Petroleum news

page 3 EIA says increased CO2 this year not expected to hit pre-pandemic levels

Vol. 26, No. 33 • www.PetroleumNews.com A weekly oil & gas newspaper based in Anchorage, Alaska Week of August 15, 2021 • $2.50

PNG tough on Santos-OSH; Hendrix strikes back; Lance/Wulff quarrel?

THINGS COULD BE WORSE for oil and gas companies in Alaska: Upstream 8-8-21, "PNG government changes the rules again on offshore project …. Operator of Pasca project 'extremely disappointed' that agreed fiscal terms have been changed."

The State of Alaska is not changing the rules. Nor do Alaska's governor and the U.S. president demand what Papua New Guinea's Prime Minister James Marape is demanding before his government will approve the Santos/Oil Search merger. Marape said the deal must pass a "national interest test," including making the Pacific island the combined company's corporate

see **INSIDER** page 8

Final F&WS rule allows non-lethal incidental take to continue

The U.S. Fish and Wildlife Service has published regulations allowing the unintentional minor disturbance of polar bears and walruses during oil industry activities in the Beaufort Sea and the adjacent northern coast of Alaska for a period of five years, beginning on Aug. 5, 2021. The new regulations represent a continuation, albeit with modifications, of regulations that were applied for five years from Aug. 5, 2016. Referred to as incidental take regulations, the rules do not authorize any lethal take of the animals.

Fish and Wildlife says that in June 2020 the Alaska Oil and Gas Association, on behalf of its members and other participating

see **F&WS RULE** page 8

Pandemic impacts Chugach Electric sales, primarily in ML&P areas

The COVID-19 pandemic has significantly impacted sales of electricity by Anchorage based Chugach Electric Association, causing the utility to seek a means of ensuring that it can maintain adequate margins for its business. In a July 1 petition to the Regulatory Commission of Alaska the utility requested the commission to approve a modification to the terms of the agreement under which Chugach Electric purchased Municipal Light & Power in October 2020. The only other options, both undesirable, would be to increase electricity rates or to decouple profits from energy sales in rate setting, the utility told the commission.

Chugach Electric said that reduced electricity demand has resulted from both the impact of the pandemic and the

see **PURCHASE AGREEMENT** page 10

Alberta hydrogen project: Petronas & Itochu look at ammonia viability

Petronas, the Malaysian state-owned global powerhouse, is making fresh moves to expand its role in Canadian-based new-generation energy projects.

The Canadian division of the company that operates in 90 countries has confirmed it is teaming up with Japan's Itochu to explore the viability of building a US$1.3 billion petrochemical facility in central Alberta to produce low-carbon ammonia, a source of hydrogen fuel, for shipment to Asian markets.

The plan ties in with a stake Petronas acquired in Royal Dutch Shell's LNG Canada project in British Columbia after abandoning its own LNG plans.

The hydrogen project would be capable of producing 1 million

see **ALBERTA HYDROGEN** page 10

FINANCE & ECONOMY

Tug-of-war roils oil

Despite volatility, ANS price changes by only one cent in week of trading

By STEVE SUTHERLIN

Petroleum News

A vigorous tug-of war spurred a week of volatility in oil markets, but no clear winner emerged in the battle between COVID-19 delta variant fears and recovering demand for motor fuels.

Alaska North Slope crude pulled higher by 91 cents to close at $71.60 per barrel Aug. 11, staging a dramatic recovery from a $69.52 close on Aug. 9, but only a penny away from its Aug. 5 close of $71.61.

West Texas Intermediate and Brent saw similar price gyrations, but WTI notched a gain for the week. WTI rose 96 cents Aug. 11 to close at $69.25, $1.04 above its Aug. 5 close of $68.29. Brent rose 81 cents Aug. 11 to close at $71.44, six cents below its Aug. 5 close of $70.50.

WTI spent the week below $70, falling $1.80 to close at $66.48 on Aug. 9. While ANS and Brent closed below $70 Aug. 9, both held closing prices

The Biden administration is concerned that higher gasoline prices will run the U.S. economic recovery off the road, and it is asking The Organization of the Petroleum Exporting Countries and its allies including Russia for help.

see **OIL PRICES** page 6

EXPLORATION & PRODUCTION

Zamarello proven right

Pt. 2: 88 Energy Merlin 1 tests suggest bypassed deeper oil pay at Umiat

By KAY CASHMAN

Petroleum News

PAUL CRAIG

PETER ZAMARELLO

As reported in the Aug. 8 issue of Petroleum News, 88 Energy says studies done in conjunction with Merlin 1 post-well testing and analysis have confirmed additional upside oil potential in the Umiat oil field, which was the first oil field discovered on Alaska's North Slope and is a two-lease unit.

Merlin 1 was the exploration well 88 Energy drilled in Project Peregrine this past winter. The Umiat oil field is adjacent to the southern end of the Peregrine lease blocks.

Merlin 1 penetrated a thick section of deeper Grandstand sands that are also found in the Umiat unit reservoir.

1 2 SERIES

According to the U.S. Geological Survey the depth of the oil encountered in Umiat wells ranges from 250 feet to 1,350 feet. (This does not mean there is a 1,100-foot-thick column of oil. It means the range of depths over which the

see **UMIAT HISTORY** page 11

FINANCE & ECONOMY

Heading for the doors

Alberta oil sands exodus clears decks for round of consolidation among survivors

By GARY PARK

For Petroleum News

The 109th annual edition of the Calgary Stampede wrapped up in mid-July but the stampeding is far from over in Canada's oil sands headquarters.

In fact it's rapidly turning into a year-long event as doors slam for the last time in many of the city's downtown head offices, driven mostly by a scramble among entities of various sizes to bail out of northern Alberta's oil sands region.

They are caving in to pressure to reduce or eliminate their carbon emissions and their inability to attract investment capital.

A report by Veritas Investment Research estimates the oil sands assets up for sale carry a potential price tag of C$13.4 billion.

And that list is rumored to be growing as state-backed Japan Canada Oil Sands, JACOS, prepares to seek a buyer for its 75% stake in the Hangingstone oil sands project that averages output of 23,000 barrels per day. The other 25% of the facility is held by Beijing-based CNOOC.

A report by Veritas Investment Research estimates the oil sands assets up for sale carry a potential price tag of C$13.4 billion.

see **OIL SANDS EXODUS** page 10

● EXPLORATION & PRODUCTION

US rotary rig count gains 3, now at 491

By KRISTEN NELSON

Petroleum News

After dropping by three the week ending July 30, the Baker Hughes U.S. rotary drilling rig count gained back three rigs and was at 491 the week ending Aug. 6, up by 244 from 247 a year ago.

When the count bottomed out at 244 in mid-August last year, it was not just the low for 2020, but the lowest the count has 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, where it remained through mid-March, 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 when it gained back 10 rigs.

The Aug. 6 count includes 387 rigs targeting oil, up two from the previous week and up 211 from 176 a year ago, with 103 rigs targeting gas, unchanged from the previous week and up by 34 from 69 a year ago, and one miscellaneous rig, up by one from the previous week and down by one from a year ago.

Twenty-seven of the rigs reported Aug. 6 were drilling directional wells, 449 were drilling horizontal wells and 15 were drilling vertical wells.

Alaska rig count unchanged

Wyoming (16) was up three rigs from the previous week.

New Mexico (75) and Oklahoma (31) were each up by one rig.

California (5) and Texas (229) were each down by a single rig. Rig counts in all other states were unchanged from the previous week: Alaska (5), Colorado (11), Louisiana (48), North Dakota (19), Ohio (11), Pennsylvania (19), Utah (10) and West Virginia (10).

Baker Hughes shows Alaska with five rigs active Aug. 6, unchanged from the previous week and up two from a year ago, when the state's count stood at three.

The rig count in the Permian, the most active basin in the country, was unchanged from the previous week at 243 and up by 121 from a count of 122 a year ago.

International count down by seven

Baker Hughes has reported the international rig count monthly since 1975. International rigs exclude North America, a count included in the company's worldwide

see RIG COUNT page 3

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ON THE COVER

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● FINANCE & ECONOMY

EIA sees increase in energy-related CO2

Agency forecasts decrease in domestic natural gas use, with less electricity generated from gas because of 87% gas price increase

By KRISTEN NELSON
Petroleum News

A highlight of the U.S. Energy Information Administration's August Short-Term Energy Outlook is a forecast that the U.S. will see a 7% increase in 2021 in energy-sector carbon dioxide emissions as economic activity increases.

This follows a 11% drop in energy-related CO2 emissions in 2020, EIA said in the Aug. 10 release, with the 7% expected increase this year expected to bring the emissions to 4.9 billion metric tons this year.


STEVE NALLEY

Because of a significant increase in the amount of electricity generated by coal this year, EIA expects coal-related CO2 emissions to increase by 17%.

"Despite significant growth in energy-related CO2 emissions as the U.S. economy opens up, we don't see these emissions returning to pre-pandemic levels, at least in the short term," said EIA Acting Administrator Steve Nalley.

U.S. gross domestic product, which declined by 3.5% in 2020 from 2019 levels, continues to rise, EIA said, and is expected to grow by 6.6% this year and by 5% in 2022.

Brent forecast stable for this year

Brent crude oil spot prices averaged $75 per barrel in July, EIA said, up $2 per barrel from June and up $25 per barrel from the end of 2020. "Brent prices have been rising this year as a result of steady draws on global oil inventories," the agency said. It expects Brent to remain near current levels through the remainder of the year, averaging $72 per barrel from August through November, but falling to an average of $66 per barrel in 2022, based on continuing growth in OPEC+ production and accelerating growth in U.S. tight oil production and other supplies, which will outpace decelerating global oil consumption growth and contribute to a decline in Brent.

EIA estimates global petroleum and liquid fuels consumption at 98.8 million barrels per day in July, up 6 million bpd from July 2020 but still down 3.4 million bpd from July 2019.

Global consumption is forecast to average 97.6 million bpd this year, up 5.3 million bpd from 2020, and to increase by 3.6 million bpd to average 101.2 million bpd in 2022.

OPEC crude oil production is forecast to average 26.5 million bpd this year, up from 25.6 million bpd in 2020, and to increase from an average of 25 million bpd in April to an average of 27.1 million bpd in the third quarter. "Our expectation of rising OPEC production is primarily based on our assumption that OPEC will raise production through the end of 2021 in line with targets it announced on July 18," EIA said. It expects OPEC production to average 28.7 million bpd next year.

EIA said its most recent monthly data for U.S. crude production, for May, was 11.2 million bpd. The agency expects relatively flat production through October, then beginning to rise in November and December and through 2022, with 2022 U.S. production forecast to average 11.8 million bpd, up for a 2021 average of 11.1 million bpd.

Natural gas

The Henry Hub spot price for natural gas averaged $3.84 per million British thermal units in July, up from a June average of $3.26. Henry Hub is expected to average $3.71 per million Btu in the third quarter and $3.42 for all of 2021, up from a 2020 average of $2.03 per million Btu.

EIA said higher Henry Hub prices this year reflect a growth in liquefied natural gas exports and rising domestic gas consumption for sectors other than electric power. Henry Hub is expected to average $3.08 per million Btu next year, "amid rising U.S. natural gas production," the agency said.

U.S. natural gas consumption is expected to average 82.5 billion cubic feet per day this year, down 1% from 2020, "in part, because electric power generators switch to coal from natural gas as a result of rising natural gas prices."

U.S. dry natural gas production is expected to average 92.9 bcf per day during the second half of the year, up from 91.4 bcf in the first half, and then rise to 94.9 bcf per day next year, "driven by natural gas and crude oil prices, which we expect to remain at levels that will support enough drilling to sustain production growth," EIA said.

Pipeline and LNG natural gas exports increased in July from 17.8 bcf per day in June to 18.2 bcf per day in July. Production of dry natural gas decline slightly form 92.7 bcf per day in June to 92.5 bcf per day in July, prompting an increase in the Henry Hub price.

"The 17.9% increase in the Henry Hub price from June to July is the largest month-on-month percentage change for June to July since 2012, when the price increased 20.3%," EIA said.

Carbon Dioxide

EIA said it estimates that U.S. energy-related CO2 emissions decreased 11% in 2020 because less energy was consumed with reduced economic activity and responses to COVID-19. Energy-related CO2 emissions are forecast to increase this year by 7% from 2020 levels "as economic

see **EIA OUTLOOK** *page 4*

GOVERNMENT

Some revisions to Rendezvous orders

The Alaska Oil and Gas Conservation Commission has issued amended orders for the Rendezvous oil pool in response to a letter from operator ConocoPhillips Alaska requesting reconsideration.

Some of the requested changes appeared more significant, including:

ConocoPhillips said while it is correct that ConocoPhillips Alaska is the sole working interest owner at the Greater Moose's Tooth unit and the Bear Tooth unit, the commission added an area outside the GMTU to the Rendezvous oil pool, and that area includes unleased acreage and acreage owned by Oil Search.

The company also asked for a correction in a finding that both gas and water contacts have been encountered within the Rendezvous oil pool. The company said only a gas-oil contact has been directly encountered. No water contact has been encountered within the oil pool.

The only proposed change rejected by the commission was a request that a requirement to begin enhanced recovery within 12 months of the order be changed to make the beginning of enhanced recovery continent on "good reservoir management practices."

Chair Jeremy Price, writing for the commission, said that since ConocoPhillips testified injection would begin simultaneously with production and since the plan is for startup later this year, the commission saw no reason for that change, but would revise the requirement if conditions change between now and the end of the year.

The GMT and Bear Tooth units are in the National Petroleum Reserve-Alaska. ConocoPhillips began production at GMT1, the first pad in GMTU, in October 2018. GMT1 produces from the Lookout oil pool.

Drilling has begun at the GMT2 pad, which will produce from the Rendezvous oil pool, and the company has said it expects GMT2 to be in production by the end of the year.

—KRISTEN NELSON

continued from page 2

RIG COUNT

figures.

The international rig count for July, 751, was down by seven rigs from a June count of 758, with land rigs up by three to 575 and offshore rigs down by 10 to 176. The international count is up eight rigs from 743 a year ago, with land rigs up 15 and offshore rigs down seven.

For July, the U.S. rig count averaged 484, up 20 from June's count of 464 and up 229 year-over-year.

The average rig count for Canada was 145 in July, up 42 from June's count of 103 and up 113 year-over-year.

The worldwide count, international and North America combined, was 1,380 in July, up 55 from 1,325 in June and up 350 for 1,030 in July 2020. The U.S. accounts for the largest number of rigs worldwide, 484 in July, followed by the Middle East at 263, Asia Pacific at 187, Canada at 145, Latin America at 134, Europe at 99 and Africa at 68. ●

Contact Kristen Nelson at knelson@petroleumnews.com

● PRODUCERS MAGAZINE PREVIEW

AIX perseveres with Kenai Loop production

Small natural gas field went into production in 2012; company said in 2020 it had an estimated 5 years of remaining economic life

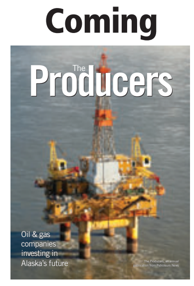
By KRISTEN NELSON

Petroleum News

AIX Energy acquired the Kenai Loop natural gas field after Buccaneer Energy went bankrupt in 2014. AIX was Buccaneer's largest secured creditor and agreed to be the stalking horse bidder in the 2014 bankruptcy sale, setting the lowest acceptable price and assuring that the field did not fall prey to an unreasonably low bidder in the bankruptcy sale.

In the seventh plan of development and operations for Kenai Loop, effective May 7, 2021, through May 6, 2022, AIX said it became field operator on Nov. 10, 2014, retroactively effective to Oct. 1 of that year. AIX finalized lease agreements with the stakeholders in the field — the Alaska Department of Natural Resources, Cook Inlet Region Inc. and the Mental Health Trust Land Office — in February 2015.

Coming



November 2021

The field, east of the Kenai Airport in the Kenai Industrial Park, had cumulatively produced 24.8 billion cubic feet of natural gas, 2,800 barrels of condensate and 10,221 barrels of water as of the end of June 2021, according to Alaska Oil and Gas Conservation Commission data.

The field produces from a single drill pad, KL-1. A second pad was constructed in 2012, AIX said, but was never used in operations, and AIX decommissioned that pad in June 2017, returning the surface lease to the Trust Land Office.

Drilling by Buccaneer

There are four wells at the field, AIX said in its seventh plan of development and operations, all drilled by Buccaneer: KL 1-1 (the field discovery well, drilled in 2011, flowed 10 million cubic feet per day from the 9,700-foot Tyonek sand) is an active producer; KL 1-2 (drilled in 2011 and reported as a dry hole) is temporarily suspended and has possible future use as a disposal well; KL 1-3 (drilled in 2012, a 9,700-foot sand producer, 300 feet structurally deeper than the KL 1-1 discovery well) is an active producer; and KL 1-4 (drilled in 2013, in 9,700-foot sand, 100 feet shallower than KL 1-1; tested at 2.5 million cubic feet per day, but was determined to be in the same reservoir as KL 1-1 and KL 1-3; has been used to monitor reservoir pressure) a shut-in producer which is not tied into the production system.

Buccaneer also completed a 23 square mile 3D survey at Kenai Loop in 2012.

A field production chart from startup in 2012 indicates that field production peaked in 2016 at more than 11,000 thousand cubic feet, mcf, per day. In June of this year the field averaged 4,105 mcf per day. KL 1-1 averaged 2,800 mcf per day and KL-3 averaged 1,305 mcf per day.

Current plans

AIX said its marketing goal is to continue to pursue gas sales opportunities, aligning with existing and future production, while maintaining price discipline. It said that on April 1, 2021, it "will begin selling all gas volumes to a single purchaser under a one year 'Firm as Available' contract."

The company it will evaluate tying KL 1-4 to the production system for increased deliverability and to provide redundancy to meet firm gas sales obligations "and to possibly increase ultimate recovery." This is the well, determined to be in the same reservoir as current producers KL 1-1 and KL 1-3, which is currently a shut-in producer used to monitor reservoir pressure.

AIX also is evaluating recompleting wells for additional deliverability.

A plant to obtain statis reservoir pressures on KL 1-1 and KL 1-3 during this plan year will "update the material balance estimates of gas in place and reserves." It requires a 72-hour field shutdown and AIX said it "will attempt to shelter the work during planned pipeline or facility maintenance." The company will be doing a workover, planned for the second quarter of 2021, on KL 1-1 to replace the subsurface safety value as required by AOGCC.

AIX said it has not identified any drilling opportunities at the field.

In 2013 DNR's Division of Oil and Gas denied a request by Buccaneer to unitize Kenai Loop and the field remains un-unitized.

Reserves data for Kenai Loop is confidential, but in February 2020 testimony to AOGCC on bonding requirements, Wendy Sheasby, the company's chief financial officer, said the remaining economic life of the field is five years. ●

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EIA OUTLOOK

activity increases and leads to rising energy use." Energy-related CO2 emissions are expected to rise again in 2022, but only by 1%.

Coal-related CO2 emissions declined by 19% last year and are expected to rise by 17% this year and then decline by 7% in 2022.

On the issue of coal vs. natural gas, EIA said although the price of natural gas has steadily increased since March, approaching $4 per million Btu, its share of fossil-fuel generation has remained above 60%. Even when Henry Hub prices were at their highest this year, in July, natural gas accounted for 61% of fossil-fuel generation vs. coal at 39%.

"This difference is partially because of a longer-term trend of decreasing capacity for coal-fired electricity generation and increasing natural gas-fired capacity. Capacity for coal-fired generation has decreased every year since 2011, and natural gas-fired capacity has increased every year since at least 2009," EIA said. ●

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

OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 26, No. 33 • Week of August 15, 2021
Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518
(Please mail ALL correspondence to:
P.O. Box 231647 Anchorage, AK 99523-1647)
Subscription prices in U.S. — $118.00 1 year, $216.00 2 years
Canada — $206.00 1 year, $375.00 2 years
Overseas (sent air mail) — $240.00 1 year, $436.00 2 years
"Periodicals postage paid at Anchorage, AK 99502-9986."
POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

EXPLORATION & PRODUCTION

Hilcorp to place 120 new VSMs at Prudhoe

The Alaska Department of Natural Resources' Division of Oil and Gas has approved requests by Hilcorp North Slope, the Prudhoe Bay unit operator, and by Kuparuk River unit operator ConocoPhillips Alaska, to amend existing unit plans of operations.

At Prudhoe, Hilcorp requested approval to install 120 new vertical support members.

In an Aug. 9 approval the division said the new VSMs will "provide additional support to existing pipeline structure" at Prudhoe from Flow Station 1 to the Central Compression Plant. The VMSs support various flowlines.

VSMs will be installed with a vibratory hammer and there will be no slurry or discharge to the tundra, the division said.

The VSMs will be driven to a depth of 39 feet, with work occurring from existing roads and pads. There will be only foot traffic on tundra.

"The purpose of this project is to mitigate and maintain the infrastructure and integrity of the flowlines running from FS1," the division said. Work is expected to begin in August and be completed by December.

Also at Prudhoe, the division on Aug. 2 approved a Hilcorp North Slope operations plan amendment to install a new 30-foot by 40-foot storage building on skids on the CC2 Pad at Prudhoe. The division said the project will increase storage capacity at CC2 and will take place entirely within the existing gravel pad. The CC2 Pad is some 13 miles northwest of Deadhorse.

At Kuparuk, operator ConocoPhillips Alaska requested authorization "to install a tiltmeter array" near Drill Site 3S at Kuparuk. The division said 35 boreholes, 8-inches in diameter, would "be advanced to 20 feet below the ground surface using a geotechnical drill rig." The tiltmeter monitoring equipment would be installed with an insulated battery pack near the surface.

"After data is collect, the monitoring equipment will be retrieved and the casing will be removed from the ground" and the boreholes backfilled.

The division said the project, scheduled to begin Sept. 1 and be completed by April 30, 2022, will enable ConocoPhillips to monitor well development at Drill Site 3S.

—PETROLEUM NEWS

Congratulations

Congratulations Alyeska!

Alyeska Pipeline Service Co. wins wildlife award from USFWS

On July 21, the U.S. Fish and Wildlife Service recognized Alyeska Pipeline Service Co. with an Outstanding Partner Award for contributions made by Alyeska to the conservation of natural resources in Alaska, where it operates the Trans-Alaska Pipeline System, which includes the 800-mile trans Alaska oil pipeline.

"We are humbled and honored to be recognized with this environmental award from the U.S. Fish and Wildlife Service," said Alyeska President Brigham McCown. "Our people are innovative, collaborative, and at the top of their game. Environmental stewardship.

Alyeska personnel Ken Wilson and Stacia Miller were part of a multi-stakeholder effort to revise the Wildlife Protection Guidelines for Oil Spill Response in Alaska, a guidance document for minimizing the impacts of oil spills and response activities on wildlife.

Brigham McCown

Acuren
AES Electric Supply, Inc
Afognak Leasing LLC
Ahtna, Inc.
Airport Equipment Rentals
Alaska Communications
Alaska Dreams
Alaska Frontier Constructors (AFC)
Alaska Fuel Services
Alaska Marine Lines
Alaska Materials
Alaska Railroad
Alaska Steel Co.
Alaska Textiles
Alaska West Express
Arctic Controls
ARCTOS Alaska, Division of NORTECH
Armstrong
ASTAC (Arctic Slope Telephone Assn. Coop, Inc)
AT&T
Avalon Development
Bombay Deluxe
BrandSafway Services
Brooks Range Supply
Calista Corp.
Caltagirone Legal, LLC
ChampionX
Coffman Engineers
Colville Inc.
Computing Alternatives
CONAM Construction
Construction Machinery Industrial (CMI)
Cook Inlet Tug & Barge
Cruz Construction
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EEIS Consulting Engineers, Inc.
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NANA Management Services (NMS)
NANA Worley
NEI Fluid Technology
Nordic Calista
North Slope Borough
North Slope Telecom
Northern Air Cargo
Northern Solutions
Oil Search
PND Engineers, Inc.
PRA (Petrotechnical Resources of Alaska)
Price Gregory International
Raven Alaska – Jon Adler
Resource Development Council
SALA Remote Medics
SeaTac Marine Services
Security Aviation
Shoreside Petroleum
Soloy Helicopters
Sourdough Express
Strategic Action Associates
Tanks-A-Lot
US Ecology Alaska
Weston Solutions
Udelhoven Oilfield System Services Inc.
Wolfpack Land Co.
Worley
Yukon Fire Protection

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OIL PRICES

above $70 for the rest of the week.

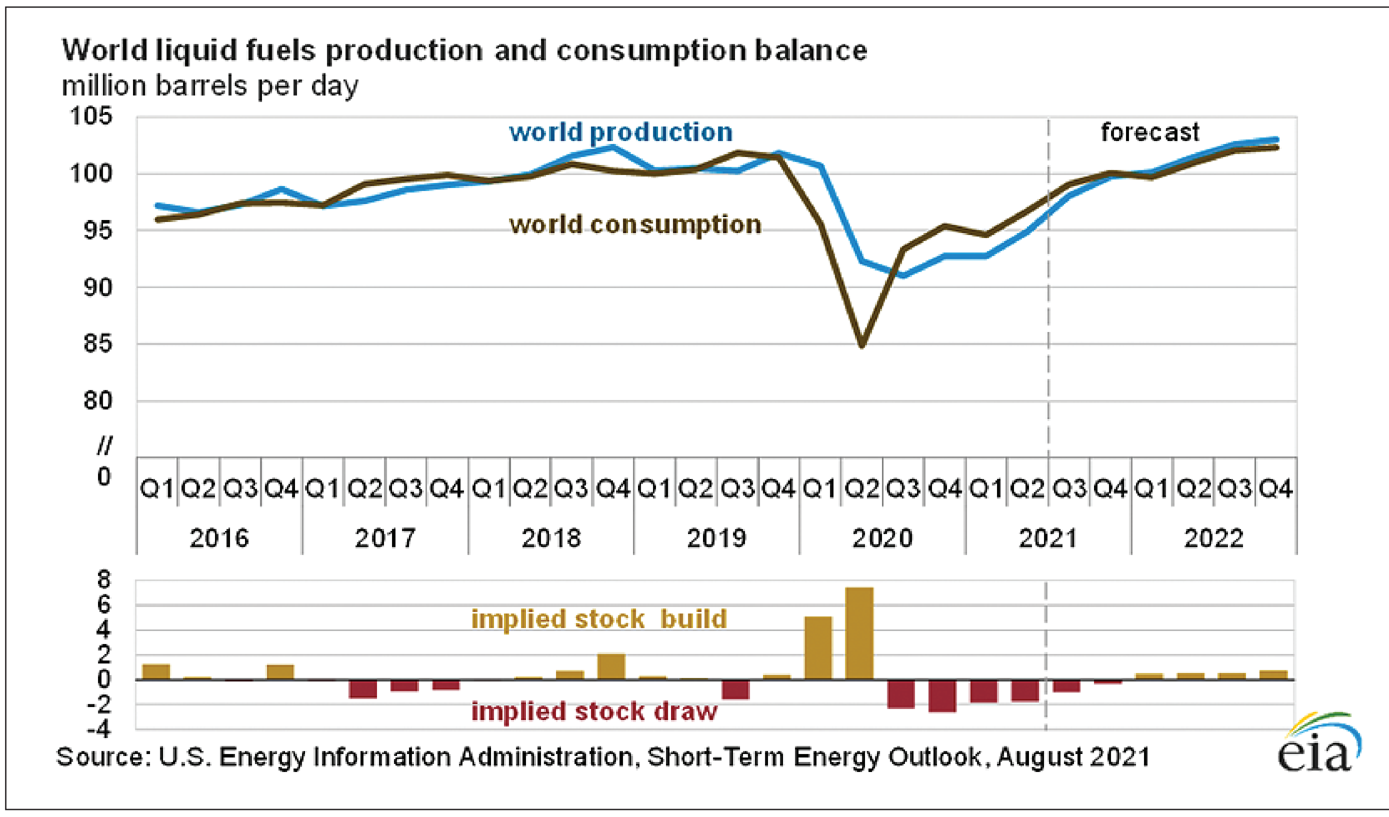
August trading began with three-day swoon that pulled ANS and Brent out of the upper $70s. On Friday July 30, ANS closed out the month at $75.87, and Brent closed at $76.33. On Aug. 4 ANS closed at $70.61, and Brent closed at $70.38.

Brent crude oil spot prices averaged $75 per barrel in July, according to the U.S. Energy Information Administration.

The EIA expects Brent prices to remain near current levels for the remainder of 2021, averaging $72 from August through November, it said in its short-term energy outlook released Aug. 10.

"In 2022, we expect that continuing growth in production from OPEC+ and accelerating growth in U.S. tight oil production — along with other supply growth — will outpace decelerating growth in global oil consumption and contribute to Brent prices declining to an average of $66 in 2022," the EIA said.

The EIA said its latest estimates show that gasoline consumption in May through July was higher than previously expected, with growth in employment and increasing mobility leading to rising gasoline consumption so far in 2021. The EIA expects the trend continue into next year, with gasoline consumption to average almost 9 million barrels per day in 2022.



"However, our assumption that a relatively high share of the workforce will continue working from home next year compared with before the pandemic keeps our forecast gasoline consumption below the 2019 level of 9.3 million," the EIA said.

Biden administration knocks gas prices

The Biden administration is concerned that higher gasoline prices will run the U.S. economic recovery off the road, and it is asking The Organization of the Petroleum Exporting Countries and its allies including Russia for help.

"OPEC+ must do more to support the recovery," White House National Security Advisor Jake Sullivan said in a statement Aug. 11.

"Higher gasoline costs, if left unchecked, risk harming the ongoing global recovery," Sullivan said, adding that crude oil prices in 2021 have been higher than those at the end of 2019, before the onset of the pandemic.

Sullivan said the administration is engaging with relevant OPEC+ members on the importance of competitive markets in setting prices.

"While OPEC+ recently agreed to production increases, these increases will not fully offset previous production cuts that OPEC+ imposed during the pandemic until well into 2022," he said. "Although we are not a party to OPEC, the United States will always speak to international partners regarding issues of significance that affect our national economic and security affairs, in public and private."

In a separate Aug. 11 press briefing, White House Press Secretary Jen Psaki said the outreach to OPEC+ is "ongoing and something that isn't new, as of today or even as of yesterday."

"It's meant to be a long-term engagement — consistent, long-term engagement, as we work to address not just anti-competitive behavior in the United States, but in the global marketplace as well," she said.

"But I'd also note that we know that they have supply that's available, that can be accessed, and that's what we're really referring to here."

When asked if there was anything U.S. producers can do to increase production or that the administration, would consider doing to make more U.S. oil, Psaki offered no specific examples.

"Well, that wasn't an ask we made," she said. "The point we have made in these communications is that we do have the sup- — we're not making a supply question here — or we're not posing a supply question domestically."

"Obviously, OPEC has its own unique role on the global marketplace," Psaki said. ●

Contact Steve Sutherlin at ssutherlin@petroleumnews.com

Congratulations

Hats off to ConocoPhillips & Hilcorp!

Congratulations ConocoPhillips and Hilcorp on re-starting drilling at Kuparuk and Prudhoe Bay.

As reported in the Aug. 1 issue of Petroleum News, in ConocoPhillips' 2021 plans of development for the participating areas at the Kuparuk River unit, drilling will resume with a workover rig in third quarter, followed by the coiled tubing rig in fourth quarter and rotary rig drilling in the second quarter of 2022. (Kuparuk drilling was halted in March of 2020 due to COVID-19 concerns.)

"After working through last year's market volatility and the pandemic, the theme for us this year has been Getting Back to Work, and we are full speed ahead," Erec Isaacson, president, ConocoPhillips Alaska, said at the June 30 RDC annual luncheon in Anchorage.

On July 15, Prudhoe Bay unit operator Hilcorp filed an amendment to its' plan of development for the Prudhoe western satellites saying it anticipates completing up to six new drill wells within the Orion PA, including up to three producers and one injector from the L pad and up to one producer and one injector from the Z pad.

"We are pleased to have support from our working interest partners to drill several Prudhoe Bay wells in the coming months," Luke Saugier, Hilcorp senior vice president, Alaska, said July 19. "The last year has been challenging but I'm proud of what our team accomplished, including increasing production at Prudhoe Bay. We look forward to working with our Prudhoe Bay partners, ConocoPhillips, ExxonMobil and Chevron, to continue to safely and responsibly develop Alaska's natural resources."

Erec Isaacson

Acuren
AES Electric Supply, Inc
Afognak Leasing LLC
Ahtna, Inc.
Airport Equipment Rentals
Alaska Communications
Alaska Dreams
Alaska Frontier Constructors (AFC)
Alaska Fuel Services
Alaska Marine Lines
Alaska Materials
Alaska Railroad
Alaska Steel Co.
Alaska Textiles
Alaska West Express
Arctic Controls
ARCTOS Alaska, Division of NORTECH
Armstrong
ASTAC (Arctic Slope Telephone Assn. Coop, Inc)
AT&T
Avalon Development
Bombay Deluxe
BrandSafway Services
Brooks Range Supply
Calista Corp.
Caltagirone Legal, LLC
Carlile Transportation
ChampionX
Coffman Engineers
Colville Inc.
Computing Alternatives
CONAM Construction
Construction Machinery Industrial (CMI)
Cook Inlet Tug & Barge
Cruz Construction
Denali Universal Services (DUS)
Doyon Anvil
Doyon Associated
Doyon Drilling
Doyon, Limited
EEIS Consulting Engineers, Inc.
EXP Energy Services
F. R. Bell & Associates, Inc.
Flowline Alaska
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GCI
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Guess & Rudd, PC
HDR Engineering, Inc.
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Inlet Energy
Inspirations
Judy Patrick Photography
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Matson
Nabors Alaska Drilling
NANA Management Services (NMS)
NANA Worley
NEI Fluid Technology
Nordic Calista
North Slope Borough
North Slope Telecom
Northern Air Cargo
Northern Solutions
Oil Search
Parker Drilling Company
PND Engineers, Inc.
PRA (Petrotechnical Resources of Alaska)
Price Gregory International
Raven Alaska – Jon Adler
Resource Development Council
SALA Remote Medics
SeaTac Marine Services
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Shoreside Petroleum
Soloy Helicopters
Sourdough Express
Strategic Action Associates
Tanks-A-Lot
US Ecology Alaska
Weston Solutions
Udelhoven Oilfield System Services Inc.
Wolfpack Land Co.
Worley
Yukon Fire Protection

continued from page 1

INSIDER

headquarters.

According to a recent story in The Australian, Credit Suisse predicted PNG "could use its merger approval as leverage to grab more value for the country, noting it has knocked back proposed deals in other sectors."

According to an Aug. 4 press release from his office Marape said: "Oil Search Limited is a prominent PNG company whose activities comprise a significant percentage of PNG's GDP and provides the livelihood to thousands of Papua New Guineans both directly and indirectly."

The prime minister not only wants that to continue, but to increase.

Marape said his government's top priority is to ensure that projects such as Papua LNG, Pasca A and Pn'yang are progressed as soon as possible; something he sees as doable with the merger of Santos and Oil Search into a bigger and better financed company.

"We do not wish for the largest oil and gas company operating in our country to simply be a branch office of a foreign company," Marape said.

John Hendrix strikes back

ON AUG. 9, A LAW 360 headline read: "Alaska Oil Co. Furie Execs Hit With $100M Suit In Texas."

JOHN HENDRIX

John Hendrix, who is the president, CEO and owner of the new Furie companies, thought the headline and story that followed were damaging to his firms.

He wrote to Law 360 the next day, saying "Your article implicates us! As the purchaser of the Furie companies you are causing great damage to us," adding that he and his people have spent the last year trying to repair the reputation of Furie.

"We are an Alaskan company; the old Furie was not owned by Alaskans," Hendrix wrote to Law 360. "This has nothing to do with the New Furie post-bankruptcy."

On Aug. 11, HEX Cook Inlet LLC sent out a press release explaining its position.

HEX Cook Inlet is a privately held Alaskan owned and operated independent oil and gas company, which is partly owned by Hendrix. It includes Furie Operating Alaska LLC, Cornucopia LLC and Corsair LLC.

"Law 360 has reported a $100 million lawsuit has been filed against the previous officers of Cornucopia Oil & Gas LLC and its wholly owned subsidiary Furie Operating Alaska LLC. Filed in Texas this lawsuit does not target HEX Cook Inlet LLC which purchased the Julius R platform and Kitchen Lights field assets in bankruptcy court in July 2021."

"In the past year, since acquiring Furie, we have made great inroads and have a vibrant gas field that continues to feed southcentral Alaska," said Hendrix, president and CEO of HEX. "The target of this lawsuit … are the previous officers and controlling parties of Furie. My company is not impacted, and we will continue to grow to meet the Alaska consumer needs."

The lawsuit was filed Aug. 6 by Clingman & Hanger Management Associates LLC, trustee of the Furie Litigation Trust. The suit alleged "the malfeasance of all the officers and controlling parties," forced Furie into bankruptcy where its assets — "previously valued at hundreds of millions of dollars" — were sold for "a mere $5 million."

Clingman & Hanger was established as trustee via a court order in Furie's Chapter 11 bankruptcy case, which was filed in the U.S. Bankruptcy Court for the District of Delaware on Aug. 9, 2019. That voluntary petition listed approximately $450 million in debt. The company said it planned to sell its assets, which it said had an estimated value of less than $50 million.

Some of the defendants named in the recent lawsuit and listed in Law 360's article as formerly associated with Furie, were Kay Rieck, described as the "de facto head of Furie"; Furie COO Thomas E. Hord; CFO David Elder; internal geologist and chief technical adviser Bruce Ganer; general counsel Michael Anthony Nunes and two law firms that employed Nunes; and Rieck-owned Helena Energy LLC, which the suit alleged was founded as the "natural gas marketing arm to Furie," and like all the other defendants, is connected to the former Furie operation.

"Rather than continuing to operate Furie in a manner intended to maximize its value, Rieck and certain defendants implemented a brazen scheme to divert Furie's cash to entities secretly owned by them," the suit contends. "Together, they caused Furie to drill for fictitious gas using a company they secretly owned, sell gas at a loss to Rieck-owned entities and pledge/transfer valuable tax credits to Rieck-owned entities without consideration."

The Aug. 6 lawsuit was filed in Texas District Court in Harris County.

Lance, Wulff phone tussle?

THE AUG. 8 PETROLEUM NEWS story "Pikka in play," suggested ConocoPhillips would be a likely buyer for Oil Search's Alaska acreage, especially the Pikka project and nearby leases where ConocoPhillips holds surrounding leases and infrastructure.

There has been no public indication from ConocoPhillips that it has an interest in acquiring any of operator Oil Search's North Slope acreage.

Santos, which will own Oil Search's assets if the merger is approved, has not previously expressed an intertest in Alaska.

But Ryan Lance, CEO and chairman of ConocoPhillips, has been clear that he is open to acquisitions, particularly near the company's existing operations.

According to an Aug. 10 article in The Australian that was based on unnamed sources, in late 2020 a "heated phone call" took place between then-Oil Search CEO Keiran Wulff and Lance about a potential buy-in to Pikka.

Without apparently understanding Pikka's value or Lance's skills as a level-headed businessman, the article said the phone call reduced "the chance of an equity stake being sold to the US giant and putting Oil Search on the back foot when Santos pounced" with its merger proposition.

Wulff "baulked at the terms, including giving up its position as operator of the asset known as Pikka, leaving the discussions at a stalemate. A tense discussion with Mr Lance over the impasse led to Mr Wulff questioning

see **INSIDER** *page 11*

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F&WS RULE

companies, had requested the preparation and issuance of the new regulations.

"The new regulations allow for oil and gas development to continue on the North Slope for the foreseeable future," said U.S. Sen. Lisa Murkowski, who had secured a commitment from Fish and Wildlife to publish the new regulations in a timely manner. "I thank the Fish and Wildlife Service, in particular their career staff, technical experts, and Assistant Secretary Estenoz, for conducting a robust public comment period and meeting the August deadline that we had previously established."

Permitting needed

Although, in broad terms, the regulations do allow the incidental take of the relevant marine mammals, the regulations do not remove the need for companies to obtain the relevant permits for proposed operations. For example, permits for industrial activities in the region covered by the new regulations are required from agencies that may include the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, the Bureau of Land Management and agencies of the State of Alaska. Permitting criteria include measures for environmental protection. Because polar bears are protected under the terms of the Endangered Species Act, any potential impact on the bears is subject to specific scrutiny during the permitting of industrial activities.

In addition, a company planning to conduct industrial activities in the region covered by the new regulations will apply to Fish and Wildlife for a letter of authorization for the incidental take of polar bears and walruses. Although an agency authorization for the incidental take of marine mammals is not strictly a legal requirement, a company will always apply for an authorization, since disturbing the animals without an authorization would constitute a violation of the Marine Mammal Protection Act.

The issuance of a letter of authorization involves the review and approval of the methods that the applicant will use to prevent significant disturbance to the protected animals. Methods typically include the use of marine mammal observers and the establishment of rules for actions to be taken if animals are observed at locations where they may be disturbed.

Environmentalist concerns

On Aug. 4 the Center for Biological Diversity issued a statement arguing that the new regulations do not adequately consider the harm that oil and gas activities can cause to polar bears' ability to hunt, den and travel. Walruses are also sensitive to disturbance — forced ashore by the loss of summer sea ice, walruses can be trampled to death in stampedes when startled by noise, the Center for Biological Diversity said.

"It's disturbing to see the Biden administration letting oil companies continue their assault on polar bears, walruses and our climate," said Kristen Monsell, an attorney with the Center for Biological Diversity. "The Arctic should be protected, not turned into a noisy, dirty oil field."

—ALAN BAILEY

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GOVERNMENT

Jurisdiction issue in coastal loss suits

By KEVIN MCGILL

Associated Press

The question of whether lawsuits blaming big oil companies for loss of vulnerable Louisiana coastal wetlands will be tried in state courts, as local parish governments want, or in federal courts, as the oil companies want, has been revived by a federal appeals panel.

The Aug. 5 ruling at the 5th U.S. Circuit Court of Appeals in New Orleans was a partial victory for the oil companies and a partial reversal of a decision the same court made a year ago. But a lead attorney for parishes suing the oil companies claimed victory, too, saying the decision effectively means at least 15 of the 42 lawsuits still face state trials — and the remainder could, too, pending more federal court review.

"The decision is in our favor," lawyer John Carmouche said.

In August 2020, a panel of three 5th Circuit judges upheld federal district judges' rulings keeping the issue in state court, where coastal parishes' attorneys want them tried. But the oil companies pressed for reconsideration. Arguments were heard in October, and Judge James Ho, author of the 2020 opinion, wrote Aug. 5 that the district courts should take another look.

The new ruling came in lawsuits filed by Cameron and Plaquemines parishes against oil companies including BP America, Chevron USA, ExxonMobil and Shell. But it has implications for all of the more than 40 lawsuits brought by six parishes and New Orleans. The overarching issue in the suits is whether the oil companies can be held responsible for allegedly contributing to decades of coastal erosion and the loss of wetlands.

Jurisdictional issues

But the cases, some of which date to 2013, have bogged down in jurisdictional questions. Oil companies want the cases in federal court. Attorneys for the parishes say the disputes are over state regulations.

see **COASTAL LAWSUITS** *page 10*

PIPELINES & DOWNSTREAM

More Line 3 drilling fluid spills reported

Minnesota regulators say there have been more releases of drilling fluid along the Line 3 oil pipeline construction route than previously reported.

According to the Minnesota Pollution Control Agency, there were 28 releases at 12 river crossing locations from June 8 to Aug. 5. In one instance, on July 6, about 80 gallons of fluid entered the Willow River in Aitkin County.

The MPCA also says there were 13 spills into wetlands and 14 accidental releases in upland areas, although one of those flowed into a wetland.

The agency disclosed details about the releases on Aug. 9 in a letter to Democratic state lawmakers who had requested the information, Minnesota Public Radio reported Aug. 10.

Line 3 construction across northern Minnesota is more than 80% complete and remains on pace to finish in the fourth quarter, the company said.

Drilling fluid is used as a lubricant. It's made mostly of bentonite clay and water, and is not considered toxic, but can impact aquatic life. The agency said Enbridge's permit does not authorize the release of drilling fluid to wetlands or rivers. It says the releases are under investigation as potential violations.

Enbridge said in a statement that the drilling mud was quickly contained and cleaned up in the vast majority of instances under the supervision of trained environmental inspectors and independent monitors, and that the spills were reported to state regulators.

Line 3 construction across northern Minnesota is more than 80% complete and remains on pace to finish in the fourth quarter, the company said.

Enbridge said its practice of horizontal directional drilling is the preferred construction method for pipelines crossing under bodies of water, and that it actually protects waterbodies from disturbance. Drilling operations are immediately shut down when spills occur and state regulators are notified, it said.

—ASSOCIATED PRESS

Petroleum news — Oil Patch Bits

Coffman Engineers celebrates successful interns

Coffman Engineers said Aug. 6 that it is proud to celebrate and congratulate its 2021 engineering interns for a year of successful internships across several engineering disciplines.

Coffman's outstanding interns this year include Tommi Crist, who is a civil engineering ANSEP student at the University of Alaska Anchorage; Jude Gabriel, an electrical engineering student at the University of Portland; Benjamin Bitler, a mechanical engineering student at Montana Tech; and Austen Eriksson, a mechanical engineering student at Montana State University. Each of these aspiring engineers are Alaskans pursing engineering excellence. During their internship at Coffman, they have gained practical engineering experience while being positive contributors to the team.

Each year, Coffman hosts summer interns to provide support to all of its engineering disciplines. Many of its summer interns have accepted full time positions at Coffman after graduating college. Coffman's internship program has proven to be an excellent way for the firm to get extra support during busy summer months while providing interns with real world engineering experience.

Coffman wishes all its 2021 interns all the best as they finish their degrees and begin their careers in the coming years.

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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OIL SANDS EXODUS

Industry analysts estimate the JACOS share could fetch more than C$200 million, with prospective buyers enticed by extensive oil reserves that would benefit from a fresh capital infusion.

Veritas analyst Jeffrey Craig said his firm expects the super majors to "shed mostly upstream oil and gas assets to fund investments in renewables."

The 'final four'

He said the exodus would likely leave the bulk of oil sands assets in the hands of Canada's "Final Four" — Canadian Natural Resources (CNR), Suncor Energy, Cenovus Energy and Imperial Oil.

Along with MEG Energy (12% owned by CNOOC, down from an original 16.69% in 2005), the quartet accounts for 90% of oil sands production.

"A poor reputation for oil sands internationally suggests the only logical buyers would be Canada's Final Four," said Craig.

He told the Financial Post that the actual returns from sales could actually fall well below his own firm's estimated target of C$13.4 billion, noting that ExxonMobil (which controls 69.6% of Imperial) revamped the value of its holdings in May in response to pressure from an activist hedge fund demanding that the global megapower diversify beyond oil.

Rystad Energy, a Norwegian-based energy research firm, said the pressure is building on all oil sands players to divest assets that are considered to have high carbon intensity.

In addition, Royal Dutch Shell was ordered by a Dutch court to drastically deepen its planned carbon emission cuts, while Chevron shareholders voted to cut emissions generated by the company's products.

Divestiture pressure building

Rystad Energy, a Norwegian-based energy research firm, said the pressure is building on all oil sands players to divest assets that are considered to have high carbon intensity.

The firm said the average intensity of carbon dioxide emissions is 73 kilograms per barrels of oil equivalent compared to about 12 kg for U.S. shale assets.

The growing belief among observers is that Chevron and Shell are contemplating unloading their respective 20% and 10% stakes in the Athabasca Oil Sands Project, a venture they own in partnership with CNR, which has a 70% share of the 320,000 bpd operation that it acquired in 2017 for C$12.74 billion from Shell.

Craig suggested the CNR would be the most obvious candidate to fully consolidate its position in Athabasca.

Suncor Energy is viewed as a likely buyers of Shell's Sarnia oil refinery in Ontario, improving its ability to process light oil production.

Also seen as candidates for the bidding block are ExxonMobil's 29% holding in Alberta's Kearl Oil Sands Mine, which it owns in a joint partnership with Imperial.

Imperial could make an offer for outright ownership of Kearl as an alternative to the deferral of its C$2.6 billion Aspen project which had planned output of 150,000 bpd.

Other items on sellers' list

The sellers' list is likely to include BP's Sunrise oil sands project in Alberta and the 160,000 bpd Toledo refinery in Ohio, which form a team to produce and process oil sands bitumen.

BP had jointly owned both ends of the operation with Husky Energy, which was swallowed by Cenovus Energy for C$3.8 billion in 2020.

Craig said Cenovus would be the "natural acquirer" to integrate its heavy oil production.

Other possible buyers of the assets could include pensions funds or Brookfield Infrastructure Partners, assuming it close the current deal to buy Inter Pipeline. ●

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PURCHASE AGREEMENT

improved energy efficiency of customers. However, the bulk of the reduced demand has happened in the former ML&P service area, where commercial customers, presumably vulnerable to the impacts of the pandemic, dominate electricity usage. In Chugach Electric's service area prior to the ML&P purchase, where residential customers dominate the demand for electricity, the drop in demand has been relatively small.

In the erstwhile ML&P service area there was a $16.2 million decrease in base rate revenue in the 12 months ending May 31, 2021, relative to 2015, the year used to determine Chugach Electric's current electricity rates, the utility told the commission.

Chugach Electric's proposed change to the ML&P purchase agreement involves retrospectively reducing the level over a year of some amortization payments associated with the purchase, if the utility's margin at the end of the year drops below its required level. The utility told the commission that entities impacted by the proposal, including major customers and other utilities, concur with what Chugach Electric proposes.

—ALAN BAILEY

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COASTAL LAWSUITS

Carmouche has called the effort to have the suits moved to federal court a delaying tactic. The latest jurisdiction question turns largely on whether a report filed by one of the parishes in the case contained what the oil companies said was new information that might warrant removal to federal court. The report said some of the wells involved in the lawsuits were drilled during World War II while the companies were acting under the authority of a federal wartime agency.

Ho's Aug. 5 opinion noted oil company arguments that some of the state's drilling regulations conflicted with federal drilling rules in place during the war.

Carmouche, reached by phone Aug. 5, said more than 15 of the lawsuits don't involve wartime activities and, under previous rulings that still stand, are ripe for trial in state courts. "The operations in those cases all began after World War II," Carmouche said.

He added that the other cases go back to two federal district judges who have already ruled that the cases don't belong in federal court.

A request for comment from a Louisiana oil industry group was not immediately returned.

The wetlands in question are not only ecologically important to wildlife and fisheries but they also act as a kind of natural hurricane buffer to inland communities, including New Orleans. The companies' dredging of coastal canals, use of earthen pits instead of steel tanks at well heads, and drilling methods are among the issues in the lawsuits.

Oil companies have repeatedly called the suits frivolous, and an attack by money-seeking lawyers on an industry vital to Louisiana's economy. ●

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ALBERTA HYDROGEN

metric tons a year of hydrogen while capturing and storing the carbon emitted in the process, thus giving it the label of "blue hydrogen."

Japan targets blue ammonia

The Japanese government has set a target of securing 30 million metric tons of blue ammonia by 2050 as part of its goal to achieve net-zero carbon dioxide emissions.

Petronas Energy Canada said it is studying the costs and transportation options to determine if the project is financially viable.

Itochu belongs to a group of more than 30 industrial players that have partnered to study ammonia as an alternative marine fuel by examining issues such as safety, fuel specifications and net CO2 emissions in hopes of establishing a global ammonia supply chain and developing ships to use ammonia fuels.

The two companies said they would jointly market the ammonia, "potentially for thermal power generation in Japan, replacing hydrocarbon-based fuels for power plants, steel, chemical production and other applications."

If the plan gets final investment approval from its own executives as well as the British Columbia and Alberta governments, construction involving 10,000 direct and indirect jobs would start in 2023, while 3,300 full-time jobs would be created when it came on-line in 2027.

Petronas's Canadian Chief Executive Officer Mark Fitzgerald declined to name which Canadian pipeline company is participating in the feasibility study.

By capturing and storing carbon dioxide before it enters the atmosphere, the plant would produce what is known as "blue ammonia."

Canadian pipelines

Both TC Energy and Enbridge have previously been involved in developing westbound natural gas pipelines for proposed LNG project on the B.C. coast, including the Prince Rupert Natural Gas Transmission line, which has full regulatory approval, and the WestCoast Connector Gas Transmission line.

But the LNG projects associated with those pipelines have been abandoned in recent years.

The Alberta government is now hopeful the transportation plans can be repurposed to carry hydrogen to a B.C. coast tanker terminal.

But neither Alberta nor Petronas would say whether the corporate partnership has any intention of applying for a government grant.

Dale Nally, Alberta's associate minister of natural gas and electricity, told the Globe and Mail that the Petronas/Itochu initiative "is an incredible opportunity for Alberta's natural resources to reach new markets and further display the innovation that powers out dynamic energy sector."

Garrett Matteotti, director of fuels, chemicals and carbon capture at Invest Alberta, a government agency designed to attract international investment, said the government started discussions in 2015 with Itochu at the same time Alberta launched efforts to entice petrochemical projects.

He said that when companies look at Alberta "they see a network of support across municipal and provincial governments and economic development groups that you see in very few places in the world."

By capturing and storing carbon dioxide before it enters the atmosphere, the plant would produce what is known as "blue ammonia." That is different from "green ammonia," which is the result of hydrogen that comes from water electrolysis powered by renewable energy and produces less greenhouse gas emissions from the production process.

—GARY PARK

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UMIAT HISTORY

reservoir occurs and is folded upward into an arch.) The Merlin 1 well reached a total depth of 5,267 feet.

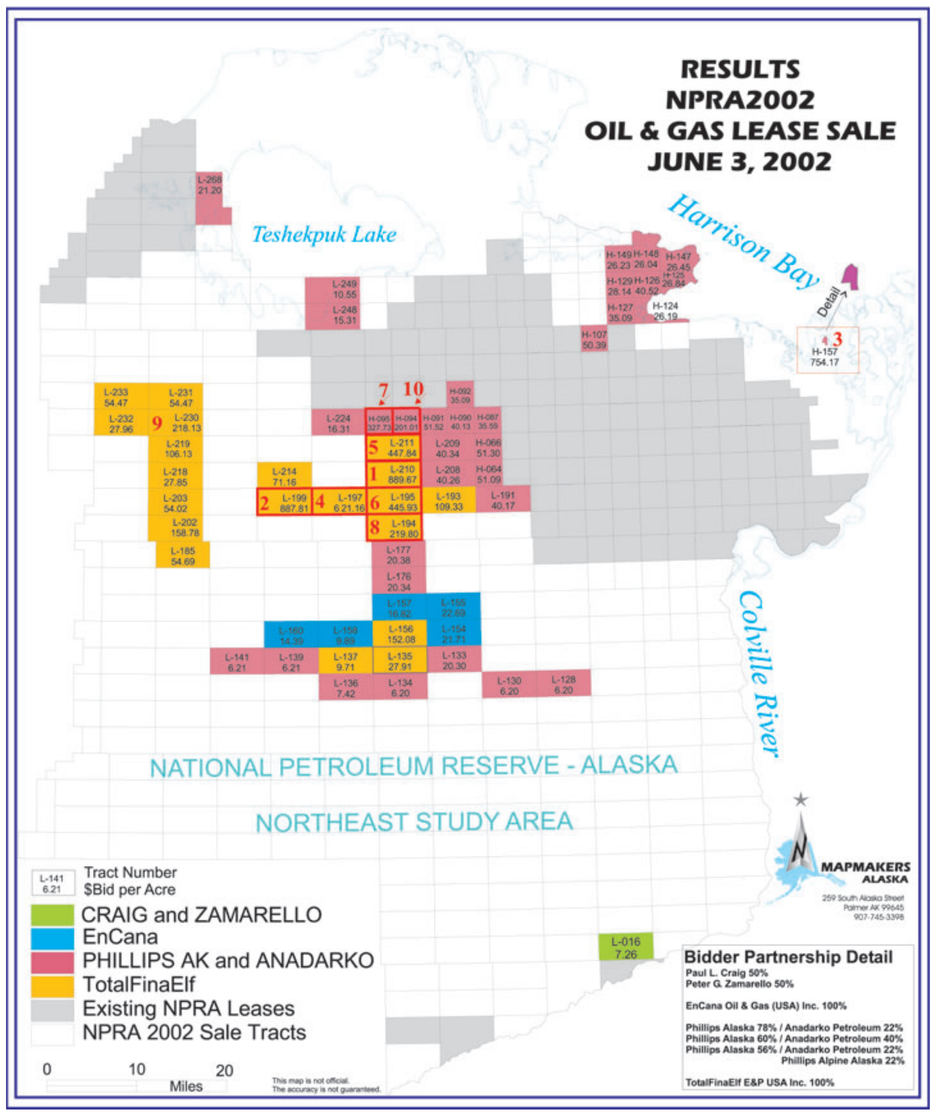
"Wireline data collected over this interval is being analyzed and integrated with the Umiat dataset. Preliminary pressure analysis suggests there is potential for bypassed pay in the footwall of the Umiat structure. The Umiat footwall has only been penetrated by one well (Umiat 11), which was drilled in 1952 with a crude logging and testing program. Seismic attribute analysis suggests there is potential for additional reservoir sands in the footwall of the Umiat structure," 88 Energy said.

Discovered in 1946 by a contractor for the U.S. Navy, Umiat was never produced because its Grandstand reservoir was thought to be shallow, partially frozen in permafrost, and low pressure.

But Peter Zamarello was convinced that the shallow oil at Umiat was seepage from something much larger and deeper to the north.

Peter (Pete) Zamarello was an Alaska strip mall entrepreneur and a long-time oil and gas leasing partner of Anchorage-based Dr. Paul Craig, a board-certified clinical neuropsychologist.

Following is their Umiat story.



Winning northern Umiat lease

On June 3, 2002, Interior's Bureau of Land Management opened sealed bids for oil and gas tracts within the National Petroleum Reserve-Alaska — it was the second NPRA lease held by the feds.

At the time the price of oil was stuck in the low $20 range. Thus, existing players in NPRA took the largest number of tracts in the sale.

Phillips Alaska, predecessor of ConocoPhillips, submitted the most bids and was second in dollars spent. (See lease sale map in the print and pdf versions of this story).

Arctic Falcon, which held an NPR-A lease at Umiat, was the only unsuccessful bidder. It lost out to a 50/50 partnership of Zamarello and Craig in a bid for an adjacent tract to the north, L-006.

Zamarello and Craig knew that the oil at Umiat was noncommercial at $20 a barrel, but they envisioned better oil prices ahead. They also saw more oil potential in the Umiat oil field.

Craig dusted off a 1953 U.S. Geological Survey report about the field that he found archived in the Alaska Collection at Loussac Library in Anchorage. The report described the wells drilled by Husky under contract to the Navy between 1946 and 1953. Craig surmised that the report's well data showed there were about 1 billion barrels of oil in place in the permafrost of the Grandstand formation at Umiat.

Zamarello, who Craig said, "loved to study real estate," had studied the North Slope since the 1960s and was already aware of a geological structure called the Grandstand formation. He firmly believed that the motherlode within the Grandstand formation would be found deeper than the known reserves at Umiat, to the north of the east-west fault defining the crest of Umiat Mountain; a ribbon of reservoir rock charged with high quality oil extending in an arc from Umiat all the way north to the coast.

"Today, everybody talks about the Nanushuk group because of all the discoveries made in the play. Geologically, the Grandstand is the youngest of three depositional zones within the Nanushuk group. The older two zones deeper in the Grandstand are the Chandler and Niniluk groups," Craig said.

Knowing what we know today regarding Pikka, Willow, Harpoon and other Nanushuk oil discoveries, Zamarello' s vision was 20-20.

Finding partners tough

When Craig and Zamarello attempted to find partners to explore their North Umiat prospect, nobody believed that the duo could possibly be onto something of commercial value. And, of course, oil prices were low, and the acreage was far from existing North Slope infrastructure.

But Peter Zamarello was convinced that the shallow oil at Umiat was seepage from something much larger and deeper to the north.

Eventually, Mark Landt with Renaissance Alaska approached Craig and Zamarello and struck a deal. Renaissance has moved through a lot of hands since then and ended up in the hands of 88 Energy, the owner-operator of 300-plus square miles of oil and gas rights immediately to the north of Umiat (dubbed Project Peregrine).

Using Renaissance's 3D seismic data combined with USGS 2D seismic data and the facts learned from drilling the Merlin 1 exploration well, 88 Energy's technical team believes a substantial oil reservoir may be tucked up along the north side of the Umiat Mountain fault.

The northern lease is six miles (east to west) by three miles (north to south). The bottom row of six sections was south of the Umiat Mountain fault. The northern 12 sections are on the north side of Umiat Mountain — right where Zamarello believed a drill bit would penetrate the mother lode.

Zamarello passed away in 2014. When Craig read 88 Energy's recent press release about Umiat, he said he smiled, thinking, "Pete was right all along! There is oil beyond that hill." ●

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INSIDER

Conoco's track record on the North Slope, which 'went down like a lead balloon,' according to one source," The Australian reported.

For more information on The Australian's reports, visit the publication's website at https://www.theaustralian.com.au/.

Alaska BLM loses Padgett, Murphy

THE BIDEN ADMINISTRATION has pulled Chad Padgett, director of the Bureau of Land Management's Alaska office and a Trump era appointee, out of the office and transferred him to BLM's headquarters, where he will serve as a senior adviser. The administration has also transferred associate state director Ted Murphy.

CHAD PADGETT

TED MURPHY

Tom Heinlein, Anchorage district manager for BLM, will take over as acting director.

The 120-day federal moratorium on "involuntary reassignments" ended three weeks ago, which means Interior Secretary Debra Haaland can change the jobs of senior staffers.

—OIL PATCH INSIDER IS COMPILED BY KAY CASHMAN