



THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

OFFICE OF THE COMMISSIONER

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The Honorable Click Bishop, Co-Chair  
The Honorable Bert Stedman, Co-Chair  
Senate Finance Committee  
Alaska State Capitol, Rm 532  
Juneau, Alaska 99801

January 28, 2022

Re: Production Forecast Presentation

Thank you for the opportunity to present on the annual production forecast to the committee on January 19, 2022. In providing testimony, three questions needed follow-up information to better inform the committee. Those answers are below.

**A lease requires a lessor to explore, develop, and produce that lease.**

If a lessee wants to maintain a lease beyond the primary term, then yes, the lease requires them to explore, develop, and produce the lease. The terms of the lease provide the conditions in which a lessee must do that. The lease grants the exclusive right for the lessee to explore and produce that land, but if they don't, the lease will expire at the end of the primary term, unless extended through other means discussed below. During that primary term, they are paying annual rent or they forfeit the lease. Some of the techniques the Division of Oil & Gas (Division) has used to encourage more swift exploration of leases are gradually escalating rental rates, shorter primary terms, or a requirement to drill a well by a certain anniversary short of the primary term. These can encourage lessees to relinquish leases before the end of the term of the lease if they have not been able to prove the lease to have sufficient resources.

Leases can be held beyond their primary term by being incorporated into a unit or by having a well on the lease certified as being capable of producing in paying quantities. Leases incorporated into a unit are then only held in the unit so long as the operator abides by the terms of the agreement, which includes conditions for exploration and development of all leases in the unit. The most visible mechanism for holding operators accountable to this are the plans of exploration and development, which are typically reviewed and approved annually. Examples of these plans and their approvals may be reviewed in the Division [Document Library](#).

Leases may also be held beyond their primary term if they are subject to an appealed decision by DNR. Those appeals may be with the Commissioner's Office or in court. Depending on the outcome of the appeal, the leases may be subject to terms of the decision before they expire, allowing them to continue by meeting criteria such as work commitments or being incorporated into a unit. You will find there are not many leases being held by an *ON APPEAL* status.

There is a wealth of reports and data available for leases on the [Division website](#). The simplest way to view a list of all the active leases on the North Slope that are not in a unit is to download the *Lease Status* spreadsheet. This is usually published during the first week of each month. A recommended series of filters should be applied:

1. Sale Region
  - a. BEAUFORT SEA
  - b. NORTH SLOPE
  - c. NORTH SLOPE/BEAUFORT
2. Indefinite Term Ind
  - a. DEFINITE TERM
3. Case Status
  - a. ISSUED
  - b. ON APPEAL

A spreadsheet with these filters already applied is attached to this PDF document.

This yields a list of 899 active leases that are not held by a unit or certified well. To interrogate this data for trends, you may wish to further filter or sort by *Effective Date*, *Expiration Date*, or *Notification Lessee*. For further information about the general lease terms under which a lease was issued in an areawide lease sale, look at the *Sale No.* and visit our [BIF and Lease Sale page](#) to view published documents for that sale. Terms and conditions of leases are reviewed and modified periodically.

You may look up information on specific leases using the web interface for DNR's [Lease Administration System \(LAS\)](#). Records in LAS have links to DNR's [Alaska Mapper](#) to view parcels in the context of a wealth of land status information. Records for specific leases may be requested from the Division of Oil & Gas using our [Records Request form](#).

An excellent way to get a view of leased acreage is to download the latest [Notification Lessee map](#) from our [GIS page](#). The maps are searchable so you can find specific ADLs you may have found in the data above or referenced in a document. These maps are updated about once per quarter.

You may wish to note that leases may have more than one owner. "Notification Lessee" is defined by 11 AAC 88.185(20) as a lessee or agent authorized by the lessees to receive notices on behalf of all lessees from the state in connection with a lease. To view ownership data for leases, you can look up the individual lease in LAS, or download the most recent *Oil and Gas Lease Ownership* report from the [Leasing Data](#) page.

## **Pt Thomson**

As was said between Senator Steadman and Commissioner Feige during the hearing, we can schedule a time to discuss the complex issues of Point Thomson exclusively.

## **Royalty Modification Status**

The only North Slope oil field with an active royalty modification is the Schrader Bluff Participating Area in the Nikaitchuq Unit. Those royalty rates depend on a threshold price, which triggers a five-percent royalty rate for the subject leases. The reduced rate is not active at present prices. The terms of this modification expire in 2036. Details of the terms can be reviewed in the [final decision](#). This can be expanded upon when your committee hears [SB 61](#), which provides extensive information about royalty modification.

Regarding applications, we can only report that two are under review. Any information about the applicant, field, or details of the request are confidential until DNR publishes a preliminary best interest finding for public review and comment in accordance with AS 38.05.180(j)(8).

In addition to these answers, slide 13 of the presentation was found to be in need of replacement. You will find that slide attached as a supplemental page to this PDF. The main change is the chart shows numbers slightly different from previous slide, as well as the note below the chart, to clarify questions about the slide that were raised during the presentation.

Please let me know if we can be of further help in providing information to the committee.

Sincerely,

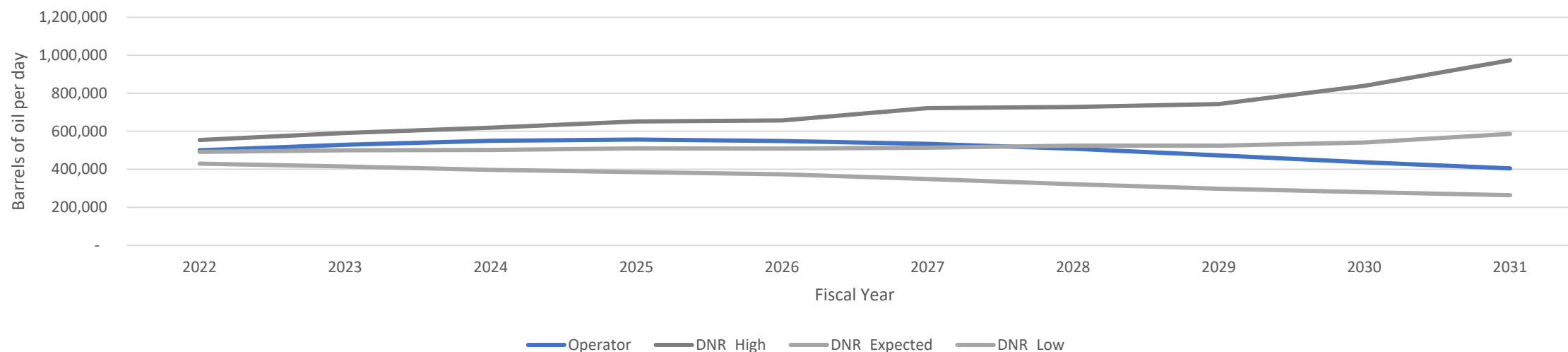
A handwritten signature in blue ink that reads "Laura Boomershine". The signature is fluid and cursive, with the first name "Laura" being more prominent than the last name "Boomershine".

Laura Boomershine  
Legislative Liaison

Cc: Akis Gialopsos, Governor's Legislative Office Director

# FALL 2021: NORTH SLOPE ANNUALIZED FORECAST

Fall 2021 Forecast : North Slope\*



- Short Term:
  - DNR forecasts FY2022 annualized average daily statewide production at 500 MBOPD, and North Slope production at 492 MBOPD, with a range of 430 MBOPD and 555 MBOPD
- Long term:
  - Long term forecast reliability is gauged by general ballpark comparison between DNR and operators' aggregate forecasts. Operators' long-term outlook falls within DNR's long term forecast range
  - Specific differences are expected and do highlight DNR's ground-up uncertainty analysis on all included projects
- Outlook on production assumes that operators' plans and other project drivers stay unchanged

*\* operators' numbers in chart excludes not-yet producing fields*