

ALASKA LEGISLATIVE COUNCIL FILED 1903-1904 80 / 2

2836 SRES SB 181 - SB 202

(d) The director may approve municipal selections of land which have been tentatively approved or patented to the state by the federal government, but he may not issue patent to a municipality until the land has first been patented to the state. After approval of a selection by the director, but before patent to a municipality, the municipality may execute conditional leases and make conditional sales only with the consent of the director. Conditional sales and conditional leases made before July 1, 1978 do not require the consent of the director.

(e) Nothing in this chapter affects a valid existing claim, location or entry under the laws of the state or the United States whether for homestead, mineral, right-of-way or other purposes. Nothing in AS 29.18.011 — 29.18.610 affects the rights of an owner, claimant, locater or entryman to the full use and enjoyment of the land so occupied. (§ 2 ch 180 SLA 1978; am § 45 SLA 1979)

Effect of amendments. — The 1979 amendment repealed subsections (a) and (b), providing for selections to be in reasonably compact tracts whenever possible and for relinquishment of selections, and

providing for certification of certain information to each municipality having an entitlement under AS 29.18.201 — 29.18.203, respectively.

Sec. 29.18.208. Payment for land deficiency. (a) There is established within the general fund the Alaska municipal land account for the following purposes:

(1) providing payment to the boroughs and unified municipalities designated in AS 29.18.201 for a deficiency of land physically suitable for residential, commercial or industrial purposes; or

(2) providing payment to the boroughs and unified municipalities designated in AS 29.18.201 for certain general grant lands selected by the state and conveyed to a Native corporation under the provisions of the Alaska Native Claims Settlement Act.

(b) A municipality shall receive payment for its land deficiency from the account established in (a) of this section. A municipality is eligible to receive payment for land deficiency if, after July 1, 1980, the amount of land selected by a municipality which is physically suitable for residential, commercial or industrial purposes amounts to less than one-third acre per capita. Any entitlement under AS 29.18.201 which is less than one-third acre per capita will, for the purposes of this subsection, be considered a land deficiency. An unselected remaining entitlement will, for the purpose of deficiency payment under this subsection, be considered as land physically suitable for residential, commercial or industrial purposes. A municipality eligible under this subsection is entitled to receive a payment for land deficiency equal to \$1,000 per acre for a number of acres equal to the difference between one-third of the population of the municipality less the number of acres physically suitable for residential, commercial or industrial purposes which has been selected by the municipality. For the purpose of this

subsection, the amount determined is made to a municipality.

(c) If a municipality has land on or been tentatively approved by the Alaska Native Claims Settlement Act in that Native Claims Settlement Act section. The municipality is entitled to the land but under this section of 8,000 acres.

(d) The government is required to pay for an approved selection to receive payment for appropriate land.

(e) For purposes of this section:

(1) not more than \$12,000,000 of this section.

(2) not more than \$8,000,000 of this section.

(f) If an amount is due to all municipalities for land deficiency under the appropriate payment calculation of payment entitlement reduced in amount was received to other grants.

(g) Payment to a municipality eligible under this section.

(h) Payment to the government is a portion of the total for a given municipality shall furnish.

subsection, the population of the municipality shall be the population determined in accordance with AS 29.18.206(f). No payment may be made to a municipality under this subsection in excess of \$9,000,000.

(c) If a municipality selected vacant, unappropriated, unreserved land on or before December 18, 1971, to which the state had received tentative approval or patent, and such land was also selected by a Native corporation organized under the Alaska Native Claims Settlement Act (P.L. 92-203), and title to that land is ultimately vested in that Native corporation, the municipality may, at its option, request payment for land deficiency from the account established in (a) of this section. The acceptance of payment under this subsection by a municipality constitutes a relinquishment of any other right, title or claim to the land by that municipality. The total payment to a municipality under this subsection may not exceed \$1,000 per acre to a maximum of 8,000 acres.

(d) The governor shall annually submit to the legislature a request for an appropriation to the account for the municipalities which have elected to receive payments under (b) or (c) of this section. The request for appropriation shall distinguish between amounts necessary to make payments for land deficiency under (b) of this section and those required to make payments for land deficiency under (c) of this section.

(e) For purposes of fulfilling entitlements under this section, the legislature is authorized to appropriate

(1) not more than \$4,000,000 per fiscal year, and not more than \$12,000,000 in total, for the purpose of paying entitlements under (b) of this section;

(2) not more than \$1,000,000 per fiscal year, and not more than \$8,000,000 in total, for the purpose of paying entitlements under (c) of this section.

(f) If an annual appropriation is not sufficient to meet the amount due to all municipalities which have elected to accept payment for land deficiency under (b) or (c) of this section, the governor shall apportion the appropriation among the municipalities in proportion to the payment calculated for each municipality for that year. When a distribution of payments is made under (c) of this section, the remaining entitlement of a municipality to which payment is made shall be reduced in an amount equal to the number of acres for which payment was received. An appropriation made under this section is in addition to other grants and entitlements authorized to eligible municipalities.

(g) Payments authorized by this section may not be made to a municipality eligible for an entitlement under AS 29.13.202 or 29.18.203.

(h) Payments made under this section shall be used by those local governments which levy property taxes to reduce those levies in proportion to the amount of state payments received by a local government for a given fiscal year. The governing body of each local government shall furnish a notice with the tax statement describing the effect on

property tax levies of payments received under this section. (§ 2 ch 180 SLA 1978; am §§ 4, 5 ch 85 SLA 1979)

Effect of amendments. — The 1979 amendment substituted "residential, commercial or industrial purposes" for "the purposes described in AS 29.18.205(g)(1)" in paragraph (1) of subsection (a), and in subsection (b), substituted "selected by a municipality which is physically suitable for residential, commercial or industrial purposes" for "physically suitable for the purposes described in AS 29.18.205(g)(1) for which approval has been given by the director under AS 29.18.205(g) within one

year of selection" in the second sentence, "for residential, commercial or industrial purposes" for "the purposes described in AS 29.18.205(g)(1)" in the fourth sentence, and "residential, commercial or industrial purposes for which has been selected by the municipality" for "the purposes described in AS 29.18.205(g)(1) for which approval has been given by the director under AS 29.18.205(g)" in the fifth sentence.

Sec. 29.18.209. Authorization for land exchanges. The director, with the concurrence of the commissioner, and any municipality are authorized to exchange land or interests in land when it is in the public interest. Land or interests in land exchanged under this section must be of approximately equal value, including the non-monetary value of public benefits. Exchange procedures shall comply with applicable law and municipal ordinances. The notice and review provisions of AS 38.05.305 and 38.05.345 are applicable to exchanges of land under this section. The provisions of AS 38.50.010 — 38.50.170 do not apply to exchanges of land under this section. (§ 2 ch 180 SLA 1978)

Editor's notes. — AS 38.05.305, referred to in this section, was repealed by § 45, ch. 113, SLA 1981.

Sec. 29.18.210. Public purpose and expansion needs. (a) Consistent with the best interests of the state, if a municipality does not contain and cannot reasonably acquire sufficient nonfederal land within its boundaries to meet its legitimate needs for public or private settlement or development, it shall be the policy of the state to select federal land reasonably necessary to meet the needs of the municipality and to make the land selected available to the municipality under AS 38.05.315 or (b) of this section.

(b) Where state land is the most logical location for demonstrated municipal expansion for nonpublic settlement and development purposes, and when an exchange of land under AS 29.18.209 is not possible or is not in the public interest, it is the policy of the state to sell or lease the land at public auction. The state may contract with a municipality to act as its agent in an auction of state land under applicable statutes. When a municipality acts as the agent of the state in an auction, the municipality may retain from the proceeds of the auction the expenses which the director determines to be necessary and reasonable.

(c) Nothin authority of limit or cor 38.05.315. If transferred the entitler

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MEMORANDUM

State of Alaska

TO: B.J. Lewis, Assist A.G.
Department of Law

DATE: January 28, 1983

THRU: Mary Halloran, Director *M. Halloran*
Division of Management

FILE NO: 8852

TELEPHONE NO: 465-2407

FROM: Virginia Stonkus *Virginia Stonkus*
Deputy Director
Division of Management
Dept. of Natural Resources

SUBJECT: Municipality of Anchorage -
Deficiency Payment

This is in response to your January 17, 1983 request for an analysis of the Municipality of Anchorage's land selection deficiency payment.

The acreage figures below are summary figures taken from the Division of Land and Water Management files and from Division of Technical Services compilations.

Land Entitlement (AS 29.18.201)

Municipality of Anchorage 44,893 Acres

Land Selections and Conveyances

Total Patented to Municipality 15,514 acres (DTS 1-3-83)

Total Patents in Progress 319 acres (DTS 1-3-83)

Selections Approved 5,599 acres (SCD 12-31-82)
21,442 acres

Selections Pending 3,858 acres (SCD)

The selection pending acreage (22 casefiles) is in various stages of processing (see attached summary). We anticipate less than 1000 acres will be approved. The balance has been rejected and is in various stages of appeal or will be rejected due to land status. Department of Natural Resources has submitted a request for an AG's opinion on several management issues (copy of request is attached).

Selection Potential

The Division of Land and Water Management has recently searched all townships within the Anchorage area for land which could provide DHSS with prison facility locations. That search leads us to believe there is no other significant selection potential for the Municipality unless major land status changes were to occur within the military complexes or Chugach State Park. A.S. 29.18.210 does provide that, consistent with the best interests of the

B. J. Lewis, Assist A.G.
January 28, 1983
Page 3

State, land could be selected outside the Municipality under AS 38.05.315. In summary the selection potential within the municipality is quite small, probably limited to 1000 acres or less.

Presently Unfulfilled Entitlement

Total Entitlement	44,893 acres
Approved Selections & Patents	<u>21,442 acres</u>
Remaining Entitlement	23,451 acres
(less some small acreage now under appeal or small selection yet to be made)	

The inescapable conclusion is that the State cannot convey a sufficient land entitlement, barring a major change in the land status of the military complex or Chugach State Park. Recent contact with the Division of Research and Development related that the recent Eklutna - Municipal - State Agreement will not affect the Municipal Entitlement under AS 38.18.201.

AS 29.18.208 Deficiency Provisions

This section of the law allows for a monetary payment of \$1000 per acre for the number of acres of deficiency due to municipality. The deficiency calculation is based on a land entitlement of 1/3 acre per capita as of the program year beginning July 1, 1978.

Anchorage population *(1978) 183,600

$183,600 \times 1/3 \text{ acre per capita} = 61,200 \text{ acres}$

This calculation obviously exceeds the stated entitlement in AS 28.18.201 of 44,983, therefore we again interpret the deficiency to be 23,451 acres as previously calculated above.

*This population figure is from the State of Alaska demographer (Department of Labor, Juneau). The Department of Community and Regional Affairs, which is charged with delivering this figure (see AS 29.18.206(f)) could not do so upon request. The State demographer related they (DCRA) would have revenue sharing population figure which would be higher than those supplied by the State demographer. The Municipality of Anchorage was contacted and their demographer supplied the figure of 180,246 for 1978.

B. J. Lewis, Assist A.G.
January 28, 1983
Page 3

23,451 acres deficiency times \$1000 per acres would lead us to a figure of \$23,451,000 as proper for deficiency payment. However, AS 29.18.208(b) limits the deficiency payments resulting from a lack of available land to \$9,000,000 for any one municipality.

The Municipality also has a 1968 selection of 138.33 acres (40281) rejected due to conveyances to Eklutna, Inc. This would appear to qualify for a deficiency payment under AS 29.18.208(c), if the Municipality so requests. Care should have to be taken to avoid duplicate counting of this acreage in the deficiency counted under AS 29.18.208(b).

Limitations on the deficiency payments are found in AS 29.18.208(e)(1) of a maximum of \$4,000,000 in any one calendar year. AS 29.18.208(f) requires apportioning between municipalities if the requests for all municipalities exceeds \$4,000,000 in any one year.

Our determination is that the \$5,000,000 request does not exceed the total amount due them under 29.18.208(c). This is based on the following calculation:

Deficiency payment due (Statutory Limit)	\$9,000,000
Prior deficiency payment paid	<u>4,000,000</u>
Amount due	\$5,000,000

The \$5,000,000 request, however, does exceed the \$4,000,000 per year limit found in AS 29.18.208(e)(1).

APR 7 1983



Senator Vic Fischer

Alaska State Legislature
Pouch V • Juneau, Alaska 99811 • (907) 465-4954

MEMORANDUM

TO: Senator Bettye Fahrenkamp, Chair
Senate Resources Committee

FROM: Senator Vic Fischer *Vic*

DATE: April 4, 1983

RE: SB 181, Payment in lieu of land entitlement

I would appreciate your scheduling SB 181 at your earliest convenience. The bill would discharge the state's money obligation in lieu of land to which the municipality of Anchorage is entitled.

Thanks for your consideration.

cc: Senator Joe Josephson

SB 181

MAKING SUPPLEMENTAL APPROPRIATIONS TO DNR FOR LAND DEFICIENCY ENTITLEMENTS.

SPONSOR: FAIKS, V. FISCHER, HALFORD, JOSEPHSON, KELLY, PETTYJOHN, RODEY, STURGULEWSKI

Sec. 1 Appropriates \$4,000,000 from the general fund to DNR to pay the land deficiency entitlement to the municipality of Anchorage for FY 82.

Sec. 2 Appropriates \$1,000,000 from the general fund to DNR to pay the land deficiency entitlement to the municipality of Anchorage for FY 83.

Sec. 3 Funds lapse 7/1/83.

Sec. 4 Immediate effective date.

AS 29.18.208 established within the general fund the Alaska Municipal Land Account for providing payment to boroughs and unified municipalities for a deficiency of land physically suitable for residential, commercial or industrial purposes; or for certain general grant lands selected by the state and conveyed to a Native corporation under ANCSA.

A municipality is eligible to receive payment for land deficiency if, after July 1, 1980, the amount of land selected by a municipality which is physically suitable for residential, commercial or industrial purposes amounts to less than 1/3 acre per capita. Payment is limited to \$1,000/acre for the number of acres they are deficient (1/3 of the population minus the number of suitable acres). Total payment to a municipality is limited to \$9,000,000.

For lands conveyed under ANCSA, total payment is limited to \$1,000/acre to a maximum of 8,000 acres.

Total annual legislative appropriation is limited to \$4,000,000 per fiscal year and \$12,000,000 total for land deficiency; \$1,000,000 per fiscal year and \$8,000,000 total for ANCSA-conveyed lands.

Payments made under this section are to be used by local governments to reduce property taxes.

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1911

SB 191
RELATING TO TAXATION OF FISH PROCESSORS.
SPONSOR: FERGUSON

Seafood processors have voted for a tax assessment - in addition to their business tax - to go to the Seafood Marketing Institute. Under current law, the processors can vote on a .1, .2, .3 or .4 additional assessment. SB 191 adds an additional category - .5 - that they can vote on. If the .5 assessment were to be selected, SB 191 allows a .5 business tax credit for the processors.

In theory, the processor will be paying the same total taxes, but a larger share will go to the Seafood Marketing Institute. This will mean a decrease of funds to the general fund.

(For example, if processors were paying a 4.5% business tax with an additional .5 Seafood Marketing assessment, the processor would pay \$5 on every \$100 worth of products. However, with the .5 tax credit, the processor would pay only \$4.50 on every \$100 worth of product - \$4 of this would be as a business tax and 50¢ as a Seafood Marketing assessment.

This bill has been referred to Subcommittee on Fisheries.

APR 14 1983

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST
Bill/Resolution No: SB 191
Title: Taxation of Fish Processors.
Sponsor: Ferguson
Requestor: Senate Resources Committee

II. FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected:
BRU, Program of Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Millions of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	(1.1)	(1.2)	(1.3)	(1.3)	(1.4)

FUNDING: (Millions of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Robert W. Elliott
Division: Revenue - Research

Phone: 465-2173
Date: 4/7/83

Approved by Commissioner: Joseph & Darlene
Department: Revenue

Date: 4/12/83

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

IV. Analysis for SB 191

If seafood processors maintain the current .2% assessment level, there would be no revenue impact. However, if seafood processors elected the .5% assessment proposed in SB 191 and were granted a credit against the Fisheries Business Tax (AS 43.75), the revenue impact would be reflected in the above estimates. These estimated amounts represent the difference between the existing assessment rate/statutes and the proposed assessment rate/statutes.

Value of the seafood products was determined using Department of Fish and Game data for CY 82, with a 6% inflation rate adjustment for subsequent years.

It was assumed the provisions of SB 191 could become operational in FY 84.

S B

195

FAIRBANKS NORTH STAR BOROUGH

RED MEAT PACKING FACILITY

POSITION STATEMENT

SUBJECT: S.B. 195

The North Star Borough strongly supports the construction and operation of a red meat packing facility to be located in the Fairbanks area.

In order to accommodate the establishment of a packing plant in Fairbanks, the North Star Borough has identified a potential site which has the following desirable features:

1. North Star Borough land with clear title
2. Close to the City of Fairbanks Sewage Treatment Facility
3. Available water supply and electrical power
4. Location is conducive to marketing and development of spin-off industries
5. Close proximity to the Alaska Railroad airport spur
6. Zoned Air Industrial. Meat processing is conditionally permitted in this zone. A Conditional Use Permit may

be obtained from the Borough Planning Commission.

Borough administrative staff has been in close communication with the Alaska Agricultural Action Council and with the applicants for livestock facility loans to assist in any way to insure that a facility is developed in the Interior and to assure them that the Borough would provide any services necessary to make it easier for the industry to locate here.

Promotion of a packing facility is consistent with the Borough's goal to promote a stable and diverse economy in harmony with the Borough's comprehensive land-use plan and to support private sector economic development.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

RESOURCES COMMITTEE MINUTES

Bettye Fahrenkamp
Chairman

April 8, 1983
3:10 p.m.

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chair
Senator Mulcahy
Senator Vic Fischer

Senator Paul Fischer
Senator Eliason

CALENDAR

- SB 120 Relating to soil and water conservation.
- SB 169 Establishing the Alaska grain reserve program and the Alaska grain reserve revolving loan fund.
- SB 170 Making a special appropriation to the Alaska grain reserve revolving loan fund.
- SB 195 Supplementing the FY82 appropriation to the Agricultural Action Council for live-stock facility loans.

Commissioner Wunnicke, Department of Natural Resources, briefed the committee on the Supreme Court decision in Gilman vs. Martin, regarding land disposal residency discount regulations and the need for change in state regulations. New policy by DNR on land disposal ends residency discounts as of April 1, 1983, on over the counter sales and on land disposal lottery No. 3. The court decision was based on prior decisions which abrogated classification of Alaskans by length of residency. Also discussed long standing state regulations now in litigation (i.e. Potlatch Ponds).

Senator Fahrenkamp asked how this would affect Homestead program.

Sharon Barton, Special Assistant, Department of Natural Resources, said that the Homestead program involved "free" land making the discount moot.

Commissioner Wunnicke said that homestead qualification requirements are not in question, only credits for length of residency. Any other opinion was deferred to the Attorney General.

SB 169, SB 170

Commissioner Wunnicke read a telegram from Governor Sheffield, dated April 8, 1983, to Agricultural Task Force in support of their efforts. DNR endorsed the bills and recommended modifications in SB 169; 1) limit the term to the 1983 crop year; 2) provide loan funds for grades of grain; 3) provide for the state to pay for storage, and; 4) reallocate the appropriation for grain elevator at Delta II West as source of funding. Due to the need for only one year's funding, also recommended that the amount be reduced from \$4 million to \$1.6 million in SB 170. [Amendments will be presented in writing later.]

In answer to a question regarding suspension of loan payments, the Commissioner said with current loan programs there is an option that allows renegotiation, suspension or extension of loan payments and the agencies are responsive to individual hardship cases.

Senator Moss stated that one year is insufficient and suggests that it be extended as a two year program to be more effective.

Sig Restad, of Palmer, recommended that the deadline be extended through October, 1984, instead of July, 1984 to give farmers time to prepare for the next crop year.

Senator Fahrenkamp stated that the bills would be held until Monday, April 11, 1983.

SB 120

Senator Fahrenkamp requested a motion for adoption of CSSSSB 120 and Senator Mulcahy so moved. The motion was opened for testimony and discussion.

Richard Ramsey presented a statement from Senator Kerttula in support of the Soil and Water Conservation Commission's work.

Sig Restad of Palmer, testified that the new bill adds water to Soil Conservation Commission's authority to fit with federal regulations and controls in performing technical services. Reviewed history of conservation efforts and stated that it benefited all water users. Also, it upgrades subdistricts to full district status, creates a fifth district in Alaska and provides for a coordinator for a unified conservation program.

Commissioner Esther Wunnicke of DNR, asked for the committee's support and thanked the volunteers on the Board for their efforts. The bill will answer some of the coordination problems between Fish and Game Department and Natural Resources.

Senator Fahrenkamp made note of the fiscal note change. Senator Mulcahy moved adoption of the committee substitute for sponsor substitute for Senate Bill 120 and there was no objection to move the bill out of committee.

SB 195

Rick Johnson, aide to Senator Moss testified in support of SB 195 and asked for support of the committee.

Commissioner Wunnicke, of DNR, spoke in support of the bill.

Bill Zybeck, aide to Fairbanks North Star Borough Mayor B.B. Allen, testified in support of SB 195. The Borough supports the development of the livestock facility and its benefits to the local economy. The Borough planners have made preparations for the facility and are ready to implement those plans.

There being no further testimony or discussion, Senator Mulcahy moved that SB 195 be reported out of committee with individual recommendations. There being no objection, it was so moved.

The meeting adjourned at 4:10 p.m.

Alaska State Legislature

SENATOR
H. PAPPY MOSS
P.O. BOX 182
DELTA JUNCTION, ALASKA 99737
(907) 895-4384



WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA
99811
(907) 465-4921

State Senate

M E M O R A N D U M

April 6, 1983

SUBJECT: SB 195

TO: The Honorable Bettye Fahrenkamp
Chairman, Senate Resources Committee

FROM: Senator H. Pappy Moss
Chairman, Senate Special Agriculture Committee

A handwritten signature in cursive script, likely belonging to Senator H. Pappy Moss.

On March 9, 1983, the Alaska Agricultural Action Council voted to request an additional appropriation of \$350,000 to supplement an additional amount of \$650,000 for the awarding of the McKee Red Meat Processing Facility loan. This appropriation, if passed, will speed the development of the agricultural industry in the interior of Alaska.

McKee's proposal includes a full red meat processing facility which will allow him to utilize all of the by-products. This will in turn allow him to pay more to the livestock producers for their product and provide an economical livestock market that currently does not exist. Once this becomes a reality, we will be that much closer to the completion of the agricultural infra-structure that is necessary for the industry to be self-sustaining.

I respectfully request that you support this bill and thank you for your consideration.

cc: Senator J. Kerttula

SB 195

SUPPLEMENTING THE FY 82 APPROPRIATION TO THE AGRICULTURAL ACTION COUNCIL FOR LIVESTOCK FACILITY LOANS; ALLOCATING FUNDS WITHIN THE APPROPRIATION.

SPONSOR: MOSS

Amends Sec. 30, ch. 82, SLA 1981 by increasing the appropriation from the general fund to the livestock facility loan from \$2,650,000 to \$3,000,000. Further, allocates \$2,000,000 of the \$3,000,000 appropriation to Southcentral Alaska and \$1,000,000 to the Interior.

Alaska State Legislature

SENATOR
H. PAPPY MOSS
P.O. BOX 102
DELTA JUNCTION, ALASKA 99737
(907) 895-4384



WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA
99811
(907) 465-4921

State Senate

MEMORANDUM

March 23, 1983

SUBJECT: SB 19⁵, Livestock Processing Facility Loans

TO: Senator Bettye Fahrenkamp
Chairman, Senate Resources Committee

FROM: Senator H. Pappy Moss
Chairman, Senate Special Committee for Agriculture

Please schedule SB 195, the livestock processing facility act. Timely passage of this bill is of utmost importance to the interior livestock and grain producers. With the establishment of a complete processing facility in the interior, livestock producers will have a market which will allow for competitive livestock prices. Also, because this Act will allow for expansion of the livestock industry, there will be a subsequent expansion of the feed grain market which will benefit the Alaskan grain producers.

Thank you for your consideration.

SB 195

March 9, 1983

MEMORANDUM

To: Don *Gilman*
From: Bob
Subject: AG Action Council Meeting (March 9)

(1) Red Meat Slaughter Facility Report.

A total of eight proposals have been received and reviewed. Funding available from last year's appropriation of \$2.650 million. Proposals have been reviewed by Council, Department of Commerce and OMB. Top two requests: McKinley Meat with request for \$2 million. Second proposal McKees of Fairbanks with request of \$950,000. Council moved to accept McKinley of Anchorage at full funding and to request supplemental funding of \$350,000 which would yield full funding for proposal #2, McKee. (McKee at this time claims his request cannot be scaled down.) Action passed 5 to 0.

(2) Seward Transfer Terminal.

(a) Construction. Since weather has been favorable, final construction phase is progressing well. Three small concrete grain tanks now complete and sealed above ground level; one more small tank next week. Of two large tanks, one complete; one to be complete in a week and a half. Rail receiving pit to be finished and filled within a week. Deep pit sealed and backfilled. This means all tunnels, pits, and underground facilities will be finished and sealed soon, eliminating the need for de-watering pumps.

Two out of five vans of weather sensitive material have been stored in warehousing. The rest to be unloaded as space becomes available.

(b) Use as In-state Transfer Point. Kenai stockgrowers and AG Association as well as Kodiak organizations strongly requested use as smaller size transfer. Kodiak wants agricultural rate for Alaska ferry system and sent resolution to put up two tanks with loading equipment for distribution system. Huppert introduced a motion (which passed 5 to 0) to get cost figures for the above proposal. Size of small tanks, 26 foot diameter by 80 foot tall.

(3) Nenana-Totchaket Agricultural Project Report.

175,000 acres in survey and soil sample status; 150,000 of these good AG land and owned by state. Location directly west of town of Nenana and west of Nenana River. Further west still are Doyon timber lands; 2½ townships of which are surveyed. Doyon is eager to see and share road access.

\$1,600,000 was reappropriated last year for road access to Nenana project. Status: Survey underway for 18 commercial-size farms of four sections; 18 smaller farmsteads of 160 to 1,000.

City of Nenana received tora to survey & lay out 22 miles of road, a bridge over Nenana river & 3 smaller crossings. The design is largely complete & permitting is done. 27

2 scenarios were discussed for development of the N / T project, both with a similar initial barley production date, One in 1988-89 frame the other at 89-90.

Budget FY-84.

Discussion was mostly on transfer of AAC staff, likely to Dept. of Comm. also assignment of responsibility of Old AAC organization (staff) to DCED & DNR.

I left the meeting at this point & did not follow further agenda items. (Early in Budget portion)

Alaska State Legislature

SENATOR
H. PAPPY MOSS
PO BOX 182
DELTA JUNCTION, ALASKA 99737
(907) 695-4364



WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA
99801
(907) 465-4921

State Senate

MEMORANDUM

April 6, 1983

SUBJECT: SB 195

TO: The Honorable Bettye Fahrenkamp
Chairman, Senate Resources Committee

FROM: Senator H. Pappy Moss
Chairman, Senate Special Agriculture Committee

A handwritten signature in dark ink, appearing to read "H. Pappy Moss", written over the printed name in the "FROM" field.

On March 9, 1983, the Alaska Agricultural Action Council voted to request an additional appropriation of \$350,000 to supplement an additional amount of \$650,000 for the awarding of the McKee Red Meat Processing Facility loan. This appropriation, if passed, will speed the development of the agricultural industry in the interior of Alaska.

McKee's proposal includes a full red meat processing facility which will allow him to utilize all of the by-products. This will in turn allow him to pay more to the livestock producers for their product and provide an economical livestock market that currently does not exist. Once this becomes a reality, we will be that much closer to the completion of the agricultural infra-structure that is necessary for the industry to be self-sustaining.

I respectfully request that you support this bill and thank you for your consideration.

cc: Senator J. Kerttula

fairbanks north star borough

p.o. box 1267 520 fifth ave. fairbanks, alaska 99707 907-452-4761



April 5, 1983

The Honorable Bettye Fahrenkamp
Alaska State Senate
Pouch V
Juneau AK 99811

SUBJECT: S.B. 195

Dear Senator Fahrenkamp:

This letter is to let you know that the North Star Borough strongly supports the construction and operation of a red meat packing facility which would be located in the Fairbanks area.

Borough administrative staff has been in close communication with the Alaska Agricultural Action Council and with the applicants for livestock facility loans to assist in any way to insure that a facility is developed in the Interior and to assure them that the Borough would provide any services necessary to make it easier for the industry to locate here.

Promotion of a packing facility is consistent with the Borough's goal to promote a stable and diverse economy in harmony with the Borough's comprehensive land-use plan and to support private sector economic development.

In order to accommodate the establishment of a packing plant in Fairbanks, the North Star Borough has identified a potential site which we will lease to the party which receives the state loan. The lease of borough land will be drafted to be consistent with the loan approach of the Agricultural Action Council. The potential site has the following desirable features:

1. North Star Borough land with clear title
2. Close to the City of Fairbanks Sewage Treatment Facility

Honorable Bettye Fahrenkamp

April 5, 1983

-2-

3. Available water supply and electrical power
4. Location is conducive to marketing and development of spin-off industries
5. Close proximity to the Alaska Railroad airport spur
6. Zoned Air Industrial. Meat processing is conditionally permitted in this zone. A Conditional Use Permit may be obtained from the Borough Planning Commission.

Sincerely,



B. B. Allen
Borough Mayor

BBA/lh

S B

2022

M E M O R A N D U M

TO: Sandra
FM: Edie
RE: participants in SB 202 hearing
DT: 3/13/84

Joe Dreschler, NORANDA 561-1036

Has talked to Phil Holsworth. Phil's testimony is supported by NORANDA.

Steve Pearson, representing NORTH COAST MINING (Larry Chaplin/561-8693) 586-2601

Steve has yet to talk to Larry. Steve will represent North Coast Mining at Friday's hearing. After he talks to Larry he'll have a better idea at what capacity he'll participate in the hearing (testify, attend). He'll get back to us Wednesday or Thursday.

Phil Holdsworth, ALASKA MINER'S ASSOC. 586-1383

Will be testifying on behalf of the AMA and NORANDA.

Carl Propes, PROPE & ASSOC., representing EYAK NATIVE CORPORATION from Cordova area 243-5925

Will talk to the EYAK people and find out to what extent they want to be involved in the hearing. He'll get back to us.

John Sturgeon, DIVISION OF FORESTRY, DNR 276-2653

Will be at the hearing to testify.

Senator Dick Eliason, SPONSOR OF SB 202.

Member of the Senate Resources Committee - will most likely have comment.

Cass Parsons, United Fishermen 586-2820

Not interested.

Joe Wilson, BOARD OF FORESTRY, 586-2192

Will attend/observe.

Walt Biocca, ALASKA SOCIETY OF AMERICAN FORESTERS 225-9444

Will attend and possibly give comment from the Ketchikan LIO office. He also works for SeaAlaska Timber Corp. but will not be representing them.

(Bruce Johnson) ALASKA SOCIETY OF AMERICAN FORESTERS 3400

There will be someone from the Juneau Chapter testifying. Bruce will let me know who by Wednesday afternoon.

Jay Nelson, SEAC 586-2345

Will attend and let us know by Friday if he plans on testifying.


STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 21, 1984

SUBJECT: Yakataga State Forest (CSSB 202 (Resources))
TO: Senator Betty Fahrenkamp
Chairman, Senate Resources Committee
FROM: Richard A. Bradley
Legislative Counsel 

Several observations may be made about the committee substitute enclosed.

The management of each state forest is subject to the general law that the legislature has been enacting governing the management of state forests. Without attempting to identify all that may be picked up under that conclusion, it seems clear that the provisions of AS 41.17.200 - 41.17.230 govern the management of each state forest.

Thus AS 41.17.230(a) provides that the commissioner (of natural resources) will have "adopted, implemented, and maintained" a management plan "within three years of the establishment of a state forest by the legislature."

Sec. 230(d) provides that a management plan be submitted to the legislature within 30 days of its adoption or within the first 10 days of the first regular session of a legislature to convene after its adoption.

These two provisions duplicate the provisions of proposed subsec. (b) in the committee substitute you requested and contained within Sec. 2 of the bill provided to you (because the provisions are temporary law; the similar provisions of AS 41.17.400(b) are similarly temporary law.)

The last sentence of the proposed subsec. (b) is not included in permanent law but it constitutes a truism without substantive effect.

Senator Bettye Fahrenkamp
Page 2
March 21, 1984

The provisions contained in proposed subsec. (c) direct the application of AS 41.17.230(e) and (f); as permanent law applying to state forests generally, they apply without this subsection.

If I may be of further assistance, please advise.

RAB:ojb
J4/111

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LAND AND
WATER MANAGEMENT
SOUTHCENTRAL DISTRICT
3801 "C" Street
Pouch 7-005
Anchorage, Alaska 99510
PUBLIC NOTICE UNDER
AS 38.05.345

Subject to the provisions of AS 38.05 and pursuant to the regulations promulgated thereunder, the Division of Land and Water Management proposes to amend the land classification order SC-80-063 to classify additional and adjacent State lands as Forest in the Cape Yakataga area. These lands are described as follows:

T195, R16E, CRM;
T205, R12E and R18E, CRM;
T215, R17E, and R18E, CRM all State land within;

T225, R9E, CRM that portion east of Chugach National Forest boundary.

Also, it is proposed to apply a mineral leasehold location order to the above described lands and in addition all lands listed below within the Cape Yakataga area which have been classified as Forest under Land Classification Order SC-80-063.

T205, R12E-R17E, CRM;
T215, R18E, CRM;
T215, R10E-R16E, CRM;
T215, R9E, CRM that portion east of Chugach National Forest;

T225, R10E-R13E, CRM;
T225, R14E, CRM that portion west of Icy Bay;

T235, R21W, CRM.

The purpose of the proposed classification action is to provide the State a sustainable yield timber use program in the Yakataga area. The purpose of the proposed mineral leasehold location order is to coordinate the use of mineral and forest resources.

Any comments, objections, or expressions of interest pertaining to the proposed action must be received by the Division of Land and Water Management at the above address.

A public hearing will be held on this proposed action at the request of at least 25 Alaskan residents. In order to ensure consideration, all comments must be received by February 28, 1983.

The Division of Land and Water Management reserves the right to waive technical defects in the publication.

/s/ George Hollet, Acting Director
Division of Land
and Water Management
Published Jan. 28, Feb. 3, 10, 1983
100 80



1/28/83

RATIONALE FOR A STATE FOREST SYSTEM

Historically, the forests of Alaska have provided its inhabitants with building materials, fuel, recreational opportunities, diversity of wildlife and untold other benefits. Recent rapid shifts in ownership patterns and single-use allocations of that land have severely hampered public availability of these resources and stifled the development of a viable forest products industry, especially in the interior of Alaska.

The full impact of these encroachments on the public use of the land, if allowed to continue, will not be fully realized for years and possibly decades. Continued pressures to further reduce the publicly owned forest land available for multiple-use management is eroding this base.

It is in the best interest of the State to legislatively designate large tracts of primarily forested lands for long-term public retention and management for a multiplicity of resources, as envisioned by the framers of the Constitution of the State of Alaska.

Simple classification of the land as "forest" does not assure that this diversity of benefits, so needed by Alaska, will remain available for future generations.

Forest land in private ownership might well produce the forest products necessary for the development of the State, but not allow the use of the land for its other resource values by the general public.

A state forest system is a use-oriented concept. It would not only provide the incentive to develop a stable forest products industry capable of reducing the amount of lumber being imported to meet our needs (some 75% of the sawn lumber used in the Interior), but also provide access for hunting, fishing, camping, berry picking, etc. State forests are not a lockup, but a dependable year-after-year source of all the renewable resources of the State, for all the residents of the State.

FAIRBANKS STATE FOREST BOUNDARY
DELINEATION CRITERIA

1. Economically accessible forest areas near each population center which can supply enough timber to existing sawmills to maintain their current levels of production.*
2. All areas are within the recommended boundaries set by the Tanana Basin Planning Team. (With the exception of T2S R13W, which the entire team did not discuss.)
3. All major areas that are currently used for commercial harvesting are included.
4. The majority of highly productive personal-use firewood supply areas are included.
5. All of the area will be classified as "forest".
6. Agriculture and disposal areas are avoided in so far as possible so as to maintain manageable units. Existing unsold but platted State subdivision lots are recognized as valid existing rights and are available for sale.
7. Every effort was made to exclude areas which cannot support viable forest stands.

The Department of Natural Resources recognizes that stands containing white spruce should be put into management categories and classifications which do not preclude future timber harvest. The same holds true for local areas with fuelwood shortages.

*The approximately 1.7 million acres identified will allow an estimated annual cut of 8 million board feet of lumber, meeting past levels of mill production and supplying 33% of the Tanana Valley's total current lumber demand. It can supply 100% of current fuelwood consumption if access roads are constructed.

YAKATAGA STATE FOREST BOUNDARY
DELINEATION CRITERIA

Those State lands and conditionally relinquished State lands which contain economically viable commercial forest areas or those which will become commercially viable forest stands as the soils mature are included. Limited mountainous areas are included where required to simplify administration.

Estimated sustained allowable cut would be 20.0 million board feet on 560,000 acres.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Pouch 7-005
Anchorage, Alaska 99510
PHONE: (907) 276-2653

3108

March 1, 1984

The Honorable Richard I. Eliason
Senator
Pouch V
Juneau, AK 99811

Dear Senator Eliason:


As you requested, we have sent you the information Senator Fahrenkamp requested from you. Included are the State status plats for the townships included in the proposed bill. These depict the ownership, mineral claims, and classification on lands within the proposed State Forest. Please note the DNR has not platted three townships within the forest area as these have no activity on them. There is no area plan for Yakataga. We have included the Yakataga Land Planning Report of August 12, 1980 and the land classification order in the information packet.

The fact sheet gives an indication of the volume and value of timber within the forest. The demand for this timber is governed by Japanese demand and other Pacific rim buyers. I would like to point out that there are mineral and potential oil and gas resources in and adjacent to the proposed forest, but, at present, development is still in the exploratory stage. North Coast Mining, Inc., is actively exploring mineral resources. The DNR has worked out a cooperative operating agreement with them. The agreement is attached.

We have solicited comments from concerned parties but have requested that they submit them directly to the Resources Committee.

Please let me know if you would like any additional information.

Sincerely,



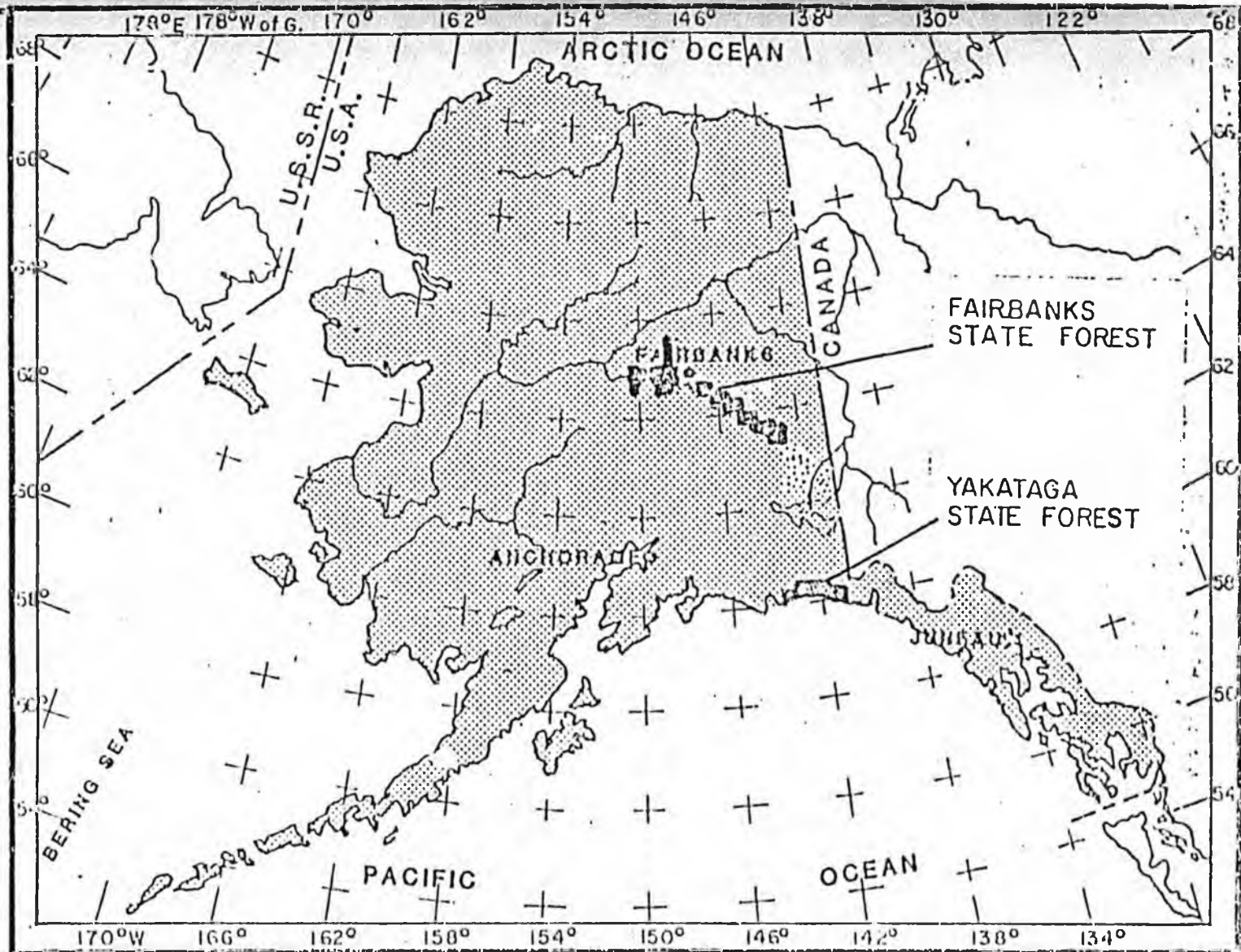
John L. Sturgeon
State Forester

YAKATAGA STATE FOREST
FACT SHEET

The establishment of a Yakataga State Forest will commit State-owned lands between Cape Suckling and Icy Bay to long term public retention to be managed for multiple use and sustained yields. There are about 460,000 acres within the area, of which an estimated 87,000 acres have more than 20,000 board feet per acre. These are among the most productive forest lands owned by the State and the timber resources are already being managed on a sustained yield basis. Commitment of the natural resources will have a beneficial effect on the economies of Yakutat and Cordova and will likely stimulate long term industrial and commercial development based on a standing sawtimber volume of 4.3 billion board feet with an estimated potential yield of the area of 20 million board feet (MMBF) per year. The annual revenue to the State at today's prices would be one to two million dollars with a total annual product value of 5 to 10 million dollars.

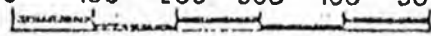
To date, ~~190 MMBF has been harvested within the proposed State Forest,~~ all since 1970. An additional 49 MMBF was sold in 1983, to be harvested over the next five years. A jetty, log transfer facility, sort yard, logging camp, airstrip, and about 20 miles of mainline road were constructed by the previous logging operator. A DOF office and cabin were built by the State.

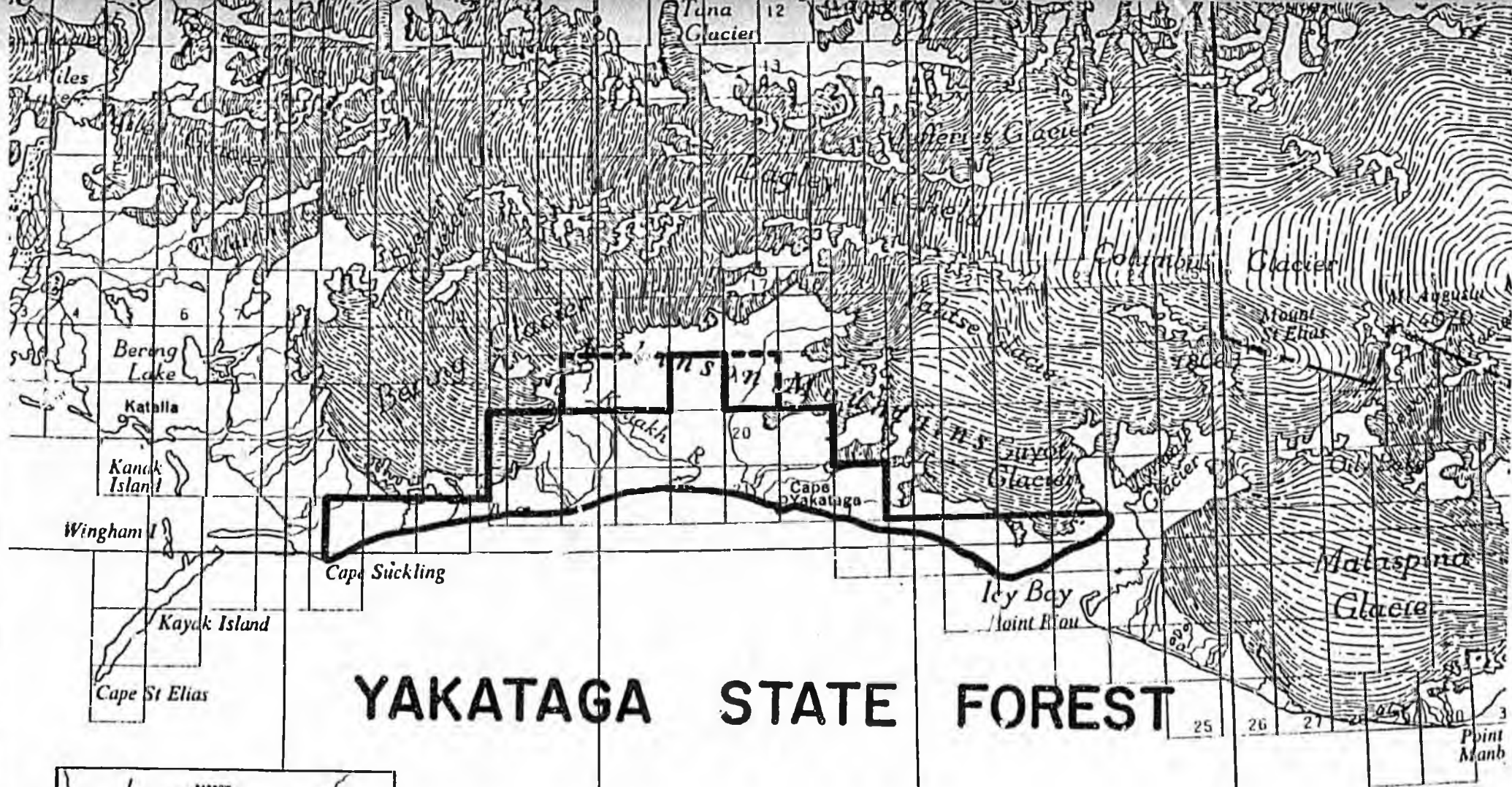
The DOF has arranged for multiple use management of the forested lands within the proposed State Forest. The Division has worked with the Alaska Department of Fish and Game to protect important wildlife habitat. Also, the DOF has worked out a cooperative use agreement with DMEM and North Coast Mining Company for joint operation on mineral claims.



ALASKA
LOCATION MAP OF FOREST AREAS

SCALE 0 100 200 300 400 500 MILES





YAKUTAGA STATE FOREST



LOCATION MAP

- FOREST BOUNDARY
- - - ADDITIONS IF NATIVE RELINQUISHED

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISSA SULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

M E M O R A N D U M

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, Friday, March 16.
TELECONFERENCE TO: ANCHORAGE, KETCHIKAN, CORDOVA,
HAINES, SITKA, YAKUTAT, AND FAIRBANKS.

DATE: March 14, 1984

On Friday, March 16 at 3:00 pm in the Beltz Room, the Senate Resources Committee will hear the following bills:

SB 202, An Act establishing the Yakataga State Forest; and providing for an effective date.

SB 202 would establish approximately 460,000 acres of state-owned lands between Cape Suckling and Icy Bay as the Yakataga State Forest. According to the Department of Natural Resources, these are among the most productive forest lands owned by the State and the timber resources are currently being managed on a sustained yield basis.

A Resources Committee Substitute has been prepared to reflect provisions of the State Forest System established last year in SB 108:

- 1) A management plan must be adopted, implemented, and maintained within three years.

2) The forest would be managed for multiple use, specified in AS

41.17.230(e) as:

commercial timber harvest
personal use timber harvest
mining/material extraction
recreation
fish and wildlife habitat management
greenbelts
trapping
sport and subsistence hunting and fishing
grazing
watershed management research
other traditional, compatible uses

The Department will propose an amendment to accommodate a pending land exchange with the Seldovia Native Association (see attached).

SB 473, An Act establishing the Alaska Fisheries Council; and providing for an effective date.

SB 473 would establish the Alaska Fisheries Council within the Department of Fish and Game. A fisheries policy for the state would be developed through the cooperative interactions of state government officials and representatives of the seafood industry.

SB 479, An Act relating to a forest products business loan guarantee program.

SB 479 would establish a Forest Products Business Loan Guarantee Fund in the Department of Revenue. Money in the fund could be used to guarantee a loan for financing employee purchase of a forest products business. The state could guarantee up to 50% of a loan, to a maximum of \$30 million.

In an effort to keep the Louisiana-Pacific pulp mill in Ketchikan (LPK) afloat, its 300 employees have agreed to purchase 56% of the stock. In order for the purchase to occur, the employees need \$50 million in financing, which they feel will not be available without a guarantee from the State.

A proposed \$25 million appropriation to the Department of Revenue would serve as the guarantee. As long as the employees make their loan payments on time, the money would not be drawn upon. However, if the employees were to default, under SB 479 the state would be obligated to pay 50% of the amount in default.

Two amendments to the bill will be proposed (see attached).

DEPARTMENT OF NATURAL RESOURCES SOUTHCENTRAL DISTRICT
LAND PLANNING REPORT - YAKATAGA

Existing classification - None
Recommended classification - Forest

Proposed Classification

The proposed classification to Forest was requested by the Southcentral District Forestry Section to facilitate implementation of a sustained yield timber use program in the Yakataga area. The proposed Yakataga Forest area represents a relatively small but significantly rich area of spruce and hemlock forests on the Alaska gulf coast. The current estimate of sustained yield production per year from the Yakataga area is 25 million board feet on an eighty year rotation.

Location

The Yakataga area proposed for classification is located between the Suckling Hills on the west, Icy Bay on the east, the Gulf of Alaska on the south and Bering Glacier and the Robinson Mountains on the north (see attached location map). All lands are tentatively approved for patent to the State of Alaska.

The legal descriptions for the proposed Yakataga Forest area are:

Township 23 South, Range 21 and 22 East, C.R.M.
Township 22 South, Range 24 C.R.M., that portion on the West side of Icy Bay
Township 22 South, Range 19 through 23 East, C.R.M.
Township 21 South, Range 9 East, C.R.M. East of Chugach National Forest Boundary
Township 21 South, Range 10 through 19 East, C.R.M.
Township 20 South, Range 13 through 18 East, C.R.M.
Township 19 South, Range 16 through 17 East, C.R.M.
Total area, 480,530 acres.

Physical Description

The geomorphology of the area is glacial in origin. Topography ranges from a series of glacial till benches at the foot of glaciated mountains between Cape Yakataga and Icy Bay to glacial outwash plains formed by Bering Glacier. Elevations range from sea level to 4,500 feet on Mt. Duktok.

The climate of the Yakataga Forest area is maritime. Temperatures are modified by the Gulf of Alaska and provide relatively mild winters and cool summers. The climate is similar to that of Southeast Alaska but is influenced by offshore winds in the summer and in the winter from the Interior of Alaska. These offshore winds occur for short periods of time resulting in a wider range of annual temperatures for this area as compared to Southeast Alaska. The annual precipitation averages 103 inches.

Physical Description (continued)

Based upon information provided in the Soil Conservation Service publication, Exploratory Soil Survey of Alaska, three major associated classes of soils are found within the proposed area; typic cryorthents, typic cryaquents, and typic cryofluents.

Typic Cryorthents occupy moraines close to steep mountains and large glaciers. Thick forests occupy well drained hillsides and wet treeless sloping valleys from peat accumulation. Elevations range from slightly above sea-level to about 1,000 feet. There is no permafrost in these soils, which are usually very stony and gravelly till with large boulders near the surface.

Typic Cryaquents occupy broad outwash plains which extend to the steep slopes of the coastal mountains. Elevations are between sea level and 200 feet. The plains are primarily sandy, waterlaid sediment with irregular areas of peat accumulating in shallow basins. The water table is often near the surface and flooding is common. Moraines consisting of gravelly till occur near the mountains. The principle vegetation is aquatic plants with forests of spruce and hemlock occupying the moraines. In general, intensive use of these soils is greatly restricted because of the high water table and frequent flooding. Many of these soils support coastal meadows that are used heavily by migrating birds for stopover areas and nesting sites.

Typic Cryaquents - Typic Cryofluents are a very gravelly, nearly level association of soils occupying outwash plains and alluvial fans in the northern coast of the Gulf of Alaska. Elevations are low, from sea level to 100 feet and the water table is generally near the surface. These plains consist mainly of outwash deposits covered with waterlaid sediment. Dense stands of spruce and hemlock occur on well drained sites where cool moist summers and mild winters promote high forest productivity. Aquatic vegetation such as sedges, mosses and willows dominate the wetter sites.

Resource ValuesFish and Game

The Yakataga area supports a wide variety of fish and game resources. A memo from the Commissioner of Fish and Game, Ronald Skoogs, to the Commissioner of Natural Resources, Robert LeResche, states that this area contains twenty-five anadromous streams. The drainages east of Cape Yakataga to Icy Cape contain mostly pink and coho salmon. These drainages are predominantly first order short drainages because of their very close proximity to steep glaciated mountains. The only drainage that currently

Fish and Game (continued)

supports a commercial fishery in this area is the Priest River. According to Commissioner Skoogs memo this river produces less than 1,000 fish annually for commercial purposes. The drainages west of Cape Yakataga to Cape Suckling are more important as a commercial fishery. Coho salmon still are present in the major drainages and are the main dollar producer. The two drainages that produce a major setnet fishery are the Kalikh which produce a coho escapement of 12,000 and the Tsiu-Tsiuat which produce up to 50,000 coho salmon. The proposed forest management program in Yakataga area could enhance the commercial shore fisheries by increasing access to fishery sites.

This area supports wildlife species such as black and brown bear, mountain goats, moose and small furbearers, such as muskrat, beaver, and martin. The major habitat of bear occurs within the areas west of Yakataga in the spring and summer and along the salmon streams in the fall. The major range of mountain goats are the steep mountains to the north along the coast between Cape Yakataga and Icy Bay.

Mineral Resources

This area has a potential for minerals, oil and gas. The area has had exploration for oil and gas in the late 50's and early 60's. This exploration and subsequent drilling required road construction and various improvements which are used currently by logging interests. No major producing wells were discovered. Interest in offshore drilling may be renewed under future Federal lease sales.

Based on a review of the mineral status plat, the dominant mineral of this area is gold. A potential for hard rock mineral exists but little or no serious prospecting has taken place. Gold mining in this area is placer with all recorded claims occurring on the beaches and up the White River drainage.

Archeology

The Division of Forest, Land and Water Management has made request for a historical analysis of the proposed area. The archeology data for this area is limited. The area was known as a major migration route for the natives from the interior to the Yakataga area. There are no known native settlements in this area.

Forestry

The principle type of overstory vegetation of the proposed area is a mixture of Sitka Spruce and western hemlock with a small volume of Alaska yellow cedar occurring above the 500 foot contour and cottonwood with red alder occurring within riparian zones.

Forestry (continued)

The Southcentral District through a combination of air photo interpretation, cruise and inventory techniques has estimated the total area of potential commercial timber to be 80,000 acres. The evaluation of commercial forest was based on any timber stand having a volume per acre of 20,000 board feet or greater.

Economic Impact

Fisheries

The fish resource of this area is small compared to other areas of the State, but should not be discounted due to local dependence on this resource. Using data supplied by Alaska Department of Fish and Game, the 1978 and 1979 fishing season in this area returned between \$251,000 and \$354,000 annually. Another factor to consider is the potential to support a larger fishery as transportation problems are solved.

Minerals

The only mineral being mined presently in the area is gold. The total dollar values returned to the local communities is difficult to determine due to the type of mining operations.

Wildlife

No data is currently available to determine a figure but it can be assumed, through recorded hunting visits, to be relatively low.

Recreation

Due to the remoteness and the poor climate conditions, this area has shown little recreational usage and the total dollar return is insignificant.

Forestry

The economic impact of sustained yield forestry management in the Yakataga area is significant. In funds returned to the State's general fund based on a 25,000,000 board foot allowable cut would be at least \$1,000,000 per year based on an average stumpage of \$40.00 per thousand board feet.

The cash flow returned directly to the local economy of the surrounding area based on Southcentral Timber Developments logging expenditures for 1979 is \$2,500,000.

Summary of Resource Values

The following resources are ranked according to the dollar return to the State and to the local economics annually.

- | | |
|---------------|--|
| 1. Forestry | \$3,500,000 |
| 2. Fishing | \$ 354,000 - with fishing held to current levels |
| 3. Minerals | undetermined - value considered less than
Forestry or fishing |
| 4. Recreation | undetermined |

Resource Conflicts

The following conflicts relate sustained yield forestry to other resource use.

Timber/Wildlife

The conflicts between forestry management will be kept to a minimum due to State and District forestry management practices and policies. A summary of these policies and practices are:

1. Timber will be harvested in a patch cut with staggered entries.
2. Leave strips or buffer zones will be left along all major drainages, which include all anadromous fish streams.
3. Special use area for wildlife will be identified by Alaska Department of Fish and Game before completing a timber sale.
4. All operations will take place according to Alaska Statutes 16.10.010 and 16.05.840.
5. All timber will be harvested and managed according to the Best Management Practices as outlined by the Forest Practices Act.
6. Limited harvesting of timber above the 500 foot contour.
7. All timber harvesting programs will be subject to comment by the Department of Environmental Conservation and Alaska Department of Fish and Game.

Timber/Fisheries

The impact on commercial fisheries in this area will be low and with increased access to fishing sites could increase commercial fishing potential.

Timber/Mining

The impacts on mineral extraction will be low because of the subsurface character of minerals. Placer operations require little timber for operations. Timber operations could improve mining potential by increasing accessibility.

Timber/Recreation

Due to the inaccessibility of this area it's use for recreation purposes is limited. Therefore the impact of timber management on recreation resources will be low.

Coastal Zone Consistency

The Alaska Coastal Policy Committee's standard and guidelines and the Department of Natural Resources Forestry Practices Act have set operation standards and policies for coastal timber management programs.

Recommendations

The Southcentral District recommends this area be classified as Forest to facilitate a program of sustained yield management. The District further recognizes the potential forestry value of the area and recommends consideration be given to placing this region in the State forest system. As the designation as a State Forest is legislative and requires a significant portion of time the District supports, as an interim measure, declaration of this area as a Forest Reserve.

DENNIS R. THOMASON
District Classification Officer

August 12, 1980

SB 202

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF FISH AND GAME

P.O. BOX 3-2000
JUNEAU, ALASKA 99802
PHONE: (907) 465-4161

OFFICE OF THE COMMISSIONER

March 2, 1983

The Honorable Richard I. Eliason
Senator
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

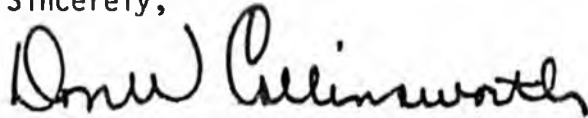
Dear Senator Eliason:

In a recent letter, State Forester John Sturgeon indicated that you wished to know the Department of Fish and Game's position on the State Forest being proposed for the Yakataga area. I am pleased to inform you, that we are in complete support of such a concept, provided we are offered the opportunity to be an active participant in the management planning process.

The area being proposed for Forest designation contains significant fish and wildlife resources which we believe should be adequately protected during any land use activities which are eventually conducted. We have been working closely with the Department of Natural Resources on this issue, and I feel confident that our concerns will be addressed.

If I can provide you further information, please feel free to contact me.

Sincerely,



Don W. Collinsworth
Commissioner

cc: John Sturgeon, State Forester, ADNR
Andy McQuire



City and Borough of Sitka

P.O. BOX 79 · SITKA, ALASKA · 99835

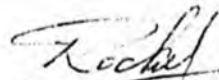
March 17, 1983

Senator Richard Eliason
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Dick:

Due to the fact that Sitka's economy is dependent on a healthy woods industry, you are encouraged to work with the Department of Natural Resources in order to define boundaries for a state forest in the Yakataga area.

Sincerely,


Fermin Gutierrez
Administrator

cc: Peter M. Huberth, ALP

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Pouch 7-005
Anchorage, Alaska 99510
PHONE: (907) 276-2653

January 27, 1983

Senator Richard Eliason
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Senator Eliason:

As per your request we have enclosed a set of legal descriptions, map, rationale and criteria used in delineating the Yakataga Forest Boundary.

Not all of the area is in State ownership. There are limited inholdings by Native Corporations, the University of Alaska and small private individuals which would require lengthy descriptions to exclude. In lieu of this we would suggest exclusionary wording be added to appropriate legislation. Pat Porchot of the Senate Resources Committee staff is investigating such wording for inclusion in a bill Senator Fahrenkamp is considering for submission. Senator Ziegler's proposed SB 14 has an example in AS 41.15.560(h).

I found our discussions earlier this week very encouraging and look forward to working with you and your staff in order to provide a stable base for forest resource management as a part of our State's economic diversity program.

If any questions come to mind, please feel free to call me personally at 265-4465, or Joe Wehrman of my staff at 265-4500. We will make every effort to provide any assistance you may deem appropriate.

Sincerely,



JOHN L. STURGEON
State Forester

Enclosure

215 202

South-Central Timber Development, Inc.

April 1, 1983

Jalmar Kertulla, President of the Senate
Senator Bettye Fahrenkamp
Senator Richard I. Eliason
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear friends:

RE: Committee Substitute for SB 108

As the new owner of South-Central Timber Development, Inc., and as an Alaskan concerned about Alaskan forestry, I write to suggest that the bill establishing certain state forests be amended to make it clear that the primary purpose of a state forest is forestry uses and that other multiple uses, while allowable, must be compatible with the primary use. If such is not done, and every use has an equal call upon the State's grant of priority, there is little logic in creating a "state forest" in the first place; it would have a good sound without much content.

If the primary use of the state land put into a state forest is not for forestry, then the land should not be put into the forest in the first place. What land is put into a "state forest" should be dedicated primarily to forestry.

In the case of the Icy Cape-Cape Yakataga forest wherein my company operates, the land is currently classed as "primarily forest". If the committee substitute for SB 108 is enacted, the land will be opened afresh for "identifying uses of the state lands" in an area whose primary existing purpose is forestry. Passage of the bill would be a setback for us, a forestry business currently utilizing state forest lands.

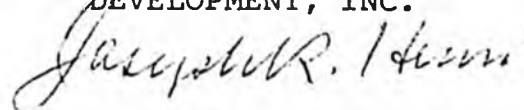
Jalmar Kertulla, President of the Senate
Senator Bettye Fahrenkamp
Senator Richard I. Eliason
Alaska State Legislature
Pouch V
Juneau, AK 99811

I would appreciate your careful attention to this matter, and if the bill is enacted as revised, I would hope the Yakataga forest lands are NOT included in a state forest.

With kind regards, I am,

Sincerely yours,

SOUTH-CENTRAL TIMBER
DEVELOPMENT, INC.



JOSEPH R. HENRI

lmg
cc - Ms. Paula Easley
Resource Development Council
of Alaska

Revisor's notes. — Formerly AS
41.17.140. Renumbered in 1983.

NOTES TO DECISIONS

Quoted in Southeast Alaska Conservation Council, Inc. v. State, Sup. Ct. Op. No. 2662 (File No. 5855), P.2d (1983).

Article 3. State Forest System.

Section	Section
200. State forest purposes	220. Management of state forests
210. State forests	230. Management plans

Sec. 41.17.200. State forest purposes. The purpose of AS 41.17.200 — 41.17.230 is to permit the establishment of designated state-owned or acquired land and water areas as state forests. The primary purpose in the establishment of state forests is the perpetuation of personal, commercial, and other beneficial uses of resources through multiple-use management. (§ 1 ch 91 SLA 1983)

Sec. 41.17.210. State forests. (a) The governor may propose to the legislature the establishment of state forests consisting primarily of commercially valuable forest land determined by the governor to be necessary for retention in state ownership for management under the principles of multiple use and sustained yield and consistent with AS 38.04.005. The proposal of the governor shall include a report and recommendations of the commissioner including

- (1) a preliminary forest inventory;
- (2) a summary of the testimony offered at public hearings held on the management of the proposed state forest in communities proximately located to a proposed state forest;
- (3) the findings of the commissioner on anticipated incompatibilities of uses described in AS 41.17.230(e) under AS 41.17.230(f);
- (4) written comments from appropriate state agencies on the compatibility of the uses described in AS 41.17.230(e) within the proposed state forest;
- (5) an estimate of the cost of a full implementation of an operational level forest inventory and the management plan.

(b) A state forest established by the legislature shall be retained in state ownership. (§ 1 ch 91 SLA 1983)

Sec. 41.17.220. Management of state forests. Land within a state forest or within a unit of a state forest shall be managed under

- (1) the principles of multiple-use and sustained yield;
- (2) this chapter; and
- (3) a management plan prepared by the department. (§ 1 ch 91 SLA 1983)

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Sec. 41.17.230. Management plans. (a) The commissioner shall prepare a management plan consistent with AS 38.04.005 and this chapter for each state forest and for each unit of a state forest to assist in meeting the requirements of this chapter. An operational level forest inventory shall be completed before a management plan for the state forest or the unit of a state forest is adopted. The management plan shall be adopted, implemented and maintained within three years of the establishment of a state forest by the legislature.

(b) The commissioner shall review a management plan at least once every five years and may revise the plan when necessary.

(c) A management plan may not be adopted or revised after the establishment of the state forest without prior review by the Board of Forestry and by other appropriate state agencies or without prior public hearings held in a community proximately located to the state forest or to a unit of a state forest.

(d) A copy of a management plan or a revision to a management plan adopted or prepared by the commissioner shall be provided to the legislature within 30 days of its adoption or revision or within the first 10 days of the first regular session of the legislature to convene after its adoption or revision.

(e) The commissioner shall consider and permit the following uses under a management plan prepared under (a) or (b) of this section subject to a determination under (f) of this section:

- (1) commercial timber harvest and related activities;
- (2) harvest of forest products for personal use;
- (3) mining, mining claim, and mineral leasehold location;
- (4) mineral leasing;
- (5) material extraction;
- (6) recreation;
- (7) wildlife and fisheries habitat management including critical habitat management;
- (8) greenbelts;
- (9) trapping and sport and subsistence fishing and hunting;
- (10) grazing;
- (11) watershed management;
- (12) research;
- (13) uses consistent with the policies of AS 38.04.015; and
- (14) other traditional, compatible uses.

(f) A management plan prepared by the commissioner shall consider and permit the uses described in (e) of this section. If the commissioner finds that a permitted use is incompatible with one or more other uses in a portion of a state forest, the commissioner shall affirmatively state in the management plan that finding of incompatibility for the specific area where the incompatibility is anticipated to exist and the time period when the incompatibility is anticipated to exist together with the reasons for each finding. (§ 1 ch 91 SLA 1983)

Article 4. State Land Reforestation.**Section**

300. State land reforestation fund
310. Appropriations to state land
 reforestation fund
320. Report to the legislature

Sec. 41.17.300. State land reforestation fund. A state land reforestation fund is established in the department. The money in the state land reforestation fund may be used only for the reforestation of state land, including site preparation, seed and seedling acquisition and cultivation, planting, and other reforestation measures, timber stand improvement, and the development of materials and techniques for the reforestation of state land. (§ 2 ch 91 SLA 1983)

Sec. 41.17.310. Appropriations to state land reforestation fund. (a) The state land reforestation fund consists of money appropriated by the legislature and contributions from private donors. It is the intent of the legislature that the appropriations made to the fund equal no less than 25 percent of the revenues from the sale of timber and other forest products from state land as well as the total revenues from

(1) compensation for loss or damage to land within a state forest; and
(2) the federal government and other governmental units for reforestation.

(b) Money appropriated to or paid into the state land reforestation fund does not lapse. (§ 2 ch 91 SLA 1983)

Sec. 41.17.320. Report to the legislature. The commissioner shall make an annual report to the legislature within the first 10 days of each session of the legislature on the uses of the money, in the state land reforestation fund, the proposed uses of the fund in the following fiscal year, and the balance in the fund. (§ 2 ch 91 SLA 1983)

Article 5. Tanana Valley State Forest.**Section**

400. Tanana Valley State Forest

Sec. 41.17.400. Tanana Valley State Forest. (a) Subject to valid existing rights and except for land owned by or transferred to the University of Alaska under a settlement agreement between the state and the university, the state-owned or acquired land and water lying within the parcels described in (d) of this section is designated as the Tanana Valley State Forest.

(b) The commissioner shall prepare a management plan for the Tanana Valley State Forest under AS 41.17.230. The commissioner shall submit the management plan to the legislature for its approval within the first 10 days of the Second Session of the Fourteenth State

DNR HAS PROPOSED THE FOLLOWING AMENDMENT TO SB 202:

ADD A NEW SECTION 2:

NOTWITHSTANDING AS 41.17.210 AS ENACTED IN SECTION 1
OF THIS ACT, THE COMMISSIONER MAY, PRIOR TO JULY 1, 1985,
EXCHANGE FOR PRIVATE INHOLDING WITHIN KACHEMAK BAY
STATE PARK UP TO _____ ACRES WITHIN ONE OR MORE SITES.

Rationale:

In 1972 the Seldovia Native Association selected 29,000 acres of state land within Kachemak Bay State Park as part of their village entitlement. Negotiations to exchange that land for land outside of the park have been underway for over 8 years. The State's land holdings on the Kenai Peninsula are small; only in recent years has Seldovia Assoc. expressed interest in lands in other areas of the state.

Timber:

Primary Processing "Axed"

Alaska's timber "primary processing" requirement took a bruising from the U.S. Supreme Court, and remains barely alive as it was sent back to the federal Appeals Court for more study. Four justices voted to strike down the state policy as unconstitutional. The 9th Circuit Court of Appeals will now have to decide whether the state's law is valid without specific congressional authorization.

The thrust of the U.S. Supreme Court ruling was that a state primary processing requirement would violate the "commerce clause" of the U.S. constitution, but that such requirements could be approved by Congress. The case was brought by Southcentral Timber over the primary processing requirement attached to a state sale at Icy Bay.

S.E. Firms Escape Fed Suit

The good news for Southeast Alaska timber firms is that the U.S. Justice Department has decided against filing anti-trust suits against Alaska Lumber and Pulp Company and Louisiana-Pacific Company. The two firms operate pulp mills at Sitka and Ketchikan respectively. The issue regarded charges that the firms had cooperated in a boycott of U.S. Forest Service timber sales.

Mining In McKinley Park

A carefully worded "compromise" by the Alaska Land Use Council has recommended that new placer mining activity be permitted in the Kantishna Hills region of Mt. McKinley National Park (northeast edge of the park). The Alaska Lands Act of 1980 closed the park to further mineral entry, except as specifically authorized by the Congress. About 114,535 acres of the Kantishna Hills 194,968 acres is considered to have resource potential. The focus of the compromise is on "new leasing." The recommendation is only a first step, and it is likely that Congressional approval may prove difficult. Placer mining is currently very active just outside the park borders in the area.

Mining:

"Encouraging" Mining Technology

The legislature has sent on to the governor a bill aimed at encouraging experimentation in placer mining technology. The legislation was the product of Fairbanks State Sen. Bettye Fahrenkamp, perhaps the legislature's chief mining advocate. Under the bill grants up to \$100,000 would be available to miners for innovation in gold recovery and water reduction, and waste disposal and pollution control.

NANA/Cominco Port Money

The Nana-Cominco Red Dog Mine will get a boost if a \$5 million appropriation to begin port engineering work escapes gubernatorial veto. Expectations are for the funding to remain. Financing for the Red Dog 57-mile development road, and other related facilities, will also be eligible for funding under legislation passed in the final hours of the legislative session expanding Alaska Industrial Development Authority (AIDA) powers.

The key to the project will likely depend on negotiations between the state and NANA/Cominco regarding what portions of the project should be financed with the backing of the project, and what portions, representing the general public interest of the state in the facilities, should be financed with public grants.

Tax Credit For Mining/Gas

The state also has a new tax credit law which can benefit new mineral developments. Just signed into law is investment tax credit legislation that will permit gas processing and mineral companies a full tax credit on earnings on investments up to \$50 million and a partial credit on investments up to \$250 million. The bill could prove useful to projects such as Red Dog and the joint venture LNG export project for surplus Cook Inlet gas being explored by ARCO-Alaska and Cook Inlet Region Incorporated (CIRI). The tax credit bill was pushed through the legislature by House Speaker Joe Hayes.

****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT
IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
STATE ARCHIVES TO VIEW THE ORIGINAL.

minerals

November 18, 1982
File No. 2332

Addressed to Steve Harding
Southcentral District Forester

From Dave Wallingford
Assistant State Forester

Subject: Setting Up a Mineral Lease Area at Cape Yakutaga

In order to establish the proposed state forest at Cape Yakutaga as an area open only to leasehold locations, there are several steps that must occur. The action which makes such an area subject to leasehold location is a mineral leasehold location order issued by the Division of Land and Water Management in consultation with the Division of Minerals and Energy Management. The order can be developed as a separate part of an area plan, management plan, land planning report or as a separate action. In the case of Yakutaga it will be both a separate action and an amendment to the land planning report combined.

First, you must thoroughly review the land planning report to see if and how mineral development is referenced. It is then necessary to clearly define the potential conflicts/problems that could stem from claims taken in the area proposed for leaseholds - if you have examples, they should be cited. You must then proceed to explain why existing statutory or regulatory authorities cannot resolve the potential conflicts. Finally, you must provide a set of recommended stipulations for inclusion in future leases.

If you work closely with Arlan DeYoung, the classification officer with S.D Lands, you should be able to revise the land planning report that resulted in the forest classification. One further point is that whereas the classification order did not apply to state selected lands, the leasehold location orders can, so the legal boundaries of the leasehold order must include the Townships of Yakutaga where the classification could not originally apply. David Creechman of DRD developed the methodology used for mineral leasehold orders and is available to smooth over any rough points. Also Ken Hudson should be able to review the justification for appropriateness and provide input that would improve the end product. If you need further research done, call Joe Wehman of my office.

The system is supposed to be in place on or about December 6 and it would behoove us to get the paperwork done now and to get it reviewed and submitted. The leasehold location order will require public notice. The division of Lands and Water Management district will take care of that.

Please have your planning report review and updating, conflict identification and stipulation submitted to SED Lands by December 6 if at all possible, but no later than December 13. Carbon copy to Arlan DeYoung, David Creekman and Ken Hudson.

Note: The underlinings in this memo were Ken Hudson's and they were picked up from the file on the land use permit for Icy Bay.

MAR 1 1983

Ralph Swarthout
Box 8-9127
Anchorage, Alaska 99508
February 17, 1983

Mr. George Hollett, Acting Director
Division of Land and Water Management
SouthCentral District
3601 "C" Street
Pouch 7-005
Anchorage, Alaska 99510

~~CONFIDENTIAL~~ ~~NO FORN DISSEM~~
~~INTERNAL SECURITY~~ *AS*

Dear Mr. Hollett

This letter is in response to your proposal to classify the land in the Cape Yakataga area to forest and to implement a leasehold location system.

Since I am a mining claims holder in the area, I am interested and have the following comments.

In my effort to try and determine the ramifications of your proposed action, I talked in person with Arlon DeYoung, Daniel Ketchum, and a member of the staff at the Minerals Section in the Cordova Bldg.

Some of the questions, concerns, and situations that arose; and I present them here to you, are as follows:

1. A copy of the law, rules, regulations, and/or other guidelines that will be used to implement your action. My understanding is that there are none; except for the law.
2. How the present mining claim holders will be affected.
3. Is there a time frame on your actions.
4. Do you have a ground or aerial survey of this area?
5. How much of the area that contains "valuable timber" has been already staked with mining claims? In T. 21S R. 17E especially, and to a lesser extent in T. 21S 16 and 18E large areas of timber are already staked. The remaining areas here are swamp, or barren, or mountains.
6. Has there been a timber cruise and quality determination of this area?
7. Some of the areas include mountains with little if any timber. Will these areas be closed to location mining?

February 17, 1983

8. Has there been a comparison of values of how the current and existing industry--mining--will be affected by a proposed industry--timber?
9. Has there been an effort to contact the current mining claims holders individually?
10. What are the terms of a mining claims leaseholds? Number of years? Cost to the miner--per acre--royalty? Other?
11. Who makes the determination that a claim is valid under a leasehold? How? What is the time limit for a decision? Where? Appeals procedure?
12. Will these forest classifications areas include the ocean beaches?
13. Have the areas in which roads have been proposed been identified?

The information that I have obtained on this area--mostly T. 21S R. 16, 17, and 18, with emphasis on my claims, by having a professional aerial and ground survey done, indicates to me that little "valuable timber" remains to be classified.

My conclusion is that the mining and timber industries and the state government are going to waste a lot of the 3 T's on this project--time, talent, and treasury.

My recommendation is to cancel this proposal; or at least postpone action until these questions can be answered.

Sincerely

Ralph Swarthout

Ralph Swarthout

cc House Resource

cc Senate Resource

DNR / N. Coast Mining
11/83

COOPERATIVE AGREEMENT

1.0 PARTIES:

This Agreement is entered into between the following parties:

1.1 The State of Alaska ("State"), through its Department of Natural Resources ("DNR"); and

1.2 North Coast Mining, Inc. ("NCMI").

2.0 GEOGRAPHICAL SCOPE:

This Agreement relates to those geographical areas in the vicinity of Cape Yakataga, between the White River and Icy Bay in which NCMI has mining claims under State law (legal location of claims attached), together with all State-owned or controlled timberlands, where the harvest of such timber would be facilitated by access across the area subject to NCMI's mining claims, extraction of gravel from such areas, or other use of such areas.

3.0 PURPOSE:

3.1 DNR has, among its other responsibilities, the responsibility under applicable law to coordinate and regulate multiple uses of the State's natural resources. The intent of this Agreement is to establish a means for coordination between the various State lessees, licensees, and permittees who claim or who are granted interests in the vicinity of the area subject to this Agreement.

3.2 NCMI wishes to be advised by DNR of its plans and to coordinate with the State and the State's other lessees, licensees, and permittees so that NCMI can more effectively plan its mining activities on its claims.

4.0 AGREEMENT:

The State, through DNR, and NCMI hereby agree as follows:

4.1.0 Exchange of Information

4.1.1 DNR will make reasonable efforts to add NCMI to any mailing list it maintains for its proposed land actions (such as proposed sales, contracts, disposals, offerings, licenses, or permits) which might potentially affect use of State land within the area in which NCMI has mining claims. DNR will provide public notice in an Anchorage daily newspaper, if legally required, on all land actions within the Cape Yakataga area.

4.1.2. NCMI agrees to identify those sites within its mining claims which it believes are highly mineralized. "Highly mineralized" sites means those determined to be economically viable for extraction of commercially valuable minerals. This identification should take place as soon as practicable. The State may require NCMI to provide the data upon which NCMI bas~~es~~ its identification of highly mineralized areas. The State shall, to the extent permitted or required by law, maintain the confidentiality of such data.

4.2.0 Non-waiver of Applicable Law and Regulations:

Nothing in this Agreement relieves NCMI of its obligations under federal or State law or regulations, permits, licenses, or existing agreements with the State. Moreover, nothing in this Agreement shall be construed to grant to NCMI any rights in addition to whatever rights it might otherwise have under the law, nor shall it be construed as an adjudication of the validity of NCMI's mining claims.

4.3.0 Procedure for resolution for Potential Conflicts:

4.3.1 In any timber sale contract within the geographical area governed by this Agreement, DNR shall require the successful bidder ("Purchaser") to be bound by the terms and procedures set forth in its timber sale contract which accord with this Agreement.

4.3.2 NCMI shall designate in writing its authorized representative or representatives for its annual operating plan. The representative or

representatives shall be authorized to act on behalf of NCMi regarding all notices, review of documents, etc. as set forth in this Agreement. DNR shall also designate an authorized field representative or representatives (normally this will be the Icy Cape sale administration forester) and a representative from the Division of Minerals and Energy Management, or its successor agency. DNR shall, through its Division of Land and Water Management, designate its representative to issue instructions regarding performance under the miscellaneous land use permits.

4.3.3 Each fall, but in any event no later than December 1 of each year, NCMi agrees to meet with the representative of Purchaser and a representative(s) of DNR in order to plan a means for resolving potential conflicts between any contemplated mining and timber harvest activities for the upcoming year, together with any other potentially conflicting uses or interest. To the extent DNR, and NCMi and Purchaser can agree upon sources for gravel for construction of road, location of roads or other improvements, and other

potential conflicts, such resolution shall be memorialized into an agreement, and such agreement shall be included within the respective plans of operation for NCMI and Purchaser for the next season.

4.3.4 It is the intent of this Agreement that NCMI and Purchaser will negotiate in good faith. However, to the extent mutual agreement is not possible, NCMI and Purchaser shall each submit its respective plan of operation no later than January 15 of each year, together with whatever information and argument it believes supports its position. Both NCMI and Purchaser may comment on the other's plan of operation within thirty (30) days, but no later than February 15 of each year. Based upon these submissions, DNR shall determine what conditions, stipulations, and provisions it wishes to attach to the operations of NCMI and Purchaser in order to fulfill DNR's multiple use regulation and other responsibilities.

4.4.0 Gravel:

In making its determinations with regard to multiple and potentially conflicting uses, DNR will endeavor, to the extent practicable, to select gravel sites for road construction which avoid those gravel sites which have been previously identified by NCMI pursuant to Section 4.1.2 herein.

4.5.0 Roads:

4.5.1 DNR authorizes the establishment of roads (both mainline and temporary spurs) and other improvements for the purpose of utilizing the surface resources.

4.5.2 The construction costs of roads for timber development will be borne by DNR through timber appraisal or capital budget approval.

4.5.3 NCMI shall be entitled to incidental use without maintenance charges of any road system constructed for purposes of timber harvesting

within the geographical area subject to this Agreement. Such incidental use shall be limited to transportation of personnel, materials, supplies and equipment in vehicles rated at 1½ tons or less. Any use of roads or facilities by NCMI for any other purpose or by heavier trucks or equipment shall occur only upon negotiation and written agreement among Purchaser, NCMI, and DNR. If an agreement cannot be reached, DNR will determine a prorated "fair share" for each party.

4.5.4 The cost of any relocation of DNR's active access roads which have not been "put to bed" after construction will be borne by NCMI if their mining activities necessitate relocation. During this period, NCMI will assure continuous access to surface operations.

5.0. LIFE OF AGREEMENT:

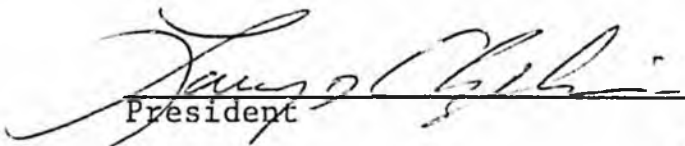
This Agreement will remain in force during the full period

of the Icy Cape II timber sale contract and shall be binding on the successors and assignees of the NCMI mineral claims.

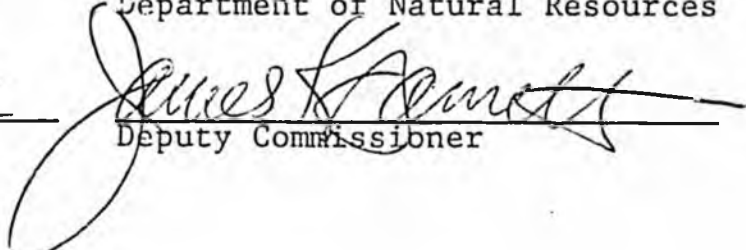
NORTH COAST MINING COMPANY INC.

STATE OF ALASKA

Department of Natural Resources



President

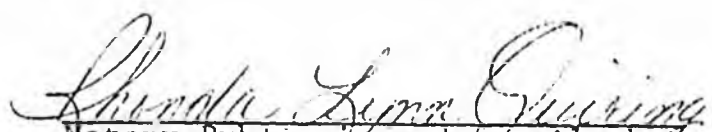


Deputy Commissioner

STATE OF ALASKA)
) ss
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 16th day of November, 1983, before me, a notary public in and for Alaska, personally appeared LARRY CHAPLIN, known to me and known by me to be the President of North Coast Mining Company, Inc., and he being first duly sworn, stated under oath that he had read and knew the contents of the above and foregoing Agreement and the same were true, and that he executed the same for and on behalf of the corporation as its voluntary act and deed and was authorized so to do.

IN WITNESS WHEREOF, I hereto set my hand and seal on the day, month and year in this Agreement first above mentioned.



Notary Public in and for Alaska
My commission expires: 9/8/86

STATE OF ALASKA)
) ss
)

THIS IS TO CERTIFY that on this 11th day of November, 1983, before me, a notary public in and for Alaska, personally appeared James K. Burnett, known to me and known by me to be the Deputy Commissioner of the State of Alaska, Department of Natural Resources, and he being first duly sworn, stated under oath that he had read and knew the contents of the above and foregoing Agreement and the same were true, and that he executed the same for and on behalf of the Department as its voluntary act and deed and was authorized so to do.

IN WITNESS WHEREOF, I hereunto set my hand and seal on the day, month and year in this Agreement first mentioned.

Shanda L. Quiring
Notary Public in and for Alaska
My commission expires: 4/8/86

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

MINERALS AND ENERGY MANAGEMENT

Pouch 7-034
Anchorage, Alaska 99510

JAN 21 1983

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

DECISION

Larry Chaplin	:	Miscellaneous Land Use
North Coast Mining	:	Permit Application(s)
P.O. Drawer 250	:	15111 and 15113
Juneau, Alaska 99802		

Request for Further Information

On December 23, 1982, this office received your request for a Miscellaneous Land Use Permit (MLUP). We are unable to issue a permit without further information regarding your operations.

Mr. Robert Butts, this division's Alaska Coastal Management Program (ACMP) liaison, cannot determine if your operation is or is not consistent with ACMP without additional information. The memo dated January 17, 1983, containing his comments and questions, is enclosed.

And, Mr. David Orr of the Division of Forestry, Southcentral District, has some comments and specific questions. His memo, dated January 4, 1983, is also enclosed. Many of Forestry's recommended stipulations could be eliminated if the questions noted on page 1 of Mr. Orr's memorandum, can be sufficiently answered.

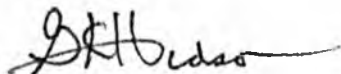
We are unable to do any further adjudication until these matters are cleared up. We suggest you contact Mr. Butts at 276-2653, and Mr. Orr, at 338-7900, regarding their specific questions.

Larry Chaplin
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JAN 21 1983

Please contact this office if you need further assistance regarding this matter. Please send this information to:

State of Alaska
Department of Natural Resources
Division of Minerals and Energy Management
Attn: MLUP Section
Pouch 7-034
Anchorage, Alaska 99510



G.K. Hudson
Natural Resource Manager

Enclosures

cc: Lloyd Cavazos, DLWM-SCDO
Robert Flint, DEC
Carl Yanagawa, DF&G
Glenn A. Miller, DMEM-Fairbanks

MEMORANDUM State of Alaska
DEPARTMENT OF NATURAL RESOURCES DIVISION OF FORESTRY SOUTHCENTRAL DISTRICT

TO: KEN HUDSON
DMEM

THRU: RUSSELL J. HARDING
District Forester

FROM: DAVID W. ORR *DWO*
Administrator

DATE: January 4, 1983

FILE NO: SC-182/SC-557/N.C.M.

TELEPHONE NO: 338-7990

SUBJECT: MLUP Applications
#15111 and #15113,
Comments and
Recommendations

We have reviewed the above mentioned applications submitted by North Coast Mining, Inc., on 12/13/82. These applications were received at this office on 12/28/82. Listed below are our comments and recommendations:

COMMENTS

1. These new applications represent a significant increase in area of land to be impacted between Johnson Creek and White River in the Icy Cape Region. MLUP's #182-42 and #182-101 involved operations in a smaller portion of what will be a large composite area covered by four separate MLUP's for the same operator.

2.(a) The original campsite under Application #19894 was identified for the Lawrence Creek area. Although this was a location of concern (it fell within a timber leave zone as requested of Forestry by the Department of Fish and Game), the campsite did not affect cutting units of the proposed Icy Bay #II timber sale. The new applications indicate that the primary location of the camp will be at Crooked Creek, with alternate sites to the east of Poul Creek or near the west bank of the Johnson Creek. The information provided on the maps is insufficient for us to assess the size of the camp in acres, and the application does not describe the permanency of the camp. More detailed information, including scaled drawings of the camp, is requested.

(b) Camps at either Crooked Creek or Poul Creek fall within designated cutting units. In the latter case, this is a unit currently being logged under the Icy Cape #I timber sale contract. A camp at either of these locations would pose both safety and operational problems when the unit is being logged.

3. Considering the extensive area being impacted and the high value of the surface resources, the information provided in these applications is either too general or is inadequate for a clear assessment of the nature of the planned activity. For example, how would N.C.M. access a permanent camp at Crooked Creek? Verbal discussions with N.C.M. have led us to believe that they do not intend to construct any roads.

4. These applications, which we assume are different documents from any others submitted in the past by N.C.M., do not clearly and in detail define their concept of operations. The applications do not make it clear how the minerals will be extracted from the ground and moved to a processing point; for example, conveyors are mentioned as part of the equipment which will be used. An important question is, how will excavated material be moved from pit to processing point? A verbal discussion with N.C.M. indicates that conveyors may be used for the pit to processing unit transportation of materials. It is not clear where the conveyors will be located, how wide and long a conveyor corridor might be, how the conveyors will cross roads, if needed, and so on.

KEN HUDSON
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5. We believe that N.C.M. should be far enough into their planning process, perhaps even equipment procurement, that they could provide a listing of equipment by size or specification and function. This information would be very useful in evaluating the impacts of mining operations on timber development and in limiting the number and detail of stipulations that could result when dealing with unknowns.

RECOMMENDATIONS

Due to these concerns, the following recommendations are for inclusion into any permit issued for applications #15111 and #15113.

1. All provisions identified by the Division of Forestry and currently included in MLUP's #182-42 and #182-101 should be applied to these new applications.
2. We recommend against having a permanent camp within a designated cutting unit. A camp in such a location would pose significant problems to harvesting timber in and around the camp. Some of our concerns are safety related in that it would be very dangerous to fell trees adjacent to the camp, and virtually impossible to fell any trees within the camp area.

If the permanent camp can be kept out of the cutting units, there would probably be no need for additional provisions for this aspect of N.C.M.'s operation, other than mentioned in Section 1 above. If the camp must be within a designated cutting unit, we would need the following stipulations be included in the MLUP.

A. Camp at Crooked Creek

1) Vehicular access to camp, other than by ATV, must be by gravel overlay road following the L-line location determined and marked in the field by Division of Forestry personnel. Ingress and egress roads into camp from the Yakataga Road should be coordinated with the Division of Forestry and should be kept to the minimum length necessary to provide access and avoid excessive or duplicative road construction and disturbance of natural vegetation.

2) Timber cut and removed for construction of the camp area shall be protected from unnecessary damage and loss of value, i.e. grade. The area cleared for the camp shall be kept to the minimum necessary for safe and efficient operations.

3) All trees greater than six inches DBH within the boundary of the camp area shall be felled.

4) Entire camp must be located within the designated cutting unit and not closer than 200 feet to any designated timber leave strip.

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B. Alternate Campsite at or Near Poul Creek - The campsite appears to be located within a designated cutting unit of an active timber sale. All timber which is disturbed other than that which is already felled and bucked shall be handled in the following manner:

- 1) All live trees shall be felled using Humbolt undercuts, at a point two feet or less above the root collar, unless otherwise approved on an individual tree basis by Division of Forestry personnel.
- 2) Trees shall only be bucked at the point of a six inch or smaller top diameter. The entire bole of the tree, less top, shall then be limbed.
- 3) Merchantable bole of the tree shall remain intact and skidded to a cold deck area designated by the Division of Forestry. Exceptions shall be on a tree-by-tree basis and only bucking points marked by Division of Forestry personnel shall be used for reducing the length of whole trees.
- 4) Camp pad construction will be limited to the minimum size necessary for safe and efficient operations.
- 5) Access roads to the camp shall be as designated on the ground by Division of Forestry personnel.
- 6) All trees greater than 6 inches DBH within the boundary of the camp area shall be felled.
- 7) Entire camp must be located within the designated cutting unit and not closer than 200 feet to any designated timber leave strip.

3. Alternate Campsite at Johnson Creek

- 1) Any new road construction to access the camp should be coordinated with Division of Forestry personnel and kept to the minimum length necessary for efficient ingress and egress to camp from existing roads.
- 2) Campsite should be at least 300 feet from designated timber leave strips.
- 3) Use of any live and dead or down trees within designated leave strips should be approved by Division of Forestry personnel.
- 4) Campsite should be at least 1000 feet from Yakataga Road. This is a safety requirement to buffer the camp population from noise, dust, and hazards of truck traffic on the main road.

NORTH COAST MINING, INC.
P. O. Drawer 250
Juneau, Alaska 99802

July 23, 1982

Commissioner John Katz
Department of Natural Resources
Pouch M
Juneau, Alaska 99811

Re: North Coast Mining, Inc.
Yakataga Development and Icy Bay II
Timber Sale Area

Dear Mr. Commissioner:

This letter is to inform you of the details regarding a serious problem which we have encountered in obtaining a miscellaneous land use permit for our mineral development activities on our claims in the Icy Bay-Cape Yakataga area. In order to provide you with the best possible understanding of the situation, we have set out below a synopsis of the activities on our part which have preceded the application. Following that we have presented a recitation of the events, conversations, discussions and meetings which have taken place since the permit application was originally filed on March 11, 1982.

In the summer of 1975, several persons who subsequently became partners and then stockholders of the North Coast Mining Company began, at their expense, of course, exploring the beaches and upland areas in the vicinity of Cape Yakataga to determine the accuracy of historical literature concerning various mineral deposits in that area of the state. For the subsequent five years, those original prospectors were joined by others and extensive research and analysis was conducted to establish the feasibility of producing economically viable quantities of material to justify commercial development and mineral production.

The first prospect sites were surveyed, staked and recorded in 1980, and in March of 1981, the first group of our

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mining claims were recorded and filed in the appropriate offices in Anchorage. These filings took place only after a commitment had been made by all of the involved parties to dedicate their full time and energy to the business of mineral exploration and development in Alaska.

In order to provide an effective business operating structure, all of the parties involved in the exploration, discovery and initial development joined together to form North Coast Mining as a corporation in the early summer of 1982. During the period of time from 1980 through 1982, the corporation had accumulated a large group of predominantly contiguous claims in the Cape Yakataga area.

Because we realize that the economies of scale would be necessary to establish a commercial mineral production operation in the remote location of Cape Yakataga, and because we are a small Alaskan business, we entered into lease agreements this year with a corporation which has the expertise and funding to support our projected mineral development program.

During all of the foregoing activities, representatives of North Coast Mining have worked in a completely open-handed and above-board manner with all agencies of state government. That openness and sense of cooperation, though unusual in the minerals industry, proved to be beneficial to all concerned parties until we became involved with the Division of Forestry of the Department of Natural Resources.

On March 11, 1982, Larry Chaplin, on behalf of North Coast Mining filed Miscellaneous Land Use Permit Application No. 19894. During the 30-day statutory comment period following the filing of the application, North Coast Mining responded to inquiries and expressions of concern by conforming several mining claim numbers with the numbers on the original claims, and by modifying the mineral extraction process to eliminate potentially toxic chemicals from that process.

In response to our continued inquiries regarding the progress being made on the application and issuance of the permit, we were repeatedly informed that the Division of Minerals and Energy Management was working as quickly as possible to complete the interagency review. It was during this period that David Allison, an officer of the corporation and Board of Directors, during a meeting with you on another matter (the Permit Reform Bill, SB 84) expressed his concern in an informal way about the continued delay.

Further inquiries of DMEM which you suggested to Mr. Allison generated reassurances from that agency that the process was continuing and would soon be completed and that there appeared to be no major impediment or restrictions on the issuance of the MLUP.

It should be noted that the Board of Directors of the corporation have made a commitment to developing the mineral resources lying within our claims in a manner which would be not only acceptable, but exemplary in its consideration of the necessity for multiple resources development to protect the long term values existing in the proposed development area. We made no secret of our commitment and in fact, because of problems which had ensued with another "mining company" in an area of claims just north of our properties, we were anxious to demonstrate the differences between abusive mining practices and good mining practices. This same commitment has been reiterated to the Department of Natural Resources in virtually every contact which we have made with them, up to and including the meetings held on July 19 and 20.

On approximately June 9, Mr. Chaplin again visited the DMEM office in Anchorage to obtain information regarding the status of MLUP. He was, at that time, assured that the permit had been through the full review process and that it was approved and in the word processing section, lacking only final typing and signature prior to issuance. Mr. Chaplin, continuing the open and cooperative approach which we had been pursuing, then went to the offices containing the Division of Forestry to establish the basis for a good working relationship during the term of our minerals operation.

On June 11, 1982, Mr. Chaplin was notified in a telephone conversation that there would be a delay of possibly a week in the issuance of the permit because of concerns expressed by the Division of Forestry. During that and subsequent discussions, North Coast Mining learned of the very high concern by the Division of Forestry in the potential problems foreseen by DOF in conducting the Icy Bay 11 timber sale because of our proposed mineral development. We were assured by the Division of Forestry, through the Division of Minerals and Energy Management that DOF recognized its "oversight" in failing to comment in a timely manner but that any additional restrictions or stipulations in the MLUP would be minimal. North Coast Mining was, of course, concerned because of milestone dates contained in our lease agreements and contracts which were drawing close. The Division of Forestry requested North Coast Mining to attend a meeting to expedite the permit process, to which meeting we agreed.

That first formal meeting was held with various principals at North Coast Mining and three representatives of the Division of Forestry present. For North Coast Mining were Larry Chaplin, President, Roger Eichman, Vice-President and David Allison, Secretary-Treasurer. For DOF were Skip Harding, South-central Regional Director, Dave Orr, Icy Bay II Sale Administrator, and Joe Wehrman from the Anchorage Office of DOF.

At the beginning of the meeting, after introductions, Mr. Allison presented the understanding of the North Coast Mining, Inc., representatives that under the terms of state law, NCMI had the right to remove all trees and vegetation from all surface estate covering our valid mining claims. We asked if the DOF representatives understood anything to the contrary, and if they did, we requested that they inform us of the basis for their understanding. None of the DOF representatives made any such comment. After pointing out that we did not intend to exercise that right, we asked DOF what their primary concerns were. They responded by listing several points. Those points were the alignment and construction of the mainline road which had been designated the Yakataga Road; the avoidance of unnecessary waste of the timber during the land clearing process; and the assurance that the merchantable timber would be marketed.

Mr. Orr produced maps of the proposed Icy Bay II timber sale and the Icy Bay I timber sale, which was nearing completion and pointed out to us the areas which had been left "at the insistence of Fish and Game and some others" in the Icy Bay I sale. During the meeting, Mr. Harding or Mr. Orr suggested since we were going to be removing all vegetation in specific areas at some time, that they authorize the current Icy Bay I contractor to proceed with the cutting of all of the leave strips which they had pointed out.

At that time, we formally explained to the DOF representatives that we also intended to develop our resource in such a manner that leave strips would be provided and surface estate values and fish and wildlife considerations would be accommodated. We explained that we hoped to take advantage of the multiple resource values of the area to bring in any foresters and other professionals to, in effect, assist our development program as a real world laboratory for establishing effective fish and wildlife protection and enhancement and mitigation measures.

It was during this conversation that NCMI expressed interest in entering into an agreement with the State of Alaska to conduct a coordinated development of the subsurface and surface

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estate in order to maximize the long term value of the mixed natural resources located within and upon our claims.

We also pointed out, at that time, that we had, at Mr. Harding's suggestion, engaged in conversations with the principals in Gulf Timber Corporation in order that we might co-venture in opening and constructing whatever portions of the mainline road which we might find necessary or convenient for the implementation of our combined exploration and initial production phases of operation. After discussion, Mr. Harding pointed out that it was within the Commissioner's authority to grant a 25 percent increase in the current contract cut by Gulf Timber Corporation and Southcentral Timber Corporation. Mr. Harding explained that such an expansion would take place in the Lawrence Creek to Poul Creek strip, which had initially been identified in the proposed Icy Bay II sale as a two-mile wide (approximate) game trail. He assured us that such a large uncut area was not the idea of the Division of Forestry but only an accommodation to the interests of the Department of Fish and Game, and that since we were going to be conducting mining in the area regardless, the reservation no longer seemed to be necessary. We, in turn, assured Mr. Harding that if our values in that area proved to be as high as preliminary indications suggested, that we fully intended to provide alternate game trail leave strips within our area of operation.

When we requested DOF to explore the possibility of a negotiated sale or resource trade, we were informed that the current statute does not allow more than 500,000 board feet to be sold in such a manner. We indicated a willingness to go, together with the Department of Natural Resources, to the Legislature in the next legislative session to propose and support legislation which would, in cases such as this, allow the Department of Natural Resources to negotiate with a single entity for the development of all resources in both the subsurface and surface estate. We explained that we could absorb the losses on the mineral operation which would be necessary to accommodate the surface estate resources development only if we were in a position to actually recover those losses through participation in the surface estate.

It was and is our opinion that the subsurface estate, absent any legal withdrawal or reservation, has a priority over the surface estate. If we do not foresee any benefit occurring to the corporation from accommodating the surface estate holder, then we cannot guarantee such accommodations as road alignments, harvest or other normal requirements of a planned timber sale.

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At the conclusion of that first meeting, North Coast Mining was assured by DOF representatives that they would draft a land use permit with several stipulations regarding road alignment and unnecessary waste and would send that MLUP to us ready for approval and signature. We explained and emphasized the fact that time was of the essence because of contractual relations to which we had committed and that our opportunity to conduct continued development work and even to obtain the commitment for a barge to bring our equipment to the site was dependent upon prompt resolution of the permit question. We were again reassured that the matter would be handled expeditiously. The absolute latest date that we would receive our permit, accordingly to DOF, was the 12th of July.

Because of the encouraging conclusion of the meeting and the understanding which we had that DOF would support some method of extending the current Gulf/Southcentral contract, expedite our land use permit and assist us in working toward a negotiated sale or the equivalent of the surface estate resources, personnel from NCM entered into additional agreements and contracts to hire a consulting firm with timber harvest and management expertise. Within one week after the first meeting, North Coast Mining was informed that Division of Forestry officials wished to come to Bureau for another meeting with us to discuss stipulations in the land use permit. We requested the meeting be held, as scheduled, on the 12th of July. The meeting was, for "internal Department of Natural Resources reasons," delayed until the 19th. We were assured at that time that the DOF personnel were coming with a representative of the Division of Minerals and Energy Management with the intent of drafting a final MLUP which would be ready for signature at the meeting. We acceded to the request for the meeting since it appeared we had no choice if we were ever going to receive our MLUP.

At 2:30 p.m. on July 19, North Coast Mining, represented by the same group, plus Mr. Steve Pearson, counsel to the firm, met with Mr. Harding and Mr. Orr and another gentleman with DOF. Mr. Harding immediately presented us with 18 pages of proposed stipulations for inclusion in the MLUP. This was, as you may imagine, a complete surprise to all of us. We had come together to discuss the several points which might remain outstanding from the previous discussion and were presented with a package a full nine times the usual length of a standard MLUP.

After a brief recess and discussion, we proceeded to review the proposed package of stipulations page by page, attempting to achieve some consensus on each point. When we raised the question of negotiated sales or extensions of the Icy Bay I

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contract, we were told that they were not definitely excluded, but they could not be promised. We, nevertheless, continued to work through the afternoon and into the early evening. By the conclusion of the meeting, we had arrived at something of a consensus regarding most of the issues in question and had all agreed to return the following day to work further on the remaining issues and then to appraise the package as a whole to determine whether both sides could accept the total package.

After making arrangements for the time and place of the meeting to be held the following morning, the representatives of NCMI met with their counsel and reached the conclusions that the stipulations were so substantial that we would have to present the matter to the Board of Directors. Mr. Allison contacted Mr. Harding and informed him that the stipulations and concessions would have to be approved by the Board of Directors of North Coast Mining, Inc. and that if Mr. Hudson was staying on our behalf that he could feel free to return to Anchorage. After that conversation, Mr. Allison and Mr. Chaplin contacted members of the Board of Directors by telephone and concluded that if a workable set of stipulations could be developed which, as a whole, were acceptable to the Executive Committee, that we would be authorized to accept them on behalf of the corporation.

The following morning, July 20, at the time appointed for the meeting, Mr. Harding indicated that he and Mr. Orr were scheduled to meet with you and that we would meet to finalize the permit at 1:30 that afternoon at the regional office of the Department of Natural Resources conference room.

At approximately 2:00 p.m., the Department of Natural Resources representatives, including Mr. Hudson, arrived and before we could inform them of the corporate decision to finalize the document, Mr. Harding indicated that there was yet more work which had to be done by the Division of Forestry and the Department of Natural Resources before the permit could be issued. This announcement came even after we had reiterated repeatedly the prior day and again that morning the importance of prompt action on the part of the Department of Natural Resources. We explained again our contention that insisting on competition between the surface estate holders and subsurface estate holders did not appear to be in the best interest of either our company or the Department of Natural Resources and particularly did not appear to be in the best interests of the people of the State of Alaska. We pointed out that the state has the unique ability to destroy a private sector company by delay, and attrition and that was apparently what was happening in this instance. Our expressions of concern did not appear to evoke any favorable response. We

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were assured again that all work would be done within the following several days and that a permit ready for signature would be sent to Juneau on Friday, the 23rd of July. You will surely understand our lack of surprise if such a document does not arrive today. The delays and apparent abuses of the statutory and regulatory process which have been engaged in consistently by the Division of Forestry is, as I am sure you are aware, a concern not only to North Coast Mining as a small Alaskan business, but also of deep concern to the Alaska Miners Association and all small business enterprises involved in resource development. There has been absolutely no indication on the part of the majority of people with whom we have dealt in the Division of Forestry that they understand or even have any concern for the rights of the subsurface estate owners. Consistently, since the Division of Forestry became involved, there has been an overwhelming priority by the Department of Natural Resources to timber development over mining development. Even worse, there has been more apparent interest in protecting the special interest of the Division of Forestry than there has been in following the constitutional mandate that the resources of the state be developed to the benefit of all people of the state. Instead of cooperation, there has been competition. Instead of an even-handed concern for the fisheries, wildlife, forest resources and mineral resources, there has been a single-minded, uncompromising and dedicated commitment of DOF to the narrow interest of the Division of Forestry in the Department of Natural Resources.

The DOF has repeatedly introduced proposed stipulations for incorporation into our MLUP which are directly applicable to a timber sale operator. Additionally, these same stipulations appear to be inconsistent with even current timber practices. For example:

1. NCMI would be charged \$150.00 for damage to a hemlock tree! The stumpage fee for hemlock in the Icy Bay 1 sale area is reportedly \$2.00.
2. NCMI may be required to purchase and install galvanized, corrugated drainage under a mainline road we do not require.
3. NCMI may be required to build, maintain or pay a user fee for a mainline road through the MLUP area.
4. NCMI may be required to post a bond higher than and not consistent with current MLUP bonding schedules.
5. NCMI may be required to maintain a fire truck on site.

6. NCMI may be required to guarantee the propagation of new forest in the area and in so doing, eliminate future mining activities.

NCMI may not be in a position to manage its operations in a manner consistent with good mining practices and/or good natural resource management. There are numerous additional proposed stipulations that would impact NCMI's mining development and operations including some we have not yet been made aware of, for at our last meeting with representatives of DOF, we were informed that you, the Commissioner, had requested yet more additions and/or expansions. We have nevertheless continued to offer numerous alternative procedures which would serve the best interest of all parties concerned with this issue including the interest of the people of the State of Alaska in the best long term use and management of their resources pursuant to AS 38.50.010 ff and 38.05.035(b)(2) and others. Unfortunately these offers have never even been placed on the DOF agenda for discussion.

It is our position that, to date, we have exercised our best efforts, in good faith, to accommodate the concerns expressed by representatives of the Division of Forestry. We do not feel that best efforts have been presented by DOF representatives and we do not feel they have negotiated in good faith.

In addition, DOF representatives have admitted that the process involving our MLUP application was, and is, effected by performance failures within DNR on an interdivisional basis and DOF has admitted to oversights regarding the potentials for multiple use in the area containing our mineral interests.

Please bear in mind that upon application for MLUP, concerned agencies have 30 days during which they are to advise an applicant of proposed modifications, reservations and/or concerns related to the defined area. Indeed, NCMI has satisfactorily responded to concerns from other state agencies regarding our project, specifically the Department of Environmental Conservation, the Department of Fish and Game, the Division of Minerals and Energy Management and the Division of Land and Water Management, all of which made contact with NCMI during the 30-day question period.

Our application was filed, distributed and left "in process" from March 11, 1982, through June 10, 1982, without comment from the Division of Forestry - a period approaching 90 days. Further, the Division of Forestry had no comment regarding the application until contacted by Mr. Chaplin and advised of NCMI intentions in the area and the concern as to coordinated