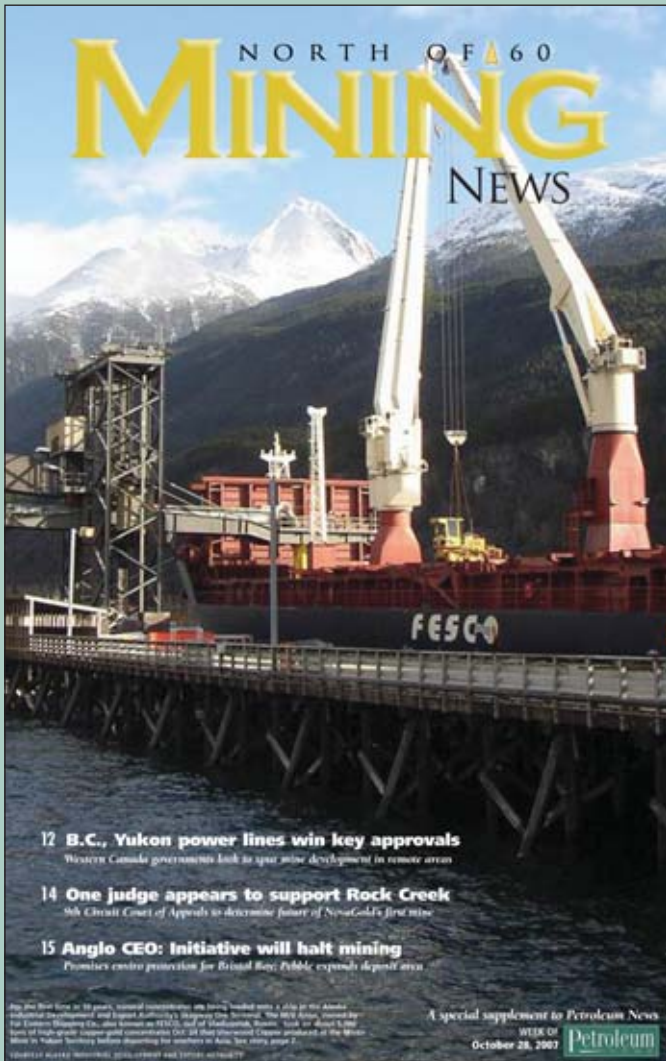




page 10 Independent on board with ACES, Thompson says train has left station

This month's Mining News inside



The October 2007 issue of North of 60 Mining News is inside this edition of Petroleum News.

Average Joes own Big Oil, says API-commissioned study by leading economists

"Big Oil" is making outrageous profits since oil prices have more than tripled. And it's grasping executives and wealthy board members who have benefited from this frenzy of profit-taking, right?

Wrong.

A new study conducted by two leading economists for the American Petroleum Institute has found that U.S.-based oil-company profits have actually lagged those of other sectors during most of the past 13 years and the lion's share of oil-company profits have gone to Joe Six-pack and his prudent neighbors rather than to company insiders.

That's right, U.S.-based oil and gas company stocks are largely owned by households in mainstream America, through mutual funds, pensions and individual retirement accounts.

In fact, managing executives and directors held only a frac-

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BREAKING NEWS

7 U.S. must boost Arctic presence: Admiral: Increase should respond to territorial claims, increased shipping, industrial activity

14 NWT regime set to lock horns: New premier promises tougher stance on control over resource development, taxes

14 Wainwright test well finds CBM: Provisional results from federal well on Chukchi Sea coast indicates significant resource

NATURAL GAS

LNG good option

BG says increasing globalization of market bodes well for North Slope gas

By **ALAN BAILEY**

Petroleum News

Would Alaska's natural gas be best exported by LNG carrier or by pipeline through Canada to the Lower 48? The answer depends on which economic crystal ball you look in. And BG, one of the world's largest natural gas companies, has taken its particular glimpse into the future and concluded that LNG looks a good bet.

The export of LNG from Alaska would be an effective way to monetize the state's natural gas resource, David Keane, vice president policy and corporate affairs, BG North America, Caribbean and Global LNG, told the Arctic Energy Summit Technology Conference in Anchorage, Alaska, on Oct. 18.

"As ever more distant sources of supply are found, new importers, new trade routes and new facilities will develop and I hope this includes Alaska as an exporter to the world market." —David Keane, vice president policy and corporate affairs, BG North America, Caribbean and Global

"One way to monetize those (Alaska gas) reserves may be by developing another LNG or liquefied natural gas export facility," Keane said. "LNG, I believe, is an industry that holds the key to the future evolution of gas markets worldwide and I believe that Alaska can be a critical part of that world market."

see **LNG** page 15

GOVERNMENT

Beaufort Sea looms large

Huebert: Arctic claims potentially 'nastier' than Northwest Passage dispute

By **GARY PARK**

For Petroleum News

Prime Minister Stephen Harper has set in motion Canada's plans to militarize its Arctic sovereignty claims amid a gathering Cold War over the region that threatens, among other things, to pit Canada against the United States in a dispute over the Beaufort Sea. (See related U.S./Alaska Arctic story on page 7 of this issue.)

Using language seldom heard from a Canadian leader, Harper said that "defending our sovereignty in the North demands that we maintain the capacity to act."

By some estimates that could

involve billions of dollars to implement Canada's First Defense Strategy to establish an Arctic Warfare Training Center and base 1,000 soldiers in the region.

But, however Canadians might feel about what they view as a birthright, Arctic claims are just as passionately held by the United States, Russia, Norway and Denmark.

The wakeup jolt for many Canadians occurred in the summer when a Russian submarine planted a flag directly under the North Pole.

The symbolic issue is control over the Northwest Passage, but that is just

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Prime Minister Stephen Harper has set in motion Canada's plans to militarize Arctic sovereignty claims; Cold War over region threatens to pit Canada against United States for Beaufort Sea.

LAND & LEASING

Alaska gets \$2M in bids

Bidders at Beaufort, North Slope sales fill in around prospects, only 2 big bidders

By **KRISTEN NELSON**

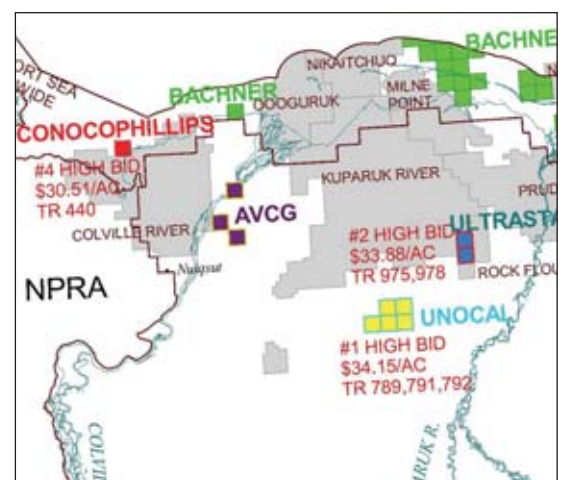
Petroleum News

An Alaska investor group and a new company dominated the State of Alaska's annual North Slope and Beaufort Sea areawide lease sales.

When bids were read in Anchorage Oct. 24 by Acting Director of the Division of Oil and Gas Kevin Banks, the state had 21 bids on 21 tracts in the Beaufort Sea sale and 18 bids on 18 tracts in the North Slope sale.

In the Beaufort Sea sale, local investors J. Andrew Bachner (90 percent) and Keith C. Forsgren (10 percent), bidding jointly, accounted for \$573,996.80 of

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Petroleum News

A weekly oil & gas newspaper based in Anchorage, Alaska

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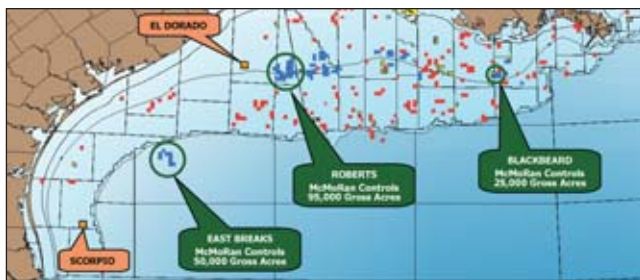
Alaska gets \$2M in bids

Bidders at Beaufort, North Slope sales fill in around prospects, only 2 big bidders



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8 Blackbeard may rise from the ashes

McMoRan planning to re-drill world's most closely watched exploration well more than 30,000 feet below Gulf's continental shelf

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New premier promises tougher stance to give territory greater control over resource development, taxes; likes 'no-prisoners' style

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6 Polar Tankers fined \$2.5 million

Spill was unreported; attempt made to cover up incident draws fine, probation; company dismisses individuals responsible

MINING NEWS

The October 2007 issue of North of 60 Mining News is inside this edition of Petroleum News



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Areas of Expertise

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- Cook Inlet
- Interior Basins
- Bristol Bay
- Gulf of Alaska

Tools

- Subsurface Mapping
- Seismic Interpretation
- Petrophysical Interpretation
- ArcView/GIS
- Commercial analysis
- Risk Analysis

Alaska - Mackenzie Rig Report

Rig Owner/Rig Type	Rig No.	Rig Location/Activity	Operator or Status
Alaska Rig Status			
North Slope - Onshore			
Akita Drilling Ltd. Dreco 1250 UE	63 (SCR/TD)	Racked in Deadhorse	Anadarko
Doyon Drilling Dreco 1250 UE Sky Top Brewster NE-12 Dreco 1000 UE Dreco D2000 UEBD OIME 2000 TSM 7000	14 (SCR/TD) 15 (SCR/TD) 16 (SCR/TD) 19 (SCR/TD) 141 (SCR/TD) Arctic Fox #1 Arctic Wolf #2	NGI-13A Kuparuk 1J-178 Prudhoe DS 18-13A Alpine CD4-304 Kuparuk River Unit 3N-14A Stacked in Yard Stacked in yard	BP ConocoPhillips BP ConocoPhillips ConocoPhillips Pioneer Natural Resources FEX
Kuukpik	5	Stacked in Deadhorse Available till 1/15/08	Available
Nabors Alaska Drilling Trans-ocean rig Dreco 1000 UE Mid-Continental U36A Oilwell 700 E Dreco 1000 UE Dreco 1000 UE Oilwell 2000 Hercules Oilwell 2000 Hercules Oilwell 2000 Emsco Electro-hoist -2 OIME 1000 Emsco Electro-hoist Varco TDS3 Emsco Electro-hoist OIME 2000 Emsco Electro-hoist Canrig 1050E	CDR-1 (CT) 2-ES 3-S 4-ES (SCR) 7-ES (SCR/TD) 9-ES (SCR/TD) 14-E (SCR) 16-E (SCR/TD) 17-E (SCR/TD) 18-E (SCR) 19-AC (SCR) 22-E (SCR/TD) 28-E (SCR) 245-E 27-E (SCR-TD)	Stacked, Prudhoe Bay Prudhoe Bay DS 14-02C Kuparuk KRU 1J-137 Prudhoe Bay F-48 Prudhoe Bay G-19B Polaris S-217 Stacked Stacked Stacked, Point McIntyre Stacked, Deadhorse On-site at Oooguruk Stacked, Milne Point Stacked, Deadhorse Oliktok Point OPi2 Stacked	Available BP ConocoPhillips BP BP BP Available Available Available Available Pioneer Natural Resources Available Available Anadarko
Nordic Calista Services Superior 700 UE Superior 700 UE Ideco 900	1 (SCR/CTD) 2 (SCR/CTD) 3 (SCR/TD)	Prudhoe Bay well DS5-22b Prudhoe Bay well X-20a Kuparuk well 2L-319	BP BP ConocoPhillips
North Slope - Offshore			
Nabors Alaska Drilling Oilwell 2000	33-E	Maintenance/mobilization Northstar	BP
Cook Inlet Basin – Onshore			
Aurora Well Service Franks 300 Srs. Explorer III	AWS 1	Stacked at Nikiski	Available
Marathon Oil Co. (Inlet Drilling Alaska labor contractor) Taylor	Glacier 1	SU 43-9x	Marathon
Nabors Alaska Drilling National 110 UE Continental Emsco E3000 Franks IDECO 2100 E Rigmaster 850	160 (SCR) 273 26 429E (SCR) 129 106	Stacked, Kenai Stacked, Kenai Stacked Stacked, removed from Osprey platform NNA-1 In transit from Canada	Available Available Available Available Chevron Chevron
Rowan Companies AC Electric	68 (SCR/TD)	Drilling Hansen 1A-L1 well at Cosmopolitan	Pioneer Natural Resources

Cook Inlet Basin – Offshore

Unocal (Nabors Alaska Drilling labor contractor) Not Available			
XTO Energy National 1320 National 110	A C (TD)	Platform A no drilling or workovers at present Idle	XTO XTO

Mackenzie Rig Status

Canadian Beaufort Sea

Seatankers (AKITA Equetak labor contract) SSDC CANMAR Island Rig #2			
	SDC	Set down at Roland Bay	Devon ARL Corp.
Mackenzie Delta-Onshore			
AKITA Equetak Dreco 1250 UE	62 (SCR/TD)	Rig Racked in Inuvik, NT	Available
Modified National 370	64 (TD)	Staged on barges in Mackenzie Delta	MGM Energy Group

The Alaska - Mackenzie Rig Report as of October 25, 2007.
Active drilling companies only listed.

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

This rig report was prepared by Alan Bailey



JUDY PATRICK

Baker Hughes North America rotary rig counts*

	October 19	October 12	Year Ago
US	1,764	1,767	1,739
Canada	331	343	455
Gulf	49	45	86
Highest/Lowest			
US/Highest		4530	December 1981
US/Lowest		488	April 1999
Canada/Highest		558	January 2000
Canada/Lowest		29	April 1992

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GOVERNMENT

ACES' hearings in Juneau intense

Legislators question past, current consultants, administration, industry: tax rate, proposed floor, exempt auditors, ethics aired

By KRISTEN NELSON

Petroleum News

A special session of the Alaska Legislature gavelled in Oct. 18 to consider Gov. Sarah Palin's proposal to change the petroleum profits tax lawmakers enacted in August 2006 under the previous administration. Palin — and the previous governor — are Republicans, as are a majority of legislators, although the Senate organized around a working group of Republicans and Democrats after the 2006 elections and has a Republican minority.

PPT, a tax on net profits, is part of what the state receives from oil companies operating in the state. Other revenues include royalty on oil and gas from state leases, property tax and state corporate income tax.

PPT was introduced by the previous administration as part of a package to get a gas pipeline built to carry Alaska North Slope gas to market. Oil and gas lease owners on the North Slope wanted a stable tax system over the life of a gas pipeline — or at least the first three decades of its life. The previous administration's contract for a gas line failed; its tax proposal, a 20 percent net tax with a 20 percent credit, was replaced in the Legislature with a 22.5 percent tax which increased as crude oil prices increased — the so-called progressivity feature.

Issue on process

Concerns about how PPT was passed arose after an FBI investigation became public and several legislators who served during the PPT debates were arrested. Oil service industry executives confessed to, and were convicted of, offering bribes, with the goal of defeating PPT, or lowering the tax rate. The oil and gas industry had favored a 12.5 percent net tax, not the 20 percent tax that the previous administration put forward.

Palin said in her campaign that she favored a tax on the gross rather than a net tax, but her proposal, Alaska's Clear and Equitable Share, or ACES, is a hybrid of a gross and net tax system. It would increase the tax rate to 25 percent as well

as creating a more substantial floor — 10 percent of profits from the Prudhoe Bay and Kuparuk fields — in the event of low oil prices.

The first committees of referral, the House Special Committee on Oil and Gas and Senate Resources, have heard from the administration, administration consultants, legislative consultants, the oil and gas industry and the public.

Industry opposed to bill

The major North Slope oil and gas producers as well as smaller companies have testified, telling legislators that increasing the tax rate will put marginal projects at risk. The issue, the companies have said, is the volume of oil production. They argue that the easier barrels from existing fields have been produced and that remaining resources — in the tens of billions of barrels — include not just smaller accumulations of light oil but heavy oil in the West Sak-Schrader Bluff formations and the heaviest oil, Ugnu, which is not yet under production.

It will require more investment to keep barrels flowing down the trans-Alaska oil pipeline, the companies have argued, and many of those investments are marginal or somewhat marginal and at risk of not being funded if taxes are raised because competitive projects within the companies would show better expected rates of return.

Legislators have expressed concern both about keeping companies investing in Alaska — and about getting a fair share for the state at a time when oil companies are reporting high earnings.

The committees are expected to take up amendments and pass the bills on as soon as the weekend.

Issues are likely to include whether the state could return to a gross production tax (its previous severance tax was a gross tax with an economic limit factor which tied it to production rates) and still encourage investment; whether the present rate should remain the same or be raised; and how to deal with issues around cost factors, which have turned out to be higher than projected when PPT was passed, leading to lower returns to the state. ●



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GOVERNMENT

Prentice clearing regulatory jungle

Canada industry minister says will establish Major Projects Office, unravel regulatory tangle that has impeded resource projects

By GARY PARK

For Petroleum News

Canada Industry Minister Jim Prentice says he will deliver where others have failed and unravel the regulatory tangle that has choked off major resource and mining projects.

He said the federal government will establish a Major Projects Office to streamline and improve the way it processes and regulates projects which he described as the "economic drivers" that require federal jurisdiction.

The list could include initiatives in the North or major oil and gas ventures that are linked to Canadian environmental protection legislation.

Prentice, who is the cabinet point man on the Mackenzie Gas Project, said his proposed changes speak to the challenges and frustrations "that project proponents are experiencing with regulatory difficulties in our country."

"Major projects are being suffocated by overlapping regulation and competitive jurisdiction even among government departments."

Industry execs know problems

Those concerns got an airing at a mid-October geoscience conference in Banff, Alberta, especially from industry executives who are well acquainted with the problems of advancing oil and gas development in Arctic and other frontier regions.

Murray Todd, president and chief executive officer of Canada Hibernia Holding Corp., a federal agency that owns 8.5 percent of the Hibernia oil project offshore Newfoundland, said tapping into the oil and gas prospects of Canada's North is blocked by regulatory and political, not technical hurdles.

Todd, who was involved in the 1970s exploration push in the Beaufort Sea as president of Canmar Drilling (the drilling contractor for Dome Petroleum), said there was enough exploration success during that wave of activity to justify further drilling.

He said the industry now has the technology needed to operate year-round within

the offshore transition ice zone and can use specially-designed ships and oil tankers in the Arctic, regardless of global warming.

Todd suggested that marine transportation might free the Mackenzie Gas Project from its regulatory obstacles by shrinking the list of issues.

Exploration license problem?

Michel Scott, a Devon Canada vice president whose northern experience stretches back to 1973 and, more recently, has included MGP pipeline negotiations and his company's own exploration program in the Beaufort, questioned the adequacy of Canada's northern Exploration Licenses.

Those approvals require a well to be drilled within five years to extend the term by another four years.

But obtaining a permit for its C\$60 million Paktoa C-60 well involved Devon Canada in a three-year process.

Scott said the initial five-year period of the Exploration License was a "very short timeframe when the infrastructure is not in place."

"As lands are taken up further north in the Beaufort Sea, in deeper ice-infested waters, this may become more of an issue," he said.

He also said that dealing with the various federal, territorial and local regulatory bodies on "linear" projects such as the Mackenzie pipeline makes the regulatory process complex and costly.

"I'm not advocating that local voices not be heard, but we need to balance local and national needs," Scott said.

"We, as a country, very much need to reform and rethink the whole regulatory process, otherwise (the north) may never realize its potential."

When the first Mackenzie pipeline project was launched in the 1970s, the National Energy Board had the jurisdiction to hear all concerns, whether local, regional, or national, and the power to make decisions in the national public interest, Scott said.

He welcomed the federal government's recognition of the problems stemming from the current "complex web" and its apparent willingness to tackle the problems.

MGM Energy Chief Executive Officer Henry Sykes identified three obstacles to northern exploration: Low natural gas prices, high costs and the regulatory regime.

Confident about the long-term outlook

for gas prices and the role of innovation in lowering costs, he was critical of the regulatory overlap between local boards and federal departments and the uncertainty over who was responsible for specific approvals. ●



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• PIPELINES & DOWNSTREAM

Polar Tankers fined \$2.5 million

Spill was unreported; attempt made to cover up incident draws fine, probation; company dismisses individuals responsible

By WESLEY LOY

Anchorage Daily News

A ConocoPhillips tanker company has agreed to pay a fine and other penalties totaling \$2.5 million for spilling oily sludge into the ocean after leaving Valdez with a load of Alaska oil, then falsifying records to cover it up.

Polar Tankers Inc. pleaded guilty Oct. 23 in Anchorage to a criminal pollution violation, and U.S. District Judge Russel Holland placed Polar on probation for three years.

Company officials dismissed the captain and chief engineer of the tanker Polar Discovery, federal prosecutors said.

The government requested, and the judge approved, a \$250,000 reward for a crewman who tipped U.S. Coast Guard officials in Valdez about a spill on the ship's deck.

The crewman, James Legg of Olympia, Wash., later provided video of the ship's crew trying to clean oil that ran off the deck and down the side of the tanker.

"The spill itself would not have been criminal," Karen Loeffler, an assistant U.S. attorney, said Oct. 23. "Accidents do happen on vessels." The problem was that the captain and chief engineer tried to hide the spill by not properly documenting it in the ship's logbooks, she said.

The captain and chief engineer were not

named in court papers available Oct. 23, and Loeffler would not say whether they or other Polar employees or former employees face prosecution.

A 35-page plea agreement says prosecutors won't seek criminal prosecution against the companies for alleged violations aboard two other tankers, the Polar Alaska and the Polar Endeavour.

Phony drill logged

ConocoPhillips is Alaska's top crude oil producer.

The company hauls its oil to West Coast and Hawaiian refineries aboard five double-hulled tankers, all of them built and put into service since 2001.

The plea agreement and other court papers say the 895-foot Polar Discovery filled up with North Slope oil at Valdez in January 2004 and headed south through the North Pacific Ocean.

At sea, the engineering crew transferred oily sludge from engine room tanks through piping to a holding tank on deck.

Because of an open valve, however, sludge spilled onto the deck and some ran through scuppers — decktop openings that allow rain and seawater to drain overboard. The amount spilled was unclear Oct. 23.

The ship's crew, primarily the chief engineer, didn't record the oil transfer and spill as required, a charging document says.

And the captain, in an effort "to hide the fact that he and his crew discharged this oily sludge directly into the ocean,"

falsified the bridge logbook.

"Rather than recording that the vessel slowed down and turned away from the wind so that the ship's crew could clean oil from the side of the ship, the captain instead recorded that the ship had performed a man overboard drill," the charging document says.

The cleaning was "a highly dangerous maneuver" that would have raised the suspicion of company officials monitoring the ship's voyage by satellite, prosecutors said.

ConocoPhillips cooperative

The specific charge to which Polar pleaded guilty was "failure to maintain an oil record book."

The judge ordered Polar Tankers to pay a \$500,000 criminal fine and to pay \$2 million to the National Fish and Wildlife Foundation, a nonprofit organization established by Congress. The money will go toward environmental and other projects to protect coastal waters near Valdez and in Prince William Sound.

Prosecutors said ConocoPhillips was cooperative, fired employees found to be at fault, and tightened company policies and procedures.

The \$2.5 million in penalties doesn't come close to a record for a maritime pollution case, prosecutor Loeffler said. For example, in the so-called Boyang case concluded in 2002, four shipping companies agreed to pay a total of \$5 million in fines on charges of dumping waste oil at sea. ●

LAND & LEASING

Fox Petroleum acquires Cook Inlet leases

London-based Fox Petroleum Inc. said Oct. 25 that it has "signed an agreement to acquire approximately 42,000 acres" of oil and gas leases in the Cook Inlet region. Fox announced acquisition of some 32,000 acres of North Slope oil and gas leases in July. The North Slope leases were acquired from Samuel H. Cade (75 percent) and Daniel K. Donkel (25 percent).

Fox did not identify the current owner of the eight Cook Inlet leases but described them as "high-impact gas prospects in the Kenai Peninsula region of Alaska's Cook Inlet." Fox said the leases are onshore "and are in close proximity to many major production sites."

Fox did not identify the current owner of the eight Cook Inlet leases but described them as "high-impact gas prospects in the Kenai Peninsula region of Alaska's Cook Inlet."

see **FOX** page 9

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• GOVERNMENT

U.S. must boost Arctic presence

Response needed due to coastal erosion, territorial claims, increased shipping, industrial activity

By **ALAN BAILEY**
Petroleum News

The Arctic seas are opening and the United States needs to ratchet up its presence in the region. That was the message conveyed by Rear Admiral Arthur Brooks, commander of the 17th U.S. Coast Guard District, in an opening speech at the Oil and Ice Conference in Anchorage, Alaska, on Oct. 10.

"The Arctic is upon us now. It is happening now," Brooks said.

Brooks said that hundreds of vessels are now plying Arctic waters and a cruise ship was currently transiting the Northwest Passage. This summer the Russians moved their team of patrol boats from Murmansk across the top of Russia without an escort of ice-hardened vessels, Brooks said. Brooks also cited the shipping of product from the Red Dog Mine in Northwest Alaska and Shell exploration plans in the Beaufort Sea as further evidence of increased Arctic activity. And then there is the Russian claim to the North Pole.

In addition, Arctic coastal erosion is escalating.

"We have for years seen coastal erosion the likes of which we have not seen before," Brooks said.

With the dramatic increase in Arctic offshore activity the United States needs to come up to speed on maritime safety, maritime security, maritime environmental protection and enabling maritime mobility for ships, Brooks said.

"We're going to have to increase scientific support in the area. We're going to have to deal with issues of sovereignty. ... We're going to have to increase international engagement," he said.

International boundaries

One challenge from the perspective of the Coast Guard is that international boundaries within the Arctic are unclear. And in terms of negotiating those boundaries under the Law of the Sea Convention, the United States is not even in the ball field, Brooks said (editor's note: the United States has not yet ratified the United Nations Convention on the Law of the Sea).

"We're not in the park. We're not even in the cockpit. We're not even in the league," Brooks said. "How's the United States going to play in the Arctic?"

In addition, the Coast Guard has very little visibility in the Arctic, no Arctic bases and limited communications in the region, Brooks said.

"We have very few American polar ice-breakers and there are very few American ice-hardened vessels," Brooks said.

Brooks also sees the lack of marine support facilities in the U.S. Arctic as a significant issue.

"The problem for all of these commercial vessels, for all of these fishing vessels, for all of these tour ships, for all of these exploration vessels is that there is little or no infrastructure to support them as they move into the Arctic, whether it's in daily operations or catastrophic response," he said. "We don't have the oil spill response capability to meet the challenges of growing offshore Arctic shipping. Every single



U.S. Coast Guard Rear Admiral Arthur Brooks

U.S. COAST GUARD

Coast Guard plans base at Barrow

In response to the growing need for a presence in U.S. Arctic seas, the U.S. Coast Guard is planning to establish a base at Barrow, at the northwestern end of Alaska's North Slope.

"We're very early in the planning stage," Eric Eggen, USCG public affairs officer for Alaska, told Petroleum News Oct. 25.

The base would potentially involve the staging of some helicopters and patrol boats on a seasonal basis, during the summer, Eggen said. And, although the Coast Guard hopes to open the base in the spring, details of when the base will open and exactly where it will be located have yet to be worked out.

Meantime, on Oct. 25, the Coast Guard flew a C-130 surveillance flight from Barrow to the North Pole and back, to obtain some information about what is happening in the region, including the presence of shipping and the current location of the ice shelf, Eggen said.

... on Oct. 25, the Coast Guard flew a C-130 surveillance flight from Barrow to the North Pole and back, to obtain some information about what is happening in the region, including the presence of shipping and the current location of the ice shelf.

—ALAN BAILEY

one of these vessels represents an opportunity, but it also represents a potential consequence. And we have got to figure out how to deal with that."

Regulation needed

As well as implementing the necessary support infrastructure for Arctic shipping, Brooks sees the need for Arctic-specific regulations.

"The regulatory schemes of the southern world are going to have to move north," Brooks said.

For example, as polar transits increase there need to be regulations for vessel response plans and vessel security plans. And new oil spill response organizations probably need to be certified to deal with potential Arctic spills.

In the context of oil spill response, people need to understand whether and how techniques such as in-situ burning and oil herders are to be used in the Arctic, Brooks said. Will there be pre-authorization of the use of specific response techniques in connection with oil development or production?

"All of those questions are on the table," Brooks said.

From an environmental perspective, people need to understand how to manage wildlife resources in the north, especially as some species move north, Brooks said.

Cooperative approach

Brooks emphasized that the Coast Guard needs to work with other federal agencies such as the State Department, the Department of Commerce and the Department of Defense in addressing the Arctic issues.

"The State of Alaska is (also) going to be a huge player and huge partner in how this works in the Arctic," Brooks said.

With the dramatic increase in Arctic offshore activity the United States needs to come up to speed on maritime safety, maritime security, maritime environmental protection and enabling maritime mobility for ships, Brooks said.

Industry, the scientific community and the environmental organizations all need to be involved, he said.

And the involvement of the various Arctic nations is also very important — Brooks expressed concern about international competition around the Arctic.

"We're setting up here for a national competition over the Arctic between the United States and other countries," Brooks said. "But I hope it doesn't have to be that way. Somehow we've got to find a way to build a cooperative relationship with Canada, with Russia, with Iceland and Norway and all the other Arctic nations, so that this can be done in a positive, constructive way that serves the planet in a noncompetitive way." ●



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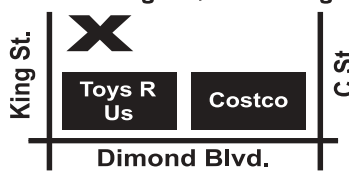
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● EXPLORATION & PRODUCTION

Blackbeard may rise from the ashes

McMoRan planning to re-drill world's most closely watched exploration well more than 30,000 feet below Gulf's continental shelf

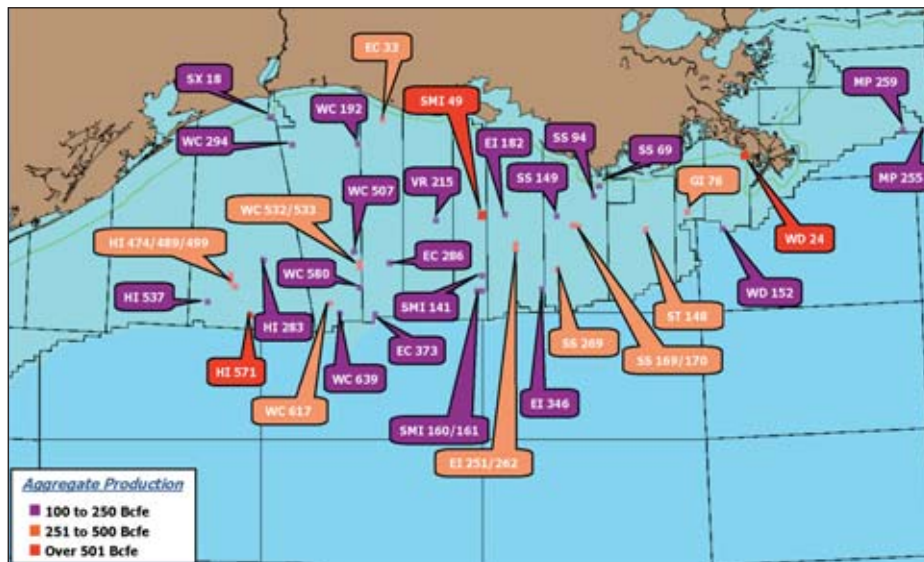
By RAY TYSON

For Petroleum News

Blackbeard West, arguably the world's most closely watched exploration well until it was abandoned in August 2006 short of its primary target more than 30,000 feet below the U.S. Gulf of Mexico's continental shelf, may soon be resurrected.

McMoRan Exploration, which recently acquired \$1.1 billion worth of Newfield Exploration shelf properties, including the former ExxonMobil-operated Blackbeard West well on South Timbalier Block 168, plans to re-drill the 30,067-foot well as soon as next year's first quarter.

"It's our intention to deepen this well to allow it to test its primary target," McMoRan co-chairman Richard Adkerson said during the company's Oct. 19 third-quarter earnings confer-



McMoRan Exploration recently acquired \$1.1 billion worth of Newfield Exploration shelf properties, shown above.

ence call.

McMoRan, which has established a new depth target of around 31,300 feet,

added that "drilling results that they saw confirmed the geological model and thesis that led to the prospect being tested."

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No word on partners

However, the company did not say whether ExxonMobil or any of the other former Blackbeard partners, including Newfield, BP, Petrobras and BHP Billiton, would participate in the re-drill. The original well took a year and a half to drill and is said to have cost up to a staggering \$200 million, certainly ranking it among the most expensive wells drilled anywhere in the U.S. Gulf.

In fact, Blackbeard West cost more than McMoRan's entire 2008 capital expenditure budget. "McMoRan is currently pursuing drilling arrangements," the company said.

Despite its size, McMoRan is considered to be among the more talented deep-gas drillers on the continental shelf, with numerous discoveries to its name.

But whatever the partnership arrangement, one thing is clear: McMoRan will have to secure a rig other than the high-powered Scooter Yeargain, which drilled the initial well. That's because the Rowan jack-up is working in Saudi Arabia on a contract lasting until 2011.

McMoRan said it intends to use a beefed up drilling rig, explaining that the Yeargain was capable of going deeper than 30,000 feet but lacked a suitable tree and blowout preventer, one of the reasons why the well was abandoned, the company said, noting that it intends to strengthen the surface blowout preventer stacks before re-drilling.

"If we can get everybody together and get the rig situation (worked out), we hope to be started by the first quarter of 2008," said Jim Bob Moffett, McMoRan's other co-chairman.

Tied into Miocene plays

Blackbeard is said to be geologically similar to plays in the deepwater Gulf of Mexico that have resulted in major discoveries. "Geologically, it's tied into the Miocene plays in the deepwater that we see in Mississippi Canyon," McMoRan's Adkerson said.

He added that with an understanding of sand deposition and McMoRan's deep-gas experience, "we can find very attractive, potentially prolific prospects to drill in that area. Then, lying below that, in the middle Miocene and lower Miocene and older aged sands is the exploration that has been done in the deepwater, and which we now have the opportunity to pursue on the shelf through the ultra deep plays that we have acquired."

Conventional oil and gas plays down to around 10,000 feet beneath the relatively

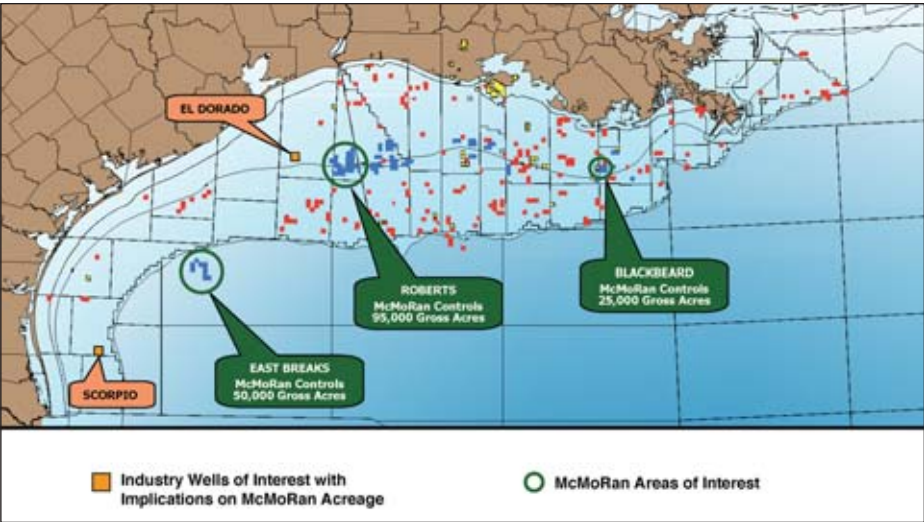
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BLACKBEARD

shallow waters of the U.S. Gulf’s continental shelf have been nearly exhausted, forcing explorers to drill deeper in search of fresh prospects, in particular natural gas prospects, where today drilling below 15,000 is fairly common. But drilling below 25,000 feet, the zone generally regarded as the dividing line between the deep and ultra-deep on the shelf, is expensive and hard on drilling equipment given the extreme temperatures and pressures.

The original Blackbeard West exploration well attracted worldwide interest, no doubt because of its targets ranging downhole to 38,000 feet, just shy of the world record of around 40,000 feet, established years ago by Russian scientists studying the worlds geological depths.

Even before the Blackbeard West well was completed promises of more ultra-deep wells to come were rampant. In March 2005, Rowan was telling industry analysts that ExxonMobil wanted to drill more ultra-deep wells in the region, even if Blackbeard came up dry. In May 2005, Newfield said it was discussing with third parties the possibility of drilling more ultra-deep wildcats on prospects near Blackbeard West, including Blackbeard East.

Bad news from Blackbeard

However, Newfield later said companies that were interested in participating in ultra-deep drilling had decided to wait it out on the sidelines until results from Blackbeard came in. Then came the bad news and all talk of another ultra-deep well on the scope of Blackbeard pretty much evaporated.

ExxonMobil and its partners opted to abandon the Blackbeard West well due to “higher-than-expected” pressures and temperatures downhole after reaching a measured depth of 30,067 feet. The well project reportedly cost upward of \$200 million, certainly ranking Blackbeard West among the most expensive exploration wells ever drilled in the U.S. Gulf.

The Newfield properties acquired by McMoRan included 125 fields on 146 offshore blocks currently producing approxi-

mately 270 million cubic feet of natural gas equivalents per day. Proved reserves were estimated to be 327 billion cubic feet of natural gas equivalents, with about 90 percent of the reserve estimates based on proved reserves. About 70 percent of the proved reserves are natural gas. Offshore leases included in the purchase agreement totaled 1.3 million gross acres.

McMoRan also acquired a 50 percent stake in Newfield’s non-producing exploration leases on the shelf which included Newfield’s interests in leases associated with its Treasure Island ultra-deep prospect inventory, including the Blackbeard West prospect. McMoRan also expected to retain technical and operating personnel and contractors that have supported Newfield’s management of the acquired properties. In addition, McMoRan and Newfield are to jointly pursue exploration activities in the future.

While exploration at Blackbeard thus far has turned up only a thin layer of gas down around 30,000 feet, a major discovery farther down could dramatically alter the production dynamics of the shelf, which has been in decline for years. The shelf currently produces something less than 4 trillion cubic feet of natural gas per year. At one point, the Blackbeard prospect alone was thought to hold 1 tcf to 5 tcf of gas.

“It’s simply that this is on the shelf, and the other prospects were off the shelf, where they have to be drilled using the kinds of exploration processes and face the completion issues of dealing in the deep-water,” Adkerson said of the Newfield properties. “They are similar type targets, and we’re very excited about this. We believe it’s a great opportunity for our company to put together the drilling arrangements.” ●

continued from page 6

FOX

The company said two wells, “the BA Bell Island well and the Unocal Figure Eight well, drilled on the structure downdip demonstrated gas shows.”

Alaska Oil and Gas Conservation Commission records show the British American Oil Bell Island 1 was a vertical well with a total depth of 11,365 feet, drilled and plugged and abandoned in 1962. That well is on lease ADL 390752

on the Susitna River the west side of Cook Inlet in section 12, township 15 north, range 7 west, Seward Meridian. The Union Oil Company of California Figure Eight Unit 1 well was a 10,660-foot vertical hole drilled and plugged and abandoned in 1976 in section 15-T15N-R6W, SM. This lease, ADL 390750, is due east of the first lease. Five leases in this immediate area are held by various percentages by Cade and Donkel, several in partnership with Monte Allen.

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• GOVERNMENT

Small independent on board with ACES

Thompson: ACES train has left station, AVCG wants five things to remain in Palin's bill, four to be changed, favors 22.5% rate

By KAY CASHMAN

Petroleum News

By mid-2008 Alaska Venture Capital Group and its partners will have invested more than \$100 million in their oil and gas properties in Alaska, including drilling two exploration wells last winter, one of which was a dry hole. Small, Kansas-based AVCG entered the state in 1999, participated in the past seven North Slope areawide lease sales and acquired acreage from other companies. AVCG and its partners, which are part of the Brooks Range Petroleum Corporation Group, currently hold more than 300,000 acres of exploration leases in five exploration prospect areas on the North Slope.

Neither AVCG, nor the three partners it brought in last year, have produced any oil in Alaska that would help them recoup their investment, which is expected to include as many as four new exploration wells this coming winter.

On Oct. 22 Ken Thompson, AVCG managing director, told members of the Alaska Legislature that it would be small independents like AVCG and its partners who would produce the relatively small pockets of oil remaining on the Central North Slope outside of existing, mature, units.

In the "10 to 100-plus million barrel range," Thompson said the fields "may be too small for the giant producers" but could be "company makers" for a small independent.

"We believe there are hundreds of millions if not billions of barrels of oil left on the Central North Slope in smaller fields of this size for small independents like ours that want to take this type of exploration risk," he said.

Tax change bad for investment

But those independents won't invest in Alaska if the state raises its taxes again this year, the former president of ARCO Alaska told legislators.

When Thompson was recruiting AVCG's three partners in 2005 and 2006, many of the investors he approached "were concerned about the threat of tax increases in Alaska."

PPT proved tax increases were not a threat but a reality. Adding yet another tax increase via the ACES bill this year shows instability in Alaska's tax policy which results in uncertainty and risk when making investment decisions," he said.

Thompson testified by phone before committees that had invited comments from the oil and gas industry as part of a special session called by Gov. Sarah Palin to remove what she calls the taint of bribery on the Petroleum Profits Tax that was passed in 2006 with the support of legislators who have since been indicted on bribery charges in an FBI probe that promises to extend to other legislators. Palin's administration, with the help of expert advisers, spent the last few months putting together a revised production tax proposal called Alaska's Clear and Equitable Share bill, or ACES, which, among other things, includes a 25 percent increase. Palin says the new plan is needed because PPT is projected to bring in less than expected.

"In FY 2008, based on forecasted price and production levels, the PPT is expected to generate about \$250 million over that which would have been generated under the ELF system. However, this is more than \$800 million less than what was predicted in the PPT fiscal note," the Alaska Department of Revenue said in its status report released midsummer 2007.

Would like to see PPT run its course

PPT is a tax on profits, a net tax, and replaced the



When Ken Thompson, managing director of Alaska Venture Capital Group, was recruiting AVCG's three partners in 2005 and 2006, he said many of the investors he approached "were concerned about the threat of tax increases in Alaska. PPT proved tax increases were not a threat but a reality. Adding yet another tax increase via the ACES bill this year shows instability in Alaska's tax policy which results in uncertainty and risk when making investment decisions."

JUDY PATRICK

state's previous production tax, commonly known as ELF, which was a tax on the gross. ACES is a hybrid tax, part net and part gross.

Thompson, like almost everyone else from industry who testified at the beginning of the 30-day special session, prefers that PPT "be allowed to run its course" for a few years.

"My ultimate wish," he said, "would be ... to leave PPT alone and re-review it under the law as planned in 2011 or perhaps even in 2010. But the ACES train has left the station and cannot be stopped."

Thompson said he agreed with Dr. Pedro van Meurs, "that in the light of declining oil production in the State of Alaska and prospectivity trending to smaller field sizes, the state should not once again increase its taxes after having done so last year."

'Bad apples' pushed for 20% tax

"I heard that consultant Daniel Johnston differed strongly from Dr. van Meurs and urged the oil industry to understand the 'cloud of corruption' over the existing Petroleum Profits Tax ... that this alone provides a good reason to change PPT. I challenge Daniel Johnston that the bushel should not be thrown out because of a few bad apples," Thompson said, pointing out that legislators accused of taking bribes supported a 20 percent base tax rate, not the 22.5 percent rate that was adopted for PPT.

Thompson also reminded legislators that the "progressivity tax was added at high oil prices to drive the real tax rate to even higher levels than 22.5 percent, with a range exceeding 30 percent now possible at certain prices."

He also noted that oil companies were also being hit with other taxes and fees, including royalties on production, corporate taxes, ad valorem property taxes, and environmental and permitting fees.

see THOMPSON page 11

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JUDY PATRICK

Brooks Range Petroleum Corporation Group has Nabors Rig 27E under contract for the upcoming North Slope exploration season in the winter of 2007-08. In the above photo the rig was drilling at Prudhoe Bay in 2006.

BRPC to drill 3-4 wells on three prospects, North Shore development possible

In testimony to the Alaska Legislature on Oct. 22, Alaska Venture Capital Group Managing Director Ken Thompson said AVCG and its joint venture partners in Brooks Range Petroleum Corporation Group are hoping to drill as many as four wells this winter on three different North Slope prospects. The BRPC Group, Thompson said, will first go back in to complete and test its North Shore exploration well, which was drilled in the winter of 2006-07, and was one of the first two exploration wells operated by the partners on Alaska's North Slope.

Both 2006-07 wells were drilled in the Gwydyr Bay area northwest of Prudhoe Bay. The Sak River No. 1 was a dry hole, but earlier this year the BRPC Group said the other well, North Shore No. 1, looked like an oil strike. "We plan to complete and test this well this winter," Thompson said.

The partners also ran a 130-square mile 3-D seismic survey over both their acreage and surrounding acreage, in their Gwydyr Bay prospect area last winter, investing more than \$44 million on land, seismic and drilling, he said.

"This winter our joint venture group will be among the most active of explorers as we plan to shoot over 200 square miles of new seismic data on the extreme western and eastern sides of the Central North Slope and to drill up to four exploration wells."

see **AVCG** page 17

continued from page 10

THOMPSON

Aces train moving fast

But, Thompson said he would support ACES in hopes of making it a better piece of legislation.

"I am politically astute enough to know that the ACES train is moving fast down the track, so I can stand out of the way or jump on board and try to make the ACES bill better before we reach derailment in the long-term relationships between this industry I love and this state I love," he said. (After

serving as ARCO Alaska's president from 1994 to 1998, Thompson left the state for three years to take the position of executive vice president for ARCO Alaska's parent, Los Angeles-based ARCO, heading up global oil and gas exploration for the company before it was snapped up by BP, and ARCO Alaska's assets were sold to Phillips Petroleum, at which time Thompson moved back to Alaska.)

Keep five things in ACES

In reviewing the ACES bill, Thompson

see **THOMPSON** page 13

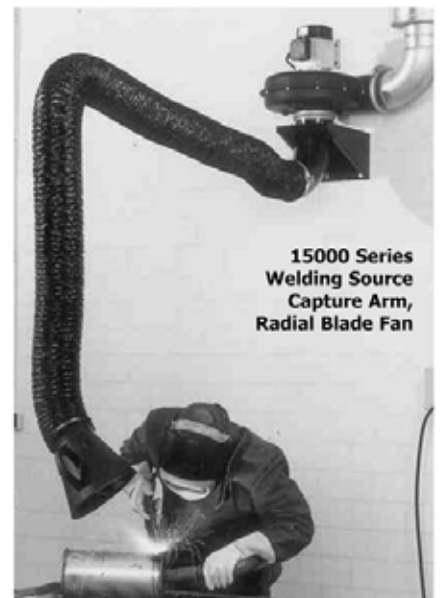
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JOBS NOT TAXES

AOGA

Alaska Oil and Gas Association

continued from page 11

THOMPSON

said there were five things his company liked, and four things it would change.

Keep the exploration and development investment tax credits, he said.

The exploration tax credits, which range from 20 to 40 percent in both PPT and ACES, are important for a small explorer startup company like AVCG.

Cash refunds to companies like AVCG and its “working interest partners via the credits mean that we can apply that cash to our capital budget the next year to run adequate seismic and do additional drilling that increases the chance of more oil production and reserves for us and for the state,” Thompson said.

Likewise, the credits for losses for a small company while its establishing production — and the development investment credit — “can take substantial risk out of development” of the smaller fields AVCG’s joint venture is focusing on.

Thompson also wants to keep the “standard tax deduction/exemption for smaller companies.”

“The Small Producer Tax Credit that exempts up to the first \$12 million in production taxes for smaller companies” allows them to “return a larger share” of annual cash flow for exploration and investment while they build a company to a “critical mass of reserves and production necessary to expand staffing and have a routine level of major capital spending each year,” he said.

And, he said, keep the new ACES tax credit allowance for qualified delineation wells.

Thompson likes a proposal in ACES that would make it possible to get a tax credit allowance for drilling up to two delineation wells following a discovery. This, he said, would be “very helpful” to both small and large explorers, because one well is often “not enough to determine if field size is large enough to warrant development.”

“A real case in point,” Thompson said, is AVCG. If the company should make a discovery this winter at its Tofkat exploration well on the western side of the North Slope, “we will have to drill one or two delineation wells to confirm if field size is sufficient to develop the resource. ... Often, due to the nature of these complex stratigraphic traps where sands unpredictably come and go, the delineation wells can be almost as risky as the initial exploration well. Having a credit where the state, in a real sense, is sharing in the risk will — I think — expedite delineation of new fields and advance development for revenues.”

The fifth thing Thompson wants to keep in the ACES bill is the Oil and Gas Tax

Credit Fund, which could be used to purchase certain tax credits from explorers and producers.

“This ACES provision would establish a procedure and standard for appropriation into this fund and management of this fund,” he said. “Having a clear and transparent way for small explorers to receive their credits at full value is extremely important for AVCG to then be able to plow those credits back into seismic and exploration on the North Slope.”

Things to change

Change the recovery of tax credits from two years as proposed in ACES back to the recovery of credits in one year currently provided for in PPT, Thompson advised.

Under PPT a company could file for the various credits, and if approved, would receive full capital credits up to a maximum of \$25 million per company. In the new ACES law, while the cap has been removed which Thompson said “is very positive,” the credits are “refunded over two years instead of over one year, e.g., 50 percent of qualified credits can be applied for in the first year once a well is completed or abandoned and 50 percent in the following year.”

For a small company like AVCG, this component in ACES will “definitely affect our capital spending in a given winter as we plow all the credit refunds back into seismic or exploration drilling.”

Thompson offered as an example, AVCG and its working interest owners plan to spend \$41 million in seismic and exploration drilling this coming winter and about the same in 2009.

“We calculate that we could receive \$16 million cash in qualified credits in midyear 2008,” he said. “So essentially, our working interest owners are planning to provide cash out of pocket of \$25 million for the 2009 drilling season. This is a fixed number based on cash availability in these small companies to spend toward the Alaska portfolio. If the state refunds only one-half of this credit in the first year, or only \$8 million instead of \$16 million, AVCG and our partners will still provide \$25 million out of our pockets as now planned and budgeted ... meaning our overall spending in 2009 will be \$33 million, not \$41 million, i.e. \$25 million from our available funds and only \$8 million from the state,” resulting in one less well in 2009. “And one less chance for another discovery that eventually could provide revenues to us all.”

An “innovative compromise,” he said, would be for the Legislature to consider a small company refund provision that “allows for companies that meet the no-production or low-production measures in the Small Company Tax Credit provision of the PPT law — that remains in ACES — to receive

tax credit refunds that are fully refunded in the first year for qualified costs.”

Average government Gulf take is just 45%

Number two on Thompson’s list of things to change was the base tax rate, from 25 percent in ACES back to 22.5 percent in PPT, “re-reviewing ... again in 2011 after some time has passed as allowed for in current law.”

What is fair, and how exactly is “fair” determined?

Thompson’s answer: “I saw a copy of a presentation entitled Guiding Principles For A New Production Tax System by the Department of Revenue urging the changes in ACES, arguing that the average government take in various international countries averaged 67 percent for all types of fiscal regimes ... 74 percent for production sharing agreements, but only 55 percent for tax and royalty regimes. ... Somehow, the Department of Revenue representatives concluded an average of 68 percent as provided for in ACES would be close to the average of 67 percent for all types of regimes internationally.

“First,” he said, “the average recommended to Alaska is the average of all regimes, i.e. the averaging of government take from tax and royalty regimes with the government take from production sharing agreement, PSA, regimes.”

In the countries Thompson worked in that had production sharing regimes, “the risk profile for capital development was often much different than in regimes that use a tax and royalty regime such as Alaska. In PSA countries, it was not unusual for a producer on capital projects to have a very low initial tax burden until the capital investment was fully recovered plus a negotiated rate-of-return was achieved. Then and only then was the government take increased substantially ... thus giving the average take for such countries as 74 percent.”

But the risk profile in those countries “was often much better than Alaska,” because there was “upfront recovery of capital and a preferred investor rate-of-return,” he said, noting that ACES high tax rate and the added progressivity tax will start immediately along with royalties, corporate taxes, property tax and other charges “instead of allowing for recovery of capital and a contractual rate-of-return,” as is the norm in PSA regimes.

Main competition from U.S.

He also noted that most individual and company investors, including AVCG’s, “do not consider international regimes as competition for our investment dollars with Alaska. Rather, the main competition for their cash is other parts of the United States.”

“I found it astounding ... that the average of 67 percent for all international regimes did not consider weight-averaging in the major American producing states,” Thompson said. “As examples, the current government take in the Gulf of Mexico offshore — one of the main competing areas for Alaska investment dollars — averages 45 percent. This is under consideration by the U.S. government for increase, but it is highly doubtful with the boom going on in deepwater exploration and development that the U.S. government would increase the government take from 45 percent to 68 percent,” which is what it would be under ACES as it is written.

In other producing states that compete for AVCG investment the state and federal combined government takes in 2006 averaged 45-57 percent and were as follows, Thompson said.

U.S. Gulf of Mexico 45 percent
Colorado 51 percent
Wyoming 52 percent
Kansas 53 percent
Texas 53 percent
New Mexico 53 percent
Oklahoma 53 percent
California 53 percent
Louisiana 57 percent

“To my knowledge, these states do not have the added progressivity surcharge tax which further separates Alaska in government take from these competing states,” he said. “I would argue that Alaska should have a government take of 55 percent if we were to maintain long-term competitiveness with these other states for investment dollars. Having said that, some of these states do not have the prospectivity of Alaska, so Alaska could command some premium in take but certainly not as high as being proposed in ACES.”

If Alaska set a government take at 60 percent to the government and 40 percent to the investor, the ACES legislation should be amended to allow for a base tax rate of 22.5 percent not 25 percent, Thompson said, and should also be amended to allow for a trigger price of \$40 per barrel and not \$30 per barrel; plus, the incremental progressivity tax rate increase should be 0.2 percent per dollar.

State should share in reward, and risk

His argument for changing the trigger price to \$40 per barrel net vs. \$30 per barrel, number three on his list, is that if the government take is to be 60 percent and not 68 percent as proposed by ACES, the trigger price “should stay the same as in the PPT law, i.e. \$40 per barrel net.”

“If Alaska is to share in high prices with the progressivity surcharge tax, then Alaska should share in the pain of low prices,”

see THOMPSON page 17

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NATURAL GAS

Test finds CBM resource at Wainwright

Provisional results from a U.S. Department of the Interior test well at the village of Wainwright on the Chukchi Sea coast indicate the existence of a significant coalbed methane resource under the village, co-project chief Art Clark announced at the Arctic Energy Summit technical conference on Oct. 16. Coal seams under a four-square-mile area at the village may contain enough coalbed methane to meet the village's electricity generation needs for 10 to 40 years, Clark said.

Clark stressed that the DOI team has not yet completed its testing of coal samples retrieved from the well and that the Wainwright results are preliminary findings.

"But we are able to say that there is enough coalbed natural gas contained in sub-permafrost coal seams underlying Wainwright and vicinity to serve as an alternative energy source," Clark told the conference.

Establishing the viability of coalbed methane production at Wainwright depends on designing a technically and economically viable means of extracting the gas resource, as well as conducting a multi-well production test at the village.


"Although the resource is there that's not the same as saying it's producible," Clark said. Producing gas and associated water through about 1,000 feet of permafrost would present some engineering challenges, he said.

Petroleum News will publish a complete report on the Wainwright project in the Nov. 4 edition of the paper.

—ALAN BAILEY

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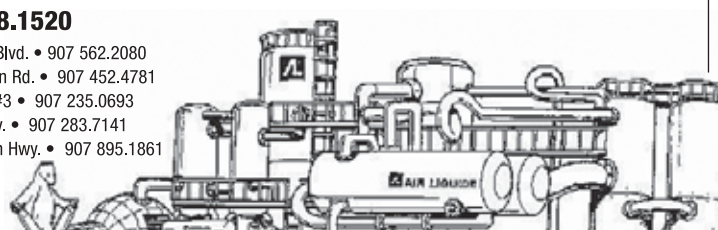
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GOVERNMENT

NWT regime set to lock horns

New premier promises tougher stance to give territory greater control over resource development, taxes; likes 'no-prisoners' style

By GARY PARK

For Petroleum News

The Northwest Territories has installed a new government that is ready to tackle a set of old issues, led by a perennial effort to wrest control of its natural resources from the Canadian government.

Newly elected Premier Floyd Roland wasted no time sending a message to Prime Minister Stephen Harper that it is time the federal government took seriously the NWT's determination to regulate and directly benefit from resource development.

The two previous NWT governments have made only marginal gains in their effort to assume powers similar to Canada's 10 provinces, which own and regulate their resources, collecting royalties and taxes.

But the Canadian government controls most land and resources within the NWT and is the major source of revenue for the territory.

Inspiration from Newfoundland

Roland, 46, said he draws some inspiration from the take-no-prisoners approach of Newfoundland Premier Danny Williams, who has engaged in hand-to-hand combat with Big Oil and the Harper government.

He said his message to Ottawa will be that the NWT "needs to be a partner ... now give us some authority."

Joe Handley, Roland's predecessor, left office earlier this year regretting his inability



NWT Premier Floyd Roland said he draws some inspiration from the take-no-prisoners approach of Newfoundland Premier Danny Williams, who has engaged in hand-to-hand combat with Big Oil and the Harper government.

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to conclude an agreement with Ottawa giving the NWT the power to control the pace of development and "the fiscal capacity for our territory to reinvest in the economy."

Handley said federal control over development and the disbursement of royalties and taxes is "not sustainable" and required a broad devolution and revenue-sharing deal that would put resource management in NWT hands.

He issued a plain warning that a failure by Ottawa to change the existing arrangement could prompt his government to block fiscal terms for the proposed Mackenzie Valley natural gas pipeline.

Roland is demanding action on Harper's promise earlier this month to develop a "northern strategy" to devolve powers and promote economic and social development.

How aggressive the NWT is will depend on what measures flow from Harper's pledge, he said.

Roland won the leadership in a secret ballot among members of the legislature, defeating Michael Miltenberger. But he promptly named Miltenberger as deputy premier as well as environment and natural resources minister in a six-person cabinet.

Concern over oil sands impact

Roland won the leadership in a secret ballot among members of the legislature, defeating Michael Miltenberger.

But he promptly named Miltenberger as deputy premier as well as environment and natural resources minister in a six-person cabinet.

Miltenberger was ousted from cabinet a year ago when he made a threatening gesture and comments towards another member of the legislature.

One of the top items on Miltenberger's list is likely to be a growing concern about the impact of oil sands development on water levels in the Slave River, which flows from northern Alberta to Great Slave Lake in the NWT. He said last November that the NWT may have to intervene directly in every oil sands expansion application.

"We're going to end up forming alliances with the aboriginal governments to protect the water and that may require court action," he said. "We cannot count on the federal government to look after our interests."

The NWT and Alberta have been working on a bilateral water agreement, but that is not expected to be completed this decade.

Miltenberger said water is more important to the NWT than oil, natural gas, diamonds or uranium, arguing that water levels will only get worse as the climate changes and permafrost melts. ●

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continued from page 1

LNG

According to Keane, BG supplied 49.8 percent of the LNG imported to the United States in 2006.

"Today BG is the largest supplier of LNG to the world's largest gas market, the United States," Keane said.

Partnering with Anadarko

BG entered the Alaska oil and gas industry in February 2006 when it partnered with Petro-Canada and Anadarko in 2.1 million Anadarko-operated acres in the gas-prone Brooks Range Foothills area of northern Alaska. In May 2006 the company acquired a 40 percent equity share in 208,000 acres leased by Anadarko in the eastern part of the North Slope. And in September 2007 BG's partner Anadarko filed a plan of operations to drill the first natural gas exploration wells in northern Alaska, at the Gubik and Chandler prospects on Arctic Slope Regional Corp. land near Umiat in the Foothills.

But, although BG has clearly set its sights on gas production in northern Alaska, the company has not expressed any interest in involvement in the construction of a gas line from the North Slope — in March, as part of the debate on Gov. Sarah Palin's Alaska Gasline Inducement Act, Keane told the Alaska Legislature that BG won't be an applicant to build the line, but would sign up for capacity once it finds gas.

Following its entry into the Alaska oil and gas industry BG has become "very engaged with the State of Alaska in the formulation of strategies for gas monetization and has been a supporter of Gov. Palin's Alaska Gasline Inducement Act ever since," Keane told the Arctic Energy Summit. "AGIA is important for BG and the State of Alaska because this is the vehicle that will provide a means, whether through LNG or via a pipeline to the Lower 48, by which our gas, once discovered, will be monetized."

Evolving global market

So, why is BG bullish on LNG as a means of monetizing Alaska's gas?

Essentially, it's a question of the way in which BG thinks that the global market in natural gas is evolving.

Traditionally, gas markets have operated on a regional basis, with the Asia-Pacific market, for example, remaining isolated from other markets such as the one that has operated in the Atlantic region, Keane explained. Each of these markets has been defined by politics and physical geography and each has danced to the tune of its own distinct supply, demand and price characteristics. The high cost of shipping LNG across the world created a natural barrier to

any of these markets merging with each other.

"These regional gas markets had very limited influence on each other and this certainly made forecasting LNG prices very easy," Keane said. "... It was at that time a very different world. Today this is not the case at all."

The breakthrough for global markets came when the LNG trade started to become viable over long distances.

"In the early years of this decade the cost-price balance broke the so-called 'tyranny of distance,' making Middle Eastern LNG economically viable into the U.S. gas market," Keane said. "This was really the big bang for the world gas industry, as some of the world's largest reserves had the potential to be linked to the world's largest gas market. As a result we're now seeing multiple markets competing for the same LNG volumes, with price signals in one part of the world beginning to influence behaviors in prices in other parts of the world."

At the same time, the increasing availability and interchangeability of gas supplies suggests that the gas market may be evolving into a truly global operation in which, as with crude oil, supplies would be freely shipped around the globe, with spot market pricing reflecting the balance of global supply and demand.

Secondary market

As evidence of the start of an evolution towards a global gas market, Keane cited the emergence of a secondary gas market alongside the traditional, regional contracted arrangements for gas supplies. In this secondary market, LNG cargoes may be diverted at short notice from one target destination to another. And the ways in which these diverted cargoes are negotiated bear the hallmarks of the type of spot market that would characterize a global gas market.

"In 2006, of the 182 (LNG) cargoes BG purchased, 78 were sold into markets other than the ones they were originally destined for," Keane said. "That's over 40 percent of our portfolio."

As further evidence of the growing secondary market, the trade in LNG between the Atlantic and Pacific regions is growing, Keane said. In 2006 just over 3.5 million tonnes of LNG were shipped from the Atlantic region to Asian markets.

"These were largely diverted by portfolio players who have access to flexible markets and who have the depth of portfolio to accommodate the extensive impact on shipping and scheduling that such long-distance redeliveries require," Keane said. "BG supplied around 30 percent of these cargoes."

And, whereas several LNG terminals in the United States have seen relatively constant rates of LNG import, the secondary

market has caused major import rate fluctuations at the Lake Charles terminal on the Gulf Coast, Keane said. This fluctuation provides evidence that the Lake Charles terminal acts as a "swing" market for LNG, with the huge U.S. gas market starting to drive the economics of world gas trading.

The secondary market also appears to be starting the convergence of world gas prices towards major price indexes, such as the price at the Henry Hub gas market in the United States.

"Many cargoes diverted into Asia are selling at prices reflective of Henry Hub and European price markers," Keane said.

Alaska LNG

The significance of all of this for Alaska is that increasing globalization of the gas market and the burgeoning secondary market for Atlantic-region LNG sold into the Pacific-Asian market could provide a market opening in the Pacific arena for Alaska LNG. Alaska LNG would replace Atlantic-based LNG, which would subsequently be sold to the United States. This shift in trade would actually increase the efficiency of the global market as a whole, with gas becoming an interchangeable worldwide commodity. Gas molecules exported overseas from Alaska would in effect be replaced in the United States by other gas molecules imported into the Lower 48 from elsewhere.

"Therefore, gas being transported from the Atlantic basins to Japan, Korea or Taiwan would most likely find its home back in the United States," Keane said. "This has become possible because of increasing spot cargo values, a growing number of portfolio players in the market, increasing destination flexibility in some contracts, the development of the United States as a swing market and abundant spare shipping capacity."

At the same time a growing worldwide demand for natural gas will fuel the need for further supplies of the product.

"As ever more distant sources of supply are found, new importers, new trade routes and new facilities will develop and I hope this includes Alaska as an exporter to the world market," Keane said. "We are already seeing this take place in Chile, where BG is building a regasification terminal that we will supply from our portfolio of contracts."

Obstacles

But Keane cautioned that, if world gas markets are moving toward more of a global market, that process of market evolution is still in a relatively early stage.

"The traditional markets and the new markets are stitched together, but they're not yet fully fused," Keane said.

And several obstacles stand in the way of achieving a fully efficient global gas marketplace.

First of all, access to gas supplies remains tight, thus limiting easy gas availability in a spot market. And the Asian gas market is not generally accessible at present to third-party market players, Keane said.

"However, I believe that many buyers would very much like the political, economic and supply security that Alaska can offer," he said. In addition, businesses wanting to participate in a global market need "a complete set of skills, capability and credit to play across a number of different supply locations," Keane said. "... There's also a raft of existing agreements, many of which put very significant commercial restrictions or constraints on flexibility."

Cost has been a huge issue for the gas industry and still presents a major impediment to trade globalization, Keane said.

"Cost created the tyranny of distance, drove up utilization factors, meant that the industry has always had little spare capacity or storage," he said.

But the market is changing.

"It's an unequivocal fact that the breadth and depth of global trade is increasing across the industry," Keane said. "We're building up impressive connectivity between markets, with increasing flexibility within the system."

Will those changes lead to complete globalization of the market?

"Whether this turns out to be the case is likely to be strongly influenced by a number of key factors including the resurgent industry cost pressures ... plus the challenge of gaining access to resources, just like the resources you have here in Alaska, lack of liquidity in most traditional LNG markets and increasing focus on security of supply," Keane said. "These factors are going to shape the way the market develops, and depending on some of these it could go in any number of ways."

Alaska can compete

But if someone were to build a new Alaska LNG facility, to supply LNG into the world market, where might that terminal be located?

"I can't answer that," Keane told Petroleum News. "We're viewing this (Alaska involvement) as an exploration and production operation opportunity for BG."

Keane said that Alaska gas can compete with gas from elsewhere in the world and, given the amount of gas that people think Alaska has, there may be scope for both an LNG export facility and a gas pipeline to the Lower 48.

"The more options you provide explorers or producers, the better off you would be in the long run," Keane said. "... Once a pipeline is constructed or announced or whatever, then I think you'll see more explorers coming in and perhaps spending more money on exploration." ●



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Business Spotlight



FORREST CRANE

Michael A. Jones, PE/Program Manager

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Mike Jones earned his mechanical engineering degree from UAF and has spent 16 years in environmental consulting. He joined ENSR six years ago and specializes in environmental site investigations and design-build remediation projects. While trying to land a 100-pound tarpon on a fly, Mike ponders how to solve various Alaska environmental challenges. This fanatic flyfisher cycles for exercise and gardens for peace of mind.

—PAULA EASLEY



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continued from page 12

AVCG

The BRPC Group, which has Nabors 27 Rig under contract, is planning to drill one or two wells near North Shore No. 1, Thompson said, in hopes it “can discover a sufficient volume of oil to warrant a commercial development at Gwydyr Bay.”

The partners are also planning to drill a prospect south of the Alpine field, which is part of ConocoPhillips’ Colville River unit.

“We will drill our Tofkat No. 1 well ... and also drill a fourth exploration well on a prospect to be named,” spending more than \$40 million on seismic and drilling in the winter of 2007-08, Thompson said.

If the “North Shore oil completion test is as suspected and one of the wells strikes oil close by, we may proceed with North Shore development with more substantial capital investment in the winter exploration season of 2008-09.”

On the same day Thompson was testifying, TG World Energy Corp. sent out a press release with more detailed information about the BRPC Group’s plans. (The BRPC Group consists of AVCG LLC, its operating subsidiary Brooks Range Petroleum Corp. and its co-ventures TG World Energy, Ramshorn Investments Inc. and Bow Valley Alaska Corp.)

TG World said the North Shore No. 1 well, in which it has a 35 percent working interest, reached a final total vertical depth of 10,319 feet (13,309 feet measured depth) in the Ivishak formation and was cased as a potential oil producer. The

continued from page 13

THOMPSON

Thompson argued. “To amend the trigger price lower when and if prices collapse will be a false economy measure for the State of Alaska. When prices fall and a company’s cash flow is sharply reduced, capital spending will fall.”

Number four on his list is to consider some type of transitional investment expenditure tax credit.

“This provision allowed for in PPT was repealed in ACES,” Thompson said. “While this provision does not greatly benefit our company, AVCG, because we did not have large seismic or exploration drilling costs between March 31, 2001, and April 1, 2006, it is important to other major investors in Alaska.”

He offered ConocoPhillips, the state’s largest explorer and developer, as an example because “with the ARCO heritage assets” ConocoPhillips “was hardest hit in tax exposure with the change from the old severance tax law to the PPT and

now to ACES.”

“I simply think allowing a good steward who is the largest explorer in Alaska some transition allowance to ease the pain of greatly increased taxes is the right thing to do and can only build better, more trusting relationships,” he said.

The BRPC Group consists of AVCG, its operating subsidiary Anchorage-based Brooks Range Petroleum Corp., and its three co-ventures — Calgary-based TG World Energy Corp. and Bow Valley Alaska Corp., and Ramshorn Exploration, which is a subsidiary of Ramshorn Investments Inc., a Houston-based private equity firm that is a wholly owned subsidiary of Nabors Drilling USA.

Thompson said AVCG is “a privately held member LLC comprised of private equity investors made up of 15 independent oil and gas companies and individuals from Kansas and me as an owner/member partner from Alaska.” He told legislators “AVCG/Brooks Range Petroleum likes to think of our company as ‘Alaska’s independent oil and gas company.’” ●

well’s bottomhole is approximately 1,100 feet west of the 1974 Mobil Gwydyr Bay South No. 1 well, which TG World said was reported to have flowed at an average of 2,263 barrels per day on production test from the Ivishak formation.

In the Titania prospect area, the Tofkat No. 1 exploration well’s reservoir target will be the Kuparuk sandstones, TG World said, describing the prospect as “seismic-

defined” and noting that the Nanuq field in the Colville unit 5 kilometers northwest from Tofkat, produces from the Kuparuk.

If Tofkat No. 1 is a discovery, the partners “may choose to drill a sidetrack well this winter season to help delineate the reservoir extent. Under the terms of the joint venture arrangements, TG World will, by paying 35.7 percent of the well costs, earn a 25 percent working interest in

the complete Titania prospect area,” TG World said.

Three-dimensional seismic data acquired by the partners in the winter of 2006-07 over the Gwydyr Bay prospect area “has identified two small satellite prospects to North Shore No. 1 that can be reached from the North Shore No. 1 drilling pad,” TG World said. “The first satellite prospect is expected to be drilled after Tofkat No. 1 well operations are completed,” the company said, noting that it has a “35 percent working interest in the satellite prospects.”

The first North Shore satellite, if successful, “could be a catalyst for North Shore field development,” TG World said.

The partners expect to select another well to drill during the 2007-08 season “from prospects in the Gwydyr Bay area covered by proprietary 3-D seismic data,” TG World said. “Final prospect selection is awaiting delivery and interpretation of the pre-stack depth-migrated seismic volume,” the company said, noting it has a 35 percent working interest “in the relevant leases.”

TG World also said, “a CGG-Veritas seismic crew has been secured for a one-month slot. The joint venture plans to acquire up to 200 square miles of 3D data over portions of its lease holdings in the Slugger and Titania/Big Island prospect areas. Prospects developed from these surveys would be candidates for drilling” in the 2008-09 and 2009-10 winter seasons. TG World is paying 25 percent of the costs of the seismic program.

—KAY CASHMAN

continued from page 1

BEAUFORT

one of several simmering disputes, as attention shifts to the world’s last and possibly largest untapped oil and gas resources that some believe could exceed those of the Middle East.

Beaufort Sea flashpoint

A looming flashpoint involves a conflict between Canada and the United States over the dividing line in the Beaufort Sea.

Rod Huebert, a political scientist and associate director of the Center for Military and Strategic Studies at the University of Calgary, told a mid-October geoscience conference in Banff, Alberta, there is an unprecedented “state of transformation” in the Arctic.

Of special importance, he said, is a rewriting of the Arctic map, which already has Canada involved in two maritime border disputes — including rival assertions over access to the Northwest Passage — three potential disputes, one waterway dispute and one land dispute.

He said that if the Northwest Passage is to be used for oil and gas shipments it is in Canada’s interests to be first and establish ownership of the waters.

Huebert said that if the U.S. decides to enter those waters it will simply not ask permission.

Even more sensitive is the Beaufort boundary dispute, he said, suggesting that issue will be “much nastier than anything we have seen with the Northwest Passage.”

Canada-U.S. borders differ

The disagreement stems from Canada’s extension of its Beaufort boundary from the land border between Alaska and the Yukon, while the United States draws a line at a 90-degree angle from its coastline — both of which have been found acceptable under international law.

Huebert said that if the U.S. method were upheld it would cost Canada potential oil and gas reserves and force renegotiation of aboriginal land claims granted to the Inuvialuit in the Western Arctic.

He noted that the U.S. has already included parcels in the disputed area for oil and gas licenses, although none have been issued.

While Canada is flexing its muscles, some legal experts worry that sending the military into the Arctic could see Canada encroach into territory that is not legally its own.

They are urging the Harper government to pursue a course of diplomacy and operate through the United Nations, whose Law of the Sea Treaty is intended to divide up the continental shelf.

Once Canada, the U.S., Russia and

Denmark have ratified the treaty they will have 10 years to make their scientific claims.

To that end, Harper has committed to undertaking the most comprehensive mapping yet of the Arctic seabed to support Canada’s claims.

Michael Byers, an international law

professor at the University of British Columbia, told the Globe and Mail he welcomes Harper’s expansion of his previous military-based emphasis on Arctic sovereignty into social and economic development matters, indicating the prime minister recognizes the issue is multidimensional. ●

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STUDY

tion of the outstanding shares of 74 companies in the oil and natural gas industry between 1993 and 2006.

“This study disproves the popular misconception that ‘Big Oil’ is owned by a small group of industry insiders. In reality, across the oil and natural gas industry only 1.5 percent of shares of public companies are owned by company executives,” said study author Robert J. Shapiro, who served as undersecretary of commerce for economic affairs under President Bill Clinton. “The data show that ownership of industry shares is broadly middle class, with the majority of industry shares held by institutional investors, often on behalf of millions of Americans through mutual funds, pension funds and individual retirement accounts.”

Oil profits in sync with other industries

The study’s results also undermine a recent popular argument that Congress should take action to curb alleged greedy profit-taking by company insiders. “When politicians seek to punish these companies and ‘take their profits,’ they are not targeting industry executives but the hard-earned savings of working people,” API Chief Economist John Felmy said Sept. 19 in announcing the study. “Further, we find that while the oil and natural gas industry has recorded very strong profits for the last three years, this recent record follows more than a decade in which real oil and natu-

Table 4: Distribution of Ownership of Operations Oil and Natural Gas Companies, 74 U.S.-Based Companies, 2007 (Percentage of Outstanding Shares, Weighted for Market Cap)

	All Operations Companies	Top Five Companies	Other Companies
Corporate Insiders	3.2%	1.5%	5.2%
Institutions	81.4	84.5	77.8
Asset Management Firms	73.6	76.2	70.7
With mutual funds	48.0	53.2	41.9
Without mutual funds	25.6	23.0	28.8
Pension Funds	3.9	4.3	3.4
Public	3.2	3.5	2.9
Private	0.7	0.8	0.5
Insurance	0.7	0.9	0.5
Endowments/Foundations	0.0	0.0	0.0
Banks	2.3	2.3	2.3
Other Financial Institutions	0.8	0.7	0.8
Individual Investors	15.4	14.0	17.0
Total	100.0%	100.0%	100.0%

ral gas prices declined and the industry’s profits and returns lagged those of the rest of the economy,” said Shapiro and former World Bank economist Nam D. Pham, who coauthored the study. “In both periods, concerns that company insiders capture a substantial share of those profits are unfounded. The data strongly suggest that most of those profits go to the industry’s majority shareholders, who are middle-class U.S. households with mutual fund investments, pension accounts, other personal retirement accounts, and small personal portfolios,” they observed

Money managers control industry stocks

Nearly 70 percent of the shares of U.S. oil and natural gas companies are held by institutional investors, especially asset management companies, and

predominantly on behalf of middle-class American households who own shares through mutual funds, pension funds and retirement accounts, according to the researchers.

Shapiro and Pham collected data on 12 U.S. based companies, 15 foreign companies and 47 industry service firms from the U.S. Securities and Exchange Commission as well as from records of other government and industry agencies, including the Federal Reserve Board, Federal Deposit Insurance Corp. and Energy Information Administration.

“Individual investors who manage their own portfolios, and are not company insiders, account for almost 30 percent of all industry ownership, which again includes significant numbers of middle-class households holding IRA and other personal retirement accounts,” the economists said.

Shapiro and Pham collected data on 12 U.S. based companies, 15 foreign companies and 47 industry service firms from the U.S. Securities and Exchange Commission as well as from records of other government and industry agencies, including the Federal Reserve Board, Federal Deposit Insurance Corp. and Energy Information Administration.

Among the study’s findings:

- Of oil and natural gas company shares, 42.7 percent are owned or held by mutual funds and other asset management companies that have mutual funds. Mutual funds manage accounts for 55 million U.S. households with a median annual income of \$68,700, 16 percent of which have incomes of \$25,000 or less.
- While no data exists on the precise percentage of investors who hold oil and natural gas shares through mutual funds, including pension participants, it is very likely that the tens of millions of households whose mutual fund portfolios include oil and natural gas shares closely resemble the average, middle-income mutual fund holder.
- Fourteen percent of oil and natural gas company shares are held in IRAs and other personal retirement accounts. Forty-five million U.S. households have IRA and other personal retirement accounts, with an average account value of just over \$22,000.

To access the full study, visit www.energytomorrow.org.

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LEASE SALES

\$704,482.40 bid in that sale, while a new company, Union Energy (Alaska) LLC, with an address in Switzerland, spent \$449,971.20 in the North Slope sale (33.2 percent of the sale total of \$1,354,828.80).

The sales didn’t draw as many bidders or as much money as earlier areawide sales.

North Slope areawide sales from 1998 through 2006 averaged \$11.2 million. The first sale, in 1998, was the best of the areawide sales: it brought in \$51.8 million. Beaufort Sea sales have averaged \$2.6 million, with the best areawide sale drawing \$7.7 million in 2006. Prior to areawide sales, however, a 1997 Beaufort sale — the first the state had held since 1992 — brought in \$28 million.

The North Slope tracts sold at this sale

totalled 68,480 acres, compared to an average of 325,444 acres for previous North Slope areawide sales. There were 53,120 acres sold in the Beaufort sale, compared to an average of 66,477 acres for the actual areawide sales, but an average of 103,800 acres in previous sales if the big 1997 Beaufort sale is included.

Banks said after the sale that these weren’t large sales. Some of that, he said, is related to the length of time for which leases are issued, which affects the amount of land available for a sale.

The state has been holding North Slope areawide sales for almost 10 years; Beaufort Sea areawide sales began in 2000.

“It’s sort of a cycle that is harmonic to the term of the leases,” he said. Lease terms range from five to 10 years, depending on the area.

see **LEASE SALES** page 19

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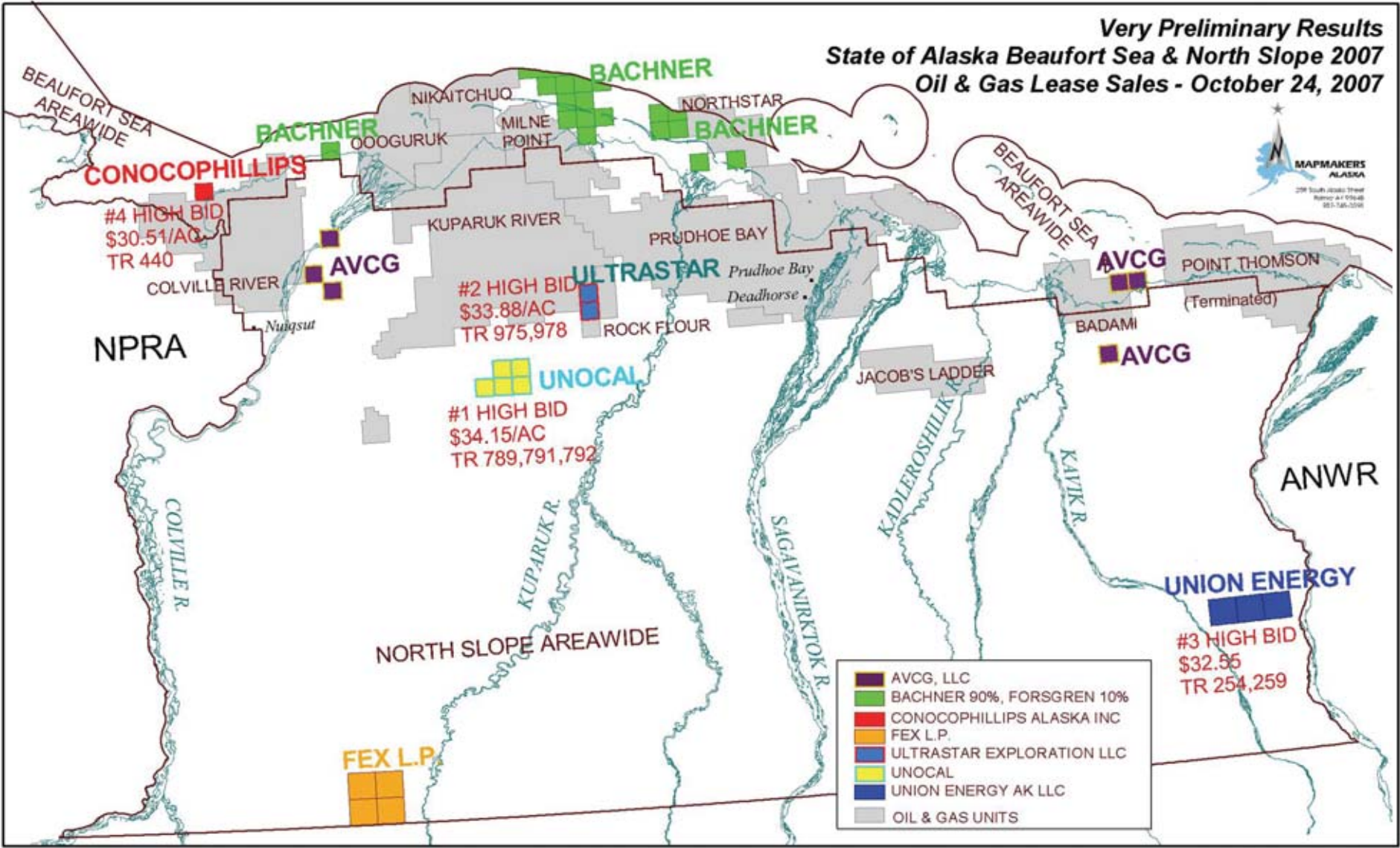
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LEASE SALES

“Maybe next year we’ll have a bigger sale because there will be more land that will have been relinquished over the course of the next 12 months from those leases that we offered in ’98 and also in 2000,” he said.

And, he noted, leases from Point Thomson may be available for sale next year, subject to pending legal settlement of the dispute between the state and the former Point Thomson owners.

Former Kavik unit

In the North Slope sale, Union Energy (Alaska) bid on three leases formerly in the Kavik unit east of the Haul Road. With two bids of \$187,488, the company had the highest tract bids in either sale.

Chevron — bidding as Union Oil Company of California — bid a total of \$327,603.20 (24.2 percent of North Slope sale bids) on five tracts which had been part of the Whiskey Gulch unit south of the Kuparuk River unit. At \$34.15 per acre, three of the five leases have the highest per-acre bids in either sale.

Chevron and Unocal already hold a block of tracts to the south of the Whiskey Gulch prospect. The tracts the company bid on in this sale include two old wells, ARCO’s 2 Winter Trail and ARCO’s 1 Ravik St. These leases were formerly held by Brooks Range Petroleum Corp.

Chevron is a major leaseholder on the North Slope and in Cook Inlet. Prior to this sale the combined companies held some 767,120 acres of state oil and gas leases. The

company has production from both the North Slope and Cook Inlet; it is the major oil producer in Cook Inlet and a major gas producer there.

FEX LP bid \$298,828.80 (22 percent of the sale total) on four tracts southwest of Chevron’s White Hills prospect on the southern edge of the North Slope lease sale area. These tracts are adjacent to a block of Anadarko Petroleum, Petro-Canada and BG leases which are in the Foothills lease sale area to the south. Tract 17 contains BP’s 1 Itkillik U. well. FEX held some 203,000 acres of state oil and gas leases prior to this sale and also holds federal oil and gas lease acreage in the National Petroleum Reserve-Alaska.

UltraStar Exploration bid \$173,465.60 (12.8 percent of the sale total) on two tracts between the southeastern edge of the Kuparuk River unit and the Rock Flour unit. At \$33.88 per acre, these were the second highest per-acre bids in either lease sale. Prior to this sale UltraStar held some 4,500 acres of state oil and gas leases.

AVCG LLC bid \$104,960 on four tracts (7.75 percent of the sale total).

One tract is south of Badami, northwest of a large block of AVCG tracts running east to south of the former Point Thomson unit. Three tracts are east of the Colville River unit in an area where AVCG has considerable acreage and all three are adjacent to existing AVCG acreage. Tract 1051 contains the ARCO 1 Colville River well. Prior to this sale the company held some 245,000 acres of state oil and gas leases.

Bachner-Forsgren dominate

J. Andrew Bachner (90 percent) and Keith C. Forsgren

(10 percent) were the dominant bidders in the Beaufort Sea sale, with 18 of 21 bids, a total of \$573,996.80 for 81.5 percent of the \$704,582.40 bid at the Beaufort Sea sale.

There were 21 bids on 21 tracts in the sale.

AVCG LLC took two tracts at Bullen Point on the eastern flank of the Badami unit — the farthest east tracts sold in the Beaufort sale. AVCG bid \$52,480 (7.5 percent of the sale bids). AVCG holds a large block of leases south-south-east of Badami extending across the bottom of the former Point Thomson unit to the border of the Arctic National Wildlife Refuge.

ConocoPhillips Alaska took one tract at the northwest corner of the Colville River unit on the west side of the sale area, the farthest west tract sold, for \$78,105.60. Conoco is the operator and majority owner at the Colville River unit. Prior to this sale ConocoPhillips held some 585,000 acres of state oil and gas leases; the company also holds extensive federal acreage in the National Petroleum Reserve-Alaska on the west side of the North Slope.

In the central portion of the Beaufort sale it was all Bachner-Forsgren: they picked up all the unleased state off-shore acreage between Northstar and Nikaitchuq, 17 of their 18 tracts, and one tract off the mouth of the Colville River — farther west than other leases on which they bid — containing the old Gulf 1 Colville Delta State well. The other tracts the pair took run from north of Gwydyr Bay in the east — across the top of a block of leases held by AVCG and adjacent to a block of Devon leases, and all available acreage seaward of the Milne Point unit, including a lease which contains the old ARCO 1 Jones Island well. Prior to this sale Bachner held some 24,310 acres in state oil and gas leases, Forsgren some 2,860 acres. ●

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NORTH OF 60 MINING NEWS

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Western Canada governments look to spur mine development in remote areas

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9th Circuit Court of Appeals to determine future of NovaGold's first mine

15 Anglo CEO: Initiative will halt mining

Promises enviro protection for Bristol Bay; Pebble expands deposit area

For the first time in 10 years, mineral concentrates are being loaded onto a ship at the Alaska Industrial Development and Export Authority's Skagway Ore Terminal. The M/V Amur, owned by Far Eastern Shipping Co., also known as FESCO, out of Vladivostok, Russia, took on about 5,000 tons of high-grade copper-gold concentrates Oct. 24 that Sherwood Copper produced at the Minto Mine in Yukon Territory before departing for smelters in Asia. See story, page 2.

COURTESY ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

A special supplement to Petroleum News

WEEK OF
October 28, 2007

Petroleum
news

• YUKON TERRITORY

Little-used technology works at Minto

Sherwood Copper puts Gradient Array Induced Polarization in exploration toolbox; geophysical method proves successful at mine

By SHANE LASLEY

Mining News

Sherwood Copper, a Vancouver-based junior mining company, has found success with a little-used geophysical method known as Gradient Array Induced Polarization survey at its Minto Mine in central Yukon Territory.

GAIP is less expensive and provides quicker results than other IP surveys, but has the drawback of not being able to provide information on the depth of the mineralization found. This is not a problem in an area like Minto where the geology is well known, according to Brad Mercer, exploration manager at Minto Mine.

"The GAIP is a relatively quick and inexpensive geophysical survey method. It provides a good picture of mineral signatures on a north-south and east-west planes but does not provide data on depth," Mercer said.

With GAIP, current electrodes are placed on the perimeter of a block that is being surveyed. Two additional electrodes can be moved freely within the block to measure resistance between them. The degree of resistance indicates the mineralization in the ground between the electrodes. Other IP methods that provide depth data on mineralization must be done in a straight line, which requires moving the outside electrodes for each line surveyed. This is more time consuming and costly.

According to Dave Hildes, of Yellowknife, NWT-based Aurora Geosciences, GAIP is only used about 10 percent of the time by his firm due to its limitations in collecting depth data.

"The technique works well for Minto because we know from extensive drilling and geological modeling that the principal ore horizons are both sub-horizontal in orientation and they are stacked vertically upon each other; somewhat like a stack of pancakes," Mercer said. "Since we plan our first-pass exploration vertical drill holes to reach at least 300-350 meters (deep), we don't much care about the depth of the anomalies initially, as we will drill test beyond the



Sherwood's new mill at Minto Mine

maximum theoretical reach of the Gradient IP survey anyway."

GAIP exploration expanded for 2007

Sherwood first used GAIP at Minto as part of its 2006 exploration program. Aurora Geosciences was hired to conduct the survey, completing about 20 miles that season. A portion of Sherwood's 2007 drilling was to further explore areas of interest indicated by the results of the 2006 GAIP survey. What was found by the drilling coincided with the findings of the survey and prompted Sherwood to expand its GAIP survey in 2007.

This year, Sherwood surveyed about 86 miles, a four-fold-plus increase over the previous year. The program had two primary targets. The first was to the south of the main Minto deposit, expanding coverage to areas of known prospectivity not covered in 2006. The second area was to the north of the Minto mine, where multiple coincident copper-in-soil and magnetic anomalies were detected but very little drilling had been completed. After positive drill results were obtained from drilling on the Airstrip-Copper Keel

prospects in 2007, the GAIP survey was expanded to encompass and evaluate these areas more fully.

New areas located

A particularly exciting discovery is in the southwest Airstrip-Copper Keel area, Mercer said. This area was previously thought to be of low prospectivity, but recent drill results show a new zone of high grade copper-gold mineralization.

These results are located on the edge of large geophysical anomalies discovered by the 2007 GAIP survey. Initially, this prospect was thought to comprise two separate targets but now appears to be one system that is cut by late, post-mineral fault(s). Sherwood has drilled 10 holes on this prospect and assay results have returned on three of them. The results show characteristics typical of the Minto Project, but a new style of copper sulphide also has been identified.

"The recent geophysical survey results from Minto are encouraging and indicate exploration potential in areas previously thought to have limited prospectivity," said Sherwood President and CEO Stephen Quin. "These geophysical results compliment the recently announced discovery of a new style of copper-gold mineralization in the Airstrip-Copper Keel area, coincident with the edge of the largest of the newly defined geophysical anomalies, and dominated by chalcocite as opposed to the more typical bornite-chalcopryrite copper mineralization found in the main Minto and Area 2 deposits.

"Our exploration team is confident that GAIP will prove to be another valuable technique in our exploration toolbox, improving the success rate of our exploration drilling and offering potential for more discoveries beyond those already announced in 2007," Quin said

Looking north

Encouraged by the relationship between drill results and the anomalies found with the GAIP survey,

see **MINTO** page 4



The first load of copper-gold concentrate from Sherwood Copper's Minto Mine in Yukon Territory was scheduled to leave the Skagway Ore Terminal Oct. 24 bound for Asia.

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• GUEST COLUMN

The State of the State: Mining is Making It

By J. P. TANGEN
Guest Columnist

The early indications are that this year's Alaska Miners Association convention will be the best attended in recent memory. The present economic climate of consistent high demand for commodities and the associated rise in the price of product has permitted the industry, which was in the doldrums for many years, to find firm footing in Alaska.

Among many other positive factors is that we have a *lot* of land that is not owned by the federal government, so the machinations of obstructionist nongovernmental organizations, or NGOs, who have taken it upon themselves to bring the industry to its knees on federal public land have played into the hands of those wise folks who, many years ago, selected for the State and Native Corporations lands that are rich in natural resources. These lands can be developed, even as the mining on federal land takes a beating.

No more E&D on federal mining claims

For the uninitiated, U.S. Rep. Nick Rahall, D-West Virginia, is pushing legislation through Congress which, if enacted, as appears might be the case, will bring an end to exploration and development on federal mining claims.

Alaska, by contrast, has had a stable political climate for many years that fostered a safe and environmentally sound mining industry, which will provide good jobs for Alaskans for generations. Oil and gas may come and go, but mining is here to stay.

Alaska's mining industry contributes to the state in many ways beyond jobs, however. It pays substantial taxes in the form of a mining license tax, corporate taxes and property taxes. It pays royalties to the State. It pays for all manner of community services and activities. And it brings unmatched opportunities to remote areas.

For example, the Red Dog mine contributes handsomely to the Northwest region, and Pogo provides immense opportunities for Alaskans living in the Delta area.

Should the Pebble project mature into a mine, it will literally breathe new life into Alaska's great southwest.

One of the unique opportunities this year's convention will offer is a joint pres-

Mining & the law

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



J.P. TANGEN

entation by the Alaska Departments of Revenue and Natural Resources regarding the Mining License Tax. Most owners and operators are acquainted with the obligation to apply for a mining license each year and the concomitant obligation to file tax returns; however, recent developments in the management of the MLT responsibility may justify a renewed focus on the preparation of these documents.

Deadlines must be honored and production details must be supplied (on a confidential basis, of course). Similarly, any outstanding confusion about the relationship of the MLT and the royalty due the State for operations conducted on state claims will be clarified. This presentation is sufficiently significant in the mind of the Alaska Miners Association that it is scheduled for three separate time-slots. Everyone can and should make a point of signing up to attend it.

Alaska good place to mine

Mining will never displace oil and gas with regard to revenue generation. Mining is a very different industry with hugely different economic factors in the mix. On the other hand, it can and does make a contribution proportionate to its ability. This year that contribution may exceed \$150 million in taxes and royalties with every expectation of contributing more in the future.

Meanwhile, the fact that dozens of operations, large and small, are thriving bears witness to the fact that Alaska provides a positive and supportive environment that cannot be replicated elsewhere in the United States or the world. The success of this year's mining convention is a testament to the combination of sound state policy and a healthy global economy. ●



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ALASKA

North of 60 Mining News appoints new leadership

North of 60 Mining News has appointed a new management team led by contractor Rose Ragsdale and Shane Lasley. The changes follow the departure of former Editor-in-Chief Sarah Hurst.

Veteran journalist Rose Ragsdale has been appointed contract editor-in-chief of Mining News after serving for three years as a freelance contributor to the newspaper. Ragsdale, a longtime Alaska reporter and editor, also serves as a regular freelance contributor and contract writer for Petroleum News, a sister publication.



ROSE RAGSDALE

Shane Lasley, former placer miner and freelance writer, has taken on the job of publisher and news editor for the monthly newspaper, which typically features mining news and commentary on industry activities north of the 60th parallel.



SHANE LASLEY

Lasley, a lifetime Alaskan, spent 14 years as a placer miner in Alaska's historic Circle Mining District. Over the past year, he has worked as a research assistant and circulation director for Petroleum News.

Hurst, who has tackled new challenges in Alaska, will continue to contribute to Mining News as a freelance reporter and writer.

—MINING NEWS

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• WASHINGTON, D.C.

Young voices opposition to Clean Water Act changes

Alaska congressman voices concerns about more restrictions on land use in Alaska at House panel hearing on 35th anniversary of law

MINING NEWS

U.S. Rep. Don Young, R-Alaska, spoke out at a congressional hearing Oct. 18 on issues facing the state under the Clean Water Act.

The hearing before the U.S. House Committee on Transportation and Infrastructure, which Young chairs, examined the successes and challenges of the law in the 35 years since it was enacted, touching on court battles over two Alaska mines and a park in Fairbanks.

Alaska contains 63 percent of the total wetland acreage in the United States (excluding Hawaii), according to the U.S. Fish and Wildlife Service.

Thus, Alaska will continue to feel a "monumental impact" from the Clean Water Act on its economy, transportation, and landscape, Young told the full committee.

"In June the Environmental Protection Agency and the U.S. Army Corps of Engineers issued new guidance on dredge and fill permits, known as Section 404 in the Clean Water Act, as a result of the recent Rapanos Supreme Court case," he said. "The guidance says that the Corps analysis would have to either find a permanent surface hydrologic connection or a 'significant nexus' between the wetland in question and the water quality of the nearest traditional navigable water."



REP. DON YOUNG

Regulators may be ignoring high court ruling

Yet the section 404 dredge and fill permits issued by the Corps to Rock Creek Mine in Nome and the Kensington Gold Mine near Juneau are being challenged in the Ninth Circuit Court of Appeals, he observed.

The Fairbanks North Star Borough is also suing the Corps over whether property that the Borough would like to turn into a park is a wetland under the Clean Water Act. The Corps claims the property is a wetland because of a hydrologic connection in the groundwater even though there is no surface water connection, Young said.

"I'm interested to know if there are other cases where the Rapanos guidance is not being complied with by the Corps," he said.

Proposal would do more harm

An effort now under way to expand the original intent of Congress from 'navigable waters' to 'waters of the United States in the Clean Water Act will do more damage and cause more confusion,' the congressman also predicted.

"I fear that this proposed legislation may increase the cost and time to issue dredge and fill permits and negate the ability of communities like Fairbanks to challenge the interpretation of what federal agencies constitute as a wetland," he added.

Young also submitted questions in writing to the Army Corps and to the U.S. Environmental Protection Agency about the borough's concerns and the mines' permits. ●



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continued from page 2

MINTO

Sherwood plans future drill testing of the new anomalies located during the 2007 survey.

Two areas are already being scrutinized for future drilling as a result of this year's geophysical work. One is a very large horseshoe-shaped area just to the northeast of the Minto pit. The other area is a strong east-west linear feature located about 600 meters north of the pit.

"Both of these chargeability anomalies are associated with strong magnetic anomalies and elevated copper-in-soil geochemistry, and are, therefore, high priority drill targets for future exploration programs," Sherwood said in a release.

Minto reaches commercial production

Sherwood announced that the Minto Mine achieved full production as of Oct. 1.

"Achieving commercial production at our high grade Minto copper-gold mine is a major milestone for Sherwood Copper," said Quin.

The company purchased the Minto property in 2005 and within two years has re-drilled the property, completed a feasibility study, and converted Minto into a commercially producing mine.

"Credit for this outstanding achievement belongs to the management and employees at the Minto Mine who have worked diligently through the commissioning process, Quin added.

Ore produced at Minto is being shipped by truck about 156 miles to the Skagway Ore Terminal in Alaska where it will be loaded on ships destined for smelters in Asia.

Skagway terminal ships first ore in 10 years

After stockpiling copper-gold concentrates from the Minto Mine in the Yukon Territory since July, the Skagway Ore Terminal shipped out its first load of ore in 10 years in late October.

The terminal stores ore concentrates for Minto's owner, Sherwood Copper Corp., until it is loaded onto ships bound for Asia under terms of an agreement with the Alaska Industrial Development and Export Authority.

"The refurbishment of the Skagway Ore Terminal was the most cost-effective option for the marine shipment of Minto's high-grade copper-gold concentrates," said Brad Kopp, Sherwood's corporate development manager.

Kopp told Mining News that Sherwood hopes to ship an average of 5,000 tons of ore a month. Canadian Lynden Transport Co. is hauling the ore to the terminal.

Sherwood subsidiary, Minto Exploration, has agreed to pay nearly \$10 million over the next seven years to AIDEA as reimbursement for the cost of refurbishing the Skagway terminal. Minto Exploration also will pay for loading the concentrates at the terminal. If other companies use the terminal during the term of the contract, Minto Exploration's portion of the costs could be reduced pro rata, according to Karl Reiche, projects development manager for AIDEA.

Other mining companies, primarily Canadian, also have shown interest in using the terminal since it reopened. With nearly 100,000 square feet of storage space and movable interior barriers that can be configured to accommodate several companies' needs, Reiche said the terminal is ready and willing to store and ship more concentrate. ●

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• ALASKA

A conversation with Steve Borell

Longtime Alaska Miners exec says busy mining industry brings good jobs, significant public revenue and excitement to state

By ROSE RAGSDALE

For Mining News

Steve Borell, longtime executive director of the Alaska Miners Association, sat down to discuss the state of the industry recently. Borell expressed optimism and excitement about the industry's future in Alaska. But he raised several red flags that Alaska officials and others should consider in future policy making discussions.

The following is excerpted from his remarks during an Oct. 3 interview.

MINING NEWS: What do you see as the future of the mining industry in Alaska in the short term and the long term?

STEVE BORELL: High metal prices give the opportunity for investment in grassroots exploration, and we're seeing that take place all around the state. The industry, and for that matter, the world has known for a long time that Alaska is a huge mineral province. There should be large numbers of mines operating here, but we haven't seen it for various reasons. The uncertainty of the Alaska National Interest Lands Conservation Act, the higher cost of exploration up here because of the lack of roads, all of those things added to the pressures (and) companies would not necessarily come to Alaska to explore.

Right now, they are coming, and



STEVE BORELL

those that are working here on exploration projects are proving what everyone thought all along, that Alaska is an excellent mineral province. That's what we're seeing in the short term. Not counting the operating mines, or Donlin Creek and Pebble or the construction projects with NovaGold at Nome or Kensington, my guess is we

are going to see 20 or more projects that have at least \$1 million or more spent on them this year. That's significant because you typically have to be doing some drilling to spend that much money.

One of the things that happened with ANILCA was that many of the most highly prospective mineralized areas in the state were locked up into parks and preserves. Though that took place, there are still lots of prospective mineral areas that are receiving attention.

I think the companies that are working here are taking a fresh look at Alaska. It's not a "what it could've been" scenario like it was 25 years ago. It's more the glass is still half full.

For the long term, Alaska's opportunities are just tremendous. If you look at the major mines that have actually been developed – Red Dog, Greens Creek and Pogo – are all three unique ore deposits, in that the grades of each of these are very good.

Red Dog we know is the largest producer of zinc concentrate in the world. It's the highest-grade large deposit in the world.

Greens Creek is relatively small, yet it is a major producer of metal – silver plus zinc plus gold plus lead. It's also a higher grade mine than many others in the world.

In Alaska, they have to be higher grade because of the added infrastructure costs.

Pogo is a very good-grade gold mine, basically half an ounce a ton is a high grade for an underground gold mine.

We now have six large operating mines in the state, but it's significant that we only have six, and three of those are

high-grade mines. How many more lower-grade properties are there that, given the right circumstances, can be developed, once they are found?

MINING NEWS: Where is the current mining activity?

BORELL: Actually, it's spread out all around the state. I've visited projects in the north central Brooks Range all the way across to the west coast and down in Southeast this year.

The activity is where you have primarily state land or Native corporation land. That's the first area of interest. The experience the Native corporations have had with mineral development, in particular, Red Dog and Donlin Creek have shown what an incredible difference a mine can have on local communities.

This is a major piece of the puzzle that the state hasn't really seen and understood as well as we should. Jobs in the Bush are very scarce. Many villages are right on the brink of being closed down. The schools are on the edge of being closed down. You have to mine it where you find the minerals. You can't go someplace else to mine it.

The (cost-of-living) pressures in the Bush are absolutely huge, and minerals can make a huge difference.

I contend that within 50 miles of every village in the state, there should be some kind of a mineral deposit that could be developed and creating jobs in that community. If you're within 50 miles, it doesn't guarantee that you can build a road, but you have a good chance. And there is a chance for these villages. Without some jobs, more of the villages are going to die a slow death.

Mining can make a difference. In the Yukon-Kuskokwim region, I believe there are 23 villages that have at least one person and in many cases, many people working at Donlin Creek. These jobs are really important because there are few good jobs (that pay \$70,000 to \$100,000 a year) available in the vil-

see **BORELL** page 7

CANADA

Canada opens projects management office; could speed development

The Canadian government has undertaken a \$150 million initiative to streamline Canada's regulatory system that will protect the environment and improve the competitiveness of Canada's resource industries.

By creating a new Major Projects Management Office, announced Oct. 1, Canada aims to improve coordination within Canada's regulatory system by providing industry with a single, efficient point of entry into the federal process.

"Our government is taking action and reducing red tape to give Canada's natural resources industry greater certainty, improved predictability, increased transparency, and ultimately, more timely regulatory reviews," said Natural Resources Minister Gary Lunn in announcing the plan.

Among services of the new office:

- Integrating federal government consultation requirements with aboriginal groups at the beginning of the process; and
- Providing timeframes for how long the regulatory process will take to companies as they begin the process.

Canadian mining groups praised plans for the new office, which is scheduled to open as early as January.

The Association of Mineral Exploration B.C. has estimated that some 14 different federal departments in Canada have the capacity to slow or sideline a project.

However, environmental groups warned that the new office could water down environmental standards and questioned how effective it will be if First Nations groups undertake time-consuming consultation and accommodation for projects on their lands.

—MINING NEWS

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BORELL

lages. The young people look around and wonder what their future will be in the village. That's why so many of them end up coming to Fairbanks and Anchorage.

The people who go into the mining industry get incredible skills. That's what's happened at Red Dog, at Donlin Creek, at Pogo and down at Pebble. The companies are training the local people right there on the site to fill the jobs.

We're seeing more activity on Forest Service lands than we're seeing on Bureau of Land Management lands. When Mr. Bruce Babbitt was secretary of the Interior, that administration did everything it could to block and stop mining. Part of the result of that is exploration on federal lands slowed down.

But were seeing some increases on Forest Service lands. Several properties in Southeast Alaska are receiving exploration funding now, and I fully believe we will see additional activity on BLM lands.

MINING NEWS: How does current mining activity compare with previous years?

BORELL: It's up. In dollar spending, the tremendous amount of work going on at Donlin Creek and at Pebble, skews the numbers. I think the spending this year at Donlin is over \$90 million. At Pebble, I think it's over \$70 million. A lot of money is going into those two projects. But if you take those aside and look at grassroots projects separately, you'll see a steady increase in exploration funding in Alaska and we've been seeing this for four or five years. That's exciting to see.

On the development side, effectively is construction, spending jumps up one year and goes down the next. In 2007, that number should be up because of the work being done at Kensington and Rock Creek. In 2006, we had the completion of the Pogo Mine, with most of the money actually being spent the year before that in 2005. We also had Nixon Fork, which had a pretty sizable amount of construction money go into it. Their first gold pour was in February 2006. There was a bump there for Pogo, and this year, there was a bump for Rock Creek and Kensington.

Next year, I think the actual construction monies spent will be down.

MINING NEWS: Could the state do more to encourage the mining industry to invest in Alaska?

BORELL: One of the major challenges right now facing the industry is people. That same need is facing the state. The state has excellent expertise, but if that gas pipeline goes forward, things will change rapidly.

It's one thing to be offered 15-20 percent to leave a state job to go to industry, but if the gas line goes, people will be offered twice as much as they are getting paid now. And there isn't going to be anyone left in state government to do the permitting. This is a major future problem.

But the industry is getting really aggressive and very creative at finding people. They are going to people who have retired and convincing them to come out of retirement and go back to work.

The state needs to get just as aggressive. It's unfortunate that oftentimes the

union agreements make it impossible for the state to change the wage structure for some of the employees.

One thing the state could consider doing is if you came back to the state and worked in industry in Alaska, you could get a reduction in your state education loans. Maybe if you go to work for the state, there could be a higher reduction or maybe even a forgiveness of the loan completely.

We need to get the best people we can working at the state. That would help with the entry-level people. But we already have people who are very experienced at permitting, not just at the Alaska Department of Natural Resources but also at the Alaska Department of Environmental Conservation and Alaska Fish and Game. Anybody involved in permitting major projects in oil and gas and mining. These people are in tremendous demand, and something has to be done to at least alleviate the pressure on these people.

There are people who have retired with those skills. They could be brought back, but in some cases they would lose money. The state needs a clear policy on this. Beyond that, the wage scales for

state jobs compared to industry jobs are low.

The industry depends on permits, but we want permits to be done right, and we want them to be legally defensible. That takes quality people. There are so many little nuances within a permit, many little places where someone who wants to block a project can do so if the process isn't just perfect.

Something has to happen. If that gas line goes forward, there will be a huge sucking sound, and there won't be anybody to turn the lights off in state offices.

MINING NEWS: Other major challenges?

BORELL: I see the effort to attack and stop the Pebble development as a major challenge for the industry in various ways. Yes, it's more expensive for one company. But beyond that, the amount of misinformation that has been distributed and continues to be bantered about is really discouraging. The mining industry, the oil and gas industry, any industry has an obligation to answer legitimately asked questions. If they

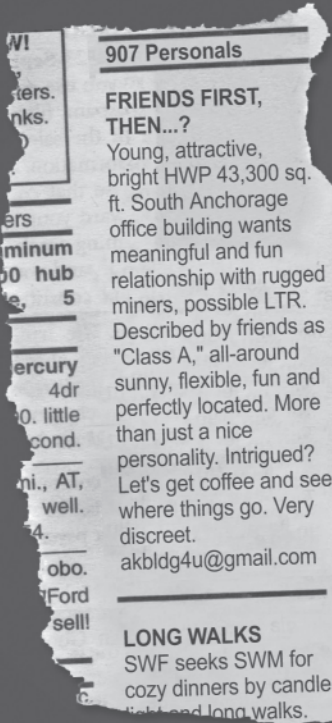
don't answer those questions, they are not going to be able to operate. Industry does not have a problem with that. Legitimate questions and looking at them with a scientific background, industry doesn't have a problem with that at all. In fact, if criticism and review determine flaws in the development plan, the company wants to know that because they want to correct it. They don't want to come along later on and find out something that they proposed isn't going to work. It will cost the company more money.

But the level of rhetoric and outright misstatements and lies that have been spread all around the state and especially in southwest Alaska is very, very disturbing. Once these things are heard, people get scared by it. Then it's very hard to change their view of something no matter how good a job a company does.

MINING NEWS: What about the environmental groups?

BORELL: There are more environmental groups active in Alaska than anywhere else. But it's been that way for the

see **BORELL** page 8



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• NUNAVUT TERRITORY

Newmont-Miramar deal offers Nunavut prize

Gold-hungry major bids \$1.52 billion for Canadian junior; analysts say price may be too low to control Hope Bay gold Project

By ROSE RAGSDALE

For Mining News

If Newmont Mining Corp., the world's second largest gold producer, succeeds in its \$1.52 billion takeover of Vancouver, B.C.-based Miramar Mining Corp., the major will gain control of one of the largest undeveloped gold projects in North America.

Miramar owns the Hope Bay Project in Nunavut Territory, which has a 10.7 million-ounce gold resource about 99 miles north of the Arctic Circle and about 434 miles northeast of Yellowknife, NWT. Miramar planned to start construction this year and achieve annual output up to 600,000 ounces of gold by 2012, according to a presentation on the company's Web site.

Denver-based Newmont, which already owns 8.4 percent of Miramar and could increase its holdings to 15 percent by exercising warrants, announced a definitive agreement Oct. 9 to purchase the junior mining company for \$6.25 a share. The offer, unanimously approved by Miramar's board of directors, represents a 29 percent premium over the company's market price Oct. 5.

Analysts immediately hailed the transaction as a very good deal for gold-hungry Newmont but also speculated that the deal may be too much of a bargain. However, the size of the transaction and a possible \$41.4 million breakup fee that Miramar would have to pay Newmont if the deal fails makes it difficult to challenge, they say.

Newmont's Richard O'Brien, who took over as president and CEO in July, said the company's initial investment in Miramar in 2005 signaled a potential strategic opportunity offered by the Hope Bay Project as part of the major's broader exploration and growth portfolio.

Newmont impressed by Hope Bay

Newmont's Richard O'Brien, who took over as president and CEO in July, said the company's initial investment in Miramar in 2005 signaled a potential strategic opportunity offered by the Hope Bay Project as part of the major's broader exploration and growth portfolio.

"We have been impressed with the progress of the project since that time, and believe that, as a result of its scale, the true potential of the project can best be realized with the additional expertise and resources of a global gold company like Newmont," O'Brien said in announcing the deal.

Newmont, like Barrick Gold Corp. and Gold Fields Ltd., is buying a rival to bolster reserves and increase production to capitalize on the highest gold prices since 1981, analysts say. Bullion has gained for six straight years as global output fell and investors bought more of the metal as an alternative to a declining dollar.

O'Brien said strategic benefits of the purchase include opportunities for Newmont to establish a new, core mining district in Nunavut; to focus on a long-term deposit with competitive operating costs that is one of the top known, undeveloped gold deposits globally; and to control and explore a roughly 50-mile-by-12.4-mile "greenstone belt" with substantial exploration potential located in a AAA-rated country.

Greenstone belts are zones of variably metamorphosed mafic to ultramafic volcanic sequences with associated sedimentary rocks often colored green by chlorite, hornblende, or epidote and containing ore deposits of gold, silver, copper, zinc and lead.

Miramar CEO endorses deal

Miramar President and CEO Tony Walsh said Newmont's offer takes into account the value of existing resources at Hope Bay, which is considered the most significant gold discovery in Canada since 1982. It also factors in the significant upside potential of the Nunavut project, he said.

"I firmly believe this is a world-class project, and that its value will continue to be realized under the direction of Newmont, a world class gold mining company," Walsh added.

Miramar has been exploring the Hope Bay belt since 1999 and has suggested that gold resource identified to date may be just the beginning of a new gold camp that could see Hope Bay become the next great mining district in Canada.

Access to the project site from the Arctic Ocean and the Mackenzie River is available for 12 weeks of the year, July through September, giving Miramar the ability to ship in equipment and bulk supplies at about a 20 percent cost advantage over other mining operations in the territory.

Miramar officials said barges recently delivered equipment and supplies to the site, and the company plans to begin construction later this year on an underground Doris North mine, the first of three sites identified for production.

Miramar has construction permits and soon will have operating permits. The company recently won approval for the Hope Bay project from the Nunavut Water Board, a key hurdle before construction can begin. ●

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BORELL

past 25 years. And they have a place in the process. It's when they are not truthful that they become a problem. I'd be careful not to equate all environmental groups with the attack on Pebble.

One group, the Southeast Alaska Conservation Coalition, or SEACC, is a prostitute for (Outside) foundations. This was revealed most clearly about a year ago. A fellow in Juneau sent a letter to the editor at the local newspapers and pointed out that a major funding source, the Gordon and Betty Moore Foundation had given about \$800,000 to SEACC

and the purpose disclosed on the foundation Web site was to stop all development in the Tongass National Forest.

The day the letter was published in the newspaper, the foundation took that statement off their Web site real quick. SEACC has been extremely effective at garnering money from the foundations and in doing so, they've been effective in killing the timber industry in Southeast Alaska.

Does the mining industry have to deal with SEACC? Yes, you probably still have to deal with them. But they've destroyed their credibility.

MINING NEWS: Is there merit to recent talk about changing the tax structure for the mining industry?

BORELL: Part of the problem is that people don't understand the industry. The industry is already providing tax revenues to the state. I think the 2006 numbers are up, but they haven't been published yet.

Mining pays a tax other industries don't pay. It's called the 'mining license tax,' and it's paid on state lands, private lands, private Native corporation land and federal land. No matter where the mining occurs. This tax has been in place well since before statehood. ●

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• ALASKA

Andover looks at Sun, beyond

Young company gains significant hold on mining properties across Alaska; focuses on ‘world-class’ deposit in Ambler district

By SHANE LASLEY
Mining News

Vancouver-based Andover Ventures Inc. launched an aggressive acquisition and exploration campaign when it entered Alaska in the spring of 2006, starting with a \$42 million deal with Full Metal Minerals on the Kamishak property in southwest Alaska.

Today, the ambitious junior holds interests in eight Alaska mining properties, less than two years after incorporation. Six of the properties are located in Southwest Alaska, one in the Nome mining district and, arguably, the most exciting is situated in the Ambler mining district in northwest Alaska.

Andover focused exploration in 2007 on the Sun property, which it considers the flagship of its prospects. The company says Sun contains a world-class volcanic massive sulfide deposit.

In the fall of 2006, Andover purchased a 50 percent interest in 25 state mining claims from Hastings Base Metal Corp., which included the Main Sun and the Southwest Sun deposits, about 175 miles west of Kotzebue on the southern slope of the Brooks Range. This past spring Andover bought Hastings’ remaining interest, giving it 100 percent ownership in the claims, the company said in a statement.

Andover believes the Sun deposit continues to the west of the Hastings claims, so it staked an additional 87 state claims in that direction.

Ellis part of Sun discovery in 1974

The Sun Property was first explored in 1974 by Sunshine Mining Co. Andover’s project manager Bill Ellis was part of the exploration crew that originally discovered the Sun deposit. Sunshine drilled the 10 exploratory holes on the property. The results of this drilling revealed a substantial copper, zinc and silver deposit.

“After being part of the Sun deposit discovery team in the mid ‘70s, it is very exciting to be managing this project,” Ellis said.

During the 1970s and 1980s Anaconda
see **ANDOVER** page 10



An Andover Ventures Inc. geology team pauses for a group photo in front of the Main Sun discovery site. Left to right, Anita Brown, Dave Hedderly-Smith, Bob Miller, Kit Marrs, Bill Ellis, Lindsey Tingly and Mike Bethy

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ANDOVER

Gold Corp., Cominco Inc., and Noranda Inc. explored the Sun property. In its 2007 exploration program Andover hoped to confirm results from historic drilling done on the Main Sun deposit.

First Equipment dropped in March

With the help of Alaska Earth Sciences, an Anchorage-based exploration support group, Andover began moving a 20-man camp, fuel and supplies to Sun in March. The first equipment and supplies were delivered by helicopter, so the crew could clear snow for a temporary landing strip on a frozen lake. By May a 1,500-foot land airstrip and camp were in place for the summer exploration season.

In June and July the geology crew collected over 760 soil and rock chip samples. The results indicate that the deposit could extend over three miles, well into the additional claims Andover staked to the west of the Main Sun deposit, the company said.

Sun drilling started in July. A second rig went to work in August. Twenty holes were drilled between July and early October, totaling 14,750 feet. Andover said several of the holes were twinned to historic holes on the property.

One of the more significant discoveries at Sun was 900 feet to the north of the main deposit. The holes intersected mineralization matching what was found in the main deposit, indicating the deposit continues towards discoveries made in the Picnic Creek area 1100 feet to the north.

Of the 20 holes drilled in 2007, Andover said 19 intersected mineralization; of these, seven crossed two mineralized zones, while two others traversed three zones.

Andover expects to be wowed

Andover said assay results are still coming in from the drill program. So far, the results show significant quantities of copper, zinc, silver, gold, and lead. Moreover, the results from the most impressive massive sulfide samples weren't in as of Oct. 17, Ellis said.

Though hesitant to talk about assay results that are still pending, Ellis said, "The results are going to knock your socks off." He also hinted at zones of mineralization containing in excess of 10 percent copper concentration.



Workers build a drill platform in preparation of Andover Ventures Inc.'s 2008 exploration season at the Sun Property.

Ready to drill in 2008

"As all assay results from the holes drilled are received from the labs, coupled with the data from the 49 holes drilled by Anaconda, Cominco and Noranda in the late 1970s, we hope to calculate a new resource calculation that complies with Canadian regulations for the Main Sun deposit," said Andover director David Hedderly-Smith. "This drill data will also help us to plan our next drill program, expected to start in April 2008."

With a camp, equipment and two drill rigs already in place, Andover officials say they are looking forward to an early and robust 2008 exploration season.

Before leaving the property this year, crews erected three drill pads for 2008.

"All we need to do is shovel off the pads, and we are ready to drill," Ellis said.

A third rig will be moved to the site next spring, he said. Two rigs will drill at the Main Sun deposit, and the third one will



Members of the drilling team cover the rig to continue work this fall at the Sun deposit.

begin drilling in the SW Sun area.

Andover also plans to conduct an airborne geophysical survey of the mineralization trend at Sun next year. The survey will include the Main Sun area, SW Sun, and

anomalies found during this past season's exploration. It also will follow the mineralization trend into a 17,920-acre block of claims to the west of Sun, the company said.

Substantial exploration at other properties

Andover's Bulk Gold property is located about 22 miles north of Nome at the head of three historic placer producing streams. Andover agreed to purchase the property from Altar Resources in July 2006. It was able to complete eight holes before the weather became too cold in mid-October.

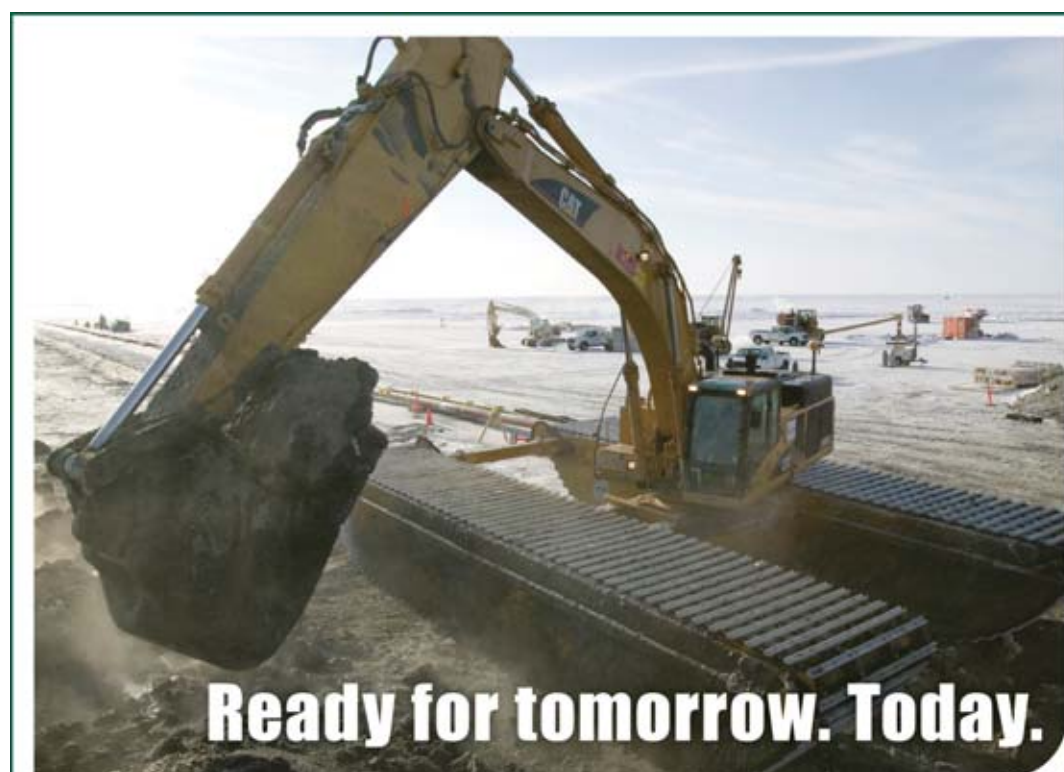
Andover drilled seven holes at Bulk in 2007, totaling about 2,000 feet. Only a portion of the assay results from the 2007 program are currently available. Out of the results that have come in, one hole showed a 48-foot section of more than one gram of gold per ton.

The Kamishak property about 50 miles south of the Pebble deposit consists of 49 state mining claims. Like Pebble, Kamishak is a porphyry copper-gold deposit. The property has particularly high gold grades.

In March 2006, Andover signed an agreement with Full Metal Minerals to invest \$2 million in exploration work at Kamishak over four years to gain 60 percent ownership in the property.

This year Andover completed 3.9 miles of IP survey at Kamishak. The survey crossed areas of known mineralization as

see **ANDOVER** page 11



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ANDOVER

well as areas of interest discovered during geology work done in 2006.

Native corporation properties in mix

Andover made an agreement with Bristol Bay Native Corp. to explore five properties covering about 44,500 acres near Iliamna Lake in southwest Alaska. According to Andover, the geological setting for these properties is similar to those found at the Pebble project.

Andover paid particular attention to the KUY property south of Iliamna Lake in 2007. Gold/silver mineralization was discovered on KUY in the early 1970s. Exploration continued on the property until 1981. Since then, the property has been virtually ignored.

A year ago, Andover began preliminary exploration at KUY. Geologists from Alaska Earth Sciences took samples from exposed quartz veins on the property, and the samples showed high concentrates of both gold and silver. The company followed up with two induced polarization geophysical survey lines. The first line covered a sampled quartz vein and the second was done 980 feet to the south.

The 2007 exploration program on KUY began with two additional IP geophysical survey lines. Then four core holes were drilled that totaled 2,602 feet. Assay results are still pending.

"The system at KUY covers a very large area. From a geological perspective the property is very interesting," said Rob Retherford, president of Alaska Earth Sciences.

In July, Andover conducted initial geological and geochemical work on two other properties in its pact with BBNC. They are



An aerial view of the newly completed exploration camp at Andover's Sun property

Samuelsen and Chilikat, both of which are located to the north of Lake Iliamna. A total of 542 samples were taken from the properties. Assay results are pending.

Chilikat and Samuelsen are both prospective properties. Very little prior exploration work has been done on them. But gold and copper have been found in stream sediments at Chilikat, with visible gold turning up when prospectors did some panning.

On the Kemuk property north of Iliamna Lake, Andover is taking a closer look at core samples from drilling done by

Humble Oil Co. in the late 1950s. Humble's mineral exploration division was looking for an iron deposit based on a highly magnetic anomaly located with airborne magnetic surveys. Sampling of the drill core identified broad zones of anomalous platinum. The airborne survey suggested that the ore body could be quite large.

The Fog Lake property east of KUY was explored in the 1970s. That work identified it as a copper/gold deposit with zinc, lead and silver showings. Andover elected not to explore this property in

2007.

In July Andover said it entered an option agreement with Vancouver-based NPN Investment Group Inc. for that company to acquire a 50 percent share in BBNC properties under Andover's control. NPN has committed C\$3.5 million toward exploration of the properties.

Andover is waiting for all assay results to finalize its exploration program for 2008, but work at Sun, Bulk and Kamishak is already planned.

NPN, meanwhile, plans to focus on KUY and Fog. ●

ALASKA

Coeur appoints new GM for Kensington

Tom Henderson has been promoted to general manager for Coeur Alaska as the operator of the Kensington Gold Mine moves toward production, parent company Coeur d'Alene Mines Corp. said Oct. 18.

Henderson, who has served as mine manager for Kensington since late 2006, will replace Tim Arnold effective Nov. 1.

After overseeing construction of the Kensington Mine Project, Arnold is leaving his post as Coeur Alaska vice president and general manager to pursue other opportunities, the company said.

Henderson previously worked as a mining manager at the Robinson Mine in Ruth, Nevada, and the Goldstrike Mines in Carlin, Nevada. He also served as mine manager at the Grasberg Mine — one of the world's largest — in Indonesia during a total of 29 years in mining operations.

"Tom's background at the Kensington Mine as well as his extensive mining management experience will ensure efficient, environmentally safe operations at this world-class facility," Dennis E. Wheeler, Coeur d'Alene's chairman, president and CEO said in a statement.

Construction at Kensington is more than 90 percent complete with Coeur focusing on improving production processes while awaiting approval of operating permits. First ore was originally scheduled to begin production in late 2007 with an initial annual output of up to 150,000 ounces of gold. But a court challenge and subsequent delays have impeded startup.

—ROSE RAGSDALE

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• WESTERN CANADA

B.C., Yukon power lines win key approvals

Western Canadian governments want to improve quality of life for rural residents and spur mine development in remote areas

By ROSE RAGSDALE

For Mining News

Two of Canada's westernmost governments are moving forward with power transmission projects aimed at bringing lower cost energy and jobs to rural residents while spurring mine development in remote areas.

British Columbia and Yukon Territory announced progress in October on separate public-private partnerships pursuing the power projects.

B.C. government said Oct. 1 it would pursue the Northwest Transmission Line project, a C\$400-million extension of B.C.'s electrical grid into the remote northwest region of the province between Skeena Substation near Terrace and Bob Quinn Lake.

As part of the project, a new substation will be built near Bob Quinn Lake, and upgrades will be made to Skeena substation.

Galore Creek Partnership, the company that is building the Galore Creek mine in northwest B.C. will contribute C\$158 million toward the cost of the 287-kilo-volt, 208-mile line — which will provide conventional electricity to diesel-dependent remote communities, support future mine development projects and open up a new part of the province to the development of independent power projects.

A giant step for B.C., industry

B.C. Premier Gordon Campbell called the plan a giant step toward opening up one of the province's last frontiers.

"The northwestern part of our province is incredibly large, incredibly rich in resources, and incredibly beautiful. But it's remote," Campbell said in an announcement.

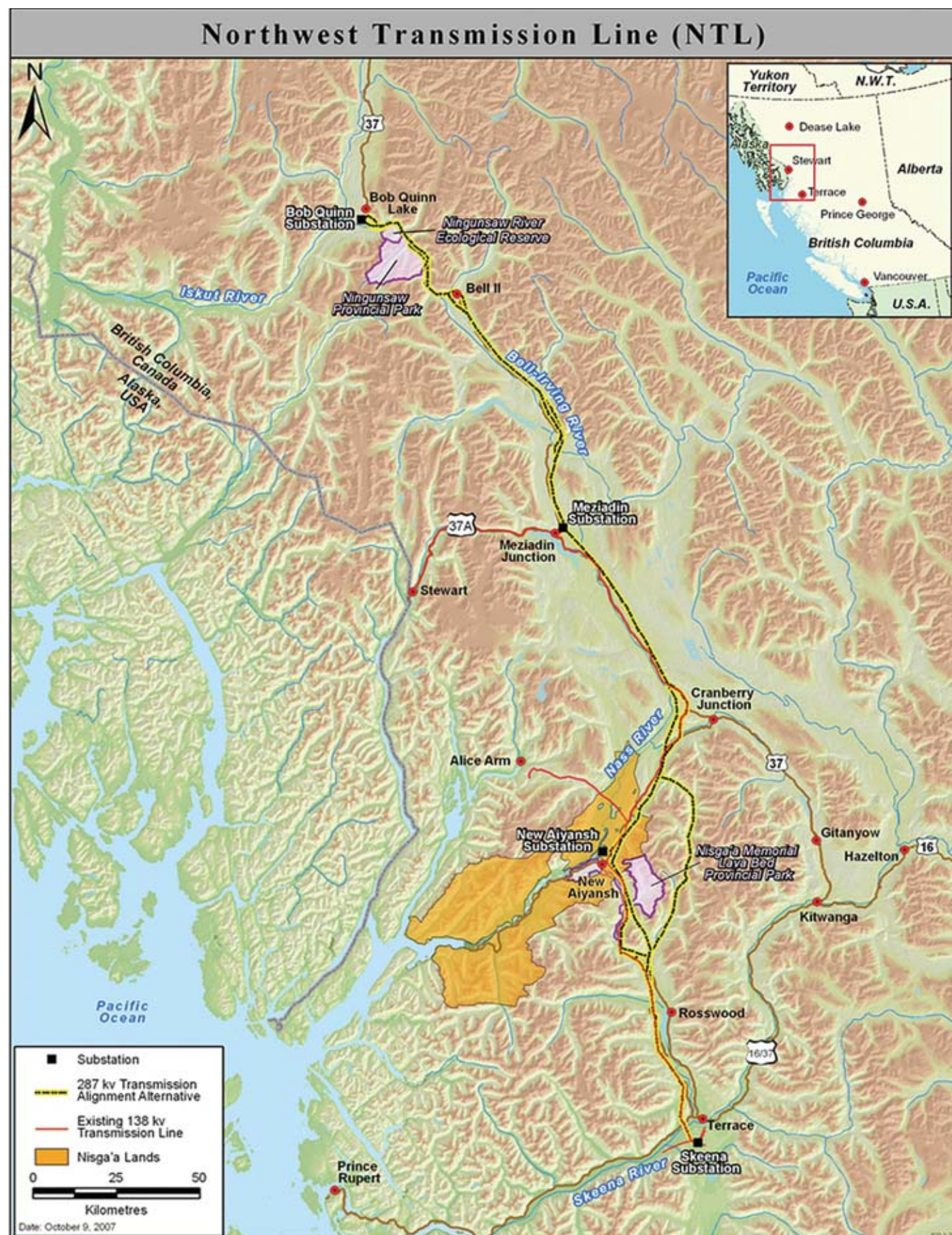
The contribution by Galore Creek's developer is revenue-neutral to the company, which already has an environmental assessment certificate to build a 138 kV link to the grid in support of its C\$2-billion copper-gold project in the Northwest.

Instead, it will contribute the C\$158 million toward the cost of the higher-capacity NTL. The balance will be funded by B.C. Hydro ratepayers.

Campbell lauded the efforts of the Tahltan First Nation and Galore Creek to forge a positive business relationship that enabled the mine project to get under way and also create economic opportunities for the first nation.

Mining companies also cheered the move.

Dan Jepsen, president and CEO of the Association for Mineral Exploration British Columbia, said the availability of electricity should boost mineral explo-



ration in the region.

According to a BC Geological Survey database, 935 documented mineral occurrences have been identified in the region that could benefit by the power grid extension. Of those, 67 are categorized as a "resource" — implying a potential mine.

Advanced mineral exploration/mining projects in the area include Galore Creek (NovaGold Resources Inc.), Red Chris

(Imperial Metals Corp.), Mount Klappan (Fortune Minerals Ltd.), Schaft Creek (Copper Fox Metals Inc.), and Kutcho Creek (Western Keltic Mines Inc.).

These mining projects could potentially account for more than C\$3.5 billion in investment, creating about 3,700 construction jobs and more than 2,000 direct mining jobs when the mines go into production.

Yukon approves new transmission line

Yukon Energy Corp., meanwhile, formally approved construction of a C\$27.8 million, 61-mile transmission line between Carmacks and Pelly Crossing and an C\$8.8 million spur line to the newly opened Minto mine in central Yukon.

The project is also the first phase of a plan to connect the territory's northern and southern power grids.

"While the total price tag is higher than originally estimated, the economics are still there to make this a viable project for Yukon Energy and for ratepayers," said Yukon Energy President David Morrison.

Since the Faro Mine closed in 1998, the Yukon has been unable to sell power to industrial customers. This burdened the territory's rural residents with high-cost energy and Yukon Energy with a surplus of hydro energy.

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ALASKA

DEC closer to issuing NPDES permits

The Alaska Department of Environmental Conservation Division of Water said it submitted a revised application to the U.S. Environmental Protection Agency Oct. 15 for authority to permit wastewater discharges in Alaska in lieu of EPA's Seattle-based permitting program.

The Alaska Legislature approved a measure in 2005 that authorized DEC to seek primacy in issuing the permits in the National Pollutant Discharge Elimination System Program under provisions of the Clean Water Act.

DEC submitted an initial application in June 2006. Revisions in the most recent draft reflect comments from the federal agency, state officials say.

EPA officials are scheduled to review the revised application for completeness by January 2008, and DEC has targeted May 2008 to submit a final NPDES application.

Alaska's resource industries, meanwhile, have voiced support for the state to take over issuing NPDES permits, saying it will remove uncertainty from the regulatory process and provide much-needed balance.

However, environmental groups say granting the state control of NPDES permitting will chip away at environmental protections.

The transfer of authority to DEC would, in effect, give the agency control over where priorities are set in granting NPDES permits, but the standards for permitting must be as rigorous as those used by the EPA or more so, according to officials of both agencies.

Alaska was one of only five states that did not have this authority at the end of fiscal 2007.

—ROSE RAGSDALE

CANADA

Survey shows higher salaries, more bonuses for mining industry employees

Average base salaries paid to mining site workers in Canada climbed 3.8 percent since 2006, according to findings of an independent annual survey.

In addition, 80 percent of the staffers were eligible for short-term cash incentives this year, compared with 73 percent in 2006, reported Coopers Consulting Ltd. and PricewaterhouseCoopers LLP in the "2007 Mining Industry Salary Surveys."

The average bonus paid in 2007 climbed to 16 percent of base salaries, compared with 13 percent a year earlier.

Chief executive officers of mining companies, by comparison, enjoyed average base salary increases of 7.2 percent, with 96 percent eligible for incentives. Average cash incentives paid to mining CEOs in 2007 were 71.4 percent of base salaries, compared with 66.1 percent a year ago.

The 2007 survey reflects data collected on 8,797 individuals — 5,386 in Canada and 3,411 in the United States — working for 70 Canadian mining companies with 97 operating mines in Canada.

"We have seen significant changes both in annual base pay and composition of the compensation packages for the mining sector since it emerged from a protracted slump in about 2002," said Lou Vujanich, survey leader and principal of Coopers Consulting.

On average, annual base pay for salaried mine workers has climbed 18 percent since 2002, and with about 80 percent of these positions eligible for cash bonuses, up from 59 percent.

Recent growth in the industry and demand for skilled workers are major drivers behind the changes, the surveyors said.

—MINING NEWS

Chief executive officers of mining companies, by comparison, enjoyed average base salary increases of 7.2 percent, with 96 percent eligible for incentives.

Average cash incentives paid to mining CEOs in 2007 was 71.4 percent of base salaries, compared with 66.1 percent a year ago.

continued from page 12

POWER

Morrison said the transmission line gives Yukon Energy a firm customer in the Minto Mine for its surplus hydroelectric power and will allow Pelly Crossing residents to switch from diesel to hydro for their electricity needs.

The Yukon government is investing up to \$10 million towards the infrastructure cost of building stage one of the transmission line. This is the first of two stages of a plan to connect Yukon's northern and southern power grids.

First Nation to help build power line


Yukon Premier Dennis Fentie praised the plan and the participation of the Northern Tutchone First Nation in the


project. Yukon Energy awarded a \$17.3 million construction contract to a joint venture partnership of Northern Tutchone, Valard Construction and Arctic Power to build the transmission line. The JV also won a right-of-way clearing contract valued at about \$3.4 million.

The project approval is subject to the Northern Tutchone First Nation signing a project agreement as well as regulatory approvals.


The next major step in the project requires completion of the Yukon Environmental and Socio-Economic Assessment Board's final screening report.

Yukon Energy anticipates work to begin late this year, with construction startup in the spring. The transmission line should be operating by late 2008, the company said. ●






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• ALASKA

Judge supports Rock Creek project

9th Circuit Court of Appeals will determine future of NovaGold's first mine after U.S. District Court upheld wetlands permit

By SARAH HURST

For Mining News

Vancouver, B.C.-based NovaGold Resources is progressing rapidly with its Rock Creek and Galore Creek projects — and it looks like the company might get some support from an unexpected quarter. The 9th Circuit Court of Appeals held a hearing Sept. 26 in a lawsuit brought by a Nome citizens' group against the U.S. Army Corps of Engineers and a permit it issued for Rock Creek, and at least one of the three judges was adamantly in favor of the mine.

Judge Andrew Kleinfeld repeatedly interrupted attorney Brian Litmans, who with Trustees for Alaska, is representing Bering Strait Citizens for Responsible Resource Development, the plaintiffs in the case. Kleinfeld pointed out that there was historic placer mining all over the Snake River area, where Rock Creek gold mine is being constructed, and that placer miners at the time didn't have to post any reclamation bonds, whereas NovaGold will have to reclaim its mine and even create a better fish habitat than what was there in the first place.

"Usually small-scale leaves a big mess because they can't afford to reclaim and the big mines reclaim and you get something other than tailings," Kleinfeld lectured Litmans. "In this case, as I understand it, the impact is to less than 1 percent of the Snake River drainage and two ten-thousandths of 1 percent of the Alaska wetlands," he continued, noting that all of Alaska's tundra is considered wetlands.

The U.S. Corps of Engineers should have recommended a less environmentally damaging alternative to the current mine plan, such as an uphill dump, located away from the tundra, Litmans argued.

"I was thinking what a colossal danger to anyone running a piece of heavy equipment downhill, vibrations might cause the dump to tumble down the hill," Kleinfeld countered. "Why should they have given more consideration than they did to that possibility?"

"We contend that the Corps has not evaluated any of these potential alternatives to either determine safety aspects, but more importantly with respect to the Corps' obligations under the Clean Water Act, whether these alternatives are in fact, one, less environmentally damaging, and two, practicable," Litmans said. He added



Rock Creek mine near Nome should produce its first gold by the end of the year, if it's not blocked by a pending lawsuit.



NovaGold is driving a 4.5-kilometer tunnel through a mountain for access to its Galore Creek project in British Columbia.

that dry stack tailings would have been the least environmentally damaging alternative.

A different three-judge panel at the 9th

Circuit ruled recently that the Corps should not have issued a 404 permit to Idaho-based Coeur d'Alene Mines for its Kensington gold mine in southeast Alaska because the permit enabled the company to dump tailings into a lake, in violation of the Clean Water Act. The environmentalists who brought that lawsuit also demanded a dry stack tailings plan. Coeur d'Alene argued that this would be uneconomical.

Attorney Ryan Nelson, representing the Corps of Engineers, said the Corps held nearly 60 meetings before it issued Rock Creek's 404 permit, and that construction of the mine is at a stage where 81 percent of the wetlands at issue have already been disturbed, and what remains to be done is the mitigation measures. Judge Betty Fletcher asked whether dry stack tailings had become a more practicable option in light of the Kensington case and the high price of gold.

"This isn't so much a technological problem as it is a terrain problem," Nelson replied. "What was adopted here, the paste tailings, is almost the same as dry tailings. It's 75-percent non-water, whereas dry stacking, I think, is 82 percent ... there's a

very marginal benefit." If the tailings are too dry there is a possibility that the wind could blow them, Nelson added. The Corps looked at the alternative and didn't think that the additional \$8 million expense was worth it, he said. In total the Corps considered 24 separate alternatives.

Why no EIS?

Judge Ronald Gould asked attorney Michael Grisham, representing NovaGold's subsidiary, Alaska Gold, why an Environmental Impact Statement wasn't done.

This is another bone of contention for the plaintiffs: They said the Environmental Assessment document wasn't adequate and the public did not have sufficient opportunity to comment.

"We're not dealing here with some sort of slapdash job that the Army Corps of Engineers put out at the end of a very brief process," Grisham replied. "There's a 16-volume environmental information document that was prepared over the course of three years by Alaska Gold and its environmental consultants."

Grisham asked the court to consider the context of the project, which is taking place in an area where massive industrial dredges used to operate. "There are areas on that peninsula that are just covered with dead equipment, even old railroad trains tumbled over in the tundra, barrels of who knows what ... and piles of tailings," Judge Kleinfeld confirmed. He spoke again during Litmans' brief rebuttal, asking, "What if the impact is positive instead of negative?"

Work continues at Rock Creek

While the judges deliberate, construction at Rock Creek is continuing. In a release Oct. 2, NovaGold announced that it has started testing the crushing circuit at the mine.

"We have achieved significant progress at Rock Creek this summer," said Doug Nicholson, Alaska Gold's general manager. "We continue to develop the open pit

see ROCK CREEK page 15

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• ALASKA

Anglo CEO: Initiative will halt mining

Top exec promises environmental protections for Bristol Bay; Pebble owners expand huge eastern copper-gold-molybdenum deposit

By SHANE LASLEY

Mining News

It would put a halt to activity around mining in Alaska."

That's what Cynthia Carroll, president and CEO of global mining giant Anglo American plc, had to say about the Clean Water Initiative when asked about the proposal currently working its way to the ballot in Alaska.

Carroll made the comment at the Sheraton Anchorage Hotel Oct. 24, after speaking to members of the Resource Development Council about the proposed 8.2 billion-ton Pebble copper-gold-molybdenum mine.

Anglo American is developing the mammoth mining project in Southwest Alaska with partner

Northern Dynasty Inc.

Carroll, who was ranked No. 7 this year by Forbes Magazine among the world's most powerful women, said the initiative "would be a major problem for the mining industry."

If passed by Alaska voters, the measure would severely restrict water usage by large mining operations in Alaska as well as limit their ability to store mine tailings and overburden.

Carroll isn't the only industry official worried about the measure.

"The issue is not clean water; it is stopping mining. Effectively, this would eliminate large-scale mining in the state," Alaska Miners Association executive director Steve Borell said in mid-October.

Art Hackney, a consultant working for the

anti-Pebble Renewable Resource Coalition, sought certification of the initiative from the state earlier this year. Though denied by the lieutenant governor, the measure won approval on appeal in Alaska Superior Court.

Supporters have until Jan. 15 to gather required signatures to have the initiative brought before Alaska voters next August.

Pebble Partnership vows to protect environment

Carroll, a 25-year mining veteran who took the top job at Anglo American in March, said the Pebble Partnership is a limited partnership formed when Anglo American bought a 50 per-

see INITIATIVE page 16



Anglo American plc appointed Cynthia Carroll president and CEO in March. Carroll, a petroleum geologist, formerly was president and CEO, Primary Metal Group and an officer of Alcan Inc.

continued from page 14

ROCK CREEK

and stockpile ore, with waste rock being used for construction of the tailings facility, roads and other facilities. The mill buildings are enclosed, all of our equipment is in place and we have begun testing of the processing circuits, focusing initially on the crushing system."

Around 100,000 tons of ore from the open pit at Rock Creek have already been stockpiled, NovaGold's chief operating officer, Peter Harris, said in a conference call Oct. 17. The first ore feed to the mill and production of gold is expected to take place before the end of this year, he added.

Power partnership at Galore Creek

The Galore Creek project in British Columbia also received a boost, with the announcement Oct. 1 that NovaGold is entering a partnership with the British Columbia government for a proposed high-capacity 287-kV Northwest Transmission Line. The line will deliver power from Terrace to Bob Quinn Lake, near the Galore Creek copper-gold project.

The deal will protect NovaGold from cost escalation, the company's investor relations manager, Rhylin Bailie, told Mining News. It also means that the government will provide the workers to build the power line.

The first 100 days of construction at Galore Creek have been exciting, NovaGold's president and CEO, Rick Van Nieuwenhuyse, told the Denver Gold Forum Sept. 25. The project, which is now a joint venture between NovaGold and Vancouver-based Teck Cominco, has been using about 15 helicopters, including the world's largest, the Russian Mi-26, which can lift 20 tons. "We've mobilized over 36 million pounds of equipment, it's been written up as the largest airlift in Canada," Van Nieuwenhuyse said.

NovaGold has established all its construction camps along the 130-kilometer road site and currently has 700 people working on the project, which will increase to more than 1,200 by 2009, when the road is due to be completed and construction of the mill should begin. "We had very high water this year. ... They had a huge amount of rain and a huge amount of snowfall, so this was a tough year to get started; we certainly learned a lot of lessons," Van Nieuwenhuyse said.

NovaGold posts bigger loss

For the three months ended Aug. 31, NovaGold reported a loss of \$4.2 million,

The Galore Creek project in British Columbia also received a boost, with the announcement Oct. 1 that NovaGold is entering a partnership with the British Columbia government for a proposed high-capacity 287-kV Northwest Transmission Line.

compared to a loss of \$2.6 million for the same period in 2006, the company announced in its third-quarter results Oct. 15. NovaGold attributed the higher losses to the same period last year including a \$3.5 million future income tax recovery while this year's comparable future income tax recovery totaled only \$1.2 million. ●



It's already possible to drive a pickup on 44 km of the new 130-km road NovaGold is building for the Galore Creek project.



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• ALASKA

Production halted at Nixon Fork gold mine

New St. Andrew CEO seeks better definition of resource, additional exploration to expand known reserves

By SHANE LASLEY

Mining News

St. Andrew Goldfield Ltd. announced Oct. 10 that it is temporarily suspending production at the Nixon Fork Gold Mine northeast of McGrath.

The news came on the heels of Jacques Perron, 46, joining the Ontario-based mining company as president and CEO. Perron, a 25-year Canadian mining veteran who has held key management positions at IAMGOLD Corp., Cambior Inc., Noranda Inc. and Placer Dome Inc., visited Nixon Fork shortly after taking the job at St. Andrew.

Steve Borell, executive director of the Alaska Miners Association, met Perron on his visit to Alaska. He said Perron is an experienced mining

engineer and will steer Nixon Fork in the right direction.

St. Andrew said it suspended production to further define the geometry of the gold mineralization of the upper portion of the Crystal deposit. The company said it has encountered production issues because the geometry of the mineralized zone is much different from what was anticipated.

Nixon Fork officials had estimated that the mine contained about 180,000 metric tons of proven and probable reserves, which amounted to about 130,000 ounces of gold. In the second quarter of 2007, Nixon Fork processed 7,433 metric tons of ore with a head grade of 16.0 grams per metric ton of gold.

St. Andrew stopped production at the mill to perform modifications to the mill circuit in mid-

August. These modifications also will be suspended to give the company time to further define the reserves.

Exploration of other areas anticipated

St. Andrew plans to do surface and underground drilling at other areas of interest uncovered during previous drilling, in particular the Mystery, J5A, Southern Cross and Whalen zones, which have potential to expand the resources at Nixon Fork, company officials said.

St. Andrew is also looking at a "grassroots" exploration program for the summer of 2008. The company will focus on other areas on the Nixon Fork property where gold mineralization is known, and possible acquisition and exploration on neighboring properties. ●



Steve Borell, executive director of the Alaska Miners Association, said Perron is an experienced mining engineer and will steer Nixon Fork in the right direction.

continued from page 15

INITIATIVE

cent share in the project from Northern Dynasty Minerals Ltd. by committing \$1.425 billion to its development.

Anglo American has operations in 35 countries, while Vancouver-based junior Northern Dynasty has invested \$160 million, so far, in discovering and developing Pebble. Pebble Partnership will operate the mine project.

Carroll said Pebble Partnership is committed to protecting the environment, and the company will establish an independent panel of scientists to keep a close

"The issue is not clean water; it is stopping mining. Effectively, this would eliminate large-scale mining in the state." — Steve Borell, Alaska Miners Association executive director

eye on the work done at Pebble, in particular water quality.

"Pebble must apply the world's best and most advanced science" when it comes to environmental issues, she said.

Carroll said Pebble Partnership will launch the Bristol Bay Sustainable Fisheries Fund to support community-led projects aimed at enhancing social and economic impacts of Bristol Bay's world-

class fisheries. The fund will be administered by an independent company with the goal of promoting the health and sustainability of the fisheries, she said.

Carroll also said the Partnership will "recruit, first and foremost, Alaskans to manage, run and work for the company." Pebble's economic impact would be felt by all Alaskans, she added.

Pebble resource continues to grow

Drill results for 2007 have expanded the Pebble East deposit, the deeper, higher-grade portion of the Pebble project. The deposit, which contains an estimated 42.6 billion pounds of copper, 39.6 million ounces of gold and 2.7 billion

pounds of molybdenum, runs more than 9,000 feet north-south and is open to both the northwest and southwest. Recent assay results extended the north edge of the deposit by 600 feet.

Crews completed nearly 100,000 feet of drilling this year to better define the estimated 3.7 billion-ton resource at Pebble East and assist in mine planning.

"The first order of business is to get that Pebble East drilled off as rapidly as we can so that we can see how the whole project fits together," Northern Dynasty Executive Chairman Bob Dickinson told the Denver Gold Forum in September.

"Pebble East is one of the world's great metal deposits," Dickinson said. ●



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• ALASKA

Kisa prospect shows promise

Spokane junior works with locals in Kuskokwim Mineral Belt to overcome concerns, envision future exploration in three areas of Alaska

By ROSE RAGSDALE
For Mining News

Gold Crest Mines Inc., a Spokane, Wash.-based junior gold exploration company, reported promising results Oct. 8 from its 2007 exploration drilling campaign at the Kisa Project in the Kuskokwim Mineral Belt of southwest Alaska.

Organized a little over a year ago by a group of mining industry veterans, Gold Crest has a wholly owned Alaska subsidiary, Kisa Gold Mining Inc. It is KGMI that began exploring about 93,500 acres in three different and distinct areas of Alaska in late 2006.

KGMI has established 14 claim groups in two broad areas within the prolific Kuskokwim Mineral Belt, which hosts the 20 million-ounce-plus Donlin Creek gold deposit, the producing Fort Knox Mine and other significant prospects.

The Kisa Breccia Project is located about 120 miles south of Donlin Creek, which is under development by Barrick Gold and NovaGold Resources, and about 40 miles west of the Shotgun gold deposit under evaluation by TNR and NovaGold Resources.

At Kisa, Gold Crest staked 199 mining claims covering about 30,500 acres in seven claim groups near Kisaralik Lake.

The junior further staked 319 state mining claims in the Buckstock Project Block, covering about 51,000 acres in seven claim groups. These claims are situated in an area about 50 miles southwest of Donlin Creek.

KGMI also acquired a database of 1,250 stream sediment, heavy mineral concentrate and rock samples in the nearby Aniak Project Block and a large property block covering more than 12,000 acres centered on a promising gold showing at Kelly Creek in northwest Alaska.

Focus on under-explored region

"This area has been neglected by the mining industry for 20 years. We went out there to look, and we found the streams, rocks and soils associated with (known gold mineralization)," Chris Dail, Gold Crest's vice president of exploration told Mining News Oct. 16.

In late 2006 and the spring of 2007, the company completed about 3,500-line miles of airborne geophysical surveys over the Kisaralik and Aniak blocks. Follow-up and fill-in sampling work in 2007 included collection of more than 600 stream sediments, soils and rocks and outlines several district-scale anomalies that require prospecting and additional sampling.

KGMI recently reported completion of six holes totaling 3,107 feet of drilling that targeted an outcropping on the Kisa claims.

"We also had considerable discovery activity this season with really encouraging results, which we will probably be announcing in the next few weeks," Dail told Mining News.

A total of 619 drill core samples from Kisa were sub-

see **KISA** page 18



A close-up view of the drill platform at KGMI's Kisa Breccia prospect.



KGMI geologist Lauren Perreault scales the heights to examine a gold occurrence at Griz Paw Ridge Prospect during the company's 2007 exploration campaign. The Kisa Breccia prospect is in the background.

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KISA

mitted for analyses by fire assay to be reported in grams per metric ton. The analyses were conducted by Alaska Assay Laboratories LLC of Fairbanks.

Samples were 'encouraging'

Dail, who trained as a geologist at the University of Alaska Fairbanks and other institutions before working for various organizations including Cominco American and the U.S. Forest Service, said the core sample results weren't "bad" or "spectacular but encouraging."

"It's a big system, and we drilled only one of three targets," he said. "We hope to go back next year and do some more drilling."

Core recovery for the season's drilling averaged 73 percent.

Assay results for the first three holes (K07-1 through K07-3) and the upper portion of hole K07-4 were reported Sept. 14.

Final assays for the last three drill holes, K07-04, K07-05 and K07-0, were all drilled into the main breccia body exposed on steep cliffs and talus-covered slopes, where previous KGMI's outcrop sampling outlined a several-hundred-square-meter target area, averaging more than 1 gram per metric ton gold.

Holes K07-04 and K07-05 were angled off the same drill platform, while hole K07-06 was drilled from a platform about 300 feet to the southwest and 150 feet higher up the slope.

The sample results indicate the presence of a very large disseminated gold-bearing intrusive system on the property, according to Gold Crest. Assay intervals containing up to 8.6 grams per metric ton suggest the possibility of higher-grade zones within the intrusive breccia complex.

Company addresses public's misgivings

Despite concerns expressed by residents in nearby villages when drilling commenced last spring, Dail said Gold Crest had a good drilling season. The company hired 15 workers, of which six or seven came from local villages.

"We had to build some drilling platforms on a really steep slope. I was really impressed by the local guys," he said. "In fact, I am encouraging them to start their own small company because they are really good at what they do."

Gold Crest also held a public meeting in Bethel in the spring and tried to answer concerns voiced by local residents.

"We moved our camp away from the lake and worked to minimize the impact



KGMI's 2007 exploration camp near Kisaralik Lake in the Kuskokwim Mineral Belt.



KGMI geologist David Demmer traverses slippery terrain for a close-up look at a mineral showing at the Golden Alder prospect in the Kuskokwim Mountains during the company's 2007 exploration campaign.

of the helicopter on the area by restricting its use when residents were hunting," he said. "And we actually had to pluck some locals — a pilot and his guests — out of

32-degree (Fahrenheit), water with the helicopter when their small aircraft crashed into the lake," Dail said. "We think that changed some minds about us."

Also, the decision to use a helicopter instead of building an airstrip was an initial effort to minimize the impact of the exploration, he added.

Other targets in Alaska

Gold Crest will continue to analyze

drilling results, do geophysical work and obtain assays from other samples, when they are received. Compilation of results from ground geophysical surveys, additional rock chip sampling and geologic mapping completed during the summer are in progress and results will be reported when completed.

Preliminary planning has begun for the

see **KISA** page 19



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ALASKA

Ester Gold Camp to close next summer

Historic mining industry landmark and tourist destination will sit out season for owners to spruce up premises, marketing plan

By SHANE LASLEY
Mining News

The Ester Gold Camp, a historic landmark as well as an excellent place to spend a night out if you are in the Fairbanks area during the summer, announced that it will not open for the 2008 summer season due to planned renovations.

“The camp is old and needs a lot of restoration. There is not enough good weather during the off season in Fairbanks to do everything that needs to be done,” owner Rick Winther said.

Ester Gold Camp’s owners also say they will rethink their business model.

The camp has been unable to tap into the main tourist trade in Fairbanks. The attraction draws about 110 people per day, and that is not enough revenue to operate a property the size of Ester Gold Camp.

The Ester Gold Camp, which is typically open from Memorial Day through Labor Day, offers live nightly shows at the Malemute Saloon, an all-you-can-eat restaurant, hotel, several shops, and the Photosymphony, a photographic presentation of the aurora borealis.

Locals in Ester are disappointed to hear that the gold camp will not be reopening next summer. The gold camp provides one more place for them to get a bite to eat and wet their whistle.

“We have a great group of regulars, they are disappointed that we will not be open next year, but are really happy we are doing renovations,” said Beth Winther, who runs the Ester Gold Camp.

Ester has rich mining history

Miners first discovered gold in Ester Creek in 1903. By 1907, Ester City had a population of around 200 people, with a thriving mining industry. In 1929 the Fairbanks Exploration Company began mining on Ester



The hotel at Ester Gold Camp, built in 1936 by the Fairbanks Exploration Co., is now a historic landmark.

Creek and in 1933 built a mess hall for their camp in Ester. That camp later became the Ester Gold Camp.

In 1958 Fairbanks Exploration, then known as the F. E. Mining Company, sold the property to a local entrepreneur, Don Pearson.

Pearson converted the mining camp into a tourist attraction offering a buffet-style meal and a one-man show performed by Don himself.

Rick Winther bought the camp in the 1980s. Due to its

importance in Alaska’s rich mining history, the camp was added to the National Register of Historic Places in 1987. The designation helps preserve historic landmarks and provides tax incentives for renovation projects on historic buildings.

When asked about plans for the camp, the Winthers say they are focused on renovating the buildings for starters. Check back to find out what else they have in store for the Ester Gold Camp, they added. ●



“Platform Commandos” Will Siefferman, Nick Cooke and Kyle Thomas take a break on a drill platform at the Golden Dyke prospect.

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KISA

2008 exploration season at Kisa “as the results received to date clearly justify additional drilling,” Gold Crest said.

Five drill targets have been identified

for the 2008 program. A drill and 15-person camp was left on site and a drill crew is under contract for 2008, the company said.

Gold Crest also has started planning for 2008 exploration work on other properties in Alaska. ●

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COURTESY OF ESTER GOLD CAMP

COURTESY GOLD CREST MINES INC.

• ALASKA

BLM scraps historic Chicken dredge

Regulator condemns deteriorating Gold Rush relic in Fortymile country as public hazard; locals mourn loss as passing of bygone era

THE ASSOCIATED PRESS

A rich piece of Alaska's gold mining history is sitting in a dump in Tok after being demolished because the Bureau of Land Management deemed it dangerous.

The Jack Wade Dredge at Mile 86 of the Taylor Highway was dismantled last month. The abandoned dredge sat on the bank of Jack Wade Creek for 72 years and was a popular tourist attraction on the 160-mile road from Tok to Eagle.

"People loved to camp at it and to pan for gold there," said Robin Hammond, the postmaster in the small mining town of Chicken a few miles south of where the dredge sat.

One of the first bucket-line dredges in the famed Fortymile mining country, the Jack Wade Dredge was freighted up the Fortymile River from Dawson in the winter of 1906-07.

Gold dredges were used to mine gold in rivers in Alaska on a large scale during the first half of the 20th century by scooping gravel up in front of the dredge and dumping it into sluice boxes.

Water was pumped in to separate the gravel from the gold and the gravel was dumped out the back, leaving massive piles of tailings along the banks of creeks that were dredged 100 years ago.

Dredge had venerable history

The Jack Wade Dredge was first operated on the Walker and South forks before being moved to Jack Wade Creek in 1935 on sleds pulled by gas-driven tractors. The creek was named for the two miners who staked the first gold claims in the stream in 1892 — Jack Anderson and Wade Nelson.

But the dredge, one of several that was used to mine in the Fortymile country, was shut down and abandoned in 1941, shortly after its steam engines were replaced by diesel ones. It has sat empty ever since. BLM officials said the dredge had deteriorated to the point where something needed to be done, and it was just a matter of time before someone got hurt. The timbers used to build the dredge were rotting, public affairs specialist Doug Stockdale said.

"It was done for safety purposes," Stockdale said of the decision to dismantle the dredge.

From help to hazard

An 8-foot-high chain link fence built around the dredge in 2000 did little to keep people out, he said.

"People crawled all over it and didn't pay attention to signs or fencing," Stockdale said.

Given the condition of the dredge, moving it would have been impractical and restoring it too expensive, Stockdale said. "We decided the best idea was to demolish it," he said.

A contractor from Anchorage, MACTEC Engineering

see **DREDGE** page 21



Many visitors will drive the Taylor Highway expecting to see the Jack Wade Dredge, but a recent Bureau of Land Management decision to dismantle the historic relic doomed the dredge to become like most placer miners in Alaska. "Ghosts of the past," says miner and tourist camp owner Mike Busby.



A view of the interior of the Jack Wade Dredge before it was torn down showed winch levers that were operated in the gold dredging process.

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• GUEST COLUMN

Mining News Summary: '07 summer exploration results set stage for 'one heck of a 2008'

By CURT FREEMAN

For Mining News

The results from Alaska's summer field campaigns continue to pour in from all over the state, while field crews wind down their summer work and kick off their winter programs. If the results released this month are any indication of what is yet to come, 2008 is fixing to be one heck of a year!

Western Alaska

NOVAGOLD RESOURCES announced that initial testing of their crushing circuit had commenced at their commissioning Rock Creek gold mine near Nome. The operation is continuing to develop the open pit and ore stockpile, with waste rock being used for construction of the tailings facility, roads and other facilities. The mill buildings are enclosed and testing of the processing circuits is under way. The Rock Creek mine is being developed as a 7,000 metric ton-per-day year-round conventional open-pit operation producing approximately 100,000 ounces of gold annually with total cash costs estimated at less than US\$300 per ounce. Commercial production levels are

The author

The author Curt Freeman, CPG #6901, is a well-known geologist who lives in Fairbanks. He prepared this column Oct. 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 web site is www.avalonalaska.com.



CURT FREEMAN

expected in the first quarter of 2008.

NovaGold Resources also announced that its JV partner Barrick Gold has completed almost 60,000 meters of the planned 70,000 meters of drilling targeted for completion at the Donlin Creek gold project this year. As of August 31, \$67 million had been spent of the \$87 million budgeted for the project in 2007. The company plans to release an updated resource estimate as soon as 2007 drilling results have been evaluated. Barrick also has been completing addi-

tional engineering studies which would be the basis for converting the Measured and Indicated resources to Proven and Probable Reserves. Barrick also plans to complete the work necessary to submit a draft Environmental Impact document next year to start the environmental assessment process.

GOLD CREST MINES announced exploration results from its Kelly Creek project northwest of Nome. Approximately 330 rock, soil, and stream sediment samples were collected during a district-scale mapping and sampling program. At the KC prospect a previously known gold-arsenic-antimony-mercury soil anomaly was expanded to 300 feet wide by 3,300 feet in length and remains open along strike. Previous drilling intersected gold mineralization hosted in quartz-carbonate-clay altered, stockwork and brecciated carbonaceous schists and carbonates. At the nearby Ox prospect an open-ended gold-arsenic-antimony-mercury soil anomaly, defined by soils with values ranging from 50- to 300-part-per-billion gold, now measures 750 feet wide by 2,900 feet long. At the newly discovered Wolverine prospect, a 500-foot-wide by 1,500-foot-long soil gold anomaly with values ranging from 15 to 1146 parts per billion gold occurs

along a high-angle structural zone that juxtaposes carbonaceous schist against a marble and schist-bearing sequence. Additional work is planned for 2008.

NORTHERN DYNASTY MINERALS and JV partner **ANGLO AMERICAN PLC** reported drilling results from its Pebble project near Iliamna. So far in 2006 a total of 72,700 feet of core drilling has been completed in 17 holes. Analytical results are pending on an additional six holes (24,400 feet). Drilling is ongoing at the Pebble East portion of the project where seven rigs are working on new holes and where two more drill rigs are expected later this year. Significant drilling results include hole 7357 which intersected 1,680 feet grading 0.61 percent copper, 0.50 grams of gold per metric ton and 0.021 percent molybdenum (1.03 percent copper equivalent); hole 7359 which intersected 2,228 feet grading 0.92 percent copper, 0.49 grams of gold per metric ton and 0.035 percent molybdenum (1.41 percent copper equivalent), including a 451 foot interval grading 0.95 percent copper, 1.11 grams of gold per metric ton, 0.051 percent molybdenum (1.91 percent copper equivalent); hole 7368

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DREDGE

and Consulting Inc. was hired to remove the dredge.

Several large pieces of the dredge, such as the boiler, gearing and winching machinery, trammel, hand levels and buckets, were saved and will be put on display with some interpretive signs near the post office in Chicken to highlight the historical significance of the dredge and gold mining in the region. The rest of the dredge was hauled to a landfill in Tok. There is no sign of the dredge where it used to sit.

The state and Fortymile Mining Association worked with BLM to negotiate a memorandum of agreement to preserve parts of the dredge, Stockdale said.

Mining era passes with dredge

For residents who live in Chicken, the loss of the dredge represents a missing page in the Fortymile region's rich mining history.

"How many bucket-line dredges are visible from a major highway?" wrote Dick Hammond in an e-mail. "We most definitely lost a piece of history. It was like one more 'old-timer' passing away."

Mike Busby, co-owner of the Chicken Creek Mine, said the Jack Wade dredge

was the oldest dredge left in the district. "It's dismantling really marks the passing of the era of early mining in the district," Busby told Mining News.

Busby said Alice Bayliss of Copper Center, who died in September, was the last living Fortymile miner of the early 1900s. "She was raised on Franklin Creek where her family mined and ran a roadhouse. She also cooked for an early operation on Jack Wade Creek. Her husband, Howard Bayliss, and her brothers (Bob, Ellis and Dick Roberts) mined on Franklin Creek, Chicken Creek and Stonehouse Creek," Busby said. "I was fortunate to mine with her as a partner after her husband passed away and got to

know the family. They would not have wanted the dredge to disappear the way that it did. They were part of a generation that did not waste much — not the throw-away generation of today," he said.

The Baylisses moved the building that houses the Fortymile District (the building where the dredge parts will be displayed) from Jack Wade Creek to its present location in Chicken in the 1950s for a schoolhouse, Busby said.

"They were a very capable generation, and I feel they would have moved the dredge rather than bury it in a dump," he added. ●

Rose Ragsdale contributed to this report.



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FREEMAN

which intersected 1,184 feet grading 0.62 percent copper, 0.70 grams of gold per metric ton, and 0.030 percent molybdenum (1.21 percent copper equivalent); and hole 7371 which intersected 2,648 feet grading 0.56 percent copper, 0.37 grams of gold per metric ton, and 0.036 percent molybdenum (1.00 percent copper equivalent). Baseline environmental and engineering studies at the project continue and pre-feasibility-level metallurgical and grinding tests were conducted on Pebble East mineralization. Scoping-level work in 2006 returned excellent copper (95 percent) and molybdenum (75 percent) recoveries and good gold (50 percent) recovery which reported to a high grade (32 percent) copper concentrate. The 2007 tests have either confirmed or improved on these values. In addition, results indicate that a coarser grind may be possible, possibly with an attendant reduction in power consumption requirements.

GEOINFORMATICS EXPLORATION announced initial drilling results from exploration at the Whistler copper-gold project in the western Alaska Range. Hole WH-07-01 intersected approximately 50 meters of mineralization in the Whistler Zone before intersecting the Main Zone and intersecting 47.0 meters grading 1.11 grams of gold per metric ton, 0.40 percent copper, 3.13 grams of silver per metric ton, and 49.2 meters grading 1.06 grams of gold per metric ton, 0.23 percent copper and 3.37 grams of silver per metric ton in hole WH07-1. Hole WH07-2 extended mineralization to depth and to the west and intersected 132.0 meters grading 0.56 grams of gold per metric ton, 0.16 percent copper, 0.71 grams of silver per metric ton, and 47.0 meters grading 1.60 grams of gold per metric ton, 0.40 percent copper, 2.06 grams of silver per metric ton, including a high-grade copper zone of 8.0 meters of 1.20 percent copper and 4.10 grams of gold per metric ton. The Whistler Zone was originally identified in the 1980s in shallow drilling by Teck Cominco Ltd., which was followed by 15 drill holes (7,950 meters) by Kennecott Exploration from 2004 to 2006. Within this broadly mineralized envelope the higher-grade Main Zone extends for 350 meters along

Linux Gold announced acquisition of a land position in the Ester Dome area of the Fairbanks District. The gold-silver mineralization at this prospect has a potential strike length of 6,500 feet, width of 100 feet and minimum depth of 100 feet.

strike averaging over 100 meters in width. Mineralization has been confirmed from surface to depths of between 200 and 570 meters. The Main Zone and the Whistler Zone are still open to expansion.

INTERNATIONAL TOWER HILL MINES announced initial field work at its South Estelle project in the Alaska Range. Initial rock sampling has identified outcropping high-grade gold mineralization at the Shoeshine, Train and Portage prospects. The Shoeshine vein system has a currently defined strike length in excess of 700 meters containing numerous high-grade chip samples, including one high-grade sample which returned 238 grams of gold per metric ton and a 0.3-meter-wide channel sample with 126 grams of gold per metric ton. Mineralization at South Estelle is hosted in high-grade quartz-sulfide veins cutting the 65 million-year-old Mount Estelle monzonite batholith. The property borders Geoinformatics/Kennecott Exploration's Whistler project. The high grade gold veins discovered to date at the Shoeshine prospect are narrow, but have a consistent north-northwest trend over an extensive strike length. Mineralization is accompanied by elevated silver, copper and lead with silver-to-gold ratios generally greater than one.

International Tower Hill Mines also reported drilling results from its Terra gold project located 40 kilometers west of its South Estelle project. Twelve drill holes were completed on the Ben Vein and three on the Ice Vein approximately 3 kilometers to the south. Drilling at the Ben Vein area included intervals spread over a strike length of 400 meters and 250 meters downdip. The veins are associated with the margin of a 67 million-year-old diorite intrusive and have a general north to northwest trend. The Main vein is a consistent and well-mineralized structure but is associated with significant gold bearing veins in the footwall

(hole TR07-20 with 0.6 meters grading 43.2 grams of gold per metric ton) and hanging wall (hole TR07-22 with 0.8 meters grading 14.5 grams of gold per metric ton). Significant 2007 drilling results included 1.16 meters grading 12.22 grams of gold per metric ton in hole TR07-21, 0.49 meters grading 61.07 grams of gold per metric ton in hole TR07-22, 1.71 meters grading 20.72 grams of gold per metric ton in hole TR07-26, 2.48 meters grading 28.14 grams of gold per metric ton in hole TR07-27 and 2.16 meters grading 16.74 grams of gold per metric ton in hole TR07-28. An initial resource estimate is planned for this winter.

Gold Crest Mines announced additional drilling results from its Kisaralik Lake project in southwestern Alaska. Drill holes K07-04, K07-05 and K07-06 cut thick intervals of highly silicified, sulfide-impregnated intrusive breccia containing coarse, angular to rounded fragments of intrusive and sedimentary rock. The best intercept was 145 feet grading 1.307 grams of gold per metric ton. Gold grades in the drill core correlate with silica alteration, arsenopyrite content and bleaching of the rock matrix and fragments. Based on mapping and drilling to date, the altered and mineralized breccia body (defined by values > 0.1 grams of gold per metric ton) has a demonstrated strike length of at least 1,500 feet, an estimated true width of at least 275 feet and extends downdip at least 875 feet. Higher grade intervals (+2 grams of gold per metric ton) appear to correlate with late faults or intensely stockwork quartz veined zones within the breccia.

Eastern Interior

FREEGOLD VENTURES LTD. reported additional drilling results from 59 additional holes drilled in four separate fences at its Golden Summit project. Highlights from the Cleary Hill mine area include 9 feet averaging 25.31 grams of gold per metric ton in hole 521 and 6 feet averaging 12.86 grams of gold per metric ton in hole 541 while holes drilled in the nearby Tolovana mine prospect included 60 feet averaging 2.23 grams of gold per metric ton in hole 556 and 78 feet averaging 1.03 grams of gold per metric ton in hole 557. The company also reported that bulk sampling is in progress over a 600 foot long area in Fence 1 at the Cleary Hill mine. Exposures in this bulk sample show multiple, narrow, high-grade veins containing visible gold within the 12 foot high sample pit face.

LINUX GOLD announced acquisition of a land position in the Ester Dome area of the Fairbanks District. The gold-silver mineralization at this prospect has a potential strike length of 6,500 feet, width of 100 feet and minimum depth of 100 feet. High grade gold and silver values were returned from a trenching program completed this year. The area has been re-sampled and results are pending.

Drilling is planned on the mineralized zone this year, to confirm gold and silver values on the property

In one of the oddest news releases of the month, **TECK COMINCO** said it will delay making a decision on whether to restructure its gold production until Pogo is operating at 100 percent capacity. Teck Cominco President Don Lindsey said, "When Pogo's at 100 percent, then we will consider changing the form of ownership, and we won't look at any opportunities until that time." As you might expect, the Tundra Telegraph is rife with speculation on what this really means. Stay tuned!

Freegold Ventures Ltd. also announced drilling results from its Rob gold project in the Goodpaster District. A total of 3,514 feet were drilled in the Grey Lead and O'Reely vein prospects. Although drilling within the O'Reely vein did not intersect the multi-ounce gold values sampled at surface, holes within the Grey Lead vein consistently intersected thick intervals of high-grade gold mineralization that exhibit geological and geochemical characteristics similar to those seen at the nearby Pogo gold mine. Hole 6 intersected a 16.5 foot interval averaging 6.7 grams of gold per metric ton including a 2.5 foot section grading 23.1 grams of gold per metric ton. Holes 13 and 14 intersected 13.5 feet averaging 20.1 grams of gold per metric ton and 13 feet averaging 29.0 grams of gold per metric ton, respectively. Hole 17 intersected 6.5 feet averaging 23.2 grams of gold per metric ton. Gold mineralization at Grey Lead is associated with high bismuth and arsenic values. Additional drilling is planned for 2008.

RUBICON MINERALS announced results from its New Horizon project in the Goodpaster District. The program included 1,105 meters of drilling in four holes on its Maple Leaf prospect and 1,750 meters in seven holes on claims under option from Rimfire Minerals Corporation. In the Maple Leaf area, a drilled section beneath high grade grab samples found on surface intersected weakly anomalous (up to 0.25 grams of gold per metric ton over 0.8 meters) but did not intersect vein style mineralization similar to that observed on the surface. On the Cal-Surf prospect optioned from Rimfire, a previously reported intercept of 2.24 grams of gold per metric ton over 2.5 meters was followed up with three additional drill holes. One of these intersected a 40-foot section of quartz-arsenopyrite mineralization which was anomalous in gold (maximum 70 parts per billion gold over 1.2 meters). Additional work is planned for 2008.

International Tower Hill Mines announced more drilling results from its Livengood gold project. Significant drilling results include 58 meters grading 1.19 grams of gold per metric ton in hole MK07-20 and 16 meters grading 1.08 grams of gold per metric ton in hole MK07-21. In addition to intersecting the

see **FREEMAN** page 23



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continued from page 22

FREEMAN

expected lower plate gold mineralization, the latest round of drilling also intersected a new zone of gold mineralization in the overlying upper plate rocks which returned a 6.3 meter interval grading 2.43 grams of gold per metric ton. Initial resource estimates for the project will be calculated this winter and a 50,000 meter resource definition and expansion drilling program is being planned for 2008.

Alaska Range

MAX RESOURCE CORP. announced additional drilling results from its Gold Hill molybdenum project in the Valdez Creek District. Hole DH07-1 returned 965 feet grading 0.048 percent molybdenum disulfide starting at surface, hole DH07-2 returned 1,000 feet grading 0.030 percent molybdenum disulfide starting at surface and hole DH07-3 returned 1,000 feet grading 0.058 percent molybdenum disulfide starting at surface. Assay results from two additional holes are pending.

Northern Alaska

ANDOVER VENTURES INC. announced additional drilling results from its Sun massive sulfide project on the Ambler Mining District. Nineteen of the twenty holes encountered mineralized zones ranging from 1.20 to 24.0 meters thick. The thirty total horizons encountered averaged over 6 meters in thickness of massive and semi-massive sulfide mineralization. Highlights include Sun 07-10 with an upper 10.94 meter intercept of 2.34 percent copper, 0.77 percent lead, 5.98 percent zinc, 68.1 grams of silver per metric ton and 0.266 grams of gold per metric ton and a lower 5.08 meter intercept of 4.34 percent copper, 0.58 percent lead, 2.76 percent zinc, 99.1 grams of silver per metric ton and 0.199 grams of gold per metric ton and hole Sun 07-09 which returned 5.10 meters grading 8.61 percent copper, 0.68 percent lead, 3.85 percent zinc, 206.9 grams of silver per metric ton and 0.929 grams of gold per metric ton. The 2007 drill program tested approximately 1,400 meters along strike including a 300 meter extension of the main Sun deposit to the north towards the Picnic Creek prospect area.

SILVERADO GOLD MINES reported production of 3,726.80 ounces of placer gold from its Nolan Creek mine in the Brooks Range. This production is approximately four times the amount recovered in 2006. Total gold sales included 2,811 ounces of nugget gold while the fine gold concentrates also contained 65.10 ounces of silver.

Southeast Alaska

CONSTANTINE METALS RESOURCES announced initial drilling results at its Palmer massive sulfide project near Haines. Hole CMR07-07 intersected 45.90 feet of 3.79 percent copper, 7.24 percent zinc, 0.37 grams of gold per metric ton and 47 grams of silver per metric ton. The intersection can be divided into an upper zinc zone, 14.30 feet grading 13.60 percent zinc, 0.65 percent copper, 0.15 grams of gold per metric ton and 18 grams of silver per metric ton; and a contiguous underlying copper zone which returned 31.60 feet grading 5.22 percent copper, 4.36 percent zinc, 0.47 grams of gold per metric ton and 60 grams of silver per metric ton. The intersection is on the Glacier Creek prospect and is located in

the footwall to the RW Zone at base of the RW rhyolite. Additional 2007 drilling results are pending.

FULL METAL MINERALS reported drilling results at its Mt. Andrew copper-iron project near Ketchikan. A 13-hole, 1,491-meter drilling program tested multiple copper-iron targets on the property by stepping-out from historic workings and from high-grade mineralization encountered during the 2006 drilling program. Multiple zones of high-grade copper hosted within massive magnetite were encountered and include hole KMA07-06 which intersected 22 meters averaging 1.24 percent copper and 30.3 percent iron, hole KMA07-07 which intersected 57 meters averaging 0.48 percent copper and 35.7 percent iron and hole KMA07-11 which intersected 14 meters averaging 1.46 percent copper and 32.8 percent iron. Mineralization at Mount Andrew occurs within a 14 kilometer long trend of historic copper mines, located adjacent to tidewater on the Kasaan Peninsula. Historic production from Mount Andrew and adjacent operations totaled 5,729 metric tons of copper, 1.74 metric tons of silver and 216 kilograms of gold. Drilling completed to date has outlined a minimum area of mineralization measuring 350 meters (north-south) by 300 meters (east-west) with a copper-dominant northern zone and an iron-dominant southern zone. Additional drilling is planned for 2008.

Full Metal Minerals and joint venture partner Altair Ventures reported drilling results at its CJ gold project near Ketchikan. Eight core holes totaling 1,015 meters were completed in 2007, testing three areas along the 3,200 meter mineralized corridor. Three holes were completed at the lower Crackerjack mine area, two at the Hollis prospect area, and three at the Dawson mine area. Assays are currently pending. In addition to drilling, the company conducted geological mapping and sampling of the mineralized corridor which is typified by silicified argillite that commonly hosts sheeted quartz-carbonate veining. A total of 15 channel samples were collected from quartz vein and mafic dike material from underground at the Hollis prospect. These samples averaged 30.9 grams of gold per metric ton and 46.4 grams of silver per metric ton. ●

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BRITISH COLUMBIA

Redfern clears more regulatory hurdles, plans to reopen Tulsequah Chief in '08

Redcorp Ventures Ltd. and subsidiary Redfern Resources Ltd., said they received approval from the British Columbia Environmental Assessment Office for proposed design and infrastructure changes to the original mine plan of Tulsequah Chief Mine Development Project.

The Vancouver-based junior is working to reopen Tulsequah Chief, an underground zinc-copper-lead-gold-silver mine near the B.C.-Alaska border that closed in 1957. Redfern is developing a project with 5.4 million metric tons in probable reserves to be produced in 8 years, and potential for more output.

Redfern is hoping to get Tulsequah Chief back into production by the end of 2008, Redcorp President and CEO Terry Chandler told reporters recently.

"The acceptance of the proposed changes to the site plan allow for a smaller environmental footprint for the mine, while increasing operational efficiency and ultimately profitability," Chandler said.

Redfern also won a 5-year extension of its original project approval certificate to December 2012. The certificate allows for the design, construction, operation and ultimate dismantlement of the mine.

One final hurdle

Redfern has one final environmental assessment amendment application in progress, to approve the use of air cushion barges on the Taku River to transport ore concentrates to Juneau. The plan would give the mine year-round access without building a 100.5-mile access road. Redfern expects the amendment, currently out for public comment, to be completed by year's end.

Site work, meanwhile, is ongoing with the recent arrival by barge of supplies for bridges and a water treatment plant as well as more heavy equipment. Redfern also agreed to purchase eight 1.6-megawatt generator sets for an undisclosed sum from Carmacks Commercial Corp. of Moses Lake, Wash. to supply power to the project. The equipment was part of a little-used, standby power-generating installation.

Redfern said it is also awaiting issuance of a mineral exploration code permit, which will allow for construction of an airstrip and more work on a short road from the barge site to the mine.

—ROSE RAGSDALE

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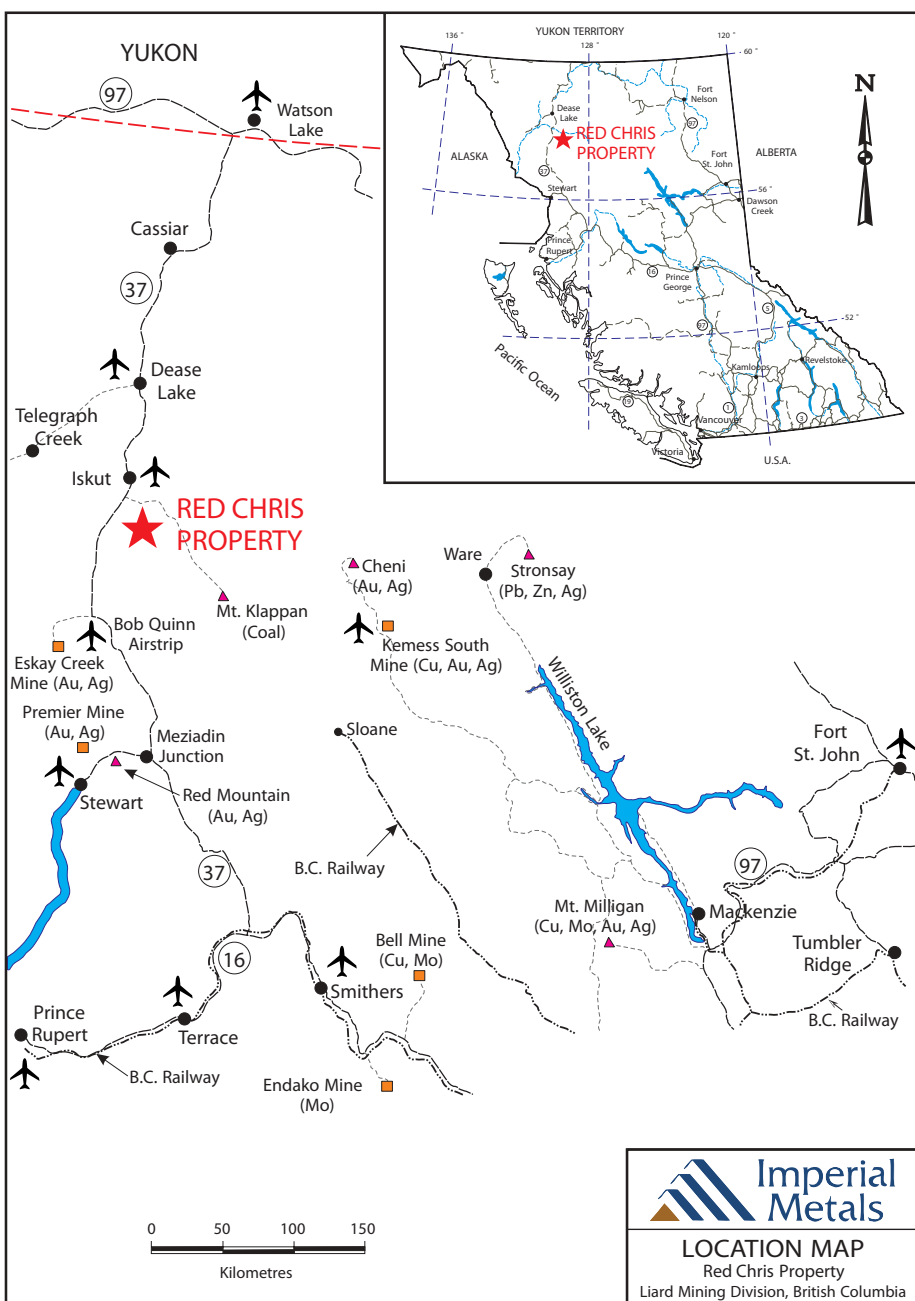
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Located 280 miles north of Smithers, B.C., and 11 miles southeast of the village of Iskut, the Red Chris porphyry copper-gold deposit is considered one of the most production-ready properties in the province.

BRITISH COLUMBIA

Reg setback slaps Imperial at Red Chris

Federal court ruling fails to dim luster of copper-rich deposit as developer uncovers more extensive mineralization at depth

By ROSE RAGSDALE

For Mining News

A Canadian federal court slapped Imperial Metals Corp. in September with a significant regulatory setback in its bid to develop the copper-and gold-rich Red Chris project in northwest British Columbia.

But the results of its 2007 drilling program and some progress toward bringing power to the property gave the mid-tier mining company some good news.

Located 280 miles north of Smithers, B.C., and 11 miles southeast of the village of Iskut, the Red Chris porphyry copper-gold deposit is considered one of the most production-ready properties in the province.

Imperial is pursuing startup in 2008 of a C\$228-million open-pit development expected to produce 110 million pounds of copper and 75,000 ounces of gold in concentrates during its first five years in operation. It would employ about 250 people with annual spending of about C\$70 million.

The Federal Court of Canada ruled Sept. 26 that the federal environmental assessment of the Red Chris project was procedurally incorrect and should have been carried out by way of a comprehensive study review and not as a screening level review.

Court says regulators overstepped authority

The court found that Canada's Department of Fisheries and Oceans and Natural Resources Canada did not have the authority under Canadian law to re-scope the project to a screening level review after they had determined a comprehensive study review was needed.

The judgment set aside a federal environmental assessment completed in May 2006, which determined that the Red Chris project wasn't likely to cause significant adverse environmental effects. As a result, the Department of Fisheries and Oceans and Natural Resources Canada will be required to revisit the environmental assessment of the project under the Canadian Environmental Assessment Act.

The federal court ruling does not affect an environmental assessment certificate

issued by the B.C. government in August 2005. Provincial regulators also had concluded the project was unlikely to cause significant adverse environmental impacts, according to Imperial.

Still, the federal decision is a setback for environmental review of projects in Canada because it significantly limits the ability of federal and provincial authorities to harmonize their respective review processes and avoid costly duplication and uncertainty, the company said.

Vancouver, B.C.-based Imperial said it would confer with Fisheries and Oceans and Natural Resources to determine how the agencies would proceed.

Red Chris cores encouraging

Meanwhile, Imperial reported very encouraging assay results from tests of samples taken during drilling of six holes on the Red Chris this summer. Samples taken from Hole RC07-335, drilled vertically in the East Zone, yielded the longest mineralized intersection in the company's history, and graded 1.01 percent copper, 1.26 grams per metric ton gold and 3.92 g/t silver over 1024.1 meters. A vertical hole, RC07-336, drilled in the core of the Main Zone intersecting 996.4 meters graded 0.4 percent copper, 0.38 g/t gold and 1.29 g/t silver.

Imperial said both holes bottomed in strong mineralization and demonstrate that the Red Chris mineral system is much more extensive at depth than previously outlined.

Imperial drilled four other holes, three in the Main Zone and one in the East Zone. Test results from these penetrations are pending.

Further work will be required to define the Red Chris system dimensions at depth, the company added.

Green light given for new power line

The company also said it welcomed the B.C. government's recent announcement that it will proceed with the construction of the Northwest Transmission Line, a new 287 kilovolt line that will extend about 208 miles from Terrace, north to Bob Quinn Lake. The new power line will bring a 287 kV power supply to within 75 miles of the Red Chris project. ●

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ALASKA

EPA withdraws Red Dog wastewater permit

Regulators prepare new permit, but mine operator Teck Cominco fears uncertainty could hamper future expansion to adjacent ore body

MINING NEWS

Federal regulators withdrew approval in late September for a permit that would allow the release of treated wastewater from Alaska's largest mine into waterways near the village of Kivalina, a Northwest Alaska village located 66 miles downstream from the mine.

The Environmental Protection Agency says the five-year wastewater discharge permit it issued in March was partly flawed because it used old data on water use and dust emissions at the Red Dog zinc-lead mine in northwest Alaska.

An EPA internal review board in Washington, D.C. also dismissed an appeal of the permit by some Kivalina residents Oct. 10 because the agency is drafting a new discharge permit for the mine.

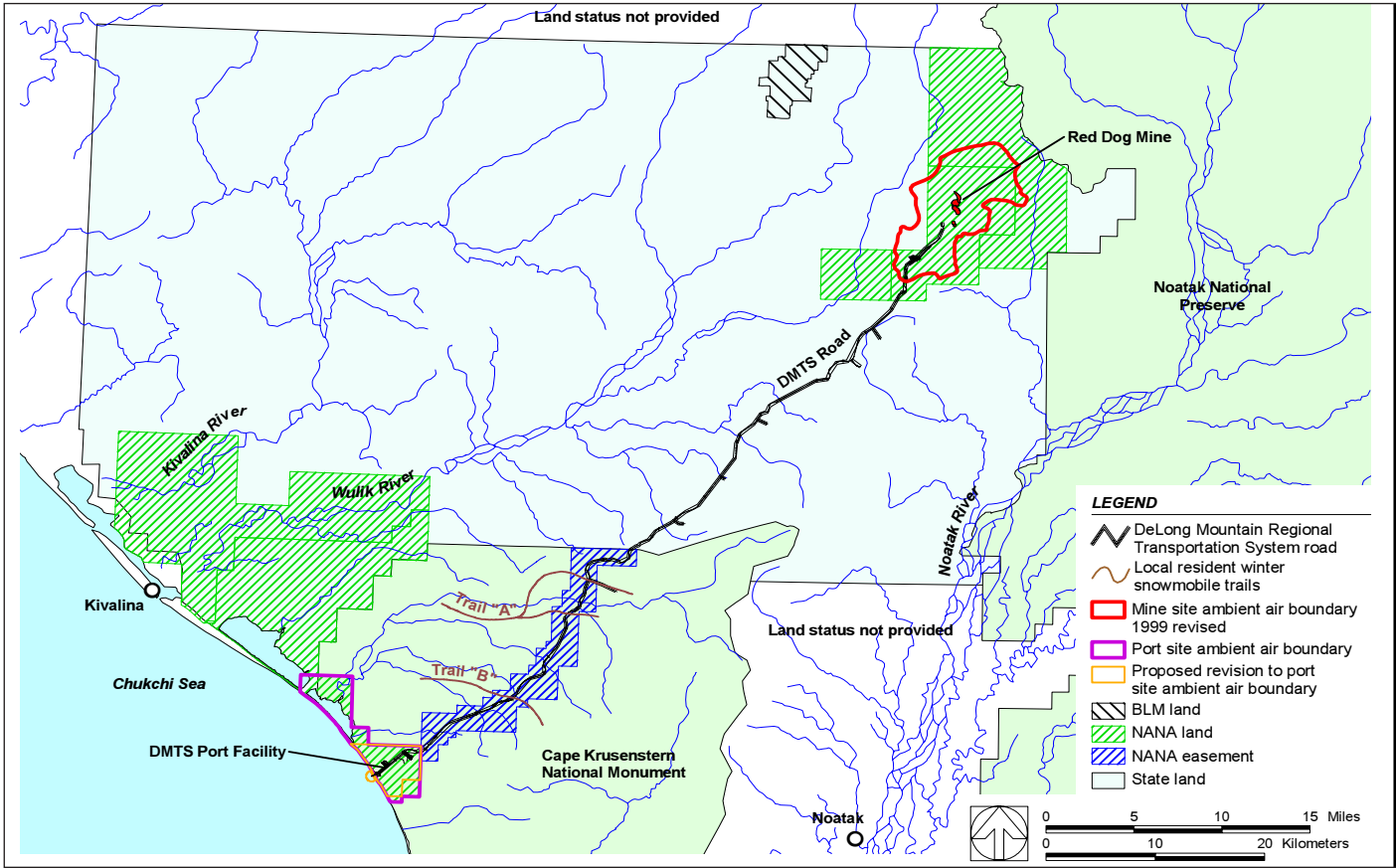
Red Dog officials said EPA's decision to revoke the permit is a blow to the mine's expansion plans and adds uncertainty to the operation's future.

Teck Cominco, the mine's operator, says the main ore body at the 17-year-old mine will be tapped out by 2012, and the permit is needed in order to expand to an adjacent ore body that could extend operations until 2030.

Some Kivalina residents have been fighting the mine for years over water safety issues and said they were pleased with the decision.

Treated water from the mine is released into tributaries of the Wulik River, which provides drinking water for Kivalina.

As long as the mine discharges its treat-



ed waste into the village drinking water supply, Kivalina residents will fear for their health, said deputy mayor Enoch Adams.

"It's a huge sticking point in a lot of people's minds," he said.

Wulik River cleaner than ever

Teck Cominco has repeatedly assured Kivalina residents that continuous monitoring of the village's drinking water, conduct-

ed by federal and state agencies including the Alaska Division of Public Health, since 2002 has found no unacceptable results.

Ironically, the water downstream from Red Dog is actually cleaner today than it was before the mine started production 17 years ago, according to the Division of Mining, Land & Water in the Alaska Department of Natural Resources.

The natural runoff from the undeveloped


Red Dog zinc and lead deposit put more pollution into the water before than the wastewater treatment process does now, state officials say. However, the mine uses chemicals such as calcium and magnesium in the treatment process, and they result in a higher amount of total dissolved solids, or "TDS," in the water, they add. ●

The Associated Press contributed to this report.

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