

**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

**RESOLUTION NO. G24-12**

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY APPROVING A DEVELOPMENT PROJECT FINANCING REVOLVING LINE OF CREDIT UNDER AS 44.88.172 TO HEX COOK INLET LLC TO INCREASE COOK INLET NATURAL PRODUCTION AND SUPPLY**

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**WHEREAS**, the Alaska Industrial Development and Export Authority (the “Authority”) under AS 44.88.172 may provide development project financing to development projects in Alaska; and

**WHEREAS**, Hex Cook Inlet LLC (“HEX CI”) has applied to the Authority for a \$50.0 million revolving line of credit to finance a multi-year Julius R Platform based offshore and a land-based North Kenai Exploration development program and associated infrastructure development for the Kitchen Lights Unit (“KLU”) located in the Cook Inlet Alaska area and on other oil and gas leases held by Furie or HEX (the “Project”); and

**WHEREAS**, the proposed revolving line to credit to HEX CI would increase natural gas production in the Cook Inlet; and

**WHEREAS**, there is a forecast supply deficit of natural gas in the Cook Inlet; and

**WHEREAS**, the general terms of the proposed revolving line of credit to HEX CI outlined in the “Summary of Terms” provided separately to the Board under AS 44.88.215; and

**WHEREAS**, the natural gas that HEX CI produces from the KLU is essential to supplying energy to Southcentral utilities and refineries; however, a total capital and royalty burden of approximately 35%, consisting of a 12.5% overriding royalty interest, a 12.5% state royalty interest, and a 10% partially carried working interest, significantly impacts the economic feasibility of ongoing and future gas production operations by constraining necessary investments in drilling and infrastructure; and,

**WHEREAS**, HEX CI has proposed substantial new investments in drilling, including the KLU A-1A and A-4A sidetracks, which would bring additional gas to market, but these projects are contingent on royalty relief at commercially reasonable terms that incent increased production of Cook Inlet natural gas for south central Alaska; and

**WHEREAS**, Southern Intertie transmission projects, isolating Kenai Peninsula generation resources from central and northern electric utilities, will be occurring for the next five years. Transmission outages will happen during January and February the highest electrical load time. Unimpeded natural gas delivery to central & northern Regions for electrical generation is critical to prevent blackouts; and

**WHEREAS**, HEX CI's proposed Project is eligible for financing under the Authority's development finance program (AS 44.88.172) because the company's assets and project meet the definition of a "development project" under AS 44.88.900(6), (13)(A) in that they constitute a "project" that will be used in connection with preparing, transporting, or producing products or substances, the developing or utilizing the natural resources of the State, and the development, transportation, conversion, or use of energy resources; and

**WHEREAS**, making the proposed loan to HEX CI will be in furtherance of the Authority's statutory purpose of promoting, developing, and advancing the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment.

**NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:**

Section 1. The development project financing loan to HEX CI under AS 44.88.172 is approved. The \$50.0 million revolving line of credit to HEX CI shall be as outlined in "Summary of Terms" provided separately to the Board under AS 44.88.215, with any additional terms, revisions and conditions that the Executive Director, in his discretion, determines to be appropriate. This shall include such additional financing as may be required or contemplated by the loan documents.

Section 2. The Executive Director is authorized to execute and deliver a commitment letter to HEX CI. The Executive Director is further authorized to execute and deliver all revolving line of credit documents consistent with the “Summary of Terms” and Section 1 above, with any additional terms, revisions and conditions that the Executive Director, in his discretion, determines to be appropriate as necessary to make the line of credit available to HEX CI. The Executive Director is authorized to disburse money from the Economic Development Account of the Revolving Fund pursuant to the final, executed line of credit documents to fund any draws under the line of credit. The Executive Director is also authorized to take all other actions necessary or convenient to perform the Authority’s obligations under the line of credit documents or to implementing the intent of this Resolution.

Dated at Anchorage, Alaska, this 23<sup>rd</sup> day of October, 2024



  
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Chair

  
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Secretary



## MEMORANDUM

To: Board Members  
Alaska Industrial Development and Export Authority

From: Randy Ruaro  
Executive Director

Date: October 23, 2024

Subject: HEX Cook Inlet, LLC – Revolving Line of Credit  
Resolution No. G24-12

AIDEA’s Investment Committee has approved and is proposing to the Board a new funding under AS 44.88.172, the Economic Development Account, to provide a 5-year \$50.0 million revolving line of credit to HEX Cook Inlet, LLC (“HEX CI”). The line of credit consistent with the summary of terms, provided separately to the Board under AS 44.88.215 and to HEX CI for a drilling program for the Kitchen Lights Units and shore base leases to increase natural gas production in the Cook Inlet Alaska.

### **AIDEA MISSION:**

Economic and development benefits for Alaska include:

- Enhancing the competitiveness of Alaska’s natural gas markets by broadening access and resources,
- Increase jobs to 5 new permanent jobs and up to 100 during development operations,
- Retention of a resident skilled workforce in Alaska’s oil & gas industry,
- Increased production of essential natural gas supply from the Cook Inlet, and
- Possible future expansion.

In keeping with AIDEA’s mission, HEX CI is an Alaska owned company with a focus on hiring and training Alaskans for Alaska’s Oil & Gas sector.

### **EVALUATION CRITERIA**

AIDEA staff confirms HEX CI’s financing application and the resulting financing plan meet the requirements of the evaluation standards established for a development project financing under AS 44.88.172:

CODE CITATION [3 AAC 99.560]	CRITERIA	DESCRIPTION
(a)(1)	Whether the application requirements of this chapter have been met.	The application and subsequent materials provided by HEX CI meets all of the code requirements in 3 AAC 99.500 – 599.
(a)(2)	The project applicant’s credit standing.	HEX CI successfully paid off the 2020 \$7.5 million ADIEA loan early and has provided evidence sufficient collateral.
(a)(3)	The economic and financial viability of the proposed development project.	Based upon the project Base Case economics and anticipated revenues AIDEA has determined that the financial plan for the Project appears viable.
(a)(4)	The impact of the proposed development project on the authority’s portfolio of development projects, considering the concentration by industry area, technology, and geographic region and the concentration of financing provided to a single borrower and related obligors with respect to all of the authority’s financing programs.	This new loan represents 49% of AIDEA’s total invested and committed capital in AS 44.88.172 projects. Projects in the Kenai Peninsula Borough including this proposed line of credit will represent 35% of the total invested AS 44.88.172 portfolio. The oil & gas sector will represent 80% concentration of invested capital with this commitment.
(a)(5)	Whether and the extent to which the development project financing is consistent with the fulfillment of the authority’s purpose under AS 44.88.070, including the number of temporary and permanent jobs created by the proposed development project.	The development project financing commitment to HEX CI will directly increase employment creating 5 new FTE jobs on the Kenai Peninsula Borough as well as up to 100 temporary construction jobs.
(a)(6)	The interests of local governments impacted by the proposed development project.	The capital investment in this project will add to the Kenai Peninsula Borough tax base.
(a)(7)	Any other commercially reasonable underwriting criteria the authority, in its discretion, determines to be pertinent to the application, given the terms of the	As established under the financing plan and the associated term sheet, provided separately to the Board under AS 44.88.215.

CODE CITATION [3 AAC 99.560]	CRITERIA	DESCRIPTION
	financing or the nature of the project applicant or the proposed development project.	
(b)	In evaluating an application for development project financing, the authority may utilize experts, professionals, counsel, or consultants the authority determines will be of assistance to the evaluation.	Under a Cost Reimbursement Agreement AIDEA has engaged Haynes Boone and Global Energy Services to review the key Project agreements, contracts, engineering documents and project economics. Their reports are summarized in the AS 44.88.173 finance plan executive summary provided separately to the Board under AS 44.88.215 and available if requested under AS 44.88.215.

**RECOMMENDATION:**

AIDEA staff recommends approval of Resolution G24-12 under AS 44.88.172, subject to satisfactory final line of credit documentation per the terms and conditions as summarized in this memorandum and the previously approved, Resolution G24-08, Cost Reimbursement Agreement with HEX Cook Inlet, LLC.