



Division of Oil and Gas Progress 2008 & Projects 2009

Kevin R. Banks

Director

December 2008

Oil and Gas Progress 2008

- AGIA
- Cook Inlet
- North Slope
- Statewide
- PSIO
- Geothermal Energy

AGIA

- Coordinated and participated in the preparation of a Finding and Determination made by the Commissioners of Natural Resources and Revenue for the AGIA license
- Worked with the Legislature on the license approval;
- Initiated the work to manage our relationship with TC Alaska.

Cook Inlet

- Commitment by ConocoPhillips and Marathon to drill seven more wells to expand production.
- Marathon and ConocoPhillips drilled gas wells in the Beluga River, Ninilchik and Kenai natural gas fields
- Armstrong is drilling an additional well in the North Fork Unit.
- Negotiated and issued two gas storage leases in Cook Inlet to promote increased gas deliverability.
- The State has been a key participant in the Liquid Natural Gas export agreement.

North Slope (1)

- ENI is drilling seven production wells in the Nikaitchuq Unit.
- Oooguruk began production in June.
- ConocoPhillips is expanding production in the Alpine Unit.
- BP has made advancements in heavy oil production at Prudhoe Bay.

North Slope (2)

- DNR facilitated the participation of Savant, LLC, a new player on the North Slope, who will be re-starting production at Badami Unit.
- Negotiated the Colville River Gas Management Agreement which allows for royalty-free movement of gas within all participating areas in the unit
- North Star – worked with BP and MMS on a tract reallocation

Statewide

209 approvals issued in 2008

- Exploration (33)
 - 30 for North Slope exploration wells and seismic programs
 - 3 for seismic programs in Cook Inlet.
- Development (176)
 - 161 for North Slope operations
 - 15 for Cook Inlet.

PSIO

- Began the Gap Analysis
- Investigated production upsets on the North Slope
- Held the state's first Quality Management Symposium.

Geothermal Energy

- First geothermal lease sale since the 1980's.
- Over \$3.5 million in bonus bids for leases in the Mount Spurr area

Projects for 2009

- Lease Sales
- Exploration in Alaska
- Development Activities
- Gasline
- Commercial
- Coordination with federal government

Lease Sales

- Continue to hold regular areawide lease sales
- Working on the Final Best Interest Finding for Cook Inlet
- Beaufort Sea Preliminary Finding

Exploration in Alaska

- Exploration drilling by Chevron in the White Hills
- Anadarko's delineation of the Gubik/Chandler gas play near Umiat.
- Exploration well in the Nenana Basin drilled by Doyon with Babcock and Brown.
- ConocoPhillips is planning to drill two more wells in the National Petroleum Reserve Alaska.

Development Activities (1)

- ConocoPhillips completing two additional wells from the Tyonek platform in Cook Inlet.
- BP will begin drilling development wells in the Liberty Unit (Beaufort Sea OCS)
- ConocoPhillips plans to develop satellites in the Alpine area

Development Activities (2)

- Pioneer will continue development drilling in the Oooguruk Unit
- ENI plans to continue drilling and begin production at the Nikaitchuq Unit
- Work with lessees to commercialize undeveloped oil and gas resources on the North Slope.
- BP will work on expanding production from its heavy oil prospects in the Prudhoe Bay Unit.

Gasline

- TC Alaska will continue preliminary fieldwork
- On track to complete royalty inducement regulations for gas valuation and RIK/RIV switching

Commercial

- Conduct royalty and net profit share audits.
- Pipeline tariff evaluation
- Royalty valuation reopeners
- Forecasting long-term Cook Inlet gas supply and deliverability

Coordination with federal government

- Encouraging exploration and development of federal lands.
- Continue partnering with Minerals Management Service and Bureau of Land Management in managing and oversight of jointly-owned lands (Northstar, Beluga River, and Cosmopolitan Units).