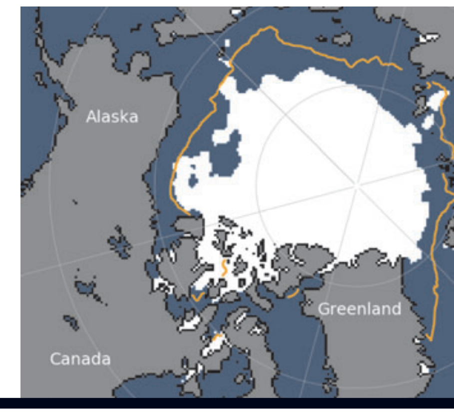
Petroleum news

Vol. 26, No. 39 • www.PetroleumNews.com *A weekly oil & gas newspaper based in Anchorage, Alaska* Week of September 26, 2021 • $2.50



page 7 NSIDC: Annual minimum sea ice extent in Arctic was reached Sept. 16

Lance bullish on oil market; Alaska 'very, very competitive'

WHILE CONOCOPHILLIPS'S Ryan Lance is "bullish" on the oil market for the "next couple of years" and "very excited" about the company's $9.5 billion cash purchase of Royal Dutch Shell's assets in the Permian, "one of the best basins in the world," what does this mean for Alaska's North Slope?

Having Willow at a virtual standstill with the recent federal court decision and having blown most of its available cash on the Sept. 20 Shell deal, will ConocoPhillips' overall spending in Alaska be reduced in 2021?

Meredith Kenny in ConocoPhillips Alaska's communications office did not directly address an impact from the Shell

see **INSIDER** *page 10*

Decision over ANWR lease sale program unlikely before June 2023

In Sept. 20 filings in four federal District Court in Alaska cases challenging the legality of the oil and gas lease sale program for the coastal plain of the Arctic National Wildlife Refuge, parties in the cases have told the court that a decision on the findings in a supplementary environmental impact statement for the lease sale program is not anticipated until June 2023. The court has agreed to stay the appeals pending the SEIS development. Meanwhile all lease related activity in ANWR remains on hold.

On June 1 Interior Secretary Deb Haaland issued an order directing the development of an SEIS for the lease sale program and prohibiting any oil exploration and development activities in

see **ANWR SALE** *page 10*

DNR extends performance bond deadline for GBP's Talitha unit


PATRICK GALVIN

On Sept. 13, the Alaska Department of Natural Resources' Division of Oil and Gas approved an amendment to the Talitha unit agreement that says Great Bear Pantheon's drilling requirement has been satisfied and effectively extending the company's deadline to post a $3.3 million performance bond from Sept. 15, 2021, to Sept. 15, 2022.

In GBP's request for the extension the company's chief commercial officer and general counsel, Patrick Galvin, wrote to Division Director Tom Stokes: "It is Great Bear Pantheon's position that the Talitha unit

see **BOND DEADLINE** *page 10*

Trudeau's Liberals emerge with Canada's 2nd minority government


JUSTIN TRUDEAU

When Canadian Prime Minister Justin Trudeau triggered a federal election two years ahead of schedule he declared it was a performance review of his administration's handling of COVID-19, including hundreds of billions of dollars in support benefits and a massive debt.

What he really wanted was an outright majority in Parliament to act on continued pandemic spending and eventual economic recovery as well as passing laws to enable Canada to achieve net zero greenhouse gas emissions by 2050.

In other words, he wanted a blank check to govern without

see **CANADA ELECTION** *page 10*

FINANCE & ECONOMY

China woes shrugged

Wobbly Chinese property developer near default raised fear of demand loss

By STEVE SUTHERLIN
Petroleum News

Alaska North Slope crude jumped $1.45 to close at $75.67 per barrel Sept. 22, as rising oil demand and falling U.S. oil stocks stoked a bounce-back from a Monday sell off Sept. 20. West Texas Intermediate bounced $1.67 Sept. 22 to close at $72.23, and Brent cranked higher by $1.83 to close at $76.19.

Sept. 20 was a risk-off day in financial markets on fears that a major Chinese real estate developer might default on its loans and set off a chain reaction of economic contraction which would cool oil demand.

ANS dropped by $1.38 Sept. 20 to close at $73.86, while WTI shed $1.68 to close at $70.29, and Brent lost $1.42 to close at $73.92.

Based on total products supplied, demand for fuel in the United States has recovered to 2019 levels.

Prices dropped on the last trading day of the previous week, as Russia made plans to increase production, and a stronger dollar sapped the purchasing power of foreign currencies for dollar-denominated assets such as oil. ANS fell 54 cents Sept. 17 and Brent fell 33 cents, but both indexes remained in the upper $70s, closing at $75.23 and $75.34

see **OIL PRICES** *page 8*

EXPLORATION & PRODUCTION

Pantheon plans ANS well

Winter exploration well tally hits 2: GBP's Theta West 1, 88E's Merlin 2

By KAY CASHMAN
Petroleum News

The Sept. 19 Petroleum News story titled "88E lone explorer?" did not include a North Slope winter exploration well planned by Great Bear Pantheon — Theta West 1.


ERIK OPSTAD

So, in addition to 88 Energy's Merlin 2 well, Great Bear Pantheon will drill the Theta West exploration well in state acreage adjacent to the western boundary of the Talitha unit, which GBP operates.

While no permits or a lease plan of operations have been filed with Alaska's Division of Oil and Gas, GBP was previously able to secure all needed authorizations and permits from the required agencies in a three and a half month period — not the norm for the North Slope.

GBP's parent, Pantheon Resources, is looking for a farm-in partner(s) for its North Slope acreage, including Theta West.

The discovery this past winter of light oil in the Basin Floor Fan in GBP's Talitha A exploration well, Pantheon says, will become an "area of intense focus" for the company in the future, with analysis showing the BFF is part of the "giant" Theta West play.

Pantheon says "this type of geological play and

see **PANTHEON WELL** *page 9*

FINANCE & ECONOMY

Railroad wrestle ends

Canadian Pacific victorious, will acquire KCS; combined line Canada to Mexico

By GARY PARK
For Petroleum News

Canada's two biggest railroads have apparently come to the end of the line in their prolonged arm-wrestling to lock up ownership of Kansas City Southern, KCS, and create the first North American railway network.

The victor, after seven months of to-ing and fro-ing, is Canadian Pacific Railway, CPR, in a US$27 billion agreement, US$2 billion more than its original offer.

Canadian National Railway, CNR, had raised the bidding to US$30 billion until a U.S. regulatory panel which must approve railroad mergers scuttled the offer because of CNR's plan to use a temporary voting trust.

Creel made no mention of any plans to ship Canadian or U.S. crude through the Mexican port and avoid the growing opposition in Canada to using Vancouver on the Pacific Coast or Saint John on the Atlantic Coast to access new markets.

The transaction is scheduled for a shareholders' vote in December on the US$300-per-share cash-and-stock offer to KCS investors.

In addition to shareholder ratification, the transaction faces a review by the U.S. Surface Transportation Board, which CPR expects will last

see **RAILROAD WRESTLE** *page 11*

● EXPLORATION & PRODUCTION

Terra Nova rescued; production to resume

Suncor, Cenovus, Murphy team up at endangered Newfoundland offshore operations with 'crucial' federal, provincial financial support

By GARY PARK

For Petroleum News

Out of the storm-tossed North Atlantic a surprise has surfaced.

Suncor Energy and Cenovus, two of Canada's largest oil sands players, have come to the rescue of the region's energy industry as global players head for the exits.

They announced an agreement to extend the life of the Terra Nova FPSO (floating production, storage and offloading operation) by 10 years or about 70 million barrels, just when it seemed the likeliest outcome was the premature shutdown of the Newfoundland field.

The two companies announced they are taking full control of the field, located 210 miles southeast of St. John's and are expecting to restart production in 2022. Murphy Oil will retain a small stake.

Under the restructured ownership, Suncor will control 48%, Cenovus 34% and Murphy 18%, while Cenovus will shuffle its assets in the White Rose project and a potential C$2.2 billion extension to West White Rose by lowering its working interest.

The deal includes royalties and financial support from the Newfoundland government totaling about C$205 million of the C$500 million the province committed to the project to provide up to 1,000 jobs linked to the oilfield that were lost in late 2019.

The three Terra Nova partners said they will refurbish the massive FPSO that is 18 stories high and three football fields long.

Since coming on stream in 2002 Terra Nova — one of four fields in the offshore including Hibernia, White Rose and Hebron-Ben Nevis — has produced 425 million barrels of oil.

The three Terra Nova partners said they will refurbish the massive FPSO that is 18 stories high and three football fields long.

Suncor Chief Executive Officer Mark Little said he appreciated "the deep collaboration and support from the (Newfoundland and Canadian) governments, which has been crucial to helping us reach this important milestone."

Cenovus Chief Executive Officer Alex Pourbaix said extension of the asset's life "provides a superior value proposition for our shareholders compared with the alternative of abandoning and decommissioning the project."

Charlene Johnson, chief executive officer of the Newfoundland Labrador Oil and Gas Industries Association, said Terra Nova "once looked perilously close to never returning to production. Now we will see work begin immediately."

The four companies that have bailed out of Terra Nova include ExxonMobil (once a 19% stakeholder); Norway's Equinor (which sold 15%, but which still plans to develop Newfoundland's Bay du Nord oil field); Mosbacher Operating (which sold its 3.85%) and Chevron (which unloaded its 1%).

Equinor executive Vice President Al Cook said his company can continue producing oil at sites such as Bay du Nord with significantly lower carbon emissions than comparable operations.

"In a world that cares more and more about carbon, we see this as a competitive advantage," he said. "In every country where we are an operator we are actively targeting emissions reductions." ●

Contact Gary Park through publisher@petroleumnews.com

contents

Petroleum News | *Alaska's source for oil and gas news*

ON THE COVER

China woes shrugged

Chinese property developer near default raised fear of demand loss

Pantheon plans ANS well

Winter exploration well tally hits 2 with GBP's Theta West 1

Railroad wrestle ends

Canadian Pacific victorious, to acquire KCS; creates line to Mexico

Oil Patch Insider: Lance bullish on oil market; Alaska 'very, very competitive'

Decision over ANWR lease sale program unlikely before June 2023

DNR extends performance bond deadline for GBP's Talitha unit

Trudeau's Liberals emerge with Canada's 2nd minority government

ENVIRONMENT & SAFETY

7 Highest Arctic sea ice minimum since 2014

EXPLORATION & PRODUCTION

2 **Terra Nova rescued; production to resume**

Suncor, Cenovus, Murphy team up at endangered Newfoundland offshore operations with 'crucial' federal, provincial financial support

3 Hilcorp busy onshore, offshore Cook Inlet

6 US rotary rig count gains 9, now at 512

GOVERNMENT

4 Enviro groups challenge F&WS rule

7 NM hearing begins for next round of rules

LAND & LEASING

4 Call for new O&G lease sale information

UTILITIES

4 **IGU expands gas supply customer base**

Fully operational LNG storage facilities in Fairbanks,North Pole are enabling more customers to sign up for gas supplies

6 Furie signs new gas sales agreements

● EXPLORATION & PRODUCTION

Hilcorp busy onshore, offshore Cook Inlet

Company, largest oil and gas producer in Southcentral, has production from range of fields, small and large, onshore and offshore

By KRISTEN NELSON
Petroleum News

Hilcorp Alaska became a producer in Southcentral in 2012 when it took over Chevron's Cook Inlet oil and gas assets, later adding Marathon's gas fields, a small field operated by XTO Energy and ConocoPhillips Alaska's North Cook Inlet gas field. The company has fields on the west side of Cook Inlet, on the northern Kenai Peninsula, primarily in the Kenai National Wildlife Refuge, on the southern Kenai Peninsula and offshore, where it operates a majority of the platforms in Cook Inlet.

West side

Hilcorp operates four gas fields on the west side of Cook Inlet, the large Beluga field, in which it holds a 33.33% working interest ownership, and three smaller fields — Ivan River, Lewis River and Pretty Creek — in which it has a 100% WIO.

Pretty Creek is not in production, although Hilcorp told the Alaska Division of Oil and Gas that a 2020 regional study of the Sterling sands resulted in successful Sterling production at Ivan River and said the same sands have been correlated at Pretty Creek, with perforations in an existing well scheduled for 2021 and a potential sidetrack for the 2022-23 winter months.

Hilcorp has increased production from the Ivan River field and told the division in August that it had identified sufficient Sterling and Beluga formation reserves to justify a grassroots well in the fourth quarter of 2021.

The third of the small west side fields, Lewis River, is still under evaluation for delineation well opportunities, with no drilling planned in the current plan period.

At Beluga, Hilcorp plans to target the Tyonek gas formation in a well planned for the fourth quarter of the year in a farmout agreement with Chugach Electric Association, which holds a 66.67% working interest at Beluga and a 100% WIO at depths below 7,000 feet. Upon completion of the well, Hilcorp would acquire a 33.33% WIO below 7,000 feet, thus aligning ownership interests at all depths.

Northern Kenai Peninsula

On the northern Kenai Peninsula Hilcorp operates four fields, including two of the Cook Inlet basin's largest gas producers.

Hilcorp said it reevaluated wells on the 2020 plug and abandon list and found them to have future production potential; it has no plans to P&A other Swanson wells at this time.

Beaver Creek, in the Kenai National Wildlife Refuge, the smallest, produces both oil and gas, and Hilcorp told the Bureau of Land Management work planned for 2021 includes a workover and evaluation of additional well repairs and workovers.

Swanson River, also in the KNWR, produces both oil and gas. The company told BLM it did a number of workovers under the 2020 plan.

Hilcorp said it reevaluated wells on the 2020 plug and abandon list and found them to have future production potential; it has no plans to P&A other Swanson wells at this time.

The company also said it has a new subsurface team in place for the 2021 plan and will continue to review the unit to identify remaining oil reserves.

The small Cannery Loop unit north of Kenai is on state acreage. In the 2020 POD period, the company reactivated Pad 3 to allow for maintaining and increasing production from the unit.

Hilcorp's Kenai unit in the KNWR is currently Cook Inlet's largest natural gas producer, accounting for almost 20% of inlet gas production. The company told BLM it drilled three grassroots wells during the 2020 POD period and converted 10 wells from shut-in to producing.

Southern Kenai Peninsula

Hilcorp has one large gas field on the southern Kenai Peninsula and three small gas fields, one of which, Seaview, began production earlier this year.

At Ninilchik, the largest of the fields, and Cook Inlet's second most prolific gas field, the company drilled three new wells during the 2020 POD, as well as numerous workovers and well work projects. Hilcorp said it has no plans for additional development wells at Ninilchik, but there are proposals for exploration/delineation wells: Pearl 2A from a new pad on private land outside the unit; a Blossom 1 sidetrack, likely in 2022 or 2023; and Abalone, a potential prospect just north of the Falls Creek participating area.

Deep Creek, southwest of Ninilchik, saw workovers in 2020. Hilcorp said it is evaluating drilling a well in the 2021 POD period, and said it continues to evaluate a Deep Creek exploratory drilling program, along with a rig workover and other well work, including evaluation of whether shut-in wells could be returned to service.

Hilcorp recently requested termination of the Nikolaevsk unit, and will continue to produce the single well, Red 1, as a tract operation.

Seaview at Anchor Point, Hilcorp's newest field, began production from a single well in late May, with a second well completed in early August.

North of Seaview, Hilcorp has permitted the Whiskey Gulch 1, an oil and gas exploration well. Although Whiskey Gulch is outside the Seaview unit, Hilcorp said "results from the exploration well may trigger a Seaview Unit expansion to include the oil/and or gas bearing zones found in the Whiskey Gulch No. 1 well."

Offshore Cook Inlet

Hilcorp operates five units which produce from platforms in Cook Inlet.

The largest by oil production volume, the Trading Bay unit, includes the McArthur River and Trading Bay fields and produces both oil and gas. There are five platforms: Dolly Varden, Grayling, King Salmon, Monopod and Steelhead.

McArthur River is the inlet's largest oil producer.

In the 2020 POD period, Hilcorp did two rig workovers at the TBU and 17 rig and non-rig wellwork projects. At McArthur River, no grassroots or sidetrack drilling is planned for the 2021 POD period, but Hilcorp said it plans various rig and non-rig well projects.

The company is working on a Trading Bay field study to identify additional opportunities for workovers and other well work.

At North Cook Inlet, one of the inlet's largest natural gas producers, a field study identified four sidetrack well prospects.

Paul Mazzolini, drilling engineering advisor, told the Cook Inlet Regional Citizens Advisory Council in early September that the rig from the Spartan 151 jack-up was moved to the Tyonek platform and had completed one well and had a second in process with a third likely. AOGCC records show three sidetracks permitted at North Cook Inlet.

Granite Point produces from the Anna and Bruce platforms.

Hilcorp said in its 2021 POD that in the 2020 period it did workovers and for the 2021 will continue to evaluate additional rotary development wells. No grassroot wells are planned for 2021 but a sidetrack is anticipated.

Two inlet units are not currently producing. North Trading Bay last produced in 2005, and Hilcorp may drill it from outside the unit.

Middle Ground Shoal is down awaiting installation of a replacement fuel gas line following a leak in April. ●

Contact Kristen Nelson at knelson@petroleumnews.com

GOVERNMENT

Enviro groups challenge F&WS rule

Environmental groups have challenged regulations from the U.S. Fish and Wildlife Service allowing unintentional minor disturbance of polar bears and walruses during oil industry activities in the Beaufort Sea and the adjacent northern coast of Alaska.

In a suit filed Sept. 16 in U.S. District Court for the District of Alaska, Alaska Wildlife Alliance, Alaska Wilderness League, Defenders of Wildlife, Environment America, Sierra Club, Center for Biological Diversity and Friends of the Earth filed a complaint for declaratory and injunctive relief against the U.S. Fish and Wildlife Service and the U.S. Department of the Interior for the decision to issue a five-year incidental take regulation under the Marine Mammal Protection Act.

In issuing the regulations, which took effect Aug. 5, Fish and Wildlife Service said the Alaska Oil and Gas Association, on behalf of its members and other participating companies, had requested preparation and issuance of the new regulations.

The regulations, effective for five years, are a continuation, with modifications, of regulations applied starting Aug. 5, 2016.

The incidental take regulations do not authorize any lethal takes.

—PETROLEUM NEWS

LAND & LEASING

Call for new O&G lease sale information

The Alaska Division of Oil and Gas has a call out for new information for the 2022 Cook Inlet and Alaska Peninsula areawide lease sales.

In a Sept. 16 release the division said the sales are tentatively scheduled for next spring.

The request is for "substantial new information concerning Cook Inlet and Alaska Peninsula that has become available over the past year," and the division said it "generally considers 'substantial new' information to be published research, studies, or data directly relevant" to matters listed in state statute AS 38.05.035(g).

Based on information received the division will either issue supplements to findings for the sale area or decisions of no substantial new information.

The most recent Cook Inlet areawide final best interest finding was issued in 2018, with a supplement in 2019. The most recent Alaska Peninsula final BIF was issued in 2014 and no supplements have been issue.

The findings are available online at:
http://dog.dnr.alaska.gov/Services/BIFAndLeaseSale.

A copy of the public notice and the call for new information can be found at: https://aws.state.ak.us/OnlinePublicNotices/Notices/View.aspx?id=203774.

The deadline for receiving information is Oct. 20 at 5 p.m.

—PETROLEUM NEWS

● UTILITIES

IGU expands gas supply customer base

Fully operational LNG storage facilities in Fairbanks and North Pole are enabling more customers to sign up for gas supplies

By ALAN BAILEY
For Petroleum News

Interior Gas Utility, the gas utility for the Fairbanks region of the Alaska Interior, has been steadily increasing its customer base in Fairbanks and North Pole, according to a report presented to the IGU board on Sept. 14. As part of the Interior Energy Project, a project sponsored by the Alaska Industrial Development and Export Authority to bring increased supplies of affordable natural gas to the Fairbanks region, in 2020 IGU combined with Fairbanks Natural Gas to form a single gas utility for the Fairbanks region.

Based on these figures, IGU anticipates a market penetration of 18% of potential customers in Fairbanks and 4% of potential customers in North Pole by the end of this year.

Expanded capabilities

In 2015, as part of an earlier phase of the IEP, some extensions were made to the gas distribution pipeline networks in Fairbanks and North Pole. At the end of 2019 IGU completed a new 5.25 million gallon liquefied natural gas storage facility in central Fairbanks. And earlier this year the utility completed a smaller LNG storage facility at North Pole. IGU manufactures LNG at its Titan LNG plant near Point Mackenzie on Cook Inlet, for shipment to Fairbanks by road trailer. A front-end engineering and design project for the expansion of the Titan plant has been completed. However, IGU deferred the final investment decision for the plant expansion because of COVID pandemic induced uncertainties over fuel oil prices — fuel oil competes with natural gas as a fuel for heating buildings in the Fairbanks area.

But, with the new upscale LNG storage facilities in Fairbanks and North Pole now in full operation, able to warehouse large volumes of LNG, IGU has been able to move ahead, signing up new customers. Many new customers are conveniently located for connection to the distribution network expanded in 2015. Others require expansions to the existing main gas lines.

496 applications

According to the report presented to the IGU board, so far in 2021 IGU has received a total of 496 applications for gas supply services. Requested connections to residential properties accounted for 80% of the applications, with 20% of the applications being for commercial properties: 40% were for North Pole and 60% were for Fairbanks. Of the applicants, 60% were approved for the construction of gas connections — 40% of the applicants did not have immediate access to a main gas distribution line.

IGU general manager Dan Britton told the board that customers without immediate access to a mainline would require some form of mainline extension or would be held for future consideration, as IGU expands the gas distribution network. Knowledge of where there is interest in gas connection would help in planning the network expansion, he said.

A total of 319 customers were approved for connection construction in 2021, with 81 new customers seeing their gas supplies turned on so far this year, the report said.

Market penetration

Based on these figures, IGU anticipates a market penetration of 18% of potential customers in Fairbanks and 4% of potential customers in North Pole by the end of this year. Britton explained that this market penetration figure relates to potential customers that are located close to the existing main distribution lines.

So far the utility has received 18 applications for the installation of new gas connections in 2022. Five of these applications require extensions to gas main lines. At this point, seven applications have been approved for construction in 2022, the report to the IGU board says. Britton said that IGU will continue seeking as many applications as possible before entering the 2022 construction season. ●

Contact Alan Bailey at abailey@petroleumnews.com

Petroleum news

www.PetroleumNews.com

Kay Cashman	PUBLISHER & FOUNDER
Mary Mack	CEO & GENERAL MANAGER
Kristen Nelson	EDITOR-IN-CHIEF
Susan Crane	ADVERTISING DIRECTOR
Heather Yates	BOOKKEEPER
Marti Reeve	SPECIAL PUBLICATIONS DIRECTOR
Steven Merritt	PRODUCTION DIRECTOR
Alan Bailey	CONTRIBUTING WRITER
Eric Lidji	CONTRIBUTING WRITER
Gary Park	CONTRIBUTING WRITER (CANADA)
Steve Sutherlin	CONTRIBUTING WRITER
Judy Patrick Photography	CONTRACT PHOTOGRAPHER
Forrest Crane	CONTRACT PHOTOGRAPHER
Renee Garbutt	CIRCULATION MANAGER

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

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

OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 26, No. 39 • Week of September 26, 2021
Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518
(Please mail ALL correspondence to:
P.O. Box 231647 Anchorage, AK 99523-1647)
Subscription prices in U.S. — $118.00 1 year, $216.00 2 years
Canada — $206.00 1 year, $375.00 2 years
Overseas (sent air mail) — $240.00 1 year, $436.00 2 years
"Periodicals postage paid at Anchorage, AK 99502-9986."
POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

● UTILITIES

Furie signs new gas sales agreements

Contracts with Chugach Electric and IGU could enable additional gas supplies when convenient at some agreed price and volume

By ALAN BAILEY
For Petroleum News

Furie Operating Co. has signed new gas supply agreements with Anchorage-based Chugach Electric Association and Interior Gas Utility in Fairbanks. Furie is wholly owned by HEX Cook Inlet LLC, the owner and operator of the Kitchen Lights gas field in Cook Inlet. Neither supply agreement commits to any specific volumes of gas to be delivered, nor to any gas pricing. The concept is to enable the purchase of gas from Furie at some agreed price and volume, should the opportunity arise. While the Chugach Electric supply agreement requires approval by the Regulatory Commission of Alaska, the IGU board approved the IGU gas supply contract during its Sept. 14 board meeting.

IGU general manager Dan Britton told the IGU board that the Furie contract could kick in if there is an opportunity to buy gas from Furie at a competitive price, to bolster IGU's liquefied natural gas inventory — IGU converts Cook Inlet gas to LNG and then stores the LNG in Fairbanks and North Pole, to source gas supplies delivered to customers through gas distribution pipelines. IGU has a gas supply contract with Hilcorp Alaska for firm supplies at agreed pricing, with options for additional gas, if necessary.

Furie supplies Kitchen Lights gas under contract to Anchorage based Enstar Natural Gas Co.

Economy energy sales

In an RCA filing, Chugach Electric told the commission that the primary purpose of its new Furie contract is to support power generation for economy energy sales to Fairbanks utility Golden Valley Electric Association, and to supplement existing gas supplies as necessary, to meet firm electricity system load requirements. Economy energy sales involve the sale of electricity at attractive prices from one utility to another, through the Railbelt electricity transmission network.

Chugach Electric and Furie have terminated a gas supply agreement that was signed in March 2017, Chugach Electric told the commission. That agreement provided for interruptible gas supplies through March 31, 2033, the end date of the contract, with firm supplies to begin on April 1, 2023. The utility said that, to make up for the firm gas supply in the terminated agreement, it has exercised a right to additional gas supplies from Hilcorp under the utility's existing Hilcorp supply agreement. Chugach Electric has asked the RCA to approve the new Furie contract by Nov. 1 — the contract would end on March 31, 2023.

Furie supplies Kitchen Lights gas under contract to Anchorage based Enstar Natural Gas Co. ●

Contact Alan Bailey at abailey@petroleumnews.com

● EXPLORATION & PRODUCTION

US rotary rig count gains 9, now at 512

By KRISTEN NELSON
Petroleum News

The Baker Hughes U.S. rotary drilling rig count was at 512 the week ending Sept. 17, up nine rigs from the preceding week and up 257 from 255 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.

U.S. offshore rigs, a count which includes the Gulf of Mexico where work is still recovering from Hurricane Ida, stood at six Sept. 17, unchanged from the previous week and down by eight from 14 rigs a year ago.

The Sept. 17 count includes 411 rigs targeting oil, up 10 from the previous week and up 232 from 179 a year ago, with 100 rigs targeting gas, down one from the previous week and up 27 from 73 a year ago, and one miscellaneous rig, unchanged from the previous week and down by two from a year ago.

Seventeen of the rigs reported Sept. 17 were drilling directional wells, 466 were drilling horizontal wells and 29 were drilling vertical wells.

Alaska rig count unchanged

The most significant week-over-week change in state counts was Texas (239), up by four rigs from the previous week.

Oklahoma (35) gained three rigs week over week, New Mexico (84) was up by two and Pennsylvania (18) gained one rig.

Utah (11) and West Virginia (8) were each down by a single rig from the preceding week.

Counts in all other states were unchanged, week over week: Alaska (5), California (6), Colorado (11), Louisiana (39), North Dakota (22), Ohio (12) and Wyoming (18).

Baker Hughes shows Alaska with five rigs active Sept. 17, unchanged from the previous week and up two from a year ago, when the state's count stood at three.

Baker Hughes shows Alaska with five rigs active Sept. 17, unchanged from the previous week and up two from a year ago, when the state's count stood at three.

The rig count in the Permian, the most active basin in the country, was up by five from the previous week at 259 and up by 136 from a count of 123 a year ago. ●

Contact Kristen Nelson at knelson@petroleumnews.com

● GOVERNMENT

NM hearing begins for next round of rules

By SUSAN MONTOYA BRYAN

Associated Press

New Mexico is now the nation's second largest oil producing state, and environmental officials say more needs to be done to rein in pollution from the industry.

They are proposing another set of rules as part of Gov. Michelle Lujan Grisham's initiative to address climate change. This time, the state is focusing on the kinds of pollution — volatile organic compounds and nitrogen oxides — that react with sunlight to form harmful levels of ground-level ozone.

A hearing began Sept. 20. Members of the state Environmental Improvement Board over the next two weeks will hear from dozens of experts and see reams of technical data, but it will be months before a final decision is made.

Before calling her first witnesses, an attorney for the New Mexico Environment Department argued that the board has a duty to address rising ozone concentrations rather than wait until the U.S. Environmental Protection Agency forces the state to take action under provisions of the Clean Air Act.

"This rule-making is the first time the department has taken steps to seriously regulate the oil and gas sector and it is taking place in the context of a massive expansion of this industry in New Mexico over the last several years," said attorney Lara Katz.

New Mexico is home to part of the Permian Basin — one of the world's richest oil producing regions. Revenues from development there and in the San Juan Basin in the opposite corner of New Mexico are key to state spending on public education. Lawmakers also have created an endowment for early childhood education programs that is fueled by oil and gas revenues.

The industry generally supports the proposal but wants to ensure that regulators balance the need to reduce pollution with the viability of oil and gas development.

Attorney Eric Hiser, who represents the New Mexico Oil and Gas Association, said the rule is expensive whether you consider industry estimates of more than $3 billion or the lesser $1.5 billion cited by state witnesses. He urged the board to "pay attention to questions where we may be able to keep effective regulation but do so at lower costs to New Mexicans."

He also suggested that the proposed rules would have only a limited impact on overall ozone levels, noting that significant pollution also comes from the transportation sector.

"It's not a silver bullet that's going to solve all of New Mexico's attainment issues, as much as we in industry wish it would," Hiser said.

The state expects the rule to lead to reductions in ozone-causing pollution that would equal taking 8 million cars off the road every year. Methane emissions also would be reduced as a result, officials have said.

The rules proposed by the Environment Department are part of a two-pronged approach, which state officials have touted as the most comprehensive effort in the U.S. to tackle pollution blamed for exacerbating climate change. State oil and gas regulators adopted separate rules earlier this year to limit venting and flaring as a way to reduce methane pollution.

The Environment Department has removed all exemptions from an earlier draft of the rule. The proposal includes minimum requirements for operators to calculate their emissions and have them certificated by an engineer and to find and fix leaks on a monthly basis.

If companies violate the rules, they could be hit with notices of violation, orders to comply and possibly civil penalties.

Attorneys for regional and national environmental groups that have intervened in the case told the board the rule is a good first step toward protecting public health and the environment but that more can be done, including requiring emissions data submitted by operators to be made public. ●

ENVIRONMENT & SAFETY

NATIONAL SNOW AND ICE DATA CENTER

Highest Arctic sea ice minimum since 2014

The National Snow and Ice Data Center has reported that the Arctic sea ice cover likely reached its annual minimum extent on Sept. 16, and that this year's minimum extent is the highest since 2014. However, NSIDC also cautioned that the amount of multi-year ice, the relatively thick ice that has survived at least one summer melt season, is at one of the lowest levels recorded — the increase in total ice extent relative to last year's minimum extent all consists of first year ice.

This year's minimum was reached two days later than the median minimum date from satellite records from 1981 to 2010, NSIDC said.

The sea ice extent on Sept. 16 was 1.82 million square miles, the 12th lowest extent recorded over the nearly 43 years of sea ice satellite observations and 514,000 square miles more than the record minimum extent, recorded on Sept. 17,

see SEA ICE page 8

continued from page 1

OIL PRICES

respectively. WTI lost 64 cents to close at $71.97.

Despite Friday's losses, oil prices ended the week higher. A dramatic rally on Sept. 15 took ANS and Brent above $75. West Texas Intermediate rose 3.1%, or $2.15, to close at $72.61 per barrel, ANS rose $1.77 to close at $75.59 and Brent rose $1.86 to close at $75.46, as prices clawed their way back from August doldrums which had erased 5.9% from ANS prices.

Despite a week of price volatility, the ANS Sept. 22 closing price of $65.67 was just 8 cents higher than the Sept. 15 price.

Drawdown on US crude stocks

Although fears of financial wobbles in China rattled oil markets, the hard numbers show oil demand is on the rise to recovery.

U.S. crude inventories for the week ending Sept. 17 fell by 3.5 million barrels to 414 million barrels, the lowest level since October 2018, according to U.S. Energy Information Administration figures released Sept. 22. The reduction came on the heels of a 6.4 million barrel drawdown the previous week.

> *U.S. crude inventories for the week ending Sept. 17 fell by 3.5 million barrels to 414 million barrels, the lowest level since October 2018, according to U.S. Energy Information Administration figures released Sept. 22. The reduction came on the heels of a 6.4 million barrel drawdown the previous week.*

U.S. crude oil inventories are about 8% below the five-year average for this time of year, the EIA said. Total motor gasoline inventories increased by 3.5 million barrels but remain about 3% below the five-year average for this time of year.

Total products supplied over the last four-week period averaged 21.0 million barrels a day, up by 17.9% from the same period last year, the EIA said.

"Over the past four weeks, motor gasoline product supplied averaged 9.2 million barrels a day, up by 8.2% from the same period last year," the EIA said. "Jet fuel product supplied was up 70.4% compared with the same four-week period last year."

Based on total products supplied, demand for fuel in the United States has recovered to 2019 levels.

An uptrend in natural gas prices has supported oil, with gas shortages in Europe and Asia driving demand for fuel oil.

In remarks to the Gastech conference in Dubai Sept. 21, OPEC Secretary-General Mohammad Sanusi Barkindo said more oil and gas will be needed to fuel the future.

"The world will continue to consume energy, as by 2045 the demand on oil is expected to grow by 28% and on gas by 26%," Barkindo said. "The world needs continuous, predictable, and adequate investments in energy, particularly in oil and gas, which is irreplaceable because of the scale of its contribution to the global energy mix."

Barkindo said the global economy is expected to double by 2045 and the population will increase by 20%.

"This will require the investment community to invest in supporting the energy sector as there is no other resources available to cover more than 50% of what the market needs," Barkindo said.

Chinese developer staves off default

Chinese property developer China Evergrande Group shook stock markets in Asia, Europe, and the United States Sept. 20 as it struggled with obligations of more than $300 billion to creditors and other businesses.

Evergrande's wobbles led to worries over the broader health of China's real estate sector, which triggered a wider sell-off that sent the Hang Seng Property index, which tracks a dozen listed developers, down 7% to its lowest point since 2016, according to a Sept. 20 Financial Times report.

Analysts were concerned that booming property values in China were at risk, and if home prices fall, Chinese consumers might pare back consumption as the wealth effect of home equity is diminished.

In addition to oil, metal prices fell on Sept. 20 as well.

While comparisons were made to the fall of U.S. investment bank Lehman Brothers in 2008, analysts say Evergrande's problems are unlikely to cause similar systematic damage because it holds land rather than financial assets as Lehman did.

Fears of imminent contagion from Evergrande were temporarily soothed Sept. 22 when the company agreed to settle interest payments on a domestic bond on Wednesday, as the Chinese central bank injected cash into the banking system.

Oil prices, commodities and equities are recovering, as the risks of the Evergrande situation become better defined. ●

Contact Steve Sutherlin at ssutherlin@petroleumnews.com

continued from page 7

SEA ICE

2012. However, with 15 of the lowest sea ice extent minimums all occurring in the last 15 years, this year's minimum is 579,000 square miles below the average minimum extent for the years 1981 to 2010, NSIDC said.

Overall, from 1979 to 2021, the Arctic sea ice minimum extent has dropped 13% per decade, relative to the 1981 to 2020 average. That amounts to a loss of about 31,100 square miles per year, approximately the area of South Carolina.

NSIDC has yet to publish its analysis of this year's Arctic melt season and the factors behind this year's sea ice minimum extent.

—ALAN BAILEY

Contact Alan Bailey at abailey@petroleumnews.com

continued from page 1

PANTHEON WELL

its volumetric size" is comparable to deepwater offshore Gulf of Mexico, West Africa and recent discoveries offshore Guyana. The company estimates a P50 contingent resource of 1.41 billion barrels of oil for "primary recovery" on its acreage.

Talitha A penetrated the BFF "in a structurally down dip location, approximately 1,500 feet structurally down dip and over eight miles from the crest of the trap to the northwest," Pantheon says.

The "Talitha A test location of the Theta West project area contains two separate reservoirs, the Upper Basin Floor Fan, or UBFF, and the Lower Basin Floor Fan, or LBFF," Pantheon says, noting the LBFF is 600 feet thick with "approximately 50% net sand to gross interval ratio."

The Theta West reservoir target interval, based on seismic, the company says, "doubles in thickness at its (up dip) crest" and is "substantially shallower (7,500 feet) than at Talitha A (9,000 feet)."

Pantheon expects a thicker reservoir section with increased porosity and permeability at the up dip Theta West location.

The Theta West project covers approximately 100,000 acres controlled by Pantheon, its state leases held and operated by GBP.

Pantheon says the BFF and the Slope Fan system is part of the "Brookian deepwater fan systems which lie below the SMD and above the Kuparuk formation in depth and all proven oil-bearing from the discovery well at Talitha A and ARCO's 1988 Pipeline State No. 1 well."

The original interpretation was that this was a series of discrete fan systems, however, more recent analysis by Pantheon and its contractors indicates the "fan systems previously identified as discrete pay zones could in fact be part of one large continuous section that extends several thousand feet."

Pantheon says "this type of geological play and its volumetric size" is comparable to deepwater offshore Gulf of Mexico, West Africa and recent discoveries offshore Guyana.

Merlin 2 to the east

88 Energy says that although it reserves the right to re-enter the Merlin 1 exploration well in the future, this winter it will drill Merlin 2, an appraisal well to the east and closer to the shelf break where the company expects "enhanced reservoir thickness and quality."

88 Energy's post well evaluation of Merlin 1, which was drilled in March to a depth of 5,267 feet in the National Petroleum Reserve-Alaska, demonstrates the presence of light oil in multiple stacked sequences in the Cretaceous Nanushuk formation (N20 and N18 targets). An additional new target, the N19 sand, that was not previously mapped, also returned a strong hydrocarbon signature following geochemical analysis.

88 Energy says it is looking for a farm-in partner for Project Peregrine, which holds the Merlin prospect.

Lots of oil

Incorporating Merlin1 results into Project Peregrine's dataset, 88 Energy revised Peregrine's mean total prospective resource to an estimated 1.6 billion barrels.

The objective of Merlin 1 was to assess three independent Nanushuk reservoir targets — N14, N20, and N18 — identified from reprocessed seismic data. All targets came in considerably deeper than expected.

Post well analysis indicated that the N14 horizon, the primary target of Merlin 1, was not intersected, as it was believed to lie about 600 feet deeper than the well's total depth.

Merlin 1 was drilled by one of 88 Energy's four Alaska operating subsidiaries, Emerald House. All the subsidiaries are run by long-time Alaska geologist and innovator Erik Opstad.

Merlin 2 pre-planning

With Merlin 2, 88 Energy is targeting a net entitlement mean prospective resource of 652 million barrels (unrisked), with the well designed to target the thicker zones of reservoir intervals.

Three potential locations have been selected for Merlin 2 and are in the process of being permitted.

88 Energy holds a 100% interest in the Peregrine Project, which also includes the Harrier prospect.

Chance of third well

There is a chance (no confirmation) that Eni US Operating Co. will spud its second Nikaitchuq North extended reach exploration well in second quarter 2022. The Alaska Beaufort Sea prospect is in a federal OCS unit, Harrison Bay block 6423, which is approximately 6 miles from the Spy Island Drill site in the state of Alaska Nikaitchuq unit.

In its 14th plan of development for the Nikaitchuq unit, which runs through Sept. 30, 2022, operator Eni told Alaska's Division of Oil and Gas that facility upgrades will be completed to support the planned Nikaitchuq North exploration well.

NN-02 was supposed to be drilled this coming winter, unless Eni requested another extension from the feds. No word on that yet. ●

Contact Kay Cashman at publisher@petroleumnews.com

Oil Patch Bits

Lynden International announces name change

As reported by Lynden News Sept. 20, Lynden International announced that the company will begin operating under the name Lynden Logistics Inc. to more accurately reflect its full range of capabilities and services.

Since its inception in 1977, Lynden International has expanded from a pure air freight forwarder to a full-service provider of logistical services and solutions that support the entire supply chain. Adding "logistics" to its name also represents Lynden's ongoing commitment to invest in technologies that help customers manage and streamline their transportation and logistics processes.

Lynden offers logistics platforms such as its customizable EZ commerce shipping portal, a mobile app providing real-time shipment updates, barcode scanning processes, electronic data interchange interface with customers, and other specialized technology programs.

"We are excited about the change to Lynden Logistics and believe that the services we provide in the offshore markets of Alaska, Hawaii, and Puerto Rico, as well as internationally and within North America, are best-in-class," says President John Kaloper. "The transition to Lynden Logistics is not related to a change in company ownership, management, structure, or resources. Our full-service capacity remains intact, and our focus on providing customers the highest level of service is greater than ever. We will continue to create customized solutions to fit customers' logistics needs and leverage the full multi-modal capabilities of the Lynden family of companies."

Companies involved in Alaska's oil and gas industry

ADVERTISER — PAGE AD APPEARS

A

ABR, Inc.
Acuren
Ahtna, Inc.
Airport Equipment Rentals
Alaska Dreams
Alaska Frontier Constructors (AFC)
Alaska Fuel Services
Alaska Marine Lines
Alaska Materials
Alaska Railroad
Alaska Rubber Group
Alaska Steel Co.
Alaska Textiles
Alaska West Express
Arctic Controls
ARCTOS Alaska, Division of NORTECH 11
Armstrong
ASTAC (Arctic Slope Telephone Assn. Coop, Inc)
AT&T 12
Avalon Development

B-F

Bombay Deluxe
Brooks Range Supply
Calista Corp.
ChampionX
Coffman Engineers
Colville Inc.
Computing Alternatives
CONAM Construction
Construction Machinery Industrial (CMI) 5
Cook Inlet Tug & Barge 11
Cruz Construction
Denali Universal Services (DUS)
Doyon Anvil
Doyon Associated
Doyon Drilling
Doyon, Limited
EEIS Consulting Engineers, Inc.
EXP Energy Services
F. R. Bell & Associates, Inc.
Flowline Alaska
Frost Engineering Service Co. – NW

G-M

GCI
GeoLog 6
GMW Fire Protection
Greer Tank & Welding
Guess & Rudd, PC
HDR Engineering, Inc.
Inlet Energy
Inspirations 3
Judy Patrick Photography
Little Red Services, Inc. (LRS)
Lynden Air Cargo
Lynden Air Freight
Lynden Inc.
Lynden International
Lynden Logistics
Lynden Transport
Maritime Helicopters
Matson

N-P

Nabors Alaska Drilling 8
NANA Worley
Nature Conservancy, The
NEI Fluid Technology
Nordic Calista
North Slope Borough
North Slope Telecom 7
Northern Air Cargo
Northern Solutions
Oil Search
PND Engineers, Inc.
PRA (Petrotechnical Resources of Alaska) 2
Price Gregory International

Q-Z

Resource Development Council
SALA Remote Medics 6
SeaTac Marine Services
Sourdough Express
Strategic Action Associates
Tanks-A-Lot
US Ecology Alaska
Weston Solutions
Wolfpack Land Co.
Yukon Fire Protection 7

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

continued from page 1

INSIDER

acquisition but she did address the Willow court decision in a Sept 22 statement to Petroleum News: "The Willow decision on August 18 has no direct impact on the remainder of the company's core business in Alaska. YTD 2021 (through June) our capital expenditure has been $463MM — our budget remains on track for the year."

RYAN LANCE

On track would be "slightly higher than the first half the year," which Rebecca Boys, ConocoPhillips Alaska's media director, told Petroleum News Aug. 3. Except for front-end engineering and design which are ongoing, Willow was not a large part of that amount.

Lance was questioned in a Sept. 21 Bloomberg interview as to why the extra $9.5 billion in cash wasn't being paid out to shareholders. Will that slight resistance translate into stronger shareholder resistance should Lance make an offer on Pikka/Horseshoe when the Santos takeover of Oil Search is final, expected to be at the end of the year?

More importantly, how committed is the company to Alaska?

Here is what Lance told Bloomberg and what was said in ConocoPhillips' Sept. 21 market update and announcement of the Shell deal:

Phil Gresh, JPMorgan Chase & Co's Research Division, senior equity research analyst, asked: "I know your plan has not changed as a result of this transaction. But I'm curious if it makes you think differently at all about projects like Willow, which would obviously still have a lot of upfront capital and has regulatory uncertainty. Does that become a bit more of a back burner option now that you have the Shell acquisition to integrate?"

Lance, ConocoPhillips' chairman and CEO, responded: "No, it doesn't change our perspective at all about Willow," he said, turning to Nick Olds, ConocoPhillips, executive VP of global operations, to provide a Willow update.

"As we laid out in June 30 in the market update, Willow remains very competitive in the portfolio, even with the Shell assets," Olds said. "We're continuing the front-end engineering, engineering design work in service of FID (final investment decision). Currently, we won't FID the project based on the Alaska District Court litigation."

Olds added: "We're working closely, Phil, with the BLM and just working through the cited key attributes with the BLM. We'll keep you posted. But Willow clearly remains competitive in the portfolio."

Lance added: "And arguably, (Willow) probably has moved a little bit to the right given the litigation, but we're still focused on moving the project forward when we have the ability to go do that."

Help fund legacy fields

Unconventional tight oil production generates steady cash flow that Lance said ConocoPhillips can use to fund legacy conventional assets with comparatively low capital needs in places such as Alaska, Norway and Qatar.

The legacy assets in turn yield long-term, steady output that offset the steep production decline rates in the unconventional plays.

"We run them as a free cash flow machine," Lance said. "So, we're running them in a different fashion for modest growth — focus on returns of capital on capital — and this (Shell) transaction makes that even better for the company going forward."

ConocoPhillips' acquisition of Shell's Permian assets makes it the basin's No. 2 producer. Pioneer Natural Resources is the top Permian producer.

Judge asked a 'few questions'

In the Bloomberg Markets interview on Sept. 21, questions arose about the company's commitment to Alaska, including "is the deal in the Permian against what you guys are doing in Alaska?"

"No, we strongly believe in a global diversified portfolio," Lance said. "It's one of the strengths of our company. … It lowers the capital intensity by having these large legacy places, like Alaska, Norway and Canada, the Far East, Qatar. Those things just add to the capability of the company, they lower the decline rate of the company. … We strongly believe in maintaining global diversity, but we've got to make sure it's low cost of supply where we're at. And the things we are doing up in Alaska compete favorably in the portfolio."

When asked about his level of confidence in getting to do what he wants to do in Alaska, Lance replied: "We expect to do what we want to do in Alaska. … We do it right in Alaska and it's really important to the state. All our stakeholders are supportive and behind what we're doing. A federal judge on the Willow project asked a few questions. There's remedies, there's solutions to those and we're working through those. And we expect to work through those in a way that will satisfy any questions the judge has — and make a more robust permitting process that we've already been through on the projects we're developing up there."

Lance called attention to GMT-2, a project ConocoPhillips "has coming online at the end of this year in Alaska. We've reinstituted a number of rigs that are drilling up there, and we're still operating and investing capital up there."

Alaska "is very, very competitive" in ConocoPhillips portfolio, Lance said.

—KAY CASHMAN

Contact Kay Cashman at publisher@petroleumnews.com

---

continued from page 1

ANWR SALE

ANWR until the SEIS has been completed. Subsequently Interior suspended existing leases that were issued following an ANWR coastal plain lease sale held on Jan. 6 of this year. The Alaska Industrial Development and Export Authority, Knik Arm Services and Regenerate Alaska had obtained leases in the sale.

AIDEA has been planning pre-development permitting and planning work, with a view to conduct seismic surveying on its leases

Insufficient analysis

Haaland argued that the decision to approve the holding of ANWR lease sales had not been supported by sufficient analysis under the National Environmental Policy Act and that the record of decision for the lease sale environmental impact statement was not legal.

Based on an estimated timeframe published in an Aug. 4 Federal Register notice for the SEIS development, parties in the District Court cases provided the following estimates for the SEIS schedule. A scoping report would be issued in December 2021; a draft SEIS would be issued in June 2022; the final SEIS would be published in April 2023; and Interior would issue a record of decision for the SEIS in June 2023.

—ALAN BAILEY

Contact Alan Bailey at abailey@petroleumnews.com

---

continued from page 1

CANADA ELECTION

having to negotiate support from one of the minority parties.

Apparently Canadians did not agree with the early vote, that cost C$610 million to conduct.

As of press time, the Liberals held 156 of 338 electoral districts, the Conservatives 121, the Bloc Quebecois (which promotes sovereignty in Quebec) 32, the socialist New Democratic Party 27, the Greens 2.

Under that structure, Trudeau needs the backing of at least one of the three leading opposition parties to adopt legislation, while those same three parties would have to form an unlikely alliance to force another election.

For now, the oil and gas sector, which has faced demands by the NDP to accelerate an end to fossil fuel development, faces continued unease.

Tristan Goodman, president of the Explorers and Producers Association of Canada, told the Calgary Herald the industry's only consolation is an "understanding of where this government wants to go … there's a continued focus on us to improve our greenhouse gas emissions."

"The No. 1 thing we need is stability and certainty because then we know what the policies are."

Jeremy McCrea, an analyst with Raymond James, said that so long as rules on carbon emissions and taxes "don't keep changing, companies are just fine hunkering down and not being in the limelight."

The Liberals have promised to introduce a C$2 billion tax credit to promote carbon capture, utilization and storage, CCUS, to raise the national price of carbon to C$170 per metric ton from the current C$40 and to achieve net zero emissions in five-year increments by 2050.

The unknown is what price the NDP will demand for its support in the House of Commons, given its pledge to end federal subsidies to the industry, which could mean no federal backing for investments in technologies such as CCUS that could achieve its own net zero target by 2035.

—GARY PARK

Contact Gary Park through publisher@petroleumnews.com

---

continued from page 1

BOND DEADLINE

agreement drilling requirement was met by the drilling of the Talitha A well. That (exploration) well was drilled and logged to the base of the Kuparuk formation using the required log suite; sidewall cores were taken from each potential reservoir interval."

Although "seasonal restrictions and operational prudence did not allow time for a flow test at all potential reservoir intervals, a flow test was conducted at the deepest of those intervals, satisfying the requirement in the unit agreement. Therefore, it is Great Bear Pantheon's position that the bonding deadline is moot," Galvin wrote.

"However, we understand that the Division is concerned that fluid samples were not recovered from each and every potential reservoir interval and may ultimately interpret the drilling requirement as requiring such. This amendment request … avoids the issue for the moment and provides an opportunity for Great Bear Pantheon to re-enter Talitha A in the winter of 2022 and recover additional fluid samples."

GBP's request was made "on behalf of leaseholders Great Bear Petroleum Ventures II LLC and Borealis Alaska LLC."

In a Pantheon Resources Aug. 26 presentation, the company confirmed that GBP plans to re-enter Talitha A this winter.

The company also hopes to drill a Theta West exploration well in acreage adjacent to the western boundary of the Talitha unit (see related exploration story on page 1 of this issue).

Most of the Theta West leases were assigned to GBP in July and could potentially be included in the Talitha unit if the company requests it and the division approves it.

Original agreement

The Sept. 13 approval was signed by the division's deputy director, Justin Black, who provided much of the following description of the original unit agreement in his decision.

On Nov. 12, 2020, the division approved the formation of the Talitha unit and the Talitha unit agreement, appointing Great Bear Pantheon as unit operator.

The agreement established specific drilling requirements for GBP.

The agreement states the unit operator must post a performance bond in the amount of $3.3 million no later than one year from the effective date of the agreement, or Sept. 15, 2021, whichever is earlier, and must either drill one well in the unit no later than two years from the effective date; OR drill two wells in the unit no later than five years from the effective date.

If the well(s) are not drilled as scheduled, the bond will be surrendered in full to DNR on behalf of the State of Alaska, and the unit will be automatically terminated after five years from the effective date of the agreement.

Base of the Kuparuk

Per the division, each well must be drilled and logged to the base of the Kuparuk formation or its equivalent, as seen at 10,375 feet measured depth in the Pipeline State No.1 well drilled by ARCO in 1988 (APO # 50-223-20016).

Each well, at a minimum, must be logged with a typical log suite, including gamma ray, resistivity and porosity logs. For any interval where logging suggests the potential for significant oil production, rotary sidewall or full core samples had to be acquired and fluid samples acquired in a flow test or by downhole sampling tool at reservoir conditions.

On June 17, 2021, GBP provided a technical review to the division to discuss the results of its operations to date; the agency's analysis of that review was the basis for its Sept. 13 decision.

—KAY CASHMAN

Contact Kay Cashman at publisher@petroleumnews.com

continued from page 1

RAILROAD WRESTLE

10 months, clearing the way for closure by the end of 2022.

The new entity would be named Canadian Pacific Kansas City, with initial annual revenues of US$8.7 billion and 20,000 employees, extending CPR's network which runs from coast to coast in Canada and south as far as Kansas City.

But for all of its size and scope, including the creation of the first freight rail network linking Canada, the U.S. and Mexico, the merged operation would only rank as the smallest of the six Class I U.S. railroads, which qualify for their status by currently having annual revenues of more than US$505 million.

But for all of its size and scope, including the creation of the first freight rail network linking Canada, the U.S. and Mexico, the merged operation would only rank as the smallest of the six Class I U.S. railroads, which qualify for their status by currently having annual revenues of more than US$505 million.

However, CPR's Chief Executive Officer Keith Creel believes his company's takeover of KCS would be the last big merger in the industry.

The biggest challenge facing CPR is seen as convincing increasingly stringent regulators that the deal would not undermine President Joe Biden's executive orders intended to promote competition.

"Considering this would be a true end-to-end merger and there is no network overlap with KCS, we see a high likelihood of the merger being approved," National Bank analyst Cameron Doerksen said in a note to clients.

Deepwater access

Creel wasted no time touting the benefits of his company's access to Mexico's giant deepwater port at Lazaro Cardenas southwest of Mexico City which is one of the largest terminals in the Pacific Ocean.

Currently the facility handles consumer goods, automotive products and liquids, though there is no information on crude oil shipments. For now, the bulk of Mexico's shipments are Maya heavy blend to Gulf Coast refineries, while lighter crude streams are retained for domestic consumption.

KCS is the sole railroad that serves Lazaro Cardenas, offering a congestion-free alternative to Long Beach, California, and other terminals that are plagued by heavy traffic on the water, docks and roadways, Creel said.

He said the three-prong approach will allow CPR to "attract additional business. Connecting the Canadian markets to the Mexican markets is going to be really valuable."

Creel made no mention of any plans to ship Canadian or U.S. crude through the Mexican port and avoid the growing opposition in Canada to using Vancouver on the Pacific Coast or Saint John on the Atlantic Coast to access new markets.

KCS chief executive officer Patrick Ottensmeyer said only that as capacity on the U.S. West Coast "gets tighter and tighter, Lazaro Cardenas is going to be really valuable."

Crude-by-rail benefit

When CPR opened the bidding war in March there was talk among crude-by-rail analysts and shippers that the prospect of a new single line service would be welcomed by customers looking for more reliable and efficient alternatives to reach export terminals and Gulf Coast refineries.

The observers have suggested Mexican ports could represent a new outlet to Pacific Rim markets at a time when shipments from the Middle East and Africa are increasingly unpredictable. But that issue got no mention during a one-hour conference call by CPR and KCS executives on Sept. 16. ●

Contact Gary Park through publisher@petroleumnews.com