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IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
THIRD JUDICIAL DISTRICT AT ANCHORAGE

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DOYON, LIMITED and DOYON
REMOTE FACILITIES & SERVICES,
LLC

Plaintiffs,

v.

ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT
AUTHORITY and MUSTANG HOLDING
LLC

Defendants.

Case No. 3AN-23-_____ CI

COMPLAINT

Plaintiffs Doyon, Limited and Doyon Remote Facilities & Services, LLC, (collectively "Doyon"), file this Complaint against Defendants Alaska Industrial Development and Export Authority and Mustang Holding LLC (MHLLC) (collectively "AIDEA") and state and aver as follows:

I. SUMMARY OF ACTION

1. This lawsuit arises from commercial activities performed and financial decisions made by various parties in relation to oil and gas exploration and development activities in the Southern Miluveach Unit (SMU) on Alaska’s North Slope.

2. From October 2011 until December 4, 2020, Brooks Range Petroleum Corporation (BRPC) was the Operator of the SMU and acted on behalf of the unit’s working interest owners. As such, BRPC accepted, and Doyon provided certain labor and services. Doyon was not paid for its labor and services, so it recorded liens against BRPC in 2019 and 2020 for debts of more than \$2 million.

3. During that time, BRPC was financed primarily by AIDEA. In May 2019, BRPC owed AIDEA upwards of \$60 million, which was secured by deeds of trust.

4. In the fall of 2020, Doyon and BRPC negotiated a settlement to resolve the debts BRPC owed Doyon.

5. Effective September 30, 2020, Doyon Remote Facilities & Services (DRFS) and BRPC—as Operator of the SMU and on behalf of the working interest owners—entered into a settlement agreement¹ and use agreement² (collectively the “Agreements”) in resolution of BRPC’s outstanding debts to Doyon.

6. Because BRPC was the Operator of the SMU when it entered into the Agreements on behalf of the working interest owners, all then current and subsequent

¹ The Settlement Agreement is attached here as Exhibit 1.

² The Use Agreement is attached here as Exhibit 2.

working interest owners and the subsequent Operator of the SMU are bound by the Agreements.

7. AIDEA facilitated the negotiation of the Agreements and the settlement of BRPC's debts to Doyon through the Agreements. It participated in the meetings that led to the settlement being finalized. It was fully aware of the Agreements themselves.

8. On September 23, 2020, MHLLC was the high bidder in a foreclosure sale of BRPC's SMU assets. The assets were conveyed to MHLLC on October 1, 2020. Effective December 4, 2020, MHLLC became successor Operator of the SMU.

9. In March 2023, AIDEA informed Doyon for the first time that it was taking the position that the September 23, 2020 foreclosure deprived BRPC of the authority to enter into the Agreements. AIDEA asserted further that as a result Doyon had no rights under the Agreements.

10. On March 27, 2023, Doyon wrote to AIDEA asking it to acknowledge the continued validity of the Agreements. AIDEA has not done so and has instead expressly contested the validity of the Agreements.

II. PARTIES

11. Plaintiff Doyon, Limited is the regional Alaska Native corporation for Interior Alaska. It is a for-profit corporation with more than 20,000 shareholders. Headquartered in Fairbanks, Alaska, Doyon employs over 800 individuals in Alaska and across the nation.

12. Plaintiff Doyon Remote Facilities & Services, LLC is an Alaska limited liability company with a principal place of business in Anchorage, Alaska. DRFS is wholly owned by Doyon, Limited, and a signatory to the Agreements.

13. Defendant, the Alaska Industrial Development and Export Authority (AIDEA), is a public corporation of the State of Alaska and acts as the state's development financing authority. AIDEA's principal place of business is 813 West Northern Lights Blvd., Anchorage, Alaska 99503.

14. Defendant, Mustang Holding, LLC (MHLLC) is wholly owned by AIDEA. MHLLC is the current Operator of the SMU. MHLLC's principal place of business is 813 West Northern Lights Blvd., Anchorage, Alaska 99503.

III. JURISDICTION AND VENUE

15. This Court has jurisdiction over this dispute pursuant to AS 22.10.020.

16. Venue is properly within the Third Judicial District because the Defendants' principal place of business is within that District, and it is where the claims in part arose.

IV. FACTUAL ALLEGATIONS

A. The History of AIDEA's Involvement in the SMU

17. BRPC is an onshore oil and gas exploration and development company. In October 2011, the State of Alaska, Department of Natural Resources (DNR) approved BRPC's application to form the SMU located in the North Slope Borough of Alaska. The application designated BRPC as the operator of the SMU and approved the initial development plan titled Mustang Development Project.

18. The objective of the Mustang Development Project was to construct an oil processing facility capable of delivering sales quality crude oil. Pursuant to DNR's approval of BRPC's application, the SMU was formed on March 31, 2011, containing five tracts covering approximately 8,960 acres.

19. One of the Mustang Development Project's first steps was creating access to the oilfield. In December 2012, AIDEA's board approved a \$20 million investment in the Mustang Oilfield Road and Production Pad Project and creation of the Mustang Road LLC. The purpose of the Mustang Road LLC was to develop and construct a four-mile road and a gravel pad that would facilitate the production of crude oil and natural gas from the SMU. The road and pad were completed in April 2013.

20. After the road and pad were completed, AIDEA began considering investing in the Mustang Development Project's production facility. Estimates placed the cost of the proposed facility at \$200 million to \$225 million.

21. In April 2014, the AIDEA board authorized further investment related to the SMU, in collaboration with other third-party financing. AIDEA was to provide approximately \$50 million of equity funding to facilitate the creation of Mustang Operations Center 1 LLC (MOC 1). MOC 1 contracted with BRPC to serve as its operator. AIDEA ultimately provided \$50 million to MOC 1 in several transactions between November 2014 and June 2018. Other planned sources of financing included State of Alaska oil and gas capital expenditure tax credits, issued under AS 43.55.023, which were to be used to partially repay the \$175 million of additional financing needed to facilitate the project.

22. When AIDEA originally approved the MOC 1 investment in April 2014, the average price of oil was over \$100 per barrel and MOC 1 was expected to produce 15,000 barrels of oil per day. However, after the investment was approved, oil prices declined, which changed the trajectory of the MOC 1 project. As a result, the planned \$175 million

third party financing for MOC 1 was not obtained. Without the third-party financing, the project lacked sufficient funding for completion.

23. In October 2015, the State of Alaska, Department of Revenue (DOR) provided a credit line (loan) to MOC 1 of up to \$22.5 million, due to be paid back in full on December 31, 2016. DOR twice amended the loan agreement, extending the maturity date by over 18 months to July 15, 2018.

24. In early 2018, AIDEA began the process of restructuring the MOC 1 owner/equity relationship to a creditor/debtor relationship where AIDEA's equity investment was converted to a loan. AIDEA accomplished this by approving a deal to sell MOC 1 and Mustang Road LLC to Caracol Petroleum LLC (CPL)—the majority owner of BRPC—making CPL the primary working-interest owner in the SMU. As part of the sale, AIDEA's initial investment in MOC 1 was converted to a loan.

25. AIDEA ultimately paid DOR the full balance of the MOC 1 loan on May 28, 2019, shortly after AIDEA's conversion of its interest in MOC 1 was finalized. Thereafter, AIDEA acquired DOR's lender position in MOC 1 by an assignment and assumption agreement.

26. In approximately the fall of 2019, BRPC began producing small quantities of petroleum from the SMU. But in October 2019, CPL missed its first loan payment that was due to AIDEA.

B. AIDEA Works to Assuage Creditor Concerns and Modify Loan Terms to Salvage the Mustang Project.

27. In late 2019 and early 2020, AIDEA explored options to modify the terms of its loans related to development of the SMU with hopes of salvaging the project and bringing the Mustang Field into sustained production. By this point, AIDEA was not the only entity to which BRPC owed debts.

28. On November 27, 2019, DRFS recorded a statutory claim of lien against the leases, property, wells, and associated fixtures, development, and construction in the SMU for \$1,285,420.32, naming BRPC as debtor and constituting the amounts owed to DRFS by BRPC for labor and services provided under contract. On April 6, 2020, DRFS recorded a second lien naming BRPC as debtor for an additional \$703,804.69.

29. In a press release dated January 16, 2020, AIDEA explained that it had approved a resolution that enabled it to modify the terms of its loans related to the development of the SMU. It explained that these modifications came with a \$60 million investment commitment from BRPC’s shareholders, and that this investment was intended to bring the Mustang Field into sustained production and begin repaying creditors while putting Alaskans to work. AIDEA explained that it had consented to the sale of certain oil field equipment and other assets not essential to the Mustang Field, with the proceeds to be applied to past-due BRPC payables. It explained that most of these payables were owed to Alaska companies.

30. In the press release, AIDEA Board Chairman Dana Pruhs explained that “Brooks Range startup problems and the oil tax credits veto three years ago, along with

other factors, created the largest workout situation at AIDEA.” He noted that “[w]ith the increasingly favorable state business climate, together with oil price and tax stability, Brooks Range owners and creditors took another look at Mustang. So here we go, and I hope the equity holders can obtain a buy-in from the entire list of creditors.”

31. The press release explained that AIDEA took a \$10.5 million allowance from earnings for Fiscal Year 2019 when BRPC failed to meet targets. It explained that “[o]ther creditors are agreeing to workouts with similar rationales, but this far not every creditor has come on board.” At meetings with creditors, AIDEA requested that Doyon and other creditors not perfect their liens.

C. AIDEA Encourages and Facilitates DRFS Negotiating a Settlement with BRPC.

32. DRFS recorded liens in 2019 and 2020 for debts owed it by BRPC in the total amount of \$2,084,933.56. After recording its liens, DRFS entered into discussions with BRPC regarding potential options for BRPC to settle its debts. AIDEA representatives encouraged and facilitated those discussions as part of AIDEA’s stated mission to get every creditor on board with creating workouts that kept the Mustang Project moving forward. AIDEA representatives indicated their interest in preventing the Mustang Project from falling apart due to creditor demands. AIDEA representatives were personally present when DRFS and BRPC agreed on the terms that would later become the Agreements.

33. Effective September 30, 2020, DRFS and BRPC entered into two agreements—a settlement agreement (Settlement Agreement) and a use agreement (Use Agreement). Majid Jourabchi was the signatory on both agreements on behalf of BRPC.

The Settlement Agreement stated that the parties had agreed to resolve the debts BRPC owed to DRFS. Section 1 required BRPC to promptly amend the SMU Operating Agreement as indicated in Exhibit A to the Settlement Agreement.³ Among other things, Exhibit A required that the “successor Operator [of the SMU] will become a party to and comply with all terms of the [Use Agreement].”⁴ The Settlement Agreement also contemplated that Finnex, LLC might acquire a working interest in the SMU, and it provided Finnex, LLC with options to buy out certain aspects of DRFS’s interest under specified terms. As consideration for the parties’ mutual promises in the Settlement Agreement, BRPC agreed to enter into the Use Agreement, and DRFS agreed to forgive and release BRPC from its debts.

34. DRFS and BRPC also entered into the Use Agreement effective September 30, 2020. BRPC entered into that agreement “in its capacity as SMU unit operator, and acting on behalf of the SMU working interest owners, owner of the Mustang Road easement ADL 419880, and working interest owner in SMU, including ADL 390680.”⁵ The Use Agreement gave DRFS certain preferential rights—subject to normal state permitting requirements—to operate camps and use the Mustang Pad, and Mustang Road, and rights to construct a second “Yukon Pad” and “Yukon Road” and operate camps and use that pad. DRFS had camps in place on the Mustang Pad at that time, and those camps remain in place today.

³ Exhibit 1 at 4, Ex. A. BRPC never amended the SMU Operating Agreement as it had promised.

⁴ *Id.*

⁵ Exhibit 2 at 1.

35. The Use Agreement’s term extended through the life of the lease, and the parties agreed that the terms and conditions of the Use Agreement were covenants running with the land and that the duties and obligations would be binding on any subsequent SMU Operators, SMU working interest owners, and any working interest owner or easement owners for the applicable leases.⁶

D. MHLLC Acquires BRPC’s Working Interest Ownership in the SMU at a Judicial Foreclosure Sale and Becomes the SMU Operator Two Months Later.

36. Despite AIDEA’s efforts to assuage creditors and to navigate a path forward, BRPC’s failure to meet its payment obligations continued. On April 30, 2020, Trustee Services of Alaska, Inc. was appointed substitute trustee (Substitute Trustee) under the deeds of trust that had been executed by BRPC (as grantor) to AIDEA (as grantee). On May 1, 2020, the Substitute Trustee recorded a Trustee’s Notice of Default and Sale declaring AIDEA’s election to foreclose the deeds of trust to satisfy BRPC’s obligations to it. On September 22, 2020, the deeds of trust were assigned to MHLLC, which assignment was recorded on October 1, 2020.

37. On September 23, 2020, the judicial foreclosure sale occurred at the Utqiagvik Courthouse, in Utqiagvik, Alaska, and the Substitute Trustee sold the properties conveyed in the deeds of trust (the “Properties”) at public auction to the MHLLC, the highest bidder, for \$76,982,725.90.

⁶ See *id.* at 2–3.

38. On October 1, 2020, the Substitute Trustee made a Trustee's Deed and Assignment to convey the Properties to MHLLC. The Deed and Assignment was recorded that same day.

39. BRPC remained the SMU Operator until December 4, 2020, when MHLLC was approved as replacement SMU Operator.

E. AIDEA Refuses to Acknowledge Doyon's Rights Under the Agreements.

40. In early 2023, Doyon scheduled a meeting with AIDEA to discuss its desire to utilize its rights under the Use Agreement and to apprise AIDEA of its plan for doing so. Specifically, Doyon had been approached by an interested party to utilize its camps that were located on the Mustang Pad. A meeting was held between Doyon and AIDEA on March 13, 2023.

41. At that meeting, AIDEA informed Doyon for the first time of its position that the September 2020 foreclosure deprived BRPC of the authority to enter into the Agreements with Doyon. AIDEA stated that Doyon's rights under the Agreements were invalid and not worth the paper they were written on. AIDEA refused to acknowledge Doyon's rights despite the fact that AIDEA had encouraged Doyon and BRPC to resolve BRPC's outstanding debts by entering into the Agreements, and had facilitated the negotiation of the Agreements and the settlement of the debts between the parties in this manner.

42. On March 27, 2023, Doyon wrote to AIDEA asking it to acknowledge the validity of the Agreements. AIDEA has not done so and has instead expressly contested the validity of the Agreements.

43. Because of AIDEA's refusal to acknowledge and confirm Doyon's rights under the Agreements, Doyon has been substantially damaged.

V. CAUSES OF ACTION

A. FIRST CAUSE OF ACTION: DECLARATORY JUDGMENT

44. Doyon repeats and incorporates the averments in the preceding paragraphs.

45. An actual controversy exists between Doyon and AIDEA regarding the validity of the Agreements. Specifically, Doyon has requested that AIDEA acknowledge, confirm, and ratify the validity of the Use Agreement and confirm that it is a covenant running with the lands. Doyon has requested that AIDEA agree to make any subsequent assignments of its rights in the Properties subject to the terms and conditions of the Use Agreement, as set forth in Section 13 of that agreement.

46. AIDEA has refused to acknowledge the Use Agreement. Further, AIDEA has communicated to Doyon and others that its rights under the Agreements are invalid and not worth the paper they were written on.

47. To resolve this controversy, Doyon requests a declaratory judgment establishing that the Agreements are valid and binding on Defendants as successor working interest owner and successor Operator of the SMU.

B. SECOND CAUSE OF ACTION: BREACH OF CONTRACT

48. Doyon repeats and incorporates the averments in the preceding paragraphs.

49. DFRS and BRPC entered into the Use Agreement effective September 30, 2020.

50. BRPC entered into the Use Agreement in its capacity as SMU unit Operator, acting on behalf of the SMU working interest owners, owner of the Mustang Road easement, and in its capacity as working interest owner in the SMU.

51. On September 30, 2020, when it signed the Use Agreement, BRPC was the SMU unit Operator. It remained the Operator until December 4, 2020. As such, BRPC bound the current and future working interest owners of the SMU and the current and future SMU unit operators.

52. The Use Agreement is a valid and binding contract between the parties to it.

53. Doyon has sought to exercise its rights under the Use Agreement, including by providing AIDEA notice of its intent to do so and requesting that AIDEA facilitate and affirm its exercise of those rights. AIDEA has refused and has instead denied that Doyon has any rights under the Use Agreement at all.

54. AIDEA's actions constitute a breach of contract.

55. AIDEA's actions have damaged Doyon.

C. THIRD CAUSE OF ACTION: NEGLIGENT MISREPRESENTATION

56. Doyon repeats and incorporates the averments in the preceding paragraphs.

57. AIDEA was aware of, participated in, facilitated, and encouraged Doyon's efforts to reach an agreement with BRPC to settle BRPC's debts to Doyon, so that Doyon would avoid taking other actions as creditor that would interfere with AIDEA's goal of ensuring the Mustang Project was not derailed.

58. AIDEA made factual representations to Doyon to encourage Doyon to enter into the Agreements with BRPC and to allow BRPC to discharge its debts to Doyon.

Specifically, AIDEA's statements and actions indicated that BRPC had the authority to enter into the Agreements.

59. During Doyon's discussions and negotiations with BRPC, AIDEA was aware of relevant facts that would have materially impacted whether Doyon entered into the Agreements with BRPC, but AIDEA concealed those facts from Doyon.

60. AIDEA made incorrect factual representations to and concealed relevant facts from Doyon to induce Doyon into entering into the Agreements with BRPC and discharging BRPC's debts to Doyon.

61. AIDEA acted negligently when making incorrect factual representations to and concealing relevant facts from Doyon.

62. Doyon relied on AIDEA's incorrect factual representations when entering into the Agreements. Doyon relied on AIDEA to disclose all relevant facts that would materially impact its actions and not to conceal such facts when entering into the Agreements.

63. Doyon has suffered damages that were caused by AIDEA's incorrect factual representations and concealment of relevant and material facts.

VI. PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests relief as follows:

A. For a declaratory judgment that the Agreements are valid and binding on Defendants as successor working interest owner and successor Operator of the SMU.

B. For damages in an amount in excess of \$2,000,000.00, the exact amount to be proved at trial.

C. For attorney's fees, costs, and pre- and post-judgment interest.

D. For such further relief as the Court deems just and proper.

DATED: September 18, 2023

STOEL RIVES LLP

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