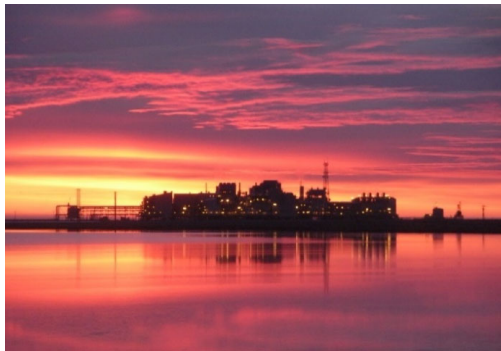


Cook Inlet Update

House Energy Committee



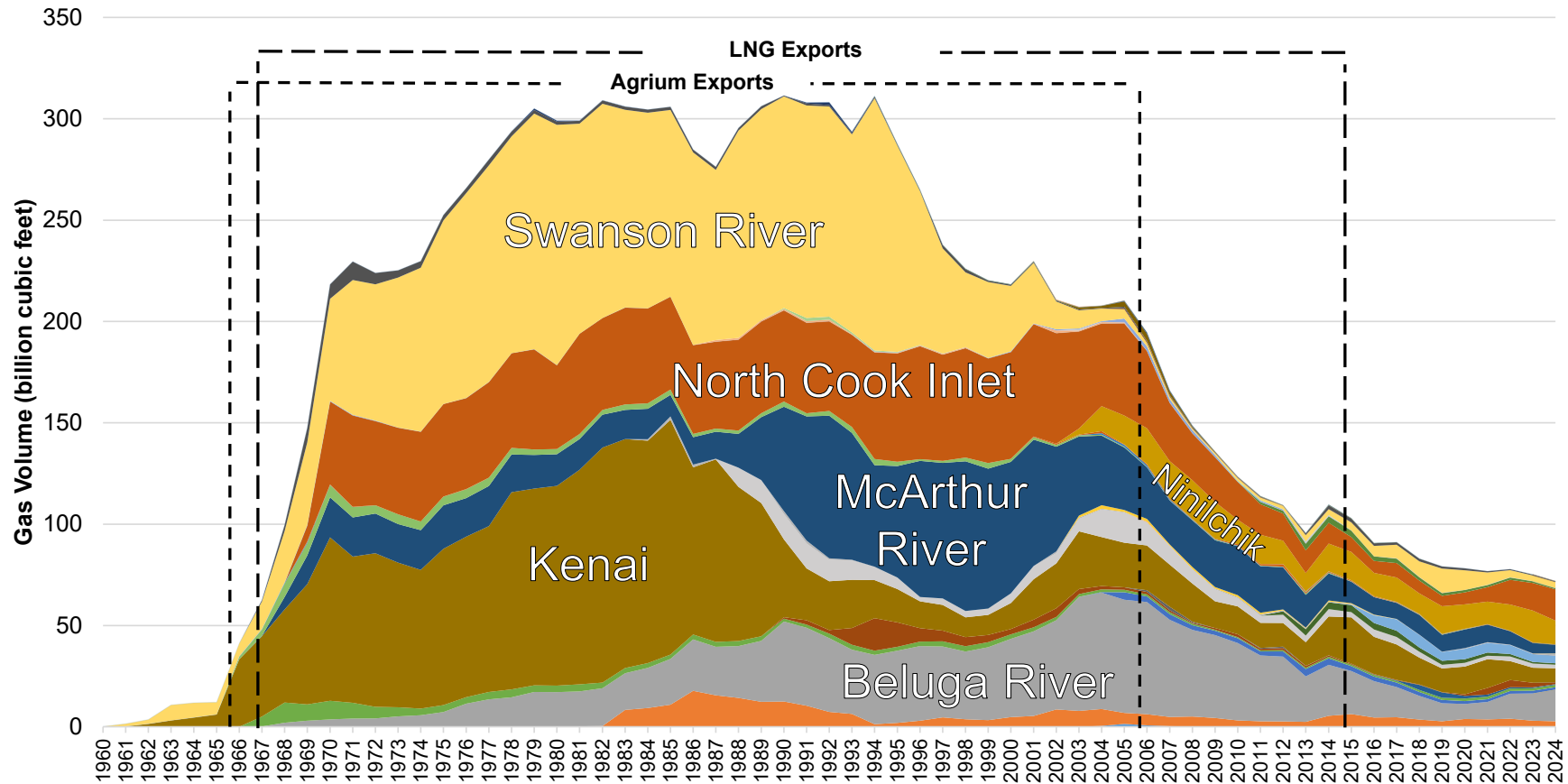
Presented by:
John Crowther, Deputy Commissioner
Derek Nottingham, Director, Division of Oil & Gas
Weston Nash, Commercial Analyst, Division of Oil & Gas
Alaska Department of Natural Resources
February 18, 2025



Gas Production History



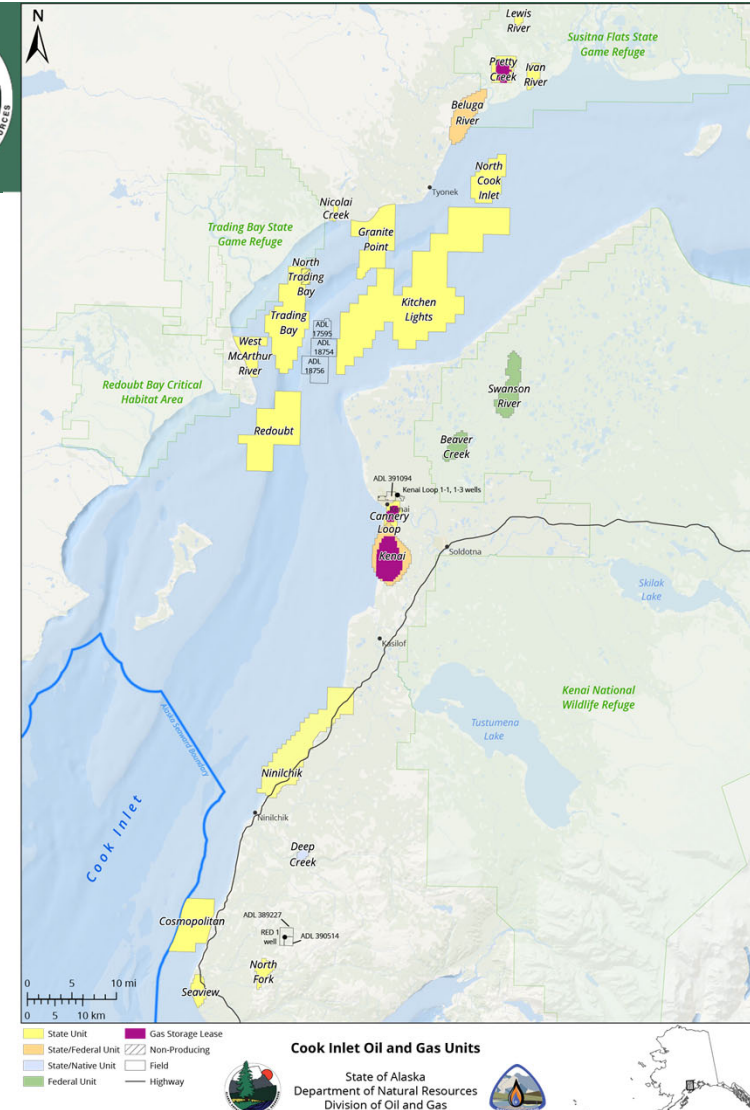
Cook Inlet Gas Production



Gas Production by Field



Field	Operator	Startup	2024 Production (bcf)	Total Production (bcf)
Kenai Loop	AIX Energy LLC	2012	0.73	28.18
Nicolai Creek	Amaroq Resources LLC	1968	0.10	10.37
Cosmopolitan (Hansen)	BlueCrest Alaska Operating LLC	2007	0.39	9.41
Redoubt Shoal	Cook Inlet Energy LLC	1968	0.05	2.82
West McArthur River	Cook Inlet Energy LLC	1991	0.08	4.14
Kitchen Lights	Furie Operating Alaska LLC	2015	3.88	42.28
Beaver Creek	Hilcorp Alaska LLC	1972	2.76	260.09
Beluga River	Hilcorp Alaska LLC	1963	15.69	1,430.25
Deep Creek	Hilcorp Alaska LLC	2004	1.17	44.77
Granite Point	Hilcorp Alaska LLC	1965	1.11	145.37
Ivan River	Hilcorp Alaska LLC	1990	0.90	97.19
Kenai	Hilcorp Alaska LLC	1960	6.94	2,550.26
Cannery Loop	Hilcorp Alaska LLC	1988	1.78	204.51
Lewis River	Hilcorp Alaska LLC	1984	1.02	18.11
McArthur River	Hilcorp Alaska LLC	1965	4.27	1,555.47
Middle Ground Shoal	Hilcorp Alaska LLC	1965	—	112.11
Pretty Creek	Hilcorp Alaska LLC	1986	0.02	8.48
Nikolaevsk (Red 1 Well)	Hilcorp Alaska LLC	2012	0.07	1.82
Ninilchik	Hilcorp Alaska LLC	1966	11.76	288.73
North Cook Inlet	Hilcorp Alaska LLC	1969	15.48	1,974.62
Seaview	Hilcorp Alaska LLC	2021	—	0.18
Swanson River	Hilcorp Alaska LLC	1958	2.88	93.83
Trading Bay	Hilcorp Alaska LLC	1965	0.30	91.43
North Fork	Vision Operating LLC	1966	0.68	25.25
Depleted fields			--	66.71
			72.05	9,066.05



Source: [AOGCC](https://aogcc.alaska.gov/) through December 2024. Gas volumes are net of reinjected gas and stored gas.

BCF = billion cubic feet

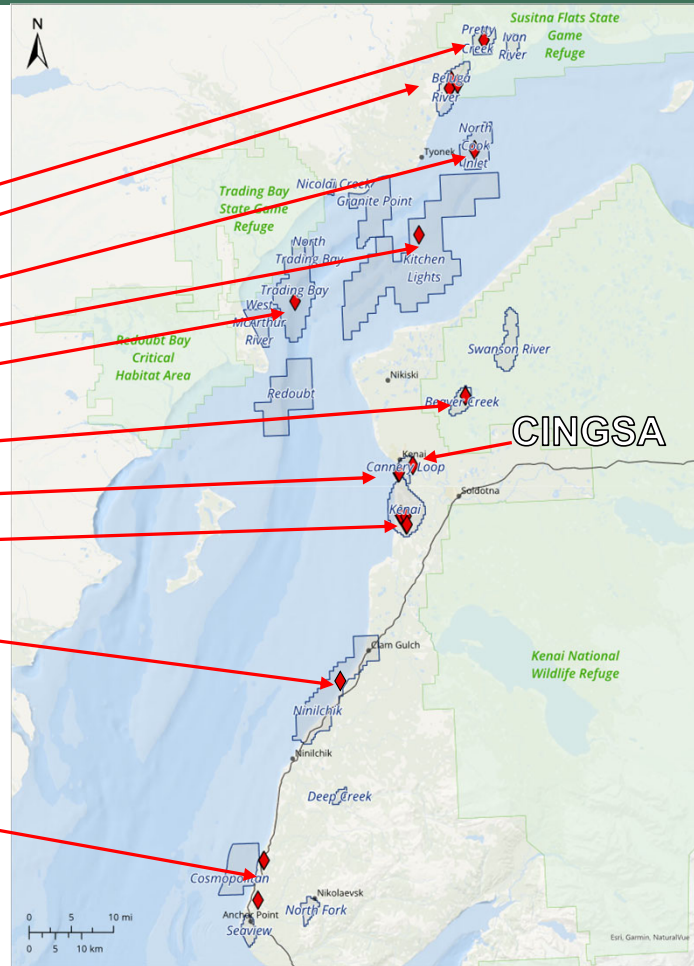


2024 Activity Overview

Well Activity

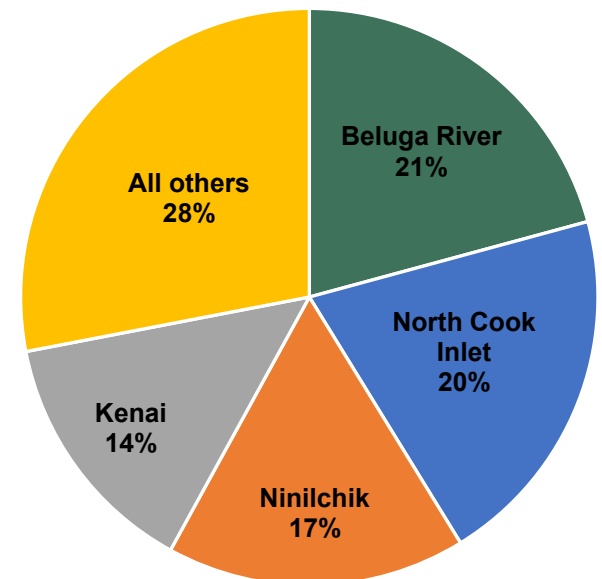
- **19** development wells have been completed or will be completed during 2024 in these units:
 - Pretty Creek: 1
 - Beluga River: 5
 - North Cook Inlet: 3
 - Kitchen Lights: 1
 - Trading Bay: 1
 - Beaver Creek: 2
 - Cannery Loop: 2
 - Kenai: 3
 - Ninilchik: 1
- **2** gas storage wells at Cook Inlet Natural Gas Storage Alaska (CINGSA)
- **2** exploratory wells

Complete drilling data for 2024 will be available in March 2025.



House Energy Committee – Cook Inlet Gas

Share of Cook Inlet Unit Production in 2024

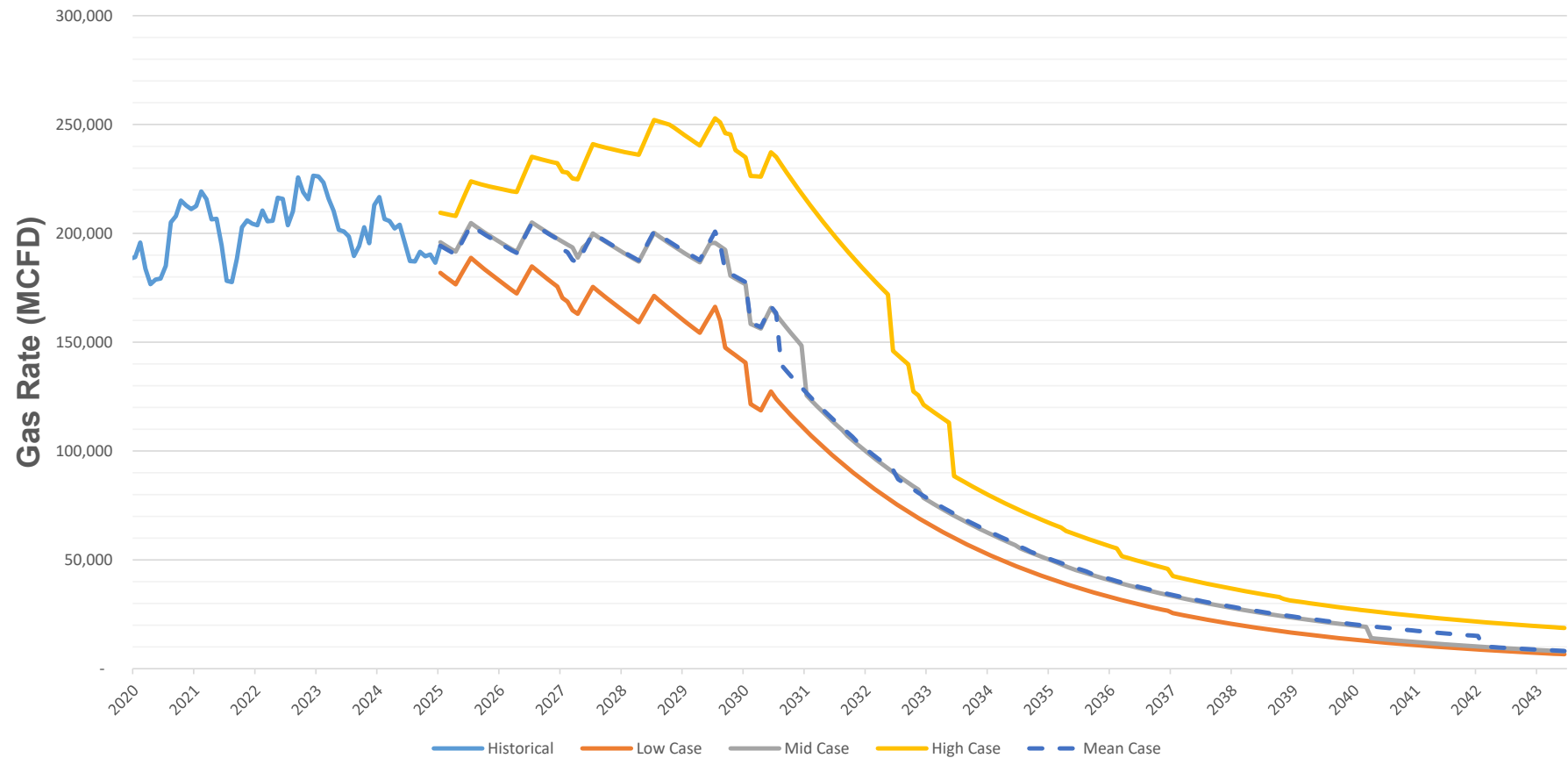


The above percentages are based on gas volumes for sale and discount gas produced from storage as well as gas reinjected for enhanced oil recovery.

Production Outlook with Economic Limits



Cook Inlet Gas Forecast

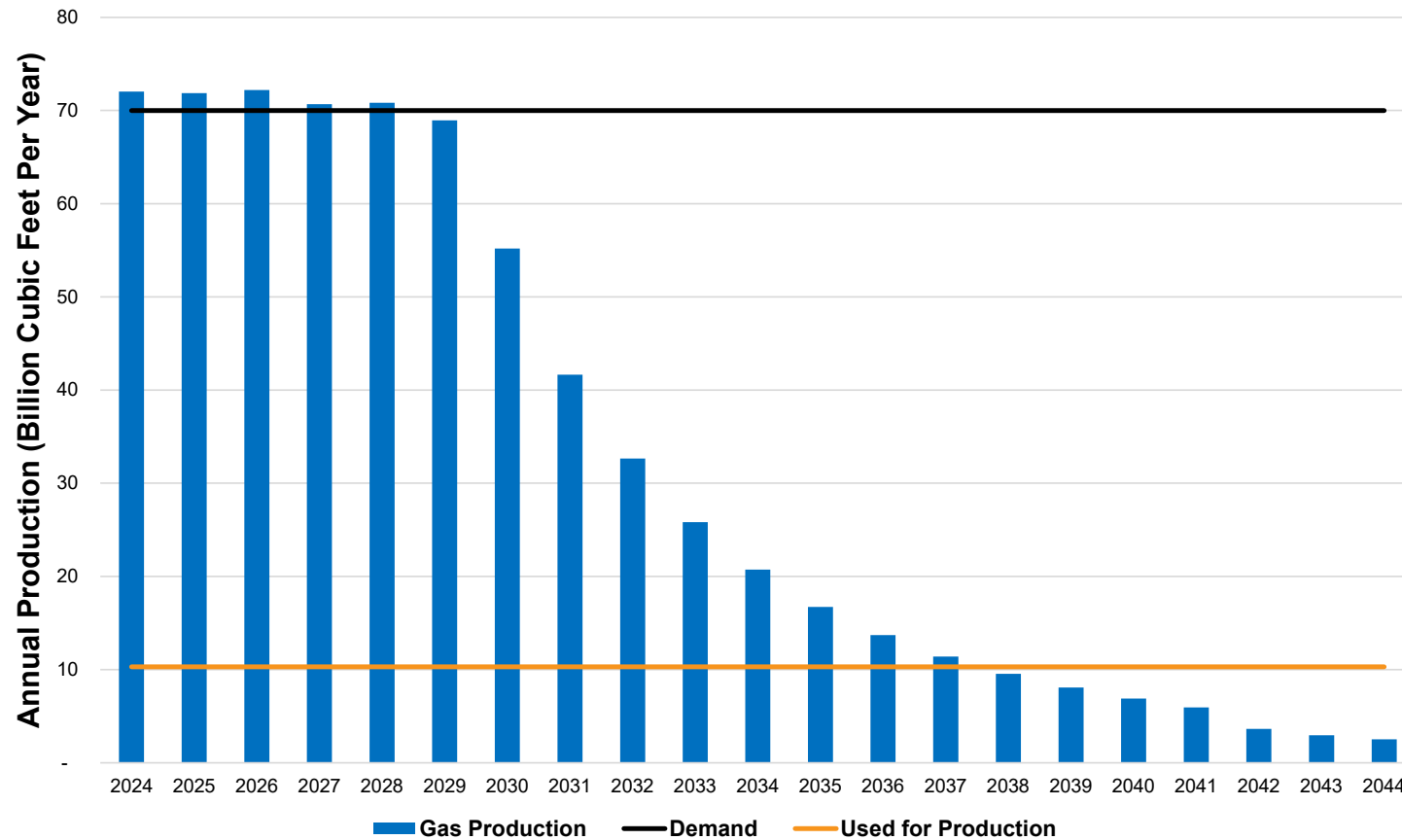


House Energy Committee – Cook Inlet Gas



Production Outlook – Annualized

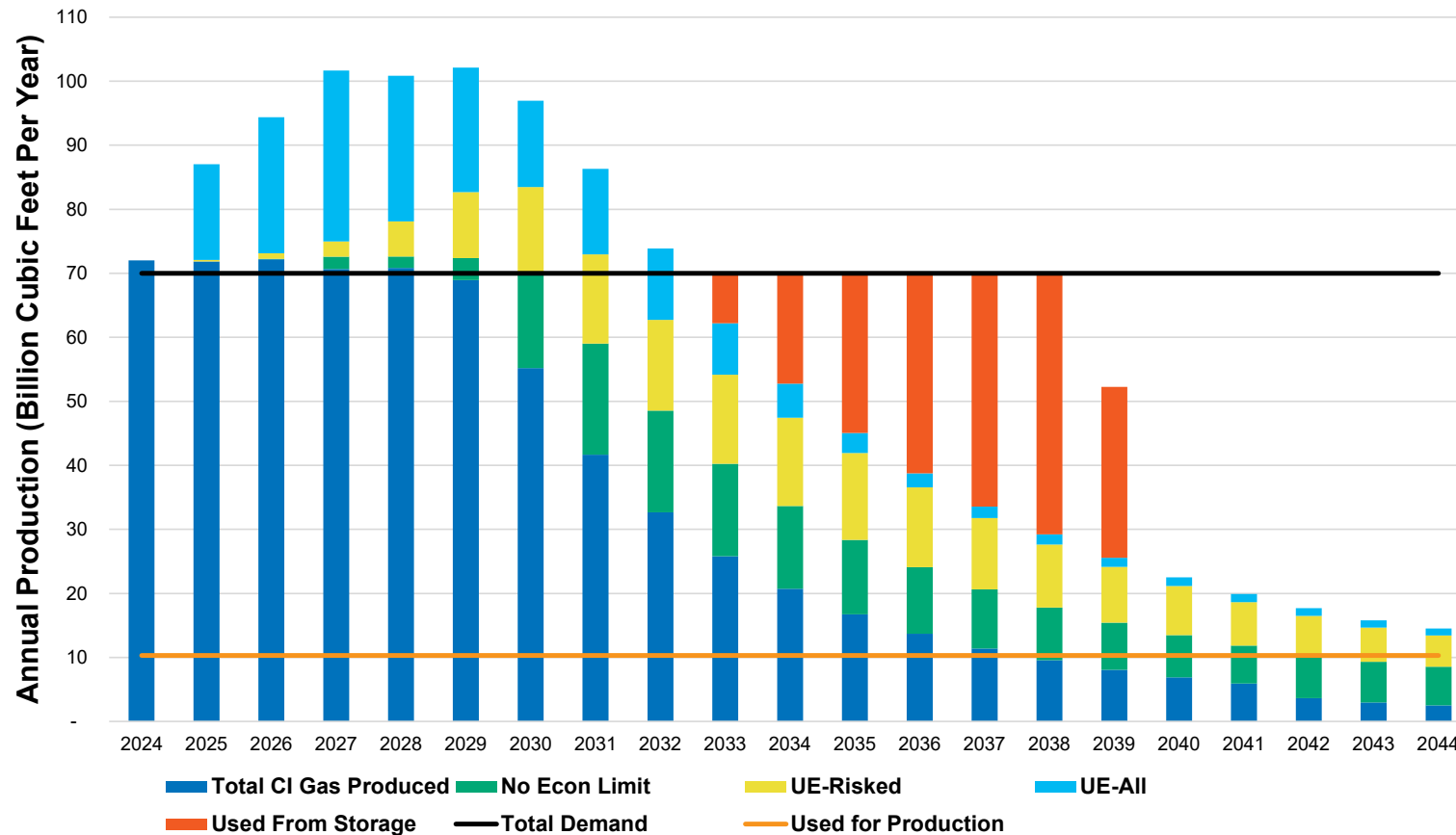
Cook Inlet Gas Forecast



Production Outlook with Under Evaluation Projects



Cook Inlet Gas Production



CI = Cook Inlet
UE = Under Evaluation

Approved Kitchen Lights Unit Royalty Modification Summary

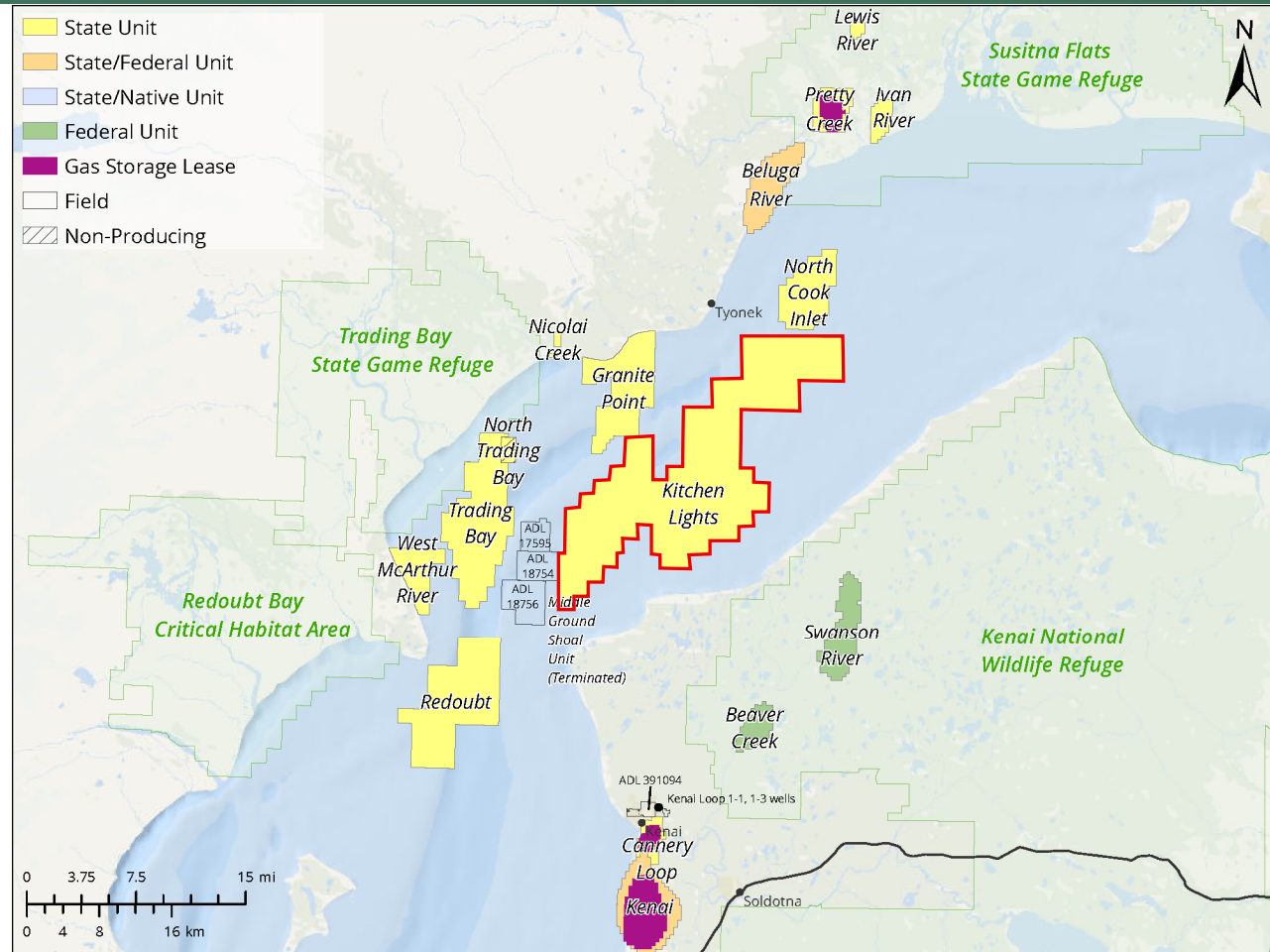


- Department of Natural Resources (DNR) issued Final Best Interest Finding on February 5, 2025, approving royalty modification
- Royalty modification is in the best interest of the State per AS 38.05.180(j)(2)
- Without royalty modification, end of field life could have occurred this year
- Provides for three percent royalty rate per month until gross revenue generated from Kitchen Lights Unit (KLU) beginning September 1, 2024, reaches cumulative \$712,000,000
- Applies to seven core leases in the KLU developable with existing infrastructure
- Provides for 10.5 years of field life extension, 63.2 BCF of incremental gas, and \$36.38 million (NPV 12.5) in estimated incremental direct benefit to the State



KLU Background – Unit Location

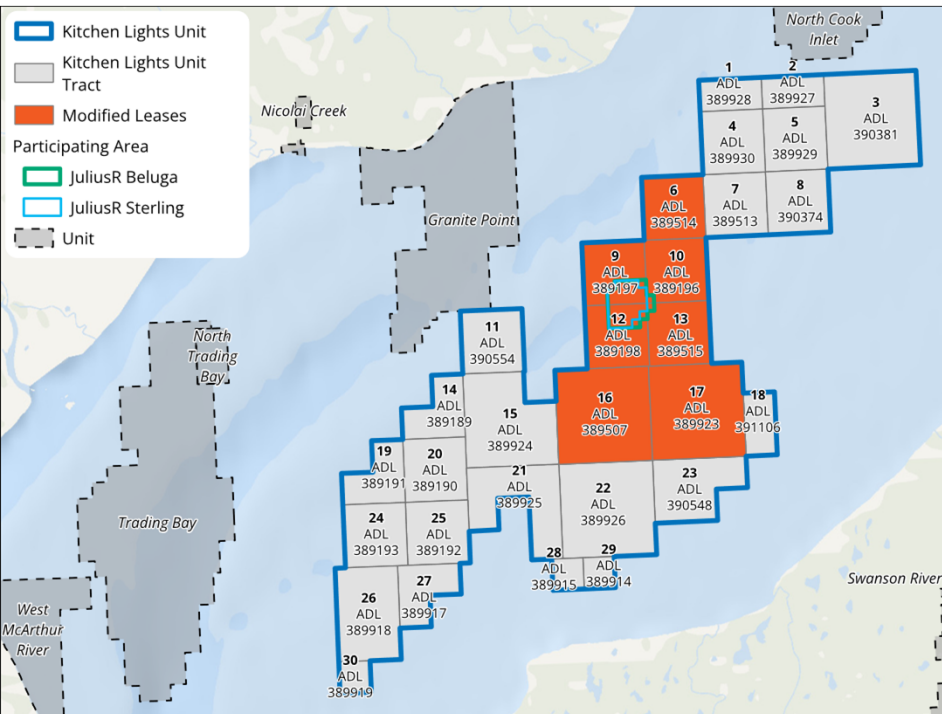
- Unit formed in 2009
- 83,394 acres
- Julius R Platform (JRP) installed in 2015 — newest but smallest platform in the Cook Inlet
- Production began November 2015
- Furie management changed June 30, 2020, with HEX's bankruptcy acquisition



House Energy Committee – Cook Inlet Gas



KLU Background – Lease Information



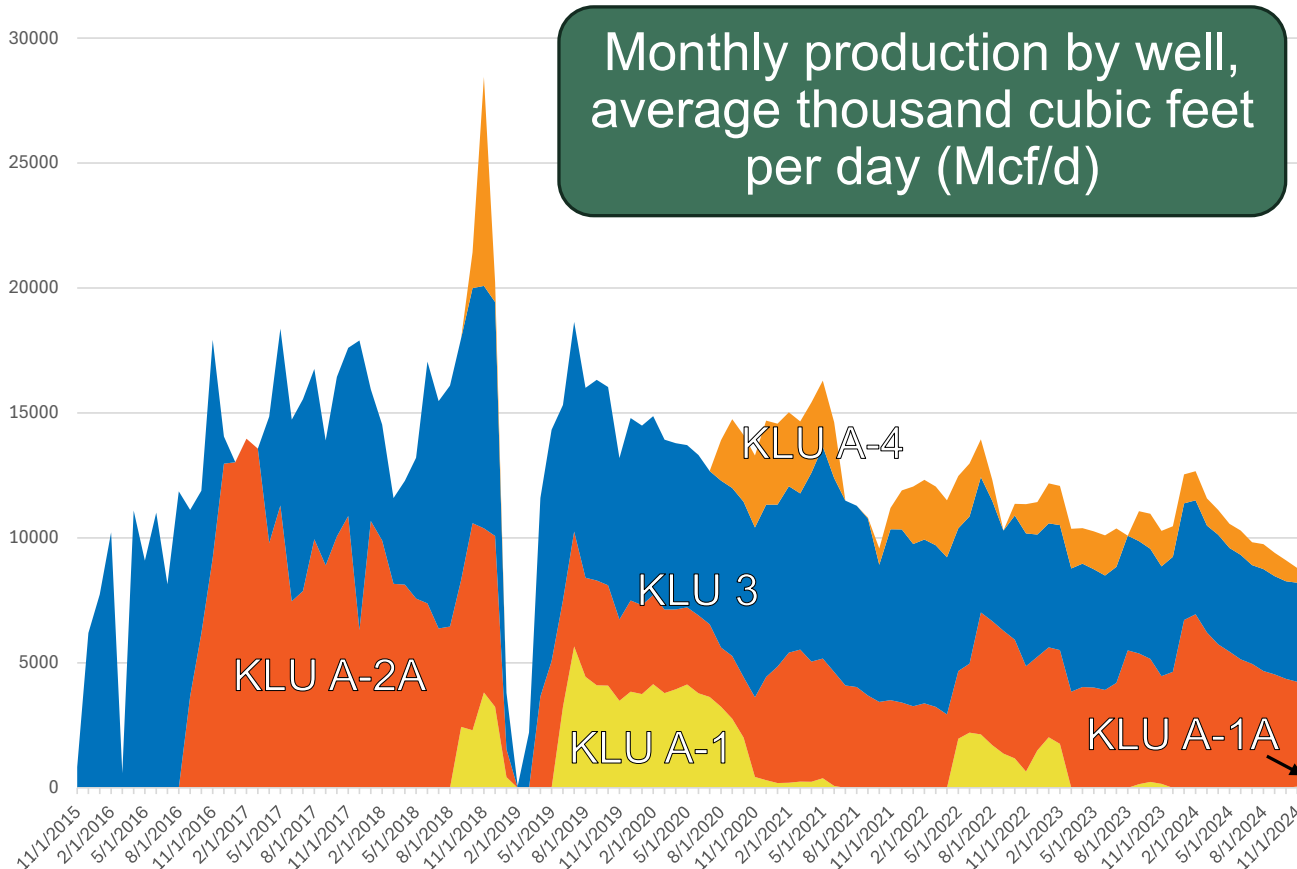
Lessee Name	Working Interest	Net Revenue Interest
Cornucopia Oil & Gas Company LLC*	78.999%	59.26571%
Taylor Minerals LLC	2.620%	1.83405%
Danny S. Davis	3.440%	2.63734%
A. Lawrence Berry	3.940%	3.02067%
Furie Operating Alaska LLC*	11.000%	8.24148%
Corsair Oil & Gas LLC*	0.001%	0.00075%
Totals	100%	75%**

*HEX LLC holds 90% controlling interest

**Remaining net revenue interest is 12.5% State royalty and 12.5% of Overriding Royalty Interests (ORRIs)



KLU Production History



- Current production prior to new wells from this fall averages about 9,100 thousand cubic feet per day (Mcf/d)
 - About half comes from A-2a well
- Declining reservoir pressures pose a risk that any well could cease producing
- New well production data should be publicly available imminently – reported to take production to about 14,000 Mcf/d



Scenario Modeling: Key Results

Price Path Scenario	State of Alaska Royalty	End of Field Life	Cumulative Production From Sept. 2024 in Million Cubic Feet (MMSCF)	Production Tax	State Share of Property Tax	Total State Revenue
Scenario 1: No Royalty Modification (baseline)	\$2.75	June 2025	2,496	\$0.41	\$0.79	\$3.94
Scenario 2: Furie's Updated Prices (likely)	\$17.11	Dec. 2035	65,724	\$6.30	\$16.92	\$40.33
Scenario 3: Furie Price +/- \$1 (medium)	\$17.24	Dec. 2035	65,724	\$6.30	\$16.92	\$40.46
Scenario 4: Uniform Price (med-high)	\$18.65	Dec. 2035	65,724	\$6.30	\$16.92	\$41.87
Scenario 5: Normal Price (high)	\$26.91	Dec. 2036	68,369	\$6.40	\$17.71	\$51.02

All dollar amounts are in \$MM and at Net Present Value (NPV) 12.5
MMSCF = Million standard cubic feet per day

Quantified Benefits of Royalty Modification



- In the most likely scenario analyzed by DNR, the quantified benefits of royalty modification over a scenario with no royalty modification include
 - \$14.36 million (NPV 12.5) more in State royalty
 - 10.5 years of KLU field life extension
 - 63,228 million cubic feet of additional gas
 - \$5.89 million (NPV 12.5) more in production tax
 - \$16.13 million (NPV 12.5) more in State's share of property tax
 - **\$36.38 million (NPV 12.5) incremental direct revenue to the State**

Furie's APC/ENSTAR Gas Contract



- Furie's new contract with Alaska Pipeline Company (APC)/ENSTAR stipulates that with royalty relief from DNR, Furie would get \$12.30 per Mcf; without royalty relief, \$13.69 per Mcf
- Scenario 2 accurately captured the relief price of \$12.30 per Mcf
- According to DNR's modeling and analysis, the higher prices Furie would receive from APC/ENSTAR without royalty relief yielded a negative NPV12.5 for Furie if Furie were to continue development from the JRP
 - Even if Furie stopped developing the KLU now, the sidetracked A-1A well would not reach payout before the KLU would reach end of field life
 - Significant risk Furie would not have continued KLU development solely at the \$13.69 contract price (absent royalty modification)

CONTACT



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