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

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MINING ACTIVITIES

Southeastern District - Columbia Iron Mining Co., U.S. Steel subsidiary, has taken up its option to lease and operate the Klukwan iron ore property, 23 miles northwest of Haines. The agreement includes payment of a minimum yearly royalty of $45,000 for the first ten years, and $100,000 minimum thereafter. The agreement extends for 75 years, but can be terminated by Columbia on 90 days notice. The property presently consists of 91 lode claims and 92 placer claims plus 103.67 acres purchased outright and 869.94 acres held on leases from Indians. Eight claims are in dispute with the University of Alaska. Columbia may purchase the property at any time during the agreement for $10,000,000, against which sum all royalties and rentals paid prior to the purchase may be credited. The agreement is with the Klukwan Iron Ore Corp., about 65 percent of which is owned by Quebec Metallurgical Industries, which in turn is controlled by Ventures, Ltd., of Canada. Estimates of a few years ago put recoverable iron from the placer claims alone at over 100,000,000 tons of 60 percent magnetite concentrate.

Northwestern District - USSR & M Co. will operate only two dredges in the Nome vicinity this year - Nos. 5 and 6.

Lee Brothers are moving from their gold dredging operations on the Solomon River to Cape and Buck Creeks to mine placer tin.

Central District - USSR & M Co. operations near Fairbanks will be limited to four dredges this year, two of which will be digging for the last time unless there are unforeseen changes. Dredges #2 and #6 will finish their ground this year. Dredges #3 (Chatanika) and #10 (Cripple Creek) will be the only dredges operating near Fairbanks after this year. USSR & M Co. dredges at Hogatza River and Chicken are still in operation.

OIL NEWS

During the month of May the Petroleum Branch of this Division approved the following applications for permit to drill:

Standard Oil Co. of Calif., Opr.: (1) "Soldotna Creek Unit" 41-9, Sec. 9, T.7N.,R.9W., approximately 660' S & 660' W of the NE cor of Proj. Sec. 9. (2) "Soldotna Creek Unit" 21-9, Sec. 9, T.7N.,R.9W., approximately 1980' E & 660' S from the NW cor of Proj. Sec. 9. (3) "Swanson River Unit" 23-33, Sec. 33, T.8N.,R9W., approximately 1400' N & 1980' E from the SW cor of Proj. Sec. 33. This brings the total number of permits approved to date to twenty, compared with seven during the same period during 1960.

Also during May, three completions were announced by the Standard Oil Co. of Calif., Opr., in the Swanson River Field. On May 5, 1961, Well No. "Swanson River Unit" 21-27 was completed flowing oil at a calculated MER of 450 barrels per day. On May 14, 1961, the operator completed Well No. "Soldotna Creek Unit" 43-4 flowing oil at a calculated MER of 700 barrels per day. On May 29, 1961, the operator announced the completion of Well No. "Soldotna Creek Unit" 43-5, however, no production information was available at the writing of this report.

Drilling Activity as of May 29, 1961:

Operator	Well No.	Status
Colorado	"Core Hole" 1	Drilling @ 540'
Pan American	"Napatuk Creek" 1	Drilling @ 11,360'
SOCAL	"SRU" 23-33	Drilling @ 9,737'
SOCAL	"SRU" 21-15	Coring @ 11,211'
SOCAL	"SCU" 23-4	Testing WSO
SOCAL	"SCU" 41-9	Drilling @ 9,865'
SOCAL	"SCU" 43-5	Completing
SOCAL	"SCU" 21-9	Drilling @ 7,167'
Richfield	"Duktoth River Unit" 1	Drilling @ 5,979'
Union	"Sterling Unit"1	Drilling @ 9,900'

For the first time in the history of Alaska oil exploration there are ten drilling rigs operating in Alaska.

Production, Swanson River Field

	Producing Wells	Oil (barrels)	Water (barrels)	Gas (1000 cu. ft.)
Cumulative to January 1, 1961		780,343	45,213	148,563
January		191,601	5,047	35,229
February		242,799	5,887	45,163
March		319,593	9,725	62,088
April	26	378,605	10,143	73,859

Release of Records - In compliance with Sec. 2008.1 of the Oil & Gas Conservation Regulations, records covering the drilling of Well No. "Halbouty-King" 1, Halbouty Alaska Oil Co., will be released to the public on June 13, 1961.

Competitive Lease Sale Nets State $7,170,604.88 - The State's most successful competitive oil and gas lease sale to date was held on May 23rd at which 359 bids were submitted on 99 of 102 tracts offered. Ninety tracts totaling 56,449 acres in the Mental Health Selection area north of the Moquakie Indian Reservation brought a total of $7,038,673.38, an average of $124.69/acre. Three tracts offered received no bids. The 39,486 offshore acres located in Pavlov Bay and Controller Bay averaged $3.34/acre for a total of $131,931.50. The Richfield Oil Corp. was the successful bidder on the nine offshore tracts offered.

Successful bidders and their total bids were: Superior Oil Co. $4,455,794.00; Pure Oil Co. $1,043,081.00; the joint bid of Phillips Petroleum Co., Pan American Petroleum Corp., Sinclair Oil & Gas Co., and Skelly Oil Co. $729,457.00; the joint bid of Union Oil Co. of California and the Ohio Oil Co. $488,064.20; Gulf Oil Corp. $117,513.16; Bristol Bay Oil Co. $122,848.00; Shell Oil Co. $37,049.60; the joint bid of the Standard Oil Co. of Calif. and Richfield Oil Corp. $19,347.20; Jack Antry $8,088.25; and Sunray Mid-Continent Oil Co. $5,120.17.

Unsuccessful bidders were Texaco, Inc., British American Oil Producing Co., Empire State Oil Co., and Halbouty Alaska Oil Co.

Baird Inlet Development Contract Approved - On May 11, 1961, the Secretary of the Interior announced approval of the Baird Inlet Development Contract with the Pan American Petroleum Corporation, operator. The development contract area covers about 586,140 acres and is west of and adjacent to Pan American's Napatuk Creek Development Contract area west of Bethel. The contract requires Pan Am to spend $200,000 in the first year of exploration and to drill a well each year during the second, third, and fourth years, with an expenditure of $250,000 minimum each of these years on drilling and exploration. Further, the operator must reduce the contract area by at least 50 percent prior to drilling the third well.

St. Elias Development Contract Approved - On May 11, 1961, the Secretary of the Interior announced approval of the St. Elias Development Contract with Standard Oil Co. of Calif., Opr. The development contract area covers about 247,500 acres in the Icy Bay region in the Gulf of Alaska. Standard must spend $500,000 and start a well by January 1, 1962. Drilling of a well and expenditure of at least $250,000 during each of the following two years must also be done.

Standard Announces Plans to Build Alaskan Refinery - Mr. H. G. Vesper, president of Standard Oil Co. of Calif., Western Operations, Inc., announced on May 19, 1961, that SOCAL will construct Alaska's first major oil refinery on a site in the Kenai Peninsula. The new plant will have an initial 20,000 barrels/day capacity, and will be designed to permit expansion when justified by growth in Alaska's oil consumption. The company is negotiating presently for purchase of several hundred acres suitable for a refinery site. Engineering details and the date for starting construction are still under study and will be made public at a later date.

Oil and Gas Field Maps Available - Maps of the Kenai Gas Field and the Swanson River Field on a 1" = 2000' scale can be purchased for $1.00 cash from the Division of Lands, 344 6th Ave., Anchorage. Each map shows the well locations and total depths, and is revised monthly if operations justify revision.

Possible Petrochemical Plant on Kenai - It has been reported that Union Oil Co. of Calif. is investigating the possibility of constructing a petrochemical plant in Alaska. Mr. Reese H. Taylor, Chairman of the Board for Union, stated in an address before the New York Society of Security Analysts recently, that studies are being made on the feasibility of liquefying natural gas and shipping it by tanker. He said, also, there is a possibility the gas might be used as feedstock for a petrochemical plant which Union has been considering in Alaska. Union operates the Kenai Gas field, half of which belongs to the Ohio Oil Co. Mr. Taylor stated that this is probably one of the larger gas fields in North America, with estimated reserves between 3 and 5 trillion cubic feet.

Gold

The latest in Congressional bills on the subject of gold is HR 6900 by Rep. Multer (Dem., N.Y.) to put an end to the required 25 percent gold backing of U.S. currency. Gold miners, please note. Some economists are of the opinion these days that gold to back U.S. currency is no longer necessary. HR 6900 would eliminate the requirement that Federal Reserve Banks maintain gold certificate reserves of at least 25 percent against deposit and note liabilities. Hearings were scheduled on this bill for May 17, but were postponed. No hearing date is set at present. Anyone wishing to testify or submit a written statement should correspond with Roger L. Cardon, Clerk and General Counsel, House Subcommittee on Banking and Currency, Washington 25, D. C.

WESTERN GOVERNORS ADOPT MINING POLICY

The annual Western Governors Conference was recently held at Salt Lake City. Alaska's Governor Egan participated. Among the more important policy statements adopted were the ones on mining and on gold. The gold resolution was submitted by a special committee of governors consisting of Governor Egan, Governor Smylie of Idaho, and Governor McNichols of Colorado. It urged an incentive or bonus payment that will assure to domestic producers a fair economic return, and opposed the changing of the law which requires 25 percent gold backing of currency until a study can be made to determine what the impact of such a change would be on the gold producing states.

Some of the specific recommendations made in the adopted statement of Policy on Mining are as follows:

As to government stockpiles: no sale or other distribution of these shall be made until an adequate national minerals policy has been adopted, and thereafter no such disposal of stockpiles shall be made which would interfere with the maintenance of a healthy domestic mineral industry under such national minerals policy,

As to foreign aid: The Congress should specifically prohibit the making of loans and grants to develop foreign production of any minerals and metals which are being imported into the United States in surplus amounts,

As to coal: the federal government be urged to adopt policies which will encourage the utilization of the vast deposits of coal in the western United States, and also to assist in the acquiring of foreign markets, and, as to United States Bureau of Mines' coal research and experimental stations, no such stations now in operation be removed from the West,

As to federal taxes: there should be no decrease in present depletion or depreciation rates which might further injure the already seriously weakened western mining industry, and, further, additional exploration should be encouraged by removing the present limitation on tax deductible exploration,

As to the Buy American Act: this policy should be strictly followed on a national basis, and a similar policy is equally applicable on a state-wide basis, and should be followed wherever possible, and the Government should immediately cease the use of barter of surplus agricultural products for the procurement of current government agency requirements,

As to public lands: (1) since the mineralized area of economic potential in public lands makes up but a small fraction of one percent of the total area, it is not to the advantage of the western states or of the nation as a whole that these mineralized areas be withdrawn for all time or locked up in wilderness systems or other federal reserves; furthermore, under no circumstances should there be any permanent withdrawals of any federal lands without the concurrence of the Governor of the State in which the lands are located; and (2) an adequate study be made to determine if the true intent of the principle of multiple use of public lands is being properly carried out in all areas by all agencies of the government,

As to research: (1) there should be increased cooperation between industry and government in the research field to the end that an interchange of information will eliminate duplication of effort, wastefulness and unnecessary expenditure; (2) federal support for basic research in the mineral industries should be continued and accelerated where justifiable; and (3) increased appropriations by the states to state organizations which have proved their ability in conducting effective research for the welfare of the mineral industries should be favorably considered.

E. AND M. J. METAL MARKET PRICES

	May 25, 1961	Month Ago	Year Ago
Copper, per lb.	31¢	29.0¢	33.0¢
Lead, per lb.	11.0¢	11¢	12¢
Zinc, per lb.	11.5¢	11.5¢	13¢
Tin, per lb.	111¢	108¢	99.9¢
Nickel, per lb.	74¢	74¢	74¢
Platinum, per oz.	$80-85	$80-85	$81-85
Quicksilver, per flask	$203-206	$205-208	$212-215
Antimony ore, per unit	$4.30-4.50	$4.30-4.50	$3.30-3.35
Beryllium ore, per unit	$46-48	$46-48	$46-48
Chrome ore, per long ton	$36-38	$36-38	$35-36
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	$24-25
Silver, foreign	91.4¢	91.4¢	91.4¢
Silver, domestic, per oz.	90.5¢	90.5¢	90.5¢