



Hilcorp applies to Army Corps of Engineers for new Prudhoe O Pad

Prudhoe Bay unit operator Hilcorp North Slope has applied to the U.S. Army Corps of Engineers for gravel placement required for O Pad, a new pad west of L Pad near the western edge of Prudhoe.

In a Feb. 22 public notice on the plan, filed Nov. 20, the corps said the purpose of the new pad was to expand access to the Schrader Bluff reservoir, with O Pad allowing access to 3,500 undeveloped acres.

Some 30 acres of wetlands would be filled in the project, which would use a total of 500,000 cubic yards of fill.

Major project elements

There are two major elements of the project — O Pad and an access road connecting O Pad to L Pad.

The new pad will be some 1,700 feet long by 600 feet wide, with gravel at a minimum compacted depth of 5 feet, the corps said.

see PRUDHOE O PAD page 8

Court declines to reverse ANWR ruling, says moratorium relevant

On Feb. 22 the federal District Court in Alaska turned down a request to cancel the court's Aug. 7 order that rejected an appeal by the Alaska Industrial Development and Export Agency against the Bureau of Land Management's moratorium on oil and gas lease activities in the coastal plain of the Arctic National Wildlife Refuge. Plaintiffs in the case had argued that the case had become moot, because BLM subsequently cancelled AIDEA's ANWR leases. BLM had justified the lease cancellations on the grounds that the lease sale under which the leases had been issued had been illegal because of a deficient environmental impact statement for the sale — the agency has been reworking the EIS.



SHARON GLEASON

AIDEA subsequently appealed the lease cancellations in the federal District Court for the District of Columbia. That appeal has yet to be resolved.

The leases were originally issued in a January 2021 ANWR

see ANWR RULING page 8

Cook Inlet areawide online bids tentatively set to begin May 13

The Alaska Division of Oil and Gas has issued tentative dates for its spring Cook Inlet areawide oil and gas lease sale, with online bidding set to begin of May 13 and results available June 12.

Leases will be offered with net profit share bidding, fixed cash bonus and zero royalty share.

The division said the bid variable is the percent the lessee will share with the state of its net profits — profits after the lessee recoups its development costs.

The cash bonus will be a fixed per-acre amount based on the size of the lease, with the fixed cash bonus in the last Cook Inlet oil and gas lease sale \$40 per acre, the division said.

The minimum net profit share in the last sale was 5%.

Seismic data sets available

The division provided a list of seismic data sets currently available:

•Nikiski marine 3D (released January 2024) covering some

see LEASE SALE page 8

EXPLORATION & PRODUCTION

Drilling underway

Lagniappe: 3 rigs simultaneously drill 3 Eastern North Slope wells

By KAY CASHMAN

Petroleum News

In a Feb. 26 text Bill Armstrong updated Petroleum News on Lagniappe Alaska's eastern North Slope winter drilling program where the company is using three drilling rigs to simultaneously drill three exploration wells.

"Our drilling is just now starting," Armstrong wrote.

"Warm weather, then really windy weather has delayed our program a couple of weeks."

When asked whether Lagniappe would be able to finish all three wells Armstrong said yes.



BILL ARMSTRONG

This winter's mobilization delivered the Doyon 141 drilling rig to the King Street-1 well location, the Nabors 105-E rig to the Voodoo-1 site and the Doyon Arctic Fox rig to Sockeye-1.

Working interest owners in the program, which involves 270,000 acres approximately 40 miles east of Deadhorse and three miles south of the Badami unit, are Armstrong Oil & Gas's Lagniappe Alaska, Santos's Oil Search (Alaska) and

APA Corp., the holding company for Apache Corp.

Operator Lagniappe and Oil Search each hold a 25% working interest in the leases; APA Alaska

see LAGNIAPPE DRILLING page 8

FINANCE & ECONOMY

ANS in equilibrium

Expected rollover of OPEC+ production cuts mitigates US inventory bulge

By STEVE SUTHERLIN

Petroleum News

As February drew near its final day, Alaska North Slope crude found equilibrium in the lower \$80s as supply restriction cues offset demand worries.

The tug of war played out with robust price swings over the five trading days ending Feb. 28. Ultimately ANS finished the span with just a 4-cent loss from its Wednesday Feb. 21 close of \$82.43, to its Wednesday Feb. 28 close of \$82.39 — off 42 cents on the day.

West Texas Intermediate saw a 33-cent loss Feb. 28 to close at \$78.54 and Brent gained 3 cents to close at \$83.68.

Higher OPEC+ spare capacity will allow it to mitigate any real disruptions to supply in most scenarios, the Goldman analysts said, adding that non-OPEC+ supply can match expected growth in global oil consumption this year.

U.S. commercial crude inventories for the week ending Feb. 23 saw a bearish jump of 4.2 million barrels from the previous week to reach 447.2 million barrels — some 1% below the five-year average for the time of year, the Energy Information Administration said in its Weekly Petroleum Status

see OIL PRICES page 6

NATURAL GAS

AGDC looks at pipe only

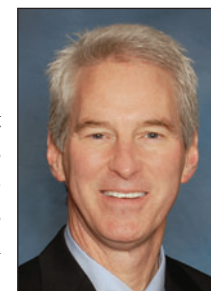
Phase 1 would be geared to providing gas to Alaskans; LNG export could follow

By KRISTEN NELSON

Petroleum News

The Alaska Gasline Development Corp. has a proposal which it hopes will advance its ultimate goal of liquefying and selling North Slope natural gas while initially helping to meet a need in this decade for natural gas for in-state use.

This proposal, AGDC President Frank Richards told the Alaska Legislature's House Resources Committee Feb. 26, would address the risk which developers see in a project dependent on building an 800-mile pipeline from the North Slope to Southcentral and meet one of



FRANK RICHARDS

AGDC's obligations, which is providing natural gas to Alaskans.

It's pricey at \$10.7 billion, but not nearly so pricey as the full project, currently pegged at \$44 billion, and could move 300 million cubic feet of natural gas a day south from the North Slope to Southcentral, with gas reaching Fairbanks via a 26-mile lateral line.

Alaska Oil and Gas Conservation Commission data for December show

Cook Inlet natural gas production in that month averaging just over 213 million cubic feet per day.

Richards told the committee that as Southcentral

see AGDC PLAN page 6

EXPLORATION & PRODUCTION

Baker Hughes US rig count up by 5 to 626

By **KRISTEN NELSON**
Petroleum News

The Baker Hughes' U.S. rotary drilling rig count was 626 for the week ending Feb. 23, up by five rigs from 621 the previous week, and down by 127 from 753 a year ago. The rig count increased in four of the last eight weeks and decreased in four, with a gain of 11 against a loss of seven over the period, bucking 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.

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.

Baker Hughes shows Alaska with 11 rotary rigs active Feb. 23, up by one from the previous week and up by four from a year ago when the count was seven.

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 Feb. 23 count includes 503 rigs targeting oil, up by six from the previous week and down 97 from 600 a year ago, with 120 rigs targeting natural gas, down by one from the previous week and down 31 from 151 a year ago, and three miscellaneous rigs, unchanged from the previous week and up one from a year ago.

Fifty of the rigs reported Feb. 23 were drilling directional wells, 560 were drilling horizontal wells and 16

were drilling vertical wells.

Alaska rig count up by 1

Oklahoma (44) and Texas (301) each gained two rigs from the previous week.

Alaska (11), New Mexico (102) and Pennsylvania (24) were each up by a single rig. Ohio (12) and West Virginia (7) each dropped a single rig.

Rig counts in other states were unchanged from the previous week: California (6), Colorado (16), Kansas (1), Louisiana (45), North Dakota (32), Utah (12) and Wyoming (11).

Baker Hughes shows Alaska with 11 rotary rigs active Feb. 23, up by one from the previous week and up by four from a year ago when the count was seven. Ten of the Alaska rigs were onshore, up by one from the previous week, with one rig working offshore, unchanged from the previous week.

The rig count in the Permian, the most active basin in the country, was up by two from the previous week at 314 and down by 39 from 353 a year ago. ●

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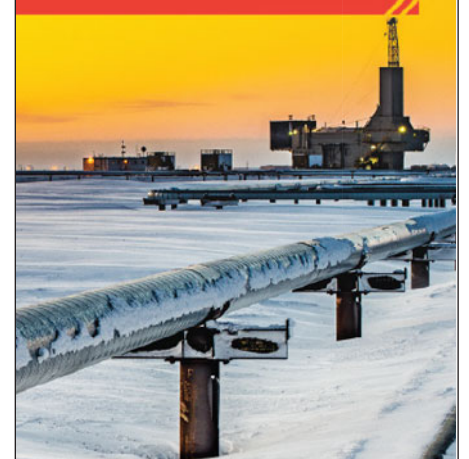
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Alaska-Mackenzie Rig Report

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

Alaska Rig Status

North Slope - Onshore

All American Oilfield LLC			
IDECO H-37	AAO 111	Magtec Yard	Available
Doyon Drilling			
Dreco 1250 UE	14 (SCR/TD)	Milne Point, I-25	Hilcorp Alaska LLC
Dreco 1000 UE	16 (SCR/TD)	Deadhorse, Standby undergoing maintenance and upgrades	Available
Dreco D2000 Uebd	19 (SCR/TD)	Badami, B1-33PH Kennicott	Cook Inlet Energy LLC
AC Mobile	25	Alpine, MT7-92	ConocoPhillips
OIME 2000	141 (SCR/TD)	DKing Street-1, exploratory	Lagniappe Alaska LLC
	142 (SCR/TD)	Kuparuk, 35-606	ConocoPhillips
TSM 700	Arctic Fox #1	Sockey -1, exploratory	Lagniappe Alaska LLC
ERD	26	Alpine, CD5-32X	ConocoPhillips
Hilcorp Alaska LLC			
Rotary Drilling	Innovation	Prudhoe Bay, Z Pad	Hilcorp Alaska LLC
Nabors Alaska Drilling			
AC Coil Hybrid	CDR-2 (CTD)	Milne Point, B-15A	Hilcorp Alaska LLC
AC Coil	CDR-3 (CTD)	Kuparuk	Available
Dreco 1000 UE	7-ES (SCR-TD)	Kuparuk	ConocoPhillips
Dreco 1000 UE	9-ES (SCR/TD)	Stacked	Available
Oilwell 2000 Hercules	16-E (SCR/TD)	Stacked	Brooks Range Petroleum
Emsco Electro-hoist			
Oilwell 2000 Canrig 1050E	27-E (SCR-TD)	Stacked	Available
Academy AC Electric CANRIG	99AC (AC-TD)		Available
OIME 2000	245-E (SCR-ACD)	12 Acre Pad, stacked	Available
Academy AC electric CANRIG	105-E (AC-TD)	Voodoo #1	Lagniappe Alaska LLC
Academy AC electric Heli-Rig	106AC (AC-TD)	Stacked	Available
Nordic Calista LLC			
Superior 700 UE	1 (SCR/CTD)	Deadhorse	Available
Superior 700 UE	2 (SCR/CTD/TD)	Deadhorse, stacked	Available
Ideco 900	3 (SCR/TD)	Kuparuk	ConocoPhillips
Rig Master 1500AC	4 (AC/TD)	Oliktok Point	ENI
Parker Drilling Arctic Operating LLC			
NOV ADS-10SD	272	Pikka	Santos
NOV ADS-10SD	273	Prudhoe Bay	Hilcorp Alaska LLC

North Slope - Offshore

Doyon Drilling			
Sky top Brewster NE-12	15 (SCR/TD)	Nikaitchuq, SD37-DSP01	ENI
Nabors Alaska Drilling			
OIME 1000	19AC (AC-TD)	Oooguruk, Cold Stacked	ENI

Cook Inlet Basin – Onshore

BlueCrest Alaska Operating LLC			
Land Rig	BlueCrest Rig #1	Stacked	BlueCrest Alaska Operating LLC
Nordic Calista LLC			
	Rig 37	Kenai, stacked	Available
Hilcorp Alaska LLC			
TSM-850	147	Beluga River Unit, F Pad	Hilcorp Alaska LLC
TSM-850	169	Pearl Pad	Hilcorp Alaska LLC

Cook Inlet Basin – Offshore

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

Mackenzie Rig Status

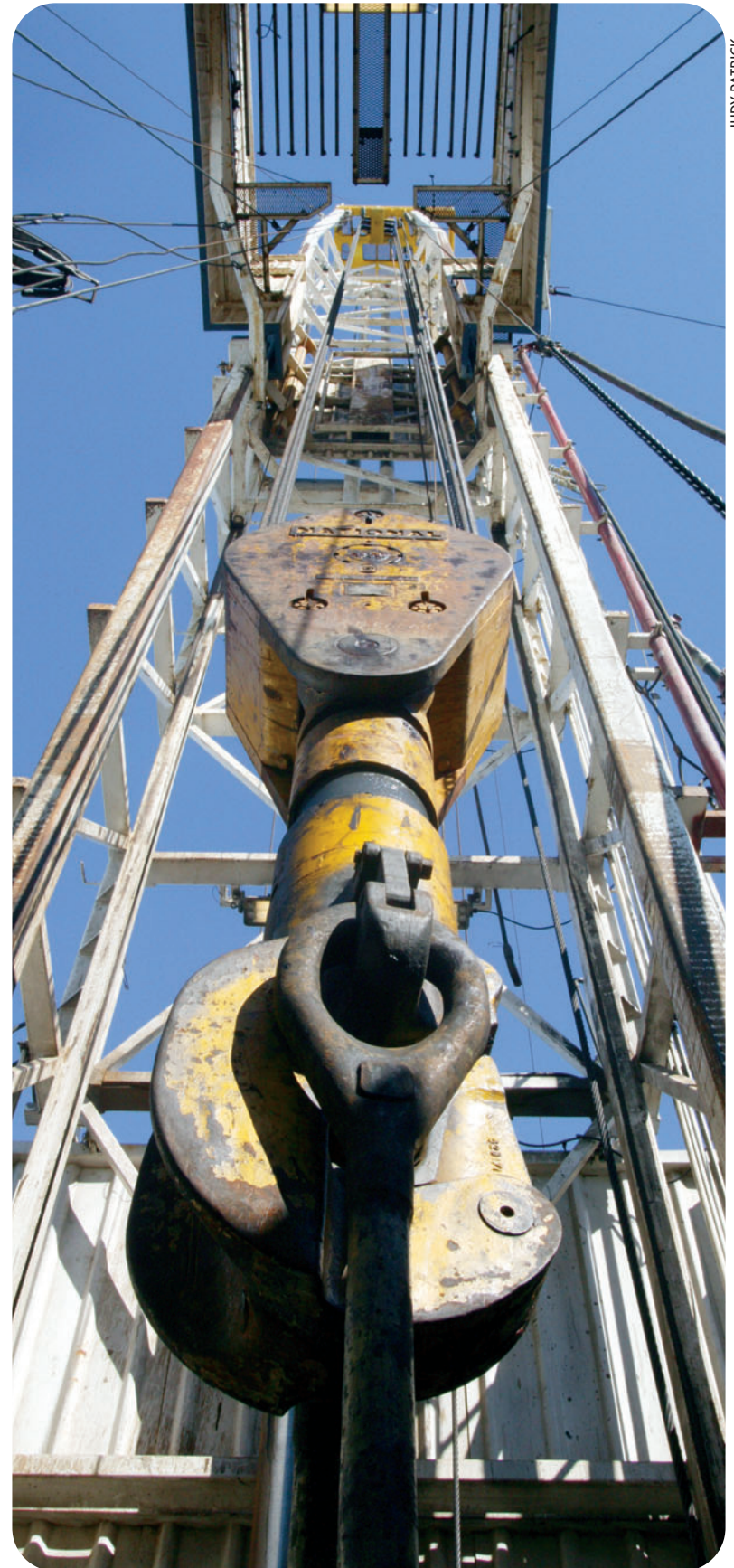
Canadian Beaufort Sea

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

The Alaska-Mackenzie Rig Report as of February 28, 2024.
Active drilling companies only listed.

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

This rig report was prepared by Marti Reeve



JUDY PATRICK

Baker Hughes North America rotary rig counts*

	Feb. 23	Feb. 16	Year Ago
United States	626	621	753
Canada	231	234	244
Gulf of Mexico	18	17	17

Highest/Lowest

US/Highest	4530	December 1981
US/Lowest	244	August 2020

*Issued by Baker Hughes since 1944

The Alaska-Mackenzie Rig Report
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GOVERNMENT

Federal grants for Alaska rural energy

In a Feb. 27 press release U.S. Senators Lisa Murkowski and Dan Sullivan welcomed a U.S. Department of Energy announcement that DOE is awarding \$125.1 million in funding for five rural energy projects in Alaska. The funding comes from DOE's Energy Improvement in Rural or Remote Areas Program, a funding program established as part of the Infrastructure Investment and Jobs Act, passed by Congress in 2021.

The senators said that the funding includes up to \$7.3 million for the Chignik Hydroelectric Dam and Water Source project; up to \$54.8 million for the Clean Energy in the Northwest Arctic project; up to \$26.1 million for the Clean Energy on the Yukon project; up to \$10 million for the Old Harbor Hydroelectric project; and up to \$26.9 million for the Thayer Creek Hydroelectric project.

The senators said that the projects will facilitate increased development of Alaska's abundant hydropower resources, together with other facilities including solar energy, battery storage systems, heat pumps and electrical interconnections.

"One of my priorities when crafting the bipartisan infrastructure law was cleaner and more affordable energy for Alaska," Murkowski said. "I see the opportunities we have to utilize more of our local resources, the hardships that high energy costs cause across our state, and pushed this innovative program as a way to tackle both. I thank Secretary Granholm and her team for recognizing this need, and for choosing more projects and awarding more funding to Alaska than any other state."

"I've long advocated for taking advantage of Alaska's untapped renewable energy potential to meet our communities' energy needs, especially in our rural areas where Alaskans bear the exorbitant cost of diesel fuel to heat their homes and keep the lights on," Sullivan said. "This major investment — a result of our work in the Infrastructure, Investment & Jobs Act — will fund hydroelectric facilities, battery storage, transmission lines, and other energy infrastructure that will ultimately reduce costs and increase resiliency for Alaskans in Chignik Bay, Old Harbor, Nulato, Huslia, Kaltag, Grayling, Anvik, Shageluk, Holy Cross, Angoon, and villages across the Northwest Arctic Borough."

—ALAN BAILEY

EXPLORATION & PRODUCTION

Only coastal areas open for tundra travel

The Alaska Department of Natural Resources' Division of Mining, Land and Water said Feb. 23 that only state lands in the North Slope coastal areas are open for off-road travel, based on Feb. 22 sampling.

The eastern coastal area opened Jan. 11 and the western coastal area Jan. 16.

In the lower foothills, the division said three of five stations met the 9-inch snow depth requirements and three met the soil temperature criteria.

In the upper foothills, all four stations met the 9-inch snow depth criteria but only two met the soil temperature criteria.

—PETROLEUM NEWS

GOVERNMENT

Legislative action on Cook Inlet gas

Senate Resources Committee reviews bills to encourage new gas development in region, enable more publicly available gas storage

By ALAN BAILEY

For Petroleum News

Two bills have been introduced to the Alaska Legislature as part of legislative efforts to help address pending shortages of natural gas supplies in the Cook Inlet region. Senate Bill 194 would encourage new gas development in the Cook Inlet basin by reducing the state's royalty rate for newly developed oil and gas resources from 12.5% to 5%. SB 220, on the other hand, would enable the Regulatory Commission of Alaska to regulate gas storage owned and operated by gas producers such as Hilcorp Alaska, if the storage owner makes storage capacity available for a third-party customer such as a gas or electric utility.

Southcentral Alaska is heavily dependent on natural gas for the heating of buildings and for power generation. Hilcorp, the dominant gas producer in the region, has indicated that it does not have sufficient economically viable gas reserves to be able to offer new contracts for firm gas supplies after its current firm contracts expire in the coming years. And other producers are facing challenges in investing in new gas development projects.

DNR's Cook Inlet gas analysis

Derek Nottingham, director of Alaska's Division of Oil and Gas, told the committee that in 2022 the Department of Natural Resources had conducted an independent analysis of the Cook Inlet gas supply situation. On the assumption that around 15 new development wells would be drilled annually, and that the regional gas demand would remain relatively constant at around 70 billion cubic feet per year, the analysts found that supplies would start to fall short of demand around 2027. So far, actual annual production has proven quite close to the forecast, Nottingham said. The rate of drilling has also come in not far from expectations, he said. In 2022 18 development wells were drilled, and in 2023 17 wells were drilled. All of the wells were drilled by Hilcorp, Nottingham said.

On the other hand, in 2011 the U.S. Geological Survey conducted a resource assessment of the Cook Inlet basin that esti-

mated that as much as 13.7 trillion cubic feet of technically recoverable conventional natural gas remained undiscovered in the basin of the upper Cook Inlet, with additional potential unconventional resources such as coalbed methane, Nottingham said.

At issue is the amount of this resource that can be viably developed and the question of who would conduct the necessary exploration and development.

SB 194 would improve the economics by reducing the royalty rate to 5% for the first 10 years of production from any oil or gas pool in the Cook Inlet that has not previously produced for the sale of oil or gas.

The importance of gas storage

Gas storage has become critical to Southcentral gas supplies by enabling the warehousing of gas when gas demand is low, for use in boosting supplies when gas demand is high. In particular it is no longer possible to deliver gas fast enough from operational oil and gas fields to meet high winter demand. Instead, some of the gas must be delivered from storage. In the absence of adequate storage, electricity power cuts would be inevitable, to ensure the maintenance of adequate gas pressure in gas pipelines.

Four active gas storage pools

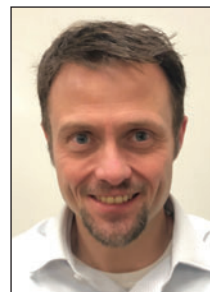
There are currently four active gas storage pools in the basin. Only one of these, Cook Inlet Natural Gas Storage Alaska, on the Kenai Peninsula, provides publicly available gas storage services to businesses including gas and electricity utilities. The other three, Kenai Gas Pool 6, Pretty Creek and Swanson River, are owned and operated by Hilcorp, to help Hilcorp ensure that it can meet its gas supply contractual obligations.

However, Hilcorp has indicated a possibility that it could open some storage capacity at Kenai Gas Pool 6 for public use, given that the facility has significantly more capacity than Hilcorp needs. In addition, Chugach Electric Association, co-owner with Hilcorp of the Beluga gas field on the west side of the Cook Inlet, has indicated that it is investigating the possibility of using depleted gas reservoir space in that field for gas storage.

RCA regulation

As a public utility, the CINGSA facility is regulated by the Regulatory Commission

see **INLET GAS** page 5



DEREK NOTTINGHAM

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● LAND & LEASING

Lagniappe, Santos, APA lease transfers approved

By **KAY CASHMAN**

Petroleum News

A spokesperson for APA Corp., holding company for Apache Corp., told Petroleum News in mid-November that the “farm in agreement” between APA, Armstrong Oil & Gas’s Lagniappe Alaska and Santos’s Oil Search (Alaska) on a 148-lease block on Alaska’s eastern North Slope had been “executed.”

The lease block encompasses 270,000 acres south of the Badami unit and east of Prudhoe Bay. The operator is Lagniappe.

These three working interest owners plan to drill six wells, three per year, in a two-year period starting this winter (see related story on page 1 of this issue).

On Feb. 21 and Feb. 22 lease assignments related to the deal were approved by Alaska’s Division of Oil and Gas, the net result leaving APA with a 50% working interest ownership in the acreage and Santos’s Oil Search (Alaska) and Armstrong’s Lagniappe each with a 25% working interest.

OSA to APA

On Dec. 21, the division received assignment applications transferring 25% working interest ownership from Santos’s Oil Search (Alaska) to APA Alaska, while retaining a 25% WIO.

Division of Oil and Gas Director Derek Nottingham approved the assignment applications effective Dec. 1, 2023.

Lagniappe to APA

On Jan. 22, the division received assignment applications for the same leases, transferring a 25% working interest ownership from Lagniappe Alaska to APA Alaska, with Lagniappe retaining a 25% WIO.

Division Director Nottingham approved the applications with an effective date of Jan. 1, 2024.

Add 20 leases nearby

In the state of Alaska’s areawide North Slope and Beaufort Sea lease sales held Dec. 13, Lagniappe gained an additional 51,250 acres in 20 leases in the eastern North Slope area where it plans exploration drilling this winter and next.

In online bidding Lagniappe bid on and took 17 tracts for \$1,866,393.60 in the North Slope areawide sale, 43,570 acres adjacent to its existing holdings south of Badami. The new leases are east, north and west of the existing acreage, with the largest block to the north.

In the Beaufort Sea sale Lagniappe bid on and took three leases, 7,680 acres, for \$380,262.40. The tracts are west of Badami, and north of the company’s large acreage position.

In 2021, Apache Corp. moved to a holding company structure under APA Corp., the public company trading on the Nasdaq stock exchange. APA acquired the Suriname and Dominican Republic subsidiaries from Apache. Apache Corp. is a direct, wholly

owned subsidiary of APA and continues to hold assets in the U.S., subsidiaries in Egypt and the U.K., and economic interests in Altus Midstream Co. and Altus Midstream LP.

On Feb. 21 APA announced its 2023 full year financial and operational results and fourth quarter 2023 results, the highlights of which are as follows:

- Expanded exploration portfolio through the addition of onshore leases in Alaska and two offshore blocks in Uruguay.
- Delivered full-year net cash from operating activities of \$3.1 billion, adjusted EBITDAX of \$5.3 billion and \$965 million of free cash flow (FCF).
- Returned \$637 million to shareholders or 66% of FCF.
- Increased total company oil production by 8% year-over-year.
- U.S. oil increased 12% from fourth-quarter 2022 to fourth-quarter 2023, driven by strong Permian basin execution and well performance.
- Achieved primary emissions goal of converting more than 2,000 pneumatic

devices to instrument air or through-valve retrofit in the U.S.

• Identified an estimated 700 million barrels of recoverable oil resource at Sapakara and Krabdagu on Block 58 offshore Suriname; initiated FEED study and progressing toward 2024 FID.

On Feb. 21, APA also released the following 2024 outlook highlights:

- Planning upstream capital budget of \$1.9 billion to \$2.0 billion.
- Investing to sustain production on a year-over-year basis.
- Forecasting strong U.S. oil growth in 2024, approximately 8% year-over-year and more than 10% from fourth-quarter 2023 to fourth-quarter 2024;
- Pending acquisition of Callon Petroleum Co. adds scale to APA’s existing Delaware basin assets and is expected to be accretive to key financial metrics; and
- Committing to return at least 60% of FCF to shareholders. ●

Contact Kay Cashman
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continued from page 4

INLET GAS

of Alaska. The intent of SB 220 is to mandate RCA regulation for any gas storage facility where storage services are being provided to any entity other than the owner of the facility, and where the operator of the facility does not own the gas. In effect, the component of a storage facility used to provide third-party storage services would operated as a regulated utility. This, presumably, would facilitate the opening of more publicly available gas storage capacity in the region.

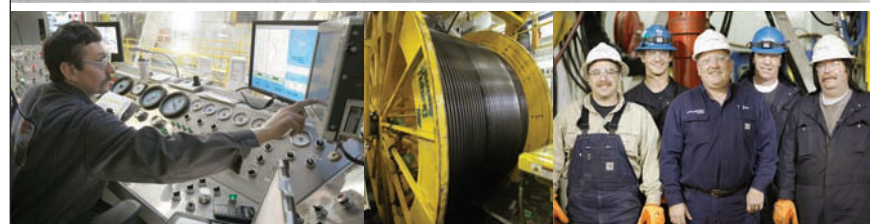
Tony Izzo, chief executive officer of Matanuska Electric Association, told the committee that his utility strongly supports SB 220. Given the pending gas supply problems, MEA is evaluating all future power generation options, with a goal of reaching 50% clean energy power generation by 2050, Izzo said. But even with an aggressive move into the use of clean energy sources, a substantial amount of natural gas will continue to be needed, he said.

“Gas storage will facilitate and allow us to manage a more diversified mix of generation, including non-firm renewables like wind and solar,” Izzo said. “And having gas storage regulated by the RCA provides the necessary transparency and will ensure that rates for storage are reasonable.” ●

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NABORS – MISSION TO ZERO
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OIL PRICES

Report released Feb. 28.

Total motor gasoline inventories decreased, however, falling 2.8 million barrels for the week to 244.2 million barrels — 2% below the five-year average for the time of year, the EIA said.

On a bullish note, the Organization of the Petroleum Exporting Countries and allied exporting nations are considering extending voluntary oil output cuts into the second quarter to provide additional support for the market, according to three OPEC+ sources, Reuters reported Feb. 27. The cuts could remain in place until the end of the year, two of the sources said.

OPEC+ in November agreed to voluntary cuts of about 2.2 million barrels per day for the first quarter of 2023, which included Saudi Arabia rolling over its own voluntary cut.

Large crude price moves were limited ahead of key U.S. inflation data too, which may affect the outlook for interest rates.

The PCE price index data — a United States-wide indicator of the average increase in prices for all domestic personal consumption — is the Federal Reserve's preferred inflation gauge. The reading is due on Feb. 29.

Expectations of higher rates can weigh down oil prices

as high-rate environments can pressure economic conditions and demand.

Resilience in the dollar also limited crude prices over the week, by making oil dearer for buyers using foreign currencies.

The pervasive fear of escalating Middle East violence continued to mute bearish influences on crude prices over the week. Crude rose Feb. 27 and Feb. 26, as a rumors of a pending cease fire in the Israel-Hamas war were debunked.

ANS rose 83 cents Feb. 27 to close at \$82.80, while WTI popped \$1.29 to close at \$78.87 and Brent popped \$1.12 to close at \$83.65.

ANS rose 81 cents Feb. 26 to close at \$81.97, as WTI jumped \$1.09 to close at \$77.58 and Brent rose 91 cents to close at \$82.53.

Ceasefire hopes led ANS to plunge \$1.70 Feb. 23 to close at \$81.15, while WTI plummeted \$2.12 to close at \$76.49 and Brent plummeted \$2.05 to close at \$81.62.

On Feb. 22, ANS rose 42 cents to close at \$82.86, WTI rose 70 cents to \$78.61 and Brent rose 64 cents to \$83.67.

On Feb. 28, ANS traded at a \$3.85 premium to WTI. Brent opened a \$1.29 premium over ANS.

ANS West Coast crude prices are less affected than Brent by higher shipping costs rising from Yemen-based Houthi rebel attacks on shipping in the Red Sea, because some 50% of West Coast supply is domestic oil from California and Alaska.

Demand pull escalation of Pacific region crude prices is

limited as well, due to soft China demand and an Asian market awash in Russian crude.

Goldman Sachs sees higher summer prices

Goldman Sachs has revised its forecast for summer peak Brent Crude prices to \$87 per barrel, up by \$2 from its previous forecast.

"OECD commercial stocks on land have drawn somewhat faster than expected as the redirection of flows away from the Red Sea has increased inventories on water," Goldman analysts wrote in a Feb. 25 note, Reuters reported.

Goldman said Brent crude will likely trade in the \$70-\$90 a barrel range near term reflecting a modest geopolitical premium due to wars in Ukraine and the Middle East.

Higher OPEC+ spare capacity will allow it to mitigate any real disruptions to supply in most scenarios, the Goldman analysts said, adding that non-OPEC+ supply can match expected growth in global oil consumption this year.

Goldman expects OPEC+ to decide in early March to roll first-quarter cuts over into the second quarter and gradually unwind them beginning in the third quarter.

Goldman expects Brent prices to average some \$80 a barrel in 2025, likely not dropping below \$70 for a sustained period. ●

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AGDC PLAN

utilities evaluate alternative natural gas supplies — after Cook Inlet's major producer, Hilcorp, said it will not be able to renew its supply contacts at present rates due to dwindling supplies on its leases — AGDC has been working with the utilities on delivery options.

AGDC's current proposal would break the big project into phases, with Phase 1 designed to deliver natural gas in Alaska by 2029 — at or below the \$12 to \$15 per thousand cubic feet estimated cost of the

imported LNG the utilities are considering.

While the immediate goal would be natural gas delivered to Alaskans, the remainder of the big project — the Arctic Carbon Capture plant on the North Slope, compressor stations along the pipeline, the Cook Inlet pipeline crossing and the LNG facility at Nikiski — could be built as the big project advances.

Richards said that as the ACC plant, compressor stations and LNG facility are built, gas production could gradually increase, feeding an initial first train at the LNG facility — three are planned — and ramping up from there.

Gas by 2029

Richards said AGDC would be able to deliver natural gas for Alaskans by 2029 because it has all major permits and could move the pipeline portion of the project into construction quickly.

The ACC plant on the North Slope would not be required for delivery of pipeline quality natural gas to Enstar because Enstar's specifications allow up to 3% CO₂, while the ACC plant is required to meet the requirement that gas going into an LNG facility have less than 50 parts per million CO₂.

Contracting for a gas supply could also be simpler as the initial volume would be a fraction of that required for the LNG plant and while the major project would require contracting with multiple producers, the initial phase could require contracting with just one of the major North Slope producers, ExxonMobil, ConocoPhillips and Hilcorp.

The project would also need long-term contracts to purchase the gas from Alaska utilities and contracts for additional volumes from an industrial user.

Richards said that while utility support is needed now, the utilities would not need to commit to volumes until final investment decision in 2025.

The project would also need an industrial customer, and Richards said Nutrien is evaluating restarting two ammonia units at its Nikiski plant, which ceased operation in 2008 when it could no longer get Cook

Inlet natural gas. The contract price for Nutrien, he said, would need to be low enough to support its project economics, but whatever they could pay would reduce the cost to utilities.

To meet timeline

Richards said AGDC needs \$50 million by July 1 to begin FEED, front-end engineering and design, which would take 12 months, and is in discussion with investors to raise that money.


AGDC is working with a "credible North America pipeline company" which would lead the final FEED, as well as construction and operation. Richards said he couldn't name the pipeline company but described it as a major company.

The target for a final investment decision and start of construction is 2025, Richards said, with first gas in 2029.

Construction would take place over four years — three winter seasons and two summer seasons.

As for the full \$44 billion project, Richards again said that having the pipeline constructed removes a major risk factor for investors. He said phasing construction of the LNG plant becomes a viable option with the pipeline in place, allowing more flexibility in financing and construction, with building the plant in phases reduces the initial capital for investors. ●

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Coffman Engineers Anchorage office is moving to midtown

Coffman Engineers said Feb. 15 that after operating in downtown Anchorage for more than 40 years, its Anchorage office is moving to a new and improved space in midtown this March.

The move accommodates Coffman's growth and provides an even better experience for their clients. Coffman said it is excited for a fresh and more functional space for their whole team, with room to grow to help meet their clients' needs.

While delivering the same commitment, other benefits for Coffman's clients and part-

ners include being in good proximity to the midtown business district, ample parking next to the office, more meeting space for collaboration, uninterrupted service as they remain open during their transition, and all their services under one roof.

After March 2024, you can find Coffman Engineers at 301 W. Northern Lights Blvd., Ste. 200, Anchorage, AK 99503.

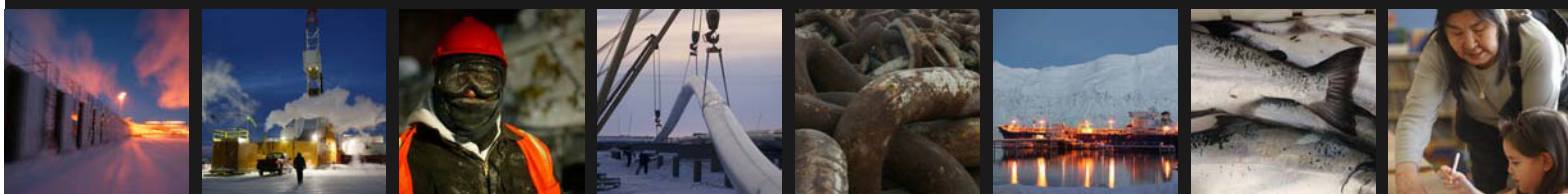
Coffman phone numbers and email addresses will remain the same for continued and convenient communication. Coffman will have a new location, but its commitment to delivering exceptional service remains unchanged. Coffman looks forward to welcoming clients and the community to its new space!

Companies involved in Alaska's oil and gas industry

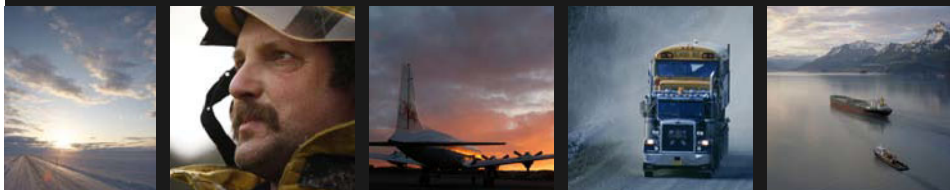
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LEASE SALE

340 square miles on- and offshore.

•Ninilchik land 3D and Deep Creek 3D, both released in December, covering more than 23 square miles combined.

•Cook Inlet 3D covering some 122 square miles released in September.

•Seismic Technology 2D test and Iniskin 2d for the west side of the inlet, some 19 line miles.

Seismic to be released this year

Four Cook Inlet datasets are sched-

uled to be released this year, the division said:

•Kenai Loop 3D, onshore and offshore at the Cannery Loop unit.

•North Kenai 2D and Gray Cliff 2D, intersecting datasets north of Swanson River and west of Kitchen Lights.

•South Kenai 2D, more than 380 line miles.

•2D Deep Creek test — intersects with Deep Creek 3D released last year.

—KRISTEN NELSON

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ANWR RULING

lease sale, the first of two ANWR lease sales mandated under the federal Tax Cuts and Jobs Act, passed in 2017.

Court ruling is still relevant

In the Alaska District Court's Feb. 22 order, Judge Sharon Gleason wrote that the ANWR activity moratorium case is not moot because there are circumstances under which the plaintiffs could conduct ANWR activities, should the Aug. 7 court order be cancelled. In particular, if the District of Columbia court case finds that the lease cancellations were invalid, the legality of the lease activity moratorium would again become relevant. In addition, a second ANWR lease sale is anticipated later this year, under the terms of the Tax Cuts and Jobs Act. Any issuance

of leases under that sale could again bring the lease activity moratorium into play, Gleason wrote.

Apart from activities directly related to ANWR leases, Kaktovik Inupiat Corp., the Native corporation for the village of Kaktovik, has an interest in conducting seismic surveys in the ANWR Coastal Plain, Gleason wrote. If the moratorium were to be lifted, KIC would no longer be precluded from conducting these activities.

Moreover, regardless of BLM's lease cancellations, nothing had precluded the plaintiffs in the Alaska court case from appealing the District Court's Aug. 7 order to the U.S. Court of Appeals for the 9th Circuit, Gleason wrote. In the event, no appeal had been launched.

—ALAN BAILEY

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PRUDHOE O PAD

The fill material would be compacted when it was placed during the winter and reworked during the summer months to assure adequate compaction.

The access road from L Pad to O Pad would accommodate a larger drill rig as well as construction traffic, the corps said. The road will be some 5,500 feet long and 32 feet wide, with gravel placed with a minimum compaction of 5 feet. The corps said the road is designed to allow safe bypass around L Pad facilities for simultaneous project construction and L Pad operations.

O Pad construction will fill 24 acres of wetlands with 349,500 cubic yards of fill; the access road will fill 5.5 acres of wetlands with 150,000 cubic yards of fill; and vertical support members for the pipe rack will fill 0.5 acres of wetlands with 500 cubic yards of fill.

Ice roads, construction schedule

An 11-mile ice road will be constructed from Milne Point Mine Site 3 to O Pad to provide access for gravel haul, with a second 1-mile ice road required to install the O Pad flowline and gas lift line from L Pad, with the 1-mile ice road used to stage equipment and drive VSMS for the pipe work.

January 2025 is the anticipated start date for ice road construction and mining operations, depending on when conditions allow ice road construction in the 2024-25 winter season, the corps said.

February 2025 is the anticipated start date for pad and access road construction, with completion scheduled by April 2025, and pad infrastructure construction to begin following pad compaction.

Flowline construction would occur in the next season, from December 2026 to May 2027, with O Pad expected to be fully operational in November 2027.

—KRISTEN NELSON

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LAGNIAPPE DRILLING

holds a 50% WIO (see related leasing story in this issue of Petroleum News).

Under the terms of the deal between the three WIOs, initial exploration activities during the two-year exploration phase will be undertaken without cost to Santos, which is concentrating on development of Pikka Phase 1 west of the central North Slope.

Six wells in 2 years

A Lease Plan of Operations for the Lagniappe Exploration Program was approved in mid-December by the Alaska Department of Natural Resources' Division of Oil and Gas.

In a two-year consecutive exploration phase starting this winter, operator Lagniappe expects to drill three wells each year in the 148-lease block for a total of six wells.

The lease block, Santos previously said, contains "multiple prospects in the late Cretaceous Brookian and Schrader Bluff formations."

On March 30, 2023, after Lagniappe had begun permitting for the area but prior to the three companies entering into a farm-in agreement, Bill Armstrong told Petroleum News in a text that the exploration wells will target Brookian objectives — "Pikka look-a-likes that are defined off

of high effort, reprocessed modern 3D. Really exciting stuff. Big targets."

There has been "virtually no prior drilling in the area. The wells that have been drilled have great shows and some have bypassed pay on old logs," Armstrong added.

44-mile ice road

The mid-December approval of Lagniappe's plans by the Division of Oil and Gas called for a 44-mile ice road to be constructed from Endicott Road for mobilization of the three drilling rigs.

A temporary staging/offload pad and a semi-circular turnout was also to be built along Endicott Road near the origin of the project ice road.

An ice bridge was also to be constructed near Deadhorse to cross the west fork of the Sagavanirktok River.

The drilling sites were to be ice pads measuring 600 feet by 600 feet or smaller. Temporary facilities were to include support and office camps, tanks, generators, maintenance shops, and other containers and connexes.

Also on the schedule for this winter per plans approved by the division is a Vertical Seismic Profile Survey.

Next winter's (2024-25) mobilization will follow a similar route to access the three remaining well locations.

Summer site inspection and cleanup is expected to be done from mid-June through mid-July.

State upbeat

Alaska Department of Natural Resources Commissioner John Boyle told the Alaska Legislature's Senate Finance Committee in January that 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 DNR's 10-year forecast window, Boyle said, North Slope production is forecast at some 630,000 barrels of oil per day, up from today's average of some 480,000 bpd.

Where would much of that oil come from?

Boyle mentioned ConocoPhillips' Willow project, Santos's Pikka project and Lagniappe's exploration on the eastern North Slope.

Overall, Boyle said, DNR is "very optimistic" about the future of Alaska's North Slope. ●

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