

# Trust

---

Alaska Mental Health  
Trust Authority

## Resource Management Committee Quarterly Meeting October 21, 2020

# Meeting Agenda



**Meeting:** Resource Management Committee  
**Date:** October 21, 2020  
**Time:** 12:30pm – 3:00pm  
**Location:** Online via webinar and teleconference  
**Teleconference:** (844) 740-1264 or toll call (415) 655-0003 / Meeting Number: 133 749 2484 # /  
Attendee Number: #  
<https://thetrust.webex.com/thetrust/j.php?MTID=mf6c580e9c28c30b903e64ca185951427>  
**Trustees:** John Sturgeon (Chair), Rhonda Boyles, Verné Boerner, Chris Cooke, Annette Gwalthney-Jones, Anita Halterman, Ken McCarty

---

## Wednesday October 21<sup>st</sup>, 2020

1. Call to Order (John Sturgeon, Chair)
  - Announcements
  - Approval of Agenda
  - Ethics Disclosure
  - Approval of Minutes
    - 2020-07-30
2. Executive Director Report
3. Consultation(s):
  - a. Item A - Land Sale Program Parcels – Jeff Green
4. **BREAK** – 15 Minutes
5. Consultation(s) (cont...):
  - b. Item B - Fairbanks Gold Mining Inc Kinross Gil Project – MHT 9400735 – Hollie Chalup
  - c. Item C - Fairbanks Gold Mining Inc Kinross Victoria Creek Project – MHT 9400734 – Hollie Chalup
  - d. Item D - Gardes Holding Mat-Su Gas Exploration – MHT Pending – Hollie Chalup
6. **Icy Cape Project Executive Session**
  - a. *Executive Session – In accordance with the Open Meetings Act, AS 44.62.310(c)*
  - b. Return to Regular RMC
7. Adjourn

**ALASKA MENTAL HEALTH TRUST AUTHORITY**  
**RESOURCE MANAGEMENT COMMITTEE MEETING**

**WebEx Videoconference/Teleconference**

**July 30, 2020**  
**9:30 a.m.**

**Originating at:**  
**3745 Community Park Loop, Suite 120**  
**Anchorage, Alaska**

---

**Trustees Present:**

John Sturgeon, Chair  
Verne' Boerner  
Rhonda Boyles  
Ken McCarty  
Chris Cooke  
Laraine Derr  
Anita Halterman

**Trust Staff Present:**

Mike Abbott	Steve Williams
Carol Howarth	Miri Smith-Coolidge
Kelda Barstad	Luke Lind
Michael Baldwin	Carrie Predeger
Katie Baldwin-Johnson	Jimael Johnson
Valette Keller	Eric Boyer
Autumn Veal	Allison Biastock
Kelda Barstad	Kat Roch

**Trust Land Office:**

Wyn Menefee  
Paul Slenkamp  
Sarah Morrison  
Marisol Miller  
Tracy Andris  
David MacDonald  
Rebeka Carpenter  
Katie Vachris

**Also participating:**

Anne Applegate; Beverly Schoonover; Kristin Vandagriff; Roger Branson; Sheila Harris; Ed Boyer; Lesley Thompson.

## PROCEEDINGS

### CALL TO ORDER

CHAIR STURGEON called the meeting to order and began with a roll call. He stated that all trustees were present and asked for any announcements. There being none, he moved to the approval of the agenda.

**MOTION:** A motion to approve the agenda was made by TRUSTEE HALTERMAN; seconded by TRUSTEE COOKE.

*After a roll-call vote, the MOTION was approved.*

CHAIR STURGEON asked for any ethics disclosures. There being none, he moved to the approval of the minutes.

**MOTION:** A motion to approve the minutes was made by TRUSTEE HALTERMAN; seconded by TRUSTEE BOERNER.

TRUSTEE COOKE stated that there was something wrong with the last two lines on the second page of the minutes.

MR. MENEFEE explained that it should read “They trespassed the invalid authorization.”

TRUSTEE BOERNER stated that under “Trustees Present” her name was spelled incorrectly.

CHAIR STURGEON asked that those two corrections be made and took a roll-call vote.

*After a roll-call vote, the MOTION was approved.*

CHAIR STURGEON moved to the executive director’s report, recognizing Mr. Menefee.

### EXECUTIVE DIRECTOR’S REPORT

MR. MENEFEE introduced Tracy Andris, the new administrative assistant and the front-desk receptionist.

MS. ANDRIS stated that she was excited to have this opportunity to meet virtually and was happy to be part of the Trust team.

MR. MENEFEE introduced David MacDonald, who is the senior commercial real estate asset manager.

MR. MacDONALD stated that he was excited to be part of the Trust Land Office team and is excited to be in Alaska.

MR. MENEFEE went through the asset types and began with commercial real estate, then moved to minerals and materials, then to timber, land and general information. He explained that we have healthy wetlands, and it looks like there is a prospect for monetizing them. He

continued that the first engagements back with the Board would be in late fall with an analysis, with a follow-up after that. He moved on to UMED where offers were solicited, and we had one submission asking about a negotiated lease, and those discussions will continue. He moved through the rest of the real estate and then went to minerals. He stated that a third-party adviser was hired to help with thinking on the financial decisions on how to move forward with Icy Cape. A draft final report was received with a final report expected in early August. He continued, that final report will help bring to the Board what the next steps for Icy Cape will be. He moved to Constantine and talked about the negotiations for a potential future lease which is required if the mineral properties in Haines are going to be acquired. He went into further detail and then continued on to the Palmer leases, which are still in effect, and he explained that they are still valid Federal claim leases. Constantine will still move forward with their project with those claims. He moved to Fairbanks Gold, FGMI, and then talked about the Twin Creek Placer. He stated that Freegold got a large infusion of cash and would like the 546 relinquished acres back. They believe that they will do a drilling program there, which is by Cleary Summit off the Steese Highway. He continued that an application was received from Colaska in Haines. There is a project on the road-straightening project from DOT, and they won the bid. He moved to timber, stating that there was a good project in Icy Cape with Sealaska, and we received \$3.7 million from them on the sale. There is a bit more to come, but the harvest operations are complete. He added that they will not be operating next year. He talked about Yak Timber in Yakutat and then moved to Naukati, which is Phase I of the land exchange. The land was received and a timber sale with Viking was negotiated. A return on this new land has been received. He moved to the big game guide permit program. Five areas were offered, and three of them received applications: Icy Cape, Tyonek, and Kodiak. He continued to the fall land sale, stating that the parcels have been chosen, 62 parcels, 256 acres. A good return is expected with a lot of interest in the land. He moved to Nenana and stated that this new development is exciting. There is a bridge which has opened up the opportunity for gas sales, timber, subdivisions. He talked about the Supreme Court victory which confirmed the way that business is done, giving a clear administrative record and making sound decisions. He concluded his executive director report.

CHAIR STURGEON moved to the U.S. Forest Service land exchange.

### **U.S. FOREST SERVICE LAND EXCHANGE**

MR. MENELEE stated that the purpose of this presentation is to remind all where the Trust stands on the land exchange. This is being done before the consultation because it sets the stage for it. He explained that the land exchange was precipitated by opposition to some proposed timber cuts in Petersburg, Wrangell, Ketchikan, concerns by locals about stability of the mountainside, water quality, and recreational pursuits. This was done to see if another alternative to the normal procedures for doing timber harvest could be found. He continued that the idea was to restructure the Trust portfolio to have land in areas which could be better developed and receive revenue. He explained that it removed the majority of the community proximity concerns and allowed the land to be available for timber harvest and other commercial ventures. On the receiving end, the lands they get will be managed with the natural character which preserves the viewshed, the watershed, the recreational opportunities. He then went through and explained the process of the exchange and the main outstanding issues.

CHAIR STURGEON moved on to the consultation.

## SHELTER COVE CONSULTATION

MR. MENEFEE stated that Shelter Cove is part of the results of the exchange. This is the consultation with the Trust to bring forth a motion that will allow the Resource Management Committee to recommend to the Trust Authority to take an action in August.

CHAIR STURGEON asked for a motion.

**MOTION:** A motion that the Resource Management Committee recommended that the Alaska Mental Health Trust Authority Board of Trustees concur with the disposal of the old-growth timber acquired through exchange and reconstruction of the road in the Shelter Cove area, near Ketchikan, through a competitive timber sale on Trust land on Revillagigedo Island was made by TRUSTEE DERR; seconded by TRUSTEE COOKE.

CHAIR STURGEON recognized Paul Slenkamp.

MR. SLENKAMP stated that he was senior resource manager for the Trust Land Office, overseeing the Forestry Section. He explained the Land Exchange and the long road to get here. He stated that this Shelter Cove timber sale is for the areas involved on Revillagigedo Island, near and through the Ketchikan road system. It is directly to the east of current Trust holdings at Leask Lake, which had a timber sale in 2005, 2012, 2013, and holds about \$7.2 million worth of timber from the Leask Cove Sale. He continued that it is basically 8800 acres of Shelter Cove; the actual acreages will be through appraisal. It is a value-for-value land exchange by appraisal. The Trust Forest Service lands are appraised, and they come as close to even as possible. The Phase 1 and Phase 2 appraisals have been done, and February 8<sup>th</sup> of 2020 is the appraisal date that is supposed to be applied to the entire Phase 2 portion of the exchange. He was fairly optimistic that the Trust should receive all or close to all of Shelter Cove. He moved to the consultation and explained that this timber sale is anticipated to be about 100 million feet, which is a ballpark figure. The initial access to all this timber is already in place and will require quite a bit of additional roads to access some of the areas. He addressed the importance of the Shelter Cove Road, which is a factor. He continued that this will be a ten-year timber sale, with a potential for extension. He added that this timber sale is in consultation, and timber sales generated about \$15 million in revenue. That will maximize the revenue and provide timber regeneration and future harvests. He stated that one of the things this land exchange has done is it consolidated the Trust's timber assets.

MR. MENEFEE stated that this is a consultation, not an approval. It is giving the trustees an opportunity to comment and give staff advice.

CHAIR STURGEON asked for any additional comments or questions. There being none, he called the vote.

*After the roll-call vote, the MOTION was approved.  
(Trustee Boyles, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Derr, yes;  
Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, yes.)*

CHAIR STURGEON asked for any other business for the Resource Committee. He thanked Mr. Menefee and Mr. Slenkamp for their counsel and presentations.

TRUSTEE BOERNER stated appreciation to Chair Sturgeon and his experience which helps explain the processes.

**MOTION:** A motion to adjourn the meeting was made by TRUSTEE BOERNER; seconded by TRUSTEE COOKE.

*After a roll-call vote, the MOTION was approved.*

*(Trustee Boyles, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Derr, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, yes.)*

(Resource Management Committee adjourned at 11:20 a.m.)



**To:** John Sturgeon, Chair  
Resource Management Committee  
**From:** Jeff Green  
**Date:** 10/21/2020  
**Re:** 2021 – 2023 Parcel Inventory for Statewide Land Sale  
Programs  
**Fiscal Year:** 2022 – 2024

## Consultation

### Proposed RMC Motion:

*“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of Trustees concur with creating a pool of approximately 194 subdivision lots and small to medium sized parcels that may be disposed of through the TLO’s Statewide Land Sale Programs.”*

### Background:

**Revenue Projections:** Principal (up to) \$3 Million  
Income (up to) \$1.5 Million

**Transaction/Resource:** The proposed action is to select and offer, through the TLO’s Statewide Land Sale Programs, Trust parcels annually from a pool of 194 parcels between fiscal years 2021 and 2024. If a parcel is not sold within this timeframe it may be reoffered in future TLO Statewide Land Sale Programs.

Parcels identified for inclusion in the Statewide Land Sale Programs will be offered up in the following order of Land Sale Programs:

1. Annual Competitive Land Sale Program (Sealed Bid Auction Format).
2. Year-round Over-the-Counter Land Sale Program.
3. Negotiated Sale at, or above, the appraised value.

The Executive Director, in consultation with the Trust Authority, may elect to sell a parcel from this pool through a negotiated sale, so long as a written decision is completed describing that a non-competitive disposal is in the best interest of the Trust and its beneficiaries.

Purchasers may elect to pay for the parcel in full or finance through a TLO land sale contract.

**Property Description/Acreage/MH Parcel(s):** Trust parcels in the pool are mostly from pre-existing



subdivisions designed and platted by the Department of Natural Resources (DNR) (primarily in the 1970's and 1980's), subdivisions currently being developed by the TLO, or individual parcels 30 acres or smaller in size. These parcels have characteristics that are typical of residential and recreational properties that do not lend themselves to other types of resource development.

The parcels to be offered are listed on Exhibit 1 of this consultation document. Descriptions include Trust parcel number, general locations, meridian, township, range, section, survey number, lot, block, subdivision name, and acreage.

It is important to note that certain parcels may be deleted from the list because of the public notice process, title reviews, or parcel inspections.

**General Background:** The TLO has been selling parcels through the Statewide Land Sale Programs since 1998 on behalf of the Trust. In previous years, the TLO would select a limited number of parcels on an annual basis to offer during the next fiscal year. The TLO concluded that an inventory of parcels from which the TLO could select from over the next three years and beyond would better maximize revenues from the Statewide Land Sale Programs.

**Anticipated Revenues/Benefits:** By having an inventory of parcels to select from that has been through the TLO's administrative process, the TLO can consolidate costs such as appraisals and parcel inspections over multiple land sale years, have more flexibility to public interest and market trends, and more effectively market the parcels.

The TLO will offer approximately \$6 million in total land value over the next three fiscal years. Based on historic land sale data and trends, over the next three fiscal years the TLO anticipates receiving bids on roughly 50% of the parcels offered in the amount of \$3 million in total bids. The historic sales data also indicates the TLO will receive \$1 million of the \$3 million in down payments and parcels paid in full. The remaining \$2 million will likely be financed under TLO land sale contracts, which would generate up to an additional \$1.5 million in interest (Income).

The TLO's goal is to generate \$3 million during the three-year sale period. Remaining parcels may continue to generate revenue in future years as they are sold. Exact revenues received will be dependent on number of land sale contracts issued, payoffs, and interest rates. These anticipated revenues will be realized over a twenty-year period for each land sale year.

**Anticipated Risks/Concerns:** There are no significant risks or concerns associated with the project. This assessment is based on the TLO's experience from previous sales. Minor risks include defaults on parcel sales from buyers. These risks will be mitigated through a land sale contract, which includes contemporary language to limit risk to the Trust, ensure performance by the buyer, and allow for termination in the event of default.

**Project Costs:** Project costs over the three-year period are estimated at approximately \$300,000 (from TLO operating budget) with the primary costs being surveys, appraisals, title reports, parcel inspections, and marketing.

**Due Diligence:** Prior to the sale of the parcels a TLO staff member, contract appraiser, or surveyor will inspect each parcel. Minimum parcel bids will be established via standard appraisals or other appropriate valuation methods. All parcels will have a title report completed prior to issuing a sale contract or quitclaim deed. Contract documents have been reviewed by Department of Law; no separate independent review is required.

**Alternatives:** The primary alternative is to hold the parcels for future sales. This alternative would delay receipt of revenues and could result in additional costs and risks to the Trust without significant increases in value.

Currently, the TLO has assessed the highest and best use of these parcels as residential or recreational properties. If an alternative resource development proposal is identified or a negotiated sale application is received prior to the competitive sale and over-the-counter sale offering, for a specific parcel in the future, the TLO may re-evaluate the highest and best use and may elect an alternative use, which would require separate decision and consultation.

**Consistency with the Resource Management Strategy:** The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted March 2016 in consultation with the Trust and provides for the TLO to maximize return at prudent levels of risk, prevent liabilities, and convert nonperforming assets into performing assets. Experience has demonstrated that it is unlikely that these parcels will appreciate at a rate that would justify holding them for a later sale. It is also not cost effective for the TLO to hold these parcels for a long period of time and incur the associated management costs and liabilities.

Also, by designating a pool of parcels to select from and offer over the next three-year period, the TLO Lands Section will more effectively meet the Land Resource Management Strategy objectives to maintain a three-year inventory of lots through subdivision developments in support of the land sale programs during fiscal years 2021 – 2024.

**Trust Land Office Recommendation:** The TLO recommends that it is in the Trust’s best interest to select and offer Trust parcels from a pool of 194 existing parcels between fiscal years 2021 and 2024 through the TLO’s Statewide Land Sale Programs. If not sold in the initial timeframe the parcels may be re-offered in future land sale programs.

**Applicable Authority:** Alaska Statutes 37.14.009(a), and 38.05.801, and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal).

**Trust Authority Consultation:** This briefing document fulfills the consultation requirements that are applicable to the transaction. If significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

**Exhibit(s):** Exhibit 1 – Parcel List

## Exhibit 1 - Parcel List

General Location	MH Parcel Number	MTRS	Survey Type	Survey Number	Lot	Block	Acres
BIG LAKE	S34004	S017N004W27	ASLS	84-7	Tract C		3.69
CHICKALOON	SM-0197-A	S020N005E35	USRS		6		2.540
CHICKALOON	SM-0198	S020N005E35	USRS		7		4.450
GLENALLEN	C1001	C004N002W20	ASLS	79-36	11		17.920
GLENALLEN	C1002	C004N002W21	ASLS	79-36	33		8.540
GLENALLEN	C80821	C004N001W18	ASLS	79-13	Tract I		14.840
GLENALLEN	C80822	C004N001W18	ASLS	79-13	Tract M		14.870
GLENALLEN	C80823	C004N001W18	ASLS	79-13	Tract O		14.130
GLENALLEN	C80824	C004N001W18	ASLS	79-13	Tract Q		14.560
GUSTAVUS	CRM-0930-B	C040S058E11	USRS		E1/2NE1/4, NE1/4SE1/4		120.000
GUSTAVUS	CRM-0970	C040S058E12	USRS		NE1/4NE1/4		40.000
GUSTAVUS	CRM-0974	C040S058E13	ASLS	79-142	4		10.000
GUSTAVUS	CRM-0975	C040S058E13	USRS		3		56.290
GUSTAVUS	CRM-1037	C040S059E06	USRS		W1/2E1/2SW1/4		40.000
GUSTAVUS	CRM-1047	C040S059E17	USRS		N1/2NE1/4, SW1/4NE1/4, S1/2NW1/4		200.000
HAINES	CRM-0744-B	C031S060E19	USRS		5		13.170
HOMER	SM-0315-01	S006S014W2	USRS		E1/2SW1/4NW1/4SE1/4		5.000
JAKOLOF BAY	SM-0409	S008S013W20,29	USS	4748	1		4.580
JAKOLOF BAY	SM-0410	S008S013W28	USS	4748	2		4.830
JUNEAU	CRM-1112	C040S064E12, C040S065E07	USS	3057	1A		0.330
KALGIN ISLAND	S80000	S003N016W10,11	USS	3447	Tract B		5.000
KALGIN ISLAND	S80001	S003N016W09	USS	4763	1		2.580
KASILOF	S20054	S003N012W22	USRS		1		34.84
KASILOF	S20055	S003N012W22	USRS		NW1/4SE1/4		40
KASILOF	S20056	S003N012W22	USRS		S1/2SW1/4		80
KASILOF	S20057	S003N012W22	USRS		2		20.960
KASILOF	S20058	S003N012W27	USRS		2		16.570
KASILOF	S20059	S003N012W27	USRS		3		38.890
KASILOF	S20060	S003N012W27	USRS		4		27.580
KASILOF	S20061	S003N012W27	USRS		6		37.390
KASILOF	S20113	S004N011W34	USRS		W1/2SW1/4		80
KASITSNA BAY	SM-0415	S008S013W18	USS	4651	10		16.340
KENAI	SM-0766	S005N010W05	USRS		4		40
KETCHIKAN	C20805	C068S076E21	ASLS	81-116		5	7.062
KETCHIKAN	C20806	C068S076E21	ASLS	81-116		4	9.207
KETCHIKAN	C20809	C068S076E22	USRS		1		26.150
KETCHIKAN	C20817	C068S076E23	USRS		Metes & Bounds Description		9.410
KETCHIKAN	C20922	C073S084E33	ASLS	90-327	2A		13.220
KETCHIKAN	C20931	C073S084E34	USRS		W1/2 Lot 2		14.000
KETCHIKAN	C20946	C073S092E30	ASLS	84-39	2	1	1.252
KETCHIKAN	C20947	C073S092E30	ASLS	84-39	4	1	1.311
KETCHIKAN	C30016	C073S092E29	ASLS	84-39	19	1	2.498
KETCHIKAN	C70927	C073S084E35	ASLS	79-181	Tract D Parcel 2 / Tract H		12.929
KETCHIKAN	C81182	C073S092E30	ASLS	84-39	1	1	1.281
KETCHIKAN	C81183	C073S092E29	ASLS	84-39	20	1	2.599
KETCHIKAN	CRM-2676	C074S089E12	USS	3275	195		1.620

## Exhibit 1 - Parcel List

KETCHIKAN	CRM-2677	C074S089E12	USS	3275	201		4.090
KETCHIKAN	CRM-2678	C074S089E11,12	USS	3275	201A		1.830
KETCHIKAN	CRM-2762	C074S089E13	USS	3157	96		7.630
KETCHIKAN	CRM-2764	C074S089E13	USS	3157	123B		4.770
KETCHIKAN	CRM-2775	C074S089E13	USS	3089	107A		0.170
KETCHIKAN	CRM-2841	C074S090E19	USS	3092	35		20.440
KETCHIKAN	CRM-2940-02	C074S090E19	ASLS	84-31	1D		19.640
KETCHIKAN	CRM-2940-05	C074S090E19	ASLS	84-31	1E		0.210
KETCHIKAN	CRM-2941	C074S090E19	USS	3768	2		9.680
KETCHIKAN	CRM-3096	C074S090E33	ASLS	79-243	17	6	0.550
KETCHIKAN	CRM-3097	C074S090E33	ASLS	79-243	18	6	0.490
KETCHIKAN	CRM-3103	C074S090E33	ASLS	79-243	6	7	0.560
KETCHIKAN	CRM-3110	C074S090E33	ASLS	79-243	13	7	0.530
KETCHIKAN	CRM-3117	C074S090E33	ASLS	79-243	1	8	0.530
KETCHIKAN	CRM-3120	C074S090E33	ASLS	79-243	4	8	0.610
KETCHIKAN	CRM-3121	C074S090E33	ASLS	79-243	5	8	0.530
KETCHIKAN	CRM-3319	C076S091E02	ASLS	80-187	1	1	0.624
KETCHIKAN	CRM-3320	C076S091E02,03	ASLS	80-187	2	1	0.613
KETCHIKAN	CRM-3321	C076S091E02,03	ASLS	80-187	3	1	0.709
KETCHIKAN	CRM-3322	C076S091E03	ASLS	80-187	4	1	0.679
KETCHIKAN	CRM-3323	C076S091E03	ASLS	80-187	5	1	0.754
KETCHIKAN	CRM-3333	C076S091E02,03	ASLS	80-187	15	1	0.594
KETCHIKAN	CRM-3336	C076S091E11	ASLS	80-187	1	2	0.720
KETCHIKAN	CRM-3337	C076S091E11	ASLS	80-187	2	2	0.603
KETCHIKAN	CRM-3339	C076S091E11	ASLS	80-187	4	2	0.596
KETCHIKAN	CRM-3340	C076S091E11	ASLS	80-187	5	2	0.605
KETCHIKAN	CRM-3346	C076S091E11	ASLS	80-187	4	4	0.741
KETCHIKAN	CRM-7056	C076S091E02	ASLS	80-187			0.527
KODIAK	SM-0454	S029S019W33	USS	3471	22		1.32
KODIAK	SM-0461	S029S019W34	USS	3472	2		0.73
LITTLE TUTKA BAY	SM-0355	S008S013W21	EPF	69-3	13	1	1.740
LITTLE TUTKA BAY	SM-0362	S008S013W21	EPF	69-3	3	2	1.960
LITTLE TUTKA BAY	SM-0397	S008S013W21	EPF	69-3	3	3	0.740
NIKISKI	SM-1005	S006N011W05	USRS		3		39.89
NIKISKI	SM-1006	S006N011W05	USRS		4		39.94
NIKISKI	SM-1008	S006N011W06	USRS		3		39.86
NIKISKI	SM-1009	S006N011W06	USRS		6		35.23
NIKISKI	SM-1010	S006N011W06	USRS		7		35.37
NIKISKI	SM-1011	S006N011W07	USRS		1		35.48
NIKISKI	SM-1012	S006N011W07	USRS		2		35.55
NIKISKI	SM-1143	S007N011W19	USRS		1		40.28
NIKISKI	SM-1148	S007N011W20	USRS		2		16.93
NIKISKI	SM-1149	S007N011W20	USRS		3		40.36
NIKISKI	SM-1150	S007N011W20	USRS		4		40.43
NIKISKI	SM-1151	S007N011W20	USRS		5		39.97
NIKISKI	SM-1153	S007N011W21	USRS		10		28.25
NIKISKI	SM-1164	S007N011W30	USRS		1		34.4
NIKISKI	SM-1165	S007N011W30	USRS		2		34.46
NIKISKI	SM-1169	S007N011W31	USRS		3		39.89
NIKISKI	SM-1173-01	S007N011W31	USRS		SW1/4NW1/4NE1/4, W1/2SW1/4NE1/4, SE1/4NE1/4NW1/4		40
NIKISKI	SM-1173-02	S007N011W31	USRS		SW1/4NE1/4NW1/4		10
NIKISKI	SM-1435	S008N011W34	USRS		20		2.29

## Exhibit 1 - Parcel List

PALMER	SM-0063	S018N002E07	USRS		3		35.42
PALMER	SM-0064	S018N002E07	USRS		4		35.52
PALMER	SM-0065	S018N002E07	USRS		E1/2SW1/4, NE1/4SE1/4, W1/2SE1/4, N1/2SE1/4SE1/4		220
PALMER	SM-0082	S018N003E07	USRS		17		2.750
PALMER	SM-0083	S018N003E07	USRS		18		3.510
PALMER	SM-0105	S018N003E08	USRS		21		17.460
PETERSBURG	CRM-2171	C059S079E15	USRS		6		7.140
PETERSBURG	CRM-2172	C059S079E15	USRS		7		8.510
PETERSBURG	CRM-2176	C059S079E15	USRS		11		7.500
PETERSBURG	CRM-2177	C059S079E15	USRS		12		7.150
PETERSBURG	CRM-2179	C059S079E15	USS	2461	A		3.660
PETERSBURG	CRM-2213	C059S079E23	USRS		6		6.030
PETERSBURG	CRM-2259	C059S079E35	USRS		24		2.470
PETERSBURG	CRM-2260	C059S079E35	USRS		25		2.500
PETERSBURG	CRM-2326	C060S079E14	USRS		16		2.860
PETERSBURG	CRM-2327	C060S079E14	USRS		17		4.370
PETERSBURG	CRM-2343	C060S079E23	USRS		12		5.030
PETERSBURG	CRM-2344	C060S079E23	USRS		13		4.440
SALCHA	FM-0686	F005S004E14	USRS		2		18.960
SALCHA	FM-0688	F005S004E14	USRS		4		17.110
SALCHA	FM-0707-A	F005S004E35	USRS		21		0.990
SALCHA	FM-0708	F005S004E35	USRS		24		0.810
SALCHA	FM-0709	F005S004E35	USRS		25		0.630
SALCHA	FM-0710	F005S004E35	USRS		28		0.440
SALCHA	FM-0711	F005S004E35	USRS		29		1.510
SALCHA	FM-0712	F005S004E35	USRS		33		1.330
SALCHA	FM-0713	F005S004E35	USRS		34		1.150
SALCHA	FM-0714	F005S004E35	USRS		37		0.970
SALCHA	FM-0715	F005S004E35	USRS		39		0.780
SALCHA	FM-0716	F005S004E35	USRS		42		0.600
SALCHA	FM-0717	F005S004E35	USRS		45		1.670
SALCHA	FM-0718-01	F005S004E35	USRS		48		1.340
SALCHA	FM-0719-01	F005S004E35	USRS		51		0.150
SALCHA	FM-0723	F005S004E35	USRS		62		0.420
SALCHA	FM-0724	F005S004E35	USRS		57		0.770
SALCHA	FM-0725	F005S004E35	USRS		56		1.150
SALCHA	FM-0726	F005S004E35	USRS		50		1.520
SALCHA	FM-0727	F005S004E35	USRS		49		0.620
SALCHA	FM-0728	F005S004E35	USRS		44		1.000
SALCHA	FM-0729	F005S004E35	USRS		43		1.370
SALCHA	FM-0730	F005S004E35	USRS		38		1.740
SITKA	CRM-1521	C055S063E22	USS	3926	1		0.330
SITKA	CRM-1522	C055S063E22	USS	3926	2		0.130
SITKA	CRM-1525	C055S063E21	USS	3926	5		0.340
SITKA	CRM-1527	C055S063E21	USS	3926	7		6.560
SITKA	CRM-1543	C055S063E29	USS	3926	24		1.030
SITKA	CRM-1544	C055S063E29	USS	3926	24A		0.100
SITKA	CRM-1545	C055S063E29	USS	3926	25		0.210
SITKA	CRM-1546	C055S063E29	USS	3926	26		0.140
SITKA	CRM-1547	C055S063E28	USS	3926	27		1.530
SITKA	CRM-1548	C055S063E28	USS	3926	29		0.120
SITKA	CRM-1549	C055S063E28	USS	3926	29A		0.100

Exhibit 1 - Parcel List

SITKA	CRM-1550	C055S063E28	USS	3926	30		0.120
SITKA	CRM-1551	C055S063E28	USS	3926	31		0.110
SITKA	CRM-1552	C055S063E28	USS	3926	31A		0.100
SITKA	CRM-1553	C055S063E28	USS	3926	32		0.340
SITKA	CRM-1554	C055S063E28	USS	3926	32A		0.100
SITKA	CRM-1565	C055S063E33	USS	3926	43		0.630
SITKA	CRM-1566	C055S063E33	USS	3926	44		5.700
SITKA	CRM-1567	C055S063E33	USS	3926	45		0.300
SITKA	CRM-1568	C055S063E33	USS	3926	46		0.160
SITKA	CRM-1586	C055S063E33	USS	3926	64		0.530
SITKA	CRM-1587	C055S063E33	USS	3926	65		0.100
SITKA	CRM-1588	C055S063E33	USS	3926	66		0.190
SITKA	CRM-1591	C056S063E04	USS	3926	69		0.100
SITKA	CRM-1618	C056S063E02	USS	3926	98		0.700
SITKA	CRM-1649	C056S063E14	USS	3926	132		0.470
SITKA	CRM-1650	C056S063E14	USS	3926	133		0.640
SITKA	CRM-1651	C056S063E14	USS	3926	134		2.710
SITKA	CRM-1652	C056S063E14	USS	3926	135		0.110
SITKA	CRM-1653	C056S063E14	USS	3926	136		1.550
SITKA	CRM-1657	C056S063E13	USS	3926	140		19.490
SITKA	CRM-1658	C056S063E13, C056S064E18	USS	3926	141		8.330
SITKA	CRM-1674	C056S063E24	USS	3926	156		39.170
SITKA	CRM-7004	C055S063E20,21,28	USS	3926	11A		40.940
SITKA	CRM-7006	C056S063E02	USS	3926	97		2.720
SKAGWAY	C20450.002	C027S060E31	USS	3312	1		7.050
STERLING	SM-0583	S005N008W26	EPF	36-28	8A		2.5
STERLING	SM-0585	S005N008W26	EPF	36-28	30A		2.32
STERLING	SM-0618	S005N008W29	USRS		5		19.02
STERLING	SM-0651	S005N008W26	EPF	36-28	16B		2.06
STERLING	SM-0663	S005N008W26	EPF	36-28	8E		2.06
STERLING	SM-0667	S005N008W26	EPF	36-28	33B		2
SUTTON	SM-0130	S019N003E32	USRS		3		13.340
SUTTON	SM-0131	S019N003E32	USRS		4		13.950
SUTTON	SM-0132	S019N003E32	USRS		5		19.890
SUTTON	SM-0133	S019N003E32	USRS		7		20.000
VALDEZ	C20141	C008S006W35	ASLS	79-116	"STATE LAND"		20.000
WASILLA	S20552	S018N001W24	USRS		W1/2NW1/4NE1/4NE1/4, SW1/4NE1/4NE1/4, W1/2SE1/4NE1/4NE1/4		20
WASILLA	S20557	S018N001W30	USRS		E1/2NW1/4NE1/4		20
WASILLA	S20558	S018N001W30	USRS		W1/2NW1/4NE1/4		20
WASILLA	SM-1891	S016N003W27	USRS		NW1/4NW1/4		40
WILLOW	S20583	S019N004W34	USRS		4		32.46
WILLOW	S20584	S019N004W34	USRS		S1/2SW1/4NE1/4		20
WILLOW	SM-2471	S020N005W12	SPS	84-94	Tract B		16.64
YAKUTAT	C20439	C027S034E31,32	ASLS	84-89	"ALL"		507.946



**To:** John Sturgeon, Chair  
Resource Management Committee  
**From:** Hollie Chalup  
**Date:** 10/21/2020  
**Re:** Fairbanks Gold Mining, Inc. / Kinross – Gil Project, MHT  
9400735  
**Fiscal Year:** 2021-2028

## Consultation

### Proposed RMC Motion:

*“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the decision to issue a negotiated surface lease facilitating the development of a lode gold deposit adjacent to the Fort Knox Mine.”*

### Background:

**Revenue Projections:** Principal Income (up to) \$4,500,000 or more, dependent on gold market pricing  
12 % assessed land value annually for term

**Transaction/Resource:** The proposed action is to negotiate a surface lease of certain Trust lands to facilitate the development of the Gil Resource adjacent to the Fort Knox Mine operated by Fairbanks Gold Mining, Inc. and Kinross. The lease would grant the development and extraction of lode gold resources from the Gil deposit with the purpose of maintaining mill throughput at the Fort Knox mill while the Gilmore Pushback project exposes additional ore to extend the Fort Knox mine life.

The proposed lease would have a term of up to 10 years with a production-based option to extend.

**Property Description/Acreage/MH Parcel(s):** The proposed lease area is located within the Fairbanks Mining District and associated with the Tintina Gold Belt. The area to be offered for lease is situated approximately 8 miles generally north and east of the Fort Knox Mine on a ridge approximately 1 mile southeast of the confluence of Fairbanks Creek and Fish Creek. The anticipated lease acreage would be 393 acres, more or less. The affected parcel is F70015.

**General Background:** The area proposed for lease has been the target of significant mineral exploration and reconnaissance by Fairbanks Gold Mining, Inc, Kinross, and Teryl Resources Corporation since the early 1990’s. Historically, gold was first discovered in Fish Creek, approximately one mile north of the Gil deposit by Felix Pedro in 1902. Since, approximately 8 Moz of placer gold has been produced, with Fort Knox’s 8 millionth ounce of lode gold poured in October 2019.

The Gil deposit characteristics and metallurgy is synonymous with that of the Fort Knox ore deposit and is anticipated to process without modification to the mill or significant loss in recovery. Mineralization occurs primarily in quartz-sulphide and quartz-carbonate veins, clay-filled shear zones and limonite-stained fractures which crosscut nearly all lithologies. Measured and indicated resources for the Gil Deposit are 29.5 million tons grading 0.56 g/t gold with additional resources inferred.

Fairbanks Gold Mining, Inc and Kinross propose to mine the Gil Deposit to maintain mill throughput while the Gilmore Pushback project exposes additional ore at the Fort Knox Pit. Maintaining millable ore while the pushback is important to ensure royalties received remain constant.

**Anticipated Revenues/Benefits:** Revenues from this project will be received in two streams: annual rental (income) and mineral royalty (principal). The annual rental will be assessed based on 12% of the appraised land value (appraisal report is forthcoming) until successful reclamation has been approved. A net royalty will be assessed at 3% for gold pursuant to grandfathered mineral rights held by State Mining Claims under AS 38.05.195.

The primary benefit is monetary – this proposal will supplement the royalty revenue stream the Trust already receives by facilitating the mill to run at full capacity while the Gilmore Pushback project is in progress. A secondary benefit is the potential for additional resources or higher grading material to be discovered during the mine process, which will in turn facilitate additional potential revenue to the Trust.

**Anticipated Risks/Concerns:** Mineral development at the Gil deposit will be contingent on the applicant's successful funding of the project. A funding notice is anticipated to be issued in November 2020. The project is also dependent on receiving all applicable State, Federal and local permits and authorizations. The area to be leased is encumbered by grandfathered State of Alaska Mining Claims. Should the claim holders fail to properly maintain those claims and lose the mineral rights, mining would stop until the Trust was able to issue a mineral lease to Fairbanks Gold Mining, Inc./Kinross. This would significantly delay or decrease Trust revenue streams for the project.

**Project Costs:** No significant costs are anticipated other than periodic site visits and reclamation approval inspections.

**Other Considerations:** The Gil Project is also dependent on the grant of an exclusive temporary easement facilitating access from the Fort Knox mill to the Gil deposit. The access route is primarily on Trust lands, with a portion crossing general State land. Access on State land will be adjudicated through the DNR's Large Mine Permit Team review of Fort Knox' revised Plan of Operations, which will include the Gil Project developments.

Waste rock storage from Trust lands that occurs during the Gil Project may occur on State lands depending on the final approved mine plan. In the event waste rock from either Trust lands or State lands is to be stored either for the project duration or in perpetuity on either land owned respectively, a Memorandum of Understanding between the Trust and the State DNR will be necessary to ensure the appropriate management of and revenue generation from the waste rock during and after the mine operations.



**Due Diligence:** Lands to be leased, the lease process and significant lease terms have been determined as a result of lengthy internal staff analysis and review. A third-party appraisal will be reviewed and approved prior to establishing the lease rental rate. TLO Staff are familiar with the Fort Knox Mine, and have attended a pre-development site orientation to review the various project components firsthand.

**Alternatives:** The primary alternative is to not issue the surface lease. That would not allow the Gil project to move forward. This alternative would delay or prohibit the receipt of royalty revenues and could jeopardize the royalty stream the Trust receives from the Fort Knox Pit. Under this alternative, the mill at Fort Knox would significantly slow or stop, and the Trust would only receive marginal royalty revenues from milling and heap leach recovery associated with the Fort Knox mine.

Other alternatives, such as competitive leasing, are not possible due to the mineral encumbrance by Fairbanks Gold Mining, Inc and Kinross via State of Alaska Mining Claims.

The assessed highest and best use of this parcel is mineral development until such time as the deposits are mined out or base metal prices render the deposit economically infeasible to mine.

**Consistency with the Resource Management Strategy:** The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted March 2016 in consultation with the Trust and provides for the TLO to maximize return at prudent levels of risk, prevent liabilities, and convert nonperforming assets into performing assets. Given the current market value of base metals, with gold prices at record highs, lands affected by this proposal are in a “best market” situation and should be offered now rather than later. This proposal will generate significant revenues from Trust mineral resources, consistent with a key Trust land management principal of encouraging a diversity of revenue generating uses of Trust land.

**Trust Land Office Recommendation:** Offer the subject lands in a negotiated surface lease to facilitate mining of the Gil deposit.

**Applicable Authority:** Alaska Statute 37.14.009(a), 38.05.801 and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal).

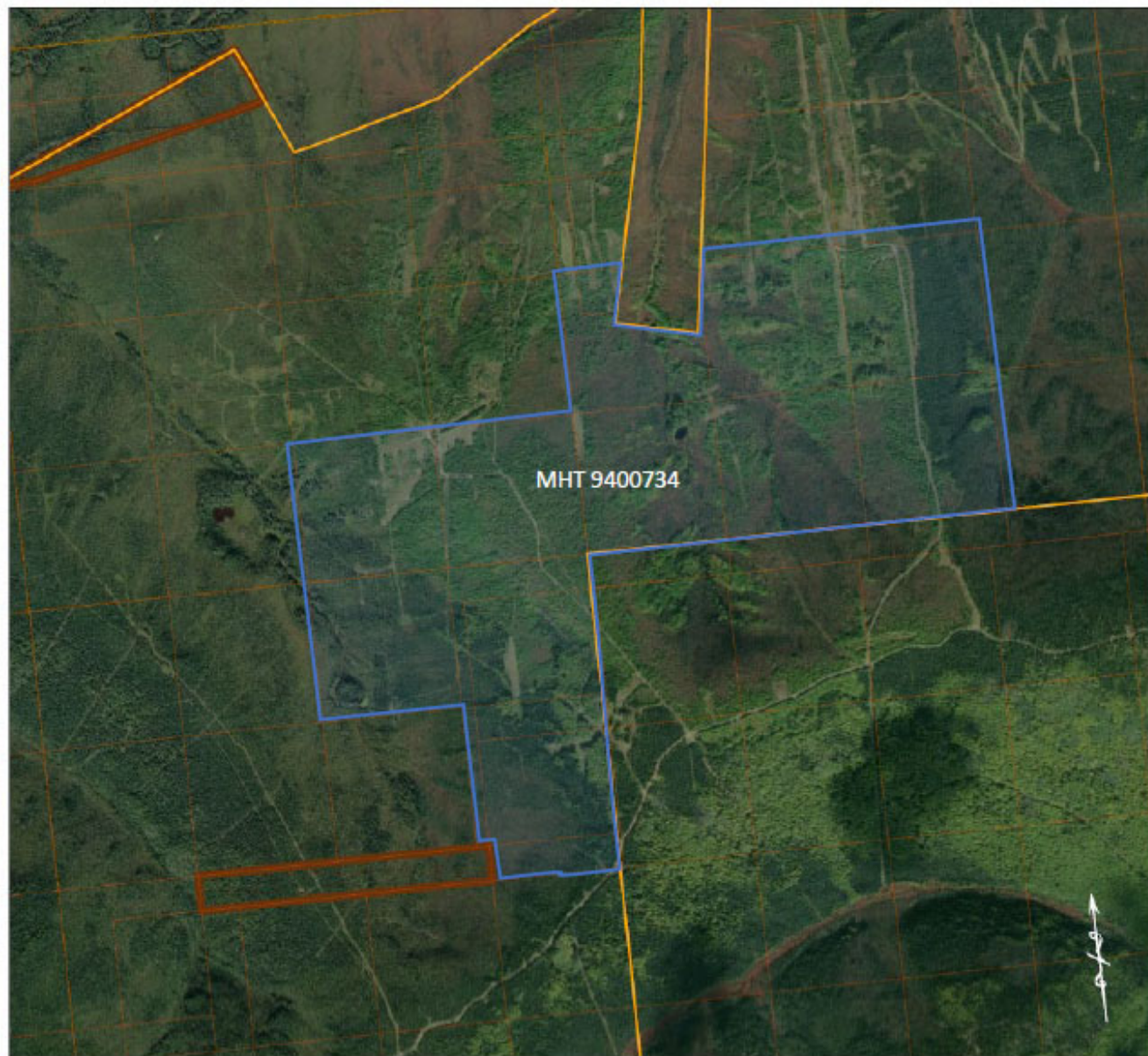
**Trust Authority Consultation:** This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

**Exhibit(s):**

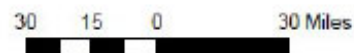
Exhibit 1 – Map of Proposed Lease Area

Exhibit 2 – Map of Relative Location to Fort Knox Mine

**Exhibit 1 – Map of Proposed Lease Area**  
MHT 9400735 Fairbanks Gold Mining Inc / Kinross Gil Project



MHT 9400735 Gil Project



**Legend**

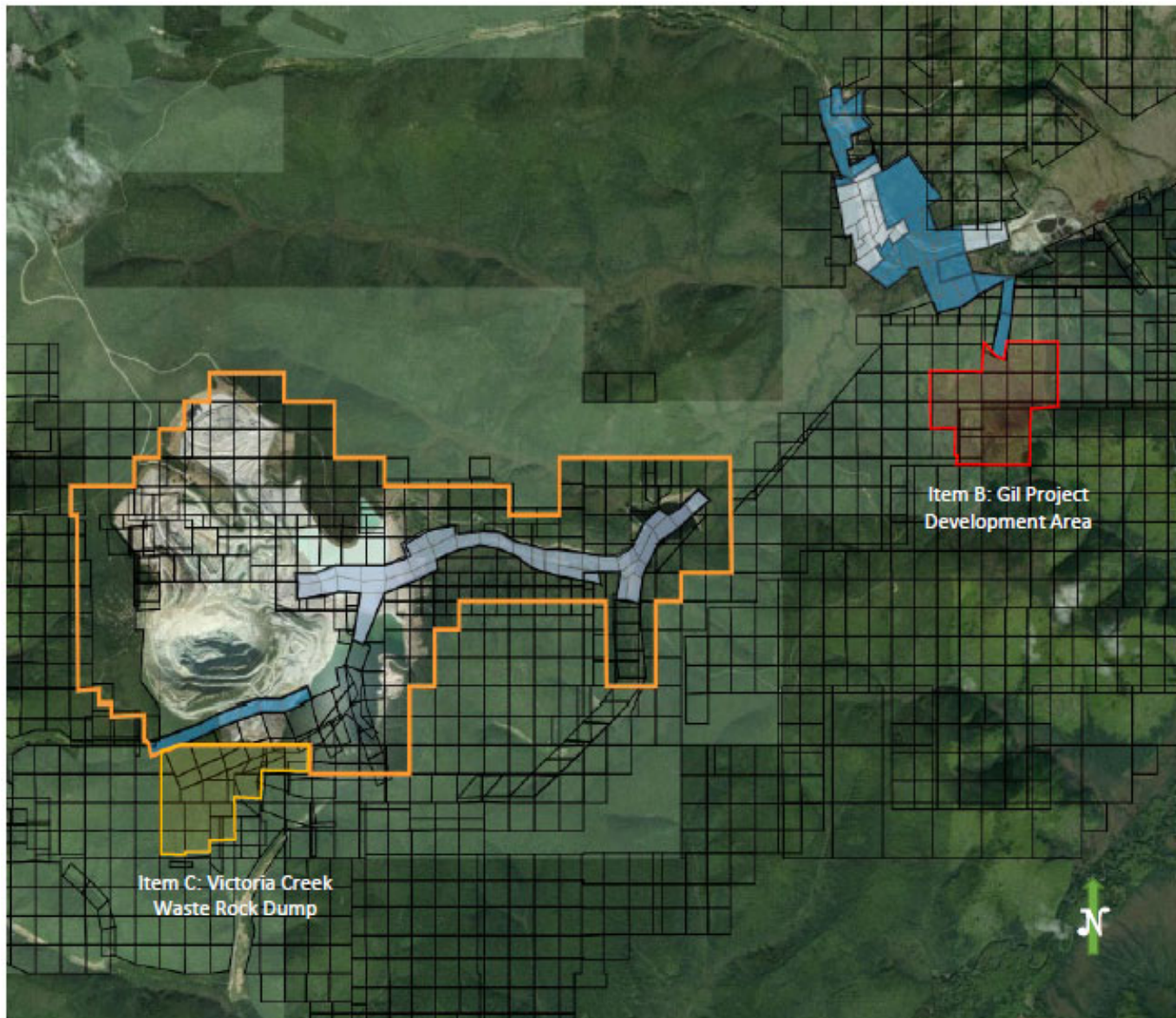
- MHT 9400735 Gil Project
- MHT Settlement Parcel F70015
- State of Alaska Mining Claims
- Existing Mineral Leases
- Section Grid



Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community  
Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community



**Exhibit 2 – Map of Relative Location to Fort Knox Mine**  
MHT 9400735 Fairbanks Gold Mining Inc / Kinross Gil Project



## MHT 9400735 Gil Project

### Legend

- MHT 9400735 Gil Project
- MHT Settlement Parcels F70015
- State of Alaska Mining Claims
- Section Grid



Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community  
Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community



**To:** John Sturgeon, Chair  
Resource Management Committee  
**From:** Hollie Chalup  
**Date:** 10/21/2020  
**Re:** Fairbanks Gold Mining, Inc. / Kinross – Victoria Creek  
Project, MHT# 9400734  
**Fiscal Year:** 2021-2031

## Consultation

### Proposed RMC Motion:

*“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the decision to issue a negotiated surface lease to facilitate the expansion of the Fort Knox Mine pit and Gilmore project.”*

### Background:

**Revenue Projections: Income**      **12% Appraised Land Value, annually for term**

**Transaction/Resource:** The proposed action is to negotiate a surface lease of certain Trust lands to facilitate the expansion of the Fort Knox Pit and Gilmore Pushback project at the Fort Knox Mine. The lease would grant the applicants, Fairbanks Gold Mining, Inc and Kinross, the ability to place approximately 65 million tons of waste rock material onto Trust lands adjacent to the existing Yellow Pup waste rock facility. The proposed action would support the extension of the Life-of-Mine.

The proposed lease would have a term of up to 10 years with an option to extend. The lease may terminate upon successful reclamation.

**Property Description/Acreage/MH Parcel(s):** The proposed lease area is located within the Fairbanks Mining District and associated with the Tintina Gold Belt. The area to be offered for lease is situated immediately adjacent to the Fort Knox millsite boundary to the south. The area lies at the top of the Victoria Creek drainage. The anticipated lease acreage would be 235 acres, more or less. The affected parcel is F70015.

**General Background:** The area proposed for lease has been selected by Fairbanks Gold Mining, Inc. and Kinross as the optimal location for waste rock material placement from the Gilmore pit expansions. The area was selected for its proximity to the Fort Knox pit and because the land lacks economic mineral interest. The lease area will support approximately 65 million tons of benign waste rock in stacked tailings which will proceed in three phases over the next two to three years.

**Anticipated Revenues/Benefits:** The benefits are both short and long term– the Trust will receive an annual rental of 12% of the appraised land value until reclamation is complete (expected within 10 years) and will see continued royalty revenue throughout the pushback of the existing pit, adding approximately 1.5 million ounces to production and extending the mining years to 2027, with gold recovery from heap leaching extending to 2030.

**Anticipated Risks/Concerns:** The project is dependent on receiving all applicable State, Federal and local permits and authorizations.

**Project Costs:** No significant costs are anticipated other than periodic site visits and reclamation approval inspections.

**Other Considerations:** The project is also contingent on the successful relocation of an ADOT Omnibus route. The route is overdue for relocation as the Yellow Pup waste rock facility is encroaching on the route and poses a safety hazard to the public. Relocation of the route will ensure the public is protected from a safety perspective, the applicant’s workings are not compromised by the public and so the public has clear alternative access for the duration of the project. During reclamation, the route could be permanently re-established or approved to remain relocated.

Additionally, waste rock storage from State lands may occur on Trust lands depending on the final approved mine plan. In the event waste rock from State land is to be stored on Trust lands either for the project duration or in perpetuity, a Memorandum of Understanding between the Trust and the State DNR will be necessary to address the ownership of the deposited material.

**Due Diligence:** Lands to be leased, the lease process and significant lease terms have been determined as a result of lengthy internal staff analysis and review. A third-party appraisal will be reviewed and approved to establishing the lease rental cost. TLO staff are familiar with the Fort Knox Mine, and have attended a pre-development site orientation to review the various project components firsthand.

**Alternatives:** The primary alternative is to not issue the surface lease. This alternative would delay or decrease the amount of royalty revenue the Trust would receive from the Fort Knox Mine. Under this alternative, the mill at Fort Knox would significantly slow or stop and Trust would only receive marginal royalty revenues from milling and heap leaching recovery.

A second alternative would be to sell the surface estate to Fairbanks Gold Mining, Inc. Under this alternative, the Trust would receive a single payment for the appraised market value or 125% of the assessed value, assuming the applicant would be interested in the purchase. The Trust would retain the mineral rights which are currently encumbered by State Mining Claims under AS 38.05.195. This option is not in the best interest of the Trust because it will force the applicants to pay the State for waste rock removed from State lands – a cost that would render the project uneconomic. The net result would be a loss in potential royalty revenue to the Trust.

The highest and best use of this parcel is to support mineral development until such time as the Life-of-Mine ends or base metal prices render the deposits economically infeasible to mine.

**Consistency with the Resource Management Strategy:** The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted March 2016 in consultation with the

Trust and provides for the TLO to maximize return at prudent levels of risk, prevent liabilities, and convert nonperforming assets into performing assets. Given the current market value of base metals, with gold prices at record highs, lands which support mineral development are in a “best market” situation and should be offered now rather than later to maximize royalty revenue to the Trust. This proposal will facilitate significant revenue earnings from Trust mineral resources at Fort Knox and is consistent with a key Trust land management principal of encouraging a diversity of revenue generating uses of Trust land.

**Trust Land Office Recommendation:** Offer the subject lands in a negotiated surface lease to facilitate the Gilmore expansion phase of the Fort Knox Mine.

**Applicable Authority:** Alaska Statute 37.14.009(a), 38.05.801 and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal).

**Trust Authority Consultation:** This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

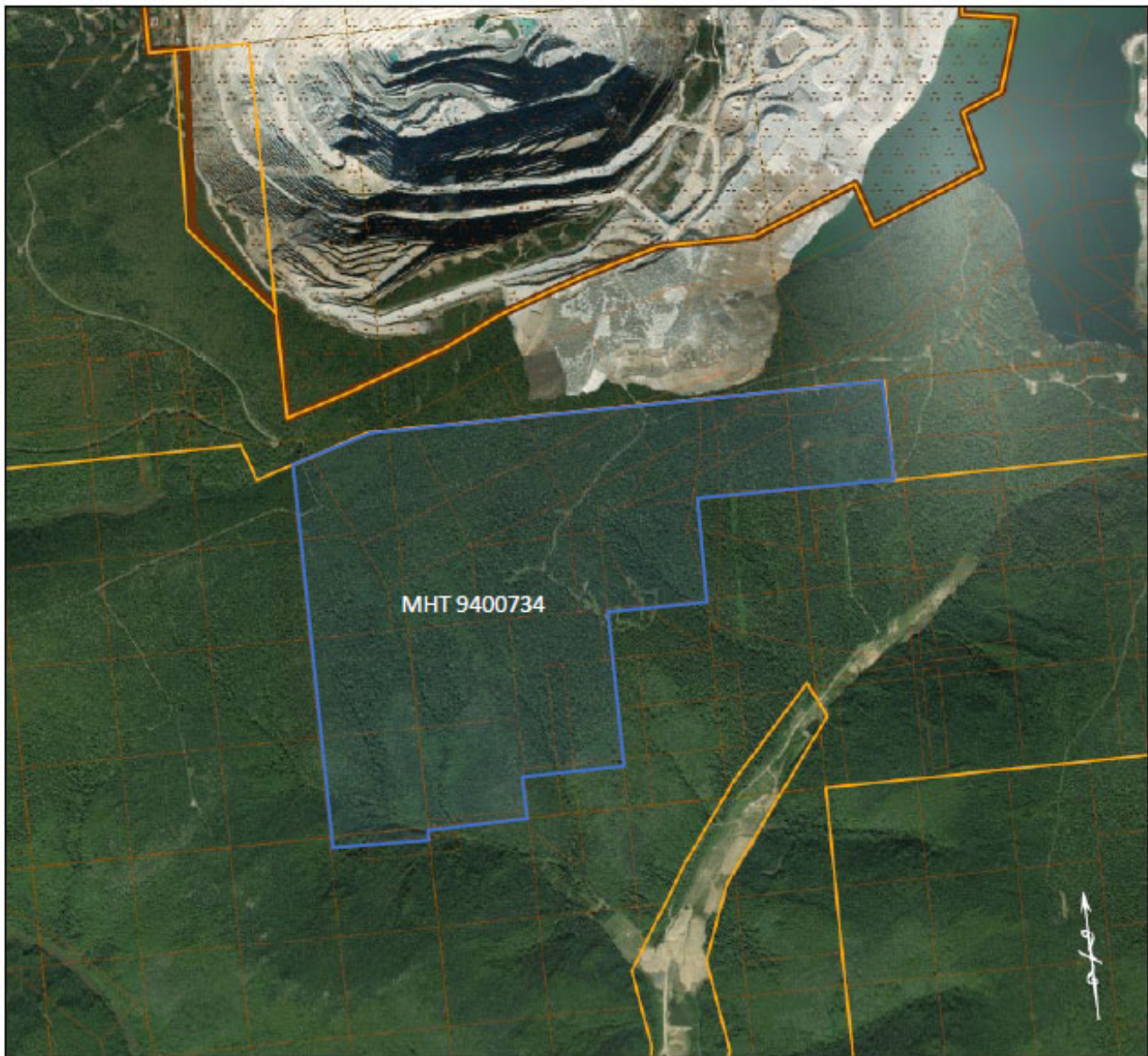
**Exhibit(s):**

Exhibit 1 – Map of Proposed Lease Area

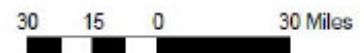
Exhibit 2 – Regional Map of Project Area



**Exhibit 1 – Map of Proposed Lease Area**  
MHT 9400734 Fairbanks Gold Mining Inc / Kinross Victoria Creek Project



**MHT 9400734 Victoria Creek Project**



**Legend**

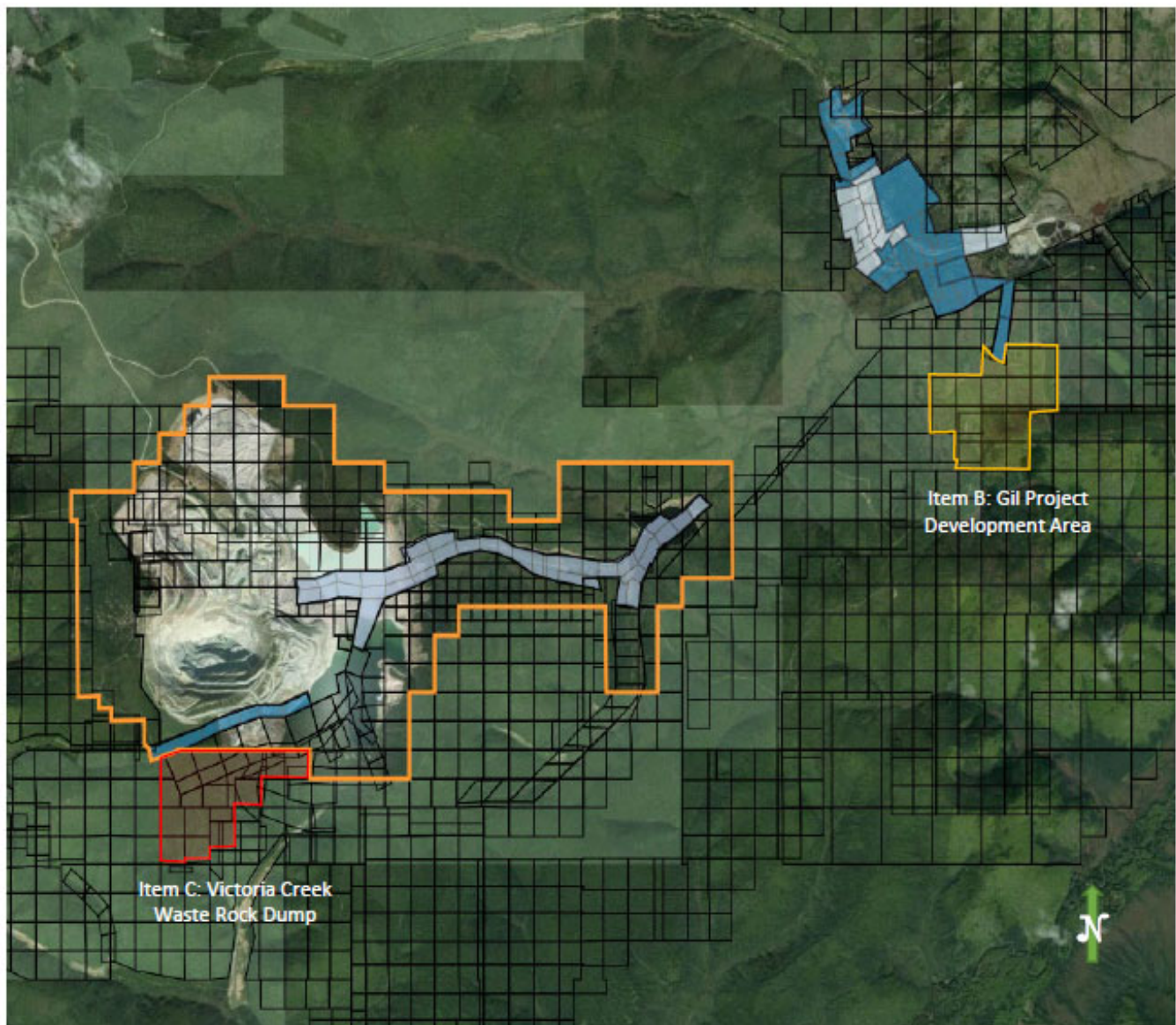
- MHT 9400734 Victoria Creek
- MHT Settlement Parcels F70015
- State of Alaska Mining Claims
- Section Grid



Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community  
Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community



**Exhibit 2 – Regional Map of Project Area**  
MHT 9400734 Fairbanks Gold Mining Inc / Kinross Victoria Creek Project



## MHT 9400734 Victoria Creek Project

### Legend

- MHT 9400734 Victoria Creek
- MHT Settlement Parcels F70015
- State of Alaska Mining Claims
- Section Grid



Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community  
Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community





**To:** John Sturgeon, Chair  
Resource Management Committee  
**From:** Hollie Chalup  
**Date:** 10/21/2020  
**Re:** Gardes Holdings North Big Lake Project – MHT# 9300099  
**Fiscal Year:** 2021-2025

## Consultation

### Proposed RMC Motion:

*“The Resource Management Committee recommends that the Alaska Mental Health Trust Authority board of trustees concur with the issuance of a negotiated lease for the exploration and development of natural gas resources on Trust lands.”*

### Background:

Revenue Projections:	Principal	12.5% Royalty on production
	Income	\$26,400 Bonus Bid (One-time fee)
	Income	\$525,000 Rent

**Transaction/Resource:** The proposed action is to offer approximately 4225 acres of unencumbered Trust subsurface estate for oil and gas leasing in the Matanuska-Susitna area. The area of interest has been subject to gas exploration in the past, and the applicants intend to re-investigate prior drill locations in addition to several new targets.

The lease would have a primary term of five years with an option to extend. To ensure the Trust is meeting its obligations to maximize the revenue generating potential of its resources through a negotiated lease as opposed to a competitive sale, a one-time bonus “bid” payment will be required. The bonus bid will be assessed at 25% of the annual lease rate according to industry standard practices. The one-time bonus bid fee of \$26,400 will be collected in addition to a \$25/acre annual rent (\$105,625 annually) for the five-year term. Should exploration prove successful and a product be produced in paying quantities, a 12.5% production royalty will be assessed.

**Property Description/Acreage/MH Parcel(s):** The area of interest identified by the applicants include lands previously explored for gas resources as well as land without previous development. The area of interest is primarily located within Township 017 North, Range 004 West in Sections 1-3 and 9-10, Seward Meridian, to the North of Big Lake in the Big Lake and Houston area. The parcels are within three oil and gas lease tracts identified by the TLO – Tract 29, 31 and 32. A complete parcel list with

legal descriptions can be found in Exhibit 1. The total acreage anticipated to lease is 4225 acres, more or less.

**General Background:** The area of interest has known gas and coalbed methane resources, however, much of the area lacks sufficient exploration to prove up a productive resource and more data is needed. The area has been subject to prior oil and gas lease sales held by the Trust. Gardes Energy Services, Inc., the parent company of Gardes Holdings, Inc., has been operating and patenting traditional and non-traditional coalbed methane, and oil and gas exploration and production technologies since the late 1980's. The applicant's expertise is in coalbed methane development and traditional gas exploration, with a focus on reducing the surface impacts to drilling activities and environmental stewardship. While Gardes Holdings, Inc. is a new entity to Alaska, its members have a long history operating and acquiring oil and gas assets in Alaska.

The applicant's preliminary proposal includes re-entry to the Northern Dancer #1 well (See Exhibit 3) drilled by Storm Cat in 2006. The prospect is located within the Tyonek formation at a depth of approximately 6,000 feet and was originally identified using 2D seismic data. The formation hosts multiple layers of coal which will be further evaluated for potential coalbed methane production in addition to traditional gas.

**Anticipated Revenues/Benefits:** The revenues from this action are anticipated to be primarily income from annual rent and work commitment obligations. In the event exploration proves successful and a product can be produced in paying quantities, a 12.5% royalty (principal) would be collected. The clear benefit of this proposal lies in exploration of Trust subsurface resources and will aid our understanding of the value of resources available for lease. Rigorous data collection will also benefit the marketability of Trust oil and gas resources and will reduce the incident of unnecessary or unfruitful exploration in the future.

**Anticipated Risks/Concerns:** The anticipated risk from this action is the potential Decommissioning, Removal and Restoration (DRR) costs the Trust may assume should the lessee fail to properly meet those obligations. In concert with the applicant's obligations to the Alaska Oil and Gas Conservation Commission (AOGCC), the applicant will be obligated to successfully complete DRR requirements under the lease terms and Plan of Development. Adequate bonding and insurance will be required to ensure the Trust can contract any DRR or plugging and abandonment work without the Trust expending Trust resources.

**Project Costs:** No significant costs are anticipated other than periodic site visits and DRR approval inspections.

**Other Considerations:** Should activities conducted under the action be successful, the Trust may consider conducting a competitive lease sale for tracts in the surrounding area.

**Due Diligence:** TLO staff have conducted a review of the geologic setting and data on file from previous resource exploration in the area of interest. A review of prior oil and gas lease sales and the revenue

generated from the tracts leased in those sales have been evaluated. TLO staff have also evaluated the history of the applicant, their presence in industry and technology proposed for use.

**Alternatives:** The primary alternatives are to not offer the area of interest for lease or to offer the area of interest via competitive sale. Not offering the area of interest at this time inhibits the Trusts' ability to generate diversified revenue from its natural resources and also inhibits the Trust from gaining valuable data which increases the marketability of oil and gas resources in this area. A competitive sale is not in the best interest of the Trust due to the relative low interest in the area. Should the lessee make a valuable discovery, the Trust could then offer a competitive lease sale for additional tracts in the area of interest.

**Consistency with the Resource Management Strategy:** The proposal is consistent with the "Resource Management Strategy for Trust Land" (RMS), which was adopted March 2016 in consultation with the Trust and provides for the TLO to maximize return at prudent levels of risk, prevent liabilities, and convert nonperforming assets into performing assets. Given the interest of the applicant and the unique expertise and technology available to the applicant, the proposal has the potential to generate substantial royalty revenue which would be unlikely realized otherwise. Additionally, the development of a coalbed methane resource would place the Trust as a frontrunner in an otherwise quiet sector of industry in Alaska.

**Trust Land Office Recommendation:** The TLO recommends offering the area of interest in a negotiated lease for gas and coalbed methane exploration subject to the receipt of a satisfactory Plan of Development.

**Applicable Authority:** Alaska Statute 37.14.009(a), 38.05.801 and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal).

**Trust Authority Consultation:** This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

**Exhibit(s):**

Exhibit 1 – Parcel List

Exhibit 2 – Map of Parcels

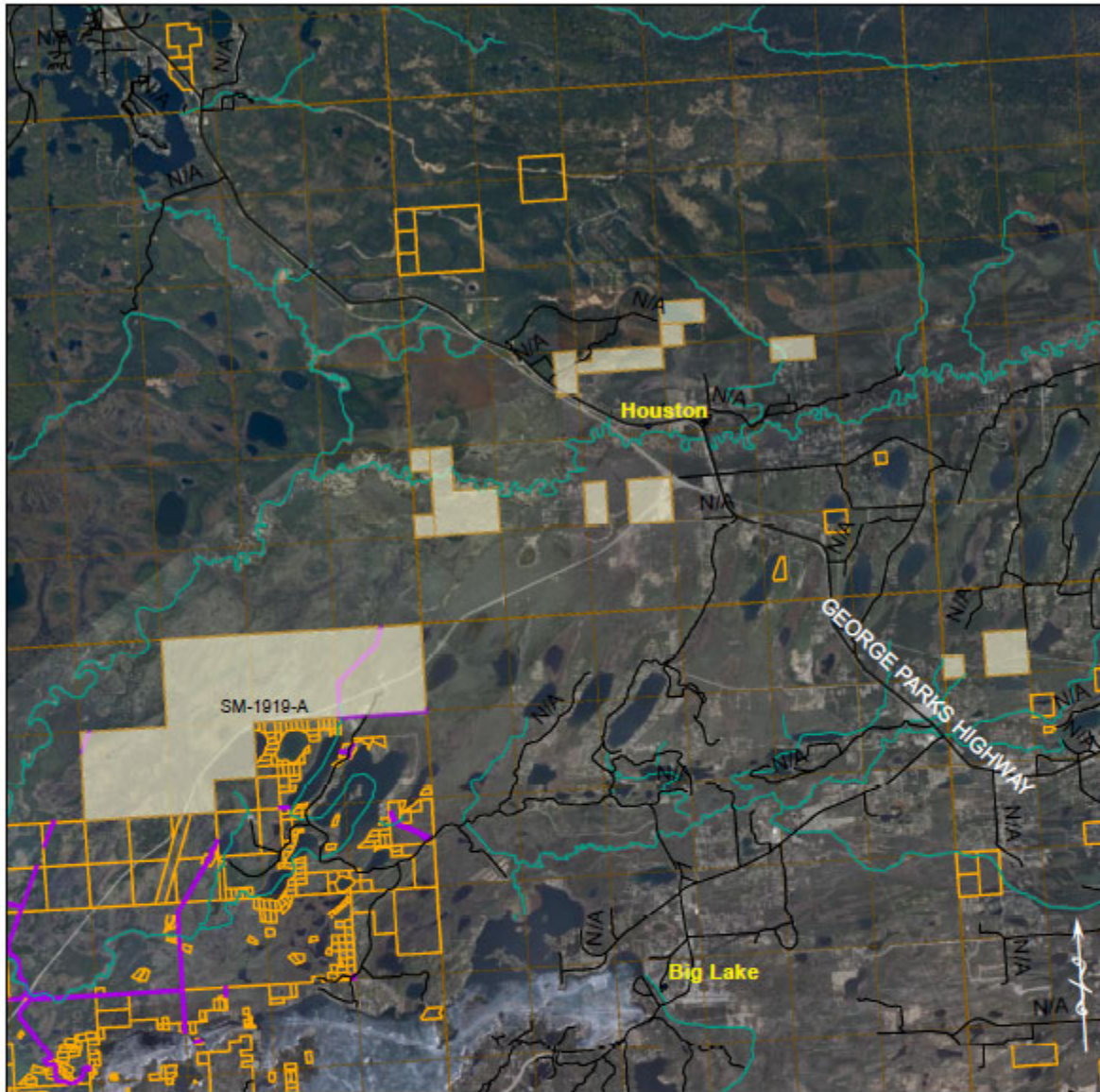
Exhibit 3 – Map of Parcels, detail

**Exhibit 1 – Parcel List**  
Gardes Holding North Big Lake Project – MHT 9300099

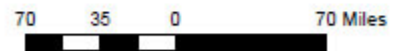
Parcel Name	Acreage	Legal Description
<b>S50560</b>	80	S018N003W Sec 15: N1/2SW1/4
<b>S50561</b>	40	S018N003W Sec 15: SW1/4SW1/4
<b>SM-2440-01</b>	145	S018N003W Sec 21: N1/2N1/2 EXCLUDING THAT LAND ENCOMPASSED BY LEASE APPLICATION ADL 215214 LOCATED WITHIN NW1/4NW1/4NW1/4 AND W1/2NE1/4NW1/4NW1/4
<b>SM-2439</b>	80	S018N003W20 SEC 20: E1/2NE1/4
<b>SM-2441</b>	80	S018N003W23 SEC 23: NW1/4NE1/4, NE1/4NW1/4
<b>SM-2443</b>	160	S018N003W28 SEC 28: SE1/4
<b>SM-2445-B</b>	80	S018N003W28 SEC 28: W1/2SW1/4
<b>SM-2448</b>	320	S018N003W30 SEC 30: E1/2W1/2, SE1/4
<b>SM-2446</b>	35.55	S018N003W30 SEC 30: Lot 1
<b>SM-2447</b>	36.07	S018N003W30 SEC 30: LOT 4
<b>SM-1902</b>	37.81	S017N002W06 SEC 6: LOT 7
<b>SM-1903</b>	160	S017N002W06 SEC 6: LOT 7
<b>SM-1919-A</b>	2,971	S017N004W01; S017N004W02; S017N004W03; S017N004W09; S017N004W10 Section 10: N1/2, SW1/4, N1/2N1/2SE1/4
<b>TOTAL ACREAGE</b>	<b>4,225.43</b>	

## Exhibit 2 – Parcel Map

### Gardes Holding North Big Lake Project – MHT 9300099



### Gardes Holding - Properties of Interest



#### Legend

- Gardes Parcels of Interest
- Towns
- Anadromous Fish Streams
- Easements Lines (455)
- MHT Settlement Parcels
- Section Grid
- Township Grid



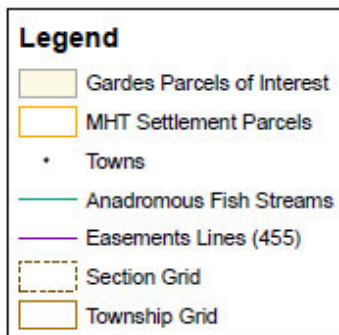
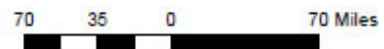
Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community  
Copyright:© 2013 National Geographic Society. I-cubed



**Exhibit 3 – Detailed Parcel Map(s)**  
 Gardes Holding North Big Lake Project – MHT 9300099

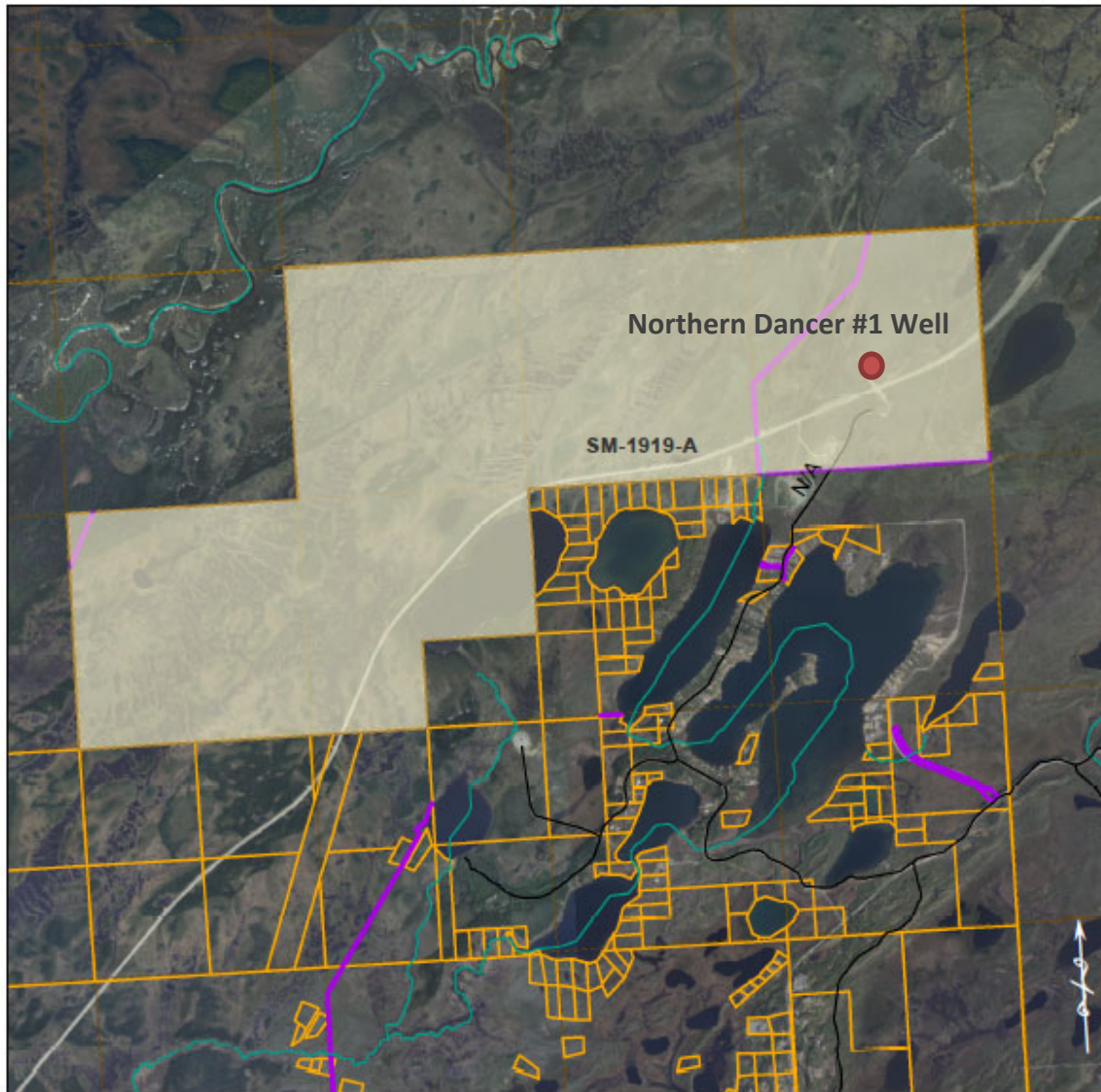


**Gardes Holding - Properties of Interest**

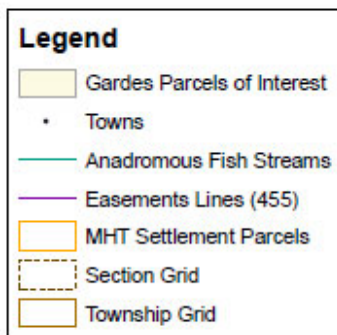
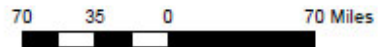


Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community  
 Copyright:© 2013 National Geographic Society, I-cubed

**Exhibit 3 – Detailed Parcel Map(s) (cont.)**  
 Gardes Holding North Big Lake Project – MHT 9300099



Gardes Holding - Properties of Interest



Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community  
 Copyright© 2013 National Geographic Society, I-cubed

Resource Management Committee  
October 21, 2020

Entering into Executive Session

**Motion:**

**Per AS 44.62.310(b) and AS 44.62.310(c)(1), I propose that the Resource Management Committee move into executive session to discuss confidential financial matters pertaining to the Icy Cape Mineral Exploration Project. No decisions will be made in the executive session.**

Returning from Executive Session

**Notice of Return:**

**For the record, myself, my fellow Trustees, and members of the Trust Authority and Trust Land Office are returning to the Resource Management Committee from the executive session. We did not make any decisions during the executive session.**