

page 4 Hilcorp's R Pad work proceeds at Milne Point, with further approvals

Petroleum geologist David Hite passes; legacy of work in Alaska

Long-time petroleum geologist David M. Hite passed away recently in Bend, Oregon, where he retired in 2014 after closing his Anchorage office where he worked as a consulting petroleum geologist on oil and gas exploration, prospect evaluation and basin analysis.

Dave earned a B.S. in geology from Oregon State University and M.S. and PhD degrees from the University of Madison-Wisconsin.

He began his career with Atlantic Richfield Co. in 1967 with the applied research group.

Dave subsequently served as exploration geologist, senior staff geologist, exploration manager, senior exploration adviser and manager of geotechnical services for Atlantic Richfield and ARCO Alaska Inc., per AAPG Memoir 104, published 2013, which also said he had 45 years of experience in oil and gas research, exploration and development, resource evaluation and management.



DAVID HITE

see DAVID HITE page 6

BC treaty nation locks up LNG Shell deal for shipping in 2028

Emerging from the wreckage of more than 20 LNG projects once proposed for the British Columbia coast is a survivor that holds serious promise.

Ksi Lisims is a unique limited partnership comprising a self-governing modern treaty nation ideally located on the British Columbia coast with direct access to Pacific Rim markets, Rockies LNG Partners that collectively produces about 20% of Canada's natural gas and Texas-based Western LNG that is engaged in the development of North American export facilities and has a management team experienced in the development of LNG.

Ksi Lisims, whose name means "from the Nass River," has pledged to meet a growing demand for LNG rising from the transition away from higher carbon emissions energy sources by supplying "clean, affordable energy."

The partnership took its boldest step forward in early January by signing a deal with Shell Eastern as the first buyer of LNG from the planned Ksi Lisims LNG export facilities.

see KSI LISIMS page 7

Both NS coastal areas now open for off-road travel for winter

The state's eastern coastal North Slope area opened for off-road travel Jan. 11, meeting snow depth and soil temperature criteria at all monitoring stations, the Alaska Department of Natural Resources' Division of Mining, Land and Water said Jan. 11. On Jan. 16 the division said the western coastal area met snow depth and soil temperature criteria and was also open for winter off-road travel.

The openings apply only to operators with valid off-road vehicle travel permits for state lands on the North Slope.

Snow may be thin in some areas and those areas should be avoided or special construction methods used to protect the tundra, the division said in both opening announcements.

The foothills areas remain closed to off-road vehicle travel

The foothills areas remain closed to off-road vehicle travel although permitted snowmobile travel opened in the lower foothills Jan. 4.

see OFF-ROAD TRAVEL page 7

ALTERNATIVE ENERGY

Targeting sweet spot

GeoAlaska gets another geothermal prospecting permit on Augustine Island

By KAY CASHMAN

Petroleum News

The Alaska Department of Natural Resources' Division of Oil and Gas issued the final written finding of the director on Jan. 10 for the 2024 Augustine Island noncompetitive geothermal prospecting permit. Having found that issuing the permit is in the best interests of the state, the division will award the permit to GeoAlaska LLC to explore for geothermal resources on state-owned unencumbered lands within the prospecting permit area.

The division issued a call for public comments and competing proposals on May 31 for 62,961 acres



PAUL CRAIG

in 27 tracts on and around Augustine Island.

On July 3 the public comment period and call for competing proposals ended, and no competing proposals or comments were received. Therefore, the current GeoAlaska proposal is being offered as an exclusive noncompetitive prospecting permit for a period of 2 years with an annual rental rate of \$3 per acre. This disposal is assigned to ADL 394174.

Augustine Island is in Kamishak Bay on the west side of Lower Cook Inlet, approximately 68 miles southwest of Homer and approximately 170 miles south-southwest of Anchorage.

see GEOTHERMAL PERMIT page 6

FINANCE & ECONOMY

Strong \$ steadies ANS

Shell suspends Red Sea oil shipments over Houthi rebel vessel harassment

By STEVE SUTHERLIN

Petroleum News

Alaska North Slope crude inched up 23 cents Jan. 17 to close at \$78.42 per barrel, as a stronger dollar mitigated recent oil price spikes fueled by increasing tensions in the Middle East. West Texas Intermediate added 16 cents on the day to close at \$72.56 and Brent shed 41 cents to close at \$77.88.

On Jan. 16, ANS shed 47 cents to close at \$78.18, while WTI slipped 28 cents to close at \$72.40 and Brent was unchanged at \$78.29.

A strong dollar makes oil more expensive for buyers that must convert foreign currency to buy the dollar-denominated commodity.

Houthi rebel attacks on shipping in the Red Sea

Global oil demand in 2025 is set to grow by a robust 1.8 million barrels per day, year-over-year, the Organization of the Petroleum Exporting Countries said in its January Oil Market Report released Jan. 17.

continue to disrupt oil shipments, however.

Shell suspended all shipments through the Red Sea after retaliatory U.S. and UK strikes on Houthi military assets in Yemen triggered fears of further escalation, according to people familiar with the decision per a Wall Street Journal report Jan. 16.

Shell is concerned that a successful attack could

see OIL PRICES page 8

CANADA

Active M&A for Canada

Montney gas basin in northern BC, Alberta, powering mergers & acquisitions

By GARY PARK

For Petroleum News

Growing interest in the prolific Montney natural gas basin of northern British Columbia and Alberta is expected to power a lively year of mergers and acquisitions.

However, Tom Pavic, president of Calgary-based Sayer Energy Advisors, which tracked C\$16.2 billion of M&A deal-making among oil and gas companies last year, cautioned that the stability that has entered the oil market over the past year could curb buying and selling this year.

"You will certainly see some deals being done," he told the Calgary Herald. "But there is definitely less product currently available for sale right now,"

he said.

The biggest deals negotiated last year included ConocoPhillips securing half of the Surmont oil sands project from France's Total Energies for C\$4.4 billion, while Crescent Point Energy purchased assets in the Montney for C\$1.7 billion and concluded the year with a C\$2.6 billion acquisition of Hammerhead Energy.

Other major deals included Suncor Energy paying C\$1.5 billion for Total Energies' stake in the Fort Hill's oil sands project and Tourmaline Oil paying C\$1.45 billion for Bonavista Energy.

Energy profitability

"We're in a phase of energy profitability that we

see CANADA M&A page 8

● EXPLORATION & PRODUCTION

DNR optimistic about NS future production

Senate Finance hears background on fall oil production forecast, review of upcoming Slope projects from Division of Oil and Gas

By KRISTEN NELSON

Petroleum News

The Alaska Legislature's Senate Finance Committee kicked off its 2024 hearings with an overview by the Department of Natural Resources' Division of Oil and Gas of its fall 2023 oil production forecast, introduced by DNR Commissioner John Boyle and presented by Travis Peltier, petroleum reservoir engineer with the Division of Oil and Gas.

Boyle said there is a boom in investment on Alaska's North Slope with major projects, years in the making, underway. He cited a stable and predictable climate for investment, the Slope's great rocks and technological advances as all playing a part in creating what he called a "very exciting trajectory."

At the end of the 10-year forecast window, he said, North Slope production is forecast at some 630,000 barrels per day, up from today's average of some 480,000 bpd, with major commitments including ConocoPhillips' final investment decision at its Willow project, Santos in construction on the first phase of Pikka, and a major exploration project on the eastern North Slope, with Apache coming back to the state in



JOHN BOYLE

partnership with Armstrong.

Among challenges Boyle listed are strains on the workforce and infrastructure because of the volume of projects underway and some headaches in the economic climate.

But overall, he said, DNR is "very optimistic."

Accuracy of last year's forecast

Peltier said DNR looked at how its fall 2022 forecast compared with actual fiscal year 2023 production. DNR's mean forecast, he said, was some 3% higher than actual FY2023 production, July 1, 2022, through June 30, 2023. Actual production was 479,380 bpd, compared to DNR's forecast of 491,727 bpd and the operators' forecast of 482,661. He said the operator's forecast is an amalgamation by DNR of forecasts by individual operators.

Several factors shape the forecast, Peltier said:

*The interest of industry in Brookian age plays — Nanushuk — on the North Slope.

*ESG — environmental, social and governance — influences, which affect capital allocation decisions.

*Changes in federal regulations and leasing restrictions.

What occurred in FY23

North Slope fields generally are in decline, although

compared to FY22, FY23 North Slope production was up some 1%.

Peltier listed decreases from FY22 to FY23 at Badami, where the best well was down; natural decline, despite development drilling, at the Colville River and Kuparuk River units; natural decline at Endicott and Northstar; and technical issues with the single production well at Point Thomson

Increases occurred at Greater Mooses Tooth, where development drilling occurred at the GMT2 pad; infill drilling and rig workover efforts at Milne Point, Nikaitchuq and Oooguruk; and improved facility reliability and gas throughput at Prudhoe Bay.

Key future projects

Peltier reviewed the status of five key future projects — two very large new developments and three smaller in-field developments.

The Santos-operated Pikka project, which received its FID, final investment decision in 2022, by January of this year was under construction with drilling ongoing and first oil projected in the second quarter to 2026, with phase 1 estimated by DNR to peak at 80,000 bpd.

ConocoPhillips' Willow received a record of decision from the Bureau of Land Management in 2023. The

see **PRODUCTION FORECAST** page 7

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Alaska's source for oil and gas news

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EXPLORATION & PRODUCTION

Hilcorp applies to expand Schrader Bluff

Milne Point unit operator and 100% working interest owner Hilcorp Alaska has applied to the Alaska Oil and Gas Conservation Commission to expand the map extent of the Schrader Bluff oil pool in and around Milne Point based on seismic data and neighboring well logs which indicate the SBOP extends to the northwest of the existing oil pool.

The commission said expanding the SBOP would allow the area to be developed under the same rules as the existing acreage.

In its Dec. 19 application, Hilcorp requested expansion of the Milne Point unit Schrader Bluff oil pool as described in AOGCC Conservation Order 477.

The company said the areas requested for expansion would be targeted in the future, as early as the first quarter of 2024.

The northwestern expansion of the SBOP would further development of the Schrader Bluff reservoir from Milne Point R (Raven) Pad and F Pad.

“Interpretation of seismic data and neighboring well logs suggests the Schrader Bluff structure extends to the northwest into the proposed Expansion Area,” the company said.

The expansion area is in ADLs 025509, 388235, 355018 and 355021.

Tentative hearing

The commission has tentatively scheduled a hearing on the request for Feb. 15 at 10 a.m. in its Anchorage offices. The audio call-in number is 907-202-7104 conference ID 727 338 359#.

If a request for a hearing is not filed by 4:30 p.m. Jan. 26, the commission may issue an order without a hearing. Call 907-793-1223 after Jan. 29 to learn if a hearing will be held.

The commission said it would accept written comments on the application until 4:30 p.m. Feb. 9, or if a hearing is held, through the conclusion of the Feb. 15 hearing.

—KRISTEN NELSON

● EXPLORATION & PRODUCTION

Baker Hughes US rig count down 2 to 619

By KRISTEN NELSON

Petroleum News

The Baker Hughes’ U.S. rotary drilling rig count was 619 for the week ending Jan. 12, down by two rigs from 621 the previous week, and down by 156 from 775 a year ago. The rig count has dropped in four of the last eight weeks, a combined loss of nine as opposed to a gain of eight, continuing a downward trend dominant since the beginning of May.

A drop of 17 to 731 on May 12, 2023, was the steepest weekly drop since June of 2020, during the first year of the COVID-19 pandemic, when the count also dropped by 17 to 284 on June 5, following drops as steep as 73 rigs in one week in April. The count continued down to 251 at the end of July 2020 before beginning a slow climb upward.

As 2023 reached its end, the count hovered in the 620s for more than a month with the Dec. 29 count of 622 down from a high of 775 on Jan. 13, 2023. The high for 2022 was 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 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 Jan. 12 count includes 499 rigs targeting oil, down by two from the previous week and down 124 from 623 a year ago, with 117 rigs targeting natural gas, down one from the previous week and down 33 from 150 a year ago, and three miscellaneous rigs, up one from the previous week and also up one from a year ago.

Forty-eight of the rigs reported Jan. 12 were drilling directional wells, 561 were drilling horizontal wells and 10 were drilling vertical wells.

Alaska rig count unchanged

North Dakota (33) was up by two rigs from the previous week while California (5) and Ohio (13) were each up by a single rig.

Wyoming (10) was down two rigs week over week.

Colorado (16), Oklahoma (43), Utah (12) and West Virginia (8) were each down by a single rig.

Rig counts in other states were unchanged from the previous week: Alaska (10), Kansas (1), Louisiana (42), New Mexico (97), Pennsylvania (19) and Texas (308).

Baker Hughes shows Alaska with 10 rotary rigs active Jan. 12, unchanged from the previous week and up by one from a year ago when the count was nine. 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 two from the previous week at 309 and down by 47 from 356 a year ago. ●

Contact Kristen Nelson at knelson@petroleumnews.com

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● EXPLORATION & PRODUCTION

Hilcorp's work at Milne R Pad proceeds

Division of O&G approves additional installation work at new pad approved in early '23; drilling expected to begin in August '25

By KRISTEN NELSON

Petroleum News

Hilcorp Alaska is continuing work at its new R Pad at its North Slope Milne Point unit. On Jan. 11 the Alaska Department of Natural Resources' Division of Oil and Gas issued an amendment for the unit plan of operations covering on-pad elements of the work.

The division said this request from Hilcorp is for construction of on-pad elements of the project.

Plan activities listed by the division under this authorization are:

- Installation of 20 pipe rack skids with production, test, source water and polymer headers.

- Placement of metering module and piping interconnection between pipe racks.

- Placement of 14-inch production pig launcher on the pad.

- Placement of 4-inch test header and polymer heading piping.

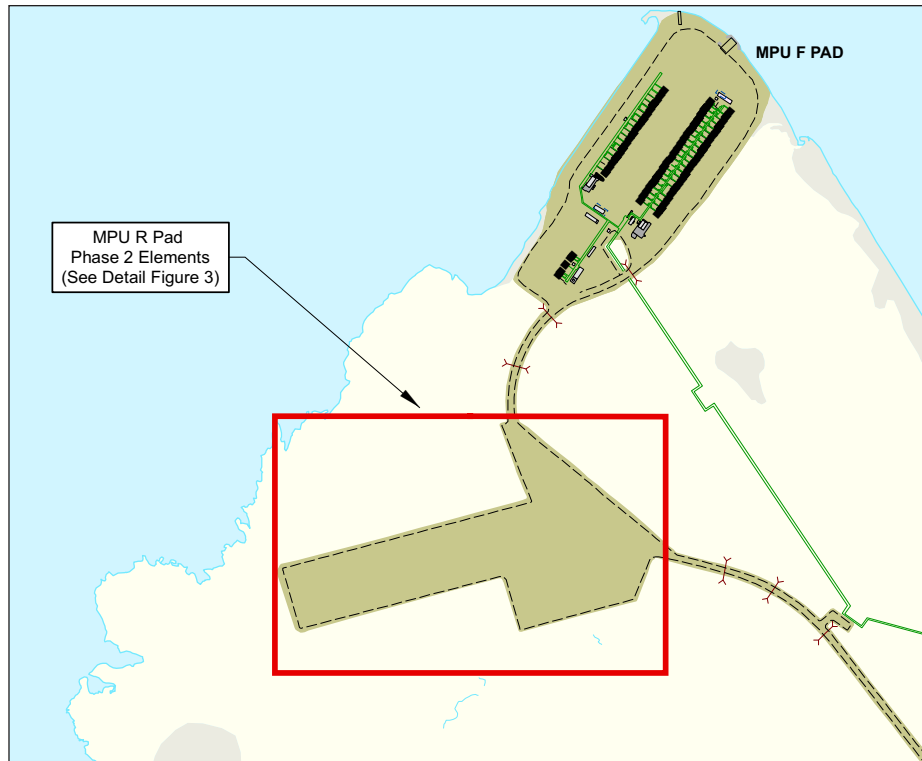
- Placement of 8-inch source water injection piping.

- Placement of three chemical tanks, remote shelter/chemical pump module and electrical module.

- Installation of 16-foot by 100-foot tank-truck loading area.

- Demobilization and clean up.

The division said work was scheduled to begin Jan. 15. Housing for construction crews and mobilization/transporting mate-



rial, supplies and other equipment will be at existing Milne Point unit facilities.

Pad approved in February 2023

Hilcorp received approval for R Pad in February 2023 (see story in Feb. 19, 2023, issue of Petroleum News) with work scheduled to begin with gravel placement that month and continue through May 2023, followed by gravel turning and compaction from June

through September and culvert placement and power and fiber installation in that same timeframe.

Flowline construction was scheduled to begin in December 2023 and run through May 2024, with infrastructure installation from March through September and the drilling program from August through October 2025.

The division said the new pad will give Hilcorp access to some 2,000 acres in the Kuparuk reservoir and some 1,200 acres in the Schrader Bluff reservoir, the two primary producing reservoirs at Milne Point.

Sixty wells — a combination of production and enhanced oil recovery — are planned in the initial development, all extended reach wells, up to 25,000 feet

In 2018 Hilcorp added Moose, or M pad, at the western edge of Milne, the first new pad at the field since 2002, with room for 50 to 70 wells and processing facilities on the pad.

measured depth in length.

R Pad has been designed to accommodate a drilling rig capable of extended reach drilling, requiring extra space and drilling laydown areas to accommodate such a rig to drill wells in two rows, allowing for associated infrastructure and space for movement of emergency vehicles and other well servicing equipment while the rig is on a well, along with space for construction offices and a fabrication tent.

Hilcorp at Milne

Hilcorp acquired a 50% working interest at Milne and operatorship from BP Exploration (Alaska) at the end of 2014 and became 100% working interest owner after acquiring BP's remaining Alaska assets in a deal that closed in mid-2020. In 2018 Hilcorp added Moose, or M Pad, at the western edge of Milne, the first new pad at the field since 2002, with room for 50 to 70 wells and processing facilities on the pad.

In 2014 Milne produced 7.1 million barrels of oil and in 2022, the most recent year for which complete production data is available from the Alaska Oil and Gas Conservation Commission, Milne produced 13.7 million barrels. ●

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● PIPELINES & DOWNSTREAM

Spill on North Slope Point Thomson line

By KRISTEN NELSON
Petroleum News

There has been a leak from the Point Thomson export pipeline, the Alaska Department of Environmental Conservation's Division of Spill Prevention and Response said Jan. 15. The division said Harvest Alaska LLC received a leak detection alarm at 10:19 p.m. on Jan. 13. Harvest isolated the line, which carries oil 22 miles from Point Thomson to a connection at the Badami Pad, and deployed air and ground resources.

On Jan. 14 at 11:54 a.m., there was visual confirmation of the leak via aircraft, with additional confirmation shortly thereafter from the ground survey crew.

The division said the amount of the release is unknown, but Harvest Alaska calculated the maximum potential of the liquid natural gas condensate at 275 barrels. Harvest shut-in and depressurized the line following the leak alarm notification, stopping any remaining condensate from leaving the line.

Point Thomson produces from a high-pressure reservoir, with oil in the natural gas. The oil is separated from the natural gas at the Point Thomson production facilities, the natural gas reinjected into the reservoir and the liquid shipped down the Point Thomson export pipeline for sale.

The division said the cause of the spill is under investigation.

Unified command

The division said Harvest stood up an incident management team with a unified command including ADEC and the U.S. Coast Guard. In its website on the unified demand, the division said a joint command arrangement occurs when an incident involves more than one agency with jurisdiction, in this case ADEC and the Coast Guard.

The spill area has been delineated and on Jan. 15 mobilization of response resources was underway, with recovery operations expected to begin shortly, the division said. Other North Slope operators are providing

Point Thomson produces from a high-pressure reservoir, with oil in the natural gas.

mutual aid.

The impacted area is tundra, an area of some 20 feet by 225 feet, with 4 to 8 inches of snow on the ground.

Point Thomson is the farthest east producing field on the North Slope.

The export pipeline was built in 2013 and 2014. Production facilities at Point Thomson came online in 2016 and are rated to produce up to 10,000 barrels per day. In November, the most recent month for which Alaska Oil and Gas Conservation Commission production data are available, Point Thomson production averaged 3,446 bpd. ●

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ALTERNATIVE ENERGY

Geothermal project approaching FID

According to the latest update from Ounalaska Chena Power LLC on the planned construction of a 36-megawatt geothermal power plant on the flank of the Makushin volcano on Unalaska Island in the Aleutians, the project is approaching a final investment decision. The company says that the construction and logistics plan is complete and that it has signed a contract for engineering procurement and construction with Ormat Technologies. Ormat is a geothermal company based in Reno, Nevada, with international experience in building geothermal power systems. OCCP also says it has developed the rigorous design criteria and specifications that are needed for the selection and awarding of all remaining contracts needed for the project, with nearly all the contracts ready and waiting for the right time for execution.

The company is now focusing on securing total project financing. Because this is taking longer than anticipated, a decision has been made to extend the project timeline by one year. As a consequence it will be necessary to amend a power purchase agreement with the City of Unalaska electricity utility.

The project involves the placement of the power plant on a plateau on the flank of the volcano facing the city. There is a known major source of hot geothermal water underground at the site. Two or three production wells will deliver hot water into the power plant. Cooled geothermal water that has passed through the plant will be pumped back underground through injection wells for reheating. A 14-mile transmission line will connect the power plant to the city's power grid.

In addition to supplying power to the city, OCCP anticipates supplying power to fish processing plants on the island, thus replacing the use of diesel generators. Other potential benefits include the implementation of electrically powered heat pumps for heating buildings and the possibility of using some of the electrical power to generate green hydrogen.

—ALAN BAILEY



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NORTH SLOPE TELECOM, INC. FOCUSED ON ALASKA FOR OVER FORTY YEARS

continued from page 1

DAVID HITE

He worked for ARCO for a total of 24 years, with 15 years in Alaska.

Starting in 1992 Dave was a consulting petroleum geologist based in Anchorage. In this capacity he consulted with oil companies such as Exxon, BP, Phillips, ARCO Alaska and Anadarko, as well as numerous smaller independents and utilities, per AAPG Memoir 104.

Memoir 104 also said that Dave consulted for a number of state and federal agencies and Alaska Native corporations.

Dave also served as a member on the National Academy of Sciences Polar Research Board and as a

member on the National Resources Council Committee on Cumulative Environmental Effects of Oil and Gas Activities on Alaska's North Slope.

He was also editor of a comprehensive volume on Cook Inlet oil and gas, a member of the State Mapping Board for years, and organizer of two Pacific Section AAPG meetings in Anchorage.

Dave also provided story ideas to Petroleum News and was willing to comment when asked, such as in the July 13, 2008, issue for a story titled "Gull Island buzz: 200 years of oil from Alaska's North Slope?"

The legend of Alaska's Gull Island, a speck of land 4 miles or so offshore the North Slope in the middle of Prudhoe Bay, seems to have an uncanny ability to appear when the United States is facing soaring oil and gasoline

prices.

As oil prices started climbing in 2006 past \$60 per barrel, sometime Baptist missionary Lindsey Williams told a meeting of the Midwest Concerned Citizens group in Kansas City about how the fabulous Gull Island field could supply the United States with oil for 200 years. Gasoline prices could drop to just \$1.50 per gallon if only the U.S. government and the oil companies were to open the spigots on the vast, undisclosed North Slope oil reserves, he claimed.

Hite briefly sat on the first well, and later told me the so-called "massive discovery" was not in any sense real.

—KAY CASHMAN

Contact Kay Cashman
at publisher@petroleumnews.com

continued from page 1

GEOTHERMAL PERMIT

The permit area consists of the southern portion of Augustine Island, containing about 7,205 acres of onshore portions of two tracts. The state owns the land within the permit area, and Augustine Island is entirely located within the Kenai Peninsula Borough.

GeoAlaska's CEO and majority owner Paul Craig told Petroleum News Jan. 12 that GeoAlaska and its partner company, Ignis Energy Inc. are "delighted with Director Derek Nottingham's final written finding."

The acreage surrounds GeoAlaska's existing permit, expanding and upgrading the company's position on Augustine Island.

2023 work

During 2023, GeoAlaska collected magnetotelluric and gravity data at Augustine Island. "Analyses of these data has identified an attractive anomaly," a "sweet spot" that the company is planning to drill in 2024, Craig said.

GeoAlaska is working closely with Alaska Drilling & Completions to plan the 2024 temperature gradient drilling program. The plan is to core the exploration well to a depth sufficient to determine temperatures at various depths and to clarify whether a commercial hydrothermal system is present.

"Heat at depth is reasonable to assume given the proximity of the relatively shallow magma chamber below Mount Augustine. If a hydrothermal system is not discovered in the 2024 well, the temperature gradient data will allow GeoAlaska and

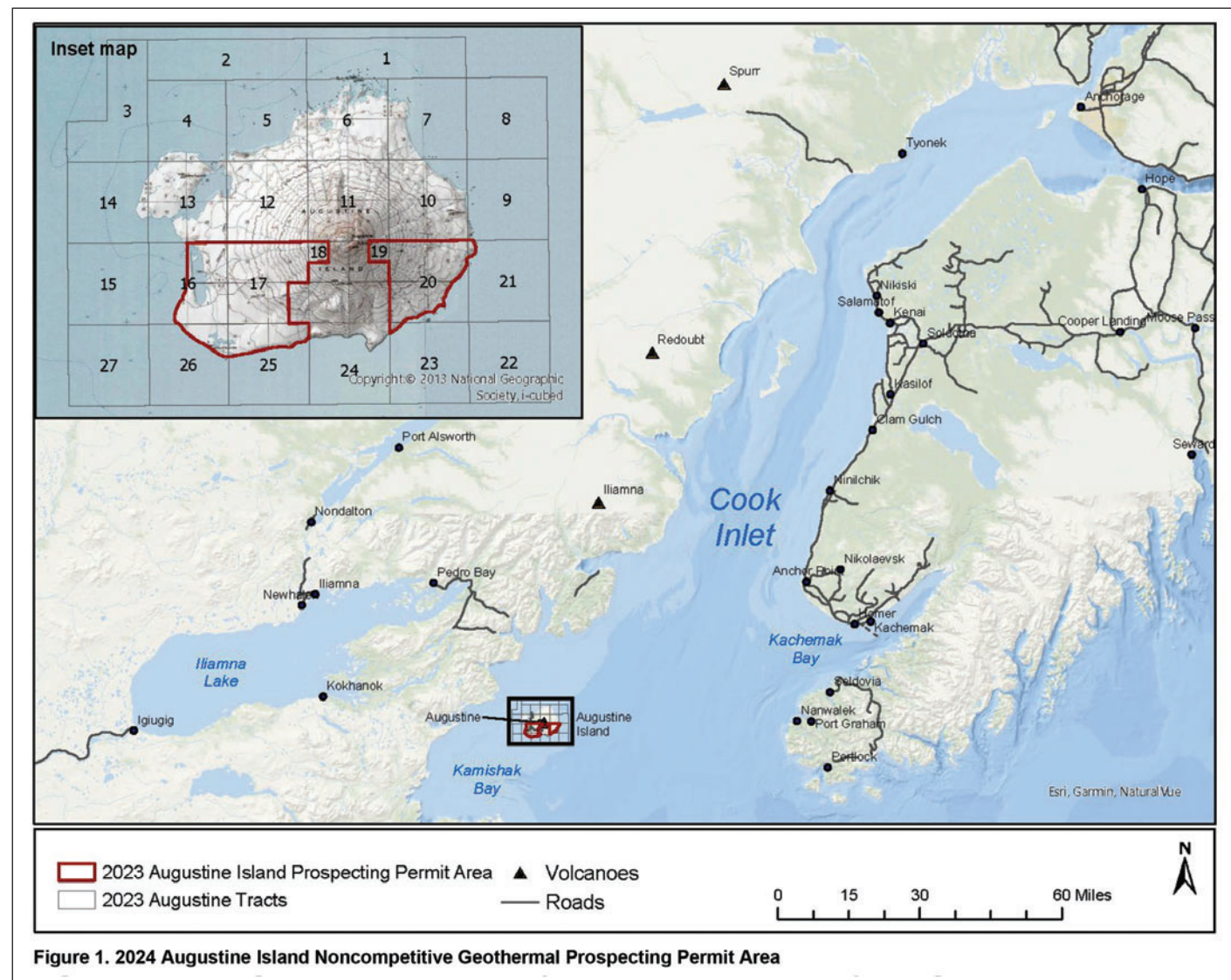


Figure 1. 2024 Augusting Island Noncompetitive Geothermal Prospecting Permit Area

Ignis to model shallow closed-loop enhanced recovery systems to generate power.

"We anticipate drilling into a hydrothermal system. But all is not lost if we drill into dry hot rock," Craig said.

GeoAlaska has benefited from the scientific studies recently published about Augustine Island and the monitoring of the island performed by the Alaska Volcano Observatory, AVO. Earthquakes cannot be predicted — volcanic eruptions can. AVO's

24-7 notification system is critical to public safety on the ground at Augustine Island and in the air where thousands of passengers are transported along polar routes every day, Craig said.

Power to Railbelt

Richard Calleri, CEO of Ignis Energy, told Petroleum News Jan. 12: "Ignis Energy is delighted to continue our partnership with GeoAlaska and extend our area of interest on Augustine Island. Our aim remains and has always been to provide affordable, clean and renewable base load geothermal energy to the Railbelt region of Alaska."

"Extending our area of interest on Augustine Island is in line with our overall strategy. The subsurface geophysical data that we have collected to date is very promising and we are now identifying additional targets to test within the greater Augustine permit," Calleri added.

Leases on Mount Spurr

GeoAlaska also owns three state of Alaska geothermal leases on Mount Spurr, contiguous with leases owned by Cyrq Energy. Cyrq is a large geothermal power producer based in Salt Lake City. Cyrq was purchased by a subsidiary of Macquarie Infrastructure Partners in March 2021.

GeoAlaska's 2024 exploratory efforts are focused on Augustine Island. Nonetheless, Mount Spurr "lurks on the horizon as another world class geothermal

see **GEOTHERMAL PERMIT** page 8

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PRODUCTION FORECAST

company started construction in April 2023, with FID in December 2023; first oil is expected in 2029, peaking at 180,000 bpd.

ConocoPhillips' Colville River unit Narwhal CD8 project expects first oil in 2030, pending stakeholder alignment, permitting and internal studies, with peak production estimated by DNR at some 32,000 bpd.

Construction is underway at Hilcorp Alaska's Milne Point Raven or R Pad, with DNR estimating peak production at 10,000 bpd.

And at Nuna-Torok in ConocoPhillips-operated Kuparuk River construction is underway on drill site 3T expansion, with first oil expected in 2025 and peak estimated at up to 20,000 bpd.

Under evaluation

Peltier said DNR looked at 15 major North Slope projects in its fall 2023 forecast: all not online by the end of FY23, with higher risk factors than producing fields, but known discoveries with identifiable operators with major investment required.

He listed: Willow, CRU Narwhal CD8; Horseshoe Stirrup, Pikka unit development, Pikka phase 2, Quokka/Mitquq, Nuna-Torok, MPU Raven Pad, Theta West, Talitha, Alkaid, Libert, PTU expansion and Sourdough.

Two projects DNR moved from the under evaluation category to the future watch list are Umiat and Smith Bay, Peltier said, citing distance from infrastructure.

Forecast for FY24

For FY24, July 1, 2023, through June 30, 2024, a

chart in the DNR presentation shows the official forecast at some 470,000 bpd, increasing to more than 630,000 bpd in FY33. By comparison, the operator forecast, the amalgamation of what various operators are forecasting, is some 420,000 bpd in FY33.

Peltier said the large difference is explained by the fact that the operator forecasts which DNR receives do not include future projects.

The Department of Revenue's Fall Forecast shows FY24 North Slope production at 470,338 bpd, dropping to 463,771 bpd in FY25 before starting to rise: 473,136 bpd in FY26, 516,515 bpd in FY27, with some ups and downs through FY30, before a steady climb to 632,993 bpd in FY33. ●

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KSI LISIMS

Shell disclosed the 20-year contract to start shipping LNG to Asia in 2028 from its initial export facilities that are expected to cost C\$9.9 billion and deliver a combined 12 million metric tons a year to unidentified Asian buyers.

Ksi Lisims partners include the Nisga'a First Nation and nine Western Canadian gas producers, among them Tourmaline, the largest of Canada's producing pack.

Obstacles to project

But the Ksi Lisims project still faces some formidable obstacles to its design for achieving net-zero carbon emissions while creating thousands of jobs and training opportunities across B.C., Alberta and elsewhere in Canada.

It has yet to obtain regulatory approval for its TC Energy Prince Rupert gas transmission pipeline to a load-

ing site at Wil Milit on Pearse Island off the northern coast of British Columbia.

Despite much hype about a decade ago involving 20 proposals to export natural gas in liquid form from British Columbia, Ksi Lisims is among only a handful remaining alive, including the Cedar LNG project at Kitimat on the central coast that is co-owned by Pembina Pipeline Corp. which said in early January that it had awarded a contract for engineering procurement and construction of a floating production unit, but that is subject to Cedar making a final investment decision by the end of March.

Also presenting an obstacle is completion of the Coastal GasLink pipeline, which has been opposed over the past five years by a group of hereditary chiefs from the Wet'suwet'en Nation who have challenged the 28% of the GasLink pipeline that is planned to cross traditional indigenous territory.

—GARY PARK

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OFF-ROAD TRAVEL

although permitted snowmobile travel opened in the lower foothills Jan. 4. The coastal areas had opened earlier for permitted snowmobile travel, the western coastal area Nov. 4 and the eastern coastal area Dec. 1.

For areas still closed, the division said approvals may be given for some summer-approved vehicles and conditional approvals may be given for ice road and snow road construction, with approvals available from the operator's DNR permitting section.

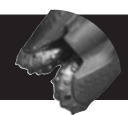
In the lower foothills, three of the five stations met the 9-inch snow depth criteria and three of five also met the soil temperature criteria. The division said no monitoring was conducted in the upper foothills area.

DNR staff will be back on the North Slope the week of Jan. 15 to continue monitoring, with the next off-road travel status report expected out around Jan. 19.

—KRISTEN NELSON



Oil Patch Bits



ASTAC service area residences 91% fiber connected

Arctic Slope Telephone Association Cooperative Inc., a leader in fiber connectivity in the state and nation, said Jan. 11 that it has achieved a significant milestone, having connected 91% of North Slope residences and businesses to their fiber network. ASTAC is dedicated to providing residents with high-speed, reliable and future-proof internet services. The investment and deployment of fiber-to-the-home technology will ensure that customers experience unparalleled internet speeds, low latency and a seamless online experience for both work and leisure, now and into the future.

In addition, the cooperative has dropped its prices on all plans and now offers unlimited

connectivity in all communities. The plan price drops, in combination with the Affordable Connectivity Program through the FCC, make for the fastest and most affordable internet service at the top of the world.

ASTAC's CEO/GM, Jens Laipeniaks, enthusiastically shared, "Our team is dedicated to the cooperative's mission of connecting the North Slope to terrestrial fiber networks. Our members have been instrumental in achieving all our goals and we are grateful to them for loyalty and support through the decades."

The cooperative plans to complete 100% fiber-to-the-home connections across terrestrial networks within the next couple of years, and the remaining fiber network builds are funded and in progress. For more information visit www.astac.net.

Companies involved in Alaska's oil and gas industry

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CANADA M&A

haven't seen in more than 50 years," said David Szybunka, senior portfolio manager at Canoe Financial.

He expects the industry to be driven into M&A markets by balance sheets that are the cleanest seen in many years.

In a report issued this month by Wood Mackenzie, the energy consulting firm forecast that another banner year for M&As will focus on scale, performance and, as the industry matures, "diversification."

One of the firm's research analysts, Tyson Gervais, said small and medium-sized publicly traded producers

that are active in the Montney could be on the lookout for deals, either as buyers or sellers.

"Canada is due for a real blockbuster deal with one like we haven't seen for a couple of years," he said.

Parallax Energy

A taste of what might be in store occurred in November when newly formed exploration and production firm Parallax Energy closed an equity commitment involving Houston-based Carnelian Energy Capital.

Carnelian CEO Dustin Hoffman and chief financial officer Dan van Kessel said Parallax will have a broad acquisition strategy in Western Canada looking for properties and well completion technologies where they can use new drilling and completion methods to opti-

mize the assets.

"We have got a lot of support to look at acquisitions anywhere from C\$25 million up to C\$500 million," Van Kessel said.

He said that across the Canadian sector some larger producers who recently completed transactions backed by debt will be looking to divest non-core assets while smaller public companies will be open for business with older privately held firms that are looking to sell.

"We're in a bit of a sweet spot right now," von Kessel said. "There's a lot of space for folks to make deals happen." ●

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GEOTHERMAL PERMIT

prospect warranting exploration," Craig said.

Ignis Energy partnered with GeoAlaska during March 2023. Ignis was founded about 3 years ago by Richard Calleri as a sister company to GeoLog — an oil field service company started by the Calleri family more than 40 years ago with operations around the globe. Ignis has already begun expanding its geothermal presence internationally.

Craig, the majority owner of GeoAlaska, recently celebrated his 70th birthday and likes to tell people, "I'm getting too old to buy green bananas." On the heels of this quip, Craig points out, "Cornelius Vanderbilt made his first investment in the railroad business — the source of the bulk of his estate — when he was about the same age."

According to Craig, "GeoAlaska's goal is to provide green, geothermal baseload energy to the benefit of all Alaskans." Craig's view is that "In today's world, doing what we can to decarbonize the source of BTUs of energy that Alaskan's use each day makes good sense environmentally and commercially."

"At a personal level, I want to do my part to leave the earth a better place than I found it so that our children, our grandchildren, and generations to follow can benefit from our collective efforts. My dad frequently told me, 'Put more into your community than you take out and your community will take care of you.' I'm doing the best I can to follow his sage advice," Craig said. ●

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OIL PRICES

trigger a massive spill, and present risks to the safety of crews, the sources said.

Shell joins BP and Qatar Energy in avoiding transits through the route. Some 12% of global seaborne oil trade goes through the Red Sea.

On Jan. 16 at the World Economic Forum in Davos, Switzerland, Shell CEO Wael Sawan said "the priority is the welfare of our people and of course protecting our assets. That's how we have been looking at this from the beginning."

Red Sea disruption confounds energy distribution and ups prices, Sawan said, adding that it presents scheduling conflicts and adds "an extra couple of weeks" to cargo transit times, resulting in a 5%-to-10% bump in costs of delivery.

ANS ticked up 28 cents Jan. 12 to close at \$78.66, as WTI rose 66 cents to close at \$72.68 and Brent rose 88 cents to close at \$78.29.

ANS jumped \$1.25 Jan. 11 to close at \$78.38, while WTI rose 65 cents to close at \$72.02 and Brent rose 61 cents to close at \$77.41.

From Wednesday to Wednesday, ANS gained \$1.29 from its Jan. 10 close of \$77.10 to \$78.42 on Jan. 17.

As of Jan. 17, ANS traded at a 54-cent premium to Brent, and at a \$5.86 premium to WTI.

Hollub sees looming supply deficit

A supply deficit may hit global crude markets in 2025 unless exploration is increased to meet anticipated demand growth according to Occidental Petroleum CEO Vicki Hollub.

Hollub said she thinks WTI could trade in the \$80 to \$85 per barrel range from 2025 forward, up from an average \$78 in 2023.

"In the near term, the markets are not balanced," Hollub said Jan. 16 on the sidelines of the World Economic Forum, Reuters reported.

"Supply, demand is not balanced," she said, "2025 and beyond is when the world is going to be short of oil."

Hollub said that from the mid-1950s to the late 1970s, oil companies discovered five times as much oil as was used, but that ratio has declined to 25% in 2023.

Recently U.S. oil companies are eschewing exploration spending to concentrate on developing oil shale reserves, she said, adding shale wells have a much shorter lifespan than those tapping conventional reserves.

Even as an energy transition moves forward, there will be a need for increased oil exploration. "I think the industry is looking at a scenario where we will be able to do all the things that we need to do as a part of the transition," she said, adding that near-term oversupply will shift to an extended period when the world requires more oil.

Robust demand growth in 2025

Global oil demand in 2025 is set to grow by a robust 1.8 million barrels per day, year-over-year, the Organization of the Petroleum Exporting Countries said in its January Oil Market Report released Jan. 17.

Most of the growth will originate in China, the Middle East, and Other Asia, including India, OPEC said.

"In terms of oil products, transportation fuels are set to drive oil demand growth in 2025, with air travel expected to see further expansion, as both international and domestic traffic increase," OPEC said.

World oil demand growth will see continuing support from steadily rising road mobility in major consuming countries, such as China, the Middle East, India, and the United States, it said.

On-road diesel, including trucking, industrial, construction, and agricultural activities will support diesel demand, OPEC said, adding that it expects light distillates to be supported by capacity additions and petrochemical margins, mostly in China and the Middle East.

Non-OPEC oil supply in 2025 is forecast to grow by 1.3 million bpd, year-over-year, supported by expected strong demand and upstream investment, OPEC said.

OPEC expects oil and gas upstream CAPEX investment in non-OPEC countries of \$473 billion — slightly lower than anticipated spending in 2024.


OPEC's global economic growth forecast for 2024 remains at 2.6%, and economic growth in 2025 is expected to pick up slightly, reaching 2.8%.

"This positive trajectory is in line with the expectation that general inflation will continue to diminish throughout 2024 and into 2025, particularly in major economies," OPEC said.


Separately, OPEC's leader said forecasts that oil demand is nearing a peak will prove just as misguided as earlier predictions of peak supply.

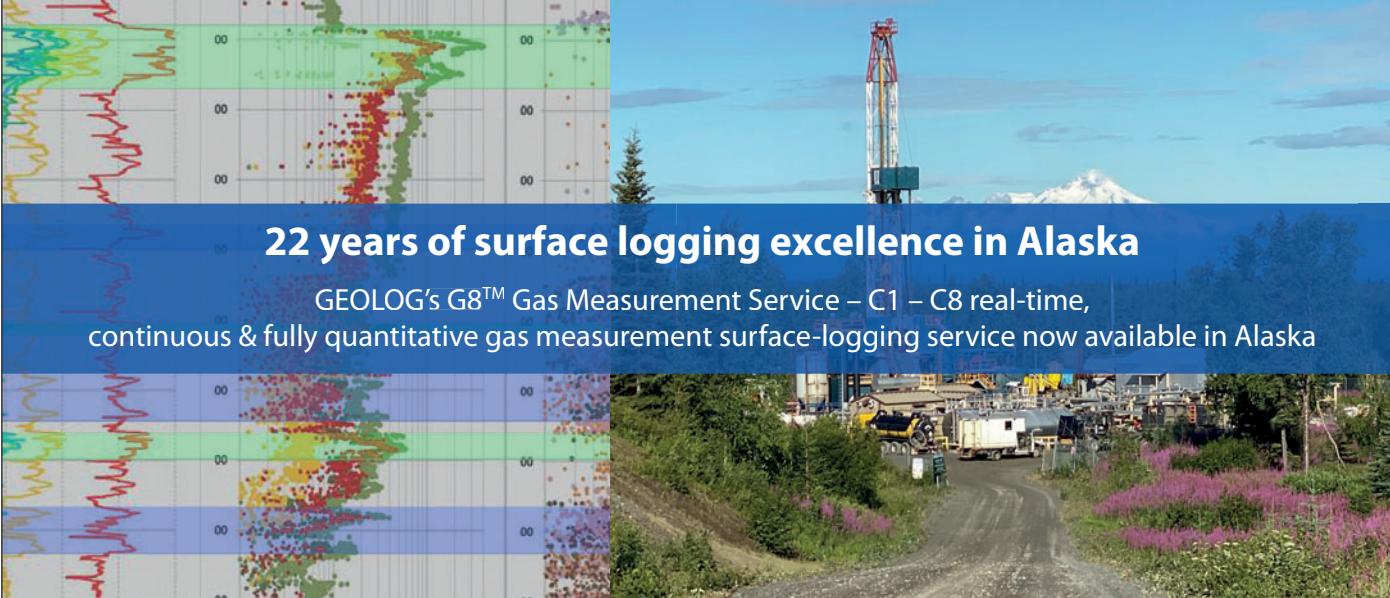
"Ultimately, peak oil supply has never come to pass, and predictions of peak oil demand are following a similar trend," Secretary-General Haitham Al Ghais said in a statement. "Peak oil demand is not showing up in any reliable and robust short- and medium-term forecasts." ●

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