



This week's Mining News

NEWS NUGGETS
Compiled by Shaw Linsky

NEWS NUGGETS
17

We're no flash in the pan.
For over the last decade, North of 60 Mining News has been covering past, present and potential mining activity in Alaska and northern Canada.

Now available in a weekly format, you can count on timely news delivered to you via print or online. Don't miss another issue, subscribe today!

707.522.4628
MiningNewsNorth.com

ARCTIC WIRE ROPE AND SUPPLY
MADE IN ALASKA
Serving Alaska Since 1983

- Wire Rope Slings
- Nylon/Polyester Slings
- Crane Lines
- Shackles & Blocks
- Chains & Hitched Binders
- Hooks
- Earth Anchor Systems
- Field Inspection/Splicing Services
- Rigging Point Load Testing/Certification
- Mooring/Rope Limes/Rope Splicing

Will low gold prices delay the development of Donlin Gold? Find out more in the July 26 issue of Mining News, inside.

Accumulate/Burgundy plan 2015 well at Franklin Bluffs

An independent which recently began acquiring acreage on Alaska's North Slope south of Great Bear's acreage position along the Dalton Highway plans to drill a core hole before the end of the year.

Burgundy Xploration and joint venture partner Accumulate Energy Alaska are planning to drill a single well from a lease at the Franklin Bluffs pad adjacent to the Dalton Highway by the end of the year, south of where Great Bear has been drilling.

The Alaska Department of Natural Resources, Division of Oil and Gas, said it has received a lease plan of operations permit application and is accepting public comments through Aug. 20.

The companies plan to drill one vertical well, Icewine No. 1,

see **WELL** page 27

Judge tosses part of Furie's bid to beat \$15 million federal fine

Furie Operating Alaska LLC recently suffered a legal setback in its quest to fend off a pending \$15 million federal fine.

The fine stems from an alleged violation of the Jones Act. The act is a shipping law that generally requires the use of American, rather than foreign, ships for transporting "merchandise" between U.S. ports.

In 2011, Furie used a foreign ship to haul the Spartan 151 jack-up drilling rig partway from Texas to Alaska's Cook Inlet, where the company used the rig to explore for natural gas. Furie is now installing an offshore production platform in its Kitchen Lights gas field.

U.S. Customs and Border Protection, or CBP, an agency

see **FINE** page 28

EXPLORATION & PRODUCTION

Approved to start

BSEE issues permits to Shell for top hole sections of Chukchi Sea wells

BY ALAN BAILEY
Petroleum News

On July 22 the federal Bureau of Safety and Environmental Enforcement issued permits allowing Shell to drill the top hole sections of two wells in the Burger prospect in the Chukchi Sea. Shell now has all of the permits that it needs to start drilling.

However, BSEE is prohibiting Shell from drilling into hydrocarbon bearing zones until the company has its capping stack staged, available for deployment within 24 hours if needed. The capping stack, a device that would be placed onto a well head to seal the well should the well's blowout preventer fail during a well loss-of-

control incident, is positioned on the icebreaker M/V Fennica.

The Fennica has had to divert to Portland, Oregon, for a repair to a gash in its hull after hitting an uncharted underwater obstruction near Dutch Harbor. Shell has said that it anticipates the vessel being repaired and transitioned to the Chukchi Sea with the capping stack before drilling operations reach the depths where hydrocarbons may be found.

"Without question, activities conducted offshore Alaska must be held to the highest safety, environmental protection, and emergency response standards," said BSEE Director Brian Salerno. "Without the required well control system

see **SHELL** page 22

If Shell opts to start drilling two wells the company must plug and abandon the top section of the first well before commencing the drilling of the second well, BSEE says.

EXPLORATION & PRODUCTION

Laterals extend Nikaitchuq

A sidetracking campaign is pushing Eni's initial development program into 2016

BY ERIC LIDJI
For Petroleum News

Eni US Operating Co. Inc. might complete its initial development program at the Nikaitchuq unit by the end of next year, according to a recent plan of development.

The American subsidiary of the Italian major had previously projected that the work would be completed by the end of this year, but a program of lateral sidetracks to increase oil production is expected to continue well into 2016, the company said.

This year, Eni intends to drill five wells — three producers (SP31-W7, SP04-SE5 and SP01-SE7) and two injectors (SI34-W6 and SI107-SE4) —

The company completed its initial Oliktok Point Pad program in August 2012 and began continuous drilling from the Spy Island drill site in November 2012 with Doyon Rig 15.

and seven dual lateral producers (SP31-W7 L1, SP04-SE5 L1, SP33-W3 L1, SP30-W1 L1, SP01-SE7 L1, SP16-FN3 L1 and SP23-N3 L1) into the OA reservoir from the Spy Island drill site.

To date, Eni has drilled at least five of those wells and permitted at least four others. The wells include penetrations associated with an expansion

see **NIKAITCHUQ** page 22

NATURAL GAS

Now or never

Canadian industry report stresses urgency of LNG project approvals

BY GARY PARK
For Petroleum News

Liquefied natural gas exports are the only hope of arresting a steady decline of Canadian gas production over the next decade, putting the pressure on governments and regulators to hasten project approvals, said the Canadian Association of Petroleum Producers.

LNG proponents "require timely ... decisions because global LNG competition is fierce and involves many well-established international suppliers," CAPP President Tim McMillan said in a statement accompanying the release of CAPP's 2015 gas forecast and LNG report.

He said that accessing the global LNG market "can strengthen the long-term viability of Canada's natural gas industry and backstop the significant economic benefits it creates for Canadians."

Without export breakthroughs, CAPP forecast that gas supplies from the United States will continue to displace Canadian gas from its traditional markets in Central Canada (Ontario and Quebec), the U.S. Midwest and the U.S. Northeast.

CAPP also said the United States also poses a challenge to Canada's hopes of opening up LNG export markets based on its head start from the flurry of construction of import terminals around the turn of the century.

see **LNG** page 25

contents

Petroleum News

North America's source for oil and gas news

ON THE COVER

Approved to start

BSEE issues permits to Shell for top hole sections of Chukchi Sea wells

Laterals extend Nikaitchuq

A sidetracking campaign is pushing Eni's initial development program into 2016

Now or never

Canadian industry report drives home urgency of gaining approval for LNG projects

Accumulate/Burgundy plan well at Franklin Bluffs later this year

Judge tosses part of Furie's bid to beat \$15 million federal fine

ENVIRONMENT & SAFETY

22 USGS confirms high Arctic coast erosion

On average the Beaufort and Chukchi Sea coastlines are receding, with the highest rates of change on the shores of the Beaufort Sea

EXPLORATION & PRODUCTION

7 DGGS reports on Susitna basin study

Division continues to evaluate the geologic history and natural gas potential of a little explored region to the north of Anchorage

10 Second SAE Cook Inlet seismic approved

Company will gather some 548 square miles of 3-D seismic in lower Cook Inlet; earlier approval for 821-square miles in upper inlet

FINANCE & ECONOMY

27 UAE to scrap subsidized price controls

GOVERNMENT

3 Gardner anxiously awaits Obama visit

Anchorage Democrat says coming months pivotal to advancing Alaska's resource development needs with special session, POTUS arrival

4 AOGCC schedules multiple hearings

4 Michael Brooks heads Corps in Alaska

5 Juggling defense and offense

Industry hesitant to attack Alberta government royalty review for fear of advancing NDP chances in upcoming Canadian election

8 Breaking an impasse

Canada's provincial, territorial leaders set aside feuds, agree on vague national energy strategy, get overshadowed by crude spill

19 District court tosses ANWR appeal

Judge rejects state of Alaska claim that Department of Interior must review state seismic survey plan for refuge coastal plain

20 AOGCC goes with API metering rules

20 Election trumps Arctic trip

20 Rep. Herron chairs PNWER Arctic caucus

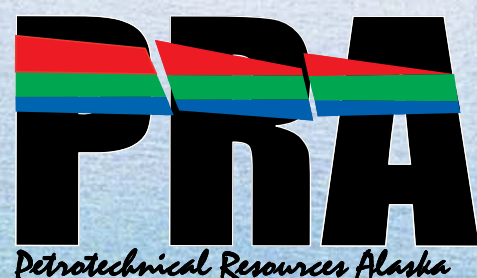
LAND & LEASING

21 June lease report show small transactions

UTILITIES

9 A project with a mission for the state

AIDEA official explains the thinking behind the Interior Energy Project and discusses the history and status of the initiative



Petrotechnical Resources Alaska

Alaska's
Oil and Gas
Consultants

Geoscience
Engineering
Project Management
Seismic and Well Data



3601 C Street, Suite 1424
Anchorage, AK 99503
(907) 272-1232
(907) 272-1344
www.petroak.com
info@petroak.com

GOVERNMENT

Gardner anxiously awaits Obama visit

Anchorage Dem says coming months pivotal to Alaska's resource development needs with special session, POTUS visit

BY STEVE QUINN

For Petroleum News

Sen. Berta Gardner entered the state Legislature in 2005, just in time for what seems like endless debates and discussions on advancing a natural gas pipeline project and continuous rewrite of the state's oil tax policy.



SEN. BERTA GARDNER

Today, the gas line project is known as AKLNG and could be the focus of a special session this fall, a time when lawmakers hope to advance an LNG export project featuring a partnership among the state, North Slope leaseholders ExxonMobil, ConocoPhillips and BP, plus pipeline company TransCanada.

Gardner, an Anchorage Democrat who leads the Senate's minority caucus, talked to Petroleum News about the gas line prospects, her concerns about oil tax credits possibly over taking production profits and the pending visit from President Barack Obama.

Petroleum News: Let's start with the budget. Ever since the governor vetoed tax credit payments, there has been discussion about the need to review the tax credits. First, in general what are your thoughts on that? Are they necessary?

Gardner: Well, you'll remember during the budget hearings and the debate we many times offered amendment to the tax credits. The fact is they burgeoned well beyond what anybody imagined.

The Department of Revenue just told us this morning that since 2007 through the 2015 budget cycle, the state paid out \$7.353 billion in credits. So that's eight years. In the next four years, it's anticipated that we will pay \$6 billion in credits. Clearly, we just can't do that when our severance taxes are negative now. So we are not getting effectively any income on severance taxes because we are writing checks that are larger. So we just can't do that. We can't.

Equally important from my perspective, and I think the governor is thinking the same way, as a legislator and board member for the state of Alaska, if you will, I don't know what we've bought with the billions of dollars that we spent.

I can't say exactly what we bought and the Department of Revenue says taxpayer confidentiality is paramount. I argue state accountability — state fiscal accountability — also has a role. To the extent the taxpayer is sending a bill to the state we should know what we're buying.

I'm not looking for anything that would inhibit their operations or the confidentiality of the things they are doing. It's not a secret to any oil company if somebody is drilling somewhere or if they are building a landing strip or road. They know that. I'm not asking for something that impairs their business plan.

I just think Alaskans should know what we are paying for exploration to a given company, what we are paying for preliminary planning stuff. We should just know what we are buying.

Parallel with that, when we use money

or try to use money to influence behavior we have to have a way of measuring whether we are being effective. If we are not being effective, we need to modify our investments. So without the accountability and disclosures we don't know where we are being effective and where we are not.

Now, DOR could probably tell you that legislators, I believe, could sign confidentiality documents and get much more detail than we otherwise have. But if we can't talk about that detail and use it to generate modifying legislation then it's meaningless.

Petroleum News: Now these tax credits touch on several different tax regimes, even ELF, plus PPT and ACES and SB 21. So some of these tax credits you've supported, so how do you reconcile that?

Gardner: You're right under ACES I did support tax credits. What we did under ACES, you're right, it's a high-risk very expensive field, and we are not going to ask you to do things we are not willing to do ourselves. We'll put our own skin in the game. In return we want more at the high end. Well everybody has lost the high end now. To the extent there is any high end, SB 21 took that away. So what we did effectively is socialize the risk and continue privatizing the huge benefit.

Petroleum News: So what do you propose be done with these tax credits right now?

Gardner: I think we have to pay the ones that we owe now. If we delay some payments a few months, I think that's something that we might just have to do. There is no

reason that every state department, and our firefighters, and our school children, and our parks and all the services Alaskans rely on should be impacted and everybody shares some of the pain except for the oil companies.

That doesn't make sense to me. I understand the unintended consequences from the governor's partial vetoes it

impacts the very people we very most need to help.

That is people who want to be producers but at this point are explorer-developers, and they are the ones who are left in line because of the way the system works. At the end of the year, they submit their spending documents rather than do it quarterly the way the producers do.

So the people who are on the cusp perhaps of being producers, the ones who are really putting in new oil, are the ones who are first hurt. I think what the governor is trying to do is force the Legislature to come to the table and have some serious focus on the whole credit system.

Petroleum News: Still on the budget. There are projects out there still getting funded: Susitna Dam; Juneau Access Road; Knik Arm Bridge. What are your thoughts are on these projects, are you concerned that money is being spread to thin with AKLNG being the purported priority?

Gardner: Well I'm not qualified to speak in any detail about each of the projects the governor has removed his red light on, but my understanding is generally — and broadly speaking — is we use federal dollars for some stuff and if we don't reach certain gates or some points in the project development, there is potential that the feds say you wasted the money, give it back. You didn't do what you said you were going to.

So I know in some cases, at least, we

need to get to completing an EIS study or completing a certain level, and then there are the decisions on whether you go forward or not. So there is some of that at play. Some of it we may feel like we need to gather more information before we decide whether it's a red light, green light or moving more slowly. He did not offer more funding. He is simply allowing them to move forward with funding already allocated.

Knik Arm, I would like to see that project with an arrow through the heart. Personally, and yeah, I think the people in my district feel much of the same way. It's just sort of resuscitates and limps along. I think they have gotten ahead of themselves.

I think there is resentment about the high salaries and things like that. It's been re-organized. It's not something we can afford in the present climate and something we need. Susitna Dam, I'm not so sure about that.

Petroleum News: I noted AKLNG earlier, what are your thoughts on where the project seems to stand right now?

Gardner: We are supposed to, under the statute, hold hearings and meet and authorize the next steps. It's supposed to be in October. My understanding from the oil industry and the Department of Natural Resources, nobody will be ready in October. We anticipate a special ses-

see GARDNER page 26



Since 1982

ALASKA STEEL CO.

Full Line Steel and Aluminum Distributor

Specializing in low temperature steel

6180 Electron Drive
Anchorage, AK 99518
(907) 561-1188

www.alaskasteel.com

(800) 770-0969
Kenai • Fairbanks

Petroleum Equipment & Services, Inc.

is proud to represent
Weatherford Casing Accessories

Anchorage: (907) 248-0066
Prudhoe Bay: (907) 440-0084
Fax: (907) 248-4429
5631 Silverado Way, Suite G
Anchorage, AK 99518
www.pesiak.com

OUR PASSION IS EXPLORATION

SAExploration's passion for seismic exploration has taken it to some of the most operationally demanding and environmentally sensitive locations on the planet. From Alaska and Canada to the jungles of South America and Southeast Asia, SAExploration is meeting the challenge.



WWW.SAEXPLORATION.COM



Petroleum
news

www.PetroleumNews.com

Kay Cashman	PUBLISHER & EXECUTIVE EDITOR
Mary Mack	CEO & GENERAL MANAGER
Kristen Nelson	EDITOR-IN-CHIEF
Susan Crane	ADVERTISING DIRECTOR
Bonnie Yonker	AK / NATL. ADVERTISING SPECIALIST
Heather Yates	BOOKKEEPER
Shane Lasley	NORTH OF 60 MINING PUBLISHER
Marti Reeve	SPECIAL PUBLICATIONS DIRECTOR
Steven Merritt	PRODUCTION DIRECTOR
Alan Bailey	SENIOR STAFF WRITER
Eric Lidji	CONTRIBUTING WRITER
Wesley Loy	CONTRIBUTING WRITER
Gary Park	CONTRIBUTING WRITER (CANADA)
Steve Quinn	CONTRIBUTING WRITER
Rose Ragsdale	CONTRIBUTING WRITER
Judy Patrick Photography	CONTRACT PHOTOGRAPHER
Mapmakers Alaska	CARTOGRAPHY
Forrest Crane	CONTRACT PHOTOGRAPHER
Tom Kearney	ADVERTISING DESIGN MANAGER
Renee Garbutt	CIRCULATION MANAGER
Ashley Lindly	RESEARCH ASSOCIATE

ADDRESS
P.O. Box 231647
Anchorage, AK 99523-1647

NEWS
907.522.9469
publisher@petroleumnews.com

CIRCULATION
907.522.9469
circulation@petroleumnews.com

ADVERTISING
Susan Crane • 907.770.5592
scrane@petroleumnews.com

Bonnie Yonker • 425.483.9705
byonker@petroleumnews.com

FAX FOR ALL DEPARTMENTS
907.522.9583

Petroleum News and its supplement, Petroleum Directory, are owned by Petroleum Newspapers of Alaska LLC. The newspaper is published weekly. Several of the individuals listed above work for independent companies that contract services to Petroleum Newspapers of Alaska LLC or are freelance writers.



OWNER: Petroleum Newspapers of Alaska LLC (PNA)
Petroleum News (ISSN 1544-3612) • Vol. 20, No. 30 • Week of July 26, 2015
Published weekly. Address: 5441 Old Seward, #3, Anchorage, AK 99518
(Please mail ALL correspondence to:
P.O. Box 231647 Anchorage, AK 99523-1647)
Subscription prices in U.S. — \$118.00 1 year, \$216.00 2 years
Canada — \$206.00 1 year, \$375.00 2 years
Overseas (sent air mail) — \$240.00 1 year, \$436.00 2 years
"Periodicals postage paid at Anchorage, AK 99502-9986."

POSTMASTER: Send address changes to Petroleum News, P.O. Box 231647 Anchorage, AK 99523-1647.

GOVERNMENT

AOGCC schedules multiple hearings

The Alaska Oil and Gas Conservation Commission has a number of hearings on its schedule: an Aug. 4 hearing at the request of Cook Inlet Energy on a May 1 enforcement action by the commission; an Aug. 27 hearing on the use of CO2 for enhanced oil recovery at Prudhoe Bay; a Sept. 1 hearing on Point Thomson unit pool rules; and an Oct. 6 hearing requested by Linc Energy Operations on a July 1 enforcement order. All begin at 9 a.m. at the commission's Anchorage offices.

The Aug. 4 hearing is on an enforcement action against Cook Inlet Energy for safety valve system violations on the Sword No. 1 oil well (see story in May 17 issue of Petroleum News).

The commission scheduled the Aug. 27 hearing based on a request from BP Exploration (Alaska), the Prudhoe Bay unit operator, for authorization to inject CO2 at Prudhoe for enhanced oil recovery and to increase the allowable gas offtake rate for the Prudhoe oil pool.

The commission scheduled the Sept. 1 hearing based on a request from ExxonMobil Alaska Production Inc. for pool rules for development of Point Thomson.

The Oct. 6 hearing is on an enforcement action against Linc Energy for lack of data on three wells the company drilled on the west side of Cook Inlet (see story in July 12 issue of Petroleum News).

In each case, written comments will be accepted through the end of the hearing.

—PETROLEUM NEWS

Michael Brooks heads Corps in Alaska

Col. Michael Brooks took over as head of the U.S. Army Corps of Engineers-Alaska District July 16, succeeding Col. Christopher Lestochi who now serves at the deputy commander for the Corps' Pacific Ocean Division.

Brooks, a native of Alabama, became the 27th commander of the district. He is the former deputy chief and engineer planner for the Domestic Operations Division at U.S. Northern Command, Peterson Air Force Base, Colorado Springs, Colorado.

The Corps has a multimillion-dollar program in Alaska that provides engineering, construction, planning, contracting, real estate, emergency operations, environmental and regulatory services to the military, federal, state and local governments, as well as to the public in Alaska.

Lestochi took command of the Corps' Alaska district in July 2012, Brig. Gen. Jeffrey Milhorn, commanding general for the Corps' Pacific Ocean Division, said in a statement. "Through creative and innovative restructuring, Chris avoided a reduction in force, marshaling the talents of the organization to change the financial trajectory and creating future opportunities by challenging us to get better," he said.

—PETROLEUM NEWS



COL. MICHAEL BROOKS
USACE-ALASKA DISTRICT PUBLIC AFFAIRS

exponential possibilities

Exp provides professional, technical and strategic services to the world's built and natural environments in six key practice areas: Buildings, Earth & Environment, Energy, Industrial, Infrastructure, and Sustainability.

To learn more, visit exp.com,
or call us at +1.907.868.1185

exp.



**American Marine
Services Group**

6000 A Street, Anchorage, AK 99518

907-562-5420

Deadhorse, AK

907-659-9010

www.amarinecorp.com • www.penco.org
alaska@amarinecorp.com

**AMERICAN
MARINE
INTERNATIONAL**

- Commercial Diving
- Marine Construction Services
- Platform Installation, Maintenance and Repair
- Pipeline Installation, Maintenance and Repair
- Underwater Certified Welding
- NDT Services
- Salvage Operations
- Vessel Support and Operations

**PENCO
PACIFIC ENVIRONMENTAL
CORPORATION**

- Environmental Services
- Oil-Spill Response, Containment and Clean-Up
- Hazardous Wastes and Contaminated Site Clean-Up and Remediation
- Petroleum Vessel Services, e.g. Fuel Transfer
- Bulk Fuel Oil Facility and Storage Tank Maintenance, Management, and Operations

Anchorage

Honolulu

Los Angeles

● GOVERNMENT

Juggling defense and offense

Industry hesitant to attack Alberta government royalty review for fear of advancing NDP chances in upcoming Canadian election

BY GARY PARK

For Petroleum News

A jittery mood has spread through Calgary, the home base of Canada's oil patch, with industry leaders not sure how strongly to voice their feelings about the Alberta government's upcoming review of royalties.

Some are replaying the fiasco that accompanied the province's last attempt at hiking royalties, causing an outflow of capital investment to Saskatchewan, British Columbia and the United States.

Others prefer to lie low, fearing that any attacks on the socialist New Democratic Party government could, in an erratic political era, lead to the election of a national NDP administration in the Canadian vote scheduled for Oct. 19.

They have reason to fret given the stunning overthrow of Alberta's 44-year Conservative dynasty by the provincial NDP led by Rachel Notley, sending the federal wing of the NDP under Tom Mulcair soaring in the polls.

With voters apparently no longer reluctant to take an ideological swing to the left side of the political spectrum, the oil and gas sector is wary about how far it should go in issuing threats.

Strongest line from CAPP

The strongest line so far has come from Tim McMillan, president of the Canadian Association of Petroleum Producers, who used an opinion piece in the Calgary Herald to remind Albertans what happened in 2007-09 when then Premier Ed Stelmach slapped a 20 percent increase on royalties to achieve what he insisted was a fair return for the owners of his province's oil and natural gas resources.

The industry response was swift and sharp, as TD Securities noted in a recent report, dominated by a drop in the well count to 6,700 in 2009 from 16,000 in 2008, while Alberta government land sales nosedived 25 percent.

According to TD Securities, Alberta's slice of Western Canadian land sale revenues fell to 24 percent in 2008 from 81 percent in 2006, while British Columbia soared to 53 percent from 15 percent and Saskatchewan jumped to 22 percent from 4 percent.

But the capital migration could not be attributed solely to the royalty changes, occurring as it did in the thick of a radical transformation of the upstream sector, spurred on by the use of horizontal drilling and hydraulic fracturing to open up the Bakken formation in Saskatchewan and the vast shale deposits in northeastern British Columbia.

Capital drain

Even so, TD said the 2007-09 experience had "unequivocally shown" that a multibillion-dollar drain on capital spending in Alberta was still the result of a badly timed royalty increase.

Under extreme pressure, which eventually resulted in his ouster as premier, Stelmach made a humiliating retreat when faced with evidence in mid-2009

that only 69 of 602 rigs were working in Alberta by introducing incentives to revive industry activity.

That backing off stemmed from a "competitiveness review" to correct the "unintended consequences" of the royalty changes.

"This is all about people keeping their careers, whether it be engineering, all the professions, and all the supports, the rig workers, the motel operators, the people who repair tires and trucks in small communities," Stelmach said. "It's all based on how we can support further activity in the oil and gas industry."

McMillan said in his opinion piece that the Notley ordered review follows a 20 percent hike in corporate taxes (along with tax hikes for those earning more than C\$125,000), higher carbon taxes, a

boost in the minimum wage over three years to C\$15 an hour from C\$10.20 and tougher environmental regulations. (The direct impact on oil and gas companies over the next two years is estimated at C\$800

million).

He said the industry is not strong enough to withstand even more costs.

With voters apparently no longer reluctant to take an ideological swing to the left side of the political spectrum, the oil and gas sector is wary about how far it should go in issuing threats.

Mixed signals

Adding to the mixed signals from her government, Notley delivered a speech to the Stampede Investment Forum in Calgary earlier in July that made her sound at times like a voice for the industry.

She said the oil sands — widely labeled as the greatest threat to the environment — "have really emerged as our international showpiece. For more than half a century, Albertans have been coming up with unconventional solutions for an unconventional resource. And I'm here today to emphasize that the province has a government determined to defend this advantage, by being constructive at home and by building relationships around the world."

The government knows "there is only one way to succeed. And that's by supporting a free, open, sustainable and increasingly diversified economy," she said.

Notley did not indicate how that position would stack up with her outright opposition to Enbridge's Northern Gateway pipeline or her refusal to lobby in the United States for TransCanada's

Keystone XL pipeline.

But she promised that her administration would be "consultative and prudent in how we take the province in a different direction," without indicating whether the royalty review was part of that thinking.

Panel review by end of year

The answer on what is in store for royalties is expected to be known later this year after a panel headed by Dave Mowat, chief executive officer of ATB Financial, a government-owned financial institution, delivers its preliminary findings to Energy Minister Marg McCuaig-Boyd.

Although McCuaig-Boyd has offered only sketchy details on what she expects from the panel and how the review will be conducted, Mowat told the Financial Post his goal will be to "create a believable common ground for the people of Alberta, for the politicians, for the department of energy and for the companies that invest here."

Among those companies is the ATB, which has a substantial loan exposure to the energy industry.

Mowat said he hopes to wrap up the review before the end of 2015 to help companies set their capital budgets for 2016 and give the government a clear idea of what it can expect "going forward." ●

Contact Gary Park through publisher@petroleumnews.com

The industry response was swift and sharp, as TD Securities noted in a recent report, dominated by a drop in the well count to 6,700 in 2009 from 16,000 in 2008, while Alberta government land sales nosedived 25 percent.

No one understands Alaska better.
 LOCAL TEAMS SOLVING LOCAL CHALLENGES WITH A GLOBAL PRESENCE.
 Project Design and Management • Regulatory Expertise • Incident Response • Construction Oversight • Habitat Restoration



Contact: Doug Johnson • 907.276.6610 • www.westonsolutions.com
 Providing integrated environmental and engineering solutions for the oil and gas industry





DELTA LEASING LLC

Better Products. Better Service. Better Results.
 Alaska's Premier Leasing Company

Anchorage: 907.771.1300 • www.deltaleasing.com • Prudhoe Bay: 907.659.9056

September 21–24, 2015 | Anchorage, Alaska

11th Annual
ALASKA
Oil & Gas
CONGRESS

PETROLEUM NEWS
 READERS
 SAVE UP TO \$350*

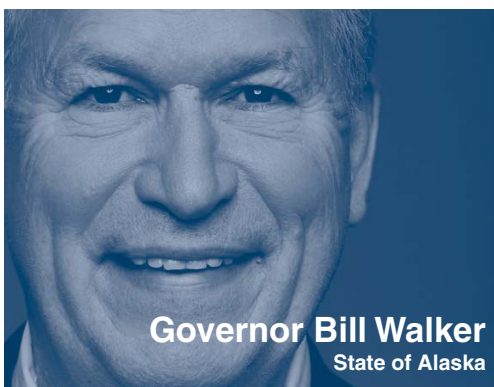
Register by August 25
 for the lowest price
 and be sure to mention
 your registration code
 919CX06

Bringing together *the people, the projects* and
the issues that are shaping Alaska's energy future.

TOP 5 REASONS WHY YOU DON'T WANT TO MISS THIS YEAR:

- 1 One room. A multitude of decision-makers.** Expand your network and meet the key players, influencers and decision-makers that are advancing Alaska as a global energy competitor.
- 2 There is no shortage of new developments to be explored.** With Shell moving ahead offshore, exciting updates from smaller producers and new leadership at the helm, this is the year to convene to discuss these opportunities.
- 3 More than a meet and greet.** Take part in the discussions, get answers and analyze the updates in an unbiased setting.
- 4 Discover ways to capitalize on new opportunities.** Hear about exploration and development on the North Slope, continued rejuvenation of Cook Inlet, port expansions, plans for Alaska LNG and ASAP, and much more!
- 5 Offshore drilling will be moving forward.** This is THE YEAR to get the latest on all of the new opportunities created by offshore drilling and make sure you are capitalizing on them each step of the way.

Hear from a diverse group of expert speakers:



Plus, don't miss unparalleled additional learning and networking opportunities:

Back by popular demand — **Alaska-Japan LNG Opportunity Summit** will give you essential information on the critical needs of the Japanese and Asian energy markets



In-depth seminar — **Offshore Program Infrastructure Support Activities** and find out what it required to move forward

*Petroleum News readers save 10% off the conference fee at the time of registration. Not applicable to summit, seminar and add-on fees. Savings of up to \$350 applies to the regular conference fee of \$2195. Cannot be combined with any other offer or group rates.

REGISTER NOW • 1-877-927-7936 • www.AlaskaOilandGasCongress.com

• EXPLORATION & PRODUCTION

DGGS reports on Susitna basin study

Division continues to evaluate the geologic history and natural gas potential of a little explored region to the north of Anchorage

BY ALAN BAILEY
Petroleum News

Alaska's Division of Geological and Geophysical Services has published some initial results from fieldwork that the agency conducted in the Susitna basin in 2014.

The basin, which lies under a huge area of lowland lakes and muskeg in the Susitna Valley, to the north of Anchorage, is considered prospective for natural gas, especially given the known existence of coal seams in some parts of the basin. But, with few surface rock exposures and few wells drilled, the geology of the basin is difficult to figure out. Since 2011 DGGS has been conducting field surveys and associated laboratory work, investigating the basin — one of the division's missions is to conduct geological research in regions of Alaska thought prospective for oil and gas, with the research results becoming available to people exploring for hydrocarbon resources. With funding from the state Legislature, the DGGS-led team includes scientists from Alaska's Division of Oil and Gas, from the U.S. Geological Survey and from Purdue University.

Initial work confirmed the existence of two sub-basins, the Susitna and Yentna "depocenters," within the overall Susitna basin. And fieldwork focused on reconnaissance surveys of rock exposures along the edges of rivers and in the hills around the basin margins.

Better definition

Field studies in 2014 aimed at better defining the stratigraphy of the basin, the origins of the sediments deposited in the basin and the potential hydrocarbon reservoir quality of Cenozoic rocks seen in outcrops along the basin's western and northern periphery, the new DGGS Susitna basin report says. These rocks are broadly equivalent in age to hydrocarbon bearing strata of the prolific, neighboring Cook Inlet basin. The field team also examined selected exposures of older Cretaceous bedrock, the report says.

The team took samples from all of the

major accessible coal seams known to be exposed at the basin's surface and analyzed these samples to quantify their potential both as an energy resource and for their ability to hold methane, the principle component of natural gas. Additional research included an analysis of data relating to geologic faults on the western margin of the basin and of data collected for the assessment of the linkages between periods of rock uplift, rock deformation and sediment deposition.

From measurements and observations of the Cenozoic rock stratigraphy at three locations at Fairview Mountain and Johnson Creek, on the northwest and west sides of the basin, the team found coal-bearing sediments, thought to be equivalent to the Tyonek formation in the Cook Inlet basin. These sediments appear to have been deposited from sinuous streams that traversed the ancient landscape. Sandstones at all locations appear to have good hydrocarbon reservoir potential, depending on the extent to which the rocks become compacted by burial. Interbedded mudstones could act as effective hydrocarbon seal rocks, the report found.

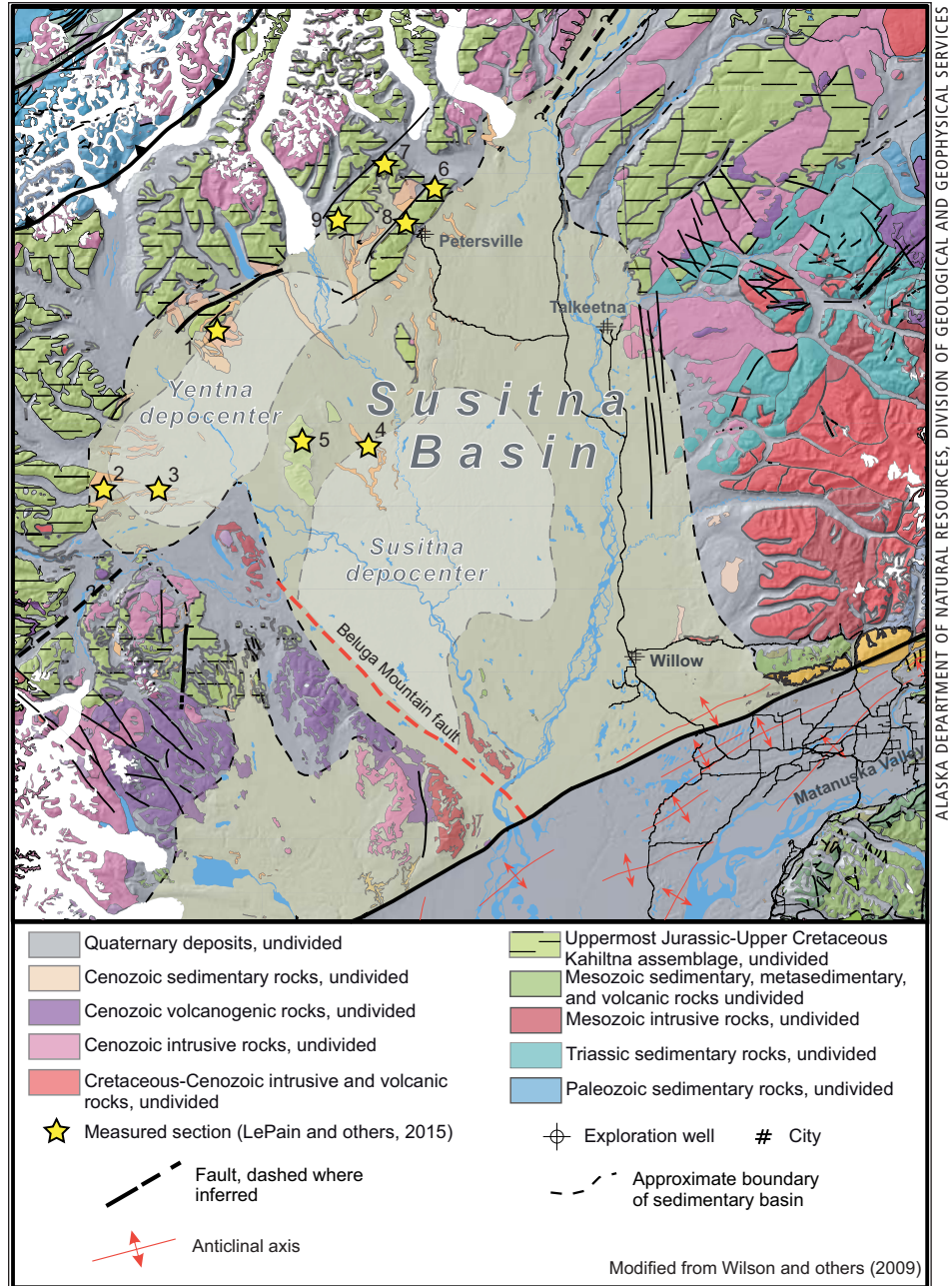
Mesozoic rocks

By contrast, Mesozoic rocks, observed at five locations in the Peters Hills, Dutch Hills and Yenlo Hills, appeared to have poor reservoir quality. These rocks tended to contain clay material, with beds of fine-grained sandstone. The strata in the Yenlo Hills tended to be massive, with a higher sand content than at other locations.

Some of the laboratory analysis of coal samples remains to be completed. However, the coals range in grade from lignite to sub-bituminous. The cleats, or fractures, in the coal appear to cluster into two principal directions, the report says.

The analysis of geologic faults on the western side of the basin suggests two distinct periods of rock deformation, driven by different directions of shortening or extension of the Earth's crust, the report says. ●

Contact Alan Bailey
at abailey@petroleumnews.com



The Susitna basin, under Alaska's Susitna Valley, consists of two sub-basins, the Susitna and Yentna "depocenters."



egli air haul

INC.

Serving Alaska since 1982

- Mountain Work • Sling Load Operations
- Crew Haul • Aerial Survey
- Aerial Filming • FLIR Equipped
- Offshore Operations • 136-ft Landing Craft

Ph: 907-246-3554 Fx: 907-246-3654

egliair@bristolbay.com

Web: www.egliair.com

THE SMART WAY™



WE SET THE STANDARDS OF SAFETY.
AND WE'RE TAKING THEM
TO NEW HEIGHTS.



As the trusted industry leader in scaffolding, insulation and coatings, we deliver cost-effective and highly efficient solutions for Alaska's resource development industries.

SMART safety practices, SMART planning methodologies, SMART process discipline and SMART technology advancements ensure safe, seamless delivery and the lowest total installed cost—The Smart Way™.

Safway.com (907) 349-3720





THE LOCAL PAGES
OF ALASKA
THE BEST PHONE BOOK IN TOWN™

ALASKA'S STRONGEST
ADVERTISING RESOURCE

- The only Yellow Page Directory that covers AND delivers to all of The Bush
- Specialized Sections for the Oil & Gas industries allowing you to target your market
- We make it easy and affordable to have state-wide coverage
- Ask about our 23-book special!

Call: 907-310-6849

GOVERNMENT

Breaking an impasse

Canada's provincial, territorial leaders set aside feuds, agree on vague national energy strategy, get overshadowed by crude spill

BY GARY PARK

For Petroleum News

Canada's 13 provincial and territorial leaders overcame a perennial struggle and a sharp-tongued spat between Alberta and Saskatchewan on July 17 when they signed off on the framework for a Canadian Energy Strategy, only to find themselves blindsided by one of the largest oil pipeline ruptures on record in Alberta.

And that came on the heels of a report by the Alberta Energy Regulator that the number of pipeline "incidents" in the province rose by 15 percent last year to 1.6 per 1,000 kilometers of line, undermining the government agency's goal of reducing line breaks and spills.

In the public eye, especially among environmentalists and First Nations, there is no issue that stirs greater resentment than the prospect of a spill from any existing or proposed pipeline, even though newly elected Alberta Premier Rachel Notley is emphatic that pipelines are a safer transportation mode than rail.

Spill from new line

Compounding the public worries, the

spill of an estimated 31,500 barrels of water, oil and sand from the Nexen Long Lake oil sands project in northeastern Alberta involved a pipeline that is only a year old and was supposed to contain all of the latest monitoring and fail-safe technologies. For now, shipments of about 9,100 barrels per day of heavy crude have been shut down for an indefinite period.

The "root cause" of the spill has yet to be determined, said Ron Bailey, the senior vice president of Canadian operations at Nexen (now wholly owned by China National Offshore Oil Corp.).

He told reporters Nexen is "deeply concerned with this. This is a modern pipeline. We have pipeline integrity, some very good equipment. Our investigation is looking through exactly why that wasn't alerting us earlier."

Coincides with signing

Whatever emerges from investigations by the AER and Nexen, the timing could scarcely have been more dismal, coinciding with the signing off on the Canadian Energy Strategy by Canada's 10 provincial and three territorial premiers, who were faced with the difficult job of finding a bal-

The closest they came to something substantive was to agree on an action plan — one of 50 — to work together on developing an option "for an integrated pan-Canadian and North American approach to greenhouse gas reductions."

ance between economic growth and environmental protection.

But the leaders refused to be diverted by the Nexen incident from their goal of establishing a foundation for their governments to work on energy priorities.

A communiqué pledged them to develop and transport energy and to promote research and technology to enhance the energy sector and encourage a transition to a lower carbon industry.

Questions on value of strategy

However, some observers are less than enthused about the content of the CES agreement.

Above all, they point out that the development of oil, natural gas and coal is under the jurisdiction of provinces and territories that own the resources and that have the exclusive power to impose taxes and regulate development.

Once the activity crosses provincial boundaries it becomes a federal matter.

What that does is raise questions about the value of the CES deal, given that premiers and their governments have little or no power to interfere with the sovereignty of their peers.

Even so, for five years the governments have engaged in negotiating what they call a "flexible, living document" that allows them to "collaborate on common energy-related interests according to their unique strengths, challenges and priorities."

What may sound like a new age of harmony among those who wish to develop their natural resources and those who want to leave them in the ground actually amounts to very little.

Gulf between premiers

The gulf was evident in the brittle

exchange between Notley and Saskatchewan Premier Brad Wall.

Wall noted that the draft CES agreement made 37 references to "low carbon, post carbon and climate change," while oil was mentioned only three times.

He said it was vital to move domestic oil across Canada to maximize the value of the resource for Canada, to create more value-added opportunities and to replace foreign oil.

"We are importing foreign oil from Venezuela and sometimes from the Middle East and that makes no sense on any planet at any given time, in any dimension," Wall said.

He was especially angered that Notley said in a recent statement that Quebec was right to want meaningful action on climate change before endorsing TransCanada's planned Energy East pipeline from Western Canada to refineries and possible export terminals in Eastern and Atlantic Canada.

Wall said that amounted to handing veto powers to provinces that did not approve of Notley's energy policies.

"That's ridiculous," Notley replied. "That's simply ridiculous."

She insisted her objective is to develop a "thoughtful and mature and collaborative relationship with my colleagues," and accused Wall of "showboating."

To that Wall's office issued a statement quoting him as saying that "if standing up for your industry and your province is showboating, take me to the bridge."

Ontario, Quebec concerns

Ontario Premier Kathleen Wynne said she understood the economic benefits to her province and Canada of the oil and gas industry.

"At the same time, we have to recognize that we have a responsibility, an economic and moral responsibility, to deal with the effects of climate change."

Quebec Premier Philippe Couillard argued it was "absolutely necessary in a Canadian Energy Strategy to find reference to climate change."


In the end, several days of bickering were set aside, but the end result was an absence of concrete commitments, even to the extent of policy coordination on climate change, leaving the provinces to continue pursuing their different approaches and different targets for reducing greenhouse gas reductions.

The closest they came to something substantive was to agree on an action plan — one of 50 — to work together on developing an option "for an integrated pan-Canadian and North American approach to greenhouse gas reductions." ●

Contact Gary Park through publisher@petroleumnews.com

UNIQUE MACHINE

A SUMITOMO CORPORATION SUBSIDIARY



Serving Alaska's Petroleum Industry for Over 35 Years

Threading

API 5CT, lic. # 5CT-1163 • API Spec 7-1, lic. # 7-1-0758 • Vallourec • VAM AB
Tenaris • Hunting • NS Connection Technology • NOV Grant Prideco • Vam USA

<p>Machining</p> <p>OEM Equipment Accessories Repair and Overhaul</p>	<p>Welding</p> <p>Production Welding Certified Welding Fabrication</p>
--	---

APIQR ISO9001:2008, reg. # 0717 • APIQR Spec Q1, reg. # Q1-0456
APIQR ISO/TS 29001, reg. # TS-0268

8875 King St., Anchorage | 907 563-3012 | pat.hanley@umalaska.com | www.umalaska.com

For more than a century Foss has successfully navigated Alaska's most extreme environments.

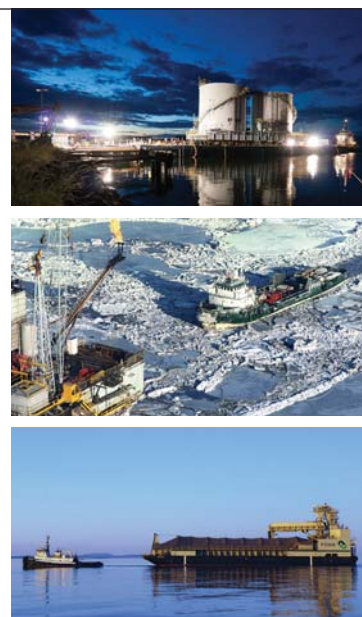


ALWAYS SAFE. ALWAYS READY.

Today, as new opportunities appear on the Arctic horizon, Foss is ready to grow with Alaska.



FOSS



DON'T MISS
ANOTHER
ISSUE!

CALL
907-522-9469

• UTILITIES

A project with a mission for the state

AIDEA official explains the thinking behind the Interior Energy Project and discusses the history and status of the initiative

BY ALAN BAILEY
Petroleum News

The Interior Energy Project, an Alaska Industrial Development and Export Authority initiative to bring affordable, clean energy to Fairbanks, is a typical AIDEA project in that the agency seeks to invest state dollars in the program, with an expectation of making an eventual financial return for the state. But the project is also different, in that it was created by state legislation for the purposes of furthering a social policy, Nick Szymoniak, AIDEA energy infrastructure development officer, told the Commonwealth North Energy Action Coalition on July 17. Then Gov. Sean Parnell introduced the legislation in 2013, Szymoniak said.

AIDEA can take on some extra risk at a lower interest rate than can an organization in the private sector when making investments, given that the projects that the agency invests in provide benefits to the state beyond simple economic returns, Szymoniak said.

High energy costs

Fairbanks, with its high dependence on liquid fuels for heating buildings and generating electricity, is suffering from extreme energy costs and from air pollution resulting from the use of wood stoves.

“Fairbanks is Alaska’s second largest metropolitan area and it’s paying the highest utility rates in the entire country,” Szymoniak said. The city also has some of the worst air quality in the United States, he added.

The goal of the Interior Energy Project has remained consistent since the project’s inception — the intent is to deliver natural gas or some other suitable energy source to the Fairbanks and North Pole area of the Interior for heating and electricity generation at the lowest cost possible, as soon as possible, and to as many people as possible, Szymoniak said.

Threefold package

A threefold state funding package supports the project: \$125 million in funding through a program called Sustainable Energy Transmission and Supply Fund; a \$57.5 million capital appropriation; and an authorization from the Legislature to issue \$150 million in bonds.

SETS is a program under which AIDEA can provide state loans for certain types of internal Alaska energy projects. The Legislature is allowing special terms for the issue of SETS loans for the Interior Energy Project, including loans at a 1 percent interest rate and the possibility of a 10-year deferral for loan repayment for constructing a gas distribution infrastructure in Fairbanks, Szymoniak said.

The idea behind the capital appropriation component of the funding is to make money available for investment as equity in the Interior Energy Project, he said.

Bonds authorized by the Legislature under the third funding tranche would be sold on the bond market, with the state having an obligation to refund the loans should the expected returns from the Interior Energy Project fail to materialize.

History of the project

As originally envisaged, the Interior Energy Project would entail buying natu-

ral gas on the North Slope, converting this gas to liquefied natural gas and trucking the LNG to Fairbanks for storage and distribution. AIDEA advanced this project concept through engineering firm MWH and reached a point where construction of the required LNG plant was ready to go ahead and negotiations with Fairbanks utilities were well advanced. But in early January 2015 AIDEA called a halt, after the project failed to pass the agency’s due diligence scrutiny.

“At the end of the day the capital cost and even the operating costs for the project just came in too high,” Szymoniak said. “We couldn’t get the utilities to sign up for the gas because the gas was too

expensive.”

Szymoniak said that, although AIDEA had spent money on the work leading to the January decision, the cancellation of the North Slope project shortly before moving into a full-scale development illustrates the strength of AIDEA’s due diligence standards in preventing unwarranted expenditure. Just because money is appropriated, AIDEA does not need to spend it — there has to be a commercial project before AIDEA will invest, Szymoniak said.

Cook Inlet gas

AIDEA has not given up on the possibility of obtaining gas from the North Slope but has turned its attention to

potential supplies from the Cook Inlet region, a region that has seen a significant upsurge in gas exploration and development. Legislation introduced by Gov. Bill Walker in 2015 authorized AIDEA to pursue a Cook Inlet project, and to consider the possibility of shipping gas to Fairbanks by pipeline, rather than as LNG. AIDEA is also allowed to evaluate propane as a potential energy source.

AIDEA’s target price for gas delivered to Fairbanks consumers, the so-called “burner-tip price,” is \$15 per thousand cubic feet, with perhaps \$3 to \$5 of that price representing the cost of gas storage and distribution in the city. The agency recognizes the challenge of reaching this price goal, especially with the high likely level of the capital cost per customer, given the small population of the Fairbanks region, Szymoniak said.

see AIDEA page 10

The agency would like to reach at least the term-sheet stage of negotiations by the end of the year, so that it will be possible to present a plan to Fairbanks and the state government, Szymoniak said.

**Only pay for the speed you need...
Dynamic Routing! SM**

At Lynden, we understand that plans change but deadlines don't. That's why we proudly offer our exclusive Dynamic Routing system. Designed to work around your unique requirements, Dynamic Routing allows you to choose the mode of transportation — air, sea or land — to control the speed of your deliveries so they arrive just as they are needed. With Lynden, you only pay for the speed you need!

DESTINATION: FAIRBANKS
ETA: 9:30 - 11:30 A.M.

S	M	T	W	T	F	S
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4
5	6	7	8	9	10	11

ALASKA

LYNDEN
Innovative Transportation Solutions

www.lynden.com 1-888-596-3361

• EXPLORATION & PRODUCTION

Second SAE Cook Inlet seismic approved

Company will gather 548 square miles of 3-D seismic in lower Cook Inlet; earlier approval for 821 miles in upper inlet

BY KRISTEN NELSON

Petroleum News

SAExploration Inc. has received approval for a second geophysical exploration program in Cook Inlet. In March the Alaska Department of Natural Resources Division of Oil and Gas approved an 821-square mile 3-D seismic survey in upper Cook Inlet, in state waters west of the northern Kenai Peninsula.

On July 21 the division approved a 3-D program covering some 548 square miles. The current approval covers state waters in lower Cook Inlet, east of Kalgin Island and the outer continental shelf boundary and

south of the Kenai River to just south of Anchor Point.

Each permit runs for a year, the upper Cook Inlet permit from March 18 to March 18, 2016, and the lower Cook Inlet permit from July 21 to July 15, 2016.

Nodal recording

The division said SAE will use autonomous nodal seismic recording equipment and air guns as the source, typically using groups of six receiver lines and 32 source lines. Each patch of some 7.5 miles by 10 miles will take some three to five days to deploy, shoot and record, the division said.

As a patch is recorded, nodes from the previous patch will be retrieved and recharged, and data downloaded.

There will be two source vessels equipped with air guns and source activities will occur only during low and high slack tides or when vessels can operate safely to acquire quality data, typically for two to three hours at each slack tide.

The division said while the marine nodes are cableless, they are tethered together for easy of retrieval. Nodes and rope tether will lie on the seabed floor and

see SAE page 20

continued from page 9

AIDEA

Bearing in mind the agency's role within the state administration, AIDEA is approaching the project as a financier and investor, asking private companies to propose ways of solving the Fairbanks energy conundrum, while offering state investment to facilitate project success. If an entity has the appropriate business capabilities and has proposed a solution

coupled with money to invest, AIDEA will put some state funding at risk as part of the project financing, Szymoniak said.

Two components

And the state administration has split the effort into two distinct components: the provision of a gas supply, and the provision of a mechanism for shipping the gas to Fairbanks.

The Alaska Department of Commerce, Community and Economic Development

is directing the gas supply component of the project. DCCED, AIDEA's parent agency, instructed AIDEA to issue a request for information for possible gas supplies from gas producers, because AIDEA has the capability to retain confidentiality over the responses to the request — responses came in on July 16, Szymoniak said.

AIDEA is handling the gas shipment component of the project and has issued a request for proposal for a transportation solution, potentially including a Cook

Inlet gas liquefaction plant and LNG shipment by truck or by railroad, or perhaps involving a gas pipeline.

AIDEA has previously said that it wants to move the project proposal to near commercial terms prior to having Fairbanks utilities sign up for gas supplies. The agency would like to reach at least the term-sheet stage of negotiations by the end of the year, so that it will be possible to present a plan to Fairbanks and the state government, Szymoniak said. AIDEA hopes to see first gas arriving in Fairbanks in 2017, he said.

Complex project

Szymoniak said that AIDEA anticipates sifting through responses to the request for proposal, to determine whether a Cook Inlet source for gas appears feasible and to narrow down a shortlist of perhaps some four proposals for negotiations leading to best and final offers. But selection criteria will not simply hinge on the lowest cost of delivered gas in Fairbanks, given the complexity of the project, with several different ways of allocating both funds and risks.

"It's complicated. There's a thousand different factors," Szymoniak said.

Pentex

In another component of the Interior Energy Project AIDEA is in the process of purchasing Pentex Alaska Natural Gas Co. LLC, the owner of utility Fairbanks Natural Gas, of a small LNG plant near Point MacKenzie on Cook Inlet and of a trucking operation for transporting LNG to Fairbanks. Pentex's current operations, while supplying some gas to Fairbanks,

see AIDEA page 20

LEADER In All We Do
Providing expert oil and gas services through the following organizations:

DOYON Limited
 WWW.DOYON.COM

Doyon Anvil
 Engineering & Procurement Solutions

DOYON DRILLING, INC.

DOYON UNIVERSAL SERVICES

Doyon Associated, LLC

DOYON Remote Facilities & Services

Facebook and LinkedIn icons.



MORE THAN JUST A DIVING COMPANY



GLOBAL
 Diving & Salvage, Inc.

COMMERCIAL DIVING
 OFFSHORE SUPPORT
 MARINE CONSTRUCTION
 ENVIRONMENTAL SERVICES
 PROJECT MANAGEMENT
 LOGISTICAL SUPPORT

5304 Eielson Street • Anchorage, AK 99518
 907.563.9060 • www.gdiving.com



NEWS NUGGETS

Compiled by Shane Lasley



SHANE LASLEY

Drilling has cut gold-copper porphyry mineralization at two separate centers on Island Mountain, one of numerous prospects and deposits identified at the Whistler copper-gold project in Southcentral Alaska.

Kiska agrees to sell Whistler for C\$1.6M

Kiska Metals Corp. July 21 reported the signing of a binding agreement to sell its Whistler copper-gold project to Brazil Resources Inc. Under the purchase agreement, Brazil Resources will issue Kiska 3.5 million shares in exchange for full ownership of Whistler, including the mining claims and other assets belonging to the project. Brazil Resources' shares were trading at C46 cents per share on the Toronto Venture Exchange on July 21, making the deal worth roughly C\$1.61 million. The Brazil Resources shares will be subject to resale restrictions providing for the release of 25 percent of the shares every five months after the closing of the deal. Additionally, Brazil Resources has agreed to pay Kiska C\$10,000 a month to provide certain ongoing support and maintenance services in respect of the Whistler Project for 15 months following closing of the transaction. Kiska President Grant Ewing said, "This transaction greatly increases the company's flexibility going forward. Kiska will no longer incur any holding or exploration costs, and it retains excellent carried participation in the future upside of the Whistler Project and other projects through its shareholding in BRI." Whistler comprises 304 mining claims blanketing roughly 65 square miles of gold-copper prospective lands in Southcentral Alaska. The Whistler property is anchored by its namesake deposit, which was discovered by Cominco Alaska in the late 1980s

see NEWS NUGGETS page 17

DEVELOPMENT



NOVAGOLD RESOURCES INC.

A feasibility study completed in 2011 outlines a mine at Donlin Gold that would average roughly 1.1 million ounces of gold annually over a 27-year mine life.

Building Donlin Gold?

Partners say gold price, market conditions will dictate construction decision

BY SHANE LASLEY
Mining News

The 40-million-ounce Donlin Gold project is more than midway through a roughly five-year permitting process, but gold prices are dipping to lows not seen in nearly five and a half years and trending downward.

Will project owners Barrick Gold Corp. and Novagold Resources Inc. be willing to pull the trigger on development once the hard-earned permits are in hand?

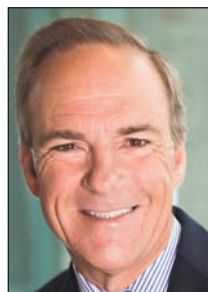
The Donlin Gold partners say it depends on where gold prices are headed and what the equity

costs are for raising the capital needed to develop the world-class mine in Alaska.

"Any decision to proceed with development ... will depend on the (Donlin Gold) project meeting Barrick's minimum hurdle rate which will depend in large part on the prevailing gold prices and market conditions," Barrick inked in its 2014 annual report published in March.

Neither Donlin partner has put a number to the minimum gold price required for moving ahead with development of the 1.1-million-ounce-per-year gold

see DONLIN page 13



GREG LANG



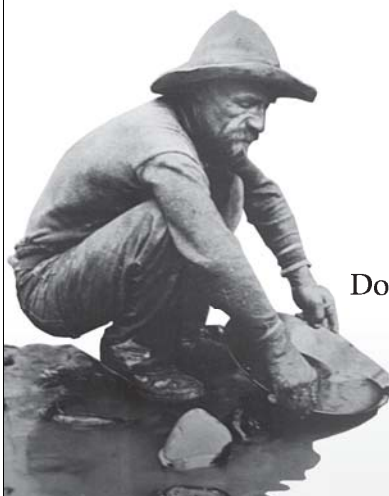
TOM KAPLAN

We're no flash in the pan.

For over the last decade, North of 60 Mining News has been covering past, present, and potential mining activity in Alaska and northern Canada.

Now available in a weekly format, you can count on timely news delivered to you via print or online.

Don't miss another issue, subscribe today!



907 522.9469
MiningNewsNorth.com



ARCTIC WIRE ROPE and SUPPLY Inc.

(800) 478-0707
(907) 562-0707
6407 Arctic Spur Road
Anchorage, AK 99518
www.arcticwirerope.com
sales@arcticwirerope.com

- Wire Rope Slings
- Nylon/Polyester Slings
- Crane Lines
- Shackles & Blocks
- Chains & Ratchet Binders
- Hoists
- Earth Anchor Systems
- Field Inspection/Splicing Services
- Rigging Proof Load Testing/Certification
- Mooring/Rope Lines/Rope Splicing

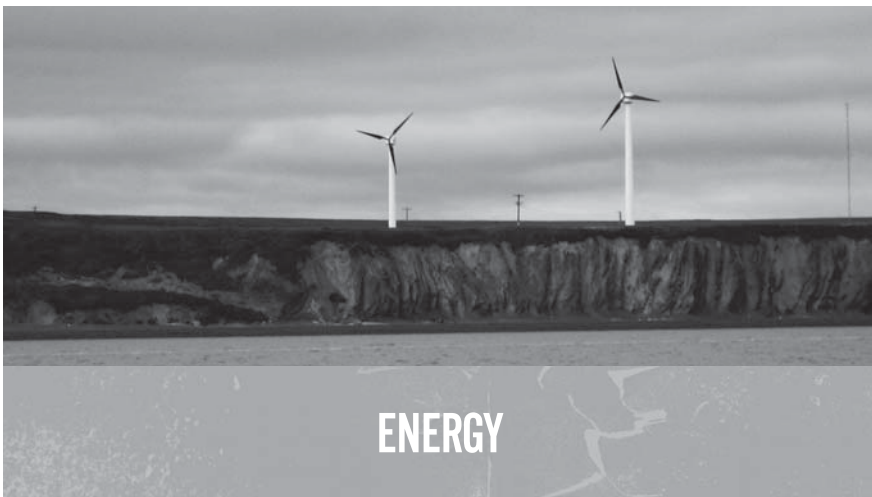
MADE IN ALASKA



Serving Alaska Since 1983

E3

**ENVIRONMENTAL, LLC
FOR PROFESSIONAL CONSULTING SERVICES**



ENERGY



ENGINEERING



ENVIRONMENT



a proud subsidiary of
CALISTA CORPORATION
www.calistacorp.com

e3alaska.com

NORTHERN NEIGHBORS

Compiled by Shane Lasley



Fortune loses Revenue, holds Nico

Fortune Minerals Ltd. July 17 said it has reached a two-stage restructuring agreement with LRC-FRSM LLC (Lascaux) and its other secured creditors to settle its secured debt obligations. In early July, Fortune subsidiary, Fortune Revenue Silver Mines Inc., the owner of the Revenue Silver Mine in southwest Colorado, received a default notice from Lascaux. In addition to the Revenue Mine, the debt owed Lascaux was secured by Fortune's assets in Northwest Territories and Saskatchewan. Following the default notice, Fortune and Lascaux negotiated a deal that satisfies the debt and allows Fortune to retain its Canadian assets, including the Nico gold-cobalt-bismuth-copper deposit in NWT. "We regret that the restructuring with our secured creditors has resulted in the loss of the Revenue Silver Mine in Colorado in which we have invested significant effort and funds over the past year," said Fortune CEO Robin Goad. "However, upon completion of the restructuring, Fortune Minerals will be able to continue to operate with its Canadian assets intact and with manageable debt obligations that may be repaid through the exercise of warrants into Fortune common shares." The first stage of the agreement, which was completed on July 17, involves Fortune handing Fortune Revenue Silver Mines Inc. over to Lascaux. In return, Lascaux released Fortune and its Canadian subsidiaries of all obligations under a short-term facility. Additionally, Fortune Revenue Silver Mines Inc. paid Fortune US\$200,000. To help with the transition, Fortune has agreed to provide certain services and assist in the operation of the Revenue Silver Mine through the end of July. The second stage of the restructuring, to be completed by Aug. 7, involves Fortune issuing C\$5 million of unsecured seven-year term debentures to Lascaux and C\$3.75 million to the other secured creditors. The debentures will bear interest at 5 percent per year, accruing semi-annually and repayable at maturity. Fortune also will issue 7.5 million Class A warrants and 21 million Class B warrants to Lascaux. Class A warrant will be exercisable for one Fortune share at C15 cents and will expire in five years. Each Class B warrant will be exercisable for one Fortune share at C25 cents and will expire in seven years. The Class B warrants can only be exercised for the purposes of setting off or financing the repayment of an equivalent amount owing under the debenture held by the warrant-holder. Lascaux will receive up to an additional 8,259,476 million Class B warrants which will be exercisable if, at the maturity of its debenture, Lascaux elects to exercise such warrants instead of being paid

see **NORTHERN NEIGHBORS** page 14

**BRING THE WHOLE GANG!
WE HAVE SOMETHING FOR EVERYONE!**



For more information about the 2015
Alaska Miners Association
Convention & Trade Show visit our website
www.alaskaminers.org or contact the AMA office at
email: ama@alaskaminers.org / phone: 907-563-9229

Courts deem SOS Initiative unenforceable

Alaska Supreme Court agrees that authorities provided by anti-Pebble measure would 'Balkanize' state natural resource policies

BY SHANE LASLEY
Mining News

Alaska's highest court says the Lake and Peninsula Borough does not have the authority to enforce the ordinance resulting from the "Save Our Salmon" initiative passed by voters in 2011.

The SOS Initiative, passed by Lake and Peninsula Borough voters in 2011, would have prohibited borough planners from issuing a permit to any project that would disturb more than one-square-mile of topsoil would be determined to have a "significant adverse impact" on waters supporting salmon.

While the SOS Initiative was aimed directly at preventing the development of Pebble, Alaska's courts say the borough ordinance resulting from the ballot measure usurps permitting authorities reserved to the state.

"(B)ecause the initiative purports to give the borough veto power over mining projects on state lands within its borders, it seriously impedes the implementation of the Alaska Land Act, which grants the Department of

Natural Resources 'charge of all matters affecting exploration, development, and mining' of state resources," Alaska Supreme Court justices explained in a July 17 ruling.

Before the measure went before voters, the state of Alaska and Pebble Partnership argued that any borough ordinance resulting from the anti-Pebble initiative would be deemed unconstitutional and unenforceable because it seeks to restrict development of state-owned resources on state lands.

Anchorage Superior Court Judge John Suddock, who heard Alaska and Pebble's argument, allowed the initiative to go on the ballot – determining it was best to consider the constitutionality of a resulting Lake and Peninsula Borough ordinance after the election.

In 2014, Suddock determined that the regulatory power given to the borough through the initiative violates state law.

In his ruling, the judge said the local authority provided by the SOS Initiative would result in an unruly fragmentation of Alaska's natural resource policies.

"Such a grant of power to local governments would Balkanize state natural resource policy," Suddock penned in his decision.

In response to the lower court judgment, the Pebble Partnership said, "This ruling will assure that permitting decisions are made through the state's comprehensive process, which includes ample opportunity for input from local people as well as stakeholders throughout the state."

Anti-Pebble advocates George Jacko and Jackie Hobson Sr. appealed the lower court ruling on the grounds that the dispute was not ripe for judgment and that Superior Court decision was wrong.

The Supreme Court, however, determined that the harm being bestowed to Alaska's regulatory authority was enough to make a final decision on the matter.

Looking into the matter further, the high court agreed that the lower court was right in determining that if the SOS Initiative was upheld it would result in a "power shift" in natural resource policy that conflicts with state law.

As a result, the Supreme Court justices that heard the matter deemed the SOS Initiative unenforceable. ●

"Such a grant of power to local governments would Balkanize state natural resource policy."
– Anchorage Superior Court Judge John Suddock

continued from page 11

DONLIN

operation. However, Novagold Chairman Thomas Kaplan indicated in a recent interview with Octavian Report that neither partner is willing to begin construction until the current downward slide in price is reversed.

"This is something that we would both consider when gold prices have resumed their uptrend in earnest," he told the publication.

Descending gold

For now, gold prices are moving downward in a trend that began in 2011, when the going price for the precious metal peaked at US\$1,900 per oz. From that historic apex, the cost of an ounce of gold has descended at a rate of about US\$200 per year – averaging US\$1,669/oz in 2012, US\$1,411/oz in 2013 and 1,266/oz in 2014.

So far in 2015, the gold price has averaged about US\$1,200/oz and as recently as July 20 tumbled to US\$1,094/oz, a low not seen since March 2010.

Many analysts believe gold prices have reached a valley floor and will likely begin an ascent.

"The magnitude of the declines and the level of positioning suggest to us that the move is overdone and markets should recover from here," UBS said after the July 20 gold price dip. "We don't think gold deserves to trade close to or below US\$1,100 for a prolonged period."

The global financial firm, however, said it could take until September for the yellow metal to make any real gains.

Jim Rogers, an investor noted for co-founding the Quantum Fund with George Soros in 1970, told MarketWatch recently that a 50 percent correction in commodities is normal and a low of US\$1,000/oz. is not unreasonable.

"Although I am not buying gold, I am expecting an opportunity to buy gold sometime in the next year or two. For instance, if gold goes under US\$1,000, I hope I'm smart enough to buy a lot more gold," he said.

With gold prices taking sharp losses since mid-July, this buying opportunity appears to be drawing nigh.

Kaplan is loath to make any short-term predictions on gold prices but anticipates that once the current correction completes



Barrick Gold Corp. and Novagold Resources Inc. are planning to update a feasibility study for Donlin Gold before making a decision on developing the 40-million-ounce gold project. The revised study will reflect current market conditions and will likely include results from project optimization studies currently underway.

its run, the precious metal is set to rebound to new peaks.

"For the record, I believe a reasonable equilibrium level for gold is US\$3,000 to US\$5,000 – maybe higher," he told Octavian Report.

Not giving away gold

If gold does reach levels north of US\$3,000/oz and Donlin Gold is built in time to catch these new heights, it would be a boon for Novagold and Barrick.

"Donlin Gold represents tremendous value for all of our stakeholders," Novagold President and CEO Greg Lang said in a July 7 message to shareholders. "With the stated 39 million ounces of gold resources in the measured and indicated category, at an average grade of 2.2 grams per (metric ton), expecting to yield on average approximately 1,100,000 oz of gold per year over its projected 27-year life, Donlin Gold is one of the largest and highest grade undeveloped open-pit gold deposits in the world."

With the mine plan targeting some of the richest areas of the Donlin Gold deposit in the early years, the mine is expected to average roughly 1.5 million ounces annually during the first five years of operation.

At US\$1,200 per ounce gold, the base

see DONLIN page 14

Contact North of 60 Mining News:

Publisher: Shane Lasley • e-mail: publisher@MiningNewsNorth.com
Phone: 907.229.6289 • Fax: 907.522.9583



North of 60 Mining News is a weekly supplement of the weekly newspaper, Petroleum News.

- Shane Lasley PUBLISHER & NEWS EDITOR
- Rose Ragsdale CONTRIBUTING EDITOR
- Mary Mack CEO & GENERAL MANAGER
- Susan Crane ADVERTISING DIRECTOR
- Heather Yates BOOKKEEPER
- Bonnie Yonker AK / INTERNATIONAL ADVERTISING
- Marti Reeve SPECIAL PUBLICATIONS DIRECTOR
- Steven Merritt PRODUCTION DIRECTOR
- Curt Freeman COLUMNIST
- J.P. Tangen COLUMNIST
- Judy Patrick Photography CONTRACT PHOTOGRAPHER
- Forrest Crane CONTRACT PHOTOGRAPHER
- Tom Kearney ADVERTISING DESIGN MANAGER
- Renee Garbutt CIRCULATION MANAGER
- Mapmakers Alaska CARTOGRAPHY

ADDRESS • P.O. Box 231647
Anchorage, AK 99523-1647

NEWS • 907.229.6289
publisher@miningnewsnorth.com

CIRCULATION • 907.522.9469
circulation@petroleumnews.com

ADVERTISING
Susan Crane • 907.770.5592
scrane@petroleumnews.com
Bonnie Yonker • 425.483.9705
byonker@petroleumnews.com

FAX FOR ALL DEPARTMENTS
907.522.9583

Several of the individuals listed above are independent contractors

NORTH OF 60 MINING NEWS is a weekly supplement of Petroleum News, a weekly newspaper. To subscribe to North of 60 Mining News, call (907) 522-9469 or sign-up online at www.miningnewsnorth.com.

NOVAGOLD RESOURCES INC.

continued from page 12

NEIGHBORS

all or part of the interest due under its debenture. Another 5 million Class A warrants and 14 million Class B warrants to the other secured creditors. The debentures will be repayable in the event that NICO is sold, directly or indirectly. During this second stage, Fortune Revenue Silver Mines Inc. is to pay an additional US\$550,000 to Fortune. All remaining security in Fortune and its subsidiaries' assets held by Lascaux and by the other secured creditors will be discharged.

Peregrine eyes more diamonds at Chidliak

Peregrine Diamonds Ltd. said its 2015 field work is focused on continued expansion of the diamond resource at its Chidliak project, located 120 kilometers northeast of Iqaluit, capital of Nunavut. A recently completed independent review by Mineral Services Canada Inc., Peregrine's external qualified person, has highlighted an approximate one-million-metric-ton resource expansion opportunity for the CH-6 kimberlite. Both the resource expansion at CH-6 and the scale of a pending maiden resource declaration at CH-7 are contingent on the implementation of limited key additional evaluation work and the results from a CH-7 bulk sample. To gather the needed data, Peregrine has budgeted C\$3.75 million for a program that includes resampling existing core; 1,200 meters of new drilling; processing of a 558.5-metric-ton bulk sample from CH-7; calculate an updated resource for the CH-6 kimberlite; publish a maiden resource for the CH-7 kimberlite.

Brucejack infill drilling confirms grade

Pretium Resources Inc. July 15 said results from a second set of assays from an underground infill drill program in the Brucejack project's Valley of the Kings zone continues to confirm the style and grade distribution of the gold mineralization in the area of the pending underground mine being tested. Highlights from the most recent results include: 13.75 meters grading 164.54 grams of gold per metric ton gold uncut in hole VU-422; 10 meters of 259.48 g/t gold uncut in hole VU-423; 10.98 meters of 156.02 g/t uncut in hole VU-424; and 15 meters of 83.89 g/t gold uncut in hole VU-426. The infill program will consist of roughly 40,000 meters of fan drilling from three drill stations with drill holes centers spaced at approximately 10 meters vertically and horizontally. Holes VU-422, VU-423, VU-424, and VU-426 were drilled as part of the second fan. To date, 51 holes totaling 9,003 meters have been completed which includes three geotechnical holes drilled into the proposed underground crusher location. In addition to infill drilling, Pretium has begun a 10,000- to 15,000-meter grassroots exploration program targeting porphyry and epithermal-style mineralization east of the Brucejack project. This program began with drilling at Flow Dome, a zone about 1,600 meters east of the Valley of the Kings that was selected based on

extensive regional exploration conducted by Pretium, including airborne geophysics completed in 2014. Additional airborne geophysical surveying is planned for this year.

Carmacks drilling targets oxide growth

Copper North Mining Corp. July 20 said drilling is underway at its Carmacks copper-gold project in central Yukon Territory. The drilling will focus on both new exploration targets identified during the past month of detailed geophysical targets and definition drilling of several of the mineral zones to expand mineral resources. The Carmacks project currently hosts 11.98 million metric tons of measured and indicated resource grading 1.07 percent copper, 0.46 grams per metric ton gold and 4.6 g/t silver. This oxide component of the deposit forms the basis for the potentially mineable mineralization by open pit methods as outlined in a preliminary economic assessment completed in 2014. Copper North President and CEO Harlan Meade said, "We are confident that this year's planned C\$900,000 exploration program will follow the successful 2014 program and expand oxide mineral resources at our Carmacks Project, and that these resources can be added into the development plan."

Drilling underway at Pistol Bay trend

Northquest Ltd. July 15 reported the start of a planned 7,800-meter drill program at its Pistol Bay gold project in Nunavut. The Pistol Bay claims cover 90 kilometers (55 miles) of the Pistol Bay trend which is a west-trending series of surface gold occurrences and gold zones parallel to, and 80 kilometers (50 miles) south of, a similar trend that hosts Agnico Eagle Mines' Meliadine gold mine project. Since the initial field work commenced at Pistol Bay in April 2011, Northquest has completed three airborne geophysical surveys and 13,660 meters of drilling in 66 drill holes. More than half of the drilling, 37 holes, targeted the Vickers gold zone. Of the 40 holes planned for 2015, Northquest intends to drill another 30 at Vickers. Northquest President and CEO Jon North said, "The next phase of exploration includes the largest amount of drilling ever completed at the Vickers gold zone in a single drilling season, and we are confident that the program will have a great impact on defining the size of the gold zone, which is currently open in all directions."

Sabina bolsters Back River de-risk funds

Sabina Gold & Silver Corp. July 14 reported the completion C\$1.3 million non-brokered private placement comprised of 2,661,600 flow-through common shares at C50 cents per share. "We are pleased that this financing bolsters our already strong treasury," said Sabina President and CEO Bruce McLeod. "We believe that the work we are doing at Back River continues to de-risk and add value to the project and that the use of flow-through funds to facilitate some of this work is a more effective use of capital."

continued from page 13

DONLIN

price scenario used for a feasibility study completed for Donlin in 2011, the mine is predicted to generate after-tax cash flow averaging US\$949.5 million annually for the first five years and US\$500.7 million annually over the life of the mine – resulting in a payback of the projected US\$6.7 billion in capital costs in 9.2 years.

Gold prices do not need to reach levels

foreseen by Kaplan to significantly increase Donlin's value to its owners.

At US\$2,000 per ounce gold, Donlin's after-tax cash flow is anticipated to nearly double to an average of US\$1.78 billion annually for the first five years and US\$987.2 million annually over the life of the mine – resulting in a payback of initial capital in just 4.4 years.

On the flipside, the project is slipping below its break-even point at today's gold prices, according to the feasibility study.

So, Novagold is willing to wait until

gold prices have demonstrated they are on their way to new heights, which should be reflected in the stock price of a company on the cusp of developing one of the world's largest deposits of the precious metal.

"We don't want to give away two-and-a-half-gram material until we're paid a higher price for it, and we genuinely believe that our equity is at least as precious as the metal itself," Kaplan explained. "So with Novagold, the downside and upside are both secure, and with

the fundamentals for gold being what they are, time is clearly working in our favor."

Slow and steady

The Donlin Gold permitting process, meanwhile, continues to move forward at a steady rate.

"Reminiscent of 'The Tortoise and the Hare'," we and our partners have been advancing Donlin Gold steadily and without interruption," Novagold CEO Lang informed shareholders.

The U.S. Army Corps of Engineers are planning to issue the draft Donlin Gold Environmental Impact Statement for public comment towards the end of 2015 and the final EIS is expected to be completed by early 2017.

"This timeline provides ample opportunity for all the stakeholders to become informed and comment on the draft EIS as well as giving full respect to the cultural practices of the Yukon-Kuskokwim region, where the holiday season extends well into January," said Lang.

This also gives gold an opportunity to reverse its downward slide and head to new heights foreseen by Kaplan and others.

With roughly US\$135 million in the bank and no debt, Novagold has sufficient cash to see Donlin Gold through the permitting process. At which point, if gold prices look as if they are heading towards new heights, Novagold and Barrick will likely pull the trigger on constructing one of the largest and richest gold mines in the world.

"In less than two years' time, market and gold price dependent, the owners will be in a position to make a decision on one of the gold industry's most vital assets in the next generation of mines," said Lang. ●

GOLD ISN'T THE ONLY THING WORTH ITS WEIGHT.

MINING NEWS

The weekly mining newspaper for Alaska and Canada's North.

Subscribe today!
MININGNEWSNORTH.COM

JUDY PATRICK

• GUEST COLUMN

Perfect storm plagues Alaska mining

Manmade, natural forces combine to aggravate modest exploration, development activities across state, while acquisitions continue

BY CURT FREEMAN

For Mining News

Over the past month Alaska's mining industry has suffered a perfect storm of manmade and natural issues that read like something from a pulp fiction novel. On the man-made side of the ledger, gold, silver, copper, and lead prices have all hit 5-year lows and zinc prices continue to slide lower. Mining equity markets are still in severe decline, making it extremely challenging for junior exploration companies to raise the risk capital necessary to explore their Alaska projects. Producing companies are a bit more optimistic and have started looking more seriously at new acquisitions. But after the billions written down on bad investments in the past several years, caution and due-diligence will be the watchwords for any significant new property acquisition.

On the natural issues side of the ledger, Alaska swung from one of the coolest, wettest summers in 2014 to one of the driest, hottest summers this year. Thrown in for good measure were record-setting electrical storms that have caused wildfires from one end of the state to the other. The smoke, fire and accompanying surface and/or air travel restrictions have adversely affected some of the few exploration programs out there. Although it may not sound like a typical Alaska summer for the mining industry, it is typical in one sense: It is never dull in Alaska!

WESTERN ALASKA

Novagold Resources Inc. announced second-quarter financial results and updates for its flagship Donlin gold project, a 50:50 joint venture with **Barrick Gold Corp.** During the quarter the U.S. Army Corps of Engineers, the lead permitting agency for the venture, addressed all initial comments from the six cooperating agencies prior to completing the Donlin Gold preliminary draft environmental impact statement, a major step in the National Environmental Policy Act permitting process leading to the publication of the draft environmental impact statement. The partners also continued community outreach and work force development initiatives in Alaska with increased efforts through the spring and summer months. The Corps is working toward the publication of the draft EIS around year-end 2015 and continues to anticipate issuance of the final Donlin Gold EIS in early 2017. Extensive public comment and review periods will accompany both documents. In addition to actively participating in the National Environmental Policy Act process, the company is working with other agencies on major permit applications for the project. These include the air quality permit; the water discharge and use permits; the rights-of-way and lease applications for the gas pipeline; the engineering design, evaluation and authorization of the dams proposed for the project, including the tailings storage facility dam; and the Clean Water Act section 404 and 10 permits, including finalizing the determination of the impacts on wetland areas and proposing options for compensatory mitigation. The partners indicated that the project expended approximately US\$7.3 million during its second quarter. In 2015, Novagold expects to spend about

The author

The author Curt Freeman, CPG #6901, is a well-known geologist who lives in Fairbanks. He prepared this column July 20. Freeman can be reached by mail at P.O. Box 80268, Fairbanks, AK 99708. His work phone number at Avalon Development is (907) 457-5159 and his fax is (907) 455-8069. His email is avalon@alaska.net and his website is www.avalonalaska.com.



CURT FREEMAN

US\$12.6 million to fund its share of permitting and related expenditures at the project as well as \$1.5 million for joint studies with partner Barrick Gold.

Northern Dynasty Minerals Ltd. got some welcome news from the Alaska Supreme Court which ruled that the Lake and Peninsula Borough's 2011 initiative seeking to restrict large-scale mining in the Bristol Bay region seriously impedes a regulatory process set out in state law, and is therefore unenforceable. The initiative would have prevented development and mining at the Pebble project and other large-scale projects. In its decision, the Supreme Court found the initiative impedes implementation of state law putting Alaska's Department of Natural Resources in charge of matters affecting the exploration, development and mining of state mineral resources, because the initiative "purports to give the borough veto power over mining projects on state lands within its borders."

Millrock Resources Inc. announced that **First Quantum Minerals Ltd.** has exercised its option to joint venture the Alaska Peninsula copper-gold project from Millrock. The 2015 exploration budget of US\$2.0 million will focus on a drilling program consisting of about eight holes, totaling roughly 2,400 meters of drilling on the Dry Creek and the MDB

prospects. Porphyry style copper-gold mineralization is the target at both locations. Surface and airborne surveys conducted by partners in 2014 identified and characterized zoned rock alteration and metallic mineral distribution patterns typical of this deposit type. Drilling will be carried out on surface lands owned by **Far West Inc.** and **Chignik Lagoon Native Corporation**, two Alaska Native corporations with which Millrock has made surface access agreements. **Bristol Bay Native Corporation** owns the subsurface mineral rights and surface rights at certain locations. Millrock has an exploration agreement with an option to lease the mineral rights from Bristol Bay Native Corporation.

Redstar Gold Corp. announced additional results from the eight-hole drill program completed at the Shumagin zone of its Unga gold project. Highlights included drill hole 15SH011, which intersected 1.9 meters grading 202 grams per metric ton gold and 82 grams per metric ton silver; drill hole 15SH012, which intersected two meters grading 35.3 g/t gold and 209 g/t silver and an additional three meters grading 16.95 g/t gold and 183 g/t silver; drill hole 15SH013, which intersected four meters grading 11.62 g/t gold and 95.6 g/t silver, and drill hole 15SH018, which intersected five meters grading 9.35 g/t gold and 27.62 g/t silver, including one meter grading 41.2 g/t gold and 130.0 g/t silver. Overall the precious metal-bearing Shumagin vein system has a strike extent of more than 1.2 kilometers and a depth of at least 330 meters as outlined by drilling and surface trenching. Drill results indicate that the thickest portions of the Shumagin vein system consists of a zone of coalesced veins and vein breccias comprising an "internal breccia vein" that ranges from about seven to 10 meters in true thickness and is fringed on both the hangingwall and footwall by stockwork and subsidiary breccia veins that expand the width of the vein system in areas to about 12-20 meters in true thickness. The internal breccia vein normally exhibits the highest gold-silver

grades and the highest overall grade thicknesses, but high-grade mineralization also has been observed to be associated with syn-mineral dikes within the vein system. Drilling also revealed an older, Ginguero-sulfide textured epithermal breccia vein intact along the footwall andesite/diatreme breccia contact that was not destroyed by late-stage Shumagin-style vein breccias. The multi-episodic Ginguero vein breccia consists of banded, crustiform and colloform black-gray chalcedony, green-clay, carbonate, rare amethyst and Ginguero-sulfides (crustiform-colloform pyrite +/- marcasite +/- arsenopyrite?) that commonly occur as breccia bodies or as bodies marginal to vein breccias within footwall andesite. Ginguero-style sulfides have been observed as clasts within secondary quartz-chalcedony vein breccias containing galena, sphalerite and minor chalcocopyrite, and have elevated base metal mineralization. The Ginguero-sulfides exhibit gold values of one-to-four g/t gold with a distinct elevated arsenic, antimony and mercury geochemical signature that does not exist within the Shumagin vein breccias. Overall, the system exhibits evidence of multiple hydrothermal events with distinctive mineralization associated with each event. Additional work is planned for 2015, including continued step-out drilling towards the northeast for an additional 350 meters where exposures of the Shumagin vein system returned high-grade intercepts at shallow depths from drilling during the 1980s.

ALASKA RANGE

Coventry Resources Inc. announced that diamond core drilling had commenced at its **Caribou Dome** copper project in the Valdez Creek District. The initial hole, CD15-01 was drilled to validate results reported from historic exploration drilling that targeted the upper portions of Lense 6. Two significant zones of mineralization were intersected in CD15-01, approximately 12 and 4 meters thick

see FREEMAN page 18

TECHNOLOGY SOLUTIONS FOR THE ENERGY SECTOR

Oil | Gas | Mining
Full Life Cycle Communications

GCI Industrial Telecom has proven experience designing for and working in demanding environments. As experts in the field, our aim is to provide innovative full life cycle communications solutions to increase your productivity.



Your Business Technology PartnerSM



877.411.1484
gci-industrialtelecom.com

MINING

NORTH OF 60

Companies involved in Alaska and
northwestern Canada's mining industry

NEWS

DIRECTORY



Mining Companies

Kinross Fort Knox/Fairbanks Gold Mining Inc.

Fairbanks, AK 99707

Contact: Anna Atchison, Manager,
Community and Government Relations
Phone: (907) 490-2218 Fax: (907) 490-2290
E-mail: anna.atchison@kinross.com
Website: www.kinross.com

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

Usibelli Coal Mine

Fairbanks, AK 99701

Contact: Bill Brophy, VP Customer Relations
Phone: (907) 452-2625 • Fax: (907) 451-6543
Email: info@usibelli.com
Website: www.usibelli.com

Other Office

PO Box 1000

Healy, AK 99743

Phone: (907) 683-2226

Usibelli Coal Mine is headquartered in Healy, Alaska and has 700 million tons of coal reserves. UCM produces an average of 2 million tons of sub-bituminous coal each year.

Service, Supply & Equipment

Alaska Analytical Laboratory

1956 Richardson Highway
North Pole, AK 99705

Phone: (907) 488-1266 • Fax: (907) 488-077

E-mail: jlovejoy@mappatestlab.com

Environmental analytical soil testing for GRO, DRO, RRO, and UTEX. Field screening and phase 1 and 2 site assessments also available.

Alaska Rubber & Rigging Supply

5811 Old Seward Hwy.

Anchorage, AK 99518

Contact: Mike Mortensen, General Manager

Phone: (907) 562-2200

Fax: (907) 561-7600

E-mail: info@alaskarubber.com

Website: www.alaskarubber.com.

Alaska's largest supplier of hydraulic and industrial hose sold in bulk or assembled to spec. We also stock a large selection of wire rope, crane rope, lifting and transportation chain, sold in bulk or assembled to spec. We fabricate synthetic lifting slings, and supply shackles & rigging hardware. We sell and perform field installs of conveyor belting. We are Arctic Grade product specialists. We sell and service a wide variety of hydraulic, lubrication, fueling and pressure washing equipment. We sell high pressure stainless instrumentation fittings and tube, sheet rubber, v-belts, pumps, Enerpac equipment, Kamlocks, plumbing fittings, and much more. We perform hydro testing up to thirty thousand psi, & pull testing up to 350 thousand pounds. All testing comes standard with certification & RFID certification tracking capabilities.

Alaska Steel Co.

6180 Electron Drive

Anchorage, AK 99518

Contact: Joe Pavlas, outside sales manager

Phone: (907) 561-1188

Toll free: (800) 770-0969 (AK only)

Fax: (907) 561-2935

E-mail: j.pavlas@alaskasteel.com

Full-line steel and aluminum distributor. Complete processing capabilities, statewide service. Specializing in low temperature steel and wear plate.

Arctic Wire Rope & Supply

6407 Arctic Spur Rd.

Anchorage, AK 99518

Contact: Mark Lamoureux

Phone: (907) 562-0707

Fax: (907) 562-2426

Email: mark@arcticwirerope.com

Website: www.arcticwirerope.com

Arctic Wire Rope & Supply is Alaska largest and most complete rigging supply source. Our fabrication facility

is located in Anchorage with distribution Fairbanks. We specialize in custom fabrication of slings in wire rope, synthetic webbing yarn, chain and rope. Radio-Frequency Identification (RFID) is available for all of our fabricated products. In addition, we offer on-site inspection and splicing services. We carry a large inventory of tire chains for trucks and heavy equipment.

Austin Powder Company

P.O. Box 8236

Ketchikan, AK 99901

Contact: Tony Barajas, Alaska manager

Phone: (907) 225-8236 • Fax: (907) 225-8237

E-mail: tony.barajas@austinpowder.com

Web site: www.austinpowder.com

In business since 1833, Austin Powder provides statewide prepackaged and onsite manufactured explosives and drilling supplies with a commitment to safety and unmatched customer service.

Calista Corp.

5015 Business Park Blvd

Suite 3000

Anchorage, AK 99503

Phone: (907) 275-2800

Fax: (907) 275-2919

Website: www.calistacorp.com

Construction Machinery Industrial, LLC

5400 Homer Dr.

Anchorage, AK 99518

Phone: (907) 563-3822

Fax: (907) 563-1381

Website: www.cmiak.com

Fairbanks office

Phone: 907-455-9600

Juneau office

Phone: 907-780-4030

Ketchikan office

Phone: 907-247-2228

Sales and service for heavy equipment for construction, logging, aggregate, mining, oilfield and agricultural industries throughout Alaska. CMI represents more than 40 vendors, including Volvo, Hitachi, Atlas Copco,

and Ingersoll-Rand.

GCI Industrial Telecom

Anchorage:
11260 Old Seward Highway Ste. 105
Anchorage, AK 99515
Phone: (907) 868-0400
Fax: (907) 868-9528
Toll free: (877) 411-1484
Web site: www.gci.com/industrialtelecom
Rick Hansen, Director
Richard.Hansen@gci.com
Mark Johnson, Business Development Manager
Mark.Johnson@gci.com

Deadhorse:
Aurora Hotel #205
Deadhorse, Alaska 99734
Phone: (907) 771-1090
Mike Stanford, Senior Manager North Slope
Mike.Stanford@gci.com

Houston, Texas:
8588 Katy Freeway, Suite 226
Houston, Texas 77024
Phone: (713) 589-4456
Hillary McIntosh, Account Representative
Hillary.McIntosh@gci.com
GCI Industrial Telecom provides innovative solutions to the most complex communication issues facing industrial clientele. We deliver competitive services, reputable expertise and safely operate under the most severe working conditions for the oil, gas and natural resource industries. GCI-your best choice for full life cycle, expert, proven, industrial communications.

Greer Tank and Welding Inc.

3140 Lakeview Drive
PO Box 71193
Fairbanks, AK 99707
Contact: Mark Greer, General Manager
Phone: (907) 452-1711
Fax: (907) 456-5808
Email: mgreer@greerak.com
Other offices: Anchorage, AK; Lakewood, WA
Website: www.greertank.com
Greer Tank & Welding are the premier tank and welding specialists of Alaska and Washington. In business for over 57 years, they have a long history of providing an array of products and services for all contracting and custom fabrication needs – all from their highly trained and experienced staff.

HDR Alaska Inc.

2525 C St., Ste 305
Anchorage, AK 99503
Contact: Jaci Mellott, Marketing Coordinator
Phone: (907) 644-2091
Fax: (907) 644-2022
Email: Jaci.Mellott@hdrinc.com
Website: www.hdrinc.com
HDR Alaska provides engineering, environmental, planning, and consultation services for mining and mineral exploration clients. Services include: biological studies; cultural resources; project permitting; NEPA; stakeholder outreach; agency consultation; and environmental, civil,

Advertiser Index

Alaska Dreams
Alaska Steel Co.
Arctic Wire Rope11
Austin Powder Co.
Calista Corp.....12
Constantine Metal Resources
Construction Machinery
Fort Knox Gold Mine
GCI Industrial Telecom.....15
Greer Tank Inc.
IFR Workwear Inc.
Judy Patrick Photography
Last Frontier Air Ventures
Lynden
Nature Conservancy, The
Pacific Rim Geological Consulting
Salt+Light Creative
Sourdough Express Inc.
Taiga Ventures/PacWest Drilling Supply
Usibelli Coal Mine

transportation, energy, and heavy structural engineering.

Judy Patrick Photography

511 W. 41st Ave, Suite 101
Anchorage, AK 99503
Contact: Judy Patrick
Phone: (907) 258-4704
Fax: (907) 258-4706
E-mail: jpp@mtaonline.net
Website: www.judypatrickphotography.com
Creative images for the resource development industry.

Last Frontier Air Ventures

1415 N Local 302 Rd., Ste C
Palmer, AK 99645
Contact: Dave King, owner
Phone: (907) 745-5701
Fax: (907) 745-5711
Email: helicopter@LFAV.com
Anchorage Base (907) 272-8300
Website: www.LFAV.com
Helicopter support statewide for mineral exploration, survey research and development, slung cargo, videofilm projects, telecom support, tours, crew transport, heli skiing. Short and long term contracts.

Lynden

Alaska Marine Lines
Alaska West Express
Bering Marine Corporation

Lynden Air Cargo
Lynden International
Lynden Logistics
Lynden Transport
Anchorage, AK 99502
Contact: Jeanine St. John
Phone: (907) 245-1544 Fax: (907) 245-1744 Toll Free: 1-888-596-3361
E-mail: information@lynden.com
Lynden is a family of transportation companies with the combined capabilities of truckload and less-than-truckload transportation, scheduled and charter barges, rail barges, intermodal bulk chemical hauls, scheduled and chartered air freighters, domestic and international air forwarding, international ocean forwarding, customs brokerage, sanitary bulk commodities hauling, and multi-modal logistics.

Pacific Rim Geological Consulting

Fairbanks, AK 99708
Contact: Thomas Bundtzen, president
Phone: (907) 458-8951
Fax: (907) 458-8511
Email: bundtzen@mosquitonet.com
Geologic mapping, metallic minerals exploration and industrial minerals analysis or assessment.

TTT Environmental LLC

4201 "B" St.
Anchorage, AK 99503
Contact: Tom Tompkins, general manager
Phone: 907-770-9041 • Fax: 907-770-9046
Email: info@tttenviro.com
Website: www.tttenviro.com
Alaska's preferred source for instrument rentals, sales, service and supplies. We supply equipment for air monitoring, water sampling, field screening, PPE and more.

Taiga Ventures

2700 S. Cushman
Fairbanks, AK 99701
Mike Tolbert - president
Phone: 907-452-6631 • Fax: 907-451-8632
Other offices:
Airport Business Park
2000 W. International Airport Rd, #D-2
Anchorage, AK 99502
Phone: 907-245-3123
Email: mike@taigaventures.com
Web site: www.taigaventures.com
Remote site logistics firm specializing in turnkey portable shelter camps – all seasons.

Usibelli Coal Mine

100 Cushman St., Ste. 210
Fairbanks, AK 99701
Contact: Bill Brophy, VP Customer Relations
Phone: (907) 452-2625
Fax: (907) 451-6543
E-mail: info@usibelli.com
Website: www.usibelli.com
Usibelli Coal Mine is headquartered in Healy, Alaska and has 700 million tons of coal reserves. UCM produces 1 to 2 million tons of sub-bituminous coal each year.

continued from page 11

NEWS NUGGETS

and was further delineated by Kennecott Exploration, Geoinformatics Exploration Inc. and Kiska Metals. A total of 48 holes drilled into the Whistler deposit through 2011 has outlined an indicated resource of 79.2 million metric tons grading 0.51 grams per metric ton gold, 1.97 g/t silver and 0.17 percent copper (2.25 million gold-equivalent oz), and an inferred resource of 145.8 million metric tons averaging 0.40 g/t gold, 1.75 g/t silver and 0.15 percent copper (3.35 million gold-equivalent oz). Though this deposit is NI 43-101-compliant, Brazil Resources is historical in nature and will need to be updated with today's metal prices and other consideration to be considered current. Roughly 20 other prospects and deposits have been identified on the property, including the Whistler orbit, Island Mountain and Muddy Creek prospects. The project also comes with an all-season runway and a 50-person exploration camp that includes 38 kW diesel generator, water well, septic system and fuel storage facility. "We are pleased to have reached an agreement to acquire this emerging gold-copper district in a stable mining jurisdiction with several porphyry deposits and prospects identified in the area to date," said Brazil Resources CEO Garnet Dawson. "The company is dedicated first and foremost to our high-potential gold development projects in Brazil. However, with the Whistler Project, at a cost of just 4.5 percent dilution, we have an agreement to acquire another project with a historic multi-million ounce resource, large expansion potential, relatively low holding cost and the support of Kiska's superior technical team, which is also in joint ventures with First Quantum Minerals Ltd. and Teck Resources Ltd."

Greens Creek on pace for 8M oz silver

Hecla Mining Co. July 16 said its Greens Creek Mine produced 1,856,125 million ounces of silver during the second quarter, a 10 percent increase over the 1,689,183 oz. recovered from the Southeast Alaska operation during the same period of 2014. Hecla



Hecla Mining Co. anticipates that its Greens Creek Mine in Southeast Alaska will produce upwards of 8 million ounces of gold in 2015, a nearly 10 percent increase over the 7.3 million ounces recovered from the Southeast Alaska operation a year earlier.

attributes this higher silver production to improved recoveries and grade, partially offset by slightly lower tonnage. Silver recoveries increased 8 percent, or 5.6 percentage points, to 75.4 percent compared to 2014 due to modifications to the flotation circuit. "Higher grades and recoveries at Greens Creek during the quarter continued to improve the mine's already strong performance," said Hecla President and CEO Phillips Baker, Jr. "For a mine producing over seven million ounces of silver a year, an

continued from page 17

NEWS NUGGETS

8 percent increase in silver recovery is a significant value driver, especially when coupled with the higher grades. We expect these recoveries and grades to continue at Greens Creek through the remainder of the year.” As a result, Hecla now expects Greens Creek to produce 7.7 to 8 million ounces of silver in 2015, significantly higher than the 7.3 million oz. forecast at the beginning of the year. While silver production was up, gold production at Greens Creek was down 8 percent to 13,753 oz. during the second quarter. Hecla attributes this reduction to lower tonnage and grade partially offset by recoveries that increased due to the same plant improvements that increased silver recoveries. The Greens Creek mill operated at an average of 2,194 tons per day in the second quarter. Company-wide, silver production decreased two percent to 2.48 million oz in the second quarter, compared to the same period of 2014; gold production increased three percent to 44,692 oz for the same periods. As a result of higher silver production at Greens Creek, Hecla now forecasts company-wide silver production to climb to 11 million oz, a bump up from the 10.5 million oz previously predicted. Hecla had roughly US\$190 million in cash and cash equivalents as of June 30.

DGGS maps metals-rich Talkeetna Mountains

The Alaska Division of Geological & Geophysical Surveys July 16 published preliminary results of geologic mapping conducted in the Talkeetna Mountains during 2014. The resultant map presents new, detailed information about bedrock geology, surficial deposits, and faults for a 450-square-mile area about 50 miles east of the town of Talkeetna. DGGS says the results have implications for platinum, gold, and

copper exploration in the region, and for the proposed Susitna–Watana hydropower project, which lies immediately north of the map area. The mapping in the Talkeetna Mountains is a part of a multi-year DGGS assessment of the strategic and critical minerals of the western Wrangellia geologic province, an approximately 4,000-square-mile area stretching from Talkeetna to Paxson. This work is part of DGGS’ long-term effort to develop an accurate understanding of the geology of Alaska to facilitate economic development and provide information for the management of the state’s natural resources. While detailed geologic maps are available for most of the Lower 48, many areas of Alaska, including the Talkeetna Mountains, have only reconnaissance-scale geologic mapping. The geologic mapping was funded by the Alaska Legislature through the Alaska Airborne Geophysical/Geological Mineral Inventory Program and the Alaska Strategic and Critical Minerals Assessment Capital Improvement Project. Additional funding was received through the STATEMAP component of the U.S. Geological Survey’s National Cooperative Geologic Mapping Program. The map and a preliminary interpretive report may be downloaded from <http://www.dggs.alaska.gov/pubs/id/29470>.

Terra operations produce first 2015 gold

WestMountain Gold Inc. July 19 reported the shipment of 410 ounces of gold doré from the first 2.5 weeks of 2015 pilot plant operations at its Terra project in Southwest Alaska. Doré produced from the Terra pilot plant last year averaged roughly 70 percent gold and 30 percent silver. The company says the mill is averaging 8 to 10 tons daily, and there are plans to upgrade the milling facility. WestMountain CEO Greg Schiffrin said, “We are pleased to have operations underway at Terra this year and production from our pilot mill to generate cash flow. We continue to explore and develop the high-grade veins present and increase our operations at Terra.” Project development, construction, bulk sample mining and milling and exploration will continue throughout the field season.

continued from page 15

FREEMAN

respectively. The depths and thicknesses of this mineralization are in line with the company’s expectations. Assays are pending on this drilling. The company also announced that initial results from three-dimensional induced polarization (3DIP) surveys have extended over roughly 1,500 meters of strike. This survey has highlighted multiple highly chargeable zones that coincide with known mineralization together with comparable responses that appear to highlight significant extensions of the known copper mineralization. Additional discrete chargeability anomalies in prospective geological settings have also been delineated. Final interpretation work is ongoing and when completed the 3DIP data will be used to help guide future drilling.

Strongbow Exploration Inc. announced that it has finalized the terms of its acquisition of each of the Sleitat and Coal Creek tin properties with Osisko Gold Royalties Ltd and Mr. R. Netolitzky, and their respective wholly-owned com-

panies, Brett Alaska Resources Inc. and Thor Gold Alaska Inc. Thor holds a 20 percent undivided interest in the Sleitat property and Brett holds an 80 percent undivided interest in the Sleitat property and a 100 percent interest in the Coal Creek property. The final agreement contemplates the direct acquisition of the properties by Strongbow, rather than the acquisition of Brett and Thor as originally envisioned. Terms of the acquisition remain unchanged. Technical information regarding the properties can be found in two technical reports titled “Technical Report on the Sleitat Tin-Silver Exploration Target Southwest Alaska” and “Technical Report on the Coal Creek Tin Exploration Target Southcentral Alaska.” The reports have been filed under Strongbow’s profile on the SEDAR website at www.sedar.com

NORTHERN ALASKA

NovaCopper Inc. announced the start of work on the Arctic deposit pre-feasibility study at its Upper Kobuk project in the Ambler District. The company has approved a US\$5.5 million budget for the 2015 field season to complete in-fill and

geotechnical drill programs during July and August. This field season’s work program will include completion of about 2,500 meters of in-fill drilling at the Arctic deposit designed to improve the confidence level of the resource model with the goal of re-categorizing the in-pit inferred resources to measured and indicated. An updated resource estimate will be completed later in the year. In addition, other areas of study will include: 1) geotechnical and hydrology drilling to better understand the wall rock characteristics and hydrology within the open pit area; 2) waste rock characterization studies to assess acid generation potential; 3) wetlands delineations studies; and 4) continued environmental baseline studies. This work will form the basis for completing a pre-feasibility study on the Arctic deposit. The company also plans to advance assessment work at Bornite with the goal of evaluating potential synergies between the Arctic and Bornite deposits.

SOUTHEAST ALASKA

Hecla Mining Co. announced preliminary production results for the second quarter 2015 and updated annual produc-

tion estimates at its Greens Creek mine. The mine’s second-quarter production of 1,856,125 ounces of silver exceeded the second quarter of 2014 by 10 percent, while gold production of 13,753 oz was 8 percent lower. The higher silver production was a result of higher recoveries and grade, partially offset by slightly lower tonnage. Silver recoveries increased 8 percent, to 75.4 percent over the prior-year period due to changes in the flotation circuit to more efficiently recover additional lead, and by introducing carbon dioxide for pH control in the lead flotation circuit. The reduction in gold production was the result of lower tonnage and grade, partially offset by increased recoveries due to the previously described plant improvements. The mill operated at an average of 2,194 tons per day in the second quarter. As a result of both higher grades and recoveries, the company now expects Greens Creek to produce 7.7 million to 8.0 million oz silver, an increase over the previous expectation of 7.3 million oz silver.

Coeur Mining Inc. announced second quarter 2015 production results from its Kensington gold mine near Juneau. Second-quarter production is estimated at 29,845 ounces of gold, a significant increase over the 29,089 oz gold produced in the second quarter of 2014. The mine processed 170,649 tons of ore grading 0.18 oz of gold per ton during the quarter. Average recovery was 94.9 percent. Mill throughput was steady at 1,875 tons per day average. The increased production was the result of a higher throughput offset by lower gold grades during the quarter. Work on the decline into the Jualin deposit is expected to begin in the third quarter. Estimated 2015 total production from Kensington is 110,000 to 115,000 ounces of gold.

Ucore Rare Metals Inc. announced that it has commissioned the construction of a pilot plant based on Molecular Recognition Technology. The purpose of the Plant will be to test the use of this technology for the separation of rare earth elements at bulk scale. The test unit, with the project name “SuperLig-One,” will be constructed and then moved to a third-party facility for an independent review of pilot-scale test procedures. One high-priority source of pilot-scale test material for the plant will be the company’s Bokan-Dotson Ridge project. ●



VFWpost9981@aol.com | www.VFWpost9981.org

VFW POST 9981 12870 Old Seward Hwy., Suite 109, Anchorage, Alaska 99515

As Commander of Post 9981 you are invited to visit the Post in supporting our efforts in helping our Veterans of Anchorage. Please feel free to come by and we will sign you in as a guest at any time. You may be eligible to join as well! We have Friday Steak Night with entertainment to follow. We also have many special events that support our cause in serving our Veterans.

Steve Hubbard – Post 9981 Commander | 907-770-5095 (Post) | 907-382-6506 (Cell)



GOVERNMENT

District court tosses ANWR appeal

Judge rejects state of Alaska claim that Department of Interior must review state seismic survey plan for refuge coastal plain

BY ALAN BAILEY
Petroleum News

Judge Sharon Gleason of the federal District Court in Alaska has rejected an appeal by the state of Alaska against the U.S. Department of the Interior's refusal to review a state plan to conduct a 3-D seismic program on the coastal plain of the Arctic National Wildlife Refuge.

Following years of lobbying by Alaska policymakers anxious to see oil and gas exploration in the coastal plain of the refuge, in May 2013 the state administration under then-Gov. Sean Parnell proposed a state and federally funded exploration program to better understand the oil and gas resources in the region. Then, following rejection of this proposal, the state applied for a special use permit to conduct a 3-D survey in the coastal plain. After Interior said that it lacked the authority to approve the state's plan, the state sued Interior Secretary Sally Jewell over Interior's decision. Judge Gleason has now found in favor of Jewell.

ANILCA

At the core of the case is the Alaska National Interest Lands Conservation Act, the act that in 1980 established the present-day Arctic National Wildlife Refuge. Section 1002 of ANILCA designated 1.5 million acres of the coastal plain region of the refuge as warranting investigation for potential oil and gas development. This sec-

tion of the act has led to the coastal plain of the refuge being referred to as the 1002 area.

ANILCA gave the secretary of the Interior the authority to approve certain exploration activities, including seismic surveying, within the 1002 area in order to evaluate the area's oil and gas potential. The act also required Interior to submit a report to Congress on the oil and gas potential of the 1002 area, on the natural environment of the area and on the potential impacts on the environment of oil and gas exploration and development. The act also required a recommendation on whether further exploration, possibly leading to oil and gas development, should be permitted in the area.

In April 1987 Interior submitted the required report to Congress — the report included a recommendation that there should be an oil and gas leasing program in the 1002 area. However, Congress has never acted to authorize a program of this type, and the question of oil and gas exploration in the refuge has remained in limbo to the present day.

Time limits

But, while ANILCA specified a deadline for Interior to file the required 1002 area report, the act did not spell


out any specific timeframe within which exploration activities must be conducted. And, so, the state of Alaska, in filing its seismic survey plan, claimed that Interior still can legally review exploration plans.

Interior has, however, interpreted the wording of the act to mean that the approved exploration activities were intended as a means of gathering information for the report to Congress. On that basis, Interior's authority to review exploration plans for the 1002 area expired in 1987, when the report to Congress was submitted, the agency has argued.


Judge Gleason has agreed that there is ambiguity in the wording of ANILCA over the intended time period within which refuge exploration activities can be reviewed. But, citing legal precedent, Gleason said that the court must accede to the expertise of a government agency in interpreting the intended meaning of a statute, provided that the agency's interpretation is reasonable. In this case, Interior's long-standing interpretation of ANILCA meets that reasonableness criterion and is upheld by the court, Gleason said. ●

Interior has, however, interpreted the wording of the act to mean that the approved exploration activities were intended as a means of gathering information for the report to Congress.

Contact Alan Bailey
at abailey@petroleumnews.com




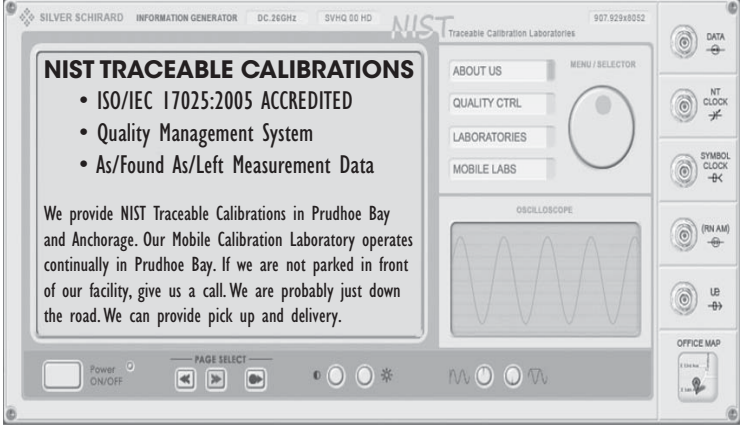

ALASKA METROLOGY & CALIBRATION
929-8052 **670-1099**
 Anchorage Prudhoe Bay
www.akmetcal.com



NIST TRACEABLE CALIBRATIONS

- ISO/IEC 17025:2005 ACCREDITED
- Quality Management System
- As/Found As/Left Measurement Data

We provide NIST Traceable Calibrations in Prudhoe Bay and Anchorage. Our Mobile Calibration Laboratory operates continually in Prudhoe Bay. If we are not parked in front of our facility, give us a call. We are probably just down the road. We can provide pick up and delivery.

AIR LIQUIDETM

WELDING SUPPLIES

Lincoln
Stoody
Mathey

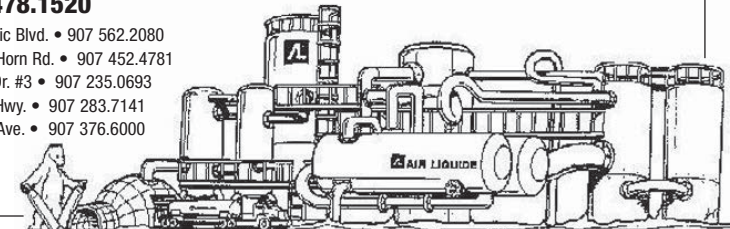
Miller
Tweco
ESAB
& Victor Gas Equipment

Milwaukee
Thermal
Norton

CYLINDER GASES
Industrial, Blueshield Productivity Mixes, Medical and Specialty
Cylinders for rent, lease, and purchase

BULK LIQUID GASES
Oxygen, Nitrogen, Argon, Carbon Dioxide, and Dry Ice

Toll Free 800 478.1520
 Anchorage - 6415 Arctic Blvd. • 907 562.2080
 Fairbanks - 2089 Van Horn Rd. • 907 452.4781
 Homer - 1104 Ocean Dr. #3 • 907 235.0693
 Kenai - Mi. 15.1 Spur Hwy. • 907 283.7141
 Wasilla - 301 Centaur Ave. • 907 376.6000



ReactiveGel® is helping solve Alaska's corrosion problems



Polyguard Products has introduced a really different type of corrosion protection to address Alaska's corrosion problems. ReactiveGel® (nicknamed "BlueGoo®" by Oil Patch users) is a patented product which reacts with steel surfaces to form a microscopically thin glasslike surface. This glasslike surface will not corrode.

Innovation based. Employee owned. Expect more.
Polyguard
 Phone: (1) 214.515.5000 www.PolyguardProducts.com

ReactiveGel won't solve every problem, because it never hardens and can be wiped off easily. So you can't leave it exposed to the elements. However, the gel works well for preventing corrosion under insulation because it is protected by the insulation. And it works in other protected areas; the U.S. Navy uses it for hidden door mechanisms, and it has been used to retrofit the inside of North Slope well casings.

Visit us at www.ReactiveGel.com/mav

GOVERNMENT

Election trumps Arctic trip

Canadian Prime Minister Stephen Harper has scrubbed what has become his almost-sacred annual pilgrimage to the Arctic since he was elected in 2006.

Trailing in the polls only three months away from a national election on Oct. 19, he has apparently decided there are other more pressing priorities.

Harper has used his northern expeditions, including to the High Arctic, as a chance to style himself as a defender of Canadian sovereignty in the face of challenges from Russia, Denmark and even the United States.

They have also been a chance for him to allocate cash for projects such as a road from Inuvik to Tuktoyaktuk in the Northwest Territories, conclude long negotiations to transfer control over resources to the NWT, promise an Arctic port in Nunavut and promote the deployment of Arctic Rangers (drawn from aboriginal populations) to reinforce Canada's territorial claims.

Regardless of when an official election campaign is launched, aides in Harper's office said the prospect of a party leaders debate in August would clash with the usual date for the Arctic trip.

They also noted that the campaign is certain to see Harper spend time in the North.

—GARY PARK

Rep. Herron chairs PNWER Arctic caucus

Alaska Rep. Bob Herron, D-Bethel, was elected chair of the Arctic Caucus July 13 at the 25th annual summit of the Pacific Northwest Economic Region, held in Big Sky, Montana.

The Arctic Caucus, a partnership of public and private sector members from Alaska, Yukon and the Northwest Territories, is a working group within PNWER.

Herron has been active in the Arctic Caucus since 2010 and recently served as co-chair of the Alaska Arctic Policy Commission.

"This is an important time to raise the profile of the Arctic Caucus and Arctic issues in general during the United States' chairmanship of the Arctic Council, which includes the eight Arctic nations as members," Herron said in a statement.

The Arctic Caucus educates policy makers in the national capitals of Ottawa and Washington, D.C., on Arctic issues and is also working on defining and promoting Arctic economic corridors and on a study that shows how much northern economies benefit their southern neighbors.



REP. BOB HERRON

—PETROLEUM NEWS

GOVERNMENT

AOGCC goes with API metering rules

BY KRISTEN NELSON

Petroleum News

The Alaska Oil and Gas Conservation Commission ruled July 16 that multiphase metering for well testing and production allocation purposes may be conducted under API standards, rather than under the guidelines the commission adopted in 2004.

The commission said its guidelines provided guidance for how operators could qualify multiphase metering systems for use in well testing and production allocation service in their fields. In its July 16 order the commission said it has approved four different multiphase metering systems for well testing and allocation purposes under the 2004 guidelines.

In September 2005, however, the American Petroleum Institute adopted a recommended practice for multiphase metering in well testing and allocation, and in January 2013, API adopted Manual of Petroleum Measure Standards Chapter 20.3 — Measurement of Multiphase Flow — applicable to well testing and produc-

tion allocation, superseding its 2005 recommended practice.

No industry standard in 2004

The commission said it issued its multiphase metering guidelines in 2004 "at a time when there was no industry standard or recommended practice for multiphase metering."

"Industry acceptance of and confidence in multiphase metering has increased substantially since that time to the extent that API has promulgated a standard for multiphase metering systems," the commission said.

Multiphase metering is much more widely adopted for well testing and production allocation purposes than it was in 2004, the commission said, and noted: "Multiphase meters have been proven to provide adequate accuracy and reliability for well testing and allocation purposes."

Traditional metering systems required operators to separate crude oil into oil, natural gas and water and measure each separately, while multiphase meters can measure the oil, natural gas and water

see AOGCC page 23

continued from page 10

SAE

will have no effect on marine traffic, with a buoy release deployed when the line is ready for retrieval.

Fisheries concerns

The Alaska Department of Fish and Game had concerns about seismic work in Cook Inlet around salmon migration and fishery activities, and also wanted to know about the impact on the Clam Gulch Critical Habitat area adjacent to the proposed project, where clam beds are a concern. The department's concerns also included sound impacts on marine mammals — including beluga whales, sea otters and harbor seals.

The Division of Oil and Gas included SAE exploration responses to Fish and

Game concerns. The company said it is not currently planning to work in the Clam Gulch Critical Habitat area, but if it determines it does need to work in that area it would contact Fish and Game for the appropriate permit.

SAE said it has received authorization from the National Oceanic and Atmospheric Administration and said noise concerns are addressed by NOAA and the National Marine Fisheries Service in detail. It said its seismic noise levels are within the range considered safe for bony fish and also said it has not witnessed any fish mortalities as a result of air gun operations.

SAE also said it was "well aware of the potential impact the planned seismic operation could have on local populations of all marine mammals," and

see SAE page 23

NALCO Champion

An Ecolab Company

Talk to one of our on-site experts today.

Anchorage, 907-563-9866

Fairbanks, 907-378-5900

Kenai, 907-252-0060

Essential Expertise for Alaska

Nalco is the world leader in delivering programs that maximize production, protect assets and reduce TCO for Mining, Oilfield production, Refining, Industrial producers and Utilities. Our differentiated technologies and services

- Save water
- Increase energy
- Deliver cleaner air and water

PASSENGER | FREIGHT | REAL ESTATE

ALASKA

RAILROAD

YOUR TICKET

TO GETTING IT DONE

Alaska Railroad's Rail/Marine Service is one of the most affordable and efficient ways to transport resources, equipment and supplies. We can ship to and from anywhere in North America with no transloading, and no headaches. **EASY. AFFORDABLE. EFFICIENT.**

BE MOVED.

AlaskaRailroad.com

800.321.6518



continued from page 10

AIDEA

fall short of the Interior Energy Project's objectives, in terms of both the volume of gas involved and of the price of the gas. Pentex is in the process of selling its LNG plant and trucking operation to a subsidiary of Cook Inlet gas producer Hilcorp Energy. AIDEA anticipates ending up owning Fairbanks Natural Gas and thus being able to reduce the cost of gas distribution in Fairbanks, in part because of AIDEA's relatively low business costs and ultimately by facilitating the consolidation of the two existing gas utilities in Fairbanks.

Meantime, those two utilities, Fairbanks Natural Gas and the Interior Gas Utility, with AIDEA funding assistance, are in the process of executing a major expansion of the Fairbanks gas distribution network, in anticipation of an expanded gas supply becoming available. ●

Contact Alan Bailey
at abailey@petroleumnews.com

LAND & LEASING

Small lease transactions in June

Tramlaw LLC, Tekram LLC and Robert Warthen have each asked the state for permission to transfer separate 1 percent royalty interests in 11 Beaufort Sea leases to operator NordAq Energy Inc. The leases are ADL 392182 through ADL 392192. The leases are in a region of Smith Bay where NordAq explored this past winter. The company is in the process of selling those leases to Caelus Energy Alaska Inc.

At the Point Thomson unit, the Estate of Jeanne Alice Searls transferred small working and royalty interests (all less than 1 percent) in ADL 47560 to Susan Jeanne Searls Collier and to John Searls and the Estate of John W. Perry transferred small working and royalty interests (all less than 1 percent) in the same lease to the Estate of Jeanne Alice Searls, Linda Lou Searls Neidert, John Searls and Susan Jeanne Searls Collier.

The Department of Natural Resources issued North Slope leases to Burgundy Xploration LLC, 70 & 148 LLC, ConocoPhillips Alaska Inc. and Woodstone Resources LLC.

The Apache Alaska Corp. lease ADL 391244 expired at the end of May 2015, at the end of its primary term. The lease is offshore of the Kenai Peninsula, between Clam Gulch and Kasilof and is nestled among a larger group of leases that mostly expire in 2022.

David J. and Catherine T. Doherty have asked to transfer a 0.1 percent royalty interest in six Cook Inlet leases to Proak LLC. The leases are ADL 389927, ADL 389928, ADL 389929, ADL 390374 and ADL 390381 and are associated with the Kitchen Lights unit.

Walter Fuller has asked to transfer separate 0.6 percent royalty interest in one Cook Inlet lease to Mickey Jane Fuller. The lease is ADL 390094 and is offshore Kenai Peninsula.

—A copyrighted oil and gas lease map from Mapmakers Alaska was a research tool used in preparing this story.

—ERIC LIDJI

The Department of Natural Resources issued North Slope leases to Burgundy Xploration LLC, 70 & 148 LLC, ConocoPhillips Alaska Inc. and Woodstone Resources LLC.



ALASKA CLEAN SEAS

North Slope Spill Response

alaskacleanseas.org
Anchorage (907) 743-8989
Prudhoe Bay (907) 659-2405



Alaska Clean Seas provides oil spill prevention and response services to exploration and production companies on the North Slope. With 35 years of experience, this not-for-profit cooperative delivers world class emergency and environmental services.



WHEREVER
WHATSOEVER
WHENEVER

Creative photography for the oil & gas industry.
judypatrickphotography.com
907.258.4704

JUDY PATRICK
PHOTOGRAPHY

Fire Protection Specialists

GMW has many years of experience working in Deadhorse, supporting oil field activities on the North Slope of Alaska.

GMW Provides the Following Services

- Fire Sprinkler Design and Installation
- Fire Sprinkler Inspections and Maintenance
- Fire Alarm Design and Installation
- Fire Alarm Inspections and Maintenance
- Special Hazards Design and Installation including FM-200 and water mist suppression systems
- Fire Extinguisher Inspection and Service including hydro-testing and re-charge
- Fire pump certification and inspections
- Portable gas monitors and systems installation and calibration
- Kitchen hood service and maintenance
- CO2 system maintenance and recharge

(907) 336-5000
www.gmwfireprotection.com

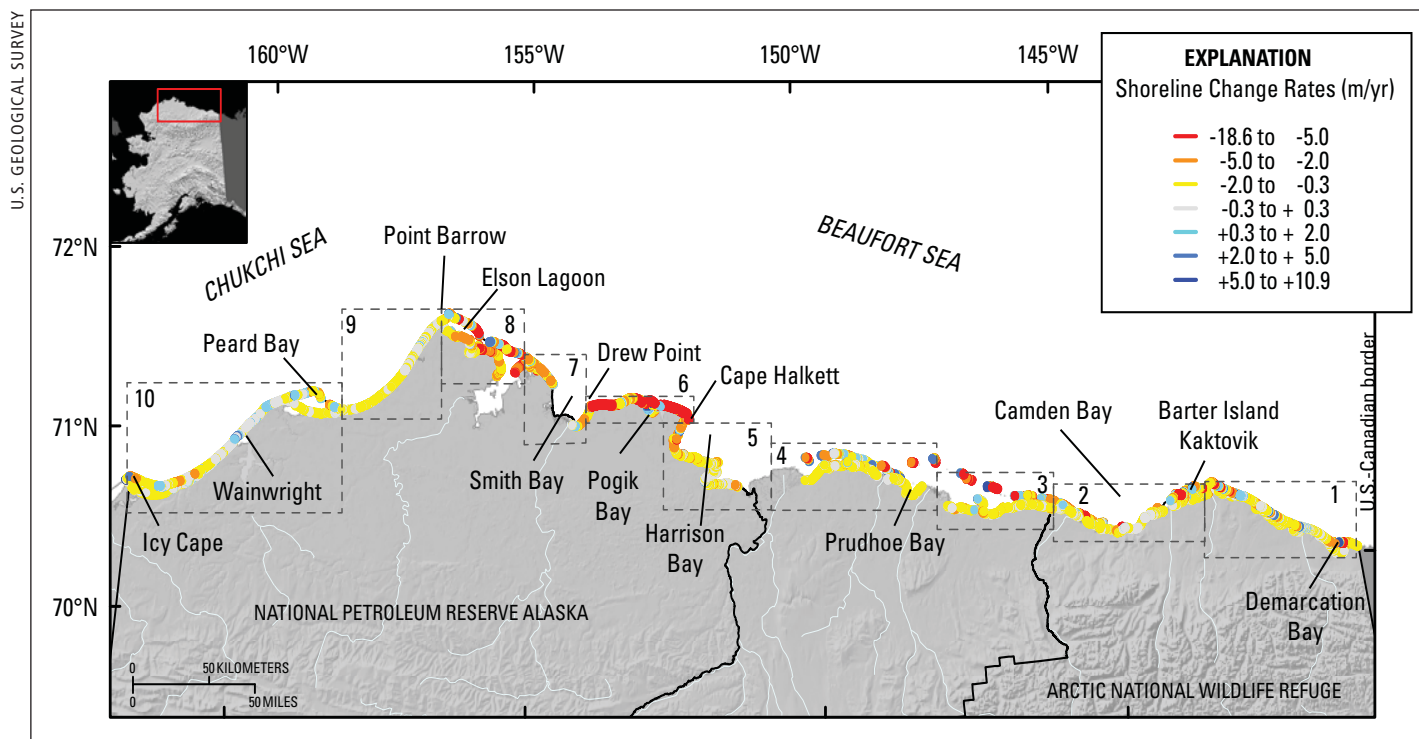
GMW Fire Protection has offices in Anchorage and Deadhorse

GMW
FIRE PROTECTION
INCORPORATED

ENVIRONMENT & SAFETY

USGS confirms high Arctic coast erosion

On average Beaufort, Chukchi coastlines receding, with the highest rates of change on the shores of the Beaufort Sea



The rates of coastline change around the north coast of Alaska, as reported by the U.S. Geological Survey

BY ALAN BAILEY

Petroleum News

Arctic Alaska is shrinking, according to a new report published by the U.S. Geological Survey. The report documents coastal erosion along much of the coastlines of the Alaska Beaufort and Chukchi seas, with erosion rates as high as 18.6 meters per year in some small sections of the Beaufort Sea coast.

The report comes as part of a national

survey of shoreline change that USGS is conducting around the open-ocean shores of the Lower 48 and parts of the coastlines of Hawaii, Alaska and the Great Lakes.

The USGS researchers measured Arctic Alaska coastline changes by comparing topographic surveys conducted in the 1940s with information collected between 1997 and 2012 from aerial photographs, satellite images and laser-derived elevation models. Comparison

data came from 25,567 transects around the coast, with 84 percent of these transects showing the coastline receding. The researchers did not make any distinction between different possible reasons for the retreat of the coast — potential reasons include erosion by the sea, the breaching of coast lakes, sea-level rise or land subsidence.

Much variation

The researchers found that the rates of

shoreline change have varied considerably around the Alaska Arctic region, ranging from a growth rate of 10.9 meters per year to that maximum recession rate of more than 18 meters per year, a rate of erosion among the highest in the world. On average, the shoreline has retreated at a rate of 1.4 meters per year. The Beaufort Sea coast is receding at an average rate of 1.7 meters per year, while the Chukchi Sea coast is on average receding more slowly, at an average rate of 0.3 meters per year. The highest rate of erosion took place on the Beaufort Sea coast between Cape Halkett and Pogik Bay, to the west of Harrison Bay, while the western side of Pogik Bay saw the highest rate of accretion.

The report says that the barrier islands around the coast have migrated significantly over the years, with an overall gain in surface area of the islands, as a result of a combination of land erosion and accretion. The report also comments that, unlike elsewhere around the United States, the northern coast of Alaska is protected by landfast sea ice for all but three months of the year. Projected and observed increases in the lengths of ice-free periods, particularly in the autumn when large storms are common in the Arctic, may cause accelerated shoreline erosion in the future, the report says. ●

Contact Alan Bailey
at abailey@petroleumnews.com

continued from page 1

SHELL

in place, Shell will not be allowed to drill into oil-bearing zones. As Shell conducts exploratory activities, we will be monitoring their work around the clock to ensure the utmost safety and environmental stewardship.”

BSEE says that agency safety inspectors will be present on Shell’s drilling units Noble Discoverer and Polar Pioneer to provide continuous oversight of all approved activities.

No simultaneous drilling

The BSEE drilling permits prohibit simultaneous drilling operations at both of Shell’s planned drilling sites. This limitation arises from a stipulation within the U.S. Fish and Wildlife Service’s letter of authorization, allowing the minor, unintended disturbance of walrus and polar bears during Shell’s operations. The stipulation requires simultaneous exploration activities to be spaced at least 15 miles from each other — Shell’s well locations are less than 15 miles apart.

If Shell opts to start drilling two wells the company must plug and abandon the top section of the first well before commencing the drilling of the second well, BSEE says.

Drilling vessels dispatched

Shell spokeswoman Megan Baldino has told Petroleum News that the two drilling vessels under contract for the Chukchi Sea drilling have departed Dutch Harbor in the Aleutian Islands for the Chukchi Sea.

“The Noble Discoverer left last night around 6:30 and the Transocean Polar

Pioneer followed at approximately 1:00 p.m. this afternoon,” Baldino said in a July 17 email.

The two drilling units, with assistance from support vessels, will connect to anchors that Shell has recently placed over the drilling prospect in the Chukchi Sea, Baldino said. The Burger prospect lies about 70 miles northwest of the Chukchi coastal village of Wainwright. The sea depth at Burger is about 140 feet according to BSEE.

Baldino told Petroleum News in a July 22 email that Shell plans to begin drilling at the Burger J prospect using the Polar Pioneer once the area is substantially clear of sea ice.

“The company will comply with all permits,” Baldino said.

BSEE inspection

Between July 7 and July 12, prior to the departure of the Noble Discoverer and the Polar Pioneer from Dutch Harbor, BSEE conducted inspections of the two drilling units, assessing the overall readiness of the units for the Chukchi Sea drilling and testing key safety devices, BSEE said July 16. The inspectors also verified oil lease stipulations, environmental mitigation measures, air quality equipment and permit requirements for the discharge of waste, BSEE said.

BSEE Alaska Region Director Mark Fesmire and BSEE personnel re-inspected Shell’s capping stack on board the M/V Fennica, to verify that the capping stack had not been damaged during the incident in which the Fennica’s hull had been breached, BSEE said.

Reactions to the permitting

U.S. Sen. Lisa Murkowski, R-Alaska, expressed her satisfaction with the issue

of the BSEE drilling permits.

“Today’s approval by the Department of Interior of the permits Shell needs to resume drilling in the Chukchi Sea is good news for Alaska and our country,” Murkowski said in a July 22 press release. “However, it is not the final regulatory hurdle Shell faces and it is important that the agencies continue to work in good faith and in a timely fashion to complete the remaining regulatory requirements.”

But environmental organizations continue to express their opposition to Shell’s plans.

“Neither Shell nor the oil industry as a whole has learned the lessons of 2010 or 2012,” said Andrew Sharpless, CEO of Oceana. “As its ongoing missteps show, Shell is not prepared to operate safely in the Arctic Ocean where bad weather, darkness and floating ice increase the risks of an accident, and there is no proven way to clean up spilled oil. The government’s approvals for Shell’s drilling fly in the face of common sense.” ●

Contact Alan Bailey
at abailey@petroleumnews.com

continued from page 1

NIKAITCHUQ

into the northwest of the unit.

The dual laterals are part of a strategy for optimizing oil production by designing wells that undulate through a target formation counter to the undulation of existing laterals (see illustration).

The company currently plans to drill five dual lateral producers from its Spy Island drill site in 2016: SP23-N3 L1 (which is also listed as one of the proposed well locations intended for this year), SP10-FN5 L1, SP27-N1 L1, SP18-N5 L1 and SP05-FN7 L1 (see illustration).

Eni initially planned a two-phased program for Nikaitchuq, starting with drilling from the onshore Oliktok Point Pad and continuing from the offshore Spy Island drill site.

The company completed its initial Oliktok Point Pad program in August 2012 and began continuous drilling

from the Spy Island drill site in November 2012 with Doyon Rig 15.

In 2013 and 2014, the company conducted a sidetrack program to add second laterals to certain producers drilled from the Oliktok Point Pad. The program included workovers to replace electric submersible pumps as well as an N sands pilot well. The program finished in May 2014. The company also worked over two wells at Spy Island in 2014.

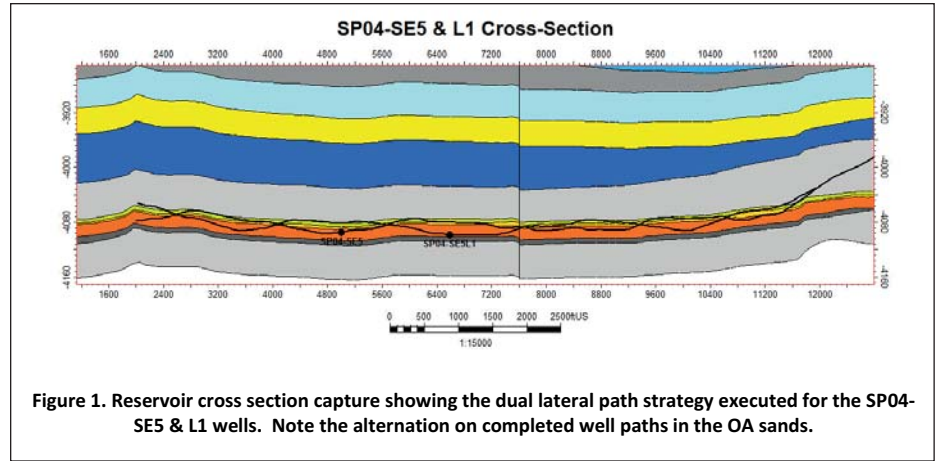
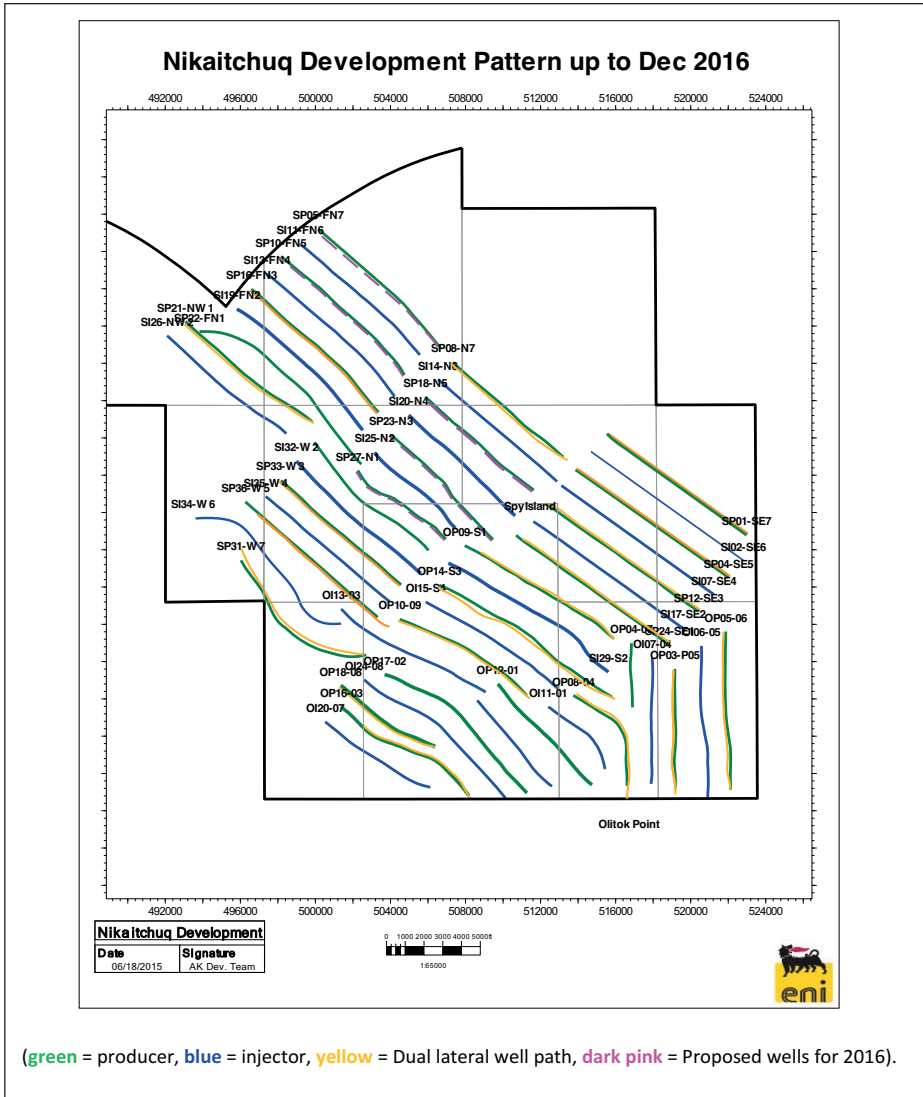
Through the end of this year, Eni expects it will have drilled 55 wells at the unit — 28 producers, 22 injectors, three water source wells and two disposal wells. Of the 55 wells, 23 will have been drilled from the Oliktok Point Pad and 32 from the Spy Island drill site.

The unit was producing 25,393 barrels per day at the end of 2014.

Expansions

The future of the unit depends on

see **NIKAITCHUQ** page 23



extending the current development of the Schrader Bluff OA sands into the “western area” of the unit, developing the Schrader Bluff N sands and developing a Sag River oil reservoir.

Those three proposals are developing at different rates.

Eni recently sanctioned its “western area development,” which will extend drilling into the northwest corner of the unit. The area was considered technically unfeasible until recent years, when it became merely “challenging,” according to the company.

The program includes two producers (SP21-NW1, SP31-W7), two injectors (SI34-W6, SI26) and two dual laterals (SP21-NW1 L1, SP31-W7 L1) drilled from the Spy Island drill site. Eni completed the producer SP21-NW1 and the lateral SP21-NW1 L1 in November 2014, the producer SP31-W7 and the lateral SP31-W7 L1 in February 2015, and the SI34-W6 injector in March 2015, according to the Alaska Oil and Gas Conservation Commission. The remaining injector, SI-26 has yet to be permitted.

The company said it will “continue

evaluating opportunities” from Spy Island and plans to drill two producers (SP28-NW3 and SP03-FN9) and one injector (SI06-FN9) in 2015.

N sands, Sag River

Eni sanctioned Nikaichuq based entirely on the potential of the Schrader Bluff OA sands but early on the company saw an opportunity to develop the shallower N sands.

In recent years, the company launched an appraisal program after preliminary studies suggested between 40 million and 100 million barrels of “contingent resources” in the N sands. Previous plans of development for the unit mentioned “sedimentological, petrophysical and reservoir studies,” the extension of the several OA sands development wells to test the N sands and a pilot well drilled in 2013 to test completion strategies.

Having completed reservoir modeling and original oil in place calculations for the N sands in 2014, the company is launching a “technical economic analy-

see **NIKAICHUQ** page 25

continued from page 22

NIKAICHUQ

various expansions — some of which have been under evaluation for years and one that was recently proposed publicly for the first time.

The newest proposal is being called

the “East Extension Project” and could add three or four wells to the development program in 2016, according to the company. The company provided no further details about the proposed project in its plan of development.

Last year, Eni listed three proposed expansion opportunities for the unit:

continued from page 20

AOGCC

without separation.

The commission said that from the date of the order, multiphase meters used for well testing and production allocation which the operator can demonstrate meet the requirements of API MPMS 20.3 and have no more than plus or minus 5 percent total system uncertainty under expected flow condi-

tions are presumed to be compliant with the commission’s guidelines and do not require an application under those guidelines. Multiphase metering systems with do not comply with the API standards or the total system uncertainty requirement will continue to require approval under the commission’s guidelines. ●

Contact Kristen Nelson at knelson@petroleumnews.com

ABR inc. Leaders in Environmental Consulting in Alaska for over 38 years

Wildlife Science
Vegetation, Wetlands, & Landscape Ecology
Marine Science
Fisheries & Aquatic Science
NEPA & Permitting
Statistics, GIS, & Database Services

continued from page 20

SAE

said it implements mitigation measures approved by NMFS.

The company said there is a shut-down safety zone for beluga whales and said it implemented those measures during seismic surveys in 2012 and as a result no beluga whales were exposed to noise levels exceeding 160 decibels.

SAE said according to its updated Marine Mammal Monitoring and Mitigation Plan, any marine mammal injury take by its seismic program will be immediately reported to the NMFS Office of Protected Species, the NMFS Regional Office-Anchorage and the Alaska Regional Stranding Coordination, while any noted injury to waterfowl or fish resources will be reported to the Alaska Department of Fish and Game Division of Habitat. ●

Contact Kristen Nelson at knelson@petroleumnews.com



TOTAL PROJECT SUPPORT

- SUPPORTING THE NORTH SLOPE & COOK INLET
- HEATERS, GENERATORS, VEHICLES, MANLIFTS, LIGHT PLANTS, ENVIROVACS, RIGMATS & MOBILE BUILDINGS
- CAMPS & CAMP SERVICES
- FULL PROJECT LOGISTICS SERVICES & STAFFING

Magtec Alaska, LLC
(907) 394-6350
Roger Wilson, Prudhoe Bay
rwilson@magtecalaska.com

Skeeter Creighton, Kenai
(907) 394-6305
skeeter@magtecalaska.com



GCI

GCI is an Alaska-based company providing voice, video and data communication services to residential, commercial and government customers. Founded in 1979, GCI introduced long-distance competition to Alaska and has since grown to be one of the nation's premier integrated telecommunication providers. GCI's services are connected through company-owned fiber optic, satellite and metropolitan area network facilities to the Lower 48 states.

Heather Resh-Crotsley, Commercial Marketing Manager

Heather Resh-Crotsley joined the GCI team June 1. Prior to relocating to Alaska, she worked as a director of marketing for a pet store in Lancaster, Pennsylvania, specializing in ecommerce. Resh-Crotsley has a BA in graphic and interactive design from Millersville University and an MBA in marketing from the Florida Institute of Technology. When not working she enjoys gardening, traveling and photography.



**HEATHER
RESH-CROTSLEY**



*Call today to spotlight
your company and key
people here!*

Call 907-522-9469 for details.



Companies involved in Alaska and northern Canada's oil and gas industry

ADVERTISER	PAGE AD APPEARS	ADVERTISER	PAGE AD APPEARS	ADVERTISER	PAGE AD APPEARS
A					
AECOM Environment		Doyon Anvil		NANA WorleyParsons	
aeSolutions		Doyon Drilling		NASCO Industries Inc.	
Air Liquide	19	Doyon, Limited	10	Nature Conservancy, The	
Alaska Clean Seas (ACS)	21	Doyon Universal Services		NEI Fluid Technology	
Alaska Communications		Egli Air Haul	7	NMS Lodging	
Alaska Dreams		exp Energy Services	4	Nordic Calista	28
Alaska Frontier Constructors (AFC)		F. Robert Bell and Associates		North Slope Telecom	
Alaska Marine Lines		Fairweather		Northern Air Cargo	
Alaska Metrology & Calibration Services	19	Five Star Oilfield Services		Northern Electric Inc.	
Alaska Railroad	20	Flowline Alaska		Opti Staffing Group	
Alaska Rubber		Fluor		Pacific Alaska Lumber	
Alaska Steel Co.	3	Foss Maritime	8	Pacific Pile	
Alaska Textiles		Fugro		PacWest Drilling Supply	
Alaska West Express		G-M			
Alpha Seismic Compressors		GBR Oilfield Services		Paramount Supply Company	
American Marine	4	GCI Industrial Telecom		Parker Drilling	
Arctic Controls		GCR Tires & Service		PENCO	
Arctic Slope Telephone Assoc. Co-op.		Global Diving & Salvage	10	Petroleum Equipment & Services	3
Arctic Wire Rope & Supply		Global Geophysical Services		Polyguard Products	19
ARCTOS		GMW Fire Protection	21	PND Engineers Inc.	
Armstrong		Golder Associates		PRA (Petrotechnical Resources of Alaska)	2
ASRC Energy Services		Greer Tank & Welding		ProComm Alaska	27
AT&T		Guess & Rudd, PC		Price Gregory International	
Automated Laundry Systems & Supply		Harley Marine Services		Resource Development Council	
Avalon Development		Hawk Consultants		Ravn Alaska (formerly Era Alaska)	
B-F					
BP		HDR Alaska	26	Q-Z	
Bald Mountain Air Service		IFR Workwear		SAExploration	4
Battelle Anchorage		Inspirations	26	SAFWAY	7
Bombay Deluxe		Judy Patrick Photography	21	Sophie Station Suites	
Brooks Range Supply		Kenworth Alaska		STEELFAB	
Calista Corp.		Kuukpik Arctic Services		Stoel Rives	
Canrig Drilling Technology		Last Frontier Air Ventures		Taiga Ventures	
Carlile Transportation Services		Learn to Return		Tanks-A-Lot	
Chevrolet of South Anchorage		Lister Industries		The Local Pages	7
CHI Aviation		Lounsbury & Associates		Think Office	
ClearSpan Fabric Structures		Lynden Air Cargo	9	Total Safety U.S. Inc.	25
CN Rail		Lynden Air Freight	9	TOTE-Totem Ocean Trailer Express	
Colville Inc.		Lynden Inc.	9	Totem Equipment & Supply	
Computing Alternatives		Lynden International	9	TTT Environmental	
CONAM Construction		Lynden Logistics	9	Turnagain Marine Construction	
ConocoPhillips Alaska		Lynden Transport	9	UIC Design Plan Build	
Construction Machinery Industrial		MagTec Alaska	23	UIC Oil and Gas Support Services	
Cook Inlet Energy		Mapmakers of Alaska		Unique Machine	8
Crowley Solutions		MAPPA Testlab		Univar USA	
Cruz Construction		Maritime Helicopters		Usibelli	
Delta Leasing	5	Miller Energy		Verizon	
Denali Industrial		Motion Industries		Vigor Alaska	
DET-TRONICS		N-P			
Dowland-Bach Corp.		Nabors Alaska Drilling		Volant Products	28
		Nalco	20	Weston Solutions, Inc.	5

All of the companies listed above advertise on a regular basis with Petroleum News

continued from page 1

LNG

Although the dramatic use of technology has managed to unlock the vast shale gas potential of North America, that breakthrough has virtually put an end to LNG imports, leaving the U.S. with an inventory of 11 terminals and combined capacity of 18.5 billion cubic feet per day, some of which are now being converted to LNG export liquefaction facilities.

In contrast, Canada has converted the Canaport LNG terminal in Atlantic Canada, with send out capacity of 1 billion cubic feet per day to U.S. Northeast markets.

No sanctions for BC projects

But no projects on the British Columbia coast have received corporate sanctioning despite the large gas resource base near the Pacific Coast.

CAPP noted that the National Energy Board has estimated the ultimate potential for conventional marketable gas in the Western Canada Sedimentary Basin is 291 trillion cubic feet, while unconventional gas reserves in five potential plays — Montney, Duvernay, Horn River, Liard and Cordova Embayment — amount to 698 tcf.

That combined total is vastly greater than Canada's domestic consumption of a mere 3 tcf a year.

Of the 14.1 billion cubic feet per day of gas produced in Western Canada last year, 6.72 bcf per day was consumed in Canada and 7.4 bcf per day was exported to the U.S., a sizeable drop in exports from the days last decade when exports accounted for two-thirds of Western Canada's output.

Opening up sales in global LNG markets is the best bet for stimulating production of Canada's more-than-100-year gas supply, the report said.

Otherwise output will steadily decline over the next 10 years, then remain flat at about 13 bcf per day until the end of the forecast period in 2030.

'Relatively small player'

Although Canada would likely remain a "relatively small player" in worldwide LNG trade, accessing global markets would see Canadian production recover to 14.5 bcf per day by 2020 and could reach 17 bcf per day by 2030, assuming five LNG trains (two of them at the Pacific NorthWest LNG project operated by Petronas) are operating by 2023, with each having capacity of 5 million metric tons a year, CAPP estimated.

But the report emphasized that Canada "needs prompt regulatory approvals (at a time of fierce competition) and a commitment to competitiveness in order to attract the billions of investment dollars required to build an LNG business and expand natural gas production to support it."

McMillan cautioned that the "window of opportunity for Canada's LNG market will not stay open forever."

That reinforced comments earlier in July by Betsy Spomer, chief executive officer of the Jordan Cove LNG project in Oregon, who said Canada's reputation as a place to invest in LNG has fallen behind the U.S. because of labor costs, productivity concerns and regulatory uncertainty.

CAPP estimated the incremental costs of transporting gas to facilities on the British Columbia coast, the liquefaction costs and the shipping costs to Asia by LNG tanker could add US\$7-US\$10 to the Western Canadian gas price.

Regulatory outlook improving

However, Greg Stringham, CAPP's vice president of marketing, told the Calgary Herald that the regulatory outlook is improving, with the Canadian government signing off on 40-year export permits, up from the traditional 25 years.

In addition, he said, British Columbia has offered greater certainty on taxes, while timelines have been set for pipeline approvals, leaving only environmental impact assessments in need of attention.

For now, some of the signs are encouraging as the emergence of the unconventional plays in British Columbia has "generated worldwide interest and a number of joint ventures" involving Asian investors, who are attracted by the large resource base close to the British Columbia coast and Canada's proximity to Asian markets.

After almost quadrupling to 32 bcf per day, gas production to support LNG trade has stalled because of the economic slowdown in Europe, but is expected to ramp up again, CAPP said, noting that global liquefaction capacity is expected to reach 50 bcf per day by 2018, mostly the result of projects under construction in Australia and the U.S.

Gas values down

On the price front, the report said that as surging U.S. shale production has become available to the market, gas-on-gas competition has dragged North American gas values down from about US\$12 per million British thermal units seven years ago to barely over US\$2 at the start of 2015, while European prices entered this year at just under US\$8 and Japanese prices edged below US\$14 from their peak of US\$18 three years ago.

CAPP said that even with oil prices sliding by 40 percent to US\$60, gas has been selling this year at less than one-third of its energy equivalent basis to crude.

In this environment, CAPP said there is the potential for Western Canadian gas producers to obtain a higher netback for their production if they can access world markets.

But the challenge for those producers is to "control the level of costs so that landed costs of LNG from Canada are competitive in the Asian marketplace and to ensure that producers receive a netback that renders these projects economic," the report said.

CAPP estimated the incremental costs of transporting gas to facilities on the British Columbia coast, the liquefaction costs and the shipping costs to Asia by LNG tanker could add US\$7-US\$10 to the Western Canadian gas price.

It said liquefaction would take by far the largest bite, meaning the ability to control those costs would have the most significant impact on the economics of projects.

Although no projects are yet under construction in British Columbia, a number are well advanced in obtaining the necessary regulatory approvals. ●

Contact Gary Park through publisher@petroleumnews.com

continued from page 23

NIKAITCHUQ

sis" this year to craft a development scenario. The process could produce a conceptual proposal by 2016.

The proposed Sag River development is missing from the current plan of development.

In its previous plan of development, submitted July 2014, the company said it intended to submit a proposal for a Sag River development to upper management within 18 months.

The oil in the Sag River formation is deeper and generally lighter than the oil in the Schrader Bluff formation, where development currently occurs. The Sag River is "plagued with poor quality reservoir rock" and development would be "marginal at best unless there are significant advances in stimulation or enhanced oil recovery technology," state officials wrote in a previous decision to modify the royalty structure at Nikaitchuq.

In the current plan of development, Eni said it would "continue to review its geological, petrophysical, and drilling information to help improve our understanding of the Nikaitchuq unit reservoir(s)" and would "continue assessing exploitation opportunities when available in the acreage immediately outside current develop areas, outside the Unit and at various horizons," which leaves room for a future Sag River development. ●

Contact Eric Lidji at ericlidji@mac.com

Total Safety is the premier global provider of integrated safety and compliance solutions to support the health and safety of workers, assets, and the environment.

Total Solutions:

- Breathing Air Systems
- Gas Detection Systems
- H₂S and Safety Consultants
- Safety and Medical Training
- Remote Emergency Medical Support

TU's MEB is ranked in the top 40 online graduate business programs by U.S. News & World Report.

Online delivery | www.utulsa.edu/meb



THE UNIVERSITY of
TULSA
Collins College of Business

continued from page 3

GARDNER

sion, possibly very late in October, and into November. I think that will happen. I hope that it does.

The jury is still out. I don't think anybody really knows whether it will happen. But I think there are some indications that we can retain some optimism that it might really happen. However, even if it's green lighted and everybody moves forward and there are no reservations, it doesn't solve our budget problems right now.

When it's all said and done, the gas pipeline is great for Alaska, but it's not the equivalent of TAPS in terms of revenue to the state. It's just not. It's not meant to be. It is hoped that as people have a way to sell their gas and get it to market, they will look for more gas, and in the process find some oil, but no it's not going to be like TAPS.

If it happens, I think it would indicate that the parties to the deal, I fully anticipate they would want some tax deal. When have the oil companies not wanted that in gas line talks?

Petroleum News: The governor had told folks during an AOGA speech while you guys were in special session that he would like a larger share of the line. That could mean buying out TransCanada. You were certainly around, even on Resources, during those debates, and you supported the licensing of TransCanada. What are your thoughts on the prospects of buying out TransCanada?

Gardner: The way the whole deal was structured the idea was the state was an equal partner. That's never been true. The

state is not an equal partner. The state and TransCanada together are an entity that has equal shares with the majors, but at best the state is a junior partner in a sub partnership of the whole thing.

Again, if we are on the hook and we are ceding some of our sovereign rights under a deal on the grounds that we have parity with them, then we should have real parity.

Petroleum News: So would you be willing to buy out TransCanada?

Gardner: I think it is something that should be very carefully investigated, yes. TransCanada doesn't always have to be an owner. They do a lot of deals where they are the constructing company for somebody who is the owner. That's not a foreign proposal for them.

Remember that anybody can walk away. Anybody can walk away. Except for the state. Everybody takes their losses except for TransCanada and the state has to pay TransCanada all its cost and investment expenses. That's kind of interesting. Here we have this egalitarian deal, though more egalitarian for everybody else.

Petroleum News: Next month you'll be getting a visitor, President Obama. What can this mean for the state?

Gardner: I think it's very exciting. I think it's an opportunity, and I hope people will keep this in mind, to put our best foot forward and reasonably express our

concerns and our hopes for this state and our relationship with the federal government. That goes for the military part, it goes for the Arctic, it goes for development of lands.

Petroleum News: What kind of role do you think the Legislature could play in this visit and advancing Alaska's interests?

Gardner: I'm not sure exactly what the itinerary is and what the agenda is. My hope is some people will have the opportunity to express their views or perhaps ask questions, and I hope that is done respectfully and in the spirit of working together in the interest of Alaska. If they (Sen. Lesil McGuire and Rep. Bob Herron, leaders in advancing state's Arctic interests) are the ones who speak for us, I am confident they can both do a very good job.

"My understanding from the oil industry and the Department of Natural Resources, nobody will be ready in October. We anticipate a special session, possibly very late in October, and into November."

—Sen. Berta Gardner, D-Anchorage

Petroleum News: Let's talk a little bit about the Arctic, the Obama administration's agenda for the two-year Arctic Council chairmanship leans toward climate change; many in the state want that agenda to favor economic development. What's your take on this?

Gardner: I think we would be foolish to ignore the climate change issues. It's upon us and we are a canary here. We know how our own budgets are already impacted by climate change. The storm surges and the new sea walls, and moving our own coastal towns and communities, and our wildfires seasons starting out being more intense and lasting longer than in years past.

Our very lives depend upon being aware and smart about that. That being said, we are a resource state. We don't want to close development. We need to be cautious and informed in the decisions that we make. Also, we can't afford to close our eyes to what's going to happen with or without us.

Petroleum News: Speaking of the Arctic, Shell is on its way. Last month and even into late May, there was a lot of pushback in Washington state not only from protestors but elected officials such as the governor (Jay Inslee) and members of Seattle's City Council. Do you see that as meddling in Alaska's business or protecting their own interests?

Gardner: In years past when we have talked about ANWR, for example, I've always said let us be the best in the

world. Let us have the highest standards and police them carefully, and enforce them, and makes sure everybody who develops in Alaska adheres to the rules, and show the rest of the world we can develop ANWR carefully, sustainably and with a very small footprint.

I would hope we can do the same in the Arctic, but I don't think Shell is off to a great start. So far it's an embarrassment and it ruins confidence that people might have in our ability to do things right. Let's be really clear: Until there are global agreements on this stuff, doing things unilaterally has not nearly as much value.

But we should be the leader in being the cleanest, the most careful and everybody should know when they are in our waters and in our harsh shores, they better mind their Ps and Qs.

But we don't even have the ice-breakers that we need, and that's a federal thing. That was something Sen. Begich was working on. I hope our delegation now is trying to get ice-breakers up there. We need them. How do you check things? How do you deal with things quickly and promptly? You need to have the tools to do them.

Petroleum News: So is Shell then on borrowed time with the Kulluk grounding and sending one of its support ships to Oregon for repairs?

Gardner: It's hard to know. I don't have all the information. I think certainly it doesn't look good for Shell. Not at all. I think the whole Kulluk fiasco where avoiding property taxes was such a high risk. Consequences for such things should be swift and inviolate, but should they be cut off, I don't know.

I mean, they waited years and years for their air quality permits and the EPA at that time, when we talked to them during energy break, the EPA told us they knew whatever they did they would be sued.

They wanted to make sure when the lawsuits got to court, the decisions the EPA made were supported. Every time we went out there, we always went to talk to the Army Corps of Engineers, we talked about CD-5 bridges and air quality permits.

It takes time to do things right. It's expensive to do things right. That's what we have to do. We have to take the time. We have to spare no expense to do it right and I don't know that Shell has done that yet.

Petroleum News: You noted the relationship with the federal government. In January, that was most of the discussion

see **GARDNER** page 27



Hello Progress

This is where great begins.



Anchorage 907.644.2000

hdrinc.com

INSPIRATIONS

Hair & Nail Salon

We offer personalized service, catering to the busy professional.

- 11am — 7pm (Late night appointments by pre-arrangement only)
- Each stylist has a separate, enclosed work area for your privacy and comfort

700 W Northern Lights Blvd., Anchorage, Alaska 99503

• Call for appointments • 561-9499

Mention
this ad and
receive a 10%
discount on
hair services!

FINANCE & ECONOMY

UAE to scrap subsidized price controls

Drivers in the car-loving Emirati cities of Dubai and Abu Dhabi can no longer count on below-market rates at the pump after the OPEC nation unveiled plans July 22 to scrap existing fuel price controls, starting next month.

The surprise move announced by the Ministry of Energy comes as the oil-rich United Arab Emirates, the second-largest Arab economy, weathers a sustained slump in oil prices over the past year.

Authorities plan to begin linking fuel prices to global prices as of Aug. 1. Gasoline prices are currently set by the government at subsidized rates, with a liter of regular gasoline selling for 1.72 dirhams (47 cents), or about \$1.78 a gallon.

Officials will still have a hand in setting prices. A committee will meet once a month to set prices for the following month using average international prices as a benchmark.

Energy Minister Suhail al-Mazroui said the change aims to strengthen the country's economy and could help lower fuel consumption by encouraging the use of public transportation.

Gas prices in the Emirates, a seven-state federation where foreign guest workers far outnumber locals, are already higher than those of its Gulf Arab neighbors. A gallon of gas in Saudi Arabia, for example, only costs around 60 cents.

The International Monetary Fund recently estimated that governments will offer \$5.3 trillion in energy subsidies this year.

Energy expert Robin Mills, a non-resident fellow at Brookings Doha Center, said the timing is right to cut subsidies. It will help alleviate pressure on a federal budget constrained by lower oil prices but thanks to lower costs should have only a "modest impact" for drivers for now.

"They can get the reform without making much of a difference on prices," he said.

—ASSOCIATED PRESS

continued from page 26

GARDNER

around the Capitol once decisions on Arctic development came out of the White House. What do you think can be done to soothe things over these vast differences, be it ANWR or off-shore exploration?

Gardner: One way you soothe things over is by doing things right, not opening yourself to criticism, so that people who are on the fence recognize that we do know how to do things right. If you don't do that, your other efforts fall by the wayside.

The other thing is have respectful discourse to keep the door open always, to not yell and scream and do name calling and forever shaking your fists at people.

That doesn't get you any friends or any accommodation, or any interest except perhaps with the press. I think that hurts our case. We need to be firm, clear, reliable correct. All of those things.

That's why I have concerns about when the president comes, and I hope Alaskans will be respectful and communicate our interests unflinchingly.

Petroleum News: For a while it was litigation that was the path to battling the feds but this administration has taken a different approach, more like what you've said.

Gardner: It (lawsuits) didn't get us very far did it?

Resolutions after resolutions that just pile on the allegations and assertions that are just stretched to the limit without any acknowledgment of the things that have been done.

Under this administration, leases were opened; under this administration, permits were issued, including air quality permits; under this administration, Shell started drilling. Let's remember that. If you think Shell should be shut down say so. If you think there should be more development, show that we can do it right. ●

Contact Steve Quinn
at squinnwrite@gmail.com

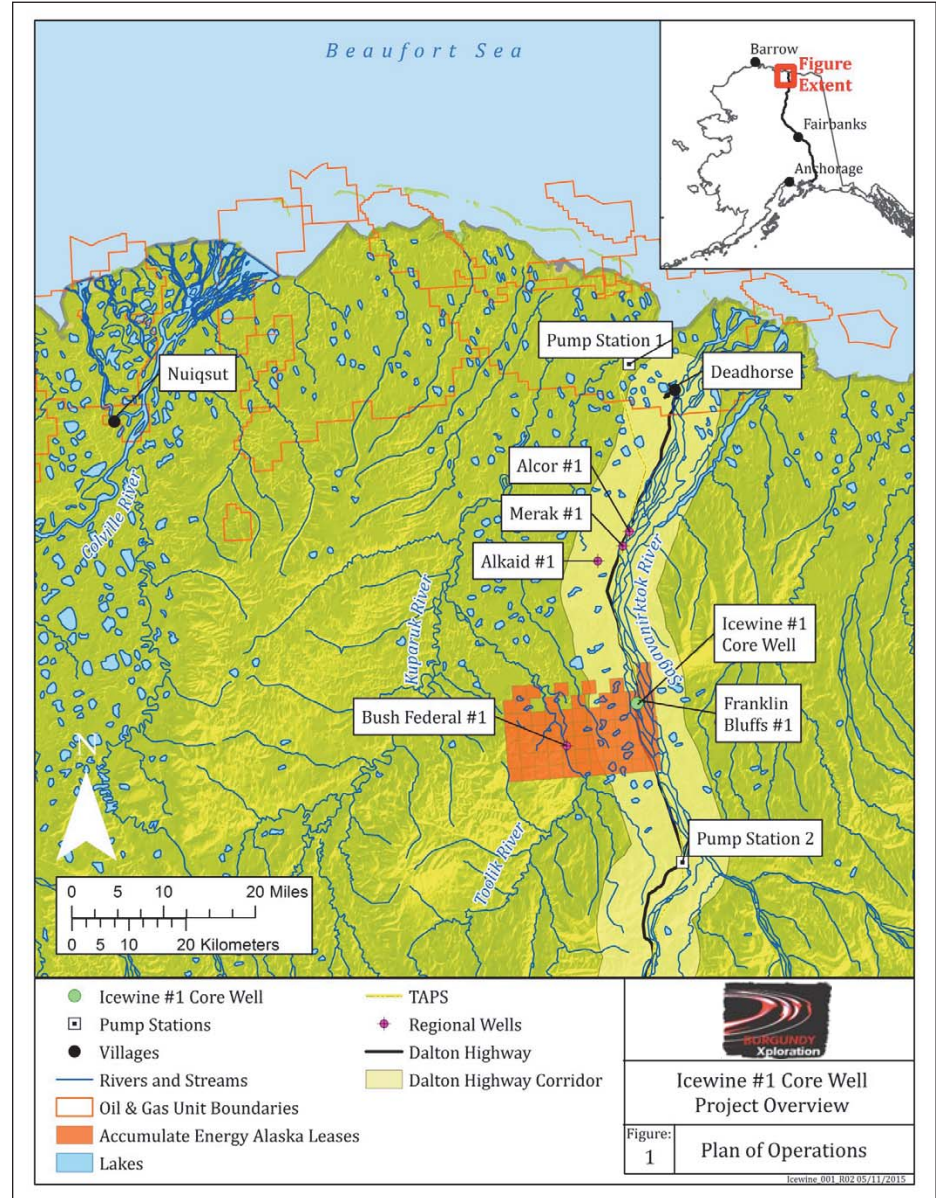
continued from page 1

WELL

to take cores in both unconventional and conventional reservoirs in lease ADL 392301 (see map on this page) some 35 miles south of Pump Station 1.

The Alaska Department of Environmental Conservation has received an application for an oil discharge prevention and contingency plan for the Icewine well and is accepting comments through Aug. 20.

Burgundy said it will use the existing



Franklin Bluffs pad and plans to use the Nabors 105AC drilling rig, or a rig with similar specifications.

Burgundy said in its application that it has 98,182 contiguous acres of state oil and gas leases near the White Hills. This is an area where Unocal drilled five wells beginning in 2008. Burgundy said it has

formed a joint venture with Accumulate Energy which will eventually be the operator of the project. Both companies are Houston based.

The division said Burgundy is currently the lessee of record for the lease, ADL 392301, but has submitted an application

see WELL page 28



Cambium Networks



CAMBUM POINT-TO-POINT RADIOS
**BUILT TO RUN,
BUILT TO LAST**

TAKE CONTROL OF YOUR BROADBAND COSTS

Let the professionals at ProComm Alaska help you design, deploy and maintain your own cost-effective broadband network with speeds from **125Mbps** to a lighting fast **450Mbps**. Manage all of your mission critical voice and data traffic *while shaving thousands from your monthly budget.*



ProComm
ALASKA
Professional Communications
for Productive Alaskans

Anchorage: 907-563-1176 Fairbanks: 907-452-4428 Online: www.procommak.com

continued from page 27

WELL

to assign an 87.5 percent working interest to Accumulate Energy for the lease. That application is pending, the division said, and when the assignment is approved, Accumulate Energy will be the operator of the lease and the drilling program.

Core well planned

In correspondence with the division, Accumulate said Burgundy was awarded six oil and gas leases near Franklin Bluffs

in 2012 and 2013. Accumulate said prior to the November 2014 lease sale where Burgundy took an additional 63 leases it entered into a joint venture with Burgundy.

The lease plan of operations says Icewine No. 1 will be a vertical well “to take core in potentially petroliferous zones in both unconventional and conventional reservoirs.”

“The goal of this pilot drill program is to analyze the potential productivity, deliverability, and commerciality of the greater Icewine project area,” the plan says. Depending on results from initial

drilling and time remaining in the season, a lateral well, sidetracks or additional penetrations from the same exploration pad may be drilled.

The plan says the final location of the Icewine No. 1 well will ensure that it does not intersect with the drill path of the Franklin Bluffs No. 1, a 1,818-foot shallow well drilled in 2005 by the federal Bureau of Land Management.

The plan says drilling into hydrocarbon-bearing zones will not occur before Sept. 1. In addition to well formation evaluations using open and cased hole logs, “a coring program is proposed for

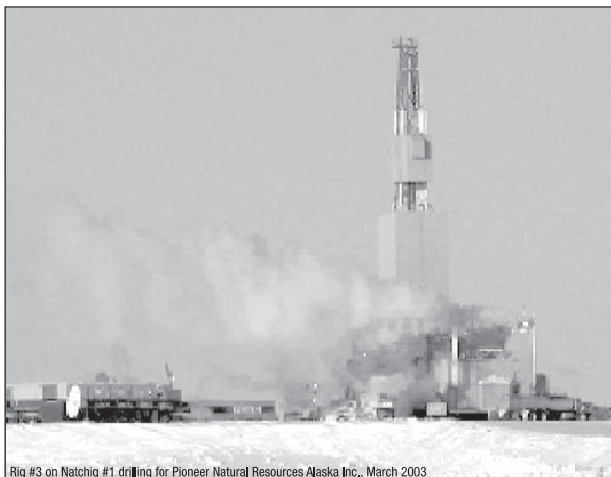
the evaluation of the unconventional objective and potentially within Brookian conventional reservoir targets.” Production tests may be performed if appropriate.

Burgundy said it will use rig mats underlain with heavy-mil liner as foundations for the rig and camp. The company plans year-round access to the Icewine drill location from the Dalton Highway via an existing gravel road.

The schedule of operations indicates potential maintenance of the pad and access roads in the second half of August, mobilization of the camp and drilling rig in the second half of September, exploration drilling from mid-October through mid-December and demobilization from mid-December through the end of the year.

—KRISTEN NELSON

Contact Kristen Nelson
at knelson@petroleumnews.com



Rig #3 on Natchiq #1 drilling for Pioneer Natural Resources Alaska Inc., March 2003



Providing innovative completion, workover, sidetrack, and drilling services on the North Slope of Alaska

Phone: (907)561-7458 | 219 E. International Airport Rd., Suite #200, Anchorage, AK 99518

continued from page 1

FINE

within the Department of Homeland Security, in October 2011 hit Furie with the \$15 million penalty.

Furie never paid the fine, and in August 2012 sued CBP and Homeland Security in an effort to kill the fine.

Recently, U.S. District Judge John W. Sedwick, of Anchorage, put a significant dent in Furie's case, dismissing three counts in the company's lawsuit.

One of the three counts alleged the Homeland Security secretary failed to exercise “independent judgment” in denying Furie's request for a Jones Act waiver to transport the rig with a foreign ship. Another count held that the secretary's refusal to grant a waiver was unexplained and arbitrary. The third count held that the secretary broke a promise to “mitigate” the penalty.

Attorneys for CBP and Homeland Security, in a motion seeking dismissal of the three counts, argued the court lacked jurisdiction because the secretary's decision to deny Furie a Jones Act waiver and CBP's decision not to mitigate the resulting penalty were “unreviewable” under the Administrative Procedures Act.

Judge Sedwick, in his 14-page ruling dated July 6, agreed with the government's position. He observed that the Homeland Security secretary has great discretion with respect to the Jones Act and waivers, and he granted the motion to dismiss the three counts.

Case is not over

Sedwick's ruling does not mean the case is over and Furie must now pay the \$15 million fine.

Furie has two remaining constitutional claims. First, the company argues the fine is excessive under the Eighth Amendment. Second, it argues the penalty is unenforceable because the government violated Furie's due process rights.

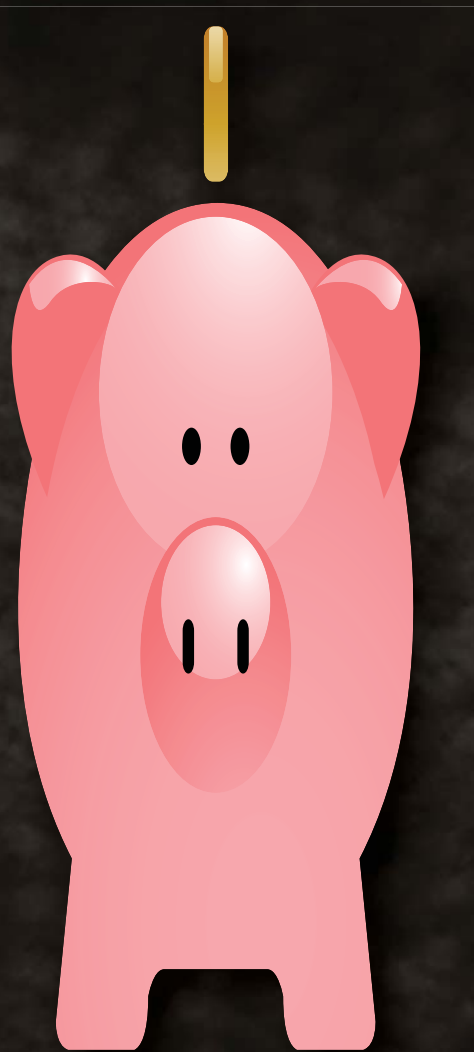
Lawyers for Furie and the government informed the court they would jointly file, by July 29, a proposed schedule for resolving the remaining claims.

Through the legal contest, Furie has argued the pending fine is excessive and a looming liability that has made it tougher for the company to secure investors.

The government responded to Furie's suit with a counterclaim, asking the court to enforce the fine.

—WESLEY LOY

Contact Wesley Loy
at wloy@petroleumnews.com



Slim Budget?



When budgets are slim, you need a centralizer solution that is broad on performance and slim on cost. Volant's new HydroFORM™ SlimLINE® series offers a new, efficient design that delivers the same performance you've come to expect, at a more affordable price.



ISO 9001
Quality



Doing more with less.

sales@volantproducts.ca volantproducts.ca | sales@volantoiltoolsUS.com volantoiltoolsUS.com

* Both HydroFORM™ and SlimLINE™ are registered trademarks of Volant Products Inc.