Apache Corp. begins Cook Inlet seismic testing

Apache Corp. may be a relatively new player in Cook Inlet, but the company will soon conduct cutting-edge seismic testing that’s sure to get attention.

“We’re writing the book on the subsurface seismic, the subsurface geology of the Cook Inlet,” said John Hendrix, General Manager of Apache Alaska Corp. “It’s never been written before.”

Apache Corporation is working hard this summer on its state-of-the-art seismic testing throughout Cook Inlet and the Kenai Peninsula. Once complete, the testing will provide the best, most comprehensive data available about Cook Inlet’s subsurface topography.

Apache will use the sound waves to better understand what the bottom of Cook Inlet looks like in order to target potential hydrocarbon basins. The best method for locating such basins involves using 3-D technology. Currently, no comprehensive 3-D seismic information exists for the Peninsula, although some 2-D work has been done and 3-D data is available for small areas.

Apache is using cutting edge, wireless nodal technology for the studies, which means recording impacts are minimized:

- Size and weight of nodal technology is up to nine times less than conventional systems.
- Footprint is minimized: No cables are used, minimizing impacts to vegetation and wildlife.
- Time spent in the area of operation is reduced.

The marine modes send sound waves about 20 to 25 feet below ground or under the water. Wireless receivers are placed throughout the area, measuring how the sound travels. The process is essentially an ultrasound of the earth, allowing geologists to predict more accurately where oil and natural gas deposits may be located.

Apache started its seismic work on the west side of Cook Inlet last fall and hopes to begin exploratory drilling by September 2012.

Apache is a relatively new entrant into the Cook Inlet market, with plans to produce oil from the historically hydrocarbon-rich basin. More than 1.4 billion barrels of recoverable oil are believed to remain in Cook Inlet, where oil production peaked at approximately 230,000 barrels per day in 1970.
In June, BP released its annual Statistical Review of World Energy, which details the current world energy picture. The review began in 1951 as an internal document to provide the company with the latest data on global energy markets. Today, BP presents its information to stakeholders and policymakers to share the latest information about primary energy markets, consumption, reserves and more for key energy sectors: oil, natural gas, coal, nuclear, hydroelectricity and renewable.

Mark Finley, BP’s general manager of global energy markets, presented this year’s data to attendees of an Anchorage luncheon in mid-June. This year’s analysis showed U.S. energy consumption up by 4.5 percent and making up 15 percent of the world’s total. Also in 2011, 81 percent of America’s energy demand was supplied by domestic sources, up from the all-time low of 70 percent in 2005. Falling demand for oil and coal, along with increased demand for natural gas, were cited among other reasons for the recent increase in the use of domestic energy sources.

The full review is available online at www.bp.com/statisticalreview.

Update on endangered species listings

The National Marine Fisheries Service (NMFS) proposed listing four subspecies of ringed seals and two distinct population segments of bearded seals as threatened under the Endangered Species Act (ESA) in December 2010. Listing decisions were expected on June 10, 2012, a six-month extension from the original date the decisions were due. AOGA opposes the listing decisions because there is no scientific evidence suggesting the species are currently in decline, and the species occupy their entire historical range.

Ringed and bearded seals are already protected under the Marine Mammal Protection Act. Listing under the ESA would trigger additional consultation requirements with the potential to delay or prohibit oil and gas development projects in areas where these species are found, including the Bering Sea and Arctic Ocean.

On June 18, the Center for Biological Diversity gave the NMFS notice that it will sue the agency for missing the June 10 deadline. A lawsuit cannot be filed for 60 days. AOGA expects a final determination from NMFS on whether to list ringed and bearded seals during summer 2012.
EMPLOYEE SPOTLIGHT:
Ella Ede, Statoil Stakeholder Engagement Manager

Extreme weather. Remote locations. Intercultural communication. When it comes to connecting with oil and gas stakeholders, there isn’t a place in North America that presents as many unique challenges as Alaska.

No one knows that better than Ella Ede. As Stakeholder Engagement Manager for Statoil Alaska, Ella helps facilitate ongoing dialog between her company and the Alaskans who live in the regions where Statoil will operate.

“In Alaska, we have completely different challenges than anywhere else in the U.S.,” Ella explains. “Part of my job is constantly educating internal stakeholders about what it means to do business here.” Since Statoil is relatively new to Alaska, the company has recognized it needs a guide to help understand the state’s unique position – geographically, logistically and culturally. “They understood the need for a local person with local experience to manage the issues in the Northwest Arctic,” Ella says.

That’s where Ella comes in. Born in Anchorage, she was raised in rural Alaska by schoolteachers who moved frequently from village to village. Although not Alaska Native herself, she grew up immersed in Inupiaq culture.

“I relate very much to the Native culture and the Inupiat people,” Ella says. “When I go to the villages, it’s more like going home.”

Since Statoil’s Anchorage office is fairly small – just about 10 people – Ella wears “many hats,” working not just on stakeholder engagement but on external affairs, government communications, and other matters.

“I spend an extraordinary amount of time on an airplane traveling to rural Alaska, and I love it,” she says. “That’s my favorite part of the job. People are so welcoming and gracious.”

Although Ella loves her job, it’s not the career path she intended to take. After graduating from high school in Wasilla, Ella attended the University of California Berkeley, where she studied French and international business. She returned to Alaska in 1989, where she found there wasn’t a lot of work for someone with a degree in French. She ended up doing quality assurance and database work for a consulting firm contracting with Exxon following the grounding of the Exxon Valdez, which led to a career in environmental consulting and stakeholder issues for oil and gas and mining companies.

“Environmental consulting and stakeholder issues are very much tied together,” Ella explains. “Stakeholder concerns are generally very connected to the environment.” Especially in northern Alaska, where stakeholders’ lifestyles are centered around subsistence hunting and fishing.

“Statoil has a very strong commitment to zero harm to people and the environment, and we take that quite seriously,” Ella says. “It’s not just the environment – it’s the day-to-day impacts on people. We have to look at ways to mitigate those impacts. We can’t afford to impact them in a way that will negatively affect their reliance on subsistence resource. It’s not just the food on their table; it’s their culture.”

To help Statoil understand Alaska Natives’ concerns, Ella has worked to bring executives to rural Alaska to meet firsthand with stakeholders.

“It’s quite an educational process,” she says. “Part of what I’ve done internally is invite people from our Norway and Houston offices to rural Alaska. They really come away with a better understanding. It’s humbling to go to a rural community, spend time with the people and see their dependence on the subsistence lifestyle.”

Those visits have helped strengthen Statoil’s commitment to operating responsibly in Alaska – and to continuing to engage constructively with stakeholders.

“Understanding the culture is critical to communicating with the people in rural Alaska,” Ella explains. “Listening is a bigger part of our job than talking.”

Outside the office, Ella stays busy with a husband and four children – three teenagers and a 4-year-old.

“My kids are all involved in different sports, and I spend a lot of time as a hockey mom and a cross-country running mom,” she says. “That takes a lot of balance. I have a very busy and full life – and it’s awesome.”
On August 28, voters will be asked to decide whether to approve Ballot Measure 2, an initiative creating an unprecedented new coastal management program for Alaska. It is important to note that AOGA is not opposed to a responsible Alaska Coastal Management Program (ACMP) but is very opposed to this specific ballot measure.

In public hearings being held across the state, AOGA member companies have made it clear why they oppose Ballot Measure 2. Lisa Parker, Government Affairs Manager with Apache, says the measure threatens Cook Inlet oil and gas development: “Apache is excited about Cook Inlet and we see many opportunities,” Parker said at the Kenai hearing. “Over the next three years, we will continue to implement an aggressive seismic program as well as drill exploratory wells with the goal to make the exploratory wells producing fields. This is, of course, contingent upon getting the permits we need. If Ballot Measure 2 is enacted, it will create uncertainty as to how projects will move forward.”

Lori Nelson, Hilcorp’s Manager of External Affairs, agrees, “Ballot Measure 2 allows districts to veto permits based on standards with no scientific reasoning,” Nelson said. “The proposal allows the substitution of insignificant considerations, ‘not-in-my-backyard’ thinking and local dysfunctional relationships for scientific knowledge and analysis in making decisions of statewide concern. As we work to strengthen and grow our operations in Alaska, we feel that Ballot Measure 2 threatens our well-being, and that is why we are coming forth with opposition.”

AOGA members operating on Alaska’s North Slope also oppose Ballot Measure 2. Pat Foley, Land and External Affairs Manager for Pioneer Natural Resources, said Ballot Measure 2 would cause “a chilling effect on responsible resource development in Alaska.” Foley also testified that the measure would create “increased levels of bureaucracy” to permitting projects and is “an absolute step in the wrong direction.” Foley also stressed Pioneer’s support for a balanced approach to coastal zone management.

In AOGA’s view, Ballot Measure 2 would make doing business in Alaska more difficult. Please vote no on 2 on August 28. More information is available at www.VoteNoOn2.net.

Alyeska Pipeline celebrates 35 years of moving oil safely in Alaska

June 20 marked Alyeska Pipeline’s 35th anniversary of pipeline startup. The first oil left Pump Station 1 on June 20, 1977 and arrived in Valdez 38 days later on July 28. To date, more than 16.5 billion barrels have transited the Trans-Alaska Pipeline System (TAPS). Oil transported from TAPS currently accounts for 11 percent of U.S. domestic energy supply but at one time supplied up to 20 percent.

“The pipeline is an engineering marvel, but it’s the TAPS workforce who has kept oil moving for 35 years,” said Alyeska President Tom Barrett.

At startup, production was over 700,000 barrels per day (bpd). This year’s average will likely be 580,000 bpd. Future success of the pipeline will rely on increased oil production.
**ExxonMobil details plans for developing Point Thomson**

This winter, ExxonMobil will resume on-site construction on its multibillion-dollar gas cycling and condensate production project at Point Thomson on Alaska’s North Slope.

That was the report delivered to members of the Alaska State Legislature’s Senate Finance Committee recently by ExxonMobil’s senior project manager, Lee Bruce.

Point Thomson, located 60 miles east of Prudhoe Bay, is among Alaska’s largest undeveloped onshore resources, holding an estimated 8 trillion cubic feet of natural gas and 200 million barrels of condensate. Point Thomson’s working interest owners include ExxonMobil, ConocoPhillips Alaska, Inc., and BP Exploration (Alaska) Inc.

ExxonMobil says it will meet development milestones if the final Environmental Impact Statement (EIS) and other required permits are issued on time. The company will then begin building roads and installing infrastructure at the site. Plans also call for installation of Vertical Support Members, or VSMs, for a liquids pipeline. A gravel airstrip will also be built this winter, Bruce said.

Additional work is planned for subsequent years. During the 2014-15 winter construction season, the plan calls for a pipeline to be built from Point Thomson to connect with an existing pipeline at the Badami field to move the gas condensate liquids into the Trans Alaska Pipeline System. Processing facilities will be installed during the 2015-16 winter construction season.

ExxonMobil says the facilities planned for construction at Point Thomson are designed to process 200 million cubic feet of gas per day, yielding 10,000 barrels of condensate per day. The company has spent $1 billion on developing Point Thomson and hired hundreds of Alaskans for the project, Bruce said. Start-up of the initial development at Point Thomson is expected during the 2015-16 winter season.

**MEMBER PROFILE:**

**Repsol**

**Q:** What year did Repsol arrive in Alaska?

**A:** In 2007, Repsol acquired 71 leases with a 20 percent working interest in the Beaufort Sea. In 2008, Repsol added to its position with the addition of 93 leases with a 100 percent working interest in the Chukchi Sea.

In 2011, Repsol joined a joint venture partnership with Armstrong Oil & Gas and GMT Exploration in an agreement that provides Repsol a 70 percent working interest and operatorship in 156 blocks on the North Slope to the west of the Kuparuk River and Prudhoe Bay fields. Repsol has agreed to carry out the investment necessary to explore this onshore acreage and evaluate the economic viability of the resources contained in these blocks. Repsol’s minimum exposure for the onshore acreage is estimated at more than $750 million, including the cost of the multi-year exploration programs and payments to partners.

**Q:** Where does Repsol operate in Alaska?

**A:** In 2012, Repsol drilled two wells in the Colville River delta area to the west of the Kuparuk River field.

**Q:** Where else does Repsol do business?

**A:** In the U.S., Repsol also operates in the vast Mississippian Lime reservoir in Oklahoma and Kansas. Repsol also holds 120 blocks in the Gulf of Mexico, of which six blocks are in production, including the Shenzi field. Repsol has E&P operations in more than 30 countries. The company’s Head Office is in Madrid, Spain and its U.S. headquarters are in Houston, Texas.

**Q:** How many employees does Repsol have in Alaska?

**A:** During the 2012 drilling season, Repsol employed more than 500 employees and contractors on the North Slope.

**Q:** What type of exploration/new development plans does Repsol have for Alaska?

**A:** Recognizing Alaska’s vast exploration potential, Repsol has been steadily increasing its acreage position in the state. In 2007, Repsol acquired 71 leases with a 20 percent working interest in the Beaufort Sea. In 2008, Repsol added to its position with the addition of 93 leases with a 100 percent working interest in the Chukchi Sea.

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The Alaska Oil & Gas Association (AOGA) is a business trade association that represents the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

Our mission is to foster the long-term viability of the oil and gas industry in Alaska.

Learn more about the issues facing the largest economic driver in the Alaska economy at www.aoga.org. Sign up for our newsletters and follow us on Facebook and Twitter for the latest information on the oil and gas industry in Alaska.

Contact information: 907-272-1481 or info@aoga.org
Facebook: AlaskaOilAndGas   Twitter: @AOGA

Our member companies: Alyeska Pipeline Service Company; Apache Corporation; BP Exploration (Alaska) Inc.; Chevron; eni petroleum; ExxonMobil Production Company; Flint Hills Resources, Alaska; Hilcorp Alaska, LLC; Marathon Oil Company; Petro Star Inc.; Pioneer Natural Resources Alaska, Inc.; Repsol; Shell Exploration & Production Company; Statoil; Tesoro Alaska Company; and XTO Energy, Inc.

L to R: External Affairs Manager Sarah Erkmann, Regulatory and Legal Affairs Manager Kate Williams, Executive Director Kara Moriarty and Tamara Sheffield of Support Services.