



G. Scott Pfoff, President, Aurora Gas, LLC

[Introductory Remarks]

Aurora is a family of several small companies dedicated to resource development in Cook Inlet... our retail natural gas business, Aurora Power, continues to thrive and offers a lower cost alternative for the large commercial consumers of gas in south central Alaska. You are welcome to stop by our booth today and learn more about our services. The other companies compliment and support Aurora Gas, our exploration and production company. Aurora's focus is on natural gas and in particular, reserves that have already been discovered, or at least drilled through, in search of oil. Our operational niche is the west side of Cook Inlet, an area approximately 60 miles southwest of Anchorage.

We do have a decent inventory of exploratory prospects; oil and gas, onshore and offshore; however, our real niche, our focus, what really floats our boat so to speak is shallow, onshore, natural gas reserves that have been discovered (knowingly or unknowingly), that are within a reasonable distance of existing infrastructure and simply await development.

I'd like to briefly "rewind" to where I left you last year... a year ago, I reported that Aurora had successfully re-entered and recompleted the NCU # 2 well at our Nicolai Creek field on the west side. I also reported the successful reentry and side tracking of NCU well # 1b. Additionally, we were in the process of completing a very significant and strategic acquisition for a company our size, that being the "Moquawkie area" assets held by Conoco Phillips and Anadarko. Along with this acquisition, came the Lone Creek well #1 and approximately 50,000 acres of leasehold. With the Anadarko portion of the acquisition, came additional opportunities in the form of exploratory leasehold on the east side of the inlet. That brings me to 2003... in the first quarter, Aurora kicked off with a 26 square mile 3-D seismic shoot in our core area. In the second quarter, as soon as weather permitted, we then commenced construction of a six mile six inch gathering line from the Lone Creek no. 1 well pad to a newly constructed interconnection with the Marathon owned Granite Point to Beluga pipeline. At the well site we installed production facilities, including compression. And on July 31st of this year, Aurora commenced gas production and sales from Lone Creek at an initial rate of 10 million cubic feet per day. The well has subsequently been cut back to 5 million cubic feet per day.

Our purchaser is "awaiting cold weather", needless to say I am expecting a call from Enstar any day to boost production!

As we were putting the final touches on our production facilities at Lone Creek, we called again on our affiliate, Aurora Well Service, to mobilize its drilling and workover unit to the

west side.

Our first project was a workover of our NCU #3 well at Nicolai Creek to eliminate excessive water production. . .the jury is still out on this well as our attempts to re establish production are ongoing. From there, the rig moved back to the southern end of the field to drill a new well, NCU #9.

The preliminary results of NCU #9 testing are very encouraging and as a result, we have 3 wells with a common surface location ready to go onto production. As soon as the rig was moved off of the NCU #9 location, work immediately commenced on our NCU 1-2-9 pipeline and surface production facilities. This is not taps or the north slope gas line by any stretch, but it is a big deal to us. . . .

A 4-inch, 2 mile pipeline from the southern end of the Nicolai creek field to our existing interconnection with the cook inlet gas gathering system (ciggs). This project included the boring of approximately 2,500 feet of the line underneath wetlands for economic, environmental and engineering purposes. Here you can see the minimal impact the operation had on the wetlands. The only visible impact are the wooden stakes and orange ribbons tracking the path of the hole bored underneath. From here the line hooks a right to west and follows the airstrip to the well pad where as you can see, production facilities are being installed. This is a view from the pad looking back, the opposite direction, back to the bluff. The 1-2-9 facility work is progressing nicely, despite the current weather conditions and we anticipate an early December startup. This facility is designed to handle up to 12 million cubic feet per day.

We feel between the three wells we will be operating pretty much at capacity for several years.

Meanwhile, the AWS #1 rig stayed busy despite the lateness of the season. It had moved north and mobilized at the Moquawkie gas field, yet another gas field which had been idled long ago. Aurora recompleted the Mobil Moquawkie no. 1 well and again, we are extremely pleased with the preliminary testing results.

As we speak, aurora is conducting a thorough testing of all three wells at southern end of Nicolai creek; in addition to the Mobil Moquawkie #1 well and the nearby Simpeco Moquawkie no. 1 well, pictured here. We hope to be in a position to announce the results of these tests before the end of the month. But i think it safe to say that between these five wells, we will be adding 15 to 20 million cubic feet per day of deliverability to cook inlet.

If you ask me what else in store for aurora in 2004, the short answer is “more of the same”. We plan another seismic program in the first quarter, probably in the neighborhood of 75 miles of 2d.

We plan a major pipeline and facility project in the second quarter, this being the installation of production facilities and a 4-mile gathering line, from Moquawkie to the south and an interconnection with ciggs at granite point. And, as has been the case for the last two work seasons, more re-entry candidates than available rig time, probably at least five.

There are no snakes in Alaska. . .but there are many “snakes in the grass” waiting to bite a producer attempting to establish operations in the cook inlet. These bites can be frustrating, time consuming and expensive. They are in the form of regulatory and permitting “obstacle courses” in addition to operational and logistical challenges. I am not going to stand up here and tell you that we didn’t deserve some those bites. Alaska is not an easy place to operate, and frankly, I don’t think it should be, but it should be easier

than it is. It's a learning process, and there have been some hard lessons learned, but if you take away anything from my presentation today, my hope is that you come away with the belief that it is possible for a small company to operate in Alaska.

Even if the amount of production we contribute isn't yet significant by north slope standards, what we have accomplished, as a matter of precedent for the future, speaks tons.

The cook inlet is a big basin; the need for new gas reserves is ever-increasing and guess what, since the majors and large independents seem to be losing interest, we need small companies out there exploring for, and developing additional natural gas reserves in cook inlet.

Aurora is at the forefront, leading the effort, and plowing the ground, on behalf of small companies that will join us in the search for new gas in cook inlet.

Thank you.

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