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

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MINES AND PETROLEUM BULLETIN

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MINING ACTIVITIES

Coal Contracts - Contracts for supplying coal to the military in Alaska for Fiscal Year 1962 have been awarded as follows:

Mine	Military Base	Tons	Price Per Ton	Max. Moist.	Max. Dry Ash	Min. Dry Btu
Usibelli	Wainwright	202,000	$ 5.96	24.0	9.0	11275
Usibelli	Eielson	110,000	5.96	24.0	9.0	11275
Usibelli	Clear	70,000	5.96	24.0	9.0	11275
Cripple Creek	Wainwright	10,000	7.00	24.0	12.0	11000
Cripple Creek	Eielson	10,000	7.00	24.0	12.0	11000
Evan Jones	Richardson	65,000	9.90	7.9	13.0	12500
Evan Jones	Elmendorf	65,000	9.90	7.9	13.0	12500
Mrak	Richardson	25,000	11.50	7.0	12.0	12800
Mrak	Elmendorf	20,000	11.50	7.0	12.0	12800
	Total	577,000				

OIL NEWS

During the month of July, the Petroleum Branch of this Division approved applications for permit to drill two exploratory wells and two development wells, all for Standard Oil Company of California, Operator. Locations of the wells are as follows:

(1) Well No. "Chaix Hills" 1, Sec. 4, T.22S., R.25E., CR B&M, 2200'N & 400'E of the SW cor of Sec. 4. El. 1350±; (2) Well No. "Swan Lake Unit" 34-27, Sec. 27, T.8N., R.7W., S. B&M, 660'N & 1980'W of SE cor of Sec. 27. El 285±; (3) Well No. "Soldotna Creek Unit" 243-4, Sec. 4, T.7N., R.9W., S. B&M, 1980'N & 1300'W of SE cor of Sec. 4. El. 145±; (4) Well No. "Soldotna Creek Unit" 21-4, Sec. 4, T.7N., R.9W., S B&M, 1980'E & 660'S of NW cor of Sec. 4. El. 150±.

Applications approved to date now total 31 for 1961 as opposed to 9 over the same period in 1960.

During the month of July, Standard Oil Co. of Calif., as operator of the Swanson River Field, announced the completion of four wells. Wells No. "SCU 41-8 and 23-9 were completed on July 14 and July 17, 1961, respectively, both flowing oil at a calculated MER of 600 barrels per day. On July 19, 1961, Well No. "SCU" 21-9 was completed flowing at a calculated MER of 850 barrels per day and on July 22, 1961, Well No. "SRU" 43-28 was completed flowing at a calculated MER of 450 barrels per day.

Drilling Activity as of July 28, 1961

Operator	Well No.	Status
Pan American	Napatuk Creek 1	Drilling @ 14,255'
Richfield	Duktoth River 1	T.D. 10,390; 7" @ 6700', testing
Union	Sterling Unit 23-15	T.D. 14,832; 7" @ 8388', testing

Operator	Well No.	Status
Hackethorn	Rosetta 4-2	Drilling @ 1,408'
SOCal	SRU 34-15	Drilling @ 10,834'
SOCal	SRU 43-15	Drilling @ 5,192'
SOCal	SCU 14-3	T.D. 10,850' logging
SOCal	SCU 21-4	Drilling @ 6,136'
SOCal	SCU 41-5	Drilling @ 4,062'
SOCal	SCU 243-4	Drilling @ 1,359'

State's First Non-Competitive Lease Sale Held July 25th - Following the receipt of 13,382 applications for oil and gas leases covering land in the old Cook Inlet Bombing Range, the Division of Lands held a public drawing in Anchorage on July 25th at which the winner and four succeeding alternates were determined for each of the 82 tracts offered. The tract sizes ranged from 1881 to 2560 acres.

Applications for leases were received from 28 states, District of Columbia, and Canada. Alaska topped the list of states with 5072 applications, followed by California - 2394, Colorado - 1780, Oklahoma - 1003, Washington - 618, Canada - 494, and Texas - 476. Although some tracts had as many as 650 applications, each application was drawn by lot. A list showing the lot position of each application in each tract will be published and can be obtained from the Division of Lands at 344 Sixth Avenue, Anchorage.

State Mineral Resources Income - October, 1958 - May, 1961 - During the 32-month period of October 1, 1958, through May 30, 1961, Alaska realized $23,496,112 from her oil, gas, and coal resources. Of this amount, $23,107,010 was accrued from mineral lease rentals and bonuses. The remaining $389,002 came from oil and gas royalties, production tax, and conservation fund tax.

Alaska receives 90 percent of the receipts from the mineral leasing of Federal lands within the State, including oil and gas royalties. Alaska's gross production tax amounts to one percent of the well-head value of the oil and/or gas produced, and the conservation fund tax is based on 5 mills per barrel of oil or 50,000 cubic feet of natural gas.

State Competitive Oil and Gas Lease Sale No. 6 - On August 4, 1961, the State will offer for lease 13,280 acres of State offshore and tidelands located near Icy Bay and Controller Bay, and Bering Lake itself. The nominations were made by the Richfield Oil Corporation. The sale will be held in the Public Room at the Division of Lands, 344 Sixth Ave., Anchorage.

Tolsona Development Contract Approved - The U.S. Department of the Interior on July 5th announced approval of the Tolsona Development Contract covering 615,788 acres with the Pan American Petroleum Corporation as operator. The contract area is located in the Glennallen area of the Copper River Basin and extends west of Glennallen some 50 miles flanking the Glenn Highway. The 5-year contract calls for 3 wells and a minimum expenditure of $950,000 following a six months period after execution of the contract during which the operator must effectively commit not less than 85 percent of the lands to the contract area.

Production, Swanson River Field

	Producing Wells	Oil (barrels)	Water (barrels)	Gas (MCF)
June, 1961	34	531,910	12,485	111,740
Cumulative to July 1, 1961		2,900,877	100,026	573,416

Release of Records - In compliance with Section 2008.1 of the Oil and Gas Conservation Regulations, well records of "Swanson River Unit" No. 14-15, Standard Oil Co. of Calif., Opr., will be released to the public on August 25, 1961.

Comparison Statistics - The following is a table of statistics comparing the first half of 1961 with the same period during 1960 and 1959.

	1961	1960	1959
Footage Drilled	278,577	85,887	42,096
Number of Permits Approved	26	9	5
Number of Wells Spudded	26	9	4
Number of Wells Completed (Oil)	16	4	1
Number of Wells Completed (Gas)	2	2	0
Number of Wells Abandoned	4	2	4
Active Number of Rotary Rigs	11	4	5
Daily Production (Barrels)	19,000	750	350

NEW TIN ASSISTANCE BILL

H.R. 8017 to establish payments for tin production has been introduced by Rep. Rivers (Dem., Alaska). Considering the world tin situation and the fact that Alaska has the only significant tin reserves under the American flag, yet has been unable to produce tin for several years for economic reasons, this seems like a good, justifiable bill to us. Note how the uncertainty of the free world's supply has driven the price up in recent months. The bill would establish a floor price of $1.40 per pound for tin in placer or lode concentrates, the producer to sell to the smelter and to receive the difference between the smelter price and $1.40 from the Department of the Interior. The Act would be limited to 10,000 tons or 10 years.

We urge support for this bill.

KODIAK PUBLIC LAND ORDER

Public Land Order 2417 was published in the Federal Register July 1 by the Department of the Interior. Pertaining to lands on Kodiak and neighboring islands, it revokes Executive Order 8344 which withdrew all such lands for classification purposes. However, the existing 1,800,000-acre Kodiak Wildlife Refuge is not affected, and so remains closed to mining but open to mineral leasing. The action makes certain released areas available for State selection. Further information can be obtained from the Manager, Land Office, Bureau of Land Management, Anchorage, Alaska.

WILDERNESS BILL

In an executive session on July 13, the Senate Interior Committee voted 11 to 4 to report out favorably the bill to create the proposed National Wilderness Preservation System. Voting "no" were Senators Gruening (Dem., Alaska), Hickey (Dem., Wyo.), Dworshak (Rep., Idaho), and Allott (Rep., Colo.). A Committee-adopted amendment by Senator Church is as follows: "Nothing in this Act shall be construed to prevent, within national forest and public domain areas within the wilderness system, any activity, including prospecting, for the purpose of gathering information about mineral resources which is not incompatible with the preservation of the wilderness environment." Other amendments by the Committee would (1) exempt Alaska from the bill's wilderness provisions, and (2) provide that either the Senate or House may negate a Presidential recommendation that additional land be placed in the system. Floor action on the bill has not yet been announced.

MINERAL PRODUCTION STATISTICS

Below is a table showing the final production totals for 1960 just released by the U.S. Bureau of Mines. The Division of Mines and Minerals, of course, helps gather these statistics as part of a cooperative agreement with the Bureau. If this table is compared with the one published in our February Bulletin, it will be noted that some of our year-end estimates were a bit in "left field." Gold produced in 1960 turned out to be less than we estimated, and some additional tonnages of coal showed up later. This resulted in coal production surpassing that of gold, a situation that has happened only twice before - 1944 and 1958. However, gold took a back seat to copper several times during the "hey day" of the Kennecott operation.

Now we have an historic change occurring. In 1961, gold production will be relegated to at least third place, and probably will be ranked a poor fourth. We are estimating that at least 6,000,000 barrels of oil worth something like $16,000,000 will be produced this year. This means that petroleum production will be 'way out in front for the first time in Alaska's history. Since gold is decreasing, coal contracts for 1961 are larger than before, and sand and gravel production (now close to gold) keeps coming up, the only reasonable conclusion one can draw is that gold is likely to be in fourth place for 1961. This is hard to imagine for those who have followed gold mining here in earlier years.

	1959		1960	
	Quantity	Value (Thousands)	Quantity	Value (Thousands)
Clay----------short tons	180	$ 1	1,150	$ 10
Coal, bituminous-----thousand short tons	660	5,869	722	6,318
Copper, (1)----------short tons	36	22	41	27
Gold (1)----------thousand troy ounces	179	6,262	168	5,887
Mercury----------76-pound flasks	3,743	852	4,459	940
Natural Gas----------million cubic feet	133	16	246	30
Petroleum, crude--------thousand barrels	187	295	559	1,230
Sand and gravel------thousand short tons	5,859	5,265	6,013	5,483
Silver (1)----------thousand troy ounces	21	19	26	24
Stone----------thousand short tons	89	377	275	852
Undistributed (2)----------	---	1,517	---	1,061
Total----------	---	$20,495	---	$21,862

(1) Recoverable content of ores, etc.
(2) Undistributed includes gem stones, platinum group metals, uranium, lead, and peat.

JAPANESE-CANADIAN COPPER DEAL

We quote verbatim here an article published in the June issue of Western Miner and Oil Review:

"Approval has been given by the Japanese Government to the contract recently signed by Bethlehem Copper Corporation and the Sumitomo group of companies, thus clearing the way for the Japanese copper buyers to export large sums of money to carry Bethlehem through the pre-production stage. The terms call for Sumitomo to advance $500,000 by purchasing 400,000 Bethlehem shares at $1.25 per share and to loan Bethlehem upon the security of a first-mortgage debenture $5,000,000 (U.S.), as the funds are required during the construction period at an interest rate of 6% per annum. Sumitomo has agreed to purchase at approximately 4-week intervals all the production of Bethlehem's mill at prices quoted periodically by E. & M. J. New York Export Refinery, 90% payable when the concentrate is loaded aboard vessels in Vancouver and the remaining 10% when it reaches the Japanese smelters. Loan repayment, with provision for extensions under unavoidable circumstances, is to be extended over a six-year period.

"The estimated cost of preparing the mine and construction of a 3000-ton mill is $5,500,000. Additional equipment valued at approximately $1,500,000 will be provided by a contractor who will do the actual mining and deliver ore to the mill. Working capital of $1,000,000 will be provided by Bethlehem's Vancouver bank.

"Bethlehem calculates the cost of producing a pound of copper from the East Jersey zone, where first mining will be done, at 19¢. Accordingly, a profit of more than $2 million is anticipated in the first two years if the copper price is maintained at 28¢ per lb. The profit will increase by 25% if the average price of the metal is 30¢ per lb. In early 1965 it is planned to increase the treatment-plant capacity to 5000 tons per day at an estimated additional cost of $1,600,000.

"H. H. Huestis, president of Bethlehem Copper, states:

'The gross value of the Sumitomo contract using an average selling price of 30¢ per lb. of copper is estimated to be $74,000,000 and the company is expected to realize an operating profit of approximately $25,000,000 over the ten-year period. Under the provisions of the Canadian Income Tax Act, earnings for the first three years are tax free; thereafter, pre-production expenses may be written off, with the result that tax on earnings will not begin until late in the fifth year. The Act also allows a depletion provision of one-third of net profits. Because of this favourable tax legislation, it is expected that if an average selling price of 30¢ is received per lb. of copper, the company will repay its funded debt including the 1965 expansion cost by the end of that year, and immediately thereafter earnings will be allocated to the payment of dividends.' "

DM&M KETCHIKAN ASSAY OFFICE

Apparently our last month's article concerning personnel changes has led some of our readers to conclude that the Ketchikan Assay Office will be closed. This is not our plan. The Division of Personnel is recruiting for a qualified replacement for Mr. Pray.

E. AND M. J. METAL MARKET PRICES

	July 20, 1961	Month Ago	Year Ago
Copper, per lb.	31¢	31¢	33.0¢
Lead, per lb.	11.0¢	11¢	12¢
Zinc, per lb.	11.5¢	11.5¢	13¢
Tin, per lb.	115¢	119¢	103.4¢
Nickel, per lb.	81.3¢	74¢	74¢
Platinum, per oz.	$80-85	$80-85	$81-85
Quicksilver, per flask	$192-195	$200-203	$211-214
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.	$1.40	$1.40	$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¢