



Shell aims to reduce impact



SHELL EXPLORATION AND PRODUCTION CO.

Michael Macrander, Shell's lead scientist for Alaska, says using advanced technologies to minimize environmental impacts makes business sense and protects the Arctic offshore. See story on page 8 of this issue. Above a subsea acoustic recorder is being lowered into the sea.

Mackenzie has liftoff; panel gives support to project

The Mackenzie Gas Project has surfaced from its prolonged regulatory bog to receive strong backing from a Joint Review Panel which gave approval, along with caveats, based on its examination of the impact on the environment and lives of people in the project area.

In a 679-page report issued Dec. 30, the seven-member JRP said the MGP and associated facilities in northwestern Alberta would "provide the foundation for a sustainable northern future" in a region that has traditionally depended on government handouts.

Beating its final deadline by one day, but 30 months behind its anticipated delivery date and about C\$14 million over budget, the JRP said its conclusion was conditional on full implementation of its proposed measures to "mitigate adverse impacts, reduce the risk and enhance the opportunities" for a "durable and sustainable future in the Mackenzie Valley and Beaufort Delta regions."

It said that future would be better than a future without the MGP.

The 176 recommendations are sweeping in their scope, requiring such things as inventories of specific wildlife species before work on the MGP could proceed.

But the panel does not require major rerouting of the pipeline.

The JRP said "there was broad consensus among participants (although by no means unanimity) that the project on its own, with few modifications and with the appropriate responses from governments, could be acceptable and indeed beneficial."

To NEB next

What could be the largest capital project in Canadian history now moves to the National Energy Board, Canada's energy regulator, which will incorporate the findings into its own examination of engineering, tolls and tariffs, economics and

see **MACKENZIE** page 11

SAFETY & ENVIRONMENT

Tugboat hits Bligh Reef

Coast Guard probes collision with infamous rock; Alaska oil tankers delayed

BY WESLEY LOY

For Petroleum News

A tugboat used to help manage oil tankers at Valdez ran aground two days before Christmas, spilling diesel fuel into Prince William Sound and mildly disrupting Alaska crude shipments.

The mishap has generated huge publicity due in large part to where it occurred — at Bligh Reef, the same water hazard the tanker Exxon Valdez hit in 1989, causing a catastrophic spill of some 11 million gallons of crude oil.

The crew of the tugboat Pathfinder notified the U.S. Coast Guard's vessel traffic center in Valdez at 6:15 p.m. Dec. 23 that it had struck the reef, which is well-marked on navigational charts.

The tug was not escorting a tanker at the time

see **TUG** page 16



U.S. COAST GUARD

The tug Pathfinder, seen here anchored south of Busby Island in Prince William Sound after running aground Dec. 23 on infamous Bligh Reef. Boom encircles the vessel to contain diesel leaking from its ruptured fuel tanks.

EXPLORATION & PRODUCTION

Imperial's plans put at risk

NEB won't issue advance ruling on same season relief well in Beaufort

BY GARY PARK

For Petroleum News

Turned down by Canada's federal energy regulator in its efforts to gain an advance ruling on its plans for an exploration well in the Canadian section of the Beaufort Sea, Imperial Oil is now taking time to re-evaluate the project.

Working in partnership with ExxonMobil Canada, it had asked the National Energy Board to issue an advance ruling on its same season relief well capacity in the Beaufort before the board completed a comprehensive policy review of the proposal.

Imperial had already issued a warning that a delay in the advance ruling would cost it one year of a nine-year term on Exploration License 446 which is due to expire in October 2016.

"Given public concern, Imperial's application for a separate policy review would, in the board's view, require the participation of the public as well as those who could be affected by any resultant policy," the regulatory agency said.

The license was obtained in 2007 based on a work commitment — shared jointly by the two companies — of C\$585 million to secure rights to 508,000 acres. A seismic program was conducted in 2008.

Imperial has indicated it is now at a crucial decision-making point that requires corporate approval of major new investment to start work on an Arctic drill-

see **IMPERIAL** page 16

NATURAL GAS

Need regulatory clarity

CINGS wants to know if RCA will regulate new Cannery Loop gas storage facility

BY ALAN BAILEY

Petroleum News

Anxious to move forward with the development of a new natural gas storage facility in Alaska's Cook Inlet basin, to support declining winter utility gas deliverability, on Dec. 21 TransCanada subsidiary Cook Inlet Natural Gas Storage petitioned the Regulatory Commission of Alaska to rule that the commission will not regulate the new storage facility. Enstar Natural Gas Co., the main Southcentral Alaska gas utility, has been working with CINGS to fast track the development of a new storage facility to head off what Enstar sees as a pending deliverability shortfall in the winter of 2011-12.

And CINGS now says that it plans to build the

new 11 billion-cubic-foot facility using a depleted underground gas reservoir in the Cannery Loop unit, near Kenai on the northern Kenai Peninsula.

Critical step

But both CINGS and Enstar see achieving regulatory clarity over the new facility as a critical early step in the aggressive two-year project timeline to bring the facility into operation. During a December RCA technical workshop on natural gas storage the companies expressed concern that any required regulatory approval for the facility would need to be in place prior to the 2010 summer construction season.

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CIVIL CONSTRUCTION

LOGISTICS & FULL-SERVICE CAMPS

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	14 (SCR/TD)	Kuparuk 2L-326	ConocoPhillips
Sky Top Brewster NE-12	15 (SCR/TD)	Stacked at Prudhoe Bay, awaiting mobilization to Badami to work for Savant Alaska	Available
Dreco 1000 UE	16 (SCR/TD)	Prudhoe Bay DS13-27	BP
Dreco D2000 UEBD	19 (SCR/TD)	Alpine CD4-24	ConocoPhillips
OIME 2000	141 (SCR/TD)	Stacked at Kuparuk	ConocoPhillips
TSM 7000	Arctic Wolf #2	Stacked at Prudhoe Bay	FEX/Available

Nabors Alaska Drilling			
Trans-ocean rig	CDR-1 (CT)	Stacked, Prudhoe Bay	Available
AC Coil Hybrid	CDR-2	Kuparuk 2T-29A	ConocoPhillips
Dreco 1000 UE	2-ES	Prudhoe Bay, Stacked out	BP
Mid-Continental U36A	3-S	Stacked, Milne Point	BP
Oilwell 700 E	4-ES (SCR)	Milne Point MPJ-19	BP
Dreco 1000 UE	7-ES (SCR/TD)	Prudhoe Bay DS 07-23	BP
Dreco 1000 UE	9-ES (SCR/TD)	Borealis V-123	BP
Oilwell 2000 Hercules	14-E (SCR)	Kuparuk 2A-27	ConocoPhillips
Oilwell 2000 Hercules	16-E (SCR/TD)	Preparing to mobilize to Sak River #1	Brooks Range Petroleum
Oilwell 2000	17-E (SCR/TD)	Stacked, Point McIntyre	Available
Emsco Electro-hoist -2	18-E (SCR)	Stacked, Deadhorse	Available
Emsco Electro-hoist Varco TDS3	22-E (SCR/TD)	Stacked, Milne Point	Available
Emsco Electro-hoist	28-E (SCR)	Stacked, Deadhorse	Available
Emsco Electro-hoist Canrig 1050E	27-E (SCR-TD)	Point Thompson PTU-15	ExxonMobil
Academy AC electric Canrig	105-E (SCR/TD)	Stacked at Deadhorse	Available
Academy AC electric Heli-Rig	106-E (SCR/TD)	Stacked at Deadhorse	Available
OIME 2000	245-E	Shut down, plan to recommence drilling at OPP in January	ENI

Nordic Calista Services			
Superior 700 UE	1 (SCR/CTD)	Prudhoe Bay Drill Site 1, well #14A	BP
Superior 700 UE	2 (SCR/CTD)	Milne Point Drill Site C, well #24	BP
Ideco 900	3 (SCR/TD)	Kuparuk, 3B Pad, scheduled to start up Jan. 12	ConocoPhillips

North Slope - Offshore

Nabors Alaska Drilling			
OIME 1000	19-E (SCR)	Oooguruk ODSN-42i	Pioneer Natural Resources
Oilwell 2000	33-E	Northstar, Stacked out	BP

Cook Inlet Basin - Onshore

Aurora Well Service			
Franks 300 Srs. Explorer III	AWS 1	Stacked out West side of Cook Inlet for winter maintenance	Available

Doyon Drilling			
TSM 7000	Arctic Fox #1	Stacked at Beluga	Available

Marathon Oil Co. (Inlet Drilling Alaska labor contractor)			
Taylor	Glacier 1	Going back to work January 7 at Sunrise #2, getting ready to move until then.	Marathon Oil

Nabors Alaska Drilling			
Continental Emsco E3000	273	Stacked, Kenai	Available
Franks	26	Stacked	Available
IDECO 2100 E	429E (SCR)	Stacked, removed from Osprey platform	Available
Rigmaster 850	129	Kenai SLU 41-33RD	Chevron

Rowan Companies			
AC Electric	68AC (SCR/TD)	Hansen #1A-L1 Cosmopolitan	Pioneer Natural Resources

Cook Inlet Basin - Offshore

Chevron (Nabors Alaska Drilling labor contract)			
	428	M-10 Steelhead platform Kenai	Chevron

XTO Energy			
National 1320	A	Platform A no drilling or workovers at present	XTO
National 110	C (TD)	Idle	XTO

Kuukpik	5	Stacked in Kenai	Available
----------------	---	------------------	-----------

Mackenzie Rig Status

Canadian Beaufort Sea

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

Mackenzie Delta-Onshore

AKITA Equitak			
Modified National 370	64 (TD)	Racked in Inuvik	Available

Central Mackenzie Valley

Akita/SAHTU			
Oilwell 500	51	Racked in Norman Wells, NT	Available

The Alaska - Mackenzie Rig Report as of December 30, 2009.
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*

	Dec. 23	Dec. 18	Year Ago
US	1,178	1,193	1,721
Canada	268	368	279
Gulf	35	33	64

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

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● EXPLORATION & PRODUCTION

BP plans new operations center for Northstar

Project involves fabricating, hauling enormous module by barge to production island in Alaska's Beaufort Sea; cost not specified

BY WESLEY LOY

For Petroleum News

BP is applying for state and federal clearance to place a huge new module on its Northstar production island in Alaska's Beaufort Sea.

The module would house a new operations center with living quarters, an office, shops and cover for an ARKTOS amphibious escape vehicle, a state project description says.

BP plans to start construction in January with project completion scheduled for June 2012, the description says.

Northstar's distinction

BP's Northstar field is located about six miles offshore of Prudhoe Bay in joint federal and state waters.

Although it wasn't the first offshore production site in the Beaufort, the man-made Northstar Island was the first without a causeway connection to the mainland.

Northstar production began in October 2001 and has peaked at 80,000 barrels per day. BP has said the field contained 175 million barrels of recoverable oil.

More project details

BP has filed application materials with

The six-story module, designed to house about 50 people, will have a footprint of about 90 feet by 92 feet, and will weigh about 7 million pounds.

the state Department of Natural Resources and the U.S. Army Corps of Engineers.

Much of the permitting concerns modifications BP says it needs to make to the southeast corner of the island to accommodate the module.

The module is being fabricated "off-site" and will be delivered via barge, the state project description says.

The six-story module, designed to house about 50 people, will have a footprint of about 90 feet by 92 feet, and will weigh about 7 million pounds.

To receive the barge at Northstar, BP proposes some dredging near the island.

The state project description doesn't specify the cost of the project, or why Northstar needs the new operations center.

"The new module is being designed to provide additional protection in the event of a fire or explosion," says one BP application letter to the state. ●

Contact Wesley Loy
at wloy@petroleumnews.com

● PIPELINES & DOWNSTREAM

RCA approves Cook Inlet line rate hike

Cook Inlet Pipe Line's 259 percent increase subject to refund; firm rips objector; RCA invites oil producers, others, to challenge

BY WESLEY LOY

For Petroleum News

The Regulatory Commission of Alaska has approved Cook Inlet Pipe Line Co.'s controversial 259 percent rate increase, at least temporarily, and invited oil producers or others to challenge it and possibly win refunds.

The RCA, in a 12-page order issued Dec. 28, said although the rate hike is "significant," it appears CIPL calculated it "in accordance with" a methodology established in a 2001 state settlement the commission accepted.

"The increase appears to be the result of a large revenue deficiency in 2009 mainly attributable to CIPL's net-carryover adjustment in 2010 rates, coupled with a significant decline in anticipated 2010 throughput," the order said. "The substantial net carryover appears to be the result of damage, service disruptions, and transportation curtailments resulting from a string of volcanic activity at Mount Redoubt in 2009."

The order defines net carryover as "a true-up mechanism that ensures that over time CIPL collects its exact annual revenue requirements, no more and no less. In the event of a revenue shortfall in a given year, the amount of the shortfall plus interest is added to the revenue requirement for the following year."

The RCA said it was allowing CIPL to start collecting its higher rate of \$14.57 per barrel of oil effective Jan. 1. That's a 259 percent increase over the previous rate of \$4.06.

The increased rate, however, is temporary and subject to possible refund once a final rate is determined, the RCA said, noting it has opened a new docket to consider the matter.

"We will allow interested persons the opportunity to formally intervene in this proceeding to challenge the justness and reasonableness of the proposed rates," the order said.

Producer protest

CIPL operates a 20-inch pipeline that runs 42 miles from Granite Point southwest along the western shore of Cook Inlet to the Drift River Oil Terminal, which also belongs to CIPL. The pipeline was installed in 1966.

Chevron subsidiary Unocal owns half of

"The substantial net carryover appears to be the result of damage, service disruptions, and transportation curtailments resulting from a string of volcanic activity at Mount Redoubt in 2009." —Regulatory Commission of Alaska

CIPL, while Pacific Energy Resources Ltd. holds the other half.

After CIPL filed its new rate, or tariff, on Nov. 27, a small oil producer, Cook Inlet Energy, lodged an objection with the RCA. The company recently bought oil and gas assets on the west side of Cook Inlet from Pacific Energy, which is liquidating in bankruptcy court, and will need the pipeline to move its production to market.

Cook Inlet Energy's chief executive, David Hall, said CIPL's tariff increase appears to be based on "inaccurate" assumptions, that the pipeline operator is pursuing "unduly speedy recovery of expenses," and that it failed to inform shippers of its long-term tariff plans.

'Complete incomprehensibility'

CIPL fired back in an answer filed with the RCA on Dec. 18, using terms such as "entirely unsupported," "baseless," "mysterious," "devoid of any meaningful content," and "complete incomprehensibility" to describe Hall's filing.

J. Patrick Nevins, a lawyer for CIPL, wrote that the volcanic eruptions caused extensive damage, idled the pipeline for much of 2009, and forced costly measures to protect the Drift River Oil Terminal and the crude oil that was stored there.

Nevins said CIPL calculated the new annual tariff according to the methodology in the state settlement, and the rate is "entirely reasonable." He said CIPL is amortizing the volcano-related expenses over four years.

"The proposed rate simply provides CIPL the opportunity to recover its actual costs and a reasonable return," Nevins wrote.

He added that CIPL "has no responsibility to subsidize the recent investment" Hall's company made in Cook Inlet oil and gas assets. ●

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● NATURAL GAS

Gas could be answer in warming fight

Utilities looking at natural gas because it emits half as much carbon as coal when burned to generate same amount of electricity

BY MARK WILLIAMS

Associated Press Energy Writer

An unlikely source of energy has emerged to meet international demands that the United States do more to fight global warming: It's cleaner than coal, cheaper than oil and a 90-year supply is under our feet.

It's natural gas, the same fossil fuel that was in such short supply a decade ago that it was deemed unreliable. It's now being uncovered at such a rapid pace that its price is near a seven-year low. Long used to heat half the nation's homes, it's becoming the fuel of choice when building new power plants. Someday, it may win wider acceptance as a replacement for gasoline in our cars and trucks.

Natural gas' abundance and low price come as governments around the world debate how to curtail carbon dioxide and other pollution that contribute to global warming. The likely outcome is a tax on companies that spew

excessive greenhouse gases. Utilities and other companies see natural gas as a way to lower emissions — and their costs. Yet politicians aren't stumping for it.

In June, President Barack Obama lumped natural gas with oil and coal as energy sources the nation must move away from. He touts alternative sources — solar, wind and biofuels derived from corn and other plants. In Congress, the energy debate has focused on finding cleaner coal and saving thousands of mining jobs from West Virginia to Wyoming.

Utilities not waiting

Utilities in the U.S. aren't waiting for Washington to jump on the gas bandwagon. Looming climate legislation has altered the calculus that they use to determine the cheapest way to deliver power. Coal may still be cheaper, but natural gas emits half as much carbon when burned to generate the same amount of electricity.

Today, about 27 percent of the nation's carbon dioxide emissions come from coal-fired power plants, which generate 44 percent of the electricity used in the U.S. Just under 25 percent of power comes from burning natural gas, more than double its share a decade ago but still with room to grow.

But the fuel has to be plentiful and its price stable — and that has not always been the case with natural gas. In the 1990s, factories that wanted to burn gas instead of coal had to install equipment that did both because the gas supply was uncertain and wild price swings were common. In some states, because of feared shortages, homebuilders were told new gas hookups were banned.

It's a different story today. Energy experts believe that the huge volume of supply now will ease price swings and supply worries.

Gas trading at about \$5.50

Gas now trades on futures markets for about \$5.50 per 1,000 cubic feet. While that's up from a recent low of \$2.41 in September as the recession reduced demand and storage caverns filled to overflowing, it's less than half what it was in the summer of 2008 when oil

prices surged close to \$150 a barrel.

Oil and gas price trends have since diverged, due to the recession and the growing realization of just how much gas has been discovered in the last three years. That's thanks to the introduction of horizontal drilling technology that has unlocked stunning amounts of gas in what were before off-limits shale formations. Estimates of total gas reserves have jumped 58 percent from 2004 to 2008, giving the U.S. a 90-year supply at the current usage rate of about 23 trillion cubic feet per year.

The only question is whether enough gas can be delivered at affordable enough prices for these trends to accelerate.

Exxon to be largest gas producer

The world's largest oil company, Exxon Mobil Corp., gave its answer Dec. 14 when it announced a \$30 billion deal to acquire XTO Energy Inc. The move will make it the country's No. 1 producer of natural

gas.

Exxon expects to be able to dramatically boost natural gas sales to electric utilities. In fact, CEO Rex Tillerson says that's why the deal is such a smart investment.

Tillerson says he sees demand for natural gas growing 50 percent by 2030, much of it for electricity generation and running factories. Decisions being made by executives at power companies lend credence to that forecast.

Consider Progress Energy Inc., which earlier in December scrapped a \$2 billion plan to add scrubbers needed to reduce sulfur emissions at four older coal-fired power plants in North Carolina. Instead, it will phase out those plants and redirect a portion of those funds toward cleaner burning gas-fired plants.

Coal may still be cheaper, but natural gas emits half as much carbon when burned to generate the same amount of electricity.



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Lloyd Yates, CEO of Progress Energy Carolina, says planners were 99 percent certain that retrofitting plants made sense when they began a review late last year. But then gas prices began falling and the recession prompted gas-turbine makers to slash prices just as global warming pressures intensified.

"Everyone saw it pretty quickly," he says. Out went coal, in comes gas. "The environmental component of coal is where we see instability."

Regulation a concern for coal

Nevada power company NV Energy Inc. canceled plans for a \$5 billion coal-fired plant early this year. That came after its homestate senator, Majority Leader Harry Reid, made it clear he would fight to block its approval, and executives' fears mounted about the costs of meeting future environmental rules.

"It was obvious to us that Congress or the EPA or both were going to act to reduce carbon emissions," said CEO Michael Yackira, whose utility already gets two-thirds of its electricity from gas-fired units. "Without understanding the economic ramifications, it would have been foolish for us to go forward."

Even with an expected jump in demand from utilities, gas prices won't rise much beyond \$6.50 per 1,000 cubic feet for years to come, says Ken Medlock, an energy fellow at the James A. Baker III Institute for Public Policy at Rice University in Houston. That tracks an Energy Department estimate made earlier in December.

Such forecasts are based in part on a belief that the recent spurt in gas discov-

see WARMING page 10

POINT THOMSON PROJECT EIS SCOPING

The U.S. Army Corps of Engineers invites the public to a series of Public Open House Scoping meetings to discuss the Point Thomson Project. The purpose of the meetings is to present the project information and to gather input regarding potential issues and potentially interested parties. The information gathered will be used to develop the Environmental Impact Statement (EIS).

Please join us in the following communities to learn more about the project and to discuss with the team your ideas and concerns. There will be a presentation provided at all the meetings beginning at 6:00 pm (5:00 pm in Kaktovik), followed by questions and answers. Translation will be provided in Inupiaq in Kaktovik, Nuiqsut, and Barrow.

Public Scoping Meetings

Fairbanks	Monday, January 11, 2010 5-8 pm • Westmark Hotel
Kaktovik	Tuesday, January 12, 2010 4-7 pm • Community Hall
Nuiqsut	Wednesday, January 13, 2010 5-8 pm • Trapper School
Barrow	Thursday, January 14, 2010 5-8 pm • Inupiat Heritage Center
Anchorage	Tuesday, January 19, 2010 5-8 pm • Dena'ina Center, Kahtnu Room 1, 2nd floor


For information, visit the project Web site at www.pointthomsonprojecteis.com or contact Julie McKim, Corps of Engineers, at 907.753-2773




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Industry revival on Canada's horizon

Firming of commodity prices points to resumption of oil sands growth; natural gas expected to remain weak; consolidation predicted

BY GARY PARK

For Petroleum News

One of the strongest oil patch forecasts for 2010 has come from a leading Canadian law firm, which is counting on an industry revival as commodity prices strengthen, opening up the investment taps in the oil sands and playing a major role in 3.5 percent growth in the Canadian economy.

Excluding natural gas, commodities will likely continue to their firming trend, said a report by the Toronto-based firm of Bennett Jones, which has hired David Dodge, former head of the Bank of Canada, as a senior advisor.

"With oil prices having stabilized, or at least bounced off the floor, Alberta oil sands megaprojects will continue to come back to life, in post-boom moderation,"

the report said.

Kathleen Keller-Hobson, a senior partner with Bennett Jones, said Canada has emerged better than most countries from the global recession and energy stands to benefit from the overall recovery, although the outlook beyond 2010 is a "little less predictable."

The report suggested that the future of oil sands' development relies heavily on the "next major investment from Asia," now that Korea National Oil Corp. has gained shareholder approval for its C\$4 billion takeover of Harvest Energy Trust, following PetroChina's C\$1.9 billion acquisition of 60 percent stakes in two oil sands holdings by Athabasca Oil Sands.

Victor Martinez, energy director at ATRB Financial, said merger and acquisition activity may also quicken in the natural gas sector, powered by consolidation among junior companies as gas prices reach their winter peak.

Ziff: Operating costs mixed

Some encouragement for the E&P sector emerged from a review by Ziff Energy Group of 30 publicly traded companies, which concluded that, despite some indications to the contrary, producers are

Ziff's 2008 field performance study concluded that operating costs for crude oil fields rose 15 percent to C\$13.70 per BOE from C\$11.90 in 2007. Operating costs for natural gas fields climbed by 13 percent to C\$1.10 per thousand cubic feet equivalent from C97 cents in 2007.

drawing some comfort from their operating costs.

Against a background of sharply lower oil sands and natural gas activity, the companies reported their operating costs in the first nine months of 2009 averaged C\$11.63 per barrel of oil equivalent from C\$11.43 in the same period of 2008.

Three companies actually reported their costs were reduced by more than 10 percent, but another seven were up by more than the same percentage. The survey did not include all of the majors.

Ziff's 2008 field performance study concluded that operating costs for crude oil fields rose 15 percent to C\$13.70 per BOE from C\$11.90 in 2007. Operating costs for natural gas fields climbed by 13

percent to C\$1.10 per thousand cubic feet equivalent from C97 cents in 2007.

The report covered 210 fields and 26,800 producing wells, yielding 3.3 billion cubic feet per day of gas and 160,000 barrels per day of oil, with combined operating costs running to C\$2.3 billion.

Rig activity down 42%

The need for a turnaround was captured in Canada-wide drilling figures in 2009, where rig activity was down 42 percent from 2008, with an average of only 232 rigs at work, the lowest total in 17 years.

Other than rig utilization numbers that barely topped 50 percent at the beginning and end of the year, the overall average was held to 28 percent.

The number of available rigs in Canada ended 2009 at 845.

Alberta posted the sharpest decline, with only 141 rigs at work during the year, compared with 47 percent and 265 rigs in 2008 and down 64 percent from the peak year in 2005 when operators employed an average 396 rigs.

Saskatchewan posted a 37 percent decline to 43 working rigs and British Columbia was off 27 percent to 47 rigs, compared with the 2005 peak of 74 rigs.

From a mixed bag of 2010 capital budgets released in December, there were signs of a solid upward trend. The list included:

- **Enerplus Resources Fund**, which is targeting the Bakken oil resource play and Marcellus shale, plans to hike its development capital spending by 35 percent to C\$425 million, based on improved crude oil prices and economic conditions, the strength of its balance sheet and opportunities in early-stage, growth-oriented assets.

It expects to allocate about C\$260 million to its Canadian prospects and C\$165 million to its United States operations, with 56 percent targeted at oil opportunities and the rest at gas.

Plans include C\$118 million on 42 net Bakken tight-oil wells, C\$92 million on 38 wells associated with waterflood projects and C\$27 million to drill seven net conventional oil wells.

The Marcellus shale gas play will receive C\$80 million.

Enerplus estimates its 2010 projects will yield strong economic returns at WTI prices of US\$60 per barrel and AECO gas

see REVIVAL page 10

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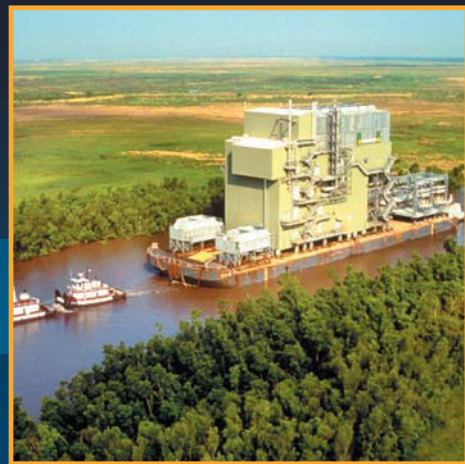
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SAFETY & ENVIRONMENT

Shell goes for reduced OCS footprint

Macrander says using advanced technologies to minimize environmental impacts makes business sense and protects the Arctic offshore

BY ALAN BAILEY

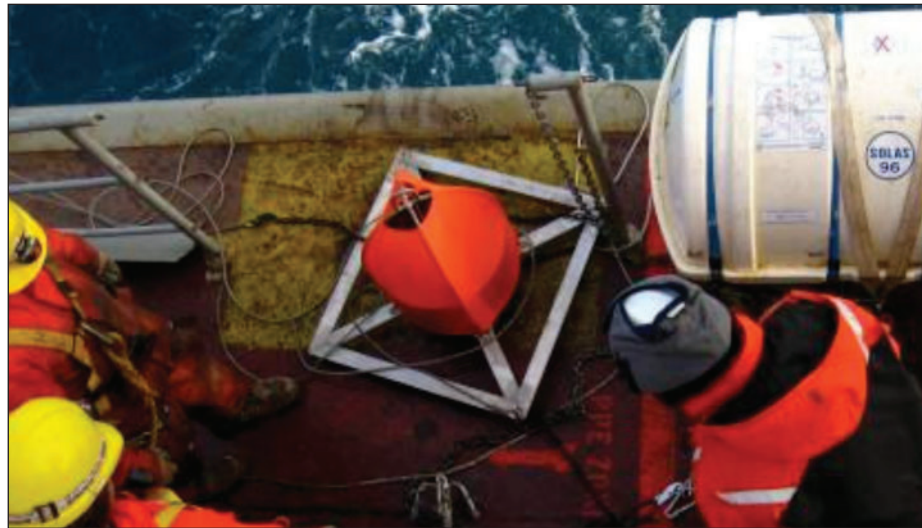
Petroleum News

The use of advanced technologies that reduce environmental impacts and improve business efficiency distinguishes Shell in the oil and gas industry, Michael Macrander, Shell's Alaska lead scientist, told Petroleum News Dec. 16.

"The investment that Shell makes in technology and the willingness to embrace new technologies is quite apparent," Macrander said, especially referencing Shell's operations in the Gulf of Mexico and the company's efforts to address the environmental issues relating to operating in offshore Alaska. "... Shell was a leader in technologies that enabled deepwater exploration and development. ... We view technology as a difference maker."

And the use of technologies and techniques that minimize the environmental footprint of oil and gas operations is nowadays a requirement and expectation, forming an essential component of Shell's "license to operate" in places like the Arctic offshore, he said.

"It's our view that it gives us a competitive advantage if we can demonstrate to the community that Shell takes these things seriously and we're willing to invest the time and resources to minimize our foot-



A subsea acoustic recorder being lowered into the sea.

print," Macrander said.

Shell is planning to drill exploration wells in the Beaufort and Chukchi Seas in 2010 and the company has already conducted seismic surveys around its targeted exploration prospects.

But the Arctic offshore is subject to especially heightened environmental awareness, while also presenting some significant physical challenges for a company such as Shell.

Better understanding

And a first step in addressing environmental concerns is to gain a better understanding of the Arctic offshore environment, gaining knowledge that includes baseline data that will enable projects to be timed for minimal environmental impact and that will enable the impacts of projects to be measured when those projects take place, Macrander said.

With that in mind Shell, in conjunction

with ConocoPhillips, has deployed a network of subsea acoustic recorders to pick up sounds made by marine mammals in the Beaufort and Chukchi seas. In the Beaufort Sea five lines of seven or eight recorders have been deployed over the past three years, while an initial deployment of 25 recorders in the Chukchi Sea in 2006 has also now grown to about 40 recorders, Macrander said.

"We're learning a lot about marine mammals," Macrander said. "We're learning a lot about sound in the environment. We're learning where animals are, what they're doing, how they're responding to not only industry activities but also things like climate change. We're finding animals that have expanded their range."

And, among other things, the recorders are providing insights into the movement of walrus, as these animals react to ice leaving the Chukchi Sea, he said.

Each recorder sits anchored on the seafloor, operating autonomously to record

subsea sounds, together with the timing of the sounds, for later analysis after the recorder has been retrieved from the ocean. The Beaufort Sea recorders can detect the direction that a sound comes from, thus enabling recordings of the same animal sound on multiple recorders to pinpoint the location of the animal.

"The reason for doing that was to understand how migrating bowhead whales react to industry activity," Macrander said.

Seismic sound

One of the initial applications for the acoustic recorders was the determination of the impact on marine mammals of offshore seismic surveying that Shell and other companies were doing.

And although generally speaking there was little observed impact, it turned out that the sound from the seismic surveys traveled much farther through the ocean than the company's sound models had originally predicted — the nature of the seafloor probably causes greater sound reflection than anticipated, Macrander said.

"We had to adjust to that by altering our (wildlife) monitoring capabilities," he said. "We added more observers ... including additional vessels, so we could observe over a larger area, follow what was going on with the marine mammals and protect them."

Subsistence hunters have expressed particular concern about the possible deflection of bowhead whale migration routes as a consequence of industrial activities such as seismic surveying — past studies have indicated a deflection in whale migration, with the industrial disturbance causing a hole in the migration pattern. However, the acoustic evidence that Shell has assembled indicates that the whales' migration path tends to flow around the industrial activities and that the whales do not back up and stop, Macrander said.

"Over the last two-and-a-half years the data ... have pretty strongly indicated that there is a deflection, but it's probably less than what people had thought it would be," he said.

The data are also addressing the vexed question of what level of sound impacts the whales, following a debate regarding whether sound at a 120-decibel or 160-decibel level has a significant impact. Sound levels of 120 decibels extend for tens of kilometers from a seismic vessel, while 160 decibel sound extends just six to eight kilometers.

"Our data seem to indicate that 160 is a much more relevant number," Macrander said. The sound does not cause a major hold up in whale migration or deny significant areas of habitat to the whales, he said.

But acoustic monitoring is just one of a series of observation techniques that together can assemble multiple layers of environmental data, Macrander said. Other techniques include wildlife observation from the air and the tagging of animals.

"There's no one monitoring or study technology that's going to deliver all the information," Macrander said. "You really need to have multiple capabilities."

Drones

A potential new technology being actively investigated by both Shell and ConocoPhillips for the observation of wildlife, ocean conditions, ice conditions and weather in the Arctic offshore is the use of unmanned aerial systems, or drones, Macrander said. Drones could perhaps

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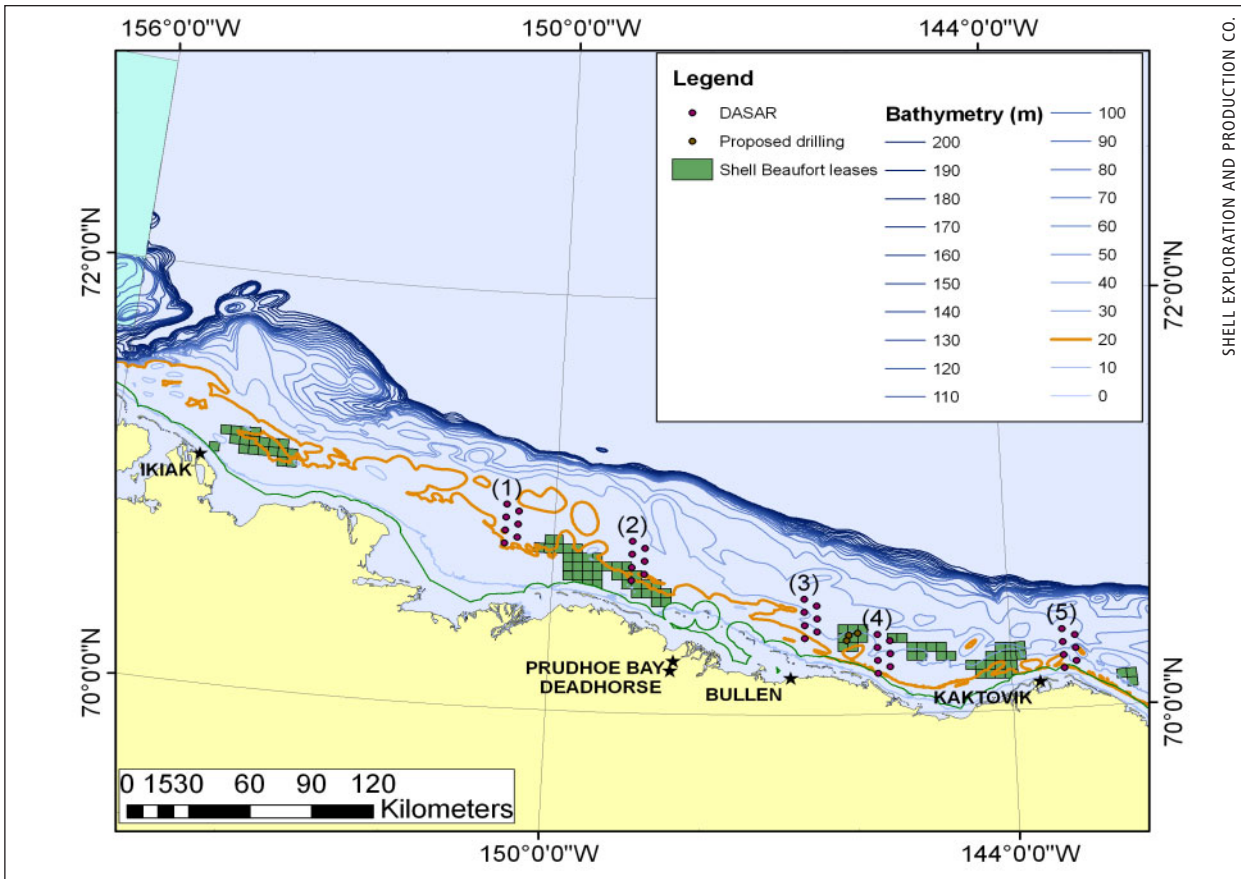
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Subsea acoustic recorders have been positioned as a series of north-to-south arrays in the Beaufort Sea. Another pattern of recorders has been positioned in the Chukchi Sea.

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FOOTPRINT

enable observations to be made far out in the Chukchi Sea, for example, in locations where the distance from land and the lack of support infrastructure make a manned airborne operation unacceptably dangerous. Drones could also help with offshore search-and-rescue operations, where the use of manned aircraft puts rescuers at risk.

And a drone can fly very quietly for 24 hours on a single gallon of fuel, thus creating minimal environmental impact, while a conventional aircraft with observers on board creates noise that can disturb the animals being observed.

However, whereas conventional aerial wildlife observation enjoys long-accepted data collection protocols that lead to high levels of confidence in observation results, people still need to demonstrate that drones can act as effective wildlife observation devices.

“We’re working at that,” Macrander said. “We’re doing a lot of tests and experiments.”

And, cautious about opening a door to the private operation of devices that don’t meet the basic see-and-avoid standards of aviation safety, the Federal Aviation Administration has been reluctant to approve the use of drones for offshore observations. Shell has been installing radar and collecting data to demonstrate that there is little risk in using drones in the Arctic offshore, Macrander said.

Mitigation

In parallel with environmental monitoring, Shell is taking a series of steps aimed at mitigating the impact of its

activities on the Arctic wildlife, Macrander said,

For example, in 2007 Shell conducted an experiment to test the acquisition of offshore seismic data from floating ice in the Beaufort Sea, to determine whether it would be possible to do seismic surveying on ice in the depths of the winter rather than during the busy summer open water season when wildlife migration occurs.

The 2007 experiment did indeed demonstrate that gathering seismic data on the ice is possible, at least as far out as the limit of land-fast ice, but a lack of suitable winter ice cover in 2008 prevented a hoped-for on-ice seismic survey from taking place, Macrander said.

Shell is also investigating the use of unmanned submarines to reduce environmental impacts and improve efficiency in the Arctic offshore.

These unmanned devices, already a familiar and commonly used technology in the Gulf of Mexico oil industry, can carry sensing technology, for example, to survey for potential drilling hazards such as shipwrecks, seafloor his-

toric sites and shallow gas. Currently, shallow hazard surveying is done using a manned surface vessel that moves continuously around the survey area: An unmanned submarine, driven almost silently by an electric motor, only requires a relatively stationary tender vessel on the surface and, thanks to its high maneuverability, would be able to complete a survey relatively quickly. In addition, the possibility of operating a submarine below the sea ice offers the potential to do surveying outside the open-water season.

Another way of minimizing on-water traffic and avoid-

ing the need for aerial observation is to use satellite imagery for monitoring ice conditions. Satellite-based synthetic aperture radar, for example, can produce detailed images of sea ice, even on days when there is extensive cloud cover, perhaps enabling the early detection of a hazard such as an ice floe drifting towards an offshore operation. And, with satellites already in orbit, the use of the satellite imagery involves no new environmental impact.

Satellite imagery is already providing Shell with an improved understanding of Arctic ice behavior, an understanding that will translate to improved safety in offshore operations, Macrander said.

Drillships

Shell’s planned use of drill ships rather than fixed structures for Arctic exploration drilling also enhances safety because a drillship can shut down its drilling operation and move offsite if threatened by sea ice. And Shell is implementing new technologies to reduce drillship air emissions, Macrander said.

But the use of a drillship rather than a fixed structure for exploration drilling means that Shell does not have the capability to grind and re-inject into a well the rock chips and waste mud from the drilling. The company plans to dispose of this waste at sea, but the type of waste to be disposed of has long been known to be environmentally safe, and the waste disposal has been fully permitted, Macrander said. Disposing of the waste in some other way would involve the environmental impact of putting additional vessels on the water, he said.

“We don’t want to commit to an option that ends up being a bad choice,” he said.

If exploration results lead to offshore oilfield development, modern directional drilling, with wells splaying out from a central point to tap different areas of a subsurface reservoir, would minimize the number of offshore platforms needed, thus minimizing the environmental footprint and reducing the field costs.

But with many people concerned about the potential impact of industrial noise on the Arctic offshore environment, Shell is investigating technologies for reducing sound emissions from an offshore facility such as an oil platform. One possible technology consists of the generation of air bubbles that would reduce sound propagation by taking advantage of the fact that air transmits sound much less readily than water. Essentially, compressed air injected into a bubble generator on the seafloor would create a curtain of bubbles around the offshore structure.

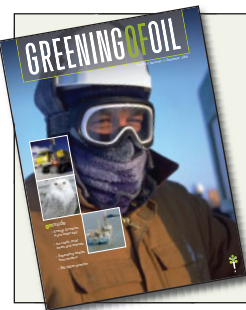
“They are looking at the physics of different shapes of bubbles and whether they can produce specific shapes that will sustain themselves as they move to the surface,” Macrander said.

Oil spill prevention

Oil spill prevention is a key factor in protecting the environment. And when it comes to drilling, the use of state-of-the-art 3-D seismic data to delineate the subsurface geology, coupled with modern drilling technologies, including the use of high-tech drilling muds and downhole sensing, have together made the possibility of a spill from an oil well blowout extremely unlikely. And modern well blowout preventers have also significantly reduced the risk of an oil spill, were well control to be lost.

“There is a host of technologies that we employ to get us greater control and greater knowledge about what we’re

see FOOTPRINT page 11



Reprint from Greening of Oil

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REVIVAL

prices of C\$4.20 per thousand cubic feet or Nymex prices of US\$4.50 per thousand cubic feet.

The fund expects production will average 86,000 BOE per day, down about 2 percent from its 2009 exit rate, including 37,000 bpd of crude and gas liquids and 294 million cubic feet per day of gas.

Forecast operating costs are about C\$340 million, averaging C\$10.90 per BOE, up 7 percent from 2009.

• **Pengrowth Energy Trust** is pumping an extra 33 percent into its budget, with plans to spend C\$285 million, with C\$192 million earmarked for drilling, completions and tie-ins.

It said the program will be flexible and “responsive to uncertain commodity prices and market conditions,” with a 70 percent focus on oil and liquids development, the bulk of that going to tight carbonate and heavy oil projects.

If gas prices remain low or decline further, the trust said it may shift spending to oil-weighted projects or use cash for acquisitions.

Whatever shifts are made, it is committed to living within its cash flow,

ensuring positive economics at US\$60 for WTI crude and C\$3 for AECO gas.

Full production for 2010 is forecast at 74,000-76,000 BOE per day, compared with third quarter output in 2009 of 78,135 BOE per day and 80,189 BOE in the first nine months.

• **Baytex Energy Trust** plans a 40 percent boost in its exploration and development budget to C\$235 million as it prepares to convert to a corporation by year’s end.

About 60 percent will go to heavy oil operations, dominated by the Seal development in the Peace River oil sands of northwestern Alberta, with the balance going to light oil and natural gas operations in the United States and Canada.

The budget is designed to generate 43,500 BOE per day, up 2,200 BOE per day from 2009, with 63 percent heavy oil, 17 percent light oil and liquids and 20 percent gas.

Baytex said 2010 is a transition year as it moves from a mostly income-focused model to a growth-and-income model.

• **Trilogy Energy Trust**, which will move from trust to corporate ranks during 2010, has raised its capital budget to C\$120 million from C\$80 million, concentrating on low-risk, high-quality

drilling and completions work that it expects will increase production by 10 percent to 22,000 BOE per day.

Forecast operating costs for next year are C\$11.50 per BOE.

Trilogy said results from its latest three horizontal wells have provided encouraging results, at rates of 15 million to 23 million cubic feet per day, supporting further Montney development plans in British Columbia.

About C\$26 million will go to completion of a proposed pipeline with capacity of 100 million cubic feet per day and a sour gas plant extension.

• **Painted Pony Petroleum** expects to spend C\$90 million, about C\$40 million more than its anticipated outlay in 2009.

The junior company plans to participate in drilling more than 30 horizontal Bakken oil wells in Saskatchewan and start work on its shale gas resource plays.

The company’s land inventory includes a net 98,400 acres in British Columbia, including 68,500 acres of Montney-Doig rights and 59,843 acres in Saskatchewan.

• **Compton Petroleum**, committed to operating within cash flow, expects to lower its capital expenditures to C\$70 million-\$80 million, compared with an

expected C\$40 million-\$45 million in 2009 and an actual C\$135 million in 2008.

It predicts output in 2010 of 17,900-18,500 BOE per day compared with 21,000 BOE per day in 2009 and 28,658 BOE per day in 2008.

Its guidance is based on average forecast prices of C\$6 per gigajoule for AECO gas and C\$78.39 per barrel of crude oil.

Compton has identified up to C\$150 million of opportunities during its budget process, giving it room to hike spending should commodity prices exceed forecast levels.

• U.S.-based **Quicksilver Resources** has allocated about 10 percent or US\$52 million of its capital program to Canada, predominantly the Horn River basin and the rest to coalbed methane production in Alberta.

For all of North America, Quicksilver expects 2010 production to average 390 million to 400 million cubic feet equivalent per day, with gas accounting for 80 percent.

• **PetroBakken** expects to exit 2010 with production at 42,500 BOE per day, with the majority of its program focused on drilling 141 gross wells in the Bakken resource play and 121 wells on its conventional light oil plays in Saskatchewan and Manitoba.

Its current production is 36,500 BOE per day, on track to meet its 2009 target of 37,000 BOE per day. ●



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WARMING

eries may only be the start of a golden age for gas drillers — one that creates wealth that rivals the so-called Gusher Age of the early 20th century, when strikes in Texas created a new class of oil barons.

XTO a technology pioneer

XTO, the company that Exxon is buying, was one of the pioneers in developing new drilling technologies that allow a single well to descend 9,000 feet and then bore horizontally through shale formations up to a mile and a half away. Water, sand and chemical additives are pumped through these pipes to unlock trillions of cubic feet of natural gas that until recently had been judged unobtainable.

Even with the big increases in reserves they were logging, expansion plans by XTO and its rivals were limited by the debt they took on to finance these projects that can cost as much as \$3 million apiece.

Under Exxon, which earned \$45.2 billion last year, that barrier has been obliterated.

The wells still capture only about a quarter of the gas locked in the shale formations. Future improvements could double that recovery rate. Bottom line: this new source of gas supply in Texas, Louisiana, Pennsylvania, North Dakota, New York and other states holds out the promise of as much as 2,000 trillion cubic feet of supplies. It is estimated that the U.S. sits on 83 percent more recoverable natural gas than was thought in 1990.

“The question now is how does this change the energy discussion in the U.S. and by how much?” says Daniel Yergin, a Pulitzer Prize winning author and chairman of IHS CERA, an energy consultancy. “This is domestic energy. ... It’s low carbon, it’s low cost and it’s abundant. When you add it up, it’s revolutionary.” ●

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● NATURAL GAS

Swenson named in-state gas line manager

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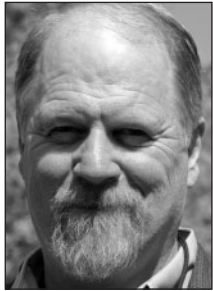
Alaska Gov. Sean Parnell has named Bob Swenson of Fairbanks to replace Harry Noah as the state's in-state gas line project manager. Noah announced his resignation earlier this year, citing the demands of a family business.

Swenson is the state geologist and director of the Division of Geological and Geophysical Surveys, which is responsible for assessing mineral and energy resources. He has more than 15 years' experience in the oil and gas industry in Alaska and the Lower 48.

"Bob Swenson brings unique strengths to this job," Parnell said in a Dec. 28 statement.

"As state geologist, he has a detailed understanding of the factors that will literally underlie any Alaska gas line project. And he has significant private sector experience evaluating oil and gas prospects and leading exploration efforts from the Beaufort Sea to Cook Inlet and in every sedimentary basin in between."

Swenson has led a staff of more than 50 state employees and contractors in assessing Alaska's mineral and energy resources, the governor's office said, including overseeing a five-year Delta Junction-Canada pipeline corridor study; directing crews in the assessments of energy resources for the North Slope, Brooks Range, Interior, Cook Inlet, Alaska Peninsula, Gulf of Alaska and offshore areas; conducting statewide stud-



BOB SWENSON

Swenson holds bachelor's and master's degrees in geology, and has published more than a dozen papers on Alaska geology and petroleum resources.

ies of Alaska's mineral resources; and analyzing geologic hazards to state residents and infrastructure.

Worked on Cosmopolitan

Swenson's 12-year private-sector career includes work as project team leader for ARCO's Cosmopolitan program, a complex and innovative exploration effort in an environmentally sensitive south Kenai Peninsula region. The governor's office said Swenson's field experience includes managing yearly helicopter-supported remote geologic exploration programs, overseeing all logistics, science, permitting and personnel. He spent three years as an independent oil and gas exploration geologist in Montana and Wyoming.

Swenson holds bachelor's and master's degrees in geology, and has published more than a dozen papers on Alaska geology and petroleum resources.

The governor's office said Swenson will continue the state's work to evaluate the prospects for a standalone natural gas pipeline from the North Slope and the foothills of the Brooks Range to Fairbanks and Southcentral Alaska, a pipeline from either Cook Inlet or one of the Interior basins through the Railbelt and a spur line to Southcentral Alaska from a large-diameter line to the Lower 48. ●



A schematic diagram of a potential ice-class offshore oil platform.

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FOOTPRINT

doing when we drill," Macrander said.

Shell has also pioneered the use of remote operating centers that enable experts in, say, Houston, Texas, to monitor what is happening in a drilling operation perhaps thousands of miles away, watching out for potential problems and providing advice on how to resolve any issues that arise.

Then, when it comes to developing an Arctic offshore oil field, the design of platforms, pipelines and other infrastructure components that can withstand the forces from ice and weather in the Arctic environment will be a critical component of oil spill prevention. And Shell has been surveying sea-floor ice gouges, to obtain information essential to the design of structures that will not be damaged by the keels of moving ice floes, Macrander said.

However, to prepare for the unlikely possibility of an oil spill occurring, Shell

has assembled an array of oil spill response tools, including new oil skimmer designs that can operate effectively in broken sea ice, Macrander said. New oil spill response technologies include high-frequency radar for detecting oil on water and airborne sensors that can sniff out oil; there are also techniques for detecting oil under ice.

And Shell is participating in a Norwegian-based joint industry project to test and improve the use of oil spill response technologies such as skimmers, in-situ burning and dispersant use in Arctic conditions.

But the real key is oil spill prevention. "We're in the business to get the oil out of the ground and to the consumer. We're not in business to release it into the environment," Macrander said. "If you have a spill it impacts you. It impacts your reputation. It impacts your ability to do business and it costs you a lot of money." ●

Contact Alan Bailey
at abailey@petroleumnews.com

NATURAL GAS

Canadian natural gas exports walloped

Canadian natural gas exports to the United States have gone into a nosedive, hitting their lowest point in the 24 years that volumes have been tracked by the National Energy Board.

The cross-border shipments were down 10.76 percent in the first nine months of 2009 from a year earlier, while the 2008-09 contract year numbers for the 11 months to Sept. 30 slumped 10.4 percent.

As a result of plunging exports and prices, revenues for the January-September period fell 55 percent to C\$11.57 billion from almost C\$26 billion a year earlier and average prices spiraled 51 percent to C\$4.28 per gigajoule.

The NEB said deliveries to all markets were down, notably to the key U.S. Midwest and Northeast markets, triggered by reduced demand, especially in the industrial sector, shrinking output in Western Canada and competition from U.S. shale gas supplies.

The federal regulator expects continued declines in Western Canada's volumes until at least 2011, while increasing consumption of gas in the Alberta oil sands will put a further squeeze on gas available for export.

For the nine-month period, the Midwest claimed 42 percent of Canada's gas exports and the Northeast received 29.3 percent. California's share of the volumes was 11.6 percent, compared with 14 percent in the same period of 2008.

—GARY PARK

continued from page 1

MACKENZIE

land issues in deciding whether the MGP is in the public interest.

If the project is deemed viable a final report will be turned over to the Canadian government's cabinet, which will decide whether the NEB can start issuing the hundreds of permits and licenses needed for the MGP.

The NEB has scheduled its final hearings in spring 2010, indicating it expects to complete its work by September.

Assuming all of the hurdles are cleared and the MGP partners can negotiate a fiscal package with the federal government, that will likely

Along with the economics, the most pressing issue facing the MGP is seen as gas need, especially if an Alaska gas line were to proceed first and forecasts for shale gas output in North America were to prove accurate.

include funding for related infrastructure, the co-venturers will be ready to make a sanctioning decision.

There has been no recent attempt by Imperial to set a startup date or cost estimate since it released a price tag of C\$16.2 billion in March 2007.

No gas before 2017

However, the NEB has indicated it would not anticipate gas flowing from the Mackenzie Delta before 2017 and Northwest Territories government sources have estimated that the federal

government might have to offer loan guarantees of C\$24 billion to make the MGP viable.

Along with the economics, the most pressing issue facing the MGP is seen as gas need, especially if an Alaska gas line were to proceed first and forecasts for shale gas output in North America were to prove accurate.

Analysts have noted that shale gas estimates for northeastern British Columbia alone far surpass those for North Slope gas.

Bob Reid, president of the Aboriginal Pipeline Group, which has

the option of taking a one-third equity stake in a Mackenzie pipeline, said that if Alaska overtakes the MGP and shale gas starts flowing "it's conceivable we may have missed the window of opportunity" and the MGP could end up "on the shelf for a very long time."

One of the key unknowns is whether gas from the Mackenzie Delta — which could initially flow in the range of 800 million to 1.9 billion cubic feet per day — will be deemed essential by Imperial, ExxonMobil, ConocoPhillips and Shell Canada to fuel their oil sands operations in Alberta, apart from meeting an expected surge in North American power and transportation needs.

—GARY PARK



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Wayne Walker began working at West-Mark in 1972, in the shop. He later was promoted to New Manufacturing Manager in 1981, and to Service Repair Manager in 1999, bringing with him many years of knowledge, which he will utilize in his current position as Service Manager of the new Fairbanks Service Center. Walker enjoys



Wayne Walker, Service Center Manager

camping, fishing, ATVs, and really anything to do with the outdoors. Walker and his wife Cindy, have three grown children.

Robert Navarro started with West-Mark in 2001, in new manufacturing based out of Atwater, Calif. Within two years he was promoted to lead-man of the truck-mounted units and ran the assembly line for six years. In 2009 he was offered the opportunity to advance within the company and open up a service repair shop in Fairbanks. He now services the very same units he had built for the slope. Navarro is married with two children and enjoys spending time outdoors.



Roberto Navarro, Assistant Service Manager

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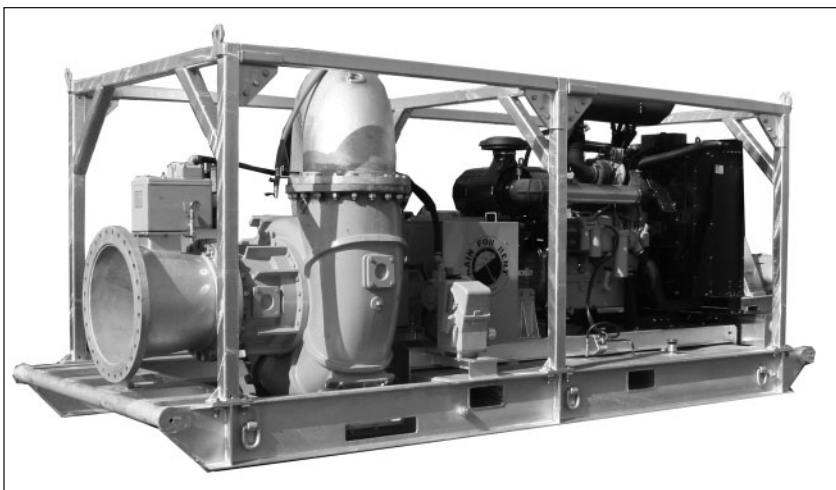


John Parrott named new TOTE president

Totem Ocean Trailer Express Inc. said Dec. 16 that John Parrott has been promoted to company president, replacing TOTE's former president, Bill Deaver, who had been with the company since 2002. Parrott joined TOTE in 1992 as first officer of the S.S. Northern Lights, later serving as the general manager for Sea Star Stevedoring, which manages the loading, discharge and terminal operations for TOTE. In 1996 he joined Sea-Land as a marine superintendent; in June 2002 he became the general manager of TOTE's Alaska Division; was promoted to vice president and general manager in 2004; and has served as vice president, commercial, since July 2006. "I have always considered being a TOTE employee a privilege, and I am truly honored to be able to lead the company forward into the next decade," said Parrott.



JOHN PARROT



Rain for Rent announces newest high-flow pump

Rain for Rent said Dec. 10 that it was pleased to announce its newest high-flow pumping innovation, the DV-600c Power Prime pump. The portable centrifugal 30x24-inch pump is the largest-flow pump available for rent or sale in the U.S. With a flow rate up to 28,000GPM, the DV-600c Power Prime pump is perfect for large pumping projects, producing 96 feet of head, suction lifts up to 28 feet and handling solids up to 5.25-inches. The company said the pump is 87 percent efficient. With a footprint of 170-square feet, smaller than some lower volume pumps, the DV-600c can be easily transported by truck. A 430-gallon integral fuel cell allows for 22-hour run time. For more information visit www.rainforrent.com.



Crowley ATB is largest to transit Alaska waters

Crowley Maritime Corp. said Dec. 15 that its petroleum transportation group recently made history, as its 155,000-barrel Articulated Tug Barge, Sea Reliance/550-1, became the largest of its kind to have ever have transited Alaska waters. Under the watchful command of Capt. Scott Murdock, the ATB completed a voyage from Martinez, Calif., to Anchorage carrying a full load of jet fuel. The journey, which occurred without incident, was met with several weather concerns because of an early start to the winter storm season. Although other small cargo ATBs have traveled in Alaska, nothing has rivaled the size of the Sea Reliance/550-1, which measures over 600 feet in length. For more information visit www.crowley.com.

Schlumberger introduces MaxCO₃ Acid system

Schlumberger said Dec. 7 that it has released its new MaxCO₃ Acid degradable diversion acid system. This new polymer-free, non-damaging acidizing system can be used for both matrix and fracture stimulation in carbonate reservoirs with permeability contrasts or natural fractures. The MaxCO₃ Acid system is designed to be used in oil or gas well in both open-hole and cased-hole intervals, regardless of deviation. Treatment design, execution and evaluation are optimized using Schlumberger proprietary software applications. Applications of MaxCO₃ Acid yielded a 500 percent production increase from an acid fracturing treatment in the Bluell formation in North Dakota. Elsewhere around the world, productivity increases in excess of 100 percent are frequently achieved, with significant improvements being made to efficiency operations. For more information visit www.slb.com.

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.

LAND & LEASING

New Chukchi lawsuit schedule proposed

The plaintiffs and defendants in an appeal in the U.S. District Court for the District of Alaska against the February 2008 Chukchi Sea outer continental shelf oil and gas lease sale have filed a proposed new briefing schedule for the lawsuit. As reported in the Dec. 27 issue of Petroleum News, the participants in the lawsuit agreed to set a new schedule, following plaintiff concerns that, with MMS having conditionally approved Shell's 2010 Chukchi Sea drilling plan, the Chukchi Sea drilling may proceed before the appeal in district court is resolved. Shell's planned drilling would occur in leases that the company obtained in the 2008 lease sale.

The briefing schedule has been on hold since March pending the issuance by the U.S. Minerals Management Service of an amended lease sale environmental assessment, required by the U.S. Court of Appeals for the District of Columbia in connection with a ruling by that court in an appeal against the MMS 2007 to 2012 outer continental shelf lease sale program.

First brief by Feb. 1

The proposed new schedule requires the U.S. Department of the Interior to file a summary judgment brief by Feb. 1, with Shell, ConocoPhillips and the State of Alaska, interveners in the case, to file their summary judgment briefs by Feb. 16. The Native Village of Point Hope, the Inupiat Community of the Arctic Slope and 12 environmental organizations, the plaintiffs in the case, must respond with a reply brief by March 8.

The plaintiffs originally filed their appeal against the Chukchi Sea lease sale shortly before the lease sale took place, and at that time the plaintiffs asked the court to rescind any leases issued from the sale, saying that the lease sale would violate both the National Environmental Policy Act and the Endangered Species Act.

—ALAN BAILEY

SAFETY & ENVIRONMENT

Prudhoe spill maybe 100 gallons of oil

Using an assessment of the amount of liquid likely to have been in the well bore and its surface flow line at the time that the line ruptured in the Prudhoe Bay drill site six oil spill incident on Dec. 21, BP has now estimated that 300 to 700 gallons of liquid were released, according to a situation report that the unified command for the response to the spill issued Dec. 29.

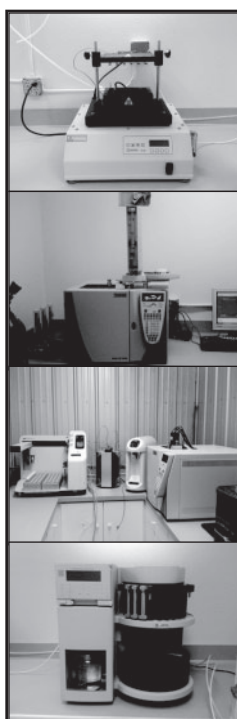
Of the total volume of liquids released, as much as 100 gallons may have been crude oil, taking into account the likely amount of produced water mixed with the oil and the fact that BP had injected 135 gallons of corrosion inhibitor into the well head prior to the incident, BP said. The well had been shut-in for 58 hours prior to the pipeline rupture, BP said.

About six acres impacted

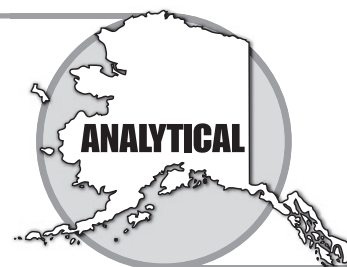
According to the situation report, the spill impacted a total area of about six acres, with earlier reports saying that varying levels of oil misting had contaminated the snow on part of the drill site, the adjacent tundra and part of the drill-site reserve pit. Response crews have now removed about 386 cubic yards of contaminated snow, including all of the contaminated snow on the tundra. Responders are using a skid-steer loader to remove snow from the more heavily contaminated region adjacent the well house. Contaminated material is being stockpiled, ready to be moved to a temporary staging area.

The cause of the pipeline rupture is not yet known.

—ALAN BAILEY



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● NATURAL GAS

Noah tells legislators time to choose

Says Legislature funding too many options, confusing market; Irwin says information isn't in for standalone or AGIA line to market

BY KRISTEN NELSON

Petroleum News

Alaska legislators heard two different views in mid-December of what they should do about gas projects in the state: Harry Noah, the outgoing project manager for the state's in-state gas project, said there were too many options in play and the state's leaders need to make a decision.

Commissioner of Natural Resources Tom Irwin, whose department along with the Department of Revenue is managing the state's role in the Alaska Gasline Inducement Act mainline project, said information isn't complete for either a mainline or an in-state bullet line and urged legislators to wait until complete information is available.

Noah and Irwin addressed legislators at a Dec. 16 meeting of the House Resources Committee.

Noah, who resigned and is being replaced by Bob Swenson (see story in this issue), said the economy of Alaska may change dramatically in the next 10 years based on reduced oil production and fewer federal dollars.

He said the state needs long-term affordable energy right now, but is engaged in what he depicted in a diagram as an energy tug of war.

Competing projects

A major North Slope natural gas sale conflicts with in-state energy supply, Noah said, with numerous energy projects including the AGIA 48-inch main line to Lower 48 markets being developed by TransCanada and ExxonMobil; the Denali 48-inch line being developed by BP and ConocoPhillips; the in-state standalone gas line; the Alaska Gasline Port Authority 48-inch line to Valdez for liquefied natural gas; natural gas for Railbelt utilities — which could also use alternative energy; Alaska Energy Authority hydropower and alternative energy projects; Cook Inlet gas producers; and the Alaska Natural Gas Development Authority line, which may be a spur line off a main line.

Everybody is in favor of a main line from the North Slope, he said, as well as an in-state energy supply.

But, he said, "We are pulling this way and we're pulling that way," and while good people are involved on the different projects, "one side just wants to kill the other side," even though all sides want to do what's best for Alaska.

Corps working on EIS for standalone line

The U.S. Army Corps of Engineers is working on a draft environmental impact statement for the State of Alaska's proposed standalone in-state gas pipeline project. The corps is the lead federal agency; the Bureau of Land Management, National Park Service and Environmental Protection Agency are participating as cooperating agencies.

The state's permit application is for a 24-inch diameter, high-pressure pipeline from Alaska's North Slope to Cook Inlet to transport ANS natural gas to in-state markets. Gas off-take would be provided for the Fairbanks area and other locations along the route, the corps said.

The project includes a gas conditioning plant on the North Slope, compressor stations along the line and natural gas liquid extraction facilities to produce utility-grade natural gas.

Two routing options are being considered, both from Prudhoe Bay to Cook Inlet, one via the Parks Highway and one via the Richardson Highway. Two spur line options and two pre-build options are also included in the proposal.

Two sources of gas are included: Prudhoe Bay and Gubik.

The scoping process began Dec. 7 and will end Feb. 5.

The Draft EIS is expected to be available for public review in August.

The project manager for the corps is Serena Sweet; Sweet is also the project manager for the Alaska Natural Gas Development Authority Beluga-to-Fairbanks natural gas system draft EIS.

—KRISTEN NELSON

"All the people that are working on this, they feel that they have a plan and they can't quite figure out why everybody else doesn't agree with them and why their plan doesn't work," he said.

There's a lot of energy, he said, "but we're not actually moving forward."

"And quite honestly, the Legislature's funding most of these," he said.

Noah said he's as guilty as anybody: "I mean I've just gotten tired of all the arguments and stopped talking to people."

He said it's time for the state's leaders to "sort these things out and they're hard decisions, they really are: If they were easy they'd be made."

Estimates by summer

Transportation cost estimates for a standalone in-state gas line from the North Slope to Cook Inlet should be completed by early summer, Noah said. Those transportation cost estimates will be updated after the 2010 field season and the initial permitting effort is expected to be complete in February 2011.

That, he said, will allow the state to put the permitting and engineering package out to bid and should allow a successful bidder to start moving gas in 2015-16.

It's a "very aggressive schedule," Noah said, but with an additional \$6.5 million in the governor's current budget, much of that for field work, a private party will have what it needs to do a detailed design

and move ahead with the project.

It would be an even better package if buyers and sellers of natural gas were able to come to commercial agreement and provide letters of intent to buy and sell gas. He said the intent of the commercial working group the in-state gas line group set up was to encourage potential buyers and sellers of gas to work toward letters of intent.

In-state line or renewable energy

Noah also said that the state is confusing the market. Renewable energy is a good idea, he said, but Alaska is a small market with only so much demand.

There are two issues: whether the state will support renewable energy or an in-state gas line and whether the state will look to private parties to fund development or jump in with state dollars.

On the one hand, he said, the state wants people to come in and spend money on energy projects, but "on the other hand we've got this hammer out here," in effect telling private parties "you guys go ahead and spend your money but if you do we may decide to come and do it ourselves."

The state is spending money and "it's confusing the marketplace" and, he told legislators, "you the politicians get to make the decisions: Are you going to fund these alternative projects?"

He also said the issue of whether the state is going to deal with fiscal certainty needs to be resolved, "because if you aren't that means the (48-inch) pipeline's going to be delayed for some period of time."

Irwin for the administration

Commissioner of Natural Resources Tom Irwin appeared to answer questions legislators had directed to the administration.

He quoted an August letter from the governor which referred to the in-state gas option for Alaska. In the letter the governor said: "We remain committed to that work and will continue driving hard to assure Alaska's resources power Alaskans homes."

In a December letter responding to Rep. Jay Ramras, R-Fairbanks, the governor talked about his "... commitment to bring a long-term stable supply to energy to all Alaskans," and said the administration continues to evaluate a standalone pipeline from the North Slope as well as a spur line

to Southcentral from a major pipeline to the Lower 48.

Irwin said the governor's support of the standalone in-state line was reflected in his budget, which proposed \$6.5 million to continue work on that line.

Irwin also told legislators: "I am absolutely convinced the AGIA project is working — it's moving forward."

He said he hears that nothing is being done.

"Folks, we're designing the largest pipeline project in North America ... we see the progress," and that progress will be available to see in the full filings with the Federal Energy Regulatory Commission, he said.

Irwin said he was talking about AGIA because, "It's critical we don't get sidetracked because that's the economic long-term future of Alaska."

But, he said, the administration is also working on short-term energy issues, including alternative energy, conservation, gas storage in Cook Inlet, Cook Inlet reserves and what incentives are needed for companies to drill there.

The focus issue

Resources co-Chair Craig Johnson, R-Anchorage, asked Irwin about Noah's assertion that the state needed to focus its efforts.

Irwin said he believes decisions need to be made, but doesn't believe all of the information is available yet.

Irwin said he's primarily working on AGIA, but there is a group working on energy for the villages. "What's good for most of us on the Railbelt — there could be a very different answer for some of the villages," he said.

Neither bullet line nor AGIA information is complete today, Irwin said.

Asked by Resources co-Chair Mark Neuman, R-Wasilla, about coordination and sharing of communication among the projects, Irwin said he believes information should be shared, but said neither side — AGIA or the bullet line — has complete data.

As to making a decision now, Irwin said, "We have a time of urgency; we do not have a crisis."

DNR support for bullet line?

Ramras asked Irwin if the standalone in-state gas line was the state's backup plan.

Irwin characterized it as "one of the arrows in the quiver" but said the state needs to know the timing and the cost.

Ramras asked when the state should pull the trigger on the bullet line and Irwin said "we've already pulled the trigger; the work's being done; ... if the Legislature supports the governor's budget, the work will continue."

More information will be available in 2010 on AGIA, Irwin said, and on the standalone in-state gas pipeline. The state will also see responses to what happens in Cook Inlet and perhaps there will be more drilling in Interior basins.

Asked by Ramras if he would support development of an in-state pipeline, Irwin said he would need a lot more information, including the cost and timing of the bullet line; who the commercial players are — those buying and selling the gas.

"I will support as the DNR commissioner anything that makes economic

see NOAH page 15



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CINGS

“CINGS respectfully requests a declaratory ruling on the threshold issue of commission jurisdiction in order to determine how to best move forward with the project in the most expeditious manner,” said CINGS attorney Tina Grovier in the company’s Dec. 21 petition. “CINGS does not want to presume it is unregulated only to later find out it needs to apply for a certificate of public convenience and necessity, nor does it want to apply for a certificate of

public convenience and necessity only to have it dismissed for lack of commission jurisdiction.”

And in a separate motion for expedited consideration of the petition, Grovier requested that the commission issue a decision by Jan. 22.

On Dec. 24 RCA issued an order setting a schedule for considering CINGS’ petition and requiring CINGS to file a concise list of material facts relating to the case. The deadline for public comments on the petition is 4 p.m. Jan. 8, while the deadline for legal briefs is 4 p.m. Jan. 15. The statutory dead-

CINGS now says that it plans to build the new 11 billion-cubic-foot facility using a depleted underground gas reservoir in the Cannery Loop unit, near Kenai on the northern Kenai Peninsula.

line for a final order in response to the petition is June 19, 2010, but the commission said that it will deal with the petition as expeditiously as possible.

“We understand CINGS’ interest in obtaining a timely decision on the question of our jurisdiction over its proposed facility and will endeavor to render a decision as soon as practicable, consistent with the protection of the interests of the public and interested persons,” RCA said.

Site specified

The petition brings to an end some recent speculation over where CINGS might build its proposed gas storage facility.

“CINGS proposes to construct independent, third-party natural gas storage facilities in a nearly depleted natural gas reservoir in the Cannery Loop unit near Kenai, Alaska,” the petition says. “Once the project is operational, CINGS’ customers will be able to store pipeline quality natural gas they have purchased (also known as working gas) in the reservoir until needed, most notably to meet peak Alaskan demands in the winter.”

To establish adequate reservoir pressure in the facility CINGS will purchase gas to supplement any gas that remains in the depleted Cannery Loop reservoir. The company anticipates that the facility will then be able to store up to 11 billion cubic feet of working gas, with gas injection and withdrawal rates maxing out at 150 million cubic feet per day.

CINGS anticipates drilling new injection and withdrawal wells into the facility reservoir, and the facility infrastructure will include a compressor station, gas dehydration units, gas withdrawal heating elements and gas measurement equipment. Pipelines will connect facility wells to the compression station via a 1,350-foot-long, 2,200-pound-per-square-inch common gathering header.

Enstar subsidiary Alaska Pipeline Co. will build and operate a pipeline that will connect the storage facility to gas transmission pipelines on the Kenai Peninsula, the petition says.

In the December RCA workshop CINGS said that a customer that wants to store gas in the new facility would have to pay fees based on the amount of storage capacity that the customer reserves and the rate at which the gas needs to be delivered from the facility. And customers will be entirely responsible for the transportation of their gas to and from the gas storage facility boundary through Alaska Pipeline Co.’s new pipeline, the petition to RCA says.

Clear demarcation

That clear demarcation point between the boundary of the storage facility and the pipeline that transports gas to and from the facility forms the basis of CINGS’ claim that RCA does not have jurisdiction over the facility. Because customers’ gas for storage will be delivered and later picked up at the same facility boundary, CINGS will not transmit or distribute gas to the public, the petition says. So, under state statutes, CINGS will not be a regulated utility, it says.

And because the facility itself is not a pipeline CINGS should not be regulated as a pipeline carrier either, the petition says. ●

Contact Alan Bailey
at abailey@petroleumnews.com

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NOAH

sense to get Alaskans economic energy,” Irwin said.

Cook Inlet concerns

Ramras said he was concerned that the liquefied natural gas plant on the Kenai Peninsula wouldn’t survive on a standard that requires the owners of the plant — ConocoPhillips and Marathon — to replace reserves they export from the plant.

He asked if that standard would allow for the survival of the plant as an industrial anchor for a small-diameter pipeline from the North Slope.

Irwin said the replacement standard could be important to ensuring gas for use in Southcentral.

House Speaker Mike Chenault, R-Nikiski, asked Irwin if Conoco would get state support if they filed for an extension of their export license based on no-net-loss of reserves.

Irwin said the negotiations last time were long and detailed, but the state

wanted to protect gas for Alaskans and jobs on the Kenai Peninsula. But no loss of reserves is also critical because the U.S. Department of Energy will be looking at the depletion rate, he said.

“None of us want the gas supply to go away,” Chenault said, but the LNG plant is basically providing gas that can be used by the utilities during the peak need in winter. While the problem now is deliverability in the cold months, in the future it could well be a supply issue and the plant could be shut down, costing the state 100 good-paying jobs, on top of those lost when Agrium closed.

But, he said, if you bring the bullet line to Cook Inlet, you could kill Cook Inlet production and the jobs associated with production, environmental work and exploration, a total of 500 jobs, Chenault said.

With the beluga whale issue and other issues that are coming up, “I have some deep concerns about any type of exploration in Cook Inlet,” offshore or onshore, he said. ●

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TUG

and, in fact, is not among the tugs used for that purpose.

Rather, the Pathfinder had been out in the Sound scouting for icebergs that often break off Columbia Glacier and drift into the shipping lanes, posing a danger to tankers. The tug had finished the scouting run and was heading back to port in Valdez when it grounded, the Coast Guard said.

The Pathfinder didn't sink or strand on the reef. It cleared the rocks and proceeded to deeper waters, anchoring near Busby Island, where the crew and spill responders deployed boom around the vessel.

The tug sustained severe damage, including ruptured fuel tanks.

The incident, and the ensuing spill response, briefly delayed the departure of two oil tankers from the Alyeska Pipeline Service Co. oil terminal at Valdez.

Crowley Maritime Corp., the Jacksonville, Fla., company that operates a fleet of harbor and escort tugs for Alyeska, relieved the captain and second mate of duty pending further investigation.

"All of us at Crowley are deeply disappointed and saddened that this grounding occurred," Rockwell Smith, a Crowley executive, said in a Dec. 25 press release. "We regret that we've disrupted service to Alyeska and that fuel has been released into the water. We will get to the bottom of this and take all necessary corrective actions."

'Not acceptable'

Noting the Pathfinder incident came on the heels of three recent spills at the Prudhoe Bay oil field, Alaska Gov. Sean Parnell said he called executives at



The tug Pathfinder, seen here anchored south of Busby Island in Prince William Sound after running aground Dec. 23 on infamous Bligh Reef. Boom encircles the vessel to contain diesel leaking from its ruptured fuel tanks.

Alyeska and BP, which runs Prudhoe, to express concern.

"Frankly, when I saw so many spills in such a short time I was indignant that these spills would occur," said Parnell, in a statement issued Dec. 24. "The spills harm both Alaska's environment and Alaska's reputation for responsible resource development. I let the companies know this was not acceptable."

The governor said he asked the attorney general and his natural resources and environmental conservation commissioners to review the spills and make recom-

mendations early this year on spill prevention and enforcement.

The Prince William Sound Regional Citizens' Advisory Council, a congressionally sanctioned watchdog organization for the oil terminal and tanker operations at Valdez, also was critical of the tugboat incident.

"Like most Alaskans, we ... are baffled as to how the Pathfinder managed to hit perhaps the most famous navigational hazard in the world — Bligh Reef — in conditions of relatively mild weather," the council's president, Steve Lewis, said in a Dec. 24 press release. "While many of the facts surrounding this grounding are not yet available, it seems at first blush to raise serious questions about the safety of oil industry operations in the Sound, and about how well the painful lessons of the Exxon Valdez spill of 1989 have been learned by today's mariners."

Lewis said the grounding raised several questions, such as why the tug crew did not "realize their peril" either by sight or from radar, and why the Coast Guard's vessel traffic center didn't warn the crew.

Damage and cleanup

The disabled Pathfinder was towed slowly back to port over a distance of 20 miles, arriving early on the morning of Dec. 27.

The Coast Guard reported light diesel sheens on the surface of Prince William Sound, but investigators as well as the Valdez watchdog group agreed the spilled fuel likely caused minimal environmental damage.

The state Department of Environmental Conservation reported the tug had 123,000 gallons of diesel aboard at the time of the wreck. Spill responders lightered some fuel off the anchored tug, and they skimmed some from the surface of the Sound. Crowley reported an independent testing company, Caleb Brett, gauged 94,226 gallons of diesel in the tug once moored in Valdez.

Contact with the reef did major damage to the hull, breaching three fuel tanks and tearing away a section of the keel, Coast Guard and state officials said. The tug also sustained damage to its keel cooler, a system of hull-mounted pipes through which engine coolant is pumped.

The extensive damage seriously clouds the tug's future, said Jim Butler, an Alaska spokesman for Crowley. The 136-foot tug is relatively old, built in 1970,

Coast Guard records show.

Loss of the Pathfinder likely won't significantly disrupt oil tanker operations at the Valdez terminal, for a couple of reasons.

First, the Pathfinder mainly did jobs such as ice scouting or helping tankers berth and depart. Crowley has newer and far more powerful tugs stationed at Valdez for actually escorting oil-laden tankers through the Sound.

Second, Crowley is bringing up a replacement tug, the Guardian, from Seattle, Butler said.

All the Crowley tugs are part of Alyeska's Ship Escort/Response Vessel System, or SERVS, established soon after Exxon Valdez to provide improved tanker escort and spill response.

The investigation

The Pathfinder's six-man crew was tested for alcohol with negative results, the Coast Guard said.

Investigators were taking statements from crewmen to try to determine why it ran aground.

The Coast Guard also was reviewing

the performance of its Valdez vessel traffic center, which monitors shipping in the area. "At this time, there is no indication of negligence," Coast Guard Petty Officer David Mosley told Petroleum News on Dec. 29.

That the vessel traffic center didn't call the Pathfinder and warn it away from Bligh Reef isn't surprising, as the nature of a tug's work often takes it near hazards, he said.

"That's their job," Mosley said. "We're not going to second-guess what a captain's choices are."

Another issue the Prince William Sound RCAC raised was the status of the Sound's iceberg detection radar. The group said the radar, mounted on an island overlooking submerged Bligh Reef, went offline late last summer after a Coast Guard systems upgrade.

RCAC spokesman Stan Jones agreed with Coast Guard officials who say scouting voyages such as the Pathfinder's often are necessary even when the ice radar is working.

But the radar needs to be restored because it can "detect icebergs in weather too dark or too foggy to permit reliable visual detection by human observers," the RCAC said. ●

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IMPERIAL

ship to complete an exploration well.

The advance ruling was deemed by Imperial to be important if it was to move forward with its Beaufort exploration plans, which in turn could be a key aspect of opening a new northern basin.

NEB can't predetermine

But the NEB said in a Dec. 15 letter to Imperial that it could not predetermine whether, or on what terms, it would approve drilling.

It said a decision would be made based on the evidence contained in a complete application, adding that a policy review would help both the applicants and the board to decide whether or not to order same season relief well capability.

The letter suggested a separate review for Imperial would take about the same time as a comprehensive review.

"Given public concern, Imperial's application for a separate policy review would, in the board's view, require the participation of the public as well as those who could be affected by any resultant policy," the regulatory agency said.

"These are likely the same parties expected to participate in the comprehensive review."

The NEB has previously said it would directly deal with matters related to same season relief well capability in the Beaufort rather than leave them with the chief conservation officer because same season relief well capability is an "issue of significant public concern."

Imperial has estimated it has so far invested about C\$150 million working up its plans for a well, including preliminary engineering for a new drillship and, through geosciences manager Michael Peacock, has warned the NEB that delays will only add to the costs and the "already onerous inhibitions to development of Canada's Arctic resource." ●