



page 2 GeoAlaska gets preliminary OK for 2nd Southcentral geothermal permit

Santos upbeat on Pikka; Oil Search files RCA pipeline applications

In its May 3 annual general meeting Santos Ltd. Chairman Keith Spence praised the company's Pikka project, noting it was a "very low emissions-intensity oil project in the world-class, producing hydrocarbon province on the North Slope of Alaska."

The project, he said, "is currently being progressed towards being sanctioned ready by the middle of this year." Pikka operator is Santos subsidiary Oil Search (Alaska), or OSA.

"Value from the Pikka project may be delivered through

see **PIKKA PROGRESS** page 6



KEITH SPENCE

Hilcorp continues Ninilchik work; will connect Pearl pad to pipeline

Hilcorp Alaska continues work at its Ninilchik gas field on the Kenai Peninsula, one of Southcentral Alaska's largest, with more drilling and a plan to connect the Pearl Pad to the Kenai Beluga Pipeline.

The company submitted the 18th plan of development for Ninilchik to the Alaska Department of Natural Resources' Division of Oil and Gas on April 29 covering Aug. 1 through July 30, 2023.

In a related filing, Kenai Beluga Pipeline has applied to the Regulatory Commission of Alaska for a permit to connect to Hilcorp production facilities at the Pearl Pad.

In reporting on the previous POD, the 17th, Hilcorp said it

see **NINILCHIK WORK** page 9

CD1 gas release: AOGCC continues to investigate; WD-03 is cemented

The Alaska Oil and Gas Conservation Commission said May 3 that it is continuing to investigate the cause of the release of natural gas which ConocoPhillips Alaska discovered March 4 at its Colville River unit CD1 pad.

The commission said the disposal well which was being drilled when the gas release occurred, WD-03, has been "cemented to surface and a dry hole tree" was installed May 2. AOGCC said the well is considered suspended "pending cutoff at proper depth below original tundra level and installation of the required abandonment marker plate."

In a May 4 statement on its website ConocoPhillips said the WD-03 well was cemented to the surface as of May 2 and operations with Doyon rig 142 were completed. "The rig is

see **GAS RELEASE** page 8

Hilcorp now says it won't combine Whiskey Gulch with Seaview unit

Hilcorp brought the southern Kenai Peninsula Seaview gas unit on production last June with production from a single well, Seaview 8.

In its third plan for the Seaview unit, dated April 29, Hilcorp told the Alaska Division of Oil and Gas that a second well, Seaview 9, which was in the company's approved 2021 development plan, was drilled in the third quarter of 2021 targeting the Beluga and Tyonek sands. In the 2021 plan, the company said the well was planned to be drilled to a depth of 7,758 feet total depth.

"Additional permitting and work still needed to determine success," the company said April 29.

The company has been exploring north of the Seaview unit.

see **HILCORP PLANS** page 8

EXPLORATION & PRODUCTION

Coyote exceeds

Well test results from Kuparuk prospect beat ConocoPhillips' expectations

By **KAY CASHMAN**

Petroleum News

A ConocoPhillips Alaska Inc. spokesperson told Petroleum News May 4 that well test results from its Coyote prospect west of the Kuparuk field were "very successful," exceeding CPAI expectations and "providing key data to help us better understand the Coyote reservoir interval."

The company had side-tracked an existing well at 3S drill site in the Greater Kuparuk Area to test the Coyote prospect, which had been identified from review of a 2015 3D seismic survey. CPAI



EREC ISAACSON

got the well down at the end of 2021.

The company plans to drill a follow-up pair of wells (one producer, one injector) in the same area in Q4 2022 that "will enable us to gather other critical data to help us better plan for a future development of this reservoir from the 3S pad."

CPAI officials have said that the primary Greater Kuparuk Area field development projects include Coyote, Nuna and Northeast West Sak.

Regarding the status of Nuna, the company told PN on May 4: "We continue to progress the project

see **COYOTE RESULTS** page 11

FINANCE & ECONOMY

EU ban fans prices

EU seeks Russian oil import ban by yearend, must be ratified by members

By **STEVE SUTHERLIN**

Petroleum News

North Slope crude popped \$4.44 May 4 to close at \$114.26 per barrel, while West Texas Intermediate leapt \$5.40 to close at \$107.81 and Brent vaulted \$5.17 to close at \$110.14.

ANS continued to sell at a premium to Brent — notching a \$4.30 spread on May 4 — as a U.S. ban on Russian oil continued to prompt West Coast refiners to bid ANS higher in the scramble to replace Russian supplies.

May 4 was the biggest day for oil in three weeks, as the European Union signaled that it would transition to a total ban on Russian oil

"In the long term, Russian crude output on mature fields will decline steeper than was expected before the conflict as foreign enhanced oil recovery technologies will be unavailable for the country."

—Rystad Energy

imports this year, in response to Russia's military aggression in Ukraine.

Europe gets 25% of its crude from Russia. It is estimated that an EU ban on Russian crude would result in a loss of 2 million barrels per day of

see **OIL PRICES** page 11

EXPLORATION & PRODUCTION

Test production slated

Pantheon plans to produce from Alkaid this summer using \$1M test facility

By **KRISTEN NELSON**

Petroleum News

Pantheon Resources, generally known in Alaska as Great Bear Pantheon, plans to begin test production from its Alkaid 2 well on the Dalton Highway this summer, processing the crude through a \$1 million 2,000 barrel per day processing facility and trucking it for sale.

Alkaid 2 will have multiple fracs, with one planned for every 150-250 feet of the horizontal portion of the well, Michael Duncan, Pantheon Resources vice president operations, said in an April 26 webinar. Production expectations for the well are 450 barrels per day for 3,000 feet of completed horizontal, with 750 bpd for 5,000 feet of

Michael Duncan said the development plan for Alkaid, which lies along the Dalton Highway, includes 44 wells from four drilling locations, with Alkaid 1 farthest west and the other three locations on the Dalton Highway.

completed horizontal and 1,200 bpd for 8,000 feet of completed horizontal.

The well will be drilled from a gravel pad adjacent to the Dalton Highway and will run southwest through the Alkaid formation.

see **TEST FACILITY** page 7

● ALTERNATIVE ENERGY

Preliminary finding for GeoAlaska permit

South Augustine Island noncompetitive geothermal prospecting permit would be issued for two years, with possible extension

By **KRISTEN NELSON**
Petroleum News

In April of last year GeoAlaska LLC, owned by Dr. Paul Craig, proposed a South Augustine Island noncompetitive geothermal prospecting permit. The Alaska Division of Oil and Gas issued a call for public comments and competing proposals in June 2021, but no competing proposals or comments were received, the division said in an April 28 preliminary written finding of the director. The preliminary finding, subject to public comment closing May 30, is that disposing of the South Augustine Island geothermal prospecting permit is in the state's best interests.

The permit would be for two years at a rental rate of \$3 an acre for 3,048 acres of onshore portions of three tracts, ranging from 320 to 2,240 acres. This acreage is on the southern portion of the island.

Augustine Volcano

A summary of the decision said relevant facts and issues include the value of research and monitoring of Augustine Volcano; value of habitat, fish and wildlife; value of Lower Cook Inlet commercial and recreational

facilities; potential cumulative effects from a geothermal power plant; and potential benefits of geothermal energy for Southcentral Alaska.

Augustine Island is in Kamishak Bay on the west side of Lower Cook Inlet, the decision said, some 68 miles southwest of Homer and some 170 miles south-southwest of Anchorage.

The permit consists of the southern portion of the island, all on state-owned land.

The Alaska Volcano Observatory monitors Augustine Volcano with web cameras, digital seismometers, infrasound networks and global positioning system receivers at 15 sites.

Augustine Volcano has had at least six eruptions between 1812 and 1998 and most recently in 2006, the division said.

The decision said that while subsurface and geologic data related to geothermal production capacity on the island is not available, the resource potential is indicated



PAUL CRAIG

by the presence of the volcano.

Development activities

The decision said work on the Augustine Island geothermal project "would begin with an initial survey and exploration phase that could include geological and geophysical surveys and drilling of one or more exploration wells to determine the size and temperature of the resources."

If the resource were deemed commercially viable, "development of the project would likely include construction of wells and pipelines, a power plant with turbine and cooling system facilities, roads, personnel housing, transportation and maintenance facilities, and subsea power transmission lines most likely to Anchor Point or Homer."

GeoAlaska

A year ago, in May 2021 the division issued a final finding for a noncompetitive geothermal prospecting permit for Northwest Mount Spurr, also to GeoAlaska. The division said the permit area is on the southern flank of

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Alaska's source for oil and gas news

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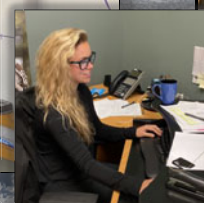
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● LAND & LEASING

State okays Placer unit POD extension

During which time ASRC Exploration and Oil Search (Alaska) await related North Slope Quokka unit decisions

By **KAY CASHMAN**
Petroleum News

As reported in the April 10 issue of Petroleum News, on April 1, ASRC Exploration, or AEX, operator of the North Slope Placer unit, sent a letter to Derek Nottingham, director of Alaska's Division of Oil and Gas, requesting an extension of the Placer unit's fifth plan of development and a corresponding extension of time to submit the sixth POD. The six month extension to Dec. 31, 2022, was tied to Oil Search (Alaska)'s application to form the Quokka unit, in which Placer leases were included.

On April 19, Nottingham approved AEX's request to extend the Placer unit until the end of this year.

In his notification letter to Erik Kenning, AEX senior director of lands and natural resources, Nottingham provided the following background:

- The fifth Placer unit's POD period was originally set to expire on Dec. 31, 2021.
- On Dec. 8, 2021, however, the division approved AEX's initial request to extend the fifth POD period through June 30, 2022, due to the pending Placer lease assignment to Oil Search (Alaska), operator of the proposed Quokka unit.
- On Dec. 30, 2021, the division received an application to form the Quokka unit from OSA. An exhibit in that application listed the Placer leases followed by an asterisk stating, "Assignment of Working Interest from AEX, pending."
- The proposed unit area, shown on Exhibit B of the Quokka application, includes the Placer unit. Due to the pending assignment applications, AEX joined the proposed Quokka application as a working interest owner.
- The assignment applications and Quokka application are currently being adjudicated and separate decisions will be issued for each.

On Dec. 30, 2021, the Division received an application to form the Quokka unit from OSA. An exhibit ... listed the Placer leases ... "Assignment of Working Interest from AEX, pending."

AEX requested the additional six-month extension of the fifth Placer POD period due to the pending applications.

"When considering a POD, the Division must consider the criteria in 11 AAC 83.303(a) and (b)," Nottingham wrote.

"Accordingly, the Division considered the public interest, conservation of natural resources, prevention of economic and physical waste, protection of all interested parties including the state, environmental costs and benefits, geological and engineering characteristics of reservoirs or potential hydrocarbon accumulations, prior exploration activities, plans for exploration or development, economic costs and benefits to the state, and any other relevant factors, including mitigation measures. 11 AAC 83.303(a), (b)."

In approving the prior PODs for the Placer unit, Nottingham wrote in his decision letter to Kenning, that the Division "considered the 11 AAC 83.303(b) criteria and found that the PODs promoted conservation of natural resources, promoted prevention of waste, and protected the parties' interests."

In its April 19 decision, Nottingham incorporated those findings by reference.

Finally, Nottingham said, the proposed sixth Placer POD is due Oct. 3, 2022, 90 days before the fifth POD expires.

This approval is only for a general plan of development. Specific field operations require separate approval. ●

Contact Kay Cashman
at publisher@petroleumnews.com

ASSOCIATIONS

AOGA expands fall conference

The Alaska Oil and Gas Association has expanded its annual fall conference to two days, Aug. 31-Sept. 1.

"Alaska: America's Key to Energy Independence" will feature "outstanding speakers, candidate debates, and much, much more," AOGA said in a May 2 release.

Details on registration, sponsorship and exhibiting opportunities will be forthcoming, the trade association said.

Visit the conference website for speaker information as it is released at <https://www.aoga.org/annual-conference>.

For sponsoring or exhibiting information contact AOGA directly by email at info@aoga.org or by phone (Anchorage) at 907 272-1481.

AOGA is a professional trade association whose mission is to foster the long-term viability of the oil and gas industry for the benefit of all Alaskans. It represents the majority of companies that are exploring, developing, producing, transporting, refining or marketing oil and gas on the North Slope, in Cook Inlet and in the offshore areas of Alaska.

—KAY CASHMAN



EXPLORATION & PRODUCTION

US drilling rig count up by 3 to 698

The Baker Hughes' U.S. rotary drilling rig count was 698 on April 29, up by three from the previous week and up 258 from a count of 440 a year ago.

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

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

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

The April 29 count includes 553 rigs targeting oil, up by three from the previous week and up 210 from 342 a year ago, with 144 rigs targeting gas, unchanged from the previous week and up 48 from 96 a year ago, and two miscellaneous rigs, unchanged from the previous week and unchanged from a year ago.

Thirty of the rigs reported April 29 were drilling directional wells, 643 were drilling horizontal wells and 25 were drilling vertical wells.

Alaska rig count unchanged

Louisiana (58) and New Mexico (97) were both up by two rigs from a week ago. Texas (345) and Utah (12) were each down a rig.

Rig counts in all other states were unchanged week over week: Alaska (9), California (7), Colorado (15), Kansas (1), North Dakota (35), Ohio (12), Oklahoma (51), Pennsylvania (23), West Virginia (14) and Wyoming (15).

Baker Hughes shows Alaska with nine rotary rigs active April 29, unchanged from the previous week and up by six from a year ago, when the state's rig count stood at three.

The rig count in the Permian, the most active basin in the country, was up by one from the previous week at 335 and up by 111 from 224 a year ago.

—KRISTEN NELSON

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● FINANCE & ECONOMY

Exxon profits up despite \$3.4B Russia hit

By CATHY BUSSEWITZ

Associated Press Business Writer

Exxon Mobil reported \$5.48 billion in profits during the first quarter as oil and gas prices rose steadily, more than doubling its profits compared with the same quarter last year.

But the oil giant took a huge hit as it abandoned its Russian operations due to the war, writing down \$3.4 billion.

Including that loss, the oil giant reported profits of \$1.28 per share April 29, which was well below expectations of analysts polled by Factset, who were looking for \$2.23 per share.

Revenue at the Irving, Texas company was \$90.5 billion, which far exceeded the \$59.15 billion in revenue during the same quarter a year ago.

The price of oil climbed steadily during the first quarter after Russia invaded Ukraine, sending European countries which rely heavily on Russia for energy and others scrambling to find alternative sources for fuel. A barrel of the U.S. benchmark crude rose from \$76 to nearly \$130 per barrel before ending the quarter at \$100, and drivers were filling up with increasingly expensive gasoline.

Natural gas prices rose too, climbing from \$3.50 per million British thermal units to about \$5.60, inflating home heating bills and electricity prices.

Exxon's production fell to 3.7 million barrels per day of oil-equivalent, down 4% from the fourth quarter of 2021 due to weather-related unscheduled downtime, planned maintenance and divestments, the company said. Production in the Permian Basin grew and the company was on track to deliver a 25% increase in production there in 2022 compared to last year.

The job as Exxon sees it

"As we think about recent events, our job has never been clearer or more important," said Darren Woods, CEO, in a conference call with investors April 30. "The need to meet society's evolving needs reliably and affordably is what consumers and businesses across the globe are demanding and what we delivered this quarter."

As energy prices rose, Exxon's stock price also was rising. The company announced April 29 it's expanding a program to repurchase its own stock, telling investors that Exxon could buy back up to \$30 billion worth of its shares through 2023. It repurchased shares totaling \$2.1 billion during the quarter, shelling out cash to investors

as its stock price rose.

Exxon's production fell to 3.7 million barrels per day of oil-equivalent, down 4% from the fourth quarter of 2021 due to weather-related unscheduled downtime, planned maintenance and divestments, the company said. Production in the Permian Basin grew and the company was on track to deliver a 25% increase in production there in 2022 compared to last year.

Exxon said it plans to eliminate routine flaring, the process of burning off what it considers excess natural gas, in the Permian Basin by the end of the year. Exxon also announced progress on carbon-reduction initiatives. During the quarter, Exxon secured the financing to expand its carbon capture facility in LaBarge, Wyoming and it announced plans to produce renewable fuel.

Shares of Exxon Mobil Corp. fell slightly during morning trading.

Chevron also profits

Also on April 29, Chevron reported a quarterly profit \$6.26 billion, more than four times its earnings in the same period last year. On a per-share basis, profits from the San Ramon, California energy producer were a nickel short of Wall Street expectations, according to a survey by Factset, but Chevron does not adjust its reported results based on one-time events such as asset sales. And revenue surged 41% to \$54.37 billion. ●



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GEOALASKA PERMIT

Mount Spurr and is referred to as Northwest Mount Spurr because it is adjacent to and northwest of a previously issued Mount Spurr noncompetitive geothermal prospecting permit.

This area is some 6,376 acres in three tracts northwest of Trading Bay and some 40 miles west of Tyonek.

The Northwest Mount Spurr permit is also for two years, with a potential of a one-year extension.

Craig formed GeoAlaska in May 2020 to identify and develop geothermal energy resources in Alaska.

He told Petroleum News in 2021 (see stories in May 30, 2021, and June 6, 2021, issues) that he isn't switching industries. "For 28 years I have been in the energy industry," Craig said.

"GeoAlaska is trying to move Alaska's energy industry one step forward into the future by creating a source of green electrical energy that has a zero-carbon footprint on the environment. We are not anti-oil. We are not anti-natural gas. We are pro-business and pro-energy, but we want to do it in a way that creates a sustainable future for our children and our grandchildren for generations to come."

Working with Erik Anderson

Craig said Erik Anderson brought Mount Spurr and geothermal potential in Southcentral to his attention.

"Erik had heard about my oil patch entrepreneurship and decided to approach me."

Anderson's background, Craig said, is

A year ago, in May 2021 the division issued a final finding for a noncompetitive geothermal prospecting permit for Northwest Mount Spurr, also to GeoAlaska.

in hydrology and he has worked on various geothermal projects, including "a very successful geothermal exploration program at Nevis in the Caribbean." Anderson worked on the geothermal program at the Alaska Department of Natural Resources a few years ago, Craig said, and is now an independent consultant.

"We will be working to tie the electricity we hope to produce into the Railbelt electrical grid," Craig said in 2021 discussing the Northwest Mount Spurr permit. He said he had a letter of intent with a potential power purchaser who "would be delighted to purchase our electricity if it can be reasonably priced."

Craig also said GeoAlaska had identified a new drilling rig for the Mount Spurr Project. He said the rig, built in Alaska, can be transported by helicopter. "No component weighs more than 4,000 pounds. And it fits together like a big Lego set."

Discussing the Northwest Mount Spurr permit, Craig said GeoAlaska's goal is to drill to about 3,000 feet.

Craig said last year that he would be looking for financing for the project. As of this issue of Petroleum News, the Alaska Oil and Gas Conservation Commission appears to have issued no drilling permits to GeoAlaska. ●

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EXPLORATION & PRODUCTION

Blizzards drive down ND production

State officials say a pair of blizzards that smacked North Dakota in April caused a dramatic reduction in oil production.

The Bismarck Tribune reported that State Mineral Resources Director Lynn Helms provided state regulators updated production estimates April 29.

The state's oil industry had been producing about 1.1 million barrels daily until the blizzards hit, Helms said. The first storm began on April 12 and lasted three days. Helms says it caused production to fall to about 750,000 barrels per day. The industry had rebounded to 950,000 barrels per day when the second storm hit on April 23. That blizzard caused production to drop to just 300,000 barrels per day. Production has since increased to about 700,000 barrels per day, Helms said.

He called the damage the storms caused in the western part of the state "incredible," noting widespread power outages that affected the oil patch and snowy roads that prevented oil workers from accessing well sites and other infrastructure.

—ASSOCIATED PRESS

● LAND & LEASING

State okays Vision delay, but only 1 year

By **KAY CASHMAN**
Petroleum News

On April 20 Alaska's Division of Oil and Gas approved Vision Operating's request for a delay in contracting its North Fork unit on the southern Kenai Peninsula.

In his approval letter to Vision executive Mark Landt, Division Director Derek Nottingham said the contraction delay would be for one year and not the two years requested by Vision. (Vision had asked for it to be delayed until April 6, 2024, versus April 6, 2023.)

The division "considered the 11 AAC 83.303 criteria" when evaluating Vision's request, but "based upon its analysis," the agency found that a two-year delay of mandatory contraction was "unnecessary and would not provide for the protection of all parties, including the State. 11 AAC 83.303(a)."

Nottingham also said, "considering Vision's justification ... is in concert with its commitments for the 57th North Fork



MARK LANDT

unit plan of development," the division found it "appropriate to approve" the delay for a period of one year.

The 57th POD was approved on Feb. 24. It is effective for one year from March 31, 2022, to March 30, 2023.

Currently, the North Fork unit contains five state oil and gas leases totaling 2,601.84 acres, and one participating area, the NFU Gas Pool No.1 PA, or GPA, some 800 acres.

Vision's request to delay mandatory unit contraction was filed under 11 AAC 83.356(b), which says 10 years after sustained unit production begins, a unit area must be contracted to include only those lands in an approved PA and lands that facilitate production including any adjacent lands necessary for secondary or tertiary recovery, pressure maintenance, reinjection, or cycling operations.

In its 57th POD, Vision committed to evaluating the possibility of drilling wells inside the North Fork unit but outside the current GPA boundaries, which included a technical presentation to the division, and applying to expand the existing GPA boundaries.

In its request, Vision cites the POD commitments as its justification for further delaying mandatory contraction of the unit.

Currently, the North Fork unit contains five state oil and gas leases totaling 2,601.84 acres, and one participating area, the NFU Gas Pool No.1 PA, or GPA, some 800 acres.

Nottingham said that allowing for a one-year delay in the contraction of the North Fork unit "will assist both Vision and the Division in completing its review and analysis of a potential expansion of the existing GPA boundaries." ●

Contact Kay Cashman at publisher@petroleumnews.com

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PIKKA PROGRESS

sell-down processes and/or participation in project development,” Spence told shareholders.

Santos said that for 2022 it allocated capital spending of \$300 million in Alaska, including continued work on Phase 1 of the Pikka project, which is still on track to bring 80,000 barrels of oil online shortly after startup in 2025.

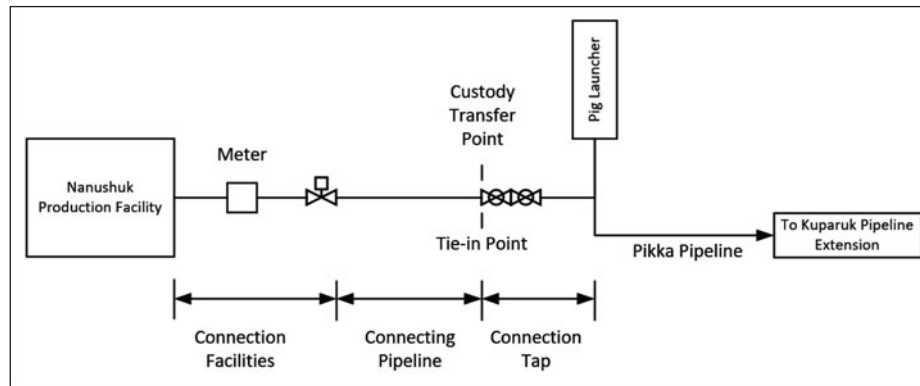
Eighty thousand barrels per day represents a 25% increase in flow through the 800-mile trans-Alaska oil pipeline.

Pikka Phase 1 involves a single drill site; subsequent phases are expected to add two more drill sites and increase output.

Energy security

Combined with low investment in oil and gas supply since 2015, the war in Ukraine has seen oil and gas prices go to record highs over the last year, with “Europe facing an energy security crisis which is flowing on to other countries,” Spence said.

“While high oil and gas prices are good for our revenues, they are flowing through supply chains and hurting us in the prices we are paying for steel and the many other



“2021 showed us that we must reduce our emissions without compromising on energy security. And we can only do this through decarbonization, not de-fossilization.”

goods we need to run our business. And above all, they are not good for a peaceful, rules-based world,” Spence continued.

CEO Kevin Gallagher also addressed energy security and the importance of fossil fuels for the future.

“2021 brought global energy security into the spotlight with higher prices and a supply crunch in the wake of rapidly recov-

ering demand and a lack of investment in new supply. This renewed focus on energy security was exacerbated with the Russian invasion of Ukraine,” Gallagher told shareholders at the general meeting.

“2021 showed us that we must reduce our emissions without compromising on energy security. And we can only do this through decarbonization, not de-fossilization. Oil, gas and coal still make up around 80% of the world’s energy today, the same as 45 years ago,” Gallagher said.

“Even under the International Energy Agency’s Net Zero by 2050 scenario, the world will still use oil and gas in 2050 and still needs more than 10 trillion US dollars to be invested in new supply sources over the next two decades to meet cus-

tomers demand.”

RCA sales line applications

While OSA is on the ground working on Phase 1 of Pikka, on April 21 its fellow Santos subsidiary, Oil Search (USA), or OSU, filed an application seeking a permit to construct and a Certificate of Public Convenience and Necessity to operate the proposed Pikka Sales Oil Pipeline.

The applications were filed with the Regulatory Commission of Alaska, or RCA, which posted a public notice on April 28.

The proposed sales line would be approximately 22.2 miles long and consist of a 16-inch diameter pipe from Nanushuk processing facility to the tie-in pad, or TIP, and a 12-inch pipeline from the TIP to the Kuparuk Pipeline.

According to OSU, the design of the pipeline is expected to deliver 80,000 barrels of oil a day during Phase 1 of Pikka operations, with a maximum production capacity increasing to 160,000 barrels a day. (Pikka Phase 1 involves a single drill site; subsequent phases are expected to add two more drill sites and increase output.)

OSU estimates the minimum engineering design life of the Pikka Sales Oil Pipeline will be 30 years.

Connection facilities

The 16-inch Pikka Sales Oil Line will deliver sales oil from the Nanushuk production facility, or NPF, to the TIP and a 12-inch pipeline will connect the TIP with the Kuparuk Transportation Company Kuparuk Pipeline Extension.

The Pikka Sales Oil Pipeline will begin at the pig launcher on the NPF Pad.

The sales line will be located on the Pikka and Seawater Treatment Plant, or STP, pipeline support racks, when present and connect the NPF, via the TIP, and terminate at the Kuparuk Pipeline Extension, or KPE, Tie-in Point.

Corrosion control

When needed, internal corrosion for the Pikka Sales Oil Pipeline will be mitigated using corrosion inhibitor and a 0.125-inch corrosion allowance, OSU said.

The corrosive effects of the product will be monitored through the use of corrosion coupons installed in the product flow path and examined at least twice each calendar year (not to exceed 7.5 months between such examinations).

External corrosion will be controlled in accordance with federal regulations. The design basis for factory-installed insulation for the pipeline will consist of polyurethane foam insulation covered with roll formed, interlocked, galvanized metal jacket. OSU said this insulation-jacketing system has a proven North Slope track record of preventing moisture ingress.

Dual layer fusion-bonded epoxy anti-corrosion coating will be applied beneath the pipeline insulation.

Total dry film thickness will range between 14 and 32 mils with a minimum average thickness for the FBE anti-corrosion coating of 25 mils. The anti-corrosion coating will be sufficient for the operating conditions of the pipeline, OSU said.

Field joints will be coated with field applied denso tape, and insulation, sealing, and jacketing system based on best available North Slope practices.

The Pikka Sales Oil Pipeline will be designed to allow passage of in-line inspection, and maintenance and cleaning tools.

The frequency of inspection is currently undetermined but will be developed to be consistent with OSU’s Integrity Management Program, OSU said.

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TEST FACILITY

Duncan said priorities for the well are operational reliability. He said the company won't necessarily be reaching for a long horizontal as this summer will be the company's first go to it.

Processing facility

The three-phase flow from the wellhead (oil, gas, water) will be processed at a 2,000-bpd facility. A production separator will send oil to conditioning tanks; from there oil will be transported by truck for sale on the North Slope. A water injection pump will reinject produced water, eliminating the need to tanker water offsite for disposal. Natural gas from the well will be used to provide power and for use in a gas lift system, eliminating the need for nitrogen for lift.

Duncan said the extended well-test facility is unique to the North Slope because of its location on the Dalton Highway. The facility has a cost of some \$1 million, he said, with core components already purchased. The facility merges Canadian and U.S./Alaska methods and is fully electric and fit for remote standalone operations.

The facility and the ability to truck oil for sale eliminate the real cost of entry to production on the North Slope, Duncan said, allowing Pantheon to begin production with a single well, rather than having to build a pipeline and drill enough wells to support it.

The processing facility includes an electric process heater, a production separator, oil conditioning tanks, a water injection pump, a gas microturbine generator and a lift gas compressor.

Further Alkaid drilling

Alkaid 1 was drilled and cased in 2015 by Great Bear, purchased by Pantheon in 2019, which gained a majority interest and operatorship of Great Bear's leases.

Great Bear was unable to test Alkaid 1 in 2015 because of flooding on the highway. The well, a vertical hole, was re-entered and tested in 2019, producing 108 bpd from a single frac.

Pantheon plans to re-enter Alkaid 1 in the winter of 2023 as part of a two-rig program which would also see a re-entry of Talitha A, and two new wells: Theta West 2 and Talitha B. The Alkaid 1 re-entry is listed as a test of the shelf margin deltaic.

In the summer of 2023, the company has three Alkaid production wells planned: Alkaid 3, Alkaid 4 and Alkaid 5.

Winter 2022

Bob Rosenthal, a geologist who was founding manager of Great Bear, is Pantheon's technical director.

In reviewing the company's 2022 winter program, he said Pantheon successfully appraised the lower basin floor fan at Theta West with a 10.5 mile step out well, finding the same quality oil as at Talitha in the same zone. He said Talitha tested light sweet crude in the shelf margin deltaic, the slope fan system and the lower basin floor fan, and said the tests proved more than 20 billion barrels of oil in place, with recoverable expected at more than 2 billion barrels.

The objectives at both wells were achieved: confirming the presence of high-quality light oil and to confirming the movability of the oil.

At Talitha A Pantheon tested 42 bpd from the lower basin floor fan and 45 bpd from the slope fan system. There was an obstruction to flow at the shelf margin deltaic.

At Theta West 1, the lower basin floor fan was tested at 57 bpd.

Rosenthal said Pantheon believes all three accumulations are commercial and said the accumulations are the highest

The facility and the ability to truck oil for sale eliminate the real cost of entry to production on the North Slope, Duncan said, allowing Pantheon to begin production with a single well, rather than having to build a pipeline and drill enough wells to support it.

resource density — barrels of oil per unit area — since Prudhoe Bay.

In reviewing the company's future plans, he said Alkaid 2, planned to begin drilling in July, will be a vertical test well with a horizontal leg through the oil discovered at Alkaid 1, with the well's primary objective a long-term horizontal production test of the Alkaid 1 zone plus appraisal of oil in the shallower shelf margin deltaic and an exploration of the deeper Brookian section, previously untested.

The reservoir

Ed Duncan, a geologist who was a founder of Great Bear Petroleum, is senior geoscience consultant to Pantheon. He said Theta West was drilled 1,500 feet up dip

from Talitha and confirmed reservoir continuity. Theta West, Ed Duncan said, has more than twice the oil volume as Talitha A with a significant increase in reservoir quality.

Mike Smith, a consultant to Pantheon, has been analyzing volatiles for more than 40 years through his own companies and while employed at Amoco Research.

Smith said that at Theta 1, 1,460 feet of PDC bit cuttings were analyzed — and all contained oil.

Every sample below 7,090 feet in the well has oil, he said, but there is none in the upper 400 feet of the samples, indicating a seal.

Analysis of the volatiles indicates a world class petroleum system, Smith said, with "good quality and high abundances of oil, reservoirs, and seals."

Jerry Nichols, senior geophysicist consultant with Pantheon, said resource assessment for the company's explored acreage includes:

- 2.6 billion barrels of oil in place at the shelf margin deltaic, with light oil tested at Talitha;
- 2.2 billion barrels of oil in place at the solve fan system, successfully tested at Talitha;
- 17.6 billion barrels of oil in place at the

lower basin floor fan, with three penetrations of oil, and the reservoir tested at Talitha and Theta West 1; and

•0.9 billion barrels of oil in place at Alkaid, successfully tested at Alkaid 1.

The combined original oil in place is 23.5 billion barrels, Nichols said.

Development plans

Michael Duncan said the development plan for Alkaid, which lies along the Dalton Highway, includes 44 wells from four drilling locations, with Alkaid 1 farthest west and the other three locations on the Dalton Highway.

There are 312 wells projected to develop the shelf margin deltaic, he said, 42 of which can be drilled from the Dalton Highway producing 30,000 bpd.

Development will begin in the east, closest to the Dalton Highway, and move west.

Basin floor fan development will piggyback on prior developments with more than 700 locations.

Jay Cheatham, Pantheon chief executive officer, said that with success, there are generations of development opportunities. ●

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HILCORP PLANS

In its 2021 plan Hilcorp said the Whiskey Gulch No. 1, “an oil and gas exploration well located to the north of the Seaview Unit outside the unit boundary” was planned for a depth of 10,126 feet measured depth, “targeting potential gas sands in the Sterling, Beluga and Tyonek formation, as well as potential deeper oil targets.”

Hilcorp said in the 2021 plan that while the Whiskey Gulch well is outside the Seaview unit, “and not considered unit operations at this moment, the results from this exploration well may trigger a Seaview Unit expansion.”

In its 2020 plan, Hilcorp said it has determined that Whiskey Gulch should not be included in Seaview and said it was still evaluating the results of the Whiskey Gulch 1 well.

Compressor to Cannery Loop

For its 2022 plan, Hilcorp said it was evaluating additional perforations in the Seaview 9 well.

On the facilities side, the company said it planned to move the compressor at the Seaview pad because it is needed at Cannery Loop “to accommodate increased gas production there.”

Hilcorp said it would evaluate options for Seaview gas compression “with plans to add a smaller compressor during the 2022 POD period.”

Production has been from just a single well since this small gas field came online.

During the 2021 calendar year, Hilcorp said, cumulative production at Seaview was 146.9 million cubic feet.

—KRISTEN NELSON

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GAS RELEASE

being moved off location, and as a final step, the well will be sealed with a welded steel plate in compliance with AOGCC regulations.”

The natural gas release was first observed from the ground at the wellhouse of well CD1-05, the commission said, and releases occurred at seven wells on the CD1 pad and through cracks on the pad near Doyon Rig 142.

ConocoPhillips said that on March 8 the natural gas flow through the WD-03 well’s outer annulus was routed to the Alpine Central Facility. After that, natural gas measurements along the pad surface “dropped to fluctuating low levels inside wellhouses and no gas was detected outside of the wellhouses.”

ConocoPhillips continues to monitor the well row for natural gas releases “and reports fluctuating low levels of gas inside wellhouses since the startup of produced water injection. There has been no gas detected outside of the well-

houses,” the commission said.

AOGCC said wells at CD1 remain shut-in “except waste injection in well CD1-01A and produced water injection in CD1-02, CD1-03 and CD1-05.”

The source of the natural gas release was identified as the C-10 Halo zone in the WD-03 disposal well which was being drilled at CD1. ConocoPhillips said the C-10 Halo zone had not been cemented because it had not been interpreted “as a significant hydrocarbon zone.”

Although the source of the gas release was controlled March 28, it took until April 26 for a successful cement plug to be placed.

Doyon Rig 142 was drilling the WD-03 when the release was discovered.

The commission said May 3 that preparations were underway to move the rig from WD-03. It said the May 3 situation report would be the final sitrep, but that its investigation is continuing.

—KRISTEN NELSON

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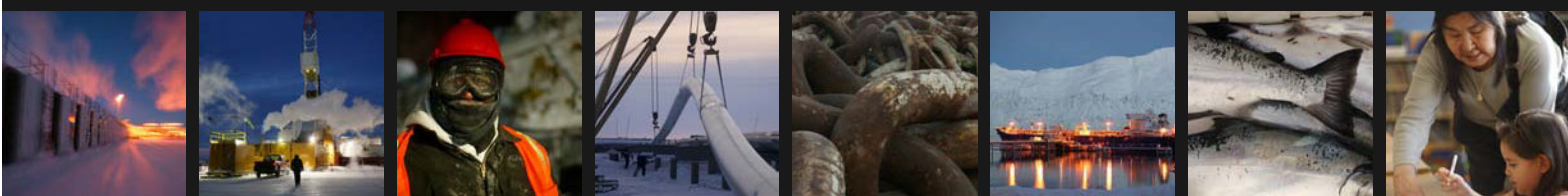


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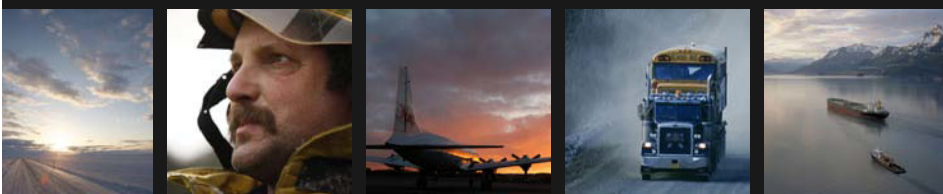
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NINILCHIK WORK

maintained production at the field, with an average from Ninilchik of 30.5 million cubic feet per day and cumulative 2021 production of 11.1 billion cubic feet.

Those volumes are down from a calendar year 2020 average of 33.1 million cubic feet per day, and a total of 12.1 bcf for the 2020 calendar year, as reported by Hilcorp last April when it submitted the 17th POD and reported on work from the 16th POD.

The company said it did three rotary sidetracks under the 17th POD: at Paxton 11, targeting various Beluga and Tyonek sands; at Kalotsa 8, also targeting various Beluga and Tyonek sands; and at Pearl 2A, targeting various Tyonek sands, with a plan to flare test the well in April 2022.

Hilcorp reported an extensive workover and well work program during the 17th POD, with work at numerous wells: Falls Creek 3, State 1, Paxton 2, Susan Dionne 5, Kalotsa 1, Kalotsa 2, Paxton 9, Susan Dionne 6, GO 06, Paxton 1, Kalotsa 3, Kalotsa 5, Paxton 3, Paxton 5, Paxton 1, Kalotsa 4 and Falls Creek 6.

Hilcorp said a sidetrack planned at the Blossom 1 exploration well was not drilled during the 2021 POD period. The Abalone well was not drilled. And Susan Dionne 3 was not converted to a Class II disposal well.

2022 POD

For the 2022 POD period, Hilcorp said it has no current plans for long term development activities. It said additional wells into the Beluga and Tyonek formations are “highly dependent” on the natural gas market and Cook Inlet basin

In March, the latest month for which AOGCC data is available, Ninilchik had the most average production of any Cook Inlet field, 34.1 million cubic feet per day, 16.6% of inlet gas production in that month.

deliverability conditions, with potential timing of wells “dependent upon current risked resource and economics, market demand, pipeline capacity, and competitiveness within Hilcorp’s gas project portfolio.”

There are three potential Ninilchik unit wells in Hilcorp’s 2022 POD, each targeting Beluga and Tyonek sands: Paxton 6, Pearl 8 and Pearl 9. And perforations may be added to Blossom 1.

The company said a number of rig and non-rig well projects are possible, including converting Susan Dionne 8 to a Class II disposal well and a fill cleanout and additional perforations at Grassim Oskolkoff 8.

Hilcorp also said it would evaluate adding velocity strings and/or artificial lift options in various wellbores and will evaluate and execute well work opportunities as they arise.

On the facilities side, Hilcorp said it is planning and designing a pad expansion at the Paxton Pad; planning and designing a pad expansion at the Pearl Pad; and evaluating and planning a potential new drill pad between the Paxton and Pearl pads.

Gas pipeline connection

Hilcorp said in its POD that facilities are planned for the Pearl Pad to accommodate gas production from Pearl 2A

and additional delineation wells, with facility work to begin as early as the third quarter 2022.

In a related action, Kenai Beluga Pipeline has applied to the Regulatory Commission of Alaska to connect to Pearl Pad production facilities. The KBPL regulated pipeline would connect to the lateral line of Hilcorp at the Pearl Pad.

Hilcorp has requested a connection to KBPL from Hilcorp’s 6-inch lateral line. KBPL said it anticipates that Hilcorp will want to flow gas as soon as possible.

KBPL is 100% owned by Harvest Alaska, which is owned by Harvest Midstream. All are Hilcorp companies.

Unit history

In its approval of the 17th POD the division provided a brief history of the Ninilchik unit, which was formed in 2001.

Alaska Oil and Gas Conservation Commission records show the discovery well, Ninilchik Unit Falls Creek 1, was drilled in 1961 by Standard Oil Company of California.

The modern unit was formed by Marathon Oil Co. in 2001 and that company brought the field online in 2003.

Hilcorp acquired Ninilchik from Marathon in 2013.

There are three participating areas at Ninilchik: Falls Creek, Grassim Oskolkoff and Susan Dionne-Paxton.

Ninilchik is among the largest Cook Inlet natural gas fields. In March, the latest month for which AOGCC data is available, Ninilchik had the most average production of any Cook Inlet field, 34.1 million cubic feet per day, 16.6% of inlet gas production in that month.

—KRISTEN NELSON

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Oil Patch Bits



NORTECH announces two newly licensed PE’s

NORTECH Inc. said April 27 it is pleased to announce that both Mikkel Foltmar, PE, and Haley Michael, PE, successfully passed the principles of engineering exam, earning their professional environmental engineering license in the State of Alaska.

Foltmar graduated from the Technical University of Denmark with a master’s degree in environmental engineering and holds an ADEC sanitary surveyor certificate. At NORTECH he is responsible for public water system engineering design and review, sanitary surveys, hazardous material investigations, site assessments, and contingency plan scenario development. Additionally, Foltmar has volunteered with the Prince William Sound Regional Citizen’s Advisory Council on work regarding terminal operations and envi-

ronmental monitoring since 2014.

Michael graduated from Northern Arizona University honors program with a degree in environmental engineering and holds an American Petroleum Institute tank inspector 653 certification. She is experienced with hazardous material assessment and demolition design, tank inspections, contaminated site assessment and remediation design, and spill prevention, control and countermeasure plan writing. Prior to joining NORTECH in 2017, Michael collaborated with undergraduate research at Northern Arizona University to publish and present on projects involving GIS mapping mycorrhiza in the United States. Last year she completed the National Society of Professional Engineers emerging leaders program and is a project manager at NORTECH.



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OIL PRICES

Russia's production.

"This will be a complete import ban on all Russian oil, seaborne and pipeline, crude and refined," European Commission President Ursula von der Leyen told the European parliament.

"We will make sure that we phase out Russian oil in an orderly fashion, in a way that allows us and our partners to secure alternative supply routes and minimizes the impact on global markets," she said.

The proposal, once finalized, must be unanimously ratified by the 27 members of the bloc before taking effect. Hungary and Slovakia are dragging their feet on the proposal, with Hungary seeking an exemption for pipeline delivered oil and Slovakia seeking additional time to make the transition.

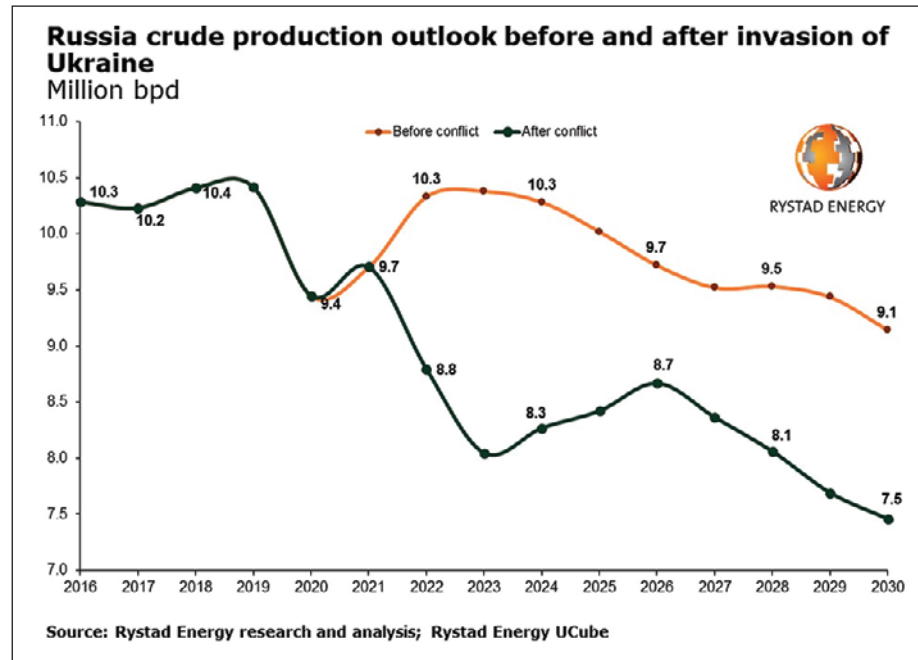
If ratified, the ban could send prices significantly higher.

A "complete shutdown" of Russian oil could drive prices up to \$185, JPMorgan analyst James Sullivan told CNBC in a Squawk Box Asia interview May 4.

Prior to the May 4 price increases, the market had been selling off after China reported an increase of COVID-19 cases in Beijing, raising fears of a lockdown of the capital, while Shanghai reported record daily deaths over the weekend.

ANS fell \$1.85 May 3 to close at \$109.82, while WTI dropped \$2.76 to close at \$102.41 and Brent slid \$2.61 to close at \$104.97.

May 3 action took prices quite close to those of Wednesday April 27, when ANS closed at \$109.69, WTI closed at



\$102.02, and Brent closed at \$105.32.

Prior to the swoon on China demand fears, oil rallied April 28, as the EU began talks on banning Russian oil. ANS rose \$2.76 to close at \$112.45, WTI rose \$3.34 to close at \$105.36 and Brent rose \$2.27 to close at \$107.59.

Brent rose \$1.75 April 29 to close at \$109.34, but ANS fell 50 cents to close at \$111.95 and WTI fell 67 cents to close at \$104.69.

Russia cashes in on higher prices

Despite its falling production, Russia this year will see its tax revenue increase significantly to more than \$180 billion due to higher oil prices, Rystad Energy said in a May 2 release, adding that Russia's take for 2022 will be 45% and 181% higher than in 2021 and 2020, respectively.

Rystad said Russia's progressive tax system boosts taxes in line with higher oil price ranges.

Russian oil volumes will likely drop by 2 million bpd by 2030 compared to 2021, and natural gas production will grow marginally, but will still be lower than pre-conflict estimates, Rystad said. Elevated gas prices in Europe along with liquefied natural gas prices in Asia will generate around \$80 billion of tax flows in Russia in 2022.

After Russia invaded Ukraine in February, European buyers started to shun Russian crude, but loadings began to recover on March 24, supported by orders from China and India, Rystad said, adding that Russian exports were still resilient in April.

"Europe's dependence on Russian energy has been a deliberate and decades-

long and mutually beneficial relationship," said Daria Melnik, Rystad senior analyst. "In this early phase of sanctions and embargoes, Russia will benefit as higher prices mean tax revenues are significantly higher than in recent years."

The shift of exports to Asia, however, won't be a walk in the park — particularly if the EU shuts down imports of Russian oil.

"Pivoting exports to Asia will take time and massive infrastructure investments that in the medium term will see Russia's production and revenues drop precipitously," Melnik said.

It will take time for Russia to retune its logistic chains and secure buyers for its crude beyond Europe and the United States, and it will also take time for the Russian economy to recover from sanctions to boost oil demand inside the country, Rystad said.

"As such, crude output will only start recovering in mid-2023," it said, adding that many shut-in wells may not come back into production, destructing Russian spare capacity.

Russia's plight will be aggravated by lack of investment and lack of access to outside technology, leading to lower drilling activity, Rystad said.

"Russia is, as a result, not expected to return to pre-conflict production levels even by 2026," it said. "In the long term, Russian crude output on mature fields will decline steeper than was expected before the conflict as foreign enhanced oil recovery technologies will be unavailable for the country." ●

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COYOTE RESULTS

planning and approvals for the development at 3T, a planned future drill site where we plan to locate the Nuna development. It will be sited on the existing gravel pad within the Nuna acreage we acquired from Caelus. We plan to drill some wells in the same reservoir in the 3S area in Q3 2022 that will provide key learnings to help us further optimize the 3T development plans."

The 2015 survey was part of CPAI's agreement to purchase the Nuna discovery from Caelus. It was a high-quality survey that covered the majority of the Torok reservoir accumulation, the target of both developments. The Torok sits at about 4,500 feet in the area.

Pushing the envelope

With improved drilling technology, in particular technology around horizontal drilling, CPAI has been working to contact more reservoir footage from a single well, which has led to a smaller footprint for each barrel of oil produced in the Greater Kuparuk Area.

The company, which is headed by Erec Isaacson, continues to push the envelope on how far it can drill in a given well. The longer it can drill, the fewer number of wells needed in total to recover the resource.

CPAI executive Lisa Bruner provided PN in a December interview with an example of pushing the envelope: "In 2018 we drilled one of our West Sak reservoirs called 1H NEWS. We only had four producers in that particular development, but we drilled a total of 127,936 feet, or 24 miles, of total lateral footage in four wells. We had low trouble time and really high efficiency so in terms of the number of days per foot drilled we made really significant progress. I would say with that development we pushed the boundaries of how much reservoir can be contacted with a single multilateral well."

In 2015-16 the company drilled the Torok reservoir at Drill Site 3S, drilling a well pair and contacting more than 4,000 feet of reservoir in a single lateral.

In its latest well pair it contacted about 12,000 feet of reservoir from a lateral, so a 300% increase from well pair to well pair.

"We're continuing to look for opportunities to push those lateral lengths even farther as we continue to develop the field," Bruner said.

Kuparuk updates filed

On May 2, CPAI's Greater Kuparuk Area development manager filed the 2022 updates to the plans of development, or PODs, for the Kuparuk, Meltwater, Tabasco, Tarn and West Sak participating areas, or PAs, within the Kuparuk River unit.

"As always, these plans are subject to change based upon business conditions," Kuparuk unit operator CPAI told Derek Nottingham, director of Alaska's Division of Oil and Gas, in its filing.

The document was also the annual update to the Kuparuk River unit plan of development, as required by a letter dated April 11, 1986, from the Department of Natural Resources. The unit POD must be submitted by July 1 of each year for approval by Aug. 1.

The POD period runs from Aug. 1, 2022, through July 31, 2023.

see **COYOTE RESULTS** page 12

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