



## Petroleum News readers: Last 2 Dec. issues replaced by bulletins

The last two issues of December will be replaced by emailed news bulletins. The value of the news bulletin service is \$225 per year, although there will be no extra charge to Petroleum News readers over the two-week period.

News bulletins cover the hottest news that is not immediately covered by other publications.

Bulletin stories are generally 300 to 600 words in length.

Some of the bulletins published in the last two weeks of December will also be covered in the first edition of Petroleum News in the first week in January if we determine more in-depth coverage is needed.

If you have any questions, please email publisher and founder Kay Cashman at [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)



KAY CASHMAN

## Titan 1 pilot well in Colville River unit approved by division

ConocoPhillips Alaska has received approval from the Alaska Department of Natural Resources' Division of Oil and Gas in a unit plan of operations decision for a pilot well, the Fiord West Kuparuk Titan 1, on the western edge of the Colville River unit, some 5 miles north of Colville Delta No. 5. The well will be drilled on state lease ADL 390345, in section 17, township 12 north, range 4 east, Umiat Meridian. Surface land is privately owned by Kuukpik Corp. The lease is within the Colville River unit but is not included in a participating area. The Alaska Oil and Gas Conservation Commission had not posted a drilling permit for the well

see **TITAN 1 WELL** page 11

## State approves Whiskey Gulch, Hilcorp's Kenai exploration well

The Alaska Department of Natural Resources' Division of Oil and Gas has approved Hilcorp Alaska's request for a Whiskey Gulch pad grassroots exploration well lease plan of operation amendment. In a Dec. 8 decision the division said Hilcorp Alaska requested authorization to drill the well on the Whiskey Gulch pad near Anchor Point on the Kenai Peninsula.

In mid-November Hilcorp applied to the Alaska Oil and Gas Conservation Commission for a spacing exception to drill the Whiskey Gulch 15, describing it as a delineation well (see story in Nov. 26 issue of Petroleum News). AOGCC had not yet posted a drilling permit for that well when Petroleum News went to

see **WHISKEY GULCH WELL** page 12

## CPAI surrenders 71 North Slope leases along east edge of NPR-A

Per the most recent lease activity report published by Alaska's Division of Oil and Gas, on Oct. 31 the agency received surrender letters from lessee ConocoPhillips Alaska Inc. on a block of 71 state of Alaska leases adjacent to the east edge of National Petroleum Reserve-Alaska.

The block of leases are surrounded by Oil Search (Alaska) leases on the north and east, including Quokka unit leases.

The CPAI leases were the farthest south of all the company's North Slope leases, and directly north of a small group of Strong Energy leases, the only lessee south of the surrendered CPAI leases.

Most of the relinquished CPAI leases were due to expire June 30, 2025.

—KAY CASHMAN

### LAND & LEASING

# Sales bring in \$8M

Beaufort Sea, Cook Inlet, North Slope areawide bidders take 224,313 acres

By KRISTEN NELSON

Petroleum News

Gov. Mike Dunleavy and Department of Natural Resources Commissioner John Boyle said Dec. 13 that results from online bidding at the state's fall Beaufort Sea, Cook Inlet and North Slope areawide lease sales were promising, bringing in an estimated \$8 million in cash bonus for the state on more than 224,000 acres.

Dunleavy said he was encouraged by the results, but disappointed by "the lack of large new



GOV. MIKE DUNLEAVY



JOHN BOYLE

bidders or positions" in Cook Inlet, which he said emphasized the need for the state "to take action to stimulate more natural gas production in the Inlet." He said he will be introducing legislation in the upcoming session "to ensure we are doing everything we can to make our natural resources available for

affordable, secure energy."

The Cook Inlet sale was for net profit share, rather than fixed royalty.

"Taking an innovative approach with these new

see **LEASE SALES** page 9

### FINANCE & ECONOMY

# ANS stays mid-\$70s

Slide checked by crude drawdown, dovish Fed, Middle East tanker attack

By STEVE SUTHERLIN

Petroleum News

Alaska North Slope crude staged a rebound Dec. 13, up \$1.10 to close at \$76.31 per barrel. West Texas Intermediate rose 86 cents to close at \$69.47 and Brent rose \$1.02 to close at \$74.26.

The rise was keyed by a healthy drawdown of U.S. crude reserves and revived demand growth expectations sparked by a third consecutive U.S. Federal Reserve meeting that ended with no new interest rate increases. Animal spirits in crude markets were further boosted by remarks from Fed Chairman Jerome Powell suggesting lower borrowing costs in 2024.

*The Organization of the Petroleum Exporting Countries said recent crude price softness sprang from "exaggerated concerns" about oil demand growth.*

Supply jitters pushed crude higher also, after a missile fired Dec. 12 by Yemen based Houthi rebels struck a Norwegian-flagged tanker in the Red Sea off the coast of Yemen.

The price lift came in sharp contrast to stark losses Dec. 12 that took crude to lows not seen for six months. ANS dove \$2.64 on the day to close at

see **OIL PRICES** page 11

### FINANCE & ECONOMY

# NS gas plant study official

AIDEA board votes on Alyeschem and BlueCrest resolutions, SOA dividend

By KAY CASHMAN

Petroleum News

At a Dec. 6 meeting, the board of directors of the Alaska Industrial Development and Export Authority, or AIDEA, voted to initiate support of Alyeschem's plans for a North Slope petrochemical plant and to continue its support of Cook Inlet basin oil and gas producer BlueCrest Energy.

AIDEA approved a cost reimbursement agreement of up to \$150,000 to undertake a feasibility study and financing plan for Alyeschem which is planning the first petrochemical facility in the U.S. Arctic at Prudhoe Bay; a project that could deliver



RANDY RUARO

some 150 jobs and be a trigger for economic growth in the region.

AIDEA could ultimately invest as much as \$55 million in the \$116 million facility that would convert natural gas into two products that oil companies currently have to import to the North Slope: methanol and low-sulfur diesel.

The project would cut carbon emissions by 45,000 tons each year and reduce traffic on the Dalton Highway

between the North Slope and roads to the south.

"Alyeschem already has site control, a gas supply contract, equity investors, major permits, and front-end engineering and design completed.

see **GAS PLANT** page 10

## ● EXPLORATION &amp; PRODUCTION

# Baker Hughes US rig count up by 1 to 626

By KRISTEN NELSON

Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was 626 for the week ending Dec. 8, up by one rig from the previous week, and down by 154 from 780 a year ago. The rig count has been up in six of the last eight weeks, with a gain of 11 against losses of nine, a reverse in a downward trend dominant since the beginning of May.

A drop of 17 on May 12 was the steepest drop since June of 2020, during the first year of the COVID-19 pandemic. The Dec. 8 count is the lowest since Feb. 4, 2022, when the count was 613. The count dropped below 700 the week ending June 2, the first time it has been that low since April 2022. This week's count is down from a high so far this year of 775 on Jan. 13. 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

*Baker Hughes shows Alaska with 10 rotary rigs active Dec. 8, unchanged from the previous week and up by two from a year ago when the count was eight.*

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 Dec. 8 count includes 503 rigs targeting oil, down two from the previous week and down by 122 from 625 a year ago, with 119 rigs targeting natural gas, up three from the previous week and down 34 from 153 a year ago, and four miscellaneous rigs, unchanged from the previous week and up by two from a year ago.

Fifty-two of the rigs reported Dec. 8 were drilling directional wells, 559 were drilling horizontal wells and 15 were drilling vertical wells.

## Alaska rig count unchanged

Louisiana (44) was up three rigs from the previous week. Texas (308) was up by two rigs week over week, while West Virginia (9) was up by a single rig.

New Mexico (102) was down by four rigs and Pennsylvania (20) was down by one.

Rig counts in other states were unchanged from the previous week: Alaska (10), California (4), Colorado (17), North Dakota (32), Ohio (12), Oklahoma (38), Utah (12) and Wyoming (16).

Baker Hughes shows Alaska with 10 rotary rigs active Dec. 8, unchanged from the previous week and up by two from a year ago when the count was eight. Nine of the Alaska rigs were onshore, unchanged from the previous week, with one rig working offshore, also unchanged from the previous week.

The rig count in the Permian, the most active basin in the country, was down by one from the previous week at 313 and down by 37 from 350 a year ago. ●

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Petroleum News

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## EXPLORATION & PRODUCTION

### Division to release Nikiski Marine 3D

The Alaska Department of Natural Resources' Division of Oil and Gas said Dec. 6 that within 30 days it will release Nikiski Marine 3D permitted by Apache Alaska Corp. An accompanying map shows an area from onshore the west side of Cook Inlet covering an area primarily offshore to just north of Nikiski. The area, all within the Seward Meridian, is described as: township 7 north, range 11-12 west; T 8N, R 10-12W; T 9N, R 10-13W; T 10N, R 10-14W; T 11-12N, R 10-13W; and T 13N, R 11W.

The official designation for the data to be released is: MLUP (miscellaneous land use permit) CI 11-003 Cook Inlet 3D (Nikiski Marine 3D-R7).

The division said publication will be available in alternative formats on request. To make arrangements, call 907-269-8800 or email [dog.tcddata@alaska.gov](mailto:dog.tcddata@alaska.gov) to make arrangements.

—PETROLEUM NEWS

• EXPLORATION & PRODUCTION

# AOGCC OKs water injection at Northstar

*Produced water at field currently goes into disposal wells; would be used for enhanced oil recovery from Northstar Kuparuk oil pool*

By KRISTEN NELSON  
*Petroleum News*

The Alaska Oil and Gas Conservation Commission has approved a request from Northstar operator Hilcorp Alaska to add water to the list of fluids which can be injected at the field for enhanced recovery.

In a Dec. 7 order, the commission said Hilcorp requested authorization to inject water into the Northstar Kuparuk oil pool at Northstar.

The field produces from two oil pools, Northstar and Northstar Kuparuk. In October, the most recent month for which AOGCC production data is available, the Northstar oil pool accounted for 66.7% of the field's oil production, with the Northstar Kuparuk oil pool accounting for the remaining 33.3%. Natural gas production was split almost the same from the two pools: 67.7% from Northstar and 32.3% from Northstar Kuparuk.

The commission said Northstar does not produce enough natural gas to balance reservoir voidage in both oil pools. "The current reservoir management plan calls for maintaining reservoir pressure in the NOP above bubble point and minimum miscibility pressure," but this does not leave enough gas to balance reservoir voidance in the NKOP, and reservoir pressure in that pool has dropped from 4,000 psi to under 3,000 psi.

#### Some 14,000 bpd of water

The commission said Northstar produces some 14,000 barrels of water per day, currently disposed of in the field's disposal wells. Water production is expected to rise as the field continues to mature, the commission said, and Hilcorp is proposing to inject produced water from the field into the Northstar Kuparuk oil pool to enhance ultimate recovery.

In July, Hilcorp conducted an AOGCC approved water injection test in the NS-15 well and found that using that one well it could inject all produced water from the field "at pressures well below those that would be expected to initiate fractures," with injection done at three different pressures and held steady for several hours at those pressures, with no degradation of injectability.

The commission said the Northstar Kuparuk oil pool "is a gas condensate

*Produced water injection is expected to increase the voidage replacement ration in the NKOP from 0.82 to 0.92 and would be expected to increase reservoir pressure in the NKOP by some 180 psi by 2030, increasing the ultimate recovery from the NKOP, the commission said.*

reservoir with an oil rim of varying thickness." Several Northstar oil pool production wells penetrate the Northstar Kuparuk oil pool below or near the NKOP's oil-water contact, the commission said, with several producing at marginal gas oil ratios and "either cycled or are long term shut in and would be good candidates to convert to NKOP water injection service."

#### Increased voidage replacement

Produced water injection is expected to increase the voidage replacement ration in the NKOP from 0.82 to 0.92 and would be expected to increase reservoir pressure in the NKOP by some 180 psi by 2030, increasing the ultimate recovery from the NKOP, the commission said.

Water handling capacity at Northstar is 30,000 barrels of water per day, and the field produces less than half that, with the excess capacity expected to handle water breakthrough in the NKOP or continuing encroachment of the aquifer in the NOP.

While Hilcorp has demonstrated that produced water can be safely injected and should improve ultimate recovery, the commission said it was not approving use of seawater or produced water from other fields unless Hilcorp demonstrates the compatibility of those fluids with the NKOP.

Fluids already authorized for injection for enhanced recovery at Northstar are produced gas from the field; tracer survey fluids; fluids used to improve near wellbore injectivity; fluids used to seal wellbore intervals; fluids associated with freeze protection; and standard oilfield chemicals.

The commission has now authorized the addition of produced water from Northstar to that list. ●

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## GOVERNMENT

### AEA launches online library records access

The Alaska Energy Authority has launched a new online digital library enabling public access to its current and historic records. The new library will enable keyword-based searches and queries of AEA's thousands of publicly available program publications; technical reports; research and feasibility studies; and other documents. Access is available from any browser enabled device through the Internet, although AEA recommends using a non-mobile device with a fully updated web browser, rather than using a mobile device.

"AEA's new digital library is a significant milestone in a multi-year effort to enhance ease of access to, and ensure the sustainable preservation of the state's energy records," said AEA Executive Director Curtis Thayer. "Thanks to initial funding from the Denali Commission, we have digitized and made available an extensive amount of current and past energy information, and will continue to add additional documents over the library's lifetime."

Scanning and digitization of documents by AEA's team and local Alaska service providers has rendered the documents readily available in electronic format. Some of the items now available online predate the founding of AEA in 1976 and were previously only available in printed form.

The new digital library can be accessed at [www.akenergyauthority.org/library](http://www.akenergyauthority.org/library).

—ALAN BAILEY

## EXPLORATION & PRODUCTION

### Tundra still closed except for snowmobiles

State lands on the North Slope remain closed to winter off-road travel except for approved snowmobile travel.

That was the Dec. 7 word from the Alaska Department of Natural Resources; Division of Mining, Land and Water, based on DNR sampling Dec. 6 and 7.

DNR staff will return to the North Slope Dec. 12 to continue monitoring, the division said, with a new report expected out around Dec. 15, but with any openings reported separately as they occur.

Areas must meet both snow depth and ground temperature requirements.

The division said monitoring stations on the eastern coastal area met the 6-inch snow depth criteria, but none of the stations met the soil temperature criteria, which is -5 degrees C at 30 centimeters depth. The same was true in the western coastal area.

The lower foothills area has a higher snow depth requirement, 9-inches, and the division said while three monitoring stations met that criteria, none met the soil temperature criteria, which is the same as for the coastal areas.

No monitoring was conducted in the upper foothills area.

The eastern and western coastal areas are open for snowmobile travel.

"Approvals may be made for travel with summer-approved vehicles and conditional approvals may be made for ice road and snow road construction," the division said.

—PETROLEUM NEWS

## PIPELINES & DOWNSTREAM

# RCA receives more 2024 tariff updates

Proposed tariff rate for Point Thomson down from peak 2023 rate, along with rates from Badami to Endicott, and Alpine to Kuparuk

By KRISTEN NELSON

Petroleum News

The Regulatory Commission of Alaska continues to receive tariff revisions for 2024, with most rates down, reflecting an expectation of more volumes in 2024 than in 2023.

Reduced rates are proposed for the PTE Pipeline, which carries Point Thomson production 22 miles from the Central Production Facility at the Point Thomson unit to the pipeline connection at Badami, for the Badami Pipeline, which carries Point Thomson and Badami production to the Endicott connection, and, on the other side of the Slope, for the line which carries crude from the Alpine field to Kuparuk.

In Southcentral, the proposed rate is also down for the line carrying crude from the Swanson River field to a tie-in at the Nikiski Marine Terminal.

### Point Thomson

The rate for the PTE Pipeline, which will be reduced for 2024, increased steadily throughout 2023, reflecting lower volumes.

After the tariff was set for 2023, there were three rate increases filed for PTE Pipeline. The tariff for 2023 was originally set at \$7.86 per barrel.

In May, when the first revision was filed, PTEP told RCA that during the first five months of the year actual throughput had been significantly lower than that projected when the \$7.86 per barrel rate was proposed. The initial revision, to \$12.49 per barrel, was effective June 1.

In June, PTEP filed to increase the tariff to \$25.08, and told RCA that "throughput has continued to decline and is expected to remain low for the remainder of 2023."

A third filing, on Aug. 30, was an increase to \$36.94 per barrel.

The 2024 proposed rate is \$23.31 per barrel.

The RCA tariff filing for 2023 notes that the rate is based on the 2019 settlement agreement between the state and PTE Pipeline, which establishes a model

used to calculate the rate "based on projected cost and throughput data for the year in question and certain values to which the parties have stipulated, as adjusted for actual cost and throughput data for the preceding year."

Data from the Alaska Oil and Gas Conservation Commission show volumes carried on the PTE Pipeline in 2023 peaked at an average of 8,136 barrels per day in February, dropping to the 6,000-bpd range by April, to 5,081 bpd in May, to 3,114 bpd in June and to 2,659 bpd in July.

In October, the most recent month for which AOGCC production data are available, the volume had increased to an average of 3,038 bpd.

### 2024-25 plans

Hilcorp Alaska is the Point Thomson unit operator, and in its most recent plan of development for the unit, covering 2024-25, the company said condensate production at the field, from Jan. 1, 2022, through Aug. 30, 2023, averaged 7,300 bpd.

"Production has been declining in producer PTU-17 since field startup," Hilcorp said in the 2024-25 POD. "The current operable wellstock at Point Thomson is unable to cycle 200 (million standard cubic feet per day) and fill the IPS facilities to capacity. Additional wells would be required to fill the IPS to capacity. Hilcorp will continue to evaluate drilling opportunities during the 2024-2025 POD Period."

Hilcorp said it was evaluating converting one of two injectors at Point Thomson into a producer. The field has one producer, PTU-17, and two injectors, PTU-15 and PTU-16.

There was some early production from the injectors in 2016, the year the field went into production, but then production came only from PTU-17, until September, when AOGCC records show production was from PTU-15.

### Alpine Transportation

Alpine Transportation, which moves  
see **TARIFF UPDATES** page 6

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• UTILITIES

# Interior Energy Project progresses

*New quarterly report shows signups for conversions to natural gas heating in Fairbanks and North Pole exceeding expectations*

By **ALAN BAILEY**

For *Petroleum News*

The Interior Energy Project, an Alaska Industrial Development and Export Authority sponsored project to bring increased supplies of affordable natural gas to Fairbanks and its surrounds, has issued its latest quarterly report to the state Legislature. The report indicates that more customers than anticipated have switched to the use of gas for the heating of buildings, while progress continues in a project to switch the gas supplies from the Cook Inlet to the North Slope.

The overall purpose of the project is to encourage consumers to switch from the use of expensive and unstably priced oil in heater furnaces, thus reducing and stabilizing heating costs. Another important objective is to improve air quality through the use of clean burning natural gas — Fairbanks suffers from severe air quality problems, especially during the winter.

### Authorized in 2013

In 2013 the Alaska Legislature passed legislation authorizing AIDEA to initiate the Interior Energy Project. Initially the IEP plan involved the construction of an LNG plant on the North Slope for the supply of LNG to Fairbanks. And work started on the expansion of the gas distribution pipeline network in central Fairbanks and in North Pole. However, in 2015, when the North Slope concept appeared uneconomic, another piece of state legislation switched the plan to the expanded use of Cook Inlet gas.

Original state funding for the IEP consisted of a \$57.5 million state capital appropriation and \$125 million in SETS loans from the Sustainable Energy Transmission and Supply Development Fund.

Gas supplies in Fairbanks had begun in 1998 when Fairbanks Natural Gas, a private utility, started operating in the center of the city, using LNG from the Titan LNG plant near Point Mackenzie on

the Cook Inlet. In 2012 Fairbanks North Star Borough established its Interior Gas Utility, with the intent of encouraging increased gas use.

### Single Fairbanks utility established

In 2015, in the interests of furthering the IEP, AIDEA used its revolving fund to purchase Pentex Natural Gas Co., the owner of the Titan plant, the LNG trucking operation to Fairbanks and FNG. In 2018 IGU purchased the Pentex assets from AIDEA, thus establishing a single gas utility in Fairbanks. IGU then took responsibility for managing and pursuing the IEP, with AIDEA continuing as a project sponsor.

A key factor in the increase of gas supplies for Fairbanks and North Pole was the provision of adequate LNG storage, to ensure supply reliability for a growing customer base. In late 2019 IGU completed

the construction of a major new 5.25 million gallon LNG storage facility in central Fairbanks. And in February 2021 the utility completed a 150,000 gallon capacity LNG storage and vaporization facility in North Pole.

### Evolving plan for increase gas supply

With the increasing LNG storage capacity the plan had been to progressively expand the Titan LNG plant, to increase Cook Inlet gas supplies for a growing Fairbanks and North Pole customer base. However, this plan was placed on hold in the spring of 2020 as a consequence of economic uncertainties relating to the COVID pandemic. Then in 2022 Hilcorp Alaska, the dominant Cook Inlet gas producer, indicated that there was uncertainty over the adequacy of Cook Inlet gas supplies beyond the terms of current gas supply contracts. As a con-

sequence IGU decided to move its gas supplies from the Cook Inlet to the North Slope.

### North Slope contracts

In January 2023 IGU signed contracts with Hilcorp for a North Slope gas supply and with Hilcorp affiliate Harvest Midstream for the construction and operation of a 150,000 gallon per day North Slope LNG facility on an existing gravel pad at Prudhoe Bay. The target date for the LNG plant to go into operation is October 2024, the new report to the Legislature says. The North Slope LNG will be trucked to the IGU LNG storage facilities in Fairbanks and North Pole.

The report says that Harvest has completed the foundations of three buildings for the LNG plant, with the prefabricated

see **IEP PROGRESS** page 6



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continued from page 4

## TARIFF UPDATES

crude from the Colville River to Kuparuk, has applied for a tariff decrease from 84 cents per barrel to 72 cents per barrel. The filing says: "The primary reason for the rate decrease is that ATC's costs in 2023 were lower than projected and throughout has increased."

The line carries not just Colville River crude, but also crude from Greater Mooses Tooth in the National Petroleum Reserve-Alaska. Comparing AOGCC data for volumes from November 2021 through October 2022 with volumes from November 2022 through October 2023, October 2023 being the most recent month for which AOGCC production data is available, Colville River volume is down, from 13,160,020 barrels for 2021 to 2022 to 12,728,270 barrels from 2022 to 2023. But

volumes from Greater Mooses Tooth are up, from 5,431,357 barrels in 2021 to 2022, to 5,913,313 barrels in 2022 to 2023, and the combined total — what flows through the line — is up from 18,591,377 barrels for 2021 to 2022 to 18,641,583 barrels for 2022 to 2023.

### Nutaaq Pipeline

The Nutaaq Pipeline carries crude from the Badami Central Processing unit to the tie-in point with Endicott Pipeline and includes both Badami and Point Thomson volumes. The current rate is \$7.19 per barrel and the proposed rate for 2024 is \$4.40 per barrel.

"The decrease from the current rate, to become effective January 1, 2024, is premised on updated throughput and operating expenses anticipated in 2024 based on production estimates," the filing said.

November 2022 through October 2023 combined

Badami and Point Thomson production is 2,187,320 barrels, compared to 3,535,519 barrels for the comparable period in 2021-2022.

### Swanson River

The proposed 2024 tariff for Swanson River, which moves crude from the Swanson River field to a tie-in point with Kenai Pipe Line Co. facilities at the Nikiski Marine Terminal, is \$2.28 per barrel, down from the 2023 rate of \$3.89 per barrel.

Swanson production from November 2021 through October 2022 was 241,504 barrels, and for the comparable period in 2022-23, it was 248,897 barrels, an increase of 3.1%. ●

Contact Kristen Nelson  
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continued from page 5

## IEP PROGRESS

buildings scheduled to arrive on the North Slope in November. Meanwhile IGU has executed a contract with a new trucking entity for the transport of LNG from the Titan plant — the same company will truck LNG from the North Slope once the

North Slope LNG plant goes into operation. IGU has also selected a manufacturer for 15 new large-capacity trailers to add to its existing LNG transportation fleet.

### Expansion in Fairbanks and North Pole

Meanwhile, in 2023 IGU installed 535 new gas service lines — 405 in Fairbanks and 130 in North Pole. The utility's goal

is to install a further 600 service lines in 2024. Also in 2023 the utility added nearly 4 miles of new main lines.

Gas main lines could now serve up to 8,500 properties in Fairbanks and 3,000 properties in North Pole. And annual conversions to the use of natural gas have consistently exceeded the number of IGU's anticipated conversions.

The program has benefited from \$2.3

million in funding for customer natural gas conversions from the American Rescue Plan Act. Additional funding assistance for conversions is coming from an EPA award to the Alaska Department of Environmental Conservation. The state is also providing \$1.25 million in funding assistance. And in October the EPA announced a \$10 million grant to ADEC for improving Fairbanks air quality — \$4 million of this grant will be used to help fund IGU main gas line extensions.

### Use of state funding

Of the state Legislature's original \$57.5 million capital appropriation for the IEP, \$14 million was spent on the original project for developing a North Slope LNG plant and for an initial expansion to the Fairbanks and North Pole gas distribution system. \$3.1 million was spent on subsequent developments relating to the supply of Cook Inlet gas to Fairbanks, including the expanded gas storage facilities. \$55 million in SETS loans were also used for LNG storage expansion. Funding assistance for the sale of Pentex to IGU involved \$40 million from the capital appropriation and \$21 million in SETS loans, with \$48 million in SETS loans being used in support of the expansion of the gas distribution infrastructure.

IGU has also issued \$11.7 million in conduit revenue bonds, primarily to fund the installation of gas mains and service lines. ●

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EXPLORATION & PRODUCTION

# Milne Point R pad work OK'd by division

Hilcorp continuing work on newest Milne pad, approved in February; gravel already in place; 60-well drilling program set for 2025

By KRISTEN NELSON  
Petroleum News

The Alaska Department of Natural Resources' Division of Oil and Gas has approved a plan of operations amendment application submitted Nov. 28 by Hilcorp Alaska for additional work at the new R pad the company is building in the Milne Point unit. Hilcorp is operator and 100% working interest owner at Milne Point.

The division said in February that flowline construction would begin in mid-December and run through May 2024, with infrastructure installation from March through September of 2024 and the drilling program from August through October of 2025.

The Dec. 8 approval is for installation of as many as 140 vertical support members, up to 122 on R pad and 18 on adjacent tundra. The VSMs will support construction of a source water land and oil production flowline linking R pad to existing lines between F pad and L pad.

The division said the 14-inch flowline will be some 2,200 feet long and the 8-inch source water line some 850 feet.

A 1,400-foot ice road will be built along the alignment to allow for installation.

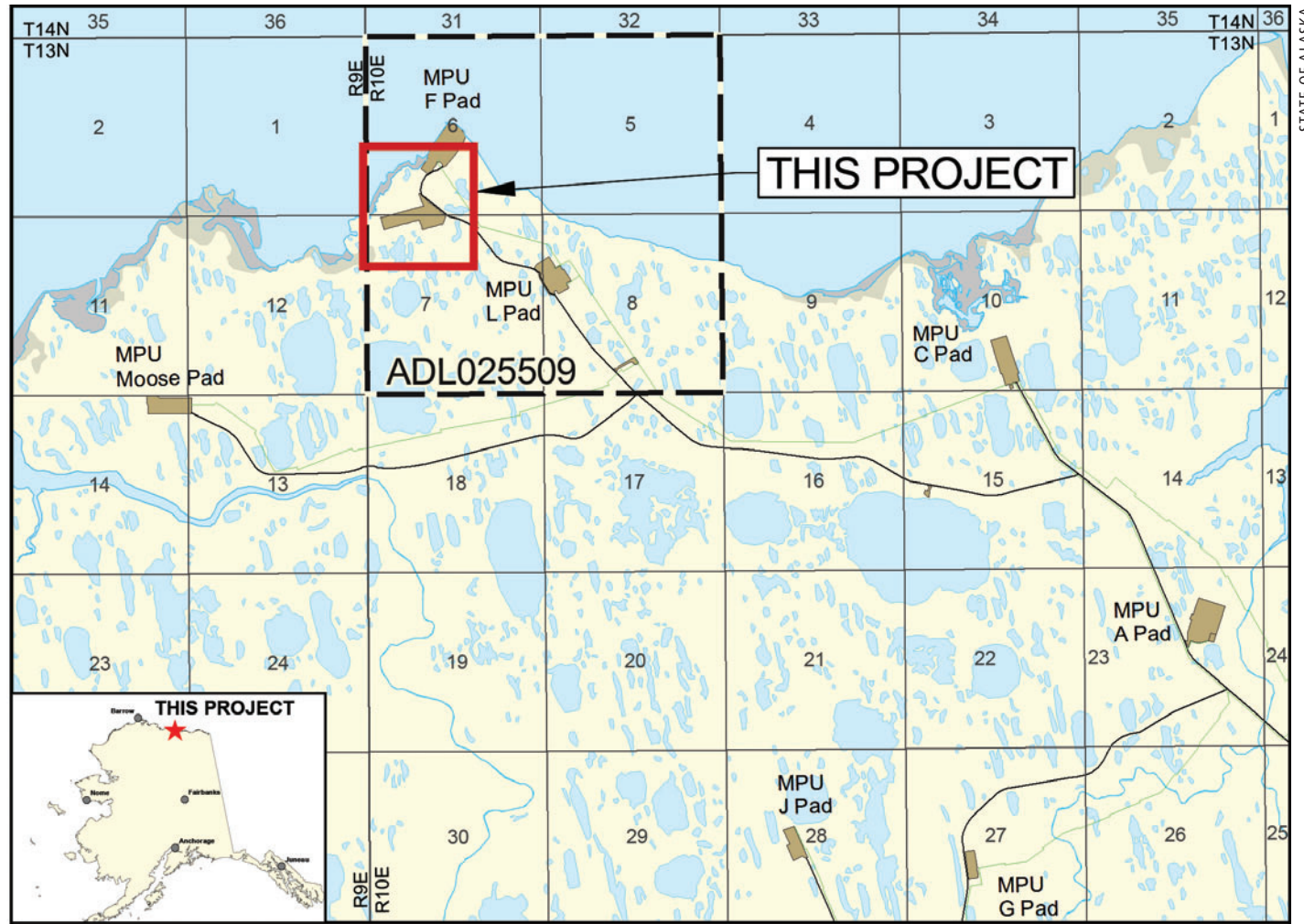
R pad is southwest of F pad near the northern onshore edge of the Milne Point unit.

### Gravel laid earlier this year

The two pipelines will support planned R pad production wells, the division said.

Work is scheduled to begin Dec. 10, and includes installation of the VSMs, construction of the ice road, installation of an 850-foot 8-inch water line and a 2,200-foot 14-inch flow line.

Two 30-inch pipe casings will also be installed under the road to allow the pipelines to pass through to the pad.



The pad was approved by the division early this year (see story in Feb. 19 issue of Petroleum News), with gravel placement scheduled for February through May, followed by gravel turning and compaction from June through September, and culvert placement and power and fiber installation in the same timeframe.

The division said in February that flowline construction would begin in mid-December and run through May 2024, with infrastructure installation from March through September of 2024 and the drilling program from August through October of 2025.

The division said the new drill site will give Hilcorp access to some 2,000 acres in the Kuparuk reservoir and some 3,200 acres in the Schrader Bluff reservoir, currently undeveloped areas at Milne Point. Drilling at R pad will be by extended

reach wells, up to some 25,000 feet measured depth. Rigs capable of extended reach drilling require extra space and drilling laydown areas on the pad, the division said, and R pad has been

designed to accommodate such a rig to drill in two rows. ●

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## ● CANADA

# Canada to focus on small modular reactors

With focus on new nuclear age, looking at installation in Ontario; also in discussions with France on European small reactor model

By GARY PARK

For Petroleum News

Shunned for years by the world's environmental elites, Canada has decided the time has come to assert its role as a nuclear power by promoting its homegrown reactor technology.

Taking the stage at the World Nuclear Exhibition in late November, an event called the sector's Super Bowl, Canada was joined by Ontario Power Generation, OPG, the world's largest owner and operator of Candu reactors, announcing it had entered discussions with Electricite de France to explore the possibility of building a European model of the Candu known as the EPR. The objective is development of a new age of nuclear power, one that supplants coal, oil and natural gas, but the partnership surfaced too late for COP28 to be included in the mix of energy solutions needed to achieve net-zero carbon emissions by mid-century.

## Call for tripling of nuclear

But the atom's role as a vital ingredient in the quest for a net-zero world came close to receiving a major boost in the final days of COP28 when 22 countries, including Canada, called for a tripling of global nuclear power capacity by 2050.

"We've seen this incredible shift from ideology around technology to pragmatism," said Canadian Nuclear

*Canada is at the front of the pack developing small modular reactors, with OPG joined by uranium and oil-rich provinces Alberta and Saskatchewan planning to install North America's first small modular reactors, SMRs, at the Darlington nuclear facility in Ontario.*

Association President John Gorman.

The pro-nuclear advance at COP28 was led by French President Emmanuel Macron, who told delegates that "no credible strategy neither nationally nor globally allows for exiting fossil fuels based only on renewable energy," he said, echoing the thoughts of U.S. climate envoy John Kerry.

## Small nuclear reactors

Canada is at the front of the pack developing small modular reactors, with OPG joined by uranium and oil-rich provinces Alberta and Saskatchewan planning to install North America's first small modular reactors, SMRs, at the Darlington nuclear facility in Ontario.

OPG already has an agreement, signed in November with provincially owned Saskatchewan Power, to buy factory assembled SMRs with generating capacity of about 30 megawatts.

That move qualifies nuclear power projects for federal clean-energy investment tax credits. Finance Minister Chrystia Freeland announced in her fall economic statement that the federal green bond framework would be updated this year to pave the way for proceeds from sustainable finance bonds to be invested in new reactors.

Meanwhile OPG has entered discussions with Electricite de France to explore the possibility of building a European model of the small reactor.

Ken Hartwick, OPG's CEO, said earlier this year that his utility, while it "loves the Candu" technology, believes it "has not kept up to date" to the extent that Canada's once-vaunted reactor technology has not found a single paying customer in more than 20 years. "Some observers say it may be too late to reverse the situation. If they're right it may be that our technology has reached the end of the road," he said.

Canada's International Trade and Economic Development Minister Mary Ng said her government is now willing to work with France on processing, treating, recycling and disposing of nuclear waste as the two countries work together across the nuclear supply chain.

The development of SMR technology is part of the drive for decarbonization, Ng said, although she did not give a timetable for developing SMR technology. ●

Contact Gary Park through publisher@petroleumnews.com

## ● FINANCE &amp; ECONOMY

# EIA: US crude volumes continue to grow

Agency forecasts 13.11 million bpd in 2024, up from 12.93 million bpd this year; Brent forecast at \$83 per barrel, up from \$82

By KRISTEN NELSON

Petroleum News

U.S. crude oil production is forecast to average 12.93 million barrels per day this year, and climb to 13.11 million bpd in 2024, the U.S. Energy Information Administration said Dec. 12 in its December Short-Term Energy Outlook. That continued growth is projected to support increased crude oil exports, the agency said.

Net U.S. exports of crude oil and petroleum products, minus imports, are expected to set a new record in 2024. The agency said this follows net export growth this year driven by both the growth in crude oil production and field production of hydrocarbon gas liquids — ethane, propane, butane and natural gasoline — which grew between 6% and 10%.

While the U.S. is a net exporter of crude oil and petroleum products combined, it is

*The agency said U.S. dry natural gas production in November averaged some 105 billion cubic feet per day, "the most for any month on record."*

a net importer of crude oil, EIA said, with net imports expected to average some 2.2 million barrels per day in 2024, down slightly from this year. Crude oil production continues to support crude exports, which averaged more than 4 million bpd in 2023 through September, the agency said.

EIA said some U.S. refineries have added capacity to process additional light and sweet crude, but refiners in Europe and Asia increasingly import U.S. produced crude. "Growth in refinery processing from overseas refiners means the growth in U.S. crude oil production in 2024 will mostly be exported, increasing net U.S. petroleum exports," the agency said.

## Prices

EIA said the Brent crude oil spot price, which averaged \$101 per barrel in 2022, is

forecast to average \$82 per barrel this year and \$83 in 2024.

The Henry Hub natural gas price per million British thermal units averaged \$6.42 in 2022 and is forecast to average \$2.56 this year and \$2.79 in 2024.

EIA said it expects the natural gas price this winter to be \$2.77 per million Btu, some 23% lower than the agency previously forecast, based on a warmer than expected start to the winter season resulting in less natural gas consumption for heating.

"We're seeing record domestic natural gas production paired with lower-than-expected natural gas demand, and we expect that is going to push prices lower this winter season," said EIA Administrator Joe DeCarolis.

On top of recent increases in natural gas production, reducing the November prices, the agency also noted high storage inventory levels.

The agency said U.S. dry natural gas production in November averaged some 105 billion cubic feet per day, "the most for any month on record."

Production averaged almost 103 bcf per day in the first half of the year, EIA said, and has increased in most months in the

second half, with dry natural gas production forecast to remain close to 105 bcf per day for the rest of the winter.

## Renewables outpace coal

"Renewables, particularly solar photovoltaics, are growing rapidly and making large contributions to electricity generation," DeCarolis said. Combined electricity generation from wind and solar are forecast to outpace coal in electricity generation in 2024, the agency said, with solar generation in 2024 expected to increase by 39% from 2023 levels.

EIA said that due to investment in solar photovoltaic generating capacity, solar is "the fastest growing source of U.S. electric power generation."

Twenty-three gigawatts of solar power are expected to come online this year, up 33% from 2022, and 37 GW in 2024, up 39% from this year, accompanied by 9 GW of new U.S. battery storage capacity this year, "doubling the total amount compared with what was operating at the end of 2022."

The agency said the growth in solar photovoltaic production will likely slow growth in electricity generation from natural gas, the largest source of growth in recent years, with growth of 7% this year from 2022, but forecast to grow by only 1% in 2024, reaching some 1,714 billion kilowatt hours.

Coal-fired electricity generation continues to decline on growing renewables, low natural gas prices and retirements of coal-fired plants, the agency said, with less than 599 billion kwh of power generation expected next year, lower than combined generation from solar and wind of an estimated 688 billion kwh for the first time on record. ●

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Image by Waliszek.



continued from page 1

## LEASE SALES

Cook Inlet lease terms is one of the levers that DNR can pull to help make oil and gas production more attractive, so we hope it will gather increasing interest as producers have more time to evaluate this opportunity," said DNR Commissioner Boyle.

The state offered acreage in five areawide leasing areas but received no bids in the Alaska Peninsula or North Slope Foothills sales.

### Cook Inlet

DNR said after the sale that the 14,998 acres sold in the Cook Inlet sale was above the 13,418-acre 5-year average for Cook Inlet, but less than the two 2022 inlet sales combined, 27,856 acres, while the cash bonus total of \$599,935 exceeded both the 5-year average and the two 2022 sales combined.

There were two bidders, HEX LLC and Hilcorp Alaska LLC, both Cook Inlet producers. Each took three leases, with Hilcorp bidding a total of \$532,974 on 13,324.35 acres and HEX bidding a total of \$66,960 on 1,674 acres. Hilcorp bid from 7% to 11% in net profit share, while HEX bid from 5.7% to 7.5%.

Hilcorp took a tract south, southwest of its Ninilchik unit and two tracts south of its Deep Creek unit. HEX took a tract adjacent to the North Cook inlet field and one east of its Kitchen Lights unit, and a tract north of Cannery Loop.

### Beaufort Sea

There were 13 bids on 12 tracts in the Beaufort Sea

**There were 94 bids on 92 tracts in the North Slope sale, 173,145 acres, a total of \$6,169,735.19 in high bonus bids, which DNR said exceeded both 2022 sale results and the 5-year average for North Slope sales.**

sale, more than 36,000 acres, DNR said, with cash bonus bids of \$1,302,791 and acres sold, 36,170, both exceeding the 2022 sale and the 5-year average for Beaufort Sea sales.

EE Partners Corp. of Dallas, not a present state leaseholder, took seven tracts for a total of \$689,415 for 23,370 acres, a block southeast of West Harrison Bay on the western edge of state acreage.

Savant Alaska, a Glacier Oil and Gas company and the Badami operator, bid on three tracts and took two, paying \$233,113.60 for 5,120 acres, with one tract adjacent to Badami on the northwest corner of the unit and the other tract adjacent to the first on the west.

Lagniappe Alaska bid on and took three leases, 7,680 acres, for \$380,262.40. The tracts are west of Badami, and north of the company's large acreage position on North Slope areawide sale acreage.

### North Slope

The North Slope areawide, not surprisingly, drew the most bids.

There were 94 bids on 92 tracts in the North Slope sale, 173,145 acres, a total of \$6,169,735.19 in high bonus bids, which DNR said exceeded both 2022 sale results and the 5-year average for North Slope sales.

Great Bear Petroleum Ventures LLC bid on and took

46 tracts, paying \$2,066,832 for 66,240 acres. Sixteen of the tracts are adjacent on the east to existing Great Bear units Alkaid and Talitha, while 30 of the tracts are on the western edge of existing acreage held by the company east of its existing units.

Lagniappe Alaska bid on and took 17 tracts for \$1,866,393.60, 43,570 acres adjacent to its existing holdings south of Badami where the company plans exploration drilling this winter. The new leases are east, north and west of the existing acreage, with the largest block to the north.

Oil Search (Alaska), which is developing the Pikka unit, took 12 of 14 tracts on which it bid between its Quokka unit and the National Petroleum Reserve-Alaska on the western side of state lands, paying \$1,121,383.51 for 22,263 acres.

Arctic Circle Exploration, which holds 30,457 acres on the North Slope, took 14 tracts for \$895,326, 35,813 acres, surrounding its existing acreage south of Deadhorse.

Finnex LLC took two tracts for \$214,425.60, 5,120 acres, one north of the Southern Miluveach unit, Mustang, and the other west of Quokka, both on the western side of the Slope. Finnex is in the process of buying Mustang (see story in Oct. 8 issue of Petroleum News).

Strong Energy Resources took a single tract, 209 acres, northeast of Umiat on the border of NPR-A for \$5,875.48. The company does not show in Division of Oil and Gas records as an existing leaseholder but has bid in state lease sales in recent years. ●

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## Oil Patch Bits



### GCI executives raise money to support homeless youth

As reported by GCI News Nov. 21, as Alaskans look ahead to Thanksgiving and consider what they are thankful for, GCI is encouraging families in Anchorage to think about a part of the community that is often forgotten: youth without a stable home or support system. To raise funds and awareness for at-risk youth experiencing homelessness or trafficking, a pair of GCI executives forewent their beds to spend a frosty night outside as part of Covenant House Alaska's Sleep Out: Corporate Edition.

GCI Vice President of Connectivity Products Josh Lonn and Vice President of Wholesale Business Krag Johnsen joined together to raise more than \$12,000 for this year's Sleep Out, which took place on Nov. 16, 2023.

"Sleep Out was a unique opportunity to better understand, firsthand, the hardships that unhoused youth experience," said Lonn. "The stress and anxiety that accompany day-to-day

life on the streets in Anchorage are something that no young person should have to experience. It feels good to support Covenant House's mission to provide a roof and a path for young people at risk."

"I grew up in Anchorage and always admired Covenant House for their work with homeless and trafficked youth," said Johnsen. "When I participated in Sleep Out, I learned firsthand more about the challenges and successes of these young people and the staff who support them. I was amazed by the impact Covenant House has on young people's lives every day. Thank you to GCI Gives and other GCI Trailblazers for their generous donations to Covenant House. I am proud to be part of a company that cares about our community."

Covenant House Alaska provides many essential services to teens like GED preparation, job readiness, mental health services, life skills training and more. Since 1988, Covenant House Alaska has served more than 26,000 at-risk youth experiencing homelessness.

GCI is one of Alaska's leaders in corporate philanthropy, donating approximately \$2 million each year in cash, products and connectivity to organizations across the state. GCI is committed to giving back to the communities it serves and provides employees with 16 hours of paid leave to volunteer with local organizations.

For more information about GCI Gives, visit <https://www.gci.com/why-gci/gcigives>.



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continued from page 1

## GAS PLANT

Partnering with AIDEA for potential investment is one more step closer to making this a reality for Alaskans," said Alyeschem's CEO, JR Wilcox.

"I am pleased to support AIDEA's involvement in Alyeschem, an exciting new project addressing a long-standing need in our state for supplying critical chemicals like methanol and utilizing stranded North Slope natural gas. Alyeschem's strategic location on the North Slope creates a unique opportunity to meet the current demand and contribute to Alaska's economic growth and create jobs. This project allows us to keep more of the value from our raw materials within the state and aligns with our goal of maximizing the benefits of our resources. Together, we're harnessing the power of North Slope natural gas to drive prosperity, innovation, and a cleaner, more resilient future for Alaska," said Gov. Mike Dunleavy.

McKinley Alaska Private Investment LLC through Na'-Nuk Investment Fund L.P. and BP Energy Partners LLC through BP Natural Gas Opportunity Partners II L.P. have invested in Alyeschem and are actively supporting the company's effort to achieve final investment decision, or FID.

"We appreciate AIDEA, the Governor, and Alaska's support for this important project," said Logan Birch, partner at McKinley Alaska Private Investment LLC.

"The board of directors and I support Resolution G23-13 to conduct due diligence on a prospective project that has the potential to reduce emissions, create full-time Alaskan jobs, and provide an economic return to Alaskans. The board of directors has encouraged AIDEA to explore opportunities that align with the mission. This is a positive first step toward that strategic alignment," said Dana Pruhs, chairman of AIDEA's board of directors.

"AIDEA's mission is to create jobs and enhance economic opportunities within the state. This project uses our stranded natural gas, fosters economic growth, and reduces emissions. We look forward to starting the process to consider investing in this exciting project that will create jobs and economic development in Alaska. These projects are exactly why AIDEA exists and we are excited to consider investing in Alyeschem," said Randy Ruaro, AIDEA executive director.

### BlueCrest loan background

With the passing of Resolution No. G15-04 in April 2015, AIDEA provided development project financing to BlueCrest in the form of a loan to assist in funding the acquisition, transport, set-up and commissioning of an onshore drilling rig, with associated equipment and materials, capable of recovering oil and associated gas from the Cosmopolitan unit located in the Cook Inlet

**AIDEA could ultimately invest as much as \$55 million in the \$116 million facility that would convert natural gas into two products that oil companies currently have to import to the North Slope: methanol and low-sulfur diesel.**

through the use of extended-reach oil wells.

The project had a total estimated cost of \$40 million with AIDEA providing a maximum of \$30 million, initially as a 15-month line of credit to be converted into a 7-year term loan on Oct. 24, 2016. The loan structure required that BlueCrest fund a Reserve Account established with state of Alaska tax credits to provide additional collateral security. The anticipated economic development benefits supporting the resolution included:

—An estimated \$20 million of new property taxes over a 10-year period to the Kenai Peninsula Borough, helping support local schools and borough operations.

—Over \$200 million of new oil taxes and royalties from production over a 10-year period to the state of Alaska.

—The construction of the production facility would provide more than 150 jobs, and the on-going operations of the facility would provide more than 30 jobs on-site and 10-15 jobs for administrative staff.

Delays related to the completion of the drilling rig in 2015 led to delays in the production of oil from the Cosmopolitan leases.

Subsequently, the state's suspension of the tax credit program significantly affected BlueCrest's budgeted capital funding forcing the company to deviate from their original development plan.

AIDEA passed Resolution G16-14, which delayed the conversion of the term loan from Oct. 24, 2016, to Dec. 10, 2016, and allowed for monthly interest-only payments from Jan. 1, 2017, to Nov. 1, 2017.

Delays in field development and commencement of principal payments also affected the terms for the required reserve account. On June 20, 2019, AIDEA's board passed Resolution G19-17, which authorized an agreement for the release of the Reserve Account to AIDEA in order to pay down the loan. With the prepayment, the lower outstanding principal balance was to be amortized through the remaining term of the loan resulting in a lower quarterly amortization payment for BlueCrest.

Due to a collapse in oil prices in early 2020, exacerbated by the economic downturn from the COVID-19 pandemic, BlueCrest delayed further field development. As resolved by the AIDEA board on March 27, 2020, through Resolution No. G20-09, the loan was modified to allow for a one-year period of interest-only payments and to extend the amortization period of the loan and

maturity date for one year.

As resolved by AIDEA's board on Aug. 2, 2023, through Resolution G23-09 the BlueCrest loan was modified for a 6-month period.

With Resolution No. G21-21 in the Dec. 6 board meeting, BlueCrest requested the loan be modified to allow for an additional one-year period of interest-only payments and to extend the amortization period of the loan and maturity date to Jan. 1, 2025.

### AIDEA's collateral

The collateral for AIDEA's loan to BlueCrest includes a perfected UCC filing, valid until March 2026, on the 2015 3000 HP x 1,500,000 lbs. Hook Load Heavy Duty Drilling Rig (BlueCrest Rig No. 1), a 50-person man camp, and associated pipe, equipment and tools.

What BlueCrest requested of AIDEA on Dec. 6 was a one-year forbearance on the loan for a period starting Dec. 1.

The board voted to authorize AIDEA's executive director to complete negotiations with BlueCrest during a three-month period beginning Dec. 1 that includes forbearance on the loan during that period, as well as securing an ORRI on the Cosmopolitan leases to better secure AIDEA's collateral. AIDEA said BlueCrest was accepting of this plan.

For more information on BlueCrest and the Cosmopolitan unit, check out this Dec. 10 story in Petroleum News' online archive:

"Cosmo 10th POD approved: Innovative C.I. producer seeks funds for oil drilling, gas development"

### Dividend to state of Alaska

AIDEA's board also approved a dividend of \$11 million for the state of Alaska for FY2025.

Under AIDEA's statute, the dividends are to be not less than 25% and no more than 50% of the authority's current fiscal year calculated statutory net income. The board chose to declare a dividend amount of 42% of statutory net income to the state of Alaska.

"Financial returns from AIDEA's investments go to two places — back into AIDEA's pool of funds to be reinvested for job creation and as dividends issued to the State of Alaska's Unrestricted General Fund. This dividend announcement brings AIDEA's total dividends to more than \$468 million since the public corporation issued its first dividend in 1997," said Pruhs.

AIDEA is an independently governed, public corporation of the State of Alaska whose mission is to promote economic development and jobs throughout Alaska. AIDEA fulfills this mission by making investments and offering financing tools to communities and businesses. ●

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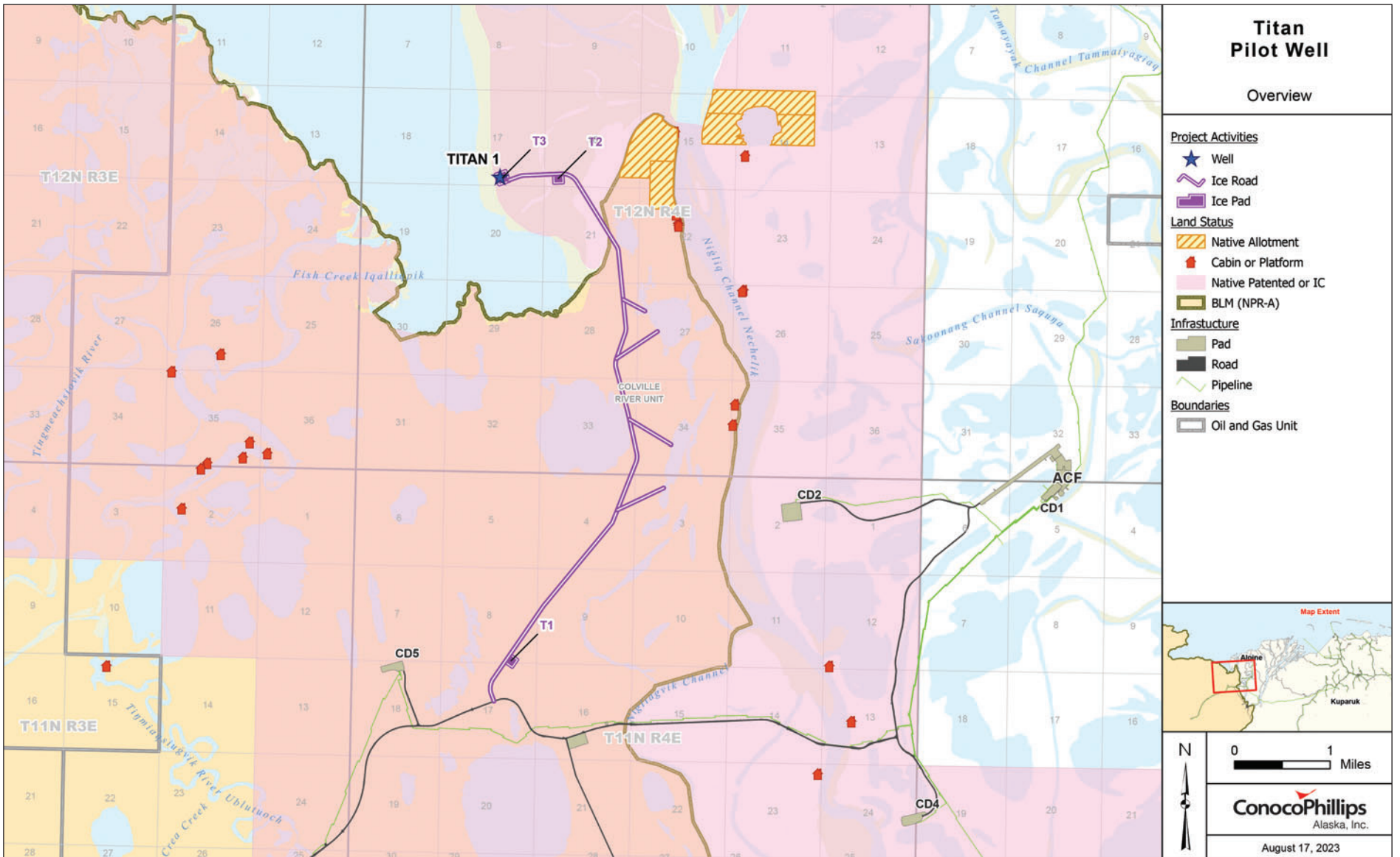
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continued from page 1  
**TITAN 1 WELL**

when this issue of Petroleum News went to press.

“The purpose of this project is to evaluate subsurface data to support continued oil and gas development,” ConocoPhillips said in its Sept. 12 application (see story in Oct. 29 issue of Petroleum News).

The division said the company is planning to plug and abandon the well upon completion and testing.

Some 9 miles of ice road are planned, beginning at the CD5 gravel pad and including spurs to access water sources.

Three ice pads are planned, a 700-foot by 700-foot pad, T3, where drilling will take place and two 500-foot by 500-foot

**Ice road and pad construction are slated to begin Jan. 1, or when conditions are suitable, with drilling to occur in the 2024 winter season.**

support ice pads, T1 and T2, along the ice road. In addition to the drilling rig, there will be a 55-person camp, fuel and cutting storage, cement and drilling mud storage, flare and equipment including vac trucks, super suckers, conexes, light plants and heaters. Fuel storage with secondary containment on the three ice pads will include a 20,000-gallon capacity tank.

Ice road and pad construction are slated to begin Jan. 1, or when conditions are suitable, with drilling to occur in the 2024 winter season.

**Prior exploration**

The division said prior exploration in the area includes a 2000 seismic exploration program, Fiord West 3D, conducted by ARCO Alaska Inc.

ConocoPhillips conducted the Alpine 3D seismic program in 2009-2010.

ConocoPhillips drilled the Char 1 exploration well in the 2007-08 winter season.

The division said Char 1 was some 800 feet north of the proposed Titan 1 well.

AOGCC records show Char 1, plugged and abandoned after testing, was basically a vertical hole, with a measured depth of 7,697 feet and a true vertical depth of 7,647 feet.

The well encountered the top of the Nanushuk at 3,864 feet MD, the Kuparuk D at 7,217 feet MD, the Kuparuk C at

7,252 feet MD, the top of the Nuiqsut at 7,319 feet MD and the base of the Nuiqsut at 7,402 feet MD.

Production was tested in the Nechelik in three flow periods, a total of nine days, from March 18 through March 24, 2008, with production ranging from as little as 12 barrels per day to as much as 358 bpd.

A single flow test period in the Kuparuk, from March 28 through April 8, 2008, produced from 831 bpd to 3,917 bpd.

The Colville River CD5 pad did not go into production until 2015, so when Char 1 was drilled ConocoPhillips had no production or facilities west of the Colville River.

—KRISTEN NELSON

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**OIL PRICES**

\$75.21, as WTI sunk \$2.71 to close at \$68.61 and Brent plummeted \$2.79 to close at \$73.24.

The slide was triggered by robust supply from the United States and South America and worries that the Fed might make a hawkish move, triggering recession.

Despite the down day prior, Dec. 13 action was enough to boost ANS to a Wednesday-to-Wednesday gain, up 33 cents from its Dec. 6 close of \$75.98. Prices continued upward Dec. 14 in Asian trade as Petroleum News went to press.

U.S. commercial crude oil inventories — excluding the Strategic Petroleum Reserve levels — dipped by 4.3 million barrels from the previous week to 440.8 million barrels — 2% below the 5-year average for the time of year, the Energy Information Administration said Dec. 13 in its weekly report.

Total motor gasoline inventories edged up by 0.4 million barrels for the period to 224 million barrels — 2% below the 5-year average for the time of year, the EIA said.

ANS added 27 cents Dec. 11 to close at \$77.85, while WTI edged up 9 cents to close at \$71.32 and Brent added 19 cents to close at \$76.03.

On Dec. 8 ANS jumped \$1.67 to close at \$76.18, WTI leapt \$1.89 cents to close at \$71.23 and Brent jumped \$1.79 to close at \$75.84.

ANS managed a gain of 11 cents Dec. 7 to close at \$76.09, but WTI shed 4 cents to close at \$69.34 and Brent fell 25 cents to close at \$74.05.

**Demand concerns exaggerated**

The Organization of the Petroleum Exporting Countries said recent crude price softness sprang from “exaggerated concerns” about oil demand growth.

OPEC said its world oil demand growth forecast for 2023 remains unchanged from last month’s estimate at 2.5 million barrels per day.

Downward revisions in Organization for Economic Cooperation and Development Europe and Asia Pacific in Q3 2023 and Q4 2023 are offset by upward revisions in OECD Americas, OPEC said in its December 2023 Monthly Oil Market Report released Dec. 13.

In the non-OECD, downward adjustments to the Middle East and Africa in Q3 2023 and Q4 2023 were offset by upward revisions in China, Other Asia, and Latin America, it said.

Oil demand in the OECD is expected to grow by around 0.1 million bpd in 2023 and by 2.4 million bpd in the non-OECD, OPEC said.

For 2024, OPEC sees world oil demand growing by a “healthy” 2.2 million bpd, unchanged from the previous month’s assessment.

The OECD is expected to expand by about 0.3 million bpd, with OECD Americas contributing the largest increase, OPEC said. The non-OECD is expected to

increase by around 2.0 million bpd, led by growth in China, India, the Middle East, and Other Asia.

OPEC sees strong economic growth ahead.

“Economic growth seen in the first three quarters this year in most key economies had been better than expected,” OPEC said. Its global economic forecast for 2023 is 2.9%.

“As this robust economic growth is expected to extend into 2024, the global economic growth is forecasted at 2.6% for the year 2024,” it said, adding that economic growth will push oil consumption higher according to its models.

China’s economic rebound is a major driver, following the relaxation of COVID restrictions, contributing to a leading year-over-year growth of 1.2 million bpd, OPEC said.

Within the OECD region, OECD Americas is expected to expand by 0.1 million bpd year over year driven by steady jet fuel recovery coupled with robust gasoline requirements, OPEC said, adding, “Conversely, OECD Europe and Asia Pacific demand remains weak.”

“As 2023 draws to an end, the OPEC Secretariat remains cautiously optimistic about the fundamental factors affecting oil market dynamics in 2024,” OPEC said. ●

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## WHISKEY GULCH WELL

press with this issue.

The company drilled two previous exploration wells at the field, Whiskey Gulch 1 completed in 2021 and Whiskey Gulch 14 in 2022. Results from those wells are confidential.

Hilcorp has also drilled 12 stratigraphic test wells at Whiskey Gulch.

*Hilcorp told the commission it was targeting a spud date of Jan. 15, with a total planned depth of 8,370 feet measured depth with the top of the production horizon from 1,500 feet measured depth to total depth.*

### Near Anchor Point

The division said the pad is near Anchor Point on the Kenai Peninsula, with the well to “route through” state lease ADL 392666 to a bottomhole on a private tract, with the project to include a well cellar and a conductor and temporary testing equipment including a line heater, separator, flare and water storage tank.

Testing is expected to last some 30 days, and after completion of drilling and testing, the well will be suspended.

The pad is on section 23, township 4 south, range 15 west, Seward Meridian, on the east side of the Sterling Highway at the end of Cape Ninilchik Avenue, some 2 miles north of Anchor Point, the division said. In its application to AOGCC, Hilcorp said both earlier wells targeted “unproved oil and/or gas reserves in the Sterling, Beluga and Tyonek Formations within the Whiskey Gulch Undefined Oil and Gas Pools. There was some gas found in each well but neither are commercially viable at this time.”

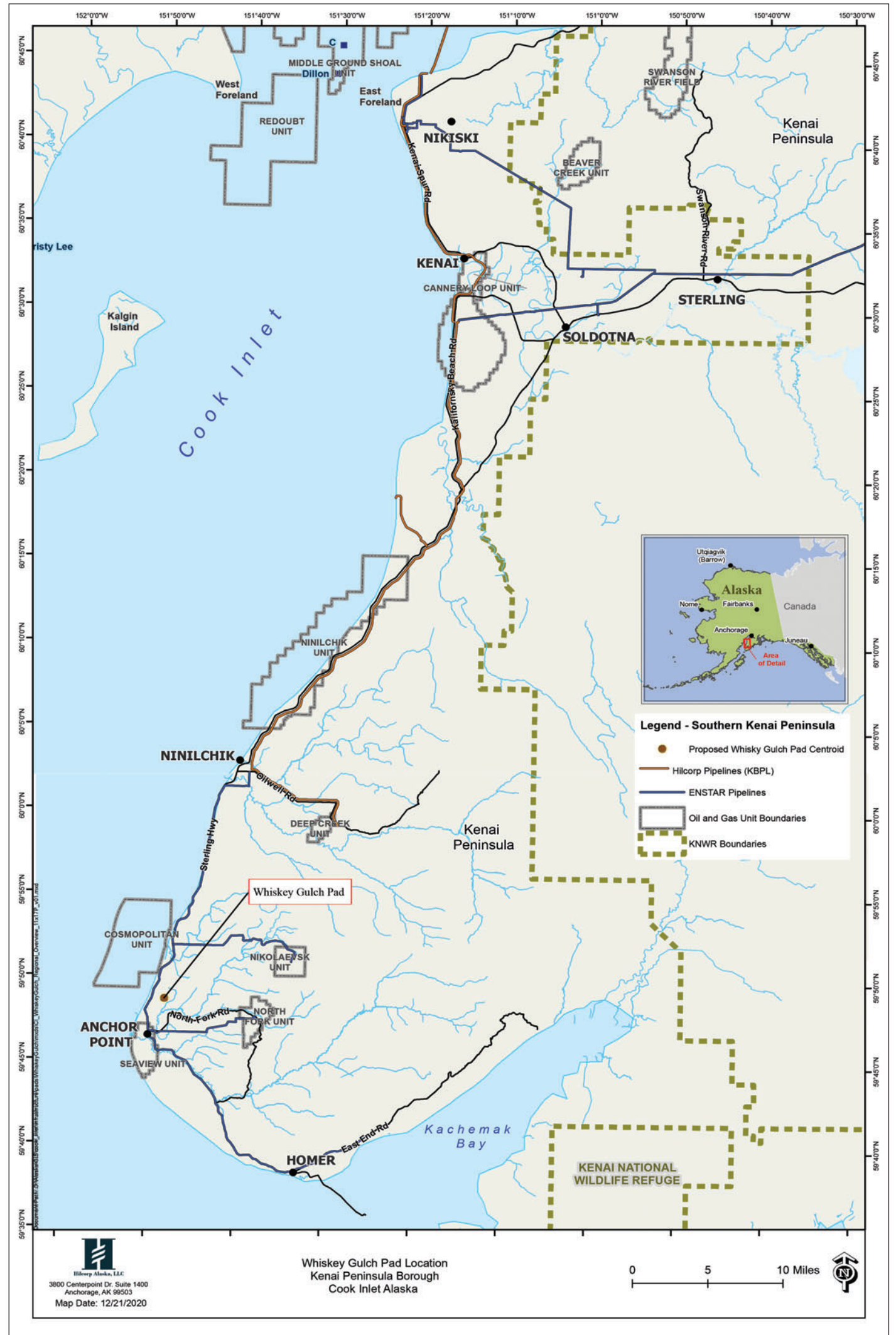
Hilcorp told the commission it was targeting a spud date of Jan. 15, with a total planned depth of 8,370 feet measured depth with the top of the production horizon from 1,500 feet measured depth to total depth.

In its AOGCC application the company said upon successful completion of Whiskey Gulch 15, and prior to putting the well online, it would apply to the division to form the Whiskey Gulch unit and an initial participating area.”

Seaview, the Hilcorp gas field and unit to the south of Whiskey Gulch, came online in mid-2021, but has not had any production since September 2022.

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