Petroleum news

page 5 IHS exec Yergin releases book on energy's future trials, path

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Zsolt: If BM 1 passes there is real risk of oil company exodus

WITH BP LEAVING ALASKA fresh in his mind, ASRC Energy Service's director of technology Liam Zsolt asked himself if taxes really could incentivize development activities or drive oil company investment out of the state.

Since oil and gas investment yielded nearly 104,000 direct and indirect Alaska jobs in 2019, billions in state revenues and is the largest cash contributor to the Alaska Permanent Fund, losing oil company spending would be bad for the state and its citizens, who don't have a second strong industry to fuel the economy and job — and support state government.

see **INSIDER** *page 11*

RCA will delay decision on BP-Hilcorp deal; DNR finalizing work

The Regulatory Commission of Alaska had set a Sept. 28 date for its decision on the midstream portion of Hilcorp's acquisition of BP's Alaska assets, but said Sept. 15 that it couldn't make its decision without a decision from the commissioner of the Department of Natural Resources on transfer of state pipeline right-of-way leases associated with the pipeline transfers.

"The issues before us are very similar to those DNR is considering as to the right-of-way leases. Though we often consider and act on pipeline transfers before DNR acts on the underlying right-of-way leases, the scale of this acquisition makes it different from those more routine transfers."

RCA said it wanted to see DNR's consideration of the financial fitness of Harvest Alaska, Hilcorp's midstream company, and

see **BP-HILCORP DEAL** *page 10*

Donlin ROW decision remand: DNR sends matter for analysis

The Alaska Department of Natural Resources has remanded — to the State Pipeline Coordinator's Section — the matter of a motion of reconsideration of a final commissioner's decision dated Jan. 22, in favor of offering a natural gas pipeline right of way over state lands to Donlin Gold LLC.

DNR issued a notice of the remand on Sept. 8.

The proposed pipeline route runs from Beluga on Cook Inlet to the company's proposed mine in the Yukon Kuskokwim region of Western Alaska.

The Jan. 22 ROW decision, signed by Commissioner Corri Feige, proposed to offer the lease over 207 miles of state lands for 30 years, the maximum period allowed by law. The decision followed a series of public notices, hearings, community outreach

see **DONLIN DECISION** *page 8*

Energy Outlook finds absolute demand for fossil fuels to drop


SPENCER DALE

BP's Energy Outlook 2020, released Sept. 14, presents scenarios around an energy transition away from fossil fuels, tying in with BP's goal to get to net zero by 2050, and to transition from being an international oil company to being an integrated energy company, as Bernard Looney, the company's chief executive officer, said in introducing an online presentation of the outlook.

Spencer Dale, BP's group chief economist, said the role of the outlook is to help understand the

see **ENERGY OUTLOOK** *page 10*

EXPLORATION & PRODUCTION

Mustang is back

AIDEA restructures oil field project into viable enterprise w. new owner Finnex

By KAY CASHMAN
Petroleum News

On Sept. 16 the Alaska Industrial Development and Export Authority's board passed a resolution approving the negotiation and execution of a debt settlement/restructuring agreement and authorizing the sale of the Mustang oil field leases to Finnex LLC.

The resolution also allowed AIDEA to provide financing to Finnex, subject to certain conditions.

AIDEA, which had earlier foreclosed on the Mustang assets (a gravel pad, road, pipelines, related facilities and State of Alaska leases), has been working with other Mustang creditors and the working interest owners to settle various outstanding debts in an attempt to restructure the project into a viable enterprise.

"We're trying to bring ownership back to the North Slope," Jourabchi told Petroleum News in the email. "We are trying to simplify the ownership and to refocus the operations."

Anchorage-based Finnex is an affiliate of Thyssen

see **MUSTANG SALE** *page 8*

FINANCE & ECONOMY

Oil might just fly

Air travel data bodes well for oil demand, lifting COVID-19 gloom

By STEVE SUTHERLIN
Petroleum News

Relative to gasoline demand, flat jet fuel demand has been a drag on oil price improvements from COVID-19 induced lows, but it may now be lifting off.

Analysts have attributed a sharp oil price rebound to lowered inventories and a looming hurricane, but the aviation situation may be adding to the optimism.

West Texas Intermediate crude prices leapt back into the $40s at Petroleum News press time Sept. 16, up $1.83 to $40.11, while Brent gained $1.67 to $42.20. Alaska North Slope jumped 97 cents to $39.43 on Sept. 15 but rose to $41.11 on the 16th.

Airline stock prices gained altitude on Monday, Tuesday and Wednesday following bullish travel demand reports for the week ended Sept. 13 from the Transportation Security Administration.

The TSA said that an average of 738,038 people went through its security checkpoints each day, rising above the 715,145 daily average of the previous week — which included Labor Day weekend travel.

The post-holiday jump may indicate an uptick in business travel demand.

Leisure travel is higher as well. TSA data said 3.36 million people flew on Labor Day weekend, versus 2.68 million on the July 4th weekend and 1.21 million

see **OIL PRICES** *page 11*

LAND & LEASING

Two more lawsuits

Village of Venetie, various US states challenge ANWR lease sale decision

By ALAN BAILEY
For Petroleum News

Legal action challenging the Department of the Interior's decision to authorize oil and gas lease sales in the 1002 area of the Arctic National Wildlife Refuge is mounting in the U.S. District Court for Alaska.

As previously reported in Petroleum News, on Aug. 24 a lawsuit from a group of environmental organizations and another lawsuit from the Gwich'in Steering Committee and some other environmental organizations landed in the court. The latest action, on Sept. 9, saw a court filing from the tribal governments of the Village of Venetie and Arctic Village, and another filing from a group of 15 U.S. states. Interior Secretary David Bernhardt signed a record of decision on Aug. 17 approving an ANWR coastal plain leasing program.

Concerns about caribou impacts

The Village of Venetie and Arctic Village are home to the Gwich'in, a Native people of Arctic Alaska and northern Canada. The Gwich'in have for many years expressed strong concern about the potential impact of oil and gas industrial activities on the Porcupine caribou herd that calves on the ANWR coastal plain — caribou form a primary subsistence food source for the Gwich'in. The Gwich'in characterize the coastal plain as the "Sacred Place Where Life Begins."

"The coastal plain is one of the most important

see **ANWR LAWSUITS** *page 9*

● GOVERNMENT

AOGCC OKs Cannery Loop order changes

By KRISTEN NELSON
Petroleum News

On Sept. 9 the Alaska Oil and Gas Conservation Commission approved changes to the conservation order governing Cannery Loop field operations to allow production closer than 1,500 feet below the base of a gas storage pool.

The producing natural gas field, with leases owned 100% by Hilcorp Alaska, underlies the gas storage reservoir operated by Cook Inlet Natural Gas Storage Alaska.

"The Cannery Loop Field contains one gas storage pool and three actively producing natural gas pools," the commission said. In descending order the pools are: Sterling C gas storage pool, Beluga gas pool, Upper Tyonek gas pool and Tyonek "D" gas pool.

The commission said that in the absence of an order to the contrary, its regulations allow testing or production within 1,500 feet of a property line only if the owner and landowner are the same on both sides of the line.

Hilcorp had applied to AOGCC for a spacing exception to allow it to perforate two Cannery Loop Unit wells, CLU 13 and CLU 15, within 1,500 feet of the vertical property line of the gas storage pool.

At an Aug. 27 hearing Hilcorp and CINGSA presented materials including a diagram showing that 1,500 feet true vertical depth below the Sterling C, the gas storage pool, would encompass all of the Upper Beluga and most of the Middle Beluga, estimated to represent "a P10 to P90 range of remaining reserves to 20 to 80 BCF," effectively eliminating production of that resource.

"Hilcorp and CINGSA have jointly established a list of best protocols — including ongoing exchange of applications, reports, well and cement evaluation logs, flow and pressure data, and material balance analyses — as well as criteria for well-design and cementing to ensure integrity of both productive and storage reservoirs. Hilcorp testified that Hilcorp and CINGSA agree not to perforate within 50 true vertical feet of the base of the Sterling C gas reservoir," the commission said in its order.

As revised, the well spacing in the Cannery Loop unit order now specifies: "No hydrocarbon-bearing interval may be opened to a well within 50 true vertical feet of the Sterling C Gas Storage Pool," and no zone may be opened between 50 and 100 true vertical feet of the storage pool "without advance approval from the AOGCC."

There are also requirements for information submit-

see CANNERY LOOP page 3

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ON THE COVER

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GOVERNMENT

Kenney government emptying Alberta's purse on high-risk ventures

Piling up billions of dollars in losses from crude-by-rail, refinery and pipeline deals that observers insist need investigation

By **GARY PARK**
For Petroleum News

The Alberta government keeps trying to save high-risk elements of its petroleum industry — crude-by-rail contracts, refineries and pipelines — only to discover it has been tossing taxpayers' money into a bottomless pit.

Billions of dollars have gone down the drain in recent months and worse could be in store next year.

The quick summary shows losses and dubious gambles on three ventures have already tallied C$5.5 billion.

They start with a badly timed acquisition of a C$1.5 billion equity stake in TC Energy's Keystone XL pipeline that could be swallowed whole if Joe Biden becomes the next U.S. president and could grow by another C$6 billion if TC Energy takes up the government's offer of a loan guarantee in 2021.

The only reassuring note has been sounded by Energy Minister Sonya Savage, who says the C$1.5 billion investment caps the government's participation in the pipeline at this point, while Alberta awaits the U.S. election outcome which could immediately put the spotlight on Biden's pledge to scrap the U.S. regulatory permits awarded to Keystone XL.

Next in line is C$1.9 billion in net

JASON KENNEY

SONYA SAVAGE

losses at the Alberta Petroleum Marketing Commission, a government corporation which sells the government's royalty share of oil sands production.

That setback is largely tied to public involvement with the Sturgeon refinery, which processes bitumen into ultralow-sulfur diesel.

The province has a 30-year agreement to supply feedstock to Sturgeon, whose capital cost soared to C$10.1 billion from an initial C$5.7 billion before the facility came on stream earlier this year.

In addition, APMC's annual valuation of its bitumen processing deal shows a negative C$2.5 billion.

The APMC in its annual report in August called the government's commitment to Sturgeon "onerous."

Overall, Premier Jason Kenney said

see **ALBERTA LOSSES** *page 6*

LAND & LEASING

BOEM issues Cook Inlet nominations call

The federal Bureau of Ocean Energy Management is in the planning stages for a proposed 2021 Cook Inlet oil and gas lease sale. In Sept. 10 Federal Register notices BOEM said that because of the COVID-19 pandemic, public scoping for the proposed sale will be held online. The agency's virtual meeting room will be available through Oct. 13 at http://www.boem.gov/ak258-scoping.

In the notices, one a call for information and nominations and one a notice of intent to prepare an environmental impact statement and provide public scoping opportunities, BOEM said it is soliciting industry nominations for areas of leasing interest, "including nominations or indications of interest in specific blocks within the Call Area," and said it would also use the call "to gather comments and information for consideration in planning for this proposed OCS oil and gas lease sale."

The agency noted that the call "is not a decision to hold a lease sale in the Cook Inlet Planning Area" but evaluation of the area for potential oil and gas leasing.

Nominations and comments must be received by Oct. 13 and may be submitted through the federal rulemaking portal or by mail.

Written comments for the EIA are also due Oct. 13.

The proposed lease sale area includes 224 lease blocks, some 1.09 million acres, in federal waters in Cook Inlet north of Augustine Island and south of Kalgin Island.

In addition to the availability of the online virtual meeting room BOEM said it would also hold two live virtual meetings during the 30-day scoping period at https://www.boem.gov/virtual-meeting-room-alaska, with access available at the webpage at 6:30 p.m. Alaska time Sept. 29 and 6:30 p.m. Alaska time Oct. 1. The agency said questions may be submitted during the presentations via a chat function that will be enabled during the meetings.

BOEM has developed and seeks public input on three draft alternatives: Beluga whale mitigation alternative; northern sea otter mitigation alternative; and gillnet fishery mitigation. "These draft alternatives are based on and in response to stakeholder comments made during the development of the 2017-2022 Draft Proposed Program, the 2017-2022 Proposed Program and Draft Programmatic EIS and the Cook Inlet Lease Sale 244 (held in 2017) NEPA process," the agency said in the Federal Register.

—KRISTEN NELSON

continued from page 2

CANNERY LOOP

tals with applications for approvals and a requirement that for newly drilled wells, "an intermediate casing string must be set more than 50 feet below the base of the Sterling C Gas Storage Pool and continuously cemented to a minimum of 250 vertical feet above the top of that pool." ●

Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

US drilling rig count down by 2 to 254

The Baker Hughes U.S. rotary rig count dropped to 254 the week ending Sept. 11, down by two from the previous week, but still up from the 2020 low of 244 set the week of Aug. 14. That is also the lowest the rig count has been since Baker Hughes, a Houston based oilfield services company, began issuing a weekly rig count for the U.S. in 1944. Prior to this year, the low was 404 rigs in May 2016. The count peaked at 4,530 in 1981.

The Sept. 11 count was down by 632 from a year ago when it was at 886.

The Sept. 11 count was down by 632 from a year ago when it was at 886.

At the beginning of the year the count was in the low 790s, where it remained through mid-March, when it began to drop, reaching a new historic low of 374 rigs in early May and continuing to drop through the third week of August when it gained back 10 rigs.

This week's count includes 180 rigs targeting oil, down one from the previous week and down 553 from a year ago, 71 rigs targeting gas, also down one from the previous week and down 82 from a year ago and three miscellaneous rigs, unchanged from the previous week and up three from a year ago.

Twenty-one of the holes were directional, 214 were horizontal and 19 were vertical.

Alaska count unchanged

The rig count in Oklahoma (12) was up one from the previous week.

New Mexico (46), Texas (105) and West Virginia (7) were each down by one rig.

Counts in all other states remained unchanged from the previous week: Alaska (3), California (4), Colorado (5), Louisiana (37), North Dakota (9), Ohio (5), Pennsylvania (18) and Wyoming (1).

Baker Hughes shows Alaska with three active rigs Sept. 11 unchanged from the previous week and down by four from a year ago.

The rig count in the nation's most active basin, the Permian (124), was down by one from the previous week.

—KRISTEN NELSON

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● EXPLORATION & PRODUCTION

Newfoundland offshore at risk

Husky suspends one project, is doing sweeping review of role in region; asks Canadian government for help, without it may exit

By GARY PARK
For Petroleum News

Give or take a few years, Newfoundland's oil industry has grown over the last four decades into the backbone of a fragile provincial economy that struggled to stem an outflow of laborers across the rest of Canada, but has become accustomed to jobless rates nudging 20% among younger people.

In the process Newfoundland launched five offshore projects that account for 25% of Canada's light crude production, or 5% of its total output, with Alberta's oil sands making up the remaining 95%.


DWIGHT BALL

Although the manufacture and assembly of a large chunk of offshore structures has taken place in Asia, the industry has created thousands of jobs and hundreds of small support companies, which have held tight to optimism that exploration and development of offshore basins could extend the sector's lifespan by at least another 30 years.

Instead, there is now the prospect of not just a drastic slowdown, but the even grimmer belief that the Newfoundland industry could be entering the final phase of its existence that has included the 1982 sinking of the Ocean Ranger drilling rig in the Hibernia play that claimed the lives of 84 crew members and the 2009 ditching of a helicopter ferrying workers to Hibernia, with the loss of 17 of 18 on board.

West White Rose under review

Now a shock wave has hit Newfoundland that could match those two tragedies as Calgary-based Hong King-controlled Husky Energy has announced that it is taking a timeout to review the future of its West White Rose project that was targeted to achieve peak capacity of 75,000 barrels per day and reverse a rapid decline to 26,000 bpd in the associated White Rose field as reservoirs empty.

Husky said it provides more than 500 jobs at its operations in Newfoundland and would add 250 if West White Rose was brought on stream.

In addition, construction on West White Rose has generated more than 1,000 unionized jobs to handle a further C$1.1 billion to complete work on the project.

Further expenditures over the life of the field through 2036 are estimated at C$11 billion, while the province was expected to collect C$3 billion in royalties and taxes.

Husky Chief Executive Officer Rob Peabody, whose company operates the existing White Rose project and is a partner in the other operations, said the decision to stall work on West White Rose "leaves us no choice but to undertake a full review of the project and, by extension, our future operations in Atlantic Canada."

Husky had already delivered strong hints of its waning interest in Newfoundland. Citing persistently low oil prices, falling demand and the impact of COVID-19 it had shelved development plans for the Bay du Nord project and suspended a refit of the Terra Nova project that yielded up to 100,000 bpd in its peak years.

Newfoundland asks for aid

Former Newfoundland Premier Dwight Ball delivered a blunt warning that a lineup of hydrocarbon projects in its province could be lost without a financial commitment from the Canadian government.

"Time may not be on our side," he said, hinting at a possible exodus of the oil and gas industry from the region.

Andrew Parsons, the province's Industry, Energy and Technology Minister, said that even though his government supports West White Rose it is too strapped for cash to pursue the "significant equity investment" Husky wants.

"We're not talking about a million-dollar issue, we're talking about a billion-dollar issue. And for a province of 500,000 people that is extremely significant."

Parsons said he is now "anxiously waiting" to see whether the Canadian government will come to the negotiating table and what it will bring.

It would not be a first for the federal government which acquired an 8.5% equity

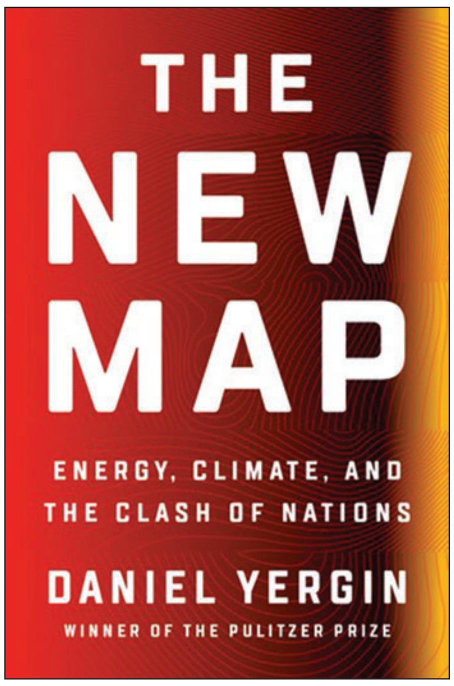
see **OFFSHORE AT RISK** page 6

● BOOK RELEASES

Yergin book released

COVID collides with geopolitics and energy in 'The New Map: Energy, Climate and the Clash of Nations,' by IHS Markit vice chairman

PETROLEUM NEWS



The COVID-19 pandemic has brought new disruption to a world already struggling over how to satisfy its energy needs, address climate change and cope with new power relationships in a complex new era of "energy transition," according to a new book, "The New Map: Energy, Climate and the Clash of Nations," by IHS Markit Vice Chairman Daniel Yergin.

"As a result of the pandemic, an uncharted chasm has suddenly appeared on the map, which the world is now beginning to work its way around," Yergin writes.

In The New Map, Yergin, author of The Quest and The Prize (for which he received the Pulitzer Prize) looks at an energy world already being reshaped by myriad forces — from the remarkable change in the energy position of the United States in the middle of a contentious presidential election, to geopolitical tension with China and Russia, to the reappearance of the electric car, the growing global role of renewables and the "post-Paris" era of energy transition.


DANIEL YERGIN

"This is no simple map to follow, for it is dynamic, constantly changing," Yergin says, as major countries chart intersecting and sometimes conflicting geopolitical paths in a new era of "great power competition."

This already disrupted world is now being further disrupted by the coronavirus and its dire impacts on people's daily lives and the habits that underpin the global energy system. "The office of the future" for many will end up "at home," he writes, which will mean less commuting, and thus reducing gasoline demand.

But that will be offset by more people driving their own cars to avoid mingling with others on public transportation, as indicated by the upsurge in the sale of used cars. And "electrons will replace molecules" as business travelers make more of their trips digitally, rather than in airplanes.

Era of the 'Big Three'

The coronavirus has also opened a wholly new era for world oil — what Yergin calls the era of the "Big Three" — the United States, Saudi Arabia and Russia.

When the coronavirus triggered the shutdown of entire economies, what Yergin describes as the "economic dark age," it caused an unprecedented collapse in oil demand and (briefly) the unthinkable — oil priced at less than zero. That is when the United States, now the world's largest oil producer, took the extraordinary step of brokering an agreement between Saudi Arabia and Russia to rebalance the market.

The pandemic also raises the big question: will the coronavirus upheaval speed or hinder the much-debated "energy transition" from fossil fuels to renewables? Yergin recommends a degree of caution against expectations for a rapid transformation.

"The notion of a fast track to a wholesale energy transition runs up against major obstacles: the sheer scale of the energy system, the need for reliability, the demand for mineral resources for renewables, and the disruptions that would result from speed," Yergin writes.

"On top of all of that is the high cost of a fast transition and the question of who pays for it — especially given the staggering amounts of debt that governments took on in 2020 to fight the economic consequences of the coronavirus."

"Energy transition certainly means something very different to a developing country such as India, where hundreds of millions of impoverished people do not have access to commercial energy, than to Germany or the Netherlands," he adds.

Yergin also observes how the global health crisis has underscored the role of plastics, made from oil and natural gas — whether for food and sanitary purposes, its multiple applications in hospital operating rooms, the indispensable N-95 mask or the-now-ubiquitous plastic shields that protect shopkeepers and essential workers.

New cold wars

The New Map is also a story of the clashing paths of global powers such as new cold wars.

Energy looms large in the new cold wars that are developing between the United States on one hand, and Russia and China on the other.

Russia's path on The New Map is a mix of energy flows, geopolitical competition, contention over the unsettled borders left in the wake of the Soviet Union's collapse — and "Vladimir Putin's drive to restore Russia as a Great Power."

This includes Russia's "pivot to the east," geared mainly towards one country, China and its energy needs for what will become the world's largest economy.

The New Map looks at how swiftly (and potentially perilously) the relationship between China and the United States is changing from "engagement" to "strategic rivalry" at a time when "China is expanding its reach in all dimensions," most visibly via the trillion dollar-plus Belt and Road Initiative.

China is also asserting control over almost all of the South China Sea, through which $3.5 trillion of world trade flows and nearly half of all the global oil tanker shipments. The most critical oceanic route in the world has become the "sharpest point of strategic confrontation with the United States."

Rivalry in the Middle East, peak oil

Speaking of the clashing paths of global powers, the Middle East, still the source for a third of the world's oil and gas, continues to be shaped by rivalry, most notably between Saudi Arabia and Iran, and by jihadism.

But it is also being reshaped by concerns over "peak demand" — how long consumption of oil will continue to grow and when it will begin to decline. This has fueled a new urgency for exporters to diversify and modernize their economies — an urgency heightened by the collapse of demand in the wake of the coronavirus.

'Auto-tech' and 'mobility revolution'

Concerns of "peak demand" have been driven in no small part by the emergence of the electric car, ride-hailing and ride-sharing services, and automated vehicles.

This "New Triad" is challenging oil's century-long dominance of the transportation market and creating a new contest for what could be a new trillion-dollar industry — what is dubbed "auto-tech." But here too, the coronavirus may have "disrupted the disruption" — as consumers turn more to personal vehicles rather than shared ones.

Yergin says that the next few decades will likely see the world's energy supplies coming from a mixed system of rivalry and competition among energy choices — one where oil retains a preeminent position as a global commodity. He also emphasizes that technological innovation will be the critical factor for the future of energy.

"How fast the mix changes will be determined not only by politics and policies, but by technology and innovation," Yergin writes. "That means the ability to move from idea and invention to technologies and innovation and finally into the marketplace. This is not something that necessarily happens fast." ●

Editor's note: The New Map can be purchased at bookstores and at Amazon.com and Barnesandnoble.com.

● EXPLORATION & PRODUCTION

88 Energy boosts Charlie 1 reserves

Says final petrophysical interpretation upgrades oil pay in shallow Seabee formation in Icewine test well drilled last winter

By KAY CASHMAN
Petroleum News

After using what it describes as "sophisticated laminated sand analysis," Australian independent 88 Energy upgraded the potential net oil pay in its Charlie 1 exploration well's shallow Seabee formation, the firm said Sept. 11.

The well was drilled earlier this year in the company's Icewine project on Alaska's North Slope, penetrating sandstones in seven stacked targets and shale in one target.

No flow tests were done; however, 88 Energy previously said gas condensate samples were "retrieved to surface from the Torok formation at 10,506 feet and 10,656 feet using a downhole sampling tool (Ora) run during the wireline operation."

Pay rose from 280′ to 398′

Icewine encompasses nearly 500,000 contiguous acres in the central North Slope; Charlie 1 is one of three wells the company, in conjunction with partners, has drilled in the acreage — Icewine No. 1 in 2015, Icewine No. 2 in

see **CHARLIE 1 WELL** *page 7*

COURTESY 88 ENERGY

Nordic Calista Rig 3 on the Charlie 1 well, winter 2020.

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ALBERTA LOSSES

the refinery's losses have been a "bitter pill," though he holds out distant hope that there "will be some revenue flow (from the facility) that will mitigate the risk and the loss to taxpayers."

Savage said the negative value attributed to the refining agreements "represent a snapshot in time" — numbers she believes are "likely to improve," yielding a "positive cash flow in the years to come."

Those prospects depend heavily on an end to COVID-19 and a rebound in diesel prices.

For now, what they represent is a bruising setback for those who pin their hopes for a recovery in Alberta on "value-added" projects such as refineries and attempts at "diversification."

Potential sales by Shell

The prospect of building new downstream facilities to generate jobs could face an even harsher punishment if Royal Dutch Shell succeeds with plans to sell its Ontario and Alberta refineries and the remainder of its stake in the Alberta oil sands.

There is talk of a blockbuster deal in the offing, with Canadian Natural Resources tagged as the possible buyer of the refineries along with Shell's 10% share of the Athabasca Oil Sands Project, plus Chevron's 20% share of the same project at an estimated price tag of up to C$8.5 billion.

CBR contracts

Lastly, the Kenney government is out C$2.1 billion after unloading crude-by-rail, CBR, contracts signed by the previous New Democratic Party government led by Rachel Notley.

But that loss is a small fraction of the province's projected deficit of C$24 billion for the 2020-21 fiscal year.

Faced with stalled and slow-moving new pipelines to ship crude bitumen from Alberta to the U.S. and offshore markets, the Notley administration hitched its wagon to CBR, committing itself to ship 120,000 barrels per day for three years.

Following his election in mid-2019, Kenney pledged his government to sell off the CBR deal, a promise that started to crumble almost as fast as it was made. Although buyers were found for 50,000 bpd of the rail capacity, negotiations for the remaining 70,000 bpd have hit a wall.

COVID nosedive

Crude demand went into a nosedive because of COVID-19, dragging some Alberta energy prices to their lowest point on record.

A spokesman for Savage said the Notley government should "never have entered (the CBR deals) and forced this type of risk on to the Alberta taxpayer. It was a terrible gamble with taxpayer dollars."

Speaking of such gambles, the Kenney government is now under mounting pressure to explain its own ventures.

Ted Morton, a former Alberta finance minister, told the Calgary Herald "the track record is brutal. Let's face it, for politicians — I don't care what party — you are not playing with your own money."

Blake Shaffer, an economist at the University of Calgary, said there is need for a "deep dive" by a third party to investigate the agreements. "We need to see the details. That's a fair thing for Albertans to ask for when it's our money that gets lost in these transactions." ●

Contact Gary Park through publisher@petroleumnews.com

continued from page 4

OFFSHORE AT RISK

stake to rescue the pioneering Hibernia operation.

The federal Natural Resources Minister Seamus O'Regan told Newfoundland that delicate discussions are underway following months of lobbying for federal aid.

"We are at the table right now, hammering out the concrete steps needed to support the offshore industry," he said. "Our government has worked every day with the province, industry, unions and investors to sustain the competitiveness of the offshore."

Charlene Johnson, chief executive officer of the Newfoundland and Labrador Oil and Gas Industries Association, said Husky's announcement "is potentially devastating to our industry."

She said O'Regan has held out similar hope before without providing any financial help for an industry that is "on the brink" as companies besides Husky curtailing exploration and drilling.

"They're just words," Johnson said. "We have yet to see action and we need to see action." ●

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CHARLIE 1 WELL

2017 and Charlie 1 in the winter of 2019-20. None of the wells proved commercially successful, although according to 88 Energy the jury is still out on the Icewine unconventional targets in Icewine No. 2 and, of course, the shallow oil and gas condensate in Charlie 1.

In the Charlie well 88 Energy initially viewed the upper and lower Lima of the Seabee as secondary targets above the deeper, primary Torok formation objective which was initially tested for oil but instead found a thick interval of gas condensate.

Both upper and lower Lima "are confirmed as large oil discoveries by this interpretation and the lab results," the company said Sept.11. "The results are particularly significant as these targets are the most extensive of the Icewine conventional horizons as well as being relatively shallow," in comparison to the Torok formation.

The laminated sand analysis, or "thin-bed" evaluation of the wireline logs recorded across the Seabee and deeper Torok formations to look for discrete, thin sand layers that can often be "glossed over" by standard logging tools, 88 Energy noted in its Sept. 11 announcement.

These logging tools "take measurements over specific intervals of depth, often larger than the thickness of the sand layers themselves, missing these thinly bedded target horizons."

"Encouragingly, the final interpretation provides a significant increase in net pay, compared to the initial interpretation, of 398 feet (vs 280 feet), with the largest contribution coming from the Lima discoveries in the Seabee formation. These improvements are despite using higher cut-offs for both reservoir and net pay," the company said.

Not optimally located

The company also said it has done advanced laboratory analysis of the cores taken during drilling of Charlie 1, including nuclear magnetic resonance, to calculate improved hydrocarbon saturations across most of the oil and gas-bearing zones.

All of this work resulted in a 42% bump in the net thickness of oil and gas-bearing pay throughout the well, from 85m to 121m, with the best result being a three-fold increase in the shallow oil pay zones of the Seabee from 22m to 71m, 88 Energy said.

The company's managing director, Dave Wall, said: "The results from the Seabee, despite Charlie 1 not being optimally located, are outstanding. Whilst these may appear as a serendipitous by-product of the well, internal analysis prior to drilling had already significantly high graded this formation; however, it was too late to change the objectives/location of the well, meaning that work remained largely on the drawing board."

"This final interpretation is a strong vindication of that internal effort. We are now looking forward to the conclusion of the evaluation of the Seabee oil discoveries as we integrate the petrophysics into the seismic inversion and subsequent mapping, which will ultimately yield updated volumetrics for our resources that will feed into the Icewine farm-out process."

The Kuparuk remains a "prospective target, with anomalously good reservoir quality for its depth, however, no mapping has been done for this horizon" and it is considered gas prone.

The extent of the accumulations will be estimated over the coming weeks as "these final petrophysical numbers are integrated into the updated seismic inversion product," 88 Energy said.

The upgrade in oil pay in the Seabee formation at Charlie 1 will likely give 88 Energy's next Icewine project well, Heavenly 1, an advantage while it is being marketed for farm out as a Seabee test location. ●

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UTILITIES

RCA moving forward on ERO regulations

The Regulatory Commission of Alaska is moving steadily forward in the development of regulations for electric reliability organizations, or EROs, in Alaska. During a public meeting of the commission on Sept. 9 the commissioners approved the terms of regulations for mandating requirements for an ERO board of directors, for ERO certification by the commission and for ERO cost recovery. The next step for the commission will be to develop specific regulatory language, based on the board decisions — Commissioner Antony Scott said that he hopes that draft regulations will be available for publication at the end of September, depending on the various priorities for staff work.

The regulations will be designed to enable the implementation of Senate Bill 123, a bill passed earlier this year giving the RCA statutory authority to regulate an ERO. The immediate objective is the establishment of an ERO for the Alaska Railbelt electrical system, to enable a more unified approach to the management and operation of the system.

The regulations will be designed to enable the implementation of Senate Bill 123, a bill passed earlier this year giving the RCA statutory authority to regulate an ERO. The immediate objective is the establishment of an ERO for the Alaska Railbelt electrical system, to enable a more unified approach to the management and operation of the system.

The commission has formed two other dockets for developing regulations associated with other components of SB 123. One docket is dealing with the regulation of integrated resource planning for the electrical system and of commission pre-approval for the construction of new major facilities for the system. The third docket will deal with regulations for the filing of reliability standards and the rules for ERO operation.

The six Alaska Railbelt electric utilities are in the process of forming the Railbelt Reliability Council, or RRC, an ERO for the Railbelt system. By first developing regulations required for ERO certification, the RCA anticipates establishing regulatory clarity for the RRC, as the organization moves towards applying for a certificate of public convenience and necessity from the commission.

The commission has also initiated work on the second of the dockets by inviting ideas for topics to discuss during a technical conference on potential regulations for integrated resource planning and large project pre-approval. The commission does not anticipate initiating work on the third docket until early next year.

—ALAN BAILEY

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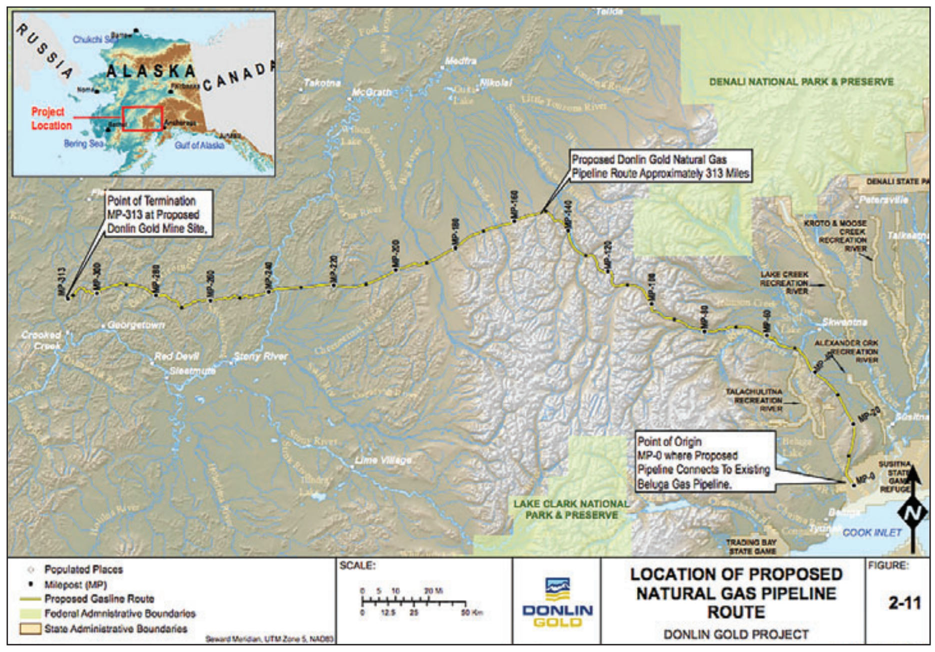
DONLIN DECISION



and comment periods which began in 2014. Feige found that Donlin is "fit, willing and able to properly construct, operate, maintain and terminate the Donlin Pipeline."

But in an April 30 letter to Bob Shavelson of Homer based Cook Inletkeeper, Feige granted a request for reconsideration.

"Following the issuance of the Final Decision, the Commissioner received a request for reconsideration concerning, in part, the cumulative effects and reasonably foreseeable impacts of the project," DNR said in a Sept. 10 public notice. "The Commissioner agreed to reconsider these issues and has decided to remand this matter to the State Pipeline Coordinator's Section to conduct further analysis on constitutional issues which may be implicated by proposed ADL 231908."

"Under the Alaska Constitution, we Alaskans own our fish and water resources, and the state is charged with managing them in the public interest for current and future generations," Shavelson said in a May 20 post on the Cook Inletkeeper website.

In the Feb. 6 request for reconsideration, Inletkeeper and co-petitioners Orutsararmiut Native Council, Kasigluk Traditional Council, Tununak IRA Council and Susitna River Coalition said their previously submitted comments and concerns about the right-of-way lease were not resolved prior to DNR's Jan. 22 final decision.

"By segmenting the pipeline project into separate components, DNR has failed to take a hard look at impacts of all elements of the pipeline project, and of related projects that — together with the pipeline — will have cumulative effects on the state's resources," Inletkeeper said in the request. "Furthermore, the proposed decision fails to take a hard look at the types of impacts reasonably expected to flow from the various elements of the pipeline project, including but not limited to impacts to fish and wildlife, water quality and quantity, air quality, and soils and vegetation."

Inletkeeper also said the proposed decision "wholly neglects to address the anticipated effects of climate change."

"Under AS 38.35.100, the commissioner is tasked with determining whether the ROW will serve the present or future public interest, whether the state's property interests will be protected, and whether the applicant will ensure that there will be no significant adverse environmental impact to the State's public trust resources including fish, wildlife, vegetation, biotic resources, subsistence resources, land and water resources," Inletkeeper said. "This duty of the commissioner is rooted in Article VIII of the Alaska Constitution, which requires that natural resources be made available for maximum use, consistent with the public interest, and that wherever occurring in their natural state, fish wildlife and waters are reserved to the people for common use."

Additional comment period scheduled

The State Pipeline Coordinator's Section said in the Sept. 10 notice that it has prepared a revised consideration of comments and as instructed by the commissioner, is releasing the revisions to the public for an additional opportunity to comment on the project prior to the commissioner's final decision.

In the revised consideration, updated Aug. 27, DNR said several of its responses have been revised from its Jan. 17 publication to "better discuss DNR's analysis of the cumulative impacts of the proposed right-of-way lease."

"Assuming the Commissioner ultimately grants the right-of-way approval, DNR intends to review the cumulative impacts of the project at a later point and seek public comment, likely after the applicant receives any and all Title 16 habitat permits from the Alaska Department of Fish and Game, of which there are many," DNR said.

In evaluating the pipeline, the state reviewed engineering, environmental and existing use information, DNR said, adding that the evaluations and resulting stipulations provided the basis for its decision that Donlin's preferred route provides a greater degree of resource protection than other alternatives.

In addition to review of the pipeline application, the state participated as a coop-

see **DONLIN DECISION** *page 9*

continued from page 1

MUSTANG SALE

Petroleum Alaska LLC, which in turn is an affiliate of Mustang working interest owner TP North Slope Development LLC. All the companies appear to be owned by Houston-based Thyssen Petroleum USA LLC.

AIDEA's executive director and staff, who have been working with the creditors and owners, recommended the board approve the resolution, which was passed by the unanimous consent of board members.

Mustang, which is in the Southern Miluveach unit adjacent to the southwest edge of the Kuparuk River unit, is the first oil field on Alaska's North Slope to have been taken from discovery to production by a small independent oil company — Brooks Range Petroleum Corp., or BRPC.

BRPC drilled the Mustang discovery well, North Tarn 1A, in January 2012. The field is thought to hold 21.2 million barrels of proven oil in place.

Mustang began producing oil in early November 2019, per the Alaska Oil and Gas Conservation Commission. The field produced 10,999 barrels of oil that month, averaging 478 barrels a day for the 23 days it was in production.

Due to financial difficulties the field has been offline ever since and was scheduled to be sold at auction Sept. 23 if a deal could not be worked out.

Back to original owners

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

Later BRPC brought in Singapore-based Caracol Petroleum, which reneged on loan obligations to AIDEA that ultimately led to foreclosure.

In a May 21 email Majid Jourabchi, currently chief operating officer of Thyssen Petroleum USA per the firm's website, addressed reports that he was part of a team attempting to buy majority ownership in Mustang from investors in Caracol, as well as restart shut-in oil production later this year.

"We're trying to bring ownership back to the North Slope," Jourabchi told Petroleum News in the email. "We are trying to simplify the ownership and to refocus the operations."

Finnex formed in June

Finnex was formed June 23, per its

see **MUSTANG SALE** *page 10*

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ANWR LAWSUITS

natural, cultural, and subsistence resources to the Neets'aii Gwich'in of Arctic Village and Venetie and to the Gwich'in people as a whole," said Native Village of Venetie Tribal Government First Chief Margorie Gemmill in a Sept. 9 release. "The cultural identity of the Gwich'in people as caribou people is intertwined with the Porcupine Caribou Herd's calving areas in the coastal plain. Any impacts to the Porcupine Caribou Herd from changes in migration patterns, lower fertility rates, and loss of habitat will have significant adverse social, cultural, spiritual, and subsistence impacts on our people."

The Sept. 9 court filing by the tribal governments emphasized this same point, while also commenting that the ANWR coastal plain provides habitat for huge numbers of migratory birds and many species of mammals, fish and other wildlife. The appellees argue that the Department of the Interior conducted "hurried and deeply flawed reviews of the (leasing) program's impacts on subsistence, historic properties and the environment," when reaching its Aug. 17 record of decision. Thus, the department violated a number of federal laws, including the Alaska National Interest Lands Conservation Act, the National Wildlife Refuge System Administration Act and the Administrative Procedures Act, the appellees claim.

The appellees argue that National Environmental Policy Act analysis leading to the lease sale record of decision significantly underestimated the potential amount of oil that may be produced from the coastal plain and failed to consider the potential environmental impacts of pre-leasing seismic surveying. Moreover, the action alternatives considered in the lease sale environmental impact statement maximize potential oil and gas development while under emphasizing environmental and human health protections, the court filing says. The appellees also claim inconsistencies between the findings in the lease sale record of decision and the terms of the 2017 Tax Act, the act containing approval for the holding of ANWR lease sales.

Filing by 15 states

The following 15 states participated in the other lawsuit filed on Sept. 9: Washington, Massachusetts, California, Connecticut, Delaware, Illinois, Maine, Maryland, Michigan, Minnesota, New Jersey, New York, Oregon, Rhode Island and Vermont.

The states' court filing argues that the record of decision and its related final environmental impact statement for ANWR lease sales violate several federal statutes, including the Alaska National Interest Lands Conservation Act and the Administrative Procedures Act. Interior failed to determine that an authorized leasing program is compatible with the purposes of ANWR and also prioritizes oil and gas development over the refuge's conservation purposes, the states claim. The filing says that topics inadequately evaluated include the impact of leasing on greenhouse gas emissions and climate change, and the impacts on migratory birds — the states cite the potential impacts of ANWR oil and gas leasing on birds that migrate from the coastal plain to the states' own territories, as well as the potential impacts of greenhouse gas emissions on the states.

"Defendants' actions severely underestimate the avoidable and irreparable damage to vital habitat and pristine waters, imperil wildlife already struggling to thrive in a rapidly changing ecosystem, and increase greenhouse gas emissions at a time when our nation and the world drastically need to reduce emissions to mitigate the most extreme harms of climate change," the states' court filing says.

As in the other filing, the states also claim that the record of decision and FEIS make an unlawful interpretation of the terms of the 2017 Tax Act.

Interior should have considered an alternative for oil and gas leasing that includes restrictions on surface disturbance, limits on ice road construction, phased leasing and other possibilities for mitigating environmental impacts, the states' filing says.

Alternative perspectives

Proponents of oil and gas leasing in the ANWR coastal plain argue that restrictions in surface impacts, as mandated in the 2017 Tax Act, coupled with the use of modern technologies such as long-reach directional drilling would minimize the impact of oil and gas development in the region. At the same time, development would bring significant economic benefits at the local, state and federal levels, proponents have argued.

There is a diversity of views on the North Slope regarding potential oil development on the ANWR coastal plain, given the potential for development to bring economic benefits to the region. Arctic Slope Regional Corp., the Native regional corporation for the North Slope, has expressed its support for oil and gas leasing on the coastal plain, while also emphasizing the critical importance of environmental protection and the need to recognize the importance of the caribou to Native communities. ●

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DONLIN DECISION

erating agency in the National Environmental Policy Act process which resulted in modifications of the preferred route to minimize overlap and impacts to the Iditarod trail and Dalzell Gorge, DNR said.

The U.S. Army Corp of Engineers, lead agency of the NEPA process, authorized Donlin's preferred route based on the final environmental impact statement.

"Construction plans and the Alaska Department of Fish & Game Title 16 habitat permits will outline steps taken to minimize impacts to fish habitat," DNR said. "Stream crossings will be reviewed, analyzed for cumulative impacts, and approved by DNR and ADF&G prior to issuance of the NTP construction approval."

The pipeline would not remove any acreage from use for recreational or subsistence opportunities, it said.

"Public rights to use navigable waterways and public lands for navigation, commerce, fishing, hunting, and more will be protected, subject to the principals of the Public Trust Doctrine, as mentioned in Section III of the proposed decision," DNR said.

Documents concerning the DNR decision on remand are available at: http://dog.dnr.alaska.gov/Home/Newsroom.

Comments about the DNR decision on remand must be submitted in writing to the SPCS before 5 p.m. Nov. 9.

—STEVE SUTHERLIN

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ENERGY OUTLOOK

range of uncertainty about the future and is organized around three major scenarios.

The rapid scenario, Dale said, is based on policy measures with significant increases in carbon prices, resulting in carbon emissions from energy use falling by about 70% by 2050.

Net zero is based on an assumption that in addition to policy measures in the rapid scenario, there are significant changes in behavior and preference — such as shifting to electric vehicles — that reinforce policy measures, causing carbon emissions from energy use to fall by more than 95% in 2050.

Business as usual, BAU, assumes policies, technologies and preferences continue to evolve as they have in the recent past, resulting in slow progress, and a reduction of carbon emissions by 2050 of around 10% from 2018 levels.

Oil demand over the 30 years falls in all three scenarios: by 10% in the BAU scenario, by some 55% in the rapid scenario and by 80% in net zero.

Oil, gas not going away

An energy transition does not mean fossil fuels (coal, oil and gas) are going away, just that their role declines over time, Dale said, from about 85% of primary energy in 2018 to between 65% and 20% by 2050 in all three major scenarios.

But in all three scenarios something unprecedented happens — a reduction in the absolute demand for fossil fuels over the next 30 years, something, Dale said that has never happened in the modern history of energy.

No traded fuel has ever had a sustained consumption decline, he said: While the shares of coal and oil have declined, their absolute levels of consumption have never declined.

In the first half of the twentieth century coal provided the bulk of the world's energy; by the 1960s coal had been supplanted by oil. In the rapid scenario, over the next 20 years the global energy mix will be oil, natural gas, renewables, other non-fossil fuels, with growth in primary energy dominated by renewable energy — wind, solar, geothermal and bioenergy — and in all three scenarios their penetration of the energy system is faster than any fuel in modern energy history.

The growth in renewables is supported by an increasing role for electricity, which increases in all three scenarios. And because it is more costly to transport, it causes energy markets to become more localized, Dale said, again referencing the rapid scenario. There is also increasing competition between different forms of energy, increasing the bargaining power of consumers.

COVID-19 impacts

COVID-19 is considered in the outlook and Dale said the central view for all the scenarios is that over the next few years economic activity recovers from the impact but that some effects persist, with the level of global GDP assumed to be reduced by some 2.5% in 2025, increasing to 3.5% in 2050, and energy demand reduced by some 2.5% in 2025 and 3% in 2050.

He said the majority of the pandemic's impacts stem from the weaker economic environment, but there are also impacts from behavioral changes, with less travel, a switch away from public transportation and work from home. While many of the behavioral impacts dissipate over time, some of the changes, particularly more people working from home, are expected to persist.

For two scenarios, rapid and net zero, the level of oil demand never recovers to its pre-pandemic level and has the effect for both those scenarios of bringing forward the peak in oil demand to 2019.

Oil demand in the BAU scenario plateaus in the mid-2020s.

Transition investment issues

For an energy transition to occur, the outlook said, both the rapid and net zero scenarios would require significant investment in wind and solar capacity. The average annual investment for those scenarios would be between $500 billion and $750 billion, two to three times the recent levels of investment in wind and solar capacity. BAU also requires investment, an increase to some $300 billion to $400 billion per year.

The net zero scenario implies a quick buildout of capacity in the 2020s and 2030s and then falling off, which "may lead to issues of excess capacity in the supply chain supplying this buildout," BP said in the outlook. Because there would be a marked decline in oil and natural gas demand in both the rapid and net zero scenarios, there would be "a sharp slowing in the pace of upstream investment relative to the past" and that investment would be significantly lower than that in wind and solar capacity.

Oil, natural gas investment

Significant investment would still be required in oil and natural gas production, even with a decreased demand for those fuels.

BP said the scenarios are based on the assumption that if over the next 30 years producers invested only to maintain existing production and complete projects already sanctioned, "this would imply an average decline rate of oil production of a little above 4%" per year, and oil production would fall to some 25 million barrels per day in 2050.

Natural gas production would decline at a rate of 4.5%, "reflecting the greater proportion of natural gas production that comes from short-cycle unconventional plays."

Significant investment would be required, BP said, to close the gap between no greenfield investment and the supplies needed to meet the demand profiles, a total of between $9 trillion and more than $20 trillion over the next 30 years.

Under the net zero scenario, oil demand is relatively resilient in the first half of the outlook, suggesting a need for several trillion dollars of new oil investment over the next 15 years to ensure adequate supplies.

But oil demand falls rapidly in the second half of the net zero scenario — at a faster rate than the natural decline rate of production — which implies, BP said, "that some of these investments by 2050 may not be fully utilized and so may become uneconomic."

Gas different

The role of natural gas is different.

In the BAU scenario, natural gas demand grows and in 2050 is about a third higher than in 2018.

Natural gas demand peaks in the mid-2030s in the rapid scenario and in the mid-2020's in the net zero scenario.

There are two main components in the role of natural gas, Dale said: it supports a shift away from coal in developing economies and plays a role when combined with carbon capture use and storage as a source of near zero carbon energy.

In the rapid scenario, by 2050 some 40% of natural gas is used in conjunction with CCUS; that share is about three-quarters in the net zero case.

The role gas plays in relation to coal, Dale said, is based on the possibility that renewables and other non-fossil fuels may not be able to grow fast enough to replace coal, at lease in the short term.

—KRISTEN NELSON

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BP-HILCORP DEAL

also said it wanted to see the terms of any financial assurance agreements between DNR and Harvest Alaska because the terms of such an agreement "may affect our assessment of the financial ability of Harvest Alaska to acquire the pipeline interests it has applied to us to transfer."

DNR spokesman Dan Saddler told PN is a Sept. 16 email that the department had hoped to wrap its analysis of the midstream portion of the sale the week of Sept. 7, but "final due diligence on the matter revealed two particular details concerning a couple pipelines involved in the transaction that we believed needed to be more clearly documented. That pushed our delivery date a bit past our target date."

He said DNR is completing its final review and due diligence and anticipates transmitting its "fit, willing and able analysis" to RCA by close of business Sept. 17.

"The associated financial assurance agreements, and the financial analysis undertaken as part of the fit, willing and able analysis, will be retained as confidential in accordance with DNR's statutes," he said.

"We appreciate that RCA wants to make progress, and note that the commissioners have had the PSA in their hands for 12 months," Saddler said. "We understand and share everyone's desire to continue to keep making progress, but in transactions like this the details really matter and it is essential that we get them right the first time."

BP and Hilcorp announced the sale last August and the upstream portion of the sale closed June 30.

—KRISTEN NELSON

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MUSTANG SALE

creation filing with Alaska's Division of Corporations.

The company's address is listed as 5120 Woodway Drive, Houston, Texas, which matches that of Thyssen Petroleum.

Its registered agent is Harry Bockmeulen, who is also a BPRC vice president; its organizer is Jourabchi.

Finnex's mailing and physical address in Anchorage is 301 Calista Court.

The officials and ownership of Finnex are listed as Thyssen Petroleum Alaska LLC 85% and Galactico LLC 15%.

Thyssen Petroleum

According to oilmonster.com, "Thyssen Petroleum, founded in 2011, is a small privately-held oil and natural gas exploration and production company with production in Louisiana and Alaska. The company is securely financed by the holding company of the Thyssen-Bornemisza family, one of Europe's oldest and most distinguished industrial families. It owns a major shareholding in the NYSE-listed IHS Markit Ltd., the critical information provider to the oil and gas industry."

Thyssen Petroleum has 11 employees. ●

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INSIDER

The "last time we thought about this was when our … tax regime (ACES) transitioned to the current SB 21 framework (More Alaska Production Act, or MAPA)," Zsolt said.

The people promoting Ballot Measure 1 (the Fair Share Act) claim the current tax regime, MAPA, has not had an impact on oil investment and production.

LIAM ZSOLT

In the interest of cutting through their "noise and disinformation" Zsolt took production data from the Alaska and Gas Conservation Commission and charted a comparison of production and the tax regime in place at the time (see his chart in the pdf and print versions of this column).

Zsolt's analysis clearly shows Alaska was losing 40,000 barrels per day of production each year under ACES, a trend that was almost immediately arrested under MAPA.

Today, we are hundreds of thousands of barrels per day (hundreds of millions in royalties) better off than we would be if the decline had continued under ACES.

"I think a similarly unfavorable tax regime like the Fair Share Act could cut our production in half within seven years. This will more than offset amounts gained in the very short term and cripple any growth in the industry that employs the most Alaskans and is fundamental to our economy," Zsolt said.

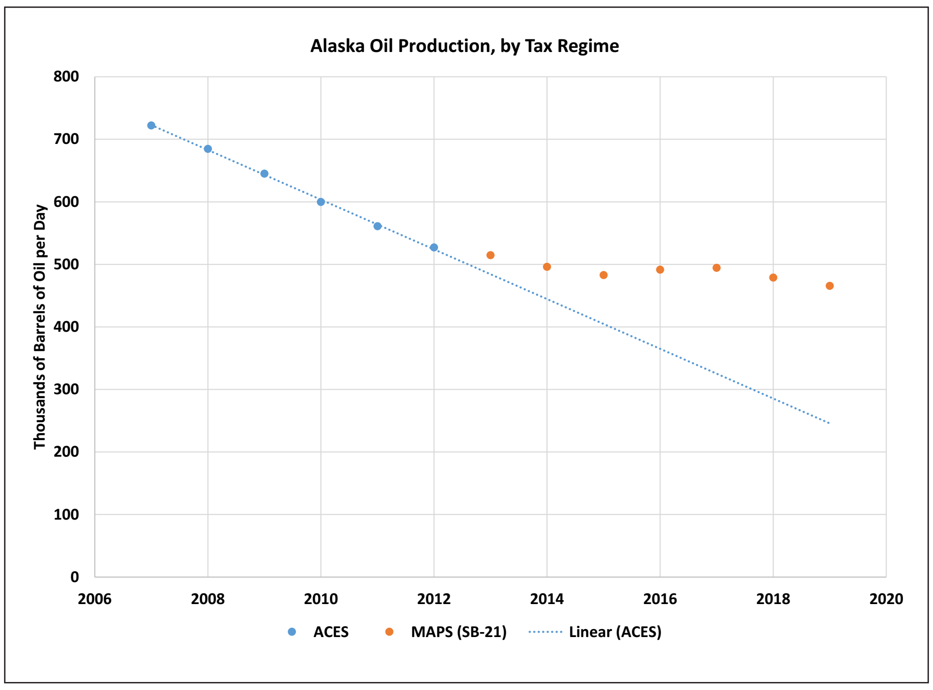
If the Ballot 1 measure passes in November, "there is a real risk of oil companies leaving Alaska; at the very least I think many will drastically cut their spending here."

IHS says BM 1 disincentive to investment

IHS Markit recently released an expert analysis of Alaska's competitiveness in oil and gas markets, including an assessment of the impact of the tax increase proposed in Ballot Measure 1.

The analysis team concluded that the state's oil and gas fiscal system will become one of the least competitive in the United States under Ballot Measure 1, coming at a time when other states have either introduced or are considering actions to incentivize industry investment.

Furthermore, IHS said Alaska has one of the most unstable oil and gas fiscal systems in the world; a disincentive to invest.



BP heavily invested in L48 oil

And for those who think BP is leaving Alaska because it's only investing in green energy, think again. The London-based major is one of the largest oil producers in the deepwater Gulf of Mexico, aiming to produce some 400,000 barrels per day by the mid-2020s.

With more than three decades of experience in the deepwater Gulf, BP's next wave of growth is underpinned by several new major projects already underway, including: a $1.3 billion expansion at the Atlantis field; a second major expansion at the Thunder Horse field, expected to boost production at its largest platform by 50,000 bpd; the $9 billion Mad Dog 2 development expected to start up in late 2021, including the new Argos floating production platform, which will produce up to 140,000 barrels of crude oil per day from as many as 14 production wells.

As one of the Gulf of Mexico's largest leaseholders, BP said it also has significant exploration and appraisal opportunities to evaluate, including recent discoveries.

And then there are BP's shale oil and gas assets, which currently produce 190,000 bpd of oil equivalent from the Permian-Delaware and Eagle Ford basins in Texas, and the Haynesville basin in Texas and Louisiana.

While BP is in the process of divesting legacy assets in Wyoming, Colorado, Oklahoma and New Mexico, it expects to more than double its annual capital spending to $2 billion-plus a year on its newly expanded onshore portfolio in Texas and Louisiana.

Back to Zsolt: people forget

"Fundamentally, I think people forget that oil companies have a choice about where to invest their money. In recent years, we have watched the major companies gravitate towards the Permian basin. Texas is now at record production levels (a condition that Alaska has not enjoyed since the late '80s). Oil companies make these decisions, in part, based on a predictable, business-friendly geopolitical environment," Zsolt wrote in a recent opinion piece he submitted to several publications in the state.

The budget cuts that Alaskans are currently adjusting to "would be modest compared to cuts stemming from a significant reduction in petroleum activity," he noted.

"A stable environment creates jobs. As our partners in development continue to invest in Alaska, confident in their future here, Alaskans are enriched, and our economy is built. Staying the course will put Alaskans back to work," he said.

Gov. Sean Parnell's Senate Bill 21, or SB 21, passed and signed into law in 2013, encouraged increased production.

Furthermore, "Alaskans made a commitment to host a responsible industry with a particular tax regime so we could maximize our benefit from developing our rich resources," Zsolt said.

"Industry responded by placing Alaska high within the global portfolios of ConocoPhillips, Oil Search, Hilcorp, and many others," despite tough operating conditions and stringent environmental standards.

"Staying the course is, beyond being a good financial decision, the right thing to do," Zsolt said.

"Alaskans who want to see our beautiful state's revenues increase should support the continued health of Alaska's oil industry and vote no on the Fair Share Act. Do not move the goalposts for our children; vote no to keep Alaska's future sustainable for our next generation," he said.

—KAY CASHMAN

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OIL PRICES

over Memorial Day weekend.

A recent Cowen survey said "pent up demand" for air travel may drive traveler numbers higher into year end, with 52% expecting to fly by the end of the year versus 34% flying during the pandemic.

Chinese domestic air travel has staged an impressive comeback.

An August report by travel analytics company ForwardKeys said that the Chinese domestic air travel market could recover in September.

Chinese carriers have discounted seats heavily, some offering all-you-can-fly unlimited passes to coax travelers into the air.

China domestic flying bottomed out in February, when the pandemic forced some Chinese cities and provinces into lockdown, but it has consistently increased since then.

Chinese carriers seem to be focused on getting planes into the air, rather than restricting seat capacity as U.S. carriers have done.

Cirium analytic data indicate that domestic passenger capacity is expected to be about 10% higher by the end of September than the same period last year.

Cirium fleet storage data for China's largest carriers — Air China, China Southern Airlines and China Eastern Airlines — shows that the number of stored aircraft has fallen sharply in recent months.

Domestic freight sees growth

U.S. air freight carrier volume is flying higher on e-commerce growth.

FedEx reported that average daily package volume for FedEx Ground rose 31% to 11.6 million during the fiscal first quarter ended Aug. 31, while revenue per package rose 2% to $9.33. FedEx stock price moved higher on the news.

COVID-19 initially created turbulence for FedEx and United Parcel Service as profitable deliveries to businesses evaporated while higher-cost residential deliveries soared.

Those costs have been offset however by lower fuel prices. FedEx's $565 million fuel spend across the company during the quarter was 35% lower year over year, while infrastructure such as automated sorting centers and route optimization have added cost efficiency.

Amazon's Prime Air has built up its air cargo fleet during the pandemic, to about 70 planes, up from 50 planes in February, according to a Sept. 9 report by DePaul University Chaddick Institute for Metropolitan Development.

Prime Air expanded flight activity 30% since April through fleet expansion and improved utilization, the report said. ●

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