

page 6 BRPC files 7th POD; Mustang development close to production

## BP CEO Bob Dudley to retire; no decision yet on timing

BP'S TOP EXECUTIVE Bob Dudley recently confirmed rumors that he will step down as chief executive officer but says BP's board has not yet decided on the timing.

The major's first American CEO has indicated several times in private exchanges that he'd like to retire at the age of 65, which he'll turn in September 2020.

On Sept. 28, Sky News reported that Dudley planned to retire within a year and that BP's board would be announcing it by the end of 2019.

The rumor was first confirmed by Dudley at the Russia Energy Week conference in Moscow, where he told reporters

see INSIDER page 9



## Governor names Jeremy Price to AOGCC seat currently vacant

Alaska Gov. Mike Dunleavy has named Jeremy Price to the public seat on the three-member Alaska Oil and Gas Conservation Commission and has also named him chair of the commission. This seat has been vacant since the governor removed Hollis French in February.

Price, who begins work at the commission Oct. 7, has been the governor's deputy chief of staff.

"Jeremy Price shares my vision for a state that is both economically competitive and protects the interest



JEREMY PRICE

see AOGCC SEAT page 9

## Kenney chases investment, gives Alberta's advantages positive spin

Alberta Premier Jason Kenney made a pitch to private equity firms and investment banks in New York on Sept. 18, in a bid to revive investment for his province's oil and natural gas industry.

His agenda included 14 meetings with hard-nosed audiences and his message, after a summer dominated by short-selling of stocks in companies such as one-time hot investments such as Athabasca Oil, Pengrowth Energy and Bonterra Energy, accompanied by a dramatic scaling back of enthusiasm by



JASON KENNEY

see KENNEY PITCH page 9

## Accumulate files lease plan of ops for Charlie 1 exploration well

Accumulate Energy Alaska, a local operating subsidiary of 88 Energy, has submitted a lease plan of operations for the Charlie No. 1 exploration well, which the company proposes to drill this winter some 29 miles west of the Franklin Bluffs pad on the North Slope.

The plan was submitted in early August; the Department of Natural Resources' Division of Oil and Gas is taking public comments on the proposal through Oct. 31.

The well is one of a number of prospects 88 Energy has at its Project Icewine, a block of leases straddling the Dalton Highway. The company drilled two wells, the Icewine No. 1, which has been plugged and abandoned, in 2015-16 and the

see CHARLIE 1 WELL page 10

### EXPLORATION & PRODUCTION

# Pikka evolves

Oil Search using Kuparuk for first oil, hopes to bump early output to 50,000 bpd

By KAY CASHMAN

Petroleum News

A flurry of new stakeholder documents and a filing with the state of Alaska paint a picture of continuous evolution in Oil Search's North Slope Pikka development.

Basically, it consists of three drill sites, a processing facility, an operations pad, a tie-in pad, infield pipelines, export and import pipelines, an access road, infield roads, a boat ramp and a potable water system.

The most recent major project change is that Pikka will start production early, in mid-2022, with 30,000 barrels of oil per day processed at ConocoPhillips's nearby Kuparuk River unit.

Once Oil Search's processing facility "is operational in 2023 or 2024," the early production phase will end and the Nanushuk export pipeline will transition from carrying sales quality oil to Kuparuk central processing facility 2 and instead begin transporting it to the Nanushuk facility, which will have a capacity of handling 120,000 barrels of oil per day.

Note, the Pikka unit development is referred to as the Nanushuk development or project in state and federal paperwork, even though it will initially target oil deposits in both the Nanushuk and Alpine C reservoirs — two of six stacked plays in the unit that might eventually be tapped. This explains the pad names, which begin with ND, as well as the names of other project

see PIKKA EVOLVES page 12

### FINANCE & ECONOMY

# Furie asset sale set

Cook Inlet natural gas platform and facilities, Kitchen Lights unit on the block

By STEVE SUTHERLIN

Petroleum News

U.S. Bankruptcy Judge Laurie Selber Silverstein signed a bidding procedures order Sept. 26 in the Furie Operating Alaska LLC Chapter 11 case in U.S. Bankruptcy Court for the District of Delaware.

The order set forth a schedule for the sale of the company's assets, which include the Cook Inlet Kitchen Lights unit and its related infrastructure such as the Julius R offshore platform, the onshore processing facility and all related pipelines.

The deadline for the debtors to file a proposed form of Sale Order is 5 p.m. on Oct. 25.

Debtors shall file a Stalking Horse Supplement

*The debtors, in consultation with their consultation parties, may select a qualified bidder (Stalking Horse Bidder) to serve as the minimum bid for substantially all of the debtors' assets or any grouping or subset of the debtors' assets.*

with the court on or before 5 p.m. on Oct. 25. The deadline to file an objection with the court to the Stalking Horse Supplement will be 10 calendar days after the service of the Stalking Horse Supplement.

see ASSET SALE page 11

### FINANCE & ECONOMY

# Wulff takes top position

Veteran leader of Oil Search Peter Botten retiring, Alaska president taking his place

By KAY CASHMAN

Petroleum News

After serving as Oil Search's managing director for 25 years, Peter Botten is retiring and Keiran Wulff, president of Oil Search Alaska, is taking his place.

In an interview with Petroleum News, Wulff said Bruce Dingeman, currently chief operating officer of the Alaska business unit, will take over his role as president, and Matt Elmer, senior vice president of production and operations, will assume the role of acting COO.



PETER BOTTEN



KEIRAN WULFF

Wulff estimates that after the transition to his new position is complete, he will be spending about 20% of his time in Alaska.

What do the changes mean for the state?

"Alaska has a champion at the very top of the company," was Wulff's response, noting the leadership change has been internally progressing for about two years.

To ensure a smooth transition of responsibilities Wulff was appointed chief executive officer

see OIL SEARCH MOVES page 10

• EXPLORATION & PRODUCTION

# Steep drop in ANS production in August

Crude, NGL volumes, average 398,850 bpd, down 16% from July; Prudhoe, Milne top volume drops; Milne, Oooguruk top percentage drops

By **KRISTEN NELSON**  
Petroleum News

Crude oil and natural gas liquids production on Alaska's North Slope was down in August — a drop of 16% from July — with an average of 398,850 barrels per day, down 75,769 bpd from a July average of 474,619 bpd and down 12.3% from an August 2018 average of 454,602 bpd.

August was warm, and production facilities are less efficient in warm weather. August is also part of the annual turnaround period for North Slope fields, scheduled maintenance which takes advantage of the warmer weather.

NGL production had a larger percentage drop than crude.

Crude production on the Slope averaged 368,387 bpd in August, down 15.2%, 65,775 bpd, from a July average of 434,162 bpd, and down 10.8% from an August 2018 average of 412,870 bpd, while NGL production averaged 30,463 bpd in August, down 24.7%, 9,995 bpd, from a July average of 40,458 bpd and down 27% from an August 2018 average of 41,732 bpd.

Production data reported here is from the Alaska Oil and Gas Conservation Commission, which provides volumes by field and well on a month delay basis.

## Prudhoe, Milne, lead drop

The month-over-month ANS production drop was led by the BP Exploration (Alaska)-operated Prudhoe Bay field, which averaged 185,433 bpd (combined crude and NGLs) down 19.5%, 44,892 bpd, from a July average of 230,325 bpd, and down 21.1% from an August 2018 average of 234,986 bpd.

Crude oil production at Prudhoe averaged 156,917 bpd in August, down 18.2%, 35,019 bpd, from a July average of 191,936 bpd, and down 19.8% from an August 2018 average of 195,571 bpd.

Prudhoe NGL production averaged 28,516 bpd in August, down 25.7%, 9,873 bpd, from a July average of 38,389, and down 27.7% from an August 2018 average of 39,415 bpd.

In addition to the primary reservoir, production volumes from Prudhoe include Aurora, Borealis, Lisburne, Midnight

Sun, Niakuk, Polaris, Point McIntyre, Put River, Raven and Schrader Bluff.

The Hilcorp Alaska-operated Milne Point field averaged 11,066 bpd in August, down 58.7%, 15,699 bpd, from a July average of 26,765, and down 50.1% from an August 2018 average of 22,172 bpd.

## Other fields also dropped

The ConocoPhillips Alaska-operated Colville River field averaged 46,504 bpd in August, down 8.8%, 4,488 bpd, from a July average of 50,991 bpd, but up 11.9% from an August 2018 average of 41,565 bpd.

In addition to oil from the main Alpine pool, Colville production includes satellite production from Fiord, Nanuq and Qannik.

The Eni-operated Oooguruk field averaged 5,918 bpd in August, down 32.1%, 2,802 bpd, from a July average of 8,720, and down 39% from an August 2018 average of 9,699 bpd.

see **ANS PRODUCTION** page 5

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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)	Milne Point, M-17	Hilcorp
Dreco 1000 UE	16 (SCR/TD)	Standby	
Dreco D2000 Uebd	19 (SCR/TD)	Kuparuk, Standby	ConocoPhillips
AC Mobile	25	Alpine, CD5-92	ConocoPhillips
OIME 2000	141 (SCR/TD)	Standby	ConocoPhillips
	142 (SCR/TD)	Kuparuk 3R-111	ConocoPhillips
TSM 700	Arctic Fox #1	Standby	Oil Search
<b>Hilcorp Alaska LLC</b>			
	Rig No.1	Milne Point	Hilcorp Alaska LLC
<b>Kuukpik Drilling</b>			
	5	Deadhorse	Available
<b>Nabors Alaska Drilling</b>			
AC Coil Hybrid	CDR-2 (CTD)	Deadhorse 14-38A	BP
AC Coil	CDR-3 (CTD)	Kuparuk 1C-06	ConocoPhillips
Dreco 1000 UE	7-ES (SCR-TD)	Kuparuk Stacked	ConocoPhillips
Mid-Continental U36A	3-S	Stacked	Available
Oilwell 700 E	4-ES (SCR)	Stacked	Available
Dreco 1000 UE	9-ES (SCR/TD)	Stacked	ConocoPhillips
Oilwell 2000 Hercules	14-E (SCR)	Deadhorse	Available
Oilwell 2000 Hercules	16-E (SCR/TD)	Stacked	Brooks Range Petroleum
Oilwell 2000 Canrig 1050E	27-E (SCR-TD)	Stacked	Glacier Oil & Gas
Oilwell 2000	33-E	Deadhorse	Available
Academy AC Electric CANRIG	99AC (AC-TD)	Stacked	Repsol
OIME 2000	245-E (SCR-CTD)	Stacked	ENI
Academy AC electric CANRIG	105AC (AC-TD)	Stacked	Oil Search
Academy AC electric Heli-Rig	106AC (AC-TD)	Stacked	Great Bear Petroleum
<b>Nordic Calista Services</b>			
Superior 700 UE	1 (SCR/CTD)	Deadhorse	Available
Superior 700 UE	2 (SCR/CTD)	Prudhoe Bay	Available
Ideco 900	3 (SCR/TD)	Charlie #1	Accumulate Energy Alaska
Rig Master 1500AC	4 (AC/TD)	Oliktok Point	ENI
<b>Parker Drilling Arctic Operating LLC</b>			
NOV ADS-10SD	272	Prudhoe Bay S-202	BP
NOV ADS-10SD	273	Stacked in Deadhorse	Available

### 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 SP03-NE2	ENI
<b>Nabors Alaska Drilling</b>			
OIME 1000	19AC (AC-TD)	Oooguruk Stacked	Caelus Energy LLC

### Cook Inlet Basin – Onshore

<b>BlueCrest Alaska Operating LLC</b>			
Land Rig	BlueCrest Rig #1	Anchor Point, drilling production section of H14	BlueCrest Alaska Operating LLC
<b>Glacier Oil &amp; Gas</b>			
	Rig 37	West McArthur River Unit Workover	Glacier Oil & Gas
<b>All American Oilfield LLC</b>			
IDECO H-37	AAO 111	North Slope stacked	Available
<b>Hilcorp Alaska LLC</b>			
TSM-850	147	Stacked	Hilcorp Alaska LLC
TSM-850	169	Stacked	Hilcorp Alaska LLC

### Cook Inlet Basin – Offshore

<b>Hilcorp Alaska LLC</b>			
National 110	C (TD) Rig 51 Rig 56	Platform C, Stacked Steelhead Platform, Stacked Monopod A-13, stacked	Hilcorp Alaska LLC Hilcorp Alaska LLC Hilcorp Alaska LLC
<b>Spartan Drilling</b>			
Baker Marine ILC-Skidoff, jack-up		Spartan 151, stacked at Rig Tenders where pre mobilization work is being performed	Hilcorp Alaska LLC
<b>Furie Operating Alaska</b>			
Randolf Yost jack-up		Nikiski, OSK dock	Available
<b>Glacier Oil &amp; Gas</b>			
National 1320	35	Osprey Platform, activated	Glacier Oil & Gas

## Mackenzie Rig Status

### Canadian Beaufort Sea

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

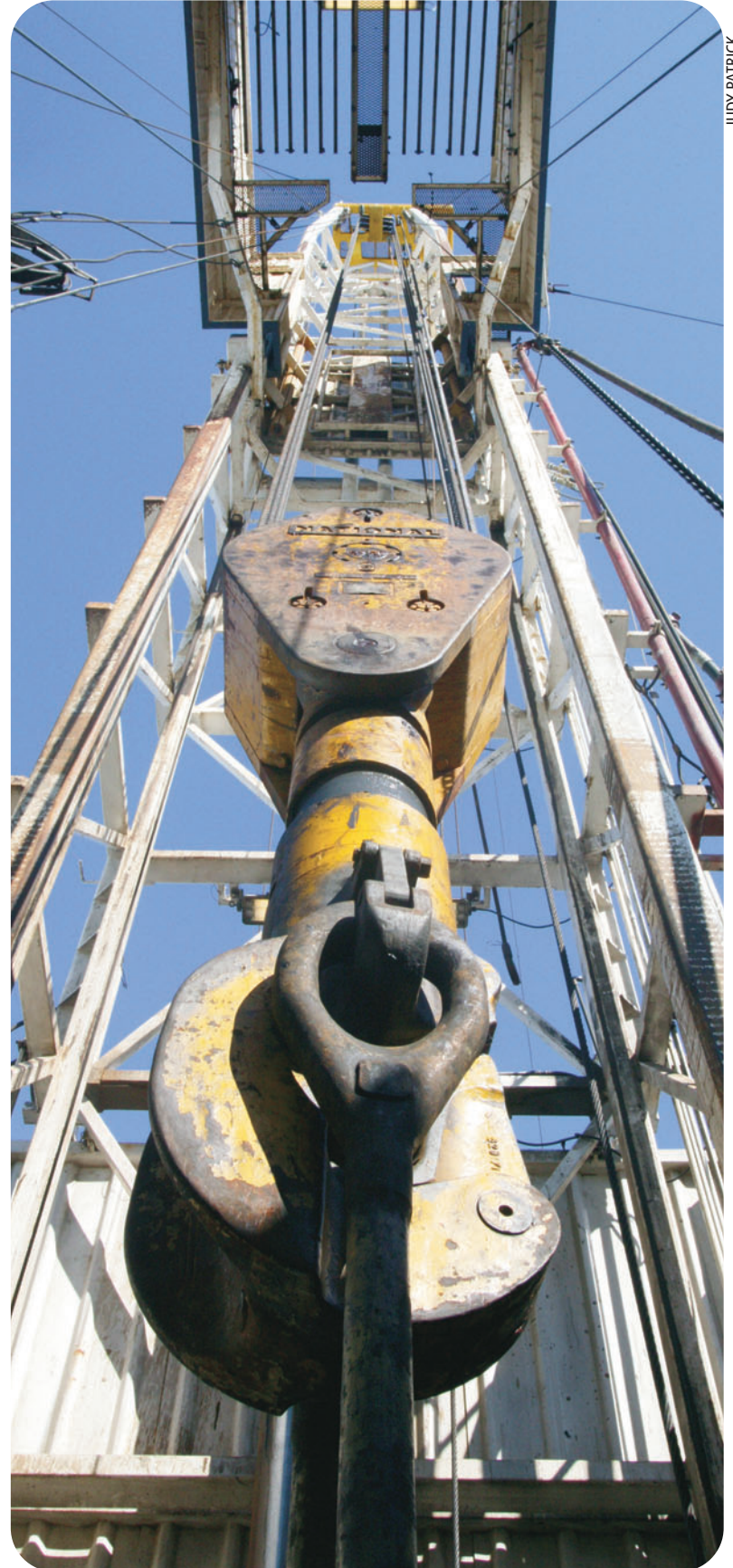
### Central Mackenzie Valley

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

The Alaska - Mackenzie Rig Report as of Oct. 2, 2019.  
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\*

	Sept. 27	Sept. 20	Year Ago
United States	860	868	1,054
Canada	127	119	178
Gulf of Mexico	22	23	18

### Highest/Lowest

US/Highest	4530	December 1981
US/Lowest	404	May 2016

\*Issued by Baker Hughes since 1944

The Alaska - Mackenzie Rig Report  
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## • NATURAL GAS

# Mat-Su continues to fight for MacKenzie

Borough has filed a motion for a supplemental draft EIS; tells FERC AGDC's plan to put LNG facility at Nikiski is not LEDPA

By KRISTEN NELSON

Petroleum News

The Matanuska-Susitna Borough is continuing its fight to locate a liquefied natural gas facility and terminal for the Alaska LNG Project at Port MacKenzie, even as the Federal Energy Regulatory Commission takes public comment on a draft environmental impact statement for a project with a liquefaction facility and terminal at Nikiski on the Kenai Peninsula.

The borough asked FERC in a Sept. 27 filing to issue a supplemental draft EIS for the Alaska Gasline Development Corp.'s Alaska LNG Project "in order to cure the foundational defects in the current draft."

During the scoping period for the draft EIS, which was issued in late June, there was considerable interest in alternatives — a different route for the pipeline through Denali National Park and Preserve, running the pipeline to Valdez and building the LNG facility and terminal there or placing the LNG facility and terminal at Port MacKenzie rather than at Nikiski.

The Mat-Su Borough was a late intervenor in the FERC process, filing in January 2018 because it wanted Port

*In September 2018 the Mat-Su Borough asked FERC to delay a decision on the project until Port MacKenzie had been adequately considered as a site for the project's LNG facility and terminal.*

MacKenzie considered; the Kenai Peninsula Borough intervened in August 2018 to protect the Nikiski site selection. Nikiski was selected as the lead site for the liquefaction facility in 2013. The other contender for the site, Valdez, which intervened in 2017, has long wanted an LNG facility and terminal there.

In September 2018 the Mat-Su Borough asked FERC to delay a decision on the project until Port MacKenzie had been adequately considered as a site for the project's LNG facility and terminal.

AGDC told FERC in October 2018 that it had provided data in July 2018 to allow the commission to quantitatively compare the Port MacKenzie alternative to Nikiski. It said it had "in good faith analyzed the Port MacKenzie site based on the information and recommendations provided to it

by MSB" and the borough's consultant. AGDC said the borough had proposed a "slight deviation" in one of the options analyzed by AGDC "at the eleventh hour," calling it "yet another moving target presented by MSB during these proceedings."

## The back and forth

The Kenai Peninsula Borough also responded in October 2018, telling FERC Port MacKenzie was not an "optimum" alternative site because it is being developed for other activities, and defending the Nikiski site proposed as "not encumbered by timber, rail line or other development."

The Kenai Peninsula Borough also told FERC that Port MacKenzie would lengthen the shipping route and said the Mat-Su Borough's proposal was not significantly different from one of its previous options, one that Mat-Su "has admitted presents significant challenges."

In response to AGDC's response the Mat-Su Borough told FERC it believed AGDC had not provided FERC staff with the information necessary to do a comparative analysis of the Nikiski and Port MacKenzie sites.

## Current filing

In its current motion for a supplemental draft EIS, the Mat-Su Borough said there were technical deficiencies in the draft EIS which it would address in a later filing, but said it was "filing this motion with the Commission separately in an effort to draw attention to, and correct, certain significant flaws in the report."

The borough argued that the draft EIS does not do an adequate analysis of Port MacKenzie as an alternative and does not provide enough factual information to determine if the Nikiski site is the LEDPA, the least environmentally damaging practi-

*The Kenai Peninsula Borough also told FERC that Port MacKenzie would lengthen the shipping route and said the Mat-Su Borough's proposal was not significantly different from one of its previous options, one that Mat-Su "has admitted presents significant challenges."*

cable alternative, the requirement for a U.S. Army Corps of Engineers permit under Section 404 of the Clean Water Act.

The borough's motion calls the alternative site analysis in the DEIS " cursory." It says the DEIS only provides a summary overview of the Port MacKenzie alternative in the alternatives section, but "does not provide any analysis whatsoever of the Port MacKenzie Alternative in the Environmental Analysis sections. Rather, FERC eliminates the Port MacKenzie Alternative from full consideration as a reasonable alternative site" because it fails to satisfy one objective of the project, allowing for future interconnection with the Enstar pipeline for gas delivery nearer to the Kenai Peninsula, one of three future delivery points identified as objectives of the project.

The Mat-Su Borough told FERC that gas delivery to the Kenai Peninsula is not an objective in the DEIS — just commercializing North Slope natural gas; being competitive for delivery to foreign markets; and providing interconnections along the way for in-state gas delivery.

Mat-Su argues that no specific interconnect points were identified. ●

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## CORRECTION

### Bradley Lake one of 50

An item in the Sept. 29 issue, "Summer fire on Kenai Peninsula expected to add to electric costs," incorrectly said the Bradley Lake hydro project was the largest of seven in the state.

It is actually the largest of nearly 50 operating utility-scale hydroelectric projects in Alaska and produces from 5-10% of the Railbelt's energy needs.

Bradley Lake is owned by the Alaska Energy Authority. Information on AEA's hydroelectric program, including Bradley Lake, is available on AEA's website, [www.akenergyauthority.org](http://www.akenergyauthority.org).



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• ENVIRONMENT & SAFETY

# Court rejects walrus listing appeal

Says that Fish and Wildlife provided adequate justification for 2017 decision not to list Pacific walrus as endangered under ESA

By ALAN BAILEY

For Petroleum News

The federal District Court in Alaska has rejected an appeal by the Center for Biological Diversity against a 2017 decision by the U.S. Fish & Wildlife Service not to list the Pacific walrus as endangered under the terms of Endangered Species Act. In a Sept. 26 court order Judge Sharon Gleason rejected each of the arguments that the CBD had put forward in its challenge to the FWS decision.

## Loss of sea ice habitat

The issue regarding whether to list the walrus emanates from the fact that the animals constitute one of the species impacted by the shrinkage of the Arctic sea ice extent, as the Arctic climate warms. The question of whether and to what extent sea ice loss will impact future animal wellbeing has

become controversial, especially given uncertainties over the extent and rate of ice loss, and uncertainties over the ways in which this ice loss may impact animal wellbeing.

In recent years, following sea ice loss, walrus have been observed gathering in large, onshore haulouts, rather than remaining offshore on ice floes. This has given rise to concerns about potential mortality rates in the haulouts. And the Center for Biological Diversity has argued that the walrus depend on sea ice in support of their offshore lifestyle.

Opponents of the sea-ice related listings argue that impacted animals are currently healthy, and point to uncertainties regarding future sea ice cover. The listing of animals can impact economic activity in regions of animal habitat. And Native communities in the Arctic hunt walrus as subsistence resources.

Following a February 2008 petition to Fish & Wildlife by the Center for Biological Diversity to list the walrus as threatened or endangered as a consequence of climate

change, in February 2011 the agency determined that a listing was warranted. However, because of the workload involved in dealing with higher priority listings, the agency deferred the formal listing procedure for the walrus. Subsequently, in a settlement with the environmental organization, the agency undertook to make a formal listing decision by the end of September 2017.

Shortly before that 2017 deadline, Fish & Wildlife announced that it had decided not to list the walrus. The agency argued the walrus had been observed adapting to sea ice loss in a manner not previously anticipated; that actions taken to prevent disturbance to shore haulouts had proven effective in reducing walrus mortality; and that industrial and subsistence impacts on the walrus had dropped since the 2011 listing opinion had been issued. The agency also reduced its time horizon for forecasting climate

see WALRUS LISTING page 8

continued from page 2

## ANS PRODUCTION

The Hilcorp-operated Northstar field averaged 6,627 bpd in August, down 28%, 2,571 bpd, from a July average of 9,198 bpd, and down 30% from an August 2018 average of 9,447 bpd. Crude oil production at Northstar averaged 5,592 bpd in August, down 29.3%, 2,319 bpd, from a July average of 7,911, and down 29% from an August 2018 average of 7,877 bpd, while NGLs averaged 1,035 bpd in August, down 19.6%, 252 bpd, from a July average of 1,287 bpd, and down 34.1% from an August 2018 average of 1,570 bpd.

Eni's Nikaitchuq field averaged 17,884 bpd in August, down 11.4%, 2,291 bpd, from a July average of 20,175 bpd, and down 0.3% from an August 2018 average of 17,933 bpd.

ConocoPhillips's Greater Mooses Tooth, which came online in the National Petroleum Reserve-Alaska in October 2018, averaged 9,936 bpd in August, down 12.3%, 1,399 bpd, from a July average of 11,335 bpd. The field is producing from three wells, but 86% of production in August was coming from a single well.

The ConocoPhillips-operated Kuparuk River field, the second largest on the Slope, averaged 103,016 bpd in August, down 1%, 1,008 bpd, from a July average of 104,024, and down 5.8% from an August 2018 average of 109,407 bpd. In addition to the main Kuparuk pool, the field produces from satellites at Meltwater, Tabasco and Tarn, and from West Sak.

The ExxonMobil Production-operated Point Thomson field averaged 3,345 bpd in August, down 20.4%, 855 bpd,

from a July average of 4,201 bpd, but up 3,385% from an August 2018 average of 96 bpd.

### Two small increases

The Hilcorp-operated Endicott field averaged 7,602 bpd in August, up 2.9%, 215 bpd, from a July average of 7,387 bpd, and up 1.1% from an August 2018 average of 7,517 bpd. Crude oil at Endicott averaged 6,691 bpd, up 1.3%, 85 bpd, from a July average of 6,606 but down 1.2% from an August 2018 average of 6,770, while NGL production averaged 911 bpd, up 16.6%, 130 bpd, from a July average of 781 bpd and up 22% from an August 2018 average of 747 bpd.

Badami, operated by Savant Alaska, a Glacier Oil & Gas company, averaged 1,518 bpd in August, up 1.4%, 21 bpd, from a July average of 1,497, but down 11.1% from an August 2018 average of 1,708 bpd.

### Cook Inlet production down by 5%

Cook Inlet production averaged 13,628 bpd in August, down 4.9%, 708 bpd, from a July average of 14,336 bpd, and down 8.7% from an August 2018 average of 14,929 bpd.

Hilcorp's Beaver Creek field averaged 362 bpd in August, down 52.1%, 303 bpd, from a July average of 755 bpd, but up 424% from an August 2018 average of 69 bpd. Hilcorp redrilled a well at the field last October, and by November the field was averaging 904 bpd.

Hilcorp's Granite Point field averaged 2,703 bpd in August, up 6.4%, 162 bpd, from a July average of 2,541 bpd, but down 1% from an August 2018 average of 2,730 bpd.

BlueCrest's Hansen field, the Cosmopolitan project,

averaged 1,230 bpd in August, down 10.3%, 141 bpd, from a July average of 1,371 bpd, but up 79.3% from an August 2018 average of 686 bpd.

Hilcorp's McArthur River field, Cook Inlet's largest, averaged 4,394 bpd in August, down 5.5%, 256 bpd, from a July average of 4,650 bpd, and down 11.8% from an August 2018 average of 4,984 bpd.

Hilcorp's Middle Ground Shoal field averaged 1,379 bpd in August, down 0.8%, 10 bpd, from a July average of 1,389 bpd, and down 11.1% from an August 2018 average of 1,555 bpd.

Redoubt Shoal, operated by Cook Inlet Energy, a Glacier Oil & Gas company, averaged 932 bpd in August, down 9.2%, 95 bpd, from a July average of 1,026 bpd, and down 26.7% from an August 2018 average of 1,271 bpd.


Hilcorp's Swanson River field averaged 966 bpd in August, up 10.2%, 89 bpd, from a July average of 877 bpd, but down 27.6% from an August 2018 average of 1,335 bpd.

Hilcorp's Trading Bay field averaged 1,379 bpd in August, up 3.2%, 42 bpd, from a July average of 1,337 bpd, but down 2.7% from an August 2018 average of 1,417 bpd.

West McArthur River, operated by Glacier Oil & Gas company Cook Inlet Energy, averaged 284 bpd in August, down 27.3%, 107 bpd, from a July average of 390 bpd, and down 67.8% from an August 2018 average of 882 bpd.

ANS crude oil production peaked in 1988 at 2.1 million bpd; Cook Inlet crude oil production peaked in 1970 at more than 227,000 bpd. ●

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# Brooks Range: Mustang almost there!

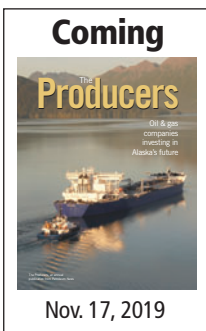
First small independent to go from discovery to production on North Slope, Brooks Range Petroleum tells state online this quarter

By **KAY CASHMAN**  
Petroleum News

With approvals and permits in place, the first small independent to take an oil field from discovery to production on the North Slope will be delivering oil to the trans-Alaska pipeline sometime this quarter.

In a Sept. 30 filing of its seventh annual plan of development with the Alaska Department of Natural Resources' Division of Oil and Gas, operator Brooks Range Petroleum Corp. said the holdup from anticipated first quarter startup for the Mustang project in the Southern Miluveach unit was in part tied to the early production facility, or EPF, being delayed, which in turn impacted some drilling.

That said, functional checkout of the EPF has begun, BRPC said in its proposed plan of development, or POD.



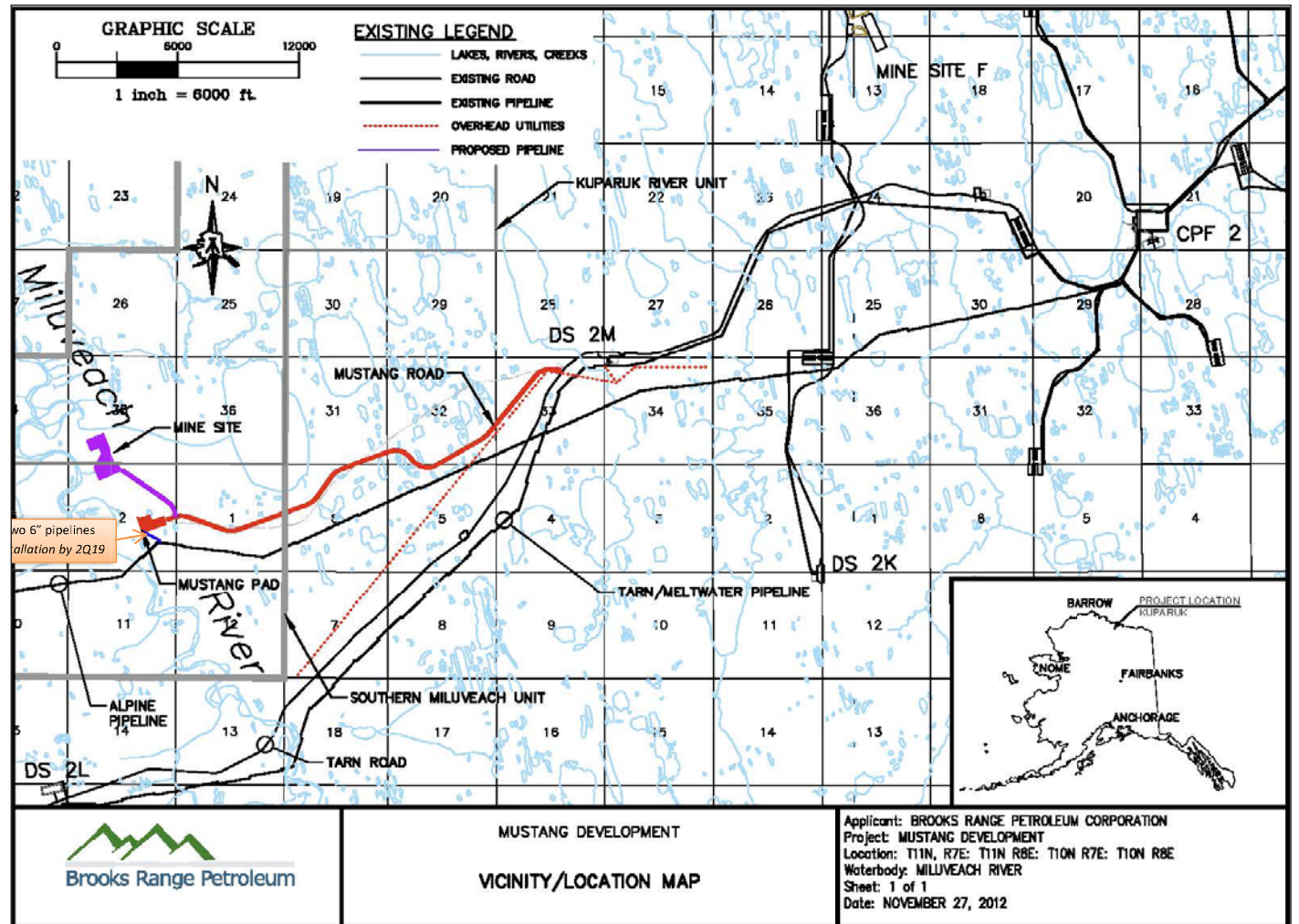
## First oil from existing wells

BRPC drilled the Mustang discovery well, North Tarn 1A, in January 2012, and confirmed it at the Mustang 1 in February 2012.

Mustang is the first development in the Southern Miluveach unit, which is adjacent to the southwest edge of the Kuparuk River unit and sits in the increasingly crowded "billion-dollar fairway" — ARCO Alaska's description of the land between the Kuparuk River unit and the Colville River unit, both now operated by ARCO's successor, ConocoPhillips.

BRPC had originally planned to start the field using permanent 15,000 barrel of oil per day production facilities. However, that plan was based on a \$120 oil price in 2014.

Following the subsequent oil price crash, the company had to put the project into "warm standby" mode before coming up with the plan to install the modestly priced temporary production facility.



The idea was to start production at relatively low rates and then, as production ramped up to about 6,000 barrels, use the revenue to upgrade the production facilities to a larger scale.

Planned initial production will be from two existing wells — North Tarn 1A and SMU M-02. Mustang 1A will be next but the suspended well "requires drilling lateral extension/possible sidetrack," which will occur in January, BRPC said.

Up to four new wells will be drilled in 2020 — one scheduled per quarter, the company said.



**BART ARMFIELD**

## Full development plans

Longer range proposed development activities remained much the same as originally planned, involving the following:

- Central processing facilities with a capacity to handle 15,000 bpd, 15 million standard cubic feet per day of gas, and 7,500 barrels of water per day.
- Drill site facilities.
- Non-process infrastructure including buildings and equipment.
- Up to 10 production wells and 11 injection wells.

## Kuparuk sands

As far as plans for the exploration or delineation of any land in the Southern Miluveach unit not included in a participating area, BRPC said it continues to

review all potential targets within the unit, including but not limited to the Kuparuk C and A sands, which the company has said are part of the Kuparuk oil pool that is a continuation of the Cretaceous age Kuparuk sands from the Kuparuk River unit.

The Kuparuk A sand consists of a relatively fine-grained shallow marine sandstone overlain by the coarser grained Kuparuk C sands. The Kuparuk A, with its fine grain size, is generally less permeable than the Kuparuk C. Both sands have porosities of around 22%.

The oil trap is formed by a major geologic structure called the Colville anticline. Oil is sealed in the Kuparuk sands by the overlying Kalubik shale, an extensive thick shale found in the region. Another impervious shale, the Miluveach, underlies the sands.

In a recent filing with the Alaska Oil and Gas Conservation Commission, Lawrence Vendl, BRPC's exploration and subsurface development manager, said the Kuparuk oil pool within the Southern Miluveach unit lies between minus 5,800 feet true vertical depth subsea and minus 6,400 feet TVDSS.

## More development specifics

Some of the details of BRPC's proposed operations for the first year and beyond were:

- Studies for the tie-in of the seawater cross country pipeline to the Alpine seawater pipeline.
- Completion of the initial gas compression and water injection capabilities of the EPF that might continue into 2020.
- Planning activities focused on bringing the modules built for the Mustang operations center, or MOC, to the North Slope during 2020, transporting and integrating MOC 1 in first quarter 2021.
- Planning for integration and substitution of temporary EPF with the permanent MOC process modules.
- In addition to the four wells drilled in

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## LAND & LEASING

### Supplemental notice, tract maps, for sales

The Alaska Department of Natural Resources' Division of Oil and Gas has released tract maps for its fall competitive oil and gas lease sales and the related block sales, and issued a supplemental notice describing availability of the July 12 Beaufort Sea areawide oil and gas lease sale final finding by the directory.

The original sales notice for the fall sales was issued in June. The sales are the Beaufort Sea, North Slope and North Slope Foothills areawide sales, and three block sales: Gwydyr Bay, Harrison Bay and Storms.

The public bid opening will be held Dec. 11 at 9 a.m. in the Dena'ina Center in Anchorage.

Tract maps are available on the division's website at <https://dog.dnr.alaska.gov/Services/BIFAndLeaseSale>.

—PETROLEUM NEWS

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## PRODUCERS PREVIEW

2020, toward the end of that year and through third quarter 2021 six producer and seven injector wells will be drilled.

The surface location of the Mustang facilities, drill pads, roads, docks, causeways, material sites, base camps, waste disposal sites, water supplies, airstrips, etc. were also provided in the POD.

### Water and gas injection

In June, the Alaska Oil and Gas Conservation Commission approved an application from BRPC to inject fluids at Mustang for pressure maintenance and enhanced recovery of hydrocarbons from the Kuparuk River oil pool within the Southern Miluveach unit.

Waterflood is planned first, followed eventually by lean or miscible gas flood.

Water will be produced water from the field and seawater from the ConocoPhillips seawater pipeline, with gas to be sourced from Mustang processing facilities.

The commission said the anticipated peak daily injection rate for individual wells would be 6,000 barrels of water and 6 million standard cubic feet of gas.

Water and water-alternating-gas injection into the Kuparuk River oil pool in the Southern Miluveach unit, AOGCC said, "will provide a substantial EOR benefit over primary recovery alone" and maximize ultimate recovery, as well as prevent waste.

Vendl told the commission that audited Kuparuk reserves are 21.2 million barrels of 1P (proven oil in place).

Presentation materials at an AOGCC hearing showed 2P at 32.8 million barrels 2P (probable) and 3P at 38.3 million barrels (possible) and showed primary recovery as estimated at 10-15% of original oil in place with waterflood adding 10-25%, for a total recovery after waterflood of up to 35%.

Vendl cited an average estimated recovery rate of 30% with waterflood, expected to rise to 40% with tertiary recovery.

### Lease ownership

On the southwest edge of the Kuparuk

River unit, Southern Miluveach unit working interest owners are Caracol Petroleum LLC, with approximately a 36% interest; TP North Slope Development LLC, 22.5%; Mustang Operations Center 1 LLC, 20%; Brooks Range Petroleum Corp., 10%; Nabors Drilling Technologies USA Inc., 6%; AVCG LLC, 4%; Mustang Road LLC, 1%.

Alaska-based Caracol is owned by a Singapore investment company.

The leases in the unit are ADL 390680, 2,560 acres; ADL 390681, 2,560 acres; ADL 90690, 640 acres; ADL 390691, 2,560 acres; and ADL 390692, 640 acres.

### AIDEA support

The Alaska Industrial Development and Export Authority has been providing financing assistance for the Mustang project.

Bart Armfield, president and CEO of BRPC, commented on the value of the agency's assistance, in particular the construction of the field's gravel pad and the gravel access road to the pad.

With gravel infrastructure a key to accessing relatively undeveloped areas of the North Slope, several companies have been able to make use of the Mustang gravel infrastructure. For example, he said, Oil Search has been using the Mustang road for access to its work sites in connection with the neighboring Pikka development. And the Nanushuk access road will follow the existing Mustang road for 4.7 miles, although the exact length could vary slightly due to wider curves and other topographical features, Oil Search has said.

### Workforce peak 90

Armfield is proud that his company is close to bringing Mustang into production.

The workforce at the site has peaked at about 90 people. Overall, 59 Alaska companies have been involved in the Mustang project, he said.

"We will be the first small, independent to go from actual discovery to production on the North Slope of Alaska," Armfield said in April. ●

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## ENVIRONMENT & SAFETY

### BC wrestles with carbon levels

British Columbia's fondly held goal of being a global role-model for reducing greenhouse gas emissions made little progress in the decade after 2007 when the province became one of the world's first jurisdictions to impose a carbon tax on gasoline, along with other measures.

Data released by the British Columbia Ministry of Environment and Climate Change showed GHG emissions dropped by only a fraction from 64.76 million metric tons in 2007 to 64.46 million metric tons in 2017.

Environment Minister George Heyman was quick to acknowledge the disappointing results.

"There's no question we have a lot of work to do and we have no question that it's challenging, not just for us, obviously, but for Canada and the world," he said.

Andrew Weaver, leader of the B.C. Green Party which is keeping the NDP government of Premier John Horgan in power, said ordinary British Columbians are doing their part to fight carbon output, but industry emissions are largely rising.

He said the province's carbon tax has spurred innovations in the green economy and prompted people to conserve energy, but government programs to advance LNG projects and support oil and gas production will only increase GHG emissions.

#### Carbon tax

British Columbia introduced North America's first broad-based move in 2008 to tax carbon pollution, which currently stands at C\$40 per metric ton and is scheduled to reach C\$50 in 2021, matching the federal government's timetable.

CleanBC, a government agency, has set targets to cut GHG emissions by 40% by 2030, 60% by 2040 and 80% by 2050 and will require new buildings to achieve net-zero energy consumption by 2032 and all new cars to be zero-emission by 2040.

Carbon tax revenues offer incentives to energy-efficient initiatives.

Emissions data is published every second year and tracks GHG emissions from most industries including transportation, mining, waste and oil and gas, plus emissions from domestic vehicles.

The ministry said 2017 emissions dropped in several sectors, including petroleum, oil and gas extraction, road transport and public electricity and heat production.

Heyman said B.C. continues to have a strong economy despite the carbon tax but conceded that the emissions increases stemmed mostly from the province's economic growth.

—GARY PARK

## EXPLORATION & PRODUCTION

### US rig count continues down, drops by 8

Baker Hughes reports the number of rigs drilling for oil and natural gas in the U.S. continues to drop, down by eight the week ending Sept. 27 to 860, following a drop of 18 the week ending Sept. 20.

In its weekly rig count, the Houston oilfield services company said the active rig count was down 194 from 1,054 active rigs a year ago.

The company reported that 713 rigs targeted oil (down six from the previous week; down 150 from a year ago) and 146 targeted natural gas (down two from the previous week; down 43 from a year ago). There was one miscellaneous rig active (unchanged from the previous week; down one from a year ago).

The company said 57 of the U.S. holes were directional, 752 were horizontal and 51 were vertical.

No states had increased rig counts from the previous week.

The following states had unchanged rig counts: Alaska, California, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Utah and West Virginia.

Colorado, Louisiana and Wyoming were each down one rig from the previous week.

Texas, the state with the largest number of active rigs, 418, was down five rigs from the previous week.

Baker Hughes shows Alaska with eight rigs active for the week ending Sept. 27, up from six a year ago.

The U.S. rig count peaked at 4,530 in 1981. It bottomed out in May 2016 at 404.

—KRISTEN NELSON

continued from page 5

### WALRUS LISTING

change and sea ice shrinkage from 2100 to 2060, arguing that forecasting the climate and sea ice situation beyond 2060 was too speculative for reliable prediction.

Fish & Wildlife found that recent studies and data have indicated that the walrus habitat needs for breeding and birthing would be met through to 2060.

The Center for Biological Diversity sued in District Court, arguing that, in reversing its 2011 ruling, Fish & Wildlife had violated the Endangered Species Act and the Administrative Procedures Act. The environmental organization cited, among other things, evidence of walrus death from trampling in onshore haulouts. The organization also argued that ocean acidification from carbon dioxide is impacting the walrus prey.

#### Adequate explanation


In making her decision to uphold Fish & Wildlife's position, Judge Gleason adopted the normal court approach to an administra-

tive appeal by determining whether the agency decision had been "arbitrary and capricious" or not in accordance with law, while also deferring to agency expertise in the subject matter at issue. She said that a change in an agency ruling can be justified if the agency has found compelling evidence that alters a previous perspective: She found that the agency had provided an adequate and reasoned explanation for its new viewpoint. The 2017 assessment relied on recent studies and data that justify a change in the agency's position, she said.


Gleason also commented that, following legal precedent from another challenge to a sea ice related species listing decision, an agency can change its policy for what it views as the "foreseeable future" for assessing future trends in climate change and sea ice loss, provided that the agency presents an adequately reasoned explanation for the policy change. And, in relation to the potential walrus listing, the agency had "provided good reasons to end the foreseeable future at the year 2060," Gleason wrote. ●


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## KENNEY PITCH

banks in oil sands companies on environmental, social and governance (ESG) grounds.

But he had solid backing from industry leaders such as Steve Laut, executive vice chairman of Canadian Natural Resources, who argued Canada is “doing very well if not better” in lowering greenhouse gas intensity while performing at the “very top” of the social and governance issues.

### Good timing?

Fleeting it seemed as if Kenney’s timing might have been impeccable.

It coincided with one report from the United States that pointed to a souring of market sentiment in the booming U.S. oil sector — notably development of shale deposits — as investors and global energy giants started pulling out of the plays, bankruptcies rose and drilling stocks swooned.

It has been an astonishing reversal of the surge in shale production that played a leading role in the crumbling of Canada’s petroleum sector.

The emergence of a bear market is viewed by observers as a rebellion by investors against the strategy of production growth at any cost.

Peter Tertzakian, director of the ARC Energy Research Institute, told the Globe and Mail that investors have suddenly demanded a dividend and near-term returns, while critics have decided the shale boom is unsustainable.

A second lift to Alberta’s confidence occurred with the attacks on Saudi Arabia’s oil infrastructure that prompted the Kenney government to consider relaxing its oil production limits while presenting itself as a reliable, responsible and low-risk source of oil.

“Alberta is the most secure major source of energy on Earth,” he modestly told those he met with on a trip that also took in Ohio and Texas.

### Attractive prospects

And even if Saudi Arabia’s loss of production accounting for 5% of global supply is short lived, Kenney offered a full plate of attractive prospects to investors who are pinning their demands on clear evidence that Alberta can move more oil products out of the province.

He told a teleconference from New York he is counting on advances in technology and new oil-by-rail contracts to boost Alberta’s exports by 200,000 barrels per day within the next year.

He said opposition within Canada to

new and expanded pipelines is shrinking, including from indigenous people.

In addition, Kenney forecast that Enbridge’s Line 3 from Alberta to Wisconsin should raise output by 370,000 barrels per day by late 2020 which he said generated a “tremendously positive” response.

Among other selling features in Alberta is low real estate prices in Calgary and Edmonton, a large, talented labor pool left over from layoffs in the tens of thousands since 2014, streamlined provincial immigration policies and a series corporate tax cuts planned over the next three years.

Jackie Forrest, senior director of the ARC Energy Research Institute, told the Calgary Herald that any move to relax production caps to markets such as the U.S. Gulf Coast would benefit both production and refining sectors.

“By doing that we can keep our price differentials (between West Texas Intermediate and Western Canada Select, Alberta’s heavy crude benchmark) as narrow as possible and get the best price for our crude by allowing volumes to be high through the crude-by-rail policy. We can maximize both volume and price.”

### Hiccups

But, typical of the setbacks Alberta has experienced over the past five years, the efforts to restart construction on the C\$7.4 billion, 590,000 bpd Trans Mountain expansion has experienced another in a series of hiccups.

The British Columbia Court of Appeal ordered the B.C. government to reconsider environmental assessment certificates on the basis that those approvals have been overturned by the Canada Energy Regulator (formerly the National Energy Board).

However, Alberta Energy Minister Sonya Savage said nothing in the ruling “should delay the current construction schedule,” adding there is no reason why the B.C. government should be delayed in quickly reissuing the approval.

Even B.C. Environment Minister George Heyman, one of the most outspoken energy pipeline projects, seemed to share that view.

He said B.C. had no intention of using the court decision “as a tactic” to delay work on trans Mountain, noting that only the federal government and courts had the power to stop construction.

—GARY PARK

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## AOGCC SEAT

of Alaskans,” Dunleavy said Oct. 1 in announcing the appointment. “I welcome him into this new role as Chair of AOGCC and look forward to his work to prevent waste of our natural resources while ensuring our regulatory environment yields greater recovery of Alaska’s oil, gas, and geothermal potential. I’m confident Jeremy will work to increase collaboration between AOGCC and the Alaska Department of Natural Resources. Ultimately, he understands that Alaskans are the customer and we are in their service.”

Price, who resides in Anchorage, grew up in Salcha and worked for Salcha Electric for 10 years. The governor’s office said he has worked in a wide range of public policy roles, including areas of oil and gas policy, for two members of the state’s congressional delegation, Congressman Don Young and Sen. Lisa Murkowski, and

at the American Petroleum Institute. Price has also worked at the Alaska chapter of Americans for Prosperity.

In the announcement from the governor’s office Price said that while working in the offices of Congressman Young, Sen. Murkowski, and the Dunleavy Administration, he focused his efforts on improving the lives of Alaskans through infrastructure development, streamlining permitting requirements, and finding efficiencies in government.

There are three AOGCC commissioners, an engineer, a geologist and the public member. The statutory requirement for the public member is: “one member who shall have training or experience that gives the person a fundamental understanding of the oil and gas industry in the state.”

The appointment is subject to confirmation by the Legislature.

—KRISTEN NELSON

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## INSIDER

that he has long intended to retire when he turns 65, per an Oct. 2 report from Carl Surran, Seeking Alpha’s news editor.

Dudley took over as BP’s CEO in April 2010 when Tony Hayward resigned in the wake of the Deepwater Horizon disaster in the Gulf of Mexico that caused the biggest oil spill in U.S. history and resulted in the deaths of 11 rig workers.



BOB DUDLEY

Per Seeking Alpha, BP’s London-traded shares have gained 14% since Dudley has been at the helm.

A Reuters story by Ron Bousso said that Dudley’s retirement plans were discussed at a mid-September board meeting.

“Preparations for his departure were accelerated after Helge Lund became BP chairman in January 2019 with a mandate to oversee succession plans,” and no decision on a successor has been made, per the news agency’s unnamed sources.

### Likely successors include Looney

Bernard Looney, chief executive of upstream, and Brian Gilvary, chief financial officer, are likely candidates to succeed Dudley, sources previously told Reuters.

Looney, 48, is responsible for exploration, development and production.

He joined BP in 1991 as a drilling engineer, working in the North Sea, Vietnam and the Gulf of Mexico. In 2005 Looney became senior vice president for BP Alaska before becoming head of the group chief executive’s office in 2007.

In 2009 he became the managing director of BP’s North Sea business, also becoming a member of the Oil & Gas UK Board.

Looney became executive vice president, developments, in October 2010, and in February 2013 became chief operating officer, production, serving in the role until April 2016.

Gilvary, 57, is responsible for finance, tax, treasury, mergers and acquisitions, investor relations, audit, global business services, information technology and procurement. He also has accountability for both integrated supply and trading, and the shipping division responsible for BP’s tanker fleet.

He joined BP in 1986. Following a broad range of roles in upstream, downstream and trading in Europe and the U.S., Gilvary became downstream commercial director from 2002 to 2005. From 2005 until 2009 he was chief executive of the integrated supply and trading function. In 2010 he was appointed deputy group chief financial officer.

He was a director of TNK-BP from 2003 to 2005 and from 2010 until the sale of the business and BP’s acquisition of Rosneft equity in 2013. He served on the HM Treasury Financial Management Review Board from 2014 to 2017.

—KAY CASHMAN

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## OIL SEARCH MOVES

designate on Sept. 30. He will retain his Alaska responsibilities until mid-December to help oversee the company's entry into front-end engineering and design for the North Slope Pikka development, while also engaging with stakeholders and being involved in budget and planning for 2020 and beyond.

"The transition is a very measured ... well thought out ... process. Nothing has been rushed," he said.

"We have three fantastic projects we have to develop, including Alaska, and the beauty of it is we have the time to do so in an economically sound and environmentally sensitive manner," Wulff said.

He will move from Anchorage to Sydney in mid-December, assuming his role as managing director and joining the Oil Search board on Feb. 25.

### Directed company's growth

Botten, whose retirement was flagged at the May annual meeting, is one of the longest-serving CEOs in the ASX 200.

He will continue to be employed by Oil Search until Aug 25, focusing primarily on the LNG expansion proj-

ects, as well as assist in other matters as required.

Botten said he felt privileged to have led Oil Search for 25 years.

"Over that time, the company has grown from a small exploration player ... to a regionally significant operator, with world class producing assets in PNG and outstanding development opportunities in both PNG and Alaska," he said, noting that during his tenure Oil Search expanded from 12 to approximately 1,700 employees.

### Alaska team, ConocoPhillips rapport

Wulff, a geologist with a Ph.D., spoke highly of the Alaska leadership team, mentioning individuals by name and offering background on most of them.

For example, when talking about Oil Search Alaska's vice president of exploration and new ventures and former geoscientist with the state, Wulff said "there is no doubt Joe Chmielowski is very knowledgeable and has a deep understanding of the geology of the North Slope, but Joe is also genuinely a good person. ... a great leader ... someone who empowers his staff."

Currently the Oil Search Alaska group numbers 151 — 36 contractors and 115 employees.

The Alaska leadership team, which has several people with extensive North Slope experience, Wulff said,

includes Dingeman, Elmer, Senior Vice President External Affairs Joe Balash, Executive Advisor Cindy Bailey, Vice President Commercial and Strategy Patrick Flood, Vice President Exploration and New Ventures Josef (Joe) Chmielowski, Vice President People and Culture Wanda Lewis, Vice President Finance and Project Services Jonathan Boyce, Senior Vice President Projects Bill Witt, Vice President Supply Chain and Ops Support Lea Souliotis, Senior Vice President Drilling and Completions Steve Robinson, Senior Vice President HSES James Robinson, Senior Vice President Subsurface Mark Ireland and IT and Data Management Manager Stephanie Kreibich.

When asked whether his experience as a Phillips Petroleum employee in the early years of his career had anything to do with his success in building a good relationship with North Slope neighbor ConocoPhillips, Wulff said no.

"Our playmates elsewhere are the majors, so I think it's more a matter of we were taken seriously" by the bigger company, he said, making the relationship easier to establish. ●

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## CHARLIE 1 WELL

Icewine No. 2, which is suspended, in 2017, from the Franklin Bluffs pad.

Charlie No. 1 is on state oil and gas lease ADL 393380, west of the existing Icewine wells. Thirty-four miles of ice roads will be constructed, and two 500 feet by 500 feet ice pads, one the drill pad and one the staging pad.

Accumulate Energy Alaska, AEA, said in its application that it plans to drill and test Charlie No. 1 as part of a multiyear program beginning in the winter of 2019-

20. The tundra ice road to the project will start at Mile Post 386.7 of the Dalton Highway.

AEA said the primary objectives of the drilling include testing and evaluating the Seabee formation for oil. The company said this target has been found in surrounding exploration wells and is on production at the Meltwater oil pool in the Kuparuk River unit, some 20 miles to the north, the closest production and development.

### Schedule

Field studies, project planning and design and project permitting began this

summer and will run through Dec. 1, with pre-packing of tundra winter roads and pad locations scheduled for mid-November through mid-December, followed by construction of the main tundra winter road, spurs and ice pads from mid-December to the end of the year. The drilling rig, camp and support operations will be mobilized beginning the first of the year, with drilling and testing of the Charlie No. 1 scheduled to begin in mid-January.

AEA said the Charlie No. 1 will be drilled to a depth of about 11,000 feet true vertical depth to test stacked objectives within the Seabee formation.

The company said it will use the Nordic No. 3 rig or a similar mobile land drilling rig.

The well may be tested and hydraulically stimulated/flow tested, AEA said, and may include laterals, sidetracks or additional penetrations from the same exploration pad. Wireline logging and related seismic surveys may be done.

The company said the original proposed drilling pad location was inspected in mid-August 2017; a new proposed pad location slightly farther west was to be re-inspected in September. The 500 by 500 foot ice drilling pad covers some 5.7 acres.

The second pad, a staging pad, will be a mile west of the Dalton Highway at mile

**AEA said the primary objectives of the drilling include testing and evaluating the Seabee formation for oil.**

post 386. Facilities for the operation will include a satellite office camp, storage and laydown areas, a communication tower and maintenance shops.

88 Energy Alaska is a subsidiary of Australia independent 88 Energy Ltd., a West Perth-based ASX and AIM listed firm. The company's Alaska arm has three fully owned subsidiaries doing business in the state — Accumulate, Captivate Energy Alaska and Regenerate Energy Alaska.

Captivate drilled the Winx 1 exploration well in the 2018-19 winter drilling season in a western block of leases on which Great Bear Petroleum was operator of record. The primary target was the Nanushuk, with Torok a secondary objective. 88 Energy reported low oil saturations in the Nanushuk "not conducive to successfully flowing the formation." That well was plugged and abandoned.

—KRISTEN NELSON

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## ASSET SALE

The deadline to file an objection with the court to the proposed assumption and assignment of an assumed contract including any objection relating to the cure claim, is 4 p.m. on Oct. 23.

The deadline to submit a qualified bid is 12 p.m. on Nov. 7.

The auction, if one is held, will commence at 10 a.m. on Nov. 12.

By no later than 12 p.m. on the first calendar day after the debtors have selected the successful bid(s) and alternate bid(s), the debtors shall file the notice of auction results with the court.

The deadline to file an objection with the court to the sale, and all objections relating to the Stalking Horse bidder (if any), the conduct of the auction or the sale is 12 p.m. on Nov. 15.

A hearing to consider the proposed sale will be held before the court at 10 a.m. on Nov. 20. or such other date as determined by the court.

All the times listed above are at prevailing Eastern Time

### Bidding procedures

Each interested party or entity is required, unless otherwise ordered by the court, to deliver preliminary bid documents to the debtors to participate in the bidding process.

Interested parties must execute and include a confidentiality agreement, as well as a statement with factual support demonstrating that the interested party has a bona fide interest in purchasing any or all of the assets.

Interested parties must include a description of the nature and extent of any due diligence it wishes to conduct and the date when its due diligence will be completed.

Each interested party must provide sufficient information that it has the financial wherewithal and internal corporate, legal or other authorizations to close the sale transaction.

If the debtors determine that an interested party has a bona fide interest in purchasing any or all of the assets, the interested party will be deemed a potential bidder and will receive a form of purchase agreement and access to the debtors' confidential electronic data room.

### Due diligence

Until the bid deadline, debtors will provide potential bidders with reasonable due diligence access and additional information. If any potential bidder is (or is affiliated with) a competitor, customer, or vendor of the debtors, the debtors may withhold any information or due diligence deemed sensitive, proprietary or otherwise not appropriate for disclosure.

Likewise, the potential bidder will comply with all reasonable requests for additional information and due diligence access by the debtors or their advisors regarding such potential bidder and its contemplated transaction, failing which the bid may be disqualified.

### Bid requirements

Each offer, solicitation or proposal by a potential bidder must satisfy certain conditions — waived by the debtors — to be deemed a qualified bid, and for the potential bidder to be deemed a qualified bidder.

Bids must be accompanied by a letter stating that the bidder's offer is irrevocable until consummation of a transaction, and that the bidder agrees to serve as an alternate bidder.

Each bid must use an authorized and executed purchase agreement, based on the form purchase agreement provided, marked to show revisions, including the purchase price for the assets identified in the bid, together with all exhibits and schedules.

Each potential bidder must provide written evidence acceptable to the debtors demonstrating financial wherewithal, operational ability and corporate authorization to consummate the proposed transaction.

Potential bidders also must provide written evidence of a firm commitment for financing to consummate the proposed transaction, or other evidence of ability to consummate the proposed transaction without financing, that is satisfactory to the debtors.

Additional requirements apply, including a good faith cash deposit of 10% of the proposed purchase price.

The debtors have the right to deem a bid a qualified bid even if the bid does not conform to one or more of the requirements.

Secured Parties shall be deemed qualified bidders and can bid up to the full amount of the DIP obligations owed, subject to provisions of the Bankruptcy Code.

### Distribution and evaluation of qualified bids

Qualified bids will be considered by the debtors; bids other than qualified bids will not be considered. The debtors may evaluate bids on any grounds, including, but not limited to purchase price; value to be provided to the debtors including the net economic effect upon the debtors' estates; benefit to the debtors' bankruptcy estates from assumption or waiver of liabilities; transaction structure and execution risk; availability of financing and financial wherewithal; governmental or other approvals; anticipated timing to closing; impact on employees and employee claims against the debtors; governmental, licensing, regulatory or other approvals or consents in a bid; impact on trade and other creditors; and any other factors the debtors may reasonably deem relevant consistent with their fiduciary duties.

The debtors, in consultation with their consultation parties, may select a qualified bidder (Stalking Horse Bidder) to serve as the minimum bid for substantially all of the debtors' assets or any grouping or subset of the debtors' assets.

Parties in interest may object to the designation of a Stalking Horse Bidder or any terms of such within 10 calendar days after service of a Stalking Horse Supplement. If a timely Stalking Horse Objection is filed, the debtors will schedule a hearing seeking approval of the bid on or before Nov. 6.

### Auction

One or more auctions for the assets may be held in accordance with the bidding procedures and upon notice to all qualified bidders that have submitted qualified bids. If no more than one qualified bid is submitted by the bid deadline with respect to the assets or any lot of assets, or if in the judgment of the debtors an alternative transaction is in the best interest of the estate, the debtors may, in consultation with the consultation parties, elect to cancel the auction with respect to such assets and seek approval of the transactions contemplated in the bid at the Sale Hearing.

Prior to the conclusion of the auction, the debtors shall review and evaluate each bid on the basis of financial and contractual terms and other relevant factors, determine and identify the highest or otherwise best offer or collection of offers, and determine and identify the next highest or otherwise best offer or collection of offers.

Prior to auction adjournment, the debtors shall notify all qualified bidders participating in the auction of the identity of the successful bidder or bidders, the amount and other material terms of the successful bid or bids, the identity of the any party that submitted alternate bids, and the amount and other material terms of any alternate bid. No additional bids may be considered after the auction is closed.

### The Sale Hearing

At the Sale Hearing Nov. 20, the debtors will seek the court's approval of successful bid(s), and alternate bid(s).

The debtors' presentation to the court of any successful bid or alternate bid will not constitute the debtors' acceptance of the bids, which acceptance will only occur upon approval of any such bids by the court.

Following the court's entry of the Sale Order (if any) approving any bids, the debtors and the successful bidder(s) shall proceed to consummate the transaction(s) contemplated by the successful bid(s), within the milestones set in the DIP credit agreement, failing which the debtors shall file a notice with the court advising of such failure.

Upon the filing of notice with the court, the alternate bid(s) will be deemed to be the successful bid(s) and the debtors will be authorized but not directed to effectuate the transaction(s) with the alternate bidder(s) subject to the terms of the alternate bid(s) without further order of the court. The sale of the assets will be on an "as is, where is" basis and without representations or warranties of any kind, nature or description by the debtors, their agents or their estates, except as provided in any agreement with respect to the transaction(s) approved by the court.

The debtors will seek an order approving the sale of all of the debtors' right, title and interest in and to the assets, free and clear of any pledges, liens, security interests, encumbrances, claims, charges, options and interests to the maximum extent permitted by section 363 of the Bankruptcy Code, with such interests to attach to the net proceeds of the sale of the assets with the same validity and priority. ●

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## PIKKA EVOLVES

components, such as the Nanushuk processing facility, or NPF.

Data released during a Sept. 23-25 Oil Search investor tour of its Anchorage office and the North Slope reveal that the company's Alaska team through a value engineering process is looking to increase early production to 50,000 bpd, as well as increase the nameplate size of the Pikka project to 135,000 bpd. (The process of value engineering involves brainstorming ways to reduce initial or lifecycle costs while still maximizing function and maintaining safety and environmental standards. So far, the team has evaluated 86 different ideas.)

### Primary changes

In the Sept. 26 modifications to the Pikka plan of development filed with the Alaska Department of Natural Resources' Division of Oil and Gas, Oil Search says early production will come from the ND-B pad.

"Multi-phase fluids from ND-B will be transported for processing at Kuparuk CPF2 via the 24-inch multiphase pipeline to the NPF, and the 18-inch Nanushuk export pipeline from the NPF to Kuparuk CPF2."

The changes requested in the filing are "based on local community input" and "enhance engineering operational efficiency," Oil Search says.

Other project alterations proposed by the company involve the following:

1. Modify the ND-B pad layout.
2. Relocate the tie-in pad and modify its layout.
3. Modify the water source access road and pump house pad.
4. Update road and pad footprint and fill volumes by about 0.2 acre and a net increase in total fill volume of approximately 5,000 cubic yards.
5. Relocate the boat ramp and associated boat ramp access road.
6. Implement early production.

Regarding the ND-B pad modifications, Oil Search wants to change its size and layout to accommodate the newly designed grind and inject facility, which will reduce the gravel footprint on the west and south sides of the pad and increase it on the east side.

The modified pad will be 20.8 acres, an increase of 1.3

acres from the previously proposed 19.5-acre pad.

Oil Search originally planned to construct underground injection control, or UIC, wells at each drill site within the well row. These wells were only capable of handling waste generated from the respective well pad. In October 2018, Oil Search reduced the overall number and location of UIC wells and relocated them to ND-B. In order to maintain disposal well sustainability with the reduced number of UIC wells, the company designed the grind and inject facility at ND-B to handle all drilling and operational wastes, including waste deliveries from ND-A and ND-C; hence the changes to ND-B.

The increased gravel footprint on the east side of ND-B will allow the grind and inject facility to be moved away from drilling and production operations to separate traffic having to do with processing and fracturing equipment, pipelines, and drill rigs "as recommended by detailed facility siting reviews and advanced engineering," all of which will reduce overall drill site congestion and enhance safety, Oil Search says.

### Tie-in pad, boat ramp changes

The tie-in pad relocation from near the Kuparuk River unit 2C pad to northeast of the Kuparuk central processing facility 2, or CPF2, is based on a request from ConocoPhillips, Oil Search says.

The new location will reduce the project pipeline length by 1 mile, including re-routing the pipeline "north of Lake K213/M8103 and eliminating two pipeline-road crossings."

The tie-in pad size will increase from 0.8 to 0.9 acre to accommodate access to existing powerlines, a telecom tower, and space for additional equipment during project development and production.

Oil Search's proposal to move the boat ramp and its access road from the permitted location on the Kachemach River, west of ND-B, to north of ND-B on the Colville River was requested by the Nuiqsut community, who will be using both to launch and retrieve boats. The new location will give subsistence users direct access to the east channel of the Colville.

Oil Search also proposes to change the permitted pump house pad location and realign the water source access road.

The modification will result in an overall increase in footprint from 2.2 acres (1.1-acre pad and 1.1-acre road) to 2.5 acres (1.1-acre pad and 1.4-acre road), an increase of approximately 0.3 acre, the company says.

The new pad location, approximately 500 feet west of the

original site, will "improve access to a deeper portion of Lake MC7903 and provide more consistent access to unfrozen water during the winter," Oil Search says.

The location and configuration of the water source access road intersection with the access road will also change; the first increasing from 24 to 32 feet surface width, which will allow the company "to maintain consistency with all roads and pipeline/road crossings on the project."

Oil Search says it will also "allow for construction and maintenance equipment to gain access to the north side of the pipeline; and allow straight-line removal and replacement of pumps year-round."

Finally, the pipelines near the pump house pad will be realigned to cross the water source access road south of the pump house pad, which will change the pipeline length but won't alter the overall estimate of total vertical support members, the company says.

The proposed project modifications, Oil Search says, necessitate changes to its response to DNR's mitigation measures.

Regarding mitigation measure A.1.e., the updated boat ramp location and associated access road is within one-half mile of the banks of the Colville River. This location was selected based on additional community input and proximity to the river is required for the boat ramp to function as intended, the company says.

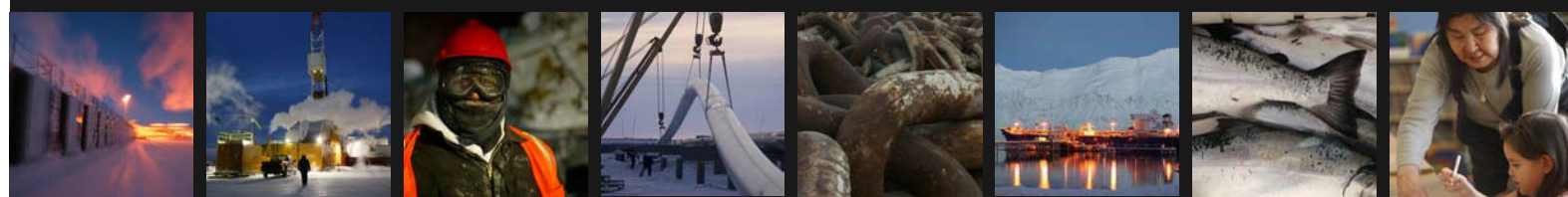
In regard to mitigation measure A.1.h.i., the "proposed pipeline between DS2M and the tie-in pad near Kuparuk CPF2 will parallel existing pipelines and/or gravel roads associated with the Kuparuk River unit with the exception of approximately 1.75 miles where the pipeline will be re-routed north of Lake K213/M8103," Oil Search says, reminding the agency that the realignment is being made at the request of ConocoPhillips to avoid interference with existing Kuparuk unit operations.

### Next Horseshoe?

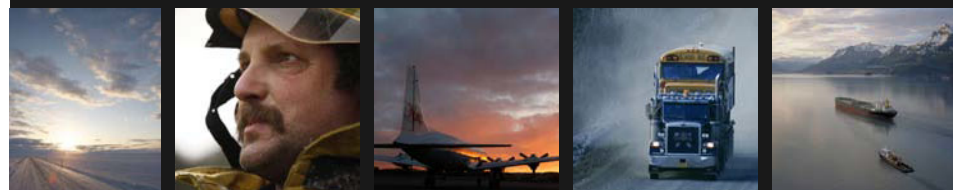
The investor tour slides also identified the exploration prospects Oil Search will be drilling this winter, Mitquq and Stirrup, to test Nanushuk analogues (see story with map in the Sept. 29 edition of Petroleum News).

The Stirrup prospect is adjacent to the Horseshoe Block and "could de-risk additional fairways to underpin a possible standalone" Horseshoe development, the company says, noting Stirrup is a direct analogue to the Horseshoe 1 Nanushuk discovery drilled by Armstrong in 2015. ●

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