



page 2 Mustang initially developed by small independent, an ANS first

Kuparuk 2024 POD lists new pad, 17 wells in 3 participating areas

ConocoPhillips Alaska, operator of the Kuparuk River unit, filed the 2024 plan of development for the unit with the Alaska Department of Natural Resources' Division of Oil and Gas on May 15. The 2024 POD covers Aug. 1 through July 31, 2025. ConocoPhillips is the majority working interest owner at Kuparuk, with some 90%, while Exxon Mobil Production Alaska and Chevron USA combined hold the remaining working interest.

The 2024 POD proposes 17 new wells and a new drill site along with other facilities/infrastructure work.

Eight of the wells are in the proposed Torok participating area, a Moraine reservoir, six in the proposed Coyote PA, a Nanushuk reservoir, and three in the West Sak PA.

ConocoPhillips said the Coyote and Torok PAs are awaiting a DNR decision.

Field statistics

ConocoPhillips provided statistics for the unit as of the end of 2023.

There were 774 active wells in the Kuparuk PA (403 producers and 371 injectors); 115 active wells in the West Sak PA

see **KUPARUK POD** page 6

Hilcorp plans as many as 20 stratigraphic test wells on Kenai

Hilcorp Alaska plans as many as 20 stratigraphic test wells on the Kenai Peninsula this summer and has applied to the Alaska Department of Natural Resources' Division of Oil and Gas to permit the eight wells which are on state of Alaska subsurface, the company said in its May 15 application. A total of 20 wells are planned with the remaining 12 on private surface and subsurface lands. The company said authorization for those test wells will be obtained separately.

The program is scheduled from June to August, with a proposed start date of June 15, subject to receipt of authorizations, project constraints, scheduling, weather, and other factors, the company said.

The eight test wells in the state application are on the southern end of the Kenai Peninsula between Ninilchik and Anchor Point.

While all eight are on state subsurface, the division said four of the test wells are on private surface lands, one on

see **HILCORP TEST WELLS** page 8

KRU mobile grind & inject unit proposed; would move with rig

ConocoPhillips Alaska, the Kuparuk River unit operator, has applied to the Alaska Department of Environmental Conservation to modify an existing solid waste disposal permit to include a mobile grind and inject unit that would follow a drill rig and operate throughout Kuparuk.

The company's existing permit is for a permanent grind and inject unit, a hammer mill, in an enclosed module on the Drill Site 1B pad at Kuparuk. The existing facility recirculates drill cuttings through processing pits and equipment before the waste is pumped through a pipeline into a Class II underground injection control disposal well permitted by the Alaska Oil and Gas Conservation Commission, ConocoPhillips said in its April 22 application to amend its existing permit.

The amendment application is for a mobile ball mill which would grind drilling waste at the drilling rig prior to the drilling waste being transported on vac trucks to DS-1B for injection into a Class II disposal well. ConocoPhillips said the

see **MOBILE G&I UNIT** page 6

EXPLORATION & PRODUCTION

Mustang striding

Has drilling rig, re-start targeted for third quarter, beginning of fourth

By **KAY CASHMAN**

Petroleum News

Mustang Holding is moving forward at a steady clip with owner Finnex's plan to conduct a multi-year onshore oil and gas project year-round in the Mustang field in the Southern Miluveach unit of Alaska's North Slope. (The unit lies between the Kuparuk River and Colville River units.)

The Mustang field re-start could be as early as third quarter or the beginning of fourth quarter, unit operator Mustang Holding's Chief Operating Officer Harry Bockmeulen told Petroleum News in a recent interview.

He also confirmed a Petroleum News rig report that said Mustang Holding has secured a rig contract for Doyon Rig 141.

"We hope to be spudding before too long," Bockmeulen said.

The company plans to re-enter and complete two Mustang Pad wells that were previously drilled but not completed, Bockmeulen said.

In a May 15 unit plan of operations amendment application, Mustang Holding said it will complete Mustang-03 and M-01B wells and re-enter existing discovery well North Tarn-1A and the M-02 well. Both endeavors were to begin July 1 and be done by Sept. 11.

see **MUSTANG FIELD** page 5

GOVERNMENT

Mixed energy bill fates

Carbon capture, transmission system bills pass; royalty reduction fails to move

By **KRISTEN NELSON**

Petroleum News

As the 33rd Alaska Legislature ended its second session May 15, two major energy bills — both from the governor — passed, while other bills aimed at the Cook Inlet natural gas shortage, including a bill to reduce Cook Inlet royalties to encourage more natural gas production and a bill aimed at bringing another jack-up rig to the inlet, failed.

House Bill 50, introduced in the 2023 session as a companion to HB 49, establishes the framework for carbon storage in the state. Bills rolled into HB 50 included one allowing the Regulatory



GOV. MIKE DUNLEAVY

Commission of Alaska to regulate natural gas storage in Cook Inlet, another allowing the Alaska Industrial Development and Export Authority to pursue reserve-based lending for gas producers in Cook Inlet and a third modernizing the state's geothermal leasing program.

HB 307 is the Railbelt transmission bill, aimed at eliminating wheeling, where a fee is charged for energy transmission

each time energy crosses lines owned by a different utility. The bill includes provisions creating a board for the Alaska Energy Authority separate from the AIDEA board, increasing qualifications for

see **ENERGY BILLS** page 7

FINANCE & ECONOMY

ANS grips mid-\$80s

Bearish demand factors stack up, but ANS maintains most of recent gains

By **STEVE SUTHERLIN**

Petroleum News

Despite plunging \$2.40 in three consecutive trading days, Alaska North Slope crude persevered in the mid-\$80s May 22, closing at \$84.35 per barrel after falling \$1.04 on the day. WTI plunged \$1.60 on the day to close at \$77.57 and Brent fell 98 cents to close at \$81.90.

All three benchmarks ended the day down more than 1% as U.S. crude inventories staged a bearish surprise gain.

Meanwhile, the U.S. Federal Reserve indicated higher interest rates may continue into the near future, raising the specter of fading U.S. demand. Even in China and other Asian markets, demand for

crude appears to be waning.

Given the bearish sentiment, the Organization of the Petroleum Exporting Countries and its allied exporting nations (OPEC+) is expected to agree to keep its current production cuts in place when it meets in June to review its cooperative supply management program.

For the week ending May 17, U.S. commercial crude oil inventories — excluding Strategic Petroleum Reserve barrels — jumped 1.8 million barrels from the previous week to 458.8 million barrels, 3% shy of the five-year average for the time of year, the Energy Information Administration said in its May 22 weekly summary.

see **OIL PRICES** page 6

● EXPLORATION & PRODUCTION

Mustang developed by small independent

First Alaska North Slope oil field to be taken from discovery to production by a small independent, Brooks Range Petroleum Corp.

By **KAY CASHMAN**
Petroleum News

A story on page 1 of this issue covers the progress being made by new owner Finnex to get the North Slope Mustang field re-started later this year.

The history of the field is in its own right just as noteworthy as that effort.

Mustang was the first oil field on Alaska's North Slope to have been taken from discovery to production by a small

independent — Brooks Range Petroleum Corp., or BRPC.

BRPC was formed in 2004 as the operating arm of the Kansas-based Alaska Venture Capital Group, or AVCG, to pursue large or mid-sized oil fields passed over during the first decades of North Slope development. The lead individual was Bart Armfield.

The small independent spent 8 years looking for the right North Slope play before drilling the North Tarn No. 1A dis-

covery well in 2012. The resulting Mustang field was estimated to hold some 21.2 million proven barrels of oil in place.

BRPC then spent the next several years responding to a series of technical, economic, political and logistical challenges at the Mustang field. While some of those complications were inherent to the field and to the company, others were external, such as the crash in oil prices in 2014, as well as the 2017 veto by then-Gov. Bill Walker of previously approved oil and gas tax credits designed to offset exploration expenses for companies such as BRPC.

Despite these challenges, BRPC succeeded in putting Mustang online in early November 2019. Per the Alaska Oil and Gas Conservation Commission the field produced 10,999 barrels of oil that month, averaging 478 barrels a day for the 23 days it was in production.

BRPC conducted an extended production test from the North Tarn No. 1A well using its temporary processing facilities and exported oil to the Alpine Pipeline System. By the time a flaring permit for the unit expired on Nov. 27, 2019, the company had produced 11,944 barrels of oil,



BART ARMFIELD

according to its estimates.

Although Mustang production was small by North Slope standards, it was a sign that the basin was at least theoretically accessible to players beyond multinational majors and even beyond large and mighty independents with strong balance sheets.

But the challenges that had plagued earlier years continued apace.

As the production test was proceeding, a private sector backer failed to meet its financial obligations on the project. BRPC and working interest owners began refinancing a major loan with the Alaska Industrial Development and Export Authority, their main financial backer.

According to BRPC, AIDEA issued a notice of default on that debt in early October, and then, in early November exercised its rights to accelerate debt repayments.

BRPC suspended operations.

The story continues from there, but BRPC was not able to re-start the field without AIDEA's backing. ●

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LAND & LEASING

No significant new info for fall sales

Derek Nottingham, director of the Division of Oil and Gas, has issued a decision of no significant new information May 10 for the state's fall areawide lease sales, the Beaufort Sea, North Slope and North Slope Foothills.

The division issued a call for significant new information for the sales in April. The most recent final best interest findings were issued in 2019 for the Beaufort Sea areawide, in 2018 for the North Slope areawide and in 2021 for the North Slope Foothills, with decisions of no substantial new information issued annually since for each of those sale areas.

The division said there were no timely comments received following its April call.

Dates have not yet been announced for these sales, which typically have been held near the end of the year.

—PETROLEUM NEWS

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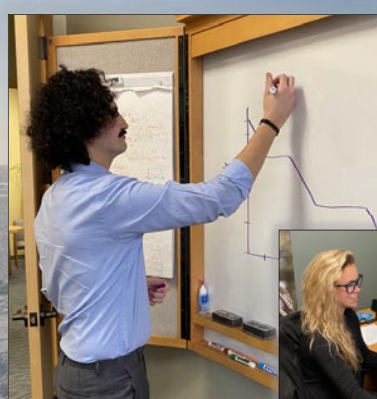
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20 years ago: Alyeska Pipeline Service Co. doing preliminary Valdez Marine Terminal reconfiguration engineering



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• THIS MONTH IN HISTORY

Right sizing for Valdez terminal

20 years ago this month: Alyeska Pipeline Service Co. doing preliminary Valdez Marine Terminal reconfiguration engineering

Editor's note: This story first appeared in the May 30, 2004, issue of Petroleum News.

By **KRISTEN NELSON**
Petroleum News

Alyeska Pipeline Service Co. is continuing its efforts to reduce the cost of transporting Alaska North Slope crude oil.

Earlier this year owners of the trans-Alaska pipeline system approved a \$250 million reconfiguration project for the pipeline, which is focused on upgrading pump stations.

The company is now looking at changes in how it does business at the Valdez Marine Terminal — changes reflecting both reduced throughput volumes and technology not available when the facility was built in the 1970s.

Conceptual engineering is complete and owners of the pipeline system have approved funding of preliminary engineering for changes at the terminal, where crude oil from Alaska's North Slope 800 miles away is transferred to tankers.

By the end of this year, or early next year, preliminary engineering work will be complete on changes identified in the conceptual phase, and the owners will be asked to approve work at the terminal, based on costs and schedules developed this year.

The objectives of the terminal reconfiguration are the same as those of the pipeline reconfiguration: "reducing the cost of moving oil off the North Slope," Rod Hanson, manager of the terminal, told Petroleum News May 24, 2004.

The goals of reconfiguration at the terminal, he said, are "to right size the terminal for what we anticipate the future needs are going to be" and to look at technology changes since the terminal was built and use technology to simplify how the facility operates, to "pull complexity out of the system."

Fewer tanks needed

The potential changes identified in conceptual engineering include the amount of tankage.

The 18 tanks at the terminal — 14 at the east tank farm and four at the west tank farm — can hold more than 9 million barrels, Hanson said, capacity built to handle throughput which peaked at more than 2.1 million barrels a day. Today, however, the pipeline moves less than a million barrels a day and inventory in the terminal's tanks runs at around 30%.

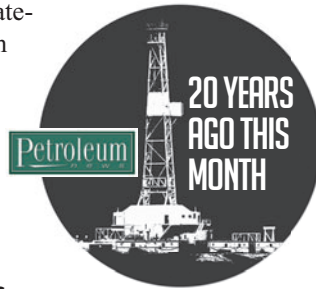
"We haven't seen more than 35 or 40% now in several years, and it's often down in the teens" compared to 75 to 80% in the late 1980s and early 1990s, Hanson said.

Alyeska has worked with the trans-Alaska pipeline system owners, the mariners and the refineries, he said, "to really take a hard look at how much tankage do we need at the terminal. And the current thinking is that we can likely reduce from 18 tanks down to 14 or possibly 12." The entire west tank farm would be taken out of service along with some tanks at the east tank farm.

The remaining tanks would more than meet storage needs, Hanson said, noting that at times tankers have to wait to load because previous tankers have drawn down the inventory.

And the tankers also play a role, said

John Barrett, Alyeska's strategic reconfiguration program manager: "The fleet is very well designed right now for the amount of flow that we have through the system, so everything works very efficiently."



Power/vapor major focus

While the tanks are the largest feature at the terminal, a major target of the preliminary engineering work is focused on the power plant and vapor recovery system, referred to as power/vapor.

Power/vapor uses vapor from the crude oil storage tanks and from loading tankers, supplemented with diesel, to produce electricity for the terminal. Exhaust from the plant's steam boilers is used as blanket gas to fill the crude oil storage tanks as the oil is removed.

The electrical generating capacity is 38.5 megawatts, of which the terminal currently uses nine or 10 megawatts, Hanson said, with usage expected to drop to five or six megawatts in the future.

The power/vapor facility will be the first focus of preliminary engineering, said Chuck Strub, Alyeska special projects manager in charge of the changes at the terminal: "The tanks, the vapor recovery off ships and the electrical power generation, all is connected to being able to reduce that facility." Preliminary engineering will "take those conceptual ideas and from a planning perspective, take a look at how much it's going to cost" and how long it will take to get payback on that investment, Strub said.

Reducing vapors

The proposed change would have vapors from loading tankers incinerated close to the berths in use, No. 4 and No. 5, in vapor combustors. Hanson said vapor combustors have been described as an "incinerator in a can." The vapor combustors operate on demand, unlike the facility's current incinerators which take a long time to heat up and cool down, so "you can't just cycle them on and off."

The vapors from the storage tanks would be eliminated, as would the need for blanket gas, by installing internal floating roofs in the tanks. "It is a roof that floats on top of the oil and moves up and down inside the tank on top of the oil," preventing formation of vapors as the tank is filled and eliminating the need for blanket gas as the tank is emptied.

see **HISTORY** page 5



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• EXPLORATION & PRODUCTION

Baker Hughes US rig count up by 1 to 604

By **KRISTEN NELSON**
Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was 604 the week ending May 17, up by one rig from 603 the previous week, and down by 116 from 720 a year ago, partially reversing a drop of two rigs last week. The rig count was down in six and up in two of the last eight weeks, with a loss of 23 against a gain of three over the period, following a downward trend dominant since the beginning of May. This is the lowest the domestic count has been since January of 2022.

A drop of 17 to 731 on May 12, 2023, was the steepest weekly drop since June of 2020, during the first year of the COVID-19 pandemic, when the count also dropped by 17 to 284 on June 5, following drops as steep as 73 rigs in one week in April. The count continued down to 251 at the end of July 2020, reaching an all-time low of 244 in mid-August 2020.

For 2023, the count hit its low point Nov. 10 at 616, down from a high of 775 on Jan. 13, 2023. In 2022, the count bottomed out at 588 Jan. 1, reaching a high for the year of 784 on Nov. 23.

When the count dropped to 244 in mid-August 2020, it was the lowest the domestic rotary rig count had been since the Houston based oilfield services company began issuing weekly U.S. numbers in 1944.

Prior to 2020, the low was 404 rigs in May 2016. The count peaked at 4,530 in 1981.

The count was in the low 790s at the beginning of 2020 prior to the COVID-19 pandemic, where it remained through mid-

March of that year when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August 2020 when it gained back 10 rigs.

The May 17 count includes 497 rigs targeting oil, up by one from the previous week and down 78 from 575 a year ago, with 103 rigs targeting natural gas, unchanged from the previous week and down 38 from 141 a year ago, and four miscellaneous rigs, unchanged from the previous week and unchanged from a year ago.

Forty-one of the rigs reported May 17 were drilling directional wells, 545 were drilling horizontal wells and 18 were drilling vertical wells.

Alaska rig count unchanged

Louisiana (40), Oklahoma (44) and Texas (290) are each up a single rig from the previous week.

New Mexico (107) was down by two rigs week over week.

Rig counts in other states were unchanged from the previous week: Alaska (9), California (3), Colorado (14), North Dakota (32), Ohio (11), Pennsylvania (21), Utah (12), West Virginia (8) and Wyoming (11).

Baker Hughes shows Alaska with nine rotary rigs active May 17, unchanged from the previous week and up by one from a year ago when the count was eight rigs.

The rig count in the Permian, the most active basin in the country, was down by two from the previous week at 312 and down by 37 from 349 a year ago. ●

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CORRECTION

Clarification on Alkaid resources, reserves

The May 19 issue of Petroleum News carried a confusing and incorrect headline: "LKA confirms Ahpun's Alkaid resources, reserves at 79 mmbbl" due to the specific amount of space we're allowed in the design of our newspaper headlines and my eagerness to get the number 79 mmbbl in the headline.

The story was about Pantheon releasing the results of an updated independent expert report by Lee Keeling & Associates on the Alkaid horizon within the Ahpun field on Alaska's North Slope.

The headline confused the terms RESOURCE and RESERVES as commonly defined by SPE, AAPG and others. The Alkaid article headline summed up the 3P reserves (Reserves: Proven/Probable/Possible in declining order of certainty) of 5 million barrels with the CONTINGENT RESOURCE (potentially recoverable but not commercial) of 74 million barrels and called it all RESERVES of 79 MMBBL. Fortunately, in the article itself the categories were correctly identified.

My apologies for any confusion due to the headline. And my thanks to Gregory Wilson, commissioner with the Alaska Oil and Gas Conservation Commission, for bringing this to my attention.

—KAY CASHMAN



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MUSTANG FIELD

When asked about the status of the permits and authorizations needed to re-start Mustang, Bockmeulen said: “The only ones we need we either already have or have been applied for and are in process.”

In response to PN’s question about whether Finnex was still aiming to produce 6,000 barrels of oil per day, he said “6,000 is still a good number.”

In various filings with state and federal agencies, Mustang Holding has been saying total expected recovery from the field is approximately 20-25 million barrels of oil over a “field life of >20 years or beyond year 2044.”

The company has also said the Mustang development targets the Kuparuk “C” sands, which Bockmeulen confirmed: “Yes, primarily. It’s an extension of the same reservoir that is being produced in ConocoPhillips Alaska’s Kuparuk River field.”

In the May 17 Alaska Department of Natural Resources’ Division of Oil and Gas public notice of the Mustang Holding, Southern Miluveach unit, Mustang Pad Operations Re-start unit Plan of Operations Amendment the division said the “project will develop in a phased approach.”

Phase I will include the installation of an Early Production Facility, or EPF, “re-installation of various tanks, equipment, and production modules; re-entry of up to four existing wells and reconnection of the Mustang Pipeline.”

Phase I is scheduled to start in mid-June and conclude by the end of 2024. In later phases, up to 20 additional wells will be drilled and waterflood operations will expand by the connection of the Colville Seawater pipeline and the addition of a produced water injection pump system to the EPF.

In a May 15 authorization to perform



Mustang Pad aerial

assessment and maintenance work at the Mustang Pipeline tie-in platform located south of the Mustang Pad the division said work will “consist of removing existing supports and installing a new support, installing a modified tie-in spool offset from the tie-in platform, installing equipment in two remote I/O panels, and inspecting tuned vibration absorbers (TVAs) on the pipeline. The work will require moving equipment across the tundra with an excavator and rig mats. Equipment that will be used for the project include an excavator, rig mats, rolligons, snow machines, and/or Tuckers.”

The purpose of the project, the division said, is to “perform necessary pipeline maintenance to support re-start operations at Mustang Pad. Project work is anticipated to start May 17 ... and conclude in five days.”

Alaska CNG app

In a May 9 public notice posted by the division, the agency said it had received an AS 38.05.850 easement application on April 21, from Alaska CNG LLC requesting a non-exclusive private easement authorization to construct and operate the proposed

Mustang Cama’i NG Service Line.

Specifically, the division said Alaska CNG wants to “construct and operate a four-inch diameter fuel gas line from the Mustang Pad to the Cama’i pad on the North Slope. A trench will be opened in the road, and the fuel gas line will either be buried in the road prism, or just below the road prism in the underlying tundra. The line will originate on the Mustang Pad in the Southern Miluveach unit and head east within the Mustang Road, then will turn and run southwest towards its terminus on the Cama’i pad.”

STATE OF ALASKA

Phase I will include the installation of an Early Production Facility, or EPF, “re-installation of various tanks, equipment, and production modules; re-entry of up to four existing wells and reconnection of the Mustang Pipeline.”

Alaska CNG is requesting the authorization of a construction easement measuring 5.5 miles long and 20 feet wide, with a total area of 13.33 acres. Following construction this would reduce to an operational easement measuring 5.5 miles long and 5 feet wide, with a total area of 3.33 acres. The purpose of this project is to provide fuel gas for Cama’i pad. Construction is planned to begin July 1 and end by Sept. 30.

Bockmeulen confirmed that Mustang Holding and Ray Latchem’s Alaska CNG were working together, but he said Alaska CNG was first supplying “our back-up power for our generator” to run on CNG, not diesel.

Per Mustang Holding filings “field abandonment is forecast for when total production falls below 800 barrels of oil per day.” ●

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LAND & LEASING

Spring areawide lease sales open May 20

Bidding in the Alaska Department of Natural Resources’ Division of Oil and Gas spring areawide lease sales — the Cook Inlet and Alaska Peninsula areawide sales — opened May 20 on EnergyNet. Bidding in the sales closes June 6, with bid results to be available June 12.

For the Cook Inlet sale, the division is offering leases based on net profit share.

There is a fixed per-acre cash bonus of \$40, with the bid variable net profit share, with a minimum 5% net profit share bid and no royalty. The primary term of the Cook Inlet leases is 5 years, with one-time extensions available under certain conditions. Annual rental rates are \$1 per acre for year one, \$1.50 for year two, \$2 for year three, \$2.50 for year four and \$3 for year five.

In a May 20 statement DNR said: “State revenue generated by net profit share instead of royalty share enables a producer to recover costs more quickly, which could make marginal projects more economically viable.”

Bidding in the Alaska Peninsula areawide sale is by the more traditional variable of cash bonus per-acre bid, with a minimum of \$5 per acre and a 12.5% fixed royalty rate. The leases are for 10 years, with annual rental rates of \$1 per acre for the first year, \$1.50 for the second year, \$2 for the third year, \$2.50 for the fourth year and \$3 for years five through 10.

—PETROLEUM NEWS

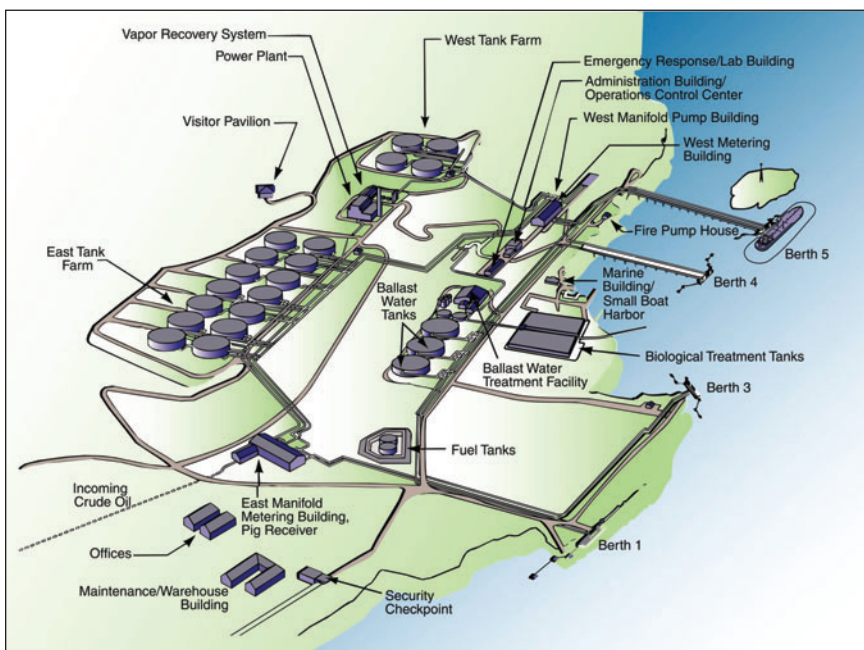


Diagram of the Valdez Marine Terminal

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HISTORY

That leaves power generation, and with the facility operating at only about 30% of its capacity now, the preliminary engineering study will look at two options: “new diesel-fired generators on the facility, sized to meet our demand” or contracting for electricity from the Copper Valley power grid, with “full diesel backup power generation” capability at the terminal.

The idea, Hanson said, is to eliminate everything that’s now done at power/vapor. It would no longer be needed to manage tanker vapors or tank vapors; no longer needed for inert

blanket gas; no longer needed for power.

“So, we can shut down this whole facility, which is a pretty significant chunk of our operating and maintenance costs.”

In fact, he said, some major pieces of what the terminal does now, it wouldn’t be doing anymore under the proposed reconfiguration: “You’re not operating west tank farm, you’re not operating (power/vapor).

“You’re operating a smaller east tank farm, two berths and a vapor system.” ●

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MOBILE G&I UNIT

mobile G&I unit would initially operate at DS-1H but would follow the drilling rig and operate throughout Kuparuk as needed.

The current hammer mill handles up to 531,075 cubic yards annually, “including drilling mud and cuttings, solids, and liquids from production,” with actual quantities based on work conducted during a year. The mobile G&I unit would handle up to 25,000 cubic yards annually and would be “used to mechanically grind drill cuttings at the drill rig before they are trucked to a disposal

site,” the company said.

Grind and inject

In describing the purpose of the treatment, ConocoPhillips said: “The hammer mill grinds the drill cuttings into a fine clay-like material so that it can be efficiently pumped through a pipeline into an AOGCC permitted Class II UIC Disposal Well without the material getting stuck and clogging the apparatus.”

“When necessary, a mobile ball mill will be used at the drilling rig to reduce cuttings particle size when they are being pumped away from the drill rig to the temporary 150-bbl storage tank where they will be pumped into vac trucks to be hauled to a Class II disposal well at

DS-1B or another offsite facility.”

The hammer mill on DS-1B is in a fully enclosed module, the company said, and the mobile G&I unit “is also contained with a module with its own secondary containment.”

“The Mobile G&I Unit will be used when the drill rig is operational and there is a need to grind cuttings into smaller pieces to avoid clogging the pump and line used to move cuttings away from the drill rig and towards the vac trucks which will haul it away,” ConocoPhillips said.

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KUPARUK POD

(55 producers and 60 injectors); 54 active wells in the Tarn PA (33 producers and 21 injectors); two active wells at Coyote (one producer and one injector); and six active wells in the Torok (three producers and three injectors). Active wells, the company said, are those which produced or injected between Jan. 1, 2023, and Dec. 31, 2023.

A previously active PA, Meltwater, is shut-in, and ConocoPhillips said it is in the process of plugging and abandoning Meltwater wells.

Alaska Oil and Gas Conservation Commission data show 2023 Kuparuk production of 29,094,508 barrels of oil, down from a 2022 total of 29,821,560 barrels.

2024 POD

ConocoPhillips said reservoir management at Kuparuk “is focused on optimizing the life cycle of the sub-surface depletion processes or primary production, water flooding, and enriched gas flooding.”

In the Kuparuk and Tarn participating areas, enriched gas water-alternating gas,

EWAG, is the primary recovery mechanism, while in the West Sak PA waterflood is the primary recovery method.

ConocoPhillips said conformance remediation treatments — gel, cement or mechanical isolation — are used to target additional resources and are prioritized based on oil rate.

At the proposed Coyote PA, waterflood will be the primary recovery mechanism, with water alternating gas being evaluated as a future recovery mechanism.

Waterflood will also be the primary recovery mechanism at the proposed Torok PA, with water alternating gas planned as a future recovery mechanism.

The company said it plans to pursue development of the Torok, Coyote and West Sak participating areas in 2024-25, with eight wells planned in the Torok PA, six in the Coyote PA and three in the West Sak PA.

To accommodate Torok and Coyote production, a new drill site, 3T, is planned, ConocoPhillips said. At West Sak, new well infrastructure is planned: two electronic submersible pump producers with multi-phase flow meters and two injectors are being installed at drill site 1H.

The company said facility infrastructure

plans also include chemical upgrades, variable frequency drives and a new 6-inch water injection header.

To accommodate Coyote production, capacity will be increased at drill site 3S, including upgrading the water injection line, the produced oil line and the production heaters.

This summer hydrocyclones will be installed at drill site 1H to clean produced water injection of West Sak.

The company plans to expand the West Sak PA during the 2024 POD.

This summer turnarounds are planned for CPF1 — primary separator inspection — and for CPF3 — fuel gas and pipeline tie-ins.

2023 work completed

ConocoPhillips said “notable activities” that have been completed or will be completed by the end of the 2023 POD on July 31 include:

- Six rotary wells into the Torok (Moraine) reservoir from drill sites 3S and 3T are or will be completed by July 31.
- Three West Sak rotary wells will be completed by July 31.
- One Ugnu tract water source well.

•Coyote (Nanushuk reservoir) — one well completed and a second drilled by July 31.

•Kuparuk PA: 18 workovers completed as of May; eight more scheduled to be completed by July 31.

•West Sak participating areas — West Sak PA, Northeast West Sak PA, 3RO PA and 1RG PA — six workovers completed as of May with three more scheduled to be completed before July 31.

•Tarn PA — two workovers completed.

•Tabasco PA — one workover completed with two more to be completed by July 31.

•Kuparuk PA — four workover sidetrack opportunities completed.

•Meltwater PA — plugging and abandonment progressing; two scheduled to be completed by July 31.

•Applications for Torok and Coyote participating areas, and application to expand KRU to include lease ADL 392374.

•Approval by DNR of 3RO PA on Nov. 15, 2023.

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OIL PRICES

On average, analysts answering a poll conducted by S&P Global Commodity Insights had forecast a decline of 2.15 million barrels.

Total motor gasoline inventories fell by 0.9 million barrels from the previous week to 226.8 million barrels, 2% under the five-year average for the time of year, the EIA said. Distillate fuel inventories increased by 0.4 million barrels.

The SPR was up by 1 million barrels to stand at 368.8 million barrels May 17, the EIA said.

ANS sagged by \$1.13 May 21 to close at \$85.39, while WTI fell 54 cents to

close at \$79.26 and Brent slid 83 cents to close at \$82.88.

Monday May 20 set the tone for a market shift to red ink as ANS was off by 23 cents to close at \$86.52, WTI shed 26 cents to close at \$79.80 and Brent shed 27 cents to close at \$83.71.

Prices surged in early trading May 20 after Iran’s President Ebrahim Raisi died in a helicopter crash on May 19, but the rally sputtered as traders discounted the likelihood of immediate changes in the country’s oil strategies.

ANS gained 69 cents May 17 to close at \$86.75, while WTI gained 83 cents to close at \$80.06 and Brent gained 71 cents to close at \$83.98.

On May 16, ANS rose 54 cents to close at \$86.06, WTI rose 60 cents to

close at \$79.23 and Brent rose 52 cents to close at \$83.27.

From Wednesday to Wednesday, ANS peaked for the week at \$86.75 May 17 before sliding to a close of \$84.35 May 22 — just \$1.17 below its close of \$85.52 May 15.

On May 22 ANS sported a premium of \$6.78 over WTI, and of \$2.45 over Brent.

Iran elections may foment moderation

The death of Iranian President Raisi and his foreign minister is seen as unlikely to spur an immediate change in Iran’s policies.

“The Iranian president is more a mirror than a lamp, reflecting the wishes of the Ayatollah Khomeini and that will not change,” Michael Lynch, Forbes senior contributor said in a May 20 note.

Iranian law will require new elections near the end of June, increasing the potential of domestic turmoil and perhaps political and policy changes, Lynch said. Mismanagement and sanctions have dogged Iran’s economy, sending the rial down and inflation up above 50% as citizens chafe under the “political and social repressiveness of the regime.”

“On the surface, no significant change is likely in the regime’s anti-U.S., anti-Israeli stance nor its support for proxy groups in the region, including Hamas, Hezbollah, and the Houthis,” he said. “Still, it is worth noting that the government had already urged those groups to moderate their attacks, at least against U.S. forces in the region.”

In the event of a long-term truce, Iran will have room to moderate foreign policy, he said. A new agreement on its nuclear program could boost oil exports and defray some economic pressure on

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—Michael Lynch, Forbes senior contributor

the regime.

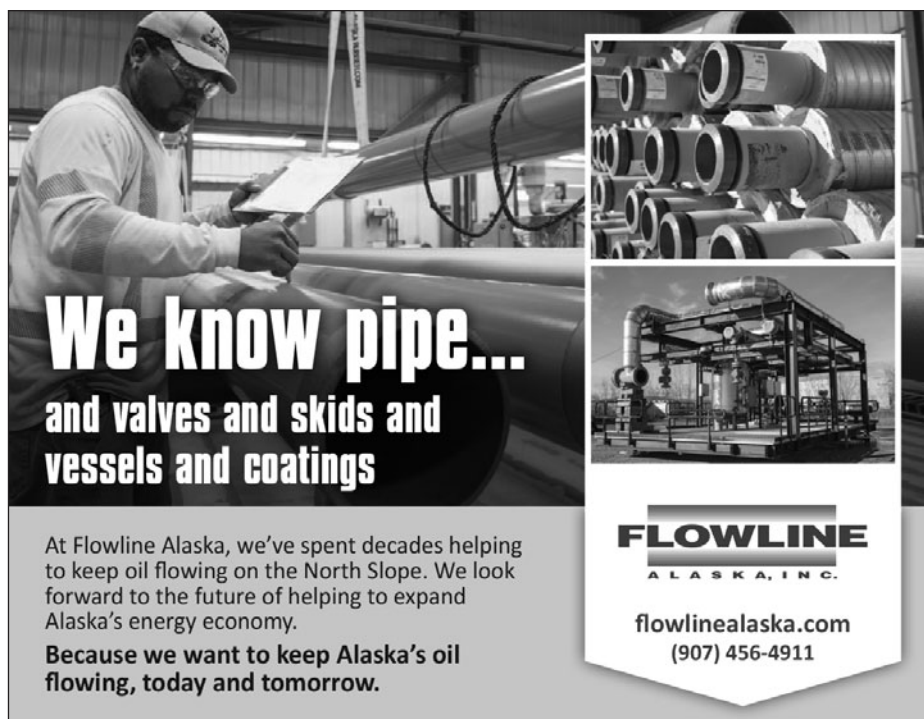
A new round of sham elections could inspire public apathy but pressure on the government seems likely to increase, not decrease, and reform may present a better path to regime survival, Lynch said.

Unrest could disrupt oil supplies especially if oilfield labor action occurs, as during the 1979 Iranian Revolution, Lynch said, adding that major demonstrations and unrest in themselves would increase the security premium on oil.

Longer term, an optimistic scenario holds a regime more responsive to the public, seeking economic growth and better relations with the West.

“Of course, the regime has mostly avoided such a path for the past four decades, but as the saying goes, nothing changes until it does,” Lynch said. “In summary, the impact on oil prices is short-term bullish, long-term bearish, but when the long-term arrives is the biggest question.” ●

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ENERGY BILLS

Regulatory Commission of Alaska commissioners and increasing the pay for those positions.

HB 50

In reviewing legislation which passed this session, the governor's office said in a May 16 release that HB 50 "creates a new opportunity for the state to earn revenue by storing carbon dioxide in depleted underground oil and gas basins."

Under HB 50, the Department of Natural Resources' Division of Oil and Gas will lease state lands for carbon capture, utilization and storage projects, and the division said in a fiscal note that new regulations on evaluation of applications and establishing a competitive bidding system should be promulgated within 12 months. Exploration licensing will be used for carbon storage, with 5-year terms and work commitments, similar to the division's exploration licensing program for oil and gas, with the licensee having the ability to convert the license to leases.

The Alaska Oil and Gas Conservation Commission will pursue primacy over Class VI wells for CCUS injection from the U.S. Environmental Protection Agency and will create a regulatory structure for CCUS in Alaska, AOGCC said in its fiscal note, with fiscal year 2025 work expected to focus on obtaining primacy. In its fiscal note AIDEA said that under the Cook

Inlet reserve-based lending program created in the bill, it will annually prepare a report for the Legislature analyzing potential oil and gas development projects in Cook Inlet that the agency believes have reasonable potential to increase production. The bill creates a lending account, consisting of money or assets deposited by the authority or contributed from other sources. As a term of a loan, AIDEA may accept an ownership share, as long as that share does not require AIDEA to contribute to development costs.

Geothermal provisions rolled into the bill change the state's existing geothermal permit program to a licensing program based on the division's exploration licensing program. A license would be for 5 years, and based, as is the exploration licensing program, on a work commitment, with an individual able to hold up to 100,000 acres and licenses convertible to leases with a 10-year term.

The Regulatory Commission of Alaska gains authority to regulate natural gas and liquefied natural gas storage facilities. In its fiscal note RCA said the "bill changes current exemptions to require RCA regulatory oversight of natural gas storage service and liquefied natural gas storage services even if the storage facility is part of a pipeline facility operated by a pipeline carrier or a natural gas pipeline facility operated by a natural gas pipeline carrier."

HB 207

The governor's office called HB 307 "a game changer for the Railbelt power grid, power utilities, and its

business and residential customers," by streamlining taxation and tariff policies "to make new and existing electrical generation projects more affordable," and incentivizing "independent power producers to move forward on renewable power projects like solar and wind farms along the Railbelt."

HB 207 creates a Railbelt Transmission Organization within the Alaska Energy Authority and creates an AEA board separate from AIDEA, with which it has previously shared a board, and specifies requirements for the public members.

The bill also addresses RCA commissioners, tightening requirements to serve, and raises the salaries of the commissioners.

The Railbelt Transmission Organization is created "for the purpose of establishing an open access transmission tariff" which RCA describes in its fiscal note as "a transmission cost recovery mechanism for, and to ensure nondiscriminatory open access to the Railbelt backbone transmission system."

RCA said in its fiscal note that the RTO would "establish a transmission cost recovery mechanism for, and to ensure nondiscriminatory open access to, the Railbelt backbone transmission system," which it would be required to submit to RCA for approval. If the RTO fails to file a transmission cost recovery mechanism with RCA by July 1, 2025, "the RCA must establish the transmission cost recovery mechanism." ●

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Oil Patch Bits



Alaskan telecommunications leader NSTI unveils rebranding

NSTI said May 20 that it has been leading in telecommunications systems in some of the toughest and most remote areas since 1980 and is proud to announce its new brand. This next chapter reflects NSTI's commitment to innovation, growth, and customer-centric service. With a new visual identity paired with the continued dedication to excellence, NSTI is excited to grow and provide the same great tactical telecommunications expertise it's known for to Alaska and beyond.

This update is exhilarating for NSTI and is a way to show how far the company has come over the last 44 years. The new look showcases NSTI's values of being dependable, efficient and involved in the community while signaling a step forward into the future of telecommunications.

"We have always referred to ourselves as NSTI (vs. North Slope Telecom, Inc.), recognizing that and just how far we have come as a company and the technologies we work with has been so exciting with this rebranding effort!" said Sharon Kazem, NSTI president.

The fresh look includes a new logo inspired by Alaskan scenery and visuals that depict NSTI's roots, which started in the last frontier. It captures the adventurous and tough Alaskan spirit while also showing readiness for whatever the digital age throws NSTI's way.

As part of this update, NSTI will also be launching a new website later this year. This upgrade will streamline the process for customers to get started on projects where communications infrastructure is in need. NSTI remains focused on building strong connections with customers and partners, making sure every interaction reflects company values of being dependable, responsive, and respectful.

Companies involved in Alaska's oil and gas industry

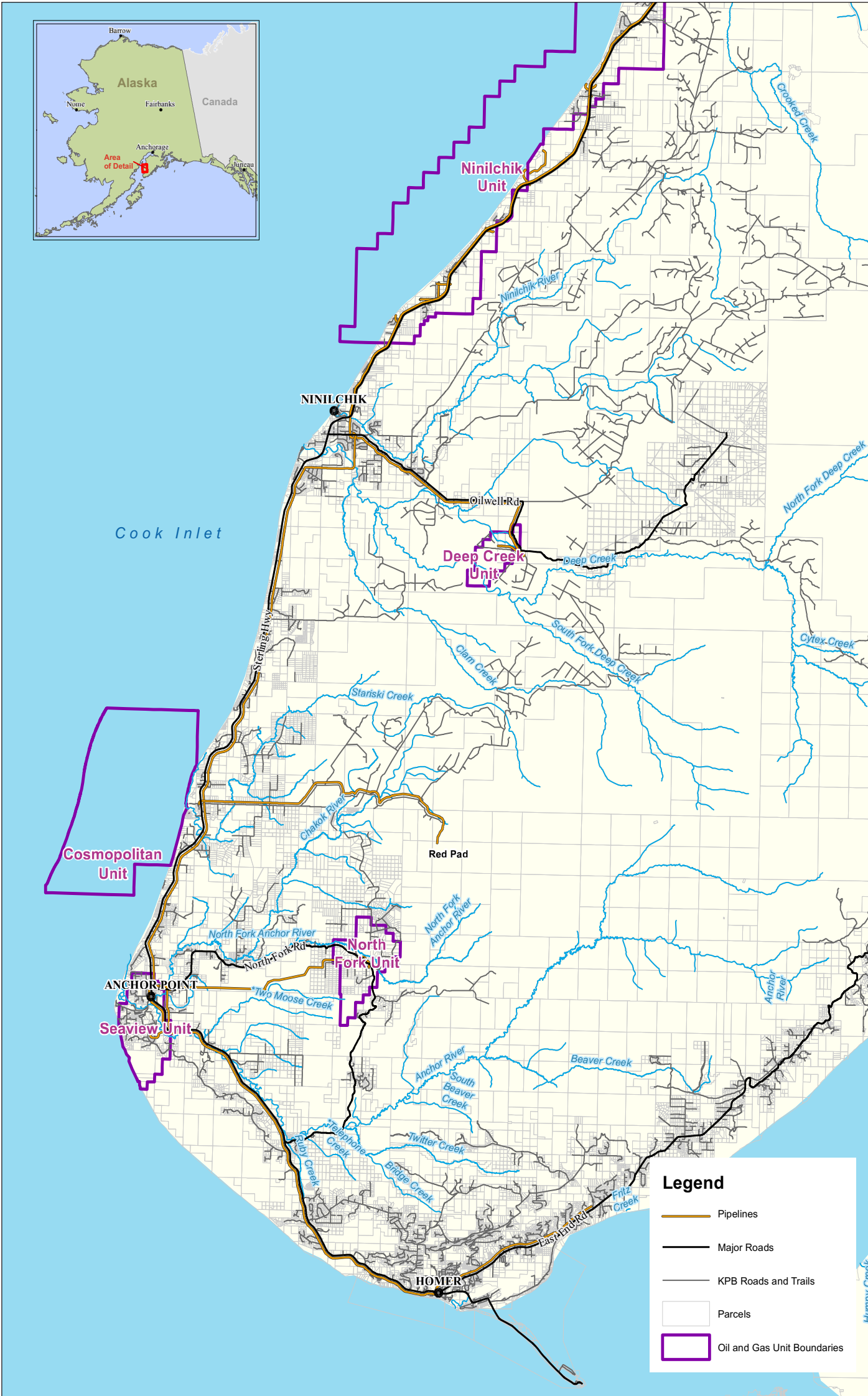
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**South Kenai Peninsula
 2024 Stratigraphic Test Well Program
 Overview**

Map Date: 4/27/2022

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HILCORP TEST WELLS

Kenai Peninsula Borough surface lands and three on state surface lands.

600-foot wells

“Hilcorp and its contractors have successfully completed numerous identical stratigraphic well tests in the southern Kenai Peninsula area since 2017,” the company said.

Alaska Oil and Gas Conservation Commission records show 42 stratigraphic test wells drilled by the company on the southern Kenai since 2017, including 10 Cottonfield wells, two Deep Creek wells, six Happy Valley wells, five Pearl wells and 12 Whiskey Gulch wells.

Truck-mounted drilling equipment will be used, the company said, with each well drilled to some 600 feet, evaluated and then plugged and abandoned. Casing will be drilled into place in the top 100-200 feet of each hole. Cuttings from drilling will be captured in a portable tank, with samples taken about every 30 feet. The waste cuttings will be transported to the Kenai gas field grind and inject facility for disposal.

Each well will be plugged and abandoned with a grout/bentonite mixture within 10 feet of the surface, Hilcorp said, and the top 20-30 feet of casing will be cut off and removed.

“The surface of the wellbore will be buried, and all locations will be cleaned/restored to the individual landowners’ satisfaction,” Hilcorp said.

Truck-mounted drilling equipment will be used, the company said, with each well drilled to some 600 feet, evaluated and then plugged and abandoned.

Access

Hilcorp said for activities on private property permission will be obtained from the landowner for activities on the property, including “surveying, site preparation, drilling activities, and data collection/evaluation for each stratigraphic test well,” with locations chosen to minimize impact on property owners and the community.

Each stratigraphic test well requires a surface area of some 35 by 70 feet, with rig mats to be used where needed by ground conditions to provide the rig and support equipment a firm and stable work surface.

For sites within the right of way of the Alaska Department of Transportation and Public Facilities, Hilcorp said the following conditions may apply:

- Test wells will be outside the Sterling Highway clear zone, 30 feet minimum, 50 feet desirable;
- At distances less than 30 feet, a traffic control plan is required;
- Equipment may have flashing yellow lights;
- There will be no material or equipment staging or parking in the clear zone;
- For casings which are above ground before being cut off below the surface at 20 feet, type II barricades will be used; and
- Where necessary to minimize damage, matting material will be used.

Comments on the proposal must be received by 4:30 p.m. June 17, the division said.

—KRISTEN NELSON

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