

A landscape photograph of a mountain valley. In the foreground, there is a riverbed with sparse, low-lying vegetation. A long, straight pipeline runs horizontally across the middle ground. The background features rugged, dark mountains under a cloudy sky. The text "A Historical Perspective of Small-Scale Natural Gas Developments" is overlaid in white, centered in the image.

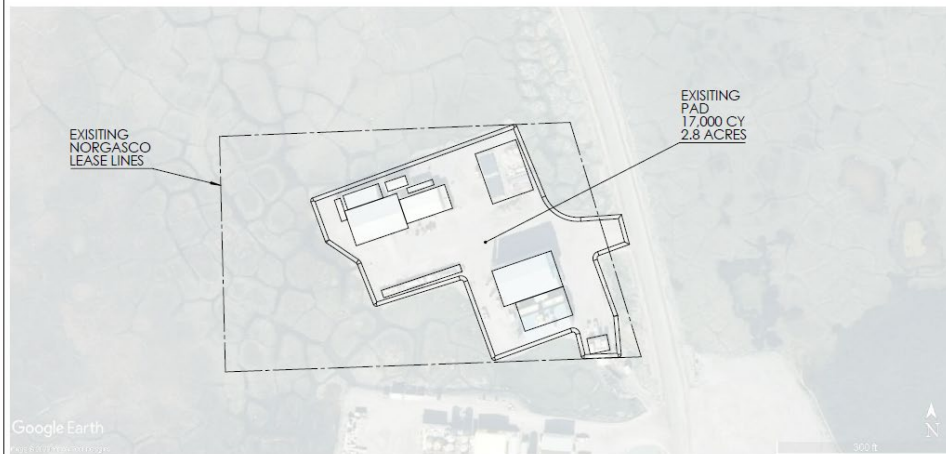
# A Historical Perspective of Small-Scale Natural Gas Developments

# A Historic Perspective of Small Scale Natural Gas Developments

- 1985 Norgasco – Deadhorse/Prudhoe Bay Local Distribution Company
  - First Gas in Pipe – March 1989
  - Introduced gas fired gensets to Deadhorse



First gas generator in Deadhorse 1989



DESCRIPTION	DATE	BY	REV	NOTE

**NORGASCO, INC.**  
4341B Street Suite 306  
Anchorage, AK 99503  
907-562-5520

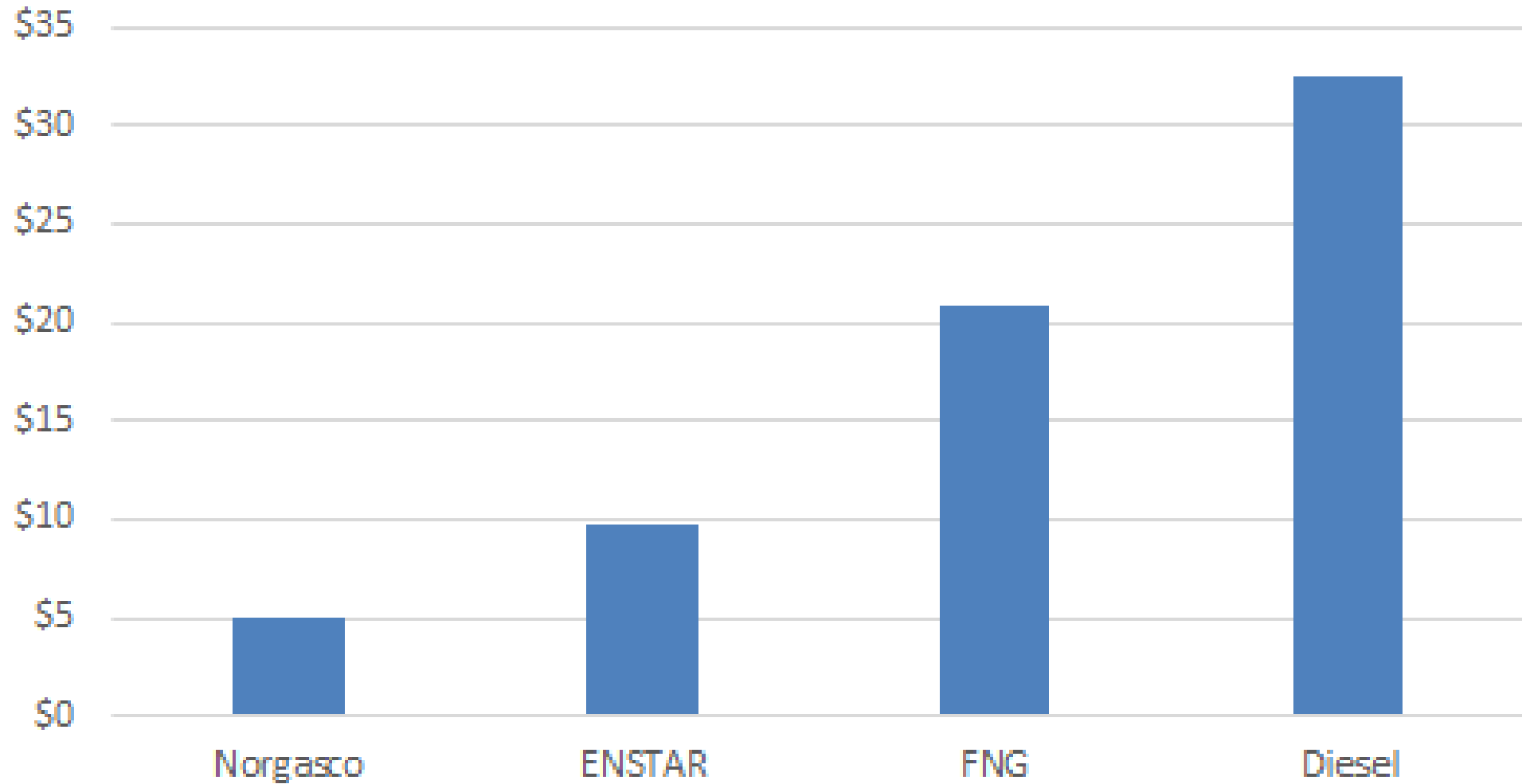
**NORGASCO, INC.**

**NORGASCO DEADHORSE SITE**

DESIGNED BY	DATE	SHEET
L. LATCHEM		1 OF 3



## Comparative MMBTU Fuel Prices



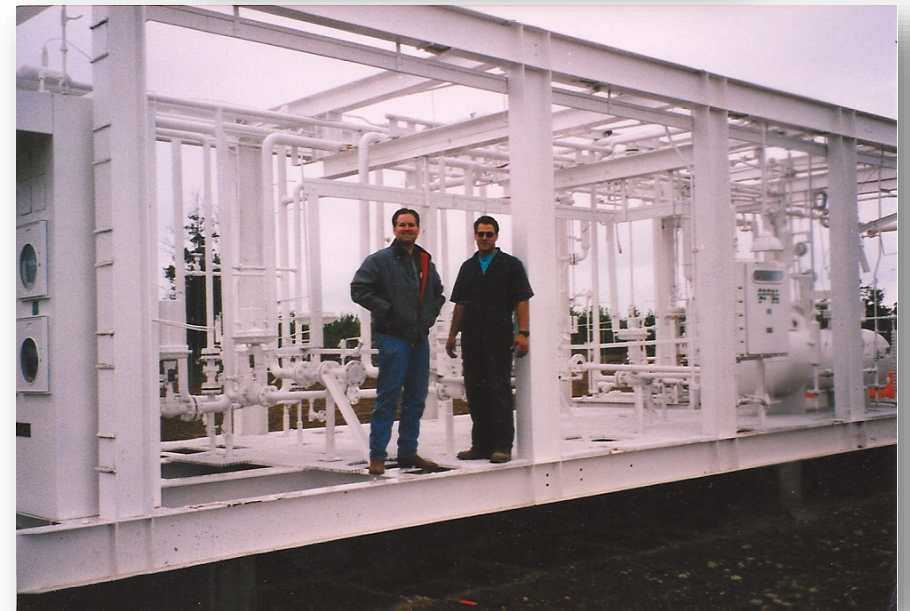
Norgasco hasn't had a rate case since 1989, same price for over 30 years, despite higher prices statewide

# Service Area

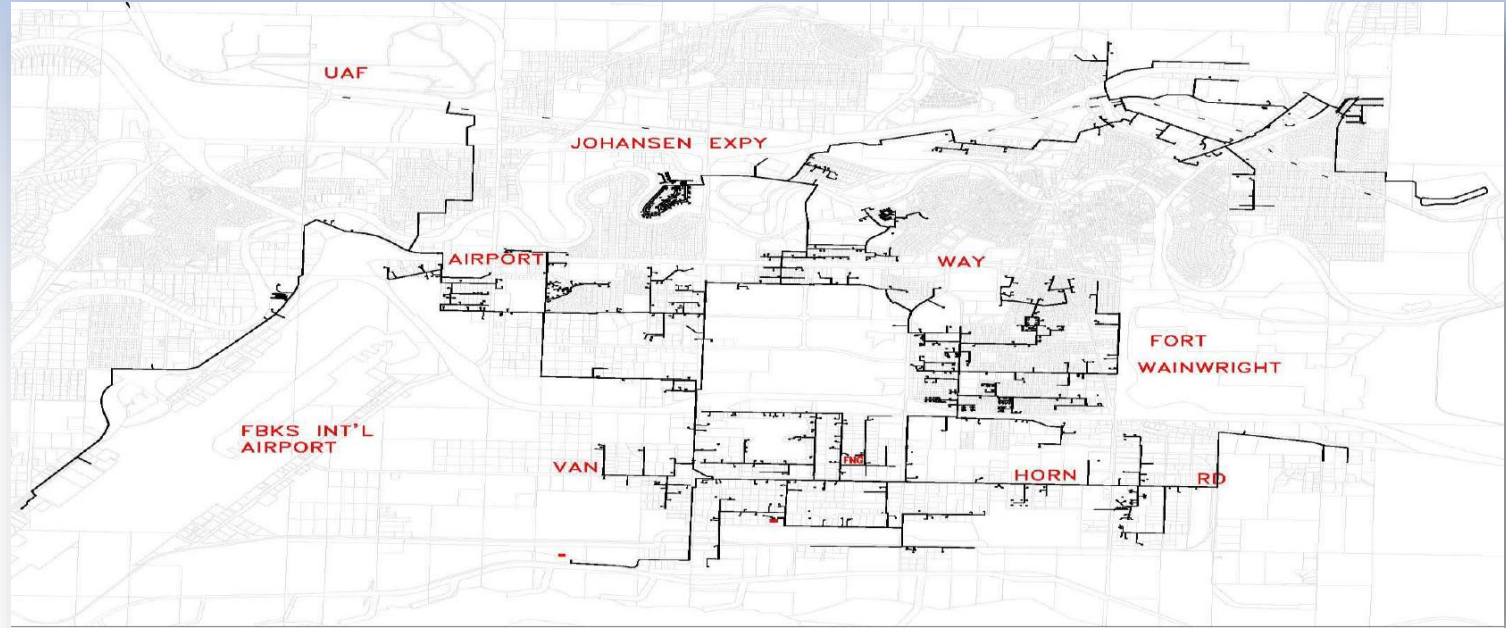


Alaska's largest industrial sector

- 1992 Northern Eclipse – Alaska's second LNG plant
  - First LNG produced in 1997
  - Now Titan LNG



- 1994 Fairbanks Natural Gas
  - Relocated to Fairbanks in 1997
  - First Gas in Pipe in 1997
  - Now Interior Gas Utility
  - Divested in 2000



- 1997 First load of LNG delivered to the CIRI Lodge in Talkeetna.
- The facility has been on natural gas for the past 24 years thanks to the foresight of Howard Nugent and Carl Marrs



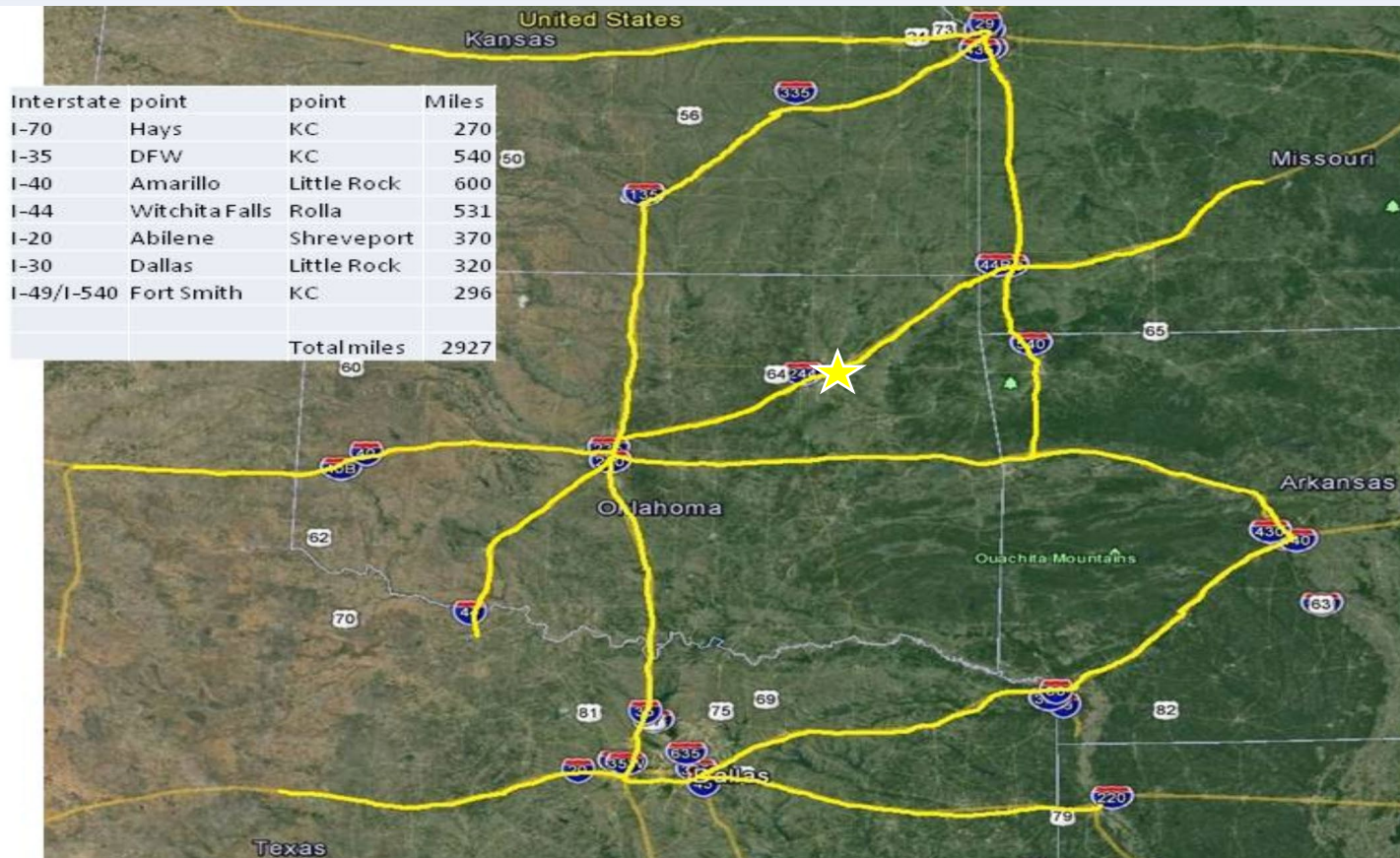
- 2006 Spectrum LNG Developed Another Small-Scale LNG project in Western Arizona to Serve CA, AZ and MX markets

- First LNG in 2010
- Currently Producing about 65,000 gallons per day
- We are planning to expand it to 100,000 gallons per day

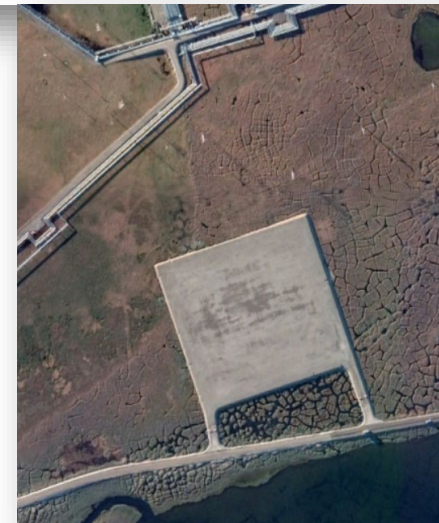
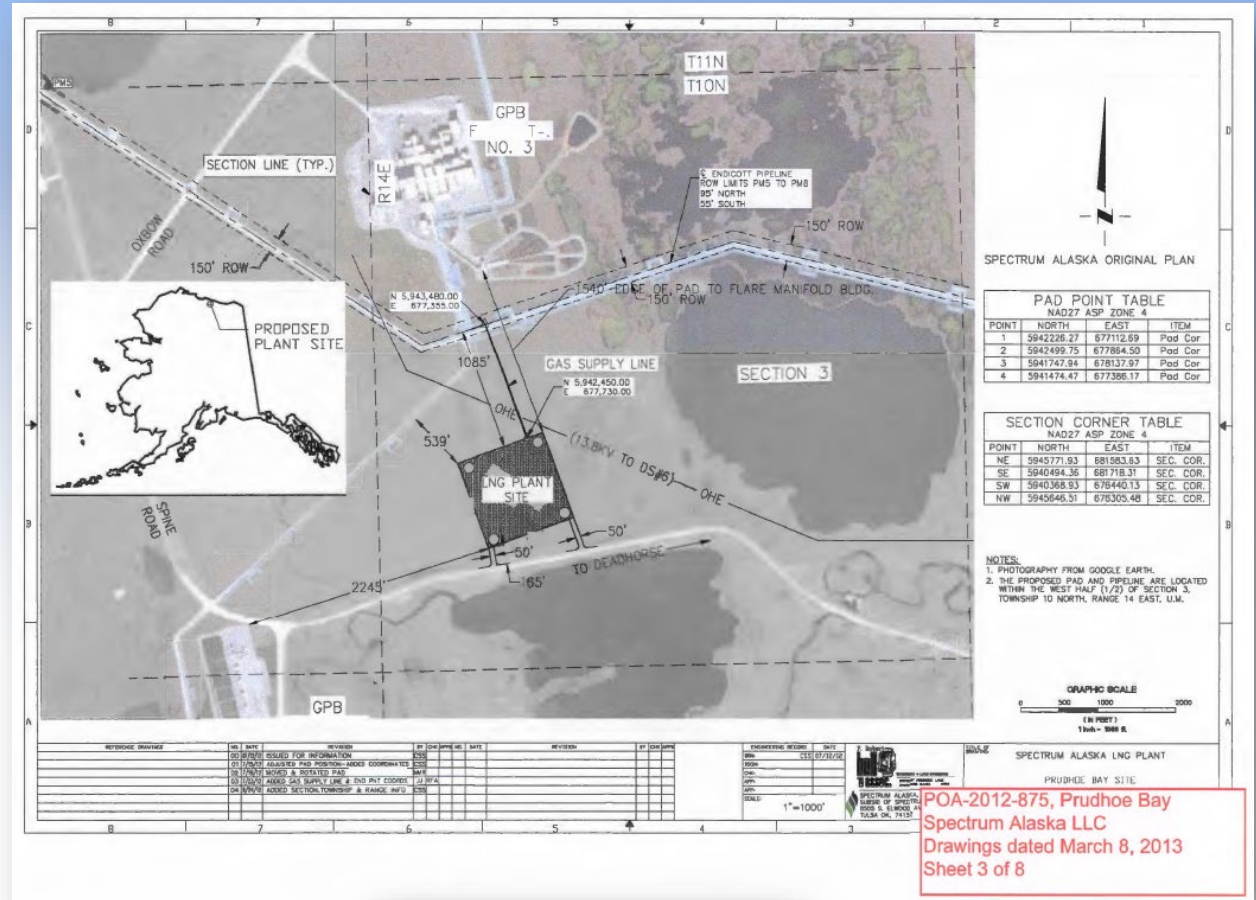




- 2014 Oil Price Collapse Cancels Second Plant at Stroud, OK
- Site graded
- Fab shop complete
- Now reconsidering.....



- 2013 Spectrum Alaska - Developed project and permitted LNG plant for North Slope to Supply Fairbanks with Additional LNG
  - State of AK passes SB23 to Create the “Interior Energy Project”
  - Provided a Total Combination of \$325,000,000 of Grants, Bonding and SETS Loans (\$10,488/person give or take)
  - Sold Spectrum Alaska to AIDEA, AIDEA sold pad site in Prudhoe Bay to Ahtna
  - No new LNG capacity has been built since the State got involved...



2014 – Present  
AS 38.35 to AS 38.05

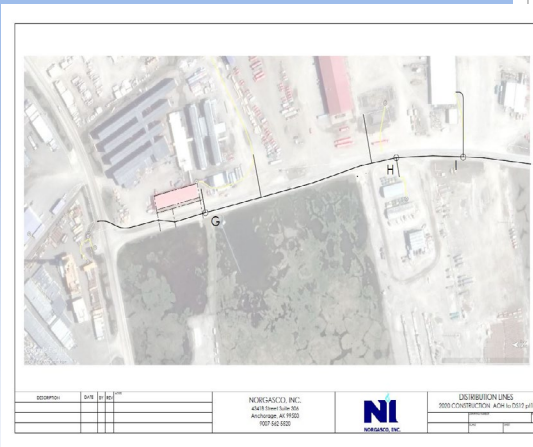
# No Substitute for Experience

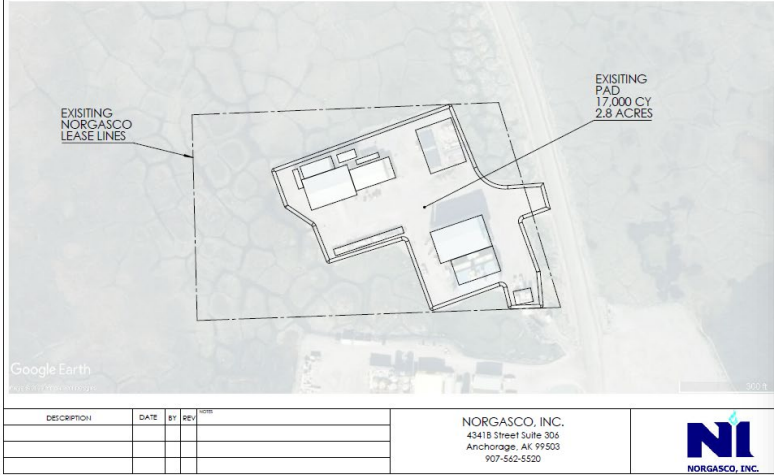
A slide from  
the past

- Spectrum understands and has experience in all aspects of the IEP, not just the LNG production.
- We currently produce more LNG than all other proposers combined.
- According to the published information, we have the lowest CAPEX.
- Spectrum has chosen to focus its business on the production of LNG but can provide valuable assistance in other areas of the IEP.
- Most Experienced Management Team. Our management team has over 100 years of North Slope experience and has developed successful companies that continue today to deliver Billions of BTUs of energy daily.
- Five of our senior management team have CDLs and three have Dalton Highway experience.
- We understand and have overcome the challenges.

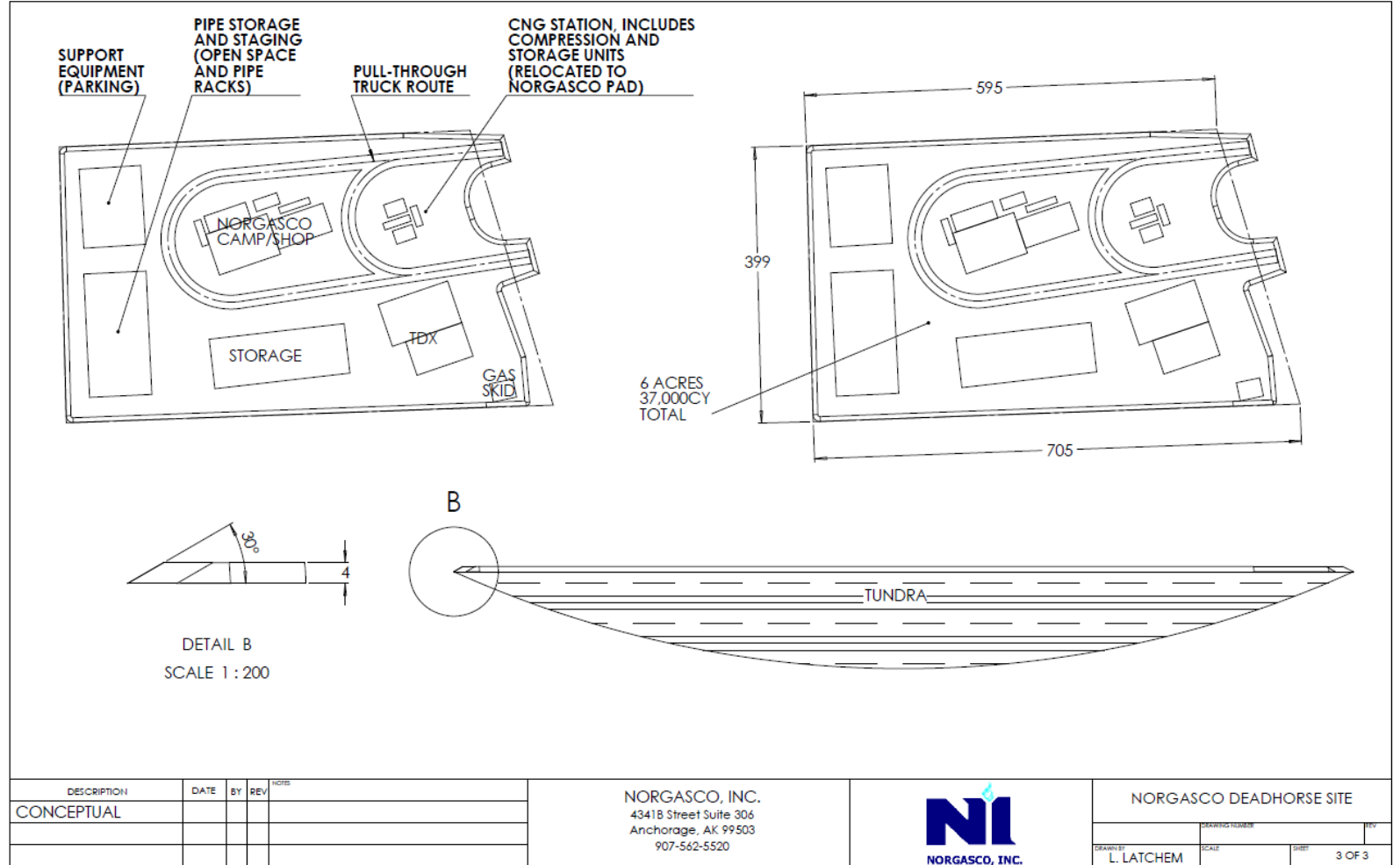
# Return to Norgasco

- 2018 - Develop 3-year Capital Improvement Campaign
  - 2019 - Replace Aging Steel Pipe
  - 2020 - Update Equipment and Camp
  - Present - Prepare company for the next 30 years





Existing



Expansion

- 2019 Frontier CNG
  - Install CNG Station in Deadhorse and purchase 4 New CNG Trucks
  - Developing new CNG Station in 2021
  - Thank you to Conam and TDX
  - We should burn the gas and sell/export the oil



# Frontier CNG



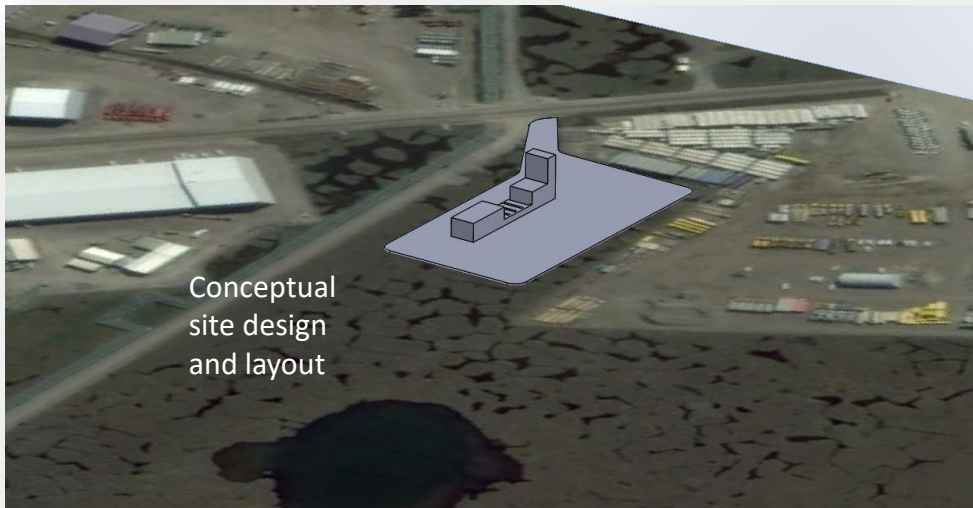
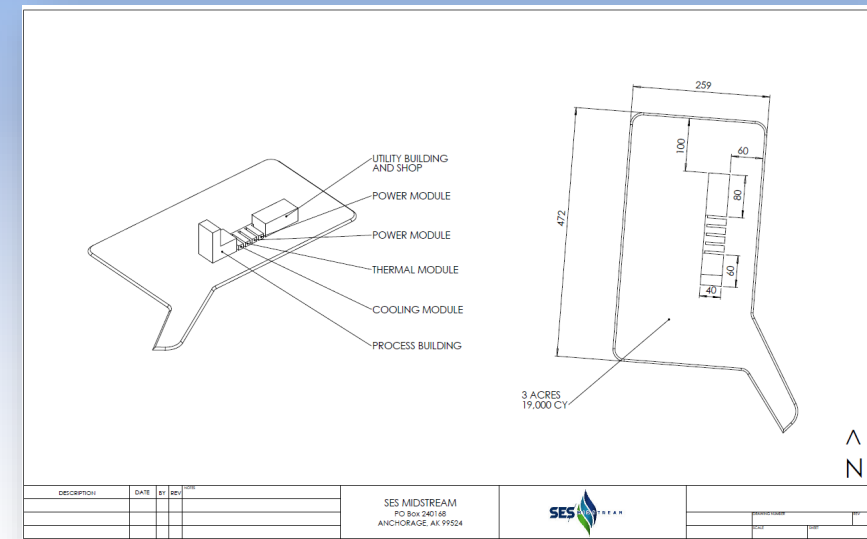
# New Partner in Frontier CNG: Rawhide Leasing

- CNG for Off Pipeline Distribution



- 2019 SES Midstream - Time to Clean up PBU Field Fuel Gas

- Good Project, Solves Technical Problems, but facing problems with DNR



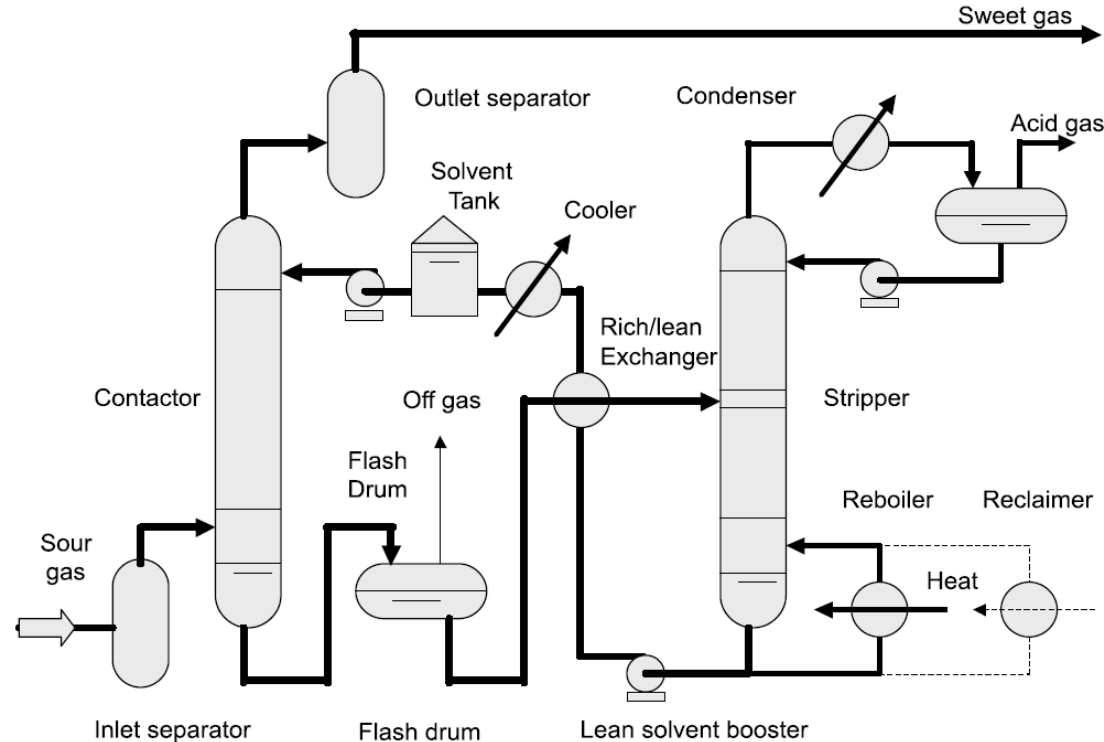




# SES Midstream Origins

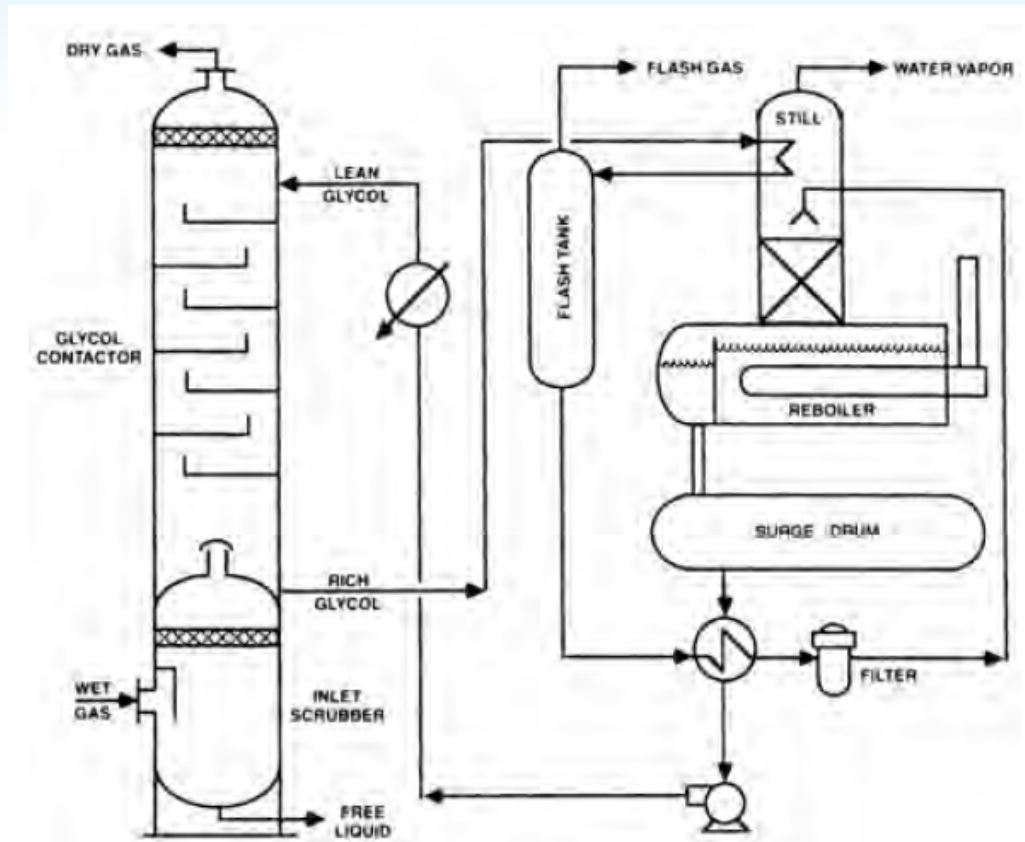
- 2018 – EPA regulations require new generators to meet more stringent emission standards that require cleaner fuel.
- Most recent compositions from reports include
  - CO<sub>2</sub> is 12%
  - H<sub>2</sub>S is 30 ppm
- Lower 48 pipeline gas requirements
  - 4 ppm H<sub>2</sub>S
  - 2% CO<sub>2</sub>

# Gas Processing CO<sub>2</sub>/H<sub>2</sub>S Removal

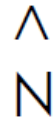
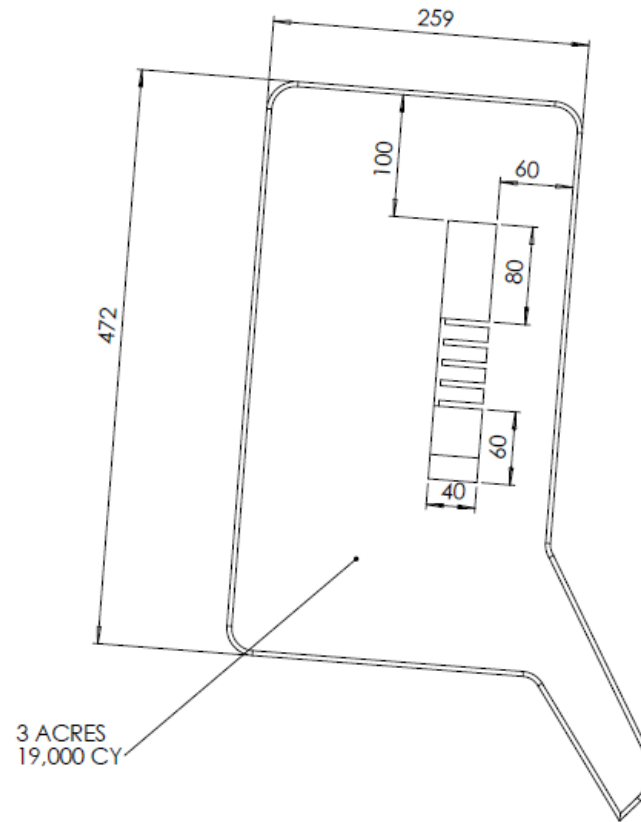
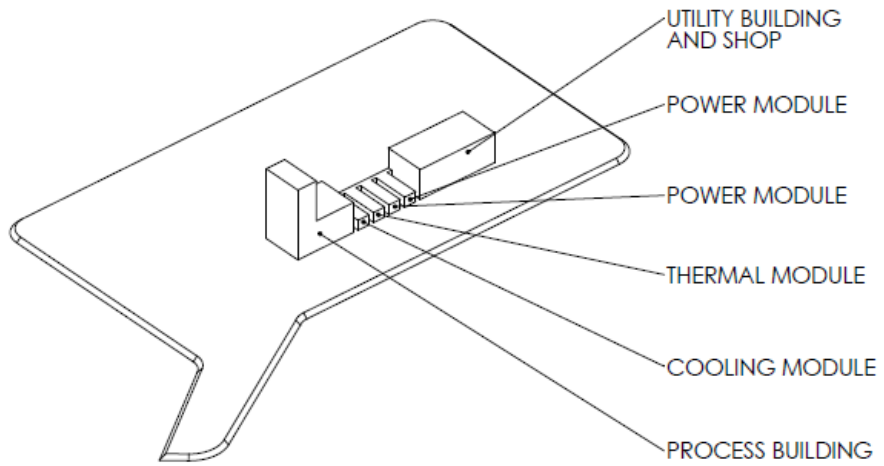


- Carbon Dioxide capture/vent
  - Growing demand for carbon capture
- Hydrogen Sulfide capture

# Gas Processing H<sub>2</sub>O Removal



- Glycol system
- Generally, more energy efficient
- More effective dehy options available



DESCRIPTION	DATE	BY	REV	NOTES

SES MIDSTREAM  
 PO Box 240168  
 ANCHORAGE, AK 99524

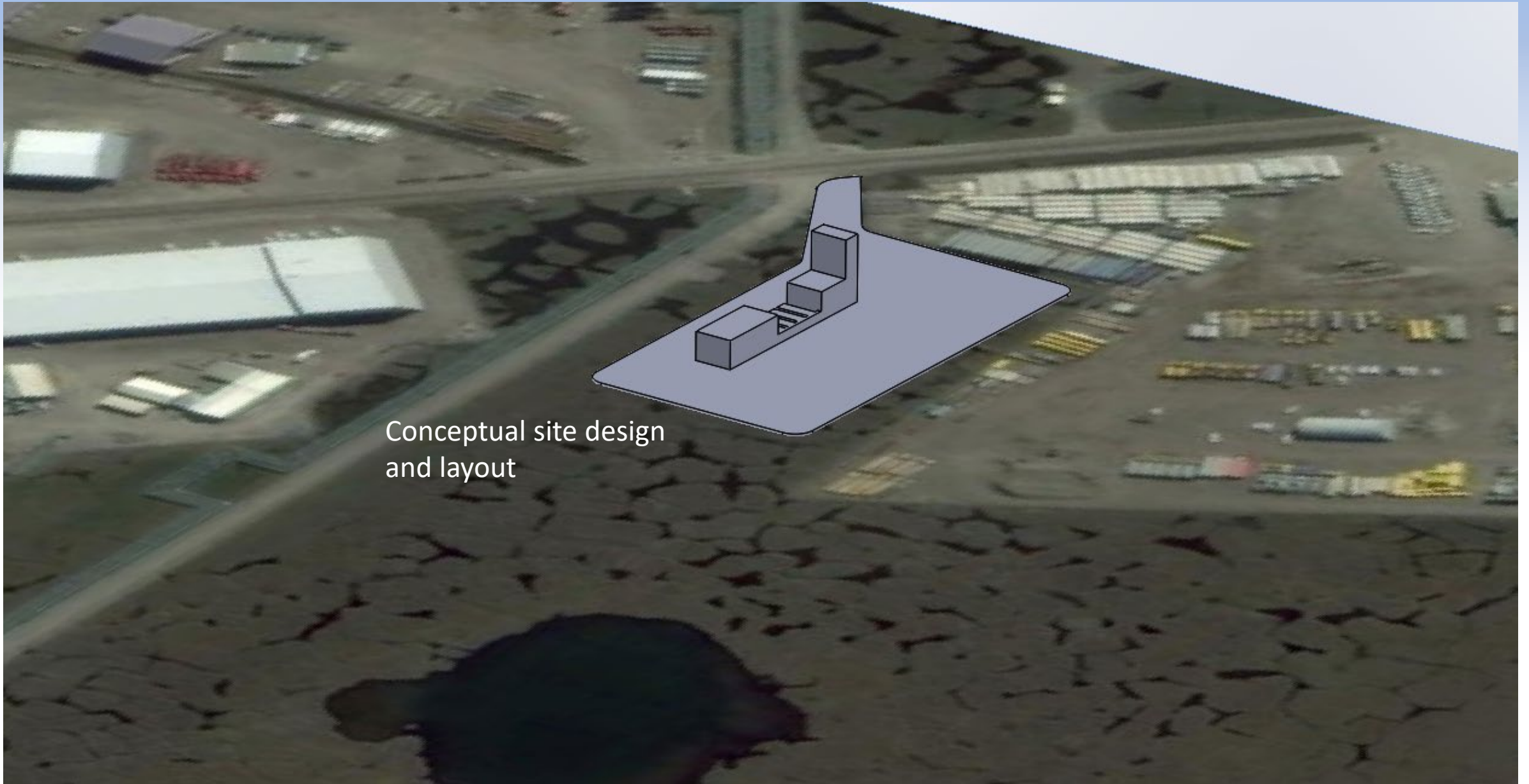


DRAWING NUMBER		REV
SCALE	SHEET	





Proposed Site



Conceptual site design  
and layout

# COE Gravel Permit Approval

09/28/2020



DEPARTMENT OF THE ARMY  
ALASKA DISTRICT, U.S. ARMY CORPS OF ENGINEERS  
REGULATORY DIVISION  
P.O. BOX 6898  
JBER, AK 99506-0898

September 28, 2020

Regulatory Division  
POA-2020-00241

SES Midstream LLC  
Attention: Mr. Ray Latchem  
8505 S. Elwood Avenue, Building #123  
Tulsa, Oklahoma 74132

Dear Mr. Latchem:

Enclosed is the signed Department of the Army (DA) permit, file number POA-2020-00241, Sagavanirktok River, which authorizes the construction of a gravel pad and access road for your Gas Processing Plant. The project site is within Section 18, T. 10 N., R. 15 E., Umiat Meridian; Latitude 70.2255° N., Longitude 148.4184° W.; in Prudhoe Bay, Alaska. Also enclosed is a Notice of Authorization which should be posted in a prominent location near the authorized work.

The State of Alaska Department of Environmental Conservation Division of Environmental Health Drinking Water Program has requested the permittee to comply with 18 AAC 80 and follow the recommendations within the attached document titled Recommendations for General Project Activities, dated May 26, 2020.

If changes to the plans or location of the work are necessary for any reason, plans must be submitted to us immediately. Federal law requires approval of any changes before construction begins.

Nothing in this letter excuses you from compliance with other Federal, State, or local statutes, ordinances, or regulations.

Please contact me via email at: [Mary.R.Romero@usace.army.mil](mailto:Mary.R.Romero@usace.army.mil), by mail at the address above, by phone at (907) 753-2773, or toll free from within Alaska at (800) 478-2712, if you have questions or to request a hard copy of this letter and enclosures. For more information about the Regulatory Program, please visit our website at: [www.poa.usace.army.mil/Missions/Regulatory](http://www.poa.usace.army.mil/Missions/Regulatory).

Sincerely,

*Mary Romero*  
Mary R. Romero  
Project Manager

Enclosures



This notice of authorization must be  
conspicuously displayed at the site of work.

United States Army Corps of Engineers  
SAGAVANIRKTOK RIVER

A permit to: CONSTRUCT A GRAVEL PAD AND ACCESS ROAD FOR A  
GAS PROCESSING PLANT

at: SECTION 18, T. 10 N., R. 15 E., UMIAT MERIDIAN; LATITUDE 70.2255° N.,  
LONGITUDE 148.4184° W.; IN PRUDHOE BAY, ALASKA

has been issued to: SES MIDSTREAM LLC

on: SEPTEMBER 28, 2020 and expires: AUGUST 31, 2025

Address of Permittee: 8505 S. ELWOOD AVENUE, BUILDING #123, TULSA,  
OKLAHOMA 74132

Permit Number:

POA-2020-00241

*Mary Romero*  
FOR: *District Commander*  
MARY R. ROMERO  
PROJECT MANAGER  
REGULATORY DIVISION

ENG FORM 4336, Jul 81 (33 CFR 320-330) EDITION OF JUL 70 MAY BE USED

(Proponent: CECW-O)



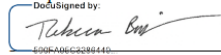
# This is where the train left the tracks: DNR Reverses itself

- First meeting with DNR in August 2019
- A Final finding was **approved 06/08/2020**
- **Without notice**, the Final Finding was **Rescinded 08/19/2020**

#### Recommendation:

DMLW has completed a review of the information provided by the applicant, examined the relevant land management documents, agency comments, land ownership, and has found that this project is consistent with all applicable statutes and regulations. DMLW considered both direct and indirect benefits to the State. As there are no competing projects which are incompatible with the proposed lease and in consideration of the benefits described above, DNR finds granting of a 25-year lease, subject to appropriate terms and conditions, provide the greatest benefit to the State.

I find the proposed action may be in the State's best interest and recommend approval to proceed with public notice.

Digitally signed by:  


6/8/2020

Becky Baird, Natural Resource Specialist III

Date

#### Preliminary Decision:

It is the determination of the Division of Mining, Land and Water that it may be in the State's best interest to issue a negotiated lease for 25 years to the applicant, subject to terms and conditions as described above. Responsible development of a natural gas processing facility in Deadhorse will help to provide for quality natural gas products to the area, support economic development, and provide revenue to the state through lease compensation. This application shall now proceed to public notice.



6/8/20

Jeanne Proulx, Regional Manager

Date

Northern Regional Office, Division of Mining, Land and Water

#### Attachments

Attachment A – Location Map



THE STATE  
of ALASKA  
GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

OFFICE OF THE COMMISSIONER

550 West 7<sup>th</sup> Avenue, Suite 100  
Anchorage, AK 99501-3000  
Main: 907.269-8000  
Fax: 907-269-8000

August 19, 2020

SES Midstream, LLC  
Ray Latchem, Managing Member  
8505 S. Elwood Avenue, Bldg. #123  
Tulsa, OK, 74132

RE: ADL 421361 – Rescindment of Final Finding and Decision, SES Midstream LLC lease gas processing facility lease application:



# Regulations

## AS38.35

Defines

(7) “pipeline or pipeline facility [as] all the facilities of a total system of pipe... used by a carrier... including all pipe, pump or compressor stations, station equipment, tanks, valves, access roads, bridges, airfields, terminals and terminal facilities, including docks and tanker loading facilities, operations control center for both the upstream part of the pipeline and the terminal, tanker ballast treatment facilities, and fire protection system, communication system, and all other facilities used or necessary for an integral line of pipe, **taken as a whole, to effectuate transportation...**”

## AS42.06

Defines

(10) “natural gas pipeline or natural gas pipeline facility [as] all the facilities of a total system of pipe... **excluding, however, gas processing plants, treaters, and separators...**”

(11) “natural gas pipeline carrier [as] the owner ...of a natural gas pipeline, as the term is the term is defined in this section ...”

(13) “North Slope natural gas pipeline [as] all facilities of a total system of pipe... excluding equipment used for conditioning...”

(14) “North Slope natural gas pipeline carrier [as an] entity organized under the laws of the United States of a state, authorized to construct, operate or extend North Slope natural gas pipeline facilities”

(16) “Pipeline facility [as] all the facilities of a total system of pipe ... **excluding, however, gas processing plants, treaters, and separators...**”

# Legal appeal filed January 29, 2021



**Joe M. Teig**  
**Phone** (907) 865-2605  
**Fax** (907) 865-2680  
jteig@hollandhart.com

January 29, 2021

**VIA E-MAIL** [Corri.feige@alaska.gov](mailto:Corri.feige@alaska.gov)

Corri Feige, Commissioner  
State of Alaska  
Department of Natural Resources  
550 W. 7th Avenue, Suite 1400  
Anchorage, AK 99501

**Re: ADL 421361—SES Midstream, LLC Application for Lease Under AS 38.05.070(d)**

Dear Commissioner Feige:

This firm represents SES Midstream, LLC (“SESM”). Pursuant to 11 AAC 02.030, SESM hereby appeals the Decision of Director Martin Parsons (“Director”), Division of Mining, Land & Water (“DMLW”), dated January 22, 2021, a copy of which is attached hereto as Exhibit A.

• GOVERNMENT

# Prudhoe gas treatment plant hits snag

*SES Midstream appeals division's decision on Deadhorse lease to DNR commissioner; Ray Latchem says project is shovel ready*

By **KAY CASHMAN**  
*Petroleum News*

**S**ES Midstream's plan to begin construction of a small compressed natural gas and sales quality natural gas plant at Deadhorse to serve the local oilfield support contractors and Norgasco, the local gas distribution firm, has run into permitting roadblock, which ultimately resulted in a Jan. 29 appeal filed with Corri Feige, commissioner of the Alaska Department of Natural Resources.

The appeal is still being adjudicated, so DNR was unable to comment on the case, which means the following information is largely from SESM's perspective.

"DNR was briefed in the Fall of 2019 and we received advice from them about how to lease the SOA land needed for the facility. We followed their advice," SESM's manager, Raymond Latchem, said.

On July 23, SESM received a final finding and decision that



**CORRI FEIGE**



**RAYMOND LATCHEM**

cent natural gas distribution system."

In a Feb. 22 plea for intervention from Alaska Gov. Mike Dunleavy, Latchem wrote: "The train left the tracks on August 19th of 2020 when the DNR, without notice or discussion, rescinded its Final Finding and Decision. The DMLW in Fairbanks had done a good job of processing the application and issuing the FFD. However, the DOG (Division of Oil and Gas) in Anchorage apparently felt that they should have jurisdiction over gas treating. The only way they can reach this project is through the land rights. If we could have located on private land — there isn't any — or even NSB (North Slope Borough) land in Deadhorse, then the DOG could not grab this turf."

### Founder of Norgasco

In Latchem's letter to the governor, he described SESM as a "small family-owned company" with "a long history of natural gas development in Alaska. Past projects include bringing natural gas service to Prudhoe Bay/Deadhorse in the 1980's, Fairbanks and Talkeetna in the 1990's, and developed and built Alaska's second LNG plant at Pt. McKenzie. We also started another LNG project in Prudhoe Bay but sold it to AIDEA after Governor Parnell created the Interior Energy Project in 2013."

All of this can be substantiated in public



February 22, 2021

Governor Michael Dunleavy  
P.O. Box 110001  
Juneau, AK 99811

Dear Governor,

I am writing to request your prompt assistance with a matter we presently have before the DNR and to request an in person meeting with you the week of March 22<sup>nd</sup>.

SES Midstream is a small family-owned company and we have a long history of natural gas development in Alaska. Past projects include bringing natural gas service to Prudhoe Bay/Deadhorse in the 1980's, Fairbanks and Talkeetna in the 1990's, and developed and built Alaska's second LNG plant at Pt. McKenzie. We also started another LNG project in Prudhoe Bay but sold it to AIDEA after Governor Parnell created the Interior Energy Project in 2013.

Today we are developing Alaska's first small scale natural gas treating company, SES Midstream, LLC. Natural gas is normally a very clean fuel. However, Prudhoe Bay gas contains a large amount of CO<sub>2</sub> and H<sub>2</sub>S, the latter a poisonous gas in certain concentrations. SES Midstream is endeavoring to build a small gas treating facility in Deadhorse that could remove the contaminants from the gas that is used locally for power generation and heating. This would bring the quality of the gas up to the same standards as Anchorage, Fairbanks, Wasilla and the Kenai Peninsula, as well as the rest of North America. No one suggests that such a facility is not in the public's interest.

DNR was briefed in the Fall of 2019 and we received advice from them about how to lease the SOA land needed for the facility. We followed their advice and on July 23<sup>rd</sup>, 2020 DNR issued a Final Finding and Decision in our favor. We concurrently permitted with the COE for the installation of a gravel pad. Things were on track for 2021 construction in Deadhorse.

The train left the tracks on August 19<sup>th</sup> of 2020 when the DNR, without notice or discussion, rescinded its Final Finding and Decision. The DMLW in Fairbanks had done a good job of processing the application and issuing the FFD. However, the DOG in Anchorage apparently felt that they should have jurisdiction over gas treating. The only way they can reach this project is through the land rights. If we could have located on private land (there isn't any) or even NSB land in Deadhorse, then the DOG could not grab this turf.

Appeal filed in January, no response or schedule received yet

Sent the letter 2 months ago, no response from Governor

# Summary

- We are tuning Norgasco up for the next 30 years
- With Frontier CNG we are promoting the use of CNG as a motor fuel
- With SES Midstream we are trying to clean up the gas in Deadhorse, this compliments both Norgasco and Frontier CNG
- We are promoting the use of natural gas and we are lonely.

# Conclusions of a Small Gas Developer

- Norgasco development was delayed by 2 years due to State Regs
- Fairbanks Natural Gas was delayed by 1 year due to State Regs
- Talkeetna development time was the fastest, private deal, no State involvement
- Spectrum Alaska LNG Project, bought by AIDEA and killed, no new LNG for FNG
- So far, SES Midstream has a minimum one-year delay due to DNR, maybe 2 year
- Stay tuned to [www.sesmidstream.com](http://www.sesmidstream.com) for future developments

# Questions

