

Resource Issues:

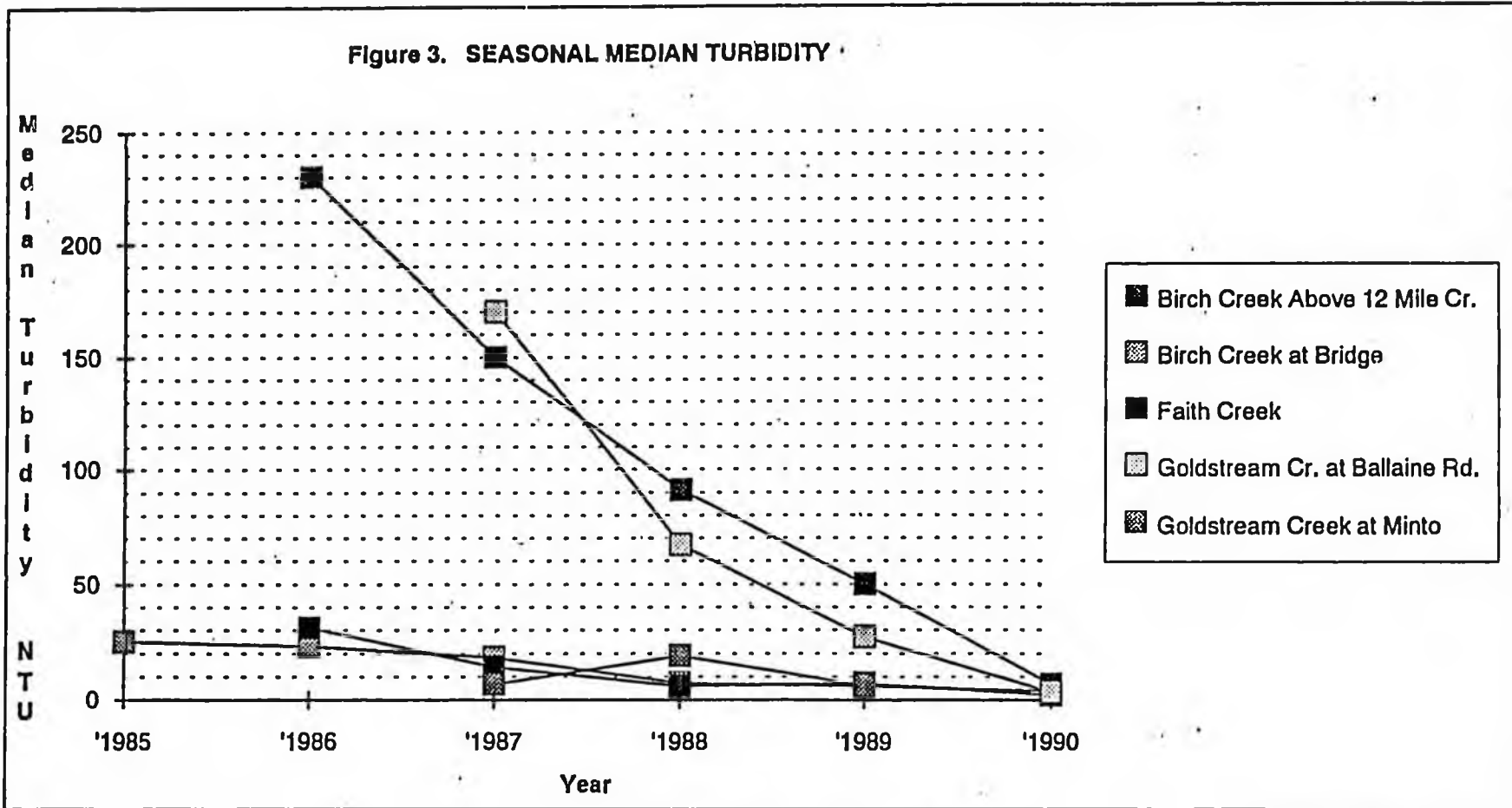
Mining

2-13-92

**ALASKA DEPARTMENT OF
ENVIRONMENTAL CONSERVATION**

**1990
ANNUAL MINING REPORT**

Figure 3. SEASONAL MEDIAN TURBIDITY





ARCO Alaska, Inc.
Media Communications
Post Office Box 100360
Anchorage, Alaska 99510-0360

news

for release **IMMEDIATELY**

For further information contact
Susan Andrews at (907) 265-6847

ARCO EXPLORATORY WELL EXPERIENCES GAS BLOWOUT

ANCHORAGE, AK., February 13, 1992 -- Equipment was being mobilized this morning to stem the flow of a gas blowout at an exploratory well being drilled by ARCO Alaska, Inc. ten miles southwest of the Kuparuk River oil field on the North Slope.

The well, the Cirque No. 1, encountered a shallow zone of natural gas Wednesday evening, and some drilling mud was expelled from the well. The rig is located on an ice pad.

There was no fire and no injuries, according to ARCO officials. Non-essential personnel were evacuated from the location Wednesday evening and the site was secured. By 6 a.m. Thursday, the gas flow was estimated to be half the initial flow.

ARCO officials said they are waiting for daylight this morning to assess the situation. Power on the drilling rig was shut down as a safety precaution Wednesday evening.

Cleanup equipment is being staged at a site five miles north of Cirque No. 1. Spill response and fire department personnel from the Kuparuk field were sent to the site Wednesday evening.

The drilling rig is under contract from Doyon Drilling.

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ALASKA MINERS ASSOCIATION, INC.

501 W. Northern Lights Blvd., Suite 203, Anchorage, Alaska 99503 FAX: (907) 278-7997 Telephone: (907) 276-0347

Agenda

House Resources Committee

Thursday, February 24, 1992

1. Issues of Current Concern (Steve Borell)
 - A. In Place Taxation of Natural Resources
 - B. RS 2477 Rights of Way Regulations & Policies
 - C. Reclamation Regulations
 - D. Land Availability and Restrictions
 - E. State Adoption of Federal Clean Air Act
 - F. UAF School of Mineral Engineering

Status Updates by Individual Mining Companies:

2. Echo Bay (David Stone)
3. Fairbanks Gold
4. Alaska Placer Development (Karl Hanneman)
5. Cominco (Steve Newkirk)
6. Placer Dome (Joe Piekenbrock)
7. Cambior/Valdez Creek
8. Usibelli (Charlie Boddy)



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SUMMARY OF LEGISLATIVE CONCERNS OF THE ALASKA MINING INDUSTRY FEBRUARY 1992

Multiple Use of Lands/Land Availability Issues

- * - Protection from Mineral Closure
- * - Annual Land Withdrawal Report
- * - Oversight of Coastal Zone Management

State Policy Issues

- * - Permanent Exemption of In Place taxation
- State Land Selections
- Funding for an Alaska Mineral Assessment Program
- Mental Health Lands
- Resource Cabinet
- Continue Legislative Support And Funding of the Minerals Commission
- Continue AMEREF Funding Program
- University Level Education Programs
- RS 2477 Right-of-Way
- Navigable Waterways
- * - Road Development
- Fish And Game Management

Regulatory Reform

- * - Automatic Extension of Permits Affected by Court Proceedings

Environmental Regulation

- Department of Environmental Conservation
- Wetlands

Mine Operation Issues

- * - Flexible Work Week
- * - Time at the Face Underground

NOTE: AN "*" INDICATES LEGISLATION NEEDED



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LEGISLATIVE CONCERNS OF THE ALASKA MINING INDUSTRY FEBRUARY 1992

MULTIPLE USE OF LANDS

The issue of multiple use of State lands is central to the future of mining in Alaska. Mineral deposits are rare and encompass a wide range of types and sizes. Because our understanding of the processes that generate mineral deposits is continually evolving, it is difficult to predict where they occur.

Only through high risk exploration dollars and evaluation efforts of trained professionals will Alaska's mineral resources be defined. To allow for the discovery and development of valuable minerals, it is imperative that State lands be managed for multiple uses without restrictive land use designations.

Before mineral closures or other restrictions on State land are allowed, the following requirements should be met: 1) management of the area is not possible unless some uses are excluded and 2) mitigation measures cannot be developed to allow full multiple use. When such findings are made and substantiated, the areal extent of State lands subject to restricted use must encompass the smallest practical size and the uses be restricted for the shortest practical length of time.

Approximately 60% of Alaska (Federal and State) is already closed to mineral entry and mining or any other form of development. Closures promulgated through area plans have often exceeded 100,000 acres per plan and are justified with findings of incompatibility. However, such findings are seldom either well substantiated or adequately documented. The past proliferation of mineral closures is a serious threat to responsible resource development. Because of the geologic uncertainties involved in discovering a mineral deposit, it should be assumed that a major mineral deposit could exist on any given parcel of land. To close that parcel to mineral entry would preclude discovery of the deposit. Many lands selected by the State were originally chosen for resource development; this objective should not be compromised.

LEGISLATION NEEDED: Protection from Mineral Closure

* We recommend that land use statutes be changed to require legislative action before greater than 640 acres or longer than 0.5 mile long strip along a drainage are closed to mineral entry.



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* We recommend that all administrative closures have a "sunset" date, not to exceed five years after the enactment of the closure. Mineral closures currently in existence would "sunset" five years after enactment of the legislation.

* We recommend that before any mineral closure is initiated, a well substantiated and documented evaluation of the mineral resources of the area must be completed and weighed objectively with other competing uses.

LEGISLATION NEEDED: Annual Land Withdrawal Report

* Require DNR to report to the legislature and the Governor at the start of each legislative session a detailed account of any State lands that were closed to mineral location and mining during the previous calendar year, specifying for each closure: 1) the known resource value of the area, 2) the reason for the closure, 3) the effective date, and 4) the legal description of the area.

This reporting requirement would allow the Governor, Legislature and the public to see clearly what closures occurred and would provide a measure of accountability of DNR for their past closures. It is currently very difficult to get a statewide picture of the closures that have occurred.

LEGISLATION NEEDED: Oversight of Coastal Zone Management

* As currently structured the local Coastal Resource Service Area (CRSA) boards are not responsible to the executive Branch. A bill providing oversight of Coastal Management Programs is needed in order to ensure that state and national concerns, as well as local concerns, are considered for resource development projects in the Coastal Zone.

Alaska CRSA boards view issues from a local perspective and try to use the Coastal Zone Management programs as a vehicle for zoning and resource management in their local areas. The decisions of these boards can tie up a project in expensive litigation for extended periods with no hope for timely resolution.

STATE POLICY ISSUES

Alaska needs to give a stronger positive signal regarding development in the State by providing a stable and intelligible regulatory and tax environment. The Green Creek and Red Dog mines, the first significant hardrock mines in Alaska since WWII,



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began operating 1989. However, the perception still held by most mining companies and lending institutions is that the Alaska State Government does not support mining or minerals development. In order to change this perception, the state must insure that projects will not be adversely affected by changes in or new interpretations of State regulations.

Headway was made in the 1991 legislative session with the repeal of the worldwide unitary corporate tax. This change in the corporate tax structure provides a positive signal to the international business community.

The issues on taxation, availability of lands, education, and infrastructure discussed below are areas where the State of Alaska needs to send a positive signal to international mining industry.

Taxation of In Place Resources

Prior to July of 1990 mineral reserves in place were taxable by municipalities. Oil and gas had a specific exemption but minerals did not. In the spring of 1990 the second session of the Sixteenth Legislature passed a two-year exemption for minerals and instructed the Department and Community and Regional Affairs, assisted by the Department of Commerce and Economic Development, to develop recommendations to the legislature regarding taxation of natural resources in place.

In place taxation is a bad policy for many reasons. It is extremely difficult to predict whether or not a "resource" will ever be economically minable. Market conditions, changes in regulations, geologic stability, ore grade, consumer buying, international events, etc. all affect mining costs and/or metal prices. Rock that is "ore" (material that can be mined at a profit) changes depending on these factors. High resources may exist but they often cannot be mined at a profit. Taxation of the resources in place would provide a major negative incentive for all types of mineral development.

LEGISLATION NEEDED: Permanent Exemption of In Place Taxation

* A permanent exemption for the in place taxation of natural resources is required before July 1992.



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State Land Selections - The Remaining 18 Million Acres

The State should use all geologic information now available to wisely choose the highest value lands to fulfill the remaining 18 million acres of state selections. The potential for future oil, gas and minerals should be the guiding factor in making the majority of these selections. Parts of the National Petroleum Reserve Alaska (NPRA), including 2.5 million acres along the southern edges of the reserve, should be included in these selections.

Funding for an Alaska Mineral Assessment Program

Geologic and geophysical information is valuable to all mineral industry representatives from prospectors to multi-nations corporations. Funds should be provided for geologic and geophysical field programs to enhance the basic geologic understanding of the state which would in turn result in increased exploration activity. We support the Minerals Commission's recommendation that \$50 million dollars be provided for a decade-long initiative to be called the Alaska Mineral Assessment Program (AMAP).

Mental Health Lands

We would encourage the legislature to provide any appropriations necessary to insure that the objectives and mandates of Chapter 66 can be fully realized in a timely manner. A major part of the original SB 65 that was not addressed in the final version involves the current and future program needs of the mentally disabled.

Resource Cabinet

The Department of Commerce and Economic Development (DCED) should be included as part of the Resource Cabinet. For too long the State has floundered along without the DCED having an effective voice in the development of the States resources. Making DCED a part of the Resource Cabinet would help change this situation.

Continue Legislative Support and Funding of the Minerals Commission

The Alaska Mineral Commission was established in 1986 to help the State identify and resolve major issues that have adversely affected the minerals industry. Commission members donate many hundreds of hours of their own time at no cost to the State. Funding should be made available through DCED to provide travel expenses, per diem and staff support to allow the Commission to carry out its mandate.



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Continue AMEREF Funding Program

The Alaska Minerals and Energy Resource Education Fund (AMEREF) provides assistance to schools to interest and train young people in wise use of our state's minerals and the role that these minerals play in our lives. Funding for AMEREF is a joint effort between the minerals industry and the State with two thirds of the cost paid by industry.

University Level Education

AMA supports the continued legislative funding of the University of Alaska programs in mineral engineering, mining technology, earth sciences and the Minerals Industry Research Laboratory. The mining technology/vocational program to date has provided basic level training for several hundred people, most of whom have subsequently gone to work in mines in the State.

RS2477 Rights-of Way

A provision, RS2477, contained in an 1866 law gives states right-of-way across Federal lands on routes that have historically been used by the public. In Alaska, where the federal government controls so much land, these historic rights-of-way are crucial for access. However, Alaska must assert its rights and begin active management of all RS2477 roads and trails. Furthermore, the State must resist all Federal attempts to restrict access to state lands through administrative lands reclassification (e.g. Areas of Environmental Concern, Critical Habitat Areas) and the assessment of user fees for transit across Federal lands.

Navigable Waterways

Alaska should continue to actively pursue and actively protect its rights to waterways and should not allow the Federal government to usurp Alaska's rights. Cooperative agreements with federal agencies must not diminish the rights of Alaska or the rights of the citizens to use their waterways.

Road Development

Alaska should actively pursue extensions and upgrades to rural roads that will eventually provide highway access to areas that are currently inaccessible. The Denali Highway is an excellent example of how, over time, a poor quality trail can become an effective highway. The Department of transportation should begin actively and legally developing the road system in the State.



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LEGISLATION NEEDED: Road Development

* The lack of infrastructure, particularly roads and highways, has a serious negative effect on all aspects of the economy. Several roads that would provide access for recreational use as well as provide infrastructure for industry merit serious consideration:

- 1) Petersville Road Extension - west to the Collinsville Mining District and then south into the Beluga Coal Field.
- 2) Hatcher Pass Loop Road - upgrade for year around use.
- 3) Talkeetna Highway - from the Glenn Highway across the east flank of the Talkeetna Mtns. to the Denali Highway
- 4) Taku Highway - Juneau to Atlin, B.C.
- 5) Bradfield Canal Road - from near Wrangell to Cassiar Hwy
- 6) Copper River highway - reconstruct the right -of-way as a gravel road.
- 7) Healy Highway - from Healy east along the north flank of Alaska Range to the Richardson Highway
- 8) Coldfoot to Bettles - upgrade existing section and extend as needed
- 9) Stampede Road - from Healy to Kantishna
- 10) Whittier Road
- 11) Yukon to Kuskokwim Road - extend the existing Ruby to Poorman Road across to the Kuskokwim River
- 12) In the Nome area - Glacier Creek to Mt. Distin, Solomon Road, Skookum to Bluff, Council to Ophir Creek, Teller to Lost River, and Kougarak to Serpentine Hot Springs.

Fish and Game Management

Alaska must have a policy of active management of its resources as is required by the State Constitution. The current attitude of preserving natural habitat to the exclusion of any other uses must become more balanced. Alaska now contains more than 166,900,00 acres that are managed as "natural". Fish, wildlife and habitat should be actively managed, not just preserved. Environmental enhancement, along with recognition of the value of short term impacts, should become part of ADFG strategies.

REGULATORY REFORM

Even though there appears to be a partial resurgence in exploration and mining activity, the State of Alaska is slowly regulating itself out of a mining industry. The number of permits, time required to secure those permits, the number of agencies and the costs related to obtaining permits are out of control.



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A streamlined permitting process defining the DNR Division of Mining as the lead agency for mining projects is recommended. The identification of Division of Mining as lead agency would provide structure to accompany the expertise and statutory authority that already exists. This would be a major step toward cleaning up the costly, multiple permit system that has developed over the past decade.

LEGISLATION NEEDED: Automatic Extension of Permits Affected by Court Proceedings

* The following statement should be placed in statute:

"The term of any permit issued by the State of Alaska shall tolled (extended) during all periods while the issuance, validity, completeness, etc. of such permits is being challenged in the State or Federal courts and upon the termination of such litigation the term of such permit(s) shall continue to run until the term of the permit(s) has encompassed the time period originally defined by such permit(s)."

ENVIRONMENTAL REGULATION

Individuals within the Department of Environmental Conservation (DEC) must be accountable for their actions. Technically qualified personnel, with expertise pertaining to the industry which they are assigned to regulate, must be employed. Too often unqualified and inexperienced people are given the job of overseeing and inspecting in Alaska.

The DEC has all the authority needed to regulate industry. It must learn to use this authority in a reasonable, constructive and professional manner. We need to work together as a team to find solutions that promote development of natural resources as required by the State Constitution and protect the environment.

Wetlands

Alaska should be exempted from a strict application of the proposed national "no net loss of wetlands" policy until a suitable policy can be formulated specifically for Alaska that recognizes the unique type, quantity and value of Alaskan wetlands.



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MINE OPERATING ISSUES

Several laws are now in existence impose inefficient operating requirements on the mining industry. Some of these laws are a carry over from the past and no longer serve a purpose.

LEGISLATION NEEDED: Flexible Work Week

* A need exists to allow work schedules to be adjusted on a site by site basis which would result in more efficient work scheduling and provide a more desirable time-off pattern for employees. In Alaska this is particularly significant where mines are in remote locations and miners maintain their residence in a village or city far removed from the mine site.

LEGISLATION CONCERN: Time at the Face Underground

* There is need to remove the 8 hour limit for working time at the face in underground mines. The existing law is from a time in history when most work was done by hand. Today underground operations are highly mechanized and there is effectively no difference between working underground or on the surface.



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3/20/91

LAND STATUS IN ALASKA
(Millions of Acres)

	<u>Total</u>	<u>Total "Wilderness"</u>	<u>Total Closed to Mining</u>	<u>Total Open to Mining</u>
<u>Federal Lands</u>				
National Park Service	54.7	32.8	54.7	0
U.S. Fish & Wildlife	77.1	18.5	77.1	0
U.S. Forest Service	22.8	5.7	5.7	17.1
Bureau of Land Mgmt.	57.9	2.4(2) 23.0(3)	2.4 23.0	32.5
Department of Defense	2.5		2.5	0
Subtotal	<u>215.0(1)</u>	<u>82.4</u>	<u>165.4</u>	<u>49.6</u>
<u>State Lands</u>				
State Parks	3.2		3.2	0
Administrative Mineral Closures	5.3		5.3	0
Other State Lands	77.9		0	77.9
Not Selected/TA'd	18.		0	18.
Subtotal	<u>104.4(1)</u>		<u>8.5</u>	<u>95.9</u>
<u>Private Lands</u>				
Native Corporations	45.6		0	45.6.(4)
Other private	0.5		0.5	0
Subtotal	<u>46.1</u>		<u>0.5</u>	<u>45.6</u>
Total	<u>365.5</u>	<u>82.5</u>	<u>174.4</u>	<u>191.1</u>

- (1) Final acres that will result after all State and Native land transfers.
- (2) Wild and Scenic River Corridors total approximately 2.4 million acres and these are managed the same as Wilderness designated lands.
- (3) National Petroleum Reserve Alaska is effectively managed as Wilderness.
- (4) Open to mining if leased from Native Corporations.