



AGENDA

ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC)
BOARD OF DIRECTORS - REGULAR MEETING
September 23, 2015, 9:00am

AGDC 3201 C Street, Ste. 604 Anchorage, AK
Teleconference: 855-282-6330 Access number: 922 812 459

- I. CALL TO ORDER
- II. ROLL CALL
- III. SAFETY MOMENT – Fritz Krusen
- IV. APPROVAL OF AGENDA
- V. APPROVAL OF MINUTES - August 13, 2015
- VI. PUBLIC COMMENTS - Board Room _____ Statewide _____
- VII. PRESIDENT’S SCORECARD
- VIII. NEW BUSINESS – AGDC MANAGEMENT/OPERATIONAL ISSUES
 - a. Committee Chair Reports
 - b. AGDC Financials
 - c. Governance Framework
 - d. Communications Plan
 - e. Nenana Update from Jim Mery, VP of Lands and Natural Resources & Aaron Schutt, President & CEO (Doyon Limited) (1pm)
 - f. Update By Rigdon Boykin
 - g. Set Next Year’s Board Calendar
- IX. NEW BUSINESS – ASAP
 - a. Project Update
 - b. Financials
- X. NEW BUSINESS – AKLNG
 - a. Project Update
 - b. Financials
- XI. EXECUTIVE SESSION
- XII. ANY OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD.



XIII. BOARD COMMENTS

XIV. ADJOURNMENT

The Chair may announce changes in the Order of Business during the meeting.



Meeting Minutes

ALASKA GASLINE DEVELOPMENT CORPORATION REGULAR BOARD OF DIRECTORS MEETING

August 13, 2015

09:00am

A Regular Board of Directors Meeting of the Alaska Gasline Development Corporation (“AGDC”) was held at the Alaska Gasline Development Corporation, 3201 C Street, Suite 604, Anchorage, Alaska on August 13, 2015 convening at 09:00am.

The following board members were present at the meeting (or attended via teleconference) except as otherwise noted:

JOHN BURNS Anchorage, AK	Chairman of the Board
DAVE CRUZ Anchorage, AK	Member of the Board
HEIDI DRYGAS Anchorage, AK	Member of the Board
CHRIS HLADICK Anchorage, AK	Member of the Board
HUGH SHORT Anchorage, AK	Member of the Board
RICK HALFORD Anchorage, AK	Member of the Board

Meeting Minutes

- I. CALL TO ORDER. Chairman Burns convened the meeting at 9:00am.
- II. ROLL CALL. A quorum was declared present and the meeting was duly and properly convened for the transaction of business.
- III. SAFETY MOMENT. Daryl Kleppin, Manager, Commercial Team gave a safety presentation on back to school safety measures.
- IV. APPROVAL OF AGENDA. Dave Cruz moved to approve the agenda, Commissioner Drygas second. Approval of the agenda passed unanimously (6-0).
- V. MINUTES. Commissioner Hladick moved to approve the meeting minutes from the June 11, 2015 Board meeting. Rick Halford second. Approval of the minutes passed unanimously (6-0).
- VI. PUBLIC COMMENTS. AGDC Boardroom: Tim Navarre of Kenai, Alaska and a Community Advisory Council member appeared and testified.
Statewide: None
- VII. PRESIDENT'S REPORT. President Fauske gave an overview on the status of the Alaska LNG and ASAP projects. The overview consisted of: Financial Performance; Schedule; Health, Safety, Security and Environmental (HSSE) Performance; Development of Commercial Agreements; Compliance; and Project Options.

VIII. NEW BUSINESS - AGDC MANAGEMENT/OPERATIONAL ISSUES.

- A. AGDC Financial: Bruce Tangeman, VP of Administration and Finance gave an update on AGDC's year-to-date statement of activities.
- B. Committee Chair Reports: The Governance Committee addressed budget authorizations, and market salary surveys. In addition they were briefed by Ken Vassar, General Counsel, on a recommendation to advance draft confidentiality regulations for a public hearing. The Technical Committee gave an update on the work completed by the ASAP project that is also beneficial to the AKLNG project; the alignment is progressing well. The Commercial Committee was updated with the off-take presentation by Leiza Wilcox and Steve Pratt.
- C. Motion to Approve Public Hearing for Draft Confidentiality Regulations: Ken Vassar, AGDC General Counsel and Jerry Juday, Assistant Attorney General approached the board requesting approval for a public hearing for the draft confidentiality regulations. Hugh Short moved to approve the request and Commissioner Drygas second. The approval for the public hearing passed unanimously (6-0).
- D. Offtake Planning: Steve Pratt, Leiza Wilcox and Daryl Kleppin presented to the board the in-state gas off take planning, which covered in-state gas access/facilities, and off take interconnection/access points.
- E. Election of Officers: John Burns was retained as Chairman of the Board, Dave Cruz was elected as Vice Chair and Hugh Short was elected as Secretary/Treasurer.

IX. NEW BUSINESS – ASAP

- A. Project Update: Frank Richards, VP Engineering and Program Management gave a brief overview of the Alaska Stand Alone Pipeline project (ASAP), highlighting the

facilities design, pipeline materials, civil, geotechnical field program, material sites, pipeline design and waterways.

B. Financials: Frank Richards, VP Engineering and Program Management presented the budget actuals through June 30, 2015 on the ASAP project.

X. NEW BUSINESS – AKLNG

A. Project Update: Frank Richards, VP Engineering and Program Management gave an update on the Alaska LNG project technical activities for the month of May. The update included AKLNG/AGDC Co-operation & interface, the GTP, GBU and PTU, pipeline, LNG plant, marine, integration and regulatory information.

B. Financials: Joe Dubler, VP of Commercial Operations gave an update on the project-to-date budget versus the actual comparison through June 30, 2015. The breakdown consisted of the AKLNG project expenditures, as well as AGDC corporate expenditures.

XI. EXECUTIVE SESSION: The Board convened at 11:27am to go into Executive Session to discuss matters about the AKLNG project that are required to be kept confidential under a Confidentiality Agreement that AGDC has entered into with the other AKLNG participants. Dave Cruz made the motion to go into Executive Session, Chris Hladick second. The motion was approved unanimously (6-0). The Board reconvened the regular Board meeting at 3:13pm. Ken Vassar, AGDC General Counsel confirmed that no actions were taken by the Board during Executive Session, and that discussions that were had during the Executive Session were within the subject that was announced before going into Executive Session.



Meeting Minutes

(Chairman Burns and Rick Halford left the meeting after the Executive Session. A quorum was declared present)

- XII. ANY OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD: Dave Cruz asked Dan Fauske and his staff to work with Alaska Energy Authority (AEA) to address the off-take development effort.

- XIII. BOARD COMMENTS: Vice Chair Cruz asked if there were any other matters to properly come before the Board or comments from the Board members. There were none.

- XIV. ADJOURNMENT: Vice Chair Cruz moved to adjourn. Hugh Short made the motion and Heidi Drygas second the motion, none opposed. The meeting was adjourned at 3:52pm.

John Burns, Chairman of the Board

Date

**ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC)
MONTHLY OBJECTIVES & TARGETS SCORECARD
SEPTEMBER 2015**

STRATEGIC AREA	STRATEGIC OBJECTIVE	TARGETS	Executive and Support	AKLNG Actuals	ASAP Actuals	Reporting System
Financial Performance	Execute business operations to optimize financial expenditures	Expenditures <= budget	99%	32%	64%	AGDC Monthly Financial Report, ASAP Monthly Project Report; AKLNG Monthly Project Report
		Project % Complete >= % Spent	N/A	Not Currently Available	18% Spent	ASAP Monthly Project Report; AKLNG Monthly Project Report
Schedule	Complete planned work within approved program and project schedules	Critical Path Project Milestones Met = 100%	N/A	100%	100%	AKLNG: There were no Level 1 milestones in August to report against. The project remains broadly on schedule towards meeting sub-project engineering deliverables and JVA Deliverables. However, for the purposes of establishing a 2016 budget, a revised schedule is being reviewed that would allow : 1) more time to complete or optimize sub-project engineering deliverables, thereby improving the Pre-FEED cost estimate, 2) development of a 48" pipeline design of similar quality to the current 42" design basis, and 3) more time to improve the quality of FEED tender documents.
HSSE Performance	Achieve health, safety, security, and environmental incidents below AK Oil & Gas industry averages	Lost Time Injuries/200,000 man-hours <= 2.4	0	1	0	AKLNG: L11 First Aid – 8/26/2015): While walking to field target along the pipeline route, an assistant crew chief was stung by a bee on the forearm. The crew Wildlife Safety Steward (WSS) removed the stinger and provided antihistamine to relieve swelling. A Project Bulletin had been issued earlier in August on the topic of stinging insects.
		Recordable Incidents per 200,000 man-hours = 8.7	0	0	0	
		Near Misses = 0	0	0	0	
		Reportable Spills = 0	0	0	0	
Development of Commercial Agreements	Advance initiatives and agreements timely to advance projects	Commercial Milestones Met = 100%	N/A	N/A	N/A	AGDC Monthly Commercial Report; AKLNG Monthly Commercial Report
		Term Sheets Finalized = #	#	0	0	
		Documents Drafted & Approved as to Form = #	#	0	0	
		Documents Executed = #	#	0	0	
Compliance	Comply with applicable legislative and legal requirements and corporate commitments	Legislative Reporting Per Stat. Requirements = 100%	100%	N/A	N/A	SB138 requires the Alaska LNG parties to provide a briefing to the legislature at least once every 4 months. The most recent briefing was held in Palmer on Sept 9th at the Mat-Su Borough Assembly Chambers. Prior briefing was in Nikiski on June 16th.
		Regulatory Permit Completion Reports = 100%	N/A	100%	100%	September 11th AGDC filed a revised ASAP Joint Application for U.S. Army Corps of Engineers Clean Water Act Section 404 permit.
Project Options	Maintain viability of project options to initiate construction start within 2 years of sanction	Project Execution Milestone Completion = 100%	N/A	Not Currently Available	100%	ASAP Monthly Project Report; AKLNG Monthly Project Report
		Technical Team Core Staffing = 100%	N/A	100%	100%	ASAP Monthly Project Report; AKLNG Monthly Project Report

ALASKA GASLINE DEVELOPMENT CORPORATION

(A Component Unit of the State of Alaska)

Year to Date Statement of Activities

(in thousands of dollars)

as of August 31, 2015

	<u>YTD Costs</u>	<u>YTD Budget</u>	<u>Dollar Variance Actual less Budget</u>	<u>Total Budget for FY 16</u>	<u>Percent Expended</u>
ASAP Project Expenditures	967	2,700	(1,733)	16,296	5.9%
ASAP AGDC Overhead Allocation	1,261	1,463	(202)	8,776	14.4%
AKLNG Project Expenditures	6,338	9,345	(3,007)	25,649	24.7%
AKLNG AGDC Overhead Allocation	240	278	(38)	1,672	14.4%
Total	<u>8,806</u>	<u>13,786</u>	<u>(4,980)</u>	<u>52,392</u>	<u>16.8%</u>
AGDC Total Overhead Allocated	1,501	1,741	(240)	10,448	14.4%
ASAP Expenditures:					
Prior Years	124,083				
FY 16 YTD expenditures	967				
ASAP FY 14 to current	<u>125,050</u>				

ALASKA GASLINE DEVELOPMENT CORPORATION

(A Component Unit of the State of Alaska)

Year to Date Statement of Activities

(in thousands of dollars)

as of August 31, 2015

General and Administrative by Function

	<u>YTD Costs</u>	<u>YTD Budget</u>	<u>Dollar Variance Actual less Budget</u>	<u>Total Budget for FY 15</u>	<u>Percent Expended</u>
Executive	415	256	159	1,537	27.0%
Commercial	83	251	(168)	1,505	5.5%
External Affairs	68	219	(151)	1,313	5.2%
Legal	95	100	(5)	600	15.9%
Finance	98	163	(65)	980	10.0%
Human Resources	92	116	(23)	693	13.3%
Administrative Services	440	269	171	1,615	27.2%
Data Management	210	368	(158)	2,205	9.5%
Total	<u>1,501</u>	<u>1,741</u>	<u>(240)</u>	<u>10,448</u>	<u>14.4%</u>

Allocation to Projects

ASAP	1,261	1,463	(202)	8,776	14.4%
AKLNG	240	278	(38)	1,672	14.4%
	<u>1,501</u>	<u>1,741</u>	<u>(240)</u>	<u>10,448</u>	<u>14.4%</u>

Doyon Oil & Gas Exploration Interior Alaska

Focus on Nenana/Minto Basin

AGDC Board of Directors
September 23, 2015

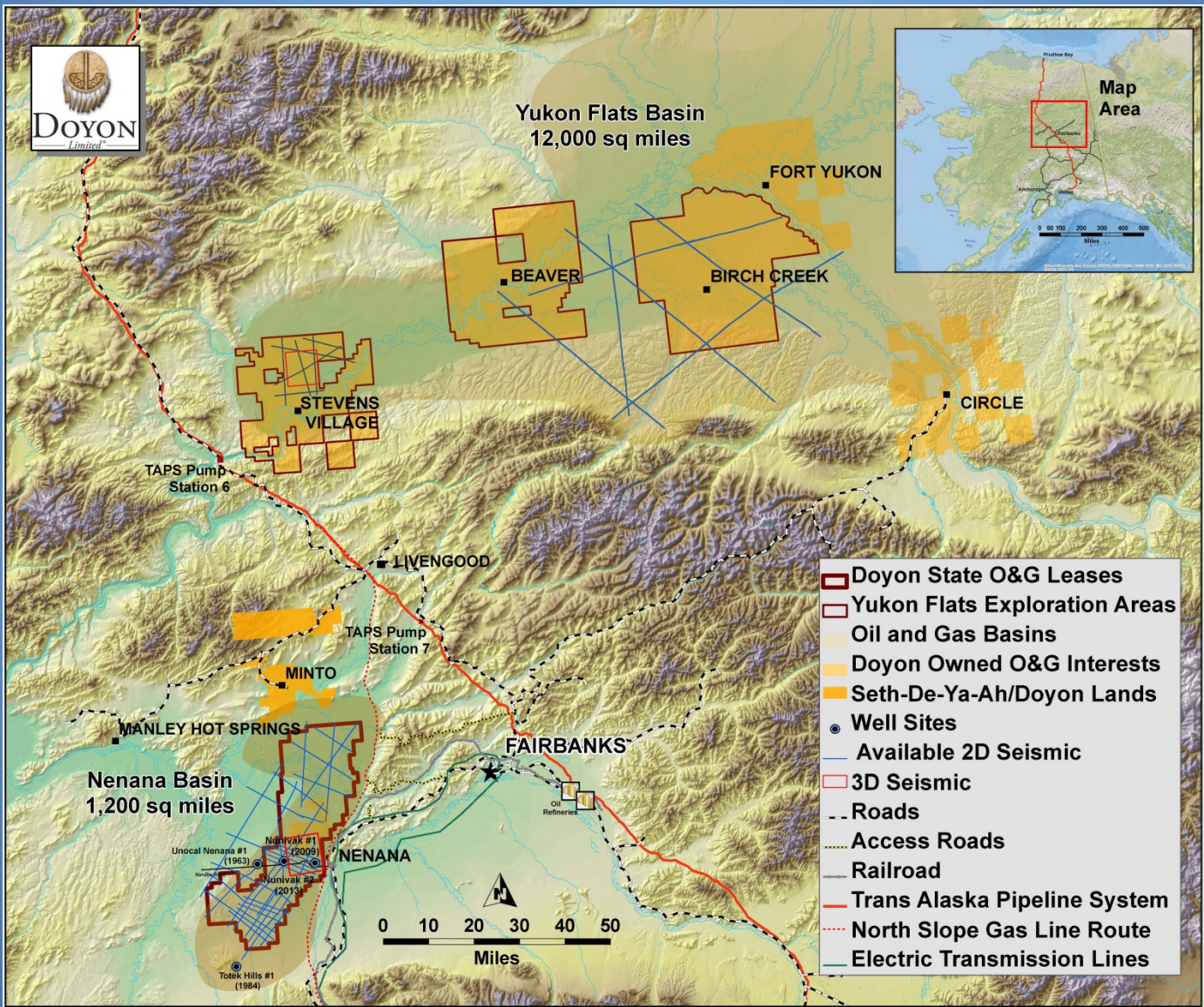


General Discussion Topics

- Advanced state of Doyon's exploration efforts at Nenana for both oil and gas, including new drilling and seismic in 2016
- Success case goals, including
 - Early access to AKLNG or AGDC lines for Nenana area gas—foundation shipper
 - Earlier pipeline gas to Fairbanks
 - AGDC opportunity
- Critical role of State exploration credits to our efforts

Yukon Flats and Nenana/Minto Basins

Very Similar Geologically



Early Exploration History

- Prior efforts by
 - Exxon and Amoco (Yukon Flats) 1980s
 - Shell (Nenana) 1980s
 - ARCO Alaska (Nenana) 1980s
 - Union (Nenana) 1960s
- Seismic, shallow drilling (Nenana only), other studies
- Heritage data licensed by Doyon
 - Exxon, Arco, Shell

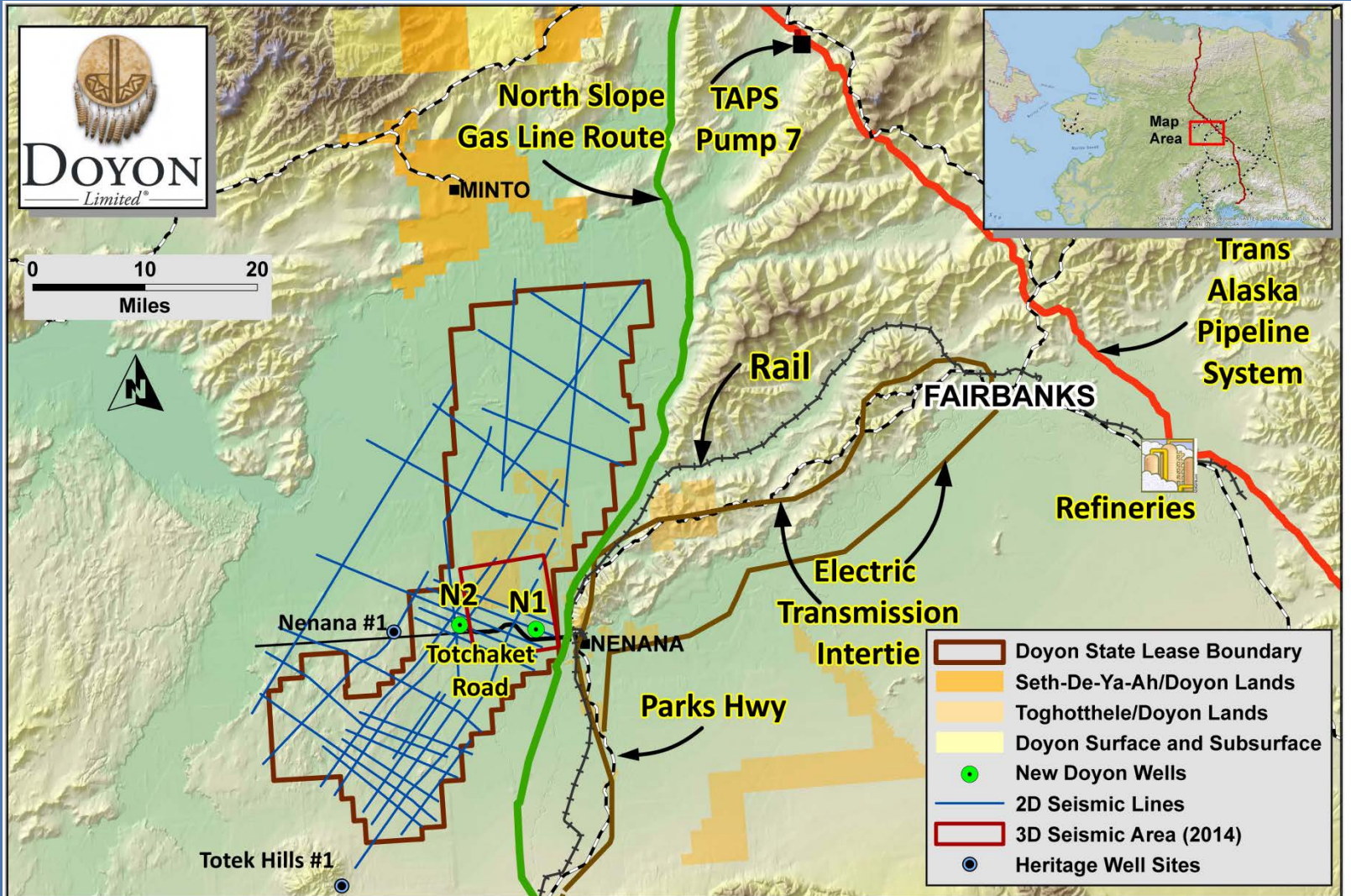
Doyon Nenana Basin Land Tenure

- 400,000 acres+ of State oil and gas leases
 - Primary terms expire end of 2019-2021
 - We pay \$1.2 million/year in rentals to State
- 43,000 acres of Doyon ANCSA subsurface ownership near Nenana
- 9,500 acre Mental Health Trust lands lease application
- *Contrast*—over 1.5 million acres of Doyon owned oil and gas interests in 3 sub basins in Yukon Flats

Recent Doyon Efforts-Nenana/Minto

- **Drilling and 2D seismic programs (2005-2014)**
 - **Demonstrated active hydrocarbon system**
 - Thick sections of “wet” gas through drill bit in 2013
 - 400 feet of gas saturated world class reservoir rock
 - Not commercial--trap failure at Nunivak 2 well
 - Competent traps should be extensive throughout the basin
 - Immature source rock cuttings produce oil and gas in lab
 - Abundant source in deeper, mature “kitchen” as indicated on seismic
 - **Multiple TCF gas and billion barrel oil potential**
 - All weather E/W spine road in place (Doyon); connector bridge over Nenana River under construction (City of Nenana)
- **3D seismic fall 2014**
 - 2 drill prospects and 2 leads in 52 square mile block
 - 30,000 acres out of 450,000 acres under lease or owned by Doyon
 - Numerous leads throughout basin

Nenana/Minto Basin *Plus* Infrastructure



Current Assessment and Plans

- **Significantly de-risked basin via Doyon efforts**
 - 1 in 2 chance of commercial gas discovery next well
 - 1 in 4 chance for oil
- **Doyon Board has sanctioned new well in central basin 3D area for summer 2016**
 - Success estimates in one of four targets in 3D area
 - Oil: Mean case of 70 million bbls of oil recoverable
 - Gas: Mean case of 200 Bcf of gas recoverable
- **New 2D seismic sanctioned in northern deep-winter 2016**
 - Better define areas of interest from 2012 seismic

Doyon Strategic Objectives

- Create new markets and profits for Doyon companies and others
- Shareholder and other local hire and training
- Deliver new, less expensive and cleaner heat and power options with methane and propane
- Broaden local and state tax base

Nenana/Minto Oil Discovery Goals

- **Delivery to TAPS and North Pole refineries**
 - Oil discovery is best economic case for Doyon and State, and drives current exploration
 - Start-up minimum economic field size is a modest (for Alaska) 25 million bbls to 50 million bbls, dependent on oil price
 - Opportunities for many fields of this size or larger
 - Plenty of room in nearby TAPS via truck, rail or feeder pipeline
- **Proof of concept for oil and/or gas should trigger exploration of much larger Yukon Flats basin**

Nenana/Minto Gas Discovery Goals

- **Long term methane supplier to Fairbanks area**
 - Before construction of export line from NS
 - note: AGDC authority to build gas pipeline to Fairbanks not connected to export line
- **New power generation with Nenana methane and propane**
 - Nenana and/or Fairbanks
- **Long term propane supplier to rural communities in Interior Alaska**
 - Via barge to dozens of communities in Yukon River drainage
 - Nenana is the long-time barge transport hub for Interior
 - Via truck to communities on road system
- **Deliver gas to AKLNG or ASAP line as foundation shipper**
 - 60 MMCF/day to 200 MMCF/day and perhaps more later with expansion
- **Timing:**
 - Summer 2016 well to demonstrate basis for these goals
 - Add 1-2 years more to establish enough reserves/resource in central part of the Nenana basin to meet goals

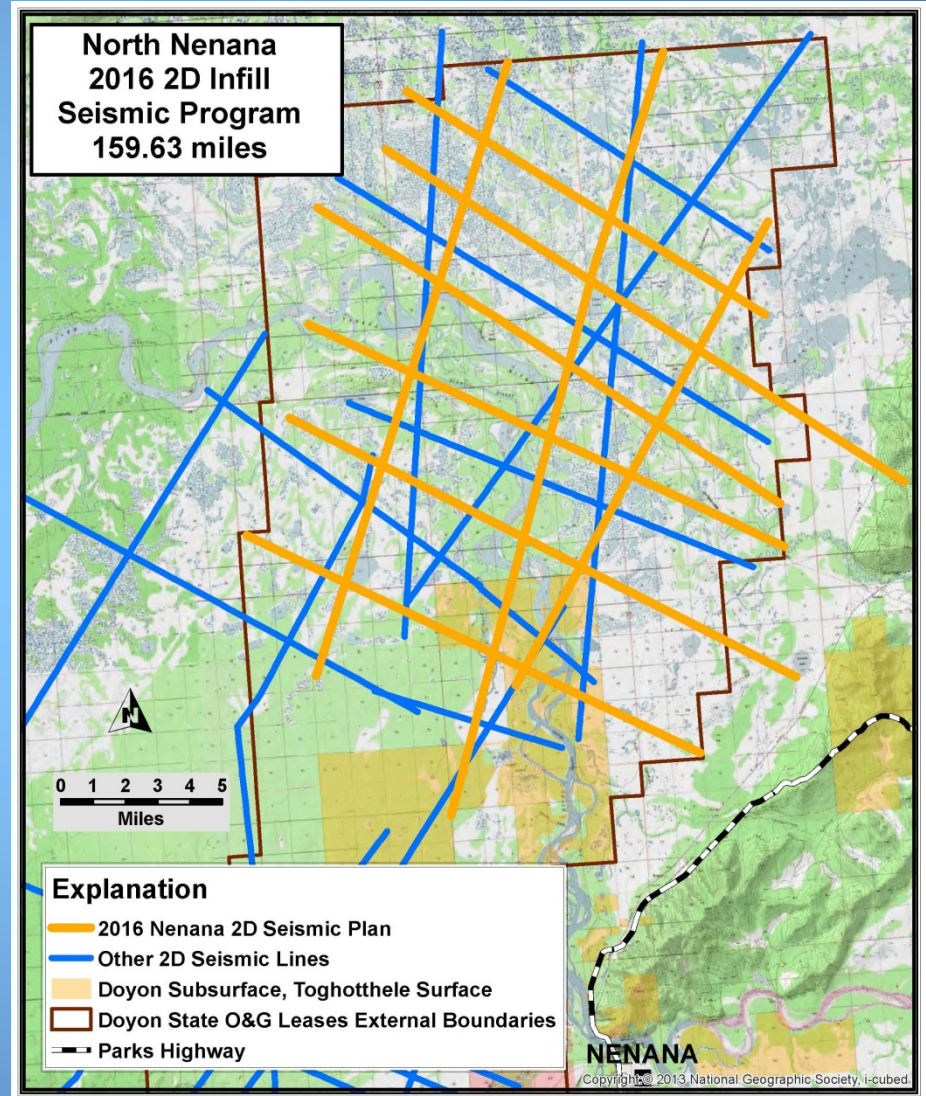
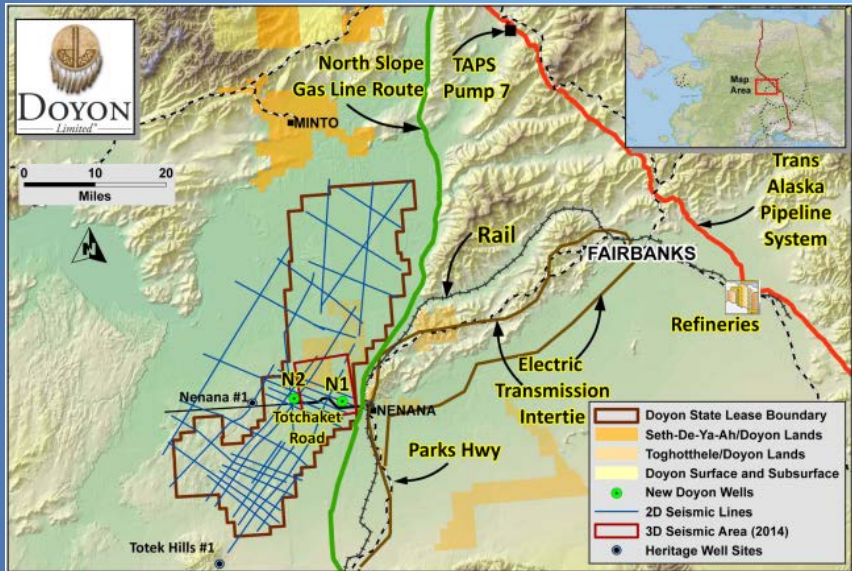
Gas Only Discovery Is A Head Scratcher

- Nenana gas could be stranded for decades if we cannot monetize through local Interior and export sales
- Propane alone not economic
- Barrier to local methane sales
 - Planned near term 6x expansion of LNG by truck to Fairbanks will likely preclude pipeline gas for 10-20 years
- Will the producers and State allow Nenana gas into an export line and liquefaction plant?
 - Discussions with AKLNG and AGDC very positive

Exploration Seismic 2016

- **2D Seismic Survey Winter 2016**
 - Northern deep—partly in Minto Flats
 - Up to 115-160 line miles; helicopter supported
 - Similar to winter 2012 program in this same area
 - Drill spacing 330 ft., 35 ft. hole depth, 8.8 lbs. charge per hole
 - Permitting and seismic contractor procurement underway
 - Objective: identify areas that are drill targets in 2-3 years
 - Likely will need a 3D seismic survey in 2017 or 2018 before drilling

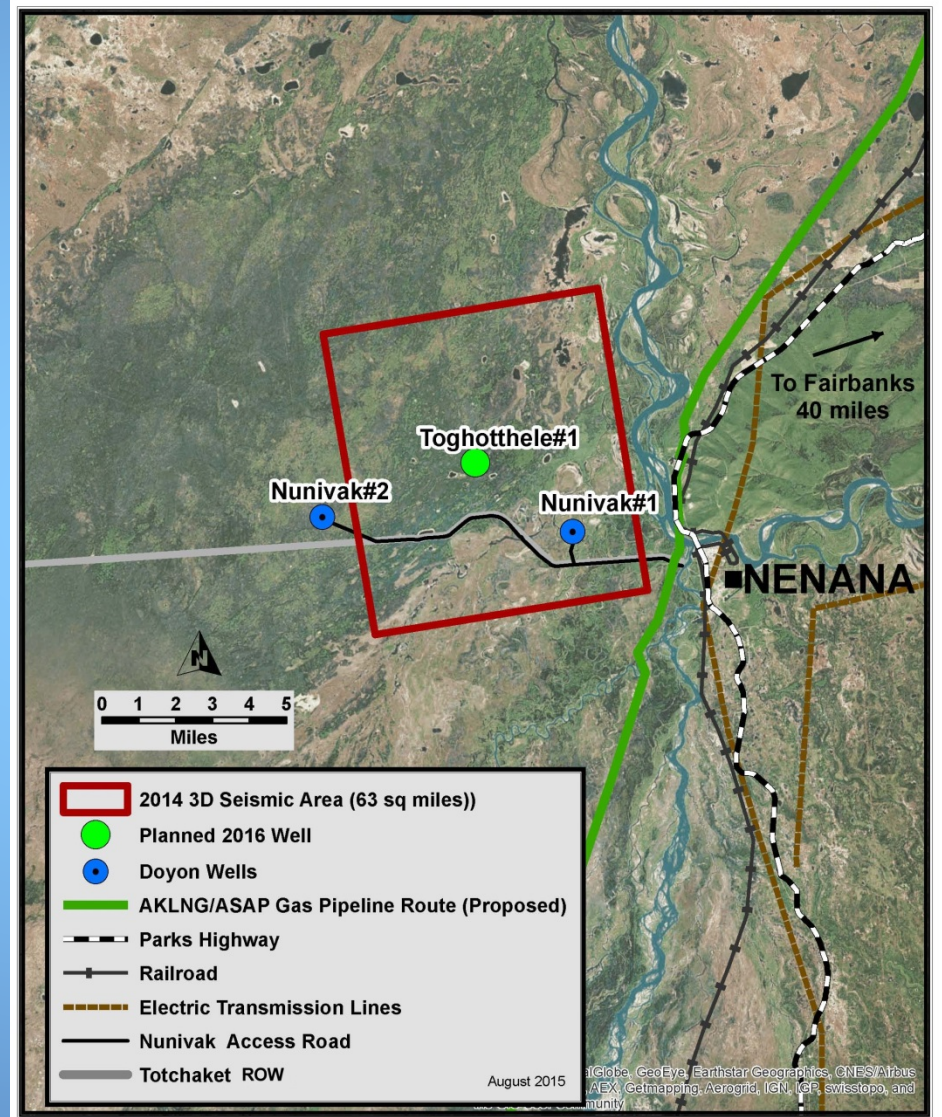
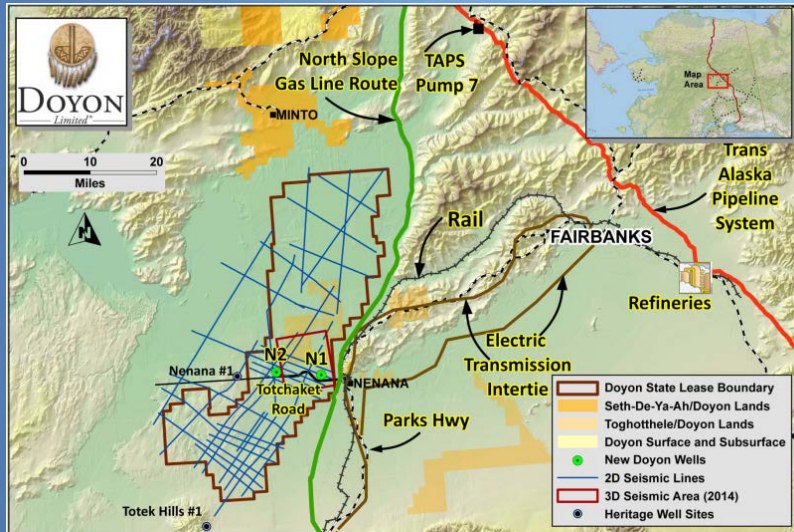
Winter 2016 2D Seismic



Exploration Drilling 2016

- **Drill in summer 2016**
 - Near Nenana and existing wells
 - About 2 miles off existing Totchaket road system
 - Winter road construction
 - 10,000 ft. vertical depth objective
 - Permitting and procurement underway
 - Doyon Drilling Arctic Fox
 - Objective: commercial quantities of oil and gas

Summer 2016 Well



State Exploration Credits

- Credits applicable to Interior Alaska have been critical to Doyon's ongoing success
- State is our "partner" —all data shared and State "investment" will return royalties and production taxes
- Will be key to next drilling and seismic campaigns
- Nenana and Yukon Flats only truly frontier basins being continually explored onshore Alaska
- Minor level of credits generated in Interior compared to other parts of state
- The rebated credits money stays here and is invested here by a truly Alaskan company

Questions?

▪ Pipeline

- Completed civil field work for off-right of way
- Review and analysis of major waterway crossing design reports
- Completing permit required closeout reports for the AKLNG/ASAP shared borehole program and ASAP environmental field program
- Continued work on BLM Environmental Assessment for future borehole sampling on federal land
- Drafting Small and Medium scale test reports
- Engineering and GIS support to ERL on 404 permit application
- Finalization and review of initial geotechnical borehole reports from 2015 summer field program
- Continued interface with AKLNG on pipeline routing

▪ Project Services

- Continued advancement of Documentum implementation project; target completion of contractor setup mid October
- Begin closeout activities across all task orders

▪ Construction Management / CM&I Work Plan

- Issued RFI's for Light Vehicles and Heavy Equipment Studies
- Received and evaluated Cathodic Protection Basis of Design document from Corrpro and issued as final
- Issued all 4 Key Enabling Work Plans to Rev 0

- **Facilities Management:**
 - Engineering team demobilized

- **Environmental, Regulatory and Land (ERL):**
 - Air Permitting
 - Preliminary results indicate the ASAP project will not trigger conformity conditions in the Fairbanks non-attainment area. Working with ADEC on the final determination

 - Field Programs
 - Completing permit required closeout reports for the AKLNG/ASAP shared borehole program
 - Completing permit required closeout reports for the ASAP environmental field programs
 - Continue work on BLM Environmental Assessment for future borehole sampling on federal land



- **Environmental, Regulatory and Land (ERL) continued:**
 - Corps of Engineers (COE) 404 Application and SEIS support
 - Submitted the updated COE 404 application on September 10
 - Currently developing responses to COE comments on the 404 permit application
 - Revising Environmental Evaluation Document for support of the SEIS
 - Anticipate Preliminary Draft SEIS by end of 2015; Draft SEIS in Q1 of 2016
 - Conducting joint ASAP/AKLNG evaluation of belowground vs aboveground pipe installation
 - Completed Development and Upload of the Interactive Map Viewer
 - Land and Rights-of-Way
 - Anticipate submittal of the State ROW lease amendment request on September 25
 - Anticipate submittal of the updated Federal grant of ROW application on October 2

Alaska Stand Alone Pipeline Functional Area Summary

David Haugen
8/31/15



	Budget	Current Commitments	Percent Spent of Budget Total	Estimate At Complete	Total Expended Through 8/31/15
(1)	(2)	(3)	%	(5)	(6)
Project Management	\$667,632	\$525,000	10%	\$667,632	\$69,966
Pipeline	\$6,542,309	\$5,385,051	24%	\$6,542,309	\$1,567,279
Facilities	\$94,000	\$93,391	17%	\$94,000	\$15,564
ERL	\$3,777,698	\$3,549,013	15%	\$3,777,698	\$551,144
CMI	\$528,100	\$528,100	32%	\$528,100	\$169,677
HSSE	\$0	\$0	0%	\$0	\$0
Project Services	\$2,763,000	\$1,092,344	15%	\$2,763,000	\$424,143
Interface	\$380,000	\$380,000	15%	\$380,000	\$56,860
State Agencies	\$1,013,675	\$131,936	0%	\$1,013,675	\$0
TOTAL	\$15,766,413	\$11,684,835	18%	\$15,766,413	\$2,854,633

Data representative of FY16 activity only.

- **AKLNG/AGDC/SGT Co-operation & Interface:**
 - AGDC and DNR continue to develop instate offtake plan.
 - AKLNG Pipeline hosted representatives from the State Gas Team (SGT) and AGDC to discuss scope, cost, and schedule for designing a 48” pipeline to the same Pre-FEED quality as the current 42” design basis.
- **GTP, PBU, & PTU:** AKLNG held successful GTP Footprint Workshop in Anchorage with federal, state, and local regulators. Received feedback concerning gravel and water resources, and permitting timelines.
- **Pipeline:** For the Cook Inlet part of the pipeline, held successful multi-agency Routing Workshop in Anchorage.
- **LNG Plant:** Completed a structured risk-reduction review (known as “CDRA”) of the plant design and planned construction; no new significant issues were found.
- **Marine:**
 - Work continues on the Marine Transportation Modeling effort.
 - Completed a structured risk-reduction review (known as “CDRA”) of the marine terminal design and planned construction; no new significant issues were found.
- **Integration:**
 - Work continues on the Integrated Reliability, Availability, & Maintainability (iRAM) study, improvements have been developed for each sub-project and will be pursued after the current Pre-FEED scope has been completed.
 - Presented current status of the project’s Integrated Labor Study to the AK Department of Labor.
- **Regulatory:** Summer field season activity continues; over 170 people working in/along GTP, Pipeline, and LNG Plant locations.



(in thousands of dollars)
as of August 31, 2015

Alaska LNG

AKLNG Project Expenditures

	Current Month			Year to Date			Total FY 16 Budget	Percent Expended
	Actual	Budget	Variance	Actual	Budget	Variance		
LNG Facilities	2,131	2,912	781	4,195	5,785	1,590	15,559	27.0%
Marine Facilities	948	1,475	527	1,928	3,093	1,165	7,288	26.5%
AGDC P.I. @25%	3,079	4,387	1,308	6,123	8,878	2,755	22,847	26.8%

AGDC Corporate Expenditures

	Current Month			Year to Date			Total FY 15 Budget	YTD Percent Expended
	Actual	Budget	Variance	Actual	Budget	Variance		
Operating	104	233	129	215	467	252	2,802	7.7%
Other CAM **	120	139	19	240	279	39	1,672	14.4%
Total AGDC Expense	224	372	148	455	746	291	4,474	10.2%
Total AKLNG	3,303	4,759	1,456	6,578	9,624	3,046	27,321	24.1%

** Corporate expenditures are applied in accordance with the Cost Allocation Method approved by the Board of Directors.
Variance equals Budget less Actual