

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

4267 SRES SB 280 - SB 285

114

WHEREAS, the projected cost of the transportation facilities is estimated to be \$152 million (in 1985 dollars); and

WHEREAS, the lack of available transportation facilities near the mineral deposit may substantially delay private development of the Red Dog mineral deposit; and

WHEREAS, it is contrary to the best interests of the state for there to be a substantial delay in the development of the DeLong Mountains mineral resources and, in particular, in the development of the Red Dog mineral deposit; and

WHEREAS, the transportation facilities which, among other public purposes, would be used in conjunction with the development of the Red Dog mineral deposit are collectively referred to as the DeLong Mountains transportation project; and

WHEREAS, the Alaska Industrial Development Authority (AIDA), a public corporation of the State of Alaska has authority under Alaska Statutes Title 44, Chapter 88, to participate, either independently or in conjunction with a private developer, in the financing and development of public transportation facilities such as the DeLong Mountains transportation project;

NOW THEREFORE BE IT RESOLVED that Cominco, Alaska and the Alaska Department of Commerce and Economic Development, on behalf of the State of Alaska, agree to the following STATEMENTS OF INTENT:

1. The State of Alaska supports ongoing efforts by the Alaska Industrial Development Authority to examine the feasibility of AIDA financing of the DeLong Mountains regional transportation project.

2. The parties recognize and support AIDA's intent to promptly execute all necessary professional services contracts, including a contract with a firm nationally recognized in the field of financial planning, to assist in the preparation of the financial plan required pursuant to AS 44.88.173.

3. If AIDA participates in the financing of the DeLong Mountain transportation project, the parties agree that AIDA and Cominco, Alaska will enter into an agreement which will provide, ^{including a fee schedule} inter alia, for the establishment of equitable user fees payable to AIDA in an amount sufficient to enable AIDA to repay amounts loaned by the state to AIDA; and for the refunding of certain state expenditures in the event that Cominco, Alaska decides not to proceed with the development of the Red Dog mineral deposit.

✓ 4. The State of Alaska states its intent to submit appropriate funding requests to the Alaska legislature in support of the DeLong Mountain transportation project.

5. The State of Alaska and Cominco, Alaska recognize that this Resolution of Intent does not limit or otherwise affect AIDA's Board of Directors' independent judgment with respect to AIDA's participation in the DeLong Mountain transportation project, nor does this Resolution of Intent limit or otherwise affect the independent judgment of the Alaska legislature upon its consideration of funding requests.

Date:


Dec 18/1984

Date:

Dec 17, 1984



H. M. Giegerich, President
Cominco, Alaska



Richard A. Lyon, Commissioner
Department of Commerce and
Economic Development.

SECTIONAL ANALYSIS FOR SENATE BILL 280

An Act relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued

Section 1

Authorizes the Alaska Industrial Development Authority to issue bonds or notes in an amount not to exceed \$175 million to provide financing for the DeLong Mountain transportation project.

Section 2

This sections requires that before AIDA can sell bonds, it must develop a financing plan for the DeLong project which requires of Cominco Limited the following terms in writing:

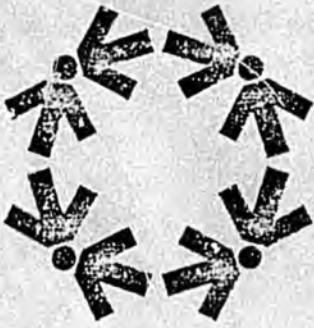
- 1) All operation and maintenance costs of the road and port are to be paid by Cominco unless other make use of these facilities.
- 2) Should Cominco cease to develop the Red Dog Mine, they will repay AIDA for all costs including interest incurred in building the road and port.
- 3) Toll fees for use of the road and port may be adjusted upward if the price of zinc rises
- 4) Use of tax exempt financing shall be maximized
- 5) A toll schedule shall be established which ensures a reasonable return for the state's investment as well as guaranteeing equitable access for other users.
- 6) Contracts for the construction, operation and maintenance are subject to the Davis-Bacon Act.
- 7) Adequate access to the port and road is guaranteed to all users

Section 3

Before AIDA may offer the bonds or notes for sale, it must report to the Legislative Budget and Audit Committee whether the conditions stipulated in Section 2 have been met. It must agree in writing that any excess funds generated by this project over and above the cost of repaying the bonds shall be deposited in the general fund.

Section 4

Effective date of July 1, 1985.



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

RED DOG ROAD AND PORT FACTSHEET

The Alaska Industrial Development Authority (AIDA) with the support of the Administration, is pushing for an \$18 million appropriation to AIDA's Economic Development Fund, along with a commitment of the interest and principal on \$142 million of the State's loan portfolio. This commitment will become collateral for a bond issue of \$175 million for actual road and port construction.

Over the past year, the estimated cost of the project has risen from \$135 million to \$193 million, an increase of 42%. The level of direct state subsidy increase from \$40.1 million to \$65 million between February, 1984 and February, 1985. Current options include direct subsidies of up to \$90 million. If no appropriation is made, the State will provide a \$15 million subsidy to the project through tax breaks already on the books.

When the legislature gave AIDA authority to develop and own projects such as the proposed road and port, it required that AIDA produce a Finance Plan for the legislature and the governor, laying out financing options. AIDA is specifically required to seriously consider those options requiring the least state involvement.

Although the legislature is being pressed to fund the project now, before the money runs out, the conclusions of the Finance Plan will not be available until next August at the earliest. In the meantime, the legislature is considering a \$142 million loan appropriation and \$175 million bond authorization based on a series of "finance options" assembled in less than 24 hours.

The Alaska Public Interest Research Group feels that the DeLong Mountain Regional Road and Port Facility is a poorly planned project, based on inadequate financial backup and nonexistent investment criteria. Given the State's other pressing needs and declining revenues, the project should not be funded this year.

If the legislature chooses to invest in the Red Dog road and port project, it should protect Alaskans' interests by:

*Limiting the extent of the State's direct subsidy to the initial appropriation of \$18 million;

*Requiring Cominco/NANA and any other future users to repay the principal and interest of a market value state loan from AIDA;

*Requiring Cominco/NANA and any other future users to cover operation and maintenance costs of the project;

*Requiring AIDA to return to the General Fund any toll payments beyond those necessary to repay the debt service and secure outstanding bonds;

*Putting a time limit on the project: if conditions are not met by March 15, 1986, the bond authorization lapses.



Official Business

Alaska State Legislature

House

APR 19 1985

Pouch V
State Capitol
Juneau, Alaska 99811

April 17, 1985

Senator Arliss Sturgulewski
Pouch V
Juneau, Alaska 99811

Dear Arliss:

On April 10 I wrote to you about the fact that I had not received a reply from Cominco to questions I had asked for on February 12.

Cominco did reply to my Anchorage address. I have it in hand now and it is enclosed for your information.

Yours truly,

A handwritten signature in cursive script, appearing to read "Marco".

Marco A. Pignalberi
State Representative

MAP:mk

Enclosure

cc: Senator Tim Kelly
Senator Rick Halford
Senator Fred Zharoff
Representative John Sund

APR 15 1985



H M Giegerich
President & General Manager

Representative Marco A. Pignalberi
6712 Lunar Drive
Anchorage, Alaska 99504

March 8, 1985

Dear Representative Pignalberi:

I would like to apologize for taking so long to supply the information that you requested during our meeting in Juneau on February 12. My only excuse is press of work and lack of time. I have spent most of the intervening period on airplanes.

We certainly appreciated the opportunity to meet with you and the Anchorage caucus, to discuss our Red Dog Project. I consider that the exchange of views was very worthwhile, and I think that we were able to better appreciate your thoughts and concerns.

During the discussions, I gave you some estimated figures in regard to Cominco's return on investment under different financing alternatives, and I indicated that these would be confirmed. I am now pleased to do this, and will compare these with my estimates, which have turned out to be both optimistic and pessemistic.

The first alternative assumes that Cominco puts up the entire \$400 million investment. Using current metal prices, the return on investment (R. O. I.) would be 7.8% (My estimate was 6.0%). With Cominco's forecast prices, the R.O.I. increases to 13% (My estimate was 10%).

If the State finances the \$150 million cost of the transportation system, and this financing is repaid as proposed by Cominco, the R. O. I., using current metal prices, increases to 9.6%, and to 16% (My estimate was 18%) with Cominco's forecast prices.

You also requested information in regard to the State's return on its investment. Assuming a State investment of

Rep. Pignalberi

-2-

March 8, 1985

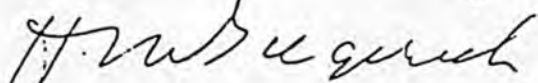
\$150 million, to be repaid by a toll fee of \$260 million over 30 years, this is a return on investment (on a discounted cash flow basis) of 4.3%. Adding in the estimated direct taxes to the State of \$360 million during the same 30 year period (for a total of \$620 million) the R.O.I. is increased to 12.8%. And it should be stressed that these taxes are a direct result of income generated by Red Dog and will be achieved only if Red Dog is put into production.

One further item should be considered. In early 1984, at Governor Sheffield's request, a study of the Red Dog Project was carried out by a Task Force from the key State agencies, including CED, CRA, Revenue, DOT/PF and DNR. One portion of this report studied the economic effect of Red Dog on the State, and identified a significant reduction in transfer payments from the State to the NANA region, amounting to about \$1.5 million per year, or more than \$40 million over 30 years.

This reduction in State expenditures can also be directly attributed to Red Dog. When this is added to the previous \$620 million, the R.O.I. on the State investment of \$150 million becomes 13.7%. So it can be seen that the Red Dog transportation system is truly an economic investment for the State.

If there is any other information on Red Dog, or Cominco, that would be of assistance to you, please do not hesitate to contact me.

Yours truly,



H. M. Giegerich
President and General Manager



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

Proposed Amendments to SB 280

Section 1. (1) (c) Cominco, Ltd. will repay all expenditures (market rate interest and principal) by the State for the project through toll fees paid beginning the year of project completion for the use of facilities constructed as part of the project; (and other payments;)

Section 1. (2) The United States Congress approves the Cape Krusenstern National Monument land exchange between NANA Regional Corporation and the United States Dept. of Interior or a right of way as authorized by Title 11 of ANILCA:

Section 1. (3) NANA Regional Corporation agrees in writing to convey to the Alaska Industrial Development Authority, (at no more than fair market value,) at no cost, land needed for the port and road constructed as part of the DeLong Mountain transportation project and land needed for future expansion of the road and port;

Section 1. (5) the Alaska Industrial Development Authority obtains a ruling from the Internal Revenue Service that all bonds or notes issued under this section will qualify for tax exempt status; (and;)

Section 1. (6) the Alaska Industrial Development Authority establishes a toll schedule for use of facilities constructed as part of the DeLong Mountain transportation project that minimizes the cost to the State of (ensures the greatest return on the state's investment in) the project and guarantees equitable access to the facilities by all users; the toll schedule may be periodically adjusted.

Section 1. (7) the Alaska Industrial Development Authority ensures that Cominco and any other future users will pay all operation and maintenance of facilities constructed as part of the project, on a pro rata basis:

Section 1. (8) the Alaska Industrial Development Authority agrees to limit the present value of the direct subsidy to the project to \$18 million:

Section 1. (9) the Alaska Industrial Development Authority agrees to turn over any funds not necessary for bond security or construction of the authorized project to the general fund as they become available:

Section (2). If the Alaska Industrial Development Authority does not issue bonds for the project by March 15th, 1986, this bond authorization lapses.

Background Materials on the Dedication Clause

Prepared by

Philip S. Barnett, Law Associate, Sierra Club
Legal Defense Fund, Inc.

April 16, 1985

Article IX, § 7, of the Alaska Constitution, the dedicated funds clause, provides as follows:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

In State v. Alex, 646 P.2d 203 (Alaska 1982), the Alaska Supreme Court held that the application of the clause should not be limited to taxes and licenses. The Court observed that in a draft at the Constitutional Convention, the prohibition against dedication was applied to "all revenues." After a review of the history of the Convention, the Court held that the change from the draft to the final version was not intended to have significant consequences. Rather, "the purpose of the proposed amendment was to allow for the setting up of certain special funds." Id. at 210. All other dedications were intended to be prohibited.

The "certain special funds" mentioned in Alex are easily identified, for they were expressly referred to during the Constitutional Convention. Specifically, they are pension contributions, proceeds from bond issues, sinking fund receipts, revolving fund receipts, contributions from local government units for state-local cooperative programs, and tax receipts which the state might collect on behalf of local government units. See 1982 Alaska Op. Atty. Gen. No. 13 at 10-11.

The loans that will be used to capitalize the road and port do not fit within one of the exempt "certain special funds." Therefore, they cannot be dedicated.

WORK ORDER REQUEST FORM

N14 - 1052

KEYWORDS: bonds/bonding
transportation

ASSIGNED TO Cook

REQUEST FOR: BILL RESOLUTION RESEARCH OTHER

SUBJECT Bond authorization - Delong Mountain transp. project

REQUESTED FOR Sen. Sturgilewski BY Homan EXT. _____

* DELIVER TO Sen. Sturgilewski TAKEN BY Cook

INSTRUCTIONS, EXPLANATIONS As attached, draft bond authorization for the Delong Mountain transportation project.

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED

AUTHORIZED TO CONFER WITH _____

RETURN _____

TO REQUESTER

APPROVED: DGE Director, Legal Services

REVIEWED _____

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

IN 04/05/85 DUE _____

TYPED - Draft _____ DATE _____

Final _____ DATE _____

PROOFED _____ DELIVERED _____

DRAFT

FINAL



RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

11/24/89
Date

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ILLINOIS CREEK
RECOUPMENT CONVEYANCE
1985

Introduced: 4/17/85
Referred: Resources

1 IN THE SENATE

BY HALFORD

2 SENATE BILL NO. 285

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the recoupment conveyance for
7 land at Illinois Creek; and providing for an effec-
8 tive date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. PURPOSES AND FINDINGS. (a) The purposes of this Act are
11 to permit the state to recoup certain land selection rights provided for in
12 sec. 606(d)(6) of Public Law 97-468 and to realign the ownership of land as
13 between the state, Cook Inlet Region, Inc., and the United States in order
14 to

15 (1) facilitate land management;

16 (2) create private land ownership patterns that encourage
17 mineral development in appropriate areas;

18 (3) facilitate implementation of the Alaska Native Claims
19 Settlement Act; and

20 (4) assure maximum public benefit from selections made under the
21 Alaska Statehood Act.

22 (b) The legislature finds that the recoupment conveyance of land at
23 Illinois Creek is a matter of statewide significance, is in the general
24 public interest, and will accomplish the purposes intended.

25 * Sec. 2. APPROVAL OF TRANSFER. (a) The commissioner of natural
26 resources may convey certain land described in the "Out of Region Agree-
27 ment" dated November 18, 1982, between Cook Inlet Region, Inc. and the
28 state to the United States for reconveyance to Cook Inlet Region, Inc., in
29 return for recoupment of selection rights under the Alaska Statehood Act

1 and other consideration described in the "Out of Region Agreement." Not-
2 withstanding AS 38.05.125, a conveyance by the commissioner of natural
3 resources under this subsection transfers all of the right, title, and
4 interest of the state in the land, including the subsurface mineral estate
5 as authorized by sec. 12(b)(11) of Public Law 92-204 as amended by sec.
6 606(d)(1) of Public Law 97-468.

7 (b) The commissioner of natural resources may grant those easements
8 described on a map entitled "Illinois Creek Recoupment Conveyance-1985."

9 * Sec. 3. WAIVER. AS 38.50 does not apply to a conveyance under sec.
10 2(a) of this Act.

11 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
12 10.070(c).

Introduced: 4/17/85
Referred: Resources
and Finance

1 IN THE HOUSE

BY SZYMANSKI

2

HOUSE BILL NO. 383

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the recoupment conveyance for
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7

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ILLINOIS CREEK RECOUPMENT CONVEYANCE

This fact sheet addresses the attributes of the proposed Illinois Creek Recoupment Conveyance. This conveyance is part of the overall implementation of the Out-of-Region portion of the 1976 Cook Inlet Land Exchange.

Proposal

The proposed legislation would convey approximately 43,000 acres of state patented land near Illinois Creek in western Alaska (see map) to Cook Inlet Region, Inc. (CIRI) in partial fulfillment of CIRI's Out-of-Region land entitlement. In return the State would receive (recoup) equivalent acreage selection rights from the federal government for lands elsewhere in Alaska, as well as other considerations cited below.

Benefits to the State

The State could select, acre for acre, better land:

- ANILCA Sec. 906 now permits an enlarged scope of state selection through "top filling" on federal withdrawals and Native overselections.
- New selections could be for lands unencumbered by mining claims and include lands with predominant surface values or oil and gas potential.
- The Illinois Creek lands do not possess any significant resource values presently under state control (the hard rock mineral rights have already been alienated from state ownership by claims filed four years ago by Anaconda, and it is questionable if these lands would be selected today by the State given the more sophisticated resource information base available).

These lands are already included in a 30-township pool of otherwise state selected lands which have been approved for transfer to CIRI by

appropriate state agencies, and the requisite access and other public interests have been protected.

The State's sovereign authority to levy severance, income or other taxes, and to administer environmental controls, would not be affected by the conveyance.

CIRI would waive its nomination priority over future state land selections outside Cook Inlet Region, thus insuring the State an orderly fulfillment of its remaining Statehood entitlement.

CIRI would waive any claim to lands within the TAPS Corridor between the North Slope Borough and the Yukon River.

The conveyance would satisfy obligations of the State regarding fulfillment of a portion of CIRI's Out-of-Region entitlement, and would significantly move the State and CIRI nearer the end of the major implementation issues of the Cook Inlet Land Exchange.

Benefits to CIRI

CIRI and Anaconda have a working agreement which would significantly increase chances for development of the mineral resources to the economic benefit of both parties (Anaconda has already stated its strong support for the proposal in writing).

Other Considerations

The interests of local residents would be fully considered by terms of the original land exchange legislation which require CIRI to obtain certain approvals from local Native corporations before CIRI may obtain title to any lands outside its region.

Alaska Natives as a whole would benefit under the provisions of ANCSA Section 7(i) which requires that 70% of all revenues received by CIRI from mineral development be divided among all twelve regional Native corporations.

Local residents would benefit from the local Native hire provisions of the Anaconda/CIRI joint venture agreement.

There are no other known mineral claimants on the proposed transfer lands. Still, CIRI has agreed in writing that any valid claimant shall have reasonable access to his or her claim and the complete enjoyment of all rights, privileges and benefits granted to such claim under state law.

Successful development of a major mine in interior Alaska would provide a big boost to the mining industry statewide.

Gana-A' Yoo, Ltd., the Village corporation representing the only populated areas near Illinois Creek, has expressed its support for the Recoupment Conveyance.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

March 28, 1985

The Honorable Don Bennett
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Bennett:

The 1976 approval of the Terms and Conditions for Land Consolidation and Management in the Cook Inlet Region (hereafter "Terms and Conditions") by the Alaska State Legislature signaled the end of a protracted period of Native, State and federal disagreement, litigation and negotiation. Since that time, the parties have worked together closely and diligently to fairly implement the provisions of that very complicated legislation.

During the past 30 months, the Department of Natural Resources, with cooperation from other State agencies, has worked with Cook Inlet Region, Inc. (CIRI) and other interested parties to finalize one of the last major aspects of the Terms and Conditions document. This aspect is most logically described in two parts, as follows below.

First, at the end of 1982, the State and CIRI signed an agreement concerning their respective rights to select and receive certain federal land outside the boundaries of the Cook Inlet Region. Essentially, the agreement identified a pool of approximately 30 townships of State-selected land which CIRI could select to fulfill its remaining out-of-region land entitlement. In return, CIRI waived its blanket priority right of nomination over existing State-selected lands, thus allowing the State to prioritize and receive the remainder of its previous selections in an orderly and expedited manner. This agreement obviated the possibility that the parties might resort unnecessarily to the complex and unknown results of the "strike and select mechanism" set out in the Terms and Conditions document.

The second area of agreement, and the primary subject of this letter, concerns a proposal by CIRI that approximately 43,000 acres of its remaining out-of-region selection entitlement be fulfilled with State land located near Illinois Creek, approximately 50 miles southwest of the village of Galena, and 20 miles east of the Yukon River. However, because these lands are already patented to the State, and the transfer includes the subsurface estate (as authorized by federal law), I believe legislative authorization of this proposal would be appropriate. Therefore, in anticipation of legislative consideration of this proposal during the 1985 session, I would like to explain the key components of this proposal.

If authorized by enabling legislation, the State will transfer to CIRI approximately 43,000 acres of land in partial fulfillment of CIRI's out-of-region land entitlement. In return, the State will receive a full acre-for-acre recoupment of the lands through additional selection rights to be applied to other available federal lands. Also, CIRI will waive its priority rights over the State to nominate for its own selection any future State land selections, thus precluding the need for the State to subject itself to the aforementioned "strike and select" mechanism.

I believe legislative approval of this proposal is in the best interests of the State for the following reasons:

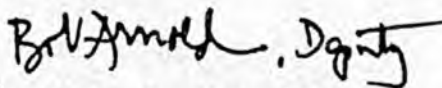
1. This land is already included in the 30-township pool of land which CIRI may select to fulfill its out-of-region entitlement as provided in the November 18, 1982, State/CIRI Out-of-Region Agreement. This means that these lands have already been reviewed for transfer to CIRI by appropriate State agencies, and the requisite access and other public interests have been addressed and protected. Other than hard-rock mineral values (lead, zinc, silver, gold) the Illinois Creek area is not known to possess any significant resource values.
2. The hard-rock mineral rights (which are CIRI's major interest) have already been completely alienated from State ownership by claims filed by Anaconda Mining Company. CIRI and Anaconda have a working agreement which will significantly increase the changes for development of the resource. Anaconda has already stated its support for the proposal in writing, and there are no other mining claimants in the area. The State's sovereign authority to levy severance, income or other taxes on mineral production would not be affected by implementation of the proposal.

3. CIRI's waiver of its nomination priority over future State land selections will ensure that State selections are not subject to competition from CIRI for fulfillment of the State's remaining statehood land entitlement.
4. CIRI will waive any claim to lands within the TAPS Corridor between the North Slope Borough and the Yukon River. This will enable the State to be the sole entity able to select land within this important interior transportation corridor.
5. The interests of the local people will be fully considered. By terms of the original exchange legislation, CIRI must obtain certain approvals from local Native corporations before they may obtain title to any lands outside of their region. Gana-a'Yoo, Ltd., the Galena village corporation closest to the Illinois Creek area, has already indicated in writing its support of this proposal.
6. It will move the State and CIRI near the end of the major implementation issues of the Terms and Conditions document.

In advocating legislative approval of this proposal, I wish to point out that it is doubtful that this land would be selected today by the State, given our more sophisticated natural resource information base and selection processes, and that the only known resource value (hard-rock minerals) has already been alienated from State ownership.

Legislative approval of the proposal will put behind us the vast majority of the many difficult implementation issues raised by the Terms and Conditions. Your timely and thoughtful consideration of the proposal is therefore appropriate and encouraged.

Sincerely,

for 
for Esther C. Wunnicke
Commissioner

cc: George Kriste, CIRI
John Shively, Governor's Office

ANACONDA Minerals Company

Denali Towers North
Suite 1000
2550 Denali Street
Anchorage, Alaska 99503
Telephone 907 276-8115



December 8, 1983

Honorable Esther Wunnicke, Commissioner
Department of Natural Resources
State of Alaska
Pouch M
Juneau, Alaska 99811

Dear Esther:

For the past several years Anaconda Minerals has been exploring in interior Alaska. In 1980 we discovered a lead-zinc-silver prospect located at Illinois Creek, approximately 30 miles southeast of Kaltag. Our subsequent drilling work has shown the prospect has good potential to develop into an operating property. The lands containing the deposits are Patented to the State of Alaska and we have staked numerous State Claims over the area. Anaconda is essentially the only claimant in the area.

We have been exploring interior Alaska under a joint venture agreement with Cook Inlet Region, Inc. (CIRI). Under the terms of that agreement, CIRI had asked us to support them in obtaining title to the Illinois Creek State lands in exchange for part of their Outer-Region selection rights under the terms of the Cook Inlet land exchange. We strongly support CIRI's obtaining title to these lands because we believe development would be facilitated by private ownership and the exchange is mutually beneficial for all of the parties involved. For Anaconda, private ownership of both the surface and subsurface estate hold several advantages. One of the prime advantages is the ability to prove title, particularly in view of the pending law suits against the State by environmental groups.

For the State of Alaska, the right to subsurface minerals has already been relinquished through Anaconda's claims. The surface values of the lands involved are low and the State would retain its sovereign authority for taxation and environmental protection. Transfers of these lands to CIRI would be a major step toward completing their Outer-Region selection entitlement under the terms of the Cook Inlet land exchange, thereby removing the possible title clouds from future State land patents.

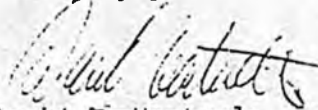
Honorable Esther Wunnicke, Commissioner
State of Alaska/CIRI Transfer of Lands
December 9, 1983
Page 2

Alaska Natives would particularly benefit from the transfer because of the ANCSA Section 7.I revenue sharing requirements and from local Native hire provisions which Anaconda and CIRI have as a part of their joint venture agreement.

The successful exploration of this area and its subsequent development would be a boost to the mining industry. A major development in interior Alaska would greatly increase activity throughout the State.

For the reasons outlined above, I believe that the proposed transfer to CIRI is mutually beneficial for all parties and I hope you will work closely with CIRI in culminating an agreement. Thank you for your help.

Sincerely yours,


David A. Heatwole
Alaska Exploration Manager

DAH/rlb



RECEIVED
GANA-A' YOO LTD.

COOK INLET REGION, INC.
BOX 38 • GALENA, ALASKA 99741 • PHONE (907) 656-1606

RECEIVED

FEB 11 1985

February 11, 1985

COOK INLET REGION, INC

Mr. Roy Huhndorf, President
Cook Inlet Region, inc.
P.O. Drawer 4-N
Anchorage, AK 99509

Dear Mr. Huhndorf:

Gana-a' Yoo, Ltd. (GYL) hereby issues this Letter of Non-Objection to Cook Inlet Region, Inc. (CIRI) pursuant to P.L. 94-204, Section 12(b)(6)(i). GYL supports CIRI's efforts in the acquisition of certain properties within the vicinity of Illinois Creek, approximately 48 miles southwest of Galena and approximately 30 miles southeast of Kaltag. This Letter of Non-Objection is subject to the following conditions:

- a) CIRI agrees to allow the continued use of the subsistence resources by rural residents on the unimproved lands within its acquisition.
- b) CIRI's right of Native hire and preferential contract rights under its agreement with Anaconda will be extended to Gana-a' Yoo, Ltd. and its shareholders.
- c) Logistical support for any operations on the property shall be handled through services provided by Gana-a' Yoo, Ltd. and its subsidiaries, to the extent feasible. To include fuel, propane and hardware supplies, air transportation services through Harold's Air Service, a wholly owned GYL subsidiary.
- d) CIRI shall pay GYL a standard \$100 Letter-of-Non-Objection fee.

Respectively,

Pat D. Sweetsir
Vice President, Lands

VICINITY MAP

Illinois Creek

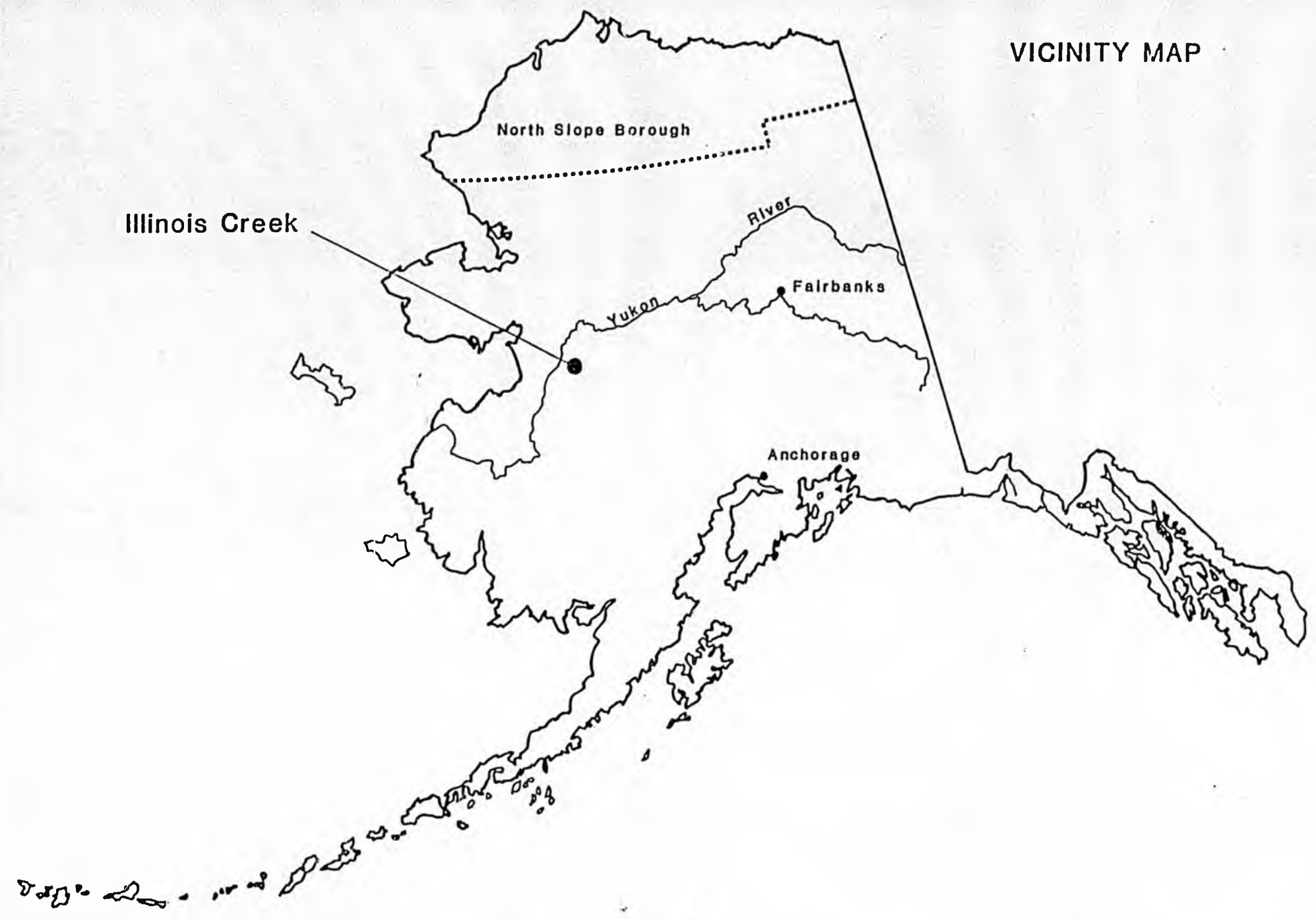
North Slope Borough

River

Yukon

Fairbanks

Anchorage



Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA. 99811
(907) 465-4907

Senate Committee on Resources

MEMORANDUM

May 1, 1985

TO: All Members
Senate Resources Committee

FROM: Staff *H*
Senate Resources Committee

RE: SB 285 "An Act relating to the recoument conveyance for land at Illinois Creek; and providing for an effective date."

SB 285 would allow for a transfer of approximately 43,000 acres of state patented land near Illinois Creek in Western Alaska to Cook Inlet Region, Inc. The state would transfer all rights including the subsurface estate.

In exchange, the state would have the opportunity to select equivalent acreage from federal government lands. In addition, CIRI would waive its nomination priority over future state land selections outside the Cook Inlet Region and waive any claim to land within the TAPS corridor.

The state's authority to levy severance, income or other taxes on mining production would not be affected by the transfer.

The fiscal note is zero.

Enclosures:

1. Fiscal note
2. Fact sheet
3. Map
4. Letter from Commissioner Wunnicke to Senator Bennett supporting the transfer
5. Letter from Commissioner Wunnicke to Representative Shultz
6. AS 38.05.125
7. AS 38.50
8. Letter from Anaconda Mineral Co. to Commissioner Wunnicke supporting the transfer
9. Letter from Gana-a' Yoo, Ltd. to Cook Inlet Region, Inc. stating no objection to the transfer

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 285
Title: Illinois Creek

Sponsor: Halford
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Natural Resources
Program Category Affected: NRMEC

BRU, Program or Subprogram(s) Affected: Land and Water Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

No fiscal impact

Prepared By: Mike Vediner *Kuter*
Division: Land and Water Management

Phone: 465-2400
Date: April 30, 1985

Approved by Commissioner: William D. James, Deputy
Agency: Natural Resources

Date: April 30, 1985

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

ILLINOIS CREEK RECOUPMENT CONVEYANCE

This fact sheet addresses the attributes of the proposed Illinois Creek Recoupment Conveyance. This conveyance is part of the overall implementation of the Out-of-Region portion of the 1976 Cook Inlet Land Exchange.

Proposal

The proposed legislation would convey approximately 43,000 acres of state patented land near Illinois Creek in western Alaska (see map) to Cook Inlet Region, Inc. (CIRI) in partial fulfillment of CIRI's Out-of-Region land entitlement. In return the State would receive (recoup) equivalent acreage selection rights from the federal government for lands elsewhere in Alaska, as well as other considerations cited below.

Benefits to the State

The State could select, acre for acre, better land:

- ANILCA Sec. 906 now permits an enlarged scope of state selection through "top filling" on federal withdrawals and Native overselections.
- New selections could be for lands unencumbered by mining claims and include lands with predominant surface values or oil and gas potential.
- The Illinois Creek lands do not possess any significant resource values presently under state control (the hard rock mineral rights have already been alienated from state ownership by claims filed four years ago by Anaconda, and it is questionable if these lands would be selected today by the State given the more sophisticated resource information base available).

These lands are already included in a 30-township pool of otherwise state selected lands which have been approved for transfer to CIRI by appropriate state agencies, and the requisite access and other public interests have been protected.

The State's sovereign authority to levy severance, income or other taxes, and to administer environmental controls, would not be affected by the conveyance.

CIRI would waive its nomination priority over future state land selections outside Cook Inlet Region, thus insuring the State an orderly fulfillment of its remaining Statehood entitlement.

CIRI would waive any claim to lands within the TAPS Corridor between the North Slope Borough and the Yukon River.

The conveyance would satisfy obligations of the State regarding fulfillment of a portion of CIRI's Out-of-Region entitlement, and would significantly move the State and CIRI nearer the end of the major implementation issues of the Cook Inlet Land Exchange.

Benefits to CIRI

CIRI and Anaconda have a working agreement which would significantly increase chances for development of the mineral resources to the economic benefit of both parties (Anaconda has already stated its strong support for the proposal in writing).

Other Considerations

The interests of local residents would be fully considered by terms of the original land exchange legislation which require CIRI to obtain certain approvals from local Native corporations before CIRI may obtain title to any lands outside its region.

Alaska Natives as a whole would benefit under the provisions of ANCSA Section 7(i) which requires that 70% of all revenues received by CIRI from mineral development be divided among all twelve regional Native corporations.

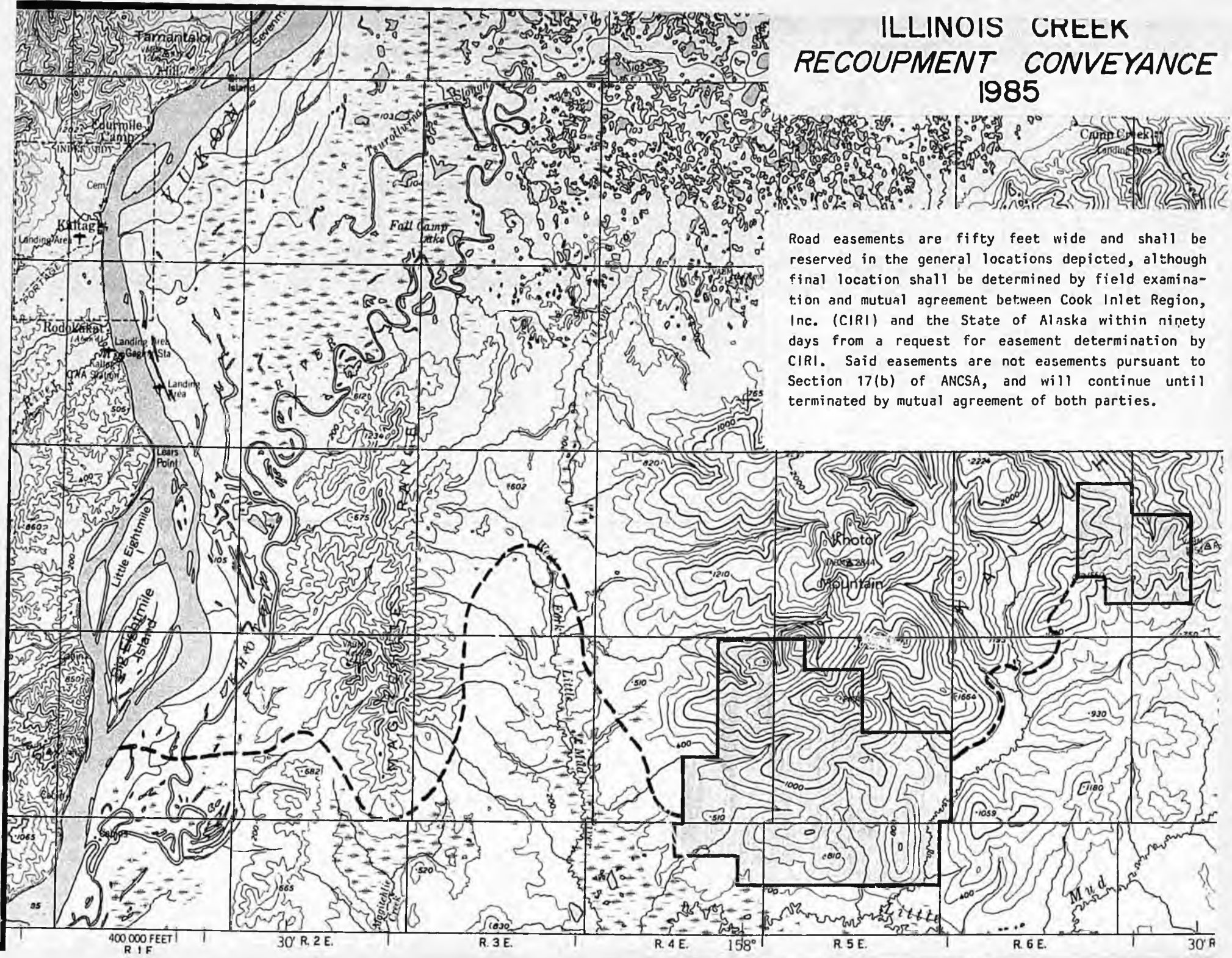
Local residents would benefit from the local Native hire provisions of the Anaconda/CIRI joint venture agreement.

There are no other known mineral claimants on the proposed transfer lands. Still, CIRI has agreed in writing that any valid claimant shall have reasonable access to his or her claim and the complete enjoyment of all rights, privileges and benefits granted to such claim under state law.

Successful development of a major mine in interior Alaska would provide a big boost to the mining industry statewide.

Gana-A' Yoo, Ltd., the Village corporation representing the only populated areas near Illinois Creek, has expressed its support for the Recoupment Conveyance.

ILLINOIS CREEK RECOUPMENT CONVEYANCE 1985



Road easements are fifty feet wide and shall be reserved in the general locations depicted, although final location shall be determined by field examination and mutual agreement between Cook Inlet Region, Inc. (CIRI) and the State of Alaska within ninety days from a request for easement determination by CIRI. Said easements are not easements pursuant to Section 17(b) of ANCSA, and will continue until terminated by mutual agreement of both parties.

VICINITY MAP

Illinois Creek

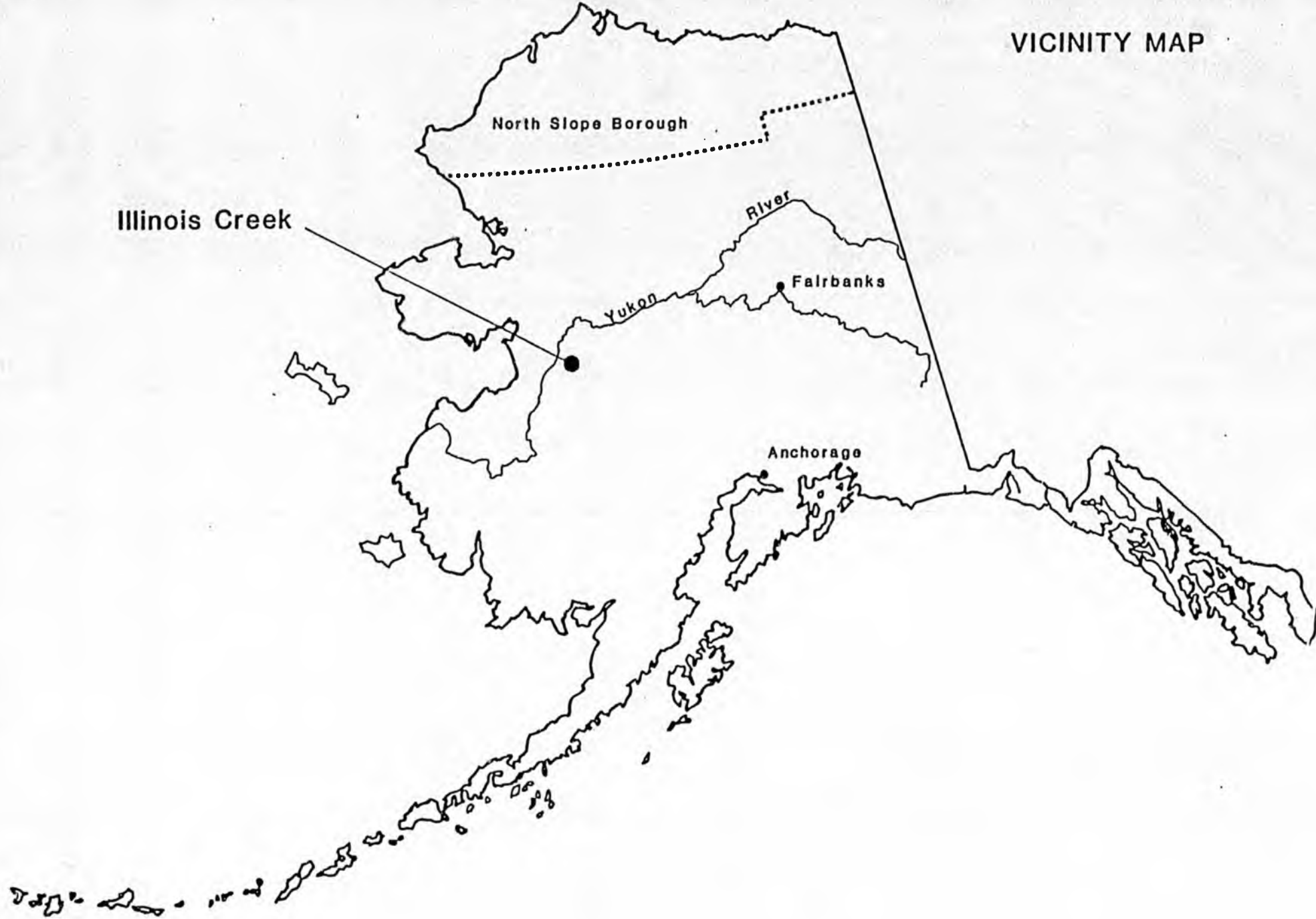
North Slope Borough

River

Yukon

Fairbanks

Anchorage



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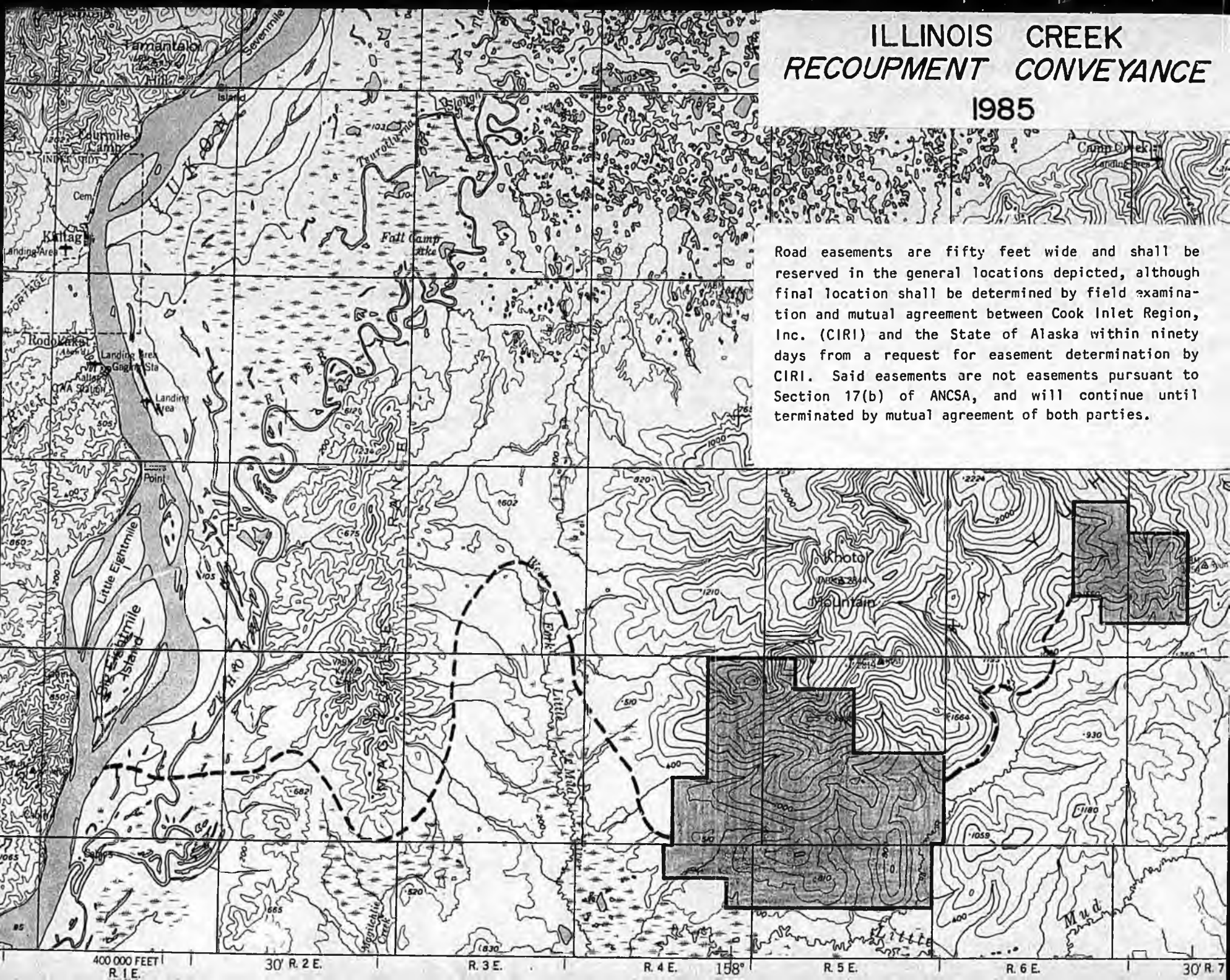
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ILLINOIS CREEK RECOUPMENT CONVEYANCE 1985



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400 000 FEET
R. 1.E.

30' R. 2.E.

R. 3.E.

R. 4.E.

158°

R. 5.E.

R. 6.E.

30' R. 7.

VICINITY MAP

Illinois Creek

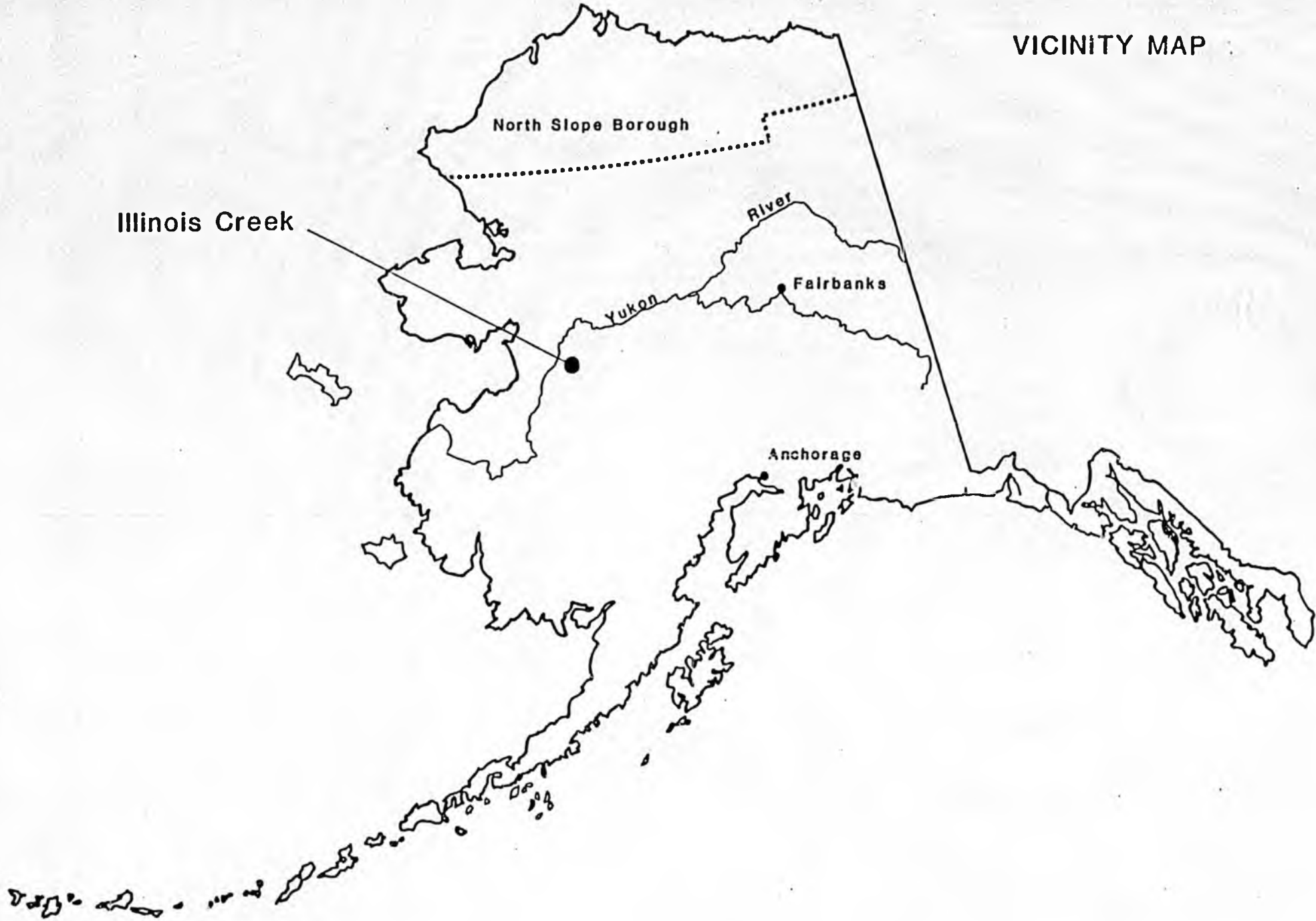
North Slope Borough

River

Yukon

Fairbanks

Anchorage



VICINITY MAP

Illinois Creek

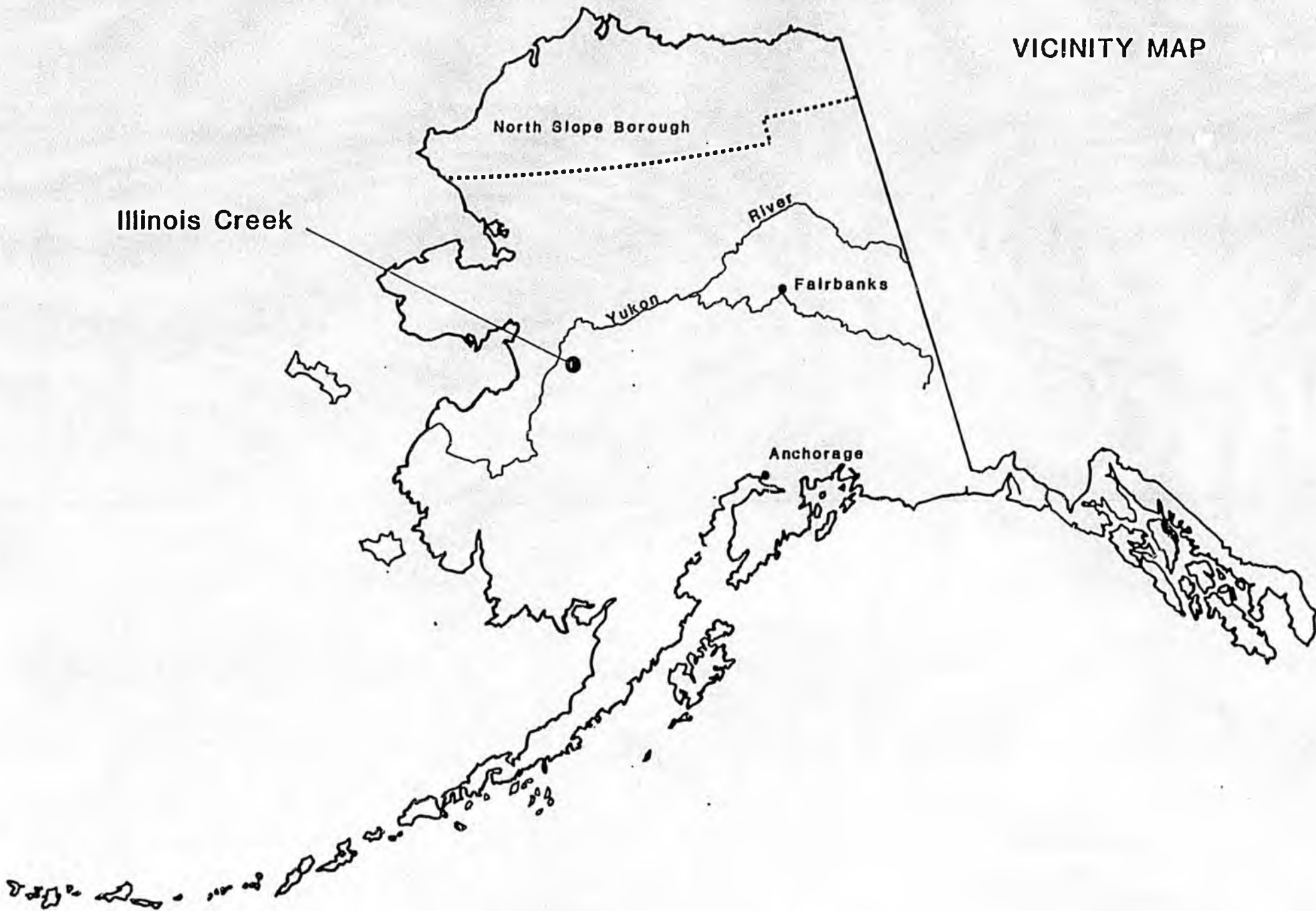
North Slope Borough

River

Yukon

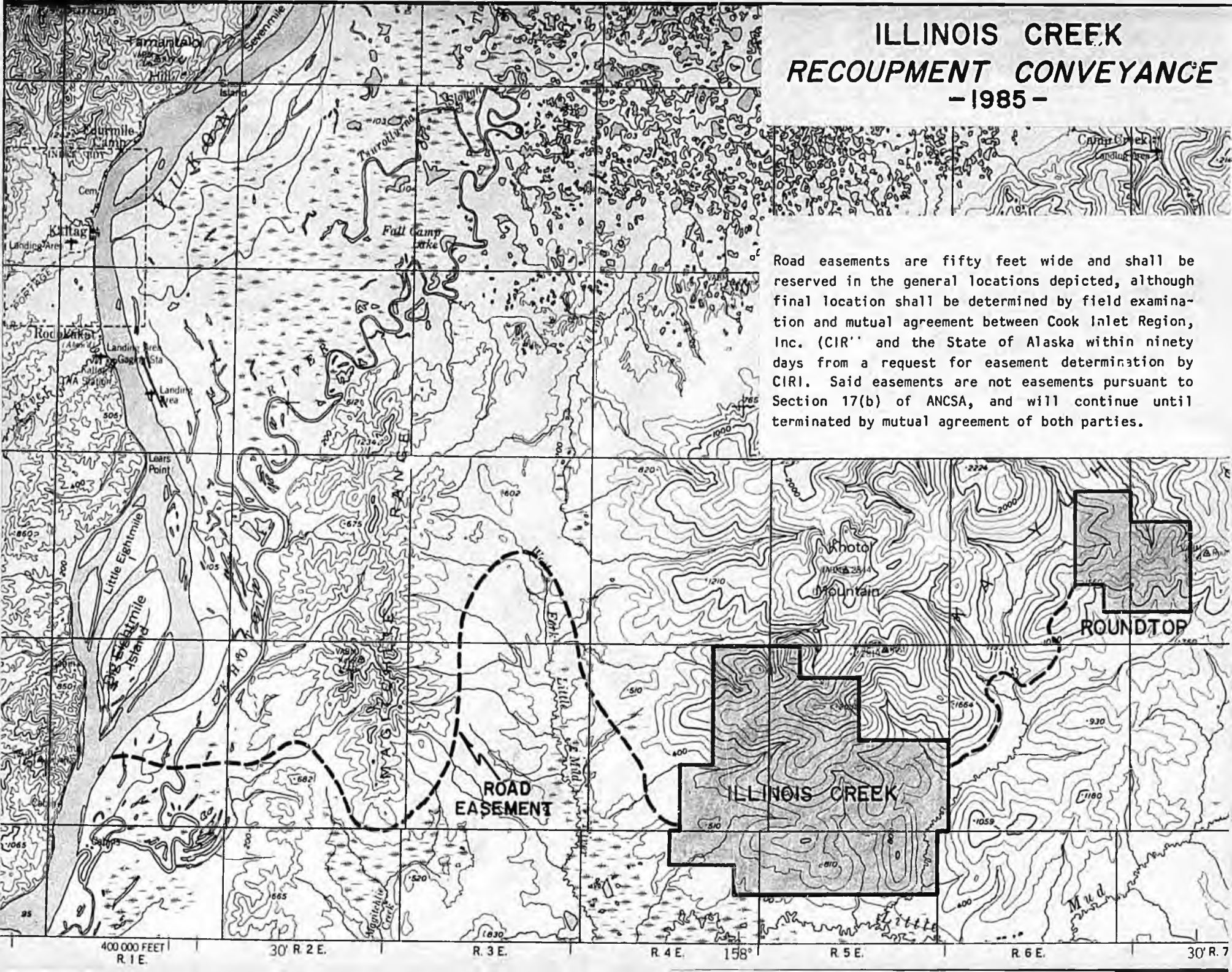
Fairbanks

Anchorage



ILLINOIS CREEK RECOUPMENT CONVEYANCE - 1985 -

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400 000 FEET
R.1 E.

30' R.2 E.

R.3 E.

R.4 E.

158°

R.5 E.

R.6 E.

30' R.7

3/6/85

ILLINOIS CREEK RECOUPMENT CONVEYANCE
DRAFT LETTER TO LEGISLATURE

Dear Mr. Speaker:

Mr. President:

The 1976 Alaska Legislative approval of the Cook Inlet Land Exchange signaled the end of a protracted period of Native, state and federal disagreement, litigation, negotiation and ultimate agreement. Since that time, the parties have worked together closely and diligently and, with surprising success, have managed to fairly implement a majority of the often difficult terms and conditions of that very complicated legislation.

During the past 30 months the Department of Natural Resources, with cooperation from other state agencies, has worked hard with Cook Inlet Region, Inc. (CIRI) and other interested parties to finalize the last major aspects requiring implementation of the exchange within the State of Alaska. These can most logically be described in two parts.

First, at the end of 1982, the State and CIRI signed an agreement concerning their respective rights to select and receive federal lands outside the boundaries of the Cook Inlet Region. Essentially, the agreement identified a pool of approximately 30 townships of state-selected federal lands which CIRI could select to fulfill its out-of-region land selection entitlement. In return, in addition to certain other benefits that enure to the State, CIRI also waived its blanket priority right of nomination of existing state-selected lands, thus allowing the State to prioritize and receive the remainder of its previously selected state-land selections in an orderly and expedited manner. This

agreement obviated the possibility that the parties might have to resort unnecessarily to the complex and unknown results of the "strike and select mechanism" set out in the original exchange legislation.

The second area of agreement, and the primary subject of this letter, concerns a proposal by CIRI that approximately 43,000 acres of its out-of-region selection entitlement be fulfilled with state lands located at Illinois Creek, approximately 50 miles southwest of the village of Galena, and 20 miles east of the Yukon River. While I feel the proposal is a good one for the State for the reasons cited below, because the lands are now patented to the State I believe that legislative approval is appropriate. In anticipation of legislative consideration of this proposal during the 1985 session, I would like to explain the Department's reasoning in supporting the proposal.

Briefly stated, under the terms of the proposal the State would transfer to CIRI the approximately 43,000 acres of land as partial fulfillment of CIRI's out-of-region land entitlement. In return, the State would receive a full acre-for-acre recoupment of the lands through additional selection rights to other federal lands. Also, CIRI would waive virtually all of its priority rights over the State to nominate for its own selection future state land selections of federal lands, thus precluding the need for the State to subject itself to the "strike and select" mechanism. I believe affirmative legislative approval of this proposal is in the best interests of the State for the following reasons:

1. The state lands involved do not possess any significant resource values presently under state control. These specific lands are already included in the agreed to 30-township pool of otherwise state-selected lands which CIRI may select to fulfill its out-of-region

entitlement. This means that these lands have already been reviewed and approved for transfer to CIRI by appropriate state agencies, and the requisite access and other public interests have been protected.

2. The hard-rock mineral rights (which are CIRI's major interest) have already been alienated from state ownership by claims filed by Anaconda Mining Company. CIRI and Anaconda have a working agreement which would significantly increase the chances for development of the resource. Anaconda has already stated its support for the proposal in writing, and there are no other mining claimants in the area. The State's sovereign authority to levy severance, income or other taxes on mineral production would not, of course, be effected at all by implementation of the proposal.
3. CIRI's waiver of its nomination priority over future state land selections will insure the State that its land selections are not subject to competition from CIRI for fulfillment of the State's remaining Statehood land entitlement.
4. CIRI would waive any claim to lands within the TAPS Corridor between the North Slope Borough and the Yukon River.
5. The interests of the local people will be fully considered. By terms of the original exchange legislation, CIRI must obtain certain approvals from local Native corporations before they may obtain title to any lands outside of their region.

H/C → Mike Szymanski
5th Floor

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

The 1976 approval of the Terms and Conditions for Land Consolidation and Management in the Cook Inlet Region (hereafter "Terms and Conditions") by the Alaska State Legislature signaled the end of a protracted period of Native, State and federal disagreement, litigation and negotiation. Since that time, the parties have worked together closely and diligently to fairly implement the provisions of that very complicated legislation.

During the past 30 months, the Department of Natural Resources, with cooperation from other State agencies, has worked with Cook Inlet Region, Inc. (CIRI) and other interested parties to finalize one of the last major aspects of the Terms and Conditions document. This aspect is most logically described in two parts, as follows below.

First, at the end of 1982, the State and CIRI signed an agreement concerning their respective rights to select and receive certain federal land outside the boundaries of the Cook Inlet Region. Essentially, the agreement identified a pool of approximately 30 townships of State-selected land which CIRI could select to fulfill its remaining out-of-region land entitlement. In return, CIRI waived its blanket priority right of nomination over existing State-selected lands, thus allowing the State to prioritize and receive the remainder of its previous selections in an orderly and expedited manner. This agreement obviated the possibility that the parties might resort unnecessarily to the complex and unknown results of the "strike and select mechanism" set out in the Terms and Conditions document.

The second area of agreement, and the primary subject of this letter, concerns a proposal by CIRI that approximately 43,000 acres of its remaining out-of-region selection entitlement be fulfilled with State land located near Illinois Creek, approximately 50 miles southwest of the village of Galena, and 20 miles east of the Yukon River. However, because these lands are already patented to the State, and the transfer includes the subsurface estate (as authorized by federal law), I believe legislative authorization of this proposal would be appropriate. Therefore, in anticipation of legislative consideration of this proposal during the 1985 session, I would like to explain the key components of this proposal.

If authorized by enabling legislation, the State will transfer to CIRI approximately 43,000 acres of land in partial fulfillment of CIRI's out-of-region land entitlement. In return, the State will receive a full acre-for-acre recoupment of the lands through additional selection rights to be applied to other available federal lands. Also, CIRI will waive its priority rights over the State to nominate for its own selection any future State land selections, thus precluding the need for the State to subject itself to the aforementioned "strike and select" mechanism.

I believe legislative approval of this proposal is in the best interests of the State for the following reasons:

1. This land is already included in the 30-township pool of land which CIRI may select to fulfill its out-of-region entitlement as provided in the November 18, 1982, State/CIRI Out-of-Region Agreement. This means that these lands have already been reviewed for transfer to CIRI by appropriate State agencies, and the requisite access and other public interests have been addressed and protected. Other than hard-rock mineral values (lead, zinc, silver, gold) the Illinois Creek area is not known to possess any significant resource values.
2. The hard-rock mineral rights (which are CIRI's major interest) have already been completely alienated from State ownership by claims filed by Anaconda Mining Company. CIRI and Anaconda have a working agreement which will significantly increase the changes for development of the resource. Anaconda has already stated its support for the proposal in writing, and there are no other mining claimants in the area. The State's sovereign authority to levy severance, income or other taxes on mineral production would not be affected by implementation of the proposal.

The Honorable Ben Grussendorf -3-

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4. CIRI will waive any claim to lands within the TAPS Corridor between the North Slope Borough and the Yukon River. This will enable the State to be the sole entity able to select land within this important interior transportation corridor.
5. The interests of the local people will be fully considered. By terms of the original exchange legislation, CIRI must obtain certain approvals from local Native corporations before they may obtain title to any lands outside of their region. Gana-a'Yoo, Ltd., the Galena village corporation closest to the Illinois Creek area, has already indicated in writing its support of this proposal.
6. It will move the State and CIRI near the end of the major implementation issues of the Terms and Conditions document.

In advocating legislative approval of this proposal, I wish to point out that it is doubtful that this land would be selected today by the State, given our more sophisticated natural resource information base and selection processes, and that the only known resource value (hard-rock minerals) has already been alienated from State ownership.

Legislative approval of the proposal will put behind us the vast majority of the many difficult implementation issues raised by the Terms and Conditions. Your timely and thoughtful consideration of the proposal is therefore appropriate and encouraged.

Sincerely,

Bob Arnold, Deputy

Esther C. Wunnicke
Commissioner

cc: George Kriste, CIRI
John Shively, Governor's Office

bcc: Tom Hawkins, DLWM
Gary Gustafson, DLWM
Pedro Denton, Mining
Jim Barnett, Deputy Commissioner
Marlyn Twitchell, Governor's Office

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-485-2400

March 28, 1985

The Honorable Don Bennett
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

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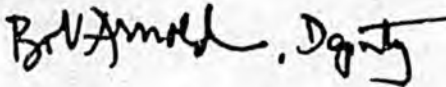
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Sincerely,


for Esther C. Wunnicke
Commissioner

cc: George Kriste, CIRI
John Shively, Governor's Office

April 30, 1985

The Honorable Richard Shultz
Co-Chairman
House Resources Committee
Pouch V
Juneau, AK 99811

Dear Representative Shultz:

In response to your recent questions concerning HB 383, my staff has forwarded your office several informational items. Other factual information should have arrived under separate cover from CIRI.

Following your discussion with Gary Gustafson last week concerning possible municipal entitlement land for the City of Anderson, he and his staff contacted BLM to obtain an update on land status. As you know, CIRI has recently relinquished its selections near Anderson, thereby removing the only competing interest to the existing state selection in the area. Unfortunately, the land desired by the city is still withdrawn by the military (PLO 1847 and PLO 547). These federal withdrawals bar the State's selection from attaching. However, the State requested the revocation of these withdrawals (as they apply to Sections 4, 5, 7, 8 with Township 7 South, Range 8 West, F.M.) some time ago, and just recently contacted BLM again to help facilitate their removal (attachment). As soon as BLM is able to revoke these withdrawals, the State's land selection will attach and the land will be conveyed to the State. The Anderson land is included on the State's land conveyance priority list for federal fiscal year 1985 (FFY 85). BLM has assured us that they should be able to expeditiously convey the land to the State as soon as the withdrawals are removed.

I would also like to explain the relationship of HB 383 to the 1976 Cook Inlet Land Trade. As you know, the Cook Inlet Land Trade, between the State, CIRI and United States, was debated at some length and ultimately approved by the Alaska State Legislature. One of its provisions allowed CIRI a 29.66 township land entitlement to be obtained from federal land (including state selected land) outside the Cook Inlet Region. CIRI is required to receive title to 10 townships of its out-of-region land entitlement in Alaska. The remainder can be converted to bidding "chits" (\$250/acre)

April 30, 1985

which, as authorized by federal law may be used to obtain surplus federal property in other states at public auction. Therefore, it is in the State's interest that CIRI convert as much of its out-of-region selection rights to "chits" as possible.

There is also a provision of the Cook Inlet Land Trade that could allow CIRI to nominate to BLM at least six times its remaining out-of-region land entitlement for possible conveyance. The BLM then approves from these nominations a pool of three times the remaining entitlement. Upon completion of the pool the State and CIRI commence a strike and select process which alternates until the final CIRI entitlement acreage is established. Obviously, this process is less than satisfactory for both parties.

In order to mutually agree upon which state selected lands would compose CIRI's out-of-region entitlement without having to resort to the above mentioned strike and select mechanism, the parties negotiated and signed the 1982 State/CIRI Out-of-Region Agreement. This agreement specifies and prioritizes those state selected lands which CIRI may receive. It also includes a provision whereby, subject to legislative approval, CIRI may obtain state patented land near Illinois Creek as part of its out-of-region entitlement. This arrangement is articulated in HB 383 and includes a recoupment provision for the State to recover its selection rights on an acre-for-acre basis and CIRI's agreement to waive any further selection rights of priority over future and existing state selections outside the areas specified in the agreement.

Last year the State implemented the first part of the agreement by relinquishing 98,000 acres of selections in the Farewell block to allow their conveyance to CIRI. This action alone makes up half of CIRI's required 10 township in-state conveyance requirement. The Illinois Creek recoupment conveyance would add another 43,000 acres (approximately 2 townships), leaving CIRI with less than 3 townships to obtain in-state.

A comprehensive briefing on this subject will require additional time. My staff will remain available as required to provide you with whatever information you see as useful to the Committee.

Sincerely,

R. Shultz
Esther C. Wunnicke
Commissioner

Enclosure

*cc: Tom Hawkins
Gary Gustafson
Marilyn Tuttle*

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sale. The means by which the amount of deposit is determined shall be prescribed by appropriate regulation. The commissioner shall immediately issue a receipt containing a description of the timber or materials purchased, the price bid, and the terms of sale. The receipt shall be accepted in writing by the bidder. A contract of sale, on a form approved by the attorney general, shall be signed by the purchaser and the contract shall be signed by the commissioner on behalf of the state. The commissioner may impose conditions, limitations, and terms considered necessary and proper to protect the interests of the state. Violation of any provision of this chapter or the terms of the contract of sale subjects the purchaser to appropriate legal action. (§ 3 art VI ch 169 SLA 1959; am § 13 ch 61 SLA 1960; am § 3 ch 137 SLA 1962; am § 1 ch 200 SLA 1970; am § 35 ch 152 SLA 1984)

Effect of amendments. — The 1984 amendment substituted "commissioner" for "director" in the first and seventh sentences, "commissioner" for "director or his representative" in the third and fifth sentences, "accepted" for "acknowledged" in the sixth sentence, and "commissioner" for "director, with the approval of the commis-

sioner" and "considered" for "which he considers" in the next-to-last sentence and deleted "director's" preceding "determination" in the second sentence and "following the approval of the commissioner" preceding "the contract" in the seventh sentence.

NOTES TO DECISIONS

Quoted in Kenai Lumber Co. v. LeResche, Sup. Ct. Op. No. 2516 (File Nos. 5733, 5755), 646 P.2d 215 (1982).
Cited in State v. University of Alaska, Sup. Ct. Op. No. 2303 (File No. 4579), 624

P.2d 807 (1981); Southeast Alaska Conservation Council, Inc. v. State, Sup. Ct. Op. No. 2662 (File No. 5855), 665 P.2d 544 (1983).

Article 5. Reservation of Rights to Alaska.

Section

- 125. Reservation
- 127. Access to navigable or public waters
- 130. Damages and posting of bond

Sec. 38.05.125. Reservation. (a) Each contract for the sale, lease or grant of state land, and each deed to state land, properties or interest in state land, made under AS 38.05.045 — 38.05.120, 38.05.321, 38.05.810 — 38.05.821, AS 38.08, or AS 38.50 except as provided in AS 38.50.050 is subject to the following reservations: "The party of the first part, Alaska, hereby expressly saves, excepts and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and

it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times for the purpose of opening, developing, drilling, and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to, and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."

(b) The provisions of (a) of this section do not apply to a quitclaim of land or a transfer of an interest in land made under AS 38.05.035(b)(9).

(c) Notwithstanding (a) of this section, the transfer of ownership and management of University of Alaska trust land from the Department of Natural Resources to the Board of Regents of the University of Alaska under ch. 22, SLA 1983 includes the mineral estate of the state in the land. (§ 1 art VII ch 169 SLA 1959; am § 14 ch 61 SLA 1960; am § 1 ch 42 SLA 1966; am § 3 ch 240 SLA 1976; am § 2 ch 175 SLA 1980; am § 36 ch 152 SLA 1984)

Effect of amendments. — The 1980 amendment inserted the reference to AS 38.08, and "as" preceding "provided in AS 38.50.050" near the beginning of the section, inserted "geothermal resources" wherever it appears throughout the section, and substituted "attorneys" for "attorney" near the middle of the section.

The 1984 amendment added subsections (b) and (c).

Editor's notes. — As to declaration of legislative policy in connection with the 1980 amendment, see § 1, ch. 175, SLA 1980, in the 1980 Temporary and Special Acts and Resolves.

Legislative history reports. — For report on ch. 42, SLA 1966 (HB 387 am), see 1966 House Journal, p. 492.

NOTES TO DECISIONS

Chapter 19, SLA 1977 held not invalid. — Chapter 19, SLA 1976, authorizing a three-way exchange of land between the state of Alaska, the United States government and a regional corporation of Alaska Natives, was not invalid on the ground that it waived the provisions of this section restricting the state's right to

alienate minerals and former AS 38.95.060 authorizing exchanges of land with native corporations on the basis of equal value. *State v. Lewis*, Sup. Ct. Op. No. 1364 (File No. 3039), 559 P.2d 630, appeal dismissed and cert. denied, 432 U.S. 901, 97 S. Ct. 2943, 53 L. Ed. 2d 1073 (1977).

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lubricating oil, blends or mixtures of petroleum and any liquid product
or by-product derived from crude petroleum oil or natural gas;

(9) "state land" means

(A) "state land" as defined in AS 38.05.965;

(B) public land of the United States selected by the state under sec.
6 of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as
amended, and real property of the United States transferred to the
state under secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL
86-70; 73 Stat. 141), as amended;

(C) any interest owned by the state in land;

(10) "transportation" means the shipment or carriage by a pipeline
of crude oil, natural gas, or products from an upstream terminus in one
or more fields or points of production or supply of the minerals to a
downstream terminus in one or more points for delivery of the minerals
to a purchaser or consignee, for storage, or for further carriage or
shipment, including shipment or carriage within the state that may be
classified as interstate or foreign transportation to the extent that the
transportation may constitutionally be subjected to the provisions of
this chapter, as well as all services necessary to effectuate shipment or
carriage, including, among other things, the receipt, storage, pro-
cessing, handling, transfer in transit, forwarding, and delivery of the
minerals. (§ 1 ch 72 SLA 1972; am § 22 ch 3 FSSLA 1973; am
Executive Order No. 39, § 11 (1977); am § 70 ch 59 SLA 1982)

Effect of amendments. — The 1982 Utilities Commission" for "Alaska
amendment substituted "Alaska Public Pipeline Commission" in paragraph (2).

Sec. 38.35.260. Short title. This chapter may be cited as the Alaska
Right-of-Way Leasing Act. (§ 1 ch 72 SLA 1972; am § 47 ch 53 SLA
1973)

Chapter 40. Local Hire Under State Leases.

[Repealed, § 36 ch 94 SLA 1980.]

Chapter 50. Exchange of State Land.

Section

- 10. Authorization
- 20. Value of properties exchanged
- 30. Parties
- 40. Land subject to exchange
- 50. Conveyance of mineral rights
- 60. Reservations and covenants
- 70. Valid existing rights

Section

- 80. Prohibition against future con-
siderations and alienation of selec-
tion rights
- 90. Coordination with other state
agencies
- 100. Finding requirement as to alterna-
tives

Section
 110. Notice of proposed exchange
 120. Public hearings
 130. Report on proposed exchange
 140. Legislative review

Section
 150. Execution of exchange
 160. Regulations
 170. Definitions

Revisor's notes. — Through administrative reorganization, the Department of Natural Resources has eliminated the division of lands. Duties and responsibilities given to the division of lands under this chapter have been assigned to other divisions of the department. Duties and responsibilities given to the director of the division of lands under

this chapter have been assigned to the deputy commissioner for operations, who has been given the additional title "director of lands."

Cross references. — For reservations to which contracts for sale, lease or grant of state land and deeds to state land, properties or interest in state land are subject, see AS 38.05.125.

NOTES TO DECISIONS

Statute authorizing exchange of land between state, United States government and regional corporation held not invalid. — See *State v. Lewis*, Sup. Ct. Op. No. 1364 (File No. 3039), 559 P.2d 630,

appeal dismissed and cert. denied, 432 U.S. 901, 97 S. Ct. 2943, 53 L. Ed. 2d 1073 (1977), decided under former AS 38.95.060.

Sec. 38.50.010. Authorization. Subject to the requirements of this chapter, the director, with the concurrence of the commissioner, is authorized to dispose of state land or interest in land by exchanging it for land, interest in land, or other consideration. Exchanges shall be for the purpose of consolidating state land holdings, creating land ownership and use patterns which will permit more effective administration of the state public domain, facilitating the objectives of state programs, or other public purposes. (§ 1 ch 240 SLA 1976)

Sec. 38.50.020. Value of properties exchanged. (a) The land, interest in land, and other consideration which the state receives in an exchange made under this chapter shall be equal to or exceed the appraised fair market value of the land, interest in land or property exchanged by the state; however, the director may accept cash from, or pay cash to, any other party to an exchange in order to equalize the value of the property or other consideration conveyed and received by the state. If the director determines that the property to be exchanged is not equal in appraised fair market value or if the value cannot be ascertained with reasonable certainty, the director may enter into an exchange on a finding that the appraised fair market value of the property to be received, together with the value of other public benefits, equals or exceeds the value of the property which the state will relinquish. An exchange or a final agreement to exchange is subject to legislative review under AS 38.50.140 if the exchange or a final

agreement to exchange involves state land having an appraised or estimated fair market value of more than \$5,000,000, or is for other than equal appraised fair market value.

(b) An appraisal required by this section is presumed accurate and valid for a period of one year from the time the appraisal is completed. After that time, or if the director has reason to believe that the value of the appraised property has changed significantly during the original one year period, a reappraisal of the property is required. (§ 1 ch 240 SLA 1976; am §§ 68, 69 ch 152 SLA 1984)

Effect of amendments. — The 1984 amendment, in subsection (a), substituted "on a finding" for "if he finds" in the second sentence and "or a final agreement to exchange" for "for other than equal appraised fair market value" and "under AS 38.50.140 if the exchange or a final agreement to exchange involves state land having an appraised or estimated fair

market value of more than \$5,000,000, or is for other than equal appraised fair market value" for "as provided in § 140 of this chapter" in the third sentence; and, in subsection (b), substituted "one year" for "six months" in the first sentence and "one year" for "six-month" in the second sentence.

Sec. 38.50.030. Parties. (a) The director may exchange land and interests in land with a government agency, organization, corporation, individual, or other person. At the beginning of discussions concerning a proposed exchange, the director shall require proof that each party to the negotiations is the owner of, or is legally entitled to, the property which the party desires to exchange and proof that a person acting as an agent for a principal has the authority to negotiate an exchange in behalf of the principal.

(b) The director may negotiate an exchange involving more than one party; however, in order to ascertain whether the equal value requirements of this chapter have been met, the director shall consider only the land and other consideration which the state would convey and receive if the exchange were executed. (§ 1 ch 240 SLA 1976)

Sec. 38.50.040. Land subject to exchange. Except as otherwise provided in this chapter, the director is authorized to convey for purposes of exchange any state land or interest in land regardless of the authority under which the land or interest was obtained by the state. (§ 1 ch 240 SLA 1976; am § 13 ch 181 SLA 1978; am § 17 ch 182 SLA 1978; am § 70 ch 152 SLA 1984)

Effect of amendments. — The 1984 amendment deleted the former second sentence, which read "The conveyance of uni-

versity land shall be approved in the manner prescribed in AS 38.05.030."

Sec. 38.50.050. Conveyance of mineral rights. Subject to the requirements of this chapter, the director is authorized to exchange mineral rights in state land to the extent that the conveyance is authorized by the state constitution and applicable federal law. The director

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may not exchange or receive the surface estate of land or the mineral rights in it, one without the other, unless the separation of estate is necessitated by a prior separation of ownership or by restrictions in applicable law, or the director otherwise finds that the conveyance or receipt of the surface or mineral estates, one without the other, is necessary to achieve a significant public purpose. (§ 1 ch 240 SLA 1976)

Sec. 38.50.060. Reservations and covenants. The director may include in any patent or other instrument issued under this chapter any reservations and covenants relating to the land which the director considers necessary to protect or promote the public interest. Reservations and covenants may include, but are not limited to, those relating to access, environmental protection, and use or development rights. The director may receive land which is subject to reservations and covenants if the director finds that the reservations and covenants are consistent with the public interest. (§ 1 ch 240 SLA 1976)

Sec. 38.50.070. Valid existing rights. Conveyances made by the state under this chapter are subject to valid existing rights, including, but not limited to, contracts, permits, leases, rights-of-way, and easements. Unless jurisdiction is waived, the appropriate state agency shall continue to administer valid existing rights as long as any revenues derived from the rights are distributed as provided in the exchange agreement. (§ 1 ch 240 SLA 1976)

Sec. 38.50.080. Prohibition against future considerations and alienation of selection rights. (a) The director may not negotiate or enter into a land exchange agreement which requires the identification of land, interest in land, or other consideration, except for the performance of necessary survey work, at any time after the agreement is initially executed.

(b) The director, in implementing the provisions of this chapter, may not alienate or agree not to exercise selection rights granted to the state in the Alaska Statehood Act or other applicable law authorizing the state to select land or interest in land. (§ 1 ch 240 SLA 1976)

Sec. 38.50.090. Coordination with other state agencies. (a) During the negotiation of a land exchange, the director shall consult with other departments and other divisions of the Department of Natural Resources relative to matters which are within their jurisdiction. If land under the jurisdiction of a state agency other than the Department of Natural Resources may be involved in a proposed exchange, the director shall afford the head of that agency an opportunity to participate in the discussions respecting the land.

(b) The director shall be afforded an opportunity to review and comment on any land exchange proposed by a state agency other than the Department of Natural Resources and the University of Alaska. (§ 1 ch 240 SLA 1976; am § 71 ch 152 SLA 1984)

Effect of amendments. — The 1984 amendment added "and the University of Alaska" at the end of subsection (b).

Sec. 38.50.100. Finding requirement as to alternatives. Before circulating notice under AS 38.50.110, the director shall consider other alternatives to achieve the objectives of the proposed exchange in an effort to determine whether the proposed exchange will best serve the public interest. In making this determination, the director shall consider, among other things, the advantages and disadvantages of acquiring the land or interest in land for the state by means of purchase, lease, or selection under the Alaska Statehood Act, or condemnation. In addition, the director shall consider alternatives to the disposal through exchange of the state land or interest in land, including, but not limited to, lease or sale. (§ 1 ch 240 SLA 1976)

Sec. 38.50.110. Notice of proposed exchange. (a) Not more than 60 days nor less than 30 days before a public hearing is scheduled under AS 38.50.120 the director shall circulate a notice containing the information specified in (b) of this section except as provided in (c) of this section. The director shall

(1) publish or post the notice as provided in AS 38.05.945, except as otherwise specified in this section; the director shall publish the notice in a newspaper of general circulation in the vicinity of the land which the state will receive and in the three most populated cities of the state;

(2) mail the notice to any person who has filed a request for notice of proposed exchanges;

(3) mail the notice to each member of the legislature;

(4) mail the notice to each municipality the boundaries of which encompass or are located within six linear miles of land involved in the proposed exchange;

(5) circulate the notice to the Office of the Governor and to all state departments;

(6) mail the notice to any corporation organized under the Alaska Native Claims Settlement Act, which corporation owns or has selected land located within a radius of 15 linear miles from land or property involved in the proposed exchange; and

(7) mail the notice to any other party, including an organization of land users, that the director considers appropriate.

(b) The notice of proposed exchange shall include the following information:

(1) a statement of the proposed action and a legal or other appropriate description of the tracts and potential uses of land involved in the proposed exchange;

(2) a map of sufficient scale to allow identification of each tract in relationship to reference points which are easily identified by laymen;

(3) the name and post office address of each party to the proposed exchange;

(4) a statement that any person asserting a claim to the property involved or desiring to comment or to obtain further information concerning the exchange should contact the office designated in the notice;

(5) the date, time, and place of a public hearing which has been scheduled in connection with the proposed exchange.

(c) The director shall provide the information required under (b) of this section in the notice required under AS 38.05.945(b) for exchanges of

(1) less than 500 acres of state land; or

(2) state land having an appraised or estimated fair market value of less than \$100,000. (§ 1 ch 240 SLA 1976; am § 14 ch 181 SLA 1978; am § 20 ch 182 SLA 1978; am §§ 72, 73 ch 152 SLA 1984)

Revisor's notes. — Former AS 38.50.110(a)(6) was amended by sec. 14, ch. 181 SLA 1978 and was repealed by sec. 20, ch. 182 SLA 1978. Although it appears likely that the repeal of former AS 38.50.110(a)(6) in ch. 182 was intended to be covered by the contingent effective date contained in sec. 27 of that Act, it was not included in that section or any of the other special effective date sections. Consequently, the repeal is treated as having the constitutional effective date of 90 days after ch. 182 became law, and this

repeal is treated as superseding the amendment contained in ch. 181.

Effect of amendments. — The 1984 amendment added subsection (c) and, in subsection (a), added "except as provided in (c) of this section" at the end of the first sentence in the introductory paragraph, combined the former two sentences in paragraph (1) into the present single sentence, redesignated former paragraphs (7) and (8) as present paragraphs (6) and (7), and substituted "the director" for "he" in paragraph (8).

Sec. 38.50.120. Public hearings. (a) The commissioner may hold as many public hearings as is considered appropriate. For an exchange of state land having an appraised or estimated fair market value of more than \$5,000,000, there shall be at least three public hearings in one or more municipalities close to the state land proposed for exchange before it is submitted to the legislature for approval.

(b) A person who desires to testify at a hearing shall be provided an opportunity to do so, subject to reasonable time limits. In addition, the director shall hold the hearing record open for at least two weeks following the conclusion of a hearing in order to receive supplemental or additional statements. (§ 1 ch 240 SLA 1976; am § 74 ch 152 SLA 1984)

Effect of amendments. — The 1984 amendment, in subsection (a), substituted "commissioner" for "director" in the first

sentence and rewrote the second sentence, which formerly read "There shall be at least one public hearing."

Sec. 38.50.130. Report on proposed exchange. (a) In conjunction with the public notice required by AS 38.50.110, the director shall prepare and distribute the report required by this section to the parties listed in AS 38.50.110(a)(2) — (7) and to any other party who requests

it. The report shall contain, among other things, a copy of the notice required by AS 38.50.110 and a discussion in a concise format designed to facilitate public understanding of the issues of

(1) the physical characteristics of the land involved, including the surface and mineral resources associated with the land;

(2) the appraised fair market value of each tract involved in the exchange or, if the exchange is for other than equal appraised fair market value, the nonmonetary values which are involved;

(3) the benefits and detriments which can be expected to accrue, including possible social, economic, and environmental impacts; and

(4) alternatives to the proposed exchange.

(b) Upon termination of the period provided for agency and public comment, the report and the proposed land exchange may be revised, if appropriate, to reflect comments or other information which has come to the director's attention. A brief summary of all comments and information received shall be appended to the report. (§ 1 ch 240 SLA 1976; am § 71 ch 59 SLA 1982)

Effect of amendments. — The 1982 amendment corrected an erroneous internal reference.

Sec. 38.50.140. Legislative review. Within 10 days of the convening of a regular legislative session, the governor shall transmit to the president of the senate and the speaker of the house of representatives any proposal for a land exchange required to be submitted to the legislature for approval under AS 38.50.020(a) that is scheduled to occur before the next legislative session. If exigent circumstances seriously affecting state interests so require, the governor may submit the proposed exchange to the legislature at some other time. A finding of exigent circumstances shall be carefully documented in the letter of transmittal. The director is authorized to conclude a proposed exchange agreement upon approval by the legislature of the proposed exchange agreement. A decision by the legislature to disapprove a proposed exchange shall be accompanied by a recommendation to the governor with respect to future actions which the director should take concerning the exchange. (§ 1 ch 240 SLA 1976; am § 75 ch 152 SLA 1984)

Effect of amendments. — The 1984 amendment substituted "required to be submitted to the legislature for approval under AS 38.50.020(a) that" for "for other than equal appraised fair market value which" in the first sentence and "upon approval by the legislature of the proposed

exchange agreement" for "unless either house of the legislature by simple resolution disapproves of the exchange within 60 legislative days of transmittal by the governor" in the next-to-last sentence and deleted "in his view" following "If" in the second sentence.

Sec. 38.50.150. Execution of exchange. If a deed, contract of exchange, or other instrument of conveyance which the director

receives to effectuate an exchange is properly executed, acknowledged, and authorized by the appropriate party, the director shall accept conveyance of title to the land and other property which the state is to receive as consideration, and shall issue a patent, contract of exchange or other instrument of conveyance to the appropriate party for the property which the director is then obligated to convey. Before acceptance by the director of a deed, contract of exchange or other instrument, no action taken by the director or by any other state official creates a right against the state with respect to state land. (§ 1 ch 240 SLA 1976)

Sec. 38.50.160. Regulations. The commissioner may adopt regulations under the Administrative Procedure Act (AS 44.62) necessary to carry out the purposes of this chapter. (§ 1 ch 240 SLA 1976)

Sec. 38.50.170. Definitions. In this chapter, unless otherwise specified,

- (1) "commissioner" means the commissioner of natural resources;
- (2) "director" means the director of the division of lands;
- (3) "state land" means all land including shore, tide and submerged land or unsevered resources belonging to or acquired by the state excluding interests in land severed or constructively severed from the land. (§ 1 ch 240 SLA 1976)

Chapter 95. Miscellaneous Provisions.

Article

1. Manner of Conveying State's Interest in Land under Its Jurisdiction (§ 38.95.010)
2. Management Contracts and Land Exchanges; P.L. 92-203 Corporations (§§ 38.95.050 — 38.95.080)
3. Steering Council for Alaska Lands (§§ 38.95.100 — 38.95.140)
4. Survey and Improvement of State Land (§§ 38.95.150 — 38.95.160)

Revisor's notes. — Through administrative reorganization, the Department of Natural Resources has eliminated the division of lands. Duties and responsibilities given to the division of lands under this chapter have been assigned to other divisions of the depart-

ment. Duties and responsibilities given to the director of the division of lands under this chapter have been assigned to the deputy commissioner for operations, who has been given the additional title "director of lands."

Article 1. Manner of Conveying State's Interest in Land under Its Jurisdiction.

Section

10. State's interest may not be obtained by adverse possession or prescription

ANACONDA Minerals Company

Denali Towers North
Suite 1000
2550 Denali Street
Anchorage, Alaska 99503
Telephone 907 276-8115



December 8, 1983

Honorable Esther Wunnicke, Commissioner
Department of Natural Resources
State of Alaska
Pouch M
Juneau, Alaska 99811

Dear Esther:

For the past several years Anaconda Minerals has been exploring in interior Alaska. In 1980 we discovered a lead-zinc-silver prospect located at Illinois Creek, approximately 30 miles southeast of Kaltag. Our subsequent drilling work has shown the prospect has good potential to develop into an operating property. The lands containing the deposits are Patented to the State of Alaska and we have staked numerous State Claims over the area. Anaconda is essentially the only claimant in the area.

We have been exploring interior Alaska under a joint venture agreement with Cook Inlet Region, Inc. (CIRI). Under the terms of that agreement, CIRI had asked us to support them in obtaining title to the Illinois Creek State lands in exchange for part of their Outer-Region selection rights under the terms of the Cook Inlet land exchange. We strongly support CIRI's obtaining title to these lands because we believe development would be facilitated by private ownership and the exchange is mutually beneficial for all of the parties involved. For Anaconda, private ownership of both the surface and subsurface estate hold several advantages. One of the prime advantages is the ability to prove title, particularly in view of the pending law suits against the State by environmental groups.

For the State of Alaska, the right to subsurface minerals has already been relinquished through Anaconda's claims. The surface values of the lands involved are low and the State would retain its sovereign authority for taxation and environmental protection. Transfers of these lands to CIRI would be a major step toward completing their Outer-Region selection entitlement under the terms of the Cook Inlet land exchange, thereby removing the possible title clouds from future State land patents.

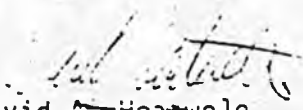
Honorable Esther Wunnicke, Commissioner
State of Alaska/CIRI Transfer of Lands
December 9, 1983
Page 2

Alaska Natives would particularly benefit from the transfer because of the ANCSA Section 7.I revenue sharing requirements and from local Native hire provisions which Anaconda and CIRI have as a part of their joint venture agreement.

The successful exploration of this area and its subsequent development would be a boost to the mining industry. A major development in interior Alaska would greatly increase activity throughout the State.

For the reasons outlined above, I believe that the proposed transfer to CIRI is mutually beneficial for all parties and I hope you will work closely with CIRI in culminating an agreement. Thank you for your help.

Sincerely yours,


David A. Heatwole
Alaska Exploration Manager

DAH/r1b



RECEIVED

GANNA-A' YOO LTD.

COOK INLET REGION, INC.
BOX 38 • GALENA, ALASKA 99741 • PHONE (907) 656-1606

RECEIVED

FEB 11 1985

February 11, 1985

COOK INLET REGION, INC

Mr. Roy Huhndorf, President
Cook Inlet Region, Inc.
P.O. Drawer 4-N
Anchorage, AK 99509

Dear Mr. Huhndorf:

Gana-a' Yoo, Ltd. (GYL) hereby issues this Letter of Non-Objection to Cook Inlet Region, Inc. (CIRI) pursuant to P.L. 94-204, Section 12(b)(6)(i). GYL supports CIRI's efforts in the acquisition of certain properties within the vicinity of Illinois Creek, approximately 48 miles southwest of Galena and approximately 30 miles southeast of Kaltag. This Letter of Non-Objection is subject to the following conditions:

- a) CIRI agrees to allow the continued use of the subsistence resources by rural residents on the unimproved lands within its acquisition.
- b) CIRI's right of Native hire and preferential contract rights under its agreement with Anaconda will be extended to Gana-a' Yoo, Ltd. and its shareholders.
- c) Logistical support for any operations on the property shall be handled through services provided by Gana-a' Yoo, Ltd. and its subsidiaries, to the extent feasible. To include fuel, propane and hardware supplies, air transportation services through Harold's Air Service, a wholly owned GYL subsidiary.
- d) CIRI shall pay GYL a standard \$100 Letter-of-Non-Objection fee.

Respectively,

Pat D. Sweetsir
Vice President, Lands

*C. Frank ...
in Sen. Surgeon's
Office*

The Honorable Don Bennett
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Bennett:

The 1976 approval of the Terms and Conditions for Land Consolidation and Management in the Cook Inlet Region (hereafter "Terms and Conditions") by the Alaska State Legislature signaled the end of a protracted period of Native, State and federal disagreement, litigation and negotiation. Since that time, the parties have worked together closely and diligently to fairly implement the provisions of that very complicated legislation.

During the past 30 months, the Department of Natural Resources, with cooperation from other State agencies, has worked with Cook Inlet Region, Inc. (CIRI) and other interested parties to finalize one of the last major aspects of the Terms and Conditions document. This aspect is most logically described in two parts, as follows below.

First, at the end of 1982, the State and CIRI signed an agreement concerning their respective rights to select and receive certain federal land outside the boundaries of the Cook Inlet Region. Essentially, the agreement identified a pool of approximately 30 townships of State-selected land which CIRI could select to fulfill its remaining out-of-region land entitlement. In return, CIRI waived its blanket priority right of nomination over existing State-selected lands, thus allowing the State to prioritize and receive the remainder of its previous selections in an orderly and expedited manner. This agreement obviated the possibility that the parties might resort unnecessarily to the complex and unknown results of the "strike and select mechanism" set out in the Terms and Conditions document.

The second area of agreement, and the primary subject of this letter, concerns a proposal by CIRI that approximately 43,000 acres of its remaining out-of-region selection entitlement be fulfilled with State land located near Illinois Creek, approximately 50 miles southwest of the village of Galena, and 20 miles east of the Yukon River. However, because these lands are already patented to the State, and the transfer includes the subsurface estate (as authorized by federal law), I believe legislative authorization of this proposal would be appropriate. Therefore, in anticipation of legislative consideration of this proposal during the 1985 session, I would like to explain the key components of this proposal.

If authorized by enabling legislation, the State will transfer to CIRI approximately 43,000 acres of land in partial fulfillment of CIRI's out-of-region land entitlement. In return, the State will receive a full acre-for-acre recoupment of the lands through additional selection rights to be applied to other available federal lands. Also, CIRI will waive its priority rights over the State to nominate for its own selection any future State land selections, thus precluding the need for the State to subject itself to the aforementioned "strike and select" mechanism.

I believe legislative approval of this proposal is in the best interests of the State for the following reasons:

1. This land is already included in the 30-township pool of land which CIRI may select to fulfill its out-of-region entitlement as provided in the November 18, 1982, State/CIRI Out-of-Region Agreement. This means that these lands have already been reviewed for transfer to CIRI by appropriate State agencies, and the requisite access and other public interests have been addressed and protected. Other than hard-rock mineral values (lead, zinc, silver, gold) the Illinois Creek area is not known to possess any significant resource values.
2. The hard-rock mineral rights (which are CIRI's major interest) have already been completely alienated from State ownership by claims filed by Anaconda Mining Company. CIRI and Anaconda have a working agreement which will significantly increase the changes for development of the resource. Anaconda has already stated its support for the proposal in writing, and there are no other mining claimants in the area. The State's sovereign authority to levy severance, income or other taxes on mineral production would not be affected by implementation of the proposal.

3. CIRI's waiver of its nomination priority over future State land selections will ensure that State selections are not subject to competition from CIRI for fulfillment of the State's remaining statehood land entitlement.
4. CIRI will waive any claim to lands within the TAPS Corridor between the North Slope Borough and the Yukon River. This will enable the State to be the sole entity able to select land within this important interior transportation corridor.
5. The interests of the local people will be fully considered. By terms of the original exchange legislation, CIRI must obtain certain approvals from local Native corporations before they may obtain title to any lands outside of their region. Gana-a'Yoo, Ltd., the Galena village corporation closest to the Illinois Creek area, has already indicated in writing its support of this proposal.
6. It will move the State and CIRI near the end of the major implementation issues of the Terms and Conditions document.

In advocating legislative approval of this proposal, I wish to point out that it is doubtful that this land would be selected today by the State, given our more sophisticated natural resource information base and selection processes, and that the only known resource value (hard-rock minerals) has already been alienated from State ownership.

Legislative approval of the proposal will put behind us the vast majority of the many difficult implementation issues raised by the Terms and Conditions. Your timely and thoughtful consideration of the proposal is therefore appropriate and encouraged.

Sincerely,

Esther C. Wunnicke

Esther C. Wunnicke
Commissioner

cc: George Kriste, CIRI
John Shively, Governor's Office

bcc: Tom Hawkins, DLWM
Gary Gustafson, DLWM
Pedro Denton, Mining
Jim Barnett, Deputy Commissioner
Marlyn Twitchell, Governor's Office

April 29, 1985

Mike Penfold, State Director
Bureau of Land Management
701 C. Street, Box 13
Anchorage, AK 99513

Subject: F-44008

Dear Mr. Penfold:

The State of Alaska's land conveyance priority list (p. 28) for federal fiscal year 85 (FFY 85) includes state selection F-44008 (Township 7 South, Range 8 West, F.M.) near Anderson. I am aware that your staff has previously been unable to convey this land to the state due to two factors: competing Cook Inlet Region, Inc. (CIRI) selections; and two military withdrawals (PLO 1847 and PLO 547).

Recently, CIRI relinquished its land selections near Anderson, thereby helping to facilitate the transfer of this land to the state. Unfortunately, however, the military withdrawals have not yet been removed. I therefore request your assistance to help expedite the removal of these excess military withdrawals as they apply to Sections 4, 5, 7 and 8. I am informed the withdrawal revocation process is underway. Conveyance of this land to the state will enable us to work directly with the City of Anderson to address its urgent need for land associated with community development activities. Thanks for your assistance.

Sincerely,

Tom Hawkins

Tom Hawkins
Director

BACKGROUND

The 1976 Cook Inlet Land Trade among the State, the federal government and Cook Inlet Region, Inc. (CIRI) was the largest and most complex single land transaction ever to occur in Alaska. Portions of the trade are still being implemented.

Background

1. The State participated in the Cook Inlet Land Trade to protect the validity of its previous land selections, to help stabilize future land ownership patterns in the Cook Inlet area, and to obtain otherwise unobtainable lands in the Talkeetna Mountains, Kamishak Bay, Koksetna River and Iliamna Lake areas. In all, the State received about 1.2 million acres through the trade, including federal surplus lands at Point Woronzof, Point Campbell, and the Campbell tract in the Anchorage bowl.
2. CIRI also received about 1.2 million acres in the trade. Of these, 625,000 acres were to be obtained within the regional corporation's boundaries, including some oil and gas rights within the oil Kenai Moose Range. The remainder of CIRI's entitlement was to be obtained out of region, assuming CIRI obtained the concurrence of the other affected regional corporations(s). The State may veto certain CIRI out-of-region land nominations, as well as up to 1,500 acres of in-region nominations. The specific in-region lands obtained in the trade from the State included about 25 percent of known coal reserves in the Beluga area.
3. CIRI's in-region selection pool includes federal surplus lands, including the subsurface to areas obtained by village's through ANCSA Section 3(e) determinations. This includes about 2,000 acres of Alaska Railroad property near Eklutna.
4. Subsequent trade amendments permit CIRI to convert all but ten townships (230,000 acres) of its out-of-region entitlement to acre-equivalents (\$500/acre) which may be used to bid on, and obtain, federal surplus properties outside Alaska until July 15, 1987.
5. In 1982 the State and CIRI entered into an agreement to govern and prioritize the State selected lands CIRI may receive, should the corporation decide to obtain more than the ten required townships in Alaska in fulfillment of their out-of-region entitlement. The agreement also provides a vehicle for the transfer of about 90,000 acres of State patented land near Illinois Creek to CIRI, pending legislative approval.

COOK INLET LAND TRADE FACT SHEET

Background

Under the Alaska Native Claims Settlement Act the people of the Cook Inlet Region are entitled to 1,250,000 acres of land of "like and similar character" to their original sites. The Cook Inlet Basin, however, is the most highly developed part of the state. The federal government has limited suitable holdings in this area from which land might be selected since virtually all of the low-lying, habitable lands were patented to the state under the Statehood Act. So the Native people were offered an entitlement rich only in mountain tops and glaciers--hardly "like and similar in character" to the lands they inhabited for many centuries, nor within the intent and spirit of the Claims Settlement Act.

For almost three years the Cook Inlet Region tried to resolve its land problems through a series of discussions with the Secretary of Interior. When further negotiation proved futile, the Region sued the Secretary in federal court and the case remains there now on appeal.

The State of Alaska was not a party to any of these actions, nor did Cook Inlet make any claims on it. But it soon became evident that despite its lack of legal involvement, the state had a vital stake in the conflict. For instance, if the legal appeal mentioned above is decided in favor of Cook Inlet, there is a very good chance that substantial tracts of land in the Lake Chelatna and Tuxedni Bay areas, selected by the state in a 1972 agreement with the Interior Department, would become available for selection by the native region. And not only would the state's Lake Chelatna area be jeopardized, but all of the 75,000,000 acres transferred to Alaska under that agreement might be lost.

Cook Inlet also took its problems to Congress where support came immediately from Senator Henry Jackson and Representative Lloyd Meeds, both effective advocates of native affairs, who publicly pledged to see that Congress protects Cook Inlet's rights. Again the state saw its interests in possible jeopardy as Congress mentioned areas for consideration in settlement such as the Swanson River oil field.

Either solution--judicial or Congressional--could be made at the expense of the State of Alaska without its consent or participation.

The state, therefore, at the urging of the Alaska Delegation, became a party to renewed negotiations along with the Department of Interior and the native region. The proposed agreement, hammered out after more than eight months of give and take, and approved by Congress and the President, is now before the Alaska Legislature awaiting approval.

DELIVER TO: <u>Mike Vedineir</u>	LOCATION: <u>Comm. - Tuxedni</u>
FROM: <u>Gail Gustafson</u>	LOCATION: <u>DLWM-014 Bldg</u>
TELEPHONE/TELECOPIER # _____	TOTAL NUMBER OF PAGES: <u>3</u>
TRANSMITTING ON SPEED _____	DATE: <u>4-30-85</u> TIME: <u>11:30</u>
PHONE FOR PROBLEMS NAME/NUMBER _____	
COMMENTS: <u>Vicki - 265-4346</u>	

Proposed Agreement

The purpose of this agreement is to end the element of uncertainty surrounding land use in the Southcentral part of Alaska by settling the native claims and the federal court case.

The basic design is thus: The federal government, realizing it cannot meet its responsibility to the Cook Inlet Region under the Claims Act for land of "similar character" because the state has patented to it virtually all such land in the Cook Inlet Basin, proposes to purchase approximately 500,000 acres from the state to satisfy the Region's entitlement. In return for these lands, the state will receive from the federal government approximately 2½ acres for one acre given up, or a total of 1,200,000 acres (a considerable increase over the Statehood allotment).

The opportunity was taken during the negotiations to help rectify the scattered, irrational land ownership patterns that presently exist and might continue to exist under any other solution.

State Receives:

- 26 townships in the Lake Clark, Iliamna area and 7 townships in the Tutna Lake area for fisheries management and development of parks and recreation to include sport hunting and fishing.
- 8 townships in the Talkeetna Mountains for parks and recreation.
- 11 townships in the Kamishak Bay area. This would become the only state-owned coastal land from Pt. Harriet on the west side of the Inlet to the tip of the Aleutian chain.
- Campbell Airstrip (site of proposed Far North Bicentennial Park), Pt. Woronzof, Pt. Campbell and Goose Lake.
- An additional selection right to 12.4 townships in the Talkeetna Mountains (in the Kenai River area where the state Experimental Forest is now located).

Cook Inlet Receives:

Federal lands

- Approximately 30 townships outside the Region. The federal and state governments will have the right to exclude certain lands from selection; in addition the state has an alternative "strike" prerogative throughout the selection.
- Subsurface rights only in one half township on the west side of the Inlet.

- 10,000 acres in the Kenai Moose Range. This land may not be sold for 25 years and the federal government retains first right of refusal. There is also a 300 yard restricted zone (compatible development) running along the waterfront of Tustumena Lake and Kasilo River.
- Subsurface rights only in 9½ townships in the Moose Range with development restricted to oil, gas or coal for gasification.

State Lands

- 1.2 townships in scattered tracts in the Mat-Su Valley.
- 5 townships in the lower Kenai Peninsula.
- 13.5 townships in the Beluga area containing 25% of the proven coal reserves (75% retained by the state).

Federal Government Receives:

- No land directly, but retains title to a number of townships within Cook Inlet Region which the Regional Corporation would otherwise select.
- Settlement of Cook Inlet Region's entitlement under the Claims Act.
- Settlement of Cook Inlet's law suit against the Secretary of the Interior.
- Minimal impact on the Moose Range.

Other Considerations:

- All lands transferred to the native corporation will contain Claim safeguards, such as easements.
- All state lands conveyed will contain dedicated or platted section line easements and highway or other rights of way.
- Guarantee of townships in Lake Chelatna and Tuxedni Bay now held by the state but under challenge in the federal law suit mentioned above.
- No oil and gas fields will be transferred to native ownership. All revenues currently received by the state, e.g., Swanson River, will continue.

Prepared by Cook Inlet Region, Inc. February, 1976.

APR 23 1985

OUT OF REGION AGREEMENT

This Agreement is entered into November 18, 1982, between the State of Alaska (the State) and Cook Inlet Region, Inc. (CIRI), regarding the provisions of subparagraph I(C)(1)(b) of the "Terms and Conditions for Land Consolidation and Management in the Cook Inlet Area," as clarified and supplemented (the Terms and Conditions).

The parties agree as follows:

1. Approval of CIRI "Red Line Pool" The State shall, upon request by CIRI, affirmatively support in writing expeditious conveyance of the lands to CIRI specified in Appendices I through VIII to this Agreement (the Red Line Pool) subject to the covenants, easements and conditions described in this Agreement and the Appendices. Within ten (10) days after written notice by CIRI of selection of the township(s), the State shall relinquish its selection or selections regarding a particular township(s).

2. Effect of "Red Line Pool". Within thirty (30) days after the date of this Agreement, the State shall note on its surface and subsurface estate status plats that there is a high probability that lands in the Red Line Pool may be selected by CIRI. CIRI agrees, subject to paragraph 8 of this Agreement, that it will not nominate to the Secretary under subparagraph I(C)(1)(b) of the Terms and Conditions any State-selected lands not contained in the Red Line Pool, provided that CIRI may request that State-selected lands outside of the Red Line Pool be included in said pool under the following circumstances:

In the event of a failure of required consent from the Secretary or a Regional Corporation under subparagraphs I(C)(1)(a) or (b) of the Terms and Conditions, or of a failure of required consent from the Secretary or a Native Corporation under subsection 12(b)(6) of Public Law 94-204; then CIRI may submit, and within thirty (30) days thereafter the State shall review and comment upon, additional CIRI selection interest

lands. Unless otherwise mutually agreed to, the parties shall meet at least once per week thereafter and negotiate in diligent good faith regarding approval of such lands for placement in the Red Line Pool. The intent of this process will be to attempt to replenish expeditiously the Pool in an amount equal to the lands for which there exists a failure of required consent as described above.

3. Release of Lands from the Red Line Pool and from CIRI Claims. Within 120 days of the date set by subparagraph I(C)(1)(b) of the Terms and Conditions, as extended by Congress, when CIRI is required to nominate at least six times its entitlement to the Secretary, CIRI shall make its final selections from the Red Line Pool. Any land in the Red Line Pool which CIRI does not select by that date is released from any claim under subparagraph I(C)(1)(b) of the Terms and Conditions. Any land in Alaska outside of the CIRI Region which CIRI may select under subparagraph I(C)(1)(b) of the Terms and Conditions and which CIRI has not selected within four months of completion of the pool is released from any further claim by CIRI under said paragraph.

4. Prioritization for Reduction of Nominations. Lands within the Red Line Pool described above have been prioritized into eight township groups, as described in Appendix IX, with Group A being CIRI's highest priority for retention in the pool and Group H being the lowest priority. Each township group has been further divided into two or more approximately township-sized units, with number one being CIRI's highest priority for retention in the pool. Within thirty (30) days of receipt of interim conveyance or title for any accumulation of 23,040 or greater acreage of CIRI's entitlement under subparagraph I(C)(1)(b) of the Terms and Conditions by any means other than the conveyance of lands from the Red Line Pool, including but not limited to conveyance of land pursuant to subparagraph I(C)(2) of the Terms and Conditions and the purchase of excess and surplus property, CIRI shall relinquish an equivalent number of acres according to the then lowest existing priority unit or units as shown in Appendix IX. The priorities in Appendix IX may be modified upon mutual consent of the parties.

5. Extension of Deadlines. The State hereby agrees to an extension, by appropriate federal legislation or valid agreement, of the

deadlines established in subparagraph I(C)(1)(b) of the Terms and Conditions for a period of twenty-four (24) months beyond the period established by Public Law 96-311.

6. Interim Abeyance of CIRI Nominations. Unless otherwise mutually agreed to by the parties, and subject to the provisions of paragraph 2 above, CIRI shall not designate any additional pre-June 1, 1982 state-selected lands pursuant to subparagraph I(C)(1) of the Terms and Conditions. CIRI may at any time, however, subject to paragraph 3 of this Agreement, nominate to its out-of-region pool any federal lands not selected by the State as of June 1, 1982, provided that in the event of a nomination by CIRI of such federal lands pursuant to subparagraph I(C)(1)(b) of the Terms and Conditions, the total number of acres to be nominated initially by CIRI ("6 times its remaining out-of-region entitlement") shall be reduced by the number of acres then-remaining in the Red Line Pool.

7. Proposed "Illinois Creek" Legislation. With respect to the lands described in Appendix II to this Agreement (hereinafter Illinois Creek), CIRI may formulate a legislative proposal containing the following terms:

(a) consideration for the conveyance of Illinois Creek to CIRI under the legislative proposal shall include:

(i) recoupment of selection rights by the State, with the ability to select federal lands unencumbered by mining claims (including lands with predominant surface value or oil and gas potential) and with the enlarged scope of selection provided by the extension of State selection deadlines and the ability to "top file" under Section 906 of Public Law 96-487;

(ii) subject to paragraph 8 of this Agreement, a waiver by CIRI of its priority over the State, pursuant to subparagraph I(C)(1)(c) of the Terms and Conditions, regarding selections of federal land outside of the Cook Inlet Region;

(iii) waiver by CIRI of any claim, including a claim under the Terms and Conditions to lands within the Trans-Alaska Pipeline

System Corridor (inner and outer) between the southern boundary of the North Slope Borough and the northern shore of the Yukon River, excluding lands placed in the Red Line Pool.

(iv) satisfaction of a portion of the CIRI out-of-region pool.

(b) the proposal shall be placed before the Alaska Legislature for affirmative approval;

Within ten (10) days after submission to the Department of Natural Resources of the legislative proposal as described above, the Commissioner of the Department of Natural Resources shall review the legislative proposal and consult with CIRI. Within ten (10) days thereafter, the Commissioner shall determine if the proposal is in the public interest and, if so, he shall provide to CIRI, to the Governor, to the President of the State Senate and the Speaker of the State House of Representatives, a letter affirmatively supporting approval of the legislative proposal and containing a detailed finding that the proposal is in the public interest and the reasons therefore.

8. Waiver of Claims to Portion of TAPS Corridor. CIRI waives any claim, including a claim under the Terms and Conditions, to lands within the inner and outer Trans-Alaska Pipeline System Corridor (TAPS Corridor) south of the north shore of the Yukon River, excluding lands placed in the Red Line Pool. This waiver does not affect the TAPS Corridor within the North Slope Borough.

9. Direct Conveyance Agreement. To the extent permitted by federal law, the State and CIRI agree to enter into an agreement with the Secretary of the Interior for direct conveyance of land in the Red Line Pool from the State to CIRI pursuant to Section 12(b)(11)(iii) of the Cook Inlet Region, Inc., Alaska Railroad Waiver Amendments, dated September 16, 1982.

10. Post-Conveyance Procedures. Within ninety (90) days following a conveyance to CIRI of particular lands as described in Appendices I through VI, CIRI shall grant to the State the respective easements and submerged lands depicted and described in Appendices I through VIII. With respect to

the lands described in Appendices I, II and VII, the State, within ninety (90) days after such time as CIRI has been conveyed such lands and the State has been conveyed the adjacent lands, shall revert to CIRI the easements designated in those Appendices. Road, trail and site easements shall be reserved in the general locations depicted and described in Appendices I through VIII, although actual final locations shall be determined upon field examination and mutual agreement. Easements are not ANCSA 17(b) easements and will continue until terminated by mutual agreement of both parties. Terms used in the Appendices are defined as follows:

(a) 25' Trail Easement. The 25 foot trail easements described and depicted on the maps in the Appendices are restricted to travel by foot, dogsleds, animals, snowmobiles, two- and three-wheeled vehicles, and small all-terrain vehicles (less than 3,000 lbs. G.V.W.).

(b) 50' Road Easement. The 50 foot road easements described and depicted on the maps in the Appendices are restricted to travel by large all-terrain vehicles (more than 3,000 lbs. G.V.W.), track vehicles and 4-wheel drive vehicles, in addition to the uses for 25 foot trail easements.

(c) Site Easement. Site easements described and depicted on the maps in the Appendices are reserved for aircraft landing or vehicle parking (e.g. aircraft, boats, ATV's, cars, trucks), temporary camping, loading or unloading at a trailhead, along an access route or waterway, or within a reasonable distance of a transportation route or waterway. Temporary camping, loading, or unloading shall be limited to 24 hours, except for site easements identified in Appendix I where camping shall be allowed for a period not to exceed fourteen (14) days.

(d) Submerged Land. CIRI shall convey whatever interest, if any, it has in land between the far left and far right banks of the waterbodies depicted in the Appendices, up to the line of ordinary high water.

11. Waiver of Right to Contest Certain Mining Claims on the Basis of Land Status. CIRI agrees that, with respect to mining claims, locations or

entries initiated on or before November 1, 1982; and asserted under Alaska state law on lands within the Red Line Pool, CIRI will not object to such claims, locations or entries on the basis that they were initiated on lands which were selected by, rather than tentatively approved or patented to, the State. This restriction applies solely to lands within the Red Line Pool and does not preclude objection or contest of any such claim, location or entry on any other grounds. CIRI shall not unreasonably deny access to any such valid existing claim. The holder of the mining claim, location or entry will have the complete enjoyment of all rights, privileges and benefits granted to such claim under state law. Upon issuance of patent, CIRI shall succeed and become entitled to any and all interests of the State as grantor and licensor of the mining claim location or entry, including its administration pursuant to applicable state law.

12. Both parties to this Agreement participated in its drafting; accordingly, it should be construed in order to effectuate the intents and purposes of the parties, without a preference for resolution of its terms in favor of one party or the other. The effect of this provision is limited to the terms of this Agreement.

Dated: _____

State of Alaska

John W. Katz
Commissioner,
Department of Natural Resources

Dated: Nov 18, 1982

Approved as to form.
Office of the Attorney General

Barbara J. Hewitt / 11/18/82

Dated: 11/12/82

Cook Inlet Region, Inc.

Roy M. Huhndorf
Roy M. Huhndorf, President