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MEMO TO: File

DATE: May 10, 1978

FROM: G.S.W. Bruce

SUBJECT: Proposal re Sukunka/Bullmoose B.P. Coal Project

## Background

As a result of a telephone conversation between C. S. Dunkley and J. B. Redpath I went to Calgary and, along with C. S. Dunkley, I visited the headquarters of B.P. Coal Limited.

We were given a rundown on the Sukunka Property by Mr. George Armstrong, retiring General Manager of the coal division, and by his successor, Richard T. Marshall, present General Manager of the coal division of B.P. Canada.

I was amazed at the magnitude of spending by the parent B.P. Company in exploring, developing and preparing for production the coal deposits throughout the world but principally in Canada, South Africa and Australia. It should be noted that B.P., through their holdings in Sohio, are involved in coal production on a large scale in the U.S. via the Old Bend (?) Coal Co.

## Proposal

It is proposed that Sukunka will be developed by way of a joint venture. As presently contemplated the joint venturers will be B.P. Canada and the parent B.P. Corp. as to 40% each and a 20% Canadian partner if such can be obtained. (They made it fairly clear that they hope that no eligible Canadian company would become part of the joint venture, since they like the property very much themselves). It is FIRA that is requiring them to make an effort to get such a Canadian partner.

An interested Canadian party would be required to put up $8 million in order to catch up with expenditures already made by the B.P. Group. Such an $8 million contribution would entitle the Canadian partner to a 20% working interest.

Ultimately, by the mid 1980's they plan to have this property producing 3 million t.p.y. of clean product, 75% for the Pacific Rim consumers and 25% for Western European consumers.

Since the people we interviewed gave us 2 fairly comprehensive reports we did not dwell in our conversation upon the technical characteristics of the coal deposits. However, B.P. seems convinced that this was the highest quality coal available in Canada. For technical specifications see the accompanying data.

B.P.'s Future Plans

1) Between 1977 and 1980 B.P. intends to complete a further programme to test the quality, quantity and mining characteristics of the Sukunka coal deposits. Amongst other things this will include surface drilling, bulk sampling and testing and some underground examinations.

2) In 1980 B.P. feels that they will be able to produce 250,000 tons of clean coal. To do this the raw coal will be trucked the 30-odd miles to Chetwynd to a relatively small cleaning plant which they intend to build there. This 250,000 tons will then be shipped via the B.C. Railway to Neptune terminals in North Vancouver.

   By 1981 they expect to produce for sale 500,000 tons.

3) By the mid 1980's they expect to be producing for sale 3 million tons of clean coal of exceptional quality which will probably go westward to join with the B.C. Railway and thence via Prince George to coal terminals to be built at Prince Rupert.

   Capital costs to attain the production level of 3 million t.p.y. are expected to be in the order of $400,000 million.

Reserves

We did not go into detail about reserves however Mr. Armstrong indicated that being extremely conservative and counting only well-defined, relatively flat dipping, structurally simple known coal that there is an extremely conservative reserve of 88 million tons, i.e., nearly 30 years production at the proposed yearly throughput. We were not shown nor did we ask for confirmation of these reserve figures.

Conclusions

Dome's response to this offering would require a policy decision.

I would think it would be a very unfair position for Dome to be in being a 20% working partner in a joint venture the other 80% of which is totally controlled by B.P. If pressed I would recommend against giving this proposal further consideration.

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