Petroleum news

Vol. 26, No. 8 • www.PetroleumNews.com | A weekly oil & gas newspaper based in Anchorage, Alaska | Week of February 21, 2021 • $2.50

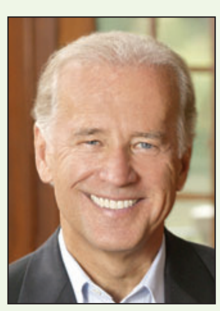
page 7 Talitha exploration results called promising; TD of 10,452 ft reached

Borealis assigns numerous ORRIs; may have sold E. North Slope block

IN THE LATEST MONTHLY lease report posted by Alaska's Division of Oil and Gas, 23 pages are devoted to Borealis Alaska Oil's over-riding royalty interest assignments. More ORRI assignments are expected from the company, a re-brand of Nordaq Energy, as well as working interest assignments to a rumored buyer of the company's eastern North Slope leases — Balcony Natural Resources, which per Alaska Department of Commerce filings looks to be newly formed and 100% owned by Kerry Smith, who heads up Oleum Partners LLC of Dallas, Texas.

see **INSIDER** *page 9*

Keystone XL gains new life as 14 states urge Biden to reconsider



JOE BIDEN

However long their odds, the backers of Keystone XL have regained hope that their project can rise from its smoldering ashes.

Leaders of an estimated 14 U.S. states are lobbying President Joe Biden to reverse his executive order to halt work on the US$14.4 billion pipeline, arguing Americans "will suffer serious, detrimental consequences" as a result of the president actions within hours of being sworn in.

Meanwhile, various governors and attorneys general, along with federal and state Republican and

see **NEW LIFE** *page 11*

DEC finalizes Julius R. permit renewal, including produced water

JOHN HENDRIX

Furie Operating Alaska is one step closer to being able to produce Sterling formation gas at its Kitchen Lights unit in Cook Inlet. On Feb. 12 the Alaska Department of Environmental Conservation released an Alaska Pollutant Discharge Elimination System proposed final order for the Julius R. Platform in the KLU.

Production has been primarily from the Beluga formation, which produces dry gas and nominal amounts of water; Sterling formation

see **FURIE PERMIT** *page 8*

Canada orders C$1B investment that could benefit First Nations

The Canadian government has directed its Infrastructure Bank to support at least C$1 billion for Indigenous communities to invest in revenue-generating projects, with no indication that it has ruled out natural resource ventures.

Infrastructure Minister Catherine McKenna, formerly the federal environment minister who led the way in trying to close the door on new energy pipelines and export plans, said Canada has an urgent need to tackle an infrastructure deficit in those poverty-stricken communities.

"As the bank identifies investment opportunities in the public interest, I understand that will include infrastructure projects made in partnership with, and that benefit Indigenous people," she wrote to the bank chairperson.

see **INVESTMENT PLANS** *page 8*

EXPLORATION & PRODUCTION

Willow work stopped

9th Circuit Court extends injunction stopping field work until appeal settled

By ALAN BAILEY
For Petroleum News

In a Feb. 13 order the U.S. Court of Appeals for the 9th Circuit extended an injunction, banning ConocoPhillips from conducting fieldwork for its Willow oilfield development. The injunction will now continue until a 9th Circuit appeal over an injunction request rejection in District Court has been resolved. The Willow project involves bringing into production a major new oil field in the northeastern National Petroleum Reserve-Alaska.

ConocoPhillips had been planning to start gravel mining and gravel road construction in February. The winter work plans also involved ice road construction.

"The scope of work on Willow this winter included building an ice road to the gravel mine site, opening the mine, and building 2.8 miles of gravel road associated with the project." —ConocoPhillips spokeswoman Rebecca Boys

"The scope of work on Willow this winter included building an ice road to the gravel mine site, opening the mine, and building 2.8 miles of gravel road associated with the project," ConocoPhillips spokes-

see **INJUNCTION EXTENDED** *page 10*

FINANCE & ECONOMY

Retrenching to survive

ConocoPhillips cuts 8-9% of Alaska staff of 1,100 to ensure future success

By KAY CASHMAN
Petroleum News

ConocoPhillips Alaska said Feb. 15 that 8-9% of its staff of 1,100 will either be laid off or accept voluntary severances — this is a separate action from the Feb. 13 layoffs connected to the appellate court decision on the Willow project (see story on this page).

Instead, the employee layoffs are related to ConocoPhillips acquisition of Texas-based Concho Resources last fall, after which employee cuts were expected company-wide.

"An EIO (expression of interest) for voluntary severance was issued to employees in early December" as part of that process, ConocoPhillips

"We must be set up to succeed long term and be able to provide jobs long term — across industry cycles and during energy transitions." —Natalie Lowman

Alaska spokeswoman Natalie Lowman told Petroleum News Feb. 16.

The Alaska layoff notifications began Feb. 15 and ended Feb. 16, she said: "Some departures were immediate, and some employees will stay on a bit longer during a transition period," Lowman said.

"This past year has emphasized the need to stay

see **CONOCO CUTS** *page 6*

FINANCE & ECONOMY

Big chill heats up prices

Storm freezes third of U.S. oil production; Permian Basin output down 65%

By STEVE SUTHERLIN
Petroleum News

Alaska North Slope crude eked out a 3-cent gain Feb. 10, notching a close of $61.26 to cap off the longest oil price rally in two years. Brent and West Texas Intermediate made small gains, closing at $61.47 and $58.68, respectively.

On Feb. 11, all three indexes fell as traders and analysts pondered whether prices had gotten ahead of themselves following a torrid run upward from the depths of pandemia in spring 2020. The indexes resumed an upward trajectory before signing off for a long holiday weekend Feb. 12.

Thoughts of a price pullback had all but disappeared when trading opened Feb. 16; prices con-

Rystad Energy estimates that as much as 72% of Alaska's remaining recoverable oil resources could stay in the ground due to Biden's actions, although the effect on production will be felt only after 2030.

tinued to defy gravity as the full extent of an extreme cold front sweeping most of the United States became known.

Fast forward to Feb. 17, ANS continued upward $1.08 to close at $64.04, WTI rose $1.09 to $61.14 and Brent rose 99 cents to $64.34.

The destructive impact of the unprecedented

see **OIL PRICES** *page 11*

LAND & LEASING

Bill introduced to allow modifying NPSL

Net profit share leases could be modified by commissioner if necessary to prolong production, economic life of fields or pools

By KRISTEN NELSON

Petroleum News

The Alaska Senate Resources Committee began consideration on Feb. 10 of a bill from the governor which would allow the Department of Natural Resources to modify the terms of net profit share leases when necessary to increase production from otherwise uneconomic sources.

A net profit share lease requires the lessee to pay the state a share of net profits — in addition to a traditional royalty percentage, DNR's Division of Oil and Gas said in its presentation to the committee.

Royalty payments begin with commercial production and are assessed on gross revenue, while net profit share revenue payments begin when the NPSL reaches payout stage — after exploration and development costs, with interest, are recouped. Net profit is revenues, net of operating costs, which exceed the cost of exploration and development of the lease.

DNR has authority to modify royalties to allow for continued or incremental production; the bill would extend that ability to NPSLs, potentially extending the life of a field, and resulting in additional royalties, net profit share, taxes, etc. that the state would not receive without the NPSL modification.

In its presentation on Senate Bill 61, the division noted that while DNR has the authority to modify royalties, in some cases it may be in the state's best interest to modify net profit share instead of royalty.

Royalties are paid sooner than NPSL payments and are more predictable over the life of an investment. And rather than looking at a reduction in royalties or net profit share, smaller reductions in both may be beneficial.

What would change

In addition to allowing DNR flexibility to target reductions, the modifications would also allow DNR the ability to increase net profit shares in the event of higher prices or production levels, allowing DNR to recapture foregone royalties or net profit share if oil prices rise, or to participate in upside price movements if the department provides downside relief.

Net profit share leases were issued between the late 1970s and the early 1980s and there are 26 active NPSLs on the North Slope.

Net profit share rates range from 30% to 79.59%, DNR said; to date the state has received $1.175 billion in net profit share payments.

Currently, DNR negotiates a modification package for NPSLs and submits the proposal to the Legislature, with legislation required for the modification to take effect. The division said four NPSLs in the NorthStar unit were modified in 1996 to a sliding scale royalty, a

see LEASE MODIFICATIONS page 3

contents

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● LAND & LEASING

Donkel files Badami expansion appeal

Claiming 6.25% working interest in unit, investor seeks opportunity to be heard in hearing de novo before DNR commissioner

By STEVE SUTHERLIN

Petroleum News

Daniel K. Donkel filed an appeal Jan. 11 with the Alaska Department of Natural Resources, challenging the Jan. 22 decision of Director of the Division of Oil and Gas Tom Stokes denying an application from operator Savant Alaska to expand the eastern North Slope Badami unit.

Donkel recently acquired a 6.25% working interest in the Badami unit, in leases ADL 391001, ADL 390825, ADL 391284, ADL 391285, ADL 391376 and ADL 391378, according to the notice of appeal which was hand delivered to DNR. The grouping is otherwise known as the Telemark leases.

Donkel holds an overriding royalty interest in one of the leases — ADL 390825 — "contained within and comprising the Badami unit," the notice said.

DNR denied the Badami unit expansion to include the Telemark leases, and the denial to include the Telemark leases was a reversal of its previous decision, the notice said, adding that the denial to include the leases was not grounded in fact or law, was a violation of Donkel's due process of law, and was an ex post facto decision made without notice, an opportunity to be heard, or to submit new data.

Donkel has requested a hearing de novo before the commissioner.

The commissioner determined that confidential geologic information filed by Savant was "insufficient to support (Savant's) application," but the decision did not discuss the "material aspects of that information," Donkel said in the notice, adding that review of the decision is not possible without access to confidential information submitted by Savant, or the commissioner's review of publicly available information regarding the unit.

"The current production from the Killian sands outside of the Badami unit in the proposed expansion area are additional lands determined to overlay the reservoir, part of which is in the Badami unit," Donkel said, adding that the leases that are proposed to be added to the unit overlay the existing unit, and are in communication with the proposed expansion area.

"The decision ignores that unitization advances the state's economic interest by improving the economics of the BU," Donkel said, adding, "Unitization will allow for implementation of economic reservoir pressure maintenance efforts as the wells are produced, and minimizes the effects of smaller accumulations to share existing facilities and infrastructure."

Unitization is critical for securing corporate support for funding for exploration and expansion of development activities, and the expansion will promote the efficient, prudent and environmentally sound industry practice related to the development of the unit, Donkel said.

"DNR found that Savant is operating under an approved plan of operations in plan of development and satisfied the environmental issues concerning the operation of the unit," Donkel said. "DNR found the geologic engineering characteristics that the operations conducted by Savant met the criteria for increased production for the Badami reservoir as well as explored deeper targets such as the Paleozoic Kekikutuk Formation and the Cretaceous Killian sands."

Donkel said Savant notified DNR that it had fully restarted production on the unit and began shipping oil on Oct. 7, and as evidenced in the decision, the B1-38 well continued to produce through November with sustained production from the Brooks and Killian interval.

"The decision's conclusion without data supporting the connection between the Killian reservoir existing inside the unit and any Killian reservoir or potential hydrocarbon accumulations outside the unit does not support the expansion of the BU is incorrect," he said. ●

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LEASE MODIFICATIONS

modification which was ratified in HB 548 and upheld by the Alaska Supreme Court in Baxley v. State in 1998.

Allowing for NPSL modifications in statute would streamline the process, the division said, while allowing the Legislature to set conditions and limits.

As with royalty modifications, NPSL modification decisions under SB 61 would be reported to the Legislature, and the Legislature may require hearings.

Under SB 61, the DNR commissioner would have authority to modify net profit share rates in the same manner as royalty rates, with the objective to encourage production of otherwise uneconomic state resources, the division said.

Additional qualifying scenario

SB 61 also creates an additional qualifying scenario for modification of NPSL or royalties to allow for incremental production in existing pools which would require incremental capital which would be uneconomic in the absence of modification. It also clarifies that test production during exploration does not disqualify a field or pool from royalty or NPSL modification based on new production, codifying DNR's existing interpretation.

Royalty modification is capped at minimum royalty rates; the proposed NPSL modification establishes a minimum of 10%.

The change under SB 61 would be based on a sliding scale mechanism, which could vary with the price of oil, volume of production, per-barrel costs, etc.

The decision-making process for the modification process does not change under SB 61. ●

Contact Kristen Nelson at knelson@petroleumnews.com

UTILITIES

Work continues on Alaska ERO regulations

The Regulatory Commission of Alaska is continuing to pursue its work developing regulations to implement new statutes governing the operation of electricity reliability organizations in Alaska. The primary purpose is to enable the certification and regulation of an ERO for the Alaska Railbelt, to enable a more unified approach to the management and operation of the Railbelt electrical system. The relevant statutes were enacted by the Legislature last year in Senate Bill 123.

The commission has scheduled a technical conference, starting on Feb. 23 and possibly continuing for two or three days, to discuss potential regulations governing ERO tariff filings, penalties associated with failure to comply with reliability standards, conflict resolution for reliability standards, and ERO cost recovery.

The topics to be dealt with during the technical conference fall within the last of three dockets that the commission has established for the development of SB 123 regulations: The other two dockets deal with ERO certification and governance, and with RCA oversight of regional planning of the electrical system and RCA approval of major system upgrades.

The development of regulations for ERO certification and governance is proving particularly challenging and time consuming. At stake is the necessity to ensure that ERO governance fairly represents the interests of all stakeholders in the electrical system while, at the same time, maintaining an ERO's legal rights in relation to its governance structure. During a Feb. 10 RCA public meeting Commissioner Antony Scott emphasized that the commission will take into account public comments that have been submitted in relation to this issue.

SB 123 also requires the RCA to itself establish an ERO, in the unlikely event that a potential ERO does not apply for RCA certification. During the Feb. 10 public meeting, RCA Administrative Law Judge James Walker presented some initial ideas for regulations that would address this issue. The question of how to fund the considerable work that could be involved, should the RCA have to establish an ERO, seems a potentially difficult issue — the commission normally recovers its costs from the regulatory cost charges paid by regulated entities.

—ALAN BAILEY

● INTERNATIONAL

Shell plans steady drop in oil business

By DANICA KIRKA
Associated Press

Royal Dutch Shell, one of the multinationals that has defined the oil industry, is slowly turning away from the fossil fuel that made its fortune over the decades.

The company said Feb. 11 that its production of oil peaked before the coronavirus pandemic and will fall steadily as it attempts an ambitious pivot toward less polluting forms of energy. It's a milestone for the company and reflects the urgency facing governments and companies to reduce climate-warming emissions.

Shell unveiled new plans for reaching its goal of being carbon neutral by 2050 that include a 1% to 2% drop annually in oil output. It will eliminate seven of its 13 refineries and aims to cut production of gasoline and diesel fuel by 55% over the next decade.

The plan is part of a wider push, particularly among European oil companies, to overhaul their operations to reduce carbon emissions blamed for global warming while still making money. BP said last year that it wants to eliminate or offset all carbon emissions from its operations and the oil and gas it sells to customers by 2050.

Critics say energy companies have been moving too slowly to cut carbon emissions amid a United Nations drive to limit temperature increases to no more than 1.5 degrees Celsius (2.7 degrees Fahrenheit) over pre-industrial levels.

Shell plan

"Our accelerated strategy will drive down carbon emissions and will deliver value for our shareholders, our customers and wider society," Shell's CEO, Ben van Beurden, said in a statement.

Shell plans to increase production of liquefied natural gas, low-carbon fuels such as bioethanol and hydrogen as it seeks to eliminate or offset all carbon emissions from the company's operations and the products it sells.

It plans to increase its network of electric vehicle charging stations to about 500,000 by 2025 from 60,000 today and double electricity sales to retail and business customers. Shell said it will invest $100 million annually in "nature-based solutions" that protect or redevelop forests, wetlands and grasslands that take carbon out of the atmosphere.

David Elmes, a professor at Warwick Business School in England who heads the Global Energy Research Network, said Shell's plan to reduce emissions is "ticking all the boxes" but the question remains whether the company will be able to make the shift lucrative enough for shareholders used to generous dividends.

The plan includes bets on new technologies such as capture carbon and storage that need a lot of investment.

"Today's plan is certainly a transformation, the question is can they afford it," he said. ●

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

OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 26, No. 8 • Week of February 21, 2021
Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518
(Please mail ALL correspondence to:
P.O. Box 231647 Anchorage, AK 99523-1647)
Subscription prices in U.S. — $118.00 1 year, $216.00 2 years
Canada — $206.00 1 year, $375.00 2 years
Overseas (sent air mail) — $240.00 1 year, $436.00 2 years
"Periodicals postage paid at Anchorage, AK 99502-9986."
POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

EXPLORATION & PRODUCTION

ND output drops slightly in December

North Dakota regulators say oil production in December was down slightly from a month earlier.

The Department of Mineral Resources says the state produced an average of 1.19 million barrels of oil daily in December. That's down from 1.22 million barrels daily from November.

North Dakota also produced about 89.6 billion cubic feet of natural gas in December, up from 86.7 billion cubic feet in November.

There were 15,798 wells producing in December, up from 15,620 in November. The December tallies are the latest figures available.

There were 15 drill rigs operating Feb. 12, one more than the December average.

—ASSOCIATED PRESS

PIPELINES & DOWNSTREAM

Judge delays pipeline permit hearing

A federal judge on Feb. 9 agreed to push back a hearing about whether the Dakota Access oil pipeline should be allowed to continue operating without a key permit while the U.S. Army Corps of Engineers conducts an environmental review on the project.

The Corps filed a motion Feb. 8 to postpone the Feb. 10 hearing to allow Biden administration officials more time to familiarize themselves with the case, including the 2016 lawsuit filed by the Standing Rock Sioux Reservation in an attempt to stop construction. The pipeline began operating in 2017 after Donald Trump took office.

U.S. District Judge James Boasberg reset the hearing for April 9. Neither the tribes nor Texas-based Energy Transfer, which owns the pipeline, objected to the delay.

Boasberg said he wants the Corps to explain how it "expects to proceed" without a federal permit granting easement for the $3.8 billion pipeline to cross beneath Lake Oahe, a reservoir along the Missouri River that is maintained by the Corps.

Boasberg in April 2020 ordered further environmental study after determining the Corps had not adequately considered how an oil spill under the Missouri River might affect Standing Rock's fishing and hunting rights, or whether it might disproportionately affect the tribal community.

—ASSOCIATED PRESS

● EXPLORATON & PRODUCTION

AOGCC approves changes at Colville River

ConocoPhillips had asked that the Alpine oil pool be expanded to include what is now the Fiord oil pool; both within CRU boundary

By KRISTEN NELSON

Petroleum News

The Alaska Oil and Gas Conservation Commission has approved an application by ConocoPhillips Alaska to amend Conservation Order 443 to essentially roll the Fiord oil pool into the Alpine oil pool. Conservation orders define producing areas and the commission's rules for the area.

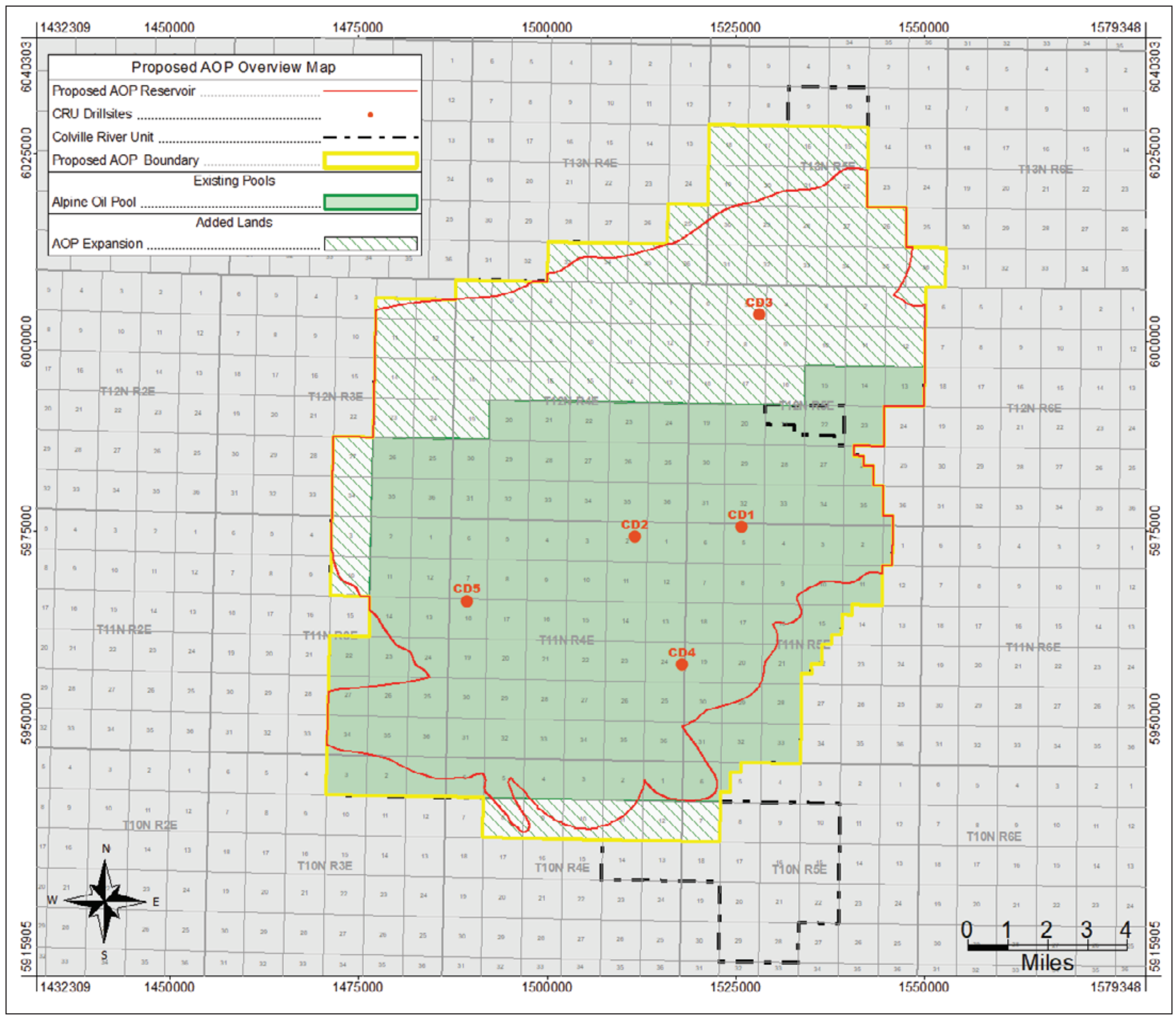
In a Feb. 3 order the commission said the vertical extension of the Alpine oil pool, incorporating the former Fiord oil pool, is now defined as the stratigraphic interval between 6,920 and 7,559 feet measured depth in the Alpine No. 3 well. Reservoirs included in the revised pool are the Jurassic-aged Alpine and Nechelik sandstones within the Kingak formation and the Lower Cretaceous-aged "C sandstones" of the Kuparuk River formation (Kuparuk C), informally known as the Nanuq-Kuparuk, Fiord-Kuparuk and Fiord West Kuparuk reservoirs, the commission said.

"The three reservoirs within the expanded AOP share the same confining intervals for injected fluids," the commission said.

Well, production and pressure data provide evidence of communication between the Alpine, Nechelik and Kuparuk reservoirs. "In addition to direct sand-on-sand contacts between these reservoirs in other portions of the CRU, it has been demonstrated that the Kuparuk C and Alpine reservoirs are in hydraulic communication through natural fractures," the same basis, the commission said, on which the former Nanuq-Kuparuk oil pool was previously incorporated into the Alpine oil pool.

The conservation order for the Fiord oil pool has been rescinded and its administrative record incorporated by reference.

The commission also expanded the area injection order for the Alpine oil pool to include the Fiord area.



CONOCOPHILLIPS

Fiord West

In its Nov. 5 application ConocoPhillips said the proposed expansion includes the future Fiord West development which will be drilled from the CD2 drillsite, will "accommodate continued western and southern development form CD5 drillsite" and update and standardize pool rules for deep intervals within the Colville River unit "to enable efficient operation and development under a single set of rules for these similar, related and interconnected intervals," effectively incorporating the Fiord oil pool into the Alpine oil pool.

The new Fiord West development area, the company said, encompasses the western continuation of both the existing Fiord West Kuparuk and Fiord Nanuq accumulations.

The company said the original Alpine oil pool was defined as measured depths of 6,876 to 6,976 feet in the Bergschrund No. 1 well. That was in 1998. In 2009, the Alpine oil pool was expanded to include the Nanuq-Kuparuk due to communication indicated from drilling, well log, pressure and production log data. The Alpine oil pool was redefined as between 6,980 and 7,276 feet in the Alpine No. 1 well. The Alpine oil pool was amended again in 2017 to include sections in the west and exclude some areas on the eastern side, and currently is defined as the interval between measured depths of 6,980 and 7,276 feet in the Alpine No. 1 well.

Wells deferred

Fiord West will be drilled with the big new extended reach rig, Doyon 26. Drilling was planned to begin last year, but in April 2020 ConocoPhillips demo-

see **COLVILLE CHANGES** page 7

EXPLORATION & PRODUCTION

US rig count at 397, up 5 week-over-week

The Baker Hughes U.S. rotary drilling rig count continues to rise, up by five to 397 for the week ending Feb. 12, but still down substantially, by 393, from a count of 790 a year ago.

When the count bottomed out at 244 in mid-August last year, it was not just the low for 2020, but the lowest the 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 when it gained back 10 rigs.

Baker Hughes shows Alaska with four rigs active Feb. 12, unchanged from the previous week and down by five from a year ago, when the state's count stood at nine.

The Feb. 12 count includes 306 rigs targeting oil, up seven from the previous week but down 372 from 678 a year ago, 90 rigs targeting gas, down two from the previous week and down 20 from 110 a year ago, and one miscellaneous rig, unchanged from the previous week and down one from a year ago.

Eighteen of the holes reported Feb. 12 were directional, 356 were horizontal and 23 were vertical.

Alaska unchanged from previous week

The largest increase, up four from the previous week, was in Texas (193), which has the most active rigs in the country.

Louisiana (48) and North Dakota (13) were each up by one rig.

Oklahoma (17) was down by one rig from the previous week.

Counts in all other states remained unchanged: Alaska (4), California (7), Colorado (8), New Mexico (61), Ohio (7), Pennsylvania (18), Utah (3), West Virginia (12) and Wyoming (5).

Baker Hughes shows Alaska with four rigs active Feb. 12, unchanged from the previous week and down by five from a year ago, when the state's count stood at nine.

The rig count in the Permian, the most active basin in the country, was up by five from the previous week at 203, but down by 205 from a count of 408 a year ago.

—KRISTEN NELSON

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CONOCO CUTS

focused on cost and become more efficient in what we do. With the acquisition of Concho, we have revisited our overall structure and that has resulted in job losses company-wide. We must be set up to succeed long term and be able to provide jobs long term — across industry cycles and during energy transitions."

Lowman said "affected employees will receive severance, outplacement services, and other benefits offered under existing HR policies. … Our people are important to the company, and they make us who we are. We do not take lightly the reality that some team members have lost their jobs."

Putu before Willow now?

In ConocoPhillips 2020 annual report released Feb. 16, the company said the following about another Alaska development project, but this one on state and Native land:

"In late 2018, we commenced appraisal of the Putu discovery with a long-reach well from existing Alpine CD4 infrastructure. In 2019 and 2020 the long reach CD4 appraisal and supporting injector well finished drilling and testing. Production and injectivity tests confirmed development and waterflood feasibility of the reservoir. The project transitioned from appraisal to development in early 2020. Development planning is ongoing."

Furthermore, the annual report said: "A 3D seismic survey was completed in 2020 over a 234-mile area on state and federal lands. We are currently evaluating this seismic data for future exploration opportunities."

The Putu prospect near the village of Nuiqsut is in what ConocoPhillips terms the Narwhal trend, to the east of the Colville River. This is the same trend as the Pikka/Horseshoe trend, where Oil Search is planning the Pikka development in the massive Nanushuk formation. (Narwhal is an informal, not geologic term.)

ConocoPhillips has always planned to move forward with its Willow project in the National Petroleum Reserve-Alaska, followed by Putu. The question is, will the order of these two developments soon change because of the difficulties in working on federal land with the new administration?

What about North Slope gas?

ConocoPhillips' position on North Slope gas development has not changed, per its 2020 report: "We remain willing to sell our Alaska North Slope Gas to interested parties on a competitive basis if a market materializes in the future," the company concluded after a segment on North Slope gas.

"In 2016, we, along with affiliates of Exxon Mobil Corporation, BP p.l.c. and Alaska Gasline Development Corporation (AGDC), a state-owned corporation, completed preliminary FEED technical work for a potential LNG project which would liquefy and export natural gas from Alaska's North Slope and deliver it to market."

"In 2016, we, along with the affiliates of ExxonMobil and BP indicated our intention not to progress into the next phase of the project due to changes in the economic environment, however, AGDC decided to continue on its own, focusing primarily on permitting efforts."

"Currently, AGDC is in the process of seeking new sponsors for the project. Given current market conditions, we no longer believe the project will advance and since there is no current market, we recorded a before-tax impairment of $841 million for the entire associated carrying value of capitalized undeveloped leasehold costs and an equity method investment related to our Alaska North Slope Gas asset." ●

Contact Kay Cashman at publisher@petroleumnews.com

● EXPLORATION & PRODUCTION

Talitha exploration well results promising

Target depth of 10,452 feet reached with four distinct oil-bearing zones identified; Great Bear Pantheon moves to testing phase

By KAY CASHMAN
Petroleum News

PATRICK GALVIN / GREAT BEAR PANTHEON

The Great Bear Pantheon-operated Talitha A exploration well has reached its target depth of 10,452 feet.

Pantheon Resources plc said Feb. 15 that the Great Bear Pantheon-operated Talitha A exploration well has reached its target depth of 10,452 feet and the results so far seem promising. The central North Slope well has been logged and sidewall cores taken for assaying by a third party lab.

"Based on preliminary analysis, the well has penetrated all objective formations and encountered oil in each of them," Pantheon said in a press release.

"Four distinct oil-bearing zones have been identified," the AIM-listed, London-based company said. "The current plan is to test the Shelf Margin Deltaic, Basin Floor Fan (two separate zones) and the Kuparuk zones. Testing all zones is critical to determine ultimate commerciality."

> *"We've often said that any one of the four zones at Talitha could be company makers, and we have three contenders in the SMD, Basin Floor Fan and Kuparuk, all of which show great promise."*
> *—Jay Cheatham*

Pantheon said it has a 100% working interest in Talitha A, which is some 8 miles west of Dalton Highway Milepost 386.7 on state lease ADL 391658 in the newly formed 44,463-acre Talitha unit.

Drilling is being done by Calista Rig 3 (see photo in pdf and print versions of this story).

"We are very encouraged with operations to date; it's definitely a case of 'so far, so good'! We have penetrated all our objective formations and encountered oil in each of them — this is a great result so far. Drilling has gone smoothly, and we have a borehole in good condition which has allowed us to obtain valuable, high quality data to formulate a testing program in all our zones of interest," Bob Rosenthal, technical director for the drilling program, said.

"Preliminary analysis suggests that the well has multiple horizons with potential to be commercial but is not yet proven and we remain cautiously optimistic. The Talitha A location was selected to test the primary SMD zone in the optimal location whilst penetrating as many of the other secondary targets, acknowledging their respective sub-optimal locations, and to test whether they were oil bearing," he said.

"Successfully recovering oil to surface from these zones will be important in moving prospective resources (i.e. exploration) to contingent resources (i.e. discovered) and confirming the potential commerciality of major oil accumulations within the Talitha structure," Rosenthal added. "The discovery of significant quantities of oil in this location would have very important ramifications for future exploration in the area. Talitha is close to the trans-Alaska pipeline and Dalton Highway which significantly enhances the economic value of any discovered oil."

Pantheon CEO Jay Cheatham, called Talitha A a potential company maker: "Although the reservoir quality of the SMD did not improve from the PS#1 as we had hoped, it still has the potential to be a very good result. We'll test it and make a more detailed assessment at that point. We were pleasantly surprised in the Basin Floor Fan and Kuparuk formations."

He noted the Kuparuk formation is a major regional legacy producer.

"We've often said that any one of the four zones at Talitha could be company makers, and we have three contenders in the SMD, Basin Floor Fan and Kuparuk, all of which show great promise. As always, we must wait until testing is completed before we can make any definitive assessments, but at this time I would say Talitha A has met or exceeded our expectations thus far," Cheatham said. ●

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COLVILLE CHANGES

bilized its North Slope rig fleet.

The company said in 2019 that six wells were planned at Fiord West, which is expected to produce 20,000 barrels per day gross at its peak.

Work began on Doyon 26, the largest mobile land rig in North America, 2016.

Originally assembled in Nisku, Alberta, the rig was broken down into 267 tractor-trailer loads and began a 2,400 mile journey to the North Slope in July 2019.

"It's been arriving in loads the entire fall and the team is beginning the reassembly process," ConocoPhillips Alaska spokeswoman Natalie Lowman told Petroleum News in November 2019.

"When all the pieces arrive, we'll put it back together like a big Lego to make seven rig modules," the company's ERD project director, Paul McGrath, was quoted in July 2019.

McGrath, describing Doyon 26 as "a game changer" for ConocoPhillips in Alaska, said ConocoPhillips Alaska worked on the rig beginning with front-end engineering and design studies and through the concept stage for about four years, with assistance during construction from colleagues in ConocoPhillips Canada.

The ERD rig, which will drill from the existing CD2 drillsite, which has been extended to 12 acres to accommodate the rig and development, is an alternative to a new pad in the Fiord West area, which the company has described as problematic because it is along the coast in wetlands.

For the company to continue to hold leases in the area, it had to commit to drill, and Doyon 26 was the method it chose.

Among activities planned for 2021, the company said in November that the second half of 2021 will see the commissioning and startup of Doyon 26, which will begin drilling Fiord West from the Alpine CD2 drill site. ●

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FURIE PERMIT

production includes substantially more water — more than can be handled by the current system, which sends produced water to shore for disposal.

The proposed final permit and associated documents are at http://dec.alaska.gov/water/wastewater under notices of review.

The final permit review began Feb. 12 and ends Feb. 19.

Issuance of the proposed final permit follows public notice and a comment period on the draft permit and fact sheet.

Furie, under previous ownership, had an APDES permit, and applied for reissuance in March 2019, submitting an amendment in November 2019 to include an additional discharge of produced water.

DEC said inclusion of a treatment system and discharge of produced water represents "a critical modification" of the proposed permit designed "to mitigate hydrate formation in the gas pipeline to the onshore production facility" and will allow for continued gas production from the Julius R. Platform.

The proposed reissuance authorizes two additional discharges: greywater from a mobile oil drilling unit and produced water.

Original permit

The original permit was applied for in 2013 and issued in 2014, for a five-year term. It covered wastewater discharges associated with construction of the offshore platform and a marine pipeline that included horizontal directional drilling as well as discharges from operation of the platform and a MODU periodically stationed at the platform for development drilling.

The 2014 permit was based on Beluga formation gas production and the assumption that produced water from that formation would be minimal, some 50 barrels per day, which would be transported to the onshore Central Production Facility for disposal.

However, DEC said, after Furie completed wells into the Sterling formation there was a significantly increased volume of produced water from the Sterling formation, some 2,000 bpd.

"Further compounding produced water management difficulties, during the winter conditions of January 2019 while producing from the Sterling, gas hydrates formed in the produced fluids within the pipeline to the onshore facility causing a pipeline blockage substantial enough to completely halt gas production for 75 days."

Furie operating was acquired out of bankruptcy by a new owner, HEX Cook Inlet, in July 2020.

DEC said that on Jan. 14, 2021, Furie advised DEC that a hydrate plug formed in the gas pipeline on Jan. 10, 2021. "Although the plug was destroyed," DEC said, "the incident raised ongoing concerns highlighting the importance of a timely permit issuance."

Facilities construction

DEC said the previous Furie owner had submitted engineering plans in February 2020 for water handling equipment on the platform, which were approved, but the previous owners held off starting construction until the permit became effective.

After HEX Cook Inlet took over operatorship on July 1, 2020, in addition to working on existing wells and facilities, the company restricted production to the Beluga formation, but needed to return the Sterling reservoir to production because Beluga production was in decline.

"Obtaining the platform water handling permit more than doubles our remaining reserves and revenue," the company's CEO and president, John Hendrix, said in a Dec. 18 presentation to a Commonwealth North study group. (See story in Dec. 27 issue of Petroleum News.)

"Right now we are out there working on our water handling equipment to get it up and running," Hendrix said. "We don't have a permit to operate it, but they did give us a permit to construct."

He said it was worth it to spend "a million or two in hopes we will get the operating permit because if all of a sudden we get it and the equipment is not running, we could lose six months of production."

The new owners turned over the majority of field operation contracting to Alaska-based Udelhoven Oilfield Services. In his December presentation Hendrix said Udelhoven was pre-installing the water handling equipment and had been out on the platform "with about 14 people for two weeks, welding and setting new separators."

—KRISTEN NELSON

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INVESTMENT PLANS

McKenna said that for any project to access funding it must estimate greenhouse gas emissions.

In 2016, a report by the Canada Council for Public-Private Partnerships estimated the infrastructure deficit for basic services in Indigenous communities at C$30 billion, compared with a national shortfall of C$570 billion.

Two corporate leaders said last September that "too many publicly funded programs addressing the Indigenous deficit are unpredictable, fragmented, overlapping, of short duration and developed for Indigenous communities, but not by them."

Assembly of First Nations National Chief Perry Bellegarde welcomed the latest initiative as a "solid step toward unlocking revenue-generating projects."

C$1B from bank's pledge

The C$1 billion will be drawn from the bank's pledge of C$5 billion each for public transit, green infrastructure, transport and clean power and C$3 billion for rural broadband expansion.

In September, the government earmarked C$10 billion of spending over the next three years, primarily for environmental protection measures.

The bank was created in 2017 to attract private sector investment, such as pension funds, but so far only C$4 billion of the initial budget of C$35 billion has been allocated.

The bank is involved in advising a project in Ontario which involves Six Nations of the Grand River Development Corp. to establish the largest battery energy storage facility in Canada.

Until Keystone XL was scuttled it had drawn interest from several First Nations interested in acquiring an equity stake in the pipeline. Other First Nations have key roles in the TMX crude bitumen pipeline expansion and the Coastal GasLink pipeline to provide natural gas for the LNG Canada project.

—GARY PARK

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INSIDER


DAVE PFEIFFER

Neither Smith nor Borealis' top executive Dave Pfeiffer would comment on the rumored sale.

Borealis' ORRI assignments, which were all approved by the division in early January and were retroactively effective to June 2020, appear to be on that eastern North Slope block of 52 leases that are adjacent to, and directly south of, a larger block held by Oil Search Alaska and its partner Lagniappe Alaska, a Bill Armstrong company.

The leases are part of Borealis' Grey Owl prospect trend on state land, some of which are near the border of the 1002 Area of the Arctic National Wildlife Refuge.

The assignments are to an assortment of individuals and companies and sometimes differ from lease to lease. Borealis' ORRI recipients include the following: Geohorn LLC, John Paul Dejoria, Alexis Dejoria, Daniel Ray Gilbertson, First Alaskan Oil LLC, Robert Lee Bush, John Capra, Kah Alaska LLC, LSNI Alaska LLC, Michaeline Dejoria Heydari, and Scintilla Alaska LLC.

More assignments to come

In a Feb. 12 interview, Petroleum News asked Pfeiffer why the numerous assignments were made, and he said "I don't know what you're looking at, but we've done a lot of transfers of working interests and ORRIs and there's more to come."

Nordaq, he said, had some litigation and financial issues: "There was a period there where there was a lot of litigation going back and forth. One of our major shareholders was suing us, we were suing him, we were suing various people. So, this is all part of a bigger settlement that actually happened in 2019 and so for whatever reason a lot of it is taking some time to go through."

When told that most of the leases appeared to be in the company's eastern North Slope block, Pfeiffer said: "Coming up at the end of this month our rents are due … for year 8 on those leases. … They were set to go from $10 an acre to $250 an acre, which wouldn't be financially feasible for us, so we went through the process of applying for rent abatement and just two days ago we received notice from DOG (Division of Oil and Gas) that they accepted our application."

Reprocessing 2D seismic

WesternGeco, a Schlumberger company, is reprocessing 2D seismic in and near the area of the Grey Owl prospect leases, Pfeiffer said.

"We were initially planning to shoot a 3D seismic program over that acreage," but Covid-19 halted a lot

see **INSIDER** *page 10*

Petroleum news — Oil Patch Bits

LTI Inc. hauls world-famous Woodinville Whiskey

As reported by Lynden News Feb. 10, add award-winning whiskey to the long list of LTI Inc.'s food-grade hauls. Woodinville Whiskey recently called upon Lynden to haul its premium 140-proof whiskey from Woodinville, Washington, to its aging and bottling facility in Quincy, Washington. LTI Inc. drivers are also picking up the mash by-product from the whiskey distilling process and delivering to a farm near Monroe, Washington.

Because the whiskey is flammable, it qualifies as a hazmat, food-grade load which is one of LTI Inc.'s specialties. "The project really is a good fit for our strengths as a carrier," says Business Development Manager Al Hartgraves. Hartgraves says the new project came about through company teamwork. While LTI Inc. driver Cesar Cortez was delivering a load to one of the wineries next door to Woodinville Whiskey, he was approached by one of the owners. He asked Cortez if LTI Inc. could provide the same pickup and delivery service for his company to Eastern Washington. Cortez passed along the request to dispatcher, Eric Bordynoski, who got in touch with Hartgraves and soon a contract was under way.

"LTI, Inc. has never hauled whiskey before so specific equipment needed to be sourced and drivers trained for this type of hazmat transport," Hartgraves says. The maintenance team of Dave Seaman and Jerry Crisp jumped into action to secure the highly specialized food-grade hazmat trailers, DOT 407s, needed for the project. For more information go to info.lynden.com/blog.

Tendeka and Northern Solutions sign services agreement

Northern Solutions LLC said Feb. 10 that it has signed a new collaborative agreement to represent global completions specialist Tendeka in actively promoting sales, installation and services of its products and technologies in the Alaska region.

The two companies have previously worked together on several projects in Alaska which contributed to the introduction and ongoing success of Tendeka's FloSure autonomous inflow control devices and most recently its new PulseEight electronic ambient valve technology in Prudhoe Bay.

"This mutually beneficial arrangement, although in the works for some time, has even more significance today as we adjust to find new ways of working. Tendeka's regional team and the combination of local experience and support from within Alaska, will ensure that together we can continue to meet the technology requirements of Alaskan operators," said Paul Guilfoyle, Tendeka's business development manager for Canada and Alaska.

"We believe that the innovation driven technologies at the core of Tendeka's portfolio are well aligned with our own approach to bringing custom solutions to solve clients drilling, completion and production challenges," commented Candice English, Northern Solutions' owner.

Northern Solutions has machining, fabrication and workshop facilities in Anchorage and Prudhoe Bay that are already qualified to manufacture, assemble and test a range of Tendeka technologies, as well as wellsite and classroom-based training already underway. For more information visit www.northernsolutionsak.com.

Editor's note: Some of these news items 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's oil and gas industry

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

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INJUNCTION EXTENDED

woman Rebecca Boys told Petroleum News. "The court's ruling means that the gravel work we previously announced for this winter season will not go forward. About 120 jobs will be affected."

Initial injunction request rejected

Sovereign Inupiat for a Living Arctic and several environmental organizations launched challenges against the Bureau of Land Management approval of the Willow project in federal District Court in Alaska in November. In December the organizations requested an injunction, pending resolution of the court cases. On Feb. 1 District Court Judge Sharon Gleason rejected the injunction request. Gleason said that the plaintiffs had not demonstrated that winter construction activities planned by ConocoPhillips are likely to cause irreparable damage to polar bears — potential impacts on polar bears formed a key component of the injunction request.

Gleason also rejected an argument that, when issuing the final environmental impact statement for the project, BLM had infringed the National Environmental Policy Act by inadequately considering alternative projects and global greenhouse gas emissions associated with the development. Essentially, the judge upheld a BLM argument that the plaintiffs had failed to meet a legal requirement that any request for a judicial review of the EIS must be filed within 60 days of publication of the EIS.

Following Gleason's Feb. 1 order the appellees appealed their injunction request to the 9th Circuit Court. Subsequently, recognizing the likelihood of irreparable impacts to the environment once ConocoPhillips' gravel work starts, on Feb. 6 Gleason issued a temporary injunction, banning ConocoPhillips from conducting gravel mining and road construction until Feb. 20, or until the 9th Circuit rules on the original injunction, whichever comes first.

In its subsequent Feb. 13 order the 9th Circuit court extended Gleason's Feb. 6 injunction until the injunction appeal case has been resolved. The court says that it is expediting the appeal.

The 9th Circuit is particularly focusing on what it views as legal ambiguity over the 60-day time limit for a request for judicial review of an EIS, under the terms of NEPA.

"Our review of the record also convinces us that the appellants will suffer irreparable harm in the absence of an injunction, and that at least one of its NEPA claims is likely to succeed if timely," the court order said.

Congressional delegation expresses concern

The Alaska congressional delegation has expressed its concern about the 9th Circuit decision.

"This decision completely upends the legal development of a project that was already providing good-paying jobs to hard-working Alaskans, and would generate hundreds of millions of barrels of oil, and billions in revenue for our state," said U.S. Sen. Dan Sullivan. "The Willow project will significantly help Alaska Native communities in the North Slope Borough with job opportunities and funding for schools, health clinics, and social services."

U.S. Sen. Lisa Murkowski characterized the decision as "a kick in the gut to Alaska."

"This decision could lead to a possible delay in the production of hundreds of billions of barrels of oil and desperately needed revenue for the State of Alaska and the federal government," Murkowski said. "Further, the decision is unnecessary because the Bureau of Land Management, under the Obama administration's IAP, completed a thorough and comprehensive review to ensure it would not move forward at any cost to Alaska's environment."

"By halting the Willow project, the 9th Circuit Court of Appeals has issued a devastating blow to Alaska's energy workers, their families, and all who would benefit from responsible resource development in the NPR-A," said U.S. Rep. Don Young. "The Willow project represents immense potential for our state, and this is not the time to roll back progress on initiatives that could bring back jobs and help our economy recover from the ongoing pandemic."

A range of opinions

Although the oil industry brings huge economic benefits to the communities of the North Slope, there are also concerns about potential impacts on the traditional way of life, in particular subsistence hunting — hence the participation of some people from the communities in the lawsuits. On the other hand, Arctic Slope Regional Corp., the Native regional corporation for the North Slope, has joined the court cases in support of the Willow development. Environmental organizations are vehemently opposed to oil development in Arctic Alaska. ●

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INSIDER

of such activities on the North Slope.

"WesternGeco, who owns the 2D seismic there, and as part of a bigger program with I believe Armstrong, Oil Search and some others in that area … we kind of got in on that. And they're in the process right now of doing that. We should have reports in a couple of weeks."

According to "our in-house geologist Dick Gerard" the reprocessing "cleaned up a lot of the noise and we're hoping, we can get what we need from the 2D seismic," Pfeiffer said.

Similar to the Nanushuk

The Grey Owl trend involves prospects in the Brookian rock sequence, the sequence that contains the Nanushuk formation, the source of numerous discoveries west of the central North Slope, Pfeiffer said.

However, the Grey Owl prospects are in the Canning, a rock formation that consists of layered sandstones referred to as turbidites. Unlike the Nanushuk, which was formed on the upper edge of an ancient marine basin, the Canning turbidites were deposited on the basin floor.

While the location of the turbidites in the axial region of the basin bodes well for reservoir quality, findings from the West Kavik Unit No. 1 well, drilled by Texaco in 1969, indicate the presence of over-pressured light oil in the Canning at Grey Owl, Gerard said last year.

The area is just 25 miles south of existing oil infrastructure in the Badami unit.

Armstrong excited about area

Armstrong, one of the most successful explorers on Alaska's North Slope, said this in January 2020 of Lagniappe and Oil Search's acreage adjacent to the Borealis block: "The area is an explorationist's dream. There have been very few wells drilled, something like one well per 200 square miles, and most of those wells were drilled in the 1970s trying to find another Prudhoe Bay and almost all of the wells had good oil shows. … It's like west Texas 100 years ago."

Like the huge Pikka development, which Armstrong brought Oil Search in on, the area has multiple objectives that image beautifully on 3D seismic, he said.

"It's really new and really exciting. I believe what we do on the eastern Slope will set off a whole new flurry of activity."

Armstrong also liked the fact that his and Oil Search's eastern North Slope acreage was on state leases and close to infrastructure.

In his Feb. 12 interview with Petroleum News, Pfeiffer also said he was pleased that Borealis' eastern North Slope block was comprised of state, not federal, leases: "With the new… administration, those are more desirable now because they're not subject to what's coming out of the White House."

—KAY CASHMAN

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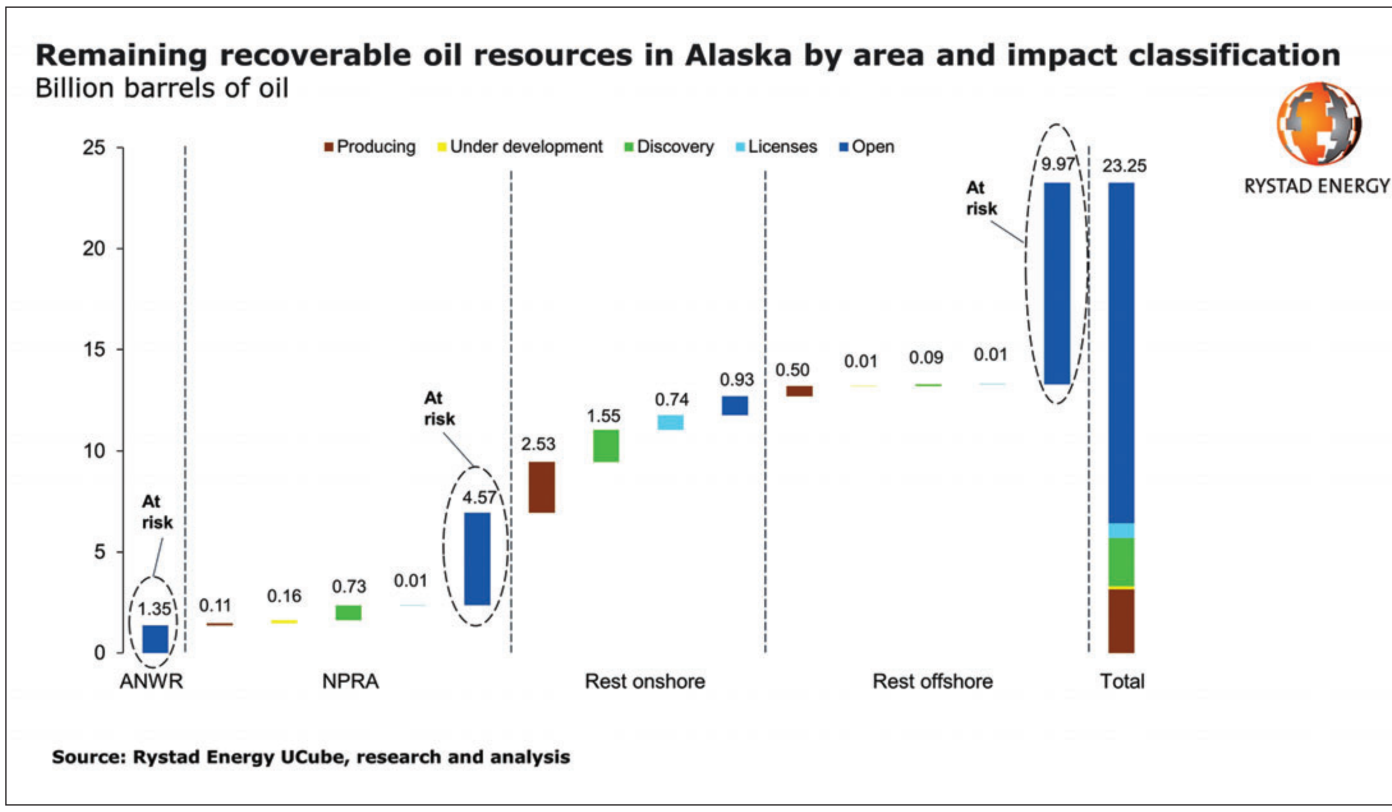
OIL PRICES



cold blast sliced total U.S. oil production by one-third — the most ever — removing 3.5 million barrels per day or more from the market, according to Bloomberg in a Jan. 16 report. Production in the Texas Permian Basin fell by as much as 65%.

Restarting oil and gas wells closed by the weather anomaly is not going to be quick or easy, even once the ice thaws and power is restored, according to Richard Spears, vice president of consultancy Spears & Associates Inc.

Most wells produce a mixture of oil, gas and water and it is the last of which that causes the problems.

Although it may leave the well at boiling point, the water immediately contacts steel pipes more than a hundred degrees colder, Spears said. That can cause it to freeze, choking off the flow from the well.

Oil operations were further bedeviled by power outages that caused grief for millions of customers as rolling blackouts swept across Texas.

An official with the Electric Reliability Council of Texas said 18 gigawatts of renewable energy generation — mostly wind generation — were offline Feb. 17, while 28 gigawatts had been lost from thermal sources including gas, coal and nuclear energy, according to a report by the Texas Tribune.

Alaska canary in coalmine for policy experiment

Alaska's oil and gas industry is clearly in the crosshairs of the Biden administration's attack on domestic oil and gas production, and if the policies are not reversed, the pain will fall disproportionally on the state and its future.

While the financial damage has already begun, the effect on oil supply will not be felt immediately.

Rystad Energy estimates that as much as 72% of Alaska's remaining recoverable oil resources could stay in the ground due to Biden's actions, although the effect on production will be felt only after 2030.

There has been much discussion over the possible outcome for the upstream activity of the Gulf of Mexico, but one of the areas that will be affected the most in relative terms is Alaska, Rystad said in a Feb. 17 release.

As the canary in the coalmine for Biden's jaunty experiment in central planning of the country's energy mix, Alaska may prove a model for the future of such government manipulations.

The effects of the policy may be large, but the slow onset of consequences makes it difficult to decide how much medicine to administer to the patient without overdose. In fact, Alaska's production will rise before it falls according to Rystad's calculations.

Rystad estimates Alaska's remaining recoverable oil reserves to be 23.3 billion barrels of oil and condensates, of which about 16.8 billion barrels may never be produced if the temporary bans on oil activity in the Arctic National Wildlife Refuge and on new lease sales on statewide federal lands and waters are here to stay, the consultancy said.

A halt to oil and gas activities would mean that any potential ANWR discoveries are taken off the map, Rystad said.

"Based on our estimates, a permanent ban on new leases would remove 1.35 billion barrels of oil resources that could be developed from the currently unawarded or open acreage in ANWR," Rystad said.

"An end to new offshore leases in Alaska could result in the state losing out on up to 10 billion barrels of oil resources from unawarded acreage," Rystad said. "The state could also miss out on roughly 4.5 billion barrels of oil resources through unawarded onshore acreage in the National Petroleum Reserve Alaska."

"Alaska's economy is heavily oil-reliant and given this, it's hard to see renewables replacing the North Slope oil any time soon," said Krishan Pal Birda, Rystad upstream research analyst. "Consequently, the energy transition push brings unique challenges for the state, which needs to weigh associated direct and indirect job losses, while also replacing the revenue streams for the state and its people."

Despite the new policies, Alaska oil production is expected to grow by approximately 50% from the current 440,000 bpd to 660,000 bpd in 2029, Rystad said.

"Considering the time it takes for new resources to be developed and come online, Biden's policies — if they become permanent — will only affect Alaska's production after 2030," Rystad said. "Any effect on production in the last years of this decade will be negligible, only be limited to a handful of thousand barrels." ●

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NEW LIFE

Democrat lawmakers, and union leaders are mounting a campaign to save KXL.

U.S. Sen. Joe Manchin, a Democrat from West Virginia, who is chairman of the Senate Energy and Natural Resources Committee, sent a letter to Biden on Feb. 10 urging him to "take into account the potential impacts of any further action to safety, jobs and energy security."

"It is of the utmost importance that the United States maintain energy security through strategic relationships with our allies rather than increasing reliance on OPEC nations and Russia. This includes the development of infrastructure, like Keystone XL and Mountain Valley pipelines, to get this energy to market in the safest and most responsible way," he wrote.


SEN. JOE MANCHIN

Montana Attorney General Austin Knudsen and the AGs from the 13 other states made the same pitch to Biden, while reinforcing their case with threats to launch lawsuits.

Knudsen warned Biden that his executive order "will result in devastating damage to many of our states and local communities," including states outside the KXL route, Knudsen wrote.

He told Biden that states are reviewing their legal options "to protect our residents and sovereign interests" against the president's order that would "impose crippling economic injuries on the states, communities, families and workers across the country."

Sen. John Thune, a Republican from South Dakota, said scuttling KXL was nothing more than "a nod to the far-left environmental wing of the Democratic Party," which has persuaded Biden to issue a new moratorium on oil and gas leasing on federal lands, "even though we are a long way from significantly reducing or eliminating our need for oil and natural gas."


JUSTIN TRUDEAU

Reluctance to revisit

But there are early signs that neither Biden nor Canadian Prime Minister Justin Trudeau want to revisit the issue.

John Podesta, President Bill Clinton's White house chief of staff and a former adviser to President Barack Obama, said the pipeline is dead and not coming back to life.

He told a panel discussion on Feb. 12 that included Gerald Butts, former principal secretary to Trudeau, that it's time for Canada to get over the demise of KXL. Butts agreed that Biden isn't about to change his mind.

Canada's Trade Minister Mary Ng told Bloomberg that Trudeau has rejected calls that he take a more combative stance on KXL and prefers to take a conciliatory approach to cross-border relations to avoid endangering two-way trade worth about US$725 billion a year.

"I don't think that getting into a trade war with the U.S. (over KXL) is in the best interests of Canadian workers or the energy sector," she said.

Alberta talks compensation

Separately, Alberta Premier Jason Kenney said his province will seek compensation for Biden's veto of KXL by employing remaining provisions of the North American Free Trade Agreement, which remain in force until July 2023 when the new United States-Mexico-Canada free trade deal takes full force.

"We are going to use every legal tool at our disposal to protect our interests" against what he views as a "clear violation of the investor protection provisions" in NAFTA.

A spokesman for Alberta Energy Minister Sonya Savage told reporters the Kenney government is continuing discussions with U.S. political leaders but would not indicate how much compensation Alberta might seek if KXL is finally scuttled.

Savage has estimated Alberta might claim up to C$1.5 billion for the ownership stake it acquired in KXL, including C$400 million in loan guarantees it has already committed.

Other legal steps

Other legal steps are under review by oil companies that locked in shipping contracts with KXL owner TC Energy.

Suncor Energy, Canadian Natural Resources, Cenovus Energy, Imperial Oil and Athabasca Oil are believed to have secured their positions on KXL through contingency payments running to hundreds of millions of dollars.

Those payments included US$142 million by Suncor, US$100 million by Cenovus and US$48 million by Athabasca.

U.S. legal experts are also exploring another avenue, according to Scott Miller, a senior adviser at the Center for Strategic and International Studies in Washington, D.C.

He told the Financial Post that a recent U.S. Supreme Court ruling on the Deferred Action for Childhood Arrivals, DACA, found that former President Donald Trump contravened the Administrative Procedure Act in signing an executive order canceling DACA.

Pointing to similarities between DACA and KXL, Miller said "Keystone XL was not just a policy decision to allow a pipeline to cross a border. What came with it were a whole bunch of permits. The policy change (by Biden) had the effect of revoking those permits without due process."

—GARY PARK

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