Fall 2023 Oil Production Forecast
Senate Finance Committee

Presented by:
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• Introduction & Forecast Preview
• FY2023 in Review
• DNR Fall 2023 Production Forecasting Approach
• Fall 2023 Forecast Results & Summary
• Appendix

List of Acronyms:
FY: Fiscal Year (July 1 of the previous year to June 30 of the listed year.)
DNR: Alaska Department of Natural Resources
Fall 2023: North Slope Annualized Forecast

Data sourced from the operator(s) does not include future projects, while the official forecast includes production from future projects.
FY2023 in Review
FY2023 as Forecasted by DNR in Fall 2022: How Did We Do?

- Actual FY2023 production was within DNR’s forecasted range
- DNR’s mean forecast was ~3% higher than actual FY2023 production
- Factors currently shaping the forecast horizon:
  - Industry interest is expanding in Brookian age plays (i.e., Nanushuk) across the North Slope
  - Evolving ESG influences continue to challenge capital allocation decisions in Alaska, but companies and investors are also adapting
  - Federal regulatory changes and leasing restrictions present challenges

List of Acronyms:
- ESG: Environmental, Social, and Governance
- FY: Fiscal Year
- DOR: Alaska Department of Revenue
- DNR: Alaska Department of Natural Resources
- RSB: Revenue Sources Book
**FY2023 SUMMARY: NORTH SLOPE**

**Highlights (FY2023 vs FY2022)**

- **All fields are generally expected to see a year-on-year decline**
- **Compared to FY2022, in FY2023 North Slope production increased by ~1% (~2,890 bopd)**
- **Decreases**
  - Badami: Best producing well offline for much of FY2023, back online in May 2023
  - Colville River and Kuparuk River: Natural decline offset with development drilling
  - Endicott and Northstar: Natural reservoir decline
  - Point Thomson: Single production well suffering technical challenges which continue into FY2024
- **Increases**
  - Greater Mooses Tooth: GMT2 pad continued development drilling
  - Milne Point, Nikaitchuq and Oooguruk: Production growth due to infill drilling and rig workover efforts
  - Prudhoe Bay: Growth from improved facility reliability and increased gas throughput in the winter

**List of Acronyms:**
- GMT2: Greater Moose’s Tooth Pad #2
- bopd: barrels of oil per day
## Status Update of Key Future Projects: North Slope

<table>
<thead>
<tr>
<th>Project</th>
<th>Status: January 2023</th>
<th>Status: January 2024</th>
<th>Production Rate Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pikka</strong></td>
<td>Project Final Investment Decision (FID) approved in August 2022 for Pikka Phase 1. First oil anticipated in 2026.</td>
<td>Project construction and drilling activities ongoing, and project first oil anticipated in Q2 of 2026.</td>
<td>Peak design capacity rate, Phase 1: 80,000 bopd</td>
</tr>
<tr>
<td><strong>Willow</strong></td>
<td>Awaiting BLM Record of Decision (ROD) on SEIS. FID cannot be made before the ROD is made. First oil expected 6 years after FID, if approved.</td>
<td>BLM ROD on SEIS issued in 2023 and Conoco started construction activities in April 2023. FID announced December 2023. First oil expected in 2029.</td>
<td>Peak rate: ~180,000 bopd</td>
</tr>
<tr>
<td><strong>CRU Narwhal CD8</strong></td>
<td>Sustained production from CD8 could commence as early as 2028, pending stakeholder alignment, permitting, internal studies and alignment. This conceptual first oil date remains consistent with the 23rd POD submitted in 2021.</td>
<td>The conceptual first oil date changed to 2030 in the 25th CRU POD submitted in 2023, pending stakeholder alignment, permitting, and internal studies and alignment.</td>
<td>Peak DNR estimates &gt;32,000 bopd</td>
</tr>
<tr>
<td><strong>MPU Raven Pad</strong></td>
<td>November 2022 Hilcorp applied for approval to construct a new drilling and production pad (R Pad) within the Milne Point Unit.</td>
<td>DNR approval granted for R Pad construction in February 2023 within the Milne Point Unit. Construction activities ongoing.</td>
<td>Peak DNR estimates ~10,000 bopd. Analogous to the 2018 M Pad development at MPU.</td>
</tr>
<tr>
<td><strong>KRU Nuna-Torok</strong></td>
<td>2022 KRU POD states rotary drilling is planned in Q3 of 2022 with an additional injector/producer pair for additional Torok reservoir appraisal to inform future developments.</td>
<td>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.</td>
<td>Peak rate up to 20,000 bopd</td>
</tr>
</tbody>
</table>

**List of Acronyms:**
- **POD:** Plan of Development
- **FEED:** Front End Engineering Design
- **FID:** Final Investment Decision
- **BLM:** US Department of Interior Bureau of Land Management
- **ROD:** Record of Decision
- **SEIS:** Supplemental Environmental Impact Statement
- **CRU:** Colville River Unit
- **MPU:** Milne Point Unit
- **KRU:** Kuparuk River Unit
- **YE:** Year End
- **Q:** Quarter

2024-01-17 Fall 2023 Oil Production Forecast
FY2023 SUMMARY: COOK INLET

Highlights (FY2023 vs FY2022)

- All fields are generally expected to see a year-on-year decline
- Compared to FY2022, in FY2023 Cook Inlet production decreased by ~4% (~370 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 wellwork

Increases
- Trading Bay and West McArthur River offsetting natural decline with rate-adding wellwork

2024-01-17 Fall 2023 Oil Production Forecast
DNR Fall 2023 Production Forecasting Approach

No changes in methods used from Fall 2022/Spring 2023 to Fall 2023
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*
  • ~39 pools (ANS and CI), producing as of 6/30/2023

• DOG engaged with operators through DOR-arranged in-person and in-writing interviews

• 15 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

List of Acronyms:

DOG: Alaska Division of Oil and Gas, within the Alaska Department of Natural Resources
AOGCC: Alaska Oil and Gas Conservation Commission
ANS: Alaska North Slope
CI: Cook Inlet
DOR: Alaska Department of Revenue
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.)
MAJOR PROJECTS UNDER EVALUATION (UE) CONSIDERED IN FALL 2023 FORECAST

General Characteristics:
- Projects that were not online by end of FY2023 (data cut-off date of 6/2023)
- Higher risk factors than currently producing fields
- Known discoveries with identifiable operators
- Require major investments

North Slope Major Projects:
- Willow
- CRU Narwhal CD8
- Horseshoe Stirrup
- Pikka Unit Dev.
- Pikka Phase 2
- Quokka/Mitquq
- Mustang
- Nuna-Torok
- MPU – Raven Pad
- Theta West
- Talitha
- Alkaid
- Liberty Unit
- PTU Expansion
- Sourdough Project

List of Acronyms:
- MPU: Milne Point Unit
- PTU: Point Thomson Unit
- CRU: Colville River Unit
Fall 2023 Production Forecast Results & Summary
Fall 2023: North Slope Annualized Forecast

- **Short Term:**
  - DNR forecasts FY2024 annualized average daily statewide production at 478 MBOPD, and North Slope production at 470 MBOPD, with a range of 422 MBOPD and 519 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.

**List of Acronyms:**
- MBOPD: thousand barrels of oil per day
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 FY2023.
Near term (i.e. 3 to 4 years out), the new forecast is lower than the Spring 2023 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 5 to 10 years as Pikka, Willow, and other major projects materialize.
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 2023 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 2023 outlook shows mean annual production of approximately 480 - 500 MBOPD in the first few years of the outlook period, while increasing towards the middle and end towards 630 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.
Thank you on behalf of the DOG Fall 2023 Production Forecasting Core Team:

Bernhard Stechauner, Linda Liu, Shaun Peterson, Chalinda Weerasinghe, Adi Chaobal, Jhonny Meza, and Travis Peltier

https://dnr.alaska.gov/  https://dog.dnr.alaska.gov/
APPENDIX
# Reference List of Acronyms

## Units
- **Bn or b**: Billion
- **MM or mm**: Million; **M or m**: Thousand

## Volumes
- **BO or bbl**: Barrels of Oil (e.g. mmbo = million barrels of oil)
- **BOPD or bopd**: Barrels Oil Per Day
- **BCPD**: Barrels Condensate Per Day
- **BWPD**: Barrels Water Per Day
- **BCF/D**: Billion Cubic Feet / Day
- **EUR**: Expected Ultimate Recovery
- **GOR**: Gas Oil Ratio
- **OOIP**: Original Oil In Place
- **OGIP**: Original Gas In Place
- **TCF**: Trillion Cubic Feet (usually a reference for natural gas)

## Project Terms
- **FEED**: Front End Engineering Design
- **FID**: Final Investment Decision
- **POD**: Plan Of Development
- **POE**: Plan Of Exploration

## Other
- **DS**: Drill-Site
- **RWO**: Rig workover
- **NPCL**: Net Profit Sharing Lease
- **NGL**: Natural Gas Liquids; **WF**: Waterflood; **EOR**: Enhanced Oil Rec.
- **OPEX**: Operating Expense
- **Q**: Quarter; **H**: Half; **Y**: Year; **YE**: Year End
- **FY**: Fiscal Year
- **ESG**: Environmental, Social, and Governance
- **CP**: Currently Producing; **UD**: Under Development; **UE**: Under Evaluation

## Federal
- **BLM**: US Department of Interior (US DOI) Bureau of Land Management
- **BOEM**: US DOI Bureau of Ocean Energy Management
- **BSEE**: US DOI Bureau of Safety and Environmental Enforcement
- **(S)EIS**: (Supplemental)Environmental Impact Statement
- **IAP**: Integrated Activity Plan
- **NPRA**: National Petroleum Reserve in Alaska
- **OCS**: Outer Continental Shelf
- **ROD**: Record of Decision

## State of Alaska
- **AOGCC**: Alaska Oil and Gas Conservation Commission
- **DOG**: Alaska Division of Oil and Gas
- **DNR**: Alaska Department of Natural Resources
- **DOR**: Alaska Department of Revenue
- **RSB**: Revenue Sources Book

## Other
- **ANS**: Alaska North Slope
- **CI**: Cook Inlet
- **CRU**: Colville River Unit
  - **CD8**: CRU Drillsite 8
- **GMT**: Greater Mooses Tooth Unit
  - **GMT2**: Greater Mooses Tooth Unit Pad #2
- **KRU**: Kuparuk River Unit
- **MPU**: Milne Point Unit
- **NPF**: Nanushuk Processing Facility
  - **NDB**: Nanushuk Development Pad B
- **PBU**: Prudhoe Bay Unit
- **PTU**: Point Thomson Unit
  - **IPS**: Initial Production System
- **TAPS**: Trans-Alaska Pipeline System
- **WCF**: Willow Central Facility
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