



page February ANS output down 1% from
4 January, down 1.2% from 2022

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Logan touts O&G Historical Society; Conoco ready to go

IN MARCH 29 INTERVIEW with Petroleum News, Rebecca Logan, CEO of the Alaska Support Industry Alliance, said the “end game” of the newly formed Alaska Oil & Gas Historical Society is a physical museum.

Logan and other Alliance members helped form the new non-profit.

“Alaska is the only oil-producing state that doesn’t have a historical society,” she said.

To date the non-profit corporation’s articles of incorporation have been filed and its 501(c)3 status and by-laws approved.

Board members are Joe Mathis, Brad Chastain, Dave Norton, Dave Myers (Alliance representative), Kara Moriarty (AOGA representative), and Dave Haugen. Eventually the society’s board is expected to have 15 members.

“In our first year we will be focused on founding members, collecting papers, pictures, books and the most important project will be our oral history project. We are working with the University of Alaska-Fairbanks on that project,” Logan said.

“A lot of the people we want to interview are in their 90s. UAF has a fantastic oral history department, so they are going to

see **INSIDER** page 10



DNR denies Donkel’s request to form Greater Point Thomson unit

On March 28, the Division of Oil and Gas under a delegation of authority from the commissioner of the Alaska Department of Natural Resources denied Donkel Oil & Gas LLC’s application to form the Greater Point Thomson unit, or GPTU, deciding that approval under state statute was not necessary or advisable to protect the public interest.

The proposed unit is on and offshore the eastern North Slope, covering approximately 58,790 acres. The application was signed by Daniel K. Donkel and Samuel H. Cade, 100% working interest owners of the 24 state oil and gas leases that are the core of the proposed unit. The leases, acquired over time, have varying expiration dates. Unitization would extend the leases by at least five years. Twelve of the 24 leases are already expired with an expiration date of Dec. 31, 2022; two leases expire Nov. 30, 2024; four leases

see **DNR DENIAL** page 10



DEREK NOTTINGHAM

AIDEA, state respond on ANWR, say activities moratorium illegal

In a federal District Court case in which the Alaska Industrial Development and Export Authority is challenging the Department of the Interior’s moratorium on oil and gas lease related activities in the coastal plain of the Arctic National Wildlife Refuge, AIDEA, the state of Alaska and other plaintiffs have responded to a court filing by the Biden administration.

The court case relates to the first lease sale for the coastal plain, held in January 2021 by the Bureau of Land Management. AIDEA, Knik Arm Services LLC and Regenerate Alaska purchased leases in the sale. The lease sale had been required under the terms of the Tax Cuts and Jobs Act, passed by Congress in 2017.

EIS rework

However, shortly after the lease sale President Biden issued an executive order saying that the environmental impact statement for the sale was deficient and required a rework, with

see **ANWR MORATORIUM** page 10

FINANCE & ECONOMY

Relief rally holds

Kurdish supply cut ups prices 5% March 27; Crude draw mutes profit-taking

By **STEVE SUTHERLIN**

Petroleum News

Oil futures fell March 29 as investors locked in gains following a two-day rally.

Alaska North Slope crude declined 69 cents on March 29 to close at \$76.15, while West Texas Intermediate fell 23 cents to close at \$72.97 and Brent fell 37 cents to close at \$78.28.

A dollar recovery also crimped crude prices, as fading fears of a bank crisis prompted bets that the Federal Reserve would have headroom to continue raising interest rates.

Prices advanced in early trading March 29 as the U.S. Energy Information Administration reported a large draw from commercial crude

For the entire sample, firms need \$62 per barrel on average to profitably drill, higher than the \$56 price when the question was asked last year, the survey said. Across regions, average breakeven prices to profitably drill range from \$56 to \$66 per barrel.

inventories, but prices faded into the close.

Oil inventories for the week ending March 24 — excluding Strategic Petroleum Reserve crude — plunged by 7.5 million barrels from the previous week to 473.7 million barrels, 6% above the

see **OIL PRICES** page 9

EXPLORATION & PRODUCTION

Advancing on all fronts

Commitment from two participants for funding, high probability of third source

By **KAY CASHMAN**

Petroleum News

Following is a March 27 Q&A with Jade Energy LLC’s top executive Erik Opstad, followed by previously reported excerpts from Petroleum News to provide background.



ERIK OPSTAD

Q. Kay Cashman: The last time I interviewed you, you were working on raising money for the Sourdough oil development on Alaska’s eastern North Slope adjacent to the ANWR 10-02 Area where, as operator, Jade Energy is 100% owner of ADL 343112 Area F,

Tract 32, in the eastern North Slope’s Point Thomson unit. Have you raised any of those funds?

A. Erik Opstad: Yes, we have a commitment from two participants and high probability of a third source. More details will come later.

Q. Kay Cashman: What about permitting and regulatory approvals? On Dec. 21 Jade cleared one of its last major government approvals when Alaska’s Division of Oil and Gas approved your fifth plan of development to drill a

see **JADE Q&A** page 11

FINANCE & ECONOMY

Oil tax changes on table

Senate bill includes corporate income tax, per barrel credits, ringfencing

By **KRISTEN NELSON**

Petroleum News

The Senate Rules Committee introduced legislation March 24 to fix what the Senate Majority in a press release called “several flaws in Alaska’s oil tax structure.”

Senate Bill 114 would make three changes in the state’s oil and gas tax laws:

- Apply the state’s 9.4% corporate income tax to all oil and gas producers.

- Reduce the per-barrel tax credit from \$8 to \$5 per barrel.

- Ringfence North Slope fields so that lease expenditures can only be applied against the field from which production from those expenditures comes.

SB 114 amends state statute with a new section on corporate income tax, requiring that oil and gas producers with qualified taxable income of more than \$4 million in a tax year will pay 9.4% corporate income tax on taxable income over \$4 million.

Simple v complex

The proposed changes range from simple to complex.

In a Senate Majority press availability on March 28, Sen. Bill Wielechowski, D-Anchorage,

see **OIL TAXES** page 8

GOVERNMENT

AOGCC holds Alpine gas release hearing

ConocoPhillips reviews report on incident filed in May, discusses causal factors, corrective measures subsequently put in place

By KRISTEN NELSON
Petroleum News

The Alaska Oil and Gas Conservation Commission held a public hearing March 23 on the March 2022 natural gas release at ConocoPhillips Alaska’s Alpine CD1.

Commission Chair Brett Huber Sr. and Commissioner Jessie Chmielowski constituted a quorum of the three-member commission for the hearing; Commissioner Greg Wilson, who previously worked for ConocoPhillips, recused himself.

ConocoPhillips presented a review of its final report on the incident, presented to the commission May 3, as previously reported in Petroleum News.

The gas release was discovered March 4, 2022, and continued for several days, the company said. The release was found to be from the WD-03 well, a disposal well being drilled on the CD1 pad.

ConocoPhillips told the commission at the March 23 hearing that the company’s management selected a multidisciplinary team from outside the Alaska Business Unit to do a TapRoot investigation and described this as a process the company typically uses to identify human and/or equipment issues, root causes of incidents and corrective measures to address the issues.

Causal factors

Reviewing the information provided to the commission in its final report, the company said pressure limits were exceeded when an annular leak-off test, LOT, and freeze protect operations were performed on the well Feb. 27-28. This was later identified as the initiating event.

Exceeding pressure limits during the LOT and freeze protect operations most likely broke down the casing shoe on the 13-3/8-inch by 7-5/8-inch annulus, providing an initial pathway for gas, the company said, with a subsequent injection of water likely expanding the pathway.

ConocoPhillips described corrective measures it has taken as a result of the incident: developing a standard freeze-protect document for the North Slope including procedures, pressure limits and contingent solutions; and recognizing that execution can occur across multiple shift patterns and ensuring that critical plan operations are reviewed with personnel performing the work.

The second causal factor cited was that pressure increases in the WD-03 outer annulus following the annular LOT and freeze-protect operations were not recognized and addressed. The pressure increases occurred from March 1 to March 3 and because they were not recognized did not lead to investigation or remedial action.

Corrective measures include development of outer

annulus maximum pressure limits for drilling, communication protocols to the Wells Support Center and consideration of outer annulus pressure sensors on the drilling rig.

ConocoPhillips said key changes include continual monitoring of the outer annulus with a pressure sensor tied into data recording on the rig and a pressure reading recorded at least once per 12-hour shift, with an established outer annulus pressure limit triggering bleed operations and an established communication protocol.

Conditions

In planning for the well, ConocoPhillips said, the C10/Halo interval was not determined to require cementing as it was not considered a significant hydrocarbon zone or abnormally geo-pressured, based, the company said, on evaluation methods used to drill the other 49 wells on the CD1 pad.

The company said the CD1-15 well produces gas intermittently from the C10/Halo, which was determined to be a significant hydrocarbon zone in the CD1-15. CD1-15 is some 4,922 feet northeast of the C10/Halo location in the WD-03 well. The C10/Halo at CD1-15 shows as a seismic bright spot in seismic, the company said.

see ALPINE HEARING page 8

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Alaska-Mackenzie Rig Report

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
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Alaska Rig Status

North Slope - Onshore

All American Oilfield LLC			
IDECO H-37	AAO 111	Stacked in MagTec's Yard	Available
Doyon Drilling			
Dreco 1250 UE	14 (SCR/TD)	Milne Point, MPU-39	Hilcorp Alaska LLC
Dreco 1000 UE	16 (SCR/TD)	Standby	Available
Dreco D2000 Uebd	19 (SCR/TD)	Kuparuk, Demobilizing	ConocoPhillips
AC Mobile	25	Alpine, MT7-11	ConocoPhillips
OIME 2000	141 (SCR/TD)	Standby	Available
	142 (SCR/TD)	Alpine, 3H-36	ConocoPhillips
TSM 700	Arctic Fox #1	Kuparuk, Bear 1	ConocoPhillips
ERD	26	Alpine, CD2-361	ConocoPhillips
Hilcorp Alaska LLC			
Rotary Drilling	Innovation	Prudhoe Bay, Z Pad	Hilcorp Alaska LLC
Nabors Alaska Drilling			
AC Coil Hybrid	CDR-2 (CTD)	Prudhoe Bay, L4 Pad	Hilcorp Alaska LLC
AC Coil	CDR-3 (CTD)	Kuparuk	ConocoPhillips
Dreco 1000 UE	7-ES (SCR-TD)	Kuparuk	ConocoPhillips
Dreco 1000 UE	9-ES (SCR/TD)	Stacked	Available
Oilwell 2000 Hercules	16-E (SCR/TD)	Stacked	Brooks Range Petroleum
Emsco Electro-hoist			
Oilwell 2000 Canrig 1050E	27-E (SCR-TD)	Stacked	Available
Academy AC Electric CANRIG	99AC (AC-TD)	Stacked	Available
OIME 2000	245-E (SCR-ACTD)	12 Acre Pad, stacked	Available
Academy AC electric CANRIG	105AC (AC-TD)	Stacked	Available
Academy AC electric Heli-Rig	106AC (AC-TD)	Stacked	Available
Nordic Calista Services			
Superior 700 UE	1 (SCR/CTD)	Deadhorse	Available
Superior 700 UE	2 (SCR/CTD/TD)	Hickory 1 well	Accumulate Energy Alaska
Ideco 900	3 (SCR/TD)	Milne Point	Hilcorp Alaska LLC
Rig Master 1500AC	4 (AC/TD)	Oliktok Point	ENI
Parker Drilling Arctic Operating LLC			
NOV ADS-10SD	272	Deadhorse Yard, undergoing maintenance/upgrades	Santos
NOV ADS-10SD	273	Deadhorse, Stacked	Available

North Slope - Offshore

Doyon Drilling			
Sky top Brewster NE-12	15 (SCR/TD)	Spy Island SP42-NE4	ENI
Nabors Alaska Drilling			
OIME 1000	19AC (AC-TD)	Oooguruk, Cold Stacked	ENI

Cook Inlet Basin – Onshore

BlueCrest Alaska Operating LLC			
Land Rig	BlueCrest Rig #1	Stacked	BlueCrest Alaska Operating LLC
Glacier Oil & Gas			
	Rig 37	West McArthur River Unit Workover	Glacier Oil & Gas
Hilcorp Alaska LLC			
TSM-850	147	Beluga River Unit, F Pad	Hilcorp Alaska LLC
TSM-850	169	Pearl Pad	Hilcorp Alaska LLC

Cook Inlet Basin – Offshore

Hilcorp Alaska LLC			
National 110	C (TD)	Platform C, Stacked	Hilcorp Alaska LLC
	Rig 51	Steelhead Platform, Stacked	Hilcorp Alaska LLC
	Rig 56	Monopod A-13, stacked	Hilcorp Alaska LLC
Nordic Calista Services			
Land Rig	36 (TD)	Kenai, stacked	Available
Spartan Drilling			
Baker Marine ILC-Skidoff, jack-up		Spartan 151, Tyonek Platform	Hilcorp Alaska LLC
Glacier Oil & Gas			
National 1320	35	Osprey Platform, activated	Glacier Oil & Gas

Mackenzie Rig Status

Canadian Beaufort Sea

SDC Drilling Inc.			
SDC Mobile Offshore Drilling Unit Rig #2		Set down at Roland Bay	Available

The Alaska-Mackenzie Rig Report as of March 29, 2023.
Active drilling companies only listed.

TD = rigs equipped with top drive units WO = workover operations
CT = coiled tubing operation SCR = electric rig

This rig report was prepared by Marti Reeve



JUDY PATRICK

Baker Hughes North America rotary rig counts*

	March 24	March 17	Year Ago
United States	758	754	670
Canada	165	207	140
Gulf of Mexico	17	16	14

Highest/Lowest		
US/Highest	4530	December 1981
US/Lowest	244	August 2020
*Issued by Baker Hughes since 1944		

The Alaska-Mackenzie Rig Report
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● EXPLORATION & PRODUCTION

February production down 1% from January

ANS averages 496,470 bpd, down from 500,747; down 1.2% from February '22; Cook Inlet crude up 4% from January, down from '22

Cook Inlet natural gas down 1.2%

Cook Inlet natural gas production averaged 222,418 thousand cubic feet per day in February, down 2,784 mcf per day, 1.2%, from a January average of 225,202 mcf per day but up 5.7% from a February 2022 average of 210,500 bpd. This data is from the Alaska Oil and Gas Conservation Commission, which reports production on a month-delay basis. For natural gas AOGCC reports measurements in thousands of cubic feet, mcf.

The six largest fields — each accounting for at least 5% of the total volume — produced 80.1% of Cook Inlet natural gas production in February, an average of 178,183 mcf per day.

Hilcorp Alaska's Ninilchik averaged 48,958 mcf per day in February, 22% of the total, down 1,197 mcf per day, 2.4%, from a January average of 50,155 mcf per day but up 56.7% from a February 2022 average of 31,238 mcf per day.

Hilcorp-operated Beluga River averaged 41,061 mcf per day in February, 18.5% of the total, up 3,011 mcf per day, 7.9%, from a January average of 38,050 mcf per day and up 20.3% from a January 2022 average of 34,145 mcf per day. Chugach Electric Association is the majority owner at Beluga.

Hilcorp's North Cook Inlet averaged 37,501 mcf per day in February, 16.9% of the total, down 1,386 mcf per day, 3.6%, from a January average of 38,886 mcf per day but up 22.6% from a February 2022 average of 30,599 mcf per day.

see **INLET GAS** page 5

By **KRISTEN NELSON**
Petroleum News

Alaska North Slope production averaged 496,470 barrels per day in February, down 0.9%, 4,277 bpd, from a January average of 500,747 bpd and down 1.2% from a February 2022 average of 502,443 bpd.

Crude oil represents 88.1% of February ANS production, averaging 437,181 bpd, down 2,553 bpd, 0.6%, from a January average of 439,735 bpd and down 0.8% from a February 2022 average of 440,855 bpd. Natural gas liquids, NGLs, make up 11.9% of the February ANS volume, 59,288 bpd, down 1,724 bpd, 2.8%, from a January average of 61,012 bpd and down 3.7% from a February 2022 average of 61,588 bpd.

Production data come from the Alaska Oil and Gas Conservation Commission which reports production by field and well on a month delay basis.

Largest decline at Prudhoe

The largest month-over-month decrease in production was at the Hilcorp North Slope-operated Prudhoe Bay field, which averaged 279,166 bpd in February, down 2,515 bpd, 0.9%, from a January average of 281,681 bpd and down 0.3% from a February 2022 average of 278,398 bpd.

Crude accounted for 80.1% of Prudhoe production in February, averaging 223,718 bpd, down 915 bpd, 0.4%, from a February average of 224,633 bpd but up 1.1% from a February 2022 average of 221,198 bpd. NGLs made up 19.9% of Prudhoe production in February, averaging 55,448 bpd, down 1,600 bpd, 2.8%, from a January average of 57,048 bpd and down 3.1% from a February 2022 average of 57,200 bpd.

In addition to the primary reservoir, production volumes from Prudhoe include Aurora, Borealis, Lisburne, Midnight Sun, Niakuk, Polaris, Point McIntyre, Put River, Raven and Schrader Bluff.

The ConocoPhillips Alaska-operated Kuparuk River field averaged 80,948 bpd in February, down 1,563 bpd, 1.9%, from a January average of 82,511 bpd and down 3.9% from a February 2022 average of 84,267 bpd.

In addition to the main Kuparuk pool, Kuparuk produces from satellites at Tabasco and Tarn, and from West Sak.

ConocoPhillips' Greater Mooses Tooth in the National Petroleum Reserve-Alaska averaged 15,751 bpd in February, down 1,115 bpd, 6.6%, from a February average of 16,866 bpd and down 3.6% from a February 2022 average of 16,332 bpd. There are two pads at GMT, the original GMT1 producing from the Lookout pool and GMT2, producing from the Rendezvous pool. GMT2 had its first full month of production in December 2021. For February, GMT1 produced from only one well and accounted for 12.7% of GMT production, compared to GMT2, producing from seven wells and accounting for 87.5% of GMT production. Production was down from both pads month over month.

Other month-over-month declines

Eni's Nikaitchuq averaged 16,258 bpd in February, down 631 bpd, 3.7%, from a January average of 16,889 bpd and down 5.5% from a February 2022 average of 17,211 bpd.

Hilcorp Alaska's Endicott averaged 6,376 bpd in February, down 237 bpd, 3.6%, from a January average of 6,613 bpd and down 3% from a February 2022 average of 6,576 bpd. Crude oil was 89.4% of Endicott production in February, averaging 5,698 bd, down 133 bpd, 2.3%, from a February average of 5,831 bpd but up 1.1% from a February 2022 average of 5,637 bpd. NGLs were 10.6% of Endicott production in February, an average of 678 bpd, down 103 bpd, 13.2%, from a January average of 782 bpd and down 27.8% from a February 2022 average of 939 bpd.

Hilcorp Alaska's Northstar averaged 6,835 bpd in February, down 89 bpd, 1.3%, from a January average of 6,924 bpd and down 15.7% from a February 2022 average of 8,109 bpd. In February 53.7% of Northstar's production was crude oil, averaging 3,673 bpd, down 68 bpd, 1.8%, from a January average of 3,741 bpd and down 21.2% from a February 2022 average of 4,660 bpd. Northstar NGLs were 46.3% of the field's volume in February, averaging 3,162 bpd, down 20 bpd, 0.6%, from a January average of 3,182 bpd and down 8.3% from a February 2022 average of 3,449 bpd.

Month-over-month increases

The largest month-over-month

see **ANS OUTPUT** page 5

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ANS OUTPUT

increase in February was at the Hilcorp Alaska-operated Point Thomson unit, which averaged 8,136 bpd, up 848 bpd, 11.6%, from a January average of 7,288 bpd but down 1.1% from a February 2022 average of 8,230 bpd.

Hilcorp Alaska’s Milne Point averaged 39,655 bpd in February, up 541 bpd, 1.4%, from a January average of 39,114 bpd and up 4.4% from a February 2022 average of 37,972 bpd.

ConocoPhillips’ Colville River averaged 36,170 bpd in February, up 364 bpd, 1%, from a January average of 35,806 bpd but down 5.7% from a February 2022 average of 38,371 bpd.

In addition to oil from the main Alpine pool, Colville includes production from the Nanuq and Qannik oil pools.

Eni’s Oooguruk averaged 6,670 bpd in February, up 117 bpd, 1.8%, from a January average of 6,553 bpd and up 12.7% from a February 2022 average of 5,917 bpd.

Savant Alaska’s Badami averaged 504 bpd in February, basically flat from January production averaging 503 bpd, but down 52.5% from a February 2022 average of 1,060 bpd. Savant is a Glacier Oil and Gas company.

Cook Inlet production averaged 9,122 bpd in February — 99.2% crude, 0.8% NGLs — up 4.1% from a January average of 8,762 bpd but down 4.1% from a February 2022 average of 9,517 bpd.

Cook Inlet production up 4%

Cook Inlet production averaged 9,122 bpd in February — 99.2% crude, 0.8% NGLs — up 4.1% from a January average of 8,762 bpd but down 4.1% from a February 2022 average of 9,517 bpd.

Cook Inlet Energy’s Redoubt Shoal averaged 585 bpd in February, up 127 bpd, 27.8%, from a January average of 457 bpd but down 46.2% from a February 2022 average of 1,087 bpd. CIE is a Glacier Oil and Gas company. CIE’s West McArthur River averaged 438 bpd in February, up 78 bpd, 21.6%, from a January average of 360 bpd and up 56.1% from a February 2022 average of 280 bpd.

Hilcorp Alaska’s Swanson River averaged 787 bpd in February, up 61 bpd, 8.3%, from a January average of 726 bpd and up 17.7% from a February 2022 average of 669 bpd. Swanson is the only Cook Inlet field reporting NGL production, 9.3% of volume in February, averaging 73 bpd, down 18 bpd, 20.1%, from a January average of 91 bpd

and down 32.5% from a February 2022 average of 108 bpd. Crude production at the field averaged 714 bpd in February, 90.7% of volume, up 79 bpd, 12.4%, from a January average of 635 bpd and up 27.3% from a February 2022 average of 561 bpd.

Hilcorp’s Beaver Creek averaged 550 bpd in February, up 43 bpd, 8.5%, from a January average of 507 bpd, but down 5.4% from a February 2022 average of 582 bpd.

Hilcorp’s McArthur River averaged 2,901 bpd in February, up 22 bpd, 0.8%, from a January average of 2,879 bpd and up 6.1% from a February 2022 average of 2,735 bpd.

Hilcorp’s Trading Bay averaged 843 bpd in February, up 21 bpd, 2.5%, from a January average of 822 bpd but down 0.2% from a February 2022 average of 844 bpd.

Hilcorp’s Granite Point averaged 2,288 bpd in February, up 13 bpd, 0.6%, from a January average of 2,274 bpd but down 9.2% from a February 2022 average of 2,519 bpd.

BlueCrest’s Hansen averaged 732 bpd in February, down 4 bpd, 0.6%, from a January average of 736 bpd and down 8.6% from a February 2022 average of 801 bpd.

ANS crude oil production peaked in 1988 at 2.1 million bpd; Cook Inlet crude oil production peaked in 1970 at more than 227,000 bpd. ●

Contact Kristen Nelson at knelson@petroleumnews.com

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INLET GAS

Hilcorp’s Kenai averaged 23,099 mcf per day in February, 10.4% of the total, up 20 mcf per day, 0.1%, from a January average of 23,079 mcf per day, but down 17.9% from a February 2022 average of 28,117 mcf per day.

Hilcorp’s McArthur River averaged 15,488 mcf per day in February, 7% of the total, down 184 mcf per day, 1.2%, from a January average of 15,672 mcf per day and down 22.3% from a February 2022 average of 19,920 mcf per day.

Furie’s Kitchen Lights averaged 12,077 mcf per day in February, 5.4% of the total, down 104 mcf per day, 0.9%, from a January average of 12,181 mcf per day and down 2% from a February 2022 average of 12,321 mcf per day.

Fourteen smaller fields had a combined production of 19.9% of Cook Inlet production in February.

Hilcorp’s Beaver Creek averaged 8,849 mcf per day in February, down 100 bpd, 1.1%, from a January average of 8,950 mcf per day but up 14.9% from a February 2022 average of 7,700 bpd.

Hilcorp’s Swanson River averaged 7,729 mcf per day in February, down 718 mcf per day, 8.5%, from a January average of 8,447 mcf per day and down 48.4% from a February 2022 average of 14,976 mcf per day.

Hilcorp’s Ivan River averaged 6,928 mcf per day in

February, down 9 mcf per day, 0.1%, from a January average of 6,937 mcf per day and down 12% from a February 2022 average of 7,874 mcf per day.

Hilcorp’s Cannery Loop averaged 4,762 mcf per day in February, down 1,645 mcf per day, 25.7%, from a January average of 6,408 mcf per day and down 1.5% from a February 2022 average of 4,837 mcf per day.

Hilcorp’s Deep Creek averaged 4,033 mcf per day in February, down 85 mcf per day, 2.1%, from a January average of 4,117 mcf per day but up 26.4% from a February 2022 average of 3,191 mcf per day.

Hilcorp’s Granite Point averaged 3,327 mcf per day in February, up 2 mcf per day, 0.1%, from a January average of 3,325 mcf per day but down 5.9% from a February 2022 average of 3,537 mcf per day.

Vision Operating’s North Fork averaged 2,712 mcf per day in February, down 265 mcf per day, 8.9%, from a January average of 2,977 mcf per day and down 18.1% from a February 2022 average of 3,311 mcf per day.

AIX’s Kenai Loop averaged 1,964 mcf per day in February, down 451 mcf per day, 18.7%, from a January average of 2,415 mcf per day and down 48.5% from a February 2022 average of 3,810 mcf per day.

BlueCrest’s Hansen averaged 1,538 mcf per day in February, down 64 mcf per day, 4%, from a January average of 1,602 mcf per day and down 6.9% from a February 2022 average of 1,652 mcf per day.

Hilcorp’s Trading Bay averaged 1,255 mcf per day in February, up 237 mcf per day, 23.3%, from a January

average of 1,018 mcf per day but down 9.6% from a February 2022 average of 1,388 mcf per day.

Hilcorp’s Lewis River averaged 409 mcf per day in February, up 35 mcf per day, 9.3%, from a January average of 374 mcf per day but down 56.9% from a February 2022 average of 948 mcf per day.

Amaroq’s Nicolai Creek averaged 281 mcf per day in February, up 123 mcf per day, 78.3%, from a January average of 157 mcf per day and up 174.3% from a February 2022 average of 102 mcf per day.

Hilcorp’s Nikolaevsk averaged 214 mcf per day in February, down 10 mcf per day, 4.3%, from a January average of 224 mcf per day and down 15.2% from a February 2022 average of 252 mcf per day.


Cook Inlet Energy’s Redoubt averaged 136 mcf per day in February, up 7 mcf per day, 5.1%, from a January average of 130 mcf per day but down 41.4% from a February 2022 average of 233 mcf per day. CIE is a Glacier Oil and Gas company.

CIE’s West McArthur River averaged 98 mcf per day in February, unchanged from January, and up 76.1% from a February 2022 average of 56 mcf per day.

Cook Inlet natural gas production peaked in the mid-1990s at more than 850,000 mcf per day.

—KRISTEN NELSON


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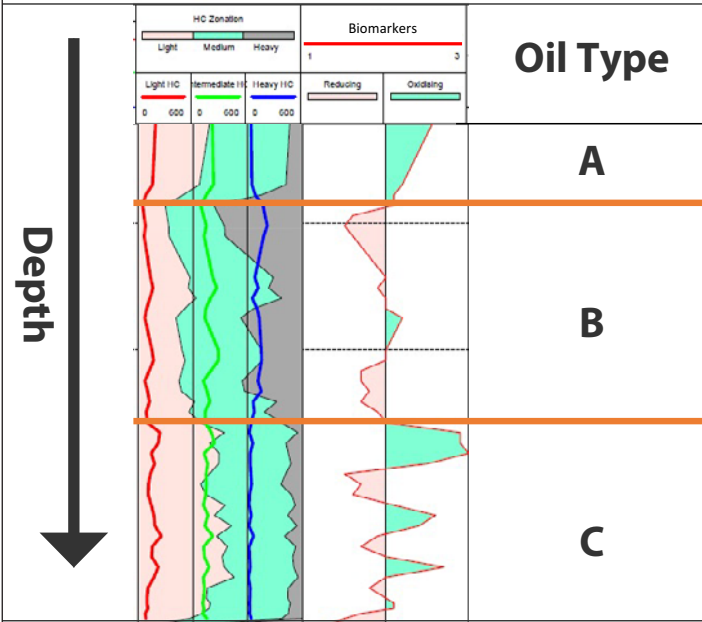


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EXPLORATION & PRODUCTION

State to release Apache Cook Inlet 3D

The Alaska Department of Natural Resources' Division of Oil and Gas said March 23 that it plans to release 3D seismic shot by Apache Alaska Corp. in Cook Inlet.

The location of the data, identified as MLUP/CI 11-003, is township 10-12 north, range 10-13 west and township 13 north, range 11-12 west, Seward Meridian. A map accompanying the division's announcement shows an area on the west side of Cook Inlet, with Beluga at the north onshore edge, including onshore and offshore acreage south beyond Nicolai Creek.

Release will be no less than 30 days following the notice, the division said.

Recipients of credits formerly offered for Cook Inlet exploration were required to submit data to the division. That data is held confidential for 10 years and then released upon 30 days' notice.

—PETROLEUM NEWS

Conoco applies to expand KRU road

ConocoPhillips Alaska has applied to upgrade sections of the road between the 12-acre pad and drill site 2L in the Kuparuk River unit "to widen the curves in the road system to allow for the safe transport of modules for the Willow development project."

The company said improvements would be required at six culverts, along with the extension of three culverts and replacement of nine culverts.

The application, a request to amend the unit plan of operations for the Kuparuk River unit, was filed March 14, with the work proposed to begin April 20 or as soon as required permits are received.

The work would require placing some 47,000 cubic yards of clean gravel fill, which would impact some 5 acres of tundra along the roadside, the company said in its amendment application.

The work would both widen and thicken segments of the road from the 12-acre pad to DS 2L.

Maps accompanying the application show the 12-acre pad south of Kuparuk River drill site 3R and southeast of Oliktok dock at Oliktok Point.

In February ConocoPhillips received approval of a unit plan of operations amendment to expand the 12-acre pad, placing some 18,500 cubic yards of clean gravel fill onto 2.6 acres of tundra, expanding the pad on its western side.

In its application for the 12-acre pad work the company said: "The proposed pad expansion is necessary to provide additional laydown space for the staging and storage of drilling rigs, equipment, piping, and other materials associated with an increase in North Slope projects."

The 12-acre pad work was scheduled to begin in April.

The road upgrades amendment was posted for public comment March 23; the comment period closes April 23.

—KRISTEN NELSON

The company said improvements would be required at six culverts, along with the extension of three culverts and replacement of nine culverts.

EXPLORATION & PRODUCTION

US rotary drill rig count up 4 to 758

By KRISTEN NELSON

Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was up by four the week ending March 24 to 758, and up 88 from a count of 670 for the same period a year ago. This is the third time in the past eight weeks that the count has increased, reversing a downward trend. The high so far this year was 771 on Jan. 20. The high for 2022 was a count of 784 rigs at the beginning of December.

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, 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 March 24 count includes 593 rigs targeting oil, up by four from the previous week and up 62 from 531 a year ago, with 162 rigs targeting natural gas, unchanged from the previous week and up 25 from 137 a year ago, and three miscellaneous rigs, unchanged from the previous week and up by one from a year ago.

see **RIG COUNT** page 8

ALTERNATIVE ENERGY

AEA drops one Bradley Lake alternative

Project expected to increase hydroelectric output by 10%; Dixon Diversion will be focus; powerhouse proposal dropped

By KRISTEN NELSON

Petroleum News

The Alaska Energy Authority issued an update March 27 for its proposed Dixon Diversion for the Bradley Lake Project, dropping one of two alternatives it had been considering for increasing the power output from Bradley Lake, which provides some 10% of the electric power used by Railbelt utilities.

AEA is pursuing Federal Energy Regulatory Commission authority to amend the license associated with the 120-megawatt Bradley Lake hydroelectric project.

The amendment would authorize it to divert water from Dixon Glacier to generate additional power.

AEA said it had initiated the pre-filing amendment process in April 2022, describing two alternative project configurations.

The Dixon to Bradley Lake alternative would be "an interbasin transfer of water from the toe of the Dixon glacier to the southwestern portion of Bradley Lake," AEA said, while the Dixon to Martin River alternative would direct water to a new powerhouse on the Martin River.

AEA said it has continued to review project feasibility and economics and based on additional review, no longer intends to pursue the Dixon to Martin River alternative, because consultation and additional review indicated Martin River "would result in potential increased impacts to wildlife, wetlands, and cultural resources" compared to the Dixon to Bradley Lake alternative. AEA also said that preliminary engineering assessment indicated the Dixon to Martin River alternative "would result in greater capital and

see **BRADLEY LAKE** page 8



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● EXPLORATION & PRODUCTION

Interest in Alaska muted by uncertainty

Few Alaska exploration wells drilled, but wells potential high impact; need medium-sized companies for vibrant corporate landscape

By **STEVE SUTHERLIN**
Petroleum News

Oil company interest in Alaska continues to rise, but the outlook for industry players is clouded by uncertainty, according to Mark Oberstoetter, Wood Mackenzie head of upstream Americas.

“The range of uncertainty for a long-term decision is at an all-time high,” Oberstoetter said in a presentation to the Meet Alaska 2023 conference March 17 in Anchorage.

“If you drill an exploration well today it might or might not be producing 15 years from now, yet some economists are telling you demand will be cut in half by then, yet some tell you it’s going to grow,” he said. “There’s a lot of moving policy parts that you believe somewhere in the middle could be realistic.”

The base case holds that oil demand will continue to grow for a few years, then enter a steady decline, he said. The industry is not necessarily investing enough today to meet a growing demand scenario, he said.

Reinvestment rates are still up in the air, Oberstoetter said. Companies are under an investor-led resolve not to outspend cash flow, to be responsible to shareholders.

“We’re starting to see 40% reinvestment,” he said “Will it be enough for the next decade?”

In all the regions around the world, spending will get back to \$500 billion this year in the upstream, he said. WoodMac expects capital discipline to remain the big open question, as production continues to increase most years, through survival periods and capital discipline periods.

There is a lot of growth coming from the Middle East, he said.

“Look at OPEC, who is able to deliver on the targets they’ve made now, or who is able to flex up more if that demand does continue to grow — it’s not a pretty picture,” he said. “Saudi and UAE stand out; Russia was fine, but they’ve moved themselves into the red; the other countries are going to have issues in continuing to grow.”

The WoodMac long standing view is that OPEC is not enough on its own, he added.

Alaska has a unique relationship with deepwater drilling, Oberstoetter said.

“Many basins of this maturity level are in fairly steep decline; you’ve got innovative service companies and operators here that are really working to keep production possible.”
—Mark Oberstoetter, Wood Mackenzie

“Globally deepwater has been interesting to watch over the decades and quite frankly, it’s probably something that competes more with Alaska in terms of the investors and types of companies that want to build projects in conventional regimes — most of their other opportunities are in deepwater.”

Beyond the next few years, deepwater outpaces tight oil in terms of the production growth rate and more countries such as Guyana and Bolivia are being added, he said. WoodMac is looking to 30 countries in deepwater production in the next few years.

Production from some countries will shrink, he said. In Brazil and the Gulf of Mexico, the next few years look good, but after that, replacement volumes are in question.

For forward visibility, WoodMac looks at what companies are doing, besides what they’re saying.

“Gives me a bit of confidence that the Euro majors or other companies still are investing and looking out to a world that needs oil and gas 10 or 15 years from now,” he said. “They continue to spend exploration dollars — not as many as they used to, but they’re also putting some investment dollars into some frontier regions which we know will be a 10- to 15-year type of payback.”

“We do think the 2020s will see price volatility in a wild way, but the overall kind of price view we’ve got is in the \$80s — we think that’s enough to continue tight oil growth, to continue to keep the governments of OPEC fiscally stable, but as well will incentivize investment for the level of production we need to meet demand,” he said. “We do have a view that policies are changing; EV demand is picking up, oil demand will change, but there’s a lot of moving parts to that.”

Alaska exploration looks solid

Compared to exploration activity

around the world, Alaska is looking solid, Oberstoetter said. WoodMac saw a COVID factor in Alaska, but Alaska has recovered back to nine rigs operating.

Exploration wise, there was “not a ton of wells drilled,” with two exploration campaigns on North Slope for this year, he said, adding, “But if they’re the right wells, they can do some tremendous things.”

“In 2016 thru 2022, most volumes were discovered offshore, even when you factor in the Middle East and Russia, but Alaska kind of stands out being an onshore regime which has concession terms and has a viable place for lots of companies to do business,” Oberstoetter said. “In terms of the ranking, Alaska’s eighth in terms of discovered volumes in that period.”

In 2022, one of the top single discoveries was in Alaska: Pantheon’s Theta West, he added.

“Discoveries don’t necessarily mean anything for jobs or royalties or company cash flows, we need to move these discoveries to development,” he said.

Leasing in Alaska was “fairly subdued” last year, but corporations that are core to Alaska did show up and are “still committed and working their portfolios” both on the North Slope and Cook Inlet, he said.

2021 and 2022 saw flat production, but it was positive to see that not only Milne

Point but also Greater Mooses Tooth, Prudhoe Bay, and the outlook for production in existing fields is quite good, he said, adding, “Many basins of this maturity level are in fairly steep decline; you’ve got innovative service companies and operators here that are really working to keep production possible.”

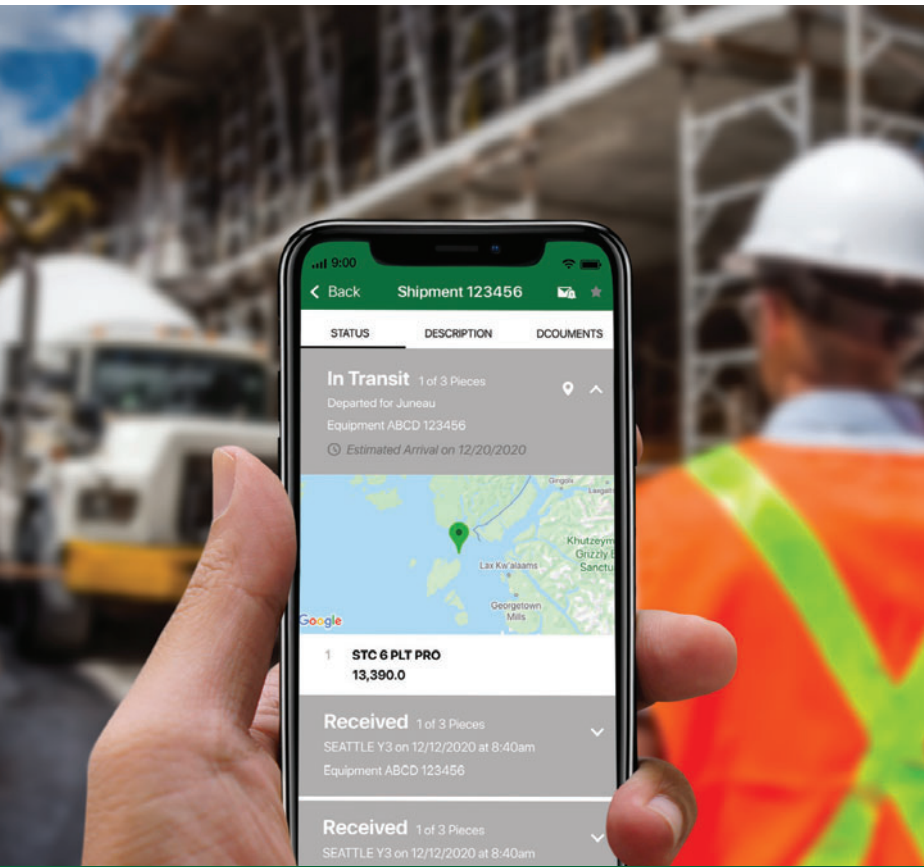
The Pikka and Willow projects are important not only to maintain production but to bring in a new era of growth, Oberstoetter said.

“We see production comes back to 700,000 barrels per day,” he said. “There’s a more aggressive outlook to 2030 — 800,000 to 900,000, but in terms of a conservative view, that march back to 700,000 bpd looks more likely now than a while ago.”

In terms of Alaska’s corporate landscape, there are not a lot of deals to speak of, but that doesn’t mean there won’t be any in the future, Oberstoetter said.

“There are two dominant operators; Santos will join the crowd here soon, but you’re really concentrated on who is making decisions and developing fields,” he said. “There are smaller exploring companies and there some dynamic twists, but there are not many medium size companies or other ones to push a vibrant corporate landscape.” ●

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OIL TAXES

chair of the Senate Rules Committee, said SB 114 would eliminate what he called a loophole in the state's corporate income tax system by requiring all oil and gas producers to pay the state's 9.4% corporate income tax. He said that change, recommended by the Legislative Finance Division, would amount to \$139 million this year.

Sen. Bert Stedman, R-Sitka, co-chair of the Senate Finance Committee, said

that when the state's most recent oil tax change was passed the corporate income tax was paid by the three companies which then accounted for the majority of North Slope production. It was never contemplated, he said, that a major North Slope producer wouldn't pay corporate income tax.

Corporate income tax is one of the four ways, along with royalties, production tax and property tax, that the state taxes oil and gas producers.

SB 114 amends state statute with a new section on corporate income tax, requiring that oil and gas producers with

qualified taxable income of more than \$4 million in a tax year will pay 9.4% corporate income tax on taxable income over \$4 million.

No names were mentioned, but, unlike other major producers in the state, Hilcorp is not organized as a corporation.

Per-barrel credit

The bill also reduces the state's per-barrel oil tax credit from \$8 to \$5 and caps the credit amount as equal to capital expenditures. Wielechowski said when the state's per barrel oil tax credit was established in 2013, the bill as it came out of the Senate had a \$5 per barrel credit, which was raised in the House to \$8 per barrel. Modeling for that bill, he said, was done at oil prices of \$90, \$100 and \$120 per barrel. But in the 10 years since, only 19 months have fallen in that range, with most months seeing a lower oil price, he said.

Wielechowski also said capital expenditures have not risen, which was the Legislature's expectation when the system was put in place. Capital expenditure on the North Slope was \$3 billion in 2014, but only \$1.6 billion in 2022. At Prudhoe Bay, he said, capital expenditure was \$877 million in 2014, \$160 million in 2021 and \$220 million in 2022.

Ringfencing

The most complex issue tackled in the legislation is ringfencing, which dictates where credits can be applied.

Stedman said the Legislature has looked at ringfencing over the years, with the state currently divided into three areas: the North Slope, Middle Earth — the central portion of the state — and Cook Inlet.

Currently, credits earned anywhere on the North Slope can be applied against existing North Slope production.

Wielechowski said limiting expenses that can be credited to the field where the

production occurs would make Willow equivalent to Pikka. Santos, he noted, currently has no production in Alaska, so its expenses for Pikka can only be credited against production when that field comes into production.

Because ConocoPhillips has existing North Slope production, its capital expenditures for Willow can be charged against existing production immediately, which means the tax credits are applied before additional revenues from new production.

Complexity issue

Wielechowski said he wasn't sure the Legislature can make field-by-field ringfencing work because of the complexity of the state's tax structure.

Stedman agreed, noting ringfencing is a complex issue. He said that the state's oil and gas tax system is a complex structure and legislators need to be very careful about what they tweak.

The Senate Majority press release said ringfencing by field "does not result in a loss of revenue to producers and developers but shifts the time they apply for deductions to when oil starts flowing."

Senate President Gary Stevens, R-Kodiak, said: "We are looking for common sense fixes to help stabilize our budget process, and this is one of many proposals that the Senate will evaluate and see how it shapes into closing our fiscal gap."

Wielechowski noted the state's long history with the oil and gas industry and said, "we share a common goal to have them stay and continue to succeed. To ensure that, we need good schools, a superior university system, quality infrastructure, and a PFD. That is what all Alaskans expect."

SB 114 was referred to the Senate Finance Committee, which had its first hearing of the bill scheduled for March 31. ●

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continued from page 2

ALPINE HEARING

ConocoPhillips said the gas release from WD-03 shows there is a gas play in the Halo sand and described it in the presentation as: "Likely thin-bedded pay sands that challenge the limits of log resolution."

The corrective measures the company adopted includes reviewing the overburden and adjusting associated log models to improve identification of drilling risks, flowability assessments and zones requiring cement isolation.

Gas disposition

ConocoPhillips said an estimated 7.2 million cubic feet of natural gas was vented. None of the released gas was flared. The company said, in response to a question, that while the flare pilot was kept going, there was no unusual flaring at Alpine in March.

Once WD-03 was identified as the source of the gas release, gas was routed to the Alpine Central Facility, where 24.3 million cubic feet were captured.

In summarizing its actions, ConocoPhillips said an incident management team was ramped up immediately following gas detection on March 4. There was ongoing communication and coordination with AOGCC, the Environmental Protection Agency, the

Alaska Department of Environmental Conservation and the Alaska Department of Natural Resources.

In response to a question, ConocoPhillips said that in addition to AOGCC's investigation of the incident, EPA is also investigating.

Concern in Nuiqsut

Nuiqsut Mayor Rosemary Ahtuanguak testified in the hearing and provided written comments. The mayor said Nuiqsut was "dramatically affected" and said the community is "deeply concerned about the risk of similar future events."

She said people in the village had no information about the risks "but saw ConocoPhillips' employees being evacuated" while village leadership was excluded from emergency meetings and "public questions and concerns could only be submitted to a website."

Those who live in Nuiqsut were concerned about emissions and some families left.

The mayor said the village wants no further drilling until the commission completes its investigation — and said it had recommended "from the outset" that there be an independent review "to investigate the agency's own regulatory and oversight deficiencies." ●

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RIG COUNT

Fifty of the rigs reported March 24 were drilling directional wells, 692 were drilling horizontal wells and 16 were drilling vertical wells.

Alaska rig count unchanged

New Mexico (108) was up by two rigs from the previous week.

Colorado (20), Louisiana (68) and Texas (372) were each up by a single rig. Oklahoma (61) was down by one rig.

Rig counts in other states were unchanged from the previous week: Alaska (10), California (2), North Dakota

(41), Ohio (11), Pennsylvania (24), Utah (11), West Virginia (16) and Wyoming (29).

Baker Hughes shows Alaska with 10 rotary rigs active March 24, unchanged from the previous week and up by three from a year ago, when the state's rig count stood at seven. Nine of the Alaska rigs were onshore and one was working offshore, unchanged from the previous week.

The rig count in the Permian, the most active basin in the country, was up by three from the previous week at 353 and up by 34 from 319 a year ago. ●

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BRADLEY LAKE

operational costs and reduced potential energy" compared to the Dixon to Bradley Lake alternative.

Revised study plan

AEA said it will develop a revised study plan and intends to provide the revised plan and a summary of 2023 field season studies for agency review and comment in January 2024.

This work is part of the study planning and implementation stage, which will result in a draft amendment application in January 2026, and comments on the draft amendment application from FERC and stakeholders in March 2026.

A final amendment application will be

filed in June 2026 with comments anticipated through November 2026.

A date for a FERC amendment order is to be determined, AEA said.

An earlier expansion, the Battle Creek diversion project, was completed in 2020 and increased output at Bradley Lake by some 10%.

When AEA pre-filed for the amendment last year, the agency said the expansion could increase power output at Bradley Lake by almost 50%. Five years of studies and permitting were estimated when the agency filed in 2022, followed by 5 years of construction, at an estimated cost of \$400 million to \$600 million, with no source of construction funding yet determined. ●

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OIL PRICES

five-year average for the time of year, the EIA said. Crude levels in the SPR were unchanged for the week.

Commercial inventories were expected to rise by 200,000 barrels last week, a Reuters poll showed March 27.

Finished gasoline inventories increased, the EIA said.

ANS rose 64 cents March 28 to close at \$76.85, as WTI added 39 cents to settle at \$73.20 and Brent rose 53 cents to close at \$78.65.

Supply concerns sparked the largest movement of the week.

Prices spiked more than \$3 higher March 27 after Iraq halted exports of 450,000 barrels per day — 0.5% of daily global supply — from its northern Kurdistan region through Turkey, following an arbitration that found Baghdad’s consent was needed to ship the oil.

“The loss of this northern Iraq oil is a problem for the market, and I think it’s being underestimated,” John Kilduff, partner at Again Capital in New York told Reuters March 29.

Barclays said a protracted outage of Kurdish exports into yearend 2023 would add \$3 to the bank’s \$92 Brent price forecast for 2023.

ANS leapt into the upper \$70s March 27 — up \$3.34 to close at \$76.21, as WTI vaulted \$3.55 to close at \$72.81 and Brent popped \$3.13 for a close of \$78.12.

The market also learned Russia cut production by 300,000 bpd for the first three weeks of March, less than a 500,000-bpd target set by the Kremlin, but still

Oil and natural gas production increased at a slower pace than the prior quarter, executives at exploration and production firms said.

tightening global supply.

China’s crude oil imports are expected to jump 6.2% in 2023 to 540 million tonnes, an annual forecast by a research unit of China National Petroleum Corp. said March 27.

ANS fell 55 cents March 24 to close at \$72.87, while WTI dropped 70 cents to close at \$69.26 and Brent dropped 92 cents to close at \$74.99.

On March 23, ANS lost 70 cents to close at \$73.42, WTI slid 94 cents to close at \$69.96 and Brent slid 78 cents to close at \$75.91.

From Wednesday to Wednesday, ANS rose \$2.02 from its March 22 close of \$74.13 to \$76.15 March 29.

Time to refill SPR?

Lower WTI prices may spur the U.S. Department of Energy to solicit bids for SPR replenishment, said Hillary Stevenson, IIR Energy senior director of energy market intelligence.

The administration said it would repurchase crude at \$67-72 per barrel.

The DOE sought bids for up to 3 million barrels for February delivery to the SPR, but no bids were awarded, Stevenson told Rigzone, adding that SPR officials said bids for February injections were about \$10 per barrel too high and some of them were for sweet crude when the request was for sour.

The SPR stands at 372 million barrels — the lowest

level since 1983, prompting concerns of compromise in national energy security.

Dallas Fed sees slow growth

Growth in the oil and gas sector stalled in first quarter 2023, according to oil and gas executives responding to the Dallas Fed Energy Survey, released March 29.

The business activity index was 2.1 in Q1, down sharply from 30.3 in Q4 2022, the survey said, adding that a near-zero reading indicates activity was largely unchanged from the prior quarter, after more than two years of rising activity.

Oil and natural gas production increased at a slower pace than the prior quarter, executives at exploration and production firms said. The oil production index remained positive but declined to 10.5 in the first quarter from 25.8 in the fourth. Firms reported rising costs for the ninth consecutive quarter.

The company outlook index turned negative in the first quarter, falling 27 points to -14.1, the survey said. The overall outlook uncertainty index increased 23 points to 62.6, and 68% of firms reported greater uncertainty.

On average, respondents expect a WTI price of \$80 per barrel by year-end 2023; responses ranged from \$50 to \$160 per barrel, the survey said.

For the entire sample, firms need \$62 per barrel on average to profitably drill, higher than the \$56 price when the question was asked last year, the survey said. Across regions, average breakeven prices to profitably drill range from \$56 to \$66 per barrel. ●

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ASTAC announces annual scholarship opportunity

ASTAC recently said that it will be awarding four scholarships to four current or prospective students seeking new or continued post-secondary education from its service areas.

The 2023 application period is now open. Applications are being accepted using ASTAC’s new electronic user form.

The deadline for entry is Thursday, June 1, 2023.

Student applicants must have a C grade average or higher with plans to enter a vocational school, junior college or four-year university, or be currently enrolled in a post-secondary education institution.

For more information on the scholarship program or any questions please email info@astac.net, include “Scholarship Program” in the subject line.



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DNR DENIAL

expire March 31, 2026; and six leases, expire June 30, 2028.

The division published a notice Dec. 29, inviting interested parties and members of the public to submit comments on the proposed new unit by Jan. 28.

Twenty-three comments supporting Donkel O&G's application were received. In its decision, which was signed by Director Derek Nottingham, the division said "a vast majority of those comments contained, in part, the following identical language: 'Approval of the unit application as submitted will provide the opportunity to attract new investment capital to the eastern North Slope and Beaufort Sea areas. And it could lead to much-needed new oil and gas development in the areas. The formation of the Greater Point Thomson unit can lead to much-needed new oil and gas development and production in the interest of develop-

ing, conserving, and enhancing Alaska's natural resources for present and future Alaskans.'"

Opportunity to invest or bring new capital to the eastern North Slope and Beaufort Sea lease areas is not changed by unitization, the division said, noting that Donkel O&G's application contains "no commitment to explore, or develop the area."

"Exploration, or development therefore would be no different if conducted on a lease-by-lease basis," the division said.

The application said operator Donkel O&G has a three-pronged approach to developing the acreage: either sell 100% of the working interest "to a competent qualified buyer who will in turn take over operations"; bring in partners and jointly develop the acreage; or develop the leases on their own.

Unleased state acreage

The agency also noted that the application proposes to

unitize unleased state lands, which were available in the most recent North Slope Area Wide lease sale and received no bids.

The proposed unit, the division said, "further contains a tract leased by Andrew Bachner and Keith Forsgren" but "no evidence" has been provided that the lessees of that tract, ADL 393574, have ratified either the proposed GPTU Agreement or GPTU Operating Agreement.

In the plan of exploration, POE, submitted with the GPTU application, a well is planned for both the third and the fourth year, but all drilling is contingent on finding funding and partners.

The division said "unitizing the leases is not necessary to conduct any of the activities proposed in the POE. Nor would the activities ... be conducted any differently as a unit than as individual leases."

—KAY CASHMAN

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ANWR MORATORIUM

DOI having to order a suspension of all lease sale related activities until there is a record of decision for the revised EIS. The Bureau of Land Management anticipated publishing the supplementary EIS in April 2023, with a record of decision following in June 2023. However, the agency later indicated that there would be delays in the completion of the SEIS.

Knik Arm Services and Regenerate Alaska subsequently surrendered their leases, while in November 2021 AIDEA filed a legal complaint in District Court over the DOI action. As previously reported by Petroleum News, in December 2022 AIDEA and other plaintiffs in the case filed requests for a summary judgement against the Biden

administration. The Biden administration responded, arguing that, in holding the 2021 lease sale, the federal administration had complied with the Tax Cuts and Jobs Act, and that frustration with delays in being able to conduct lease related activities does not override the necessity to conduct required environmental analysis.

Illegal executive order?

AIDEA, the North Slope Borough, Arctic Slope Regional Corp. and Kaktovik Inupiat Corp. have now filed a brief arguing that their complaint against the federal administration does not challenge the speed of administration actions relating to the ANWR leases. Rather the complaint asserts that Biden's executive order was illegal in that it was not supported by any constitutional or statutory authority. In addition, the lease activity moratorium violates the Tax Cuts and Jobs Act, the

Alaska National Interest Lands Conservation Act, the Federal Land Policy and Management Act and the Administrative Procedures Act, the plaintiffs argue.

The state of Alaska, in its court brief, says that the moratorium on lease related activities, in effect, rejects, suspends and rescinds the record of decision approving the lease sale program, without any statutory basis for overturning the record of decision in this manner. Moreover, the DOI does not have the authority to cancel leases because of a deficient analysis under the National Environmental Policy Act, and the preparation of a supplementary EIS does not compel the implementation of a lease activity moratorium, the state argued.

—ALAN BAILEY

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INSIDER

be doing most of work. We'll give them the names of the people we want interviewed and they'll do the interviews, editing and archive."

In the first two years the society will be working on several things, some of which are as follows:

—Begin collecting previously recorded or in-person oral history from industry pioneers.

—Establish the long-term membership scheme and solicit donations.

—Secure an Anchorage-based facility for temporary storage and archiving the collection.

—Hire an archivist to implement the society's system for CRM and cataloging of the collection

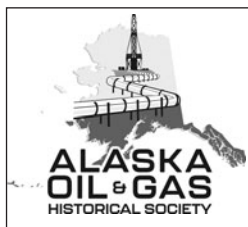
The Alaska Oil & Gas Historical Society is a membership organization. To sign up go to <https://akoghs.org/membership>.

And check out the website at <https://akoghs.org>.

—KAY CASHMAN

Conoco stands ready at Willow

CONOCOPHILLIPS ALASKA is currently building



ice roads for Willow construction, spokesperson Rebecca Boys told Petroleum News March 28.

"In order to accommodate the court process, we have agreed not to commence activities at the mine until April 4, 2023, unless the court issues a decision denying the plaintiffs' motions before that date."

How long will it take to gear-up at the gravel mine once and if ConocoPhillips receives clearance to do so?

"We will be ready to begin operations at the gravel site/mine immediately following the court decision. We have equipment and personnel standing by ready to begin work," Boys said.

As previously reported, on March 13, the U.S. Interior Department issued a record of decision for the Willow oil project in the National Petroleum Reserve-Alaska, denying two of the five drill sites proposed by ConocoPhillips, but allowing development with three sites. (At its peak Willow is expected to produce 180,000 barrels of oil a day.)

On March 14, three lawsuits were filed in opposition to the project. The plaintiffs asked for an injunction to halt construction until the cases are decided.

U.S. District Court Judge Sharon Gleason said she would try to have a decision by April 3 on whether to temporarily halt construction of Willow.

Interior's decision drew praise from ConocoPhillips, labor unions, Alaska's Legislature and its congressional delegation, as well as Native and North Slope entities, such

as Voice of the Arctic Inupiat, North Slope Borough, Inupiat Community of the Arctic Slope and Arctic Slope Regional Corp.

The Voice of the Arctic Inupiat is a nonprofit organization established in 2015 by the region's collective Inupiat leadership to speak with a unified voice on issues impacting the North Slope Inupiat, their communities, their economy and their culture. Its members include local government, business, tribal and civil society across the North Slope.

Nagruk Harcharek, president of Voice of the Arctic Inupiat, said there is "majority consensus" in the region in favor of the project, calling Willow a "lifeline" for residents.

The Legislature and Alaska's congressional delegation have jointly filed an amicus brief to offer their perspective to the judge.

"We are working hard to get the judge to hear our voices — literally collectively, tens of thousands, if not hundreds of thousands of Alaskans — to convince her that this project going forward, of course, abides by the law, but is strongly in the public interest," U.S. Sen. Dan Sullivan said.

—KAY CASHMAN

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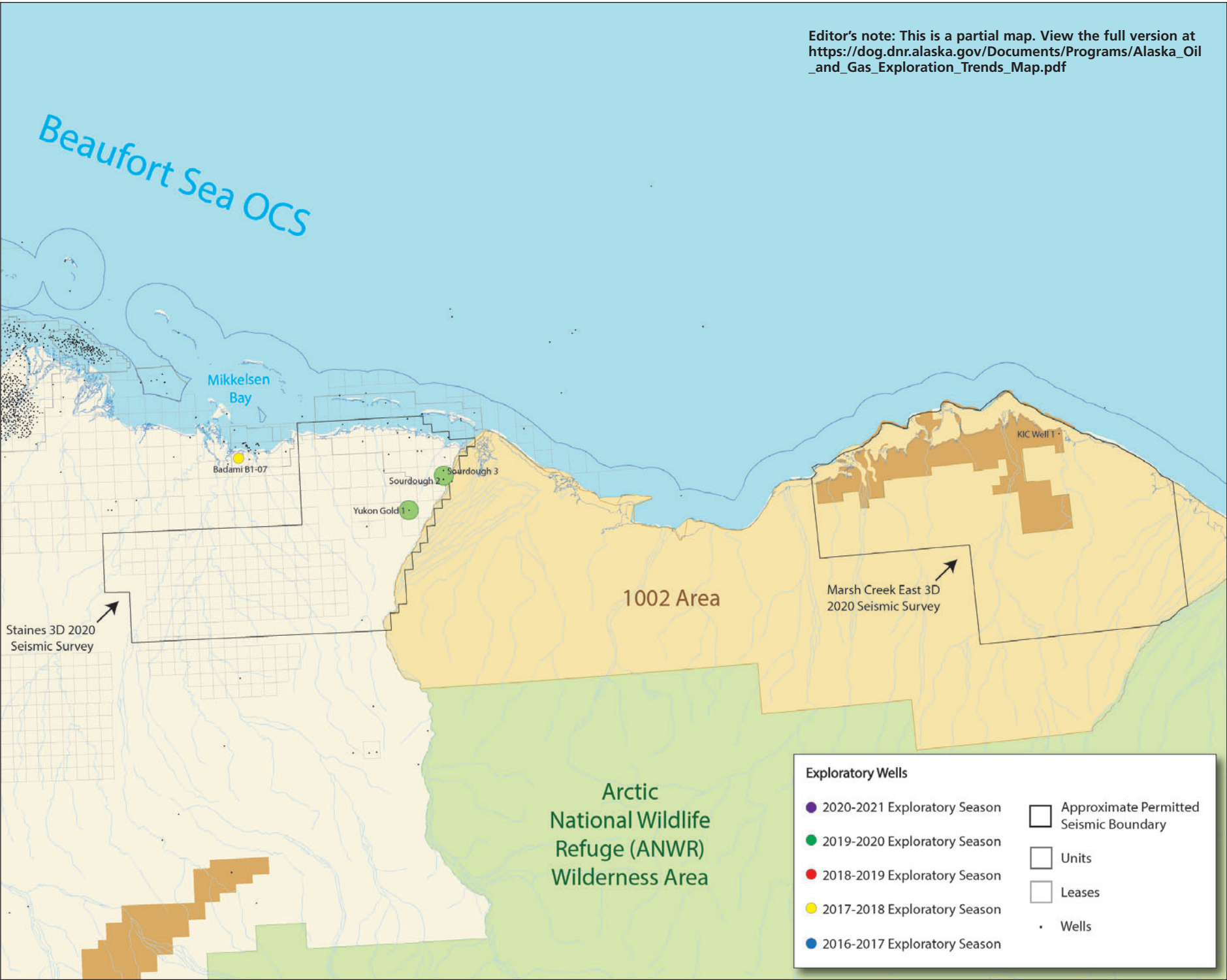
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BEYOND INSPECTION



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JADE Q&A

development well in the Sourdough project in first or second quarter 2024. That POD runs from Jan. 1 through Dec. 31, 2023. Are you continuing to work on permitting?

A. Erik Opstad: Yes, we're moving ahead on permitting pretty much on all fronts. For example, our spill plan was approved by the state a week ago and we've submitted our polar bear plan to U.S. Fish and Wildlife Service.

Q. Kay Cashman: What is the situation with selecting a drilling rig for the Jade 1 well?

A. Erik Opstad: We're working on finding a rig that can come in overland on snow roads versus ice roads, using the methods and techniques developed in the National Petroleum Reserve-Alaska over the past several drilling seasons. This approach is expected to be a lot more cost efficient for the Sourdough project.

Q. Kay Cashman: Didn't your company, ELKO, do that for 88 Energy's two Merlin wells?

A. Erik Opstad: Yes, we used a snow road built by Cruz Construction to mobilize All American Rig 111 into the NPR-A to drill Merlin 1 and then last season, to mobilize Doyon Arctic Fox #1 to the Merlin-2 drill site that was roughly 110 miles southwest of the KRU 2P-Pad.

Q. Kay Cashman: Are you or ELKO

involved in drilling the 88 Energy well Hickory 1?

A. Erik Opstad: No.

Two conditions

As previously reported in PN, in its approval of Jade's fifth POD, the Division of Oil and Gas imposed two conditions:

- On or before July 1, 2023, Jade will provide evidence to the division that Jade has funding for the well it plans to drill in Q1/Q2 of 2024.
- On or before Sept. 1, 2023, Jade will provide to the division a rig contract for the well planned to be drilled in 2024.

Drilling targets

As previously reported in PN, Tract 32 holds two of the mid-1990s Brookian oil discovery wells, Sourdough 2 and 3. BP drilled the 12,562-foot Sourdough No. 2 well in March 1994 and the 12,475-foot Sourdough No. 3 well in March 1996.

In its fifth POD, Jade noted that Brookian reservoirs have been encountered by "numerous wells" drilled in and near the Point Thomson unit since the 1970s, including BP's two Sourdough discovery wells, which BP estimated held 100 million barrels of recoverable oil.

On the currently suspended Sourdough 3 well, initial BP well testing offered 2,700 barrels of oil per day from a stimulated vertical well, but Opstad previously told PN he expected that a 5,000-foot horizontal completion would produce significantly more oil than that.

Well design

In the last 60 days of the fourth POD Jade worked hard on well design.

This element gained special attention

largely due to a change in Jade's focus early in 2022.

During the first through third PODs, design for a Jade 1 appraisal well was nothing more than a simple throw way posthole.

As the true cost of remote operations east of the Point Thomson unit's Central Pad started to emerge, Jade began to question the economic viability of a throw way posthole.

"Although we still needed to drill a pilot hole deeper than either existing Sourdough wells (SD2 & SD3) to evaluate potential additional reserves atop the Hue Shale ... it didn't make financial sense to plug and abandon that wellbore," Jade told the division.

Rather, the company decided to change the well design "whereby we would plug-back from the pilot hole TD, then complete

the well as a horizontal sidetrack."

"Although more expensive than an abandoned pilot hole, this plan makes better use of the capital and was quickly embraced by our investor community," Jade said.

"Further to this subject, stakeholders recently suggested that a similar workover and horizontal sidetrack completion of Sourdough 3 might also add considerable value to the drilling program," Jade said Nov. 1.

"We haven't looked at this suggestion in any detail yet, but it is certainly a potential task for the sixth POD and one that we have already worked on a preliminary basis," Jade said. ●

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