



NEWS RELEASE

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Quoddy Bay LNG Puts Temporary Hold on Lease Payments to Passamaquoddy Tribe

Quoddy Bay LNG has recently informed the Passamaquoddy Tribe that it is putting a temporary hold on quarterly lease payments to the Tribe under the terms of the existing lease agreement it has with the Pleasant Point Reservation. The payments have gone to both reservations of the Passamaquoddy Tribe (Indian Township and Pleasant Point) due to a separate agreement between the two reservations of the Tribe.

The guiding document for the payments to the Tribe is a lease agreement between Quoddy Bay LNG and the Pleasant Point Reservation. This agreement calls for Quoddy Bay to make quarterly lease payments of \$46,875 to the Reservation (which is split with Indian Township), provided that the "Permitting Period Commencement Date" has occurred. The lease agreement stipulates that the Permitting Period Commencement Date starts after a series of conditions have been satisfied such as the US Bureau of Indian Affairs (BIA) approving the lease agreement between the Reservation and Quoddy Bay LNG.

The BIA has not yet approved the contract as anticipated by the terms of the lease agreement and the parties. A few years ago the BIA did approve the Lease for certain limited purposes which allowed Quoddy Bay certain limited rights to enter the land to facilitate its permitting. However, the BIA reserved full approval of the lease until the BIA reviewed and approved the permits which would be granted by FERC for the project. It is this final approval that triggers the Permitting Period Commencement Date.

Despite the BIA's not fully approving the contract as originally contemplated, Quoddy Bay LNG has been voluntarily making lease payments to the Reservation since March of 2007 and has paid nearly \$800,000 in lease and other bonus payments associated with the contract to date. At this time, Quoddy Bay LNG has indicated it wishes to cease making these voluntary payments because Quoddy Bay has postponed the pursuit of an active review of its applications by regulatory officials while it considers possible reconfigurations of its project.

While quarterly lease payments will not be legally due to the Reservation, Quoddy Bay LNG intends to voluntarily resume these quarterly lease payments when it resumes the active review of its pending applications at FERC and the State of Maine, which is expected to be in a few months.

"Our position on payments to the Reservation simply reflects the ebb and flow of the pace of development of a large facility such as this", said Donald Smith, President of Quoddy Bay LNG. "Through both direct and indirect actions we have postponed the review of our pending applications at State of Maine and at FERC for two reasons. First, the State of Maine has asked us to see whether it is practical to have a single pipeline corridor for up to three LNG projects from the Passamaquoddy Bay to the Maritimes and Northeast Pipeline corridor, approximately 36 miles to the Northwest. We are studying the engineering, environmental and economic feasibility of changing our pipeline to accommodate DownEast LNG and Calais LNG in the event those projects might also go forward. Secondly, we are working to determine whether or not to build a nitrogen mitigation plant at the facility which would dilute the heat content of high Btu gas from certain LNG suppliers from around the world. If we can avoid the \$100 million nitrogen plant, we can also reduce our environmental impact from the facility because we will need less power generation."

Smith indicates that there are many details associated with this matter that must be worked through by the parties. He noted that members of the Pleasant Point Reservation and Quoddy Bay will be working on those details during the coming weeks and hope to reach an agreement that is amenable to both parties.

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Editor's Note: Quoddy Bay LNG, LLC is an independent energy company based in Oklahoma, formed to develop an LNG import terminal in Maine, and owned by individuals and companies both in Maine and in Oklahoma. The company was established in response to inquiries from representatives of the Passamaquoddy Tribe about the potential of locating an LNG import terminal at Pleasant Point.

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