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Department of Natural Resources
DIVISION OF MINES AND MINERALS

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MINES AND PETROLEUM BULLETIN

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OIL AND GAS

Three applications for permits to drill were approved by the Petroleum Branch of the Division.

MGS 17595 #7 - Pan American Petroleum Corporation, Operator - 660' FSL and 660' FWL, Section 31, T9N-R12W, S.M. This well will be directionally drilled from the operator's platform in Cook Inlet.

J.M. Needham et al #1 - Austral Oil Company Incorporated, Operator - 529' FNL and 695' FEL, Section 7, T17N-R1E, S.M. This location is 7 miles west of Palmer and the well is scheduled to be spudded about March 31, 1966.

Homesteaders #1 - Trinity Canadian Drilling Company, Operator - 660' FSL and 1,980' FEL, Section 15, T5N-R9W, S.M. This location is 2.5 miles southwest of Sterling.

Arrival Dates Scheduled for Cook Inlet Platforms - Union-Marathon have re-estimated the dates of platform arrivals for their Cook Inlet operations this summer. Their single leg platform is slated to arrive June 15 and their McArthur River platform is scheduled for an August 15 arrival. The platform for the Granite Point field operated by Mobil Oil Company is due to arrive about July 15. These three platforms will serve first as drilling platforms and then as permanent producing and well-maintenance platforms. The above-mentioned oil fields lie on 100% State-owned lands, and all royalty income will be paid to the State of Alaska.

Pipelines from Middle Ground Shoal Field Inoperative - The twin eight-inch pipelines from the Middle Ground Shoal Field to the onshore treating facility have been shut down. The first line was shut down February 12 and the second March 5. Both pipelines developed leaks near the point where they join the base of the platform legs. It is hoped that the damage can be repaired by divers when Cook Inlet ice conditions improve. The Middle Ground Shoal Oil Field lies on 100% State-owned lands.

Colville #1 Well Abandoned - Sinclair Oil and Gas Company and B.P. Alaska have plugged and abandoned the Colville #1 well, which was drilled on a rather large block of State of Alaska leases on the north Arctic Slope near the Colville River delta. A representative of the Petroleum Branch witnessed the plugging operations.

Road Construction Begins to Ivan River Drill Site - Construction work on a nine-mile stretch of all-weather road has started which will eventually connect the Beluga River Gas Field with a proposed Ivan River Unit drill site. This is about 35 miles due west of Anchorage on the west side of Cook Inlet. The new road will increase the all-weather road network to about 25 miles in this area. The bridge that formerly crossed Eagle River on the Glenn Highway will be used to span the Beluga River. Standard Oil of California and Atlantic Refining Company are planning the exploratory work at the drill site. The exact well site location will probably be included in next month's locations.

Ammonia Plant Planned - Collier Carbon and Chemical Corporation, a subsidiary of Union Oil Company of California has announced plans to build a multi-million dollar ammonia plant on the Kenai Peninsula. The plant will utilize natural gas from Union's gas fields for producing 530,000 tons of ammonia per year and will be the largest ammonia facility on the west coast. Prilled urea will also be produced. Associated with Collier on the project is the Tokyo Gas and Chemical Company, Inc. Construction has been planned for completion in 1968.

Drilling Activity:

Operator	Well Name and Number	Status 3/25/66
Austral Oil Company Inc.	J.M. Needham et al #1	Location
Atlantic Refining Company	Lorraine State #1	Abandoned
Shell Oil Company	MGS A-32-14	Drilling
Wallace Mining Company	Wallace-Knutson #1-A	Drilling
Pan American Petroleum Corp.	USA Edna May Walker #1	Drilling
Texaco, Inc.	Nicolai Creek State #1	Drilling
Texaco, Inc.	Trading Bay State #1	Location
Texaco, Inc.	Coal Bay State #1	Location
Pan American Petroleum Corp.	MGS 17595 #5	Drilling
Pan American Petroleum Corp.	MGS 17595 #6	Drilling
Pan American Petroleum Corp.	MGS 17595 #7	Location
Sinclair Oil and Gas Company	Colville State #1	Abandoned
Standard Oil Company of Calif.	Naptowne #24-8	Drilling
Atlantic Refining Company	Susie Unit #1	Drilling
Trinity Canadian Drilling Co.	Homesteaders #1	Location

Production - February, 1966

Field	Zone	Prod. Wells	Oil, Bbls.	Gas, MCF
Swanson River Field	Hemlock	48	854,246	1309,122
			52,056,467*	13,548,689*
	Kenai	2		137,391
				11,091,481*

Field	Zone	Prod. Wells	Oil, Bbls.	Gas, MCF
	Hemlock (Injection)	3		738,005** 18,337,961*
Middle Ground Shoal	Hemlock and Kenai	3	101,018 178,523*	40,407 73,866*
Kenai	Kenai	9 (Incl. 4 dual - both modules)		1,349,588 18,143,190*
Sterling	Kenai	1		14,291 280,221*
North Fork (Testing)	Kenai	Jan. 1 Feb. 1	56,736 45,249	56,736* 101,985*

NOTE: Swanson River gas at pressure base 15.025 psi. All other is 14.65 psi.

*Cumulative to March 1, 1966

**Includes 569,023 from Kenai Field

1966 COOK INLET EXPLORATION DRILLING PREPARING TO COMMENCE

(Alaska Scouting Service)

Four mobile rigs anchored near Seldovia are waiting for the Inlet ice to clear sufficiently to move over their locations. Three more rigs are moving up from the Gulf of Mexico and Pacific Coast and another two are still under construction. Status of a tenth mobile rig is unknown.

The following table illustrates the operator on the first well to be drilled by each drilling unit. Operators will change on some of the rigs during the summer drilling season. Status of the semi-submersible rig, to be operated by Hunt Oil, is not presently known.

<u>Drilling Unit</u>	<u>Operator</u>	<u>Where Located</u>
1. WODECO II	Pan American	Seldovia
2. WODECO IV	Atlantic-Mobil	Todd Shipyards, San Fran.
3. WODECO V	Union Oil of Calif.	Seldovia
4. Polar Cub I	Pan American	Seldovia
5. Polar Cub II (J.W. Nickle Tender)	Pan American	Enroute (Panama Canal 3/28/66)
6. CUSS I	Pan American	Enroute
7. GLOMAR II	Shell Oil Co.	Seldovia (Arrived 3/28/66)
8. John C. Marthens	Atlantic Refining	Portland, Oregon
9. Penrod "Jackup" (Name ?)	Placid	Enroute
10. Penrod Semi-submersible (Name ?)	Hunt	Unknown

The number of mobile rigs that will be active in the Inlet this year better than doubles those active during the 1965 offshore drilling season.

Drilling contractors have been selected for all but one of the eight platforms already in the Inlet or to be erected in the Inlet this summer. All of the units in the following chart will be in place before the ice prevents mobile operations in the Inlet in the fall.

Operator	Unit Design	No. rigs on unit	Location	Contractor	Status
Shell Oil Co.	Standard 4 leg	1	MGS	Santa Fe Drilg.	Active
Pan American	Standard 4 leg	2*	MGS	Reading & Bates	Active
Pan American	Standard 4 leg	2*	MGS (btw forelands)	Rowan	U.C.
Pan American	Standard 4 leg	2*	Tyonek	Rowan	U.C.
Pan American	Standard 4 leg	2*	Tyonek	Not Let	U.C.
Union Oil	Standard 4 leg	2	Trading Bay	Western Offshore	U.C.
Union Oil	Monopod	1	McArthur River	Caldrill	U.C.
Mobil Oil Co.	Standard 4 leg	2	Granite Point	Santa Fe	U.C.

(U.C. = Under Construction)

*Pan Am will use one standard size derrick and one smaller rig of the drilling and workover class on all of their platforms.

The eighteen various drilling units (including mobile units) present a potential of 24 active rigs in the Inlet this year. Along with the anticipated upland drilling, 1966 will outstrip all previous years in number of wells drilled. (Alaska Scouting Service)

NEW PUBLICATIONS

U.S. Geological Survey Professional Paper 525-A, Geological Survey Research 1965, Chapter A. Contains several chapters on Alaskan geology and geochemical studies that are of interest to Alaskans.

U.S. Geological Survey Professional Paper 542-B, The Alaska Earthquake, Effects on Communities, Whittier, Alaska

Both for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Division of Mines and Minerals Geologic Report #17, Hollis and Twelvemile Arm by Herreid and Rose, including geochemical data reported by Race in Geochemical Report #11. Price \$1.00.

Division of Mines and Minerals Geochemical Report #10, A Geochemical Investigation of the Nenana Highway Area, Central Alaska, by W.M. Burand. Price \$1.00.

These two reports should be available over the counter at the Fairbanks and Anchorage offices and by mail from Box 1391, Juneau, about the middle of April.

McMCARTHY MINING CLAIMS TO BE SOLD

We are advised by the Division of Lands that planning is underway for a sale by that Division of foreclosed patented mining claims in the McCarthy and Chitina areas. A large number of claims will be sold. Watch for further announcements in this Bulletin and also in the Division of Lands monthly "Land Lines", which can be obtained by writing to Division of Lands, 344 Sixth Avenue, Anchorage, Alaska 99501.

PETROLEUM GEOLOGIST HIRED

Mr. Harry W. Kugler has been appointed to the position of Petroleum Geologist with the Division of Mines and Minerals. Mr. Kugler received a Master's degree in Petroleum Geology at the University of Indiana in 1950. Subsequently, he was employed as a petroleum geologist for Pure Oil Co. at Midland, Texas and then with Wilshire Oil Company of Texas at Denver, Colorado. Following that, he was in private practice as a petroleum consultant in Colorado. He came to Alaska in 1964 to accept a position with the State of Alaska Department of Highways in Fairbanks and is transferring to the Division of Mines and Minerals from that position. Mr. & Mrs. Kugler have two children, ages 10 and 13.

LEGISLATION OF INTEREST TO MINERS

The Alaska State Legislature has passed two bills of interest to miners. As of the day of this writing, H.B. 140 has been signed by Governor William A. Egan and it is presumed that H.B. 255 will be signed by him shortly.

H.B. 140 provides for priority uses of water and the acquiring of water rights. The law will be administered by the Department of Natural Resources, Division of Lands, in Anchorage. Public hearings will be held for discussion and adoption of regulations for the procedures to be used. Applications for water use rights which may affect the Department of Fish and Game and/or the Department of Health and Welfare will be cleared with those Departments by the Department of Natural Resources with no further action needed by the applicant. In case of a disagreement between the Departments as to a priority use of water, the Governor will make the decision. A Water Resources Board to advise the Governor is established by the bill. Existing water rights will be protected under a "grandfather clause" if proper application is made by those who now hold such water rights. Watch for further announcements.

Contrary to a recent news release, H.B. 255 will not "Probably mean the end of all mining and prospecting" in Southeast Alaska. This bill relates to the already existing law and regulations which prohibit the use or disturbance of streams which are specified as important for anadromous fish (salmon types) without first notifying the Commissioner of Fish and Game. The bill requires the Commissioner of Fish and Game to

STATUS OF BILL NO. 262

designate promptly upon request the important streams in locations where operations are desired so that the operator will know the status of streams in the area and can act accordingly. It further requires that no areas can be blanketed beyond December 31, 1968 by designating all streams within them important as is done at present. We emphasize that this bill places a limitation on the authority which is already held by the Department of Fish and Game. It does not darken the future of mining in Alaska in any way. Worthy of note also is the fact that an application for water rights under H.B. 140 will serve as the notification mentioned above required under present law relating to protection of fish and game, AS 16.05.870. Two applications will not be necessary.

S.B. 262 has passed both Houses once, but is presently back in the Senate Resources Committee for study of House amendments. If passed in its present form, S.B. 262 would change the offshore prospecting permit (mining) provisions so that (1) tidelands could be included in an offshore prospecting permit, (2) permits would be reduced to a maximum of 2560 acres each, (3) the limitation on the number of permits or maximum acreage that a person may hold would be removed, (4) the OPP term would be extended to 10 years, (5) rental for OPP's would be \$1.00 per acre per year after the first year, and (6) expenditures for useful work on the permit would be credited against the rental. Existing two-year permits would be converted to 10-year permits under certain conditions. The bill also provides that mining locations (claims) would be made on tidelands, submerged lands, and navigable stream and lake bottoms as well as State-owned uplands. A location that includes both State and Federal lands within its boundaries would be valid.

NEXT COMPETITIVE OIL AND GAS LEASE SALE

The next State competitive oil and gas lease sale is scheduled for July 1966. Nominations to be considered must be submitted to the Division of Lands by June 1, 1966. Areas of primary consideration are the Kenai Peninsula, Matanuska-Susitna Valley, Cook Inlet Basin, and offshore of Bristol Bay within the three-mile limit if sufficient nominations are made. For further information, contact the State Division of Lands, 344 Sixth Avenue, Anchorage, Alaska 99501.

E. AND M.J. METAL MARKET PRICES

	<u>March 28</u> <u>1966</u>	<u>Month Ago</u>	<u>Year Ago</u>
Copper, per lb.	36¢	36¢	34.0¢
Lead, per lb.	16¢	16¢	16¢
Zinc, per lb.	15¢	15¢	15¢
Tin, per lb.	171.75¢	175.56¢	171.5¢
Nickel, per lb.	77.75¢	77.75¢	79¢
Platinum per oz.	\$97-100	\$97-100	\$97-100
Mercury, per flask	\$395-415	\$445-455	\$475-480
Antimony ore, per unit	\$5.25-6.50	\$5.50-6.50	\$7.80-8.50
Beryllium powder, 98% per lb.	\$54-66	\$54-66	\$54-66
Chrome ore, per long ton	\$31-35	\$31-35	\$30-35
Molybdenum Conc., per lb.	\$1.55	\$1.55	\$1.55
Titanium ore, per ton	\$21-24	\$21-24	\$23-26
Tungsten ore, per unit	\$43.00	\$40.25-40.75	\$18.75-19.25
Silver, New York, per oz.	129.3¢	129.3¢	129.3¢
Silver, U.S. Treasury, per oz.	129.29¢	129.29¢	129.29¢

