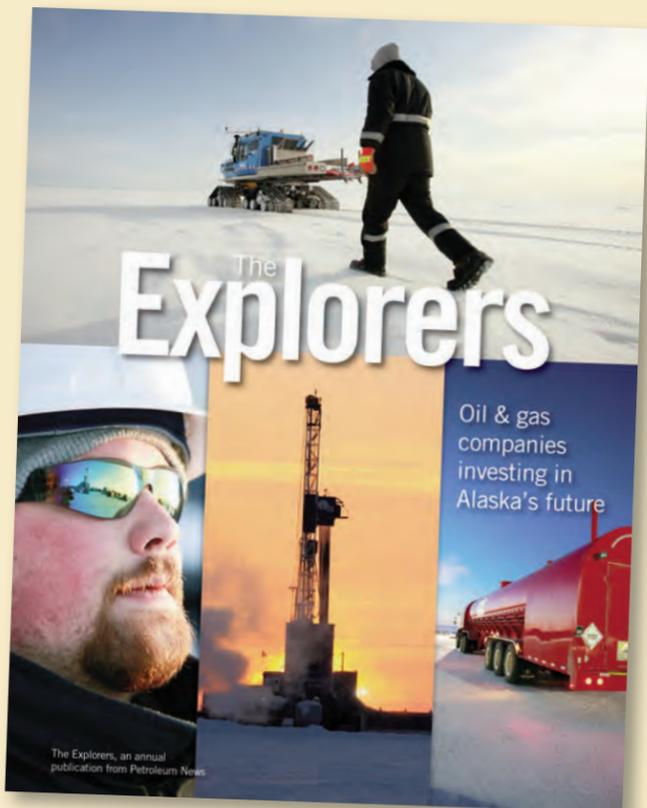




## In this issue



## BC rides LNG rollercoaster: First Nations partner in 15th plan

When it comes to British Columbia's LNG outlook, the lineup of players keeps getting longer, while warnings about the province's chances of competing in the global arena keep getting stronger.

The latest entry into the congested field of hopefuls comes with a new twist: A self-governing aboriginal community of 750 people has joined a startup company in signing a deal to develop what would be a massive LNG export terminal on the west coast of Vancouver Island.

The partnership's dream has been formally launched with an application to the National Energy Board for permission to ship 30 million metric tons a year of LNG to Asia over 25 years, using four trains and starting with 12 million metric tons in 2022.

Members of the Huu-ay-aht First Nations, HFN, are working

see **LNG ROLLERCOASTER** page 14

## AOGCC approves Hilcorp request to define new pool at Kenai field

The Alaska Oil and Gas Conservation Commission has approved a request from Hilcorp Alaska to approve the specification of a new gas pool in the Kenai gas field and to allow the comingling of gas from that pool with gas from two other pools in the field during gas production. The company told the commission that it wants to drill five new wells into the new pool but that, if an individual well cannot produce gas from pools additional to the new pool, the drilling of the well may not be viable.

Because each gas pool may have different ownership rights, Hilcorp plans to allocate gas production between the comingled sources by running regular production logs, measuring relative production from the different pools.

The Kenai gas field, on the Kenai Peninsula to the south of the town of Kenai, was the first major gas field to go into production in the Cook Inlet basin. The field's gas reservoirs consist of multiple sand bodies laid down from rivers that flowed in the region during Tertiary times. The field has produced gas from seven distinct pools, with each pool containing multiple sand

see **GAS POOL** page 14

## EXPLORATION & PRODUCTION

# Getting closer

Heavy lift vessel for Furie's Kitchen Lights platform will arrive soon

By **ALAN BAILEY**

Petroleum News

The heavy lift vessel for installing Furie Operating Alaska's new Kitchen Lights gas production platform should arrive in Cook Inlet around July 25, Damon Kade, president of Furie, told Petroleum News July 16. The piping for the gas gathering pipeline from the platform to shore has already arrived in Cook Inlet and is currently staged at Port MacKenzie, Kade said.

### Onshore work progressing

Onshore work for the construction of a gas pro-

cessing facility near East Forelands on the Kenai Peninsula has been in progress for a couple of months, building the foundations for the facility structures, for example. And horizontal directional drilling has been under way for a while, auguring out the tunnel that will carry the gas pipeline under the bluffs near the processing facility, to emerge on the seafloor beyond the tidal zone. The piping for the pipeline will need to be pulled through the drilled tunnel. The pipeline may be laid in August, Kade said.

The platform, of monopod design and called the Kitchen Lights unit Platform A, is currently on a barge in Seattle, having been shipped from Texas.

see **FURIE PLATFORM** page 15

## FINANCE & ECONOMY

# Buccaneer questions

Bankruptcy court seeking information about organizational structure of company

By **ERIC LIDJI**

For Petroleum News

The U.S. Bankruptcy Court for the Southern District of Texas is requiring Meridian Capital International Fund to explain its relationship to Buccaneer Energy Ltd.

The court has issued subpoenas to Meridian Capital International Fund, its affiliate Meridian Capital CIS Fund, Meridian managing director Askar Alshinbayev and Meridian general counsel Paul Merchand to appear for depositions in late July to explain how Meridian is related to AIX Energy LLC, the largest secured lender of Buccaneer.

The Australian independent Buccaneer and its eight subsidiaries filed for bankruptcy protection this

*The Australian independent Buccaneer and its eight subsidiaries filed for bankruptcy protection this May, after operating in the Cook Inlet basin for more than four years.*

May, after operating in the Cook Inlet basin for more than four years.

The court order came after a group of unsecured Buccaneer creditors asked for more time to investigate the proceedings before a hearing on a proposed auction of Buccaneer assets.

Specifically, the Official Committee of Unsecured

see **COURT QUESTIONS** page 15

## FINANCE & ECONOMY

# Miller's 'banner' year

Focused on Alaska, the Tennessee-based firm says it doubled oil output, revenue

By **WESLEY LOY**

For Petroleum News

Miller Energy Resources Inc. is notching rapid growth, based largely on what it touts as a string of drilling successes in Alaska.

The company, however, is spilling considerable red ink along the way.

Miller, based in Knoxville, Tennessee, on July 14 reported financial results for its fiscal year ended April 30.

"Fiscal 2014 was a banner year for Miller Energy, establishing tremendous momentum for the company," said Scott Boruff, Miller's chief executive. "We more than doubled our production and our revenue."

Miller operates in Alaska via its Anchorage-based



**DAVID HALL**

subsidiary, Cook Inlet Energy LLC.

Since entering the Alaska scene in late 2009, Miller has pursued an aggressive program of drilling, buying and borrowing.

Much of its drilling has focused on restoring production from damaged wells on the Osprey offshore platform, which was idle when Miller acquired it out of the bankruptcy of previous operator Pacific Energy Resources Ltd.

Part of Miller's Alaska strategy has been to assemble its own fleet of drilling rigs.

In a recent filing with the U.S. Securities and Exchange Commission, the company said it had entered into a \$7 million deal with Teras Oilfield Support Ltd. to purchase the Glacier No. 1 rig.

see **MILLER GROWTH** page 11

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# Alaska - Mackenzie Rig Report

Rig Owner/Rig Type      Rig No.      Rig Location/Activity      Operator or Status

## Alaska Rig Status

### North Slope - Onshore

<b>Doyon Drilling</b>			
Dreco 1250 UE	14 (SCR/TD)	Prudhoe Bay DS 04-47, workover	BP
Dreco 1000 UE	16 (SCR/TD)	Prudhoe Bay F-05a, workover	BP
Dreco D2000 Uebd	19 (SCR/TD)	Alpine CD4-96	ConocoPhillips
AC Mobile	25	Prudhoe Bay Y-39	BP
OIME 2000	141 (SCR/TD)	Kuparuk 2.E-0	ConocoPhillips

<b>Kuukpik</b>	5	Stacked out 100% Pad Deadhorse, Royale Energy Well AK #1, AK #2, Winter 2014-2015	
----------------	---	---	--

<b>Nabors Alaska Drilling</b>			
AC Coil Hybrid	CDR-2	Kuparuk 2F-18	ConocoPhillips
Dreco 1000 UE	2-ES (SCR-TD)	Prudhoe Bay	Available
Mid-Continental U36A	3-S	Prudhoe Bay	Available
Oilwell 700 E	4-ES (SCR)	Prudhoe Bay	Available
Dreco 1000 UE	7-ES (SCR/TD)	Kuparuk	ConocoPhillips
Dreco 1000 UE	9-ES (SCR/TD)	Kuparuk	ConocoPhillips
Oilwell 2000 Hercules	14-E (SCR)	Prudhoe Bay	Available
Oilwell 2000 Hercules	16-E (SCR/TD)	Prudhoe Bay	Available
Emsco Electro-hoist-2	18-E (SCR)	Prudhoe Bay	Stacked
Emsco Electro-hoist Varco TDS3	22-E (SCR/TD)	Prudhoe Bay	Stacked
Emsco Electro-hoist Canrig 1050E	27-E (SCR-TD)	Deadhorse, under contract to ExxonMobil for 2015	
Emsco Electro-hoist	28-E (SCR)	Prudhoe Bay	Stacked
Oilwell 2000	33-E	Prudhoe Bay	Available
Academy AC Electric CANRIG	99AC (AC-TD)	Deadhorse	Available
OIME 2000	245-E (SCR-ACTD)	Oliktok Point	ENI
Academy AC electric CANRIG	105AC (AC-TD)	Deadhorse	Available
Academy AC electric Heli-Rig	106-E (AC-TD)	Deadhorse	Available

<b>Nordic Calista Services</b>			
Superior 700 UE	1 (SCR/CTD)	Prudhoe Bay Drill Site C-16	BP
Superior 700 UE	2 (SCR/CTD)	Prudhoe Bay Well Drill Site H-35	BP
Ideco 900	3 (SCR/TD)	Kuparuk Well 1Y-29	ConocoPhillips

<b>Parker Drilling Arctic Operating Inc.</b>			
NOV ADS-105D	272	Prudhoe Bay DS 18	BP
NOV ADS-105D	273	Prudhoe Bay DS W-59	BP

### North Slope - Offshore

<b>BP</b>			
Top Drive, supersized	Liberty rig	Inactive	BP

<b>Doyon Drilling</b>			
Sky top Brewster NE-12	15 (SCR/TD)	Spy Island SP12-SE L1	ENI

<b>Nabors Alaska Drilling</b>			
OIME 1000	19AC (AC-TD)	Oooguruk ODSN-02	Pioneer Natural Resources

### Cook Inlet Basin – Onshore

<b>Kenai Land Ventures LLC (All American Oilfield Associates, labor Contract)</b>			
Taylor	Glacier 1	Kenai Loop Drilling Pad #1	Buccaneer Energy Ltd.

<b>All American Oilfield Associates</b>			
IDECO H-37	AAO 111	Kenai Yard	Available

<b>Aurora Well Services</b>			
Franks 300 Srs. Explorer III	AWS 1	Loading out by month end to go P & A well for Apache	

<b>Doyon Drilling</b>			
TSM 7000	Arctic Fox #1	Beluga BRU 244-13	ConocoPhillips

<b>Nabors Alaska Drilling</b>			
Continental Emsco E3000	273E	Kenai	Available
Franks	26	Kenai	Stacked
IDECO 2100 E	429E (SCR)	Kenai	Stacked
Rigmaster 850	129	Kenai	Available

<b>Saxon</b>			
TSM-850	147	Ninilchik Unit, Bartolowits pad drilling Frances #1	Hilcorp Alaska
TSM-850	169	Swanson River	Hilcorp Alaska

### Cook Inlet Basin – Offshore

<b>XTO Energy</b>			
National 110	C (TD)	Idle	XTO

<b>Spartan Drilling</b>			
Baker Marine ILC-Skidoff, jack-up		Spartan 151 Upper Cook Inlet KLU#1	Furie

<b>Cook Inlet Energy</b>			
National 1320	35	Osprey Platform RU-1, workover	Cook Inlet Energy

<b>Hilcorp Alaska LLC (Kuukpik Drilling, management contract)</b>			
		Anna Platform, Demobilized Hilcorp Rig 428 to shore	Hilcorp Alaska LLC
		Steelhead Platform, Well M-34 Grassroots, Drilling	Hilcorp Alaska LLC

<b>Patterson UTI Drilling Co LLC</b>			
	191	West McArthur River Unit #8	Cook Inlet Energy

<b>Kenai Offshore Ventures</b>			
LeTourneau Class 116-C, jack-up	Endeavor	Port Graham	Buccaneer Energy Ltd.

## Mackenzie Rig Status

### Canadian Beaufort Sea

<b>SDC Drilling Inc.</b>			
SSDC CANMAR Island Rig #2	SDC	Set down at Roland Bay	Available

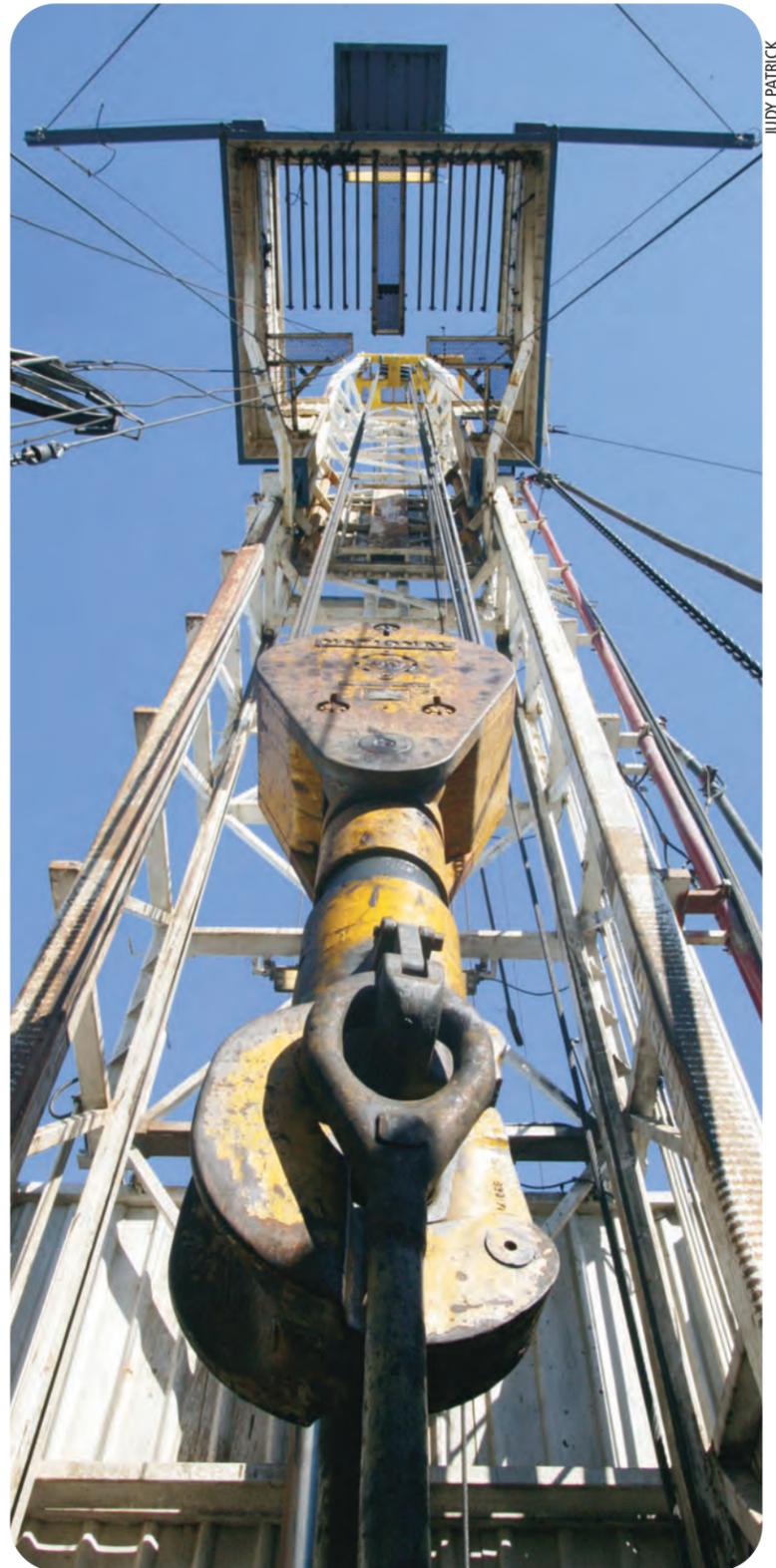
### Central Mackenzie Valley

<b>Akita</b>			
TSM-7000	37	Racked in Norman Well, NT	Available

The Alaska - Mackenzie Rig Report as of July 16, 2014. Active drilling companies only listed.

TD = rigs equipped with top drive units WO = workover operations CT = coiled tubing operation SCR = electric rig

This rig report was prepared by Marti Reeve



JUDY PATRICK

### Baker Hughes North America rotary rig counts\*

	July 11	July 3	Year Ago
US	1,875	1,874	1,759
Canada	315	309	294
Gulf	55	53	55

### Highest/Lowest

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

\*Issued by Baker Hughes since 1944

The Alaska - Mackenzie Rig Report is sponsored by:



## ALTERNATIVE ENERGY

### Renewable grant applications available

The Alaska Energy Authority is requesting applications for the state's Renewable Energy Grant Fund.

The Alaska Legislature created the fund in 2008 to provide funding for renewable energy projects that can provide economic benefit and local energy sources to Alaska communities. Applications for grants from the fund undergo a thorough technical and economic evaluation, AEA said in a July 14 press release.

Sara Fisher-Goad, AEA executive director, said, "The Renewable Energy Grant Fund places Alaska at or near the forefront of the 50 states in funding for renewable energy."

She said the program is advancing Alaska's goal of 50 percent renewable power by 2025.

This is the eighth round of applications for grants from the fund, which the Legislature extended for 10 years in 2012.

Eighty-six applications were received and nearly \$23 million awarded for 28 projects in 2013. Prior to that, AEA said, \$227.5 million was provided for 251 projects in the state, including wind, hydro, biomass, solar, transmission and integration to existing fossil-fueled units.

The deadline is Sept. 22. Additional information is available at AkEnergyAuthority.org.

*This is the eighth round of applications for grants from the fund, which the Legislature extended for 10 years in 2012.*

—PETROLEUM NEWS

## PIPELINES & DOWNSTREAM

# Kinder Morgan in a wrangle

BC government, City of Vancouver, accuse Trans Mountain operator of sidestepping expansion questions in advance of NEB hearings

By GARY PARK

For Petroleum News

Kinder Morgan is now facing the same buffeting as rival Enbridge as it enters the regulatory phase of its plan to triple its shipments of oil sands bitumen to the British Columbia coast and Washington state for possible export to Asia.

Having initially avoided the public rage that has surrounded Enbridge's Northern Gateway proposal, Kinder Morgan has become embroiled in a wrangle over plans to increase volumes on its Trans Mountain system to 890,000 barrels per day from 300,000 bpd.

Both the British Columbia government and the City of Vancouver have been riled by what they see as Kinder Morgan's responses to questions that are preceding a National Energy Board hearing that is expected to start in 2015.

The city said Kinder Morgan answered only 248 of about 400 questions it submitted, while the provincial government said responses to more than 70 information requests it submitted to the company were inadequate.

The city and province have filed notices of motion asking the NEB for an order "that Trans Mountain provide a full and adequate response" to its questions.

### More than 10,000 questions

Overall, Kinder Morgan has been swamped 10,000 questions filed by hundreds of groups and individuals who have been granted intervenor status by the regulator.

Under new federal rules for regulatory reviews of major resource projects — implemented after the Northern Gateway hearings — there is a fixed timeline to complete the process, while the NEB has decided not to allow direct oral questioning of company officials.

Sahtu Johnston, deputy city manager, said the process is "very restrictive ... it's become quite undemocratic."

"As interveners we are trying to fully

*The city said Kinder Morgan answered only 248 of about 400 questions it submitted, while the provincial government said responses to more than 70 information requests it submitted to the company were inadequate.*

evaluate the proposal and to prepare our experts and our expert testimony to ask the right questions and formulate an opinion," he said.

The city said the applicant was unwilling to "share important documents" on its emergency management and environmental compliance plans.

A statement by the British Columbia Environment Ministry said its requests dealt with maritime and land-based oil spill responses, prevention and recovery systems.

In a number of cases, Kinder Morgan's responses "do not provide sufficient information," making it difficult to decide whether the proposal will include "world-leading" methods of clean up.

The city said the responses it received made clear that the company would not cover first responder costs incurred by Vancouver in the event of a disaster, raising questions about the economic feasibility of the project.

Andrew Weaver, the sole Green Party member of the British Columbia legislature, said Trans Mountain "failed to provide full and adequate responses" to his 500 questions and "made a significant error in determining that the requested information is not relevant."

The company said in a statement that given the "unprecedented" volume of requests it "provided robust response to the questions asked that were in the scope of the regulatory review."

It said interveners will have another chance to question the company and to submit evidence later this year.

see KINDER MORGAN page 6



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● GOVERNMENT

# Parnell says SB 21 protects the future

Governor characterizes pro, con of his production tax change as private sector driving economy vs. government driving economy

By STEVE QUINN

For Petroleum News

No one can accuse Gov. Sean Parnell of being wordy. In fact when asked about the new tax regime he crafted last year under Senate Bill 21, he responds: "It's working."

Yet, the debate isn't over. Not yet anyway until Aug. 19 when voters go to the polls and decide whether Parnell's plan deserves to stay on the books or get repealed.

Parnell talked with Petroleum News about what he sees are the merits of the More Alaska Production Act.

The Republican, completing his first full term, also discussed the need to develop other fields in addition to the North Slope such as Cook Inlet and the Arctic's outer continental shelf.



*Petroleum News: You've been around for two significant tax rewrites, including your own last year, and yet this argument won't ease up. Why does this remain such a divisive topic more than a year after you've signed the More Alaska Production Act, and more than half a year after it's been in place?*

Parnell: It presents two very distinct and different world views on how economies grow. One side would say the government should have all it can get and the government is the driver of the economy. My view is it's the private sector that creates real opportunity for individuals, for Alaskans. Even though it's as divisive as you said, I can tell you that Alaskans are better off already with the passage of the More Alaska Production Act. You can list billions of dollars of new investment at Prudhoe Bay.

There's a new \$2 billion project there with an expected 40,000 barrels per day beginning in 2018.

There's another Prudhoe Bay unit drilling commitment there, a \$1 billion investment with two drilling rigs to be added in 2015 and 2016.

You've got new entrants there — Caelus Energy with their Nuna project and a \$2 billion investment.

You can go down the list. The bottom line is this: there are billions of dollars of new money flowing into this economy of ours that creates opportunities for Alaskans to go get jobs and create businesses.

We have at this point, more construction activity, more working activity on the North Slope than we've had in decades.

I can not only point to new investment, I can point to new jobs for Alaskans. I can also point to real world production numbers that are increasing. I say that because for the past decade we've had declining production. For the last year we were over 6 percent decline. This year, for the first time, that decline has been stemmed. Basically it's flat. It's a 0.01 decrease. That's amazing when you consider the decline has been

between 6 and 8 percent across the last 10 years. We made real progress with new investment, new jobs and new investment. I'm encouraged with just one year past that we've made some real progress.

*Petroleum News: Those who supported ACES (Alaska's Clear and Equitable Share, the previous production tax regime) told critics they wanted some time before making changes. Do you want that same consideration or is your case being made as you've noted?*

Parnell: Absolutely. ACES had what five years before it was changed through the More Alaska Production Act. Through that time we continued to see guaranteed decline and we saw no prospect in the future for that to change. So I ask for a similar five years or better when it comes to this. We've already demonstrated in the first year that it's working.

*Petroleum News: Some critics, even those within each of the majority caucuses, say like ACES, the pendulum has swung too far, but this time in favor of the industry.*

Parnell: I think the pendulum has swung toward Alaskans and Alaska opportunity, and again I just point to the new investment, new jobs and new production coming on line to demonstrate that.

*Petroleum News: More Alaska Production Act critics have continually called any change offered by the governor a "giveaway." What's your take on the word giveaway?*

Parnell: "Giveaway" is an effective but false bumper sticker. It is factually wrong, as the Department of Revenue and Dr. Goldsmith have demonstrated. What troubles me more about the word is the underlying premise — it's a short-term view of Alaska and Alaskans. Those who support higher taxes today are willing to sacrifice our kids' future — riding guaranteed production decline into the ground rather than encouraging more production and jobs for Alaskans long into the future.

Without new investment today, there will be less future production, fewer jobs and less revenue for essential state services. When I introduced SB 21, one of my core principles was long-term benefits for Alaskans, not short-term revenues. The word troubles me because it is built on a short-term vision, rather than long-term gain for our children and grandchildren.

*Petroleum News: The argument for changing the tax regime was putting more oil in the pipeline. That seems to have changed the last few months, with supporters*



GOV. SEAN PARNELL

*calling it a jobs issue. Has it changed?*

Parnell: It's always been about both. It's always been about more. It's about more investment, more production, more jobs for Alaskans and a brighter future for Alaskans. It's not about one or the other. The reason to continue this course is really about our future, and it's about creating opportunity. Not just for ourselves but our kids and grandkids.

*Petroleum News: Last year you shared a story about going to the U.K. and witnessing what you believed were indicators of what a tax change can mean for Alaska's future. A snapshot if you will. Can you please review that and discuss whether that is playing out here?*

Parnell: When the Labor Party in the United Kingdom jacked up taxes on the industry producing oil in the North Sea, those were older, legacy fields. When they jacked up the taxes, that investment lagged in the North Sea. They knew almost immediately they made a mistake — a huge mistake. Within months, they turned around and put in place a different tax regime to incentivize investment in the brown fields, those legacy fields as we know them.

I saw in Aberdeen, Scotland, the effects on the average Scot, the average citizen in the U.K. The benefit there was I saw unemployment at less than 1 percent. I saw a bustling port and businesses around the port as the supply ships moved goods and supplies out to the platforms. I saw in the supply ships containers carrying groceries and tools.

Everything that business owners in our state could supply an oil industry that is growing. I said I want that for Alaskans. I want unemployment at 1 percent or less. I want our grocers and our small businesses to have a shot at more opportunity. I saw within the oil company records, I saw production increasing from a North Sea field that had been declining all because of new investment under the new tax regime. I want that for Alaskans.

*Petroleum News: Is that happening or is it too soon to tell?*

Parnell: I'm already seeing it. You can already feel the confidence and you can see it in our welding yards. You can see the welders and pipefitters working. You can see pipe being stacked before it's moved from Wasilla or Fairbanks to the North Slope. You can't get a bed to sleep in on the North Slope because there are so many people working. When you see that effect, that economic effect, and how Alaskans can benefit, including interests so diverse as a Homer flight seeing operation, not just having summer work, either. I talked to the owner and he says he has flying work in the winter supporting winter exploration because the industry need as many people as they can supporting these efforts. SB

see PARNELL Q&A page 13



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## GOVERNMENT

### Chukchi Sea research results published

The Bureau of Ocean Energy Management, or BOEM, has announced the publication of the results of BOEM-funded environmental research conducted in the northern Chukchi Sea during the open water seasons of 2009 and 2010. The results appear in a series of 13 papers in a special edition of the Deep Sea Research Part II journal. The papers focus on the biological and chemical characteristics of the sea floor community, with the goal of establishing benchmark environmental data for assessing future environmental change in response to oil and gas activities, or to the impacts of climate change on the ocean.

With heightened interest in oil exploration in the Chukchi Sea in recent years, there has been a parallel interest in gaining a better understanding of the natural environment of this remote region. Baseline environmental data are required both to better understand the potential impacts of industrial activities on the environment, and to enable objective measurement of the impacts of activities that have been carried out.

—ALAN BAILEY

*continued from page 4*

### KINDER MORGAN

#### 'Firm service fee' authorized

On a separate matter, Kinder Morgan is also feeling the heat because of an NEB decision authorizing it to charge a "firm service fee" of C\$1.45 per barrel for oil shipped from its Vancouver terminal to build a fund of C\$136 million from five shippers to pay for pre-development costs on the Trans Mountain expansion.

The report was compiled by Robyn Allan, an independent economist who has opposed major energy projects in British Columbia and oil sands development in Alberta, and was turned over to the City of Burnaby, a municipality in Metro Vancouver, which is trying to block the project.

Kinder Morgan in a statement to the Globe and Mail said the commercial terms for the project were approved by the NEB in 2011 and allows Kinder Morgan and its customers to share the costs of a study and environmental and engineering work.

Burnaby Mayor Derek Corrigan said the NEB decision is "shocking" because it gives the proponent an unfair advantage and sets up a no-risk proposition for Kinder Morgan in making its application, while allocating only C\$1 million for interveners.

Allan said approval of the firm service fee set a precedent for the NEB by granting Kinder Morgan "a right to guaranteed shipper surcharges in order to build a regulatory approval process 'war chest.'"

Ian Anderson, Kinder Morgan's Canadian president, said Allan's report did not fully explain the facts of what he described as a "fairly complex agreement" with shippers.

In a statement, he said five shippers attempting to grow overseas markets secured "firm service" on an oversubscribed pipeline by paying the premium over normal pipeline tolls, with Trans Mountain agreeing to put the money "in reserve to help pay for system improvements, including expansion development plans."

Subsequently, Anderson said, Trans Mountain struck agreements with expansion shippers to use the firm service fees to cover development cost risk for the expansion project if it was approved and built in a timely fashion.

He said Allan has overlooked the fact that revenue realized by shippers for barrels exported beyond North America "will ultimately be higher than they could otherwise attract selling into the North American market. Otherwise, they would never voluntarily pay more for firm dock service." ●

Contact Gary Park through [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

## EXPLORATION & PRODUCTION

### SAE Alaska expanding seismic survey

The seismic firm SAE Alaska LLC is looking to expand a proposed 3-D survey it plans to conduct over the next three years in the nearshore waters off the Colville River Delta.

The partnership between SAExploration Inc. and the Kuukpik Corp. permitted the program last July but now wants to expand the survey area some six miles to the east and two miles to the north. The expansion would add some 243.5 square miles to the survey.

The entire survey area would include state and federal waters, as well as "transition zones" and some federal, Native and state lands. The companies expect some seismic operations to occur on portions of the Oooguruk, Nikaitchuq and Kuparuk River units. The program would run through the Beaufort Sea open water seasons of 2014, 2015 and 2016. The section of the survey planned this summer would last for 60 days, which includes both mobilization and demobilization activities, according to the companies.

The state is taking comments on the expansion request through Aug. 7.

—ERIC LIDJI

## • LAND & LEASING

# Repsol leases expire; Anadarko partners

By ERIC LIDJI

For Petroleum News

A package of Repsol E&P USA Inc. leases expired at the end of May.

The 19 leases were spread across the leasehold that the Spanish major operates on the North Slope in partnership with Armstrong Oil & Gas subsidiary 70 & 148 LLC and GMT Exploration Co. LLC, according to the Alaska Department of Natural Resources.

The first bundle included nine leases — ADL 391412 through ADL 391420 — immediately south of the Meltwater satellite of the ConocoPhillips-operated Kuparuk River unit. The bundle included lease ADL 391420, where Repsol drilled the Kachemach No. 1 well and lease ADL 391416, where ARCO drilled the Meltwater South well.

The second bundle included four leases — ADL 391436 through ADL 391439 — southwest of the Brooks Range Petroleum Corp.-operated Southern Miluveach unit.

The third bundle included six leases —

*Also in June, the state approved the transfer of leases at the Oooguruk unit from Pioneer Natural Resources Alaska LLC to new operator Caelus Natural Resources Alaska LLC.*

ADL 391421, ADL 391422, ADL 391423, ADL 391429, ADL 391430 and ADL 391440 — scattered across the area south of the Kuparuk River and Prudhoe Bay units. The state previously extended the terms of other Repsol leases across the entire region that had also been set to expire at the end of May 2014.

Royale Energy Inc. transferred a 20 percent working interest and either 16.66667 or 17.5 percent royalty interest in 20 leases on the North Slope to Rampart Alaska LLC. The two independent companies are partnering on an exploration program south of Prudhoe Bay.

Also in June, the state approved the transfer of leases at the Oooguruk unit from Pioneer Natural Resources Alaska LLC to new operator Caelus Natural Resources Alaska LLC.

Anadarko Petroleum Corp. transferred a 50 percent working interest and 43.75 percent royalty interest in eight leases — ADL 392375 through ADL 392382 — in the foothills of the Brooks Range Mountains to BG Alaska E&P Inc. Anadarko acquired the leases in a November 2012 lease sale. Anadarko previously operated an exploration program in the foothills in an almost-equal three-way partnership with BG Group and Petro-Canada.

In Cook Inlet, the Cook Inlet Energy LLC lease ADL 392255 expired at the end of May.

And the Alaska Department of Natural Resources is considering a request from the GS Rodabaugh Estate to transfer small royalty interests, all less than 0.1 percent, in five leases at the Cook Inlet Energy-operated Redoubt unit — ADL 374002, ADL 378114, ADL 381003, ADL 381201 and ADL 381203 — to the Galon S. Rodabaugh Estate LLC. ●

—A copyrighted oil and gas lease map from Mapmakers Alaska was a research tool used in preparing this story.

Contact Eric Lidji at [erichidji@mac.com](mailto:erichidji@mac.com)

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● ENVIRONMENT & SAFETY

# Counting the polar bears by satellite

Researchers test a new way to determine bear populations in inaccessible Arctic regions; might also be usable for other wildlife

By **ALAN BAILEY**  
Petroleum News



### Other lessons learned

In addition, the two observers initially came up with markedly different polar bear counts, with these differences appearing to relate to the observers' previous experience in observing polar bears and to the use of different techniques for locating bears on the images — it appears that the optimum method for locating the bears is to regularly compare the target and reference satellite images, rather than to just use the target image to find the bears and then use the reference image for verification. Application of the satellite technique will likely require specified search protocols, coupled with training for observers, the researchers reported.

Because of uncertainties over the timing with which a satellite will traverse a particular location, it is not currently possible to synchronize surface surveys with satellite imagery, to directly verify the results of

satellite observations. And because of the limited ability of the satellite imagery to resolve images of bear cubs, the satellite technique appeared to underestimate the number of bear family groups likely to be present.

### Further development

Given that the trial survey was conducted at a location where conditions for the survey were ideal, extrapolation of the satellite technique to more challenging places, perhaps with lower population densities and a more variable landscape, will require further technique development, the researchers suggested. And multi-spectral imagery may prove useful in picking up the spectral signature of the surveyed animals, and in conducting surveys in more challenging environments, the researchers wrote. ●

Contact Alan Bailey  
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A team of U.S. and Canadian scientists has been investigating the potential to use high resolution satellite imagery for monitoring wildlife in remote regions of the Arctic. An initial study, the results of which have been published in a paper in scientific journal PLOS One, determined that it is possible to count polar bears using the satellite technique, given that modern satellites can achieve image resolutions as fine as 0.5 meters, a resolution sufficient to depict the bears in summer habitat as white specks against a dark background.

"We tested the use of satellite technology from DigitalGlobe to count polar bears by tasking the satellite to collect photos from an area where we were also conducting aerial surveys," said Dr. Todd Atwood, research leader for the U.S. Geological Survey Polar Bear Research Program. "We then analyzed the satellite and aerial survey data separately and found that the abundance estimates were remarkably similar."

In addition to applying the satellite technique to obtain polar bear population estimates, the research team thinks that the technique might work for other Arctic mega fauna, with dark animals such as musk oxen or caribou, for example, perhaps being counted against a snow-covered spring landscape.

And, although the satellite technique does not yield the same level of detail as traditional monitoring programs such as aerial surveys, the technique does not disturb the animals and offers the possibility of surveying vast areas of remote territory.

### Study location

For their study into the effectiveness of the technique, the scientists decided to try counting the polar bear population on an island in the Foxe Basin in the eastern Canadian Arctic. The team conducted the survey in the late summer, at a time when the region was ice free and the bears had retreated from sea ice to become stranded on the island. With no snow cover on the land, the bears were conspicuous against the dark land surface.

Essentially, the team obtained images of the island from early September 2012 from two satellites, one with 0.5-meter resolution and the other with 0.65-meter resolution. The team then compared these target images with reference images obtained in August 2009 and 2010, when no bears were on the island. White specks appearing on the target images but not on the reference images were interpreted as polar bears: Two independent observers identified and counted presumed bear observations, later comparing their results and eliminating questionable observations. The team then surveyed the island by helicopter, to ensure that the observed white specks could not be accounted for as features such as light colored rocks or foaming water.

And, a couple of days before the date of the satellite survey, the team conducted an aerial survey of the bears, to obtain a population estimate that could be compared with the satellite-based assessment.

The result of the satellite survey was the identification of 92 bears on the island, with five occurrences of likely family groups. The aerial survey located just 34 bears on the island, but this extrapolated to a population estimate of 102 after applying an abundance model to the data. The resulting abundance estimates of 92 and 102 were very

close, within their margins of error, suggesting that satellite imagery is a promising tool for monitoring wildlife.

However, the independent review of the imagery by two observers proved to be a tedious, 100-hour exercise, making a re-examination of the images impractical and suggesting that application of the technique to a more extensive territory may require an automated image classification process, the researchers reported in their PLOS One paper.

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● GOVERNMENT

# Adm. Robert Papp named to top Arctic post

By WESLEY LOY

For Petroleum News

The Obama administration has named a former U.S. Coast Guard commandant, retired Adm. Robert J. Papp Jr., as the State Department's "special representative for the Arctic."

Secretary of State John Kerry announced Papp in a July 16 press statement. Kerry also named former Alaska Lt. Gov. Fran Ulmer a "special adviser on Arctic science and policy." Ulmer chairs the U.S. Arctic Research Commission.

Papp retired from the Coast Guard in May.

Kerry said Papp soon would travel to Alaska to consult with policymakers "on the front lines of America's Arctic state."

"We have a great deal of work to do, and that work starts right away," Kerry said. "The Arctic region is the last global frontier and a region with enormous and growing geostrategic, economic, climate, environment, and national security implications for the United States

and the world. With the team we're building at the State Department, we will make sure that the United States is in the strongest possible position to meet these challenges and seize these opportunities."

## Favorable reaction

Kerry's announcement drew bipartisan praise from Alaska elected officials. The state's U.S. senators have pushed the federal government to make the Arctic a higher priority.

Sen. Mark Begich, D-Alaska, said he had pushed for an "Arctic ambassador" since entering the Senate in 2009.

"I've worked with Admiral Papp for years, traveled to America's Arctic with him and know he will be effective in standing up for American interests in this increasingly important part of the world," Begich said.

In visiting Alaska, Begich said, Papp can "see first-



ROBERT PAPP

hand the impacts, opportunities and challenges of climate change in the Arctic."

"This appointment acknowledges we must pay special attention to the dramatic changes under way in the Arctic," Begich added. "These changes mean both opportunities for increased commerce and resource development yet special challenges to protect the region and the people who depend on it for their way of life."

Sen. Lisa Murkowski, R-Alaska, likewise applauded Papp's appointment.

"Admiral Papp's knowledge base of the Arctic is as vast as the region itself," she said.

"Admiral Papp is uniquely qualified and well-suited for this post," said Alaska Gov. Sean Parnell, a Republican. "His service as commandant of the Coast Guard and the time he invested in Alaska, America's gateway to the Arctic, provide him with a strong grasp of the realities facing the modern Arctic, as well as the opportunities before us." ●

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● NATURAL GAS

# AGDC in OBO discussions with Enbridge

Canadian pipeline company could be owner-builder-operator for ASAP, the Alaska Standalone Pipeline, state's 'plan B' if AKLNG fails

By KRISTEN NELSON

Petroleum News

The Alaska Gasline Development Corp., the state's operating arm for the proposed Alaska North Slope liquefied natural gas project, continues work on the original project for which it was established in 2010, an in-state gas pipeline project, the Alaska Standalone Pipeline, referred to as ASAP.

With separate funding provided by the

*The relationship with Enbridge is not exclusive, Barker said. He said if AGDC didn't move forward with Enbridge it would probably pursue another company.*

Legislature for the two projects, AKLNG and ASAP, AGDC is in discussions with Canadian pipeline company Enbridge to be the OBO, owner-builder-operator, of the in-state line.

The in-state line is the state's fallback position to get natural gas to Alaskans if the larger project, which is premised on shipping LNG to Asia, is not built. AGDC is also charged with getting gas to communities which would not be on a North Slope to tidewater line.

## Previous Enbridge involvement in state

Enbridge is not involved in the

AKLNG Project, but it had discussions a decade ago with the Murkowski administration under the Stranded Gas Development Act. The project being considered at that time would have taken North Slope natural gas through Canada to the Lower 48. The Murkowski administration eventually limited its pipeline company negotiations to TransCanada.

Enbridge did not participate in the Palin administration's AGIA, Alaska Gasline Inducement Act, project, saying at the time that it believed a project needed to involve the North Slope producers, who did not participate in AGIA. Enbridge was involved in discussions with BP and ConocoPhillips for the Denali project, a producer-backed alternative to AGIA.

The Legislature authorized state work on an in-state gas pipeline in 2010, creating a subsidiary of the Alaska Housing Finance Corp. to produce a plan for an in-state project.

In 2013, the Legislature continued the existence of AGDC, but changed it from an AHFC subsidiary to a public corporation of the state charged with developing ASAP. Legislation passed this year made AGDC the state's operating arm for the Alaska LNG Project.

## Owner-builder-operator

Miles Barker, AGDC vice president for external affairs and government relations, told Petroleum News July 10 that the Legislature gave AGDC the ability to look at different ownership models for an in-state gas pipeline, and after "some fairly extensive financial analysis" the corporation determined that an owner-builder-operator would be the way to go.

According to published board meeting minutes, owner-builder-operator was discussed in a board executive session at a mid-March meeting.

see **IN-STATE GAS LINE** page 10



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## ● EXPLORATION &amp; PRODUCTION

# Greater Point McIntyre delivers

BP updates development plans for series of fields that continue to produce oil in the northern part of the Greater Prudhoe Bay unit

By **ALAN BAILEY**  
Petroleum News

In addition to the giant Prudhoe Bay field itself, several smaller oil fields have for many years been producing oil within the Greater Prudhoe Bay unit on Alaska's North Slope. At the end of June BP, the unit operator, filed the latest plan of development for a group of these fields in what is referred to as the Greater Point McIntyre Area, in the northern part of the unit.

## Lisburne

The fields in this area deliver oil and gas through the production facilities for the Lisburne field, a field discovered at the same time as Prudhoe Bay, with a reservoir in carbonate rocks below the main Prudhoe Bay reservoir. Other fields in the Greater Point McIntyre Area consist of Niakuk, Point McIntyre, Raven, West Beach and North Prudhoe Bay.

The Lisburne field, with an estimated volume of original oil in place of 1.8 billion barrels, came on line in 1986. According to data from the Alaska Oil and Gas Conservation Commission, by the end of 2013 the field had produced 163 million barrels of oil. BP's plan of development for Lisburne says that the field delivered 2.4 million barrels of oil between April 2013 and March 2014.

From the perspective of reservoir management and production planning, BP divides the field into three areas: the west, central and east areas. And, according to information on the BP website, in recent years the company has used horizontal, coiled-tubing drilling to bolster production rates from the field — coiled tubing drilling involves the use of a continuous length of small-diameter, flexible drill pipe to thread a near-horizontal well through pockets of oil in an oil reservoir. The use of geoscience techniques to locate faults and fractures in the rocks helps guide drilling strategies, the BP website says.

Gas dissolved in the oil and in the gas cap above the oil, coupled with water injection, drives oil up production wells in the east and west areas. In the central area dissolved gas, supplemented by an influx of subterranean water and some injected water, drives production, the development plan says.

## Water injection

In the eastern area a pilot test of water injection into the gas cap will be extended to July 2016. The extension period will enable a determination of the effectiveness of the injection program, including an evaluation of factors such as incremental oil production resulting from the injection and the reservoir pressure response in production wells, the plan of development says. Conversion of three production wells for seawater injection was completed in 2013, the plan says.

In the field as a whole, several new wells are being considered for drilling in 2015, the plan says.

Throughput in the Lisburne processing facility is currently constrained by the relatively high volumes of gas produced along with the oil. However, gas is re-injected into the oil reservoir to maintain reservoir pressure.

## Point McIntyre

The Point McIntyre field, after which

*BP is applying what is referred to as a tertiary oil recovery process at Point McIntyre, alternately injecting water and a material called miscible injectant into the field's reservoir.*

the northern part of the Greater Prudhoe Bay unit is named, had an estimated oil in place volume of 800 million barrels when the field was discovered in 1988 in reservoir rocks equivalent to those of the neighboring Kuparuk field. The field went into production in 1993 and at the end of 2013 had a cumulative oil production of 448 million barrels. According to the field's plan of development, oil, condensate and natural gas liquids production averaged 18,500 barrels per day between April 2013 and March 2014.

BP is applying what is referred to as a tertiary oil recovery process at Point McIntyre, alternately injecting water and a material called miscible injectant into the field's reservoir. Miscible injectant, a mixture of natural gas and natural gas liquids, acts a solvent, flushing oil from rock pores, while water sweeps the oil toward production wells. BP says that it is designing reservoir management and oil recovery strategies that will optimize oil production rates and oil recovery from the field, but that oil production will continue to decline as increasing quantities of water and gas are produced along with the oil.

## Sidetrack drilling

However, BP says that it is evaluating the possibility of drilling some new sidetrack wells off existing wells, with the possibility of developing some pockets of oil bypassed by earlier drilling. The company is also assessing development opportunities in the west and northwest areas of the field, where rock quality is generally poor, the plan says.

The plan also says that a new 3-D seismic survey scheduled for completion by the end of 2014 may enable the identification of further drilling opportunities.

BP is also figuring out a strategy for dealing with a flow line within the field that had to be taken out of service because of corrosion concerns.

## Niakuk

Like the Point McIntyre field, Niakuk has an oil reservoir in rocks equivalent to those of the reservoir of the Kuparuk field. The field held an estimated 300 million barrels of oil in place when it was discovered in 1985. Production began in 1994 and by the end of 2013 the field had produced 93 million barrels of oil. The field's plan of development says that the field produced 884,000 barrels of oil between April 2013 and March 2014.

The Niakuk reservoir is located offshore and is accessed by means of wells directionally drilled from land.

The geologic complexity of the field precludes the use of a uniform pattern of production and injection wells, the plan says. Production profiles and data from pressure surveys are used in a dynamic reservoir management strategy involving techniques such as selective well perforation. BP is also evaluating the use of Bright Water, a technique used to direct the flow of injected water through a subsurface reservoir, to improve oil production in the field.

And, as with Point McIntyre, the results of a new 3-D seismic survey may enable the identification of some new drilling targets, the development plan says.

## Raven

The Raven field, also offshore the North Slope, went into production in 2006, producing oil from an isolated pool in rocks equivalent to those of the reservoirs of the Prudhoe Bay field. The volume of oil and condensate in place was estimated at between 14 million and 23 million barrels. Nearly 3 million barrels of oil had been produced from the field by the end of 2013. The plan of development for the field says that the field delivered 110,000 barrels of oil between April 2013 and March 2014.

BP uses a water flood strategy for oil production, with the field having a single

production well and a single injection well.

## West Beach

West Beach went into production in 1993 but production was suspended indefinitely in 2001 because of an increasing gas-to-oil ratio and declining reservoir pressure. And although 11 wells, including four sidetrack wells, have been drilled in the field, about 92 percent of the field's total production of 3.37 million barrels of oil have come from the field's original well, the field's development plan says.

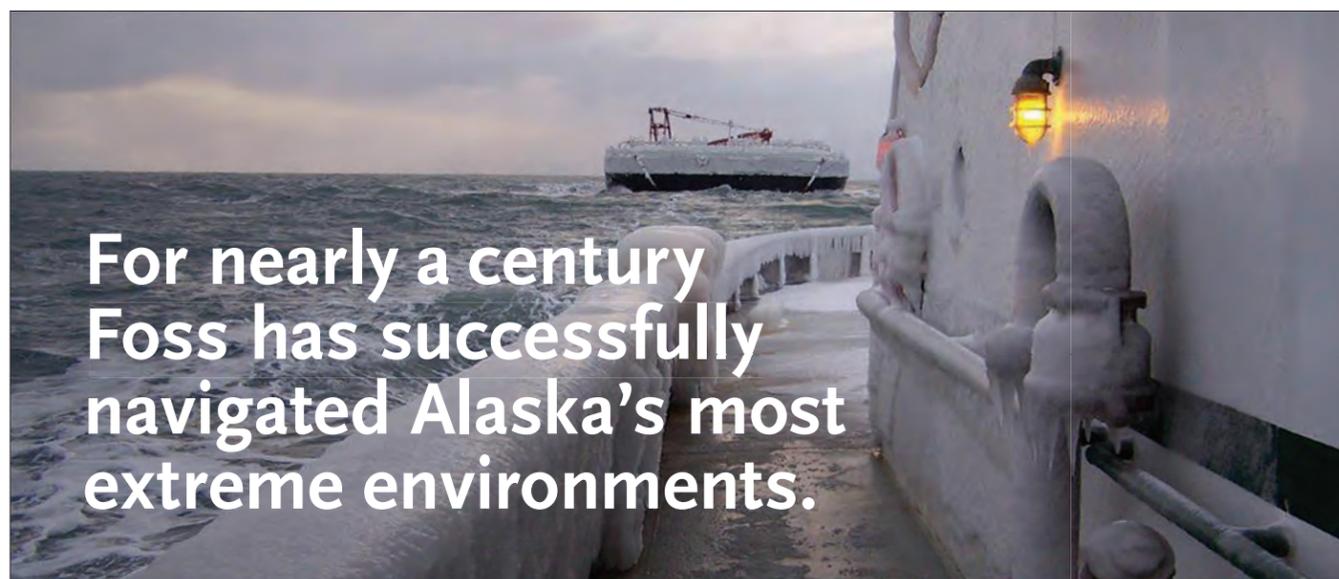
Although reservoir pressure has increased since the suspension of production, and despite several efforts to revitalize the field, including well work and some production testing, it has not yet been possible to restore production from the field. BP says that it is going to use the results of some production testing conducted in 2009, in conjunction with a revised geologic model for the field, to evaluate future development options. New 3-D seismic data will also help in an evaluation of new opportunities, the plan says.

Production has been shut in since 2000 from the single production well in the North Prudhoe Bay field because of safety concerns involving proppant used during fracture stimulation of the field reservoir. BP says that it may evaluate potential future development opportunities in this field.

## Gas sales?

In the development plans for the various Greater Point McIntyre fields, BP alludes to the possibility of a future gas line from the North Slope, commenting that future gas sales from the fields would require the availability of a gas transportation system. Meantime, the gas will be consumed for field operations or re-injected into the subsurface, the plans say. In total the fields produced about 109 billion cubic feet of gas between April 2013 and March 2014, with the bulk of that gas coming from the Lisburne and Point McIntyre fields. ●

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● GOVERNMENT

# Murkowski maintains oil export drumbeat

Commerce Department relaxes rules on sending condensate abroad, but policy should be further liberalized, Alaska senator says

By WESLEY LOY

For Petroleum News

Alaska Sen. Lisa Murkowski continues to campaign for lifting the federal ban on exports of most domestically produced crude oil.

Her focus at the moment is condensate, a liquid hydrocarbon typically produced in association with natural gas.

Murkowski argues the export ban could constrain domestic energy production and the economy. U.S. production of light sweet crude and condensate has surged on the strength of plays such as the Bakken and the Eagle Ford, creating a mismatch with a domestic refinery sector not optimized to handle these supplies.



LISA MURKOWSKI

SHANE LASLEY

Lifting the 1970s-era oil export ban would provide relief, the senator argues.

## Commerce policy shift

Murkowski is the senior Republican on the Democrat-controlled Senate Energy and Natural Resources Committee.

On July 16, she met with U.S. Commerce Secretary Penny Pritzker.

"We had an open conversation about the Commerce Department's approach to the question of U.S. oil exports," Murkowski said in a press release. "I am encouraged that Secretary Pritzker is engaged and that there are ongoing discussions within the department on this issue."

Many refined petroleum products can be freely exported, and recently the Commerce Department ruled some condensate also can be sent abroad so long as it first undergoes minimal processing —

*"Commerce's decision to classify processed condensate as a freely exportable petroleum product is consistent with the spirit and letter of the law, but it could go further."*

—U.S. Sen. Lisa Murkowski, R-Alaska

that it, it passes through a distillation tower.

"Condensate exports are an easy first step on the road toward a broader lifting of the oil export ban," Murkowski said. "We are producing more condensate than the U.S. market can use, but customers overseas would be happy to purchase it. Commerce's decision to classify processed condensate as a freely exportable petroleum product is consistent with the spirit and letter of the law, but it could go further."

## Federal misalignment

Murkowski on July 9 released a report, prepared by her committee staff, titled "Terms of Trade: Condensate as an Exportable Commodity."

The six-page report says several federal agencies routinely distinguish between crude oil and condensate, but the Commerce Department does not. These agencies include the U.S. Geological Survey, the Bureau of Ocean Energy Management, the Bureau of Land Management and others.

The Commerce Department "could align its practices with other federal agencies by adopting their approach, further authorizing exports of processed condensate and even updating its regulations to allow all condensate to be exported freely to global markets," the report says. ●

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continued from page 8

## IN-STATE GAS LINE

Minutes from a May 8 board meeting say the owner-builder-operator process was addressed by Joe Dubler, AGDC's vice president of commercial operations. Dubler put forward a motion that the board, "direct staff to continue working with the apparent successful bidder on the OBO process with an end towards executing a partnership agreement sometime in the next 6 to 9 months," the minutes say.

John Burns, chairman of the AGDC board, asked for "a motion to move forward with Enbridge discussions."

A motion passed unanimously, that "Based upon the analysis presented by the staff, the AGDC Board of Directors hereby directs staff to begin preliminary discussions with Enbridge, Incorporated regarding their potential role as an owner/builder/operator in the ASAP project."

## Continuing discussions

Barker said the motion basically gave management the board's approval to continue conversations with Enbridge, do due diligence, share documents as necessary — steps in the process of determining whether AGDC would want to formalize the relationship.

There is currently no legal or commercial agreement between AGDC and Enbridge, Barker said.

Enbridge is looking at potentially coming in and taking an equity position in ASAP and would want to be involved in both the filing of a recourse tariff for ASAP and planning for an open season, currently scheduled for the second quarter of 2015, he said.

The relationship with Enbridge is not exclusive, Barker said. He said if AGDC didn't move forward with Enbridge it would probably pursue another company. ●

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## GOVERNMENT

### Furie denied appeal in Jones Act case

A federal judge recently dealt Furie Operating Alaska LLC yet another setback in its effort to fend off a \$15 million Jones Act penalty.

The Jones Act is a shipping law. Federal authorities say Furie violated this law in 2011 when it used a foreign ship to haul a jack-up drilling rig partway from Texas to Alaska's Cook Inlet.

In March, U.S. District Judge John W. Sedwick denied Furie's motion to dismiss the government's claim to the fine, which the company calls excessive.

Furie subsequently moved for permission to file an "interlocutory appeal" in a higher court. This is a kind of appeal made before a case concludes in the trial court.

Lawyers for the government opposed Furie's motion for the appeal.

On July 1, Sedwick denied Furie's motion.

And so, the case continues in the Alaska federal court.

—WESLEY LOY

### FAA proposes special Arctic Ocean airspace

The Federal Aviation Administration has issued a notice saying that it is proposing to establish some special use airspace along a narrow corridor stretching north across the Beaufort Sea into the Arctic Ocean from the Alaska North Slope coast around Oliktok Point. The special airspace will consist of a warning area, to alert aircraft entering the airspace of potential hazards to flight.

Apparently the U.S. Department of Energy has requested the warning area, as a precaution associated with planned research into Arctic clouds and the influence of these clouds on the rate of sea-ice retreat. The idea is to investigate the character of clouds and their influence on sea ice, as a function of latitude, along a zone from near the coast to near the North Pole. This issue is of importance to the U.S. Global Change Research Program, a multi-agency research effort coordinated with international climate-change research programs, the FAA notice says.

The research will involve the firing or dropping of ice-penetrating projectiles for measuring the thickness and mechanical properties of sea ice, and to make measurements in the water below the ice. The researchers will also fire sensor-equipped rockets upwards from the surface, with the sensor equipment returning to the surface by parachute, the FAA notice says.

And ships will deploy instrumented tethered balloons to obtain vertical profiles of the properties of the atmosphere and clouds, with the balloons being cycled vertically through the cloud layers. The cycling of the balloons up through clouds up to heights as great as 10,000 feet precludes the use of the use of lighting and marking on the balloons and tethers at 50-foot intervals, as is normally required. Besides, the operation of the balloons in clouds would render warning lights ineffective, the FAA notice says.

—ALAN BAILEY

## FACILITIES

### House passes bill with Arctic port funds

A bill that cleared the U.S. House of Representatives on July 10 contains a chunk of money to advance a possible Arctic seaport.

The bill (H.R. 4923) makes appropriations for energy and water development and related agencies for fiscal year 2015.

A House Appropriations Committee report explaining the bill indicates \$50,000 for Army Corps of Engineers feasibility investigation of "Alaska regional ports." This means Arctic ports, said a July 11 press release from Alaska Congressman Don Young's office.

The Army Corps and the Alaska Department of Transportation and Public Facilities have been jointly studying the concept of a deep-draft port to support increased activity in the Arctic Ocean, where sea ice has been receding with climate change. The agencies could make a recommendation by year's end on development of an Arctic port, perhaps at Nome or nearby Port Clarence.

H.R. 4923 now moves to the Senate.

—WESLEY LOY

## NATURAL GAS

### AIDEA expanding LNG pad permit

The Alaska Industrial Development and Export Authority is expanding a construction permit to accommodate a larger liquefied natural gas facility on the North Slope.

Earlier this year, the public corporation acquired a site belonging to Spectrum Alaska for the purposes of constructing an LNG plant to serve Interior markets. AIDEA had received a U.S. Army Corps of Engineers permit to build a larger plant at a different site and is now asking the Corps to expand its permit to accommodate the larger plant at the new site. The expansion would add some 2,000 cubic yards of fill to the initial permit.

The Corps is taking comments on the changes through July 25.

—ERIC LIDJI

## GOVERNMENT

### Mayberry named to AOGCC public seat

Alaska Gov. Sean Parnell has appointed attorney David Mayberry to the public seat on the Alaska Oil and Gas Conservation Commission.

Mayberry, of Anchorage, is a long-time Alaskan and experienced oil and gas attorney, the governor's office said in a July 10 statement. Mayberry has been an attorney in private practice for 15 years and most recently worked as counsel for Crowell & Moring LLP.

Mayberry holds a bachelor's degree in political science from the University of Alaska Anchorage and a juris doctorate and Natural Resources and Environmental Law Certificate from Lewis & Clark College, Northwestern School of Law.

Mayberry fills the seat formerly held by attorney John Norman, who was the public member of the commission for 10 years.



DAVID MAYBERRY

—PETROLEUM NEWS

### US Arctic Economic Council representatives named

The Alaska State Chamber of Commerce and the Alaska Arctic Policy Commission have named Lori Davey, Bruce Harland and Gail Schubert as U.S. representatives to the Arctic Economic Council. Davey is the general manager of Fairweather LLC, Harland is vice president business development for Crowley Marine Services Inc. and Schubert is president and CEO of Bering Straits Native Corp.

Chuck Greene, vice president community and regional affairs for NANA Development Corp., is a backup representative, should one of the appointed representatives not be able to participate.

The Arctic Council, an intergovernmental forum of the eight Arctic nations, decided in May 2013 to form the Arctic Economic Council as a forum for fostering sustainable development in the Arctic, to enhance regional economic cooperation, to facilitate business development and to maximize the way in which economic development takes into account environmental protection and the need for a positive impact on Arctic communities.

In March of this year senior Arctic officials announced that they were moving forward with the Arctic Economic Council initiative, with each Arctic state and permanent participant in the Arctic Council invited to name up to three representatives to attend the Economic Council's inaugural meeting. The Arctic Economic Council will subsequently decide on its membership, governance, structure and activities.

Since four of the six Arctic Council permanent participant groups have indigenous representation in Alaska, there will be further Alaska representation on the Arctic Economic Council, in addition to the three U.S. representatives who have

see **ARCTIC COUNCIL** page 14

continued from page 1

## MILLER GROWTH

The Glacier rig, described as a Mesa 1000 carrier-mounted land drilling rig, will be used to further develop the North Fork natural gas field on the Kenai Peninsula. Miller acquired the North Fork field in February.

### Key numbers

Miller is a small company, yet is listed on the New York Stock Exchange.

Most of the company's oil and gas production comes from Alaska's Cook Inlet basin. Miller executives recently announced the company will sell off its Tennessee operations to focus on Alaska.

Miller is aiming to expand soon onto Alaska's North Slope, where the company has a pending deal to acquire a controlling interest in the small Badami oil field, which

BP originally developed.

In financial statements filed with the SEC, Miller reported oil sales of \$64.5 million for fiscal year 2014, up from \$29.4 million in 2013. The company reported natural gas sales of about \$5 million for 2014. Total revenues for 2014 tallied about \$70.6 million.

Miller reported total operating expenses of \$81.3 million during 2014, resulting in an operating loss of \$10.7 million.

At April 30, the company had total debt of \$184.2 million.

Average net daily production for fiscal 2014 was 2,238 barrels of oil equivalent per day, Miller said. The average for the fourth quarter was 3,070 barrels, the company reported.

### Drilling operations

In an investor conference call on July 15, Miller executives spoke in glowing terms about the company's year and its

upcoming plans.

David Hall, Miller's point man in Alaska, said the company is completing a new well on the Osprey platform to prove up reserves in the southern reaches of the Redoubt structure. Following this well, the company plans to drill another Redoubt well to a northern fault block.

These wells "could be very impactful to the company's reserves," Hall said.

Elsewhere, the company drilled the Sword well adjacent to the company's onshore West McArthur River oil field.

Sword has been "an enormous success for us," Hall said, holding steady at a rate of 600 to 650 barrels of oil per day gross.

In the North Fork gas field, Hall said the company evaluated for oil while reworking a well and came away with "encouraging preliminary results." Expect a further announcement, he said.

The company also has plans to drill a second well at the Olson Creek prospect, on

the west side of Cook Inlet, Hall said.

### Trial date set

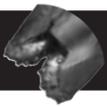
Miller Energy is continuing its defense in a securities fraud case brought against it in U.S. District Court in Knoxville.

The plaintiffs in the case are investors who allege Miller executives overstated the value of the Cook Inlet oil and gas assets the company acquired in 2009, and violated accounting principles. This had the effect of artificially inflating Miller's stock price, which subsequently crashed when the alleged fraud was exposed, the plaintiffs contend.

The presiding judge in February denied Miller's motion to dismiss the case.

The case is now set for a jury trial beginning Feb. 9, 2015. ●

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**Nabors expands its Boar, appoints Skattum as director**

Nabors Industries Ltd. announced that its board of directors has expanded the board to eight members from the current seven and appointed Dag Skattum to fill the newly created vacancy.

Skattum currently serves as managing director of One Thousand & One Voices, a family-backed investment firm focused on Sub-Saharan African Investments, a position he has held since 2013.

Previously, he served as partner of TPG, a leading global private investment firm, based in London from 2007 until 2013. Skattum began his career at JP Morgan, where he worked in London and New York from 1986 until 2007, serving most recently as managing director and co-head of global mergers and acquisitions.

He serves on the advisory board of the UAMS Myeloma Institute for Research and Therapy, Little Rock, Arkansas; the board of trustees of Allegheny College; and the international board of directors of Right To Play, a global organization leveraging sports and play to support children in troubled parts of the world. Skattum received a B.A. in history from Allegheny College and an MBA from the Simon Graduate School of Business at the University of Rochester. Nabors said its largest shareholder recommended Skattum for nomination to the board.

Tony Petrello, Nabors' chairman and CEO, commented, "Dag's appointment to the Board reflects our ongoing commitment to adding qualified independent voices with diverse

experience and backgrounds. His years of investment banking experience working with a variety of different industries and advising boards will provide valuable experience and insight. His appointment also reflects a collaborative approach with our shareholders. We are pleased to welcome Dag to the Board."

**URS announces Anthony Crouts joins its team**

Anthony Crouts has joined URS as its marketing intern. He is currently a marketing major at the University of Alaska Anchorage. As marketing intern, Crouts responsibilities include proposal tasks, a variety of general marketing tasks and assisting current marketing staff.

URS provides engineering, construction and technical services with capabilities to support all stages of project life cycle, offering a full range of program management; planning, design and engineering; construction and construction management; operations and maintenance; and decommissioning and closure services. URS Alaska has more than 130 employees in Anchorage, Fairbanks and Juneau, with satellite offices in Homer and Ketchikan.



**ANTHONY CROUTS**

see OIL PATCH BITS page 14

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

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Arctic Wire Rope & Supply		Global Diving & Salvage		Price Gregory International	
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ASRC Energy Services		Guess & Rudd, PC		<b>Q-Z</b>	
AT&T		Hawk Consultants	13	SAExploration	
Avalon Development		HDR Alaska		Security Aviation	
<b>B-F</b>		IFR Workwear		Shell Exploration & Production	
BP		Inspirations		Sophie Station Suites	
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Canrig Drilling Technology		Little Red Services, Inc. (LRS)		Think Office	
Carlile Transportation Services		Lounsbury & Associates		Total Safety U.S. Inc.	
CCI Industrial Services LLC		LW Survey		TOTE-Totem Ocean Trailer Express	
CGG	16	Lynden Air Cargo	7	Totem Equipment & Supply	6
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All of the companies listed above advertise on a regular basis with Petroleum News

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## PARNELL Q&A

21 is already fueling new opportunity for Alaskans and Alaska businesses.

*Petroleum News: You had worked pretty hard to make your case to the coastal communities during the drive for SB 21 and previous bills to lower taxes. People in these communities kept asking how does this connect to their lives when they are hundreds of miles from the oil patch. Do you feel like your points are starting to get backed up?*

Parnell: I continue to make that case. I made it as late as about two hours ago when I was at a Juneau luncheon. I spoke to how a state that is 95 percent dependent on oil royalty and taxes for state revenue needs to ensure a healthy oil industry. State employee paychecks come from those oil taxes and royalties. The only way we can continue a healthy economy and have a healthy public sector as well is to assure more production is coming and more taxes are collected for that production. The same goes for other coastal communities when it comes to port infrastructure that is fueled with oil tax dollars and royalties. Our schools, our public safety officers, our economy are dependent on a healthy oil industry. I'm told that one-third of our workers in this state directly or indirectly work because of the benefits from oil royalties and taxes. It's a huge benefit to coastal communities, although the connection isn't seen as readily in those communities.

*Petroleum News: During session and even afterward, you took a lot of heat for setting a goal of 1 million barrels of oil daily through the pipeline, a goal that seems well out of reach. How do you respond to that?*

Parnell: You've got to set the bar high and you've got to set expectations high. If you don't have a goal to shoot for you're going to get nowhere. By setting the bar high, by saying I want to see 1 million barrels of production, I'm really just saying we last saw that in 2002, and we are in the 529,000 range right now. Given that we've first stemmed the decline, you know compared to a previous 6 percent to 8 percent decline, my belief is we can actually climb farther than this if we continue to inspire new companies and new investment into Alaska.

*Petroleum News: Going back to Washington again, there is talk about exporting U.S. oil. Do you believe this could help Alaska?*

Parnell: Absolutely. At this juncture, we still have plenty of oil and plenty of markets in the Lower 48 to sell into, but we'll sell Alaska oil wherever Alaskans can benefit.

*Petroleum News: Let's switch resource fields from the North Slope to Cook Inlet. Analysts have dubbed Cook Inlet as Alaska's wild card that adds to the state's resource development prospects. What are your thoughts on Cook Inlet's potential?*

Parnell: I always want to see more investment in our oil and gas basins. I can also tell you that because of the tax reforms put in place three years ago, the Kenai Peninsula is hopping with gas exploration work with new gas finds. You'll notice there is no more talk in Anchorage about having to import gas because we supposedly don't have it in Cook Inlet. I'm excited about these new smaller players who have come to Cook Inlet. In the past years there are several companies with assets around the world. Hilcorp is a multibillion-dollar company that has the capability to make long-term investments there. I'd like to also see Agrium restart and see the LNG plant come online. There's a lot of activity going on in the peninsula right now. I'm pleased to have a hand in that along with the Legislature.

*Petroleum News: You had one hiccup with Buccaneer (bankruptcy). Do you have any concerns with the oversight of the state's investment?*

Parnell: Obviously I have a concern whenever a company makes the announcement that Buccaneer did. Certainly the Kenai leases they have, I understand those will be sold at auction to help cover the company's debt. The state is going to continue to receive its royalty in rent payments. The exploration leases might be sold as well. If they aren't, they will go back into the pool and go back up for sale directly by DNR next spring in an areawide sale. The jack-up rig is no longer owned by Buccaneer so there isn't any sort of loss there. It's kind of a multifaceted issue, but right now I'm thinking the state is on fairly good ground.

*Petroleum News: Speaking of Hilcorp,*

*and circling back to oil taxes, they bought North Slope assets from BP. Do you think that speaks to the new tax regime?*

Parnell: I don't know. I think it would be better to ask the companies about that. Hilcorp's acquisition of those lower producing fields would tend to me to think that they can bring expertise and a cost structure to the table to make those better plays for them as a smaller company than for BP as a larger company but I still think that's a question for the company.

*Petroleum News: What has the administration done to make sure the state has a seat at the table for Arctic policies as this gets discussed more and more with the U.S. role with the Arctic Council next year?*

Parnell: Well, I've made sure we have an Arctic coordinator in our office. That's Stephanie Moreland who attends virtually every Arctic-related meeting. I've communicated regularly with our military leadership on the Arctic, including this last week with the new Coast guard commandant in Washington, D.C. I am concerned that the United States Arctic policy has almost exclusively reflected environmental concerns rather than embracing economic concerns for Alaskans and other Americans. One of my focuses has been to ensure that whenever Arctic policy is being considered it's viewed in light of our people and not just in light of the environment and that's been a heavy focus of ours.

*Petroleum News: With that in mind, what are your thoughts on the continued exploration delays and that, in turn, delays production. That production was one of the factors you stressed in boosting pipeline throughput to reach 1 million barrels per day.*

Parnell: When I think of exploration delay, I think of Arctic OCS and Shell's work, and their six years and billions of dollars of investment, then their inability so far to penetrate an oil bearing or gas bearing horizon. Five of those years of delay are attributable to the federal government or environmental group litigation. One of those years can be attributable to Shell's inability utilize their contract vessel in a way that was that was safe. So my hope is they will continue pressing forward and that the Department of Interior will provide a timeline so that Shell can be back in the Arctic exploring the OCS during the summer of 2015. Just

this past week I had a lengthy conversation with Secretary Jewell in Washington, D.C. One of the topics I raised was asking for her assurance that the Department of the Interior would meet the timeline they have set forth for decision making in Shell getting back in the hunt for Alaska oil and gas in the Arctic.

*Petroleum News: What about infrastructure? Members of the Legislature have expressed concerns about getting infrastructure in place for events such oil spills that might not even be in our waters, but can migrate to our waters.*

Parnell: There are significant infrastructure needs that I think about. I think about communications in the Arctic. I think about ports. You mentioned oil spill and response. All of these areas need to be addressed. I will tell you that Alaska's ability to respond to an oil spill is unparalleled. In fact our equipment, our knowledge was brought to bear in the Gulf during their tragedy. While we have a long ways to go when it comes to Arctic conditions, you certainly can't walk anywhere in an onshore facility and not be conscious of the hundreds of millions of dollars and years of dedication and effort to ensure safe exploration and development without seeing stacks of oil spill response commitment.

*Petroleum News: When the U.S. takes over as chair for the Arctic Councils, do you believe that person should be an Alaskan?*

Parnell: My first priority would be to see an Alaskan there. My second priority would be to assure anyone in that position has had recent experience with Alaska, Alaska conditions, and with Alaskans. ●

*Editor's note: Part 1 of this Q&A appeared in the July 13 issue of Petroleum News.*

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## GAS POOL

units. And, because of variations in the characteristics of the rivers that laid down the sands, the nature, and hence the productivity, of the sands can differ between the different pools.

The Sterling formation, the shallowest and youngest of the gas-bearing formations in the field, has been the most productive of the field's producing formations since the field went into production in 1961. The Sterling has five distinct gas pools, one of which is now used as a gas storage reservoir. A sixth pool, straddling the Beluga formation and the upper part of the Tyonek formation, lies underneath the Sterling and consists of relatively large number of small sand channels. The seventh pool, lower down in the Tyonek, is called the Tyonek Pool 1.

The additional pool that the commission has now approved lies in the Tyonek formation, below Tyonek Pool 1, and is called the Kenai Deep Pool. Hilcorp asked to be allowed to comingle gas from the Kenai Deep Pool, the Tyonek Pool 1 and the Beluga/Upper Tyonek pool in its new wells.

Although the production performance from the new pool is likely to be broadly similar to that of the shallower Beluga/Upper Tyonek pools above it, different individual sands are likely to exhibit different production characteristics — allowing the comingling of gas from the three gas pools will improve resource recovery and prevent waste, the commission wrote in approving Hilcorp's comingling request.

—ALAN BAILEY

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## LNG ROLLERCOASTER

with project leader Steelhead LNG to build a liquefaction and tanker terminal near Bamfield on the southwest corner of the island.

Capital costs have been estimated at US\$30 billion, making the Steelhead project one of the costliest of the 15 proposals now in the works.

The plus for the partners is the planned location of the terminal, putting it much closer than any of the other British Columbia ventures to the prized Asian market.

### 800-mile pipeline required

But the biggest physical obstacle is building an 800-mile pipeline from the gas fields in northeastern British Columbia to the West Coast, crossing the Georgia Strait to Vancouver Island then traversing a difficult terrain to the Alberni Inlet, where the partners have rights to about 750 acres of flat, protested land and a deepwater terminal with open access to the Pacific Ocean and potential markets in Japan, China and South Korea.

Steelhead Chief Executive Officer Nigel Kuzemko, while conceding a final investment decision is probably four years away, said his company has the edge over its rivals as the first to establish a partnership with a First Nation.

He said the HFN's understanding of environmental issues, acquired over many generations, provides an edge.

But he concedes that getting gas from the British Columbia fields to the terminal site is one of the first economic questions that must be addressed.

HFN economic development officer John Jack said Steelhead is admired for the way it approached the aboriginal commu-

nity "rather than trying to get all this on their own and then coming to us after the fact."

Steelhead hopes to reach a joint venture agreement with HFN which would help facilitate deals with other First Nations along the pipeline route.

### Parent private equity firm

Steelhead hopes to leverage the contact list of its parent company KERN Partners, whose financial backers are dominated by Canadian pension funds and North American university endowments.

The Calgary-based private equity firm has more than C\$2.3 billion in assets under management, with stakes in a number of smaller Canadian companies including Legacy Oil + Gas, Black Swan Energy and Seven Generations Energy and is engaged in talks with a number of independent operators to secure its gas supplies, Kuzemko said.

The company hopes to attract Asian investors to the project, Kuzemko said.

"What appeals to Asian buyers is that we are independent," said the chief executive officer who has experience in the LNG sector working with Shell, Australia's Santos, Qatargas Operating Co. and Russia's Gazprom and helped develop plans for Australia's Gladstone project.

Kuzemko said he has assembled a team of executives who have worked in Australia to ensure that British Columbia's planned tax regime does not spiral out of control.

### Report urges swift action

Separately, a University of Calgary report has joined the chorus of those who are warning that unless the British Columbia government can act swiftly to enter the global LNG market it could lose out to international competitors, notably the United States, Australia, Qatar and Mozambique.

Michal Moore, director of energy and environmental policy at the university's public policy school, said that unless

British Columbia has LNG plants under construction by 2018 it will fall behind those who have contracts locked up in Asia.

He said late arrivals face potentially higher capital and financing costs, along with the risk that the premium prices paid for LNG in Asia may taper off.

The 86-page report notes that the British Columbia government is behind its original goal of having at least one terminal operating by 2015, while Cheniere Energy expects to have LNG ready for export from the U.S. Gulf Coast as early as next year.

Moore told a news conference in Vancouver it is unlikely that British Columbia will even proceed with three plants.

"The market is large and it is growing, but there are lots of countries and companies lined up to provide adequate supply to meet the demand in the short term and in the long term. So, to imagine the market is infinitely large and infinitely growing ... is simply a mistake," Moore told reporters.

### Coleman cites 'tremendous progress'

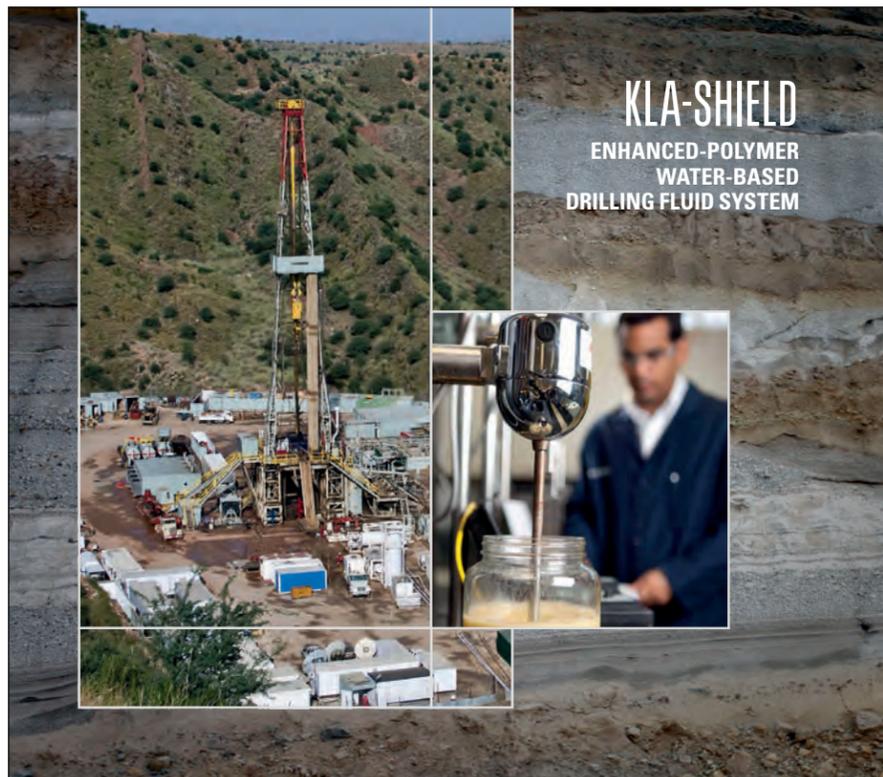
British Columbia Natural Gas Development Minister Rich Coleman, who is responsible for the LNG agenda, has shown no signs of doubt, insisting his government has "made tremendous progress," with global LNG companies "showing a strong commitment (to B.C.) and making large investments."

The University of Calgary report was critical of the province's plan to impose a new tax on LNG production, arguing LNG was being singled out for a special tax on top of existing corporate taxes and royalties on gas extraction.

"If the British Columbia government is concerned that its citizens are not getting their fair share, that should be addressed in the royalty system and not through an LNG tax," said university researcher Jennifer Winter.

—GARY PARK

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## ARCTIC COUNCIL

now been named.

"The formation of this new group ... represents a dynamic new opportunity for the business community to forward their expert perspectives, promoting responsible economic development, onto the Arctic Council," said state Sen. Lesil McGuire, R-Anchorage, co-chair of the

Alaska Arctic Policy Commission. "Equally important, these Arctic industry experts will now have an opportunity to respond to and advise other Arctic Council initiatives with respect to their impacts and effects on economic development and the peoples of the circumpolar Arctic."

—ALAN BAILEY

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## OIL PATCH BITS

### Repsol taps Erickson for scientific expedition flights

Erickson, a leading global provider of aviation services, said it has signed a contract with Repsol, a multinational oil and gas company, to provide helicopter transport for a scientific research expedition in Alaska's North Slope.

Utilizing two of its Bell 212 helicopters, Erickson will provide daily transportation for the team of researchers and subcontractors from Deadhorse and the Prudhoe Bay area to remote areas in the region to conduct scientific research. Scientists will perform a number of studies, including an effort to monitor ice breakup and flood and flow patterns along the Colville River. Researchers and engineers from the Michael Baker Corp., responsible for engineering and constructing the Trans-Alaska Pipeline System, are subcontractors for this work with Repsol.

"Our acquisitions last year are helping to grow the company's offerings in the Northern Territory as well as our footprint across five continents," said Dave Sell, Alaska sales manager for Erickson. "We hope to continue that positive trajectory in 2014, by focusing our efforts on better serving the State of Alaska's oil and gas industry needs for aerial operations with its challenging geography and terrain."

The company employs the world's most qualified pilots, maintenance personnel and support teams necessary to aid in flight operations and safety procedures. Services offered by Erickson's medium- and light-lift helicopters include passenger transport, oil and seismic exploration support, search and rescue, aerial spray application, firefighting, long-line lift operations, and emergency medical evacuation at some of the most challenging and isolated places on Earth.

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## FURIE PLATFORM

“The monopod is actually in Seattle right now,” Kade said. “They’re outfitting it with some final lifting components for the heavy lift.”

And a template designed for positioning the platform’s single monopod caisson on the seafloor will depart Vancouver, Washington, for Cook Inlet on July 20, Kade said.

### Discovered in 2011

Furie first discovered natural gas in the Kitchen Lights unit in 2011 when drilling the Kitchen Lights unit No. 1 well using its Spartan 151 jack-up rig. However, gas production from the unit will start from the Kitchen Lights unit No. 3 well, drilled in 2013. There is little public information about the size of Furie’s gas find, although

the scale of the development would suggest the existence of a fairly large gas field. The Kitchen Lights plan of operations says that Furie anticipates producing up to 30 billion cubic feet per of gas per year. This year’s initial field development involves the installation of the first of two twin pipelines from the Kitchen Lights platform, with each pipeline being capable of carrying up to 200 million cubic feet per day of gas, according to the plan of operations.

Furie has not indicated who will purchase the Kitchen Lights gas.

Once the procedure for installing the platform on the seafloor begins, the heavy lift vessel, stationed next to the barge carrying the platform components, will use its cranes to place each of the components into position. The operation will start with the placement of the template over the well location on the seafloor, to act as a guide for driving into place the first few of the piles that will hold the platform in place, Kade

explained. The template will then be removed, and the monopod’s caisson will be lowered into position, using those initial piles as guides. Once the caisson is in position, additional piles will be installed, to securely hold the platform structure in position.

Apparently the heavy lift vessel, called the M.V. Svenja and owned by German company Sal Heavy Lift, recently saw action in support of the operation to salvage the Costa Concordia, the Italian cruise ship that ran aground and sank in the Mediterranean in 2012.

Furie does not anticipate any significant problems with its Cook Inlet venture — the company still expects first gas to flow from the Kitchen Lights unit by the end of this year.

“There are a lot of moving parts but ... it will get done this year,” Kade said. ●

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FURIE OPERATING ALASKA

The template that will be installed over the Kitchen Lights Unit No. 3 well, drilled in 2013. The template will be used to set piles for the monopod and will be removed prior to setting the monopod.

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## COURT QUESTIONS

Creditors wants more information about the relationship between Meridian Capital International Fund, which owns the largest equity interest in Buccaneer, and AIX Energy, the largest lender to Buccaneer.

The court-appointed official committee of unsecured creditors is composed of five large lenders to Buccaneer: Kenai Offshore Ventures LLC, Archer Drilling LLC, Teras Oilfield Support Ltd., Frank’s International LLC and AIMM Technologies Inc. Their claims and concerns grow from an initial discovery phase of the case, which produced more than 400,000 pages of documents through July 8, according to the committee.

Meridian declined to participate in the discovery unless ordered by the court, according to the committee. Upon request from the committee, the court has made such an order.

### Controlling assets

The committee claims Meridian is using AIX Energy to control Buccaneer assets.

In mid-2013, Meridian International acquired a 19.9 percent equity stake in Buccaneer Energy Ltd., making it the only entity with more than 10 percent interest in the company, according to Buccaneer. The large stake gave Meridian a seat on the Buccaneer board of directors and made the company “actively involved” in daily operations of the company, according to the committee. The acquisition occurred shortly before Buccaneer shareholders voted to oust two existing directors and appoint three new directors nominated by two large institutional investors, which effectively split the board in half.

Meridian International affiliate Meridian Capital CIS Fund was a secured lender for Buccaneer until April 30, 2014, when it transferred its loans to AIX Energy LLC, according to the committee. AIX is currently the stalking-horse bidder for the proposed auction, having agreed to make an initial bid of at least \$58,476,264.71 to buy “substantially all” of Buccaneer’s assets, which include leases across the Cook Inlet basin. A stalking-horse bidder prevents a seller from being underbid during an auction.

Around the time Meridian acquired its interest in Buccaneer, the two companies entered a “production payment agreement,” where Meridian gave Buccaneer \$1 million and Buccaneer subsequently paid Meridian \$4.7 million less than six months later using funds generated from the sale of the Cosmopolitan prospect, according to the committee.

In January 2014, Meridian took over a Victory Park Management LLC debt facili-

ty to Buccaneer using proceeds from the sale of Buccaneer assets, including Cosmopolitan, according to the committee. At the time, Buccaneer described the switch to Meridian Capital CIS as being “on amended terms that are more favorable to Buccaneer.”

But, according to the committee, before closing on the Victory Park deal, Meridian “was investigating foreclosure upon the debtors’ assets with the goal of owning and controlling the subject assets free from the debtors’ obligations to other creditors and investors.”

Buccaneer traded on the Australian stock exchange, and under Australian securities law, Meridian could not purchase those Buccaneer assets without approval of other Buccaneer shareholders. “In order to accomplish indirectly what it could not do directly, Meridian installed AIX — a newly formed shell entity comprised of individual oil and gas operators with whom Meridian had long-standing prior personal relationships — as a ‘straw-man’ lender to foreclose the debtors’ assets,” according to the committee.

On April 30, 2014, AIX Energy used a “mirror loan” from Meridian to buy the loan to Buccaneer from Meridian, according to the committee, which called the transaction “little more than a book entry” and called AIX “no more than an economic pass-through.”

According to the committee, the procedures Buccaneer has proposed for the auc-

tion were designed to restore Meridian as the secured lender over the Buccaneer assets, which would allow Meridian to replace Buccaneer management at the expense of other lenders.

### Other depositions

Previously, the committee also served subpoenas to three Buccaneer directors.

Given that the directors — Allen Stein, Gavin Wilson and Patrick O’Connor — all

live overseas, Buccaneer is asking the court for permission to conduct the depositions by videoconference. Counting travel time from England and Australia, recovery from jet lag and preparation, each deposition would require a weeklong commitment, Buccaneer said.

The committee wants the depositions to take place in Houston. ●

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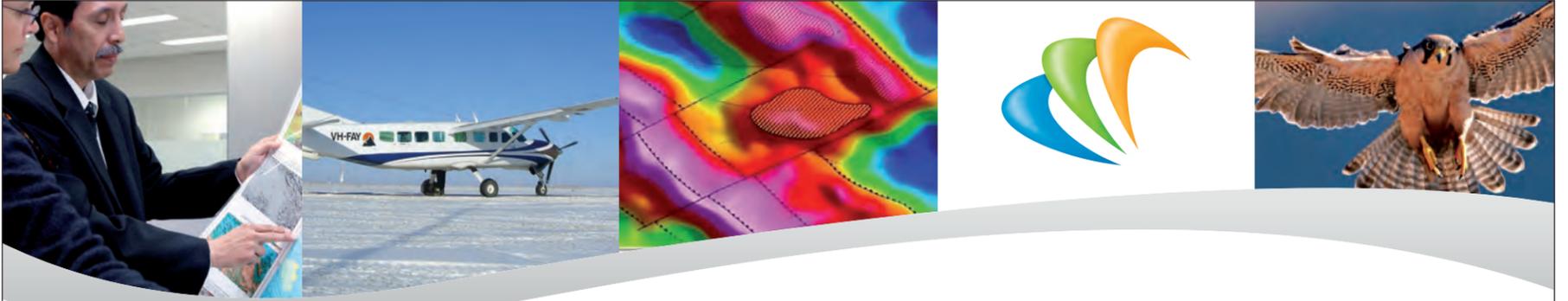
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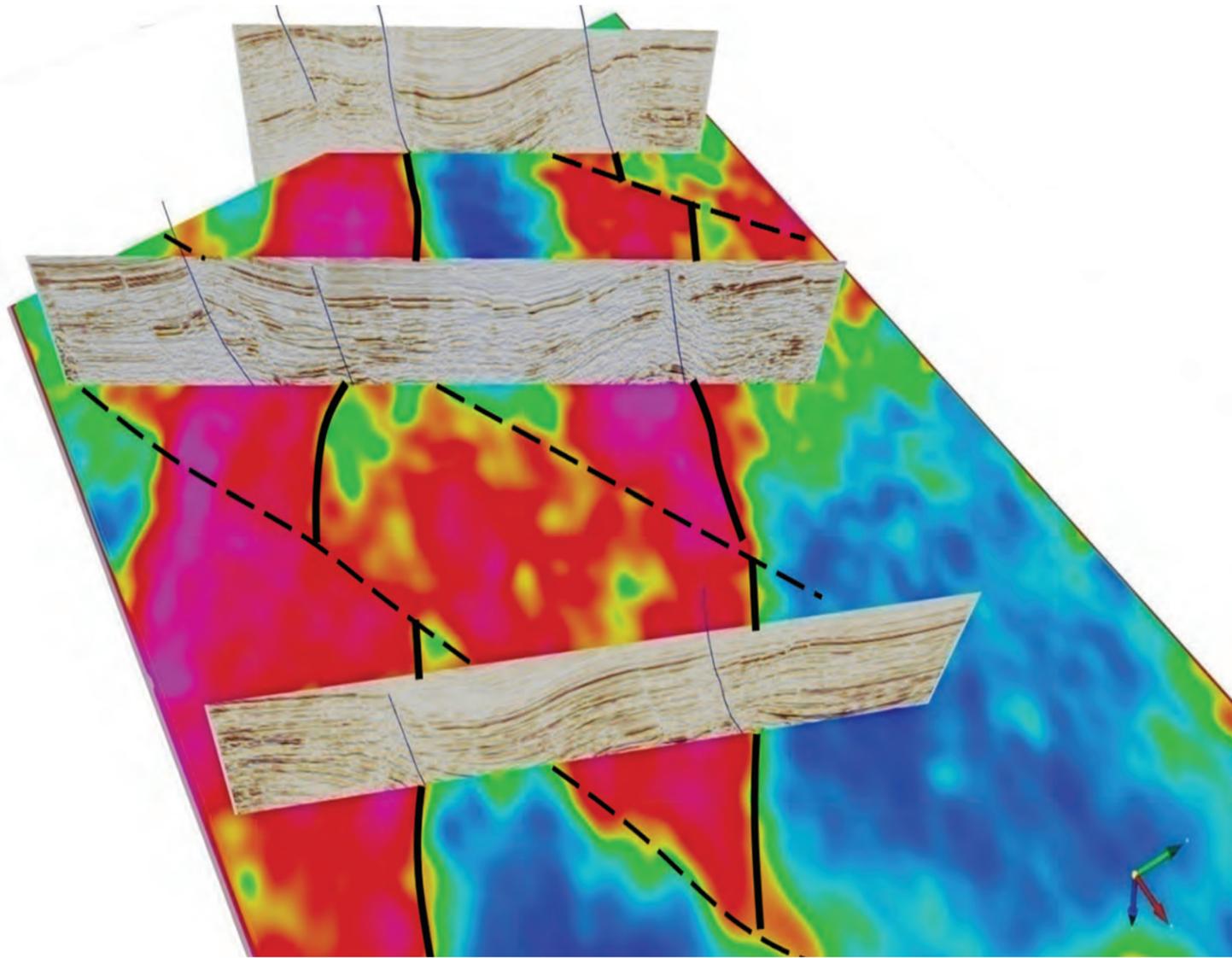
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