

Alaska reserve holds one-tenth of oil scientists had estimated, agency says

Elizabeth Bluemink, Associated Press, 10-27-10

Recent drilling results indicate that the National Petroleum Reserve-Alaska contains roughly one-tenth of the oil that federal scientists had previously estimated, the U.S. Geological Survey announced Tuesday.

Instead, the federal agency said, natural gas is the dominant energy resource in the 23 million-acre reserve across northern Alaska, and in nearby state waters. The findings are based on more than 30 wells drilled and other exploration in the NPRA over the past decade.

The agency's findings are in sync with declining investment by some oil companies, which have shed more than 1 million acres of leases in the reserve and are spending much less money on purchasing new ones.

And yet, the agency scientist who published the new estimates cautioned against overreacting. He stressed on Tuesday that the reserve does hold some decent-sized accumulations of oil - particularly in the northeast, near Teshekpuk Lake - and its potential for gas is "just phenomenal." But until a North Slope gas pipeline is built, "a gas discovery is not a lot better than a dry hole," said the scientist, David Houseknecht.

The new report is getting mixed reactions in Alaska.

For example, one of the state's top oil regulators said he is worried that the federal Bureau of Land Management might use the new estimates to curtail NPRA lease sales.

"We do have some financial interest in the development of NPRA," said the regulator, Kevin Banks, director of the Alaska Division of oil and gas. The state would receive part of the income generated from any NPRA oil production, he noted. The dramatic fluctuation in oil estimates for the reserve just shows what an "uncertain business" it is to predict oil reserves, he said.

Houseknecht doesn't disagree. He said one of the major surprises is how many areas that the agency expected to contain oil turned out to be filled with gas, instead.

But, he said, "This is not simply a change in interpretation. It's the hard results of exploration drilling."

Some geologists in Alaska are having a hard time believing the NPRA contains 90 percent less oil than the Geological Survey estimated just eight years ago.

"It makes NPRA - the bulk of NPRA - very questionable with regard to oil," said David Hite, an Alaska petroleum geologist and private consultant.

According to the agency's analysis, the NPRA contains 896 million barrels of undiscovered oil, in contrast to its 2002 estimate of 10.6 billion barrels. By comparison, the agency estimates that the Arctic coastal plain and state waters east of the reserve - an area that includes the controversial coastal plain of the Arctic National Wildlife Refuge - contains an estimated 5.7 billion barrels of oil. As for natural gas, the agency's new estimate for NPRA and nearby state waters is 53 trillion cubic feet of undiscovered reserves - as opposed to the 61 trillion it estimated in 2002. That is more than double the gas reserves at the Prudhoe Bay oil field to the east, the state's largest gas deposit.

Hite and other geologists in Alaska said they need to look more carefully at the agency's findings before they feel confident accepting it. "It seems somewhat controversial to me," said Dick Garrard, geoscience manager for FEX, the Alaska subsidiary of a Canadian energy business called Talisman. FEX owns leases in the reserve and is trying to sell them.

The NPRA has been open for private development since 1983 but it didn't get a lot of attention until about a decade ago.

Oil companies were euphoric over the 1994 discovery of the massive Alpine oil field just outside the reserve's northeastern boundary.

Conoco Phillips, which owns Alpine, and other companies spent hundreds of millions of dollars to purchase leases inside the reserve. But some of that initial euphoria didn't last. Within six months of publishing the 2002 assessment, data began trickling in from wells that didn't match the government and the industry players' assumptions, Houseknecht said.

Significantly, just 15 to 20 miles west of the Alpine field, the new wells showed an "abrupt transition" from oil to gas.

"This was quite an astounding bit of information," Houseknecht said.

For the first time since 2003, no company plans to drill an exploration well in the NPRA this year. Conoco was the only company that purchased new leases - filling in its land position near Alpine satellite fields - during the BLM's lease sale for the reserve in August.

"That's one measure of industry interest and activity," Houseknecht said.

Conoco has given up leases in the reserve, and its plan to open the first oil production well in the reserve - an Alpine satellite - has run into government roadblocks involving environmental concerns.

Conoco spokeswoman Natalie Lowman said the company now wants to focus on its leases in the Chukchi Sea. "We believe there is greater (potential) for oil there," she said.

Some environmental groups said Tuesday that the new analysis should prompt the BLM to reconsider how it manages the reserve.

"They should look at managing this very large block of land in a balanced way so that communities who depend on wildlife can be assured that they have a future and access to subsistence resources," said Nicole Whittington-Evans, regional director for The Wilderness Society.

The new report, however, shows that one of the most promising places for oil exploration in NPRA is in one of its most environmentally sensitive areas, near Teshekpuk Lake.

But environmentalists have fought in court to protect the area from development, citing its importance for migratory birds.