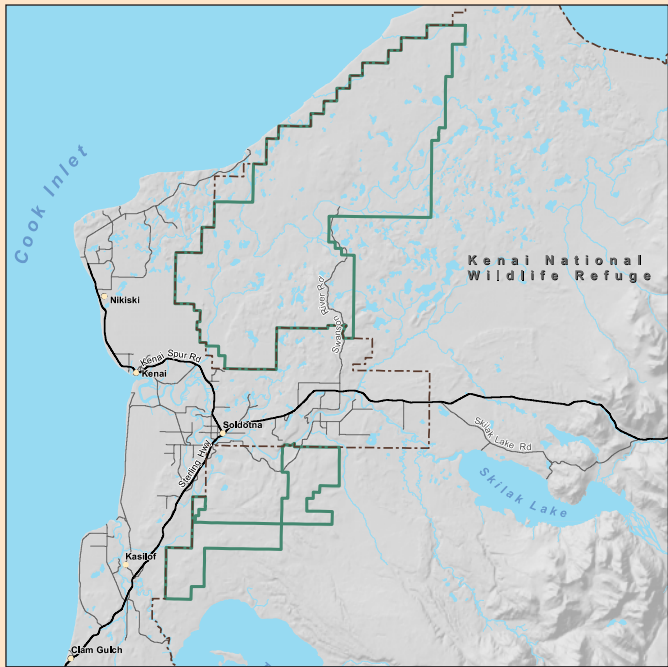




page 4 Chenault discusses passage of oil tax, in-state gas pipeline bills

Kenai seismic planned



Apache Alaska plans to conduct a 3-D seismic survey project in the western part of the Kenai National Wildlife Refuge. See story page 8.

Conoco: Shark Tooth by late '15 KRU drill site follows '12 well

ConocoPhillips Alaska Inc. expects to bring its Shark Tooth satellite online by late 2015.

The most prolific oil company in the state is permitting a 24-well drilling pad, an access road and a gravel mine, as well as associated pipelines and power lines, at the oil field in the southwest corner of its Kuparuk River unit. The Shark Tooth prospect, also known as Drill Site 2S, would be near existing Drill Site 2K pad, 1.5 miles east of the Tarn Road.

ConocoPhillips told the state it expects to begin mining activities toward the end of the year, install infrastructure early next year and bring the satellite online near the end of 2015. Drilling would conclude some 18 months later in mid 2017, but, as ConocoPhillips noted in its application, "As detailed design progresses, the schedule may be modified."

The project description is an expanded version of the one ConocoPhillips filed with the U.S. Army Corps of Engineers

see SHARK TOOTH page 19

NWT launches Valdez trial balloon for moving Canadian oil to Asia

Northwest Territories Industry Minister David Ramsay has reopened debate on an option for moving crude from the Alberta oil sands and Canadian Arctic to Asia by way of Valdez.

He told Petroleum News he is in the early stages of exploring the possibility with political leaders in Alberta, the Yukon and Alaska

The routing is viewed by the NWT government as a chance to deliver crude to Asian markets by avoiding the opposition that faces proposals by Enbridge and Kinder Morgan to build the Northern Gateway and Trans Mountain expansion across British Columbia and to take advantage of underutilized capacity on the trans-Alaska oil pipeline.

In Houston for the Offshore Technology Conference, Ramsay placed the idea on the table with Alaska Gov. Sean Parnell and is hoping for a follow-up meeting in August.

"We will get some work done by the NWT government and

see TRIAL BALLOON page 19



DAVID RAMSAY

EXPLORATION & PRODUCTION

Spudding Cosmo

Buccaneer spuds first well, seeks more time to complete offshore programs

By ERIC LIDJI

For Petroleum News

Buccaneer Energy Ltd. has spud a well at Cosmopolitan, but the company is asking the state for additional time to complete its larger work program at the Cook Inlet prospect.

A local subsidiary of the Australian independent started drilling the Cosmopolitan No. 1 exploration well off the coast of Anchor Point on May 13, according to the company.

Buccaneer is using its Endeavour jack-up rig to drill the well in some 80 feet of water. The company expects the 8,000-foot well to take approxi-

see COSMO WELL page 17



Buccaneer is using its Endeavour jack-up rig to drill the Cosmopolitan well in some 80 feet of water.

EXPLORATION & PRODUCTION

Point Thomson progress

Work on the ground well under way on Exxon's long-awaited Alaska project

By WESLEY LOY

For Petroleum News

ExxonMobil is starting to make real strides on its Point Thomson development on Alaska's North Slope.

Construction contractors for the oil giant have been focusing on two project components — the central pad, and the pipeline that will tie the field into the existing North Slope oil transportation network to the west.

ExxonMobil is aiming to begin production of natural gas condensate, a light hydrocarbon liquid, by May of 2016.

The initial production level is expected to be 10,000 barrels a day, a small volume in the context of

overall North Slope oil production, which currently exceeds 550,000 barrels daily.

But the project is regarded as a key first step toward a potential multibillion-dollar effort to fully exploit one of North America's largest undeveloped oil and gas fields.

ExxonMobil has two major partners in the field, BP and ConocoPhillips.

The Australian firm WorleyParsons, along with Fluor, is providing overall project management.

Central pad camp set up

Kim Jordan, an ExxonMobil spokeswoman in Houston, told Petroleum News on May 15 that mod-

see THOMSON PROGRESS page 18

GOVERNMENT

Win stuns BC pollsters

Government of Premier Clark re-elected; industry has unresolved questions

By GARY PARK

For Petroleum News

British Columbia Premier Christy Clark and the voters of her province sent the political pollsters and pundits packing May 14 in an election that has variously been called the Comeback of the Century or the Turnaround of the Ages.

Those who might have anticipated waking up on May 15 to a new government got their wish. It just wasn't the one they expected.

Faced with 18 months of polls that had her lagging by as much as 22 percentage points, the pugnacious Clark faced up to the electorate with a relentless grin and an upbeat message that only her Liberal party could be trusted to manage the economy, eliminate



CHRISTY CLARK

the debt and create jobs.

During the month-long campaign she dragged the polling margin against the socialist New Democratic Party back to single figures, but she was still largely being written off.

When the ballots were counted, Clark had extended Liberal rule from 2001 to the next election in 2017, apparently winning over voters with her message of a strong economy to create jobs, while portraying the NDP as a "tax and spend" party.

Liberals claim winning margin

Although recounts were still likely in several constituencies the Liberals were elected or leading in 50

see ELECTION STUNNER page 19

contents

Petroleum News

North America's source for oil and gas news

ON THE COVER

Spudding Cosmo

Buccaneer spuds first well, seeks more time to complete offshore programs

Point Thomson progress

Work on the ground well under way on Exxon's long-awaited Alaska project

SIDEBAR, Page 18: Walker presses court challenge

Win stuns BC pollsters

Government of Premier Clark re-elected; industry has unresolved questions

Conoco: Shark Tooth by late '15 KRU drill site follows '12 well

NWT launches Valdez trial balloon for moving Canadian oil to Asia

ENVIRONMENT & SAFETY

15 Meteorological stations planned on Slope

15 Exxon spill council funds tsunami cleanup

EXPLORATION & PRODUCTION

5 Alberta grows reserves, looks for payoff

8 F&W assesses Apache seismic survey plan

Agency has published draft environmental assessment for proposal to conduct a 3-D seismic program in the northern Kenai Peninsula

11 Northstar: 3 million barrels in 2012

Report says Beaufort Sea field averaged 8,300 barrels per day; has some production from two new oil pools as well as main reservoir

15 What's going on in the southern Kenai?

Companies build lease positions in an area of obscure geology but intriguing potential near the edge of the Cook Inlet basin



FINANCE & ECONOMY

6 Brent to average \$104 in 2nd half

WTA discount to Brent crude oil below \$9 in April, expected to average \$13 in 2013, \$9 in 2014; US crude oil forecast up from April

7 Canada locks horns with Europe

Oliver issues threat of WTO challenge of EU fuel-quality directive, retreats from trade treat; labels scientists as 'unrealistic'



GOVERNMENT

4 Chenault: Legislative session successful

9 Coast Guard preparing for Arctic summer

Plans a comprehensive range of operations for open water season as Arctic traffic increases; budget cuts will impact operating hours

10 India wants Canadian barriers lowered

12 President issues U.S. Arctic strategy

Sets out three-pronged approach to advancing U.S. interests while protecting environment, cooperating with other Arctic nations



14 USCG holding hearing on Kulluk grounding

14 Coast Guard, BSEE sign offshore agreement

14 BSEE issues safety culture policy statement

LAND & LEASING

13 State approves lease deals in April

NATURAL GAS

9 USGS obtains Gulf gas hydrate data

13 Interior plays spar on service areas

Fairbanks Natural Gas, Interior Alaska Natural Gas Utility each tell the Regulatory Commission of Alaska to be wary of the other

ADVERTISE NOW

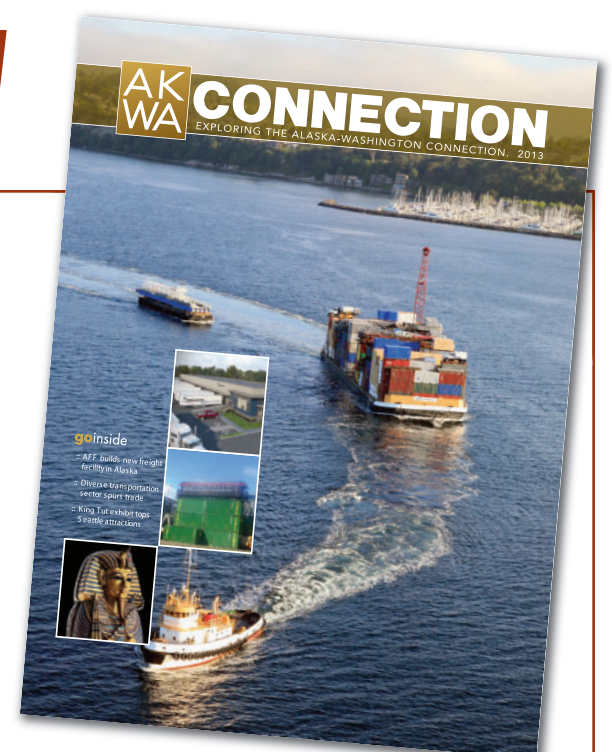
Exploring the Alaska-Washington Connection

Beginning with the Klondike Gold Rush in 1897 and secured by the Alaska-Yukon-Pacific Exposition of 1909, the partnership between the two states impacts our economies now more than ever.

The Alaska-Washington Connection celebrates the enduring economic relationship between Alaska and Washington with a comprehensive look at new developments in the Alaska-Washington trade. Feature articles in this year's magazine will include companies, projects and trends in the mining, oil and gas, transportation, tourism, construction and infrastructure development sectors of the Alaska economy.

Distribution will include 30,000 copies in print and electronic formats to be sent to all Petroleum News and Mining News subscribers, Alaska and Washington Chambers, and business and trade organizations covering oil, gas, mining, tourism and transportation.

Contact Marketing Director Bonnie Yonker for further details at byonker@petroleumnews.com or 425-483.9705.



Alaska - Mackenzie Rig Report

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

Alaska Rig Status

North Slope - Onshore

Doyon Drilling			
Dreco 1250 UE	14 (SCR/TD)	Prudhoe Bay X-10, workover	BP
Dreco 1000 UE	16 (SCR/TD)	Milne Point MPL-20, workover	BP
Dreco D2000 UEBD	19 (SCR/TD)	Alpine CD1-49	ConocoPhillips
AC Mobile	25	Prudhoe Bay U-16	BP
OIME 2000	141 (SCR/TD)	Kuparuk 3C-10	ConocoPhillips

Kuukpik	5	Rigged up on Umiat Disp#1 to spud December 2013	Linc Energy Oprations Inc.
----------------	---	---	----------------------------

Nabors Alaska Drilling			
Trans-ocean rig	CDR-1 (CT)	Prudhoe Bay	Stacked
AC Coil Hybrid	CDR-2	Kuparuk 2F-18	ConocoPhillips
Dreco 1000 UE	2-ES (SCR-TD)	Prudhoe Bay	Available
Mid-Continental U36A	3-S	Prudhoe Bay	Available
Oilwell 700 E	4-ES (SCR)	Prudhoe Bay	Available
Dreco 1000 UE	7-ES (SCR/TD)	Kuparuk	ConocoPhillips
Dreco 1000 UE	9-ES (SCR/TD)	Prudhoe Bay	Available
Oilwell 2000 Hercules	14-E (SCR)	Prudhoe Bay	Available
Oilwell 2000 Hercules	16-E (SCR/TD)	Prudhoe Bay	Available
Oilwell 2000	17-E (SCR/TD)	Prudhoe Bay	Stacked
Emsco Electro-hoist -2	18-E (SCR)	Prudhoe Bay	Stacked
Emsco Electro-hoist Varco TDS3	22-E (SCR/TD)	Prudhoe Bay	Stacked
Emsco Electro-hoist	28-E (SCR)	Prudhoe Bay	Stacked
Emsco Electro-hoist Canrig 1050E	27-E (SCR-TD)	Prudhoe Bay	Available
Oilwell 2000	33-E	Prudhoe Bay	Available
Academy AC Electric CANRIG	99AC (AC-TD)	Prudhoe Bay	Available
Academy AC Electric CANRIG	105AC (AC-TD)	Prudhoe Bay preparing to mobilize	Doyon Ltd.

Nordic Calista Services			
Superior 700 UE	1 (SCR/CTD)	Prudhoe Bay Drill Site E-01B	BP
Superior 700 UE	2 (SCR/CTD)	Prudhoe Bay Well Drill Site G-12C	BP
Ideco 900	3 (SCR/TD)	Kuparuk Well 1C-16	ConocoPhillips

Parker Drilling Arctic Operating Inc.			
NOV ADS-10SD	272	Prudhoe Bay currently on F pad	BP
NOV ADS-10SD	273	Prudhoe Bay projected to move to W-51 drill site on Wednesday, May 13	BP

North Slope - Offshore

BP			
Top drive, supersized	Liberty rig	Inactive	BP

Nabors Alaska Drilling			
OIME 1000	19AC (AC-TD))	Oooguruk ODSN-02	Pioneer Natural Resources
OIME 2000	245-E (SCR-ACTD)	Oiktok Point	ENI

Doyon Drilling			
Sky Top Brewster NE-12	15 (SCR/TD)	Spy Island S132-W2	ENI

Parker Drilling			
NOV ADS-10SD	273 (SCR)	Prudhoe Bay 02-13C	BP

Cook Inlet Basin – Onshore

Kenai Land Ventures LLC (All American Oilfield Associates, labor contract)			
Taylor	Glacier 1	Kenai Loop Drilling Pad #1	Buccaneer Energy Ltd.

All American Oilfield Associates			
IDECO H-37	AAL 111	On the West side for NordAq Energy's Tiger Eye Central Well	NordAq Energy

Aurora Well Service			
Franks 300 Srs. Explorer III	AWS 1	Nicolai Creek 10, workover	Aurora Gas

Doyon Drilling			
TSM 7000	Arctic Fox #1	Swanson River SCU 41A-04	Hilcorp Alaska LLC

Nabors Alaska Drilling			
Continental Emsco E3000	273E	Kenai	Available
Franks	26	Kenai	Stacked
IDECO 2100 E	429E (SCR)	Stacked in Kenai	Available
Rigmaster 850	129	Kenai	Available
Academy AC electric Heli-Rig	106-E (AC-TD)	Kenai	Avaiable

Cook Inlet Basin – Offshore

XTO Energy			
National 110	C (TD)	Idle	XTO

Spartan Drilling			
Baker Marine ILC-Skidoff, jack-up		Spartan 151 Upper Cook Inlet KLU#1	Furie

Cook Inlet Energy			
National 1320	35	Osprey Platform RU-1, workover	Cook Inlet Energy

Hilcorp Alaska LLC (Kuukpik Drilling, management contract)			
	428	Monopod Platform A-7 Completion Anna Platform, preparing rig for upcoming drilling and well work	Hilcorp Alaska LLC Hilcorp Alaska LLC

Mackenzie Rig Status

Canadian Beaufort Sea

SDC Drilling Inc.			
SSDC CANMAR Island Rig #2	SDC	Set down at Roland Bay	Available

Central Mackenzie Valley

Akita			
TSM-7000	37	Racked in Norman Wells, NT	Available

The Alaska - Mackenzie Rig Report as of May 16, 2013.
Active drilling companies only listed.

TD = rigs equipped with top drive units WO = workover operations
CT = coiled tubing operation SCR = electric rig

This rig report was prepared by Marti Reeve



JUDY PATRICK

Baker Hughes North America rotary rig counts*

	May 10	May 3	Year Ago
US	1,769	1,764	1,974
Canada	118	121	120
Gulf	47	48	45

Highest/Lowest

US/Highest	4530	December 1981
US/Lowest	488	April 1999
Canada/Highest	558	January 2000
Canada/Lowest	29	April 1992

*Issued by Baker Hughes since 1944

The Alaska - Mackenzie Rig Report
is sponsored by:



GOVERNMENT

Chenault: Legislative session successful

House speaker discusses passage of governor's oil tax bill, in-state gas pipeline bill, says market will determine where gas goes

By STEVE QUINN

For Petroleum News

House Speaker Mike Chenault's resource development priority is about to become a reality. The in-state natural gas pipeline project he and colleague Rep. Mike Hawker pushed is ready for Gov. Sean Parnell's signature.

House Bill 4 empowers the Alaska Gasline Development Corp. to move forward to an open season for an in-state natural gas pipeline, putting this project on parallel tracks with a larger-diameter line to tidewater for in-state and export use.

Fresh off what Chenault calls one of the most successful sessions he's seen since first entering office in 2001, the state's only three-time House Speaker sat down with Petroleum News to review the session and take a look at what's ahead for the Legislature.

Petroleum News: When you consider passage of the oil tax reform bill Senate Bill 21 and your HB 4, how would you

rate the work done in the legislative session?

Chenault: This year has been one of the most productive sessions that we've had. We dealt with two big issues and moved forward with those: gas and oil tax. We also kept the operating budget to a smaller increase that it's been in years. We also passed a capital budget that was responsible. It wasn't too big in my opinion. It wasn't too small. It took care of a lot of needs in the state of Alaska, certainly not all of them. We got quite a bit done and it was all for the positive.

Petroleum News: We know there are no guarantees of any kind of return, for SB 21 but what do you like about the bill and what do you believe its potential is?

Chenault: I think all of the hope and potential is that we see more investment



MIKE CHENAULT

into the state of Alaska, not only by the big three but by newer investors. The ultimate goal is to have more production and more oil flowing through the TAPS. That's the way I look at it.

Petroleum News: What provision in SB 21 do you think will most drive that?

Chenault: Each section is important to different developers, depending on whether you're a small guy or a big guy, each one of those you may be able to take advantage of to your favor and make your economics look better as far as getting more of your company invested dollars into the state of Alaska than elsewhere.

Petroleum News: This kind of change has been pursued the last three years. What's changed other than the legislative lineup?

Chenault: If you look at most other oil producing regimes across the U.S., you've seen over the years, they have increased their production levels. Alaska hasn't. I believe the major reason why Alaska hasn't is simply because the tax rate is too high and they have been able to invest in other oil provinces and make more money. I think SB 21 brings Alaska back into the game. We'll see that investment continue to grow over the near term and the long term.

Petroleum News: If the investment doesn't grow, then you could have a two-pronged argument that SB 21 didn't go far enough or it's simply a giveaway for not working. Do you think you'll have that problem?

Chenault: I don't think we are going to have that problem. We'll see the generation of more investment in Alaska and that more investment will certainly turn into more production. That is the crux behind SB 21. We get more investment. That turns into more production. That turns into more money for the state of Alaska.

Petroleum News: The final passage vote was pretty close. What does that tell you?

Chenault: I don't know what it really tells you. Some people say boy you just barely got enough to get it past so it must not be good. Unless it's a bill they want. If it's a bill they want, they say great job. You got the votes you needed to pass. It only needs 21 and 11 and the governor to sign it.

You know, everyone has their own ideas whether they were the Democrats or some Republicans. Some thought it went too far. Some didn't like a particular piece of it. I can't fault anyone for voting any

whichever way they voted.

Sometimes we wonder if it's only 21, whether that's better or not. I've had bills pass the House with 22 votes and the newspapers crucify you saying, "Oh my God. It only passed with 22 votes." But if it's a bill that somebody else wants and it may not be popular for a number of different reasons, people will celebrate, saying, "Hey, we got that passed." But the rule is 21, 11 and 1 for it to become law.

Petroleum News: You've got good news recently. ConocoPhillips said they would follow through on what they told Wall Street and Repsol said the bill makes a difference in developing their discoveries. Has it really made a difference already?

Chenault: I believe Repsol said either last year or the year before last that "hey we love the credits and everything ACES provides, but if we find a developable field, we are concerned about the tax on it." Most of the people utilizing the credits liked the credits of ACES, but they didn't like the tax rate associated with ACES. Can you say they made this investment because of the tax change? I don't know if you can really say that, but it's going in the right direction. We are hearing about projects that have a chance of coming online versus where they were pulling projects off the board because they didn't make economic sense under ACES.

Petroleum News: Let's switch to natural gas. Again, what do you think is the potential for advancing a gas pipeline project under HB 4?

Chenault: I think the potential is very good. AGDC will continue on with their engineering. They will make sure they have all their permits in place. They currently have the state right-of-way permits. They have the federal EIS (environmental impact statement). So I believe they will have all the permits needed for the federal right of way and they will continue engineer work and go to an open season in 2014. Hopefully they will have buyers and shippers make commitments on both ends of this thing, and they will sign precedent agreements, work their way through any issues they have and be able to put a pipeline project on the table and get gas to Alaskans by 2019.

I think if we get to an open season and we've got the buyers out there who are interested in buying the gas, it doesn't force gas producers to sell that gas, but if there is a market out there that is economic to make money on it, this helps them make the decision.

see CHENAULT Q&A page 17

CORRECTION

Article Eight Section 1

The Q&A with Rep. Beth Kerttula in the May 12 issue of Petroleum News contained an incorrect reference to the Alaska Constitution. The citation should have been to Article Eight Section 1, not to Article One Section 8.

Petroleum News apologizes for the error.

QA

AND

ing about projects that have a chance of coming online versus where they were pulling projects off the board because they didn't make economic sense under ACES.

Petroleum News: Let's switch to natural gas. Again, what do you think is the potential for advancing a gas pipeline project under HB 4?

Chenault: I think the potential is very good. AGDC will continue on with their engineering. They will make sure they have all their permits in place. They currently have the state right-of-way permits. They have the federal EIS (environmental impact statement). So I believe they will have all the permits needed for the federal right of way and they will continue engineer work and go to an open season in 2014. Hopefully they will have buyers and shippers make commitments on both ends of this thing, and they will sign precedent agreements, work their way through any issues they have and be able to put a pipeline project on the table and get gas to Alaskans by 2019.

I think if we get to an open season and we've got the buyers out there who are interested in buying the gas, it doesn't force gas producers to sell that gas, but if there is a market out there that is economic to make money on it, this helps them make the decision.

see CHENAULT Q&A page 17

Petroleum

www.PetroleumNews.com

Kay Cashman	PUBLISHER & EXECUTIVE EDITOR
Mary Mack	CHIEF FINANCIAL OFFICER
Kristen Nelson	EDITOR-IN-CHIEF
Clint Lasley	GM & CIRCULATION DIRECTOR
Susan Crane	ADVERTISING DIRECTOR
Bonnie Yonker	AK / NATL. ADVERTISING SPECIALIST
Heather Yates	BOOKKEEPER
Shane Lasley	IT CHIEF
Marti Reeve	SPECIAL PUBLICATIONS DIRECTOR
Steven Merritt	PRODUCTION DIRECTOR
Alan Bailey	SENIOR STAFF WRITER
Eric Lidji	CONTRIBUTING WRITER
Wesley Loy	CONTRIBUTING WRITER
Gary Park	CONTRIBUTING WRITER (CANADA)
Rose Ragsdale	CONTRIBUTING WRITER
Ray Tyson	CONTRIBUTING WRITER
John Lasley	DRILLING CONSULTANT
Allen Baker	CONTRIBUTING WRITER
Judy Patrick Photography	CONTRACT PHOTOGRAPHER
Mapmakers Alaska	CARTOGRAPHY
Forrest Crane	CONTRACT PHOTOGRAPHER
Tom Kearney	ADVERTISING DESIGN MANAGER
Amy Spittler	MARKETING CONSULTANT
Renee Garbutt	ADVERTISING ASSISTANT
Julie Bemby	CIRCULATION DEPARTMENT
Dec Cashman	CIRCULATION REPRESENTATIVE
Joshua Borough	ASSISTANT TO THE PUBLISHER

ADDRESS
P.O. Box 231647
Anchorage, AK 99523-1647

NEWS
907.522.9469
publisher@petroleumnews.com

CIRCULATION
907.522.9469
circulation@petroleumnews.com

ADVERTISING
Susan Crane • 907.770.5592
scrane@petroleumnews.com

Bonnie Yonker • 425.483.9705
byonker@petroleumnews.com

FAX FOR ALL DEPARTMENTS
907.522.9583

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. 18, No. 20 • Week of May 19, 2013
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. — \$98.00 1 year, \$176.00 2 years
Canada — \$185.95 1 year, \$334.95 2 years
Overseas (sent air mail) — \$220.00 1 year, \$396.00 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.

Building Value For Today & Tomorrow

Global service provider for

Environment/SH&E
Transportation
Enabling Infrastructure
Program Management



AECOM

For More Information

907.561.5700
800.478.4307
www.aecom.com

To create, enhance and sustain the world's built, natural, and social environments

● EXPLORATION & PRODUCTION

Alberta grows reserves, looks for payoff

By GARY PARK

For Petroleum News

Fueled by growth in situ development and production in its oil sands, Alberta posted a 14 percent rise in conventional oil production in 2012, a 10 percent jump in crude bitumen output and a 9.5 percent increase in reserves, intensifying the challenge of how to get those volumes to market.

In its annual numbers update, the province's Energy Resources Conservation Board, ERCB, said conventional crude output for last year was 204 million barrels, thermal recovery logged 363 million barrels and mining operations yielded 340 million barrels, for a total of 2.48 million barrels per day.

For the first time, in situ volumes exceeded mining and the ERCB expects that gap to continue widening as Alberta's annual raw crude bitumen production climbs to 3.8 million bpd by 2022.

Remaining crude bitumen reserves were estimated at 168 billion barrels, a drop of 0.7 percent from 2011, while conventional crude is at 1.7 billion barrels.

Conventional lifespan 8-10 years

ERCB chief economist Carol Crowfoot said that unless Alberta finds more reserves its conventional holdings have a lifespan of only eight to nine years.

"We're in a maturing basin and on the conventional side, even though we're seeing a definite change in trend from declining production, it's a diminishing pie of remaining reserves," she said.

Conventional natural gas reserves in Alberta stood at 33 trillion cubic feet entering 2013, a drop of 3 percent during the year, while reserves of natural gas liquids were 1.6 billion barrels, virtually unchanged from the previous year.

The reserves estimates do not include shale oil, shale gas and shale gas liquids, which Crowfoot said represent a "treasure trove of resources" which would be reflected if development started to take place on a major scale.

The application of new technologies demonstrates the industry talent for exploiting conventional fields and the oil sands, adding to the transportation bottlenecks and the drag on prices for heavy oil producers.

'Massive increase' in crude

Al Monaco, chief executive officer of Enbridge, said the industry is "in the midst of a massive increase in North American

The reserves estimates do not include shale oil, shale gas and shale gas liquids, which Crowfoot said represent a "treasure trove of resources" which would be reflected if development started to take place on a major scale.

crude. That's generally good news, however the lack of pipeline capacity is causing significant regional price disparities.

"We're all concerned about the short-term and longer-term effects this could have on energy development," he said.

The conventional surge is largely the result of horizontal drilling combined with multistage hydraulic fracturing that have unlocked formations long considered uneconomical.

Scott Saxberg, chief executive officer of Crescent Point Energy, has no worries about whether further technological change will enable Alberta to sustain its conventional production.

"We're at the front end of change," he said. "In the next five to 10 years we're going to see even more advances in technology and the knowledge we have around developing these assets using fracking and horizontal drilling."

Trent Yanko, chief executive officer of Legacy Oil + Gas, said the peak will be short-lived because of the cost of using the new techniques and the sharp per-well decline rates, but Jim Evaskevich, chief executive officer of Yangarra Resources, said his company is finding that as its results improve the costs come down as the fracks become larger and better.

Bitumen production up

Of Alberta's major bitumen producing regions, where the number of producing wells increased to 11,500 in 2012 from 2,300 in 1992, Athabasca last year delivered 547,000 bpd, Cold Lake 394,000 bpd and Peace River 127,000 bpd, with Athabasca benefitting from the evolution of steam-assisted gravity drainage, or SAGD, development.

By 2022, the ERCB expects mined bitumen to reach 1.6 million bpd, decreasing over the decade from 48 percent of total bitumen output to 42 percent, while in-situ bitumen volumes, based on projects that have been approved, are forecast to grow to 2.2 million bpd.

The report estimated that the supply cost for a generic in-situ SAGD project, produc-

ing 30,000 bpd with a capital cost range of C\$750 million to C\$1.5 billion, is equivalent to \$50-\$80 West Texas Intermediate equivalent per barrel.

For a generic standalone mine producing 100,000 bpd with a capital cost range of C\$5.5 billion to C\$7.5 billion, supply cost would be \$70-\$85 WTI per barrel.

The cost calculation changed significantly from previous years, including an increase in natural gas consumption for a SAGD operation.

Upgrading in Alberta of bitumen production edged up to 899,000 bpd from 862,000 bpd in 2011 and accounted for 7 percent of in-situ production, with the ERCB targeting 9 percent in 2022.

Upgrading not keeping pace

Over the forecast period, and despite pressure from several quarters to keep more of the value-added end of bitumen production in Alberta, the regulator expects the percentage of bitumen upgraded in the province to decline to 38 percent from 52 percent, as in-situ production growth outpaces the

increase in upgrading capacity.

In 2012, the five refineries in Alberta with a combined processing capacity 469,000 bpd, used 292,000 bpd of upgraded bitumen and 18,000 bpd of non-upgraded bitumen.

The ERCB said that with resurgent light oil supplies in Western Canada and the U.S. Midwest and an oversupplied U.S. Midwest market, discounting of upgraded bitumen and Western Canadian light oil will likely continue in the short term.

The largest export markets for Alberta upgraded and non-upgraded bitumen have traditionally been the U.S. Midwest, with a refining capacity of 3.58 million bpd and the U.S. Rocky Mountain region at 616,000 bpd.

But those markets are currently oversupplied because of the surge in light oil output and limited pipeline capacity to other markets, spurring efforts to reach markets such as the U.S. Gulf Coast with refining capacity of 8.8 million bpd. ●

Contact Gary Park through publisher@petroleumnews.com

SUBSCRIBE

to Petroleum News

Don't miss another issue, call: **907 522.9469**

LOUNSBURY & ASSOCIATES
Surveyors • Engineers • Planners

- Oil and Gas Exploration • ALTA/ACSM Surveys • 3-D Laser Scanning
- Planning & Permitting • Utility and Drainage Projects
- Commercial and Residential Site Development
- Traffic Engineering • Statewide Service

experience you can use
ESTABLISHED 1949

www.lounsburyinc.com

INSPIRATIONS

Hair & Nail Salon

We offer personalized service, catering to the busy professional.

- 11am — 7pm (Late night appointments by pre-arrangement only)
- Each stylist has a separate, enclosed work area for your privacy and comfort

700 W Northern Lights Blvd., Anchorage, Alaska 99503

• Call for appointments • 561-9499

Mention
this ad and
receive a 10%
discount on
hair services!

FINANCE & ECONOMY

Brent to average \$104 in 2nd half

WTA discount to Brent crude oil below \$9 in April, expected to average \$13 in 2013, \$9 in 2014; US crude oil forecast up from April

By **KRISTEN NELSON**
Petroleum News

The U.S. Department of Energy's Energy Information Administration is projecting the Brent crude oil spot price to average \$104 per barrel for the second half of the year and \$101 per barrel in 2014. After increasing to \$119 per barrel in early February, the Brent crude oil spot price fell to \$97 per barrel in mid-April and then

recovered to \$105 per barrel May 3, EIA said in its May 2013 Short-Term Energy Outlook, released May 7.

The agency expects the Brent crude oil spot price to average \$104 per barrel in the second half of the year and \$101 per barrel next year.

EIA said the projected discount of West Texas Intermediate crude oil to Brent, which was more than \$20 per barrel in February and fell to less than \$9 per barrel

in April, is expected to increase in the near term and average \$13 per barrel this year and \$9 per barrel in 2014.

On the domestic production side, EIA said it has revised its U.S. crude oil production forecast upward from April by 120,000 barrels per day for 2013 and by 310,000 bpd for 2014, with production now forecast to rise from an average of 7.1 million bpd in the first quarter of this year to 8.5 million bpd in the fourth quarter of 2014.

The Henry Hub natural gas spot price, which averaged \$2.75 per million British thermal units last year, is expected to average \$3.80 per million Btu this year and \$4 per million Btu in 2014, up 27 cents and 40 cents, respectively, from EIA's April forecast.

The Henry Hub natural gas spot price, which averaged \$2.75 per million British thermal units last year, is expected to average \$3.80 per million Btu this year and \$4 per million Btu in 2014, up 27 cents and 40 cents, respectively, from EIA's April forecast.

US production forecast

EIA said the growing supply of domestic light crude oil in the Midcontinent has already prompted both midstream and downstream changes.

"Pipelines like Seaway that were once used to carry imported oil up from Gulf Coast ports to reach Midwest refiners have been reversed and are moving inland crude oil down to the Gulf, and their capacity is being dramatically expanded," the agency said.

There is also new pipeline infrastructure under construction, including the southern portion of Keystone XL, slated to be in operation by year-end, with more pipeline construction proposed, along with "major developments in rail transport, where shipments of crude increased dramatically in 2012 compared to 2011," EIA said.

The agency also said significant changes in refining are expected over the next few years to accommodate the growing supply of domestic light-sweet crude oil.

U.S. crude oil production is projected to rise from an average of 6.5 million bpd last year to 7.4 million bpd this year and 8.2 million bpd in 2014.

"Drilling in tight oil plays in the onshore Williston, Western Gulf and Permian basins is expected to account for the bulk of forecast production growth over the next two years," the agency said.

Continued exploration success in the major plays in the Permian Basin is behind the EIA's increase in its short-term forecast.

EIA said it "expects improvements in drilling and completing horizontal wells from multiwell drilling pads in the Permian Basin, which give operators greater access to large areas of resources in a number of stacked plays from a single surface location." ●

Contact Kristen Nelson
at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

Lower Foothills closed to off-road travel

The Alaska Department of Natural Resources has closed the Lower Foothills Opening Area on the North Slope to all off-road travel activities, effective May 13. A 72-hour window was provided for the completion of all off-road travel currently in progress in the area.

Other areas of the North Slope remain open to off-road travel, DNR's Division of Mining, Land & Water said, with snow depths well above opening standards in all areas except the Lower Foothills. The division said snow structure was adequate for off-road travel, but dark gravel spots in ice roads should be removed to maintain ice road integrity.

Temperatures in the Lower Foothills area "have been above freezing during the day" with varying levels of snow deterioration observed. Snow may be adequate for travel in some Lower Foothills areas, the division said, and travel extensions may be granted on a case-by-case basis.

Summer off-road tundra travel is scheduled to begin July 15 but "applies only to those holders of valid permits who obtain specific project approval and is further limited to those vehicles approved by the Division of Mining, Land and Water for summer off-road travel," the division said.

—PETROLEUM NEWS

Centrilift Dictionary:

Prolonglifeability

[pruh-lawng-lahyf-uh-bil-i-tee]

n. Skill or ability of

Baker Hughes Centrilift
to extend ESP
run life.

Measure and Compare

Centrilift delivers unmatched design, support and service to help operators meet production performance objectives

With the widest range of ESP technology and expertise, Centrilift can tailor solutions to meet operator's every financial and operational need. With Centrilift as your partner you are assured

- Fit for purpose ESP technology for the broadest range of applications
- Engineering expertise to optimize production at the lowest possible lifting costs
- Record breaking run times
- Outstanding local service and support

BAKER HUGHES Centrilift

Best-in-Class



**American Marine
Services Group**

6000 A Street, Anchorage, AK 99518

907-562-5420

Deadhorse, AK

907-659-9010

www.amarinercorp.com • www.penco.org
alaska@amarinercorp.com



- Commercial Diving
- Marine Construction Services
- Platform Installation, Maintenance and Repair
- Pipeline Installation, Maintenance and Repair
- Underwater Certified Welding
- NDT Services
- Salvage Operations
- Vessel Support and Operations



- Environmental Services
- Oil-Spill Response, Containment and Clean-Up
- Hazardous Wastes and Contaminated Site Clean-Up and Remediation
- Petroleum Vessel Services, e.g. Fuel Transfer
- Bulk Fuel Oil Facility and Storage Tank Maintenance, Management, and Operations

Anchorage

Honolulu

Los Angeles

● FINANCE & ECONOMY

Canada locks horns with Europe

Oliver issues threat of WTO challenge of EU fuel-quality directive, retreats from trade treat; labels scientists as 'unrealistic'

By GARY PARK

For Petroleum News

Canada's Natural Resources Minister Joe Oliver, in waging an almost single-handed crusade, threatened a trans-Atlantic trade scrap over the oil sands before partially backing down.

Taking a break from his seemingly endless visits to the United States to argue for Keystone XL, he tackled the European Union's planned fuel-quality directive that singles out the oil sands as environmentally dirty to the point of ranking as the most harmful to the planet's climate.

Oliver said the directive is "discriminatory towards Canadian oil and not supported by scientific facts" — a claim that was immediately challenged by 12 climate scientists and energy experts, who said government policy was delaying transition to an economy that was less reliant on carbon.



JOE OLIVER

"The responsibility for preventing dangerous climate change rests with today's policymakers," the academics said in a letter to Oliver.

Investment shift proposed

The EU's directive would shift investment towards lower-carbon oil sources and could reduce carbon dioxide emissions by an estimated 19 million metric tons per year, or the equivalent of removing 7 million cars from European roads.

Oliver, on a trip across the Atlantic, wasted no time wading into deeper waters, declaring that the Canadian government would consider launching a complaint with the World Trade Organization, WTO, the global arbiter of commercial disputes, if the EU proceeded with its directive that would impose an import tax on crude bitumen imports by raising costs on refiners.

Although Canada has no current exports of oil sands production to Europe, its desperate push for new global markets has brought the prospect closer, with TransCanada and Enbridge both on the verge of proposing pipelines to tanker ports on the North American Atlantic seaboard.

In Brussels, Oliver told a news conference: "We are going to take whatever action we need to and may well go the WTO. We will defend our interests vigorously."

The WTO has the power to order the EU to change its rules if they are found to be unfair, but reaching that point would take years.

EU defends proposal

Matthias Brinkmann, EU ambassador to Canada, said he believes the WTO would find no fault with the fuel-quality directive, adding "We are confident our measure will be non-discriminatory and science-based and will stand the test in the WTO."

He also said Oliver was getting ahead of himself, given that the directive is still in draft form.

Brinkmann also rejected any notion that a WTO appeal would undermine EU-

The EU's directive would shift investment towards lower-carbon oil sources and could reduce carbon dioxide emissions by an estimated 19 million metric tons per year, or the equivalent of removing 7 million cars from European roads.

Canada free trade talks, which started in 2009 and are entering their final stages, although a number of issues pose stumbling blocks.

Having entered territory that would normally come under International Trade Minister Ed Fast, Oliver assured reporters that he was "not threatening anything," conceding the oil sands dispute and trade talks are separate matters.

"We have always kept and will contin-

ue to keep separate the issue of trade negotiations and the fuel-quality directive. That's something which the Europeans also want to do. So there is no issue," he said.

Softening his line even more, Oliver said Canada is "hoping for a positive result" on the fuel directive, "so we're not anticipating having to go to any other step."

Oliver: world needs energy

After meetings in Brussels, Paris and London, he said EU commissioners, government officials and industry leaders showed a "growing recognition that the (directive) needs amendment to achieve its objectives (of a 6 percent reduction in the carbon density of the EU's transport fuels by 2020) and I'm more encouraged than I was a year ago."

Oliver said the scientists were pursuing an unrealistic goal amidst forecasts that global energy demand will rise by 33 percent over the next 25 years.

"Even under the most optimistic scenarios for renewable, hydrocarbons, fossil fuels, will represent at least 63 percent of the source of energy by 2035. So we have to be realistic. The world needs energy," he said.

Meanwhile, the government of Prime Minister Stephen Harper has taken a leaf out of Alberta's strategy book by running ads May 13 in publications targeted at lobbyists and lawmakers in Washington, D.C., touting Keystone XL as a big part of the answer to U.S. energy needs and launched a website containing the same information. ●

Contact Gary Park through publisher@petroleumnews.com

LYNDEN

Only pay for the speed you need...
Dynamic Routing!™

With shipping costs on the rise it only makes sense to match your time requirements to the mode. Lynden's exclusive Dynamic Routingsm makes it easy to change routing between modes to meet your delivery requirements. If your vendor is behind schedule we can make up time and keep your business running smoothly. If your vendor is early we can save you money and hassle by slowing down the delivery to arrive just as it is needed. Call a Lynden professional and let us design a Dynamic Routingsm plan to meet your supply chain needs.

www.lynden.com
1-888-596-3361

The Lynden Family of Companies
Innovative Transportation Solutions

● EXPLORATION & PRODUCTION

F&W assesses Apache seismic survey plan

Agency has published draft environmental assessment for proposal to conduct a 3-D seismic program in the northern Kenai Peninsula

By **ALAN BAILEY**
Petroleum News

As part of a major program of 3-D seismic surveying in Alaska's Cook Inlet basin, Apache Alaska plans to conduct an on-land survey in about 142,000 acres of the northern Kenai Peninsula, where the company wants to seek exploration drilling targets in subsurface land owned by Cook Inlet Region Inc., the Native regional corporation for Southcentral Alaska. Apache is aggressively searching for as-yet-undiscovered oil and gas resources in the Cook Inlet basin and has said that it views the acquisition of modern, high-resolution 3-D seismic data as an essential prerequisite to exploration drilling in the basin's challenging geology.

Special use permit

The Kenai Peninsula land lies within the perimeter of the Kenai National Wildlife Refuge, administered by the U.S. Fish and Wildlife Service. Consequently, Apache has had to apply for a special use permit from Fish and Wildlife to enable the company to conduct the surface operations required for the survey. Under the terms of the U.S. National Environmental Policy Act Apache's permit application triggered an environmental assessment that will lead to a decision by Fish and Wildlife as to whether the proposed survey would have a significant environmental impact. And that decision will in turn determine whether the agency can

immediately issue a permit, or whether further environmental review is necessary.

In April Fish and Wildlife issued a draft environmental assessment for the planned survey, with public comments on the draft document required by May 31.

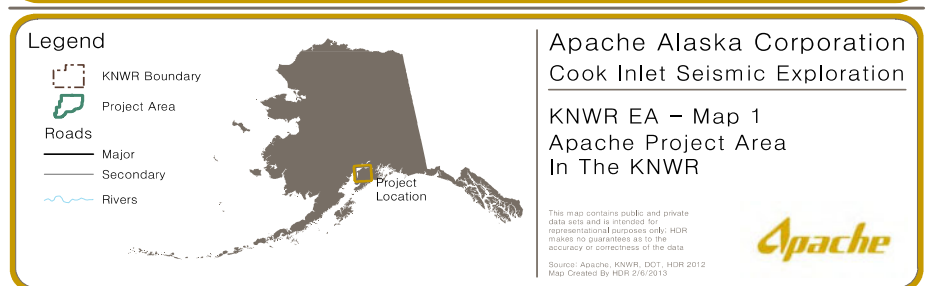
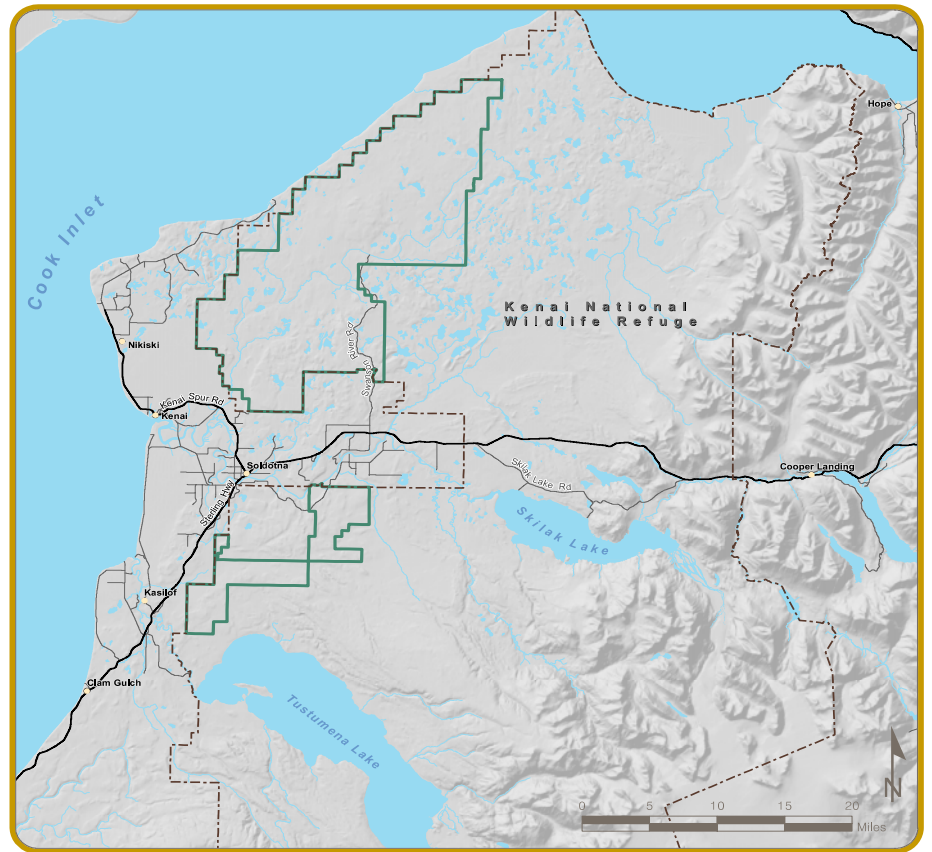
Two phases

According to the environmental assessment Apache anticipates conducting the survey operations in two phases: one in the winter of 2013-14 and the other in the winter of 2014-15. The company plans to use a survey technique in which each seismic recorder works within its own sealed node, each node independently recording the sound signals from the seismic sound source while using global positioning system technology and satellite-based timing to accurately position and time the recording. This technique, which Apache has successfully used in a survey on the west side of Cook Inlet, minimizes environmental disturbance by eliminating the need to cut seismic lines through surface vegetation for the laying of cable. A seismic crew carries the seismic nodes, each about the size of a large food can, into position by backpack.

Only approved snow machines will be allowed for off-road surface transportation within the refuge, the environmental assessment says.

The source of the seismic sound signals will be explosive charges, set at

see **APACHE SEISMIC** page 10



Apache Alaska plans to conduct a 3-D seismic survey project in the western part of the Kenai National Wildlife Refuge (KNWR).

Thank you to the following the lawmakers for supporting economic reform.

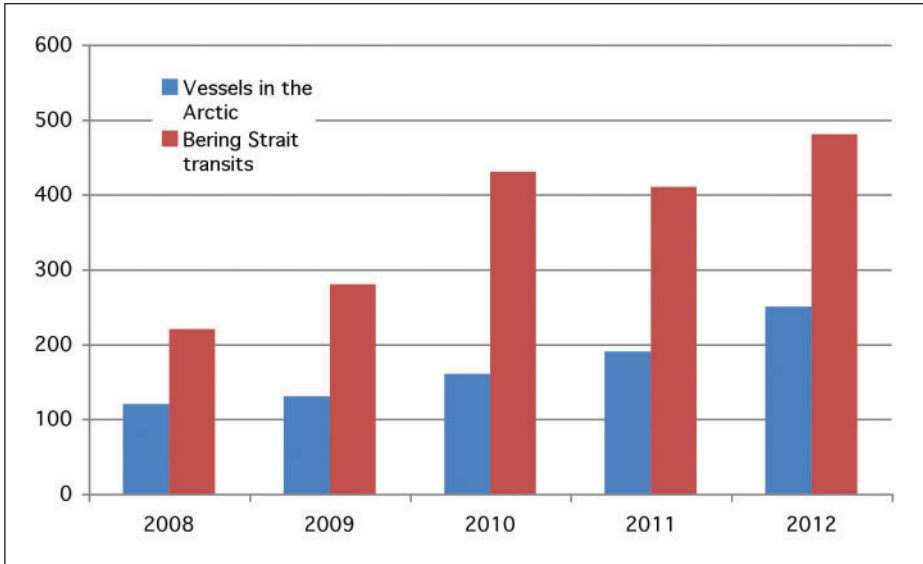
Sen. Click Bishop	Rep. Lindsey Holmes
Sen. John Coghill	Rep. Shelly Hughes
Sen. Mike Dunleavy	Rep. Doug Isaacson
Sen. Fred Dyson	Rep. Craig Johnson
Sen. Anna Fairclough	Rep. Wes Keller
Sen. Cathy Giessel	Rep. Gabrielle LeDoux
Sen. Charles Huggins	Rep. Bob Lynn
Sen. Pete Kelly	Rep. Charisse Millett
Sen. Lesil McGuire	Rep. Cathy Munoz
Sen. Kevin Meyer	Rep. Ben Nageak
Sen. Peter Micciche	Rep. Mark Neuman
Sen. Donald Olson	Rep. Kurt Olson
Rep. Alan Austerman	Rep. Lance Pruitt
Rep. Mike Chenault	Rep. Laura Reinbold
Rep. Mia Costello	Rep. Dan Saddler
Rep. Eric Feige	Rep. Paul Seaton
Rep. Lynn Gattis	Rep. Bill Stoltze
Rep. Mike Hawker	Rep. Steve Thompson
Rep. Pete Higgins	Rep. Peggy Wilson
	Rep. Tammie Wilson

Thank you. Taikuu.Quyanaq.

Alaska needs to produce more oil. Thankfully, the Alaska Legislature, working with Governor Sean Parnell, has passed oil tax reforms to promote the new production we need. All of Alaska, including North Slope communities, will benefit when Alaska's oil industry gets back on track.

www.asrcenergy.com

Engineering | Fabrication & Construction | Pipeline Construction | Multi-Craft Specialties
Operations & Maintenance | Response Operations | Quality, Health, Safety, Environmental, & Training
Regulatory & Technical Services | Exploration, Drilling Support & Geosciences



DATA SOURCE: U.S. COAST GUARD

Steadily increasing vessel traffic in recent years as Arctic sea ice cover shrinks is driving a heightened U.S. Coast Guard presence in the Arctic region.

● GOVERNMENT

Coast Guard preparing for Arctic summer

Plans a comprehensive range of operations for open water season as Arctic traffic increases; budget cuts will impact operating hours

By **ALAN BAILEY**
Petroleum News

Although federal budget cuts, known as sequestration, are impacting U.S. Coast Guard operations, the Coast Guard will continue its program of Arctic activities during this year's open water season, Lt. Veronica Colbath, Coast Guard external affairs officer, told Petroleum News May 9.

The Coast Guard is still formulating its detailed plans but will deploy cutters, aircraft and personnel to the region, Colbath said.

"They will maintain a presence in the Arctic region and engage in operations that encompass a variety of Coast Guard missions," she said.

Traffic growth

Although Shell will not be mounting an Arctic offshore drilling campaign this year, an operation that triggered some significant Coast Guard activity last year, the continuing growth in Arctic vessel traffic and traffic through the Bering Strait is causing the Coast Guard to maintain a significant summer presence in northern waters. Shipping traffic has doubled in the past two years, Colbath said.

However, it is likely that sequestration will impact the operational hours of the agency's cutters and aircraft, she said.

The Coast Guard will conduct outreach with Arctic communities and will leverage partnerships with federal, state, local and tribal partners to ensure maritime safety, Colbath said. In addition, the Coast Guard will conduct a major oil spill seminar with those partners, and with industry representatives. And the Coast Guard will bring one of its buoy tenders to the Arctic to conduct

The icebreaker Healy will conduct some science missions, while the Polar Star, the Coast Guard's heavy icebreaker that has just returned to duty after a major refit, will travel to the Arctic to conduct ice trials.

a towing exercise with the Canadian Coast Guard.

The icebreaker Healy will conduct some science missions, while the Polar Star, the Coast Guard's heavy icebreaker that has just returned to duty after a major refit, will travel to the Arctic to conduct ice trials. The Polar Star's crew will test the vessel's ice breaking capabilities, while the crew will also undergo training to ensure operational readiness, Colbath said. The Coast Guard also plans to conduct other marine surface patrols, she said.

One issue yet to be resolved is the question of where to locate the Coast Guard's Arctic forward operating base for search and rescue — last year the agency operated for four months out of Barrow, at the northwestern end of the North Slope. This year the agency is considering the Chukchi Sea coastal village of Kotzebue as a base location, perhaps making use of the Alaska National Guard facility that is located there. Kotzebue would be conveniently positioned for dealing with vessel traffic plying the Bering Strait. With the strait being very narrow and not having a traffic scheme, the Coast Guard is concerned about the possibility of a vessel collision or grounding, Colbath said. ●

Contact Alan Bailey
at abailey@petroleumnews.com

NATURAL GAS

USGS obtains Gulf gas hydrate data

As part of a multiyear program of gas hydrate research in the Gulf of Mexico being conducted by the U.S. Geological Survey, the Bureau of Ocean Energy Management and the U.S. Department of Energy, USGS researchers have obtained high-resolution seismic data and images of some known gas hydrate deposits.

Gas hydrates are ice-like substances, formed under certain temperature and pressure conditions, in which gas becomes trapped in a lattice of water molecules. The gas in the hydrates generally consists of methane, the primary component of natural gas. And, with the hydrates able to concentrate large volumes of gas into relatively small volumes of hydrate, people view the hydrates as a potential prolific source of natural gas for use as a fuel.

The recent seismic data acquisition built on some previous research involving an expedition in 2009 that drilled into gas hydrate deposits in reservoir-quality sands. The seismic data now allows the researchers to more fully place these deposits into their geologic context.

"This expedition represents a significant milestone," said USGS Energy Resources Program Coordinator Brenda Pierce. "The data and imagery provide insight into the entire petroleum system at each location, including the source of gas, the migration pathways for the gas, the distribution of hydrate-bearing sediments, and the traps that hold the hydrate and free gas in place. The USGS has a globally recognized research effort studying gas hydrates in settings around the world, and this project combines our unique expertise with that of other agencies to advance research on this potential future energy resource."

Gas hydrate research in northern Canada, on Alaska's North Slope and offshore Japan has demonstrated the technical feasibility of producing natural gas from hydrates. But no one has yet shown that the hydrates can be viably produced on a commercial scale over extended time periods.

—ALAN BAILEY



Arctic Controls, Inc.™

- Gas & Flame Detection System
- Valve Automation Systems
- EATON Bag Filters & Gas/Liquid Separators
- Flow Metering
- Industrial Controls

1120 East 5th Avenue
Anchorage, Alaska 99501-2759

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

email: 5Stewart@arcticcontrols.com

web: www.arcticcontrols.com



Committed to safety

At Carlile, safety on – and off – the road is a top priority. That's why we're proud that three dozen Carlile drivers collectively have more than 100 million safe miles logged between Alaska and Texas alone.

With a safety record like that, you can count on Carlile to keep your project and shipments moving.

Can your trucking company do that? **Carlile can.**



www.carlile.biz | 1.800.478.1853 ROAD - RAIL - SEA - AIR



LW Survey Company

Minority Business Enterprise (MBE)
www.lwsurvey.com | 907.232.5161
1075 Check Street, Suite 202
Wasilla, AK 99654

- | | | |
|---|----------------------|-------------------|
| ■ Pipeline Integrity Surveys | ■ 3-D Mapping Laser | ■ Inspection |
| ■ Well Package Development | ■ Scanning Surveys | ■ Route Selection |
| ■ GIS/Data Operations | ■ Dimensional Survey | ■ Land Survey |
| ■ Project Cost Analysis | ■ Project Management | ■ Procurement |
| ■ GPS Network Design | ■ Automated Mapping | ■ LiDAR |
| ■ Civil Survey Automated & Conventional | ■ Right of Way | |

● GOVERNMENT

India wants Canadian barriers lowered

By GARY PARK

For Petroleum News

Over the past five years China's national oil companies have invested C\$33.3 billion in Canada's oil and gas sector, about 43 percent of the C\$77 billion in deals initiated by foreign buyers.

But of the 15 countries involved in M&A transactions there has been one notable absentee — India.

The subcontinent has talked for years about its desire to round up assets, or even entire companies, as it has looked outside its borders for oil and gas resources to offset declining production and reserves amid rising demand at home.

And there have been unconfirmed reports that Oil India Ltd. made a non-binding bid that is still being pursued of C\$5 billion last year for ConocoPhillips' 50 percent stake in six oil sands assets that hold about 15 billion barrels of bitumen resources.

However, India's strategies have varied

Sinha said India's preference is to rely on energy imports rather than equity investments, making LNG the preferred way to gain a foothold in Canada.

from those of its emerging Asian economic rivals for reasons that range from its financial resources, appetite for risk and both corporate and political aims.

Changes in rules

Now it finds that changes to foreign investment rules since last year's takeover of Nexen by China National Offshore Oil Corp. have limited the ability of its state-owned companies to gain controlling stakes in oil sands producers.

From India's standpoint, its reluctance to take the plunge in Canada has been compounded by what the head of a delegation from several companies said earlier in May is the lack of infrastructure needed to get Canadian production to overseas markets.

A.M.K. Sinha, director of India Oil Corp's planning and business development, told reporters that until the barriers are removed India will be hesitant about signing term contracts to lift crude.

In addition, he said, the Indian government requires its state-owned companies to deal only with other national oil companies, or NOCs, of which there are none in Canada and the current administration of Prime Minister Stephen Harper is never likely to turn the clock back to the days of Petro-Canada.

Sinha said India is eager to diversify its sources of oil as it faces a projected increase in demand to 7.5 million barrels per day by 2035 from the current 3.5 million bpd.

He said India is importing 44 percent of its crude and 79 percent of its natural gas requirements from the Middle East, but is always seeking new options.

Sinha said India's preference is to rely on energy imports rather than equity investments, making LNG the preferred

way to gain a foothold in Canada.

Option with Nova Scotia

Coincidentally, H-Energy, a subsidiary of one of India's largest privately held property developers, made a move in that direction by signing an option agreement with the Nova Scotia government to build a gas liquefaction facility and export terminal in the Atlantic Canada province.

That affirmed Sinha's observation that Canada's east coast offers quicker access to India's west coast refining hub for crude oil, giving a boost to TransCanada's tentative plans to move Western Canadian crude to Quebec and possibly the Atlantic coast.

Deepak Obhrai, parliamentary secretary to Canada's Foreign Affairs Minister John Baird, said exports of 10 million metric tons a year from the Goldboro LNG project are proposed for Nova Scotia.

He said a second project could involve reversing the Canaport import LNG facility in New Brunswick.

Indian state-run utility GAIL is also exploring new LNG offtake deals with producers in North America, said Gajendra Singh, executive director for exploration and production.

He said GAIL wants up to 12 metric tons a year of LNG in additional long-term deals over the next four years to meet a sharp expected increase in India's regasification capacity, which is forecast to climb to 48.5 million metric tons a year by 2017 from today's 14.8 million metric tons.

Singh said two deals, with Cheniere Energy and Dominion Cove, have been signed in the United States and GAIL has opened an office in Houston to follow up on new opportunities. ●

Contact Gary Park through publisher@petroleumnews.com

continued from page 8

APACHE SEISMIC

depths of up to 35 feet in shallow drill holes that are back filled to minimize any ground disturbance. Apache will use a small drilling unit, slung under a helicopter for carriage to drill sites, to drill the shot holes, the assessment says.

20,000-foot depth

With a target depth of about 20,000 feet for the base of its required 3-D seismic images, Apache plans an approximately 40,000-foot square grid of receivers for each seismic shot. Recorders will be placed at 165-foot intervals along parallel lines one-quarter mile apart, with a total of 4,368 recording nodes required for each shot, the assessment says.

Starting near the coast, on the west side of the survey area, the seismic crew will progressively move east, transferring the receivers on the westerly trailing edge of the survey grid to the eastern leading edge after each shot, the environmental assessment says.

The Alaska National Interest Lands Conservation Act, the 1980 federal statute that established the Kenai National Wildlife Refuge, includes provisions that allow access to privately owned land within the refuge for economic or other purposes, provided that this access does not violate regulations designed to protect specified refuge values, the assessment says. ●

Contact Alan Bailey at abailey@petroleumnews.com

VISION

Ready to ship inventory of Magnalight portable lighting, explosion proof luminaires and power distribution systems. Rapid delivery of custom configurations also available with in-house CNC and fabrication capabilities.



Industrial lighting and power distribution for hazardous areas and extreme environments

At Larson Electronics' Magnalight.com our business philosophy is very simple; provide high quality lighting products at good prices and get them to the customer fast. We support our customers before, during, and after the sale and maintain a wide inventory of parts and accessories allowing us to service the products we sell. Browse our collection of products and information here on Magnalight.com to learn more about us and how we can help you find solutions for all of your heavy duty and hazardous location lighting needs.

800-369-6671 | 903-498-3363 | sales@magnalight.com



MAGNALIGHT.COM

• EXPLORATION & PRODUCTION

Northstar: 3 million barrels in 2012

Report says Beaufort Sea field averaged 8,300 barrels per day; has some production from two new oil pools as well as main reservoir

By **ALAN BAILEY**
Petroleum News

The Northstar oil field, operating from an artificial island in Alaska's Beaufort Sea, produced a total of 3 million barrels of oil in 2012, with an average daily oil production rate of 8,300 barrels, according to the Northstar unit 10th plan of development, submitted by field operator BP to the Alaska Department of Natural Resources, or DNR, at the end of March. According to data published by the Alaska Oil and Gas Conservation Commission, by the end of March the field had achieved an accumulated production of 157 million barrels of oil since startup in 2001.

Production from Northstar peaked at an average of 68,700 barrels in 2004 and has steadily declined since then.

The field is owned 98.6 percent by BP Exploration (Alaska) Inc. and 1.4 percent by Murphy Exploration (Alaska) Inc.

Field reservoirs

Northstar's main oil reservoir lies in the Ivishak formation, in rocks equivalent to the main reservoir of the giant Prudhoe Bay field on the mainland to the south. Some oil also comes from an adjacent part of the Shublik formation, a rock unit that forms a major oil source for many North Slope oil fields.

The rate of production decline at Northstar in recent years has been alleviated somewhat by oil production from two reservoirs outside the original, main oil reservoir. One of these reservoirs, referred to as "Fido," consists of a separate and distinct geologic structure in the northeast sec-

And recent upgrade work on the Northstar production island would appear to express confidence in the continuing value of the Northstar field as a whole — BP has now completed the relocation and replacement of base camp facilities on the Northstar island, the plan of development says.

tor of the Northstar unit, in rocks equivalent to the main Northstar reservoir. The other reservoir, directly above the main producing reservoir, consists of a sand unit in the Kuparuk formation, equivalent to part of the assemblage of reservoir sands in the Kuparuk River field to the southwest.

Following a 2011 DNR directive to contract the Northstar unit to match the field's "participating area," the area containing the field's producing reservoir, DNR gave BP the opportunity to define a separate Fido oil participating area, to ensure that the Fido oil accumulation would remain within the unit. The agency also told BP to define a participating area for the Kuparuk reservoir.

Federal land

The Northstar unit straddles both state and federal land on the Beaufort Sea continental shelf, with the Fido structure being located entirely in federal land. And according to BP's plan of development, in January 2012 the company applied to the federal Bureau of Safety and Environmental

Enforcement, or BSEE, and to DNR to form a Fido participating area, with BSEE subsequently approving the participating area in June 2012.

According to the participating area application, Fido consists of a "four-way faulted trap," penetrated by a single production well and completely isolated from the main Northstar reservoir. Relatively uniform rocks with few barriers to oil flow in the reservoir enable excellent oil recovery, while subsurface water drives production without the need for water to be injected from the surface, the application says.

According to the participating area application, the Fido accumulation went into production in May 2008 with an initial flow rate of 8,000 barrels per day, with that rate declining to about 600 barrels per day by January 2012. By October 2011 the accumulation had produced 2.2 million barrels of oil, with an estimated ultimate recovery of 2.9 to 3.4 million barrels.

Hooligan

The Northstar plan of development says that in June 2012 BP applied to the state and federal agencies for another participating area, called Hooligan, to encompass the Kuparuk reservoir. The agencies have yet to issue a decision on this application.

The Hooligan application says that production from the Kuparuk reservoir started in November 2010, when BP placed a plug above the level of the Ivishak in one of the Northstar production wells, while also opening a sliding sleeve in the well in the

Kuparuk sand. And with several Northstar wells penetrating the Kuparuk en route to the deeper Ivishak, BP has been able to use well data in combination with seismic data to map out the structure of the "Hooligan field," while inferring the locations of various fluid contacts within the structure.

Production has continued using that single modified well. By April 2012 the Kuparuk reservoir had produced about 13 billion feet of natural gas and about 620,000 barrels of condensate, with the gas being injected into the Northstar Ivishak reservoir for pressure maintenance, the Hooligan participating area application says. Production rates in June 2012 were 26 million cubic feet per day of gas and 970 barrels per day of condensate, the application says.

Currently the Kuparuk production comes only from a single sand unit, referred to as the Kuparuk C sand. But there is a possible future opportunity for production from another sand, the Kuparuk A, the application says.

And recent upgrade work on the Northstar production island would appear to express confidence in the continuing value of the Northstar field as a whole — BP has now completed the relocation and replacement of base camp facilities on the Northstar island, the plan of development says. ●

Contact Alan Bailey
at abailey@petroleumnews.com



Hawk
CONSULTANTS LLC

Providing project management professionals for major projects throughout Alaska and the world

www.hawkpros.com
907.278.1877



Oil & Gas Construction
Serving Alaska Since 1984

www.conamco.com

CONAM CONSTRUCTION COMPANY
A QUANTA SERVICES COMPANY

NOW WORKING IN THE FOLLOWING LOCATIONS:

SEATTLE	ALASKAN	ARCTIC	KUWAIT	NICARAGUA	EL SEGUNDO
BOSTON	MOBILE	FERNDALE		SEAL BEACH	BELLINGHAM
	McKENZIE RIVER	PORT ANGELES		SAN NICOLAS ISLAND	DAKAR
LOS ANGELES	SINGAPORE			WHITTIER	ANCHORAGE
DUTCH HARBOR	IRAQ	OLYMPIA		SEWARD	NIGERIA
ENSENADA	GRAYS HARBOR			TAMPICO	ANACORTES
LONG BEACH	BREMERTON			SACRAMENTO	NEAH BAY
VANCOUVER, B.C.					ULSAN
ASTORIA					TACOMA
LONGVIEW					WAKE ISLAND
VALDEZ					LEWISTON
PUERTO PEÑASCO	ANGOLA	RAINIER		SAN CLEMENTE ISLAND	SAN DIEGO
KALAMA	BENICIA	COOS BAY		SHANGHAI	HONOLULU
SAN FRANCISCO	VANCOUVER, WA			BUENOS AIRES	SAKHALIN ISLAND
OAKLAND	RICHMOND	MARTINEZ		ST. JOHN	MISSISSIPPI
HOMER	STOCKTON	PORT CLARENCE		PORT HUENEME	NARRAGANSETT BAY

Every day, all over the world, Foss captains and crews push to be the best in some of the toughest conditions on earth. Explore the global expertise that makes us a leader in maritime services. Call 800.426.2885 or cruise to fossmaritime.com.

Always Safe. Always Ready.
Worldwide Maritime Transportation • Marine Logistics • Engineering • Full Service Shipyard



● GOVERNMENT

President issues U.S. Arctic strategy

Sets out three-pronged approach to advancing U.S. interests while protecting environment, cooperating with other Arctic nations

By ALAN BAILEY

Petroleum News

In what appears to be a signal of increased national awareness of the United States' role as an Arctic nation, President Obama has issued a "National Strategy for the Arctic Region," a document that sets out high-level priorities for federal government actions relating to the Arctic.

"The Arctic is one of our planet's last great frontiers," Obama said in a statement accompanying the new strategy document. "Our pioneering spirit is naturally drawn to this region, for the economic opportunities it presents and in recognition of the need to protect and conserve this unique, valuable and changing environment."

According to a White House statement, high-level officials from the Obama administration will meet in June with the state administration, Alaska Natives and others to discuss how best to move forward with strategy implementation. The National Security Staff who prepared the strategy document says that during the coming summer it will develop an implementation plan for the strategy — that plan will include implementation roles and responsibilities.



BARACK OBAMA

Three priorities

The strategy sets out three "lines of effort" for the federal government in the Arctic:

1. To advance U.S. security interests by ensuring that vessels and aircraft can operate in the Arctic; by establishing an appropriate Arctic infrastructure; and by promoting responsible energy development in the region.

2. To pursue responsible stewardship of the Arctic through environmental protection; the establishment of an integrated Arctic management framework; the charting of the Arctic region; and the improved

"While there are no concrete commitments in the strategy released today, we welcome the White House's acknowledgement that the Arctic will play a significant role in our nation's future." — Alaska Gov. Sean Parnell

understanding of the Arctic through scientific research and the use of traditional knowledge.

3. To strengthen international cooperation in the Arctic through bodies such as the Arctic Council and through accession to the United Nations Convention on the Law of the Sea.

And the strategy sets out some principles to guide government actions. One principle is to ensure the maintenance of the Arctic as an area free of conflict, by supporting international legal principles of freedom of navigation and by promoting the peaceful resolution of disputes between nations. Another principle is to use the best and most current scientific and traditional knowledge to inform decision making. Also, the federal government will foster partnerships with the State of Alaska, Arctic states, other international partners and the private sector for the efficient advancement of U.S. strategic Arctic priorities "in this austere fiscal environment," the strategy document says. And the government will consult with Alaska Natives, recognizing tribal governments' unique legal relationship with the U.S. government, the document says.

Oil and gas

The document says that oil and gas development in the U.S. Arctic comes within the U.S. administration's "all of the above" approach to meeting U.S. energy needs, an approach that includes the expansion of oil and gas production as well as the use of new renewable energy resources.

"Within the context of this broader energy security strategy ... we are committed to working with stakeholders,

industry and other Arctic states to explore the energy resource base, develop and implement best practices, and share experiences to enable the environmentally responsible production of oil and natural gas as well as renewable energy," the document says.

The document also says that economic development must be balanced against the need to protect both the environment and the region's cultural values.

"Responsible stewardship requires active conservation of resources, balanced management and the application of scientific and traditional knowledge of physical and living environments," the document says.

Collaboration

And the strategy recognizes collaboration and cooperation with other Arctic nations as a means of achieving Arctic prosperity within the context of environmentally sustainable activities.

"Arctic nations have varied commercial, cultural, environmental, safety and security concerns in the Arctic region," the strategy document says. "Nevertheless, our common interests make these nations ideal partners in the region."

The United States also needs to work with non-Arctic states that are interested in the Arctic region, to advance common objectives such as the promotion of safe Arctic shipping, the document says.

In summary, the document says that the administration seeks "a collaborative and innovative approach to manage a rapidly changing region." The melting of Arctic sea ice can transform global climates and ecosystems, as well as transforming global shipping, energy markets and other commercial interests, the document says.

"The unique Arctic environment will require a commitment by the United States to make judicious, coordinated infrastructure development decisions, informed by science," the documents says. "To meet his challenge we will need bold, innovative thinking that embraces and generates new and creative public-private and multinational cooperative models."

Delegation support

The Alaska congressional delegation expressed its support for the strategy.

"I welcome the release of the administration's National Strategy for the Arctic Region, identifying strategic priorities for the United States in the Arctic region for the next 10 years — and their top line acknowledgement that America is an Arctic nation," said Sen. Lisa Murkowski. "As the strategy notes, issues such as circumpolar maritime transit, greater access to resources and the needs of the indigenous people of the Arctic are coming to the forefront and the Arctic's importance to the United States as a nation demands greater attention."

"I'm pleased this administration responded to our request to recognize the enormous opportunities and challenges in a changing Arctic," said Sen. Mark Begich. "Until now, the U.S. was the only Arctic nation lacking a formal strategy and effort to coordinate federal agencies in their approach to the Arctic. Now the challenge will be committing to the icebreakers, Arctic ports and dedication to science which is vital to sustainable management of the Arctic."

"Finally! It's about time that the Administration acknowledged the importance of a strong presence in the Arctic," said Rep. Don Young. "From ... shipping to tourism, power projection to resource development, I am glad that the administration has at least released something that reflects our need to be a leader in the Arctic. I was also pleased to see the White House pay special attention to building and maintaining a strong relationship with Alaska Natives on Arctic issues."

"While there are no concrete commitments in the strategy released today, we welcome the White House's acknowledgement that the Arctic will play a significant role in our nation's future," said Alaska Gov. Sean Parnell. "Alaska is America's Arctic, and we look forward to having a prominent role working with the federal government on these issues that will improve the lives of Alaskans and move the United States back into a leadership role among Arctic nations."

Environmentalist response

However, some environmental organizations have questioned the inclusion of oil and gas development in the strategy.

"President Obama's 'all of the above' strategy for the Arctic region is not the right path forward — he can't drill in the Arctic to burn more oil while hoping to solidify his climate legacy," said Cindy Shogan, executive director of the Alaska Wilderness League. "President Obama should address climate change by stopping future drilling in the Arctic. The only real solution to domestic security and climate change is to curb our fossil fuel addiction, resulting in lowered carbon emissions and dependence on foreign oil."

"That it advocates for oil and gas drilling in the region under the guise of energy security makes a mockery of the rest of the document," Greenpeace Deputy Campaigns Director Dan Howells said of the strategy. "It makes it apparent that President Obama is prepared to undermine his recent commitments to tackling climate change." ●

COMMUNICATION SOLUTIONS FOR THE ENERGY SECTOR

Oil | Gas | Mining

As the world's demand for energy grows, so does your need for fast and reliable communications. GCI Industrial Telecom has proven experience designing for and working in demanding environments. As experts in the field, our aim is to provide innovative end-to-end communication solutions to increase your productivity.



Your business technology partner.

877.411.1484 :: gci-industrialtelecom.com



Contact Alan Bailey
at abailey@petroleumnews.com

• LAND & LEASING

State approves lease deals in April

By ERIC LIDJI

For Petroleum News

The Alaska Department of Natural Resources approved a number of lease deals in April.

On the North Slope, Repsol E&P USA Inc. transferred a 7.5 percent working interest and 6.25 percent royalty interest in 31 North Slope leases to partner GMT Exploration Co.

William D. Armstrong requested transferred royalty interests — between 0.03119 percent and 0.0625 percent — in more than 100 North Slope and Beaufort Sea leases to Edward Y. Teng.

Richard Donnelly transferred a 0.378659 working interest and 0.33132505 royalty interest in ADL 47560 in the Point Thomson unit to the David P. Donnelly Trust and an identical working and royalty interest in the lease to the David P. Donnelly Jr. Trust.

Daniel K. Donkel and Samuel H. Cade transferred three leases to Polar Petroleum Alaska Corp. Polar Petroleum aims to explore and develop two Donkel and Cade prospects.

Nordaq Energy Inc. has transferred 1 percent royalty interests in 11 Beaufort Sea leases to four small investors for a total of 44 transfers. The offshore leases — ADL 392182 through ADL 392192 — are in Smith Bay, and FEX previously leased the acreage. The four investors are Tramlaw LKC, Tekram LLC, Hugh North and Robert Warthen.

In the Interior, Cedar Creek Oil & Gas Co. has transferred a small interest in four leases to various partners in an ongoing natural gas exploration campaign in the Nenana Basin.

The small independent transferred a 5 percent working interest and 4.35 percent royalty interest in ADL 392383, ADL 392384, ADL 392385 and ADL 392386 to

Doyon Ltd. Cedar Creek retained a 0.25 percent overriding royalty interest in all four leases.

Also, Windmill Canton LLC transferred a 10 percent working interest and 8.75 percent royalty interest in the four leases to Doyon Ltd. Additionally, Cedar Creek requested to transfer a 0.25 percent royalty interest in all four leases to Windmill Canyon.

In Cook Inlet, William A. Hutto has asked to transfer small royalty interests in six leases to Kita D. Wilcher. The leases are ADL 391210, ADL 391211, ADL 2095 and ADL 733 at the North Fork unit and ADL 388209 and ADL 390514 at the Nikolaevsk unit. ●

—A copyrighted oil and gas lease map from Mapmakers Alaska was a research tool used in preparing this story.

Contact Eric Lidji at erichidji@mac.com

• NATURAL GAS

Interior plays spar on service areas

Fairbanks Natural Gas, Interior Alaska Natural Gas Utility each tell the Regulatory Commission of Alaska to be wary of the other

By ERIC LIDJI

For Petroleum News

The battle over bringing liquefied natural gas to the Interior is getting testy.

In an increasingly complicated tangle arising from longstanding disputes, three entities competing to market North Slope natural gas supplies are accusing one another of being unfit to serve a less-densely populated section of the Fairbanks North Star Borough.

The Regulatory Commission of Alaska is considering cases from two competing entities interested in providing natural gas distribution to North Pole, Eielson Air Force Base and areas in between: Fairbanks Natural Gas LLC and Interior Alaska Natural Gas Utility.

In one case, the for-profit Fairbanks Natural Gas wants to expand its existing service area in Fairbanks and believes regulators should reject the Interior Alaska Natural Gas Utility application because it lacks concrete sources for supplies and financing. In the other case, the Interior Alaska Natural Gas Utility wants a certificate to serve a similar section of Fairbanks North Star Borough and believes regulators should reject the Fairbanks Natural Gas application because the company has not met its targets for expansion in the past.

And from the sidelines, the for-profit Spectrum Alaska LLC is asking to join the proceedings, saying the outcome will impact its plans for a North Slope LNG facility.

In Alaska, regulated utilities have exclusive rights within a service area.

Eight years without expansion

The IANGU believes Fairbanks Natural Gas is trying to lock up the local market.

The RCA certificated Fairbanks Natural Gas in 1997 and has expanded its service area twice — in 1999 and 2005. The service area now covers an area bounded by the Fairbanks International Airport, the University of Alaska Fairbanks and Fort Wainwright.

The various growth projections Fairbanks Natural Gas has made publicly since becoming certificated never came to pass. For instance, Fairbanks Natural Gas said in 1997 that it expected to have more than 4,000 customers by 2002, but today

the company serves only around 1,100 customers. Although regulated utilities are generally required to provide service to all eligible and interested customers with their service areas, Fairbanks Natural Gas serves the same customer base it served in 2005, at the time of its most recent expansion, the IANGU noted in comments to the Regulatory Commission of Alaska.

This lag suggests Fairbanks Natural Gas is not “fit, willing and able,” the three-fold test regulators use to determine if a utility can provide service, according to the IANGU.

“Thousands of residents within its existing service area have been waiting for FNG to provide gas service for over a decade and a half. FNG should fulfill its existing commitments to serve before it is permitted to expand those commitments to a new service area which IGU is proposing to serve,” IANGU attorney Robin Brena wrote.

While Fairbanks Natural Gas expects to serve some 1,926 residential and 53 commercial customers within the proposed expansion area, IANGU believes it can serve some 12,839 residential and 527 commercial customers within the same area. And while Fairbanks Natural Gas proposes to spend \$47.2 million building out storage and distribution into the expansion area, the IANGU is proposing to spend nearly \$500 million. “At best, FNG’s proposal lacks the necessary vision to adequately provide gas service to the potential customers either within its existing service area or the new service area,” Brena wrote.

What about supplies?

Fairbanks Natural Gas called the com-

ments “erroneous.”

Criticizing Fairbanks Natural Gas for failing to meet its growth projections is “unwarranted,” according to the utility, because constrained supplies out of Cook Inlet over the past decade prevented the utility from adding customers. After Fairbanks Natural Gas lost a supply contract with Aurora Gas in 2006 because of those constraints, the Regulatory Commission of Alaska cautioned the utility against further expansion.

The commission ultimately required Fairbanks Natural Gas to file bi-monthly updates about its supply situation, a requirement the utility continues to uphold today.

In 2008, Fairbanks Natural Gas secured a long-term gas supply from the North Slope, but it has been unable to utilize the contract so far because of the lack of infrastructure.

The utility says it has worked hard since then to improve the economic climate for natural gas in the Interior, including lobbying for tax changes and working to create a recent public-private partnership with the Alaska Industrial Development and Export Authority to finance a liquefied natural gas facility on the North Slope to serve a trucking operation.

“The North Slope LNG plant will be the result of the hard work that FNG has been doing for the last 10 years,” the company wrote in comments on May 13. “FNG and its related companies cannot develop the LNG plant by themselves. They need support from the State. But the State would not be supporting an LNG plant if not for the efforts of FNG.”

As far as the discrepancies between

the competitors, Fairbanks Natural Gas claims IANGU is making a bad comparison. The 12,839 residential customers IANGU expects to serve is a projection to 2021 while the 1,926 residential customers Fairbanks Natural Gas expects to serve is a projection to 2015, according to Fairbanks Natural Gas. By 2021, Fairbanks Natural Gas said it expects to serve some 8,549 residential customers.

But Fairbanks Natural Gas called the difference “meaningless.” Both entities “propose to serve all the customers in the new area who can be served economically and who will actually want gas service. FNG estimates that there are 8,549 such customers. IGU projects that there are 12,839. Whichever projection is correct will apply to both applicants,” Fairbanks Natural Gas wrote. “If there are 8,549 potential customers in the new service area, IGU will be limited to serving that many customers. In the unlikely event that there are 12,839 potential customers, FNG will be happy to serve them all.”

Supplies and financing

Then Fairbanks Natural Gas shifted from defense to offense.

The utility said regulators should reject the IANGU application as incomplete because the municipal utility does not yet have financing in place or a gas supply contract.

In its application, the IANGU said it would borrow nearly \$500 million at low interest to fund an infrastructure build out, but the utility has “no documentary support from a lender willing to extend credit on these extraordinarily generous

see INTERIOR SPARRING page 14



Total Safety is the premier global provider of integrated safety and compliance solutions to support the health and safety of workers, assets, and the environment.

Total Solutions:

- Breathing Air Systems
- Gas Detection Systems
- H₂S and Safety Consultants
- Safety and Medical Training
- Remote Emergency Medical Support



907.743.9871 | TotalSafety.com

GOVERNMENT

USCG holding hearing on Kulluk grounding

As part of its investigation into the grounding of the Kulluk, Shell's Arctic floating drilling platform, the U.S. Coast Guard is holding a hearing in Anchorage to gather testimony on the circumstances surrounding the incident. The Kulluk ran aground in the northern Gulf of Alaska during a severe storm on Dec. 31 while under tow from Dutch Harbor to the U.S. West Coast. The vessel was subsequently refloated and has since been transported to a Singapore shipyard for repair.

In early January Rear Adm. Thomas Ostebo, commander of the U.S. Coast Guard 17th District, ordered a formal marine casualty investigation of the Kulluk grounding. The Anchorage hearing, which starts at noon on May 20 and may continue through the end of the month, will call witnesses from the Coast Guard, Shell, Noble Corp. and other organizations, the Coast Guard said. Noble Corp. was operating the Kulluk for Shell. At his point it is not certain how long the entire investigation will take to complete, but a major investigation of this type typical extends over several months, Coast Guard spokesman Petty Officer 1st Class David Mosley told Petroleum News. The result of the investigation will be a report with findings on the incident and with recommendations for potential future actions for improved marine safety, the Coast Guard said. The Coast Guard has previously said that the investigation results will be made public.

—ALAN BAILEY

GOVERNMENT

Coast Guard, BSEE sign offshore agreement

The U.S. Coast Guard and the Bureau of Safety and Environmental Enforcement, or BSEE, have signed an agreement to better coordinate their efforts in the oversight of safety and environmental protection on the U.S. outer continental shelf. The two agencies have overlapping responsibilities in that the Coast Guard has an oversight and enforcement role in the maintenance of marine safety while BSEE, an agency within the Department of the Interior, enforces safety and environmental protection requirements for the offshore oil and gas industry.

"Both BSEE and the Coast Guard have specialized expertise in the management of safety and environmental protection programs offshore," said BSEE Director James Watson in announcing the new agreement. "This agreement with the Coast Guard will bring together resources and expertise from both agencies as we work to ensure both orderly resource development and protection of the human, marine and coastal environments."

"The Coast Guard and BSEE share the goal of keeping our oceans clean and offshore workers safe," said U.S. Coast Guard Rear Adm. Joseph Servidio. "This agreement solidifies the commitment of each regulatory agency to work across agency boundaries in order to develop a coordinated regulatory approach that promotes safety through the use of safety management systems."

The agreement involves each agency appointing an interagency coordinator, with these coordinators meeting regularly to address issues such as any need for joint policies or guidance, and the need for coordination of the Coast Guard and BSEE requirements for company safety and environmental management systems. At a minimum frequency of once per year the coordinators will also facilitate a joint Coast Guard and BSEE inspection and evaluation of offshore facilities. And, under the terms of the new agreement, the two agencies will review and discuss all regulatory projects relating to safety management on the outer continental shelf.

—ALAN BAILEY

Bombay Deluxe

The Spice of Life...

Serving the finest Indian Cuisine in Alaska



Traditional chicken, lamb, seafood dishes
& Indian naan bread cooked in our
Tandoor (clay oven).

Vegetarian Specialties
Delicious Appetizers — Samosas, Pakoras

Ph: 907-277-1200

Lunch Buffet

Monday — Friday, 11:00 am — 2:00 pm

Dinner

Monday — Friday, 4:30 pm — 9:00 pm
Saturday & Sunday, 12:30 pm — 9:00 pm

Conveniently located in Midtown
(Valhalla Center)
555 W. Northern Lights
Anchorage, Alaska
www.BombayDeluxe.com

Order on-line for pick-up or delivery at www.FoodOnTheWay.com

Time Machine

Canrig's Drilling Efficiency Suite transforms your driller's cabin into a time machine... a machine that saves time from spud to TD.



Increase ROP

- 25% to 100% in vertical section
- 30% to 100% while sliding

Eliminate stick slip

- Simplified BHA
- Increase bit life

Improve control of weight on bit by more than 100%

These systems are deployed through the Canrig AC top drive which is now available for rental. Call Canrig today at 281.774.5600, or visit us at www.canrig.com. We'll help you meet your need for speed.

CANRIG
DRILLING TECHNOLOGY LTD.

BSEE issues safety culture policy statement

The Bureau of Safety and Environmental Enforcement, or BSEE, has issued a final version of its safety culture policy statement for offshore oil and gas operations. Rather than being a prescriptive set of mandatory requirements for businesses working in the offshore, the policy presents guidance in the form of some critical values and behaviors that BSEE expects companies to encourage and exhibit. BSEE published the policy statement in draft form in December and has taken into account comments received on that draft.

"The human factor is the critical element in offshore safety," said BSEE Director James Watson when announcing publication of the policy statement. "Prescriptive regulations can reduce risks to worker safety and the environment, but they alone are not enough. Everyone working in the offshore industry must adhere to a set of core values that places safety above all else."

The statement encompasses nine characteristics that BSEE sees as essential to an organization's safety culture: leadership commitment to safety values and actions; procedures for the prompt identification and evaluation of hazards, and for the effective management of risks associated with these hazards; personal accountability for safety and environmental stewardship by all individuals; a focus on safety and environmental stewardship during the planning and control of work activities; opportunities for continuous improvement by seeking ways to ensure safety and environmental stewardship; encouragement for people to raise concerns without fear of reprisal; communications that maintain a focus on safety and environmental stewardship; a culture of trust and respect, with a focus on teamwork and collaboration; and the encouragement of an inquiring attitude that questions how things are done and avoids complacency.

BSEE says that the safety culture policy will work alongside its new rule requiring outer continental shelf oil and gas operators to implement safety and environmental management systems.

—ALAN BAILEY

continued from page 13

INTERIOR SPARRING

terms," according to Fairbanks Natural Gas. As a municipal entity, the IANGU believes it can secure low-cost financing through avenues not available to a private company like Fairbanks Natural Gas.

Additionally, the IANGU has said it would seek a supply contract when plans for a North Slope LNG plant become "more defined." Fairbanks Natural Gas accused the utility of assuming "that gas will be available, in the quantities it desires, and at a price it wishes to pay. These assumptions are subject to considerable doubt." This "considerable doubt" comes from the recent rise in North Slope gas prices, according to Fairbanks Natural Gas.

Spectrum wants in

While the two players battle it out,

Spectrum Alaska wants its positions to be heard.

The Regulatory Commission of Alaska recently issued the company a certificate to build a liquefied natural gas plant on the North Slope. In its application, Spectrum said it intended to serve the North Slope transportation market, but would consider other markets in the state. Presumably, those markets could include the Interior because Spectrum called itself "a competitor for natural gas sales" in the proposed expansion area.

In its request to be made a party to the Fairbanks Natural gas proceedings, Spectrum said the case should consider the relationship between the soon-to-be-rate-regulated Fairbanks Natural Gas and its non-rate regulated supply affiliate Polar LNG LLC. It also asked regulators to consider making Fairbanks Natural Gas an open access distribution utility. ●

Contact Eric Lidji
at erichlidji@mac.com

• EXPLORATION & PRODUCTION

What's going on in the southern Kenai?

Companies build lease positions in an area of obscure geology but intriguing potential near the edge of the Cook Inlet basin

By **ALAN BAILEY**
Petroleum News

The State of Alaska's Cook Inlet area-wide lease sale on May 8 saw companies picking up a series of leases along a fairway of land in the southern Kenai Peninsula, north of Kachemak Bay, near the eastern margin of the Cook Inlet basin. Hilcorp Alaska in particular filled in a lease position that it had started to establish with leases it purchased in the state's May 2012 sale.

Buccaneer Energy has also established a lease position in the same area, where it plans to drill an exploration well in its West Eagle unit this summer.

So, what is driving the interest in this area? And does Hilcorp, in particular, have its eye on an exploration play? The company has said in the past that its main interest in the Cook Inlet basin is developing oil and gas resources from existing fields.

These southern Kenai Peninsula leases are not associated with any known oil or gas field. And only two explo-

ration wells have been drilled in the area: the Anchor River No. 1, drilled in 1961, and the South Caribou Hills Unit No. 1, drilled in 1970. These wells apparently encountered gas shows but no oil.

Asked about Hilcorp's lease purchases on the Kenai Peninsula, company spokeswoman Lori Nelson said that the company had been pleased with the outcome of the sale.

"We believe there is still a lot of life left in Cook Inlet and the new leases simply allow us to strengthen our position in an area of interest," Nelson told Petroleum News in a May 14 email.

The producing oil and gas fields of the Cook Inlet basin lie along a couple of major north-northeast trending geologic structures known as anticlines, structures in which the rock strata have been folded upwards, forming elongated dome-like folds that can trap pools of oil and gas. With the more easterly of these known structures running up the western side of the Kenai Peninsula, could there be other untested structures to the east, towards the

edge of the basin where the new leasing interest has emerged?

Geologist David Hite told Petroleum News that, whereas there are good rock exposures along the shore of Kachemak Bay, immediately south of the recently leased area, relatively little is known about the subsurface geology inland, near the eastern edge of the basin. A Southcentral Alaska natural gas study published by the Department of Energy in 2004 and co-authored by Hite comments that a geologic map of the Kenai Peninsula published in 1976 points to the possibility of anticlinal structures in the east.

"The magnitude and character of these structures is yet to be fully appreciated," the report says. "They are mapped with a high degree of certainty in the Kachemak Bay and in the vicinity of Chickaloon Bay (on the northern Kenai Peninsula), but the area between is poorly understood." ●

Contact Alan Bailey at abailey@petroleumnews.com

ENVIRONMENT & SAFETY

Meteorological stations planned on Slope

The National Oceanic and Atmospheric Administration plans to establish three small meteorological stations on Alaska's North Slope as part of a climate change study.

Each station will have a 10-foot aluminum tripod tower, said a May 7 public notice from the Alaska Department of Natural Resources. Solar panels and batteries will supply power.

The stations will be installed along the Dalton Highway between milepost 357, near Pump Station 2 of the trans-Alaska oil pipeline, and milepost 377.

"All locations are west, and within walking distance, of the Dalton Highway," the notice said.

NOAA intends to install one station during the upcoming summer, and the other two in 2014.

Because the stations will be on state land, NOAA is making application to DNR's Division of Mining, Land and Water. DNR said it intends to issue a five-year permit.

The public notice said the meteorological stations will be part of a study to "investigate possible positive feedbacks to the climate system in which warming of the permafrost causes carbon to be released as greenhouse gas emissions (carbon dioxide and methane)," amplifying climate change.

The three stations will support an aircraft measurement campaign.

"Basic climate variables including soil moisture, air temperature, and solar radiation will be collected in addition to carbon dioxide and methane. The data obtained from the ground-based systems will be compared to the aircraft measurements made over the same type of tundra. The information gathered will then be used to scale up to a much larger region of the North Slope," the notice said.

—WESLEY LOY

ENVIRONMENT & SAFETY

Exxon spill council funds tsunami cleanup

The Exxon Valdez Oil Spill Trustee Council has authorized nearly half a million dollars for cleanup of Japanese tsunami debris littering Alaska beaches.

The money will go to a nonprofit organization, Gulf of Alaska Keeper, which has worked for several years to gather and dispose of ocean trash washing up on Alaska's coastline. The council is a federal-state partnership formed to oversee ecosystem restoration using the \$900 million civil settlement Exxon paid for the 1989 tanker grounding that released nearly 11 million gallons of Alaska North Slope crude oil into Prince William Sound.

The council has three state and three federal trustees, including such officials as Alaska's attorney general and the Alaska administrator for the National Marine Fisheries Service.

Over the years, the trustee council has expended funds for research, restoration, land purchases and other projects.

The devastating Japanese tsunami in March 2011 swept a great deal of debris out to sea. The potential for this debris to wash up on Alaska's coast has been a major concern for Alaska's elected officials.

Gulf of Alaska Keeper, in a funding application submitted to the trustee council in December, said massive volumes of tsunami debris already have hit the state. Some of the heaviest deposits have been found on the shores of Montague and Kayak islands.

Much of the debris is lightweight and easily collected, such as Styrofoam and other plastic products. But removing all of it will require "an industrial-scale cleanup approach," the organization said.

The trustee council, at its Feb. 21 meeting, unanimously approved a resolution providing \$483,088 for Gulf of Alaska Keeper's tsunami debris removal effort.

—WESLEY LOY

WHAT'S THE BIG ATTRACTION?



- A. an industry institution
- B. quality, accurate reporting
- C. attractive, readable design

To advertise in Petroleum News call Susan Crane at 907-770-5592, or Bonnie Yonker at 425-483-9705.

Subscribe at: www.petroleumnews.com



Alaska State Rail Plan—Community Open Houses

The Alaska Department of Transportation and Public Facilities wants to hear from you!

Rail plans develop a state's long-term vision for rail freight and passenger transportation. They identify needs, prioritize potential projects, determine funding needs, and outline future rail policy direction.

We want to hear from you! What is your vision for our rail system? What transportation needs could be met through rail improvements? What opportunities are just down the track?

Future open houses will be in an on-line format. To learn more about the planning process, sign up for e-mail notifications, or send us your comments, visit www.dot.alaska.gov/railplan.

Sign up for our e-mail notification list today!

Spring 2013 Open House Dates and Locations

- May 21** Assembly Chambers
700 Spring Street, **Skagway**
- May 22** Haines Borough Public Library
111 Third Avenue, South, **Haines**
- May 29** Curtis D. Menard Memorial Sports Center
1001 South Mack Drive, **Wasilla**
- May 30** Seward Community Library
239 Sixth Avenue, **Seward**
- June 4** Loussac Library
3600 Denali Street, **Anchorage**
- June 5** North Star Assembly Chambers
809 Pioneer Road, **Fairbanks**
- June 6** Old St. Joe's Hall
Anvil City Square, **Nome**

All meetings will be from **5 PM to 8 PM**, with a brief presentation at **6:30 PM**.

DOT&PF operates Federal Programs without regard to race, color, national origin, sex, age, or disability. Full Title VI Nondiscrimination Policy: www.dot.alaska.gov/tvi_statement.shtml.
To file a complaint go to: www.dot.alaska.gov/cvrlrts/titlevi.shtml.

continued from page 4

CHENAULT Q&A

Petroleum News: So what role does government play and what role does the market play in these two projects?

Chenault: The market is always going to determine the project. Right now the pipeline is a 36-inch, 1,440 psi carrying half a billion cubic feet of gas a day, according to law. The market may change that. I don't see it changing it to being a smaller pipeline. It has the opportunity to make it a larger pipeline. Whether it's to increase in pressure, or whether that would be an increase in wall thickness in pipe or pipe diameter. If the market comes back with a larger commitment to buy gas and sell gas certainly that opens up other venues. Right now it's scheduled to come to Cook Inlet. But if the buyers and sellers decided they wanted it to go to Valdez, or somewhere else, they could put that stipulation in there. And if they want to sell our gas, and the price is right, then that gas line project is going to go where the market dictates, not where Alaska dictates.

Petroleum News: You got a lot of pushback on this bill, at least from Valdez. Have you ever seen that kind of pushback? What are your thoughts on that?

Chenault: We didn't get pushback from a lot of places. We did get pushback from Valdez. I kind of looked at it and I wondered what MVP stood for (Maximum Volume Pipeline). Valdez felt they needed a way in and try to tell Alaskans the bigger pipeline is better. Well, I can tell you the bigger pipeline is better. It makes better economic sense. I've been saying that since we started this. Unfortunately, unless — as some propose — someone wants to spend \$40 (billion) or whatever the figure

is, economics is going to drive this project. I don't fault Valdez for doing what it was doing. I think it was pretty shortsighted. The message most people got was that Valdez was looking out for Valdez only, not the rest of the state of Alaska. They spent about \$1 million. Unfortunately that \$1 million could have been spent on a \$914,000 capital request they put in the budget to put a new roof on the school. They chose to spend that \$1 million in a different way. At the end of the day, you can see through the votes not only in the House, but in the Senate, that ad campaign did nothing but waste money.

It's frustrating because we've worked 40 years to build this pipeline and we've tried the same thing over and over again. We're not one pipeline joint closer to putting pipe in the ground. This is a different way to approach it.

We think it takes some of the uncertainty out of it. If we've got a project that's engineered and that your buyers and your shippers can look at, have faith in the numbers and pencil the numbers out and work it out.

We keep hearing Japan wants to buy our gas, and Korea and China. Sure they want to buy our gas, but they want to know what the gas is going to cost before they make a commitment to do that. They are not going to make a commitment until they know exactly what those costs are going to be to move the gas from Prudhoe Bay to tidewater and tidewater to wherever they would like it delivered. We can talk about it all day long, but until they sign on the dotted line that's never going to happen.

Petroleum News: If a pipeline project does advance during the interim, do you see a special session to draft any further

gas tax legislation or longer-term fiscal terms or is that something that takes priority next session?

Chenault: It's early to say. I don't see anything happening on the horizon today that would warrant a special session. I think that may be an issue we take up next session or start looking at next session. I don't see where it gets to where we have a special session. Certainly if it was warranted and if it were important enough that we needed to take that issue up, I would be in favor of going down and doing that.

Petroleum News: Do you see discussions about Arctic development will emerge now that some of the other heavy hitting items off the plate?

Chenault: I think they will. You know we got bad news from Shell with problems they had with the Kulluk and ConocoPhillips has delayed their move into the Arctic for at least a year.

I do think this coming session we'll be talking not only about oil and gas development in the Arctic but also how do we as a state protect the state's interest in regards to America being an Arctic nation. I think Alaskans understand what that means for the most part. I don't think that the U.S. government understands that the U.S. is an Arctic nation and we need to take steps to make sure that we protect our interest and that we take care of the Arctic as it gets developed.

We need to be a big player in that. You see China and others build big ice breaking ships. China is not even an Arctic nation, but they are going up and putting forth a presence to be considered an Arctic nation when in reality or not. My concern is does the U.S. and does Alaska protect our interest in the Arctic?

Petroleum News: What do you think the state can do?

Chenault: We've got a task force put together. They are going to come back with recommendations. We need to look at the possibility of a port up north where we can have our cutters and an ice station up north so we can have that presence up there. Right now I just don't feel like the U.S. is putting forth enough effort to make sure enough people know we are an Arctic nation and we are there to protect our interest in the Arctic.

Petroleum News: So people think we're more of a state that has Arctic borders but we're not necessarily an Arctic nation?

Chenault: I would think so. I would almost be willing to be that if you did a survey of folks down south asking if you think the U.S. is an Arctic nation, probably most of them would say no. I'm assuming the people in Congress, the Obama administration and the Senate all know that we are. But how important of a discussion is going on in D.C., I don't know. It's probably not the level that it should be.

Petroleum News: What do you as legislators do about that?

Chenault: Every opportunity we get as legislators or even Alaskans get, we need to have our voices heard. We need to take the steps needed to make sure Russia, Canada and China know that we are an Arctic nation and we need to take care of our interests. I realize we're an Arctic state, but we are also an Arctic nation whether we like it or not. ●

Contact Steve Quinn
at squinnwrite@gmail.com

continued from page 1

COSMO WELL

mately 45 days to drill.

Within the week before the announcement, a subsidiary of the company called Buccaneer Alaska Operation LLC asked the state for nearly three additional years to complete its two-well work commitment at Cosmopolitan.

The request asked the state Division of Oil and Gas to move the deadline for completing the two wells to April 15, 2016, from June 5, 2013. It also asked the state to modify the existing timetable to allow the company to drill the wells during the summer drilling season, as well as in winter.

Buccaneer said it needed the additional time to accommodate "project delays," but in a timeline submitted to the state the company also appears to be seeking the flexibility to move its jack-up drilling rig between its numerous offshore prospects in the Cook Inlet basin.

Buccaneer intended to drill at Cosmopolitan last year, but was delayed when its Endeavour jack-up rig was docked in Homer for several months after arriving from Asia.

Development this year?

In its request, Buccaneer envisions using its Endeavour jack-up rig to complete the 8,000-foot Cosmopolitan No. 1 well by June, but from there its proposed timetable bifurcates.

Under one scenario, Buccaneer would move its rig north to drill and test the 16,000-foot Southern Cross No. 1 well by late September, and move it north again to drill the 8,000-foot Northwest Cook Inlet No. 1 well before the usual end of the upper Cook Inlet summer drilling season in late October. From there,

Buccaneer intended to drill at Cosmopolitan last year, but was delayed when its Endeavour jack-up rig was docked in Homer for several months after arriving from Asia.

Buccaneer would tow the rig to the south to drill the Cosmopolitan No. 2 well or to begin a winter development program.

Under the second scenario, Buccaneer would move the rig from Cosmopolitan No. 1 to Cosmopolitan No. 2 this summer and later continue on to the two northern prospects.

In both scenarios, Buccaneer imagines the possibility of a winter development at Cosmopolitan at the end of this year, presumably dependant on exploration results.

The filings include no mention of a recent deal where Buccaneer farmed-in the deep oil development rights at the ConocoPhillips-operated North Cook Inlet unit. In its announcement of the deal, Buccaneer said it expected to shuffle its upcoming workload.

1967 discovery

Cosmopolitan No. 1 is the most recent in a 55-year effort to development the prospect.

Pennzoil discovered an oil accumulation in the Starichkof sands of the Lower Tyonek at Cosmopolitan in 1967, reporting a 750-foot oil column with 24-27 degree API oil. An offset well to the northeast the same year appraised the formation and collected core samples, but Pennzoil ultimately decided against developing the field.

A ConocoPhillips predecessor subsequently acquired the acreage, and formed the Cosmopolitan unit in 2001.

The company drilled the Hansen No. 1 well up dip of the Starichkof State No. 1 in 2002, encountering oil in the Starichkof and Hemlock intervals, and drilled the Hansen 1A sidetrack in 2003. A 50-day flow test on the sidetrack averaged 550 barrels per day of oil. ConocoPhillips completed a 3-D seismic survey over the unit in 2005.

Pioneer acquired the prospect in 2007 and drilled the Hansen 1A-L1 in 2010. The well was a lateral off the 2003 sidetrack completed with fracture stimulation and the results led Pioneer to conclude that the Cosmopolitan reservoir was "lower quality than most other producing oil fields of the Upper Cook Inlet." Still, a short pilot project to truck oil to Nikiski produced 33,504 cumulative barrels of oil. Pioneer eventually relinquished the prospect, saying that despite "encouraging" results from the workover and frac-

ture stimulation, "subsequent flow test results and engineering studies indicated that the resource potential was not as large as originally estimated."

Buccaneer acquired the prospect in early 2012 in partnership with the privately owned Fort Worth-based company BlueCrest Energy II LP. Buccaneer operates the leases and owns a 25 percent stake. BlueCrest owns 75 percent.

Buccaneer believes its jack-up rig improves the economics of Cosmopolitan by keeping the company from having to drill all wells, including injection wells, from the onshore pad. The prospect also gives Buccaneer the opportunity to use its rig in winter, when the offshore prospects in the upper Cook Inlet become too icy to explore. ●

Contact Eric Lidji
at ericlidji@mac.com

continued from page 16

OIL PATCH BITS

ASRC responds to BLM strategic cleanup plan

ASRC said May 9 that it is pleased that the longstanding need for the cleanup of the U.S. Navy exploration program on the North Slope continues to be addressed by the Bureau of Land Management.

The 2013 Strategic Plan carries a significant work commitment by the BLM. All North Slope residents will be grateful when the most hazardous and pressing remnants of more than 40 years of Navy-sponsored explorations are remediated to make the lands safe and clean.

ASRC firmly believes that the cost of the cleanup of the Navy exploration program should come from the federal government itself, as it is with all formerly used defense sites, for example, and not from any federal funds that would have otherwise been allocated directly to North Slope communities.

Arctic Slope Regional Corp. is owned by and represents the business interests of the Arctic Slope Inupiat. Corporate headquarters are based in Barrow, Alaska, with administrative and subsidiary offices in Anchorage and throughout the United States. ASRC, along with its family of companies, is the largest Alaskan-owned company, employing approximately 10,000 people worldwide. The company has five major business segments: petroleum refining and marketing, energy support services, construction, government services and resource development.

continued from page 1

THOMSON PROGRESS

ules for a permanent work camp were placed on their foundations at Point Thomson's central pad in April.

The work camp was built at a fabrication yard in the Anchorage area, she said.

More infrastructure development is planned for the summer, including the commissioning of the camp, completion and certification of an airstrip, and installation of a permanent service pier, Jordan said.

The field hugs the shore of the Beaufort Sea, about 60 miles east of Prudhoe Bay and just west of the Arctic National Wildlife Refuge.

The project design calls for three drill pads, with the central pad to host the process and compression equipment needed to produce the gas condensate. These heavy industrial modules are not yet on the North Slope as ExxonMobil focuses for now on basic site preparation.

Two wells have been drilled on the pad already, and are in suspended status.

ExxonMobil will produce the condensate through a process known as cycling, where natural gas is brought to the surface for collection of the liquids. The dry gas will then be shot back underground for storage. The project is expected to cycle 200 million cubic feet of gas per day.

It's a challenging project, for a number of reasons.

The Point Thomson site is remote, and materials and equipment must be brought in by coastal barge or by ice road. ExxonMobil this year built an ice road from the west that was open from February until late April.

With respect to production, ExxonMobil will have to contend with very high pressures in the Point Thomson reservoir. The company says 10,000 pounds per square inch of compression will be required to reinject the gas.

The export pipeline

A vital component of the Point Thomson project is the new 22-mile export pipeline that will carry the liquids production west to Badami, a former BP unit now operated by Savant Alaska. From there, the liquids will move through the Badami pipeline and ultimately end up in the trans-Alaska oil pipeline.

The Point Thomson pipeline will run along the coast to Badami. Like many pipelines in the North Slope oil fields, the Point Thomson line will be above ground and insulated, and will rest on brackets known as "vertical support members," or VSMs.

Graham Smith, spokesman for the State Pipeline Coordinator's Office, said lease compliance specialists made three trips to the Slope to check on the pipeline work, which just wrapped up for the season.

"Definitely making some serious progress," Smith said. "All the VSMs are hammered in."

The next step will be to lay the actual pipe, and that should occur next winter, he said.

The straight pipe already is in Alaska, stockpiled in Fairbanks, Smith said. The bends have yet to be delivered.

Jordan, the ExxonMobil spokeswoman, said workers installed about 2,200 VSMs. She confirmed that the export pipeline and gathering line will be installed next winter.

The 12-inch export pipeline will feature a design capacity of 70,000 barrels per day, well above the 10,000 barrels per day of condensate ExxonMobil expects to produce initially. The surplus capacity will accommodate fuller Point Thomson development, and maybe production from other eastern North Slope developments.

The budget for the pipeline alone is \$253 million, ExxonMobil has said. ●

Contact Wesley Loy
at wloy@petroleumnews.com

Walker presses court challenge, says Point Thomson deal was improper

Bill Walker, an announced candidate for governor in 2014, is continuing his court challenge of the state's landmark Point Thomson settlement.

Point Thomson is a rich oil and gas field on Alaska's eastern North Slope. In March 2012, the state and oil companies holding leases at Point Thomson struck a deal resolving years of legal conflict over the field, and laying out a schedule for its long-awaited development.

The settlement was a major policy objective for Gov. Sean Parnell, who sought to spur production from Point Thomson, and also boost chances for a North Slope natural gas pipeline.

The field holds an estimated 8 trillion cubic feet of gas, or about a quarter of the known reserves on the North Slope, plus large volumes of crude oil and other petroleum liquids.

Walker, however, argues the Point Thomson settlement is a bad deal for the state, and that the Parnell administration took unlawful shortcuts in signing it.

The matter now is pending before the Alaska Supreme Court, where Walker is appealing his loss in a lower court.



BILL WALKER

Second run for governor

On April 25, Walker announced he will challenge Parnell in the 2014 Republican primary.

The Anchorage attorney and former mayor of Valdez took on Parnell in the 2010 primary, coming in second with about 33 percent of the vote. Parnell took 50 percent and Ralph Samuels tallied 14 percent.

In announcing again for governor, Walker said the state "lacks strong leadership, vision and a roadmap for our state's future."

Alaska, he said, has become a state "whereby the major North Slope oil companies now dictate our tax and resource development policy." He cited a tax bill Parnell pushed through the Legislature this year that "returns billions of dollars each year to the major oil companies without any corresponding requirement that any of that money be spent in Alaska."

Walker long has been an advocate for a gas pipeline, and for development of Point Thomson.

But he contends the Parnell administration's settlement with field operator ExxonMobil and its partners was improper, skirting the normal public process and leaving the oil companies with too much control over the field.

'Citizen taxpayer'

The March 29, 2012, settlement between the state and ExxonMobil, BP and ConocoPhillips ended a seven-year fight for control of the undeveloped Point Thomson field.

The Parnell administration says the deal contains strong terms that will drive the companies to either produce from the field or suffer costly consequences, including the loss of leased state acreage.

ExxonMobil is now working on the early stages of an initial development at Point Thomson. The project will involve producing a modest 10,000 barrels per day of natural gas condensate, with field startup scheduled for spring 2016.

The state's argument has been that the attorney general has "broad authority" to settle litigation, and the Point Thomson settlement isn't subject to challenge.

Acting as a "citizen taxpayer," Walker on May 29, 2012, filed an "administrative appeal" in state Superior Court in Anchorage challenging the Point Thomson settlement, as signed by Dan Sullivan, commissioner of the Department of Natural Resources, and Attorney General Michael Geraghty.

The state moved to have Walker's lawsuit thrown out, and Judge Catherine Easter granted the motion on Dec. 7, 2012.

Easter, however, didn't rule on the substance of Walker's arguments. Rather, she ruled that her court lacked jurisdiction over his administrative appeal. She held that Geraghty had discretion to enter into the Point Thomson settlement, and that Sullivan's signature on the deal was "not an appealable decision."

On to the high court

On Jan. 9, Walker appealed Easter's decision to the Alaska Supreme Court. Walker argues Easter should have kept the case and let it play out.

Walker's opening brief discusses his numerous problems with the Point Thomson settlement.

"The sweeping scope and economic significance of the Point Thomson Settlement Agreement to the people of Alaska is truly unique," says the brief, signed by Walker's law partner, Craig Richards.

In general, Walker says, the settlement is not in the best interests of the state or its citizens.

Walker argues the agreement was "negotiated and executed in secret," with no opportunity for the public or Legislature to review or object to its terms.

Walker further contends the agreement contains "no firm work commitments" for ExxonMobil and the other working interest owners in the field.

And he says the Parnell administration circumvented the normal procedures, or "checks and balances," that should apply to many terms in the Point Thomson settlement.

Walker also argues the settlement contains provisions that illegally "contract around" DNR regulations governing the management of oil and gas units.

The state's argument has been that the attorney general has "broad authority" to settle litigation, and the Point Thomson settlement isn't subject to challenge.

—WESLEY LOY

32ND USAEE/IAEE NORTH AMERICAN CONFERENCE
JULY 28-31, 2013 • ANCHORAGE, AK • HOTEL CAPTAIN COOK



Industry Meets Government:
IMPACT ON ENERGY USE & DEVELOPMENT

PLENARY SESSIONS:

- ★ Energy Development in the Arctic
- ★ Natural Gas Markets
- ★ Isolated / Dedicated Power Grids: Making Them Work
- ★ Unconventional Oil and Gas Development
- ★ Energy and Economic Development
- ★ Petroleum Fiscal Regimes
- ★ Industrial Energy Use and Efficiency
- ★ Developments in Electricity Generation and Distribution
- ★ Arctic Transport: Technology and Opportunities
- ★ The Interconnection Between Industry and Government

HOSTED BY



WITH SUPPORT FROM



Visit our conference website at:

www.usaee.org/usaee2013/

continued from page 1

ELECTION STUNNER

seats in the provincial assembly (three more than entering the campaign), the NDP had 33 seats and the Green Party had elected its first MLA (member of the legislative assembly). And the Liberals had claimed winning margin of 5 percentage points.

“Well, that was easy!” an ecstatic Clark told party supporters. But for her the campaign is not over.

She was defeated in her Vancouver constituency (an area that embraces the University of British Columbia and a large enclave of the city’s wealthiest) and, although she can continue as premier, Clark now depends on one of her own MLAs resigning to force a by-election in what would be seen as a “safe” Liberal seat.

Whether any seat could be viewed as “safe” in the more-than-usually volatile political environment of British Columbia could be an open question.

For the petroleum industry, despite unanswered questions, the unstated preference

has been re-election of the pro-business Liberals and the opportunity that presents to seek solutions to the obstacles Clark has placed in the path of oil sands bitumen pipelines and LNG projects that hold the key to Canada’s hopes of opening export markets outside North America.

The NDP, under Adrian Dix, had pledged itself to blocking plans by Enbridge and Kinder Morgan for their Northern Gateway and Trans Mountain expansion and a host of measures that could jeopardize the LNG plans.

Dix was ready to order an indefinite review of hydraulic fracturing methods to exploit British Columbia’s vast shale gas deposits to use as LNG feedstock, raising the province’s carbon tax and expanding it to include greenhouse gas venting from oil and gas operations and scrapping plans for a large hydro dam that might have been used to support LNG projects.

Clark has not shifted from her position on Northern Gateway, demanding a share of oil sands royalties and more stringent regulations covering the movement of crude oil

tankers in Pacific waters, but she has been less clear about her Trans Mountain concerns.

However, she has eagerly seized on LNG as a job creator and a source of revenue to build a C\$100 billion B.C. Prosperity Fund by 2030 to eliminate the province’s debt, currently at C\$58 billion, and fund government programs, although she has talked about independent science-based review of fracking.

Clark has also opened discussions with gas producers and LNG companies on her plans to introduce a new LNG tax and royalty regime.

In her victory speech, she said British Columbians made clear during the campaign that they want to “balance economic and environmental issues ... and we will heed their concerns.”

The Canadian Association of Petroleum Producers, which shies away from partisan debate, said it is prepared to “work constructively with the government elected to continue delivering energy and economic benefits to B.C. while protecting the B.C.

environment.”

Geoff Morrison, B.C. manager of operations with CAPP, said the association is confident gas developers will not be faced with a government review of fracking methods.

He acknowledged that Clark has laid out five “pretty clear” conditions for pipelines traversing B.C. from Alberta.

“They set the stage for discussions on how projects can go forward and present a window of opportunity to work with,” Morrison said.

Gerry Goobie, an energy consultant with Calgary-based Gas Processing Management, said the petroleum industry is now looking for clarity from the Clark government on major energy issues.

He said investors are uneasy “when they hear rhetoric about imposing new taxes ... or opposing development. Companies don’t like making decisions with a lot of uncertainty hanging over them, particularly for money of that magnitude.” ●

Contact Gary Park through publisher@petroleumnews.com

continued from page 1

SHARK TOOTH

toward the end of last year and the beginning of this year.

The Shark Tooth project is one of several that ConocoPhillips explicitly mentioned in a recent press release announcing near term activities made more economic by the passage of Senate Bill 21, which revises the fiscal regime for oil production in Alaska. In a May 13 email, ConocoPhillips spokeswoman Natalie Knox Lowman wrote, “We are working with co-owners on funding for DS-2S and hope to sanction it in late 2014 to early 2015.”

ARCO discovered Shark Tooth with the KRU-21-10-8 exploration well in the late 1980s, but the prospect lay fallow until ConocoPhillips drilled Shark Tooth No. 1 in 2012. The company considered developing Shark Tooth from the existing DS-2L, DS-2M or DS-2K pads, but decided that those plans would tax the abilities of existing drilling technology.

The state is taking comments on the proposal through June 10. The current permitting covers the physical development.

ConocoPhillips is currently envisioning a 9.83-acre gravel drilling pad capable of accommodating 24 wells drilled at 30-foot spacing, plus associated infrastructure. A

pair of permanent “snow fences” to the east and west of the pad would reduce snow cover.

A 1.5-mile gravel road would connect the pad to the Tarn Road. The road would cross the existing Meltwater pipelines, requiring a temporary shutdown during construction.

ConocoPhillips said it considered two options to avoid the production loss associated with a shutdown. The first was to build a bridge “similar to a highway roadway overpass,” an idea the company ultimately rejected because of its greater cost and its greater impact to the tundra as a result of the additional gravel needed for the bridge.

The second was to shorten the vertical support members to make it easier to build an overpass, but ConocoPhillips worried the lower pipelines would interfere with wildlife.

To accommodate these projects, ConocoPhillips would build a 16.2-acre gravel mine near the proposed drilling site to provide some 296,000 cubic yards of material.

ConocoPhillips said it considered using the existing Mine Site F and Mine Site C for gravel, but found both inadequate. Mine Site F was opened in 1985 and provided materials for the Kuparuk River unit until 2003 when “the remaining material in the pit was deemed to be unsuitable for road or

pad construction due to the amount of fines present.” The company is rehabilitating the mine under U.S. Army Corps oversight.

Using Mine Site C would require an 18-mile ice road shared by heavy-haul trucks and regular field traffic, which ConocoPhillips believes would create “safety concerns.”

The production stream of oil, natural gas and water would be transported by pipeline

to the existing Central Processing Facility No. 2. Sales quality crude would be further transported along the Kuparuk Oil Pipeline to the trans-Alaska oil pipeline while gas and seawater would be returned to Shark Tooth for reinjection to maintain field pressure.

—ERIC LIDJI

Contact Eric Lidji at ericlidji@mac.com

continued from page 1

TRIAL BALLOON

industry to explore the viability of this option,” he said.

Ramsay said meetings have also been held with the Alberta government which is anxious to break out of its landlocked position and encourage growth of the oil sands, noting that Alberta has also joined the NWT in studying the possibility of running a crude pipeline from the oil sands and north along the Mackenzie River Valley to a deepwater tanker port at Tuktoyaktuk on the Arctic Ocean.

He suggested a pipeline to Valdez would extend north from the oil sands to the closely watched Canol shale play in the Central Mackenzie Valley, then connect with the trans-Alaska oil pipeline.

Ramsay said the system might also pick up crude on a spur line from the Canadian Beaufort where Chevron Canada, Statoil and a partnership of Imperial Oil, ExxonMobil and BP have secured exploration rights through C\$2 billion (US\$1.99 billion) in work commitments, with no plans for how to get any crude they find to market.

The Alberta government hired consulting firm Canatec Associates International in April to assess the feasibility of the Tuktoyaktuk option and said it was in “serious discussions” with the NWT because of the “immense resources” in Canada’s Arctic.

—GARY PARK

Contact Gary Park through publisher@petroleumnews.com

TELECOMMUNICATIONS AT WORK IN ALASKA

- Telecom Engineering
- Project Management
- Two-way Radio Systems
- Microwave & Satellite Systems
- Fiber Optics & Network Cabling
- FCC Licensing
- Tower Construction & Inspection

(907) 751-8200 www.nstia.com

NORTH SLOPE TELECOM, INC.

CraneSafe’s Multi Purpose Crane
Phantom Mouse®
ACCESS Casing Slips
Safety Clamps
Bottleneck Elevators

BEARINGS, SEALS AND WIRE LINE SHEAVES
Access Backsaver®
Tubing Tongs
FLOAT VALVES
ACCESS Drill Collar Slips

Stabbing Guides
AOI Instrumentation

PETROLEUM EQUIPMENT & SERVICES, INC
DOWNSTREAM DIVISION
Phone 907-248-0066 Fax 907-248-8878
www.PESIAK.COM

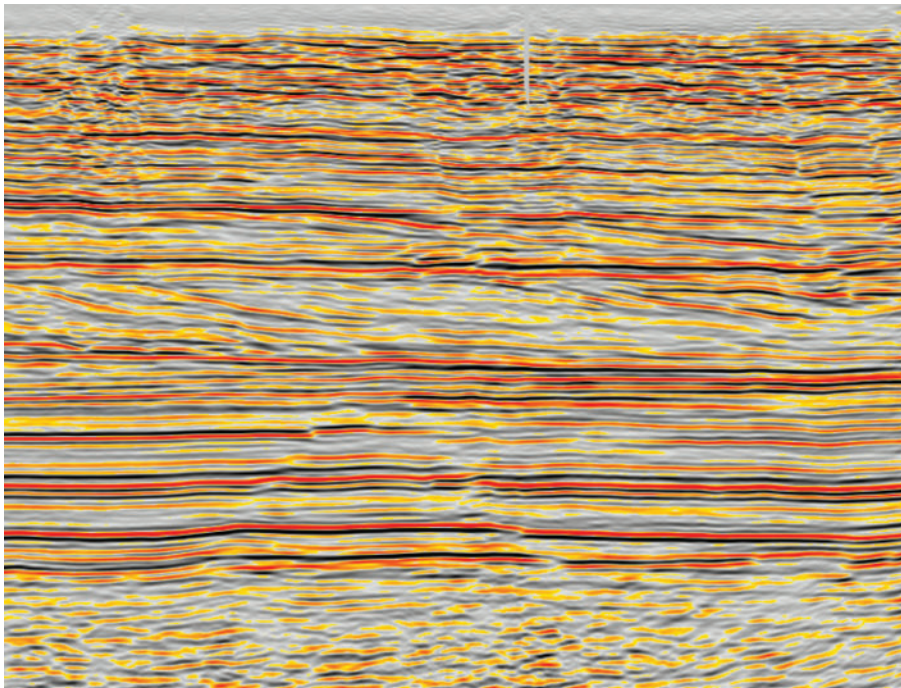
FLARUM™
ENERGY TECHNOLOGIES

Fluid End Expendable Pump Parts
Drill Pipe and Casing Tongs
Mud Pump Fluid End Assem-
Mud Line Gate Valves

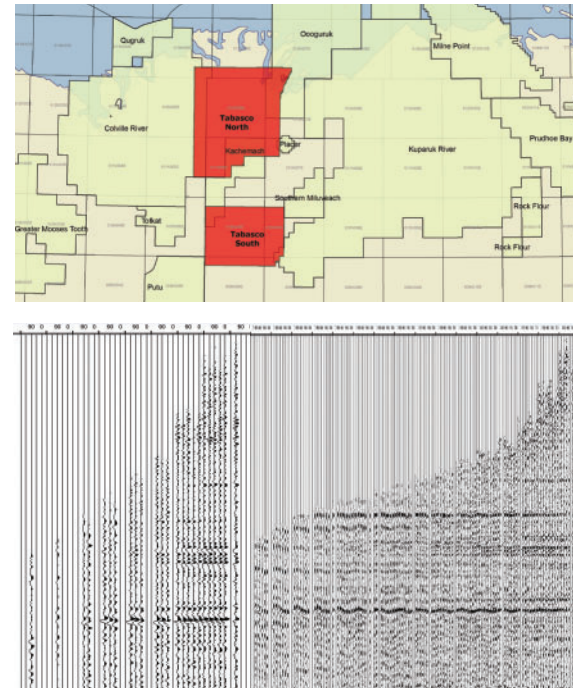


Tabasco: EmphaSeis 3D Multi-Client Data

Broadband program on Alaska's North Slope



PSTM shows greatly improved imaging of shallow reflections and steep faults.



Common offset, common azimuth PSTM gathers. Left image gathers with traditional acquisition parameters. Right image gathers obtained from high-density acquisition.

High-density, broadband seismic is now available located near the Colville River on the Alaska North Slope. The Tabasco North and South 3D datasets were acquired with a slip-sweep HPVA methodology combined with CGG's proprietary broadband **EmphaSeis™** vibroseis sweep to better resolve shallow horizons and image complex faulting in the area. The data have been processed to retain amplitude information contained in the very rich offset and azimuth distribution. Outputs include azimuthal pre-stack time migration and pre-stack depth migration.

Visit our website at cgg.com/Tabasco to download the video about the Tabasco program and the innovative vibroseis techniques deployed in Alaska.

Contact: Mike Clement
+1 403 205 6164
mike.clement@cgg.com

Ron Schmid
+1 403 205 6109
ron.schmid@cgg.com

Kent Milani
+1 403 205 6239
kent.milani@cgg.com

Passion for Geoscience
cgg.com/multi-client

