

**HB**

**283**

# SENATE COMMITTEE REPORT

DATE: 5/8/03

FURTHER:

DATE TURNED  
IN TO OFFICE: 5-19-03

Resources Committee considered HOUSE BILL NO. 283

HB 283 COAL LEASES

"An Act relating to limitations on coal leases."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
DNR	4/30/03		✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Gregg Deekin</i>	✓			
<i>Ben Steiner</i>	✓			
<i>Thomas H. Kramer</i>	✓			
<i>Paul Light</i>	✓			
CHAIR: <i>Scott Ogden</i>	✓			

# FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: HB 283  
(H) Publish Date: 5/6/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
Title: Limitations on coal leases BRU: Minerals, Land & Water Dev.  
Component: Claims, Permits and Leases  
Sponsor: Rep. Fate  
Requester: (H) Resources Component No.: 2460

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type -Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2003) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill doubles the limit of the total aggregate acreage a person may hold in coal leases or permits from 46,080 to 92,160 acres.

The Department supports the bill. The change in allowable acreage is consistent with a recent change in federal law that increased the aggregate acreage of federal coal leases held by one company.

**Fiscal Impact**

The department can predict no significant fiscal impact for this bill. This bill would not increase costs to state government.

Prepared by: Bob Loeffler Phone 269-8625  
Division: Mining, Land and Water Date/Time 4/30/2003  
Approved by: Tom Irwin, Commissioner Date 4/30/2003  
Agency: Natural Resources

Alaska State Legislature  
House of Representatives  
Representative Hugh "Bud" Fate



State Capitol, Room 128  
Juneau, AK 99801  
Phone: (907) 465-4976  
Fax: (907) 465-3883  
Toll Free: (866) 465-4976

Chair Resources  
Member:  
*Energy Council*  
*Military & Veterans Affairs*  
*Oil & Gas*  
*Transportation*

Memorandum

To: Senator Scott Ogan, Chair Senate Resources Committee  
Fm: Jim Pound, Chief of Staff  
Cc:  
Date: May 10, 2003  
Re: HB 283 "COAL LEASES"

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Please accept this memo and attached documents as a request for the Senate Resources Committee to hear House Bill 283, "COAL LEASES." This legislation will allow Alaska's Coal Industry to compete with the new federal coal lease proposals in the western lower 48. It expands the amount of acreage available for lease to existing and new coal exploration companies.

Thanks you for your consideration of this Bill.

Attached: Sponsor Statement, HB 283, Fiscal Note, Legislative Activity, Support Letters

Representative  
**HUGH "BUD" FATE**  
Chair-Resources Committee  
Energy Council  
119 N. Cushman St. Suite 207  
Fairbanks, Alaska 99701  
(907) 452-6084  
Fax: (907) 452-6096

## Alaska State Legislature



### House of Representatives

While in Session  
State Capitol, Room 128  
Juneau, Alaska 99801-1182  
(907) 465-4976  
Fax: 465-3883  
Toll Free:  
1 866-465-4976

House District 7

## Sponsor Statement HB 283

### **"An Act relating to limitations on coal leases."**

HB 283 makes a very important change to existing statute for the coal industry, and places Alaska on par with other western states. While most states have a difficult time allocating thousand of acres for coal leases, the federal government has opened the door for expansion on their lands.

Essentially, this puts Alaska at a disadvantage in coal exploration, because of the state's limitation. By increasing the amount of state acreage available for coal leases, the industry has an opportunity to compete and the state stands to gain revenue from the leases.

Passage of HB 283 will also send a message to companies interested in the coal potentials in Alaska to have access through the lease process, comparable to other states without a requirement to depend on federal involvement.

**Subject: Increasing Acreage for Coal Leases**

**Date: Fri, 16 May 2003 20:56:52 -0800**

**From: Bob Loeffler & Connie Sanders <bobandconnie@acsalaska.net>**

**To: linda\_hay@legis.state.ak.us**

**CC: Mark Myers <mdm@dnr.state.ak.us>, Larry Ostrovsky <Larry\_Ostrovsky@law.state.ak.us>, Marie Crosley <mmc@dnr.state.ak.us>, joe\_joyner@dnr.state.ak.us, Janet Burleson@dnr.state.ak.us**

Linda,

The e-mail you received from Pirtle Bates concerning coal lease acreage included an error in the first bullet. The e-mail indicated that "increasing acreage limitations for coal would reduce the acreage available for shallow natural gas leasing to all applicants." In fact, the proposed increase allows one company to own more coal lease acreage.

But does not change the coal acreage available to the industry in general. It is not expected to significantly change the amount of coal acreage leased, as a whole. Therefore, there will likely be no net change to the acreage off-limits to shallow gas.

We apologize for the error. Please call if you have questions. My home number is 907-248-4645.

Bob Loeffler  
Director  
Division of Mining, Land and Water  
(e-mail sent from home)

**Subject:** Reply to your questions regarding increasing acreage limitations for coal leases

**Date:** Fri, 16 May 2003 18:55:57 -0800

**From:** "Pirtle Bates" <pbj@dnr.state.ak.us>

**Reply-To:** <Pirtle\_Bates@dnr.state.ak.us>

**To:** <linda\_hay@legis.state.ak.us>

**CC:** "Mark Myers" <mdm@dnr.state.ak.us>,  
"Larry Ostrovsky" <Larry\_Ostrovsky@law.state.ak.us>,  
"Marie Crosley" <mmc@dnr.state.ak.us>, <joe\_joyner@dnr.state.ak.us>,  
<janet\_burle.on@dnr.state.ak.us>

Linda:

Here's a brief list of the conclusions that Mark Myers, Joe Joyner, Larry Ostrovsky (with other AAGs), and myself came to:

- the language in AS 38.05.140(a) only applies to the coal deposits and does not preclude the issuance of conventional oil & gas leases (but limits the issuance of shallow natural gas leases as required by AS 38.05.177), so increasing the acreage limitations for coal would reduce the acreage available for shallow natural gas leasing to all applicants

- a coal lessee would only have the right to vent or remove gas within the coal for safety reasons while mining coal, and could have a claim to the right to sell the gas removed

- if there exists both a coal lease and oil and gas lease covering the same acreage, any conflicts (including surface use) would be resolved through application of the reservations language in the respective leases - basically giving the earliest lessee the superior right to reasonable accommodation

Larry Ostrovsky gave his home phone # should you need to ask him further questions. it is: 258-7056.

Hopefully I havɛn't forgotten any of the relevant points we covered.

Mr. Pirtle Bates, Jr.  
State of Alaska  
Division of Oil and Gas  
550 W. 7th Ave., Suite 800  
Anchorage, AK 99501-3560  
Phone: (907) 269-8805  
Fax: (907) 269-8943



## RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

May 14, 2003

Senator Scott Ogan  
Chair, Senate Resources Committee  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Re: HB283 — Coal Leases

Dear Senator Ogan:

On behalf of the Resource Development Council for Alaska, Inc. (RDC), I am writing in support of House Bill 283 — Coal Leases. This legislation makes a simple change to state law doubling the acreage a person may hold in state coal leases to 92,160 acres (four townships). This change corresponds with a similar increase for federal coal leases embodied in the "Coal Market Competition Act of 2000." RDC supports this change and we ask the Senate Resources Committee to move the bill forward.

As you know, RDC is a statewide, non-profit business association representing individuals and companies from Alaska's basic industries — mining, oil and gas, fisheries, tourism and forestry. Our membership also includes Native village and regional corporations, local communities, organized labor and support-industry firms. Our mission is to help grow Alaska's economy through the responsible development of the state's natural resources.

Alaska is home to a tremendous coal resource. However, an extremely competitive world market requires continued evolution in state policy in order to give local companies the best chance to be successful. HB 283 will provide existing lessees, such as Usibelli Coal Mine, Inc., with additional flexibility in planning for future expansion.

Thank you for considering our position on this issue. Please feel free to contact me with any questions.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL  
for Alaska, Inc.

Tadd Owens  
Executive Director



## RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

April 29, 2003

Representative Hugh Fate  
Chair, House Resources Committee  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Re: HB283 — Coal Leases

Dear Representative Fate:

On behalf of the Resource Development Council for Alaska, Inc. (RDC), I am writing in support of House Bill 283 — Coal Leases. This legislation makes a simple change to state law doubling the acreage a person may hold in state coal leases to 92,160 acres (four townships). This change corresponds with a similar increase for federal coal leases embodied in the "Coal Market Competition Act of 2000."

As you know, RDC is a statewide, non-profit business association representing individuals and companies from Alaska's basic industries — mining, oil and gas, fisheries, tourism and forestry. Our membership also includes Native village and regional corporations, local communities, organized labor and support-industry firms. Our mission is to help grow Alaska's economy through the responsible development of the state's natural resources.

Alaska is home to a tremendous coal resource. However, an extremely competitive world market requires continued evolution in state policy in order to give local companies the best chance to be successful. HB 283 will provide existing lessees, such as Usibelli Coal Mine, Inc., with additional flexibility in planning for future expansion.

Thank you for considering our position on this issue. Please feel free to contact me with any questions.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL  
for Alaska, Inc.

Tadd Owens  
Executive Director

From The Desk Of



Charlie Boddy

Vice President Of Governmental Relations

17 May 2003

✓ Sen. Scott Ogan, Chairman  
Senate Resources Committee  
Alaska State Capitol, Room 128  
Juneau, Alaska 99801

Subject: Your Question Regarding HB283 Language

Dear Senator Ogan,

I appreciated your question regarding possible impediments to oil and gas leasing by virtue of the existing statutory language currently contained in AS 38.05.140(a). The section of law however deals with coal lease applications, not coal leases.

When a company decides to petition the state for a coal lease, it files an application with the Alaska Department of Natural Resources (ADNR). Upon receipt of that application, the last sentence of AS 38.05.140(a) comes into play. ADNR is then by statute required to do the following. "On the filing of the application, except as provided by AS 38.05.177(a)(2)(C), the coal deposits in the land covered by the application shall be temporarily set aside and withdrawn from all other forms of disposal provided under AS 38.05.135 - 38.05.181."

When I talked with the Division of Mining Land & Water Director late yesterday, Mr. Loeffler informed me that the time between our filing of the application for a competitive coal lease sale to the northeast of our current mining operation, until the State opened the bids on November 6, 2000 was approximately six months. Thus, shallow gas leasing in the same area was set aside for six months.

After a coal lease is issued under AS 38.05.150, the coal lessee also has the right to apply for a shallow gas lease under the provisions of AS 38.05.177 (C). The coal mining regulatory program applies to the mining of the coal, and the shallow gas leasing program would govern development of the shallow gas. A coal lease only allows the lessee to remove the shallow gas for reasons associated with safety.

USIBELLI COAL MINE, INC. 100 ♦ Cushman St. - Suite 210 ♦ Fairbanks, Alaska 99701

Telephone 907-452-2625 ☎ Facsimile 907-451-6543

Mr. Pirtle Bates of the Division of Oil & Gas sent to your office late yesterday an e-mail explaining that the concern regarding the curtailment or closure to oil and gas leasing was not precluded by the language contained in HB 283. This opinion was concurred in by the Division of Oil & Gas Director Mark Meyers, Asst. Attorney General Larry Ostrovsky and others.

It is certainly not our companies desire to deprive the State of revenue that could be derived from the development of oil and gas on or near coal leases. Coal development in this State is still in its infancy, and this legislation would certainly be a boost to our maturation process.

Your support in allowing coal lessees the chance to expand their opportunities is appreciated. Mining will never supply the income to the State coffers that oil and gas does, but it does provide hard working men and woman with good paying jobs and steady employment.

Thank you for your attention to these points. Please let me know if I can further assist you or your staff in this most important matter With best regards, I remain,

Sincerely,

A handwritten signature in cursive script that reads "Boddy". The signature is written in dark ink and is positioned above the printed name.

Charlie Boddy

W/attachments

Cc: Senate Resource Committee Members  
Rep. Bud Fate, Chairman House Resources  
Sen. Gene Therriault, Senate President  
Mr. Bob Stiles, ACA President  
Mr. Joe Usibelli Jr., UCM President

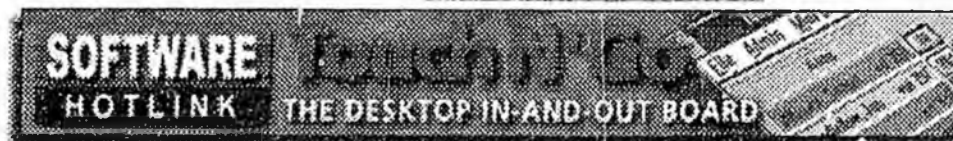
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Alaska Statutes.

Title 38. Public Land

Chapter 5. Alaska Land Act

Section 150. Coal.

previous: Section 145. Leasing Procedure.

next: Section 155. Phosphates.

## **AS 38.05.150. Coal.**

(a) The commissioner may, and upon the petition of a qualified applicant, shall divide coal land or the deposits of coal owned by the state into leasing tracts of 40 acres each, or multiple 40 acres, and in the form which will permit the economical mining of the coal in the tract.

(b) Thereafter the commissioner may, upon the request of a qualified applicant or otherwise, from time to time, offer the land or deposits of coal for leasing. Each lease shall be awarded to a qualified applicant by competitive bidding or by the method prescribed by regulation.

(c) Where prospecting or exploration work is necessary to determine the existence or workability of coal deposits in an unclaimed and undeveloped area, the commissioner may issue to qualified applicants prospecting permits for a term of three years, covering not more than 5,120 acres with each permit. The commissioner shall grant a two-year extension of the initial three-year term of the permit if the permittee has conducted reasonably diligent prospecting or exploration activities in the area covered by the permit, has not been able to determine the existence and workability of coal deposits in the area, and wishes to continue prospecting or exploring in the area. The commissioner may grant up to three two-year extensions of the initial three-year term of the permit. At any time during the period of the permit, the permittee is entitled to a lease after submitting a mining plan satisfactory to the commissioner for that portion of the land in the permit as is shown to the satisfaction of the commissioner to contain coal in commercial quantities or to be needed for mining, reclamation, or processing the coal.

(d) For the privilege of mining or extracting the coal in the land covered by the lease, the lessee

(1) shall pay to the state the royalties specified in the lease; the royalties shall be fixed before offering the lease, and shall be effective for a period of not more than 20 years; the royalties shall be not less than five cents a ton of 2,000 pounds; the royalty payment is subject to the exploration incentive credit authorized by AS 27.30;

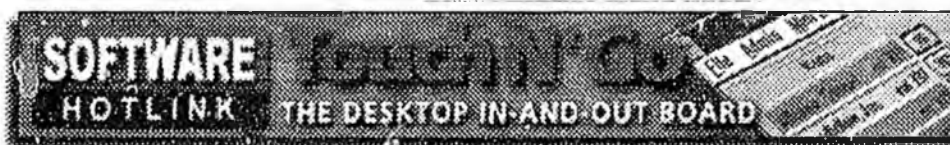
(2) shall also pay an annual rental, payable at the date of the lease and annually thereafter, on the land or coal deposits covered by the lease, at a rate fixed by the commissioner before offering the lease; the annual rental shall be effective for a period of not more than 20 years; the annual rental shall be not less than 25 cents an acre for the first year of the lease, not less than 50 cents an acre for the second year, third year, fourth year and fifth year, and not less than \$1 an acre for each year thereafter during the continuance of the lease; the rental for each year shall be credited against the royalties as they accrue for that year; each lease shall provide that the annual rental payment is subject to adjustment at intervals of no more than 20 years and adjustments shall be based on the current rates for properties similarly situated.

(e) Each lease shall be for an indeterminate period upon condition of diligent development and continued operation of the mine, except when operation is interrupted by strikes, the elements, or casualties not attributed to the lessee.

(f) Notwithstanding AS 38.05.177 , a lease entered into under this section gives the lessee the right to vent or remove methane and other gas held in association with the coal in the land covered by the lease to ensure safe coal mining operations.

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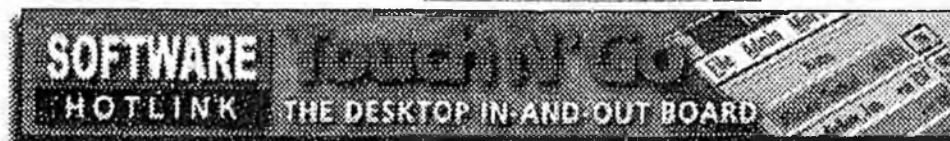
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Alaska Statutes.

Title 38. Public Land

Chapter 5. Alaska Land Act

Section 177. Shallow Natural Gas Leases.

previous: Section 175. Potassium.

next: Section 180. Oil and Gas Leasing.

## **AS 38.05.177. Shallow Natural Gas Leases.**

**(a)** The provisions of this section

**(1)** apply to gas, whether methane associated with and derived from coal deposits or otherwise,  
from a field if a part of the field is within 3,000 feet of the surface; and

**(2)** do not apply to authorize lease of

**(A)** land

**(i)** that is subject to an oil and gas exploration license or lease issued under AS  
38.05.131 - 38.05.134; or

**(ii)** that is leased under AS 38.05.180 ;

**(B)** the land **(i)** that is proposed to be subject to an oil and gas exploration license or lease  
issued under AS 38.05.131 - 38.05.134; or **(ii)** that is described in and part of a proposed  
oil and gas leasing program prepared under AS 38.05.180 **(b)**; however, the  
commissioner may waive the limitations of this subparagraph;

**(C)** the land that is held under a coal lease entered into under AS 38.05.150, unless the

applicant for a shallow natural gas lease is also the lessee under AS 38.05.150 of that land; or

**(D)** the valid existing selections of the Alaska Mental Health Trust Authority made for the purpose of reconstituting the mental health trust established under the Alaska Mental Health Enabling Act, P.L. 84-830, 70 Stat. 709 (1956), that become subject to management under AS 38.05.801, or of land that has been designated by law for or is subject to designation for conveyance to the Alaska Mental Health Trust Authority; however, after consultation with the Alaska Mental Health Trust Authority, the commissioner may waive the limitations of this subparagraph.

**(b)** For the purpose of exploring for and developing shallow natural gas reservoirs, upon application, the director may lease to a person land for which the state owns the subsurface rights. A person applying for a lease under this subsection

**(1)** shall specify the area to be leased; the area to be leased may not exceed 5,760 acres; a lessee may not hold more than an aggregate of 138,240 acres of land under leases entered into under this section;

**(2)** may be required to pay a reasonable application fee of up to \$5,000.

**(c)** The director shall give notice under AS 38.05.945 of receipt of the lease application and call for comments from the public. The director's call for public comments must provide opportunity for public comment for a period of not less than 60 days. If, after review of information received during the public comment period, the director determines that the discovery of a local source of natural gas would benefit the residents of an area, the director shall execute a lease for the area described in **(b)** of this section. The director shall execute the lease after completion of a title search, the close of the public comment period, and, if review is required under AS 46.40, after the final consistency determination is made under AS 46.40. A lease entered into under this subsection gives the lessee the exclusive right to explore for, develop, and produce, for a term of three years, natural gas on the state land described in the lease; the right to explore for, develop, and produce is limited to gas from a field if a part of the field is within 3,000 feet of the surface.

**(d)** A lease shall be automatically extended if and for so long thereafter as gas is produced in paying quantities from the lease and the lessee continues to meet all requirements of the lease. A lease issued under this section covering land on which there is a well capable of producing gas in paying quantities does not expire because the lessee fails to produce gas unless the lessee is allowed reasonable time to place the well on a producing status. If drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, including such operations as redrilling, sidetracking, or other means necessary to reach the originally proposed bottom hole location, the lease is extended for one year and for so long thereafter as gas is produced in paying quantities. A gas lease issued under this section that is subject to termination by reason of cessation of production does not terminate if, within 90 days after production ceases or a longer period determined at the discretion of the director, reworking or drilling operations are commenced on the land under lease and are thereafter conducted with reasonable diligence during the period of nonproduction. In addition, upon application by the lessee, the director may once extend a lease issued under **(c)** of this section for a period of not more than three years.

**(e)** The director may, following the procedures described in **(c)** of this section, adjust the boundaries



## Usibelli Coal Mine, Inc.

100 Cushman St. - Suite 210 • Fairbanks, Alaska 99701  
Telephone (907) 452-2625 • Facsimile (907) 451-6543

May 8<sup>th</sup>, 2003

Sen. Scott Ogan, Chairman  
Senate Resources Committee  
Alaska State Capitol, Room 128  
Juneau, Alaska 99801

Subject: HB283 Limitations On Coal Leases

Dear Senator Ogan,

Thank you for meeting with me last week in Juneau to discuss this important piece of legislation that our firm is supporting passage of this session. In fact, we believe this increase in acreage will encourage some sorely needed investment dollars.

As the only existing producer and past exporter of coal in the state, we will try and utilize the full effect of this legislation to pursue market opportunities both domestically and internationally as appropriate. With a majority of our coal holdings located in the interior of Alaska, this bill would allow us to acquire other regional coal property within the state.

Coal resources are undereniably well defined in our state. Future coal leases will be pursued on a competitive sale basis, bringing additional investment to the state coffers. This is good for a state that is blessed with an abundance of natural resources.

We hope the bill will be heard soon in your committee. If we can be of further assistance to you or staff in this matter, please don't hesitate to call on me. With my best regards,

Charlie P. Boddy  
Vice-President of Governmental Relations

Cc: Sen. Ralph Seekins  
Senate President Gene Therriault



## USIBELLI COAL MINE, INC.

100 Cushman St. - Suite 210 • Fairbanks, Alaska 99701  
Telephone (907) 452-2625 • Facsimile (907) 451-6543

May 1st, 2003

Rep. Bud Fate, Chairman  
House Resources Committee  
Alaska State Capitol, Room 128  
Juneau, Alaska 99801

Subject: HB283 Limitations On Coal Leases

Dear Chairman Fate,

Usibelli Coal Mine Incorporated offers their full encouragement for your legislation, HB283. We support your effort to establish parity between the present state and federal leasable coal acreage limitation. This change will assist the state in its quest to induce potential outlays in natural resource investment capital.

As the only existing producer and past exporter of coal in the state, we will try and utilize the full effect of this legislation to pursue market opportunities both domestically and internationally as appropriate. With a majority of our coal holdings located in the interior of Alaska, this bill would allow us to acquire other regional coal property within the state.

Coal resources are undeniably well defined at this point in time; consequently the state will most certainly be aided by new revenues involving future competitive lease sales. This can only be good news for Alaska.

If we can be of further assistance to you or your staff in this matter, please don't hesitate to call on me. With my best regards,

Charlie P. Boddy  
Vice-President of Governmental Relations

From The Desk Of



Charlie Boddy  
Vice President Of Governmental Relations

10 April 2003

Jim Pound  
Office of Rep. Bud Fate  
Capitol Building  
Juneau, Alaska

Subject: Changes to AS 38.05.140 (a) Coal Lease Acreage Limitation

Jim,

I have attached some salient information regarding the requested change to the above listed statute. This proposed change has been discussed with Div. of Mining Land & Water Director Bob Loeffler and ADNR Commissioner Tom Irwin, both of them concur with the proposed change.

The proposal to increase the aggregate coal lease acreage from 46,080 to 92,160 will bring us closer in line with the single state federal maximum acreage limits that were included in the "Coal Market Competition Act of 2000," which amended the federal Mineral Leasing Act.

Let me know if I can be of further assistance you or Rep. Fate in this matter. With best regards, I remain,  
Sincerely,

Cc: ✓ Sen. Scott Ogan  
Sen. Ralph Seekins  
Sen. Gene Therriault  
Rep. David Guttenberg  
Joe Usibelli Jr.



# ALASKA COAL INDUSTRY

RECENT HISTORY, CURRENT STATUS,  
FUTURE PROSPECTS



## TABLE OF CONTENTS

- **Map of Alaska Coal Industry**
- **Land Ownership Status & Coal Resource Interests**
- **Private Sector Participants, Properties & Projects**
- **Government Policy, Administration & Development**
- **Infrastructure Participants, Facilities & Developments**
- **Technology Research & Demonstration Projects**



**Northern Alaska Basin**

Hypothetical Resource (10 <sup>6</sup> tonnes)	Identified Resource (10 <sup>6</sup> tonnes)	Measured Reserves (10 <sup>6</sup> tonnes)
3,630,000	136,100	73

**Nenana Province**

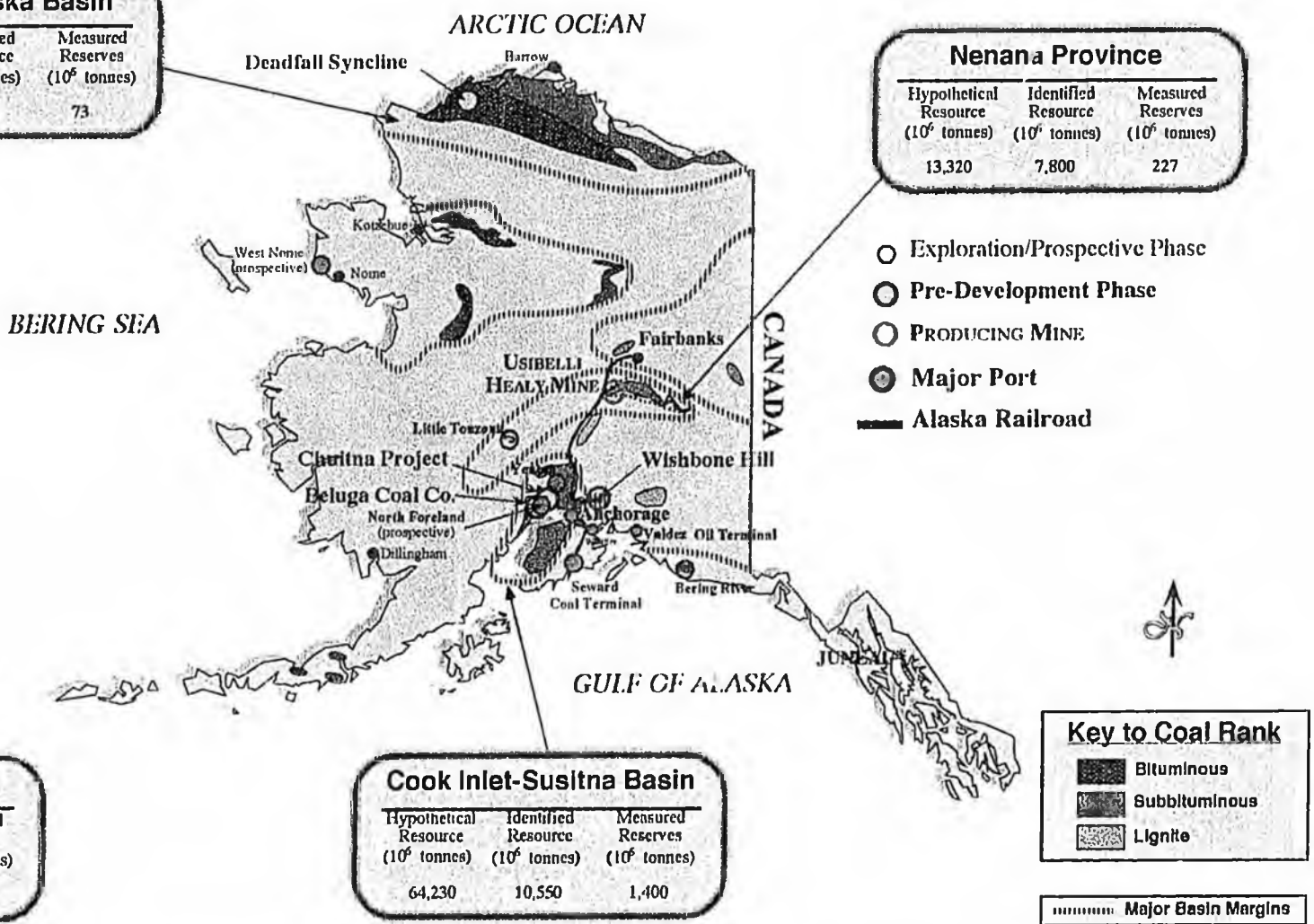
Hypothetical Resource (10 <sup>6</sup> tonnes)	Identified Resource (10 <sup>6</sup> tonnes)	Measured Reserves (10 <sup>6</sup> tonnes)
13,320	7,800	227

**All Other Areas**

Hypothetical Resource (10 <sup>6</sup> tonnes)	Identified Resource (10 <sup>6</sup> tonnes)	Measured Reserves (10 <sup>6</sup> tonnes)
8,660	520	0

**Cook Inlet-Susitna Basin**

Hypothetical Resource (10 <sup>6</sup> tonnes)	Identified Resource (10 <sup>6</sup> tonnes)	Measured Reserves (10 <sup>6</sup> tonnes)
64,230	10,550	1,400



- Exploration/Prospective Phase
- Pre-Development Phase
- PRODUCING MINE
- Major Port
- Alaska Railroad

**Key to Coal Rank**

- Bituminous
- Subbituminous
- Lignite

----- Major Basin Margins

# ALASKA COAL RESOURCES, PROJECTS & INFRASTRUCTURE



## LAND OWNERSHIP STATUS & COAL RESOURCE INTERESTS

	Total Area (km <sup>2</sup> )	Restricted (km <sup>2</sup> )	Potentially Available for Coal Leasing (km <sup>2</sup> )	Private Sector Coal Leases (hectares)	COMMENTS
<b>PUBLIC SECTOR OWNED LANDS</b>					
US Federal	870,078	669,353	200,725	0	<ul style="list-style-type: none"> <li>➤ Annual Lease Rental negotiable</li> <li>➤ Royalty 12.5% of Sale Price</li> </ul>
State of Alaska	422,494	34,398	388,095	26,940	<ul style="list-style-type: none"> <li>➤ Annual Lease Rental \$3.00/acre (\$7.41/hectare)</li> <li>➤ Royalty 5% of Mine Mouth Value</li> </ul>
Total Public	1,292,572	703,751	588,820	26,940	
<b>PRIVATE SECTOR OWNED LANDS</b>					
ANCSA Corporations	184,538	NA	184,538	Unknown	<ul style="list-style-type: none"> <li>➤ All terms would be negotiable</li> </ul>
Private Entities	2,023	NA	unknown	Unknown	
Total Private	2,023	NA	184,538	Unknown	
<b>TOTAL ALASKA LANDS</b>					
Total Alaska	1,479,133	703,751	773,358		

- Restricted Public Sector Lands are parks and other lands subject to conservation/preservation management practices.
- ANCSA Corporations are a special type of private corporation established under the Alaska Native Claims Settlement Act of 1972. The stockholders of these corporations must be native (aboriginal) Alaskan.
- All coal produced from either Public or Private land in Alaska is subject to a 7% severance tax (Mining Licensee Tax). The tax is assessed against the Net Income to the mine.



## PRIVATE SECTOR PARTICIPANTS, PROPERTIES & PROJECTS

### DEVELOPERS, MARKETERS, OPERATORS & PROPERTY OWNERS

#### Description

#### Projects, Properties & Activities

#### Usibelli Coal Mine, Inc.

- Privately held, vertically integrated coal company.

Items of Note:

- Operate the only producing coal mine in Alaska
- Shipped a 20,000 tonne test shipment to Madagan, Russia in December 1997.
- Exports up to 800,000 tonnes per year to Korea.

- Owner/Operator of the Usibelli Coal Mine at Healy and marketer of the coal.
- The Healy Mine produces approximately 1.5 MM tonnes per year of ultra low sulfur subbituminous coal.
- Owner/Operator (IPP) of a 28 MWe coal fired power plant in Fairbanks.
- Developer/Leaseholder of the Wishbone Hill Property (ultra low sulfur bituminous coal) in the Mat-Su Borough.

#### Chuitna Group/PacRim Coal

- Project Development (Chuitna Group) and Marketing Group (PacRim Coal) made up of Richard E. Bass, W. Herbert Hunt and the William Herbert Hunt Trust Estate.

- The Chuitna Group is the developer of the Chuitna Project, a greenfield coal export development, based on 8,000 hectares of coal leases with announced reserves of approximately 1,000 MMtonnes of ultra-low sulfur subbituminous coal. The Chuitna Group Coal Lease Area is located approximately 25 km from tidewater

#### DRven Corporation

- A privately held corporation providing project and market development management services to the Chuitna Group and PacRim Coal.

- PacRim Coal, with representatives in Anchorage, Tokyo and Hong Kong is actively pursuing market opportunities in Asia, Latin America and Europe.




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## PRIVATE SECTOR PARTICIPANTS, PROPERTIES & PROJECTS

### DEVELOPERS, MARKETERS, OPERATORS & PROPERTY OWNERS

	Description	Projects, Properties & Activities
<b>Beluga Coal Company</b>	<ul style="list-style-type: none"> <li>➤ Company owned by Placer Dome U.S. Inc. and Cook Inlet Region Inc.</li> <li>➤ Placer Dome U.S. Inc. is a wholly-owned subsidiary of Placer Dome Inc. one of the largest &amp; most globally diverse international gold mining companies.</li> <li>➤ Cook Inlet Region Inc. is one of the most successful ANCSA Regional Corporations.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Owner of three State coal leasehold tracts (Center Ridge, Lone Ridge &amp; Threemile) and the privately owned (CIRI) Capps tract, all in the Beluga Coal Field approximately 80 km west of Anchorage. Total land holdings approximately 10,350 hectares</li> <li>➤ Announced total resource of approximately 1,000 MMtonnes of ultra-low sulfur subbituminous coal. Approximately 500 MMtonnes potentially surface minable.</li> </ul>
<b>Arctic Slope Regional Corporation</b>	<ul style="list-style-type: none"> <li>➤ One of the largest and most successful ANCSA Regional Corporations. Arctic slope regions encompass all non-public sector lands north of the Brooks Range.</li> <li>➤ Diversified corporation with interests in land &amp; real estate, natural resources, oil field services, construction and professional services.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Developer of the Deadfall Syncline property in north-west Alaska, inside the Arctic Circle. Extensive reserves of ultra-low sulfur high heating value bituminous coal</li> <li>➤ Initial Deadfall Syncline production would be for local consumption with plans to export coal after 2000.</li> </ul>
<b>Doyon Native Corporation</b>	<ul style="list-style-type: none"> <li>➤ ANCSA Regional Corporation with largest area region and largest population (shareholders)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Owner/developer of Little Tonzona property in Interior Alaska. All production would be for fired in a small (25 MWe) power plant.</li> </ul>



## PRIVATE SECTOR PARTICIPANTS, PROPERTIES & PROJECTS

### IN STATE CUSTOMERS

Customer Name	Description	Projects, Properties & Activities
<b>Aurora Energy, LLC</b>	<ul style="list-style-type: none"> <li>➤ A utility with a true cogeneration power plant producing heating energy (steam &amp; hot water) distributed to Fairbanks customers and electricity wholesaled to a local electric cooperative.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Owner/operator of the Chena Power Plant (formerly owned by the City of Fairbanks) rated at 325,000 pounds of steam/hour or at 27.5 Mwe for electrical production.</li> </ul>
<b>Golden Valley Electric Association</b>	<ul style="list-style-type: none"> <li>➤ Electrical Generation, Transmission and Distribution Cooperative serving communities, businesses and industrial customers along northern portion of the "Alaska Railbelt".</li> </ul>	<ul style="list-style-type: none"> <li>➤ Operator of the existing 25 MWe Healy Plant and the new 50 MWe Healy Clean Coal Plant.</li> </ul>
<b>U.S. Department of Defense</b>	<ul style="list-style-type: none"> <li>➤ An agency of the U.S. Federal Government. A Public Sector entity</li> </ul>	<ul style="list-style-type: none"> <li>➤ Largest user of coal in the State</li> <li>➤ Operator of 3 coal fired power plants at the military bases in the Fairbanks area.</li> </ul>
<b>University of Alaska-Fairbanks</b>	<ul style="list-style-type: none"> <li>➤ The original campus of the land grant University of Alaska and now the main campus of the University of Alaska System.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Operator of a 13 MWe power plant serving the electrical and district heating needs of the Fairbanks campus.</li> </ul>




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## PRIVATE SECTOR PARTICIPANTS, PROPERTIES & PROJECTS

### TRADE ASSOCIATIONS & BUSINESS ORGANIZATIONS

	<b>Description</b>	<b>Projects, Properties &amp; Activities</b>
<b>Alaska Coal Association</b>	➤ A trade association whose membership consists of all private sector participants in the Alaska Coal Industry	➤ Membership focuses on State policy, statutes and regulations, which effect the coal industry.
<b>Alaska Coal Burners Group</b>	➤ An informal group of representatives from permitted coal burning facilities in Interior Alaska and the coal supplier.	➤ Primary focus is to provide a forum to exchange operational ideas and to work as a group on environmental regulations
<b>Alaska Miner Association</b>	➤ A trade association with an Executive Director and staff and whose membership consists of most private sector parties involved in all facets of mining.	➤ Primary focus is U.S. Federal and State governmental policy, statutes and regulations, which effect mining.
<b>Resource Development Council</b>	➤ A uniquely Alaskan organization, who's membership includes representatives from oil & gas, mining, forestry, commercial fishing, tourism and local government.	➤ Primary activities are related to membership and public education and governmental policies, statutes and regulations which effect multiple sectors of the Alaskan resource dependant economy.



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## POLICY, ADMINISTRATION & DEVELOPMENT

### U.S. FEDERAL GOVERNMENT

**Overall Coal Policy** ➤ No specific overall policy with regard to coal leasing, exploration, development, production or coal utilization within Alaska.

	<b>Agency</b>	<b>Area of Responsibility</b>
<b>Regulatory &amp; Resource Management Agencies</b>	➤ Bureau of Land Management	➤ Responsible for Coal Leasing Program on federal lands.
	➤ Environmental Protection Agency	➤ Permitting agency for water discharges.
	➤ U.S. Army Corps of Engineers	➤ Permitting agency for activities affecting wetlands and/or offshore structures.
	➤ Mine Health & Safety Administration	➤ Protection of the health & safety of mine workers.
	➤ Office of Surface Coal Mining	➤ Oversee State implementation of Alaska Surface Coal Mining Program.
<b>Development &amp; Promotion Agencies</b>	➤ U.S. Department of Commerce	➤ Provides assistance to U.S. companies doing business in foreign countries
	➤ U.S. Department of Energy	➤ Through its "Clean Coal" Program a strong supporter of coal production and coal use.



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## POLICY, ADMINISTRATION & DEVELOPMENT

### ALASKA STATE GOVERNMENT

**Overall Coal Policy** ➤ Adopted a proactive Coal Policy in 1994. The Policy addresses all phases of coal leasing, development, production, transportation, utilization and export.

#### Agency

#### Area of Responsibility

#### Regulatory & Resource Management Agencies

- Department of Natural Resources
- Department of Environmental Conservation
- Department of Fish & Game

- Coal leasing on State Land.
- Implementation of Alaska Surface Coal Mining Program.
- Lead agency on all mining related permitting.
- Permitting agency for protection of air and water quality
- Permitting agency for activities which may effect wildlife habitat.

#### Development & Promotion Agencies

- Department of Commerce & Economic Development
- Alaska Industrial Development & Export Authority
- Alaska Science & Technology Foundation

- Responsible of Japan Alaska State Office.
- Export and trade assistance
- Participating funding source for financing of coal developments.
- Source low interest tax exempt financing of export infrastructure.
- Source of front-end funding of Alaska oriented R&D




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## INFRASTRUCTURE PARTICIPANTS, FACILITIES & DEVELOPMENTS

### TRANSPORTATION

#### Description

#### Coal Industry Related Role/Function

#### Alaska Department of Transportation & Public Facilities

- Highway and secondary road development and maintenance agency of Alaska State Government.
- Air Terminal & Airport development, operating and maintenance agency of Alaska State Government.

- Provides overland road link among producing and development properties in the Denali and Mat-Su Boroughs and communities and air port facilities in Fairbanks, Anchorage and points in between.

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#### Alaska Railroad Corporation

- State owned for profit business enterprise.
- Operates a 760 km mainline railroad between Fairbanks and Seward with branches to Whittier on Prince William Sound and Eielson Air Force Base south of Fairbanks.
- Provides passenger and freight services.
- Substantial real estate holdings in and around Fairbanks, Anchorage, Seward and Whittier

- Transports approximately 700,000 tonnes of coal from Usibelli Mine to Seward Coal Terminal.
- Transports approximately 600,000 tonnes of coal from Usibelli Mine to coal fired power plants in the Fairbanks area.

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#### Transportation Service Companies

- Contract Trucking Companies
- Contract Marine & Barge Companies
- International Air Freight Operators
- Contract Air Carriers

- Provide coal, fuel, material, supplies and equipment transport services.
- Provide transport services along entire Alaska coastline and on major rivers.
- Provide ready access to time critical parts & supplies from anywhere in the world.
- Provide personnel and freight transport to remote locations.




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## INFRASTRUCTURE PARTICIPANTS, FACILITIES & DEVELOPMENTS

### MARINE TERMINALS

	Description	Coal Industry Related Role/Function
<b>Seward Coal Terminal</b>	<ul style="list-style-type: none"> <li>➤ Ice Free Panamax Class Export Coal Terminal and Vessel loading facility located in Seward.</li> <li>➤ SunEel Shipping/Hyundai owner/operator.</li> <li>➤ Installed through-put capacity 3 MMtpy</li> <li>➤ Financed in part by the Alaska Industrial Development and Export Authority.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Provides storage and vessel loading of approximately 700,000 tonnes/year of coal from the Usibelli Healy Mine bound for Korean Electric Power Company's Honan Plant.</li> <li>➤ Could function as export terminal for coal produced in the Mat-Su Borough.</li> </ul>
<b>North Foreland Bulk Terminal</b>	<ul style="list-style-type: none"> <li>➤ Prospective coal and other bulk commodities marine terminal located near the Village of Tyonek.</li> <li>➤ Alaska Industrial Development and Export Authority has legislative authorization to expend up to \$50 MM for development of a multi-user bulk terminal facility in the Cook Inlet</li> </ul>	<ul style="list-style-type: none"> <li>➤ Would provide storage and vessel loading to of export coal from the producers in the Beluga Coal Field</li> </ul>
<b>Point MacKenzie Port</b>	<ul style="list-style-type: none"> <li>➤ Prospective multi-user port development at Point MacKenzie, approximately 10 km due west of Anchorage.</li> </ul>	<ul style="list-style-type: none"> <li>➤ With construction of rail spur from the Alaska Railroad mainline facility could provide storage and vessel loading of export coal from Interior Alaska and the Mat-Su Borough.</li> </ul>




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## INFRASTRUCTURE PARTICIPANTS, FACILITIES & DEVELOPMENTS

### SUPPORT SERVICES

	Description	Coal Industry Related Role/Function
<b>Alaska Industrial Development &amp; Export Authority</b>	<ul style="list-style-type: none"> <li>➤ Development and Financing Agency of Alaska State Government.</li> <li>➤ Provides firms doing business in Alaska with an entry into low-cost tax exempt bonding &amp; financing markets.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Provides Tax Exempt Bond Financing and in some cases functions as developer of multi-user infrastructure projects.</li> <li>➤ Participates with Private Sector Banks in Private Sector Project Financing</li> </ul>
<b>Professional Services Firms</b>	<ul style="list-style-type: none"> <li>➤ Engineering &amp; Design Services</li> <li>➤ Environmental &amp; Laboratory Services</li> <li>➤ Legal Services</li> <li>➤ Logistics Services</li> </ul>	<ul style="list-style-type: none"> <li>➤ Virtually all professional support services required for the acquisition, exploration, development and operating phases are available from either Alaska based firms or national/international firms with a presence in Alaska.</li> </ul>
<b>Field Services Companies</b>	<ul style="list-style-type: none"> <li>➤ Exploration Services</li> <li>➤ Medium and Heavy Construction</li> <li>➤ Marine Construction</li> </ul>	<ul style="list-style-type: none"> <li>➤ Virtually all the support field services required for exploration, development and operating phases of a coal project are available from Alaska based firms or national/international firms with a presence in Alaska.</li> </ul>



## TECHNOLOGY RESEARCH & DEMONSTRATION PROJECTS

### Sponsors/Participants

Scope

Current Status

Public Sector

Private Sector

### RESEARCH PROJECTS

**Reclamation Study**

➤ Reclamation Alternatives for Restoration of Moose Habitat

➤ Completed

➤ Alaska Science & Technology Foundation

➤ Idemestu Kosan

### DEMONSTRATION PROJECTS

**Healy Clean Coal Power Plant**

**\$242 MM**

➤ 50 MWe Coal Fired Power Plant with an entrained slagging combustor.

➤ During 18-month demonstration test period plant will demonstrate advanced combustion and flue gas cleanup technologies.

➤ Upon completion of demonstration program, plant will become a part of Railbelt power grid.

➤ Started full-load operations in January 1998.

➤ NO<sub>x</sub> emissions levels less than 0.35lb/MM Btu

➤ Alaska Industrial Development Authority

➤ US Department of Energy-Clean Coal Program

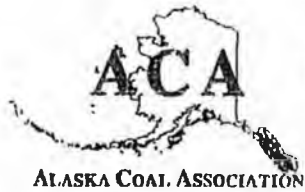
➤ TRW Inc.

➤ Babcock & Wilcox Co.

➤ Stone & Webster Engineering Corp

➤ Golden Valley Electric Association

➤ Usibelli Coal Mine Inc.



## TECHNOLOGY RESEARCH & DEMONSTRATION PROJECTS

	Scope	Current Status	Sponsors/Participants	
			Public Sector	Private Sector
<b>DEMONSTRATION PROJECTS</b>				
<b>LOW RANK COAL WATER FUEL</b>	➤ Demonstrate technical & economic feasibility of Low Rank Coal Water Fuel production.	➤ 100% design complete for the Diesel-Engine-Generator building. Diesel engine received January 1999.	➤ US Department of Energy-Clean Coal Program	➤ Coaltec ➤ A.D. Little
	➤ Demonstrate technical & economic feasibility of firing Low Rank Coal Water Fuel in modified oil fired boiler.	➤ 65% design complete for LRCWF production plant.	➤ Alaska Science & Technology Foundation ➤ University of Alaska-Fairbanks	➤ R.W. Beck, Inc. ➤ Great Northern Engineering ➤ Usibelli Coal Mine Inc.
<b>COAL – WATER FUELED DIESEL</b>	➤ Demonstrate technical & economic feasibility of coal water fueling of specially designed medium speed diesel engines.	➤ Equipment procurement & facility construction underway.		➤ Coal Water Fuel Services ➤ DRven Corporation
<b>\$48 MM</b>				



## ALASKA COAL POLICY

**WHEREAS** a healthy future for Alaska's coal industry depends on the perception among foreign and domestic buyers that the state supports coal development; and

**WHEREAS** a vibrant coal industry is a benefit to the state and its citizens; and

**WHEREAS** the export potential of Alaska coal and the maintenance of the coal industry's current small share of international coal exports are of vital importance to the future success of Alaska's coal industry; and

**WHEREAS** competition against Alaska coal exports is international rather than domestic in nature; and

**WHEREAS** in-state domestic use of coal can make a very important contribution to long-term power supplies and power supply costs; and

**WHEREAS** a vibrant coal industry will enhance receipts to the state in the form of mining license and corporate income taxes and lease rentals and royalties; and

**WHEREAS** the export of Alaska's coal will substantially enhance the gross state product and will have a positive effect on the trade balance of the United States;

**BE IT RESOLVED** by the Alaska State Legislature that it is the official policy of the state to foster the responsible development and expansion of its domestic and export coal industry; and be it

**FURTHER RESOLVED** that the state shall exercise all prudent and expeditious means to maintain and expand Alaska's current and future coal production and export market share; and be it

**FURTHER RESOLVED** that the Alaska State Legislature shall work diligently with the Governor and the Governor's administration to identify unwarranted impediments to the growth of Alaska's coal industry and shall develop strategies to eliminate or mitigate the adverse effects of these impediments; and be it

**FURTHER RESOLVED** that the state, in recognition of the benefits of a vibrant coal industry, shall endeavor to maintain stable royalty and coal industry taxation policies; and be

**FURTHER RESOLVED** that the Alaska State Legislature respectfully requests that the Governor and the Governor's administration, particularly the Department of Commerce and Economic Development, assist the Legislature in taking a leadership role in the planning and evaluation of existing infrastructure and the need for development of new infrastructure and in the review of transportation modes and rates in a effort to maximize efficient capacity utilization and reduce unit costs; and be it

**FURTHER RESOLVED** that the Alaska State Legislature respectfully requests the Governor to assist the Legislature in seeking a waiver to the Jones Act for bulk commodities of low unit value such as coal; and be it

**FURTHER RESOLVED** that the Alaska State Legislature respectfully requests the Governor and the administration to assist it in fostering demonstrations of new coal technologies that hold the potential to meet the state's energy needs and that can produce value-added products from Alaska coal; and be it

**FURTHER RESOLVED** that it is in the best interests of the state for the state to maintain control over the coal regulatory program, to adequately fund the management and enforcement of the program, and to continue to review and update the coal regulatory program to ensure that state primacy in coal regulation is maintained

HCR 16 Unanimously passed First Session of the 18<sup>th</sup> Legislature (1993)

