

HB

344

HB 344

TONY KNOWLES
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 3, 2000

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Porter:

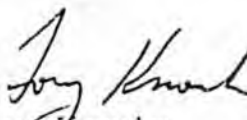
This bill I transmit today would provide legislative approval of a land exchange agreement between the state Department of Natural Resources, and Alaska Hard Rock, Inc. The purpose of the land exchange is for the state to acquire private land located within and adjacent to Independence Mine State Historical Park, near Hatcher Pass. The land to be acquired would be developed to enhance the interpretive and recreational uses of the park. The land the state is exchanging is also located in the Hatcher Pass area and is presently under permit to Alaska Hard Rock, Inc., which is interested in receiving title.

State law requires legislative approval of land exchanges involving lands of unequal appraised value. In this proposed exchange, the state will receive land appraised at \$87,000 while conveying land appraised at \$65,500. Alaska Hard Rock, Inc. is agreeable to this unequal exchange and will be receiving a federal tax credit for the difference.

Adding this land to the Independence Mine State Historical Park, particularly the underground mine tunnels, will greatly add to the tourism potential of the park. The DNR expects to contract with a private concession to run tours and maintain the historic buildings in the park, saving a part of Alaska's history while increasing economic activity in the area.

A copy of the land exchange agreement between the DNR and Hard Rock, Inc., is being provided to the legislature. The DNR has available a report that explains the proposed exchange in more detail.

Sincerely,


Tony Knowles
Governor

Alaska Hardrock, Inc./State of Alaska Land Exchange



State Land to AHI, Land Estate with Mineral Closure, 108 acres @ \$66,500



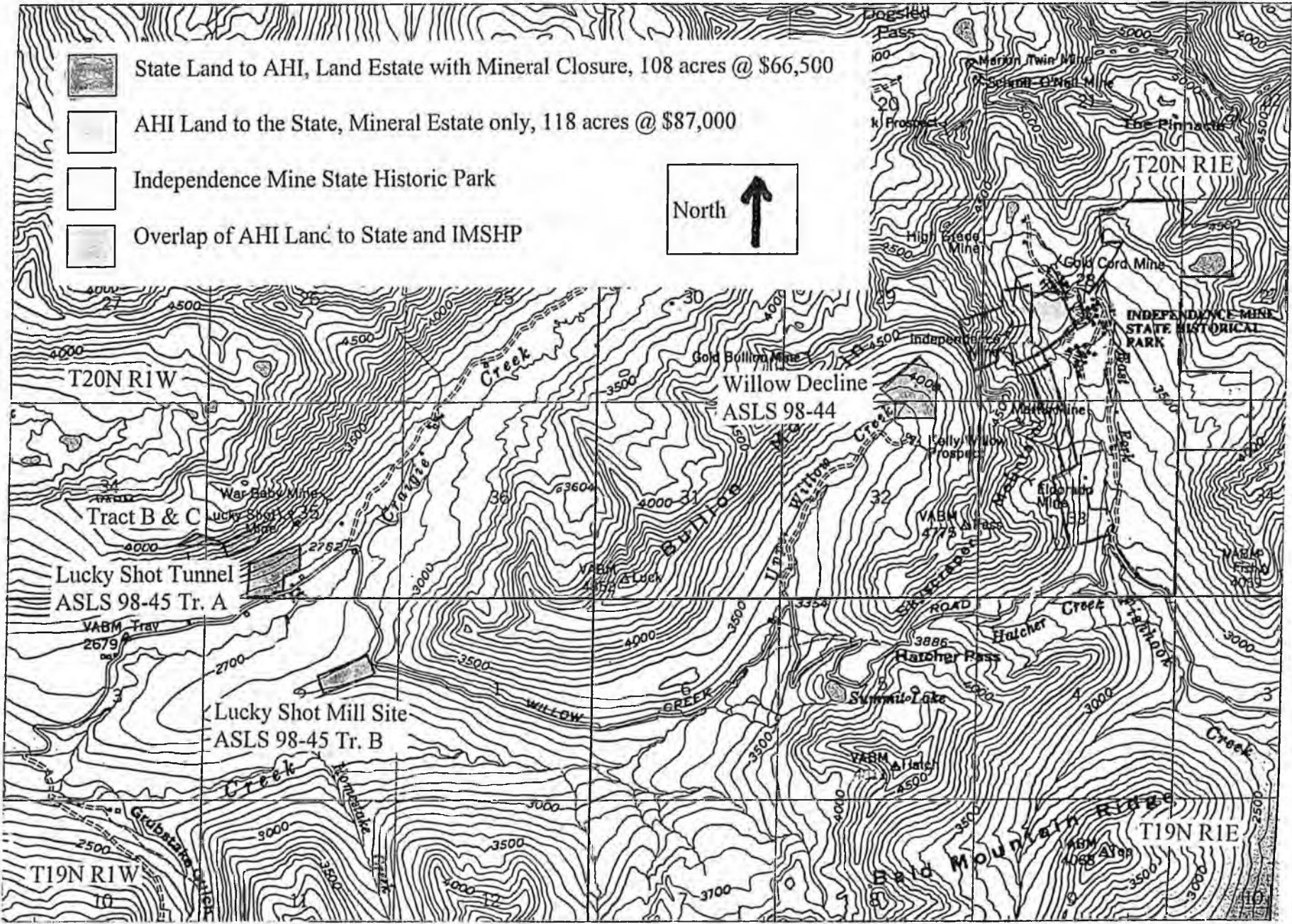
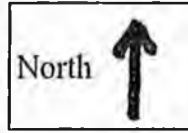
AHI Land to the State, Mineral Estate only, 118 acres @ \$87,000



Independence Mine State Historic Park



Overlap of AHI Land to State and IMSHP



FISCAL NOTE

Bill Version: HB 344

BIL (H) Publish Date: 2/7/00

STATE OF ALASKA 2000 LEGISLATIVE SESSION

Revision Date/Time: _____ Dept Affected: Natural Resources
 Title: Independence Mine Land Exchange between BRU: Parks & Recreation Management
DNR and Alaska Hard Rock, Inc. Component: Parks Management
 Sponsor: Rules
 Requestor: Governor Component No #452

Expenditures/Revenues (Thousands of Dollars)
 Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS & CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|------------|
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-----------------------------|------------|------------|------------|------------|------------|------------|

| | | | | | | |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| CHANGE IN REVENUES (fund code) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|---------------------------------------|------------|------------|------------|------------|------------|------------|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2000) cost: \$ n/a

POSITIONS

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

ANALYSIS:

(Attach a separate page if necessary)

This land exchange will have no immediate fiscal impact on the Division's budget. It will provide an opportunity to seek a viable concession contract for a private operator to manage and maintain all of the historic buildings at Independence Mine State Historical Park. This exchange would allow for the concessionaire to operate underground mine tours.

A concession contract would eventually generate some revenue to the state. A revenue stream is at a minimum four years away. The land exchange is just the first step in the process.

Prepared by: Jim Stratton Phone: 269-8701
 Division: Parks & Outdoor Recreation Date: 19-Jan-00
 Approved by Commissioner: John Shively Date: 1-19-2000
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

COMMITTEE COPY or further distribution information call the Governor's Legislative Office

**Final Exchange Agreement
Independence Mine SHP Exchange
with Alaska Hardrock, Inc.**

This Final Exchange Agreement for the unequal value exchange of land ("Agreement") is made and entered into this 26th day of January, 2000, by and between the State of Alaska, Department of Natural Resources, Division of Land and Division of Parks and Outdoor Recreation ("State"), 550 W 7th Ave, Suite 1380, Anchorage, AK 99501-3561, and Alaska Hardrock, Inc., ("AHI"), PO Box 2407, Palmer, AK 99645, pursuant to AS 38.50 and 11 AAC 67.200-.280.

WITNESS:

WHEREAS, AHI owns the mineral/subsurface estate to eight patented federal mining claims listed below and consisting of approximately 118 acres in T20N R1E SM, Sec 28, 29 and 33, shown in Exhibit A. These lands are adjacent to, or within, Independence Mine State Historic Park. AHI purchased this estate from Enserch Processing Partners, Ltd. as stated in a statutory warranty deed recorded in the Palmer Recording District on Book 0505 page 772. Chain of title has been shown in the Commitment to Insure Report AF99-8419 by Alaska First Title Insurance Agency, Inc.

Independence Lode, Granite Mountain and Granite Mountain #1, within USMS 958-A
Granite Mountain #2 and Granite Mountain #3, within USMS 961/2046
Lois Fraction and Snowbird, within USMS 2041
Homestake 4, within USMS 980

WHEREAS, the State owns land in Willow Creek Valley, consisting of approximately 107 acres, in five different parcels described below and shown in Exhibit B. Transfer to AHI will be for land estate and the land will be closed to new mineral entry. The State received tentative approval to these lands as general grant lands under the Statehood Entitlement Act on September 26, 1984, and July 15, 1994. The applicable case file is GS 1224.

Parcel One named Lucky Shot Mill Site: Tract B of ASLS 98-45, within the NE1/4, Sec. 2, T19N R1W SM, excluding R/W for Willow Creek Road, also known as Hatcher Pass Road. Approximate acreage: 29

Parcel Two named Willow Creek Decline: ASLS 98-44 and federal mining claim Brightness 2, USMS 2047, within the SE1/4, Sec 29 and NE1/4, Sec 32; T20N R1E SM. Approximate acreage for entire parcel: 41

Parcel Three named Lucky Shot Tunnel: Tract A of ASLS 98-45, within the SW1/4, Sec 35, T20N R1W SM, excluding R/W for Willow Creek Road, also known as Hatcher Pass Road. Approximate acreage: 27

Parcel Four: Tract B of US Rectangular Survey dated September 28, 1978, in section 35, T20N R1W, SM. Approximate acreage: 8

Parcel Five: Tract C of US Rectangular Survey dated September 28, 1978, in sections 34 and 35, T20N R1W, SM. Approximate acreage: 2

WHEREAS, the parties intend that the State will acquire the mineral estate described in Exhibit A in exchange for the state owned land estate described in Exhibit B, and that AHI will acquire the state owned land estate described in Exhibit B in exchange for mineral estate described in Exhibit A. Both parties understand that the value of the exchanged lands is unequal.

WHEREAS, the benefits to be achieved by this exchange are:

- a. Land to be acquired by the State includes a major portion of the old water tunnel and an important part of the old Independence Mine tunnels. The Division of Parks and Outdoor Recreation intends to open the water tunnel for public tours. This supports the division's goal of preserving and interpreting Alaska's cultural heritage. Should the park be offered for private concession, the option of including underground tours will make a concession contract more viable. This supports the division's goal of providing support to the state's tourism industry.
- b. AHI has existing leases, mining claims, and facilities on the parcels to be acquired by them. This will solidify ownership for the company and facilitate the business goals in gold mining and tourism.

WHEREAS, the State has followed the specific procedures that are required to protect the public interest.

WHEREAS, the legislature has approved the exchange.

NOW THEREFORE, in consideration of their mutual covenants and promises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged and confessed, the parties covenant and agree as follows:

1. Ownership. AHI has sole ownership to the mineral estate described in Exhibit A, and the State owns the lands described in Exhibit B. It is the parties' understanding that AHI holds mineral interest in the lands to be conveyed to the State and that conveyance of this interest is sufficient to achieve the State's goals of public recreation, presentation and interpretation within the old Independence Mine tunnels.

2. Legal Descriptions: The parties agree that the legal descriptions of the lands and interests in lands which are the subject of this Agreement, as set forth in Exhibits A and B hereto, are subject to further review and changes, as necessary after formal title review, and subsequent negotiations have been done.

3. Taxes and Third Party Interests: There are no outstanding taxes or third party interests in the lands to be exchanged.

4. Authority. Each signatory to this Agreement has the authority to negotiate this exchange on behalf of its principals, subject to any necessary Board of Directors or legislative approval.

5. Conveyance. The State and AHI will exchange their respective rights, titles and interests in the lands identified in Exhibits A and B on an unequal value basis, subject to valid existing rights and other reservations as mutually agreed upon. The State will receive a warranty deed from AHI, and AHI will receive a quit claim deed for the land estate from the State. Land estate is the fee simple estate less the mineral rights reserved under AS 38,05.125(a). The right-of-way for Willow Creek Road, also known as Hatcher Pass Road is excluded as well. The mineral estate under the land estate going to AHI will be closed to mineral entry and the creation of third party interests. The warranty deed to the State, from AHI, will include language specifying that lands conveyed by AHI are to be owned and managed by the Division of Parks and Outdoor Recreation as part of Independence Mine State Historical Park.

6. Value of Land. The land to be exchanged by the parties is of unequal appraised fair market value. According to the *Appraisal of Hatcher Pass Properties for a Land Exchange, Palmer, Alaska, Valuation Date of September 21, 1999, Appraiser: Eric G Follett, MAI*, the value of the 107 acres of state land going to AHI is \$66,500 and the value of the 118 acres of AHI land going to the State is \$87,000. AHI agrees to receive land of less value, is donating to the State, and does not expect compensation from the State for the \$20,500 difference in value.

7. Mineral Closing Order. The State will, as necessary, classify or reclassify the land identified in Exhibit A and B, and concurrently complete a mineral closing order on the same lands pursuant to AS 38.05.185(a) and 11 AAC 67.230(b).

8. ACMP. The property involved in this land exchange is outside the boundaries of the Alaska Coastal Management Program.

9. Third Party Interests. There are no known third party interests in the parcels belonging to each party.

10. Binding Effect. This Agreement shall be binding on and inure to the benefit of the respective parties hereto, their successors and assigns. This agreement shall be executed by an exchange of deeds thirty days after signature, or thirty days after any appeals are resolved.


11. Construction: This Agreement shall be construed and enforced in accordance with the laws of the State of Alaska.

12. Appeals: This is a final administrative order and decision of the department for purposes of an appeal to Superior Court. A person adversely affected by this final order and decision may (1) appeal to Superior Court within 30 days in accordance with the rules of the court, and to the extent permitted by applicable law, or (2) first request reconsideration of this decision, in accordance with AS 44.62.540 and 11 AAC 02.020, to John Shively, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501-3561. Please include the appeal code number provided below. Any such request for reconsideration must be received at that address, or received by being faxed to 1-907-269-8918, within 15 calendar days after the date of "delivery" of this decision, as defined by 11 AAC 02.040(c) and (d). Failure of the commissioner to act on a request for reconsideration within 30 days after delivery of this decision is a denial of reconsideration and is also a final administrative order and decision for purposes of an appeal to Superior Court. It may then be appealed to Superior Court within a further 30 days in accordance with the rules of the court, and to the extent permitted by applicable law. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources. If no request for reconsideration is filed before the end of the period specified, this decision then goes into effect.

13. Legislative Approval: This final land exchange agreement is subject to approval by the Alaska Legislature under AS 38.50.140. Without legislative approval by the end of the legislative session in the year 2001, this agreement is null and void.

IN WITNESS WHEREOF, the parties have set their hands and seals as of the date first above written.

ALASKA HARDROCK, INC.

By: 
Scott Eubanks, President

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES


By: 
John Shively, Commissioner

Exhibit A
Page 1 of 5

Final Exchange Agreement
with Alaska Hardrock, Inc.

Legal Description of AHI lands going to the State:

Mineral/Subsurface Estate of the Following Eight Patented Federal Mining Claims:

T20N R1E SM

Section 28:

Independence Lode, USMS 958-A
Granite Mountain, USMS 958-A
Granite Mountain #1, USMS 958-A
Granite Mountain #2, USMS 961/2046
Granite Mountain #3, USMS 961/2046
Lois Fraction, USMS 2041
Snowbird, USMS 2041
Homestake 4, USMS 980

Section 29:

Independence Lode, USMS 958-A
Granite Mountain, USMS 958-A

Section 33:

Homestake 4, USMS 980

SEC 33 TOWNSHIP 20N RANGE 1E OF THE SEWARD MERIDIAN, ALASKA

LEGEND

GENERAL INFORMATION

- INTERCOMPARITY
- SURVEY LINE
- SURVEY LOT LINE
- TOWNSHIP SECTION CORNER
- 1/4 SECTION LINE
- HIGHWAY
- ROAD
- TRAIL
- RAILROAD
- ELECTRICAL POWER LINE
- TELEPHONE LINE
- PIPELINE
- UNOBTAINING STRIP
- HORIZONTAL CONTROL
- CONTROL POINT

U.S. INFORMATION

- TITLE
- BOUNDARY
- CLASSIFICATION
- DISPOSAL
- MUNICIPAL
- RESTRICTION
- FEDERAL ACTION
- MENTAL HEALTH TRUST
- LIMITS OF ACTION
- NAVIGATIONAL AID
- CANN PERMIT
- TRAPPING CANN PERMIT
- TRESPASS LOCATION

SURFACE WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

SUB-SURFACE WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

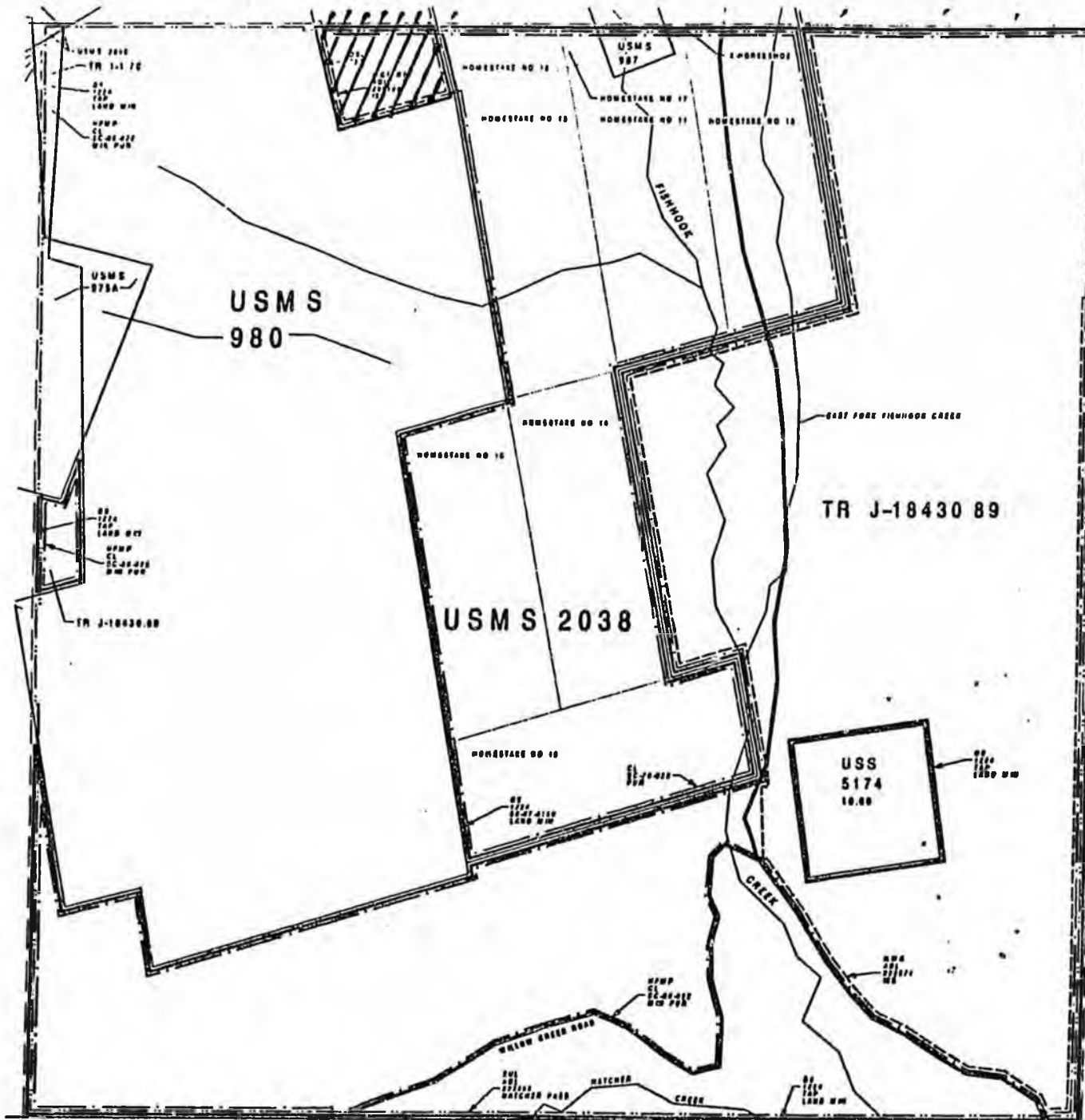
IN-STREAM FLOW RESERVATION

- APPLICATION
- CERTIFICATE

DAM WITH BARRIER

- APPLICATION
- PERMIT
- CERTIFICATE

| | | | | | |
|----|----|----|----|----|----|
| 6 | 5 | 4 | 3 | 2 | 1 |
| 7 | 8 | 9 | 0 | 0 | 0 |
| 0 | 7 | 6 | 5 | 4 | 3 |
| 79 | 20 | 21 | 22 | 23 | 24 |
| 30 | 29 | 28 | 27 | 26 | 25 |
| 31 | 32 | 33 | 34 | 35 | 36 |



LAND ESTATE

THIS STATE PLAT AND LAND ESTATE MAPS ARE AVAILABLE FOR SALE AND REPAIR TO THE PUBLIC AT THE FOLLOWING ADDRESS: ALASKA DEPARTMENT OF NATURAL RESOURCES, LAND RECORDS INFORMATION SECTION, 1000 W. WASHINGTON, ANCHORAGE, ALASKA 99506

BASE DATA

CONTROLS
ALASKA STATE PLANS ZONE 4
NAD 83
E NAD 83
T NAD 83
LAT 61° 00' 00" N
LONG 149° 10' 00" W

HYDROGRAPHY
USGS HYDROGRAPHIC (1961 AND 1971) DATA BY ALM FROM
AT 100M HIGH ALTITUDE PHOTOGRAPHY (1978-1980)

LAND USE
ALM PHOTOGRAPHIC (1961 AND 1971) DATA BY ALM FROM
USGS TRACTS 8 - A (1961) ACRES (1961) (1961)

- USS 1000: APPROVED 05/15/1978
- USS 1010: APPROVED 05/15/1978
- USS 1020: APPROVED 05/15/1978
- USS 1030: APPROVED 05/15/1978
- USS 1040: APPROVED 05/15/1978
- USS 1050: APPROVED 05/15/1978
- USS 1060: APPROVED 05/15/1978
- USS 1070: APPROVED 05/15/1978
- USS 1080: APPROVED 05/15/1978
- USS 1090: APPROVED 05/15/1978
- USS 1100: APPROVED 05/15/1978
- USS 1110: APPROVED 05/15/1978
- USS 1120: APPROVED 05/15/1978
- USS 1130: APPROVED 05/15/1978
- USS 1140: APPROVED 05/15/1978
- USS 1150: APPROVED 05/15/1978
- USS 1160: APPROVED 05/15/1978
- USS 1170: APPROVED 05/15/1978
- USS 1180: APPROVED 05/15/1978
- USS 1190: APPROVED 05/15/1978
- USS 1200: APPROVED 05/15/1978
- USS 1210: APPROVED 05/15/1978
- USS 1220: APPROVED 05/15/1978
- USS 1230: APPROVED 05/15/1978
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- USS 1250: APPROVED 05/15/1978
- USS 1260: APPROVED 05/15/1978
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- USS 1500: APPROVED 05/15/1978
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- USS 1820: APPROVED 05/15/1978
- USS 1830: APPROVED 05/15/1978
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- USS 1860: APPROVED 05/15/1978
- USS 1870: APPROVED 05/15/1978
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- USS 1920: APPROVED 05/15/1978
- USS 1930: APPROVED 05/15/1978
- USS 1940: APPROVED 05/15/1978
- USS 1950: APPROVED 05/15/1978
- USS 1960: APPROVED 05/15/1978
- USS 1970: APPROVED 05/15/1978
- USS 1980: APPROVED 05/15/1978
- USS 1990: APPROVED 05/15/1978
- USS 2000: APPROVED 05/15/1978

OTHER ACTIONS AFFECTING DISPOSAL OR USE OF STATE LANDS
SEE THE LAS CASEFILE OR ORIGINAL SOURCE DOCUMENTS FOR
ADDITIONAL INFORMATION

ENTIRELY WITH PALMER RECORDING DISTRICT
SUBJECT TO HATCHER PASS MANAGEMENT PLAN
CASE 124 TENTATIVE APPROVAL. INCLUDES MINERAL APPLICATION
AA-1101, AA-1102, AA-1103 AND MINING CLAIM
RECORDATIONS AA-1918 THRU AA-1931, AA-1932 THRU
AA-1933, AA-1934 THRU AA-1935, AA-1936, AA-
AA-1937 THRU AA-1938 WHICH APPLY TO PAL-
SECTIONS 18, 19, 20 AND 21

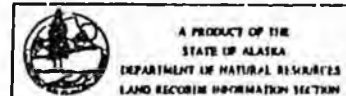
Exhibit A
page 5 of 5

GRAPHIC ILLUSTRATION ONLY.
SOURCE DOCUMENTS REMAIN THE OFFICIAL RECORD.
CONSULT LAND ADMINISTRATION SYSTEM (LAS)
CASEFILE FOR ADDITIONAL INFORMATION.

SCALE

1 inch = 600 feet

ATTENTION STATUS PLAT USERS: ON THIS PLAT, ALL STATUS
LINES COLOR FOR ACTIONS THAT EXTEND INTO ADJACENT TOWNSHIPS;
THIS INCLUDES STATUS LINES SUCH AS DISPOSAL, MUNICIPAL, TITLE,
CLASSIFICATION, ETC. PLEASE REFER TO ADJACENT TOWNSHIPS OR LAS
TO DETERMINE IF ACTIONS EXTEND BEYOND THE BOUNDARIES SHOWN ON
THIS PLAT. REMEMBER TITLE IS A STATE ACTION AND IS CONTROLLED BY THE



A PRODUCT OF THE
STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
LAND RECORDS INFORMATION SECTION

SEC
LI
TWP

PLAT ELEMENT TO BE REVIEWED BY THE LAS

Exhibit B
Page 1 of 9

Final Exchange Agreement
with Alaska Hardrock, Inc.

Legal Description of State lands going to AHI:

Five Parcels of Land Estate with Mineral Closure:

Parcel One named Lucky Shot Mill Site: Tract B of ASLS 98-45, within the NE1/4, Sec. 2, T19N R1W SM, excluding R/W for Willow Creek Road, also known as Hatcher Pass Road. Approximate acreage: 29

Parcel Two named Willow Creek Decline: ASLS 98-44 and federal mining claim Brightness 2, USMS 2047, within the SE1/4, Sec 29 and NE1/4, Sec 32; T20N R1E SM. Approximate acreage for entire parcel: 41

Parcel Three named Lucky Shot Tunnel: Tract A of ASLS 98-45, within the SW1/4, Sec 35, T20N R1W SM, excluding R/W for Willow Creek Road, also known as Hatcher Pass Road. Approximate acreage: 27

Parcel Four: Tract B of US Rectangular Survey dated September 28, 1978, in section 35, T20N R1W, SM. Approximate acreage: 8

Parcel Five: Tract C of US Rectangular Survey dated September 28, 1978, in sections 34 and 35, T20N R1W, SM. Approximate acreage: 2

SEC 2 TOWNSHIP 19N RANGE 1W OF THE SEWARD MERIDIAN, ALASKA

EGEND

INFORMATION

- HYDROGRAPHY
- 4 WAY LINE
- 8 WAY LOT LINE
- TOWNSECTION GRID
- 1/4 SECTION LINE
- HIGHWAY
- ROAD
- TRAIL
- RAILROAD
- ELECTRICAL POWER LINE
- TELEPHONE LINE
- PIPELINE
- AIRPORT LANDING STRIP
- HORIZONTAL CONTROL
- CONTROL POINT

S INFORMATION

- TITLE
- BOUNDARY
- CLASSIFICATION
- DISPOSAL
- MUNICIPAL
- RESTRICTION
- FEDERAL ACTION
- MENTAL HEALTH TRUST
- RIGHTS OF ACTION
- NAVIGATIONAL AID
- CANNON PERMIT
- TRAPPING CANNON PERMIT
- TREMPASS LOCATION

SURFACE WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

UB-SURFACE WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

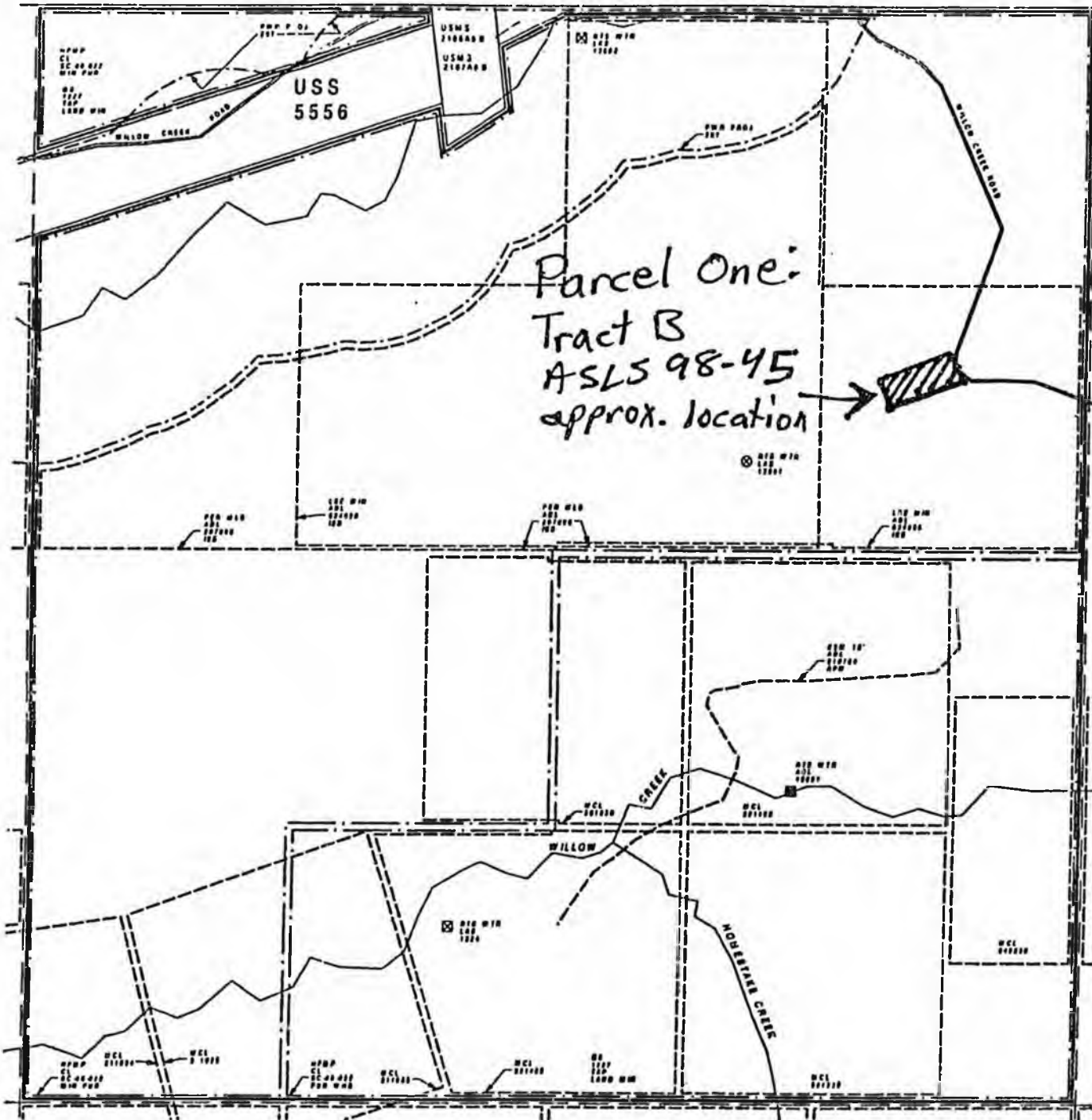
S-STREAM FLOW RESERVATION

- APPLICATION
- CERTIFICATE

AM. WTR. BARRER

- APPLICATION
- PERMIT
- CERTIFICATE

| | | | | | |
|----|----|----|----|----|----|
| 6 | 5 | 4 | 3 | 2 | 1 |
| 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 |
| 31 | 32 | 33 | 34 | 35 | 36 |



STATUS PLAT

THE STATE HAS ALL LAND INTERESTS THAT ARE UNRECORDED IN FACT AND SUBJECT TO THE FEDERAL SURVEY SYSTEM AND ARE RECORDED IN CERTAIN OF THE PLATS OF THIS STATE.

NAME: 19N
 COORDINATES
 ALASKA STATE PLANE ZONE 4
 SE CORNER IN 11TH TWP.
 E 111423311
 N 30425111
 LAT 41 41 12.263 N
 LONG 149 31 34.000 W

HYDROGRAPHY
 USGS (67) AND (67) BYTES D BY BLM FROM 1978-1981
 HIGH ALTITUDE PHOTOGRAPHY 1978-1981

LAND NET
 ATR. PROTRACTOR IN 1963 (M-17) APPROVED 02/11/1981
 USGS TRACT A 21 04/11/1978 ACCEPTED 02/11/1978
 US 1546 ACCEPTED 12/21/1971
 US 1546 ACCEPTED 02/11/1973
 US 1514 ACCEPTED 02/11/1973
 USMS 2100 A & B APPROVED 02/11/1971
 USMS 2107 A & B APPROVED 12/21/1971
 USMS 2110 APPROVED 02/11/1971
 USMS 2110A APPROVED 02/11/1971
 USMS 2105 APPROVED 02/11/1971
 ASLS 98-45 RECORDED 02/11/1973
 ASLS 98-45 FILED 11/29/1973

OTHER ACTIONS AFFECTING DISPOSAL OR USE OF STATE LANDS
 SEE THE LAS CASEFILE OR ORIGINAL SOURCE DOCUMENTS FOR
 ADDITIONAL INFORMATION.

ENTIRELY WITH PALMER RECORDING DISTRICT
 ENTIRELY WITH NATALICIA-SUTINA BUREAU
 SUBJECT TO NATALICIA PASS MANAGEMENT PLAN

Exhibit B
 page 3 of 9

GRAPHIC ILLUSTRATION ONLY.
 SOURCE DOCUMENTS REMAIN THE OFFICIAL RECORD
 CONSULT LAND ADMINISTRATION SYSTEM (LAS)
 CASEFILE FOR ADDITIONAL INFORMATION

SCALE
 1 inch = 400 feet

ATTENTION STATUS PLAT USER: ON THIS PLAT, ALL STATUS
 LINES CLOSE FOR ACTIONS THAT EXTEND INTO ADJACENT TOWNSHIPS.
 THIS INCLUDES STATUS LINES SUCH AS DISPOSAL, MUNICIPAL, TITLE
 CLASSIFICATION, ETC. PLEASE REFER TO ADJACENT TOWNSHIPS OR LAS
 TO DETERMINE IF ACTIONS EXTEND BEYOND THE BOUNDARIES SHOWN ON
 THIS PLAT. REMEMBER TITLE IS ASSOCIATED WITH ACCEPTED LINES

A PROPERTY OF THE
STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
LAND RECORDS INFORMATION SYSTEM

SEC
SP
TWP

PLAT CURRENT TO ORIGINAL, SEE 10 FOR INFO

TOWNSHIP 20N RANGE 1W OF THE SEWARD MERIDIAN, ALASKA

LEGEND

GENERAL INFORMATION

- HYDROGRAPHY
- SURVEY LINE
- SURVEY LOT LINE
- TOWNSHIP SECTION GRID
- 1/4 SECTION LINE
- HIGHWAY
- ROAD
- TRAIL
- RAILROAD
- ELECTRICAL POWER LINE
- TELEPHONE LINE
- PIPELINE
- AIRPORT/LANDING STRIP
- HORIZONTAL CONTROL
- CONTROL MONUMENTS

LAND INFORMATION

- TITLE
- BOUNDARY
- CLASSIFICATION
- DISPOSAL
- MUNICIPAL
- RESTRICTION
- FEDERAL ACTION
- MENTAL HEALTH TRUST
- LIMITS OF ACTION
- NAVIGATIONAL AID
- CABIN PERMIT
- TRAPPING CATCH PERMIT
- TRESPASS LOCATION

BEACH WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

SURFACE WATER RIGHTS

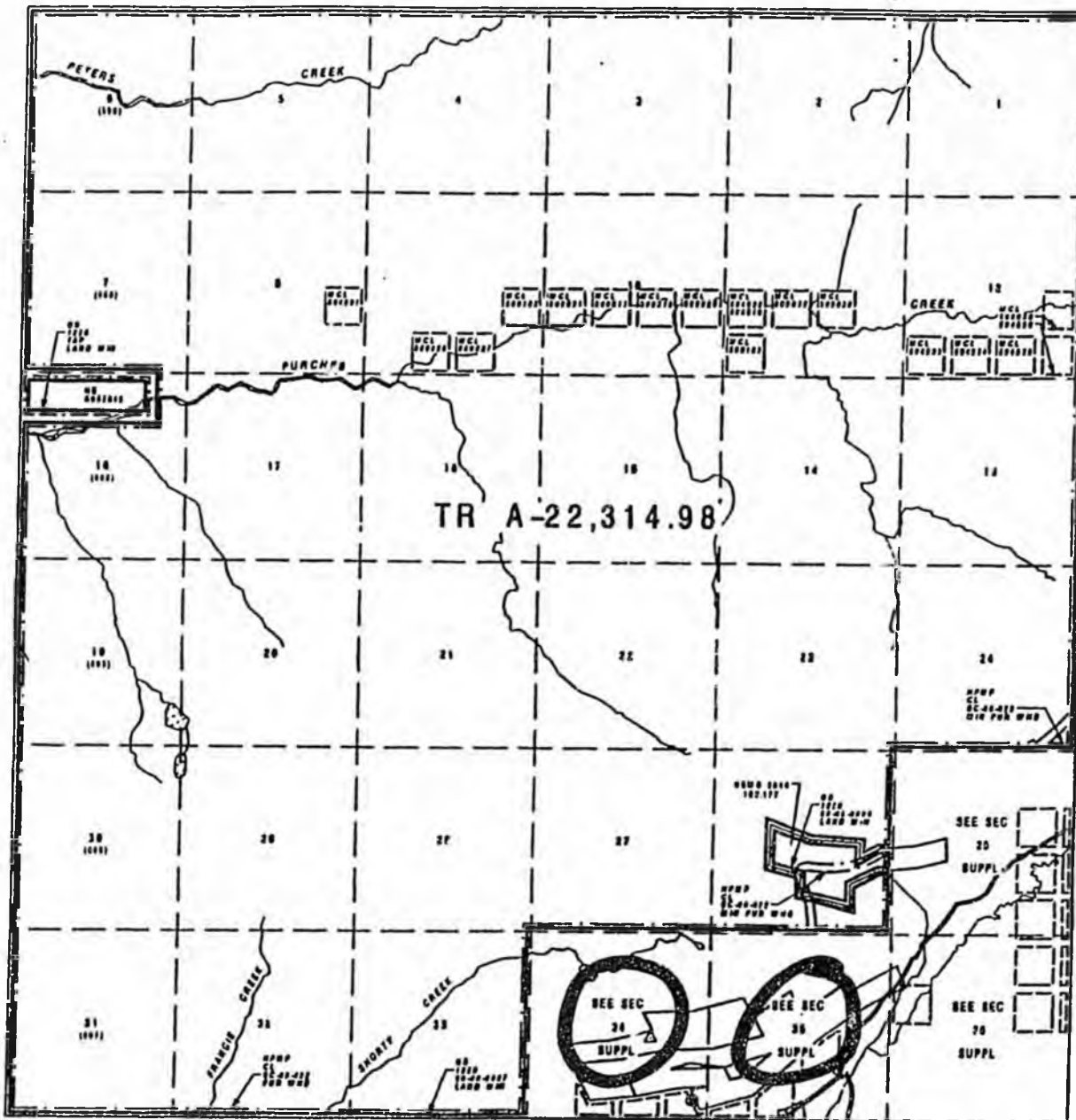
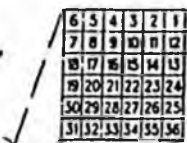
- APPLICATION
- PERMIT
- CERTIFICATE

STREAM FLOW RESERVATION

- APPLICATION
- CERTIFICATE

WATER BARRIERS

- APPLICATION
- PERMIT
- CERTIFICATE



STATUS PLAT

THIS STATUS PLAT IS A PRELIMINARY RECORDING OF THE STATUS PLAT... THE STATE SHALL HAVE ALL LANDS... IN-PART AND SUBJECT TO THE... AND... THE... ARE... THE... THE... THE...

BASED ON

CORNER 1713
ALASKA STATE PLAT...
SE CORNER IN TOWNSHIP...
T 20N R 1W
S 1713 1/4
LAT 41 24 100 N
LONG 150 21 200 W

HYDROGRAPHY
USGS ANCHORAGE (17) BY BFL BY BLM FROM AERIAL PHOTO
ALTERNATE PHOTOGRAPHY 1978-1980

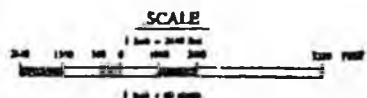
LAND ACT
ALASKA SETTLEMENT PROGRAM 2-12 APPROVED 03/11/81
USFS CREATING TRACTS A, B & C. 12/13/81 ACRES
ACCEPTED 03/11/81
USFS 1987 APPROVED 03/11/81
USFS 1984 APPROVED 03/11/81
USFS 1978 APPROVED 03/11/81
USFS 1976 APPROVED 03/11/81

OTHER ACTIONS APPLYING IMPEDING THE USE OF THIS STATUS PLAT... SEE THE LAS... OF... INFORMATION FOR ADDITIONAL INFORMATION.

ENTIRELY WITH PALMER RECORDING SYSTEM
ENTIRELY WITH MATANUSKA-SUSTINA BOROUGH
SUBJECT TO HATCHER PASS MANAGEMENT PLAN

Exhibit B
page 7 of 9

GRAPHIC ILLUSTRATION ONLY.
SOURCE DOCUMENTS REMAIN THE OFFICIAL RECORD
CONSULT LAND ADMINISTRATION SYSTEM (LAS)
CASEFILE FOR ADDITIONAL INFORMATION



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TWP

SEC 34 TOWNSHIP 20N RANGE 1W OF THE SEWARD MERIDIAN, ALASKA

EGEND

INFORMATION

- HYDROGRAPHY
- SURVEY LINE
- SURVEY LOT LINE
- TOWNSHIP SECTION (200)
- 1/4 SECTION LINE
- HIGHWAY
- ROAD
- TRAIL
- RAILROAD
- ELECTRICAL POWER LINE
- TELEPHONE LINE
- POWERLINE
- AIRPORT LANDING STRIP
- HORIZONTAL CONTROL
- CONTROL MONUMENT

S INFORMATION

- TITLE
- BOUNDARY
- CLASSIFICATION
- DEPOSAL
- MUNICIPAL
- RESTRICTION
- FEDERAL ACTION
- MENTAL HEALTH TRUST
- LIMITS OF ACTION
- NAVIGATIONAL AID
- CABIN PERMIT
- TRAPPING CABIN PERMIT
- TRESPASS LOCATION

SURFACE WATER RIGHTS

- APPLICATION
- PERMIT
- CERTIFICATE

SUB-SURFACE WATER RIGHTS

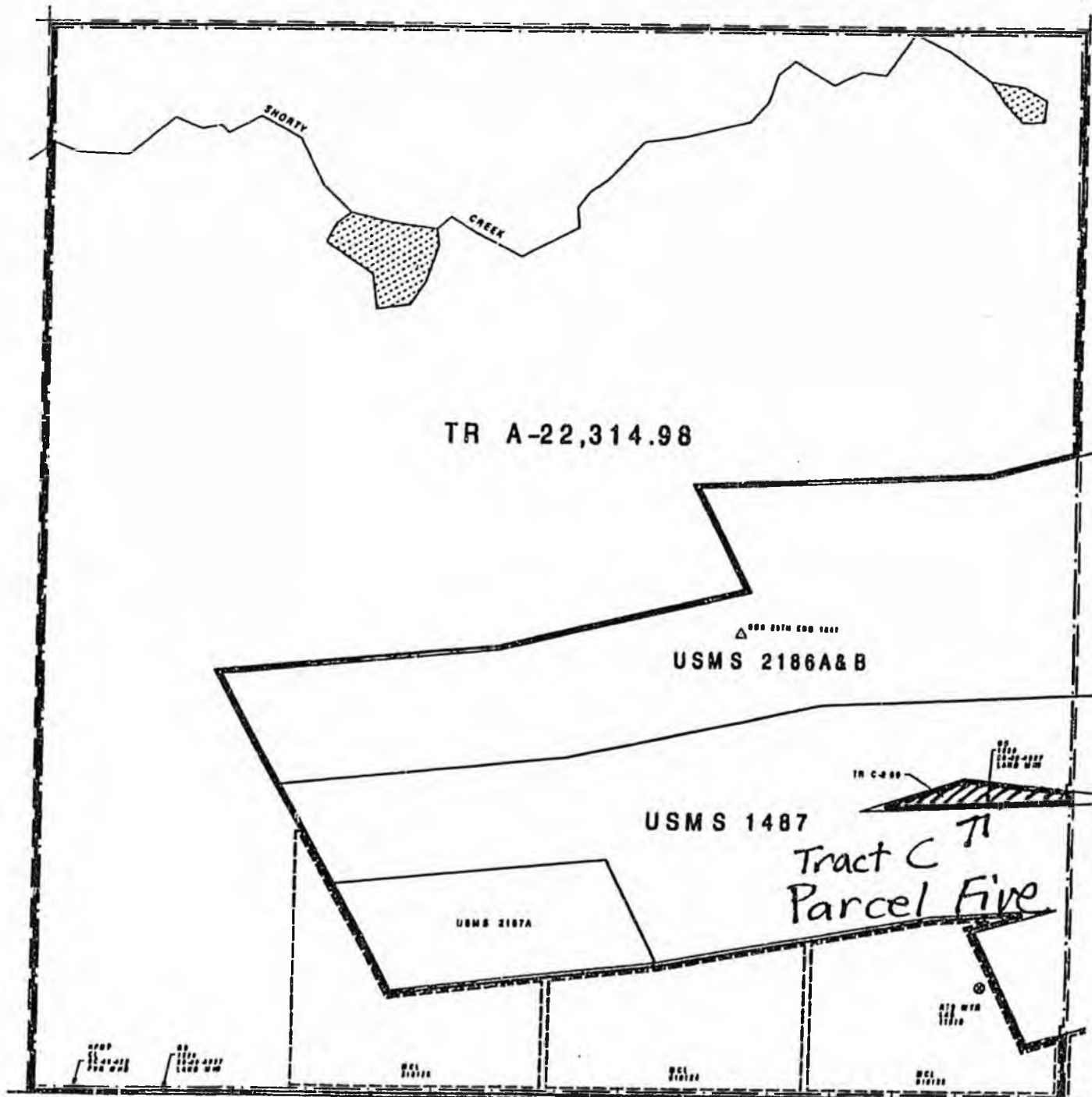
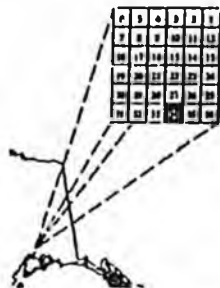
- APPLICATION
- PERMIT
- CERTIFICATE

RIVER/STREAM FLOW RESTRICTIONS

- APPLICATION
- CERTIFICATE

DAM/WEIR/BARRER

- APPLICATION
- PERMIT
- CERTIFICATE



STATUS PLAT

EXAMINER: BILLY HARRISON (007), USMS 2186A&B (008) (009) (010) (011) (012) (013) (014) (015) (016) (017) (018) (019) (020) (021) (022) (023) (024) (025) (026) (027) (028) (029) (030) (031) (032) (033) (034) (035) (036) (037) (038) (039) (040) (041) (042) (043) (044) (045) (046) (047) (048) (049) (050) (051) (052) (053) (054) (055) (056) (057) (058) (059) (060) (061) (062) (063) (064) (065) (066) (067) (068) (069) (070) (071) (072) (073) (074) (075) (076) (077) (078) (079) (080) (081) (082) (083) (084) (085) (086) (087) (088) (089) (090) (091) (092) (093) (094) (095) (096) (097) (098) (099) (100)

THIS STATUS PLAT SHOWS ALL CLAIMS (WHETHER WRITTEN OR NOT) THAT ARE VALIDABLE BY-LAW, AND SUBJECT TO THE ABOVE AND PLAIN IN THE TERMS, AND ARE REPEATED OR LITIGATED IN THE COURSE OF THE STATE.

BASED ON:

CORNER POINTS
ALASKA STATE PLANE BONE 4
S4 CORNER IN TOWNSHIP
E 218119.00
N 218119.00
LAT 61 46 34.00 N
LONG 149 21 30.00 W

HYDROGRAPHY
USGS HYDROGRAPHIC (17) REVISED BY PLAN FROM AERIAL PHOTO
ALTIMETER PHOTOGRAPHY 1978-1983

LAND NET
ADE PROTRACTOR PROGRAM 33-39 APPROVED 03/11/80
USGS RELATING TRACTS A, B & C 223201 ACRES
ACCEPTED 02/26/80
USGS 1487 APPROVED 03/11/80
USGS 2186A APPROVED 03/11/80
USGS 2187A APPROVED 12/28/83

OTHER ACTIONS AFFECTING DISPOSAL OR USE OF STATE LANDS
SEE THE LAS COLUMNS ON USGS SOURCE DOCUMENTS FOR
ADDITIONAL INFORMATION

ENTRUSTED WITH PALMER DISTRICT
ENTRUSTED WITH PALMER DISTRICT
SUBJECT TO PALMER FISH MANAGEMENT PLAN

Exhibit B
page 8 of 9

ATTENTION STATUS PLAT USERS: ON THIS PLAT, ALL STATUS LINES CLOSE FOR ACTIONS THAT EXTEND BEYOND ADJACENT TOWNSHIPS. THIS INCLUDES STATUS LINES SUCH AS DEPOSAL, MUNICIPAL, TITLE, CLASSIFICATION, ETC. PLEASE REFER TO ADJACENT TOWNSHIPS OR LARS TO DETERMINE IF ACTIONS EXTEND BEYOND THE BOUNDARIES SHOWN IN THIS PLAT. MEMORANDUM TITLE, CLASSIFICATION, AND RESTRICTION LINES ALWAYS CLOSE ON ALL PLATS.

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LAND RECORDS INFORMATION SYSTEM

SEC 34
SP

AN INDEX OF STATUS PLAT AMALVATIONS
IS INCLUDED WITH EACH AMALVATION CARD
SET OF STATE STATUS PLATS

SCALE
1 inch = 400 feet

**Final Report and Best Interest Findings
on Proposed Land Exchange
between Alaska Hardrock, Inc. and
the State of Alaska for the
Division of Parks and Outdoor Recreation**

January 14, 2000

Introduction

The proposed land exchange between the State of Alaska for the Division of Parks and Outdoor Recreation and Alaska Hardrock, Inc. proposes to trade five parcels of state land, totaling 107 acres, in the Upper Willow Creek Valley for 118 acres of mineral/subsurface estate in Independence Valley. All parcels are in the Hatcher Pass area of the Talkeetna Mountains, approximately 20 miles north of Palmer and within the Matanuska-Susitna Borough. Refer to the map enclosed with this report, and the detail description below, for specific parcel locations.

The purpose of the exchange is for the Division of Parks and Outdoor Recreation to acquire the "water tunnel", the main tunnel of the old Independence Mine tunnel workings for addition to Independence Mine State Historical Park. Gold mining is an integral part of Alaska's history and the Division of Parks and Outdoor Recreation would like to preserve and interpret this particular piece of Alaska's gold mining history.

The Division of Parks and Outdoor Recreation and Alaska Hardrock, Inc. started serious negotiations in 1998. On June 29, 1999, both parties signed a Preliminary Exchange Agreement. According to that agreement, survey and appraisal work were done in late summer and early fall of 1999. Surveys will receive final borough approval in January, 2000. The final appraisal was received in late November. December 7, 1999 through January 10, 2000 was the 30-day public notice period on the exchange, related mineral closures, area and management plans' exceptions and land classification changes. The exchange will go before the Alaska Legislature for approval. If approval is received, deeds will be exchanged within 60 days of legislative approval.

This report is the land exchange report required by Alaska Statute 38.50.130.

Public Notice and Comment Period

Public Notice for the land exchange started Tuesday, December 7, 1999. Public comment was accepted by the two Division of Parks and Outdoor Recreation offices listed below from Tuesday, December 7, 1999 through to 4:30 pm, Monday, January 10, 2000.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Parks Contact Person in Anchorage:

Kathryn Reid

ph: (907) 269-8708

fax: (907) 269-8907

email: Kathryn_Reid@dnr.state.ak.us

Alaska State Parks

550 W 7th Av. Suite 1380

Anchorage, AK 99501-3561

(7th and F Streets)

Wasilla/Palmer Parks Office:

Mat-Su Area Office

Alaska State Parks

HC 32, Box 6706

Wasilla, AK 99654

ph: (907) 745-3975

fax: (907) 745-0938

location: Mile 0.4 Bogard Rd, Finger Lake SRS

Area Superintendent - Dale Bingham

The Appraisal

The appraisal contract was awarded to Follett & Associates of Anchorage, Alaska. The appraiser is Eric G. Follett, MAI. The appraisal is titled *Appraisal of Hatcher Pass Properties for a Land Exchange, Palmer, Alaska*, herein referred to as the land exchange appraisal. The valuation date of the appraisal is September 21, 1999.

State land going to Alaska Hardrock, Inc. was appraised as land estate only. Mineral estate was not included since the State can not deed the mineral estate in this circumstance.

Mineral/subsurface estate going to the Division of Parks and Outdoor Recreation from Alaska Hardrock, Inc. was appraised at two levels. One was the remaining gold/mineral value left in these patented federal mining claims. The other is the "tourism value" of the tunnel. The Division of Parks and Outdoor Recreation plans to renovate the tunnel and conduct tours in it. This is a recreational value, not a mineral value. The basis of this portion of the appraisal was a comparison of underground mining tunnel tours conducted in the lower 48, since there is no comparable operation in Alaska. Park staff assisted in the gathering of data on these underground mining tunnel tours. Existing tours researched ranged from historic mines to active commercial mines for gold, silver and coal.

Law in Alaska is unclear as to whether the subsurface or surface estate owner has non-mining rights to underground tunnels. The Division of Parks and Outdoor Recreation has received verbal information that both surface and subsurface estate owners agree that the subsurface estate owner, Alaska Hardrock, Inc., has the non-mining rights to the underground tunnels. The Division of Parks and Outdoor Recreation has requested that Alaska Hardrock, Inc. receive this statement in writing from Starkey Wilson, surface estate owner.

There was one copy of the land exchange appraisal available for public review at each of the Division of Parks and Outdoor Recreation offices listed below.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Parks Contact Person in Anchorage:

| | |
|-------------------------------------|--------------------------------------|
| Kathryn Reid | Alaska State Parks |
| ph: (907) 269-8708 | 550 W 7 th Av. Suite 1380 |
| fax: (907) 269-8907 | Anchorage, AK 99501-3561 |
| email: Kathryn_Reid@dnr.state.ak.us | (7 th and F Streets) |

Wasilla/Palmer Office:

| | |
|--------------------|---|
| Mat-Su Area Office | ph: (907) 745-3975 |
| Alaska State Parks | fax: (907) 745-0938 |
| HC 32, Box 6706 | location: Mile 0.4 Bogard Rd, Finger Lake SRS |
| Wasilla, AK 99654 | Area Superintendent - Dale Bingham |

Legal and Physical Descriptions of Land Involved plus Appraised Value

Parcels to be Acquired by the State Division of Parks and Outdoor Recreation

The Division of Parks and Outdoor Recreation will receive mineral/subsurface estate for eight federal mining claims from Alaska Hardrock, Inc. The surface estate is owned by a different party, Starkey Wilson, and therefore not part of this trade. These mining claims are in Sections 28, 29 and 33, Township 20 North, Range 1 East, Seward Meridian (T20N, R1E, SM). The eight federal mining claims are as follows:

| | | |
|--|---------------|--------------------|
| Independence Lode | USMS 958-A | 17.75 acres |
| Granite Mountain | USMS 958-A | 13.14 acres |
| Granite Mountain #1 | USMS 958-A | 12.90 acres |
| Granite Mountain #2 | USMS 961/2046 | 13.45 acres |
| Granite Mountain #3 | USMS 961/2046 | 16.53 acres |
| Lois Fraction | USMS 2041 | 7.79 acres |
| Snowbird | USMS 2041 | 18.11 acres |
| Homestake #4 | USMS 980 | 19.72 acres |
| <u>overlap of Lois Fraction and Granite Mt. #3</u> | | <u>-1.21 acres</u> |
| Total acreage to the State | | 118.18 acres |

This property has the main mining tunnel, called the water tunnel, and numerous side tunnels of the old Independence Mine tunnel workings. The first six mining claims listed are crossed by the water tunnel. Of these six, one - Granite Mountain #3 - is currently within Independence Mine State Historic Park boundary. The other five are adjacent to the park on the northwest corner of the park. The last two mining claims are also within the current Independence Mine State Historic Park boundary, but are not crossed by the water tunnel. Homestake #4 mining claim is not contiguous with the other seven claims. This property will be managed as part of Independence Mine State Historic Park. See the map enclosed with this report.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

The water tunnel is in relatively good condition except for the tunnel floor, which has a layer of mud and water. The tunnel is an average 10 feet in diameter, level, and runs in a general east-west direction. It can be cleaned and repaired, and the railroad track restored, for use in an underground tunnel tour. All other tunnels, of which there is approximately 15 miles, are small, narrow and unsafe.

The appraisal tourism value of the main tunnel is \$63,000. The remaining gold/mineral value is \$24,000. Total appraised value for these eight mining claims is \$87,000.

Parcels to be Acquired by Alaska Hardrock, Inc.

AHI will receive 5 parcels of state land in Upper Willow Creek Valley, on the other side of Hatcher Pass from Independence Mine State Historic Park. By law, the State can not give fee simple estate in this circumstance. AHI will receive land estate, defined here as fee simple estate less mineral rights reserved under Alaska Statute 38.05.125(a). The land estate includes the right to soil, gravel, etc. A state mineral closure will be placed on these parcels.

Parcel One, called the Lucky Shot Mill Site, is found in the NE1/4 of Section 2, Township 19 North, Range 1 West, Seward Meridian. This rectangular parcel sits on a mostly level, low ridge top on Hatcher Pass Road at mile 23. Some maps have this road labeled as Willow Creek Road. There are several buildings on the property related to gold mining, such as a mill building, shop, office, bunkhouse, and water treatment facility. These were built by previous leasees of the property, not the State. Therefore, the buildings are not state owned, and were not included in the land exchange appraisal. The State currently leases this parcel to Alaska Hardrock, Inc. There are two leases, one is a land lease, ADL#207065, issued to Alaska Hardrock, Inc., which Alaska Hardrock, Inc. has requested cancellation of as a duplicate, and an upland mining lease, ADL#534898, under the name of Thor Gold Alaska, Inc. Due to a joint venture and termination agreement between Alaska Hardrock, Inc. and Thor Gold Alaska, Inc. to acquire the Lucky Shot mill site, Thor Gold Alaska, Inc.'s name remains on the lease, but Alaska Hardrock, Inc. is the owner and user of all buildings and equipment. As part of the termination agreement, Thor Gold Alaska, Inc. will turn over the lease to AHI no later than the year 2009. The upland mining lease would be canceled if the land exchange is approved. If not, this lease will remain active. There are no utilities available in the area. The Lucky Shot Mill Site is 29.24 acres and its boundary defined as Tract B of state survey ASLS 98-45. ASLS 98-45 will receive final approval by the end of December, 1999. The appraised value for the Lucky Shot Mill Site is \$25,000, approximately \$850/acre.

Parcel Two, called the Willow Creek Decline, is found in the SE1/4 of Section 29, and the NE1/4 of Section 32 of Township 20 North, Range 1 East, Seward Meridian. This irregular shaped parcel sits in the bowl at the end of Upper Willow Creek. Access is by Upper Willow Creek Road, a one-lane dirt road with a junction at mile 20.5 of Hatcher Pass Road. This parcel has the western entrance to the water tunnel and two buildings. The buildings are from the 1980s when the parcel was used as a mill site. Both buildings are in very poor condition and were not built by the State. Therefore they are not included in the appraisal, although the tunnel entrance is. The upper two-thirds of the parcel is steep enough to be avalanche prone. Therefore, only the

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

lower one-third could be developed. One of the buildings has received major damage due to avalanche. Alaska Hardrock, Inc. has state mining claims on this parcel. If the land exchange is approved, Alaska Hardrock, Inc. will either close the claims, or alter the boundaries to exclude this parcel, since a mineral closure will be placed on it. There are no utilities available in the area. The Willow Creek Decline is 40.95 acres and its boundary defined as state survey ASLS 98-44 (21.57 acres), plus federal mining claim Brightness #2, USMS 2047 (19.38 acres). ASLS 98-44 will receive final approval by the end of January, 2000. The appraised value for the Willow Creek Decline parcel is \$26,000, approximately \$623/acre.

Parcel Three, called the Lucky Shot Tunnel, is found in the SW1/4 of Section 35, Township 20 North, Range 1 West, Seward Meridian. This "L" shaped parcel sits on the northward side of Hatcher Pass Road at mile 24. The entire parcel is prone to avalanches due to the steep mountainside north of the property. The only development is the Lucky Shot Mine tunnel entrance and a private, one-lane road for tunnel access. There are no utilities available in the area. The Lucky Shot Tunnel is 26.87 acres and its boundary defined as Tract A of state survey ASLS 98-45. ASLS 98-45 will receive final approval by the end of December, 1999. The appraised value for the Lucky Shot Tunnel parcel is \$13,000, approximately \$475/acre.

Parcel Four, called Tract B, is Tract B in Section 35, Township 20 North, Range 1 West, Seward Meridian. There are no utilities available in the area and no road access to the parcel. This irregular shaped parcel is on a steep mountainside and adjacent to Tract C. Tract B is 7.96 acres and its boundary defined by the surrounding federal mining claims. The appraised value for Tract B is \$2000, approximately \$250/acre.

Parcel Five, called Tract C, is Tract C in Sections 34 and 35, Township 20 North, Range 1 West, Seward Meridian. There are no utilities available in the area and no road access to the parcel. This irregular shaped parcel is on a steep mountainside and adjacent to Tract B. Tract C is 2.09 acres and its boundary defined by the surrounding federal mining claims. The appraised value for Tract C is \$500, approximately \$250/acre.

Total acreage for all five parcels is 107.11. The total appraised value for all five parcels is \$66,500.

Summary of Appraised Values and Land Involved

The charts below, summarize with rounded figures the land acquired on both sides of the trade.

Summary of Mining Claims going to Division of Parks and Outdoor Recreation

| Mineral/subsurface Value | Acreage | Value per Acre | Total Value |
|--------------------------|------------|----------------|-----------------|
| Mineral Value | 118 | \$200/acre | \$24,000 |
| Tourism Value | n/a | n/a | \$63,000 |
| Total | 118 | n/a | \$87,000 |

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Summary of Parcels going to Alaska Hardrock, Inc.

| Parcel Name | Acreage | Value per Acre | Total Value |
|-------------------------|------------|-------------------|-----------------|
| 1) Lucky Shot Mill Site | 29 | \$850/acre | \$25,000 |
| 2) Willow Decline | 41 | \$625/acre | \$26,000 |
| 3) Lucky Shot Tunnel | 27 | \$475/acre | \$13,000 |
| Tract B&C | 10 | \$250/acre | \$2,500 |
| Totals | 107 | \$620/acre | \$66,500 |

Both state and Alaska Hardrock, Inc. lands are not in the coastal zone. Neither are they wetlands or in a floodplain. The parcels are within the Matanuska-Susitna Borough, but there is no zoning in the area.

Although the value difference between the state land and Alaska Hardrock, Inc. land is approximately \$20,000, both parties still agree to the exchange. The acreage is involved in the exchange is close and Alaska Hardrock, Inc. will receive a tax credit for the value difference.

Legislative Approval

Since this is an unequal value exchange, it must receive Legislative approval.

Land Planning and Classification

The Willow Sub-Basin Area Plan, October 1992, sets out general management intent and land classification for the Hatcher Pass area. The plan specifies that the area will be managed primarily for mining, recreation, grazing, and fish and wildlife related uses such as hunting and providing habitat. The plan classified the land as minerals and public recreation land.

The Hatcher Pass Management Plan spells out more specific management intent for the area. The management intent for the Independence Valley subunit is to protect habitat, the scenic vistas and the historic character, to encourage tourism and the continued mining on existing claims. The management intent for the Willow/Craigie Creek subunit, which includes the Upper Willow Creek Valley, is to encourage mineral development, the continuance of a variety of recreation activities, and protection of habitat and scenic vistas. The plan recognizes that a balance is needed between the protection of historic mining sites and the nourishing of current commercial mining within the area.

Both plans support the expansion of Independence Mine State Historical Park and the mineral closure for land going to the park. Both plans list the Upper Willow Valley as mineral or public recreation lands. State lands to be traded should be either unclassified, or classified as settlement, agriculture, or reserved use. Therefore, by classification, land in the Upper Willow Valley is not open for a land exchange. The intent of the plans is to support mining in the area,

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

and the state land to be received by Alaska Hardrock, Inc. is for the support of their mining operation. In order to reclassify the land, a special exception allowing a change of classification for the five parcels of state land going to Alaska Hardrock, Inc. is proposed. Please see the proposed special exception to the Willow Sub-Basin Area Plan and Hatcher Pass Management Plan and the proposed land classification order #99-003 enclosed with this report.

This reclassification is only for the 107 acres of state land going to Alaska Hardrock, Inc. No other land in the Hatcher Pass area will be reclassified because of this land exchange.

A mineral closure will be placed on the lands involved in this land exchange. The mineral closure is only for the land described in this report and part of this land exchange. No other land in the Hatcher Pass area will be closed to new mineral entry through the mineral closure related to this land exchange.

The mineral closure for the land going to the Division of Parks and Outdoor Recreation is supported by the Willow Sub-Basin Area Plan and the Hatcher Pass Management Plan. Both plans support Independence Mine State Historical Park and the need to preserve historical land marks. The park already has a mineral closure on it. Independence Valley is listed for both active mining and mineral closures for public recreation purposes.

Neither plan supports a mineral closure in the Upper Willow Valley. Both plans support public recreation or mining in this area. Yet, the state lands to be transferred to Alaska Hardrock, Inc. is for the support of their mining operation. A mineral closure on the state land going to Alaska Hardrock, Inc. prevents the disruption of the facilities Alaska Hardrock, Inc. has on these lands, and any improvements they may make, from anyone who might stake a mining claim under these parcels. Since the intent of the plan is to support mining in Upper Willow Valley, and the mineral closure on these parcels also supports mining in the same area, this mineral closure is consistent with the plan intent. Please see the proposed mineral order #753 enclosed with this report.

Benefits of the Exchange

Benefit to the State

Acquiring the old Independence Mine tunnels supports the Division of Parks and Outdoor Recreation's goal of preserving and interpreting Alaska's cultural heritage. Independence Mine State Historic Park currently has the surface buildings of Independence Mine camp within the park. The camp's purpose was to mine gold. Including the tunnels in the park completes the historic picture of Independence Mine. Through a proposed concession contract with a private operator, the Division of Parks and Outdoor Recreation plans to renovate the water tunnel so public tours can be conducted underground. This will give the park visitor a better understanding of how the miners worked, as well as where they lived.

Alaska Hardrock, Inc./Division of Parks Proposed Land Exchange Final Report

Acquiring the tunnels also supports the Division of Parks and Outdoor Recreation's goal of providing support to the state's tourism industry. Long term management plans for Independence Mine State Historic Park include the possibility of a private concession contract. The option of underground tours, either as part of a package or by itself, make a concession contract much more viable.

Note: The goals for the Division of Parks and Outdoor Recreation are listed in the *Alaska State Park System: Statewide Framework*, June 1982

Benefits to Alaska Hardrock, Inc.:

Alaska Hardrock, Inc. has a lease for the Lucky Shot Mill Site. If they own the property, they no longer have to pay the rent to the State. They also can make improvements or create new development without needing to changing their agreement with the State.

The Lucky Shot Tunnel and Willow Decline parcels have tunnel entrances which give access to state mining claims and patented federal mining claims owned by Alaska Hardrock, Inc. By possessing these parcels, Alaska Hardrock, Inc. secures permanent tunnel access and has the ability to make improvements to tunnel access areas without needing to pay fees to, or getting permission from, the State Department of Natural Resources or other state agencies, such as the Department of Environmental Conservation.

Tracts B and C sit in the middle of the patented federal mining claims owned by Alaska Hardrock, Inc. By receiving title to these parcels, Alaska Hardrock, Inc. no longer has an inholding of state land. If they expand their mining operation, they do not need to be concerned with encroaching or trespassing on state land.

Securing all five parcels allows Alaska Hardrock, Inc. to consolidate their property and secure permanent ownership to lands that are key to their mining operation. Due to the low price of gold, Alaska Hardrock, Inc. is considering running gold mine tunnel and mill site tours. Securing ownership for these lands is key to this business as well. Alaska Hardrock, Inc. is also considering a bed and breakfast or small lodge on the Lucky Shot Mill Site to help facilitate a tourist type business.

Alternatives

Independence Mine camp and tunnels is a unique resource for Alaskans. This is why the camp was made into a historical park. There is no alternative land for purchase with the cultural resource of the water tunnel. The only alternative to a land exchange would be to purchase the land from Alaska Hardrock, Inc. Alaska Hardrock, Inc. indicated that they would not want to sell, but would accept a land trade. Another benefit of this exchange is the cost to the State for the land trade is less than the appraised value of the water tunnel property. The State also does not have the funds to purchase the property. The last alternative would be to forego purchase the

tunnel altogether. As stated above, this is a unique resource. To lose this opportunity to obtain this property at a cost less than the appraised value would not be in the best interest of the State

Without the mine tunnel and tour, the opportunity for a concession contract to operate and maintain the historical buildings at Independence Mine State Historical Park would be significantly diminished. The State is not in a position to continue funding the maintenance on these historical buildings. Preliminary contacts with potential private operators indicate that a tour opportunity is needed for the entire project to be economically viable. Without a public/private partnership, the mine buildings will continue to deteriorate.

The parcels going to Alaska Hardrock, Inc. are also a unique resource for Alaska Hardrock, Inc. There are no alternatives to the mill site, or access for their mining claims and tunnels. Their only alternative would be to build other tunnel entrances or mill sites, provided they could find nearby private property to purchase. While there may be nearby private property to purchase for tunnel entrance sites, finding nearby private property to purchase for a mill site that is not prone to avalanches is very unlikely. Even if there was property to purchase that meets their requirements, to rebuild would be prohibitively expensive.

The State could sell these parcels, but the sale would have to be a competitive sale open to the public. The State could not sell the property directly to Alaska Hardrock, Inc. and Alaska Hardrock, Inc. has no guarantee of a winning bid. Since Alaska Hardrock, Inc. is unable to directly purchase the property with the existing facilities from the State, they are willing to trade for it.

This land exchange allows each party to attain what they want. No other alternative achieves this kind of win/win situation for either party.

Public Comment Received

The public notice and comment period ran from December 7, 1999, through January 10, 2000. Newspaper display ads appeared in the Anchorage Daily News on Friday, December 10 and Sunday, December 19. Display ads also appeared in the Frontiersman on Friday, December 10 and Friday, December 17. Legal classified ads appeared in the Juneau Empire and the Fairbanks news Miner on Friday, December 10 and Sunday, December 19.

Documentation on the proposed land exchange was mailed in the first full week of December to the following: 1) all native corporations and villages within the Mat-Su Borough; 2) all community councils within the Mat-Su Borough; 3) all property owners within a six mile radius, including state and federal mining claim holders - this encompassed four townships; 4) all members of the legislature; 5) all state department commissioners, the governor's office, and the Mat-Su Borough; 6) user groups of the area and other interested organizations.

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In addition, a public notice sign with map was mailed to every post office for public posting in the Mat-Su Borough and the Municipality of Anchorage. The public notice was also placed on the State of Alaska and Department of Natural Resources public notice web pages. This public notice was also faxed to the media by the Anchorage Public Information Center. Further, the documentation on the land exchange was posted on the Division of Parks web site. These also happened in the first full week of December.

Only a few comments were received. The land exchange appears to be non-controversial. Negative comments are addressed below.

The Division of Parks and Outdoor Recreation received two faxes. Both were from neighboring property owners. One fax lists concerns, such as the appraisal value affecting their land value and the unknown impact, positive or negative, of the exchange on neighboring property, but did not take a positive or negative position on the land exchange itself.

The other was a list of negative comments that a person had heard from numerous people who contacted him in concern of the proposed land exchange. He encouraged these folks to make their comments directly to the State, but none did. In a phone conversation, I was able to get the term "numerous people", quantified to an "estimate of a dozen people". The person sending the fax wished to remain anonymous, since his own stance on the land exchange is neutral. The negative comments condensed to eight concerns, which are listed below. A ninth concern was the listed on the possibility of cyanide still in the reclamation pits at the Lucky Shot Mill Site. These pits are not part of the land exchange and will remain state land. Therefore, this issue does not involve the land exchange.

Comment 1: A complaint that the public notice period was during the winter. The property involved in the land exchange can not be driven to in the winter. There was a request to delay the end of the comment period, or have another public comment period during the summer.

Response: Circumstances make this prohibitively expensive. The Preliminary Exchange Agreement was signed at the end of June, allowing just enough time to complete field work on the surveys and appraisal before winter. By law, an appraisal for a land exchange is only valid for one year. Also, this exchange is unequal, therefore, by law, must be approved by the Legislature. If we were to delay public comment for summer and wait for next year's legislative session, the appraisal would be invalid and would have to be redone to accommodate the new timeline. The contract for the current appraisal was \$9,800.

Comment 2: Do not want to see commercialization on both sides, east and west, of the pass.

Response: There already is commercialization on both sides of the pass. Commercial mining has existed on the west side of Hatcher Pass for decades. Should Alaska Hardrock, Inc. create a lodge or B&B at the Lucky Shot Mill Site, this would be a new kind of commercialization on the west side.

Comment 3: This is a poor bargain since the State is only getting subsurface from Alaska Hardrock, Inc.

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Response: As stated earlier in this report, the surface estate is owned by a different party and can not be include in this exchange. Both the subsurface and surface estate owners agree that the right to use the tunnel lies with the subsurface owner, Alaska Hardrock, Inc., which is what the Division of Parks and Outdoor Recreation is interested in. The appraisal only valued the mineral/subsurface estate, so the appraised value accurately reflects what the state is acquiring.

Comment 4: The State would be taking on a liability with the tunnel in terms of visitor safety - risk of cave in.

Response: The appraisal listed the main water tunnel as in good condition. The Division of Parks and Outdoor Recreation has no intention of opening any underground tunnel to the public without insuring public safety through tunnel reconstruction and guided tours. Also, the portion of the water tunnel involved in the exchange is through solid bedrock. The portion of the tunnel that needs shoring up and securing is the entrance, which is already owned by the Division of Parks and Outdoor Recreation.

Comment 5: There would be an increase in non-resident visitation, decreasing the enjoyment of the park by residents.

Response: It is likely that there would be an increase in non-resident visitation to the park when the tunnel is opened for public tours. One of the purposes of the exchange is to encourage increased economic activity. Some residents will also enjoy the upgrades to the park. Also, the park can be used as a jump off point to other areas in Hatcher Pass for those residents who want to get to less populated areas to recreate.

Comment 6: Residents would be charged to see the park. (Unhappy with current fee as it is.)

Response: The Division of Parks and Outdoor Recreation or its commercial operator does plan on charging for the underground tour. The Division of Parks and Outdoor Recreation already has a guided tour of the buildings in the park for a fee, and a parking fee. Without a fee for the underground tour that will be utilized by the commercial operator maintenance of these historic buildings, they will continue to deteriorate. There is no other funding option for the maintenance and preservation of the buildings.

Comment 7: This land exchange violates the intent for public use in the Hatcher Pass Management Plan.

Response: The Department of Natural Resources has determined the exchange is consistent with the plan. See the section "Land Planning and Classification" on page 7.

Comment 8: Wildlife in the area would suffer further from another lodge on the western side.

Response: There is no information to substantiate this. The Department of Fish and Game did not object to, or comment on, the land exchange.

Additional comments received include a letter supporting the land exchange from the Matanuska-Susitna Borough. They believe that the addition of the land to the historic park will make a fine complement to their planned development of a ski area and four-season resort in the area.

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Scott Eubanks, president of Alaska Hardrock, Inc., received three phone calls from neighboring property owners stating their support as well. These were from Argel Pettit, Mike Nauman, and Allen Ervin. Conversations with all three were very supportive of the exchange. They all thought the exchange would benefit both the State and Alaska Hardrock, Inc. along with helping bring some more revenue into the Mat-Su Borough.

Although there is a long list of negative concerns, they were received from one individual. It is hard to quantify these since the "estimated dozen" persons who made them did not come forth themselves. Support for the exchange came from four definite sources. It is noted that any development has a cost to the surrounding wilderness. The development proposed by the State is limited to that necessary to provide enough funding to support the historic preservation of Independence Mine. There is no other funding source for this preservation effort. Known development proposed by Alaska Hardrock Inc. is limited to supporting their existing mining operation, plus a potential small B&B or lodge similar to Hatcher Pass Lodge.

Given the positive and negative public comments received, the Department of Natural Resources plans to continue the land exchange process.