

SENATE FINANCE COMMITTEE  
January 22, 2020  
9:01 a.m.

[9:01:43 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Cathy Geissel; Senator Gary Stevens; Dr. Sara Longan, Deputy Commissioner, Department of Natural Resources; Dr. Pascal Umekwe, Petroleum Reservoir Engineer, Department of Natural Resources.

SUMMARY

PRODUCTION FORECAST: DEPARTMENT OF NATURAL RESOURCES  
SARA LONGAN, DEPUTY COMMISSIONER  
TOM STOKES, DIRECTOR - DIVISION OF OIL and GAS  
PASCAL UMEKWE, PETROLEUM RESEVOIR ENGINEER, DIVISION OF OIL and GAS

Co-Chair Stedman discussed decorum and the expectations during committee meetings. He discussed sub-committee assignments and introduced committee staff. He highlighted that much of the committee work was done by staff and commended the level of experience staff brought to the table. He noted that staff met weekly to discuss issues

facing the committee. He explained that committee work was discussed in caucus in order to keep the majority up to date on committee work.

[9:07:03 AM](#)

Senator Olson asked Co-Chair Stedman to introduce his staff.

Co-Chair Stedman introduced his own staff. He commented that Pete Ecklund had worked on a decade's worth of Operating Budgets.

Co-Chair Stedman reiterated that there were weekly meetings of all Senate staff, in which Senate Finance staff could share information with the rest of the body.

Co-Chair Stedman introduced the non-partisan support staff for the committee.

^PRODUCTION FORECAST: DEPARTMENT OF NATURAL RESOURCES

[9:11:22 AM](#)

DR. SARA LONGAN, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced herself and other Department of Natural Resources staff.

Ms. Longan discussed the presentation, "Fall 2019 Production Forecast" (copy on file). She offered an outline for the presentation.

Ms. Longan showed Slide 2, "Outline":

- Intro
  - State Resource Potential
- Overview and Highlights on Production
  - Fall 2019 forecast: Comparing recent actuals vs forecast
  - North Slope Projects Highlights
  - Fall 2019 forecast: The State's Overall Production Outlook
- 2019 Production Forecast
  - Objectives
  - Overview of Methodology
- Current Production, Under Development, Under Evaluation

- o Near-term and longer-term results

[9:12:31 AM](#)

Ms. Longan turned to Slide 3, "STATE OF ALASKA - OIL & GAS RESOURCE POTENTIAL":

**Land Base**

- 586,412 sq. miles—more than twice the size of Texas
- Larger than all but 18 sovereign nations
- More coastline than all other 49 states combined
- More than 3 million lakes; half of world's glaciers
- Approximately 40% of the nation's freshwater supply

**Land Ownership**

- Federal Land: more than 200 million acres
- State Land: Approx. 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and 40,000 miles of coastline
- Native Corporation Land: 44 million acres

Ms. Longan drew attention to the map on the right-hand side of the slide.

[9:13:11 AM](#)

Ms. Longan reviewed Slide 4, "STATE OF ALASKA - ROYALTIES ON OIL & GAS REGIONS WITHIN THE STATE," which showed a map that showed that the state's royalty takes across the state differed according to land ownership. She pointed out the NPR-A, which was managed by the Bureau of Land Management; the royalty take rate was 12.5 percent or 16.67 percent. The State of Alaska (SOA) received half of the royalties but they were distributed through the NPR-A Impact Mitigation Fund, administered by the Department of Commerce, Community, and Economic Development. The royalties were used to fund planning, maintenance, and construction projects to help offset the impacts from development in NPR-A in affected communities. She detailed that any remaining funds, 25 percent went to the permanent fund, the Public-School Trust, and the Power Cost Equalization Fund.

Ms. Longan pointed out state lands on the middle of the map on Slide 4. She explained that the royalty rate was 12.5 percent or 16.67 percent, SOA royalty was 83 percent to 100 percent. She discussed the Alaska National Wildlife Refuge

(ANWR) Coastal Plain on the right-hand side of the slide. She detailed that when a lease sale was held the royalty rate was 16.67 percent; SOA received half of the royalties.

Ms. Longan explained that offshore the royalty rate was 16.67 percent; for any project located zero to 3 miles the SOA royalty was 100 percent; 3-6 miles, 27 percent; greater than 6 miles, zero percent.

[9:15:36 AM](#)

Co-Chair Stedman requested greater clarity. He understood that DNR oversaw the royalties for the state, while the Department of Revenue (DOR) handled the severance tax. He asked Ms. Longan to briefly explain how the severance tax structure overlaid the royalty structure.

Ms. Longan deferred to Mr. Umekwe.

[9:16:43 AM](#)

DR. PASCAL UMEKWE, PETROLEUM RESERVOIR ENGINEER, DEPARTMENT OF NATURAL RESOURCES, introduced himself. He explained that DOR provided a table in the revenue sources book that broke down the severance tax structure for the state. He stated that, in broad terms, the severance tax was made up of net tax and gross tax. He thought gross tax was about zero to four percent on total oil value - based on the price of oil. He shared that the net tax portion was 35 percent on the oil head value for the oil. "Oil head" value meant the price of oil minus transportation costs.

[9:18:06 AM](#)

Co-Chair Stedman reminded that the committee would consider the revenue forecast the following day and then the order of operations would be discussed in several weeks. He asked whether the severance tax had the layers like the land ownership percentages, or whether the entire land mass of the North Slope was considered.

Mr. Umekwe replied that the cost structure within the severance tax took into consideration other taxes, such as property tax. He explicated that there were many components of cost that took into consideration the areas where assets were located. He reiterated that the revenue sources book laid out the entire structure in a simple form.

[9:19:32 AM](#)

Co-Chair Stedman asked whether severance tax was applied to state lands, NPR-A, and the ANWAR Coastal Plain.

Mr. Umekwe answered in the affirmative. He said that the cost that operators incurred in developing assets throughout the state affected the severance tax.

Co-Chair Stedman wanted to point out that the underlying royalty structure was different than the severance tax structure. The royalty structure was parsed out with federal, state, and offshore land with different ranges.

Mr. Umekwe agreed.

Co-Chair Stedman stated that DOR would also discuss the topic. He noted that the NPR-A revenue to the treasury was substantially different than the other two regions when considering only royalties.

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Mr. Umekwe continued to speak to Slide 4. He noted Page 23 of the revenue sources book, which provided line items of the gross tax system for the state.

[9:21:14 AM](#)

Mr. Umekwe displayed Slide 5, "FALL 2019 PRODUCTION FORECAST & NORTH SLOPE PRODUCTION HIGHLIGHTS." He stated that the next portion of the presentation would discuss key highlights on production on the North Slope as well as some other projects. He noted the relationship with DNR and producers that resulted in the information provided in the presentation.

[9:22:17 AM](#)

Dr. Umekwe discussed Slide 6, "FALL 2019 PRODUCTION FORECAST: FY 2020 OUTLOOK":

- For the first 5 months of FY2020 (July 2019 to Nov 2019), on average, daily production has come in within the range forecasted by the DNR.
- Difference between average daily production and mean forecasted statewide production is ~10,500 bbl.

Mr. Umekwe stated that the slide showed a comparison between actual and forecasted production of the first 5 months of the fiscal year. The left bar showed actual production, and the right-hand bar showed the fall 2019 forecast. He explained that, on average, production came in at 490,000 barrels, which fell within the range of the forecasted number. He stated that often a comparison was made between natural production and the mean. He said that the method used provided not only a point estimate but also a range, which was important because there was a level of uncertainty in what future production would look like. He believed that the chart illustrated well the forecast variance.

[9:24:17 AM](#)

Dr. Umekwe spoke to Slide 7, "OVERALL PERSPECTIVE: NORTH SLOPE":

- Modest decline in production over the last Fiscal Year:
  - FY17 to FY19 on average annual ~2% decline
- Recent Major Changes in Production
  - After gains due to drilling/improvements in operational efficiency in PBU and KRU (2015 through 2018), further efficiency improvements result in smaller production increase
  - Prudhoe Bay Unit: PBU returning to pre-2016 decline, albeit modest 2% decline from FY2018-FY2019
  - Kuparuk Unit: Strong decline in recent new drills, as well as base production
  - Colville River Unit: Decline, pending CD5 2X, Fiord West
  - Nikaitchuq: Production upset due to prolonged pipeline repair.
  - NorthStar: Two consecutive FY of ~9% growth
  - Milne Point: ~14% growth (FY18 to FY 19)
  - PTU: Year-on-year growth suggests mitigating facility challenges
- Future Projects coming in:
  - Near future: Raven Pad, CD5 2X, Fiord West, Nuna, GMT2
  - Farther out: Exciting updates from continued appraisal (Pikka, Willow)

Mr. Umekwe explained that the slide showed production for the last 5 fiscal years. He shared that FY 15 through FY 17, had shown increases in production; the last few years had shown a decline. He shared that, historically, the North Slope had declined 4 or 5 percent - the recent decline had been 2 percent, which he believed was an improvement. He relayed that the bullet points on the slide provided recent changes in production.

[9:26:33 AM](#)

Mr. Umekwe continued to discuss Side 7 and pointed out the graph on the bottom right, which illustrated change in production for select fields.

[9:27:08 AM](#)

Senator Wielechowski understood that the settlement agreement between the state and Point Thompson included a requirement for production to be ramped up to 10,000 barrels per day. He was curious whether there had been a request for less production and, if so, whether that would be in compliance with the settlement.

Mr. Umekwe replied that he was not aware of a request to reduce the amount of production. He was aware that the operator was working hard to take care of facility issues. He related that the growth seen from year to year, as demonstrated on the chart, spoke to the progress that had been made in getting the facility operating at design capacity.

[9:28:47 AM](#)

Co-Chair von Imhof looked at the bottom of the slide and "future projects coming in." She asked about the location of future projects and what it meant for royalty income to the state.

Mr. Umekwe informed that a future slide would provide the locations of the different projects.

Co-Chair Stedman added that not oil was equal, and royalties and severance tax were affected by location, which impacted the treasury. He said that DOR would discuss oil taxes with the committee at a future date. He discussed tariff rates on the Trans-Alaska Pipeline System (TAPS)

[9:30:19 AM](#)

Senator Wilson asked for an update on potential in Nikaitchuq and Oooguruk.

Mr. Umekwe believed that the Oooguruk was a formation that ran through many units, the most prominent development being the Nuna development. He said that in the past year there had been sales of interest in the project. He expected production sometime in 2022.

[9:32:18 AM](#)

Mr. Umekwe highlighted Slide 8, "PUBLICLY-SOURCED STATUS UPDATE OF KEY FUTURE PROJECTS: NORTH SLOPE," which showed an information table. He discussed the various projects on the slide including project status as of January 2019, project status as of January 2020, and production rate estimates for the CD5 2<sup>nd</sup> Expansion, GMT2, Pikka, Willow, and Liberty projects.

Mr. Umekwe stressed that the information on the slide was estimates. He said that if the projections depicted on the slide happened at the same time, there would be a significant change in production. He noted that as indicated by the dates on the slide, these projects were occurring over time, and were adding to a base production that was also declining, which meant that their ultimate impact would be different than if they were occurring at once.

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Mr. Umekwe mentioned that one of the operators had an analyst investors meeting in November 2019, where they laid out their spending plan in the state for the next 10 years. He said that the projects on the slide were featured in their plans, which he believed spoke to their commitment to develop in the state. He acknowledged the changing environment in oil and gas, and changes in the fiscal climate, affected production.

[9:37:38 AM](#)

Mr. Umekwe looked at Slide 9, "LONG TERM PRODUCTION OUTLOOK: CURRENT PRODUCTION (CP), UNDER DEVELOPMENT (UD), UNDER EVALUATION (UE)":

- Currently producing (CP) fields remain backbone of state oil production in near and medium term. Near term projects under development (UD), often within existing fields, impact 12-month outlook.
- Future fields (UE), which are currently being evaluated by operators, begin to play a more significant role in production in the next 5-6 years
- All new production/projects add to a declining base production

Mr. Umekwe summarized that the blue part of the graph on the slide represented production from current fields. He furthered that the red piece of the chart was for projects expected to come online within the next 12 months. He noted that the larger brown portion of the chart represented future fields that were expected to play a significant role within the next 10 years.

[9:39:08 AM](#)

Senator Wilson recalled that the previous year DNR had predicted that 2019 would prove to be one of the largest production years of the past 20 years. He queried the path going forward for exploration wells.

Mr. Umekwe affirmed that the previous year was one of the biggest exploration years, with many exploration wells drilled. He thought 2020 would bring as many wells drilled. He remarked on the cost of the wells, which he thought showed commitment in spending.

[9:40:50 AM](#)

Co-Chair von Imhof observed that the graph on the slide went up to 2035. She thought the brown area represented a large set of unknowns. She thought the best-case scenario being represented was holding flat. She thought the slide was indicative of the importance of trying to get more out of the state's existing fields or expanding into new fields. She suggested that the permanent fund was 65 percent of the state's total revenue and was increasing in importance.

Co-Chair Stedman asked Mr. Umekwe to help the committee understand the sensitivity of the outcome of the slide and the possible variances.

Mr. Umekwe explained that the chart showed the mean, or expected production, in the three different categories. He believed the slide was powerful in the sense that it showed the importance of currently producing fields. It was only in the medium to late term that projects currently under evaluation played a larger role. He thought all could be sure that production would not decrease. As final investment decisions were made on projects, the project would become more prominent in the forecast. He asserted the graph showed the mean case rather than the best-case scenario. He said that the projections provided a consistent basis for looking at all projects, incorporating the level of uncertainty that exists in the portfolio of projects within the state.

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Co-Chair Stedman asked Mr. Umekwe to get back to the committee with more detail on the variance of the potential outcomes. He noted that the deviation ran the spectrum between tight and broad.

[9:44:50 AM](#)

Senator Hoffman stated that in past years the state had great interest in offshore development, and it was said that one of the greatest potentials of new oil was offshore. He queried the departments expectations for offshore exploration.

Ms. Longan agreed that there was vast potential in the Outer Continental Shelf (OCS) area of the state. She related that the leasing program was the responsibility of the federal government, which had 5-year, programmatic lease sale periods, currently the Chukchi Sea leases were unavailable. The only leases available were in Cook Inlet. The federal government would review and update the lease plans. She stated that the state had been a strong proponent of working closely with stakeholders and companies. She related that there were still state leases in the area of Harrison Bay. She said that exploration closer to shore, under state jurisdiction, could be seen in the future.

[9:46:48 AM](#)

Senator Hoffman asked whether he could assume that the brown area of the graph projecting to 2035 did not include any projections for offshore production or development.

Mr. Umekwe replied in the affirmative.

[9:47:17 AM](#)

Co-Chair von Imhof thought the takeaway from the slide was that the state's big glory days were over, and there were only small fields left. She thought it was important for the state to stay competitive in order to attract small producers. She discussed the importance of have many small fields in order to maintain the health of the pipeline.

Co-Chair Stedman commented that the committee could have the industry to discuss their perspective.

[9:49:00 AM](#)

Senator Olson referenced Senator Hoffman's question about the OCS. He wondered whether there were any anticipated changes related to the development of lease sales in the Chukchi Sea.

Ms. Longan stated that BLM had offered to revise the existing 5-year program that ran through 2022. She said that it was unclear when they would do so, currently the program was unrevised.

[9:50:03 AM](#)

Mr. Umekwe drew attention to the blue section of the graph on Slide 9. He explained that the section should not be taken for granted. He said that online projects could compete with other company projects for funding.

[9:51:01 AM](#)

Mr. Umekwe showed Slide 10, "FALL 2019 PRODUCTION FORECAST: APPROACH/METHOD." He stated that the next section of the presentation would address the approach that was taken in forecasting.

[9:51:17 AM](#)

Mr. Umekwe spoke to Slide 11, "FALL 2019 FORECAST OBJECTIVES":

- Provide a 10-year official production forecast for the State's Revenue planning
- Maintain focus on near-term accuracy
  - Increased attention to production impacts resulting from changes in operational efficiency
  - Continued emphasis on production impacts due to maintenance and other near-term activities
- Maintain focus on longer-term accuracy
  - Ensure product is valid for longer-term projections, based on individual field characteristics and operator plans
  - Apply engineering constraints to ensure realistic projection of near-term production characteristics into the out years

Mr. Umekwe informed that a similar slide had been presented to the committee the previous year. He said that in the near-term, production disruptive events such as maintenance work, was incorporated into the outlook.

[9:52:58 AM](#)

Senator Bishop asked for a timeline of what was considered "near term" and "long term."

Mr. Umekwe explained that 1 to 2 years could be considered "near term."

[9:53:39 AM](#)

Mr. Umekwe referenced Slide 12, "PRODUCTION CATEGORIES - DEFINITIONS":

**Forecast duration:** 10-year official forecast

- **Currently Producing (CP): online in 6/19**
  - Oil from existing wells in currently producing pools such as Prudhoe Bay, Kuparuk
- **Under Development (UD): < 12months**
  - Oil from projects that will add incremental oil to existing fields, or fields with first oil within one year
  - Projects in Plan of Development document, often scheduled and part of operator's annual budget

- **Under Evaluation (UE): >12 months**
  - Oil from projects likely to occur in the future, but which have not met the requirements of the previous category

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Mr. Umekwe turned to Slide 13, " PRODUCTION CATEGORIES: ADDRESSING UNCERTAINTY":

- **Currently Producing (CP) fields:**
  - o Relatively small uncertainty range due to established behavior of producing pools
    - Probabilistic Decline Curve Analysis projections
- **Projects Under Development (UD):**
  - o More uncertainty than CP
  - o Uncertainties include commercial and reservoir performance risks
    - Probabilistic type wells from analogue developments
    - Mostly approved projects/projects in development plan
- **Projects Under Evaluation (UE):**
  - o More uncertain than CP and UD
  - o Commerciality risks (oil and gas fiscal structure, oil price, approvals, negotiations)
  - o Other uncertainties include
    - Chance of occurrence within the 10-year forecast window
    - Timing; uncertainty in start of sustained production
    - Production profile/reservoir performance (probabilistic type wells)

Mr. Umekwe remarked that projects under development regularly missed the projected mark.

[9:58:06 AM](#)

Mr. Umekwe considered Slide 14, "CONTINUED FOCUS ON BOTH SHORT-AND LONGTERM FORECAST ACCURACY":

- DNR Forecast maintains balanced focus on near and long term accuracy, and continues to evaluate

underlying assumptions for the short and long term outlook on each field

- This approach is important for the forecast to continue to serve multiple purposes
  - Near-term accuracy required to support the State's near-term budgeting goals
  - Long-term accuracy required to support State's long term revenue projections and decisions around long-term fiscal picture

Mr. Umekwe stressed that the goal was to be as realistic as possible with the projections.

[9:59:16 AM](#)

Mr. Umekwe turned to Slide 15, "FORECAST ACCURACY: NEAR-TERM":

- Emphasis is placed on near-term production to capture impacts of scheduled maintenance/turn-around events
- Probabilistic Decline Curve Analysis weighted toward recent production history
- Engaging operators on near term plans, drilling schedules, rig commitments
- Continued focus on production add due to changes in operational practices vs new wells
  - o Emphasis on operator engagement to understand expectations around changes in operational strategy
  - o Focus on new wells net of routine development drilling

[10:00:00 AM](#)

Mr. Umekwe reviewed Slide 16, "NEAR-TERM FORECAST ACCURACY: STATEWIDE," which showed a graph of the comparison between actual and forecasted production in the near-term:

- Actual production falls within DNR range, also tracks DNR's mean forecast
- Accurate near-term forecast allows for the state revenue planning in the next fiscal year

Mr. Umekwe explained that the dotted line showed actual production and the solid line showed the mean forecast, the

orange line showed the forecast generated in the spring, the additional broken and solid black lines reflected the most recent forecast. He pointed out that the actual production fell within the range of what was projected. He thought in many ways the graph was a testament to the understanding of the fields when translating for the forecast.

[10:01:31 AM](#)

Co-Chair Stedman understood the forecast was done once a year in the early fall and then updated in the following year.

Mr. Umekwe answered in the affirmative.

[10:01:48 AM](#)

Mr. Umekwe spoke to Slide 17, "REALISTIC LONG-TERM PROJECTION

- Attention to realistic long-range outlook for the fields, reflecting operators' field development plans
- Decline Curve Analysis on current production emphasizes recent history but also considers previous history of the fields
- Engineering judgement is applied to honor field development and reservoir engineering constraints
- Future projects that add to production in out years are based on current project definition, project characteristics and uncertainty analysis

Mr. Umekwe reiterated that that the plans were updated regularly using various methodologies.

[10:03:16 AM](#)

Mr. Umekwe discussed Slide 18, "COMPARING LONG-TERM PROJECTIONS," which showed a bar graph entitled, 'ANS Only: Fall - 2019 Forecast - DOG vs Operators.' The graph showed the outlook generated by the department compared with operators in the field. He made note that in the short-term it was easy to see where production was, but it was more challenging in the long-term. He pointed out that the red bars showed the mean outlook, while the blue bars showed the operators expected outlook. He stated that the goal was not to replicate exactly was provided by operators

but to look at all the projects in a standardized manner to provide information that could help the state in long-term planning.

Mr. Umekwe continued discussing Slide 18

[10:04:50 AM](#)

Mr. Umekwe displayed Slide 19, " INCREASING UNCERTAINTY AS NEW FIELDS/PROJECTS COME ONLINE," which showed two line graphs depicting the production forecast range. The solid line showed the mean expected forecast, while the bars showed the level of certainty around production. He noted that the level of uncertainty increased in the out years. The short-term was more certain.

[10:05:44 AM](#)

Senator Wielechowski asked to go back to Slide 18. He was curious why there was such a disparity between operator information and the DNR forecast.

Mr. Umekwe stated that the method used by DNR to forecast incorporated risk around timing, if the operator planned a project for 2022, the rates would be reflected for that year. He said that start dates announced by operators were not taken as a given by DNR, the department still considered that the project could shift overtime. He said that there had been projects in the past that had been close to coming online that were never realized. He relayed that oftentimes explorers of fields that were not yet online did not include production estimates but were still included in the forecast in order to provide a complete 10-year picture.

Mr. Umekwe reiterated that the department's goal was not to replicate the operator's numbers, but to provide reliable numbers, and he pointed out that the operator's numbers fell within the numbers provided by the department.

[10:08:44 AM](#)

Senator Wielechowski looked at 2028 and 2029, where he observed a huge gap had developed between DNR and operator numbers. He wondered which fields were projected to be online at that time.

Mr. Umekwe replied that one field that might not be present in operator numbers, but would be present in DNR numbers, was Pikka.

[10:09:49 AM](#)

Co-Chair Stedman recalled that almost 10 years previously the committee had discussed future forecasts and the decline of older fields. He thought that expectations made almost a decade before had proven accurate.

Mr. Umekwe explained that the 2 percent decline at Prudhoe Bay reflected the work that had been done at the field over the last few years. He said that spending alone would not keep fields producing, and technology improvements were necessary.

Co-Chair Stedman agreed.

[10:11:49 AM](#)

Mr. Umekwe highlighted Slide 20, "PROJECTS UNDER EVALUATION MEDIUM TO LONG TERM," which showed a map of the projects from which production was expected. He pointed out a key on the map that indicated yellow areas showed federal lands. The blue section showed state lands, the pink showed private lands and Native owned lands. He emphasized the significance of the different areas and reminded that there were areas where the state received 100 percent of the royalties, some 50 percent. He related that production from some areas impacted the state differently than other areas. He said that unit boundaries on the chart spoke to the mineral interest ownership in those units; some units were jointly owned.

[10:14:39 AM](#)

Mr. Umekwe looked at Slide 21, "QUESTIONS?":

Thank you on behalf of the DOG Fall 2019  
Production Forecasting Core Team:  
John Burdick, Jim Young, Jennifer Mcleod,  
Matt Snodgrass, PhD.,  
Steve Moothart

[10:15:03 AM](#)

Mr. Umekwe addressed Slide 22, "NEW PROJECTS UNDER DEVELOPMENT/EVALUATION: ADDING TO A DECLINING BASE PRODUCTION," which showed a graph entitled 'Fall 2019 - Mean - Risked production rates.' He explained that the slide detailed the brown portion of slide 9. He highlighted that the slide showed additional production to what the state currently produced and added to the declining base production. He noted that the slide showed mean estimates with a peak of 200,000 barrels. He related that the slide incorporated uncertainties around projects; the slide was the best way to represent each project while also considering all the unknowns.

[10:16:56 AM](#)

Senator Olson considered Slide 22 and new production possibilities. He asked whether Harrison Bay was under consideration for development.

Mr. Umekwe stated that for a project to be considered for the forecast a screen of discovery was first used. He relayed that unless there was an announced discovery, a project was not included in the forecast.

[10:18:00 AM](#)

Senator Wielechowski asked whether Pikka was included in the forecast.

Mr. Umekwe affirmed that Pikka was included.

Senator Wielechowski thought that he had heard when discussing Slides 28 and 29 that Pikka was not included in the forecast.

Mr. Umekwe clarified that DNR had included Pikka in the forecast but that operators had not included Pikka in their numbers.

Senator Wielechowski shared that it was reported in the Journal of Commerce that Oil Search said that Pikka would be online and producing. He wondered why it would be reported in the journal and not reported to DNR.

Mr. Umekwe stated that the Department of Revenue (DOR) would be able to speak to revenue issues the following day in committee. He said that DOR currently received

information on spending from explorers and DNR collected information from producers about production. He said that in many cases projects were in their infancy. He noted that in the last several months there had been changes in the expectations for Pikka. He suspected that operators would not want to put out numbers prematurely.

Co-Chair Stedman discussed housekeeping.

#

ADJOURNMENT

[10:21:27 AM](#)

The meeting was adjourned at 10:21 a.m.