More oil in Torok
AOGCC OKs pool rules for Kuparuk Torok formation; development to follow

By ERIC LIBI
For Petroleum News

State officials have approved a new oil pool at the Kuparuk River unit.

The Alaska Oil and Gas Conservation Commission approved a request from ConocoPhillips Alaska Inc. to establish the Kuparuk River-Torok Oil Pool at the unit.

The ruling allows ConocoPhillips to proceed with an oil development program from the existing Kuparuk River-Torok Oil Pool at the unit. The Kuparuk River-Torok Oil Pool is defined as “the accumulation of oil and gas common to and correlating with the interval within the Kabukil No. 1 well between the measured depths of 4,991 and 5,272 feet on the resistivity log recorded in exploratory well Kabukil No. 1,” according to the July 22 decision (Conservation Order No. 725).

ConocoPhillips applied for the pool in late December. If the members pass the proposal, local control revolves around the cost, lengthy timeframe and rigidity of the RCA regulatory process.
So far few Anchorage-area impacts; slow

AOGCC OKs pool rules for Kuparuk Torok formation; development to follow

AEDC: Industry jobs down

So far few Anchorage-area impacts; slow turnaround after 2018 based on oil prices

Toward local control

Homer Electric wants its board rather than RCA to regulate its electricity rates

BLM starts GMT-2 project review

BP sees AK investment flexibility

Conoco: Alaska cuts likely small

ENVIRONMENT & SAFETY

Kenai refinery part of S425M settlement

6 refineries, 5 belonging to Tesoro, part of Justice Department, EPA settlement; millions required for pollution control equipment

EXPLORATION & PRODUCTION

BlueCrest not drilling offshore

Seismic, well data up for public release

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Royale Energy to merge with Matrix Oil

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Costello: More AGDC answers needed

Anchorage Republican, L&C Chair says she wants to remain optimistic, but needs more clarity on the AKLNG project from Walker, AGDC

AOGCC sets CIE reconsideration hearing

Murkowski reports on federal energy bill

Alaska's senior senator chairs Senate side of conference committee, says she'll make sure Alaska provisions in bill 'don't get lost'

NMFS issues Apache Cook Inlet LOA

Governor vetoes legislators on AGDC board

LAND & LEASING

Court dismisses Chukchi lease sale appeal

BOEM to live stream Gulf of Mexico sale

AIDEA reports on Interior Energy Project

Agency's initiative to bring affordable energy to the Fairbanks area has slowed but continues to move towards key decision points

Prudhoe singled out for marketing info

Division of Oil and Gas has approved 21 of 22 PODs since new natural gas marketing information requirement instituted in January

Hilcorp plans Slope facilities mergers

Endicott, Northstar would use single connection point to TAPS, with newer Northstar facilities used; Endicott would be backup

Foreign-flagged tanker to move ANS crude

Utilities comment on grid standards

Say they are progressing toward a single set of standards for Railbelt power transmission, want confidentiality over security

TMI? [Image]

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Costello: More AGDC answers needed

Anchorage Republican, L&C Chair says she wants to remain optimistic, but needs more clarity on the AGDC project from Walker, AGDC

By STEVE QUINN
For Petroleum News

Sen. Mia Costello was putting the final touches on details for a three-week vacation when the news hit: SB 125, her bill to place legislators as non-voting board members on the Alaska Gasline Development Corporation, was vetoed by Gov. Bill Walker. A day later the Alaska Supreme Court vacated a voter initiative she spearheaded in 2014. The day before, she had spoken to the Anchorage Republican who chairs the Labor & Commerce Committee and sits on Resources as vice chair, talked to Petroleum News about her concerns over progress with AGLCN project and her expectations of Gov. Bill Walker.

Petroleum News: Let’s start with SB 125 being vetoed. It passed by a pretty wide margin. Were you surprised? Did you think the governor vetoed it? No. I wasn’t surprised, but I was very disappointed. I think the ink wasn’t even dry on a newspaper article when Ken Corr left a note for AGDC, was saying that the No. 1 challenge for a gas line in Alaska is the relationship with the Legislature and how we looks forward to improving the relationship.

The governor turns right around and has the opportunity to sign into law a bipartisan measure that would allow legislators sit as non-voting board members. We would listen to in these close-door meetings to help with that relationship, help with the continuity and preserve some continuity too because the bill required some experience with oil and gas on the board members.

But the governor vetoed it. He chose not to back up what he’s saying with actions so I’m very disappointed.

Petroleum News: One of the crit- ics in the Senate who voted against the measure wrote in his veto letter was placing law- makers on the board would lead to politicizing the board. That’s contrary to the initial mission. How do you see this?

Costello: I did hear those concerns. There is precedent for legislators sitting as non-voting, ex-officio members on other boards but more important, I think it’s the nature of this project and the problems we’ve had with transparency. I think the governor is politicizing the issue. He’s made it difficult to figure out what his vision is.

We aren’t going to have to see a seat at the table. As far as any concerns that it’s politicizing it, we are the people’s branch. Who is more deserving of know- ing what’s going on with the project to the people’s branch of government? So I view it as only a positive thing, only improving the relationship, the commu- nication and the transparency.

If the governor chooses to veto a transparency bill, that’s his prerogative. Majority members of the Sen- ates would have both sat in. It was amended in the House to include a minority member.

Petroleum News: So what do you next year? Do you try again?

Costello: I’m not going to give it thought on whether I would introduce it again. I think the main concern that I have and the main interest I have is that the govern- or start working on his vision for the gas line. When you look across the actions he’s taken, it’s confusing who is driving the policy behind the gas line.

The players are constantly changing. They are constantly hiring new people. We have a new DNR commissioner. The entire AGDC board except for Dave Cruz has been replaced. We have a new CEO. When you look across the land- scape of this issue in Alaska, I think that this bill and the veto of this bill is one of many examples that indicate the gover- nor has a vision for the gas line they haven’t shared with the people of Alaska.

That’s what this bill is trying to do. It’s saying that the most important project we are facing. It’s only going to improve an improve, improve a chance of success of it if we are communicating, if we are working with each other, and we have an understand- ing of what the governor’s vision is.

Petroleum News: You’ve touched on turnover. One of your colleagues raised that issue during the AKLNG quarterly meeting you see this?

Costello: I think some turnover in agencies and projects, that’s natural. The turnover we’ve seen is unprecedented and troubling.

Petroleum News: Is there any particu- lar departure that concerns you the most?

Costello: You know, acting Commissioner Marty Rutherford leaving so suddenly, just prior to announcing he was going to reject the plan of develop- ment for the Prudhoe Bay unit, to me it was another red light. Taken as a whole, there has been a whole lot of uncertainty, changing personalities that are often times controversial. It just makes you wonder what the governor is thinking about what he wants for this gas line.

Petroleum News: OK, let’s go to the Petroleum News 9th. What are your takeaways from the hearing?

Costello: I’m concerned the governor is using his action to leverage the com- panies into giving him information that has never been requested. This is a plan of development, which is an annual sub- mission that takes part of the activities on the North Slope. I think it’s politicizing a process and it’s putting oil production at risk. We are at a time in our state’s histo- ry where we need certainty, to know that we have revenue coming into the state. To politicize a plan of development process sends mixed signals to Alaskans.

Costello: I would have more confidence if he was looking for a way to market our own gas or if we are going to take on the responsibility of paying for … I’m not sure what it is.

Petroleum News: And the other recent issue, you had called the situation over the POD troubling, echoing the thoughts of committee Chair Cathy Giessel. What do you feel that way?

Costello: It seems like each party had dug their heels in the sand. The governor and his attorney are saying this informa- tion is proprietary in nature. The governor is saying it is proprietary and that it’s infor- mation the state hasn’t requested in the past; it seems premature; it comes prior to the POD. I think that if we are going to market our own gas or if we are going to have one of our partners market it for us. This begs the question we are looking to approve their marketing plan and if we
S
eries air pollution problems at six refineries including Tesoro Corp.'s Kenai facility in Alaska are being addressed through a $425 million settlement announced July 18 by the U.S. Justice Department and the Environmental Protection Agency.

Tesoro and its subsidiaries operate five of the refineries in the settlement and used to run all six. The sixth one, in Kapolei, Hawaii, was sold in 2013 and is run by Par Hawaii Refining, the other corporation named in the settlement.

Under the agreement, which the public can comment on before it becomes finalized in the near future, the companies must spend $403 million to install and operate pollution control equipment. In addition, Tesoro will spend $12 million on environmental projects in communities with a history of pollution impacts as well as paying $10.45 million in fines.

Efforts to reach Tesoro for comment July 18 were unsuccessful. Kenai Peninsula Borough Mayor Mike Navarre said Tesoro is considered a good operator and he wasn't aware of air pollution issues at the refinery.

EPA has found problems at the various refineries that go back years and even decades, according to the complaint filed in U.S. District Court in Texas July 18 along with the settlement. The states of Alaska and Hawaii, as well as the Northwest Clean Air Agency, joined with the federal government to bring the complaint.

Two main problems at Kenai

Two main pollution problems occurred at the Kenai plant, said John Keenan, a Clean Air Enforcement officer with the EPA in Seattle.

First, the Kenai refinery was flaring — or burning — gases generated during the refining process beyond what is allowed. In addition, refinery workers failed to analyze pumps, pipes and valves for leaks as frequently as required, which can expose the environment, according to the EPA.

Keenan said Tesoro is considered a good operator and he wasn't aware of air pollution issues at the refinery.

The public will have 30 days to comment on the agreement through a process that will be posted on the Justice Department website.

**FINANCE & ECONOMY**

Royale Energy to merge with Matrix Oil

Royale Energy Inc. said July 25 that it has signed a letter of intent to merge with privately held Matrix Oil Corp. The $41.5 million transaction is subject to completion of due diligence reviews and definitive documentation and stockholder approval. Royale said the companies seek to complete the merger in the fourth quarter.

Matrix has oil and gas properties in the Sacramento, San Joaquin and Los Angeles basins in California and in the Permian basin in Texas. Royale is an independent exploration and production company focused on natural gas with primary operations in the Sacramento and San Joaquin basins. Royale holds some 40,000 acres of undeveloped state of Alaska oil and gas leases on the North Slope.

Royale said combined production from the two companies should be some 650 barrels of oil equivalent per day. The company will retain the Royale Energy name. Matrix will become a wholly owned subsidiary.

—PETROLEUM NEWS
Congratulations ASRC!

After years of apprenticeship and regulatory delays, ASRC Exploration operates first North Slope exploration well

Although it has been an important player in the oilfield services sector for many years, Arctic Slope Regional Corp. officially became an explorer this year through ASRC Exploration LLC with its completion of Placer No. 3 well, the culmination of a decade-long apprenticeship under BPR.

Prior to ASRC acquiring the Placer prospect, ConocoPhillips drilled Placer No. 1 and Placer No. 2 exploration wells at the western edge of the Kuparuk unit with favorable results.

ABR  
AECOM Environment  
AES Electric Supply, Inc.  
asSolutions  
Air Liquide  
Alaska Clean Seas (ACS)  
Alaska Dreams  
Alaska Frontier Constructors (AFC)  
Alaska Instrument  
Alaska Marine Lines  
Alaska Railroad  
Alaska Rubber  
Alaska Steel Co.  
Alaska textiles  
Alaska West Express  
Alpha Seismic Compressors  
American Marine  
Arctic Catering & Support  
Arctic Controls  
Arctic Wire Rope & Supply  
Armstrong  
ASRC Energy Services  
AT&T  
Automated Laundry Systems & Supply  
Avalon Development  
Bald Mountain Air Service  
BELL & Associates  
Bombay Deluxe  
Brenntag Pacific  
Brooks Range Supply  
Calista Corp.  
Carlie  
Certek Heating Solutions  
CH2M  
CMS, Inc./Heapworth Agency  
Cohville Inc.  
Computing Alternatives  
CONAM Construction  

Construction Machinery Industrial  
Crowley Solutions  
Cruz Construction  
Delta Leasing  
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Evets Air Cargo  
exp Energy Services  
EXPRO Group  
Fairweather  
Flowline Alaska  
Fluer  
Foss Maritime  
Fugro  
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GCI Industrial telecom  
Global Diving & Salvage  
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Guess & Rudin, PC  
Hawk Consultants  
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Last Frontier Air Ventures  
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Lynden Inc.  
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Motion Industries  
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NANA WorleyParsons  
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Nordic Calista  
North Slope telecom  
Northern Air Cargo  
Northwest Linings  
PacWest Drilling Supply  
PENC  
Petroleum Equipment & Services  
Polyguard Products  
PDN Engineers Inc.  
PRA (Petrotechnical Resources of Alaska)  
Price Gregory International  
Resource Development Council  
Ravn Alaska  
SAE Exploration  
STEELFAB  
Stoil Rives  
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tanks-A-Lot  
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Totein Equipment & Supply  
TTT Environmental  
UCI Design Plan Build  
UCI Oil and Gas Support Services  
Unique Machine  
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violent Products
AIDEA reports on Interior Energy Project

Agency’s initiative to bring affordable energy to the Fairbanks area has slowed but continues to move towards key decision points

By ALAN BAILEY
Petroleum News

In its latest quarterly report to the Alaska Legislature, published in early July, the Alaska Industrial Development and Export Authority’s Interior Energy Project described continuing progress towards an expanded natural gas supply for Fairbanks and the surrounding area of the Alaska Interior. However, with a decision yet to be taken on whether to proceed with the development of a new liquefied natural gas plant to underpin the supply boost, and with no further expansion to the gas distribution network in Fairbanks this year, the pace of the project has clearly slowed.

The essential purpose of the project is to reduce the cost of energy for Interior residents, and to convert the area’s emissions from wood smoke, a major contributor to air pollution issues resulting from wood-burning stoves for heating houses, to natural gas. The project anticipates reducing the use of wood-burning stoves for heating houses, and with no further expansion to the gas distribution network in Fairbanks this year, the pace of the project has clearly slowed.

The recent drop in the price of oil impacts the motivation for Fairbanks residents to convert to natural gas, thus presumably creating a need for particularly competitive natural gas pricing.

In 2015 AIDEA purchased Pentex Natural Gas Co., the owner of gas utility Fairbanks Natural Gas, of a small LNG plant at Point Mackenzie on the Cook Inlet and of a road transportation service for delivering LNG to Fairbanks. Through its ownership of Pentex, AIDEA has been able to reduce the cost of gas for Fairbanks Natural Gas customers. But, especially given the small scale of the gas supply operation, and given the pricing of the gas delivered to the LNG plant, the price of the gas in Fairbanks is well above that $15 target level. And the existing service only supports a relatively small number of customers in central Fairbanks.

AIDEA wants to greatly expand the gas supply, and to achieve economies of scale the gas is delivered to the LNG plant at Cook Inlet and liquefied at the liquefaction plant in the Cook Inlet region. The price of the LNG gas in Fairbanks is now well above that $15 target level. And the existing service is only able to support a relatively small number of customers. AIDEA anticipates expanding the gas supply, and to achieve economies of scale the gas is delivered to the LNG plant at Cook Inlet and liquefied at the liquefaction plant in the Cook Inlet region.

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Competitive pricing

The report notes that the price of oil impacts the motivation for Fairbanks residents to convert to natural gas, thus presumably creating a need for particularly competitive natural gas pricing. The project has been targeting a price of heating oil and of oil-fired power generation.

And, by providing affordable natural gas, the project anticipates reducing the use of wood-burning stoves for heating houses, thus addressing the severe winter air pollution issues resulting from wood smoke in the Fairbanks area.

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AIDEA wants to greatly expand the gas supply, and to achieve economies of scale the gas is delivered to the LNG plant at Cook Inlet and liquefied at the liquefaction plant in the Cook Inlet region. The consolidated utility would be spun off as an independent entity.

In March the Interior Energy Project team recommended to the AIDEA board that a proposal by Salix Inc. to build a new LNG plant in the Cook Inlet region be selected as the basis for an enlarged and cheaper Fairbanks gas supply. However, the team has yet to put before the board a completed plan for the plant development, to enable the board to make a formal decision on whether to authorize the front-end engineering and design phase of the plant construction project.

Five-stage supply chain

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dr. alaska sen. lisa murkowski says her top priority when congress resumes work is crafting a house-senate compromise on a broad bipartisan federal energy bill that passed in the senate in april 85 to 12.

murkowski, who chairs the senate energy and natural resources committee, is also chair of the senate side of a house-senate conference committee. the conference committee includes the ranking minority member on the senate energy committee, sen. maria cantwell, d-washington.

"my position on the conference committee will allow me to make sure that alaska's provisions in the energy bill don't go lost," murkowski told the alaska chamber of commerce july 25.

crafting the bill has required a careful balancing act, with murkowski working with maria cantwell to produce a bipartisan bill, the first in years congress will have passed if it finally happens.

republican and democratic members of the committee had to reach consensus on a multitude of issues and avoid partisan priorities that would have been rejected on the floor of the senate. "both sides had to agree to drop a few priorities to get consensus," the senator said.

murkowski's good working relationship with cantwell was crucial, she said.

more provisions in house version

the house version of the bill, however, contains more provisions inserted by the republican leadership there that will not go over well with senate democrats. murkowski's challenge in the conference committee will be to bring house members along in developing a final bill that will be acceptable.

as part of the proposed energy policy modernization act, which has long been in the works, contains several measures beneficial to alaska in areas of renewable and traditional energy production, mineral production, public land access, and the reauthorization of programs that provide important funding to the state.

"chairman murkowski's energy bill will help alaska produce more of its resources, lower energy costs across the state, and provide sportsmen with greater access to our federal lands," said robert dillon, communications director for lisa murkowski for u.s. senate.

provisions for alaska

alaska-related provisions include:

- reauthorizing federal research at prudhoe bay on production from methane hydrates, which could provide a vast gas resource on the north slope.
- directing the u.s. bureau of land management to coordinate more closely with the state of alaska on federal land management plans.
- reauthorizing federal research of alaska's geothermal resources which could benefit up to one-fourth of the communities in the state.
- streamlines permitting decisions for new hydropower projects, to reduce unnecessary delays and costs.
- authorizes expansion of the terror lake hydroelectric project in kodiaq.
- promotes development of hybrid micro-grid technologies for rural communities, including the integration of renewable energy sources to reduce diesel dependency.
- clarifies that alaska and other states are eligible for federal loan guarantees for the deployment of new energy systems and efficiency improvements.
- reauthorizes the state energy program to provide federal funding directly to the state to invest in energy efficiency, renewable energy, and energy emergency preparedness.
- continues a program that provides funding for the state to assist in weatherization in homes of low-income alaskans.
- changes the definition of "indian tribes" in federal law to include alaska native corporations, so native corporations can apply for federal hydroelectric licenses; allows alaska native tribes and native corporations to be eligible for federal biomass demonstration project grants; allows alaska tribes to apply directly for federal home weatherization funds.

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hilcorp plans slope facilities mergers

endicott, northstar pipelines co., both owned by hilcorp subsidiary harvey alaska, have applied to the regulatory commission of alaska for a permit to connect the endicott pipeline to the northstar oil pipeline. the joint application also includes approval of a connection agreement between the companies for their connection facilities at taps pump station no. 1 and approval of a capacity lease agreement for endicott throughput from the new taps pump station no. 1 connection through existing northstar-taps connection facilities.

the northstar and endicott pipelines are currently connected separately to taps at pump station no. 1 with the northstar-taps connection agreement dating from 2001, the endicott-taps connection agreement from 1987.

the companies said in their application that the endicott-taps connection facilities will remain in place for the purpose of transporting lubrication production to taps pump station no. 1 and will also serve "as a possible back-up facility for the northstar-endicott production streams if needed for that purpose." lubrication production

"when the endicott-taps connection is no longer needed for lubrication production, which may occur within the next few years, a decision will be made at that time concerning whether the use of the endicott-taps connection should be permanently discontinued and whether it should be removed, subject to regulatory approval," the companies said.

the proposed endicott-northstar connection facilities would be in close proximity to taps pump station no.1, some 400-500 feet upstream of the taps metering building.

the companies said the incoming endicott and northstar pipelines would be connected by a jumper line, and would result in combined throughput from the endicott and northstar pipelines entering taps through the existing northstar-taps connection facilities.

the companies are asking for rca approval without formal proceedings because the parties agree on the terms and conditions, there are no protesting parties and the parties have agreed on reasonable terms and conditions.

capacity agreement

the capacity agreement between the companies provides for equal sharing of the costs to maintain the northstar-taps connection facilities and would allow endicott throughput of up to 90,000 barrels per day between the final 400-500 feet of the connection facilities between the northstar tie-in point and the northstar-taps metering building.

the companies said the northstar-taps connection facilities were designed to accommodate expected northstar field production of 65,000 bpd, which could be increased to 70,000 to 90,000 bpd with modifications.

the current combined average daily throughput of endicott and northstar is less than 20,000 bpd.

the companies said the capacity lease would benefit both pipelines, and their respective shippers, by allowing the pipelines to share operating and maintenance costs of the northstar-taps connection facilities downstream of the northstar-tie-in point, eliminating "the need for maintaining and operating redundant capacity downstream of the endicott tie-in point" thus reducing operating and maintenance costs for both pipelines.

in addition to cost savings, the companies said "the proposed connection will also serve to mitigate corrosion on the northstar-taps connection facilities with the increased volumes, and the cost of corrosion control measures and other maintenance costs will be shared by the two pipelines."

land & leasing

court dismisses chukchi lease sale appeal

given that no further exploration is planned in leases sold in the department of the interior's 2008 chukchi sea lease sale, the federal district court in alaska has finally dismissed a long-standing appeal against the validity of the environmental impact statement for the sale. with the various companies that purchased leases in the sale having already relinquished their leases, only one shell lease remains in the chukchi outer continental shelf. shell is retaining that lease in order to preserve the confidentiality of data from a well that it drilled in the lease and has no plans for further exploration in the area.

in a court order issued on july 19 judge ralph beistline said that, given the changed circumstances surrounding the chukchi sea leases, he was dismissing the lease sale case "without prejudice to renewal by the plaintiffs should circumstances change in the future."

the native village of point hope and 12 environmental organizations launched the appeal just prior to the lease sale in 2008, claiming that there were deficiencies in the environmental impact statement for the sale. with subsequent court rulings requiring improvements to the eis before exploration activities could be approved, the appeal became one of a number of factors delaying shell's efforts to drill in the chukchi, as a consequence of the rulings, interior issued new versions of the eis and reauthorized the lease sale in february 2012 and march 2015. the last rework of the eis resulted from an april 2014 9th circuit appeals court decision upholding a complaint against the first eis rework and remanding the case to the district court.

the appellants challenged the march 2015 decision by interior, but the various parties in the appeal have agreed that at this stage there is no purpose to continuing that challenge. three parties in the case — the native village of point hope, the city of point hope and the impugn community of the arctic slope — had already withdrawn from the case in 2015.

—alan bailey

by tim bradner
for petroleum news

by kristen nelson
for petroleum news

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at bnelson@petroleumnzews.com
Well done BlueCrest!

Congratulations to BlueCrest’s Benjy Johnson, Robert Israel, John Martineck, and Kenneth Sanders on bringing Cosmopolitan’s production facilities online.

BlueCrest President Benjy Johnson said the production facility has slots for up to 20 wells and is capable of processing up to 10,000 barrels per day; a target he believes can be achieved at Cosmopolitan. The facility is built on a 38-acre land parcel so it can be expanded in the future if drilling results merit. The company plans to begin the drilling of two additional production wells by early fall — mid-August is the target—when the assembly of a large drill rig is completed at the site.
Return to Round Top

After 34 years, drills are again tapping copper target in western Alaska

By SHANE LASLEY
Mining News

ILLINOIS CREEK CAMP — Maps spread out here on a pool table and laptops filled with geochemical and geochemical data collected at the Round Top copper project line up on a makeshift desk against the wall — an air of optimism and excitement fills the former recreation room for the project’s gold-mining line up on a makeshift desk against the wall — an air of optimism and excitement fills the former recreation room for the project’s headquarters.

"Our 2016 drilling program represents a significant milestone in the exploration of the Illinois Creek district,” said Kit Marrs, founder and president of Western Alaska Copper & Gold Company.

The source of the excitement is a drill tapping into a potentially large and robust porphyry copper deposit about 11 miles to the northeast, the first such program carried out at Round Top in 34 years.

"With money out of our own pockets on the line, three of the company’s four directors — Marrs, his wife Joan and Gary Jones — are closely monitoring the drilling progress and carefully targeting each hole to corroborate results from historical drilling and test some of the quality geophysical and geochemical anomalies that define this large porphyry target.

Considering the chalcocite and other copper mineralization being cut by drilling so far, this careful deliberation is paying off.

Strong team

While Western Alaska Copper & Gold may be a relatively small and privately funded mineral exploration company, its leadership brings experience and skills ideally suited for advancing Alaska minerals projects, especially ones found in the Illinois Creek district.

Kit and Joan Marrs were first dispatched to Illinois Creek, a western Alaska district located a few miles east of the Yukon River, after Anaconda Minerals discovered outcropping copper mineralization during a 1990 reconnaissance exploration program in the area.

As project geologist for Anaconda, Kit was in charge of the 1980s exploration program that included mapping, sampling, geophysical surveys and drilling.

This early work made a number of discoveries across the district that includes a nearly mile-wide intrusive complex at Round Top, TG and TG North, high-grade brecciated silver-gold-lead-zinc
Declining gold production spurs Goldcorp

Canny producer snaps up Yukon explorer along with its 2-million-ounce-plus Coffee gold project in half-billion-dollar takeover

By CURT FREEMAN
For Mining News

A follow-up to last month’s realization that once again “the game is afoot” in the mining industry, major gold producer Goldcorp recently presented some arresting statistics at the Bank of America Merrill Lynch Global Metals, Mining and Steel Conference. The presentation showed gold discovery and production information for the global mining industry that indicated that peak gold discovery occurred in 1995, thus despite the periods between 1995 and 2015 when exploration funding was skyrocketed. Perhaps more important to Alaska, as elephant country for gold deposits, is the fact that global gold reserves declined 15 percent between 2013 and 2015, while peak gold production took place in 2015. Gold production forecasts for the next decade show a steady decline in anticipated production, from the 2015 peak of about 95 million ounces per year to a projected production rate in 2024 of less than 80 million ounces per year. Goldcorp’s belief in these dismal forecasts was made clear with their recent C$520 million takeover of Kaminak Gold and its more than 2-million-ounce Coffee gold project in western Yukon Territory. Talking the talk is one thing, but Goldcorp is walking the walk, and you can bet their actions are not lost on other resource-hungry gold producers.

Western Alaska

GRAPHITE ONE RESOURCES INC. announced earlier this month from the initial performance tests on coin cells manufactured with the company’s premium grade, coated spheroidized graphite from the Graphiche Creek project. The benchmark test results show that the application of a coating produces little change in the important reversible discharge capacity of the coin cells and in turn increase in efficiency, measured in terms of reduced irreversible capacity loss. Reversible discharge capacity for the best coated coin cell was 370 mAh/kilogram or about 0.5 percent below the theoretical maximum for natural graphite. Discharge capacity is a measure of a battery’s energy storage capability once charged. Coin cell 1220 successfully completed three charge/discharge cycles as seen in the accompanying figure, the second and third discharge charge curves show almost complete coincident overlap with the first discharge curve, attesting to repeatability in performance and subsequent charge/discharge cycles. The next product development test phase will use representative graphite from the project to compare with the test results and generate additional sample product for interested third parties. The test results will be used in the company’s preliminary economic analysis, expected in the third quarter of 2016.

Interior Alaska

On July 23, 2016, just over 114 years after gold was discovered in the Fairbanks District, KINROSS GOLD’S Port Knox mine passed a major milestone – the pouring of its 7 millionth ounce of gold! The mine poured its first ounces in 1996 after going to production with a resource of just over 4 million ounces. Twenty years into a 10-year mine life (what?!) the mine continues to produce 405,553 ounces of gold in 2015 with another good year in progress for 2016. The mine has expanded late in life, thanks in part to the Walter Creek heap leach facility where lower grade ore is processed. Since its start-up in 2009, the heap leach has contributed more than 750,000 ounces of gold to the project’s production totals. At the end of 2015, the mine had resources of 147.32 million metric tons of proven and probable reserves averaging 0.4 grams per metric ton gold (2.02 million ounces). The mine also holds another 1.42 million ounces of gold in other resource categories that may prove recoverable in the future. The mine currently anticipates milling gold through 2019 with several years of heap leach production continuing beyond that point. Congratulations to everyone, past and present, who contributed to the success of the Port Knox mine!

FREEGOLD VENTURES LTD. announced that it will commence core drilling at Shorty Creek copper-gold project near Livengood. Previous drilling by Asarco on Hill 1835, one of the current two target areas had suggested the potential for a porphyry deposit at depth. The 20-hole Asarco drill program (1989/1990) noted the presence of copper-gold mineralization that coincided with gold mineralization at depth in most of the shallow drill holes completed. Following ground geophysics and soil sampling in 2014, the company completed four holes drilled and confirmed the presence of intrusive-hosted copper-gold mineralization, the best interval of which was 91.4 meters, grading 0.55 percent copper, 7.02 grams per metric ton silver and 0.14 g/t gold in hole SC15-03. Work in the Hill 1835 area in 2016 will focus on extending the known mineralization to depth as well as testing the center of the magnetic high associated with the prospect. Additional work is planned for the Hill 1710 area where a 6-kilometer-by-1-kilometer soil anomaly contains coincident copper and gold (900 parts per million) and molybdenum (up to 235 ppm). The 2016 drill program will test about a 2-kilometer-by-1-kilometer area with 400-meter spaced holes.

NORTHERN EMPIRE RESOURCES CORP. announced the commencement of an exploration program at its Richardson gold project in the Richardson District. The first phase of the 2016 exploration program has been budgeted at about $500,000. Phase 1 will consist of about 500 soil samples, 300 meters of trenching, prospecting, 100 line kilometers of ground magnetic surveying, four line kilometers of induced polarization geophysics and re-logging of historic core holes with the goal of delineating drill targets. The 2015 soil sampling efforts discovered anomalies that will be followed up by trenching in this year’s program. Additional soil work will be done to expand existing targets and also to define new targets, for potential drill testing.

Alaska Range

COVENTRY RESOURCES LTD. said a second drilling rig has arrived at its Caribou Dome copper project in the Valdez Creek District. The company plans to complete 8,000 meters of drilling in 2016. This program will include initial testing of the Menel, Goldhill, Leme 9 and Leme 3 induced polarization geophysical targets, located along strike from the 700-meter-long mineralized zone drilled to date. All four of these targets consist of strong IP and/or copper-gold targets and strong copper geochemical anomalies at surface, including rock chip samples that assayed up to 16.5 percent copper and 0.08 g/t gold per the Canadian target. In addition to drilling, new IP data will be acquired over extensive soil anomalies delineated over seven kilometers of strike. While preparing to drill the Menel Target, significant copper mineralization has been mapped directly above and immediately along strike from the Menel IP anomaly. While preparing to drill the Menel Target, significant copper mineralization was mapped directly above and immediately along strike from the Menel IP anomaly.

KISKA METALS CORP. and partner FIRST QUANTUM MINERALS announced that an exploration team and drill rig has been mobilized to the Copper Joe copper-gold-molybdenum porphyry project in the western Alaska Range. In 2015, the partners completed detailed alteration and vein mapping, along with initial mineralized rock chip (white-mica hyperspectral analysis and chloride chemistry), a 12-square-kilometer, full-tensor magnetotellurics geophysical survey, and applied Fathom Geophysics proprietary three-dimensional porphyry footprint lithogeochronological model. This work has defined two compelling porphyry targets, the Evening Star and Morning Star prospects. In 2016 the partners plan to drill the core of the Evening Star magnetotellurics anomaly with an 800-meter-long diamond drill hole. Morning Star has yet to be tested by geophysical surveys or drilling, and will be further investigated in 2016.

Northern Alaska

NOVACOPPER INC., soon to be renamed TRILOGY METALS INC., provided an update on its 2016 field program for its Copper Joe copper-gold-molybdenum porphyry project in the Ambler District. The company has budgeted US$5.5 million this year mainly for drilling at the Arctic copper project. A planned 3,000-meter and program using three diamond drill rigs will continue until mid-August. In addition, the company will complete in-pit geotechnical, hydrological, metallurgical, environmental and waste rock characterization studies. The company will continue to engage with the State of Alaska on the permitting of the Ambler Mining Industrial Access Project.

Southwest Alaska

HECLA MINING reported preliminary second-quarter 2016 production results for its Greens Creek mine on Admiralty Island. The mine produced 2,117,024 oz. silver and 11,528 oz. gold, which represent a 14.1 percent increase and 16.0 percent decrease over 2015. Production results, over silver and gold production levels during the year previous period. Higher throughput and average silver contributed to increased silver production. The mill operated at an average of 2,235 tons per day in the first quarter. Silver and gold production for 2016 are now estimated at 8.3 million ounces silver.
Historian offers intriguing glimpses into the world of Alaska mining in the early 1900s in his new novel, ‘Dead Men Do Come Back’

By ROSE RAGSDALE
Special to Mining News

S
 Steven C. Levi’s new mystery, “Dead Men Do Come Back,” not only provides a rollicking glimpse of the new Old West, it takes a discerning leap into the world of geophysical surveys and supported by the presence of mineralized boulders grading up to 16.1 percent zinc and 13.2 g/t silver, and depth and strike extensions of silver-rich massive barite sulfide mineralization at the Cap prospect where limited historic drilling has intersected 134 g/t silver over 23.2 meters and 31 g/t silver over 90.6 meters. Cap is one of several stratigraphically linked prospects that define a hydrothermal system of comparable scale to the RW-South Wall resource area that is located 2,500 meters to the northeast. The 2016 field program also includes environmental, hydrogeological, engineering studies, road construction and the completion of several geotechnical drill holes.

QUATERRA RESOURCES INC. announced the sale of its remaining 35 percent participating interest in the Herbert Glacier project, Alaska, to its joint venture partner GRANDE PORTEAGE RESOURCES LTD. The project carries an indicated resource of 821,100 metric tons containing 182,400 ounces of gold at 6.91 g/t gold per ton. Inferred resource includes 51,600 metric tons containing 12,800 ounces of gold at 7.73 g/t gold per metric ton. Drilling has intersected the mineralized vein over a strike length of 370 meters and to a depth of more than 200 meters. The vein can be traced at surface over a strike length of 1,000 meters.

CORE-RARE METALS announced a further update on the commissioning of the SuperLig-One rare earth element separation pilot plant. The first tranche of pregnant leach solution derived from the company’s Bokan - Dotson Ridge project in Alaska has been subjected to a series of tests, the most recent of which was separation of the sub-groups samarium-dysprosium and the holmium-lutetium sub-group from the heavy rare earth element class. The separation of the two Sub-Groups was achieved at greater than 99 percent purity and greater than 99 percent recovery.

Despite the amount of exploration spending carried out over the past two decades, gold discoveries peaked in 1995. Due to this dearth of new finds, Goldcorp believes that gold production may have reached its peak in 2015.

Murder/mining tale dishes chilly thrills

Historian offers intriguing glimpses into the world of Alaska mining in the early 1900s in his new novel, ‘Dead Men Do Come Back’

By ROSE RAGSDALE
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by the fictitious but likable U.S. Marshal Gordon Whitford, the story is a slick and entertaining “who dun it.” It is also a detailed portrayal of the harsh realities that faced the lawmen who operated near Juneau in Southeast Alaska in the early 1900s.

In this fictional tale of clever skullduggery, Levi also manages to educate the reader about the extraction, refining and transportation of gold ore during this period by weaving in actual details of early Alaska mining and history. His protagonist, Whitford, does a credible job of investigating the murder of a lone miner – one Chilly George Swanscombe – and subsequently the apparent theft of at least 250 pounds of gold ore that seems to disappear in the process of being transported by steamship from the Alaska Gastineau Mine in Juneau to a refinery in Seattle, not once but twice.

Who could have pulled off such an audacious caper? Will Whitford catch the bad guys? And how exactly did they manage to do it? Theatisfying and entertaining “who dun it” aspect of the novel, Levi’s management of the narrative, and Whitford’s believable efforts to solve the mystery all work together to keep the reader guessing until the end.

The book is a good read for anyone interested in early Alaska mining or life in territorial Alaska, especially in Southeast, during the early years of the 20th century.

Published by Hong Kong-based Crime Wave Press, “Dead Men Do Come Back” is available online at www.crimewavepress.com or at www.amazon.com.●
Mining Companies

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Located 25 miles northeast of Fairbanks, Fort Knox is Alaska’s largest producing gold mine; during 2011, Fort Knox achieved 5 million ounces of gold produced, a modern record in Alaska mining.

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cated resource of 31.8 million ounces of silver contained within 3.07 million tons of millable material averaging 321.6 grams per metric ton silver for the Dolly Varden, Northern Star, Turbit, and Wolf deposits at its Dolly Varden property.

Equitotional Exploration to acquire Strategic lithium property in NWT

Strategic Metals Ltd. July 27 announced that it has sold its interest in the Li-lithium property to Equitotional Exploration Corp. Located in western Northwest Territories, adjacent to the Yukon border, the Li property hosts the Little Nahanni Pegmatite Group lithium-sodium-tantalum pegmatite dykes. In exchange for the property, Equitotional has agreed to issue 7.5 million shares and 2.5 million warrants to Strategic. Upon TSX Venture Exchange acceptance of the transaction, the mineral interest in the property will issue 5 million of the shares. The remaining shares and warrants will be issued within a year. Each warrant will entitle Strategic to purchase an additional Equitotional share for C$10 at any time within two years of the issuance. Equitotional has also agreed to pay C$100,000 to cover the costs of Strategic’s 2016 work program on the Li property. Strategic has also extended its agreement with Equitotional to maintain us well for strong second half performance. The Minto Mine is now expected to produce 28,000 metric tons of payable copper this year. This Yukon operation produced 27,200 metric tons of payable copper at a C$1 cash cost of US$1.51.

Golden Predator raises C$16M; Sprott grab big stake in junior

Golden Predator Mining Corp. July 26 announced the completion of a C$16.36 million brokered private placement. As part of the financing, the company issued 11,058,695 shares at a price of C$1.50 per share and a warrant price of C$1.50. Following the closing, Sprott Capital Partners LP and a group of underwriters purchased 1,108,695 shares at the offering price and received one warrant for each share purchased. The company previously announced that its predecessor companies have spent more than C$4.5 million on the property since the first claims were acquired in 1993. The most recent program, completed in 2011 at a cost of C$1.5 million, consisted of extensive soil geochemical and magnetometer surveying with 5,589 soil samples collected, excavator trenching, and selecting induced polarization surveying. Several trenches cut gold mineralization with up to 4.40 parts per billion gold.

Independence launches phase 2; drilling begins next door to Coffee

Independence Gold Corp. July 21 reported the start of a roughly 2,000-meter reverse circulation drill program at its Boulevard gold project, which borders the Coffee Gold property now owned by Goldcorp Inc. The second phase of Independence Gold’s 2016 Yukon exploration program also will include a rotary air blast drill program on its recently optioned Rosebute gold property situated 58 kilometers (36 miles) south of Dawson City. The Coffee Creek fault system, an important structure that controlled the emplacement of the 2.16-million-ounce Coffee gold deposit, continues to the west and is interpreted to extend into the Denali area of the Boulevard property. Soil sampling at Denali has identified a 2,100-meter-long multi-element soil anomaly. This year’s drilling will follow-up drill hole YCS15-03, which intersected 4.25 grams per metric ton gold across 6.10 meters at the center of this robust soil anomaly. A similar structure, oriented subparallel with the Coffee Creek fault, is interpreted to control the 3,200-meter-long Sunrise-Sunset multi-element soil anomaly. At Rosebute, the company is planning to complete 1,500 meters of RAB drilling at the Hudbay zone, which hosts three, north trending gold-in-soil anomalies. Taku Gold Corp., which option Rosebute to Independence earlier this year, intersected 6.2 g/t gold over five meters; 1.2 g/t gold over 10 meters; and 1.5 g/t gold over 20 meters in trenches dug at the Hudbay zone in 2012.

Sabina points to local support; asks minister to OK Back River

Sabina Gold & Silver Corp. July 21 said it has asked the Minister of Indigenous and Northern Affairs Canada to reject the Nunavut Impact Review Board recommendation that Sabina’s Back River gold project not proceed to the next phase of permitting at this time. NIRB made its recommendation in a report that follows an environmental assessment process during which the review board coordinated and reviewed Sabina’s detailed environmental impact statements, including numerous technical studies and reports. Sabina said its engagement and consultation during this process was extensive and included community members, hunters and trappers, organizations, hamlets councils, advisory committees, the Kitikmeot Inuit Association, territorial governments and federal regulatory agencies. The process culminated in a six-day public hearing in Cambridge Bay, Nunavut, which was attended by representatives of all interested parties. At the end of the hearings, Sabina said there was strong Inuit support expressed for the project. Additionally, all agency subject matter experts were satisfied with Sabina’s plans and proposals for the project and recommended to the NIRB that the project move to the next phase of permitting. “As we worked through the NIRB process we came to know and respect the people and the environment of the Kitikmeot Region and Nunavut. We also have developed a positive working relationship with the KIA, who we have found to be transparent and business-minded, while also protecting the best interests of their constituents. Throughout this process, we have been focused on responsible mining in the Kitikmeot and appreciate all the input that we have received to assist us in our planning,” said Sabina President and CEO Bruce McLeod. “We believed we understood the issues we had to address in the final hearings and had come to resolution on these issues. Unfortunately, Sabina believes that the NIRB recommendation does not reflect this support nor the evidence presented during this process.” The Minister of Indigenous and Northern Affairs has three main options available to her regarding the NIRB recommendation not to proceed with Back River permitting at this time: reject the recommendation; refer the report back to NIRB for further review; or accept the recommendation. Sabina believes there are strong grounds for the minister to reject the NIRB recommendation and refer it back to NIRB to consider terms and conditions for a project certificate. Sabina contends the NIRB report does not fully consider support of the Back River gold project or fully recognize the socio-economic benefits the project offers; and it reaches conclusions that are not consistent with the evidence submitted by experts, responsible government agencies, and the KIA on the monitoring and mitigation measures. Whatever the minister’s decision is, Sabina

Going into 2016, Capstone Mining reported plans to temporarily halt operations at its Minto copper-gold-molybdenum mine. In 2017, with mine life extended to 2021 and with the addition of 3.5 million ounces of gold resources through the sale of the Minto North pit, the company is anticipating significantly higher copper production at this Yukon Territory operation in the second half of 2016.

Cariboo Rose digs for drill targets at Canadian Creek

Cariboo Rose Resources Ltd. July 22 announced the start of a C$22.5 million exploration program at its Cariboo Creek gold project, which lies immediately west of the Casino copper-gold-molybdenum porphyry deposit owned by Western Copper and Gold Corp. The program will include trenching and sampling in large multi-element soil geochemical anomalies that extend over a roughly 10,000-meter by 3,000-meter area. Previous work has shown that this area hosts gold mineralization that extends into the Coffee property, which lies immediately to the north, and this year’s work will follow up on those earlier discoveries as well as testing a large number of unexplored geochemical trends. The objective of the program is to better define the controls on existing occurrences and evaluate as much of the target area as possible for its discovery potential in order to plan a much larger second phase program. Cariboo Rose and its predecessor companies have spent more than C$14.5 million on the project since the first claims were acquired in 1993. The most recent program, completed in 2011 at a cost of C$1.5 million, consisted of extensive soil geochemical and magnetometer surveying with 5,589 soil samples collected, excavator trenching, and selecting induced polarization surveying. Several trenches cut gold mineralization with up to 4.40 parts per billion gold.
vein prospects less than a mile northwest of Round Top; Honker, a high-grade gold prospect on separate group of claims about 13 miles to the west; and the Illinois Creek copper-silver deposit, situated about six miles south of Honker.

While the Illinois Creek property was eventually developed into a mine that produced roughly 130,000 ounces of gold and 500,000 oz. of silver from 1997 until 2003, the other prospects Anaconda discovered before closing its doors in 1985 went largely unnoticed.

This lack of notice worked out well for Kit and Joan, who were able to nab full and unencumbered ownership of the mineral rights to Round Top, TG and Honker by simply staking state of Alaska mining claims over the prospects in 2008.

In order to get Western Copper & Gold up and running, Kit and Joan invited Greg Anderson, a business partner in Tucson with a legal background, and Jones, to join them as directors in 2010.

Since securing the properties, the Western Alaska Copper & Gold team has steadily been building towards the drill program being carried out this summer. This work has included compiling all the historical data from Anaconda’s tenure; purchasing key heavy equipment and the Illinois Creek camp from Novagold Resources; conducting extensive modern geophysical surveys at both the Round Top and Honker properties; grid soil sampling at Round Top; rock and trench sampling at Honker; and integrating all of the historical and modern results in a database now being used to guide this year’s drilling.

Jones brings strong management experience and geophysical expertise to the Western Copper & Gold team. This director, who has a bachelor’s degree in geological engineering and a master’s in geophysics, has served as president of both Western Geophysical and WesternGeco, the seismic division of Schlumberger. This global geophysical experience has provided the company with data from the various surveys Western Alaska Copper and Gold has carried out at Round Top and Honker, and integrating all of the historical and modern results in a database now being used to guide this year’s drilling.

By July 15, crews were on the fourth hole of a roughly 1,500-meter drill program at Round Top. Mounted on tracks, this rig being leased from More Core Drilling can be driven to a new drill location and resume drilling in a matter of hours. The short span between holes, combined with requiring a much smaller support helicopter primarily for transport of core and personnel, is keeping Western Alaska Copper & Gold’s drill costs low.
Lobe target. 0.98 to 1.82 percent copper at the West tapped three 4.3- to 7.3-meter zones of potential size of copper mineralization at but in different directions. Both cut intriguing anomaly from the same loca- tion low. Interestingly strong IP anomalies within a resis- tivity low. Eventually, Round Top already enjoys the convenience of a 4,400-foot Alaska-owned airstrip at its camp capable of landing a DC-6 and an established 26.5- mile winter trail linking the Illinois Creek camp to the Yukon River. In 1995 the Alaska Industrial and Economic Development Authority published a prefeasibility study for building an industrial grade road along this route and a port on the Yukon River. From here, the Yukon River serves as a super high- way to the Pacific Ocean. This infrastructure also could serve the future development of other projects being explored in the Illinois Creek dis- trict, including the company’s TG high- grade lead-zinc-silver-gold carbonate replacement prospects and the high-grade gold prospect at Honker. “The logistics of using the Yukon River for large transport of the fuel and heavy equipment needed to develop the district and ultimately to move concent- rate out, represents a low-cost mode of transportation,” Mears commented on the significance of the project’s accessibility. “This river transportation will substantially help the competitiveness of these deposits when competing with long over- land infrastructure requirements of other potential mines,” he added. “Success by Western Alaska Copper & Gold will bode well for jump-starting the economic development of this stretch of western Alaska.”

Round Top. RT-13 will be collared north of RT-3, an Anaconda hole about 200 meters north of RT-7 that cut three mineralized inter- cepts, including 62.7 meters averaging 0.36 percent copper and 0.015 percent molybdenum. Likely the last hole of the 2016 program, hole 13 will target an IP anomaly coincident with a resistivity low that is expected to be associated with cop- per mineralization cut at the bottom of hole 10. Ultimately, Western Alaska Copper & Gold hopes its work at Round Top will attract a major mining company that will further define and potentially develop this copper project.

This chalcopyite copper mineralization was encountered about 135 meters down hole RT-11, which was drilled about 22 meters south of RT-7, the last hole Anaconda drilled at Round Top in the early 1980s.

Yukon highway

Ultimately, Western Alaska Copper & Gold hopes its work at Round Top will attract a major mining company that will further define and potentially develop this copper project. Western Alaska Copper & Gold hopes its work at Round Top will attract a major mining company that will further define and potentially develop this copper project.

Ronny West

Western Alaska Copper & Gold Company

Located in Anchorage, Alaska, Western Alaska Copper & Gold Co. was founded in 1981 by a group of Alaska mining professionals. The company is focused on exploring and developing copper-gold porphyry deposits in the Western Alaska area.

Western Alaska Copper & Gold Co. has identified several targets along the 250-mile stretch of the Yukon River in the Alaska Panhandle. These targets include potential deposits of copper, gold, and molybdenum. The company has a strong track record of success in the region, with several discoveries leading to significant copper-gold projects. Western Alaska Copper & Gold Co. is dedicated to responsible mining and environmental stewardship, and is committed to working with local communities and governments to ensure sustainable development of its resources.

Western Alaska Copper & Gold Co. is continuing to advance its exploration efforts in the region, with plans to conduct additional drilling and surface geophysical surveys in 2016. The company is also evaluating options for further development of its existing targets, including potential joint venture arrangements with major mining companies.

The company is headquartered in Anchorage, Alaska, with a team of experienced professionals dedicated to achieving success in the region.

Western Alaska Copper & Gold Co. has a strong track record of success in the region, with several discoveries leading to significant copper-gold projects. The company is dedicated to responsible mining and environmental stewardship, and is committed to working with local communities and governments to ensure sustainable development of its resources. Western Alaska Copper & Gold Co. is continuing to advance its exploration efforts in the region, with plans to conduct additional drilling and surface geophysical surveys in 2016. The company is also evaluating options for further development of its existing targets, including potential joint venture arrangements with major mining companies.
**BOEM to live stream Gulf of Mexico sale**

**By KRISTEN NELSON**

**Petroleum News**

The U.S. Department of the Interior’s Bureau of Ocean Energy Management plans to live stream its Aug. 24 western Gulf of Mexico planning area oil and gas lease sale.

BOEM said in the sale information package that while bids will be opened at the Mercedes-Benz Superdome in New Orleans, the bid opening will not be open to the public.

The bid opening will be available for the public to view in real time on BOEM’s website at www.boem.gov via video live streaming beginning at 9 a.m. the day of the sale.

“The use of live streaming to announce bids is being implemented to provide greater access to a wider national and international audience while ensuring the security of BOEM staff,” the agency said.

BOEM said sale 248 will be the first federal offshore oil and gas auction broadcast live on the Internet, with the goals of promoting “greater government efficiency and transparency, eliminating the need for the public to physically attend the bid reading.”

To prevent wrongdoing, independently certify the bidding process, and maintain transparency,” with “data security measures to ensure bidder data is kept secure.”

Bill proposes Internet offshore leasing

In related congressional action the U.S. House Committee on Natural Resources unanimously approved H.R. 5577, the Innovation in Offshore Leasing Act, which authorizes BOEM to use Internet-based leasing for its offshore leasing.

The Aug. 24 sale involves a traditional opening and reading of bids, with the change being exclusion of the public from the reading which will be live streamed.

H.B. 5577 would allow the Secretary of the Interior “to conduct offshore oil and gas lease sales through Internet-based live lease sales.” The bill says the change will “modernize the Nation’s offshore leasing program to ensure the best return to the Federal taxpayer, reduce fraud, and ensure a fair and competitive leasing process.”

Under the bill sale requirements include “live web streaming of the bid reading process” and would include a bidder verification process and “the ability for a bidder to correct a possible misreading of a submitted bid.”

There would be a third-party observer from Interior’s Office of the Inspector General present during bid reading “to prevent wrongdoing, independently certify the bidding process, and maintain transparency,” with “data security measures to ensure bidder data is kept secure.”

The bill specifies that statistical data would be provided on the sale day.

**Collaboration in the process**

The bill requires that before the first Internet-based lease sale under the bill is conducted, Interior would issue a request for information from each company present for bidding at the 10 most recent oil and gas lease sales conducted under the Outer Continental Shelf Lands Act “in order to provide the bidding public sufficient opportunity to share innovative ideas, methods, and concerns regarding Internet-based leasing.”

National Ocean Industries Association President Randall Luthi said the organization, representing companies involved in offshore resources exploration and production, commended the committee for passing the bill out. Luthi, who formerly headed the U.S. Minerals Management Service, BOEM’s predecessor, called the bill “a common-sense way to update the offshore lease sale process. Incorporating internet-based technologies are cost-effective improvements that can increase transparency and efficiency in the offshore lease sale process.”

**BlueCrest not drilling offshore**

BlueCrest Operating Alaska has withdrawn an application for an incidental harassment authorization for offshore drilling this year in Cook Inlet, according to information posted on the U.S. Fish and Wildlife website. The company had applied for the authorization of minor disturbance to sea otters during offshore drilling at the Cosmopolitan field, off Anchor Point in the southern Kenai Peninsula.

BlueCrest has been planning to use the Spartan 151 jack-up drilling rig to drill wells into shallow gas and oil pools above the main oil reservoir at Cosmopolitan. The company is developing the main oil reservoirs in the field using extended reach drilling from onshore, but the shallow reservoirs require offshore drilling.

The Cosmopolitan field is currently producing oil from a single production well which was originally drilled as an exploration well several years ago.

BlueCrest no longer anticipates conducting the offshore drilling this year, although the company continues to progress its oil development plans involving its onshore drilling site — the company has shipped a suitably large rig from Texas to start the directional drilling.

“Consistent with our legislative testimony, we will not be drilling offshore gas wells this year,” Benjy Johnson, BlueCrest president and CEO, told Petroleum News in a July 25 email. “We are continuing our onshore oil development as planned. We are currently assembling the land rig and expect to begin drilling the onshore wells within the next few weeks.”

The Cosmopolitan field is currently producing oil from a single production well which was originally drilled as an exploration well several years ago.

—ALAN BAILEY

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IPPOLITE NEWS PIPELINES & DOWNSTREAM

Foreign-flagged tanker to move ANS crude

According to press reports BP has chartered a foreign-flagged vessel, the Bahamas-flagged Tianlong Spirit, to move Alaska North Slope crude oil. BP spokesman Dawn Patience told Petroleum News July 25 that she couldn’t talk about vessel location, but said BP had received needed state and U.S. Coast Guard approvals for the vessel to move ANS crude from Valdez. “This vessel meets all state and federal requirements to carry cargo in Prince William Sound,” Patience said in an email. She said the vessel is also registered under the PWS Oil Discharge Prevention and Contingency Plan.

“Our first priority is to safely operate the tanker in compliance with the strict shipping rules and regulations,” Patience said.

Ilooobront reported that the Tianlong Spirit would be the first foreign-flagged tanker to carry ANS crude out of Valdez in more than 30 years and said that when Congress ended restrictions on most American crude exports, it also ended the ban on foreign-flagged tankers shipping crude from Alaska.

—KRISTEN NELSON

GOVERNMENT

NMFS issues Apache Cook Inlet LOA

Nearly two years after Apache Corp. applied to the National Marine Fisheries Service for letters of authorization for the disturbance of marine mammals from offshore seismic surveying in Alaska’s Cook Inlet, and some four months after the company finally called it quits on its Cook Inlet oil and gas exploration, the federal agency has issued regulations enabling letters of authorization for the seismic work. The regulations are valid for five years, should Apache elect to resuscitate its Cook Inlet efforts.

Apache had previously conducted offshore Cook Inlet seismic surveys under the terms of incidental harassment authorizations, approvals that while simpler to obtain than a letter of authorization only covered single years. Given that each annual authorization application triggered a consultation and a biological assessment for the potential impacts of the surveys on protected beluga whales in the inlet, Apache had become frustrated with the unpredictable timeframe for the review and approval process. So, instead, the company had applied for letters of authorization, a form of authorization more complex to obtain than an incidental harassment authorization but which lasts for five years following a single consultation, assessment and public review process.

Before departing Alaska Apache had also expressed its frustration with the lengthy and unpredictable timeframes involved in obtaining other federal permits such as U.S. Army Corps of Engineers permits for the laying of offshore seismic recording nodes.

—ALAN BAILEY

Utilities comment on grid standards

Say they are progressing toward a single set of standards for Railbelt power transmission, want confidentiality over security

Concerned about the potential need for uniform, enforceable reliability and security standards for the Railbelt power transmission grid, in June the Regulatory Commission of Alaska in created a docket to gather information about the issue. As an opening gambit in the docket the commission asked the Railbelt utilities that operate the grid some questions regarding the status of efforts towards achieving a common set of standards, and for comments regarding the security of the grid.

Currently the grid, with various sections owned and operated by five independent utilities and the state of Alaska, has two sets of different but similar standards. One set of standards is maintained by the Intertie Management Committee, the committee that oversees the transmission intertie between Southcentral Alaska and the Interior, while the other standards are maintained by Homer Electric Association.

The commission is worried about the lack of a single standard for the entire grid, the fact that the standards are voluntary rather than mandated and the possible exposure of the grid to security threats such as a cyber attack.

The utilities have now responded to the commission’s questions.

Continuing discussions

Several utilities commented on continuing discussions to reconcile differences between the two sets of current standards, saying that the utilities were holding the second of two workshops in mid July, to further the reconciliation of the standards. Apparently the differences revolve around the sharing of spinning reserves, the power generation capacity kept in reserve to cover generation outages. Homer Electric Association told the commission that all of the utilities now agree on how much total reserve spin must be available but that there are differences of opinion on how that spin should be allocated among the utilities. Matanuska Electric Association also commented that additional work was underway to modify the standards, with a particular focus on system modeling, planning and operations.

The Intertie Management Committee said that reconciliation of the standards should be completed in the next few months.

Sensitivity over security

All of the utilities expressed the seriousness with which they view the security of the grid and said that they have adopted policies for ensuring that security. However, in the interests of not compromising their security arrangements, the utilities are reluctant to provide public information about the security measures they have taken.

Asked about sharing security information with the commission as part of the commission’s investigation into grid standards, all of the utilities voiced their concerns that any of the information given to the commission might pass into the public domain. Municipal Light & Power suggested that the commission should make a protective order to establish a legal basis for maintaining the confidentiality of security information. And, rather than requiring the transmission to the commission of confidential security information, two of the utilities suggested that the commission should glean knowledge about security arrangements through on-site visits.

—PETROLEUM NEWS

EXPLORATION & PRODUCTION

Seismic, well data up for public release

The Alaska Department of Natural Resources, Division of Oil and Gas has provided public notice of the future release of geological and geophysical exploration data and information for the Nenana and Yukon Flats basins.

The information is being made available based on state statute requiring data release in exchange for exploration incentives.

Data has previously been released for various Cook Inlet and North Slope wells and seismic shots. The July 25 data release announcement covers 2-D seismic for the Nenana basin in townships 1-7 south, ranges 8-12 west, Fairbanks Meridian and 3-D seismic for Doyon land in the Stevens Village area in townships 15-16 north, ranges 12-14 west, FM.

The Nenana basin 2-D was shot west of Nenana, stretching both north-northwest and southwest of that community. The Stevens Village 3-D was shot north of the village.

Well data to be released includes the Nunivak 1 well, drilled by Rampart Energy Co. in section 17, T4S, R3W, FM; the Nunivak 2 well drilled by Doyon Ltd. in section 7, T4S, R9W, FM; and the Nunivak 2ST drilled by Doyon Ltd. in sections 7-8, T4S, R9W, FM.

The Nunivak wells are west of Nenana. The division said in a July 25 notice that the information would be made available to the public “no less than 30 days following this notice.”

—PETROLEUM NEWS
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LOCAL CONTROL

Janorschke said.

Utility regulation

As a public utility, Homer Electric requires a certificate of public necessity and convenience, a kind of operating license, from the RCA. And by default the RCA regulates the rates that the utility charges its customers, with any rate change having to go through a formal RCA rate approval process.

But HEA is a member-owned cooperative, governed by a board of directors elected by the membership. And under a state statute the subscribers or members of a utility or cooperative can vote for economic deregulation, in effect passing the economic regulation, in effect passing the local control arrangement, after two years the membership can vote to return to RCA regulation, he said.

According to information provided by HEA about 80 percent of U.S. electric cooperatives operate under the type of local control arrangement that HEA is proposing. In Alaska, 56 percent of electric utilities are locally controlled, including Kodiak Electric Association and Copper Valley Electric Association, HEA says.

Janorschke emphasized that the local control initiative only applies to HEA's power distribution business, and not to the utility's power generation and transmission operations, which are handled by a separate business entity, the Alaska Electric and Energy Cooperative.

Janorschke emphasized that the local control initiative only applies to HEA's power distribution business, and not to the utility's power generation and transmission operations, which are handled by a separate business entity, the Alaska Electric and Energy Cooperative. Consequently, the proposed move to HEA local control has no relevance to a current debate, overseen by the RCA, on consolidating the management of the Railbelt power transmission grid, the pooling of power generation capabilities and the alignment of Railbelt power transmission reliability standards, he said.

local control motivation

Janorschke said that HEA's motivation for local control revolves around the cost, lengthy time frame and rigidity of the RCA regulatory process. Eliminating the RCA rate case process, which can take up to 450 days to complete, would cut significant cost, including attorney fees, consulting fees and staff time, from HEA's rate change procedures.

Moreover, by cutting out that lengthy RCA process, HEA can be more nimble and flexible in implementing new service arrangements, perhaps piloting new rate structures ahead of final board approval decisions, Janorschke said.

"We can implement it right there, as opposed to taking that whole analysis, bringing it up to Anchorage, have a panel of commissioners, who are located in Anchorage, trying to weigh in on what our local directors have approved," he said.

"The local control could help, for example, in implementing new renewable energy sources, he commented. Elimination of the RCA rate approval process would also enable the HEA board to make immediate strategic decisions on electricity rates based on forecast costs, rather than having to wait until after the costs have been incurred before making a rate rise. Thus, for example, by feathering in the cost recovery for a new major piece of infrastructure, the rate impact could be softened, spread over time, rather than appearing as a sudden major jump, Janorschke said.

The bottom line for a utility such as HEA, regardless of the regulatory environment, is to supply power at least cost, while also maintaining safety and power supply reliability, he said. 

Thank You!

The Resource Development Council would like to acknowledge the many fine sponsors of our 41st Annual Meeting Luncheon on June 30 featuring Mark Finley and Congressman Don Young. Thank you for helping grow Alaska through responsible resource development.

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GTM-2 REVIEW

BLM spokesman KJ Mushovic said. Almost a year ago, in August 2015, ConocoPhillips Alaska Inc. applied for permission to build a drill site, access road, pipelines and other facilities to support oil and natural gas development within the federal Greater Mooses Tooth unit. If sanctioned, the proposed GMT-2 development would be the second in the NPR- A, after the GMT-1 project.

The BLM completed a Final Supplemental Environmental Impact Statement for the GMT-1 project in October 2014 and approved the project in February 2015. The company later sanctioned the $900 million project and expects production by 2018.

14-acre production pad

GTM-2 would be built on a 14-acre production pad capable of supporting 48 wells and would be connected by road and pipeline to ConocoPhillips’ GMT-1, another planned production site, about 8 miles to the northeast. GMT-1 is now under construction by ConocoPhillips and is expected to be in production in 2018 with peak output estimated at 30,000 barrel per day.

Oil from both sites would be transported to the producing Alpine field, also operated by ConocoPhillips, which is about 11 miles to the east in the Colville River delta, and on state-owned lands. ConocoPhillips spokeswoman Natalie Lowman said her company hopes to have “first oil” from GMT-2 in the fourth quarter of 2020. So far there are no estimates of potential production.

The Greater Mooses Tooth projects are the second and third in a series of medium-sized projects extending southwest into NPR-A from the producing Alpine field, which is on state lands in the Colville River delta east just north of the NPR-A boundary.

The first NPR-A project is CD-5, just over the border and a few miles west of the Alpine field. CD-5 is now producing at about 16,000 bpd.

CD-5 cost about $1.1 billion to build; GMT-1 is budgeted at $900 million and GMT-2 at $1 billion, ConocoPhillips has said.

—ERIC LUDI & TIM BRADNER
Petroleum News: What would you like to hear from Mr. Meyer as we approach the end of Pre-FEED?

Costello: I think there are these broad overarching questions over whether decisions have already been made. I have this recollection that this project may not go forward right away into FEED. I thought that the Legislature did a prudent and thoughtful job when we passed SB 138. It laid out parameters to the project and it had decision points that would be made to where the project would slowly ramp up. So from a project standpoint, it sounds like we are making progress. We’ve had some high points for that. To come in and say we might be changing course … I think you saw a lot of questions asking him, “Are you familiar with SB 138?”

That question has permeated ever single hearing we’ve had on the gas line. No matter who the new members of AGDC are, or you have a new CEO or you have a new commissioner: SB 138 is the road map and the guideline and the plan for moving forward. If we are going to deviate from that, it’s a concern because that’s the law we are working under.

Petroleum News: So what do you think you would like to hear from the partners at the close of pre-FEED?

Costello: Well, at this point, I’m skeptical that the governor’s vision isn’t a different path for the state to go it alone. Every hearing there is always a surprise of some sort. I’m very curious to see what will happen in the fall. He did actually unveil a plan. Keith Meyer did say the state would like to go it alone, but the details haven’t been revealed yet.

Petroleum News: There was concern last summer when the governor unilaterally accepted federal funds to expand Medicaid. Do you see something similar coming?

Costello: You know, I haven’t given that a lot of thought. The Legislature would be funding the project. I wonder if there is some plan for him to use the Permanent Fund to fund the gas line. I’m not sure what his vision is. That’s why I keep bringing it up. I just feel like the governor should explain his vision. We all want a gas line.

Petroleum News: OK, put on your Labor & Commerce chair hat now and discuss the workforce issues that would apply to AK LNG.

Costello: That issue is very important. We need to know now what the workforce needs are going to be. Those needs will tie to what kind of project we will have. The opportunity the gas line brings is not only the energy issues and our fiscal issues, but also jobs. I ask this question a lot. The people who will be filling those jobs are in our schools right now. Are we training them for the jobs we know will be available? That is something I’m keenly interested in and I look forward to more details on that. One of the things that Alaskans want out of this project is jobs for us. That’s an expectation that we should meet.

Petroleum News: Are you hoping to get any kind of preliminary report from the Department of Labor?

Costello: I have asked for information on that and I haven’t had an update from Department of Labor yet.

Petroleum News: Do you have any kind of timeline when you would like to see a report, even if you have a different position on the Senate next year?

Costello: There was a report that was due and I know Commissioner Drygas sits on the AGDC Board and that’s one of the things they would be looking at. That’s another thing the Legislature should be intimately involved in: the jobs that affect education issues. We fund engineering programs at the university. We helped fund an engineering building. We’ll have to look at things like welding.

I mean the training that is going to be required to get Alaskans into these jobs will be an immense undertaking. There will be public-private partnerships. There will be new sorts of jobs that will come with a project of this nature, so the last thing I want is an Alaskan to miss an opportunity for a job because he didn’t have the training that then would go to somebody from outside.

Petroleum News: So even if the project is seven to 10 years down the road, why is it important to have these workforce discussions now?

Costello: Because those programs need to be in place. A lot of times people decide what their interest is early on and you have to introduce these careers to students when they are in school. West High has a media tract, a healthcare tract and a process technology tract. They have a wing of the school where they put on a hard-hat. The work they are doing during the school days directly translates to a job they may one day get on the North Slope. It’s an important component. You don’t want to be caught off guard. We’re lucky. We know in advance that we need this information. It hasn’t gotten the attention publicly as it has internally within the department or the legislative branch, but it’s a very important component of this project.

Contact these folks at epnews@akmail.com

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Alaska Rubber to hold annual BBQ & blood drive

Alaska Rubber and Rigging Supply said it is holding its annual customer appreciation BBQ and celebrating the everyday hero, those who might go unappreciated and overlooked. Joining its team of wonderful vendors will be the blood bank of Alaska's blood mobile.

Be a super hero by making a donation at the event, held on Aug. 10 from 11 a.m. to 2 p.m. at 5911 Old Seward Hwy., Anchorage, Alaska 99518. Those wishing to make a donation at the event, in the blood mobile, will need to schedule prior to arrival by calling BBA at: 907-222-5630 or online at: donate.bloodbankofalaska.org.

aeShield selected by BP for all upstream facilities

aeSolutions, the leader in process safety engineering and automation, said July 18 that after a three-year software evaluation period, BP has selected aeShield to assist asset personnel in monitoring control, alarm and safety instrumented systems performance for all upstream oil and gas assets around the globe. To date, it has been a challenge to automate the monitoring of these devices due to the lack of common systems in place across BP’s facilities.

By using aeShield, BP will achieve centralized reporting, standard enforcement consistent with internal procedures, reduced man-hours, monitored IPLs and efficient management of change tracking. During initial rollout, BP will focus on HAZOP/LOPA studies, safety requirements specification, SIL verification, and IPL performance monitoring.

aeShield provides key performance indicators. The software seamlessly transfers data from the HAZOP/LOPA, to SIL design and verification, and into operations and maintenance activities. This contiguous data model simplifies monitoring protection layer, both SIL and IPL performance against assumptions made during the initial risk assessment and design versus current real world performance.

DRI and Bowhead to provide risk management course

Disaster Recovery Institute International and UIUC’s Bowhead Systems Management LLC have teamed up to provide a risk management course for business continuity professionals and other professionals looking for certification in risk management.

"It was a natural fit to combine Bowhead’s risk management expertise with our business continuity experience and acumen,” says DRI International President Al Berman. “As these disciplines converge within organizations, it is important for practitioners to expand their skill-sets accordingly. So, this course and the certifications are exciting and necessary.”

A recent student from a federal agency stated, “Overall, enjoyed the class and instructors. Would definitely recommend to peers and I would take additional, higher level courses.” DRI Senior Director of Operations Traci O’Neel said, “Response to the course has been overwhelmingly positive. It’s great to see the level of excitement around the topic, and the feedback we’re getting just proves how much a course like this was needed.” The next course is scheduled for early August in Anchorage. For more information and to register for the course visit: http://www.bowheadsupport.com/dri/.

Arctic Catering shows support at United Way picnic

Arctic Catering & Support Services said June 7 that it recently provided more than $3,000 worth of food and the cooking expertise of CEO Dave Gonzales and other senior see OIL PATCH BITS page 23
the AEDC luncheon. One is the state Department of Labor that shows that about 20 to 30 percent of petroleum workers statewide are non-resident (the number for North Slope oil workers in 40 percent) which means only part of the oil jobs lost are held by Alaskans, he said.

The second factor is many oil and gas workers are taking retirement, if they are eligible, and others are switching jobs, some going into business for themselves, Popp said.

A big share of retirees wind up staying in Alaska as do many job-switchers, but these people are not lost to the economy, he said.

Two-year impact

That said, the combined effects of reduced industry employment and spending and reductions in state expenditures will be felt over the next two years. In January AEDC estimated a total job loss of 1,600 for Anchorage in 2016, an approximate 1 percent decline, and data for the first half of the year shows the estimate to be on track.

Another 1,500 jobs are expected to be lost in 2017, for a 2-year total of a 2 percent decline, Popp told people at the luncheon. After that AEDC predicts a leveling off with slow growth resuming in 2018 due partly to expectations of a slowly rising oil price and a gradual resumption of industry activity.

“At this point we’re not hearing rumors of any more big layoffs in the industry. We believe things may have hit bottom,” Popp said.

“It’s worth noting in June, 2005 there were only 7,900 oil workers in the state. Even with the recent layoffs we’re still more than 50 percent above 2005,” he said.

Two consulting firms, McDowell Group and Northern Economics, assisted AEDC with its projections. The flattening of total job losses in 2018 and resumed slow growth after that are based partly on expectations of an average oil price of $40 per barrel in 2016; $50 per barrel in 2017; $53 per barrel in 2017; and $55 per barrel in 2018.

The evolution of technology in the industry, as in shale oil production, will help keep a lid on prices. “We do not foresee a return to $100-per-barrel prices in the foreseeable future,” Popp said.

Growth in some areas

Some jobs in the regional economy are growing, however. Health care has been a spur in employment possibly due to the resolution of lawsuits against Medicaid expansion in the state, which gives employers in health care confidence in growth in demand for medical services. Leisure and hospitality, and transportation, two sectors affected by the robust 2017 tourism season, are also seeing gains. So is, surprisingly, government employment, Popp said. While there are declines in state employment due to budget cuts these are largely offset by gains in federal jobs in the Anchorage area.

“There seem to be broad gains across several federal agencies. This does not include the military,” Popp said.

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March 2016, after several years of exploration and appraisal activity in the northwest corner of the Kuparuk River unit. The AOGCC held a meeting in early May, where company representatives provided testimony. The company originally referred to the accumulation as the “Moraine” interval, but the AOGCC decided to name the pool after the “Torok” formation present in the region. The area included in the pool covers 22 leases, including two currently outside of the unit boundaries—ADL 392374 and ADL 392371. ConocoPhillips intends to apply for an expansion of the unit boundaries—ADL 392374 and 392613, to drill the Torok reservoir. ARCO Alaska Inc. drilled the Kalibuk No. 1 well in 1992 and the Kalibuk No. 2 well in 1998 and a test of the former well produced only 10 barrels of oil per day on average. Recent interest in the Torok formation started with work at the Oooguruk unit to the northwest. All the wells at the offshore unit passed through the Torok en route to deeper formations. Between 2010 and 2012, former operator Pioneer Natural Resources Alaska Inc. drilled and completed three wells within the Torok turbidite sands and delineated the formation with the Nuna No. 1 well, which produced 1,524 barrels per day. In May 2011, the AOGCC formed the Oooguruk-Torok Oil Pool to guide development of the pool. In 2013, ConocoPhillips returned to the existing KRU 3S-19 well, which it had drilled about a decade earlier, to fracture stimulate the upper portion of the Torok turbidite sequence. The well produced between 250 and 300 barrels per day during a flow test. The results convinced the company, in 2015, to drill the KRU 3S-620 well horizontally through a 4,200-foot section of the “Torok” formation present in the region. Future phases could be drilled from DS-3S, but ConocoPhillips also might build between one and two additional drill sites in the area, according to the rulings. A development program from DS-3S could access between 100 million and 500 million barrels of oil in place, according to estimates included in the Area Injection Order. A primary recovery expectation is to be approximately 5 percent, with certain enhanced recovery programs increasing that recovery rate to a range of 13 to 55 percent. A separate development at a hypothetical second drill site could access between 100 million and 500 million barrels of oil in place, according to the Area Injection Order, with similar recovery rates.

Reconsidering the region

Exploration in the region goes back decades. Sinclair Oil and Gas penetrated the reservoir in 1966 with the Colville No. 1 well, and Texaco Inc. returned in 1965 and 1966 to drill the Colville No. 2 and Colville No. 3 wells much farther to the north. The Texaco wells produced less than 50 barrels of oil per day, although production from the Colville No. 3 well increased after fracture stimulation. ARCO Alaska Inc. drilled the Kalibuk No. 1 well in 1992 and the Kalibuk No. 2 well in 1998 and a test of the former well produced only 10 barrels of oil per day on average. Since returning to the 3S-19 well in 2013, ConocoPhillips has been reporting oil production from the formation through the Kuparuk River Torok Undeﬁned Oil Pool. Turbidite sands have given other operators difﬁculty. Given their nature, all wells into the new pool will likely be fracture stimulated “to enhance productivity, improve vertical injection sweep, and connect thin, individual sandstone beds,” according to the AOGCC. The approval includes no spacing restriction for wells, aside from a general prohibition against opening pay to a well within 500 feet of a property line with a different owner. Along with the new pool rules, the AOGCC issued an area injection order (Area Injection Order No. 39) allowing ConocoPhillips to conduct injection for enhanced recovery.

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