Feds, Furie Operating, awaiting Jones Act settlement approval

A federal judge has extended the deadlines in a scheduled trial between Furie Operating Alaska LLC and the federal government, as the two sides finalize a settlement in the case of a $15 million fine levied against the company for violating the federal Jones Act.

Judge John W. Sedwick of the U.S. District Court in Alaska extended the discovery and other pre-trial deadlines of the trial by two months, into January and February 2017. Earlier this year, Furie and the U.S. Department of Homeland Security announced a settlement in the long-running legal dispute, although details of the agreement have been withheld as the two sides seek final authorization from the federal government, as the two sides finalize a settlement in the case of a $15 million fine levied against the company for violating the federal Jones Act.

BlueCrest requests loan changes, cites rig, credit payment delays

BlueCrest Energy Inc. has requested changes to the terms of financing that the company has obtained from the Alaska Industrial Development and Export Authority for the acquisition and set up of the drilling rig for the continuing development of the Cosmopolitan oil field, offshore the southern Kenai Peninsula. The change request comes as a result of a delay in the completion of the rig installation and because of the deferral of payments of tax credits by the state. The AIDEA board was scheduled to decide during its Dec. 1 board meeting on whether to approve the loan changes.

BlueCrest started production from Cosmopolitan earlier this year from an onshore pad near Anchor Point using a converted exploration well that penetrates the offshore oil pool. However, the company has obtained from the Alaska Industrial Development and Export Authority for the acquisition and set up of the drilling rig for the continuing development of the Cosmopolitan oil field, offshore the southern Kenai Peninsula. The change request comes as a result of a delay in the completion of the rig installation and because of the deferral of payments of tax credits by the state. The AIDEA board was scheduled to decide during its Dec. 1 board meeting on whether to approve the loan changes.

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Canadian government OKs Trans Mountain, Line 3; rejects Northern Gateway

Canada’s Prime Minister Justin Trudeau and Alberta Premier Rachel Notley formed an alliance Nov. 29 to achieve what many view as irreconcilable objectives — striking a balance between expanding markets for crude from the Alberta oil sands and curbing greenhouse gas emissions. The Trudeau government led the way by approving two major pipeline projects — tripling capacity on Kinder Morgan’s Trans Mountain pipeline and doubling volumes on Enbridge’s Line 3 to Wisconsin, while rejecting Enbridge’s proposed Northern Gateway pipeline. Notley, in return for the pipeline approvals, said her government would phase in a levy on carbon emissions in line with a federal plan to tax emissions by $50 per metric ton over the next six years. She saluted Trudeau for “showing some extraordinary leadership” in helping Alberta rebuild itself after the oil price collapse and destructive fire in the oil sands region this year.

British Columbia Premier Christy Clark told
Corps lists Nanushuk EIS alternatives

Agency expects to issue draft environmental impact statement in mid-2017; five alternatives range from Armstrong plan to no action

By KRISTEN NELSON
Petroleum News

The U.S. Army Corps of Engineers has put out a newsletter listing the alternatives to be considered in an environmental impact statement for the Nanushuk project. The Corps said it expects to release a draft EIS for the project in mid-2017. Five alternatives will be considered and the draft EIS will describe potential impacts associated with a no action alternative, a proposed action and other alternatives.

Armstrong Energy is the developer at Nanushuk, which is in the southern portion of the company’s Pikka unit on Alaska’s North Slope.

The project will include three drill sites, a central processing facility and an operations center, as well as new pipelines, access and infield gravel roads.

Applicant’s proposal

Armstrong Energy’s proposal calls for an all-season gravel access road from Kuparuk River unit drill site 2M, using 0.1 miles of the existing Mustang Road and crossing the Miluveach River to the Nanushuk Pad which would house both drill site 1 and the central processing facility. The 13.5-mile gravel access road would connect to 11.9 miles of gravel infield roads accessing drill sites 2 and 3. The infield roads would have a bridged crossing of the Kachemach River.

Southern access alternative

A southern access alternative the Corps is considering would maximize use of infrastructure developed for Mustang, with the new gravel access road roughly paralleling the Alpine Pipeline corridor. The access road would depart the Mustang Access Road south of the Mustang Mine Site and would have two bridged crossings — one of the Miluveach River and one of the Kachemach River. The Corps said the road would turn

see NANUSHUK EIS page 18

OPEC agrees to oil cut

Oil price rises above $50 in response to cartel’s production agreement

Credits still a worry

Tax issues, for oil companies and citizens, on the Legislature’s 2017 agenda

Trudeau, Notley battle odds

Canadian government OKs Trans Mountain, Line 3; rejects Northern Gateway

Feds, Furie Operating, awaiting Jones Act settlement approval

BlueCrest requests loan changes, cites rig, credit payment delays

DOE announces funding for CO2 storage studies

EXPLORATION & PRODUCTION

2 Corps lists Nanushuk EIS alternatives

Agency expects to issue draft environmental impact statement in mid-2017; five alternatives range from Armstrong plan to no action

DNR releases well and seismic data

Data come from 23 wells, three seismic surveys; DNR catching up on backlog in processing data associated with tax credits

State taking comments on Putu well

Canada faces generational test

Upstream sector predicts gain in wells, jobs; industry leader points to uphill battle after lowest activity since ’77

GOVERNMENT

BOEM seeks environmental studies ideas

Seaton: Prepping for new House role

Homer Republican says correcting historical pendulum swings in state’s tax regimes key to fiscal plan and achieving ‘balanced program’

EPA increases renewable fuel volumes

Targets for 2017 involve increased use of all categories of renewable liquid transportation fuels

SIDEBAR, Page 5: EPA proposes no change on vehicle standards

State adds gas to Milne Point Pipeline

AOGCC November 2016 report

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FOCUSED ON RESULTS

Working in the marine and land environments, we deliver the survey and geotechnical data needed to design and de-risk Alaska’s infrastructure projects.

Fugro, Tel: +1 907 561 3478
Email: info-arctic@fugro.com, www.fugro.com
### Alaska Rig Status

#### North Slope - Onshore

<table>
<thead>
<tr>
<th>Rig Owner/Rig Type</th>
<th>Rig No.</th>
<th>Rig Location/Activity</th>
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<td>OME 1000</td>
<td>19AC (AC-TD)</td>
<td>Coosuguk, Cold Stacked</td>
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#### North Slope - Offshore

- **BP**
  - Top Drive, superzoned: Liberty rig, Inactive, BP

#### Interior Alaska

- **Doyon Drilling**
  - TSM 7000
    - Arctic Fox #1
    - Nenana, Stacked

#### Cook Inlet Basin – Onshore

- **Glacier Oil & Gas**
  - Rig 37
    - West McArthur River Unit Workover
    - Glacier Oil & Gas

#### All American Offield LLC

- **IDECO H-37**
  - AAO 111
    - In All American Offield, yard in Kena, Alaska
    - Available

#### Aurora Well Services

- **Secret 300 Gs. Explorer III**
  - AWS 1
    - Stacked out west side of Cook Inlet
    - Available

#### Saxon

- **TSM 850**
  - 147
    - Stacked
    - Hilcorp Alaska LLC
  - 169
    - Stacked
    - Hilcorp Alaska LLC

#### Cook Inlet Basin – Offshore

- **Hilcorp Alaska LLC**
  - National 110
    - C (TD)
      - Platform C, Stacked
      - Hilcorp Alaska LLC
  - Rig 51
    - Monopod Platform, Drilling
    - Hilcorp Alaska LLC

#### Spartan Drilling

- **Baker Marine LC-Stubloff, jack-up**
  - Spartan 151, Stacked Seward

- **Fortis Operating Alaska**
  - Rainbow Oil Jack-up
    - Drilling KIU A-2
    - Fortis

- **Glacier Oil & Gas**
  - National 1320
    - 35
      - Osprey Platform, activated
      - Glacier Oil & Gas

- **Kuklap Drilling**
  - 5
    - King Salmon Platform
    - Hilcorp Alaska LLC

### Mackenzie Rig Status

#### Canadian Beaufort Sea

- **SDC Drilling Inc.**
  - SGC CANMAR Island Rig #2
    - SDC
      - Set down at Roland Bay
      - Available

- **Akita**
  - TSM-7000
    - 37
      - Racked in Norman Wells, NT
      - Available

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*Issued by Baker Hughes since 1944

The Alaska - Mackenzie Rig Report is sponsored by:

**Baker Hughes North America rotary rig counts**

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**Highest/Lowest**

- **US/Lowest**
  - 4530 (December 1981)
  - 404 (May 2016)

This report is prepared by Marti Reeve.


Active drilling companies only listed.

**TD** = rigs equipped with top drive units
**WO** = workover operations
**CT** = coiled tubing operations
**SICR** = electric rig
GOVERNMENT

BOEM seeks environmental studies ideas

The federal Bureau of Ocean Energy Management is inviting the submission of ideas for future studies into the potential environmental impacts of the development of oil, natural gas, renewables and marine minerals resources on the U.S. outer continental shelf. The agency anticipates using suggestions from members of the public in formulating its environmental studies plan for fiscal year 2018. The plan forms part of BOEM’s Environmental Studies Program, a program under which the agency oversees and funds the collection of environmental information as required under the terms of the Outer Continental Shelf Lands Act.

The concept behind the research program is the assembly of information that is needed to assess, predict, monitor and manage impacts on marine biota, and on the human, marine and coastal environment. BOEM is seeking ideas for research in the Alaska, Atlantic, Gulf of Mexico and Pacific outer continental shelf regions. The agency is particularly interested in ideas for hypothesis testing and that provide opportunities for citizen science. However, ideas must be relevant to BOEM’s requirements for biological, oceanographic, social, economic and cultural research.

BOEM says that it cannot guarantee to accept all ideas submitted and that it may combine several ideas into a single study. Acceptance of an idea does not imply the provision of funding for the submitter, the agency says.

Submissions are required by Dec. 30 and should be sent to BOEM’s chief of the Division of Environmental Sciences.

—ALAN BAILEY

DNR releases well and seismic data

Data come from 23 wells, three seismic surveys; DNR catching up on backlog in processing data associated with tax credits

By ALAN BAILEY

Petroleum News

The Alaska Department of Natural Resources has been continuing to release seismic and well data obtained from companies that have been exploring for oil and gas in the state. In October the agency released the data for two seismic surveys and 13 wells, with the release of data from a further seismic survey following in November.

Tax credit requirement

Under the terms of oil and gas tax credits, companies in receipt of tax credit certificates for seismic surveying and drilling have to file the resulting seismic and well data with DNR — the agency can then release the data to the public after 10 years for seismic data and after two years for well data. However, some of the data now being released dates from before these statutory timelines. Diane Hunt, external relations coordinator for Alaska’s Division of Oil and Gas, has told Petroleum News that the greater than expected complexity of administering data submissions has resulted in a backlog in the release data.

“The tax credit system has evolved substantially in the years since they were first implemented, with the creation of new types of credits and numerous modifications of older ones, leading to a substantial increase in the number and varieties of projects that the Department of Natural Resources and the Department of Revenue have had to adjudicate,” Hunt said. “The shear volume of data involved skyrocketed with the advances in 3-D seismic acquisition and processing, challenging our processing and storage capacity.”

The need for the authorization of the release of data from non-public lands, under the terms of a new landowner exemption, has also slowed the preparation of data sets for public release. However, DNR is now making progress in dealing with the data backlog. Hunt said.

Artic data

The seismic surveys released in October were conducted by Fairweather Geophysical and Veritas DGC in the Harrison Bay area of the Beaufort Sea and an onshore region of state land, immediately south of and overlapping the Colville River on the North Slope.

In the North Slope region, the wells include the Chandler No. 1 and Gubik No. 4 wells, drilled by Anadarko Petroleum Corp. in 2009 as part of a program to search for natural gas resources in the Brooks Range foothills. Also included are Great Bear Petroleum’s Askor No. 1 well, drilled in 2012; ConocoPhillips’ Flat Top No. 1 well, drilled in 2014 in the Greater Mooses Tooth unit; and Repsol’s TnTu No. 1 well, immediately south of the Kuparuk River and Prudhoe Bay units. The release includes a couple of wells drilled by Savant Alaska in the Badami unit and two wells drilled by Line Energy Operations at Umiat.

Cook Inlet data

Well data released in October for the Cook Inlet basin include data for Apache Alaska Corp.’s Kalachuchan No. 2 well, drilled on the west side of the inlet in 2012; Furie Operating Alaska’s KLU Nos. 2A, 3 and 4 wells; three wells drilled by AIX Energy in the Kenai Loop gas field; Nondalton Energy’s Tiger Eye Central No. 1 well; and Buccaneer Alakans Operations’ West Eagle No. 1 well in the southern Kenai Peninsula. Also included are the Oilon Creek No. 1, Otter No. 1, Otter No. 1A and Sword No. 1 wells, all drilled by Cook Inlet Energy LLC.

For the Copper River basin, DNR has released the data for the Rutter and Wilbanks Ahma No. 1-19 gas exploration well, completed in 2005. On Oct. 16 DNR released the data from a 3-D seismic survey that Veritas DGC conducted over the Cosmopolitan prospect offshore in the Cook Inlet. That was pre- sumably the survey that ConocoPhillips and Pioneer Natural Resources commissioned in 2005 as part of an investigation into the development of the Cosmopolitan oil field. BluCrest Energy has since been using the data in conjunction with its Cosmopolitan development plans.

American Marine Services Group

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Seaton: Prepping for new House role

Homer Republican says correcting historical pendulum swings in state’s tax regimes key to fiscal plan and achieving ‘balanced program’

By STEVE QUINN
For Petroleum News

For 14 years, House Rep. Paul Seaton’s view of resource development came while sitting on the House Resources Committee, including two as co-chair.

Now the Homer Republican will see things as a House Finance co-chair with fellow rural lawmaker Neal Foster, a Nome Democrat. The two are part of a newly minted majority set to be sworn in Jan. 17. Seaton spoke to Petroleum News about his new post and what lies ahead of the House in coming months.

Petroleum News: You’ve been on Resources your entire legislative career; will you miss that?

Seaton: It was a great committee to be on. I really enjoyed it for my entire time. I think most of the issues we’re talking about in Resources will come to Finance.

Petroleum News: How will your 14 years on Resources help you being co-chair of Finance, especially in these times?

Seaton: Well, in these times, I think we are going to be looking at the Alaska budget and one of those things will be expenses from oil tax credits. Oil and gas tax credits will be a big portion of that. The other is looking at taxes. Since I got there, we’ve been gone from ELF to PPT to ACES to SB 21. We had HB 110 consideration there as well. There have been a lot of moving pieces with the pendulum swinging one way then another. So I think all of that background really helps looking at the situation for how we can get a balanced program for the state as well the oil companies.

Petroleum News: How close do you think you are to a balanced program?

Seaton: Oh, I think we are pretty far off. Our problem right now is when we went to a profits based tax, the person who helped us design it was Pedro V Mears. He warned us very strongly in the beginning that tax credits should never exceed 20 percent; otherwise, they put us at risk for high liabilities. We have been all over the map.

When things were high we became very generous with those tax credits. They worked. We’ve got a lot more players than we had before, but the liability that it has created for the state is huge, especially in a situation where we have the tax credits based totally on the companies decides to invest money and had basically no relationship to the timing or the amount of tax or revenue that we received.

The disparity between a profits-based tax and credits based on expenditures have driven this huge wedge in our entire system.

Petroleum News: So how do you close that gap?

Seaton: I believe the tax credits need to be revised quite strongly. Last year in HB 247, we had a revision that took account several factors in the Cook Inlet basin and the North Slope. In the end, with the Senate’s changes that came out of the conference committee, we only had a roll back at taking care of the problem over time in Cook Inlet and we didn’t address the North Slope basically at all.

There is one small change and it may not be small over time and that was with new oil, the gross revenue...
biobased fuels, where corn is used mainly to produce fuel ethanol and soybeans are mainly used to produce biodiesel.

Questions and limitations

Although supported by those concerned about carbon emissions from the use of fossil fuels, the standards for renewable fuel use have caused some controversy, especially since they are often more expensive to produce than fossil fuel products. Moreover, there is currently a "blendwall," typically set at 10 percent, for the addition of ethanol to gasoline — EPA, in its final rule, says that it recognizes practical limits to the amount of ethanol that can currently be added to gasoline but that the 10 percent blendwall "is not the barrier that some stakeholders believe it to be."

The U.S. Department of Energy and the U.S. Department of Agriculture are funding the development of new technologies and infrastructure for the use of higher ethanol blends, while the ethanol industry is also making efforts to expand the use of higher blends through a program called "Prime the Pump," EPA says.

Some people have also questioned the effectiveness of corn ethanol as a means of reducing carbon emissions, given the potential carbon-intensive processes of farming the required corn and distilling the alcohol. However, to meet the EPA definition of "renewable fuel," the full life cycle carbon emissions associated with the ethanol must be at least 20 percent less than those generated from the use of a fossil fuel. EPA has estimated that in 2016 about 380 million acres of U.S. agricultural land was used for production of crops and crop residues for use in biofuel production. That acreage is less than the 402 million acres that in 2007 EPA had determined might be needed for this purpose, EPA says. EPA has also estimated that about 118 million acres of agricultural land in Canada supports biofuel production.

Cellulosic biofuels

Although the development of cellulosic biofuels has been slower than originally anticipated, there has been progress in this area, EPA says. Production of this type of fuel reached record levels in 2015, mainly as a result of the manufacture of compressed natural gas and liquefied natural gas from biogas, the agency says. Cellulosic ethanol, from vegetation, was manufactured in much smaller quantities and saw its first commercial production in 2015, with production levels increasing in 2016. EPA says that it used projected production ranges for this category of fuel when developing its 2017 renewable fuel standards.

And, in setting a target for the use of advanced biofuels, EPA has determined that other forms of highly effective biofuels will fill in some of the shortfall resulting from the relatively slow rate of development of cellulosic fuels.

The desire to increase the amount of advanced biofuel used, coupled with the slow development of cellulosic fuels, is driving a greater than expected use of biomass-based diesel fuel, EPA says. At the same time, the agency says, the intent is to set a target for biomass-based diesel use that allows space for the growth of other advanced biofuels. Taking into the account the blend of the various renewable fuel types, the total overall target of 19.28 billion gallons for renewable fuel use appears attainable in 2017, EPA says.

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Ucore adds engineering strength to board with chairman, director picks

Ucore Rare Metals Inc. Nov. 22 announced the appointment of Patrick Ryan as chairman of its board of directors. He is the founder of Neocon International, a Nova Scotia-based plastics manufacturing company that serves as a tier one supplier to leading automotive enterprises such as Toyota, Nissan and General Motors. Since Neocon’s inception in 1993, Ryan has been the company’s strategic architect, responsible for sales growth and capital acquisitions, while directing a team of research and development engineers and promoting stringent production standards. Under Ryan’s direction, Neocon was acquired in 2002 by Exco Technologies Ltd., a Toronto Stock Exchange listed company. “Tier one companies are the most technically-capable suppliers in the automotive manufacturing chain,” explained Ucore President and CEO Jim McKenzie. “As chief architect of Neocon, Mr. Ryan brings a vast skill set to Ucore as we transition to a revenue business model with energy metal production. The end customers of our strategic metals complex will be tier one, two and three in a sophisticated supply chain, all of which Mr. Ryan is very attuned to serving, including such Global 1000 customers as General Motors, Nissan and Toyota among others.” Ucore also announced the appointment of Steven Meister to its board. Meister is director of client development and delivery with Williams Engineering Canada Ltd., an engineering firm with offices across western and northern Canada. As a member of the senior leadership team at Williams, his key responsibilities include managing the northern Canada operating region, as well as directing business development and project management. Since 1995, Meister has been strategically involved in business initiatives throughout the mining, oil and gas, and utilities industries across northern and western Canada. He previously served as northern Canada operations manager for Stantec, and for ARDICOM, an aboriginal partnership between Northern Aboriginal Services Company, Arctic Cooperatives Ltd. and Northwestel. “Mr. Meister is a specialist in senior business development, targeting leading companies in the mining, (oil and gas), and utilities sectors. Together, these specialists make for an exceptional complement to Ucore’s governance, management and advisory resources,” added McKenzie.

The United States Department of Interior manages roughly 198 million acres of federally owned lands in Alaska, a block that is 10 percent larger than the entire state of Texas. So, it is only fitting that two Alaskans – Robert Gillam and former governor Sarah Palin – are being floated as contenders for secretary of Interior as President-elect Donald Trump builds his cabinet.

“The United States Department of Interior manages roughly 198 million acres of federally owned lands in Alaska, a block that is 10 percent larger than the entire state of Texas. So, it is only fitting that two Alaskans – Robert Gillam and former governor Sarah Palin – are being floated as contenders for secretary of Interior as President-elect Donald Trump builds his cabinet. “Over 50 percent of our nation’s federally protected lands are located in Alaska. This is why it makes so much sense for an Alaskan to lead the Department of the Interior and champion our great state while guiding our nation,” Gillam explained in a written statement explaining his interest in the job.

While both of these candidates would likely be more open to access and development of federal lands in Alaska than current Secretary of Interior Sally Jewell, Alaska’s mining community would much rather see Palin take the job, or someone from outside of the state, than to have Gillam hold such a high post in the Trump Administration.

Gillam aspirations

While Gillam may not be a household name, as founder and CEO of McKinley Capital Management, an Anchorage-based advisory firm

Former Alaska Gov. Sarah Palin speaks at a rally after endorsing Republican presidential candidate Donald Trump at Iowa State University in January.
We can finally get back to business!

After the election, convention-going Alaska miners express relief that arduous 18-plus months of presidential campaigning is over

By CURT FREEMAN
For Mining News

Earlier in November, the Alaska Miners Association held its annual convention and trade show in Anchorage and as always, the well-attended convention overlapped with election Tuesday. While the lead up to, and results of the national and state elections were hot topics throughout the week, one comment I heard from a colleague on the morning after the elections distilled the feelings of a lot of people at the conference. When asked what he thought of the election results, he said he was simply relieved that 18-plus months of campaigning was finally over, and we could finally get back to the business of business. I thought that was well put, so let’s see what the business of mining has been up to in the past month or so.

Western Alaska

BARRICK GOLD and partner NOVAGOLD RESOURCES INC. announced the appointment of Andy Cole as General Manager of the Donlin gold project. Andy will replace current General Manager Stan Foo, a 12-year veteran of the Donlin project team. Welcome to Alaska, Andy, and thank you, Stan, for your years of service to the project and to Alaska’s mining industry!

ENDURANCE MINERALS LTD. and the U. S. Environmental Protection Agency have joined a notice in federal court stating their intent to enter into mediation in an effort to resolve ongoing litigation of the Pebble project under the Federal Advisory Committee Act. In September 2014, the Pebble Partnership initiated an action in a federal district court in Alaska, alleging that the EPA violated FACA by its close scrutiny of the Pebble Project under the Federal Advisory Committee Act. In September 2014, the Pebble Partnership initiated an action in a federal district court in Alaska, alleging that the EPA violated FACA by its close scrutiny of the Pebble Project under the Federal Advisory Committee Act. The case is being heard by mediation efforts later this fall.

REDSTAR GOLD CORP. updated it drilling efforts at its Unga gold project near Sand Point. The company has completed the first two holes of the drilling program, which were designed to target the expansion potential of high-grade vein mineralization west of the west-southwest of the Main Zone at the Shumagin Gold Zone. Both drill holes indicate that high-grade mineralization may continue at depth along strike towards the southwest. Hole 16SH019 was drilled below rhodochrosite-bearing high-grade veins/brecias that are hosted along the southwestern-most surface exposures of the Shumagin Gold Zone and intercepted the targeted structure at about 265 meters below surface exposure and 80 to 100 meters away from previously drilled intercepts. Hole 16SH020 was drilled to intercept the structure some 100 meters to the south-west of the deepest historic drill intercept at roughly 215 meters below sea level (hole BMS-01 5.49 meters grading 24.02 grams per metric ton gold). This second hole also intercepted the target structure at 190 meters below sea level. Assays are pending for both holes as well as other holes drilled during the program. The second stage of the most recent drilling program is focused on the Bunker Hill Gold Zone, located on the Shumagin Trend about 750 meters to the northeast of hole 16SH019. The Bunker Hill program will consist of four to six holes at an average depth of 150 meters.

Interior Alaska

Alaska newcomer AVIDIAN GOLD announced acquisition of the Amanita gold project in the Fairbanks District. The main mineralized zone at Amanita lies 3.72 miles (6 kilometers) south of the Fort Knox gold mine and hosts a 1.24 mile-by-1.86 mile (two kilometer-by-three-kilometer) gold soil anomaly. Between 1999 and 2001, 39 reverse circulation drill holes (4,700 meters) were completed along a 1.6-kilometers-long northwest trending zone. The drill holes encountered an oxide gold zone to about 100-meter depth. Of the 39 reverse circulation drill holes completed, 30 had results greater than 1 g/t gold over widths of at least 1.5 meters, with several of the holes reported to contain visible gold. Highlighted drill intersections include: 4.57 meters grading 11.49 g/t gold, 22.86 meters grading 1.02 g/t gold and 12.19 meters grading 2.28 g/t gold and 13.72 meters grading 3.02 g/t gold. Mineralization is hosted in shear zones cutting the Fairbanks Schist and is thought to be sourced from underlying intrusive bodies. Welcome to Alaska Avidian Gold.

NORTHERN EMPIRE RESOURCES CORP. reported additional results from its 2016 exploration efforts at the Richardson gold project near Fairbanks. The field efforts included 277 line kilometers of ground magnetic geophysical surveys and collection of 1,297 geochemical samples. The geophysical survey validated the known northwestern striking Richardson lineament and also identified several north-northeast trending structures that the company has recently identified as possible controls of high-grade mineralization. One of the north-eastern trending structures coincides with previously announced sampling results of 32 meters grading 5.73 g/t gold per metric ton from a chip-rock sample along the Democrat pit. Work to date has identified a 2,000-meter-long north-northeast trending high in soils anomaly with a coincident geophysical structural signature. An additional 2,000 meters of the geophysical signature is poorly covered by soil data. A second mineralized structure trending northwest has been identified with coincident elevated gold in soils over a 1,000-meter length, with an additional 1,000 meters remaining to be evaluated by geochemical sampling. The company indicated it plans to prioritize the targets outlined to date and follow up with initial scout drilling in 2017.

ENDURANCE GOLD CORP. announced the first assay results from the 2016 drill program on its Elephant Mountain gold project. Results were released for the two diamond drill holes completed on the South Zone which intersected an altered zone with intervals of massive stibnite and arsenopyrite. Hole EL16-14A intersected 4.6 meters grading 4.09 g/t gold starting at 18.3 meters depth, while hole EL16-14B intersected 4.6 meters grading 3.87 g/t gold starting at 15.2 meters depth. The gold mineralization in EL16-14A & B is related to a five-meter-wide zone of altered dioresite and pyromonzonite associated with pervasive pyrite-arsenopyrite, calcite and silica replacement of the diorite-late. A massive stibnite-bearing fault fill appears to parallel or sub-parallel a contact between a diorite layer and the pyromonzonite, and is associated with high-grade intercepts of 20.39 g/t gold and 24.92 g/t gold and could be correlated with this contact in both drill holes. The structure that hosts the stibnite is currently interpreted to be a steeply dipping structural zone striking northwest parallel to the eastern margin of the South Zone soil anomaly. Drilling to date does not explain the size of the South Zone soil anomaly, indicating mineralization remains open to expansion. Analytical results are pending for two other drill holes which tested the South Zone soil anomaly and the single hole drilled at the North Zone target.

PREFIGHT VENTURES LTD. provided results from its second drill hole from its Shyoot Creek project near Livengood. A total of seven holes were completed for a total of 3,038 meters of drilling during the summer 2016 program. Hole SC 16-02 was collared about 120 meters southwest of previously completed hole SC 16-01 and 409 meters grading 0.29 percent copper. 5.66 grams per metric ton silver and 0.06 g/t gold starting at 88 meters depth, including 93.5 meters grading 0.38 percent copper, 8.96 g/t silver and 0.07 g/t gold starting at 135.5 meters. Limited drilling in both 2015 and 2016 has failed to locate additional mineralization is associated with a distinct magnetic high in the Hill 1835 area. The overall plans for 2017 are to complete additional drilling on the 750-meter-by-1,000-meter area. Mineralization has been intersected to a depth of 520 meters and remains open to depth. Additional drilling is planned pending from others completed in 2016.

CONTANGO ORE INC. announced initial drill results from its 2016 Phase 3 drilling program at the Teelin gold project, a joint venture with a wholly owned subsidiary of ROYAL GOLD INC. The partners completed 19 core holes in the 2016 phase 1 program, 62 holes in phase 2 and 173 holes in phase 3. Drilling in 2016 totaled 20,522.8 meters (67,335 feet). Significant results from the phase 3 drilling at the North Peak zone included hole 16274, which returned 8.02 meters grading 5.56 g/t gold, hole 16276, which returned 16.01 meters grading 1.23 g/t gold, hole 16281, which returned 5.49 meters grading 29.53 g/t gold, hole 16285, which returned 14.31 meters grading 11.59 g/t gold, hole 16286, which returned 18.78 meters grading 5.02 g/t gold, hole 16289, which returned 15.18 meters grading 12.58 g/t gold and 15.53 g/t gold. The company indicated that North Peak zone remains open to expansion to the northwest and southeast.

Alaska Range

Alaska newcomer AVIDIAN GOLD reports it also acquired the Golden Ridge Project Zone in the Chudina District. The property contains numerous igneous-related prospects of Late Cretaceous-early Cretaceous age in three north-north-east-aligned fault blocks which appear to be younger in age from northwest

see FREEMAN page 9

COLUMN
FREEMAN

to southeast. The most northwesterly and probably oldest block, the Golden Zone Corridor, contains the GZ Breeza Pipe deposit that hosts an industry-compliant indicated resource of 267,400,000 tons of ore with 1,397,800,000 tons of silver in 3,478,000 metric tons of rock grading 1.99 g/t gold and 10.28 g/t silver. This corridor can be traced for over four kilometers and hosts a number of other minor mineral occurrences exposed in trenches and/or drill holes. The central corridor, the Long Creek Corridor, is over two kilometers long and hosts three occurrences of high grade gold-copper veins, including a drill intercept of 13.72 meters grading 7.01 g/t gold, 94.1 g/t silver and 4.0 percent copper that may relate to an underlying porphyry system. The eastern block, the Silver Dikes Corridor contains a mineralized rhytholite dike swarm. Avidan owns 29.4 percent of the property. A purchase agreement to increase the balance of the 70.6 percent interest for US$87,500,000 in cash and US$1,125 million worth of stock over a three-year period ending in 2023. The agreement also carries a work commitment of US$2 million over five years (US$200,000 minimum per year).

COVENTRY RESOURCES LTD., reported results from the final 13 holes of a 22-hole, 6,520-meter drill program recently completed at its Caribou Dome copper project in the Valdez Creek district. Multiple exceptional intersections of copper mineralization have been returned from the five holes drilled in the central portion of the deposit to better define the extents of lenses 4, 5 and 6. Significant results include 11.4 meters grading 6.7 percent copper from 70.2 meters, 5.7 meters grading 7.3 percent copper from 92.4 meters, 3.5 meters grading 11.5 percent copper from 49.2 meters, 4.0 meters grading 6.4 percent copper from 156.1 meters, 4.2 meters grading 4.3 percent copper from 91.7 meters, and 5.3 meters grading 1.8 percent copper from 165 meters. These holes provide for a much better understanding of the controls on the distribution of mineralization in the central portion of the deposit where the majority of shallowness, potential open-pit mining is located. Recent drilling has increased the strike extent of mineralization at the northeast end of the deposit by more than 120 meters, while also demonstrating high-grade mineralization extends to more than 300 meters depth in this area. Three shallower holes were drilled in this area in the second part of the recent drilling program, all of which intersected significant mineralization. Significant results from recent drilling in this area, include 4.3 meters grading 5.2 percent copper from 220.5 meters, 1.1 meters grading 5.5 percent copper from 532.1 meters, 0.6 meters grading 9.1 percent copper from 528.7 meters, 0.4 meters grading 6.8 percent copper from 192.2 meters, 2.2 meters grading 1.0 percent copper from 243.8 meters and 2.9 meters grading 2.4 percent copper from 193.4 meters. Two holes at the eastern end of the property were completed recently in order to begin evaluation of a previously undrilled 100-meter long corridor between Lenses 2 and 6 where mineralization outcrops at surface, in an area where a potential open pit may extend. Significant mineralization was intersected in both holes including 4.4 meters grading 1.2 percent copper from 69.2 meters and 0.5 meters grading 2.6 percent copper from 53.3 meters. Based on the encouraging results from the past drilling, a scouting study has been initiated to help determine how best to advance the project. Initial results from this work, expected to be completed in early 2017, include metallurgical testing from a composite sample from the Lenses 4, 5 and 6 that averaged 5.03 percent copper. Conventional flotation achieved recoveries of greater than 95 percent copper and concentrate containing up to 24.5 percent copper. In addition, samples grading 7.4 percent copper from the recently discovered Lense 7/8 area at the NE end of the deposit returned recoveries of greater than 99 percent copper with concentrate grading up to 27.4 percent copper.

Northern Alaska

TRILOGY METALS INC. announced drill results and provided a project update from its 2016 summer field program at the Arctic poly-metallic volcanogenic massive sulfide deposit at its Upper Kobuk Mineral project in the Ambler district. The majority of this year’s US$5 million project budget was spent on 3,068 meters of drilling in 13 drill holes at the Arctic project. This work included drilling for geotechnical, hydrological, waste rock characterization and metallurgical studies as well as further resource definition. Significant results include hole AR-16-0155 which intersected three mineralized intervals, including 36.36 meters of 2.27 percent copper, 6.25 g/t gold, 25.3 g/t silver, 0.36 percent lead and 2.54 percent zinc, and 8.48 meters of 6.14 percent copper, 1.32 g/t gold, 56.6 g/t silver, 1.93 percent lead, and 8.27 percent zinc, hole AR-16-0148 intersected four mineralized intervals, including 21.22 meters of 3.79 percent copper, 0.85 g/t gold, 60.1 g/t silver, 0.99 percent lead, and 5.78 percent zinc, hole AR-16-0150 intersected five mineralized intervals, including 16.60 meters of 5.40 percent copper, 0.20 g/t gold, 46.0 g/t silver, 1.23 percent lead, and 6.69 percent zinc; and hole AR-16-0153 intersected 12.59 meters of 6.29 percent copper, 0.86 g/t gold, 56.6 g/t silver, 2.17 percent lead, and 9.64 percent zinc. The company also conducted an aquatics survey, avian survey, habitat survey, archaeological survey, and wetlands delineation survey, and continued ongoing baseline environmental data collection in 2016.

Southeast Alaska

HECLA MINING announced additional third quarter drilling production results for its Greens Creek mine on Admiralty Island. Silver production from 2,445,328 ounces increased 22.8 percent and gold production of 11,988 ounces decreased 16.6 percent over the prior-year period. Increased silver production resulted from higher grades, while gold production was lower due to slightly lower ore grades and throughput. The average grade of ore mined during the quarter was 15.4 ounces per ton silver, compared with 12.68 oz. /t silver in the year previous period. Average-by-product grades were 0.088 oz. /t gold, 2.92 percent lead and 6.96 percent zinc. During the third quarter, the mine produced 2,454,328 oz. silver, 11,985 oz. gold, 4,803 tons lead and 12,144 tons zinc. The cash costs, all-in-silver ounce silver of $4.80, nearly unchanged from $4.82 in the third quarter 2015. The mill operated at an average of 2,201 tons per day in the third quarter. The estimated 2016 silver production is increased to 8.5 million oz. and gold production remains unchanged at 53,000 oz. On the exploration front, definition drilling continued from page 8

NORTHERN NEIGHBORS

see page 11

compiled by shane lasley

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Located 25 miles northeast of Fairbanks, Fort Knox is the largest gold producing mine in Alaska. During 2016, Fort Knox celebrated two milestone events, the seven-millionth ounce of gold produced and the 20-year anniversary of commercial operations.

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continued from page 9

FREEMAN

zones. Recent definition drilling of the 9A Zone included 21.6 ounces of silver per ton, 0.03 ounces of gold per ton, 20.7 percent zinc, and 7.0 percent lead over 15.3 feet. Drilling of the southern portion of the NWZ defined mineralization primarily along the lower fault, spanning from the fold nose to the upper limb and is represented by multiple distinct mineralized bands near the mine core. Recent drill intersections include 55.3 oz. t silver, 0.51 oz. t gold, 4.1 percent zinc, and 2.3 percent lead over 10.0 feet. In addition, definition drilling of the Upper Southwest Zone around previously mineralized levels has identified mineralization that could be incorporated into a future mine plan, including 46.9 oz. t silver, 0.03 oz. t gold, 15.1 percent zinc, and 7.5 percent lead over 13.3 feet. Revised resource models for the Upper Southwest Zone, NWZ and Deep 200 South zones are expected by the end of the year and all will likely contribute to increased reserves. Exploration drilling of the Gallagher Zone at the southwest corner of the mine is defining a new flat-lying zone just west of the Gallagher Fault about 450 feet beneath the current Gallagher Zone resource. This drilling has also moved the beginning of the Gallagher fault further east than originally interpreted, expanding the possible extent of mineralization in this area. Drilling of the upper limit of the Southwest Bench fold has defined an intermittent mineralized contact and lies along trend of the upper 5250 Zone and middle Southwest Zones trends of mineralization, opening up a new area for possible expansion of resources.

COEUR MINING INC. announced updated third-quarter 2016 production results from its Kennington gold mine near Juneau. Third-quarter production is estimated at 26,459 oz. of gold, a slight decrease over the 28,688 oz. of gold produced in the third quarter of 2015. Average cost of production was US$589/oz., a significant increase over the US$740 per ounce cost in the year-previous period. Production declined 18 percent and production costs increased in the third quarter due to reduced mill throughput caused by a blocked tailings line, partially offset by a slight increase in head grade. The mine processed 140,322 tons of ore grading 0.20 oz. t gold during the quarter. Average recovery was 94.8 percent. Work continued on the decline into the Juneau zone where production is expected to begin during the second half of 2017. Estimated 2016 total production from Kennington deposit includes assays from the Zone 41 gap target, which returned 12.2 feet grading 1.21 oz. t gold and drilling in the Zone 12 target which returned 20.5 feet grading 0.37 oz. t gold. Underground drilling at Juneau accelerated in recent underground access to exploration targets. An initial reserve from Juneau #4 vein, one of five known veins, is expected at year-end 2016. The current resource at Juneau #4 is 179,000 oz. gold at a grade of 0.619 oz. t gold.

ZAREMBO MINERALS CO. announced results from analytical work completed at its Frenchevolcanogenic massive sulfide project near Wrangell. The company drilled holes in 2006 and 2007 at Frenche containing mineralization that is characterized by bedded massive to massive precious metal enriched zinc-lead-copper sulfide mineralization in pervasively quartz-sercite-altered metasedimentary rocks. Zinc to lead ratios are relatively high (roughly 10 to 1) in areas with low-grade disseminated and semi-massive mineralization, while zinc to lead ratios are considerably lower (less than five to one) in areas where massive sulfide mineralization is best developed. Silver to gold ratios are highly variable and range from 5.1 to 684. Silver values appear to be closely linked to zinc and lead values, but gold is less clearly associated with elevated base metal values, possibly because few gold analyses were available from previous exploration efforts. Work in 2016 was focused on better defining the grade and distribution of gold at the project by conducting metallic and base zone exploration. The company also reported results from its four exploration drill rigs operating in the project. As of year-end 2016, the property is estimated to host 92 percent gold in re-analyzed samples in the corridor, plus-80 mesh-size fraction that is normally discarded when a standard gold fire assay is conducted. As a result, a previously unreported 16-foothick outcrop on the project new grades 4.4 g/t gold, along with zinc to four percent and minor amounts of lead and silver. Additional follow-up work is being conducted to better define the extent of this precious-metal enrichment at the property.

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NORTH OF 60 MINING

11
continued from page 9

NORTHERN NEIGHBORS

TNDC’s efforts toward responsible and sustainable development within the Tahltan’s resource-rich territory encompassing some 11 percent of British Columbia. In conjunction with the entrepreneurial nature of the Tahltan people, Tahltan looks toward a bright future respecting both the traditional values of the Tahltan people and the mission and core values of Geotech,” said Geotech President Jody Lambert. TNDC and Geotech will collaborate to secure drilling work on projects in Tahltan territory. Under the agreement, Geotech also will provide subcontracting, employment and training opportunities to Tahltan members.

3 Aces permitted for expanded exploration

Golden Predator Mining Corp. Nov. 8 announced the receipt of a Class 4 Mining Land Use Permit that allows for a significant expansion of exploration activities at its 3 Aces gold project in southeastern Yukon. With the issuance of this five-year permit, the company is now authorized to construct up to 45 kilometers (28 miles) of roads and complete extensive bulk sampling at the southeastern Yukon property.

Auryn Resources Inc. Nov. 28 posted results from a till sampling program designed to identify the highest grade gold-in-till signatures along the 300-kilometer (185 miles) long greenstone belt at its Committee Bay gold project in Nunavut. “Auryn’s belt-wide till sampling program has identified 17 significant gold-in-till anomalies that represent large-scale mineralized systems within the Committee Bay gold belt,” explained Auryn COO Michael Heinrichsen. Nine of these gold-in-till anomalies were identified in the southwest region of the Committee Bay project area. Anuri, a 20-kilometer (12.5 miles) long north-south trending gold-in-till structural corridor identified in 2015, has been extended to 30 kilometers (19 miles) with this year’s sampling. On Nov. 25, the company reported results from rotary air blast drilling targeting a set of east-west trending structures at Anuri. Highlights from this drilling include 9.14 meters of 1.04 grams per metric ton gold and 7.62 meters of 1.05 g/t gold. Based on the discovery of a new high-grade boulder train at Anuri, Auryn believes this year’s drilling tapped a structure that is secondary to a prominent regional north-south trending fault zone adjacent to the 2016 drilling area. The highest grade samples from the new boulder train are: 45.9 g/t, 41.5 g/t, 33.3 g/t, and 44.5 g/t gold. In addition to Anuri, a cluster of three new till anomalies was identified in the vicinity of Quartzite Ridge and a very well defined till anomaly was identified near Four Hills, both in the southwestern region of Committee Bay. In the central region of the Committee Bay belt, near the 1.6-million-ounce Three Bluffs gold deposit, six gold-in-till anomalies were identified. Till anomalies identified in the Three Bluffs deposit region demonstrate that there is a prominent north-south trend to mineralization situated along a set of secondary structures identified with a high resolution geophysical survey completed earlier this year. These till anomalies have demonstrated high-grade potential from both historical and 2016 boulder and rock sampling. A second prominent northeast trend of mineralization has also been discovered on a set of fault zones. The sampling program identified two other large till anomalies in the northeastern region of Committee Bay.

Junior eyes wider gold potential at Indin Lake

Nighthawk Gold Corp. Nov. 24 reported another round of results from an 8,400-meter drill program completed this year at its Indin Lake gold property roughly 200 kilometers (125 miles) north of Yellowknife, Northwest Territories. In 2013, Nighthawk reported an inferred mineral resource of 39.8 million metric tons averaging 1.64 grams per metric ton (2.1 million ounces) gold, mostly in the parallel Colomac and Goldcrest trends of dikes and sills. Earlier this year, the company reported results from Zone 1.5 at Colomac. Highlights from Zone 1.5 include 52.07 meters (40 meters true width) of 7.72 grams per metric ton gold in hole C16-03 and 31.4 meters (25 meters true width) of 4.14 g/t gold in hole C16-01. The latest batch of results are from Colomac zones 1.0 and 2.5. Highlights from drilling at Zone 1.0 include 55.95 meters (40 meters true width) of 1.09 g/t gold in hole C16-06B and 27.22 meters (20 meters true width) of 1.06 g/t gold in C16-06. Nighthawk said these results highlight the potential for discovering higher grade gold domains along the 2,000-meter stretch of the Colomac trend between zones 1.0 and 1.5. Hole C16-07B, drilled at Zone 2.5, cut 57 meters (37 meters true width) of 1.47 g/t gold, and C16-07 cut 44 meters (33 meters true width) of 1.29 g/t gold. Highlights from drilling at Goldcrest North include 6.34 meters (4.5 meters true width) of 2.22 g/t gold in G16-03 and 12.5 meters (nine meters true width) of 1.48 g/t gold in G16-05. “The current results strengthen our long held belief that Colomac offers immense opportunities for discovery of new zones, the expansion of known zones, and for continued success in unearthing additional high-grade domains,” said Nighthawk President and CEO Michael Nerveldin.

IDM boosts gold-silver zones at Red Mountain

IDM Mining Ltd. Nov. 28 reported assay results from 10 underground holes drilled this year at the Red Mountain gold project in northwestern British Columbia. This batch of drill results are primarily from JW, one of four zones that encompass 1.64 metric tons of measured and indicated resource averaging 8.36 grams-per-metric-ton (441,500 ounces) gold and 26 g/t (1.38 million oz.) silver. Infill holes at JW were targeted to potentially upgrade areas of inferred resource to the higher confidence level. The company’s resource estimate for JW at Red Mountain includes 1.64 metric tons of measured and indicated resource and 2.74 metric tons of inferred resource for a total of 4.38 metric tons of resource. A “five-year permit” allows the company to construct up to 45 kilometers (28 miles) of roads and complete extensive bulk sampling at the southeastern Yukon property.

With the completion of this bridge in September, Golden Predator Mining has road access to the high-grade gold zones at its 3 Aces project. The company is now authorized to build up to 45 kilometers (28 miles) of roads and complete extensive bulk sampling at the southeastern Yukon property.
THANKS TO OUR CORPORATE INTERIOR CANDIDATES

that manages roughly US$6.7 billion in investments, he is well known in Alaska business and political circles. Though Gillam has little in the way of political experience, he believes President-elect Trump's endeavor to fill his cabinet with savvy American's outside the typical Washington D.C. political circles provides him with an opportunity to cap his successful business career with a high-level political post.

“I woke up on November 9th and real- ized that America voted for a change in Washington; one that perhaps favored outsiders as opposed to career politicians,” Gillam said. “I recognized that suddenly it was possible for me to serve in a role that has otherwise been one of career politicians and people (many of them talented of course) looking to use the job as a stepping stone,” he explained in a statement provided by his son.

The fact that Gillam and Trump are both Wharton School of the University of Pennsylvania alma mater does not hurt the Alaska businessman’s chances of gaining a post in the incoming adminis- tration. Gillam told Alaska Dispatch News that he had been in touch with Trump over the course of the election.

Since his college days, Gillam has amassed roughly US$220 million, enough wealth for Forbes Magazine to deem him the richest man in Alaska in 2015. The financial advisor believes the business savvy that elevated him to this status could be applied to the manage- ment of America’s public lands.

“I consider land development like the professional sector that I have been all of my career, and carefully measure the cost versus the benefit of each decision,” he explained.

Anti-Pebble push

While Alaska’s mining community can appreciate a business approach to land management, they are concerned that Gillam would use any influence gained in Washington D.C. to further one of his personal goals, stopping the enormous Pebble Mine in the Bristol Bay region of Southwest Alaska. From 2006 through 2008, Gillam directly spent US$820,000 on Ballot Measure 4 in the 2008 Alaska primary election and evidence suggests his contri- butions were in the millions when you include the monies he donated to groups that in turn funded advertising campaigns supporting the anti-Pebble initiative. Ballot Measure 4, also dubbed the Clean Water Initiative, was crafted to pre- vent development of the world-class Pebble deposit – copper-gold-molybdenum deposit. If passed, however, the stipula- tions of the measure would have made it difficult to permit large scale metal mines across much of Alaska. It is believed that Gillam’s motivation for preventing development of a mine at Pebble is the beautiful home he maintains about 25 miles away from the proposed mine site in Southwest Alaska. This wilderness retreat on the shores of Lake Clark was used as a meeting place for Gillam to discuss with big contributors to the “Yes on 4” campaign, according to a complaint with the Alaska Public Offices Commission, alleging Gillam violated campaign law.

The complaint was put to rest after Gillam paid US$100,000 in a 2010 settle- ment with APOC.

In a separate case, APOC fined an air service owned by Gillam US$25,500 for charging anti-Pebble candidates only the cost of fuel for flights, an illegal contribu- tion that could change the outcome of the initiative, according to the election watchdog group.

Though Ballot Measure 4 failed by a healthy margin, Gillam’s role in promot- ing and funding the initiative put him at odds with Alaska’s mining sector.

The investment manager, however, chalks up the experience as qualifying experience for his aspirations to serve as secretary of Interior.

“In the course of my life, and the many years I spent working on the Stop Pebble Mine initiative, I have learned a treman- dous amount about our nation’s land and the people who rely on it,” he inched in his statement.

Palin on the list

While Gillam’s bid for secretary of Interior has gone virtually unnoticed out- side of Alaska, former governor Palin’s name has been in play for the post since Trump’s victory in the general election.

Interestingly enough, Palin was still serving as Alaska’s governor when Ballot Measure 4 was put before state voters. On the day before the Alaska primary election, Palin took off her governor’s hat and threw it in the ring against the anti-Pebble measure.

“Let me take my governor’s hat off just for a minute here and tell you, per- sonally, Prop 4, I vote ‘No’ on that. I have all the confidence in the world that the Department of Environmental Conservation and our Department of Natural Resources have great, very strin- gent regulations and policies already in place. We’re going to make sure that these operate only safely, and soundly,” Palin said.

The governor’s remarks echoed the sentiment of leaders from more than a dozen cities and boroughs, the majority of Alaska Native corporation leaders – with the noted exception of Bristol Bay Native Corp., which did not take a public posi- tion on the issue – as well as various busi- ness associations, including the Alaska Oil and Gas Association, Alaska Auto Dealers Association and Alaska Forest Association.

Three days after the primary, then Republican presidential candidate John McCain announced Palin as his pick as Republican running mate during his 2008 bid for the White House.
baby mine!” during the 2008 presidential campaign, as a show of her support for coal mining and the sector at large.

**Likely contenders**

While Gillam and Palin are in the conversation, most pundits have non-Alaskans higher on the list of potential candidates to run the Department of Interior.

Those considered more likely to lead Interior are: Oklahoma Gov. Mary Fallin, who was named vice-chair to Trump’s transition team on Nov. 29; Robert Grady, a venture capitalist who served in the George H.W. Bush White House as associate director of the Office of Management and Budget for Natural Resources, Energy and Science; Continental Resources CEO Harold Hamm, known for pioneering the development of the large shale oil resources of the Bakken formation and ranked by Forbes Magazine as the 98th richest person in the world; and Forrest Lucas, co-founder of Lucas Oil Products.

Whomever Trump picks to lead the Department of Interior, that person will be charged with overseeing nine land and resource-management bureaus, most of which have some bearing on mining in Alaska.

In addition to the two major federal land managers, Bureau of Land Management and National Park Service, Department of Interior oversees regulators such as the Bureau of Reclamation, Office of Surface Mining Reclamation and Enforcement and U.S. Fish and Wildlife Service. Last but not least for the mining sector, U.S. Geological Survey falls under the Interior umbrella.

While secretary of Interior may not be highest profile position in the Trump cabinet, with nearly 200 million acres of federal lands in Alaska and so many resource-related bureaus under its control, this post is important to Alaska’s mining community.

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**INTERIOR CANDIDATES**

**NORTHERN NEIGHBORS**

IDM Mining completed 5,300 meters of underground drilling during its phase-1 2016 program at the Red Mountain gold-silver project near Stewart, B.C.

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**WHATEVER**

**WHENEVER**

**WHEREVER**
Canada faces generational test

Upstream sector predicts gain in wells, jobs; industry leader points to uphill battle after worst year for activity since 1977

By GARY PARK
For Petroleum News

M odel is the operative word for the latest muni around forecast by Canada’s upstream oil and natural gas industry in 2017, with the shaky optimism fueled by gains in investment and jobs despite the squeeze in government fiscal and regulatory policies. The Canadian Association of Oilwell Drilling Contractors is predicting its member companies will drill 4,665 wells next year, compared with an expected 3,582 wells this year (which is 25 percent short of CAODC’s original target) and could create about 3,000 more direct and indirect jobs.

However, CAODC President Mark Scholz was blunt in his assessment of the increases, noting the industry “has an uphill battle ahead even with a recovery in the price of oil.”

He said the industry is facing “the most difficult time in a generation,” making 2016 the worst year on record since 1977. Scholz said CAODC is concerned about the impact of government policies, such as new carbon taxes and higher corporate taxes in Alberta and federal delays in approving new pipelines and LNG projects — which are “making a bad situation worse and creating significant investment uncertainty.”

If the new goal is achieved, the drilling sector will still fall 58 percent short of the well count of 11,226 in 2014 before the commodity price slump started to unfold.

Cost, job cutting

During the downturn, the industry has embarked on a sweeping program of cost and job cutting and the use of new technologies to achieve savings.

Brian Krause, chief executive officer of Beaver Drilling, said in a statement that “the types of rigs that will be in demand in this new environment will be highly specialized to drill manufactured wells. These rigs of the future will drill wells faster, more efficiently and with more consistency while reducing risk.”

The Petroleum Services Association of Canada had earlier forecast 4,175 wells in 2017, 63 percent below the 2014 well count.

The failure so far to obtain corporate approval for major LNG projects has surfaced in British Columbia’s northeastern gas region, where operators punched 267 new wells in the first 10 months of 2016 compared with 450 wells in the same period of 2015.

In addition to the LNG stalling, the resurgence of U.S. production has turned Western Canada’s biggest market in the U.S. Midwest into its biggest competitor over the past five years, said Dave Tulk, a consultant with Gas Processing Management.

He said there could be a gas price spike in the depths of winter that will be sported because of the North American gas in storage.

Tulk said producers are unable to earn enough from the wells they are drilling now to justify embarking on new wells.

Suncor trims budget

Suncor Energy, Canada’s largest oil producer, is opting to continue its drive to lower costs as it aims for 680,000-720,000 barrels per day in 2017, up from 610,000-625,000 bpd.

Beyond the two major projects that are scheduled to come on stream next year — the Fort Hills oil sands mine and the Hebron oil field offshore Newfoundland — Suncor is trimming its capital budget to CS$4.8 billion, about CS$1 billion less than it will spend in 2016.

Suncor’s budget shows cash operating costs in the oil sands will average CS$24-CS$27 per barrel next year as the company maintains what Chief Executive Officer Steve Williams said is an “unwavering focus on cost management, which has helped us to generate strong cash flow” over the past two years.

The International Energy Agency has forecast Canada’s oil and gas sector will attract US$81.1 trillion in investment over the next 24 years, averaging about US$40 billion a year, predicting output will average 6.1 million bpd by 2040, 600,000 bpd below the IEA’s estimate a year ago.

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PIPELINES & DOWNSTREAM

State adds gas to Milne Point Pipeline

State regulators are allowing Milne Point Pipeline LLC to convert the Milne Point Product Pipeline into a common carrier gas pipeline, as well as natural gas liquids.

The Hilcorp Alaska LLC transportation subsidiary requested the amendment to its certification earlier this year in an application to the Regulatory Commission of Alaska.

The 10.4-mile pipeline was built in 2001 to transport natural gas liquids to the Milne Point unit from an interconnection with the Oliktok Point Pipeline. But natural gas liquids shipments were suspended in December 2002, after an injection pump failed. The Milne Point unit no longer requires natural gas liquids for enhanced oil recovery and has no potential customers looking to use the line for natural gas liquids.

The RCA allowed the company to isolate the Milne Point Product Pipeline from the Oliktok Pipeline in 2007. The Milne Point Product Pipeline is capable of handling 39 million cubic feet per day and is estimated to have a project life of 2025. Although the Milne Point Pipeline company is not planning any immediate natural gas shipments on the pipeline, it anticipates the possibility of requiring natural gas for field operations in the future.

Conversion of the pipeline also allows the company to prepare for a potential conversion of its diesel-powered Module 68 leak detection and metering facility at the unit to run on natural gas.

Additionally, the Oliktok Point Pipeline is currently certified to ship either natural gas or natural gas liquids, and Milne Point Pipeline wants to have the same flexibility.

—ERIC LIDSETH

continued from page 5

SEATON Q&A

exclusion, limiting new oil to seven years. That’s a seven-year time horizon before that really kicks into effect. That’s in the future and that was the only change we made for the North Slope.

Coming out of the House, we had some provisions that would have done a whole lot more. It would have made sure with distant fields the tax couldn’t be below zero, so it wouldn’t offset profits made in other fields if you had a long pipeline and a high tariff being paid to yourself. That was one thing that didn’t get included. The other was rolling back the credits for carrying forward expense liabilities to future years.

We give the oil companies a great thing in letting them expense all of their capital expenses in the year in which it occurs. Letting that net operating loss roll forward as a 35 percent tax credit in future years doesn’t make much sense when you’re letting 100 percent of it being an expense in the first year instead of the oil companies deprecating those expenses over seven, 10, 15 years like normal business do. We let them recover all of those capital expenses as much as can be done in the first year, but letting them roll forward a 35 percent tax credit doesn’t make much sense, especially when the tax credits allow them to take their tax down to zero. In other words it goes below the minimum tax. The minimum tax is very small. It’s 4 percent and that was based on anything above $25 a barrel. There are four minimum tax levels and they are all at very, very low prices. They weren’t adhering at all to the new price environment. There was a provision in doing that in HB 247, which allowed the minimum tax to go from 4 percent to 5 percent at $70.

Petroleum News: One of the arguments in keeping the 33 percent carry forward credit has been if the oil companies are still willing to invest at a loss, shouldn’t they be able to take that credit?

Seaton: There are provisions that are very beneficial in writing off their Cap Ex in the year in which they make it. There may be benefits, but the liability it creates for us means that we get no production tax since paying credits, which is the other component to those production tax credits.

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continued from page 16

SEATON Q&A

ing less that 50,000 barrels a day is dependent on receiving the production tax. So if you cut out all of the production tax by allowing large producers to take their tax to zero, it means they can’t be making the projects we can pay to the people who are trying to get up to production. So there are some back and forth influences. You have to fit in what’s the actual amount of credits, what’s the appropriate level and who can get those credits.

Petroleum News: Do you think something can be worked out with the industry next year?

Seaton: I think something needs to be, so yes I hope so. It needs to be for their understanding of a longer-term secure tax regime that isn’t this pendulum swinging back and forth. But it’s unstable now because the tax credits that are generated, there is almost no production tax to pass those tax credits. If the system was to work the way it’s envisioned in SB 21, there has to be some production tax being paid.

Petroleum News: It seemed as though a lot of people were caught off guard by the carry forward carry forward fast session. Was that the intended outcome of the SB 21 debate or was it simply not considered because no one believed oil prices would be chronically low?

Seaton: It would have been much better to consider low oil prices. Under the SB 21 debate there was only one consideration of $60. Generally, it was always considered between $80 to $120 a barrel, which was the range of the analyses. Seaton: Even though a lot of them wanted the lower ranged looked at, we were kind of ignored.

Petroleum News: Do you see someone or some committee in the House bringing forth a bill or do you see yourselves waiting for the governor to bring forth a bill?

Seaton: That will of course be the significant purview of the Resources Committee. We believe the co-chairs who were both on Resources the last few years will be addressing that. They will be looking at whether they look at the vehicle contemplated by the governor or whether they produce their own.

Petroleum News: Do you see yourself wanting to stay in touch with Resources perhaps by sitting on the resources sub-committee?

Seaton: I can’t tell you at this point.

Petroleum News: Also, connected to a fiscal plan could be an AKLNG plan. What are your thoughts on where things are right now with AKLNG?

Seaton: I think the analyses that we got at the last AKLNG report were chilling. We had two reports that came to us. Well there were three. There was the Wood Mackenzie report that said if you could get the tax free bonds that would be beneficial. Then there were two other reports that came forward that pretty well demonstrated to my satisfaction that there is probably only a small amount of credits that could be a broad-based tax. Some of those sensible budget cuts are related to oil and gas in oil and gas and reforming the tax credit system. As far as a broad-based tax, an income or a sales tax is also part of the necessary components to get us to an end point that can be sustainable.

Petroleum News: There is still unfinished business with oil tax credits that were vetoed but must still be paid. How do you propose getting in a position to pay?

Seaton: Well, of course some of us didn’t think they should continue to accumulate amount at the same rate. We were terminating tax credits in Cook Inlet. They were no longer needed for gas exploration or development because the price for natural gas pipeline to Cook Inlet is among the highest in the world. It fully allows for development of LNG as long as the market is larger than the gas. So Cook Inlet was taken care of. The problem was the North Slope didn’t get pulled back as far as it was offered (by the House).

The House proposed we do all three of those. One was to restrict what credit was given for by saying they would only be given for expenses in support of a plan of development so we wouldn’t be doing this far away exploration and paying for the risk that projects people wanted to do. It also ramped down the amount of the tax credit from 35 percent of their expenses to 25 percent of their expenses. It also did away with net operating losses to generate credits to lower the tax below the minimum tax.

Seaton: I think the House bill comprehensively looked at a way to ramp that down and constrain those credits on the North Slope but the Senate did not agree with the comprehensive approach to ramping those down. I think we need to address that this next year otherwise we will keep generating these large amounts of credits. The paying owner would get back 15 percent of the production tax that we receive. That’s in statute. We anticipate paying owners that. You either get to get paid for the production tax or there is going to be this accumulated liability over time.

Petroleum News: So what would you like to hear from the industry the next session on the state’s tax regime and its impact to us?

Seaton: I mean all know the industry is hurting. The only one we really have a good handle on is ConocoPhillips because they are required to report. They lost money in the United States and all over Canada but in Alaska they made money. So we are kind of getting something in a way right, but in another way we can’t subsidize the rest of the world or the large losses in the Lower 48 in Canada. There has to be a balance somewhere.

Petroleum News: Speaking of the federal level, we’ll be getting a new administration coming in D.C. How do you think that could impact Alaska’s resource development efforts?

Seaton: It will be interesting to see what comes out. There are scenarios where it could be very beneficial to allowing more development; however, if the development is not economic without all large high-subsidized debt, then that actually could be detrimental to the state’s budget. We definitely want resource development but we can’t do it in a way which we have to pay excessive amounts to get that resource development going.

Petroleum News: Some have said this could make ANWR’s prospective exploration more within reach.

Seaton: It would be great to have another find. We are a long ways away if the only way it’s economic is that the state subsidies the exploration to subsidize the exploration at least at 85 percent tax credit. Whether that was paid out or not, or it’s just a liability that we owe, we have to keep a subjective amount of money huge to a large on our resources when there is no production coming for eight to 10 years. We do not have the financial balance sheet to do that.

Petroleum News: Why do you suppose the oil tax debate seems so much different today as when you first got into office?

Seaton: It’s a pendulum that keeps swinging back and forth. That’s the problem. When I got into office, we had a proposal made by the oil companies to change the gross tax to the ELF system and that and that had not contemplated the response of the oil companies to leaving so many less that marginal wells going, which reduced the tax rate to basically zero while you’re having huge production that hadn’t been analyzed for a long time. Then we went to a profits based tax which was supported by the industry.

Then we had the corruption problems and the pendulum swung back and went too far the other way. Then it was sticking back with SB 21 and we find ourselves in this same situation where the oil tax credits if they are given at the price (ranges) of things and now we find ourselves in a situation of liabilities for these tax credits that are huge with very small amount of taxes coming to the state. Hopefully in the future we can get a balanced program that works across all price ranges and self correcting as well as volumes.

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C2O STORAGE

Address the capture and storage of carbon dioxide emitted from operational commercial-scale carbon dioxide storage. The project, conducted by various universities and an electrical power research institute, will develop plans addressing the technical requirements, economic feasibility and public acceptability of storage projects. Potential storage sites are located in Wyoming, Illinois, the Gulf of Mexico, Utah, Nebraska, Kansas, Michigan, California, Nebraska and South Louisiana. Some of these projects will

continued from page 15
The Jones Act requires any vessel built, flagged, crewed and mostly owned moving between domestic ports to be built, flagged, crewed and mostly owned.

The U.S. Department of Justice.

The House, led next year by a coalition, is likely to pass tax changes, sources said. The House v. Senate accomplished this past session.

The job of reforming the state oil and gas is likely to pass tax changes, sources said. The House v. Senate accomplished this past session.

The overall accumulation of the unpaid credits is a big worry because it hurts the state reputation and credit rating agencies don’t like it. There are also large worries over large projects going into development that could accumulate hundreds of millions in tax credits eligible for refunds.

Tax credit liability
For now, a great concern is how to deal with hundreds of millions of dollars of oil tax credit liability that have already accumulated, and which are still increasing.

Given the state’s financial difficulties, the appropriations for cash refunds in the upcoming FY 2018 budget, “will likely be around the $40 million statutory minimum set out in the law,” Alper said. Credits that can’t be refunded add to the liability.

For the current year, FY 2017, the governor vetoed most of the cash appropriation for credits, leaving only the minimum amount. Payments are made to applicants on a first-come, first-served basis, Alper said, and if there are insufficient funds appropriated, as happened this year, the available money is pro-rated among those holding credits who have applied for the refunds.

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Striking a balance

Permits will be sought

Rona Ambrose, interim leader of the federal Conservative Party and a defender of the jobs that would have been created by all three pipelines, plus TransCanada’s proposed 1.1 million bpd Energy East application now before the NEB, argued Trans Mountain has “very little chance of being built.”

She said Trudeau should have left Northern Gateway “on the table,” allowing the proponent to continue negotiations with First Nations.

Moreover, because Trudeau had also promised to introduce legislation in spring 2017 to ban all crude oil tankers in the waters off northern British Columbia, Ambrose said Northern Gateway had been “killed” along with benefits and access agreements with many First Nations and 4,000 jobs.

Instead of “picking and choosing” among the Canadian pipelines, she said Trudeau should have asked U.S. president-elect Donald Trump how long it would take his incoming administration to approve TransCanada’s Keystone XL proposal to deliver 830,000 bpd to U.S. refineries without having been entangled in Canadian domestic disputes.

Ambrose said Trudeau’s approvals of Trans Mountain and Line 3 were “only the first steps in a long, long process” that could diminish the chances of the projects ever proceeding.

Bluecrest request

In April 2015 AIDEA approved the loan for up to $30 million of the estimat-ed $40 million cost of manufacturing the rig, transporting the rig to Alaska, outfitting the rig on site and completing the rig commissioning. As collateral on the loan, AIDEA has taken a lien on the rig. Additionally, BlueCrest undertook to establish a reserve account of $15 million, to cover any shortfall between the loan amount and the potential sale price of the rig. BlueCrest anticipated using state tax credits to fund the reserve account.

The loan term was seven years, involving a line of credit that would last 15 months before converting to a term loan, at which point payments on the loan would commence. Revenues from expanded oil production following the drilling of development wells using the new drilling rig would underpin the loan payments. During the period of the line of credit, BlueCrest would pay interest at 450 basis points above the seven-year U.S. Treasury rate. Once converted to a term loan, the company would pay a 10 percent rate, compounded daily.

Apparently the funding from the loan was issued, and the drilling rig has been acquired and has now been completed.

BlueCrest had anticipated starting drilling with the new rig around mid-August of this year, with the first pro-duction well to be completed by the end of the year.

Two problems

But, according to a document filed with a resolution for board approval of BlueCrest’s request to now change the terms of the loan, two issues have arisen that have compromised the original loan terms. The completion of the drilling rig was delayed, thus delaying the start of development drilling, and the state has deferred payment of BlueCrest’s tax credits. The drilling delay presumably delays the time at which BlueCrest will start earning the increased oil revenues needed to pay off the loan, while the tax credit shortfall inhibits the company’s ability to finance the loan reserve fund.

The proposed changes to the terms of the loan involve delaying the conversion of the line of credit to the term loan from Oct. 24 to Dec. 10 of this year, with BlueCrest having to bear 10 percent interest compounded monthly during that extension period. BlueCrest will start making interest only payments on Jan. 1, with interest and principal pay-ments to start on Dec. 1, 2017. All prin-cipal and interest must be paid off by the original date of maturity of the loan.

To deal with the reserve fund shortfall, the proposal is to set the reserve fund at the greater of $5 million or 120 percent of the difference between the principal outstanding on the loan and the distressed sale value of the drilling rig.

—ALAN BAILEY
OPEC CUT

Russia joins in

According to a Nov. 30 report by Russian news agency TASS, Russia, a major oil exporting country that is not a member of OPEC, has also stated its intent to join the production cutting move.

“Russia is ready to join the agreement for stabilization of the situation on oil markets,” said Russian energy Minister Alexander Novak, according to the TASS report. “According to results of our proactive talks with key OPEC and non-OPEC countries that lasted several months, Russia will reduce production by up to 300,000 barrels (per day) in the first half of 2017 in a phased manner within tight deadlines, on the basis or technical opportunities.”

OPEC says that it has reached an understanding with non-OPEC countries, including Russia, that these countries will limit their oil outputs to a combined maximum of 600,000 bpd.

Individual national targets

The various countries in OPEC have each agreed on individual production limits that contribute to the overall 1.2 million barrel OPEC cut. Saudi Arabia, by far the biggest producer, has committed to reduce its daily output by 210,000 bpd to 4,351,000 bpd. The United Arab Emirates and Kuwait have also agreed to substantial cuts.

The exception is Iran, a major oil producing country that has recently re-entered the world oil market following the lifting of international sanctions. Iran will be allowed to lift its daily production cap by 90,000 bpd to 3,797,000 bpd. And OPEC has not published any production quotas for two of its members: Libya and Nigeria.

Indonesia, a country that had been an OPEC member but is nowadays a net oil importer, has suspended its OPEC membership.

OPEC, a cartel of oil producing nations, sees its mission as coordinating the oil production policies of its member countries, to stabilize oil markets and hence to secure petroleum supplies for consumers, ensure a steady income for producers, and to ensure a fair return on investment for the petroleum industry.

The effectiveness of the new OPEC deal to cut production will presumably depend on the diligence with which the member countries follow through on their cut commitments, and on the extent to which non-OPEC countries cooperate in the production limiting arrangements.

Saudia Arabia

Saudi Arabia, the largest oil exporter, plays a pivotal role in managing the global oil price through adjustments to production quotas. Although the country has traditionally tended to maintain prices at relatively high levels through production constraint, the country changed tactics following the sudden crash in oil prices to below $100 per barrel in 2014.

Instead of cutting production to support the oil price, Saudia Arabia maintained its production levels, explained the rationale behind the policy decision. Saudia Arabia had no choice, he said. If the country had cut production, with oil flooding onto the market and non-OPEC countries refusing to cut their production, more non-OPEC production would simply have entered the market. But the resulting fall in price had been greater the Saudia Arabia had anticipated, he commented.

Daniel Yergin, energy expert and vice chairman of IHS Markit, said in September that he expected that OPEC would try to stabilize the oil price at $50 in its November meeting. According to a report in CNBC following the Nov. 30 OPEC agreement, Yergin said that Saudia Arabia needs to sell oil at a reasonable price to maintain the country’s new policy of economic diversification.

“They need a decent oil price, and they need to maintain market share,” he said. •

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continued from page 18

NANUSHUK EIS

new infrastructure in the Colville River floodplain, and to make the infield roads less parallel to the East Channel of the Colville River to reduce potential impacts to migrating caribou,” the Corps said, and was developed based on comments from cooperating agencies on possible “fencing” effect of road and pad configurations on migrating caribou.

This alternative would have a 6.7-mile road beginning at the Mustang Road, going around the northern end of the Mustang Mine site, and then heading to the standalone CPF pad, with 17.6 miles of infield roads to the drill sites. It would require one bridged crossing of the Miluveach River for the access road and one bridged crossing of the Kachemach River for the infield road. The drill site locations are the same as the Armstrong proposal but the CPF would be relocated to a standalone pad.

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