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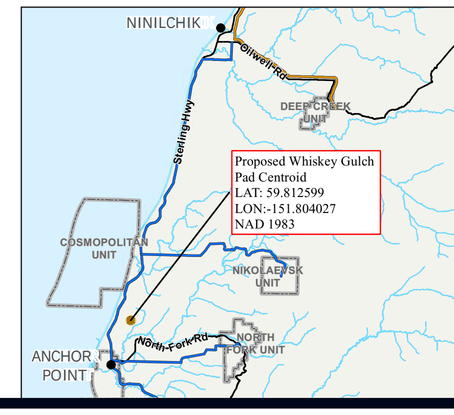

page 7 AOGCC OKs Whiskey Gulch No. 1, the first exploration well at prospect

Badami 18th development plan okayed; work on B1-07, B1-36 wells

STEPHEN RATCLIFF

On June 14, Alaska's Division of Oil and Gas approved the 18th plan of development for the eastern North Slope Badami unit.

The application was signed April 27 by David Pascal, chief operating officer of independent Glacier Oil and Gas. Badami operator Savant Alaska is a Glacier company.

The Badami unit was formed on March 13, 1995, by BP Exploration (Alaska). Savant succeeded BPX as operator of the unit in 2008.

As of April 30, the Badami unit has cumulatively produced

see **BADAMI PLAN** *page 8*

Center for Biological Diversity intervenes in tidal power project

The Center for Biological Diversity has filed a motion to intervene in Turnagain Arm Tidal Energy Corp.'s application to the Federal Energy Regulatory Commission for a preliminary permit for the Turnagain Arm Tidal Electric Generation Project.

In a June 11 motion to intervene the center said it "seeks to ensure wildlife and their habitat — in particular highly imperiled Cook Inlet beluga whales — are protected and to ensure the Project is in the public interest as FERC evaluates the application."

Christopher D.L. Lee, president and CEO of Turnagain Arm Tidal Energy filed for a preliminary permit for the project

see **TIDAL PROJECT** *page 9*

Oil Search applies to modify Pikka project's access road easement

Oil Search Alaska applied in mid-May to modify the existing ADL 421218 private easement for the Pikka Development Access Road, formerly known as the Nanushuk Project Access Road, which is on state land on the North Slope. Alaska's Division of Oil and Gas found no problem with OSA's request, posting a public notice June 14 that opens the proposed non-exclusive easement modification for a 30-day public comment period. It will end at 4:30 p.m., Alaska Standard Time, July 14.

The construction start date is listed as Nov. 1 with a potential finish date of Dec. 31, 2023. The easement duration is 35 years.

The requested modification will increase the easement

see **PIKKA EASEMENT** *page 11*

Ownership tussle accelerates as First Nations join Pembina alliance

The turbulent history of Canada's Trans Mountain pipeline project has shifted in a new direction with a major energy company and a First Nations-Metis alliance forming a partnership to bid for outright ownership of the system.

Pembina Pipeline and the Western Indigenous Pipeline Group, WIPG, announced Chinook Pathways hopes to buy out the Canadian government ownership of Trans Mountain.

The deal would carry an estimated value of about C$17 billion once expansion of the pipeline from the Alberta oil sands to an export terminal in the Port of Vancouver is completed by late 2022.

The government's Trans Mountain Corp. reported earlier in June that work to triple the pipeline's capacity to 890,000 bar-

see **OWNERSHIP TUSSLE** *page 6*

FINANCE & ECONOMY

ANS, Brent mid-$70s

Corporate travel returning, will undergo transformation, Delta CEO says

By STEVE SUTHERLIN
Petroleum News

North Slope crude closed at $73.62 per barrel June 16, slipping 30 cents from its post-COVID high of $73.92 set the day before. Brent continued to a new high, jumping 40 cents to close at $74.39 and WTI rose 3 cents to close at $72.15.

WTI remained above $70 for the five days leading up to June 16, as Brent and ANS staked out the middle $70s under a robust demand scenario that had analysts in wide agreement that prices will continue an upswing due to robust demand, which has outstripped additions to supply. Several analysts said oil would get much more expensive, with the $100 mark in play.

Maglan Capital President David Tawil told Fox Business June 16 that he anticipated an oil crisis within the next three years due to "incredible" demand and pressure on the supply side.

> *Maglan Capital President David Tawil told Fox Business June 16 that he anticipated an oil crisis within the next three years due to "incredible" demand and pressure on the supply side.*

Tawil said he expected oil to hit $100 by the end of 2021.

"Simply from supply and demand dynamics, we are going to have a much, much higher oil and gasoline environment," Tawil said.

see **OIL PRICES** *page 12*

GOVERNMENT

Red state win on leasing

Federal judge rules in favor of 13-state lawsuit to resume O&G leasing

By KAY CASHMAN
Petroleum News

GOV. MIKE DUNLEAVY

Judge Terry Doughty of the U.S. District Court for the Western District of Louisiana issued a preliminary injunction June 15 that blocks the Biden administration's moratorium on new federal oil and gas leasing.

Doughty ruled that "millions and possibly billions" of dollars are at stake and that the 13 state governments challenging the pause in leasing are likely to succeed in their suit. The judge also said President Joe Biden doesn't have the legal right to stop leasing federal lands for oil and gas exploration and production without approval from Congress.

Biden issued the executive order to shutdown federal leasing on his first day in office.

The 13 state governments that were part of the lawsuit, which was filed in March, include Alaska, Louisiana, Alabama, Arkansas, Georgia, Mississippi, Missouri, Montana, Nebraska, Oklahoma, Texas, Utah, and West Virginia.

The lawsuit was led by Louisiana Republican Attorney General Jeff Landry.

"This is a victory not only for the rule of law,

see **LEASING RULING** *page 10*

EXPLORATION & PRODUCTION

KXL dead, hydrogen lives

TC, Alberta concede Keystone XL defeat; Alberta launches transition to hydrogen

By GARY PARK
For Petroleum News

SONYA SAVAGE

JASON KENNEY

TC Energy's Keystone XL project was officially interred on June 9, taking C$1.3 billion in Alberta taxpayers' money with it when it terminated any hopes of achieving completion of the 1,200-mile crude bitumen pipeline.

The Alberta government confirmed what many viewed as inevitable when it announced a joint agreement with TC Energy to exit the project, although both parties held out some hopes of recouping their investments.

Energy Minister Sonya Savage said ending the relationship with TC Energy, which could also have resulted in the company drawing down up to C$6 billion in Alberta loan guarantees if construction of the U.S. leg had proceeded, was "in the best interest of Albertans under current conditions."

She said her department continues to examine its legal options to secure compensation following President Joe Biden's cancellation of a presidential permit which underpinned the regulatory

see **LIFE AFTER KXL** *page 10*

● GREEN ENERGY

FERC issues preliminary Kootznahoo permit

By KRISTEN NELSON
Petroleum News

The Federal Energy Regulatory Commission has issued a preliminary permit to Littoral Power Systems to study the feasibility of the proposed Kootznahoo Inlet tidal power project near the city of Angoon.

In a June 11 order FERC said the proposed project would consist of a partially buoyant submersed tidal energy converter with a 3-meter-diameter rotor tethered to an anchor post in the seabed in Kootznahoo Inlet, with generation up to 300 kilowatts; dual electric cables connecting to on-land storage; and on-land storage in the City of Angoon with individual lithium-ion battery cells.

FERC said the project would not connect directly to the Angoon electricity system.

The agency said it issued a public notice of the application April 7 and received no comments, interventions or competing permits.

The preliminary permit does not authorize construction, FERC said, but secured the permit holder's priority while they study project feasibility. "Should the permittee file a license application, potential issues will be addressed in the licensing process," FERC said.

The permit is good for 48 months and the permittee is required to submit progress reports every 12 months.

FERC said the permittee is expected to carry out prefiling consultation during the course of the permit and "study development leading to the possible development of a license application."

Littoral application

In Littoral's application (see story in May 16 issue of PN), the company told FERC that tidal currents at Turn Point are known to be powerful. It cited a 1981 Alaska Power Authority report, "Angoon Tidal Power and Comparative Analysis," which looked at power generation options which would allow the City of Angoon to replace on-site diesel generators. The company said generating electricity from tidal power at Kootznahoo Inlet was one of the options considered in the report, but, due to the location's remoteness, "more accurate assessments of the tidal power resource are not available."

Littoral told FERC the concept of the project "would be to generate electric power from a marine hydrokinetic device and store power in an energy storage system to be used by the City of Angoon as a supplement to other energy sources."

The company said a turbine or combination of turbines generating 300 kilowatts would be appropriate based on existing power demand in Angoon and allowing for some growth. Such a turbine would provide some 600-megawatt hours of electricity in a year, Littoral said.

Preliminary studies for the project are estimated at $50,000. ●

Contact Kristen Nelson at knelson@petroleumnews.com

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EXPLORATION & PRODUCTION

State approves PODs for 4 Cook Inlet units

By **KRISTEN NELSON**

Petroleum News

The Alaska Department of Natural Resources' Division of Oil and Gas has approved annual plans of development from Hilcorp Alaska for four Cook Inlet units: Cannery Loop, Deep Creek, Granite Point and Ninilchik.

The Cannery Loop unit was formed as a federal-state unit in 1978, division Director Tom Stokes said in a June 14 approval letter, and the federal Bureau of Land Management waived its administration in 2010 because BLM no longer held any oil and gas interest in the unit.

In the 41st POD, Hilcorp completed multiple operations to enhance production, with gas production of 1.86 billion cubic feet in 2020, up from 1.77 bcf in 2019.

The company re-drilled the CLU 06, now the CLU 06RD, not originally planned for the 41st POD, completing the well in the Sterling A and B sands, but production was water and sand and the company is evaluating future utility for the well.

For the 42nd POD, Hilcorp is evaluating opportunities to enhance production through wellwork operations and is considering sidetracking CLU 10, a suspended well that last produced — from the Beluga sands — in 2006 to target the Deep Tyonek sands. That project is dependent on economic and operational conditions.

Hilcorp will use information from the CLU 06RD to aid in evaluation of future opportunities.

The 42nd POD is for the period Aug. 1 through July 31, 2022.

Deep Creek

The Deep Creek unit was formed in 2001, Stokes said in a June 9 decision, and is jointly managed by the division and Cook Inlet Region Inc. In November 2004 sustained unit production began from the Happy Valley participating area.

Production at Deep Creek was 1.41 bcf of gas in 2020, down 0.25 bcf from 2019.

Under the 2020 POD, Hilcorp attempted several workovers and was successful in the upper Tyonek in Happy Valley B No. 17; workovers were also planned for the HVB 13 and HVB 16 wells but those were not completed.

The 2021 POD, the unit's 18th, is approved for the period Aug. 1 through July 30, 2022, "subject to concurrent approval by CIRI," the division said.

For the 2021 POD, Hilcorp may drill the HVB 18 into the Tyonek formation with potential follow-on wells depending on results from the HVB 18.

Opportunistic workovers are possible, and the division said Hilcorp is "specifically evaluating" recompletions in the HVB 14 and HVB 16 wells.

Hilcorp said in its POD that timing of the HVB 18 "is dependent upon current risked resource and economics, market demand, pipeline capacity, and competitiveness within Hilcorp's gas project portfolio."

The company said it continues to evaluate the Deep Creek unit exploratory drilling program, but said contraction of the unit (see story in July 14, 2019, issue of PN) "has limited Hilcorp's ability to explore and drill outside the unit, due to leases being contracted out of the unit and expiring."

Granite Point

The South Granite Point unit was expanded in 2015 to include the Granite Point field and renamed the Granite Point unit, which produces from six offshore state oil and gas leases in Cook Inlet, some 15,411 acres, from the Hemlock and Granite Point sands participating areas. Production is from the Granite Point, Anna and Bruce platforms, with production processed at the Granite Point production facility, Stokes said in a May 26 approval letter.

Production began from Granite Point in 1967 and through 2020 cumulative production was 140.48 billion standard cubic feet of natural gas and 156.38 million stock tank barrels of oil.

The division said that in its 2020 POD Hilcorp had proposed to install electrical upgrades and a production separator on the Bruce Platform and while the company did not complete the Bruce Platform upgrades it completed workovers at the Granite Point State 18742 20RD and the Granite Point State 18742 46 wells, resulting in an increase of 0.178 million barrels of oil and an increase of 0.301 bcf of natural gas over 2019 production levels.

In its 2021 POD Hilcorp anticipates sidetracking the GPP 031-23 well, and, long term, continuing to evaluate opportunities for additional rotary drilling and coil tubing opportunities.

The newly approved Granite Point unit POD covers July 1 through June 30, 2022.

Ninilchik

Hilcorp's 17th plan of development for the Ninilchik unit was approved by Stokes on June 10, covering Aug. 1 through July 31, 2022.

There are three participating areas at the Ninilchik unit: Falls Creek, Grassim Oskolkoff and Susan Dionne-Paxton. The unit was formed by Marathon Oil in 2001 and acquired by Hilcorp in 2013.

Hilcorp applied to expand the unit and the Falls Creek PA in November 2016, expansions approved in 2017. The Falls Creek PA expansion is pending appeal before the DNR commissioner over whether a specific lease should be included in the PA (see story in April 18, 2021, issue of PN).

Mandatory contraction of the unit has been delayed several times, most recently until May 31, 2022.

Through April 30 the Ninilchik unit cumulatively produced 240.7 bcf of gas; in 2020, the unit produced 12.1 bcf of gas, 1.63 bcf less than in 2019.

In the previous, 16th POD, Hilcorp had planned to possibly drill the Kalotsa 5, Pearl 2A and Blossom 1 wells.

The company did complete the Kalotsa 5 and brought that online, along with both rate-adding and unsuccessful workovers, with several additional workovers planned for the remainder of the 16th POD.

Facility upgrades included addition of compression at the Susan Dionne pad and conversion of the Susan Dionne 8 to dis-

see **COOK INLET PODS** page 5

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CORRECTION

Tract 802 not part of North Fork

A story about the state's spring Cook Inlet areawide lease sale in the June 13 issue of Petroleum News incorrectly said that tract 802 was "at" the North Fork unit. The tract is close to the North Fork unit on the southern Kenai Peninsula. The acreage in that tract available for lease, although described in the lease sale as estimated at 5,760 acres, was limited to the unleased acreage, 702 acres.

The Alaska Division of Oil and Gas adjudicates acreage after lease sales, determining the precise acreage in each offered tract which is actually available for lease. This has been the division practice for more than 20 years, but information on all tracts, including tract 802 and other tracts in and around the North Fork unit, is publicly available.

Tract 802 was previously leased and was available to be included in the sale after it was surrendered in 2019. It is in two sections, one northwest of the North Fork unit and the other, smaller portion, south/southeast of the unit.

North Fork is a producing gas field with the unit acreage held by Cook Inlet Energy and in the process of being transferred to Vision Operating, a Gardes Holding company. Gardes Holding purchased North Fork late last year and Vision Operating is the field operator.

Petroleum News apologizes for the error.

GOVERNMENT

Biden moves to restore WOTUS safeguards

By MATTHEW DALY
Associated Press

The Biden administration began legal action June 9 to repeal a Trump-era rule that ended federal protections for hundreds of thousands of small streams, wetlands and other waterways, leaving them more vulnerable to pollution from development, industry and farms.

The rule — sometimes referred to as "waters of the United States" or WOTUS — narrowed the types of waterways that qualify for federal protection under the Clean Water Act. It was one of hundreds of rollbacks of environmental and public health regulations under President Donald Trump, who said the rules imposed unnecessary burdens on business.

The Trump-era rule, finalized last year, was long sought by builders, oil and gas developers, farmers and others who complained about federal overreach that they said stretched into gullies, creeks and ravines on farmland and other private property.

Environmental groups and public health advocates said the rollback approved under Trump has allowed businesses to dump pollutants into unprotected waterways and fill in some wetlands, threatening public water supplies downstream and harming wildlife and habitat. The Trump-era rule resulted in a 25% reduction in the number of streams and wetlands that are afforded federal protection, said Jaime Pinkham, acting assistant Army secretary for civil works.

Point of contention

The water rule has been a point of contention for decades. The Environmental Protection Agency administrator, Michael Regan, has pledged to issue a new rule that protects water quality while not overly burdening small farmers.

President Joe Biden ordered a review of the Trump rule as part of a broader executive action on climate change during his first week in office. The June 9 legal filing by the Justice Department begins that process as the EPA and Department of the Army formally request repeal of the Trump-era rule.

"Today's action reflects the agencies' intent to initiate a new rulemaking process that restores the protections in place prior to the 2015 WOTUS implementation, and anticipates developing a new rule" that defines what waters are considered to be under federal jurisdiction, the EPA said in a statement.

"We are committed to establishing a durable definition of 'waters of the United States' based on Supreme Court precedent and drawing from current and previous regulations ... so we can better protect our nation's waters, foster economic growth and support thriving communities," Regan said.

The Army and EPA "will develop a rule that is informed by our technical expertise, is straightforward to implement by our agencies ... and is shaped by the lived experience of local communities," Pinkham said.

Issue for arid states

A review conducted by the Biden administration determined that the Trump

see **WOTUS SAFEGUARDS** *page 7*

Dunleavey objects strenuously

Alaska Gov. Mike Dunleavy has objected strenuously to the Biden administration's plan.

GOV. MIKE DUNLEAVY

In a June 12 release, he called the U.S. Environmental Protection Agency's announcement a move to exert greater control over Alaska's waters, and said a broadened definition of Waters of the United States, WOTUS, would mean more projects would require federal permits, increasing project expenses, timelines and uncertainty without corresponding environmental benefit.

"Alaska's management of our lands and waters is a model for the nation," Dunleavy said. "Nearly half the nation's water is within Alaska, with over three million lakes, 365,000 miles of rivers, and countless unnavigable glaciers, permafrost, and wetlands."

He called the proposal to redefine WOTUS "nothing more than a naked power grab for federal rule from Washington, D.C."

"Make no mistake," the governor said, "the ability of Alaskans to harvest timber, develop oil and gas, mine the critical minerals needed for national security, and the ability to farm and hunt are in danger with this announcement. It would be less insulting to the State of Alaska if the Biden EPA came out transparently with its intent to turn our land into a national park under the management of rangers."

—PETROLEUM NEWS

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COOK INLET PODS

posal well status — a project the division said is underway.

Hilcorp also completed two unplanned wells, Paxton 10 and Kalotsa 7, both currently producing.

In the 17th POD the company "continues to highlight future delineation plans" with the proposed Pearl 2A and Blossom 1 wells, and the "Abalone prospect to the north of the Falls Creek PA."

"Production will be maintained and enhanced for the 17th POD period, through potential lift enhancement, carryover workovers from the 16th POD and opportunistic project as they arise," the division said.

A workover is also planned at the Grassim Oskolkoff 8 well. ●

Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

US rotary rig count gains 5, now at 461

The Baker Hughes U.S. rotary drilling rig count was 461 the week ending June 11, up by five from 456 the previous week and up by 182 from 279 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 oil-field services company began issuing weekly U.S. numbers in 1944.

Baker Hughes shows Alaska with three rigs active June 11, down by one from the previous week and unchanged from a year ago, when the state's count also stood at three.

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.

The June 11 count includes 365 rigs targeting oil, up six from the previous week and up 166 from 199 a year ago, 96 rigs targeting gas, down by one from the previous week and up by 18 from 7 a year ago, and no miscellaneous rigs, unchanged from the previous week and down by two from a year ago.

Twenty-four of the rigs reported June 11 were drilling directional wells, 420 were drilling horizontal wells and 17 were drilling vertical wells.

Alaska rig count down by one

Texas (219) and Wyoming (7) each gained two rigs from the previous week.

New Mexico (75) gained two rigs and West Virginia (12) was up by a single rig.

Ohio (8) was down two rigs from the previous week.

Alaska (3) and Pennsylvania (16) were each down a single rig.

Counts in all other states were unchanged from the previous week: California (6), Colorado (9), Louisiana (52), North Dakota (16), Oklahoma (28) and Utah (9).

Baker Hughes shows Alaska with three rigs active June 11, down by one from the previous week and unchanged from a year ago, when the state's count also stood at three.

The rig count in the Permian, the most active basin in the country, was up by four from the previous week at 236 and up by 99 from a count of 137 a year ago.

—KRISTEN NELSON

continued from page 1

OWNERSHIP TUSSLE

rels per day of crude bitumen pushed the project to 25% completion in the first quarter, with capital spending having reached C$7.1 billion of the estimated completion budget of C$12.6 billion.

Despite this level of optimism, many First Nations remain rigidly opposed to the pipeline expansion, pointing to environmental risks such as spills, the impact on water supplies and the fear of a threat from oil tankers to the survival of killer whales on the Pacific coast.

Competition

Chinook Pathways has taken the boldest step so far to determine the eventual fate of Trans Mountain, but it is not without competition.

A rival Indigenous-led contender for the pipeline, Project Reconciliation, said it also aims to own 100% of Trans Mountain once the expansion phase is over.

The federal government has yet to give any indication when it will be open to formal bids.

WIPG is a coalition of First Nations and Metis communities along the 700-mile pipeline route, which Chinook Pathways believes would benefit from teaming up with an established pipeline company that WIPG Executive Vice President Michael LeBourdais said would help provide the control and oversight that Indigenous communities would need for any equity investment.

He said the interest "is in working together with Pembina to monitor the pipeline. When you ask First Nations what is important, it's always the environment. Money comes in third or fourth."

LeBourdais said WIPG has attracted about 30 First Nations to its coalition and hopes to eventually have almost 80.

He said the Canadian Imperial Bank of Commerce, one of Canada's five largest banks, is acting as financial adviser to WIPG, while inquiries have been received from a number of prospective investors.

Opposition

Despite this level of optimism, many First Nations remain rigidly opposed to the pipeline expansion, pointing to environmental risks such as spills, the impact on water supplies and the fear of a threat from oil tankers to the survival of killer whales on the Pacific coast.

Robert Morin, chair of Project Reconciliation, said his group is targeting an initial 75% ownership.

Separately, another insurance company — the Argo Group International Holdings — said it will not renew a policy with Trans Mountain that expires in August.

It said the TMX project is "not currently within Argo's risk appetite," echoing a similar decision by Zurich Insurance Group amid pressure from environmental and Indigenous groups.

In a statement, Trans Mountain said it currently has all of its required insurance in place and is committed to "providing the Canada Energy Regulator with full information about our financial resourcing and ensuring Canadians know that we are sufficiently insured" against claims up to C$508 million.

—GARY PARK

Contact Gary Park through publisher@petroleumnews.com

GREEN ENERGY

AEA awards some $1M for charging stations

The Alaska Energy Authority said June 14 that it has awarded nearly $1 million in grants to support installation of 12 direct current fast chargers and 11 level 2 electric vehicle chargers at nine locations in Alaska.

AEA said the sites are less than 100 miles apart along the state's backbone highway system and will help develop Alaska's electric vehicle charging structure — a critical factor in further electric vehicle adoption.

Successful applicants are contributing an additional $500,000 in matching funds for a total of some $1.5 million in EV charging infrastructure.

AEA said the goal is to have the corridor fully operational by summer 2022.

"These grants demonstrate AEA's commitment to deploy EV chargers across the state and facilitate EV adoption among Alaska drivers," said AEA Executive Director Curtis Thayer. "This is a major step toward an electrified transportation future in Alaska. EVs and their charging infrastructure can bring new industries to Alaska and help promote our economy and save Alaskans' money."

AEA said it received 24 applications. Funding comes from Alaska's portion of the Volkswagen Mitigation Trust Fund and the U.S. Department of Energy's State Energy Program.

The grants provide for partial funding for EV stations up to $100,000 per site. The agency said it awarded some $960,000 to the following:

- Seward Chamber of Commerce
- AJ's Old Town Steakhouse and Tavern in Homer
- Northern Outdoors in Soldotna
- Grizzly Ridge Lodge in Cooper Landing
- Dimond Center in Anchorage
- Three Bears Alaska in Chugiak
- Three Bears Alaska in Trapper Creek
- Jack River Inn in Cantwell
- Three Bears Alaska in Healy

—PETROLEUM NEWS

● EXPLORATION & PRODUCTION

AOGCC OKs Whiskey Gulch 1 exploration well

First exploration well at Hilcorp prospect north of company's Seaview unit, although it has drilled a dozen stratigraphic tests

By KRISTEN NELSON

Petroleum News

The Alaska Oil and Gas Conservation Commission has approved Hilcorp Alaska's application for a spacing exception to drill, complete, test and produce the Whiskey Gulch No. 1 oil and gas exploration well in an undefined oil pool within 500 feet of a property line and in an undefined gas well within 1,500 feet of a property line — in both cases, a location where the owner and landowner are not the same on both sides of the line.

An exception to the commission's spacing requirements is required, something that is not necessary when fields are unitized.

Hilcorp is the 100% working interest owner in state lease tract 001, ADL 0392666; mineral landowners for properties within 3,000 feet of Whiskey Gulch No. 1 include: the Alaska Department of Natural Resources; University of Alaska; and eight private individuals.

In 2019 and 2020 Hilcorp drilled a dozen Whiskey Gulch 600-foot stratigraphic tests.

Earlier this year Hilcorp applied to DNR's Division of Oil and Gas for a lease plan of operations for exploration at the Whiskey Gulch prospect, which is some 3 miles northeast of the community of Anchor Point and north of Hilcorp's Seaview unit, which lies west and south of Anchor Point.

As Hilcorp described the project to the division, the exploration phase of the project includes construction of a 2.75-acre gravel pad on private surface lands at the end of Cape Ninilchik Avenue, about 1 mile east of the Sterling Highway, with the construction phase to begin in mid-March, followed by drilling in June, with drilling and testing possibly extending until early September.

Hilcorp told the division that the new pad was required to reach potential targets in the Anchor Point area.

> *In its June 10 order for Whiskey Gulch No. 1, AOGCC said the feature at Whiskey Gulch "was previously defined by shallow stratigraphic test boreholes, existing 2D seismic data, and a gravity survey over the area."*

AOGCC

In its June 10 order for Whiskey Gulch No. 1, AOGCC said the feature at Whiskey Gulch "was previously defined by shallow stratigraphic test boreholes, existing 2D seismic data, and a gravity survey over the area."

"This spacing exception allows Hilcorp to penetrate the desired sands for exploration and testing at the most prospective location on the top of the subsurface structure."

In its lease plan of operations, Hilcorp said it plans to drill one gas-only exploration well and one gas/oil exploration well to a depth of some 10,000 feet on state oil and gas lease ADL 392666.

The gas/oil combination exploration well, Whiskey Gulch 1, would be drilled to some 10,000 feet measured depth to the southwest of the pad, with the first 7,700 feet of the wellbore perforated to evaluate gas zones and the bottomhole location evaluation for oil resources.

The second proposed well, Whiskey Gulch 14, would extend some 10,000 feet measured depth to the northeast of the pad and would be a gas-only exploration well. Hilcorp said "no oil exploration targets have been identified" for the Whiskey Gulch 14.

Drilling would be done using a Hilcorp owned rig, either rig 169 or rig 147. ●

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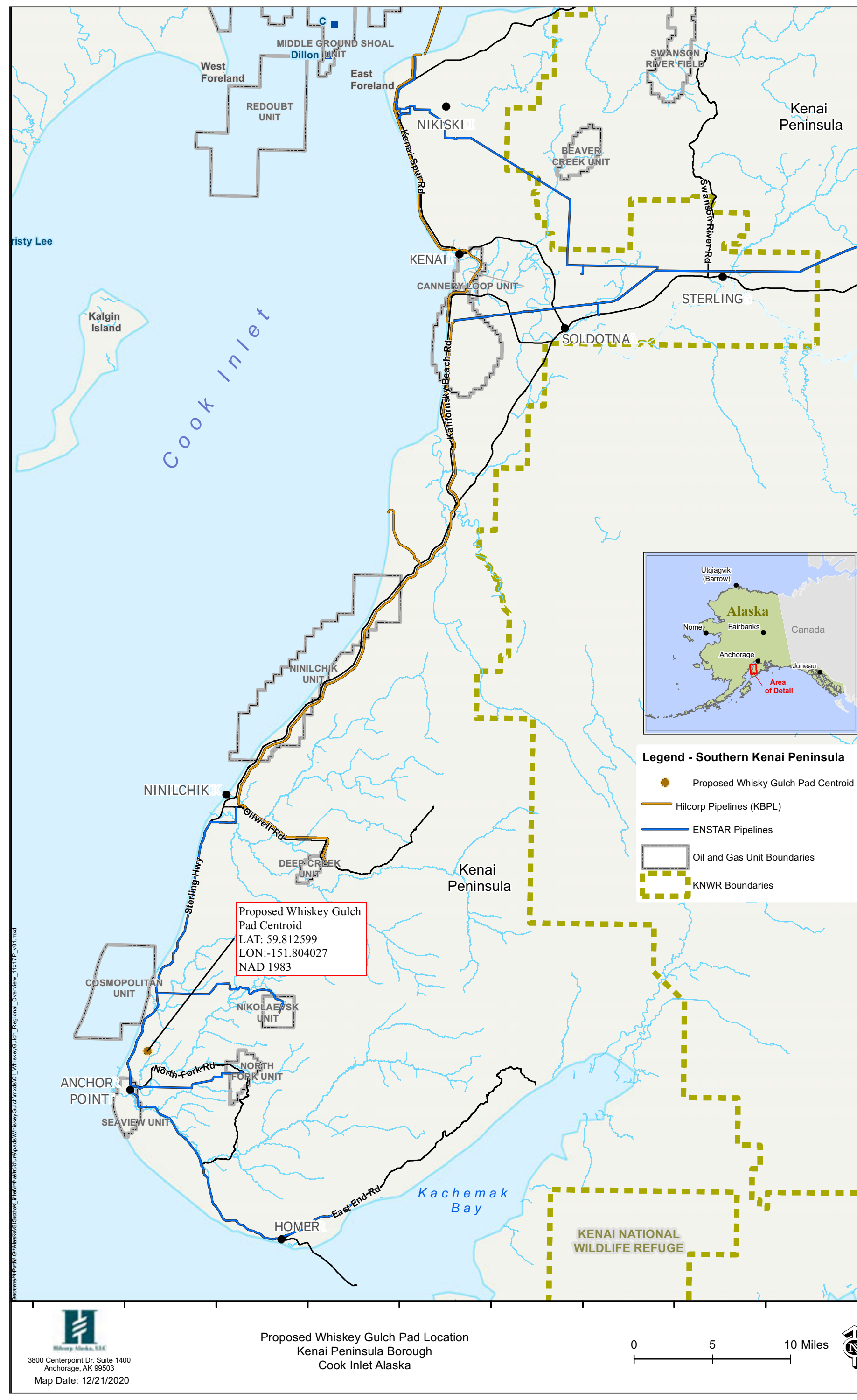

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WOTUS SAFEGUARDS

rule is significantly reducing clean water protections, particularly in arid states such as New Mexico and Arizona, where a large number of streams now lack federal jurisdiction. At least 333 projects that would have required Clean Water Act permits no longer need federal approval, the agencies said.

The Trump-era rule removed protections from several public lakes, including Lake Keowee in South Carolina, a reservoir that provides drinking water for nearly 400,000 people, according to the Southern Environmental Law Center, an advocacy group. The rule also removed Army Corps of Engineers jurisdiction from about 400 acres of wetlands where a titanium mine is planned near Georgia's Okefenokee Swamp, the group said.

The law center and other environmental groups hailed the EPA action and urged officials to move quickly to restore long-standing protections for critical drinking water sources.

"Every day this harmful (Trump-era) rule is in effect, it endangers the waterways our communities depend on. That is unacceptable and must stop now," said Madeleine Foote, deputy legislative director for the League of Conservation Voters.

North Dakota challenge likely

North Dakota Sen. Kevin Cramer, a Republican who hosted Regan during a visit to his state, said it was "a shame the Biden administration wants to undo the good work of the Trump administration" in developing "a workable policy that falls within the confines of the law."

North Dakota is likely to challenge the Biden rule in court "in the event of overreach," Cramer said.

Kevin Minoli, a former career lawyer at EPA, said the Biden team faces a similar dilemma to the Obama and Trump administrations. "Now, the question becomes, 'Can they write a definition that will last beyond their time in office?'" he said. ●

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BADAMI PLAN

9.667million barrels of oil, 34.981billion cubic feet of gas and 16,651 barrels of water.

In May 2020, with the approval of the division, Savant suspended operations and production at Badami.

The suspension ended on Oct. 7 when Savant was able to fully restart production. Since then, the agency said, Badami has produced 0.323 million barrels of oil and 0.225 bcf of gas.

Ratcliff steps up

In June 2020 Stephen Ratcliff replaced Phil Elliott as president of Glacier.

Ratcliff, a petroleum engineer, had been Glacier's vice president of drilling, having served in that position since 2013.

Prior to joining Glacier, he spent his career in operating and engineering roles in the oil and gas industry — the most recent with Hess Corp. — and has worked on both the service and operator side, as well as in various consulting roles.

17th Badami Unit POD

Due to the production suspension, the 17th Badami unit plan of development, or POD, period was shortened from 12 months to nine months. During this shortened POD period, Savant committed to progressing its compliance and engineering work for the Badami East Pad and maintaining its current unit infrastructure while exploring for options to optimize and enhance Badami production.

JUDY PATRICK

Through its subsidiary Savant Alaska, Glacier Oil and Gas began drilling the B1-07 exploration well with Nabors Rig 27E in early 2018 and has since announced an oil discovery.

The Badami East Pad is expected to become the base of operations for drilling at the eastern edge of the unit.

Savant told the division that it has permits in place to extract gravel and build the pad but did not proceed with detailed engineering work. The company said it will delay construction until a multi-well development project for the Badami East Pad is approved.

Nonetheless, from December 2020 through April 2021, daily production from Badami averaged 1,463.25 barrels of oil per day and 1.302 million cubic feet of gas per day.

Proposed 18th POD

For its 18th Badami unit POD period, Savant committed to the following:

• Conduct gas lift optimization on the Badami B1-07 well (was part of the Starfish drilling program);

• Conduct production logging on the Badami B1-36 well;

• Continue compliance work and further engineering work related to infrastructure, tie-in and additional processing requirements for the Badami East Pad; and

• Continue well and facility maintenance, optimization, and explore options to enhance production "as appropriate."

Divesture status

As to whether Glacier still has its Badami leases and infrastructure up for sale, the company did not get back to Petroleum News in time for deadline. (Glacier only had 24 hours to respond.)

As reported in the Nov. 22 edition of PN's Oil Patch Insider, on Nov. 16, BMO Capital Markets Energy Group put out a divesture notice announcing it had been retained by Glacier to represent the company in a sale of the Badami unit.

In its Badami asset overview, BMO said it was a turnkey, 100% operated, "cash flow positive asset … with significant exploration and exploitation potential from highly prolific stacked pay reservoirs," producing ~2,000 barrels of oil per day, primarily from the Badami and Killian sands.

BMO said the "Hilcorp/BP retention of ARO and select plugging obligations limits buyer exposure," noting the Killian sands are "primed for development following" its successful B1-07 well.

In its asset overview, BMO also said a "75 mi seismic survey covers entire block and confirms subsurface model" and that the "existing Glacier-owned, BP-constructed infrastructure supports full field development and optionality for third party revenue/volumes."

BMO pointed to Badami's "38,500 bo/d facility with capacity for additional volumes on or offset the unit" and "multiple access points via barge landing and 5,500 ft airstrip."

Another one of BMO's bullet points was the "70 mbo/d capacity Nutaaq pipeline owned and operated by Glacier (12" diameter, 25 mile) that connects Point Thompson to Endicott." Nutaaq is a common carrier line.

It should be noted that the first Killian sands producing well and oil discovery was made in the B1-38 well by Savant before the company was purchased.

In early 2010, Savant drilled the B1-38 well into the Red Wolf prospect and found oil in two horizons. The first was the deeper Kekiktuk formation that also contains the oil reservoir for the Endicott field to the west. The second was the shallower late Cretaceous Killian sands, a Brookian interval.

Savant was able to keep Badami production relative steady for several years with the help of that well and later B1-07.

At one time Glacier was looking for an investment partner in Badami to help fund a three-to-four-year drilling program in the Killian oil discoveries on its leases outside the Badami Sands participating area.

The company wanted such a partner to invest $200 million in the program.

—KAY CASHMAN

Editor's note: See updated information on Badami in next week's edition of Petroleum News.

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TIDAL PROJECT

March 8.

The project would build two 8-mile tidal fences consisting of 1,000 megawatts of turbines each — a total of 2,000 megawatts of peak generating capacity, with a 1,200-megawatt baseline aggregate capacity.

The first tidal fence would stretch from just off Fire Island to Point Possession on the Kenai Peninsula with a service road across the top allowing the turbines to be serviced from the Kenai side. A second 7.5-mile tidal fence would be 5-7 miles south of Fire Island and a minimum of 5 miles from the first tidal fence.

In 2011, NMFS put the Cook Inlet beluga whale on the endangered species list, after the center noticed its intent to sue for inaction. NMFS proposed designating almost 2 million acres of critical habitat.

"The blockage ratio of the tidal bridge will be on the order of 50%, leaving a significant part of the waterway open to sea life, sediment, and water flow," the company said, with moving parts 30 feet wide and 30 feet long "so that the fish, whales, and other sea mammals can swim through without any difficultly."

The company said the turbines turn at a rate compared to a revolving door at a hotel entrance and said the project "can be designed to enable the free movement of fish and whales and produces no noise or other pollution when in place and operating."

Center concerns

"The Project may disturb and harm Cook Inlet beluga whales and their habitat," the center said in its motion. It told FERC it has been actively involved in seeking protection for the whales, and in 1999 submitted, with allies, "the first petition to protect the whale under the Endangered Species Act," repetitioning in 2006. In 2007, the center said, the National Marine Fisheries Service proposed listing the whales as endangered, and in 2008 the center said, it sued to speed a response.

In 2011, NMFS put the Cook Inlet beluga whale on the endangered species list, after the center noticed its intent to sue for inaction. NMFS proposed designating almost 2 million acres of critical habitat.

The center said it has "engaged in numerous lawsuits to ensure activities in Cook Inlet, including energy projects, are sufficiently protective of this imperiled species."

Beluga whale stocks are unique and geographically isolated, the center said, with only 279 individuals of the Cook Inlet belugas remaining, down from a historical estimate of 1,300 animals.

"NMFS estimates that the population is currently declining at a rate of 2.3 percent per year," the center said.

Cook Inlet belugas became a "Species in the Spotlight" in 2015, a NMFS designation "which prioritizes those species at the highest risk of extinction," the center said, and considered a No. 1 recovery priority, designating a species which, because of rapid population decline or habitat destruction, is almost certain to become extinct, with well understood threats and needed management actions with a high probability of success and where the species is in conflict with economic activity such as construction or other development.

Beluga whale stocks are unique and geographically isolated, the center said, with only 279 individuals of the Cook Inlet belugas remaining, down from a historical estimate of 1,300 animals.

"In its 2016 Recovery Plan for the species, NMFS identified noise as a threat of high concern, with habitat loss and reduction in prey as threats of medium concern," the center said.

"The Center seeks to participate in these proceedings to ensure public resource values, including conservation of Cook Inlet beluga whales, are protected," it said in its motion, and also "to ensure that any authorization of the Project complies with all state and federal environmental laws."

It said it doesn't have enough information on details and potential impacts to take a position on whether the project should be constructed, but "reserves the right to take any position consistent with the goal of protecting the public interest and upholding environmental laws."

—KRISTEN NELSON

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Petroleum news

Oil Patch Bits

Anvil Corp. names Dena Lund as new president

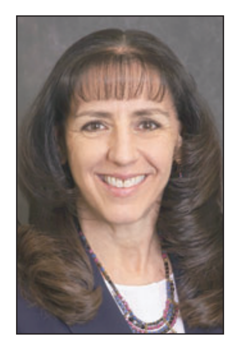
Anvil Corp. said June 14 that it is pleased to announce Dena Lund as Anvil's new president effective July 15.

Lund joined Anvil in 2019 as an independent board director. She brings decades of field operations and engineering experience, as well as a proven record of successful leadership roles, including executive vice president and chief operating officer at Sterling Energy Investments and various leadership and commercial development roles at Encana Corp. She has a Bachelor of Science in chemical engineering from the University of Colorado Boulder.

"I am honored and thrilled with the opportunity to serve as president of an engineering company built on a portfolio that spans 50 years of excellence. I look forward to working with Anvil's incredibly talented team as we advance our services to support clients in an evolving energy landscape. The opportunities in front of us are substantial, and I am committed to driving our strategy as we continue to engineer the future of energy," said Lund.

Lund will succeed Gordy Lindell, Anvil's current president, who will serve as managing director through the end of 2021 and then return as chairman of Anvil's board of directors in January 2022. He'll continue to work closely with Lund and the senior management team.

Lindell and Anvil's board believe that Lund's extensive industry experience, coupled with her leadership skills and fresh ideas, will ensure Anvil's continued success in the industries we currently serve and expansion into new markets.



DENA LUND

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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LEASING RULING

but also for the thousands of workers who produce affordable energy for Americans," Landry said in a statement following the ruling.

"This is excellent news for Alaska. As we have seen in less than five months, the threat of federal overreach on major economic projects within Alaska is very real. It is stunning that a federal judge has to tell the President of the United States to stop trying to illegally shut down environmentally sound oil and gas development and good paying jobs for Americans and Alaskans — which support the indigenous tribes and residents of Alaska's North Slope — while the President works to promote carbon emitting Russian gas production overseas. Alaska is consistently a top producer of oil and gas in the U.S. and we are proud of our state's responsible development and transportation of oil to meet American demand," Alaska Gov. Mike Dunleavy said June 15.

"AOGA is pleased at the Western Louisiana District Court's decision to hold the Biden administration to the letter of the law, which requires the administration to carry out federal lease sales under multiple statutes," said Patrick Bergt, Alaska Oil and Gas Association regulatory and legal affairs manager.

Oil production, AOGA said, serves as Alaska's economic engine, accounting for one-fourth of all jobs in the state and providing more than $2 billion in annual revenue to state and local governments.

Resume on and offshore

The judge's order directs the Department of the Interior to resume lease sales for oil and gas production on federal lands, on and offshore.

In his order, Doughty criticized the Biden administration for failing to explain the pause when it was issued and not receiving public feedback in advance. Both actions are required by the Administrative Procedures Act.

Additionally, the judge ruled that two existing laws — the Outer Continental Shelf Lands Act and the Mineral Leasing Act — require the Interior Department to hold periodic lease sales of available land for oil and gas production, which the department has not done since Biden took office.

The American Petroleum Institute was pleased with the court's ruling.

"Now is the time for the administration to put an end to this 'import more oil' policy that threatens American jobs and deprives state and local communities of much-needed revenue, all while likely increasing emissions and the risks of climate change," API said.

Interior responds

Doughty's ruling requires the Interior Department to immediately restart its leasing program, even as the agency continues its review of the effects of drilling.

Interior Department communications director, Melissa Schwartz, responded to the injunction in a statement, saying, "we are reviewing the judge's opinion and will comply with the decision," though she did not specify any plans to appeal the injunction.

"The Interior Department continues to work on an interim report that will include initial findings on the state of the federal conventional energy programs, as well as outline next steps and recommendations for the Department and Congress to improve stewardship of public lands and waters, create jobs, and build a just and equitable energy future," she added.

Bloomberg reported that Doughty refused in May to allow environmental groups to intervene in the case, saying that the Natural Resources Defense Council, Healthy Gulf and other groups had not shown federal government lawyers would not adequately represent their interests.

A similar challenge by oil and gas industry groups to the leasing pause is pending in Wyoming, Bloomberg said. ●

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LIFE AFTER KXL

approvals for KXL. TC Energy is also weighing its court prospects.

Alberta Premier Jason Kenney said his government's attempt to recover its losses could end in a lawsuit under the North American free-trade agreement as early as July.

He said U.S. President Joe Biden gave no defensible reasons for scrapping KXL, nor did he offer the proponents a chance to make fresh submissions, which Kenney said violates the basic principles of administrative fairness and law.

Although NAFTA has been replaced with the United States-Mexico-Canada trade pact, its provisions allowing investors to sue any one of the three governments remain in place until mid-2023.

Kenney also pointed out that a lawsuit has been filed by 23 Republican-led states along the pipeline route, challenging Biden's executive order on KXL.

He also said Alberta will continue to work with U.S. partners to find ways to meet American energy needs.

A Montana federal court judge said earlier in June that a KXL lawsuit launched by Indigenous and environmental groups — who are challenging presidential authority to issue cross-border permits for pipelines — can still proceed.

He said that although Biden revoked the 2019 permit issued by President Donald Trump, there is always the possibility that Trump or some other future president "can issue unilaterally another permit" for KXL.

Blue hydrogen

The timing of the latest, most telling action to end the 13-year saga of KXL could not have happened at a worse time for the Alberta government, occurring on the same day that the Kenney government took bold steps to participate in energy transition to cleaner fuels.

In a rare show of solidarity with Prime Minister Justin Trudeau's administration, Kenney unveiled a plan he said could turn Alberta into a hub for advancing Western Canada's hydrogen sector and for lowering the province's industrial greenhouse gas emissions.

The plan involves a C$1.3 billion facility to develop the first phase of a new complex that is scheduled to come on stream near Edmonton in 2024.

That blue hydrogen plant would capture and store 95% of its carbon emissions, reducing its carbon intensity to a level the company said would be "close to zero," the proponents said.

Output would eventually provide enough liquid hydrogen to fuel every transit agency across Canada, they claimed.

"This is just a beginning … with projects like these Alberta would secure its future as a powerhouse in clean energy production," Kenney said.

The joint provincial and federal plans to develop blue hydrogen production would utilize natural gas and carbon capture and storage — two key elements of Alberta's strategy to lower the impact of its fossil fuel production. Green hydrogen, which is more strongly advocated by environmental groups, is produced from renewable sources and has no emissions.

Initial Alberta investment

Alberta has committed to an initial investment of C$15 million. The Canadian government gave no information about possible tax incentives or investments it would offer.

Spearheading the project is U.S.-based Air Products, whose Chief Executive Officer Seifi Ghasemi said his company is working on three other projects in Canada but declined to be more specific about locations or operating details.

The Philadelphia-based company is already operating three hydrogen production facilities in Alberta and one in Ontario.

"I hope this will be the beginning of many, many more projects that we will do," Ghasemi said, adding that to underscore the seriousness of the Air Products plans for Canada the company's ventures stretch over 10, 20 and 30 years "so we can't in the middle change our mind and move somewhere else."

Ghasemi delivered a special bouquet to Alberta, saying "we are proud to expand our presence in this dynamic region, where we have found a vision for decarbonization that mirrors our core values."

Oil Sands Pathways Net Zero

On the same day, the six largest oil sands producers unveiled the Oil Sands Pathways Net Zero initiative to wipe out carbon emissions from their operations by 2050.

The alliance of Suncor Energy, Canadian Natural Resources, Cenovus Energy, Imperial Oil and MEG Energy said it envisages measures to achieve net-zero greenhouse gas emissions by 2050 and steps to lay pipelines from the oil sands centers of Fort McMurray and Cold Lake to a hub for capturing and storing their carbon output.

The companies said the Pathways initiative "will require significant investments by both industry and governments to advance the research and development of new and emerging technologies."

The alliance partners represent about 90% of total oil sands output and generate about 68 million metric tons of emissions annually.

Their collective plan is to lower overall emissions by at least 31 million metric tons over the next nine years and another 25 million metric tons a decade later, with hopes of applying new technologies to reach its ultimate goal.

The alliance estimates it will cost about C$1.5 billion a year over 30 years to achieve its emissions reduction target.

The initiative follows a 2012 decision by most producers in the oil sands sector to establish the Canadian Oil Sands Innovation Alliance, which has since spent C$1.4 billion on environmental technology. ●

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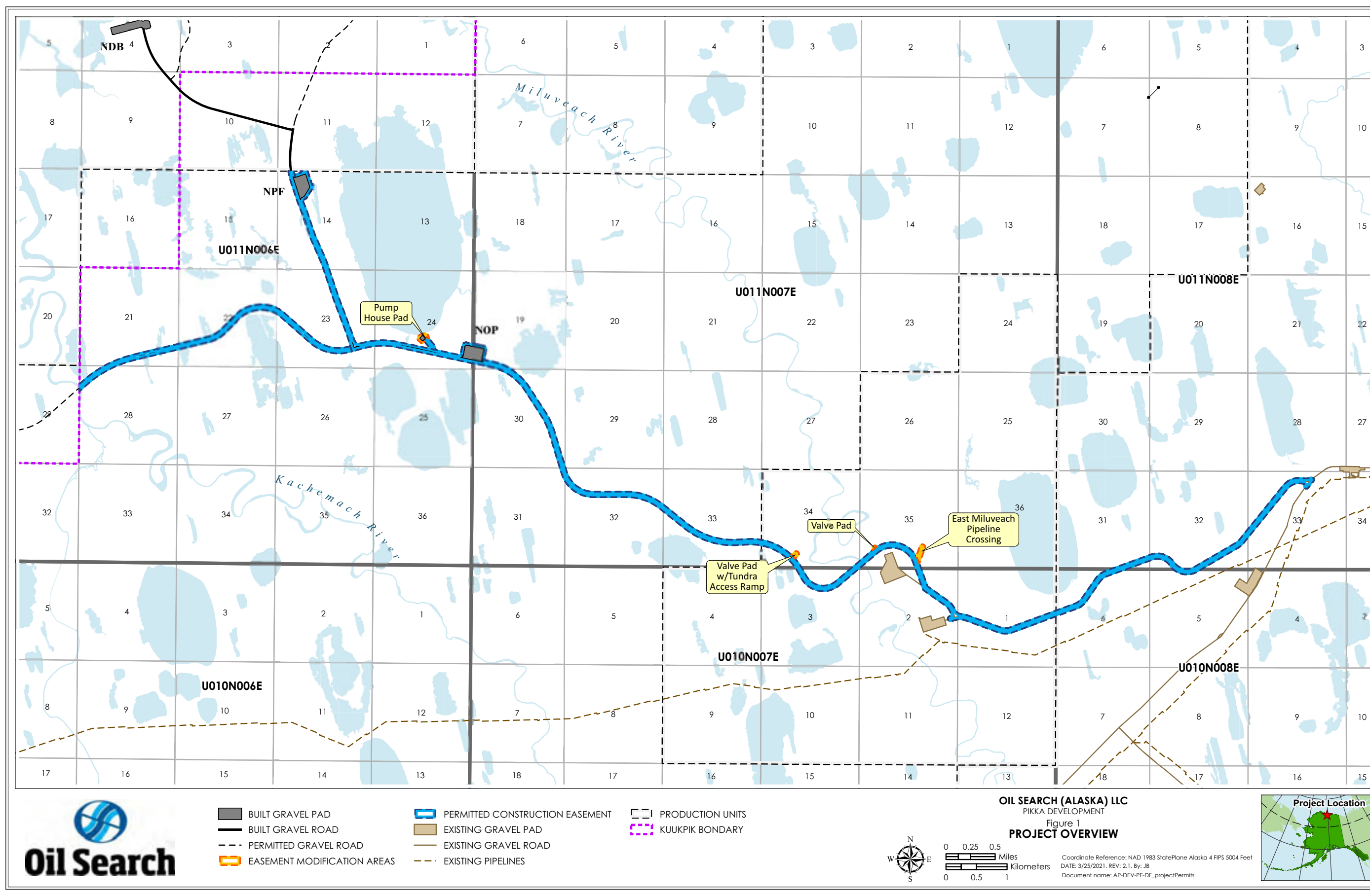
PIKKA EASEMENT



acreage in four areas adjacent to the road by modifying the footprint of the pump house pad at Lake MC7903, adding two valve pads on the north side of the access road, and adding the East Miluveach Pipeline Crossing at a location on the access road near the Mustang road.

The construction easement acreage is proposed to be increased by 12.2 acres for a total of 658.2 acres, and the operational easement acreage to be increased by 6.8 acres for a total of 215.7 acres.

The cover letter for the application from Julie Lina, OSA permitting manager, said "the easement is being revised to reflect advanced engineering design and project optimization."

Project plans, she said, may also include installation of a fiber optic cable, or FOC, "trenched in the road between the Mustang pad and the Nanushuk Operations Pad."

The FOC will be permitted and installed by a third-party contractor, Lina noted.

Per OSA's application, the proposed components will be constructed during the winter using a combination of both ice roads and existing gravel roads.

The project access road was built in the winter of 2019-20. The access road, operations pad, processing facility pad and the ND-B drill site are also in place. OSA is requesting to increase the easement for the remaining portions of the project that are not covered in the previously authorized Pikka Development Access Road approval.

Ice roads will allow direct access to the mine site, the application said. Standard-duty ice roads on the North Slope area a minimum of six inches thick and an average of 12 inches thick due to terrain features.

Gravel will be hauled from a local mine site and gravel will be placed during the winter. The proposed components will then be farmed during the subsequent summers to allow the gravel to dry, OSA said.

"Steel pipeline casing will be installed at the Valve Pad with Tundra Access Ramp and the East Miluveach Pipeline Crossing during summer to allow pipeline construction the following winter," OSA said.

An airstrip will not be built as part of this activity. Rather OSA will use existing North Slope airstrips and landing zones as needed for construction and operations.

Cultural resource surveys

Cultural resource surveys were conducted in the project area in 2015, 2016, 2017 and 2019.

In its application, OSA said the surveys and proposed project locations were coordinated with the Alaska Department of Natural Resources, Office of History and Archaeology and the North Slope Borough.

During the NEPA review process, the U.S. Army Corps of Engineers conducted a Section 106 Consultation with the Office of History and Archaeology, which determined that no historic properties would be adversely affected by the project.

Pump house pad at Lake MC7903

OSA wants to adjust the footprint of the pump house pad at Lake MC7903 to "accommodate updated safety and logistics considerations for water truck access to the water pump" which will be located on the pad. The modification will increase the pad footprint by 0.7-acre.

The pump house pad layout is being modified to avoid potential vehicle backing related risks/injuries and to follow the Alaska Safety Handbook guidance for Safe Driving Rules (CPAI et al., 2018:53).

OSA said it also has internal policies and procedures for heavy equipment which include designing pads to have "pull-through only" parking spaces to eliminate risks associated with heavy-equipment backing.

The proposed enlargement is designed to accommodate the approach angle and turning radius of a 300-barrel water truck (minimum interior wheel turning radius restricted to 70 feet). This will allow a truck to access the pump module, drive around the pad and return to the water source access road without having to back up.

Proposed valve pads

OSA proposes to add two valve pads on the north side of the access road (see map in the pdf or print versions of this story).

The 0.54-acre valve pad on the west side of the Miluveach River will be constructed with a tundra access ramp. The tundra access ramp will allow year-round access to the north side of the pipeline for inspections, maintenance, and access for spill response.

The valve pad located on the east side of the Miluveach River will be 0.3-acre total.

East Miluveach Pipeline Crossing

OSA proposes to add the East Miluveach Pipeline Crossing at a location on the access road near the Mustang Road. OSA will construct the 0.2-mile long road (1.4 acres) to provide year-round spill response and access to the north side of the project pipelines.

The proposed road will be 32 feet wide at the surface (approximately 52 feet at the base).

The pipeline crossing road will be wider at the intersection with the access road to accommodate large vehicle turning.

At the end of the proposed road, north of the pipeline alignment, there will be a tundra access ramp. The pipeline crossing road was designed to allow staging of spill response containers and equipment along the road year-round so OSA can more readily respond in the unlikely event of a spill.

—KAY CASHMAN

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OIL PRICES

The hot streak was cooled at the end of the day June 16, as the U.S. dollar posted its strongest single-day gain in 15 months on comments from the Federal Reserve that it may raise interest rates more quickly than expected.

Fed officials indicated that rate hikes could commence in 2023, after statements in March that the Fed anticipated no increases until at least 2024.

A stronger dollar is bearish for commodities, and that rule held sway as Brent and WTI prices fell by more than 1%, as early June 17 trading kicked off in Asia.

Losses were held in check, however, by data that pointed to increasing demand.

The U.S. Energy Information Administration said U.S. commercial crude oil inventories for the week ending June 12 decreased by 7.4 million barrels from the previous week to 466.7 million barrels — 5% below the five-year average for this time of year.

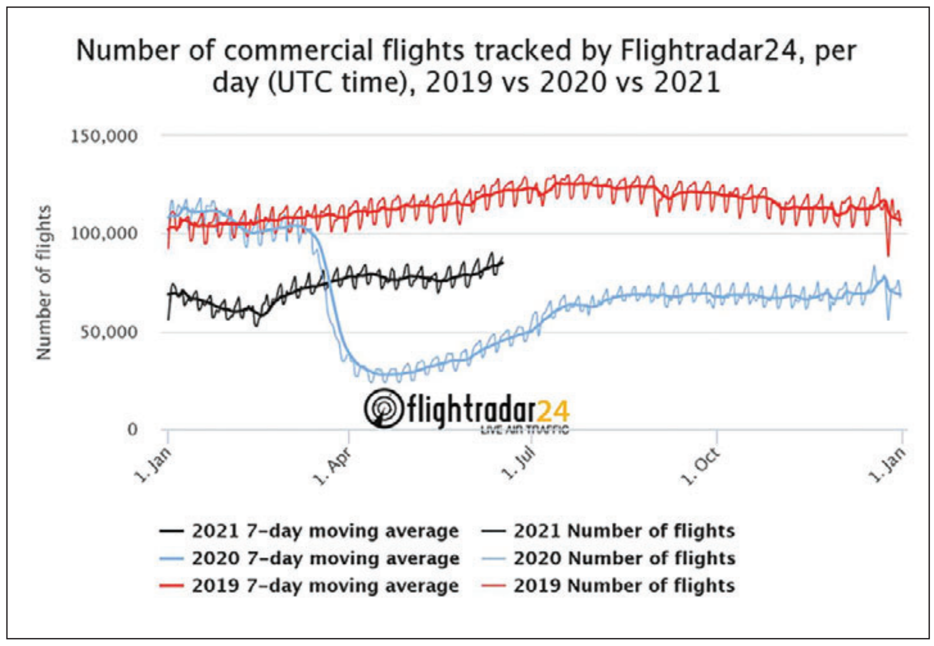
China continued to see signs of stronger demand with refinery throughput in the country at a record high, up 4.4% in May from the same month a year ago.

Aviation demand gains altitude

An important air travel milestone was passed June 11, as the U.S. Transportation Security Administration screened more than 2 million travelers in one day.

The 2,028,961 people passing airport security checkpoints marked the first time that more than 2 million individuals were screened in a day since March 2020, the TSA said in a June 12 release, adding that June 11 saw 74% of travel volume versus the same day in 2019 and 1.5 million more travelers than the same day in 2020.

The June 11 passenger numbers mark a dramatic comeback from April 13, 2020, when just 87,534 individuals were screened at airport security checkpoints.



Bastian said he expects that corporate America will be open for business no later than Labor Day.

Aviation fuel demand has throughout the pandemic recovery lagged gasoline and road fuels demand and while road traffic has largely returned to pre-pandemic levels in the United States and Europe, airline travel is yet to recover.

According to Delta Airlines CEO Ed Bastian, the U.S. consumer is leading the recovery in air travel.

"Domestic leisure is expected in June to be more than 100% recovered," Bastian said in remarks to the Bernstein Strategic Decisions Conference June 3. "Booking volumes are also more than 100% recovered to 2019 levels, which indicates that demand for travel is going to continue to accelerate from this point."

Business and long-haul travel is yet to recover, however.

"Corporate travel is improving — still not where it needs to be by any means, but domestically, we're at about a 30% recovery level," Bastian said.

Corporate travel is on the mend, getting stronger each week, he said.

"Anecdotally, from the many CEOs and business leaders I talked to, people are just — they're ready to go and they are starting to move," Bastian said. "In large part, this is going to be initiated by the reopening of businesses."

Bastian said he expects that corporate America will be open for business no later than Labor Day.

"As the businesses are reopening, corporate travelers are getting back to doing what they do which is driving their business, being out, making connections, and continuing to lead their businesses forward," he said. "For Delta, for example, we are fully open now this month of June, and many, many companies here in the southeast are already back to 2019 levels."

Business travel in transformation

Bastion said he expects that going forward, the traditional corporate travel that Delta has carried will be reduced by 20% to 30%, but it doesn't mean the overall volume is going to be 20% to 30% lower.

"I think the lines actually will hold in just fine with where we were in 2019; I think the mix is going to change; the nature of the travel is going to change," he said.

Video conferencing tools are here to stay, but they will complement business travel rather than be a substitute for it, Bastion said.

"Now, that everyone's used to video technology, you literally take your office with you when you get out on the road," he said, "Video technology makes you mobile, it doesn't make you immobile; it actually gives you freedom to move. That's just one of many ways we're going to see that technology complements what we do."

Internationally, some business trips such as overnights to Europe won't return, and they shouldn't return because they are and inefficient use of people's time, Bastian said.

"When people travel internationally, I think people are going to spend more time, getting back and actually investing in relationships," he said. "The world needs to get reconnected, and we've never felt as disconnected as a society as we are today… one of the reasons is because people haven't been able to be with each other."

"I think there's going to be a renaissance of business travel in our country," he said. ●

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