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Meet Kevin Banks, Alaska's Oil and Gas Division director

By Tim Bradner
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Alaska Division of Oil and Gas director Kevin Banks has had a busy year as activity in the state's oil fields exploded. The division has struggled to find and keep employees, but is starting to make progress on that front, Banks said. *PHOTO/Tim Bradner/For the Journal*

It has been a hectic year at the state Division of Oil and Gas, the state agency that looks out for Alaska's ownership interests in oil and gas production from state-owned lands. So if things were to slow down a little in Alaska's oil patch after last winter's overheated levels of activity, it wouldn't bother Kevin Banks, who heads the agency.

Construction and other industry activity soared last winter on the Slope. This left explorers and incumbents alike scrambling to find suppliers and equipment, and paying higher-than-expected prices for oilfield services in the hot North Slope oil patch economy.

The year started off with a bang for the oil and gas division, too. When Gov. Sarah Palin took office last December, the two top positions in the division - the director and deputy director - were vacated by resignations. Banks and Kurt Gibson were moved up from the commercial section to take over as acting director and deputy.

Then the governor dropped in her Alaska Gasline Inducement Act, a key initiative that brought Banks, Gibson and other division staff to Juneau to help Palin develop legislation and work with state legislators on her gas pipeline plan.

And then Palin and her resources chief, Commissioner Tom Irwin, handed the division a new responsibility: Insuring the mechanical integrity of petroleum production facilities. This required the establishment and staffing of a new Petroleum Systems Integrity Office within the division.

Amid all this, the division has been scrambling for qualified people to fill positions during a tough economic time for recruiting petroleum professionals - they're all working elsewhere. The governor and Legislature have been generous with financial resources for the division, but hiring has been a major preoccupation.

"Kurt and I technically occupy four positions, acting director and deputy director, as well as petroleum market analyst and petroleum investments manager," Banks said.

He hopes to recruit added commercial staff to fill the latter two positions. The division is also still trying to hire a petroleum engineer to fill the position vacated by the retirement of agency veteran Bill Van Dyke. It has been unable to do so, however. Banks is concerned about others retiring.

"Depending on how you count the numbers, the division could lose 42 percent of its oil and gas staff within the next five years," he said.

On staffing, the division has just brought on two new people: Cody Rice is a new

Petroleum Economist, filling a position that has been vacant almost a year in the division's commercial section. Another new hire in the commercial section is Alan Dennis, who was formerly with ConocoPhillips in Houston. Dennis should be working in the office by October, Banks said.

Filling the petroleum engineer position is a worry.

"We've advertised for a petroleum engineer locally, through the Society of Petroleum Engineering newsletters and Houston, Texas, newspapers and we continue to shake the trees for qualified candidates," Banks said. "Industry-wide demand for people with these skills is very high and state salary levels are a factor."

"Our audit section is also thin. Normal attrition and people moving on to new jobs has taken a real toll and has left us chronically short. We're considering options to change this situation," Banks said.

Similar problems in the division's leasing and permitting section have, for now, been resolved with a few new hires, however.

As for the upcoming winter work season on the Slope, Banks believes things will be a little slower than last winter, based on the pace of permit applications so far this summer. Companies planning work usually apply to regulatory agencies for their permits in late summer.

More requests could still come in, but if things slow a bit it will still be a good, full season of employment for service contractors and support companies, Banks said.

Last year's overheated season may actually have done some damage to the state's attractiveness for exploration because companies that drilled exploration wells experienced some big cost increases. That was because there was intense competition for skilled oilfield labor and equipment, almost everything from drill rigs to rolligons.

Banks is particularly concerned about how Alaska is being viewed in the corporate offices of FEX and its owner, Talisman Energy, as well as Eni. Both companies were active in drilling exploration wells last winter, and Banks hopes that the experience with cost increases won't dampen plans for new work in Alaska.

FEX needs to test potential discoveries it made in the National Petroleum Reserve-Alaska, but the Division of Oil and Gas does not yet know if the company intends to do a full-blown or a more limited program to assess what it found.

Banks does know that Eni is very concerned with cost increases and he is uncertain whether the company will proceed with development of its Nikaitchuq offshore prospect this year. Last year the state rejected Eni's request for royalty modification at Nikia, but that was because the project appeared economically viable under the current state Petroleum Profits Tax. ENI has indicated that its costs are now higher than previously estimated.

Another concern Banks has is the uncertainty over new lease sales in the NPR-A, given the controversy, litigation and delays surrounding every sale proposed by the BLM, the most recent being the federal agency's proposed sale of very prospective leases near the Teshekpuk Lake area of the northeast NPR-A.

"This has got to be a major concern for companies now holding leases in the NPR-A because they need to be able to bid on tracts adjacent to their leases to fill out their land position," for efficient exploration programs, Banks said. BLM is also trying to work out issues related to unitization, which will enable companies to group leases that are expiring in units for further development.

The state is mindful of the pace of exploration and development in NPR-A because Alaska will receive 50 percent of production royalties from the federal reserve.

Yet another concern for Banks is uncertainty over Pioneer Natural Resources Co.'s Facility Access Agreement with Kuparuk River Unit owners that will enable Pioneer to process fluids from its new Oooguruk project in facilities owned and operated by the Kuparuk Unit.

"Oooguruk is still on track for startup in 2008 but we have no direct information about the access agreement," Banks said.

Facility use agreements between established companies on the Slope are common but involve firms that are partners in producing fields and infrastructure. Pioneer's

agreement is the first involving a company that is outside the existing producers.

If things break down, the state may have to play a role in getting an access deal, Banks said. But it is preferable that the agreement be worked out between the companies on a purely commercial basis.

Another issue on the division's plate is the ongoing dispute over lease ownership at Point Thomson, a large natural gas and condensate discovery 60 miles east of Prudhoe Bay. The state has cancelled leases at Point Thomson and is locked in protracted litigation with ExxonMobil Corp., BP and Chevron, the companies owning the leases in question.

Banks said that if the state prevails and does get clear title to the leases, his division may explore alternatives to leasing other than the state's conventional areawide lease sales, where unleased acreage is periodically offered. A different approach to leasing might an involve production sharing agreement or other mechanism used elsewhere instead of a conventional oil and gas royalty, he said.

There are many alternatives now in the state's leasing tool-kit including work commitments and net profits share royalties but an entirely new approach may require legislation, Banks said.

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