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Oil patch insider: Alaska CNG delivering compressed natural gas; Elon Musk on O&G

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Petroleum News

Alaska CNG LLC said Aug. 31 that it will begin its new Off Pipeline Distribution, or OPD, service starting Sept. 1. Its compressed natural gas, sourced from Prudhoe Bay, is going to "power a development well site along the Dalton Highway," operated by its first customer - Great Bear Pantheon.

The CNG will directly replace diesel for well operations, while providing a 50% reduction in carbon emissions, Alaska CNG, also known as AKCNG, said.

In addition to cleaner air, AKCNG's OPD customers will enjoy cost savings over diesel or gasoline, the company said.

CNG is sold in units of either Gasoline Gallon Equivalents, or GGEs, or Diesel Gallon Equivalents, or DGEs. The current price per GGE is \$2.50 which compares favorably to retail gasoline prices in the area - currently above \$8 per gallon, the company said.

AKCNG can make CNG deliveries from its facility at Deadhorse, Alaska, to places on the road system, using specialized "tube trailers" towed by one of two heavy duty class 8 tractors (18 wheelers) which are powered by natural gas rather than diesel.

Basically, the new service will bring natural gas to locations that are beyond the economic reach of a pipeline and will be offered in addition to the company's established motor vehicle fuel operation in Deadhorse.

At the end of the Dalton Highway on Alaska's North Slope, Deadhorse is an unincorporated community that was established to support oil development in the giant Prudhoe Bay oil field. The community consists mainly of facilities for companies providing supplies and services for Prudhoe, other nearby oil fields and the trans-Alaska oil pipeline which transports oil from Prudhoe to Valdez on Southcentral Alaska's coast.

Target markets for AKCNG include locations south on the Dalton Highway and west to the Colville River from Deadhorse.

OPD CNG is new to the North Slope, but it is based on proven technology.

“We’re not doing anything new here, we’re doing it new at this location,” said Ray Latchem, AKCNG Chairman and CEO. “It’s done elsewhere in the United States; they call it virtual pipeline service.”

Great Bear Pantheon reached a total measured depth of 14,300 feet on its first production well, Alkaid 2, in mid-August. Alkaid is some 16 miles southwest of Deadhorse.

Great Bear Pantheon has leased three CNG tube trailers from AKCNG, and it is bringing in a rig for stimulation and completion of its well.

Great Bear Petroleum “gave us time to go out and buy that equipment and get it up here, and that was forward thinking on their part,” Latchem said. “They want to burn more gas than diesel on the pad and they potentially can use it to inject, to stimulate the well.”

“There’s a lot of innovations here that haven’t been done in this state before,” Latchem added. “One is using CNG on a development well program, and second, if we are able to put a deal together to take gas away, that’s a big plus also.”

AKCNG said it’s also excited that Santos Ltd., owner of Oil Search (Alaska), the Pikka project operator, announced its intention to reduce emissions by using natural gas instead of diesel at Pikka, which is west of the central North Slope.

“We think we’ll be able work with them to bring natural gas out to the Pikka site before they’ve even got wells drilled so they can use it for heat, power generation, and other needs,” Latchem said.

Elon Musk says O&G needed

At an oil and gas conference in Stavanger, Norway, on Aug. 30 the world’s richest man, Elon Musk, said that oil and gas are needed to prevent civilization from crumbling.

“One of the biggest challenges the world has ever faced is the transition to sustainable energy and to a sustainable economy. That will take some decades to complete,” Musk told delegates.

About a week earlier Musk tweeted that countries should also be considering nuclear energy as well.

- Oil Patch Insider is compiled by Kay Cashman

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