State of Alaska
Department of Natural Resources
DIVISION OF MINES AND MINERALS

P. O. Box 1391
Juneau, Alaska

MINES BULLETIN

Vol. VIII

January, 1960

No. 1

MINING ACTIVITIES

THIRD DIVISION - A discovery of molybdenum near Hayes Glacier, west of Anchorage, has created a bit of excitement. The true value of the deposit will not be known until after further investigations and exploratory work. It is reported as promising, and a large number of claims have been staked.

OIL NEWS

Everybody must know it by now, but just for the record we will report here that the State of Alaska received a little over $4,000,000 from its first competitive lease sale of offshore oil lands on Dec. 10. The highest single bid for one parcel was a joint bid by Union Oil Co. of California and Ohio Oil Co. of $1,001,123.00. The size of the parcel was 2026 acres. It was an auspicious occasion, and we were all delighted.

A press release from the Union and Ohio oil companies announced that their first well south of the community of Kenai indicated a flow of 31,000,000 cu. ft. of gas per day in a production test. Their second well, in the same area, flowed at the rate of 17,000,000 cu. ft. per day in a test, and the third well has since been confirmed as a good commercial discovery also. They announced that these wells fulfill the Union-Ohio gas delivery commitments to the Anchorage Gas Corp., and that further drilling will depend on the market. The first well was drilled to 15,047 feet, the deepest hole in Alaska, but production will be from around the 5,000-foot horizon. No's 2 and 3 were drilled only to about 5,000 feet.

Richfield reports a cost of $1,500,000 to get its drill rig moved in and ready to start drilling in the area of the Kaliakh River between Bering Glacier and Yakataga. This figure would cover transportation, road building, and drilling supplies.

Fairbanks voters have approved a 20-year exclusive franchise to Alaska Propane for natural gas distribution.

Drilling News: Standard-Richfield now have 3 rigs drilling for them, having obtained the one that drilled the 3 Union-Ohio gas wells. Soldotna Creek Unit No. 41-4 will be spudded in by the latter rig shortly. Alaska Consolidated Oil is fishing in Iniskin-Antonio Zappa No. 1 at 11,200 feet and has hydro-frac operations under way at the old Beal No. 1. Richfield now down past 2,450 feet in Kaliakh No. 1 near Yakataga. Benedum and Associates spudded Nulato Unit No. 1 on Nov. 29 and are drilling ahead below 1,300 feet.

STATE COAL LEASING HEARING

Under the authority of the Alaska Land Act, passed by the first State Legislature, the State is preparing to adopt regulations for prospecting permits and coal leases on coal lands which the State may acquire. Regulations have (con't. on page 4)

BE SURE TO SEND IN YOUR "PINK SLIP" FROM PAGE 2

1958 USBM YEARBOOK CHAPTER OUT

The U.S. Bureau of Mines 1958 Minerals Yearbook chapter entitled "The Mineral Industry of Alaska" is available now at the USBM, Box 2688, Juneau. It covers all phases of mineral production and activities in Alaska for 1958. Congratulations are in order to the USBM for such rapid publication. A few years back, the yearbook was usually two or three years behind.

E. AND M. J. METAL MARKET PRICES

	Dec. 17 1959	Month Ago	Year Ago
Copper, per lb.	34.4¢	34.3¢	29.0¢
Lead, per lb.	12.5¢	13¢	13¢
Zinc, per lb.	12.5¢	12.5¢	11.5¢
Tin, per lb.	98.9¢	100.5¢	99.0¢
Nickel, per lb.	74¢	74¢	74¢
Platinum, per oz.	$77-80	$77-80	$51-55
Quicksilver, per flask	$215-217	$215-217	$218-222
Silver, foreign, New York	91.4¢	91.4¢	89.9¢
Silver, domestic, per oz.	90.5¢	90.5¢	90.5¢
Antimony ore, per unit	$3.10-3.20	$3.10-3.20	$3.10-3.20
Chrome ore, per long ton	$34-35	$34-35	$42-44
Molybdenum conc., per lb.	$1.25	$1.25	$1.25
Titanium ore, per ton	$23-26	$23-26	$23-26
Tungsten ore, per unit	$22-24	$22-24	$20-22

NOTICE

PINK SLIP NO. 4

This is the "pink slip" we request you to send us each January to enable us to keep our addresses correct and restrict the Bulletin to those who truly want it. Since we go to extra expense to send the Bulletin by first class and air mail to make it effective in delivering "fresh" news of importance, we do not wish to be wasting the taxpayers' money mailing it to those who do not read it. If you wish to continue receiving the Bulletin, please tear this notice off at the above line, fill in the spaces below with your name and correct mailing address, and mail it to us at Box 1391, Juneau, Alaska. If we do not hear from you prior to our March issue, your name will be removed from the mailing list.

Name _____

Mailing Address _____

_____

_____

TAX INFORMATION

Prospecting or developing a mining property may be cheaper than many people realize. The 1954 U.S. Internal Revenue Code (Sections 615 and 616) allow for a maximum of $100,000 in deductions per year for each of four years for bona fide prospecting or development expenses. The savings in taxes and resultant actual costs of exploration are interesting. A table is shown below that indicates savings and costs in various examples, showing in each case the tax on an income before prospecting deductions, and then what the tax and savings, etc., would be if $10,000 were spent on prospecting. For instance, it is shown that an Alaskan corporation with $35,000 in taxable profits can save $5350 in taxes if it spends $10,000 for prospecting, thereby doing its prospecting at an actual cost of only about 47¢ for every dollar so spent. A single taxpayer of $50,000 taxable income can prospect for only about 28¢ for each dollar spent prospecting or developing a mine. The savings are less for smaller incomes, but even a single man with a $12,000 taxable income will find he can make bona fide prospecting expeditions for around 68¢ on the dollar. The prospecting expenditure figure of $10,000 is used in each case for ease in calculations, but approximately the same low costs per dollar for prospecting can be obtained by lesser expenditures. The figures in the table are approximate slide-rule computations, but are substantially correct to the best of the writer's knowledge.

A strong note of caution must be sounded here. We do not want any one to get the idea from this discussion that he can take a camping vacation with a pick and gold pan and then deduct the expenses from his taxable income. The Bureau of Revenue will have to be convinced that the expenses were for bona fide prospecting for profit. Like other ventures for which taxpayers seek to deduct expenses, the prospecting must be entered into as a business venture for profit, and not as a hobby or for pleasure. That is the criterion by which the Bureau will judge each case.

	Taxable Income or Profit	U.S. Income Tax	Alaska Income Tax	Total Tax	Saving in Tax	Prosp'g Cost Per $
Alaskan Corporation	$ 35,000	$ 11,500	$ 2,300	$ 13,800		
after prospecting	25,000	7,100	1,350	8,450	$ 5,350	$ 0.47
Single Taxpayer	50,000	24,110	3,760	27,870		
after prospecting	40,000	17,860	2,760	20,620	7,250	0.28
Married Taxpayer	50,000	18,620	2,840	21,460		
after prospecting	40,000	13,440	2,030	15,470	5,990	0.40
Single Taxpayer	30,000	12,070	1,850	13,920		
after prospecting	20,000	6,720	1,020	7,740	6,180	0.38
Married Taxpayer	30,000	8,840	1,320	10,160		
after prospecting	20,000	5,030	740	5,770	4,390	0.56
Single Taxpayer	12,000	3,220	480	3,700		
after prospecting	2,000	390	60	450	3,250	0.68
Married Taxpayer	12,000	2,620	380	3,000		
after prospecting	2,000	390	60	450	2,550	0.75

(con't from page 1) been drafted in preliminary form and are available upon request at the State Division of Lands, 333 "D" Street, Anchorage. A public hearing will be held, at which time the industry and interested persons are urged to make comments, criticisms, or objections to the proposed regulations. Full consideration will be given to such statements before the regulations are adopted in their final form. Written statements received prior to, or during, the hearing will also receive due attention. The granting of State coal leases and prospecting permits will be done by the Division of Lands with the technical help and advice of the Division of Mines and Minerals.

The proposed regulations have been designed to encourage Alaskan coal development as much as possible while remaining consistant with proper conservation practices. The following matters are covered in the proposed regulations: classification of lands, qualification of applicants, acreage limitations, competitive and noncompetitive leases, fixing of royalties and rentals, forms to be used, etc.

The public hearing will be held on January 8, 1960, in the meeting room of the Z. J. Loussac Library, 5th Avenue & F Streets, Anchorage, starting at 9 A.M.

NOTES ON WITHDRAWALS

An interesting news item from the Spokane Spokesman Review reporting on a recent annual conference of the Western Forestry and Conservation Association was given us by one of our "fans". Mr. A. G. Hall, forestry relations counsel from Washington, D.C. predicted: ". . . . . as population pressures increase and lands become more sought after for various purposes that politics will play an increasingly important part in conservation." More of the article is quoted as follows:

> "Another conference speaker, Bert L. Cole, commissioner of public lands for the State of Washington, said Americans will have to start looking at 'natural resources with a multiple use glint in their eyes.' Pressure groups which will have to learn to compromise on some issues include timbermen, stockmen, farmers, miners, utilities, hunters, fishermen and outdoor recreationists, according to Cole's cataloging. The Washington commissioner said he applied the pressure group designation to such forest users, 'because as populations increase, they'll try tricks and generate conflicts to maintain their single use interests.'
>
> "Cole defined multiple use as a concept of land use rather than a system. He also accused ultraconservationists, largely easterners, with promoting the idea that the west is just a big playground. He said such people fail to realize that the economic growth of the west depends upon maximum utilization of its natural resources.
>
> "One of the most controversial talks on the conference agenda was given by Virlis L. Fishcher, Las Vegas, Nev., conservationist. Fisher said the Sierra club was engineering a colossal land grab for a single-use empire. Heart of the plan is a land transfer study which calls for a moratorium in the meantime on all management decisions affecting national forest lands. He declared the 'fantastic scheme' would bring wholesale dismemberment of the national forest system.
>
> "A Sierra club member himself, Fisher still characterized the club's move as a 'malicious campaign' and said, 'The attack features distorted use of pictures and captions in the club's publication to create a false and misleading impression of the work of the forest

service.' Fischer urged that more research on the real need and nature of wilderness areas be done before commitments be made on vast set-asides. He said the principle of multiple use is more important now than ever before, on private as well as on public lands."

As information that will be of interest to all who are not sure what the State's position is on multiple use of its lands, we quote here from the Natural Resources Article (VIII) of the Alaska Constitution:

"SECTION 1. It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

"SECTION 2. The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

"SECTION 3. Wherever occurring in their natural state, fish, wildlife, and waters are reserved to the people for common use."

We quote also from Article III of the Alaska Land Act:

"Section 1 . . . . . Nothing herein shall prevent reclassification of any lands where the public interest warrants such action, nor preclude multiple purpose use of all lands whenever the different uses are compatible. No Alaska land, water, or land and water area shall, except by act of the State Legislature, be (1) withdrawn from settlement, location, sale or entry; (2) reserved for special use; or (3) restricted from operation of the mining and mineral leasing provisions of this Act, if the area involved in such withdrawal, reservation, or restriction exceeds in the aggregate 640 acres."

<u>IF YOU WISH TO CONTINUE RECEIVING THIS BULLETIN,</u>

<u>BE SURE TO SEND IN YOUR PINK SLIP FROM PAGE 2.</u>