

STATE OF NEVADA
COMMISSION ON MINERAL RESOURCES MEETING
Thursday, February 21, 2013 – 10:00 a.m.
American Pacific Boardroom
3883 Howard Hughes Parkway, #700
Las Vegas, Nevada

COMMISSIONERS IN ATTENDANCE	STAFF IN ATTENDANCE
Fred Gibson (Chairperson) Richard DeLong David Parker John Snow Dennis Bryan John Mudge John Stout (<i>via telephone</i>)	Alan Coyner Mike Visher Rachel Wearne Lowell Price Valerie Kneefel (<i>via telephone</i>) Bill Durbin Rob Ghiglieri John Penton Deborah Selig Kristen Geddes (Deputy Attorney General)

I. OPENING AND INTRODUCTIONS

Chairperson Gibson called the meeting to order at 10:15 a.m. Alan Coyner introduced Commissioners, staff and guests in attendance. Guests include Gary Johnson, BLM, Jim Faulds and John Muntean, NBMG, and Russ Fields, UNR Mackay.

II. PUBLIC COMMENT – There was no public comment.

III. APPROVAL OF THE AGENDA

Richard DeLong moved to approve the February 21, 2013 meeting agenda. Dennis Bryan seconded the Motion. Motion carried unanimously.

IV. MINUTES OF THE NOVEMBER 9, 2012 MEETING

Richard DeLong moved to approve the November 9, 2012 meeting minutes as published. Dennis Bryan seconded the Motion. Motion carried unanimously.

At this time, agenda item VIA was reviewed.

VI. NEW BUSINESS

A. Discussion of the Sagebrush Ecosystem Program and the request from the Governor’s Office for financial support – Alan Coyner reviewed the program. He stated Alan Biaggi was representing the Nevada Mining Association on the Sagebrush Ecosystem Council. The Governor’s Office has budgeted approximately \$2 million total for FY14 and FY15 for the program. *This item was continued later in the meeting when Cory Hunt and Gerald Gardner from the Governor’s Office called in to present the request.*

V. OLD BUSINESS

A. Update on the NBMG projects funded by the CMR – With a slide presentation, Jim Faulds and John Muntean, NBMG, provided an update on the NBMG projects funded by CMR. Mr. Faulds reported four awards were received last year. The exploration survey has been completed. There was a plan to complete more detailed work on the exploration survey to expend the remaining funding for this project. There was a little under \$20,000 remaining for the sample curation project. Funding for this project was expected to be expended by the end of the current fiscal year. Funding for the minerals database project was used to understand how well Nevada has been mapped and where major projects are needed. The database had not been updated since 1998. The 2011 Mineral Industry (MI) Report was almost complete. The 43-101 reports are available for review on-line. Mr. Muntean provided a review of the reports. He stated a spreadsheet was created to digitally keep track

of mineral deposits. Mr. Faulds reported collaborative projects were being developed for the Geologic Framework Studies, which will review critical areas determined by the mining industry that need to be addressed.

Alan Coyner noted the CMR wanted to expend the funding for the exploration survey in FY13, but the Bureau could roll over the remaining funding for this project to FY14 if needed.

B. Review and Discussion of excluding sand, gravel, and aggregate production from the Annual Status and Production Report – Alan Coyner stated sand, gravel and aggregate would be excluded from the Annual Status and Production Report because of the time and effort that would be needed in tracking this production.

At this time Gerald Gardner and Cory Hunt phoned in to the meeting; therefore, agenda item VIA was presented.

VI. NEW BUSINESS (Continued)

A. Discussion of the Sagebrush Ecosystem Program and the request from the Governor's Office for financial support (Continued) – Gerald Gardner introduced himself and Cory Hunt from the Governor's Office. Mr. Gardner stated the program was currently funded by the general fund. It had been suggested to request long-term funding for the program from the CMR. The funding request was for a little less than \$150,000 per year for the biennium.

Commissioner DeLong asked what the Sagebrush Ecosystem Council will accomplish over the next two years. Cory Hunt reported the inaugural meeting of the Council was being held today. The Council will be guiding the implementation of the program and approving and establishing the mitigation plan.

Commissioner DeLong asked to what degree the Council will be coordinating or discussing with BLM or DOI the implementation of the State plan. Mr. Hunt stated it would be highly collaborative as the BLM State Director, the US Fish and Wildlife Service State Supervisor, and the Forest Supervisor have been appointed as Ex-Officio Members of the Council.

Commissioner Bryan asked if this obligation would go beyond 2015. Mr. Hunt explained the Council will be reviewing other species. The 2015 deadline was selected because that would be the end of the biennium. Finding additional funding sources in the future will need to be discussed. Mr. Gardner reviewed additional funding sources being considered in the future.

Commissioner DeLong commented that this is a critical issue for the mining industry and that the Council will be helpful in keeping implementation of the State Plan on track. He stated he was in favor of the request and of working on this issue.

Commissioner Snow asked if Alan Biaggi would also represent Geothermal and Oil and Gas. Mr. Hunt replied yes. He would represent mining, in general.

Commissioner Mudge asked if the Council would provide assistance in any future endeavors by the BLM to manage this issue. Mr. Hunt replied absolutely. He stated they expect to have a robust mitigation plan in place by September, 2015, which can be implemented if the sage grouse is listed or not.

John Mudge moved to approve \$140,634 for FY14 and \$143,977 for FY15 for the Sagebrush Ecosystem Program and to include a letter of CMR recommendations for the program. Richard DeLong seconded the Motion. Motion carried unanimously.

At this time, agenda item VB was continued.

V. OLD BUSINESS

B. Review and Discussion of excluding sand, gravel, and aggregate production from the Annual Status and Production Report (Continued) – The Commission discussed and decided to use the USGS number for aggregate production.

C. Review and Discussion of the agreement between the CMR and UNR concerning the mining claim fee payment to the UNR Mackay School and the Marigold royalty – Chairperson Gibson reported he and Commissioner Mudge met with the President of UNR. Commissioner Mudge reported the President agreed to continue to abide by the agreement. There could be future discussion regarding how to divide the money. There was no discussion to extend the agreement. The Commission discussed and decided to extend the agreement for five years and not to open Attachment A and for a letter to be sent to the UNR President regarding this decision.

John Mudge moved to extend the agreement for five years and to not open Attachment A or the \$2.00 per claim fee as described in the agreement with UNR. David Parker seconded the Motion. Motion carried unanimously.

At this time, the meeting recessed for lunch. At 12:30 p.m., the meeting reconvened.

VI. NEW BUSINESS (Continued)

B. Discussion and Approval of the budget proposed by the UNR Mackay School for the FY13 mining claim fee payment of \$449,544 – Russ Fields, Director of UNR Mackey School of Earth Science and Engineering, thanked the Commission for extending the \$2 mining claim fee in the agreement for five years. He stated there were 114 majors this semester, the majority of which is in mining. There may be approximately thirteen mining engineers graduating this spring. They are in the process of hiring a new assistant professor in mining engineering. The funding request will also be used for graduate students and the Great Basin Science Sample and Library (GBSSL).

Chairperson Gibson asked if there were any foreign students. Mr. Fields replied yes. Chairperson Gibson noted tuition was now going to the University when it had been going to the State general fund. He stated the Commission has encouraged the University to increase their recruitment from countries where there are substantial mining operations.

Discussion was heard regarding concern relating to the \$49,000 for the GBSSL, when the funding was to be used for educational purposes in support of exploration and production, as stated in the contractual agreement. Mr. Fields stated the GBSSL's main purpose is the support of exploration. Jim Faulds stated the facility is key for exploration. They are developing kiosks and displays on the main floor for educational purposes.

The Commission discussed and decided that all funding requests and the budget report be presented before any other motions were made to allocate funding.

C. Request for Support of the UNR Mackay School Recruitment and Retention Program in FY14 – Russ Fields commented on the success of the Recruitment and Retention Program and the Career Development program due to funding support. He stated the request was for \$100,000 to be used to pay salary and program costs.

D. Request for Financial Support for FY14 NBMG Projects – Jim Faulds reported the Sample Curation project will be continued. The mineral sample collection will be digitized and available on-line. The second proposal for this fiscal year would be \$50,000 to continue the mineral database work. Last year, \$100,000 was received for mineral database work and the Mineral Industries of Nevada report. A new request for FY14 was to fund the Mineral Industries of Nevada report. Fifty thousand dollars was received last year for the Exploration Survey. This year, the request is for \$35,000 to continue the Exploration Survey. Last year, \$300,000 was received in total. This year, \$185,000 was the funding request in total. Additional funding sources were being sought. Discussion was heard regarding the importance of surveys.

E. Request for Financial Support from the UNR Mackay SEG student chapter for their spring field trip to the Iberian Pyrite Belt – Alan Coyner explained the funding request was for \$4,000 for two students to attend the trip to the Iberian Pyrite Belt.

At this time, agenda item F, G, and H were presented consecutively.

F. Update on oil and gas exploration and proposed hydraulic fracturing program in Nevada

G. Discussion concerning whether a NDOM oil and gas drilling permit can be appealed

H. Consideration of a resolution by the CMR to direct NDOM to require registration with FracFocus Chemical Registry as a condition of approval in all oil and gas drilling permits involving hydraulic fracturing

Commissioner Stout stated hydraulic fracturing was important because of the increase in daily oil production. Commissioner Snow read excerpts of an article regarding the safety of hydraulic fracturing. He reviewed graphs showing hydraulic fracturing data. He stated North Dakota in 2013 will surpass Texas in daily oil production. He reviewed the three shale formations in Nevada. He stated the request was for the Commission to make the use of the "Frac Focus" program a condition of the permit.

Commissioner DeLong asked if hydro-fracking is the same as "shooting", as stated in state statute Chapter 522. Commissioner Snow stated "shooting" means perforating. A lengthy discussion was heard regarding hydraulic fracturing technology and well permitting.

Kristen Geddes explained the appeal process for well permitting. She stated there is no mechanism to appeal directly to the CMR before State Trial Court to review denial of a permit. There is a mechanism in state statute which allows any interested person to petition the Division to hold a hearing.

A question was asked regarding if a permit is considered a regulation or an order. Ms. Geddes stated no, but a third party could petition an order upon which the denial could be based. Discussion followed regarding examples. It was asked if there was precedence in the trial courts as far as standard of review on agency decisions. Ms. Geddes replied yes.

John Snow moved to adopt the language regarding implementing Frac Focus as a condition of approval. John Stout seconded the Motion. Motion carried unanimously.

I. Discussion concerning the progress and direction of the NDOM Abandoned Mine Lands Program – Alan Coyner reported the direction of NDOM’s Abandoned Mine Lands Program was towards a more management prerogative to secure sites on orphan land, claims, and private properties as quickly as possible. Mike Visser explained NDOM was proactive on securing sites that are a potential hazard irregardless of the property’s status. Discussion was heard regarding the legalities of securing sites.

J. Discussion concerning the four CMR appointments that expire June 30, 2013 – Alan Coyner noted Commissioners Mudge, DeLong, Stout and Chairperson Gibson were up for reappointment on June 30, 2013. Commissioners Mudge, DeLong, Stout, and Chairperson Gibson stated they wanted to be reappointed.

At this time, Chairperson Gibson called for a short break. After a short break, the meeting resumed. At this time, agenda item VIIB was presented.

VII. REPORT OF THE ADMINISTRATOR

B. Budget Update

1. Budget Status Report: FY13 to date – Alan Coyner reviewed budget projections for the end of the current fiscal year versus the final budget for FY12. He reported reserves have decreased. Discussion followed regarding comparisons and providing financial support for the previous funding requests given the budget information presented regarding mining claim fees. Jim Faulds stated the Exploration Survey could be delayed because the Legislature next meets in 2015.

Regarding agenda item VID, the following motion was made:

Richard DeLong moved to allocated \$100,000 for FY14 NBMG projects and, at the same time, remove the \$100,000 obligation for the Mackay Geology Chair. John Mudge seconded the Motion. Motion carried unanimously.

The Commission requested Mr. Faulds return to the next Commission meeting to review how the \$100,000 will be spent between the three projects previously presented.

Regarding agenda item VIB, the following motion was made:

Dennis Bryan moved to approve the budget proposed by the UNR Mackay School for the FY13 Mining claim fee payment of \$449,544. Richard DeLong seconded the Motion. Motion carried unanimously.

Regarding agenda item VIC, the following motion was made:

Dennis Bryan moved to table this item until the next Commission meeting. Richard DeLong seconded the Motion. Motion carried unanimously.

Regarding agenda item VIE, the following motion was made:

Dennis Bryan moved to allocate \$4,000 for the UNR Mackay SEG student chapter spring field trip to the Iberian Pyrite Belt. David Parker seconded the Motion. Discussion followed. Commissioner Snow stated he was

opposed to the motion when State employees may be subject to layoffs. **Motion carried with two oppositions from John Snow and Richard DeLong.**

Gary Johnson announced Bernadette LaBoda as the new Carson City District Manager, Jill Silvey as the new Elko District Manager, and Tim Smith as the new District Manager for the Las Vegas – Southern Nevada office.

VII. REPORT OF THE ADMINISTRATOR (Continued)

A. Division of Minerals Activities

1. Administration – Alan Coyner reported the following:

- Meetings were being held with Nobel.
- The Mackay Spring Banquet will be held on May 3, 2013.
- The hearing date for the budget will be held on Friday, March 22, 2013. Reducing the mining claim fee may be discussed.
- They were continuing to respond to media inquires regarding the Hot Creek Valley oil well.
- Three staff attended the Northwest Mining Association meeting.
- The IMCC annual meeting will be held in Cincinnati, Ohio on April 15, 2013.

2. Mining/Reclamation Bond Pool – Mike Visher reported the following:

- The Reclamation Bond Pool was over-funded in part due to the departure of Comstock Mining. He noted that a sweep of funds is always possible.
- NDOM Statewide Reclamation Performance Bond Pool was doing 37% of the notice level bonds in the State of Nevada. There are still some issues relating to companies that no longer exist, but bonds are still being held. They would be working with the BLM in the future on the termination of those bonds. Commissioner DeLong asked if there was a line item in the budget for expenses related to implementing reclamation for the bond pool. Mr. Visher replied yes, there is a line item for administration. Alan Coyner stated there is a way to pay the BLM or NDEP in case of default. Commissioner DeLong reviewed the excess fund amount in the bond pool account. He asked what it would take to transfer this money into the general budget. Mr. Coyner stated there could be a transfer of an appropriate amount to the Division for the administration of the bond pool.

3. Abandoned Mine Lands – John Penton reported the following:

- Twenty-five intern candidates were interviewed out of the twenty-six applications received.
- CX requests for hard closures were requested. They were working on putting these closures in place in the near future.

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

- She and Rob gave a presentation at UNR about the Summer Intern Program.
- The database was switched over to work with departments more efficiently with fewer errors.
- The AML summer intern program will have fourteen weeks to begin on May 20th through August 23rd. Two ten-day trips were being considered and having two interns in the office doing paperwork for four weeks instead of eight weeks.

Rob Ghiglieri reported the following:

- He sent out a reminder letter to all claimants on unsecured claims. No response has been received to-date. Some claims have already been secured.
- A new topo-quad map template has been established plotting AML hazards.
- He was familiarizing himself with the summer intern planning and the AML program.

5. Southern Nevada Operations – This item was presented later in the meeting.

6. Oil, Gas, and Geothermal – Lowell Price reported the following:

- There was a continued decline in geothermal activity in terms of permitting and drilling due to the low cost of natural gas and the State does not require NV Energy to obtain all their “green” credits within state.
- A new 60-megawatt plant was being constructed at Hazen, between Fernley and Fallon and should be on-line by the end of the year.
- Ormat was continuing plant construction at Wild Rose.
- Oil and gas permitting was on the increase.
- He toured a portion of Noble Energy’s Wattenberg field in Colorado which has vertical wells that have been hydraulically fractured. He commented on the cleanliness of the wells and the safety features controlled by remote control.

At this time, agenda item VIIA5 was presented.

5. Southern Nevada Operations – Bill Durbin reported the following:

- There was an abandoned mine accident in the McCauley Range after the last Commission meeting. Within a week, a foam plug was built in the shaft. Three other minor hazards were also discovered in the area and were backfilled.
- The Southern Nevada Earth Science Education Workshop for Teachers would be held on March 26-27, 2013 at Faith Lutheran School.
- The Macaw School of Mines Annual Gala will be held on Saturday, April 6, 2013 at the Henderson Convention Center. Invitations have been sent out. They have now surpassed 77,000 students that have passed through the school since its opening in January 1997.
- A video and interpretive sign regarding the polyurethane foam plug at the Tonopah Historic Mining Park to cap the Mizpah air shaft has been established. He showed the approximately 5-minute video at this time. Mr. Durbin noted the video was also available on-line.

VIII. PUBLIC COMMENT

A. The Chairman of the Board of the Mountain States Legal Foundation in Denver, Colorado introduced himself. He stated they were currently addressing issues of endangered species and fracking cases in the western states. He offered his assistance on these issues.

B. Alan Coyner announced the Livermore Memorial will be on April 19, 2013. The Budget hearing will be held on March 22, 2013. The Mackay Banquet event will be held on Friday, May 3, 2013. The Commission discussed and decided to tour the Tonopah Mining Park and the Solar Salt Plant on August 15-16, 2013, tentatively. The dedication for General Moly at Mount Hope will be held in May.

C. Chairperson Gibson requested a moment of remembrance for John Livermore.

IX. COMMISSION BUSINESS

A. Determination of Time and Place of Next CMR Meeting – The next CMR meeting will be held on May 3, 2013.

X. ADJOURNMENT

There being no further business, the meeting adjourned at 5:28 p.m.