

Alaska Industrial Development and Export Authority
STRATEGIC PLANNING BOARD MEETING MINUTES
Wednesday, February 10, 2021
Anchorage, Alaska
Via Teleconference

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on February 10, 2021, at 8:31 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); Julie Anderson (Commissioner, DCCED); Albert Fogle (Public Member) (arrived 8:34 am); Bill Kendig (Public Member); Anna MacKinnon (SOA-DOR); and Julie Sande (Public Member).

3. ROLL CALL STAFF, PUBLIC

4. AGENDA APPROVAL

MOTION: A motion was made by Ms. MacKinnon to approve the agenda, including the amendment by the Chair to forego Item 3. Motion seconded.

The motion to approve the amended agenda passed without objection.

5. PUBLIC COMMENTS - None

6. PRIOR MINUTES – December 23, 2020 and January 13, 2021

MOTION: A motion was made by Mr. Fogle to approve the Minutes of December 23, 2020. Motion seconded by Mr. Kendig.

The motion to approve the Minutes of December 23, 2020 passed without objection.

MOTION: A motion was made by Mr. Fogle to approve the Minutes of January 13, 2021. Motion seconded by Mr. Kendig.

The motion to approve the Minutes of January 13, 2020 passed without objection.

7. NEW BUSINESS

MOTION: A motion was made by Mr. Kendig to enter into Executive Session to discuss confidential matters related to Mustang Holdings, LLC and Ambler Access Project. This is supported by the Open Meetings Act, which allows a board to consider confidential matters in executive session. In this case, the Board believes that there are subjects which would have an adverse effect upon the finances of AIDEA and are protected by law, due to the rules protecting personal privacy and certain business information. Motion seconded by Mr. Fogle.

The motion was approved without objection.

7A. EXECUTIVE SESSION: 8:36 am
Confidential matters related to Mustang Holdings LLC, and Ambler Access Project

The Board reconvened its regular meeting at 12:05 pm.

7B. Resolution G21-03 Ambler Access Project Funding Agreement

Chair Pruhs requested Alan Weitzner, Executive Director, present the resolution. Mr. Weitzner explained that Resolution G21-03 relates to the development of the Ambler Access Project and proposes to enter into a development agreement through 2024 with Ambler Metals for feasibility and permitting activities necessary to ready the start of road construction in 2024. The resolution proposes that Ambler Metals and AIDEA commit up to \$35 million each to the feasibility and permitting activity effort through the end of 2024. Several of the feasibility and permitting activities will be jointly overseen and joint agreements will be sought on the annual program and budget, principle contractor and vendor selection, the use of a competitive bidding procurement process, procedures and strategies for permitting private right-of-way acquisitions, stakeholder engagement and public governmental affairs, public announcements, and joint input on the program manager.

Mr. Weitzner expects to present the 2021 work season at the April Board meeting. He provided an overview of the history of the Memorandum of Understanding (MOU) and funding agreement with Ambler Metals. Mr. Weitzner discussed the process and the investments requested under this agreement are based upon the 1980 Alaska National Interest Lands Conservation Act (ANILCA) and the access to the Ambler Mining District established in the legislation. The Record of Decision (ROD) contains the selected route. The initial permitting with the Bureau of Land Management (BLM) and National Park Service has been conducted and this resolution is the next step in that process.

MOTION: A motion was made by Mr. Fogle to approve Resolution G21-03. Motion seconded by Mr. Kendig.

Vice-Chair Karl expressed support for the motion. He believes this action is the best way to create wealth for Alaska and for the next generation.

A roll call was taken, and the motion to approve Resolution G21-03 passed unanimously.

7C. Resolution G21-04 Mustang Holdings LLC 2021 Capital Budget

Mr. Weitzner explained Resolution G21-04 approves an annual budget and project plan in support of the Mustang Oilfield Development Project. He provided a historical overview of AIDEA's 2012 road development project involvement of \$20 million. In 2013, AIDEA committed a maximum amount of \$50 million toward the development of an early production facility for the Mustang Field. All of those projects were infrastructure-related and were subject to additional investments and field development, which did not occur. In 2018, the Board passed Resolution G18-05, establishing a full restructure of the Mustang Facilities and an effective loan agreement to Caracol Petroleum. The restructuring process was completed in May of 2019.

Mr. Weitzner discussed Caracol Petroleum had obligations for further field development, field production, and repayment of the loan from the field production. In October 2019, Caracol Petroleum and Brooks Range Petroleum Corp. were successful in achieving their first oil production on the field and produced about 11,000 barrels. However, the production significantly exceeded the operating and capital budget. This created material cash flow deficiencies and inhibited the ability to meet ongoing financial obligations of the company and field development. Caracol's parent company Alpha Energy Holdings declined to provide additional funding to the operation. Subsequent discussions occurred and resulted in Resolution G20-02, which included further restructuring and upfront funding to fulfill the original plan of development. By March 2020, Alpha Energy Holdings had further declined that opportunity for funding. AIDEA then began working with the existing creditor base to Brooks Range Petroleum Corp. to restructure and approach a responsible application of field development.

Mr. Weitzner explained AIDEA filed a foreclosure process in May 2020, and created a steering committee with the creditor group. The field has been converted into cold storage and is responsibly meeting the obligations of State agencies for field development on the North Slope. AIDEA continues to work with the creditor steering committee and most recently resulted in the September resolution in which the foreclosure was finalized and the assets were to be transferred to Finnex LLC, a subsidiary of Thyssen Petroleum. However, the structure of the agreement did not meet the full requirements of the resolution that was passed. AIDEA has continued the engagement with the creditor group and Thyssen Petroleum to determine restructuring and field development for the Southern Miluveach Unit (SMU) field. The current plan is to maintain the SMU in cold shutdown. The objective is focused on a plan to responsibly bring the field to a successful and sustained development in 2021.

Mr. Weitzner discussed the proposed capital budget for calendar year 2021. Through a competitive bid process in January 2021, AIDEA has engaged JC Minge Energy Services LLC, headed by John Minge, to review the existing field development data. Mr. Weitzner described the extensive credentials of the organization. The proposed budget includes funding for a second phase of work by JC Minge Energy Services to determine the best options to optimize the value for the State of Alaska, AIDEA, and for all the stakeholders in the SMU field development, including the creditor group within the steering committee. The total 2021 budget is established at \$1.59 million, and reserves from previous asset sales are in place at approximately \$1.2 million. Staff recommends approval of the capital budget of \$1.59 million and approval of additional funds in the amount of \$350,000 from the Revolving Fund in order to fulfill the budget through the calendar year.

Vice-Chair Karl expressed appreciation to Mr. Weitzner for the presentation on the resolution. He commented on the specific challenges of this oilfield. Vice-Chair Karl expressed support for the continued work by JC Minge Energy Services to decide the best course for the future.

MOTION: A motion was made by Mr. Kendig to approve Resolution G21-04 Mustang Holdings LLC 2021 Capital Budget. Motion seconded by Ms. Sande.

Chair Pruhs agreed with Vice-Chair Karl's comments. He expressed appreciation to Mr. Weitzner for his guiding leadership. Chair Pruhs thanked Mr. Minge for providing a fairly discounted price to the State and its residents for his efforts in making the best decision moving forward.

A roll call was taken, and the motion to approve Resolution G21-04 passed unanimously.

8. DIRECTORS COMMENTS

8A. Next scheduled AIDEA Board Meeting, Wed. March 3, 2021

9. BOARD COMMENTS

Ms. Sande expressed excitement regarding the actions taken by the Board today. She believes the actions provide support to AIDEA's mission to create jobs, revenue, and essential minerals. Ms. Sande reiterated that Alaska is the best at responsible resource development.

MOTION: A motion was made by Mr. Kendig to enter into Executive Session to discuss confidential matters related to the AIDEA Strategic Planning Session for Calendar Year 2021 covering Mustang Holdings, LLC, Ambler Access Project, Section 1002 Area Leases, Review of Public Records Act, Review of Strategic Planning Documents, Organization Plan, Pipeline Projects, Building Assets, Communication Plan and Offset Security Development, and Loan Participation. This is supported by the Open Meetings Act, which allows a board to consider confidential matters in executive session. In this case, the Board believes that these are subjects which would have an adverse effect upon the finances of AIDEA or are protected by law, due to the rules protecting personal privacy and certain business information. Motion seconded by Ms. Sande.

The motion was approved without objection.

10. EXECUTIVE SESSION: 12:27 pm

Confidential matters related to the AIDEA Strategic Planning Session for Calendar Year 2021 covering Mustang Holdings, LLC, Ambler Access Project, Section 1002 Area Leases, Review of Public Records Act, Review of Strategic Planning Documents, Organization Plan, Pipeline Projects, Building Assets, Communication Plan, Offset Security Development, and Loan Participation.

The Board reconvened its regular meeting at 4:58 pm.

11. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 4:58 pm.



Alan Weitzner, AIDEA Executive Director
Secretary