Petroleum news

page 5 DNR releases draft North Slope area plan: blueprint for activity

Vol. 25, No. 21 • www.PetroleumNews.com A weekly oil & gas newspaper based in Anchorage, Alaska Week of May 24, 2020 • $2.50

Alyeska oil prorations now at 95%; inventory, supply chain clearing

Alyeska Pipeline Service Co. has adjusted oil flow prorations on the trans-Alaska pipeline system to a 95% proration as of May 15, up from an 85% proration in place earlier in May.

"At TAPS, we're confident the supply chain has stabilized," We're ramping back up and as of last Friday are back to safely transporting 95% of our seasonal norm," Brigham A. McCown, Alyeska president, said in a May 18 Twitter post.

"This is good news for Alaska, the North Slope and downstream stakeholders who rely on TAPS to move every available barrel of oil," Michelle Egan, Alyeska chief communications officer told Petroleum News May 20. "We should soon be positioned to move 100% of the oil our connectors plan to

see **TAPS FLOW** page 11

RCA opens docket for SB123 regs

The Regulatory Commission of Alaska has opened a docket for developing regulations for implementing new statutes introduced by Senate Bill 123, a bill enabling the commission to regulate electric reliability organizations, referred to as EROs. The bill also grants the RCA regulatory authority over the construction of new major generation and transmission facilities, and over integrated resource planning for electricity supplies. Gov. Mike Dunleavy recently signed SB 123 into law, after the State Legislature passed the legislation.

The six Alaska Railbelt electric utilities are in the process of forming the Railbelt Reliability Council, a form of ERO for the Alaska Railbelt electricity system. The overall objective is to enable a more unified approach to the management of the system and, hence, to minimize the cost of electricity for con-

see **SB123 REGS** page 8

Alaska posts new Cook Inlet and North Slope activity maps

The latest North Slope and Cook Inlet oil and gas activity maps were posted on the Alaska Department of Natural Resources' Division of Oil and Gas website on May 18.

The Cook Inlet map highlights recently completed activity, with private sector 2020 work by two companies — Hilcorp and Cook Inlet Energy, a Glacier Oil and Gas company. Activities are listed from north to south in the basin.

Hilcorp's recent activities include the following:

• In the Trading Bay unit completed two workovers and planning one additional workover at the Monopod platform. Completed one workover at the Grayling platform and planning two more workovers at the Dolly Varden platform.

see **ACTIVITY MAPS** page 11

Suncor wields the axe

Suncor Energy, the powerhouse in Alberta's oil sands, took the knife to its prized dividend at the same time Chief Executive Officer Mark Little issued a warning that recovery of oil demand will "take some time" and happen only "when people can stop self-isolating."

That has spelled an end to 18 years of growing the company's quarterly payout, with Little explaining that the 55% cut reflects the decline of crude and fuel consumption "by key sectors of the economy, such as the airline industry."

He said "uncertainty is very high ... we think there's going to be some false starts in various economies."

However, he did note that Suncor is "already beginning to see some strengthening in demand," with signs of stabilization

see **SUNCOR PAYOUT** page 8

FINANCE & ECONOMY

Recovering demand

As lockdowns ease the first signs of real oil demand recovery are here

By KAY CASHMAN
Petroleum News

"Is this for real?" seems to be on the lips of all oil market analysts since crude began its climb into the $30-plus per barrel range.

And while some say it is based on solid numbers, almost all agree oil markets are reactionary — if pandemic related lockdowns re-emerge, prices will drop.

Still, the oil price, with only few stumbles, stubbornly continues to rise. Even Alaska North Slope crude, which has remained consistently lower than Brent for the first time in several years, reached $33.32 at the close of trading on May 20 — $1.42 higher than the day before.

So, what's behind the increase, the beginning of the rebalancing of the oil market? Producers in the U.S. and Canada have cut more oil production than they disclosed; OPEC+ producers, including Russia and Iraq, are largely and surprisingly abiding by their production reduction agreement; and China-led Asian demand for oil is up. In fact, in China demand is almost back to where it was a year ago. Plus, three OPEC members — Saudi Arabia, Kuwait and the United Arab Emirates — have said they will make even deeper cuts than promised for June. All of which means multiple

see **RECOVERING DEMAND** page 7

FINANCE & ECONOMY

Mustang in loan limbo

Alaska North Slope oil field still offline, no timetable for sustained production

By KAY CASHMAN
Petroleum News

The Mustang development loan once again was the subject of an executive session at a board meeting of the Alaska Industrial Development and Export Authority on May 20. The confidential session was not expected to produce a resolution to the delinquent status of the loan, and it lived up to those expectations.

Part of the problem is likely because Caracol Petroleum, the field's majority owner, is owned by Singapore-based Alpha Energy Holdings Ltd., which under the latest agreement with AIDEA was to invest $60 million in Mustang in the first quarter of this year

see **MUSTANG LIMBO** page 9

Bring ownership back

When Brooks Range Petroleum Corp. announced the Mustang discovery in 2012, it needed help to bring the field into production, which arrived in mid-2014, when JK E&P Group Pte. Ltd., Thyssen Petroleum North Slope Development LLC and MEP Alaska LLC acquired BRPC and a package of North Slope properties from Alaska Venture Capital Group and Ramshorn Investments Inc. for $450 million.

Majid Jourabchi, president of Thyssen

see **OWNERSHIP RETURN** page 8

FINANCE & ECONOMY

Norway dumps oil sands

Wealth fund to divest from four companies it accuses of failing to curb emissions

By GARY PARK
For Petroleum News

Following through on a warning issued last August, the Norwegian sovereign wealth fund, whose investments are valued at US$1 trillion, has started shedding an estimated US$37 billion of investments in companies it views as a barrier to tackling climate change.

In Canada's case the list includes most of the big oil sands producers — Suncor Energy, Canadian Natural Resources (CNR), Cenovus Energy and Imperial Oil — which had a combined investment value by Norges Bank Investment Management at US$1.2 billion.

Other energy-based companies headed for divestment include South African petrochemical firm Sasol, Dutch company AGL Energy and Brazil's Petrobras.

"Norway's investments in autocracies and dictatorships are twice its investments in Canada," said a Canadian Energy Center fact sheet.

Victim shuffle

The decision by Norges Bank to bail out of the Alberta oil sands also contained one curious shuffle among the Canadian victims.

Seven months ago Husky Energy was on the bank's hit list, but it has since been replaced by

see **FUND DIVESTITURE** page 7

● GOVERNMENT

BOEM issues new air quality regulations

Final rule updates rules established 40 years ago, does not include some new provisions proposed during Obama administration

By **ALAN BAILEY**

For Petroleum News

The federal Bureau of Ocean Energy Management has issued a final rule for changes to the air quality regulations applicable to activities on the U.S. outer continental shelf, including offshore oil and gas operations subject to Department of the Interior oversight. Offshore operators, when filing plans such as exploration plans, must specify anticipated air emissions from their activities and assess whether those emissions will meet the regulatory requirements. In 2011 the Environmental Protection Agency transferred all jurisdiction for outer continental shelf air quality from itself to Interior — previously Interior had only been responsible for oversight of air quality in part of the Gulf of Mexico.

In 2016 the Obama administration published a proposed rule for revised regulations. At that time the existing regulations were several decades old and needed updating.

The new rule that has now been finalized has resulted from significant modifications to the 2016 proposed rule, taking into account a 2017 directive by President Donald Trump to review the rule in the light of the president's desire to implement an America-first offshore energy strategy.

However, in its proposed update the administration also wanted to expand the regulations, requiring, for example, the aggregation of emissions from closely spaced activities and facilities, regardless of whether the activities fall within a single plan. The proposals also included provisions such as a need to consider emissions from support vessels during the entirety of their transits to offshore sites.

The new rule that has now been finalized has resulted from significant modifications to the 2016 proposed rule, taking into account a 2017 directive by President Donald Trump to review the rule in the light of the president's desire to implement an America-first offshore energy strategy. BOEM says that it has removed a number of provisions from the proposed rule, while also bringing the air quality regulations up to date within the fundamental structure of the original regulations.

"Under the president's leadership, the department has taken numerous commonsense actions resulting in billions of dollars in deregulatory savings, and we will continue to take actions to better serve the American people," said Interior Secretary David Bernhardt. "The final rule released today incorporates current standards, creates consistency with statutory authorities and is one more step in the right direction."

The final rule includes, for example, an update to the table of significant levels of pollutants, revised criteria for particulates suspended in the air, updated emissions exemp-

see **BOEM REGS** *page 3*

contents

Petroleum News *Alaska's source for oil and gas news*

ON THE COVER

Recovering demand

As lockdowns ease, first signs of real oil demand recovery are here

Mustang in loan limbo

ANS oil field still offline, no timetable for sustained production

Norway dumps oil sands

Wealth fund to divest from companies it says fail to curb emissions

Alyeska oil prorations now at 95%; inventory, supply chain clearing

RCA opens docket for SB123 regs

Alaska posts new Cook Inlet and North Slope activity maps

Suncor wields the axe

EXPLORATION & PRODUCTION

3 **State approves Colville River unit POD**

Division of Oil and Gas says it will work with Conoco on changes to work in plan necessitated by coronavirus pandemic

3 BLM closes NPR-A for tundra travel

4 US rig count continues down: new low 339

6 Badami shuts down oil production

GOVERNMENT

2 **BOEM issues new air quality regulations**

Final rule updates rules established 40 years ago, does not include some new provisions proposed during Obama administration

3 AOGCC confirms $30,000 Hilcorp fine

5 **Draft North Slope area plan out**

Classifies land in categories by most appropriate uses; will guide activity for 20 years; comments due July 15

LAND & LEASING

4 Pay leeway in April Alaska lease activity

NATURAL GAS

6 AGDC receives FERC approval

PIPELINES & DOWNSTREAM

5 Alyeska gets USCG environmental award

● EXPLORATION & PRODUCTION

State approves Colville River unit POD

Division of Oil and Gas says it will work with ConocoPhillips on changes to work in plan necessitated by coronavirus pandemic

By KRISTEN NELSON
Petroleum News

The Alaska Department of Natural Resources' Division of Oil and Gas has approved ConocoPhillips Alaska's 22nd plan of development for the Colville River unit.

The division said in its May 11 approval that it received the plan prior to major disruptions caused by the coronavirus pandemic — the POD was submitted March 16 — and said it "recognizes the possibility that operations described in the 22nd POD may not be completed during the specific POD time-frame due to the global (and by implication local) impact of the pandemic." The division said it would support ConocoPhillips on "any plan changes necessary to protect the health, safety, and welfare of operations personnel, the physical and economic integrity of the facilities, and preservation of the surrounding environment."

The PODs run from May 16 of one year to May 15 of the following year.

In the 21st POD, which covered 2019-20, the division said ConocoPhillips planned to drill up to 14 wells, including coil tubing sidetracks, a slant well and a vertical pilot well into the newly formed Fiord West Kuparuk participating area, Alpine PA producers and injectors, two Qannik wells and two Nanushuk wells.

"Wells actually drilled consisted of four Alpine wells, two Narwhal wells, one Fiord West Kuparuk well, and one Qannik well," the division said.

In early April, ConocoPhillips Alaska announced it was demobilizing its North Slope rig fleet due to COVID-19 concerns, ending both exploration and development drilling (see story in April 12 edition of Petroleum News), and on April 30 ConocoPhillips announced company-wide production cuts for June, including a 100,000 barrel per day cut from the Colville River and Kuparuk River units, citing "unacceptably low oil prices resulting from global oil demand destruction caused by the impacts of the COVID-19 pandemic, combined with a global over supply of oil." (See story in May 3 edition of Petroleum News.)

In its 22nd POD, ConocoPhillips said it planned to drill as many as 21 wells in the unit during 2020 and the first quarter of 2021, including: nine Alpine rotary wells, three Alpine coil tubing sidetracks, four rotary wells into Fiord West Kuparuk, two coil tubing sidetracks into the Nanuq, one Qannik rotary well and one Narwhal rotary wells.

Construction activities were planned to begin on the Alpine gas expansion project, which will increase gas handling capacity; on the Alpine power expansion project to expand electrical power capability; and on the Alpine slug catcher project, which will add 1,200 barrels of system surge capacity to absorb liquid slugs and optimize flow of oil and water into the inlet separator.

The company also planned to progress preliminary engineering and design for a new drill site, CD8, to develop the fifth CRU expansion. The drill site will target the Narwhal reservoir.

The division said the DNR commissioner approved the fifth expansion of the Colville River unit in August 2017, subject to required work to keep the area within the unit.

To date ConocoPhillips has met each of the required milestones, the division said.

"Future plans include drilling additional wells, conducting pilot production from CD4 of the Narwhal formation, and planning for drill site CD8. These actions will fulfill the commitment to conducting operations during the 2021 POD period that will progress the fifth expansion area into sustained production," the division said. ●

Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

BLM closes NPR-A for tundra travel

The federal Bureau of Land Management's Arctic District Office closed the National Petroleum Reserve-Alaska for winter overland tundra travel effective 12:01 a.m. May 15.

BLM said snow and weather conditions in NPR-A "are no longer adequate for winter overland tundra travel."

The BLM action ends authorized North Slope winter overland tundra travel, as the Alaska Department of Natural Resources, Division of Mining, Land and Water, had already closed the eastern and western North Slope coastal tundra areas to all off-road and ice road activities. The state closure was effective May 8, with a requirement that off-road travel in progress be completed by May 11.

The state never opened the upper and lower Foothills areas.

—PETROLEUM NEWS

GOVERNMENT

AOGCC confirms $30,000 Hilcorp fine

In March the Alaska Oil and Gas Conservation proposed fining Hilcorp Alaska $30,000 for failure to submit required meter performance reports for the Beaver Creek unit.

The commission said Hilcorp violated requirements of an October conditional approval letter for new custody transfer oil measurement equipment at the company's Beaver Creek unit by failing to provide meter performance reports as required.

The commission confirmed the fine in a May 14 order. It said Hilcorp has not disputed either the findings in the March notice or the penalty, and since receiving the notice in March, "Hilcorp has provided results of each meter prove as required in the conditional approval letter."

In addition to the fine, the notice proposed specific correction actions.

Hilcorp did request an informal review, which was held telephonically, the commission said.

The commission said Hilcorp violated requirements of an October conditional approval letter for new custody transfer oil measurement equipment at the company's Beaver Creek unit by failing to provide meter performance reports as required. In addition to the fine, the commission also required Hilcorp to describe how it would prevent recurrence of the violation.

"Hilcorp's lack of good faith in its attempts to comply with the imposed conditions, its history of regulatory noncompliance and need to deter similar behavior are factors which most heavily influence AOGCC's decision and the penalty being assessed," the commission said in its May decision.

The commission said that while Hilcorp's compliance has improved over the past two years, "the recurrence of failing to account for approval conditions imposed by AOGCC calls into question the effectiveness of corrective actions implemented in responses to past enforcement actions."

The commission said it had closed out an enforcement action for similar violations at the Granite Point and Trading Bay units, "with the same assurances of corrective actions just four months prior to this violation at Beaver Creek."

In addition to the civil penalty of $30,000, which must be paid within 30 days if Hilcorp chooses not to appeal the order, within 10 days "Hilcorp shall provide a detailed written explanation that describes how it intends to prevent recurrence of this violation," the commission said in its order.

—KRISTEN NELSON

continued from page 2

BOEM REGS

tion thresholds and clarified terminology.

The list of regulations in the 2016 proposed rule that are not in the final rule includes the consideration of emissions from transiting support vessels, vehicles or aircraft; the required periodic recertification of existing facilities for air quality compliance; a change in the location relative to an offshore installation at which BOEM would evaluate air quality impacts; new criteria for aggregating emissions from multiple facilities; a methodology for using emission reduction credits; and recognition of the right of Indian tribes, as well as states, to comment on BOEM's consideration of an offshore plan.

The new rule continues the previous practice of using pollutant significance levels, as specified within EPA regulations, but without incorporating the significance levels used by states, as envisaged in the proposed rule. ●

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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. 21 • Week of May 24, 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.

● LAND & LEASING

Pay leeway in April Alaska lease activity

By KAY CASHMAN
Petroleum News

ALASKA LEASE REPORT

The April lease report from the Alaska Department of Natural Resources' Division of Oil and Gas shows Brooks Range Petroleum Corp. getting four lease rental payment extensions on April 30. The leases are west and southwest of the Southern Miluveach unit between SMU and the Pikka unit — they are not part of the Mustang project. The leases were all picked up in the state's Dec. 6, 2017, North Slope areawide lease sale.

The extensions were granted under AS 38.05.020(b)(5). The four leases are ADL 393681, ADL 393682, ADL 393683 and ADL 393686.

As is the custom with many 10 year state leases now, the report shows a ConocoPhillips Alaska lease acquired in the November 2012 North Slope sale as having its annual rental rates for years 8-10 amended to $10 per acre, per the state's lease terms.

The Kuparuk River unit lease, ADL 392364, was effective April 1, 2013, and went into production June 1, 2015, as part of the Kuparuk participating area. Its rental rate was $10 per acre in its first seven years and then was to convert to $250 per acre in its eighth year, per the state's lease terms, unless ConocoPhillips applied for the $10 rental rate, and was approved for the rate by the Division of Oil and Gas.

The lease was not eligible for the reduction until the year after the year in which production from it began. And the division had the sole power to decide whether the lessee had exercised "reasonable diligence in exploring and developing the lease," considering the funds expended by the lessee, as well as the types of work that was done.

Interest sold to Chevron

The division's April lease report also shows ConocoPhillips Alaska transferring a working interest of 4.9506% in 13 Kuparuk unit Beaufort Sea and North Slope leases (or parts of leases) to Chevron U.S.A., including the Nuna leases that ConocoPhillips recently acquired and absorbed into Kuparuk. A 4%-plus royalty interest was also transferred from ConocoPhillips to Chevron as part of the transaction, which ConocoPhillips said in its application was part of a December sale to Chevron.

It appears the companies are standardizing interest in these 13 leases with the rest of the unit, as Chevron hold a 4.95% working interest in Kuparuk and ConocoPhillips 94.5%.

The leases involved include the following: ADL 3904341, ADL 3905051, ADL 3905061, ADL 3906971, ADL 3919081, ADL 3919091, ADL 3921131, ADL 3921571, ADL 3921581, ADL 3938831, ADL 393884 — all segment 1 of each — and segments A in ADL 393883 and ADL 393884. ●

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EXPLORATION & PRODUCTION

US rig count continues down: new low 339

The count of rotary rigs drilling in the U.S., issued weekly by Baker Hughes since 1944, reached a new low of 339 for the week ending May 15. The May 8 count, 374, had broken the old low record of 404 set in May 2016.

The May 15 count was down 35 from the previous week and down 648 from a year ago.

The count continues a recent steep drop: down by 35, 34, 64, 73, 62, 64, 44 and 20 rigs respectively, a total of 396, over the previous eight weeks.

In its weekly rig count the Houston oilfield services company said 258 rigs targeted oil, down 34 from the previous week and down by 544 from a year ago, while 79 targeted natural gas, down one from the previous week and down 106 from a year ago. There were two miscellaneous rigs active, unchanged from the previous week and up by two from a year ago.

The company said 22 of the holes were directional, 307 were horizontal and 10 were vertical.

Rig counts were unchanged from the previous week in Alaska (3), California (5), Colorado (8), Ohio (8), Pennsylvania (23), West Virginia (7) and Wyoming (4).

The rig count in Texas, which at 150 has the most active rigs, was down by 23 from the previous week and down by 332 from a year ago.

New Mexico (66) and North Dakota (16) were each down by four rigs.

Louisiana (35) was down by three rigs and Oklahoma (12) was down by one.

Baker Hughes shows Alaska with three active rigs for the week ending May 15, down by four from a year ago.

The largest rig count drop by basin was in the Permian, which also has the most active rigs at 175. The Permian count was down 23 from the previous week and down 279 from a year ago.

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

The U.S. rig count peaked at 4,530 in 1981. This week's count of 339 is a new low, surpassing the 374 count last week, prior to which the previous low was 404 rigs in May 2016 at 404.

—KRISTEN NELSON

● PIPELINES & DOWNSTREAM

Alyeska gets USCG environmental award

By **STEVE SUTHERLIN**

Petroleum News

Alyeska Pipeline Service Co. has earned the gold-level 2020 Biennial Rear Admiral William M. Benkert Marine Environmental Protection Award for Excellence, presented by the U.S. Coast Guard to honor members of the marine industry for excellence in areas of marine safety and environmental protection.

The award will be presented during the North American Marine Environment Protection Association Safety at Sea event held virtually on May 21.

"It is privilege to work in the pristine environment of Prince William Sound and the pipeline corridor," Michelle Egan, Alyeska chief communications officer, told Petroleum News. "We are entrusted with a great responsibility to protect that environment and we are proud that we have been recognized for our work with this prestigious award."

The award reviewed Alyeska's marine safety and environmental performance between 2018-2019, including the marine services transition, the organization's safety culture and performance, environmental monitoring, community partnerships and philanthropy programs, Alyeska said in a press release.

The nomination was focused on the Valdez Marine Terminal and Prince William Sound, but also recognized operations of the trans-Alaska pipeline system, like the 2019 Minton Creek exercise and Alyeska's ongoing work with University Alaska Fairbanks on unmanned aerial vehicles, the company said.

The nomination was focused on the Valdez Marine Terminal and Prince William Sound, but also recognized operations of the trans-Alaska pipeline system, like the 2019 Minton Creek exercise and Alyeska's ongoing work with University Alaska Fairbanks on unmanned aerial vehicles, the company said.

"This award is an awesome acknowledgment of our employees and their commitment to protecting the precious environment we call home," said Betsy Haines, Alyeska senior vice president of operations and maintenance. "We're recognized, in part, for our work in prevention, and also our safe and effective responses when a bad day occurs."

Benkert an environmental and safety leader

The award is named for Rear Admiral William M. Benkert (1923-1989), who served at Coast Guard headquarters in Washington, D.C., as chief of the Office of Marine Environment and Systems from 1972 until 1974, and as chief of the Office of Merchant Marine Safety from 1974 until 1978.

"The program recognizes corporations and businesses involved in marine facility or vessel operations that have demonstrated sustained excellence and outstanding achievement in protecting the marine environment," the Coast Guard said in a May 15 announcement. "It also encourages innovations in operations, pollution prevention and response, environmental outreach and partnerships and provides a means for award recipients to share their successful methods and techniques with others in industry."

The Coast Guard also recognized Alaska Maritime Prevention & Response Network among the 2020 honorees, bestowing the Osprey award on the Anchorage-based nonprofit for its work to provide vessel operators with federal regulatory compliance to operate enrolled tank and non tank vessels in Western Alaska and Prince William Sound. ●

Contact Steve Sutherlin at ssutherlin@petroleumnews.com

● GOVERNMENT

Draft North Slope area plan out

Classifies land in categories by most appropriate uses; will guide activity for 20 years; comments due July 15

By **KRISTEN NELSON**

Petroleum News

The Alaska Department of Natural Resources is seeking public review and comment on a draft of the North Slope Area Plan, which, the department said, will be a blueprint for activity on North Slope state land and waters for the next 20 years.

DNR said the plan will classify some 12 million acres of state owned and state selected lands and will define the management intent for all state land and waters in the planning area, which includes most of the North Slope Borough and adjacent areas.

"To date, there is no comprehensive land use plan for state lands on the North Slope," the draft says, although there are several regional and site specific plans.

The plan directs which lands will be retained by the state, which should be sold to private citizens, used for public recreation or for other purposes. The plan identifies municipal entitlement selections and classifies lands which the North Slope Borough may select in fulfillment of its entitlement.

"The plan does not provide land use designations for oil and gas leasing," the draft says: Since 1987 oil and gas leasing has undergone a separate planning process.

"Land classified oil and gas is land where known oil and gas resources exist

see **AREA PLAN** page 6

EXPLORATION & PRODUCTION

Badami shuts down oil production

Editor's Note: The following bulletin was emailed to all Petroleum News subscribers on May 1 but was inadvertently omitted from the next weekly issue of the newspaper.

Oil production from the eastern North Slope Badami unit is being shut-in, likely due to the low price of Alaska crude, although field operator, Savant Alaska, a Glacier Oil and Gas Co., has not yet made a formal statement confirming the well suspensions.

In response to a May 1 query from Petroleum News, Tom Stokes, director of the state Division of Oil and Gas, confirmed that he had been told by Glacier's president that the field would be put in warm storage, meaning the facilities will be maintained for an eventual restart.

Seven wells in the Badami sands participating area produced 716 barrels in March; with the other 804 bpd coming from an "undefined pool." B1-11A was the highest Badami sands producer at 320 bpd.

Petroleum News also confirmed that Savant's common carrier Nutaaq pipeline, which serves the Point Thomson unit, will stay in operation.

According to AOGCC records, Badami averaged 1,252 barrels of oil per day in March, down 7.7%, 105 bpd, from a February average of 1,357 bpd and down 31.1% from a March 2019 average of 1,817 bpd.

Seven wells in the Badami sands participating area produced 716 barrels in March; with the other 804 bpd coming from an "undefined pool." B1-11A was the highest Badami sands producer at 320 bpd.

Two wells were listed as producing from the undefined pool, B1-07 at 664 bpd and B1-38 at 140 bpd.

Glacier has said B1-07 (Starfish prospect) produces from the Cretaceous Killian interval, which is a turbidite sandstone reservoir immediately above the oil source rock and below the Badami sands that form the main reservoir for the Badami oil field.

Badami produced 173 barrels of water in March.

The Killian oil discovery, which is on leases outside the Badami sands PA, was made in early 2018, in the East Mikkelsen prospect (renamed Starfish by Glacier) between Badami and the Point Thomson unit.

In early testing B1-07 produced 2,500 barrels per day, tapering off to 1,600 bpd by January 2019.

Describing the Starfish prospect prior to drilling, a Glacier official said, "If this well works close to what we think it will, it should open five to seven more prospects similar to it."

—KAY CASHMAN

NATURAL GAS

AGDC receives FERC approval

The Alaska Gasline Development Corp. said May 21 that it has received authorization from the Federal Energy Regulatory Commission to construct and operate the Alaska LNG project.

"Today's federal authorization is a key step in determining if Alaska LNG is competitive and economically beneficial for Alaska," Gov. Mike Dunleavy said.

"The ongoing project economic review and discussion with potential partners will determine the next steps for this project," he said.

AGDC President Frank Richards said: "FERC's authorization validates that the Alaska LNG Project can be safely built and operated, delivering numerous potential benefits with manageable environmental impacts."

AGDC President Frank Richards said: "FERC's authorization validates that the Alaska LNG Project can be safely built and operated, delivering numerous potential benefits with manageable environmental impacts."

"Obtaining FERC approval significantly de-risks the project execution with defined environmental stipulations," he said. "Our momentum continues as we complete our assessment of the project's economics and competitiveness, and engage with potential project partners to determine the best path forward for the Alaska LNG project."

The governor made clear after the final environmental impact statement was issued for the project in early March that the state did not intend to continue as project sponsor.

Materials from an April 9 meeting of the AGDC board (see story in April 19 issue of Petroleum News) indicated that AGDC and strategic parties with which it has been working have a Dec. 31 target for identifying a new project sponsor. Meeting materials said the AGDC board does not support AGDC continuing as project sponsor beyond Dec. 31, and said if there was not sufficient interest by a new project sponsor, "AGDC will put the Alaska LNG Project assets up for sale in a formal RFP process."

—KRISTEN NELSON

continued from page 5

AREA PLAN

and where development is occurring or is reasonably likely to occur, or where there is reason to believe that commercial quantities of oil and gas exist," the draft says.

DNR's Division of Oil and Gas will use the plan to develop lease mitigation measures, administer lease operations approvals and delegate authorizations.

Six regions identified

The plan covers state lands north of Atigun Pass, and encompasses the area north of the Umiat meridian between the eastern boundary of the National Petroleum Reserve-Alaska and the western boundary of the Arctic National Wildlife Refuge and includes offshore areas to the 3-mile nautical limit.

"To date, there is no comprehensive land use plan for state lands on the North Slope," the draft says, although there are several regional and site specific plans.

Six regions are identified in the plan: Arctic tidelands, Arctic coast, central Slope, Brooks Foothills, Dalton corridor and Chandalar, with lands further subdivided into planning units based on similar land characteristics, resources, use patterns, topography or other features, with a 105 land management units including 15 tideland planning units.

The plan assigns designations to units, frequently multiple designations, including: habitat, harvest, oil and gas, public facilities, public recreation, resource management, settlement, transportation corridor, waterfront development and water resources.

The designation of oil and gas "is used extensively" in the plan, the draft says, and "was applied to lands where known oil and gas resources exist and where development is occurring or is reasonably likely to occur, or where there is reason to believe that commercial quantities of oil and gas exist."

The draft says co-designations, such as oil and gas/habitat, imply that while there is, or could be, oil and gas development within a unit, "the habitat values within the unit must be taken into careful consideration when adjudicating an authorization," and stipulations must be imposed to ensure continuation of the habitat value or resource within the unit.

Comments on the draft must be received by July 15. The draft is available on DNR's website at: http://dnr.alaska.gov/mlw/planning/areaplans/nsap/prd/. ●

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continued from page 1

FUND DIVESTITURE

CNR. The wealth fund offered no explanation for the change. It was unavailable to answer a question some sources in the Alberta government have raised.

They wonder if Husky has survived the cut because of its inextricable link to the Chinese government through majority owner Li Ka-shing, who, operating from his base in Hong Kong, has become the 28th richest person on the plane.

Li didn't climb the money tree without knowing how to curry favor with the Chinese government, both before and since Beijing manipulated its control over Hong Kong.

He opted to take a hard line against the prolonged protests against the powers wielded by the People's Republic of China.

Norges Bank's Council on Ethics said it decided to cut ties with the four Canadian companies based on their "carbon emissions from production of oil to oil sands. It is the first time this criterion is being applied."

Kenney: 'incredibly hypocritical'

Alberta Premier Jason Kenney fired back, saying he found it "incredibly hypocritical" coming from a sovereign wealth fund which "owes its genesis to oil revenues coming from the North Sea reserves of Norway. It's the pot calling the kettle black in this instance."

He noted that Norway is also engaged in exploring its own offshore fields to boost its oil output, having planned 50 wells this year, but has postponed 10 of them because of COVID-19 and may have more delays to come.

The Canadian Energy Center has reported that Norges Bank investments total US$42 billion in foreign equity holdings, including US$35.9 billion in China, US$3.6 billion in Russia and US$2.5 billion in countries such as the United Arab Emirates, Egypt and Saudi Arabia.

"Norway's investments in autocracies and dictatorships are twice its investments in Canada," said a Canadian Energy Center fact sheet.

Trudeau backs Norway

Just when the Alberta government and the four oil sands producers might have counted on Canadian Prime Minister Justin Trudeau for some backing, he said Norges Bank's decision to dump on the oil sands was a timely warning that Alberta's economic underpinning might have to adjust to a shift in global attitudes to fossil fuels, even though the oil sands account for only 0.16% of global greenhouse gas emissions.

He said, "it is so important for Canada to continue to move forward on fighting climate change and reduce our emissions in all sectors ... (and understand) that the investment climate is shifting and there is a clear need for leadership and clear targets to reach on fighting climate change to draw on global capital."

Trudeau made no effort to acknowledge the role of oil sands producers in lowering their per barrel GHGs by up to 30% in the last 20 years, while some of those companies are now targeting zero GHGs by 2050.

Alex Pourbaix, chief executive officer of Cenovus, scoffed at Norges Bank's explanation for divestment as being "more about publicity than fact."

"Our company is committed to finding solutions to the global challenge of climate change while continuing to be a significant contributor to the Canadian economy through taxes, employment and buying goods and services from business across this country," he said.

Laura Lau, senior vice president at Brompton Funds, said Canadian oil and gas companies have "done a good job of bringing (GHGs) down, but it's the communication they need to improve." ●

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continued from page 1

RECOVERING DEMAND

crude streams can get dollars-per-barrel premiums relative to the benchmarks they trade against, when just a few weeks ago they were being sold at deep discounts.

The International Energy Agency attributed faster-than-expected production cuts by companies and countries for the steady increase in the price of crude.

Gap in reporting

Ed Morse, global head of commodities research at Citigroup, told Josh Siegel in an interview that appeared in the May 19 Daily on Energy in The Washington Examiner that the U.S. Energy Information Administration is not reporting the actual amount of production that has been cut.

Most projections, Morse told Daily on Energy, are based on announcements by producers, and are thus reporting U.S. output cuts between 1 million to 1.5 million barrels per day. But pipeline companies are reporting higher shut-in numbers, he said.

In an earnings call tagged by Javier Blas, chief energy correspondent at Bloomberg, Plains All American Pipeline said shut-ins in North America have peaked as high as 4 million barrels per day, Daily on Energy reported.

Bleakest spot

The "bleakest spot" for oil price recovery is the U.S. Gulf Coast, where a flood of exports from Saudi Arabia has added to an existing surplus. Onshore, West Texas Sour crude has dropped to a discount of 35 cents a barrel below WTI futures, down from a premium of $3.50 as recently as May 11, Bloomberg reported May 20.

"In the very short-term, prices may have accelerated a bit too fast," Eugene Lindell, an analyst at JBC Energy GmbH in Vienna, told Bloomberg. "The situation on the refining side is pretty brutal right now," but it could prove positive for sellers if they maintain supply discipline, Lindell said. JBC is "ultra bullish" beyond the next two or three weeks, because the production curtailments will make the global market "seriously tight," he said.

Slightly better airline news

While easing lockdowns in parts of the U.S. has sent gasoline sales soaring, there is also some good news from the beleaguered airline industry that bodes well for jet fuel sales.

Blas tweeted May 21 as this issue of Petroleum News was going to press: "The aviation industry remains in the doldrums, despite (upward arrow) in recent days. According to @flightradar24 there were ~39,000 commercial flights yesterday (passenger and cargo), highest in nearly 2 months. Pre-crisis, a normal day saw ~100,000 flights."

A day earlier Bloomberg and other news services reported that Delta Air Lines again increased the number of flights returning to service this summer to allow for social spacing among passengers as demand increases — specifically, Delta will add 200 flights in June and possibly more in July, CEO Ed Bastian told Fox Business News.

And United Airlines' new CEO Scott Kirby said on CNBC that United is moving to larger planes to allow for personal distancing on flights, and, per Bloomberg, he "eased his tone on job cuts." The airline recently reported "moderate" strengthening in the U.S. and on some international routes.

Southwest Airlines also said that bookings are growing faster than cancellations. and reservations for June are showing "modest improvement."

Reuters reported May 21 that British airline easyJet plans to restart some flights on June 15.

Where are oil prices going?

So, what's next for oil prices?

"Global supply has been curtailed to a great degree," said Rystad Energy senior oil market analyst Paola Rodriguez Masiu. "We are on a clear path to a gradual recovery now."

"It is now abundantly clear that the market is tightening, and crude prices are rebounding as demand returns," said analysts at JBC Energy, per a May 21 Reuters report.

"Who would have thought that only a few weeks after hitting sub-zero, oil prices would stage a solid recovery back towards the $30 region?" Lukman Otunuga, senior research analyst at FXTM, told MarketWatch. "With economies easing lockdown measures, oil could edge higher in the near term," he said. "However, gains may be capped by global growth fears and renewed U.S.-China trade tensions."

"The crude oil stock draw was unexpected, but it is attributable to declines in both imports and production, while refinery inputs were higher," Marshall Steeves, energy market analyst at IHS Markit, told MarketWatch. "Overall, storage isn't filling up as quickly as expected with the steeper production cuts rebalancing the physical market."

"Arguably, the most robust factor for oil markets now comes from the US. Though the country is prohibited by law from engaging in any production cut deals or so-called price fixing, much to the dismay of OPEC kingpin Saudi Arabia, a number of US oil players including heavyweights ConocoPhillips, Continental Resources and Chevron are taking matters into their own hands. They are all shutting down production in order to first dry up the severe ongoing supply overhang that is rapidly filling up storage levels, and to give upward support for beleaguered prices," reported Tim Daiss, Asia Times, on May 20.

"Simply put, OPEC+ led production cuts and global shut-ins are working," RBC Capital Markets analyst Michael Tran wrote in a research note.

The bank had been expecting oil markets to flip into deficit by late June or early July, but "preliminary indicators are suggesting that balances are cleaning up four to five weeks ahead of our anticipated timeline, as are prices," he told Bloomberg. ●

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continued from page 1

OWNERSHIP RETURN

Petroleum USA, addressed reports that he was part of a team attempting to buy majority ownership in the Mustang oil development from investors in Caracol Petroleum, as well as restart shut-in oil production later in the year.

"We're trying to bring ownership back to the North Slope," Jourabchi told Petroleum News in a May 21 email. "Anything else is not very accurate. As a start I am not a director of Alpha Energy, but we are trying to simplify the ownership and to refocus the operations."

—KAY CASHMAN

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continued from page 1

SUNCOR PAYOUT

reflecting the continued shut in of oil production, with Plains All American Pipeline expecting to will reach 3.5 million to 4.5 million barrels per day in May across the U.S. and Canada. The cutback in Canada is estimated at 600,000 bpd.

In lowering its forecast breakeven U.S. benchmark oil price to US$35 a barrel from US$45, Suncor opted to give itself some breathing room by cutting its capital budget for 2020 by C$400 million to C$1.9 billion.

Among Suncor's oil sands peers, Imperial Oil (69.6% owned by ExxonMobil) Chief Executive Officer Brad Corson said his company is "already beginning to see some strengthening in demand."

Phil Skolnick, an analyst with Eight Capital, said many U.S. states and other jurisdictions are gradually reopening their economies, pointing to a slow recovery in oil demand this year.

"It is encouraging we are getting increased demand for gasoline right now ... we've seen a stabilization in oil prices," he said.

Suncor reported a first quarter decline of just 3% from a year ago in its output to 700,000 barrels of oil equivalent per day, while its refinery throughput levels in the current quarter is forecast to be 25% to 35% to match demand levels.

The dividend cut, which will save the company C$1.6 billion this year, comes on the heels of its reported first quarter net loss of C$3.5 billion.

Against that backdrop, Raymond James analyst Chris Cox said Suncor's move is "prudent because they would have been funding the dividend entirely from their balance sheet ... we think it makes a lot more sense not to add debt in this current price environment."

—GARY PARK

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continued from page 1

SB23 REGS

sumers while maintaining acceptable levels of electricity supply reliability.

Implementation of the RRC and its regulation by the RCA required statutory and regulatory changes, to clarify the RCA's regulatory authority — hence the passage of SB 123 and, now, the need for the RCA to develop new regulations.

In a May 18 order, establishing the new regulatory docket, the commission commented that as a first step in developing the regulations it is necessary to identify issues that need to be vetted by institutions with interests in the regulations. Consequently, the commission is scheduling a series of technical conferences to receive input on the appropriate regulatory framework relating to SB 123. The first of these conferences, to be held on June 3, will consider ERO certification standards; rules and definitions required to ensure the independence of an ERO board of directors; and additional rules and standards needed to ensure the equitable impact of the ERO on interconnected electricity entities, including the allocation of ERO costs, the impartial enforcement of reliability standards, and the use of a public process for ERO activities.

—ALAN BAILEY

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continued from page 1

MUSTANG LIMBO

and advance at least $15 million to Caracol in the form of equity or a senior secured loan.

Karsten Rodvik, AIDEA's external affairs officer, told Petroleum News May 15 that Alpha has not met those commitments.

The first oil field on Alaska's North Slope to have been developed and brought online by a small independent oil company, Mustang began production in early November under operator Brooks Range Petroleum Corp., or BRPC.

The oil field was offline for December and has remained so.

Mustang loan payments were initially scheduled to begin Oct. 1, 2019, several months after the anticipated startup, which was delayed. The interest rate on the loan was 8%, to be paid in 29 level quarterly installments,

In a board resolution passed on Jan. 16, AIDEA agreed to change the terms of financing for Mustang to accommodate field setbacks and delayed loan payments by Caracol.

Under the terms of the new agreement with AIDEA, the interest rate was reduced to 6%, with the first interest payment deferred until three months after closing. The loan principal was effectively reduced to $63.6 million.

Initial payments were interest only, with principal plus interest payments starting in the seventh quarter of the schedule. Principal payments were accelerated, starting in the 14th quarter.

AIDEA also committed to make up to an additional $35 million in loan financing available after July 1 to support Mustang development drilling, contingent on oil production targets being met and the establishment of a debt service reserve fund.

When announcing the revised financing terms Jan. 16 AIDEA Board Chairman Dana Pruhs said AIDEA's mission to advance economic development and create job opportunities "can sometimes run into delays, disappointments, and missed production deadlines. Brooks Range startup problems and the oil tax credits veto three years ago (under the Walker administration), along with other factors, created the largest workout situation at AIDEA as identified by the Dunleavy transition team in early 2019. Producing from these state oil leases in 2020 requires better understanding of North Slope challenges, reserve base lending, and capital requirements."

That was before the COVID-19 pandemic and the oil price crash.

So, in light of the current oil market and the uncertainties that surround the pandemic, how does AIDEA plan to move forward?

"Current volatility in the oil markets has created additional issues for the Mustang project," Rodvik said. "AIDEA is currently reviewing its alternatives as a creditor to the project."

Has a timeline for putting Mustang back online been established?

"We haven't received any specific timeline for achieving sustained oil production from the field," he said.

BRPC drilled the Mustang discovery well in January 2012 in the Southern Miluveach unit, adjacent to the southwest edge of the Kuparuk River unit. ●

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Oil Patch Bits

Norum takes gavel as new ATA president

COURTESY PHOTO

JOSH NORUM

On May 1 Josh Norum of Sourdough Express was passed the gavel to become the 2020-2021 president of the Alaska Trucking Association. The outgoing president is Jamie Benson of Federal Express.

"I have been a part of this group for six years now and am proud to be able to serve on an organization that has been a much needed advocate for the trucking industry," Norum said. "I am the fifth member of my family to be the ATA president — my Great Uncle Gene Rogge (1959-1960), Great Grandpa Leo Schlotfeldt (1963-1964), Grandpa Whitey Gregory (1982-1983) and Uncle Jeff Gregory (1999-2000)."

Sourdough Express, which operates facilities in Anchorage and Fairbanks, is a fourth generation family organization. Since 1898, it has been servicing the commercial freight needs of Alaska businesses throughout the state including the oil and gas industry.

ATA is celebrating its 60th anniversary this year. From its inception, the organization's goal has been straightforward — to foster and promote the interests of the trucking industry in Alaska.

Among other things, ATA works to promote highway and driver safety, influence government and regulatory agencies, boost the industry's image, and provide education and information about the industry.

New features added to Lynden's mobile app

As reported by Lynden News May 12, Lynden's mobile app recently received updates, including expanded GPS map tracking and shipment detail. The app has also been updated for compatibility with iOS 13 and Android 10 and is available now in the App Store and Google Play store.

Improvements were based on customer feedback and include:

Date and time: "Received" and "Delivered" status updates now include dates and timestamps (when available) providing more detail than before.

GPS maps: In addition to written status updates, GPS maps are included with select active shipments. Most notable are shipments on Alaska Marine Lines' barges which can now be tracked every mile of the journey. Maps are also offered for select truck shipments and show freight scanned into most Service Centers for all modes.

Equipment numbers: New in this release, the equipment number(s) for active shipments are displayed in the search results, throughout the shipment details pages, and on the available Excel export. This will be especially helpful to customers who ship multiple full container loads and need to quickly identify the shipment by equipment number.

Core features of the app include the ability to track shipments, receive status updates via email and view and email documents like bills of lading and invoices. Visit www.lynden.com/mobile to learn more or download the app.

Companies involved in Alaska's oil and gas industry

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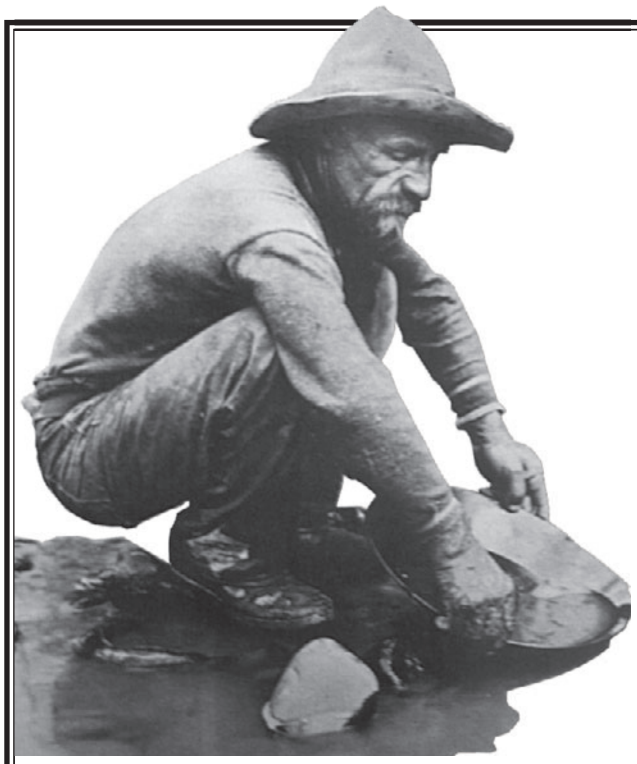

PAID ADVERTORIAL

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

"RESULTS ALWAYS DEFINE INTENT"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

-Jim White

continued from page 1

ACTIVITY MAPS

Conducting field studies to identify oil and gas opportunities in TBU.

• In the Granite Point unit GP-53RD completed and online at 1,100 barrels of oil per day.

• Suspended A-10 RD well just outside TBU.

• At Middle Ground Shoal unit numerous workovers and additional perforation from Platform A and Platform C. Plan to delineate oil or gas reservoirs and possibly drill several rotary wells and coil tubing wells.

• Identified six prospects in Grassim Oskolkoff participating area at Ninilchik unit with drilling possible in 2020 or 2021 POD periods.

• Drilling new stratigraphic test wells at Whiskey Gulch.

• Identified prospects from 3D seismic acquired in 2019 in lower Cook Inlet. Conducting geohazards survey in late summer this year. Plan to drill one of the prospects, Blackbill, with Seadrill West Epsilon jack-up rig next year.

• Plan to drill second well at Seaview natural gas prospect and bring pad online this year. Discovery well, Seaview 8, was drilled in 2018 to depth of 10,148 feet.

Cook Inlet Energy activity

Cook Inlet Energy's recent activities include:

• Plan of development, or POD, approved for West McArthur River unit. Continuing to brainstorm ways to enhance production, manage production decline, and increase ultimate recovery from existing wells. Continue to permit drilling plans for Sabre project.

• Redoubt Shoal unit POD approved. Plan to add perforations and re-stimulate RU-6A water injection well and examine results of enhanced recovery waterflood efforts.

That said, Petroleum News sources indicate that oil production from West McArthur River and Redoubt have been temporarily shut in due to low crude prices.

State, federal agencies

The Division of Oil and Gas' recent activates for the Cook Inlet basin include:

• Bidding for 2020 Alaska Peninsula and Cook Inlet areawide oil and gas lease sales online at EnergyNet (www.energynet.com). Bidding opened May 19 and results will be publicly available June 17.

As usual, ConocoPhillips dominates activities on the North Slope, but Hilcorp, Oil Search, 88 Energy, Jade Energy and Pantheon Resources also play a part in recent and planned activities per the North Slope map.

• The division is currently preparing a best interest finding for Mount Spurr in response to Raser Power System's geothermal prospecting permit application received in 2019. This is in red type on the map, indicating geothermal activity.

The federal Bureau of Ocean Energy Management's outer continental shelf 2017-2022 oil and gas program includes one lease sale in Cook Inlet planning area in 2021.

ConocoPhillips on North Slope

As usual, ConocoPhillips dominates activities on the North Slope, but Hilcorp, Oil Search, 88 Energy, Jade Energy and Pantheon Resources also play a part in recent and planned activities per the North Slope map.

To the west ConocoPhillips received approval to delay contraction of Fiord West from the Colville River unit as well as postpone drilling and sustained production by one year. The company completed Fiord West Rhea 1 well in first quarter, and drilled and completed CD4-499, a Qannik step-out well, east of the existing CD2 development.

The company also applied to the Alaska Oil and Gas Conservation Commission to vertically expand the Qannik pool after drilling CD4-499.

In late 2019, ConocoPhillips finished drilling and testing a Narwhal appraisal well, as well as a supporting injector well. (Narwhal prospect production is anticipated as early as 2022 from CD4 pad.)

The company ended its exploration season early this past winter and demobilized its North Slope rig fleet due to concerns over COVID-19. One Harpoon prospect well and two Tinmiaq wells near ConocoPhillips's proposed Willow development were completed. A final appraisal of the Willow and Narwhal discoveries is underway.

First oil from Willow is expected in 2025-26. The map says the U.S. Bureau of Land Management issued a supplement to the draft EIS for the proposed Willow master development plan. Development "may include central processing facility, infrastructure pad, up to five drill pads (with up to 50 wells on each pad), among other features."

Finally, ConocoPhillips applied to AOGCC for expansion of the Kuparuk River pool boundary. It trimmed drilling programs in the Kuparuk River unit, including laying down two rigs due to COVID19 concerns.

Oil Search exploration success

West of the central North Slope, Oil Search drilled and tested Mitquq 1 and Mitquq 1 ST1 and Stirrup 1 wells.

Mitquq ST1 flowed at stabilized rate of 1,730 barrels of oil per day and Stirrup 1 flowed at 3,520 bpd.

In dealing with lower oil prices and the COVID-19 pandemic. Oil Search reduced 2020 development spending and cancelled exploration work for winter 2020-21. The company also deferred the final investment decision for Pikka, while continuing work to optimize the project.

Hilcorp continues NS drilling

On the central North Slope Hilcorp continues to run two rigs in the Milne Point unit, planning to drill 11 new development wells and install associated infrastructure at I pad.

Expansion of S pad at MPU was approved, allowing Hilcorp to drill 10 new wells to increase production from the Ugnu reservoir.

Both Hilcorp and BP remain committed to closing the sale of BP's Alaska upstream and midstream assets, although the map did not point out that the companies are now looking at closing the upstream portion first, in June.

Jade's Sourdough postponed

Jade's second POD for the eastern North Slope's Sourdough prospect was approved, and the map says Jade plans to continue wellsite and permitting work this summer, including dredging the Point Thomson unit service pier to allow for barge transportation of a drill rig next summer.

According to the map, Jade plans to conduct a winter 2021-22 Sourdough drilling campaign, versus a potential winter 2021-21 campaign, that will involve drilling to approximately 12,750 feet to encounter a prospective Brookian sand target and Hue shale.

88 Energy active on Slope

88 Energy completed interpretation and resource evaluation in the first half of 2019 on inversion product for Yukon 3D in the eastern North Slope's Yukon Gold prospect. Permitting is underway for possible drilling on Yukon acreage, subject to farm-out.

In the central North Slope, 88 Energy drilled the Charlie 1 well this past winter and announced a condensate discovery in the Torok formation.

The company is pursuing options to commercialize the resource; further analysis needed.

Premier Oil withdrew from joint venture and 88 Energy now has a 75% working interest in the prospect. The JV plans to conduct a farm-out to fund further HRZ appraisal.

The map also says, XCD Energy "received and accepted takeover bid from 88 Energy, merger moving forward."

Other activity

Regarding Pantheon, Halliburton Energy Services and Red Technology Alliance transferred their 25% working interest in North Slope leases operated by Great Bear Petroleum to Pantheon.

And the Alaska Gasline Development Corp. received the final environmental impact statement in March and is expected to receive final approval from the Federal Energy Regulatory Commission this summer.

"AGDC seeks to find a private sponsor for the project by the end of 2020," the map says.

Finally, Alaska's Oil and Gas Division issued a call in April for exploration license proposals for the program, which encourages exploration outside of the known oil and gas provinces in the Alaska Peninsula, Cook Inlet, Beaufort Sea, North Slope, and North Slope Foothills areas.

—KAY CASHMAN

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continued from page 1

TAPS FLOW

deliver."

Alyeska instituted the prorations April 24 because of inventory concerns — to avoid overloading the 800-mile pipeline and its 6.6 million barrel tank farm at the Valdez marine terminal.

As supply and demand for oil delivered on the West Coast begins to balance, tankers are expected to be able adjust sailing schedules to clear the extra flow from the Valdez facility more efficiently.

Inventory, and supply chain distribution is improving, McCown said.

"U.S. petroleum demand was 16.8 (million barrels per day), an increase of 1.5 mb/d for the week & 3.0 mb/d over the past month," he said. "By product for the week, motor gasoline demand rose by 0.7 mb/d, jet fuel fell by 0.2 mb/d, diesel rose by 0.7 mb/d, and residual fuel oil rose by 0.2 mb/d."

"We will continue to monitor projections and inventory and make any necessary adjustments," Egan said.

Alyeska routinely monitors the inventory levels in TAPS to avoid an overload, Egan told Petroleum News early in May.

She said the company exchanges information on tanker schedules and 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, so to speak," she said.

The first lever and the most common thing Alyeska does is work with the tankers and their schedules to see if an adjustment can be made with them to pick up more, or less, crude.

The other lever is to ask the producers to "send us less oil and that's a proration," she said.

Occasional prorations are routine.

A COVID-19 related 100,000 barrel per day North Slope production cut announced April 30 by ConocoPhillips was not factored into Alyeska's proration research in April. That cut will be phased in in late May or early June.

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