



## Closing Prudhoe Bay

Posted by [Heading Out](#) on August 7, 2006 - 12:04am

Topic: [Supply/Production](#)

Tags: [alaska](#), [corrosion](#), [north slope](#), [oil](#), [oil prices](#), [peak oil](#), [pipelines](#), [prudhoe bay](#) [[list all tags](#)]

I had intended to write a short piece tonight about the life of an oilfield, but will put that back a little to draw attention to a just posted story in the [New York Times](#).

Because of severe corrosion in one of the pipelines, BP is temporarily closing the production from the Prudhoe Bay oilfield, and, in the process, cutting off some 400,000 barrels of oil a day, some 8% of US production. The NYT story suggests that this might raise prices by as much as \$10 a barrel.

ANCHORAGE, Alaska - In a sudden blow to the nation's oil supply, half the production on Alaska's North Slope was being shut down Sunday after BP Exploration Alaska, Inc. discovered severe corrosion in a Prudhoe Bay oil transit line.

BP officials said they didn't know how long the Prudhoe Bay field would be off line. "I don't even know how long it's going to take to shut it down," said Tom Williams, BP's senior tax and royalty counsel.

Once the field is shut down, in a process expected to take days, BP said oil production will be reduced by 400,000 barrels a day. That's close to 8 percent of U.S. oil production as of May 2006 or about 2.6 percent of U.S. supply including imports, according to data from the U.S. Energy Information Administration.

[MSNBC](#), [Yahoo](#), [Reuters](#).

and then let's not forget:

[OPEC production down in July 0.8%](#).

Tomorrow will be an interesting day. More under the fold.

UPDATE: From [Rigzone](#)

The Department of Energy Monday said it would consider offering refiners oil from the nation's emergency oil stockpile to address supply concerns in Alaska resulting from BP's shutdown of Alaska's Prudhoe Bay field.

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Back in March there had been a spill of oil from a failed pipe, and with the current discovery of a

problem, it appears that the entire system will need to be scrutinized before pumping will begin again.

Officials at BP, a unit of the London-based company BP PLC, learned Friday that data from an internal sensing device found 16 anomalies in 12 locations in an oil transit line on the eastern side of the field. Follow-up inspections found "corrosion-related wall thinning appeared to exceed BP criteria for continued operation," the company said in a release.

Workers also found a small spill, estimated to be about 4 to 5 barrels. A barrel contains 42 gallons of crude oil. The spill has been contained and clean up efforts are under way, BP said. "Our production while all this is in place is going to be marginal," said Will Vandergriff, spokesman for Gov. Frank Murkowski. "That presents some technical problems because it's a high capacity line and it's meant to be filled."

The story is also on [Bloomberg](#)

The pipeline leak and the discovery of corrosion ``have called into question the condition of the oil transit lines at Prudhoe Bay," Bob Malone, BP America President, said in the statement. ``We will not resume operation of the field until we and government regulators are satisfied that they can be operated safely and pose no threat to the environment."

Unfortunately the leak problem is not, apparently confined to the pipeline. BP has recently closed [a dozen wells](#) at Prudhoe Bay because of leakage problems.

The story is also being carried in the [Juneau Daily News](#) which also noted that the story broke as the Alaskan legislature were voting on changing the states production tax laws. Sadly it also carries news that the champion Iditerod racer Susan Butcher has died at the age of 51.

UPDATE: 10:45 am Eastern

Thanks to [Gunga2006](#), here is a bit more [information](#)

BP spokesman Daren Beaudou later said it would take 24 to 36 hours to shut down the eastern half of Prudhoe Bay, but did not give an estimate on closing western wells. The shutdown does not include the Lisburne field, also on the North Slope, as inspection results showed that pipeline integrity was intact. . . . . Beaudou said the line continued to leak and that BP had collected another 70 barrels since finding the corrosion. Chappell said BP had never previously had to shut down the oilfield, which includes 22 miles of pipelines. However, it has had to curb production at Prudhoe Bay several times in the past year due to a series of incidents and spills on the North Slope, an oil-rich area that pumps a total of about 800,000 barrels per day (bpd), nearly as much oil as consumed by Australia. . . . Output from the northern state peaked at over 2 million bpd in the late 1980s, but has more than halved since then. Chappell said it was premature to estimate what impact the outage would have on BP's annual production target of 4.1-4.2 million barrels of oil equivalent per day (boepd). At 100,000 bpd, BP's share of Prudhoe Bay accounts for 2.5 percent of that total, although its overall Alaskan crude oil output was a higher 268,000 bpd last year.

And from [The Street](#)

Domestic inventories of crude, which are up 4% over last year, will help reduce some of the shock of the BP closure and force the U.S. to likely look abroad for more. But the shutdown of the country's largest oil field will likely keep prices high until it returns to full output. BP, though, could not estimate when that would occur. "While this is within the capacity of world reserves to cover, the market is already tight and this will only add to that perception, and intensify the response to threats, both real and imagined, yet to come," said John Kilduff, an energy analyst at Fimat USA in New York. The BP shutdown is just the latest factor contributing to the spike in crude prices, which have risen 21% this year. Clashes with Iran, the world's fourth-largest oil producer, over its nuclear program, militant attacks on Nigeria's oil infrastructure, downed production in the Gulf of Mexico and recent clashes between Israel and Hezbollah have further elevated prices.

The timing of this is unfortunate for pipeline proponents, since the issue of the gas pipelines is not yet resolved. It was only last week that the BP Chief Executive, Lord Browne, was up there trying to sound [nonchalant about the situation](#).

BP Plc Chief Executive John Browne said Thursday he hopes that a final agreement on financial terms for the proposed natural gas pipeline can be reached soon, but there is no need to rush, despite pressure from the Bush Administration and Alaska's governor. "It would be easy for me to say that there's a short window and give you a lot of arguments about that. Actually, the window is reasonably long for any project," Browne told a luncheon audience in Anchorage. . . . . The visiting BP executive said his main reason for coming to Alaska was to check on repairs and upgrades at BP's North Slope operations. The repairs and upgrades were needed after a corroded Prudhoe Bay crude oil pipeline the company operated leaked about 200,000 gallons earlier this year. Browne said BP has launched an aggressive program to fix corrosion on its aging pipelines. "I take full responsibility for ensuring that those steps are carried through," Browne said.



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