Petroleum news

page 3 EIA: steady non-OPEC production growth; $61/barrel Brent this year

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AOGCC calls well integrity hearing after Prudhoe incident

The Alaska Oil and Gas Conservation Commission has scheduled a public hearing on Feb. 7, to assess the mechanical integrity of wells in the Prudhoe Bay field, operated by BP. The hearing announcement follows a second incident involving the leak of fluids from wellheads at Drill Site 2 in the field. The fact that two leaks have now taken place is causing the commission to worry about the mechanical integrity of Prudhoe Bay wells in general and to conduct an inquiry into well integrity in the field. Hence the Feb. 7 hearing.

The first incident occurred in April 2017, when two leaks in the wellhead structure of well 02-03 generated a spray of oil and gas that impacted the well pad. The leaks happened as a result of the wellhead structure rising by 2 to 3 feet and strik-

see **AOGCC HEARING** *page 10*

AGDC names Joe Dubler interim president; Keith Meyer dismissed

JOE DUBLER

The board of directors of the Alaska Gasline Development Corp. passed a resolution at its Jan. 10 meeting, relieving Keith Meyer of his duties as AGDC president and naming Joe Dubler as interim president, effective immediately.

Dubler, who has been serving as executive vice president of finance and administration for Cook Inlet Housing Authority, held senior leadership positions at AGDC between 2010 and 2016, including vice president of commercial operations and chief financial officer.

In a release after the meeting the board said Dubler would

see **AGDC CHANGES** *page 12*

Nova Scotia project shuttered

The shaky history of commercial production from Atlantic Canada's offshore natural gas fields quietly slipped into the history books on Dec. 31 when ExxonMobil permanently stopped production at the Sable Offshore Energy Project.

The culminated a 20-year production life marked by missed targets, increasing water production, and accelerated decommissioning plans.

The project, about 180 miles southeast of Halifax, Nova Scotia, shipped the bulk of its gas through the Maritimes & Northeast Pipeline to New England, but never came close to capacity of 600 million cubic feet per day.

The peak output was 530 million cubic feet per day in

see **SABLE PROJECT** *page 10*

SAE issued state permit to shoot seismic west of Staines

On Jan. 16, the Alaska Department of Natural Resources' Division of Oil and Gas posted the Dec. 31 approval of a SAE Staines 3-D miscellaneous land use permit application filed Aug. 15.

The permit, MLUP NS 18-004, authorizes SAExploration to conduct a land and marine seismic survey within an area west of the Staines River on the east/central North Slope about 40 miles east of Deadhorse, encompassing approximately 673 square miles (see map in pdf or print format of this story).

The permit, which includes several pages of restrictions, is limited to state land and water within the North Slope Borough.

see **SEISMIC PERMIT** *page 11*

EXPLORATION & PRODUCTION

Pantheon buys Great Bear

Galvin stays; 2019 exploration activities already underway on North Slope

By KAY CASHMAN
Petroleum News

PATRICK GALVIN

PHILLIP GOBE

A newly formed Alaska subsidiary of London-based Pantheon Resources Plc is in the process of acquiring two wholly owned companies from Great Bear Petroleum Operating LLC — Great Bear Petroleum Ventures I and II, per state of Alaska Division of Oil and Gas lease records and market announcements.

The deal is contingent upon several factors, including capital raising, the bulk of which will be used for exploration-related expenses in Alaska.

Founded in 2005, Pantheon currently has five employees and is listed on the AIM Stock Exchange., a sub-market of the London Stock Exchange that allows smaller, less-viable companies to float shares with a more flexible regulatory system than that of the main market.

As part of the deal, Pantheon Alaska Petroleum Operating LLC will gain a majority interest and operatorship of Great Bear's leases — between 250,000 and 290,000 acres on Alaska's North Slope, most immediately

see **GREAT BEAR SALE** *page 9*

FINANCE & ECONOMY

A question of royalty

BP has taken the state to court to force arbitration over an oil royalty dispute

By ALAN BAILEY
Petroleum News

BP Exploration (Alaska) has taken the state of Alaska to court, claiming that arbitration procedures must be invoked to settle a dispute over the royalty value of oil produced on the North Slope. Royalties due to the state are calculated using the wellhead value of the oil. That value, essentially, consists of the sale price of the oil less the cost of transporting the oil to market. The dispute revolves around some components of the transportation costs.

Contentious calculations

With many millions of dollars at stake, the numbers that go into the wellhead value calculations, and hence the royalty determinations, can be contentious. According to BP's complaint, filed in Alaska Superior Court in October, in 1991 the state and BP, after many years of litigation over royalty calculations, entered into an agreement that established a methodology for calculating the royalty value of oil "at the well." The agreement included procedures intended to enable the resolution of future disputes without the necessity of resorting to litigation. Those procedures included the use of

> *With many millions of dollars at stake, the numbers that go into the wellhead value calculations, and hence the royalty determinations, can be contentious.*

see **ROYALTY DISPUTE** *page 8*

GOVERNMENT

Upping the efficiency

Feige tells the Alliance that DNR is reviewing its regulations and procedures

By ALAN BAILEY
Petroleum News

CORRI FEIGE

In support of Gov. Mike Dunleavy's priority of maximizing resource development in Alaska, the Department of Natural Resources is seeking ways of improving the efficiency of its operations, DNR Commissioner Corri Feige told the Alaska Support Industry Alliance on Jan. 10.

"We are right now undertaking a bottoms-up review of all of our regulations, all of our procedures, all of our programs, to make sure things are running as smoothly, as timely and as efficiently as they possibly can," Feige said.

DNR needs to figure out how to minimize its operating costs, along the lines of a business, while also fulfilling its role of de-risking resource development investments in Alaska and ensuring resource protection for multiple uses, she said.

"This all has to be done under the umbrella of still offering significant oversight that ensures that our operators have a science-based permitting program that ends in legally defensible authorizations and permits," Feige said.

On the one hand the state administration has to operate within its means, with a budget that matches its revenues. On the other hand, DNR has a role in growing those revenues, she said.

see **DNR REVIEW** *page 7*

● EXPLORATION & PRODUCTION

New Oklahoma land rush — beneath surface

IHS Markit report: Anadarko basin holds 16 billion barrels un-risked technically recoverable oil in unconventional reservoirs

PETROLEUM NEWS

IHS Markit, which recently dubbed Alaska's North Slope a super, rather than mature, basin, said Jan. 10 that its preliminary analysis indicates the Greater Anadarko basin, a source of conventional U.S. oil and gas production since the 1950s, holds an estimated "16 billion barrels of oil and more than 200 trillion cubic feet of natural gas in un-risked technically recoverable resources in unconventional reservoirs."

The Anadarko basin lies in the west-central part of Oklahoma and the Texas Panhandle, extending into southwestern Kansas and southeastern Colorado. Through the end of 2011, Anadarko produced an estimated 125 tcf of gas and 5.4 billion barrels of oil. According to the Oklahoma Geological Survey the basin is about 70,000 square miles in size.

"The Anadarko basin has long been a major contributor to U.S. production, but it is just getting started in terms of delivering on its unconventional production potential," said John Roberts, executive director, global subsurface operations and co-author of the IHS Markit Anadarko basin research with Prithiraj Chungkham, director of unconventional resources.

"We are now witnessing a new kind of Oklahoma land rush. But unlike what happened in 1889 when lands were opened to settlement, this time the competition is for access to the energy resources that lie below the surface," Roberts said.

IHS Markit analysis shows that "the basin is pushing toward new all-time production highs long after conventional oil and gas production peaked in the 1970s and 1980s, respectively. Horizontal drilling in the Anadarko basin has increased sharply since 2008, and annual basin production volumes have already set new peak records."

The IHS Markit Complete Play Analysis of the Greater Anadarko Basin, Texas, Oklahoma and Kansas, USA, is the first phase of a comprehensive, 18-month-long project to model and interpret the large basin's key geologic characteristics, including 3-D geologic models of 41 plays to better estimate its remaining hydrocarbon potential, IHS said.

"The IHS Markit analysis provides significant advances in the accuracy and granularity of detailed producing-formation information that is historically difficult

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● FINANCE & ECONOMY

EIA sees steady non-OPEC production growth

Energy Information Administration's January Short-Term Energy Outlook includes 2020, with $61/barrel Brent in '19, $65 in '20

By KRISTEN NELSON

Petroleum News

The U.S. Energy Information Administration's January Short-Term Energy Outlook includes 2020 for the first time — and is forecasting that Brent prices, which averaged $71 per barrel in 2018, will average $61 per barrel this year and $65 per barrel in 2020.

U.S. crude oil production, estimated to have averaged 10.9 million barrels per day last year, up 1.6 million bpd from 2017, is forecast to reach 12.1 million bpd in 2019 and 12.9 million bpd in 2020.

"Steady growth from non-OPEC countries, including the United States, headlines the forecast for global crude oil production through 2020," EIA Administrator Dr. Linda Capuano said in a statement accompanying the release. "We expect the United States to remain the world's largest producer," she said. With U.S. crude oil imports projected to decline over the next two years, and assuming the forecast holds, Capuano said it is expected "that the United States will become a net exporter in late 2020."

The EIA estimate of U.S. production for 2018, 10.9 million bpd (an increase of 1.6 million bpd from 2017), surpassed the old record set in 1970, and the forecast averages of 12.1 million bpd this year and 12.9 million bpd in 2020, "would allow the United States to maintain its status quo as the world's leading crude oil producer in both years," the agency said.

Of the 1.1 million bpd increase projected from 2018 to 2019, 600,000 bpd is forecast to come from tight rock formations in the Permian in Texas and New Mexico, along with 500,000 bpd of the 800,000 bpd increase from 2019 to 2020. EIA said the remaining increase comes from the Bakken, Eagle Ford, Niobrara and Anadarko regions and from the federal Gulf of Mexico.

Lower 48 growth basins

EIA expects the Permian to produce 4.8 million bpd by the end of 2020, some 1 million bpd more than estimated December 2018 levels, and representing about 36 percent of U.S. crude oil production by the end of 2020.

"Favorable geology and technological and operational improvements have allowed the Permian to become one of the most economic regions for oil production," the agency said. EIA noted that the annual Permian growth rate in 2019, 600,000 bpd, is 400,000 bpd below the 2018 growth rate: "The flattening of the growth rate reflects increasing pipeline capacity constraints in the Permian region, which are expected to lower wellhead prices for the region's oil producers and to have a dampening effect on Permian's full production potential in the short term."

DR. LINDA CAPUANO

Eagle Ford production is forecast to increase by almost 90,000 bpd to 1.4 million bpd in 2019 and then fall slightly in 2020. That region, EIA said, "covers a significantly smaller geographic area with fewer prolific formations and fewer opportunities to drill compared with the Permian region."

The Bakken, mostly in North Dakota, produced 1.3 million bpd in 2018 and is forecast to produce 1.4 million bpd this year and 1.5 million bpd in 2020, with recent growth reflecting the removal of pipeline capacity constraints affecting the region before 2017. Like the Eagle Ford, the Bakken has fewer identified prolific formations than the Permian "and is more significantly affected by lower prices and winter weather."

Federal Gulf of Mexico production is expected to average 1.9 million bpd in 2019 and 2.2 million bpd in 2020, up from 1.7 million bpd in 2018. Eleven new projects came online in the Gulf in 2018, six more are expected to come online in 2019 and another 12 in 2020.

Growth is expected from 2018 through 2020 in the Niobrara and Anadarko regions; Alaska production is expected to remain flat at 500,000 bpd in 2019 and 2020, EIA said.

Relative balance

"EIA sees global oil markets in relative balance over the next two years with U.S. production growth more than offsetting declining production from OPEC, and some non-OPEC countries, due to last month's announced production cuts. The January forecast expects some limited upward price pressures ahead, as demand is likely to grow by 1.5 million barrels per day," Capuano said.

Production growth in the period is led by non-OPEC countries, EIA said, particularly the United States and Brazil, with non-OPEC producers expected to increase oil supply by 2.4 million bpd in 2019, offsetting forecast supply declines of 1 million bpd by OPEC members. "In 2020, the main drivers of oil production growth are expected to be the United States, Canada, Brazil, and Russia, while OPEC crude oil production is expected to remain flat."

Prices

The 2018 average for Brent crude oil spot prices was $71 per barrel, up $17 per barrel from 2017 levels. Daily Brent prices in 2018 peaked at $86 per barrel in October, the highest level since October 2014, EIA said, before falling to nearly $50 per barrel by the end of the year. "The price decrease in the latter part of 2018 reflected global oil inventory builds and record levels of oil production from the world's three largest producers — the United State, Russia, and Saudi Arabia — along with uncertainties about global demand growth for the coming year," the agency said.

The price forecast for Brent over the period of the forecast is a gradual increase from $57 per barrel in December 2018 to $65 per barrel by December 2020.

"Given the expectation of relatively balanced markets in 2019 and 2020, with modest inventory builds, EIA forecasts Brent crude oil will remain lower than levels experienced during most of 2018," the agency said.

Natural gas

"EIA's January outlook expects U.S. dry natural gas production to continue increasing significantly in 2019, building on record production during 2018. According to the forecast, growth in the Permian and Appalachian regions will drive record U.S. production over the next 24 months," Capuano said.

EIA said it estimates an average of 90.2 billion cubic feet per day of U.S. dry natural gas production in 2019, an increase of 8.3 percent from 2018 levels, with a 2.2 percent increase projected for 2020, for an average of 92.2 bcf per day in that year.

The agency said that "expected growth in natural gas production is largely in response to improved drilling efficiency and cost reductions, higher associated gas production from oil-directed rigs, and increased takeaway pipeline capacity from the highly productive Appalachia and Permian production regions," with that growth supported by planned expansions in liquefied natural gas capacity and increased pipeline exports to Mexico.

LNG exports are expected to increase from an estimated 3 bcf per day in 2018 to 5.1 bcf in 2019 and 6.8 bcf in 2020, "as three new liquefaction projects come online," EIA said. ●

Contact Kristen Nelson at knelson@petroleumnews.com

GOVERNMENT

China, Canada feuding

Under treaty with US, Canada intercepts top Huawei exec; China seizes 2 Canadians, posing threat to Chinese petroleum investment

By GARY PARK
For Petroleum News

From the most eager buyer of Canadian oil and natural gas assets (mostly in the oil sands) until 2015, the Chinese government, operating through its stable of state-owned energy giants, is now rapidly winding down its spending binge and pulling back from its presence in Western Canada.

That retreat is likely to be accelerated unless there is quick resolution of a diplomatic spat between Canada and Beijing that flared up on Dec. 1 when Canada, under the terms of an extradition treaty with the United States, arrested Meng Wanzhou, chief financial officer of Huawei, the Chinese maker of telecoms equipment.

The daughter of Ren Zhengfei, Huawei`s founder, Meng was making a stopover in Vancouver on her way to Mexico.

A U.S. judge had sought her arrest, alleging that Meng committed fraud in order to violate U.S. sanctions against Iran. She has currently been released in Vancouver on bail of C$10 million.

Dispute could be lengthy

The tangled issue was compounded when China retaliated by detaining two Canadians, citing national security concerns.

If the dispute over Meng makes its way to the Supreme Court of Canada it could last for years, with untold spin off damage to Canada`s petroleum sector, notably the C$40 billion LNG Canada project, whose five Asian partners include PetroChina (with a 15 percent stake).

Just as disturbing is whether Canadian plans to open a route to China for its oil sands crude, especially if the Trans Mountain pipeline expansion goes ahead, could be dashed.

That comes at a time when observers have estimated that exports of crude through the Port of Vancouver exceeded 4 million barrels in 2018, the most since 2012, although that is largely due to a maintenance shutdown at U.S. West Coast refineries.

But that minor surge in shipments to China is unlikely to last, Jennifer Rowland, an analyst at Edward Jones & Co., told Bloomberg News.

She said it "makes sense right now for Asian buyers to step in while U.S. buyers aren't buying as much."

Trouble looming in 2012

Even before the latest political tensions ramped up between Beijing and Ottawa, bilateral trouble had surfaced in 2012 after CNOOC, China's state-owned oil giant, made a US$15.1 billion bid for Nexen, setting off deepening opposition to Chinese investment in the oil patch.

That, given Beijing's rush to lock up Alberta assets, effectively meant the Chinese government would control 10 percent of extraction in the oil sands.

The Harper administration, despite a growing anti-

see **DIPLOMATIC SPAT** *page 5*

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ANADARKO BASIN

to acquire.

"By getting to a greater level of granularity and accuracy regarding producing formations, we change the entire view of the basin," Roberts said. "For geologists, it's like having a more powerful microscope."

Surprising results in Simpson

Among the most surprising results, IHS said, was the "vast potential of the Simpson shale formation," which IHS now believes could be one of the biggest yet-to-be developed shale plays in the United States.

"The Simpson has long been among the largest historical producers of vertical production in the Anadarko basin," Roberts said. "But our new analysis shows that there is also significant Simpson potential as a major driver for horizontal shale production."

The IHS analysis includes modeled and interpreted formations and benches in the Stack and Scoop plays and has delivered them in a workstation-ready 3-D format. The significant improvement in assigned formations not only adds detail and accuracy to the interpretive process, but dramatically changes the views of the basin and understanding of where future hydrocarbon potential exists, IHS said.

"As it stands now, only about 20 percent of the Anadarko basin's Stack 'sweet-spot' locations have been drilled or developed," Roberts said. "The play is still in its early stages of unconventional development. We can easily envision an additional 4,000 to 5,000 horizontal wells drilled."

Forty-one stacked plays

Overall, the new results underscore the Anadarko basin's renewed attractiveness.

"The Anadarko is attractive because it has 41 stacked plays, which overlap in many parts of the basin. For operators, that means multiple targets that can be accessed from one well pad." Chungkham said.

The analysis utilizes the IHS Markit historical well and production database that includes more than 320,000 wells, and a new proprietary tool PRODFit, that, for the first time, enables them to leverage interpreted formation "tops" data to accurately identify formations of completion intervals on 275,000 wells. The data was then modeled and interpreted using IHS Kingdom geology and geophysics software.

Headquartered in London, IHS Markit (Nasdaq: INFO) describes itself as "a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions." ●

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GOVERNMENT

Health isn't 1st priority, court rules

By DAN ELLIOTT

Associated Press

The Colorado Supreme Court said Jan. 14 that state law does not allow oil and gas regulators to make health and environmental protection their top priority, prompting Democrats who control the Legislature to call for changing the law.

In a victory for the energy industry, the court said Colorado law requires regulators to "foster" oil and gas production while protecting health and the environment. But the justices said regulators must take into account whether those protections are cost-effective and technically feasible.

The unanimous ruling was an endorsement of the way the Colorado Oil and Gas Commission operates. It was the latest in a series of wins for the industry, both in the courts and at the ballot box, against opponents who say the state is too lenient with energy companies.

Democrats in control

But Democrats now control both houses of the Legislature as well as the governorship, and they appear ready to embrace tougher restrictions. House Speaker KC Becker said Jan. 14 that she is already working on a measure for the Legislature, which started work on Jan. 4.

"How do we make health and safety an earlier consideration or a more prominent consideration in siting and permitting?" she said. "This is really what we're hearing in the community."

Colorado's new governor, liberal Democrat Jared Polis, also said change is in the works.

"It only highlights the need to work with the Legislature and the Colorado Oil and Gas Conservation Commission to more safely develop our state's natural resources and protect our citizens from harm," Polis said in a statement.

Fifth in crude production

Oil and gas drilling has long been contentious in Colorado, which ranks fifth nationally in crude oil production and sixth in natural gas, according to the U.S. Energy Information Administration.

The Wattenberg oil and gas field — the most productive field in Colorado and one of the top 10 nationally — overlaps fast-growing communities north of Denver, triggering frequent disputes over the proximity of wells to neighborhoods. In 2017, two people were killed in a home explosion and fire blamed on a severed pipeline from a nearby gas well.

The Jan. 14 ruling came in a lawsuit filed by six young people who argued state law requires regulators to ensure energy development does not harm people's health or the environment. They asked the Oil and Gas Conservation Commission in 2013 to require those protections before issuing any drilling permits.

The commission refused, saying the law required it to balance health and environmental concerns with other factors. Those include the rights of energy companies and the people who own the oil and gas reserves as well as a mandate from lawmakers to foster drilling.

Court: Law ambiguous

The Supreme Court said the law was ambiguous and that either interpretation could be correct. But the justices said statements by lawmakers who wrote the oil and gas law made it clear that regulators could not put safety and the environment first.

The law "envisions some possible environmental and public health risks," the ruling said.

Industry officials said Colorado already has the strictest oil and gas rules in the country and making them tougher would cost hundreds of thousands of jobs and cut off tax revenue that supports schools and basic services.

"Those who filed this lawsuit have said they want to ban oil and natural gas development in Colorado, so we're happy to see the Supreme Court strike down this extreme effort and shortsighted agenda," said Dan Haley, president of the Colorado Oil and Gas Association.

The lawsuit is one of several nationwide in which young activists argue state and federal governments are threatening their futures by not doing enough to battle climate change and protect the environment.

The activists will keep fighting despite the Colorado ruling, said one of their lawyers, Julia Olson, who also represents young clients in a climate change lawsuit in federal court in Oregon. ●

—Associated Press writer James Anderson contributed to this report

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DIPLOMATIC SPAT

Chinese sentiment within Canada, approved the deal, while imposing greater scrutiny on future acquisitions by foreign government-controlled companies.

"When we say that Canada is open for business, we do not mean that Canada is for sale to foreign governments," Harper said.

Unless there is a speedy resolution of the tit-for-tat arrests, Canada and China could see a 50-year-old bilateral accord start to unravel, with consequences no-one can see. ●

Contact Gary Park through publisher@petroleumnews.com

GOVERNMENT

Feige completes DNR leadership team

The Department of Natural Resources said Jan. 15 that Commissioner Corri Feige has completed DNR's leadership team with the promotion of Brent Goodrum to deputy commissioner, and the hiring of Ricky Gease as new director of state parks.

Goodrum has been director of the Division of Mining, Land and Water since 2011, where his team of more than 200 is responsible for managing the natural resources critical to the economic, cultural and social life of the state, including the 105 million acres of land promised to Alaska at statehood.

DNR said these appointments fill out the ranks of Feige's leadership team, which includes oil and gas specialist Sara Longan as deputy commissioner and resources attorney Peter Caltagirone as special assistant.

In addition to overseeing his previous division, Goodrum will now have management responsibility for divisions responsible for forestry, state parks, agricultural and department support services.

The department said his "top priorities will include helping DNR meet its mission of protecting resources through rigorous permitting, while operating faster and more efficiently to help build a stronger economy for Alaskans."

Goodrum came to DNR following his retirement from the U.S. Marine Corps, where he served as an infantry officer. He graduated from the U.S. Naval Academy at Annapolis and holds a master's degree in operations research from the Naval Postgraduate School.

Gease has worked in Alaska as a U.S. National Park Service ranger, and as executive director of the Kenai Convention and Visitors Bureau and the Kenai River Sportfishing Association.

He holds bachelor's and master's degrees in biology from Stanford University and a Foraker Certificate in Non-Profit Management from the University of Alaska Anchorage. Gease also served on the Federal Subsistence Board's Southcentral Alaska Regional Advisory Council and was named a Salmon Fellow by the Alaska Humanities Forum in 2017.

DNR said these appointments fill out the ranks of Feige's leadership team, which includes oil and gas specialist Sara Longan as deputy commissioner and resources attorney Peter Caltagirone as special assistant.

Former state parks Director Ethan Tyler will remain with DNR, bringing his commercial and policy experience to the Division of Oil and Gas.

Marty Parsons, long-time deputy director of Mining, Land and Water, has been promoted to director of the division. Laura Ogan, an administrative assistant in the Division of Oil and Gas, has transferred to a similar position in the commissioner's office.

—PETROLEUM NEWS

● EXPLORATION & PRODUCTION

BP OKs expansion of Gulf oil project

ASSOCIATED PRESS

BP has approved a $1.3 billion expansion at one of its oil projects in the Gulf of Mexico and discovered an additional 1.4 billion barrels at two of them.

"BP's Gulf of Mexico business is key to our strategy of growing production of advantaged high-margin oil. We are building on our world-class position, upgrading the resources at our fields through technology, productivity and exploration success," Bernard Looney, BP's Upstream chief executive, said in a news release Jan. 8.

"And these fields are still young — only 12 percent of the hydrocarbons in place across our Gulf portfolio have been produced so far. We can see many opportunities for further development, offering the potential to continue to create significant value through the middle of the next decade and beyond."

The Courier reports the announcement comes amid a 4-1/2-year offshore oil bust that has cost the Houma-Thibodaux area about 16,000 jobs. Over the past few months, several reports from economists and consultants have predicted an uptick in the Gulf this year, forecasts that hinge on how high oil prices rise above current levels of about $50 a barrel.

The development of Atlantis Phase 3 will include the construction of a new subsea production system from eight new wells that will be tied into the current platform, 150 miles south of New Orleans. The company says it's scheduled to begin operating in 2020 and is expected to boost production by an estimated 38,000 barrels of oil equivalent a day gross at its peak.

BP operates Atlantis and holds a 56 percent working interest, with BHP holding the remaining 44 percent. BHP is expected to make a final decision early this year on whether to proceed with the expansion.

BP's actions come after the company's recent breakthroughs in advanced seismic imaging and related technology that revealed an additional 400 million barrels of oil in place at the Atlantis field, officials said. The same innovation helped the company find an additional 1 billion barrels oil at its nearby Thunder Horse field, officials said.

And new discoveries near BP's Na Kika platform provide additional development opportunities, officials said.

BP is already the Gulf's largest oil producer, and officials say the latest discoveries will help it grow output to about 400,000 barrels a day within the next decade.

All of the platforms are roughly 140-160 miles southeast of the Gulf's main oilfield service hub at Port Fourchon.

BP's announcement comes a day after Danos, an oilfield service company based in Gray, said two new contracts in the Gulf prompted it to hire 150 workers. ●

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DNR REVIEW

Resource development life cycle

The department is involved in resource development through a life cycle process that begins with taking title to state lands from the federal government and preparing best interest findings for the uses of those lands. Those best interest findings form the basis for, among other things, conducting state oil and gas lease sales; permitting exploration and development activities; oversight of those activities; and approval of reclamation and closure programs, once activities come to an end.

Examples of areas where efficiencies may be made in DNR's regulatory procedures include the digitization of archaic paper-based procedures, consolidating the department's organization and re-arrangement of work locations, to enable DNR staff to work as efficiently as possible, Feige suggested.

With a federal administration that looks favorably on resource development, and with people from Alaska in key positions in the U.S. Department of the Interior, Alaska has a unique window of opportunity to promote resource development, Feige said. In particular, the state is pushing to move forward on remaining state entitlements to federal lands emanating from the Alaska Statehood Act, she said.

Optimism over development

Feige struck an optimistic tone in reviewing the resource development situation in Alaska, a state which she said has a surface area twice the size of Texas and is larger than all but 18 sovereign nations worldwide. Things are looking up, both for oil and gas, and for mining, she said.

"We are starting to see a re-invigoration of exploration and activity, and I think that is driven largely by the incredible potential Alaska has for both minerals and oil and gas," Feige said.

The state's December 2018 North Slope oil and gas lease sale was the third highest since 1998, in terms of winning bids, with more than $29 million in bonus bids going to the state. In the central North Slope, more than 50 percent of available land is now under lease, a pretty exciting statistic, Feige said.

From an oil and gas perspective, Alaska remains relatively unexplored compared with the Lower 48 and other petroleum provinces — the North Slope has a little more than 500 exploration wells, compared with, say, Wyoming, which has more than 19,000 exploration wells in a much smaller area, Feige said.

Current North Slope activity

Feige also reviewed current exploration and development activity on the North Slope.

Oil Search is drilling two appraisal wells in the Pikka unit, as a lead up to a final investment decision for a Pikka oil development — that decision is expected by mid-2020, with first oil from the field potentially in 2023, Feige said.

Hilcorp Alaska is busy with its Moose Pad development project in the Milne Point unit. The company anticipates drilling 50 to 70 wells from the pad, with peak production of about 16,000 barrels per day by 2020. And in the fall the federal Bureau of Ocean Energy Management issued the final environmental impact statement for Hilcorp's Liberty oil field development in the Beaufort Sea.

BP is "going great guns" in the Prudhoe Bay unit and is bringing back two full-time drilling rigs to work in the unit, Feige said. The company is also conducting a multi-year seismic survey across the field, to enable the targeting of small, discrete oil pools that have yet to be developed, she said.

ConocoPhillips, by far the most active company on the Slope, has several projects underway. In the Kuparuk River unit, the northeast West Sak expansion is moving into its second phase of development, and the company has expanded its drilling operations in the Colville River unit. The company is also active within the National Petroleum Reserve-Alaska, with, among other things, first oil from the Greater Mooses Tooth 1 development in October and appraisal drilling planned for the Willow prospect.

This winter Great Bear and partners will be drilling the Winx No. 1 exploration well, just to the east of the Horseshoe oil discovery from a couple of years ago. And Eni has now acquired about 350,000 exploration acres between Prudhoe Bay and Point Thomson.

Cook Inlet

In the Cook Inlet region Hilcorp is going strong, with lots of onshore drilling on the east side of the inlet and new drilling from the monopod platform in the Trading Bay unit, to re-establish production in that unit. Furie Operating Alaska is actively conducting drilling in the offshore Kitchen Lights unit, while BlueCrest Alaska Operating is continuing to use extended reach drilling to develop the offshore Cosmopolitan unit from the onshore Hansen pad. Amaroq Resources continues to operate the Nicolai Creek gas field and is going to purchase some acquired seismic data, to evaluate new exploration and expansion targets, Feige said.

"2019 is expected to be the busiest year

see **DNR REVIEW** *page 8*

EXPLORATION & PRODUCTION

US drilling rig count unchanged at 1,075

The number of rigs drilling for oil and natural gas in the U.S. was unchanged the week ending Jan. 11 at 1,075.

At this time last year there were 939 active rigs.

Houston oilfield services company Baker Hughes reported that 873 rigs targeted oil (down four from the previous week) and 202 targeted natural gas (up four).

The company said 62 of the U.S. holes were directional, 948 were horizontal and 65 were vertical.

Among major oil and gas producing states, New Mexico and Pennsylvania were each up by two rigs.

Alaska, California, Colorado, North Dakota and Wyoming were unchanged.

Louisiana and Texas were each down by one rig.

Oklahoma was down by four rigs.

Baker Hughes shows Alaska with nine active rigs, up three from a year ago.

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

—PETROLEUM NEWS

INTERNATIONAL

Mexican president: No retreat in fuel fight

President Andres Manuel Lopez Obrador vowed Jan. 10 not to retreat in his battle against fuel theft gangs, as gasoline and diesel shortages mounted in Mexico.

Lopez Obrador blamed sabotage at a key pipeline leading to Mexico City for blocks-long lines at gas stations, which have worn out the patience of many motorists.

"There will be no retreat, not one step backward," Lopez Obrador said. "We are going to confront this problem." He had previously estimated that illegal taps drilled into government pipelines and theft from refineries and distribution depots cost Mexico $3 billion per day.

He called for support from people who live in communities that make money from fuel theft, often by acting as lookouts or protecting thieves against police and military raids.

"I am calling for the cooperation of all citizens. ... We want to do away with this evil, this vice, from the base and with the people," Lopez Obrador said. "I want to ask for their help. If they got some income from participating in illicit activities, that same income they can get from job creation programs, cleanly."

The president, who began a crackdown on fuel thefts after he took office on Dec. 1, did not say who was behind the supposed sabotage of a pipeline that supplies the capital with fuel from the Gulf coast.

"There was sabotage on a fuel duct ... it was repaired, as I said yesterday, service was resumed all day and then they blocked it again," he said.

He said gangs had become so sophisticated they were running their own tank farm in northern Mexico to store stolen fuel.

Lopez Obrador has begun closing leaky pipelines riddled by thousands of illegal taps. But he acknowledged it was harder to detect the illegal taps when pipelines are closed.

Authorities are distributing fuel with tanker trucks, but there aren't enough of them.

—ASSOCIATED PRESS

PIPELINES & DOWNSTREAM

Judge endorses ND refinery water permit

An administrative law judge in North Dakota is recommending that state officials issue a water permit for an oil refinery being developed near Theodore Roosevelt National Park that's being opposed by environmentalists and some area landowners.

Three landowners last summer challenged a proposed State Water Commission permit allowing the Davis Refinery to draw water from an underwater aquifer. Their concerns included how they might be affected and how much of the water would be wasted.

They also argued that the amount of water specified in the proposed permit was not the same as what Meridian Energy Group had initially requested, a change landowner attorney JJ England maintained was illegal.

Administrative Law Judge Tim Dawson held a hearing in November that focused on whether Meridian would use all of the allowable water for a "beneficial" use. England asserted Meridian's plans for treating and using the water are vague and at times conflicting, while state water officials testified that the company had submitted sufficient information justifying a conditional permit that would be fine-tuned after refinery operations begin and its precise water needs are determined.

Permit issuance recommended

Dawson in a ruling dated Jan. 8 recommended State Engineer Garland Erbele issue the proposed permit, saying "a refinery requires water" and that "there is no realistic harm to the public interest."

It wasn't immediately known when Erbele would issue a final decision. Landowners have the option of appealing that decision to state district court. Their attorney was out of the office and not immediately available for comment.

Meridian issued a statement Thursday applauding the ruling.

"Once again we are gratified that our work and the work of the various state agencies involved are withstanding this intensive litigation-related review," CEO William Prentice said.

Meridian is developing the refinery just 3 miles from North Dakota's top tourist attraction. It began ground work at the site last summer. But environmental groups are challenging its state air quality permit in court, as well as a decision by state regulators not to review whether the refinery site is appropriate.

The groups worry about pollution in the 30,000-acre park that draws more than 700,000 visitors annually. Meridian maintains the refinery will have modern technology that will make it "the cleanest refinery on the planet."

—ASSOCIATED PRESS

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DNR REVIEW

in the past at least 10 years for exploration and production rig activity in the state," Feige said.

Feige also commented on the manner in which companies new to Alaska have been engaged in exploration in the state in recent years. New companies, such as Oil Search, validate industry recognition of the potential of new oil plays in the Brookian rocks of the North Slope. And the state is seeing a resurgence of interest in the North Slope and Alaska by large global players such as Shell and Occidental, she added. ●

"2019 is expected to be the busiest year in the past at least 10 years for exploration and production rig activity in the state." —DNR Commissioner Corri Feige

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ROYALTY DISPUTE

negotiation and arbitration. In particular, the procedures are to be invoked in cases where there is a dispute over the correctness of the royalty calculations, and what expenses BP can subtract from the oil sale price when calculating the wellhead value, BP's complaint says.

The current dispute revolves around some of the costs involved in the marine transportation of oil from the Valdez Marine Terminal to market destinations on the U.S. West Coast. The costs in question relate to administrative expenses, depreciation expenses associated with tankers, and vessel expenses incurred while in service for the Alaska oil trade but paid after the vessels no longer served BP.

Costs disallowed in 2013

According to the BP complaint, in 2013, following a review of BP's records, the state retrospectively disallowed these costs in the royalty calculations for the years 2007 to 2010. BP appealed to the state over the decision. Apparently, Alaska's Division of Oil and Gas has yet to resolve the dispute and in 2016 made a similar decision for costs BP had claimed for 2011 and 2012. In August 2018, with the issue still not resolved, BP informed the state that it was invoking the dispute resolution process that is specified in the 1991 agreement. The state subsequently told BP that the dispute at issue was not subject to the dispute resolution provisions of the agreement. In October BP filed suit in Superior Court, asking the court to mandate arbitration.

The state, in responding to BP's complaint, told the court that BP has not made a claim upon which relief can be granted, and that the court does not have jurisdiction over the dispute until the state makes a final administrative decision in the matter at question. Moreover, BP's appeal to the court is not valid because it was launched more than three years after the original complaint, the state told the court.

State says costs not subject to arbitration

As expressed in a December court filing from the state, the core of the state's argument is that the disputed transportation costs do not fall within categories that are subject to arbitration, under the terms of the 1991 agreement. For example, while the administrative costs in question were incurred by Alaska Tanker Co., a BP affiliate, the 1991 agreement provides a 12 percent allowance for administrative costs. And BP should have accounted for federal tax benefits associated with the depreciation costs it has claimed, the state said.

BP personnel discussed the issues with division staff in March 2017 but did not try to trigger the arbitration procedures until August 2018, the state claimed. By originally appealing the Department of Natural Resources decisions to DNR, rather than initiating an arbitration procedure, BP had acted in a manner that recognized the appeal process as the appropriate course of action, the state said. Moreover, that appeal process forms part of the state's formal decision-making procedures, the state argued.

BP: arbitration is required

BP, for its part, has claimed that the three cost elements under dispute do fall under the arbitration provisions of the 1991 agreement. Besides, state and federal laws both encourage the use of arbitration in the settlement of contract disputes. Moreover, these laws give courts or an arbitrator the right to decide what can be arbitrated — DNR lacks jurisdiction over what can be arbitrated, BP told the court.

The court has now extended the time allowed for cross motions in the case. ●

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GREAT BEAR SALE

south of the Prudhoe Bay and Kuparuk oil fields.

Pantheon Resources Plc launched a share issue to raise $16 million, plus expenses, to help fund the acquisition and related exploration activities.

The purchase consideration for the Great Bear subsidiaries, which involves shares to the Great Bear parent, valued the assets at around $49 million, being close to 49 percent of the value of the combined entities, pre-capital raising, market reports said.

Exploration investment this winter

Pantheon, which holds a 50 percent working interest in four projects in Tyler and Polk counties in East Texas, will use some of the funds to drill a sidetrack to its VOBM No. 1 discovery well there. The well, Pantheon said, was compromised last year by collapsed casing, having flow-tested at daily rates of 6,000 mcf of natural gas and 500 barrels of oil.

The funds raised will largely be used to finance exploration activities in Alaska where the acquired acreage has "an estimated P50 technically recoverable resource (gross) of 2 billion barrels oil" in which $200 million has been invested to date, including more than 1,000 square miles of 3-D seismic, per market reports based on statements by Pantheon and Arden Partners Plc, the nominated adviser and broker to Pantheon. The acreage reportedly contains two discovery wells with six hydrocarbon bearing zones.

This year Alaska exploration will include a flow test of Great Bear's 2015 Alkaid well, plus participation in the Winx 1 exploration well.

Pantheon will have a 75 percent working interest in the Alkaid well and a 10 percent interest in Winx.

One block of Great Bear leases lies to the south of the Colville River unit and the village of Nuiqsut. The four contiguous state leases line up with the trend of recent major oil discoveries by ConocoPhillips and Armstrong/Repsol to the north and are underlain by Nanushuk sandstones.

Management to include Galvin, Gobe

Pantheon's chief executive officer is Jay Cheatham, manager of the company's Alaska subsidiary per Alaska Department of Commerce records.

At a Jan. 14 annual general meeting, in which a resolution to move forward with the Great Bear deal was approved, Phillip Gobe, a Pantheon executive director, was advanced to chairman. Gobe has more than 40 years' experience in the U.S. and international oil and gas industry, including several senior positions with ARCO, such as operations manager of ARCO Alaska Prudhoe Bay. Currently Gobe is a non-executive director of former Alaska operator Pioneer Natural Resources and Scientific Drilling International, a provider of directional drilling and measurement equipment and operational services.

According to market reports when the acquisition closes Patrick Galvin, currently Great Bear's chief commercial officer and general counsel, will assume similar titles and duties for Pantheon.

At that time Pantheon also intends to appoint Robert "Bob" Rosenthal BSc, as technical director. Rosenthal, one of Great Bear's five founding principals with former Great Bear President and COO Ed Duncan in 2010, also served as vice president of new ventures. Their goal had been to develop the source rock potential of the North Slope. Rosenthal gained insights into North Slope petroleum systems while working at BP/Sohio during the early 1980s.

Under the sales and purchase agreement, Great Bear has the right to appoint two non-executive directors to Pantheon's board, subject to regulatory approval. Market reports said Great Bear intends to name Carl Williams and Jeremy Brest who are members of Great Bear and Ursa Major Holdings LLC respectively, which together own and control Great Bear.

Williams is a managing director of Riverstone and co-head of Riverstone Power.

A private equity group, Riverstone's involvement with Great Bear seems to have begun in 2012, the year before the Alaska Division of Oil and Gas first approved the transfer of a 25 percent working interest and 20.83 percent royalty interest in 30 Great Bear leases to Red Technology Alliance LLC, a joint venture between Riverstone Holdings LLC and Halliburton Energy Services LLC that invests in upstream energy projects amenable to Halliburton technologies. ●

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Oil Patch Bits

New Antarctica service puts Lynden on all continents

COURTESY LYNDEN

Lynden Air Cargo said Jan. 11 that is providing service to an Italian Antarctic expedition team and is now on all continents. "Antarctica was the final continent on our checklist," said Lynden Air Cargo President Rick Zerkel. "Now we can cross it off." Lynden Air Cargo has joined a short list of operators that serve all seven continents by starting a new project in support of an Italian Antarctic expedition team doing research on the icy land mass.

The month-long mission lasted from Oct. 30 through Nov. 30 and involved carrying supplies from Christchurch, New Zealand, to Italian base Mario Zucchelli Station and Phoenix Field at McMurdo Station, the U.S. base in Terra Nova Bay, Antarctica. According to Lynden Air Cargo captain Pat Madland, Terra Nova Bay is about 2,000 miles and 7 hours from Christchurch, and Phoenix Field is 300 miles farther south and about 8 hours flying time. "This was accomplished with an augmented crew to allow for rest," Madland explained. "We also carry a loadmaster and mechanic." The whole operation requires nine people on the ground in Christchurch.

"This high-profile project illustrates Lynden Air Cargo's capabilities in remote locations," said Adam Murray, director of business development and marketing. "With 98 percent of the continent covered in ice, there are no cities or villages. This is another addition to our capabilities and we hope to provide this service next year and on an ongoing basis if possible."

The flight crew included captains Pat Madland and Thomas Lindberg, first officer Josh Havel, flight engineers Bill Spencer, Clint Swanson and John Worley, loadmaster Leonel Lopez and aircraft mechanics Travis Blaszak and Dan Spears.

Companies involved in Alaska's oil and gas industry

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

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SABLE PROJECT

2002, before sliding to 366 million cubic feet per day in 2006, with ExxonMobil conceding in 2012 had fallen to 65 percent of normal levels.

By then ExxonMobil had abandoned any hopes of meeting the originally targeted 25-year lifespan.

SOEP was estimated to contain sales gas reserves of 3.5 trillion cubic feet, but that were rapidly scaled back to 970 billion cubic feet from four fields from 16 wells, while water production increased at twice the rate that natural gas production was decreasing.

Success for Nova Scotia

Regardless of the setbacks, Nova Scotia's Energy and Mines Minister Derek Mombourguette rated the SOEP as an economic and employment success.

His government said it received nearly C$4 billion in taxes, while the project invested tens of millions of additional dollars in local research, training and education for young people.

Ray Ritcey, chief executive officer of the Maritimes Energy Association, said the story of the SOEP was one about the "people involved in the project," many of whom developed significant careers to support their families and communities, some of them taking that expertise to global ventures.

Larry Hughes, an engineering professor at Dalhousie University, told Global News the SOEP "proved far more complex than what was expected ... by 2010, the writing was on the wall, and Sable was in decline."

Robin Tress of the Council of Canadians wondered how much government royalty money would go towards decommissioning the project.

"The fact that we're on the hook for the decommissioning costs of Sable shows again that (the Canada-Nova Scotia Offshore Petroleum Board) that is supposed to govern and regulate offshore drilling is doing so in favor of the industry and not the people of Nova Scotia."

The Nova Scotia government said the decommissioning costs, expected to last through 2019, will be paid by ExxonMobil, deducted from the royalties it owes, but those numbers will not be made public.

—GARY PARK

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AOGCC HEARING

ing parts of the well house. The latest incident happened on Dec. 12, 2018, when gas with an oil mist escaped from the head of well 02-02 on the same drill site. BP is still investigating the cause of that leak, which released about 750,000 cubic feet of gas and two gallons of oil.

In its Feb. 7 hearing AOGCC wants BP to review its findings and actions relating to the two leakage incidents, and the steps that the company is taking to prevent similar incidents in the future. The agency also requires more general information from the company about steps it is taking to monitor and prevent any well integrity problems at Prudhoe Bay.

"We are of course working with the state to address the concerns and doing everything we can to get them the information they're requesting for the hearing," BP spokeswoman Megan Baldino told Petroleum News Jan. 15.

Permafrost subsidence

BP determined that the leak in 2017 had resulted from subsidence of the permafrost that surrounded the well, in a situation involving an old three-casing well design in which the bottom of the surface casing was located above the base of the permafrost. It appears that hot fluids in the well had melted some of the surrounding permafrost, thus reducing the permafrost load on the surface casing.

Following its investigation in 2017, BP shut in 14 wells that have the same casing design as the well that failed. The company initiated a risk assessment of those wells and of nine other wells that had a three-casing design, but with the bottom of the surface casing below the permafrost. The company also undertook surveying of permafrost subsidence at Drill Site 2. The shut-in wells included the 02-02 well that has now leaked — according to information supplied to AOGCC by BP, the company has been in the process of plugging and abandoning that well.

AOGCC concurred with BP's assessment of the cause of the 2017 incident and issued an emergency order requiring all North Slope operators to shut in wells of a similar design to the 02-03 well by the end of that year.

BP has now told the commission that it has identified eight additional wells that have surface casings set in the permafrost — one of these wells has been plugged, one is not operable and the remainder have been declared operable following engineering reviews. Two additional wells with surface casing set right at the base of the permafrost were made not operable.

In response to the latest fluid leakage incident, AOGCC has ordered that any further work done on the 14 wells of suspect design will require written approval from the commission, rather than using permitting guidelines for the wells. The commission has also ordered that these wells be plugged immediately, and that they be plugged and abandoned by the end of 2019. Within the first 90 days of 2019 BP must provide evidence that the wells have been securely plugged, that they have passed mechanical integrity tests, and that well tubing and annuli contain fluids "that will overbalance the reservoir."

Further information required

During the Feb. 7 hearing the AOGCC will require a review by BP of the well 02-03 and 02-02 incidents, with BP's assessment of how to prevent similar incidents in the future. The commission also wants information regarding permafrost subsidence management in the Prudhoe Bay unit, and on work conducted to understand the well leakage incidents and to prevent similar events. And the commission seeks information about any permafrost subsidence issues throughout the unit, about any wells that have failed integrity tests as a result of subsidence, and about BP's subsidence surveillance program. BP must also provide information about its well long-term shut in program, the commission has said.

—ALAN BAILEY

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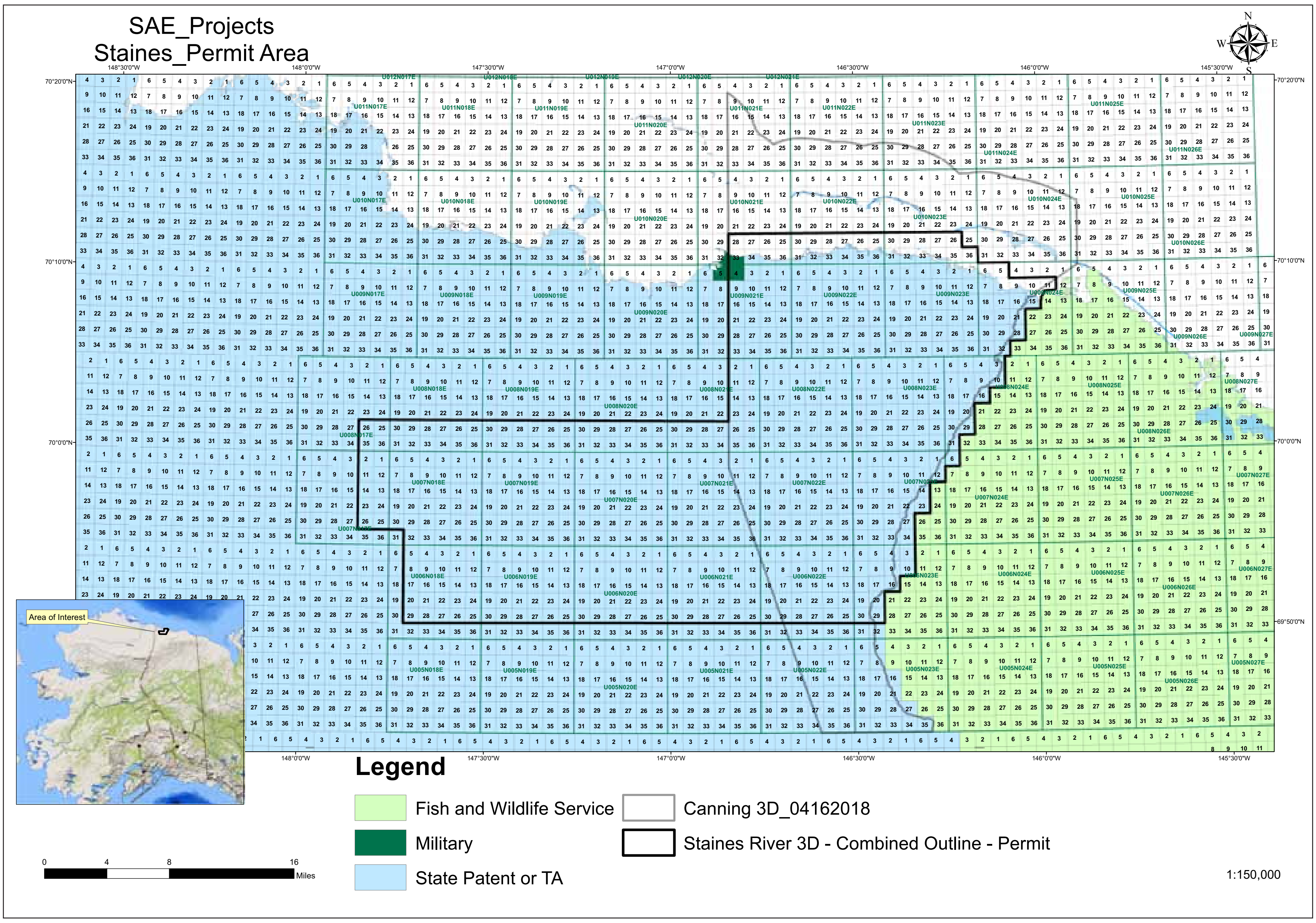

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SEISMIC PERMIT

The survey will be conducted during the 2018-19 winter season, consistent with the tundra travel opening, which means soil temperatures and snow cover have meet the opening criteria of at least a 6-inch depth of snow and soil temperatures of minus 5 C or below at a 30-centimeter depth.

SAE's five-month permit is effective Dec. 31 to May 31.

Equipment staged at Deadhorse

SAE will stage equipment from existing facilities in Deadhorse. An unincorporated community, Deadhorse, accessible via the Dalton Highway and the Deadhorse Airport, consists mainly of facilities for oilfield workers and firms that have contracts with the oil companies that operate North Slope oil fields.

SAE's camp and equipment will be trucked via road to a point of access to the tundra or sea ice. The crews will mobilize to existing gravel pads that will allow access to the tundra and provide a resupply area for them.

Tracked tundra vehicles will be used to transport the

SAE will stage equipment from existing facilities in Deadhorse. An unincorporated community, Deadhorse, accessible via the Dalton Highway and the Deadhorse Airport, consists mainly of facilities for oilfield workers and firms that have contracts with the oil companies that operate North Slope oil fields.

sled camp along the tundra. The advanced camp will remain close to the survey activities and will move every 2-5 days depending on the survey progress and snow cover.

Snow-packed trails

Per the permit, snow packed trails will be established within the project area to consolidate travel routes for crew travel and resupply activities. The location of the trails will depend on snow coverage, existing rolligon routes and terrain conditions.

SAE will be coordinating with oilfield operators to utilize existing or planned trails within the project region where possible.

The survey units will be equipped with ground penetrating radar systems.

If SAE encounters floating river ice that will not safely support the weight of some equipment, it will work with the Alaska Department of Fish and Game to permit activities necessary to apply water to increase the thickness of the ice to establish temporary river crossings.

Seismic operations will be conducted with 12 rubber-tracked or buggy vibrators utilizing a random source driven acquisition method combined with a compressive sensing design.

Up to 48 receiver (geophone) lines will run perpendicular to source lines at a minimum spacing of 660 feet. Multiple vibrators may perform data collection simultaneously with a spacing of approximately 1,320 feet.

Receivers will be transported between locations using a low ground pressure Tucker Sno-Cat or snow machine. Vibrators will only operate on sufficiently snow-covered tundra or grounded sea ice.

SAE has to submit weekly reports to the Division of Oil and Gas summarizing its activities and location.

The director of the division has the right to amend or modify any provisions of the permit or to revoke it at any time.

—KAY CASHMAN

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AGDC CHANGES

begin his new position on a full-time basis in mid-February after a transition period.

"Joe has the right experience to advance AGDC's mission of commercializing Alaska's vast but stranded North Slope gas supply for the benefit of all Alaskans, including access to affordable, cleaner, reliable energy and new revenue to fuel Alaska's future," AGDC board Chair Doug Smith said in the statement.

Meyer was named AGDC president in June 2016 and led the corporation's efforts under Gov. Bill Walker to base a state-owned Alaska LNG project on sales to China, with Chinese entities providing project financing in exchange for LNG.

New board officers

The board has new officers, with Doug Smith its new chair.

Dave Cruz, previous board chair, is the only remaining member from the original board appointed by Gov. Sean Parnell in 2013; Christian and David Wight were named to the board by Walker.

Prior to holding an executive session, and then passing the resolution replacing Meyer with Dubler, the board had voted in the new slate of officers: Smith as board chair; Dan Coffey, vice chair; and Warren Christian, secretary and treasurer. Smith and Coffey were named to the board by Gov. Mike Dunleavy earlier in January, replacing two of the board's five public members, Hugh Short and Joey Merrick. Short had been vice chair of the board and Merrick had been secretary/treasurer.

Dave Cruz, previous board chair, is the only remaining member from the original board appointed by Gov. Sean Parnell in 2013; Christian and David Wight were named to the board by Walker.

Commercial update

The board heard updates from Lieza Wilcox, vice president commercial and economics, and Frank Richards, senior vice president of program management.

Wilcox said they started focusing on gas supplies in 2018, with the ultimate plan to purchase from North Slope producers and the state. AGDC has binding term sheet agreements with BP and ExxonMobil, she said, and has progressed discussions with ConocoPhillips — and with the state of Alaska through the Department of Natural Resources.

Negotiations are ongoing through the joint development agreement, which was recently extended for six months, Wilcox said. And letters of intent have been signed with other potential customers.

FERC has scheduled release of a draft environmental impact statement for the Alaska LNG project in February, with a final EIS in November.

(The JDA is the agreement signed in Beijing in November 2017 by the state, AGDC, China Petrochemical Corp. (Sinopec), CIC Capital Corp. and the Bank of China Ltd. to work toward an agreement for development of Alaska LNG with 75 percent of that LNG going to China, and a goal of definitive agreements by the end of 2018.)

Wilcox said Goldman Sachs and the Bank of China were engaged as global capital coordinators and the finance model had been reviewed by Goldman Sachs. She said the equity pitch book for the project is nearly complete.

Activities for 2019 include reaching royalty-in-kind contract terms with DNR; concluding gas supply agreements; pursuing definitive agreements for LNG sales; and raising strategic project equity, Wilcox said.

Technical, regulatory update

AGDC has responsibility for two natural gas projects.

The Alaska Stand Alone Pipeline, authorized by the Legislature in 2010, is an in-state gas pipeline designed to provide North Slope natural gas to Southcentral Alaska in a 36-inch pipeline with a lateral line to Fairbanks. The Southcentral line would tie into an Enstar line.

Richards said AGDC expects a joint record of decision for ASAP from the U.S. Army Corps of Engineers and the Bureau of Land Management in January after the partial federal government shutdown ends, allowing BLM to get back to work.

The Alaska LNG project includes a 48-inch diameter pipeline carrying North Slope gas to Nikiski where a liquefaction plant would be built, a line from Point Thomson and a gas treatment plant on the North Slope.

In 2014, under Gov. Sean Parnell, the Legislature authorized the state to take an equity position in an Alaska LNG project. That project, led by ExxonMobil, included BP, ConocoPhillips and TransCanada. The state bought out TransCanada in 2015 under Walker, who took over as governor in late 2014. In late 2016, early 2017, under Walker's leadership, the state took over the project after the producers declined to move ahead.

AGDC submitted an application to the Federal Energy Regulatory Commission for the combined pipeline and liquefaction project in April 2017 and since then has been responding to information requests from the agency. FERC has scheduled release of a draft environmental impact statement for the Alaska LNG project in February, with a final EIS in November. A record of decision would follow in February or March of 2020, Richards said.

FERC is not impacted by the federal shutdown, he said, and AGDC has received no indication from FERC that it will impact the schedule.

Funding for continued work by AGDC is an issue, and the agency has stretched existing funding as much as possible. The board did not hear a finance report at its Jan. 10 meeting.

—KRISTEN NELSON

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