

**ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE RESOURCES STANDING COMMITTEE
HOUSE RESOURCES STANDING COMMITTEE**

February 24, 2010

12:24 a.m.

MEMBERS PRESENT

SENATE RESOURCES

Senator Lesil McGuire, Co-Chair
Senator Bill Wielechowski, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Hollis French
Senator Bert Stedman
Senator Thomas Wagoner

HOUSE RESOURCES

Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
Representative Peggy Wilson
Representative Chris Tuck

MEMBERS ABSENT

SENATE RESOURCES

Senator Gary Stevens

HOUSE RESOURCES

Representative Bryce Edgmon
Representative Kurt Olson
Representative Paul Seaton
Representative David Guttenberg
Representative Scott Kawasaki

OTHER LEGISLATORS PRESENT

Senator Joe Thomas

COMMITTEE CALENDAR

PRESENTATION: ALASKA MINING

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

STEVE BORELL, Executive Director
Alaska Miners Association (AMA)
Anchorage, AK

POSITION STATEMENT: Gave a presentation on Alaska mining.

LORNA SHAW, Executive Director
Council of Alaska Producers (CAP)
Fairbanks, AK

POSITION STATEMENT: Gave a Presentation on Alaska mining.

ACTION NARRATIVE

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CO-CHAIR LESIL MCGUIRE called the joint meeting of the Senate and House Resources Standing Committees to order at 12:24 a.m. Present at the call to order were Senators Huggins, French, Wielechowski and McGuire and Representatives Wilson and Johnson.

Presentation: Alaska Mining

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STEVE BORELL, Executive Director, Alaska Miners Association (AMA), noted that in 2009 and 2010 about 175 family mining operations around the state are expected to produce about 54,000 ounces each year.

Moving on to the major producing mines, he stated that the Usibelli Coal Mine, in Healy, Alaska, has 130 employees and shipped about 1.9 million tons last year; 52 percent came to interior power and heating plants and 48 percent was export coal. Usibelli's current lease area has approximately 700 million tons that could be produced. At their current rate of 2 million tons per year, that is 350 years of production.

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Greens Creek Mine has 331 employees plus 12 full-time contractors, 79 percent of which are Alaska residents, equaling

about \$32 million in annual wages plus benefits. Greens Creek began operating in 1989 and has continually found additional ore; it is the largest property tax payer in the Juneau borough and the largest private sector employer in Southeast.

The Pogo Gold Mine saw significant improvements from 2008 to 2009, including a 50 percent reduction in reportable safety incidents and a 12 percent increase in production to 390,000 ounces. Pogo Gold Mine has 297 employees plus 97 full-time contractors. Fuel and electrical costs are Pogo's biggest challenges.

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Nixon Fork Mine and Rock Creek Mine are in idle status. Pacific Northwest Capital and Fire River Gold now own the Nixon Fork property and are consolidating information and planning drilling. They expect to begin production in two years.

Rock Creek Mine has 20 employees now and will have 135 employees at full operation, with a \$10.4 million payroll annually. Care and maintenance costs are about \$17.5 million annually. A water management plan is being implemented and options for restarting the project are being evaluated.

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SENATOR WAGONER joined the meeting.

MR. BORELL said several additional projects are in the advance exploration phase. Chuitna Coal will provide about 350 jobs. The overall deposit is 300 million tons of coal, which if converted into oil, would be the fourth largest oil deposit in Alaska. He summarized Chuitna Coal's logistical needs and said a supplemental Environmental Impact Statement (EIS) is being prepared.

Donlin Creek completed a project feasibility study and conducted intensive outreach in villages in 2009. They are evaluating the feedback and looking at options to meet the large energy requirement.

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Pebble Project's 2010 budget will be approximately \$70 million. Pre-feasibility analysis continues and Pebble does not anticipate applying for permits in 2010. A source of power is a major challenge. The main parts of the project are: a road, a port, the mill facility itself, permitting, workforce development, commodity prices and evaluating if the project is economic.

MR. BORRELL said 30 grass roots exploration projects around Alaska spent more than \$1 million each in 2008. That number dropped to 17 in 2009 due to the financial crisis but 30 projects are expected again in 2010.

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He said Heatherdale Resources at Niblack, Full Metal Minerals at Lucky Shot and International Tower Hill at Livengood are three of the larger exploration projects. Heatherdale and CBR Gold own the project at Niblack and a 25,000 foot drilling program is in progress. Full Metal Minerals expects to take a 10,000 ton sample at Lucky Shot. Drilling and geological understanding are expanding at Tower Hill.

SENATOR STEDMAN joined the meeting.

SENATOR WAGONER asked about the feasibility of the Chuitna Coal project being completed in the foreseeable future.

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MR. BORELL answered that, depending on legal challenges against it, Chuitna Coal has a 98 percent chance of becoming a mine. He said the coal is very low sulfur coal.

LORNA SHAW, Executive Director, Council of Alaska Producers (CAP), said she would speak about the permitting process. The Large Mine Permitting Team coordinates with the Department of Environmental Conservation (DEC), federal agencies and other agencies involved in mine permits.

REPRESENTATIVE NEUMAN joined the meeting.

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MS. SHAW said Kensington, a small, underground mine halfway between Juneau and Haines, has gone through a 20 year permitting process. In June, 2009, after the third round of permitting and a Supreme Court Decision, Kensington was awarded permits. Exploration and construction are underway and the mine has worked 1,000 days with no lost-time accident. The operations workforce is anticipated to be 200 employees and production is expected to begin in the summer of 2010. State leadership played a key role in the permitting process by cooperating with all agencies involved to meet deadlines and requirements for permits outside of Department of Natural Resources' (DNR's) boundaries.

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Kensington, though it is not operating yet, is in the renewal phase for some permits originally issued in 2005.

MS. SHAW said the Fort Knox heap leach project is a new addition to Fort Knox which is a low-grade, open pit mine 25 miles northeast of Fairbanks. Fort Knox has been a mill and vat leaching operation, with ore ground down to the consistency of table salt and gold leached out in a series of tanks. Alternatively, heap leaching involves placing ore on a heap leach where the gold is leached in place. It is low cost and allows recovery of gold from a much lower grade of ore.

Fort Knox applied for permits in November of 1992. State permits were received in February of 1994, and federal permits in March of 1995. Heap leach permitting began in 2006. The state was critical in permit success. DNR had the engineering expertise to review all the plans. Agencies without the expertise were able to hire experts to provide oversight, review and verification of the state agency's work.

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MS. SHAW said the heap leach leads to a longer life for Fort Knox - 2016 for the mine and 2022 for processing. The mine has 500 full-time employees and 300 contractors will be on site this summer, primarily related to the heap leach. The average annual wage is \$70,000. Seventy percent of the annual operating budget is spent in Alaska and Fort Knox is the second largest property tax payer to the borough and is a significant source of local funding. She said mines must get through the permitting process in order to bring these benefits to the communities.

REPRESENTATIVE PEGGY WILSON noted that Ms. Shaw said Fort Knox was the second largest tax payer in the borough but the literature says it is the largest.

MS. SHAW said Fort Knox is the single largest piece of property that is taxed. Alyeska pays slightly more.

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MS. SHAW said Red Dog is an open pit zinc and lead mine in Northwest Alaska and is one of the largest zinc concentrate producers in the world. Red Dog began production in November, 1998, and has a complex permitting history. Zinc and lead prices have rebounded from historic lows in 2008, bringing state taxes and Northwest Arctic Native Association (NANA) royalties back up. Red Dog pays about \$50 million in wages and benefits and has 525 employees and contractors, of which 56 percent are NANA

shareholders. Red Dog's current ore body will soon be depleted and Red Dog is in a permitting process to expand to the Aqqaluk deposit. The National Environmental Policy Act (NEPA) requires the supplemental EIS to evaluate impacts to human health including a full Health Impact Assessment (HIA).

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The HIA, without any guidelines, could have derailed the EIS process. State leadership worked with other agencies to determine how health information should be included. State Health and Social Services representatives are now on the Large Mine Permitting Team.

MS. SHAW said the state is also involved in Reclamation and Closure Plans. A closure plan must be in place before permits are issued to build a mine; however, the plan changes and is reviewed every five years. Red Dog had to update their Reclamation and Closure Plan.

CHAIR MCGUIRE interrupted and noted that the House Resources Committee had to begin their meeting. She asked Ms. Shaw to wrap up.

MS. SHAW summarized that the state's involvement in the permitting process is critical. State leadership and influence ensures that the complicated permitting process is done well and the state's interests are protected while working to find solutions and implement regulations.

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CHAIR MCGUIRE thanked the presenters and, seeing no further business to come before the committee, adjourned the meeting at 1:02 p.m.