



Only six tracts (shown in red) were bid on the federal NPR-A lease sale.

North Slope Leaseholders

Winter in motion, or not

By Tom Anderson

Every year the state of Alaska holds two annual competitive oil and gas lease sales, one in the spring and one in the fall. In November, three area lease sales occur in the North Slope, North Slope Foothills, and Beaufort Sea exploration regions. The Division of Oil and Gas oversees this process under the Alaska Department of Natural Resources, and in 2015 the November 18 bid lease sale encompassed 7,727,986 acres. At the same time, the US Department of the Interior held a bid opening for leases it offered in the National Petroleum Reserve-Alaska.

Preliminary Findings

On November 18, 2015, the Division of Oil and Gas released its "Record of Winning Bids" for the North Slope Areawide region and indicated the bidding method was a cash bonus bid and fixed royalty. Accumu-

late Energy Alaska, Inc. (77.5 percent ownership) and Burgundy Xploration LLC (22.5 percent ownership), both based in Houston, bid on 121 tracts; Denver-based 70 & 148 LLC bid on 10 tracts; and ConocoPhillips Alaska, Inc. bid on 3 tracts. The total number of valid bids was 134, with 131 tracts leased. The sum of the winning bids totaled \$9,510,956.80 with 186,400 acres awarded. ConocoPhillips was outbid by 70 & 148, LLC. No bids were received for the Beaufort Sea or North Slope Foothills tracts, and all but three North Slope tracts were for shale areas.

The federal lease sale was for 143 tracts totaling about 1.4 million acres in the National Petroleum Reserve-Alaska. That sale was successful for ConocoPhillips. The company was the sole bidder and placed bids on six tracts for a total of 28,589 acres in the amount of \$788,680, which the state of Alaska receives 50 percent—\$388,340.

ConocoPhillips

Also in mid-November 2015, ConocoPhillips announced approval of funding for the Greater Mooses Tooth #1 (GMT1) development in the National Petroleum Reserve-Alaska, with production beginning near the end of 2018. Peak production is estimated at approximately thirty thousand barrels of oil per day. The company noted development includes gravel pad, facilities, pipeline, a 7.7 mile road, and nine starting wells, with a capacity ceiling of thirty-three wells. The construction will take place over the 2016 and 2017 winter seasons, employing as many as seven hundred workers.

"GMT1 is expected to cost approximately \$900 million gross and follows our recent successful completion of the CD5 project," said Joe Marushack, president of ConocoPhillips Alaska, in the company's November 18, 2015, press release. "We are pleased to have

been able to work through key permitting issues with the Corps of Engineers and BLM [Bureau of Land Management] that now allows us to move into the development phase."

GMT1 is in the boundaries of the National Petroleum Reserve-Alaska. The project will produce from lands owned by Kuukpik Corporation, Arctic Slope Regional Corporation, and the Bureau of Land Management. GMT1 will be operated by ConocoPhillips Alaska, which holds a 78 percent leasehold interest. Anadarko holds the remaining 22 percent interest.

In October 2015 ConocoPhillips brought its Alpine CD5 and Kuparuk 2S drill sites online. The company announced in March 2015 that approval for viscous oil development at Drill Site 1H North East West Sak (1H NEWS) in the Kuparuk River Unit was expected in 2017. Permits for Greater Mooses Tooth #2 were filed in August 2015.

The CD5, GMT1, Kuparuk Drill Site 2S, and 1H NEWS developments represent nearly \$3 billion in new North Slope projects and an estimated forty thousand to fifty thousand barrels of oil per day. Passage of tax reform in 2013 by the Alaska State Legislature was a significant factor in ConocoPhillips' Alaska investment decisions, noted Marushack.

Repsol/Armstrong

In mid-October 2015, Repsol and Denver-based privately held Armstrong Oil & Gas, Inc. reached an agreement to re-align working interests, operatorship, and majority ownership from Repsol to Armstrong in their collective Alaska North Slope exploration and development venture, and as a result the planned drilling for this winter is deferred.

The Armstrong and Repsol early stage development of new discoveries are in the Colville River Delta area located between the 3.5 billion barrel Kuparuk River Field and the 700 million-plus barrel Alpine Field, with permitting for a three-pad development submitted in June by Repsol. The production rates are estimated to be 120,000 barrels of oil per day.

In the October 2015 press release announcing the re-alignment it was noted by Armstrong's President Bill Armstrong that "Armstrong and Repsol's North Slope project is representative of the new movement in Alaska where smaller independents work and operate in areas previously dominated by major oil companies."

He added, "As an example, the two most recent developments on the North Slope are operated by independents: Oooguruk Field developed by Pioneer Natural Resources and the Nikaitchuq Field developed by Eni. Both fields were originally generated and assembled by Armstrong Oil & Gas, Inc. With oil flowing through the trans-Alaska oil pipeline at about 25 percent of capacity,

FULL LIFE CYCLE COMMUNICATIONS

GCI Industrial Telecom has proven experience designing industrial communication networks in demanding environments. We use the latest technology to deliver unique communications solutions that are vital to day-to-day operations.



Partner with GCI

877.411.1484

GCI.com/industrial-telecom

Taking Energy Further™ Essential Expertise for Alaska

The world leader in delivering specialty chemical programs that maximize production, protect assets, and reduce TCO for the Mining, Refining, Oilfield production, Industrial producers and Utilities.

Our differentiated technologies and services save water, increase energy efficiency, and deliver cleaner air and water. Call one of our Alaska branch offices to learn more.

nalcochampion.com

Anchorage: 907-563-9866
Fairbanks: 907-378-5900
Kenai: 907-252-0060

NALCO Champion

An Ecolab Company



Alaska is working hard to attract new oil and gas companies to the state. A new competitive tax regime is now in place along with a pro-development mindset.”

Independents Making Mark

The resource development process in Alaska starts with companies leasing land to explore and then submitting plans for development and operations. The process is layered, and complicated, but always begins with exploration and new development. For years it was the larger producers like ConocoPhillips and BP that applied for and pursued major exploration activities.

In recent years small to mid-sized oil and gas companies like Caelus Energy Alaska, Hilcorp Alaska, and Great Bear Petroleum have made great strides in investment and exploration in the state after successful bids in the state's lease sales. The latest lease sale was not completely without interest from companies and investors seeking bid securement for North Slope oil and gas sales.

Corri Feige, the Division's director, stated in a November 18, 2015, press release that the lease sale results showed “continued interest in exploring the North Slope's shale oil resources.” She added that the sales “indicate that industry realizes the vast energy potential held in this region.

These results are very encouraging in light of the current low oil prices.”

For winter 2016 oil and gas exploration activity, the November 2015 Department of Natural Resources map is the most current for details. Among other ongoing activity, Caelus installed a pad and access road at Nuna Drill Site 1 and Hilcorp is planning to drill three development wells and three services wells at Milne Point, as well as develop the Liberty Unit including construction of a manmade gravel island five miles from the coast.

Great Bear is considering testing its Alkaid 1 well in addition to a 3D seismic survey for leases south of Prudhoe and Kuparuk. Accumulate Energy Alaska is drilling the Ice Wine 1 exploration well from its Franklin Bluffs pad, while SAExploration is also conducting an Ice Wine 3D seismic survey south of Deadhorse, near Franklin Bluffs and Dalton Highway, and is also planning a 2016-2017 Akluq 3D seismic survey.

Unfortunate Departures

One measurable difference in Alaska's 2016 resource development horizon is the departure of Shell, Repsol, and Statoil. After \$7 billion expended on offshore oil exploration in the Chukchi Sea, Royal Dutch Shell is departing Alaska citing the enormous costs

and less-than predictable regulatory climate faced by all petroleum companies in the state. Also, the Repsol and Armstrong restructure could mean the loss of five hundred North Slope oilfield contractor jobs this winter due to deferring the planned 2015-2016 winter drilling program.

On November 17, 2015, Statoil announced its exit from Alaska operations. With more than forty years of experience in the oil and gas industry on the Norwegian Continental shelf, blossoming to operations in thirty-seven countries globally, the company's unexpected closure sends ripple effects throughout the industry.

“Since 2008 we have worked to progress our options in Alaska. Solid work has been carried out, but given the current outlook we could not support continued efforts to mature these opportunities,” said Tim Dodson, Statoil executive vice president for exploration.

Statoil was the operator of sixteen leases in the Chukchi Sea and had a stake in fifty leases where ConocoPhillips was the operator—all awarded in the 2008 federal OCS lease sale. ☉

Tom Anderson writes from across Alaska.



UIC

OIL & GAS SUPPORT SERVICES

Oil Spill Prevention and Response, Regulatory, Scientific and Oilfield Services

While leveraging a keen understanding of the political and socio-cultural landscape of the Arctic we provide a full range of oil and gas support services.

We are your trusted exploration and development partner.

www.UICAlaska.com (907) 677-8220

6700 Arctic Spur Road, Anchorage, AK 99518

A MEMBER OF THE UKPEAGVIK INUPIAT CORPORATION FAMILY OF COMPANIES