

SENATE FINANCE COMMITTEE  
January 23, 2025  
9:00 a.m.

[9:00:08 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Mike Cronk  
Senator James Kaufman  
Senator Jesse Kiehl  
Senator Kelly Merrick

MEMBERS ABSENT

Senator Donny Olson, Co-Chair

ALSO PRESENT

John Boyle, Commissioner, Department of Natural Resources;  
Travis Peltier, Petroleum Reservoir Engineer, Division of Oil and Gas, Department of Natural Resources; Derek Nottingham, Director Division of Oil and Gas, Department of Natural Resources; Senator Cathy Giessel; Representative Julie Coulombe.

SUMMARY

PRODUCTION FORECAST: DEPARTMENT OF NATURAL RESOURCES

[9:01:44 AM](#)

Co-Chair Hoffman introduced his staff.

Co-Chair Stedman introduced his staff, and he introduced Co-Chair Olson's staff.

Senator Kiehl introduced his staff.

Senator Merrick introduced her staff.

Senator Cronk introduced his staff.

Senator Kaufman introduced his staff.

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Co-Chair Hoffman stressed that there was intense work this legislative session on the financial decisions for the state. He introduced the committee room staff.

^PRODUCTION FORECAST: DEPARTMENT OF NATURAL RESOURCES

[9:08:57 AM](#)

JOHN BOYLE, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced himself, and the staff of Department of Natural Resources (DNR). He spoke about the positive trajectory of natural resource investment.

Co-Chair Hoffman queried the effect of President Trump's priorities on the oil and gas exploration and investment in the state.

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Commissioner Boyle replied that there were a number of executive orders that would effect Alaska and energy in general. He expected renewed interest in streamlining the permitting processes to ensure projects will move more quickly. He felt that it would incentivize companies to invest in the state.

Co-Chair Hoffman queried the objective as it pertains to gas development.

Commissioner Boyle replied that it was known that gas existed in the Cook Inlet. He hoped to continue to incentivize continued investment in the Cook Inlet. He understood that there were some challenging economics related to the area, such as royalties. He remarked that the state had taken administrative steps to help incentivize investment. He noted that there was examination of other state mechanisms related to the management of leases and units.

[9:22:11 AM](#)

TRAVIS PELTIER, PETROLEUM RESERVOIR ENGINEER, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, discussed the presentation, "Fall 2024 Oil Production Forecast" (copy on file). He spoke to slide 2, "Acronyms." He pointed to slide 3, "Agenda":

- Introduction and Forecast Preview
- FY2024 in Review
- DNR Fall 2024 Production Forecasting Approach
- Fall 2024 Forecast Results and Summary
- Appendix

Mr. Peltier addressed slide 4, "Fall 2024: North Slope Annualized Forecast."

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Senator Kiehl wondered the significant difference between DNR projections and the operator projections.

Mr. Peltier replied that the operator charts were from current producing fields.

Senator Kiehl was weary about the forecasts.

Co-Chair Stedman requested a disclosure that pointed out the issue of the comparison between the high and the low. He wondered whether all the royalties were the same.

Mr. Peltier responded that DOR was aware of the various royalty rates, and were built into the Revenue Sources Book.

Co-Chair Stedman stressed that the committee had to deal with royalties, and asked what the royalties would generate under the forecast.

[9:31:19 AM](#)

DEREK NOTTINGHAM, DIRECTOR DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, replied that there was table in the Appendix section of the presentation, which could address the royalties

Co-Chair Stedman felt that a response to the committee could be detailed about the bifurcation of location and generation.

Mr. Peltier spoke to slide 6, "FY 2024 as Forecasted by DNR in Fall 2023: How did we do?"

- Actual FY2024 production was within DNR's forecasted range
- DNR's mean forecast was 2 percent higher than actual FY2024 production
- Factors currently shaping the forecast horizon:
  - Industry interest continues in Brookian age plays (i.e., Nanushuk) across the North Slope
  - Recent Federal regulatory and leasing restrictions present challenges - but may materially change with new administration
  - Equipment constraints (as Pikka and Willow ramp up) and overall inflation are affecting North Slope exploration project costs and operations

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Senator Kiehl wondered why a "steep turnaround" might be considered a bad thing.

Mr. Peltier replied that it was maintenance activity, and could actually be considered a good thing. He noted that there were factors that related to weather had significant impact on the production and maintenance.

Co-Chair Stedman wanted to know whether there would be an offset of the revenue.

Commissioner Boyle provided an overview, and remarked that there was robust investment by the operator in the Prudhoe Bay field.

Co-Chair Stedman felt that there was unexplained upward production.

Mr. Peltier pointed out the website listed at the bottom of slide 6, and explained that the Alaska Oil and Gas Conservation Commission (AOGCC) worked to create interactive charts available to the public.

Mr. Peltier looked at slide 7, "FY 2024 as Forecasted by DNR in Fall 2023: Monthly Forecast with Daily Actuals."

[9:55:16 AM](#)

Co-Chair Stedman requested an explanation of some fields were gas-constrained, and why some fields were water-constrained.

Mr. Peltier replied that most operators on the North Slope tried to maximize oil production.

Co-Chair Stedman hoped that the information would be provided to the committee.

Co-Chair Hoffman requested that information.

Mr. Peltier addressed slide 10, "Status Update of Key Future Projects: North Slope":

KRU Nuna-Torok

Conoco project funding approved in 2023, and subsequently DNR approved drill site 3T expansion activities. Construction activities are ongoing, and first oil is anticipated in 2025.

Production start-up December 2024.

Peak rate up to 20,000 bopd

Mustang

Finnex, LLC took over for AIDEA as Unit Operator in October 2023.

Pad expansion, pipeline tie-in, pad restart activities approved and Finnex completed drilling of two development wells in 2024. Production start-up within the last month.

Peak rate up to 4,000 bopd

CRU Minke

This Conoco project was not included in the Fall 2023 forecast by the Alaska Division of Oil and Gas.

CD5-32X drilled in area of interest, and Minke Oil Pool application submitted to AOGCC in 2024. A producer-injector well-pair is planned for 2025.

Depends on results of initial well pattern

#### Pikka Phase 1

Santos construction and drilling activities ongoing, and project first oil anticipated in Q2 of 2026.

Project construction and drilling activities are ongoing. Project first oil anticipated in Q2 of 2026.

Peak rate: 80,000 bopd

#### Pikka Phase 2

Santos project not shared in testimony in January 2024 by the Alaska Division of Oil and Gas.

Conceptual engineering, cost estimation, and schedule development activities on-going. Plan to move to FEED stage in 2025 and FID 2027.

Peak rate: An additional 80,000 bopd capacity to the Pikka production facility

#### Willow

BLM ROD on SEIS issued in 2023 and Conoco started construction activities in April 2023. FID announced December 2023. First oil expected in 2029.

Project construction is ongoing. Project first oil anticipated in 2029.

Peak rate: 180,000 bopd

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Co-Chair Stedman queried the royalty rate and detail for each project.

Mr. Nottingham replied that not all were equal in their royalty share. He remarked that Willow was on the Natural Petroleum Reserve-Alaska (NPRA) federal leases. He explained that the state did not collect a traditional 12.5 percent royalty on the federal leases. He noted that the federal government royalty was 15.66 percent, and the state received a 50 percent share of that royalty which went back into the local communities. He stated that PIKA was mostly on state land, with various royalty shares with a mix of Native private land.

Co-Chair Stedman requested more information about the issue when having conversations with DOR.

Co-Chair Hoffman asked for a snapshot of the impact of 180,000 barrels per day would mean to the community in the field.

Senator Kiehl wondered whether any developers paid the states corporate income tax.

Commissioner Boyle replied that he believed that the companies were structured to pay corporate income tax.

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Mr. Peltier addressed slide 11, "FY 2024 Summary: Cook Inlet":

Highlights (FY 2024 vs. FY 2023)

- All fields are generally expected to see a year-on year decline
- Compared to FY2023, in FY2024 Cook Inlet production decreased by 5 percent (450 bopd)
- Oil from the Cook Inlet basin critical to the supply of in-state refineries
- Decreases
  - Beaver Creek, Granite Point, Hansen, McArthur River and Swanson River experiencing natural decline
  - Redoubt Shoal natural decline and well attrition partially offset by rate-adding well work
  - Kenai Loop and Middle Ground Shoal are both effectively offline
- Increases

- Trading Bay and West McArthur River offsetting natural decline with rate-adding well work

Mr. Peltier highlighted slide 13, "DNR Forecast Process: Projects/Pools Included In Forecast":

- DOG performed bottoms-up decline curve forecasts for all producing pools
  - Forecast of current production uses AOGCC publicly available data
  - 40 pools (ANS and CI), producing as of 6/30/2024
- DOG engaged with operators through DOR-arranged in-person and in writing interviews
- 16 projects under development/under evaluation were researched/reviewed
  - Forecasts for these projects use confidential information from operators
  - Future production from these projects was adjusted and risked for scope of contribution, chance of occurrence and start date
  - 15 located in ANS, 1 located in CI

Mr. Peltier pointed to slide 14, "Categories Of Production: Ongoing/Current Vs Future Production":

2025-01-23 Fall 2024 Oil Production Forecast 14  
Current Production (CP):

- Ongoing production from existing fields
- Features and considerations:
  - Well and facility uptime
  - Operator spending to maintain base production
  - Reservoir management

Projects Under Development (UD) and Under Evaluation (UE):

- Future production requiring new investments
- Rate contribution:
  - Uncertainty in future well performance
  - Uncertainty in project scope
- Project occurrence and timing:
  - Uncertainty in timing (including outright project cancellation/deferral)
    - Commerciality risk (economic, regulatory, etc.)

Mr. Peltier addressed slide 15, "Major Projects Under Evaluation (UE) Considered In Fall 2024 Forecast":

General Characteristics:

- Projects that were not online by end of FY2024 (data cut-off date of 6/2024)
- Higher risk factors than currently producing fields
- Known discoveries with identifiable operators
- Require major investments

North Slope Major Projects:

- Willow
- CRU Narwhal CD8
- CRU Minke
- Horseshoe Stirrup
- Pikka Unit Dev.
- Pikka Phase 2
- Pikka Phase 3
- Quokka/Mitquq
- Mustang
- Nuna-Torok
- Theta West
- Talitha
- Alkaid
- PTU Expansion
- Sourdough Project

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Mr. Peltier looked at slide 17, "Fall 2024: North Slope Annualized Forecast":

- Short Term:
  - DNR forecasts FY2025 annualized average daily statewide production at 474 MBOPD, and North Slope production at 466 MBOPD, with a range of 424 MBOPD and 510 MBOPD
- Long term:
  - Long-term forecast reliability is gauged by general 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 remain unchanged

Co-Chair Stedman queried the process of the interaction, and asked how often the industry shared their projections.

Mr. Peltier replied that conversations with operators occurred twice a year.

Mr. Peltier pointed to slide 18, "FY2025 As Forecasted By DNR In Fall 2024: Monthly Forecast With Daily Actuals."

Mr. Peltier discussed slide 19, "Fall 2024: AK Statewide Annualized Forecast (Expected Case With Production Categories)":

- Current Production (CP) remains the backbone of state production in near and medium term
- Under Development (UD) segment represents production expected from wells drilled in FY2025
- In the first 7 years, the new forecast is lower than the Spring 2024 Forecast due to greater than expected decline rates in key fields and less than expected production results from recent development projects
- Under Evaluation (UE) begins to play a more significant role in production in the next five to ten years as Pikka, Pikka Phase 2, Willow, and other major projects materialize

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Co-Chair Hoffman remarked that the chart did not reflect the potential federal regulation changes.

Mr. Peltier replied that he wanted to wait and see how the regulations would affect the forecast.

Senator Cronk wondered whether there was any substantive improvement to the process of aggregating the information.

Mr. Peltier replied that the team that composes the forecast continually examines ways to improve calculations.

Mr. Peltier addressed slide 20, "Fall 2024: Production Forecast Summary":

- DNR forecast continues to use the best information available to DNR/DOR to generate production outlooks for oil fields within the state, with a focus on generating accurate near term and realistic long-term forecasts
- Fall 2024 forecast is a static view on production; DNR's outlook is updated annually (Fall and Spring) to incorporate latest operator plans and the State's official updated price outlook at the time of the forecast
- DNR's Fall 2024 outlook shows mean annual production of approximately 475 - 500 MBOPD in the first few years of the outlook period, while increasing towards the middle and end towards 660 MBOPD based on the current snapshot of operators' plans
- Production estimates from projects under evaluation account for several considerations such as technical factors, commercial factors, and project execution risks

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Mr. Peltier thanked the committee.

Senator Cronk stressed that the state was not lessening the standards of the best resource development in the world.

Commissioner Boyle hoped to see a further examination of the permitting process.

Co-Chair Stedman thanked DNR for the new presentation of the charts and the effort to make the information generally more understandable.

Co-Chair Hoffman discussed the following day's agenda.

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ADJOURNMENT

[10:29:33 AM](#)

The meeting was adjourned at 10:29 a.m.