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

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MINES BULLETIN

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Mining Activities

FIRST DISTRICT - Mt. Andrew Mining Co. (wholly-owned subsidiary of Utah Construction and Mining Co.) maintains an office in Ketchikan under the direction of Mr. G. I. MacInnis, geologist. The office is located at 428 Boden Street, (P.O. Box 358) Ketchikan. Mr. MacInnis looks after the company's prospecting and development activities in Alaska under the general supervision of Mr. G. A. Noel, whose headquarters are in Vancouver, B. C. The company has been active in prospecting and developing mining properties in Alaska for several years.

Carl Wikstrom, operating the Riverside Mine in the Hyder district, has shipped 12 tons of concentrates to the smelter at East Helena, Montana. The shipment assayed 74.2 percent lead, 40.2 oz. silver, and 0.60 oz. gold, according to Mr. Wikstrom.

OIL NEWS

Four applications for permits to drill were approved during the month by the Petroleum Branch of this Division, bringing the 1961 total to date up to eight permits, a 700 percent increase over the same period in 1960. The new wells are designated as: SRU 23-15, SRU 43-28, SCU 12-16 (all by Standard of Calif. in the Swanson River Field) and Napatuk Creek No. 1 in Sec. 4, T6N, R78W, Seward B & M, by Pan American Petroleum Corp. The latter test will be the first exploratory well in the Bethel Basin. The well SCU 12-16 referred to above will be nearly one-half mile south of the present southern-most producer in the field.

Six drill rigs are now active on the Kenai Peninsula and the 7th is rigging up. The total for the State will be eight when the Pan American well is spudded. Drilling activity as of February 24 follows:

<u>Operator</u>	<u>Well No.</u>	<u>Status</u>
SOCal	Falls Creek 1	drlg @ 10,668'
SOCal	SCU 43-33	drlg @ 10,405'
SOCal	SCU 12-3	drlg @ 7,129'
SOCal	SCU 12-4	preparing to spud
SOCal	SRU 41-33	drlg @ 10,533'
SOCal	SRU 23-15	drlg @ 6,310'

Since our last Bulletin, the following three completions and one suspension have been reported: On January 29, Union Oil's Kenai Unit Well 44-18 was completed flowing gas at an estimated rate of 5,300 MCF per day through a 3/8" bean from a perforated interval at 5,728 to 5,688 feet, making five completed gas wells in the Kenai Gas Field. On Feb. 5, SOCal's SRU 23-27 was completed flowing oil at a calculated MER of 450 barrels per day, and on Feb. 22, SCU 32-8 flowed oil at the same rate. These two producers are the 20th and 21st producers in the Swanson River Field. On February 21, Richfield plugged and suspended Kaliakh River Unit No. 2RD after reaching a depth of 12,135 feet. Indications are that further exploratory operations will continue within six weeks.

In accordance with Section 2008.1, Title 11 AAC (Oil & Gas Conservation Regulations), records covering the drilling of well No. "Swanson River Unit" 31-27, Standard Oil of Calif., Opr., will be released to the public on March 17, 1961.

NUSHAGAK BAY DEVELOPMENT CONTRACT APPROVED - During February 1961, the Secretary of the Interior approved the Pure Oil Co.'s Nushagak Bay Development Contract, which covers approximately 476,824 acres in the Bristol Bay area. The contract calls for an expenditure of \$1,175,000 to be spent by the operator on exploration and drilling by Jan. 1, 1962. The spudding of the first well is to begin prior to Jan. 1, 1963. A total of three wells to be drilled is included in the contract stipulation. The State of Alaska has required that the three exploratory wells be spaced at least 18 miles apart from one another, and that all geological information be filed with the State. During the ice-free months of 1961, Pure plans to conduct both geological field party and seismic operations within the contract area.

FALLS CREEK UNIT AGREEMENT APPROVED - Standard Oil Co. of Calif. received official approval from the U.S.G.S. during the last week in January on the Falls Creek Unit agreement covering 16,748.91 acres. Over 53 percent of the unit area is State land, almost 50 percent of which is offshore. The Petroleum Branch of the Division of Mines and Minerals approved the unit agreement on Dec. 20, 1960. The Falls Creek Unit well No. 1 is located approximately 25 miles SSW of Kenai and is presently drilling @ 10,668'.

JOINT VENTURE ANNOUNCED - The Richfield Oil Corp. issued a news release on Feb. 1, 1961, which announced that Sinclair Oil and Gas Co. acquired one-half interest in the Katalla-Yakataga Development Contracts operations. Sinclair assigned one-half of its interests to B-P Exploration Co. (Alaska), Inc. The two development contracts cover approximately 1,060,000 acres in the Gulf of Alaska region. To date three wells have been drilled in the Yakataga Development Contract area: Kaliakh River Unit No. 1 which was drilled to 14,699' was suspended in June, 1960 pending the outcome of Kaliakh River Unit No. 2; the latter was spudded in June, 1960 and abandoned and plugged back in Aug. 31, 1960 after reaching 9535'; No. 2RD was whipstocked out of No. 2 at 4795' and was plugged and suspended on Feb. 21, 1961.

NEW MINING REGULATIONS

Yet to be introduced in the present State Legislature at the date of writing is a Mining Act which will cover mining activities on State-owned lands. The Act departs from traditional mining law. Its necessity has been brought about by the results of two rounds of public hearings on proposed mining regulations needed for State lands now being selected and acquired from Federal public domain. These hearings were held jointly by the Division of Mines and Minerals and Division of Lands with the Commissioner of Natural Resources presiding. Much testimony was received from miners, prospectors and exploration men on what they did or did not want included in the regulations, but it was amply demonstrated by the mining industry that certain departures from traditional U.S. mining law such as prediscov-ery rights or protection would benefit the industry and the State of Alaska. Not everyone in the industry was in accord at first, but by the end of the second round of hearings, nearly everyone was agreed upon several desirable features such as elimination of extra lateral rights, 40-acre claims with no distinction between lode and placer, conversion of claims into mining leases, etc. The regulations have been rewritten in proposed final draft, but since the State Land Act does not authorize several of the provisions of the regulations, that Act must be amended by the proposed Mining Act to allow for the adoption of the regulations. This cart-before-the-horse approach is novel, to say the least, but we feel it is the best way to be certain that the most suitable regulations are adopted for the good of the industry and the State. Since the Mining Act provisions are supported by the results of public hearings, there seems to be no doubt that it will be enacted as introduced. The new State law and regulations will have no effect, of course, on Federal public domain in Alaska.



STATE LEGISLATIVE NEWS

The following bills of interest to the industry have been introduced up to the date of this writing:

- SB 19 - Would raise the motor fuel tax
- SB 28 - Would increase the minimum wage to \$1.75; passed by the Senate
- SB 29 - Would increase duration of ESC benefits
- SB 30 - Would increase amount of ESC benefits
- SB 34 - Would repeal the mining license tax
- SB 35 - Would pay a gold subsidy of \$5 per ounce
- SB 56 - Would provide for a road commission for access roads approval
- SB 76 - Would remove pioneer access roads from jurisdiction of Department of Natural Resources
- SB 107 - Relates to Alaska Public Service Commission
- HB 7 - Would remove pioneer access roads from jurisdiction of Department of Natural Resources
- HB 35 - Would strengthen the Blue Sky (securities) law
- HB 40 - Would increase the State income tax
- HB 64 - New workmen's compensation provisions
- HB 65 - Would raise minimum wage to \$1.75
- HB 108 - Increases certain workmen's compensation benefits
- HB 128 - Decreases workmen's compensation death benefits
- HB 161 - Would establish a research program for the purpose of developing and publishing statistics and other information regarding the economy, government, and resources of the State
- HB 162 - Would appropriate \$50,000 for purposes of HB 161

CONGRESSIONAL NEWS

As this is written, hearings are being held in Washington by the Senate Interior Committee on S. 174 to establish the long-proposed National Wilderness Preservation System. Chances of passage of this legislation are considered better than ever before.

H.R. 3342 by Rep. Rivers (Dem. Alaska) and H.R. 4060 have been introduced to provide that withdrawals of over 5000 acres for any purpose must be passed by Congress.

H.R. 3636 by Rep. Berry (R., S.D.) would provide a 23 percent rate of depletion for gold produced from domestic deposits.

Senate and House Resolutions have been introduced which call for incentive payments of up to \$35 per ounce for gold.

STEAM-ELECTRIC GENERATING COSTS

At the request of the Matanuska Electric Association, R.W. Beck and Associates prepared a preliminary engineering report on estimated plant and generating costs for possible development of a coal-fire steam-electric plant in the vicinity of the Matanuska coal field. The report considers an initial 16,500-kw plant, a 16,500-kw addition, and a 33,000-kw addition, all three of which would compose a 66,000-kw facility. Total cost of the 16,500-kw plant is estimated at \$6,308,000 or \$382 per kw, and of the 66,000-kw plant, \$21,457,000 or \$325/kw. Amortizing the loans and paying the interest over a 35-year period would cost annually \$31.62 and \$21.79 per kw for the two plants. Added to these costs are the costs for fuel and maintenance estimated at 4.50 mills per kw for the 16,500 kw plant and 4.37 mills for the 66,000 kw plant. These latter costs will vary directly with the amount of power guaranteed, and are mostly predicated on a letter from the Evan Jones Coal Co. stating that under a long-term contract it will deliver suitable coal to the proposed plant in the Sutton area for 30 to 32¢ per million B.T.U.'s. The final projected average costs in mills

per kw are estimated at from 11.73 at 50 percent capacity to 8.11 at 100 percent for the 16,500-kw plant and 9.35 at 50 percent to 6.86 at 100 percent capacity for the 66,000-kw plant. These costs would be for power delivered to the existing Bureau of Reclamation 115-kv transmission line in the vicinity of Palmer. Plant bus bar power would be slightly less.

NEW GYPSUM INTEREST

Senator Gruening reports that a letter to him from Royce Hardy, Assistant Secretary of the Interior, indicates that the Juneau office of the U.S. Bureau of Mines will reappraise the exploration potential of gypsum deposits on Chichagof Island in SE Alaska. The Bureau has recently done some preliminary reconnaissance work in the gypsum area to plan possible future investigations as a result of recent increased interest in gypsum.

REFINERY PLANNED

A vice-president of the Refiners Sales Co. of Long Beach, Calif., Mr. Ralph G. Hand, has announced plans for a crude oil processing refinery in the Anchorage area with a daily capacity of about 2,000 barrels of oil. Hand said that the refinery will be in operation by September, and will be a "topping" unit, producing gasoline, kerosene, distillate, jet fuel, diesel fuels and Bunker C heavy fuel. Plans are to distribute the products primarily in the Anchorage area.

NEW AMA BRANCH

A new branch of the Alaskan Miners' Association has been organized at Ketchikan. The officers are as follows: President, George Roberts; First Vice-President, Ken Eichner; Second Vice-President, Van Moore; Secretary-Treasurer, Des Moore. Meetings are scheduled for the first Wednesday of each month, and the Branch's mailing address is Box 1122, Ketchikan. Other branches of the AMA are located at Fairbanks, Anchorage, Nome, and Seattle. President of the Board of Directors is J. D. Crawford, Box 1170, Fairbanks.

ALASKAN ROCK AND MINERAL DEALERS WANTED

This Division maintains a list of dealers who have Alaskan rock and mineral specimens for sale. We wish to bring this list up to date for the reference of those who write to us on the subject. Any such dealers who wish to be placed on this list, and have not lately written to us in this regard, please advise us as soon as convenient.

SHORAN POSITIONING SERVICES

We received an interesting advertisement from a Canadian aerial photo service the other day. We think it bears repeating here to show what is being done in Canada, at least, to pinpoint locations in unsurveyed areas in the bush. The ad reads as follows, with the company name deleted as a matter of policy:

"Exploration companies are not taking full advantage of the information available as a result of the Shoran surveys sponsored by the Dominion Government in recent years.

"Although it is common knowledge that these surveys resulted in a network of coordinated points throughout the Northwest Territories, it is not as commonly known that these same surveys may be used to determine the coordinates of any unknown point.

"This is possible entirely by photogrammetric methods, so that there is no necessity for any ground surveying whatsoever. All that is required is a pinhole identification on an aerial photograph of the point to be coordinated. Then, using photogrammetric techniques, ----- technicians can supply the

geographical or grid coordinates with an accuracy of less than two seconds in latitude. This method of coordinate determination is approved by the Legal Surveys Division of the Department of Mines and Technical Surveys.

"Delivery of the coordinates is contingent upon delivery of the necessary base materials from the Dominion Government, and this normally takes three weeks. We then require about a week to process the data. The service is very economical, the charges being fractional to that of a ground survey."

MISCELLANEOUS ALASKAN OIL & GAS STATISTICS

	<u>1959</u>	<u>1960</u>
Geologic field party weeks	552	246
Seismic crew months	92	40
Gravity crew months	7.5	4.85
Total footage drilled	137,902	260,341
Number of drilling permits issued	16	30
Number of wells spudded	16	26
Number of wells completed	12	25
Estimated Oil & Gas Industry Expenditures:		
Exploration, Development and Production	\$30,654,000	\$35,000,000

Note: Core holes and salt water injection wells are not included in above figures.

ETCETERA

A Spokane newspaper reports that two uranium mining firms in that area have placed a \$6,000,000 claim against the Government because of money they spent in preparation for an expected purchase contract that did not materialize.

A Phoenix labor union, Tile Setters Local 4, has purchased a gold mine as an anti-recession program. About 40 of the members are unemployed and are planning to work the mine until "things pick up."

E. AND M. J. METAL MARKET PRICES

	<u>Feb. 23,</u> <u>1961</u>	<u>Month</u> <u>Ago</u>	<u>Year</u> <u>Ago</u>
Copper, per lb.	29.0¢	29.0¢	33.1¢
Lead, per lb.	11.0¢	11¢	12¢
Zinc, per lb.	11.5¢	11.5¢	13¢
Tin, per lb.	101.6¢	100.4¢	101.1¢
Nickel, per lb.	74¢	74¢	74¢
Platinum, per oz.	\$81-85	\$81-85	\$82-85
Quicksilver, per flask	\$208-211	\$209-212	\$213-216
Silver, foreign	91.4¢	91.4¢	91.4¢
Silver, domestic, per oz.	90.5¢	90.5¢	90.5¢
Antimony ore, per unit	\$3.60-3.65	\$3.60-3.65	\$3.30-3.35
Chrome ore, per long ton	\$36-38	\$36-38	\$35-36
Titanium ore, per ton	\$23-26	\$23-26	\$23-26
Tungsten ore, per unit	\$22-24	\$22-24	\$22-24
Molybdenum conc., per lb.	\$1.25	\$1.25	\$1.25
Beryllium ore, per unit	\$46-48	\$46-48	\$46-48