



page 9 Mike Krupa, Doyon Drilling training director, with Arctic Wolf at Nenana

Liberty barges arrive



One of two barges carrying the Liberty drilling rig lying offshore Endicott July 29. See page 4.

COURTESY BP EXPLORATION (ALASKA) INC.

Court says only Alaska on hold in proceeding against OCS sales

The United States Court of Appeals for the District of Columbia has responded to a May 11 request by the U.S. Department of the Interior for clarification of the ramifications of an April 17 court order upholding an appeal by the Native Village of Point Hope and several environmental organizations against the U.S. Minerals Management Service 2007 to 2012 outer continental shelf lease sale program. The court said July 28 that its order to withdraw the lease sale program only applies to Alaska OCS lease sales and that the court is delaying its decision on the Alaska sale program while DOI reworks its environmental analysis of lease sales in the Beaufort Sea, the Chukchi Sea and in the North Aleutian basin of the southern Bering Sea.

The upshot is that DOI can proceed with its planned Gulf of Mexico lease sale program and that the future of the Alaska OCS

see COURT page 15

In-state gas pipeline schedules bus tour for Alaska legislators

THE ALASKA STAND ALONE NATURAL GAS PIPELINE is inviting legislators on a bus tour of the northern segment of the project's proposed route.

What pipeline project?

First there was AGPA, the Alaska Gasline Port Authority — a project to take North Slope gas to Valdez for liquefaction and shipment — and then ANGDA, the Alaska Natural Gas Development Authority, formed by citizen initiative to promote the LNG project but subsequently focused on a spur line into Southcentral from a main pipeline to market.

These acronyms for in-state gas pipeline projects have now been joined by ASAGPP, the Alaska Stand Alone Natural Gas Pipeline, the project name adopted for a state study of a proposed North Slope to Southcentral bullet line.

see INSIDER page 19



BREAKING NEWS

4 Asset sale still pending: Troubled Pacific Energy has \$8.1 million bid for some Cook Inlet assets; deal needs judge's OK

7 Indecision hobbles Arctic gas: Canada issues new strategy to strengthen claims, develop resources; NEB lists Mackenzie barriers

13 Tough times in service sector: Peters & Co. slashes 2009 Western Canada, U.S. forecast; CEO believes drilling has bottomed

NATURAL GAS

Rolling blackouts?

The day of reckoning may be approaching for CI utility gas deliverability

By ALAN BAILEY
Petroleum News

During a severe cold snap in January 2009 the rate at which utility gas flowed from the Cook Inlet gas fields, providing energy for electrical power and heat for homes and businesses, came close to the limits of deliverability. And, as the gas available from the fields continues to decline, a cold spell in the coming winter could tip gas demand over the edge of gas supply feasibility, triggering a shutdown of some power generation capacity, an action that would presumably be preferable to dropping the pressure in the gas pipes flowing through Anchorage and the Matanuska-Susitna Borough.

"Winter is coming. It's too late to put in a generator in January."

—RCA Commissioner Anthony Price

That was a theme running through the discussions at the July 29 Regulatory Commission of Alaska public meeting, during a session reviewing an RCA docket designed to gather information about Southcentral Alaska utility contingency plans.

"There's a real possibility of rolling blackouts. If there are significant low temperatures, boilers are run pretty much continuously, and that needs

see BLACKOUTS? page 18

GOVERNMENT

BP raps EPA in lawsuit

Company denies government claims in case seeking big fines for Prudhoe spills

By WESLEY LOY
For Petroleum News

A lawyer for BP Exploration (Alaska) Inc. is faulting pollution regulators in arguing for dismissal of a federal lawsuit brought against the company for high-profile pipeline spills in the Prudhoe Bay oil field in 2006.

Jeff Feldman, an Anchorage attorney defending BP in the civil case, argues the U.S. Environmental Protection Agency broke a promise to supply "detailed written findings" about any deficiencies in the company's spill prevention, control and countermeasure plans.

Part of the government's lawsuit accuses BP of failing to prepare and implement adequate SPCC plans for the Prudhoe Bay, Milne Point and

The federal suit seeks millions of dollars in fines and accuses BP of an array of water and air pollution violations, as well as failure to heed terms of a corrective action order from pipeline regulators with the U.S. Department of Transportation.

Badami fields.

"BPXA admits that, at least at one time, portions of its plan(s) may not have complied" with federal regulations, Feldman wrote in a July 27 answer to the government suit.

He then points a finger at the EPA, saying the agency sprang new information on BP with its

see LAWSUIT page 20

EXPLORATION & PRODUCTION

BRPC: starting small

North Shore permitting under way; well next; gravel work could begin in 2010

By KRISTEN NELSON
Petroleum News

If the next well is successful, and development at North Shore is approved by the owners, production could begin as early as 2011 from the prospect north of Prudhoe Bay on Alaska's North Slope.

Crude oil would be processed at the North Shore pad and moved by tanker truck to a connection with existing pipelines.

While the working interest owners have to resolve a legal dispute and agree to proceed, North Shore operator Brooks Range Petroleum Corp. has an application for an Oil Discharge Prevention and Contingency Plan out for 30-day public review. This is just one of the permits the company hopes

BRPC said in its ODPCCP application that the North Shore prospects are "within a 15,000-foot horizontal drilling radius" of the proposed North Shore pad and include Ivishak River and Sag River sands in five accumulations: North Shore Nos. 1-4 and Pete's Wicked.

to have in place by the first quarter of 2010 to begin development work at North Shore, which the company believes could produce 5 million to 10 million barrels of oil.

The 30-day public review period for the plan

see BRPC page 19

contents

Petroleum News

A weekly oil & gas newspaper based in Anchorage, Alaska

ON THE COVER

Rolling blackouts?

The day of reckoning may be approaching for CI utility gas deliverability

BP raps EPA in lawsuit

Company denies government claims in case seeking big fines for Prudhoe spills

BRPC: starting small

North Shore permitting under way; well next; gravel work could begin in 2010

Court says only Alaska on hold in proceeding against OCS sales

OIL PATCH INSIDER

In-state gas pipeline schedules bus tour for Alaska legislators



EXPLORATION & PRODUCTION

- 4 Barges deliver monster Liberty rig early

FINANCE & ECONOMY

4 Pacific Energy asset sale still pending

Troubled California company has \$8.1 million bid for some Cook Inlet assets, but deal needs judge's OK amid several objections

13 Tough times in oil & gas service sector

Peters & Co. slashes 2009 Western Canada, U.S. 2009 activity forecast; Precision Drilling CEO believes drilling has bottomed out

- 14 Oil company earnings chart

GOVERNMENT

- 7 New bills seek U.S. icebreaker funding

- 12 Murkowski promotes OCS revenue sharing



NATURAL GAS

5 Showered with praise

EnCana, Canada's federal regulator and T. Boone Pickens in no doubt that tight and shale gas has changed North American dynamic

SIDEBAR, Page 5: EnCana has eye on LNG

7 Indecision hobbles Arctic gas

Canada issues new strategy to strengthen Arctic sovereignty claims, develop region's resources; NEB lists Mackenzie project barriers



9 Drillers near target at Nenana gas well

Well passes depth of 7,000 feet on its way to zones where gas may be found; target depth for \$15 million well 11,000-15,000 feet

- 14 Yukon watches, waits, hopes for pipeline

PIPELINES & DOWNSTREAM

6 BP, Irving scuttle plans

Sweeping changes in refining sector rule out need for New Brunswick plant; North America awash with surplus capacity

8 Upgrading starts at home

Alberta government invites proposals for bitumen-in-kind program to slow outflow of bitumen to U.S.; strategy welcomed by some



SIDEBAR, Page 8: Suncor coy on upgrader

- 12 Tanker damage prompts new weather post

SAFETY & ENVIRONMENT

- 4 Arctic sea ice heading for another low

13 Oil sands improve showing

Study shows direct greenhouse gas emissions from production, transport and refining are comparable to U.S. heavy crudes



ADVANCING YOUR ENERGY PROJECT by sharing our knowledge of the environmental, cultural, and political climate in the high arctic to



UMIAQ

reach new horizons.

REGULATORY PLANNING

STAKEHOLDER RELATIONS

DEVELOPMENT ENGINEERING

RESPONSE PLANNING & OPERATIONS

GEOSPATIAL ANALYSIS

FULL-SERVICE CAMPS

ICE ROAD CONSTRUCTION

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)	Prudhoe Bay 04-02	BP
Sky Top Brewster NE-12	15 (SCR/TD)	Stacked at Deadhorse	Available
Dreco 1000 UE	16 (SCR/TD)	Prudhoe Bay 13-12	BP
Dreco D2000 UEED	19 (SCR/TD)	Alpine CD2-73-B1	ConocoPhillips
OIME 2000	141 (SCR/TD)	Stacked at Deadhorse	Available
TSM 7000	Arctic Fox #1	Mobilizing late June, early July to Cook Inlet for drilling at Beluga	ConocoPhillips
	Arctic Wolf #2	Drilling Nunivak #1 near Nenana	Rampart Energy

Nabors Alaska Drilling

Trans-ocean rig	CDR-1 (CT)	Stacked, Prudhoe Bay	Available
AC Coil Hybrid	CDR-2	Kuparuk 1Q-15	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)	Prudhoe Bay DS 06-09	BP
Dreco 1000 UE	7-ES (SCR/TD)	Prudhoe Bay DS 07-14	BP
Dreco 1000 UE	9-ES (SCR/TD)	Prudhoe Bay U-05	BP
Oilwell 2000 Hercules	14-E (SCR)	Stacked	Available
Oilwell 2000 Hercules	16-E (SCR/TD)		Available
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#16	ExxonMobil
Academy AC electric Canrig	105-E (SCR-TD)	Chandler #1	Anadarko
Academy AC electric Heli-Rig	106-E (SCR/TD)	Demobilization rig shut down	Chevron

Nordic Calista Services

Superior 700 UE	1 (SCR/CTD)	Prudhoe Bay Drill Site C-18	BP
Superior 700 UE	2 (SCR/CTD)	Prudhoe Bay Well Drill Site B-16	BP
Ideco 900	3 (SCR/TD)	Stacked out, Kuparuk	ConocoPhillips

North Slope - Offshore

Nabors Alaska Drilling

OIME 1000	19-E (SCR)	Oooguruk ODSN-31	Pioneer Natural Resources
OIME 2000	245-E	Oliktok Point OP04-P07	ENI
Oilwell 2000	33-E	Northstar, Stacked out	BP

Interior

Doyon Drilling

TSM 7000	Arctic Wolf #2	Drilling at Nunivak#1	Rampart Energy
----------	----------------	-----------------------	----------------

Cook Inlet Basin - Onshore

Aurora Well Service

Franks 300 Srs. Explorer III	AWS 1	Mobbing to Kaloa 2 the week of August 3	Aurora Gas
------------------------------	-------	---	------------

Doyon Drilling

TSM 7000	Arctic Fox #1	Stacked in Yard	Pioneer Natural Resources
----------	---------------	-----------------	---------------------------

Marathon Oil Co. (Inlet Drilling Alaska labor contractor)

Taylor	Glacier 1	Stacked	Marathon
--------	-----------	---------	----------

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)	Stacked, Kenai	Pioneer Natural Resources
-------------	---------------	----------------	---------------------------

Cook Inlet Basin - Offshore

Chevron (Nabors Alaska Drilling labor contract)

	428	M-06 Steelhead platform	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 July 29, 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*

	July 24	July 17	Year Ago
US	943	920	1,957
Canada	178	165	414
Gulf	36	35	67

Highest/Lowest

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

*Issued by Baker Hughes since 1944

The Alaska - Mackenzie Rig Report
is sponsored by:



EXPLORATION & PRODUCTION

Barges deliver monster Liberty rig early

Barges hauling an enormous new drilling rig for BP's ultraextended-reach Liberty project in the Beaufort Sea arrived well ahead of schedule.

Both barges were off Endicott Island, where the Liberty drilling will occur, by July 29, BP spokesman Steve Rinehart said.

The rig, which BP calls "the most powerful, most capable land-based drilling rig in the world," was built by Parker Drilling Co. at Vancouver, Wash.

The two Crowley Maritime Corp. barges departed the Columbia River in early July and weren't due off the North Slope until August. But they made it sooner.

Rig assembly, testing and training are planned for this fall, Rinehart said. Drilling is expected to start next spring with first oil production in 2011.

Recovery from Liberty is estimated at 100 million barrels, Rinehart said.

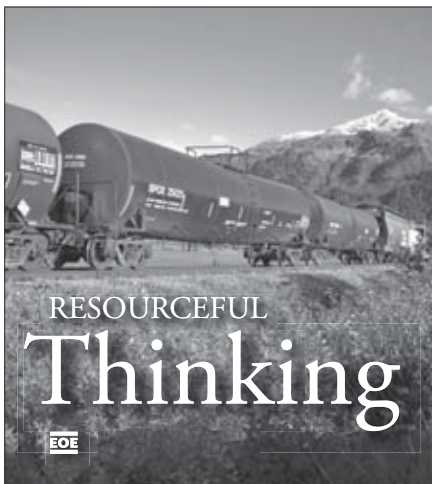
The Parker rig is truly a monster. It weighs 8,500 tons with drilling pipe and supplies, has eight 2,640-horsepower engines producing 16 megawatts of power, and will stand 240 feet tall when assembled.

"The top drive is rated at 105,000 foot-pounds of torque. It needs that muscle to safely turn a drill string that will reach two miles deep and six to eight miles out from the Endicott Satellite Drilling Island," Rinehart said in an e-mail to Petroleum News.

—WESLEY LOY

Rig assembly, testing and training are planned for this fall, Rinehart said.

Drilling is expected to start next spring with first oil production in 2011.



ARRC has the logistical know-how, muscle, and infrastructure to keep Alaska's resources and economy moving forward. Case in point, in 2008, 725 year-round employees sent nearly six million tons of freight across 651 miles of track.

(907) 265-2300
1-800-321-6518
AlaskaRailroad.com
TDD (907) 265-2621



FINANCE & ECONOMY

Pacific Energy asset sale still pending

Troubled California company has \$8.1 million bid for some Cook Inlet assets, but deal needs judge's OK amid several objections

By WESLEY LOY
For Petroleum News

A potential sale of some of the Cook Inlet oil and gas assets belonging to troubled Pacific Energy Resources Ltd. appears to have been delayed at least until Aug. 4.

That's the next court date for Pacific Energy's Chapter 11 bankruptcy case in Delaware, court documents show.

Pacific Energy is hoping to win court approval for an auction the company held on July 20 in New York City. Pacific Energy announced a winning bid of \$8.1 million came from a pair of companies registered in the British Virgin Islands, Ammadon Ltd. and Catherwood Ltd.

Pacific Energy said another bidder, New Alaska Energy, an Alaska limited liability company, made the next best offer of \$7 million.

A hearing to consider Pacific Energy's request that a judge approve the sale had been scheduled for July 27, but was cancelled. A rescheduled hearing for July 29 also was cancelled.

Objections to sale

Several objections to the sale are pending in court from Pacific Energy creditors and from government agencies with various concerns.

One objector is the State of Alaska, which has said it must see proof the winning bidder has the financial muscle and expertise to operate oil and gas assets safely. Only then can Pacific Energy's leases be transferred to the successful bidder, state officials say.

The package of properties awaiting sale include those Cook Inlet assets Pacific Energy itself operates or holds for exploration. They include the West McArthur River field and the Redoubt

Shoal field with its Osprey offshore platform. The package also includes Pacific Energy's interests in production assets that Aurora Gas LLC operates, plus a 50 percent stake in Cook Inlet Pipe Line Co.

Pacific Energy tried without success to auction a second group of assets, most significantly the company's share in the Chevron-operated Trading Bay field.

In court papers, lawyers for Pacific Energy have said the small oil and gas exploration and development company based in Long Beach, Calif., is losing millions of dollars on its Alaska holdings and must either sell or abandon them.

Don't worry

On July 24, lawyers for the company filed a comprehensive reply to the objections to sale approval. In so many words, they said don't worry about the winning bidder, Ammadon and Catherwood.

The tandem has agreed not only to pay \$8.1 million in cash for the assets, but also to assume certain decommissioning liabilities, royalty obligations, environmental liabilities and "all other obligations associated with owning and operating" the assets, the court filing says.

The backup bidder, New Alaska Energy, has agreed to buy the assets "on substantially the same material terms," but at a price of \$7 million, the filing adds.

Addressing the State of Alaska's objection specifically, Pacific Energy's lawyers say Ammadon and Catherwood have agreed to submit to the state's approval process, and that Pacific Energy would remain operator during a 180-day transition. The winning bidder also will cover as much as \$800,000 owed to the state under an escrow agreement on potential abandonment costs for the Osprey platform, the lawyers wrote. ●

Petroleum
news

www.PetroleumNews.com

Kay Cashman	PUBLISHER & EXECUTIVE EDITOR
Mary Mack	CHIEF FINANCIAL OFFICER
Kristen Nelson	EDITOR-IN-CHIEF
Clint Lasley	GM & CIRCULATION DIRECTOR
Susan Crane	ADVERTISING DIRECTOR
Bonnie Yonker	AK / NATL. ADVERTISING SPECIALIST
Heather Yates	BOOKKEEPER
Shane Lasley	IT CHIEF
Marti Reeve	SPECIAL PUBLICATIONS DIRECTOR
Steven Merritt	PRODUCTION DIRECTOR
Tim Kikta	COPY EDITOR
Alan Bailey	SENIOR STAFF WRITER
Wesley Loy	CONTRIBUTING WRITER
Gary Park	CONTRIBUTING WRITER (CANADA)
Rose Ragsdale	CONTRIBUTING WRITER
Ray Tyson	CONTRIBUTING WRITER
John Lasley	STAFF WRITER
Allen Baker	CONTRIBUTING WRITER
Sarah Hurst	CONTRIBUTING WRITER
Judy Patrick Photography	CONTRACT PHOTOGRAPHER
Mapmakers Alaska	CARTOGRAPHY
Forrest Crane	CONTRACT PHOTOGRAPHER
Tom Kearney	ADVERTISING DESIGN MANAGER
Amy Spittler	MARKETING CONSULTANT
Theresa Collins	SALES EXECUTIVE
Dee Cashman	CIRCULATION REPRESENTATIVE

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

NEWS
907.522.9469
publisher@petroleumnews.com

CIRCULATION
907.522.9469
circulation@petroleumnews.com

ADVERTISING
Susan Crane • 907.770.5592
scrane@petroleumnews.com

Bonnie Yonker • 425.483.9705
byonker@petroleumnews.com

FAX FOR ALL DEPARTMENTS
907.522.9583

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

SAFETY & ENVIRONMENT

Arctic sea ice heading for another low

Following a rapid melt in early July, the Arctic sea ice extent is trending somewhere between 2007 and 2008 levels, setting the stage for another very low ice extent minimum in September, the National Snow and Ice Data Center reported July 22. Researchers do not yet know whether the minimum extent will fall below the record set in 2007 — the September minimum will depend on atmospheric conditions during the remainder of the summer.

The continuing decline in the minimum sea ice cover appears to relate in part to a recurring early start to the annual melt, as a consequence of rising atmospheric temperatures. This year the melt started a week earlier than usual in the Beaufort, Chukchi and Kara seas, while in regions such as the East Greenland and Barents seas the melt began more than two weeks early, NSIDC said.

In the fall of 2007 and 2008 the ice extent shrank sufficiently to open the Northwest Passage.

—ALAN BAILEY



Alaska's Underwater Professionals...

"Where Safety is The First Step"

- Production platform & sub sea pipeline installation, inspection & repairs.
- Deep water mooring system maintenance & installation.
- Offshore Oil & Gas exploration diving support.

Global Offshore Divers 907-563-9060

OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 14, No. 31 • Week of August 2, 2009
Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518
(Please mail ALL correspondence to:
P.O. Box 231647 Anchorage, AK 99523-1647)

Subscription prices in U.S. — \$98.00 1 year, \$176.00 2 years, \$249.00 3 years
Canada — \$185.95 1 year, \$334.95 2 years, \$473.95 3 years
Overseas (sent air mail) — \$220.00 1 year, \$396.00 2 years, \$561.00 3 years
"Periodicals postage paid at Anchorage, AK 99502-9986."

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

• NATURAL GAS

Showered with praise

EnCana, Canada's federal regulator and T. Boone Pickens in no doubt that tight and shale gas has changed North American dynamic

By GARY PARK
For Petroleum News

EnCana and the National Energy Board, two of Canada's most powerful petroleum voices, along with energy guru T. Boone Pickens, are marching to the same drumbeat in touting the prospects for shale gas in North America's supply mix.

Already a long-time advocate of what it calls resource plays (tight gas, shale gas and the oil sands), EnCana is pouring its money and future into shale development at Haynesville in Louisiana and Horn River in British Columbia.

"The emergence of shale gas has changed the landscape of North American gas," Chief Executive Officer Randy Eresman told analysts July 23.



EnCana CEO
Randy Eresman

He said that despite Canada's traditional challenge in competing with U.S. cost structures, dealing with currency exchange rates and gaining access to supplies and services, the pendulum is swinging in a new direction.

Eresman said the Alberta royalty structure is actually working in EnCana's favor, putting Canadian plays on a more competitive footing.

"Generally, wherever you have the most concentrated resources and lowest development-operating costs, those are the ones that are going to be developed first in this kind of dynamic environment," he said.

Eresman said drilling results in Horn River have met or exceeded expectations for initial production and anticipated resource size, adding to a belief that shale gas could be among the most important in the company's history.

B.C., Louisiana joint drilling

A joint drilling program with Apache at Horn River has completed 32 wells to evaluate the basin and 10 horizontal wells are now producing, coming on stream in the second quarter at 9.5 million to 11 million cubic feet per day, although supply costs are \$1 per thousand cubic feet more than Haynesville.

EnCana, which has a joint venture with Shell, has drilled 25 gross horizontal wells in Haynesville, increasing fracture stimulations in each well to as many as 14 from eight (similar to Horn River), raising initial output from each \$9 million well by about 25 percent.

The Shell venture is now producing a gross 100 million cubic feet per day from North Louisiana leases.

With these strong results, Eresman has no hesitation in proclaiming shale gas as a key to solving some of North America's toughest energy, environmental and economic challenges, noting that EnCana is pressing legislators in Canada and the U.S. to view gas as an alternative to foreign oil for transportation and power generation.

EnCana has taken its own symbolic step to reinforce that argument by converting a "portion" of its vehicle fleet to run on gas in selected Canadian and U.S. operational locations.

Even more conclusive evidence of EnCana's future direction was its deal earlier in July to sell a large chunk of its conventional gas assets to Bonavista Energy

EnCana has eye on LNG

British Columbia's Kitimat LNG project got a significant, if qualified vote of confidence from another gas producer.

This time the expression of interest couldn't have come from a more influential player.

Bill Oliver, EnCana's vice president of Canadian gas marketing, said anything the industry can do to make the project go forward "would be very positive" for the gas sector in Canada.

Without declaring either way whether EnCana would be willing to join EOG Resources in the line-up of companies contributing gas volumes to Kitimat LNG, Oliver set only one major condition on EnCana's participation.

He said any supply contract would "have to equate to other options" the big independent has to sell gas in Canada.

"But it's premature for us to talk about that," Oliver said, laying out what steps the project has to complete.

He said the proponent, in attempting to find a market for the LNG, has signed some memorandums of understanding with Asian customers and now needs commitments from Canadian producers.

EnCana might be ready to play a supply role "given the right commercial contracts and circumstances," he said, adding "there shouldn't be any problem getting enough gas" from the anticipated growth of shale and tight gas volumes in British Columbia.

"What (Kitimat LNG) really needs now is someone to build a liquefaction plant (at the deepwater port of Kitimat) to match up buyers and sellers," Oliver said.

—GARY PARK

Trust for about C\$694 million — a package that included 492,000 acres, 53.2 million cubic feet per day of gas production and could be part of divestitures totaling C\$1 billion this year.

Eresman's views are shared by Pickens, who recently described North America's shale deposits as a "game changer" for the continent's energy mix.

Report shows shift

There is plenty more ammunition for the shale advocates in a National Energy Board study released July 21.

In updating a 2007 reference case energy outlook to 2020, the rapid emergence of unconventional gas (tight and shale) and oil is accelerating the shift away from conventional resources.

The regulator estimates Canadian gas production could range from 10 billion to 21 billion cubic feet per day by 2020, with a "reference case scenario" targeting 15.8 bcf per day from a remaining marketable gas resource base of 439 trillion cubic feet,

of which tight gas currently accounts for about one-third and is expected to reach 40 percent in 2020.

Western Canada contains significant unconventional resources, including coalbed methane and shale gas, which comprise 65 tcf.

The revised reference gas production of 15.98 bcf per day is up 2.4 bcf per day from

the 2007 projection, with the biggest change stemming from tight and shale gas, which could account for between 7.8 bcf and 10 bcf per day, compared to 5 bcf per day in 2008 and a 2007 reference gas for 2020 of only 1.5 bcf per day.

Conventional gas production in Western Canada is forecast to slide 6 bcf per day between 2007 and 2020 to 5.3 bcf per day.

The NEB believes lower gas prices and a glut of gas on the North American market will drop gas well completions this year to between 4,500 and 7,500, with the reference scenario at 5,900.

It said prices of US\$7.00-\$7.50 per million British thermal units would see a very gradual decline in Canada from about 12,000 wells in 2013 to 9,200 by 2020, under the reference case.

A high price case could boost drilling to 15,000 wells by 2021, then start a slow decline, well below the 2007 reference case of 18,000 wells because of the heavier reliance on a smaller number of more prolific tight and shale gas wells.

The Henry Hub price of gas in the 2009 reference case rises to \$6.70-\$7.20 by 2020, bracketed by a low price case of \$5.10-\$6.50 and a high price case of \$8.30-\$11.00.

US\$60-\$120 WTI by 2020

On the oil front, the NEB expects prices to range from US\$60 to \$120 per barrel by

see PRAISE page 6



KUUKPIK
CORPORATION



615 E. 82nd Ave, Ste 200 Voice: (907) 273-1830
Anchorage, Alaska 99518 Fax: (907) 273-1831
www.lcmf.com

services...

- architecture
- engineering
- surveying
- project management

*Experience
Expertise
Proven Success*

Over 25 Years of Excellence in Alaska


Congratulations.


Kakivik is proud to work alongside the State of Alaska and the University of Alaska to design, develop and support an innovative 15-week "Boot Camp," training much-needed Nondestructive Testing workers.

We're also proud to offer the graduates of that program their first "in the field" work experience.

Here's to a bright future.

NDT courses available at UAA. Prepare yourself for a career in the Oil & Gas Industry.





Learn more about Kakivik at www.kakivik.com

• PIPELINES & DOWNSTREAM

BP, Irving scuttle plans

Sweeping changes in refining sector rule out need for New Brunswick plant; North America awash with surplus capacity

By GARY PARK
For Petroleum News

Given a bulging list of North American refineries up for sale, it was no surprise that BP and Irving Oil bailed out on plans to proceed with North America's first greenfield oil refinery in more than a quarter-century.

The privately held New Brunswick energy giant and the global supermajor took the decision after conducting a joint feasibility study of their plans for a 300,000-barrel-per-day facility at Saint John, New Brunswick — doubling capacity of Irving's current refinery at the site.

Construction was supposed to start no later than 2012, sourcing crude feedstock from Canada's East Coast offshore, the North Sea, West Africa and South America, but the study period coincided with what the partners described as

“declining global economic and industry conditions.”

The negatives include the recession, a souring market as rising crude costs eat into refinery profits, motorists cutting back on their driving, an aging population and improvements in auto efficiency.

Kevin Scott, Irving's director of refining, said the challenges have now reached the point where “we've actually seen demand for our product fall off for the first time in many years.”

“We're looking at forecasts from 2015 to 2040 and we continue to see gasoline coming under pressure,” he said.

Although Irving will complete the environmental permitting process for the Eider Rock project, the chances of putting the project back on track are “quite slim ... unless something changes dramatically,” Scott said.

Facilities on the block

Currently, there are reports that Sinclair Oil plans to sell its 80,000-bpd Tulsa, Okla., refinery; bankrupt Flying J has its 60,000-bpd plant at Bakersfield, Calif., on the block; Valero Energy has had its 285,000-bpd refinery at Aruba in the Caribbean on offer since late 2007; Harvest Energy Trust has deferred a C\$2 billion expansion of its Newfoundland plant; and Shell has put its 130,000-bpd Montreal refinery under strategic review, with options that include outright closure, a year after it abandoned plans to build a refinery in Ontario to handle oil sands production.

The United States has about 1 million bpd of idle refining capacity and gasoline in storage tanks has reached a 24-year high.

Michael Ervin, an independent Canadian petroleum analyst, said he expects and has been suggesting for some time “that we've likely seen a peak in North

American demand.”

“We're going to see a lot of initiatives and technology that will result in a long-term decline in demand for motor fuels.

“Given that there is ample spare refining capacity in North America, I think Irving and BP made the right decision,” Ervin said.

Despite the fact that refineries have added to corporate profitability over the past 10 to 15 years, he believes North America is returning to a prior time when refining was “never a particularly profitable business.”

Aside from the fact that the estimated cost of Eider Rock has climbed in 18 months to US\$8 billion from US\$7 billion, Scott said Shell's decision indicates “some of the challenges refineries face.”

“With long-term demand declining, the less viable refineries could be vulnerable to the downturn,” he said.

Other discussions reported

BP, meanwhile, is also reportedly in discussions with PetroChina and Sinopec, two of China's state-owned companies, about building a large refinery to meet rising demand in China, adding to a stream of new refineries in India, Africa and the Middle East that will ship gasoline and diesel fuel to North America, further undercutting the profitability of domestic refiners.

A new study by Purvin & Gertz said falling demand for refined products and the emerging surplus of refining capacity is threatening profitability worldwide.

It said product demand growth may resume in 2010, but the economics will only improve once refining capacity is rationalized.

“We expect that no less than 1 million bpd of refining capacity needs to be shut down in the Atlantic Basin to allow a return to profitable operating rates,” the study said. ●

continued from page 5

PRAISE

2020 for West Texas Intermediate.

It suggests oil sands projects already well under way and scheduled to be completed in 2009 and 2010 will be finished, while others will wait until economics improve.

Production from the oil sands is targeted at 2.8 million barrels per day by 2020, down 504,000 bpd from the 2007 reference case.

The estimates of initial capital spending required for new oil sands projects and threshold prices needed to justify construction of greenfield projects assume a 30 percent decline from last year's peak in most input costs, including materials and labor.

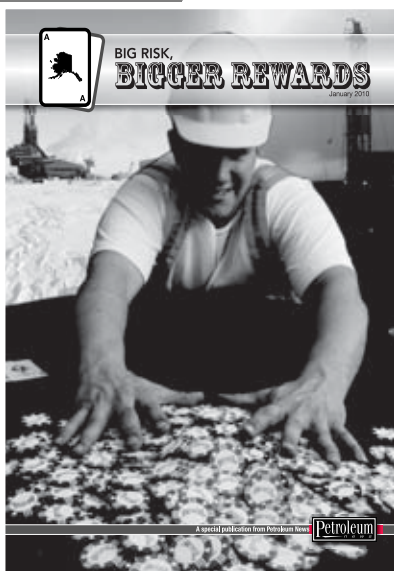
The NEB now calculates that integrated mining and upgrading projects would cost US\$80,000-\$100,000 of capacity to build with an oil price of \$60-\$70 per barrel required to make a greenfield project economic.

For projects which produce non-upgraded bitumen, steam-assisted gravity drainage schemes and cycling steam stimulation projects, capital outlays are estimated at \$30,000-\$40,000 per barrel and a WTI price of \$55-\$65 per barrel as a threshold price.

These estimates allow for a 10 percent real rate of return on investment for the owners. ●

Coming from

Petroleum
news



BIG RISK, BIGGER REWARDS

Big Risk, Bigger Rewards magazine, designed to attract both new operators and investment in existing Alaska projects, gives you a chance to introduce your business to newcomers to the state.

Big Risk, Bigger Rewards, will premier in January at the Alliance's Meet Alaska conference in Anchorage, Alaska

To advertise in this special publication, please contact:
Susan Crane — 907-770-5592, scrane@petroleumnews.com
Bonnie Yonker — 425-483-9705, byonker@petroleumnews.com

CONTACT US TO ADVERTISE TODAY!



• NATURAL GAS

Indecision hobbles Arctic natural gas

Canada issues new strategy to strengthen Arctic sovereignty claims, develop region's resources; NEB lists Mackenzie project barriers

By GARY PARK
For Petroleum News

The Canadian government repeatedly makes the right noises about claiming sovereignty over a vast chunk of the Arctic and developing the region's resource potential.

But its own energy regulator, the National Energy Board, has issued another warning that regulatory procrastination is eroding hopes for the Mackenzie Gas Project.

In its latest push, the government is opening a Web site to track its Arctic investments and policy initiatives, all part of its global campaign to show how important the Arctic is to Canada.

Separately, Environment Minister Jim Prentice, the cabinet minister overseeing the MGP, told Canwest News Service that an important milestone in the drawn-out review of the MGP is within sight.

"In our country, we've been working on this project for close to 40 years and we have never been as close as we are at this point (to going ahead before an overland gas pipeline is built from Alaska)," he said.

Prentice also said he hopes negotiations with the MGP proponents about a federal role in the project will be concluded this year.

But he conceded that work can't be completed until the



Canadian Environment Minister Jim Prentice

Joint Review Panel, responsible for making recommendations on environmental and socioeconomic issues, submits its final report.

Prentice said he has been putting pressure on that panel to submit its report by December.

The MGP is an "important project to Canada and completion of the Joint Review Panel process is a critical step in the whole procedure," he said, again showing his frustration over the "unreasonable" amount of time the panel is taking.

Prentice said he has explored what legal options he has to speed up the panel's deliberations, including dismissing the panel, and discovered he was very restricted.

Report unveils action

At a July 26 news conference, three members of the federal cabinet — Indian and Northern Affairs Minister Chuck Strahl, Foreign Affairs Minister Lawrence Cannon and Science and Technology Minister Gary Goodyear — unveiled a report entitled "Canada's Northern Strategy: Our North, Our Heritage, Our Future," which outlines "concrete action" being taken on several fronts, including social and economic development and environmental protection.

It rates Canada as an international leader for its efforts to chart a future for the Arctic region, especially in dealing with rapidly retreating sea ice and rising demand for offshore oil.

The document said international interest in the region has been gathering momentum because of the potential for resource development, opening new transportation routes and the impact of climate change.

It also downplays the prospect of international conflict over undersea territorial claims, insisting protocols under the United Nations Convention of the Law of the Sea will solve any disputes over Arctic boundaries.

Cannon stressed Canada's intention to have "frank discussions" with other foreign leaders about its determination to affirm Canadian Arctic sovereignty.

Startup date delayed

But, in dragging years behind the original timetable for dealing with the Mackenzie Gas Project application, Canada has extended the earliest startup date for production of Mackenzie Delta gas to 2017, almost a decade later than initial hopes, according to the National Energy Board.

In a gas outlook report to 2020, the NEB said considerations for northern projects include competition from shale gas, extreme market volatility, the availability of labor, cost escalation, acquiring adequate financing and obtaining access to land.

That projection represents a further delay of about two years from the NEB's own 2007 reference case, but it does not expect Alaska gas to start flowing across Canada to the Lower 48 until after 2020.

The report said gas resources north of the 60th parallel or offshore are designated as frontier supply and are estimated at 225 trillion cubic feet, or 53 percent of the base, but due to long lead times are expected to make only a minor contribution to total Canadian output by 2020. ●

• GOVERNMENT

New bills seek U.S. icebreaker funding

By ALAN BAILEY
Petroleum News

On July 24 Sen. Lisa Murkowski introduced two Senate bills, one designed to fund construction of two new Polar class icebreakers and both designed to improve Arctic mapping, navigation and the maritime infrastructure. And Rep. Don Young has introduced companion bills in the House of Representatives, according to Murkowski's press office.

"We continue to see a loss of summer sea ice and the United States must prepare for an ice-diminished Arctic," Murkowski said. "As access to Arctic waters increases, we will inevitably see increased maritime activity. One of the first steps is to determine what infrastructure is required

and coordinate that with the other Arctic nations. Then we must make the necessary infrastructure investments that will allow us to be more prepared for an increase in human activity in the region."

Bill includes operations monies

One Senate bill, the Arctic Marine Shipping Assessment Implementation Act of 2009, would authorize \$750 million in expenditure in 2011 and 2012 for the construction of the two icebreakers. An additional \$5 million each year from 2012 to 2015 would fund seasonal Arctic operations, with another \$10 million in each of those same years to pay for projects that demonstrate emissions and discharges reductions from vessels operating in the Arctic.

The act would require the secretary of the Department

of Homeland Security to work with the International Maritime Organization to establish agreements among Arctic nations about shipping infrastructure such as navigation aids, icebreaking escorts, vessel tracking and oil spill prevention and response technology.

The second bill — an amendment to the Hydrographic Services Improvement Act — would authorize \$10 million per year in 2011 and 2012 to pay for improved Arctic navigation data and services, and \$5 million per year for mapping the U.S. extended continental shelf and monitoring coastal changes.

Earlier in July Murkowski persuaded the Senate Appropriations Committee to fund the re-activation of the aging Polar Star, which is coming out of caretaker status as the only working U.S. heavy icebreaker. ●

FOUNDEX

Global Drilling Solutions

- Geotechnical Site Investigations
- Offshore Drilling Specialists
- Gravel, Placer Exploration
- Large Diameter Bulk Sampling
- Grouting, Anchoring & Piling
- 3" to 24" Water Wells
- Ground Improvement
- Wireline Coring NQ3 to PQ3
- Wireline CPT & Vane Testing
- In-situ Testing & Instruments
- Heli-portable Drilling Systems
- Wide Range of Equipment
- Highly Experienced Staff

Anchorage, Alaska
Phone 907-522-8263
Fax 907-522-8262
HGrey@Foundex.com
www.Foundex.com
Surrey BC Canada
604-594-8333

1972 — 2009
37
Years of
Excellence

OVER 40 YEARS OF SERVICE

EVERGREEN

HELICOPTERS OF ALASKA, INC

ALASKA OFFICE 1936 Merrill Field Drive Anchorage, Alaska 99501 Phone: 907-257-1500	Fax: 907-279-6816 Toll Free: 800-958-2454 info@evergreenak.com www.evergreenhelicopters.com	CORPORATE OFFICE 3650 Three Mile Lane McMinnville, Oregon 97128 Phone: 503-472-9361
--	--	---

• PIPELINES & DOWNSTREAM

Upgrading starts at home

Alberta government invites proposals for bitumen-in-kind program to slow outflow of bitumen to U.S.; strategy welcomed by some

By GARY PARK

For Petroleum News

Almost two years after unveiling the “framework” of its infamous new royalty regime, the Alberta government has delivered on one of its secondary proposals, which involves taking raw bitumen in kind rather than cash royalties to keep more of the value-added benefits of the resource at home.

It has issued a Request for Proposals that closes on Dec. 2 and expects to decide by early 2010 which upgrader will receive an initial 75,000 barrels per day, mostly from in-situ oil sands producers.

If the scheme is successful, the royalty-in-kind volumes could rise to 300,000 bpd.

Finance Minister Iris Evans said the plan is a “strategic tool that fosters value-added development in Alberta” by diversifying the province’s energy economy, keeping jobs in Alberta and generating larger total energy revenues for Albertans.

Energy Minister Mel Knight said capturing more of the oil sands resource potential “is the cornerstone of a flourishing value-added energy industry that includes upgrading, refining and petrochemicals. This initiative will further our goal of establishing Alberta as a world-class energy center.”

Premier Ed Stelmach set the ball rolling in 2006 by pledging to process more bitumen in the province rather than shipping the raw product to upgraders and refineries in the United States, comparing the export of bitumen to scraping the topsoil off farmland.

The government is now waiting for industry reaction to the RFP and “whether or not companies are interested in playing,” said a government spokesman.

Alberta has lost ground

While the drafting of a plan has been under way, Alberta has lost some ground, as oil sands producers EnCana and Husky Energy have formed joint ventures with ConocoPhillips and BP, respectively, to



Alberta Energy Minister Mel Knight

Suncor coy on upgrader

Suncor Energy is keeping its cards close to its chest on if or when it will restart plans for a 200,000 barrel per day Voyageur upgrader in Alberta once its takeover of Petro-Canada is closed on Aug. 1.

For now the oil sands giant is happier selling unprocessed bitumen to U.S. refiners, regardless of the Alberta government goal to keep more upgrading within the province.

Chief Executive Officer Rick George indicated the C\$22 billion Voyageur scheme has been relegated on the priority list behind Suncor’s preference to “go long” on bitumen, sending production to the U.S.

He is counting on continued declines in Mexican production and “big declines” in Venezuela shipments to the U.S. Gulf Coast, along with a “very good pull” from U.S. refineries for Canadian heavy crude to help shape Suncor’s strategy for the next five years.

“There is no need to build an upgrader if you don’t have the bitumen to fill it,” he told analysts.

Both Suncor and Petro-Canada have put the brakes on major upgrading projects over the past year.

Without making any firm declarations until Petro-Canada is absorbed into Suncor, George hinted that priority will likely go to the third and fourth stages of the planned six-stage Firebag in-situ operation, which is designed to boost Suncor production by 200,000 bpd to 550,000 bpd.

Firebag is “high on the list and may roll out sooner” than decisions on the Voyageur, Petro-Canada’s Fort Hills mine and upgrader and Petro-Canada’s MacKay River in-situ project, he said.

Chris Felton, an analyst with Tristone Capital, said he expects the next two phases of Firebag will be first in the line-up because there is “no imminent need to bring (Voyageur) off the shelf.”

What is working in favor of resuming upgraders is evidence that capital costs of steel and other materials in Alberta are down 10-15 percent from last year’s peak, but George does not expect to see a return to costs of a decade ago “unless there is a very protracted recession.”

He said the industry is also noticing better productivity, and is counting on the industry to show more discipline through the next expansion cycle, although there is no sign yet of wage rollbacks.

—GARY PARK

share production in return for gaining access to U.S. refineries.

The government has set an initial goal of refining 66 percent of its bitumen into synthetic crude and petrochemicals, up from today’s 60 percent, in the same way that it already takes a share of conventional crude in barrels rather than cash.

Knight was unable to estimate how much additional revenue or new jobs the plan might produce, but said the parallel conventional crude program has been a “valuable piece of business.”

He is not concerned about the impact on new pipelines under construction or planned from the oil sands to the U.S., and eventually the Gulf Coast.

“A pipeline can just as easily manage synthetic oil,” Knight said. “These oppor-

tunities with pipelines become very crucial and critical for us because we have to be able to reach our market. I’m not concerned.”

It will take until 2010 and 2011 to develop regulations and enact the policy, opening the way for a government agency to start accepting bitumen deliveries in January 2012.

Merchant upgraders approve

Despite the absence of those details, there was an enthusiastic response, notably from developers of two proposed merchant upgraders, which have been stalled because of financing problems, as well as from the petrochemical sector.

Ian MacGregor, chairman of North West Upgrading, which has deferred

plans for a 213,000 bpd upgrader, said the prospect of guaranteed security of supply could revive those plans.

“Firms will have to provide a cost competitive proposal to the province and we think we can do that,” he said.

If it can obtain a long-term contract, North West could negotiate financing and start construction in spring 2010 on its first phase, estimated two years ago to cost C\$4.2 billion for a 77,000 bpd facility. The startup company has so far raised C\$400 million and hopes to bring the upgrader on stream in early 2013.

North West already has a contract with Canadian Natural Resources for 25,000 bpd of heavy oil and hopes the government scheme could secure the balance of the feedstock.

Value project also on hold

The global financial slump brought a halt to work on a second upgrader by Value Creation, whose subsidiary BA Energy sought creditor protection after defaulting on a C\$50 million loan from its parent company.

Value Chairman Columba Yeung has indicated the company hopes to arrange new financing and resume work on the project before the end of 2009.

It is also negotiating with both upstream and downstream companies on a possible partnership.

While Value hopes its own oil sands production from its Terre de Grace leases can cover some of the feedstock needs, it would like the chance to share in some of Alberta’s royalty bitumen.


Richard Paton, president of the Canadian Chemical Producers’ Association, credited the government with delivering new hope to an industry that does annual business in Alberta worth C\$13.3 billion.

A firm commitment to upgrade bitumen in Canada is a step closer to a “sufficient series of projects that will represent world-scale feedstock opportunities for our industry,” he said.

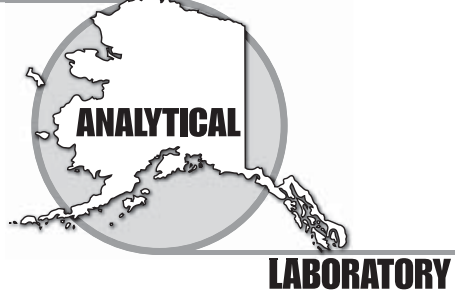
The Canadian Association of Petroleum Producers has some reservations about the proposal, noting that guaranteed feedstock can be made available through the “ample” supplies that are already available for purchase.

CAPP Vice President Greg Stringham told the Calgary Herald: “The question is,

see UPGRADING page 14



ALASKA



LABORATORY

Alaska Analytical Laboratory is an environmental lab performing the following services: soil analyses for Gasoline Range Organics (GRO), BTEX (Benzene, Toluene, Ethylbenzene, and Xylene); Diesel Range Organics (DRO) and Residual Range Organics (RRO) following the SW-846 EPA/Alaska Methods.

**1956 Richardson Highway
North Pole, Alaska 99705
Phone: (907) 687-7394
Email: klovejoy@alaska-analytical.com**



AMERICAN MARINE CORPORATION

- COMMERCIAL DIVING
- MARINE CONSTRUCTION SERVICES
- PLATFORM INSTALLATION, MAINTENANCE AND REPAIR
- PIPELINE INSTALLATION, MAINTENANCE AND REPAIR
- UNDERWATER CERTIFIED WELDING
- NDT SERVICES
- SALVAGE OPERATIONS
- VESSEL SUPPORT AND OPERATIONS

PENCO PACIFIC ENVIRONMENTAL CORPORATION

- ENVIRONMENTAL SERVICES
- OIL-SPILL RESPONSE, CONTAINMENT AND CLEAN-UP
- HAZARDOUS WASTES AND CONTAMINATED SITE CLEAN-UP AND REMEDIATION
- PETROLEUM VESSEL SERVICES, E.G. FUEL TRANSFER
- BULK FUEL OIL FACILITY AND STORAGE TANK MAINTENANCE, MANAGEMENT, AND OPERATIONS

Anchorage

Honolulu

Los Angeles

• NATURAL GAS

Drillers near target at Nenana gas well

Well passes depth of 7,000 feet on its way to zones where gas may be found; target depth for \$15 million well 11,000-15,000 feet

By ALAN BAILEY
Petroleum News

Excitement is building on a gravel drilling pad a few miles west of the Parks Highway and the town of Nenana in Alaska's Interior as the Nunivak No. 1 well, the first exploration well to test one of the deeper sections of the Nenana basin, augurs its way towards its target, with the drillers watching for an up-kick in the drilling mud flow rate that might indicate that the well has hit gas.

Drilling has paused at 7,000 feet while the drill string is pulled from the hole for a routine blowout preventer pressure test, said Jim Mery, vice president for lands and natural resources for Doyon Ltd, during a July 24 tour of the drilling site. The target depth for the \$15 million well is 11,000 to 11,500 feet, although the geology becomes interesting below about 8,500 feet, he said.

Meantime a cluster of pipe sections were hanging vertically from the rig derrick, like an oversize package of dark spaghetti, ready for reinsertion into the well once the pressure test had been completed.

"We've got 9,500 feet (of pipe) on board right now," said Doyon toolpusher Charlie Huntington.

Smoke from the Minto Flats forest fire a few miles away darkened the sky to the north of the drilling pad, but with the pad surrounded by cottonwood rather than the more flammable black spruce, with fire protection arrangements in place and with the fire not moving in the direction of the drilling operation, the drilling had been able to proceed uninterrupted, after a delay of a few days in spudding the well while fire-fighters assessed the situation.

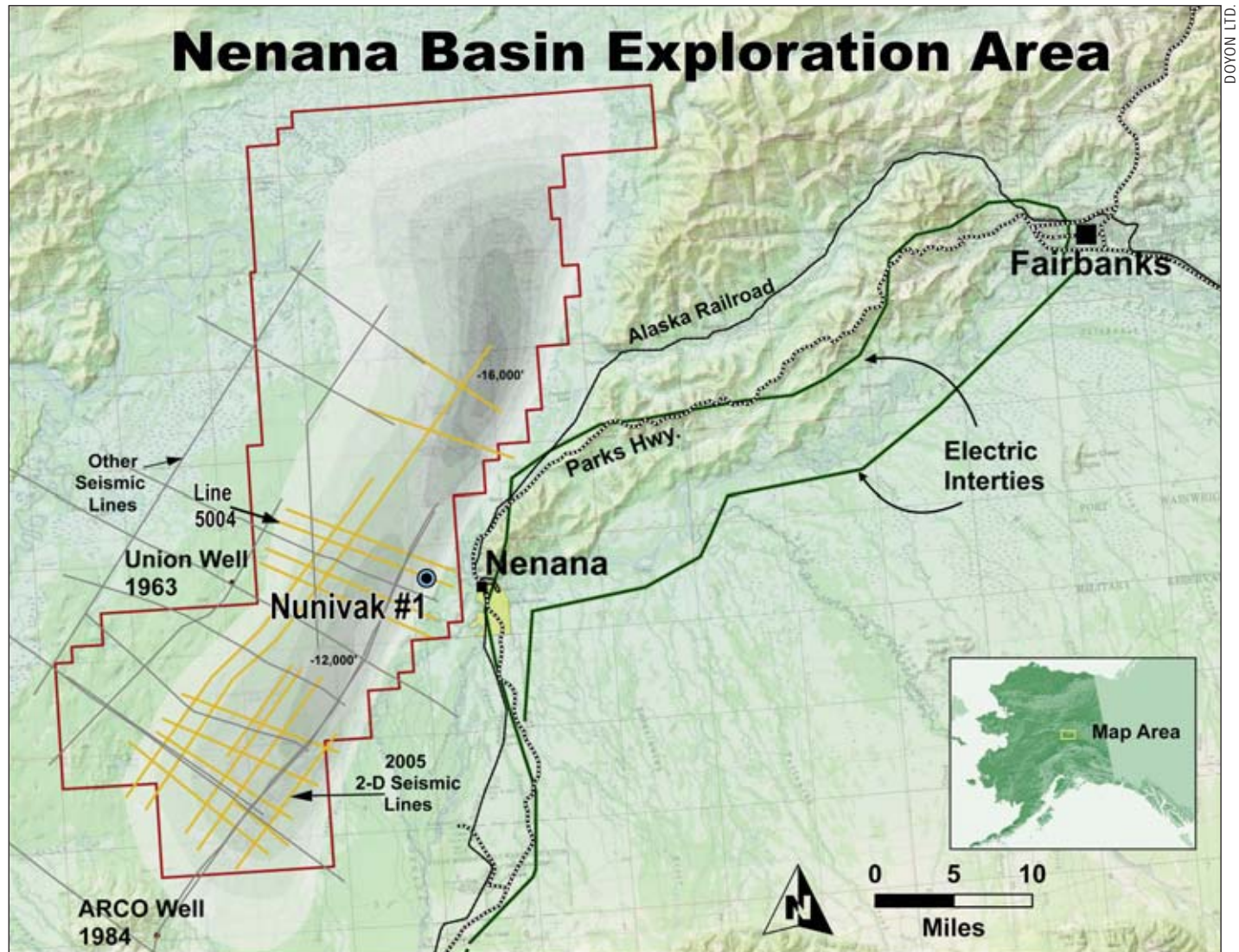
Denver-based Rampart Energy is drilling the well on Alaska Mental Health Trust land using the Doyon Drilling Arctic Wolf No. 2 rig, in partnership with Doyon, Usibelli Energy and Arctic Slope Regional Corp.

Target on a saddle

The 2,000-acre prospect being tested consists of a dome-like, three-way closure, set against a major fault system that demarks the eastern side of the basin, between a 14,000-foot-deep section of the basin to the south and a 20,000-foot-deep section to the north, Mery said.

"We're working right in the middle of a saddle, which we think is a good place

see NENANA WELL page 10



Mike Krupa, Doyon Drilling's training director, stands in front of the Doyon Arctic Wolf No. 2 rig.



Smoke from an Interior forest fire darkens the sky behind the Arctic Wolf No. 2 rig, at the Nunivak No. 1 well site near Nenana.

We were there at the beginning.

With 39 years of experience, we're experts on arctic conditions and extreme weather!

Solutions for Petroleum, Mining, Construction, & Timber Industries using top quality products.

Come see us; ask us questions.

<p>907.277.1406 1716 Post Road Anchorage, AK 99501</p>	<p>907.376.7275 Fx: 907.376.7269 1201 Hay Street Wasilla, AK 99654</p>	<p>907.456.4414 1600 Wells Street Fairbanks, AK 99701</p>
---	---	--



INDUSTRIAL & CONSTRUCTION SUPPLY
"Service: Our specialty since 1969"

Please visit our new website, www.jackovich.com

continued from page 9

NENANA WELL

where gas could migrate from both source areas," he said.

So far, the well has mainly encountered sand, albeit with quite a high mud content in places, Mery said.

Results from a 1984 ARCO well drilled in the shallow southern margin of the basin indicate that at depth the basin could prove to be a prolific source of natural gas, with a good possibility of some propane in the gas, Mery said.

"That's one of the pieces that's encouraged us," he said.

Arctic exploration rig

The Arctic Wolf rig is a relatively small and mobile exploration rig, designed for use in severe winter conditions on the North Slope but trucked down to Nenana in 50 loads by Doyon. In fact, the drilling crew has removed most of the walls from the rig, to maintain reasonable temperatures when working inside the rig during the warm summer conditions that prevail in the Alaska Interior. And the crew, used to working on the bleak, snow-covered Arctic plain, is experiencing the novelty of seeing lush trees around the well pad.

"I've been in this business 30 years and I've never been in a rig where we saw trees," said veteran driller Mike Krupa, Doyon Drilling's training director. "... These guys love this."

Krupa said that, with a capacity to pull a drill string load of 400,000 pounds, the rig would come close to its maximum drilling depth when it reaches its subsurface target at Nenana. But, regardless of its modest size, this modern rig boasts state-of-the-art drilling technology, including an AC top drive and a measurement-while-drilling system that uses pulses transmitted through the drilling mud in the well to enable the drillers to communicate with downhole instrumentation, with a computer-driven display at the rig floor continuously depicting the location of the bit relative to the planned well trajectory.

"All of the drilling today is done in real time," Krupa said. "The smart tool that's downhole will send signals up that are read continuously, which will tell them exactly where that bit is."

To make corrections to the direction of drilling, the drillers fit a mud-motor-driven bit at the bottom of the drill string, an operation that requires the entire string to be removed from the well and then reinserted. A slight bend in the mud motor assembly, rotated by the drillers into a precise orientation, causes the well to curve into the required direction. Once the well trajectory has been corrected, rotary



ALAN BAILEY

A barge stationed on the Nenana River is used to carry heavy equipment across the river to the start of the drill site access road, seen directly behind the barge.

drilling, with the top drive powering the drill bit by turning the entire drill pipe string, can be resumed.

Logistical challenges

But almost equally as challenging as the actual drilling is the logistical operation of setting up and maintaining an exploration drilling site, even a site as close to a main road as the one at Nenana. The drilling rig, a miniature industrial facility with generators, mud-pumps and mud-processing equipment, as well as a drilling control room, derrick and rig floor, sits at the center of a 3.5-acre gravel drilling pad that also houses living accommodations for the drilling crew, as the crew works around the clock in two 12-hour shifts.

A construction team manned by Fairbanks-based Brice Inc., and a joint venture involving the Yukon Flats village corporations from Birch Creek and Stevens Village, constructed a more than 4-mile gravel road from the Nenana River to the well site, in addition to clearing and building the drilling pad. Fairweather E&P Services managed the construction project.

Road construction involved the placement of four temporary bridges across creeks, with both the road and the bridges being substantial enough to bear the trucks and other heavy equipment that require access to the drilling site. The road for the most part follows an existing right of way, but starts on the west side of the Nenana River — the opposite side of the river from the Parks Highway — thus requiring a continuously stationed barge to ferry heavy gear across the river.

Construction work required 30 to 32 people, nearly 80 percent recruited locally, during the winter, Mery said. Drilling involves 50 to 80 people over a 30- to 50-day period, plus support personnel, including people involved in catering, house-keeping, road maintenance and barge

operations, he said. Experts in topics such as directional drilling, drilling fluids, well geology and mud logging come on site at various times.

Gas potential

But, is all of this effort and expense justified, given the risk that the Nunivak well could fail to find a viable gas resource?

"We think the (entire) area has 1 trillion to 6 trillion cubic feet of natural gas potential, although we're really focused on the 1 trillion to 2 trillion to 3 trillion area," Mery said, "... (and) we still believe that there are some oil possibilities out here."

And, although the Nunivak prospect itself could hold as much as 200 billion cubic feet of gas, a median estimate of 60 billion cubic feet is more likely.

"It could be smaller; it could be larger. We just don't know," Mery said. "... We just felt that this was the best first place to look. ... We like things that we saw in the seismic."

The primary commercial objective of the project is to find a gas resource that could be piped to Fairbanks and the neighboring town of North Pole. The gas would provide a welcome new energy source for heating residential and commercial buildings, but larger scale industrial uses for the gas, in particular power generation and oil refinery use, would need to underpin the economics.

"You really need to have those (industrial) markets to ... be able to justify ... not just building a pipeline to Fairbanks, but also further exploration and development out at Nenana," Mery said.

That would likely require about 10 billion cubic feet per year for 15 to 20 years, he said, adding that it might nevertheless be possible to justify a pipeline development with a Nenana gas resource as low as 100 billion cubic feet. It would probably take four to five years to build out the gas infrastructure sufficiently to support a gas transmission line from Nenana, he said.

On the Web



See previous Petroleum News coverage:

"Nenana gas exploration well spuds," in July 12, 2009, issue at www.petroleumnews.com/pnads/738051476.shtml

"Nenana partners ready to drill in June," in April 12, 2009, issue at www.petroleumnews.com/pnads/950209029.shtml

"On track at Nenana," in Nov. 23, 2008, issue at www.petroleumnews.com/pnads/446966595.shtml

But with a smaller gas find — say in the 60 billion- to 70 billion-cubic-foot range — construction of a gas-fired power station at Nenana is another possibility, especially since the Alaska Railbelt electrical intertie passes close to the Nenana basin.

"Power generation we see as a tremendous opportunity, and we would need to find a significantly less amount of gas," Mery said.

On the other hand, if the Nenana basin is found to hold a large gas resource, a gas pipeline to Anchorage is a possibility, to bolster Southcentral Alaska gas supplies pending a long-term solution to the region's energy supply issues.

Incremental opportunities

And the various possible applications for Nenana gas could be brought on line incrementally, depending on how the exploration results pan out.

"With a little bit of success you can be working with power producers," Mery said. "With a little more success you can bring pipeline gas to Fairbanks. Maybe with a boatload of success ... there's an Anchorage option as well."

The sale of propane, via the nearby river or road system, is another possibility.

But what happens next will depend on what the Nunivak well encounters as the drill bit grinds its way into its target. A successful find will trigger some downhole seismic acquisition, to refine the existing 2-D seismic, followed by some winter 3-D seismic data acquisition across the entire prospect, with a view to conducting some further drilling in 2010, Mery said. The exploration partners are also interested in doing some 2-D seismic surveying in the deep northern section of the basin, although the existence of wetlands and a state game refuge in that area would present some exploration challenges.

"We do think that parts of that northern area actually have great promise," Mery said. ●



Permanent & Contract Professionals

Engineering
Construction
Inspection
Contracting
Procurement
Supply Chain Management
Project Controls
Accounting/Finance
Health & Safety
QA/QC
... And many More!

Our team of Recruitment Consultants are here to find the right people for your company and project

For help with your manpower needs call Leslie Lockhart, Recruitment Director, at +1 907 222 4100

3111 Denali St. suite 102
Anchorage AK 99503
www.swiftoilandgas.com/jobs

To be considered for job openings send your resume to jobs@swift-alaska.com

NOW IN ANCHORAGE!

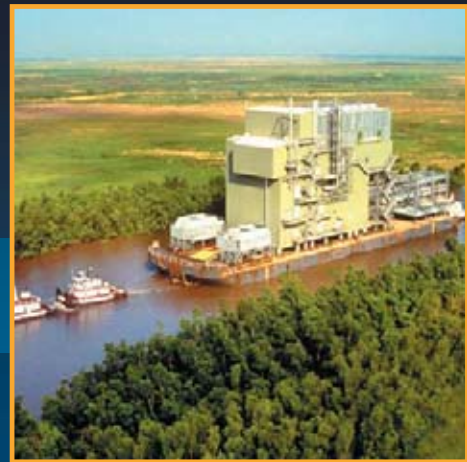
swift
oil and gas

The leading specialist
supplier of manpower
to the global Oil and
Gas industry

Over 30 years of Alaska Experience

Committed to supporting the next 30 plus years of development

Fluor's Alaska office provides a complete range of design, engineering, procurement, construction management, and project management services for our Alaska-based clients.



arctic climate EPC services ■ world-class technical capabilities ■ logistics ■ sustainable development

3800 Centerpoint, Anchorage, AK 99503 ■ 907.865.2000 ■ www.fluor.com

For employment opportunities please contact brian.tomlinson@fluor.com

Fluor values the contributions of a diverse and inclusive workforce and is an Equal Opportunity employer.
 © 2008 Fluor Corporation. All Rights Reserved
 FLUOR is a registered service mark of Fluor Corporation.

FLUOR®

• PIPELINES & DOWNSTREAM

Tanker damage prompts new weather post

Two nonprofits, Coast Guard erect Kayak Island station to provide better weather coverage in region prone to dangerous 'barrier jets'

BY WESLEY LOY
For Petroleum News

An incident involving a loaded oil tanker and ferocious winds in 2007 in the Gulf of Alaska has inspired installation of a new weather station on a remote island some 60 miles southeast of Cordova.

The station was erected July 16 at Cape St. Elias, on the southwestern end of uninhabited Kayak Island, which is about 20 miles long and two miles wide and takes its name from its shape.

Two nonprofit organizations, the Prince William Sound Regional Citizens' Advisory Council and the Prince William Sound Science Center, teamed on the project. A helicopter crew out of the U.S. Coast Guard's Cordova air station also assisted.

The weather station, designed by Micro Specialties Inc. of Wasilla, measures wind speed and direction, temperature, relative humidity, barometric pressure and solar radiation.

The station reports hourly by satellite link and the data can be viewed online at <http://denali.micro-specialties.com/CapeStElias>.

Tanker hits freak wind

The Prince William Sound RCAC, a Valdez-based oil industry watchdog group, purchased the station following an incident where a tanker hauling crude oil for Tesoro hit dam-

aging high winds and seas.

On Dec. 10, 2007, the tanker Seabulk Pride, fully loaded, left the sound with both wind and waves below the limits above which authorities close the tanker lanes to ship traffic, according to a news release from Rob Campbell, an oceanographer with the Cordova-based science center who helped install the weather station.

"About 12 miles southeast of Hinchinbrook Entrance, the vessel encountered sustained winds of 63 miles per hour (55 knots) and gusts up to 132 miles per hour (113 knots)," Campbell wrote. "The ship sustained damage to its deck fittings when a wave broke over the bow. Later analysis of satellite data showed that the sea conditions were due to a barrier jet that advanced very rapidly up the coast from the southeast."

A barrier jet is a narrow band of strong winds that can arise when terrain, such as a mountain range, blocks the movement of air masses.

"They occur frequently in the region from Cordova to Yakutat, particularly in autumn and winter. They typically form within 60 miles of the coast and can cause wind speeds in the range of 46 to 115 miles per hour," Campbell wrote. "The onset of a barrier jet can be very rapid, with large changes in wind speed and direction over a few hours."

The new weather station at Cape St. Elias is now providing ships and planes with better weather information in the Kayak Island area, Campbell said. •



Two bears inspect the new weather station erected on Kayak Island in the Gulf of Alaska.

DAVID WEAGLEY

SUBSCRIBE

to *Petroleum News*

Don't miss another issue, call: **907 522.9469**



An ISO 9001:2000 Company

Offering innovative process and environmental solutions, modular design and equipment retrofits.

Separation, Gas & Oil Processing Systems, Oily Water Treatment

Calgary, Alberta Phone: (403) 236-1850 Fax: (403) 236-0488
Visit our Website at www.natcogroup.com
Email: sales@natco-ca.com

• GOVERNMENT

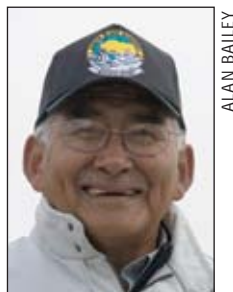
Murkowski promotes OCS revenue sharing

By ALAN BAILEY
Petroleum News

Sen. Lisa Murkowski, R-Alaska, has introduced the Domestic Energy Security Act of 2009, a bill that would grant coastal states a 37.5 percent stake in all rents, royalties and bonuses from oil and gas activities on the federal outer continental shelf. In Alaska, the state would receive 47 percent of these revenue sharing funds and Alaska Native regional and village corporations would share 33 percent of the funds, while 20 percent of



LISA MURKOWSKI



EDWARD ITTA

ALAN BAILEY

the funds would go to coastal borough and community governments.

Currently, a similar 37.5 percent revenue sharing arrangement only applies to five states bordering the Gulf of Mexico.

The new bill would also require any oil produced on the OCS of the Beaufort Sea, the Chukchi Sea and Norton Sound to be transported to onshore facilities by pipeline, to protect whales and other marine mammals "vital to the cultural and subsistence needs of Alaska Natives," Murkowski's press office said. The bill

see SHARING page 15



Looking for Great People?

At NMS Employee Leasing, we find the right people to support your business. Our clients are our partners. We work with you to solve your immediate and long-term human resource needs.

Our recruiting

- Professional, experienced hiring managers
- Proactive web & media based search methods

Our hiring process

- Computer skills testing
- Reference & background checks
- Drug test, medical/physical evaluation

Our administrative services

- Payroll & tax administration
- Workman's compensation insurance
- Medical, 401(k), Short & Long Term Disability



Outsource. Outshine.™

www.nmsempleeleasing.com
3230 C Street, Suite 200
Anchorage, AK 99503
907 729-5570



Quadco Inc.

Serving the Oilfield in Alaska and the Rocky Mountains with Quality Products and Innovations Since 1966

303-659-3339 BRIGHTON, CO.
970-263-8402 GRAND JUNCTION, CO.
505-327-0486 FARMINGTON, NM.
307-472-3110 CASPER, WY.
907-563-8999 ANCHORAGE, AK.
907-659-9449 PRUDHOE BAY, AK.

• FINANCE & ECONOMY

Tough times in oil & gas service sector

Peters & Co. slashes 2009 Western Canada, U.S. 2009 activity forecast; Precision Drilling CEO believes drilling has bottomed out

By GARY PARK
For Petroleum News

Soft natural gas prices, capital spending cutbacks and relentless demands for reduced labor and materials costs from oil sands operators spell tough times for Canada's supply and service sector.

Calgary investment dealer Peters & Co. has slashed its 2009 activity forecast for Western Canada to 8,500 wells from its previous target of 10,000 and has taken the axe to its 2009 forecast for Western Canada and the United States, targeting 12,500 wells and 1,200 active rigs, down from an earlier 16,000 wells and 1,450 rigs.

The next 18 months will be "extremely" difficult for service companies, with bright spots confined to directional drilling, pressure pumping and logistics providers, Peters said.

In addition, drilling contractors with fleets suited to drilling deeper wells and strong balance sheets should benefit from spending in resource plays, it said.

The firm does not expect operators' 2010 budgets will increase substantially, although lower service costs, improving field efficiencies and a 37 percent increase in strip natural gas prices over spot prices should increase year-over-year Western Canada activity levels, Peters said.

But first-quarter results for 49 Canadian service and supply companies, combined with tight debt and equity markets, heighten expectations of increased consolidation and acquisition over the near-term.

Jan Cerny, an analyst with Tristone Capital, said the balance of 2009 will see shrinking cash flows and, unless there is a sharp rebound in the first quarter of 2010 (traditionally the peak drilling season), then the problems won't ease.

Despite cost-cutting measures by many companies, a prolonged downturn might see consolidation as the only choice, Cerny said.

Roger Soucy, president of the Petroleum Services Association of Canada, said sluggish merger and acquisition activity in the first half of 2009 could speed up through the second half.

But he said it is hard to imagine why any companies would want to buy idled equipment, when their own assets are not working.

Peters anticipates a re-activation of "quality" oil sands projects, with some benefit to specialized service companies.

Faint glimmers of hope

However, there are some faint glimmers through the gloom as the industry delivers second-quarter earnings reports.

BJ Services Chief Executive Officer Bill Stewart, declaring "the worst is behind us," is counting on "improvement from here forward."

He said markets in the United States and Canada are "close to bottoming" after posting a net loss of US\$32.3 million, with Canadian revenues slumping 53 percent to US\$23 million.

see TOUGH TIMES page 15

• SAFETY & ENVIRONMENT

Oil sands improve showing

Study shows direct greenhouse gas emissions from production, transport and refining are comparable to U.S. heavy crudes

By GARY PARK
For Petroleum News

Alberta is cleaning up its act to the point where direct emissions from the extraction, shipping and refining of oil sands output is roughly parallel to that of other crudes refined in the United States, says a report by the government-created Alberta Energy Research Institute.

And Premier Ed Stelmach wasted no time proclaiming those findings as evidence of the "incredible progress" made by Alberta-based companies in reducing and recycling water used in energy production, land reclamation and management of waste byproducts from oil sands operations.

He said Alberta is also on the way to developing "game-changing technology" that will have worldwide application in lowering greenhouse gas emissions.

Even now, while that technology is being researched and developed, Stelmach said Alberta is only a "tiny" contributor to carbon dioxide emissions, accounting for only one-tenth of one percent of the world's output.

He noted that the government is currently working on letters of intent from proponents of three commercial-scale carbon capture and storage projects that have been selected to qualify for C\$2 bil-

lion in provincial aid.

"Alberta's commitment to fight climate change is measured in action, not words," he declared.

Comparable to heavy crudes

The AERI report found that CO2 emissions from oil sands operations are an average of about 10 percent higher than crude imports to the United States and about the same as those from heavy oil produced in California.

Those estimates are at direct odds with earlier studies that have estimated GHGs from the oil sands were as much as 40 percent greater than those from other sources.

AERI executive director Eddy Isaacs said emissions from imported and domestic U.S. heavy crudes are comparable to the oil sands.

Where the oil sands are higher, those emissions "can be reduced technologically and we are all working on that."

However, Isaacs acknowledged there is still much work to do to improve the oil sands' environmental image.

The AERI findings should not absolve the industry in Alberta from doing its utmost to pull emissions down as low as

possible, he said.

He said CO2 emissions from conventional oil activities are rising as pools become harder to exploit, whereas oil sands emissions are declining on a per-barrel basis as the industry becomes more efficient.

The study, funded by the Alberta government through AERI, combined findings from independent studies by U.S. based consultants — Jacobs Consultancy and TIAXX LLC — both of which confined their work to direct emissions only, including those released during production. Indirect emissions include land use, exploration and waste streams.

A spokesman for the Alberta-based Pembina Institute said Alberta should be concentrating more on how the oil sands compare with advanced biofuels and electric vehicles, rather than drawing comparisons with pollution-intensive sources of oil.

As North America moves towards using cleaner fuels and develops new technologies to tackle climate change, the oil sands will find it increasingly tougher to compete, and, unless there are drastic changes, the oil sands won't be able to compete, he said.

Economist: Oil headed up

Separately, Jeff Rubin, the former chief economist for CIBC World Markets, told a Calgary conference that Alberta is heading for another wave of oil sands development based on his prediction that oil will regain US\$100 per barrel next summer, assuming a rebound in the world economy.

He said the Canadian dollar will soon be

see OIL SANDS page 15

Kenai Aviation
Serving The Oil Industry Since 1961

**Air Taxi Service
Passenger & Cargo**

**Single & Twin
Engine Airplanes**

Toll free: 800-478-4124
Local: 907-283-4124

Kenai, Alaska
Licensed & Insured Carrier



UNIVAR

Your Alaskan Chemical Source since 1924

- Products & Services for Oil, Gas — Production, Processing & Refining
- Mining, Municipalities, Aviation & the Transportation Industry
- Meeting your chemical waste needs with our exclusive ChemCare® Waste Management Services

For Statewide Service call:
800-478-7444 • www.univarusa.com
590 E. 100th Avenue • Anchorage, AK 99515

www.pdcharrisgroup.com



Putting it all together
for the successful commercialization of your project

- > Project Controls & Management
- > Upstream Production Systems
- > Midstream Processing Systems
- > Gas Compression & Conditioning
- > Module Design
- > Power Generation/Cogeneration
- > Infrastructure Systems
- > Cold Regions Design Expertise

Contact **Mike Moora**, 1.907.644.4716,
mike.moora@pdcharrisgroup.com



PDC Harris Group LLC
2700 Gambell St., Suite 500, Anchorage, AK

OIL COMPANY EARNINGS

Earnings from Petroleum News top companies

Earnings first second 2009 • Change from second quarter 2008
Liquids production second quarter 2009 • Change from second quarter 2008
Natural gas production second quarter 2009 • Change from second quarter 2008

Company	symbol	earnings	%	liquids	%	gas	%
ExxonMobil	XOM	\$3,950	-66	2,347,000	-2	8,013	-6
BP	BP	\$4,385	-53	2,526,000	+5	8,580	+4
Shell	RDS-A	\$3,822	-67	1,647,000	-8	7,614	-2
Chevron	CVX						
Total	TOT						
ConocoPhillips	COP	\$1,298	-76	1,030,000*	+9	5,051*	+5
Eni	E						
StatoilHydro	STO						
Occidental	OXY	\$682	-70	496,000	+9	935	+13
EnCana	ECA	\$239	-80	136,000	+6	3,788	-1
Can. Natural	CNQ.TO						
Anadarko	APC						
Devon	DVN						
Marathon	MRO						
Husky	HSE.TO	C\$430	-68	225,200	-12	552	-11
Talisman	TLM	C\$63	-85	212,149	-3	1,271	-0
Apache	APA	\$443	-69	292,462	+7	1,770	-5
Imperial	IMO						
Suncor	SU.TO	-C\$51	—	301,000	+72	211	-7
Petro-Canada	PCZ	C\$77	-95	267,000	-10	645	-8
Nexen	NXY.TO	C\$20	-95	204,000	-4	215	-12
XTO	XTO						
Chesapeake	CHK						
Pioneer	PXD						
EOG	EOG						
Swift	SFY						

Liquids production in barrels per day, including oil sands.
Natural gas production in millions of cubic feet per day.
*Does not include Lukoil investment

Top companies chosen based on exploration spending and commitment to Alaska and Canada

NATURAL GAS

Yukon watches, waits, hopes for pipeline

Canadian territory has potential onshore, offshore natural gas; development dependent on connection to larger line, or to mines

By GARY PARK
For Petroleum News

Caught between two spluttering, multi-billion-dollar natural gas pipeline projects out of Alaska and the Mackenzie Delta, Canada's Yukon Territory's hopes of becoming energy self-sufficient and also shipping its potential natural gas and oil resources to southern markets are stalled.

For now, it has no real choice but to wait for progress on the Arctic pipelines while it sits on a potential treasure-trove of potential resources — 17 trillion cubic feet of gas and 800 million barrels of oil onshore and 40 tcf of gas and 4.5 billion barrels of oil offshore.

While the waiting game drags on, junior explorer Northern Cross (Yukon) keeps adding to its land holdings, making a successful work bid of C\$457,000 for rights in the Eagle Plain basin of northern Yukon.

Northern Cross is already the outright owner and operator of 1.3 million acres and holds three federal Significant Discovery Licenses from four wells drilled in the 1960s.

Although those wells fell short of commercial production status, the licenses have no expiry date.

Northern Cross also holds a number of permits which are now in the second of a six-year commitment and, provided it can raise financing, plans to drill some over the next six to 12 months.

Eagle Plain prospective

Eagle Plain, rated the largest prospective

Eagle Plain, rated the largest prospective basin in the Yukon, has an estimated 6 tcf of gas and 436 million barrels of oil.

basin in the Yukon, has an estimated 6 tcf of gas and 436 million barrels of oil.

Although Northern Cross President Brian Avery has suggested that if enough gas is discovered, it might be possible to build a standalone pipeline from Eagle Plain to Fort Nelson, in northern British Columbia, analysts at Ziff Energy Group doubt a route across rugged terrain would be economically viable unless several more trillions of cubic feet are added to the Yukon's resources.

The best bets have traditionally been seen as a spur line tying into a Mackenzie Valley pipeline, or a tie-in with an overland pipeline from Alaska across the southern Yukon.

Otherwise, the best bet is to supply gas to meet the energy demand of the Yukon's mining industry — an option Avery estimates would be workable if exploration discovers 250 billion to 500 billion cubic feet.

The Yukon government recently issued its own energy strategy which said that developing the territory's own oil and gas resources would reduce dependence on imports.

Currently 76 percent of energy consumed in the Yukon is from refined petroleum products and all fossil fuels used in the territory are imported. ●

continued from page 8

UPGRADING

would you prefer to buy it from the market or is there some reason you'd want to buy from the government's royalty barrels. At this point in time, it's not quite

clear, so that's why we need to see the rest of the details of the RFP?"

Chris Feltin, an analyst with Tristone Capital, said the key beneficiaries of the plan could be companies such as North West, whose projects have been put on hold and now face further uncertainty as work advances on building incremental pipeline capacity to the U.S.

Other stalled projects

In addition to North West and BA Energy, 10 upgraders have been stalled, including Petro-Canada's plans for a 55,000 bpd plant at its deferred Fort Hills project and Total Canada's 100,000 bpd Northern Lights facility.

Although it is not yet clear, the proposal to exclude "integrated" oil sands operations — those that produce and refine bitumen — could rule out Husky, EnCana, Royal Dutch Shell and Suncor Energy from participating. But those companies said it is too early in the process to comment.

Gil McGowan, president of the Alberta Federation of Labor, one of the strongest voices for "aggressive" restrictions on exports, said the new "super" pipelines to the U.S. have eroded the cost advantage of cheaper feedstocks that would have kept more processing within Alberta.

He said exports "sound like a good thing because producers get a higher price for their product, but, in reality, it's a bad thing for Alberta because it removes the competitive advantage for Alberta-based upgraders and refineries." ●



I want in!

To advertise in Petroleum News, please contact Susan Crane at 907-770-5592, or Bonnie Yonker at 425-483-9705.

STEELFAB

ALASKA'S STEEL SOURCE

Phone: 907-276-4303 Toll Free: 1-800-845-4303
FAX: 907-276-3448 2132 Railroad Avenue



Proud Alaskans Providing Steel to Alaska

continued from page 1

COURT

program now depends on the outcome of the new environmental analysis.

The lease sale program in question includes the February 2008 Chukchi Sea lease sale that attracted \$2.6 billion in high bonus bids, as well as two further planned Chukchi Sea sales and planned sales in the Beaufort Sea and the North Aleutian basin.

Inadequate analysis

In its April order upholding the appeal against the lease sale program the court had said that by only using a National Oceanic and Atmospheric Administration environmental sensitivity analysis of oil spills on shoreline areas DOI had been irrational in determining environmental sensitivity rankings for the lease sale program: The court wants DOI to complete a comparative analysis of the environmental sensitivity of different areas of the OCS, to determine whether any areas should be excluded from oil and gas leasing. And, in its July 28 order, the court requires DOI to provide status reports on progress with the environmental analysis within 60 days and at 60-day intervals thereafter.

"I am pleased with the court's decision. Consistent with the department's request, the court clarified that its prior ruling only applies to the Chukchi, Beaufort and Bering Seas. We are moving forward with the planned Aug. 19 Gulf of Mexico lease sale," said Secretary of the Interior Ken Salazar July 29. "President Obama has made clear that a comprehensive energy plan that reduces America's dependence on foreign oil must include domestic production and the court's ruling allows us to move forward in a balanced way. With respect to the Arctic Ocean and Alaska, we will continue to work expeditiously to address the environmental issues identified by the court in the existing

2007-2012 five-year plan."

API reaction

The American Petroleum Institute, which had asked that the April court order not be applied to the Gulf of Mexico, or to any lease sales that had already taken place under the 2007-2012 program, expressed satisfaction with the court's July 28 decision.

"The court made the right decision by allowing the continued production of oil and natural gas from Gulf of Mexico leases already issued in the Outer Continental Shelf and to future leases in the Gulf under the 2007-2012 five-year program," API said July 29. "... We encourage the Department of Interior to move quickly to re-do the environmental sensitivity analysis and maintain all scheduled past and future leasing in Alaska, so that exploration and production activity and future lease sales under the 2007-2012 plan can take place in that state, home of vast oil and natural gas resources."

But the Native Village of Point Hope, the Alaska Wilderness League and Pacific Environment said that the new environmental analysis will bring to light severe potential impacts of oil and gas development on the fragile Arctic offshore environment.

"This drilling plan and the associated seismic testing, increases in vessel traffic, proposed large onshore and offshore infrastructure projects, and projections of oil spills in our unindustrialized homelands is extremely stressful," said Caroline Cannon, president of the Native Village of Point Hope, July 29. "Our traditional knowledge indicates that each of these things independently threaten the existence of our traditional culture. We are already facing the consequences of climate change and the industrialization of the Beaufort coast. This cumulative stress may prove to be a tipping point."

—ALAN BAILEY

continued from page 13

OIL SANDS

trading on a par with or above the U.S. dollar, opening the door to a flood of oil sands investment.

If triple-digit oil prices return, Alberta will have the incentive to raise oil sands production to 4 million barrels per day from the current 1.1 million bpd, but that same future will result in a doubling of gasoline prices, with widespread economic implications.

Rubin said petroleum demand — contrary to what is happening in North America, Europe and Japan — is skyrocketing in Venezuela, Saudi Arabia and Iran, depleting the world's oil reservoirs by 4 million bpd.

"We need 20 million bpd of new production by 2014 so we can consume as much as we do today and it is going to take us years to bring back the supply that has been curtailed," he said.

Because of production declines in Mexico, the United States will be forced to turn increasingly to Canada in the next four or five years, by which time Canada will meet 30-33 percent of U.S. needs, up from the current 22 percent.

Rubin also believes North American natural gas prices will rise from US\$3.50 per thousand cubic feet to at least US\$5 as the recession fades, accelerated by exports of LNG from Canada and the U.S. to Asia and Europe, where it will fetch higher prices. ●

continued from page 12

SHARING

would also open parts of the eastern Gulf of Mexico to offshore oil and gas development.

Sen. Mary Landrieu, D-La., is co-sponsoring the bill.

Balance of concerns

"This bipartisan bill will serve as the foundation for Alaska and other states to balance local economic and environmental concerns with national energy security," Murkowski said. "Considering the economic and energy challenges we as a nation face, now is the time to get this right."

Murkowski is the ranking Republican member of the U.S. Senate Committee on Energy and Natural Resources.

The North Slope Borough, which provided input to the drafting of the bill,

expressed satisfaction with the provision to mandate shipping offshore oil to land by pipeline rather than tanker, saying that broken ice conditions can threaten shipping routes with little warning and that a tanker accident in the Beaufort or Chukchi seas would prove devastating to the marine environment and to the way of life of the North Slope Inupiat people.

"Offshore development continues to be a source of great concern for the borough," said borough Mayor Edward Itta. "Oil spill prevention and response are virtually impossible in our arctic waters. Our residents have always depended, and continue to depend, on marine mammals harvested for subsistence from the Chukchi and Beaufort Seas."

And Itta said that he was pleased with the proposal to share federal revenues with communities directly affected by offshore oil and gas exploration and development. ●

continued from page 13

TOUGH TIMES

Wachovia analyst Tom Curran took a measured view of Stewart's optimism, predicting that a return to profitability would "largely be contingent on continued cost saving and efficiency realizations."

In reporting a C\$57 million profit, Kevin Neveu, chief executive officer of Precision Drilling Trust, Canada's largest drilling contractor, said the trust is "extremely well-positioned in Alberta heavy oil and northeastern British Columbia shale gas plays.

"These areas operate to a large degree through the spring thaw and, as such, our year-over-year activity held up better than

(the overall) industry, falling only 26 percent."

Neveu believes activity in the U.S. has bottomed out, "but it will be a rocky bottom. We will see rig counts oscillate as the trough continues in the third quarter."

"There is no question that North America has too much gas supply and too little demand," he said.

Neveu said early indications for the current quarter "suggest Canadian activity will remain depressed within a diminishing likelihood of a meaningful recovery this year."

Nabors Chief Executive Officer Eugene Isenberg believes the down cycle will hit bottom in the current quarter, but cautioned he is not expecting a "V-shaped rebound."

Weatherford still cutting

Bernard Duroc-Danner, chairman, president and chief executive officer of Weatherford International, described Canada's second quarter as "brutal," with the average rig count dropping to 89, 12 rigs below the historic low in 1999.

"Canada will have its day and in the meantime one has to live with one's legacy," he said.

"Not that long ago Canada represented 25 percent of Weatherford's top line. Our legacy is one which is still, to a degree, quite dependent when it comes to North America on the ups and downs of Canada ... more so than our peers," Duroc-Danner said. "At times it helps us; at times it hurts us."

But Weatherford is not gambling on an

early recovery, cutting its North American workforce by 3,000, closing 20 facilities and warning it is not yet finished.

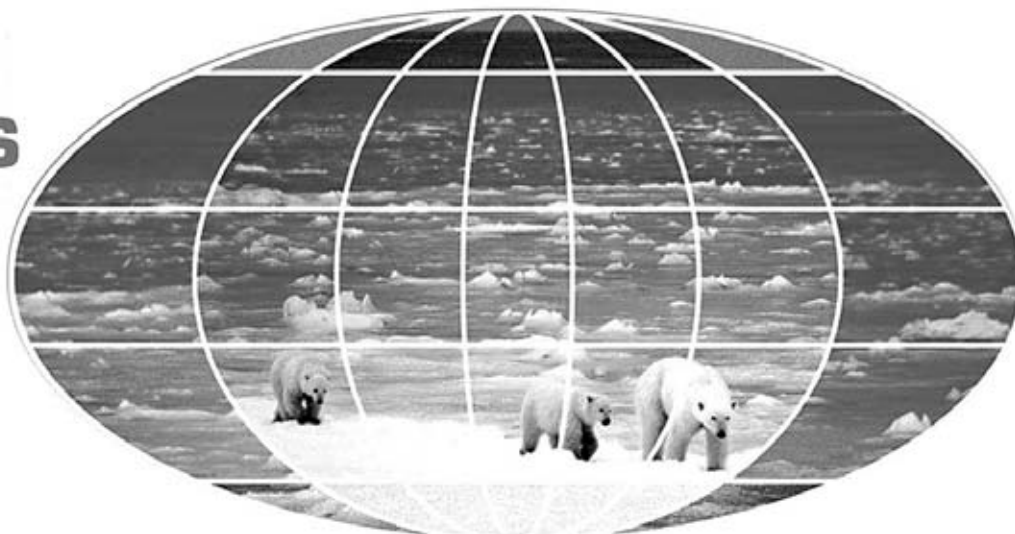
Canada's second-quarter activity levels were 30 percent worse than expected, the rig count fell 79 percent from the first quarter and 46 percent from the same quarter of 2008.

"At these levels it is nonsensical to think about covering one's fixed-cost structure no matter how lean the operation may be," said Chief Financial Officer Andrew Becnel.

Duroc-Danner would not offer a prediction on a recovery for North America, saying, "It seems that in North America there was nowhere to hide." ●



2450 Cinnabar Loop, Anchorage, Alaska 99507
(907) 276-6037 FAX (907) 276-6034



When your operations traverse more than 500 square miles of new tundra every winter, a sound environmental management system and quality people to implement it are the difference between success and failure.

CGGVeritas is the world's leading international pure-play geophysical company delivering a wide range of technologies, services and equipment through Sercel, to its broad base of customers mainly throughout the global oil and gas industry.



Golf tournament putts for First Tee

The Petroleum Club's golf tournament on July 16 and 17 helped First Tee of Alaska raise more than \$20,000. The funds for the youth life-skills development organization were raised from a pro auction, par 3 events and the generosity of golfers who attended the tournament.

Three hundred and forty-five golfers participated in the Petroleum Club's 34th annual golf tournament, which was held at Southcentral Alaska's Moose Run and Anchorage golf courses.

Major sponsors for the 2009 tournament were ACS, Fairweather, K&L Distributors, Marsh Creek, Northern Air Cargo and NAMS, and Neeser Construction.

Committee members for the tournament event were co-chairman Pete Stokes; co-chairman Nick Karnos; Terry Allard, Crystal Crozier, Kirk Leadbetter, Peter Macksey, Suzie McLaughlin, Angela Moody, Raquel Olsbo, Ted Stinson, Patrick Walsh and Billy Bomar.



COURTESY CROWLEY

Crowley presents Hetsko with award

Crowley said July 21 that U.S. Merchant Marine Academy midshipman Kristen A. Hetsko recently received

the Crowley maritime security enhancement award.

Ed Alford, Crowley's security director, presented the award to Hetsko during the USMMA's awards convocation for the class of 2009.

The award is given to a student who has demonstrated an exceptional interest in a career in port, maritime or transportation security.

A native of Killingworth, Conn., Hetsko majored in logistics and intermodal transportation, served as platoon commander in the academy's midshipmen regiment and graduated cum laude. She was also the 2009 winner of the Julie A. Berke award, which is presented to the most outstanding senior female athlete at the academy.

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 September.

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

ADVERTISER	PAGE AD APPEARS	ADVERTISER	PAGE AD APPEARS	ADVERTISER	PAGE AD APPEARS
A					
ABB		Delta P Pump and Equipment		Nordic Calista	
ACS		Denali-The Alaska Gas Pipeline		North Slope Telecom	
Acuren USA		Dowland-Bach Corp.		North Star Equipment Services (NSES)	
Advanced Supply Chain International (ASCI)		Doyon Drilling		North Star Terminal & Stevedore (NSTS)	
AECOM Environment (formerly ENSR)		Doyon LTD		Northern Air Cargo	
Air Liquide		Doyon Universal Services		Northern Transportation Co.	
Air Logistics of Alaska		Duoline Technologies		Northland Wood Products	
Airport Equipment		EEIS Consulting Engineers		Northrim Bank	
Alaska Air Cargo		Egli Air Haul		Northwest Technical Services	
Alaska Analytical Laboratory	8	Engineered Fire and Safety		Offshore Divers (see Global Offshore Divers)	
Alaska Anvil		Epoch Well Services (see Canrig Drilling Technologies)		Oilfield Improvements	
Alaska Computer Brokers		Equipment Source Inc.		Opti Staffing Group	
Alaska Coverall		ERA Helicopters		P.A. Lawrence	
Alaska Dreams		ESS Support Services Worldwide		PacWest Drilling Supply/Taiga Ventures	
Alaska Frontier Constructors		Evergreen Helicopters of Alaska	7	Panalpina	
Alaska Interstate Construction (AIC)		ExxonMobil		PDC Harris Group	13
Alaska Marine Lines		Flowline Alaska		Peak Civil Technologies	
Alaska Railroad Corp.	4	Fluor	11	Peak Oilfield Service Co.	20
Alaska Regional Council of Carpenters (ARCC)		Foundex	17	Penco	8
Alaska Rubber & Supply		Friends of Pets	18	Petroleum Equipment & Services	
Alaska Sales & Service		Frontier Flying Service		Petrotechnical Resources of Alaska	
Alaska Steel Co.		G-M			
Alaska Telecom		GBR Equipment		PGS Onshore	
Alaska Tent & Tarp		Global Land Services		Polar Supply	
Alaska Textiles		Global Offshore Divers	4	Price Gregory International	
Alaska West Express		GPS Environmental		Princeton Tec	
Alliance, The		Hawk Consultants		Prism Helicopters	
Alta Air Logistics		Holaday-Parks		PTI Group	
American Marine	8	Inspirations		Q-Z	
American Tire Corp.		Jackovich Industrial & Construction Supply		QUADCO	12
Ameri-Tech Building Systems		Judy Patrick Photography		Rain for Rent	19
Arctic Controls		Kenai Aviation	13	Safety One	
Arctic Foundations		Kenworth Alaska	19	Salt + Light Creative	
Arctic Slope Telephone Assoc. Co-op.		King Street Storage		Schlumberger	
Arctic Structures		Kuukpik Arctic Services		Seekins Ford	
Arctic Wire Rope & Supply		Kuukpik - LCMF	5	Shaw Alaska	
ASRC Energy Services		LaBodega		Spenard Builders Supply	
Aurora Geosciences		Lister Industries		STEELFAB	14
Avalon Development		Lounsbury & Associates		Stoel Rives	
B-F					
Badger Productions		Lynden Air Cargo		Swift Oil & Gas	10
Baker Hughes		Lynden Air Freight		3M Alaska	
Bombay Deluxe Restaurant		Lynden Inc.		Taiga Ventures/PacWest Drilling Supply	
BP Exploration (Alaska)		Lynden International		Tire Distribution Systems (TDS)	
Brooks Range Supply		Lynden Logistics		TOMCO Group of Companies	
Builders Choice Inc.		Lynden Transport		Total Safety U.S. Inc.	
Calista Corp.		MACTEC Engineering and Consulting		TOTE	
Canadian Mat Systems (Alaska)		Mapmakers of Alaska		Totem Equipment & Supply	
Canrig Drilling Technologies	20	MAPPA Testlab		TTT Environmental	
Carlile Transportation Services		Maritime Helicopters		Tubular Solutions Alaska	
CCI		Marketing Solutions		Tutka	
CGGVeritas U.S. Land	15	Mayflower Catering		Udelhoven Oilfield Systems Services	
CH2M HILL		M-I Swaco		Umiaq	2
Chiulista Camp Services		MRO Sales		Unique Machine	
Colville		MWH		Unitech of Alaska	
ConocoPhillips Alaska	3	N-P			
Construction Machinery Industrial		Nabors Alaska Drilling		Univar USA	13
Cosco Fire Protection		NANA WorleyParsons		URS Alaska	
Crowley Alaska		Natco Canada	12	Usibelli	
Cruz Construction		Nature Conservancy, The		West-Mark Service Center	
Delta Leasing		NEI Fluid Technology		Weston Solutions	
		NMS Employee Leasing	12	Western Towboat	
				XTO Energy	

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

• COMPANY PROFILE

With innovative technology, Canadian Mat excels in reducing environmental impact and reduces footprint

Canadian Mat forms a close working relationship to bring new products to its customers

Q. Tell us about your company, what is its primary business sector and services?

A. I founded Canadian Mat Systems Inc. with Kelly Sparrow to help diversify the existing structural steel manufacturing company and expand support to Alberta's large oil and gas market. After looking into the market, we felt the developing mat industry was a good fit with our manufacturing infrastructure and allowed room for innovation. The C-Lock Interlock Mat System was developed and patented and achieved quick success in the field. Always looking to be innovative, CMSI contracted the Alberta Research Council to assist in vetting synthetic materials to address the shortcomings of conventional matting products. Today CMSI is a leading manufacturer of temporary structural foundation panels commonly called "mats." These panels are used to support operational activity in areas of low weight-bearing soil conditions. Initially designed to facilitate access and operations, the use of mats has led to the reduction of environmental footprints from activity which has become a key driver for CMSI's new product development. The result of a strong R&D program, Canadian Mat has a range of patented products from conventional steel and wood Rig Mats to a variety of composite iterations, the C-Lock Interlocking Mat System, and its newest product, the first fully suspended Fiber Reinforced Polymer (FRP) Composite Raised Drill Platform (RDP).



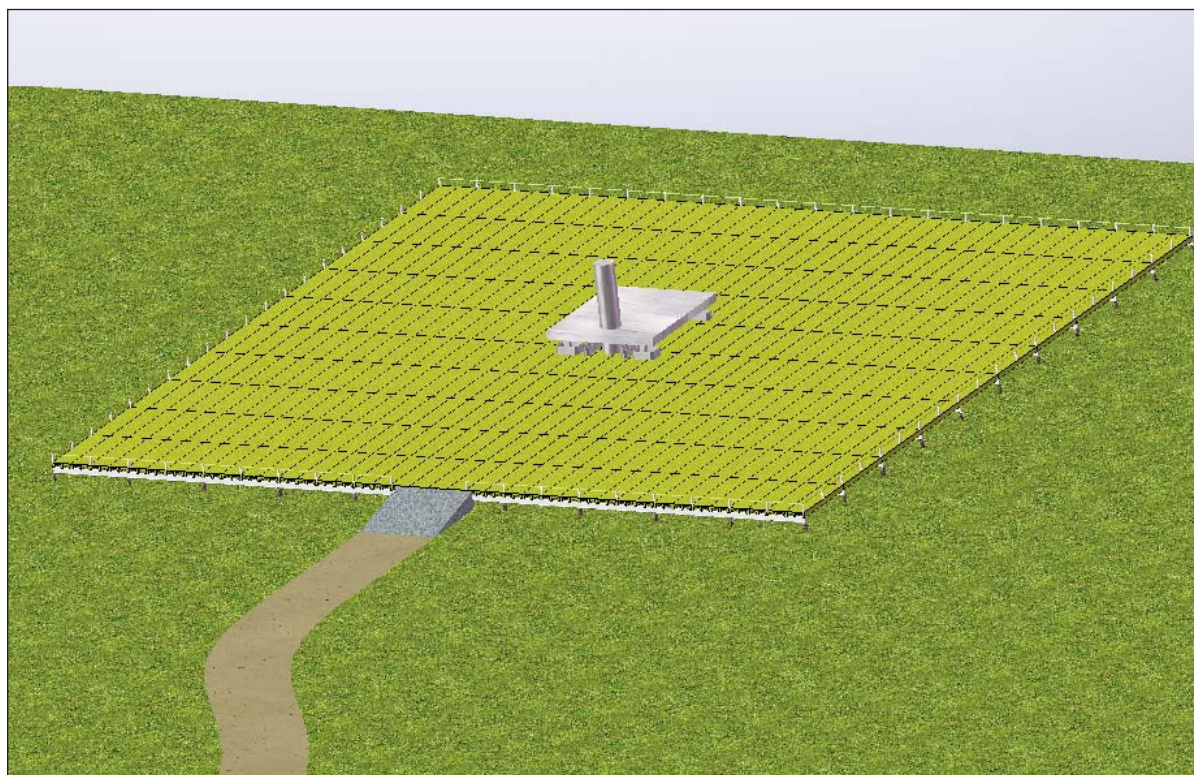
Shawn Beamish, owner Canadian Mat Systems Inc., provided information for this company profile.

An abbreviated version of this company profile will appear in the next edition of the Arctic Oil & Gas Directory, which is produced by Petroleum News' special publications division.



and developed the industry's first Fiber Reinforced Polymer Raised Drill Platform. RDP offers oil and gas companies the capability to suspend an entire drilling operation above ground and eliminate impact to fragile ecosystems. The fiber composite RDP product is stronger than conventional materials yet so light-weight the panels can be lifted by helicopter. Easy to transport to remote areas, the RDP's composite construction allows the platform to be supported by a surprisingly

nated from the concept of the FRP superstructure bridges that CA was fabricating. We felt if it worked in bridge applications why couldn't it work as a raised drilling surface? During a visit to Alaska to meet with customers, we identified the challenges being faced by remote drilling operations where from an environmental and logistics perspective the use of matting or conventional pad designs would be difficult or impossible. Other challenges included the ability to maintain integrity through the changing seasons and broad temperature changes in Alaska while remaining committed to maintaining the highest environmental management practices. We felt that using CA composite bridge panels to form a foundation for creating an elevated drill rig pad could deliver advantages from minimal impact to the environment, high capacities, long life and reusability to light weight and economical installation and removal.



COURTESY CANADIAN MAT SYSTEMS INC.

Composite, raised drill platform expands drilling beyond seasonal limitation.

Q. Who are Canadian Mat's main customers?

A. CMSI produces temporary structural foundations for the oil and gas exploration and drilling industries.

Q. What is your company's primary strength?

A. Our goal at CMSI is to provide superior temporary foundation solutions that meet demanding structural and environmental challenges.

Q. What field challenges has Canadian Mat observed that led it to begin looking for new solutions, and how did you overcome these challenges?

A. We found that conventional mat products had limited capacities, were not standardized and carried high transportation costs due to heavy weight. Conventional mat products with wood components were also prone to absorb water, rot and experience a shorter lifespan. We felt composite material offered a solution to overcome these challenges. In our search, we initially identified Webcore Technologies, which offered an innovative core material capable of supporting our proposed composite mat product. During the first face-to-face meeting in Dayton, Ohio, Webcore introduced us to Composite Advantage LLC, a company that had unique methodologies in molding large composite parts. We quickly developed a close working relationship with CA, which resulted in the production and introduction to the field of our composite Rig Mats line. A bigger idea was born when we visited their manufacturing facility and saw their new integrated, prefabricated composite bridge superstructure system called Drop-In-Place. In the oil and gas industry there has long been a need for an elevated platform that could reduce the environmental footprint in fragile ecosystems. We felt the Drop-In-Place product could be modified to meet these challenges. We collaborated with CA

small number of pilings. As a result, trucks and other equipment never touch the ground and the environmental surface is left in its original condition. RDP is reusable, corrosion resistant and offers high capacity. The RDP also reduces reclamation costs and is not limited to seasons.

Q. Why this technology?

A. CA has extensive knowledge about the fabrication and design of large structural FRP products. The ability to leverage their existing bridge products, which have a proven performance track record on U.S. roads, allowed us to tap technology, engineering expertise and unique manufacturing processes that met our design requirements for the Raised Drill Platform.

Q. What were the first steps in the process to jointly develop this raised drilling platform?

A. The original request came from our existing customers who were looking for a solution for drilling with minimal environmental impact. We collaborated with CA to examine the need to create a working surface that had a minimal environmental impact to the drilling area and yet was practical in the sense of being able to transport and assemble the platform on-site in remote locations around the world. The concept for RDP origi-

Q. What technology, knowledge and expertise did Canadian Mat provide?

A. CMSI offers extensive knowledge of oil and natural gas exploration. As an established supplier of solutions to this industry, our knowledge of the equipment and processes that are used on the surface of the platform was an integral part of the design of the platform. We have special expertise in the design and manufacture of solutions for the challenges that face drilling operations in areas with environmental sensitivity, low weight-bearing soils, seasonal restraints and remote operations. We also provide the installation and field service for RDP.

Q. How long did the development process take?

A. The RDP concept has been developed over the course of the last two years. With each customer request being slightly different the product is constantly evolving to meet the demands of each individual customer.

Q. Who are the end users for this composite raised drilling platform?

A. Typical end users will be individuals that need to

continued from page 1

BLACKOUTS?

electricity," said Commissioner Anthony Price — people need adequate time to plan for that eventuality.

"I think we're going to need some kind of public information campaign," he said.

Long understood

The problems raised by dwindling gas supplies from the Cook Inlet gas fields, most of which have been in operation for decades, have long been understood. But amid wrangling over gas prices and debates over alternative energy sources, little progress has been made in implementing solutions.

"The issues of Cook Inlet gas are thorny and complicated. ... I'm pointing the finger at all of us, including the commission, given the fact that public trust and confidence in public officials, our businesses, utilities are probably at an all-time low," said RCA Chairman Robert Pickett. "Couple that with the fact that in Southcentral Alaska over the last 10 years we have gone from the least expensive wellhead gas in the nation to the most expensive gas ... there really hasn't been a particularly good job of explaining the realities of the situation to the public. ... In fact there is a significant part of the population that believes these price increases and the deliverability issues are merely scare tactics to squeeze more money out of them. I don't share that

On the Web



See previous Petroleum News coverage:

"More questions than answers on CI gas," in June 14, 2009, issue at www.petroleumnews.com/pnads/721935093.shtml

"Where from here on Cook Inlet gas?" in Feb. 22, 2009, issue at www.petroleumnews.com/pnads/332161577.shtml

"Nearing edge of the cliff," in Jan. 18, 2009, issue at www.petroleumnews.com/pnads/348867737.shtml

opinion.

"For us (collectively) to have allowed this situation to get to the point where it is today ... is, in my opinion, a breach of public trust."

Contingency plan

Mark Slaughter, manager of gas supply for Enstar Natural Gas Co, the main Southcentral Alaska gas utility, had earlier in the meeting outlined the status of a utility contingency plan for dealing with any gas shortfall. The plan, now being circulated in draft form, resulted from several meetings between the various utilities; the gas producers, although not part of the utility contingency plan agreement, also participated in these meetings, Slaughter said.

The agreement has also been expanded to include other significant users of

natural gas and potential suppliers of alternative electrical power generation, he said.

Slaughter said that Enstar currently has sufficient gas under contract to meet its supply requirements — the concern is gas deliverability in the event of an especially severe cold snap, particularly if equipment such as a gas compressor fails, or perhaps gas well performance falls short of expectations.

If the decline in gas deliverability continues "we are going to be in it this winter at the very edge of our forecasts. ... We were very close last year," Slaughter said.

The draft contingency plan envisages production curtailment at the Kenai Peninsula LNG plant as a first response to bolstering the utility gas supplies. This could be followed by curtailment of interruptible supplies to Enstar's few, small industrial customers. Other options include maximizing hydropower, the use of alternative fuels for power generation, importing electricity from Fairbanks and implementing rolling power blackouts, Slaughter said.

Public service announcements would encourage reductions in gas and electric consumption, and there is some scope for the reduction of commercial gas usage by, for example, turning off sidewalk heating and turning down thermostats.

Curtailed list

However, in case these various steps are unable to plug the gap between gas demand and supply levels, Enstar is

preparing a curtailment list in which institutions such as schools and churches would be next in line for gas supply cuts, Slaughter said.

Commissioner Kate Giard, while thanking Enstar for its presentation, lambasted the lack of a comprehensive, published utility contingency plan and particularly criticized the electric utilities, spelling out some of the issues that she thought a plan should address.

"Here's the rolling blackouts that we're going to have. ... This is the campaign that we're going to begin in September. People want to get wood, so that they can heat with wood," Giard said. "You people collectively, in my opinion, are way behind the curve. ... You'd better get it together. ... There had better be a plan. ... Either it's not real, and there's other reasons that you're creating this frenzy, or it's real and you're being irresponsible."

The commissioners ended the session by agreeing that they would ask all of the utilities to present their emergency plans and inter-utility agreements at the second RCA public meeting in August. And Price said that if the utilities don't provide adequate answers to contingency planning concerns at that time, the commission should convene an emergency public meeting the following week, for all of the utility chief executives to explain what is happening.

"Winter is coming. It's too late to put in a generator in January," Price said. ●

continued from page 17

Q&A

create a working surface with minimal environmental impact. This generally means companies that conduct oil exploration in remote areas around the world and are concerned with the environmental footprint they leave. Current inquiries are from the oil and gas companies. The industry has had to go further afield in recent times to find hydrocarbons. The low-hung fruit has been picked (anything close to significant infrastructure, roadways and pipelines to get the product to market), and now access to new product is much more remote and appropriately subject to more stringent environmental impact guidelines.

Q. What will the benefits be to end users for this composite raised drilling platform?

A. We've mentioned some of the key benefits such as RDP's ability to reduce the environmental footprint and eliminate

seasonal constraints and the costs associated with environmental reclamation. We've also talked about RDP's light weight, reusability and high capacity. In addition, The RDP has been built to HS20 vehicle specifications (a U.S. bridge design code governing bridge capacity) and can accommodate rigs up to 1.5 million pounds. Corrosion and chemical resistant, RDP is built with modular FRP panels on a steel substructure providing a durable work surface for oil and gas exploration. As operators determine the specific drilling location on the platform, the appropriate panel can be quickly removed to create an opening for the drill operation. The RDP offers containment from oil spillage in the event of an accident. The product's light weight (20 pounds per square foot) allows the platform to be shipped to locations at a minimal cost. The modular FRP panels are also easily moved from site to site. A cross slope provides water run-off in heavy rain. A railing system around the platform's perimeter ensures personnel safety, yet permits sections to be moved for easy snow removal. RDP panels are

static dissipative to eliminate the build-up of electrical charges. Different levels of flame retardant are available based on customer requirements. RDP panels are unaffected by freeze or thaw cycles or high moisture areas like swamps, bogs or muskegs where water absorption could cause rot in conventional material. The need for maintenance or repair is minimal. The composite RDP also delivers a life span of up to 40 years.

Q. What do you see as your company's biggest challenge in the next five years?

A. CMSI looks forward to marketing into a recovering economic period where new innovative products will have to prove tremendous value on many levels to be successful. Our team has confidence in the value provided by the RDP and the multiple advantages it delivers to on and offshore drilling operators.

Q. What do you see as future trends or opportunities for your company from events such as long-term weather fluctuations?

A. My previous comment about "low-hanging fruit" is the best response to this question. The RDP eliminates any seasonal or weather variables by being independent of the soil surface. It is a controlled surface environment that is designed specifically for drilling operators' needs. The trend to move toward more environmentally friendly drilling practices will drive our conventional and composite product demands.

Q. What is the most humorous story from your company's years in business in Alaska?

A. I'm going to hand this question over to my Alaska representative Wadeen Hepworth. This month Wadeen marks 38 years in Alaska. The first 21 years she worked for the Alaska Railroad and was the first female Railroad Freight Sales

Manager in North America. She went to work for CMSI in 2005. "I've always treasured my relationships with the guys in the trenches, the longshoremen on the docks, the railroad shop mechanics, the ship's agents, the oil drilling supers, the lead foremen — in every industry I've worked," she said. "They are my right arm, willing to teach, give advice and provide help." This help came in handy when a batch of CMSI mats went missing. "Shawn and I made the decision to have our mat ends painted fuchsia pink because it was the only identification color left," Wadeen said. "I told Shawn that the Slope guys would wonder who those mats belonged to, but that if anyone asked, the response would simply be, 'Those are Wadeen's mats.' I also pitched it as a brilliant marketing ploy because I felt the bright pink would quickly 'brand' the mats causing them to stand out." Instead, 10 of the newly painted pink-ended mats were lost for nearly a week. "Somehow our mats got mixed up with those from another company who had not changed their end color at the time of purchase," Wadeen explained. "I didn't want to tell Shawn until we had located them. I thought, 'How can you lose 10 pink-ended mats on the Slope?'" Wadeen enlisted help and a GPB CH2M Material Coordinator named Karl Walters turned the Slope upside down to find them. And he did, under his own rig. When he realized there was a mix-up, he simply said, "You owe me dinner."

"I said, 'Karl let me see if I understand this,'" Wadeen recalls. "You put my mats under your rig, rented your mats to BP while I got no rental because my mats were supporting your rig and you want me to buy you dinner? He said, 'Yes' and I replied, 'OK.' I knew BP would make it right and they did."

Q. Does your company or its partners or subsidiaries maintain Web sites? If so, list.

A. www.matsystems.ca



FRIENDS OF PETS

P.O. Box 240981
Anchorage, AK 99524

"ROGER" WAS AN UNCLAIMED STRAY AT ANIMAL CARE AND CONTROL AND QUICKLY BECAME A VOLUNTEER FAVORITE. HE IS A MUETERED MALE LONG HAIRRED TABBY 2 YEAR OLD AND IS VERY AFFECTIONATE. FOR ADOPTION INFO CALL 333-9534 OR APPLY ON-LINE @ WWW.FRIENDSOFPETS.ORG



COURTESY ALASKA PETOGRAPHY

continued from page 1

BRPC

began July 31.

In its March application for approval of the Beechey Point unit — a number of small accumulations including North Shore — the company said it had submitted applications for most of the permits it needed for development.

The North Shore No. 3 well is scheduled to be drilled during the 2010 winter exploration drilling season using an ice road and an ice pad, “subject to working interest approval,” BRPC said in its unit application. That well will target the Ivishak and Sag River sands and if successful, the proposed development project can be approved for development, the company said.

Brooks Range Petroleum Corp., the local affiliate of Kansas-based Alaska Venture Capital Group, is in partnership with TG World Energy Corp. and Ramshorn Investments Inc., but BRPC is involved in a legal dispute with TG World and that dispute could delay BRPC’s plans to conduct a multiyear onshore oil and gas development project beginning in 2011, which is the plan described in the ODPCP application.

BRPC said it would be conducting geological and operational pre-drilling planning for the North Shore No. 3 well this year. If working interest owner approval is not obtained for drilling the well in 2010, the well will be drilled in 2011.

Conceptual engineering

The company said conceptual engineering for North Shore development will continue this year and next, with gravel road and pad construction design, logistics and contracting in 2009 and early 2010.

“Gravel construction may begin as early as the second quarter of 2010, allowing first oil to be produced in 2011,” but if the proposed North Shore development does not receive owner approval until after the 2010 winter season, gravel would be laid in the winter of 2011 and first oil would be produced in 2012.

BRPC said in its ODPCP application that the North Shore prospects are “within a 15,000-foot horizontal drilling radius” of the proposed North Shore pad and include Ivishak River and Sag River

sands in five accumulations: North Shore Nos. 1-4 and Pete’s Wicked.

The project includes a 12.6-acre gravel production pad, a dual-lane 5-mile gravel access road, production wells and production-related facilities. The North Shore pad location is some 3.5 miles north-northeast of S Pad in the Prudhoe Bay unit. The new 5-mile road would connect North Shore to the Spine Road via S Pad.

In addition to the North Shore pad the project includes a lease automatic custody transfer pad with a storage tank, pump, sales oil meter and diesel generator.

BRPC said crude oil would be trucked from the North Shore pad to the LACT pad adjacent to the Kuparuk Pipeline for delivery into that line via a short transmission line, some 250 feet of 6-inch line. Tanker trucks would also deliver diesel fuel from Deadhorse to North Shore.

The ODPCP is for a maximum of 5,500 barrels per day; the cargo capacity of the tanker trucks is some 250 barrels.

On-pad processing

BRPC said North Shore production would be processed on the pad with a three-phase processing facility with separation and re-injection capabilities. Produced water and natural gas will be re-injected for enhanced oil recovery with sales oil trucked to the LACT metering skid adjacent to the Kuparuk Pipeline.

BRPC said it may also drill one or more exploration wells from on or near the proposed North Shore pad.

“If oil is found at one of these new prospects and the accumulation proves to be large enough to be commercial, additional development wells may be drilled on the pad and/or a satellite drilling pad may be permitted and constructed to connect to the North Shore processing facilities,” the company said.

The process facilities at North Shore will be designed to handle peak rates up to 5,000 barrels of oil per day and the associated gas and water for a peak fluid capacity of 7,500 barrels of fluid per day.

Waterflood will dispose of produced water from the Ivishak River formation; produced gas will be used for fuel gas and excess gas will be re-injected into the Sag River reservoir. ●

continued from page 1

INSIDER

ASAGPP is headed by Harry Noah, hired by former Gov. Sarah Palin to head up in-state efforts to get gas to Alaskans. Noah has invited legislators on a tour of the northern end of the project route.

In a July 29 letter, he said an Aug. 20-21 tour is the first of three trips — the others are planned for early and mid September — which will begin in Anchorage with a flight which will pick up legislators in Fairbanks and head to Deadhorse. There the group will be met by a motor coach which will take them along the Dalton Highway next to the proposed pipeline route.

The tour will overnight in Coldfoot and go on to Prospect Creek in the morning where a plane will meet the group for the return trip to Fairbanks

... an Aug. 20-21 tour is the first of three trips — the others are planned for early and mid September — which will begin in Anchorage with a flight which will pick up legislators in Fairbanks and head to Deadhorse. There the group will be met by a motor coach which will take them along the Dalton Highway next to the proposed pipeline route.

and then on to Anchorage.

Noah and Mike Metz of Michael Baker Jr., the contractor working on the project, will be providing information along the route on the proposed right of way and construction processes and procedures.

—KRISTEN NELSON

Courier/Delivery Driver Needed

For our company, part time work. Ability to deliver artworks to our customers, receive artworks, etc.

Interested applicant should email their resumes to dave_taylor2000@rocketmail.com.

Kenworth Alaska

SERVING ALASKA FOR OVER 25 YEARS
YOUR OILFIELD VEHICLE SUPPORT

For higher profits you need productivity. That's where Kenworth performs the best. The trucks work hard and owners appreciate the durable, comfortable cabs. It's said that when you "think success" you succeed.

We say "think Kenworth."

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

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



Fairbanks
3730 Braddock Street
Fairbanks, AK 99701
Phone: 907-455-9900
Fax: 907-479-8295

Hours:
Mon. - Fri.: 7:00 a.m. - 6:00 p.m.
Saturday: 9:00 a.m. - 1:00 p.m.

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

Spillguard Rentals

Rain for Rent's engineering team will design cost effective solutions for all your liquid handling projects.

Filtration, Spillguards, Pipe & Tank Rentals Day or Night

Alaska - 907-283-4487
Nationwide - 800-742-7246
rainforrent.com

OIL SANDS TRADE SHOW AND CONFERENCE

NORTHLANDS EDMONTON, ALBERTA

THE WORLD'S PREMIER OIL SANDS EVENT.

OPTIMAL OUTCOMES

Changing the Face of Oil Sands Through Ingenuity and Efficiencies
September 22 & 23, 2009

- Athabasca Oil Sands Conference
- "Sand-Trapped" Golf Tournament
- Heavy Oil 101
- 700 exhibiting companies
- 10,000 registered attendees

Register at petroleumshow.com/OST

Exhibit Now

Produced By: Media Supporter:

continued from page 1

LAWSUIT

court complaint.

"The EPA inspected BPXA's SPCC plans close to two years ago and, since that time, has promised to provide BPXA with detailed written findings which, among other things, would provide sufficient detail for BPXA to investigate and correct any perceived deficiencies," Feldman wrote. "Despite these assurances, the EPA has failed to provide any findings and this complaint is the first written notice of any supposed deficiencies with BPXA's SPCC plans."

Two lawsuits

The 23-page answer is BP's opening response to the suit the Department of Justice, on behalf of the EPA and federal pipeline regulators, filed against the company on March 31 in U.S. District Court in Anchorage.

Seattle-based EPA spokesman Mark MacIntyre said the agency, on advice from the Justice Department, declined to comment on BP's assertions about the SPCC inspection.

The federal suit was one of two government cases filed on the same day against BP over the 2006 spills at Prudhoe.

The State of Alaska filed the other suit, which is aimed at collecting fines as well as lost tax revenue resulting from oil production slowdowns caused by the leaks and subsequent pipeline repairs.

The federal suit seeks millions of dollars in fines and accuses BP of an array of water and air pollution violations, as well as failure to heed terms of a corrective action order from pipeline regulators with the U.S. Department of Transportation.

The two civil suits represent continuing fallout for BP stemming from a 212,252-

The 23-page answer is BP's opening response to the suit the Department of Justice, on behalf of the EPA and federal pipeline regulators, filed against the company on March 31 in U.S. District Court in Anchorage.

gallon (5,054-barrel) oil spill — the largest oil spill ever on the North Slope — in March of 2006, and a much smaller spill the following August.

The second spill forced a partial Prudhoe shutdown, rattling world oil markets and stoking congressional and regulatory criticism of BP's poor upkeep of major pipelines infested with corrosion. The leaky lines funneled sales-grade crude oil into the trans-Alaska oil pipeline.

Feldman, the Anchorage attorney, stood with a BP executive in an Anchorage courtroom on Nov. 29, 2008, for entry of a guilty plea to a single misdemeanor count of violating the Clean Water Act. Prosecutors said BP neglected the pipes to save on expenses.

A judge, saying BP needed to place "a little less emphasis on profit," sentenced BP to three years on probation and ordered it to pay \$20 million in penalties. The sentencing wrapped up the criminal aspect of the 2006 spills for both the federal and state governments.

Now BP is defending against the two civil suits.

BP operates the Prudhoe Bay oil field on behalf of itself and other owners ConocoPhillips, ExxonMobil and Chevron.

Government's claims

The federal suit seeks potentially tens of millions of dollars in fines against BP, plus court orders for BP to prevent further spills and to obey pipeline regulators.

The suit asserts claims in four general areas:

- Violations of the Clean Water Act for the two spills onto the tundra beneath the leaky pipelines. The suit seeks civil penalties of at least \$130,000 per discharge and, to the extent that the spills resulted from "gross negligence or willful misconduct," fines of up to \$4,300 per barrel of oil.

- Failure to prepare and implement the SPCC plans for Prudhoe, Milne Point and Badami. The suit says the EPA in September of 2007 did conduct an inspection and found BP's SPCC plans lacking. The suit lists eight specific shortcomings in the Prudhoe plan such as failure to "construct all bulk storage tank installations with adequate secondary containment," and failure to "properly design pipe supports to minimize abrasion and corrosion at all locations."

- Failure to comply with a corrective action order from the DOT's Pipeline and Hazardous Materials Safety Administration. The suit says BP violated numerous deadlines for cleaning and internally inspecting certain pipelines.

- Violations of the Clean Air Act for improperly removing asbestos-containing material from more than 260 linear feet of Prudhoe pipelines. BP had hired contract workers to strip insulation off the lines to make way for corrosion inspection, but a resin sealant beneath the insulation was laced with asbestos, a fibrous mineral that can cause lung disease or cancer if inhaled. The suit says BP, among other violations, failed to look for the asbestos before the work began, and failed to adequately wet the asbestos-containing material the workers were stripping from the pipes. The suit seeks a fine of up to \$32,500 per day for each violation.

BP's denials

In its answer to the federal suit, BP

offers a near blanket denial of many of the government's claims, such as the specific allegations on the asbestos matter.

Attorney Feldman wrote that BP admits it is liable for a civil penalty of up to \$1,100 per barrel of oil spilled in the major leak of March 2006, but the company denies gross negligence or willful misconduct, which could kick up the fines to \$4,300 per barrel.

As for the DOT's corrective action order, Feldman wrote: "BPXA's delay in meeting certain deadlines is excused by the doctrines of duress and impossibility."

The order and subsequent amendments, he wrote, were issued "without a proper notice and hearing, are filled with factual errors, required tasks that were impossible to complete within the timeframes set out in the Corrective Action Order and were overbroad."

Feldman added: "Among other things, the design of the subject pipelines made compliance with the Corrective Action Order practically impossible, the subject pipelines were the subject of ... Department of Justice and State of Alaska preservation orders that prevented strict compliance with the Corrective Action Order, and the discovery of potential asbestos-containing material in the pipelines made strict compliance with the Corrective Action Order impossible."

When, or if, the case will go to trial is unclear. However, the two sides apparently were trying to negotiate a settlement prior to the government suing BP.

"BPXA is ... engaged in discussions with the DOJ, the EPA and the U.S. Department of Transportation concerning a civil enforcement action relating to the 2006 Prudhoe Bay oil transit line incidents," BP said in a March filing with the U.S. Securities and Exchange Commission. ●

We provide solutions

On Alaska's North Slope, a job site can be virtually anywhere.

We can get you there, whether it's constructing ice roads to access remote locations, moving drill rigs, providing support services for your drilling operations, or all of the above.

With more than 20 years of working in Alaska's Oil and Gas industry, we have the experience and equipment to provide the solutions to your needs.



peakalaska.com

One Solution



Canrig Drilling Technology and Epoch Well Services have merged and the result is a dynamic, integrated organization. Canrig brings advanced, state-of-the-art drilling equipment design and manufacturing and worldwide, around-the-clock after sales support service. Epoch brings world class wellsite data acquisition and data management systems.

The result: One solution for your drilling program.

Call the new Canrig today and see for yourself.

Canrig: Ahead of the game.

CANRIG
DRILLING TECHNOLOGY LTD.

www.canrig.com