Petroleum news

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This week's Mining News

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page 8 Rockhaven finds more high-grade gold, silver at Klaza project, Yukon

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NEWS NUGGETS

Compiled by Shane Lasley

A remotely operated semi-autonomous long-haul dump loader operating during shift changes is helping to boost production at Hecla's Greens Creek Mine in Southeast Alaska

Greens Creek mill operates at record pace in third quarter

Hecla Mining Company Oct. 12 reported that its Greens Creek Mine produced 2.3 million ounces of silver and 12,563 oz of gold during the third quarter of this year. This Southeast Alaska operation produced 6.2 million oz of silver through the first nine months of 2017, putting it on pace to produce around 8.5 oz for the year. Mill throughput at Greens Creek averaged 2,391 tons per day during the third quarter, the highest since the mine went into operation in 1989. Overall, Hecla's four mines – Greens Creek, San Sebastian (Mexico), Casa Berardi (Quebec) and Lucky Friday (Idaho) – produced 3.3 million oz silver and 63,046 oz gold, along with 14,498 tons of zinc and 5,638 tons of lead, in the third quarter. "Operational performance was exceptional in the third quarter with record throughputs at Greens Creek and in September at Casa Berardi. San Sebastian continues to operate at the upper end of our expectations with the highest quarterly silver production of the year so far. The mines' performance has led to substantial increases in production of all four metals over the second quarter and puts us well on our way to achieving their production guidance and improving per-ounce cost performance," said Hecla President and CEO Phillips Baker, Jr. "With operating performance and substantially higher zinc and lead prices, our cash position is $7 million greater than at the end of the year."

Pebble adds Hodgson, Fueg to team ahead of permitting

The Pebble Partnership Oct. 13 announced the appointments of Stephen Hodgson and James Fueg to its technical team. Serving as senior vice president of engineering and project director, Hodgson will be responsible for all aspects of project design, engineering and financial studies, and regulatory compliance. He will be supported by Fueg, who has been appointed as vice president of permitting. In this role, Fueg will be responsible management of environmental and socioeconomic studies, liaison with federal and state agencies and active management of Pebble's forthcoming environmental impact statement process under the National Environmental Policy Act. "I could not be more pleased with the technical leadership we have assembled to finalize our permit applications and lead Pebble into and through the NEPA and EIS permitting process beginning later this year," said Pebble Partnership CEO Tom Collier. Hodgson is a professional engineer with more than 40 years of experience in consulting, project management, feasibility-level design and implementation, and mine operations at some of the most significant mineral development projects in the world – including the Pine Point zinc mine in northern Canada, the Red Dog zinc mine in Alaska, Antamina in Peru, and the

see **NEWS NUGGETS** *page 10*

Coeur plans to invest around US$30 million on preparing its newly acquired Silvertip Mine for operations early in 2018.

ACQUISITIONS

Coeur moves into BC

Closes acquisition of high-grade Silvertip; company's first Canadian mine

By SHANE LASLEY
Mining News

Coeur Mining Inc. is now officially the owner of Silvertip, a high-grade silver mine about 10 miles south of the Yukon border in northern British Columbia.

In a deal that closed on Oct. 17, the Chicago-based miner paid US$200 million to acquire Silvertip and has agreed to pay up to another US$50 million more if certain permitting and resource expansion milestones are met.

For this investment, Coeur owns a newly built mine with 2.35 million metric tons of indicated resource averaging 352 g/t silver, 9.4 percent zinc and 6.7 percent lead; plus 460,000 metric tons of inferred resource averaging 343 g/t silver, 9.8 percent zinc and 6.2 percent lead.

This is Coeur's first mine in Canada and is expected to become an important asset for the precious metals miner.

"Over the coming weeks and months, we plan to make meaningful investments at Silvertip to position it as a significant and sustainable cornerstone asset within our portfolio of operating mines," said Coeur President and CEO Mitchell Krebs.

$250 million deal

JDS Silver Inc., a company formed by JDS Energy & Mining Inc. in 2012, leveraged its engineering and permitting capacity to develop a mine at Silvertip.

Late in 2016, JDS achieved this goal by establishing a seasonal operation at the high-grade silver project.

Now, Coeur will apply its underground mining expertise to advancing Silvertip to a year-round commercial operation.

To gain full ownership of Silvertip, Coeur paid US$147.5 million in cash and issued US$37.5 million of Coeur common stock to acquire all issued and outstanding common shares of JDS Silver Holdings Ltd.

Coeur also assumed roughly US$15 million of JDS Silver debt and has agreed to pay the former owners of JDS Silver up to US$50 million when two milestones are met.

The first such payment would be paid when Coeur receives a permit amendment that allows for year-round operations at Silvertip's full 1,000 metric ton per day capacity.

The second milestone payment is contingent upon the size of the Silvertip minerals resource by the end of 2019. JDS Silver will receive US$5 million for a total resource of at least 2.5 million metric tons and US$5 million for every 300,000 metric tons over that. The maximum payment of US$25 million would be paid if the total resource is at least 3.7 million metric tons.

As part of its deal with JDS Silver, Coeur agreed to invest at least US$15 million on exploration by the end of 2019.

Preparing for 2018 start

With the Silvertip acquisition complete, Coeur is getting the high-grade silver mine ready for operations early in 2018.

In September, the company said it plans to spend around US$30 million on mill optimization, underground development and exploration at its new mine over the next six months.

Once the mill is running at full capacity, Coeur anticipates Silvertip to produce roughly 3 million oz silver, 45-50 million lb zinc, and 40-45 million lb lead annually over an initial 7.5-year initial mine life.

"Once in full production, we expect Silvertip to produce about 10 million silver-equivalent-ounces annually," Krebs said.

The all-in costs to produce an ounce of silver at

see **SILVERTIP** *page 10*

Coeur Mining Inc. closes acquisition of high-grade Silvertip; company's first Canadian mine. Read more in Mining News, page 7.

Exxon disputes Pt Thomson denial

ExxonMobil Production Co. has responded to the rejection of portions of its Point Thomson plan of development by the Alaska Division of Oil and Gas.

In an Aug. 29 decision, division Director Chantal Walsh said the division was approving the initial production system plan of development which ExxonMobil submitted as Point Thomson unit operator, but denying the expansion project planning POD as "inconsistent with the Settlement Agreement" of 2012 between

see **EXXON RESPONDS** *page 11*

BRPC re-enters N Tarn No. 1A

Brooks Range Petroleum Corp. has re-entered an existing well at the Mustang field.

The local operating arm of a multiparty joint venture is currently re-entering the North Tarn No. 1A sidetrack — drilled in early 2012 — for fracture stimulation and testing.

The project comes as the company is looking for ways to address a year-end deadline for bringing the long-delayed and still unfinished North Slope oil field into production.

see **MUSTANG WELL** *page 15*

Armstrong plans 2-well program

Armstrong Energy LLC plans to drill two wells at the Pikka unit this coming winter and the results could prompt revisions to preliminary engineering work already underway.

A local subsidiary of the Denver-based independent plans to drill the Pikka No. 2 well and Pikka No. 2A sidetrack in the southern portion of the North Slope unit early next year, according to a plan of exploration filed with state officials in late September.

The company expects the delineation program to provide considerable subsurface information about the southern half of the

see **ARMSTRONG PLANS** *page 15*

EXPLORATION & PRODUCTION

Furie speaks out

Company blames tax credits for halting Kitchen Lights drilling program

By ERIC LIDJI
For Petroleum News

Furie Operating Alaska LLC is blaming its lack of development drilling at the Kitchen Lights unit this past summer on state fiscal policy — particularly oil and gas tax credits.

In a plan of development submitted to state officials in early October, the local independent wrote that "the lack of any meaningful appropriation to the oil and gas tax credit fund for the purchase of Alaska oil and gas production tax credit certificates" prevented the company from drilling development or exploration wells at the unit.

The Randolph Yost jack-up drilling rig was fully staffed for drilling operations at Kitchen Lights as early as April 2017, according to Furie. But the company delayed the purchase of certain long-lead items, pending the results of ongoing state budget talks this summer.

The ultimate state decision to again underfund

The Kitchen Lights unit is currently producing from two wells: the initial KLU No. 3 discovery well drilled in late 2015 and the KLU No. A-2A well drilled in 2016.

see **FURIE SPEAKS OUT** *page 11*

EXPLORATION & PRODUCTION

Five wells confirmed

Marushack says ConocoPhillips North Slope exploration drilling fully funded

By ALAN BAILEY
Petroleum News

JOE MARUSHACK

ConocoPhillips' planned North Slope exploration drilling program for the coming winter is fully funded and will involve the use of three rigs to drill five wells, ConocoPhillips Alaska President Joe Marushack told the Alaska Support Industry Alliance on Oct. 12. However, conducting the drilling will require the completion of the necessary permitting. And one of the planned wells, the Putu well close to the village of Nuiqsut, will also need an agreement with the village, Marushack said during a speech to the Alliance's annual meeting in Anchorage.

This will be the biggest exploration drilling program that ConocoPhillips has conducted on the North Slope since 2002, Marushack said.

Three of the wells, designed to further assess Willow, a major oil discovery in the northeastern part of the National Petroleum Reserve-Alaska, will require the use of one of the rigs. Information from these wells will help ConocoPhillips decide whether Willow would be a standalone development, or whether it should be tied back to the existing CD-5 production pad, Marushack said. Willow is an oil discovery involving the Nanushuk formation, a rock formation that in recent years has become the

see **DRILLING PROGRAM** *page 14*

NATURAL GAS

AGDC aims at year end

Won't have binding agreement, looking instead for solid LIO with LNG buyer

By KRISTEN NELSON
Petroleum News

Legislators got an overview of progress the Alaska Gasline Development Corp. has made on the Alaska LNG project when they got a statutorily required update Oct. 16. The hearing was held jointly by the House and Senate Resources committees; also in attendance were members of the House and Senate Finance committees.

AGDC took over the Alaska LNG project in January after the North Slope producers decided to hold off on further work after the pre-FEED, front-end engineering and design, phase was completed.

Alaska Gov. Bill Walker wanted to continue moving the project forward and the state took over.

AGDC was represented by Dave Cruz, chairman of the corporation's board, Frank Richards, senior vice president program management, and Lieza Wilcox, vice president commercial and economics.

In introductory remarks, Cruz said that when AGDC took over leadership of the Alaska LNG project in January it rapidly began marketing Alaska's project to Asian markets — in fact, he said, AGDC President Keith Meyer was currently in Asia marketing the project.

Cruz said the project will succeed or fail on its

Cruz said that for the utilities AGDC is dealing with, they are very serious when they issue letters of intent.

see **AGDC PROGRESS** *page 16*

● EXPLORATION & PRODUCTION

Conoco applies to expand Colville CD-2 pad

Corps says work would support Fiord West development, with as many as 32 new wells, some 20,000 bpd depending on timing, targets

By KRISTEN NELSON
Petroleum News

ConocoPhillips Alaska has applied to the U.S. Army Corps of Engineers for gravel placement to expand the existing CD-2 pad in the Colville River unit for development of oil from Fiord West.

The application is for placement of 73,000 cubic yards of gravel fill into 5.8 acres of wetlands to expand the CD-2 pad to the west, an area which would be called CD-2X.

The corps said the addition would allow for as many as 32 additional wells, vertical support members, 60-foot pipe racks, 20-foot transitional pipe rack, 100-foot high mast light, insulated conductors and thermosyphons.

Production from the original CD-1 and CD-2 pads at Alpine began in 2000 (CD-1) and 2001 (CD-2).

The corps said the original design for the CD-2 pad was based on Alpine seismic data available at that time and since then additional targets have been identified in the CD-2 area and technology has improved, resulting in more economically feasible targets.

CD-2 was expanded in 2006 to accommodate 18 new wells and associated infrastructure for Qannik development.

The corps said production rates from CD-2 could potentially increase by some 20,000 barrels per day as a result of the CD-2X expansion, with production increases dependent on project timing and selected reservoir targets.

New rig ordered

ConocoPhillips commissioned a new extended reach drilling rig from Doyon Drilling last year and the company said at that time that the rig would originally target Fiord West at the extreme northwest of the Colville River unit.

The corps said the seasonal Alpine resupply ice road would be used to transport travel from Mine Site C or the ASRC Mine Site with all CD-2 pad expansion construction to be during the winter when soils are frozen.

The company said the rig would increase the surface area that could be accessed from a single drill site from 55 square miles to 125 square miles, with the new rig able to drill distances of more than 33,000 feet, compared with the 22,000-foot reach of current rigs.

The company said when the rig was announced that it would allow development of Fiord West from an existing pad, either CD-2 or CD-5, avoiding the need to build and access a new drilling pad.

The new rig will feature a powerful top drive, capable of delivering the necessary torque to the long subsurface drill pipe, and will include high capacity pumps to push the drilling mud at relatively high pressure. The rig will handle casing longer and heavier than normal, with a surface casing diameter of 16 inches rather than the traditional 12.5 inches, requiring the rig derrick to have the capacity to handle more steel than in a traditional rig.

West Fiord leases

West Fiord is being developed based on an agreement with the state allowing ConocoPhillips to continue to hold the leases in that area if the first well is spud at Fiord West by June 30, 2021, and first oil production by Nov. 30, 2022.

Existing Alpine infrastructure will be used for power generation, gas and water treatment and production processing, and personnel will be housed in existing camps and/or hotels during construction and operation, eliminating the need to design a larger CD-2 pad to accommodate permanent housing.

The corps said the seasonal Alpine resupply ice road would be used to transport travel from Mine Site C or the ASRC Mine Site with all CD-2 pad expansion construction to be during the winter when soils are frozen. Access to the area for construction will be via the existing gravel pad and gravel harvest and construction will take place over a single winter season to avoid the need for construction of a gravel stockpile pad.

Construction dates were not given in the corps notice.

ConocoPhillips spokeswoman Natalie Lowman told Petroleum News in an Oct. 18 email that extension pad construction depended on the timing of permitting. She also said Fiord West development has not yet been sanctioned for funding.

The corps notice was published Oct. 17; the corps is taking comments through Nov. 16. ●

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● GOVERNMENT

Hladick named Region 10 EPA administrator

Delegation applauds selection; Walker will replace him at DCCED with former legislator, outgoing Kenai Borough Mayor Mike Navarre

By KRISTEN NELSON

Petroleum News

CHRIS HLADICK

MIKE NAVARRE

Chris Hladick has been named by U.S. Environmental Protection Agency Administrator Scott Pruitt to serve as EPA Region 10 administrator.

Hladick is currently commissioner of the Alaska Department of Commerce, Community and Economic Development and Gov. Bill Walker said Hladick will step down effective Nov. 1. The governor said Oct. 17 that he has appointed outgoing Kenai Peninsula Borough Mayor Mike Navarre as the department's new commissioner.

Hladick, who has been DCCED commissioner since 2015, came to that role from Unalaska, where he served as city manager for more than a decade. Prior to that he was city manager in Dillingham and city manager and public works director in Galena.

In his new role, Hladick will oversee EPA administration in Alaska and the Pacific Northwest.

Alaska's congressional delegation praised Hladick's appointment.

"Chris is exactly what Alaska needs, an experienced administrator that will implement the law instead of furthering agendas," Sen. Lisa Murkowski said in a statement. She cited his experience as commissioner at DCCED and as a city administrator in rural Alaska.

"He knows the issues our communities face when dealing with the EPA, from fishermen struggling with over burdensome regulations to the need to ensure that Alaskans can reasonably comply with the agency's environmental rules. His knowledge will be an asset as he works to create collaborative relationships between the Region X office and Alaska."

Sen. Dan Sullivan said the state's congressional delegation "has been relentlessly pushing to have an Alaskan" named as Region 10 administrator. "I'm pleased that EPA Administrator Scott Pruitt worked closely with our offices to find a well-qualified candidate for this position."

Sullivan cited Hladick's "long history of working for Alaska. He understands how state and federal agencies intersect, and will be able to navigate the EPA's rules and regulations in order to serve Alaska and other Region 10 states."

"Chris Hladick knows first-hand the overbearing nature of the previous administration's EPA; helping lead a challenge against them while service as city manager of Unalaska," said Congressman Don Young. "Having lived in and managed river and coastal communities across rural Alaska for many years, Chris understands the many challenges our residents face when dealing with government agencies, particularly the EPA," he said.

Navarre named commissioner

In naming Navarre as the new DCCED commissioner, Walker said Navarre's "thorough understanding of Alaska's economy, the challenges we face, and the bright opportunities in our future will be of great benefit to our team and the state as we continue to push towards solving our fiscal crisis, and building a Stronger Alaska."

Navarre is concluding his second consecutive term as mayor of the Kenai Peninsula Borough, his third term overall. He has twice been president of the Alaska Conference of Mayors.

Navarre served in the Alaska House of Representatives for six terms, 1985-1996, and held multiple leadership positions including majority leader and chair of the Finance and Rules committees.

Navarre has more than 30 years of business experience in restaurant and retail operations throughout Alaska.

He holds a bachelor's degree in government and a minor in economics from Eastern Washington University. ●

Contact Kristen Nelson at knelson@petroleumnews.com

EXPLORATION & PRODUCTION

US drilling rig count declines by 8 to 928

The number of rigs drilling for oil and natural gas in the U.S. declined by eight the week ending Oct. 13 to 928.

That's up from the 539 rigs that were active a year ago.

Houston oilfield services company Baker Hughes said 743 rigs were targeting oil (down five from the previous week) and 185 targeting natural gas (down two).

Among major oil- and gas-producing states, Alaska, Kansas, North Dakota and Pennsylvania each gained one rig.

Texas lost four rigs, Oklahoma declined by three, California lost two and Louisiana and West Virginia each declined by one.

Arkansas, Colorado, New Mexico, Ohio, Utah and Wyoming were unchanged.

The U.S. rig count peaked at 4,530 in 1981. It bottomed out in May of 2016 at 404.

—ASSOCIATED PRESS

ENVIRONMENT & SAFETY

Oil spills into Gulf after pipe bursts

The U.S. Coast Guard is responding to an oil spill off the coast of Louisiana.

The Bureau of Safety and Environmental Enforcement said in a news release Oct. 13 that oil spewed out of an underwater fractured pipe in the Gulf of Mexico about 40 miles southeast of Venice, Louisiana.

The offshore oil and gas operator, LLOG Exploration Offshore, says between 7,950 and 9,350 barrels of oil were released before the spill was halted. There were no reports of injuries.

The Coast Guard said it was flying over the area Oct. 14 and has spotted three sheens. Officials say any surface oil that appears would likely move southwest and not affect the shoreline.

The Deepwater Horizon spill leaked more than 3 million barrels into the Gulf in 2010.

—ASSOCIATED PRESS

● PIPELINES & DOWNSTREAM

Judge allows Dakota Access to keep running

By BLAKE NICHOLSON
Associated Press

A federal judge ruled Oct. 11 that the Dakota Access oil pipeline can continue operating while a study is completed to assess its environmental impact on an American Indian tribe.

U.S. District Judge James Boasberg's decision will come as a blow to the Standing Rock Sioux, who have argued that an oil spill from the pipeline under Lake Oahe — from which the tribe draws its water — could have a detrimental effect on the tribal community.

"Today's decision is a disappointing continuation of a historic pattern: Other people get all the profits, and the tribes get all the risk and harm," said Jan Hasselman, an Earthjustice attorney representing the tribe in an ongoing federal lawsuit through which Standing Rock and three other tribes still hope to shut down the pipeline.

Boasberg found that it is likely the Army Corps of Engineers will be able to justify previous decisions made while permitting the pipeline.

"The Corps must simply connect the dots," he said. "This, then, is not a case in which the agency must redo its analysis from the ground up."

Boasberg also acknowledged that shutting down the pipeline would disrupt the energy industry, but said it wasn't a major factor in his decision.

Operating since June

The $3.8 billion pipeline built by Texas-based Energy Transfer Partners has been operating since June 1, moving oil from North Dakota through South Dakota and Iowa to a distribution point in Illinois. From there it can be shipped to the Gulf Coast and potentially lucrative markets abroad. It has the capacity to move half of the oil produced daily in North Dakota, the nation's second-leading producer behind Texas.

Energy industry officials applauded Boasberg's ruling, with North Dakota Petroleum Council President Ron Ness calling the pipeline "a critical part of American energy infrastructure."

The Justice Department declined comment on behalf of the Corps.

Hasselman said Boasberg's ruling isn't appealable.

Trump pushed for completion

President Donald Trump had pushed for the pipeline's completion, and the Corps dropped a plan to conduct more environmental studies after he took office.

Boasberg ruled on June 14 that the Corps largely complied with environmental law, but he ordered the agency to reconsider certain areas of its analysis, and took arguments on whether to shut down the 1,200-mile pipeline while the work is done.

Boasberg in June said the Corps didn't adequately consider how an oil spill under the Lake Oahe reservoir on the Missouri River in the Dakotas might affect the Standing Rock Sioux. The tribe is among four that have challenged the pipeline in court over environmental fears that ETP says are unfounded.

The judge said the Corps also didn't adequately study how the pipeline might disproportionately affect the tribal community — a concept known as environmental justice. That aims to ensure development projects aren't built in areas where minority populations might not have the resources to defend their rights.

In its analysis of the Missouri River crossing, the Corps studied the mostly white demographics in a half-mile radius, which the agency maintains is standard. But if the agency had gone an additional 88 yards — about the length of a football field — the study would have included the Standing Rock Reservation.

Water intake moved

Boasberg in his ruling Oct. 11 said that issue was "a closer call" than the others, but that it still did not justify shutting down the pipeline. He noted that the tribe's water intake has been moved about 50 miles downstream since pipeline construction began, and said an alternative river crossing near Bismarck that had been studied and rejected would pass much closer to a drinking water intake that serve tens of thousands more people.

"Risks presented to this tenfold increase in population must, of course, be considered," the judge said.

Corps attorneys said the agency expects to be able by next spring to substantiate its earlier determination that the pipeline poses no significant environmental threats. ETP maintained that a shutdown would cost it $90 million monthly and significantly disrupt the broader energy industry as well as state and local tax revenue. The North Dakota Pipeline Authority said the week of Oct. 9 said that the Dakota Access pipeline boosted the state's tax revenues by about $19 million in its first three months of operation.

Tribal attorneys argued that ETP had overstated the potential effects of a shutdown, and Boasberg acknowledged "some cause for skepticism" regarding ETP's predictions. Tribal attorneys also said a shutdown would create incentive for the Corps to take the review seriously.

The tribes had proposed a fallback plan if Boasberg decided against a shutdown. It includes increased public reporting of pipeline issues such as repairs, and implementation of a spill response plan — including equipment staging — at Lake Oahe. Boasberg said he will hear arguments on the matter. He scheduled a status conference for Oct. 18. ●

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● PIPELINES & DOWNSTREAM

US regulators OK Appalachian pipelines

By SARAH RANKIN
Associated Press

A divided panel of federal regulators granted approvals Oct. 13 for the Atlantic Coast and Mountain Valley natural gas pipelines, major East Coast projects.

The Federal Energy Regulatory Commission's authorization had been widely expected by both supporters and opponents of the pipelines. The certificates granted by the commission came with dozens of conditions, and other necessary permits for both projects are still pending.

Both pipelines would start in West Virginia, carrying gas from the Appalachian basin to U.S. markets. Prominent business and political leaders in all three affected states back the projects, saying they will lower energy costs and boost economic development. But opponents, including environmental groups and landowners, say the projects will infringe on property rights, damage pristine areas and commit the region to fossil fuels for decades.

Both pipelines would start in West Virginia, carrying gas from the Appalachian basin to U.S. markets.

One commissioner dissented

One of the three commissioners, Cheryl LaFleur, dissented. She wrote that she couldn't conclude either project was in the public interest, a determination she said was heavily influenced by similarities in their routes, impact, and timing.

"Given the environmental impacts and possible superior alternatives, approving these two pipeline projects on this record is not a decision I can support," wrote LaFleur, an appointee of President Barack Obama.

The $3.5 billion, 303-mile Mountain Valley Pipeline would run south from northern West Virginia through the center of the state, cross into Virginia west of Roanoke and then cut southeast to a point north of Danville. EQT Midstream Partners will operate the pipeline and own a significant interest in the joint venture with other energy companies.

The 600-mile, approximately $5 billion Atlantic Coast Pipeline would start in north-central West Virginia, cross Virginia and bend through eastern North Carolina. Its lead developer is Dominion Energy, along with partners Duke Energy, Piedmont Natural Gas and Southern Company Gas.

Approvals allow eminent domain

The approvals mean the pipeline developers will have the authority to use eminent domain to acquire land if they can't reach an agreement with a landowner.

The pipeline developers and other supporters heralded FERC's decision.

Leslie Hartz, vice president of engineering and construction for Dominion, said in a statement that the company was pleased to receive approval for the "vitally important" project. The company will be reviewing the certificate and finalizing plans for complying with its conditions in the coming days, she said.

"The approval of this project will breathe new life into West Virginia's natural gas industry and help revitalize manufacturing and other new industries across Virginia and eastern North Carolina," Barry DuVal, president and CEO of the Virginia Chamber of Commerce, and Matt Yonka, president of the Virginia Building & Construction Trades Council, said in a joint statement on behalf of the Energy Sure coalition, which supports the Atlantic Coast Pipeline.

Opponents vow to fight

Opponents, meanwhile, responded to the news with vows to keep fighting the pipelines.

"We are living in a climate emergency. In just the past several weeks we've seen the tragic consequences of a warmer world, from devastating hurricanes to raging wildfires. Now is the time to move to renewable energy, not build new pipelines that would lock us into climate-warming infrastructure for generations to come," Anne Havemann, general counsel at the Chesapeake Climate Action Network, said in a statement.

Both the Southern Environmental Law Center and Sierra Club emphasized LaFleur's dissent.

"While FERC's anticipated rubber-stamp of the Atlantic Coast Pipeline follows a long trend of this agency's failure to carry out its responsibilities and properly assess projects, Commissioner LaFleur's unexpected dissent shows that even within FERC, this pipeline is seen as harmful and unnecessary," the Southern Environmental Law Center said.

Natalie Cox, a spokeswoman for the Mountain Valley Pipeline, said in a statement that the company respectfully disagrees with the dissent.

An environmental review conducted by commission staff found that combining the two projects "is not technically feasible or practical," she wrote. And the team has provided "strong demonstrations" of the project need, she said. ●

PIPELINES & DOWNSTREAM

Officials: Dakota Access boosts revenue

The Dakota Access oil pipeline boosted North Dakota state tax revenues by about $19 million in its first three months of operation, according to an analysis by the North Dakota Pipeline Authority.

Producers have seen about a $2 increase per barrel in the average price for crude oil coming from western North Dakota in June, July and August, compared with figures from 2016, Pipeline Authority Director Justin Kringstad told The Bismarck Tribune.

Kringstad attributed the increase to more competitive transportation costs since the $3.8 billion pipeline went into service in June, following months of delays caused by legal battles and on-the-ground protests led by the Standing Rock Sioux and supporters who fear environmental harm. Texas-based pipeline developer Energy Transfer Partners maintains the pipeline is safe.

Kringstad's figures are based on current North Dakota oil production, which in August averaged just over 1 million barrels daily. The $2 boost for every barrel equates to more than $6 million in additional oil tax revenue for the state each month, he said.

Tax Commissioner Ryan Rauschenberger said the figures he's seeing in his office are consistent with Kringstad's estimates.

"It's helping all the producers and royalty owners regardless of whether those barrels are actually traveling down the Dakota Access pipeline," Rauschenberger said. "That has really set the market and made the transportation much more competitive leaving North Dakota."

Rauschenberger estimates North Dakota will see a boost in oil tax revenue of $140 million each two-year budget cycle if the trend continues. That will benefit the entire state, not just oil-producing areas, he said, helping fund such things as water projects and education.

—ASSOCIATED PRESS

● NATURAL GAS

AGDC concludes three letters of intent

By KRISTEN NELSON

Petroleum News

The Alaska Gasline Development Corp. told legislators in a mid-October update and in an Oct. 16 hearing that it has concluded three letters of intent, documents which "establish the foundation for terms and negotiation parameters for definitive agreements," AGDC said in an Oct. 13 semi-monthly report to legislators. Copies of the corporation's semi-monthly reports were made available by the House and Senate Resources committees as part of documentation for the Oct. 16 update which AGDC provided to legislators (see page 1 story in this issue).

AGDC has signed 22 confidentiality agreements to date, it said, and in June signed a memorandum of understanding with Korea Gas Corp. That agreement, announced by AGDC June 29, established a framework for the corporation and Kogas "to cooperate in several areas of Alaska LNG, including project investment, development, operations, and other arrangements."

The confidentiality agreements enable companies signing them to review technical information in AGDC's data room, something the corporation called "a critical step toward reaching definitive long-term commercial agreements."

AGDC said it continues to work with Kogas to advance the MOU, and has also begun negotiations with the major North Slope producers for natural gas wellhead sales, negotiations which AGDC said are based on "the producers' implied interest" during the June 15-Aug. 31 foundation customer capacity solicitation.

AGDC said Sept. 6 that "each of the three major producers expressed interest in selling gas to AGDC for further sale to the global LNG markets."

Letter of intent

AGDC provided legislators with a sample letter of intent for tolling services, the instrument used by AGDC for its capacity solicitation. The LOI says the customer becomes a foundation customer if it executes the LOI by Aug. 31, completes the capacity reservation form attached and executes a definitive agreement by May 31, 2018, for a minimum of 20 years and a minimum capacity 250,000 million Btu per day.

The LOI is effective on the signing date and terminates when definitive agreements have been executed, AGDC provides written notice of termination, the customer signing the LOI provides written notice of termination or on May 31, 2018; LIOs may be extended by written agreement signed by both parties.

Various tolling services are possible under the LIO: liquefaction, including storage and loading of LNG onto marine tankers; pipeline transportation between a gas treatment plant on the North Slope and a Nikiski liquefaction plant; gas treatment services; transmission from Prudhoe Bay to the gas treatment plant; and transportation from Point Thomson to the gas treatment plant.

Foundation customer rights

Foundation customers have a number of rights, in addition to those afforded to other customers, including:

Favored nations pricing rights: tolling fees no higher than the lowest tolling fee paid for comparable service by any other customer.

Preferential rights to additional capacity, with any extra capacity in a contract year offered first to in-state regulated utilities, then to foundation customers and then to other customers, on a pro rata basis in proportion to each customer's maximum daily quantity.

Multiple contract extension rights, up to 50 years, including the primary term of 20 years, which gives the foundation customer six opportunities to extend the term for an additional five years each, given maintenance of the system by the owner.

A right of first refusal on capacity rights after the expiration of the six extension terms.

see LETTERS OF INTENT page 14

North of 60 Mining News

page 8 Rockhaven finds more high-grade gold, silver at Klaza project, Yukon

www.MiningNewsNorth.com *The weekly mining newspaper for Alaska and Canada's North* Week of October 22, 2017

NEWS NUGGETS

Compiled by Shane Lasley

HECLA MINING

A remotely operated semi-autonomous long-haul dump loader operating during shift changes is helping to boost production at Hecla's Greens Creek Mine in Southeast Alaska.

Greens Creek mill operates at record pace in third quarter

Hecla Mining Company Oct. 12 reported that its Greens Creek Mine produced 2.3 million ounces of silver and 12,563 oz of gold during the third quarter of this year. This Southeast Alaska operation produced 6.2 million oz of silver through the first nine months of 2017, putting it on pace to produce around 8.5 oz for the year. Mill throughput at Greens Creek averaged 2,391 tons per day during the third quarter, the highest since the mine went into operation in 1989. Overall, Hecla's four mines – Greens Creek, San Sebastian (Mexico), Casa Berardi (Quebec) and Lucky Friday (Idaho) – produced 3.3 million oz silver and 63,046 oz gold, along with 14,498 tons of zinc and 5,638 tons of lead, in the third quarter. "Operational performance was exceptional in the third quarter with record throughputs at Greens Creek and in September at Casa Berardi. San Sebastian continues to operate at the upper end of our expectations with the highest quarterly silver production of the year so far. The mines' performance has led to substantial increases in production of all four metals over the second quarter and puts us well on our way to achieving their production guidance and improving per-ounce cost performance," said Hecla President and CEO Phillips Baker, Jr. "With operating performance and substantially higher zinc and lead prices, our cash position is $7 million greater than at the end of the year."

Pebble adds Hodgson, Fueg to team ahead of permitting

The Pebble Partnership Oct. 13 announced the appointments of Stephen Hodgson and James Fueg to its technical team. Serving as senior vice president of engineering and project director, Hodgson will be responsible for all aspects of project design, engineering and financial studies, and regulatory compliance. He will be supported by Fueg, who has been appointed as vice president of permitting. In this role, Fueg will be responsible management of environmental and socioeconomic studies, liaison with federal and state agencies and active management of Pebble's forthcoming environmental impact statement process under the National Environmental Policy Act. "I could not be more pleased with the technical leadership we have assembled to finalize our permit applications and lead Pebble into and through the NEPA and EIS permitting process beginning later this year," said Pebble Partnership CEO Tom Collier. Hodgson is a professional engineer with more than 40 years of experience in consulting, project management, feasibility-level design and implementation, and mine operations at some of the most significant mineral development projects in the world – including the Pine Point zinc mine in northern Canada, the Red Dog zinc mine in Alaska, Antamina in Peru, and the

see **NEWS NUGGETS** *page 10*

COEUR MINING INC.

Coeur plans to invest around US$30 million on preparing its newly acquired Silvertip Mine for operations early in 2018.

ACQUISITIONS

Coeur moves into BC

Closes acquisition of high-grade Silvertip; company's first Canadian mine

By SHANE LASLEY

Mining News

Coeur Mining Inc. is now officially the owner of Silvertip, a high-grade silver mine about 10 miles south of the Yukon border in northern British Columbia.

In a deal that closed on Oct. 17, the Chicago-based miner paid US$200 million to acquire Silvertip and has agreed to pay up to another US$50 million more if certain permitting and resource expansion milestones are met.

For this investment, Coeur owns a newly built mine with 2.35 million metric tons of indicated resource averaging 352 g/t silver, 9.4 percent zinc and 6.7 percent lead; plus 460,000 metric tons of inferred resource averaging 343 g/t silver, 9.8 percent zinc and 6.2 percent lead.

This is Coeur's first mine in Canada and is expected to become an important asset for the precious metals miner.

"Over the coming weeks and months, we plan to make meaningful investments at Silvertip to position it as a significant and sustainable cornerstone asset within our portfolio of operating mines," said Coeur President and CEO Mitchell Krebs.

$250 million deal

JDS Silver Inc., a company formed by JDS Energy & Mining Inc. in 2012, leveraged its engineering and permitting capacity to develop a mine at Silvertip.

Late in 2016, JDS achieved this goal by establishing a seasonal operation at the high-grade silver project.

Now, Coeur will apply its underground mining expertise to advancing Silvertip to a year-round commercial operation.

To gain full ownership of Silvertip, Coeur paid US$147.5 million in cash and issued US$37.5 million of Coeur common stock to acquire all issued and outstanding common shares of JDS Silver Holdings Ltd.

Coeur also assumed roughly US$15 million of JDS Silver debt and has agreed to pay the former owners of JDS Silver up to US$50 million when two milestones are met.

The first such payment would be paid when Coeur receives a permit amendment that allows for year-round operations at Silvertip's full 1,000 metric ton per day capacity.

The second milestone payment is contingent upon the size of the Silvertip minerals resource by the end of 2019. JDS Silver will receive US$5 million for a total resource of at least 2.5 million metric tons and US$5 million for every 300,000 metric tons over that. The maximum payment of US$25 million would be paid if the total resource is at least 3.7 million metric tons.

As part of its deal with JDS Silver, Coeur agreed to invest at least US$15 million on exploration by the end of 2019.

Preparing for 2018 start

With the Silvertip acquisition complete, Coeur is getting the high-grade silver mine ready for operations early in 2018.

In September, the company said it plans to spend around US$30 million on mill optimization, underground development and exploration at its new mine over the next six months.

Once the mill is running at full capacity, Coeur anticipates Silvertip to produce roughly 3 million oz silver, 45-50 million lb zinc, and 40-45 million lb lead annually over an initial 7.5-year initial mine life.

"Once in full production, we expect Silvertip to produce about 10 million silver-equivalent-ounces annually," Krebs said.

The all-in costs to produce an ounce of silver at

see **SILVERTIP** *page 10*

NORTHERN NEIGHBORS

Compiled by Shane Lasley


ROCKHAVEN RESOURCES LTD.

Rockhaven completed nearly 16,000 meters of drilling this year aimed at upgrading and expanding near-surface zones of high-grade gold and silver mineralization at its Klaza project in southern Yukon.

More near-surface gold drilled at Klaza

Rockhaven Resources Ltd. Oct. 16 reported additional high-grade gold and silver assays from the 2017 drill program at its Klaza property in southern Yukon. These latest drill results are from infill drilling at the Western BRX zone, which currently hosts 1.37 million metric tons inferred mineral resource estimate averaging 8.01 grams per metric ton (352,000 ounces) gold; 132 g/t (5.81 million oz) silver; 1.42 percent (42.8 million pounds) zinc; and 1.31 percent (39.4 million lb) lead. Highlights from the 2017 drilling at Western BRX include: 2.63 meters averaging 94.09 g/t gold, 545 g/t silver, 4.21 percent zinc and 2.86 percent lead; 6.54 meters of 17.8 g/t gold, 257 g/t silver 1.81 percent zinc and 1.28 percent lead; and 2.32 meter of 30.8 g/t gold, 86.8 g/t silver, 1.68 percent zinc and 0.57 percent lead. Rockhaven CEO Matt Turner said these results were encountered less than 100 meters below the surface but below the currently envisioned open-pit for Western BRX, indicating the expansion of high-grade mineralization that can be mined from the surface at Klaza. "The infill drill program at the Western BRX Zone is confirming both the exceptional vein continuity and the high-grade nature of mineralization at one of the premier gold deposits in Yukon," he said. The 2017 program at Klaza consisted of 15,922 meters of drilling in 96 holes. Assays from 40 of these holes are pending.

Victoria adds Catto to Dublin Gulch zones

Victoria Gold Corp. Oct. 17 said it has identified another zone of gold mineralization between Eagle Gold and Olive-Shamrock, the first two deposits slated for development at the Eagle Gold Mine at the Dublin Gulch property, Yukon. Known as Catto, this newly drilled zone is the site of historic high-grade gold mines but has seen only cursory modern exploration. Highlighted from 11 holes drilled by Victoria this year include: 24.4 meters of 1.64 grams per metric ton gold from a depth of 33.5 meters in hole DG17-867C; 21.4 meters of 0.99 g/t gold from 138 meter in DG17-892C; 7.4 meters

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Petroleum news

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● OPINION

Interior Department should cut red tape

Little is accomplished by successive layers of bureaucratic review of local decisions that only swell the administrative record

By J. P. TANGEN

Special to Mining News

Mining & the law


J.P. TANGEN

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.

Despite some of the significant things that Interior Secretary Ryan Zinke has done in his brief tenure as head of the U. S. Department of the Interior, one item of broad concern, to me at least, does not yet appear to have made it onto his radar screen: the overwhelming burden of Interior compliance with the intricacies of the Administrative Procedure Act, or "APA".

Although the Secretary is bound by the statutory mandate and the innumerable judicial interpretations that have flown from the APA, many aspects of its implementation are within his unique control. The APA constitutes an incredible burden on people who seek to do business with the department; and, invariably, it represents an endless quagmire through which few people can successfully slog.

First, a little history: The primary method within the Interior Department for resolving differences with regard to interpretations of the law currently entails a trip to the Office of Hearings and Appeals. For issues pertaining to land matters, this may require a hearing before an administrative law judge, followed by an appeal to the Interior Board of Land Appeals. Both entities are elements of the Office of the Secretary.

In most instances, the IBLA upholds the decision of the administrative law judge, who usually upholds the decision of the underlying agency official, who on reconsideration, has already determined that the original decision was flawless.

Since most land issues arise in western states, relief from an adverse decision by the IBLA means a trip to a federal district court in either the Ninth or Tenth judicial circuits. The hands of federal district judges are tied by the APA, which is premised on the fallacious notion that the agency implementing a statute is best qualified to interpret its own substantive mandate.

While it is a reasonable aspiration in the Tenth Circuit that a judge or, on appeal, a panel of the circuit court, may ultimately render reasonable relief, no such hope pertains in the Ninth Circuit. Supreme Court review in such matters is only an impossible dream and even if the Supreme Court were to grant reasonable relief, the Ninth Circuit predictably will mangle any remand into unrecognizable detritus.

At a minimum, that process from beginning to end involves huge amounts of time and money, often running into the millions of dollars on the part of the petitioner; and, of course, a drain on the Treasury in terms of staff time and costs on the part of the Department.

It wasn't always that way. Before the APA, decisions of Interior agencies were generally resolved at the Director level. Few matters made it to the Office of the Solicitor, who had the last word in the absence of the Secretary's personal intervention. Fewer cases made it into the court system; and the decisions that were handed down by the district courts, the circuit courts or, on rare occasions, the U. S. Supreme Court were useful guidance, were broadly embraced and have endured for generations.

A multitude of illustrations of the deficiencies of the current process exists, but the ultimate point is not that getting justice from an unjust agency is virtually impossible in terms of time and money. The point is, there is an obvious way to short circuit a bad system so that, good or bad, a challenge can be resolved more quickly.

Rather than the Office of Hearings and Appeals, which is far removed from most disgruntled petitioners, the final decision for departmental matters should generally be delegated to the regional directors, who have regional Solicitors at their elbows, to adjudicate mundane matters locally.

This would have a three-fold benefit. First, and most significantly, it would disrupt the concept of consistency in decisions. The one-size-fits-all world view simply does not work. Public land issues in the arid West have little in common with conceptually identical issues in the frozen North. Alaska and Arizona may both begin and end with the letter "a," but the two states have little else in common. A land-management precedent for one part of the West should not necessarily constitute a precedent for the entire West.

Second, by localizing decisions, the influence of bona fide stakeholders will be amplified. While the folks in Ohio who opine on mining the public domain in Alaska have a right to their opinion, it is the folks in Alaska who have to live with the results, whether that means a temporary surface disturbance at a remote mine site or the potential loss of a handful of well-paying jobs in an economically depressed area.

Third, as noted, the cost of fighting the bureaucracy is heavy. Individuals and small businesses cannot begin to afford the time or the cost. Furthermore, the layers of mid-level office workers employed to resist every dispute are a drag on the department's budget and a distraction from its broad general mission. So, I say to Mr. Zinke, if you wish to rein in your operating budget, let me suggest that you start here.

Notably, delegation to regional directors does not ensure better decisions. In fact, the problem generally is that the

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NORTHERN NEIGHBORS

of 1.19 g/t from 119.6 meters in DG17-888C; and 1.4 meters of 4.51 g/t from 160 meters in DG17-873C. The Catto zone lies just southwest of the Olive-Shamrock deposit. The 2017 exploration, which included drilling and trenching, was designed to test for potential on-strike extensions to the Olive-Shamrock mineralized shear zone. "Catto has long been a target we were looking forward to test," commented John McConnell, President and CEO of Victoria. "Not only does this zone fit well into the Potato Hills Trend model, it hosts several historic past gold producers and has not seen any modern, systematic drill efforts to test for additional gold ounces."

North Arrow finds diamonds at Mel

North Arrow Minerals Inc. announced the discovery of diamonds at its Mel project in Nunavut. A 62.1 kilogram sample of the ML-8 kimberlite at Mel returned 23 diamonds larger than the 0.106 millimeter sieve size, including a single, colo6less diamond larger than the 0.85 mm. The ML-8 kimberlite discovery is coincident with an identified airborne magnetic geophysical anomaly that straddles the northern shoreline of a small lake on the property. North Arrow said a number of additional geophysical targets, coincident with permissive topographic areas, have been identified near the up ice termination of unexplained kimberlite indicator mineral trains at Mel. The company plans to drill these and ML-8 in 2018. "As we thought possible, detailed prospecting of the well-defined KIM trains at Mel has led to the discovery of kimberlite and diamonds - the second discovery by North Arrow of a diamondiferous kimberlite field in Canada, said North Arrow President and CEO Ken Armstrong. "Delineation and exploration drilling of the ML-8 discovery and other identified targets is now planned for 2018 and will benefit from sharing logistics and infrastructure with North Arrow's ongoing evaluation of the Q1-4 kimberlite at the Naujaat diamond project." Naujaat it located about 210 kilometers (130 miles) southwest of Mel.

GT Gold expands high-grade Saddle discovery

GT Gold Corp. Oct. 16 said it continues to expand the high-grade gold at Saddle South, a 2017 discovery 10 kilometers (six miles) from Highway 37 on the company's Tatogga property in northwestern British Columbia. So far, the company has completed 16,180 meters of drill in 64 holes at Saddle South and Saddle North. Highlights from the most recent assay results from 17 holes drilled at Saddle South include: 12.15 meters of 14.75 grams per metric ton gold and 36.23 g/t silver from a depth of 75 meters in hole TTD019; seven meters of 13.22 g/t gold and 15.18 g/t silver from a depth of 121 meters in TTD022; 1.7 meters of 14.09 g/t gold and 58.29 g/t silver from 44.53 meters, and 2.91 meters of 16.07 g/t gold and 65.67 g/t silver from 154.82 meters in TTD-026; and 3.36 meters of 48.85 g/t gold and 8.97 g/t silver from 109.25 meters in TTD-031. The drilling to date has expanded the strike of Saddle South to 1,000 meters. "Saddle is looking better and better the more we get into it," said GT Gold President and CEO Kevin Keough. "It's a rich, high-grade system. Continuity is excellent and, based on what we've seen in late program core – including intense chalcopyrite enrichment supported by high XRF readings for an array of gold pathfinders – it has the potential to generate very high grades even beyond what we've witnessed to date." Assays for 29 holes drilled at Saddle South and four holes drilled at Saddle North are pending. The company said strong mineralization apparent in core, supported by X-Ray fluorescence (XRF) for gold pathfinder elements, indicates several of these holes have tapped into richly mineralized portions of the system. "Possibly the best is yet to come," Keough added. "We hit almost anywhere we choose to point the drills and, as a result, we've achieved rapid discovery expansion. Coupled with the consistency of our results – high grades, strong widths and continuity – we're highly encouraged."

Underground drilling begins at Snip Mine

Skeena Resources Ltd. said it has begun a 9,000-meter underground drill program at its Snip gold project in the Golden Triangle of northwest British Columbia. The historic underground mine at Snip, which Barrick Gold operated from 1991 to 1999, produced 1.1 million ounces of gold from 1.25 million metric tons of ore averaging 27.5 grams per metric ton gold. Skeena optioned this project from Barrick last spring and completed roughly 7,180 meters of surface drilling in 2016. Skeena spent more than C$3 million on exploration and data review, exceeding a C$2 million requirement to gain full ownership of the high-grade gold property. With full ownership of Snip, previous restrictions on entering the mine or drilling within 25 meters of historic mining workings has expired, allowing Skeena to drill from underground. "We now have the ability to continue drilling through the winter, which is usually not possible for exploration projects in the Golden Triangle. We look forward to releasing a maiden resource estimate for Snip in 2018," said Skeena CEO Walter Coles Jr. ●

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NEWS NUGGETS

Oyu Tolgoi project in Mongolia. Hodgson has led the engineering group at Northern Dynasty and Hunter Dickinson Inc. since 2005 and played a central role on the engineering team for Pebble for more than a decade.

Fueg is a geologist and a geophysicist with more than 25 years of experience in mineral exploration and resource development, including more than 20 years working in Alaska. He was most recently served as technical services manager for the Donlin Gold project in western Alaska, where he played a leadership role managing the EIS and NEPA permitting process for a project expected to receive a final record of decision in 2018. "We now have a dedicated leadership team in place in Anchorage that is not only committed to the financial and permitting success of the Pebble Project, but one that shares Alaskans' interests in ensuring our project protects clean water, healthy fisheries and traditional ways of life, while making a profound positive contribution to the people and economies of the region and the state," added Collier. ●

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TANGEN

local decision was not satisfactory in the first instance. What it does, however, is eliminate duplicative review of bad decisions by bureaucrats who are more highly motivated to endorse the action below than to grant relief.

If a final departmental decision emanated from a regional director, the aggrieved petitioner could go immediately to the judiciary in order to get review. Even if the outcome is the same, the savings in time and cost, on both sides, would be humongous.

It is within the discretion of the Secretary to delegate his authority to the respective regions, just as it is within the power of the regional directors to seek assistance from the Office of the Secretary when needed. I urge him to consider this alternative. ●

COEUR MINING INC.

Coeur plans to expand upon the 4,000 meters of underground development and complete additional resource drilling ahead of developing an optimized mine-plan for Silvertip.

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SILVERTIP

Silvertip are expected to be between US$10 and US$11.

The ability to churn out high quantities of silver at lower costs in a secure mining jurisdiction is what made Silvertip a compelling acquisition for Coeur.

"We are excited about the impact Silvertip is expected to have on our production, margins, and cash flow beginning next year. We are also pleased to now have a presence in mining-friendly British Columbia and look forward to building upon the strong government and community partnerships already in place," said the Coeur Mining CEO.

First Canadian mine

Located roughly 150 miles east of Coeur's Kensington gold mine in Southeast Alaska, Silvertip is the company's first operation in Canada.

BC government and First Nations leaders welcomed Coeur and look forward to the economic opportunities a Coeur-operated Silvertip Mine will bring.

"Coeur Mining's decision to invest here demonstrates that companies believe British Columbia is a good jurisdiction to invest in mining," said British Columbia Minister of Energy, Mines and Petroleum Resources Michelle Mungall. "Our government is committed to strengthening mining in this province to ensure companies like Coeur Mining continue to invest here, creating more good jobs for British Columbians."

Kaska Dena, the First Nation whose traditional territory blankets the Silvertip Mine, congratulated Coeur on their purchase.

"The Silvertip Mine has provided many benefits to the Kaska which include employment, contracting opportunities and an economic agreement," said Dease River First Nation Chief Ruby Johnny.

"We have established an excellent working relationship with JDS Silver and our hope is to continue and grow this relationship with Coeur Mining – the new owner of the Silvertip Mine," Ruby, who is also a Kaska Dena Council director, added.

There are indications that Coeur could expand its presence in northwestern Canada.

Early in 2017 Coeur acquired 3.75 million shares of Rockhaven Resources Ltd., a junior exploring the Klaza gold-silver project in southern Yukon.

Situated about 250 miles northwest of Silvertip, Klaza hosts 9.42 million metric tons of inferred resource averaging 4.5 g/t (1.4 million oz) gold, 89 g/t (30 million oz) silver, 0.75 percent (155.4 million lbs.) lead and 0.95 percent (197.8 million lbs.) zinc.

A 2016 preliminary economic assessment for Klaza envisions an open-pit and underground mine feeding a 1,500-metric-ton-per-day process plant is projected to produce 630,000 oz gold, 11.4 million oz silver, 52.5 million lb zinc and 51.2 million lb lead over an initial 14-year mine life.

In addition to its financial investment, Coeur's technical team is assisting with "the metallurgical and engineering facets of the Klaza project," according to Rockhaven President and CEO Matt Turner.

While its investment in Rockhaven is relatively small, the road-accessible gold-silver in a mining-friendly jurisdiction would fit well in Coeur's expanding portfolio. ●

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FURIE SPEAKS OUT

outstanding certificates meant, "Furie did not receive the funds it had relied on for its 2017 operations," the company wrote.

In addition to the financial uncertainty, Furie blamed its inability to drill on the protracted budgetary standoff over the summer, which threatened to shut down government services.

Lawmakers finally passed a capital budget on July 27, two weeks after a tugboat required for operating the Randolph Yost rig went into dry dock and left for Singapore on July 13.

Furie needed the anchor-handling tugboat to set the jack-up rig in place. According to the company, no suitable replacement vessel could be found in Alaska. The Randolph Yost rig remained staffed until mid-August, when Furie learned that the boat would not return until October, just before the end of the open-water drilling season in the Cook Inlet.

An alternate plan to bring a replacement vessel from the Gulf of Mexico proved to be too expensive and time-consuming in the time remaining, leading Furie to cancel its program.

The Kitchen Lights unit is currently producing from two wells: the initial KLU No. 3 discovery well drilled in late 2015 and the KLU No. A-2A well drilled in 2016.

"In sum, the lack of a timely resolution regarding funding for DOR to purchase tax credits delayed operations until the anchor handling tug boat was no longer available, and it was not returning to Alaska until the very end of the drilling season," Furie wrote, referring to the Alaska Department of Revenue, which runs the tax credit program.

The budget cuts this year followed two previous gubernatorial vetoes that cut funding for buying back tax credits. According to the company, those vetoes "created significant uncertainty for investors, making it harder and more expensive for Furie and other small, independent producers to secure crucial funds needed for drilling and completion programs" and "essentially gutted Furie's sourced budgeted funds for 2016."

"Furie has invested hundreds of millions of dollars in exploring and developing the KLU (Kitchen Lights unit) and has a very substantial amount of tax credit certificates in the queue awaiting purchase by the state," the company wrote in its plan. "These certificates are a key component to funding further exploration and development activities in the KLU and were relied on by Furie when putting together its work program and budget."

Future plans

The Kitchen Lights unit is currently producing from two wells: the initial KLU No. 3 discovery well drilled in late 2015 and the KLU No. A-2A well drilled in 2016.

Furie began drilling the KLU No. A-1 well last year and had intended to complete the well this summer. The well was required to meet the terms of a gas supply contract with Enstar Natural Gas Co. The utility recently extended the deadline to July 31, 2018 (see story in Oct. 1 issue of Petroleum News).

As part of its work this year, Furie removed a composite bridge-plug setting tool from KLU No. 3, allowing the well to produce from both the Beluga and Sterling formations.

For the coming year, Furie is proposing a two-well program.

The company first intends to complete the KLU No. A-1 well "if advisable based on logs, data and market conditions" and then plans to drill a new development well at the unit.

The new development well would also be in the Corsair block — one of four exploration blocks at the unit and the site of all current development. The new well would target a Sterling interval from 6,964 feet to 6,998 feet measured depth in the KLU No. 3 well, "unless interpretations from the shallower data in a well indicate that producible hydrocarbons are unlikely to be found by drilling to that equivalent horizon depth."

Alternately, the company said it might postpone the new development well in favor of drilling a new exploration well or re-entering and deepening the existing KLU No. 4 well.

In its plan, Furie also referenced its earlier exploration plan, which detailed proposed exploration well locations throughout the unit on a timeline between now and 2021. ●

Contact Eric Lidji at ericlidji@mac.com

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EXXON RESPONDS

the Point Thomson unit working interest owners and the state.

"All actions by ExxonMobil have been and continue to be in full compliance with the terms of the Settlement Agreement, dated March 29, 2012, with the State of Alaska," Cory Quarles, ExxonMobil's Alaska production manager, said in an Oct. 12 response addressed to Department of Natural Resources Commissioner Andy Mack.

Quarles said the POD "is a single plan of development for the Point Thomson Unit as contemplated by the Point Thomson Unit Agreement, the Settlement Agreement and DNR regulations," not two separate PODs, one for the initial production system and one for the expansion.

Production issue

Walsh had said ExxonMobil was in violation of the settlement agreement because it failed to: "Sustain production of at least 10,000 barrels of condensate per day and drill and place additional wells on production as necessary to maintain this rate of production."

Quarles denied that the company had breached terms of the settlement, and quoted the agreement requirement that ExxonMobil construct and start up a facility "designed with the capacity to produce and reinject (cycle) 200 million cubic feet per day of gas, utilizing reciprocating compression and with the objective of a minimum of 10,000 barrels per day of condensate."

He said ExxonMobil drilled and placed on production wells capable of producing and injecting 200 million cubic feet of gas per day, demonstrating that the facilities can produce and reinject 200 million cubic feet of per day and said the settlement agreement states that continuous operations exist even when planned or unplanned maintenance, repairs or upset conditions result in the temporary cessation of production.

Debottlenecking

The division also said the settlement required ExxonMobil "to identify and pursue debottlenecking work that would increase capacity at its facilities," but said

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Petroleum news

Advertiser Index

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

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

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EXXON RESPONDS

the company had not identified and pursued debottlenecking as required.

In his response Quarles said ExxonMobil has evaluated potential debottlenecking opportunities and while "rigorous production system testing has not identified any action that could be undertaken at this time" the company "will continue to explore potential debottlenecking opportunities."

Walsh said that the proposed POD did not address permitting for the East Pad, an East Pad well or any additional wells.

Quarles said that ExxonMobil continued permitting for the East Pad and East Pad well after the settlement was reached, and said its "current assessment is that an East Pad and well would not be necessary for the Point Thomson Expansion Project."

Quarles said "ExxonMobil began permitting and engineering for an expansion project consistent with the terms of the Settlement Agreement and that work activity is continuing," but, he said, certain work has to be done before other work can occur.

As an example, he said, detailed engineering and permitting work which would be done during FEED, front-end engineering and design, "could be influenced by the arrangements reached with the Prudhoe Bay Unit owners for delivery of gas to Prudhoe Bay." It is not, Quarles said, as the division asserts, that all planning work is conditioned on an agreement, "and engineering and permitting work is ongoing."

He said that as unit operator ExxonMobil must obtain authorization from the working interest owners to progress expansion work — and noted that the work is detailed in an attachment included with the letter.

In responding to a division request for information on what would be used in an expansion, Quarles referred to the POD and said current planning for the expansion is to produce 920 million standard cubic feet per day of gas and more than 50,000 barrels per day of condensate.

Permitting efforts for a potential expansion, ExxonMobil said in an attachment to Quarles' letter, have been ongoing since early 2016, with the initial focus a major gas sales in conjunction with an Alaska LNG project.

"The current focus is on a gas 'blowdown' to Prudhoe Bay through PTEx. PTEx would utilize similar facilities as those contemplated for a major gas sales project, and much of the earlier work has been able to be leveraged," the company said.

ExxonMobil said work plans in the plan of development "incorporate a project execution strategy that uses a disciplined stepwise approach to identifying, designing, and ultimately building and operating a viable development project."

The POD references some earlier and ongoing work, the company said, "but focuses on the activities planned to occur during the POD period."

ExxonMobil said in the attachment that it "recognizes DNR is seeking a better understanding of expansion project plans," said it appreciated a "cooperative meeting" held Oct. 9 and noted the attachment provides "explanatory detail and clarification regarding development planning and processes for Point Thomson."

Quarles said in his letter that "ExxonMobil remains committed to continued discussions with the DNR to ensure a full understanding of the POD and owner plans necessary to confirm ongoing compliance with the Settlement Agreement," and said the company would continue operation of the IPS as provided in the POD.

—KRISTEN NELSON

A message from the publisher

Sept. 27, 2017

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Sincerely,
Kay Cashman
Publisher & executive editor

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DRILLING PROGRAM

focus of major new oil development opportunities on the North Slope.

The fifth well is planned for an exploration prospect south of CD-5.

Assuming that the well logs look good, ConocoPhillips plans to conduct tests in all of the wells. That could result in up to seven individual well penetrations and five well tests, Marushack said.

ConocoPhillips is also planning a 240-square-mile seismic survey, south of the Alpine oil field, in the coming winter. This survey could open up 700,000 acres of new exploration potential, Marushack said.

Continuing development

Marushack also commented on ConocoPhillips' North Slope oil field development program.

Last year the company brought on two new drilling rigs, the Doyon 142 and Nabors CDR3. And the company is commissioning a new extended reach rig that is planned to be in operation in 2021.

"That will be a game changer for our drilling program," Marushack said.

Drill site 2S in the Kuparuk River unit started up in 2015 with a peak production rate around 8,000 barrels per day. And the CD-5 development in the Alpine field has significantly exceeded expectations.

"That's been a big project for us," Marushack said. "It was intended to produce about 16,000 barrels per day. It's doing about 26,000."

ConocoPhillips has been working on its Greater Mooses Tooth 1 development, in the National Petroleum Reserve-Alaska, to the west of CD-5. With first oil from this development anticipated in the first quarter of 2018, the company is heading into a busy winter season, Marushack said. This development, with a cost of about $1 billion and the drilling of 33 wells, is anticipated to produce about 30,000 barrels of oil per day.

Greater Mooses Tooth 2, the next of ConocoPhillips' step-out developments in the NPR-A, should come on line in the third quarter of 2021, with a production level of about 30,000 barrels per day. The company also plans to start drilling in another major project, the 1H NEWS, or drill site 1H Northeast West Sak, project in the Kuparuk River unit later this year.

Low price challenge

Despite the positive nature of ConocoPhillips' North Slope exploration and development program, Marushack cautioned about the challenges of the current low oil price situation. He said that he anticipates 2018 being a crossroads year, in which competition between the economics of the various regions where ConocoPhillips operates will play out.

Marushack recalled Christmas of 2015, when the oil price had dropped to around $28, a price level that did not work for the company in Alaska.

"We were in big trouble. ... It was a pretty scary time for us," Marushack said.

Faced with the oil price crash, ConocoPhillips in Alaska figured out how to reduce its cost of oil supply by $15 or $16 per barrel. Marushack said that he had felt satisfied with the progress in cost management in Alaska but that a subsequent meeting with managers from other regions had proven sobering, given the progress that these other managers had also made.

"We're competitive but we're not at the front, not at the back. We're kind of in the middle of the pack," Marushack said.

Shale oil competition

Marushack particularly cited shale oil development in the Lower 48 as a major competitor with Alaska oil development. Shale oil enjoys the advantages of an extensive support infrastructure, a wealth of prospects, and landowners happy to encourage development on their land, he said. Shale oil productivity has increased sharply, and shale oil producers can ramp production up and down in response to oil prices.

Although development in the Eagle Ford, for example, requires more drilling than does development at Prudhoe Bay, the estimated resource in the Eagle Ford is about 15 billion barrels, around the same size as the Prudhoe Bay field. There may be 70 billion barrels of oil in place in the Permian basin.

Given the scale of the shale oil resource and accelerating improvements in shale oil productivity, the oil price will likely remain at around the $50 level for a long time, Marushack cautioned.

The challenges for Alaska

Marushack said that middle-of-the road cost projects such as the Greater Mooses Tooth projects represent a sweet spot for ConocoPhillips. But the cost of supply is critical in determining whether projects such as this can compete with developments elsewhere, he said.

Alaska has the advantages of an experienced and knowledgeable workforce, with project costs that can be estimated with considerable certainty. And, with the region being oil rich, developments tend not to produce excessive quantities of natural gas that need to be dealt with.

But the region suffers from being an expensive place in which to operate. And that is not just a question of the issues surrounding the state's fiscal system — the total cost of supply, including transportation, operating costs, taxes and royalties, matters, Marushack emphasized.

However, Marushack said that the instability of Alaska's fiscal system is the biggest single challenge that he faces when formulating long range plans for his company.

"About the least stable fiscal system in the ConocoPhillips portfolio right now is Alaska," Marushack said. "We're always under threat. We never know what it's going to be from year to year. And that really creates problems when we're trying to make long term commitments."

Faced with continuing fiscal instability in Alaska, ConocoPhillips investment dollars targeted for the state may end up going instead to regions such as the Permian, the Eagle Ford and the Bakken. And while ConocoPhillips can work through that kind of change, Alaska would suffer, Marushack said.

But, while cost is critically important in oil industry economics, ConocoPhillips continues to give priority to safety and protecting the company's environmental record.

"Safety is critical to our operations. We can't have a big issue up here," Marushack said. ●

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LETTERS OF INTENT

A right of first negotiation on new capacity, including but not limited to adding another liquefaction train.

Capacity assignment rights to a third party, subject to the owner's consent.

The right to participate in periodic technical reviews.

The agreement requires that the customer demonstrate creditworthiness contributing to the owner's ability to obtain acceptable financing and maintain that creditworthiness throughout the terms of the definitive agreements rising out of the LIO. ●

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MUSTANG WELL

With a construction timetable that is expected to extend well beyond the approaching deadline, Brooks Range Petroleum is left with few options. One option is to seek an extension from the state Division of Oil and Gas, which already granted an extension in early 2016. Another option is to certify an existing well at the field as capable of producing in commercial quantities, which triggers protections for leases and units.

Earlier this year, the Alaska Industrial Export and Development Authority, a working interest owner on the Mustang project, said that Brooks Range Petroleum was working with the Walker administration and contractors on a plan to certify an existing well.

Brooks Range Petroleum drilled the North Tarn No. 1A sidetrack during the exploration phase of the project, along with the North Tarn No. 1 well and the Mustang No. 1 well.

According to a partner on the project, the company cased and plugged three vertical wells in such a way as to accommodate future re-entry, with the idea of potentially returning at some point to drill horizontal sections from the wells to accommodate oil production.

The announcement about the re-entry came from a plan of development for the Southern Miluveach unit, submitted to the state Division of Oil and Gas in early October. The division must either approve or reject the plan before the company can proceed with it.

If the division approves the plan of development, Brooks Range Petroleum would install on-pad piles in the first quarter of 2018 and install cross-country pipelines in late 2018 and early 2019. The company would also finish building the remaining modules, bringing the Alaska-built modules to the field between June and December 2018 and the Canadian-built modules to the field by sealift in August 2018.

The Mustang project is the first development in the Southern Miluveach unit.

In the plan, Brooks Range Petroleum said it expected to bring the Mustang field into production in early 2019, pushed back slightly from a previous target of late 2018. The company blamed its inability to resume development drilling and begin installing facilities at the onshore field just west of the Kuparuk River unit on "continued low oil prices." The current timetable falls short of a December 2017 deadline imposed by the division for the company to bring the long-delayed Mustang field into production.

A previous drilling program at the unit was stalled by mechanical problems, largely involving higher than expected downhole pressures. Those issues have been resolved.

Pending workload

If the division approves the plan of development, Brooks Range Petroleum would install on-pad piles in the first quarter of 2018 and install cross-country pipelines in late 2018 and early 2019. The company would also finish building the remaining modules, bringing the Alaska-built modules to the field between June and December 2018 and the Canadian-built modules to the field by sealift in August 2018. A 60-to-90-day system-wide review at the end of 2018 would immediately precede project start-up in early 2019.

To date, Brooks Range Petroleum has built the Mustang drilling pad and the Mustang road connecting the pad to Drill Site 2M at the Kuparuk River unit. The construction remaining at the development includes drill site facilities, a 15,000-barrel-per-day central processing facility, two cross-country pipelines, associated infrastructure such as communication and housing, and as many as 26 wells — nine production and 17 injection.

Brooks Range Petroleum operates the Mustang project on behalf of CaraCol Petroleum LLC, TP North Slope Development LLC, MEP Alaska LLC, Nabors Drilling Technologies USA Inc., AVCG LLC, Mustang Road LLC and MOC1 LLC. Mustang Road and MOC1 are both subsidiaries of the Alaska Industrial Development and Export Authority, which helped finance both the Mustang Road and Mustang Pad projects.

Expansion plans

Also outstanding is a previous application from Brooks Range Petroleum to significantly expand the Southern Miluveach unit to include acreages along its western flank.

The company asked the division to add approximately 19,552 acres from 11 leases to the north, west and northeast. The expansion would more than double the size of the unit.

In its application, Brooks Range Petroleum said the expansion acreage would only be marginally economic at current oil prices and North Slope operating costs. Incorporating the acreage into the unit would improve economics and also speedup development.

A proposed plan of exploration called for beginning exploration activities targeting the Torok formation as early as the 2018-19 winter drilling season, just as the company is expecting it would complete preliminary development activities at the Mustang field. If warranted by exploration results, road and pad construction would likely begin in early 2020 with development drilling in early 2022 and first oil by the end of that year.

—ERIC LIDJI

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ARMSTRONG PLANS

proposed Nanushuk development area, which has received less attention than the northern half. The results of the program could have "have significant impact on the subsurface basis of design," according to the company.

Armstrong plans to drill the wells on ADL 392975 and ADL 393028, immediately north of the location of the proposed Pikka No. 1 well that the company began permitting for this past winter but ultimately cancelled at the request of local groups in Nuiqsut.

At that time, Armstrong negotiated a deal with ConocoPhillips Alaska Inc. to share information about the Putu No. 1 well. ConocoPhillips was planning to drill the Putu well immediately south of the Colville River unit, on leases in the former Tofkat unit.

ConocoPhillips ultimately postponed the Putu well, in the face of local concerns and a regulatory stalemate. With both resolved, ConocoPhillips intends to proceed with the Putu program this year. According to Armstrong, the sharing agreement remains in effect, providing another source of subsurface information that could change designs.

The results of the upcoming season could prompt revisions of early engineering and design work and the reservoir modeling Armstrong has been pursuing over the past year.

For example, core samples from Qugruk No. 8 were unsuitable for analyses related to flow assurance, prompting the company to include core sampling in the upcoming wells.

The early engineering and design — pre-FEED — to date has included work on the Nanushuk Central Processing Facility, drill sites A, B and C, infield and export pipelines and gravel roads and pads, as well as studies of the transportation route from bringing modules to the region, hydrology of the Colville River Delta and efforts to debottleneck and potentially expand the Seawater Treatment Plant at the Colville River unit.

The results of the upcoming season could prompt revisions of early engineering and design work and the reservoir modeling Armstrong has been pursuing over the past year.

Armstrong completed these projects before finalizing subsurface design "in an effort to progress the Nanushuk project as expeditiously and efficiently as possible," according to the company. As such, the results of the two upcoming exploration programs could "necessitate significant modification to the current subsurface basis of design."

—ERIC LIDJI

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AGDC PROGRESS

merits: It has to be able to meet the global gas price; returns to the state are necessary; and success will be based on those factors and on marketing.

Asked what it would cost the state if it doesn't move forward with the project, Cruz said if we don't finish this and meet the market window in 2025, then the state would probably look at it again in 2037, because it's cyclic and these are long-term contracts.

That's why there's been so much activity within the corporation, he said, and why the board assigned Meyer one task: to get a gas customer for the project.

Spending

Richards said the current spend rate on the project was an average of $3 million a month. The board authorized $6 million to $6.5 million a month, he said, but AGDC has been spending as judiciously as possible and using in-house resources from work on the in-state line.

With pre-FEED completed, Richards said AGDC is in regulatory permitting and advancement, with a focus on de-risking the project. He said the corporation has been pushing commercial and financial discussions with potential partners, investors and customers.

This is month 10 of AGDC being at the helm of the project, Richards said, the Federal Energy Regulatory Commission Section 3 application was filed in April and AGDC is now addressing detailed questions from FERC.

In addition to working with FERC, which is the lead agency for the environmental impact statement, AGDC also needs permits and authorizations from the Pipeline Hazardous Materials Safety Administration, the Army Corps of Engineers, the Bureau of Land Management and National Marine Fisheries, in addition to a host of other federal, state and local agencies.

Under the reauthorization of the federal highway bill, FAST-41, Fixing America's Surface Transportation Act, major projects are recognized and elevated in the federal arena. Richards said AGDC hadn't planned to apply, viewing it as another level of federal bureaucracy, but did apply at the urging of the Trump administration, and from an Aug. 7 application was accepted Aug. 17.

Under the program the project gets a permitting timetable within 60 days, with a comprehensive schedule for all federal permits. Richards said AGDC hopes to have that permitting schedule within a few days.

He also noted that the presidential executive order issued Aug. 15 establishing discipline and accountability in environmental review and permitting for infrastructure provides for environmental reviews and authorizations within two years.

Richards said an issue the governor and AGDC have raised with Environmental Protection Agency Administrator Scott Pruitt is EPA Region 10's designation of the Yukon River basin as an aquatic resource of national interest, a designation which encompasses the entire Yukon River watershed, some 200,000 square miles, and may have broad reaching impacts for any development in the Yukon River basin.

Pulling the plug

The issue of what would get the plug pulled on the project — and when — came up several times.

Cruz said if AGDC cannot get a customer that would be a deciding factor.

Asked about an October deadline that has been bandied about, Cruz said the board has always used Dec. 31, although the administration had a different date.

From the board perspective ADGC is looking at the end of the year, but he said getting a firm fixed take-or-pay contract won't happened by then.

A solid letter of intent is what the board wants to see, Cruz said.

He said that in talking with marketing folks, if an Asian entity firms up a deal with a memorandum of understanding and then a letter of intent, they don't break those letters of intent, but it will take a period beyond the end of the year to reach firm take-or-pay contracts.

Cruz said that for the utilities AGDC is dealing with, they are very serious when they issue letters of intent.

Wilcox said the commercial goal is to balance three objectives: clear the LNG market in the Asia-Pacific; have acceptable pricing for debt and equity markets; and have an acceptable netback for the state of Alaska.

AGDC is looking at a 2023-25 window when analysts expect to see the LNG market re-balance, Wilcox said, and because of the long-term development required for the Alaska LNG project AGDC believes it has to be on the front-end of the next wave to get the long-term contracts, which is why AGDC is working so hard on letters of intent.

AGDC completed its capacity solicitation at the end of August. Wilcox said AGDC and the state wanted clarity on how much LNG they would be representing in the market and how much LNG would likely be sold by upstream owners.

One result of the capacity solicitation was the determination that the major producers would prefer to have AGDC buy and market LNG, she said, but AGDC also secured foundation customer capacity rights, enabling it to carry out long-term LNG marketing.

In addition to the major producers expressing interest in selling gas to AGDC, one Alaska producer submitted a confirming intent to subscribe for capacity on the system; there was also one non-compliant response.

Wilcox said the state purchasing gas and selling the end product was not unusual for an LNG project.

The next steps in the capacity solicitation are reaching tolling agreements and purchasing gas, she said.

Wilcox also addressed the issue of what letters of intent mean for utility buyers.

These are non-bonding agreements, she said, and there are outs, but the LIOs are taken seriously. She said binding agreements are not signed until close to final investment decision because buyers want security on permitting and engineering.

Wilcox said utility buyers take LIOs seriously because they recognize they want supply in the timeframe of the project and could go for this location. These are generally large organizations, she said, and the LIO means the project has risen to the level that the potential buyer is committing resources to it and management is willing to indicate a minimum quantity and term.

Commenting on his view of the project, Cruz said an LOI doesn't get us a gas line, but it gives him confidence.

He said AGDC could then go back to investors and say the project has an LOI.

On the Internal Revenue Service private letter ruling which AGDC received, Wilcox said it is a confirmation that AGDC is tax exempt and its revenue is not taxable, with the degree of state ownership determining the benefit from tax exemption.

The ruling applies to AGDC, not the project and some taxes will be paid, she said, such as PILT, payment in lieu of taxes to local governments that are eligible, and third-party investors will pay tax on their revenue. ●