



Latest decisions from Alaska's Division of Oil & Gas, Pikka etc.

On Sept. 10 the Alaska Department of Natural Resources' Division of Oil and Gas approved the Pikka Unit expansion requested by unit operator Oil Search (Alaska) LLC, a subsidiary of Santos Ltd.

The Division received the application for the expansion of the Pikka Unit, or PKU, on March 29.

The initial PKU included 77,743 acres. The proposed and approved PKU expansion area covers approximately 19,641 acres.

"A unit must encompass the minimum area required to include all or part of one or more oil or gas reservoirs, or all or part of one or more potential hydrocarbon accumulations," the Division said in its decision that was signed by Division Director Derek Nottingham.

Oil Search, he said, has submitted confidential geological, geophysical, and engineering data which demonstrate that the area approved for expansion includes all or part of an oil reservoir

see **DNR DECISIONS** page 6



DEREK NOTTINGHAM

AOGCC fines Mustang Holding for drilling permit infringement

In an Aug. 29 order the Alaska Oil and Gas Conservation Commission announced that is fining Mustang Holding LLC \$50,000 for infringing the terms of its permit for the drilling of well M-03A in the Southern Miluveach unit on the North Slope. AOGCC says that, under the terms of the permit, a gamma ray sonde unit was required at the drill bit to ensure that the drilling did not enter the Kuparuk sand — there are safety concerns relating to any penetration of the sand. However, the required unit had not been fitted as required during the drilling.

Different rock formations tend to have different radioactive emissions — a gamma ray sonde unit can detect the emissions from the subsurface rocks and hence identify which rock formations a well is penetrating.

In response to an initial notification of the proposed fine a Mustang Holding drilling engineer told AOGCC that the drilling team had fitted the gamma ray sensor 75 feet behind the drilling bit, rather than at the bit. Because the drillers were

see **AOGCC FINE** page 5

Santos seeks protection #2; CPAI comments in defense of Coyote

On Sept. 6, a ConocoPhillips Alaska manager sent the Alaska Oil and Gas Conservation Commission a response to Santos' comments for the commissioners' "general awareness."

As covered in the Aug. 25 issue of Petroleum News, on Aug. 20, Oil Search (Alaska) LLC, a subsidiary of Santos Limited, filed a comment with AOGCC questioning ConocoPhillips (Alaska) Inc.'s, or CPAI's, application to establish an Area Injection Order, or AIO, and Conservation Order, or CO, for the formation of the Coyote Oil Pool that would expand the CPAI-operated Kuparuk River Unit, or KRU.

The Santos operated Quokka Unit, or QKU, overlies the same broad geologic formation identified as the Nanushuk reservoir that CPAI proposes to develop.

see **SANTOS FILING** page 6



JOE BALASH

FINANCE & ECONOMY

ANS extends slump

Hurricane Francine stems tide of red ink Sept. 11; oil down for the week

By STEVE SUTHERLIN

Petroleum News

Alaska North Slope gained \$1.14 Sept. 11 to close at \$72.10 per barrel, while West Texas Intermediate jumped \$1.56 to close at \$67.31, and Brent jumped \$1.42 to close at \$70.61.

The day's price increase was a reprieve from a longer-term slide that began in August, erasing roughly half of the losses notched by the indexes the previous day.

Crude prices rode tailwinds generated by fears of extended production shutdowns in the Gulf of Mexico, as Hurricane Francine churned toward landfall in Louisiana. The U.S. Bureau of Safety and Environmental Enforcement said 39% of crude production in the gulf was shut in as operators secured platforms and evacuated crews.

ANS plummeted \$2.46 Sept. 10 to close at \$70.96 — a new low for 2024. ANS avoided sinking into the \$60s, but Brent did not; it plummeted \$2.65 to close at \$69.19, and WTI plummeted \$2.96 to close at \$65.75.

Resistant to fighting

Weak oil demand in China, along with U.S. and European recession fears have weighed on the market in recent months, while the market has been

Crude prices rode tailwinds generated by fears of extended production shutdowns in the Gulf of Mexico, as Hurricane Francine churned toward landfall in Louisiana.

remarkably resilient to upside from geopolitical strife and supply disruptions, such as shut-ins caused by fighting between rival governments in Libya.

Changes in U.S. crude stockpiles reported Sept. 11 by the U.S. Energy Information Administration were too small to move markets.

U.S. commercial crude oil inventories for the week ending Sept. 6 — excluding the Strategic Petroleum Reserve — edged up by 0.8 million barrels from the previous week to 419.1 million barrels, 4% below the five-year average for the time of year, the EIA said.

Analysts responding to a Reuters poll had called for a 987,000-barrel build.

Sept. 9 trading added a dash of black ink, taking ANS 58 cents higher to a close of \$73.82, as WTI added \$1.04 to close at \$68.71, and Brent rose 78 cents to close at \$71.84.

ANS fell \$1.10 Sept. 6 to close at \$72.83, while

see **OIL PRICES** page 5

EXPLORATION & PRODUCTION

ANS up 1.7% for July

Up 3.6% from July 2023; biggest increases from June at Kuparuk and Prudhoe

By KRISTEN NELSON

Petroleum News

Alaska North Slope production averaged 447,134 barrels per day in July, up 7,303 bpd, 1.66%, from a June average of 439,832 bpd and up 3.56% from a July 2023 average of 431,768 bpd. Crude accounted for 89.43% of the volume, averaging 399,866 bpd in July, up 8,253 bpd, 2.11%, from a June average of 391,613 bpd and up 2.84% from a July 2023 average of 388,840 bpd. Natural gas liquids, 10.57% of the total, averaged 47,269 bpd in July, down 950 bpd, 1.97%, from a June average of 48,219 bpd and up 10.11% from a July 2023 average of 42,928 bpd.

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

The North Slope Borough temperature averaged 49.7 degrees F in July, up 0.5 degrees from a 1925-2000 mean of 49.2 degrees, and up from a June average of 47.2 degrees F, although down from a July 2023 average of 56.4 degrees F.

Temperature data are from the county time series maintained by NOAA's National Centers for Environmental Information, which has North Slope Borough temperatures beginning in 1925.

The largest month-over-month increase was at the ConocoPhillips Alaska-operated Kuparuk River

Cook Inlet gas down 4.2%

Cook Inlet natural gas production averaged 187,247 thousand cubic feet per day in July, down 8,280 mcf per day, 4.23%, from a June average of 195,528 mcf per day and down 5.71% from a July 2023 average of 198,586 mcf per day.

Volumes are calculated from Alaska Oil and Gas Conservation Commission data, reported on a month-delay basis. For natural gas AOGCC reports measurements in thousands of cubic feet, mcf.

July production was 80.48% from the inlet's six largest fields, those averaging 5% or more of inlet production during the month, accounting for an average of 150,692 mcf per day.

see **INLET GAS** page 8

field, which averaged 71,728 bpd in July, up 5,659 bpd, 8.56%, from a June average of 66,070 bpd although down 9.03% from a July 2023 average of 78,844 bpd. In addition to the main Kuparuk pool, Kuparuk produces from satellites at Tabasco and Tarn, and from West Sak.

Hilcorp North Slope-operated Prudhoe Bay

see **ANS OUTPUT** page 8

● EXPLORATION & PRODUCTION

Baker Hughes US rig count down 1 to 582

International rig count for August down 3 from July at 931, down 21 year over year, with land rigs unchanged, offshore rigs up by 3

By **KRISTEN NELSON**

Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was 582 the week ending Sept. 6, down by one rig from 583 the previous week, and down by 50 from 632 a year ago, after dropping by two the week ending Aug. 30. Over the last eight weeks the rig count was down in five and up in three with a loss of nine over a gain of seven over the period, following a downward trend dominant since the beginning of May. This is the lowest domestic rig count since December of 2021.

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

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

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

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

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

The Sept. 6 count includes 483 rigs targeting oil, unchanged from the previous week and down 30 from 513 a year ago, with 94 rigs targeting natural gas, down one from the previous week and down 19 from 113 a year ago, and five miscellaneous rigs, unchanged from the previous week and down one from a year ago.

Forty-eight of the rigs reported Sept. 6 were drilling directional wells, 520 were drilling horizontal wells and 14 were drilling vertical wells.

Alaska rig count unchanged

West Virginia (8) was up two rigs from the previous week while New Mexico was up a single rig.

Pennsylvania (16) was down two rigs week over week; Colorado (12) and Oklahoma (38) were each down one rig.

Rig counts in other states were unchanged from the previous week: Alaska (10), California (8), Louisiana (40), North Dakota (33), Ohio (9), Texas (274), Utah (12) and Wyoming (14).

Baker Hughes shows Alaska with 10 rotary rigs active Sept. 6, unchanged from the previous week and up

by one from a year ago when the count was nine.

The rig count in the Permian, the most active basin in the country, was up by one from the previous week at 306 and down by 14 from 320 a year ago.

International rig count down 3 for August

Baker Hughes' monthly international rig count for August, issued Sept. 6, is down by three from July at 931, and down by 21 from a count of 952 in August 2023, with land rigs unchanged at 720 and offshore rigs up by three to 211.

Baker Hughes began providing a monthly international rig count in 1975. The international count excludes North America, which is included in the company's worldwide figures.

The Middle East accounted for the most rigs in the international totals for August, 337, followed by Asia Pacific with 215, Latin America with 160, Europe with 115 and Africa with 104.

The U.S. rig count averaged 586 in August, unchanged from July, and down 61 from August 2023, while the Canadian count for August averaged 218, up 25 from July and up by 29 from August 2023.

Worldwide the rig count averaged 1,735 in August, up 22 from 1,713 in July and down 53 from 1,788 in August 2023. ●

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● FINANCE & ECONOMY

EIA: Brent to average \$82 in 4th quarter

September Short-Term Energy Outlook forecasts global oil consumption to exceed production causing reduction in global oil reserves

By **KRISTEN NELSON**
Petroleum News

Although Brent crude oil prices dropped to \$73 per barrel Sept. 6, the U.S. Energy Information Administration said in its September Short-Term Energy Forecast, released Sept. 10, that it expects Brent to return to above \$80 per barrel in September and to average \$82 per barrel in the fourth quarter of the year.

“We expect that oil prices will be pushed upward in the coming weeks and months as global oil consumption outpaces production,” said EIA Administrator Joe DeCarolis. “There are uncertainties in the market, including demand growth in China and supply disruptions in the Middle East, that could push prices higher or lower in the short term.”

The agency noted increasing concern over economic growth and oil demand but attributed an expected decline in global oil reserves to continued OPEC+ production cuts, after OPEC+ members said they would delay production increases — previously set to begin in October — to December.

Brent averaged \$82 per barrel this year and EIA is forecasting an average of \$83 per barrel this year and \$84 per barrel in 2025.

Less oil produced than consumed

The “OPEC+ production cuts mean less oil is being produced globally than is being consumed,” the agency said.

EIA said oil has primarily traded within a relatively tight range this year, with the spot price averaging \$82 per barrel in August, the eighth consecutive month with averages between \$80 and \$90 per barrel.

Market expectations for global oil demand growth have been reduced by economic concerns including slowing economic activity and reduced Chinese fuel demand along with signs of slowing U.S. job growth, all limiting any recent upward price momentum, EIA said.

The agency said it estimates global oil inventories are falling by some 900,000 barrels per day in the third quarter, and the drop is expected to grow to more than 1 million bpd through the first quarter of 2025, which is expected to result in an increase in average Brent prices to \$82 per barrel in December and \$83 per barrel in the first quarter of 2025, with a return to moderate inventory builds expected by mid-2025 as OPEC+ increases production, with global oil inventories expected to increase by an average of 500,000 bpd in the second half of 2025.

Production growth outside of OPEC+ is expected to remain strong, with petroleum and other liquid fuels increasing by 300,000 bpd this year, compared to a decrease of 1.4 million bpd in OPEC+ production offset by 1.7 million bpd increases led by the United States, Canada, Guyana and Brazil. Production is expected to increase by 2.4 million bpd next year, 800,000 bpd from OPEC+ and 1.6 million bpd from other countries.

Natural gas

Henry Hub natural gas spot prices are expected to remain relatively flat through the end of the year, EIA said, and then rise in 2025, with U.S. production of natural gas expected to reach nearly 105 billion cubic feet per day in 2025, surpassing a record set in 2023.

The price at Henry Hub averaged \$2.50

per million British thermal units in 2023 and is expected to drop to \$2.20 this year before rising to \$3.10 in 2025, with the price increase reflecting U.S. production which does not keep pace with increasing U.S. liquefied natural gas exports, forecast by EIA to increase from 12 billion cubic feet per day in 2023 and 2024 to 14 bcf per day in 2025.

U.S. dry natural gas production is forecast to remain relatively flat over the next



JOE DECAROLIS

few months “as some producers, particularly in the Marcellus and Haynesville regions, continue to curtail production until prices rise,” EIA said, with production forecast to average 104 bcf per day in the fourth quarter before rising to 105 bcf per day next year. Most of that increase is expected in late 2025, the agency said, when new LNG facilities are expected to ramp up production.


More solar

Solar is continuing to provide most of the increase in U.S. electricity generation, an increase forecast at 37% this year, followed by a 2% increase in power generation from natural gas and smaller increases

in wind and nuclear.

Power from utility-scale solar-powered facilities is expected to see an increase of 34% in 2024, with solar generating capacity growing by 12 gigawatts in the first half of the year, accounting for 59% of all capacity addition. EIA said solar capacity growth is paralleled by battery storage development, providing “power to the grid during the rapid ramping up or down of solar power during the early morning and evening hours.” The annual growth in solar is expected to increase the most in Texas and California. ●


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• THIS MONTH IN HISTORY

BP applies to expand Prudhoe Bay unit

20 years ago this month: Approximately 3,040 acres would be added to western Aurora participating area, 1,040 acres to unit itself

Editor's note: This story first appeared in the Sept. 12, 2004, issue of Petroleum News.

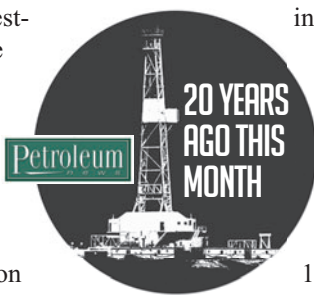
By **KRISTEN NELSON**
Petroleum News

Prudhoe Bay unit operator BP Exploration (Alaska) has applied to the Alaska Division of Oil and Gas to expand the Prudhoe Bay unit by some 1,040 acres as part of an expansion of the Aurora participating area, which would grow by approximately 3,040 acres. The division said in a Sept. 9, 2004, public notice that the proposed expansion would increase the Prudhoe Bay unit to approximately 248,997 acres.

Aurora is one of the western Prudhoe Bay satellite fields. Expansion of the unit would be to the north. The Aurora participating area would be expanded both to the north and the south; the majority of that expansion area is already part of the Prudhoe Bay unit.

BP told the division that "subsurface well data and reprocessed seismic indicates that the recoverable hydrocarbon accumulation at Aurora field extends beyond the boundaries of the existing participating area."

The proposed Prudhoe Bay expansion



includes portions of sections 15, 16 and 17 of township 12 north, range 12 east, Umiat Meridian. The Aurora participating area expansion includes portions of sections 2, 3 and 4 of T11N-R12E, UM, and sections 15-17, 22, 23, 25 and 36 of T12N-R12E, UM.

BP has already received approval from the Alaska Oil and Gas Conservation Commission to expand the area covered by the commission's pool rules for operation at Aurora. The commission said in June that BP cited subsurface wireline log data, pressure measurements and newly reprocessed seismic data in demonstrating that Aurora extended beyond the originally defined pool area.

Wells required

As a condition of the expansion the division is proposing to give BP until Oct. 15 to drill and provide results of the S-119 well into the northern expansion of the unit, or the expansion acreage will be automatically eliminated from the unit. That well needs to be completed and put on production as either a producer or injection well by Nov. 15, or the northern expansion area will be eliminated from the unit and from the participating area.

BP then has until June 30, 2005, to drill and complete the S-111.

BP said in its fifth plan of development for Aurora, covering November 2004 through October 2005, that development

of the reservoir has focused on phased drilling of an estimated 20 to 25 production and injection wells from S-Pad in the southeast area of Aurora.

Drilling at Aurora began in July 2000 and production began in November of that year. BP began water injection in December 2001 and enhanced oil recovery with miscible gas for water-alternating-gas injection in December 2003. By this summer, the company had completed 19 wells at Aurora, all from S-Pad: 11 oil producers; six water injectors; and two water-alternating-gas injectors.

BP said that response to the first six months of EOR was an aggregate of more than 1,000 barrels per day of oil.

In addition to the S-119 well, and the S-111 if the unit expansion is approved and results from the S-119 are favorable, BP said it also plans to drill an injection well and convert two pre-produced injectors to injection during this plan year.

The company has also begun preliminary engineering for water injection booster pumps at Aurora to ensure adequate injection pressure and rate with start-up expected in the second quarter of 2005.

The original oil in place at Aurora is estimated at 165-201 million barrels, formation gas at 112-137 billion cubic feet and the gas cap at 15-75 bcf. Cumulative oil production as of the end of June was 10.1 million barrels of oil, with a 10,545 bpd production rate. ●

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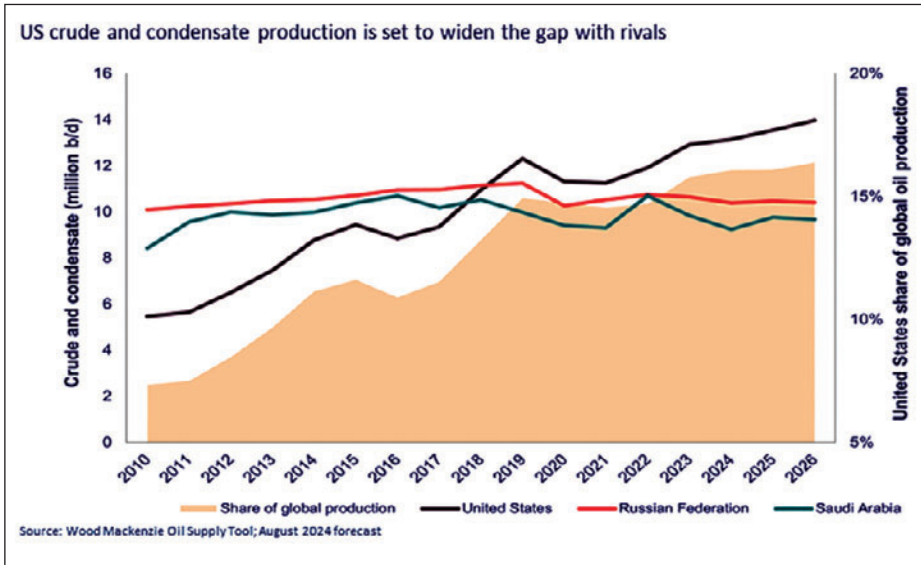
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OIL PRICES

WTI dropped \$1.48 to close at \$67.67, and Brent dropped \$1.63 to close at \$71.06.

Trading was mixed and muted Sept. 5, as ANS gained 9 cents to close at \$73.94, WTI slid 5 cents to close at \$69.15, and Brent shed a penny to close at \$72.69.

From Wednesday to Wednesday, ANS shed \$1.75 from its close of \$73.85 Sept. 4, to \$72.10 on Sept. 11.

ANS traded at a \$1.49 premium over Brent Sept. 11, and at a \$4.79 premium over WTI on the day.

WoodMac: U.S. liquids output rising

Wood Mackenzie has forecast the United States will produce 14 million barrels per day of crude and condensate by the end of 2026, up from more than 13 million bpd – a global liquids production record – in 2023, Simon Flowers, Wood Mackenzie chairman and chief analyst said Sept. 5 in The Edge.

Big oil is looking to build its U. S. exposure.

Eight months into 2024, M&A deals in U.S. upstream exceeded two-thirds of 2023’s record \$130 billion, Flowers said.

“Business models retooled, U.S. E&P has matured from niche, capital-hungry cyclical into big, resilient cash machines” he said. “The Independents alone collectively returned over \$90 billion in dividends and buybacks in the past two years, equivalent to 16% of their market cap.”

The United States has the ingredients investors look for, huge resource potential; access to acreage and relatively stable fiscal frameworks; broad social license to operate; innovative and responsive supply

chain; and access to capital, Flowers said.

“U.S. institutions have provided debt and equity funding to the industry in a way their international counterparts can only dream of,” he said. “The investibility of the Lower 48 is supported by quick payback periods for operator investments, and the flexibility of business models to adapt to an ever-changing external environment.”

The second U.S. success factor is a ruthless and relentless focus on innovation, reinvention and, most recently, operational efficiency, Flowers said.

“The entire upstream ecosystem has structurally reinvented itself,” he said. “Producers, suppliers and shippers have aggressively stripped out the excesses of the last decade, today delivering more for less investment.”

The third U.S. success factor is that operators leverage data and scale differently, Flowers said.

“The growing bounty of diagnostics available, many leveraging AI, is being tapped into in the U.S. like never before,” he said. “Investments in data science and process technologies are optimizing resource recovery, while scaling up portfolios through M&A is finally creating the massive contiguous lease blocks shale players have chased for a decade.”

Flowers said the November 2024 election results are important, but not critical for U.S. upstream success.

“Operators’ ambitions to convert poorer-quality reservoirs and wells into economic opportunities should help shore up U.S. supply and put U.S. energy security on even firmer ground,” he said. ●

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AOGCC FINE

not using a rotary steerable system for directional drilling, it was possible to use an alternative technique to avoid penetrating the Kuparuk sand, the engineer wrote. However, AOGCC responded that any deviation from the permitted drilling plan requires commission approval — hence the fine that the commission has imposed.

The Mustang oil field

The Southern Miluveach unit, between the Kuparuk River and Colville River units, holds the Mustang oil field. The oil lies within the Kuparuk “C” sands, the primary reservoir for ConocoPhillips’ Kuparuk River field.

The Mustang field was originally developed by Brooks Range Petroleum Corp. but only went into production for one month, producing 10,999 barrels of oil in October 2019. That original development included the construction of a 17-acre gravel production pad, located off a 5-mile spur road from the Kuparuk River unit’s DS 2M Pad. A pipeline was constructed that can deliver crude oil into the Alpine Transportation Co. common-carrier pipeline just southeast of the Mustang pad.

Following financial difficulties BRPC defaulted on a loan from the Alaska Industrial Development and Export Authority and was unable to continue field development or field production. Mustang Holding LLC, a wholly owned AIDEA subsidiary, was subsequently formed to become field operator, on behalf of working interest owners Mustang Holding LLC (90.1%), Nabors Drilling Technologies USA Inc. and

Mustang Holding has indicated that it plans to proceed with the installation of an Early Production Facility, or EPF, the re-installation of equipment required for field production, and the reconnection of the Mustang pipeline.

AVCG LLC. AIDEA proceeded to try to divest its financial interest in Mustang Holding, resulting from the defaulted loan to BRPC.

Sale to Finnex

In October 2023 the AIDEA board approved the sale of its interests in Mustang Holding to Finnex Operating LLC.

In January 2024 Mustang Holding, by then owned by Finnex, filed an oil spill prevention and contingency plan with the Alaska Department of Environmental Conservation, envisaging the possibility of up to 38 wells in the Southern Miluveach unit. Subsequently, in a May 15 unit plan of operations amendment application, Mustang Holding said it would complete the Mustang-03 and M-01B wells, as well as re-entering the existing North Tam-1A and M-02 wells. The drilling was expected to begin on July 1 and be completed by Sept. 11.

Mustang Holding has indicated that it plans to proceed with the installation of an Early Production Facility, or EPF, the re-installation of equipment required for field production, and the reconnection of the Mustang pipeline.

—ALAN BAILEY

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DNR DECISIONS

and potential hydrocarbon accumulations.

The Division found that the expansion of the PKU, promotes conservation of all natural resources, promotes the prevention of economic and physical waste and provides for the protection of all parties of interest, including the State. The effective date of the PKU expansion is Sept. 10.

Smith Bay Unit

On July 15, the Division received from Smith Bay Company Alaska Inc. a request and application to suspend the unit plan of exploration commitment for the Smith Bay Unit, or SBU. The application included a request for rent reduction in the SBU during the period of suspension.

On Sept. 4, the Division approved the suspension of the exploration commitment and denied the request for rent reduction.

Oooguruk Unit

On Aug. 27, Angela Wiese of ENI US Operating Co. Inc. received a letter approving the Oooguruk Unit 2024 Plan of Development, or POD.

The letter, which was sent by certified mail, said that on June 28 the Division received the proposed 2024 Oooguruk Unit, or OU, Initial Plan of Development from ENI. Then on July 17 ENI submitted a revised proposed 2024 OU POD.

ENI provided a technical review to the Division on Aug. 13.

Per the approved POD ENI is set to resume drilling activities in Q3 2025 and plans to drill two new wells, ODSN-05 and ODSN-09, with production starting in 2026.

Additionally, ENI will undertake a rig workover on the disposal well ODSN-44. ENI also will carry out routine maintenance like that performed in 2023, while continuing to advance the PGP and EPS projects.

If a sale of ENI's Alaska assets to Hilcorp is successful, then the work commitments are contingent upon approval by Hilcorp.

The Division will allow Hilcorp time to review and evaluate projects to conduct its due diligence, and Hilcorp will be required to submit the 2025 POD.

—KAY CASHMAN

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SANTOS FILING

While Santos supports the proposed development of the Coyote Oil Pool, the company said it was "presently unable to evaluate the potential for the AIO to impact resources in the adjacent" Santos-operated Quokka Unit particularly impacts arising from injection operations.

"Given the limited production history of the Nanushuk reservoir, access to every piece of data available is particularly critical to informing our understanding of how the reservoir performs under different development strategies," Joe Balash, senior vice president, external affairs, for Santos wrote in the comment to AOGCC.

"Presently, there is data that would aid our evaluation of the AIO proposal, but it is unavailable to us for review due to an idiosyncrasy of the well classification regime," Balash wrote, saying that some producing wells were classified by CPAI as "Exploratory," which by statute allows the well information to be held confidential for at least 24 months following completion, whereas wells classified as Development or Service are subject to immediate release.

CPAI "has recently drilled several wells

from the 3S pad into the Coyote Undefined Oil Pool in the Nanushuk reservoir within the KRU and is producing one or more of them, presumably into and saving and delivering oil from KRU facilities" operated by CPAI.

These wells, "the 3S-24B, 3S-701, 3S-701A, and 3S-704, were each submitted to AOGCC to be classified under 20 AAC 25.005 as Exploratory," Balash wrote.

"The Exploratory 3S-704 well was completed in March of 2023 from the KRU 3S gravel pad," which is operated by CPAI and "AOGCC records indicate the well has produced over 650,000 barrels of oil since completion. AOGCC records also indicate the Exploratory 3S-701A well has been in injection service since September of 2023 and has injected nearly two million barrels of liquid during that period, presumably in support of 3S-704 production," Balash wrote.

"As you know, well classification is significant because, amongst other things, it determines whether data submitted to the AOGCC related to the well is held confidential for a period of time or released immediately to the public," he wrote.

Allowing an operator to classify wells as Exploratory and maintain well data as confidential despite long-term production "appears contrary to the State and AOGCC's interest in maximizing the conservation of Alaska's resources and protecting the rights of all owners to recover their share of the resource," Balash wrote.

"This outcome does not appear to be a deliberate choice by the AOGCC but rather a gap in the system of regulation otherwise designed to protect these interests. Without access to the well data from the 3S-24B, 3S-701, 3S-701A and 3S-704 wells, it is not possible for Santos to evaluate the impacts to QKU from the AIO and CO for the Coyote Oil Pool."

Other than supplying to Santos the application for the AIO as required by AOGCC regulations, Balash said there have been no efforts by CPAI to coordinate with Santos on development activities across the Nanushuk Formation and jointly investigate ways to prevent waste of resources along property lines.

Given the lack of data sharing and coordination to date, Santos respectfully asked that its interests be protected by the AOGCC by including the following conditions in any CO or AIO approval for the Coyote Oil Pool: (1) restrict well locations to 1 mile from the KRU boundary; and (2) consider a voidage replacement ratio requirement to protect correlative rights across unit boundaries and avoid waste.

"Exceptions to such an order could be filed at a later date if and when additional data sharing and coordination has occurred between the unit operators," Balash wrote.

Aug. 20 pool rules hearing

On Aug. 25, Petroleum News reported on the Aug. 20 pool rules hearing by AOGCC, in which CPAI, operator of the KRU, had applied to AOGCC for pool rules and an AIO for Coyote, a Nanushuk accumulation in the southwest corner of the unit from 3S pad.

Oil Search's Quokka Unit is adjacent to Kuparuk to the southwest, and CPAI told the commission in the hearing on the proposal that in addition to numerous historical penetrations of Coyote in wells targeting deeper intervals, recent focused data collection began with Oil Search's Mitquq wells in 2020, followed by a CPAI sidetrack with a vertical production test in 2022, a CPAI horizontal producer/injector pair with a dedicated pilot hole for data collection in 2023 and a CPAI horizontal producer in 2024.

CPAI was proposing to define the Coyote oil pool based on the Palm 1, an

see **SANTOS FILING** page 7



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SANTOS FILING

exploration well drilled in 2001 by Phillips Alaska, which found the top of the Coyote interval at 4,270 feet measured depth and the base at 5,115 feet MD.

CPAI told the commission there was an average of 40 feet of net pay in the most prospective area, with an average porosity of 23% to 24%. This was primarily a stratigraphic trap, the company said.

CPAI's conceptual development plan called for 40 wells, half producers and half injectors, with 1,300 feet inter-well spacing, with the final well count depending on an understanding of reservoir performance and facility impacts from the initial phased drilling program. Drilling will begin from the existing 3S pad, with a second pad, 3T, proposed to the northwest of 3S.

Some of the wells from the proposed 3T pad could be 25,000 feet long and CPAI said a different rig would not allow longer wells because the limit was not really the rig but the shallow depth of the formation.

As for drilling beyond what is discussed, with a program expected to begin in late 2024 and go into 2025, CPAI said additional drilling would be to the north from the proposed 3T pad and told the commission it had not to this point held discussions with offset operators.

CPAI said the Coyote oil pool has original oil in place for the proposed development area of 508 million to 646 million barrels, with an estimate of 636 million to 810 million barrels for the total pool area.

Primary recovery was expected to be less than 5% of the original oil in place, with primary plus waterflood recovery estimated to recover 20-30%.

CPAI said adding water alternating gas was being evaluated, with the amount that could add to recovery under evaluation.

In its 2024 plan of development for the KRU, filed with the Alaska Department of Natural Resources' Division of Oil and Gas in May, and covering Aug. 1 through July 31, 2025, CPAI said it planned to pursue development at Coyote — along with Torok and West Sak — with six wells planned at Coyote and a new drill site 3T, planned to accommodate both Torok and Coyote production.

The company said capacity would be increased at drill site 3S to accommodate Coyote production, including upgrading the water injection line, the produced oil line and the production heaters.

In discussing work completed under the 2023 POD, CPAI said one Coyote well was completed and a second would be drilled by July 31.

CPAI had also filed to expand the Kuparuk River Unit and form the Coyote participating area.

In mid-2021, parent ConocoPhillips announced the Coyote discovery east of Nuna. At the time, ConocoPhillips Alaska



EREC ISAACSON

President Erec Isaacson said Coyote was in the Brookian topset above the Nuna Torok discovery, describing Coyote as shallow, i.e. a Nanushuk play.

CPAI speaks out

On Sept. 6, Greater Kuparuk Asset Development Manager Donald Allan sent AOGCC commissioners a response to Santos' comments for AOGCC's "general awareness."

Allan said "CPAI has provided information and engaged in coordinating and knowledge sharing activities with Santos."

On June 20, "in accordance with AOGCC regulations, CPAI provided its Coyote AIO application to Santos. CPAI did not receive any feedback or questions from Santos on the AIO application."

On the afternoon of Aug. 19, the day before AOGCC's public hearing, Santos sent CPAI an email requesting the confidential well data, Allan said. CPAI had provided Santos some of the requested well data prior to its Aug. 19 request (and it is not clear why Santos re-requested it), he said in his Sept. 6 letter.

"However, in response to Santos' request, CPAI engaged in discussions with Santos regarding access to the other well data," Allan wrote. He said that "separate from the well data, CPAI and Santos have mutually engaged in information exchanges and technical knowledge sharing arrangements and workshops regarding Nanushuk reservoirs (Pikka / Narwhal and Quokka / Coyote). We expect this collaboration will continue."

Alaska law does not support Santos' requests for Coyote AIO/CO conditions, Allan wrote.

Furthermore, Allan said "Santos offers no regulatory or statutory support (or any geologic rationale) for its requested Coyote AIO/CO conditions: a one-mile setback and an unspecified voidage replacement ratio. CPAI opposes both requested conditions."

On setbacks, Allan said the law is clear.

Per Allan, 20 AAC 25.055 specifies a 500-foot setback, subject to case-by-case waiver requests for drilling within 500 feet of a property line. On voidage replacement, the "normal" ratio is 1:1 (see e.g., Nanushuk AIO 44 Conclusion 3). Both principles are ably demonstrated in the AOGCC's Aug. 21, 2024, Nanushuk Order (CO 807), which addressed Santos' Nanushuk development — a development that is substantially similar to the Coyote development in that it occurs in the Pikka Unit and borders the Colville River Unit.

"In short, CPAI opposes Santos' Aug. 20 requests for a one-mile setback and an undefined voidage replacement ratio. CPAI, in accordance with its applications, supports Coyote AIO/CO conditions that are substantially equivalent to those ordered by AOGCC for Santos' Nanushuk development: a normal 20 AAC 25.055 500' setback, subject to case-by-case waiver requests for drilling within 500' of a property line, and a normal voidage replacement ratio of 1:1," Allan concluded.

—KAY CASHMAN

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Oil Patch Bits



TOTE, STG Logistics partner for faster shipping to Puerto Rico

As reported by TOTE Maritime news on Sept. 4, TOTE Maritime Puerto Rico and STG Logistics are partnering to offer the fastest rail-focused shipping solution to and from the island of Puerto Rico from anywhere in the United States and Canada. Combining expertise, equipment, and resources, this strategic collaboration responds to the demand for a more efficient shipping solution to the island for those currently utilizing rail and barge services in the trade.

The partnership aligns STG's vast network of inland routes, ramp access, rail relationships, and 15,000 pieces of state-of-the-art equipment nationwide with TOTE's reliable three-day transit time. The result is a significant reduction in transit times from most origins across the continent, helping simplify customers' cross-country supply chain and enhancing overall efficiency to the Puerto Rico market.

"We are thrilled to partner with STG to provide a better rail-focused service solution to

and from Puerto Rico," said TOTE Maritime Puerto Rico President Kevin Kendrick. "Our work with STG reflects our continued commitment to elevate our service while creating value and opportunity for our customers. Many of our customers are already experiencing the benefits of this service's efficiency, and we look forward to extending these advantages to more customers as the program continues to grow."

"At STG, we are dedicated to pushing the boundaries of what's possible in the logistics industry," commented Paul Svindland, CEO at STG Logistics. "Teaming up with TOTE, known in the trade for its relentless drive to be best in class, allows us to leverage our collective strengths and expertise to deliver unprecedented customer value than what's available for the Puerto Rico market today. Both companies are aligned in delivering service excellence, and together, we are well-positioned to set a new standard in domestic shipping."

As both companies continue to invest in technology and infrastructure, customers can expect even greater efficiency and reliability from this partnership in the future.

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INLET GAS

Hilcorp Alaska-operated Beluga River averaged 39,711 mcf per day in July, 21.21% of the inlet total, up 240 mcf per day, 0.61%, from a June average of 39,470 mcf per day and up 19.7% from a July 2023 average of 33,174 mcf per day.

Hilcorp's North Cook Inlet averaged 39,265 mcf per day, 20.97% of the total, up 1,800 mcf per day, 4.8%, from a June average of 37,464 mcf per day and up 8.35% from a July 2023 average of 36,240 mcf per day.

Hilcorp's Ninilchik averaged 30,816 mcf per day in July, 16.46% of the total, down 2,060 mcf per day, 6.27%, from a June average of 32,876 mcf per day and down 31.56% from a July 2023 total of 45,027 mcf per day.

Hilcorp's Kenai gas field averaged 19,796 mcf per day in July, 10.57% of the total, down 1,718 mcf per day, 7.99%, from a June average of 21,514 mcf per day but up 1.01% from a July 2023 average of 19,598 mcf per day.

Hilcorp's McArthur River averaged 11,283 mcf per day, 6.03% of the total, down 137 mcf per day, 1.2%, from a June average of 11,420 mcf per day and down

18.99% from a July 2023 average of 13,928 mcf per day.

Furie's Kitchen Lights averaged 9,823 mcf per day in July, 5.25% of the total, down 466 mcf per day, 4.53%, from a June average of 10,289 mcf per day, and down 5.33% from a July 2023 average of 10,376 mcf per day.

Fifteen fields combined accounted for 19.52% of inlet gas production in July.

Hilcorp's Beaver Creek averaged 8,024 mcf per day in July, up 389 mcf per day, 5.09%, from a June average of 7,635 mcf per day and up 45.69% from a July 2023 average of 5,508 mcf per day.

Hilcorp's Cannery Loop averaged 5,095 mcf per day in July, up 767 mcf per day, 17.71%, from a June average of 4,328 mcf per day but down 2.27% from a July 2023 average of 5,213 mcf per day.

Hilcorp's Swanson River averaged 4,829 mcf per day in July, down 5,711 mcf per day, 54.18%, from a June average of 10,540 mcf per day and down 47.49% from a July 2023 average of 9,196 mcf per day.

Hilcorp's Lewis River averaged 3,996 mcf per day in July, down 797 mcf per day, 16.63%, from a June average of 4,793 mcf per day but up 884.61% from a July 2023 average of 406 mcf per day.

Hilcorp's Deep Creek averaged 3,288

mcf per day in July, down 63 mcf per day, 1.88%, from a June average of 3,351 mcf per day and down 13.11% from a July 2023 average of 3,784 mcf per day.

Hilcorp's Granite Point averaged 3,095 mcf per day in July, down 14 mcf per day, 0.44%, from a June average of 3,108 mcf per day and down 4.69% from a July 2023 average of 3,247 mcf per day.

Hilcorp's Ivan River averaged 1,862 mcf per day in July, down 268 mcf per day, 12.58%, from a June average of 2,129 mcf per day and down 65.65% from a July 2023 average of 5,419 mcf per day.

AIX's Kenai Loop averaged 1,810 mcf per day in July, down 208 mcf per day, 10.29%, from a June average of 2,018 mcf per day and down 14.24% from a July 2023 average of 2,110 mcf per day.

Vision Operating's North Fork averaged 1,805 mcf per day in July, down 73 mcf per day, 3.86%, from a June average of 1,878 mcf per day and down 20.08% from a July 2023 average of 2,259 mcf per day.

BlueCrest's Hansen averaged 1,053 mcf per day in July, up 15 mcf per day, 1.42%, from a June average of 1,039 mcf per day but down 4.65% from a July 2023 average of 1,105 mcf per day.

Hilcorp's Trading Bay averaged 773 mcf per day in July, up 114 mcf per day, 17.22%,

from a June average of 660 mcf per day but down 37.8% from a July 2023 average of 1,243 mcf per day.

Amaroq's Nicolai Creek averaged 299 mcf per day in July, down 12 mcf per day, 3.74%, from a June average of 310 mcf per day and down 13.56% from a July 2023 average of 345 mcf per day.

Cook Inlet Energy's West McArthur River averaged 239 mcf per day in July, down 21 mcf per day, 8.03%, from a June average of 260 mcf per day but up 76.75% from a July 2023 average of 135 mcf per day. CIE is a Glacier Oil and Gas company.

Hilcorp's Nikolaevsk averaged 238 mcf per day in July, down 55 mcf per day, 18.85%, from a June average of 293 mcf per day, but up 1.22% from a July 2023 average of 235 mcf per day.

CIE's Redoubt Shoal averaged 150 mcf per day in July, down 2 mcf per day, 1.56%, from a June average of 153 mcf per day but up 283.07% from a July 2023 average of 39 mcf per day.

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

—KRISTEN NELSON

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ANS OUTPUT

averaged 245,807 bpd in July, up 3,063 bpd, 1.26%, from a June average of 242,745 bpd and up 6.59% from a July 2023 average of 230,816 bpd. Prudhoe crude averaged 201,360 bpd, 81.92% of the total, up 3,602 bpd, 1.82%, from a June average of 197,758 bpd and up 5.62% from a July 2023 average of 190,638 bpd. Prudhoe NGLs averaged 44,447 bpd in July, 18.08% of the total,

down 539 bpd, 1.2%, from a June average of 44,986 bpd but up 10.63% from a July 2023 average of 40,178 bpd.

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

Eni's Oooguruk averaged 5,687 bpd in July, up 137 bpd, 2.47%, from a June average of 5,550 bpd but down 17.8% from a July 2023 average of 6,919 bpd.

Eni's Nikaitchuq averaged 14,524 bpd in

July, up 127 bpd, 0.88%, from a June average of 14,396 bpd but down 11.83% from a July 2023 average of 16,472 bpd.

Hilcorp Alaska's Milne Point averaged 44,952 bpd in July, up 125 bpd, 0.28%, from a June average of 44,827 bpd and up 13.09% from a July 2023 average of 39,747 bpd. Milne Point produces primarily from the Schrader Bluff and Kuparuk oil pools, with minor Sag River and Ugnu volumes.

Hilcorp Alaska-operated Point Thomson averaged 4,215 bpd in July, up 97 bpd, 2.36%, from a June average of 4,118 bpd and up 58.54% from a July 2023 average of 2,659 bpd.

Month-over-month decreases

The largest month-over-month decrease was at ConocoPhillips Alaska's Greater Mooses Tooth in the National Petroleum Reserve-Alaska, which averaged 14,188 bpd in July, down 1,200 bpd, 7.8%, from a June average of 15,388 bpd and down 10.04% from a July 2023 average of 15,772 bpd.

Hilcorp Alaska's Northstar averaged 4,985 bpd in July, down 315 bpd, 5.95%, from a June average of 5,300 bpd and down 7.07% from a July 2023 average of 5,364 bpd. Crude accounted for 53.5% of Northstar production in July, averaging 2,667 bpd, down 122 bpd, 16.97%, from a June average of 2,789 bpd and down 16.97% from a July 2023 average of 3,212 bpd. Northstar NGLs accounted for 46.5% of July production, averaging 2,318 bpd, down 193 bpd, 7.7%, from a June average of 2,511 bpd but up 7.72% from a July 2023 average of 2,152 bpd.

Hilcorp Alaska-operated Endicott averaged 5,798 bpd in July, down 243 bpd, 4.02%, from a June average of 6,041 bpd and down 10.83% from a July 2023 average of 6,502 bpd. Crude accounted for 91.32% of Endicott production in July, averaging 5,295 bpd, down 25 bpd, 0.47%, from a June average of 5,320 bpd and down 10.31% from a July 2023 average of 5,904 bpd. Endicott NGLs accounted for 8.68% of July production, averaging 504 bpd, down 218 bpd, 30.2%, from a June average of 721 bpd and down 15.89% from a July 2023 average of 599 bpd.

ConocoPhillips Alaska's Colville River averaged 34,415 bpd in July, down 141 bpd, 0.41%, from a June average of 34,556 bpd but up 24.29% from a July 2023 average of 27,690 bpd. In addition to oil from the main Alpine pool, Colville includes production

from the Nanuq and Qannik oil pools.

Savant Alaska's Badami averaged 834 bpd in July, down 5 bpd, 0.64%, from a June average of 840 bpd and down 15.16% from a July 2023 average of 983 bpd. Savant is a Glacier Oil and Gas company.

Cook Inlet averages 8,009 bpd

Cook Inlet liquids production (99.18% crude and 0.82% NGLs) averaged 8,009 bpd in July, up 117 bpd, 1.46%, from a June average of 7,894 bpd but down 2.22% from a July 2023 average of 8,191 bpd.

The largest month-over-month increase was at Hilcorp Alaska's McArthur River, which averaged 2,059 bpd in July, up 250 bpd, 13.8%, from a June average of 1,810 bpd, but down 17.41% from a July 2023 average of 2,493 bpd.

Hilcorp's Swanson River averaged 744 bpd in July (678 bpd crude and 65 bpd NGLs), up 74 bpd, 10.97%, from a June average of 670 bpd and up 7.28% from a July 2023 average of 693 bpd.

Hilcorp's Trading Bay averaged 922 bpd in July, up 17 bpd, 1.84%, from a June average of 905 bpd but down 4.4% from a July 2023 average of 965 bpd.

The largest month-over-month decrease was at Cook Inlet Energy's West McArthur River, which averaged 839 bpd in July, down 120 bpd, 12.51%, from a June average of 959 but up 52.85% from a July 2023 average of 549 bpd. CIE is a Glacier Oil and Gas company.

CIE's Redoubt Shoal averaged 505 bpd in July, down 69 bpd, 11.99%, from a June average of 573 bpd but up 198.53% from a July 2023 average of 169 bpd.

Hilcorp's Granite Point averaged 2,037 bpd in July, down 31 bpd, 1.5%, from a June average of 2,068 bpd, and down 8.36% from a July 2023 average of 2,223 bpd.

Hilcorp's Beaver Creek averaged 254 bpd in July, down 5 bpd, 1.82%, from a June average of 258 bpd and down 26.74% from a July 2023 average of 346 bpd.

BlueCrest's Hansen averaged 649 bpd in July, basically unchanged from 650 bpd in June, but down 7.65% from a July 2023 average of 703 bpd.

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

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