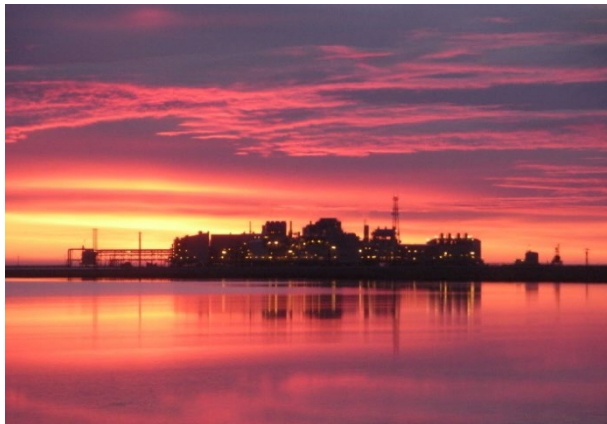


Cook Inlet Gas Overview

Presentation for the Alaska Support Industry Alliance



Presented by: John Crowther
Deputy Commissioner
Department of Natural Resources
December 14, 2023

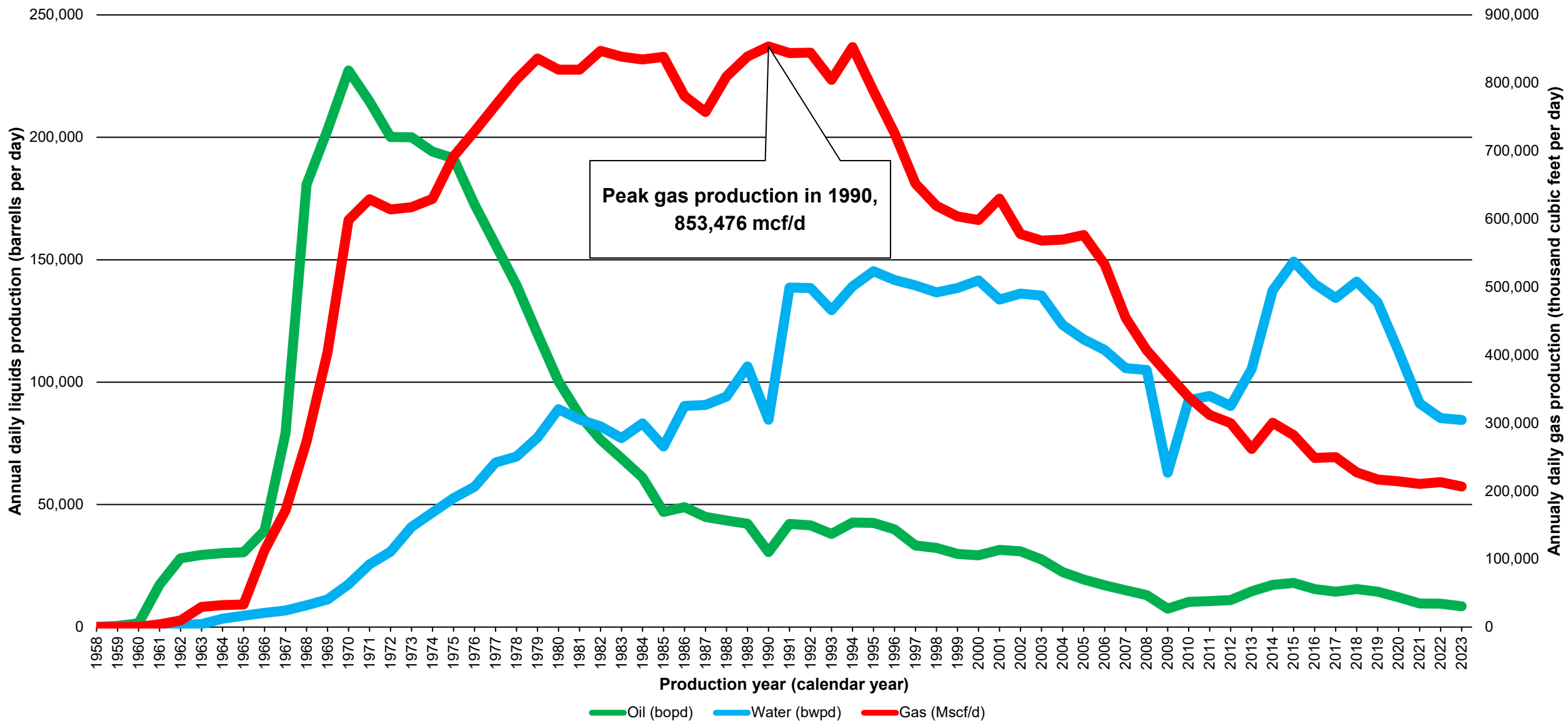


AGENDA



- **Cook Inlet Production & Historical Activity**
- **Plans of Development: DNR's Active Management**
- **DNR's 2022 Gas Forecast**
- **December 2023 Lease Sale Results**
- **Governor Dunleavy's Cook Inlet Energy Security Legislative Proposal**

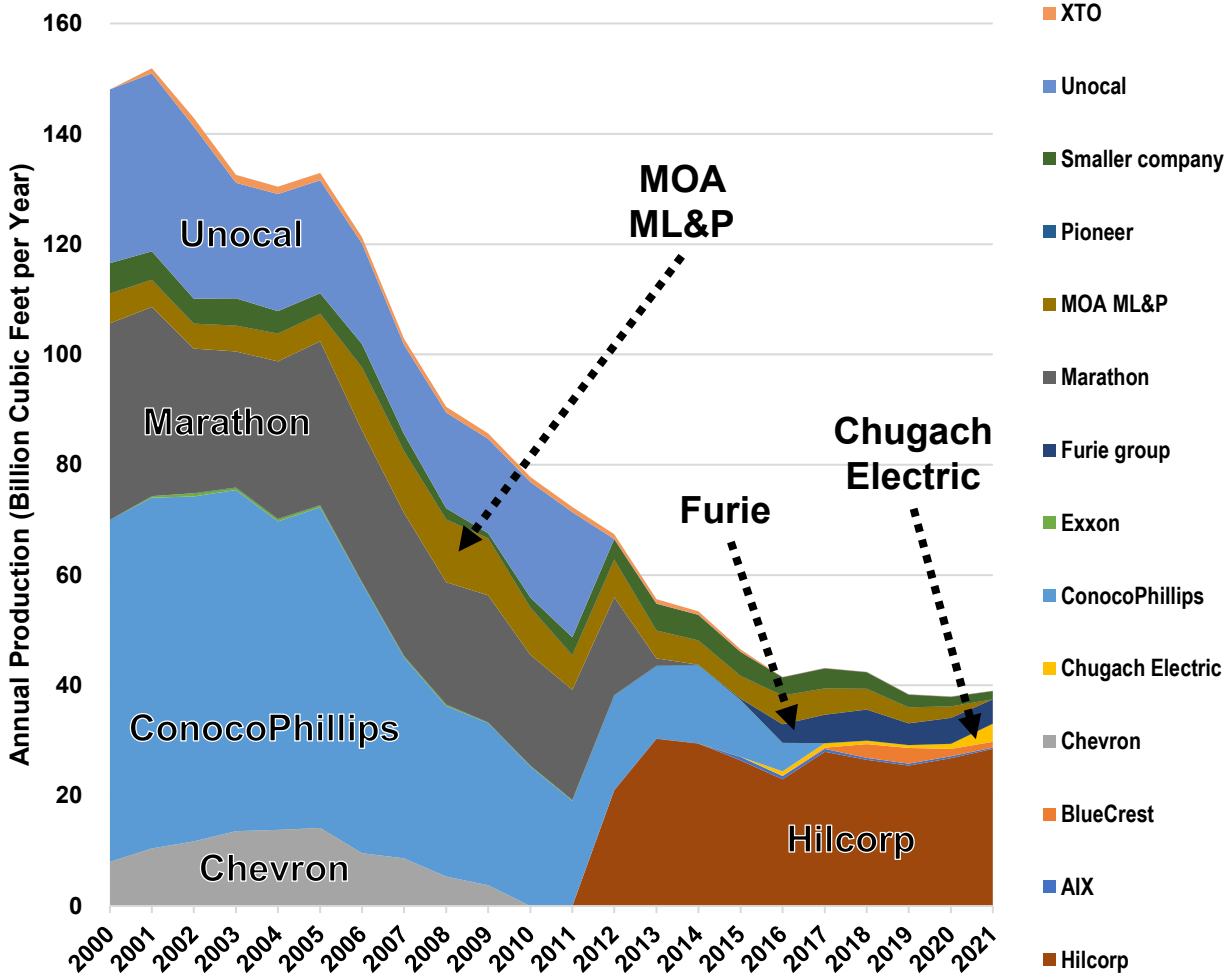
Cook Inlet Production History



COOK INLET FIELDS OVERVIEW: GAS PRODUCTION HISTORY

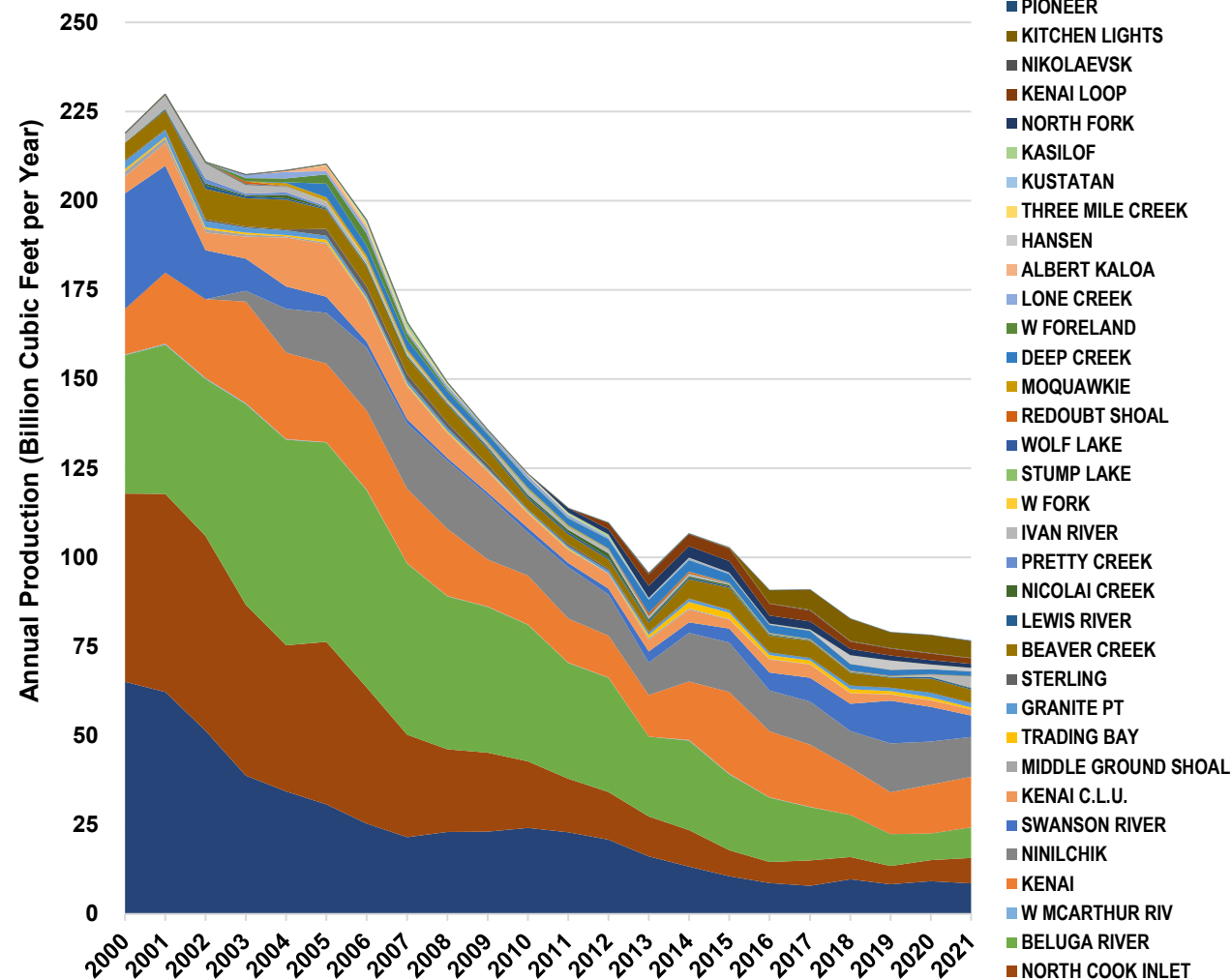


Production of Cook Inlet gas by lessee from State-owned oil and gas leases



Note: State Lands Only

Gas production (including reinjection) in Cook Inlet



Note: State + Federal + Private Lands

COOK INLET FIELDS: PRODUCTION BY FIELD



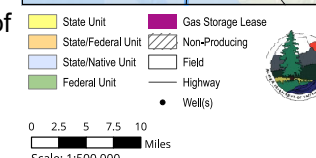
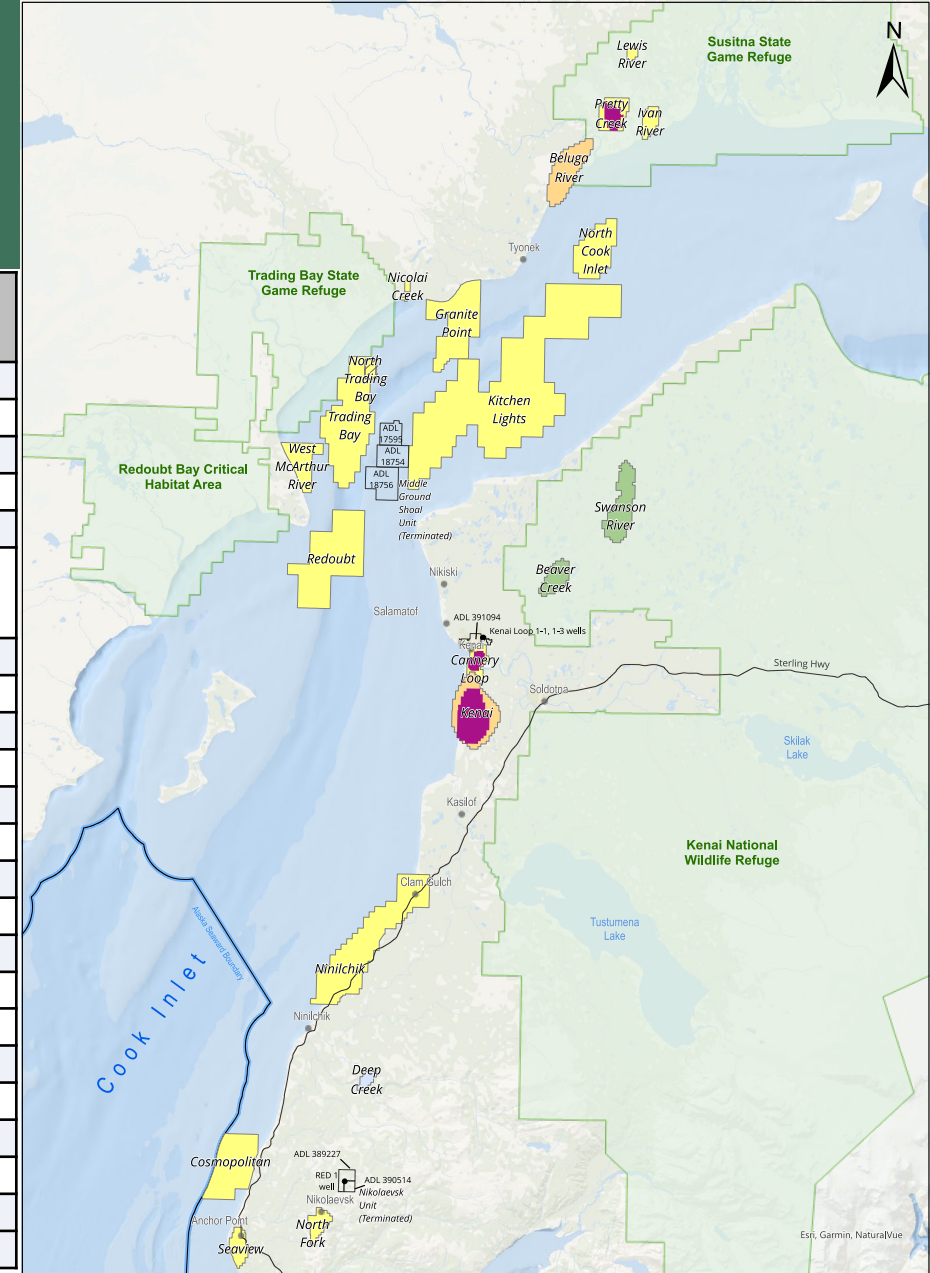
Field	Operator and lessees	2022 Gas Production	2022 Oil Production
Kenai Loop	AIX Energy LLC	1.17 bcf	
Nicolai Creek	Amaroq Resources, LLC	0.1 bcf	
Hansen	Bluecrest Alaska Operating LLC	0.58 bcf	770 bopd
Redoubt Shoal	Cook Inlet Energy, LLC.	0.07 bcf	879 bopd
West McArthur River	Cook Inlet Energy, LLC.	0.00 bcf	240 bopd
Kitchen Lights	Furie Operating Alaska, LLC; Cornucopia Oil & Gas Company; A. L. Berry; Danny Davis; Taylor Minerals, LLC; Corsair Oil & Gas	4.02 bcf	
Beaver Creek	Hilcorp Alaska, LLC	3.72 bcf	629 bopd
Beluga River	Hilcorp Alaska, LLC; Chugach Electric Association	11.07 bcf	
Deep Creek	Hilcorp Alaska, LLC	1.17 bcf	
Granite Pt	Hilcorp Alaska, LLC	1.16 bcf	2,199 bopd
Ivan River	Hilcorp Alaska, LLC	3.37 bcf	
Kenai	Hilcorp Alaska, LLC	5.53 bcf	
Cannery Loop	Hilcorp Alaska, LLC	0.68 bcf	
Lewis River	Hilcorp Alaska, LLC	0.24 bcf	
McArthur River	Hilcorp Alaska, LLC	6.08 bcf	2,631 bopd
Middle Ground Shoal	Hilcorp Alaska, LLC	0 bcf	0 bopd
Nikolaevsk	Hilcorp Alaska, LLC	0.08 bcf	
Ninilchik	Hilcorp Alaska, LLC	11.52 bcf	
North Cook Inlet	Hilcorp Alaska, LLC	10.93 bcf	
Seaview	Hilcorp Alaska, LLC	0.06 bcf	
Swanson River	Hilcorp Alaska, LLC	3.65 bcf	705 bopd
Trading Bay	Hilcorp Alaska, LLC	0.4 bcf	794 bopd
North Fork	Vision Operating, LLC	1.13 bcf	

bcf = billion cubic feet bopd = barrels of oil per day

<https://dog.dnr.alaska.gov/Information/MapsAndGis>

Cook Inlet Gas Overview

5



Cook Inlet Oil and Gas Units
State of Alaska
Department of Natural Resources
Division of Oil and Gas



December 2023

This map was created, edited, and published by the State of Alaska, Department of Natural Resources (DNR), Division of Oil and Gas (DOG). The information displayed is for graphical illustration only.

PLANS OF DEVELOPMENT & OVERSIGHT OF ACTIVITY



A unit agreement consolidates leases to:

- Facilitate joint development
- Conserve natural resources and avoid waste
- Extend lease terms for life of unit

A unit agreement requires unit operators to submit plans of development (POD) to describe:

- Long-range proposed development activities for the unit, including plans to delineate, produce, and maintain production of all underlying reservoirs
- Plans for exploration or delineation of unit acreage not in a “Participating Area” or PA
- Details of proposed operations for at least the coming year
- Report on proposed operations from prior year, including explanation for deviations from prior PODs and any operations not completed as planned
- The surface location of proposed facilities (*e.g.*, new pads, roads, or camps)

PODs are generally required annually.

PODs and decisions are published on the Division of Oil & Gas website: <https://dog.dnr.alaska.gov/Library>



DNR's "2022 Cook Inlet Forecast"

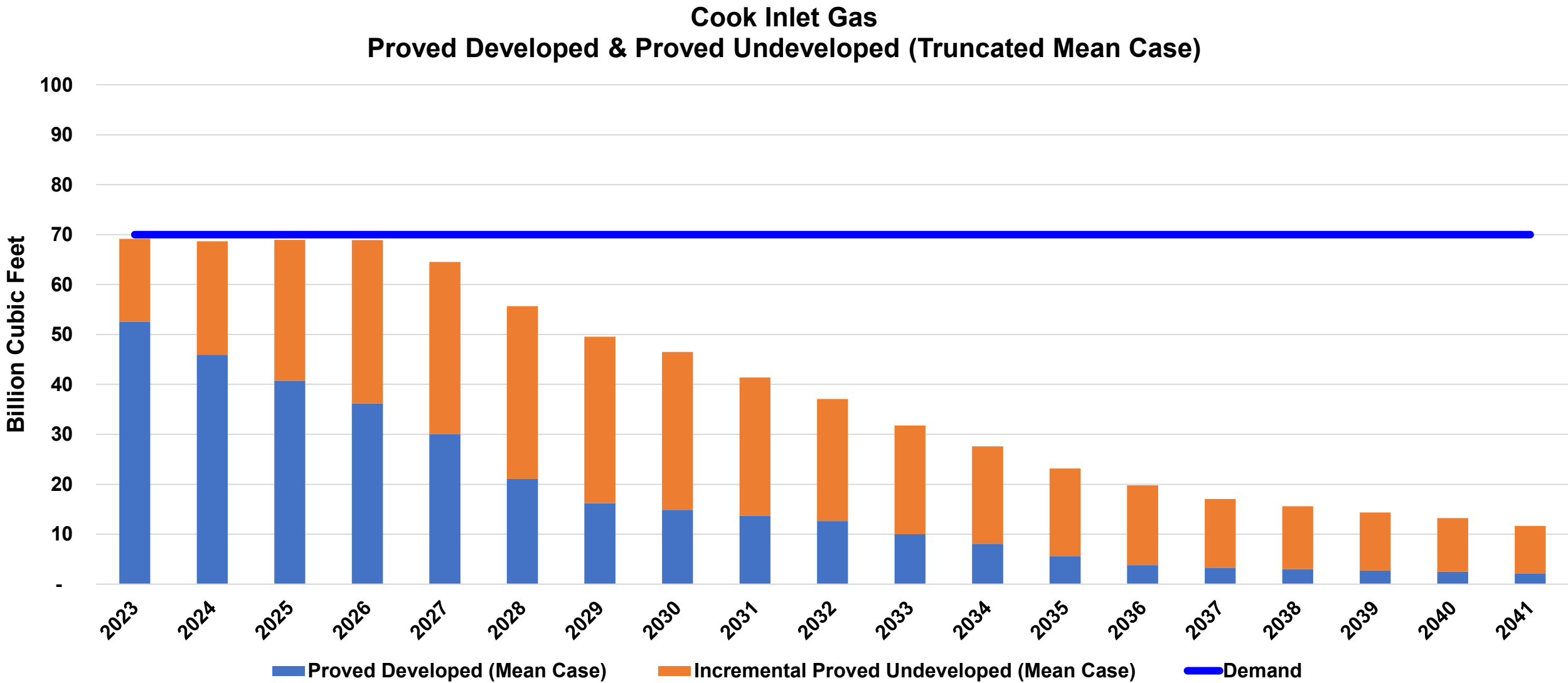
DNR's Most Recent Formal Cook Inlet Gas Forecast

- Technical reserves assessment of 90 different gas & oil pools using publicly available production data obtained from AOGCC
- Decline Curve Analysis (DCA) used to estimate volumes from currently producing well set. Type Curve(s) were developed to estimate volumes from future development wells
- Discovered resources contingent upon more favorable commercial conditions and undiscovered (prospective) resources were not included in the forecast
- Estimated field level economic limits were used in the "truncated" forecast cases
- Forecasted volumes do not account for gas produced from gas storage to avoid duplicative gas volumes produced
- Flat gas demand of 70 billion cubic feet per year does not assume future additional requirements nor does it assume possible substitutes or increasing efficiency in consumption both for energy producers and commercial or domestic consumers

Key Assumptions:

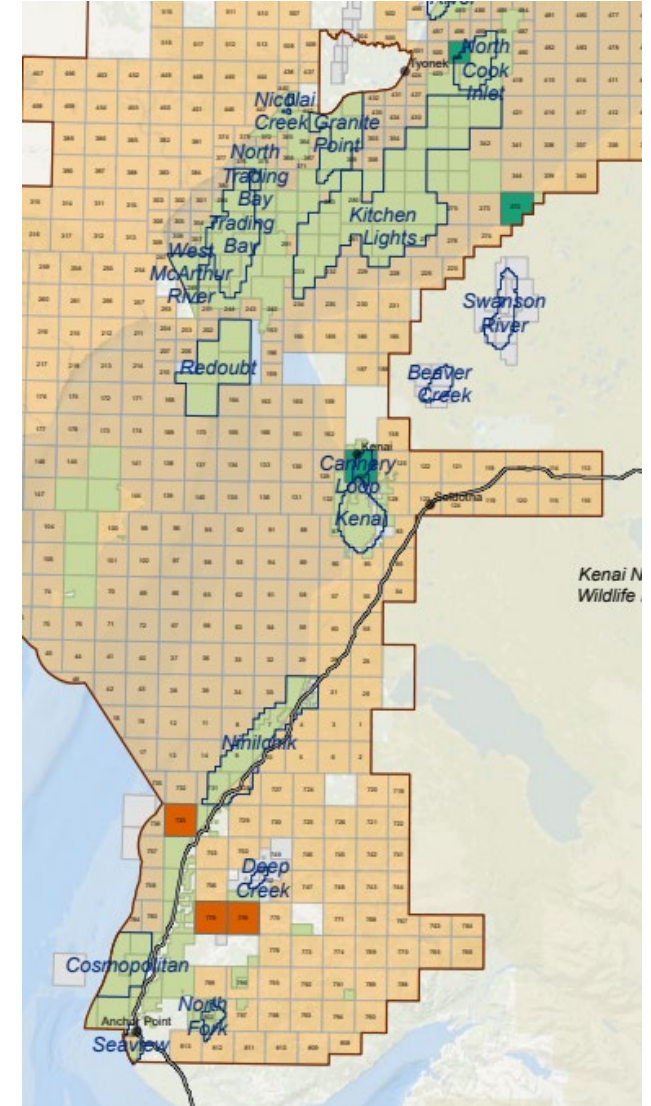
- Assumes 15 development wells per year until 2030, and no new wells beyond that. That is not a prediction that no drilling will occur after that date, it was the horizon for which 15 wells per year was assumed to be reasonable
- Assumes gas price is flat, with escalation for inflation. Does not forecast market changes responding to supply/demand
- Does not include contribution from non-producing known prospects and does not forecast likelihood of their development

FORECAST PROVED DEVELOPED & PROVED UNDEVELOPED



COOK INLET LEASE SALE RESULTS

- **New, highly competitive leases offered:**
 - Net profit share as the bid variable
 - Fixed per-acre cash bonus
 - No royalty—percentage of net profits owed to the State after recovering capital investments and operating costs to bring production online
- **Six tracts received bids**
 - Three from Hilcorp Alaska LLC
 - Three from Hex LLC
- **Net profit share rate bids: 5.7% – 11%**
- **Cash bonus revenue: About \$600,000**
- **Acres receiving bids: About 15,000 acres**



GOVERNOR DUNLEAVY'S ENERGY SECURITY LEGISLATION



“It is essential that Alaskans have access to reliable and affordable energy. Railbelt utilities are facing an energy supply gap in the coming years, and Cook Inlet’s untapped natural gas reserves can help fill that gap.”
– Governor Mike Dunleavy

Proposed legislation will:

- Encourage new production – both from existing leases and new exploration prospects – by offering reduced royalty rates
- Make known but currently not producing gas resources more competitive to invest in and develop
- Make new exploration prospects more attractive
- Help bridge the Railbelt energy supply gap as other, long-term solutions are developed

QUESTIONS?



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