



page 14 Eni fleshes out development plans; Valenti says Nikaitchuq oil in '09

## November Mining News inside



The November edition of North of 60 Mining News is enclosed

## Struggling to get it right: Alberta backtracks on royalties

It's been a year of almost unmatched embarrassment for the Alberta government.

At a time of incredible, seemingly limitless riches, the province under newly installed Premier Ed Stelmach decided in 2007 it wasn't getting its "fair share" from the oil and gas industry.

So, against all sorts of warnings, it made a grab for a hike of about 20 percent in royalties.

Regardless of commodity prices that were then generating corporate cash flows never before seen, the industry reacted sharply to government meddling with a royalty regime it had viewed as sacred and untouchable.

Companies slashed billions of dollars from their Alberta spending plans, diverted money to British Columbia,



Alberta Premier Ed Stelmach

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## BREAKING NEWS

**4 AOGCC dragged into permitting:** Exxon has applied for Point Thomson drilling permits; DNR wants panel to listen to landlord

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**11 Dark inches, bright mile:** Economist: Oil price fundamentals haven't changed; demand expected to grow; dollar expected to fall

## EXPLORATION & PRODUCTION

# No to drilling

9th Circuit Court says that MMS assessment of Shell's plan was inadequate

By ALAN BAILEY  
Petroleum News

Nearly a year after it heard oral arguments in the appeals against the U.S. Minerals Management Service approval of Shell's Beaufort Sea exploration plan, the U.S. Court of Appeals for the 9th Circuit has finally issued its decision in the case. On Nov. 20 the court issued a 57-page opinion in which a majority of a panel of three judges from the court upheld the appeals, saying that MMS had not conducted an adequate environmental evaluation of Shell's plan. One judge dissented from the opinion.

The 9th Circuit lawsuit merged three different appeals involving the North Slope Borough, the

Alaska Eskimo Whaling Commission and several environmental organizations.

The court requires that MMS prepare a revised environmental assessment for Shell's exploration plan and, if necessary, prepare an environmental impact statement before the plan can be approved. The court also denied a request by Shell to lift the injunction that the court has placed on the company's planned Beaufort Sea drilling since August 2007. Shell wants to drill some exploration wells in its Sivulliq prospect on the western side of Camden Bay offshore the eastern North Slope.

However, the court did uphold the MMS analysis

see DRILLING page 18

## Responsible development

The U.S. Minerals Management Service has estimated major oil and gas resources in the Arctic offshore and the United States needs these resources to reduce its dependence on foreign oil and gas, Pete Slaiby, Shell's Alaska general manager, told the Resource Development Council's annual conference on Nov. 19, the day before the U.S. Court of Appeals for the 9th Circuit remanded the MMS approval of Shell's Beaufort Sea exploration plan. Slaiby was talking about Shell's current and planned activities



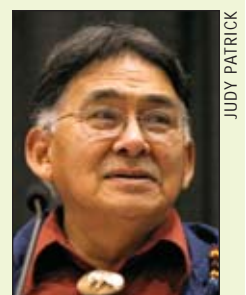
"We believe we have what is arguably the most environmentally sensitive and thoroughly responsible exploration program in history." —Pete Slaiby, Shell's Alaska general manager

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## Not so fast

Edward Itta, mayor of the North Slope Borough, told the Resource Development Council's annual conference on Nov. 19 that he was always glad to share discussions about the challenges of offshore development with Shell and with the U.S. Minerals Management Service.

"While we are often on opposite sides of offshore development issues ... I sincerely believe that we all have authentic desires to work together in pursuit of the elusive middle ground that benefits everyone who



"I sincerely believe that we all have authentic desires to work together in pursuit of the elusive middle ground that benefits everyone who has an interest in the Arctic Ocean." —Edward Itta, mayor of the North Slope Borough

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## EXPLORATION & PRODUCTION

# BP breaks a billion

Amid new taxes and sinking prices, BP plans \$1.2 capex program for 2009

By ERIC LIDJI  
Petroleum News

BP is budgeting \$1.2 billion in capital expenditures for Alaska in 2009, a 33 percent increase from current year spending, according to the outgoing president of the local subsidiary.

But the company also expects a 10 percent drop in drilling at Prudhoe Bay next year.

The figures came nearly a year to the day after Alaska lawmakers revised the state production tax code in November 2007, increasing the tax rate but also expanding exploration credits. But they also come amid global financial uncertainty responsible for slashing oil prices to below \$45 a barrel, down



DOUG SUTTLES

from their peak of \$144 a barrel in July.

While both factors will certainly contribute to oil company investment in Alaska over the coming year, the exact nature of cause and effect is difficult to predict. BP blamed tax changes for a shrunken budget in 2008, but ended up overspending during the year.

Speaking at the annual conference of the Resource Development Council in Anchorage on Nov. 19, outgoing BP Exploration (Alaska) President Doug Suttles said both factors played a role as the company decided which projects would receive funding this year.

"Some of those are no longer attractive in today's

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Petroleum News

A weekly oil & gas newspaper based in Anchorage, Alaska

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### BP breaks a billion

Amid new taxes and sinking prices, BP plans \$1.2 capex program for 2009



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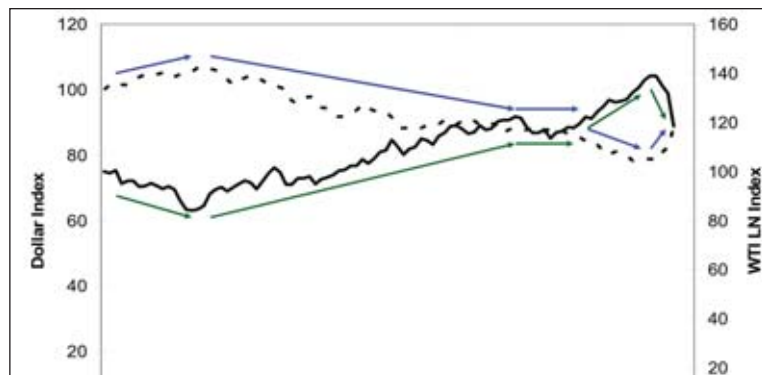
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## UPCOMING

### Alaska Railroad print set to release

The Alaska Railroad Corp., or ARRC, will release its 2009 annual poster print during two public unveil-and-sale events: first at the Ship Creek Historic Depot in Anchorage at 411 West First Ave. on Dec. 6, and then at the Fairbanks Depot at 1745 Johansen Expressway on Dec. 13. Wasilla artist Taffina Katkus will be on hand to sign the prints and posters at both events from 10 a.m. to 2 p.m. "Clearing the Way" shows a Jordan spreader crossing the Hurricane Gulch Bridge, with Denali National Park's Mount McKinley in the background. An electronic image of the painting is available at <http://www.alaskarailroad.com/arrc41.html>. Renowned artist John Van Zyle produced the first official Alaska Railroad painting in 1979.



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# Alaska - Mackenzie Rig Report

Rig Owner/Rig Type      Rig No.      Rig Location/Activity      Operator or Status

## Alaska Rig Status

### North Slope - Onshore

#### Doyon Drilling

Dreco 1250 UE	14 (SCR/TD)	Prudhoe Bay MPS-41	BP
Sky Top Brewster NE-12	15 (SCR/TD)	Kuparuk 3K-108	ConocoPhillips
Dreco 1000 UE	16 (SCR/TD)	Prudhoe Bay DS 12-33	BP
Dreco D2000 UEED	19 (SCR/TD)	Alpine CD2-469	ConocoPhillips
OIME 2000	141 (SCR/TD)	Kuparuk annual maintenance	ConocoPhillips
TSM 7000	Arctic Fox #1	Stacked in Yard	Pioneer Natural Resources
	Arctic Wolf #2	Stacked in yard	FEX

#### Nabors Alaska Drilling

Trans-ocean rig	CDR-1 (CT)	Stacked, Prudhoe Bay	Available
Dreco 1000 UE	2-ES	Maintenance	BP
Mid-Continental U36A	3-S	Milne Point MPL-06	BP
Oilwell 700 E	4-ES (SCR)	Prudhoe Bay M-38A	BP
Dreco 1000 UE	7-ES (SCR/TD)	Prudhoe Bay H-38	BP
Dreco 1000 UE	9-ES (SCR/TD)	Polaris W-218	BP
Oilwell 2000 Hercules	14-E (SCR)	Stacked	Available
Oilwell 2000 Hercules	16-E (SCR/TD)	Being fitted out for drilling this winter	Brooks Range Petroleum
Oilwell 2000	17-E (SCR/TD)	Stacked, Point McIntyre	Available
Emsco Electro-hoist -2	18-E (SCR)	Stacked, Deadhorse	Available
Emsco Electro-hoist Varco TDS3	22-E (SCR/TD)	Stacked, Milne Point	Available
Emsco Electro-hoist	28-E (SCR)	Stacked, Deadhorse	Available
Emsco Electro-hoist Canrig 1050E	27-E (SCR-TD)	Under modification	ExxonMobil
Academy AC electric Canrig	105-E (SCR-TD)	Stacked on ice pad at Chandler #1	Anadarko

#### Nordic Calista Services

Superior 700 UE	1 (SCR/CTD)	Prudhoe Bay Z-01B	BP
Superior 700 UE	2 (SCR/CTD)	Prudhoe Bay Well Drill Site Y-25a	BP
Ideco 900	3 (SCR/TD)	Kuparuk Well 1R-09	ConocoPhillips

### North Slope - Offshore

#### Nabors Alaska Drilling

OIME 1000	19-E (SCR)	Oooguruk ODSN-37	Pioneer Natural Resources
OIME 2000	245-E	Nikaitchuk project Oliktok Point	ENI
Oilwell 2000	33-E	Stacked	BP

### Cook Inlet Basin - Onshore

#### Aurora Well Service

Franks 300 Srs. Explorer III	AWS 1	Lone Creek 4	Aurora Gas
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#### Marathon Oil Co. (Inlet Drilling Alaska labor contractor)

TTaylor	Glacier 1	BC-19	Marathon
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#### Nabors Alaska Drilling

Continental Emsco E3000	273	Stacked, Kenai	Available
Franks	26	Stacked	Available
IDECO 2100 E	429E (SCR)	Stacked, removed from Osprey platform	Available
Rigmaster 850	129	IRU 13-31	ConocoPhillips
Academy AC electric Heli-Rig	106-E (SCR/TD)	SRU 211-33	Chevron

#### Rowan Companies

AC Electric	68AC (SCR/TD)	On site at Cosmopolitan	Pioneer Natural Resources
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### Cook Inlet Basin - Offshore

#### Chevron (Nabors Alaska Drilling labor contract)

	428	M-32 Steelhead platform	Chevron
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#### XTO Energy

National 1320	A	Platform A no drilling or workovers at present	XTO
National 110	C (TD)	Idle	XTO

#### Kuukpik

	5	Well A-16 Tyonek platform	ConocoPhillips
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## Mackenzie Rig Status

### Canadian Beaufort Sea

#### SDC Drilling Inc.

SSDC CANMAR Island Rig #2	SDC	Set down at Roland Bay	Available
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### Mackenzie Delta-Onshore

#### AKITA Equitak

Modified National 370	64 (TD)	Staged at Langley Island, NT	MGM Energy Group
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### Central Mackenzie Valley

#### Akita/SAHTU

Oilwell 500	51	Racked in Norman Wells, NT	BG Canada
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The Alaska - Mackenzie Rig Report as of November 25, 2008.  
Active drilling companies only listed.

TD = rigs equipped with top drive units WO = workover operations  
CT = coiled tubing operation SCR = electric rig

This rig report was prepared by Alan Bailey



JUDY PATRICK

### Baker Hughes North America rotary rig counts\*

	November 21	November 14	Year Ago
US	1,941	1,941	1,773
Canada	400	418	391
Gulf	59	61	62

#### Highest/Lowest

US/Highest	4530	December 1981
US/Lowest	488	April 1999
Canada/Highest	558	January 2000
Canada/Lowest	29	April 1992

\*Issued by Baker Hughes since 1944

The Alaska - Mackenzie Rig Report  
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## GOVERNMENT

# AOGCC dragged into permitting issues

ExxonMobil has applied for drilling permits for Point Thomson; also asked DNR for reconsideration of ice road permit denial

By KRISTEN NELSON  
Petroleum News

There is a new front in the great Point Thomson permit war, with the Alaska Oil and Gas Conservation Commission now dragged into the fray.

Meanwhile, in its continuing battle with the Alaska Department of Natural Resources, ExxonMobil has requested reconsideration of DNR's mid-November denial of a permit for an ice road to trans-

port a drilling rig to Point Thomson for winter drilling, arguing that the leases had not been terminated when the permit applications were filed.

ExxonMobil, operator at Point Thomson, and the other working interest owners are in administrative appeal, in litigation — and negoti-



TOM IRWIN

ation — with DNR over the department's rejection of the latest plan of development for the unit and the department's subsequent termination of the unit and the leases.

The issue at the commission is drilling permits.

DNR Commissioner Tom Irwin wrote Dan Seamount, the commission chair, on Oct. 29, asking to be heard on applications ExxonMobil made to the commission for drilling permits. Irwin said DNR, as landowner, is an affected party entitled to notice under Alaska statutes.

"DNR requests notice and an opportunity to be heard" before the commission grants drilling permits, Irwin said.

## Notice not required

In a Nov. 6 response, Seamount said the Alaska Superior Court has ruled the commission is not required to give notice, but under the present circumstances he said the commission "would find it helpful" to hear from DNR and the applicant "on the issue that we assume underlies your request."

Seamount said the commission had been officially notified that DNR terminated 44 of the 45 leases "in the area formerly known as the Point Thomson Unit."

The applications to drill were filed "well before that notification but have not been withdrawn. We understand that ExxonMobil is disputing DNR's determination regarding lease status," he said, and invited DNR and ExxonMobil "to submit written argument on the question of what action" the commission should take on the drilling application. Seamount noted that the commission's regulations provide that permits to drill are "not valid at a location where the applicant does not have a right to drill for oil and gas," while courts have found that a drilling permit "grants no affirmative rights to the permittee to occupy the property," merely removing conservation laws and regulations as a bar to drilling. The same ruling said the commission (in that case the Texas Railroad Commission) "should not do the useless thing of granting a permit to one who does not claim the property in good faith."

## DNR argument

The commission asked for a DNR response on Nov. 21, copied to ExxonMobil, and a response from ExxonMobil on Dec. 5.

Irwin said in DNR's Nov. 21 response that on the issue of notice, while an Alaska Superior Court ruling cited by the commis-

sion did not require it to give public notice, it "did not say that a property owner was not entitled to a hearing. DNR, as the steward of the state's interests in development of the mineral resources on its lands, has the same right as any other landowner to be advised when the AOGCC is considering an application to drill on its lands." Irwin cited the judge's ruling as interpreting state statute to require the commission to give notice — and an opportunity to be heard — to a person with a protected property interest in the action.

State statute requires the commission to determine — before issuing a permit — whether a proposed well is contrary to state law or its regulations, he said, and therefore requires the commission to consider not only whether a proposed well meets the conservation objectives in its statute, "but also to investigate whether the applicant has a legal right to drill."

Irwin said it would be contrary to law to permit drilling because the leases have expired, a decision ExxonMobil is appealing administratively with a hearing scheduled for January. ExxonMobil is appealing other lease terminations through the courts.

"Although DNR and ExxonMobil disagree about the status of the leases, until I hear the evidence and issue a contrary decision, or a court overturns the Division's termination decisions, no working interest owners have the legal right to operate at Point Thomson," Irwin said. "It is unlawful to conduct oil and gas operations on state land north of the Umiat baseline without a valid lease or without the state's approval. To the contrary, ExxonMobil has been repeatedly advised that the state does not allow any party to drill on its lands without a valid oil and gas lease," he said.

Irwin said state law also prohibits drilling on state land without an approved plan of operations. "The Division of Oil and Gas rejected ExxonMobil's proposed plan of operations in August 2008." He said that decision has been appealed to him.

## More duties for commission

On the issue of what the commission should do when considering issuance of a drilling permit, since state statute says the

see AOGCC page 6



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## CORRECTION

A story, "State nixes Pt. Thomson ice road application, says no valid lease" in the Nov. 23 issue of Petroleum News, contains a sentence which begins: But DNR made clear in a statement at the meeting that if the department issued any of the requested leases.

The sentence should say ... if the department issued any of the requested permits.



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# The Rock turns into a brick

Newfoundland recovers from setbacks; Spain's Repsol latest entry; Husky, Statoil drill early well; full steam ahead for Hebron

By GARY PARK  
For Petroleum News

Occupying a lonely spot in the storm-battered North Atlantic, Newfoundland often feels left out of the loop.

Right now that might be a blessing. If there's a worldwide recession brewing, someone may have forgotten to tell the hardy souls on The Rock, as the island is known in the rest of Canada.

For much of the past decade, the Newfoundland offshore has experienced a litany of woes — dry holes, abandoned exploration rights, a pullout by many global majors, a series of mechanical shutdowns at its three producing oil fields, and feuding between the government of Premier Danny Williams and partners in the Hebron oil project.



KATHY DUNDERDALE

Suddenly, the sun has decided to shine on an often bleak petroleum frontier.

Sales of exploration rights have staged a comeback, Spain's giant Repsol has decided to enter the region, drilling is under way and progress is being made towards unlocking Newfoundland's stranded natural gas.

## Successful sale

In the latest auction by the Canada-Newfoundland and Labrador Offshore Petroleum Board, all five parcels on offer attracted qualifying bids from an impressive array of companies — Husky Energy, Petro-Canada, StatoilHydro and Repsol.

They made a combined C\$130 million

in work commitments to secure the rights, boosting the year's sale total to C\$316 million (the second best result in the past two decades) and there's one more sale before 2008 ends.

Natural Resources Minister Kathy Dunderdale is enthused about what is taking place.

She told Petroleum News she has been aware for some time of Repsol's growing interest in Newfoundland and "delighted that they obviously liked what they found (by) coming to the table in a fairly significant way."

Dunderdale is especially pleased that Repsol will bring its extensive deepwater experience to one of the most challenging hydrocarbon environments.

Although Repsol is giving no indications whether it is targeting oil or natural gas prospects, its arrival heightens interest in the chances of eventually opening up Newfoundland's considerable gas potential, which includes about 10 trillion cubic feet of discoveries and another 60-70 tcf of estimated resources.

Repsol is 75 percent partner with Irving Oil holding the balance in the Canaport LNG terminal and regasification facility at Saint John, New Brunswick, which is due to come on stream later this year, with 1 billion cubic feet per day of send-out capacity.

## Government's goal landed gas

Although most observers doubt commercial production is possible before 2015, pending industry decisions on the preferred technology for getting offshore gas to market, Dunderdale said a draft gas royalty regime released a year ago is open for "tweaking" to get a pioneering project under way.

However, she said the government has

been "very clear" that its first priority is to land any gas in Newfoundland.

Any company that decides not to do that has to be able to demonstrate to us in very clear terms, technically and economically, why that is not possible," she said.

But Dunderdale would not be drawn into a guessing game on when Newfoundland gas might come onstream.

Repsol has taken minority stakes in three parcels, all with Husky Energy as the lead partner, and Husky has been more bullish than any company about the chances of tapping offshore gas.

Husky is involved in four of the five parcels awarded in the latest sale, StatoilHydro in two and Petro-Canada in two. Statoil, with a 65 percent stake, and Husky expect to start exploratory drilling before the end of 2008 on one parcel, carrying a work commitment of C\$18.7 million, taking advantage of Transocean's drillship Henry Goodrich, which is in the offshore for the next two years under contract to those two companies, plus Petro-Canada. The largest bid was C\$81.9 million by a 50-50 partnership of Petro-Canada and StatoilHydro.

Husky spokesman Graham White told Petroleum News that his company, which has stakes in all three producing offshore oil fields, acquired its four parcels because of their "proximity to our existing holdings and our commitment to the long-term" future of Newfoundland.

One of the most significant changes in

the offshore over recent years has been an end to companies pulling out of the basin after the period in 1994-2002 when C\$125 million in security deposits was forfeited.

## Bitter feelings fading

Also fading fast are the bitter feelings between ExxonMobil and the Newfoundland government that brought work on the Hebron-Ben Nevis oil project to a halt.

Jim Flood, Arctic project executive for ExxonMobil, said earlier in November that a development application should be filed within a year and the first oil is anticipated in 2017, peaking at 150,000 bpd.

Despite the slide in oil prices, he said ExxonMobil and its partners are taking a long-term approach to investment. He said there is no indication at this time that the viability of Hebron will be impacted.

On a much smaller scale, Alberta-based Leprechaun Resources is hoping to sell shares in the next few months to raise money for drilling on Newfoundland's onshore west coast.

The company's rights have been independently assessed at 280 million barrels in formations similar to those in 16 North American basins that are producing oil.

The startup hopes to sell about 20 million shares at 55 cents each, then hopes its three wells scheduled for summer 2009 are successful in striking oil or gas in complex geological formations. ●



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## GOVERNMENT

### Arctic gas holds an answer

The Canadian government rates Arctic gas as one of its answers to developing cleaner energy sources, while protecting the nation's wealth and jobs.

In a speech to open a new session of Parliament, the government said Canada's North represents "both an untapped source of clean fuel and an unequalled avenue to create economic opportunities for northern people."

To that end the administration of Prime Minister Stephen Harper has pledged to reduce regulatory and other barriers to extend a pipeline network from the North to "bring new energy supplies to markets in southern Canada and throughout the world."

"Economic development in Canada's North, led by a new standalone agency, is a key element of our northern strategy," the government said.

Despite that upbeat message, proponents of the Mackenzie Gas Project are still waiting for a deal with the government to clear the way to regulatory approvals and possibly offer federal loan guarantees, shipping commitments or other incentives to get the venture moving ahead.

Bob Reid, president of the Aboriginal Pipeline Group, which has rights to acquire a one-third equity stake in a Mackenzie Valley pipeline, told the Financial Post there is no deal he is aware of and "nothing to report."

"It's a changing environment and it remains to be seen what our future will be," he said. On climate change, the government reiterated its interest in implementing a North American-wide cap-and-trade system for greenhouse gases that most expect the Obama administration will favor.

The Harper administration said it will work with provincial governments and the United States, Europe and other industrialized countries to seek an agreement.

"We will also need to make greater use of technologies that do not emit greenhouse gases," it said, adding the government has set an objective that 90 percent of Canada's electricity needs will come from non-emitting sources by 2020.

Rick Hyndman, a climate-change advisor for the Canadian Association of Petroleum Producers, said the success of any market-based cap-and-trade system will depend on whether Canada can ensure that it is not left at a competitive disadvantage.

"Aligning our climate change policy with the U.S. and integrating climate-change policy and energy strategies is very important and necessary," he said.

Getting the elements of a cap-and-trade policy "right" is important, he said, suggesting the U.S. is still some distance from determining exactly what those elements should be.

—GARY PARK

## GOVERNMENT

### ACMP changes out for public review

Proposed changes to Alaska Coastal Management Program statutes and regulations are out for public review. The Department of Natural Resources, Division of Coastal and Ocean Management said the changes will strengthen ACMP as a state program, benefit applicants and the public in coordination of projects and enhance coastal district participating activities in coastal waters and on the outer continental shelf.

Workshops on the changes will be held in Anchorage at the Dena'ina Center Dec. 8, 1-5 p.m.; Dec. 9 and 10, 8:30 a.m.-4:30 p.m.

Comments are being accepted through Dec. 23 and information is available on the ACMP Web site at <http://alaskacoast.state.ak.us>.

—PETROLEUM NEWS

continued from page 4

### AOGCC

commission must consider whether a proposed well is "contrary to law," that must mean, Irwin argued, that the Legislature intended for the commission to do more than comply with its regulations and statutory conservation objectives when issuing a drilling permit.

This would likely require the commission to "investigate whether an applicant has a legal right to drill," which, Irwin said, in most cases would involve the landowner simply acknowledging it had consented. "In those cases where the landowner has not consented, the agency will have a record to support its decision denying the permit," he said.

While the commission's past practice has not been to consider legal right to drill, and the commission's regulations state that a permit to drill is invalid if the applicant does not have the right to drill for oil and gas, Irwin noted "this practice seems to conflict with AS 44.662.020 and .030, which provide that a regulation, or interpretation of regulation, cannot conflict with a statute," and AS 31.05.090(d) which "mandates that the AOGCC consider whether the proposed well is 'contrary to law' when evaluating a permit application, (thus) it follows that the AOGCC cannot issue a permit to drill when it knows that the lessee currently has no legal right to drill wells on state land."

### Appeal of permit denial

In ExxonMobil's Nov. 18 appeal to Irwin for reconsideration of the Nov. 14 denial of its application for a permit to build an ice road to move a drilling rig to Point Thomson, the company said that despite its "repeated requests to DNR that it process the permit applications and approve the permits, DNR has denied or suspended the processing of those permit applications and rejected ExxonMobil's Plan of Operations applications related to Point Thomson," with the denial of the ice road permit being

the most recent of such actions.

ExxonMobil said "the leases in the PTU have not terminated," and DNR "wrongfully" denied the ice road permit for lack of leases. The company said it held the leases on July 10 when it submitted the ice road permit application. "The leases remain in force for so long as ExxonMobil is conducting drilling operations on the leases, and for so long thereafter as ExxonMobil is prevented by an act of the State from conducting such operations," the company said.

ExxonMobil argued that since it is "being denied the opportunity to conduct drilling on the leases," that extends the leases until such time as the permits are approved.

### DNR preventing drilling

ExxonMobil said that by denying the ice road permit and other permits applied for by the company, "DNR is preventing drilling in the Point Thomson area against the State's best interest. DNR should not be allowed to publicly claim it wants drilling at Point Thomson and then turn around and deny permits that are necessary to conduct drilling," the company said.

ExxonMobil said the ice road permit should be issued because even if the Point Thomson unit has terminated, the company "is entitled to conduct drilling operations under the terms of the leases and applicable regulations governing oil and gas leasing."

"ExxonMobil commenced drilling operations by applying" for the ice road permit and other permits and authorizations, "and by conducting work pursuant to permits and authorizations issues, prior to the termination of the leases," the company said, arguing that terms of the leases were extended by "these ongoing drilling operations" based on provisions in the leases and in state regulations.

ExxonMobil said that if DNR does not intend to issue the ice road permit, the commissioner "should take clear, final agency action so ExxonMobil can seek appropriate review and relief from any such action." ●

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• NATURAL GAS

# Pearce warns of infrastructure delays

*Federal coordinator says competition not biggest threat to gas line; says costly delays could kill it if needed work not done first*

By KRISTEN NELSON  
*Petroleum News*

Of the things that could get in the way of an Alaska gas pipeline happening this time around some can be managed or will be taken care of by the markets, Drue Pearce told the Resource Development Council.

But, she said, one thing that could kill the project is under the state's control — needed infrastructure upgrades.

Pearce, federal coordinator in the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects, told RDC's annual conference Nov. 20 that she has "become a student of the previous failures on the pipeline," including delays, cost overruns, natural gas demand dropping and prices tanking.

What it comes down to, she said, is that "pretty much any sector can stop this project."

She said it isn't unusual to have two projects competing at this stage. "The competition between Denali and TransCanada Alaska is a positive indication of serious interest by major industry players which should be resolved ultimately in the energy and financial marketplace," she said.

Competing projects can be a challenge for federal regulators and the Federal Energy Regulatory Commission would "tell you that it's their worst nightmare to be dealing with two applicants and two EISs, because of the enormous amount of resources that they're going to have to put forward."

But the good news is that two owners of natural gas on the North Slope and the largest North American pipeline company are both involved: "... We have all the right people in the room to make this project happen now." Pearce said she is encouraging the applicants to work together when possible "with the shared objective of getting the project built."

On the regulatory side she said she would do what she can "to ensure that regulatory stipulations, mitigation requirements and other things in control of the federal government don't pile on costs to the point where the project is too expensive to build." Pearce's office is responsible for coordinating federal permitting for the Alaska gas pipeline project.

## Infrastructure a big issue

"But there's a bigger issue," Pearce said.

"... And that's the infrastructure pre-build that has to happen before this project can be built. It is imperative that we have the necessary infrastructure in place to bring in and stage all the materials that will be used during the construction." She said there are infrastructure needs in Alaska and the Yukon, "all along the line to upgrade roads and bridges and ports and perhaps the railroad to ensure that we can begin building this pipeline when it is actually sanctioned and when the markets are ready."

Frank Richards, deputy commissioner of the Alaska Department of Transportation and Public Facilities, told legislators in June that some \$2 billion would be required for infrastructure work to prepare for gas pipeline construction.

At a State of Alaska gas line transportation needs meeting Nov. 19 in Anchorage, Richards focused on routes parallel to the gas pipeline and said needs included upgrading bridges, highway, material sites and maintenance camps; improving safety and drivability; and improving maintainability.

According to presentation materials from the Nov. 19 session Richards stressed that there are only six construction seasons, including the current fiscal year ending June 30, until gas line construction — too much work to be compressed into a two- to three-year construction window.

## Bad roads add to cost

He also stressed that bad roads will slow gas line construction and add to construction costs for the line. The Dalton-Elliott corridor has the highest cost, \$1 billion, and includes 32 projects along 415 miles.

The Elliott Highway portion of the Dalton-Elliott corridor, 73 miles from the end of the Dalton into Fairbanks, includes four projects at a cost of \$94.3 million.

The Richardson Highway corridor, 95 miles from Fairbanks to Delta Junction, includes 17 projects at a cost of \$300 million.

The Alaska portion of the Alaska Highway, 200 miles from the Canadian border to Delta Junction, includes 22 projects at a cost of \$600 million.

In addition, there are logistical routes that could be used to move pipe, freight, people and modules: the Parks Highway from Wasilla to Fairbanks, five projects at \$384 million; the Glenn Highway from

Anchorage to Glennallen, six projects for \$67.5 million; the Haines Highway, two projects at \$85 million; and the Klondike Highway, three projects at \$46.2 million. The projects along the logistical routes total \$583 million. Combined with the work along the gas line route, the total is a hefty \$2.58 billion.

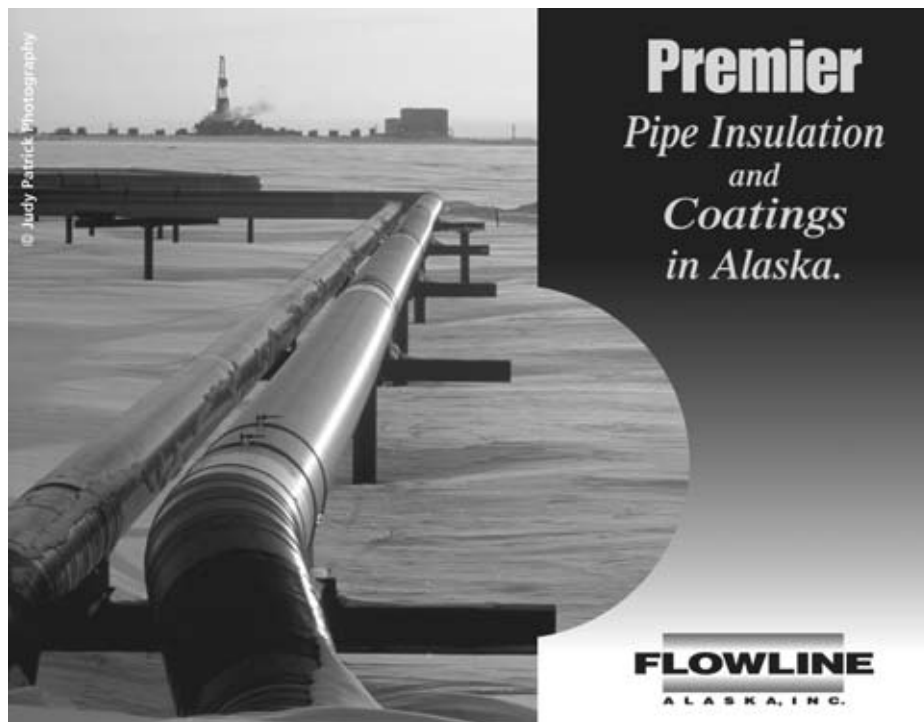
Pearce drummed home some of the same points.

"The lead time for material to begin to

arrive is a lot shorter than some of us recognize: It's as little as six years."

She said that for projects to begin before the first gas line trucks start to roll means infrastructure construction needs to get under way next summer.

"Every day, week, month or year that we wait to complete the infrastructure ... will add cost to the project and could in fact be the main reason that this project doesn't get built," Pearce said. ●



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## • NATURAL GAS

# Prospective pipelines update conference

By KRISTEN NELSON  
Petroleum News

**T**ransCanada Alaska and Denali—The Alaska Gas Pipeline both began work this summer and both plan open seasons in 2010, company representatives said at the annual Resource Development Council conference Nov. 20. The TransCanada schedule calls for completing its initial open season in July 2010; Denali plans to begin its initial open season before the end of 2010.

Bud Fackrell, named president of Denali, a joint BP-ConocoPhillips project, in June, said Denali was formed because the owner companies “hold extensive gas resources on the North Slope” and because

an Alaska gas pipeline project is the kind of massive project that major oil and gas companies do all over the world.

Since the company was formed in April a project team has been mobilized, office space has been acquired and the company has begun the pre-filing process with the Federal Energy Regulatory Commission and submitted a right-of-way application to the Bureau of Land Management for the federal lands the pipeline will cross in Alaska.

The company also completed a summer field program, Fackrell said, with some 80 people in the field. The estimated spend for 2008 is \$60 million.

see PIPELINES page 9

## Exxon: working hard

ExxonMobil is not involved in either the Denali or the TransCanada gas pipeline projects, but the company is “very familiar with working with all the parties that are involved in trying to commercialize the gas resources that we have,” Peter Coleman told the Resource Development Council annual conference Nov. 19. Coleman, vice president Americas of ExxonMobil Production, said his company believes that all available resources — including Point Thomson — are needed for the pipeline; that alignment is needed between the state and all the owners; that world-class project management and execution is needed; and that predictability in outcome is needed, fiscal stability.

“Where are we today on Denali versus AGIA? We’re still assessing both projects to determine how can we reduce the risks in moving forward together.”

But whether it’s Denali or TransCanada, “It’s in the best interests of everybody that we come together as soon as we can,” he said. There are a number of reasons for that, but “the first one is the more stakes you put into a particular game the more you start to own it and the less you’re willing to move away from that.”

As time goes by, he said, it will be more and more difficult to get stakeholders to change their positions “because they’ll have more invested in that particular game.”

ExxonMobil welcomes competition, Coleman said, “but we also recognize that there’s a point where you’ve got to bring things together — and today I can’t tell you where that point is but I would tell you I believe it’s sooner rather than later.”

And what is ExxonMobil doing right now? Coleman said the company is not sitting on the fence and watching, waiting for someone else to do the work: “We’ve got our best and brightest working this each and every day and we are very active.”

“We’re ready; we’re ready to contribute; we just don’t think we’re ready today to move one way or the other way.”

—KRISTEN NELSON

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## NATURAL GAS

### ANGDA hiring spur line project manager

In advance of the upcoming legislative session in January, the Alaska Natural Gas Development Authority is spending up to \$250,000 for a project manager to bridge the gap between years of data collection and a major engineering effort on a spur line.

The spur line is the centerpiece of ANGDA's efforts to deliver natural gas to the state. As envisioned, the spur would run from Fairbanks to existing facilities at the Beluga River fields, tapping a stream of North Slope natural gas for the population center of the state.

In order to sanction the estimated \$1.5 billion spur line, ANGDA believes it needs to conduct around \$50 million in engineering and project management work over 2009.

The project manager would help ANGDA define the work scope for that engineering effort, as well as lead the selection process for the contractor, and act as a liaison between ANGDA and the state government. The contract is set to begin Jan. 5.

ANGDA is expected to make a \$50 million budget request to the Legislature in January. If state lawmakers choose not to fund the project, ANGDA will most likely issue bonds.

—ERIC LIDJI

## NATURAL GAS

### Stranded businesses may get gas from Enstar

Even without two supply contracts still pending regulatory approval, Enstar Natural Gas might be able to use an existing contract to serve stranded businesses in Anchorage.

Testifying before the Senate Judiciary Committee on Nov. 25, ConocoPhillips executives suggested their company could make gas available to Enstar through an existing contract.

The Beluga River contract is the oldest and most expensive of the contracts comprising the Enstar portfolio. Signed in 1982, the contract supplies gas produced from the Beluga River field, owned by ConocoPhillips, Chevron and the Municipality of Anchorage.

"What we're saying is that if there's supply available, that we would make it available if they called on it," said Dan Clark, manager of Cook Inlet assets for ConocoPhillips.

The hearing came after gas supplier Aurora Power Resources dropped around 400 commercial customers on short notice. Enstar offered to supply those customers through the end of the December, but said it couldn't continue service into next year without the gas supplies available through two contracts being renegotiated.

see ENSTAR page 15

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## PIPELINES

Fackrell said the work is aimed at understanding the cost of the pipeline — what the cost will be and "the variables associated with that before we go into an open season."

He said Denali is engaged in an infrastructure upgrade study, and had people at an infrastructure summit the previous day.

"The infrastructure of the Haul Road and the TAPS pipeline is very old," he said and roads and bridges need to be upgraded now, "this cannot wait for two or three years."

"A pipeline project in the end is about logistics — it's about moving people; it's about moving equipment; it's about moving pipe. And you have to have the infrastructure in place to have that happen," he said.

### Waiting for license

Tony Palmer, vice president of Alaska business development for TransCanada Corp. and president of TransCanada Alaska, said TransCanada had not yet received its Alaska Gasline Inducement Act license, but expected it would be issued the following week — the last week of November, 90 days after the governor signed the Legislature's approval of granting an AGIA license to TransCanada. (Alaska Commissioner of Revenue Pat Galvin told Petroleum News in an e-mail that the state expected to issue the license the first week in December.)

The AGIA license provides for matching funds up to \$500 million for specified work, but Palmer said that "to maintain the schedule that we had proposed" the company did

some weather-sensitive work this summer, so it could do desktop work this winter, kicking the project off in August to keep it on schedule for completion of an open season in July of 2010.

TransCanada has not pre-filed with FERC, Palmer said, because based on the company's operation of the "largest natural gas pipeline system in North America," and the many pipelines it has built under the FERC process its experience is that "the key elements of a complete request for pre-filing with FERC include a proposed filing schedule and detailed project description; contact with agencies and agreements to participate; a list of stakeholders and description of public participation program" and having the public participation program well under way.

As with any of its pipeline projects, "prior to pre-filing, we'll be commencing consultation with permitting agencies over the next several months," Palmer said. ●




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continued from page 1

## ROYALTIES

Saskatchewan and the United States and generally behaved like a wounded animal.

Faced with a potential loss of revenues that would more than wipe out its projected royalty increases, the Stelmach government dug in, creating an ever deeper hole for itself.

For all of this year, there has been a continuing rumble of discontent from industry ranks, lobbying the government to live up to its promise and deal with any "unintended consequences" of the new regime.

The only concession was offered in April, when the province offered a C\$1 billion break over five years on deep natural gas royalties and C\$185 million over the same period for deep oil wells.

Otherwise, it was full steam ahead until six weeks from the Jan. 1 transition date to the new royalties.

### Devastating indictment

What caused the change of heart might never be known, but anyone looking for turning points could scarcely avoid the remarks of Canadian Natural Resources Vice Chairman Murray Edwards, one of the Canadian oil patch's sharpest, most powerful leaders, who says so little in public that when he does speak everyone listens.

By any standards, Edwards' comments earlier in November were a devastating indictment of wrong-headed government thinking.

"A lot of the Alberta assets (acquired by CNR when it took over Anadarko Canada) have become uneconomical or marginally economic with higher royalties.

**"The changes are far more punitive than the industry can really live with for the long-term economic development of gas in Alberta."** —Canadian Natural Resources Vice Chairman Murray Edwards

"A bunch of the value of Anadarko, about one-third, is right now stymied, or put on hold for development because of the current fiscal regime proposed by the government," he said.

Not something others haven't said in various forms, but a shiver had to pass through the corridors of the Alberta legislature when Edwards said: "The changes are far more punitive than the industry can really live with for the long-term economic development of gas in Alberta."

The proof of that assessment was already emerging in industry forecasts that Alberta would see its well count drop by thousands in 2009.

### Meltdown an escape route

Then along came the worldwide economic meltdown, an almost welcome escape route for the government.

With almost unseemly haste, the government backtracked, saying change was needed to reverse a downturn in Alberta drilling and the global economic crisis.

"The world has changed in recent months and we must respond," said Stelmach. "We must be competitive so we're making this change to encourage new activity in the oil patch."

Some might question the term "new activity," when the objective seems to be staunching the outflow of capital.

"This is all about accessing risk capital and ensuring that the jobs are maintained here in the province of Alberta,"

Stelmach said.

The goal is to spur the drilling of new, conventional oil and gas wells between 1,000 and 3,500 meters deep by giving companies a one-time option of selecting "transitional" or new royalty framework rates, rather than paying the rate increases scheduled for Jan. 1.

But all wells that adopt the transitional rates in the 2009-2013 period will be required to shift to the new royalty framework in 2014, while all current wells and all oil sands projects will move to the new royalty system on Jan. 1, as planned.

The government figures the royalty break will cost C\$1.8 billion over the five years, starting at C\$172 million in 2009 and building to C\$512 million in 2013.

Producers must decide before they start drilling whether they will opt for royalty relief. Re-entry wells that are given a new spud date will also be eligible.

Based on government estimates that 20 percent of wells will qualify over the five years, Energy Minister Mel Knight argues the C\$1.8 billion in lost royalties (projected for 2009) will be more than offset by revenues generated from increased production.

He said "it's like investing \$1 to get a \$5 return," adding the government still believes it will achieve its royalty increases of C\$1.8 billion in 2009 and C\$2.1 billion in 2010.

You have to search hard to find anyone who shares that optimism.

### Praise muted

From the highest levels, praise is muted, generally confined to those suggesting "it is a step in the right direction."

The service sector, which had already

see ROYALTIES page 12

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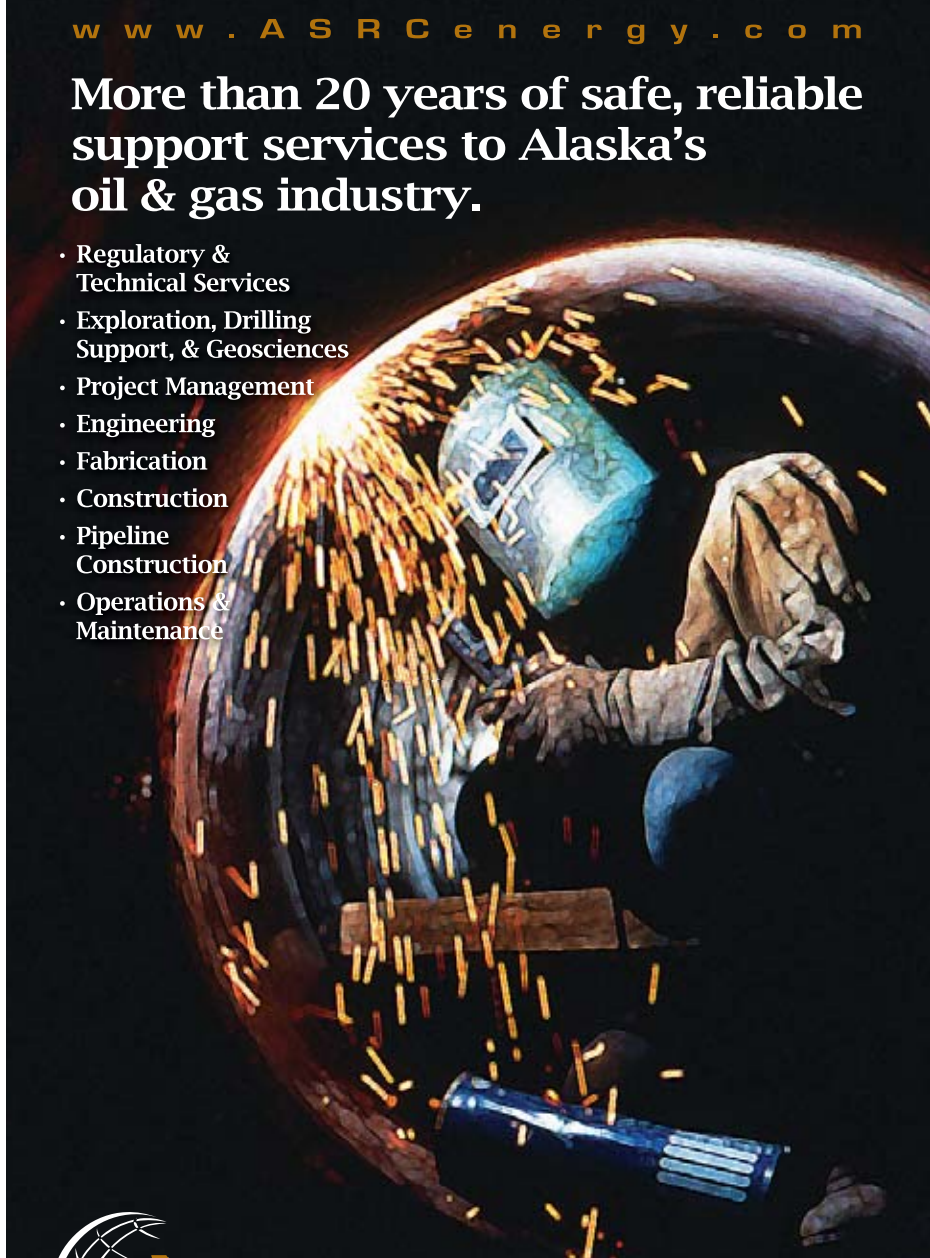
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FINANCE & ECONOMY

# Dark inches ahead, bright mile beyond

*Economist says oil price fundamentals haven't changed: demand expected to grow, dollar expected to fall, prices expected to rise; long-term growth should be good for Alaska*

By ERIC LIDJI  
Petroleum News

The future for oil and gas is bright, but only for those looking far enough down the road.

While sinking oil prices cloud the short-term view of the industry, a generally declining dollar and consistent long-term growth in global demand should be good for Alaska, according to Jonathan King with Northern Economics, an Anchorage-based analysis firm.

But in the short term, many factors will determine whether companies invest in the state, King said at the annual conference of the Resource Development Council on Nov. 20.

King noted that the world is in the middle of the first "concurrent" global recession since the end of World War II, meaning recessions in the United States, Europe and Japan.

"It's deep and it's cold outside," King said.

With consumer confidence at a 25-year low and banks hesitant to lend, companies with cash are in the best position to weather the credit crisis, King said. But companies with those deep pockets are rare and, "We do expect reduced exploration expenditures," King said.

High-cost basins like the Alberta oil sands are already seeing cuts. Although cheaper than the oil sands, Alaska is an expensive province as well, and with oil at \$55 a barrel, "we're right on that cusp. ... We really don't want to see prices go down below 40," King said.

Those volatile prices will test the new state fiscal structure created in November 2007.

Proponents of the bill, called Alaska's Clear and Equitable Share, or ACES, believe it strikes a balance between an increased tax rate and expanded exploration credits, while using progressive surcharges to make the tax code work at high or low prices. But opponents argue it threatens investment by raising the marginal cost of doing business.

"It's going to be really interesting to see how ACES performs," King said.

## Silver linings in dark clouds

In the long term, King sees two reasons for optimism: the dollar and the Chinese.

"Exchange rates really matter for us as the owner state," King said. "Commodity prices are directly related with what goes on with our dollar: When the dollar falls, commodity prices rise."

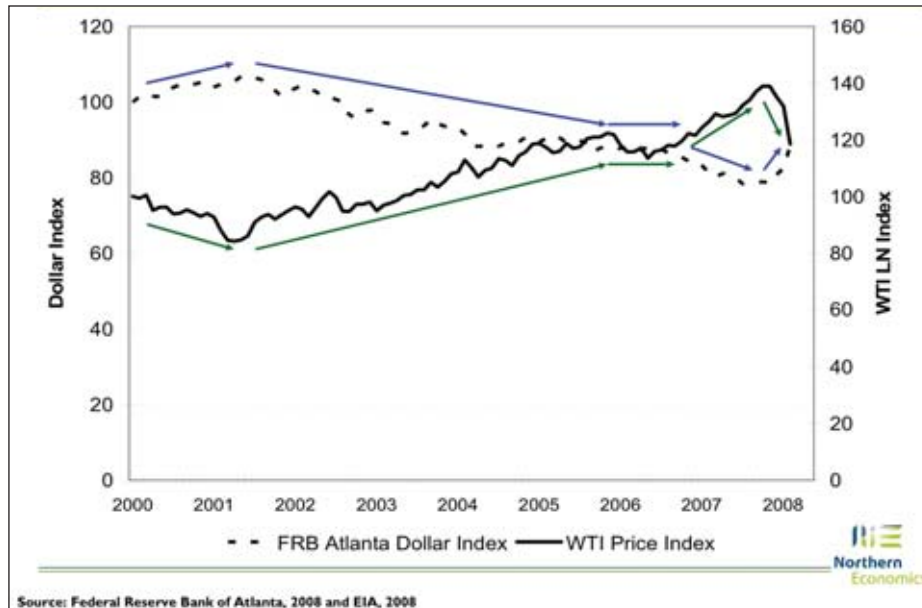
This inverse relationship is why oil prices climbed between 2001 and this summer while the dollar slowly fell. And when price suddenly tanked this fall, the dollar jumped.

"The demand or lack of demand for our dollar drives oil prices nearly as much as supply and demand for oil does," King said. "And we are in a long-term decline in the value of our dollar."

Although the dollar has rebounded in recent months, King expects it to decline over the long term unless fiscal policy addresses federal budget deficits and trade imbalances.

"You cannot run a capital current account deficit for many consecutive years without destroying your currency," King said. "We're in the process of doing that right now."

The declining dollar means increasing commodity prices, which is good for



Commodity prices tend to move in lock step with the value of the dollar: as the dollar drops, oil prices jump.

Alaska, but King warned that if the dollar falls too far commodities could eventually be priced in other currencies, like the Euro, which would change the dynamic for Alaska.

## Demand will rise

While King expects the dollar to fall in the long run, he also expects demand to rise.

"Bubbles pop. ... The long-term story is intact," he said. "World commodity demand will return."

King said recovery might begin in China, which he said needs 7 percent growth just to cover migration from rural to urban areas. The country recently initiated one of the largest stimulus packages in history, and maintains large reserves of foreign currency.

"They have deep pockets," King said

about the Chinese government. "They may be the engine that pulls us out of this global recession. So right now I say: Root for Alaska, root for America, and, frankly, root for China."

King believes Alaska remains attractive for investment, largely because companies here don't face the same threats of terrorism or government takeover they face in other prolific basins. But he added that the future depends on how companies respond in the near term.

"Shut-ins and project delays are going to fuel the next increase in commodity prices. The decisions being made now ... will propel the next leg up in commodity prices," King said, adding that while the timeline is unknown, "That will help us when it happens." ●



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## Alberta unloads a bundle

The Alberta government has taken the axe to its 2008-09 budget, chopping C\$6.5 billion off a recently forecast surplus of C\$8.5 billion, with Finance Minister Iris Evans warning there is “still some potentially sobering news on the horizon.”

Just the perfect time to unload a report that has been sitting on the shelf for a year — one that effectively gave a failing grade to the government’s handling of the Heritage Savings Trust Fund that has been running on idle for most of its 32-year existence.

The government also found time to clean up one bit of unfinished business with its royalty overhaul, striking an agreement with Syncrude Canada, the world’s largest producer of synthetic crude.

Evans tried offering the full range of soothing message in the midst of what she also conceded was a “very difficult week ... I’ve never seen anything like it.”

She estimated the provincial surplus will shrink to C\$2 billion by the end of the fiscal year on March 31, 2009 — a staggering roller-coaster since the budget, when unveiled in April, predicted a surplus of only C\$400 million.

When the numbers were updated in August, based on the staggering rise in oil prices, Evans was comfortable hiking the surplus target to C\$8.5 billion.

Just three months later, surrounded by a slump in commodity prices and market chaos, those expectations were tossed out the window.

Even so, she tried to reassure Albertans by telling them that despite “dramatically deep” recessionary conditions they were “in better shape than almost anywhere in the world.”

Total oil royalties for the fiscal year are now pegged at C\$5.9 billion, off C\$2.6 billion from the August budget update, and natural gas royalties are expected to generate C\$7.1 billion, C\$1.6 billion down from the August estimate.

The government now forecasts WTI crude prices will average US\$93.50 per barrel for the full year, a drop of US\$25.75 from the August forecast and natural gas is targeted at C\$7.50 per gigajoule, a drop of C\$1 from August.

Regardless of the turmoil, Evans said the government won’t back down from its plan to spend C\$2 billion to help develop carbon capture and storage technology and C\$2 billion to promote greater use of public transit systems.

### Syncrude terms settled

At the same time it delivered this news, the government announced it had settled

royalty terms with Syncrude Canada, which currently produces about 350,000 barrels per day of bitumen, just six weeks before a deadline and nine months after a similar pact was reached with Suncor Energy, the other pioneering oil sands producer.

Both companies operate under 1997 agreements that cover their royalty payments through 2014, but other producers are subject to the new royalty schedule that takes effect on Jan. 1, 2009.

To level the playing field, the government insisted on renegotiating the Syncrude and Suncor deals. As a result, Syncrude will pay an additional C\$975 million over a six-year transition period to the end of 2014 when it and Suncor will join the rest of the oil sands sector in paying 1 percent-9 percent until project costs are recovered, then 25 percent-40 percent depending on oil prices.

Marcel Coutu, chief executive officer of Canadian Oil Sands Trust, the largest of Syncrude’s seven owners with a 36.74 percent stake, said the new terms provide a clear and stable regime that allows owners to proceed with expansion plans.

### Fund growth recommended

While the outside world was trying to make sense out of these developments, the government also dropped a report completed in December 2007 recommending that Alberta should boost its Heritage Fund from C\$15.8 billion to C\$100 billion by 2030, noting that a similar fund in Norway, which saves 96 percent of its petroleum revenues and invests the money outside the country, has grown to C\$350 billion since its inception in 1991.

A special commission, named by the government in 2007 to assess the Heritage Fund, completed its work before a June report by the Organization for Economic Cooperation and Development that said Alberta should invest and save its energy revenues, rather than lowering taxes.

“To preserve today’s prosperity and pass on the benefits to current and future generations of Albertans, we urge (the government) to make savings the new fiscal anchor for Alberta,” without which Alberta could face provincial tax hikes of 40 percent by 2030 as a results of declining oil and gas revenues.

Evans denied the government had deliberately held back release of the report while it rolled out a major infrastructure spending program during the March provincial election, promising — without offering details — that “several and maybe more or most” of the recommendations would be adopted.

—GARY PARK

continued from page 10

## ROYALTIES

cut staff and tightened budgets, doubts much will change entering Canada’s peak drilling season in the winter.

Kevin Neveu, chief executive officer at Precision Drilling Trust, Canada’s largest rig contractor, said the announce-

ment is six weeks too late for companies to order a dramatic increase in their activity, although he said the deferral of royalties might yield some positive results next fall or winter.

Robert Geddes, chief executive officer of Ensign Energy, which has Canada’s second largest rig fleet after Precision, went one step further, suggesting the timing of the announcement might even be

harmful.

He now expects there will be a drop in wells planned for the balance of 2008 as companies hold back until the transitional royalty is available.

Geddes also doubts there will be any pullback from British Columbia or Saskatchewan, where the industry welcomes the “consistent direction” taken by those companies.

David Collyer, president of the Canadian Association of Petroleum Producers, said the royalty rollback might help Alberta regain some of its lost competitive edge by dealing with the near-term cash flow concerns of small- and medium-cap producers.

But the longer-term future of the Western Canada Sedimentary basin, rated the costliest basin on the planet, and the full impact of the fiscal regime in Alberta will take longer to assess.

Nancy Malone, manager of economic analysis at the Canadian Association of Oilwell Drilling Contractors, said it is too early to say whether the transitional system will have a significant impact on drilling.

“Whether it’s the solution in the long-term, we’re really not sure yet,” she said. “At the end of the day, most people would agree that the royalty review could have been handled a little better.”

Andrew Plourde, a University of Alberta energy economist and a member of the government panel that recommended the royalty hikes, rejected Knight’s view that revenues from new production will counter the lost royalties.

He said that what the government is now clearly signaling is that it values increased exploration activity over improved returns for the people of Alberta, who own the natural resources in the province and were originally deemed by the government to be getting short-changed on royalties.

—GARY PARK

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## Eni fleshes out its development plans

In one of its first public appearances since opening an Anchorage office, Italian major Eni said it expects to produce oil from the Nikaitchuq unit before the end of 2009, according to Giuseppe Valenti, vice president of exploration for Eni US Operating Co.

The Italian major is developing the near-shore project using a combination of onshore and offshore drilling pads. Nikaitchuq sits in state waters north of the Kuparuk River unit.

Eni recently drilled its first development and service wells at the prospect from an onshore pad at Oliktok Point. The company is drilling seven production wells and nine injection wells from the onshore pad, and expects to produce oil by late 2009.

Running concurrently with the onshore drilling, the company also plans to install flow lines, export lines and new processing facilities through the first three quarters of 2009.



GIUSEPPE VALENTI

JUDY PATRICK

see ENI page 15

## Bowles: Can't lose sight of prices

Although ConocoPhillips does not release its annual budget until mid-December, ConocoPhillips Alaska President Jim Bowles reiterated plans for the company to drill two exploration wells in the National Petroleum Reserve-Alaska this winter.

The Grandview and Pioneer wells would further delineate the Greater Mooses Tooth unit, formed earlier this year. Like the BP Liberty project, current exploration and any future production in the NPR-A isn't covered by the state production tax code.

ConocoPhillips is still working to permit development of the CD-5 pad, also known as Alpine West. The satellite of the Alpine field would allow the company to bridge some of the gap between Greater Mooses Tooth and the existing North Slope processing facilities.

Like BP, Bowles also said oil at \$50 a barrel in 2008 didn't compare to similar prices in 2005 because "the fundamental cost of our business has changed over the past couple of years." He said producing a barrel of oil in the Arctic costs between \$25 and \$50 today.

"We cannot lose sight of where we are in oil prices today, and that will dictate... what our level of spending will be in the future," Bowles said.

Bowles added that most major projects on the slope operate on long-term cycles. "What we need to do is to stay focused on the near term and make sure we don't let our fundamentals get behind us as far as what's happening on the slope," Bowles said.

He again blamed recent tax changes for a decision to cancel a \$300 million project that would have allowed a diesel plant at Kuparuk to produce Ultra Low Sulfur Diesel, which will be a legally required fuel in coming years. Instead, ConocoPhillips will truck 30 million gallons of Ultra Low Sulfur Diesel to the North Slope on the Dalton Highway.

The state disputes the connection between the tax and the decision to cancel the project.



JIM BOWLES

JUDY PATRICK

—ERIC LIDJI



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## BILLION

market conditions, under today's cost structure and also under today's tax structure," Suttles said.

Even though oil prices have only returned to 2005 levels, Suttles said "the

profit potential at \$50" is less than it was even three years ago. He said costs have increased 15 to 20 percent per year, while taxation around the world has become more onerous for industry.

In addition to BP, the two-day conference featured presentations from ConocoPhillips, Eni, StatoilHydro, Anadarko, Pioneer Natural Resources, Chevron and Exxon, as well as a host of officials speaking on topics related to resource development in the north.

### Several deferred projects

It can be difficult to verify if business decisions stem directly from a single source, be it tax changes or low commodity prices, but Suttles said "current conditions" prompted BP to defer construction projects in western Prudhoe Bay this year, including \$1 billion toward I Pad and other regional projects, and a \$120 million gas partial processing plant.

As proposed, I Pad would tap viscous and light oil resources in the western region of Prudhoe Bay, while the processing plant at nearby Z Pad would receive "three-phase" production of oil-gas-water from four surrounding pads — Z, W, L and V — and separate out some of the gas to enhance oil recovery on the west side of Prudhoe Bay.

In announcing the 2008 capital budget in January, Suttles said BP planned to spend \$800 million in capital expenses for Alaska in 2008, a 16.7 percent increase from the 2007 budget, but \$100 million less than the company planned to invest before the tax. But on Nov. 19, Suttles said BP ultimately invested \$900 million in Alaska this year.

The discrepancy comes from unexpected costs, not an increase in projects, according to BP spokesman Steve Rinehart, who spoke to Petroleum News after the conference.

"A couple of things happened this year that we didn't exactly anticipate," Rinehart said. "One was the investment in Denali. The other was the cost increase of the transit line project."

Denali is a proposed gas pipeline joint venture between BP and ConocoPhillips. The two companies are spending \$600 mil-

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## BILLION

lion to bring the project to an open season by 2010. The transit line project involves repairing and replacing corroded infrastructure responsible for a large spill and a subsequent shutdown of operations at Prudhoe Bay in 2006.

### \$400 million for new projects

Of the \$1.2 billion proposed for next year, Rinehart said roughly a third would be split among four projects: developing the offshore Liberty prospect, continued testing of heavy oil production methods, advancing Denali and a new effort to develop Point Thomson.

The Liberty project will require the longest wells ever drilled and the most powerful rig ever built. Because it sits in federal waters, Liberty isn't subject to state production taxes.

The Point Thomson project recently received a blow when the state refused to issue ice-road permits to ExxonMobil, the unit operator. Point Thomson remains in litigation on several fronts. Rinehart said BP hopes to negotiate, and would wait to "re-evaluate" its 2009 budget until the matter reaches a more conclusive point of resolution.

The remaining \$800 million of the proposed capital budget would go toward "all the stuff you do," Rinehart said, referring to regular North Slope development drilling.

Suttles said half the North Slope production by 2013 will come from investments into existing fields made over the next five years, but in the company's "current forecast under current conditions," BP expects to drill roughly 10 percent fewer infill wells in 2009 than the 80 to 90 wells the company is drilling before the end of this year.

Following a successful production test from the Ugnu formation this summer, BP intends to drill three new test wells in the Milne Point area in the attempt to produce heavy oil.

Suttles suggested BP needed state cooperation to bring heavy oil to fruition, but said the company planned to "progress these efforts and these technologies even in a \$50 world."

### Suttles: "Gas is not enough"

BP believes throughput on the trans-Alaska oil pipeline will drop to 200,000 barrels per day by 2020 at current rates of decline. Suttles said pumping more from existing fields, unlocking the estimated 20 billion barrels of heavy oil, and developing new prospects will still be necessary for industry and the state, even with commercial gas sales.

With prices at \$10.50 per thousand cubic feet of gas, a pipeline carrying 4 billion cubic feet per day in 2025 would only yield half the revenues collected through state royalties and production taxes on existing oil production at \$100 per barrel, Suttles estimated.

"Gas is not enough," he said. "We have to do more than just move forward with a gas pipeline."

### Renewing old infrastructure

In addition to continued development of existing fields, a significant chunk of capital spending for BP will continue to go toward renewing aging North Slope infrastructure, pieces of which are nearly 35 years old. Of the \$900 million BP spent in Alaska this year, more than 20 percent went toward projects to renew existing infrastructure.

"We need to invest massive amounts of money in renewing the infrastructure on the North Slope. ...These same facilities are the facilities that are going to be required

for our next 50-year future, so we must continue to invest in these," Suttles said.

Suttles is leaving Alaska to become chief operating officer for BP's global exploration and production business. John Mingé, currently the president of BP Indonesia and head of BP's Asia Pacific unit, will take over as president of BP Exploration (Alaska) at the start of 2009. Suttles began his current post in Alaska in January 2007. ●

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## ENI

After building that infrastructure, which includes the first North Slope processing facilities not owned by ConocoPhillips or BP, Eni plans to move offshore, drilling 24 production wells and 25 injection wells starting in the third quarter of 2010.

The company expects first oil from the offshore pads by the end of 2010.

The company is also planning an onshore-offshore 3-D seismic program this coming winter, and will process and analyze recently acquired seismic in the Beaufort Sea.

—ERIC LIDJI

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## ENSTAR

tiated for regulatory approval.

"We don't have enough gas under contract to supply those customers," Enstar's Mark Slaughter told the Senate Judiciary Committee.

Sen. Hollis French, D-Anchorage, the Judiciary chair, called the letter "a ham-handed effort to notify folks that there was a supply shortage when in fact the gas is out there, and you guys know the gas is out there. And I think the likelihood that you're going to screw the valve shut on those 400 businesses is vanishingly small."

If the Regulatory Commission of Alaska doesn't approve the two new contracts, and if ConocoPhillips sells Enstar additional Beluga River gas, the 400 stranded businesses would be charged a premium. Because it's indexed to oil, the Beluga River contract is the most expensive in the Enstar portfolio, priced at \$11.20 per thousand cubic feet.

State regulators approved the two new contracts in October under the condition that Enstar, ConocoPhillips and Marathon renegotiate the prices using a new formula.

—ERIC LIDJI



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## LAND & LEASING

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DNR	Alaska Peninsula Areawide	May 2009
DNR	Cook Inlet Areawide	May 2009
DNR	Beaufort Sea Areawide	October 2009
DNR	North Slope Areawide	October 2009
DNR	North Slope Foothills Areawide	October 2009
MMS	Sale 209 Beaufort Sea	2009
MMS	Sale 211 Cook Inlet	2009
DNR	Alaska Peninsula Areawide	May 2010
DNR	Cook Inlet Areawide	May 2010
DNR	Beaufort Sea Areawide	October 2010
DNR	North Slope Areawide	October 2010
DNR	North Slope Foothills Areawide	October 2010
MMS	Sale 212 Chukchi Sea	2010
MMS	Sale 217 Beaufort Sea	2011
MMS	Sale 214 North Aleutian basin	2011
MMS	Sale 219 Cook Inlet	2011
MMS	Sale 221 Chukchi Sea	2012

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continued from page 1

## SLAIBY

in the Beaufort and Chukchi Seas.

"The choices are clear," Slaiby said. "We can continue to import more oil and gas. ... Or we can develop our own domestic resources. Producing more oil and gas in our own country is no losing proposition. It provides real economic and social and security benefits."

And Slaiby described his company's frustration at not having started any Beaufort Sea drilling, as a consequence of litigation and permitting delays.

"We believe we have what is arguably the most environmentally sensitive and thoroughly responsible exploration program in history," Slaiby said. "But with permit slippage and litigation delay it's very difficult to say what 2009 will look like. ... For every day we aren't drilling we only serve to increase the timeline when we won't be delivering crucial oil for both Alaska and the nation."

There hasn't been a platform blowout in the United States for more than 30 years and there has never been a blowout in the Arctic, Slaiby said.

"Shell has the best technology in the world for protecting against a spill," Slaiby said. "... But if there were a spill Shell has put in place unprecedented, on-site, 24-7 oil spill response plans. That includes Arctic rated skimmers, booms, tankers, helicopters and ice breakers. In the extremely unlikely event that a discharge were to occur, our assets would be on site in minutes."

### De facto moratorium

Slaiby said that it was nearly a year since the 9th Circuit court had heard oral arguments in the appeal against approval of Shell's Beaufort Sea exploration plan. The delay in the court decision amounted to a de facto drilling moratorium "and one that the country cannot afford," he said.

Slaiby also commented on the fact that Shell still does not have an Environmental Protection Agency air quality permit for its Beaufort Sea drilling vessel because of appeals against that permit.

"The EPA issued an air permit for one drilling rig that has yet to see the light of day because of the number of appeals it has been through," Slaiby said. "... The impact this rig has is miniscule when one looks at the total magnitude of discharge. It would be the equivalent of one ocean-going vessel traversing the seas for two months. ... We've spent \$11 million chasing after this permit. I don't know how much the government has spent of our money continuing to go after this permit as well.

"... It's time to dialogue responsible

energy and exploration policies ... in city halls and assembly chambers, and outside of the courts. The alternative to this in the courtroom, I believe, is not benefiting anybody."

Staffing shortages in regulatory agencies are also slowing the regulatory process, Slaiby said.

### Jobs and careers

Slaiby said that Shell wants to provide good paying jobs and careers for Alaskans. He cited the case of a young man who had been born in Kotzebue and had grown up in Barrow on the North Slope, and who had obtained a job with Shell on an oil spill response vessel. After also working as a marine mammal observer on a Shell supply vessel, the man is now working on a Gulf of Mexico platform and in Shell's Anchorage office. He is also in the process of obtaining a degree from the University of Alaska.

"He's a hard worker ... and we're very pleased that he's decided to make a career with Shell," Slaiby said.

Shell is also proud to be working with Mayor Edward Itta's staff in the North Slope Borough's wildlife department on the collection of environmental data, Slaiby said.

"Since 2006 and really just ending before we started this last open water season we had spent close to \$40 million and we have more work planned on scientific data acquisition," Slaiby said. "Shell is proud of this science work."

During the 2008 open water season Shell operated acoustic recorders, aerial overflights, vessel observations and tagging programs. Those operations formed part of a continuing program to acquire "first-of-a-kind" data from both the Chukchi and Beaufort seas on topics such as marine mammal migration patterns, feeding habits and seismic noise deflection, Slaiby said.

Shell also conducted 3-D seismic surveys in the Beaufort and Chukchi seas during the open water season. And despite a great deal of offshore activity, the company experienced a safe and productive year.

"It appears by all accounts that the subsistence hunting was once again safe and successful," Slaiby added.

Slaiby stressed the importance that his company attaches to having a positive impact on the local communities and said that the company's search-and-rescue helicopter had saved several lives over the past couple of years. The company has established communications centers in North Slope communities.

"Shell helped expand the communications centers on the North Slope and these

see SLAIBY page 17

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continued from page 1

## ITTA

has an interest in the Arctic Ocean," Itta said.

Itta said that the North Slope Borough has been involved in the appeal in the U.S. Court of Appeals for the 9th Circuit against approval of Shell's Beaufort Sea exploration plan and in the appeal against the Environmental Protection Agency air quality permit for Shell's Beaufort Sea drilling vessel.

These lawsuits reflect the borough's fundamental concerns about Arctic offshore oil and gas exploration and development, he said.

"These concerns and the failure of federal agencies to address them have landed us in court a couple of times in recent years," Itta said. "... Very reluctantly I felt I had no more options other than to get to court to hear our concerns get addressed. It's unfortunate because I do not believe in litigation as the answer to development of resources on the North Slope."

### Supports industry

And, although North Slope residents have "more than a little heartburn" over offshore leasing and development, the borough is supportive of the oil and gas industry, Itta said.

"The North Slope Borough has worked with the oil industry for ... very close to 40 years now," Itta said. "We've worked with them to make sure that onshore projects are successful in extracting oil while they protect the landscape and the wildlife that we depend on so much. ... We've issued permits on hundreds and hundreds of projects. And we've almost never ended up in court over the maze of development that has occurred across the North Slope in pursuit of oil and gas."

And, as a project that the borough supports, Itta particularly cited BP's Liberty oil field development, where the company plans to directionally drill into the offshore field from an existing Endicott drilling island.

"We're excited about that," Itta said.

But at the core of the borough's concerns about offshore development lies the subsistence culture of the Inupiat and the importance of the bowhead whale migra-

tion along the Arctic coast.

"Our traditional Inupiat way of life cannot survive without this resource," Itta said. "Clearly the risks associated with development offshore are much greater than of developing on land and they pose a significant threat to marine life that is out there."

### Questions asked

Itta said that he was sure there had been "a little bit of grumbling, over lunch maybe at the Petroleum Club," because of the borough lawsuits challenging Shell's planned exploration.

"Rightfully so, and I understand," Itta said. "Questions have probably come up. Questions like 'why are those people so ungrateful, when oil has paid for so much of their services, and their jobs and the quality of life in the North Slope communities?'"

Itta proceeded to tell a story which, he said, illustrated the fact that the people of the North Slope support responsible oil and gas development.

Once upon a time a resource company wanted to come to Alaska to make a big investment in a big project, he said. The company hired a popular local leader to promote its project. The company spared no expense, explained its project to the people and clearly wanted to be a good corporate citizen. The people appreciated the company's efforts and understood the benefits that could come from the project.

But the people became increasingly concerned about the risks and disruption that might ensue from the project, and about the speed with which the company was moving. The people decided that they couldn't support the project and gave a vote of no confidence to the local leader who had promoted the project.

"I suppose some of you have heard this story before. I'm obviously talking about recent events on the North Slope with Shell," Itta said. "Actually no. ... I'm talking about the story of Evergreen Resources and Sen. Scott Ogan ... in a dispute over a coalbed methane development project proposal in the Mat-Su Valley a few years ago."

Folks in Wasilla were worried about what would happen to their neighborhoods, their water supplies and their hunting and recreational areas, Itta said. And

although the coalbed methane project likely had merit, the process for implementing the project was flawed and ultimately sank the project, he said.

### No different

"We on the North Slope are no different from the people in the Mat-Su Borough who said no to Evergreen Resources," Itta said. "We found ourselves in the same situation with Shell's massive exploration plan for the Beaufort Sea, known as the Sivulliq project, which coincidentally happens to be right on the path of the bowhead migration."

Itta said that the North Slope Borough has asked for three things:

- Adequate baseline environmental data to ensure that environmental change can be measured over time;
- Reasonable mitigation and monitoring measures that can respond to any substantial risk; and
- A program of response to impacts, especially cumulative impacts, given the likelihood of multiple companies operating in the offshore.

"It takes time to create a level of trust between parties with different cultural perspectives but I believe, with that investment (in pre-project analysis), agencies and companies can send a message that they're not just in it for the oil, but they also understand the quality of life con-

cerns that we have," Itta said. "... If you can struggle with us in trying to answer some of the tough questions that keep us up late at night, then we've got something to talk about. ... Whatever happens with oil and gas — don't ever forget we, the Inupiat, were there before oil, and whatever happens we must ensure that we are there after oil."

—ALAN BAILEY

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## SLAIBY

centers were used by everyone in the open water season during last summer, including Shell," Slaiby said. "It's really helping us share a very precious commodity which is the open water time on the Arctic Ocean."

Slaiby also said that Shell strongly supports revenue sharing of outer continental shelf federal oil and gas revenues with the state and local communities. The company is doing whatever it can to see that revenue sharing comes to Alaska, he said.

—ALAN BAILEY

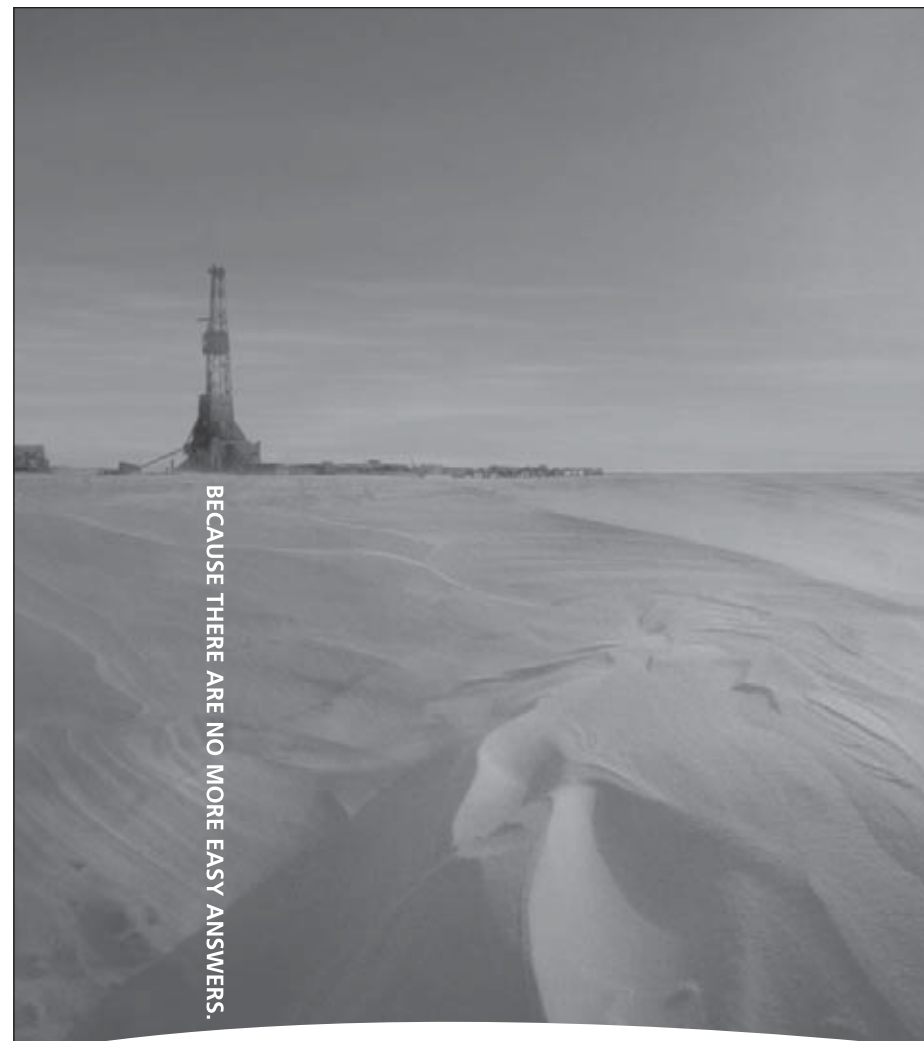
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## DRILLING

of the potential impact of oil spills that might result from Shell's drilling.

"Despite any other insufficiencies, MMS's environmental analysis does adequately examine the impacts of a potential crude oil spill," said Judge Dorothy Nelson in the court's majority opinion. "...The agency's assessment makes the proper inquiry into the risk of an oil spill, and no further analysis is required in relationship to this exploration plan."

### MMS disappointed

MMS has expressed its disappointment at the court's decision. The agency said that it had completed an extensive environmental assessment of Shell's exploration proposals, supported by a 1,596-page environmental impact assessment.

"Over the past 30 years MMS has funded nearly \$300 million for environmental studies concerning Alaska waters," MMS said. "... Alaska and its adjacent offshore areas have great potential for increasing our energy security."

On the other hand, Mayor Edward Itta of the North Slope Borough welcomed the court ruling.

"The court has confirmed the legitimacy of our argument," Itta said. "It agreed that MMS did a woefully inadequate job in its assessment of the potential impacts to the bowhead whale and other marine life, as well as to our traditional bowhead subsistence harvest. I don't think MMS took their job seriously enough. Maybe now they will."

Shell spokeswoman Darci Sinclair expressed her company's disappointment.

"We believe the MMS did a thorough job and that Shell has met or exceeded requirements for responsible Arctic exploration," Sinclair said. "Shell is committed to operating safely and responsibly and will continue to comply with all regulatory requirements."

The court decision will extend the time that it takes to bring much-needed U.S. oil production on line, she said.

"While we assess our options, it's important to remember that we hope to make Alaska a long-term commitment for Shell," Sinclair said. "We believe developing offshore Alaska is the right decision for the citizens of Alaska and the state's economy and will help provide a secure energy future for the United States."

### Another EIS?

At the core of the appeals against approval of Shell's exploration plan lay the question of whether the EIS that MMS conducted for its Beaufort Sea lease sale program analyzed in sufficient detail the types of activity that Shell proposed in its plan, or whether the exploration plan should have triggered a new EIS.

Under the terms of the National Environmental Policy Act, MMS uses a tiered approach to environmental permitting, in which a broad EIS prior to the start of an offshore lease sale program determines whether lease sales should proceed. Further EISs may be done subsequently, targeting specific exploration or development activities that might have a significant environmental impact not fully considered in the earlier, broader EIS. A proposal to develop an offshore oil field, for example, would almost certainly trigger the need for a new EIS specific to that development.

The development of an EIS is a complex process that typically takes several years to complete.

MMS had published a comprehensive multi-sale EIS for its Beaufort Sea oil and gas leasing program. Then, when Shell submitted its Beaufort Sea exploration plan, MMS conducted an environmental assess-

ment that concluded that the company's planned operations came within the scope of the multi-sale EIS and could proceed.

But during oral arguments in the 9th Circuit case the appellants vehemently disagreed with the MMS position.

"Here you have a cursory EA (environmental assessment) that fails to assess the actual drilling proposals' effects on whales and completely refuses to analyze the potential for a crude oil spill and its effects on that environment," Dierdre McDonnell, the attorney representing the Alaska Wilderness League and environmental organization REDOIL, told the judges.

"The Minerals Management Service simply does not know enough about the potential impact on the Arctic environment to approve a three-year exploration plan and environmental assessment," said Christopher Winter, attorney for the North Slope Borough and Alaska Eskimo Whaling Commission. The noise from drill ships and icebreakers would deflect bowhead whales from their normal migration routes, thus creating a major safety risk to whaling captains and crews and threatening a key source of food for North Slope communities, Winter said.

MMS for its part said that it had adequately taken account of the potential impacts of Shell's planned Beaufort Sea drilling activities.

MMS has imposed very specific mitigation measures through the terms of its leases, said David Shilton, attorney for MMS. One of those measures is the requirement for a conflict avoidance agreement with the subsistence hunters, he said.

"Shell must sit down with the subsistence whalers and hammer out an agreement to protect their subsistence hunting, and that is something that has been done over the years successfully," Shilton said. "... This year there was a conflict avoidance agreement which would have had Shell pull all of their assets off of the drilling for the time that whale hunters were out there."

### Court agreed

The majority of the judges on the 9th Circuit panel agreed with the petitioners' concerns about the potential impact on wildlife of noise originating from specific Beaufort Sea drilling activities.

"MMS has not provided a convincing statement of reasons explaining why Shell's exploratory drilling plans at these specific sites would have an insignificant impact on bowhead whales and Inupiat subsistence activities," Nelson said. "As a result, we are unpersuaded that MMS took the requisite 'hard look' at the environmental impact of this project. There remain substantial questions as to whether Shell's plan may cause significant harm to the people and wildlife of the Beaufort Sea region."

The court accepted the MMS tiered approach to environmental permitting under the National Environmental Policy Act, and said that the agency could conclude that a new environmental impact statement would not be needed for Shell's exploration plan if the agency could make a finding of no significant impact, or FONSI, for Shell's exploration activities.

But the judges quoted case law that says "An EIS must be prepared if 'substantial questions are raised as to whether a project ... may cause significant degradation of some human environmental factor.' ... If an agency finds an EIS is not required and issues a FONSI, it must provide a 'convincing statement of reasons' to explain its decision." And the judges said that the MMS environmental assessment of Shell's Beaufort Sea exploration plan had failed to adequately consider several potential impacts of Shell's drilling activities.

### Impact of noise

In particular, there is insufficient analysis

of the impact of drilling-associated noise on bowhead whales' migration routes — Shell's exploration plan envisages the use of two drilling vessels and two associated ice-breakers for the Beaufort Sea drilling, Nelson said.

"The multi-sale EIS discusses, in a general sense, the impact of noise on bowhead whales, citing a number of studies that have been conducted on the topic," Nelson said. "However, that document contains no studies that analyze the effects of noise from a project with two drillships and two ice-breakers. ... Moreover, studies cited in the multisale EIS use varying methodologies and come to inconclusive results."

The environmental assessment for Shell's exploration plan "gives only a brief description of the level of noise the individual drillships in Shell's proposal could make, but does not examine the combined effect of all vessels operating simultaneously," Nelson said. And there is no evidence that a National Marine Fisheries Services biological opinion cited by MMS "relies on studies involving two drillships and two ice-breakers," she said.

The court majority opinion also says that MMS has recognized that even a single operating drillship can deflect migrating bowhead whales.

And the judges discounted the use of a whale monitoring program as a means of mitigating the impacts of drilling noise. The monitoring program proposed to accompany the Shell drilling "could detect impacts after they occur" rather than providing a buffer against the impacts, Nelson said.

"In sum, MMS abrogated its NEPA duties because neither the environmental assessment nor the documents it tiers to consider the specific parameters and potential dangers of Shell's project," Nelson said. "There is substantial uncertainty about how various levels of noise would affect whales and their migratory patterns."

**Subsistence hunting**

MMS has also failed to take a "hard look" at the impact of Shell's project on subsistence hunting, Nelson said. And relying on annual conflict agreements between Shell and the whale hunters does not meet the required legal standard, she said.

"The conflict avoidance agreement process is too vague and uncertain as a mitigation measure to justify the agency's decision not to engage in further analysis," Nelson said. "Conflict avoidance agreements come about through a voluntary process and are renegotiated every year. The agency is not party to the process, and any agreement made is not legally binding."

And neither the EIS for the lease sale nor the environmental assessment for Shell's exploration plan adequately considered potential impacts on the subsistence hunting of mammals other than bowhead whales, or on subsistence fishing, Nelson said.

"The EA ultimately concludes that Inupiat communities may suffer cultural consequences from drilling activities, but does not state whether these effects will be 'significant,'" Nelson said. "Instead the EA relies on mitigation measures in the hopes that they would ameliorate any harm done. ... These mitigation measures do not go far enough to rectify the potential that Shell's project will cause substantial harm to Inupiat communities on Alaska's northern shore."

The court also said that, by approving Shell's exploration plan without the company specifying exactly which wells it would drill in each year of the plan, MMS had violated the Outer Continental Shelf Lands Act.

**Dissenting opinion**

Judge Carlos Bea dissented from the majority decision, saying that the court

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## DRILLING

could not overturn the MMS exploration plan approval on the grounds that the approval was arbitrary or capricious.

For its Beaufort Sea lease sale program MMS had prepared a 1,500-page multi-sale environmental impact statement that "discussed potential environmental effects from the development of each of Shell's lease-sale sites," Bea said. And, for Shell's exploration plan, the agency had prepared an additional 100-page environmental assessment "that supplemented the multi-sale EIS for two of Shell's lease plots about which MMS decided additional information was needed," he said.

The petitioners and the majority on the panel of judges do not want MMS to "use its extensive prior work to inform its decisions on individual leases," but instead they want the agency to prepare a new EIS for each lease, Bea said.

"This is worse than re-inventing the wheel: this is re-inventing the wheel for each wheel of the car," he said.

The process will be expensive, time-consuming and largely duplicative, thus defeating the purpose of National Environmental Policy Act regulations that encourage tiering of NEPA documents, he said.

### MMS Expertise

And Bea said that it was not appropriate for the court to overrule the MMS expertise regarding the interpretation of research results relating to the impacts of exploration activities on bowhead whales. Instead, the court's role is to verify that the agency has taken the appropriate factors into consideration, considered all important aspects of the problem and offered a plausible explanation for its decision, he said.

"MMS gave a 'hard look,' by any stretch of the term, to whether Shell's plans would disrupt the bowhead whale's migratory habits," Bea said. "The expert agency (MMS) to which Congress delegated its authority concluded Shell's plan would not disrupt the bowhead whales to an extent necessary to require an additional costly EIS (or 'revised' EA)."

Bea said that the multi-sale EIS had also taken into consideration the cumulative impacts of multiple operations that might result from Beaufort Sea lease sales.

And Beau dismissed the majority argument that Shell should have precisely specified the location of each well to be drilled in each year of the exploration plan. The Outer Continental Shelf Lands Act allows MMS some discretion in the amount of detail that an exploration plan need contain, while the type of well location information that Shell had provided was sufficient to satisfy MMS regulations, he said.

"The majority's demand (that) Shell provide exact locations of wells before approval of its exploration plan, when those exact locations depend on what happens with the earlier wells which must be explored pursuant to the exploration plan, is a catch-22," Bea said.

Bea also said that the appeals should be dismissed because three of the petitioners had filed their appeals more than 60 days after MMS approval of Shell's exploration plan, thus exceeding the time allowed under the applicable statute of limitations. The petitioners did file appeals with Interior Board of Land Appeals within the required 60 days. However, under federal law, administrative appeals relating to Beaufort Sea outer continental shelf exploration have to be filed with the 9th Circuit court — the appeals were eventually filed in the court 96 days after the MMS decision.

The majority of the 9th Circuit panel of judges took an alternative view that during the period that the appeals were being considered by the Interior Board of Land Appeals the appeals were in effect "tolled," or placed on hold. As a consequence, the statutory 60-day period for appeal of the MMS decision was not exceeded, the majority said. ●



# NORTH OF 60 MINING NEWS

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Looking out over the Klehni River, crews drill through the snow-pack into the RW Zone of the Glacier Creek prospect at Constantine Metal Resources Ltd.'s Palmer project near Haines.

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• ALASKA

# Constantine hunts mammoth VMS

MacVeigh and Green reunite to uncover a Greens Creek-style late-Triassic VMS deposit in the 'elephant country' of Southeast Alaska

By SHANE LASLEY  
Mining News

A decade after first kicking rocks around the Palmer Project, Constantine Metal Resources Ltd. President and CEO Garfield MacVeigh and Constantine's new Vice President of Exploration Darwin Green have reunited to uncover what they hope will be a mammoth in a land of elephants.

According to Mac Veigh, Constantine was formed to explore the Palmer volcanic massive sulfide property when the company was incorporated in March 2006.

The Palmer Project, located about 35 miles northwest of Haines in Southeast Alaska, has good company. The polymetallic deposit lies in a belt of late-Triassic VMS deposits that hosts the precious-metal-rich Greens Creek Mine to the south and the Windy Craggy Deposit about 35 miles to the northwest.

In 1998, while MacVeigh was president of Rubicon Minerals Corp., that company issued a press release describing the Palmer Project as follows: "The project is located in 'elephant country' and hosts numerous high-grade base-metal showings within rocks that are the same age as the Greens Creek and Windy Craggy deposits."

## Green returns to Palmer

Constantine announced the addition of Green to the junior's management team at the end of October. The young executive became available after leaving the Niblack Project due to corporate reorganization resulting from the merger of Niblack Mining with Committee Bay Resources Ltd.

Green, the former vice president of exploration for Niblack Mining, is no stranger to volcanic massive sulfide projects in Southeast Alaska. In addition to his three years in charge of exploration at the polymetallic Niblack Project on Prince of Wales Island, Green has eyed the Palmer Project for a decade.

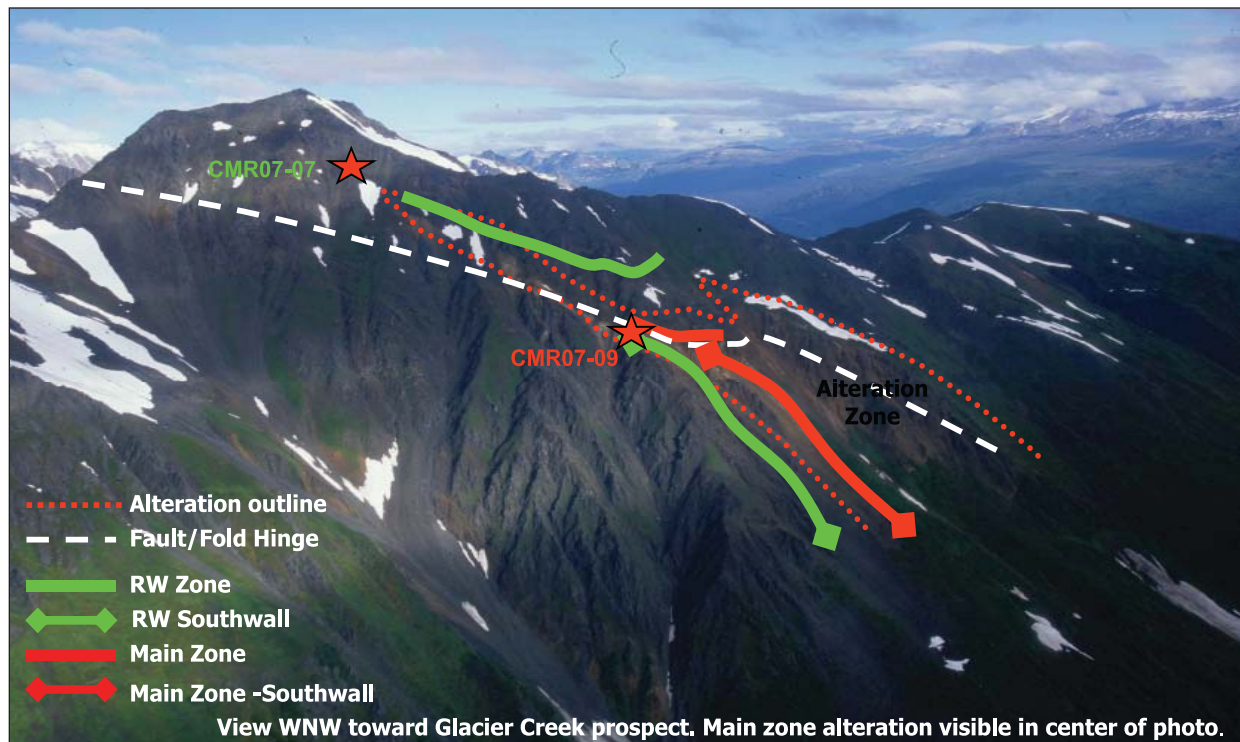
Green and MacVeigh first worked together at Palmer in 1998. MacVeigh was president of Rubicon and Green was a graduate student earning his master's degree in economic geology from Carleton University in Ottawa.

Green received Carleton's Senate Medal for his graduate work on the Palmer property. His master's thesis, titled "Geology of Volcanogenic Massive Sulphide Prospects of the Palmer Property, Haines Area, Southeastern Alaska" was sponsored in part by Rubicon.

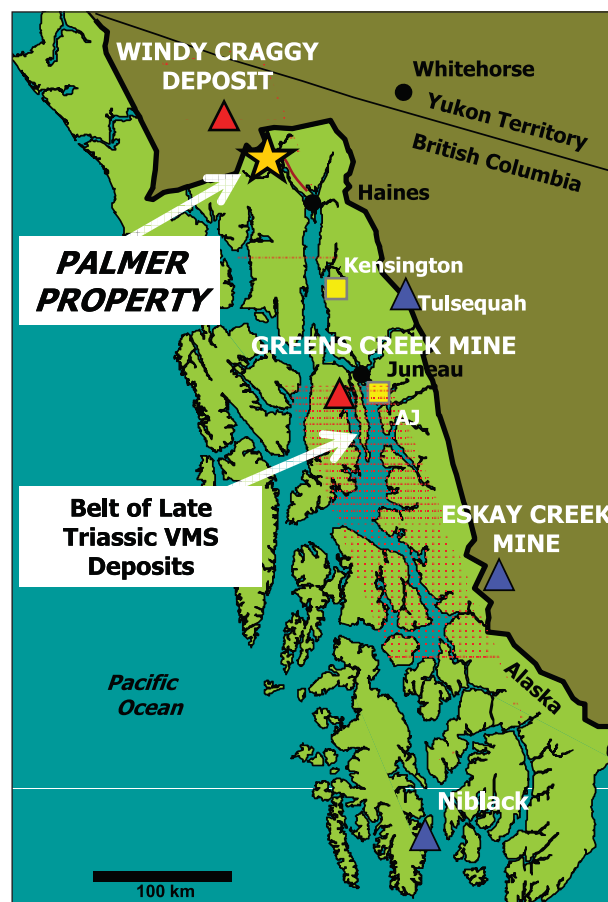
The Carleton grad returned to the Palmer property in 2004 with hopes of starting a public company to explore the subject of his thesis.

"The timing was premature, and a second attempt was made during more favorable market conditions in 2005/2006, which saw the formation of Constantine," reflected Green.

At the 2008 Alaska Miners Association annual conference in Anchorage in November, Green won the Alaska Department of Natural Resources'



In 2009 Constantine will focus its drilling on expanding the Southwall resource and taking a closer look at the RW target.



"Commissioner's Special Recognition Award for Project Excellence" for his contribution to Niblack Mining's exploration of the Niblack VMS Project for the past three years. Green oversaw the completion of a major under-

ground exploration program at Niblack.

"With the exciting new developments at Palmer, and after recently reaching several major personal and project milestones at Niblack, it was an opportune time to shift gears and take on the role of VP Exploration at Constantine to help advance the Palmer project," Green said.

## Three zones discovered at Southwall

In 2008 Constantine focused its hunt on the Southwall target – located in the eight-kilometer-long, or five-mile-long, Glacier Creek corridor – discovered toward the end of the 2007 exploration season in Hole CMR 07-09.

Hole 9 cut 24 meters of massive sulfide with an average grade of 6.46 percent zinc, 0.45 percent lead, 1.19 percent copper, 49.8 g/t silver and 0.67 g/t gold.

The 12-hole, 4,395-meter program at Palmer this year discovered three zones of mineralization at Southwall. The 10 holes completed (two were abandoned) resulted in 17 mineralized intersections in these three distinct zones.

Excited about the Southwall discovery, the company's first hole of the 2008 season – CMR08-11 – was a follow-up on Hole 9. Hole 11 intersected 71.6 meters of massive sulfide in all three mineralized zones.

Hole 11 intersected 36.3 meters of Zone 1 with an average grade of 1.54 percent copper, 0.45 percent lead, 5.45 percent zinc, 0.47 g/t gold and 28.5 g/t silver. This included an 8.9-meter intercept averaging 4.32 percent copper, 0.04 percent lead, 5.22 percent zinc, 0.84 g/t gold and 36.8 g/t silver.

Hole 11 intersected 20.4 meters of Zone 2 with an

see **CONSTANTINE** page 5



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• A L A S K A

# NovaGold hits funding snag, halts mining

Projected cash flow from Rock Creek operation dries up; aggressive miner scrambles to salvage interest in Donlin, Galore projects

By ROSE RAGSDALE  
For Mining News

Reeling from regulatory and operating problems at the Rock Creek Mine 12 kilometers, or 8 miles, from Nome and effects of the recent credit drought, NovaGold Resources Inc. Nov. 24 said it has suspended production at the Rock Creek gold mine for at least six months. The move comes less than three months after production startup at the small gold mining project in September.

The Vancouver, B.C.-based fledgling producer blamed its financial troubles on huge unexpected cost overruns at Rock Creek and its inability to generate significant cash flow from assets.

In mid-October, NovaGold foresaw cash flow in 2009 from the Rock Creek Mine of more than C\$25 million at then prevailing gold price and exchange rates. The company had planned to use the cash to fund its ongoing operations.

One month later, NovaGold said it expects the mine to generate little, if any, significant net cash flow over the next six months, based on a gold price of \$750 per ounce and current exchange rates.

Taking that into account along with further capital requirements and increased operating costs combined with uncertainty regarding operation of the project, the company decided to suspend operations at Rock Creek.

## Debt difficulties

The aggressive miner also said it had been unable to arrange bank financing to repay a \$20 million bridge loan due Dec. 29.

Though it still had about C\$10 million in cash on hand, NovaGold said it opted to not make a C\$1.9 million payment due Nov. 24 to the Galore Creek Partnership, which operates the Galore Creek copper-gold-silver project in northern British Columbia for the miner and its 50-50 partner Teck Cominco Ltd.

Teck and NovaGold put that project on hold a year ago when its capital cost projections nearly doubled to about C\$5 billion. The Galore Creek Partnership since has revisited its development plan for the project and come up with a more economical approach.

NovaGold said it would approach Teck Cominco to discuss other ways to meet its obligations at Galore Creek. If NovaGold does not reach alternative arrangements with its partner and does not make the payment within five business days of receiving notice of such nonpayment, its interest in the Galore Creek Partnership may be diluted by about two-tenths of a percentage point to 49.8 percent interest, the company said.

NovaGold also said it would make a \$3.9 million payment due Nov. 27 to Donlin Creek LLC, operator of the Donlin Creek Project for the miner and its 50-50 partner in the project Barrick Gold Corp.

"Though this has been a difficult decision with Rock Creek, based on the current economic conditions, and the challenges associated with meeting environmental requirements compounded by working through the arctic winter we believe these actions are in the best interest of the company at this time," NovaGold President and CEO Rick Van Nieuwenhuyse said in a statement Nov.

24. "NovaGold will focus most of its resources and efforts on its Donlin Creek property while continuing to seek sources of cash and to take steps to reduce costs."

NovaGold also said it accepted the resignation of Vice President of Operations Carl Gagnier, effective Dec. 31.

Patrick Downey, president and CEO of Aura Minerals Inc., also resigned from NovaGold's board of directors on Nov. 25 to focus on his position at Aura Minerals.

NovaGold's stock plummeted \$1.48 to close at 72 cents per share Nov. 24 after the company informed shareholders of its plans.

## Rock Creek troubles

NovaGold said it spent about \$30 million at Rock Creek since Aug. 31 and is about \$20 million over its most recent budget for the venture. The unplanned spending exacerbated NovaGold's inability to arrange bank financing to repay the bridge loan and to realize additional cash from existing assets as well as delayed commissioning of the mill and achieving commercial production at Rock Creek.

The higher costs resulted from mechanical and regulatory difficulties that first surfaced last winter. Ongoing efforts to resolve the problems led to the additional spending.

The Rock Creek mine received regulatory authorizations and began commissioning startup in September 2008. Environmental and operational tasks to ensure compliance with regulatory requirements for the mine, plus more complications and recent notification from federal and state regulators that certain conditions in the previously granted permits had not been met have led to the escalating costs.

## Resolution efforts will continue

Though the company continues to work with state and federal regulators to resolve the problems, Rock Creek operations could face financial penalties or have additional mitigation or monitoring requirements imposed, NovaGold said.

In addition, Rock Creek has experienced unanticipated mechanical problems including an electrical failure with the milling circuit and the company has ongoing concerns with the efficiency of the process and recovery circuit. These issues have been compounded by the effects of extreme arctic weather conditions.

NovaGold said regulatory consequences of a suspension are uncertain and existing environmental requirements will continue to be met during this suspension. As part of its requirements under Canadian (GAAP) accounting rules, the company will be reviewing impairment testing for the project.

The company also said it will continue to review strategic alternatives, seek additional equity and debt financing, and pursue the sale of assets and other restructuring alternatives. Under the terms of the secured bridge loan, any additional funds raised through debt or equity must first be used to repay such obligations.

"There can be no assurance that any strategic alternative or transaction will be successfully completed," the company said.

If NovaGold is not able to raise additional cash in December, it will not have sufficient cash to meet its obligations. ●

## NovaGold CEO warns of the risks of a zero-risk society

Rick Van Nieuwenhuyse, president and CEO of NovaGold Resources Inc., said problems facing global markets today as well as his struggling company are the result of society's desire for zero risks.

"Today we have a world that is ruled by lawyers, accountants, politicians, and (securities and banking) regulators; and they have made a mess of things lately," Nieuwenhuyse told members of the Alaska Miners Association at their annual convention in Anchorage Nov. 7.

"We can't really blame them for it. In reality, as a society we have asked them for all this protection. It gets back to wanting to reduce risk in our lives. It seems like we want to create a zero-risk society. I say be careful what you wish for because you might just get it."

In a presentation titled, "Building a Mining Company in the New World Disorder," Van Nieuwenhuyse said NovaGold has experienced the effects of risk abating at its Galore Creek high-grade copper-gold-silver deposit in northern British Columbia and at the recently launched Rock Creek gold mine in Northwest Alaska.



Rick Van Nieuwenhuyse, president and CEO of NovaGold Resources Inc.

## Exchange rates hurt Galore

A year ago NovaGold and 50-50 partner Teck Cominco Ltd. had to suspend the development of Galore Creek because the estimated costs to bring the mine online had skyrocketed to about C\$5 billion, around double the original estimates.

Nieuwenhuyse said a nearly 30 percent swing in the United States-Canadian dollar exchange rates from the time of the original feasibility study until the updated cost estimate was one of the biggest factors leading up to the decision to re-evaluate the plan for building the mine. Inflation of materials and labor were also big contributors to the escalating costs.

"We have seen the costs of building a new mine doubled, really, in the last couple

see RISKS page 19

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• ALASKA

# Japanese firm sets sights on Man deposit

150-year-old conglomerate agrees to invest up to \$40 million in exploration to earn majority stake in nickel-copper-PGE property

By SHANE LASLEY  
Mining News

Itochu Corp., a multibillion-dollar Japanese conglomerate has agreed to invest as much as \$40 million to earn up to a 75 percent stake in Pure Nickel's 750-square-kilometer, high-grade nickel-copper-platinum group element Man property in Alaska.

Pure Nickel President and CEO David McPherson said, "Itochu has a solid reputation for its long-term vision. Itochu's many decades of success speak volumes about the quality of the organization and its people. We have been fervent believers in the potential of Man, and it is extremely gratifying that Itochu has embraced our belief in the property."

Under terms of the agreement, Itochu can earn a 60 percent interest in Man by spending \$30 million on exploration over the first six years of the option period. Once Itochu has earned a 60 percent interest, the Tokyo-based company has the option to earn an additional 15 percent interest in the property by investing another \$10 million in exploration during the seventh year of the agreement. The pact also provides for acceleration of the earn-in timetable.

Toronto-based Pure Nickel will receive a 10 percent management fee to operate exploration activities at the Man property, which is located 400 kilometers, or 248 miles, northeast of Anchorage.

## Alpha and Beta drilled

In 2007 Pure Nickel completed a nine-hole, 3,359-meter drill program at Man after gaining a 100 percent interest in the property as a result of a reverse takeover of Nevada Star Resources Corp. that February.

The 2007 phase 1 drilling at Man investigated six areas over a 19.8-kilometer-long, or 12-mile-long, strike length of the property's Alpha Intrusive Complex. Drill hole MAN-PNI-001 intersected 77.4 meters of disseminated sulfides with an average grade of 0.26 percent nickel, 0.12 percent copper, 0.139 grams per ton palladium and .062 grams per ton platinum. Pure Nickel said it abandoned the hole at 659 meters, while still in mineralization, due to challenges encountered with core recovery.

This year, the junior shifted its focus to the Beta Complex, located about eight kilometers, or 5 miles, south of Alpha. McPherson told Mining News that the company completed a modest drill program at the Beta Complex this year. Results from the drilling are pending.

## Four complexes in '09

McPherson said the company is working on the 2009 exploration program and budget for the Man project. Both the Alpha and Beta complexes are being considered as drill targets in 2009, and drilling could happen on both areas, he said.

According to McPherson, in addition to drilling the company is considering doing property-wide ground work. This includes additional work at the Canwell and



In 2007 Pure Nickel completed a nine-hole, 3,359 meter drill program focused on exploring six areas of the Man property's Alpha Intrusive Complex.

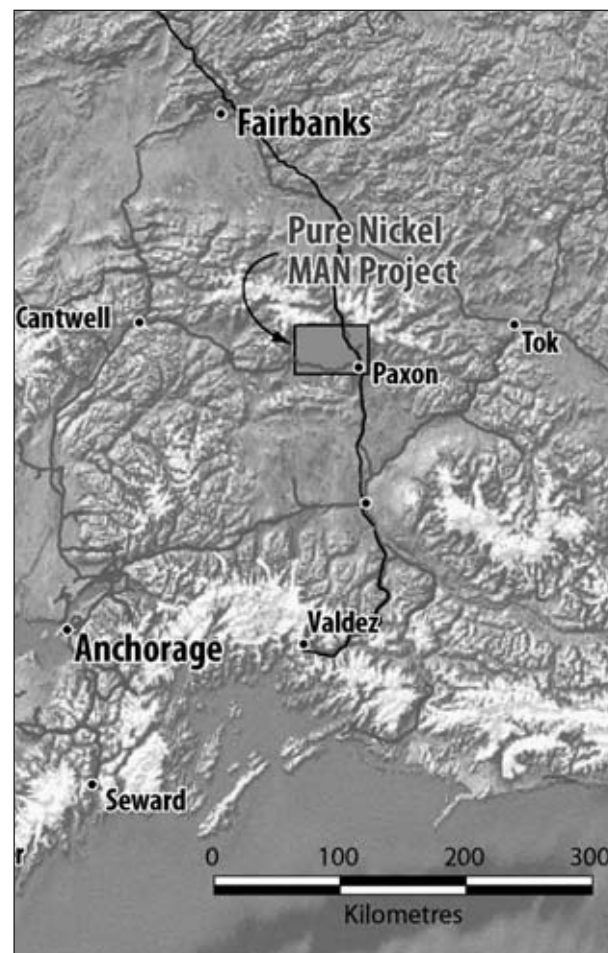
Rainy Complexes in the northern part of the property.

Itochu has agreed to spend up to \$6.5 million at Man during 2008 and 2009; this includes reimbursing Pure Nickel for expenditures incurred this year at the project. On an ongoing basis, exploration activity will be funded through 2014 to a total of \$40 million, subject to Itochu exercising its option to continue at the end of 2009 and 2013.

## Worldwide search turns up Man

Satoshi Kondo, Itochu group manager of Mineral Resource Development Group, said, "We are very pleased to begin our partnership with Pure Nickel, which has come about after considerable review of the potential of the Man property. Our organization has been studying potential exploration projects of platinum group metals and base (metals) around the world. The Man project has a high probability of becoming a world-class project and fits well with our policies and concepts. Importantly, we are very confident and comfortable with Pure Nickel's team and the relationships we have mutually developed that allowed our review and negotiations to go very smoothly."

Tokyo-based Itochu is a publicly listed 150-year-old conglomerate with multiple divisions operated through 17 offices in Japan and 139 overseas locations. The joint venture with Pure Nickel is through Itochu's Metals, Mineral Resources & Coal Division, Energy, Metals & Minerals Company. ●



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**CONSTANTINE**

average grade of 1.53 percent copper, 0.37 percent lead, 7.62 percent zinc, 0.81 g/t gold and 100.7 g/t silver. This included a 2.5-meter intercept with an average grade of 1.98 percent copper, 0.40 percent lead, 7.00 percent zinc, 3.71 g/t gold and 371.7 g/t silver.

Hole 11 also intersected 12.6 meters of Zone 3 with an average grade of 0.47 percent copper, 0.15 percent lead, 6.27 percent zinc, 0.30 g/t silver and 24.3 g/t gold. This included a 3.2-meter intersection 0.39 copper, 0.18 percent lead, 11.91 percent zinc, 0.27 g/t gold and 33.9 g/t silver.

Green said exploration performed by Constantine has managed to demonstrate excellent continuity of thick intersections of massive sulfide at Southwall over a 300-meter-by-300-meter area.

The most recent assay returns reported from this season's drilling are from CMR08-19. Hole 19 intersected Zone 2 about 30 meters to the west and 165 meters downdip from Hole 11. The average grade of the 38.5-meter intercept was 0.64 percent copper, 0.18 percent lead, 6.91 percent zinc, 0.21 g/t gold and 24.9 g/t silver; this included a 15.3-meter intercept with an average grade of 1.09 percent copper, 8.57 percent zinc, 0.09 percent lead, 0.25 g/t gold and 31.9 g/t silver.

Green told Mining News that although the drill density is relatively low, the company is considering preparing an inferred resource for Palmer once it receives the remaining assay results from the 2008 program.

**Huge potential**

The geology of the Southwall Zone is complex due to folding and faulting in the



The remains of drill pad (lower left) built by longtime Alaska explorer Chuck Hawley in 1970, but never used is located just a few hundred feet from Hole CMR 07-09, the Southwall discovery hole.

area. According to Green, Zone 1 is related to the Main Zone lying immediately to the southeast of Southwall, while Zone 2 and Zone 3 are of the same age strata as the RW Zone to the northwest.

While Constantine's immediate focus is on RW and Southwall, the company says the property has huge potential for expansion. The junior explorer has discovered eight prospects along the five-mile-long Glacier Creek mineralized corridor.

The property hosts another about six-kilometer-long, or 3.7-mile-long, mineralized trend about 2.5 kilometers, or 1.5 miles, southeast of the Glacier Creek Corridor. A six-foot high-grade boulder in the MHC-CAP Corridor contains 2 percent copper and 33 percent zinc.

Green said the company believes it is into a major massive sulfide system with some very significant size potential.

**Three drills turning in '09**

To reveal Palmer's potential Constantine hopes to have three drills on

the project in 2009. A specific exploration plan has not yet been decided for Palmer, but Green said drilling will be focused on

expanding the resource at the Southwall Zone and taking a closer look at the RW Zone.

The company envisions a \$5 million to \$7 million exploration program in 2009. However, market conditions and Constantine's ability to raise money will determine the size of next year's drill program, Green said.

He observed that a project with the size and potential of Palmer would have no problem raising the funds needed during normal market conditions.

"We would like to see three drills turning on the property next year, focused on expanding the Southwall and RW Zones. We believe we are into a major massive sulfide system with some very significant size potential, and by the end of the 2009 season would like to be able to talk about a 5 million- to 10 million-metric-ton resource," Green added. ●

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• GUEST COLUMN

# Alaska mining industry faces credit crunch

High-quality exploration, development projects will likely survive despite worldwide shortage of venture capital, financing

By CURT FREEMAN  
For Mining News

Let me start this month's mining update by saying I am not a chartist nor do I believe economic cycles are controlled by cosmic forces known only to the mystics. That said, I do believe in cycles because I have lived and worked through more cycles in the mining industry than I care to remember.

So a couple of observations seem in order as we plummet down the slope off another peak into what looks to be a pretty deep, chilly valley. First off, what goes up, must come down with the ride up always taking longer than the ride down. Simple economic physics. The second thing that is inevitable on the down side of the cycle is the implosion of some leases and joint venture agreements that were cut at the top of the cycle and which did not recognize the near-certain possibility of less favorable economic times down the road. It never fails, in the rush to get good projects moving; terms are agreed to that can't be supported at the bottom of the next cycle. So deals come apart and properties that were encumbered by unreasonable terms become available again. Sort of a cycle within a cycle.

The third comment that should need no comment but which seems to go unnoticed in the tough times is that, regardless of the economic climate,

## The author

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CURT FREEMAN

good projects get funded, period, punto, punkt, periodo, finis.

The last point I'd like to make from my bully pulpit is that there currently are some superb acquisition opportunities out there and more will become available the longer this market low persists. Corporate entities with strong cash or cash-flow positions are looking for those deals. If you are a buyer, your job is to identify, acquire and fund those gems in the rough. If you are a seller, your job is to reset the windage and elevation on your properties and make them irresistible during this current global economic winter of our discontent. But never doubt, there are always buyers and sellers out there! Good luck

Mr. Phelps.

## Western Alaska

TECK COMINCO LTD.'S announced third-quarter 2008 results from its Red Dog mine, which turned in operating profits of \$105 million versus an operating profit of \$380 million in the same period in 2007. For the quarter, the mine generated 131,500 metric tons of zinc and 29,200 metric tons of lead in concentrate versus 154.4 and 36,000 metric tons of zinc and lead, respectively, in the third quarter of 2007. The mine sold 184,000 metric tons of zinc and 77,400 metric tons of lead during the third quarter. Average zinc and lead grades mined were 19.9 percent and 5.7 percent versus 20.5 percent and 6.2 percent, respectively, in the third quarter of 2007. Mill throughput of 784,000 metric tons in the third quarter was down from the 884,000 metric tons milled in the third quarter 2007. During the mid-July to late October shipping season the mine shipped a total of 954,000 metric tons of zinc concentrate and 249,000 metric tons of lead concentrate. During the third quarter the mine paid out \$54 million in royalties to the State of Alaska and its partner, NANA Regional Corp. Profits were down significantly due to higher goods and services costs and the coincident drop in the lead and zinc prices over the last three months.

ZAZU METALS CORP. announced additional drilling results from its Lik

zinc-lead-silver deposit in the western Brooks Range. Assay results from 29 of 58 holes completed in 2008. Results include 8.23 meters grading 4.29 percent lead, 18.28 percent zinc and 158.8 grams per metric ton of silver in hole 157; 7.62 meters grading 7.64 percent lead, 22.22 percent zinc and 200.68 g/t silver in hole 159; 14.94 meters grading 8.58 percent lead, 23.46 percent zinc and 149.14 g/t silver in hole 171; and 11.19 meters grading 2.47 percent lead, 10.55 percent zinc and 40.76 g/t silver in hole 189. The company is planning to complete an updated resource estimate following receipt of all 2008 drilling results.

NORTHERN DYNASTY MINERALS LTD. and partner Anglo American plc provided an update on activities at the Pebble copper-molybdenum-gold deposit near Iliamna. To the end of September 2008, crews had completed 141,000 feet of drilling in 215 holes. This includes 109,800 feet of drilling in 24 holes to increase the information base about known mineralization in the Pebble East deposit, continue to delineate the Pebble East deposit and provide detailed geotechnical information for mine planning purposes. Crews also completed 31,160 feet of drilling in 191 environmental, geotechnical and metallurgical holes. Drilling at the project will continue through December 2008 and will restart in February 2009. The

see FREEMAN page 7



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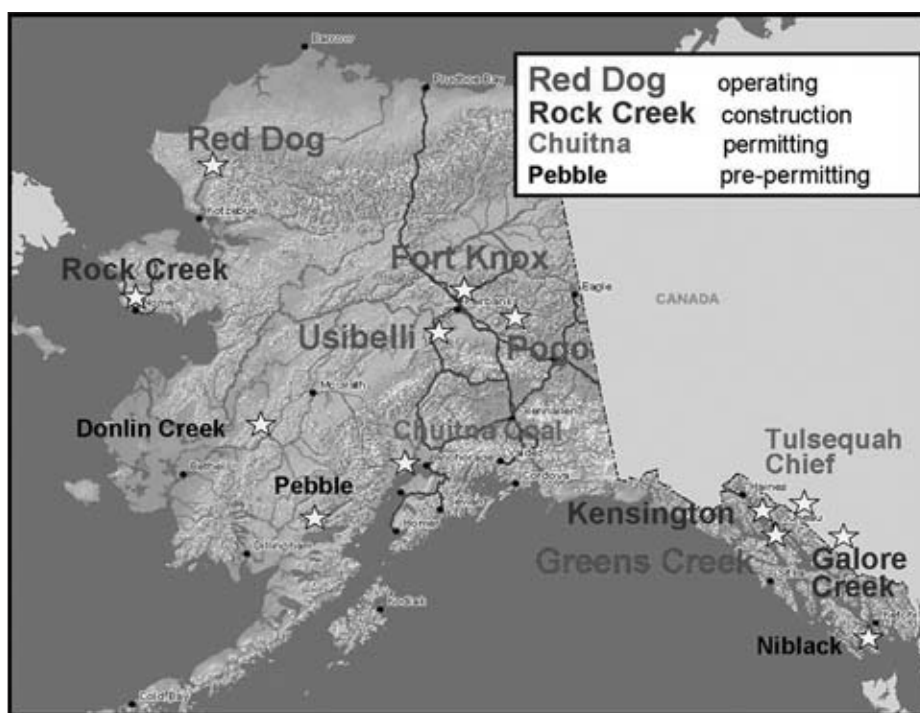
**FREEMAN**

company indicated that copper-gold-molybdenum mineralization within the Pebble East zone remains open to expansion; however the addition of the 2008 drill program results will provide sufficient volume and grade information to allow completion of a preliminary feasibility study in 2009. The partners currently employ 20 engineers working on the study who interface with experts from 58 engineering firms across the globe.

**FULL METAL MINERALS and HIGHBURY PROJECTS** reported drill results from this year's work on their Moore Creek project. The 13-hole, 1,878-meter drilling program was completed on the Spring and Troy zones discovered in 2007. Strong alteration was encountered with zones of silicified and tourmaline-altered monzonite with stockwork quartz veins (up to 0.79 meters wide) and disseminated to massive arsenopyrite, chalcopyrite, pyrite, and rare pyrrhotite intersected in the majority of the holes. Significant results include 5.5 meters grading 4.28 grams of gold per metric ton in hole MC08-05, with 2 meters grading 5.77 g/t of gold in hole MC08-06 and 2.0 meters grading 3.37 g/t gold in hole MC08-09. The companies also completed a reconnaissance program in the Willow Mountain and Maybe Mountain areas. Soil samples across the Willow Mountain stock returned analyses of up to 20 g/t gold per metric ton, along with anomalous arsenic and copper over a 300-meter-by-500-meter area. Grab samples of vuggy quartz with massive arsenopyrite from the Maybe Mountain stock assayed up to 6.07 g/t gold per metric ton and soil samples contained anomalous silver, arsenic, copper, lead, and antimony over a 250-meter-by-500-meter area.

**MILLROCK RESOURCES** announced results from exploration work on its Estelle gold project in the Rainy Pass district. Two intrusive-hosted occurrences of interest were discovered – Shoeshine and Oxide Ridge. Gold occurs with disseminated arsenopyrite and chalcopyrite within the intrusive rocks, and in quartz stockworks and sheeted quartz veins. At Oxide Ridge sampling of talus fines has outlined an anomalous zone measuring 200 meters by 30 meters. The average of all 24 talus fines samples in the anomalous zone is 2.32 g/t of gold. Several samples of altered porphyritic intrusive rocks with arsenopyrite bearing quartz stockworks returning values in the 1-4 g/t gold range. At Shoeshine, the anomalous zone is over 1 kilometer in length, and 300 meters wide. Of the 49 samples that comprise the anomaly, the average is 0.585 g/t gold. Numerous rock samples exhibiting porphyry-style mineralization commonly contain 1-5 g/t gold. One sample of porphyry rock cut by sheeted quartz veinlets assayed 13.13 g/t gold. Individual high-grade quartz veins within the anomalous zone contain multi-ounce levels of gold.

**GEOINFORMATICS** announced



drilling results from the Raintree West prospect at its Whistler copper-gold project. Initial drilling intersected widespread mineralization at the Raintree West prospect, which is located about 1.5 kilometers east of the previously discovered Whistler Zone. Significant drilling results include 160 meters grading 0.59 g/t gold, 6.02 g/t silver, 0.10 percent copper, 0.20 percent lead and 0.46 percent zinc, including 24 meters grading 1.37 g/t gold, 6.32 g/t silver, 0.13 percent copper, 0.36 percent lead and 0.80 percent zinc. Raintree West exhibits a comparable magnetic signature to that of the Whistler Zone with a coincident induced polarization anomaly that extends over 800 meters in length. Raintree West is a blind target, concealed by a thin veneer (5 meters) of gravels in relatively flat ground. The gold-to-copper ratio at Raintree West is higher than that at the nearby Whistler zone and, in combination with the higher lead and zinc values encountered at Raintree West, suggests that the Raintree prospect may represent the periphery of a gold-copper porphyry system.

**INTERNATIONAL TOWER HILL MINES** announced exploration results from its BHP project. Surface sampling of massive sulfide mineralization associated with a significant 9-kilometer-long geophysical anomaly returned values up to 25 g/t gold, 673 g/t silver, 13.8 percent copper, 10.1 percent lead and 30 percent zinc. In the south part of this trend, the geophysical anomalies at the 6120 and 6920 prospects reflect mineralization that averages 1.8 percent copper, 3.2 g/t gold, 29 g/t silver and 0.1 percent nickel. At the Dall Slot target, new, high-grade mineralization averaging 1.3 percent copper and 127 g/t silver has been found. At the northern end of the trend, at the Little Bird prospect, a thick mineralized stratigraphic unit has been identified with average mineralized samples returning 1.2 percent copper and 171 g/t silver.

**Eastern Interior**

**KINROSS GOLD** announced third-quarter 2008 production results from its Fort Knox mine near Fairbanks. For the quarter the mine produced 100,969 ounces of gold compared with 85,755

ounces produced in the third quarter of 2007. Cash costs were \$443 per ounce versus \$338 per ounce in the previous third quarter. The mine processed 3,815,000 metric tons of ore grading 0.96 g/t gold. Recovery for the quarter was 80 percent. Production increased in the third quarter of 2008 compared with the same period in 2007 due to higher mill throughput, softer ore and higher grades offset by recoveries. Revenue increased 38 percent to \$88.3 million from \$64.1 million year-over-year due to higher realized gold prices and higher mill throughput. Cost of sales increased 44 percent year-on-year mainly due to increases in labor costs and inflationary pressures which increased the price of electricity, fuel and other consumables. The company completed the Phase 7 pit expansion which entailed drilling of 88 holes (29,447 meters). The company

also received promising results from third holes on the south wall of the pit and from 5 holes (806 meters) on the Fort Knox trend. Work on the Walter Creek heap leach project halted for the season with 78 percent of the leach pad area completed. Construction of the carbon in column plant will continue through the winter with initial leaching operations scheduled for the third quarter of 2009.

**TECK COMINCO LTD.** announced third-quarter production results from its Pogo mine. The mine generated a \$15 million profit for the quarter versus a \$7.5 million net loss in the third quarter of 2007. For the quarter the mine produced 91,000 ounces of gold at a cash cost of \$493 per ounce versus production of 57,600 ounces of gold at a cash cost of \$554 per ounce in the third quarter of 2007. The operation treated 179,000 metric tons of ore grading 17.9 g/t gold with a mill recovery of 85 percent, all three of which are improvements over the year-previous period. The mine is forecast to produce 340,000 ounces of gold in 2008.

**INTERNATIONAL TOWER HILL MINES LTD.** announced that resources have doubled at their Livengood gold project. At a 0.5 g/t cutoff, total indicated resources stand at 69.53 million metric tons grading 0.83 g/t gold containing 1.86 million ounces of gold and 87.88 million metric tons grading 0.77 g/t gold containing 2.17 million ounces of gold. Perhaps most important, gold grade increased 17 percent over previous resource estimate grades. The deposit remains open in all directions and a significant amount of drill results from the 2008 program remain outstanding. Primary ore controls appear to be the

see FREEMAN page 9



Alaska Analytical Laboratory is an environmental lab performing the following services: soil analyses for Gasoline Range Organics (GRO), BTEX (Benzene, Toluene, Ethylbenzene, and Xylene); Diesel Range Organics (DRO) and Residual Range Organics (RRO) following the SW-846 EPA/Alaska Methods.

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## FREEMAN

intersection of favorable host lithologies with major structural zones which are interpreted to have acted as conduits for intrusion-related gold bearing fluids. The volcanic, sedimentary and mafic rocks are favorable host rocks and are persistently mineralized. Mineralization in the Money Knob deposit occurs at surface and forms stratabound and cross-cutting bodies in a large thrust faulted and recumbently folded sedimentary and volcanic sequence. The main body of mineralization lies within a general 2-kilometer-wide-by-6-kilometer long northeast trending belt, with the current Core Zone focused along a northwest trending surface geochemical anomaly that is at least 1.6 kilometers long and 800 meters wide. This large structural zone has localized a series of 90 million-year-old dikes, sills and plugs that are believed to be related to the gold mineralization. The company also reported that preliminary metallurgical information shows favorable cyanide solubility with increasing recoveries at finer crush sizes. Shortly after this resource estimate was announced, the company released additional drilling details from 2008 holes that are outside

of the new resource base. Significant assays included hole MKRC-0062 which returned 19.81 meters grading 1.09 g/t gold; hole MKRC-0064 which returned 161.54 meters grading 1.32 g/t gold including 25.91 meters grading 2.10 g/t gold; hole MKRC-0071 which returned 164.59 meters grading 1.54 g/t gold, including 68.58 meters grading 2.36 g/t gold, and hole MK08-31, which returned 27.29 meters grading 4.83 g/t gold. These holes extend the mineralization by 30 percent over the recent resource update and mineralization remains open to expansion to the northeast and southwest. Following completion of a year-end resource update, the company is planning a two-phase drill program in 2009, including a 7,000-meter winter program and a minimum 10,000-meter summer program.

## Alaska Range

**PURE NICKEL INC.** announced that it had entered into joint venture agreement with Alaska newcomer Itochu, a Japan-based conglomerate. Under the terms of the agreement, Itochu can earn a 60 percent interest in the project by incurring an aggregate of \$30 million of exploration expenditures over the first six years of the option period. Once Itochu has earned a 60 percent interest,

it has the option to earn an additional 15 percent interest by incurring an additional \$10 million of exploration expenditures during the seventh year of the agreement. The company indicated that exploration budget have been set at a combined maximum of \$6.5 million for 2008 and 2009 and that Pure Nickel will remain the operator of the joint venture. Welcome to Alaska Itochu!

**INTERNATIONAL TOWER HILL MINES LTD.** announced additional exploration results from its Chisna copper-gold project. Stream sediment surveys have now defined a 40-square-kilometer area of anomalous copper and gold mineralization in the POW-Ptarmigan area, with values up to 4 percent copper and 13 g/t gold. The work has now fully delineated the extent of the system, which has a strike length of about 10 kilometers and a width of 4 kilometers. A total of 300 rock samples collected from this highly altered and mineralized area average 0.1 percent copper and 0.2 g/t gold. The surveys also have discovered anomalous gold in two drainage basins in the Eagle Ravine area, with values up to 0.8 percent copper and 0.29 g/t gold, prompting the staking of additional ground. Regional exploration also identified a new partially covered occurrence at the Hematite prospect which is a large area of hematite-magnetite alteration with disseminated chalcopyrite, indicative of a possible porphyry system at depth.

## Northern Alaska

**SILVERADO GOLD MINES LTD.** announced updated resources at the Workman's Bench prospect at its Nolan Creek property in the Brooks Range. The new resources include indicated mineral resources at Workman's Bench of 42,212

short tons grading 28.0 percent antimony and 0.408 ounces of gold per ton, which contains 11,880 short tons of antimony metal and 17,300 ounces of gold.

## Southeast Alaska

**HECLA MINING** announced third-quarter production results from its Greens Creek mine on Admiralty Island. The cash cost per ounce of silver for the quarter was \$3.79 compared with negative \$7.41 in the third quarter of 2007. The average grade of ore mined during the quarter was 13.32 ounces of silver per ton compared with 15.54 ounces of silver per ton in the year-previous period. During the third quarter the mine produced 1,776,914 ounces of silver, 16,396 ounces of gold, 4,781 tons of lead and 16,452 tons of zinc. Total production costs for the quarter were \$8.78 per ounce of silver produced, a drastic increase over the negative-\$3.96-per-ounce costs in the third quarter of 2007. Higher operating costs are attributable to decreased by-product credits due to lower zinc and lead prices, an increase in freight charges, higher energy and steel costs, and a lower average grade of silver. The company indicated that it saved \$500,000 during the quarter when excess hydroelectric power was available due to high water levels in the reservoir feeding the Juneau power grid. The company also indicated that exploration on the Gallagher Zone extended mineralization deeper and opened up potential to the north. This year's surface drilling exploration activities totaled 20,649 feet in 18 holes. Drilling from the North Big Sore prospect identified mine contact rocks that may have the potential for adding resources in an area that was previously thought to be barren. ●



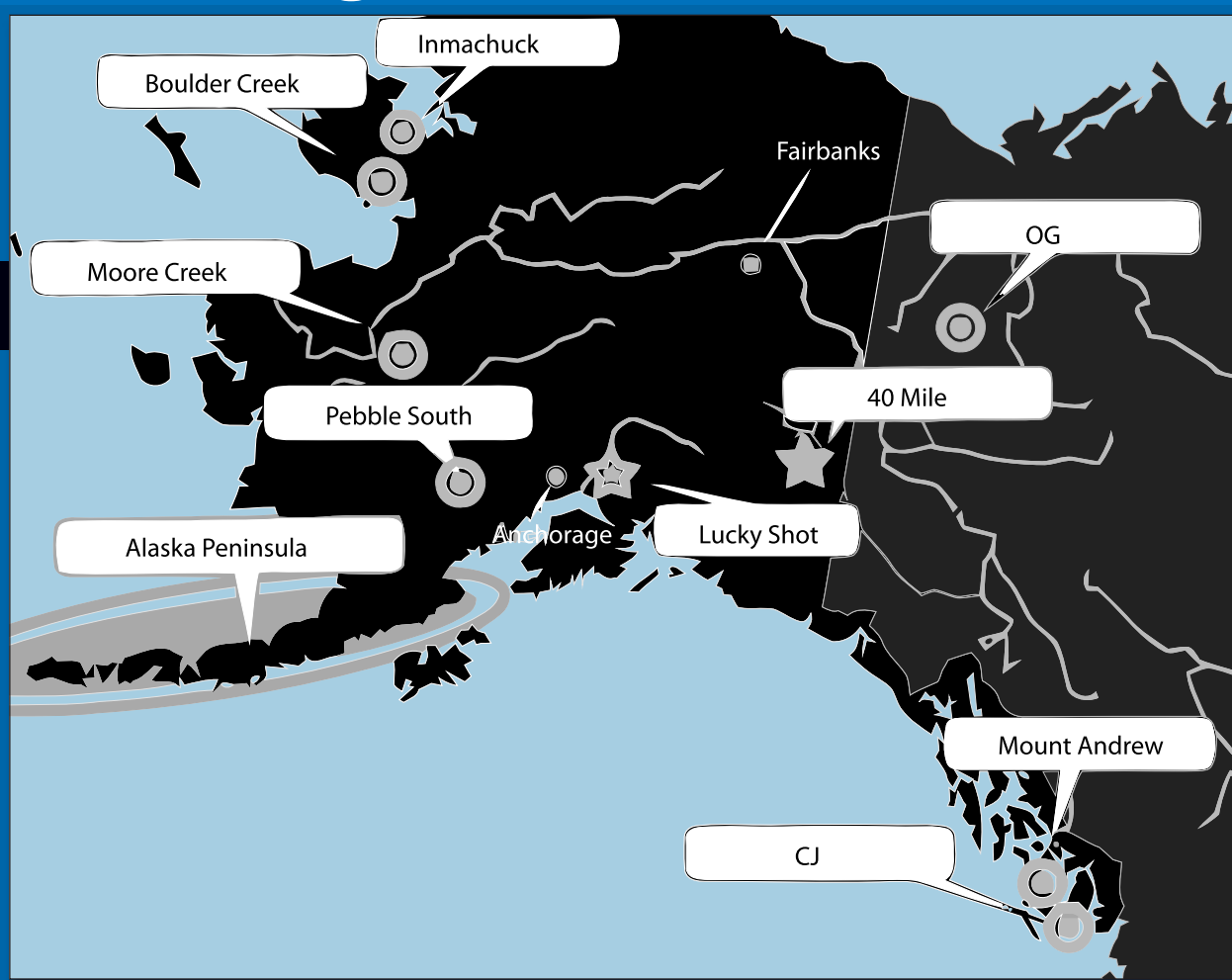
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• A L A S K A

# Excited junior adds winter drill program

A 7 million-ounce gold resource is the target of International Tower Hill's recently announced exploration plans at Livengood

By SHANE LASLEY  
Mining News

In an economic climate that is causing most juniors to scale back exploration projects, International Tower Hill has expanded its exploration program at the Livengood gold property north of Fairbanks.

The addition of a winter exploration program, scheduled to begin in February 2009, is the result of the success of the junior's 2008 summer program.

Vancouver, B.C.-based International Tower Hill updated its resource estimate for Livengood by including about half of the assay results from this summer's drilling, computing a gold resource that doubles a previous resource estimate based on the company's 2007 exploration program. The junior anticipates another major resource expansion when pending 2008 assay results are included in a further update due in the first quarter of 2009.

## ITH expands exploration

Based on preliminary results of this summer's drill program, International Tower Hill decided to mount a major winter drill program at the 10,875-acre Livengood property.

The company expects to drill 7,000 meters this winter and a minimum of 10,000 meters next summer. The final decision on drill targets for the winter program will be made when assay results are returned from the remaining 25 percent of drilling performed this year.

International Tower Hill has budgeted C\$6 million for the 2009 exploration program at Livengood. The junior said it plans to continue with the expansion of the deposit in the newly discovered Deep and Far East zones as well as continue exploration of the Core zone. If the new large areas of surface gold return positive results, it could double the area of mineralization currently outlined in the current existing resource estimate for Livengood.

The company's target is to increase the gold resource at Livengood to 7 million ounces by the second quarter of 2009, International Tower Hill Mines president and CEO, Jeff Pontius, told delegates to the Alaska Miners Association 2008 annual convention.

## Winter drilling to expand Core

The company has outlined about a 3,000-acre, or 1,214-hectare, main target area on State of Alaska Mental Health Trust land, and has focused its exploration on the 500-acre, or 202-hectare, Core zone. The winter program has two primary targets for expanding the Core zone to the northeast as well as to the southwest of the main body of mineralization.

Drilling in the northeast target area will focus on providing continuity to mineralization previously discovered, extending the deposit in that direction. The target southwest of the Core Zone was identified



International Tower Hill recon team, (left to right) geologists Dan Wiesneth and Tristan Wagner, Livengood exploration manager, Ed Hunter, and International Tower Hill vice president of exploration and recon team leader, Russell Myers, conducting field work at an undisclosed location in Interior Alaska.

by modeling existing drill data as well as surface geochemistry of the area.

Following anticipated completion of winter drilling in the second quarter of 2009, the company plans to update a resource estimate that will be used in a preliminary economic assessment of the deposit currently scheduled to be released in mid-2009.

"We have a very aggressive winter drilling program that is going to kick off in February and then we will move into a more typical summer drilling program," Pontius said.

## Assays, stocks to determine program

International Tower Hill geologist Heather Kelly told Mining News the company will have a better idea how intensive the winter drill program will be in each expansion region after outstanding assay results are returned from the late phase of 2008 drilling.

The winter program also will be dependent on the junior's year-end stock position, according to Kelly. Though International Tower Hill has felt the effects of the global financial crisis, it has fared substantially better than many of its peers in the junior mining sector. The company's stock is only down about 35 percent from a year ago compared to the S&P/TSX Venture Composite Index – representing about 40 percent of both junior and major mining companies worldwide – which has declined about 75 percent over the same time period.

"I think that (International Tower Hill's) share price holding up in this market is due to the reality of Livengood as a real source for future gold – gold banked in the ground if you will. Just imagine what it will be when market conditions improve," Kelly said.

## Livengood tagged world-class

The resource estimate released in October upgraded a large portion of the resource to the indicated category. All of the 1.889 million-ounce gold resource (at a 0.50 g/t gold cutoff) based on 2007 drilling

become one of North America's largest new gold discoveries. The company said it expects another significant increase in the resource when the remainder of the 2008 drilling results is included in the resource estimate the company plans to release in early 2009.

"We believe we are sitting on a world-class gold deposit here at Livengood," Pontius said.

## Additional assays expand potential

Assay results released by the junior on Nov. 17 continue to expand the deposit and reinforce the CEO's belief that Livengood is world-class.

The results, according to International Tower Hill, increase the area covered by higher grade mineralization by about 30 percent over what was included in the midyear resource estimate.

The company anticipates that the Livengood deposit will expand substantially following the planned winter drilling program. The most recent round of drill results reveal two promising areas. Drill hole MK-08-31 intersected 139.3 meters grading 1.79 g/t gold, highlighting the potential of expanding the deposit to the north. Drill hole MK-RC-0094, which is a step-out hole about 300 meters to the east, intersected 48.8 meters grading 1.67g/t gold and an additional 33.5 meters grading 1.32 g/t gold and underscoring the potential to continue expanding the higher grades in that direction.

see ITH page 10



## Welcome to the neighborhood

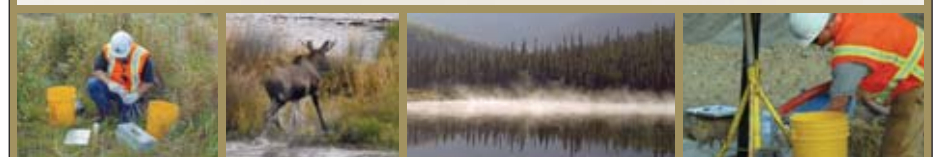
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• ALASKA

# Miners spend record \$4 billion in 2007

Alaska mines and projects attract more investment in exploration, development and production on wave of strong metals prices

By SHANE LASLEY  
Mining News

Alaska's mineral industry set a new spending record of about \$4 billion in 2007, up 13.3 percent from the value of the industry's expenditures in 2006, according to an 89-page report released Nov. 5 by the Division of Geological & Geophysical Surveys and the Office of Economic Development.

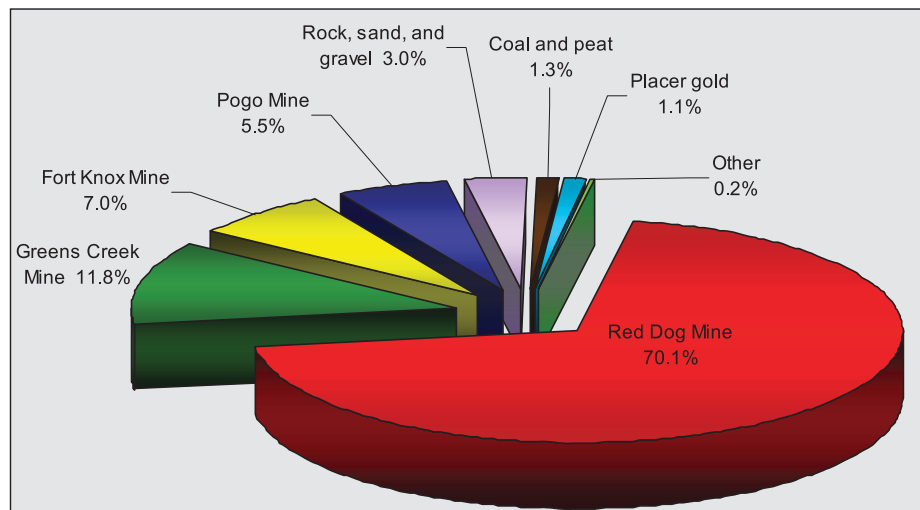
The industry's reported value, according to DGGs, is calculated by combining the amount spent on exploration and development with the production value of mines in Alaska.

While 2007 was a banner year for Alaska's mining industry, the trend is not expected to carry through 2008. Nearly 60 percent of the industry's value comes from production at Teck Cominco Ltd.'s Red Dog Zinc Mine. Zinc, which sold between \$1 and \$1.80 per pound in 2007, has decreased to about 50 cents per pound.

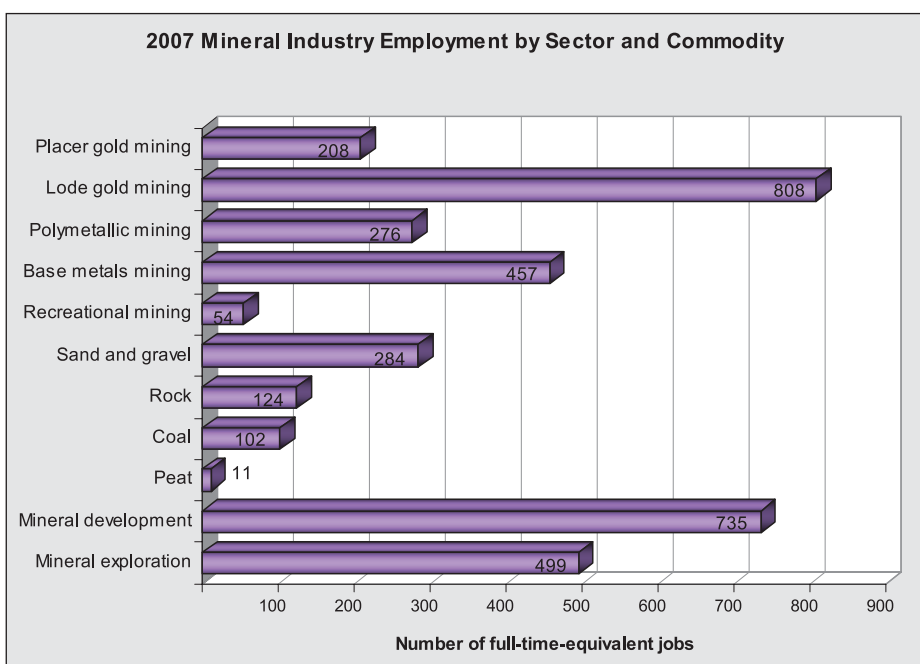
The State of Alaska and municipalities received a total of \$142.4 million in royalty and tax payments from the mineral industry in 2007, down about \$30 million from the record set in 2006. The tax decrease is attributed to higher operating costs that more than offset the higher commodity prices for the year. The reduced profitability in 2007 resulted in 31.2 percent decrease from 2006 in mining license taxes paid to the state.

The state collected \$34 million in other government-related revenues, including an annual user fee of \$17.7 million paid to the Alaska Industrial Development & Export Authority for Red Dog Mine's use of the state-owned DeLong Mountain Regional Transportation System. The Alaska Railroad Corp. also raised \$9 million for moving coal and another \$6 million for moving sand and gravel. The Alaska Mental Health Trust received about \$1 million in rents and royalty payments.

Alaska's mineral exports set another record by topping \$1.3 billion in 2007, up



More than 70 percent of Alaska's mineral production in 2007 was from the Red Dog Mine.



10 percent. Zinc ore ranked as the highest value commodity exported from the state.

## Benefits felt across the state

Mining companies paid about \$16 million in taxes to city and borough governments, and were the largest taxpayers in the Fairbanks North Star, Denali and Northwest Arctic boroughs, as well as the City and Borough of Juneau.

Alaska Native corporations also

recorded record profits from mining last year. Teck Cominco Ltd. paid NANA Regional Corp. \$58.1 million in fiscal 2007 as a net smelter royalty from ore produced at Red Dog, nearly double a 2006 payment of \$29.7 million. NANA shares 62 percent, or about \$36 million, of the royalty payments with the other Alaska Native corporations across the state.

Alaska's minerals industry provided

3,558 full-time-equivalent positions during the year, this is the highest mining job rate in more than a decade. The mining industry played an important role in employing residents of rural Alaska. The industry employed people from more than 100 communities across the state. The average weekly wage for metal miners in Alaska was about \$1,578, or about \$82,000 a year, in 2007.

## 95 percent of revenue from production

Alaska's mineral production value of \$3.367 billion eclipsed all previous years on record, with metals accounting for 95 percent of that value. Production volumes rose for all commodities, except coal and rock. Strong metal prices also contributed to record production values for Alaska's minerals.

Zinc, at 60.84 percent, was by far the largest contributor to the state's production. Gold contributed 15.18 percent, lead at 11.57 percent, silver at 8.03 percent, industrial minerals made up 3.02 percent, coal and peat contributed 1.36 percent, and 0.01 percent of production in the state came from copper.

The Red Dog zinc-lead mine in Northwest Alaska contributed more than 70 percent to Alaska's production values for 2007. The Greens Creek silver mine in Southeast was the state's second largest producer at 11.8 percent. The Fort Knox and Pogo gold mines in Alaska's Interior had a combined value of 12.5 percent. All other production in the state made up the remaining 5.6 percent.

Due to a sharp fall in base-metal prices, Alaska's production revenues are expected to fall significantly in 2008. Teck Resources Ltd. reported that revenues from Red Dog for the first nine months of 2008 were down about 50 percent from the same period in 2007. The company expects an even larger dip in the fourth quarter due to the shipping season from the mine ending earlier than expect-

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## ITH

The company said that many of the recent drill holes were terminated while still in mineralization, indicating that the

lower sedimentary sequence represents a significant host to mineralization and indicating the potential for expansion at depth.

The junior is still awaiting results from about 25 percent of the drilling completed this year. Pending results are primarily from the southwest expansion area of the

Core zone.

## Golden location

The ITH CEO told the luncheon attendees the large Livengood bulk-tonnage deposit is the source of around 880,000 ounces of placer gold recovered from the surrounding streams.

The oxidized mineralization, according to Pontius, starts near the surface and continues down to 150 to 200 meters and is very amenable to heap leach recovery. He said the sulfide ore also has reasonably good cyanide recoveries and the company is testing to find out what the optimum mix would be between a mill and heap leach.

Lying only about 70 miles or 110 kilometers north of Fairbanks, the property is in a logistically favorable location. The Elliot Highway – the haul road running from Fairbanks to the oil fields on Alaska's North Slope – dissects the property. The property also has the advantage of lying within about 35 miles, or 56 kilometers, north of the Fairbanks power grid.

## Alaska is our future

"Alaska is our future," Pontius answered the self-directed question,

"What is the future for ITH?"

The International Tower Hill CEO said in 2009 the company will focus most of its money and time on Livengood. In addition to expanding the resource, the company plans to move the project into the economic study process next year.

"We are also very keen on moving forward our new discovery projects. We have a number of very exciting projects in the state, but a lot of that work will come after we move Livengood a little farther than it is today," Pontius continued, "We are very driven right now with expanding our resources as quickly as we can."

"We still believe there are a lot of discoveries to be had in the Alaskan Belt and we are very committed to bring those discoveries to the benefit of our shareholders, so we are out there trying to make new discoveries," Pontius said. "We are an Alaskan-focused exploration company, and we are committed to bring new economic opportunities to the state of Alaska. While we are doing that, we want to respect the people's social, environmental and cultural values. We are here to be a part of the community, and not come in from the outside and look for the resources we can take away." ●



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## SPENDING

ed due to adverse weather conditions, resulting in less-than-expected zinc and lead ore being sent to market at the end of the season.

Gold production in the state is expected to increase in 2008 due to rising output at the Pogo Mine. NovaGold Resources' Rock Creek gold mine near Nome began its ramp-up to full production in September. On Nov. 24, NovaGold announced that it has suspended operations at Rock Creek due to complications in meeting state and federal regulatory requirements. The company said mechanical problems and financial considerations also contributed to its decision.

Placer gold production decreased to 53,849 ounces in 2007 from 60,382 ounces in 2006. Rapidly increasing operating costs had a negative effect on operations. However, recreational placer mining continues to increase with improved gold prices, climbing to 1,882 ounces produced in 2007, compared with 1,133 ounces for 2006.

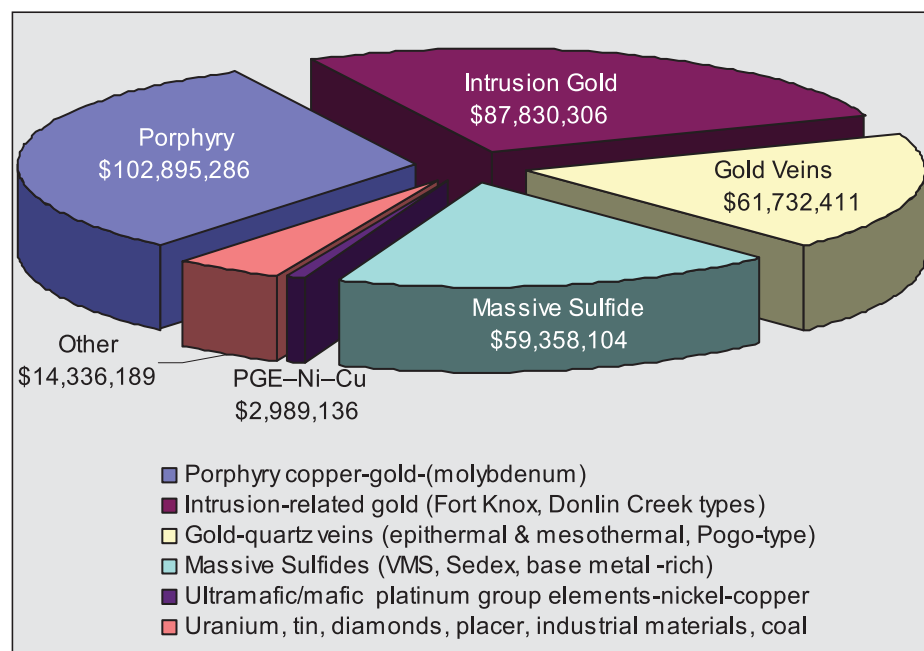
Sales of sand and gravel in 2007 totaled 14.2 million tons, up slightly from 14 million tons in 2006. Rock production was 2.2 million tons, down from 2.4 million tons in 2006.

Coal production also fell to 1.27 million tons from 1.4 million tons in 2006. Usibelli Coal Mine said production is expected to be about 1.5 million tons in 2008, and if the market demanded, the Healy operation could easily double production in the future.

### Southwest tops exploration regions

Exploration spending in Alaska during 2007 reached \$329.1 million, 84 percent higher than the \$178.9 million spent on exploration in 2006. At least 33 projects had expenditures of \$1 million or more and 85 projects reported exploration spending in excess of \$100,000.

Nearly 55 percent of the \$329 million spent on exploration in Alaska in 2007 was in the Southwest region of the state. The Pebble copper-gold-molybdenum project was the largest exploration project in Alaska during 2007 in terms of dollars spent. The Donlin Creek Project, with more than 230,000 feet of core drilling, had the largest exploration drill program in the state. Both projects are located in



About 31 percent of 2007 exploration in the state was focused on porphyry copper-gold-(molybdenum) deposits.

Southwest Alaska.

The Pebble and Donlin Creek projects were the leaders of another robust exploration season in the state in 2008. Both projects are anticipating feasibility studies in 2009.

Companies explored for a wide variety of commodities. Precious metal exploration topped the list at nearly \$156 million. Coming in at more than \$123 million, polymetallic deposits was the other large exploration target. Explorers spent about \$39 million searching for base metals in Alaska in 2007. About \$8 million was spent on coal and peat exploration, and about \$3.5 million was spent on various other commodities.

Because of a significant decrease in metal prices and low investor confidence due to the global financial crisis, many exploration companies scaled back projects in the second-half of 2008 and a significant drop in exploration spending on small and early-stage projects is expected for 2009.

### Development drops as Pogo comes online

Mineral development projects were spread across the state, with total development spending of \$318.8 million in 2007. That's 35.7 percent less than record spending of \$495.7 million in 2006. The development of precious metal projects accounted for 75 percent of spending in 2007.

Development in Eastern Interior dropped nearly 80 percent, from \$249.9

million in 2006 to \$50.2 million in 2007, due primarily to the completion of construction at the Pogo underground gold mine. Operator Teck Cominco Ltd. reported spending \$17.7 million on development at Pogo in 2007.

Fairbanks Gold Mining Co., a subsidiary of Kinross Gold Corp., reported \$30 million spent on development at the Fort Knox gold mine north of Fairbanks. The money was spent on stripping in the phase 6 expansion area, construction of the Walter Creek heap leach facility and construction of a SAG mill reject conveyor.

The Fort Knox operator continued construction of the heap leach facility in 2008, and anticipates completion around mid-2009. The company also has advanced phase 7 expansion at the mine. These upgrades are expected to extend the life of the project from 2012 to 2018 and double expected life-of-mine production to 2.9 million ounces.

At about \$123.1 million, Southeast Alaska attracted the most spending on development in 2007. The money was spent primarily on construction and development at the Kensington gold project and ongoing development at the Greens Creek silver mine. These two projects near Juneau employed about 337 people in 2007.

About \$92.3 million was spent on construction at Coeur Alaska Inc.'s Kensington gold project in 2007. The project employed about 292 full-time-equivalent persons in 2007 in an effort to advance

**Alaska's mineral production value of \$3.367 billion eclipsed all previous years on record, with metals accounting for 95 percent of that value. Production volumes rose for all commodities, except coal and rock. Strong metal prices also contributed to record production values for Alaska's minerals.**

the project to a producing mine.

Coeur Alaska reduced its staff at Kensington to a core group of about 40 employees at the project while it waits for a ruling from the U.S. Supreme Court concerning its tailings permits. The high court is scheduled to begin hearing the case Jan. 12. If the Supreme Court rules to uphold the permits granted to Coeur, the company anticipates finishing the construction of the tailings facilities and moving the project into production by the end of 2009.

Development expenditure in Alaska's western region was about \$97 million in 2007, a 74.1 percent increase from the \$55.7 million spent in 2006. Six projects reported development spending during the year, but the \$78 million spent by NovaGold Resources on the Rock Creek gold project accounted for the bulk of the annual expenditures.

At the end of the third quarter of 2008 NovaGold reported that it had spent about \$77 million for the year on development at Rock Creek. The company also announced that it began production at Rock Creek at the end of the third quarter. NovaGold's target is to have the mill running at full capacity by the end of 2008, and contribute about 100,000 ounces of gold to Alaska's production numbers in 2009.

Around \$41.4 million was spent on development in northern Alaska, all of which was spent on Teck Cominco's Red Dog zinc mine. The remaining \$7.1 million was spent on development in Southcentral and Southwest Alaska. No development occurred on the Alaska Peninsula.

"Special Report 62, Alaska's Mineral Industry 2007" is available in Adobe Acrobat PDF format from the Division of Geological & Geophysical Surveys' Web site (<http://www.dggs.dnr.state.ak.us>), on mini CD-ROM, or in printed version from DGGS at 3354 College Road, Fairbanks, Alaska 99709-3707. ●

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• YUKON TERRITORY

# Andrew just gets better and better

*Cheered by 2008 discovery of the Darcy zone, Aussie junior continues to pursue development of Selwyn Basin lead-zinc project*

By ROSE RAGSDALE  
For Mining News

**A**NDREW PROJECT, Yukon Territory – If Australia-based Overland Resources gets its way, this remote valley in eastern Yukon may become home to the next lead-zinc mine in the Far North. And if development plans currently being discussed by the aggressive junior come to fruition, the Port of Skagway could provide facilities for loading the mine's metal concentrates onto oceangoing barges bound for Asia.

Overland has set its sights on defining and developing a growing base metal resource that began with discovery of the Andrew Zinc Deposit here in the mineral-rich Selwyn Basin.

Andrew was discovered in 1996 by prospector Ron Berdahl, who followed up a stream geochemistry anomaly delineated

during a 1989 government-funded regional stream sampling program and noticed a distinctive, hillside "kill zone," or naturally occurring sulphide drainage area, in this thickly forested valley.

First explored by Noranda between 2001 and 2003, the property encompasses 567 mineral claims that cover about 108 square kilometers and a 2,500-meter soil geochemistry anomaly that promised additional opportunities for expansion when it first came to Overland's attention several years ago.

The under-explored Selwyn Basin presented an enticing contrast to Overland's stomping grounds in Australia, where hardrock mining has become an increasingly competitive environment, said Hugh Bresser, Overland's managing director.

Yukon's stable and supportive government also helped to make the region especially attractive to the junior, he said.

## Base metal potential expands

Noranda's exploration of the Andrew property had been "hit and miss," but the 26 holes that the company drilled before releasing the property encountered intersections with high grades of zinc mineralization.

Overland optioned 90 percent interest in the property in January 2007 and used encouraging results from Noranda's exploration to develop a mineral resource estimate. At a 3 percent zinc cutoff, the company calculated 5 million metric tons at 10.79 percent zinc equivalent at Andrew, of which 83 percent was in the measured and indicated categories.

Overland drilled 10 more holes at Andrew in 2007 and reported additional promising intercepts, including 18.4 meters at 14.89 percent; 27.5 meters at 12.84 percent; 10.25 meters at 10.34 percent; 6.80 meters at 10.78 percent; and 6 meters at 13.63 percent.

Overland also recognized the potential to significantly increase the resource, which was open at depth and along strike.

The junior saw an opportunity to rapidly advance what it calls the "Yukon Base Metal Project" to production because the resource is close-grained and appears to lie near the surface.

"We came to Yukon Territory expecting an exploration project, but it is more an early-stage development project," Bresser told reporters here on a brisk June morning.

The tests also showed that conventional flotation technology could produce high-grade metal concentrates from the deposit and leave behind a limited amount of sulphides in tailings because of a naturally occurring neutralizing material on the property.

In a scoping study last winter, Overland found that a 2,000-metric-ton-per-day initial open pit operation could be developed for relatively low capital costs of just under \$60 million, including construction of an access road to the project.

Laboratory tests showed that not only could substantial quantities of zinc and lead be recovered in relatively pure concentrations from the Andrew deposit, but also silver and germanium would generate significant credits.

## Road upgrade would benefit project

The junior also calculated relatively low operating costs: \$79/t of feed, including



A geologist's assistant sorts core at the Andrew Project in Yukon Territory in June.

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see ANDREW page 14



• GUEST COLUMN

# What a difference eight years can make!

Reflections and projections on changes in Washington, D.C. and Juneau and implications for the future of the mining industry

By J. P. TANGEN  
For Mining News

2008 is 90 percent over. As we approach the calendar change and the other mid-winter holidays, it is reasonable to reflect and prognosticate. Eight short years ago, we were on the dawn of a new era. Republicans controlled the White House, both houses of Congress, Alaska's governor's mansion and both houses of our state Legislature. The stars were perfectly aligned. It was a time for celebration because the dark decade was past and resource development in Alaska, most specifically mining, could finally gain some traction.

Unfortunately, the millennium "Stargate" did not work as we hoped. Republican politicians cannibalized the country from one end to the other. Economic bust followed boom-bubble, again and again. Real estate prices around the country reached record highs on false premises and promises. Commodity prices, including Alaska crude, reached undreamed of levels. After decades of effort, the Red Dog zinc mine near Kotzebue was able to pay a handsome royalty to Nana Corp., as required under the Alaska Native Claims Settlement Act's sharing provisions. This meant that benefits from that one mine made their way into the hands of shopkeepers in every corner of the state.

If 2000 was the epitome of hope,

## Mining & the law

The author, J.P. Tangen has been practicing mining law in Alaska since 1975. He can be reached at [jpt@jptangen.com](mailto:jpt@jptangen.com) or visit his Web site at [www.jptangen.com](http://www.jptangen.com). His opinions do not necessarily reflect those of the publishers of Mining News and Petroleum News.



J.P. TANGEN

2008 must be regarded as the nadir of change. Presumably pro-development politicians have been driven from the towers of power. Our president-elect is on record as having mumbled a single sentence in support of the domestic mining industry. The transition team charged with overseeing the selection of a Secretary of the Interior includes former Interior Solicitor John Leshy, the Darth Vader of mining on federal public land.

The global economy has been driven into the ground, arguably as the result of a paucity of leadership from Washington and an analogous paucity of responsibility from the private sector. One is inspired to again pull down Plato's Republic and reflect on the desirability of a "Benevolent Dictator." The state is being led into a descending spiral by a governor who brings to mind former Alaska Senator Mike Gravel in terms of

competence and political insight.

In a Grecian tragedy, Senator Stevens has been found guilty of meaningless gaps in clerical trivia, and the edifice that took four decades to build has crumbled at our feet. The Republican giant has been slain by a Republican Department of (little) Justice. Stevens, who guided us through ANCSA, the Trans-Alaska Pipeline Act and ANILCA has been dealt a death blow by the people who wouldn't have the gas to drive to work but for him.

The dead and dying are all around us. The Canadian dollar has slipped in value from US \$1.10 to 78 cents. Millions of dollars spent on mining every year in Alaska come through Canadian corporations who are now going to have to work 20 percent harder to spend the same number of dollars next year, which, foreseeably, is not going to happen. Even the nature of the legal practice for those of us working with resource developers has changed focus from putting agreements together to holding agreements together.

We have this to look forward to: Conservative Republicans are splintered and consigned to an insignificant role, both in Juneau and in Washington; a senator-elect, conceding every ambiguity, who knows little about developing anything bigger than an apartment building and who will be tied for last place in the great seniority race that characterizes the august body of the U.S. Senate; and

a congressman for life who will be heard, literally, as a voice from the wilderness. In addition, with Alaska crude in the \$40 range, the economic contingencies that made a gas pipeline a marginal proposal are again a vicious reality.

The delicious irony is that Democrats are no less prone to eating their young than Republicans. The liberal community has long bridged over an unspoken schism which may fairly manifest itself in the upcoming administration.

Conservation and environmental protection have never been rightfully under the tent of a humanitarian Democratic party. In the past, America could redirect large quantities of its domestic resources from health and social services programs to support parks and pounds of environmental impact statements because we had unlimited affluence. No one, except those directly involved, noticed that regulatory burdens that drove industrial jobs off shore drove industrial jobs off shore.

With the dawn of a new era, perhaps it will occur to someone in command that we would rather have good jobs than a pristine universe. That difference undoubtedly will fester. A resurrected Republican Party will be forced to embrace a new green standard. Liberal federal judges will be torn in half, and in eight short years all the stars in the heavens will obtain a new alignment. Or maybe they won't. ●

## NORTHWEST TERRITORIES

### Gahcho Kue diamonds earn higher valuation

Mountain Province Diamonds Inc. Nov. 17 reported results of an independent valuation of the diamonds recovered from the Gahcho Kue Project during the exploration phase. The valuation was conducted by WWW International Diamond Consultants Ltd. and took place at the London offices of the Diamond Trading Co. Sept. 22-23. Subsequent to the valuation, WWW has revised its Price Book and all diamond values presented below are based on the WWW Price Book as of Oct. 13.

Located on Kennady Lake 300 kilometers, or 186 miles, northeast of Yellowknife, Nwt., the Gahcho Kue Project is one of the largest new diamond mine projects under development globally. The project consists of a cluster of three primary kimberlites with an indicated resource of about 14.4 million metric tons grading at 1.64 carats per metric ton (about 23.6 million carats) and an inferred resource of about 17 million metric tons grading at 1.35 c/t (about 22.9 million carats).

A total of 8,195.17 carats were valued at an average of \$135 per carat, or \$1.1 million. Some 2,155.70 carats from the Tuzo kimberlite were valued at \$252 per carat, or \$542,431, while 3,133 carats from the 5034 kimberlite were valued at \$122 per carat, or \$381,080. Another 2,906.45 carats were valued at \$62 per carat or \$179,032.

In its report to Mountain Province, WWW said the Tuzo sample and the 5034 East sample both contained one high-value large stone. For Tuzo, there was a 25.14-carat stone valued at \$17,000 per carat and 5034 East had a 9.90-carat stone valued at \$15,000 per carat.

#### Values leap 63 percent

"It is encouraging that such high-value stones were recovered in samples of this size. If they are found in the same frequency throughout the resource then the modeled APs (average prices) will certainly be towards the 'high' values."

Mountain Province President and CEO Patrick Evans said the valuation reflected an "encouraging" 63 percent increase in the actual price of diamonds from the Gahcho Kue Project, due primarily "to a statistically more robust sample and rising rough diamond prices" since the company's last independent valuation of a smaller and less representative diamond parcel in 2006.

"Experience shows that during the mining phase larger populations of large, high-value diamonds are commonly recovered, which has the potential to significantly improve diamond revenues. Besides the high-value 25.14- and 9.9-carat diamonds referred to above, several other large diamonds of gem quality have been recovered from Gahcho Kue, including 7.0-carat, 6.6-carat and 5.9-carat diamonds from the 5034 kimberlite and 8.7-carat, 6.4-carat and 4.9-carat diamonds from the Hearne kimberlite. The presence of coarser diamonds is an important driver of overall diamond

see GAHCHO KUE page 15

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## NORTH OF 60 MINING

continued from page 12

### ANDREW

delivery cost of concentrates to port.

The 678,000-tpa year-round operation would employ 65 people and produce 62,000 metric tons of zinc concentrates and 32,000 metric tons of lead concentrates annually.

The junior attracted Lyncor to the project as an investor and, in the process, secured a buyer for all of Andrew's prospective output.

Overland also calculated a rapid 9- to 18-month payback period.

Bresser said one question he gets asked often in Australia is whether Overland can operate an open-pit mine in Yukon Territory. In answer, he said he cites the Minto copper-gold mine, owned and operated by Sherwood Copper Corp.

"It's a similar-sized operation and it faced similar challenges getting started," he said.

Like Sherwood, Overland also envisions trucking ore to the Port of Skagway, some 750 kilometers, or 465 miles, away. However, Yukon government officials are studying an alternate route that could reduce the distance to the port by 250 kilometers,



Hugh Bresser, manager director of Overland Resources Ltd., said the junior has transitioned from a pure exploration company to one with project management expertise in anticipation of developing a mine at the Andrew Project in Yukon Territory.

or 155 miles.

That possibility would involve upgrading a road originally built during World War II that would connect the Andrew Project directly to the Alaska Highway.

If the government was able to dedicate a grader to keep the road in good shape and ensure that a bridge along the route was in

good shape, "a lot of issues go away," Bresser said.

### Giving back to the community

This promising outlook guided Overland going into the 2008 exploration season for which the junior budgeted \$15 million for drilling.

Rather than importing a contingent of geologists and engineers from Down Under, Overland opted to hire Equity Explorations Ltd., a Vancouver, B.C.-based consulting and contractual services firm.

Equity's president, Darcy E.L. Baker and Robin Black served as project geologists for the exploration program at the Andrew Project.

Overland also hired Kluane Drilling, a Yukon company with international experience and the wisdom to hire and train drillers locally on projects around the globe, Bresser said. With four rigs turning, Overland employed 21 drillers, drillers' helpers, pump guys and drill foreman, plus cat operators.

In addition, the company forged cooperative agreements with the Selkirk, Nacho Nyak Dun and Kaska First Nations to assist with economic and cultural pro-

grams. The Andrew property is situated at the convergence of lands owned by the three groups.

Overland matched contributions made by other mine projects to a program that provides for training miners under the Canadian Royalties Act.

"Mining companies tend to come and go, but it is important to leave something behind," Bresser said.

In addition to training geologists and engineers in First Nations communities, Overland also wants to support efforts on the supply side, that is, helping to set up contracting services through joint ventures for catering, fuel supply and helicopter companies, he said.

### 2008 brought more discoveries

By September, the company had completed a second phase diamond drilling program, completing the last 70 of 134 holes, drilling a total of 23,425 meters. Results have been reported for 92 holes and analytical results are pending for a further 42 drill holes.

Overland said results of the drilling confirmed the quality of the project, but also revealed a new high-grade deposit in the Darcy Zone. The Darcy Zone is located about 600 meters southeast of the Andrew Zinc Deposit. One hole drilled in the mineralization, AN02-021 intersected 5.5 meters at 7.5 percent zinc.

In October, the company reported results of another six drill holes in the Darcy Zone. These included 43.9 meters grading 11.9 percent zinc from 139 meters; 28.3 meters grading 13.6 percent zinc from 85.7 meters; 14.6 meters grading 2.8 percent zinc from 24.8 meters; and 6 meters grading 6.3 percent zinc from 44.5 meters.

Overland said the high-grade thick and shallow nature of the mineralization at the Darcy Zone had given it confidence that a satellite mine might be established at the site to feed any processing facilities to be developed at the Andrew deposit. Also, mineralization at the Darcy Zone remains open at strike in both directions.

Drilling results this year also intersected two new prospects, Adrian and Darin, with the same soil anomaly that holds the Darcy Zone and the Andrew Zinc Deposit. These findings illustrate the project's considerable potential for additional expansion, Overland said.

Falling zinc prices, meanwhile, have failed to curb Overland's enthusiasm for the project, according to Yukon government geologist Mike Burke.

"Their outlook remains that there will be a significant shortfall of zinc starting around 2011-12 due to the closure of several existing mines (and other developments); so they remain bullish on the long-term outlook," Burke said. "Overland's principals believe they can keep moving the project forward and that the schedule they are on now will catch the next bull run in zinc. Their exploration was very successful both in increasing the size of the Andrew deposit and in the discovery of the Darcy zone, which gave a great intersection of something like 40 meters of 11 percent zinc."

Burke said the 2008 exploration program gave the junior enough data to move forward on producing a new NI 43-101-compliant resource.

Indeed, Overland said the 2008 drilling program overall significantly increased its understanding of and confidence in the Andrew Project and that it is well-positioned to advance the project feasibility and mine permitting.

"To this end, work has commenced to recalculate the resource base at the project together with generating a revised mining plan based on the upgraded resource estimate," the company added. ●

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• A L A S K A

# Usibelli anticipates cap-and-trade

Operator of Alaska's only coal mine expects new greenhouse gas standards; warns of unprecedented expansion of EPA authority

By SHANE LASLEY  
Mining News

Environmental stewardship is “old hat” for the Usibelli Coal Mine near Healy, Alaska, Bartly Coiley told attendees at the Alaska Miners Association 2008 Annual Convention in Anchorage Nov. 7.

The family-owned company began reclamation at the mine in 1970, several years before it was subject to the rigorous requirements of the Surface Mining Control and Reclamation Act of 1977.

Being the operator of a coal mine as well as owner of the Aurora Energy coal-fired power plant in Fairbanks, Usibelli has a keen interest in environmental regulations surrounding coal-fired power generation and greenhouse emissions, which is the key issue facing the industry.

## Cap-and-trade

Greenhouse gas emissions are expected to be regulated under a cap-and-trade program, said Coiley, who is environmental affairs manager for Usibelli Mine.

President-elect Barack Obama and the U.S. House Committee on Energy and Commerce both have cap-and-trade proposals on the table.

Coiley said Obama’s plan, aimed at reducing greenhouse gas emissions by 80 percent by 2050, would implement an economy-wide cap-and-trade program. In his plan all emissions credits would need to be purchased from the government. The money raised would, according to Obama, “go to investments in a clean energy future, habitat protections, rebates and other transition relief for families,” she said.

The president-elect also said his Department of Energy will enter into public-private partnerships to develop five first-of-a-kind commercial scale coal-fired plants with clean carbon capture and sequestration technology.

The House Energy and Commerce Committee proposal also targets reducing gas emissions up to 80 percent by 2050, and has many incentives and programs similar to Obama’s plan. One of the key differences of the two plans is the House proposal would allocate some of the carbon credits, while additional credits required would then need to be purchased.

Administration of the cap-and-trade program is another issue that concerns the industry. The Obama plan would fall under the authority of the U.S. Environmental Protection Agency, whereas Congress would regulate its own plan.

“The big question right now is: Will Congress regulate (the program) or will EPA? If it is EPA, (the program will give the agency) unprecedented expansion of its authority,” Coiley predicted. “How the carbon credits are allocated will have a magnified impact on Alaska’s economy across all



Installing tailgates on the haul trucks at Usibelli Coal Mine allowed larger loads of coal to be hauled for less fuel per load.

sectors, but particularly on natural resource development. Alaska’s recent past experience on EPA-driven cap-and-trade programs provides a lesson. You may want to look to more of a congressionally developed program.”

## Technology rises to the demand

Because of technological advances over the past 30 years, the U.S. has lowered emissions by 33 percent, while coal use, at the same time, has tripled, Coiley said.

Coal power generation is projected to continue growing. In the United States, another 154 gigawatts of coal-generated power is expected by 2030. This growth is eclipsed by the addition of 100 gigawatts-per-year anticipated growth of coal-produced electricity in China.

Coiley told the audience that for every challenge that presents itself, technology in

the United States develops a solution. Once new clean-coal technology is developed, it can be exported, creating economic opportunities for American businesses and providing environmental advantages to other countries.

## Usibelli continues proactive role

The company that initiated reclamation activities nearly seven years before it was required by government continues to be proactive when it comes to environmental policy.

One of Usibelli’s power-saving innovations is a load stabilizer system on the company’s huge electric-powered dragline. When the 33-cubic-yard bucket is lowered from its 325-foot boom, a generator produces electricity, which is stored and then reused. This conserves energy as well as protects the electrical grid from

surges during sudden increases in power demand by the giant machine.

To conserve energy, Usibelli also installed tailgates on its dump trucks. This allows the trucks, which are designed to carry heavier materials, to haul larger quantities of lighter coal. This translates into less fuel consumed per ton of coal hauled.

Coiley said the company is also installing a wind turbine to help provide the power needs of the mine.

Reclamation of the mine continues to be an important part of Usibelli’s operations. Since 1970, the mine has reclaimed more than 5,500 acres and planted more than 250,000 seedlings. Over a period of years, native Alaska vegetation invades the area, returning the mined land lying at the foothills of the Alaska Range to its natural appearance. ●



continued from page 13

## GAHCHO KUE

value at Gahcho Kue,” Evans said.

Mountain Province Diamonds is a (49 percent) joint venture partner with De Beers Canada Inc. (51 percent), which is also operator of the Gahcho Kue project. De Beers is working to develop Gahcho Kue as its third diamond mine in Canada with estimated first production in 2011.

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• ALASKA

# Niblack Project wins excellence award

Exploration team earns recognition for exceeding expectations of state regulators with complex, underground program in Southeast

By SHANE LASLEY  
Mining News

The Niblack Mining Project on Prince of Wales Island in Southeast Alaska and its developers have won the 2007-2008 Alaska Commissioner's Award of Project Excellence.

Dick Mylius, director of the Mining, Land and Water Division of the Alaska Department of Natural Resources, presented the award to Niblack's President and CEO Paddy Nicol and Vice President of Exploration Darwin Green at the Alaska Miners Association 2008 annual convention in early November. The honor recognized the recipients' outstanding achievements in conducting a complex advanced exploration program at the Niblack Project in Southeast Alaska.

## Young execs set out to do it right

Nicol and Green, both young executives running a newly formed junior exploration company, had their reputations to consider. Green said the Niblack team went the extra mile to ensure Niblack Mining performed exploration and development activities expected at the project.

Rick Fredericksen, Mining Section Chief of the Alaska Department of Natural Resources, noticed. "From the very beginning (the Niblack team) set out to try to do it right. From our perspective, they had the right attitude going in; they were very easy to work with, and it was very clear that they wanted to do the best possible job they could and not cut any corners," Fredericksen observed.

**"From the very beginning (the Niblack team) set out to try to do it right. From our perspective, they had the right attitude going in; they were very easy to work with, and it was very clear that they wanted to do the best possible job they could and not cut any corners."** —Rick Fredericksen, Mining Section Chief of the Alaska Department of Natural Resources

## Niblack permitting challenges

The Niblack project involved a number of significant challenges related to the permitting and conduct of a program involving underground development and drilling, complex waste segregation and handling, water management and disposal, marine dock construction, habitat protection, and community outreach. The award recipients were recognized for their diligence, perseverance, and determination to do it right.

Green said the nature of the underground exploration and the rock encountered at Niblack created a complex permitting process for the exploration project.

Handling of the rock removed while driving the main access tunnel at Niblack was one situation that set the project apart from standard above-ground exploration. Green said the company had a lab on site to test the rock as it was blasted. Characteristics of the rock removed while driving the tunnel, determined how it was handled.

Niblack Mining needed permits to not only explore the area but also to operate a self-contained floating crew camp on a barge just offshore at Prince of Wales Island. DNR acted as the lead agency for permits from various

federal and state agencies, including the Alaska Department of Environmental Conservation and the U.S. Army Corps of Engineers.

Niblack Mining's proposal to operate the temporary floating camp also underwent a consistency review with the Alaska Coastal Management Program.

The Vancouver, B.C.-based junior worked closely with the Alaska Department of Natural Resources to streamline the process for obtaining state and federal permits for the project.

Fredericksen told Mining News that Niblack Mining Co. and its leadership exceeded expectations in meeting the challenges presented in moving the project forward to the advanced exploration stage.

## Nicol and Green move on

Having merged recently with Niblack Mining, Committee Bay Resources Ltd. will advance the project toward development.

"The presentation of the Commissioner's Special Recognition Award to the Niblack Project attests to the quality of the asset and the significant amount of work completed to date with respect to the project's development," said Committee Bay CEO and President John Williamson. "Furthermore, this underpins Committee Bay's ongoing commitment to responsible environmental stewardship and sustainable development at Niblack."

Nicol and Green have both moved on since the merger with Committee Bay. Darwin Green recently joined Constantine Metal Resources Ltd. as vice president of exploration. Constantine is exploring the Palmer Project near Haines. Paddy Nicol continues to work closely with Abacus Mining & Exploration Corp. ●

• YUKON TERRITORY

# Cash Minerals study favors Yukon project

Junior releases favorable NI 43-101-compliant pre-feasibility study on 52.5 million-metric-ton Division Mountain coal resource

## MINING NEWS

Cash Minerals Ltd. Nov. 17 reported results of a recently completed NI 43-101 pre-feasibility study on the Division Mountain coal property, located in central Yukon Territory. The property contains an estimated measured mineral resource of 52.5 million metric tons of high-volatile bituminous "B" coal, including 26.4 million metric tons of proven mineral reserves.

The study was commissioned in July to re-evaluate previous economic studies of Division Mountain given improvements in export coal markets. Norwest Corp., an energy and mining engineering consultant, conducted the study. The updated study proposes that the reserves be developed to provide about 2.6 million metric tons per annum in coal production. More than 2 Mt/a of raw coal is projected to be mined and washed to produce a 14 percent ash product for the thermal export coal markets on the Pacific Rim. This results in a yield of 58.3 percent, resulting in an average of about 1.24 million metric tons of thermal coal per year over 10 years to be sold. In addition, it is proposed that about 240,000 t/a of run-of-mine coal would fuel a 50-megawatt "mine-mouth" generating station.

One alternative using previous assumptions of mine planning, took into account long-term price forecasts from a recent market study by the McCloskey Group. It assumes wash yields as predicted from the currently available washability test data and confirms economic reserves and overall project viability.

**"The pre-feasibility study on the Division Mountain coal project clearly demonstrates potential for the development of a mine to serve the export coal market, specifically the thermal coal export market, along with the domestic market."**

—Gregory Duras, president and CEO of Cash Minerals Ltd.

The updated study revealed that with only a moderate increase in yields, the project's economics can be significantly enhanced. By assuming a relatively small improvement in washability yields of 6.1 percent, an internal rate of return of more than 20 percent may be realized, with a net present value of \$50.4 million, using a discount rate of 5 percent.

The financial results demonstrate an economically robust project generating an average pre-tax cash flow of \$19.1 million per annum and about \$26.2 million with moderate improvements in the net yield, Cash Minerals said. The studies were based on a 10-year mine life.

Other assumptions included:

More cost-effective operations as a result of further detailed information and detailed mine planning;

Additional study on coal washability, which may lead to significant improvements in project economics;

Increase in production to meet increased industrial demand in the region; and

Further exploration with the goal of defining additional resources of PCI and/or metallurgical grade coal, which could lead to further export potential.

A payback period of less than six years is estimated for the initial capital expenditures of \$110 million under one alternative and a payback period of less than four years for another scenario with a similar capital expenditure requirement. Of the \$110 million required, \$48.5 million is required for mine development, infrastructure and facilities and \$61.3 million for mobile equipment. "The pre-feasibility study on the Division Mountain coal project clearly demonstrates potential for the development of a mine to serve the export coal market, specifically the thermal coal export market, along with the domestic market. This is an exciting prospect as the economics of this project are significantly enhanced while not dependent solely on the domestic market," said Greg Duras, president and CEO of Cash Minerals Ltd.

## Junior outlines plans for more analysis

Based on the pre-feasibility study, and previous work conducted on Division Mountain, Cash Minerals said it intends to plan a drill program to perform additional hydro-geological and geotechnical testing and analysis. This program also will be used to better delineate the existing deposit. New development will place additional demand on the Yukon's energy infrastructure. Coal energy supply options offer substantial opportunities to produce

power over the long term at a lower cost than diesel generation in the Yukon.

Cash Minerals said Division Mountain is suitably located and is well positioned with a large coal resource in close proximity to the existing electricity grid to be part of the future prosperity and growth of the Yukon through the generation of affordable, clean and reliable electricity from coal. The coal deposit is 90 kilometers, or 56 miles, north-northwest of Whitehorse and 290 kilometers, or 180 miles, from the Port of Skagway. It covers 776.4 hectares, or about 1,918 acres. Most of the area of detailed exploration at Division Mountain lies within five coal leases, which grants mining rights for a renewable 21-year term. The remaining area lies within an area covered by another 22 Territorial Coal Exploration Licenses held by Cash Minerals Ltd., which covers about 360,000 hectares, or 889,200 acres, of coal-bearing stratigraphy in the Division Mountain area. These licenses are held under renewable three-year terms. Exploration was last conducted on the Division Mountain property in 2005 and consisted of four diamond drill holes, which were designed to confirm geological data and to explore target areas outside the defined deposit. The exploration program successfully confirmed the results of earlier drilling and outlined new coal seams on the Corduroy Mountain property, which is located five kilometers east of the Division Mountain coal deposit. The Division Mountain resource estimate was updated based on this drilling in a separate study conducted by Norwest. ●

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The Red Dog mine in northwest Alaska.

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Email: lshaw@kinross.com • Web site: www.kinross.com

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E-mail: ariadna.peretz@novagold.net

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• A L A S K A

# Challenges and opportunities

*Pebble CEO is optimistic that extensive environmental studies and planning are the keys to unlock the project's potential*

By SHANE LASLEY  
Mining News

John Shively's longstanding commitment to bringing new opportunities to rural Alaska and his love of a challenge are two qualities that make him the ideal CEO of the Pebble Limited Partnership.

"If there is one thing that attracted me to this project – one reason why I walked up to this hornets' nest and beat it with a stick, against some of my friends' better judgment – is the opportunity here," Shively told an audience at the Resource Development Council for Alaska's 2008 annual conference Nov. 19.

## Overcoming the environmental challenge

Developing a mine that ensures the protection of the waters flowing away from the project is the first challenge the Pebble project must overcome.

The Pebble partnership has spent more than \$100 million on environmental and socioeconomic studies at the project, so far, to guide the development of a plan that will be submitted for government and public review.



JOHN SHIVELY

"When I took over the job as CEO I did not realize how much effort we were putting into the studies," Shively told the RDC crowd.

The environmental studies at Pebble include testing for more than 350,000 parameters in the nearly 9,000 samples collected by consultants studying the environment of the Pebble region. The Pebble CEO said the extensive environmental information collected will be a benefit that the Pebble project provides Alaska even if a mine is never developed.

## Challenging location

Pebble's location is the key factor in the primary challenges facing the project. Not only does the project sit at the headwaters of the world-class Bristol Bay salmon fishery, but the remote location and lack of infrastructure also make the economics of the project problematic.

The Pebble property currently can only be accessed by helicopter, and if the project is developed, an 82-mile road to the coast would need to be built, and the developers also would need to construct a deep water port to bring in supplies and ship out concentrated ore produced at the mine.

To get the ore to the port, the partnership plans to build two pipelines; one would carry the concentrate as a slurry to the port; water removed from the slurry would then be shipped back to the mine site via the second pipeline.

The most challenging piece of the infrastructure may

**"My one goal is to try and get us into a situation where we can present this project to the people of Alaska, where they can judge whether these are opportunities they want for the future of our state."** – John Shively, president and CEO of Pebble Limited Partnership

be supplying the mine's energy needs. It is estimated that a mine at Pebble would consume more than 600 megawatts of electricity, about the current usage of Anchorage, Alaska's largest city with a population of more than 250,000 people.

The current plan is to generate the power at a natural gas-fired plant near Nikiski on the Kenai Peninsula and transmit DC power to the project and convert it to AC power for use at the facility. The transmission line would be nearly 200 miles long, 50 miles of which would need to be buried beneath the waters of Cook Inlet.

While Cook Inlet is known for producing natural gas for power generation and residential use in Southcentral Alaska, Pebble engineers say they cannot count on the gas basins in the region to provide a reliable source of energy and will include the option to import liquefied natural gas for power generation in plans for the projects.

"We heard yesterday that Cook Inlet gas supply would probably not support the kind of use we are talking about. On the other hand, we could be the base-load for some of the other things that you hear about. In Southcentral, the bullet line, the spur line; Susitna's (natural gas) fields; the state recently let some leases for geothermal near Mount Spur. All of those are possibilities, but none of those are in a position right now to provide us (with) what we need for power. My guess is, our base case will be imported LNG. Which seems sort of weird to import natural gas into the State of Alaska, but right now that is the only option that we know actually could work," Shively explained.

## Affordable power

Providing inexpensive power to Southwest Alaska is one of the opportunities that Shively envisions the Pebble project could provide. The Pebble CEO told the audience that he would like to see the electrical lines provide power to communities as far as 150 miles beyond Pebble.

"If we are going to take inexpensive power to the mine, I believe we have to take it to the rest of the region. Not just the villages that are near the mine, but to Dillingham, Naknek, King Salmon (and) places like that."

Shively said providing affordable power to the people of the region would benefit the state's power cost equalization program, and the Pebble Partnership hopes the

state would help it with the transmission lines running to these outlying communities.

## Economic opportunities

"We have heard a lot in the press recently about people moving out of rural Alaska because of the high energy prices, this problem has been going on for some time as the costs have risen and the economic opportunities have not been there. For me, one of the big wins of this project could be providing economic opportunities so people can stay where they want to live."

Shively said it could take a work force of 4,000 people during the four years it will take to construct a mine at Pebble, and once completed, the mine could provide 1,000 jobs for 50 to 80 years. In addition to direct employment, businesses and residents in the Bristol Bay region are already benefiting through supply and service contracts for vehicle rentals, lodging, catering, construction, transportation and personnel services.

The partnership said it is working to identify and develop opportunities for local businesses related to mine development. Local business development will remain a priority in the years ahead. An important goal of the partnership is to ensure that some of the businesses survive beyond the life of the mine. This sustainable development model is the true promise of Pebble, according to Shively.

He said the economic benefits also would bolster local governments. He cited the North Slope Borough and the Northwest Arctic Boroughs as examples of regions which have been able to build structure for their governments due to the tax base provided by large development projects.

## Unlocking Pebble's opportunities

The Pebble Partnership is expecting legal challenges as the project moves toward development. The project timeline, presented at the RDC conference, anticipates the permitting process for Pebble beginning in late 2009 or early 2010 and taking about three years. Once permitting is complete, the partnership has allotted an undetermined amount of time for litigation before the four-year construction phase begins.

To unlock the opportunities that Pebble offers, Shively recognizes the copper-gold-molybdenum project in Southwest Alaska has many challenges to overcome; but he believes with the extensive environmental studies and baseline work completed at the project, the opportunities Pebble has to offer can be realized.

"If I didn't think the challenges at Pebble could be overcome, I would not have taken the job," he said. "My one goal is to try and get us into a situation where we can present this project to the people of Alaska, where they can judge whether these are opportunities they want for the future of our state." ●

continued from page 3

## RISKS

ple of years. That's a staggering amount, but that is the reality. We certainly experienced this firsthand at both Galore Creek and Rock Creek. The costs didn't double because we forgot a whole bunch of things or didn't designate things correctly or got the volumes wrong on the amount of materials moved. The increase is due mostly to inflation of materials and wages, and also delays related to litigation and permitting," he said.

All of these things also contributed to the recently announced shutdown at the Rock Creek gold mine near Nome.

## Litigation delays Rock Creek

NovaGold received permits needed to advance Rock Creek toward construction in August 2006. By the end of that year, the project's wetlands permit, issued by the U.S. Army Corps of Engineers was

challenged in court by a group called Bering Straits Citizens for Responsible Resource Development.

After a lengthy court battle that ended in a January 2008 ruling by the U.S. 9th Circuit Court of Appeals upholding NovaGold's permit, the Vancouver B.C. based-miner resumed construction after a delay of nearly 18 months.

This put the company in the position of trying to complete construction on the project in the brutal cold of Nome's Arctic winter. Not only was the junior forced into construction during a winter recording record snowfalls, but the company also had to complete construction during record high energy prices and missed out on the record high gold prices of 2007, he

said.

"Our timing on getting Rock Creek up and running has not been tremendous," Nieuwenhuyse reflected.

"Our society really needs to reassess our fixation on trying to create a zero-risk society. I don't really think it has worked out too well," he concluded.

—SHANE LASLEY



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# CONNECTION

EXPLORING THE ALASKA-WASHINGTON CONNECTION. 2008



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BONNIE YONKER

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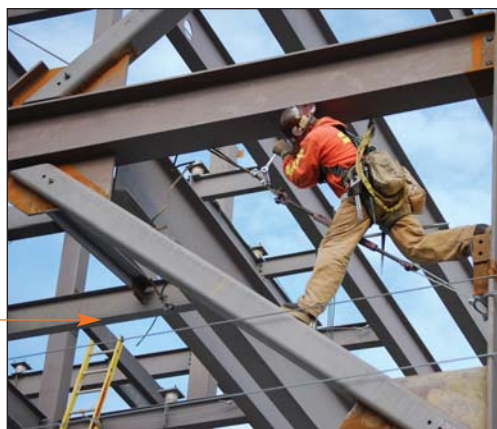


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**Do you have story ideas for next year's magazine? Contact editor Rose Ragsdale or marketing director Bonnie Yonker via email at [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com).**

# Alaska, Washington go back a long way

By Washington Governor Chris Gregoire



Gov. Chris Gregoire

Alaska and Washington have a long and fruitful relationship going back to the gold rush days of the 19th century. We are both known for our pioneer spirit and our natural beauty.

Indeed, the bountiful natural resources of our two states and our geographic locations are a key part of what makes our economies tick.

We are tied together by numerous industries — tourism, energy, seafood and our ports.

While Washington is proud of our international export markets, we recognize the volume of exports to Alaska is substantial. In fact, over the past decade, Washington's exports to Alaska have grown more than 50 percent.

We know that it is in the best interest of both of our states to ensure that we operate safe and efficient ports, waterways and crews, with 97 percent of Alaska's goods traveling through

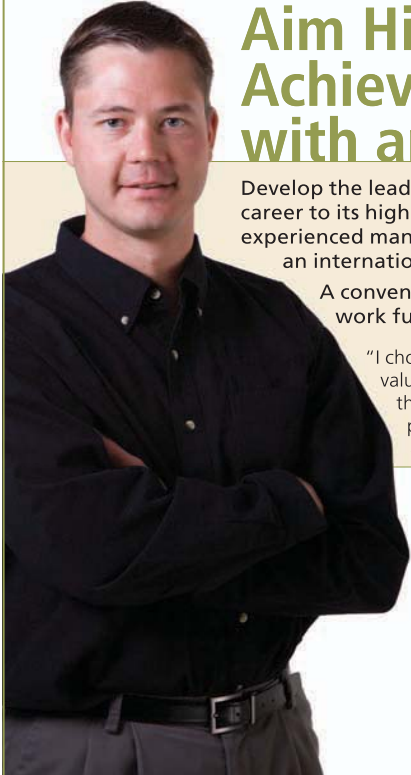
Washington ports.

Tourism is another strong tie that binds our two states. Cruises departing from Seattle and traveling to Alaska bring over \$200 million in revenue into Washington and treat more than a half a million visitors to the unique beauty of Alaska. In addition, Alaska Airlines, with dozens of direct flights between Seattle and Alaska cities every day, carries thousands of additional tourists between our two states.

Working together, we've seen both of our economies thrive. And I'm committed to maintaining Washington's strong relationship with Alaska. Just last year, I traveled to Alaska to discuss shared goals, and how we can work together to benefit both Washingtonians and Alaskans. I focused on tourism and fishing, shipping and the proposed Alaska natural gas pipeline because these issues bring common benefits to our two states.

We are connected by our people, our geography and our industries. It is important to keep building on these strong relationships.

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# The Alaska-Washington [Economic] Connection

By Alaska Governor Sarah Palin

In the great state of Alaska, we are preparing to celebrate our 50th anniversary of statehood and, though young in years, we have a long history of economic cooperation and partnership with Washington, our sister state.

Beginning in the 1890s with the Klondike Gold Rush, hopeful migrants launching from Washington and California and beyond, arrived to stake their claim in Alaska's gold fields; first in Skagway, and then into the Interior and over to Nome. As a result, Alaska's economic and cultural landscape was forever changed, and the Alaska-Washington connection continues to be an important economic bridge between our two states.

The construction of the oil pipeline in the 1970s brought droves of workers — many from Washington — to Alaska, this time to release our "black gold" from the earth. Many of these workers were employed during the construction stages and even after completion of the pipeline. Today, Alaska continues its partnership with Washington through the shipping and refining of Alaska's oil. Of the roughly 700,000 barrels of oil produced in Alaska every day, approximately 400,000 of those barrels are shipped out of Valdez to Washington where they are refined and distributed.

As the present relationship between our two states is based on a rich history of shared economic interests, our future is also filled with potential. With the passage of the Alaska Gasline Inducement Act by the Alaska Legislature last year, we are closer than ever to tapping into and sharing our natural gas resources with the rest of the nation. With modern science and technology, we know we can build and operate this gas pipeline safely and efficiently, and Alaskans are eager to move forward — both to ease the crippling cost of energy we experience in-state and to lessen America's dependence on foreign energy. As we move towards readiness to produce, we know we have a strong partner in Washington.

One of the strongest Alaska-Washington connections is tourism. The historic link between Seattle, Alaska, and the Yukon has been a major tourist attraction for years. When U.S. Customs and Border Protection was considering the reinterpretation of the Passenger Vessel Services Act, governors and congressional delegations from both states worked hard to limit the scope of the change so that it would not severely impact the cruise ship industry. In 2008 alone, 175 voyages and more than 403,000 cruise ship passengers to Alaska began their cruise in Seattle, an increase of at least 42 percent over the last four years.

Essentially, Washington has been a staging ground in Alaska's economic and resource development. The symbiotic relationship between our two states encompasses oil shipping, refining, and distribution; seafood harvesting

and sales; travel by air, land and sea; health care; timber; and tourism, just for starters. Our major airline provider, Alaska Airlines, is based in Seattle; roughly 65 percent of Alaska's daily oil supply is processed in Washington refineries; our seafood is served in the finest restaurants, and the Alaska Marine Highway System serves both states well, with 70 percent of Alaska-bound cargo passing through the Port of Tacoma and accounting for about 25 percent of the port's business.



Gov. Sarah Palin

Alaska's relationship with Washington is also a valuable asset for disaster preparedness and response capacity in defense of the health and well-being of both states' residents. Alaska's Departments of Health and Social Services and Military and Veterans Affairs have ongoing dialogue with their Washington counterparts to ensure mutual support during disasters. Alaska and Washington are signatories to The Pacific Northwest Emergency Management Agreement (PNEMA), which allows sharing of resources during times of emergency. PNEMA was recently updated to include specific provisions for mutual emergency medical support and was tested in real public health emergencies during 2007 and 2008 for infectious disease outbreaks on Alaska's North Slope.

As a resource-rich state, we Alaskans are conscious of how much both our states benefit from our current partnership. Looking into Alaska's future, we anticipate developing and distributing our natural gas resources, along with our nearly limitless opportunities for alternative and renewable energy; harvesting our delicious Alaska seafood for abundance; and welcoming ever-increasing numbers of visitors into our state. As we do so, we are committed to strengthening the vital relationship Alaska and Washington enjoy today.

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# Alaska trade offers enduring promise

*Washington companies and institutions excel in providing crucial support, services for 49th state's business community, economy*

**By Rose Ragsdale**

*For Alaska-Washington Connection*

**A**s Alaska gears up for the challenges of the next decade, institutions and businesses in Washington State stand ready to support the Last Frontier's business community in moving forward. Whether in transportation, tourism, fishing, mining, timber and services including the professional, financial, government, entertainment and oil and gas sectors, Alaska and Washington continue to enjoy a mutually supportive relationship that meets the needs of both states and then some.

This Alaska-Washington "connection" is both traditional and intuitive. It dates back more than 100 years to the days of the Alaska Gold Rush, and forges an economic link that brings Alaska and Washington together in increasingly diverse and lucrative ways.

In "The Alaska-Washington Connection — The Ties That Yet Bind," sponsored by Petroleum News, we examine the enduring economic relationship that exists between the two states and showcase some of the many businesses that sustain that connection.

From Adak to Tok and Barrow to Ketchikan, Washington businesses and

institutions play an important and evolving role in providing Alaska's economy with the critical infrastructure support it needs. In addition, a growing number of Alaska businesses are making a splash in the much bigger pond of the Puget Sound and the rest of the Lower 48.

Often overlooked by residents of both states, the Alaska-Washington Connection is multifaceted, interdependent and enormous.

Anchoring the southern end of the link are the Puget Sound's two ports, the Port of Seattle and the Port of Tacoma, and Seattle-Tacoma International Airport. These three entities are integral components of Alaska's transportation, logistics and distribution infrastructure though they are located hundreds of miles south of the closest Alaska community.

On the northern end, the Port of Anchorage and Ted Stevens-Anchorage International Airport, smaller Alaska ports, harbors, airports and the Alaska Highway do their part to ensure that the flow of trade goods and services from Washington State reaches markets in the nation's northernmost jurisdiction.

Businesses across industry classifications, from accounting to wholesale trade, from attorneys to transportation compa-

nies, grow and prosper by serving Alaska's growing needs.

More than ever, major industries in the 49th state, led by oil and gas, depend on the success of the Alaska-Washington Connection. Whether in adapting to the pressures of high energy prices while serving Alaska communities or in branching out to spur important Alaska sectors like tourism and fishing, Washington companies answer the call of Alaska consumers.

And as Alaska tackles important challenges such as developing an Alaska-Lower 48 natural gas pipeline, it is Washington businesses and infrastructure that play an important part in making it possible.

## Slow growth in economy

Alaska created goods and services in 2007 valued at \$44.5 billion, up slightly from the previous year, according to federal figures.

Pumping oil from Prudhoe Bay and other North Slope oil fields was the biggest activity, driving the size of Alaska's gross state product, according to the U.S. Bureau of Economic Analysis.

The value of the state's oil, natural gas and mining output comprises 31 percent, or \$13.8 billion, of the Alaska's \$44.5 billion the bureau said.

## USTRavel sells services from Alaska to Lower 48

USTRavel says the travel industry presents many challenges, often somewhat bizarre, that have to be managed to a successful conclusion.

The key to the success of the Anchorage-based travel assistance company in this unusual environment is the expertise and knowledge of its travel team, coupled with state-of-the-art technologies and a proactive approach towards client and supplier relationships, the company said.

USTRavel began business as Century Travel in 1947, and over the decades changed its name to USTRavel as it is known today. The company was acquired in 1997 by current owner, Mark Eliason, and has grown to establish regional headquarters in Seattle and Des Moines, Iowa.

For more than 60 years, the firm has focused on delivering service excellence that sets it apart in the travel industry.

USTRavel officials said the best business advice that they have ever received is to always expect the unexpected; particularly in Alaska, where the lack of road infrastructure; the unique terrain, and harsh climate challenge their travel team on a daily basis.

"This is what makes USTRavel truly unique," they said.

USTRavel cites a humorous incident to illustrate its capabilities.

The travel agency was asked to ship a whale from London, England, to Riyadh, Saudi Arabia, but the travel agent initially thought it was a joke. Once the customer made it clear that it was actually a serious request, USTRavel packed the whale in ice and had it flown, accompanied by a veterinarian, safely to its destination.

Said USTRavel: "All ended well, but shipping livestock is so much more complicated than passenger travel!"

—Alaska-Washington Connection



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Seattle-Tacoma International Airport is opening a third runway in November in a location not plagued by fog. The addition should dramatically improve on-time arrivals at the single-most important gateway by air to Alaska. Sea-Tac is also building a light rail system to downtown Seattle that should be completed by late 2009. Passenger trains will make the 33-minute trip every 6-10 minutes.

Among other major contributors:

- Government - 17.5 percent, or \$7.8 billion.
- Transportation - 9.5 percent, or \$4.3 billion.
- Real estate - 7.3 percent, or \$3.3 billion.
- Health care and social assistance - 5.2 percent, or \$2.3 billion.
- Retail - 4.4 percent, or \$1.9 billion.
- Construction - 3.7 percent, or \$1.7 billion.

### Ports anchor the connection

Puget Sound port officials say they cannot overestimate the importance of Alaska to their success, and in that the ports are important economic engines in the Seattle area, to the success of the entire region.

The Port of Seattle was established in 1911, but the Alaska-Yukon Gold Rush of 1897 had much to do with establishing Seattle's harbor and gateway city. In 1911, the Port of Seattle took control of waterfront properties away from the railroads, to manage in the public interest and create jobs. In 1914, Fishermen's Terminal became the Port's first facility, creating a home for the North Pacific fishing fleet.

Today, the Port of Seattle directly or indirectly supports more than 200,000 jobs in the Puget Sound region and generates more than \$12 billion in business revenue and \$626 million in state and local taxes annually.

As seaport that supports a thriving cruise industry, commercial and recreational marinas, and three container terminals, the Port of Seattle handled 1.97 million 20-foot-equivalent container units (TEUs) in 2007.

Port of Seattle facilities also include the Seattle-Tacoma International Airport, which served 31 million passengers in 2007 and is the single-most important air gateway to Alaska.

The Port of Tacoma, meanwhile, ranked Alaska No. 3 after China and Japan on its 2007 list of top 20 trading partners, even though, the state cannot technically be considered a trading partner. Port officials say the state's \$3.5 billion in annual two-way trade deserves a place in the ranking because of the importance

of trade with Alaska to the Port of Tacoma's continued well being.

A major maritime gateway to Asia and Alaska, the Port of Tacoma handles more than \$36.33 billion in annual trade and nearly 2 million TEUs in 2007.

The port is also a major center for bulk, break-bulk and heavy-lift cargoes, as well as automobiles and medium-duty trucks.

Directly or indirectly, the port supports more than 156,000 jobs in the Puget Sound region that generate \$637 million in annual wages in Pierce County and \$90 million in state and local taxes.

#### Links in the chain

Companies that facilitate the Alaska-Washington trade have grown and prospered with Alaska over the years. Some, like NC Machinery Inc., can trace their roots from more than a century ago to before the Alaska-Yukon Gold Rush, while others, such as Alaska Traffic Company, can boast of comparatively recent origins, dating back 50, 60 or 70 years. With origins going back as far as 1776, NC Machinery has changed over the centuries with Alaska to become a leading Caterpillar dealership. Alaska Traffic, recently acquired by Seattle-based United Warehouse Co., provides freight forwarding and consolidation for Alaska customers.

A good example of companies that have prospered in the Alaska-Washington trade is the Lynden family of companies.

Today, Lynden's service area has grown to include Alaska, Washington, Western Canada, with additional connections throughout the United States and internationally, via land, sea and air. Lynden companies specialize in solving transportation problems for their customers and, in the process, built a reputation for serving diverse industries including oil and gas, mining, construction, retail and manufacturing.

Over land, on the water, in the air — or in any combination — Lynden has helped its customers for nearly a century.

#### Lynden continues to improve

Lynden's companies also continue to innovate to improve services.

Alaska Railbelt Marine, for example, won recognition this year from Argus Media.

The organization presented its 10th annual Win-Win award to the company and the

Alaska Railroad to recognize how the railroad and the barge company preserved and revived freight deliveries to Whittier

for several customers.

The Alaska Railroad has offered rail-barge service between Whittier and the

Lower 48 since 1962, bolstered by development of the Trans Alaska Pipeline System in the 1970s.

By the 1990s, a changing marketplace and maturing oil industry worked to reduce demand for freight traffic, while growing steamship service offered another competitive option for customers. The railroad considered terminating its barge service.

Barge shipment, however, offered one of the most economical ways to transport railroad rolling stock to Alaska, so the short line tried to preserve the service. The carrier focused on building up freight shipments of commodities that made the most economic sense to move by rail.

The railroad teamed with Lynden's Alaska Railbelt Marine to redevelop the rail-barge business. The two companies designed and constructed three new barges to handle the rail traffic it hoped to move back onto the water. Each barge, which has eight separate rail tracks, can hold up to 50 railcars.

The new barges allowed the railroad and Alaska Railbelt Marine to offer regular service out of Seattle. Barges now leave the city every Wednesday, offering consistency in a formerly haphazard schedule, officials say. That consistency, combined with newer barges, also helped reduce transit turn times from roughly 20 days to 17 days. The barge company's ability to use Whittier, rather than Anchorage, as its northern terminus also saves two days sailing time and cuts fuel costs.

As business has grown, Alaska Railbelt Marine has expanded the service by adding overhead racks designed to hold containers above the railcars, increasing the company's overall transport capacity.

To accommodate

a widening range of customers who depend on consistent service,


Alaska Railbelt Marine recently launched a fourth barge to be available for backup during dry docking and periods of heavy traffic.

In addition to Alaska Railbelt Marine, Lynden's family of companies includes Bering Marine Corp., Alaska Marine Lines, Lynden Air Cargo, Alaska Marine Trucking, Alaska West Express Inc. and Alaska West Training Center.

The combined capabilities of the Lynden companies run the gamut from truckload and smaller-load transportation to inter-modal bulk chemical hauls and from scheduled and chartered air freighters to international ocean and air forwarding. Other services include remote site construction and sanitary bulk commodities hauling.

Lynden also offers customers sophisticated technologies, such as ecommerce services to capture data and translate it into information that helps with every aspect of freight and logistics.

Such diversity and innovation is indicative of most companies that succeed in making the Alaska-Washington Connection. ♦



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# Renewable energy fuels AP&T in Alaska

*Washington-based company carves niche as electricity, telecommunications services provider in Southeast and Interior communities*

**By Rose Ragsdale**  
For Alaska-Washington Connection

**N**o company better exemplifies the dynamic business connection between Alaska and Washington than Alaska Power & Telephone.

The Port Townsend, Wash.-based energy and communications utility company provides reliable and affordable power and telecommunications ser-

vices to more than 33 remote Alaska communities from Metlakatla to Bettles.

In seasonally harsh and challenging environments throughout eastern Alaska,

AP&T has forged an aggressive approach to service delivery marked by employee dedication and a flair for cutting-edge innovation.

Bringing cleaner power and modern digital, fiber and wireless communications to remote and rugged areas is a challenge to which AP&T's 115 Alaska employees routinely rise.

#### More than a utility

But the 51-year-old company is more than an operator of small-town utility systems in rural Alaska. During the



COURTESY OF ALASKA POWER & TELEPHONE

An Alaska Power & Telephone lineman points while on the job. AP&T, an electricity and telecommunications utility that is owned by its employees, serves numerous small communities in Southeast and Interior Alaska.

past 13 years AP&T has updated, linked and modernized a widely scattered infrastructure, emerging as a technology leader recognized nationwide. Not only does this utility deliver its services with great reliability, it does so with ever-increasing efficiency and environmental awareness.

"We've been able to shift over 70 percent of our power generation from a carbon-based footprint in the past 13 years to renewable energy sources, and we're continuing to pursue more opportunities for renewable energy," said AP&T's President and CEO Robert Grimm.

The strategy has propelled AP&T to the frontlines in the struggle to employ new types of hydroelectricity facilities and leading-edge alternative energy research. At a time when Alaska's congressional delegation is calling for increased investment by the private sector in development of renewable energy resources, AP&T is well ahead

of the curve.

"We (Alaskans) literally have more (energy) potential than all the rest of the country put together," Sen. Ted Stevens, R-Alaska, told reporters recently. "We have enormous amounts of each form of potential energy."

The folks at AP&T figured this out in 1995 when they built the 4.5-megawatt Black Bear Lake Hydro Project on Prince of Wales Island 15 miles northeast of Klawock. This plant was lauded in 2006 by the Low Impact Hydropower Institute when it became the first hydro project in Alaska to earn the institute's coveted certification. The Goat Lake hydro project seven miles north of Skagway became the second such facility in the state to be certified by the institute in 2007. The projects also ranked 22nd and 26th, respectively, nationwide in earning the designations. Certification addressed issues such as river flow, water quality, fish passage, watershed

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health, endangered species protection and recreational use and access.

**Improving hydropower services**

Company initiatives include at least seven hydropower projects and eight more such projects are still in planning stages. One of AP&T's newest ventures is an in-stream hydrokinetic river turbine project currently under construction for placement in the Yukon River near Eagle. The Denali Commission is assisting AP&T with a grant of \$1.6 million for the project.

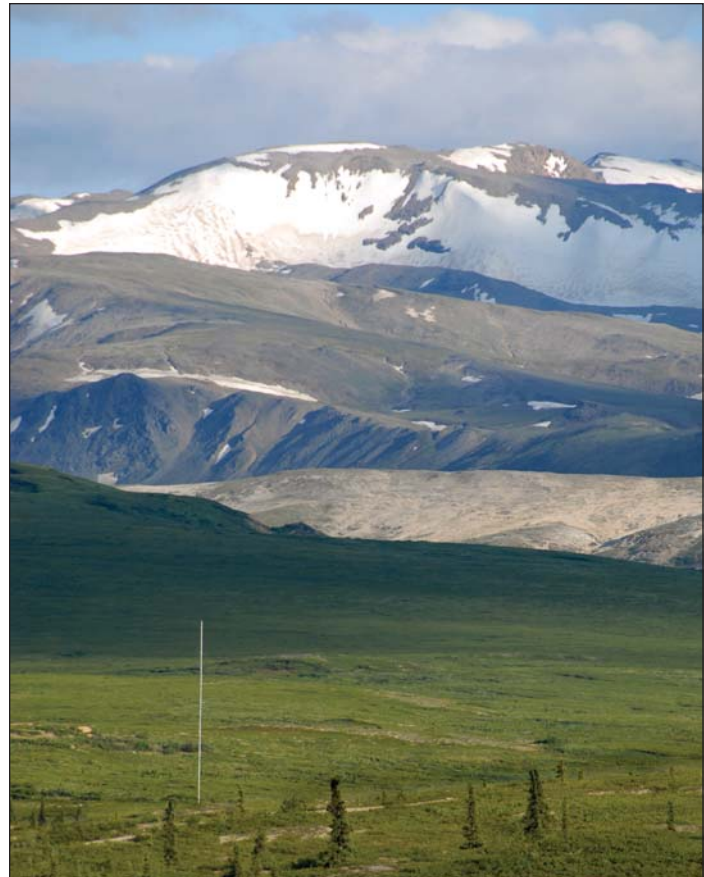
Though the river turbine can only operate during the long Alaska summer when the Yukon is ice free, it will help stabilize long-term power costs for customers in Eagle and the nearby Native village of Eagle River, Grimm said.

Recent power costs for many rural Alaska customers dependent upon electricity generated with conventional carbon-based fuels have exceeded 50 cents per kilowatt-hour, about five times the 9-12 cents/KWh that consumers in urban areas such as Anchorage and Seattle pay, he said.

"That's why development of sustainable clean technologies coupled with Alaska's power cost equalization program is so important," he said. The PCE program currently provides a state-funded subsidy to help offset the high cost of rural electricity in Alaska.

The Denali Commission also granted \$900,000 to help AP&T complete construction of its Kasidaya Creek Hydro Project, which will generate about 12 million kilowatt-hours, or 12 gigawatt-hours, annually — enough electricity to power 1,100 Alaska homes for a full year.

The Kasidaya Project should be completed by year's end, making it the company's seventh hydro project, Grimm said.



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Alaska Power & Telephone studied generation of wind power with two test towers in Delta for two years.



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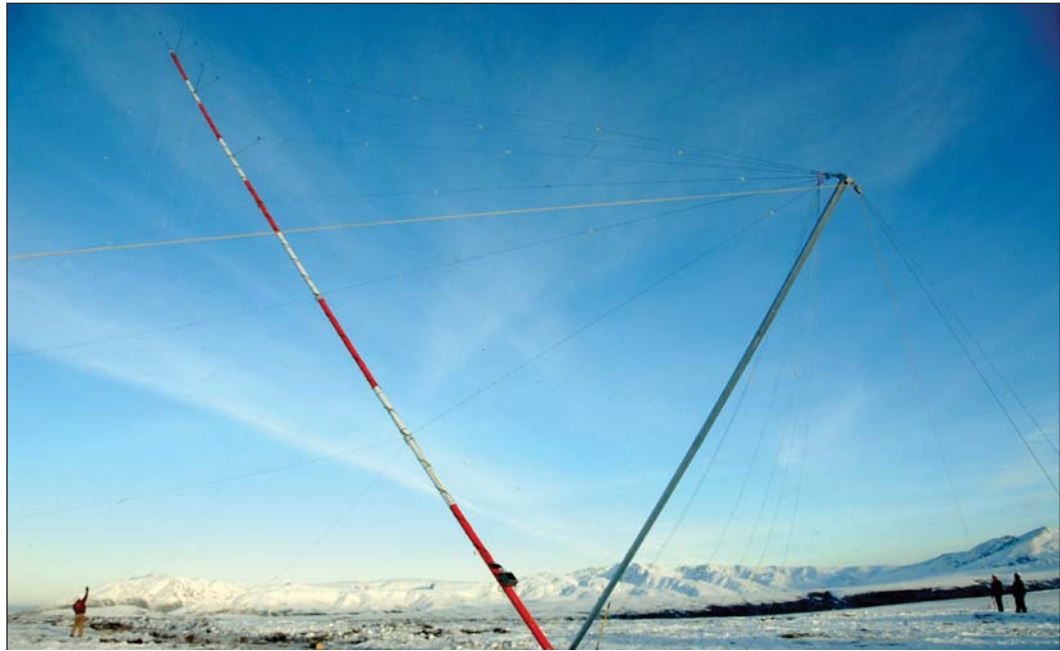


One of the most significant benefits of this project is that AP&T will be able to “bank” or reserve water at AP&T’s nearby Goat Lake Hydro facility. AP&T holds regulatory permits that allow the company to use alpine lakes for hydro production until the water in those lakes decreases to specific levels.

With this banking strategy, the utility can hold in reserve more water in lakes that are likely to freeze over during cold weather, and release it in a more measured fashion.

“Without banked water, we are forced to use diesel-based energy until the weather warms enough to refill lake levels so hydro production can resume,” AP&T said in its 2007 annual report.

The utility is maximizing the benefits of hydroelectric projects by selling renewable energy credits associated with its Goat Lake and South Fork hydropower projects. The South Fork project also quali-



COURTESY OF ALASKA POWER & TELEPHONE

Alaska Power & Telephone has identified seven promising Interior sites, including Delta where it has collected data for use in developing wind power generation sites using the alternative energy technology.

fied to receive a production tax credit for renewable energy for each kilowatt-hour for 10 years.

AP&T also recently embarked on arguably its most ambitious hydropower generation project yet. The

company notified the Federal Energy Regulatory Commission in March of a plan to partner with others to build a 75-megawatt hydroelectric project in the Soule River and on 1,112-acres of U.S. Forest Service land about 10 miles southeast of Hyder. Designed to be a peaking facility, it would generate up to 270 GWh per year, more than 20 times the size of AP&T’s next-largest hydro project to date.

But unlike its other hydro projects, AP&T is designing the Soule River project with the potential to provide electricity via transport through British Columbia to West Coast energy markets.

It would not be the first time that AP&T has ventured outside the United States to serve customers. The utility also invested in the 12-MW Pasabien hydroelectric project in Guatemala, a venture in which it owns a 25 percent interest through HydroWest.

#### Other power sources on horizon

In addition to hydro power, AP&T has been studying generation of wind power with two test towers in Delta

for two years. Working in partnership with Anchorage-based Lapp Resources Inc., the company has identified seven promising Interior sites, including Delta where it has collected wind data.

AP&T is now courting venture capital funds for prospective investment in a wind farm project at Delta, Grimm said.

In addition to investigating the possibility of adding facilities that generate sustainable hydroelectric power at Yerrick Creek in Tok, AP&T also partnered with Caterpillar Inc. through NC Machinery Inc. in a pilot program designed to minimize diesel generation emissions and maximize fuel efficiency at its Tok power plant. The latest developmental version of the Cat C175 generator was installed at the Tok plant in 2007.

The utility also has looked at considering other alternative energy sources, including solar power as the technology continues to mature.

Grimm said AP&T’s manager of the Eagle power plant has added solar panels on his own home to augment his personal power supply and the Village of Eagle River



Alaska Analytical Laboratory is an environmental lab performing the following services: soil analyses for Gasoline Range Organics (GRO), BTEX (Benzene, Toluene, Ethylbenzene, and Xylene); Diesel Range Organics (DRO) and Residual Range Organics (RRO) following the SW-846 EPA/Alaska Methods.

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COURTESY OF ALASKA POWER & TELEPHONE

One of Alaska Power & Telephone's newest ventures involves building an in-stream hydrokinetic river turbine like this one to place in the Yukon River near Eagle. The unconventional hydropower project is expected to substantially reduce electricity rates for the Interior Alaska community.

recently built a community center equipped with a tracking array of solar panels. So, a solar power project, while not at the top of the utility's current project list, is not off the table if it is found to be economically feasible.

**Bottom-line benefits**

AP&T's success in improving its energy profile is also paying off with bottom-line benefits.

After emerging from a year-long reorganization in 2003, the utility reported profits for a fifth consecutive year in 2007, though income fell 15 percent due to high energy costs to \$3 million from \$3.56 million a year earlier. Revenue, however, climbed 3.1 percent to \$37.6 million, though costs jumped 7 percent to \$29.52 million.

AP&T's electric power operations generated \$17.5

million in revenue in 2007, up 2.3 percent for the previous year mainly due to a 2.7 percent increase in kilowatt-hour sales. Crediting its transformation from a fossil fuel-dependent company to one that relies on renewable energy, AP&T said it produced more than 53 million kilowatt-hours of hydroelectric power in 2007.

"Based on the year-end cost of diesel (\$2.50 per gallon), it would have cost nearly \$5.8 million more to generate the same amount of power had we not embraced renewable energy technologies," the company said in its 2007 annual report.

But Grimm points out that AP&T is "not just a power company."

"It is a rarity in industry to be both a power and telephone utility," he said.

"Employee ownership has created an internal culture that is not only highly attuned to the day-to-day operation, but one

that is much more nimble in its ability to capitalize on emerging opportunities and technology than some of our competitors."

**New microwave network nears completion**

The utility company posted \$14.3 million for telecommunications revenue in 2007, up slightly from 2006 results, minus a one-time payment of \$300,000 in intrastate access revenues from the Alaska Exchange Carriers Association.

AP&T said its telecommunications operating expenses jumped 5.8 percent in 2007 to \$12.5 million due mainly to costs association with interconnecting telephone exchanges and depreciating facilities.

In 1989, AP&T's telephone operations completed conversion from analog to digital equipment. The company also added cellular phone service in 1997 with the purchase of



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the assets of Communications Unlimited and rolled out Wi-Fi in 2005, a service especially popular with summer visitors to tourism-oriented communities in Southeast Alaska.

AP&T is anticipating Anchorage-based GCI Inc. entering the Wrangell and Petersburg markets with competing voice services in 2009.

AP&T, meanwhile, is closing in on completion of its new Southeast Alaska Microwave Network, an ambitious project to connect Southeast Alaska communities from Skagway to Metlakatla with a modern telecommunications link. The southernmost portion of the network, from Ketchikan to Wrangell, came on line last year.

The remaining mountain-top microwave radio installations in the network are expected to be completed this fall.

Michael Garrett, executive vice president and chief operating officer of AP&T's tele-

com division, said the new network will help to alleviate increasing congestion on the 30-year-old AT&T fiber optic line on which it currently purchases bandwidth for the use of its customers. It also will enable AP&T to create a new revenue stream through the sale of bandwidth to other companies and provide the opportunity to market broadband services outside its traditional service areas.

"The \$10 million Southeast Alaska Terrestrial Microwave Project will give us our own internal bandwidth infrastructure, reduce our transmission costs and give us the ability to provide a better quality Internet experience to our customers," he said.

#### **Attracting and retaining workers offers challenge**

Grimm said one of AP&T's biggest recent challenges has been attracting and retaining high-quality personnel in Alaska.

"When you serve a lot of remote communities, you'll find an ample number of fellows with the technical skills looking for their next great life adventure to come work for you. And they really like it.

"But conversely you'll also find that their wives may not always share their enthusiasm. After a couple of years of no Wal-Mart or McDonald's, they are ready to leave," he

observed.

AP&T is addressing this problem in several ways, including offering a competitive wage and benefit package. "In today's volatile economy you have to balance what you'd like, with what you can afford to have," Grimm said. "We believe our employee ownership has allowed us to achieve our goals in that regard." ♦

### **AP&T touts history of entrepreneurship**

The story of how AP&T acquired its unusual business model actually began two years before Alaska statehood in 1957. Last year, the company celebrated its 50th anniversary.

AP&T got its start when Arthur Garrett sold out his utility interests in the Pacific Northwest and seeing opportunity in the Last Frontier, joined Marguerite Garrett and Hector Munn in founding the company in 1957 with the purchase of the power generation and telephone systems in Skagway.

At first, the fledgling utility focused on improving services, installing new power switchgear and a new telephone switch in 1958.

But soon, its attention broadened, and it built a power generation system in Tok in 1960 and acquired power and telephone systems in Craig in 1962. Once operations were established up north, Garrett, who held dual citizenship in the United States and New Zealand, moved back to Port Townsend, Wash. and determined it was from there that he would administer the operation.

Expansion continued through the 1960s, 1970s and 1980s as the company either purchased or built power and/or telephone systems or expanded service, bringing into the fold the communities of Hydaburg, Dot Lake, Craig, Tetlin, Klawock, Hollis, Dry Creek, Naukati, Whale Pass, Meyers Chuck, Mentasta Lake, Coffman Cove, Northway, South Thorne Bay, Hyder, Kasaan, Ketchikan, Edna Bay, Sitka, Wrangell, Petersburg, Juneau, Haines, Healy Lake, Alcan Border Station, Northway, Northway Village, Chisana, Slana, Chistochina, Tanacross, Evansville, Jim River Camp, Alatna and Allakaket as well as Skagway, Bettles, and Metlakatla.

From time to time, the company has been criticized for its corporate site being in Washington, Grimm said. But AP&T's relationships that tie its Alaska communities to Washington State have continued to grow.

The work of a core staff of 29 in the Puget Sound region enhances that growth with such benefits as more efficient purchasing and shipping of goods from the region's nearby commercial transportation hub at the Port of Tacoma.

AP&T's ties also extend to ocean shippers Alaska Marine Lines and Boyer Alaska Barge Lines and to air freight specialist Alaska Airlines.

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# Tug service holds steady in rough waters

*Family owned Western Towboat celebrates 60th year "doing the job whatever it takes" for clients in growing Alaska-Washington trade*

**By Susan Braund**  
For the Alaska-Washington Connection

**T**he victories and vagaries of towboat culture can get into your blood, if the close-knit Western Towboat Co. clan is any indicator. With the purchase of one tug, the ND TOBEY, for \$2,200 in 1948, Bob Shrewsbury launched the family-run company that now operates tugs and barges from Puget Sound to the Aleutian Islands, and throughout Southeast and Arctic Alaska along with the Hawaiian Islands and Panama Canal.

According to the company's founder, his fascination with tugs started at age 6 in Seattle. His family lived on Magnolia Bluff near piers 40 and 41, where a towboat company based its operations.

"As a young boy I just kept looking and gazing at the tugs; then as I got older, I started hanging around and got to know the guys, and it all just grew from



Western Towboat Company founder Bob Shrewsbury Sr. pauses on the deck of the *Flyer* during the late 1950s.

COURTESY OF WESTERN TOWBOAT

there."

At 16, he made a trip to Alaska on the *Richard Holyoke*, hauling a load of butter to Skagway, then backhauling spruce from Ketchikan, destined for the Hughes aircraft factory. At the time, wood frames were used for military training planes. After that trip, Shrewsbury was hooked.

His enthusiasm for the business rubbed off on his two sons, Bob and Ric,

on yearly tug trips to Alaska. Sixty years later, the sons run the business, having taken charge in 1981. They were eventually joined by Bob's sons, Russ and Ross, and two of Ric's three daughters, Lauren and Rachel. Ric's other daughter, Kristen, followed her own siren call into publishing. Rounding out the office ambience are family dogs, Roxie, Roo, Butch and Bailey.

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The Pacific Titan, one of Western Towboat's custom workhorse Titan series.

Bob Shrewsbury Sr. - still known to his buddies as Captain Bob — bikes to the office every day, just to check in when he's not enjoying the sun in Arizona.

"Well, we're moving into

the third generation and it looks like they seem to be taking to it . . . guess they had no real choice!"

Western's overall effort is to get things done by providing improved performance,

minimizing breakdowns and keeping maintenance costs low.

"Now, at our 60-year anniversary, we

provide customers with one of the most modern, custom-built and -designed tug and barge fleets on the West Coast, providing competitive professional, ocean and harbor

towing services," said the younger Bob, "We are selective about our customers; it's a complementary relationship. We value them, and they know we bring them quality and efficiencies."

#### **A culture of pride and polish**

In the early days Bob Sr. was business agent, captain and engineer; his sons have

inherited this ability to change hats as needed, reinforcing the company motto, "doing the job . . . whatever it

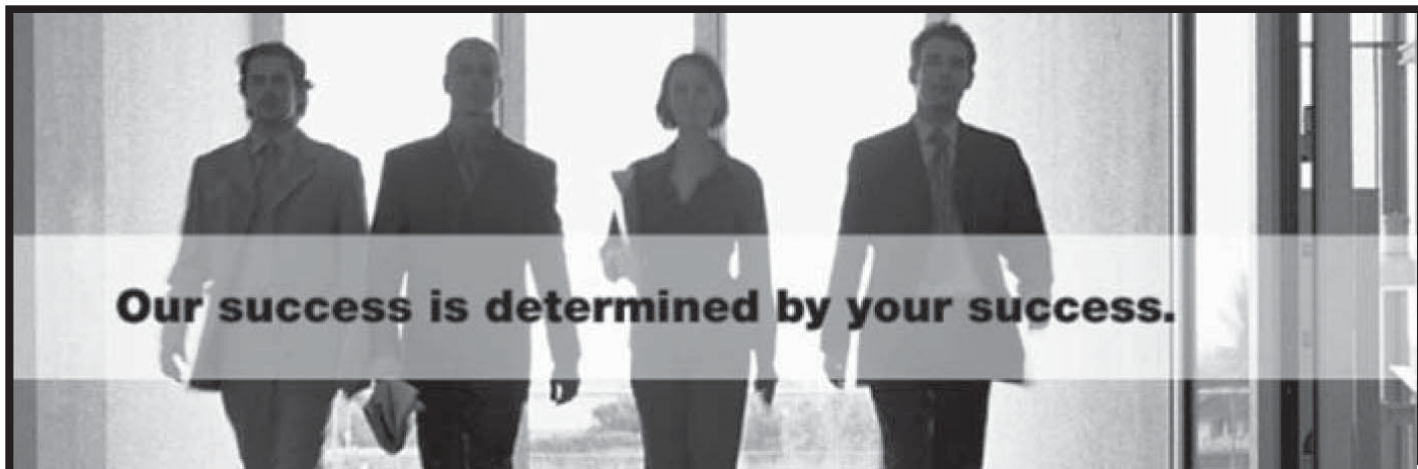
*In the early days the elder Shrewsbury was business agent, captain and engineer; his sons have inherited this ability to change hats as needed, reinforcing the company motto, "doing the job . . . whatever it takes."*

takes." Known as a hands-on man, Bob Sr. passed his work ethic and sense of pride on to his sons, and it pervades the organization today, whether at the company helm or on

board the tugs.

Western's tugs are maintained more like yachts than workboats. The easily recognizable blue, yellow and white vessels are a clear reflection of company pride.

"There's a friendly competition between crews for best boat," said the senior Shrewsbury. "They are so well maintained that the aluminum floors and all the stainless



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steel are shiny with pride, right down to eat-off-the-deck clean galley floors!”

Equal care is taken on the construction side of the business. Each vessel built at Western Towboat specifically meets each client’s requirements. “We build it all ourselves. In 1982 we decided we had to do better than buy old boats. That’s part of what makes us unique;” said Bob, “we build for the job with input from the customer.”

“We are persnickety about our equipment,” echoed Ric Shrewsbury, “and our craftsmen produce some of the finest boats available.”

**The Mighty Titans**

The phrase, ‘in it for the long haul,’ describes not only the family business, both also its latest construction projects, Titan Class vessels. The most recent, fifth version, the 120- foot, 5,000 horsepower Titan Alaska, is powered by a CAT 3516 engine. Titans are heavy-duty workboats known for their stability, durability, seaworthiness and performance. Specially designed for long-haul ocean towing, this boat will transport Alaska Railroad railcar freight from Alaska Railbelt Marine terminals in Seattle to Whittier. The latest Caterpillar marine diesel engines will provide a powerful towboat, while achieving the highest fuel efficiencies. Interior amenities include 13 berths, a fully equipped galley, and custom varnished woodwork. “The fifth edition boat is the result of over 25 years of construction expertise at Western Towboat,” the owners said. “We design and build our boats to work in Alaska and have the right efficiencies. Titans are the finest tugboats anywhere for the crews that operate them and the crews that maintain them.”

“Conventional tugs can’t put barges into dock in the strong Alaska winds; these new tractor tugs can handle the weather and other Alaska challenges,” said the elder Shrewsbury. “At times you can face 100-foot swells in the Gulf of Alaska, loaded

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#### Core services tied to Alaska

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Along the way, the company acquired Southeast Barge Lines. “We supplied everything from toilet paper to new cars to Southeast and the Alaska rail,” said Ric Shrewsbury. “Then in 1979 we sold the freight side of the business to Lynden Transportation. Now, in a partnership arrangement with Lynden’s marine transport company, Alaska Marine Lines, Western Towboat provides reliable, regu-

larly scheduled, weekly service between Seattle and Whittier.

*The Alaska connection means everything to us. We have some work in Washington and even some exotic locations, but our future is tied to Alaska. —Bob Shrewsbury Jr.*

Red Dog Mine in the Arctic several times a year . . . we can hardly build fast enough to keep up!” he said.

“The partner-shiping arrangement

Bob Sr. likes the progress. “Now, teamed with Lynden Transport, we have a lot of work in Alaska. Between bi-weekly runs to Southeast Alaska and servicing

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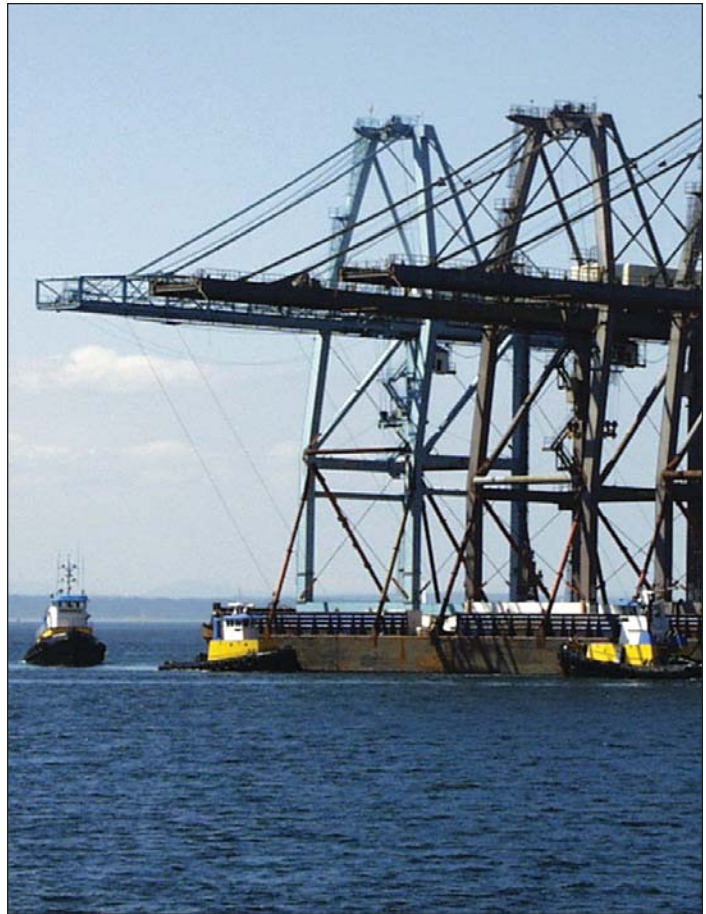
with Lynden's marine side has been great; their growth has made us grow," said the younger Shrewsbury. "It has changed our lives. The Alaska connection means everything to us. We have some work in Washington and even some exotic locations, but our future is tied to Alaska."

**Focus on specialized skills and safety**

The company's biggest challenge is finding and/or training employees. Running tugs requires a specialized skill set. "It's hard to get people, even with the good pay. A high level of skill is involved and these guys have to love what they are doing," said Bob Sr. "There's 650 miles of shoreline to know from Seattle to Ketchikan, then 1,400 miles more from Juneau to Skagway, and the operators have to know every inch! In some instances, they need to know 5,000-10,000 miles of shoreline."

The owners agree: "You can't just hire for what we do," observed Bob Jr., "we have to find and train. Often we take good deck hands and bring them up through the business so they understand that customer service is something that we live."

Said Ric Shrewsbury: "We absolutely need the best people and equipment to do what it takes to get job done. And we're big on safety. We all want to get to go home at night, so we make sure everyone else does, too." ♦



COURTESY OF WESTERN TOWBOAT

Container cranes arrive in Seattle from Los Angeles

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# Expansion will aid shipping to Alaska

*Washington businesses look forward to improvements at Port of Anchorage; infrastructure project aims to stimulate economic growth*

**By Rose Ragsdale**  
For Alaska-Washington Connection

**T**he multiyear expansion under way at the Port of Anchorage promises new opportunities for transportation companies involved in the Alaska-Washington trade.

But perhaps more importantly, the port's concerted program of infrastructure improvements could open the way for dramatic acceleration of growth in Alaska's economy, especially in increased U.S.-Asia economic integration and further develop-



COURTESY OF THE PORT OF ANCHORAGE

Part of the terminal improvements at the Port of Anchorage is development of a secured cruise ship terminal to accommodate passengers and baggage from smaller cruise vessels.

ment of Alaska's vast natural resources.

Immediate opportunities include the \$30 billion Alaska natural gas pipeline,

major new mines that may be developed in Interior Alaska, expansion of tourism within the state and other yet-unforeseen economic stimuli.

As Alaska's regional port, the Port of Anchorage serves 90 percent of the state's maritime trade. The strategic locale of the port has enabled its use during several rapid deployments of U.S. combat forces and, most recently, by the Stryker Brigade Combat Team. Anchorage is also homeport for the U.S. Coast Guard Marine Safety and Security Team.

## Strategic advantage

The ocean travel time between Anchorage and Asian ports is faster than those to/from West Coast ports. When factoring in total clearance affected by congestion delays, off-loading, customs clearance and inter-modal transfer, the

Port of Anchorage expects to enjoy a strategic advantage often overlooked by others in U.S.-Asia trade, experts say.

The expansion project is expected to double the port's physical footprint and triple the length of its dock area. Due for completion in 2014-15, the \$700 million project was funded with federal and state grants as well as local revenue bonds and port profits.

As the northernmost U.S. deep draft port the Port of Anchorage began operations in 1961 with one berth. Today, it has

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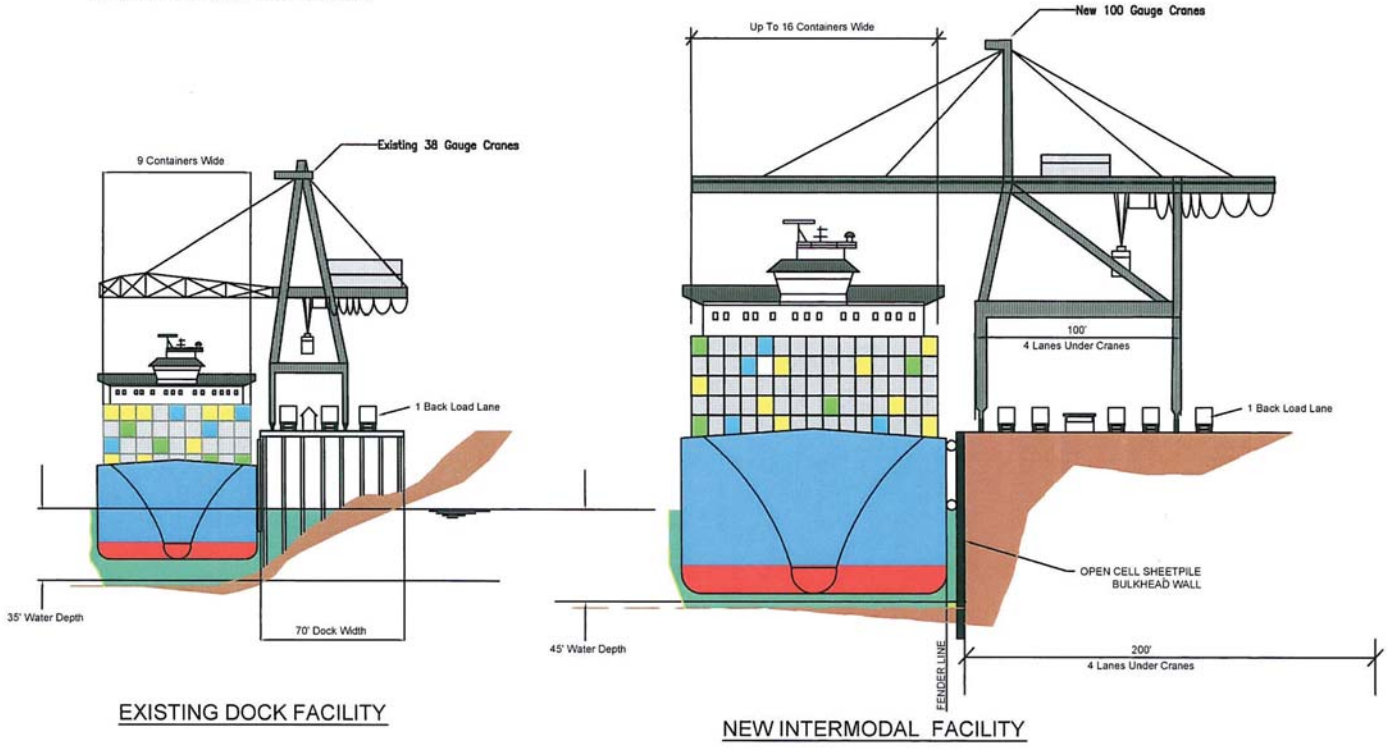


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five berths.

Adjacent to the port is a 128.96-acre industrial park with 63 percent of that area leased by various businesses, including the two major carriers that serve the port - Horizon Lines, Inc. and Totem Ocean Trailer Express, Inc. The former operates a standard cargo container operation, while the latter operates trailer roll-on, roll-off

(RO/RO). Both are "Jones Act" carriers, and together, have four to five vessels arriving at the port on a weekly basis.

### **Bigger ships, better trade**

The expansion project consists of three parts: (1) road and rail extension to improve cargo flow; (2) development of a north terminal to accommodate and coordinate an increase in barge shipments and container traffic; and (3) dock expansion to accommodate 1,000-foot ships and berth vessels requiring greater depth.

The seven-year project began in 2005 and encompasses development of 135 acres of land and 8,880 feet of waterfront structures.

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current 35 feet also is being undertaken.

The port's accommodations will increase 80 percent to nine berths and seven terminals, enabling simultaneous docking of seven large ships and two normal-sized vessels.

"We will be able to accept the (1,000-foot-long) Panamax ships that need a 45-foot draft to dock. They can carry 2,700 pieces of 48-inch diameter pipe" that would be used to build the gas pipeline, said Port of Anchorage Deputy Director Steve Ribuffo.

A large part of the 135 acres being added to the port's industrial park will be used as a lay-down area for the pipe as it is delivered to Alaska.

"We think we will have the infrastructure to do it more efficiently than some other places," Ribuffo said.

Contractors have already begun visiting the port to assess how well the expanded facility would meet their needs during pipeline construction.

"The latest company to come take a look was Shaw Pipe, which I believe is a contractor for the trans-Alaska gas pipeline project," Ribuffo said. "We will be finished with the area of interest to companies building the pipeline in another (18 months.) They won't have to wait."



The Port of Anchorage expansion project will include a new maintenance facility and a new administration building on the current docks that it likely will share with the U.S. Coast Guard.

Two new barge docks also are being built adjacent to a lay-down area for construction of oil and gas field modules as well.

#### Super-sizing the cranes

The expansion also will bring much larger cranes to the port to handle the unloading of containers from very large ships.

The deeper draft and the larger cranes will enable ships that now call only on ports on the West Coast in Los Angeles and Long Beach, to stop in Anchorage, and it will enable existing customers in the Alaska-Washington trade to operate more efficiently as

they supply consumer goods to 80 percent of Alaska's population, Ribuffo said.

Adding more terminals and acreage is very important to Horizon Lines because they are building bigger ships, Ribuffo said.

"The big thing for us is it will allow us to put in bigger cranes and with bigger cranes we can use bigger ships," said Marv Buchanan, marketing manager of Horizon Lines Inc. "It will be a more efficient port."

Ribuffo said the expansion also will accommodate changes under way at TOTE.

One key group of sector of shipping customers, automo-

bile dealers and truck fleet managers, are particularly excited about the improvements being made in the port expansion.

Kevin Lauver, fleet and commercial manager for Alaska Sales and Service in Anchorage, said the expansion will enable automobile retailers to move significantly more volume through the port.

"Right now, a ship has to wait to offload, and that will change," he said.

Alaska Sales and Service moves about 3,000 units a year, and offers one of the state's largest selections of commercial vehicle.

Other firms that specialize in vehicle fleet sales and are posed to benefit from the port expansion include Cal Worthington Ford and Truckwell of Alaska in Anchorage and Seekins Ford in Fairbanks.

#### Inter-modal benefits

The port also provides an inter-modal advantage that will benefit shippers and the Alaska Railroad, which will be able to run its trains through the entire development, close to the docks and onto the adjacent military bases, Elmendorf Air Force Base and Fort Richardson Army Base.

"We leased parts of the land

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# Foss Maritime earns environmental honors

*Coast Guard, EPA, others recognize Seattle-based company's outstanding efforts; unique northwest Alaska operation nears 20th year*

**By Rose Ragsdale**

*For Alaska-Washington Connection*

**F**oss Maritime is earning an impressive collection of accolades for its outstanding corporate commitment to protecting the environment.

The Seattle-based transportation company, which touts its longtime dedication to serving the Alaska-Washington trade, has already distinguished itself in Alaska as operator of a unique port loading system in the Arctic for zinc and lead concentrates produced at the Red Dog Mine in northwest Alaska.

This year, Foss has won recognition from at least four organizations for outstanding environmental and safety accomplishments.

The U.S. Coast Guard in July bestowed  
see **FOSS** page 26



Foss Maritime manage terminal and marine operations for the open-ocean lighterage needed by Teck, operator of the Red Dog Mine in Northwest Alaska.

COURTESY OF FOSS MARITIME

*The deeper draft and the larger cranes will enable ships that now call only on ports on the West Coast in Los Angeles and Long Beach, to stop in Anchorage, and it will enable existing customers in the Alaska-Washington trade to operate more efficiently as they supply consumer goods to 80 percent of Alaska's population. —Steve Ribuffo, deputy director of the Port of Anchorage*

to the east of the port from the Air Force and from the Army to the south to bring the rail extension to the port," Ribuffo explained.

When the expansion is complete, Ribuffo said the port will be bigger, and have deeper terminals, a new maintenance facility and a new administration building on the current docks that it likely will share with the Coast Guard.

The redevelopment also will develop a secured cruise ship terminal to accommodate passengers and baggage, correct landside traffic circulation, relocate port support structures and buildings and install state-of-the-art security and lighting controls in accordance with the new maritime security mandates.

The port also will be connected to Ted Stevens - Anchorage International Airport and four of Alaska's five military bases -Fort Wainwright and Eielson Air Force Base in Fairbanks along with the Anchorage bases - by the Alaska Railroad's track system. In addition, the railroad is pursuing plans to extend its rails to Delta Junction to connect Fort Greeley, the state's third Army base to its system, Ribuffo added. ♦



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COURTESY OF FOSS MARITIME

The U.S. Environmental Protection Agency awarded Foss Maritime its Clean Air Excellence Award for development of the low-emission “Green Dolphin” hybrid tug. It was the first time a maritime operating company has received the EPA’s honor.



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*continued from page 25*

## FOSS

on Foss its most prestigious environmental honor, the 2008 William M. Benkert ‘gold’ award for marine environmental protection.

The distinction followed recognition a month earlier from the Environmental Protection Agency, which awarded Foss its Clean Air Excellence Award for development of the low-emission “Green Dolphin” hybrid tug. It was the first time a maritime operating company has received the EPA’s honor.

Foss also received a Commendation — Environmental Award from BP Shipping, and an honorable mention from the Port of Seattle for its 2008 Marine Environmental Business of the Year award.

“Foss is committed to the principles of sustainability and safety in all its operations,” said Foss Maritime President Gary Faber. “This is part of our company’s culture. By leading our industry, we at Foss believe we can do best by the environment.

Faber, who traveled to San Diego with other Foss officials to accept the Coast Guard award, said the sort of innovation that the award recognizes is what the public, our customers and the maritime industry itself have long expected from Foss.

Foss’ environmental initiatives also include voluntarily switching its entire fleet to ultra-low sulfur diesel, minimizing waste streams on harbor tugs by using a vacuum truck service for oily waste removal, completing an energy audit and developing an energy management plan to manage Foss vessels.

**What makes Green Dolphin different?**

Unlike other tugs, the Green Dolphin hybrid tug, which is being built in Foss' Rainier, Ore. shipyard and scheduled to begin operation in Southern California this fall, will rely on batteries and an active power management system to minimize engine use. When the engines are used, they will run at power levels that maximize efficiency, reversing the trend of harbor tugs to spend about 60 percent of their time at less efficient low power levels. Main engine emissions reductions from using the hybrid tug are expected to be in the order of 44 percent for particle emissions and nitrous oxide. Fuel consumption is expected to decrease by 20 to 30 percent with a commensurate reduction in sulphur dioxide and carbon emissions.

The Green Dolphin hybrid tug also will help lower some costs. Primary financial benefits of the design come through fuel and lube savings and reduced life cycle and maintenance costs of the major equipment components.

Additionally, the Green Dolphin hybrid tug's modular design can be applied as a retrofit technology for existing tugboats. It will be able to incorporate future energy storage improvements in battery technology and hydrogen fuel cells.

"We are grateful for EPA's recognition of

the Green Dolphin hybrid tug," said Susan Hayman, vice president of environmental and corporate development Foss Maritime.

"Any time you introduce cutting edge technologies there are barriers that you must overcome. We've done that. Our company's commitment to the 'Green Dolphin' project has been unwavering. And we have developed a tremendous partnership with the ports of Long Beach and Los Angeles in the process."

**Collaborations with EPA**

The Green Dolphin hybrid tug is just one of several ways Foss is moving aggressively to improve the global environment, including new initiatives seeking to improve energy efficiency and air quality.

In October 2007 the company announced its vessels were switching to ultralow sulfur diesel fuel, a move aimed at producing a significant reduction in emissions of particulate matter and carbon monoxide.

Port officials in Seattle and Portland lauded Foss for taking an important step toward reducing the carbon footprint in Elliott Bay, Puget Sound and the Columbia and Snake rivers.

In August 2007 Foss said it had joined the SmartWay Transport® Partnership, a voluntary collaboration between EPA and the freight industry designed to increase energy efficiency, while significantly reduc-

ing greenhouse gases and air pollution.

Foss was the first carrier accepted into the program for its marine transportation services.

Foss has pledged to contribute to the partnership's goal to reduce 33 million to 66 million metric tons of carbon dioxide and up to 200,000 tons of nitrogen oxide per year by 2012 by improving the environmental performance of its marine operations. Carbon dioxide is the most common greenhouse gas, and nitrogen oxide is an air pollutant that contributes to smog.

Other SmartWay partners involved in Alaska-Washington trade include Horizon Lines Inc., Lynden Transport Inc. and, Carlisle Carrier Corp.

**Foss also excels in safety**

Foss also earned the Chamber of Shipping of America's recognition for 59 of its vessels with outstanding environmental and safety records in 2007. That distinction includes Jones F. Devlin Awards to self-propelled merchant vessels that have operated for two full years or more without a crew member losing a full turn at watch because of an occupational injury. Altogether, the winning Foss ships have achieved the equivalent total of 82 years without a lost-time injury.

Foss innovates by setting higher-than-industry standards, according to Hayman.

Founded in 1889, the Seattle-based company offers a complete range of maritime services and project management to customers across the Pacific Rim, Europe, South America and around the globe.

Foss' worldwide network reaches

see **FOSS** page 28



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# Stability in rough economic times

*Parker, Smith & Feek: 71-year independent insurance brokerage remains committed to Alaska industry and business*

**By Susan Braund**

*For the Alaska-Washington Connection*

**D**emand for consulting services is closely tied to the health of the U.S. economy, according to Elizabeth Cornell, business analyst/writer for Hoover's online business analysis resource. "The profitability of firms depends largely on the special expertise they provide to clients. Large firms can provide a variety of services."

"Despite economic conditions, we're still here!" says Parker, Smith & Feek Vice President and Director of Communications Steve Wolf. "After being in business for 71 years, we have a long tradition and trusted reputation. The company is bucking the trend in these tough



COURTESY OF PARKER, SMITH & FEEL


Independent insurance brokerage Parker, Smith & Feek employees receive salaries rather than commissions. Employees, as a result, are a diverse team of seasoned professionals who strive to be both forward thinking and objective.

economic times by taking on additional staff and adding to our customer base in both geography and industry."

Parker, Smith & Feek provides commercial financial services throughout the western United States, including insurance brokerage, surety bonding, risk management, and consultation. The company

specializes in surety bonds for the construction and real estate industries; other practice areas include health care, technology, life sciences, and hospitality. It offers employee benefits, life, property/casualty, liability, workers' compensation, and other lines of coverage. The firm has offices in Anchorage, Alaska, and


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*continued from page 27*

## FOSS

beyond the water. Drawing on its extensive network of sister companies and experienced partners around the world, Foss aligns marine transportation, air cargo, marine engineering, and heavy lift operations to support large project developments in remote, often severe and unpredictable environments.

With one of the largest fleets of tugs and barges on the West Coast, Foss operates two shipyards and offers worldwide marine transportation.

### Nearly two decades serving Teck at Red Dog

In Alaska, Foss developed and built a fleet of self-loading barges to lighter 1.4 million tons of concentrated zinc and lead ore annually from a remote shallow-draft port near the Red Dog Mine to ships anchored five miles offshore in open water. Teck, the mine's operator, trucks the ore across a specially built 52-mile road to the Red Dog Port, where it is stored in a massive building that is 500 yards long and 11 stories high.

Harsh weather conditions and ice limit the mine's annual shipping season to 90-100 days, demanding an extremely efficient system, with no allowance for error. For this project, Foss also developed the world's first — and still the only — open-roadstead loading of dry bulk cargo in an unprotected environment.

Foss crews also manage the terminal and marine operations for the open-ocean lighterage for Teck. 2008 marks the 18th year of the partnership. ♦



COURTESY OF PARKER SMITH & FEEL

The team in Parker, Smith & Feek's Anchorage office serves contractors, manufacturers, Alaska Native corporations, social services agencies, retail stores, and a host of commercial businesses, offering a full array of insurance and risk management services.

Bellevue, Washington. Charles Parker founded the firm in 1937 as a one-man independent insurance brokerage in Seattle, according to Wolf. Several years later fraternity brother Graham Smith joined him and in the '50s Ed Feek completed the team. Parker, Smith & Feek has grown to become one of the 100 largest insurance brokerage firms in the United States. Based in Bellevue, Washington, the firm also has branch offices in Anchorage and Portland.

Wolf joined Parker, Smith & Feek in 1984, following several years in professional services marketing. His educational background includes a bachelor's degree in English from Kansas State University and a master's in Library and Information Science from the University of Washington. He manages Parker, Smith & Feek's corporate communications program, including marketing presentations, sales proposals, advertising and public relations.

**The independent insurance model**

Independent brokers search for the best insurance coverage at the lowest cost for the client, according to the Dictionary of Insurance Terms. "Insurance brokers do not work for insurance companies but for the product buyers, and the broker is not restricted to

placing business with any one company."

"Being a privately owned, independent broker sets us apart from competition. Our customers are very happy with the privately-held model, because we can more flexibly

meet their needs," said Wolf. "Flexibility provides what they need, not what the corporation needs! Corporate firms have more guidelines and limits. Unlike corporate insurance, stock prices or quarterly earnings — especially in today's economic climate — do not distract us. We are able to stay focused on client needs."

The firm takes pride in client-focused consulting and long-term strategic planning to address specific needs and objectives.

"We want to provide clients the best information and help them secure the best insurance programs," said Wolf. "Our mission is to help clients make informed risk management decisions and develop innova-

tive insurance, safety and employee benefit solutions uniquely suited to their needs."

All Parker, Smith & Feek employees are salaried; there exists no commission-based compensation. Employees are recruited for their technical expertise and ability to work as a team, according to company sources. Because the firm's diverse team of seasoned professionals stays current in the competitive marketplace and trends, it is able to be both forward thinking and objective.

**Keeping Pace**

"Our hallmark is being proud of the past while always looking to the future," said Wolf. "In fact, we have already identified our future leaders; the next generation of leaders is in place."

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- Environmental Insurance
- Food Processing
- Forest Products
- Healthcare
- Hospitality
- Life Sciences
- Manufacturing
- Marine
- Real Estate
- Retail Business
- Technology

Part of keeping pace is being technologically aware and innovative. In the last five years the company has received two Technology Achievement Awards for "creative use of technology as applied to insurance brokerage business."

"Historically insurance is paper intensive, overwhelming to the customer and clogging the office. We have done a lot to streamline the system, making it easier to do business with us," said Wolf. "We have invested heavily with people and technology to make it work in the customer's favor"

DigitalLINK is a Parker, Smith & Feek exclusive technology providing real-time access to proprietary insurance portfolio information, an array of dynamic project tracking applications,

*After doing business for 71 years, we have a long tradition and a trusted reputation. The company is bucking the trend in these tough economic times, by taking on additional staff and adding to our customer base in both geography and industry. — Steve Wolf, Vice President and Director of Communications, Parker, Smith & Feek*

and customized request resources.

"The proprietary program we developed is really a private client website that allows them to transact business on their personal Web site, check on outstanding claims, a loss report, or just read their policy," explained Wolf. "It's all there just for them, including a complete directory of contacts and emergency numbers. It is especially helpful out of standard business hours and on weekends. Client response has been enthusiastic!"

**Construction and the Alaska commitment**

Historically, Parker Smith & Feek's business is strongest in all kinds of construction, according to Wolf. "Although we serve a broad spectrum of clients today, construction is still our largest practice today and it's a big part of our ties to Alaska."

A recent innovative offering is project-based insurance. "It provides inclusive insurance across a broad cross-section of construction projects, including infrastructure, buildings, industrial projects — the whole gamut," said Wolf.

"Because of our long-term association and confidence in Alaska, we're committed to the future of the state," said Wolf. "For more than 30 years, 22 with an office in Anchorage,

# Global warming affects infrastructure

*Arctic Foundations offers worldwide leadership, innovation and experience in passive ground-freezing technology*

**By Susan Braund**

*For The Alaska-Washington Connection*

**G**lobal warming is affecting culture and habitat at the extremes of the earth, according to the Global Warming Project. “Rapid climate change and its effects is fast becoming one of the prime events of the 21st century,” it concluded.

Northern engineer, innovator and entrepreneur Erwin “Erv” Long has been watching land and weather cycles in the North for nearly 60 years, well before the term “global warming” was coined. More and more he understands the



Arctic Foundations Inc. installed these 19x 200SF radiators in a Flat-Loop Thermoprobe system during an upgrade of a bulk fuel facility in Unalakleet.

importance of keeping frozen ground frozen — stabilized soil is inherent to Arctic construction and infrastructure.

Understanding permafrost is not only important to civil

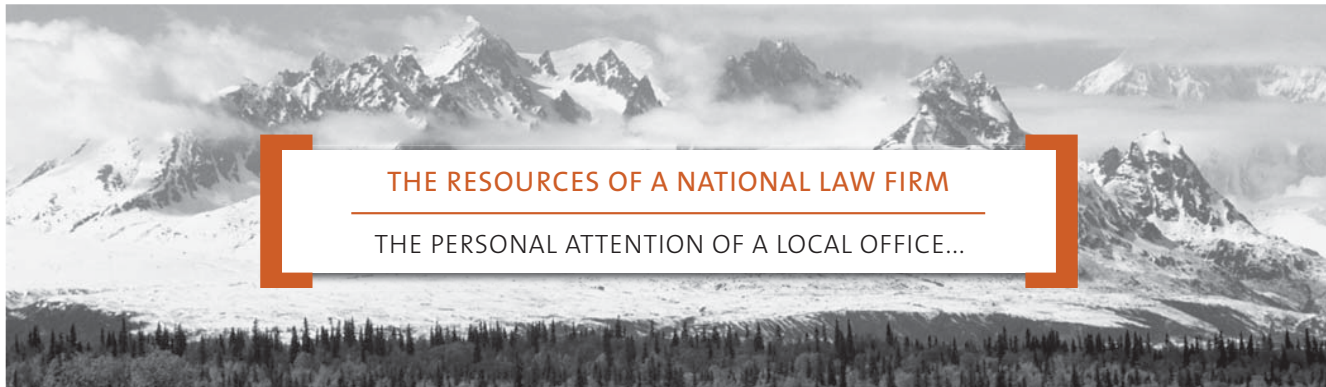
engineering and architecture, it’s also a crucial part of studying global change and protecting the environment in cold regions, according to the IRC Institute for Research in

Construction.

“As man has widened his horizons and encroached on these frozen areas throughout the Arctic, sub-Arctic and Antarctic regions of the world,” said Long, “one of the major engineering and construction obstacles has been the permafrost. Our frozen lands have become more and more of a challenge to planners, engineers, contractors and scientists alike.”

## Arctic innovation

Long started Arctic Foundations Inc. (AFI) in the early 1970s while still working at the Corps of Engineers. He has more than 60 years



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experience as an innovator in foundation construction and technology for frozen soils and frozen barriers. He recognized the advantage of freezing previously thawed unstable ground and the need to maintain permafrost, which led to the development of his Thermopile system and a patent on his thermal transfer process.

The company analyzes, designs and manufactures heat removal and ground freezing systems that enhance the engineering characteristics of soil and rock. Strengthening soils, controlling water, and immobilizing water borne hazardous contaminants are typical benefits to end-users.

Headquartered in Anchorage, Alaska AFI bases all operations for its ground freezing systems at a single location, including management, administration, research, product development, engineering, and manufacturing. The complex is comprised of 12,500 square feet of building space and 53,000 square feet of yard space. It includes three shops rare to Alaska: a metal spray and fusion plastic coatings shop, a pressure vessel shop, and an ASME code authorized fabrication shop.

Although in earlier years the company

engineered designs for each project, today's emphasis is development and manufacturing. According to Long, the company continues to improve products and technology, to be able to offer customers more, well conceived solutions to increasing geotechnical problems.

According to the Institute of Northern Engineering, the arctic climate is moving toward tremendous changes and AFI is trying to keep pace through technology.

"Now that more and more people are looking to counteract global warming and how it can affect infrastructure and construction, they are looking at long-term solutions, including us," said Long, "and AFI systems are designed for the long-term. So, our quantity of work continues to increase, which is one of the reasons we have shifted our focus to manufacturing, just to keep up!"

**Understanding permafrost**

Permafrost is soil that remains frozen

throughout the year, occurring as large continuous areas of frozen soil, or in scattered patches surrounded by soil that experiences normal freeze-thaw cycles, or discontinuous permafrost. In all cases, an active layer of soil that experiences normal freezing and thawing during the seasons overlies permafrost.

"Permafrost soils must be kept frozen for the soil not to lose its bearing capacity," cautions Long. "When soil has relatively high water content in the active layer, measures must be taken to keep it

*"As man has widened his horizons and encroached on these frozen areas throughout the Arctic, sub-Arctic and Antarctic regions of the world, one of the major engineering and construction obstacles has been the permafrost." —Erv Long, owner, Arctic Foundations, Inc.*

frozen. When soil contains massive ice deposits, extra care must be taken in the design of the foundation if this is the case. . . . Buildings transmit heat to the underlying soil through conduction, convection, and radiation. This can thaw frozen soil, leading to foundation displacement."

**Technology**

In recognition of his innovative solutions, Long received the Alaska Engineer

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But Tacoma's trade connections to Alaska are just the tip of the iceberg. A few examples:

- The Port of Tacoma and the Tacoma-Pierce County Chamber of Commerce have supported oil exploration and recovery in ANWR since 1986. We were the first two groups outside of Alaska to support this issue.
- Port of Tacoma Commissioners and staff regularly visit Alaska—to places ranging from Prudhoe Bay to Dutch Harbor—to better understand the current issues and business climate.
- Each year, Tacoma-Pierce County sends a delegation of business leaders to Alaska's state chamber convention—to meet with Alaska's business leaders and keep them informed about Tacoma's developments.
- The Port of Tacoma and the Tacoma-Pierce County Chamber of Commerce are key sponsors of an economic impact study that examines important connections between Puget Sound and Alaska.
- The Port of Tacoma has a partnership agreement with the Port of Anchorage, working with Alaskans on key issues, such as evaluating opportunities in the Northern Sea Route.

We are proud of our connections to Alaska, especially our friendships with people who live there.



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*This message to the people of Alaska is from the Port of Tacoma and the Tacoma-Pierce County Chamber of Commerce.*





COURTESY OF ARCTIC FOUNDATIONS, INC.

These 16-inch Thermo Helix-Piles are loaded for shipment to Kotzebue for the Northwest Arctic Heritage Center.

of the Year award in 1978, and the ASCE's Harold R. Peyton award for Cold Regions Engineering in 1991.

Arctic Foundation's primary product is the Thermosyphon, or pressure vessels with aluminum and fusion coat epoxy finish, also called Thermoprobes. The Thermosyphon is strictly a heat-transfer device, basically a closed evaporation conden-

sation system, extracting excess heat out of the earth, when used to maintain frozen conditions.

"Let's go from the top down," explains Long. "Air colder than the ground causes condensation on the inside of the top of Thermosyphon that reduces pressure in it. That reduction then permits boiling of the liquid below ground, which causes reduc-

tion in temperature and permits heat to transfer from soil to the Thermosyphon. One noted use for this technology was in the vertical support members on the trans-Alaska pipeline."

Thermosyphon barrier freezing technology compares favorably to many of the non-freezing technologies to depths of 50 feet — and is unbeatable at greater depths for project durations of five years or longer, according to the company, including microbial barriers, sheet piling, slurry walls, grout injection, pump-treat-inject, in situ vitrification and membrane barriers.

"We've become a leader in state-of-the-art permafrost foundations, ground stabilization pressure vessels, Thermopiles and Thermoprobes and frozen barriers, and we continue to develop and advance Thermosyphon technology as

techniques improve in related sectors of the geotechnical industry."

**Practical geotechnical solutions**

Practical uses for Long's technologies are found in building foundations, mining, dams, and waste containment.

According to Long, thermo design of a foundation to maintain permafrost must extract heat from building of seasonal thaw from above, geothermal heat from below, warmer soils surrounding the site, buried water and sewer lines, runoff from building roofs, and surface drainage. Design must also allow for seasonal thaw without affecting the total foundation area.

"For foundations, our clients are the engineers. We build to their specs," says Long.

Confinement of a buried hazardous waste can be accom- see **ARCTIC FOUNDATIONS** page 36

*continued from page 29*

**PARKER**

Alaska's businesses have trusted us to provide professional insurance and bonding services. We have continued to grow as Alaska has grown."

The Anchorage office serves contractors, manufacturers, Alaska Native Corporations social services agencies, retail stores, and a host of commercial businesses, offering a full array of insurance and risk management services including business insurance, marine insurance, surety bonds, group medical and dental plans, 401(k) plans, business succession planning, and life insurance.

**Legendary service**

After 71 years, Parker, Smith and Feek's reputation for client service is legendary. The firm takes the term "full service broker" seriously. "Our intent is to develop a trusted-advisor relationship with every client and to be available to them," said Wolf. "We invest in the technologies that give our clients access to us and to maximize our ability to communicate with them. We're here!" ♦

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# Alaska touts sustainable fisheries

*Gaining control of salmon fishery became important rallying cry for statehood, state's fisheries provide international model*

**By Susan Braund**

*For Alaska-Washington Connection*

As Alaska prepares for its 50-year statehood celebrations in 2009, Alaskans are reminded of one of the rallying cries behind the statehood quest: to gain control of the salmon fishery. Fishing is intrinsic to the state's identity.

"Alaska has one of the only state constitutions that specifically addresses state responsibility for prudent and sustained resource stewardship, for the material benefit of the people," said Alaska Seafood Marketing Institute (ASMI) communications director Laura Fleming.

The vast fishery resources of Alaska are of tremendous importance to the economies of the state and the nation, according to the Alaska Department of Fish and Game. "These resources are self-renewing if properly managed . . . to maximize the production of seafood and economic benefits for generations to come."

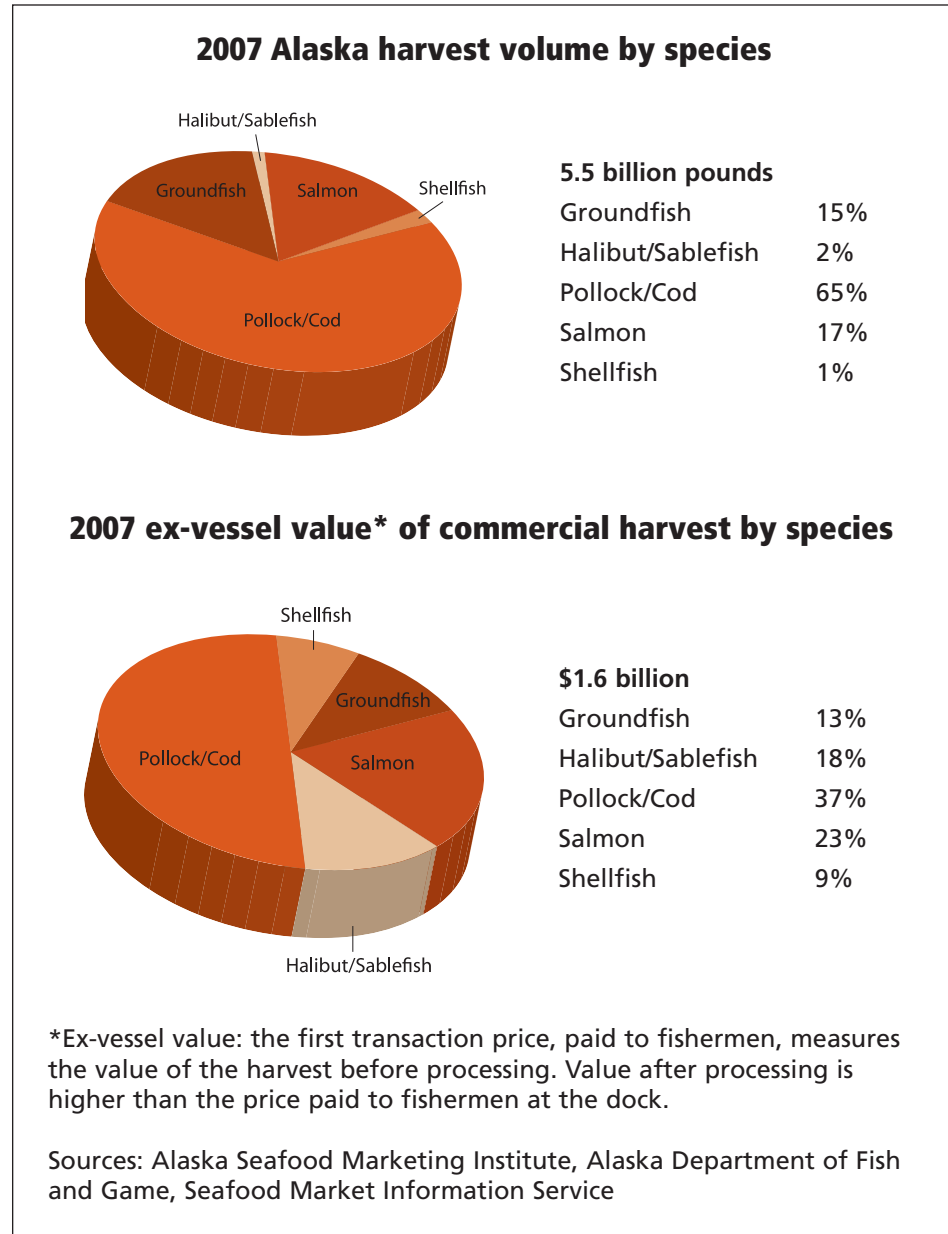
The state manages all salmon, shellfish and herring fisheries, while the federal government has management authority for the majority of groundfish fisheries, with some exceptions.

## Sustainability, management and marketing

Alaska's commercial fishing is year-round, covering an extensive geographic area that includes Southeast Alaska, Bristol Bay, Cook Inlet, Gulf of Alaska and the Bering Sea.

Ensuring the long-term sustainability of the fisheries is a high resource management priority. Based on scientific research, including climatic, environmental and socioeconomic factors, Alaska establishes allowable catch and escapement levels to preserve the health and habitat of each individual species. Since 1959, the state of Alaska has taken a precautionary approach to fishing, setting firm harvest limits that prevent over-fishing.

"Millions upon millions of wild Alaska fish and shellfish are protected by one of the most stringent fisheries management systems in the world," said Fleming. "It is regarded as a model of sustainable man-



agement that meets or exceeds internationally recognized criteria established by United Nations' food and agricultural organization."

A combination of fisheries management, investment in infrastructure and concentrated marketing efforts has worked well for Alaska's fish markets. According to ASMI, the 2007 harvest was 2 1/2 million metric tons down slightly in volume while value increased.

According to ASMI, Alaska's seafood harvest provides more than half of the

national commercial harvest (not including aquaculture), and the Alaska pollock fishery is the largest food fishery in the world.

"Industry focus is on raising the economic value of the harvest," said Fleming. "We have successfully repositioned as a market-driven food industry. The overall outlook is fairly positive."

Alaska's seafood branding effort has met with some success in the United States, becoming the second-most popular food brand on menus at the top 500



COURTESY OF ALASKA SEAFOOD MARKETING INSTITUTE

Crew member lands a pot of opilio crab

restaurant chains, according to ASMI, and in countries where Alaska actively promotes its brand, value has grown.

**Alaska-Washington trade connection**

Regional trade generates economic stability, sparks commerce and creates jobs. The mutually beneficial regional trading relationship that exists between Alaska and Washington State dates back more than a century to when businesses in the Puget Sound area provisioned miners during the Klondike gold rush.

“The economic relationship Alaska and the Puget Sound enjoys is enduring, expanding and evolving,” reads the third edition 2004 “Ties that Bind” report commissioned by the Tacoma-Pierce County and Greater Seattle Chambers of Commerce. The report periodically examines the economic ties between Puget Sound and Alaska.

“Alaska and Puget Sound remain strong, consistent trading partners and continue to enjoy one of the oldest Pacific Rim trading relationships. Puget Sound has long served as a preferred source of supply for basic products and as a distribution

point for national and world marketing of Alaska goods . . . the economic relationship between the regions is growing stronger and deeper.”

The Alaska fishing industry is a critical link in the relationship. “Puget Sound’s distant-water fleet and seafood processing companies remain heavily reliant upon this rich North Pacific resource,” according to the 2004 report.

“The Alaska seafood and transportation sector businesses in Washington and Alaska are engaged in a fully committed effort to maximize profitability,” said Fleming. “Many of the big seafood companies and marine transport companies have headquarters in Seattle and more than one half of Alaska seafood harvest is exported, much of it from Washington.”

The Alaska-Puget Sound connection is a healthy example of interdependence. While Alaska is a storehouse of resources, the Puget Sound, known as the primary gateway to Alaska, provides goods and services. The partnership benefits industry, workers and residents in both states.

“Puget Sound and Alaska are more than just healthy trading partners,” concluded the report. “Together they help one another excel in the good times and weather the bad times. Each fills significant economic needs of the other.”

**Economic outlook**

Dr. Gunnar Knapp sees uncertainty in the seafood industry, for two reasons: credit and recession.

Knapp is a professor of economics at the University of Alaska Anchorage and former director of the Alaska Seafood Marketing Institute-funded Salmon Market Information Service. For many years, he has researched Alaska resources, particularly Alaska fisheries management and markets for Alaska seafood.

“At the moment, the global credit crisis is making it hard for some of the players in the seafood industry to get credit. Just the problem of getting credit, and knowing which customers have reliable credit, is causing a lot of worry and expense in the seafood industry . . . and each buying stage in the long seafood distribution chain needs credit to pay the next stage.

The bad economic news of the past few months is reversing what had been a fairly good time for the seafood industry with good market demand,” he said.

“A recession cuts back on buying demand, especially for higher-end products and restaurant meals. So the recession could result in lower demand and lower prices for the Alaska seafood industry.”

ASMI also identified some current industry challenges. They include:

price resistance factor (following strengthened prices, market pushes back) seasonality and consistency of supply fuel and energy costs global aquaculture development, and currency fluctuation, tariffs, trade barriers.

“Fishing is dependent on factors outside our control,” Fleming said. “And the fishery is limited; it can only increase product so much. Alaska produces only 2 percent of the world’s seafood, so we really can’t compete on commodity pricing. We just need to stay competitive, be alert and educate.

“There are no price guarantees in fishing. We can never be complacent, never rest. We need sustained effort to command the highest possible prices, continuing to innovate and deliver high- quality, value-added products, or we’ll lose ground.” ♦

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*“These resources are self-renewing if properly managed . . . to maximize the production of seafood and economic benefits for generations to come.” — Alaska Department of Fish and Game*

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continued from page 33

## ARCTIC FOUNDATIONS

plished by directly freezing a contaminated soil mass or by surrounding it with a frozen barrier.

“AFI’s Hybrid Thermosyphon Technology is a well-established technology that is ideally suited to the long-term containment and immobilization of many subsurface hazardous wastes that the US Department of Energy has targeted as part of their environmental management program,” Arctic Foundations told Petroleum News. “These contaminants include tritium, strontium 90, DNAPLs, and many others. Few technologies can match ours.”

Ground freezing can be a beneficial technology for dam building without regard to any specific industry, or the purpose the dam serves. A frozen dam can be even more effective than a traditional type because freezing can more effectively seal multiple soils types in the dam and, if necessary, well below it, as evidenced at the Panda Dam and Ekati Diamond Mine in Canada’s Northwest Territory, and a tailings dam in the Russian Far East. The technology Long that uses for mining and dams is the same as that employed for permafrost foundations or frozen barriers.

As development continues in the unstable arctic and subarctic areas, these systems become more refined and improved. AFI has designed and worked with many aspects of the soil stabilization problem, according to the company website. “We have developed frost-proof benchmarks for use by surveyors, pioneered controlled thawing techniques to eliminate frost in some areas, and worked extensively on stabilization of land-slide areas. Our experience also includes development of impervious frozen barriers to confine hazardous waste and control groundwater, passive freezers, geothermal heating, systems for powerline foundations and anchors, and have done work on permafrost water supply dams, levees, and groins for river bank stabilization.”

### Global reputation

Arctic Foundations, Inc. has a global reputation for its innovative cold-weather and arctic engineering, but another important aspect of its success comes from company stability and longevity. The entire staff typically consists of fewer than 20 employees at any given time, but besides Long, there are three employees who have been with Arctic Foundations for over 25 years — Edward Yarmak, Jr., chief engineer; Eric

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*“Now that more and more people are looking to counteract global warming and how it can affect infrastructure and construction, they are looking at long-term solutions, including us. AFI systems are designed for the long-term.” — Erv Long, owner, Arctic Foundations, Inc.*

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Johnson, shop foreman; and Leslie Patton, office manager.

Arctic Foundations serves clients in multiple industries, including oil and gas, mining, state and federal governments and individual business — anyone who needs to maintain frozen ground over long periods of time or who requires a frozen barrier or foundation. And, it depends on suppliers in Washington State and the Pacific Northwest for its specialized materials.

“We have the ability to be flexible, build for unusual demands, deliver on schedule, and manufacture a consistent, high quality product and continual improvement. Firms call us from all over the world,” said Long. “We provide guidance to the engineers and customize products for their use.” ♦

### Aggressive innovator AP&T finds winning combination in providing renewable energy and communications services to communities

#### Q) What are the keys to AP&T’s success?

A) AP&T’s success is credited to its aggressive leadership in developing clean technology renewable resource-based energy generation, coupled with a highly-motivated workforce and adherence to our core competencies.

#### Q) What recent management strategies have been successful?

A) On the energy side, it’s been far-sighted investments, strategic partnerships, innovative financing and expeditious project mobilization. On the communications side, it was undertaking the unique Alaska Power & Telephone Southeast Alaska Terrestrial Microwave Network.

#### Q) What sets AP&T apart from competitors?

A) The fact that we are both an energy and a communications services provider, an unusual combination in the utility world. With a talented employee-owned workforce, we moved our carbon footprint from 99 percent fossil fuel generation to over 80 percent clean renewable power generation in just over 13 years.

#### Q) What are some of the more notable projects AP&T has worked on?

A) We built a family of seven clean technology hydroelectric projects. Of these, the Black Bear Lake Hydro Project on Prince of Wales Island and AP&T’s Goat Lake Hydro Project near Skagway received “Low Environmental Impact” certification status by the Low Impact Hydro Institute. They were Alaska’s first projects to receive this certification.

#### Q) What goals do you have for the future?

A) To continue growing and innovating in the energy and communications industry.

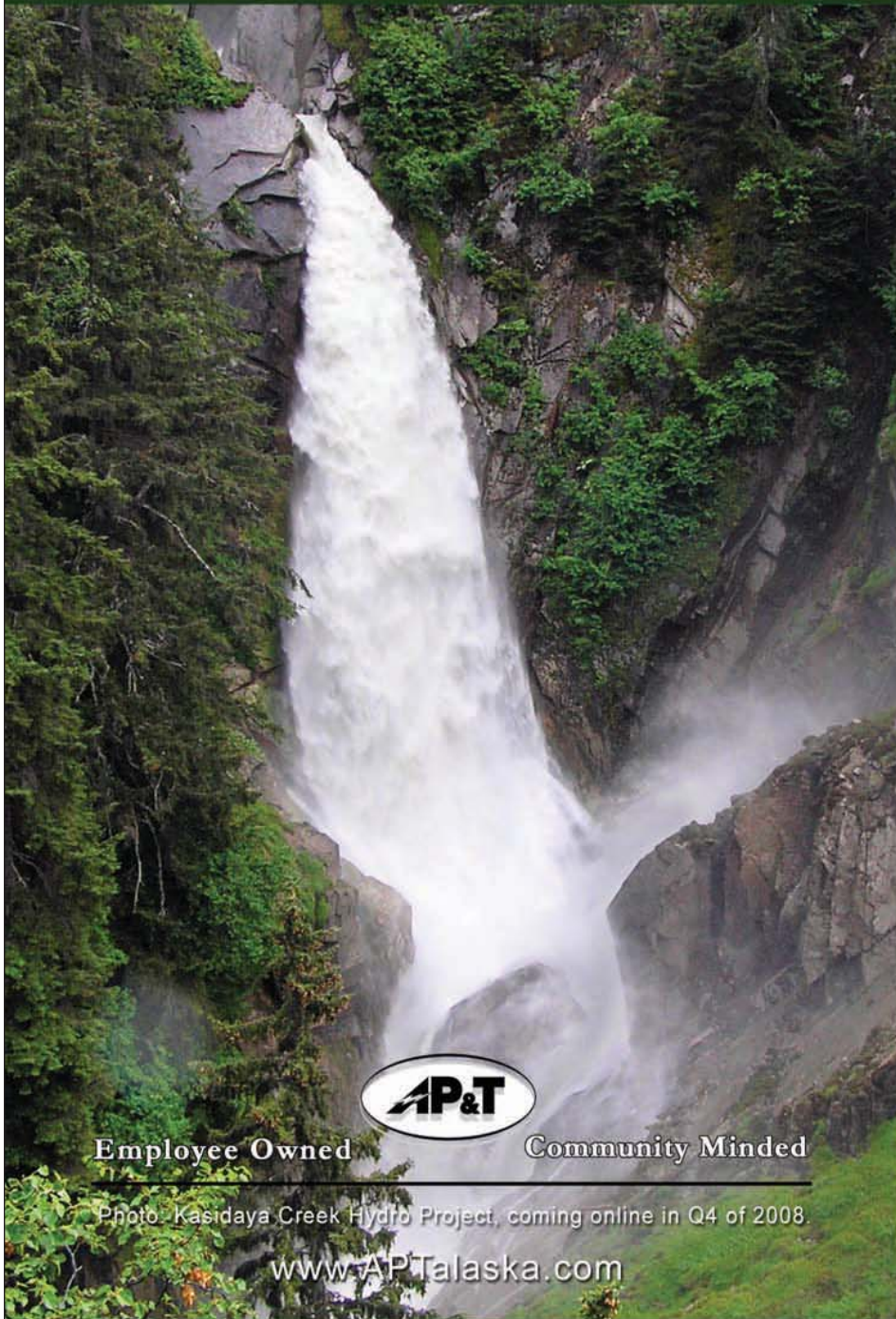
#### Q) Give readers some company specifics.

A) Our 2007 total revenues were \$18 million for the energy segment and \$19.6 for communications. This year we will complete the Kasidaya Creek Hydro Project near Skagway, Alaska, a 3MW project. Eight other hydropower and two wind power projects are in early and late-stage development.

Our workforce consists of 144 employee owners; 29 are based in the Port Townsend Washington corporate headquarters. Those in Alaska provide critical infrastructure services to 34 communities.

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Photo: Kasidaya Creek Hydro Project, coming online in Q4 of 2008.

[www.APTalaska.com](http://www.APTalaska.com)

As the leading developer of Low Impact renewable resource hydro projects in Alaska, Alaska Power & Telephone Company generates more than 70% of our customer's electrical energy needs via Sustainable Clean Energy Technologies.



With Wind and River Turbine projects in the works, we're not just talking the talk... we're walking toward our energy future.

To obtain more information about AP&T's products or services, secure a copy of our Annual Report or schedule an interview with Executive Management; you may contact us via email at [apt@aptalaska.com](mailto:apt@aptalaska.com) or by telephone at (360) 385-1733.

# Tradesmen union goes after jobs online

*Ironworkers, industry forge beneficial alliance with association Web site that serves five-state Pacific Northwest region*

**By Rose Ragsdale**

*For Alaska-Washington Connection*

**A** little over a year ago, the Pacific Northwest Council of Ironworkers joined forces with about 300 steel construction and manufacturing employers in an innovative program designed to advance a mutual goal — securing more contracts for steel-related construction projects in Alaska, Washington, Oregon, Idaho and Montana.

These companies provide services that include steel fabrication, rebar installation, steel erection and welding services.

“We provide solutions as you pull together the pieces of a major construction project,” said Chuck Bolland, marketing director for the Northwest Ironworkers Employers Association.

The association’s member companies and the union work force are the people who will build the basics of most any public or private project, from the girders of a bridge to the steely skeleton of a skyscraper.

“Because of this, we know the work has to be done right,” Bolland said. “We’re not flipping hamburgers. To keep good, skilled workers, you need jobs.”

The lure of job-creation is what brought the Pacific Northwest Ironworkers Union to the table in hopes of generating more employment for up to 1,800 members.

## One-stop marketing tool

One of the Tacoma, Wash.-based association’s first pro-



A member of the Pacific Northwest Council of Ironworkers balances carefully on a girder while working on a steel structure in the Seattle area. The ironworkers and the companies that employ them have joined forces to market their expertise.

jects was to develop a Web site, [www.ironemployers.com](http://www.ironemployers.com), as a way to help spread the word about the alliance and its capabilities.

Ironemployers.com connects builders, engineering firms and design firms, with one location where they can get information, bids, and assistance from over 300 companies in the Northwest region.

“We decided this was the way to start marketing the industry’s services,” Bolland said.

“So anybody wanting to start a large project involving iron workers can go to the one Web site and find all of the big companies in the Pacific Northwest that can offer those services with the skilled ironworkers they will need.”

The Web site is now getting 300 hits a month, an impressive figure when you consider the simple, hard-core industry information one finds at the site, he said.

The union was motivated to take a leading role in marketing the industry and its capabilities because the days of sitting by the telephone and waiting for a call are over

for union workers and for companies that specialize in construction trades.

“We’re marketing our industry to our public which is public and private construction projects,” Bolland said. “Our members don’t want to just wait by the phone. People are communicating in a different way.”

## Network advances union’s goals

The Web site and the concept of labor-management marketing of the industry is sponsored by a jointly funded group called IMPACT (Ironworker Management Progressive Action Cooperative Trust).

Designed to provide a forum for Ironworker Local Unions and their signatory contractors to address mutual concerns and encourage reasonable balanced solutions, IMPACT is a labor-management partnership. The group’s regional and national programs extend the approach, creating a national labor-management network, which promotes discussion of issues affecting the industry as a whole and enables the creation of effective strategies for

resolving concerns to create opportunities for the union ironworking industry.

The primary mission of IMPACT is to expand the job opportunities for union Ironworkers and their signatory contractors through progressive and innovative labor management cooperative programs.

## Long track record in Alaska

In Alaska, ironworkers, construction companies and steel fabricators have been part of the building scene since before statehood. They participated in all the great building booms of the 20th Century and look forward to capturing a slice of the construction pie when construction of an Alaska gas pipeline gets under way later this century. Projects across the state range from something as small as a set of warehouse doors to steel fencing to a 10-story building.

The companies listed on [www.ironemployers.com](http://www.ironemployers.com) are all union and are backed by a trained work force. To keep this quality work force ready to take on any project, the Ironworkers have one of the best apprenticeship programs in the building trades, according to Bolland.

Construction projects taken on by the ironworkers association in Alaska will benefit not only directly from having access to the labor union’s high-quality work force, but also indirectly by creating opportunities for Alaskans to be recruited and trained in the Ironworkers’ apprenticeship program and thereby secure great careers, he said. ♦

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\* 2007 year-end data

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COURTESY OF BOWHEAD TRANSPORT

Bowhead Transport's line haul barges carry freight, construction supplies and cars between Seattle and Alaska's northern villages and the North Slope.

## Adaptability serves Arctic carrier well

*Bowhead Transport Company specializes in remote site service and common carriage to coastal villages of the North Slope Borough*

**By Susan Braund**

*For the Alaska-Washington Connection*

**B**owhead Transport Company puts the resourcefulness and adaptability of its Iñupiat heritage into motion. Lots of motion.

The Bowhead group of companies is named for the Bowhead baleen whales that spend their entire lives in and around Arctic waters. The whale, *Balaena mysticetus*, has been declared a federally endangered species, according to the Alaska Department of Fish and Game. Inupiaq people have hunted the whales for centuries, so the endangered status continues to allow limited aboriginal subsistence whaling.

The Alaska Eskimo Whaling Commission, representing 10 whaling villages in northwestern Alaska, manages the hunt. Last year, Alaska Natives harvested 42 bowhead whales. Whale hunting practices and rituals are deeply rooted in their culture, including keeping catches within sustainable limits to preserve the

bowhead tradition for future generations.

"Iñupiat history demonstrates a uniquely collective ability to adapt, survive and prosper," said Dana Kimble, Marketing Manager, "and we consider this a good business model."

Bowhead Transport Company (BTC) is a wholly owned subsidiary of Ukpeagvik Iñupiat Corporation (UIC), the Alaska Native village corporation for Barrow. UIC and its family of companies provide a wide range of services in Alaska, the Lower 48 and Hawaii. Transportation, Construction, Engineering, Oilfield Services, Technical and Professional Services and Communications are some of the corporation's comprehensive services. Bowhead is a Minority Business Enterprise, organized as a Vessel

Operating Common Carrier.

Incorporated in the State of Alaska, the company's main office is located in Seattle. Bowhead's Alaska-Washington connection is ironclad. "Bowhead offers more than goods and services, we link people," said Kimble. "We provide the

opportunity to learn the history and explore the differences in traditions and cultures, and connect the villages of the North Slope to the communities of Washington State."

BTC has been in the common carriage barge business for 26 years, servicing the coastal villages of the North Slope Borough on the Arctic Slope of Alaska. "We have extensive experience transporting building and construction materials, heavy equipment and container loads of annual stores for the

---

*Iñupiat history demonstrates a uniquely collective ability to adapt, survive and prosper; and we consider this a good business model. —Dana Kimble, Bowhead Transport Marketing Manager*

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A forklift unloads cargo from the Greta Akpik, one of Bowhead's shallow landing crafts.

village services," said Kimble. "And, it's all landed on the beach and delivered to our customers."

BTC's primary goal of has been to provide, at a fair price, the best service possible to these village communities. Year-in, year-out Bowhead transports 5-7,000 tons of cargo to the Arctic, around the

Arctic and back to the Lower 48."

The company lists its core competencies as: marine cargo transportation, barge and lighterage services, vessel leasing and operations and logistics support. "Bowhead also has experience mobilizing and demobilizing remote site construction and clean-up jobs," added

Kimble.

**Customer-driven**

Once the ice breaks up North — normally about July — Bowhead's Transport gets busy with three intense months of summer shipping from Seattle to the villages, many of which are not accessible by land.

In addition to servicing the villages, Bowhead's core clients are the North Slope Borough and the oil industry (Pioneer Oil, ENI Petroleum, Shell Oil, Conoco Phillips, FEX LP / Talisman Energy). "Much of our North Slope business is project-based, depending on what construction project is going on at the time," said Kimble. "For instance, we helped deliver the goods for Barrow's new football field and the hospital."

**Remote site fleet**

Bowhead provides a full complement of marine transportation solutions including common carriage, contract and charter services. Customized services include staging in Seattle, critical path loading, receiving and materials tracking.

Remote site service is Bowhead Transport's specialty, "Not many companies have the determination or where-

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### Corporate values based on Inupiat legacy

Our Bowhead companies look to the legacy of North Alaska for values to guide our contracting efforts. The Inupiat who inspire us are a resilient people whose survival in a harsh environment requires mutual reliance, determination, adaptability, and strength of character. These qualities are significant components of the Bowhead business ethic.

Successful whalers possess a deep-seated appreciation for effective planning, a common direction and cooperative action. Over many centuries we've developed a robustly supportive culture that we now bring to our business endeavors. It is founded on the following principles:

Aviktuaqatigiigòiq - Sharing responsibilities ~ Acts of generosity always return to the giver. Bowhead customers can depend upon and exceptional level of service. Only by serving our customers proficiently do we serve ourselves

Ilagiigòiq - Respecting relationships ~ We understand what we do and our connections to our customers. We respect government's intent when representatives seek contractor solutions and are dedicated to providing those solutions eagerly and with expertise.

Paamaagigòiq - Cooperation ~ Together, we can accomplish anything. Bowhead personnel listen. We discern problems, develop solutions, and work efficiently toward those solutions, communicating with customers every step of the way

Paaqtaktautaiòòiq - Avoidance of conflict ~ People are our strength. Bowhead's strong management controls encourage us to work positively and ethically with our customers for mutual accomplishment and to recognize conflict as a deterrent to progress.

—Susan Braund

withal to go where we go" said Kimble. Our specialized, custom built vessels can reach remote sites in western and arctic Alaska and through our

relationships with various carriers in the Lower 48, we have the capacity to do just about anything."

Bowhead has access to ves-

sels up to 4000 horsepower and barges to 330 feet allowing the company to complete projects anywhere within the Pacific Rim and Alaska. "With this advantage," said Kimble, "we are able to be flexible in operations and give our customers the benefit of a very competitive rate structure."

### Lighterage and beach operations

The Bowhead fleet includes a full complement of cargo handling equipment for unloading, beach operations and inter-village transfers. The double-duty line haul barges are equipped with a 125-ton Manitowoc crane and Hyster 650 forklift for cargo handling aboard, and on and off the line haul.

To further facilitate its lighterage operations, Bowhead built two shallow draft landing craft — the Sam Taaalak in 1997 and the Greta Akpik in 1998 — both named in honor of Native elders. Combined with all terrain, articulating forklift loaders capable of handling up to 35,000 pounds, the lighterage/beach operations take the cargo off the line haul barge for the final half-mile to the beach and delivery to customers. "Utilizing these shallow draft landing craft," said

Kimble, "Bowhead can service locations unnavigable by deeper draft tow boats and barges. They've made us even more adaptable."

Years of experience have gone into modification of the cargo fit-for-purpose handling equipment, according to Bowhead.

BTC can provide:

- Heavy lift capacity, articulated, all terrain forklifts
- Bulldozers for ramp and site preparation
- Tractor trailer combos
- 20- and 40-foot containers
- Special trailers for modular housing
- Mobile cranes

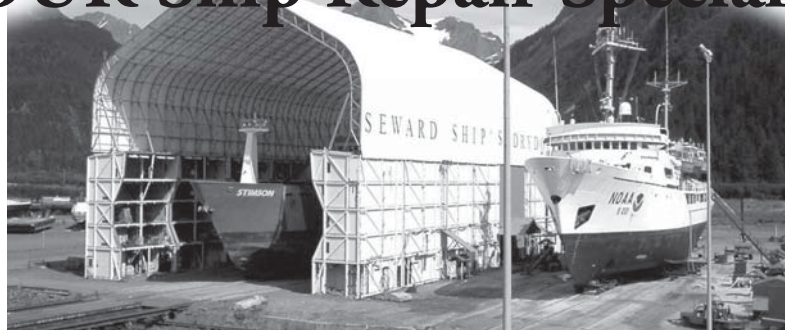
"Our seasoned crew are experts in their field, each with more than 15 years experience in cargo handling in the Arctic and nearly every other village on the coast of Alaska," said Kimble.

Alaska Eskimo whalers use handheld weapons and skin boats propelled by paddles to pursue bowheads for the spring hunt and motorized boats in the fall, demonstrating their ability to adapt. Similarly, Bowhead Transport adjusts its services and equipment according to need. "We take pride in our ability to complete virtually any job," said Kimble, "even under the most adverse conditions." ♦



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# TransCanada leaps out of starting gate

Canadian pipeline operator draws on expertise in Anchorage, Puget Sound for preliminary work on Alaska gas pipeline project

By Rose Ragsdale

For the Alaska-Washington Connection

Now that the State of Alaska has awarded a license to TransCanada Corp. for building a pipeline to market North Slope natural gas, the Calgary, Alberta-based company is pursuing plans it outlined to Alaska officials in securing the green light for the project,

Work is already under way even though the legislation that authorizes TransCanada to take the lead in developing the gas line does not take effect until after Thanksgiving, 91 days after Alaska Gov. Sarah Palin signed the bill into law Aug. 27.

After the license has been signed by Alaska's commissioners of Natural Resources and Revenue, TransCanada will be reimbursed under terms of the gas line legislation for a portion of its expenses on the project. Capital cost of the pipeline is expected to exceed \$26 billion (in 2007 dollars).

TransCanada is now focused on moving ahead with project development, including engineering, environmental reviews, regulatory reviews in Canada and the U.S., aboriginal relations and commercial work, according to a company spokeswoman.

The pipeline operator hopes to conclude an initial open season to ascertain interest in pipeline among potential gas shippers by July 2010.

If the open season attracts enough shipping commitments from gas producers or future producers, TransCanada will apply for approval of the Federal Energy Regulatory Commission to use pre-filing procedures by April 2011; and to apply for FERC certificates of public convenience and necessity (CPCN) to authorize the construction and operation of the Alaska Section of the pipeline and gas treatment plant by October 2012. In addition to the FERC CPCN approval, other major regulatory approvals are required for the project.

"We would expect the FERC to issue certificates of public convenience and necessity authorizing the construction and operation of the Alaska Section in June 2014," said Cecily Dobson, a TransCanada spokeswoman. "Construction of the project would begin after regulatory approvals are received in (the fourth quarter of) 2014. We would expect the pipeline to be in

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*The pipeline operator hopes to conclude an initial open season to ascertain interest in pipeline among potential gas shippers by July 2010.*

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# Heavy duty cold-weather supplies work year-round

*Triumvirate tackles the Arctic: Jackovich Industrial and Construction Supply, custom manufacturing and Seattle suppliers keep rigs running in the North*

**By Susan Braund**

*For The Alaska-Washington Connection*

**J**ackovich Industrial and Construction Supply is one of the toughest industrial supply players in the North. Owner Buz Jackovich knows what products and supplies work in extreme conditions. In fact, he probably had a hand in their development. With 39 years experience in the North, Jackovich has become expert at industrial solutions. His knowledgeable team regularly advises contractors about what type of arctic hoses to use for rigs, the dig teeth needed for a permafrost loader, the type of cables for rigging, right down to the right oil and grease to keep equipment moving in extreme conditions.

"We give them our best advice from extensive experience," said Jackovich. "We have become experts in operating equipment in cold climates. Our reward is that what we sell works



Buz Jackovich, owner of Jackovich Industrial and Construction Supply

for our customers and they save time and money.

"For conditions in Alaska, Canada and Russia, contractors need rubber hose to flex and bend at minus 60 degrees Fahrenheit while the coldest temperature it's designed for is minus 40 F. So, we're always looking for new lines and equipment and ways to make it work here. We talk to the manufacturers and chemists about producing exactly what we need for the Arctic, whether it is oil, grease or hoses. It's easier than modifying existing products."

For instance, with the Fisk Brothers in Ohio the company developed a low-temperature, special Arctic grease that can still be pumped at 50 and 60 below zero, Lubriplate Mag I, now in

*continued from page 43*

## TRANSCANADA

service by September 2018."

### No time to waste

Though the gas pipeline's projected startup is at least a decade away, TransCanada is wasting no time getting started. The company has let contracts for aerial photography to Aerometric Inc., which has offices in Anchorage and Seattle, engineering planning to Colt Engineering, which has offices in Calgary and Anchorage, and environmental planning to ENSR, which has three offices in the Puget Sound area and one in Anchorage.

TransCanada also plans to hire a number of contractors to assist with technical, regulatory and commercial work in preparation for the planned open season in 2010, Dobson said.

In addition, Port of Anchorage officials report that TransCanada contractors have visited the port recently to review its expanding capabilities.

As for Alaska, Washington State and northwestern Canada business communities interested in encouraging development of the Alaska gas pipeline project, Dobson said they "can continue to support the project publicly and politically, as well as assist TransCanada in specific contractor roles as required." ♦



Alaska Analytical Laboratory is an environmental lab performing the following services: soil analyses for Gasoline Range Organics (GRO), BTEX (Benzene, Toluene, Ethylbenzene, and Xylene); Diesel Range Organics (DRO) and Residual Range Organics (RRO) following the SW-846 EPA/Alaska Methods.

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ALASKA



*“We’re always looking for new lines and equipment and ways to make it work here. We talk to the manufacturers and chemists about producing exactly what we need for the Arctic, whether it is oil, grease or hoses. It’s easier than modifying existing products.” —Buz Jackovich, owner Jackovich Industrial and Construction Supply*

use for 29 years.

Over the last 39 years the industry has changed. “The equipment is bigger now,” said Jackovich. “A lot of it has gone hydraulic, which is a problem in cold weather. We solve this with custom lubricant, special hoses and fittings.”

**Transitioning from tractors**

When Joe Jackovich and his nephew Buz purchased Seattle’s Western Tractor in 1969, they renamed it Jackovich Tractor and opened the flagship store in Fairbanks. During the ’70s their products and services were instrumental in supplying materials needed for the

trans-Alaska oil pipeline and its camps.

“We were the very first ones for oil and gas and we were one of the first for roads and airstrips,” said Buz, “getting equipment up north so they could develop Prudhoe Bay. We worked with the pipeline contractors on the first road and provided the first drilling supplies on the first well.”

Jackovich recited an anecdote from early pipeline days: “Frontier Rock and Sand, owned by Tennessee Williams, was building the first road to Prudhoe, sending CAT trains out of Fairbanks. They were crossing rivers and lakes and equipment dropping through

**MAJOR LINES CARRIED AT JACKOVICH STORES**

Buz Jackovich prides company success on “Service is our specialty” and services many of the products the company sells, including warranty repair service on some lines.

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**Bethlehem Steel wire rope** — wire rope made in the USA from 1/16-inch to 1-1/2-inch for hoist and crane ropes, winch lines, bridles and slings made to your specifications.

**Black Cat Blades** — ISO 9001 certified.

**Civacon/OPW** — fuel handling equipment, nozzles, cam locks and truck

transport equipment.

**Desa/Master Heaters** — all sizes available from 50,000 Btu to 300,000 Btu diesel, fuel or forced air and warranty service center.

**Enerpac** — high-pressure hydraulic technology and integrated solutions.

**G H Hensley** — bucket teeth for loader and backhoes. Jackovich can fit all models and carries a huge inventory of teeth and earthmoving components.

**Graco Lubrication** — lube dispensing equipment and air operated grease pumps, hose reels, grease guns and zerks.

**Husky Corp.** — gas and diesel nozzles in automatic and manual, leaded and unleaded with arctic seals for tough Alaska con-

*see LINES page 46*

**NORTHWEST IRONWORKERS EMPLOYERS ASSOCIATION**

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continued from page 45

## LINES

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Jackovich Industrial and Construction Supply has opened this new location in Wasilla.

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the ice," said Jackovich. "So he needed winch lines and cables right away! I remember heading to the shop at 2 a.m., to make up chokers, trying to wrap them up in small enough balls to fit into a small Bush plane for the flight north. Believe me, 175 feet of 1 1/4-inch wire rope is heavy and bulky! We've always done what it takes for our customers."

In the 1980s the name changed again to Jackovich Industrial & Construction Supply, Inc. to better describe their services. Today, 39 years later, Jackovich continues to serve the petroleum, timber, mining and construction industries. When the elder Jackovich passed away in 2000, Buz became the sole owner and his son Troy now works in the business.

Jackovich commands loyalty. "Those early companies are still our customers," he said. "They stick with us because we know our business. And, old customers, now working in Russia, call us for advice and products."

### Serving the state

The company, which stocks well over \$3.5 million in inventory and employs more than 40 Alaskans (80 at peak season), has four locations in Alaska: two in Anchorage, one in Fairbanks and a new store in Wasilla.

The Anchorage stores are Jackovich Industrial and Construction Supply and The Parker Store. Jackovich Industrial provides construction supplies, especially for arctic conditions, and the Parker Store specializes in hydraulic hoses and fittings that help customer applications work faster, cleaner, smaller, quieter and more efficiently. The Fairbanks store is a mix. The Wasilla location, opened in 2007, is doing well with Stihl products, pumps, generators, stoves, rigging, and general hardware.

"Our new store in Wasilla is doing very well! Anchorage was expanding, people were moving to the (Matanuska) Valley, so we decided to supply them," said Jackovich. "Four of our Anchorage employees were already commuting from the Valley, so we were able to open with experienced employees. It was a win-win for everyone."

For our 40-year anniversary next year, we're looking at ways to thank our customers and suppliers for helping us grow. We rely heavily on our Washington connections, the companies that stock products for us," said Jackovich. "We often need things in a hurry or overnight, so we appreciate all our suppliers."

Jackovich extends an offer to new companies coming to work in Alaska's harsh environment: "We can make your life and operations a lot easier. Don't learn the hard way; let us save you time and money and share what we know. If you need to keep your wheels movin' at 60 below, call Buz." ♦

# Airline protects its ‘bread and butter’

*50 percent hike in costs prompts Alaska Airlines to cut flights, lay off up to 1,000 workers; but no cutbacks in plans for Alaska*

**By Rose Ragsdale**  
For Alaska-Washington Connection

**A**laska Airlines has refrained from increasing fees for its passenger and cargo services in the state of Alaska even though the cost of keeping its airplanes aloft has jumped 50 percent during the past year.

“Alaska is a huge part of our business, both in passenger and cargo services, and in a lot of areas, there are no roads” said company spokeswoman Marianne Lindsey. “We’re maintaining our flight schedule. In many communities we serve in Alaska, we’re almost considered a utility, so we haven’t increased our fees despite the increase in fuel costs we’ve experienced.”

The Seattle-based air carrier followed the industry by increasing its fees in the Lower 48, including charging passengers for a second bag, and cutting its flight schedule by 8-15 percent.

After losing \$50 million during the first six months of 2008, the airline said it needed to take “decisive action.”

But the changes will not extend to Alaska, according to Lindsey.

“We consider Alaska our bread and butter, and we’re protecting the state,” she said.

The belt-tightening is also forcing Alaska Airlines and its sister carrier, Horizon Airlines, to lay off up to 1,000 employees, including pilots, cabin crew, technicians and service



Alaska Airlines has outfitted its aircraft fleet to adjust to passenger and cargo demand in Alaska, which the Seattle-based airline considers an integral portion of its business.

COURTESY OF ALASKA AIRLINES

staff. The job cuts represent about 10 percent of the workforce, and will begin Nov. 9.

Alaska Airlines CEO Bill Ayer recently told reporters that “the one-two punch” of record oil prices and a weak economy, on top of increased competition, has hurt.

“Regrettably, a reduced schedule means we need fewer employees,” he said.

It could have been worse. The airline is adding flights to Hawaii and Minnesota, but its flights around the fringes that are getting cancelled, such as red-eyes and some weekend flights that lose too much money.

The cutbacks, however, will not affect flights or services in Alaska, Lindsey said.

In Alaska, “we’re continuing to keep our fares low so people will continue to fly in this economy,” she added.

## Runway software to enhance safety

Despite the higher fuel costs, the airline is moving forward with at least two planned upgrades, installing runway collision avoidance technology and providing

access to the Internet for passengers aboard all of its aircraft.

In the first safety move of its kind on passenger jets, Alaska Airlines recently said it

will install Runway Awareness and Advisory System, or RAAS, in cockpits. The technology is designed to guide pilots through what seems routine on the ground, but can be

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very dangerous.

Regulatory agencies, airlines and others in the aviation community regard runway incursions as one of the industry's biggest safety issues.

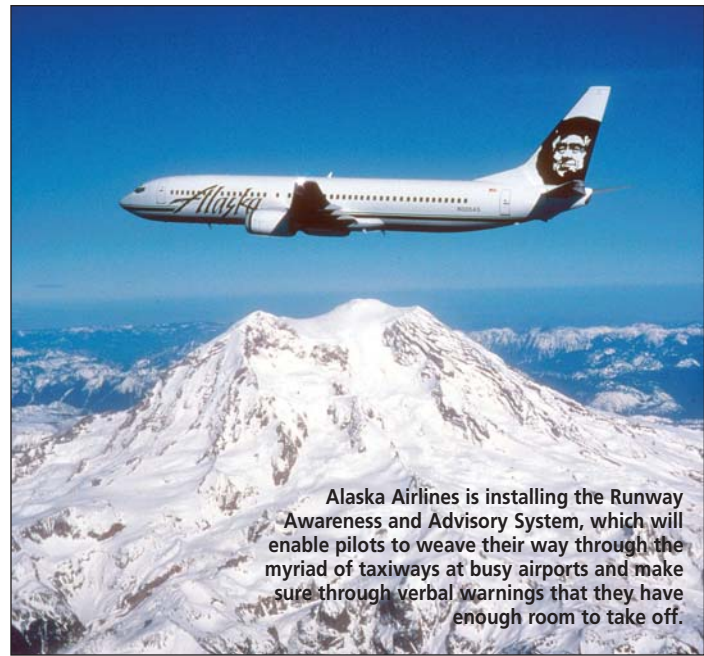
This summer, for example, an AirTran Boeing 737 landed at Sea-Tac International Airport from Baltimore when Northwest Flight 106 was departing for London. Airtran was supposed to hold its place, letting the Northwest Airbus take off. Instead, investigators say without clearance, the Airtran jet crossed in front, leaving the Northwest pilots barely enough space to pull up. An estimated 728 people have died in runway accidents between 1996 and 2007.

Installing the Runway Awareness and Advisory System, will enable Alaska Airlines pilots to weave their way through the myriad of taxiways at busy airports and make sure through verbal

warnings that they have enough room to take off.

"Runways are a challenging environment where everything comes together," said Gregg Saretsky, Alaska Airlines' executive vice president of flight and marketing. "RAAS is the latest step in Alaska's ongoing journey of innovation with Honeywell. By putting this advanced situational awareness technology on all of our planes, coupled with other systems we have in place, Alaska will be flying the most technologically modern airline fleet in the United States, and our pilots will be assured of an additional layer of safety while on the nation's runways."

Alaska Airlines began installing RAAS on its Boeing 737s in July after working with Honeywell to make sure the technology met the carrier's specific operational needs. During the past three years, Alaska pilots have helped develop and test



COURTESY OF ALASKA AIRLINES

Alaska Airlines is installing the Runway Awareness and Advisory System, which will enable pilots to weave their way through the myriad of taxiways at busy airports and make sure through verbal warnings that they have enough room to take off.

RAAS.

The Wall Street Journal reports Alaska Airlines has adopted four of the nine possible pilot warnings. Makers Honeywell told the newspaper that the system doesn't tell you whether there is another plane on the runway, but technology companies are working on that. Alaska Airlines planned to have its entire fleet of 737s (112) outfitted by the end of September.

#### Internet access to woo customers

Alaska Airlines is also moving forward with plans to install Internet access for passengers in all of its aircraft. After working with technology developer Row 44 of California for more than a year, the airline plans to roll out the service by the end of 2008, according to Lindsey.

Though it has researched several pricing scenarios, Alaska Airlines is considering offering free Internet connectivity aboard all 114 of its aircraft in an effort to inspire customer loyalty.

The Internet system uses a constellation of Hughes satellites to communicate with the planes. Each aircraft will be

equipped with an antenna and a computer that will transmit the broadband content via Wi-Fi "hotspots" aboard the plane to individual customer electronic devices.

The Row 44 system will provide about 45 megabits per second bandwidth to each aircraft, compared with about 3 megabits per second for ground-based systems. That's enough bandwidth to allow every passenger to connect, if they chose to do so. Research has shown that up to half of a plane's passengers are likely to log on with gaming devices, Blackberries and/or laptops.

The airline will continue to prohibit use of cell phones.

The airline isn't looking at the satellite-based Internet service so much as a source of additional direct revenue for the airline, but rather as a way to differentiate the airline's service from that of its rivals, he said.

Alaska could become the first U.S. airline to equip its whole fleet for Internet service if its spring test flights prove the service technically feasible. At least two other U.S. airlines and Air Canada also have announced plans to provide airborne Internet service. ♦

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# Colville meets industry's pressing needs

*Firm develops innovative oily waste recycling plan and builds North Slope Ultra Low Sulphur Diesel mega tank farm*

**By Susan Braund**

*For Alaska-Washington Connection*

Colville Inc.'s Alaska-Washington connection is positive, productive and provides a win-win. In a turn of innovative alchemy, the company transforms oily waste from the North Slope into highly efficient electricity for eastern Washington in the Spokane area.

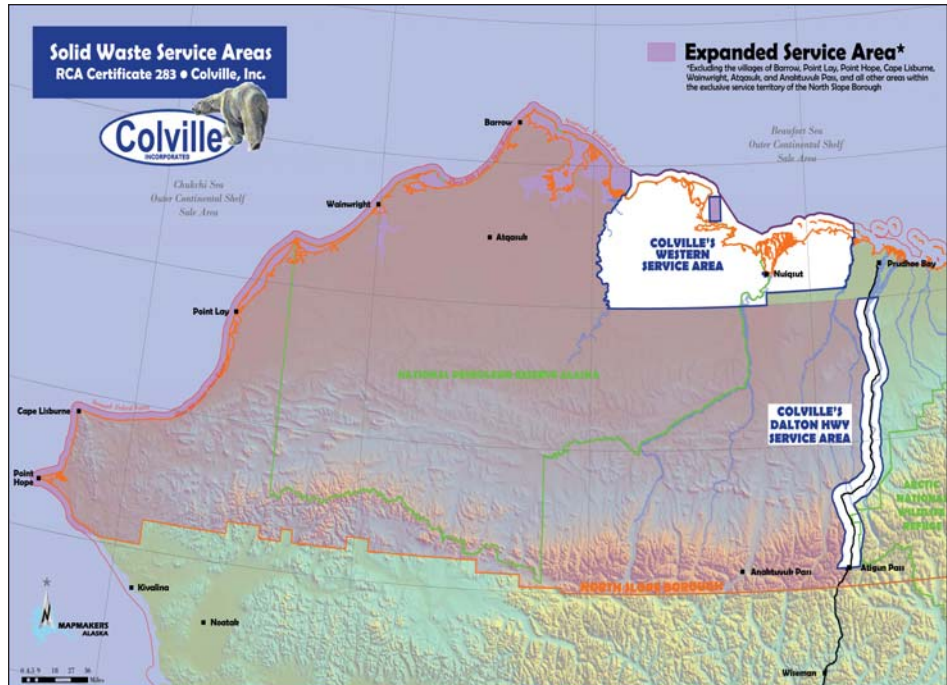
In another effort to meet North Slope needs, the company is constructing a mega tank farm to store enough federally-mandated Ultra Low Sulphur Diesel fuel to keep the oil industry running in the Arctic.

"We always strive to add value to any project Colville undertakes," said Becky Gay, Colville's vice president of business development. "These projects are good for the environment, the companies and Colville, and they demonstrate our ability to innovate solutions to meet unique Arctic situations."

Founded 27 years ago by Bud Helmericks, father of current Colville President and CEO, Mark Helmericks, the industrial service company provides essential supplies and services across the entire North Slope, including fuel supply and delivery, logistics, solid waste management, industrial supplies, hardware, parts, tools, contract services and a general store.

**Solid waste management**

Colville provides solid waste and recycling services across Alaska's North Slope. A recent expansion approved by the Regulatory Commission of Alaska extended solid waste service parameters from the border of the Arctic National Wildlife Refuge on the east to Point Hope on the west and offshore to the Beaufort and Chukchi Seas, creating one of the largest regulated service territories in the



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COURTESY OF COLVILLE INC.

View from the top: Colville President and CEO Mark Helmericks inspects the company's new Ultra Low Sulphur Diesel (ULSD) tank farm. The tanks will receive the traditional blue and white paint and logo treatment next summer.

United States.

The Dalton Service Area extends from Prudhoe Bay south to Atigun Pass, and includes the highway corridor, service roads, pump stations, and areas within five miles of each side of the roadway.

"The North Slope Borough could not handle the area's solid waste with its existing fleet, so Colville forged a way to handle solid waste. And, we pioneered recycling efforts of

oily waste on the slope," said Gay. "Where the industry goes we go — oil industry customers wanted recycling, so we stepped up. Our eventual recycling goal is zero landfill disposal."

Colville's waste management services fall into three categories, according to company resources: Municipal Solid Waste (MSW), Construction Debris (CD), and Recyclables.

MSW usually comes from

kitchens or camps, and is characterized by wastes that may attract animals. Collection bins are designed to keep animals from feeding on or scattering the contents.

CD usually comes from warehouses or construction sites and contains materials that do not attract animals and is not susceptible to wind scatter such as pit liners, drill cuttings and crushed concrete.

MSW and CD wastes are disposed at the North Slope Borough Oxbow Landfill.

Recyclables include metal, wood, tires, cardboard and oily waste. Each of these material streams have specialized bins and handling procedures. Recyclables, except wood, are shipped to permissible facilities in Anchorage or outside of Alaska, and now oily waste is shipped to Washington State.

North Slope waste is directed into two streams: the

direct-bury stream and the recycle stream. Colville has found a way to divert oily waste away from the direct-bury stream to avoid burying it in the landfill. "We put it into the recycled stream," said Gay. "Colville collects and compresses the oily waste, ships it in lined containers, and then delivers it to Spokane's Waste-to-Energy Plant, where it is burned to produce electricity."

The plant burns it and likes it.

"The waste produces high-end heat, lots of Btus," said Gay. "At the plant they call it 'hot bullets.' It's a great performing fuel!"

The Oxbow landfill is the single municipal landfill on the North Slope.

"By recycling the high-volume and hard-to-compress oily waste, Colville has added years to the landfill's lifespan. "When the landfill is full, it will be a huge complication

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to the oil industry; extending the life of the landfill is essential to oil production," Gay said. "So the more we can recycle the better."

**Fuel services**

Fuel for the oil fields and aviation is Colville's cornerstone business.

"We started out in fuel; we've always been the distributor for the Slope," she said. "Oil companies can't sell fuel to themselves; we are the middle man."

Colville, Inc. has established decades of experience supplying and delivering bulk fuel throughout the North Slope oil field, including local villages. Jet fuel and avgas is provided at Deadhorse, plus the company operates the furthest north gas station on Alaska's highway system, for industrial clients, tourism and the villages. This station has a chip-key system for frequent users and accepts major credit cards.

"The fuel station is its own little niche, a small but very critical part of the

big picture," said Gay. "We import unleaded gas for vehicles as the Tesoro franchise."

In response to a federal mandate to use ULSD fuel, Colville is building a 1.8 million gallon C-Plan storage facility. "The oil companies stepped up to use ULSD on the North Slope sooner than the rest of the country," Gay said.

*"In response to a federal mandate to use ULSD fuel, Colville is building a 1.8 million gallon C-Plan storage facility. The oil companies stepped up to use ULSD on the North Slope sooner than the rest of the country." —Becky Gay, Colville's vice president of business development.*

The move to use ULSD is aimed at lowering diesel engines' harmful exhaust emissions and improving air quality. By December 2010, all highway-use diesel fuel offered for sale in the United States must be ULSD fuel. Two grades of the ULSD fuel, arctic and non-arctic, are made by Tesoro. The fuel is not made all year, so "you have to get it when it's made," accord-

ing to Colville.

ConocoPhillips Alaska Inc. was set to build a ULSD plant on the North Slope, but due to tax considerations and other changing parameters, they pulled out,

causing some concern in the oil community.

"It's tough to get enough of the fuel on the road and distributed before ice roads melt," said Gay, "so Colville stepped up to build the mega tank farm."

The spill safeguard standard for fuel storage of this type is secondary containment, or the capacity to contain 110 percent of the largest tank. Colville is not stopping there.

"In the new tank farm Colville is going well above requirements to tertiary containment. We re-graded the whole gravel pad," said Gay. "If secondary containment is breached, it will be zero discharge into the waters of the United States, or the wetlands, due to the extra preventative measures of tertiary containment."

The project timeline is to transition to fill new tanks and decommission the old tanks by the end of the year.

"We feel good about the tank farm," said Gay. "Colville's owner Mark Helmericks grew up on the North Slope and feels strongly about the environment. He made the call . . . another example of our willingness and ability to respond quickly and safely to our clients' needs in remote areas." ♦



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# Carriers join quest for seafood quality

*Alaska fishermen who seek fast but less expensive methods for shipping their fresh catch to Lower 48 markets get new options*

**By Rose Ragsdale**

*For Alaska-Washington Connection*

**T**ransportation companies in the Alaska-Washington trade are working to come up with faster and

more efficient ways for commercial fishermen to move fresh, wild Alaska seafood to Lower 48 markets. And some carriers are developing innovative strategies for assisting the state's seafood shippers in their ongoing quest for better production

quality.

This year, Saltchuk Resources Inc., parent company of 22 different operating companies, including Totem Ocean Trailer Express Inc. and Northern Air Cargo, launched a new service aimed at taking advantage of the various strengths of the businesses grouped under its corporate umbrella.

Instead of transporting fresh fish by air or by ocean, TOTE and NAC have combined their expertise with the help of Alta Air Logistics to create a unique hybrid service.

Family-owned Carlisle Transportation Systems, which specializes in heavy haul trucking services in Alaska, came up with another winning strategy for moving fresh Alaska seafood to the Lower 48 quickly.

Thanks to such innovations, Alaska fishermen who formerly had to make a trade-off between slow or pricey can now ship their fresh catch using a third, perhaps, more desirable option.

## Hybrid shipping makes inroads

Saltchuk's service got its start March 29 when NAC flew 27,600 pounds of fresh halibut from Kodiak Island to the its warehouse in Anchorage, where a pre-tripped, 40-foot TOTE refrigerated trailer awaited transfer of the fish and about 5,500 pounds of additional halibut from other sources.

From there, the halibut-laden container was loaded onto TOTE's vessel, the M.V. Midnight Sun, and departed Anchorage on Sunday, March 30. The product was successfully delivered to North Pacific Seafoods in Seattle on Wednesday, April 2.

"If a halibut is well-cared-for from the time it leaves the water, it has a 30-day shelf life," said Curt Stoner, sales manager for TOTE. "For a salmon, it's 14 days."

The new combined air-ocean service delivered that first shipment of halibut from Kodiak to the Pacific Northwest market in 108 hours, or just four and a half days.

Another Saltchuk company, Alta Air Logistics, contributed to the success of that first shipment by coordinating the

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By Kay Cashman and Kristen Nelson

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efforts of the two sister companies to provide a seamless transportation service.

NAC officials said feedback from the customer was very positive. The product reached Seattle faster than would have been possible on a direct ocean shipment and the delivery was competitively priced.

"This transportation speed leads to a higher quality of product and creates more value for our customer," said NAC Account Manager Mike Liland.

Stoner said the companies offered the same type of coordinated service during the summer salmon season in places such as Bristol Bay, Cook Inlet and Prince William Sound.

He said the unique seafood harvesting season in Cook Inlet and Prince William Sound pro-

vided a few opportunities for fishermen to try out the service.

Alaska.  
"We had less than a dozen moves, but we're hoping it will grow as the market comes to understand the service," Stoner said. "We recognize that direct flights are the best option, but it's also the most expensive. The cheapest service would be shipping the fish by barge, but that is very slow. What we're offering is in between these services and it is priced accordingly."

**Rapid road service**

Hauling fresh fish over the Alaska Highway is a service that Carlisle has perfected.

Using team drivers, the trucking company can deliver fresh seafood from Anchorage

to Seattle in 52 hours and to Minneapolis in 85 hours, said Carlisle President Linda Leary. "We can get the fish to the East Coast in five days," Leary said. "In the past, the only choices fishermen had were to ship the fish canned or frozen by steamship or barge."

But more recently, that has changed. "For us, it's a new service," said Leary. "And our customers seem to like it. In the past, they might have flown their fish to market. This just gives them another option."

To cope with higher fuel costs, Carlisle tacks on a fuel surcharge that changes weekly rather than institute permanent rate increases, she added.

**Seeking transportation synergies**

TOTE's Stoner also said the seafood transportation service is just one example of how Saltchuk's Alaska- and Washington-based sister companies are collectively marketing their services and offering combined logistic solutions that create better value for customers.

"When you own and operate your own refrigerated con-

tainers, you find that south-bound opportunities to fill that space are quite limited," Stoner said. "With this product, we're trying to find a niche between straight ocean freight rates and air freight rates."

Besides TOTE, other Saltchuk companies that serve Alaska

include:

- Delta Western Inc., an independent distributor of lubricants and petroleum products in

Alaska, Delta Western serves southeast, central and western Alaska.

- Inlet Petroleum Co., a fuel and lubricant provider serving Alaska Railbelt markets.

- Foss Maritime Co., a global marine company, offers tug, barge and lightering services in Alaska.

- Alta Air Logistics: The newest of the Saltchuk companies, Alta Air Logistics provides innovative logistics and transportation services for clients in Alaska and around the world.

- Northern Air Cargo, an air carrier with a fleet of three 737 aircraft that specializes in reaching rural Alaska and Fairbanks, as well as Anchorage. ♦

*The product was successfully delivered to North Pacific Seafoods in Seattle on Wednesday, April 2.*

**IN BRIEF**

**Award is given to TOTE for company recycling efforts**

Totem Ocean Trailer Express, a major shipper that serves Alaska, has won recognition from the Washington State Recycling Association, claiming that organization's 2008 Recycler of the Year Award. Nine other companies, institutions and individuals also received awards.

TOTE was honored in the category of "Recycling Achievement" for implementing a companywide recycling program that includes dock workers, ship crews, and office staff.

A privately owned shipping company serving Alaska's freight and cargo market since 1975, TOTE operates a fleet of five roll-on/roll-off cargo ships offering twice-weekly service between ports in Tacoma and Anchorage.

In May 2007, TOTE began its recycling initiative by putting comprehensive recycling programs in its two Washington State offices. A month later, the shipper expanded the effort to include its maintenance, stevedoring and longshore operations at the Port of Tacoma.

The company collected wood, cardboard, paper, plastic, steel, tin, and beverage containers, and then expanded the program to include its vessels. During the first year of the program, TOTE reduced its landfill waste by 88 percent and cut its solid waste costs by 60 percent — thousands of dollars every month.

Formed in 1976, Washington's recycling association represents a diverse recycling community that articulates its mission as providing leadership and education that fosters the expansion, diversity and economic vitality of recycling as part of sustainable resource management.

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# Firm offers reliable high-tech solutions

*Wostmann and Associates systematically develops innovative IT services that apply across government, industry and regions*

**By Susan Braund**

*For the Alaska-Washington Connection*

Recognizing the growing technology needs and increasing complexity of Alaska businesses, Bob Wostmann and other information technology (IT) professionals in Juneau, Alaska started Wostmann and Associates, Inc. (WAI) in 1984.

Today, WAI consultants average 15 years of industry experience in their respective fields, and WAI is actively engaged in an average of 30 projects at any one time.

Karen Morgan, company president and CEO, who managed IT projects for the State of Alaska for 20 years at the deputy director and director levels, now carries the Wostmann banner. "I bring some understanding of the state's needs, requirements and IT infrastructure, and we've been able to maintain long-standing contracts with the State of Alaska as well as entities of the federal government and in Washington state. On average we have sustained 10-year long-standing relationships with each of our clients, of which more than 90 percent have re-engaged."

With offices in Juneau and Anchorage, WAI has focused the last decade on positioning the firm as a reputable, reliable and innovative Alaska based IT consulting firm, providing cost effective, tailored systems and services. In addition to government contracts, the company provides IT support and service in a variety of arenas, including transportation, fisheries and data security projects, including a records security project for a pipeline services company.

The Anchorage office has expanded in the last two years because there was an

increasing demand for more cost effective IT solutions there and WAI was ready and able to fill those needs. Further, the company has launched operations in both Texas and California. Plans are in progress for more expansion in all three locales.

The professional analysts and programmers at WAI are the key to the company's success. According to Morgan, "They are intrinsic to our growth. They are extremely dedicated people, always interested in updating skills and abilities through classroom instruction, current IT technical journals and publications and on the job training."

## Alaska-Washington Connection

"We've been doing a lot of exciting work with the fishing industry recently," said Morgan. "Fisheries are integral to the economies of Alaska and the Pacific Northwest; because many of the fishing vessels and processors involved in Alaska fisheries are based in Washington and Oregon. More specifically, we're working closely with multiple state and federal fisheries management agencies (i.e., State of Alaska Department of Fish and Game, National Marine Fisheries Service and

International Halibut Commission) to design and imple-

ment systems to support interagency portfolios. Translated, that means developing an electronic reporting system — one system — to serve multiple agencies reporting fish data and fisheries management information systems."

Previously, fish processors were required to report landing data to three separate fisheries management agencies through largely paper-based reports. Each had different reporting rules and requirements. "Reporting results were disparate and generally not timely, which had implications for fish allocation and management in Alaska, Washington and Canada," said Morgan. "Now, with the single point of interface, processors enter the data once and the system provides



**Karen Morgan,**  
President and CEO,  
Wostmann and  
Associates, Inc.



## WAI SERVICES

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- Q/A, Mentoring, and Project Management
- Business Process Definition

the reporting needed. We are a step closer to consistent and timely data, and we're proud of it! Although processors were required to retrain their personnel to enter data electronically, most love the new system."

WAI implemented the single entry system first into the crab fishery, expanded it to the halibut and ground fish fishery, and has recently been awarded the contract for the salmon fishery.

"The technology and concepts of the system are transferable," said Morgan, "and we can take any multiple uses of data and produce a reporting system for various functions. It could be applied to defense, transportation and industry."

## Partnering

The company philosophy reads: IT managers and technicians in Alaska reflect the pioneering, can-do spirit of the state population. WAI is comprised of a diverse group of individuals, each contributing specialized expertise in a cohesive unit to serve the Alaska community.

In an effort to offer its customers the most comprehensive information tech-



nology services, WAI partners with a wide variety of vendors and IT experts. Through partnering, WAI has been awarded contracts in 12 of 17 IT categories with the State of Alaska and has assisted over 45 government agencies throughout Alaska.

“Alaska has many talented IT professionals, but one element that sets us apart from other IT concerns is that we are big on partnering,

whether it’s with agencies, businesses or consultants,” said Morgan. “We partner more than any IT firm in Alaska, which allows us to focus on the best, holistic solution for our clients.”

WAI partners with anyone who has the expertise needed to suit the client, including accounting and financial firms, attorneys, oil industry experts and IT specialists. “We are a systems implementer,

not a product provider — we’re here to get the best solution, not to sell products. We’ll never recommend a solution that we do not believe is right for you; a desirable outcome for our client is more important than following the latest IT trend. So, we search for the best products and services and sometimes it’s quite a mix.”

Wostmann’s primary partner in every case is the client. With its team approach, WAI works side by side with the client to enable ownership of the IT solution and expertise for ongoing maintenance. “We try to make the transition seamless,” said Morgan, “by backing our service one hundred percent and offering the implementation, support and training you need to manage any system that we develop or install for you.”

**Private sector productivity**

The company creates practical results for customers

*WAI partners with anyone who has the expertise needed to suit the client, including accounting and financial firms, attorneys, oil industry experts and IT specialists.*

through the informed use of information technology, using solutions based on a solid understanding of the client’s business needs, business culture and technical environment.

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# Law firm excels for clients, employees

*Perkins Coie attorneys draw on Alaska, Washington resources to raise the bar in getting results in and out of Alaska's court*

**By Rose Ragsdale**

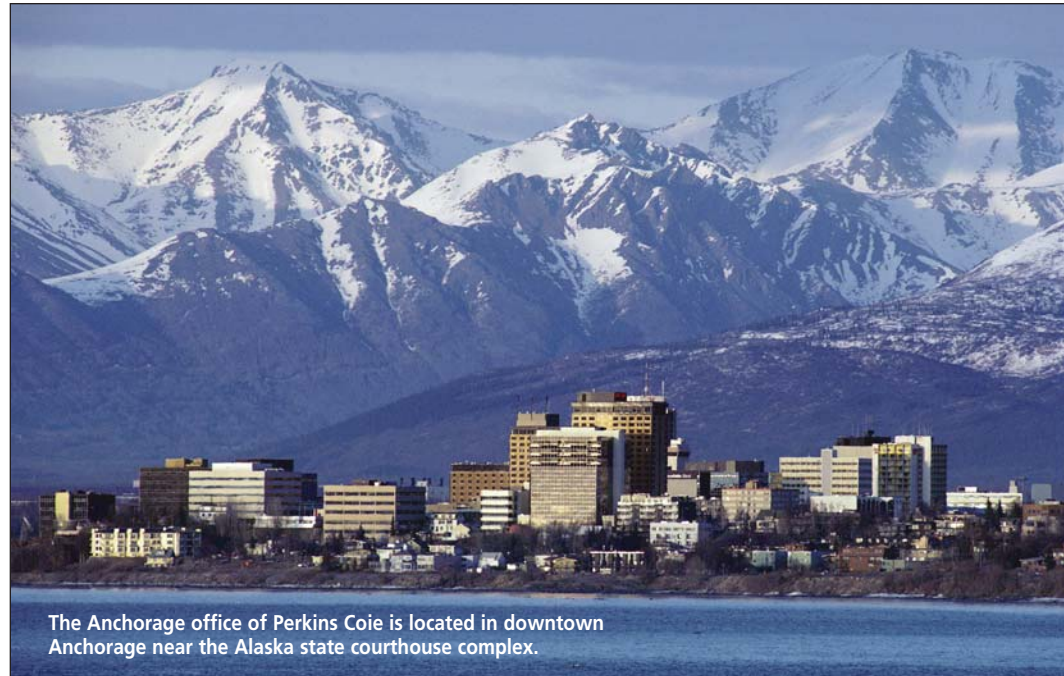
*For Alaska-Washington Connection*

**S**eattle-based Perkins Coie served Alaska clients for years before it became the first major law firm in the Lower 48 to establish an office in Anchorage in 1977. In the ensuing 30+ years, the firm has continued to deliver stellar legal services in the Last Frontier while developing a top quality work environment for its employees.

With 700 lawyers in 15 offices nationwide, Perkins Coie is known for distinguishing itself both inside and outside the courtroom.

Professionally, the firm maintains an active energy, environmental, natural resources, project permitting and development practice that focuses on the mining, oil and gas, timber and related industries. It also has thriving practices that serve clients in a variety of other industries such as representing Alaska Native corporations and Fortune 500 companies in government contract matters, governmental investigations and labor and employment disputes as well as representing public and private owners, general contractors, subcontractors, suppliers, architects, engineers and consultants in construction matters. The firm also maintains a litigation practice, which includes product liability defense and air crash litigation.

Perkins Coie is rated highly by its clients for the quality of its legal services, according to Eric Fjelstad, Perkins Coie's managing partner in Anchorage. This strength stems from two key factors: a



The Anchorage office of Perkins Coie is located in downtown Anchorage near the Alaska state courthouse complex.

COURTESY OF PERKINS COIE

strong emphasis on quality and service that starts at the top of the firm and permeates throughout, and an extremely collegial culture that emphasizes collaboration in support of client needs.

## Premier record in Alaska

In addition, Perkins Coie has been ranked by Chambers USA in the first band for law firms in Alaska for labor law and environmental law for the past five consecutive years.

In fact, a list of the law firm's caseload reads like a

who's who for Alaska's business community.

Numerous past cases range from representing Ketchikan Pulp Company through the shutdown and cleanup of its pulping and logging operations to representing the

University of Alaska in an overturned arbitration award for the Alaska Community Colleges Federation of Teachers against the university because arbitrator's decision was in error.

The firm's current work includes ongoing representation of Coeur Alaska in the development of the proposed

Kensington Gold Mine near Juneau and defense of a challenge to its tailings facility in federal courts, as well as representation of North Slope producers on oil and gas matters

and efforts to commercialize Alaska's vast natural gas resources.

So what is the secret of Perkins Coie's success?

Two things, according to the firm.

"First, we strive for excel-

lence in everything we do. Second, our lawyers understand that our clients' legal needs are based on their business needs. We take the time to learn our clients' businesses and industries so we can provide practical advice that will help them achieve their goals," said Fjelstad.

"We are optimistic about the future of Alaska, and we seek out high-quality attorneys to meet our clients' growing needs in the energy, mining, construction, litigation and government contracts areas," he added.

## Success starts at home

But in some ways, the real measure of Perkins Coie should be taken inside the firm's offices and not outside.

For the sixth consecutive year, Perkins Coie was selected in January to be one of Fortune magazine's "The 100 Best Places to Work For." This year the firm was ranked 55th, an improvement over a ranking of 64th in 2007.

*For the sixth consecutive year, Perkins Coie was selected in January to be one of Fortune magazine's "The 100 Best Places to Work For." This year the firm was ranked 55th, an improvement over a ranking of 64th in 2007.*



When the list was announced, Perkins Coie Managing Partner Robert E. Giles said the law firm works hard to recruit talented, dedicated people who provide outstanding service to its clients.

"It is important to us that those people feel that they work in a rewarding environment in which they can grow their careers. This distinction with Fortune magazine is validation of our commitment to providing that environment for our employees," Giles said.

But recognition doesn't stop there.

Perkins Coie is regularly recognized for its accomplishments in the legal profession and its commitment to excellent client service. In 2007, the firm was ranked a leader in 11 practices, with No. 1 placements in eight key markets across the country by ChambersUSA. Also, 117 of its attorneys from offices across the United States were selected for inclusion in the 2008 edition of The Best Lawyers in America.

To pick the "100 Best Companies to Work for," Fortune surveys a minimum of 400 randomly selected employees from each company. The survey asks questions related to their attitudes about the management's credibility, job satisfaction and camaraderie. Two-thirds of a company's



Eric Fjelstad is managing partner for the law firm of Perkins Coie in Anchorage.

score is based on survey responses. The other third of the scoring is based on the

company's responses to a culture audit, which includes detailed questions about pay and benefit programs and a series of open-ended questions about hiring practices, methods of internal communications, training, recognition programs and diversity efforts, etc.

Working Mother magazine also singled out Perkins Coie in August for recognition as one of the "2008 Best Law Firms for Women." Joined by national consulting firm Flex-Time Lawyers LLC, the magazine cited the firm's commitment to the retention and advancement of women employees.

"Perkins Coie understands that careers should be about choices, not trade-offs. We value the working mother and have worked hard to create an environment in which women can succeed professionally without feeling they have lost personally," said Theresa Cropper, director of diversity and professional development at Perkins Coie.

"From our flexible options, affinity groups, and mentoring programs to our efforts to advance women to leadership positions within the firm, we are committed to helping our women attorneys successfully navigate their work and family lives," she added. ♦

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# Head hunter grows with winning strategy

*Focus on employment candidates gives Opti Staffing Group a competitive advantage in making Alaska-Washington business connections*



Mike Houston, Avonly Lokan and Ron Hansen founded Opti Staffing Group nearly nine years ago.

**By Rose Ragsdale**  
For Alaska-Washington Connection

**S**eldom does a company buck the trend by moving southward from Alaska to expand. That's the case with Opti Staffing Group.

Launched nearly nine years ago by Avonly Lokan in Anchorage with partners Ron Hansen and Mike Houston, Opti Staffing now boasts offices in Tacoma and Seattle, Wash.; Lake Oswego and Northeast Portland, Ore.; and a new location opened in June in Chicago.

The company provides businesses with skilled and professional personnel on a direct-hire, temp-to-hire and temporary basis.

Opti operates using a candidate-centric approach, meaning that instead of focusing on getting job orders and trying to find candidates, the firm constantly evaluates talent and markets the individuals to its business contacts, according to company literature.

With a distinct focus on long-term placement, Opti has three divisions to best serve the needs of its clients: skilled trades, operations and executive recruiting. It handles customer service, administrative, accounting/finance, management and skilled trades positions.

Opti works with clients in a variety of industries, including manufacturing, distribution, construction and professional services.

The firm's top priority is to make personality matches between the candidates it represents, and the clients it serves.

"Skills are teachable; being who you are, is not," the company said.

But how did Opti come by its unusual business strategy? Lokan and co-founders Hansen and Houston actually learned the business of personnel placement in the 1980s and 1990s working for Lokan's mother, Shirley Adams, at Seattle-based Adams and Associates.

"She inspired me to be in this business by being passionate about what she did helping people," Lokan said in an interview.

Lokan was sent to Anchorage to oversee Adams' Alaska office, met her husband and chose to stay. Years later when the business was sold, Lokan opted to open her own recruiting/staffing firm.

"When the company was sold, I decided to move on. My moth-

er advised me to follow my heart."

Houston and Hansen, who by then, were also managing offices for Adams in Portland and Seattle chose to join Lokan in the new venture.

Today, Lokan is president; Houston is vice president of sales and marketing; and Hansen is vice president of operations.

see **OPTI STAFFING** page 60

## **INBRIEF**

### University of Washington MBA program mines Alaska for brain power

Discerning Alaskans who seek a high-quality experience obtaining a master's degree in business administration should consider the Executive MBA Program at the Michael G. Foster School of Business at the University of Washington.

The 21-month graduate course gives students the astonishing flexibility of requiring classroom attendance only once a month, September to June, and summers off. Students meet with their instructors on UW's Seattle campus in 3- to 4-day sessions and otherwise communicate via the Internet.

The faculty posts assignments, projects and exams on the Internet and students, in turn, post their homework and take exams online. They also participate in virtual study group meetings and talk to instructors and each other online, too.

Program Executive Director Louise Kapustka said the program attracts students from all over the Pacific Northwest, including Alaska.

"We have students from Washington, Oregon, Idaho and even California. This year we have a student from New York," Kapustka said. "If I'm lucky, we get two to three people coming from Alaska, most often from Anchorage. There's something special and different about people from Alaska, and having a diverse group of students makes for richer conversations. Plus, it gives our graduates a greater network of good people across the country.

Kapustka travels to Anchorage twice a year in January and October to conduct information sessions where she and other program alumni who live in Alaska extol the benefits of the UW MBA experience.

Some 40 to 45 students participate in each of four formats, two for both years of study, giving the program a total enrollment of about 180.

The two-year program currently costs \$71,500, which includes tuition, books, other fees, lodging and breakfasts and lunches during class days. Transportation and dinners on class days are extra.

Kapustka said most students pay the majority of the cost of the program themselves.

"It's a big commitment on their part, but we think it is worth it," she said. "And it's warmer in Seattle."

—Rose Ragsdale

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# HITACHI

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# Savvy merger paves way for contractor

*Price Gregory Services takes up where H.C. Price left off, offering wider range of infrastructure construction, related services*

**By Rose Ragsdale**  
For Alaska-Washington Connection

**W**hen longtime oilfield service contractors, Dallas-based H.C. Price Co. and Houston, Texas-based Gregory & Cook Construction Inc. merged in January to create Price Gregory Services Inc., few could have predicted the recent market meltdown and the ensuing credit tightening that is already beginning to hinder the operations of many businesses.

But H.C. Price Chairman Charles Price and Gregory & Cook President Paul Gregory, both savvy construction industry veterans, made just the right move in bringing together companies that happen to be two of North America's largest contractors with the equipment and capability to build large-diameter pipelines.

With foresight that, no doubt, has sparked envy among their peers, Price and Gregory have created a leading provider of infrastructure services with a focus on pipeline construction and related services.

They also equipped the company for the future, recruiting a new generation of top managers and soliciting an equity investment from SCF Partners, an energy-focused private equity firm, to help finance Price Gregory's future growth.

Price and Gregory, meanwhile, will

take seats on the company's board as directors.

"The merger was very timely for market conditions," said Dave Matthews,

Alaska area manager of the new company.

The winning strategy resulted in Price Gregory Services attracting about \$1.5 billion in revenues this year and lining up work out to 2012. This includes seven new projects in the

Lower 48 and two in Canada.

In Alaska, the larger company has given the former Price Alaska division access to capital, which made it possible to add more than 70 pieces of equipment, including new cranes, welding equipment and two Watson air drills, Matthews said.

Price Gregory also recently got a commitment from ENI to build a \$40 million pipeline project that will link to shore a

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*Price Gregory also recently got a commitment from ENI to build a \$40 million pipeline project that will link to shore a manmade island that the oil independent is building to develop the Nikaitchuq oil field offshore from the North Slope's processing facilities.*

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*continued from page 58*

## OPTI STAFFING

Opti Staffing employs more than 64 workers, including 14 people in Anchorage.

The firm attributes its success entirely to the candidates it places in good jobs, and notes that the philosophy has allowed the firm to continue to grow.

Adds Opti: "Many people believe the current situation with the economy can have an adverse effect on business. We believe our service is even more valuable because the investment in employees can help companies sustain their competitive advantage during downturns in the economy." ♦

manmade island that the oil independent is building to develop the Nikaitchuq oil field offshore from the North Slope's processing facilities.

"It's the largest pipeline project on the North Slope," Matthews said.

The contractor is also completing a second year working on upgrades for Alyeska Pipeline Service Co. for its ballast water treatment facilities at the marine terminal of the trans-Alaska oil pipeline in Valdez.

**Poised for expansion**

Price Gregory consistently performs leading-edge engineering procurement construction projects for clients in Alaska, Canada and the Lower 48. The company's history dates back 86 years to oil pipeline construction's earlier days before World War II.

Thanks to the merger, the company is now in a better position to serve its existing clients through a larger asset

base, greater geographic coverage and expanded management depth. Its services include oil, gas and products pipeline construction, metering and valve station installation, cleaning, repair, DOT hydrostatic testing and maintenance services, power generation, pump, and compressor stations erection and road boring.

"Our core competency is mechanical-electrical related pipeline projects, electrical power and process facilities, and infrastructure installations," Matthews said.

After 32 years of working in the state, the Alaska division provides turnkey services to oil and gas companies on the North Slope, building new energy transportation infrastructure. The Anchorage division also offers pipeline and facility maintenance services. They also provide general contracting services in the construction of power generation facilities in the state of Alaska



Price Gregory Services Inc. recently completed a pipeline construction project for independent Pioneer Natural Resources Co., which began producing oil in June from the 90-million-barrel Oooguruk unit on the North Slope.

COURTESY OF PRICE GREGORY SERVICES INC.

"Price Gregory is now twice as big (as each predecessor company) with more capabilities than the sum of the parts," observed Matthews.

The combined company also will serve as a strong foundation to build a broader midstream infrastructure provider that will seek to add complementary services to its existing portfolio of capabilities.

With this goal in mind, Price and Gregory recruited two top executives - John Jackson and Lee Beckelman,

formerly president and chief executive and chief financial officer of Hanover Compressor Co., respectively — to join its corporate management team.

Jackson and Beckelman will be responsible for leading the company's future strategic growth and financing initiatives.

Tom White, formerly president of Price, became chief operating officer of the new company, while Price and Gregory became directors of the company. ♦

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COURTESY OF SEATTLE REPERTORY THEATRE

"The Three Musketeers," by Ken Ludwig and directed by Kyle Donnelly, is playing in the Bagley Wright Theatre of the Seattle Repertory Theatre through Nov. 15. "You Can't Take It With You," by George S. Kaufman and Moss Hart, and directed by Warner Shook, is set to open Nov. 28 and run through Jan. 3, 2009.

# Things to do in Seattle: Dramatic arts

*The Emerald City offers visitors a potpourri of live entertainment, including some of the nation's finest theatrical experiences*

**By Rose Ragsdale**  
*For Alaska-Washington Connection*

If you ever find yourself with a free evening or two in Seattle, keep in mind that the city is a veritable "mecca" in the Pacific Northwest for cultural and dramatic arts.

Or perhaps, your company plans to convene its next meeting in Seattle, and is looking for an inspirational venue to highlight the gathering.

The Emerald City has a wealth of museums, theaters and other attractions to entertain leisure and business travelers in style. Whether big attractions such as Seattle Theatre Group's Paramount Theatre, 5th Avenue Theatre or Museum of Flight; medium-size venues such as the Seattle Art Museum, Seattle Repertory Theatre or The Village Theatre, or cozy settings like Seattle Theatre Group's Moore Theatre, Experience Music Project, Bellevue Arts Museum, Burke Museum of Natural History and Culture, Intiman Theatre, and Seattle's



COURTESY OF THE 5TH AVENUE THEATRE

No wood was used in the 5th Avenue Theatre's interior except for the stair banister and lobby furniture. The décor is all plaster covering a steel and cinder-block base. The center dome in the 2,000+ seat auditorium is a suspended plaster ceiling. In the event of an earthquake, the dome moves and swings independently so it will not to crack the structure of the building.



COURTESY OF THE INTIMAN THEATRE/PHOTO BY CHRIS BENNION

Intiman Theatre's annual production of the gospel songfest, "BLACK NATIVITY," is a celebration of the holiday season for all faiths, offering gospel favorites (performed by powerful soloists and a full choir) and dance (from traditional to tap). This year, the production runs from Nov. 29-Dec. 27.

Children's Theatre, Seattle has something for everyone.

Other notable attractions include the Seattle Aquarium, Woodland Park Zoo and Pacific Science Center.

Here's a summary of some of the best that Seattle has to offer in live entertainment:

Seattle Repertory Theatre, one of the largest and most renowned regional theatres in the country, produces a mix of classic comedies, recent Broadway hits and cutting-edge new dramas in two theatre spaces. Since its founding in 1963, actors like Lawrence Fishburne, Lily Tomlin, Samuel L. Jackson, Meryl Streep, Richard Gere, Richard Chamberlain, Jessica Tandy, Christopher Walken and many more have "walked the boards at the Rep." Winner of the 1990 Tony Award for Outstanding Regional Theatre, Seattle Repertory Theatre has premiered plays by August Wilson, Neil Simon, John Patrick Shanley, Wendy Wasserstein, Sarah Ruhl and many others, and some of the world's top directors, designers and artisans bring its shows to life. Its 2008-2009 productions include "The Three Musketeers" by Ken Ludwig, "You Can't Take It With You" by George S. Kaufman and Moss Hart, "The Night Watcher" by Charlayne Woodard and "Breaking Hearts and Taking Names" by

Kevin Kling and Simone Perrin.

Intiman Theatre, one of the nation's top theaters, is defined by a boldest vision in the production of classics and new plays. Winner of 2006 Tony Award for Outstanding Regional Theatre, the Intiman's work is characterized by exceptional acting, rigorous storytelling and luminous designs. The theatre is known for its talented cadre of artists who have made their homes in Seattle as well as nationally recognized artists who perform the Intiman's productions. Founded in 1972 by Margaret Booker, who named her company after a small theatre in Stockholm founded by Swedish playwright August Strindberg, the Intiman means "intimate" in Swedish. From its beautiful performance space to the layers of programs and events that have made the theatre a gathering place for its audiences, the experience of the Intiman is unique, intimate and exhilarating. This season's recent productions include "The Year of Magical Thinking," a play by Joan Didion based on her memoir, "Crime and Punishment," adapted by Marilyn Campbell and Curt Columbus from the book by Fyodor Dostoyevsky, and "A Thousand Clowns," by Herb Gardner.

5th Avenue Theatre, a magnificent historic attraction, first opened its doors in 1926. In the early days, people eagerly

lined up for first-class vaudeville shows, featuring top entertainers. The theatre later transformed itself into a popular movie palace. The "5th" fell on hard times in the late 1970s, but fortunately, was saved from a wrecking ball by a visionary group of businesses and community leaders.

Following a spectacular \$2.6-million renovation, the theatre re-opened in 1980, more beautiful than ever. At the opening, actress Helen Hayes declared the ornate theater "a national treasure." Today, 5th Avenue Theatre produces a high-quality program of some 150 musical revivals, premieres of bound-for-Broadway shows, and touring Broadway musicals. The "5th" is the largest theatre employer in the Puget Sound region, annually employing up to 600 actors, musicians, directors, choreographers, designers, technicians, stage hands, box office staff, and administrators. During each performance, 30 to 50 people are working behind the scenes.

Pacific Northwest Ballet, one of the largest and most highly regarded ballet companies in the United States, was founded in 1972. In July 2005, Peter Boal became artistic director, succeeding Kent Stowell and Francia Russell, who served as co-artistic directors since 1977. The company of 51 dancers presents more than 100 performances each year of full-length and mixed repertory ballets at Marion Oliver McCaw Hall and on tour. The Pacific Northwest Ballet has toured to Europe, Australia, Taiwan, Hong Kong, Canada and throughout the United States, with celebrated appearances at Jacob's Pillow and in New York City and Washington D.C. Under Boal's direction, the company has continued to expand and diversify its repertory to include works by Ulysses Dove, Susan Marshall, Mark Morris, Victor Quijada, Twyla Tharp, Christopher Wheeldon and others. The Pacific Northwest Ballet will perform its cherished Stowell/Sendak "Nutcracker" Nov. 28-Dec. 30, celebrating its 25th Anniversary and 1,000th performance. The company's season also includes Peter Ilyich Tchaikovsky's classical ballet, "Swan Lake," April 9-19, 2009. The production is choreographed by Kent Stowell (after Petipa/Ivanov) with staging by Francia Russell.

The Seattle Opera, founded in 1963, is a leading American opera company. It presents the classics of the European repertoire as well as new works of American opera. Seattle Opera performs five operas per year. The company is scheduled to perform Wagner's "The Ring" in January. ♦



# Visitors pan for good times in Alaska

*Vendors, from hotels to the railroad, market the mother lode of unique attractions in the Last Frontier's growing tourism industry*

**By Rose Ragsdale**

*For Alaska-Washington Connection*

In the 1890s, thousands of people sailed north from Seattle to find their fortunes during the Alaska gold rush. More than a century later, multitudes still flock to the Last Frontier, crowding onto cruise ships or trekking north by car, RV or airplane every summer. Only these visitors seek their fortunes in good times, not gold.

Alaska attracts more than 1 million tourists every year, and most of them arrive on cruise ships. A record 835,000 passengers boarded 218 sailings to Alaska from Seattle this year, making the Emerald City the ninth-busiest cruise port in North America, said Port of Seattle spokeswoman Rosie Courtney. She said the activity compared favorably with 2001, when the port saw only 59 sailings carrying 170,495 passengers.

Seattle's cruise market has boomed since new, faster ships have made it possible to offer weeklong, round-trip Alaska cruises. Five major cruise lines — Princess Cruises, Norwegian Cruise Line, Celebrity Cruises, Holland America Line and Royal Caribbean — visit the Port of Seattle. From Seattle, the major cruise lines mostly offer weeklong Alaska trips. But in fall, in particular, there are shorter cruises around the Pacific Northwest; some small cruise lines offer smaller-boat sailings around the Northwest and to or within Alaska.

But what happens when these droves of tourists reach Alaska? How do businesses in the tourism industry entice the visitors to stay or make use of the attractions and services they offer?

## Focus on the incomparable

Successful vendors employ a blend of common sense and creativity by tapping into Alaska's abundant resources of scenic vistas, diverse wildlife, captivating history and engaging people to craft unique experiences and then spread the word about their offerings.

The Alaska Railroad, for example, markets its "GoldStar Service," which offers "the best view from the best train in the world."



COURTESY OF THE ALASKA RAILROAD/J.D. COX

The Alaska Railroad offers unique vacation experiences that capitalize on the state's abundance of scenic natural resources.

The railroad added two new double-deck dome cars to its fleet in May 2005. Two more of the \$4 million luxury dome cars were purchased in 2007 and placed in service on the Denali Star this year in response to high demand.

Railroad officials plan to introduce the popular GoldStar Service on its Coastal Classic train, service from Anchorage to Seward, when the fifth and sixth of the new dome cars arrive in Alaska.

The railroad is also offering new vacation options for the adventure traveler. Itineraries include scenic rail travel and other transportation links to unique experiences that are "off the beaten path." These packages include the "Kenai Deluxe Adventure" and the "Alaska Fishing Sampler" ideal vacation options for the fishing enthusiasts who may be traveling with someone that may not be so enthusiastic about fishing.

These railroad vacation packages can be customized to satisfy any interests. For example, the "Alaska Indulgence" 12 day/12 night package spans from the Arctic Circle to the seaport town of Seward, the gateway to Kenai Fjords National Park. Along the way, visitors "indulge" in Alaska through unique and exclusive experiences in the Denali backcountry, remote fly-in lodges, and the Kenai Peninsula with superb dining and some of the finest tour excursions in Alaska. Accommodations, gourmet dining,

with helicopter accessed guided fishing and hiking options.

A new partnership between the Alaska Railroad Corp. and the U.S. Forest Service provides the public with a distinctive travel and recreational experience found nowhere else in the United States. The first phase of the project includes the opening of the Spencer Glacier Whistle Stop. Plans call for a series of five whistle stop stations where visitors can disembark the train to take a day or overnight trip into the heart of the Chugach National Forest.

In addition, an all-in-one self-propelled car called a Diesel Multiple Unit built by Colorado Railcar will provide the whistle-stop service because it can stop and start in a short distance, is fuel efficient and remarkably quiet. It has the power to pull two additional railcars, the railroad said.

## Selling scenic Sitka

The history of the United States is but a heartbeat in the history of Sitka. The Kiksadi Clan of the Tlingit Indians had lived in and around Sitka centuries before the Russians or Americans ever set foot on the island's rocky shores. Choosing the seaward side of the island they named Shee, the Tlingits called their settlement Shee Atika, which means "people on the outside of Shee." The name Sitka is a contraction.



COURTESY OF SITKA CONVENTION AND VISITORS BUREAU/WILLIAM GREER

Scenic Sitka, the former American capital of Russia, has a colorful history that dates back more than 200 years

The Tlingits thrived undisturbed on their island paradise until 1799, when the Russians arrived. An ensuing fur-trade flourished and the Russian-American Company became the most profitable fur trader in the world. By the mid-1800s, however, over-hunting had diminished numbers of sea otters, and thus, the Russians' interest in the new world. In 1867, the Russians sold Alaska to the United States for \$7.2 million.

Today, the Sitka Convention & Visitors Bureau draws visitors to Sitka in a variety of ways. To reach both sides of the visitor market (convention/groups and independent/leisure) the Sitka CVB places print ads and attends market-segment related tradeshow and conferences. These print ads sometimes come with some type of internet presence such as a banner ad or insertion into an upcoming e-zine or e-newsletter, said Philip Rupeil, director of convention sales for the Sitka CVB.

In addition, the Sitka CVB typically participates in about six tradeshow every year, again targeting both independent/leisure and group/business travelers.

"We also publish about 50,000 vacation planners which are sent out to individuals who call our office or place an online request through our Web site [www.sitka.org](http://www.sitka.org), Rupeil said. The vacation planner is also available to Sitka CVB members that exhibit at tradeshow related to their specific types of businesses.

Recently, the Sitka CVB began airing a new television spot in Alaska aimed mainly at the meetings and convention market, but it is also valuable to the independent traveler market and soon will be used in the Pacific Northwest and California, Rupeil added.

### Promoting popular Ketchikan

What sets Ketchikan apart from other Southeast Alaska communities is its convenience for visitors traveling from the Lower 48. The popular tourist destination is a quick 90-minute flight from Seattle.

Ketchikan officials work with the cruise ship industry, the State of Alaska and others to promote their community as a visitor attraction.

"Our mission is to promote the Greater Ketchikan Area as a visitor destination and meeting site, to enhance the economy of

the community, and assist in promotion of the area's attractions and events," Ketchikan Visitors Bureau officials said.

When possible, person-to-person contact still works better than mass mailings or blanket e-mails, they advise.

"We want our clients to know each is important to us and not just a name on a list," they said. "Alaskans in general respond well to this philosophy. We are a small population and tend to favor personal interaction. This seems to be the case for any of our potential clients."

Ketchikan visitors bring with them numerous misconceptions regarding Alaska, and "while we take them seriously, it is possible to find humor in some of them," said officials of the visitor bureau. "For example, Southeast Alaska consists of islands, only accessible by sea and air. One cannot drive from Anchorage to Ketchikan in a day. Also, Ketchikan is at sea-level, and folks do ask us what level we are on as they stand on the cruise ship docks or overlook the water view.

"This is not to make fun of the questions. They are all valid," KVB officials add.

One tool the Ketchikan Visitors Bureau has generated is a brochure to help educate visitors about some of these misconceptions, and it is preparing a second brochure on the subject.

"Also, we do not take Alaskan money," the KVB adds.

### Hotels lure visitors with amenities

Members of Alaska's hospitality industry distinguish their offerings by marketing their amenities and special services.

The Millennium Alaskan Hotel in Anchorage, for example, promotes its uniquely scenic location on the shores of Lake Hood near Ted Stevens-Anchorage International Airport.

Responding to a growing national trend, the Millennium also caters to guests who travel with their pets.

This hotel is known as the "Home of the Iditarod, so it's appropriate that we accept pets in the hotel," said Bill Remmer, director of sales and marketing for the Millennium.

Rather than tourists, the hotel focuses much of its marketing efforts on business travelers, especially in-state visitors to Anchorage and does television advertising to reach small communities in Alaska.

"Business travelers are our largest segment of guests. We draw from the oil industry, mining, fisheries, all the resources sectors. That's our bread and butter year round," Remmer said. "But we also feel a kinship and tie with Washington because many Alaska businesses are tied to the Seattle and Portland areas because they have operational centers and sales offices there."

Others in hospitality approach their marketing on a broader scale, sometimes with help from sister companies.

Westmark Hotels, for example, is the largest hotel chain in Alaska and the Yukon and operates in some of the most exciting destinations found in the Land of the Midnight Sun, with each hotel reflecting the personality of the community it calls home, its officials said.

"We are proud to be owned and operated by one of the leading cruise line companies in the world, Holland America Line. Our dedicated employees and our unparalleled hospitality create experiences of a lifetime," said Westmark marketers.

The hotel chain attributes its popularity with visitors to its winning culture and dedicated employees along with a strong emphasis on teamwork.

"Through excellence we create once-in-a-lifetime experiences, every time," Westmark said in its mission statement. ♦



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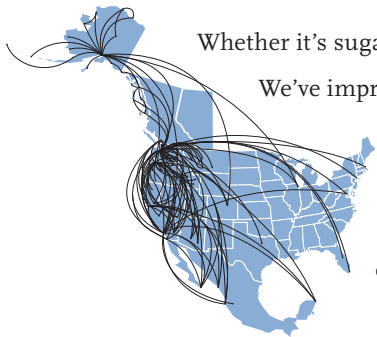

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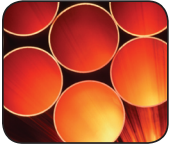
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# DENALI - THE ALASKA GAS PIPELINE



## THE COMPANY

Denali was formed by ConocoPhillips and BP in June 2008 to construct a pipeline to monetize Alaska's North Slope gas resources. BP and ConocoPhillips have decades of Arctic, Alaskan and Canadian experience. The strong balance sheets of Denali's owners and the experience of the personnel staffing Denali make the company uniquely qualified to undertake this effort.



## PROJECT OVERVIEW

The Denali project is being designed to deliver 4 billion cubic feet of clean burning natural gas from Alaska's North Slope to North American markets. The project will consist of a gas treatment plant on the North Slope, a pipeline approximately 2,000 miles long to Alberta, Canada and if required, a 1,500 mile long pipeline from Alberta to Chicago. The current estimated cost of the project is \$30 billion.

The gas treatment plant on the North Slope will remove water, carbon dioxide (CO<sub>2</sub>) and other impurities, making the gas "pipeline ready." The CO<sub>2</sub> will be re-injected, reducing greenhouse gas emissions. The plant will also compress the gas and chill it to prevent thawing of permafrost near the pipeline. The gas treatment plant will be the largest of its kind in the world.

Five to six million tons of steel will be used to build a 48" to 52" diameter pipeline that will transport the gas. The pipeline will be coated to protect it from corrosion and buried underground. A number of other features will be incorporated into the design to insure safe and environmentally sound operations.



## ECONOMIC IMPACT

The construction and operation of the Denali pipeline will lead to the creation of a multitude of jobs and business opportunities. With the market access Denali will provide, it will also help form the economic basis for gas exploration in hydrocarbon prone regions along the pipeline's route. New revenue from royalties, taxes and the creation of new jobs and businesses will have a long term, positive impact on the economies of Alaska and Canada.



## TRAINING

Denali is committed to facilitate training for jobs associated with the pipeline. In preparation for 2009 fieldwork, Denali is sponsoring a program through the University of Alaska Fairbanks to train archeological technicians and is working with one of Denali's civil contractors to provide surveyor training. Denali is also a member of the Alaska Department of Labor workforce development task force. As the project moves forward, Denali will continue to support opportunities for workforce training.



## ACCESS TO GAS

The Denali route will stretch across areas of Alaska and Canada that currently do not have access to natural gas. Denali has plans to provide at least five offtake points in Alaska and if appropriate, offtake points in Canada.



## 2008 PROGRESS

The Denali team is nearing completion of a comprehensive and successful 2008 work program. Focusing on the area between Delta Junction and the Alaska-Canada border, Denali surveyed over 200 miles of wetlands, investigated 70 archeological sites, shot over 1,700 miles of ortho-photography, shot 730 miles of immersive video, investigated 538 potential stream/river crossings, performed route reconnaissance, opened a field office in Tok, employed as many as 80 people in the field, and began its stakeholder engagement efforts in Alaska and Canada. Denali also progressed work in the areas of route optimization, cost estimates, scheduling and project execution planning; pre-filed with the Federal Energy Regulatory Commission (FERC); filed for a right of way in Alaska with the US Bureau of Land Management; and employed over 60 people in its project engineering and management efforts. Denali estimates that it will spend approximately \$60 million in 2008.



## HEADQUARTERS

Denali has signed a lease for 40,000 square feet of office space in the new 188 W. Northern Lights Building located in midtown Anchorage. Denali will be able to accommodate up to 175 workers in its new offices. A Canadian office will be established in Calgary.



## FUTURE PLANS

In 2009, Denali will conduct additional fieldwork in Alaska and initiate a field program in Canada; award preliminary engineering contracts for the gas treatment plant and the pipeline to refine the project cost estimates; conduct an Alaska gas use study; and continue its stakeholder engagement efforts. Denali's first major milestone is a successful open season commencing before year end 2010. If the open season is successful, Denali will pursue approval by the FERC in the US and the National Energy Board (NEB) in Canada to construct the project. Construction will begin after regulatory approvals are received.

