BP Plans to Bring Two New Drill Rigs to North Slope

BECKY BOHRER, Associated Press

JUNEAU, Alaska (AP) — BP Alaska plans to bring two new drill rigs to the North Slope by 2016, part of an additional $1 billion investment the company envisions over the next five years following the state's rollback of oil production taxes.

BP is the second of the North Slope's three major players, after ConocoPhillips, to announce plans following passage of the tax overhaul that was signed into law by Gov. Sean Parnell last month. Exxon Mobil Corp. hasn't made its intentions public.

Besides the new drill rigs, which BP said will come with a combined 200 jobs, the company said it has the support of the other working-interest owners of Prudhoe Bay, ConocoPhillips and Exxon, to start evaluating an additional $3 billion in projects on the western end of the Prudhoe. Those plans include expansion of processing facilities and existing pads, construction of a new drill pad and drilling more than 110 new wells. For projects at Prudhoe, all three majors need to buy in.

Janet Weiss, president of BP Alaska, said it will take about three years to complete what's known as the appraisal phase, do engineering work and secure regulatory approvals. Weiss said it is possible project economics could change over the next few years. Such a change could result in some projects being stalled or altered. But as of now, she said, the company is moving forward.

Weiss said BP has worked on or explored the planned projects in the past but the oil tax overhaul "helped improve the economics of these opportunities." Weiss called the west end of Prudhoe the newest area of the prolific legacy field.

With regard to the drill rigs, BP's plan would bring to nine the total number of rigs it has on the North Slope. BP said the $1 billion investment over five years includes the addition of the rigs and the actual drilling. The first of the new rigs is planned for 2015 and the second for 2016. It's not clear yet how many new wells will be drilled.

A company spokeswoman, Dawn Patience, said BP also plans to do more well work, beginning as early as this fall, aimed at making production from wells at Prudhoe and Milne Point more efficient.

Weiss said it's too early to say how much new production might result from the overall plan.

Parnell championed a tax cut as a way to increase oil production and industry investment. Production has been on a downward trend since the late 1980s, but higher prices in recent years have helped mask the impact of the decline on the state budget. Alaska relies heavily on oil revenues for its state spending.

Critics who say they also want more production fear the tax cut will blow a hole in the state budget. The proposal could cost the state up to $4.6 billion through fiscal year 2019, an estimate based on a continued net decline in production and oil prices of between $109 and $118 a barrel. The total negative fiscal impact next year alone, reflecting the impact on state revenues and the operating budget, could be up to $720 million.

There's an effort under way to let voters decide whether to keep or repeal the tax change.

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