

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8724 HOUSE RESOURCES

p.2

modest change in the right direction. The one thing I agree with DNR on is that the law needs to be changed.

I am writing to your committee to request that you change sec. 17 AS 38.05.065 (i) by striking "plus 4 percent," and change "the total rate of interest may not exceed 13.5 percent" to read "the rate of interest may not exceed 10 percent."

My interest in this whole matter is in farm land. Someone buying a 5 acre homesite could possibly afford a 12% or 13% interest rate. However, when purchasing land to develop a profitable farming operation which could very well mean a purchase of over \$50,000 the interest rate charged becomes a significant factor. Beginning farmers need to be charged a rate that is more in line with commercial rates, or below for that matter. The 7% to 9% range would be much more acceptable than 12% to 13%.

p. 3

This change in the law would have no effect on my land contract, that is a done deal. But it certainly could help someone in the future that would be starting out or expanding.

Thank you.

Sincerely,

J. M. Schultz

1 purchase price within 30 days after receiving notification of the selection.

2 * Sec. 15. AS 38.05.065(a) is amended to read:

3 (a) The contract of sale for land sold at public auction under AS 38.05.055
4 shall require the remainder of the purchase price to be paid in monthly, quarterly, or
5 annual installments over a period of not more than 20 years, with interest at the
6 [PREVAILING] rate provided in (i) of this section [FOR REAL ESTATE
7 MORTGAGE LOANS MADE BY THE FEDERAL LAND BANK FOR THE FARM
8 CREDIT DISTRICT FOR ALASKA AT THE TIME THE CONTRACT IS SIGNED].
9 Installment payments plus interest shall be set on the level-payment basis.

10 * Sec. 16. AS 38.05.065(b) is amended to read:

11 (b) The contract of sale for land sold under AS 38.05.057 or under former
12 AS 38.05.078 shall require the remainder of the purchase price to be paid in monthly,
13 quarterly, or annual installments over a period of not more than 20 years. Installment
14 payments plus interest shall be set on the level-payment basis. The interest rate to be
15 charged on installment payments is the [PREVAILING] rate provided in (i) of this
16 section [FOR REAL ESTATE MORTGAGE LOANS MADE BY THE FEDERAL
17 LAND BANK FOR THE FARM CREDIT DISTRICT FOR ALASKA AT THE TIME
18 THE CONTRACT IS SIGNED].

19 * Sec. 17. AS 38.05.065 is amended by adding a new subsection to read:

20 → (i) The interest rate for contracts under this section is the prime rate as
21 reported in the Wall Street Journal on the first business day of the month in which the
22 contract is sent to the purchaser for signature ^{strike} plus 4 percent ² however, the ² total rate
23 of interest may not exceed ~~13.5~~ ^{10%} percent.

24 * Sec. 18. AS 38.05.069(e)(2) is repealed and reenacted to read:

25 (2) "adjacent" means that a tract of land has a common boundary or
26 corner to presently held land or is separated from the presently held land only by a
27 physical barrier such as a road or stream.

28 * Sec. 19. AS 38.05.082(b) is amended to read:

29 (b) The director may classify land as subject to leases for fisheries
30 development. In an area or region of the state for which a land use plan has not been
31 adopted under AS 38.04.065, the director may classify land for lease under this section

HB

195

Alaska State Legislature



While in Session:
State Capitol Building
Juneau, Alaska 99801-1182
907-465-3719

Interim:
119 N. Cushman
Suite 211
Fairbanks, Alaska 99701
907-456-5081

Representative Al Vezey

SPONSOR STATEMENT

HB-195 is an effort to delete a statute that serves no useful purpose. The milk marketing board was repealed by the Eighteenth Alaska State Legislature and the statutes for milk marketing have never been used. This bill will help reduce by one, the overabundance of useless statutes.

Legislative Research Agency

130 Seward Street, Suite 218
Juneau, Alaska 99801-2196

Alaska State Legislature




Phone: (907) 465-3991
Fax: (907) 463-3351

February 28, 1995

MEMORANDUM

TO: Representative Al Vezey

FROM: Gordon S. Harrison, Director 

RE: **Milk Marketing Orders (AS 03.07.040-100)**
Research Request 95.142

You asked for background information on AS 03.07.040-100, the statutory provisions that authorize the director of the Division of Agriculture in the Alaska Department of Natural Resources to issue "milk marketing orders." There does not appear to be much background information to report. This law dates back to 1962, when it was adopted in response to milk marketing problems and conflicts at the time. Its purpose is to allow the state to allocate production among dairy farmers when local production is surplus to local needs and creameries will purchase only part of what the farmers can deliver. According to Ed Kerns, a long-time employee of the Division of Agriculture, marketing orders have never been adopted by the department. Until last year, there was also a milk advisory board to advise the director of the division about milk marketing matters and the necessity for marketing orders, but it was abolished by section 13, Chapter 43, SLA 1994.

Please call if you would like additional information.

Alaska State Legislature



While in Session:
State Capitol Building
Juneau, Alaska 99801-1182
907-465-3719

Interim:
119 N. Cushman
Suite 211
Fairbanks, Alaska 99701
907-456-5081

Representative Al Vezey

MEMORANDUM

February 28, 1995

TO: Rep. Joe Green, Co-Chairman, House Resources Committee

FROM: Rep. Al Vezey

SUBJECT: Scheduling of a bill for hearing.

Please schedule HB-195, "An Act repealing the laws authorizing milk marketing orders and the milk advisory board."

Please be informed that my aide Joe Ryan, has had drafted, a Committee Substitute that has been cleared for your committee to obtain upon request from legislative legal services

FISCAL NOTE

STATE OF ALASKA

BILL NO. HB195

1995 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources
 Title: An Act repealing the laws authorizing milk marketing orders and the milk advisory board. BRU: Agricultural Development
 Sponsor: Representative Vezey Component: Agricultural Development
 Requestor: _____ Component Serial No. 455

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.3	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ None

POSITIONS						
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact associated with implementation of this legislation.

Prepared by: John Cramer, Director Phone: 745-7200
 Division: Agriculture Date: 28-Feb-95
 Approved by Commissioner: _____ Date: 2-23-95
 Agency: Natural Resources

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HB

197

HOUSE COMMITTEE REPORT

(9)

Date Referred: February 27, 1995

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/20/

The RESOURCES Committee considered:

HB 197

HOUSE BILL NO. 197

MINERAL EXPLORATION INCENTIVE CREDITS

"An Act providing for exploration incentive credits for activities involving locatable and leasable minerals and coal deposits on certain land in the state; and providing for an effective date."

recommends it be replaced
with the following committee substitute

CS 17B 197 (Res)

the same title
 a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: Res Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) DNR

fiscal note(s) _____

Rev

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Eileen B. McLean</i>	✓			
<i>John Davis</i>	X			
<i>Bob Ford</i>	✓			
<i>Alan O'Connell</i>			/	
<i>Scott O'Connell</i>			/	
<i>Bill Williams</i>	✓			
<i>Joseph [unclear]</i>	✓			

CHAIR'S SIGNATURE *Joseph [unclear]*



Alaska State Legislature
HOUSE OF REPRESENTATIVES
Committee on Resources

State Capitol
Juneau, Alaska
99801

TO: Representative Richard Foster, Co-Chair
Representative Mark Hanley, Co-Chair
House Finance Committee

FR: Representative Joe Green, Co-Chair
Representative Bill Williams, Co-Chair
House Resources Committee

RE: CSHB197(Res)

DATE: March 21, 1995

The Resources Committee has considered, and passed with individual recommendations, CSHB197(Res).

However, concern was expressed by the Department of Revenue, both in their fiscal note, and during oral deliberation on the bill, that due to the interstate organization of some corporations, situations could arise that might defeat the purpose of limiting tax credits to 50%.

A suggestion was made, and the committee agreed, that this is an area better left for review by the Finance Committee.

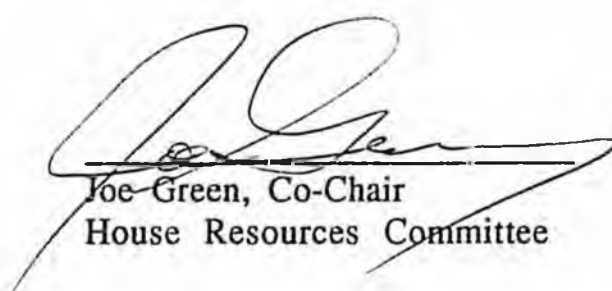


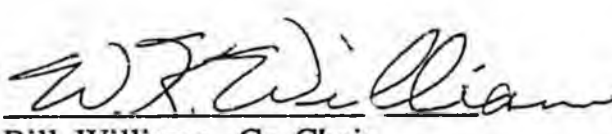
Alaska State Legislature
HOUSE OF REPRESENTATIVES
Committee on Resources

State Capitol
Juneau, Alaska
99801

Letter of Intent to accompany CSHB197(Res)

It is the intent of the House Resources Committee that in implementing HB197, the Division of Mining and Water make every effort to minimize and limit regulations. The committee views this legislation as a positive signal to investors who may be considering investment in Alaska. Promulgation of a complex set of regulations would send a negative message to investors who view complexity and uncertainty as undesirable.


Joe Green, Co-Chair
House Resources Committee


Bill Williams, Co-Chair
House Resources Committee

HOUSE RESOURCES COMMITTEE
Roll Call and Members' Bill Votes

* (indicates first public hearing)

Room 124, Capitol Bldg.

(Mon.), Wed., Fri.

Date: 5/20/95

Tape# 95-36 Joint _____

Time: 8:08 (am/pm) Time Adjourned: _____ am/pm

ROLL CALL:

	PRES	ABS	TIME	AR	<i>Amend.</i>	<i>Amend. added</i>	<i>Amend. deleted</i>
Rep. Joe Green	✓	_____	_____	_____	N	Y	N
Rep. Bill Williams	✓	_____	_____	_____	Y	Y	N
Rep. Scott Cgan	✓	_____	_____	_____	Y	Y	N
Rep. Alan Austerman	✓	_____	_____	_____	Y	Y	N
Rep. Ramona Barnes	_____	_____	_____	_____	_____	_____	_____
Rep. John Davies	✓	_____	_____	_____	Y	Y	Y
Rep. Pete Kott	✓	_____	_____	_____	N	Y	N
Rep. Eileen MacLean	_____	_____	<u>9:35</u>	_____	_____	N	N
Rep. Irene Nicholia	_____	_____	_____	_____	<u>NY 2N</u>	_____	<u>6N1Y</u>

Other Legislators Present Prosser, Ve 2004

AGENDA:

Bill No.	Short Title	Action Taken
<u>HB 59</u>	<u>Raffle or Auction of Big Game Permits</u>	<u>CSHB 59 (RES) Out</u>
<u>HB 141</u>	<u>Term of Fish and Game Board Members</u>	<u>CSHB 141 (FSH) Out</u>
<u>HB 197</u>	<u>Mineral Exploration Credits</u>	<u>CSHB 197 (RES) Out</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

OTHER

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Juneau, Alaska 99801-2105*

Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

*House Resources
3-20-95 8:08am
Tape # 95-36
HB 197*

9-LS0642M
Chenoweth
3/18/95

CS FOR HOUSE BILL NO. 197()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES FOSTER, Vezey

A BILL

FOR AN ACT ENTITLED

1 "An Act providing for exploration incentive credits for activities involving locatable
2 and leasable mineral and coal deposits on certain land in the state; and
3 providing for an effective date."

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

5 * Section 1. AS 27 is amended by adding a new chapter to read:

6 CHAPTER 30. EXPLORATION INCENTIVE CREDITS.

7 Sec. 27.30.010. EXPLORATION INCENTIVE CREDITS AUTHORIZED.

8 (a) The commissioner shall grant to a qualified applicant an exploration incentive credit
9 for the eligible costs of each of the following exploration activities that are performed
10 on or for the benefit of land in the state for the purpose of determining the existence,
11 location, extent, or quality of a locatable or leasable mineral or coal deposit, regardless
12 of whether the land is state-owned land:

- 13 (1) surveying by geophysical or geochemical methods;
- 14 (2) drilling exploration holes;
- 15 (3) conducting underground exploration;

1 (4) surface trenching and bulk sampling; or

2 (5) performing other exploratory work, including aerial photographs,
3 geological and geophysical logging, sample analysis, and metallurgical testing.

4 (b) An exploration incentive credit may not be granted under (a) of this section
5 for exploration activity described in that subsection that occurs after the mine
6 construction commencement date. In this subsection, "mine construction commencement
7 date" means the date ^{no later than} on which all of the following have occurred:

8 (1) there has been issued to the owner or an agent of the owner permits,
9 leases, and title and other rights in land, and other approvals, permits, licenses, and
10 certificates, by federal, state, and local agencies that a reasonable and prudent person
11 would consider adequate to commence construction of a mine in the expectation that all
12 other approvals, permits, licenses, and certificates necessary for the completion of the
13 facilities will be obtained;

14 (2) all approvals, permits, licenses, and certificates are in full force and
15 effect, unrevoked and without any modification that might jeopardize the completion or
16 continued construction of the mine; and

17 (3) an order, judgment, decree, determination, or award of a court or
18 administrative or regulatory agency enjoining, either temporarily or permanently, the
19 construction or the continuation of construction of the mine is not in effect.

20 Sec. 27.30.020. APPLICATION OF CREDIT. An exploration incentive credit
21 granted under AS 27.30.030 may be

22 (1) applied, at the discretion of the qualified applicant, against

23 (A) taxes payable under AS 43.20 and AS 43.65 that are related
24 to production from the site on which the exploration activities occur;

25 (B) mineral production royalty payments due the state under
26 AS 38.05.135 - 38.05.175 and 38.05.212 for production from the site on which
27 the exploration activities occur; and

28 (C) annual rent payable under AS 38.05.211 for the site on which
29 the exploration activities occur;

30 (2) carried forward to a subsequent tax year or royalty or rental payment
31 period, except as limited by AS 27.30.040.

32 Sec. 27.30.030. PROCEDURE FOR OBTAINING THE CREDIT. To obtain

1 the credit authorized by this chapter.

2 (1) the prospective credit applicant must certify annual expenditures and
3 obtain approval of an annual certification of expenditures as follows:

4 (A) the applicant must submit a certification of expenditures for
5 the previous calendar year not later than 60 days after the close of that calendar
6 year;

7 (B) the certification must describe the work accomplished during
8 the previous year, the number of employees, and the names and number of
9 consultants, and provide a detailed list or ledger of expenditures;

10 (C) the applicant is not required to transmit copies of receipts
11 with the certification, but the certification is subject to audit in the discretion of
12 the commissioner;

13 (D) if the commissioner determines to audit the applicant's
14 certificate, the commissioner may require the prospective credit applicant to
15 justify claims of expenditures with receipts and other reliable information;

16 (E) the commissioner shall respond to the prospective credit
17 applicant's certification of expenditures by September 30 by approving or
18 disapproving the certification; if the commissioner

19 (i) disapproves the applicant's certification, the
20 commissioner shall state the reasons for disapproval and give the
21 applicant an opportunity to correct any problems or to provide additional
22 information;

23 (ii) approves the applicant's certification, the
24 commissioner shall certify the applicant's expenditures and specify the
25 exploration activity data requirements for that year that must be presented
26 to the department at the time of application for the credit;

27 (F) if the commissioner neither approves nor disapproves the
28 certification of expenditures by September 30, the certified expenditures are
29 automatically approved;

30 (2) the prospective credit applicant whose annual certification of
31 expenditures has been approved under (1) of this subsection may thereafter request
32 approval of the credit for the certified expenditures as follows:

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(A) the credit applicant shall deliver to the commissioner the exploration activity data identified by the commissioner under (1)(E)(ii) of this section, and shall request the commissioner's approval of the exploration incentive credit;

(B) the commissioner shall approve or disapprove the credit application within six months after receipt of the application for credit; if the

(i) exploration activity data complies with the requirements identified by the commissioner under (1)(E)(ii) of this section, the commissioner shall approve the credit;

(ii) credit application is disapproved, the commissioner shall state the reasons for disapproval and offer the applicant an opportunity to correct any problems or to provide additional exploration activity data or other information;

(C) if the commissioner neither approves nor disapproves the credit application within six months after submission of the credit application, the credit is approved.

Sec. 27.30.040. LIMIT ON CREDITS. (a) The amount of the exploration incentive credit for each site that may be taken during a tax year or royalty payment period may not exceed 50 percent of the combined amount payable by the applicant as

(1) taxes payable under AS 43.20 and AS 43.65 that are related to production from the site on which the exploration activities occur;

(2) mineral production royalty payments due the state under AS 38.05.135 - 38.05.175 and 38.05.212 for production from the site on which the exploration activities occur; and

(3) annual rent payable under AS 38.05.211 for the site on which the exploration activities occur.

(b) Except as its application or use is limited by AS 27.30.020 and 27.30.050, a portion of a credit that is not applied or used under (a) of this section may be carried forward to and applied during a subsequent tax year or royalty payment period.

Sec. 27.30.050. USE OF CREDIT. An exploration incentive credit

(1) must be used within ~~any~~ 15 tax years or royalty payment periods after it is approved under AS 27.30.030(a)(2), but the tax years or royalty or rental payment

1 periods in which the credit is used need not be

2 (A) the tax year or royalty or rental payment period in which the
3 qualified applicant first incurs liability for payment of tax, royalty, or rent based
4 on the applicant's activity that is the basis of the claim of the exploration
5 incentive credit; or

6 (B) consecutive periods; and

7 (2) may, for the purposes described in AS 27.30.020, be assigned by the
8 qualified applicant to the applicant's successor in interest for the site at which the
9 exploration activities occur if the successor in interest is a qualified applicant; once the
10 applicant has assigned the credit to a successor in interest, the applicant may not use the
11 assigned credit.

12 Sec. 27.30.060. RELATIONSHIP TO OTHER FUNDS. Amounts due the
13 permanent fund under AS 37.13.010 shall be calculated before the application of a credit
14 extended under this chapter.

15 Sec. 27.30.070. REGULATIONS PROHIBITED. The commissioner may not
16 adopt regulations to implement this chapter.

17 Sec. 27.30.080. CONFIDENTIALITY OF DATA. (a) The commissioner shall
18 keep the exploration activity data provided under AS 27.30.030 confidential for 36
19 months after receipt by the department.

20 (b) The department is liable in ^{actual} damages to a person who provided the
21 exploration activity data under AS 27.30.030 if the data is disclosed in violation of (a)
22 of this section.

23 Sec. 27.30.090. DEFINITIONS. In this chapter,

24 (1) "eligible costs" mean the costs incurred for activities in direct support
25 of exploration activity conducted at the site of the exploration activity for the purpose
26 of determining the existence, location, extent, or quality of a mineral or coal deposit; the
27 term

28 (A) includes

29 (i) the costs of obtaining the approvals, permits, licenses,
30 and certificates for an exploration activity set out in AS 27.30.010(a)(1) -
31 (5);

32 (ii) direct labor costs, including the cost of benefits, for

- 1 employees directly associated with work described in AS 27.30.010(a)(1)
2 - (5);
- 3 (iii) the cost of renting or leasing equipment from parties
4 not affiliated with the applicant;
- 5 (iv) the reasonable costs of maintaining and operating
6 equipment;
- 7 (v) insurance and bond premiums associated with the
8 activities set out in (i) - (iv) of this subparagraph;
- 9 (vi) payments to consultants and independent contractors;
10 and
- 11 (vii) the general expense of operating the taxpayer's
12 business, including the costs of materials and supplies, if those expenses
13 and costs are directly attributable to the work described in
14 AS 27.30.010(a)(1) - (5); and
- 15 ~~(viii) the costs of obtaining the approvals, permits,
16 licenses, and certificates from federal, state, and local agencies that a
17 reasonable and prudent person would consider adequate to commence
18 construction of the mine at the site of the exploration activity;~~
- 19 (B) does not include noncash expenses such as depreciation and
20 reserves, interest or other costs of borrowed funds, return on investment,
21 insurance or bond premiums not covered under (A)(v) of this paragraph, or any
22 other expense that is unreasonable or that the applicant has not incurred to
23 complete work described in AS 27.30.010(a)(1) - (5);
- 24 (2) "exploration activity data" includes, as applicable,
- 25 (A) a representative skeleton core for each hole cored or a
26 representative set of cuttings for each hole rotary drilled;
- 27 (B) chemical analytical data and noninterpretive geophysical data;
- 28 (C) aerial photographs or a topographic or geologic map showing
29 the location of the drill holes, sample locations, or the other exploration activities
30 undertaken;
- 31 (3) "geochemical methods" means soil, rock, water, air, vegetation, and
32 similar samples collected and their chemical analyses;

1 (4) "geophysical methods" means all geophysical data gathering methods
2 used in mineral or coal exploration, including seismic, gravity, magnetic, radiometric,
3 radar, and electromagnetic and other remote sensing measurements;

4 (5) "qualified applicant" means

5 (A) a natural person who is at least 18 years of age;

6 (B) a partnership qualified to do business in the state;

7 (C) a corporation qualified to do business in the state;

8 (D) a limited liability company qualified to do business in the

9 state;

10 (E) a legal guardian or trustee of a qualified natural person
11 described in (A) of this paragraph; or

12 (F) any association of persons listed in (A) - (E) of this
13 paragraph.

14 * Sec. 2. AS 38.05.135(a) is amended to read:

15 (a) Except as otherwise provided, valuable mineral deposits in land belonging
16 to the state shall be open to exploration, development, and the extraction of minerals.
17 All land, together with tide, submerged, or shoreland, to which the state holds title to or
18 to which the state may become entitled, may be obtained by permit or lease for the
19 purpose of exploration, development, and the extraction of minerals. Except as
20 specifically limited by AS 38.05.135 - 38.05.181, land may be withheld from lease
21 application on a first-come, first-served basis, and offered only on a competitive bid basis
22 when determined by the commissioner to be in the best interests of the state. When
23 authorized by AS 27.30.030, the commissioner shall allow an exploration incentive
24 credit for activities undertaken to determine the existence, location, extent, or
25 quality of a locatable or leasable mineral or coal deposit and in [IN] unproven areas
26 the commissioner may offer additional incentives, including a reduction of royalty to a
27 minimum of five percent in the case of oil and gas, and other terms in and granting
28 permit or lease for exploration and development whenever it appears to be in the best
29 interests of the state to do so.

30 * Sec. 3. AS 38.05.211(c) is amended to read:

31 (c) The rental for each year

32 (1) is subject to the claim of the exploration incentive credit

1 authorized by AS 27.30; and

2 (2) after allowance of the credit claimed under (1) of this subsection,

3 shall be credited against the production royalty under AS 38.05.212 as it accrues for that
4 year.

5 * Sec. 4. AS 38.05.212(b) is amended to read:

6 (b) The production royalty

7 (1) is three percent of net income as determined under AS 43.65; and

8 (2) is subject to the exploration incentive credit authorized by

9 AS 27.30.

10 * Sec. 5. AS 43.20 is amended by adding a new section to read:

11 Sec. 43.20.044. EXPLORATION INCENTIVE CREDIT. A taxpayer may apply
12 as a credit against the tax levied under this chapter the exploration incentive credit
13 authorized by AS 27.30.

14 * Sec. 6. AS 43.65.020(a) is amended to read:

15 (a) A person subject to tax under this chapter shall make a return stating
16 specifically the items of gross income from the property, including royalty received and
17 the deductions and credits allowed by this chapter and the exploration incentive credit
18 authorized by AS 27.30, and other information for carrying out this chapter that the
19 department prescribes. The return must show the mining license number and must be
20 signed by the taxpayer or an authorized agent of the taxpayer, under penalty of unsworn
21 falsification. If receivers, trustees, or assigns are operating the property or business, they
22 shall make returns for the person engaged in mining, or the recipient of royalty in
23 connection with mining property. The tax due on the basis of the returns shall be
24 collected in the same manner as if collected from the person of whose business they have
25 custody and control.

26 * Sec. 7. This Act is retroactive to January 1, 1995, and applies to activities that qualify for
27 the exploration incentive credit authorized by AS 27.30 that are undertaken after December 31,
28 1994.

29 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

HOUSE RESOURCES COMMITTEE
Roll Call and Members' Bill Votes

* (indicates first public hearing)

Room 124, Capitol Bldg.

Mon., Wed., Fri

Date: 3/17/95

Tape# 95-35 Joint _____

Time: 8:37 am/pm Time Adjourned: _____ am/pm

ROLL CALL:	PRES	ABS	TIME AR	_____	_____	_____
Rep. Joe Green	✓	_____	_____	_____	_____	_____
Rep. Bill Williams	_____	_____	<u>8:40</u>	_____	_____	_____
Rep. Scott Ogan	_____	_____	_____	_____	_____	_____
Rep. Alan Austerman	_____	_____	_____	_____	_____	_____
Rep. Ramona Barnes	_____	_____	_____	_____	_____	_____
Rep. John Davies	✓	_____	_____	_____	_____	_____
Rep. Pete Kott	✓	_____	_____	_____	_____	_____
Rep. Eileen MacLean	_____	_____	_____	_____	_____	_____
Rep. Irene Nicholia	_____	_____	_____	_____	_____	_____

Other Legislators Present Burke, Verney

AGENDA:

Bill No.	Short Title	Action Taken
<u>HB 59</u>	<u>Raffle of Auction of Big Game Permits</u>	_____
<u>HB 197</u>	<u>Mineral Exploration Incentive Credits</u>	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

House Resources
3-17-95 8:37am
Tape #95-35
HB 197

50414

HOUSE RESOURCES COMMITTEE



Alaska State Legislature
House of Representatives

DATE: 3/17/95

PLACE: ROOM 124

SUBJECT OF MEETING:

HB 59 - Raffle or Auction
of Big Game Permits
HB 197 - Mineral Exploration
Incentive Credits

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
✓ Owen Bunn	ADF+G	Bx 25526 JUNCOAN	99702		465-6143	(Y) N	HB 59
Paul Dick	Revenue				369-1	Y N	If Questions
✓ Lisa Blocker	Ar. Env. Lobby					(Y) N	HB 59
						Y N	
						Y N	
						Y N	
TK Randy Wild		P.O. Box 56345 ^{North Pole} Palmer	99705	788-0541		Y N	
John Hartwick		3432 Johnson Rd. North Pole	99705	488-6593		Y N	
Eddie Grasser		P.O. Box 2193 Palmer	99645	745-3776		Y N	
						Y N	



ALASKA STATE LEGISLATURE
REPRESENTATIVE RICHARD FOSTER

Session: STATE CAPITOL, ROOM 410, JUNEAU ALASKA 99811 • 907-465-3789 • FAX 907-465-3242
Interim: PO BOX 1630, NOME ALASKA 99762 • 907-443-5036 • FAX 907-443-2162

CO-CHAIR, HOUSE FINANCE COMMITTEE

Sponsor Statement - HB 197

An Act Providing for Exploration Incentive Credits for Activities Involving Locatable and Leasable Minerals and Coal Deposits on Certain Land in the State.

Alaska's economic future is dependent upon resource development, always has been and always will be, that's a fact. Alaska is rich in mineral resources. Many of our communities, including our capital of Juneau, owe their very existence to the rich mineral deposits beneath or near municipal boundaries. Future deposits have yet to be discovered and will only be developed following extensive exploration efforts.

But Alaska alone does not have a lock on opportunities. Our world is now a globally competitive arena. Competition for available exploration capital is intense. International corporations comb the globe for prospects to locate and develop low cost mining operations. In order to attract exploration in Alaska, we as a state must remain competitive.

HB 197 offers such an incentive to industry. Under this legislation exploration dollars invested in development of a producing mine would be eligible for credit against taxes due as a result of production revenues. If the prospect never advances to the production phase, no credits are released.

Without tax incentives, current trends will most certainly continue. In the past decade, available exploration investments have poured

Sponsor Statement - HB 197

Page 2 of 3.

out of the country and into lucrative third world countries where governments welcome investments with limited regulation, minimal taxes, if any at all, and very low cost production expenses, including labor and environmental. Chile, Columbia, Mexico, Indonesia and Canada have all benefited from this outflow of American capital. This is detrimental to our long range economic future and threatens to doom our future generations to continued government dependence for cost of living subsidies.

Often the perception of the taxing environment within a given locale is just as significant as the tax itself. HB 197 proposes a tax credit which sends a strong message to the industry that, indeed, "Alaska is open for business."

Exploration dollars stay in state. Partnerships with land rich native corporations are certain to require local hire. Logistical operations depend wholly upon local businesses for local knowledge and equipment.

Given the fact that Alaskan mining operations have to contend with high labor costs, logistical complexities and limited infrastructure in vast areas of the state, it is reasonable that we encourage interested parties through tax credits. Without extensive exploration, producing mines will unlikely occur.

HB 197 is priority one for the Alaska Minerals Commission. This astute body has reviewed all aspects of the mining industry in Alaska and concluded that this is essential legislation.

This legislation was considered during the Eighteenth Legislature and passed both bodies. Unfortunately, the changes made in the Senate failed to receive concurrence due to adjournment.

The administration is pursuing similar legislation for oil and gas exploration and development tax credits in an effort to stimulate

Sponsor Statement - HB 197

Page 3 of 3.

additional development of our petroleum resources. HB 197 parallels this outreach effort into the minerals industry.

I support the Alaska Minerals Commission and have introduced this legislation on their behalf. I encourage your consideration and endorsement on HB 197. Thank you.

FISCAL NOTE

STATE OF ALASKA

BILL NO. HB197

1995 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources
 Title: An Act providing for exploration incentive credits BRU: Resource Development
for activities involving locatable and leasable minerals and coal... Component: Mining Development
 Sponsor: Representative(s) Foster, Vezey
 Requestor: _____ Component Serial No. 442

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	54.0	54.0	54.0	54.0	54.0	54.0
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	2.0	2.0	2.0	2.0	2.0	2.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	62.0	62.0	62.0	62.0	62.0	62.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1004)	0.0	0.0	0.0	est. (100.0)	est. (100.0)	(1,900.0)

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF	62.0	62.0	62.0	162.0	162.0	429.4
1005 GF/Program Receipts				(100.0)	(100.0)	(367.4)
1006 GF/MHTIA						
Other						
TOTAL	62.0	62.0	62.0	62.0	62.0	62.0

Estimate of any current year (FY95) cost: \$ 10.0

POSITIONS	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared by: Jules Tileston, Director Phone: 762-2165
 Division: Mining and Water Date: 7-Mar-95
 Approved by Commissioner: [Signature] Date: 3-7-95
 Agency: Natural Resources

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ATTACHMENT TO FISCAL NOTE - HB197

March 7, 1995

If exploration incentive credit for coal exploration is allowed to remain in this bill, it could result in a minimum \$1.5 million dollar loss in direct coal royalty and tax revenues in the out-years. A significant amount of exploration cost precedes mining of coal. The state already has a regulation for granting royalty relief if a coal operator applies. The state's coal royalty is 5% of adjusted gross value. Transportation costs from the mine mouth to point of sale, and beneficiation costs are deductible from the coal sales price. Rent is deductible from royalty as well. Locatable mineral royalty is 3% of net profits, and rental is \$1/acre. These costs are pretty low. A three and a half year mining tax exemption is allowed for new mining operations.

Notwithstanding the coal royalty decrease, a several hundred thousand dollar decrease in "6(i)" rental revenue (rents and royalties return on state mineral production) could also occur in the out-years if credits are not restricted to claims for which activities take place. A decrease in rental revenue will impact the division's operating budget and affect current services provided by the division to the industry. Currently approximately \$367.4 in program receipts from 6(i) goes into the division's budget to support the program. In addition, approximately \$418.0 from this program goes into the Permanent Fund. This legislation would provide for no change to the Permanent Fund amount, but the amount going to the division operating budget would be eliminated.

Revenues

We assume that the exploration credits will result in the long-term loss of the following revenues:

Coal Royalties	\$1.5million
Mining Leases & Claims 6(i)	<u>\$.4 million</u>
	\$1.9 million

Sections 27.30.020 and 30 do not specify how this credit is taken, it could be either against the Department of Revenue or the Department of Natural Resources. We assume these credits will use all of DNR's revenue stream.

Fund Sources Changes in Long-term

Delete program receipts	\$(367.4)
General Fund	\$ 367.4

In order to maintain the existing level of service the division provides to the industry, the \$367.4 of program receipt authorization would need to be replaced with general fund over the long-term.

Position

One new position, a Geologist II, will be needed to provide technical work associated with this legislation. This involves prequalifying work elements and review of work completed. As this bill is effective immediately, it is estimated that \$10.0 will be necessary to pay for the additional position in FY95.

One new position	<u>\$ 62.0</u>
and associated costs	\$ 62.0

Revision Date: _____ Dept. Affected: Revenue
 Title: Mineral Exploration Incentive Credits BRU: Audit Operations
 Component: Income and Excise Audit
 Sponsor: Rep. Foster, Vezey
 Requestor: (H) RES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE: GF	*****	*****	*****	*****	*****	*****
-------------------------	-------	-------	-------	-------	-------	-------

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

As explained in the attached analysis the Department is unable to determine a reasonable estimate for this bill's impact on future State revenues. Several concerns have been raised addressing the difficulties in implementing the bill as currently written.

Prepared by: Robert N. Bartholomew, Deputy Director *Robert N. Bartholomew* Phone: 465-2320
 Division: Income and Excise Audit Date: 3/13/95
 Approved by Commissioner: *[Signature]* Date: 3/13/95
 Agency: Department of Revenue

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Bill Analysis

This bill grants exploration incentive credits to qualified applicants for costs of activities related to determining the existence, location, extent and quality of locatable or leasable mineral or coal deposits. This bill does not apply to oil and gas exploration. It appears that this legislation applies to both existing and new operations.

Credits may be claimed against corporation income and mining license taxes administered by Department of Revenue (DOR), under AS 43.20 and AS 43.65, royalties and rents, administered by Department of Natural Resources, under AS 38.05.135 - 38.05.175 and AS 38.05.211. Credits are limited to 50% of the combined amount of taxes, royalties and rents that are payable for activities, i.e. sites on which exploration activities occur. This bill requires that credits be used within 15 years after they are granted and allows for credits to be assigned to the applicant's successor in interest for the exploration site if the successor is a qualified applicant.

To prevent future controversy it may be necessary to provide definitions as to what constitutes a mining "site". This bill has a retroactive effective date of January 1, 1995.

Operating Costs

DOR does not anticipate any additional operating costs to administer the exploration incentive credit program authorized under this bill. The Department would modify corporation and mining license tax return forms to provide for exploration incentive credits.

While the Department does not anticipate the need for additional audit staff, the scope of corporation income and mining license tax audits will likely have to be expanded to include review of exploration incentive credits which may result in a decrease in overall audit coverage to other tax types.

State Revenue Impacts

Overview - It is not feasible for Department of Revenue to determine the impacts of this bill on revenue since corporation income and mining license taxes are both based on net income from business or mining operations. The Department is unable to predict whether individual mining sites will incur net income after production begins and since credits are limited to the level of future taxable income no reasonable estimate can be made.

For fiscal year 1994, the state collected \$162,000 in mining license taxes and no estimate can be made for the portion of corporation net income tax collected which would be impacted by the proposed tax credits.

Overall, exploration incentive credits are limited to qualified exploration costs. According to DNR exploration expenditures during calendar year 1994 were approximately \$30 million. For 1994, credits would have been limited to \$30 million under this bill and unused portions would be available for a 15-year credit carryforward, assuming corporations had sufficient net income to qualify for the credit.

State Revenue Impacts, continued

Concerns - A major concern for the Department is the increased complexity in corporation tax calculations the proposed legislation would create. Current corporation taxes are based on income from combined operations inside and outside of Alaska. Taxpayers are currently not required to account for or report income on a site-by-site basis, which would be required by this bill. The Department does not believe that there is a simple and reasonable way to calculate and apply the proposed credits within the corporation income tax structure currently in place.

In discussions with Department of Natural Resources (DNR) and Department of Commerce and Economic Development it was agreed that for increased accountability credits should be applied for annually in advance of the actual expenditure. DNR would be responsible for preapproval and tracking of the eligible credits. Without this clause, a company would potentially submit documentation for expenditures many years after the costs were incurred.

For purposes of AS 43.20 and AS 43.65, for every million dollars in net income, a business would be allowed a maximum credit of \$80,500 (\$47,000 and \$33,500 credit against corporation and mining tax, respectively). Businesses gain an additional tax benefit because they would be allowed to deduct exploration costs from revenues in determining net income upon which taxes are based.

For example, a corporation's exploration activities prove to be very profitable and in a subsequent year, the combined corporation and mining taxes payable from the individual site is calculated to be \$100,000. In this case, the corporation is allowed to claim a \$50,000 credit. The same corporation has other mineral production activities outside of Alaska that are not profitable and when the corporation files its combined corporation tax return, its overall tax liability is \$50,000. Assuming the corporation claims the \$50,000 credit, the corporation would pay no taxes.

Since this bill does not specify that the credit is nonrefundable it is unclear if a corporation can actually receive a refund if credits exceed the corporation's combined tax liability. If in the example above, the corporation had a combined tax liability of \$40,000, the corporation may try to claim a \$10,000 refund after subtracting the \$50,000 credit from the tax liability. The Department recommends that the bill be amended to add "nonrefundable" before references to the credit.

Other information - New mining operations are exempt from mining license taxes for a period of three and one-half years from the date when production begins under AS 43.65.010. This may be an incentive that is already in place for purposes intended under this bill.

Given the uncertainty of estimating the impact on revenues it may be advisable to add a sunset provision which allows for the impacts to be reevaluated or establishing a cap on the annual amount of credit allowed.

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130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 1, 1995

SUBJECT: House Bill 197, establishing an exploration incentive credit for mining -- sectional analysis (Work Order No. 9-LS0642\G)

TO: Representative Richard Foster
Attn: John Walsh

FROM: Jack Chenoweth
Legislative Counsel

In addition to other credits or adjustments that may be allowed to someone conducting mining activity, the measure proposes to establish an exploration incentive credit for activities on land in the state that relate to locatable and leasable minerals and to coal.

Bill section 1: This provision, the heart of the measure, authorizes an exploration incentive credit for activities on or for the benefit of land in the state to determine "the existence, location, extent, or quality" of a locatable or leasable mineral or coal deposit. Specifically --

-- AS 27.30.010 authorizes the exploration incentive credit; describes the activities that qualify for the credit, determines how the credit, once granted, may be applied; prescribes the documentation of activity that must be submitted to qualify for the credit; and sets a time limit before which the commissioner may not release certain information or data obtained by the commissioner under the activity documentation provision;

-- AS 27.30.020 defines, as the limit of the credit, 50 percent of the exploration incentive credit applicant's mineral production royalty payment obligation under AS 38.05, or tax obligation under the state income tax or mining license tax, or annual rental payment, or the combination of them; portions of a credit that are not applied or used may be carried forward;

-- AS 27.30.030 sets a time limit on the use or application of the exploration incentive credit--15 years after approval--and permits use of the credit to be assigned by one qualified credit applicant to another;

-- AS 27.30.040 follows a provision of the oil and gas exploration incentive credit now under consideration and is intended to hold the Alaska Permanent Fund harmless against loss of any amounts due the fund under article IX, section 15 and by law;

Representative Richard Foster

March 1, 1995

Page 2

-- AS 27.30.050 authorizes the commissioner of natural resources to adopt regulations relating to the claim and use of the exploration incentive credit; and

-- AS 27.30.090 supplies definitions to terms used in AS 27.30.

Bill section 2 amends the production royalty provisions of the Alaska Land Act, AS 38.05, to permit a person obligated to pay a mineral production royalty payment to claim the exploration incentive credit against the royalty payment that is due under that chapter.

Bill section 3 amends the mining rental provision to recognize the claim of the exploration incentive credit as a credit that may be claimed against that rent.

Bill section 4 revises the manner of computing the mineral production royalty due under AS 38.05 to recognize the exploration incentive credit.

Bill section 5 amends the Alaska Net Income Tax, the current state income tax, to permit a taxpayer to claim the exploration incentive credit against the tax due under that chapter.

Bill section 6 amends the provision of the Mining License Tax, AS 43.65, to recognize, as an additional adjustment to computation of the tax due, the claim of the exploration incentive credit as a credit that may be claimed against that tax.

Bill section 7 makes the proposed exploration incentive credit authorized by the measure retroactive to January 1, 1995, to cover activities qualifying for the credit that take place after December 31, 1994.

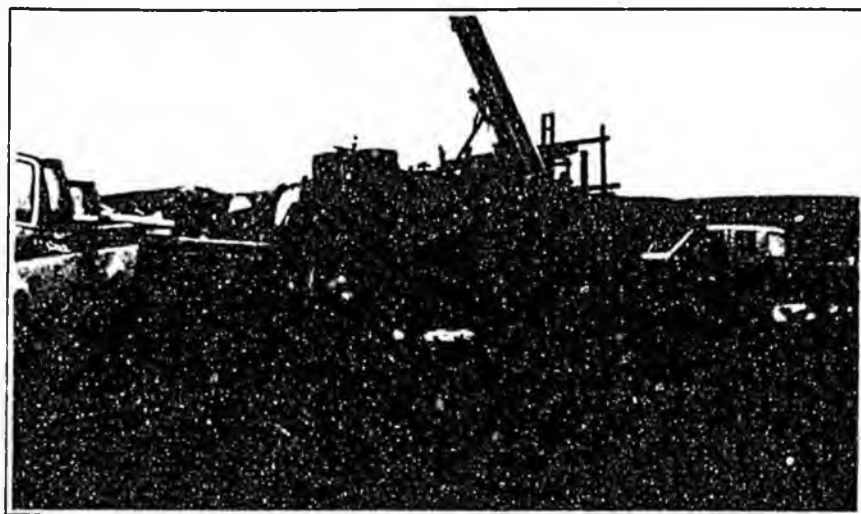
Bill section 8 gives the measure an immediate effective date.

JBC:klb

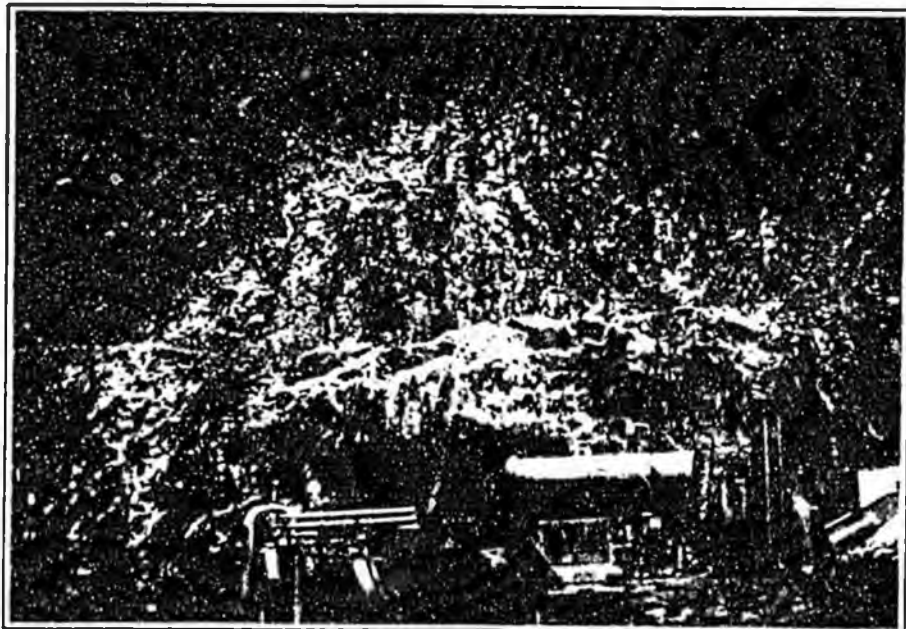
95-112.klb

Report of the

ALASKA MINERALS COMMISSION



JANUARY 1995



FINDINGS AND RECOMMENDATIONS

PART A: ISSUES REQUIRING STATE ACTION

INCENTIVES

FINDING: The Alaskan minerals industry competes in a global market for mineral exploration and development dollars. Although Alaska is blessed with an abundance of geologically favorable terrane, it has suffered because of its remoteness, the lack of transportation, infrastructure, and seasonal constraints. Equally important is the industry's perception that State and Federal agencies are not supportive of mineral development in Alaska.

Throughout the world there are countries actively seeking exploration and development investment by providing economic incentives for resource industries. Incentive programs have been successful in Chile and Mexico where privatization and tax incentives have revitalized their mining industries. Appropriate incentives could be especially effective in drawing industry attention to Alaska. This is because many companies currently view the lower 48 to be unattractive from the regulatory perspective and are looking elsewhere for new exploration opportunities.

THE COMMISSION RECOMMENDS THAT:

- 1. The Governor and Legislature should create economic incentives that will provide financial encouragement and help offset some of the real and perceived problems facing exploration and development in Alaska. Incentives that should be considered include credits for expenditures on exploration drilling and geophysics that can be deducted from claim rents, the mining license tax, production royalties, and income taxes. An increased budget for educational and promotional efforts is also recommended.*

GEOPHYSICAL AND GEOLOGICAL MAPPING

FINDING: Many other countries provide airborne geophysical surveys to guide and complement traditional geologic mapping and geochemical surveys. Commonly several millions of dollars per year are invested in order to survey several thousands of square miles. This has been found to be a cost effective marketing tool to attract mineral exploration investment.

In 1993 Alaska contracted for airborne surveys of 1,100 square miles and in 1994 for an additional 750 square miles. At least half of Alaska's 160,000 square miles of State land (104 million acres) has high mineral value. However, at the present level of funding it will take well over 80 years to survey these mineral lands.

Although the maps of the 1993 airborne geophysical survey were not available until April of 1994, already increased claim staking and exploration activity can be documented in the Nome and Circle areas. The maps from the 1994 surveys of the Fairbanks and Richardson districts should be available in early 1995, but already (October, 1994) there is significantly more exploration interest in both areas.

These mapping programs should be viewed as an investment similar to the marketing efforts in other basic sector industries in Alaska and accelerated to cover the known mineral belts in a reasonable time frame.

THE COMMISSION RECOMMENDS THAT:

- 2. The Governor and Legislature should invest \$5 million per year for the next decade, preferably through foundation funding, in airborne geophysical surveys and complementary geological and geochemical surveys.*

ACCESS

FINDING: The State has identified hundreds of potential Revised Statute 2477 Rights-of-Way (RS 2477) and is in the process of asserting title on a selected few. However only the Bureau of Land Management (BLM) currently has a policy for accepting State nominations and assertions.

RS 2477 access corridors may provide the only assured access across and within the vast interlocked system of Conservation Systems Units in Alaska other than the untested Title XI access provided for in the 1980 Alaska National Interest Lands Conservation Act (ANILCA).

THE COMMISSION RECOMMENDS THAT:

- 3. The State should aggressively assert all identified RS 2477 Rights-of-Way and provide funding until completion of the project. Further, the State should assert an access route pursuant to Title XI of ANILCA to test the process and develop precedent-setting guidelines.*

STATE REGULATORY REFORM

FINDING: Alaska mineral producers often face higher costs of doing business due to harsher climate, to higher labor costs, and to higher capital costs. Additional indirect costs due to regulations can have the effect of making Alaska mines uncompetitive with those in other states and countries. The Administrative Procedures Act (AS 44.62.195) requires State agencies to prepare fiscal notes which estimate the costs to State government of a proposed regulation. State agencies should also be required to estimate the compliance costs of proposed regulations to individuals and businesses as a formal part of the process of adopting regulations.

THE COMMISSION RECOMMENDS THAT:

- 4. The Legislature should amend the Administrative Procedures Act (AS 44.62.195) by adding a section as follows: "If the adoption, amendment, or repeal of a regulation would require increased costs for compliance by individuals and businesses, the department or agency proposing the regulation shall prepare an estimate of those costs for the year following adoption, amendment, or repeal of the regulation and for any additional period of time required for implementation and compliance with the regulation."*

FINDING: Presently several State agencies claim management authority over State lands. The administration has become a complex bureaucracy with multiple agencies vying for regulatory management of mineral development. The number of permits, the time required to secure those permits, the number of agencies, and the costs related to obtaining the permits has become excessive.

The recent experience with permitting a major mining operation on State lands near Fairbanks has demonstrated the benefit of having a coordinated State approach through the Department of Natural Resources (DNR) for the mine permitting process.

THE COMMISSION RECOMMENDS THAT:

- 5. The Governor should designate and fund the Department of Natural Resources (DNR) as the lead agency in all regulatory matters concerning mining, and should direct other agencies with regulatory authority over mining, such as the Departments of Fish and Game and Environmental Conservation, to coordinate their regulatory programs through DNR.*

FINDING: Authority for the issuance of Alaska Placer Mining Permits comes through the Miscellaneous Land Use Permit process. As the regulations are currently written, a permit under this section can be issued for only one year. Allowing longer permit periods would create a more stable environment for planning and financing mining projects while significantly reducing the work load of the Division of Mining.

THE COMMISSION RECOMMENDS THAT:

6. *The Governor should direct the Commissioner of the Department of Natural Resources to take the necessary steps to allow Miscellaneous Land Use Permits to be issued for periods of up to 5 years.*

CITIZEN'S ADVISORY COMMISSION ON FEDERAL AREAS

FINDING: The Citizens Advisory Commission of Federal Areas was established by the Alaska Legislature in 1981 shortly after the enactment of the Alaska National Interest Lands Conservation Act. The Commission is composed of 16 members, half of whom are appointed by the Governor and half by the Legislature, including four sitting legislators. The Commission analyzes federal legislation, regulations, and land management plans, determines the impact of these actions on Alaska's citizens, and makes recommendations to both State and Federal agencies for corrective actions to problems discovered. As federal regulations are finally developed, the case load is expanding.

Development of Federal lands and regulations for access across them is important to the State's economy. The Commission provides a valuable and cost-effective mechanism through which State concerns regarding management of all federal lands can be expressed.

THE COMMISSION RECOMMENDS THAT:

7. *The Governor and Legislature should provide expanded budgetary and programmatic support to the Citizens Advisory Commission on Federal Areas.*

COASTAL ZONE MANAGEMENT

FINDING: AS 46.40.040 and AS 46.40.060 refer to the Coastal Policy Council (CPC) duties as developed through public hearings of the 1970s and 80s. The CPC was to review coastal zone plans to ensure that they did not arbitrarily or unreasonably restrict or exclude uses of State concern. However, the State has not defined those State Uses in Statute (currently such uses are only referenced by CPC resolution). The Statutes do not clearly identify uses such as mining, fish and seafood processing, timber harvesting and processing, subsistence, habitat, grazing, historic and archeological resources, oil and gas development, commercial fishing or new settlements as Uses of State Concern.

THE COMMISSION RECOMMENDS THAT:

8. *The Legislature should amend AS 46.40.040 and AS 46.40.060 to define "uses of state concern" to ensure that all uses or potential opportunities for future uses or rights are treated equally.*

COAL ISSUES

FINDING: In 1990 the Alaska State Legislature passed into law a new statute to ensure reclamation occurred during and after mining on state, federal, municipal, and private land and water. In 1982 the Legislature passed a similar law regarding surface coal mining operations in Alaska. These two programs offer various reclamation bonding mechanisms to companies and individuals engaged in mining activities. A primary difference exists, however, in that coal mining operations are currently not able to participate in the State's bonding pool. A change in statute is advocated to allow for participation, if desired, of all mining companies and individuals in the State's bonding pool.

THE COMMISSION RECOMMENDS THAT:

- 9. The Governor should direct the Commissioner of Natural Resources to prepare necessary changes to AS 27.19.010(c) and AS 27.19.040(b) to allow for the inclusion of all mining companies and individuals in the State of Alaska's reclamation bonding pool.*

EDUCATION AND RESEARCH

FINDING: The "Alaska Resource Kit: Minerals" which is being used in the statewide public school system, is an excellent program for educating Alaska's students in the issues and fundamentals of resource development. The program is a cooperative effort between the Department of Education, which developed the curriculum and is responsible for its implementation, and the Alaska Mineral and Energy Resource Education Fund (AMEREF). AMEREF is an industry-supported organization which annually funds the production and replacement of the teaching materials and which partially funds the salary of a Mineral Specialist in the Department of Education who is responsible for providing teacher training and for implementing the program into the school systems. This program has proven to be a success and reflects the cooperation that has existed during the 10 years of the program's existence.

THE COMMISSION RECOMMENDS THAT:

- 10. The Governor and the Legislature should continue to support the Department of Education for its partial funding of a Minerals Specialist at the present or an increased level. Such support should be commensurate with the increased contributions from the industry-supported Alaska Mineral and Energy Resource Education Fund.*

FINDING: The University of Alaska offers programs for educating mining engineers, geological engineers and geologists; for providing mining public extension, and mining vocational training services; and for conducting applied research in direct support of the mineral industry. These professional, public service, and research programs are vital to the continued development and utilization of the State's mineral resources, to the jobs and incomes of its residents, and to the public revenues used to support education and other public services.

The ongoing assessment of University of Alaska programs will identify areas for reducing the University budget. Maintaining the identity of degree programs and administrative leadership of academic units which provide support for resource development and of vocational programs which provide unique direct job training should remain a priority for the University.

THE COMMISSION RECOMMENDS THAT:

- 11. The Governor and Legislature should provide budgetary support to the mining, geological, and mine training programs throughout the University of Alaska system.*

USER FEES

FINDING: Increased user fees have been suggested as a means of offsetting the cost of providing government service as the State faces declining revenues. However, allowing State agencies to unilaterally implement user fees could result in uncontrolled increases in the cost of basic services required by citizens and businesses, as well as allowing State agencies to operate outside the Legislature's budgetary process. Additionally, the implementation of user fees should carefully balance the need to generate revenues against the increased cost to citizens and business for necessary services and required permits.

In addition to these general concerns, the mineral industry is concerned about fee schedules and access restrictions for technical resource and land information from State databases. Onerous fees and restrictive use agreements for this information will discourage investment in mineral exploration and development.

THE COMMISSION RECOMMENDS THAT:

12. *The Governor and Legislature should establish policy guidelines for the implementation of user fees and should establish a procedure requiring legislative and public review of all proposed user fees.*

STATE LABOR ISSUES

FINDING: Legislation allowing a flexible work week and extending underground working hours is important for the viability of mines in remote locations. Properly drafted legislation would provide employers and employees with the flexibility to jointly determine work schedules that would enhance efficiency and provide for more desirable time off patterns for employees. A recent joint program in British Columbia between private industry, the B.C. Ministry of Mines, and the U.S. Bureau of Mines has demonstrated the utility, safety, and desirability of extended underground work shifts.

THE COMMISSION RECOMMENDS THAT:

- 13a. *Legislation should be enacted to allow work schedules to be set on the basis of project-specific considerations which will permit more efficient use of labor and provide more desirable time-off patterns for employees. AS 23.10.060 currently provides opportunities for flexible work plans at small seasonal mining operations and for surface mines. These same opportunities should be extended to all mining operations without regard to size, type, and/or seasonal nature of the work.*
- b. *Legislation should be enacted to amend current statutes limiting underground shifts from the current maximum of eight hours to a maximum of twelve hours, similar to SB 295 in the 17th Legislature.*

DIMINUTIVE DISCHARGES

FINDING: The Alaska Department of Environmental Conservation (ADEC) has recently begun selective enforcement on the mining industry of a regulation relating to disposal of nondomestic wastewater. This regulation applies to a broad spectrum of routine activities in Alaska which result in small discharges of solid or liquid waste, such as drilling, blasting, construction and earth excavations, and marine bilge-pumping. ADEC regulatory action is being conducted under, 18 AAC 72.500, which states (in part) "a person who disposes of nondomestic wastewater into or onto land, surfacewater, or groundwater in Alaska must have a permit issued by the Department (ADEC) for that disposal." Regulations detailed through 72.500 are promulgated under AS 46.03.100, which specifies that both liquid and solid waste are to be regulated.

Clearly, this regulatory language is so broad as to include most outdoor activities in the State. The Department of Law has maintained that no exemptions are allowed and that ADEC must require a permit for all discharges, regardless of the source, type, or insignificance of the discharge. To date, ADEC has chosen only to require a permit for selected mineral drilling activities. This selective enforcement of a bad regulation is an example of government at its worst.

THE COMMISSION RECOMMENDS THAT:

- 14. The Alaska Legislature should amend AS 46.03.100 to exempt diminutive activities, including mineral drilling, certain construction activities, and marine bilge-pumping from requiring a Waste Disposal Permit. Specifically, mineral drilling in which the only discharges are ground-up rock, water, and biodegradable additives, (which are EPA approved for water-well drilling), should be exempted.*



Alaska's Place in the International Minerals Industry

By STEVE BORELL

At a time when investments in mineral exploration are leaving most areas of the western United States, Alaska mineral opportunities are again catching the attention of major mining companies.

The debate over changes to the federal mining law has resulted in extreme uncertainty for the U.S. mining industry. Finding and developing minerals projects requires many years of secure tenure (clearly established rights if an economic deposit is found). Without secure tenure, years of work and many thousands — if not millions — of dollars are at risk.

Because of the uncertain future of the federal mining law during the past four years, minerals companies have greatly decreased their exploration in the United States and have moved their exploration dollars to countries having a friendlier attitude toward mining and a more stable climate. While uncertainty has increased for mining on U.S. federal lands, other countries, including Mexico, Chile, Argentina and Papua New Guinea, have changed their mining laws to encourage mining investments and to provide secure land tenure while eliminating or reducing royalties.

These countries have determined that their citizens, economies and government revenues receive the greatest benefits when mines are built, jobs are created and companies make profits. Once mines and jobs are in place, these governments obtain revenues by taxing those facilities and the personal income of miners and suppliers, as well as corporate income.

Exploration Holds On

While a mass exodus of investment from the Lower 48 has occurred, Alaska has held fairly even, and exploration investments in 1994 may actually show an

increase. There are two primary reasons for this situation.

First, the state of Alaska now holds title to about 85 million acres of land, and once all land transfers are complete, it will have 104 million acres, an area nearly the size of California, will be open to mineral exploration.

Second, Alaska Native corporations own about 44 million acres of land, and they are actively promoting their lands for mineral exploration and development. Most of these lands, both state and Native, were selected because they had high mineral potential.

The bad news is that Alaska continues to be dogged by its reputation of being a difficult, if not bad, place to do business. High costs and lack of infrastructure have been major deterrents, but past uncertain land tenure has been the greatest concern. In the past, issues like

(2) lands debate, which led up to ANILCA (Alaska National Interest Lands Conservation Act), the Antiquities Act, inholdings, valid existing rights, etc., forced many companies to leave Alaska. These issues are generally behind us now, but as with all resource industries, mineral development is being smothered by constantly expanding, overbearing state and federal regulations.

Major Mining Projects

However, even with the negative legacy of the past and the current regulatory climate, the potential for future mineral development is excellent. In fact, there are now seven major mining projects that could be in construction in the next two years.

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Alaska Has a History of Being Elephant Country

Alaska is known for its mineral elephants. The copper deposit at Kennecott provided the base for the modern mining giant of the same name and contained ore grading as high as 70% copper with the average mill grade for the mine life at 12%. The Alaska-Juneau underground mine milled 12,500 tons per day in the early part of this century and will likely re-open at 22,500 tons per day. The Greens Creek Mine has produced 7.6 million oz. silver, 37,000 oz. gold, and 58,700 tons of lead-zinc concentrates per year. The Red Dog mine has produced more than 550,000 tons of zinc, lead, and combined concentrates per year and at that rate has a mine life of more than 50 years. The recently discovered (1989) Pebble Copper deposit is known to contain at least 500 million tons grading 0.35% copper and 0.012 oz per ton gold.

It is estimated that there is as much coal in Alaska as in the remainder of the U.S. combined. All of this coal is very low sulfur and it is well positioned to compete in the Pacific Rim with coals from Australia and Indonesia. In addition to federal and state owned coal, there is also privately owned coal in some areas and these private owners are actively working to develop these coal fields.

Many other elephants are known to exist. Some are being reevaluated for application of modern mining and extractive technologies. Others are being evaluated for infrastructure development.

Alaska Has Land Available

It is well known that the U.S. Congress has established many parks, preserves, refuges, etc. in Alaska but there is still a tremendous amount of federal, state, and private Native Corporation lands that are available for minerals development. The amount of federal land open to mineral entry (49.6 million acres) is larger than the entire area of the states of Washington, South Dakota or Nebraska.

The amount of state land open to mineral entry (95.9 million acres) is nearly the size of the entire state of California. Much of these state lands were specifically selected because of their high coal and hard-rock mineral potential. State law encourages and even mandates development of resources.

Native Corporations

Alaska is unique in that twelve Native Corporations own more than 44 million acres of private land. Much of these lands were selected specifically for their mineral potential before most State selections or the establishment of the parks and refuges.

These Native Corporations have been in existence for more than twenty years and have tried many avenues to develop jobs for their regions. Because of Red Dog and other smaller projects they have seen what mining can do for the economy, especially in remote areas, and they want economic development for their regions and jobs for their people. These Native Corporations are not "reservations", they are modern businesses and they are actively marketing their lands for mineral development.

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These projects would create more than 3,000 jobs during construction and over 1,600 permanent, year-round, skilled, challenging, good-paying jobs once mining begins. Each of the seven projects still has significant design, permitting, marketing and/or financing challenges to overcome. Thus, there are no guarantees, but the future is certainly bright.

As for exploration, the lifeblood of future mines, the level of exploration in Alaska thus far in 1994 appears to be ahead of 1993. This year's exploration seems to be characterized by many small to medium-size projects rather than a few large-scale ones.

Mapping Gains Ground

One reason for excitement: the results from the state's 1993 airborne geophysical mapping program. The project mapped four areas of Alaska where private companies now are focusing detailed exploration. This program, which included private funding, developed geophysical data that can now be purchased from the state's Division of Geological and Geophysical Surveys. (The agency is located in Fairbanks at 794 University Avenue, Suite 200, 99709-3645, and can be reached by phone at (907) 474-7147 or fax at (907) 479-4779.

By conducting such a program, the state of Alaska has made an investment that will be available to all users for many decades. Many nations already have geophysically mapped their entire land areas. As Alaska

continues this mapping, it will develop a competitive base of data and will begin to even out the advantage often held by other countries.

War On The West

Because of laws that now protect private property rights and secure land tenure, the immediate future for mining should be positive. However, the biggest unknown facing all resource development in the western United States is what is known as "The War on the West." The attack on the federal mining law is one aspect of this war, but there are many more. Laws are being changed to make it easier for "no-use" groups to block projects; the federal government is settling environmental suits out of court in ways beneficial to those opposing development; and contracts and leases with the federal government are being canceled.

These are ominous signs, and we can only hope they will be reversed. If not, the current positive outlook for mining in Alaska and the jobs mining can generate will be snuffed out before mining can provide the diversification Alaska's economy needs.

Steve Borell is a registered professional engineer in Alaska, Colorado and North Dakota with more than 20 years experience in coal and metals mining throughout the United States and in Canada and South America. He is executive director of the Alaska Miners Association.



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Alaska is Essentially Un-Explored

Because of past federal and state policies, the climate, remoteness, and a short summer exploration season, Alaska has had relatively little exploration - far less than any other part of the United States and less than most other parts of the world. The surface is typically covered by forest, tundra, or snow and ice and is not readily visible. The new exploration techniques developed over the past 20 years have been applied to only a few small areas of the state, much less than 5%.

Alaska Has Stable and Progressive Tax and Regulatory Policies

Alaska has a 7% net profits mining license tax on all mineral production, a 3% net profits royalty on minerals from state lands, and a graduated claim rental beginning at \$0.50/acre. Alaska state corporate income tax is 9.4% if net profit is more than a set threshold amount. Alaska does not now have a statewide sales tax nor a personal income tax. In 1992 the Alaska Legislature passed a bill specifically exempting insitu mineral reserves from taxation until they are mined.

Alaska's mining reclamation statute is logical and reasonable while still ensuring that the area mined is left in a stable condition that will provide for public safety and not pollute the environment. The statute requires bonding in the fairest possible way. The miner is held responsible for the reclamation but a bonding pool is available that provides access to bonding and limits the miner's cost to payment into a refundable escrow account and a small annual service fee.

Alaska Wants Mining

Alaskans are beginning to recognize that mining has the greatest potential for economic development and new jobs for all areas of the state. Oil production is declining at a rate of 7% per year. Harvesting timber is coming under increased pressure and will not provide new jobs and economic development. Tourism is important and may expand but primarily with short term, seasonal, entry-level jobs. Commercial fishing is already over-allocated and the future of that industry will be with the courts deciding who will get the fish. That leaves mining. And mining can provide challenging, skilled, good-paying, year-around jobs for all areas of the state.

Alaska Now Has a Growing Mining Industry

During the next 18 months, six mining projects in Alaska will be at a stage where they could make decisions to begin construction of major mines. Now is the first time that such a statement could have been made since 1902! There are no guarantees. Each has significant design, permitting, market and/or financing challenges that must be overcome and the owners are working on these remaining challenges.

Shouldn't You Be Part of This Exciting Time in Alaska?

There are various ways to approach mineral exploration in Alaska.

- Contact the state Division of Mining, Bureau of Land Management or the U.S. Forest Service to learn about their respective lands.
- Contact the 12 Native Corporations for information on leasing their privately owned lands.
- Use the Alaska Miners Association annual Service Directory to contact mining companies now operating in the state or to contact independent prospectors, geologists, engineers and others that have properties or know of properties that have already been discovered.
- Attend the Alaska Miners Association annual convention and trade show that is held in Anchorage each year during the first week of November.
- Attend the spring Bi-annual Placer Conference held in Fairbanks (even years) or the spring Bi-annual Conference Juneau held in Juneau (odd years), both organized by the Alaska Miners Association. &

No matter what your level of interest at this time, you will want to join the Alaska Miners Association to stay abreast of events in the 49th state. Membership includes the annual Service Directory and the monthly journal *The Alaska Miner*. Call or write today to:

Alaska Miners Association
501 W. Northern Lights, Suite 203
Anchorage, AK 99503
Phone (907) 276-0347
FAX (907) 278-7997



ALASKA MINERS ASSOCIATION, INC.

Why Locate In Alaska for Projects In RUSSIA

By Steve Borell

Alaska and Russia share a very special relationship and companies wishing to do business in the eastern half of Russia should strongly consider locating their Russia contact office in Alaska. This applies not just to mining companies and mining industry suppliers but anyone wishing to do business in Russia.

In July, 1993 the Alaska Miners Association sponsored a tour of mines in the Magadan Region of the Russian Far East. I had had the sense that there was an Alaska advantage for several years and our tour confirmed this in many ways. I now estimate that this is worth at least five and possibly a ten percent advantage over having a contact office in another location.

PROXIMITY

The obvious first reason is the close proximity of Alaska to Russia. This is important for travel and for communications. For instance, Magadan is four time zones west of Alaska. This is the same time difference between Alaska and the east coast of the U.S. We in Alaska have a four hour business day overlap with the east coast and the same with the Russian Far East. The further east one moves from Alaska, the more difficult it will be to keep good contact with a project, partner or customer in Russia.

Air travel for personnel is another area where Alaska has a distinct advantage. Magadan is about four flying hours from Anchorage and there are now regularly scheduled flights between Anchorage and Magadan, Khabarovsk and Vladivostok on both Alaska Airlines (currently during summer only) and on Aeroflot. The time lost traveling back and forth is significantly increased when one adds the various connections required when coming from Canada or the lower 48. And although a four hour jet lag is still a bother, it is far better than a six or eight hour jet lag. Additionally, there are direct flights on Aeroflot between Anchorage and Moscow.

There are also significant arguments that favor Alaska when shipping parts, supplies and products to or from the Russian Far East or Siberia. Which would you prefer: 1) shipping your parts or products through New York, where there are 10,000 customs employees in a no-man's zone covering an area of several square miles, into Moscow where there are 15,000 customs employees and a similar area, or, 2) shipping directly from Anchorage where there are 6 customs agents, whom you get to know by name after a few shipments, and into Magadan, Khabarovsk or Vladivostok where your partner similarly knows the 8 local agents by name?

Keeping tabs on the whereabouts of your shipment will be much easier from Alaska. The problems are just an extension of the problems involved in shipping to the bush and Alaskans understand that process. Also, wouldn't you prefer to track your shipment through the U.S. or Canada for most of its journey and then in Russia for the least possible time? At the very worst you could visit the airport every day until you see that your pallet of parts is gone and call or telex your Russian partner to tell him it is on the way. Try that in New York, Seattle, Vancouver or Moscow.

It should also be noted that Alaska-based Northern Air Cargo has established cargo shipment routes between Anchorage and several Russian Cities.

SIMILAR CONDITIONS

On a purely technical level there are many reasons Alaska's Arctic-experienced miners, geologists, civil engineers, architects, etc., have an advantage over their counterparts from other areas of the country. When you mention discontinuous permafrost to an engineer in the lower-48 you may get a blank stare. For Alaskans such a phrase raises a series of red flags and brings to mind many additional considerations. The same can be said for design and operation in an area where the average temperature in January may be minus 32 degrees F. People who have not experienced this do not understand the implications!

For the miner, geologist and prospector, the mineral terranes of the Russian Far East in particular are similar to and an extension of those found in Alaska, the Yukon and British Columbia. The same kinds of rocks appear and one would expect to search for the same ore deposit models. Geologists acquainted with the rocks and associations in Alaska will be the obvious choice for work

in Russia and conversely. Here again Alaska bush logistics, challenges and local hazards (grizzly bear) experience will be invaluable.

BENEFITS FOR ALASKA MINERALS INDUSTRY

The benefits for the Alaska minerals industry are many. The transfer of experience and expertise will assist both Russian and Alaskan projects. Minerals companies with a Russia contact office in Alaska will likely take interest in Alaska prospects that may come along. The knowledge they gain working on Russian ore deposits and geologic models will be readily transferable to Alaska and will increase their effectiveness in exploring for deposits in Alaska.

The mining industry in Alaska will also benefit if equipment suppliers locate their Russia contact offices in Alaska. If the suppliers are strong and have larger volumes of sales they will be able to buy in larger volumes and maintain larger stocks of spare parts. The increased stock levels will mean improved parts availability for miners in Alaska.

Companies interested in placer mining or in selling supplies to this part of the industry will find Alaska and eastern Russia to be two pages of the same book. Experience gained in either area will be of major value when doing business in the other.

FAMILY CONSIDERATIONS

Do not forget spouses and families. Living in Russia will be a strain on even the strongest expatriate family. It may however be feasible for some families to live in Alaska rather than move to a remote site in Russia. Or how nice for expatriates living in Russia to be able to grab a flight to Alaska and enjoy some "America" while the manager, engineer, geologist, etc., visits the home office on business. I lived in South America for two years and my wife and I understand this aspect of foreign assignments - and culture shock - very clearly.

Just living in the north is another aspect of culture shock that should be recognized. Alaska experience for employees and families should reduce this hazard. There is often severe culture shock when lower 48 residents move to Alaska. It will be much easier and less traumatic if employees and their families are already accustomed to the high latitude and temperatures of Alaska. Moving a family to Russia, just as to any new culture, will become a major challenge for families and marriages. Alaska experience would help ease that transition.

CULTURAL TIES

An additional reason for locating the U.S. contact office for Russia in Alaska is that the Russians prefer to do business with Alaskans. They dislike the influence of Moscow just as much as we Alaskans dislike many of the influences of Washington. This helps explain why the Russians have a special kinship with Alaskans.

Another less positive but none-the-less important consideration is that the Russians seem to prefer to not do business with companies from the orient, ie, Japan, Korea, China and Taiwan. Russia has had a long history of armed conflict with Oriental countries and the issues are still not totally resolved. They may like the products but it appears they prefer to deal with Alaskans, even when buying products manufactured in the Orient.

One must also recall that Alaska was once part of Russia and the first gold mining in the state was by the Russians in 1848 at the now famous Russian River salmon fishing stream on the Kenai Peninsula. The Alaska Commercial Company operating in Alaska today is a descendent of a Russian company and advertises as operating "Since 1867," the year Secretary Seward bought Alaska from Russia.

It is also of note that during the 70 year communist period few books written in English were allowed to be translated and widely distributed in Russia. One exception was the writing of Jack London. As a result there are all manner of lakes, roads, mountains, etc., in Russia named after London. One Alaskan mining executive working in Russia commented that so many people talked to him about the Jack London stories he had to buy a copy of London's complete works and re-read the stories so he could better relate to the Russians.

BUSINESS SUPPORT STRUCTURE

There is already a significant amount of activity between Alaskan and Russian companies. As of the end of 1993 there were possibly 200 Alaskan companies of all types doing business with Russian companies. A few of these are mining ventures but most involve some form of import-export sales. Also, various agencies have protocols with their Russian counterparts to encourage cooperation between Alaskan and Russian entities.

The University of Alaska through its Office of Russian Affairs (907) 786-7718 is very active in facilitating contacts for business, research, education and cultural exchanges. Also, the American Russian Center (907) 786-4300 of the University has branches in Russia and Alaska to provide training, short-term technical assistance and act as a small business information system. Each major campus of the University (Fairbanks, Anchorage & Juneau) offers courses in Russian language, culture, history, etc. The State of Alaska's Office of International Trade (OIT) (907) 561-5585 provides support for Alaskan businesses wanting to export to Russia. OIT arranges trade missions-both to and from Russia-gathers market intelligence and contacts with the assistance of honorary representatives located in Sakhalin and Primorskii Krai. And the U.S. Department of Commerce has offices in Anchorage and several cities in eastern Russia.

(Steve Borell is the Executive Director of the Alaska Miners Association. A registered professional engineer in Alaska, Colorado and North Dakota, he has worked in coal and metals mining for more than 19 years throughout the United States and in Canada and South America).



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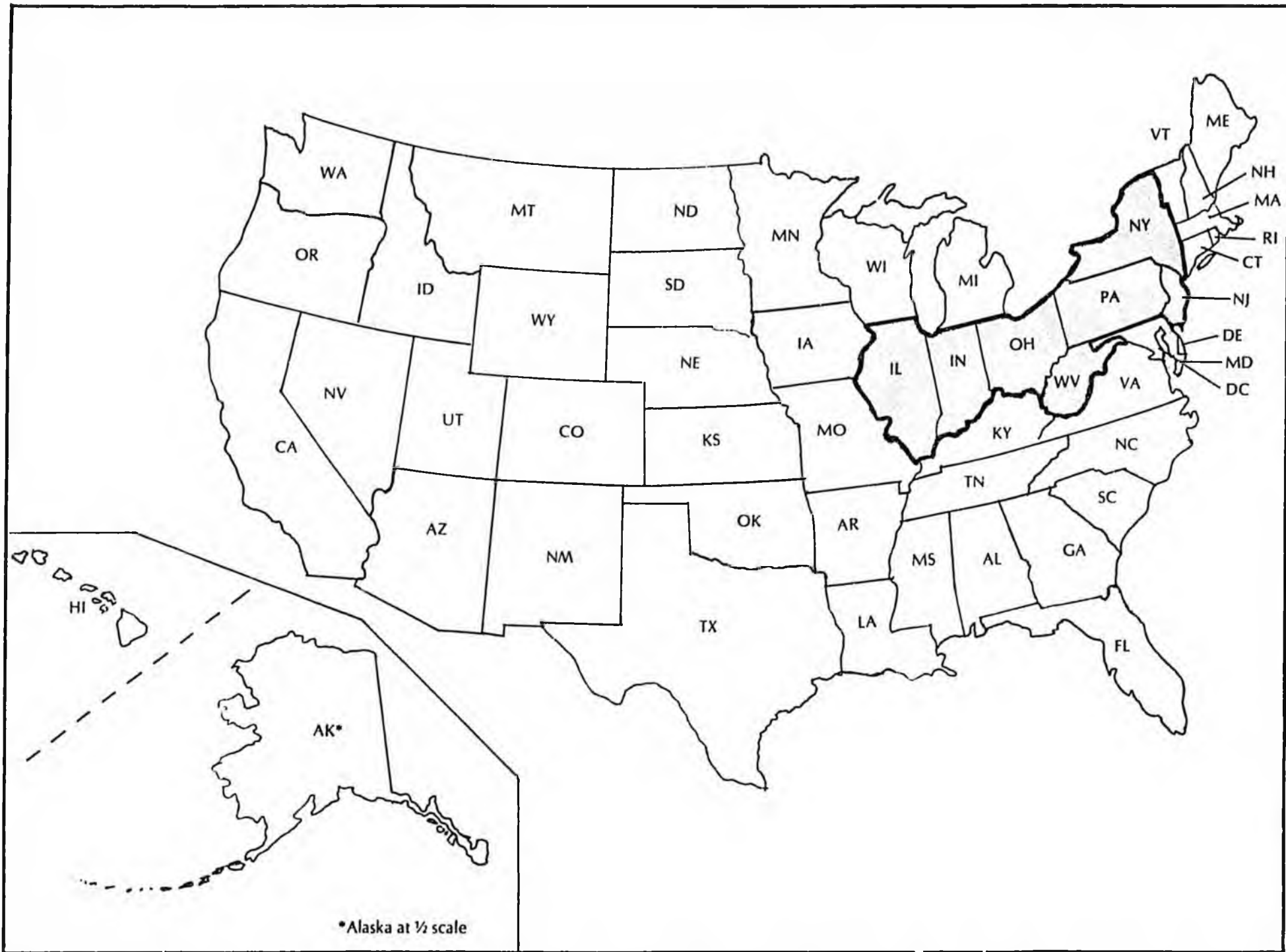
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LAND STATUS IN ALASKA
(Millions of Acres)

	<u>Total</u>	<u>Total "Wilderness"</u>	<u>Total Closed to Mining</u>	<u>Total Open to Mining</u>
<u>Federal Lands</u>				
National Park Service	54.7	32.8	54.7	0
U.S. Fish & Wildlife	77.1	18.5	77.1	0
U.S. Forest Service	22.8	5.7	5.7	17.1
Bureau of Land Mgmt.	57.9	2.4(2) 23.0(3)	2.4 23.0	32.5 0
Department of Defense	2.5		2.5	0
Subtotal	<u>215.0(1)</u>	<u>82.4</u>	<u>165.4(5)</u>	<u>49.6</u>
<u>State Lands</u>				
State Parks	3.2		3.2	0
Administrative Mineral Closures	5.3		5.3	0
Other State Lands	77.9		0	77.9
Not Selected/TA'd	18.0		0	18.0
Subtotal	<u>104.4(1)</u>		<u>8.5</u>	<u>95.9</u>
<u>Private Lands</u>				
Native Corporations	45.6		0	45.6(4)
Other Private	0.5		0.5	0
Subtotal	<u>46.1</u>		<u>0.5</u>	<u>45.6</u>
Total	<u>365.5</u>	<u>82.4</u>	<u>174.4</u>	<u>191.1</u>

- (1) Final acres that will result after all State and Native Land Transfers.
- (2) Wild and Scenic River Corridors total approximately 2.4 million acres and these are managed the same as Wilderness designated lands.
- (3) National Petroleum Reserve Alaska is effectively managed as Wilderness.
- (4) Open to mining if leased from Native Corporations.
- (5) AS A COMPARISON: Texas has 168 million acres. OR This 165.4 million acres, is equal to the TOTAL combined acreage of New York, New Jersey, Pennsylvania, West Virginia, Ohio, Indiana, and Illinois!!!

* See Map on back for actual comparison of area by States!!!





Issues of Concern to the Alaska Mining Industry

Fall 1994

It is the position of the Alaska Miners Association that:

1. The State continue to pursue the \$29 billion lawsuit against the federal government for actions that have limited the economic viability of federal lands in Alaska.
2. The Governor establish a maximum spending limit on the state operating and capital budgets (including all supplementals) and use his line item veto to ensure that this limit is not exceeded.
3. The Governor oppose all new federal withdrawals and fight vigorously against addition of buffers or further restrictions to multiple use of federal lands in Alaska. ANILCA (Alaska National Interest Lands Conservation Act of 1980) provides that "no more" federal land will be withdrawn for parks, preserves, monuments, wilderness designations, wild & scenic river designations, etc.
4. The Governor oppose establishment of international heritage parks, marine biosphere reserves, and/or world heritage sites covering any part of the Seward Peninsula, Eastern Russia, and the Bering Sea, or ANWR, or any other area of Alaska. International designations would - 1) surrender sovereignty to the United Nations, 2) forever eliminate access across the existing federal conservation system units, and 3) preclude the possibility of pipelines through those lands or waters.
5. The Governor and the Legislature follow a policy whereby no additions would be made to state parks, refuges, critical habitat areas, or other special restricted use areas unless an equal acreage is released from such designations.
6. The Governor begin to develop new roads in the state, even without federal assistance.
7. The Copper River Highway to Cordova be completed.
8. The Governor continue to aggressively pursue the rights of the State of Alaska regarding RS-2477 rights-of-way, both administratively and in the courts and that the Legislature provide funding to ensure this is done.
9. The State establish incentives so Alaska projects can effectively compete for investment dollars in the international minerals industry. A significant amount of exploration investment has now left the U.S. due to the fact that many nations have established incentives to encourage new exploration and investment.
10. Maintain support for an ongoing program of State investment in airborne geophysical mapping. Indications are that the State's 1993 investment of \$500,000 for airborne geophysical mapping has already resulted in increased exploration activity that would not have otherwise occurred.
11. The Governor, in conjunction with the Congressional Delegation and the Western Governors Association, continue opposition to changes in the Federal Mining Law that would adversely affect mineral development in Alaska.
12. The State incorporate cost-benefit analysis whenever new regulations are developed and when existing regulations are modified.
13. The State incorporate risk-level assessments when establishing and modifying state water quality standards in place of rigid numeric standards.
14. The State adopt legislation that will provide comprehensive liability (tort) reform.
15. The State adopt legislation to allow for minor discharges of solid or liquid waste. As now written, state statute is so broad that a permit is required for any discharge of solid or liquid waste "into the waters or onto the land," irrespective of the amount. If applied literally this would include - bilge water, water from home crawl spaces, washing down of a sidewalk or home driveway, water well drilling, exploration drilling, gardening, excavation associated with construction projects, etc.

For further information on the above issues or for information regarding exploration and mining in Alaska please contact:

Steven C. Borell, P.E.
Executive Director
Alaska Miners Association, Inc.
501 W. Northern Lights Blvd., #203
Anchorage, Alaska 99503
(907) 276-0347 Fax: (907) 278-7997

ALASKA NATIVE CORPORATIONS - A SUMMARY DESCRIPTION

Over 44 Million Acres of Private Fee Simple Land

In 1971 the U.S. Congress passed an act known as the Alaska Native Claims Settlement Act (ANCSA). This act established 12 Regional Native Corporations in Alaska and authorized them to select lands that would become their fee simple property. ANCSA also established about 200 Village Corporations and authorized them to select the surface of lands around their villages that had been obtained by the Regional Corporations.

Alaska Regional and Village Corporations are a unique form of private corporation. These are not tribes or reservations and the Bureau of Indian Affairs has no jurisdiction or authority over them. Their lands are owned fee simple and can be mined or developed under agreements just as any other private lands in this country.

Additionally, the Native Corporations want development on their lands and they encourage minerals exploration. These lands were often selected because of their high mineral potential and because there has been relatively little exploration or development in Alaska, the opportunities are tremendous.

The Native Corporations want to develop their lands and they want jobs for their shareholders. Life in Alaska villages has been characterized by seasonal jobs, high unemployment and welfare. The Native Corporations are working to change this and the very best chance for doing so is minerals development.

The following is a brief description of the 12 Alaska Regional Native Corporations:

AHTNA INC



AHTNA INC. Ahtna has 1.8 million acres in east central Alaska near the Canadian border. The land is in the Copper River Basin, home of the original Kennecott copper deposit. There has been little exploration in the area, but there are indications of gold, copper, platinum, tungsten, and coal.

For additional information, contact: Sue Sherman, Resource Development Officer, Ahtna Minerals, P.O. Box 649, Glennallen, AK 99588; Phone: (907) 822-3476, FAX: (907) 822-3495.



ALEUT CORPORATION. Aleut Corp. has 1.2 million acres on the Aleutian Island chain, from Pt. Moller on the peninsula to Umnak Island. The islands are of a volcanic nature, so there is considerable geothermal energy available in addition to indications of copper, gold, oil, and gas deposits. Battle Mountain Gold previously explored for gold in this area.

For more information, contact: Mr. Bob Stanton, Director of Lands and Real Estate, Aleut Corp., 4000 Old Seward Highway, Suite 300, Anchorage, AK 99503; Phone (907) 561-4300.



ARCTIC SLOPE REGIONAL CORPORATION. ASRC has 5.5 million acres in the Northern part of Alaska, some of which is near the Red Dog mine, a world class zinc deposit. In addition to oil and gas potential ASRC has a major coal deposit and is currently working to market it.

For more information, contact: Teresa Imm, Resource Development Manager, Arctic Slope Regional Corporation, 301 Arctic Slope Avenue, Anchorage, AK 99518; Phone (907) 267-6372, FAX: (907) 349-5476.

BERING STRAITS NATIVE CORPORATION



BERING STRAITS NATIVE CORPORATION. The Bering Straits Native Corp. has 2.2 million acres of land on the Seward Peninsula, one of the best known gold mining districts in the world. In addition to gold deposits, this area has been one of the best tin prospects in North America.

Exploration has identified several gold prospects that the corporation is working to market. A couple of prospects are Bluff and Mt. Distin. The formations have been compared to the Carlin District of Nevada.

For more information, contact: Jack Carpenter, President, Bering Straits Native Corp., P.O. Box 10008, Nome, AK 99762; Phone (907) 443-5252.

**BRISTOL BAY
NATIVE CORP**

BRISTOL BAY NATIVE CORPORATION. BBNC has 3 million acres in Southwest Alaska around Bristol Bay. There are indications of gold and copper in the area.

For more information, contact: Jack Moore, Engineering Geologist/Land Planner, Bristol Bay Native Corporation, 800 Cordova, Anchorage, AK 99501; Phone: (907) 278-3602, FAX: (907) 276-3924.



CALISTA CORPORATION. Calista is entitled to 7 million acres in the southwest part of Alaska, including the Yukon Delta. This area contains many historical mining districts like Iditarod. There has been limited exploration since the turn of the century and modern exploration methods may reveal much. There are indications of gold, platinum, and mercury on Calista lands.

For more information, contact: Rob Retherford, Senior Exploration Geologist, Calista Corporation, 601 W. 5th Avenue, Suite 200, Anchorage, AK 99501-2225; Phone: (907) 279-5516, FAX: (907) 272-5060.



CHUGACH ALASKA INC. Chugach is the second smallest native corporation. Their land is located about Prince Williams Sound. The Chugach was a premier mining district in Alaska that produced copper, gold and silver. It's also the site of the first Alaskan oil well. There are indications of manganese and chromium in addition to anthracite, copper, gold and silver. All the land is close to water and accessible.

For more information, contact: Mark Stahl, Manager Lands & Resources, Chugach Alaska Corporation, 560 E. 34th Avenue, Suite 200, Anchorage, AK 99503-4196; Phone: (907) 563-8866, FAX: (907) 563-8402.



COOK INLET REGIONAL CORPORATION. CIRI's mining subsidiary, Northern Pacific Mining Corporation, is interested in joint ventures. CIRI has extensive holdings throughout Alaska including several projects once held by Anaconda. CIRI also owns Anaconda's Alaskan exploration files and will share this information with companies that make business arrangements with them.

For more information, contact: Mr. Tom Crafford, Manager of Exploration, CIRI, 121 W. Fireweed Land, Suite 102, Anchorage, AK 99503; Phone (907) 276-6762.



DOYON LIMITED. Doyon has 12.5 million acres in central Alaska between the Brooks Range and the Alaska Range. Many of these holdings are in historical mining districts. Doyon has exploration agreements with various mining companies.

For more information, contact: Mr Harold Noyes, Manager of Resource Development, Doyon Ltd., 201 1st Ave., Fairbanks, AK 99701; Phone (907) 452-4577.



KONIAG INC. Koniag has holdings on the Alaska Peninsula, Kodiak Island, and Afognak Island.

For more information, contact: Mr. John Merrick, Manager of Land and Resources, Koniag, Inc., 4300 B St., Suite 407, Anchorage, AK 99503; Phone (907) 561-2668.



NANA REGIONAL CORPORATION. NANA has 2.3 million acres in Northwest Alaska. NANA owns the Red Dog Mine which is operated by Cominco Alaska.

NANA lands contain gold, coal, base metals, and jade. NANA Regional Corp., has the majority of undeveloped Alaska jade resources.

For more information, contact: Mr. John Rense, VP of Resources, NANA Regional Corp., 1001 E. Benson Ave., Anchorage, AK 99508; Phone (907) 265-4145.



SEALASKA CORP. Sealaska has 600,000 acres in Southeast Alaska along the panhandle. This area is mineral rich and accessible. Sealaska lands contain precious metals, strategic minerals, and limestone.

For more information contact: Mr. Robert Loescher, Sealaska Corp., 1 Sealaska Plaza, Suite 400, Juneau, AK 99801; Phone (907) 586-1512.



A little seed corn can go a long way

It's politically fashionable sometimes to snort at public investment in economic development, calling it subsidy. But if we're serious about diversifying our economy and creating jobs, every development idea should be taken seriously.

A little seed corn sprinkled around in strategic locations can sometimes yield a pretty good harvest.

Take, for example, a modest \$1.2 million state investment in a pilot program to do regional aerial magnetic and gravity surveys in selected parts of Alaska with mineral potential, approved by the state legislature in 1992 and 1993. Just a few weeks after its completion, this is a

BRADNER: A little seed goes a long way

Continued from Page C-1

demonstrated, though admittedly modest, success.

Aerial magnetic and gravity surveys are to minerals geologists what those popular, large-scale topographic surface maps sold by the U.S. Geological Survey are to the rest of us. We see good places to hike, fish or boat. Geologists see good places to look for underground ore in the patterns of magnetic and gravity fields shown on those maps.

In the minerals business, this is pretty basic stuff. Regional gravity and magnetic mapping is done all over the world, just as surface maps are done, most often by governments that use the data to bring more minerals exploration into their countries.

It's ironic, but many Third World countries are far better mapped with these kind of surveys than Alaska. Even very poor African nations like Chad, Niger and Burkina Faso are well covered by magnetic and gravity surveys, thanks to U.N. aid. There's been very little work done in Alaska, where the state owns 103 million acres with much richer mineral potential than many countries.

The state Division of Geological and Geophysical Survey has just completed its survey of about 1,800 square miles in locations near Nome, Interior and southwest Alaska.

Maps for the Fairbanks area were released three weeks ago, sparking a surge of new exploration after several "targets" were identified that geologists thought could be ore deposits similar to the new Fort Knox gold mine being developed near Fairbanks.

In just a few weeks, the mapping program around Fairbanks has stimulated mining companies to spend as much, or more, than the surveys cost to do.

Why don't mining companies themselves do this? Sometimes they do, for their own proprietary use. Many Alaska Native corporations, which own large land areas and are working with mineral companies, have done these for their own lands. Bering Straits Native Corp. and Calista Corp., two Native corporations with substantial mineral lands, also contributed to the state's survey.

One reason why it's good policy for this

kind of "infrastructure" (in this case it's mapping, instead of road or bridges) to be done by the government is that the information then can be made available to the public.

The policy objective is to get as many people as possible looking at the data, because interpretations will vary. One company's geologists will see hints of a Fort Knox mine; others will see nothing. The more people look at it, the more interest, and competition, is stimulated, increasing the chances that a discovery will be made, and maybe, eventually, a mine.

Those Native corporations were similarly motivated: They contributed to the state survey knowing the information would become public. It was good business, they felt, to show off the potential of their own land as well as the state's.

The stakes are pretty big in all this. Large mines can be big employers, and big taxpayers for local communities.

All of Alaska's larger mines under development in recent years, the Red Dog near Kotzebue (one of the world's largest lead zinc mines), Fort Knox near Fairbanks and Greens Creek near Juneau, have ore bodies that are very near, or even at the surface. This made them easier to find.

Geologists now think there may be other Red Dog-type base metals deposits in the western Brooks Range, and other large, Fort Knox-type gold ore deposits near Fairbanks, but buried under enough soil so that they are hard to detect. Gravity and magnetic surveys help geologists find these hidden ores.

With 1,800 of Alaska's estimated 80,000 square miles of land with mineral potential surveyed, we've hardly scratched the surface.

The Alaska Minerals Commission, an advisory group to state government, has recommended that this mapping program be continued and even expanded.

This limited investment has already produced results. It's been shown to be pretty good seed corn.

□ Tim Bradner writes for an Alaska economic reporting service. His private clients include petroleum companies. His opinion column appears every fourth Sunday.



State-industry partnership: Alaska governor Tony Knowles talked of a new era of cooperation in his State of the State address last month.

Governor calls for a new 'partnership'

ANCHORAGE — Alaska's Gov. Tony Knowles called for a new era of "partnership" with the oil and gas industry in his first State of the State message, delivered last month to the newly-convened 19th Alaska legislature.

"Alaska still has plenty of oil and gas left to be developed, but the state must have a positive business environment," Knowles said. "We need laws and regulations that provide incentives and that are clear, predictable and consistent."

"In turn, the oil industry must commit to hire Alaskans, use Alaskan businesses, protect the environment and share the profits with Alaskans."

The governor called for a tax and regulatory conference on how Alaska can best position itself for future development. He urged the legislature to work with him in a new oil and gas policy council.

Noting Alaska's increased clout in a Republican-controlled Congress, the governor planned to meet with the state's entire delegation

By Tim Bradner

in late January to plot strategy on Alaskan issues.

"Like never before, we are positioned to exert influence with both the Democratic administration and Republican Congress, and we are determined to present a bipartisan, consensus voice for Alaska in the nation's capital," he said.

Knowles predicted progress on removing the oil export ban and other Alaskan issues in Congress, such as opening of the Arctic National Wildlife Refuge to exploration and reauthorization of the Magnuson Act, the federal law controlling fisheries off Alaska's coasts.

"The (Clinton) administration now agrees that lifting the ban is in the national interest," he noted. "For the first time since it was imposed on us more than 20 years ago, a national administration is actively supporting a change in the law."

In his Jan. 19 budget message to the legislature, the governor said he would devel-

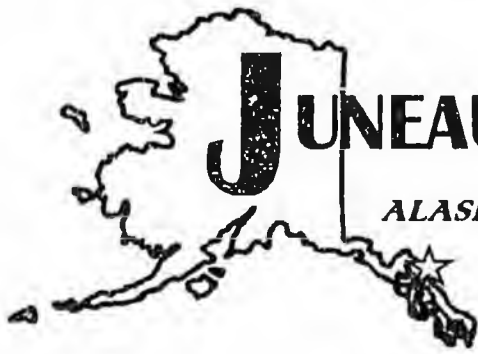
op a long-range financial plan for the state that would address the growing fiscal "gap," the deficit between the state's annual spending and its recurring income.

"The state has been living off its cash reserves for several years now, but even with recent tax settlements with BP and other oil companies, those reserves are sufficient for about four years," he said.

"For better than a decade, Alaskans have enjoyed something shared by few others: a healthy mix of services and benefits provided largely by one source, our oil wealth. With that wealth, Alaskans have done something no other oil state has been able to do. We've created and protected a \$15 billion Permanent Fund."

But the fiscal gap now poses serious dangers. "As we enjoy our oil wealth, we must remember that our vision of a new partnership with industry, competitiveness in the global economy, safe streets and good schools, will remain only dreams unless we develop a sustainable, long-term budget plan," he said.

Alaska's delegation moves on issues



JUNEAU CHAMBER OF COMMERCE

ALASKA'S CAPITAL CITY

March 6, 1995

To: Representative Richard Foster

From: Chuck Achberger, Director
Juneau Chamber of Commerce

Dear Rep. Foster:

The Juneau Chamber of Commerce would like to go on the record in favor of HB 197.

To much of the state government is directed at regulating, often with great zeal, our resource industries. It is a pleasure to see a measure before the House that would offer an incentive to those involved in the mineral exploration business.

While a lot of "speeches" have been made about partnering with our industries, this is a positive step in that direction. If the State of Alaska is to become financially stable, the state must work with all it's industries, as true partners.

HB 197 offers some of the incentives necessary to make Alaska competitive with mineral exploration in the international marketplace.

Sincerely,

Chuck Achberger
Director



ALASKA MINERS ASSOCIATION, INC.

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

March 6, 1995

Honorable Richard Foster
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

RE: HB-197, Exploration Incentives

Dear Representative Foster,

The Alaska Miners Association wishes to go on record in support of House Bill 197 which provides financial incentives for companies and individuals to explore for and develop mineral deposits in the state. This is an important bill that will encourage both the small prospector as well as large international mining companies to invest here in Alaska.

The general view in the international mining industry has been that Alaska is a difficult and unfriendly place to do business. HB-197 will support the on-going effort to change this perception.

One important aspect of the bill is that a company can assign their exploration credit to another company that is a successor in interest for the site. This can become very important when developing financing. A company that may otherwise not invest can be encouraged if they know they can assign the expenditures. For example, if they are not able to continue in the project due to other unrelated financial reasons, and they can assign their credits to the next company to buy into the project, they can recover some of their expenditures.

In addition to being an encouragement to invest, HB-197 also insures that the State and the rest of the industry will have access to the data generated. This bill requires that the company wishing to receive the incentive credit document the expenditures it has made, and provide the State Division of Geological & Geophysical Surveys with drill core, drill cuttings, sample analysis, etc. This can be a tremendous help for the other companies as they search for minerals and without this provision in the bill the data would remain proprietary and would not be available to the industry as a whole.

HB-197 comes at an important time for encouraging minerals investments in Alaska. The exodus of exploration funds away from federal lands throughout the western U.S. is continuing. This is due primarily to the increasingly oppressive regulatory climate in the U.S. and to the uncertainty over changes to the federal mining law. Alaska cannot correct all of these problems, but Alaska can add this incentive to encourage investment.

HB-197 will send the message that Alaska is seeking to improve its investment climate and that Alaska wants to encourage mineral development. The bottom line for the State is that more exploration will occur and more mineral deposits will likely be discovered which can provide jobs, facilities that increase the local tax base, and ultimately company profits that can then be taxed by the State.

If we can be of any further help, please contact me.

Sincerely,

Steven C. Borell, P.E.
Executive Director

cc: Representative Vezey

COOK INLET REGION, INC.

March 7, 1995

Honorable Richard Foster
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear Representative Foster:

I am writing on behalf of Cook Inlet Region Inc. (CIRI) to express support for House Bill 197 which would provide financial incentives for mineral and coal exploration activities. If passed, this bill would send a strong positive message to mineral companies contemplating work in Alaska.

Over the last 5 years or so we have seen a major exodus of mining companies from the lower 48. This has been a consequence of the regulatory burden assessed against the domestic mining industry as well as the "mature" nature of the industry in those areas (the easy discoveries have been made and developed). Most of these companies have headed overseas, primarily to Central and South America, only to find that the cultural, linguistic and political differences present an equally formidable set of challenges.

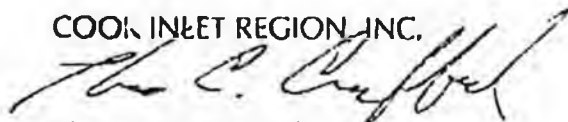
Some of those companies are now looking back at North America and this is a particularly opportune time to send out the message that Alaska is "open for business." HB-197 does a good job of this by providing reasonable economic incentives. Additionally, it provides a means for getting valuable exploration data into the hands of the public, while still protecting the confidential nature of the data for three years.

As you know, mining has the potential for providing good-paying, year-round, skilled jobs at a wide variety of localities throughout the state. I applaud your efforts in sponsoring HB-197 to better help Alaska realize that potential.

Please note that I have also included a letter of support for HB-197 from Dennis Lance, Exploration Vice President for USMX, Inc. of Denver, CO.

Sincerely,

COOK INLET REGION, INC.



Thomas C. Crafford
Manager, Minerals and Coal

cc Representative Vezey
C. Marrs
G. Booth

March 7, 1995

Honorable Richard Foster
Alaska State Legislature
State Capitol (MS3100)
Juneau, Ak 99801-1182

RE: HB-197 Exploration Incentives

Dear Representative Foster,

I would like to express my support for House Bill 197 which would provide financial incentives for companies and individuals to encourage mineral exploration and development in the state. Mining is one of the primary reasons Alaska was originally settled and it could once again become a primary economic base for Alaskans. HB-197 will support the on-going effort to change the perception that Alaska is a difficult and unfriendly place to do business.

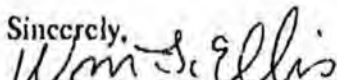
I have been an exploration geologist in Alaska for over 20 years with several medium to large US and international mining companies such as Sunshine Mining, Anaconda, Battle Mountain Gold and American Copper and Nickel Co. Corporate decisions on where they explore for minerals are made by careful consideration of a number of factors only one of which is the mineral potential. I know Alaska has tremendous mineral potential; however, for many reasons such as: restrictive land classifications, poor investment climate, unfriendly and over restrictive state and federal bureaucracies, lack of infrastructure, and more costly remote exploration, Alaska remains under-explored.

There is currently a mass exodus of North American mining companies to Latin America and other third world countries that are aggressively soliciting development of their minerals with through a number of incentives. Battle Mountain Gold closed their Alaska office in 1992 (Placer Dome in 1993) to emphasize Latin American exploration. The time is ripe for Alaska to attract some of that investment through bills such as HB-197 and other legislation to streamline the regulatory process.

This is a very important bill that will send a message to the international mining community that Alaska wants to encourage responsible mineral production as opposed to the prevalent anti-mining sentiment encountered in the "lower 48".

I am currently with American Copper and Nickel Co. which is the American subsidiary of INCO, one of the largest mining companies in the world. We currently have a large exploration program in Alaska but are facing increasing competition for budget dollars from our other international exploration divisions. Passage of legislation such as HB-197 would help ensure that we will maintain an aggressive exploration effort in Alaska.

Sincerely,



William T. Ellis Alaska Mineral Evaluation Service Eagle River, Alaska 99577
cc: Representative Al Vezey



March 2, 1995

Via FAX: 907-279-8836

Mr. Tom Crafford
Vice President
North Pacific Mining Corp.
2525 "C" Street, Suite 500
P.O. Box 93330
Anchorage, AK 99509-3330

RE: Proposed Exploration Incentive Bill

Dear Tom:

I read the proposed Alaska legislation that you sent to Paul Valenti with interest. I think this would set off a rush to Alaska and may keep at least some exploration dollars from going off shore. I know I would look more seriously at some opportunities up there especially on State and native lands. I hope it has a chance.

Sincerely,

USMX, INC.

A handwritten signature in black ink, appearing to read 'Dennis L. Lance'. The signature is fluid and cursive, written over the printed name.

Dennis L. Lance
Vice President Exploration

DLI.655/caw

USMX, INC.
141 Union Boulevard, Suite 100 • Lakewood, CO 80228
(303)985-1665 • FAX (303)980-1363
NASDAQ Symbol • USMX



ALASKA STATE LEGISLATURE
REPRESENTATIVE RICHARD FOSTER

Session STATE CAPITOL ROOM 410, JUNEAU, ALASKA 99811 • 907-465-3789 • FAX 907-465-3242
Interim PO BOX 1630 NOME ALASKA 99762 • 907-443-5036 • FAX 907-443-2162

CO-CHAIR, HOUSE FINANCE COMMITTEE

February 28, 1995

To: Representative Joe Green
Representative Bill Williams
Co-Chairmen, House Resource Committee

From: Representative Richard Foster *R*
Sponsor, HB 197

RE: **Scheduling of HB 197; An Act Providing for Exploration Incentive Credits for Mineral Development.**

Please consider this request for scheduling of HB 197; An Act Providing for Exploration Incentive Credits for Activities involving Locatable and Leasable Minerals and Coal Deposits on certain land in the State at your earliest convenience.

This legislation was thoroughly reviewed by the Eighteenth Legislature but failed to receive necessary concurrence in the waning hours of the Second Session.

Your consideration of this request is greatly appreciated. If you or your staff wish to discuss this legislation or scheduling related to this legislation, please feel welcome to contact myself or my staff, John Walsh, 5-3789 or 5-3722.

Thank you.

NANA REGIONAL CORPORATION, INC.

1001 E. BENSON BOULEVARD, ANCHORAGE, ALASKA 99508
TELEPHONE (907) 265-4100



March 7, 1995

Honorable Richard Foster
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Representative Foster:

This letter is to support your efforts for the successful passage of HB-197 providing financial incentives for companies and individuals to explore and develop mineral deposits within the state. This is a very welcome "change in attitude" which can reflect favorably on the business climate within the state.

Our state has acquired over the years the dubious distinction of being very difficult to deal with in developing resources or businesses. Certainly some of the problems have to do with projects such as the AJ which get hamstrung by the non-regulation agendas of Federal agencies, our own attitudes within the state have often been more adversarial than cooperative in development projects.

We again applaud your efforts to encourage companies to do business within the state. Incentives such as this can help encourage responsible growth in the industrial community.

Sincerely,

Anita Williams
Senior Geologist

cc: Representative Al Vezey

Post-It™ brand fax transmittal memo 7671		# of pages → 1
To: Richard FOSTER	From: Anita Williams	
Co. House of Rep	Co. NANA	
Dept. State Capitol	Phone # 562-0709	
Fax # 907-465-3242	Fax # 563-7559	



Member Villages: Ambler, Buckland, Candle, Deerling, Kiana, Khatina, Kobuk, Kotzebue, Noatak, Nooruk, Selawik, Shungnak

MAR- 7-95 TUE 14:40

ALASKA MINERS ASSN

FAX NO. 9072787997

P. 01

FAX TO: John Walsh 465-3042

- This FTL is my statement for

✓ David Rogers 586-1097

tomorrow's telecon - Not for the packets!

HB-197, Exploration Incentives

Steve Borell

3/7/95

12:15 p.m.

Thank you Mr. Chairman.

My name is Steve Borell. I am the Executive Director of the Alaska Miners Association and I am testifying on behalf of the Association.

We have reviewed House Bill 197 and wish to go on record in support of this bill. I believe you have our letter of support in your packets so I will not repeat that material but I would like to make some additional comments.

House Bill 197 will encourage both the small prospector and the large international mining companies to invest in Alaska. This bill comes at an important time. As a result of an oppressive regulatory climate and uncertainty over possible changes to the federal mining law, there continues to be an exodus of exploration funds away from federal lands throughout the western U.S. Alaska cannot correct some of these problems but Alaska can add this bill as an incentive to encourage investment.

The financial incentives of this bill will not make or break a project. They will however act as an encouragement for companies to invest in Alaska and show the world that Alaska has a new attitude and wants mineral investments.

This bill contains several important aspects that will encourage investment while at the same time, 1) mesh into and follow the existing mining license tax system; 2) require a minimum of administration; and if successful 3) will result in new mines that will pay new royalty streams to the State. These mines will also mean all manner of attendant jobs, facilities and other economic activity.

 Some specific important points of this bill include:

- applies to direct costs only;
- can be credited against only 1/2 of the taxes or royalty payable in any given year - the other half is still due to the state;
- the credit will be against new royalties that do not now exist so there will be no affect on existing royalties;
- allows the credit to be assigned to successors in interest;
- applies to all classes (state, federal, private) of lands, just as all classes of lands have the potential to create new jobs and just as all classes of lands are subject to the mining license tax;

- requires that data be given to the state which will, after 36 months, be open to the public that would otherwise remain proprietary;
- allows the company to apply for the credit at its own choice. This will result in a minimum amount of paperwork (for both the companies and the state) and a minimum number of applications will be processed because companies will not apply until they know their project is going into production;

It is also important that HB-197 specifies that the credits apply to the site where the exploration occurs and that the credits can be transferred to a successor in interest for that site. The ability to transfer the credit to future owners is essential. It is not uncommon for a project to be held by several different companies over a period of 10 or more years before one of the companies is able to understand enough about the mineral deposit to prove that it is economic to develop.

HB-197 will send a message to the international mining industry that Alaska is seeking to improve the investment climate and it is one more indication that Alaska is working to encourage mineral development.

We urge passage of this bill. The sooner it is passed and becomes law, the sooner we can begin spreading this news and provide companies with yet one more reason to come here and invest.

Thank you.

DAVID E. ROGERS, ESQUIRE

211 FOURTH STREET, SUITE 108

P.O. BOX 33032

JUNEAU, ALASKA 99803

TELEPHONE (907) 586-1107

FAX (907) 586-1007

March 8, 1995

House Resources Committee
Capitol Building
Juneau, Alaska 99811

Dear Committee Members:

This letter is submitted on behalf of the Council of Alaska Producers (Producers Council) in support of HB 197. The Producers Council is a non-profit Alaska corporation whose members include: Alaska Gold Company; Cominco Alaska Incorporated; Cominco Alaska Exploration; Echo Bay Alaska, Inc.; Fairbanks Gold Mining, Inc.; CIRI Energy and Minerals; Greens Creek Mining Company; American Copper and Nickel Company, Inc.; Cambior Alaska; and the Alaska Miners Association, an ex-officio non-voting member.

HB 197 follows the lead already taken by the Knowles Administration and last year's legislature in other arenas to encourage the development of our natural resources and stimulate responsible economic growth in the Great Land. Tim Bradner in last Sunday's Daily News couldn't have said it better:

"It's politically fashionable sometimes to snort at public investment in economic development, calling it a subsidy. But if we're serious about diversifying our economy and creating jobs, every development idea should be taken seriously. A little seed corn sprinkled around in strategic locations can sometimes yield a pretty good harvest."

Mr. Chairman, think of HB 197 as seed corn. It is not intended as a reward or windfall for those currently doing business in Alaska. The primary purpose of this bill is to send a positive message to industry and encourage companies to do something they weren't going to do already by creating attractive economic incentives to explore for and develop coal and mineral deposits in Alaska.

This proposal, a version of which died in the House limbo file in the final minutes of last session, was

recommended in concept by the Alaska Minerals Commission in their January 1995 Report. According to the Commission:

"The Alaska minerals industry competes in a global market for mineral and exploration and development dollars. Although Alaska is blessed with an abundance of geologically favorable terrain, it has suffered because of its remoteness, the lack of transportation, infrastructure, and seasonal constraints. Equally important is the industry's perception that State and Federal agencies are not supportive of mineral development in Alaska.

Throughout the world there are countries actively seeking exploration and development investment by providing economic incentives for resource industries. Incentive programs have been successful in Chile and Mexico where privatization and tax incentives have revitalized their mining industries. Appropriate incentives could be especially effective in drawing industry attention to Alaska. This is because many companies currently view the lower 48 to be unattractive from the regulatory perspective and are looking elsewhere for new exploration opportunities.

The Governor and the Legislature should create economic incentives (including credits for exploration expenditures that can be deducted from claim rents, the mining license tax, production royalties and income taxes) that will provide financial encouragement and help offset some of the real and perceived problems facing exploration and development in Alaska."

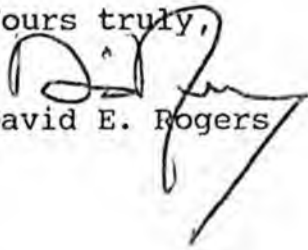
Passage of this bill should yield two very significant net benefits to Alaska. First, if this strategy is successful there will be a near term infusion into local economies. Second, new exploration activities that may be stimulated by this incentive may ultimately lead to new producing mines. This means new good jobs for Alaskans and new taxes and royalties the state would not otherwise receive. It is important to keep these benefits firmly in mind when you evaluate this legislation and similar economic diversification efforts.

HB 197 is our highest priority this session. It will not solve all the world's problems but it is one of several things the state can and should be doing to encourage responsible mineral development. Will it work? We think so. According to one of our members, who just returned from a meeting in Denver, things like incentives and mapping programs in conjunction with the geology get the attention

of upper level management when they plan their worldwide exploration strategies.

The Producers Council would like to thank bill sponsor Rep. Foster and co-sponsor Rep. Vezey for introducing HB 197 and the House Resources Committee for giving it an early hearing. We urge passage of this important "seed corn" legislation.

Yours truly,


David E. Rogers

Gold mining companies race to stake new prospects near Fairbanks

By Diana Campbell
For the Journal of Commerce

FAIRBANKS — Three major mineral mining companies have staked claims to 60 acres of land that hold promise of gold just northeast of here.

Cyprus Amax Minerals Co. of Englewood, Colo., La Teko Resources of Salt Lake City, Newmont Gold of Denver and Placer Dome Inc. of San Francisco made the move in anticipation of a Feb. 7 release of new maps from the Alaska Division of Geological and Geophysical Surveys.

"They physically pounded posts into the ground," said Dick Swainbank, development specialist to mining and minerals in the state Department of Commerce and Economic Development's division of economic development.

The new maps have electromagnetic and aeromagnetic readings that indicate the locations of prospective mineral lodes, he said.

The companies have 90 days from the staking to file their claims with the state Recorder's Office, Swainbank said.

The companies will begin exploration as soon as the snow is off the ground, he said.

"This has been more activity in mining than I have ever seen in the 25 years I have been here," Swainbank said. "I'm overjoyed with the activity."

Cyprus Amax is the Colorado-based parent company of Fairbanks Gold Mining Inc., operator of Fort Knox gold mine, which is set to begin construction this spring on the 250-employee operation expected to produce 350,000 ounces of gold a year.

LaTeko Resources and Newmont are developing Ryan Lode together, which has 822,000 ounces of gold in contained mineable re-

serves, its officials say. The company is doing environmental baseline work at Ryan Lode.

La Teko also is the operator of True North, a mine near Pedro Dome north of Fairbanks where it concentrated most of its exploration efforts last year.

Rich Hughes, general manager of Ryan Lode Mines Inc., said that work led to definition of 446,000 ounces of gold reserves in two discreet ore bodies that will be connected. "We're projecting over a million ounces of mineable gold at True North," he said.

The new maps indicate a rock type that hasn't been considered for gold until recent years, Swainbank said.

He said the magnetic readings have signatures that can be compared with known gold fields. The maps can be viewed on paper with overlays or on a computer.

At a Greater Fairbanks Chamber of Commerce luncheon March 7, Karen Washburn, a

Fairbanks Realtor, said there may not be enough area housing available to accommodate the influx of people created by increased area mining activity. The Fairbanks housing market is expected to be tight this summer, she said, as the Fort Knox mine construction gets underway.

Morrison Knudson, general contractor for the Fort Knox mine project, has been looking for 50-60 rental units to use for 13-20 months, she said.

"Gold mining is here to stay," Washburn added.



PLACER DOME U.S. INC.

ONE CALIFORNIA STREET, SUITE 1100
SAN FRANCISCO, CALIFORNIA 94111
(415) 466-0740
TELECOPIER (415) 397-0747

March 14, 1995

The Honorable Richard Foster
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Representative Foster:

I want to thank you for introducing and actively supporting legislation to provide for exploration incentive credits for mineral deposits in Alaska (HB 197). This legislation not only encourages mineral exploration in the State it also represents sound tax policy. Only a small percentage of exploration projects ever become mines. As you know, we are engaged in a high risk, high cost business. Therefore, most expenditures made for exploration will never be eligible for a credit. However, it is responsible policy to provide an incentive to those exploration efforts that do succeed and will be contributing to the economy and state coffers through mineral production.

There is worldwide competition for limited exploration dollars. With the passage of HB 197, Alaska improves its relative competitive position.

Sincerely,
Placer Dome U.S. Inc.

Richard G. Duncan
Vice President Exploration

JG

c: J. Danni - PDUS
T. Jensen - PDUS
S. Borell - Alaska Miners Assoc.

HB

207

CS FOR HOUSE BILL NO. 207(O&G)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR
A BILL

FOR AN ACT ENTITLED

1 "An Act relating to adjustments to royalty reserved to the state to encourage
2 otherwise uneconomic production of oil and gas; and providing for an effective
3 date."

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

5 * Section 1. AS 38.05.180(j) is amended to read:

6 (j) The [TO PROLONG THE ECONOMIC LIFE OF AN OIL AND GAS
7 FIELD OR TO REESTABLISH COMMERCIAL PRODUCTION OF SHUT-IN OIL
8 OR GAS THAT WOULD NOT OTHERWISE BE ECONOMICALLY FEASIBLE,
9 THE] commissioner

10 (1) may [SHALL ADOPT REGULATIONS TO] allow reduction of
11 royalty on individual leases or leases unitized as described in (p) of this section

12 (A) to allow for production from an oil or gas field, pool, or
13 portion of a field or pool if

14 (i) the oil or gas field, pool, or portion of the field or

1 pool has been sufficiently delineated to the satisfaction of the
2 commissioner;

3 (ii) the field, pool, or portion of the field or pool has
4 not previously produced oil or gas; and

5 (iii) production from the field, pool, or portion of the
6 field or pool would not otherwise be economically feasible;

7 (B) to prolong the economic life of an oil or gas field, pool,
8 or portion of a field or pool, as per barrel or barrel equivalent costs
9 increase in the later stages of production decline; or

10 (C) to reestablish commercial production of shut-in oil or
11 gas that would not otherwise be economically feasible;

12 (2) [THE COMMISSIONER] may not grant a reduction of royalty
13 unless the lessee or lessees requesting the reduction make [MAKES] a clear and
14 convincing showing that a reduction of royalty meets the requirements of this
15 subsection and is in the best interests of the state;

16 (3) shall, if the royalty reduction agreement is approved, in the
17 royalty reduction agreement, [THE REVENUE FROM THE LESSEE'S SHARE OF
18 ALL HYDROCARBONS PRODUCED FROM THE FIELD IS AND IS LIKELY TO
19 CONTINUE TO BE INSUFFICIENT TO PRODUCE A REASONABLE RATE OF
20 RETURN WITH RESPECT TO THE LESSEE'S TOTAL INVESTMENT IN THE
21 FIELD. THE COMMISSIONER MAY] condition a royalty reduction granted under
22 this subsection in any way necessary to protect the state's best interests; under this
23 subsection, the commissioner shall include provisions to increase or otherwise
24 modify the state's royalty share by a sliding scale royalty or other mechanism
25 upon the occurrence of a change [INTEREST, INCLUDING RESTORATION OF
26 THE STATE'S ROYALTY SHARE IN THE EVENT OF AN INCREASE] in the price
27 of oil or gas, and may consider other relevant factors, such as proved reserves,
28 well productivity, or capital investment in the oil or gas field, pool, or portion of
29 the field or pool;

30 (4) may not grant a royalty reduction for a field, pool, or portion
31 of a field or pool under (1)(A) of this subsection that exceeds 75 percent of the

1 royalty originally specified in a lease entered into under the provisions of (f) of
2 this section or AS 38.05.134;

3 (5) shall, as part of the royalty reduction application process,
4 require the lessee or lessees to submit, with the application for the royalty
5 reduction, financial and technical data that demonstrates that the requirements
6 of this subsection are met; the financial and technical data required by the
7 commissioner

8 (A) may not require disclosure of data relating to
9 production before the lessee or lessees obtained ownership of the lease if
10 the reduction application involves a lease described in (1)(B) or (C) of this
11 subsection; and

12 (B) shall be kept confidential under AS 38.05.035(a)(9) upon
13 the lessee's request;

14 (6) shall give notice of the written findings and determination to the
15 lessee and to any other person who has filed a written request for it; subject to
16 (8) of this subsection, the commissioner's determination is final and not appealable
17 to the court;

18 (7) may require the lessee or lessees making application for the
19 royalty reduction to retain and pay for the services of a contractor, selected by
20 the lessee or lessees from a list/provided by the commissioner, to assist the
21 commissioner in evaluating the application and financial and technical data; when
22 the commissioner requires the lessee or lessees to retain the services of a
23 contractor under this paragraph, the commissioner shall determine the relevant
24 scope of the work to be performed by the contractor;

25 (8) may not make a determination that gives final approval to an
26 application for a royalty reduction under this subsection unless the commissioner
27 first

28 (A) submits the proposed royalty reduction decision to and
29 obtains the approval of at least three of the five members of the Alaska
30 Royalty Oil and Gas Development Advisory Board other than the
31 commissioner of natural resources; for purposes of this subparagraph.

1 after submission of the proposed royalty reduction under this
2 subparagraph, the Alaska Royalty Oil and Gas Development Advisory
3 Board has 30 days in which to evaluate the commissioner's submission and
4 to determine that the proposed royalty reduction meets the requirements
5 of this subsection and is in the best interests of the state;

6 (B) transmits copies of the determination made by the
7 Alaska Royalty Oil and Gas Development Advisory Board to

8 (i) the presiding officer of each house [BEFORE
9 APPROVING A ROYALTY REDUCTION, THE COMMISSIONER
10 SHALL MAKE A WRITTEN FINDING THAT THE STATE HAS
11 OBTAINED THE MAXIMUM POSSIBLE ECONOMIC RETURN
12 THAT IS COMPATIBLE WITH ALLOWING A REASONABLE
13 RATE OF ECONOMIC RETURN FOR THE LESSEE, AND SEND
14 COPIES OF THE FINDING TO ALL MEMBERS] of the legislature;

15 (ii) the chairs of the legislature's standing committees
16 on resources; and

17 (iii) the chairs of the legislature's special committees
18 on oil and gas, if any;

19 (9) is not limited by the provisions of AS 38.05.134(3) or (f) of this
20 section in the commissioner's determination under this subsection.

21 * Sec. 2. AS 38.05.180(p) is amended to read:

22 (p) To conserve the natural resources of all or a part of an oil or gas pool,
23 field, or like area, the lessees and their representatives may unite with each other, or
24 jointly or separately with others, in collectively adopting or operating under a
25 cooperative or a unit plan of development or operation of the pool, field, or like area,
26 or a part of it, when determined and certified by the commissioner to be necessary or
27 advisable in the public interest. The commissioner may, with the consent of the
28 holders of leases involved, establish, change, or revoke drilling, producing, and royalty
29 requirements of the leases and adopt regulations with reference to the leases, with like
30 consent on the part of the lessees, in connection with the institution and operation of
31 a cooperative or unit plan as the commissioner determines necessary or proper to

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secure the proper protection of the public interest. The commissioner may not reduce royalty on leases in connection with a cooperative or unit plan except as provided in (j) of this section. The commissioner may require oil and gas leases issued under this section to contain a provision requiring the lessee to operate under a reasonable cooperative or unit plan, and may prescribe a plan under which the lessee must operate. The plan must adequately protect all parties in interest, including the state.

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

9-GH0039AK
Chenoweth
3/23/95

CS FOR HOUSE BILL NO. 207()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to adjustments to royalty reserved to the state to encourage
2 otherwise uneconomic production of oil and gas; and providing for an effective
3 date."

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

5 * Section 1. LEGISLATIVE INTENT. In amending AS 38.05.180(j) in sec. 2 of this Act
6 to permit the commissioner of natural resources to initiate a reduction of royalty to encourage
7 otherwise uneconomic production of oil and gas from marginal fields and pools upon a finding
8 that the royalty reduction is in the best interests of the state, it is the intent of the legislature
9 that the commissioner of natural resources shall determine, in all cases, that the person or
10 persons applying for the royalty reduction would not make the additional investments that are
11 necessary to develop or prolong the economic life of the oil or gas field without the approval
12 of the royalty reduction.

13 * Sec. 2. AS 38.05.180(j) is amended to read:

14 (j) The [TO PROLONG THE ECONOMIC LIFE OF AN OIL AND GAS

1 FIELD OR TO REESTABLISH COMMERCIAL PRODUCTION OF SHUT-IN OIL
2 OR GAS THAT WOULD NOT OTHERWISE BE ECONOMICALLY FEASIBLE,
3 THE] commissioner

4 (1) may [SHALL ADOPT REGULATIONS TO] allow reduction of
5 royalty on individual leases or leases unitized as described in (p) of this section or
6 subject to an agreement described in (s) or (t) of this section

7 (A) to allow for production from an oil or gas field, pool, or
8 portion of a field or pool if

9 (i) the oil or gas field, pool, or portion of the field or
10 pool has been sufficiently delineated to the satisfaction of the
11 commissioner;

12 (ii) the field, pool, or portion of the field or pool has
13 not previously produced commercial quantities of oil or gas; and

14 (iii) oil or gas production from the field, pool, or
15 portion of the field or pool would not otherwise be economically
16 feasible;

17 (B) to prolong the economic life of an oil or gas field, pool,
18 or portion of a field or pool as per barrel or barrel equivalent costs
19 increase or as the sale value of oil or gas decreases, and the increase or
20 decrease is sufficient to make future production no longer economically
21 feasible; or

22 (C) to reestablish commercial production of shut-in oil or
23 gas that would not otherwise be economically feasible;

24 (2) [. THE COMMISSIONER] may not grant a reduction of royalty
25 unless the lessee or lessees requesting the reduction make [MAKES] a clear and
26 convincing showing that a reduction of royalty meets the requirements of this
27 subsection and is in the best interests of the state;

28 (3) shall, if the royalty reduction agreement is approved, [THE
29 REVENUE FROM THE LESSEE'S SHARE OF ALL HYDROCARBONS
30 PRODUCED FROM THE FIELD IS AND IS LIKELY TO CONTINUE TO BE
31 INSUFFICIENT TO PRODUCE A REASONABLE RATE OF RETURN WITH

1 RESPECT TO THE LESSEE'S TOTAL INVESTMENT IN THE FIELD. THE
2 COMMISSIONER MAY] condition the [A] royalty reduction granted under this
3 subsection in any way necessary to protect the state's best interests; under this
4 subsection, the commissioner shall include provisions to modify the state's royalty
5 share by a sliding scale royalty or other mechanism upon a showing, by clear and
6 convincing evidence, that, because of a sufficient change in one or more of the
7 following factors, further development or continued production of the field, pool,
8 or portion of the field or pool is not economically feasible: [INTEREST,
9 INCLUDING RESTORATION OF THE STATE'S ROYALTY SHARE IN THE
10 EVENT OF AN INCREASE IN] the sale price of oil or gas, proved reserves, field
11 productivity, or capital investment in the oil or gas field, pool, or portion of the
12 field or pool;

13 (4) shall, as part of the royalty reduction application, require the
14 lessee or lessees to submit, with the application for the royalty reduction, financial
15 and technical data that demonstrates that the requirements of this subsection are
16 met; the commissioner

17 (A) may require disclosure of only the financial and
18 technical data relating to production that is reasonably available to the
19 applicant; and

20 (B) shall keep the data confidential under AS 38.05.035(a)(9)
21 upon the lessee's request;

22 (5) shall give notice of the written findings and determination to the
23 lessee and to any other person who has filed a written request for it; subject to
24 (7) of this subsection, the commissioner's determination of royalty reduction is
25 final and not appealable to the court;

26 (6) may require the lessee or lessees making application for the
27 royalty reduction to retain and pay for the services of a contractor, selected by
28 the lessee or lessees from a list /of nationally recognized consultants in
29 hydrocarbon production and economics/ provided by the commissioner, to assist
30 the commissioner in evaluating the application and financial and technical data;
31 when the commissioner requires the lessee or lessees to retain the services of a

1 contractor under this paragraph, the commissioner shall determine the relevant
2 scope of the work to be performed by the contractor;

3 (7) may not make a determination that gives final approval to an
4 application for a royalty reduction under this subsection unless the commissioner
5 first

6 (A) requests and receives the recommendation of the Alaska
7 Oil and Gas Conservation Commission, which shall, within 30 days of
8 submission of the proposed royalty reduction decision by the commissioner,
9 determine whether the proposed royalty reduction meets the requirements
10 of this subsection and is in the best interests of the state;

11 (B) transmits copies of the commissioner's final approval
12 determination and of the determination made by the Alaska Oil and Gas
13 Conservation Commission, if any, to

14 (i) the presiding officer of each house [BEFORE
15 APPROVING A ROYALTY REDUCTION, THE COMMISSIONER
16 SHALL MAKE A WRITTEN FINDING THAT THE STATE HAS
17 OBTAINED THE MAXIMUM POSSIBLE ECONOMIC RETURN
18 THAT IS COMPATIBLE WITH ALLOWING A REASONABLE
19 RATE OF ECONOMIC RETURN FOR THE LESSEE, AND SEND
20 COPIES OF THE FINDING TO ALL MEMBERS] of the legislature;

21 (ii) the chairs of the legislature's standing committees
22 on resources; and

23 (iii) the chairs of the legislature's special committees
24 on oil and gas, if any;

25 (8) is not limited by the provisions of AS 38.05.134(3) or (f) of this
26 section in the commissioner's determination under this subsection.

27 * Sec. 3. AS 38.05.180(p) is amended to read:

28 (p) To conserve the natural resources of all or a part of an oil or gas pool,
29 field, or like area, the lessees and their representatives may unite with each other, or
30 jointly or separately with others, in collectively adopting or operating under a
31 cooperative or a unit plan of development or operation of the pool, field, or like area,

1 or a part of it, when determined and certified by the commissioner to be necessary or
2 advisable in the public interest. The commissioner may, with the consent of the
3 holders of leases involved, establish, change, or revoke drilling, producing, and royalty
4 requirements of the leases and adopt regulations with reference to the leases, with like
5 consent on the part of the lessees, in connection with the institution and operation of
6 a cooperative or unit plan as the commissioner determines necessary or proper to
7 secure the proper protection of the public interest. The commissioner may not
8 reduce royalty on leases in connection with a cooperative or unit plan except as
9 provided in (j) of this section. The commissioner may require oil and gas leases
10 issued under this section to contain a provision requiring the lessee to operate under
11 a reasonable cooperative or unit plan, and may prescribe a plan under which the lessee
12 must operate. The plan must adequately protect all parties in interest, including the
13 state.

14 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

9-GH0039\M
Chenoweth
3/25/95

CF FOR HOUSE BILL NO. 207()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR
A BILL

FOR AN ACT ENTITLED

1 "An Act relating to adjustments to royalty reserved to the state to encourage
2 otherwise uneconomic production of oil and gas; and providing for an effective
3 date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1. LEGISLATIVE INTENT.** In amending AS 38.05.180(j) in sec. 2 of this Act,
6 it is the intent of the legislature that the commissioner of natural resources encourage
7 reduction of royalty where appropriate, to promote otherwise uneconomic production of oil
8 and gas from marginal fields and pools upon a finding that the royalty reduction is in the best
9 interests of the state.

10 * **Sec. 2.** AS 38.05.180(j) is amended to read:

11 (j) The [TO PROLONG THE ECONOMIC LIFE OF AN OIL AND GAS
12 FIELD OR TO REESTABLISH COMMERCIAL PRODUCTION OF SHUT-IN OIL
13 OR GAS THAT WOULD NOT OTHERWISE BE ECONOMICALLY FEASIBLE,
14 THE] commissioner

1 (1) may [SHALL ADOPT REGULATIONS TO] allow reduction of
2 royalty on individual leases or leases unitized as described in (p) of this section or
3 subject to an agreement described in (s) or (t) of this section

4 (A) to allow for production from an oil or gas field, pool, or
5 portion of a field or pool if

6 (i) the oil or gas field, pool, or portion of the field or
7 pool has been sufficiently delineated to the satisfaction of the
8 commissioner;

9 (ii) the field, pool, or portion of the field or pool has
10 not previously produced commercial quantities of oil or gas; and

11 (iii) oil or gas production from the field, pool, or
12 portion of the field or pool would not otherwise be economically
13 feasible;

14 (B) to prolong the economic life of an oil or gas field, pool,
15 or portion of a field or pool as per barrel or barrel equivalent costs
16 increase or as the price of oil or gas decreases, and the increase or
17 decrease is sufficient to make future production no longer economically
18 feasible; or

19 (C) to reestablish commercial production of shut-in oil or
20 gas that would not otherwise be economically feasible;

21 (2) [. THE COMMISSIONER] may not grant a reduction of royalty
22 unless the lessee or lessees requesting the reduction make [MAKES] a clear and
23 convincing showing that a reduction of royalty meets the requirements of this
24 subsection and is in the best interests of the state;

25 (3) shall, as part of the royalty reduction agreement, [THE
26 REVENUE FROM THE LESSEE'S SHARE OF ALL HYDROCARBONS
27 PRODUCED FROM THE FIELD IS AND IS LIKELY TO CONTINUE TO BE
28 INSUFFICIENT TO PRODUCE A REASONABLE RATE OF RETURN WITH
29 RESPECT TO THE LESSEE'S TOTAL INVESTMENT IN THE FIELD. THE
30 COMMISSIONER MAY] condition the [A] royalty reduction granted under this
31 subsection by making reference to a sliding scale royalty or equivalent provision