IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No.: 1:22-cv-02142-NYW

CRUSOE ENERGY SYSTEMS LLC, a Delaware limited liability company,

Plaintiff,

v.

ALKANE MIDSTREAM LLC, a Delaware limited liability company,

Defendant.

DECLARATION OF RYAN BLAZEI

I, Ryan Blazei, declare as follows:

1. I am currently the President of Alkane Midstream LLC ("Alkane"). I have held this position since May of 2015. Unless expressly stated otherwise, I have personal knowledge of the facts set forth in this declaration, and if called upon to do so, could and would testify competently thereto.

2. I have a Double Major in Accounting and Business Management-Finance Emphasis from The University of Wisconsin-Green Bay.

3. I joined Alkane's predecessor entity North Dakota LNG ("NDLNG") in October 2014 as a Corporate Controller. I subsequently held the role of Chief Financial Officer, then assumed the role of President. I also served as Controller and Chief Financial Officer of NDLNG's parent organization Prairie Companies ("Prairie"). Prairie also owned and operated a fleet of 50 crude oil hauling trucks and 2 salt water disposal wells in the Williston and Powder River Basins.

4. NDLNG was founded in February of 2014 and became Alkane in August of 2019. Alkane is a provider of power and alternative fuel solutions for stranded natural gas that would otherwise require flaring. Specifically, Alkane's business model is to convert stranded natural gas into electrical power, low carbon fuel, and thermal energy.

5. Alkane's primary focus is on flare gas management services. The flare gases that Alkane typically manages are gases (typically stranded natural gas) associated with oil extraction that would otherwise require burning/flaring in order to prevent their venting to atmosphere. Through separation techniques, Alkane extracts and monetizes natural gas liquids ("NGLs") before liquefying the remaining residue gas ("LNG").

6. Starting in 2015, Alkane would rent generator sets to generate electricity for use in its LNG and NGL operations at customer well sites.

7. In approximately November 2017, Alkane began purchasing its own gaseous generators packaged by IESS of Williston, ND. At present time all but six of the generators operated by Alkane are gaseous generators utilizing the Power Systems International engine platform with either a Stamford or Marathon generator end.

8. Since 2018, Alkane has sold electricity from stranded natural gas, LNG, and NGLs to third party customers for consumption at wellsites. In this regard, Alkane has two different sets of customers with respect to Crusoe's allegations: wellsite operators requiring flare gas management in association with oil and gas extraction and consumers of the electricity produced at wellsites. Often the wellsite operator also consumes the electricity.

9. I am aware that Crusoe's complaint and briefing accuses Alkane of copying ideas presented by Crusoe at a November 14, 2019 North Dakota State Senate Energy Development and Transmission Committee ("NDEDTC") meeting.

10. As included in Alkane's presentation at the November 14, 2019 meeting, Alkane already recognized cloud computing (i.e. cryptocurrency mining) as a potential use for electricity generated at it wellsites prior to the meeting. EFC No. 9-14 (bullet 7 on slide 13, slide 15, and slide 22). Notably, Alkane's presentation had to be submitted to the NDEDTC in advance of the meeting.

11. It is my recollection that Alkane had already given a number of presentations identifying the need for flare management services and the use of stranded natural gas to power data processing systems prior to the November 14, 2019 Presentation. Notably, the potential to use of electricity generated from flare gas to power cryptocurrency mining was already common knowledge within the industry by late 2017 and early 2018.

12. At the present time, there are a number of companies who are in the business of purchasing stranded natural gas for use in cryptocurrency mining, including Great American Mining, Cathedra, Giga Energy, Puissant Indusries, Tidewater Midstream, Wampum Mining, TypeX, Verde Fintech, JAI Energy, Musk Miners, Upstream Data, ecopwrs, Ancova, Artemis Energy, Permian Mining, Top Speed Energy, Digital Stream Energy, and CryptoKnight Energy. As far as I am aware, Crusoe has made no effort to enforce its patent against these competitors. Instead, I am aware of a number of conferences in which Crusoe has participated alongside the above companies, and even presented keynote presentations, and have been interviewed on podcasts in which Crusoe has promoted the entire industry of off-grid mining with natural gas.

13. Attached as **Exhibit 1** to the Opposition is a true and correct copy of an agenda from a March 30-31, 2022 Wildcatters conference to bring bitcoin mining companies and energy companies together at which Charles "Cully" Cavness provided a keynote address, available at https://digitalwildcatters.com/empower-energizing-bitcoin/. Attached as **Exhibit 2** to the Opposition is a true and correct copy of the description of an August 29, 2022 Technical Panel on which Charles "Cully" Cavness participated as a panelist, alongside other bitcoin mining companies available at https://www.imageevent.org/special-sessions/panel-session/synergies-with-o-g-bitcoin-mining-and-how-to-monetize-stranded-or-wasted-energy-assets.

14. Alkane's October 5, 2020 presentation at the NDEDTC Meeting (EFC No. 9-12) expanded upon its flare gas management and cloud computing content, but not as a result of copying Crusoe. The October 5, 2020 presentation reflects a solution Alkane was pursuing to recover and process higher BTU alkanes into products to lower the BTU of gas being shipped out of state via the Northern Border Pipeline.

15. Alkane has operations in the Williston Basin of North Dakota and the Permian Basin of Texas and New Mexico. Alkane is actively preparing to operate in the North Park Basin of Colorado, which I understand to be the subject matter of allegations being made by Crusoe.

16. I understand that Crusoe used a photograph from an Alkane installation in Tioga, North Dakota in its claim charts submitted as EFC No. 9-3 and 9-4. At this site, Alkane generates electricity using three gaseous generators fueled by LNG (supplied by the tanker). The electricity—which is generated at 415 VAC—is then sold to our customer. Our customer is

operating the data center (the equipment within the red box in the reproduced image below), but Alkane does not have any ownership or exert any control over its customer's equipment.



17. Alkane does not supply, own, or operate data centers at any of the wellsites where it provides its services. Nor does Alkane have any interest in supplying, owning, or operating data centers at any of the wellsites.

18. Similar to in Tioga, North Dakota, for any of Alkane's wellsites in which data centers are present, Alkane merely generates electricity and sells it to a third party that supplies, owns (presumably), and operates its own data center. Alkane generates electricity to its customers at 415 VAC, after which point custody of the electricity is transferred to the customers. In this aspect Alkane is simply a mobile/virtual powerline service, operating as a utility to sell power to its customers.

19. Alkane does recruit potential customers for the electricity consumption, but Alkane has no input into its prospective customers' design or use of their equipment. While the

data centers for cryptocurrency mining typically have the similar requirements (415 VAC power), it is the customer that provides the specifications for delivering the electricity.

20. I have reviewed Crusoe's complaint and briefing. I understand that Crusoe is referring to the mineral rights owner for the North Park Basin wellsite in Colorado as the Colorado Producers to protect their identity from public identification. I understand that the identity of these customers is Fulcrum Energy Funds and their affiliated subsidiary Gondola Resources (collectively "Fulcrum/Gondola").

21. Alkane's first involvement with the North Park Basin wellsite was in May 2022, when Jason Schmidt—who is the Vice President of Fulcrum—reached out to Ed Woods—Vice President of Alkane—inquiring into Alkane's interest in making LNG in Colorado. It is my understanding that Mr. Woods had a number of prior interactions with Mr. Schmidt.

22. Alkane was not aware of Crusoe's involvement in the North Park Basin wellsite at the time that Mr. Schmidt reached out to Mr. Woods. Even once Alkane learned of Crusoe's involvement, Alkane was never privy to the terms of any contractual arrangements between it and Fulcrum/Gondola. The entire extent of Alkane's knowledge regarding the contractual arrangements between Fulcrum/Gondola and Crusoe is that Alkane has been assured by Fulcrum/Gondola that it had the right to cancel its contracts with Crusoe.

23. From May 2022 through July 2022, Alkane and Fulcrum/Gondola negotiated the terms for Alkane to manage the flare gas in the North Park Basin of Colorado. Alkane and Fulcrum/Gondola came to an agreement committing Alkane to purchase at least a minimum quantity of stranded natural gas on July 13, 2022.

24. Through conversations with investors in the Fulcrum/Gondola North Park Basin project, I have come to the understanding that Fulcrum approached Alkane after developing concerns regarding the long-term viability of Crusoe's proposed business model of using the stranded natural gas to power cryptocurrency mining. Instead, the Fulcrum/Gondola investors have expressed a preference for Alkane to convert the stranded natural gas into NGLs, LNG, and/or methanol (collectively referred to as "Gas Processing").

25. Gas Processing is more profitable than cryptocurrency mining, such that mineral rights holders—such as Fulcrum/Gondola —can request a higher price for the stranded natural gas. Although I cannot speak to the accuracy of the rumors, I have heard that some mineral rights owners actually pay Crusoe to take the stranded natural gas rather than requiring Crusoe to pay for the stranded natural gas that it consumes.

26. It is Alkane's intent to produce NGLs, LNG, and/or methanol in the North Park Basin. The transition to Gas Processing is a process in which the production is phased-in over the transition period as long-lead time equipment becomes available. Alkane anticipates mobilizing its first deployment of equipment (consisting of equipment for extracting NGLs) to the Colorado wellsite shortly, and projects that completing installation and commissioning of its LNG equipment will take approximately 18-24 months.

27. Fulcrum/Gondola are presently developing North Park Basin including the installation of the well pads. Fulcrum/Gondola are relying on Alkane to provide mitigating uses of the stranded natural gas in order to commence and scale-up its oil and gas extraction.

28. To allow Fulcrum/Gondola to commence and scale-up its oil and gas extraction, Alkane is seeking to install electrical power generation and sell the electricity as an intermediate

step during the transition to Gas Processing. Alkane currently has [redacted] lined up as a potential customer to purchase the electricity, although Alkane has delayed finalizing the relationship due to Crusoe's request for temporary restraining order.

29. While [redacted] is intending to install its data centers to consume the electricity, it would be [redacted]—and not Alkane—that will own and operate the data centers. Alkane does not have any interest in owning or operating a data center for cryptocurrency mining at the North Park Basin.

30. Without Alkane's installation of the electrical power generation and a customer to consume the electricity, Fulcrum/Gondola will be unable to continue scaling up its production due to permitting requirements.

31. Although I was not present at the meeting, I am aware that Mr. Woods attended a meeting that included representatives of Crusoe on July 22, 2022. Mr. Woods was authorized to, and in my understanding did, offer that Crusoe could remain on the North Park Basin generating electricity and operating its cryptocurrency mining operations throughout Alkane's transition to Gas Processing. Alkane would have further been receptive to an arrangement where once the gas processing equipment was in production, any excess stranded natural gas could have been made available to Crusoe. Were Crusoe to have agreed to the arrangement, the arrangement would have displaced the plan for Alkane to generate electricity and sell it to [redacted].

32. Mr. Woods continued exchanging communications with Crusoe regarding the potential for Crusoe to remain on the North Park Basin generating electricity and operating its cryptocurrency mining operations until Crusoe went radio silent in early August 2022.

33. Notably, the July 22, 2022 meeting was the first instance in which Alkane became aware that Crusoe owned any patents. I am unaware of any instance in which Crusoe informed Alkane of the specific patents asserted against it or how Alkane's services allegedly infringed those patents prior to receiving the Crusoe's complaint on August 22, 2022.

34. Alkane is at a critical point in its business development as it is actively seeking $15 million in funding from investors. The entering of a temporary restraining order will hinder that process, the mere filing of this lawsuit has interrupted investment activity.

35. Alkane is also actively seeking other projects around the country and the entry of a temporary restraining order would cloud its ability to do so.

36. Alkane anticipates $5 million in profits over the initial term of its contract with Fulcrum/Gondola.

37. Alkane has already taken steps in its performance of its contract with the Fulcrum/Gondola and is currently committed to over $100,0000 in expenses per month on rental equipment for the project.

38. As part of its contract with Fulcrum/Gondola, as of November 1, 2022, Alkane will be on the hook to manage 100% of the stranded natural gas extracted by Fulcrum/Gondola. As such, Fulcrum/Gondola are reliant on Alkane to manage the stranded natural gas so that it can fully carry out their oil and gas extraction operations.

39. Crusoe's request for a temporary restraining order and a preliminary injunction would place Alkane in a potential breach of its contract and jeopardizes Alkane's entire business relationship with Fulcrum/Gondola.

I declare under penalty of perjury that the foregoing is true and correct. Executed on September 7, 2022.

s/ *Ryan Blazei*
Ryan Blazei