



## Oil Patch Insider: Narwhal output 1,600 bopd, GMT-2 at 10,000 boepd

AS WE WAIT FOR THE Alaska Oil and Gas Conservation Commission's December production numbers to be released, we can see by their November numbers that although sustained production from Greater Mooses Tooth-2 in the National Petroleum Reserve-Alaska began Dec. 12, there were 18 days of production from GMT-2 starting in mid-November when operator ConocoPhillips Alaska began flowing back, cleaning up and testing a well.

In responding to GMT-2 startup questions from Petroleum News, on Jan. 10, ConocoPhillips Alaska's media director

see **INSIDER** page 10



## Vision requests North Fork UIC well permit; plans more drilling

Vision Operating has applied to the Alaska Oil and Gas Conservation Commission for a Class 2 underground injection control well permit at its North Fork unit on the Kenai Peninsula.

The application indicates that Vision has plans to expand natural gas production from North Fork.

The Dec. 21 application, signed by Vision Operating President Stephen Hennigan, said there are eight existing NFU wells, with as many as 22 producing and pressure maintenance wells possible, up to two disposal wells and ancillary equipment and production processing and handling facilities for oil, gas and water.

Vision said the unit currently averages some 3 million cubic

see **VISION PERMIT** page 11

## Center for Biological Diversity threatens Peregrine well lawsuit

On Dec. 22 the Center for Biological Diversity sent a letter to the Department of the Interior, with a 60-day notice of intent to sue the agency over the approval of 88 Energy Ltd.'s planned exploratory drilling in the National Petroleum Reserve-Alaska. Oil explorer 88 Energy plans to drill the Merlin 2 exploration well this winter in its Peregrine acreage in the southeastern sector of the NPR-A, immediately north of the undeveloped Umiat oil field.

### Potential polar bear impacts

The Center for Biological Diversity claims that, in approving the drilling project, the Bureau of Land Management has failed to ensure that the project is unlikely "to jeopardize the continued

see **WELL LAWSUIT** page 8

## Economic authorities see hope in 'clean transition technologies'

Alberta is immersed in an energy transition contest that the economic development organizations of Calgary and Edmonton estimate could create 170,000 jobs and pump C\$61 billion into the two cities by 2050.

But, according to the authorities, that windfall will only be available if the business-as-usual approach to energy development is abandoned, otherwise job creation and economic activity will be limited to 20,000 new jobs and a C\$4 billion infusion.

"A low-carbon transformation of Alberta's industries and

see **ENERGY TRANSITION** page 9



SONYA SAVAGE

### GOVERNMENT

# Back to 2013

BLM dumps 2020 NPR-A plan in favor of older, less expansive, development

By **KRISTEN NELSON**

Petroleum News

The Bureau of Land Management said Jan. 10 that it proposes returning to 2013 Integrated Activity Plan management of the National Petroleum Reserve-Alaska.

The decision reflects the priority of the Biden-Harris administration "of reviewing existing oil and gas programs to ensure balance on America's public lands and waters to benefit current and future generations," the agency said.

The change means a substantial reduction in the acreage available for leasing for oil and gas exploration and development.

BLM said it "will confirm in a status report to

The 2020 IAP increased the area in NPR-A available for leasing from 11,763,000 acres to 18,381,000 acres, opening some land within the Teshekpuk Lake Special Area to leasing and effectively eliminating the Colville River Special Area.

be filed today with the U.S. District Court for the District of Alaska that it has selected Alternative A (the 'No Action' alternative) from the 2020 Integrated Activity Plan Environmental Impact Statement (IAP/EIS) as its 'preferred alternative'

see **BLM PLAN** page 10

### FINANCE & ECONOMY

# ANS hits upper \$80s

US commercial crude down seven straight weeks; dollar hits 2-month low

By **STEVE SUTHERLIN**

Petroleum News

Alaska North Slope crude notched a close in the upper \$80s Jan. 12, rising \$1.08 to close at \$86.05 per barrel. West Texas Intermediate surged \$1.42 to close at \$82.64 and Brent rose 95 cents to close at \$84.67.

ANS set another post-omicron high, having risen more than 5% in one week of trading that saw the indexes at the highest prices in two months.

The gains came atop robust price action Jan. 11, which saw ANS rocket \$2.84 to close at \$84.97, while WTI leapt \$2.99 to close at \$81.22 and Brent popped \$2.85 to close at \$83.72.

As fears that the omicron variant might cause catastrophic demand destruction subsided, tight supply continued to support higher prices.

U.S. commercial crude oil inventories for the week ending Jan. 7 — excluding the Strategic Petroleum Reserve — fell by 4.6 million barrels to 413.3 million barrels, 8% below the five-year average for the time of year, the U.S. Energy Information Administration said in its Jan. 12 report. It was the seventh straight week of inventory draws, taking reserves to levels not seen since 2018, according to EIA data.

Oil markets and U.S. equity markets turned

see **OIL PRICES** page 7

### EXPLORATION & PRODUCTION

# Another step forward

Division of Oil and Gas authorizes easement for 21.6-mile Pikka pipeline system

By **KRISTEN NELSON**

Petroleum News

Alaska Division of Oil and Gas Director Tom Stokes has approved a pipeline system easement for Oil Search Alaska's Pikka development. Oil Search Alaska, OSA, operator of the Pikka unit, applied to the division in October for an easement to construct and operate a 21.6-mile pipeline system connecting planned drilling operations in the Pikka unit with other Oil Search facilities and existing infrastructure on the North Slope.

Oil Search merged with Santos in December



TOM STOKES

and is now part of the Santos Group.

The division recently approved OSA's 2021 Pikka unit plan of development (see story in Jan. 3, 2022, issue of Petroleum News).

Pikka, a 77,744-acre unit west of the central North Slope, is expected to begin phase 1 oil production in 2025, quickly reaching 80,000 barrels a day. Most recently Oil Search increased its Pikka/Horseshoe area recoverable contingent oil reserves by approximately 500,000 barrels to nearly a billion barrels.

see **PIKKA EASEMENT** page 12



## ● EXPLORATION &amp; PRODUCTION

# At 588, Baker Hughes US rig count up by 2

By **KRISTEN NELSON**

*Petroleum News*

**B**aker Hughes' U.S. rotary drilling rig count for the week ending Jan. 7 stood at 588, up by two rigs from the previous week and up 228 from a count of 360 a year ago.

When the count dropped to 244 in mid-August 2020 it was the lowest the domestic rotary rig count has been since the Houston based oilfield services company began issuing weekly U.S. numbers in 1944.

Prior to 2020, the low was 404 rigs in May 2016. The count peaked at 4,530 in 1981.

The count was in the low 790s at the beginning of 2020, where it remained through mid-March, when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August 2020 when it gained back 10 rigs.

The Jan. 7 count includes 481 rigs targeting oil, up by one from the previous week and up 206 from 275 a year ago, with 107 rigs targeting gas, also up by one from the previous week and up 23 from 84 a year ago, and no miscellaneous rigs, unchanged from the previous week and down by one from a year ago.

Thirty-three of the rigs reported Jan. 7 were drilling

directional wells, 532 were drilling horizontal wells and 23 were drilling vertical wells.

## Alaska rig count unchanged

Louisiana (52) was up by three rigs from the previous week.

New Mexico (95) and Wyoming (16) were each up by one rig from the previous week.

Texas (274) was down by three rigs from the previous week.

Rig counts in all other states were unchanged week over week: Alaska (5), California (8), Colorado (12), North Dakota (27), Ohio (11), Oklahoma (49), Pennsylvania (19), Utah (9) and West Virginia (10).

Baker Hughes shows Alaska with five rigs active Jan. 7, unchanged from the previous week and up by two from a year ago, when the state's rig count stood at three.

The rig count in the Permian, the most active basin in the country, was down by one from the previous week at 292 and up by 113 from 179 a year ago.

## International count up 17

Baker Hughes issues its international rig count monthly, information it began providing in 1975. The company

said international rigs exclude North America; those rigs are included in worldwide figures.

The international count for December, issued Jan. 7, is up by 17 from November to 834, Baker Hughes said, with land rigs up by 20 to 648 and offshore rigs down by three to 186.

The international count is up by 169 rigs from the comparable count in 2021, 665, with land rigs up by 139 and offshore rigs up by 30.

The Middle East accounts for the most rigs in the international count, 282 in December, followed by Asia Pacific with 193, Latin America with 158, Europe with 114 and Africa with 87.

The U.S. rig count averaged 579 in December, up 19 from November's average of 560, and up by 240 from December 2020, while the Canadian count for December averaged 150, down 17 from a November average of 167 and up by 50 from December 2020.

Worldwide the rig count was 1,563 in December, up by 19 from 1,544 in November and up by 459 from 1,104 last December. ●

Contact Kristen Nelson  
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## GOVERNMENT

### Alaska oil and gas royalty board to meet

The Alaska Royalty Oil and Gas Development Advisory Board has scheduled a virtual meeting Jan. 25 at 1 p.m.

Board members will be updated on the process for the sale of Alaska North Slope royalty oil in kind, with a presentation by the Alaska Department of Natural Resources.

A Jan. 10 notice said the meeting will be through the digital platform Microsoft Teams, with a link to the meeting to be provided at a later date in an updated notice.

—PETROLEUM NEWS

### AOGCC sets Hilcorp hearing for Feb. 22

Last year the Alaska Oil and Gas Conservation Commission denied a request by Hilcorp Alaska to use a 60/40 blend of methanol and water and/or a brine solution to test blowout prevention equipment on the Thunderbird Rig 1.

Hilcorp requested a hearing to discuss the denial.

Originally scheduled for October, the hearing is now set for Feb. 22 at 10 a.m. at the commission's Anchorage offices. In the event of health and safety concerns, the commission said, the hearing may be changed from in person to remote using MS Teams. Audio call information is 907-202-7104, conference ID 803255001#. Those wishing to participate by MS Teams should contact Samantha Carlisle, samantha.carlisle@alaska.gov, at least two business days before the scheduled public hearing to request an invitation for MS Teams.

Written comments may be submitted, either to the commission at AOGCC, 333 West 7th Ave., Anchorage AK 99501 or via email to samantha.carlisle@alaska.gov, and must be received no later than the conclusion of the Feb. 22 hearing.

In emails exchanged in August, following the commission's denial of the request, Hilcorp said a 60/40 methanol blend had been used on other workover rigs in Alaska.

The company also said AOGCC regulations refer to specific editions of the American Petroleum Institute Standards and/or Recommended Practices and those editions may have been superseded by current API Standards/Recommended Practices.

In this instance, the company said, Hilcorp is aware of the language in the 1997 edition of API 53, but said there is a change in the latest, 2018, version.

The commission has asked for documentation of a 60/40 methanol blend being approved for use, and also questioned how a rig could be operated in cold weather with water if Hilcorp is concerned about using water as BOPE test fluid.

The company said the workover rig would only be operated from about April through October, dependent on weather. It said that during normal operations fluids are moving between areas where heat can be added, but during BOPE testing, fluid lines do not benefit from the heat sources which keep fluids from freezing during normal operations.

—PETROLEUM NEWS

## LAND & LEASING

### Susitna gas exploration comment extended

The Alaska Division of Oil and Gas said Jan. 11 that the comment period has been extended for the preliminary finding of the director on the Susitna Valley gas exploration licenses. (See story in Dec. 19, 2021, issue of Petroleum News.)

The preliminary best interest finding is available on the division's website at <http://dog.dnr.alaska.gov/Services/ExplorationLicensing?page=explorationlicensing>.

The division said the finding will be revised as needed and any relevant information and issues brought up during the public comment period will be incorporated in the final finding as necessary.

If the director determines the proposed licenses are in the best interests of the state, the division may award the exploration licenses to the Alaska Natural Gas Corp. to explore gas on state-owned unencumbered lands within the license areas.

Send comments to: Best Interest Findings, 500 W. 7th Ave., Suite 1100, Anchorage, AK 99501 or email to [dog.bif@alaska.gov](mailto:dog.bif@alaska.gov).

Comments must be received by 5 p.m. Feb. 21.

—PETROLEUM NEWS

## EXPLORATION & PRODUCTION

### SAExploration Narwhal seismic approved

The Alaska Division of Oil and Gas has approved an application from SAExploration for Narwhal Phase II geophysical exploration.

The division said Jan. 4 that the program is a land-based seismic survey on state lands and waters in the Colville Delta area of the North Slope and includes 30 square miles of state lands.

The permit is effective Jan. 4 through tundra closing in 2022.

The division said SAE plans to conduct a 3D seismic survey in an area near Nuiqsut in the Colville River unit and will stage equipment from existing Deadhorse facilities, transporting camp and equipment on existing gravel and ice roads to a point of tundra access. Tracked and wheeled tundra vehicles will be used to move the sled camp along the tundra. The camp will remain near survey activities and will move every two to five days depending on survey progress.

The division said the survey will use approximately nine rubber tracked vibrators to produce an energy source, and 15,000 nodal autonomous recording channels for receivers.

Land within the survey includes state-owned and BLM managed lands in the National Petroleum Reserve-Alaska, as well as Kuukpik Corp. lands. The division said its permit only authorizes seismic operations on state lands.

—PETROLEUM NEWS

## NATURAL GAS

# Woodfibre LNG in starting blocks

Contract puts privately owned company on verge of construction of small operation on Squamish Nation land near Vancouver

By GARY PARK

For Petroleum News

Amid the fading fortunes of more than 20 proposed LNG projects, the smallest and largest of the pack keep plodding on, with the privately owned Woodfibre LNG insisting it is now on track to start construction this year.

The Vancouver-based subsidiary of Singapore's Pacific Energy Corp. ended 2021 by signing an engineering, procurement and construction contract with Houston-based McDermott International to build liquefaction and export facility near Squamish, British Columbia, just north of Vancouver.

That followed the mid-year announcement of a sales contract with BP Gas Marketing, that would account for 750,000 metric tons a year or 70% of future production from the plant.

The 15-year pact is a vital advance for the C\$1.8 billion venture, leaving Woodfibre to find only sales outlets for the remaining 30% of the project's annual capacity.

But a spokeswoman for the proponent said the company does not require contracts with buyers to start construction, which is expected to stretch over four years.

### Would be 2nd Canadian project

If Woodfibre does issue notice (the equivalent of a final investment decision) of its intention to proceed, it will be just the second LNG proposal to start construction in Canada, trailing the massive C\$40 billion Shell-operated LNG Canada undertaking, that is well advanced, but continues to tangle with Indigenous protesters along its Coastal GasLink pipeline from natural gas plays in northeastern British Columbia to the planned terminal at Kitimat.

Woodfibre's export facility is designed to start shipments at 2.1 billion cubic feet day, with the potential to deliver 5 bcf per day.

"Our contract with McDermott is a positive step forward for this substantial piece of clean energy infrastructure," said newly appointed Woodfibre LNG President Christine Kennedy.

"Together, we will be building the lowest-emission, most sustainable and innovative LNG export facility in the world."

The Woodfibre release shows McDermott plans to start work in early this year, reach a "major construction" peak by 600 workers in September 2023 and finish the job in the third quarter of 2027.

The Woodfibre release shows McDermott plans to start work in early this year, reach a "major construction" peak by 600 workers in September 2023 and finish the job in the third quarter of 2027.

The sales contract demonstrates "how our LNG and modularization expertise enables a new generation of sustainable energy solutions," said Samik Mukherjee, chief operation officer of McDermott.

The contractor has developed what it calls a "Net Zero Modular LNG strategy" with the goal of cutting emissions at Woodfibre.

### Electric-fired train

David Keane, former president of Woodfibre and now a strategic advisor to the project, said that by sourcing its electricity needs from provincially owned BC Hydro and using an electric, rather than gas-fired train to liquefy the gas, the facility will limit its emissions to 68,000 metric tons of carbon dioxide a year, Keane said.

He told the Financial Post that "it's getting hard to see how you can further reduce emissions."

Keane said Woodfibre's CO2 emissions would have lower intensity than any project shipping LNG off the U.S. Gulf Coast.

The facility will be built on Squamish Nation land that was a pulp and paper operation for almost 100 years. The Indigenous community has been involved from the outset in approving the project site, subject to 25 conditions as part of a benefits agreement.

Keane said Woodfibre "entered into a completely different way of consulting with and accommodating First Nations in terms of developing our benefits agreement," avoiding the substantial opposition that has scuttled several Canadian energy projects in recent years. ●

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## FINANCE &amp; ECONOMY

# EIA forecasts new US crude record in 2023

2019 current record, 12.3 million bpd; 2021 average 11.2 million bpd; 11.8 million bpd expected in 2022, 12.4 million bpd in 2023

By **KRISTEN NELSON**

Petroleum News

The U.S. Energy Information Administration is forecasting that U.S. crude oil production will hit a new high in 2023, averaging 12.4 million barrels per day, surpassing the previous high, set in 2019, of 12.3 million bpd. The agency said in its January Short-Term Energy Outlook, released Jan. 11, that it expects U.S. crude oil production to increase for nine consecutive quarters, beginning in the fourth quarter of 2021 and continuing through 2023.

The Organization of the Petroleum Exporting Countries is also expected to increase crude production to 28.9 million

bpd in 2023, up from a 2021 average of 26.3 million bpd.

“We expect global demand for petroleum products to return to and surpass pre-pandemic levels this year, but crude oil production grows at a faster rate in our forecasts,” said EIA Acting Administrator Steve Nalley. “We expect that as crude oil production increases, inventories will begin to replenish and help push prices lower for gasoline, jet fuel, and other products in the short term.”



STEVE NALLEY

**Rising demand and completion of planned projects will bring new U.S. LNG export capacity online this year, supporting the forecast of increased LNG exports, projected to average 11.5 bcf per day in 2022, up from 9.8 bcf in 2021, and rising to 12.1 bcf per day in 2023.**

Most Lower 48 production is unconventional tight oil, the agency said, and drilling activity and decline rate dynamics are expected to drive Lower 48 production going forward. “Tight oil wells have steep declines in the early years of their production, requiring continuous drilling of new wells to maintain unchanging production rates.”

EIA said it expects Alaska production for 2022 and 2023 to stay near the 2021 level of 400,000 bpd.

## Brent averaged \$71

EIA said Brent crude oil spot prices averaged \$71 per barrel in 2021 and are expected to average \$75 per barrel in 2022 and \$68 in 2023.

The agency noted uncertainties in its forecast, including macroeconomic uncertainties, winter weather and consumer energy demand, resulting in a wide range of potential outcomes for energy consumption. It said supply uncertainties arise from uncertainties about OPEC+ production decision and the rate at which U.S. oil and gas producers will increase drilling.

The Henry Hub natural gas spot price averaged \$3.91 per million British thermal units in 2021, with monthly average prices reaching \$5.51 per million Btu in October but declining in November and December on mild weather. EIA expects Henry Hub prices to average \$3.82 per million Btu in the first quarter and \$3.79 per million Btu for the year, and \$3.63 in 2023.

## US crude

At an average of 11.2 million bpd in 2021, U.S. crude oil production was down 100,000 bpd from 2020 “as a result of well freeze-offs during extreme cold in February and well shut-ins during Hurricane Ida in late August and early September,” EIA said.

While forecasting annual average U.S. crude production of 11.8 million bpd this year, rising to a new annual record of 12.4 million bpd in 2023, the agency said it doesn’t expect any month in its current forecast to surpass a monthly record 12.97 million bpd from November 2019.

“Production growth reflects oil prices that we expect will be sufficient to lead to continued increases in upstream development activity, which we forecast will proceed at a pace that will more than offset decline rates,” EIA said.

## Natural gas

U.S. dry natural gas production is estimated to have averaged 93.5 billion cubic feet per day last year, up 2 bcf from 2020, when production fell due to low natural gas and oil prices that reduced drilling activity, the agency said.

Dry natural gas production is forecast to increase by 2.5 bcf per day in 2022, as recent price increases will contribute to an overall increase in drilling.

Natural gas exports are expected to reach record highs in 2022 and continue to grow in 2023, having averaged 10.7 bcf per day in 2021 and forecast to increase to 13.4 bcf per day in 2022 and 14.3 bcf per day in 2023, driven by a combination of rising liquefied natural gas exports and increases in pipeline exports to Mexico.

Some 11.2 bcf per day of LNG was exported from the U.S. in December, up by 0.7 bcf from a previous record in November.

“LNG export growth in 2021 was driven by rising natural gas demand and high LNG prices in Europe and Asia, reductions in global supply because of several unplanned outages at LNG export facilities worldwide, and cold weather in key LNG consumption markets, particularly in Asia,” EIA said.

Rising demand and completion of planned projects will bring new U.S. LNG export capacity online this year, supporting the forecast of increased LNG exports, projected to average 11.5 bcf per day in 2022, up from 9.8 bcf in 2021, and rising to 12.1 bcf per day in 2023.

In December 2021, U.S. LNG baseload liquefaction capacity was 10.1 bcf per day, with peak capacity of 12.2 bcf, and is expected to increase to a baseload capacity of 11.4 bcf per day by the end of 2022, with peak capacity at 13.8 bcf. ●

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# Congratulations

## Hats off to ConocoPhillips Alaska!

We congratulate Erec Isaacson and his team at ConocoPhillips Alaska for bringing two oil fields online in the last two months of 2021:

- Sustained production from Greater Mooses Tooth 2 drill site in the National Petroleum Reserve-Alaska began Dec. 12, with 18 days of production starting in mid-November when the company began flowing back, cleaning up and testing a well. GMT-2 came in under budget and on schedule.
- Sustained production from the Narwhal participating area in the Colville River unit adjacent to the Pikka unit began Dec. 14.



Erec Isaacson

- |  |   |  |
|--|---|--|
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| ChampionX                                      | Lynden Air Freight                      | Yukon Fire Protection                    |
| Coffman Engineers                              | Lynden Inc.                             |  |
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| Computing Alternatives                         | Lynden Logistics                        |  |
| CONAM Construction                             | Lynden Transport                        |  |
|  | Maritime Helicopters                    |  |



# Congratulations

## Cheers OSH, Santos on merger & Pikka progress

We congratulate Santos CEO Kevin Gallagher on the successful merger of his company and Oil Search; a merger that will make the combined entity stronger in world financial markets. And congratulations to local Alaska chief Bruce Dingeman and his team for continuing to move the North Slope Pikka project closer to development.



Kevin Gallagher



Bruce Dingeman

ABR, Inc.	CONAM Construction	Lynden Transport
Acuren	Construction Machinery Industrial (CMI)	Maritime Helicopters
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Alaska Dreams	Denali Universal Services (DUS)	NEI Fluid Technology
Alaska Frontier Constructors (AFC)	Doyon Anvil	Nordic Calista
Alaska Fuel Services	Doyon Associated	North Slope Borough
Alaska Marine Lines	Doyon Drilling	North Slope Telecom
Alaska Materials	Doyon, Limited	Northern Air Cargo
Alaska Railroad	EEIS Consulting Engineers, Inc.	Northern Solutions
Alaska Rubber Group	EXP Energy Services	Oil Search
Alaska Steel Co.	F. R. Bell & Associates, Inc.	Owl Ridge Natural Resource
Alaska Textiles	Flowline Alaska	Consultants
Alaska West Express	Frost Engineering Service Co. – NW	Petroleum Equipment & Services, Inc.
Arctic Controls	GCI	PND Engineers, Inc.
ARCTOS Alaska, Division of NORTECH	GeoLog	PRA (Petrotechnical Resources of Alaska)
Armstrong	GMW Fire Protection	Price Gregory International
ASTAC (Arctic Slope Telephone Assn. Coop, Inc)	Greer Tank & Welding	Resource Development Council
AT&T	Guess & Rudd, PC	SALA Remote Medics
Automated Laundry Systems & Supply	HDR Engineering, Inc.	SeaTac Marine Services
Avalon Development	ICE Services, Inc.	Sourdough Express
Bombay Deluxe	Inlet Energy	Strategic Action Associates
Brooks Range Supply	Inspirations	Tanks-A-Lot
Calista Corp.	Judy Patrick Photography	Udelhoven Oilfield System Services Inc.
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ChampionX	Lynden Air Cargo	Weston Solutions
Coffman Engineers	Lynden Air Freight	Wolfpack Land Co.
Colville Inc.	Lynden Inc.	Yukon Fire Protection
Computing Alternatives	Lynden International	
	Lynden Logistics	

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## OIL PRICES

higher Jan. 11 after remarks by U.S. Federal Reserve Chairman Jerome Powell at a Senate confirmation hearing were seen as less hawkish than anticipated.

Powell said the U.S. economy would have only a “short-lived” impact from omicron, and that it is ready to endure tighter monetary policy.

Beyond the actions of supply and demand, a falling dollar may play a part in future oil price spikes.

Bryan Rich in Pro Perspectives said Jan. 12 that massive government over-spending on COVID has set the dollar up for a fall.

“We are about 70% of the way (in time) through a very shallow bearish cycle, which argues that we could have a very steep drop in the dollar over the next two years,” Rich said. “Indeed, the dollar broke to two-month lows today — and it looks like this technical break will get the ball rolling.”

### Lack of capacity, investment may stake prices

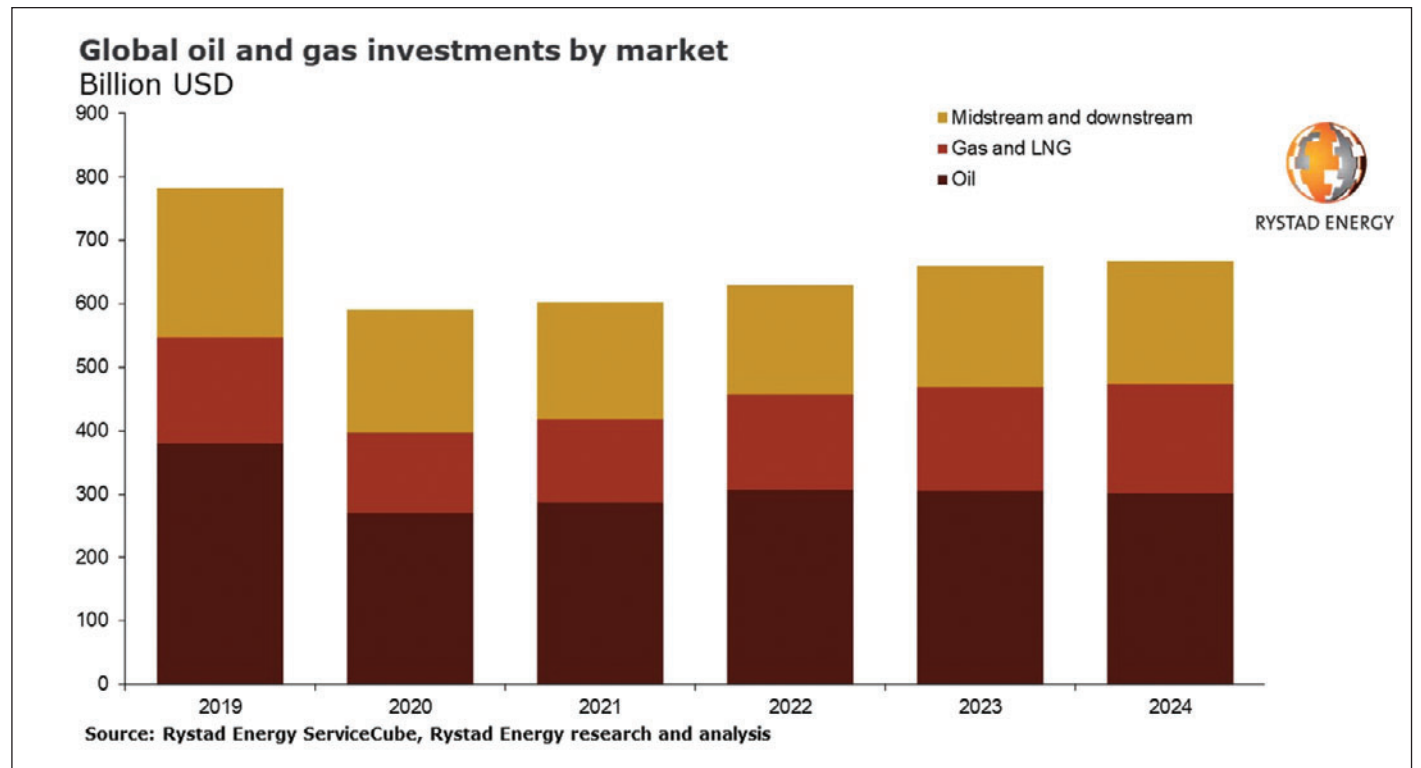
A Jan. 12 Reuters report said some analysts predict that a lack of production capacity and limited oil sector investment could push crude prices to \$90 or even above \$100 a barrel.

Morgan Stanley estimates hold that Brent will hit \$90 in the third quarter of 2022, it said.

With the prospect of depleting crude inventories and low spare capacity by the second half of 2022, and limited investments in the oil and gas sector, the market will have little margin of safety, Morgan Stanley said.

JPMorgan analysts said in a Jan. 12 note that they could see oil prices rising by up to \$30 after the EIA and Bloomberg lowered OPEC capacity estimates for 2022 by 0.8 million barrels per day and 1.2 million bpd, respectively.

Prices could spike even higher, the analysts said, adding that oil prices will



likely “overshoot” to \$125 a barrel this year, and \$150 in 2023.

### Global investment on the rise

Global oil and gas investment will expand by \$26 billion in 2022, Rystad Energy said in a Jan. 11 release.

Rystad projects overall investments will rise 4% to \$628 billion this year from \$602 billion in 2021.

“The pervasive spread of the Omicron variant will inevitably lead to restrictions on movement in the first quarter of 2022, capping energy demand and recovery in the major crude-consuming sectors of road transport and aviation,” said Audun Martinsen, Rystad head of energy service research, adding that despite ongoing pandemic disruptions, “the outlook for the global oil and gas market is promising.”

Upstream gas and LNG investments will lead the way, growing 14%, from \$131 billion in 2021 to \$149 billion in 2022, Rystad said. Investments in the sector are expected to surpass 2019 levels of \$168 billion in 2024, reaching \$171 billion.

Upstream oil investments are projected to rise 7% from \$287 billion in 2021 to \$307 billion in 2022, while midstream and downstream investments will fall by 6.7% to \$172 billion this year, it said.

Global shale investments are forecast to surge 18%, reaching \$102 billion in 2022 compared with \$86 billion in 2021, Rystad said. Offshore investments are expected to increase 7%, from \$145 billion to \$155 billion, while conventional onshore will rise 8%, from \$261 billion to \$290 billion.

“This year’s investment growth is very much pre-programmed by the \$150 billion worth of greenfield projects sanctioned in 2021, up from \$80 billion in 2020,” Rystad said. “Sanctioning activity in 2022 is likely to closely match 2021 levels, with a similar amount of project spending to be unleashed over the short to medium term.”

Sanctioning activity will rebound in North America, with over \$40 billion of projects due for sanctioning in 2022, Rystad said.

Offshore projects include the TotalEnergies North Platte project — in the final stage of its tender process, along with LLOG Exploration’s Leon and Chevron’s Ballymore developments in the U.S. Gulf of Mexico — expected to proceed to the development phase in 2022, Rystad said, adding that execution challenges related to the pandemic and increased inflationary costs for steel and other inputs is “likely to make operators mildly cautious regarding significant capital commitments.” ●

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## GOVERNMENT

### Pt Thomson IPS report date amended

The Alaska Oil and Gas Conservation Commission has accepted a proposal by ExxonMobil Alaska Production to amend Rule No. 6 of conservation order 719, changing the due date for a report on results of the initial production system at Point Thomson.

The original rule required the Thomson oil pool operator to submit a results report on the initial production system, IPS, five years after the beginning of sustained production or 12 months before gas sales from Point Thomson.

While production from the Thomson oil pool began in April 2016, the commission said that “during the first two and a half years of production and plant commissioning, the plant was rarely able to produce at full capacity for any length of time and was often offline completely.”

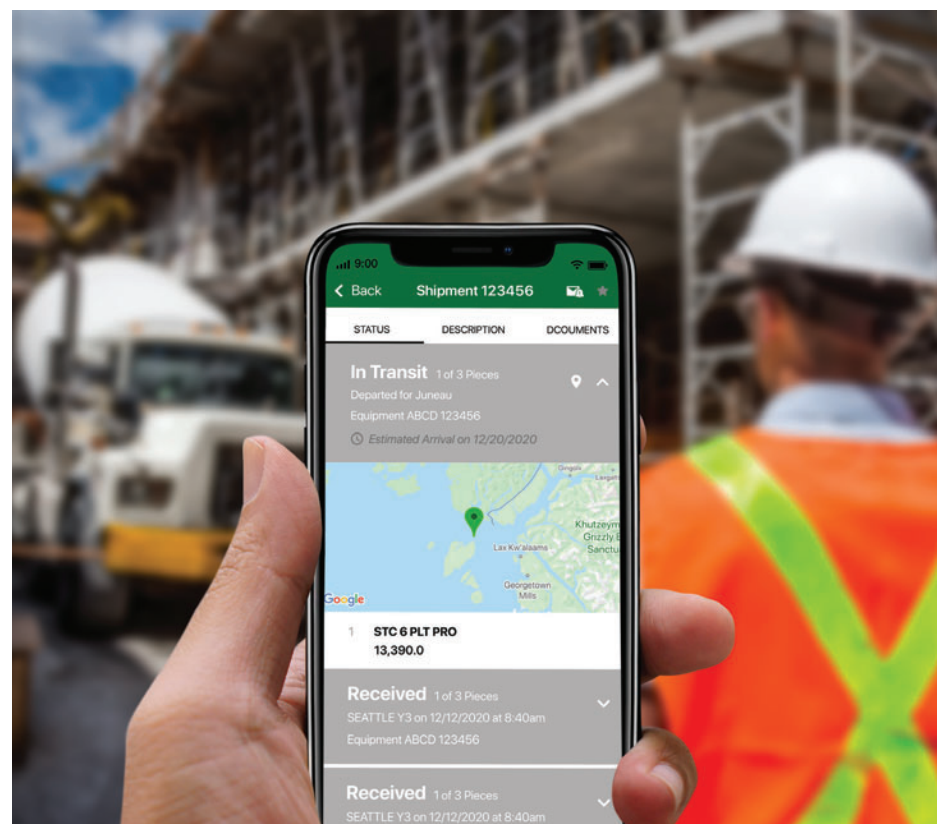
Point Thomson facilities are capable of producing up to 10,000 barrels per day of condensate — with liquids separated from gas and gas reinjected into the field. Over the most recent six months, production averaged in a range from 8,540 bpd (November) to 9,575 bpd (August). This compares to the first six months of the field’s operation, when production had a high of 1,599 bpd in the first month the field was online (April 2016) and a low of 107 bpd in the second month of production (May 2016).

The plant was fully commissioned and operating stably by November 2018, the commission said, but because of “frequent production upsets” prior to that, “data from April 2016 through October 2018 does not provide an accurate means by which to determine the reservoir performance and in turn the viability of the gas cycling project in the TOP.”

The due date for the IPS results report has been adjusted to Nov. 1, 2023, five years after stable production was reached. The commission said that date “will provide a more accurate depiction of reservoir performance than to have it based on 2.5 years of erratic production followed by 2.5 years of steady production.”

ExxonMobil Alaska Production brought the field online and remains the largest working interest owner at the field, holding 62.3%. Hilcorp Alaska, which holds a 36.99% WIO in Point Thomson, took over as field operator at the beginning of the year.

—KRISTEN NELSON



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## WELL LAWSUIT

existence of the polar bear or adversely modify its critical habitat.” The environmental organization also claims that BLM has violated the Endangered Species Act by not requiring incidental take authorizations for any disturbance to the bears. The polar bear is listed as threatened under the terms of the ESA, primarily because of the continuing shrinkage of the bears’ sea ice habitat as a consequence of climate change.

In addition to the climate change impacts of oil and gas production and use, noise pollution from oil and gas activities can disturb bears, causing their displacement across large distances, with impacts to denning bears being particularly detrimental, the environmental organization wrote.

The Peregrine exploration program, a five-year, nearly year-round oil and gas exploration program, will increase harmful impacts on the polar bears, given the planned extensive activity concentrated in the southeastern part of NPR-A, along the Colville River, in an area currently free from oil and gas activity, the environmental organization wrote. Planned winter activities include the construction and deconstruction of snow and ice roads; the mobilization of personnel and equipment to multiple camps; drilling operations; the construction and use of multiple airstrips; and nearly constant aircraft traffic, the organization wrote.

The environmental organization said that the U.S. Fish and Wildlife Service has “repeatedly acknowledged” that these type of oil and gas activity “take” polar bears under the terms of the Marine Mammal Protection Act and the Endangered Species Act. A “take” involves the non-lethal disturbance of an animal — incidental take regulations involve government agency approval of measures to be taken to minimize the unintended take of animals.

### NPR-A integrated activity plan

The environmental organization acknowledged that BLM’s current approved integrated activity plan for the NPR-A recognizes the potential harm to polar bears and their denning habitat. But the biological opinion for the IAP is legally flawed, because it does not use the best available science to assess potential impacts to the bears, and “does not ensure against the likely jeopardy of polar bears from oil and gas activity in the NPR-A,” the environmental organization wrote.

Moreover, the biological opinion for the IAP took a broad framework view of potential activities within the NPR-A — there has been no consultation on the potential impacts on polar bears of the specific activities envisaged in 88 Energy’s Peregrine program, the environmental organization claims. The biological opinion cannot, therefore, suffice for BLM’s oversight of the Peregrine program, the organization claims.

### Merlin wells

The Merlin 1 well, which 88 Energy drilled to a depth of 5,267 feet last winter, demonstrated the presence of oil in multiple stacked sands in the Nanushuk formation, the formation involved in major oil discoveries on the North Slope in recent years. This winter the company plans to use the Arctic Fox drilling rig to drill the Merlin 2 well to a depth of 8,000 feet, as an appraisal well to the southeast of Merlin 1. The new well is targeting an estimated 652 million barrels of oil.

—ALAN BAILEY

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## ENERGY TRANSITION

economy will not be without its challenges,” the joint report said.

“However, Alberta stands to gain a strong market advantage by developing clean transition technologies at home. Alberta has considerable technology strengths, energy infrastructure and assets to capitalize on, which also gives the province a unique position in the race to net-zero (carbon emissions).”

The assessment is a smaller version of what is taking place in Houston, self-proclaimed as the “Energy Transition Capital of the World.”

The Greater Houston Partnership says that if its region moves decisively to the forefront of low-carbon transition it could attract up to 560,000 jobs, while failure to act could eliminate 370,000 from the payroll by 2050.

### C\$2 billion a year

Alberta’s two economic development authorities say the province will need to attract more than C\$2 billion a year in new investment by 2030 and reach C\$5.5 billion by 2040 to take advantage of the opportunities ahead, a sizeable leap ahead of the C\$1 billion of annual spending that is currently taking place.

Their report identifies six sectors with the greatest potential pull in foreign investment and employment creation: electrification, energy efficiency, agricultural technology, hydrogen, digitization and carbon capture, utilization and storage.

Energy Minister Sonya Savage said Alberta is already well-positioned to build on its foundation of 462 clean-

tech companies in Calgary and 429 in Edmonton, which have a combined payroll of 15,000, with 137,000 direct and related jobs on the broader clean-tech realm.

But the chances of success may hang on building a more positive relationship between the Alberta and Canadian governments, which seems even more spiteful than usual.

Under Prime Minister Justin Trudeau the federal strategy is labeled Just Transition that is, among other things, supposed to shepherd oil and gas workers through a brutal time.

### ‘Cloud cuckoo land’

Alberta Premier Jason Kenney flatly rejects the Trudeau approach as coming from “cloud cuckoo land.”

He said there is “nothing just about putting people out of work and there’s nothing realistic about strangling the largest part of Canada’s economy that employs half a million Canadians and is the largest source of government revenues and the largest export industry in the country. It’s bananas to suggest that is possible.”

As the federal government puts it, “Just Transition is an approach to economic, environmental and social policy that aims to create an equitable and prosperous future for workers and communities as the world builds a low-carbon economy. No worker or community can be left behind.”

Kenney scoffs at those high-minded aspirations, while insisting that Alberta accepts the need to reduce greenhouse gas emissions, supporting billions of dollars in green and clean-tech investment, including net-zero emis-



JASON KENNEY

The assessment is a smaller version of what is taking place in Houston, self-proclaimed as the “Energy Transition Capital of the World.”

sions by 2050 from the oil sands.

He never passes up a chance to hammer home a message to Trudeau that achieving more stringent emissions targets is possible by working more closely with Alberta and the petroleum industry.

### Scale of challenge

The scale of the challenge presented by the Trudeau administration is to reduce national carbon dioxide emissions by 40% from 2005 levels over the next eight years. Prior to setting that revised target last year the goal was a 30% cut.

A 40% reduction is in the realm of 300 million metric tons a year, of which 100 million mt would have to come from the oil and gas sector, although the federal government has yet to specify how it plans to achieve those cuts.

Dennis McConaghy, a retired TC Energy executive, said the list would likely have to come from constraining Canada’s hydrocarbon exports, mandating carbon capture and storage systems for oil sands production and processing operations, raising the national carbon tax above the C\$170 per metric ton set for 2030, lowering domestic consumption of natural gas for home heating and limiting personal consumption of hydrocarbons for motor vehicle, train or air travel.

—GARY PARK

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## Petroleum news

## Oil Patch Bits

### The Aréna Chénier achieves LEED certification

As reported by EXP news Jan. 6, the Aréna Chénier receives LEED certification, Certified from the Canada Green Building Council. EXP’s mechanical, electrical, structural and civil engineering teams collaborated on the project, which sought to bring the building to standards and replace the refrigeration system of its indoor ice rink. This work is part of the Montreal protocol on substances that deplete the ozone layer, an international environmental agreement that regulates production and consumption and aims to phase out many chemicals, known as ozone depleting substances.

The project proposed the replacement of the ice rink’s

refrigeration system, which used Freon, an OSD, by one using ammonia. Besides the refrigeration system, EXP performed the redesign of the changing room area, the set-up of a room to install the new refrigeration system, as well as the installation of a system that reuses the heat produced by the refrigeration system to heat the building and its water supply. It also includes the design of a high-performance dehumidification system around the ice rink, an intelligent lighting system and a holding system that allows a reduced flow of water being discharged in the municipal installations during heavy rains. EXP’s multidisciplinary teams designed and provided innovative and sustainable solutions to reduce the building’s energy consumption and its environmental footprint, which led to LEED certification.



COURTESY EXP

## Companies involved in Alaska’s oil and gas industry

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Alaska Frontier Constructors (AFC)		Doyon Anvil		NEI Fluid Technology	
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Alaska Marine Lines ....	7	Doyon Drilling		North Slope Borough	
Alaska Materials		Doyon, Limited		North Slope Telecom	
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ARCTOS Alaska, Division of NORTECH		GCI		PND Engineers, Inc.	
Armstrong		GeoLog		PRA (Petrotechnical Resources of Alaska)	
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Colville Inc.		Lynden Air Freight ....	7	Weston Solutions ....	10
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## INSIDER

Rebecca Boys said the company “began flowing back, cleaning up, and testing the MT7-06 well in mid-November. During the flowback and testing, the production was trucked to facilities. After the well was cleaned up and tested, sustained production to GMT-2 facilities began on December 12.”

“We are currently producing more than 10,000 barrels of oil equivalent per day,” Boys added. “Peak production is estimated at approximately 30,000 boepd.”

When asked how many wells are currently online, she said two producers.

Vincent Lelarge, North Slope development manager, ConocoPhillips Alaska, told the Resource Development Council’s annual conference on Nov. 17 that the company had initiated the production test of its first GMT-2 producer three days before and that early results were “really, really encouraging. The subsurface, the geology, the reservoir properties are at or better than expectations,” he said.

An Alpine satellite, GMT-2 production will be fed

into the processing facility at ConocoPhillips’ Alpine field in the Colville River unit.

### Narwhal next to Pikka

Another project connecting to Alpine’s processing facility that began sustained production in December was the 3,360 acre Narwhal participating area, which ConocoPhillips said went online Dec. 14.

Again, AOGCC production numbers have not yet been published for December, but Boys said the initial output rate was around 1,600 barrels of oil per day.

On the southeast edge of the Colville River unit where ConocoPhillips drilled the Putu 2 and Putu 2A wells, Narwhal is adjacent to the Pikka unit, where Santos (formerly Oil Search) and Repsol are working to develop the Nanushuk reservoir in the Brookian sand.

ConocoPhillips said in its PA application that Narwhal is a Brookian Nanushuk sand.

In its application ConocoPhillips also said initial drilling and completion will be done from the CD4 pad some 4 miles southwest of the Alpine Central Processing Facility.

CD4, a satellite pad, was constructed in 2005 for Alpine, Nanuq and Kuparuk development.

The pad will be expanded beginning this winter for additional Narwhal well slots.

The CD4-595 and CD4-594 wells, drilled in 2018 and 2019, were Narwhal appraisal wells, ConocoPhillips said, drilled “to better understand the reservoir and to test the technical feasibility of extended reach drilling at shallow depth.”

The company said there was initial test production from CD4-595 and CD4-594 in 2019 and 2020.

Sustained unit production was expected to begin from CD4-595, ConocoPhillips said in its application. “Opportunity targets which could be completed within two years of the December 2021 commencement of sustained unit production include two Narwhal horizontal producers and two Narwhal horizontal injectors, any of which may be moved into the 2022-2023 rig schedule as rig optimization/utilization dictates,” ConocoPhillips said.

The company has said that a new drill site for Narwhal, CD8, will likely be added later this decade.

—KAY CASHMAN

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## BLM PLAN

for further consideration.”

If that alternative is confirmed in a new record of decision, BLM said it “would revert management of the NPR-A to the 2013 IAP, while including certain more protective lease stipulations and operating procedures for threatened and endangered species from the 2020 IAP.”

BLM said it will also advise the court that it has prepared a draft determination of National Environmental Policy Act adequacy finding that the existing 2020 IPA/EIS and its subsistence evaluation are adequate and that additional analysis is not necessary for the Department of the Interior to select the preferred alternative.

A new record of decision for the NPR-A IPA adopting the preferred alternative may be prepared once consultations under Section 7 of the Endangered Species Act

are completed.

The agency said it will “continue its longstanding engagement and consultation with communities in Alaska about the management of the NPR-A.”

### Re-evaluation ordered

Last September the U.S. Department of the Interior said in a memorandum that it had instructed BLM to re-evaluate the NPR-A IPA/EIS approved by the Trump administration at the end of December 2020.

The memorandum, dated Sept. 7, appeared in conjunction with a court filing in one of two appeals in the federal District Court in Alaska challenging the legality of the IAP. The cases were stayed while Interior staff and the Biden administration reviewed the IAP.

The 2020 IAP increased the area in NPR-A available for leasing from 11,763,000 acres to 18,381,000 acres,

opening some land within the Teshekpuk Lake Special Area to leasing and effectively eliminating the Colville River Special Area.

On Jan. 20, 2021, President Joe Biden issued an executive order for “protecting public health and the environment and restoring science to tackle the climate crisis,” directing all federal agencies to review agency actions promulgated, issued or adopted between Jan. 20, 2017, and Jan. 20, 2021, to identify actions which might be inconsistent with the new policy.

On Oct. 20, the federal District Court in Alaska extended until Jan. 10 the stays of two appeals against the current IAP for NPR-A.

The appeals challenge the validity of the EIS for the new IAP. The court had previously granted Interior’s requests to stay the court cases until Sept. 7 while the new administration reviewed the IAP.

Then on Sept. 7 the Biden administration announced it would re-evaluate the NPR-A IAP and the associated EIS.

### Opposition to decision

The decision was condemned by the Arctic Slope Regional Corp., the Inupiat Community of the Arctic Slope and the North Slope Borough, which said in a Jan. 10 joint statement that they “are united in opposition” to BLM’s announcement “fundamentally” abandoning the 2020 IAP in favor of that from 2013.

“Today’s announcement by the BLM diminishes Alaska Native self-determination by ignoring the needs, concerns and input of the local people who live, work and subsist in and around the NPR-A,” the statement said. “The 2020 IAP was developed in partnership with the Borough and in consultation with North Slope Tribes and Alaska Native corporations,” and, at the urging of these stakeholders, “included provisions that would have ensured future economic development opportunities for the region, allowed for community infrastructure needs to be considered in the NPR-A and required that areas identified by local and Alaska Native entities be excluded from future leasing.” North Slope Inupiat fought to include those changes, the statement said.

“On multiple occasions, ASRC, the Borough, and ICAS have offered to work in partnership with the Biden Administration on issues affecting our region,” said ASRC President and CEO

see **BLM PLAN** page 11

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continued from page 10

## BLM PLAN

Rex Rock Sr. “Secretary Haaland and President Biden have chosen, with this decision, to not only ignore the voices of the North Slope Inupiat but to exclude us from the decision-making process on issues that impact our Inupiat communities and our culture.”

Morrie Lemen, executive director of the Inupiat Community of the Arctic Slope, said: “Secretary Haaland has violated the Department’s consultation guidance and E.O. 13175 by failing to consult with ICAS. We are a federally recognized Tribe, and this action impacts the livelihoods of our tribal members. This is further proof that the Biden Administration prioritizes its relationships with environmental organizations over the sovereignty of Alaskan Natives.”

“I have a responsibility to the people of the North Slope to protect the long-term sustainability of our communities through a viable economic base, a responsibility that I take very seriously,” said North Slope Borough Mayor Harry Brower Jr. “Secretary Haaland is failing in her responsibility to the Alaska Native people of the North Slope.”

### Applause for decision

A statement from the Alaska Wilderness League applauded BLM’s decision saying it “will return management of the National Petroleum Reserve-Alaska to the 2013 management plan finalized under President Obama, undoing a move by the Trump administration in January 2021 that opened 82% of the Reserve to oil leasing.”

The statement said NPR-A “is the largest single-unit of public lands in the nation, spanning nearly 23 million acres across Alaska’s western North Slope,” and including “millions of acres of wilderness-quality lands with critical habitat for migratory birds, brown bears, caribou, threatened polar bears, walrus, endangered beluga whales and more.”

Alaska Native communities in the area “have maintained a subsistence lifestyle for thousands of years based on its living resources,” the statement said.

Kristen Miller, acting executive director of the Alaska Wilderness League, said: “Under the previous administration, BLM’s expedited planning process violated bedrock environmental laws put in place to provide important protections for the Western Arctic. It faced clear public oppo-

*“Secretary Haaland and President Biden have chosen, with this decision, to not only ignore the voices of the North Slope Inupiat but to exclude us from the decision-making process on issues that impact our Inupiat communities and our culture.” —ASRC President and CEO Rex Rock Sr.*

sition and threatened local communities with the diminishment of traditional hunting areas, wildlife displacement, and worsening air quality from oil and gas development.”

Miller said returning to the 2013 management plan will restore protections to “critical Special Areas, in particular Teshekpuk Lake.”

“Now, especially as it prepares to take public comment on its ‘America the Beautiful’ initiative, we hope the administration recognizes the potential for America’s largest single piece of public land to provide landscape-level protection of ecosystems and sustain healthy and diverse wildlife and habitat for the future.”

### Governor, Alaska delegation outraged

Alaska Gov. Mike Dunleavy, a Republican, said Jan. 11 that the action by BLM “makes clear the Federal government intends another unwarranted hit to Alaska and the nation. What they propose would further harm Alaska’s oil industry and disproportionately negatively affect Alaska Natives. The U.S. Department of Interior proposes to lock-down Alaska, take away local opportunities, resources, and other benefits that the National Petroleum Reserve is intended for. This is another sign of the federal government turning its back on Alaska and hampering domestic energy production.” He said Interior “is putting the nation in a situation where we have to rely on foreign oil countries” just when increasing prices are of concern to American consumers.

Alaska’s all-Republican congressional delegation was not pleased with the decision, saying Jan. 11 that BLM “signaled that it plans to close millions of additional acres in the National Petroleum Reserve-Alaska to responsible resource development.”

“With zero analysis or consultation with Alaskans, the Biden administration has decided to upend the NPR-A’s current management plan to return to an outdated policy

that is worse for our state’s economy, worse for our nation’s energy security, and contrary to federal law,” said Sen. Lisa Murkowski. “BLM claims a need for greater ‘balance’ in managing the area, but fails to realize that balance is what will be lost through this move. This is a petroleum reserve, specifically designated for energy development, located within a state that already has tens of millions of acres of parks, refuges, and federal wilderness. Sweeping restrictions like this — which are being imposed even as the Biden administration implores OPEC+ to produce more oil — demonstrate everything that is wrong with its energy policies,” Murkowski said.

Sen. Dan Sullivan said: “No state in the country has been singled out like Alaska with such a destructive war on our working families, which hits our Alaska Native communities particularly hard. Moving to revert back to the 2013 Obama administration version, which removes roughly fifty percent of the NPR-A from oil and gas development, will hurt Alaska’s economic future, our nation’s security, and likely violates federal law. Reverting back to the 2013 management plan is not only arbitrary and contrary to good science, it will be harmful to the very people and issues the Biden administration purports to care most about — indigenous communities and racial and environmental equity,” Sullivan said. “Instead, the Biden White House is taking its orders from radical extreme environmental groups who care nothing about Alaskans.”

Congressman Don Young said: “This move by the Biden Administration is not only insulting to the hardworking men and women on the North Slope, but also extremely foolish. ... This decision is yet another insult among a series of anti-Alaska actions taken by this Administration. By reverting to the 2013 IAP, BLM is attempting to shut down almost 50% of NPR-A — that’s over 11 million acres,” Young said.

“Our state has proven that conservation and energy development can go hand in hand,” he said. “Despite this, the Administration continues working to stifle American energy production and economic opportunity in Alaska. This reversion, championed by bureaucrats thousands of miles away from the NPR-A, is dead wrong. I condemn it and call on President Biden to end his Administration’s attacks on Alaska’s economy and way of life.” ●

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## VISION PERMIT

feet per day of natural gas, and production with planned activities could be as much as 60 million cubic feet per day, a volume which would make the field the largest current producer in Cook Inlet.

With the larger volume of gas, water production is projected at 5,000 barrels of water per day, the company said.

### Field development

Drilling began at the field in 1965, when Standard Oil of California constructed a pad and drilled the NFU 41-35 well, Vision said in a summary of field activity.

Armstrong Cook Inlet constructed the NFU Pad in 2008 and drilled the NFU 24-36 well that same year.

In early 2010 Anchor Point Energy initiated permitting and construction of natural gas pipelines, with pipeline construction completed in March 2011.

General pad work and drilling and workover operations in the summer of 2010 included minor pad upgrades, workover and recompletion of the original well at the NFU 41-35 PAD and drilling an additional gas well from the NFU PAD.

The unit’s single participating area, the Gas Pool No. 1 PA, was established in 1965 covering 640 acres. In 2011 it was expanded to 800 acres, the same year in which sustained production was achieved.

In 2013 NFU and the pipelines were sold to Cook Inlet Energy, which in turn sold them to Vision Operating in 2021.

### Proposed disposal wells

Eight wells have been drilled at North Fork, Vision said, with two shut in, NFU 23-25 and NFU 41-35, and six producing.

Vision said the proposed disposal well uses an existing well, NFU 23-25, with appropriate conversions. The Tyonek formation will be used for disposal.

The conversion of the well will be in two phases, Vision said, with the first phase perforating Zone 1 sands in the Lower Tyonek, with seven intervals identified for injection. “All of the zones are porous sands capable of receiving injected fluids,” the company said.

If more injection capacity is needed, Zone 2 will be perforated. That zone has six intervals identified for injection, Vision said.

Initial injection operations in the Lower Tyonek will begin at the lowest zone and continue upwards as required.

Vision said an estimated 75% of wastes planned for disposal are produced water coming directly from gas production which is entirely in the Tyonek formation. “These produced fluids will be sent to the injection well(s) for disposal back into areas of the Tyonek Formation where natural gas is not being produced,” the company said.


### Hearing information

The commission has scheduled a public hearing on the application for Feb. 15 at 10 a.m. at its Anchorage offices and said in the event of health and safety concerns the hearing may be changed from in-person to remote using MS Teams, with an audio call-in number of 907-202-7104, conference ID No. 705 044 624#.

Anyone wishing to participate remotely using MS Teams video conference should contact the commission’s special assistant, Grace Salazar, at 907-793-1221, or grace.salazar@alaska.gov.

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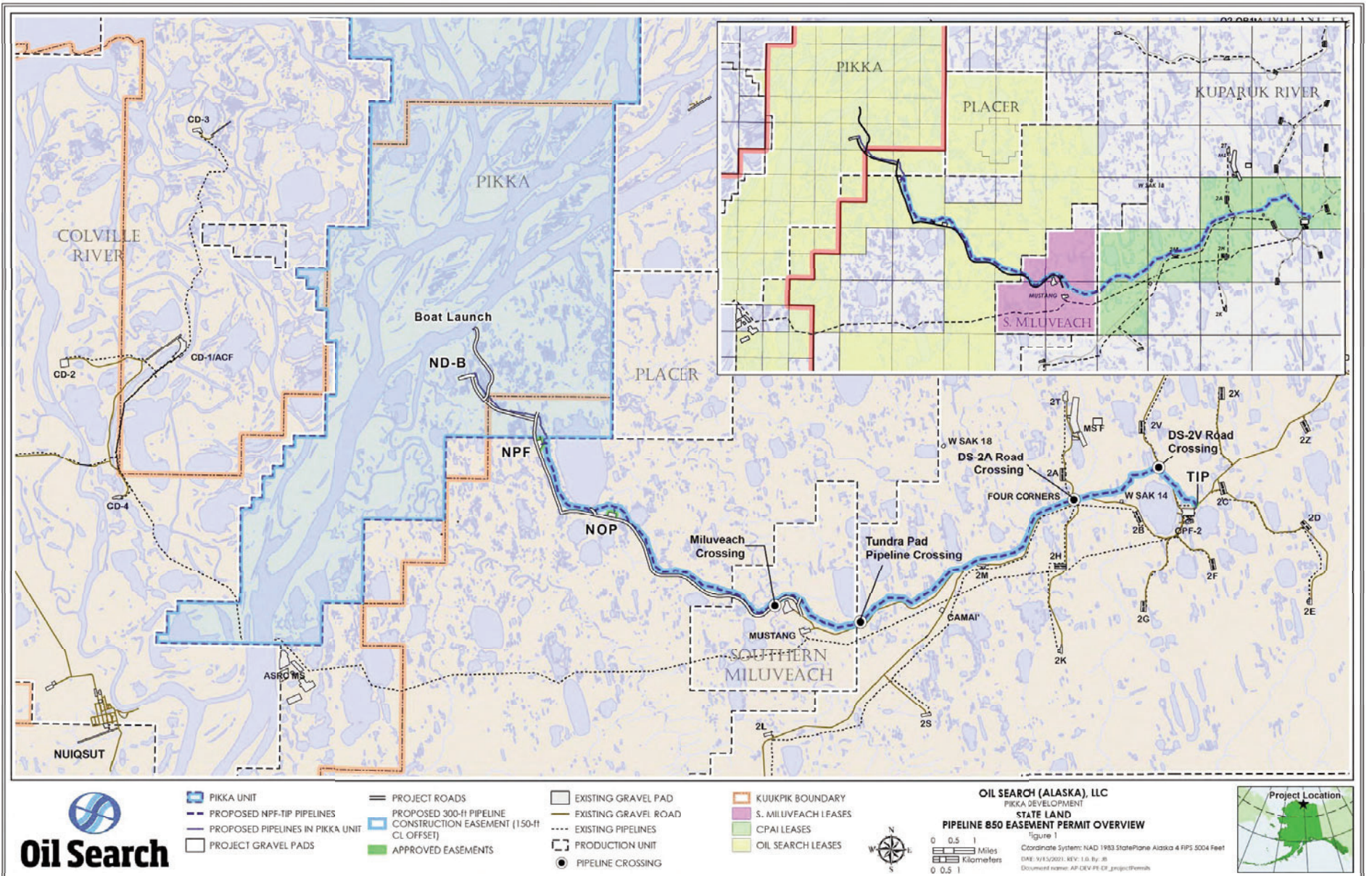
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## PIKKA EASEMENT

A recent paper on Pikka (see story in Dec. 19, 2021, issue of Petroleum News) cites reservoir modeling which indicates some 3,218 million barrels of oil in the planned phase 1 Pikka development, with recoverable resources in the range of 800 million to 900 million barrels. Over the entire field, original oil in place is estimated at 9.7 billion to 14.8 billion barrels, with recoverable oil in the 1.9 billion to 4.4 billion barrel range.

In the Jan. 6 pipeline system easement decision, Stokes said the division finds the proposed easement “necessary for the practicable development and production” of Pikka unit resources and has granted an entry authorization, good for five years, for “a private, non-exclusive easement to OSA for the pipeline supports, seawater pipeline, fuel pipeline, power and fiber-optic cables, and infield pipelines extending beyond” the Pikka unit. Once the

terms and conditions of the entry authorization have been met by Oil Search, the term of the easement will be 35 years from the date of the decision.

There is a 20-day appeal period.

### Easement description

In the decision Stokes said the pipeline system would be on state land outside the Pikka unit boundary, with the easement starting at the planned OSA tie-in pad near Central Processing Facility 2 in the Kuparuk River unit, operated by ConocoPhillips Alaska, and continuing west through the Southern Miluveach unit operated by Mustang Holdings LLC to the Pikka unit.

During construction the easement would include some 700 acres, scaling back to approximately 261 acres during operations, with the construction easement 300 feet wide and the operational easement 100 feet wide, except at the tundra pad pipeline crossing.

“The easement, which includes pipeline supports, a 16-inch seawater

pipeline, an 8-inch fuel gas pipeline, power and fiber-optic cables, and infield pipeline that are outside of the PKU boundary, will collectively be referred to as the Pipeline System. A sales oil pipeline will be located within this easement,” Stokes said, but will be separately adjudicated by the division.

“The purpose of the project is to provide a power and fiber-optic connection and facilitate the transportation of liquids and gas to optimize production efficiency in the PKU,” he said.

The pipeline system will include installation of vertical support members and horizontal support members, installation of pipelines and cables, trenching, excavation, placement of gravel fill and construction of ice roads and pads, with construction to occur over two winter and summer seasons and use existing gravel roads and pads, as well as constructed ice roads and pads for easement access, staging and storage.

Stokes said the pipeline system will parallel the Pikka Access Road, the Mustang Road and the Spine Road until it connects with the Seawater Treatment Plant pipelines and existing infrastructure near CPF2.

### Segments

The first segment of the pipeline system starts at the tie-in pad near CPF2 and continues to the Nanushuk Processing Facility, including the 8-inch fuel gas pipeline, the 16-inch seawater pipeline and the 16-inch sales pipeline (to be adjudicated separately). It also includes a pipeline crossing under the Miluveach River and a tundra pad pipeline crossing to allow access to Lake K210 during winter. There would also be two road pipeline crossings to accommodate the access roads to KRU drill sites 2A and 2V.

At the Nanushuk Operations Pad the power and fiber-optic cables will join the pipeline system, allowing power produced at the Nanushuk Processing Facility to be distributed to the operations pad and ND B.

Two sectionalized cabinets will house

electrical and fiber-optic switchgear, allowing maintenance crews to isolate the utility for maintenance purposes; these could also be used as a splice point for future activities. The cabinets will be adjacent to gravel pads at the operations and processing facilities on tundra within the proposed easement.

The final segment of the pipeline system will start at the processing facility and continue to the Pikka unit and will include power and fiber-optic cables as well as continuation of the infield pipelines extending beyond the unit, with infield pipelines including a gas injection pipeline, a gas lift pipeline, a multiphase fluid pipeline and a water injection pipeline.

### Conflicts and pending interests

Stokes said the easement will be within the Kuparuk River and Southern Miluveach units on active oil and gas leases assigned to ConocoPhillips Alaska and Mustang Holdings LLC and is also near the Kuparuk Transportation Co. pipeline right of way.

“OSA has engaged KTC and will continue to coordinate activities to avoid any unreasonable interference with existing operations in the vicinity of the proposed pipeline system,” he said. OSA is negotiating an interconnect agreement with KTC for the sales oil pipeline.

“The Division requires that activities authorized under the EA and easement are conducted in a manner that avoids unnecessary or unreasonable interference with KRU and SMU operations,” Stokes said.

Access will be through existing KRU and SMU infrastructure and oilfield roads, “regulated by security checkpoints in Deadhorse, and under agreements for the use of these improvements with others. The Division does not authorize use of those other improvements,” Stokes said.

Agency and public comments on the easement application were sought by the division and it received no comments. ●

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