spring 2021.

In previous public filings, Hilcorp has indicated potential operations that may involve the use of a

see **JACK-UP RIG** page 11

GOVERNMEMNT

A polar bear assessment

USGS reports estimated number of bears and dens in Beaufort Sea coastal area

By **ALAN BAILEY**

For Petroleum News

The U.S. Geological Survey Wildlife Program has published a report presenting a statistical analysis of the number of polar bears and their dens in the southern Beaufort Sea region, which includes the Beaufort Sea coastal region of the North Slope. The data presented are of importance to the North Slope oil and gas industry, and to the communities of the region, since they may impact the permitting of activities in the region. Polar bears have been listed as threatened under the Endangered Species Act and are protected under the terms of the Marine Mammal Protection Act.

The new report comments that the U.S. Fish

Overall, it appears that the southern Beaufort Sea population has remained mostly stable since the population decline that occurred in the mid-2000s.

and Wildlife Service, in meeting its obligations under these two acts, must determine whether planned activities will have a negligible impact on the bear population. Estimates of the bear population and the number of bear dens are important in making these determinations, the report says.

Moreover, the shrinkage of the Arctic sea ice extent in recent decades, coupled with the reduced

see **POLAR BEAR REPORT** page 11

FINANCE & ECONOMY

That new dog won't hunt

Prudhoe doing better, but Ballot Measure 1 zaps AK jobs, puts back in decline

By **KAY CASHMAN**

Petroleum News

DAVID WILKINS

JOE MARUSHACK

The Prudhoe Bay oil field is doing a little better than expected three months after Hilcorp Alaska took over operatorship, company executive David Wilkins told the Alaska State Chamber Fall Forum on Sept. 24.

After completing its acquisition of BP Exploration (Alaska)'s upstream assets, including 26.36% of the Prudhoe Bay unit, Hilcorp is delivering 260,000 barrels of oil per day — 10,000-20,000 more barrels daily than it was two years ago.

In talking about how promising 2020 started out, Wilkins' fellow presenter, ConocoPhillips Alaska President Joe Marushack, also sounded pleased about Hilcorp's performance at Prudhoe Bay: "We had Hilcorp coming on as a new owner and operator to see what they could do to reduce costs and increase production. I can tell you that in just a short period of time that's gone pretty well."

ConocoPhillips Alaska holds a 36.08% interest in the Prudhoe Bay unit, while ExxonMobil Alaska Production holds the other major chunk with 36.4%.

Wilkins said Hilcorp is developing a long list of

see **BALLOT MEASURE 1** page 9

● GOVERNMENT

BlueCrest requests delay in bond payments

Asks AOGCC to defer for 2 years additional bonding under 2019 increases; notes financial strains, especially on small companies

By **KRISTEN NELSON**
Petroleum News

The Alaska Oil and Gas Conservation Commission has scheduled a public hearing at its Anchorage offices Nov. 17 at 10 a.m. on a request from BlueCrest Alaska Operating for a reconsideration of bonding requirements for its wells at Cosmopolitan.

The company has also requested deferral of payments of the increased bonding amounts required by the commission.

BlueCrest President John Martineck reviewed the company's bonding in an Aug. 27 letter to the commission: $750,000 in bonding in favor of AOGCC; $500,000 in bonding in favor the Alaska Department of Natural Resources; and a $5 million cash deposit with Pioneer Natural Resources, the previous field owner, $3 million for abandonment and $2 million for reclamation.

In an April email, BlueCrest's Andrew Buchanan, the company's vice president Alaska, requested a two-year deferral of the payments required to bring the company's bonds up to AOGCC's current requirements, established in May 2019.

BlueCrest's existing bond payment schedule, and the requested deferral dates:

•Aug. 16, 2020, bond requirement of $500,000, requested to be deferred to Aug. 16, 2022.

•Aug. 16, 2021, bond requirement of $500,000, requested to be deferred to Aug. 16, 2023.

•Aug. 16, 2022, bond requirement of the remaining balance to be deferred to Aug. 16, 2024.

"As the Commission is aware, the recent collapse in oil prices and the economic downturn resulting from the covid-19 response has placed unprecedented financial strains on all the oil and gas companies operating in Alaska," Buchanan said in the April email request. "That strain is particularly acute for smaller companies like BlueCrest, who operate on very close margins and whose access to capital is significantly limited in the current economic environment," he said.

Buchanan said that providing this relief to BlueCrest would "have a material, positive impact for our ongoing operations, yet it will not create any unreasonable risk for the state," since the company is not seeking a waiver but only a deferral of the bonding requirements, a deferral which "would only run through 2024 on a project that has 25 years of economic life ahead of it."

The company produces from wells in the Hansen oil pool at the Cosmopolitan unit on the Kenai Peninsula. In August, the most recent month for which the commission has posted data, there were five wells in production, and oil production for the month averaged 1,022 barrels per day.

BlueCrest became operator at Cosmopolitan in 2014 and regular production began from the Hansen oil pool in April 2016, AOGCC said in its pool statistics, with average oil production at the field peaking at 1,713 bpd in May 2019.

The commission raised its bonding requirements for plugging and abandoning wells in May 2019 from $100,000 for a single well and $200,000 for multiple wells to $400,000 per well for one to 10 wells; $6 million for 11-40 wells; $10 million for 41-100 wells, $20 million for 101-

see **BOND PAYMENTS** *page 3*

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● EXPLORATION & PRODUCTION

Placer facility sharing talks continue

AEX files fifth POD for small North Slope field, which it has had up for sale; details plans to move ahead with development in 2021

By KRISTEN NELSON

Petroleum News

ASRC Exploration LLC, or AEX, operator of the small North Slope Placer unit, is continuing facility sharing discussions for Mustang with the Alaska Industrial Development and Export Authority and is continuing work on acquiring permits for Placer development, the company told the Alaska Department of Natural Resources' Division of Oil and Gas Oct. 2 in the fifth proposed plan of development for Placer.

The fifth POD covers the 2021 calendar year.

During 2020, under the fourth POD, AEX said it received its 404 permit from the U.S. Army Corps of Engineers, and its Section 401 water permit from the Alaska Department of Environmental Conservation, filed an oil discharge prevention and contingency plan renewal application with DEC and is working with the North Slope Borough on a material sale contract for gravel and on NSB rezoning for the Placer leases.

Continuing discussions

AEX said it continued facility sharing discussions with Mustang unit operator Brooks Range Petroleum Corp. until AIDEA began foreclosure proceedings against Mustang.

On Sept. 11, AEX said in its Oct. 2 filing, it executed a nondisclosure agreement with AIDEA to begin discussions on a development and facility sharing agreement related to Mustang "and is currently engaged in such discussions with AIDEA."

(On Sept. 16 the AIDEA board passed a resolution approving negotiation and execution of a debt settlement/restructuring agreement and authorizing the sale of Mustang leases to Finnex LLC; see story in Sept. 20 issue of Petroleum News.)

AEX said it had been unable to move forward with its road and pipeline survey, facility front end engineering and design and other applications and permits for ice road construction due to the Mustang foreclosure, but said it would "initiate these activities as soon as a Facilities Sharing Agreement is in place."

AEX said the surface location of Oil Search Alaska's Mitquq wells is about half a mile east of the Placer unit boundary.

In paperwork filed with the state in 2019, AEX said it was looking at sending its oil to either the new Pikka development or to Mustang.

AEX put Placer on the market in 2019, retaining Detring Energy Advisors of Houston to sell the North Slope unit and related assets. Detring described Placer as offsetting multiple prolific oil fields and said it included a development-ready project in the Kuparuk C reservoir and the potential for additional stacked pays in the Alpine and Nanushuk intervals.

Other plays

AEX said it evaluated oil shows from Nanushuk sandstones in the Placer No. 1 and No. 2 wells in 2019.

"Our seismic interpretation of the merged, reprocessed 3D seismic data over the Placer Unit indicates a major change in the basin architecture between the Nanushuk 3 development in the Pikka Unit and the Placer Unit. The sand development in Placer 1 and 2 wells is related to a back-stepping transgressive system. AEX has continued the analysis of the Nanushuk interval because it could be a potential satellite development from the Placer Unit," the company said.

AEX said the surface location of Oil Search Alaska's Mitquq wells is about half a mile east of the Placer unit boundary. AEX noted a January 2020 release from Oil Search describing 180 feet of oil pay and 17 feet of gas pay in the Mitquq No. 1 and said that well targeted "the same trend AEX had previously identified."

AEX said public well results from the Mitquq No. 1 well appear "to have validated AEX's asserted interpretation of the Nanushuk interval and has de-risked the Nanushuk in the eastern part of the Unit."

Plans under review

Based on geologic and geophysical analysis of the eastern Nanushuk, AEX said it was reviewing its development plan for the unit. It said preliminary studies indicate the eastern Nanushuk could be developed from the Placer No. 1 pad and said in its 404 permit it "designed the drill site to be large enough to accommodate additional wells."

AEX said it is refining the number of wells it would take to develop the eastern and western Nanushuk Topset within its leases and finalizing well design.

Fifth POD

For its fifth POD, covering the calendar year 2021, AEX said long-range activities "include plans to delineate all underlying oil or gas reservoirs, bring the reservoirs into production, and maintain and enhance production once established."

The Kuparuk C would be the anchor productive interval within the Placer unit, the company said, and based on recent engineering work the plan would be to develop the Kuparuk C reservoir with two horizontal multistage fracked producers and two injectors.

The 404 Corps permit received earlier in the year allows construction of a gravel pad in the vicinity of the Placer No. 1 well, AEX said. That pad would be accessed via a gravel road and a three-phase pipeline would move fluids from Placer to the Mustang facility.

As part of the Kuparuk C drilling plan, AEX said pilot holes would be extended to test the Alpine C.

Eastern Nanushuk Topset sands have been evaluated and will be included in future development plans, the company said, and it "will continue the geological and reservoir engineering work on these prospects to delineate these potential reservoirs."

Development activities

Key development activities in the fifth POD include:

•Finalizing a facility access agreement for throughput into the Mustang facilities and pipeline;

•Starting facilities FEED once the facilities sharing agreement is in place;

•Restarting discussions with the North Slope Borough on rezoning for the Placer leases;

•Starting work for needed state and federal permits;

•Conducting a pre-build survey for road, pipeline and pad layout by the end of June 2021;

•Obtaining master service agreements with contractors for ice road, civil and gravel work during the first and second quarters of 2021;

•Starting ice road construction in the fourth quarter of 2021 to lay gravel for road and pad in the first quarter of 2022; and

•Expediting and conducting civil engineering FEED for gravel placement for road and drill pad to Mustang in June 2021. ●

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BOND PAYMENTS

1,000 wells; and $30 million for more than 1,000 wells.

In July 2019 the commission notified companies with permitted wellheads of new bonding requirements.

A number requested reconsideration: AIX Energy, Alaskan Crude, Amaroq Resources, Cook Inlet Energy, Malamute Energy and Savant Alaska.

The commission issued a decisionon the AIX appeal earlier in the year, accepting the company's existing AOGCC bond because of a bond for plugging and abandoning wells that is in place with the landowner, the Alaska Mental Health Trust Land Office.

In late September AOGCC issued decisions on the CIE and Malamute requests (see story in Oct. 4 issue of Petroleum News), partially accepting a bonding reconsideration request from CIE and denying a request from Malamute Energy. ●

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● EXPLORATION & PRODUCTION

Cook Inlet natural gas up 13% in August

By KRISTEN NELSON
Petroleum News

There are 22 fields in the inlet producing gas, and the eight largest of those combined account for almost 85% of production.

Cook Inlet natural gas production averaged 218,884 thousand cubic feet per day in August, up 16,683 mcf, 12.7%, from a July average of 198,905 mcf per day, and up 6.5% from an August 2019 average of 205,459 mcf per day.

There are 22 fields in the inlet producing gas, and the eight largest of those combined account for almost 85% of production.

With the exception of Kitchen Lights, operated by HEX, the other large fields are all operated by, and all but one are 100% owned by, Hilcorp Alaska.

With one exception, all of those fields had month-over-month production increases.

This data is from the Alaska Oil and Gas Conservation Commission, which reports production on a month-delay basis. For natural gas AOGCC reports measurements in thousands of cubic feet, mcf.

Largest fields

Hilcorp's Kenai gas field averaged 38,079 mcf per day in August, up 17.5%, 5,666 mcf, from a July average of 32,414 mcf per day and up 25.5% from an August 2019 average of 30,340 mcf.

Hilcorp's Ninilchik field averaged 31,879 mcf per day in August, up 0.2%, 46 mcf, from a July average of 31,833 mcf per day but down 14.9% from an August 2019 average of 37,466 mcf per day.

Hilcorp's McArthur River, the inlet's largest oil producer, averaged 25,846 mcf per day of gas in August, up 6.1%, 1,493 mcf, from a July average of 24,353 mcf per day and up 18.6% from an August 2019 average of 21,801 mcf per day.

Hilcorp's Swanson River was the only large field with a month-over-month production decline. It averaged 23,334 mcf per day in August, down 5.9%, 1,463 mcf, from a July average of 24,797 mcf per day and down 19.7% from an August 2019 average of 29,068 mcf per day.

Beluga River, operated by Hilcorp but primarily owned by Municipal Light & Power, averaged 21,940 mcf per day in August, up 34.9%, 5,677 mcf, from a July average of 16,262 mcf per day, and up 34.9% from an August 2019 average of 20,594 mcf per day.

Hilcorp's North Cook Inlet averaged 17,976 mcf per day in August, up 17.9%, 2,728 mcf, from a July average of 15,249 mcf per day and up 33.4% from an August 2019 average of 13,478 mcf per day.

HEX's Kitchen Lights averaged 13,908 mcf per day in August, up 9.7%, 1,231 mcf, from a July average of 12,678 mcf, but down 13.1% from an August 2019 average of 16,006 mcf per day.

Hilcorp's Beaver Creek averaged 12,413 mcf per day in August, up 36.2%, 3,296 mcf, from a July average of 9,118 mcf per day and up 89.9% from an August 2019 average of 6,538 mcf per day.

Smaller fields

Hilcorp's Cannery Loop averaged 5,230 mcf per day in August, down 1.8%, 98 mcf, from a July average of 5,328 mcf per day but up 75.9% from an August 2019 average of 2,973 mcf per day.

AIX's Kenai Loop averaged 5,087 mcf per day in August, up 3.9%, 192 mcf, from a July average of 4,895 mcf per day, but down 6.4% from an August 2019 average of 5,437 mcf per day.

Hilcorp's Ivan River averaged 3,950 mcf per day in August, up 61.3%, 1,502 mcf, from a July average of 2,449 mcf per day and up 907% from an August 2019 average of 392 mcf per day.

Hilcorp's Deep Creek averaged 3,831 mcf per day in August, down 1.9%, 76 mcf, from a July average of 3,906 and down 15.1% from an August 2019 average of 4,513 mcf per day.

Hilcorp's Granite Point averaged 3,605 mcf per day in August, down 3.6%, 136 mcf, from a July average of 3,741 mcf per day but up 31.2% from an August 2019 average of 2,749 mcf per day.

BlueCrest's Hansen field, the Cosmopolitan project, averaged 3,423 mcf per day in August, up 1.7%, 57 mcf, from a July average of 3,366 mcf per day but down 35.2% from an August 2019 average of 5,279 mcf per day.

Cook Inlet Energy's North Fork averaged 3,341 mcf per day in August, down 1.8%, 62 mcf, from a July average of 3,403 mcf per day and down 14.9% from an August 2019 average of 3,927 mcf per day. CIE is a Glacier Oil and Gas company.

Hilcorp's Trading Bay averaged 2,981 mcf per day in August, down 0.5%, 15 mcf, from a July average of 2,995 mcf per day and down 6.4% from an August 2019 average of 3,185 mcf per day.

Hilcorp's Lewis River averaged 1,069 mcf per day in August, up 0.2%, 2 mcf, from a July average of 1,067 mcf per day and up 382.5% from an August 2019 average of 222 mcf per day.

Amaroq's Nicolai Creek averaged 397 mcf per day in August, up 8.8%, 32 mcf, from a July average of 365 mcf per day and up 15.4% from an August 2019 average of 344 mcf per day.

Hilcorp's Nikolaevsk averaged 389 mcf per day in August, up 0.6%, 2 mcf, from a July average of 387 mcf per day but down 24.4% from an August 2019 average of 515 mcf per day.

Hilcorp's Middle Ground Shoal averaged 205 mcf per day in August, down 31.8%, 96 mcf, from a July average of 300 mcf per day and down 35.9% from an August 2019 average of 320 mcf per day.

Cook Inlet natural gas production peaked in the mid-1990s at more than 850,000 mcf per day. ●

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

OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 25, No. 41 • Week of October 11, 2020
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. — $118.00 1 year, $216.00 2 years
Canada — $206.00 1 year, $375.00 2 years
Overseas (sent air mail) — $240.00 1 year, $436.00 2 years
"Periodicals postage paid at Anchorage, AK 99502-9986."
POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

EXPLORATION & PRODUCTION

DNR OKs two new wells at Ninilchik unit

The Alaska Department of Natural Resources' Division of Oil and Gas has approved an amendment to Hilcorp Alaska's unit plan of operations for the Ninilchik unit, allowing the company to drill two grassroots natural gas wells from the Paxton pad.

"The two new gas wells and associated infrastructure, including well cellars and conductors, gas flowlines, and electrical instrumentation, will support continued natural gas production from the Ninilchik Unit," the division said in an Oct. 1 decision.

Drilling will begin on or after Oct. 3, the division said, with tie-in and construction continuing until approximately March 4, 2021.

All the planned activities will be on pad and tie into existing gas production infrastructure.

Hilcorp has already received a drilling permit for one of the wells, Paxton No. 10, from the Alaska Oil and Gas Conservation Commission. A permit had not yet been issued for the second well, Paxton No. 11, when this issue of Petroleum

see **PAXTON WELLS** *page 5*

● PIPELINES & DOWNSTREAM

Endless pipeline battles

Coastal GasLink serving LNG Canada back before British Columbia Supreme Court; arguments over progress of Trans Mountain expansion

By GARY PARK
For Petroleum News

One thing is certain about energy pipelines being laid across British Columbia to export terminals on the Pacific Coast — even when feuding over the projects seems resolved it isn't.

The one venture that was brought to its knees was Enbridge's plan to build Northern Gateway, to deliver 550,000 barrels per day of oil sands bitumen to a tanker port at Prince Rupert.

Two others — Coastal GasLink to deliver an initial 2.1 billion cubic feet per day, then 5 bcf/day of natural gas to Kitimat for liquefaction destined for Asia and expansion of the aged Trans Mountain crude pipeline to triple capacity to 890,000 bpd to a tanker terminal in the Greater Vancouver area — have since borne the brunt of court action and public protests.

They continue to face resistance, regardless of accumulating a string of legal and political victories.

Over the past four months, construction on the 420-mile, C$6.6 billion Coastal GasLink in British Columbia has been ramped up, after being halted by a First Nations rail blockade that spread across Canada, coinciding with a work shutdown stemming from COVID-19.

Court battles not over

But the court battles that have tied up progress are apparently far from over. Leaders of the Wet'suwet'en, who initiated the rail closure that choked off the movement of goods conservatively valued at C$500 million, are now back in the British Columbia Supreme Court.

The case is based on an attempt by the Wet'suwet'en to quash an order a year ago extending a British Columbia government environmental assessment certificate, nearly five years after a certificate was first issued.

Attorneys for the Wet'suwet'en told a judge on Oct. 1 that a further evaluation is needed to remove the potential risk of violence to Indigenous women posed by pipeline workers

They also pointed to more than 50 instances of Coastal GasLink's failure to observe existing conditions.

Karrie Wolfe, a lawyer for the Environment Assessment Office, told the court that quashing the extension could leave the pipeline in a "vacuum."

Attorneys for Coastal GasLink are scheduled to present their arguments on Oct. 16.

Leadership changes

A further upheaval occurred in mid-September when TC Energy named Tracy Robinson as the new president of Coastal GasLink, but gave no indication why David Pfeiffer, who was head of the project for 19 months, left TC Energy.

TC Energy now owns 35% of the pipeline after selling 65% in May to Alberta Investment Management Corp. and KKR & Co. and has set aside 10% for possible sale to 20 First Nations along the pipeline route.

In addition, Russ Girling, chief executive officer of TC Energy for 10 years, announced he is retiring and will be replaced by chief operating officer Francois Poirier. Girling's term has been dominated by a battle to obtain approvals and launch construction of the US$8.8 billion Keystone XL pipeline to transport up to 830,000 bpd of oil sands bitumen from Alberta to Nebraska.

Trans Mountain issues

Separately, the C$12.6 billion expansion of Trans Mountain continues to attract disagreements at the same time the project has entered fall with 5,600 workers at hundreds of sites along the 660-mile route.

In its latest filings, Trans Mountain — owned outright by the Canadian government — said it remains on track to enter service by late 2022, while environmentalists insist the project is at least two months behind schedule.

Other opponents continue to hammer on their theme that the 590,000 bpd addition to Trans Mountain makes less and less sense after Teck Resources pulled out of its C$20 billion plan to build the Frontier oil sands mine and France's Total wrote down its oil sands assets by C$9.3 billion.

Trans Mountain spokeswoman Ali Hounsel said the company has the flexibility within its vast undertaking to adjust its timetable while keeping to its target dates.

She said 13 major customers are committed to use the expansion. They have "made 15- to 20-year commitments for

see **PIPELINE BATTLES** *page 6*

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PAXTON WELLS

News went to press.

Paxton pad is some 3 miles north of Ninilchik, with both surface lands and subsurface oil and gas mineral estate privately owned.

In August, the most recent month for which AOGCC has posted production data, there were eight producing gas wells at the Paxton pad, averaging 10,214 thousand cubic feet per day. The Ninilchik unit, one of Cook Inlet's largest, averaged 31,879 mcf per day in August, almost 15% of Cook Inlet natural gas production.

Prior to the current amendment to the current 16th Ninilchik POD, Hilcorp was proposing to drill the Kalotsa No. 5 and possible targets in the Grassim Oskolkoff participating area.

—KRISTEN NELSON

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EXPLORATION & PRODUCTION

US rotary rig count adds five, now at 266

The Baker Hughes U.S. rotary rig was at 266 for the week ending Oct. 3, up by five from 261 the previous week but down by 589 from 855 a year ago.

The count hit 244 the week of Aug. 14, the lowest it has been since the Houston based oilfield services company began issuing a weekly U.S. rig count in 1944.

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

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

This week's count includes 189 rigs targeting oil, up six from the previous week and down 521 from a year ago, 74 rigs targeting gas, down one from the previous week and down 70 from a year ago and three miscellaneous rigs, unchanged from the previous week and up two from a year ago.

Twenty-one of the holes were directional, 229 were horizontal and 16 were vertical.

Alaska count unchanged

The rig count for New Mexico (44) was up by three rigs from the previous week; Louisiana (40) and North Dakota (10) were each up by one.

Counts in all other states remained unchanged from the previous week: Alaska (2), California (4), Colorado (5), Ohio (6), Oklahoma (12), Pennsylvania (19), Texas (113), West Virginia (7) and Wyoming (1).

Baker Hughes shows Alaska with two active rigs Oct. 3, unchanged from the previous week and down by seven from a year ago.

The rig count in the nation's most active basin, the Permian (129), was up by four from the previous week.

International rig count down

Baker Hughes released its September international rig count Oct. 2.

That count was down by 45 rigs from August to 702 with land rigs down 39 to 524 and offshore rigs down six to 178.

Baker Hughes said the U.S. September rig count averaged 257, up by seven from the August count of 250 and down 621 year-over-year.

Canada's rig count averaged 60 for September, up seven from August and down 72 year-over-year.

The worldwide rig count, a combination of international and North America, was 1,019 for September, down 31 from a count of 1,050 in August and down 1,122 from 2,141 in August 2019.

Baker Hughes began published the international rig count in 1975.

—KRISTEN NELSON

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PIPELINE BATTLES

80% of the expanded capacity," she said.

On the ownership front, the Canadian government said it is still holding talks with 129 First Nations across Canada to determine if they wish to acquire stakes in the pipeline.

But one group — Iron Coalition made up of three First Nations in Alberta — is reportedly no longer vying for an equity position, leaving the Western Indigenous Pipeline Group (comprising 66 First Nations) and Project Reconciliation, which is open to participation from Indigenous communities in British Columbia, Alberta and Saskatchewan, to pursue ownership. ●

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● FINANCE & ECONOMY

State sees some 10-year growth for oil and gas

Jobs for 2018-28 projected to rise 5.5% overall, 3.2% for oil, gas extraction jobs, 9% for support activities, 35.8% for drilling

By KRISTEN NELSON
Petroleum News

The Alaska Department of Labor and Workforce Development's Research and Analysis Division pushed 2018-28 employment projects for the state in the October issue of Alaska Economic Trends.

While pointing out the difficulties of long-term projection in light of COVID-19, overall Alaska employment is projected to grow 5.5% from 2018 to 2018, economist Paul Martz said in the publication's lead article.

Past performance is used in long-term projections, he said, and those projections "don't capture business cycles, structural changes, or unforeseen events."

With uncertainties in mind, the state is projected to add some 18,000 jobs from 2018 to 2018, total growth of 5.5% over the period.

Oil and gas

Martz listed oil and gas as among industries less likely to be affected by the COVID-19 pandemic but said while the future of oil and gas is "particularly uncertain … long-term growth remains likely."

Employment in the industry was "up slightly in 2019 as the state recession ended and oil prices stabilized," he said, with oil and gas service, support and drilling services seeing the most gain in jobs, "in line with new exploration the industry had announced over the previous few years."

Some of that progress will be slowed by the pandemic, but Martz said the industry is expected to "rebound in the long run," with 9% growth projected for oil and gas support activities, 515 jobs, by 2028, and 35.8% growth for drilling (234 jobs).

He said the projection is that regular oil and gas extraction probably won't grow much, just adding 113 jobs, 3.2%, and said employment is expected to "take time to level out after BP withdrew from Alaska and sold its assets to Hilcorp."

Extraction employment hasn't fluctuated much with price or production changes, with the exception of the high-price periods in 2014 and 2015, Martz said, "but this jump was short-lived, and employment quickly settled back at its 30-year average."

He said significant price changes could be a significant factor, noting that the industry lost more than 5,000 jobs between 2015 and 2018 "as prices slid from the $90 range to the low $40s before settling around $60 a barrel."

There is further uncertainty due to the pandemic, "especially on the demand side," Martz said.

"If demand resumes and global production stabilizes around current levels, which is what history suggests will happen, then prices will land in the $40 to $70 range," he said. "That price environment appears sufficient to maintain interest in expanding North Slope projects."

Job numbers

There are professional, scientific and technical jobs tied to oil and gas, mining and construction, and expected growth in those industries will also boost related companies, Martz said.

Engineering and drafting services are

see **JOBS REPORT** *page 8*

FINANCE & ECONOMY

EIA says US crude production is rising

Hit 2-year low in May of 10 million barrels per day; July average 11 million bpd; estimated to be at 11.2 million bpd in September

By KRISTEN NELSON

Petroleum News

U.S crude oil production averaged 11 million barrels per day in July, the most recent month for which historic data is available, the U.S. Energy Information Administration said Oct. 6 in its Short-Term Energy Outlook.

September, for which only an estimate is currently available, is expected to be up by some 200,000 bpd to 11.2 million bpd, "up 1.2 million barrels per day from May's two-and-a-half year low," EIA Administrator Dr. Linda Capuano said in a statement accompanying the outlook release.

DR. LINDA CAPUANO

"Production has increased as tight oil operators bring wells back online in response to rising prices," she said. "However, we expect U.S. production to generally decline through mid-2021 as production from new drilling activity will not be large enough to offset declines from existing wells."

EIA said U.S. production is expected to decline to an average of 11 million bpd in the second quarter of 2021, with drilling activity expected to rise later in 2021, contributing to U.S. crude production returning to an average of 11.2 million bpd by the fourth quarter next year.

The agency expects U.S. crude oil production to fall from an annual average of 12.2 million bpd in 2019 to 11.5 million bpd this year and 11.1 million bpd in 2021.

"As global oil demand growth slowed in the third quarter, daily Brent crude oil prices decreased $4 per barrel from August to an average $41 per barrel in September." —EIA Administrator Dr. Linda Capuano

"As global oil demand growth slowed in the third quarter, daily Brent crude oil prices decreased $4 per barrel from August to an average $41 per barrel in September," Capuano said.

EIA said the decrease in oil prices "coincided with slowing increases in global oil demand," with month-over-month consumption rising by 1 million bpd on average in August and September, compared to an average increase of 4.1 million bpd from May through July.

"EIA estimates that global inventories built at a rate of 7.3 million barrels per day in the second quarter but drew at a rate of 3.1 million barrels per day in the third quarter," Capuano said. "Despite this change, EIA expects that high inventory levels and surplus crude oil production capacity will limit upward pressure on oil prices, resulting in an average monthly Brent spot price of $42 per barrel in the fourth quarter," she said.

There was heightened price volatility in September, with Brent falling to less than $40 per barrel before beginning to stabilize from mid-September through Oct. 1, with some initial price decline a result of announcements from Libya that the export blockade would be lifted. The blockade had reduced production from 800,000 bpd in January to less than 100,000 bpd in August. EIA said Libya is not part of the current production agreement among members of the Organization of the Petroleum Exporting Countries and partners, so an increase in Libyan production "could significantly affect crude oil supply and inventories in the coming months."

EIA also said it estimates the rate of global oil demand growth slowed in August and September compared with initial recovery from June through July. And recent increases in COVID-19 cases in some countries have resulted in renewed restrictions, which could also contribute to downward pressure on oil prices.

Brent v WTI

EIA said there has been a reduction in the Brent-West Texas Intermediate futures price spread, which closed at a four-month low of 48 cents per barrel on Sept. 30.

North Sea production has not declined while U.S. production has, "likely putting downward price pressure on Brent relative to WTI," the agency said.

Another factor is a slower demand recovery in the second quarter than EIA estimated in September, it said, allowing a higher share of crude oil demand from importers in Asia to be met from a combination of inventories and rising OPEC+ production, a trend which the agency said it expects to continue into 2021, "which could reduce export demand for U.S. crude oil from the most distant refining markets in Asia."

Then there is oil export infrastructure expansion along the U.S. Gulf Coast, improving efficiency and lowering U.S. crude oil export costs.

Based on these combined factors, EIA said it expects the Brent-WTI spread to average $1.50 per barrel in the fourth quarter and $2.35 in 2021, down $1.50 and $1.65, respectively, from the agency's September forecast.

Natural gas

The Henry Hub natural gas spot price increased 53 cents from July to August and then "decreased 38 cents to an average $1.92 per million British thermal units in September," Capuano said. "Lower prices reflected high inventory levels and relatively low demand for U.S. LNG exports and hurricane-related activity in the Gulf of Mexico," she said.

EIA said lower natural gas spot prices reflected declining demand from the U.S. electric power sector due to lower-than-normal temperatures in the second half of September, in addition to the LNG and hurricane factors.

The agency said it expects rising domestic demand for natural gas and rising LNG export demand, and reduced production, will cause spot prices to rise to a monthly average of $3.38 per million Btu in January. Average monthly spot prices are expected to stay above $3 through 2021, averaging $3.13, EIA said, up from a forecast of $2.07 per million Btu in 2020. ●

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GOVERNMENT

Governor reappoints Price to AOGCC

Alaska Gov. Mike Dunleavy has reappointed Jeremy Price to the Alaska Oil and Gas Conservation for a term beginning March 1, 2021, and ending March 1, 2027.

JEREMY PRICE

The governor named Price to fill the public seat on the commission in October 2019 and named him chair, filling a seat left vacant when the governor removed Hollis French from the commission in February 2019.

French had been named to the public seat in 2016 by Gov. Bill Walker.

The term Price was named to fill expires March 1, 2021.

Dan Seamount, who fills the geologist seat on the commission, was appointed in January 2000. He was most recently reappointed in 2017; his term expires March 1, 2023.

Jessie Chmielowski, the petroleum engineer on the commission, was appointed by Dunleavy in March 2019; her term expires March 1, 2025.

The governor's appointments to the commission are subject to legislative approval.

—KRISTEN NELSON

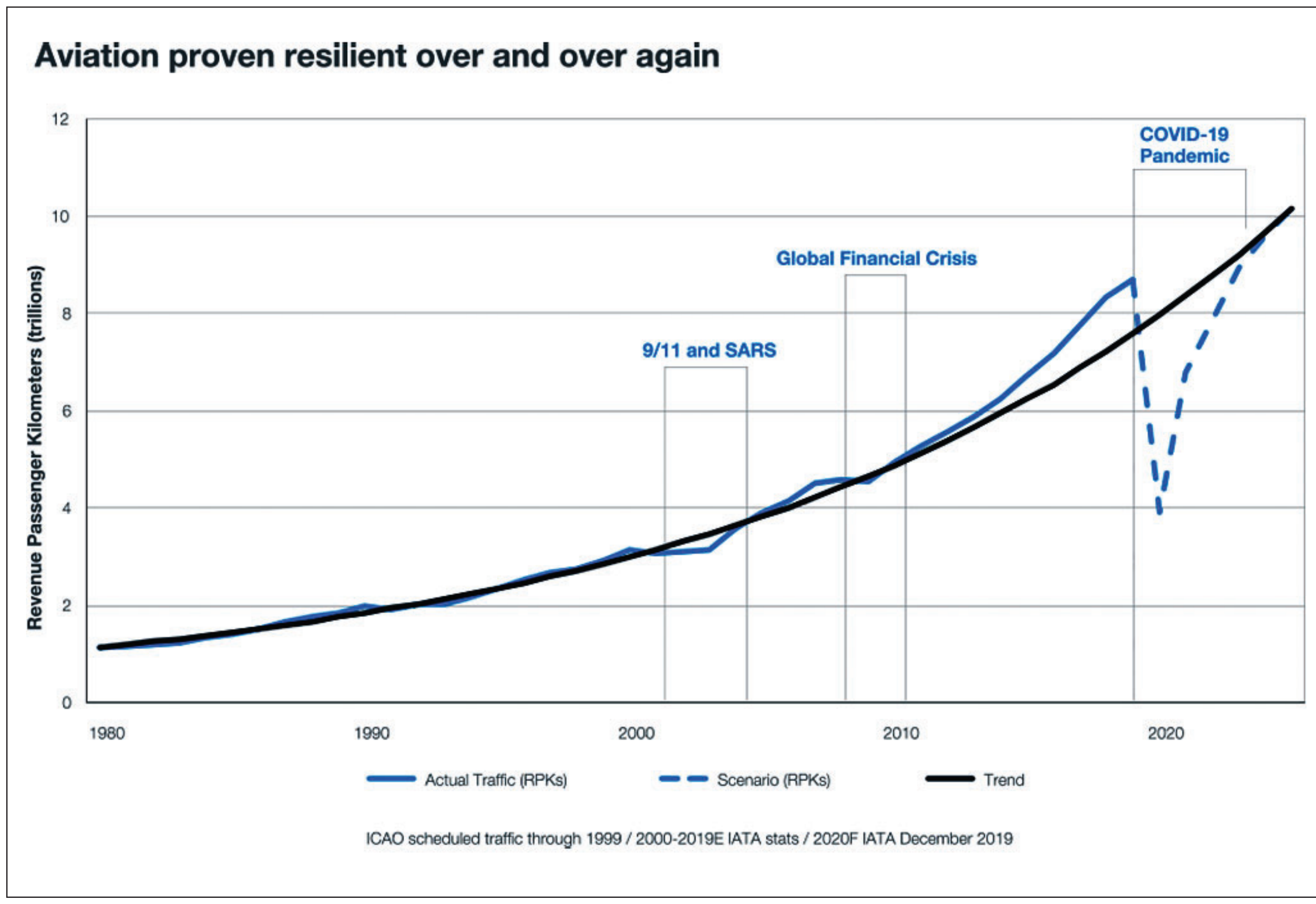
FINANCE & ECONOMY

Trump roils early October oil markets

Prices mirror presidential COVID-19 diagnosis, recovery; labor strike in Norway shuts in facilities; Boeing says aviation will soar

By STEVE SUTHERLIN

Petroleum News



BOEING

Oil prices set out on a path of wild gyrations as the world learned that President Donald Trump and First Lady Melania Trump tested positive for COVID-19.

After a down day Oct. 1 on demand recovery concerns, the Trump announcement Oct. 2 squelched a recovery in early morning trading, sending Alaska North Slope Crude down $1.58 to $37.64, West Texas Intermediate down $1.67 to $37.05, and Brent down $1.66 to $39.27.

Trump was admitted to Walter Reed National Medical Center on the evening of Oct. 2.

On Monday Oct. 5, Trump returned to the White House and prices reacted strongly to the upside, with ANS jumping $2.20 to $39.84, WTI rising $2.17 to $39.22, and Brent up $2.02 to $41.29. All three benchmarks rose and all closed above $40 Oct. 6.

Prices were further buoyed Oct. 5 by a labor strike in Norway which shut in six offshore production facilities. The Norway strikes slashed the county's oil output by an estimated 330,000 barrels per day, offsetting an estimated 300,000 bpd total production from Libya, where the war-torn nation is ramping up production as hostilities subside.

On Oct. 6, Gulf of Mexico oil operators began shutting in facilities and evacuating workers as Hurricane Delta, the 25th named storm of the 2020 Atlantic hurricane season, raged through the Caribbean with sustained winds of 115 miles per hour. By Oct. 7 approximately 80% of the gulf's production was shut in.

Back at work in the Oval Office Oct. 7, in a video message, Trump said he felt "great."

On Oct. 7, oil prices slid. ANS slipped 24 cents to $40.48, WTI sunk 72 cents to $39.95, and Brent fell 66 cents to $41.99.

Saudi Arabia, however, eased prices upward for its flagship crude oil shipped to Asia, showing strength in the physical market after a month and a half of weakness and falling refining margins, Bloomberg reported.

Saudi Aramco raised pricing for Arab Light crude for Asia by 10 cents per barrel.

Air travel needs a lift

Air travel continues to be the soft spot in oil demand, but Boeing — while acknowledging the magnitude and breath of the current downturn surpasses any it

Air travel continues to be the soft spot in oil demand, but Boeing — while acknowledging the magnitude and breath of the current downturn surpasses any it has seen before — is confident the industry will fly high again.

has seen before — is confident the industry will fly high again.

In its newly released Commercial Market Outlook 2020-2039, Boeing said that while aviation has seen periodic demand shocks since the beginning of the jet age, the industry has recovered from demand downturns every time.

"After 9/11 in 2001, followed by the SARS epidemic in 2003, air travel returned to its long-term growth trend by 2004," Boeing said. "More recently, after the Global Financial Crisis from 2008 to 2009, passenger demand returned to long-term trend in 2011."

The company said it currently believes it will likely take about three years for air travel to return to 2019 levels, and it will be a few years beyond that for the industry to return to long-term growth trends.

Over the last decade, growth in passenger air travel averaged 6.5% per year, beating the long-term average of 5%, Boeing said.

Boeing expects the current downturn to lead to the replacement of many older passenger airplanes. "This accelerated replacement cycle will position airlines for the future by improving the efficiency and sustainability of today's fleet," Boeing said. ●

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JOBS REPORT

expected to grow over the decade by 17.3%, 587 jobs; geophysical surveying and mapping services by 35%, 137 jobs; testing labs by 19.5%, 107 jobs, and environmental and other scientific and technical consulting services by 42.8%, 401 jobs.

Overall, mining, oil and gas jobs are projected to grow by 1,690 from 2018 to 2028, 13%.

There were 3,511 jobs classified as oil and gas extraction in 2018, with a projected 3,624 in 2028, a 3.2% growth, 113 jobs. The number of mining jobs, by contrast, is projected to grow by 28%, 784 jobs, from 2,803 in 2018 to 3,587 in 2028. Construction jobs, at 15,075 in 2018, are projected to grow by 10.7%, 1,618 jobs, to 16,693 in 2028. Professional, scientific and technical services, at 13,212 in 2018, are projected to grow by 15.5%, 2,047 jobs, to 15,259 in 2028. ●

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BALLOT MEASURE 1

things to do at the oil field.

"We have started to think about … how we invest in Prudhoe Bay," including drilling wells, he said.

But "if Ballot Measure 1 passes … we'll have to cut capital. We will not be able to execute on those drill wells. … It will be devastating to the future of Prudhoe Bay."

The message Wilkins and Marushack delivered in their virtual presentation to the chamber was if Alaskans are looking for permanent dividends into the future, voting for the huge oil tax increase in Ballot Measure 1 will not work. It will do the exact opposite because Alaska's economy depends on a healthy oil industry to fund the Permanent Fund and jobs, noting the industry provides about 78,000 direct jobs in the state.

If passed by Alaska voters on Nov. 3 the measure with its 150-300% increase in oil severance tax "takes away all our free cash flow. Therefore, there is a very limited number of investments we are going to be able to make," Marushack said.

"So, if that happens, we start back on decline again and when you start back on decline, it's hard to catch up. One of the great things that happened under SB21 (the current state tax regime) is we were able to stop the decline a few years ago," he said.

"The ballot measure would put the brakes on the North Slope recovery," Marushack said.

"The Yes group make great sounds, but it ignores the facts and the truth." Ballot Measure 1 "is targeted specifically at Prudhoe, Kuparuk and Colville. It is targeted at the backbone of industry. If those three fields aren't healthy nothing is going to work very well," Marushack said.

Modern tech in toolbox

In its purchase of BP upstream assets in Alaska, Hilcorp also acquired the remaining balance of Milne Point and a tiny piece of the Point Thomson unit.

BP, an international major, was a crucial driver of North Slope development for more than six decades in Alaska.

Hilcorp, a U.S. based independent with producing assets in the Cook Inlet basin and on the North Slope, is best known for employing modern tools to increase output from mature oil and gas fields, giving fields past their prime the attention they need to continue producing at optimum levels.

A lean operator, Hilcorp cuts layers of costs while also investing in infrastructure upgrades and putting capital into drilling new wells — including the seismic and studies needed to best locate them.

'Right up our alley'

A mature asset, Prudhoe Bay "is right up our alley," Wilkins said. "It is just like Cook Inlet, just like Milne Point."

Hilcorp entered Cook Inlet eight years ago and has since invested three-quarters of a billion dollars, drilled 126 wells, paid $360 million directly to the State of Alaska in royalty and taxes and drastically increased oil and gas production in southcentral Alaska.

"The Cook Inlet basically had a going out of business sign on it"; all that has changed with the investments made by Hilcorp, Wilkins said. "And to boot we feel that there are 20-plus years of productivity, of royalty and taxes, left in the Cook Inlet basin."

Success at Milne Point

Hilcorp first acquired some of BP's assets in 2014, including a 50% interest in, and operatorship of, Milne Point where it has invested more than $700 million and doubled production, reaching 36,000 barrels per day in April. Hilcorp expects to reach 40,000 bpd by the end of the year.

The company has nearly tripled its Alaska workforce as a result of the recent transaction with BP, growing from some 550 employees to more than 1,450, with more employees expected to be added in the coming months.

Wilkins said 76% of its workforce are Alaskans.

"Now that number did come down with the recent acquisition of BP in Alaska We were 89.9% Alaskans , but we hired 741 outstanding new employees from BP that have done a remarkable job of transitioning Alaska's biggest oil field over and I am proud to say operations are stable and running well environmentally, responsibly, safely, and without incident," he said.

Since taking over at Prudhoe Bay, "we have also hired … 141 additional folks in addition to the BP employees and we continue to recruit and fill positions that are open so we are hiring in Alaska and our focus going forward will be to hire Alaskans," Wilkins said.

Tax stability needed

But Wilkins is concerned about Ballot Measure 1 and its potential impact.

"In the boardroom Alaska's propensity to always be changing the tax rules … causes caution on committing to long-term projects."

Hilcorp's capital "doesn't need to come to Alaska. The money will go to the best project within our company," he said.

"I still believe that Alaska's got some great projects. The best thing that Alaska can do is make the playing field for investment stable. … And in my view SB21 was a reasonable way of doing that," Wilkins said.

The increase in severance taxes by 150-300% proposed in Ballot Measure 1 "is in addition to the income taxes we pay, the royalty we pay, the operating costs we pay," Marushack pointed out.

"It really will affect our investment. It is a pretty simple formula: If you increase taxes you increase costs. When you increase costs the cash flow goes down. When your cash flow goes down you have less money to invest. And that trickles down … to the whole economy. It trickles down to our contractors, to their suppliers, to the small businesses and ultimately trickles down to have an impact on the state, to all the people in the state," Marushack said, noting it takes new cash flow to fund projects like ConocoPhillips' big North Slope Willow oil discovery. ●

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UNIT SUSPENSIONS

unmanned status for Redoubt, WMRU, the Sword PA and the onshore Kustatan production facility.

The current suspensions are projected to remain in effect from Sept. 15 through April 30, 2021, coinciding with the current 20th plan of development for the Redoubt unit and the 29th plan of development for WMRU and the Sword PA that were approved by the division on April 7.

Scope of extended suspensions

CIE told the division that the extended suspensions involve the following in the two units:

1. All producing wells will be shut-in, secured and disconnected from process piping. These wells prior to the shut-in have previously passed no-flow testing per Alaska Oil and Gas Conservation Commission regulations and can only produce via the means of artificial lift that have been disabled, considerably reducing the risk of spills while the wells remain shut-in.

2. All injection wells will also be shut-in and freeze protected as necessary. They will also be disconnected from process piping. All injection wells are current and have passed mechanical integrity testing.

3. All process piping gathering fluids on the Osprey platform and the site will be evacuated, purged and freeze protected as necessary.

4. The subsea pipelines connecting Osprey to the Kustatan production facility and the cross-country pipelines connecting WMRU to the Kustatan production facility will be purged and cleaned, eliminating the risk of a spill while the unit remains shut-in.

5. The Osprey platform and the camp will be freeze protected and preserved. Access to the platform will be restricted to qualified personnel via helicopter for inspections and maintenance

6. Regarding WMRU, the facility and the camp will be freeze protected and preserved. Access to the site will be restricted to qualified personnel via helicopter for inspections and maintenance. Additional barriers will be put in place at vantage points to restrict access.

7. Also at WMRU, all chemicals, lubricants and wastes will be minimized and removed from the site. A small amount of fuel will be left behind to aid in restarting operations.

According to Glacier COO David Pascal, as of Oct. 5, Savant is "slowly and safely bringing the facility online. We had a few hiccups with restarting the dormant turbines and had some delays due to poor weather that prevented us from changing crews and getting supplies …. We hope to ship oil by mid-week."

8. Any tankage in the WMRU facility will be drained to minimum levels to minimize spill potential. All vessels and tankage are in current standing on internal and external inspections.

9. A small unmanned power generation system will be used for some critical operations at WMRU.

10. CIE west side operations will move from a manned state to an unmanned monitoring state. Monthly on-site inspections will be conducted by qualified personnel to satisfy various state and federal requirements.

Cook Inlet Region Inc. and Salamatof Native Association Inc., holders of the subsurface and surface (respectively) onshore Kustatan area, have been notified of CIE's decision to do a long-term suspension of operations and production at the units. CIE told the division that "agreements and obligations with these parties will remain in effect and unchanged."

Another Glacier company, Savant Alaska, recently completed a facility turnaround at the eastern North Slope Badami unit.

Badami was put into warm standby in May.

According to Glacier COO David Pascal, as of Oct. 5, Savant is "slowly and safely bringing the facility online. We had a few hiccups with restarting the dormant turbines and had some delays due to poor weather that prevented us from changing crews and getting supplies for several days. We hope to ship oil by mid-week."

In April, Badami averaged 1,308 barrels of oil per day, Redoubt 1,676 bpd and WMRU's single well averaged 374 bpd.

—KAY CASHMAN

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ALBERTA AID

manufacturing industry," he said.

"This truly is a jobs crisis and an economic emergency and it deserves to be responded to here in Alberta the same way it would be in Ontario and Quebec."

Kenney said he is again calling on the government of Prime Minister Justin Trudeau to "do no more harm" to Alberta's oil and gas sector, urging Trudeau to press the pause button on his administration's proposed Clean Fuel Standard, which would make Alberta's energy companies uncompetitive on the global market.

Trudeau and several of his cabinet ministers have promised aid over the past six months, with hints of a C$10 billion bailout. Nothing has happened.

Kenney also pleaded with the companies to keep their workforces intact, by acknowledging the "big profits they've made for their shareholders based on the hard work of those employees."

Layoffs

Suncor announced it plans to eliminate 15% of its jobs that could affect up to 2,000 employees.

A spokeswoman for the company said the emphasis has been on transforming the company in recent years to rely more on data and technology to improve its efficiency.

Suncor also slashed its capital budget earlier this year by C$1.9 billion and reduced its prized quarterly dividend by 55%.

TC Energy (formerly TransCanada) said it was cutting jobs in its natural gas division, including almost 60,000 miles of pipelines, because of low demand and declining revenues as a result of COVID-19, but it would not provide any numbers beyond saying its Canadian gas operations and projects team was being restructured.

The Canadian Association of Petroleum Producers said 28,000 industry jobs have been lost across Canada this year, while the Canadian Association of Oilwell Drilling Contractors estimates its member companies have reduced their payrolls by 20% to 50%.

The Canadian petroleum industry felt a severe jolt earlier this year when Norway's US$1 trillion wealth fund said it was withdrawing from the Alberta oil sands.

The Bank of Canada (the Canadian equivalent of the U.S. Federal Reserve) has warned that banks lending money to the oil and gas sector are exposed to potentially destabilizing risks, making climate change a vulnerability to the financial system.

RBC v ANWR

Adding to the bleak outlook, RBC, Canada's largest bank, has become the first among its peers to refuse funding for any oil and gas development in the Arctic National Wildlife Refuge, although five major U.S. banks have already pledged not to finance development in ANWR.

"Due to its particular ecological and social significance and vulnerability, RBC will not provide direct financing for any project or transaction that involves exploration or development in the ANWR," said the bank's updated policy guidelines for sensitive sectors and activities.

An RBC spokesman said the bank is "committed to finding ways to balance the transition to a low-carbon economy, while supporting efforts to meet global energy needs and our energy clients."

Dana Tiza-Trann, chief of the Vuntut Gwitchin First Nation in the Yukon, said his community is now "looking to all major banks in Canada to come into the sunlight with RBC."

A year ago, Scotiabank, a major provider of fossil fuel financing, announced it was investing C$100 billion by 2025 to lower the impact of climate change and said it was assessing the climate risks of its commercial and corporate clients.

The Bank of Canada (the Canadian equivalent of the U.S. Federal Reserve) has warned that banks lending money to the oil and gas sector are exposed to potentially destabilizing risks, making climate change a vulnerability to the financial system.

The Business Council of Canada has insisted companies have an "obligation" to disclose how climate change will disrupt their plans.

—GARY PARK

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STEVE SUTHERLIN

The Spartan 151 jack-up rig

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JACK-UP RIG

jack-up rig.

The company said it has prepared an initial plan of development, or POD, for a known oil pool below the North Cook Inlet gas field. In its 2019 POD for the North Cook Inlet unit, Hilcorp told the Alaska Division of Oil and Gas that it anticipated drilling the first development well from the Tyonek platform in 2020.

ARCO Alaska discovered oil in a major geologic anticline under the gas field in the early 1990s.

Phillips Petroleum conducted appraisal drilling in 1998 into the oil accumulation, termed Tyonek Deep, but the company put the project on hold in 1999 due to low oil prices.

Phillips said that it had tested two wells in the oil pool and installed completion tubing in a third well, but the development never proceeded.

Hilcorp laid a new subsea oil pipeline from the Tyonek platform to the Inlet's west side in 2018. One of the twin subsea Cook Inlet Gas Gathering System pipelines was converted from the carriage of gas to the carriage of oil.

A July 2019 ruling by the National Marine Fisheries Service of the National Oceanic and Atmospheric Administration listed a North Cook Inlet unit well plugging and abandonment.

The 90-day operation, originally planned for April through October 2020, listed noise sources to include a jack-up rig, tugboats, a support vessel, and helicopters.

The ruling issued regulations to govern the unintentional taking of marine mammals incidental to oil and gas activities of Hilcorp Alaska LLC in Cook Inlet over the course of five years, effective from July 30, 2019, to July 30, 2024.

Incremental emission increase

Total emissions from the Tyonek Platform are 695.006 tons per year, which includes an increase in volatile organic compound emission of 0.006 tons per year from the relocation of the Spartan 151 to the platform, the AEDC said in the notice.

The emission unit inventory of the Spartan 151 consists of non-road engines and fuel tanks, the department said. To protect the 1-hour, 3-hour, 24-hour, and annual SO2 Alaska Ambient Air Quality Standards, the sulfur content of the liquid fuel burned by the Spartan 151 EUs is limited to no more than 15 parts per million by weight.

The preliminary permit and technical analysis report are available at ADEC's website:

http://dec.alaska.gov/Applications/Air/airtoolsweb/AirPermitsApprovalsAndPublicNotices/

Address written statements or requests to Brian Hirsch at ADEC, by mail to PO Box 111800, Juneau, AK 99811, by facsimile at (907) 465-5129 or send e-mail to brian.hirsch@alaska.gov.

Comments must be received by 4:30 p.m. on Nov. 4. ●

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PIPELINE FLOW

pipeline over the last three days of September. Throughput was cut down to approximately 367,000 barrels per day from noon on Oct. 3 through Oct. 6.

In an April interview Michelle Egan, chief communications officer for Alyeska, told Petroleum News that prorations are part of the day-to-day management of the pipeline.

"We are not a storage facility," Egan said. "We have a dynamic system. Oil comes in at the North Slope, it flows down the pipeline to Valdez, where it's loaded onto tankers."

What the company does on a daily basis is exchange information on tanker schedules and their capacities, as well as projected crude volumes from North Slope producers and "we balance the inventory and if we see we are getting high inventory of over 75%, we have two levers we can pull," she said.

The first and most common lever is to work with the tankers and their schedules to see if an adjustment can be made.

The other lever is to ask the producers to "send us less oil and that's a proration," Egan said. It occurs after Alyeska looks at 28 day and 60 day forecasts to see if there are any high inventory points in the month ahead.

"We look at that every day," she said. "Larger prorations for a shorter period of time are more common."

—KAY CASHMAN

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POLAR BEAR REPORT

stability of the offshore ice, have caused a shift of bear denning from offshore to onshore. And the reduction of the season during which sea ice covers biologically productive offshore areas has resulted in polar bears spending more time onshore during the summer and autumn, the report says.

"The growing reliance on land by SBS (southern Beaufort Sea) polar bears elevates the importance of mitigating potential disturbance to polar bears denning on the Arctic Coastal Plain of Alaska," the report says.

Counting the bears

Between 2001 and 2016, to obtain polar bear population data, scientists tattooed bears and sampled their tissue, to enable individual bear identifications. Starting in 2013 microchips and telemetry devices were used to track bears.

The tracking data obtained were used in sophisticated statistical models to obtain population estimates and associated confidence limits for bears and bear dens in nearshore and offshore areas along the Beaufort Sea coast. The scientists also developed models for bear survival.

The marking and later re-identification of some of the bears resulted in 1,224 observations of 868 individual bears, the report says. The subsequent analysis indicated that the bear survival rate was relatively high in the years 2001 to 2003, dropped during the years 2004 to 2008, and became higher from 2009 onwards, except in 2012. These findings appear consistent with a previous bear population study, the report says. Overall, it appears that the southern Beaufort Sea population has remained mostly stable since the population decline that occurred in the mid-2000s.

Estimated den distribution

The USGS study found that the total annual number of dens in the region probably lies somewhere between 69 and 198, with a median of 123. Onshore there may have been 66 dens, with 14 of these dens occurring in the 1002 area of the Arctic National Wildlife Refuge, 26 dens between the Colville and Canning Rivers of the central North Slope, and 12 dens in the National Petroleum Reserve-Alaska. These estimates are subject to significant ranges of uncertainty. However, it appears that the coastal region of the central North Slope, including the areas of the Prudhoe Bay and Kuparuk River oil fields, sees the highest density of bear denning, followed by the 1002 area of ANWR and the NPR-A.

Previous studies have indicated that more than 60% of pregnant polar bears in the region now den on land rather than in sea ice, a 50% increase in on-land denning since the 1980s, the report says. ●

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WHALE HABITAT

area of Bureau of Ocean Energy Management oil and gas leasing, and including state nearshore waters around the southern Kenai Peninsula. The public comment period for the designation ended on Jan. 31 of this year.

In 2016 NMFS had designated as endangered under the Endangered Species Act the two whale population segments that use Cook Inlet. Because the agency views the Lower Cook Inlet as having a medium conservation rating for one of these population segments, the agency proposed designating the region as part of the whale critical habitat.

Activities that may impact the wellbeing of the whales, and hence potentially be subject to review under the ESA, include oil and gas activities; seismic surveying; in-water construction; vessel traffic; and LNG terminal activities, the proposed rule said. However, NMFS only estimated the economic impacts of the habitat designation in terms of administrative costs for federal agencies, commenting that the impacts on activities such as seismic surveying were speculative. The primary benefit from the designation would be the prevention of the destruction or adverse modification of the critical habitat, the proposed rule said.

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