Petroleum news

page 2 EIA forecasts increase in liquid fuels consumption of 1 million bpd in '24

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Megrez well spud; Pantheon happy Trump's support of LNG line

On Sunday, Nov. 10, Pantheon Resources (AIM:PANR) sent out two related announcements about important events that took place that weekend:

- The Megrez 1 well was spud on Alaska's North Slope.
- Pantheon's share price was up 17%.
- President-elect Donald J. Trump made a supportive statement on progressing the proposed Alaska natural gas pipeline.

PATRICK GALVIN

Regarding the spudding of the Megrez 1 well by Great Bear Pantheon, the target is "three topset horizons which Pantheon estimates to contain an aggregate 2U prospective resource of 609 million barrels of ANS crude (oil, condensate and NGLs) and 3.3 trillion cubic feet of natural gas."

Great Bear Pantheon is exploring the eastern topsets in the Ahpun and Kodiak fields, immediately adjacent to the North Slope oil pipeline and road infrastructure.

Great Bear Pantheon contracted the Nabors 105AC rig to

see MEGREZ WELL page 7

Hilcorp continues strong Milne Point drilling plans in new POD

Hilcorp has been growing Milne Point production since it took over as operator (with a 50% working interest ownership) from BP Exploration (Alaska) in 2014.

The company, which acquired the remaining 50% interest in Milne with its purchase of BP Exploration (Alaska) assets in 2020, continues to grow production. This growth is reflected in the 43rd plan of development which the company filed with the Alaska Department of Natural Resources' Division of Oil and Gas in mid-October.

In its recent PODs Hilcorp has reported average production per day for the calendar year to date based on when the POD is submitted — Jan. 1 through Sept. 30 for PODs submitted in mid-October.

For the POD submitted in 2021, production averaged 35,757 barrels per day; for the 2022 POD, the average was 37,466 bpd, up 4.78% from the previous year. In 2023 the average was 39,944 bpd, up 6.61% from the previous year,

see MILNE PLANS page 7

Hilcorp applies to expand pad at Pretty Creek; more wells planned

Hilcorp Alaska is working on increasing production from Pretty Creek, a small west side gas field between the Beluga River and Ivan River fields.

In September the company drilled a sidetrack to the Pretty Creek Unit 2 well and it has applied to the Alaska Department of Natural Resources' Division of Oil and Gas to expand the pad at the field.

The field has only produced sporadically in recent years and Pretty Creek Unit 2, the only well showing on recent Alaska Oil and Gas Conservation Commission production data, is shut-in.

Once work on the sidetrack is complete, the field should once again have production.

Development drilling is planned next year.

Hilcorp said the pad expansion "would provide additional space to allow for production well drilling and increased gas production" at Pretty Creek, with development well drilling planned for 2025. The expansion would add 1.3 acres to the southern edge

see PRETTY CREEK page 6

FINANCE & ECONOMY

China woe hits ANS

Crude slides on supply expansion; demand destruction; strong dollar

By STEVE SUTHERLIN
Petroleum News

Alaska North Slope crude posted a slight gain Nov. 13, adding 18 cents to close at $71.20 per barrel. West Texas Intermediate rose 31 cents on the day to close at $68.43 and Brent gained 39 cents to close at $72.28.

The gains were but a blip, however, on a downward trend over five trading days ending Nov. 13 that saw ANS shed $3.15 from its Nov. 6 close. Traders worried over continued weak demand in China — the world's largest oil buyer — and the specter of rising global production.

China Customs data revealed October imports of 10.53 million barrels per day, down from 11.07 million bpd in September and 11.53 million bpd in

The Organization of the Petroleum Exporting countries has cut its global oil demand growth forecast for 2024 in its November Monthly Oil Market Report released Nov. 12.

October 2023, Reuters reported Nov. 11. Year-to-date, China's imports were 10.94 million bpd, off 3.7% on a per day basis from 11.36 million bpd for the period in 2023.

Recent price weakness "was actually linked to perceived hit to oil demand in any trade war between the US and China," Mizuho's Robert Yawger was quoted in Barron's Nov. 13.

see OIL PRICES page 9

EXPLORATION & PRODUCTION

Grey Owl expansion

Glacier applies to expand Savant-operated Eastern North Slope unit

By KAY CASHMAN
Petroleum News

On Nov. 10, the Alaska Department of Natural Resources' Division of Oil and Gas posted a public notice about an application to expand the Grey Owl unit on the Eastern North Slope by 24,164 acres. The application was signed by Glacier Oil & Gas COO David Pascal.

The proposed expansion area, consisting of 17 tracts, is approximately 20 miles south-southwest of Glacier subsidiary Savant Alaska's Badami Unit.

The division said that approval of the Grey Owl unit expansion would not limit or diminish access to public lands or public or navigable waters

The owners are expecting to drill an exploration appraisal well during the winter of 2026-27.

beyond any limitations already contained in the individual oil and gas leases in the unit.

Exploration and development of the proposed expansion area will occur in accordance with an approved unit plan of exploration and development, the division added.

The initial Plan of Exploration for Grey Owl is for a term of five years and provides for the drilling of one exploration appraisal well and the

see GREY OWL UNIT page 8

GOVERNMENT

The minimum offering

BLM's final EIS for ANWR Coastal Plain lease sale makes fewest acres available

By ALAN BAILEY
For Petroleum News

The Bureau of Land Management has published its final supplemental environmental impact statement for a second oil and gas lease sale in the coastal plain of the Arctic National Wildlife Refuge. The Tax Cuts and Jobs Act, passed in 2017, mandated the conducting of two ANWR coastal plain lease sales.

The first of these sales took place in January 2021 and the second must happen by Dec. 31 of this year. BLM has published the SEIS in anticipation of holding that second lease sale. But, in its SEIS, the agency has landed on a preferred alternative that only makes available for leasing 400,000

Having dismissed an alternative involving no action, which would have been illegal under the Tax Cuts and Jobs Act, BLM considered four alternatives for the required second lease sale.

acres of land in the northwestern part of the coastal plain — the Tax Cuts and Jobs Act mandates that at least 400,000 acres must be made available for leasing.

BLM must now issue a record of decision, together with the offer of a lease sale, within 30

see BLM OFFERING page 11

● FINANCE & ECONOMY

EIA forecasts fuel consumption increase

Growth expected in liquid fuels consumption of 1 million bpd this year, 1.2 million bpd in 2025, with most of that growth in Asia

By KRISTEN NELSON
Petroleum News

In its November Short-Term Energy Forecast, released Nov. 13, the U.S. Energy Information Administration said it expects growth in global oil consumption to be led by India, which accounts for 25% of growth in global consumption in 2024 and 2025.

The global increase in liquid fuels consumption is expected to be 1 million barrels per day this year, increasing to 1.2 million bpd in 2025.

The agency said both those increases are below the pre-pandemic 10-year annual average of 1.5 million bpd, "as well as below the oil demand growth seen in the pandemic recovery from 2021 to 2023."

The growth is led by non-OECD countries, mostly countries in Asia. In India, the leading source of current growth, liquid fuels consumption is expected to increase by 300,000 bpd both this year and next, "driven by rising demand for transportation fuels."

In China, growth is expected to be less than 100,000 bpd this year, although recovering to almost 300,000 in 2025. EIA noted it has revised China's consumption downward several times this year, based on limited consumption of transportation fuels because of rapidly expanding electric car ownership, rising use of liquefied natural gas for trucking and decelerating economic growth.

JOE DECAROLIS

Natural gas

With the weather forecast now slightly colder for the U.S. winter heating season (November through March) EIA said it has increased the amount of natural gas it expects to be consumed in the residential and commercial sectors to some 36 billion cubic feet per day, 4% above usage last winter and closer to the 2019-23 five-year average.

U.S. marketed natural gas production was flat this year after growing for two years. The agency said it estimated an average of 113 bcf per day, about the same as last year. In February average monthly production peaked at 115 bcf per day, averaging between 111 bcf and 114 bcf per day for much of the rest of the year.

"Production cuts announced by natural gas producers early in 2024 resulted in less production from the shale and tight formations so far this year compared with 2023," while Permian Basin production has increased.

In India, the leading source of current growth, liquid fuels consumption is expected to increase by 300,000 bpd both this year and next, "driven by rising demand for transportation fuels."

In the Haynesville and Appalachia regions gas production is driven by price, "which reached record lows in early 2024," while in the Permian, where production is mostly associated gas produced along with oil, production is driven by oil production "and has continued to grow amid low natural gas prices."

EIA expects marketed natural gas to resume growing in 2025, averaging more than 114 bcf per day for the year, up 1% from the 2024 annual average, led by a 6% increase in the Permian and a 5% increase in the Eagle Ford compared to this year.

Henry Hub

The U.S. benchmark Henry Hub spot price averaged

see **EIA OUTLOOK** page 6

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● EXPLORATION & PRODUCTION

Baker Hughes US rig count unchanged at 585

By KRISTEN NELSON

Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was 585 the week ending Nov. 8, unchanged from the previous week, down by 31 from 616 a year ago and unchanged from the previous three weeks. Over the last eight weeks the rig count was unchanged in three weeks, down in four and up in one week with losses of six and a gain of one, continuing a downward trend dominant since the beginning of May. This is the lowest domestic rig count since December 2021.

A drop of 17 to 731 on May 12, 2023, was the steepest weekly drop since June of 2020, during the first year of the COVID-19 pandemic, when the count also dropped by 17 to 284 on June 5, following drops as steep as 73 rigs in one week in April. The count continued down to 251 at the end of July 2020, reaching an all-time low of 244 in mid-August 2020.

For 2023, the count hit its low point Nov. 10 at 616, down from a high of 775 on Jan. 13, 2023. In 2022, the count bottomed out at 588 Jan. 1, reaching a high for the year of 784 on Nov. 23.

When the count dropped to 244 in mid-August 2020, it was the lowest the domestic rotary rig count had been since the Houston based oilfield services company began issuing weekly U.S. numbers in 1944.

Prior to 2020, the low was 404 rigs in May 2016. The count peaked at 4,530 in 1981.

The count was in the low 790s at the beginning of 2020 prior to the COVID-19 pandemic, where it remained through mid-March of that year when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August 2020 when it gained back 10 rigs.

The Nov. 8 count includes 479 rigs targeting oil, unchanged from the previous week and down 15 from 494 a year ago, with 102 rigs targeting natural gas, unchanged from the previous week and down 16 from 118 a year ago, and four miscellaneous rigs, unchanged from the previous week and unchanged from a year ago.

Forty-nine of the rigs reported Nov. 8 were drilling directional wells, 520 were drilling horizontal wells and 16 were drilling vertical wells.

Alaska rig count unchanged

Oklahoma (44) was up by two rigs from the previous week while Pennsylvania (14) and Wyoming (18) were each up by a single rig.

Louisiana (33) was down three rigs and Colorado (11) was down one rig.

Rig counts in other states were unchanged from the previous week: Alaska (10), California (6), New Mexico (100), North Dakota (34), Ohio (10), Texas (281), Utah (12) and West Virginia (10).

Baker Hughes shows Alaska with 10 rotary rigs active Nov. 8, unchanged from the previous week and up by one from a year ago when the count was nine.

The rig count in the Permian, the most active basin in the country, was unchanged from the previous week at 303 and down by seven from 310 a year ago. ●

Contact Kristen Nelson at knelson@petroleumnews.com

● THIS MONTH IN HISTORY

20 years ago: ConocoPhillips' NPR-A wells

Editor's note: This story first appeared in the Nov. 21, 2004, issue of Petroleum News.

By KRISTEN NELSON

Petroleum News

20 YEARS AGO THIS MONTH

ConocoPhillips Alaska has filed applications with regulators for its winter exploration program in the National Petroleum Reserve-Alaska, with several new wells proposed, in addition to wells the company has already permitted.

The company has not yet said what its drilling program will be for the winter of 2004-05, and the applications filed are for wells that may be drilled during winter drilling seasons between December 2004 and June 2009.

ConocoPhillips has also not said how many rigs it will use; both Doyon 19 and Doyon 141 are included in the company's applications.

Proposed wells include Defiance 1, which is the farthest west of this group of wells, in section 15, township 12 north, range 7 west, Umiat Meridian; Bounty 1 in 17-T11N-R6W, UM; Kokoda 3 in 33-T11N-R5W, UM; Kokoda 4 in 5-T11N-R5W, UM; Kokoda 5 also in 5-T11N-R5W; and Noatak 1 in 22-T12N-R5W, UM. Kokoda 1 and Kokoda 2, previously permitted, are also in township 11 north, range 5 west.

All these well locations are west of ConocoPhillips' Trailblazer wells, drilled by BP in 2001 — at the time, the farthest west of the current NPR-A wells — and later picked up by ConocoPhillips and partner Anadarko. Trailblazer A-01 was plugged and abandoned after reaching 8,963 feet in 14-T12N-R3W, UM; Trailblazer H-01, which was suspended, was drilled to 7,850 feet in 6-T12N-R3W, SM.

The wells in ConocoPhillips' current plan are south of Teshekpuk Lake, but well east of Puviaq, which became the farthest west any wells the companies have drilled recently, when ConocoPhillips brought a rig in from Barrow to drill a well in the winter of 2003 in 35-T16N-R10W. No information is available on Puviaq, which is in operational suspension.

Access will be by ice road, and ConocoPhillips said it may use a southern route beginning at Kuparuk drill pad 2P and crossing the Colville River at Ocean Point. The company said its current plans are to mobilize drilling rigs across an ice road, but in the future a drilling rig may be mobilized to sites by Rolligon/ATV to expedite operations. ConocoPhillips said, however, that no well would be spudded until ice road access has been established to the drill site.

An estimated schedule, based on early-December 2004 tundra access, and ice road and pad construction beginning shortly after mid-December, calls for completing the Colville River ice bridge Jan. 24, spudding an initial well Feb. 11 and a second well March 3, with drilling ending April 24. ●

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● PRODUCERS PREVIEW

Cosmo financing pinned on HB 50 funding

Unit operator BlueCrest and Division of Oil and Gas traded correspondence this summer over the future of the Cook Inlet unit

Editor's note: This story comes from the 2024 edition of The Producers magazine, which will be published in early January 2025.

By ERIC LIDJI
For Petroleum News

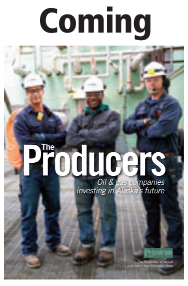
The Cosmopolitan project neatly captures the challenges of the Cook Inlet basin.

The offshore field is the largest proven and undeveloped oil and gas reserve in the Cook Inlet basin and is therefore crucial for maintaining supplies in the region. It is also a technically challenging project, requiring offshore drilling or extended reach drilling to access. And it exists in an unusual marketplace, where most supplies stay local.

To make the project work, operator BlueCrest Operating Alaska LLC wants some assurances, specifically upfront supply contracts and state backing to spur investment.

Under its 10th plan of development for the unit, covering calendar year 2024, the Texas-based independent company made two commitments for 2025: drilling the H-10 Trident Fishbone well and providing a plan for bringing the Tyonek Gas Project online in 2027.

Coming



January 2025

The H10 Trident Fishbone is an innovative well that is designed to maximize subsurface recovery while minimizing surface drilling. A single wellbore branches into three subsurface "fishbone" wells with eight laterals each — 24 individual wells altogether.

BlueCrest would drill the well directionally from an onshore pad. The custom-built BlueCrest Rig No. 1 can drill 3 miles out and then a mile-and-a-half down to the reservoir and an additional mile-and-a-half horizontally through the sands, according to the company. Even with the rig, the desire to minimize surface drilling led to the complex well design. In addition to the technical challenge, it poses new permitting challenges.

The Tyonek Gas Project sits even farther out, beyond the reach of the rig. The project would require a new offshore platform and a new pipeline system back to shore.

According to the company, the field contains 235 billion cubic feet of proven gas reserves, enough to support as much as a quarter of Cook Inlet demand. The company estimated in February 2024 that the project required some $400 million in financing.

Summer update

In approving the plan of development, the state required an update by June 30, 2024.

With a few weeks remaining toward that deadline, Division of Oil and Gas Director Derek Nottingham took the uncommon step of publicly telling the company about the pending due date. In a letter dated June 17, 2024, Nottingham reminded BlueCrest's John Martinek of the need to file a letter by the end of the month addressing four questions:

Did the company have enough money to drill an oil well at Cosmopolitan in 2025? Did it have enough money to advance its Tyonek gas development? Did the company have a "fully defined plan and schedule for Tyonek Gas development?" And were the existing financing and development plans enough to bring sustained gas production by 2027?

"The current Cook Inlet market environment demands operators marshal all available resources and ensure enough natural gas is available for citizens of Alaska. The Division (of Oil and Gas) accordingly expects BlueCrest to develop its proven oil and gas resources in time to meet this critical need, consistent with its (10th plan of development) commitments. Delay is not an option and the Division must fulfill all of its constitutional, statutory, and contractual duties in this context," Nottingham wrote in the letter.

In its official update, dated June 28, BlueCrest listed some of the challenges of Cook Inlet. It described the basin as "a closed gas market" with 70 billion cubic feet of annual demand and declining supplies, presaging an energy shortage in the Alaska Railbelt.

The company said that it needed upfront sales contracts to justify the hundreds of millions of dollars of investment required to bring additional natural gas supplies online.

In arranging financing, BlueCrest has depended heavily on the Alaska Industrial Development and Export Authority, a public corporation created in the late 1960s to spur economic activity in the state.

AIDEA partnership

In arranging financing, BlueCrest has depended heavily on the Alaska Industrial Development and Export Authority, a public corporation created in the late 1960s to spur economic activity in the state. The recent passage of House Bill 50 gave AIDEA the authority to loan funds to a company based on its proven undeveloped or developed oil and gas reserves. "It will be important for the legislators now to appropriate the funds necessary to fund this loan program to the producers," Martinek wrote to Nottingham.

AIDEA's involvement in the project dates to 2015, when it provided a loan to bring an onshore drilling rig to the Cosmopolitan unit for an extended-reach drilling program.

A series of internal and external issues — construction delays on the rig, the state suspending its tax credit program, and the drop in oil prices during the early months of the coronavirus pandemic — led to various modifications, most recently in August 2023.

In his letter, Martinek said BlueCrest was working with AIDEA on a loan to fund drilling of the H10 well and to finish preparatory work on the Tyonek Gas Project. "There is also a possibility that other lenders will join in on the loans given to BlueCrest now that the State has taken an interest in the development of these oil and gas projects. We continue to work with two other groups outside of AIDEA to jointly fund this project," he wrote.

Plans of development

The Division of Oil and Gas was unsatisfied with the response. In a letter dated Aug. 26, Nottingham asked BlueCrest for more details about its financing and supply contracts.

"January 2027 is now 29 months, or a little less than two and a half years away —

see **PRODUCERS PREVIEW** page 5

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THIS MONTH IN HISTORY

Seismic, possible well planned at Cosmo

20 years ago: Cosmopolitan unit operator ConocoPhillips to begin shooting 3D seismic within year, following successful drilling

Editor's note: This story first appeared in the Nov. 21, 2004, issue of Petroleum News.

By KRISTEN NELSON

Petroleum News

ConocoPhillips Alaska has told state and federal officials it will begin shooting 3D seismic at the Cosmopolitan unit off the lower Kenai Peninsula in Southcentral Alaska's Cook Inlet within a year, following up on successful drilling.

ConocoPhillips predecessor Phillips Alaska began drilling the Hansen No. 1 at Cosmopolitan in the fall of 2001 and the state-federal unit was approved Nov. 14, 2001.

An initial three-year plan called for either 3D seismic or a sidetrack to the Hansen well. ConocoPhillips sidetracked the Hansen in 2003, and production tested the Hansen 1A, which state records show as a single-completion oil well.

Pennzoil drilled the discovery well at Cosmopolitan, the Starichkof State No. 1, in 1967 from a jack-up rig, recovering oil at 6,800 feet and 6,900 feet in a 12,112-foot vertical hole. The state found that well capable of production. A second well, the Starichkof State Unit No. 1, drilled some 2 miles from the discovery well, found water in the Hemlock formation at 7,355 feet and a slight amount of gas around 4,000 feet; the discovery was never developed.

The current unit was approved in 2001 with a three-year plan. The new, two-year plan for the unit, approved by regulators in early November 2004, requires that a minimum of 40 square miles of 3D seismic be acquired beginning no later than Nov. 14, 2005, with acquisition to be complete by Nov. 14, 2006, or the drilling of another well.

The well alternative requires ConocoPhillips to commit to drill by Nov. 14, 2005, and drill by the end of the plan period in November 2006.

The new well would be required "to penetrate the Lower Tyonek sand-prone interval" found in the Starichkof State No. 1 well, or a true vertical depth of 6,500 feet subsea, by Nov. 14, 2006. The well could be a sidetrack or a new well, but the bottomhole would need to be more than 500 feet from the bottomhole location of the Hansen 1 and Hansen 1A wells.

ConocoPhillips Alaska has a 70% working interest in Cosmopolitan and is the unit operator. Forest Oil had a 25% working interest and Devon Energy held the remaining 5%, but earlier this year Oklahoma-based Devon picked up half of Forest's interest, so Devon now holds a 17.5% working interest ownership and Forest holds 12.5%.

ConocoPhillips has been looking for another partner at Cosmopolitan, shopping a portion of its working interest in exchange for funding of seismic or a delineation well at the North American Prospects Expo in Houston in February. A source at ConocoPhillips told Petroleum News in mid-November that Devon was farming in on the remaining available working interest "in order to get another well drilled" at Cosmopolitan.

That information had not been officially confirmed by either ConocoPhillips or Devon at the time this edition of Petroleum News went to press on Nov. 17.

Devon Canada, a Calgary-based subsidiary of Devon Energy, oversees Devon's Alaska North Slope assets. ●

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PRODUCERS PREVIEW

a very short timeframe for the execution of significant development activity. Based on the information above, please also share how the contingencies or uncertainties in the current funding opportunities affect this delivery date," Nottingham wrote in the August letter.

In its 11th plan of development, for calendar year 2025, BlueCrest said it was "working with a large investment firm" to secure funding for Cosmopolitan. Combined with AIDEA funding, these third party funds would "totally fund" drilling of the H10 Trident Fishbone Well in 2025 and bringing the Tyonek Gas Project online by mid-2027.

According to the plan of development, BlueCrest had already completed long lead-time permitting for 2025 operations and was working on permits for the 2027 program. The company said it still needed to complete final permitting for the 2025 program. The state had yet to approve the plan by the time The Producers went to print in November 2024.

History

BlueCrest came to Alaska in the early 2010s as a partner of Buccaneer Energy Ltd., which operated Cosmopolitan. As part of bankruptcy proceedings, BlueCrest took over as sole owner and operator and brought the unit online in early 2016 from an existing well.

The company commissioned a mechanical refrigeration unit at Cosmopolitan in 2020 capable of processing as much as 35 million cubic feet of natural gas per day. The two current Cosmopolitan projects have been on the docket for years, delayed by a global pandemic, oil price fluctuations, and uncertain financial markets and tax regimes.

The Cosmopolitan unit produced nearly 260,000 barrels of oil and 465 million cubic feet of natural gas in 2023, according to the Alaska Oil and Gas Conservation Commission, down from 281,000 barrels of oil and 587 million cubic feet of natural gas in 2022. The unit has produced 2.3 million barrels of oil and 9.2 billion cubic feet of gas cumulatively. ●

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continued from page 1

PRETTY CREEK

of the pad and require 11,600 cubic yards of gravel fill.

The expansion would provide space necessary for the drill rig and allow safe access and uninterrupted operations and would "support current and future exploration and development activities," Hilcorp said.

The schedule involves obtaining permits and conducting final survey activities this fall, followed by gravel haul and placement this fall, continuing in the winter of 2025, and reworking the gravel and completing the project in the winter and spring of 2025.

The most recent activity at the field was the sidetrack to the Pretty Creek Unit 2 well.

Original drilling at the location, between the Beluga River and Ivan River fields, was by Halbouty Alaska Oil, which drilled the Theodore River 1 in 1969, plugged and abandoned in that same year.

History

Pretty Creek, brought online by Union Oil Company of California in late 1986, has cumulative production of 9.62 billion cubic feet of gas, with 98.4% of that volume produced before Hilcorp took over in late 2011 when it acquired Chevron/Unocal's Cook Inlet assets and became operator at Pretty Creek.

Just one well, Pretty Creek Unit 2, is currently shown on AOGCC production data, and in September, the most recent month for which AOGCC production data are available, that well is shown as shut-in, although it has produced sporadically since the field last saw regular production in 2019.

Original drilling at the location, between the Beluga River and Ivan River fields, was by Halbouty Alaska Oil, which drilled the Theodore River 1 in 1969, plugged and abandoned in that same year.

The well was renamed Pretty Creek 2 after it was re-entered in 1979 by Chevron.

AOGCC shows Pretty Creek producing from an undefined gas pool, with information on the PCU 2A sidetrack showing it targeting the Sterling and Beluga sands.

—KRISTEN NELSON

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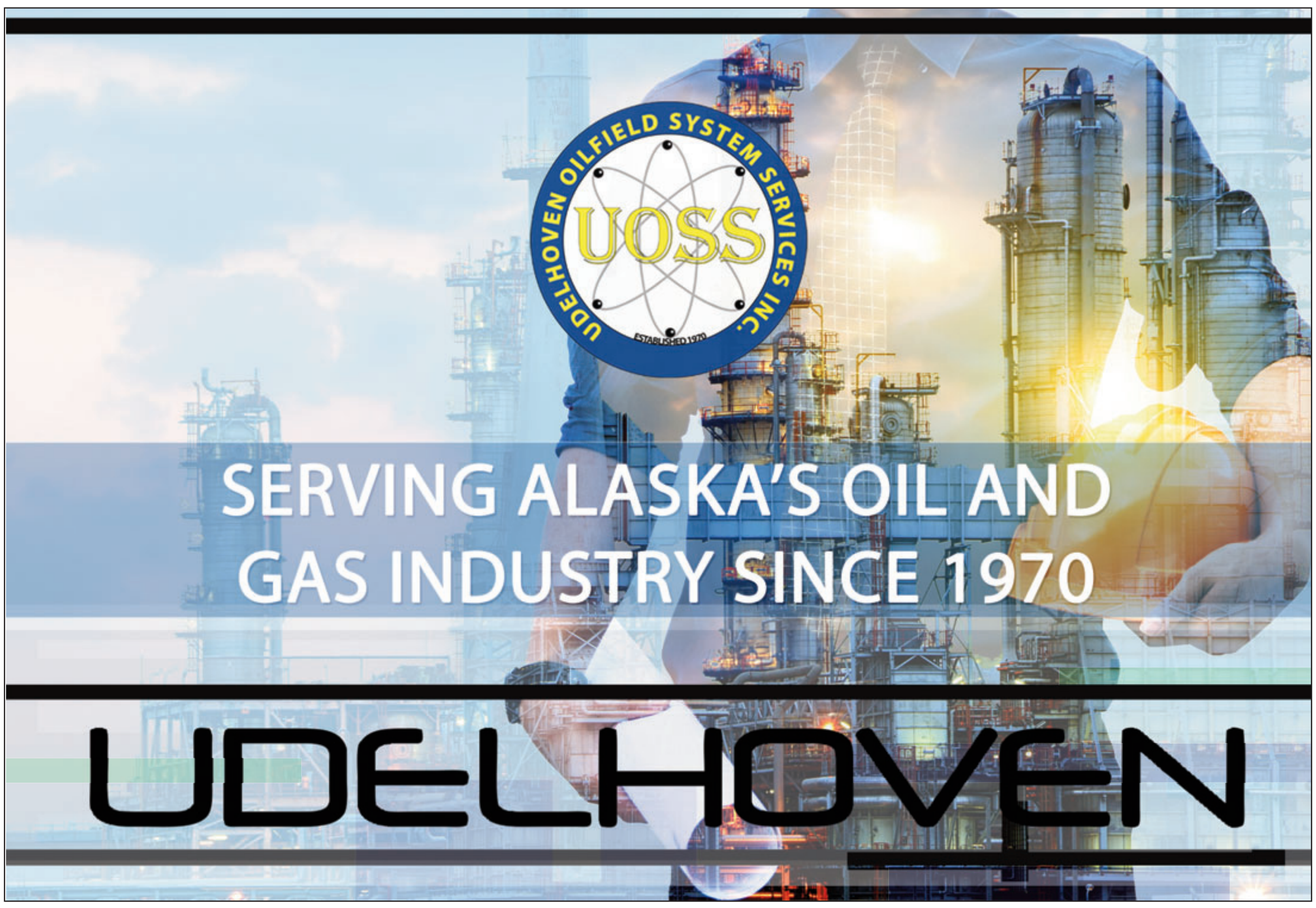

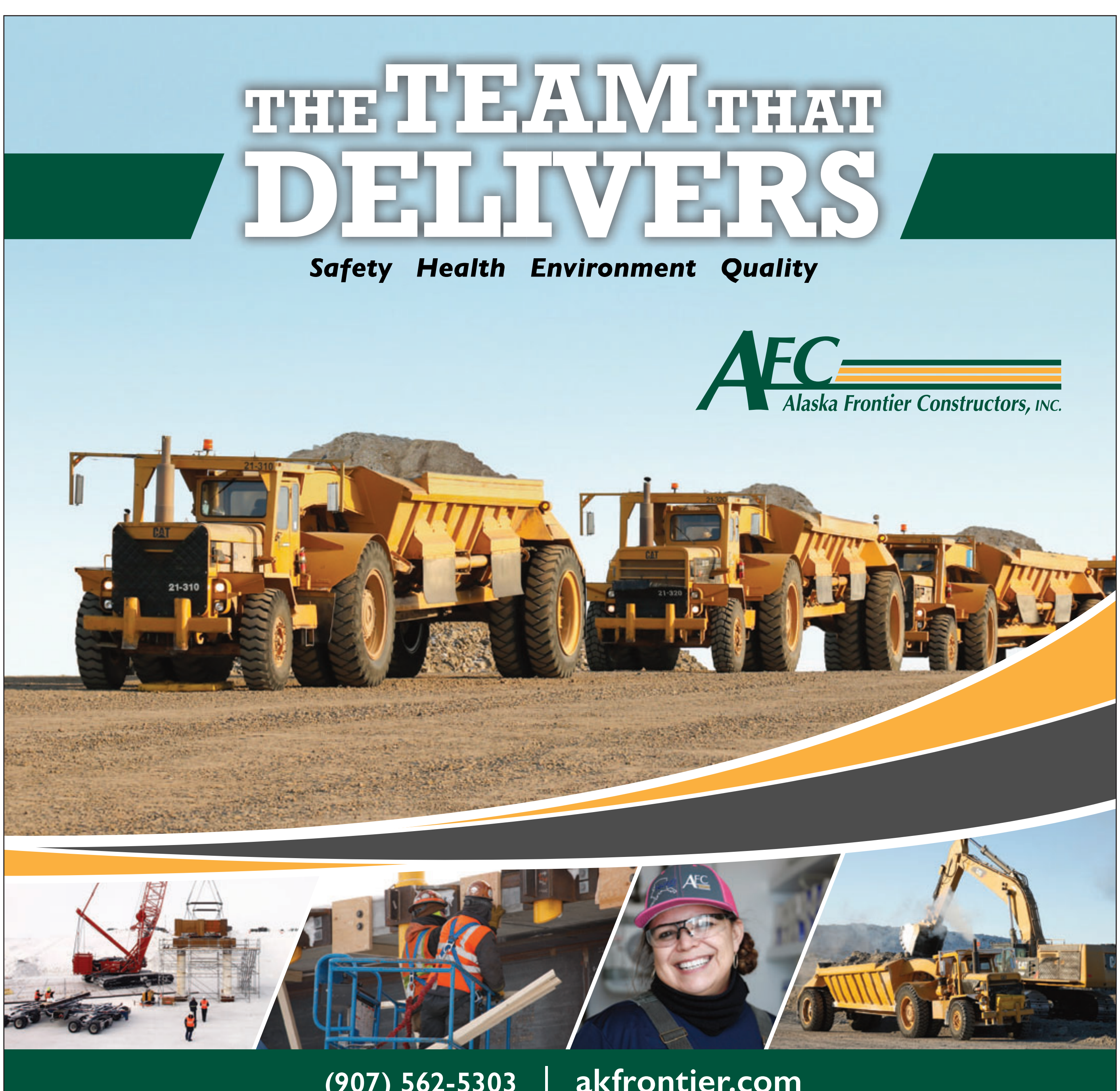

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EIA OUTLOOK

$2.20 per million British thermal units in October, down 4% from a September average of $2.28.

Consumption declined in October, led by a 6 bcf per day, 14%, decline in gas consumption in the electric power sector, "offsetting an increase in consumption in the residential and commercial sectors." But electric power sector consumption was still up 13% from the five-year average for October, reflecting "lower natural gas prices and higher air-conditioning use in parts of the United States experiencing extended summer-like conditions."

EIA expects Henry Hub to rise in the next three months and average more than $2.80 per million Btu for the first quarter of 2025, with an average price of $2.90 for all of 2025, 33% higher than the 2024 average of $2.20, mainly due to increased LNG exports, forecast to increase by nearly 2 bcf per day in 2025 "with continued strong international demand for LNG as export capacity expands."

Refining capacity

EIA said it expects U.S. refining capacity to be 17.9 million bpd by the end of 2025, down 3% from the beginning of the year.

Refinery margins — the difference between the selling price and production cost — for gasoline and diesel, the crack spreads, are expected to remain relatively unchanged in 2025.

"Crack spreads have been declining steadily since 2022, and we expect them to hold steady next year, even with the decrease in refining capacity," said EIA Administrator Joe DeCarolis.

LyondellBasell Industries plans to close its Houston refinery in the first quarter, removing nearly 264,000 bpd of domestic refining capacity, EIA said, and Phillips 66 has announced it will cease operations at its Los Angeles refinery in the fourth quarter of 2025, which will remove another 138,700 bpd of capacity.

"The good news from a consumer perspective is that lower crack spreads have resulted in reduced gasoline and diesel prices at the pump," DeCarolis said.

The agency expects gasoline to average about $3.20 per gallon and diesel about $3.60 next year. In 2023 gasoline averaged $3.50 per gallon and EIA forecasts an average of $3.30 this year. ●

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MEGREZ WELL

drill the Megrez 1 well. The company is familiar with the rig from past drilling campaigns.

Construction of the gravel pad next to the Dalton Highway was completed in October, and the pad can be used year-round to support future drilling and development activities.

On Oct. 14 the Alaska Department of Natural Resources' Division of Oil and Gas sent Patrick Galvin, Great Bear Pantheon's chief commercial officer, approval to adjust the downhole location of the Megrez 1 well.

The surface location of the Megrez pad will remain the same as described in the original approval dated Aug. 29, however the well trajectory will pass through ADL 394101 and terminate in ADL 394202.

The non-unitized leases are operated by Great Bear and are directly adjacent to the Talitha Unit

This plan modification also included widening of the driveway from the previously approved width of 24 feet to 34 feet. The increased width is necessary to provide the drill rig and support equipment safe access to the site.

Initial results from the Megrez 1 exploration well will be announced when drilling operations are complete.

Trump's support

Pantheon said it "was greatly encouraged by the supportive words made by the President-elect and by the Governor of Alaska last week with respect to their intentions for progressing the proposed Alaska natural gas pipeline (Phase 1 of the Alaska LNG project)."

President-elect Donald J. Trump "gave a supportive address on progressing the proposed Alaska natural gas pipeline," Pantheon said.

"Pantheon has a gas sales agreement with the Alaska Gasline Development Corporation for the supply of up to 500 million cubic feet per day."

A copy of Trump's speech can be found at: https://www.facebook.com/GovDunleavy/videos/president-trump-addresses-alaska/514641971572044/

—KAY CASHMAN

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MILNE PLANS

and the most recent POD, using 2024 volumes, shows an average of 43,474 bpd for that same period, up 8.84%.

43rd POD

Milne produces from the Kuparuk reservoir in the Kuparuk participating area, the Schrader Bluff reservoir in the Schrader Bluff PA and the Sag River reservoir in the Sag River PA. There are also multiple wells on tract operation production.

In the 43rd POD, Jan. 13, 2025, through Jan. 12, 2026, Hilcorp said it anticipates drilling 19 rotary wells, with 18 potential candidates in the Schrader Bluff formation — half producers, half injectors — and one in the Kuparuk producer.

In the 43rd POD, Jan. 13, 2025, through Jan. 12, 2026, Hilcorp said it anticipates drilling 19 rotary wells, with 18 potential candidates in the Schrader Bluff formation — half producers, half injectors — and one in the Kuparuk producer.

The company also expects to do coiled tubing drilling operations on three wells.

It will continue to use the ASR1 rig for well work and workovers "as required to maintain and enhance production."

Major facility projects include H Pad power fluid separation; return gas injection to F and L pads through existing gas injection lines; L and H pad polymer expansion; return water injection to K Pad; CFP A train internals upgrade; and CFP PL 5 upgrade.

Long range the company said it continues to evaluate additional Schrader Bluff drilling opportunities; evaluate performance from the existing S-203 and planned S-204 Ugnu wells to help determine future Ugnu development; evaluate infill drilling opportunities in the Kuparuk formation; and target facility upgrades to increase the production capacity of the unit.

42nd POD

In the 42nd POD Hilcorp said it originally anticipated drilling 20 wells, and then amended that to 24, with the majority Schrader Bluff wells, and two Kuparuk formation wells and two Ugnu formation wells being considered.

The company said in its Oct. 14 POD submittal that it has drilled 16 of the wells with an additional six anticipated to be completed by the end of the POD period Jan. 12.

Fifteen of the wells drilled to date are in the Schrader Bluff formation, seven producers and eight injectors, with an additional five — four producers and one injector — anticipated to be completed by the end of the 42nd POD.

One Kuparuk formation well was drilled, a horizontal producer, and one Ugnu well was anticipated to be drilled by the end of the POD period.

Hilcorp said it anticipated coiled tubing drilling operations on six wells and six, five producers and one injector, were drilled.

There were no planned workover operations, but 20 workovers were completed with an additional 12 planned before the end of the POD period.

Hilcorp said not all of the facility projects anticipated during the 42nd POD have been completed, but two — E Pad power fluid separation and reactivation of the D Pad transmission line to B Pad — are expected to be completed before the end of the POD period, while two others are expected to be initiated during the 42nd POD and continued through the 43rd POD — H Pad power fluid separation and return of gas injection to F and L pads through existing gas injection lines.

Three unanticipated projects were begun under the 42nd POD and will be completed before the end of the period: Solar Titan 130 power generation install at L Pad; CFP B-Train internals upgrade; and J Pad polymer injection expansion.

Operations that deviated from or did not conform to the 42nd POD include R Pad Drillsite construction; CFP 3rd train oil separation; Solar Titan 130 power generation install at L Pad; CFP B Train internals upgrade; and J Pad polymer injection expansion.

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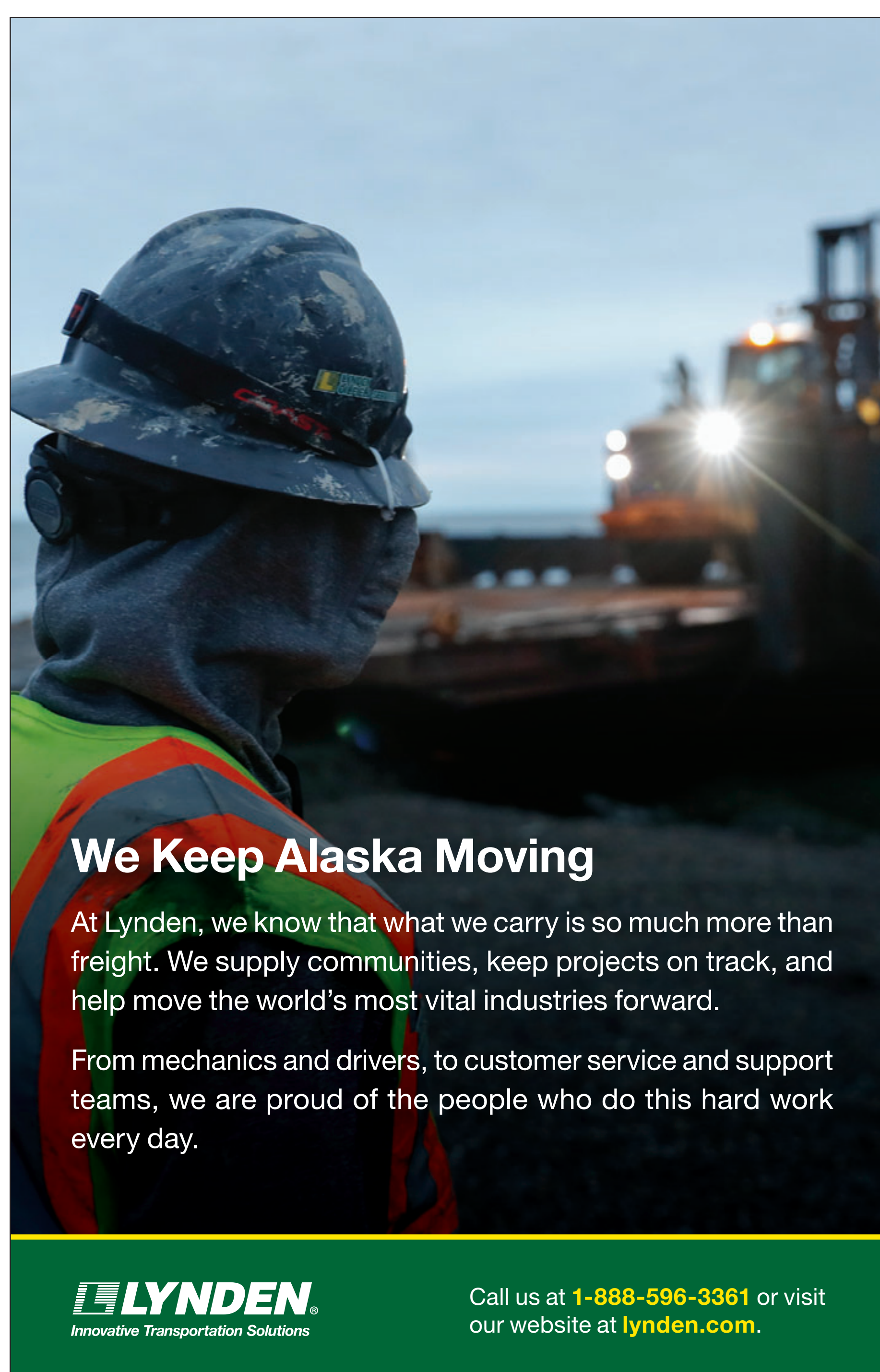

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GREY OWL UNIT

evaluation of all available geologic and geophysical data that relates to the unit area. The owners are expecting to drill an exploration appraisal well during the winter of 2026-27.

On March 13, 2024, Balcony Natural Resources Inc. assigned all Grey Owl leases to Savant Alaska parent Glacier Oil & Gas Corp. which applied for both the unit expansion and removal of a $2.5 million performance bond requirement.

Today Savant is the operator of Grey Owl and the expansion area.

Going back

Going back in time to May 2023, then-operator Balcony applied to form the Grey Owl unit, encompassing 52 leases on 74,677 acres.

Balcony had submitted confidential geological, geophysical, and engineering data which demonstrated that the area proposed for unit formation included all or part of an oil reservoir and potential hydrocarbon accumulations, as required by state statute.

"Exploration efforts within the proposed unit and immediately surrounding area have been extremely limited and include only three wells, all drilled between 1969 and 1990. The primary exploration targets for the proposed unit were stacked turbidite sandstones in the Late Cretaceous and Early Tertiary Brookian interval of the Canning formation. Secondary targets included the Brookian Sagavanirktok formation topset sandstones. The first 2D regional seismic data was acquired in this area during the mid to late 1960s at the time of the Prudhoe Bay discovery. In the early 1990s, an additional 2D seismic survey was acquired covering the eastern part of the North Slope coastal plain. The only 3D regional seismic survey (the proprietary Shaviovik 3D) overlapping the proposed GOU was acquired in the early 2000s," the division said in its partial unit approval.

"The hydrocarbon potential of the Brookian across the North Slope Basin cannot be ignored. Within the Grey Owl Unit, Balcony has interpreted that slope sands deposited by turbidity currents in the Canning formation have been drilled by the West Kavik Unit 1 well, which recovered a minimal amount of light oil in DST 4. The Gyr 1 and Alaska St J 1 wells were interpreted to have had oil shows in the Canning formation interval. Balcony also interprets seismic anomalies from the seismic data located within the proposed Grey Owl Unit that correlate to the base of the Sagavanirktok formation," the division said in its unit approval.

The division approved a modified Grey Owl boundary encompassing only Brookian potential hydrocarbon accumulations.

Exploration tail

The carbon-rich rocks of the Shublik formation are "widely regarded as a prolific source rock critical to the petroleum system of the North Slope of Alaska. Balcony describes the Shublik formation underlying the proposed Grey Owl Unit as a possible source rock resource play" but said that the Shublik resource play is not a primary target and might be evaluated at some later time as an exploration tail to an appraisal well.

The division said the application and confidential data submission do not include "maps or interpretations typically associated with development of resource plays."

Therefore, the "proposed Grey Owl Unit boundary has been modified and approved for only the identified Brookian potential hydrocarbon accumulations, … while excluding the Shublik formation acreage."

The division said in its September 2023 partial unit approval that this satisfies the regulation for a unit to encompass the minimum area required to include all or part of one or more oil or gas reservoirs and all or part of one or more potential hydrocarbon accumulations.

Expansion area description

The 17 tracts in the recent unit expansion request from Glacier were not included in the Grey Owl unit approval.

The proposed expansion area covers 24,164 acres and includes all or portions of the following:

Umiat Meridian, Alaska

T. 05N., R.018 E., Secs. 4, 5, 8, 9 T. 05N., R.020 E., Secs. 22, 23, 25 thru 29, & 32 thru 36 T. 05N., R.021 E., Secs. 4 thru 9,16 thru 20, and 29 & 30 T. 06N., R.018 E., Secs. 22 thru 24, and 26 & 27 T. 06N., R.019 E., Secs. 19 thru 30.

The division said that Savant has provided additional G&G data to support a finding that the 17 expansion tracts should be included in the unit boundary per state statue and criteria.

Bonding discussion

Removing the performance bond requirement for Glacier's Savant in Grey Owl will enable the redirection of financial resources toward drilling new wells, acquiring additional leases, and maximizing investment in Alaska resources to significantly increase the economic benefits for the state, Glacier said in its unit expansion application.

In contrast, requiring Savant to post a $2.5 million performance bond will detract from Savant's ability to develop the unit and other leases, which will negatively impact the state's financial resources, Glacier said.

When the performance bond was imposed Balcony did not have a track record of exploration or development in the area, whereas Savant has an established track record.

As a Glacier company, Savant has "demonstrated over a decade of successful, safe, and compliant operations in Alaska, including ventures in and around the Badami Unit," Glacier said.

Badami facilities

The Badami facilities were designed by original owner BP to provide process and export capabilities for a production rate of 35,000 barrels of oil per day, in addition to processing 22.5 million standard cubic feet per day of produced gas.

This makes Badami's infrastructure especially important to the companies exploring the eastern North Slope with development and production in mind.

Written comments

Any person may file written comments on the unit expansion application. Comments must be received by 4:30 p.m., Dec.10. Contact the division in Anchorage for details. ●

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OIL PRICES

Yawger said Chinese buyers have been "the global demand construction powerhouse for years but are retracing in 2024."

A rising dollar weighed on demand as well, making oil more expensive for buyers that must convert local currency to obtain the dollar-denominated commodity.

ANS plunged $1.21 Nov. 12 to close at $71.02, but WTI added 8 cents to close at $68.12 and Brent added 6 cents to close at $71.89.

On Nov. 11, ANS slid 98 cents to close at $72.24, while WTI plummeted $2.34 to close at $68.04 and Brent plummeted $2.04 to close at $71.83.

Nov. 8 was also a down day: ANS plunged $1.66 to close at $73.21, WTI plunged $1.98 to close at $70.38 and Brent plunged $1.76 to close at $73.87.

ANS and WTI each rose 53 cents Nov. 7 to close at $74.88 and $72.36 respectively, as Brent rose 45 cents to close at $75.63.

OPEC cuts oil demand forecast

The Organization of the Petroleum Exporting countries has cut its global oil demand growth forecast for 2024 in its November Monthly Oil Market Report released Nov. 12.

The cartel sliced 107,000 bpd from its October assessment and is now calling for demand to rise by 1.8 million bpd, year over year, mainly due to updated data for 1Q24, 2Q24 and 3Q24.

For 2025, OPEC revised its global oil demand growth estimate by 103,000 bpd from its October assessment, arriving at a growth estimate of 1.5 million bpd, year over year.

Liquids supply in 2024 from countries not participating in the OPEC+ Document of Cooperation is expected to grow by 1.2 million bpd, year over year — unchanged from October's assessment, OPEC said, adding that the main growth drivers are expected to be the United States and Canada.

Crude oil production by countries participating in the OPEC+ DoC increased by 0.21 million bpd in October compared with September, to average some 40.34 million bpd, "as reported by available secondary sources," OPEC said.

Trump oil production boost questioned

President-elect Donald Trump has said he will remove obstacles to oil and gas drilling in the United States to boost supplies and lower gasoline prices, but Darren Woods, ExxonMobil CEO is urging caution in expectations for actual production growth.

The global market is already well-supplied, Woods told Semafor at the opening of COP29 in Baku, Azerbaijan Nov. 12.

"I don't think today that production in the U.S. is constrained," Woods said. "So, I don't know that there's an opportunity to unleash a lot of production in the near term, because most operators in the US are optimizing their production today."

David Blackmon, Forbes contributor and public policy analyst/consultant agrees.

"Companies' business plans are set to respond to and exploit both public policies and market realities, and that is not going to change," Blackmon said in a Nov. 12 Forbes piece. "Thus, while federal energy policy actions in a 2nd Trump term will certainly be more pro-oil and gas business than they've been during the Biden/Harris years, company management teams will remain bound by market realities that strongly advocate against mounting a new U.S.-focused drilling boom."

Biden/Harris Department of Interior officials, including Interior Secretary Deb Haaland, have employed means to keep the federal leasing process largely inactive despite adverse court orders and statutory requirements for holding regular lease sales, he said, adding, "This will be an area of low-hanging fruit in which Trump will be able to show quick progress."

Public policy can be a powerful force in the oil and gas sector, but market forces remain more powerful still, Blackmon said.

"'Drill, Baby, Drill' is a political slogan, not a business plan," he said. ●

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Oil Patch Bits

Lynden assists OSU engineering team with Formula race car

COURTESY LYNDEN

As reported by Lynden News Nov. 4, earlier this year, Lynden received a request for transportation assistance for a race car built by the Global Formula Racing group at Oregon State University.

"This request aligned with our mission to support local communities where we do business, in this case the Pacific Northwest and OSU, and we also provided transportation and logistics expertise support with international freight service from the U.S. to Germany," says Stuart Nakayama, president of Lynden Logistics. Lynden coordinated the truck transport of the car from Corvallis, Oregon, to Seattle for the air portion of the journey from Seattle to Germany, where OSU's sister university is located. Lynden's Darina Sary and Makayla Valentine in Seattle, and Matthew Wetherbee in Portland, put the plan together.

Global Formula Racing is a partnership between Oregon State University and German university Duale Hochschule Baden-Wurttemberg Ravensburg. Each year the team designs and manufactures two high-performance electric formula style vehicles to compete in races in North America and Europe. More than 50 OSU seniors are completing their projects on the design and manufacturing of the car.

"Overcoming the distance between us presents its own set of challenges, but thanks to Lynden, logistics are no hurdle. Their seamless support with shipments keeps our collaboration thriving," says OSU student Devin Pham, captain of the Global Formula Racing team.

Companies involved in Alaska's oil and gas industry

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BLM OFFERING

days of publishing the SEIS.

Actions by the Biden administration

In 2021 the incoming Biden administration ruled that the original lease sale EIS had been deficient. BLM then placed a moratorium on the permitting of ANWR lease related activities until the EIS had been reworked. Knik Arm Services and Regenerate Alaska, two companies that had purchased leases, subsequently relinquished their leases. In September of last year BLM cancelled the leases of the Alaska Industrial Development and Export Authority, the only other purchaser of leases. AIDEA subsequently took BLM to court, arguing that the lease cancellations had been illegal. In a recent board meeting AIDEA passed a resolution to spend up to $20 million to buy more leases in the expected second lease sale.

In announcing the publication of the new final EIS, BLM said that “the preferred alternative in the plan is informed by science, public comments and cooperating agency input, best balances the five purposes of the refuge, and presents a pathway that honors the refuge’s original purposes while meeting the requirement under the tax act to offer a portion of the refuge for oil and gas leasing.”

According to the SEIS, the five purposes of ANWR, as mandated by statute, are to conserve fish and wildlife populations and habitats; to fulfill international fish and wildlife treaty obligations; to provide the opportunity for continued subsistence use by local residents; to ensure the necessary water quality within the refuge; and to provide for an oil and gas program in the coastal plain.

Several alternatives considered

Having dismissed an alternative involving no action, which would have been illegal under the Tax Cuts and Jobs Act, BLM considered four alternatives for the required second lease sale. The first of these alternatives would make the entire lease program area available for leasing. The second alternative would protect biological and ecological resources by making some portions of the coastal plain unavailable for leasing. This alternative would have the lowest acreage with stipulations for no surface occupancy but would only allow up to 2,000 acres of surface disturbance. A third alternative would include a new suite of lease stipulations and required operating procedures, while also considering climate change impacts and coordination with local communities. Features of

Alaska’s senators slammed the Department of the Interior for the results of the SEIS, arguing that the department’s findings place unacceptable and excessive restrictions on ANWR oil and gas exploration and development.

this alternative would include bans on surface operations in a large portion of the area available to the lease sale, with an estimated area of surface disturbance of 1,464 acres. The fourth alternative, the preferred alternative, limits the available acreage to the minimum of 400,000 acres, while also providing protection for key resources. The total area of surface disturbance would be 1,040 acres, and seismic surveying would only be allowed in areas open for leasing, the SEIS says.

Analysis of environmental impacts

Development of the SEIS involved the consideration and analysis of the potential environmental impacts of the different alternatives. This involved assessing the potential effects of future oil and gas activities on numerous factors such as climate; air quality; soil; water; solid and hazardous waste; vegetation and wetlands; wildlife; land ownership; cultural uses; subsistence uses; environmental justice; visual resources; wilderness; public health; and the economy, the SEIS says.

The SEIS says that BLM has considered a hypothetical oil and gas exploration and development scenario that determined that, of the 1,563,500 acres of federal land in the coastal plain, 427,700 acres have high potential for petroleum resources, 658,500 acres have medium potential and 477,200 acres have low potential. This unconstrained development scenario was applied to each alternative, to assess the potential impacts of surface disturbance. A significant number of potential surface, environmental and societal impacts were assessed.

The upshot has been a decision to approve the most restrictive of the exploration and development options.

Slammed by Alaska senators

Alaska’s senators slammed the Department of the Interior for the results of the SEIS, arguing that the department’s findings place unacceptable and excessive restrictions on ANWR oil and gas exploration and development.

“What DOI has released ignores and makes a mockery of federal law and congressional intent for the coastal plain. We were crystal clear: DOI is responsible for an oil and gas program on the Coastal Plain, to benefit those who live on the North Slope and throughout Alaska and beyond,” said Sen. Lisa Murkowski. “Instead, DOI has chosen to blatantly disregard the law … to attempt to kneecap an entirely reasonable program that can strengthen our economy and national security. It is also deeply offensive and inappropriate for DOI to continue to erase the people of the North Slope — particularly Kaktovik — from the record of this program, as if they don’t exist and shouldn’t have their views on development prevail for the future of the coastal plain.”

Kaktovik is an Alaska Native village in ANWR at the northeastern edge of coastal plain.

“One more time, the Biden-Harris administration is violating the law, ignoring Alaskans, particularly our indigenous communities, and undermining one of the core strengths of the United States — American energy,” said Sen. Dan Sullivan. “At every turn, Joe Biden and Kamala Harris, in alliance with Lower 48 eco-colonialists, have subverted the ANWR oil and gas leasing program mandated by Congress in the Tax Cuts and Jobs Act of 2017. First, the Biden-Harris administration ‘suspended’ leases issued under the Trump administration’s 2021 sale and then unlawfully cancelled them outright. Now, they are once again defying federal law by proposing to close three-quarters of the 1002 Area, including lands that are projected to have substantial resources beneath them.” ●

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