

Fact Sheet

Title: Upland Mining Leasehold

Location



Alaska Department of
**NATURAL
RESOURCES**

Division of Mining, Land & Water
August 2009

DEFINITION OF AN UPLAND MINING LEASEHOLD LOCATION:

Rights to locatable minerals on lands owned by the State of Alaska are obtained by making a mineral discovery, staking the boundaries of the location, and recording a certificate of location within 90 days. In most areas, such a location is a "mining claim", which gives the owner an immediate property right to mine the deposits. However, in areas of the state that have been restricted to leasing (often referred to as "lease-only"), the location is a "leasehold location", not a mining claim. The leasehold location must be converted to an upland mining lease before mining begins. In unrestricted areas, locators may convert their mining claims to leases if they wish.

Since December 31, 1985, a leasehold locator who wants to begin or continue mining has been required to obtain a lease. The Division of Mining, Land & Water (DML&W) has amended the department's regulations and implemented the leasing system. Because it is a new program, it has resulted in many questions, some of which are set out below.

Why has the state set up a leasing system?

Since 1960 there has been a state law allowing lands to be designated for leasing only, rather than for staking mining claims. Thousands of leasehold locations were staked over the years in such areas, but mining leases were not issued in the past because the Department of Natural Resources did not have a leasing system in place. Now that it does, a lease is required before mineral production can begin on such locations. No mining of minerals on leasehold locations may take place, except for limited amounts necessary for sampling or testing until a mining lease has been obtained.

Is this a competitive leasing system?

No. The miner begins the leasing process by staking a "leasehold location" which includes the exclusive right to convert the location into a noncompetitive lease. There is no lease sale, or open bidding.

When I want to go into production on my leasehold location, about how long will it take to get a lease?

Owner notifies DML&W of need for lease	Day 1
Public notice printed in newspaper (Approximate-publication schedule can vary)	Day 6
Lease application mailed to owner	Day 20
Deadline for owner to file application	Day 110
Application distributed for state agency review	Day 120
Interagency review completed	Day 150
Lease sent to owner for signature	Day 180

Will the division determine the location's validity before converting it to lease?

The Division of Mining, Land & Water has the right to conduct validity tests and may do this before issuing a lease. However, because of the expense and difficulty of validity determinations, we generally will issue a lease based on an affidavit filed by the applicant stating that proper discovery, staking, and filing have occurred.

What about public notice?

AS 38.05.205 requires that we publish a newspaper notice no more than two weeks before sending the miner a lease application. If state land records indicate the leasehold location may conflict with another application, the owner of the other location will also be notified of the lease application.

Do you plan to include special stipulations in the lease?

State land is designated for leasing only if it contains other valuable resources or if the surface has already been leased or sold for residential or commercial uses. Thus, mining leases are likely to contain stipulations so that potential use conflicts between mining and the other resource uses can be worked out or reduced. The lease will also require a "plan of operations".

What rental or royalty payments will be required?

The lessee will have to pay rent in the amount of \$.88 per acre during the first five years of the lease, \$1.75 per acre during the second five years of the lease, and \$4.25 per acre after that. The rental shall be paid each year in advance and is subject to adjustment every 10 years. Labor is also required at the annual rate of \$100 for each partial or whole 40 acres of each mining lease. A production royalty of 3% of the net income will be required when the lease is put into production.

If you have additional questions concerning upland mining leasing, please contact:

Property Management Section
Division of Mining, Land & Water
550 West 7th Avenue, Suite 900B
Anchorage, AK 99501-3577
(907) 269-8651