

The Nome Nugget®

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VOLUME CXI NO. 40 OCTOBER 6, 2011

DNR nets more than \$9 million in offshore lease sale *Big players drive up lease bids*

By Diana Haecker

State Department of Natural Resources officials report that the auction that sold off state-owned offshore mineral leases last week brought a total of \$9,267,299 into the state's coffers. The numbers are not final until the bidders follow through and pay the entire amount of their bids, which are due 30 days after the auction. The state agency held the offshore lease sale on September 28 at Old St. Joe's Hall in Nome. Eighty-six lease tracts were offered for bid, ranging from 40 acres to 2,800 acres in size. The total acreage on the auction block was 23,793 acres.

Miners streamed into Old St. Joe's Hall, filling the venue with the distinct smell of hardworking men, well-used Carhartts, machine oil and smoke. Auctioneer Ron Alleva said prior to starting the bidding that he smelled something else. "I smell money here in this room," Alleva said. The atmosphere was a mixture of tension and anticipation, with a hint of gambling and plenty of fierce competition.

This was a rare lease sale of its kind. Offshore gold leases aren't done anywhere else in Alaska and the last time the DNR held an offshore gold lease sale like this was in 1999. As one old-timer in the audience remarked, gold was traded around \$200 per ounce at the time.

Things have changed dramatically as gold prices are hovering around the \$1,700 mark. The gold market inspired new partnerships among smaller gold mining entrepreneurs and new companies to register within the State of Alaska in order to qualify for placing bids. The spectrum of gold miners was present at Old St. Joe's with small dredge operators who bid on near-shore parcels that went for as little as \$10,000, to multi-national companies that placed bids for millions of dollars.

Bidding began an hour late, as the plane carrying the DNR officials was delayed. Mineral property managers with the DNR Kerwin Krause and Bill Cole conducted the auction, kept up with paperwork and left the auctioneering up to professional Ron Alleva. "By definition, an auctioneer can pick your pockets with his tongue," Alleva warned the bidders jokingly before he let the bidding begin. Also present was Leslie Tose, small mines coordinator with the Army Corps of Engineers, who is in charge of permitting the operations in deeper water.

The auction started with selling off the smaller near shore lease tracts, and local miner Judy Martinson set the tone with the winning bid on a 133-acre tract for \$58,000. The auctioneer started with a requested starting bid amount, increasing the

bids in \$500 or \$1,000 increments. Bidders waved their number signs when they wanted to top their opponent's bid. The top three winning bids were recorded. Bidders only had to pay the minimum bid deposit at 88¢ per acre, with the rest of the final bid amount due in 30 days.

Rules provided that if the winner doesn't come through with the money, the option goes to the second highest bidder and if the second bid amount isn't produced, it will go to the third highest bidder. The auctioneer asked only the third highest bidder for their best offer and allowed for a different amount than the third highest bidder actually bid during the outcry auction. The leases are good for 10 years and are valid as long as production continues.

Leases bigger than 160 acres were sold through sealed bidding. The sealed bids weren't opened until 4 p.m. and by that time, most of the bidders had drained out of Old St. Joe's Hall. While there were less people, the atmosphere was still intense. AngloGold Ashanti submitted bids on almost every tract. In some instances, AngloGold was outbid by locals. Tract 58, a 320-acre parcel, went to Doug Martinson who offered \$37,700 for it with AngloGold Ashanti offering \$24,000. The third bidder was Frank McFarland offering \$21,282.

The bigger parcels, however, were

snatched up by bids far above the closest competitor. AngloGold bid \$180,450 on Tract 60, with second bidder being Doug Martinson at \$37,700. When the envelopes on tract 74 were opened, the quiet of the room was interrupted by hushed whispers of surprise when Kerwin Krause read AngloGold Ashanti's bid of \$1,617,820. The closest bidder to that tract was Solomon Gold with an offer of a little bit over \$400,000.

AngloGold Ashanti is a global mining company with headquarters in Johannesburg, South Africa. According to Kerwin Krause, the company created a joint venture with African diamond miner De Beers called AuruMar Ltd. AuruMar is a technical services company for marine exploration. AuruMar is based in Cape Town, South Africa.

Besides AngloGold Ashanti, there were other companies that bid on the larger tracts. Shoreline Resources is a newly formed company out of Portland, Oregon, comprised of in-

dividual investors. While they didn't win any tracts, they offered very competitive bids. Solomon Gold also bid on many offshore tracts. DNR's Kerwin Krause said that Solomon Gold is a company that was registered in Alaska on September 23, but is affiliated with Alaska Earth Sciences, an Anchorage based company with several subsidiaries, including Alaska Earth Resources.

When all was said and done that night, Kerwin Krause said that he didn't expect bidding to fetch such high prices. He said that in 1999, about 35 bidders brought in \$225,000.

Krause said that he would like to open a DNR field office in Nome next summer and task the DNR representative in Nome with enforcing the permits and dealing with people who may be trespassing on somebody else's lease.

Krause said that this week, DNR plans to publish a list with final bid numbers and the top three bidders for each tract.



Photo by Diana Haecker

FULL HOUSE— The DNR offshore lease sale attracted a big crowd of miners. Auctioneer Ron Alleva, right, led the bidding process during the auction on Wednesday, Sept. 28, at Old St. Joe's Hall.



Photo by Diana Haecker

PAPERWORK— Russian miner Igor Sudarkin, left, completes the paper work with Army Corps of Engineers Small Mine Coordinator Leslie Toles, right, during last week's DNR offshore lease sale.