

COMMISSION ON MINERAL RESOURCES
Monday, February 7, 2011 – 1:00 p.m.
American Pacific
3883 Howard Hughes Parkway #700 – Board Room
Las Vegas, Nevada

COMMISSIONERS IN ATTENDANCE	STAFF IN ATTENDANCE	
Fred Gibson (Chairperson)	Alan Coyner	Gary Johnson
Dennis Bryan	Doug Driesner	Mike Visher
Richard DeLong	Lowell Price	Bill Durbin
John Mudge	Rachel Wearne	Ken Reim
Ronald Parratt – <i>via telephone</i>	Debbie Selig	Debbie Struhsacker
John Stout		
John Snow		
	Kristen Geddes (Deputy Attorney General) – <i>via telephone</i>	
	Matt Deal (Assistant Attorney General) – <i>via telephone</i>	

I. OPENING AND INTRODUCTIONS

Chairperson Gibson called the meeting to order at approximately 1:00 p.m. Alan Coyner made introductions. He welcomed Ken Reim to the meeting.

II. APPROVAL OF THE AGENDA

Richard DeLong moved to approve the February 7, 2011 meeting agenda. Dennis Bryan seconded the Motion. Motion carried.

III. MINUTES OF THE OCTOBER 19, 2010 MEETING

Richard DeLong moved to approve the October 19, 2010 meeting Minutes. Dennis Bryan seconded the Motion. Motion carried.

IV. REPORT OF THE ADMINISTRATOR

A. Division of Minerals Activities

1. Administration - Alan Coyner reported the following:

- Steve Jenkins is the new lead of the California AML Program. The Nevada and California AML Programs have volunteered to hold the annual meeting of the National Association of Abandoned Mine Land Program (NAAMLPL). The next meeting will be held on October 10-12, 2011 at Squaw Valley. Mr. Coyner reviewed mining tours being scheduled for the meeting. A pre-conference, 3-day field trip is also tentatively scheduled for mines in the Elko area to show the modern gold industry.
- He attended the Interstate Oil and Gas Compact Commission (IOGCC) annual meeting in Tucson, Arizona. Assistance would be provided to Senator Reid’s Office concerning energy legislation, specifically with regards to hydraulic fracturing.
- He was responding to and tabulating monies surrounding the Additional Mining Claim Fee. Mining Claim filings were made available in the Commission packets. The filings increased in calendar year 2010 versus calendar year 2009, which is contrary to the additional fee.

- He contacted Greg Conrad, Interstate Mining Compact Commission (IMCC), regarding possible membership in the IMCC.
- He received information from Leo Drozdoff, DCNR Director, that the Governor has recommended NDOM become part of DCNR.
- He completed another round of responses to LCB questions regarding NDOM's FY12/FY13 budget.
- He presented an update of geothermal activity in Nevada at the monthly Geological Society of Nevada meeting.

Commissioner Bryan noted the Land Withdrawals Project was completed and would be presented at the next Commission meeting.

2. Mining/Reclamation Bond Pool – Doug Driesner reported the following:

- The 2009 production information for metallic and non-metallic producers was issued. He distributed the 2010 production report to the CMR. He stated there was approximately five million ounces of gold produced in 2009.
- The booth has been reserved for the Elko Mine Expo which will be held in June 2011.
- They were still continuing to work with abandoned mine contracts. Two contracts will be expiring in June.
- The level of incoming bonds and new increases was equal to the number of releases and partial releases. The Bond Pool Status Report shows that, as of January 31, 2011, there was little over \$4.3 million in bonds and a little over \$4.5 million in cash in the pools account. The \$200,000 was due to premiums from Plum Mining and other entities. Plum Mining's next payment to the State was expected to be made in June 2011.
- Premiums have been received from everyone in the Bond Pool except for T and T Venture. They have until May 11, 2011 to submit premiums or risk forfeiture.

Board member Parratt asked for a summary of Plum Mining's deposits plus premium payments to-date relative to their total bond. Mr. Driesner stated three premiums have been made with two premiums remaining which will be paid in June 2011 and June 2012. At that time, their premiums will drop to 3%. He noted newspaper reports state they may begin mining again in 2011, which may require an increase in their bond.

Mr. Coyner added a letter was received from BLM asking to substantiate that at least \$2 million was in the Bond Pool, because the Statewide Bond is currently \$2 million. He stated he sent a letter and a copy of the Treasurer's Report that substantiated the \$2 million to BLM. Discussion was heard about providing data that shows Bond Pool money that is obligated to BLM to prevent a funding sweep.

3. Abandoned Mine Lands – Mike Visher reported the following:

- There were several closures completed on UNR property north of Sparks with special grant funding from the Department of Wildlife.
- A report will be created for the Forest Service that will document work done on Forest Service land in 2010.
- Regarding Commissioner Bryan's request for information about downhole cameras, Mr. Visher stated the AML Program in New Mexico purchased a downhole camera system two years ago and have used it to evaluate shafts for bat habitat. He explained it would cost approximately \$1,000 a day for manual inspections of shafts before closure can begin. The system costs approximately \$15,000 and can also be used under water. BLM is in favor of purchasing the system when funding becomes available.

A question was asked requesting clarification that three people were needed to operate the downhole camera. Mr. Visher explained the operation of the camera and stated two people could operate the system, but three people were recommended. He noted the camera system for a large cavern is different and could be used to identify species found. Discussion was heard about using the system for hard closures.

4. AML/GIS – Rachel Wearne reported the following:

- A database with approximately 97 add-ins and other features that were surveyed during the Cold War was found.
- Assistance was provided with creating maps for revisit work in Clark County.
- A plan of action was being established for the Summer Internship Program with a focus in the Las Vegas area. Interviews for the program will be held this week.

Mr. Coyner asked if the Internship Program would be digital this summer. Ms. Wearne replied no. Some interns will be given the opportunity of using the Capturx pen. Mr. Coyner asked if there would be the same number of interns this summer. Ms. Wearne stated they were hoping for eight, but the program requirement is four to eight interns.

5. Southern Nevada Operations – With a PowerPoint© presentation, Bill Durbin reviewed unexploded ordinance disposal issues. He stated another trip would be scheduled in March to address issues at the Windmill Mine. He also reported the following:

- Permanent closure work on AML sites was being done in Lincoln County and Clark County.
- A shaft opened at the Tonopah Historic Mining Park.
- 380 revisits have been completed in Clark County.
- He has been retained by the State of Arizona's Attorney General's Office to be an expert witness in the case of Booker v. State of Arizona.
- Planning and preparations for the Las Vegas Teacher Workshop were going well. The workshop will be held on April 19-21, 2011 at Faith Lutheran School. The optional day field trip will be to the Mineral Park Mine.
- There were staff changes at the McCaw School of Mines. A new Executive Director has been hired for organizing fund raising events. The Golf Tournament will be held this year on Friday, April 15, 2011 with the gala to be held on Saturday, April 16, 2011. They are currently one staff member short. They were in the process of replacing the Tour Coordinator.
- An Open House was held for the City of Henderson staff.

A question was asked regarding if it was typical for explosives to be identified over the years. Mr. Durbin stated it happens, on average, once a year, but it is not a common occurrence.

A question was asked regarding the general assessment of the revisits. Mr. Durbin stated it was a mixture of downed fences and posts and missing signage.

A question was asked regarding if BLM was involved in the lawsuit in Arizona. Mr. Durbin stated they were not complicit, because the road was along the patented mining claim.

A question was asked regarding the securings and why three counties were below 70%. Mr. Durbin stated they were still working with the Forest Service on the area in White Pine. Pershing County was below 70% because of the 100+ hazards in American Canyon and, in Nye County there was a lot of inventory work that has not been checked.

Mr. Coyner asked how the 4,000 backlogged sites can be characterized. Mr. Visser stated there were 510 unsecured workings and the remainder is on private property or claims that have been secured, but have not been reported. They were also in the process of eliminating approximately 58 sites that were logged in 1989 that has no location information that can be reliably used.

A question was asked regarding if all notifications go out certified. Mr. Durbin replied no. He reported approximately 10% of notifications that are sent will return because of different address information. Notifications are sent to all known addresses. Special cases where the property owner is known are tracked.

Commissioner DeLong asked if mailing off a notification to an owner is sufficient notification to reduce potential liability. Kristen Geddes explained it is if there is documentation of the notification.

6. Oil, Gas, and Geothermal – Lowell Price reviewed the decrease in permits in 2010 from 2009 and the increase in oil and gas permits in 2010 versus 2009. He also reported the following:

- Emergent Value is a new company in Nevada that started well drilling in White Pine County between Eureka and Duckwater. There is a problem with them not reporting on a daily basis. An e-mail was received today with their daily information.
- Cabot Oil was unsuccessful in their efforts with their well drilling near Great Basin National Park.
- Empire Petroleum has not produced any oil to-date. They have illustrated to the BLM a discovery which will produce 10-15 barrels of oil per day.
- Sundry notice activity has increased. Normally, 50-55 sundries are processed in one quarter, but 81 sundries were processed this last quarter.

- He and Alan Coyner attended the Geothermal Expo in Sacramento and the IOGCC in Tucson, Arizona. Mr. Price commented that both events went very well.
- The BLM cancelled the December 14, 2011 Oil and Gas Lease Sale covering the Winnemucca District. He noted the September 14th sale generated approximately \$280,000 and was comprised of 43,000 parcel acres.
- He, Alan Coyner, John Snow, and John Stout met with Gary Johnson at the BLM to discuss the change in frequency of the oil and gas sales.
- Information was received from the State Controller's Office that there was a \$20,000 increase in income received for geothermal and approximately \$5-6,000 less in oil and gas for the first seven months of FY2011 versus FY2010.

Debbie Struhsacker added oil from Emergent Oil is located on an active mining claim owned by Midway Gold, so there may be a possible resource conflict between oil and gas and hard rock minerals.

Regarding the liability issue previously discussed, Mr. Durbin noted it would be prudent to begin providing an annual notification to the County Commissions, as required under NRS 513.094. Mr. Coyner stated the Annual AML Report sent to all Counties provides that information, but they could reinstate sending individual notification letters to the County Commissions of their respective Counties. Discussion followed. Mr. Durbin stated he brought this issue up because he was requesting staff review the issue with the Attorney General.

B. Budget Update

1. Budget Status Report: FY11 to date – Alan Coyner reported the budget was currently at \$1.5 million. He provided a brief summary of revenues and expenditures. Commissioner Parratt asked if the monies for the Mackay School Economic Geology Chair were obligated after July 2010. Mr. Coyner stated that issue was brought up, but there was no confirmed extension date. Discussion was heard to take action on extending the date at the next Commission meeting.

2. Budget (Governor Recommend): FY12 and FY13 – Alan Coyner stated the Division's budget submitted for the Governor's recommendation is exactly the same as the Division's budget as listed in the DCNR budget.

V. OLD BUSINESS

A. Report to the CMR concerning BLM permit timelines – This item was addressed later in the meeting.

At 3:10 p.m., the Commission took a short break. At 3:20 p.m., the meeting reconvened with agenda item VID.

VI. NEW BUSINESS

D. Presentation concerning the legislative efforts of the Mineral Resources Alliance – With presentation material, Debbie Struhsacker, Nevada Mineral Resources Alliance Executive Director, stated the six companies of the Mineral Resources Alliance attracted over \$200 million in venture capital for the State in mineral exploration during 2007 to 2010. The mining industry can pay more to the State, if production was increased. The decline in production was due to the federal claims fee and the permitting problem. They were trying to educate Legislators about the mining life cycle and the time it takes to develop a mine that can be profitable to the State and the level of investment that is needed. Ms. Struhsacker stated there could be an increase in the creation of jobs for former construction workers if the permitting process was streamlined. There was concern about the new Wildlands Policy because it requires the BLM to re-examine areas that have and have not been inventoried for wilderness characteristics to be funded as a new wildland designation. The policy also invites third parties to nominate areas for consideration and was similar to other regulations. The guidance document regarding how to conduct the inventory is to be finalized in late April 2011. The Alliance has developed a "white paper" which describes how the mining industry can attract companies to the State by providing funding to develop an expanded research center at the Mackay School. They were working the Senate Revenue Committee on a Bill to amend the claims fee that was passed during the Special Session based on how the claim is used.

A question was asked regarding if the Bill would be on the one-time claim fee. Ms. Struhsacker stated their members have offered to pay the fee through the biennium.

Chairperson Gibson asked how much conversation there has been with the Governor regarding these suggestions. Ms. Struhsacker stated they have met with the Governor's Chief of Staff two weeks ago.

Alan Coyner asked about the fee that the Commission was being asked to support. Ms. Struhsacker stated it would be \$2.50 for claims that do not require a permit and \$5.50 for claims that do require a reclamation permit.

Chairperson Gibson asked if there was someone in the Legislature that was outspoken on this issue. Ms. Struhsacker stated there were a number of policy makers that were concerned about this process. Discussion was heard about the State capitalizing on their current resources.

At this time, agenda item VII was presented.

VII. PUBLIC COMMENT

A. Ken Reim expressed his support of the Mineral Resources Alliance's legislative efforts.

At this time, agenda item V was presented.

V. OLD BUSINESS

A. **Report to the CMR concerning BLM Permit Timelines** – Commissioner DeLong and Gary Johnson reported the work is almost complete.

VI. NEW BUSINESS (Continued)

A. **Review of the UNR Mackay School Recruitment and Retention Program and request for continued support** – Alan Coyner reported the program was going well. A part-time and full-time employee was being recruited. Due to recent budget cuts, funding for the program has been reduced in the budget from \$100,000 to \$40,000. IFC would have to be approached for the additional \$60,000 if the Commission so chooses to fund \$100,000 for the program.

John Mudge moved to allocate \$100,000 to the UNR Mackay School Recruitment and Retention Program with the emphasis on retention. Richard DeLong seconded the Motion. Motion carried unanimously.

B. **Request from the John Mackay Club of the UNR Mackay School for support to attend the SME annual meeting and the International Mining Competition** – Alan Coyner reported this year's competition would be held in Reno, NV on March 16-19, 2011. The request was for Commissioners to attend the competition and to support the Club's attendance at the SME annual meeting. Discussion followed to table this item, until an amount for the meeting can be obtained.

C. **Resolution to support the continuation of quarterly statewide oil and gas lease sales by the BLM** – Commissioner Stout reported the four County Commissions of White Pine County, Lincoln County, Nye County, and Eureka County were in opposition of annual lease sales because annual lease sales would decrease leasing in the State by approximately 40-50% and would also decrease funding for schools. He commented on the negative effects of imposing annual lease sales. Discussion was heard about the Commission establishing a Task Force that will create and present a proposal about the negative impacts this issue will have on the State and how the impact could be mitigated.

John Snow moved to work jointly with the BLM to develop a "white paper" and then a recommendation for the agreeable resolution of oil and gas lease sale reform to include as much land as possible from Nevada in each quarterly sale and to utilize the \$20,000 set aside in the Division's budget for a "white paper" or other outside consultant services. Richard DeLong seconded the Motion. Motion carried unanimously.

At this time, agenda item VIB was re-opened.

B. **Request from the John Mackay Club of the UNR Mackay School for support to attend the SME annual meeting and the International Mining Competition (Reopened)** – Alex Hatt, Student SME President, reported approximately \$40,000 has been raised for the SME annual meetings and the International Mining Competitions and that an additional \$10,000 was needed.

Dennis Bryan moved to initially allocate \$12,500. Ron Parratt seconded the Motion. Motion carried unanimously.

At this time, Ronald Parratt left the meeting.

E. Response and Resolution to the Legislature concerning the proposed consolidation of the Commission on Mineral Resources and the Division of Minerals into the Department of Conservation and Natural Resources – Chairperson Gibson stated he had one conversation with the Governor’s Office regarding this issue. He expressed his opposition to the consolidation and commented that the reasoning behind the consolidation was financial. Discussion followed. Commissioner DeLong stated he was opposed to the consolidation because of the policy conflict between both of the departments.

Richard DeLong moved that the Commission oppose the merging of the Division of Minerals with the Department of Conservation and Natural Resources on the grounds that the Division of Minerals enabling statutes are inconsistent with enabling statutes for the Department of Conservation and Natural Resources. Dennis Bryan seconded the Motion. Motion carried unanimously.

VIII. COMMISSION BUSINESS

A. Determination of Time and Place of Next CMR Meeting – The next CMR meeting was scheduled for Thursday, April 28, 2010 in Reno, Nevada.

IX. ADJOURNMENT

There being no further business, the meeting adjourned at 5:20 p.m.