



## Hilcorp eyes Arctic exploration despite plunging oil price

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At a time when falling world oil prices are triggering market cutbacks, America's race to the Arctic appears to be expanding with a second company joining Royal Dutch Shell PLC in applying to explore in Alaska's icy northern waters.

Oil independent Hilcorp Alaska has filed a development and production plan to explore for crude from a man-made island to be constructed at the Liberty lease site 5 miles into federal waters in the Beaufort Sea.

The Houston-based company, which is best known for revitalizing aging oil and gas fields, is moving its Arctic plans forward with remarkable speed.

In mid-November, Hilcorp finalized its purchase of a 50 percent interest in the Liberty unit from British energy firm BP PLC and took over as field operator.

Two weeks later, the firm sought federal permission to conduct geotechnical studies this winter at the site. Then, on Dec. 30, Hilcorp submitted an exploration plan for Liberty with the Bureau of Ocean Energy Management (BOEM).

The company estimates that total recovery at the Liberty field would range from 80 million to 150 million barrels of oil. The drill-

ing operation would continue for 15 to 20 years, with a peak production rate of 60,000 to 70,000 barrels per day.

BOEM has not yet posted Hilcorp's massive drilling proposal, arguing that it has 25 working days to conduct a preliminary review before determining whether the company's package is complete. Under federal law, once a drill plan is considered "formally submitted," Interior has 30 days to approve, reject or ask for more information on the proposal.

If successful, Hilcorp would vie with Shell for the distinction of becoming the first company to produce hydrocarbons from federal offshore lands in the U.S. Arctic. Shell is moving forward with a strategy to explore for oil at its Chukchi Sea leases this summer (E&ENews PM, Oct. 31, 2014).

Hilcorp is proposing to build an artificial reinforced-gravel island in 19 feet of water about 5 miles offshore in Foggy Island Bay. The island would be big enough to house Liberty's drilling and processing operations.

The company envisions shipping the crude to shore via sub-sea pipeline and hooking into the TransAlaska Pipeline System through the network's Badami feeder line.

According to a summary provided by Hilcorp, the island would be built to accommodate up to 16 wells. But the independent would ini-

tially drill five wells for production and four to reinject water and gas into the reservoir to increase field recovery.

Drilling would be limited to “summer open-water season and the winter frozen ice season,” the company noted.

Hilcorp anticipates beginning commercial production within three years of winning federal approval and securing financial backing for the Liberty operation.

### **Against the odds**

In tackling the Arctic project, Hilcorp is assuming that it can succeed where the world’s oil giants have failed.

BP first discovered oil at the Beaufort Sea site in 1997. Ever since then, the British firm has struggled to tap into Liberty’s oil.

Initially, BP proposed drilling from a man-made gravel island much as it had done at its Endicott and Northstar oil fields. Those Beaufort Sea sites, located in close-in state waters, were part of Hilcorp’s recent acquisition package from BP.

The British firm later decided that new drilling technology would allow it to reach the Liberty leases from a satellite drilling island just east of its state Endicott field.

That groundbreaking plan would have required BP to drill 6-to-8-mile-long horizontal wells under the Beaufort Sea from the Endicott site to Liberty. At the time, BP said it would be the longest extended-reach well ever attempted.

Federal regulators approved the plan in 2008, and BP began the long process of setting up its ambitious drilling facility on the Arctic site.

But all that ended in 2010, when the Deepwater Horizon oil spill disaster fundamentally changed BP’s future. The government halted all offshore drilling and raised serious questions about the British oil firm’s operations throughout the nation.

Two years later, BP suspended operations at its Liberty site.

### **Festering spill concerns**

Now Hilcorp’s plans to resurrect BP’s Beaufort Sea drilling operation are catching the environmental community off guard.

State and national conservation groups that focused their anti-Arctic drilling protests on Shell’s proposed Chukchi Sea operations say they’re anxious to examine Hilcorp’s full exploration plans.

Rebecca Noblin, Alaska director for the Center for Biological Diversity, said the company’s proposal to drill from an Arctic island is no safer than Shell’s plan to send an armada of drillships into the Chukchi Sea.

“Building an island comes with its own set of consequences for marine life like bowhead whales and ringed seals, not the least of which are increased ocean noise, ship traffic and pollution,” Noblin said.

“And dealing with an oil spill at Liberty would hold many of the same logistical challenges that Shell faces in the Arctic environment,” she said.

“There’s no way to deal with an oil spill in broken ice conditions,” Noblin added. “And the Arctic does not have the infrastructure or human power to confront a spill, even if the technology were there.

“As with any other plan to drill in the Arctic Ocean, Liberty simply isn’t worth the risk.”