



Division of Oil & Gas Overview

House Resources – Finance Subcommittee

Justin Black, Acting Director

Haley Paine, Deputy Director

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Alaska Department of Natural Resources, January 28, 2022



FY2023 GOVERNOR BUDGET CHANGES

FY2023 Request for

Carryforward Language:

Right-of-Way lease appraisals are adjusted at 5-year intervals, and therefore, there is volatility in the revenues that are out of the division's control. Adding GFPR carryforward language is necessary to assist in smoothing this volatility.

Significant Change in FY2022:

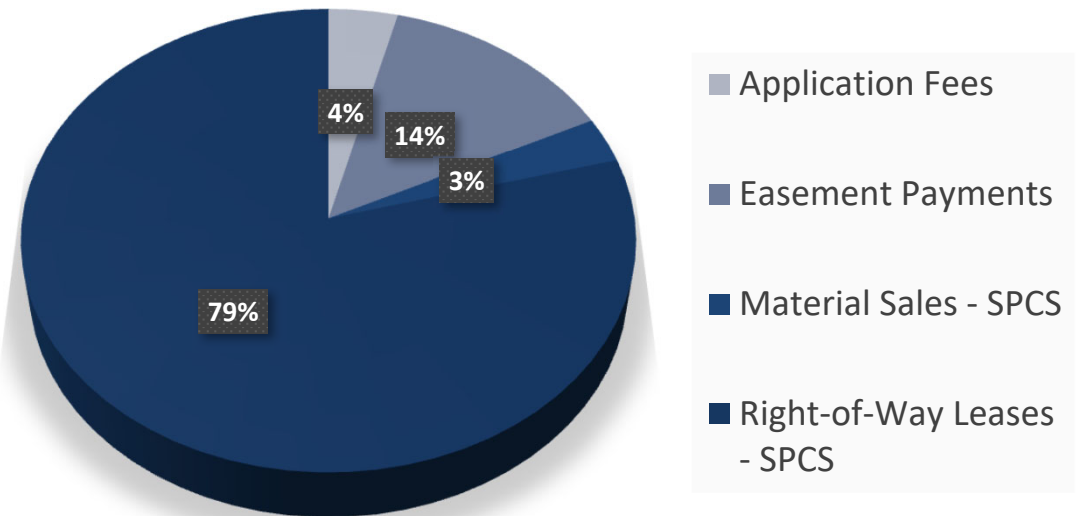
Fund Change from UGF to GF/PR of \$2,000.0 which increased dependency on program receipts revenue.

FY2021 GF/PR Total:

\$8,850.4 Million

Oil & Gas GF/PR Revenue Types

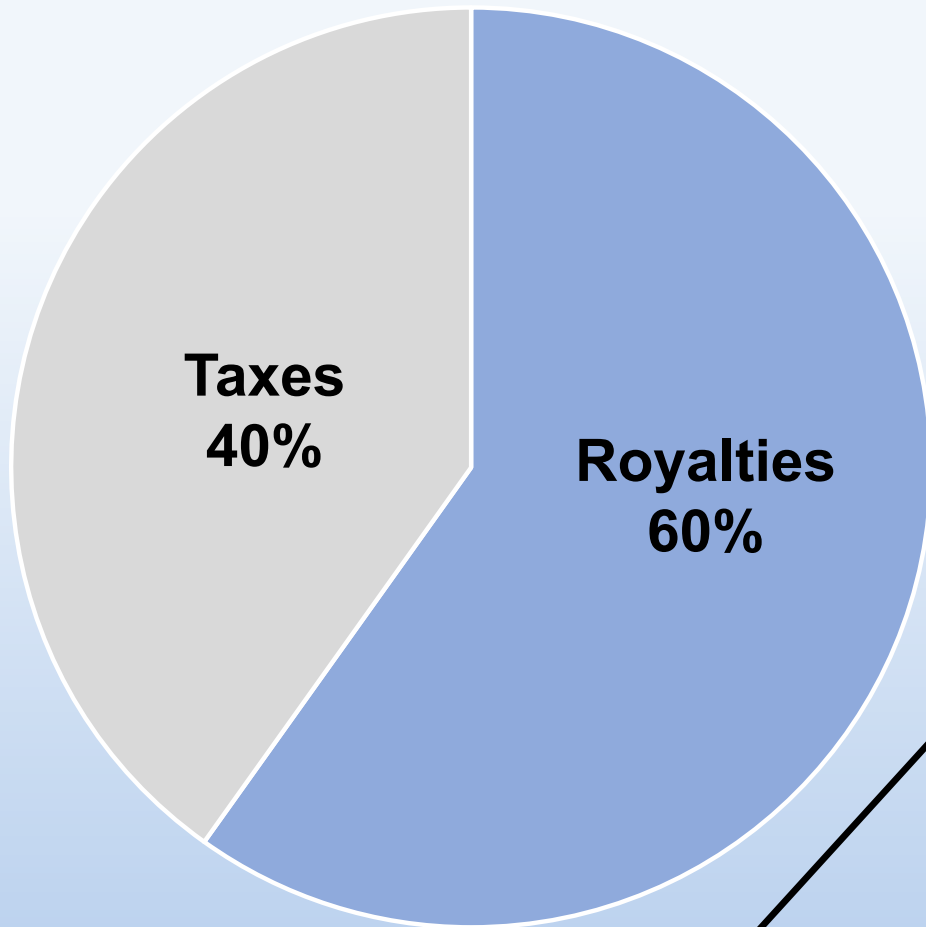
Based on FY2021 Actuals - \$8,850.4



FY 2021 PETROLEUM REVENUE

- BY RESTRICTION AND TYPE, MILLIONS OF DOLLARS -

Unrestricted Fund Sources



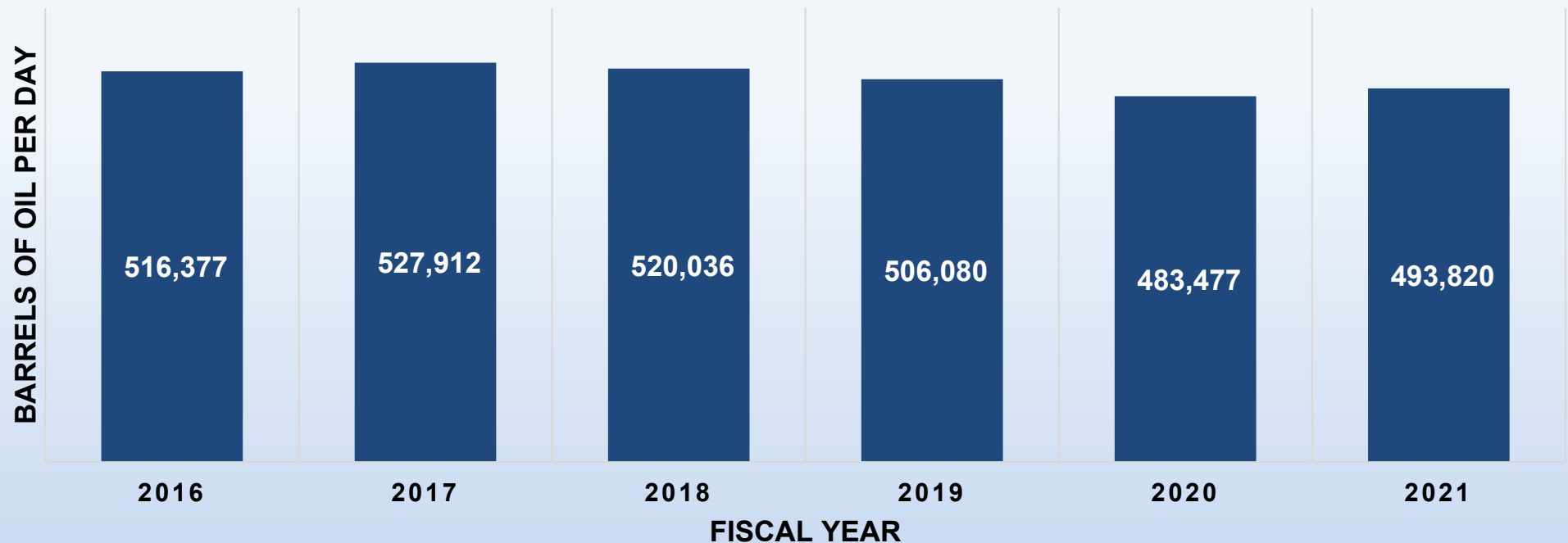
- 88% of restricted petroleum revenue went to the Alaska Permanent Fund

Unrestricted Petroleum Revenue		FY 2021
Royalties (including bonuses, rents, and interest)		728.8
Oil and Gas Production Tax		389.0
Petroleum Corporate Income Tax		-19.4
Petroleum Property Tax		119.2
Total Unrestricted Petroleum Revenue		1,217.6
Restricted Petroleum Revenue		
Royalties, Bonuses, and Rents to the AK Permanent Fund		332.3
Royalties, Bonuses, and Rents to the Public School Trust Fund		5.4
Tax and Royalty Settlements to Constitutional Budget Reserve Fund		22.9
NPR-A Royalties, Rents & Bonuses		15.8
Total Restricted Petroleum Revenue		376.4
Total Petroleum Revenue		1,594.0

Source: DOR Fall 2021 Revenue Sources Book, p. 38

NORTH SLOPE PRODUCTION

NORTH SLOPE DAILY PRODUCTION



Increases

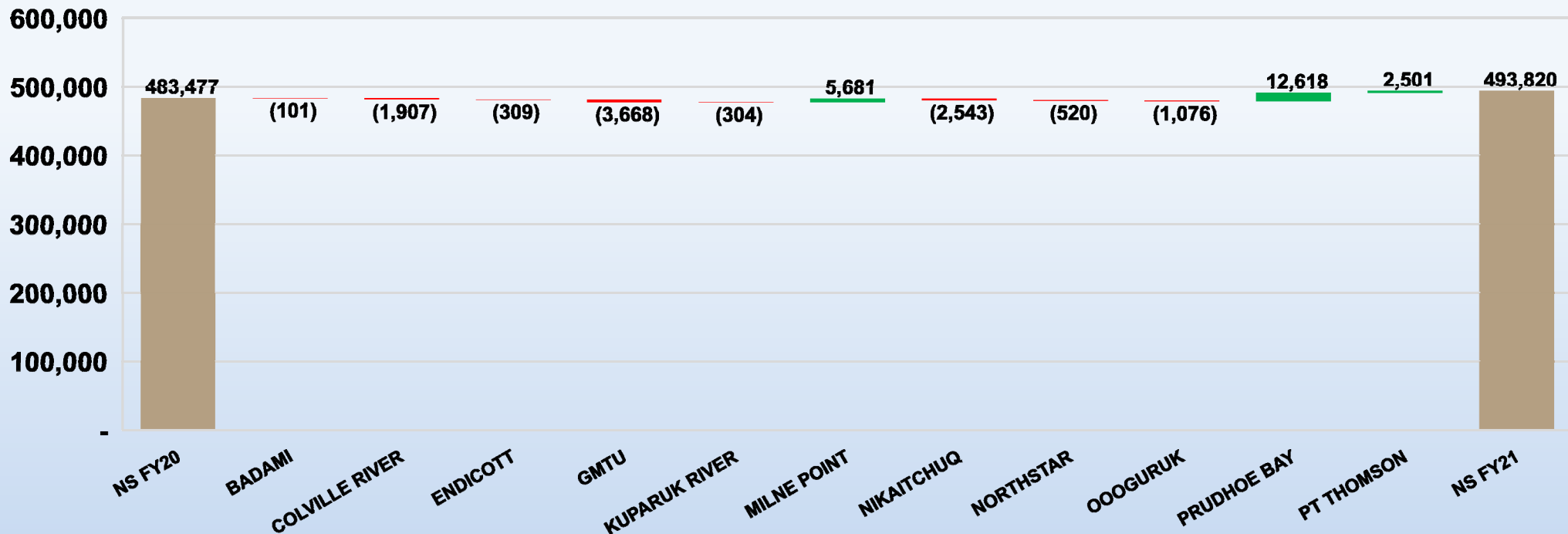
- Prudhoe Bay Unit: 5% production growth due to well/facility optimization efforts
- Milne Point Unit: 20% production growth due to consistent drilling efforts
- Pt Thomson Unit: Over 40% growth; improved facility reliability

Compared to FY2020, in FY 2021 North Slope production increased by ~2% (~10,000 bopd)

NORTH SLOPE PRODUCTION

Production Changes Across North Slope Assets (FY21 vs FY20)

■ Increase ■ Decrease ■ Total



Decreases

- Kuparuk River Unit: Production essentially held flat at FY20 levels
- Greater Moose's Tooth 1: Over ~50% drop. Reservoir challenges persist
- Oooguruk: Absence of drilling since 2016

All fields are generally expected to see a year-on-year decline

ROYALTY RATES

Offshore

Royalty Rate: 16.67%
SOA Royalty: 0 - 3 Miles 100%,
3 - 6 Miles 27%,
Greater than 6 Miles 0%

NPR-A

Royalty Rate: 12.5% or 16.67%
SOA Royalty: 0% (Mitigation Fund)

State Lands

Royalty Rate: 12.5% or 16.67%

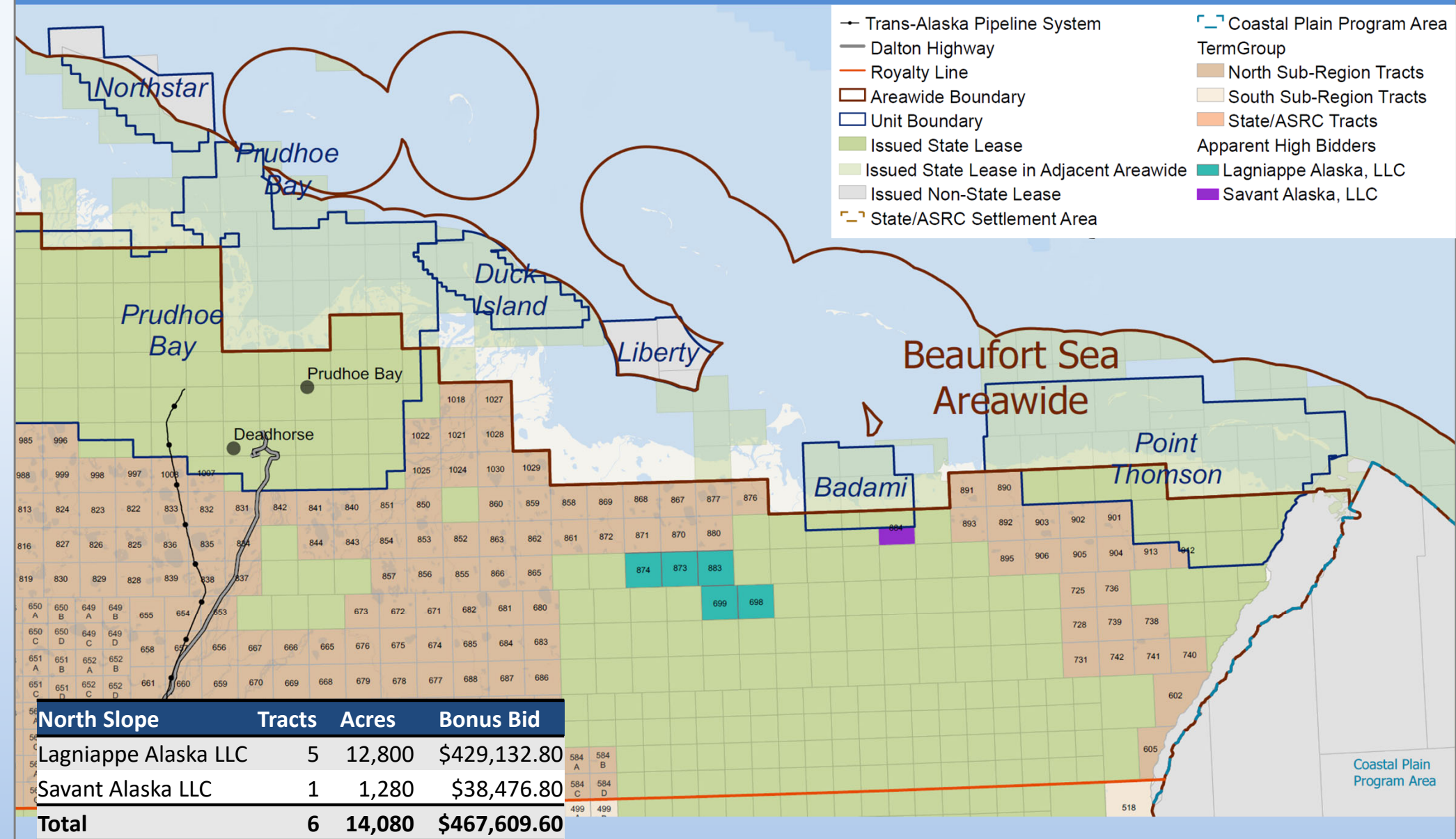
ANWR

Coastal Plain

Royalty Rate: 16.67%
SOA Royalty: 50%

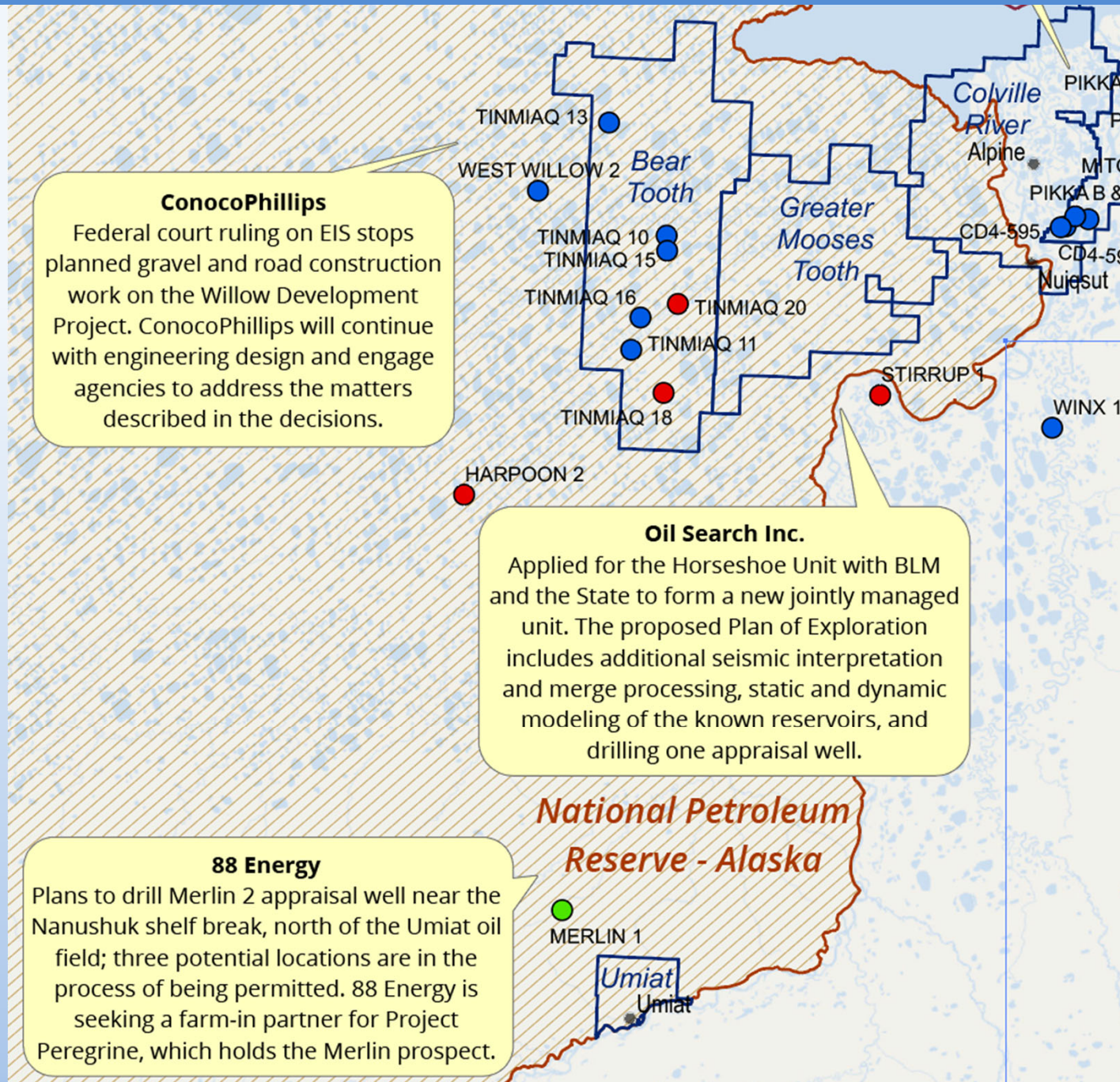
State's royalty take differs across State land

FALL 2021 LEASE SALE - NORTH SLOPE



See DOG's [Notification Lessee map](#) for more information. 7

NORTH SLOPE ACTIVITY



NORTH SLOPE ACTIVITY

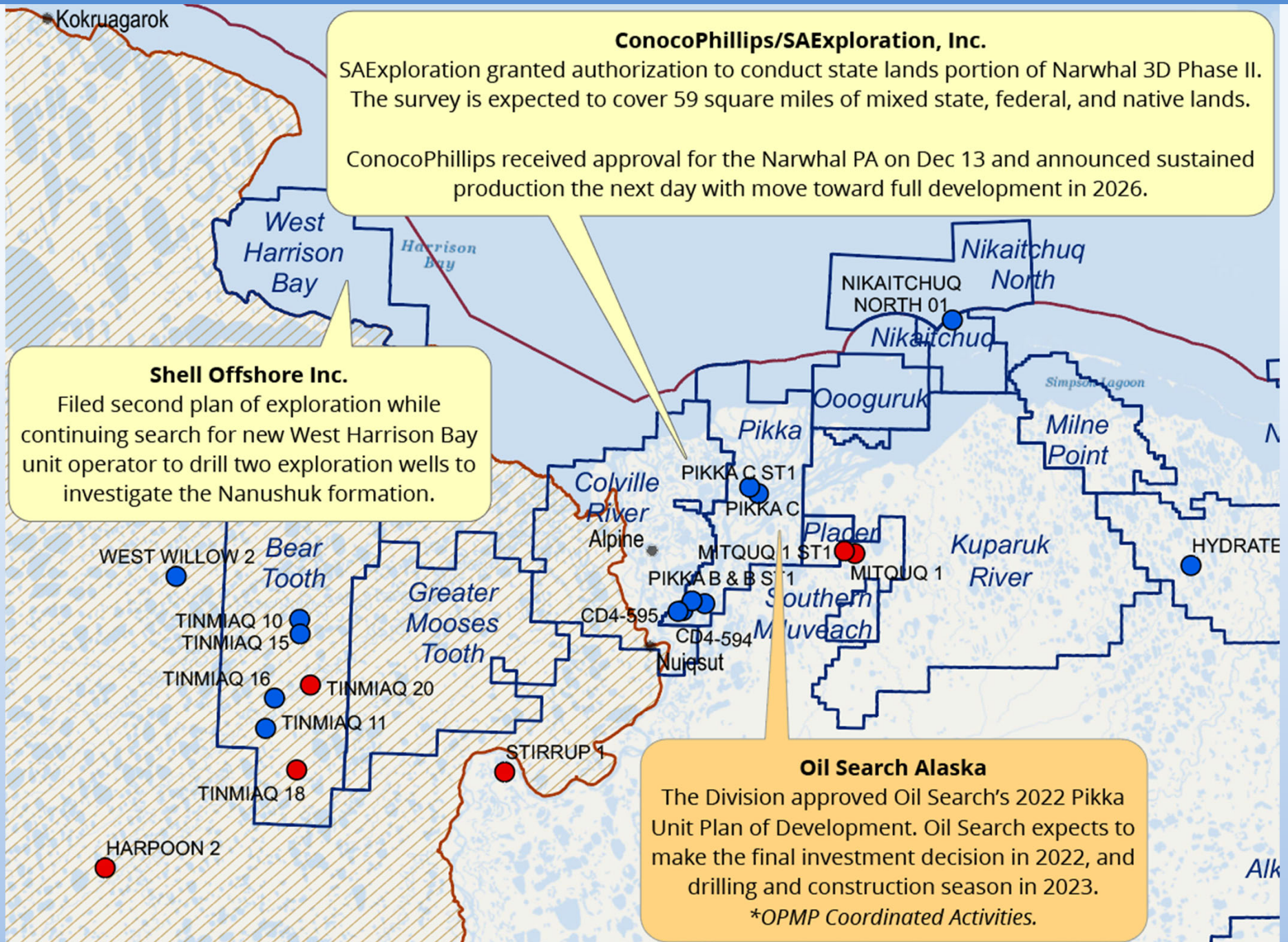
ConocoPhillips/SAExploration, Inc.

SAExploration granted authorization to conduct state lands portion of Narwhal 3D Phase II. The survey is expected to cover 59 square miles of mixed state, federal, and native lands.

ConocoPhillips received approval for the Narwhal PA on Dec 13 and announced sustained production the next day with move toward full development in 2026.

Shell Offshore Inc.

Filed second plan of exploration while continuing search for new West Harrison Bay unit operator to drill two exploration wells to investigate the Nanushuk formation.

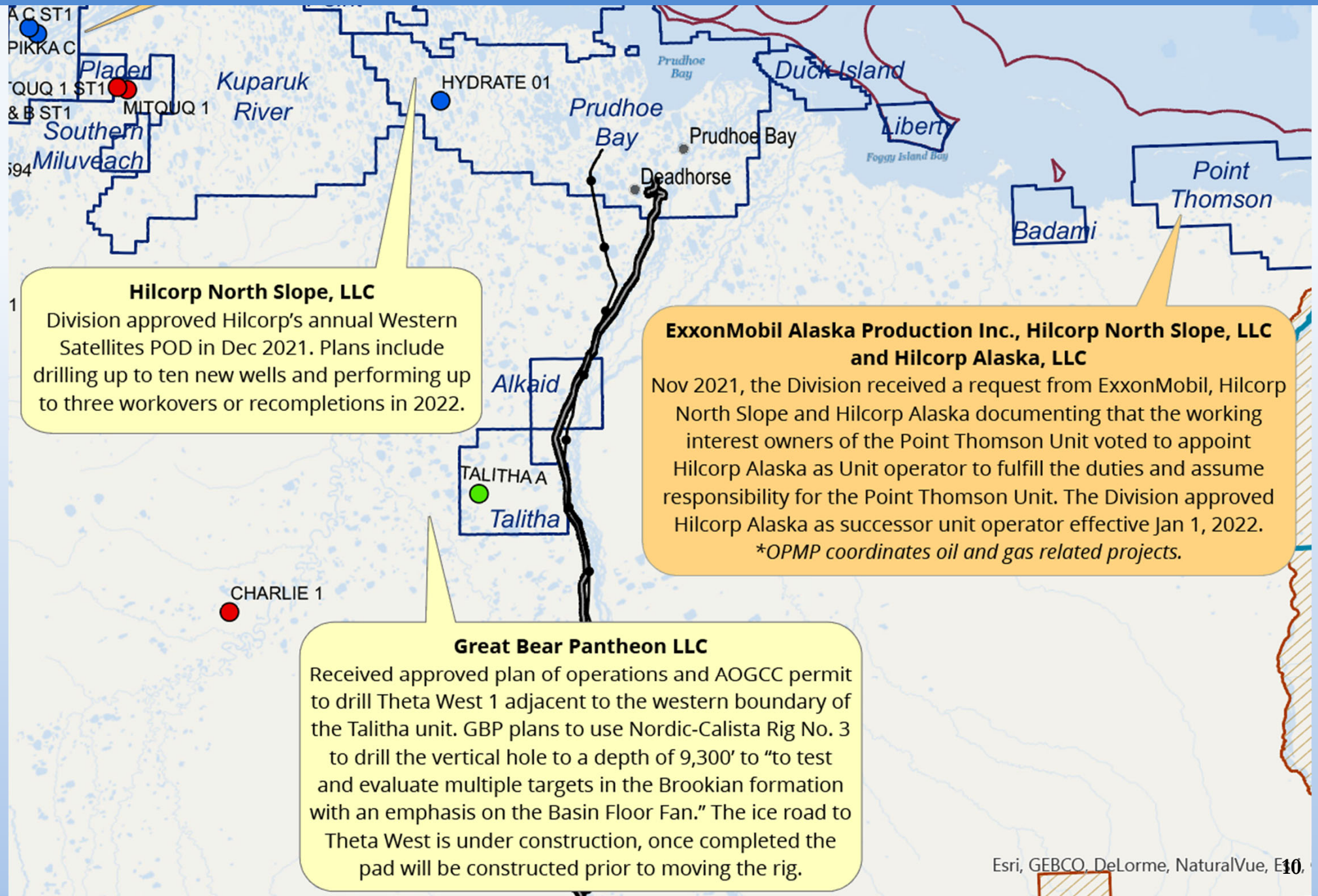


Oil Search Alaska

The Division approved Oil Search's 2022 Pikka Unit Plan of Development. Oil Search expects to make the final investment decision in 2022, and drilling and construction season in 2023.

*OPMP Coordinated Activities.

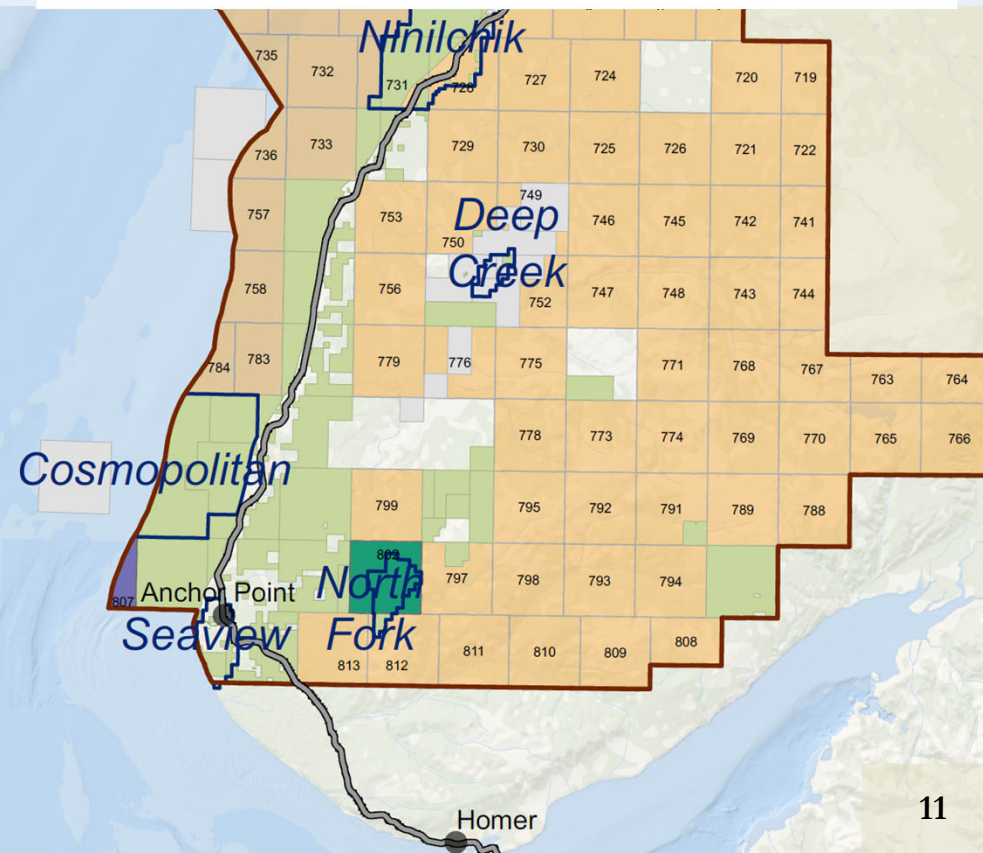
NORTH SLOPE ACTIVITY



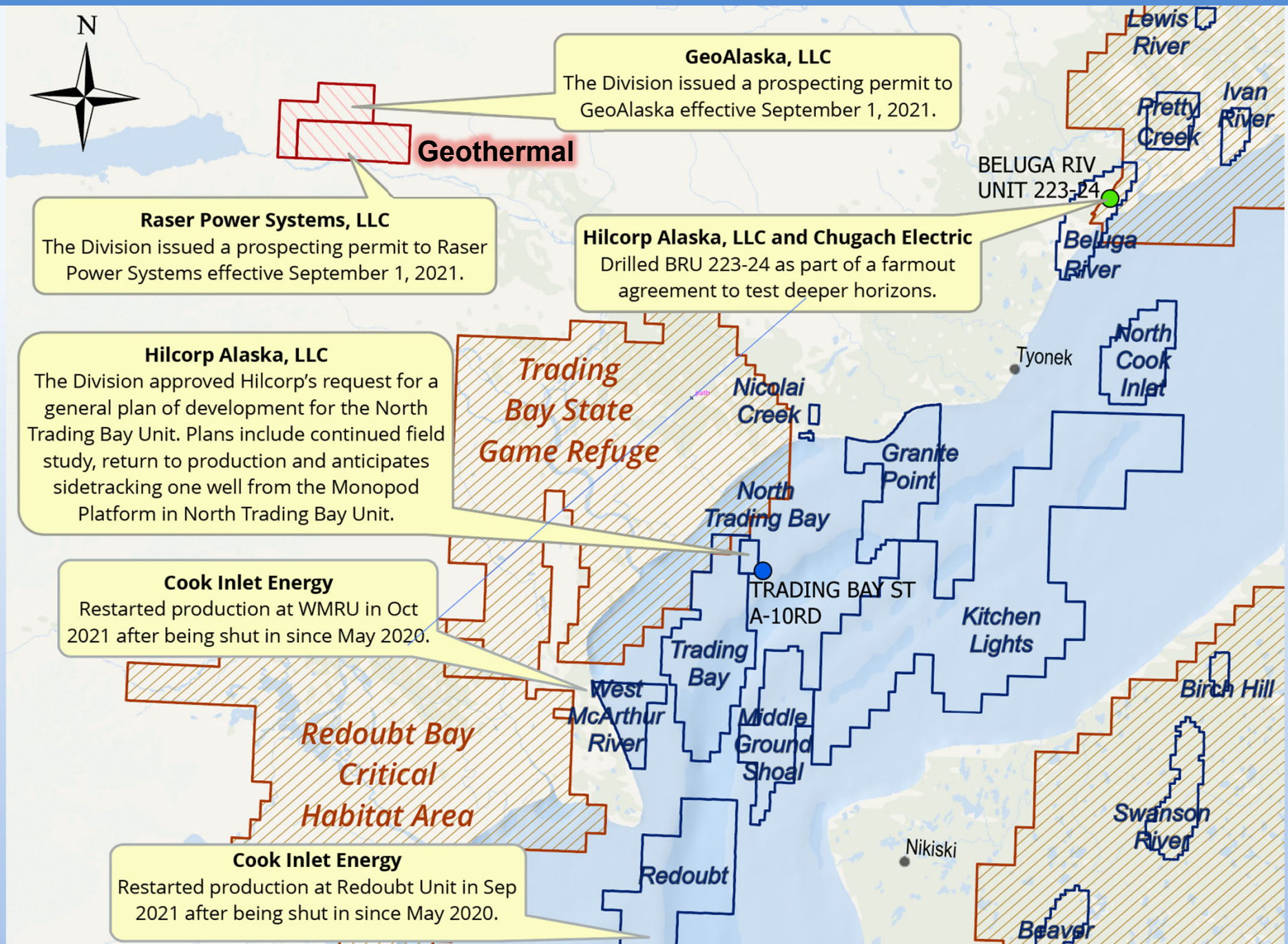
SPRING 2021 LEASE SALE - COOK INLET

Cook Inlet	Tracts	Acres	Bonus Bid
HEX LLC	2	5,430.28	\$95,982.54
Furie Alaska Operating LLC	4	13,333.00	\$284,874.83
Strong Energy Resources LLC	1	1464.41	\$24,499.58
Total	7	20,227.69	\$405,356.95

Highway	Issued Non-State Lease	Apparent High Bidders
Areawide Boundary	Available Cook Inlet 2021W Tract	Furie Alaska Operating, LLC
Unit Boundary		HEX, LLC
Issued State Lease		Strong Energy Resources, LLC



COOK INLET ACTIVITY



COOK INLET ACTIVITY

Hilcorp Alaska, LLC

Received permits for seven Happy Creek stratigraphic test wells in Sept 2021, to be drilled onshore south of Ninilchik Unit.

Hilcorp Alaska, LLC

Drilled and completed Seaview 9 in Aug 2021, an exploratory gas well, to a measured depth of 7,749 ft.

Hilcorp Alaska, LLC

Applied to AOGCC for a spacing exemption for HVB-15 and comingled production from the Beluga/Tyonek gas pool, Deep Creek Unit. If granted the company plans to perforate the well into the shallower Sterling sands.

Hilcorp Alaska, LLC

Completed drilling Whiskey Gulch 1 in July, targeting the Sterling, Beluga, and Tyonek formations within Whiskey Gulch undefined oil and gas pools. Whiskey Gulch 1 is currently being tested, the company said, "in hopes to discover commercial quantities of oil and/or gas."

AOGCC granted a spacing exemption to drill a second exploration well at Whiskey Gulch to target unproven reserves in the Sterling, Beluga, and Tyonek formations with plans to test potential gas bearing sands between 1,500- and 8,519-feet MD. Following successful completion of the well Hilcorp intends to apply to form a PA.

Kenai National Wildlife Refuge

Kenai National Wildlife Refuge

Esri, DeLorme, NaturalVue

GEOHERMAL PERMITTING

- Two two-year prospecting permits issued effective September 1, 2021.

Name	Permittee	Acreage
Mt Spurr	Raser Power Systems LLC	7,666
Northwest Mt Spurr	GeoAlaska LLC	6,376

- One more prospecting permit for Augustine Island is under review and a preliminary best interest finding will be issued for public comment soon.
 - Application received April 14, 2021
 - June 29, 2021, Call for Public Comments and Competing Proposals issued
- **HB 135 – Geothermal Resources**
 - Updates statutes to reflect processes and understanding of geothermal systems
 - Changes a prospecting permit to license and increases the term from 2 to 5 years
 - More time for a company to identify and prove resource to convert to lease
 - Doubles maximum acreage for exploration from 51,200 acres to 100,000 acres
 - Clearer path to convert to leases for development
 - Conversion to leases based on the completion of a work commitment and submission of exploration plan instead of proving discovery of commercial resource
 - Reforms definitions for geothermal resources to focus on *commercial* use
 - These changes will apply to these recently-issued permits, converting them to licenses

QUESTIONS?

THANK YOU!

