



DRILLING AHEAD

Develop ANWR? Sure, but natural gas has center stage in Alaska

Mike Killalea, Editor and Publisher

THERE IS NO LONGER an oil patch in Alaska. It is now the Alaskan "oil and gas patch." At least that's how **Gov Tony Knowles** referred to the industry repeatedly in his address to the Alaska Support Industry Alliance's 17th annual meeting Meet Alaska 2001, held in Anchorage in late January.

Natural gas, which the governor termed the "fuel of the 21st Century," is the new prize in Alaska. **Anadarko** is running seismic in the Brooks Range and plans exploratory drilling next year, according to the *Anchorage Daily News*. This is reported as the first time anyone has actually searched for gas rather than oil on the North Slope.

Not that the oil business is slow. In relative terms, the Alaskan drilling industry has increased 100% since August. Okay, this is an increase from 5 rigs running to 10. But it is still enough to turn August's frowns upside down.

Forest Oil recently built the first new platform in Cook Inlet since 1986. **Phillips Alaska's** and **Anadarko's** long-awaited Alpine Field on the North Slope recently went into production at better than 70,000 bbl/day, projected to increase to 80,000 bbl/day this year. Alpine is a 429-million-bbl field of 40 degree crude, but with only a 97-acre footprint.

Further, Phillips has increased its North Slope spending by 17%. Phillips Alaska President **Kevin Meyers** said Phillips plans to drill 12-15 wells this year, compared to a lackluster 6 in 1998 and 9 in 1999.

"Our intent is to be as aggressive as we can in Alaska," said **Dodd DeCamp**, Vice President-Worldwide Exploration for Phillips Petroleum Co.

Also, **BP's** Northstar project, which boasts a manmade island as the production platform, is slated for a 4th-quarter startup, according to **Dick Olver**, BP Board member and CEO, Exploration and Production.

(Referring to the controversy that surrounded Northstar, even at the BP Board, and was successfully diffused, Mr Olver told the Alliance members that the project was completed only "because you have stood with us.")

While Alaskan hopes are high over the prospects for opening ANWR, natural gas has center stage. The main speculation deals with the proposed Alaska Highway Natural Gas Pipeline, proposed to run from Prudhoe Bay to Fairbanks and then onward through Canada to the Lower 48. The pipeline could be completed as early as 2007, according to BP's Olver.

Juneau is hot to build the pipeline through its own state for the obvious reasons—jobs and money, the bread and butter of incumbent politicians. Another goal, though, is to make the pipeline gas available to rural Alaskan communities.

However, as with most pipeline proposals, there is a competing plan. The alternative would run the pipeline east from the North Slope into Canada, avoiding the heart of Alaska.

The economics of the project are challenging, to say the least. Mr Olver noted that the existing Alaskan Pipeline, which encompasses about 900 miles of thin-walled pipe, cost about \$10 billion, compared to pre-construction costs of less than \$1 billion.

With that benchmark in mind, it's staggering to contemplate the cost of the proposed pipeline, which will boast more than 3,000 miles of *thick*-walled pipe.

Mr Olver's comments were not encouraging for the pro-pipeline Alaskans. "Alaska's preference for the pipeline route is clear," he said. "But we must be inclusive, open and competitive." Mr Olver said that "competitive" means not today, but in 2007-2037 and with respect to the economics of coal and of the entire North American gas industry, including Canada and the US Lower 48.

For example, he said, BP, with 16 Bcf/day of production from 200 Tcf in reserves at



CAPITAL WIRELINES

Anti-corruption task force meets to outline first phase of agenda

Brian T Petty, Senior Vice President-Government Affairs

OILFIELD ANTI-CORRUPTION INITIATIVE (London)—The International Oil & Gas Producers Association (OGP) held the first meeting of its “Anti-Corruption Task Force” in London late February. The task force was created by a resolution of OGP’s Management Committee in Rio de Janeiro at OGP’s most recent Annual Meeting.

IADC was invited to participate at the launch of this initiative, which also includes **Agip, BP Amoco, Chevron, ExxonMobil, Marathon, Nexen, Norsk Hydro, Shell, Statoil, and TotalFina Elf.**

This first meeting considered the mandate and scope of the task force, with a goal of delivering recommendations to the OGP Management Committee at the next OGP Annual Meeting scheduled for November of this year in Houston.

The principal stimulus for the creation of the group was enactment of the OECD Anti-Bribery Treaty adopted in Paris in late 1997. That treaty incorporates substantially the elements of the US Foreign Corrupt Practices Act (FCPA) adopted in the early 1970s but limited in its application to US companies.

“In addition to legal liability arising from the anti-corruption treaty’s provisions, there will also likely arise matters of contractual commitments and liabilities, and related mutual indemnities.”

OECD member countries, comprising the “developed” world including the EU, Japan and Canada long resisted expanding the FCPA’s principles and penalties into a binding multinational regime.

But with consistent pressure from the US and a recognition that bribery and corruption issues seriously distort the marketplace, especially in the area of government procurement, OECD adopted the treaty and set a timetable for ratification and implementation by each of its member countries. So the “teeth” are forming in individual national laws to vigorously enforce its prohibitions on bribing public officials for commercial purposes.

In addition to legal liability arising from the anti-corruption treaty’s provisions, there will also likely arise matters of contractual commitments and liabilities, and related mutual indemnities.

The international oil and gas industry has over the same period of time come under increasing scrutiny for its practices in the developing world, so to inform and alert operators, contractors and oilfield service providers of the new laws soon to take effect in most of their home countries, the task force will first examine what internal systems companies have to deal with bribery and corruption, and then fashion recommended guidelines to satisfy the treaty’s legal requirements.

This will represent the first phase of the task force’s agenda, to be followed with a broader examination of other practices which may become the object of adverse governmental inquiry or media publicity.

IADC so far is the only non-producer oilfield organization invited into the process, but the task force has resolved to invite other service and support organizations beginning with its next meeting scheduled in Calgary. ■

\$2 gas, is the largest gas producer in the US. At \$4 gas, the company’s gas reserves would essentially increase by a factor of five. This would translate, he said, into less demand for Alaskan gas.

“High gas prices would be the worst thing for Alaska,” he said. ■

AN OUTSTANDING EVENT

The 2001 SPE/IADC Drilling Conference held in Amsterdam on 26 Feb-1 March, represented a step change in meeting take-home value.

The event set a European record for attendance, drawing nearly 1,500 professionals with drilling, operating and service firms from around the world.

But it was the quality of the technical and plenary sessions that really wowed the attendees. The Programme Committee, led by its vigorous Chairman, **John Thorogood** of BP, in all they devised, exemplified the spirit of the conference theme—“Delivering Exceptional Performance.”

Mr Thorogood, no shrinking violet, brooked little compromise with his vision of excellence. He kicked over mossy stones, devoured sacred cows and proved an inspiration. And excellence was what resulted.

This is particularly true of the plenary sessions. One, moderated by **Matt Simmons**, of **Simmons and Co International**, approached its discussion of oilfield economics like a television talk show, focusing on intimate conversation and dialogue rather than prepared speeches.

Another, dealing with the perennial people problem, used a UK television investigative reporter, **Anne MacKenzie**, to moderate and stimulate a provocative—but never confrontational—discussion of a critical topic.

The third plenary, which addressed the conference theme itself, drew not only top-notch industry speakers, but reached outside our sometimes silo-ish industry for expertise. In this case, **D Michael Abrashoff**, who served as commander of the USS Benfold in the Persian Gulf, named the best ship in the US Pacific Fleet. Mr Abrashoff left the audience spellbound. Several attendees called him one of the best motivational speakers they had ever heard.

It will be a hard act to follow. That job falls to the Program Committee for the 2002 IADC/SPE Drilling Conference, chaired by **Cary A Moomjian** of **Santa Fe International Corp.** Cary, you’ve got your work cut out for you! ■