

PETROLEUM NEWS

A L A S K A



"A man is not finished when he is defeated. He is finished when he quits."

—RICHARD M. NIXON, 1978

Vol. 7, No. 27 \$1 • www.PetroleumNewsAlaska.com

Alaska's source for oil and gas news

Week of July 7, 2002

Sneak peak: LADS almost finished, BP inspection next



The LADS 1H — Phoenix Alaska Technology LLC's light automated drilling system — is "undergoing final commissioning" at Heartland Rig International's fabrication plant in Brady, Texas, and will soon face inspection by BP's international audit

see LADS page 4

Heyworth drops out of race, throws support to Murkowski

Scott Heyworth, saying Frank Murkowski represents Alaska's best hope for getting a gasline built, has withdrawn as a candidate for lieutenant governor on the Democratic ticket and pledged his support to Murkowski, a Republican candidate for governor.

"Only Frank Murkowski has committed to keeping the All-Alaska Gasline route option open and on the table," Heyworth said.

Murkowski said today in Anchorage that he welcomes the endorsement of Heyworth, the sponsor of a successful natural gasline ballot initiative.

"Scott Heyworth demonstrates the kind of can-do, pioneering Alaska spirit that has helped turn big dreams into big accomplishments," Murkowski said.

"Seeing the potential for a natural gas pipeline from the North Slope to Valdez and an innovative way to make it happen, he collected more than 42,000 petition signatures, so Alaskans can cast their vote in favor of economic opportunity and a brighter future

see RACE page 17



Scott Heyworth



Sen. Frank Murkowski

ARCTIC GAS

Reality check

BP's CEO Lord John Browne tells Anchorage audience gas pipeline not profitable; says it costs more to produce oil as Prudhoe declines

By Kristen Nelson
PNA Editor-in-Chief

Lord John Browne, BP's chief executive officer, told an Anchorage audience June 28 that he learned about the reality of the oil industry on his first job with BP — in Alaska.

That grounding in reality was important, he said, "because business has to be about reality or it fails."

"I put that heavy stress on reality," Browne said, "because I think there have been times when the aspiration has got too far ahead of what can be achieved."

The reality right now, he said, is that oil production on the North Slope is too expensive and costs have to be cut — and that taxes and royalties

would take so much out of the returns from a gas project that companies don't have the incentive to invest.

Browne told an audience from the Resource Development Council, the Alaska Support Industry Alliance and the Anchorage Chamber of Commerce that today's reality is different from the reality 33 years ago when he came to Alaska: Then the goal was to transport North Slope oil.



Lord John Browne

see GASLINE page 16

MINING

Usibelli Coal Mine battles changing market, low rank coal resource

State's only operating coal mine loses largest single customer because of price, looks for new markets for Interior coal in western U.S., Mexico

By Patricia Jones
PNA Contributing Writer

Alaska's only operating coal mine suffered a major setback this year, losing a long-term sales contract in South Korea, which resulted in a 30 percent workforce reduction this month at the Usibelli Coal Mine near Healy.

According to Steve Denton, general manager at Usibelli, the mine cut about 30 jobs from its workforce, either through voluntary severance offers or layoffs. Final employment cuts were made in early June.

"A few were in Fairbanks, but most of the jobs

were in Healy," he said. "We've been downsizing for quite some time."

That's because Usibelli lost a major customer at the beginning of the year, Denton said, and needed to adjust operating costs accordingly.

A customer since 1984, the South Korean electric power utility plant purchased about 40 percent of the coal mine's annual production, Denton said.

"The contract terminated at the first of the year, and we continued to ship coal left over, but there's been no new contract or an extension on the old contract," he said. "We've not given up completely but we have reached an impasse in our negotia-

see COAL page 17

ARCTIC GAS

Imperial Oil eager to exploit any pipeline uncertainty in Alaska

The Mackenzie Delta leader, which is 69.6 percent owned by ExxonMobil, intends to "keep going," regardless of what decisions are made in Alaska

By Gary Park
PNA Canadian Correspondent

Imperial Oil Ltd., subscribing to the notion that "he who hesitates is lost," is making an unapologetic attempt to seize an edge over Alaska in the race to develop Arctic gas. (See page 8 story in last week's PNA.)

"We have a window with Alaskan uncertainty and we're trying to take advantage of it," said K.C. Williams, Imperial senior vice president, during a

mid-June investment symposium sponsored by the Canadian Association of Petroleum Producers.

To that end, the Mackenzie Delta Producers Group has launched a non-binding open season in an attempt to draw other Delta producers into the larger fold by determining how much gas would be available for ship-

ping on a Mackenzie Valley pipeline.

"We have a window with Alaskan uncertainty and we're trying to take advantage of it." —K.C. Williams, Imperial senior vice president

Williams strongly believes that if Alaska was first to bring Arctic gas on stream it would use up all available space in the pipeline networks from Canada to the Lower 48.

"Then there would not be

see IMPERIAL page 19

I N S I D E

Cook Inlet pigging held up by leak	3
Federal committee head wants ANWR	12
Enstar to let bids for gasline in mid July	5
Lappi partners with Unocal in Homer leases	9
NWT Natives want federal money for gasline	4

Alaska Rig Report

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

North Slope - Onshore

Doyon Drilling

Dreco 1250 UE	14 (SCR/TD)	Drilling on S-Pad, S-113	BP
Sky Top Brewster NE-12	15 (SCR/TD)	Idle, Endicott Is.	BP
Dreco 1000 UE	16 (SCR)	Stacked, Deadhorse	Available
Dreco D2000 UEBD	19 (SCR/TD)	CD2-23, Production drilling at Alpine	Phillips
OIME 2000	141 (SCR/TD)	Milne Point, S-Pad drilling on MSP-23, multi-lateral	BP

Nabors Alaska Drilling

Trans-ocean rig	CDR-1 (CT)	Stacked, Prudhoe Bay	Available
Dreco 1000 UE	2-ES (SCR)	Prudhoe Bay, D-08	BP
Mid-Continent U36A	3-S	Stacked, Prudhoe Bay	BP
Oilwell 700 E	4-ES (SCR)	Warm stacked, Milne Point	BP
(Not Available)	7-ES	Being repaired, under contract	BP
Dreco 1000 UE	9-ES (SCR/TD)	Prudhoe Bay, L-108	BP
Oilwell 2000 Hercules	14-E (SCR)	Stacked, Prudhoe Bay	Anadarko
Oilwell 2000 Hercules	16-E (SCR/TD)	Stacked, Teshekpuk Lake	Phillips
Oilwell 2000	17-E (SCR/TD)	Stacked, Point McIntyre	Available
Emsco Electro-hoist -2	18-E (SCR)	Stacked, Deadhorse	Available
OIME 1000	19-E (SCR)	Stacked, Deadhorse	Available
Emsco Electro-hoist Varco TDS3	22-E (SCR/TD)	Stacked, Milne Point	Available
Emsco Electro-hoist Canrig 1050E	27-E (SCR/TD)	Prudhoe Bay, PSI-6	BP
Emsco Electro-hoist	28-E (SCR)	Stacked, Deadhorse	Available
OIME 2000	245-E	Kuparuk, 1C-104	Phillips

Nordic Calista Services

Superior 700 UE	1 (SCR/TD)	Kuparuk, moved to DS-15 well 31A	Phillips
Superior 700 UE	2 (SCR)	Moved to Prudhoe to start conversion to Coil Tubing	Pending, BP
Ideco 900	3 (SCR/TD)	Moved to 2P-427, Meltwater	Phillips

North Slope - Offshore

Nabors Alaska Drilling

Oilwell 2000	33-E (SCR/TD)	Northstar Is., NS-12	BP
--------------	---------------	----------------------	----

Cook Inlet Basin - Onshore

Marathon Oil Co.

(Inlet Drilling Alaska labor contractor)

Taylor	Glacier 1	GD 1, Susan Dionne 3	Marathon
--------	-----------	----------------------	----------

Inlet Drilling Alaska/Cooper Construction

Kremco 750	CC-1	Moving from Tyonek to Kenai on July 1	Available
------------	------	---------------------------------------	-----------

Nabors Alaska Drilling

Rigmasters 850	129	Well KGSF#2	Unocal
National 110 UE	160 (SCR)	Stacked, Kenai	Available
Continental Emsco E3000	273	Stacked	Phillips

Cook Inlet Basin - Offshore

XTO Energy (Inlet Drilling Alaska labor contract)

National 1320	A	Idle/Middle Ground Shoal	XTO Energy
National 110	C	Middle Ground Shoal, platform C, well C24A-23 LN, Spud June 10	XTO Energy

Nabors Alaska Drilling

IDECO 2100 E	429 (SCR)	Redoubt Shoal #5	Forest Oil
--------------	-----------	------------------	------------

Unocal (Nabors Alaska Drilling labor contractor)

Oilwell 2000 E		Steelhead Platform, Idle	Unocal
National 1320 OUE	54	Idle, Grayling Platform	Unocal
National 1320 OUE	55	Idle, Grayling Platform	Unocal
Oilwell 860	56	Monopod, Drilling A-29RD	Unocal
Draw works removed	57	Idle, Granite Point Platform	Unocal
National 1320 UE	58A	Idle, King Salmon Platform	Unocal
Draw works removed	58B	Idle, Granite Point Platform	Unocal
OIME SD8M	60	Idle, Bruce Platform	Unocal
National 1320 OUE	76	Idle, Dolly Varden Platform	Unocal
National 1320 OUE	77	Idle, Dolly Varden Platform	Unocal
IDECO 2100 E (Unocal's only mobile rig)	428	Stacked, Baker platform, northern most platform in Middle Ground Shoal	Available

Bering Sea-Port Clarence

Fairweather

Dreco 147	SDC	Stacked, Port Clarence	EnCana
-----------	-----	------------------------	--------

Mackenzie Delta-Onshore

Akita Equitak

Rigmaster E-1500	60 (SCR/TD)	Stacked, Swimming Point, NT	Petro-Canada
Dreco 1250 UE	63 (SCR/TD)	Stacked at Tuktoyaktuk	Devon ARL Corp.

The Alaska Rig Report as of June 28, 2002.
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 Wadeen Hepworth



Northstar Island, Nabors 33-E

Photo courtesy Judy Patrick

Baker Hughes North America rotary rig counts*

	June 28	June 21	Year Ago
US	840	838	1275
Canada	250	210	322
Gulf	100	105	154

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

Rig start-ups expected in next 6 months

Nordic Calista

Rig 2 (SCR) Stacked at Kuparuk, will be converted to CT unit in JV with Schlumberger, similar to NC #1 JV. Start-up expected September, at an unknown location.

Unocal (Nabors Alaska Drilling labor contractor)

Rig 76 Idle/Dolly Varden platform, start-up mid September.
Rig 77 Idle/Dolly Varden platform, start-up mid September.
Steelhead - August M-28 workover.

Fairweather

SDC Undergoing re-activation, Port Clarence, MODU will be moved by Fairweather to EnCana McCovey prospect north of Prudhoe Bay in Beaufort Sea. It will depart Port Clarence mid July Drilling expected to begin in November for EnCana.

Akita Equitak

No other start-ups in the next six months.

XTO (Inlet Drilling Alaska labor contract)

Rig C In August, the rig on XTO Platform C will be shut down and the one on XTO Platform A activated.

Aurora Well Service

Pulling Unit Aurora Well Service LLC's and Franks 300 Series well servicing unit is scheduled to do completions, sidetracks, and shallow straight hole drilling at Nicolai Creek gas field for Aurora Gas LLC. Will start working this summer.

The Alaska Rig Report is sponsored by:

Phillips Alaska Inc.



PIPELINES & DOWNSTREAM

Pigging held up by leak in pipeline

Planned pigging of an old Cook Inlet pipeline has been held up by the discovery of leaks in the pipeline.

The Alaska Department of Environmental Conservation said June 28 that BP Exploration (Alaska) Inc. planned to flush an old pipeline in Cook Inlet June 29-July 1.

DEC said seawater was pumped into the pipeline in preparation for pigging at about 7:30 p.m. June 29, but flow between the pig launcher and shore was not established as expected after pumping for an hour, indicating a leak somewhere in the line.

DEC said it believes the pipeline ... was responsible for sheens in Cook Inlet last year.

Compressed air was pumped into the pig launcher early June 30 and bubbles were seen on the surface above the pipeline about 200 feet from where the air was pumped into the line. DEC said pigging operations were suspended; the project team is reevaluating the project plan, which was to use a train of gel and foam pigs to clean residue from the line, following a work plan that DEC said had its approval, as well as that of the U.S. Coast Guard.

DEC said it believes the pipeline, one of two 10-inch lines installed from the Anna Platform in 1966 and acquired by BP as part of the BP-Amoco merger, was responsible for sheens in Cook Inlet last year.

There had been frequent pipeline failures between 1966 and 1972 within four miles of the Anna Platform, DEC said, and in 1974 the crude oil pipeline was shut down and crossed over with the gas pipeline. The pipeline was pigged one time to clean. In 1983 the gas pipeline was also shut down due to leaks. The two lines were abandoned in place by in 1987.

AIR LOGISTICS OF ALASKA, INC.



- 11 Years of Accident Free Flight Operations, 1990 - 2001
- Year 2000 and 2001, Governor's Safety Award of Excellence
- OSHA VPP STAR Recognition

1915 Donald Avenue • Fairbanks, Alaska 99701
907.452.1197 • airlog@airlogak.com

Index

CLASSIFIEDS	13
EXPLORATION & PRODUCTION	9
FINANCE & ECONOMY	5
GOVERNMENT	11
ON DEADLINE	3
RIG REPORT	2
WORLD OIL	7

1949 LOUNSBURY & ASSOCIATES, INC. 2002
Surveyors - Engineers - Planners
53 YEARS

1957 SWANSON • 1968 PRUDHOE • 1977 KUPARUK • 1997 TARN • 1999 ALPINE

www.lounsburyinc.com



Kay Cashman, PUBLISHER

Dan Wilcox	CHIEF EXECUTIVE OFFICER
Kristen Nelson	EDITOR-IN-CHIEF
Steve Sutherlin	MANAGING EDITOR
Gary Park	CANADIAN CORRESPONDENT
Wadeen Hepworth	COLUMNIST
Jen Ransom	STAFF WRITER
Alan Bailey	CONTRIBUTING WRITER
Allen Baker	CONTRIBUTING WRITER
Rene Breitzreutz	CONTRIBUTING WRITER
Mara Severin	CONTRIBUTING WRITER
Patricia Jones	CONTRIBUTING WRITER
Judy Patrick Photography	CONTRACT PHOTOGRAPHER
Mary Craig	CHIEF FINANCIAL OFFICER
Susan Crane	ACCOUNT EXECUTIVE
Forrest Crane	CONTRACT PHOTOGRAPHER
Steven Merritt	PRODUCTION DIRECTOR
Tom Kearney	ADVERTISING DESIGN MANAGER
Amy Piland	CLASSIFIEDS MANAGER
Tim Kikta	CIRCULATION REPRESENTATIVE
Dee Cashman	CIRCULATION REPRESENTATIVE
Heather Yates	ADMINISTRATIVE ASSISTANT

P.O. Box 231651
Anchorage, AK
99523-1651

Editorial
907 522-9469

Editorial Fax
907 522-9583

Editorial Email
edit@gci.net

Bookkeeping & Circulation
907 522-9469

Bookkeeping & Circulation Fax
907 522-9583

Circulation Email
circulation2@gci.net

Advertising
907 245-2297

Advertising Fax
907 522-9583

Advertising Email
adsales@gci.net

Petroleum News • Alaska and its supplement, Petroleum Directory, are owned by Petroleum Newspapers of Alaska LLC. The newspaper is published weekly. Several of the individuals listed above work for independent companies that contract services to Petroleum Newspapers of Alaska LLC or are freelance writers.

Petroleum News Alaska, ISSN 10936297, Week of July 7, 2002
Vol. 7, No. 27

Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518

(Please mail ALL correspondence to:

P.O. Box 231651, Anchorage, AK 99523-1651)

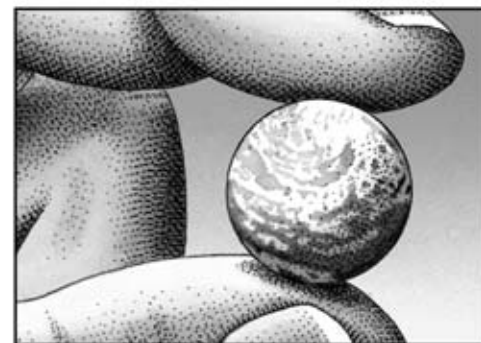
Subscription prices in U.S. — \$52.00 for 1 year, \$96.00 for 2 years, \$140.00 for 3 years.

Canada / Mexico — \$165.95 for 1 year, \$323.95 for 2 years, \$465.95 for 3 years.

Overseas (sent air mail) — \$200.00 for 1 year, \$380.00 for 2 years, \$545.95 for 3 years.

Periodicals postage paid at Anchorage, AK 99502-9986.

POSTMASTER: Send address changes to Petroleum News Alaska, P.O. Box 231651, Anchorage, AK 99523-1651.



Just Between Us

Carlile's people are Carlile's success. From the second you call until the minute your cargo reaches its destination, we're on it—every minute of every day. It's the Carlile promise. From our front-line dispatcher, to a worldwide network of transportation partners, over 350 Carlile employees are the team behind your transportation needs. All the way down the line. That's customer service. That's Carlile.

Carlile
TRANSPORTATION SYSTEMS

1800 East First Avenue • Anchorage, AK 99501
tel (907) 276-7797 • fax (907) 278-7301
www.carlilekw.com

Delivering the World

FINANCE & ECONOMY

BP reports production up 5 percent in second quarter

In a second quarter trading update released July 2, BP said it estimates volumes of oil and gas production for the quarter will be more than 3.5 million barrels of oil equivalent per day, up some 5 percent from the second quarter 2001.

Liquids prices were up by some \$4 a barrel and North American gas prices by some 60 cents per thousand standard cubic feet compared to the first quarter.

BP said the second quarter production increase, to more than 3.5 million boe/d reflects continued build up from projects commissioned last year and from the King field in the Gulf of Mexico, which came on stream during the quarter. The company said that output from these new projects more than offset the impact of Organization of Petroleum Exporting Countries related quota restrictions, which restricted production by some 20,000 barrels a day compared to second quarter 2001.

BP said total production for the second quarter is also expected to be around 1 percent higher than first quarter, overcoming normal seasonal decline factors. First quarter output was depressed by 100,000 barrels a day due to unusually mild weather, OPEC quota restrictions and asset disposals.

Full year production remains on track to grow at the company's target annual rate of 5.5 percent with new projects including King's Peak, Horn Mountain and Princess in the Gulf of Mexico and Trinidad train two due on stream during the second half of the year.

BLM distributes almost \$14 million for tax exempt lands

The Bureau of Land Management said it began sending payments of almost \$14 million to 27 local Alaska governments June 28 in accordance with the Payment in Lieu of Taxes Act.

This year Alaska will receive \$13,969,645 in payments in lieu of taxes based on 237,718,650 entitlement acres, BLM said, an increase of \$628,242 from last year.

The BLM payments are intended to offset the loss of tax revenue to states and localities caused by tax-exempt federal land within their jurisdictions.

The Matanuska Susitna Borough received the most, \$1,585,149, followed by the Kenai Peninsula Borough, \$1,579,494, and Juneau City and Borough, \$1,067,461.

ARCTIC GAS

Northwest Territories Natives make pitch for federal money

By Gary Park
PNA Canadian correspondent

The Mackenzie Valley Aboriginal Pipeline Corp. has made its case for a one-third Native equity stake in any gas pipeline from the Mackenzie Delta in a 200-page business plan to the Canadian government. (See related story on page 1.)

Hopes now hang on the federal response to the MVAPC's pitch for C\$70 million in federal money to

allow the Native group to play a full role in the three-year, C\$250 million "project definition phase," launched in February by the Mackenzie Delta Producers Group, to gather technical, engineering and environmental data in support of regulatory filings.

Delta gas seen as economically viable

A spokesman for the MVAPC said the C\$3 billion development of Delta gas is now seen as economically "viable," and northern leaders believe the producers will proceed.

For Natives to have a full stake in the pipeline, they must demonstrate that they can pay their full share of the costs, he said.

A senior executive with Imperial Oil Ltd., the lead partner in the producers' group, agreed with that assessment and underlined the critical nature of northern support.

Imperial senior vice president K.C. Williams told reporters June 17 said that as long as the MVAPC "is committed to work with us and as long as they're able to come

in with the financing for their share of the pre-development phase, then we're going to proceed to the end of that phase.

"We're going to go ahead and secure all the regulatory applications," he said.

A delegation from the MVAPC is expected to meet this summer with federal Indian Affairs Minister Robert Nault to discuss the request for C\$70 million in federal assistance.

An official in Nault's office confirmed the 200-page MVAPC business plan had been received and would now be closely reviewed. ♦

"We're going to go ahead and secure all the regulatory applications." -K.C. Williams, Imperial Oil

LAND & LEASING

Norton approves MMS five-year OCS oil and gas lease program

The Minerals Management Service said today that Department of the Interior Secretary Gale Norton has approved its five-year 2002-2007 program for oil and natural gas lease sales on the outer continental shelf.

The program schedules 20 lease sales in eight OCS planning areas in the Gulf of Mexico and off Alaska.

"The new program supports the president's national energy policy and will help meet the future energy needs of our country in an environmentally sound manner," said MMS Director Johnnie Burton.

Sales proposed for Alaska include three in the Beaufort Sea in 2003, 2005 and 2007; two in Cook Inlet in 2004 and 2006; two in the Chukchi Sea in 2005 and 2007; and one interest-based sale in Norton Sound.

The first lease sale scheduled under the new program is Western Gulf of Mexico Sale 184, which is slated for August 21 in New Orleans. The first Alaska sale is the Beaufort Sea Sale 186 scheduled for 2003.

continued from page 1

LADS

team for new drilling rigs, Erik Opstad, vice president and general manager of Phoenix Alaska, told PNA July 2. In August, the team will give the LADS an acceptance test that is expected to take several weeks. If the rig passes, it will leave HRI for the 70-80 day trip to Alaska.

BP sources told PNA that the LADS was on the drilling schedule for Milne Point in mid-December but a January arrival date was more realistic. BP spokesman Ronnie Chappell said his company remains committed to the LADS project, despite several setbacks associated with development and construction of the drilling system.

If the LADS performs on the North Slope as its designers intend it to, it "represents a 20 to 30 percent reduction in the cost of drilling new North Slope wells," Chappell said.

CAFE AMSTERDAM

European Cuisine

530 E. Benson in the Metro Mall 274-0074



Open daily from 7 AM.
Breakfast and Lunch all day.
Dinner Menu 5 until 9 PM
Thursday, Friday, & Saturday
Eclectic Wines, local beers on tap,
and European bottled beers.



WWW.COLVILLEINC.COM

ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS) COMPLIANT

- Tesoro Fuel Station
 - Gasoline
 - Diesel
 - Aviation Fuel
 - Solvent
- Industrial Gas
- Steel
- Complete Line of Lubricants- Bulk-Drum-Totes
- Sorbs
- Pipe Fittings
- North Slope Village Supply
- Rentals
 - Outside Pad Storage
 - Heated Warehouse Space
 - Equipment
- Expediting Services
- Waste Oil Furnaces
- Solid Waste Services
- Recycling

(907) 659-3198 Fax: (907) 659-3190

Pouch 340012 Prudhoe Bay, Alaska 99734

FINANCE & ECONOMY

ADVICE



Portfolio strategy update

A false bottom?

By David Gottstein

Editor's note: The following column was written at the end of June. David Gottstein is with Dynamic Research Group in Anchorage.

OUR CURRENT RECOMMENDATIONS

- Best Buy (BBY)
- MetLife Inc. (MET)
- Sprint Fon Group (FON)

We said a month ago we could see the DOW trade down to 9,000. It dipped below that this past week, and has bounced back above that level modestly and now sits at 9,243.

Did we bounce off the bottom, and only see blue skies ahead?

For us, there are still too many dark clouds out there.

If you take out the special write-offs and charges, one can figure that the P/E of the broad market is under 20. On the other hand, based on actual reported numbers, whatever that means, we are closer to a very high 40.

The truth is probably somewhere in between.

The prospect for a recovery in the stock market, to the extent there is one in the foreseeable future, lies in the combination of large deficit spending by the Federal government as a result of the war on terrorism, and whatever real recovery in corporate earnings and increased employment and consumer spending is in store.

see GOTTSTEIN page 15

■ BARTLESVILLE, OKLA.

Phillips and Conoco selling refineries amid federal scrutiny

By The Associated Press

Phillips Petroleum Co. and Conoco Inc. are selling refineries in Utah and Colorado as federal regulators near the end of a review of the oil companies' union.

Bartlesville-based Phillips is selling its Woods Cross refinery near Salt Lake City and 25 gasoline stations in Utah and southern Wyoming, company spokeswoman Kristi DesJarlais said June 25.

Houston-based Conoco is unloading its 60,000-barrel-a-day refinery in Commerce City, Colo., "in anticipation of a possible (Federal Trade Commission) settlement of the merger," Conoco's

Sondra Fowler said.

The FTC is expected to require the companies to sell gas stations and refineries in the West to ensure competition there before approving Phillips' acquisition of Conoco.

The FTC is expected to require the companies to sell gas stations and refineries in the West to ensure competition there before approving Phillips' acquisition of Conoco.

see MERGER page 15

■ VIENNA, AUSTRIA

OPEC extends its oil output quota for an additional three months

By Bruce Stanley
Associated Press Business Writer

OPEC extended its quota for oil production by an additional three months and said it would meet again in September to determine if an increase in output is warranted then.

The Organization of Petroleum Exporting Countries decided June 26 that oil supplies are sufficient for the modest growth in demand it has forecast for the year. OPEC said it was satisfied with oil prices at current levels and believed it

could best ensure they stay firm by not increasing output during the summer months.

Still, some analysts said OPEC's agreement to roll over its daily quota of 21.7 million barrels was unlikely to have a major impact on prices, particularly if the group boosts output in the fourth quarter as many expect it to do.

Oil selling in mid-\$20s

OPEC has realized its goal in recent months of selling oil at prices in the mid-\$20s a barrel. Stirrings

see OPEC page 15

A GOOD NEIGHBOR HELPS OUT.... Kudos to Carlile Transportation for volunteering its Deadhorse terminal (the old Mark Air terminal) as a polling place for the new Prudhoe Bay voting precinct. The terminal is at the Deadhorse airport about two blocks from the Prudhoe Bay post office. This will help the North Slope Borough solve its need for a polling place. (For more details on the new Prudhoe Bay voting district, take a look at last week's Oil Patch Insider.)



ONLY IN ALASKA.... Nancy Murkowski, wife of Sen. Frank Murkowski, was answering her husband's Anchorage office phone July 2. She was taking messages and answering questions. Apparently this is not unusual for Nancy who was raised in Nome and has good one-on-one relationship with people throughout Alaska. The office staff said she is a "hoot" and, with tongue in cheek, added she "works well with the candidate."

YOU ALL COME.... TO THE ALASKA OIL AND GAS ASSOCIATION /Anchorage Chamber luncheon July 15.... Get out those checkbooks and sign up by July 10 to hear "A Transition Report on Alaska's Oil & Gas Industry to the Next Administration and the 23rd Alaska Legislature."

The featured speakers are Kevin Meyers, president, Phillips Alaska; Steve Marshall, president, BP Exploration (Alaska); David Wight, president and CEO, Alyeska Pipeline Service Co.; Charles Pierce, vice president, Unocal Alaska; Jack Williams Jr., Alaska production manager., ExxonMobil and Ron Noel, vice president and general counsel, Tesoro Alaska. Egan Convention Center is the place, Summit Hall is the room, 12:00 noon is the program time. Pre-paid reserva-

tions are required.

ENSTAR TO LET BIDS FOR THE KENAI-KACHEMAK PIPELINE in mid July.... John Lau, vice president engineering and transmission operations with Enstar Natural Gas, and acting Kenai-Kachemak Pipeline LLC project manager, said his department is currently preparing the bid documents for materials and anticipates going out to bid in mid July for the gas line pipe.

The pipe bid will include 32 miles of 12 inch outside diameter gasline pipe that will run from Marathon's Susan Dionne pad north of Ninilchik to the Kenai Gas Field on Kalifonsky Beach Road. The staging area will be near the same area on Kalifonsky Beach Road.

The pipeline is a turnkey operation so the mills will be asked to bid to destination. Enstar expects six to eight mills in the United States and Canada to bid.

The construction package, which is also currently being prepared, will be submitted to potential contractors around Aug. 1.

Included in this bid package will be the contract that KKPL will be expecting the successful contractor to execute. Start up of construction is expected Oct. 31, 2003.

John said Enstar has been building pipelines in the Cook Inlet for more than 40 years and agreed to extend its services to manage the permitting, engineering, procurement and construction of the line.

Norstar Pipeline Co., a subsidiary of Enstar's Alaska Pipeline Co., has been formed to operate the pipeline.

OWNERSHIP UPDATE ON Kenai-Kachemak Pipeline LLC.... The owners of KKPL LLC are just



Marathon and GUT LLC, a subsidiary of Unocal.

Alaska Pipeline Co., a subsidiary of Enstar, and Alaska Electric Generation and Transmission, of which Homer Electric Association is the primary owner, have both dropped out of the owner group.

DON'T PUT THE LONG UNDERWEAR AWAY if you are traveling to parts of the North Slope.... On July 1, it snowed in Barrow and Wainwright and other parts of the North Slope. What started out as a nice summer rain got hit with a cold front and the temperature dropped to 30 degrees producing just the right mixture for a light snowfall.

UNOCAL TRANSFERS ANOTHER EMPLOYEE FROM ASIA.... There may be some good Asian cooking going on in Kenai these days because Dale Haines, Unocal's Indonesia drilling manager, has been transferred back to Alaska. (PNA reported Jim Harrison was transferred from Thailand in last week's issue.)

Dale was Unocal Alaska's drilling manager from 1996-98 before going to Indonesia. He returned to Unocal Alaska this spring as drilling manager but has since been promoted to operations manager.

Dale will be responsible for HES (health, environment, safety) performance, lift cost, drilling performance and project management.

Welcome back Dale. You're just in time to wet a line and enjoy Alaska's beautiful summer.

A MUST READ FOR WOMEN AT PHILLIPS ALASKA: Health Magazine says Conoco one of 10 best companies for women.... Phillips' soon-to-be partner, Conoco, has been named one of the 10 "Best Companies for Women" by Health Magazine, a national monthly publication with a circulation of 1.3 million. The July/August 2002 issue of Health said the top 10 list was compiled by canvassing "working women and workplace experts around the country to find out what they truly value."

The article continues, "These 10 firms and two run-

see INSIDER page 6

continued from page 5

INSIDER

ners-up go beyond simply providing their employees excellent health insurance, adoption assistance, and on-site child care: They create an atmosphere that truly supports women in all aspects of their lives.”

Conoco was selected for its vacation policy that includes the purchase of five extra days per year, its extensive online training and career management courses, and various network groups that are supportive of women in the workplace. One such group is the Women’s Informal Network Group, which organizes monthly meetings featuring speakers who cover women’s interests from health to



work/family issues.

Also mentioned in the Health article was the availability of lactation rooms for working mothers at many of Conoco’s refineries. On-site mammograms are available at some locations as well, and the company offered benefits covering mastectomy and reconstructive surgery

long before the government required it.

“Companies are realizing more and more that it’s essential to under-

stand the needs of a diverse employee population,” said Tom Knudson, Conoco’s senior vice president of human resources, information management and corporate communications. “By creating an environment where women can develop their careers while managing homes and families, we are retaining outstanding

talent and contributing to the bottom line.”

I wonder who will be the senior human resource person at the new Conoco/Phillips. After reading this article I’m sure women at both companies will have an opinion of who they would like in that position.

KUUKPIK ARCTIC CATERING insures the SDC crew is well fed....

Kuukpik Arctic Catering has been catering and taking care of EnCana’s SDC ship, which is located at Port Clarence while it is being retrofitted for exploration drilling at the McCovey prospect in the Beaufort Sea.

Rick McMillan, Kuukpik Arctic Catering’s president, said his company has been taking care of the ship for several months in preparation for the movement to McCovey.

Drilling is expected to start in November.

FORMER ALYESKA PIPELINE SERVICE CO. PRESIDENT FRANK TURPIN is stomping in Texas for ANWR....

Frank Turpin, who retired to Kerrville, Texas, is the perfect ambassador to explain the issues surrounding drilling in ANWR. He is on the speakers list at the University of Texas as well as various civic groups throughout Texas.

Frank said it has been estimated that 50 percent of the approximately 200 people attending the University of Texas meetings are opposed to ANWR although “they have not been hostile.” (Considering the plentiful supply of ripe tomatoes in Texas this was rather positive.)

The audiences in the civic meetings, he said, have been in favor of ANWR

Frank said the good thing coming out of the meetings was he has been able to make people think. For example, some of the audiences assumed there was a six-month supply of oil at ANWR when the

most conservative estimate is the oil will last 25 years.

Arctic Power provided slides and handouts for Frank’s “walk around.”

Frank hasn’t deserted Alaska. He still spends summers here. He recently returned from Tuscany, Italy, where he, his wife Hope and their family (31 including children and grandchildren) rented a villa for a fun filled 18-day reunion.

SAVE ON AIRFARE BY ATTENDING TWO “BACK TO BACK” CONFERENCES in Texas....

The Energy Traffic Association fall conference will be held in Houston Sept. 23 and 24, 2002.

This group has held meetings between oil, supply and transportation companies for more than 20 years.

The most current topics relating to each industry are discussed to educate one another to changes in regulation codes.

ABB Vetco will provide the meeting facilities. For information call Garner Strickland, Totem Ocean Trailer Express (TOTE) at (713) 467-4086.

The International Association of Drilling Contractors annual meeting, Sept. 25-27, is back to back with the Energy Traffic conference. Many people expect to attend both conferences.

This meeting will be held at the Hyatt Regency Hotel, 123 Loyola St. on the Riverwalk, San Antonio, Texas. For information contact Leesa Teel, (282) 578-7171, ext. 21.

Oil Patch Insider is written by Petroleum News • Alaska columnist Wadeen Hepworth. The Insider appears three times per month. Individuals providing news or tips to Wadeen do not have to be identified in the column. She can be reached at (907) 770-3506 or via email at insiders@gci.net.

COLD REGIONS ENGINEERING ALLIANCE




Providing innovative full-service engineering solutions to energy customers in Cold Regions design and construction.

SERVICES INCLUDE:

- > Engineering and Design
- > Project Services
- > Studies
- > Construction Services
- > Facilities
- > Operations
- > Environmental Services
- > Financial Consulting

PDC, Inc.
Anchorage 907.561.1666
Fairbanks 907.452.1414

Harris Group Inc.
Seattle 206.494.9400
Denver 303.291.0355


www.pdceng.com www.harrisgroup.com

PETROLEUM NEWS • ALASKA SPECIAL ISSUE

PHILLIPS



CELEBRATING 50 YEARS IN



Umiat to Point Hope


Coming in September 2002, Petroleum News • Alaska presents: **Phillips Celebrating 50 Years In Alaska.**

Full color, glossy, coffee table edition.

Free to all Petroleum News • Alaska subscribers.

To be a part of this one-time edition, please call (907) 522-9469 and ask for Wadeen or Susan in our advertising department.

PLUS: A SPECIAL



ASCG Inspection, Inc.
an ASCG company

301 Arctic Slope Ave., #100
Anchorage, Alaska 99518
907-267-6236
Fax 907-267-6480

Servicing Alaska’s Oil, Gas and Construction industries for over 10 Years

- Quality Control / Quality Assurance
- Inspection Services
- Nondestructive Testing Services
- Inspection Equipment Development
- Innovative Testing and Inspection Techniques

Alaska’s Largest Inspection and Nondestructive Testing Company

Anchorage Kenai Fairbanks Valdez Prudhoe Bay

www.ascg.com

QA / QC Inspection

- N.A.C.E. Coating Inspection
- NDE UT-MT-PT-VT-ET
- Certified Welding Inspectors
- API 653 Tank Inspection

A.W.S. N.A.C.E.

907.283.8095

MIAC Materials, Inc.

WORLD OIL

WYOMING

Marathon Oil working to reduce Wyoming acreage

Due to recent acquisitions, Marathon Oil Co. has more than twice the amount of leased federal drilling acreage in Wyoming allowed by law and company officials say they are working to reduce their oil and natural gas holdings.

Marathon told the Wyoming office of the U.S. Bureau of Land Management in March 2001 that it had exceeded the legal limit of 246,080 federal lease acres in the state. The company holds leases to about 680,000 acres in Wyoming.

Companies normally have six months to determine how much they have exceeded the limit and sell the excess. Marathon was granted an extension until October 2003 to research its holdings.

"Marathon has worked with the BLM in following the bureau's general practices to address exceeding lease acreage in Wyoming since its acquisition of Pennaco," said Christian Carrell, a spokeswoman for the Houston, Texas-based company.

Reviewing federal acreage after a merger and gaining an extension to sort out the hundreds of thousands of acres involved is common practice, she said.

Marathon bought Pennaco Energy in March 2001, gaining entry into the Powder River Basin coalbed methane play, then added to its Wyoming holdings in May 2002 when it bought CMS Energy through a three-way deal with XTO Energy.

The latter deal allowed Marathon to acquire about 280,000 acres, bumping its total acreage to about 680,000 and leaving it as the largest developer in the basin.

Marathon was granted an extension until October 2003 to research its holdings.

—The Associated Press

■ C A N A D A

EnCana gas play gives new hope to northeast British Columbia

Calgary-based independent rates Greater Sierra field as "world-class" discovery with more than double reserves at Ladyfern, where production is expected to fall soon

By Gary Park
PNA Canadian Correspondent

EnCana Corp. is touting a "world-class" gas discovery in northeastern British Columbia just as producers warn that the region's acclaimed Ladyfern field is in decline.

Having just completed a four-year, C\$100 million land purchase in the Greater Sierra play, EnCana said the field could have more than 5 trillion cubic feet of sweet gas in place, of which more than half would be recoverable, compared with Ladyfern's estimated reserves of 1 tcf.

Randy Eresman, president of EnCana's onshore North American division, said the field "will be a key element of our long-term gas growth strategy."

"Relative to other major fields in the (Western Canada Sedimentary Basin), Greater Sierra has comparatively few wells drilled. This positions us to generate sizable, reliable and profitable gas growth," he said.

A company spokesman said the Greater Sierra field is a "lot different" from the prolific Ladyfern discovery, which is yielding high volumes over a short period.

To date, EnCana has identified 500 potential drilling locations and expects to drill about 100 wells a year over the next several years.

The Greater Sierra field has much larger reserves "which will produce for a long time and provide a platform for growth."

The Upper Devonian Jean Marie Reef is three to five miles wide and stretches 175 miles from the B.C.-Northwest Territories border to the Rocky Mountains.

EnCana plans to exploit the "non-conventional reservoir" through innovative drilling techniques and hopes to recover at least half the original reserves in place using a combination of horizontal and under-balanced technology.


Nitrogen foam for drilling

The under-balanced technology uses inert nitrogen foam instead of water-based drilling mud, which EnCana said would create a water-phase trap that would sharply reduce well productivity.

Drilling involves punching the bit vertically for about 4,600 feet before turning horizontally for about 3,300 feet through the gas-bearing zone.

The Jean Marie formation is described by EnCana as similar to the modern-day reef complexes of Australia's Greater Barrier Reef.


see ENCANA page 8




Need High Performers?

When you need high performance lifts that are built to withstand the rigors of Alaska. You can count on United Rentals and JLG

- Boom Lifts
- Scissor Lifts
- Personnel Lifts
- Statewide Delivery
- Lease/Purchase/Rent





The Right Equipment. Right Now!

Anchorage
349-4425

Wasilla
376-5321

Palmer
745-5321

Soldotna
262-8700

Find Us On The Web at www.unitedrentals.com

Authorized Distributor

IRVING, TEXAS

ExxonMobil to use FPSO vessels for deepwater developments offshore Nigeria in West Africa

Exxon Mobil Corp. said June 27 that it will use an innovative, generic FPSO — floating production, storage and offloading — concept to accelerate the production from new deepwater fields.

The vessels, designed an early production system, will allow it to economically develop offshore resources with less development time between discovery and first production, ExxonMobil said.

Three of the vessels are being built for use offshore West Africa with the first expected to leave Singapore late this summer for use at the Yoho development offshore Nigeria.

ALGERIA

Anadarko, partner, awarded Algeria exploration block

Anadarko Petroleum Corp. and partner Maersk Olie, Algeriet AS have been awarded exploration rights over Block 403c/e in Algeria's third licensing round, Anadarko said July 2, increasing its gross acreage under contract in the Berkine basin by some 400,000 acres to 4 million acres.

Terms of a production sharing agreement, expected to be signed with Sonatrach within 15 days, include a minimum of 200 kilometers of 2-D seismic and the drilling of one exploration well during the first three-year period.

Anadarko said it will hold a 67 percent interest in the venture, Maersk Oil 33 percent.

Tony Meyers, managing director of Anadarko Algeria Co., said the block complements the company's current exploration portfolio.

"Block 403c/e is close to our existing production facilities at Hassi Berkine South, where Anadarko and its partners have built up substantial technical knowledge and seismic data. With this infrastructure already in place, future discoveries could be developed quickly and economically," he said.

Meyers also said Anadarko and its partners will resume exploration drilling in Blocks 404 and 208 and shoot seismic in Block 406b this year.

In April, the fourth and final train at the Hassi Berkine South oil field's central processing facility began production five months ahead of schedule, increasing capacity to 285,000 barrels of oil per day, Anadarko said, with cumulative production through the facility of 100 million barrels of oil in May.

The company said additional facilities with a total capacity of 230,000 barrels per day are under construction at its Ourhoud field, the second largest field in Algeria, where production is expected to begin early next year.

NORTH CASPIAN SEA

Kashagan discovery in North Caspian Sea declared commercial

Partners in the North Caspian Sea production sharing agreement, in conjunction with KazMunaiGas which represents the government of the Republic of Kazakhstan, have declared the 7-9 billion barrel Kashagan discovery in the northern Caspian Sea to be commercial.

The partners in the production sharing agreement are Eni (operating through Agip KCO, 16.67 percent); BG (16.67 percent); Exxon Mobil Corp. (16.67 percent); Shell International Exploration & Production (16.67 percent); TotalFinaElf (16.67 percent); Inpex (8.33 percent) and Phillips Petroleum Co. (8.33 percent.)

Kashagan was discovered in 2000 and a two-year appraisal program indicates producible reserves at 7-9 billion barrels of oil.

The companies are preparing a development plan for the Kashagan field and will continue to explore other structures in the North Caspian Sea contract area by drilling Kalamkas (2002), Kashagan South West (2003), Aktote (2003), and Kairan (2003).

The North Caspian Sea PSA covers almost 1.4 million gross acres.

continued from page 7

ENCANA

The Calgary-based company has drilled 331 wells in the Fort Nelson region since 1998 and is producing about 150 million cubic feet per day from 200 wells — a level it aims to double in the next three years.

To date, EnCana has identified 500 potential drilling locations and expects to drill about 100 wells a year over the next several years.

Wells in the reef cost C\$1.8 million to C\$2.2 million and initially produce 2 million to 4 million cubic feet per day before stabilizing in the range of 1 million cubic feet per day, with a reserve life greater than 10 years.

EnCana has forecast it can grow reserves at full-cycle finding and development costs of C\$1.25-\$1.50 per Mcf and is targeting operating costs of 50 cents per Mcf for the 600 billion cubic feet of established reserves it has booked so far.

Victor Vallance, an analyst with Dundee Securities, told the Financial Post that EnCana reports indicate that the Greater Sierra could surpass Ladyfern in size, but he cautioned that the field covers a "much bigger area and it's more expensive gas to develop."

Seven gas plants already built

EnCana has already built seven gas plants in the region capable of processing 200 million cubic feet per day and also has long-term transportation commitments with Canada's two dominant gas pipeline companies, Duke Energy Gas Transmission in British Columbia and

TransCanada PipeLines Ltd. in Alberta.

Word of the Greater Sierra play is welcome timing for British Columbia, which is faced with a rising chorus of warnings that the prospects for Ladyfern are already starting to dim.

The huge field, discovered by Murphy Oil Corp. at the start of 2000, is faced with a rapid decline from its current production peak of 700 million cubic feet per day, according to large producers with interests in the area.

Allan Markin, chairman of Canadian Natural Resources Ltd., told reporters at the Canadian Association of Petroleum Producers' investment symposium in mid-June he expects output will decline to between 100 million and 200 million cubic feet per day by 2004 and remain there for some time.

He said the rush by companies to investment in Ladyfern exploration plays in late 2000 and early 2001, when gas prices were at all-time highs, resulted in over-capitalization of the area.

Markin said earlier estimates of 1 trillion cubic feet of recoverable reserves might now have to be lowered to about 700 billion to 750 billion cubic feet.

Ladyfern was recently credited by investment firm Lehman Brothers for lifting Canadian gas output by 15 billion cubic feet per day, or 2 percent, in the first four months of 2002.

But Robert Spitzer, vice president of exploration for Apache Canada Ltd., said at the CAPP symposium that volumes from Ladyfern's wells will drop by as much as 35 percent in their first year, compared with Canada's average depletion rate of about 25 percent. ♦

Alaska Railroad Corporation

Alaska Rail-Marine Service


- Rail-barge service between Seattle and Alaska
- Rail connections to anywhere in Canada and the United States

Leaving Seattle weekly with consistent, reliable service

Customer service in Anchorage and Seattle

Quick response for price quotes

Anchorage: 907-265-2485 • 800-321-6518
Seattle: 800-843-2772




Providing Strategic Planning Solutions, Permitting, Compliance, & ROW Services To The Oil & Gas, & Mining Industries

When you need a company committed to your project.

Resolution Plaza 1029 W. 3rd Ave., Suite 400 - Anchorage, Alaska 99501 - Phone: (907) 277 4611



Alaska's Underwater Professionals
907-563-9060
Anchorage, AK



Adopt me please!



Anchorage Animal Control Center
4711 South Bragaw St., Anchorage, Alaska 99507
(907) 343-8119 to volunteer call Robyn (907) 343-8252

EXPLORATION & PRODUCTION

JUNEAU

Oil employment down

Alaska Oil patch employment in 2002 is unlikely to match the growth of recent years, labor economist Dan Robinson of the Alaska Department of Labor and Workforce Development said in the department's July issue of "Alaska Economic Trends."

Employment in the sector, which stood at 10,100 in April 2001, is down 1,300 to 8,800 as of April 2002.

Robinson said part of the reason for the decrease is the completion in 2001 of the Alpine and Northstar projects. But, he said: "Workforce reductions and lower budgets for both exploration and capital expenditures will also keep oil numbers down for the short term at least."

Overall, April employment estimates for the state are up 0.9 percent from April 2001, a gain of 2,400 jobs, led by state government employment, up 1,200, and local government, up 1,100.

COOK INLET

Disposal injection approved at Nicolai Creek field

The Alaska Oil and Gas Conservation Commission has approved an application from Aurora Gas LLC for underground injection of oil field wastes at Nicolai Creek.

The commission said that Aurora requested authorization in February to dispose of non-hazardous Class II oil field waste fluids into the Tyonek formation at Nicolai Creek on the west side of Cook Inlet.

In a June 26 order the commission authorized underground disposal between 2,000 feet and 2,550 feet measured depth in the Nicolai Creek Unit No. 5 well, a vertical well on federal lease AA-8426, administered by the Bureau of Land Management. Cook Inlet Region Inc. is the surface owner.

Aurora proposes to re-enter the well, drill out the surface plug and clean up the casing to a depth of 2,500 feet. The well will be completed with 2-7/8 inch tubing and a packer at approximately 2,250 feet. Perforations will be added between 2,325 feet and 2,345 feet.

The commission said the disposal waste stream will consist of produced water; drilling, completion and workover fluids; drill cuttings; rig wash; mud slurries; and other Class II fluids and solids. The composition of the waste stream and volumes will vary depending on drilling, workover, stimulation and maintenance activity. An injection pump will be continuously manned during injection operations and the annulus pressure of the well will be checked and recorded prior to and after each injection cycle.

Aurora estimates that the average daily injection volume will range from 350 to 1,000 barrels at rates ranging up to a maximum of five barrels per minute depending on the number of producing wells, drilling activity and well work.

ANCHORAGE

Alaska shallow gas pioneer Dave Lappi maintains quest; Unocal partner in Homer shallow gas leases

State may hold 1,000 trillion cubic feet of shallow and coal seam gas, Dave Lappi says, equivalent to 30 Prudhoe Bays

By Steve Sutherlin
PNA Managing Editor

Lapp Resources Inc. of Anchorage is 100 percent owned by David W. Lappi, who has been a leading voice in the effort to exploit Alaska's shallow gas potential. The company, which was incorporated in 1991, is pursuing oil and gas exploration projects in the Matanuska Valley, Homer and Delta Junction areas.



Dave Lappi

Lappi, a long-time Alaskan, earned a bachelor of science in geology from the University of Alaska Fairbanks and a postgraduate diploma in geoscience from Macquarie University in Sydney, Australia. After working with a variety of resource firms in Australia,

Lappi returned to Alaska and in the early 1990s began seeking joint venture partners to explore for shallow gas in the Cook Inlet basin. He was instrumental in the establishment of Alaska's shallow gas leasing program and he assisted the Alaska Oil and Gas Conservation Commission to develop drilling requirements for coalbed methane wells, which can be drilled with smaller rigs and with different techniques than conventional gas wells.

Lappi sees an important role for shallow gas in Alaska's future, and is endeavoring to make Lapp Resources an important part of shallow gas industry.

"The goal is to become a producer," he told PNA. "Hopefully we can do that with coalbed methane."

Lappi said the company is focusing its exploration efforts on the road system, where costs are lower, but as the technology emerges to drill economically in Alaska, he believes shallow gas will greatly benefit rural areas that can't be practically added to the state's natural

gas distribution network. Currently, many bush communities must bring in heating oil and other fuels by aircraft or barge.

Lappi has been working on technology to identify shallow gas prospects by aerial mapping so that rural communities in Alaska could find gas sources for local use. The state's shallow gas leasing program is targeted for such use, with royalties set at 6.25 percent if gas is used in the immediate area and at the standard 12.5 percent otherwise.

While private companies are providing the technology, Lappi sees a need for government involvement in exploring for gas to serve these small communities.

"It's difficult for private companies to take the risk for such small markets," he said.

Drilling in the Matanuska Valley

Lappi obtained conventional state oil and gas leases in the Houston area, and in 1997 Lapp Resources assigned its working interest in the

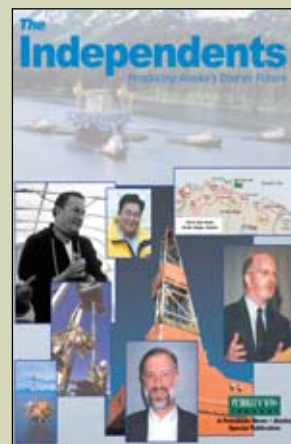
acreage to an Australian company. In early 1998, with Lappi as project manager, the Australian company drilled Alaska's first coalbed gas production wells into coal seams on the up-thrown block of the major Castle Mountain fault.

The three Houston wells pioneered a number of drilling techniques new to the state, including the use of compressed air instead of mud as the drilling fluid. It was the first time the Alaska Oil and Gas Conservation Commission approved the air drilling technique, also called under-balanced drilling, Lappi said.

On the 2,030-foot Houston No. 3 well, the company used a reverse-driven downhole progressing cavity pump mounted on a packer in a tubingless completion to transfer 500 barrels per day of water from the producing zones to a thick salt-water-bearing disposal sandstone at the bottom of the well, without first producing that water to the surface, Lappi said — another first for Alaska. The well was

see LAPPI page 10

Fourth in a series



This story is an abridged version of an article that appears in "The Independents: Producing Alaska's Energy Future," a special publication Petroleum News • Alaska is releasing later this summer.

KUUKPIK / FAIRWEATHER
GEOPHYSICAL, LLC



VERITAS
Geophysical Integrity

715 Street Anchorage, Alaska 99501
(907) 258-3446 FAX (907) 279-5740



When your operations traverse more than 500 square miles of new tundra every winter, a sound environmental management system and quality people to implement it are the difference between success and failure. The partnership of Kuukpik/Fairweather and Veritas DGC Land is working hard at "Raising the Bar" when it comes to environmental responsibility.

COOK INLET

Commission approves storm water injection for Osprey platform

The Alaska Oil and Gas Conservation Commission has approved disposal of storm water from the Osprey platform deck drain system into the Redoubt Unit No. D1 disposal well. The commission said in a June 19 administrative approval that Forest Oil Corp. requested authorization to dispose of the storm water into the disposal well June 17.

Estimated annual volume is 3,500 barrels, based on annual precipitation over the area of the platform.

DRILLING INSTRUMENTATION MUDLOGGING GEOLOGIC CONSULTING



Manager: James Carson
(907) 561-2465
Fax: (907) 561-2474

EPOCH
WELL SERVICES, INC.

5801 Silverado • Anchorage, AK 99518
www.epochwellsite.com • www.mywells.com

continued from page 9

LAPPI

perforated and placed on a long-term production test from five seams.

In 2000, the Australian company lost its interest in the acreage through a lack of development activity, Lappi said. To continue the quest Lappi turned to Evergreen Resources Inc. of Denver, a successful coalbed natural gas developer with projects in Colorado, Chile, the Falkland Islands and Great Britain. Evergreen has 800 shallow gas wells producing 125 million cubic feet per day, Lappi said.

Evergreen bought the Unocal Alaska and Ocean Energy Inc. coalbed and con-

Want to know more?

If you'd like to read more about Dave Lappi, go to Petroleum News • Alaska's web site and search for these recently published articles.

Web site: www.PetroleumNewsAlaska.com

2002

■ March 31 Evergreen finalizes plans to drill in Matanuska-Susitna unit

■ March 3 Bill would make shallow gas program commercial

2001

■ Dec. 9 Four Delta Junction-Big Delta shallow gas leases filed

■ Oct. 14 Integrate or investigate, petitioners tell panel (For more articles about Dave Lappi's testimony in this Danco case, search for Lappi in our archives.)

■ Sept. 23 Shallow gas leaseholders added to list

■ Aug. 28 Evergreen Resources negotiating with Cominco, Lappi on shallow gas plays

■ July 30 State issues Interior shallow natural gas leases on a third of a million acres

■ May 28 Shallow gas leases being processed by state; 96 issued in Interior

■ March 28 LAPP Resources waits for shallow gas leases

Note: Petroleum News • Alaska's archives are in the process of being upgraded as part of a web site redesign, so some of these articles might appear out of chronological order.

ventional gas prospect at Pioneer in May 2001 and has applied for additional shallow natural gas leases in the Matanuska Valley area. It is currently gearing up to drill eight wells in the area beginning in late 2002, Lappi said.

Shallow gas for Homer

Lapp Resources applied for eight leases in the Homer area in February 2000, under the state's new shallow natural gas leasing program. The leases have not yet been granted due to a backlog of lease applications and a shortage of staff at the state Division of Oil and Gas to deal with shallow gas, Lappi said. Once the leases are awarded Lappi will work with Unocal Alaska as a farm-in partner.

The Homer area is not on the gas pipeline system and the area's 10,000 residents are not considered to be a large enough market to extend the existing gas pipeline system from Kenai, Lappi said. Local residents use a variety of fuels including beach coal, wood, propane, oil and electricity for heat.

"If we are successful in finding producible gas in shallow wells, it will provide a cleaner low-cost energy source for the community," Lappi said.

Lappi said that if a pipeline were extended to Homer, it would actually benefit the project by providing access to a larger market for the Homer gas.

Delta Natural Gas Project

Lapp Resources Inc. has farmed into the separate application areas of several individuals in the area to form the Delta Natural Gas Project, Lappi said. Combining acreage applications into a single contiguous lease block allows the orderly exploration and development of the conventional and coalbed natural gas thought to exist there.

Evergreen Resources has farmed into the Delta project and, as operator of the project, is expected to begin exploration and production testing in 2002 with two stratigraphic holes to identify the resource, Lappi said.

Access to the Fairbanks market may be sped by the existence of an abandoned military fuel pipeline from Delta Junction to Fairbanks, Lappi said. The military has allowed the legal right-of-way with various owners to lapse, but the physical right-of-way still exists and Lappi sees it as the best route to cover the 100-mile stretch to Fairbanks.

The potential benefits for Fairbanks are great, Lappi said, because its electricity is generated by fuel oil and coal, while building and process heat is supplied almost exclusively by heating oil at great cost.

The benefits of shallow gas loom large for the state as a whole as well, he said. The state contains potentially 1,000 trillion cubic feet of shallow and coal seam gas, Lappi said, equivalent to 30 Prudhoe Bays. ♦

Who is the Nationally & Internationally
Recognized Pipeline Company that is
Alaska's Premier Pipeline Company?

PRICE

• Building Pipelines and Oil & Gas Facilities Since 1921.

• The **ONLY** Major Pipeline Company Working **Continuously** in Alaska, Lower 48, and Internationally since 1974.

Primary Operating Divisions in Alaska,
Lower 48 and Canada

phone: 907.278.4400

fax: 907.278.3255

H.C. Price Co.; 301 W. Northern Lights Blvd., Ste. 300, Anchorage, AK 99503

ENSR. Alaska
INTERNATIONAL

Anchorage • (907) 561-5700

Fairbanks • (907) 452-5700

1-800-478-4307

Permitting/NEPA
Risk Assessment
Contaminated Site Cleanup
Environmental Compliance
Property Transfer Assessments
Air & Water Quality Management

Providing environmental
solutions to Alaska industry
for over 24 years!

JUNEAU

Governor signs gas bills

Gov. Tony Knowles has signed a bill making changes in the state's shallow natural gas program and a bill allowing exploration for oil and gas in the Minto Flats State Game Refuge.

Shallow gas becomes a commercial program

Senate Bill 319, signed June 19, changes the state's shallow natural gas leasing program to allow individuals to hold up to 100,000 acres and includes gas below 3,000 feet as long as a portion of a field is above 3,000 feet. It also increases the application fee for a shallow gas lease from \$500 to \$5,000 and the rent from 50 cents an acre to \$1 an acre. The bill was effective July 1.

It was strongly endorsed by the Department of Natural Resources. In testimony before Senate Resources, Division of Oil and Gas Director Mark Myers said the proposed changes make the shallow gas leasing program an effective commercial program. The original purpose of the shallow gas program, he said, was to provide energy for villages in rural Alaska. But the pattern of leases under the program has been clusters near high population areas.

Myers said the division worked with industry on the proposed changes, which were supported by the Alaska Oil and Gas Association, Evergreen Resources Inc., Unocal and Dave Lappi, who worked with the Legislature on passage of the original program.

Minto Flats bill driven by exploration licensing

House Bill 527, signed June 20, allows oil and gas exploration and development in the Minto Flats State Game Refuge unless it is demonstrated that the activities would be incompatible with refuge purposes based on sound science or local traditional knowledge.

The bill was triggered by the preliminary finding for a proposed Nenana basin oil and gas exploration license in which the Division of Oil and Gas included a licensee advisory warning that the Department of Fish and Game jointly manages the refuge with DNR.

And Fish and Game, DNR said, has advised that it "will not approve any facilities, pads, pipelines or roads within the 277,760-acre core area" of the game reserve north of the Tanana River. In other words, no production facilities north of the river, which, Myers told the Legislature in committee hearings, is the area with the most potential for gas.

A potential licensee, he said, is being asked to spend millions to shoot seismic, and being told surface access for development was problematic.

see GAS page 15

■ NORTH SLOPE

Alaska North Slope production up in June, driven by Northstar

Producing from six wells, Northstar had a one-day peak of 71,876 barrels; Alpine, producing from 25 wells, had a one-day peak of 100,787 barrels

By Kristen Nelson,
PNA editor-in-chief

Alaska North Slope crude oil production averaged 1,032,085 barrels per day in June, up 1.3 percent from a May average of 1,018,802 bpd.

The increase was driven by Northstar, where production averaged 60,980 bpd in June, up from 34,949 bpd in May.

Northstar had compressor problems early in June, the Department of Revenue said July 2. Production at the field, which was 72,434 bpd June 1, dropped to 7,321 bpd June 6, was back up to 71,892 bpd June 10 and continued to range from highs above 70,000 bpd to lows of some 40,000-50,000 bpd through the remainder of the month.

Field operator BP Exploration (Alaska) Inc. had problems at Northstar earlier in the year. An electric motor failed on a low-pressure gas compressor in April and the motor had to be swapped out.

Northstar producing from six wells

In May, the most recent month for which the Alaska Oil and Gas Conservation Commission provides well data, Northstar was producing from six well completions. Averaged against peak one-day production in May of 71,876 barrels, that is an average of 11,979 barrels per well.

That compares with the Alpine field, which peaked in May at 100,787 barrels a day from 25 well completions, an average of 4,031 barrels per well. Alpine began production in November 2000, Northstar a year later.

Production was also up in June at the Kuparuk River field (including West Sak, Tabasco, Tarn and Meltwater), averaging 211,015 bpd, up 0.83 percent from 209,288 bpd in May.

Milne Point (including Schrader Bluff and Sag River) averaged 50,850 bpd in June, about even with a May average of 50,733 bpd.

Lisburne (including Point McIntyre, Niakuk, West Beach and North Prudhoe Bay State) also held about even, averaging 71,288 bpd in June compared to a May average of 71,228 bpd.

Prudhoe production down

Production from Prudhoe Bay, Endicott and Alpine was down from May to June.

Prudhoe Bay (including Midnight Sun, Aurora, Polaris and Borealis) averaged 511,991 bpd in June, down 2.3 percent from a May average of 524,108 bpd.

Endicott (including Sag Delta, Eider and Badami) averaged 30,999 bpd in June, down 2.7 percent from a May average of 31,868 bpd.

Alpine (including Nanuq) averaged 94,962 bpd in June, down 1.7 percent from a May average of 96,628 bpd. ♦

experience the

CONTINENTAL Advantage
Value • Selection • Service • Integrity

VOLVO

MAZDA

HONDA

ACURA

SUBARU

SUZUKI

- Courteous and Knowledgeable Sales Professionals
- Quality Service Department
- Competitive Pricing
- Customer Service
- Incredible Selection of Reliable, Fun Vehicles



SUBARU : 562-2722
4940 OLD SEWARD

VOLVO / MAZDA / SUZUKI : 561-6866
4800 OLD SEWARD HWY.

HONDA / ACURA : 563-3633
5001 OLD SEWARD HWY.

Contact Your Sales Representative For Special Industry Pricing.

CONTINENTAL

JUNEAU

Knowles reappoints DeMarco to six-year term with Regulatory Commission of Alaska

Patricia DeMarco was reappointed to a six year term on the commission that regulates the state's utilities, Gov. Tony Knowles said July 2.

DeMarco has been with the Regulatory Commission of Alaska since it was created in July 1999. Knowles praised DeMarco's work on the five-member commission.

The agency has come under fire recently from the state's largest utilities and was the subject of a three-day special session in June.

Alaska Communication Systems, the state's largest local telephone provider, accused the commission of bias. Chugach Electric Association, the state's largest electric supplier, complained the commission takes too long in making decisions.

Knowles called a special session to extend the agency for four years after it was set to expire June 30 and enter a one year winding down period.

The Legislature approved a one-year extension and created a panel to review the agency's performance.

As commissioner, she will earn an annual salary of \$78,828. DeMarco's term ends July 1, 2008.

DeMarco is former president of the Anchorage Economic Development Corp. and has a bachelor's and doctorate degree in biology from the University of Pittsburgh.

—The Associated Press

■ GOVERNMENT

Energy bill conference committee chairman calls for ANWR oil development

Committee to consider ANWR development provisions from House energy bill, ethanol subsidies from Senate bill

By Steve Sutherlin
PNA Managing Editor

Arctic National Wildlife Refuge oil production is needed to secure the nation's energy future, House Energy and Commerce Committee Chairman Billy Tauzin, R-La., told conferees at the energy bill conference committee meeting June 27 in Washington, D.C. Tauzin is the chairman of the House-Senate conference committee on H.R. 4.

"I hope that no one in this room is under the illusion that all of the conservation and environmental efforts in the world are going to secure our nation's energy's future," Tauzin said. "That is why the House bill, under the leadership of Chairman Jim Hansen and others, contains new production provisions, most notably in the Arctic National Wildlife Refuge."

Murkowski calls for open minds on ANWR

Sen. Frank Murkowski said the Senate must accept some elements of the House version of the energy bill, along with items from the Senate version.

"It would be a travesty if we took the position, as some have, that the Senate is

"I hope that no one in this room is under the illusion that all of the conservation and environmental efforts in the world are going to secure our nation's energy's future." —Sen. Billy Tauzin, R-La., chairman of the House-Senate conference committee on H.R. 4

going to oppose any provision that is not contained in the Senate bill," Murkowski said. "We all must be open to negotiation because that is the role we play — to craft legislation drawing elements from both bills."

Needed 10 years ago

Murkowski said Congress attempted to address energy in a comprehensive way 10 years ago.

"The fact that we are here today indicates we failed 10 years ago," he said.

Most of the issues facing the country today are the same as the energy issues facing the country then, Murkowski said, adding that if the issues had been addressed then, the country would be much further on the road to solve its energy problems.

Murkowski said that during its discus-

sions of the energy bill, the Senate never truly had the opportunity to vote on the ANWR provision. He said procedural measures thwarted the will of the majority of the Senate.

"Some have inaccurately stated that the Senate rejected the safe exploration of exploration in the Arctic Coast of Alaska," Murkowski said. "Nothing could be further from the truth."

"Had this been a straight, up and down vote decided on the merits, instead of a 60 vote political trap, the outcome would have been very different from the outset," he said. "If members do not believe we have the votes to pass this measure then why will they not allow a vote to occur?"

Young questions Senate ethanol measures

Rep. Don Young said the ANWR development was as much on the table as Senate tax credits for ethanol additives in gasoline.

"You want ethanol? I want ANWR," Young said.

The ethanol tax credits would come out of money for the Highway Trust Fund. Young oversees spending of the highway money as chairman of the Transportation and Infrastructure Committee.

Young said taking the money out of the Highway Trust Fund is like "cutting an artery, drinking the blood and declaring that we're making progress." He said users of fossil fuels paid the cost of roads and that it was unfair for users of ethanol fuel to not pay similar fuel taxes, given that ethanol-burning vehicles also create wear and tear on the roadways.

Kerry says Senate will kill entire bill

Young said conference committee members who are inclined to vote against ANWR drilling should go and see it "instead of sitting in a little castle and breathing that rarefied air."

Sen. John Kerry, D-Mass., said the Senate would likely kill the entire package if the committee put a provision in the bill to open ANWR to oil drilling.

"I say to my colleagues: If you want a bill, don't bring it back to the United States Senate to re-decide what we've already decided," Kerry said. ♦



Rep. Don Young

Coming Summer 2002



Company profiles,
lease maps,
financial data.

Free to
all Petroleum
News • Alaska
subscribers.

The Independents

To be a part of this one-time edition, please call (907) 522-9469 and ask for Susan in our advertising department.

A special publication of



NEW WORLD TECHNOLOGY

Phone 907.272.3616 / Fax 907.278.0056



R-Gas is our special gas that can replace acetylene, MAPP Gas or LPG for brazing, cutting metal, or light weight welding. R-Gas is low cost, environmentally friendly, and does not present the explosion hazard of these other gases. No more bottled gas deliveries or heavy bottles to drag around. Produce the gas right on site.

Contact New World Technology today, to find out more information on how to make use of this cheaper, easier, and more environmentally safe gas.

R-Gas

Environmentally Safe And Chemical Free Products

Need to know what is
going on at Alpine?



Subscribe to
Petroleum News • Alaska
Call 907-522-9469

Consultants

David M. Hite, Ph.D., Consulting Petroleum Geologist; Oil and Gas Exploration/Development Prospect Evaluation, Basin Analysis: 2250 Woodworth Circle, Anchorage, AK 99517 Phone/Fax (907) 258-9059 email: hite@alaska.net

AK oil & gas basemaps, well data, geology maps 8.5"x11" & 11"x17" plat maps (1:250,000). (303)573-8958. G. D. Bechtold.

Environmental Assessment, Baseline studies, monitoring. Ecologist Elizabeth Flory PhD. Phone (907)364-2857 or email: lizflory@msn.com

ALASKA eCOMMERCE ONLINE - Highly user friendly, affordable, interactive websites for automated business management. Web based access to files and software all running on any designated servers, yours or ours. You and your affiliates do business from anywhere with only an Internet enabled computer even a hand-held. Provide login access for staff and clients with multiple levels of security. Easy text entry forms to update databases so only typing skills required. Call us for a demo, you'll be glad you did. Dave Nanney 1 907 766 2763 accounts@alaska-e.com

AVALON DEVELOPMENT CORP. Mineral Exploration Consulting Services Property Evaluations, Exploration Design & Management, Field Exploration and Logistics Curt Freeman, Cert. Prof. Geologist #6901 P.O. Box 80268 Fairbanks, AK 99708 Phone 907-457-5159 Fax 907-455-8069 email avalon@alaska.net web site www.avalonalaska.com

Bill Vallee - Petroleum Land Services, 37 Years Field & Staff Experience, Contract or Day Rate, Phone: (907) 333-1277, FAX: (907) 333-7889, E-Mail: wvallee@gci.net

Exploration & production geophysicist, 20+ years of experience, GOM and Alaska

NPRA, North Slope, Cook Inlet. Instrumental in Redoubt Shoal Project (led to RS field discovery). CAEX workstation, 2D or 3D mapping, AVO and synthetics if required. 713-592-5819 / 832-971-1065 e-mail geojazz@swbell.net.

Hoefler Consulting Group Services include environmental permitting and studies, air quality, and RCRA for Alaska oil and gas, mining and utility industries. Call(907)563-2137 or email administrator@hoeflernet.com

Maps for oil and gas industry and custom map work. Mapmakers Alaska (907) 745-3398.

Employment



Finance Manager Finance Manager needed for growing service company. Job duties include daily activities of data input, maintaining accounting systems for project delivery, communicating financial information to senior management, and supervising accounting staff. Great Plains Software and oil industry experience desired. Degree in accounting and 10 years experience preferred. Please submit resume and salary history to: Kakivik Asset Management, Suite #3 Anchorage AK 99518 or jobs@kakivik.com. EOE



Well Testing Operator Responsibilities: Responsibilities include to accurately control, monitor and record produced volumes (oil, gas & water) through surface and down hole equipment. Operator will continuously monitor & record Wellhead and Downhole Pressures and Temperatures and analyze the produced fluids as and when required. Skills Needed: The Test Operator

works in a demanding environment and will operate equipment and acquire test data. Well Testing equipment can vary between perforating guns, downhole tools, downhole electronic gauges or a small production facility. This job requires excellent team spirit, the ability to work independently as required, a capacity to work under pressure and a willingness to work outdoors in all weathers. Education: Diploma in Mechanics or BS in Engineering, Physics or Earth Sciences. Experience: Minimum of 2 years experience Location: Wyoming Salary: Competitive and depends on experience For consideration, email resume and salary history to GEOTEMPS at oil@geotemps.com.

Wire Line Operator Wire line personnel performs well completion, maintenance and servicing. Operator is responsible for putting in place or removing down hole tools (gauges, safety valves, BCS, etc.). They must have a broad working experience on different down hole tools and valves. Experience: Minimum of two years Location: Wyoming Salary: Market rates For consideration, please email resume and salary history to oil@geotemps.com. Sr.

Accountant Position: Industry: exploration and production Experience: 5 year +Education: B.S. in Accounting Skills Required: Working knowledge of MS-Word, MS-Excel and extensive experience using an accounting system on a network. Network administrative experience would be a plus. Several years of responsibility for annual audit are required. Previous experience with journal entries, cash receipts, cash disbursements, joint interest billing, revenue disbursement, royalty payments, A/R sub ledger reconciliation, account analysis, financial statement preparation, supplying data to CPA firm for tax return preparation and bank

reconciliation. Compensation: Salary is competitive and based on experience Hours: Full-time position 8-5 plus seasonal overtime. Location: Nevada Interested candidates, please send resume to oil@geotemps.com.

Confined Space \$15.00 Anchorage-based remediation company seeks candidates with certs in Hazmat / Hazwop / Confined Space. Temporary to Perm positions avail. Call Sunni Laine @ Personnel Plus: 563-7587 No fees

Avalon Development is seeking personnel interested in anticipated 2002 field positions. These are no-nonsense geology oriented field positions in remote camps. Positions are as follows: **Senior Geologists:** +5 years experience, Alaska experience preferable, expertise in PGE, Rare Metal or gold exploration required. Salary DOE. **Junior Geologists:** Bachelors degree in Geology required, Alaska experience preferable, experience in PGE, Rare metal or gold exploration helpful. Salary DOE.

Geotechnicians: Experience in gridding, sampling, power auger drilling drill sampling and GPS navigation preferable. Salary DOE If you are interested in learning more about Employment opportunities in Alaska with Avalon Development, submit a resume along with references. Resumes may be emailed to:avalon2@alaska.net, Faxed to 907-455-8069 or mailed to Avalon Development, attn: AV-Jobs2002, PO Box 80268, Fairbanks, Alaska 99708



Udelhoven Current Immediate Openings: 4 NICET level 2 and 3 Certified Technicians. Work Site: North Slope send resumes to Jgilbert@udelhoven.com **Positions we are always**

accepting applications for include: Administrative, clerical, As built, Material Handler, Carpenter, Electrician, Electrical Inspector, Engineer, Equipment Operator, FCO Technician, HVAC, Instrument Technician, Laborer, Millwright, NICET, Operator, Pipe fitter, Plumber, Project Control, Project Manager, Quality Assurance, Safety, Surveyor, Welder. Please e-mail your resume to: RFRONTDESK@UDELHOVEN.COM or fax to: (907) 522-2541 Attention: Lisa

Alaska Oil and Gas Partners, LLC Independent Oil Company looking for professional & experienced personnel in all aspects of Oil & Gas industry in Alaska. Including: Landmen, Geologists, Geophysicist, Drillers, and other related positions. Please forward your resume to 860 N Orange Ave Ste 168 Orlando,

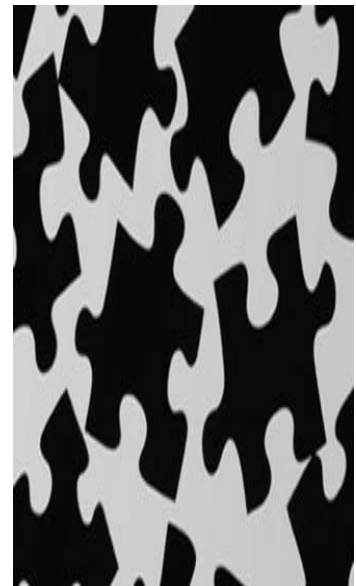
FL 32801 Attn: Human Resources Dept. Ph: 386-589-6485

Alaska Steel has an opening for the position of Anchorage Branch Manager. We offer competitive salary, a lucrative incentive plan and excellent benefits. If you have a minimum of 5 years of successful management experience in the metals industry, send your resume to: Horace Griffith, Alaska Steel Co., 1200 W. Dowling Rd., Anchorage, AK 99518

All oil jobs Canada-wide. Over 1,000 job possibilities. Many types of positions available. http://www.jobs-canada.ca 403-394-1706

CIVIL ENGINEER Seeking self-motivated civil engineers with 5 - 10 years of utility, air-field, and/or road design experience to work on unique projects throughout AK. Successful

You fit in here...



Let people know your company is part of Alaska's oil and gas industry. Advertise in Petroleum News • Alaska!

Call (907) 644-4444

TESORO Tesoro Petroleum Corporation is a dynamic growing company in the business that keeps the world running: Energy. We refine, distribute and market petroleum products in Alaska, Hawaii and the western states. We are looking for an individual to fill the position of **Mechanical Engineer** We are looking for an individual to fill the position of Mechanical Engineer at our refinery in Kenai, Alaska. This position is responsible for performing mechanical engineering functions pertaining to all of the refinery's systems and rotating, reciprocating and fixed equipment. Duties include, but are not limited to, gathering and interpreting engineering data on mechanical equipment, troubleshooting equipment and recommending solutions, planning and directing preventive maintenance on equipment, performing economic studies pertaining to refinery operation improvements, serving as project engineer and evaluating bids on outside equipment and services for expansion projects and construction of new facilities, and assisting bringing new units on new stream. Candidates must have a B.S. in Mechanical Engineering, with three years directly related experience; including, working knowledge of ANSI, ASME and API codes relating to refinery operation and construction practices; knowledgeable in welding, metallurgical and corrosion standards. Skills required also include excellent communication (written and oral); analytical, problem-solving skills in both team and independent environment; strong computer skills; and organizational skills to meet deadlines and to prioritize multiple objectives. SAP experience is a plus. Human Resources Consultant Tesoro Alaska Company P.O. Box 3369 Kenai, AK 99611-3369 907-776-8191 (phone) 907-776-5546 (fax) hpeter@tesoropetroleum.com (email)

CAREERS AT VECO Cook Inlet Assistant Manager- Field-Based - Alaska, Alaska Cook Inlet Assistant Manager Summary: First year (commensurate with experience, market conditions, performance) will be transition with existing manager becoming familiar with the area, clients, and working procedures. Provide management and leadership for the Cook Inlet Business Unit. Responsible for all Petrochemical and Oil and Gas Industry support services provided by VECO Alaska Inc. in the Cook Inlet Business unit. Must be self-motivated and capable of managing 100-150 contract employees supporting several clients on multiple work locations, including onshore processing facilities, offshore platforms and remote locations. Should have broad range of oil and gas industry experience and capable of managing multiple small construction projects and maintenance contract work simultaneously. Essential Functions: A. Interpret the results of operation to all levels of management; participate in VECO Alaska Inc. key management meetings. B. Assist business development in opening new business areas; market existing services and seek new market opportunities within Cook Inlet to primary and new clients. C. Support the business plan with sound organizational and operational procedures. D. Monitor the financial operation of the area; prepare annual financial forecasts and review monthly financial reports. Efficiently manage over \$10mm of company assets including equipment fleet, real properties and remote construction camps. E. Analyze bid specifications to determine scheduling of construction phases, personnel needed, time required to complete the project, plant and equipment to be procured, and scheduling of deliveries equipment and materials F. Determine job organization and job policies and procedures; select supervisory personnel; determine allotment of personnel and equipment for various phases of construction G. Review, approve cost reports; handle regular correspondence of the office; provide administrative oversight for office staff of 5-7 employees. H. Maintain amicable relationship with individuals or groups outside the company. I. Administer contracts with clients i.e.: oil companies, chemical plants, tec. J. Ensure that each contract is handled with the most economical and feasible methods possible K. Appoint key project personnel; provide project management support to 5-10 Project superintendents for multiple clients on various locations. L. Review and approve project plans, cost estimates, budgets, forecasts and schedules M. Thorough understanding of project controls N. Monitor financial and work performance on all area projects; take corrective action as necessary to maintain project safety and quality standards. O. Implement all client, VECO Alaska Inc., and Cook Inlet Business Unit Safety Programs. P. Implement all VECO Alaska Inc. and Corporate policies and procedures in compliance with Federal and State Laws and regulations. Skills, Knowledge, Experience, and Education A. Bachelor's Degree in Engineering, Business or Construction Management preferred. B. Proficient and experienced in: Project Administration, Construction and Engineering, Management, Accounting, Good oral and written communication, Computer skills, Estimating, and Marketing. C. Demonstrated skill in using independent judgement to achieve assigned responsibility. D. Minimum of ten (10) years of construction management experience required. This is a Regular/Full-Time position is based in Kenai, Alaska and requires residence in that area. VECO Alaska, Inc. offers a competitive wage and full benefit package (including medical, dental, and vision, life insurance, 401K, Long-term disability, and Short-term disability). Relocation package is negotiable. VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization Regular mail and faxed resumes for this posting can be sent to: VECO Corporation Alaska Region Attn: Ken Sigurdson 6411 A Street, Anchorage, Alaska 99518 USA Phone: (907) 277-5309 Fax: (907) 550-8890 Please quote the Job Title and Recruiting Authorization No. (if applicable) in all correspondence. You may also send your resume by email as a Word document or in Rich Text Format to: Alaska.Careers@VECO.com quoting the Job Title and Recruiting Authorization No. (if applicable) in the subject line. **IT TECHNICIAN** - Anchorage, Alaska Recruiting Authorization No. 782 Install, deploy and support hardware and software desktop computing systems for the VECO Alaska IT Customer base. Provide Help Desk/Desktop support and first level problem determination by responding to phone, email or other means or request methods. Maintain currency in the Desktop Operating Systems and familiarity with the network environment and current software applications. Build and maintain knowledge base and other documentation for support. Train and share knowledge with peers and other team members to promote seamless support services to the customer base. Provide project support as required. Use tools available to create and consistently provide input for solutions to improve the VECO Alaska IT Department services and operations. Actively participate in the success of the VECO Alaska IT Department through the promotion, achievement and maintenance of our goal to provide exceptional IT support and service. VECO Alaska is an Equal Opportunity Employer that Supports a Diverse Workforce. Positions Require U.S. Work Authorization Regular mail and faxed resumes for this posting can be sent to: VECO Corporation Alaska Region Attn: Ken Sigurdson 6411 A Street, Anchorage, Alaska 99518 USA Phone: (907) 277-5309 Fax: (907) 550-8890 Please quote the Job Title and Recruiting Authorization No. (if applicable) in all correspondence. You may also send your resume by email as a Word document or in Rich Text Format to: Alaska.Careers@VECO.com quoting the Job Title and Recruiting Authorization No. (if applicable) in the subject line.

Petroleum News • Alaska classified ads are an affordable and effective way to reach people in the oil and gas industry. Our weekly paper, combined with PNA's eBook (electronic version of the newspaper), is offered to several thousand readers around the world each week and reaches 95% of middle and upper management in Alaska's oil and gas industry. Your ad will be viewed on-line and in our weekly paper for only \$4/line for Employment ads and \$8/line for all other categories. Please call 907-644-4444, e-mail classifieds@gci.net, or visit us on-line at petroleumnewsalaska.com.

applicants will be responsible for designing urban and remote projects. Rural experience a plus. Applicants must be registered civil engineers (P.E.) in at least one state, and capable of registration in Alaska. Salary range: \$50- \$85 K DOE per year.

CIVIL ENGINEERING DESIGNER/ DRAFTING TECHNICIAN Seeking self-motivated civil engineering design/drafting technician with at least 2 years AutoCAD experience in a civil engineering environment. \$12-\$22 per hour to start DOE. The benefits package for the above jobs includes: 3 weeks paid vacation per year, 12 paid holidays per year, excellent medical/dental/vision/disability, and 401 (k) with matching contributions. Our corporate culture reflects a casual working environment amongst a team of working professionals. Please send your resume or direct inquiries to: LCMF Incorporated; 139 East 51st Avenue; Anchorage, AK; 99503. hmunoz@lcmf.com (907) 273-1848; Toll Free: (800) 955-1830; Fax: (907) 273-1831

Class 'A' CDL Driver Oil Remediation Company seeks applicant. Hazmat cert; vac truck experience would be preferred. \$17.00+-DOE Call for interview. 563-7587

Equipment



Hyster reaching forklift, 6000 lb. capacity. \$8,000. contact: Dennis or Dave R&R Scaffold Erectors, Inc. 344-5427

High Volume Cat Water Pump 8"X6" 2000 gpm 1985 3306 230hp Contact Tom Ulrich @ (907)562-5420

Manlift, Grove AMZ 131XT, 4WD, 4WS North Star Terminal (907)263-0117

TRAILERS-Flatdecks, Dump, Equipment, Utility, ATV, ALL IN STOCK.

See www.whitespruce.com for specs. **WHITE SPRUCE TRAILER SALES** 907-488-3004 OR 1-800-478-3008

Northern Lights Generators Premier Quality Overstock Prices 55kw \$11,500 4453-26788 66kw \$13,500 4453-22907 20kw \$5,699 8443-23983/23894 Alaska Diesel Electric 1-800-478-3006

CASH FOR SURPLUS EQUIPMENT... Will buy 1-100 pieces. ...FOR SALE NEW generator module 750 KW and 300 KW, Diesel powered units. Also 30 KW generator, Misc. Rolls of electric wire. Ferguson Roller, 988F Cat Loader 1995, New tires, excellent cond., D10N Cat, Etc. Call for more and prices. 522-5876

20' & 40' Containers for Sale or Lease, contact Lee Petersen at Sourdough Express, Inc. 907-452-1181.

HEAVY CONSTRUCTION EQUIPMENT FOR LEASE CAT 245 Excavator, CAT D5B Dozer, GROVE 25 ton Hydraulic RT Crane, CASE 621B Loader, **KELLY EQUIPMENT CO.** 907-566-2290

Investment Opportunities

Alaska Independent needs operator to explore and develop prime North Slope/Cook Inlet prospects. Call Rick 907-456-2300 or email bluemax@gci.net.

Alaska oil and gas leases, North Slope 17,500 acres, Cook Inlet Basin, 8,000 acres. Proven reserves, permitting in progress. Call 907-452-5149, fax 907-452-5203.

Leases/Prospects Available

Five Cook Inlet leases for sale: The Redoubt Shoal area leases include one off the north-eastern edge of Kalgin Island and one directly south of Redoubt. The other three leases are (1) east of the North Middle Ground Shoal gas field (2) adjacent on the east to Forest Oil leases south of the North Cook Inlet field in mid-Cook Inlet, and (3) adjacent to the North Cook Inlet unit. For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Five North Slope leases for sale: One lease is adjacent to BPX leases just southeast of Kuparuk; two leases are directly south of the Prudhoe Bay unit and two leases are adjacent to the Prudhoe Bay unit near Deadhorse. For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Four North Slope leases for sale: Three south of Prudhoe Bay and one west of the Dalton Highway near TAPS. Each tract has an abandoned well: tract 137 the Nora Federal No. 1 (a 17,658 foot vertical hole plugged and abandoned in 1970); tract 651 the Sequoia No. 1 (an 8,910 foot vertical hole plugged and abandoned in 1992); tract 658 the N. Franklin Bluffs Unit No. 1 (a 3,500 foot vertical hole plugged and abandoned in 1973); and tract 663 the Toolik Federal No. 1 (a 10,814 foot vertical hole plugged and abandoned in 1969). For more information contact Dan Donkel at 305-438-1114, email: ddonkel@bellsouth.net.

Looking for partners for six prospects in Cook Inlet - Corsair, Raptor, Tutna, Valkyrie, Viggen, Olsen Creek. See www.forestoil.com. Click on

First Boston presentation; go to Cook Inlet, page 14 for details on four prospects. Contact: Jim Arlington, Land Dept., jdarlington@forestoil.com Serious inquiries only.

Meetings/Events

THE ALLIANCE

Alaska Support Industry Alliance Events

Saturday, July 20, 2002

The Alliance-Kenai Chapter Golf Tournament Kenai Golf Course. For information/registration, please call (907) 563-2226.

Wednesday, August 8, 2002 The Alliance-Fairbanks Chapter Golf Tournament Fairbanks Golf Course. For information/registration, please call (907) 563-2226.

Wednesday, August 7, 2002 The Alliance-Fairbanks Chapter Golf Tournament Fairbanks Golf Course.

Friday September 27, 2002 Alliance Annual Meeting Sheraton Anchorage Hotel.

Friday January 24, 2003 Meet Alaska 2003 Sheraton Anchorage Hotel For information/registration, please call (907) 563-2226.

IADC annual meeting Mark the date for the annual meeting of the International Association of Drilling Contractors, Sept. 25-27, in the Hyatt Regency Hotel, 123 Losoya St. on the Riverwalk, San Antonio. This event is the premiere gathering of drillers and drilling service contractors throughout the world. Conference fee is \$500. Contact Leesa Teel 281-578-7171 ext. 21 (leesa.teel@iadc.org) for more information or to make an advanced reservation.

Real Estate

Long Term And Transient Office Space At The Deadhorse Airport. Strategically located on the Tarmac: Conference Room-Multi-Office Suites-Training Area -Break Room -Copy Facilities- Limited Yard Space-Passenger Waiting Area -New Hanger Facility -Large Single Offices With Private Bath-New Hanger Facility Completion Date 9/1/02 Perfect Location For Logistics Support, Environmental And Permitting For Remote Site Projects Contact Kevin Cilk at 907-659-2398 or Tom Hendrix 907-276-7797. Perfect Location For Logistics Support, Environmental And Permitting For Remote Site Projects

Class A offices avail. by month or longer. Incl. phone, receipt, & much more. Fax and internet. Single offices from \$500 View suites avail. Pacific Office Center: 877.264.6600.

Recreation/Lodging

Chilkat Eagle Inn - Historic Inn within a National Historic

Landmark, Haines, Alaska - Gateway to World Heritage International Parks and the Alcan Highway. Many amenities including guest kitchen, TV/Internet/email lounge, courtesy shuttle bus. Great for business travelers and vacationers. Check out our website at <http://www.kcd.com/eaglebb>



Join us for the fly fishing trip of a lifetime! We specialize in guided flyfishing and multi-day river camping trips with gourmet river cuisine. Float trips are in the pursuit of rainbow trout in the upper Susitna Valley, on rivers like the **Talkeetna, Willow Creek, and more.** We also enjoy salmon fishing for reds and silvers on the Russian River, on the Kenai Peninsula. **We offer custom-designed trips for all of our guests.** Whether it's a day trip, or a 5-day fly-in fishing trip, we can arrange the trip that's right for you. The best time for fishing is from May til October, with peak trout opportunities during each salmon run. **"Float trips** are

PUBLIC AUCTION

NO MINIMUMS • NO RESERVES • NO BUY BACKS • NO BUYERS PREMIUMS

SURPLUS AUCTION SALE HUTCHISON CAREER CENTER & TANANA VALLEY COLLEGE FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT HUTCHISON CAREER CENTER BUILDING 3750 GEIST ROAD JULY 9TH NOON Inspection Monday 10AM-4PM and Tuesday 9 AM to start of auction (noon) Hutchison Career Center is remodeling plus other surplus from Tanana Valley College. Items are from automotive, auto body shop, carpenter shop, aviation shop, general building, etc. Miscellaneous accumulation over the years. Auto body enclosed paint booth est. size 15X36ft.—wood and steel lathes—metal shop tables—snap on cabinets—slip roll forming machine/pexto—tools—jacks—Hercules gun washer—analyzers—battery chargers—vertical milling machine—metal shearing machine—valve grinder—metal punch machine—power tools—table saws—18" rockwell planner—100G. 8HP air compressor—Delta lathe 48" wood-drill presses—Miller welder—Spendle lathe machine—sheet metal chop—nail bin—large commercial air conditioning unit—Rockwell radial arm saw—Rockwell drill press—boat motors—Walker air jack—old Dodge 500 power wagon flat bed—car trailer—6.5 ltr. Chevy turbo diesel—blue print copier—3 Sun Micro II analyzers—pallets of IBM and Mac computers—Zero blast-n-peen sand blaster—Lg. laminator—railroad track—desks—tables—cabinets—shelving—school lockers—map cabinets—21 foot wood shelf—drafting tables—many misc. airplane parts—automobiles—many more items coming. Terms: cash or good check with proper identification. No article to be removed until settled. Title will not be released until check clears. All items are sold "as is and where is" No warranty given. Expressed or implied. All sale are FINAL. Fairbanks Auction Company L.L.C. Joseph Campbell, Auctioneer Info: 907-452-2837

PUBLIC AUCTION

NO MINIMUMS • NO RESERVES • NO BUY BACKS • NO BUYERS PREMIUMS

SURPLUS AUCTION SALE EARTH MOVERS OF FAIRBANKS INC. JULY 20TH NOON Inspect 10 to 4, Friday, July 19th at 9 Til Auction starts (noon) 200 plus pallets new/used 25+ years parts-parts-parts and more Cat/John Deere/International/Dodge/terex etc. Air & Oil Filter for light and HD equipment-12&24 volts starters/alternators/generators-boxes and boxes of misc. bolts-hardware, airlines/pig-tails/returns lines-HDY hoses and stock-CAT pre-made HDY hoses (many Pallets)-light and HD pumps-pellow boxes-bearings w/locks-crusher related bearings-pallets of V-belts and HD equipment-radiator hoses-ox-y-acetylene cutting heads/lines/gauges and torches-HD electrical cable-welding cable-copper tubing-wire looms, welding rod-fire extinguisher-wheel studs/budd wheel nuts-HD electrical grouse hinges-glass windshields for trucks and equipment-rubber for around windshields-hand tools-LT duty truck parts Chevy and Dodge-fuel lines LT/HD equipment-water pumps LT/HD equipment- HD-HDY Aroquip, Parker, Cat Air lines fitting-bearings for Timken, Fag, International-HD Crusher parts and Bearings-Detroit Diesel Parts-Air controls for belly dumps, versa values, control cables-master heater repair kits-u joints LT/HD Trucks-taper locks for bearing-buckets pins etc. 2 pallets small engine parts (2cyl) New/used-ice augers-pallet of HD seals transmission/differential parts-ripper/bucket key pins/cummins engine parts and air compressor-sioux value grinder-new cat turbo-fm radio equipment-air and manual pumps, drag line parts-electric water pumps-barrels pumps-Lg water hose-pallet of oil/lubes-air compressors-HD diaphragm pumps-HD air cylinders dump trucks/loaders/billy dumps-6cyl Detroit eng. block-lg HD electrical motors-yard/shop lights-master heaters-welders-just a lot of stuff that has accumulated over the years. Terms: Cash or good check with proper identification. No article to be removed until settled. Title will not be released until check clears. All items are sold "as is and where is" No warranty given. expressed or implied. All sale are FINAL. Fairbanks Auction Company L.L.C. Joseph Campbell, Auctioneer Info: 907-452-2837



Long Term And Transient Office Space At The Deadhorse Airport. Strategically located on the Tarmac

- Conference Room
- Training Area
- Copy Facilities
- Passenger Waiting Area
- Multi-Office Suites
- Break Room
- Limited Yard Space
- New Hanger Facility
- Large Single Offices With Private Bath
- New Hanger Facility Completion Date 9/1/02

Perfect Location For Logistics Support, Environmental And Permitting For Remote Site Projects
Contact Kevin Cilk at 907-659-2398 or Tom Hendrix 907-276-7797

NEED TO SPREAD THE NEWS? REPRINTS

Add customized details about your company, enhancing your professional image, while educating and promoting your company's products and services. A sound investment for your dollar, reprints can be incorporated into your marketing strategy. With so many ways to spread the news - tradeshows, brochures, web sites - your company may generate too much attention!

- Illustrate market superiority
- Increase your company's visibility
- Add to your company's credibility

For more information,
please contact:

Tom Kearney
Phone: (907) 770-5593
designer2@gci.net

touted as the greatest way to experience Alaska's wilderness. There is something special about floating a river and spending some time getting to know it but still not having any idea of what the water around the next bend will bring," according to Anthony Route, author of *Flyfishing Alaska*. It's never too early to start planning that fishing trip to Alaska. Call us today! Exploring Alaska, One River at a Time (907) 333-2699 info@susitnavalley.com

Supplies

A&J Supply (907)349-8017 Distributor, oil eating microbes, hydrocarbons, gas, oil, etc. borco torch, 10,000 degrees@tip fibers, concrete, asphalt, stucco, all in stock.

You fit in here...



Let people know your company is part of Alaska's oil and gas industry. Advertise in *Petroleum News • Alaska's Classifieds* Call (907) 644-4444

Legal Notice

Right-of-Way Application Notice, AS 38.35.070, Kenai-Katchemak Pipeline, LLC Body of Notice: State Pipeline Coordinator's Office 411 West Fourth Avenue, Suite 2C Anchorage, Alaska 99501 (907) 257-1300 Notice Of Application Under AS 38.35.070 Kenai-Kachemak Pipeline, LLC Pipeline Right-Of-Way Lease Application, ADL 228162 The Commissioner of the Department of Natural Resources, pursuant to AS 38.35.070, hereby gives notice that Kenai-Kachemak Pipeline, LLC (KKPL LLC) submitted a revised Pipeline Right-of-Way Lease Application dated May 10, 2002, superseding the previous Pipeline Right-of-Way Lease Applications dated December 18, 2001, and March 20, 2002, in accordance with the Alaska Right-of-Way Leasing Act, AS 38.35.050. A prior notice of the application dated March 20, 2002, was published on April 3 or 4, 2002. The revised May 10, 2002 application reflects changes to the right-of-way legal description and the project description. KKPL LLC proposes to construct a pipeline to transport natural gas. The proposed Kenai-Kachemak Pipeline will extend from the most northern point of Kenai, at an existing ENSTAR facility located near Mile 12.4 of Kalifonsky Beach Road, to the most southern point that is approximately 13 miles north of the community of Ninilchik at Mile 128 of the Sterling Highway. The proposed pipeline may be up to 16 inches in diameter and will handle a future potential flow rate of up to approximately 444 million standard cubic feet per day of natural gas at 1480 pounds per square inch gauge (psig). KKPL LLC requests a 60-foot wide right of way for construction of the pipeline with some exceptions: an additional construction area that is identified below; and for directional drilling under rivers and streams, a 100 foot-wide by 300-foot long area on each bank. KKPL LLC requests a 20-foot wide permanent pipeline right-of-way. During construction, the applicant requests the use of approximately 230 acres of State lands and approximately 77 acres for the permanent pipeline right-of-way. The proposed pipeline right-of-way primarily follows: Kalifonsky Beach Road, Sterling Highway, and section line easements. The proposed pipeline will be buried and approximately 32 miles in length, with approximately 31 miles of the pipeline located on State lands. State lands are described below starting with the most northerly segment and moving in a southerly direction. Private lands planned for crossing will not be authorized by the State and are not listed below. The following is a general description of the State lands that KKPL LLC requests for the proposed pipeline right-of-way lease. All land is located within the Seward Meridian, Third Judicial District, State of Alaska, and all milepost references are approximate. Kalifonsky Beach Road—Mile 12.4 to Mile 0 This segment of the alignment begins at approximately Mile 12.4 Kalifonsky Beach Road and ends at approximately Mile 0 of Kalifonsky Beach Road. Mile 0 is Kalifonsky Beach Road's intersection with Mile 108.8 of the Sterling Highway. The below-described lands are within the Kalifonsky Beach Road right-of-way limits and described by township in a southerly direction: Sections 30 & 31, Township 5 North, Range 11 West Sections 1, 12, 13, 24, 25 & 36, Township 4 North, Range 12 West Sections 1, 13 & 24, Township 3 North, Range 12 West Sections 6, 7, 18, 19 & 30, Township 3 North, Range 11 West At approximately Mile 2.4 to Mile 2.9 in the vicinity of the Kasilof Airport, KKPL LLC requests an additional 60-foot wide by approximately 2,693-foot long temporary construction area paralleling the subject road right-of-way on the following State-owned parcel lying east of Kalifonsky Beach Road: The SE1/4 of the NW1/4 AND the E1/2 of the SW1/4 AND the E1/2 of the W1/2 of the SW1/4, of Section 18, Township 3 North, Range 11 West. Sterling Highway—Mile 108.8 to Mile 109 This segment of the alignment begins at approximately Mile 108.8 of the Sterling Highway from the intersection with Kalifonsky Beach Road, moves in a southerly direction ending at approximately Mile 109 of the Sterling Highway within Section 30, Township 3 North, Range 11 West within the Sterling Highway right-of-way limits. Sterling Highway (Mile 109) to Lands under Kasilof River and Crooked Creek, and along Section Line Easements This segment of the alignment leaves the highway right-of-way limits at approximately Mile 109 of the Sterling Highway, moves in a southwesterly direction, enters on private lands, enters State-owned lands under Kasilof River and Crooked Creek, and runs south along section line easements that are also used by the Homer Electric Association utility right-of-way. The alignment re-enters the Sterling Highway right-of-way at approximately Mile 111 of the Sterling Highway. The following lands within this segment are proposed for the pipeline: The proposed pipeline will cross under Kasilof River for approximately 310 feet in length within SW1/4 of the SW1/4 of Section 30, Township 3 North, Range 11 West. A 50-foot wide Section Line Easement approximately 528 feet in length within Section 30, Township 3 North, Range 11 West, across Government Lot 9. A 50-foot wide Section Line Easement approximately 53 feet in length, lying west of the Sterling Highway, within N1/2 of the NW1/4 of Section 31, Township 3 North, Range 11 West. A 50-foot wide Section Line Easement approximately 4,066 feet in length traversing State land within N1/2 AND N1/2 of the S1/2 AND the S1/2 of the SE1/4 lying east of Coho Loop Road within Section 36, Township 3 North, Range 12 West. KKPL LLC proposes to cross under Crooked Creek for approximately 25 feet in length near Mile 111 of the Sterling Highway within this Section. Sterling Highway—Mile 111 To Mile 128 This segment of the alignment begins at approximately Mile 111 of the Sterling Highway and ends at approximately Mile 128 of the Sterling Highway, 13 miles north of the Ninilchik community. The below-described lands are within the Sterling Highway right-of-way limits and described in a southwesterly direction: Section 36, Township 3 North, Range 12 West Sections 1, 12, 11, 14, 15, 22, 21, 28, 29 & 32, Township 2 North, Range 12 West Sections 5, 6, 7 & 18, Township 1 North, Range 12 West Sections 13, 24, 23, 26, 27, 34 & 33, Township 1 North, Range 13 West Section 5, Township 1 South, Range 13 West At Mile 124.2 of the Sterling Highway, KKPL LLC requests an additional pipeline right-of-way that diverges from the main pipeline to the G. Oskolkoff gas well pad site. The line extends west for approximately 290 feet within the highway right-of-way limits. This proposed line is located within W1/2 of the SE1/4 of Section 23, Township 1 North, Range 13 West. The public may obtain copies of the application at cost or view the application at the following location: State Pipeline Coordinator's Office 411 West 4th Avenue, Suite 2C Anchorage, AK 99501-2343 Open Monday thru Friday Hours: 7:30 AM to 5:00 PM Copies of the application will also be available for viewing at the following locations: Anchor Point, Public Library, Homer, Public Library, Kasilof, Public Library, Kenai, Community Library, Ninilchik, Community Library, Soldotna, Public Library, In accordance with AS 38.35.200(a), a person will have standing to seek judicial review of a decision of the Commissioner of the Department of Natural Resources on this application only if: (1) the person is an applicant, competing applicant or a person who has a direct financial interest affected by the lease that is subject of this notice of application; and (2) the person delivers a written objection to the application to the State Pipeline Coordinator's Office not later than 60 days from the date of initial publication of this notice. The State of Alaska, Department of Natural Resources, State Pipeline Coordinator's Office complies with Title II of the Americans with Disabilities Act of 1990. Individuals with disabilities who may need auxiliary aids, services, or special modifications to participate in this review may call (907) 257-1300 or 269-8411 TTY/TDD. Please provide sufficient notice in order for the Department to accommodate your needs. The State Pipeline Coordinator's Office reserves the right to waive technical defects in this publication. John Kerrigan State Pipeline Coordinator

continued from page 5

OPEC

of an economic recovery in the United States, together with political tensions in the Middle East have helped lift crude prices by more than a third since December.

Contracts of North Sea Brent crude for August delivery closed at \$25.24 a barrel in London, up 4 cents from June 25. August contracts of U.S. light, sweet crude were 2 cents higher, at \$26.78 a barrel in New York.

"Right now the market is in a good balance," Saudi Arabian Oil Minister Ali Naimi told reporters before the meeting began. "There is no need for additional supply. The price is reasonable. Supply is

adequate. Demand is OK."

OPEC's decision at this meeting was relatively easy, but the group is likely to have a harder time determining output policy when it meets again on Sept. 18.

The group acknowledged that some of the strength in current crude prices was due to political factors rather than forces of supply and demand — an apparent reference to turmoil in the Middle East, home to a majority of the group's 11 member countries.

"They want to see really clear, unambiguous signs that the market is tightening, and when they do, they'll increase production. They're being cautious," said Raad Alkadiri, an analyst with The Petroleum Finance Co., a consultancy based in Washington. ♦

continued from page 11

GAS

Putting himself in the shoes of an exploration geologist, Myers told the committee: "I could not sell this project to management without a reasonable chance of surface access."

Directional drilling doesn't cut it

Sen. John Torgerson asked about a Fish and Game assertion that almost all of the area could be developed by drilling in from outside the core area using directional drilling.

Myers said that was not possible given the size of the area — a quarter of a million acres. And the Tanana River is the southern boundary, he said, and there would have to be a setback from that.

Chip Dennerlein of Fish and Game said his department didn't have a problem with winter exploration, and as for development, "what we had meant to say was that if the

core area north of the river was included then we wanted a heads up to bidders (for the exploration license) that there could be some areas off limits... (but) did not mean this as a huge blanket off limits..."

For instance, he said, there are some nesting areas where Fish and Game would not want to see a pipeline: "Biologically, to be honest, there are areas north of the (Tanana) river that are much more sensitive than the coastal plain in ANWR."

Asked about concerns in communities in the area — Minto, Nenana and Fairbanks — Jim Hansen of the Division of Oil and Gas said all were interested in access to gas, although residents of Minto and Nenana had concerns about other people having access to lands on which they do subsistence hunting.

"They want gas, as long as it can be done with mitigation measures," Hansen said. "And that's how we do it elsewhere... they want their way of life preserved."

—Kristen Nelson, PNA editor-in-chief

continued from page 5

GOTTSTEIN

A lot of good news

The good news is ... well, actually there isn't a lot of good news, except that stock prices represent a better value than they did a month ago, and housing and autos are holding up.

And Pakistan and India are not lobbing nuclear bombs at each other.

The problem is that it is still tough to get visibility on what real earnings are, and what growth prospects are out there.

The twin deficits of trade and government spending are finally taking their toll on the U.S. dollar. Good news for exporters and job seekers, bad news for inflation sometime down the road.

However our greatest export still seems to be jobs to China, with no end in sight. The next recovery will be felt most in Beijing.

We are still at a precipice of global terrorism and pessimism shown by chief

executive officers, largely justified, which has meant that capital spending is still dead in the water. Employment still is a problem.

As is consumer confidence. We have huge potential, but the excesses of the nineties still have to be paid for.

And that will take time. And who knows when the accounting and corporate ethics problems will abate.

I am afraid that when the party was in full swing, nobody cared much, but now that pennies are being counted, we are finding that many of the nickels are wooden.

Still, there will be a recovery at some point. The recession, except for technology and telecom, has been mild. And market and government forces will likely cleanse the markets and deliver faith once again. For awhile.

Hopefully, just shareholders won't be the ones paying the price of bad corporate ethics, and that many of the heads of corrupt companies will exchange bonus time for jail time.

continued from page 5

MERGER

The companies announced the acquisition in November. Shareholders in April approved the deal, which will create the world's sixth largest oil and gas company with a value of \$35 billion.

The new company, ConocoPhillips, would be based in Houston, but Phillips shareholders would own a 57 percent stake.

FTC chairman Timothy Muris said the week of June 17 that regulators are nearing completion of their investigation of the deal, which both companies have said

should be wrapped up in the year's second half.

The Woods Cross refinery is small, processing just 25,000 barrels of oil a day, and is one of 10 Phillips refineries in the United States with a combined daily capacity of 1.7 million barrels.

ConocoPhillips would be the nation's third largest retailer and refiner of gasoline, with about 20,000 stations under brand names such as Phillips 66, Circle K, Exxon and Mobil.

Antitrust attorney Joseph Alioto is suing to block the deal, claiming it violates antitrust law and would result in higher gasoline prices. ♦

THE REST OF THE STORY

continued from page 1

GASLINE

Today, he said, the goal is to reduce costs to fit declining reserves and facilities that are expensive to operate because they were built for much greater throughput.

The reality of operating on the North Slope is that it costs 20 percent more per barrel of oil than BP's worldwide average, he said, with pipeline and shipping costs four times the worldwide average.

Because of that, BP is doing "some very difficult things here in Alaska," he said:

- "Discontinuing frontier exploration and focusing instead on exploration in and around existing fields, looking for smaller accumulations near existing infrastructure.

- "Reducing our staff in Anchorage by 20 percent and our contractor staff by 75 percent.

- "Reducing, everywhere we can, general and administrative expenses."

BP is also looking for opportunities to share costs with partners, contractors and Alyeska Pipeline Service Co.

Reality of maturity

Browne said BP will invest "well over half a billion dollars in Alaska" this year on tankers, viscous oil and satellite field development and in-fill drilling at existing fields. The company aims to sustain that level of investment over the next five years, he said.

"That investment can only be justified because we believe Alaska can, and will, be competitive against the other projects in our portfolio.

"We are confident that it is possible to respond to the reality of maturity," he

said.

In addition to looking for help from suppliers and contractors on costs, Browne said BP is looking to the state for "enduring fiscal stability and a regulatory structure that strikes the right balance between risk and reward — one that allows for investment and development while protecting the environment."

Possibility of natural gas development

The future, Browne said, is about the possibility of developing North Slope natural gas, "which cannot be a reality unless it's linked to a healthy oil business over the life of the development" because much of North Slope oil infrastructure is needed to produce gas.

Alaska gas has to compete head-on with other sources of energy, Browne said: "And at the moment it is not competitive."

Asked about the state's preference for a southern route, Browne said: "I think taking it in the southern direction is probably the right thing to do anyway." This isn't the time for detailed solutions, he said, but is the time for everyone to understand that if governments wish to develop the gas, they need to provide appropriate provisions and "the most sensible project has to take place — going south is the most sensible project."

BP has the Alaska North Slope gas project tagged at \$60 billion, he said: \$20 billion in capital costs, \$20 billion in

operating costs and \$20 billion in financing costs.

The goal is to cut 10 percent, \$2 billion, off the capital cost through technology, Browne said, including: high-speed welding, higher-strength steel and more efficient carbon dioxide removal.

In a range of reasonable gas price assumptions, that 10 percent reduction would make the project viable on a pre-tax basis, he said.

"But that's not enough." Alaska gas still would not be commercially viable because of fiscal issues — a public policy issue that BP cannot resolve, he said.

The issue is about where the economic rent — the cash from a project — goes, Browne said. The cash flow from an Alaska North Slope gas project, to the private sector investor and the variety of governments, he said, "is such that actually, after you pay all the

The cash flow from an Alaska North Slope gas project, to the private sector investor and the variety of governments, "is such that actually, after you pay all the interest and you get the cost of capital back, there's nothing else left for the companies." Which means "there really is no incentive for the private sector to invest."

—John Browne, BP

interest and you get the cost of capital back, there's nothing else left for the companies."

Which means "there really is no incentive for the private sector to invest."

Duty to shareholders

The reality of any business, Browne said, is to make things better for its shareholders.

"We have a mandate, I believe, obvious to everyone in business, to those who give us their money. And this mandate cannot be broken. We don't have discretion about it.

"And that mandate, I think... says go to the world, examine yourselves as to what you really think you can achieve in reality and invest only to make things better for me.

"That is what we have to do," Browne said.

"We cannot invest if it doesn't make things better. Because I think it's outside our powers — outside the mandate we've been given."

Possible policy changes

Governments have made policy decisions which changed the way the economic rent is shared, Browne said, and in the case of Alaska gas: "There is a case for saying that the public interest lies in setting taxes in such a way that all projects with intrinsic economic merit can proceed."

It's a public policy call, he said, and the economic benefit for all — Alaska,

the United States, provincial and federal governments in Canada, those employed on the project, contractors and service companies and the owners of the resource — have to be "higher than if a project never goes ahead."

Successful precedents in the United States include production credits for new technologies for coalbed methane and enhanced oil recovery incentives to extract more from old fields and in Canada progressive royalty and supporting financing measures that have supported new East Coast energy development, the tar sands industry in Alberta and Mackenzie Valley gas.

BP is not asking for a subsidy, Browne said. And it isn't asking for risk reduction.

"We are ready to accept the normal risks if the project makes sense and can compete effectively on a global basis."

It is, he said, a debate about public policy, about the distribution of economic rent and the effect that distribution has on commercial projects.

Alaska a cornerstone

Browne said in his prepared remarks that "Alaska will remain very important to us in BP: A cornerstone and an enduring cornerstone of our worldwide business."

When asked at the press conference if BP's business in Alaska is for sale, Browne said:

"There is no basis for anyone to believe that our business in Alaska is for sale.

"And I think I made it very clear in my talk this morning that such ideas are totally inappropriate and have no basis in fact or rationale or reason. And I think it's time we went back to reality.

"BP's here to stay. We intend to make our business a good business and we're making some very tough decisions, very tough decisions, to do that. I believe these decisions are in line with reality... and we have to, I think, make sure that everybody in Alaska recognizes that at least our perception of things is that reality is different from people would wish it to be.

"The fact is, this is a declining oil province.

"The fact is, it's too expensive.

"The fact is, these things must be reflected in our business plan.

"I believe we're very clear: We are very determined and we will get this right."

BP takes on reality in its business every day, Browne said: "And in Alaska, there should be no exception." ♦



Arctic Controls, Inc.

- Gas & Flame Detection System
- Valve Automation Systems
- Flow Metering
- Industrial Controls

1120 East 5th. Avenue
Anchorage, Alaska 99501-2759

Phone: (907) 277-7555
Fax: (907) 277-9295

info@arcticcontrols.com http://www.arcticcontrols.com

NEI FLUID TECHNOLOGY

Suppliers of:

- Petrochemical refueling & testing equipment
- Meters and valve systems for oil & gas industry
- Portable measurement for petroleum, chemicals and bulk liquids
- Refrigerant recovery/recycling equipment

Phone: 561.4820
Fax: 562.2316
Email: neifluid@ptialaska.net




Undaunted by Challenges

- Ice Roads
- Heavy Civil Construction
- Horizontal Directional Drilling

(907) 746-3144

Statewide, Arctic & Remote



Vopak USA, Inc.

A ROYAL VOPAK COMPANY

The Benchmark of Excellence
in Chemical Distribution

Your Alaskan Chemical Source Serving Alaska since 1924
(Formerly Van Waters & Rogers, Inc.)

- Products & services for Oil & Gas — Production, Processing & Refining
- Mining, Municipalities, Aviation, Transportation
- ChemCare® Waste Management Services

For statewide services meeting local needs, call us:
590 E. 100th Avenue • Anchorage, AK 99515

800-478-7444 • www.vopakusa.com

continued from page 1

COAL

tions, basically because of price.”

Market change in 17 years

Dynamics of supply and demand have changed greatly since Usibelli first landed the Korean coal contract in 1984, Denton said.

Back then, major coal supplies came from South Africa, Australia and Canada. Alaska’s proximity to the Asian end user played a major advantage then.

But in recent years, Indonesia and China have entered the coal supply market. In addition to their geographical advantage, Denton said the new coal suppliers have also cut prices on the energy source.

“These underdeveloped nations are driving the price down,” he said. “They’re virtually using slave labor to produce their coal and that fundamentally changes the Pacific Rim market.”

In addition, the recent economic crisis in Asia has caused a shift in ownership of such utility sources in South Korea, Denton said.

“One of the components of their bailout is that they decentralize their major industries and move towards privatization,” he said. “Things such as stability of supply and political reasons for doing business with a certain country don’t mean as much, when it’s private versus government owned.”

Customer loss felt

The loss of that single Asian utility customer ripples beyond the family-owned coal mining company and the small community of Healy, home base for Usibelli Coal Mine.

With Usibelli’s annual production at 1.5 million tons in 2001, almost 700,000 tons were exported through the Port of Seward to Korea, according to the state’s Mineral Industry report.

State estimates put the value of 2001 coal production at Usibelli at \$48 million. A loss of 40 percent of those annual sales translates to nearly a \$20 million reduction in the state’s mine production figures.

The state-owned Alaska Railroad transported that coal from Healy to Seward. In 2001, the nearly 700,000 tons shipped poured a little over \$3 million in freight revenue into the Alaska Railroad, said spokesman Patrick Flynn. That’s about 4 percent of the railroad’s annual freight revenues, he said.

“It’s not a huge hit, but it’s certainly a significant one,” he said. “It’s a matter of no small concern around here.”

The railroad anticipates that no jobs will be cut, directly linked to the reduction in coal shipping, he said.

Usibelli looks for other customers

While the coal mining company’s sales force continues to work to regain a toehold in the Asian power market, new sources for coal sales are being evaluated.

“There may be some totally new markets that could come up,” Denton said. “Mexico is starting to look more and more at putting power plants in the West Coast and shipping coal, so there may be some things there opening up.”

Additional coal power plants could be built in the western part of the United States, he added, providing a new source for Alaska coal.

Usibelli sits in a position to provide that energy resource. The mine has 30 years worth of underground coal reserves permitted by governmental regulators that can be extracted.

“We have at least 100 additional years of reserves on our leases that are very much conventional coal reserves,” Denton added. “It would not take any real changes in technology to produce them.”

Markets needed

Despite losing the Korean contract, Usibelli still supplies coal to electric generation utilities in the Interior. Those include plants at Clear Air Force Base, Fort Wainwright and Eielson Air Force Base, and the former city-owned power plant in downtown Fairbanks, now owned and operated as a subsidiary of Usibelli Coal Mine.

Two additional coal-fired power plants are located in Healy, one owned and operated by Golden Valley Electric Association, and the other, a mothballed experimental clean coal plant developed by the Alaska Industrial Development and Export Authority.

Nearly \$300 million in state and federal funds have been spent on the Healy Clean Coal Project, with construction starting in 1995 and completing about two years later.

In addition to testing new technologies for burning coal with fewer emissions, the plant was designed to utilize “low rank” or waste coal produced by Usibelli.

“Some of the features (of the Healy Clean Coal Project) meshed real well with low rank coal,” Denton said.

Now, that market for low rank coal seems uncertain, as AIDEA struggles with options to utilize the shuttered clean coal plant.

“The vast majority of coal that’s within the Southcentral or developed regions of Alaska which have reasonable access are all low rank coals,” Denton said. “We’re looking at ways of overcoming some of the market hurdles associated with (low rank coal’s) low heating values and high moisture content and low grindability.”◆

Alaska is the king of coal, says UAF dean



Although the Usibelli Coal Mine is the state’s only operating coal mine, others in Alaska are keenly interested seeing other coal deposits in the state developed.

In his opening statements during an energy workshop held at the University of Alaska Fairbanks in early April, Dr. Sukumar Bandopadhyay, dean of the UAF School of Mineral Engineering, talked at length about the coal mining industry in Alaska, and its potential for growth.

“There are a large number of coal deposits which are not well known and characterized, some with coalbed methane potential,” Bandopadhyay said.

Current estimates put Alaska’s total coal resource at about 5.5 trillion tons, compared to 8.1 trillion tons in the Lower 48, he said.

“Alaska is king of coal, with many technical and environmental problems that need to be addressed,” he said. “Over 54 percent of our energy comes from coal. I continue to believe that this is not going to change in the immediate future.”

Nearly \$500 million was spent by the U.S. Department of Energy on coal related research projects through the UAF Mineral Industry Research Laboratory in the late 1970s and early 1980s, according to Bandopadhyay.

UAF is currently working with Usibelli and Golden Valley Electric Association to develop a new low rank coal research project. The proposed study will determine the optimum size for grinding low rank coal to be used in Golden Valley’s electric power plant at Healy.

Denton hopes that the coal mine, working with UAF researchers, can land additional DOE funding for coal research projects.

“The bigger challenge is how to utilize the resource in a manner that alleviates some of the problems in the past — emission control and that sort of thing,” Denton said. “In our case, we know where to find it and how to extract it. We’re not dealing with any fundamentally new resource base.”

continued from page 1

RACE

this fall, in the form of the All-Alaskan Gasline Initiative.”

Heyworth made his announcement on the Port of Anchorage docks this morning, where he as worked as a longshoreman for 32 years. He said he was abandoning his pursuit of the Democratic Party’s nomination as a candidate for lieutenant governor, saying he received far more support and

encouragement for his ideas from Murkowski than from fellow Democrats.

Murkowski said he would support any route that takes Alaska’s gas to market.

Following his endorsement of Murkowski, Heyworth endorsed Wasilla Mayor Sara Palin, who is running for lieutenant governor on the Republican ticket.



Wasilla Mayor Sara Palin

Judy Patrick

P.O. Box 233769
Anchorage, Alaska 99523-3769
(907) 562-2792 • Phone
(907) 562-4179 • Fax
AN ALASKAN COMPANY

Alaska Interstate Construction LLC

CONVENIENT • SECURE • COST EFFECTIVE

ONSITE DOCUMENT SHREDDING

SHRED ALASKA shreds your unwanted data onboard a custom designed truck equipped with a high power industrial shredder.

- \$.28 cents per pound
- \$40 min. charge for call-in service
- Purging files, year-end cleanouts
- Certificate of Destruction
- Weekly, monthly, or annually scheduled service 929-1154

Bonded • Insured • Licensed

SHRED ALASKA will furnish a locked container for customers that would like a monthly pickup scheduled.

\$30 monthly scheduled pickup
\$28 for second monthly pickup

\$60 monthly scheduled pickup
\$58 for second monthly pickup

Cindy & Larry Hinke at 907-929-1154 • shredalaska@ak.net

ADVERTISER INDEX

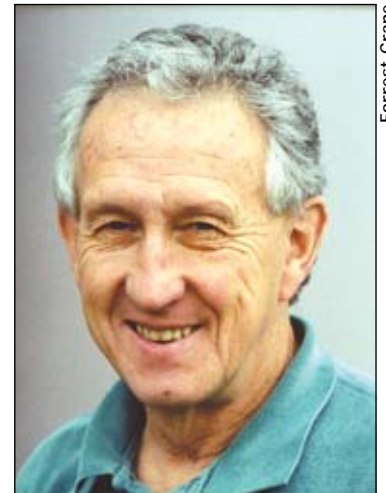
Companies involved in Alaska's oil and gas industry

ADVERTISER	PAGE AD APPEARS	ADVERTISER	PAGE AD APPEARS
A			
Advancial Federal Credit Union		Lounsbury & Associates	3
Air Logistics of Alaska	3	Lynden Air Cargo	20
Alaska Airlines Cargo		Lynden Air Freight	20
Alaska Anvil		Lynden Inc.	20
Alaska Dreams		Lynden International	20
Alaska Industrial Hardware		Lynden Logistics	20
Alaska Interstate Construction	17	Lynden Transport	20
Alaska Marine Lines	20	Lynx Enterprises	8
Alaska Railroad Corp.	8	Managed Integrity Services (MIS)	
Alaska Steel		Mapmakers of Alaska	
Alaska Telecom		Marathon Oil Co.	
Alaska Tent & Tarp		Mattracks	
Alaska Textiles		McLane Consulting Group	
Alaska Valve & Fitting		MI Swaco	
Alaska WalkFit Orthotics		MIAC Materials	6
Alaska West Express	20	Michael Baker Jr.	
Alliance, The		Midtown Auto Parts & Machine	
American Marine		Millennium Hotel	
Arctic Controls	16	MT Housing	
Arctic Pacific Enterprises		N-P	
Arctic Slope Telephone Assoc.		Nabors Alaska Drilling	
Arctic Wire Rope & Supply		NANA/Colt Engineering	
Army/Navy Store		Natco Canada	
ArrowHealth		N.C. Machinery	
ASCG Inspection, Inc. (All)	6	Neeser Construction	
Avalon Development		NEI Fluid Technology	16
B-F			
Badger Productions		New World Technology	12
Baroid Drilling Fluids		Nordic/Calista Services	
Brooks Range Supply		North Coast Electric Co.	
Cafe Amsterdam	4	North Star Terminal & Stevedore	
Cal Worthington Ford		Northern Air Cargo	
Cameron		Northern Testing Laboratories	
Carlile Transportation Services	3	Northern Transportation Co.	8
CCI		Offshore Divers	8
Central Trading Systems		Oil and Gas Supply Co.	6
Chiulista Camp Services		PDC/Harris Group	6
Chugach North Technical Services		Pacific Rim Leadership Development	
Clarion Suites	19	Peak Oilfield Service Co.	
Cleanaire Alaska		Penco	
CN Aquatrain		Petroleum Equipment & Services	
Colville	4	Petrotechnical Resources of Alaska	
Conam Construction		PGS Onshore	
Continental Auto Group	11	Phillips Alaska	2
Cook Inlet Tug & Barge		Pinkerton Security	
Crowley Alaska		PSI Environmental & Instrumentation	
Cruz Construction	16	Q-Z	
Dowland - Bach Corp.		QUADCO	
Doyon Drilling		Rolls Royce Energy Systems	
Dura-Wrap Containments		R & R Scaffold Erectors	
Dynamic Capital Management		Schlumberger Oilfield Services	
Eagle Enterprises		SECORP Industries	
Engineered Fire Systems		Security Aviation	
ENSR Alaska	10	Seekins Ford	
Epoch Well Services	10	Shred Alaska	17
Era Aviation		SimplexGrinnell	
Evergreen Resources Alaska LLC		Snap-on Industrial	
Executive Suite Hotel		Snowbird Management Inc.	
F.A.T.S.		SOLOCO (DURA-BASE)	
FMC Energy Systems		Sourdough Express	
Flight Alaska		Span-Alaska Consolidators	
Flowline Alaska		Spenard Builders Supply	
Forest Oil		STEELFAB	
Frontier Flying Service		Taiga Adventures	
Fundamental Publishing		Tec Labs	
G-M			
GBR Equipment		Testing Institute of Alaska	
Golden North Van Lines		Thrifty Car Rental	
Golder Associates		TOTE	
Great Northwest		Totem Equipment & Supply	
Hawthorne Suites	19	Travco Industrial Housing Ltd.	
H.C. Price	10	Udelhoven Oilfield Systems Services	
Industrial Project Services		Umiat Commercial	
Inspirations		Unitech of Alaska	
IRF Group		United Rentals	7
Jackovich Industrial & Construction Supply		United Van Lines	
Judy Patrick Photography		URS	
Kenai Aviation		Vopak USA	16
Kenworth Alaska		Welding Services	
Kuukpik Arctic Catering		WesternGeco	
Kuukpik - Fairweather - Veritas	9	Wood Group (Alaska)	
Kuukpik - LCMF		XTO Energy	
		ZY-TECH Global Industries	

All of the companies listed above advertise on a regular basis with Petroleum News • Alaska.



Business Spotlight



Forrest Crane

Lloyd Morris, president

Alaska Telecom

Alaska Telecom was established in 1981 and specializes in providing communications in places where conventional communications don't exist. Beginning with remote oilfield communications, Alaska Telecom has grown to support technical services and wireless divisions. The company engineers, designs, integrates, installs, maintains and services voice and data communication capabilities worldwide by means of satellite, microwave radio and other wireless systems.

Lloyd Morris, president, has been in the telecommunication industry for 40 years. He has engineering and business degrees, and is involved with the local community. Mr. Morris is a past district governor for Rotary 5010, has chaired the Alaska Public Broadcasting Commission, and enjoys fishing, skiing and other Alaska outdoor activities.



Forrest Crane

Bob Reynolds, owner

GBR Equipment

GBR Equipment began operation in Alaska in 1973 and continues to support the oil industry as a provider of welding, mechanical, casing, and other services. The company employs 15 to 35 people depending on oilfield activities. GBR runs casing to prevent collapse of the hole, and pumps reserve water back into the well during the summer.

Bob Reynolds has been with GBR since 1984, joining his father who started the business in 1973. Bob is originally from Texas, but has lived in Alaska for 35 years. He enjoys fishing and golf, and sometimes travels Outside to golf during the winter.

continued from page 1

IMPERIAL

space available for Mackenzie Delta gas for many years to come — perhaps a decade or two,” Williams said.

Even if Alaska gas did not use space on the TransCanada PipeLines Ltd. links to the United States, it would push down gas prices and eat up available resources to build pipelines.

Engineering, environmental studies under way

Williams said the Delta producers — Imperial (69.6 percent owned by Exxon Mobil Corp.), Conoco Canada Ltd., Shell Canada Ltd. and ExxonMobil Canada — can't afford to make any assumptions about what might happen in Alaska.

“They may get started like they did last year and stop again,” he said. “Wouldn't we regret it if we laid down our activity? So we're not going to be haunted by that. We're going to use it as motivation to keep going.”

That involves spending up to C\$250 million over three to four years to conduct engineering and environmental studies to prepare, file and support regulatory applications for field, gas gathering and pipeline facilities.

To strengthen the Delta's prospects, to producer consortium has opened the door to the Mackenzie Delta Explorers' Group, which includes a powerful lineup of E&P companies who are committed to spending C\$900 million over the next five years on Delta exploration.

Imperial issued notice June 22 of an open season with the objective of designing a pipeline that can handle all of the gas capable of being produced in the region by start-up time, possibly as early as 2010.

While the non-binding process will allow bidders to later drop out without paying a penalty, Williams said the information gathered from both Delta explorers and producers will help his group get a fix on gas composition, resource estimates and gas deliverability from all prospective shippers.

He described the process as “quite high risk (because) the explorers have to rely on their projections of drilling activity.”

Williams said the explorers' group, consisting of Petro-Canada, Devon Canada Corp., EnCana Corp., Chevron Canada Resources, Anadarko Canada Corp., Burlington Resources Canada Energy Ltd. and BP Canada Energy Co. have all “made substantial commitments and their first priority is to produce gas

Want to know more?

If you'd like to read more about Imperial in the MacKenzie Delta, go to Petroleum News • Alaska's web site and search for these recently published articles about the Mackenzie Delta producers and their plans for an Arctic gasline.

Web site: www.PetroleumNewsAlaska.com

2002

- June 30 Mackenzie Delta producers open door to all explorers in region
- June 30 Bush assures Chretien he favors market-based decision on gasline
- May 26 Mackenzie Delta consortium hires engineering firm
- May 5 Mackenzie gas pipeline group to open regional offices
- May 5 Canadians accuse U.S. Senate of meddling in North American gas market (other articles on this subject can be found with a search for “Mackenzie Delta” in PNA's web archives.)
- April 28 Devon, Petro-Canada score first ‘significant’ gas discovery in Mackenzie Delta in 30 years
- March 24 Deh Cho continue hold-out status in Mackenzie
- Jan. 20 Too early to declare winners and losers in Arctic gas development
- Jan. 13 Mackenzie Valley gas pipeline takes big leap forward

2001

- Dec. 9 Arctic pipeline decisions close — definitely, maybe, you're dreaming
- Nov. 25 Phillips, Conoco union a plus for Arctic gas development
- Nov. 11 Shell Canada stakes future in East Coast, oil sands, Arctic
- Oct. 28 Mackenzie Delta gas could be destined for Alberta oil sands
- Oct. 21 Mackenzie Delta producers, aboriginals ink pipeline agreement
- Oct. 21 New aboriginal pipeline proposal surfaces in NWT
- Oct. 14 Breakaway Deh Cho community supports Mackenzie pipeline
- Oct. 14 Canada urges Washington to reject ban on “over-the-top” line
- Oct. 7 Mackenzie Delta producers forge ahead on Canada-only gasline
- Sept. 23 Devon Energy expands U.S. control of Canada's Arctic
- Sept. 23 Aboriginal opposition threatens to derail Mackenzie Valley pipeline
- August Conoco boss fights for development of Mackenzie Delta gas
- July Northwest Territories premier lashes out at dissident aboriginals
- July Native dissension puts cloud over Northwest Territories pipeline

Note: Petroleum News • Alaska archives are in the process of being upgraded as part of a web site redesign, so some of these articles might appear out of chronological order.

the day (a pipeline) starts up.”

The potential contribution from the explorers was underlined in April when the partnership of Devon and Petro-Canada reported the Delta's first major gas discovery in 30 years, estimating the recoverable reserve potential at up to 300 billion cubic feet. Devon Canada president John Richels said the find “firmly establishes Devon and Petro-Canada as legitimate Mackenzie Delta producers with proven reserves” — a claim acknowledged by the producers' group in announcing its open season and making its first official move to hear from other companies in the region.

Focus on U.S. legislation

Meanwhile, a considerable amount of Canadian attention remains focused on the future of the U.S. Senate legislation

that proposed up to US\$10 billion in subsidies for companies contemplating construction of an Alaska Highway pipeline.

The idea continues to come under attack from political and industry leaders in Canada.

Speaking to reporters at the CAPP symposium, Natural Resources Minister Herb Dhaliwal said Canada keeps hammering home the point to Washington that subsidies are unacceptable.

He said Canada will hold the administration of President George W. Bush “accountable” if the subsidy proposal becomes law, emphasizing that the U.S. should co-operate with Canada if it hopes to obtain permission to run a pipeline from Alaska through Canadian territory.

Dhaliwal, who does not believe two

pipelines could be viable, said financial incentives would distort the North American gas markets and leave Mackenzie Delta gas assets stranded for an indefinite period.

Officials feel Bush might veto legislation

Prime Minister Jean Chretien grabbed another opportunity to raise Canada's concerns June 25 during a private meeting with Bush as part of the summit in Alberta of G8 leaders from the world's leading industrialized nations.

Chretien later told a news conference that Bush seemed to agree that pipeline decisions should be “market oriented” and not based on subsidies.

Canadian government officials interpreted Bush's remarks as an indication that he might be prepared to veto the Senate legislation, although not until after the November mid-term elections.

EnCana would go to U.S. energy regulators

The toughest industry line has been taken by EnCana chief executive officer Gwyn Morgan, who warned that if the United States offered pipeline subsidies his company would take its opposition to Canadian and U.S. energy regulators.

“My view is that this subsidy proposal is so bizarre and ill-conceived that it's not even going to get to that point,” he said, adding that subsidies would force “Canadian energy provinces and producers to oppose construction of an Alaska pipeline in the regulatory process. It would kill Canadian gas exploration and development.”

But the hard-line stance in Canada took a setback in mid-June when a preliminary probe by Alberta government lawyers found that subsidies do not violate the North American Free Trade Agreement.

Energy Minister Murray Smith said the finding concluded that a pipeline would only move gas from one part of the United States to another “so it wouldn't be a NAFTA violation.”

He said the opinion is not final because the Senate legislation could undergo changes before it is approved by the U.S. House of Representatives and Bush.

Further lobbying efforts are being made by CAPP against the Senate proposal to set a floor price of US\$3.25 per thousand cubic feet for gas being shipped from Alaska.

A spokesman for CAPP said it was not yet clear whether a floor price would violate NAFTA, but at this stage CAPP was “still trying to make lobbying efforts.”◆

Downtown Anchorage's

Suite Deal



Clarion Suites

- Two Room Suites
- Refrigerators
- Microwaves
- Exercise Room
- Swimming Pool
- Business Center
- **FREE** 24 Hour Airport Shuttle
- **FREE** Parking



HAWTHORN SUITES LTD.

1-888-389-6575 • 325 W. 8th Ave, Anchorage, AK 99501
 1-888-469-6575 • 1110 W. 8th Ave, Anchorage, AK 99501

LYNDEN

We Have the People and the Tools to Solve Alaska's Most Difficult Transportation Challenges.



ALASKA MARINE LINES

...barge service throughout Southeast Alaska.

ALASKA WEST EXPRESS

...contract, bulk & specialized transport.

LYNDEN LOGISTICS

...customized logistics services & solutions.

LYNDEN AIR CARGO

...scheduled air freight & charter services.

LYNDEN INTERNATIONAL

...worldwide air & ocean forwarding services.

LYNDEN TRANSPORT

...full service transport to, from & within Alaska.

LYNDEN AIR FREIGHT

...dependable air freight forwarding services.

www.lynden.com

The Lynden Family of Companies



Innovative Multi-Modal Transportation Solutions