



page 6 20 years ago: Heinze says industrial plants needed to support gas line

AOGCC fines BRPC \$6.34M for 3 unplugged Beechey Point wells

The Alaska Oil and Gas Conservation Commission has fined Brooks Range Petroleum Corp. \$6.34 million for three wells it drilled at the former Beechey Point unit which were never plugged and abandoned after they were drilled in 2007 and 2010.

North Shore 1 was spudded by BRPC in February 2007 and AOGCC approved a temporary shutdown of drilling and completion in April 2007, with operations resumed the following winter season. The well reached total depth and was completed as an oil well in early 2008, but the commission said activity on the well never resumed. The surface location is state oil and gas lease ADL 0390429. The commission said its regulations require that a well be plugged and abandoned if drilling or completion activities are not resumed within 12 months, putting the well in violation since May 2009.

Sak River 1A was spudded by BRPC in January 2010, reached total depth in February, was suspended in April 2010 and has remained in suspended status since then. The surface location is on ADL 0390429, part of the Beechey Point unit

see **BROOKS RANGE FINE** page 11

88 Energy issues 2024 annual report, advances Phoenix, Leonis

Throughout 2024, Australia-based 88 Energy Limited's efforts centered on advancing key projects, optimizing its portfolio, and positioning the company to unlock future value, it said in its 2024 annual report released March 4. The period ended Dec. 31, 2024.

The successful flow test at the Hickory-1 well on Alaska's central North Slope marked a key moment for the company's Project Phoenix. This milestone, 88 Energy said, validated the potential of multiple primary and secondary reservoirs, confirming the presence of mobile hydrocarbons and achieving natural oil flow (no nitrogen lift) to surface, an indicator of commercial potential.

The company also monitored regional activity, including Pantheon Resources PLC's Megrez-1 extended well test targeting the Ahpun Eastern Topset reservoir. The anticipated Q1 CY25 results could provide valuable insights into the area's broader commercialization potential.

2024 also saw progress at 88 Energy's Leonis Project,

see **88 ENERGY REPORT** page 11

New RIK contract in works for Marathon's Kenai crude refinery

The Alaska Royalty Oil and Gas Development Board is scheduled to meet March 24 on the royalty-in-kind contract proposed by the commissioner of the Alaska Department of Natural Resources in a preliminary best interest finding and determination for a proposed sale of North Slope royalty oil to Marathon Petroleum Supply and Trading Co.

In a March 4 public notice DNR's Division of Oil and Gas said it is seeking comments on the preliminary best interest finding, a proposal to sell some 10,000 to 15,000 barrels per day of the state's North Slope royalty-in-kind oil to Marathon for processing at its Nikiski refinery. The deadline for public comments is 4:30 p.m. April 11.

The Royalty Oil and Gas Development Board will review the proposed contract at its March 24 meeting, and comments from that meeting will be used along with public comments received by DNR in determining whether the sale is in the state's best interest. If the DNR commissioner determines that the sale is in the state's best interest and the Royalty Board

see **REFINERY CONTRACT** page 8

EXPLORATION & PRODUCTION

Focus on gas drilling

Cosmopolitan: BlueCrest plans up to 3 Tyonek gas wells from land this year

By **KRISTEN NELSON**

Petroleum News

BlueCrest Alaska Operating, operator of the Kenai Peninsula Cosmopolitan unit, has submitted its proposed 12th plan of development for the unit to the Alaska Department of Natural Resources' Division of Oil and Gas.

BlueCrest currently produces oil, and some gas, from an onshore drill site with wells extending out under Cook Inlet. The division has been critical of recent PODs by the company as BlueCrest has not drilled the planned H10 well nor advanced development of the company's offshore natural gas accumulation.



JOHN MARTINECK

Last year the division approved the 11th POD with numerous conditions and limited the duration of that proposed POD from calendar year 2025 to Jan. 1 through March 31, 2025.

Conditions included having committed private funding for the H10 well and the Tyonek gas development; providing evidence of binding commitments from private investors; a realistic schedule for the Tyonek gas development; monthly updates; and, if the H10 is not drilled the company must apply to contract its existing participating area to just the existing drainage area.

see **BLUECREST DRILLING** page 10

FINANCE & ECONOMY

Dollar dip boosts ANS

Greenback action and gasoline inventory drawdown overcome economy fears

By **STEVE SUTHERLIN**

Petroleum News

Alaska North Slope crude hastened its recovery as weakness in the U.S. dollar supported oil prices by making the dollar-denominated commodity more affordable for buyers using other currencies.

ANS leapt \$1.29 March 12 to close at \$73.52 per barrel, while West Texas Intermediate vaulted \$1.43 to close at \$67.68 and Brent leapt \$1.39 to close at \$70.95.

On March 12, the ICE U.S. Dollar Index — a measure of the greenback against a basket of six major rivals — was near its lowest level since October.

Dollar action added momentum to a subsidence of

“risk off attitude” in financial markets following the latest inflation reading, according to Tariq Zahir, Tyche Capital Advisors managing member. The consumer price index rose by just 0.2% in February after running hot since November.

Future moves in oil are likely to be driven by tariff activity, worries about inflation, a slower economy, a possible soft job market and “on possible softening demand for energy markets,” Zahir told MarketWatch March 12.

Oil prices were supported March 12 by a bullish surprise massive drawdown of finished gasoline inventories reported by the U.S. Energy Information Administration in its weekly petroleum data report

see **OIL PRICES** page 10

ALTERNATIVE ENERGY

Railbelt wind power?

Two companies tell RCA about their evaluations of promising wind farm sites

By **ALAN BAILEY**

For Petroleum News

During a Feb. 26 meeting of the Regulatory Commission of Alaska two companies talked to the RCA commissioners about their joint efforts towards developing wind farms in the Alaska Railbelt region.

Matt Perkins, chief executive officer of Alaska Renewables, told the commission that his company had formed four years ago in response to Fairbanks electricity utility Golden Valley Electric Association's request for information for proposals for renewable energy projects. Alaska Renewables subsequently considered every technology that is available and tried to determine what would be

However, the low capacity of the current Alaska Railbelt electricity transmission system currently constrains how much power can be delivered over long distances.

fastest, most financeable and most feasible, Perkins said.

And, having developed the beginnings of a renewable portfolio, about a year ago Alaska Renewables competitively found a partner company, with experience with renewable assets of the type envisaged for the Railbelt. That company is Longroad Energy, the other company represented

see **RAILBELT WIND POWER** page 9

● NATURAL GAS

Long term view of LNG market needed

Energy consultant takes positive view of the market but warns that it would take a long time before NS pipeline completion

By ALAN BAILEY

For Petroleum News

In a presentation to the Alaska Legislature's Senate Resources Committee on March 5, Nicholas Fulford, senior director for LNG and the energy transition for consultancy firm GaffneyCline Energy Advisory, talked about the global liquefied natural gas market and its implications for the potential to build a gas pipeline from the North Slope to an LNG export facility on the Cook Inlet.

While expressing a positive view about the current global LNG market, Fulford stressed the importance of taking a long-term view of an LNG project such as the concept of exporting North Slope gas into the world market. It typically takes a long time to arrive at a commercially sustainable structure for a project and then the LNG export facilities take a long time to build, he said.

"So, they're not quick wins, but when you have got them in place, they can transform an economy," Fulford told the committee.

The global LNG market

Fulford said that the current global LNG market amounts to about 400 million tons per year, equivalent to about 20 trillion cubic feet of natural gas. By comparison, when LNG exporting from Nikiski on the Kenai Peninsula using Cook Inlet gas began in 1969, that involved the exporting of about 1.5 million tons per year, Fulford said.

Currently the three main LNG exporting countries are

A current problem in assessing the viability of the Alaska LNG project is the major uncertainty over the likely project costs.

Australia, Qatar and the United States, Fulford said. Looking into the future, Qatar and the United States will likely dominate the market, he added. Qatar, in particular, can produce gas at very low cost.

Curiously, however, a map showing global LNG carrier traffic on March 3 only depicts five vessels in the whole of the eastern Pacific. And an LNG trade from Alaska into the Pacific could potentially avoid many of the risks involved in transportation from other LNG sources. Also, with current problems associated with the use of the Suez Canal, many LNG tankers are transiting to Asia by passing around the southern coast of South Africa, Fulford said.

In terms of LNG pricing, the last few years have seen unprecedented LNG price volatility, because of factors such as the COVID pandemic and the Russian invasion of Ukraine. However, one lesson from this is that the LNG industry is much more robust and flexible than previously thought, Fulford said.

Forecast scenarios

Fulford said that his company has considered 10 different scenarios for forecasts of future LNG demand, with predicted demand levels varying greatly, depending on factors such as the extent to which decarbonization of

the energy industry will happen. On the upside of the forecast many international energy companies, including oil majors, are basing their growth plans on an anticipated expansion of the LNG market. Lower demand forecasts assume rapid decarbonization. Overall, however, market signals support a core assumption that there will be continuing growth in the LNG market.

"A lot of that demand is coming from parts of Asia, countries like Vietnam, a rapidly growing economy, which will be based on LNG largely as a fuel," Fulford said.

At the same time, although a significant increase is anticipated in LNG delivery from the Gulf Coast, legal and regulatory challenges have delayed some projects. Thus, anticipated LNG production in 2030 is now somewhat more balanced than the production glut that had previously been forecast.

And, so, by the 2035 timeframe an increase in LNG demand could work to Alaska's benefit, Fulford suggested. Fulford also commented that one advantage of the LNG industry is its ability to flexibly switch the destinations for LNG supplies.

A costly project

On the other hand, the envisaged Alaska LNG project would be relatively costly, involving a processing plant on the North Slope to remove carbon dioxide from the gas, the pipeline to the Cook Inlet and the LNG plant. Also, an Alaska project would be vulnerable to inflation in capital

see **LNG MARKET** page 3

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PIPELINES & DOWNSTREAM

Non-exclusive private easement application

Hilcorp Alaska is in the process of purchasing the North Fork unit on the southern Kenai Peninsula from Vision Resources with a requirement for a change in how the pipeline serving the unit, a common carrier, is regulated. North Fork Pipeline currently has a Regulatory Commission of Alaska-issued certificate of public convenience and necessity.

When the CPCN was issued, exploration was underway east and north of the North Fork unit which could have resulted in transmission of natural gas from multiple shippers. Exploration east of North Fork was unsuccessful and a separate pipeline was built to transport gas from north of the unit.

North Fork Pipeline has never operated as a common carrier, moving only gas from North Fork.

The CPCN was granted because the Department of Natural Resources authorized the pipeline under an AS 38.35 right-of-way lease, requiring that RCA issue the CPCN.

The pipeline owner has applied to DNR for conversion of the right-of-way lease under AS 38.35, requiring regulation of the pipeline as a common carrier, to authorization under an easement under AS 35.05.850.

The Feb. 5 RCA application requests that the commission revoke the CPCN on condition that DNR authorize the pipeline under AS 35.05.850.

The State Pipeline Coordinator's Section of DNR's Division of Oil and Gas issued a notice of application for a private non-exclusive easement for the North Fork Pipeline on March 7.

An application from Vision Resources to the division on Feb. 3 requested authorization to relinquish the state right of way for the line and convert the authorization to a private non-exclusive easement.

The division requested public comments on the application in writing by 5 p.m. April 6.

—KRISTEN NELSON

continued from page 2

LNG MARKET

costs — essentially, the high cost associated with Alaska is the high capital cost of an Alaska project.

Fulford also commented that, while in the 1970s and 1980s LNG projects often linked LNG suppliers and sellers, today's market is much more flexible, with, for example, a buyer being able to switch suppliers at short notice.

Different business models

Fulford said that there are typically three different business models used in the LNG industry. An integrated LNG project involves the gas producers participating in the gas pipeline, the gas liquefaction and the delivery of LNG to customers. This is a straightforward structure that can save time in terms of negotiating gas supply contracts and dealing with other factors.

A "merchant project," on the other hand involves the gas producers selling gas to the LNG liquefaction business. This arrangement could work in Alaska, depending on a dialogue with North Slope producers that want to put gas into the project, Fulford said.

The third model, referred to as a tolling model, involves investors putting money into the project and then, in return, receiving a steady income from the project over many years.

A recent twist on these approaches has been to have a company purchase the LNG for transfer into its LNG trading affiliate, with a portfolio of suppliers and customers.

The key to success is to use a model that best aligns the entities involved, Fulford commented.

Cost uncertainty

A current problem in assessing the viability of the Alaska LNG project is the major uncertainty over the likely project costs. Moving the project through the front-end engineering and design stage could reduce that uncertainty to around minus 20% to plus 25% of the anticipated cost level. That cost estimate could be

further refined once the project is put out to bid, Fulford said.

In general, LNG projects completed over the past decade have experienced cost overruns to some extent. On the other hand, the use of modular liquefaction trains, built off site, has brought improved cost certainty. And the facilities have tended to perform better than had been envisaged. Also, after two or three years of operation, efficiency improvements tend to be made to the facilities, Fulford said.

In addition, the state could gain significant income from an operational LNG export business from, for example, royalty payments. But, given the time required to bring LNG exports into operation, this income would not appear until a somewhat distant time in the future.

Comparison with Gulf Coast industry

Fulford also emphasized the major differences between the LNG industry on the Gulf Coast and the potential Alaska LNG industry. There are abundant gas resources for supplying Gulf Coast LNG production, but gas pricing on the Gulf Coast is driven by the Henry Hub gas market. And, while North Slope gas would be relatively cheap and shipping costs from Alaska could be relatively low, Henry Hub pricing will likely rise. On the other hand, Alaska LNG would be subject to significant costs associated with North Slope gas processing, and the transportation of the gas through the gas pipeline.

But the pricing of Alaska LNG could be competitive, depending on the capital cost of the project. Alaska could also benefit from other factors such as a federal carbon sequestration tax credit and a federal loan guarantee.

Fulford also pointed out that LNG projects tend to seek fiscal stability, given the scale of capital investment involved. Consequently, some form of tailor-made legislation would likely be required to ensure this stability while also providing some form of risk sharing arrangement involving the government and investors, he suggested. ●

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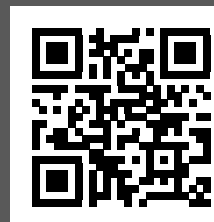


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● EXPLORATION & PRODUCTION

Hilcorp files PODs for 3 inlet gas fields

Ivan River, Lewis River, Pretty Creek all small west side fields; most work, including exploration/delineation, at Pretty Creek

By KRISTEN NELSON
Petroleum News

Hilcorp Alaska filed plans of development with the Alaska Department of Natural Resources' Division of Oil and Gas March 10 for three small Cook Inlet gas fields, all on the west side of the inlet: Ivan River, Lewis River and Pretty Creek. Collectively the three averaged some 3.5 million cubic feet per day in January, the latest month for which Alaska Oil and Gas Conservation Commission production data is available, 1.87% of inlet gas production for the month.

The plans cover June 1 through May 31, 2026.

Pretty Creek

Hilcorp plans the most activity at Pretty Creek, currently producing the least gas of the three fields, 86 thousand cubic feet, mcf, per day in January, 0.05% of inlet production in that month. In January, the field produced from one well, Pretty Creek unit

Two wells, "exploration/delineation wells are planned to be drilled north of the existing Pretty Creek Pad to test for sand presence and hydrocarbon charge," the company said.

02A, which was online for just 3 days. That sidetrack did better in November and December, online for 12 days in November and 24 days in December, producing a total of 16,188 mcf for 2024, compared to the original well, Pretty Creek unit 02, which was online for just two days in March of 2024, producing a total of 78 mcf, and is now plugged and abandoned.

In its previous, 2024 POD, Hilcorp said it planned to continue to attempt production from the Pretty Creek 02, targeting Sterling, Beluga and Tyonek sands, and evaluate the possibility of drilling as many as two development wells targeting

Sterling, Beluga and Tyonek sands.

The company said it evaluated and drilled one development well, PCU-02A, targeting Beluga and Sterling sands, bringing the well online in November.

It also completed a rig workover at PCU-02, doing preparation for the sidetrack, PCU-02A, which found gas.

Also during the 2024 POD, Hilcorp said it expanded the Pretty Creek pad in preparation for 2025 drilling activity.

2025 Pretty Creek plans

Hilcorp said it plans to drill as many as three wells at Pretty Creek in the 2025 POD, one development well targeting Sterling and Beluga sands from the existing pad.

Two wells, "exploration/delineation wells are planned to be drilled north of the existing Pretty Creek Pad to test for sand presence and hydrocarbon charge," the company said. The primary objective will be Sterling and Beluga sands with Tyonek sands a possible secondary objective.

Hilcorp said bottomhole locations "will potentially be outside of the existing unit boundary."

A 1,000-foot road and pipeline will be built north of the existing Pretty Creek pad to support 2025 drilling activity, and pending drilling results, "Hilcorp plans to install flowlines, line heaters, separators, production headers, glycol dehydration, produced water tanks, microturbine generators, and compressor on the existing Pretty Creek Pad and future new pad."

On March 11 the division approved infrastructure additions at Pretty Creek, including installation of two enclosed separator packages and two line heater packages; two 4-inch subsurface flowlines to tie new wells into existing production; one compressor package and one new water

well; electrical instrumentation; and heat trace and instrumentation cables in cable trays as necessary.

Pretty Creek gas storage lease

Hilcorp has also filed a 2025 POD for its Pretty Creek gas storage lease ADL 390776, which has a maximum storage capacity estimated at 2,100 million cubic feet, with an estimated working capacity of 1,900 million cubic feet, and current estimated gas in place of 1,544 million cubic feet, an estimated 1,344 million cubic feet of working gas in storage.

Hilcorp said it has no plans to expand or contract the gas storage lease and will continue to use it for gas storage operations, with no facility upgrades planned.

Ivan River

Hilcorp may also drill at Ivan River, but apparently not until its 2026 POD.

In January Ivan River averaged 1,144 mcf per day of gas, 0.61% of inlet production for the month.

Work planned for the 2025 POD period includes continued "evaluation of existing completions for rig workover and subsurface opportunities" and continued evaluation of drilling opportunities in the Sterling-Beluga and Tyonek participating areas, with the possibility of an additional grassroots well, but that "would likely spud during the 2026 POD period," the company said, noting that pad/facility work may be needed in the 2025 period to support that drilling.

Facilities work planned for 2025 includes installing piping and infrastructure for the produced water building and well tie-in and pad expansion work "contingent on 2026 drill well planning an reg-

see GAS FIELDS page 5



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● EXPLORATION & PRODUCTION

Baker Hughes US rig count down 1 at 592

February international rig count, issued monthly, unchanged from January, with land rigs down 2 to 711, offshore rigs up 2 to 194

By **KRISTEN NELSON**
Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was 592 on March 7, down by one from the previous week, down by 30 from 622 a year ago and unchanged from two weeks ago. Over the last eight weeks the rig count was up in four weeks and down in four with a combined gain of 17 against a loss of nine.

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

For 2024, the count peaked March 1 (and again March 15) at 629, hitting its low point June 28 at 581. In 2023 the count peaked early in the year at 775 on Jan. 13, bottoming out Nov. 10 at 616.

When the count dropped to 244 in mid-August 2020, it was the lowest the domestic rotary rig count had been since the Houston based oilfield services company began

issuing weekly U.S. numbers in 1944.

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

The count was in the low 790s at the beginning of 2020 prior to the COVID-19 pandemic, where it remained through mid-March of that year when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August 2020 when it gained back 10 rigs.

The March 7 count includes 486 rigs targeting oil, unchanged from the previous week and down 18 from 504 a year ago, with 101 rigs targeting natural gas, down by one from the previous week and down 18 from 115 a year ago, and five miscellaneous rigs, unchanged from the previous week and up by two from a year ago.

Forty-nine of the rigs reported March 7 were drilling directional wells, 531 were drilling horizontal wells and 12 were drilling vertical wells.

Alaska rig count unchanged

Wyoming (21) was up by one rig from the previous week while Colorado (8) and Texas (281) were each

down by a single rig.

Rig counts in other states were unchanged from the previous week: Alaska (10), California (8), Louisiana (29), New Mexico (105), North Dakota (32), Ohio (9), Oklahoma (49), Pennsylvania (15), Utah (12) and West Virginia (11).

Baker Hughes shows Alaska with 10 rotary rigs active March 7, unchanged from the previous week and down by three from a year ago when the count was 13.

The rig count in the Permian, the most active basin in the country, was down by one from the previous week at 304 and down by nine from 313 a year ago.

International rig count unchanged in February

Baker Hughes' monthly international rig count for February, issued March 7, is unchanged from January at 905 and down 53 from a count of 958 in February 2024, with land rigs down by two at 711, month over month, and offshore rigs up two to 194.

Baker Hughes began providing a monthly international rig count in 1975. The international count

see **RIG COUNT** page 7

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GAS FIELDS

ulatory approval timing.”

The company said that during the 2024 POD period it did a rig workover at the IRU 44-36 well, successfully adding gas with a coil cleanout, plug and perforate in January 2025 and a coil cleanout, plug and perforate at the IRU 11-06 in October, also resulting in added gas. There are additional well work jobs planned during the 2024 POD period, including cleanout, plug and perforate IRU 11-06. Additional perforations in IRU 241-01 “will be progressed contingent on IRU 11-06 results,” Hilcorp said.

During 2024 the company installed coalescer for the compressor and did routine repairs and maintenance, but did not complete any tie-in or pad expansion work in preparation for 2025 drilling with surface work pushed back because of the long permitting time required for pad expansion.

The company said permits have been submitted for pad expansion and pending approval work will be done this summer.

Lewis River

At Lewis River, where production averaged 2,273 mcf per day in January, 1.21% of inlet production for the month, Hilcorp does not plan any 2025 POD period drilling, but said it would continue to evaluate delineation drilling opportunities in the Sterling-Beluga and Tyonek participating areas. The company does anticipate doing well work and workovers including coil cleanout operations and adding or isolating Sterling or Beluga sand perforations.

Facility projects include moving and installing additional compression and installing a coalescer for the existing compressor.

No well work or workovers were performed in the 2024 POD period, although two perf add jobs were completed in May 2024 after the 2024 POD was submitted: both were successful in adding gas.

The company expected to install a coalescer for the Lewis River compressor during the 2024 POD, but said that was now expected to occur in 2025. ●

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● THIS MONTH IN HISTORY

Industry customers needed for Inlet gas

20 years ago this month: Southcentral's Cook Inlet needs industrial plants to support natural gas spur line, state official says

Editor's note: This story first appeared in the March 13, 2005, issue of Petroleum News.

By **STEVE SUTHERLIN**
Petroleum News

Alaska's Cook Inlet area needs thriving industrial natural gas customers in order to have plentiful and inexpensive natural gas for its residential heating and electric generation customers, according to Harold Heinze, chief executive officer of the Alaska Natural Gas Development Authority.

"The economics of bringing gas into Cook Inlet are tough," Heinze told Petroleum News in March 2005. "You need industrial customers."

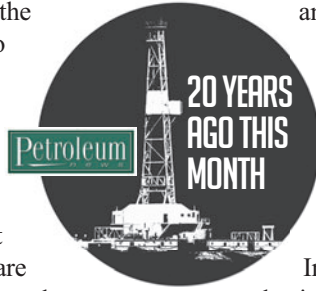
Gas requires three things for its use: supply, a way to move it and a market, Heinze said, adding that the first two items

are obtainable, but only if the market is large enough to reach economies of scale needed to justify construction and carrying expense of the required infrastructure.

Cook Inlet's two current major industrial gas users are located south of Anchorage on the Kenai Peninsula, near gas fields that currently serve the Cook Inlet area. One plant converts natural gas to liquefied natural gas, to be shipped to Asia by tanker. The other plant, a nitrogen fertilizer plant owned by Agrium Inc., is threatened with closure in late 2005, due to a dwindling gas supply and higher prices in Cook Inlet.

But Heinze said future gas supply health in the Cook Inlet area will require more industrial usage, rather than less.

"The LNG plant at Kenai is too small,



and it needs to be expanded to three or four times its current size," Heinze said.

Three distinct markets must combine to form a critical mass large enough to spur economic delivery of North Slope Gas to Cook Inlet — first: home heating, business heating and electric generation; second: propane; and third: a major industrial facility, Heinze said.

The Cook Inlet gas distribution system is likewise comprised of three major areas: Anchorage, the Kenai Peninsula and the fast-growing Matanuska Valley.

Demand is growing around Cook Inlet, but reserves are declining.

"The timeline of Cook Inlet gas needs is pretty tight; some of us believe we're already started to see the fallout," Heinze said. "We've had the announcement of

Agrium shutting down and we haven't even gotten to the bad part of the curve yet — what's going to happen when we get to the bad part of the curve?"

Heinze is hopeful that the dire nature of the Cook Inlet gas situation will stimulate action on projects to alleviate the predicted drop in supply.

"Events are going to precipitate people wanting to move forward; it's going to become really important to get as many of these things going as possible," he said.



HAROLD HEINZE

Tidewater possibilities

Heating and electric generation are the underpinnings of the Cook Inlet gas market, but the icing on the cake is the access to tidewater which the inlet itself provides.

"Once gas gets to tidewater, it opens up a lot of benefits," Heinze said, adding that it is not a foregone conclusion, however, that North Slope gas will reach Cook Inlet.

"The leading contender project right now, in reality, is taking that gas down through Fairbanks, down the highway, down through Canada," Heinze said.

"The North Slope gas pipeline project doesn't touch Alaska, and it doesn't bring gas to tidewater anywhere in Alaska or on the West Coast."

If a spur line is economic, there won't be much red tape between Alaska and North Slope gas. Rules that would govern the proposed Prudhoe Bay natural gas pipeline project favor the ability for the state to tap into the line for local use, Heinze said.

"One of our concerns is that we were just basically going to end up with this big sort of like interstate highway running from Prudhoe Bay to Chicago, and there's no off ramp in Alaska," Heinze said. "The rules they've written give us lots of ramps on and off, we get to say where they are, and how many lanes there are."

Heinze said the authority is preparing a state right-of-way lease application for filing April 1, 2005, to secure a complete right of way extending 140 miles from Glennallen to Palmer.

"Once the right of way is in place, everything else will fall in line," Heinze said.

The authority estimates the pipeline will cost \$300 million, or more, depending on where the hook-in to the main North Slope line is located.

Heinze said a 24-inch-diameter high-pressure buried gas line could supply the Cook Inlet area's current level of gas use of half a billion cubic feet per day, while at the same time offering benefits above a larger or a smaller diameter project.

A 24-inch line is easier to construct, and the pipe adds structural strength, Heinze said, adding that at 2,500 pounds per square inch, it is possible to "cram natural gas liquids into the line." The 24-inch pipe is easier to get than large diameter stock, with a larger variety of suppliers.

On the other hand, going to a pipe smaller in diameter than 24 inches doesn't move enough gas to justify the investment.

"A 6-inch pipe is expensive to move gas," Heinze said.

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HISTORY

Propane

The authority is currently contracting for a study of barging propane to Alaska coastal and river communities.

Propane is the ideal fuel for most of rural Alaska, easy to transport, clean, safe and familiar, Heinze said.

Propane is fairly widely used already in rural Alaska and would be more widely used if priced more attractively, Heinze said, adding that the price of most propane being used in Alaska is driven by the price of propane that is being extracted in Alberta and trucked up the highway from Canada.

Heinze said the authority has a completed study that says co-transport of large propane volume is feasible and attractive in a dense phase spur line to Cook Inlet.

Along with 4.5 billion cubic feet of gas per day, the North Slope natural gas pipeline project will carry 100,000 barrels per day of propane, some of which could profitably stay in Alaska, Heinze said.

“We’d be looking at taking out 50,000 barrels per day, bring it to the Cook Inlet area, by marine transport bring it to the coastal communities of Alaska, and export the rest,” Heinze said. “If we can intercept that propane here in Alaska and make it pretty readily available throughout the state at a reasonable price, it would be adopted in rural areas.”

Propane is a valuable export, saleable anywhere in the Pacific Rim at a premium. For the developing nations in particular, and some of China’s population centers, propane is a highly desirable transportation fuel, Heinze said. For burgeoning population centers that have smog problems, propane is the kind of fuel needed in the longer term to solve air quality issues.

Bullet line

The authority is looking at a fallback position, to build what it calls a bullet line, to deliver North Slope gas directly to Cook Inlet in the event no larger pipeline is built from the North Slope.

“If everything comes unglued, and Alaska decides that in its own best interests, it wishes to proceed to get gas to this area, there will be a plan available that in the long run is compatible with somebody coming back in at a future date, and building a really big gas line,” Heinze said. ●

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RIG COUNT

excludes North America, which is included in the company’s worldwide figures.

The Middle East accounted for the most rigs in the international totals for February, 346, followed by Asia Pacific with 210, Latin America with 130, Europe with 121 and Africa with 98.

The U.S. rig count averaged 590 in February, up by eight from 582 in January, and down 33 from February 2024, while the Canadian count for February averaged 247, up 38 from 208 in January and up by 14 from February 2024.

Worldwide the rig count averaged 1,741 in February, up 46 from 1,696 in January and down 71 from 1,813 in February 2024. ●

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REFINERY CONTRACT

recommends that the sale go forward, a bill will be introduced in the Legislature to approve the contract.

The contract

The division said the DNR commissioner proposes to sell the oil under a three-year contract, with delivery estimated to begin Aug. 1 and continue until July 31, 2028.

“The price provision in the proposed contract is based on a formula that relies on accepted industry price reporting services and resembles the formulas used to calculate value of royalty oil paid to the State by the North Slope producers,” the division said.

The preliminary BIF says the proposed sale is for a portion of the state’s North Slope royalty oil. After three years, the contract may be extended on an annual basis for seven additional years, unless either party withdraws by Nov. 1 of the year prior to the extension.

Oil sales under the proposed contract will help meet the needs of Marathon Kenai refinery’s for in-state crude and help facilitate continuing operation of the refinery. The refinery has been operating since 1969.

DNR said those two considerations were paramount in the state’s decision to sell with a third concern to avoid interruptions of delivery of in-state crude to in-state refineries.

Royalty in kind

The preliminary BIF says that from November 1979 through November 2024 the state disposed of 998 million barrels of royalty oil through in-kind sales, some 45% of its North Slope royalty oil, using negotiated non-competitive sales since 1986. Marathon Petroleum acquired the Kenai refinery in 2018 from Andeavor, formerly known as Tesoro.

Based on forecast volumes, some 41,000 to 82,000 bpd of North Slope royalty oil is expected to be available, with Marathon’s nominations representing some 12% to 36% of the state’s North Slope royalty oil.

Marathon has a current royalty-in-kind contract obligating the state to deliver between 10,000 and 15,000 bpd to Marathon between Aug. 1, 2022, and July 31, 2025.

Petro Star has a royalty-in-kind contract with the state obligating the state to deliver between 10,000 and 12,500

Based on forecast volumes, some 41,000 to 82,000 bpd of North Slope royalty oil is expected to be available, with Marathon’s nominations representing some 12% to 36% of the state’s North Slope royalty oil.

bpd from January through December 2027.

The total of the two contracts is between 20,000 and 27,500 bpd, representing between 24% and 67% of the state’s expected North Slope royalty oil during the initial three-year term of the Marathon contract.

Volumes available

The preliminary BIF said the state keeps a small percentage of royalty oil in-value “due to higher royalty values for certain leases, and to obtain pricing and other information from in-value dispositions for comparison purposes,” so will limit total nominations to 95% of North Slope royalty oil. Another consideration is that volume is based on forecast and the state has, in the past, experienced periods when the forecast for royalty oil has been optimistic, “with realized production often falling below forecasted levels.”

At a 95% level, however, the forecast “would need to be seriously deficient” for the state to have to struggle to meet its contractual volume obligations.

There is also seasonal variability in North Slope production, with peaks in the winter and declining levels in the summer, which “is part of the consideration when negotiating nomination ranges with refiners.”

More revenue

The state has historically received more revenue from royalty-in-kind sales than from royalty-in-value sales, DNR said.

A chart in the preliminary BIF illustrates petroleum revenue from fiscal year 2009 through fiscal year 2024 and projected through fiscal year 2029. For the FY09 through FY24 period, the state sold 173.4 million barrels of royalty in-kind, generating “an incremental revenue of \$188.3 million over what would have been realized if those volumes were sold as royalty in-value,” DNR said, with the price for RIK oil during the period typically higher than the price of RIV oil.

More than 90% of the RIK oil the state takes comes from Prudhoe Bay and Kuparuk, and if the state had taken this royalty as in-value it would have been subject to a deduction for marine transportation because the state selects RIK oil from fields whose production would otherwise be sold out of state and “subject to a deduction reflecting the marine transportation allowance.”

In-state refineries

There are five active in-state refineries, DNR said in the preliminary BIF, three producing refined petroleum products for the consumer market — Marathon’s Kenai refinery, Petro Star’s North Pole refinery and Petro Star’s Valdez refinery. Those three all refine Alaska crude and supply refined petroleum products to the Alaska retail market.

The Petro Star refineries “both exclusively refine ANS drawn from TAPS,” DNR said. The North Star refinery has a maximum throughput capacity of 22,000 bpd while Valdez has a maximum capacity of 60,000 bpd. Some 63% of Petro Star output is jet fuel with the remainder ultra-low sulfur diesel, asphalt and heating oil, with most of the refined product produced by the refineries remaining in Alaska.

Marathon’s Kenai refinery is not tied into TAPS, so some feedstock arrives over water, allowing the Kenai refinery to source crude from the world market, the Valdez Marine Terminal or Cook Inlet. Importation of non-Alaska crude has been relatively infrequent in recent years, with 90% of the crude refined at Kenai from either the North Slope or Cook Inlet.

Because it is not located along TAPS, the Kenai refinery cannot re-inject unprocessed crude back into the line and portions of a barrel not refined into saleable product must be shipped out to another Marathon facility or sold to a third party for further processing.

And, unlike the Petro Star facilities, where refineries are fueled by crude from TAPS, Marathon fuels primarily with Cook Inlet natural gas.

Most of Marathon refinery output is consumed in Alaska, with nearly all the jet fuel transported to Anchorage by pipeline with the majority consumed at Ted Stevens Anchorage International Airport.

—KRISTEN NELSON

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RAILBELT WIND POWER

at the RCA meeting. Longroad has experience of developing and acquiring 5.6 gigawatts of renewable energy projects, including solar and wind farm projects.

Chad Allen, Longroad's director of development, commented that his company has four distinct funding sources, including New Zealand's state pension fund. The company focuses on developing and operating renewable energy facilities, Allen said. It owns and operates a number of solar and wind farms across the United States.

Five wind farm sites

Alaska Renewables and Longroad are currently evaluating five wind farm sites that could potentially connect to the Railbelt electrical system: Chatanika Wind, northeast of Fairbanks; Shovel Creek, west of Fairbanks; Walker Dome, near Healy; LMS, northwest of Anchorage and west of the Susitna River; and Bald Hills, to the west of Beluga on the northwest side of the Cook Inlet.

Perkins said that in evaluating potential renewable energy projects the companies had considered factors such as gas demand from the Cook Inlet and the need to phase development to accommodate the technical capabilities of the electricity grid and the readiness of customers for the use of renewable energy. Other important issues include impacts on the landscape and proximity to roads and the transmission grid, he said.

The five selected wind farm projects offer the benefit of being spread across a wide geographic area and, thus, being uncorrelated in terms of the fluctuations in their power outputs.

"The wind is blowing at different times to different volumes in these different places," Perkins said.

All of the projects present the possibilities of average generation capacities of around 200 megawatts.

However, the low capacity of the current Alaska

Technologies for stabilizing power generation from wind farms include transmission system upgrades, battery energy storage systems, high resolution wind forecasting and the use of state-of-the-art inverters for connecting wind farms to the grid.

Railbelt electricity transmission system currently constrains how much power can be delivered over long distances. In particular, a significant portion of the power output from the three wind farms in the Fairbanks region could not be supplied to Southcentral across the existing transmission line.

Preliminary work in progress

At this point the companies have been moving ahead with preliminary work relating to the Shovel Creek project, conducting a wind resource assessment and mechanical loads analysis, to firm up the numbers for parameters such as production capability. And, before a final investment decision can be made it will be necessary to sign power purchase agreements with one or more utilities.

Allen commented that the companies are evaluating all of the projects in terms of the wind resources and wind patterns. Every project has to go through a suitability analysis, with turbine manufacturers then determining what equipment they are willing to supply for each site, he said. Asked about the potential impact of possible pauses in tax credits under the new federal administration, Allen commented that any pauses in the credits would have an impact but would not necessarily prevent projects moving forward — ultimately tax credits impact the cost of power to customers.

Asked about any discussions with Railbelt electricity utilities, Perkins commented that his company has been one of the evaluated parties in response to GVEA's original RFI and that the company had been shortlisted for

evaluation following an RFI issued by Anchorage based Chugach Electric Association in 2021.

Grid integration

Perkins said that studies into the integration of the Shovel Creek project with the electricity grid had indicated that the integration would be challenging but feasible. A team at GVEA, in collaboration with other utilities, anticipates completing the cost modeling for system interconnection, integration and regulation by April and May of this year, he said. Probable grid upgrades for the integration would likely represent a relatively small component of the total project cost, he added.

Technologies for stabilizing power generation from wind farms include transmission system upgrades, battery energy storage systems, high resolution wind forecasting and the use of state-of-the-art inverters for connecting wind farms to the grid.

In addition, it would be possible to use existing hydropower and thermal power generation facilities to counterbalance fluctuations in wind power output, Perkins said.

Phased development

Perkins commented that the development of a wind farm would likely be conducted in a phased manner, with perhaps 30 megawatts, 50 megawatts and 80 megawatts coming online per year, over a two- or three-year construction period, depending on the project.

Perkins also stressed the importance of public engagement in renewable energy projects, with his company holding community meetings where people can voice their concerns. He said that his company had established land control for all five potential projects, through a process involving opportunities for public comments. ●

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Oil Patch Bits



Airgas launches women's RADNOR PPE line

Airgas, a leading supplier of industrial gases and safety products, said March 5 that it has announced the launch of its RADNOR line of personal protective equipment designed specifically for women. This innovative collection reflects Airgas's commitment to safety, comfort and inclusivity in the workplace.

The new line includes a range of products, including gloves and welding jackets, all designed with a focus on fit, function and style. Airgas has collaborated with leading manufacturers to source materials and designs that prioritize both safety and comfort, addressing the unique needs of women in the welding industry.

Airgas is dedicated to providing its customers with the highest quality safety products

and services. The launch of this new RADNOR women's PPE line is a significant step towards ensuring that all workers have access to the protective gear they need to perform their jobs safely and effectively.

"We have no higher priority than safety, and providing effective protective equipment is a key part of our value proposition," Airgas COO Jay Worley said in a statement. "Our new RADNOR women's PPE line is a direct response to feedback from our customers and associates while tapping into a significant growth market. We've designed this collection with women in mind, ensuring proper fit and optimal performance without compromising style. We are committed to fostering an inclusive workforce where everyone is safely empowered to succeed."

Companies involved in Alaska's oil and gas industry

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BLUECREST DRILLING

In the March 3 POD submittal, BlueCrest's John Martineck, the company's president and chief operating officer, said the proposed 12th POD covered April 1 through Dec. 31 of this year.

Current POD

In its current 11th POD, covering Jan. 1 through March 31 of this year, Martineck told the division the company "has actively pursued the capital investment required to restart its onshore oil and gas drilling program and the offshore Tyonek Gas Drilling program."

He said that House Bill 50, passed in 2024 (which allows the Alaska Industrial Development and Export Authority to develop a reserves-based loan program), "and the expressed willingness by AIDEA to have the State of Alaska participate in funding of the Cosmopolitan assets have recently opened the door to new interest by investors."

BlueCrest submitted loan applications to AIDEA Dec. 31 to fund the H10 oil well and offshore Tyonek gas developments, Martineck said, and has met several times with division staff and the DNR commissioner's office since the first of the year on the status of the applications.

"BlueCrest has continued to evaluate development

options for the Tyonek gas resources and recently submitted a third application with AIDEA to fund drilling Tyonek gas wells from an onshore location in 2025."

12th POD

In the 12th POD for the unit, covering work through the end of the year, Martineck said the company's drilling programs "are contingent upon obtaining the necessary funds to move forward," and said BlueCrest is working with a large investment firm to secure necessary funds.

But, he said, it is also "essential" that the state Legislature approve funds for AIDEA.

HB 50 created the Cook Inlet reserve-based lending account in AIDEA, but funds for the account must be appropriated by the Legislature.

Martineck said "AIDEA's participation would be co-invested with our 3rd party funds to totally fund the projects."

He said BlueCrest plans to drill the H10 following completion of the onshore Tyonek gas wells.

A loan application was submitted to AIDEA Feb. 14 to fund up to three Tyonek gas wells from an existing onshore location in 2025, Martineck said, with the onshore extended-reach wells targeting the eastern portion of the deepest gas zone, the Tyonek A sand, "and would be drilled to accelerate new gas production for the Railbelt consumers."

Drilling the H10 trident fishbone well would follow drilling of the gas wells.

Martineck said BlueCrest would update the division on the progress of the wells in a June 30 letter.

Tyonek gas development

BlueCrest is committed to meeting the production start-up date of the end of the second quarter of 2027 for its Tyonek gas development and continues to work on permits for that project.

It plans to continue developing the Starichkof/Hemlock oil reservoirs "based on new information gained from each new well" beginning with the H10, Martineck said.

The company's longer-term plans include drilling the Lower Tyonek oil zones following completion of Starichkof and Hemlock oil reservoir wells.

Production from the field has been steadily declining.

Alaska Oil and Gas Conservation Commission production data for January, the most recent available, show production from the Hansen field at Cosmopolitan averaging 559 barrel per day, a drop of 16.42% from January 2024 when the field averaged 669 bpd. This January the field averaged 644 thousand cubic feet, mcf, per day of natural gas, down 31.3% from a January 2024 average of 1,301 mcf per day. ●

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OIL PRICES

released the same day.

U.S. gasoline inventories plummeted by 5.7 million barrels for the week ended March 7, to 241.1 million barrels — 1% above the five-year average for the time of year, the EIA said. Analysts, answering a survey by Platts S&P Global Commodity Insights, had forecast a gasoline supply drawdown of 1.6 million barrels.

Distillate fuel inventories notched a surprise decrease, down by 1.6 million barrels for the period to 117.6 million barrels — 5% below the five-year average for the time

of year, according to EIA data.

The Platts survey had forecast an increase of 180,000 barrels.

U.S. commercial crude oil inventories — excluding Strategic Petroleum Reserve levels — increased by 1.4 million barrels for the period to 435.2 million barrels, 5% below the five-year average for the time of year, the EIA said.

The Platts survey forecast the oil inventory data to show a build of 2 million barrels on average.

Crude gained additional support from EIA comments that it expects U.S. sanctions on Iran and the revocation of licenses for Venezuelan production to tighten near-term market balances significantly com-

pared with previous expectations, Barron's reported.

March 12 gains built on the previous day's price increases. ANS rose 43 cents March 11 to close at \$72.24, as WTI added 22 cents to close at \$66.25 and Brent added 28 cents to close at \$69.56.

Risk off sentiment was in high swing March 10, as ANS plunged \$1.10 to close at \$71.81, WTI plunged \$1.01 to close at \$66.03 and Brent plunged \$1.08 to close at \$69.28.

U.S. equities prices hit the skids also, staging the steepest selloff in months as investors fretted over increased tariffs on imports and souring consumer sentiment.

Over the weekend leading into March 10, President Trump said some financial pain might be necessary to attain U.S. foreign trade goals, and that a "period of transition" may be underway, while he declined to rule out the possibility of a U.S. recession.

Crude prices moved higher on March 7, after Russia Deputy Prime Minister Alexander Novak said on Friday that although the Organization of the Petroleum Exporting Countries and its allies agreed to start increasing oil production from April, the group could reverse the decision afterward if there are market imbalances, Reuters reported.

"We can always play in the other direction," Novak said.

In other bullish news, Kazakhstan — which has frequently exceeded OPEC+ production quotas — pledged to cut production in March, April and May, the Reuters report said.

ANS jumped \$1.18 March 7 to close at \$72.90, as WTI gained 68 cents to close at \$67.04 and Brent added 90 cents to close at \$70.36. Bloomberg reported March 7 that U.S. Energy Secretary Chris Wright seeks up to \$20 billion for President Trump's goal of refilling the Strategic Petroleum Reserve to peak capacity.

The initiative, which likely is a multi-year project, would restore holdings "just close to the top" to maintain efficient operating status, Wright said in a March 6 interview in Louisiana.

ANS leaps to premium over Brent

In an extraordinary development March 6, ANS skyrocketed \$2.77 higher to close at \$71.72, flipping positions with Brent to trade at a \$2.26 premium over the North Sea benchmark. Brent gained just 16 cents on the day to close at \$69.46 and WTI added a nickel to close at \$66.36.

ANS and Brent — being seaborne crudes — have access to a variety of markets and track each other more closely than either track WTI. Brent has enjoyed a positive differential over ANS since Oct. 4, except for Nov. 11 when ANS notched a 41-cent premium over Brent.

On March 12, ANS closed at a \$2.57 premium to Brent and at a \$5.84 premium over WTI.

From Wednesday to Wednesday, ANS surged \$4.57 from its March 5 close of \$68.95 to \$73.52 March 12. ●

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BROOKS RANGE FINE

which was formed in August 2009. That lease, however, was contracted out of the unit in August 2012 and since it was no longer part of a unit the lease expired and BRPC lost rights to drill on that acreage.

North Shore 3 was spudded by BRPC in March 2010, reached total depth and was suspended in that same month and has been in suspended status since. The surface location is on ADL 0390429. The Alaska Department of Natural Resources notified BRPC in September 2014 that the Beechey Point unit automatically terminated in August 2014 as the conditions of the unit agreement were not met within 5 years of unit formation. The termination was appealed but was reaffirmed by the DNR commissioner in 2019 and ADL 0390429 expired in September 2019. The bottomhole location of North Shore 3, ADL 0047468, was extended by a certified well, but the well was later decertified and the lease expired in August 2019.

In its March 7 order, which informed the company that if it did not file a timely response the proposed action “would be deemed accepted by default,” the commission said “BRPC was unresponsive” to the initial

notice “and did not dispute the alleged violation.”

“The AOGCC finds that due to BRPC’s failure to P&A these wells, BRPC received a significant benefit by avoiding the burden and significant expense to properly P&A the wells and that the \$6,340,000 civil penalty is appropriate under AS 31.05.150(g).”

If the order is not appealed, the fine must be paid within 30 days of the March 7 order.

Fine amount

The commission told BRPC that if it properly plugged and abandoned the wells by June 30, 2025, and cleared the sites by Sept. 30, 2025, it would waive the daily penalties, which account for the vast majority of the fine, reducing the amount to \$50,000 per initial violation for each well — a total of \$150,000.

The \$6.34 million total is based on \$500 per day for each day violations are uncorrected, which at the time the commission issued its notice of proposed enforcement action was 5,686 days for North Shore 1 — where the violation began May 7, 2009 (\$2,843,000 to the date of the letter on the proposed penalties, plus \$48,500 for the 97 days from Dec. 12 to March 7, the date of the order); 4,477 days for Sak River 1 A (\$2,238,500 plus \$48,500 for the additional 97 days); and 1,926 days for North Shore 3 (\$963,000 plus

\$48,500 for the additional 97 days).

Brooks Range

Brooks Range, which owned and developed Mustang in the Southern Miluveach unit on the North Slope, was formerly headed by Bart Armfield, but 2020 paperwork posted by the Alaska Department of Commerce, Community and Economic Development’s Division of Corporations, Business and Professional Licensing shows a change of registered agent from Armfield to Henricus Bockmeulen, and a change of address from 510 L Street in Anchorage of 301 Calista Court in Anchorage.

After BRPC defaulted on a loan from the Alaska Industrial Development and Export Authority, AIDEA took over Southern Miluveach and subsequently sold it to Finnex in 2023. Bockmeulen is shown on Division of Corporations filings as the registered agent for Finnex.

It was Bockmeulen who was addressed in AOGCC’s Dec. 12 notice of proposed enforcement action on the failure to plug and abandon the three Beechey Point unit wells prior to losing rights to the properties.

—KRISTEN NELSON

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where the completion of an independent certified resource estimate highlighted the potential of the Upper Schrader Bluff reservoir. This paved the way for the launch of a formal farm-out process aimed at accelerating exploration via a planned exploration well, the Tiri-1.

In December, 88 Energy was the successful bidder on four additional leases, covering approximately 10,203 acres. This acreage is west of the Dalton Highway south of Prudhoe. Once the leases are officially awarded by the state of Alaska, the additional acreage will grow the Leonis Project’s footprint to more than 35,000 contiguous acres.

These leases were targeted based on additional prospectivity mapped within the deeper Canning Formation reservoir interval, enhancing Leonis’ position as a highly prospective, multi-zone opportunity, the company said.

Project Phoenix

Project Phoenix is an oil-bearing conventional reservoir play identified during the drilling and logging of Icewine-1 and Hickory-1 and adjacent offset drilling and testing. Project Phoenix is strategically located on the Dalton Highway with the Trans-Alaska Pipeline System bisecting the acreage.

88 Energy advanced discussions with Phoenix joint venture partner Burgundy Exploration LLC during the year. In February 2025, the company and Burgundy entered into binding terms for a farm-out participation agreement in relation to Project Phoenix. Under the agreement, Burgundy will fully fund up to US\$39 million of Project Phoenix’s total gross future work program costs in exchange for up to an additional 50% working interest in Project Phoenix from 88 Energy, through its wholly owned subsidiary, Accumulate Energy Alaska Inc. This provides a clear funding avenue to advance Project Phoenix towards a final development decision via a two-phase

farm-in arrangement.

- Phase 1: Burgundy to fund US\$29 million for CY25/26 work program, including drilling of a horizontal well and production testing scheduled for H1 CY26

- Phase 2: Upon Phase 1 success; Burgundy to fund up to US\$10 million for an additional well or other CAPEX program.

Project Leonis

In June 2024, 88 Energy reported a maiden internal net mean prospective resource estimate of 381 million barrels of recoverable oil at the Upper Schrader Bluff formation in Project Leonis. This followed a review of an extensive data suite that included 3D and 2D seismic data, well logs from Hemi Springs Unit-3 and Hailstorm-1, as well as nearby wells adjacent to the Project Leonis acreage, along with extensive petrophysical analysis and mapping.

The Upper Schrader Bluff formation is the same proven producing zone as nearby Polaris, Orion and West Sak oil fields to the northwest.

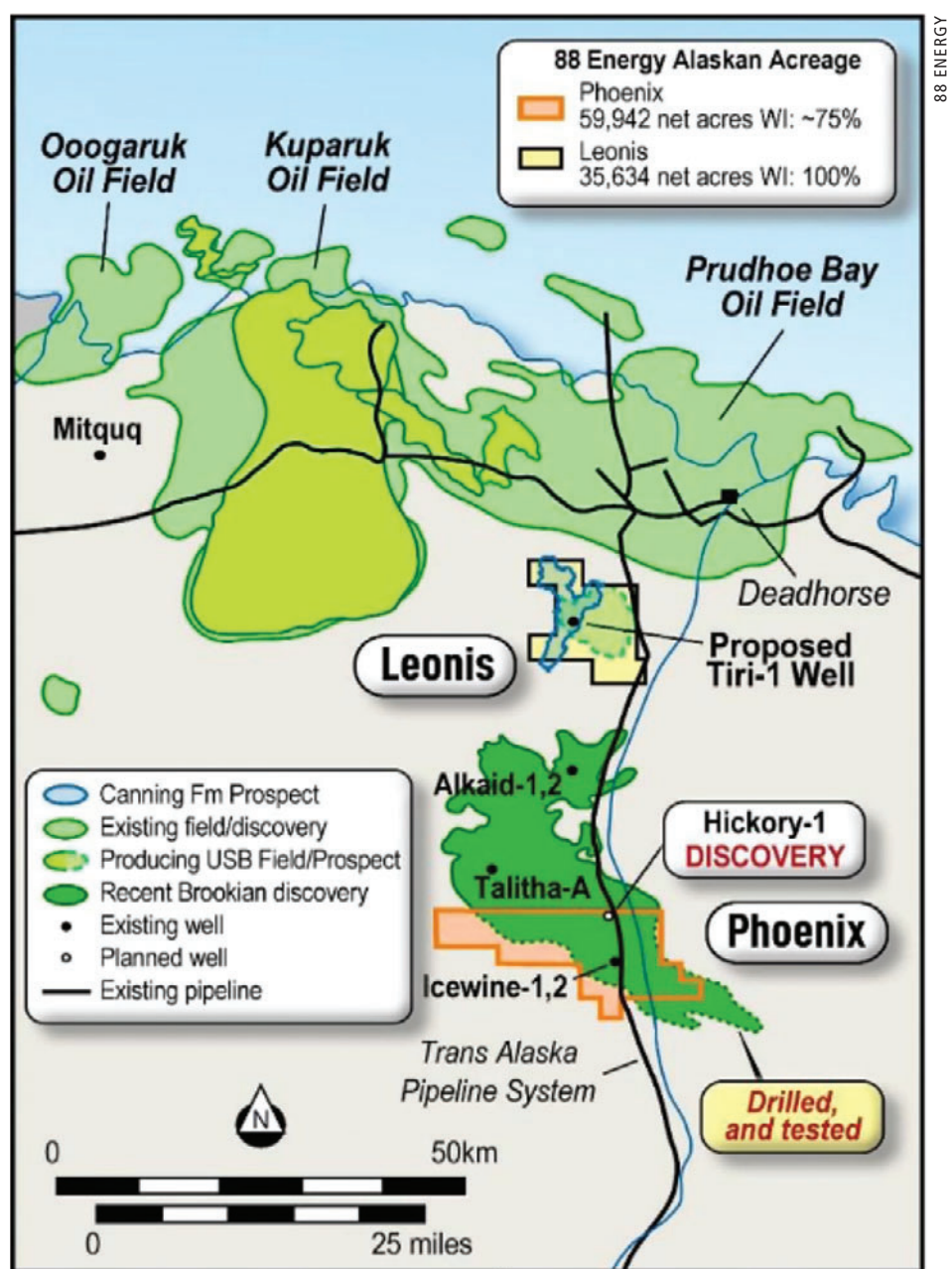
Subsequent reprocessing and interpretation of 3D seismic data identified a high-energy Canning formation top-of-slope turbidite sequence, with analogues in the productive Tabasco field just 23 miles to the northwest. Encouragingly, the Tabasco field outline bears a remarkable resemblance to the Canning at Leonis, said 88 Energy.

In January 2025, the company reported a new prospective resource for the Canning with a total estimated net mean prospective resource of 283 million barrels recoverable from the Canning formation.

Project Leonis is now a multi-reservoir opportunity of scale with a combined internal gross mean prospective resource estimate across the Canning and Upper Schrader Bluff prospects of 798 million barrels, 88 Energy said.

—KAY CASHMAN

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