



page 7 20 years ago: Pioneer builds drilling portfolio, opens permanent office

## ConocoPhillips says will acquire Marathon Oil in all-stock deal

On May 29, ConocoPhillips and Marathon Oil Corp. announced they have entered into a definitive agreement pursuant to which ConocoPhillips will acquire Marathon Oil in an all-stock transaction with an enterprise value of \$22.5 billion, inclusive of \$5.4 billion of net debt.

Under the terms of the agreement, Marathon Oil shareholders will receive 0.2550 shares of ConocoPhillips common stock for each share of Marathon Oil common stock, representing a 14.7% premium to the closing share price of Marathon Oil on May 28, and a 16.0% premium to the prior 10-day volume-weighted average price.

“This acquisition of Marathon Oil further deepens our portfolio and fits within our financial framework, adding high-quality, low cost of supply inventory adjacent to our leading U.S. unconventional position,” said Ryan Lance, ConocoPhillips chairman and chief executive officer. “Importantly, we share similar values and cultures with a



RYAN LANCE

see **MARATHON DEAL** page 9

## Hilcorp requests Milne Point gas offtake rate for 3rd party sales

Milne Point field operator Hilcorp Alaska is asking the Alaska Oil and Gas Conservation Commission for authority to sell some of the natural gas produced at the field to third parties, initially to Alaska CNG LLC. In a May 17 request, the company said it is negotiating to provide Alaska CNG LLC with Milne Point gas, which would be delivered at the Milne Point facility custody transfer meter and then “transported to customers across the North Slope,” with initial deliveries expected to begin in July.

Hilcorp said it may “enter into additional gas sales contracts with other entities for the same or similar purposes.”

Citing its authority under AS 31.05.030(e)(1)(F) to regulate for purposes of conservation the rate at which oil or gas are withdrawn from a well or field, AOGCC tentatively scheduled a public hearing on the matter for 10 a.m. June 27 at the commission’s Anchorage offices. The call-in number for the hearing is 907-202-7104 conference ID 433 773 304#.

AOGCC said in a May 23 public notice that if no timely requests for the hearing are received, it may issue an order without a hearing, and said to learn if the hearing will be held, call

see **OFFTAKE RATE** page 11

## DNR posts updated Cook Inlet area unit maps showing PAs, Twps., etc.

On May 22, the Alaska Department of Natural Resources’ Division of Oil and Gas posted five updated Cook Inlet unit maps.

The new maps were for the Cannery Loop unit, Deep Creek unit, Kenai unit, Ninilchik unit and Pretty Creek unit.

All the units are operated by Hilcorp.

Except for the Ninilchik unit all the units had recently approved plans of development.

On May 1 Hilcorp requested the division delay mandatory unit contraction for Ninilchik, as well as filed the 20th Ninilchik POD. No decision for either appeared on the division’s website as of May 28.

All the maps appear on the division’s website under Information, and then under Maps & GIS. Among other things the five new maps show the location of each unit,

see **UPDATED INLET MAPS** page 8

## FINANCE & ECONOMY

# ANS has positive week

Crude rides AI optimism for economy; bullish summer travel expectations

By **STEVE SUTHERLIN**

Petroleum News

Alaska North Slope crude — despite a general risk-off chill in financial markets — vaulted \$2.01 over the trading week from Wednesday to Wednesday, from its close of \$84.35 May 22 to a close of \$86.36 May 29 — a loss of 70 cents on the day.

West Texas Intermediate gained \$1.72 the same week, from \$77.57 May 22 to \$79.23 May 29. It was down 60 cents on the day.

Brent was the laggard, up \$1.70 on the week to close at \$83.60 versus \$81.90 May 22: down 62 cents for the day.

A rebounding dollar put pressure on crude prices

The AAA predicted that the number of people flying over the weekend will be the highest in 20 years. Passenger numbers from the Transportation Security Administration bore out the bullish expectations.

May 29 after the reversal of a May 28 slide in the greenback which intensified robust crude price appreciation.

In a week that belonged to the bad news bears, May 28 was the day that made the favorable weekly price report possible.

ANS catapulted \$2.38 May 28 to close at \$87.06,

see **OIL PRICES** page 9

## GEOTHERMAL ENERGY

# Akin to making sausage

Legislation not always pretty, but HB 50 geothermal section nutritious

By **KAY CASHMAN**

Petroleum News

It’s common for Alaska lawmakers to combine loosely related bills near the end of a legislative session in order to get them passed before the session ends. House Bill 50 was one such measure. Lawmakers dumped various types of Cook Inlet energy bills into HB 50, including expansion of the state’s geothermal energy program.

The geothermal language was initially introduced by Gov. Mike Dunleavy in House Bill 74 and Senate Bill 69, which expanded the size of the tracts that may be leased to 100,000 acres from



PAUL CRAIG

51,200 acres. The bills also lowered the temperature threshold from 120 degrees Celsius to 80 degrees (176 degrees F), although the final language in HB 50 was somewhat unclear regarding temperature.

On May 23, Petroleum News interviewed Alaska’s premier leader in geothermal energy, Paul Craig, CEO of GeoAlaska LLC, based in Anchorage.

What does Craig think of the geothermal section of HB 50?

“What the legislature does in Juneau is akin to making sausage. It’s not always pretty nor does it always turn out exactly as you would hope, but in terms of geothermal policies, HB 50 looks like it is

see **GEOTHERMAL POLICY** page 11

## EXPLORATION & PRODUCTION

# Precise number required

Division tells Hilcorp to be specific in Cook Inlet PODs on wells it will drill

By **KRISTEN NELSON**

Petroleum News

In two recent plan of development approvals for Cook Inlet units, the Alaska Department of Natural Resources’ Division of Oil and Gas told Hilcorp Alaska that it wants a precise number of wells the company plans to drill in a given plan year, with a requirement that the division be made aware of any changes in those drilling plans with amendments to filed PODs.

Both approvals, for the Granite Point and North Cook Inlet units, include the same language in the division’s approvals, both signed by Division of



DEREK NOTTINGHAM

Oil and Gas Director Derek Nottingham.

Citing “purposes of accurate oil and gas forecasting,” the division said it “requires an accurate estimate of wells that will be or will not be drilled within the Unit. And although the Division comprehends Hilcorp’s rationale given the realities extent in the Cook Inlet, an ‘up to’ number of wells limitations by an Operator in its POD can mean anything from no wells to whatever number it chooses.”

The division said it would prefer that Hilcorp just state that it is committing to no wells in the POD period or that it commits to drilling “at least”

see **WELL PLAN** page 10