

**STATE OF NEVADA**  
**COMMISSION ON MINERAL RESOURCES**  
**Thursday, August 28, 2014 – 2:00 p.m.**  
**Elko County Nannini Administration Building**  
**Room 102**  
**540 Court Street**  
**Elko, Nevada**

**COMMISSIONERS IN ATTENDANCE:**

Fred Gibson (Chairperson)  
John Snow  
John Mudge  
Dennis Bryan  
Richard DeLong  
David Parker  
Art Henderson

**ALSO IN ATTENDANCE:**

Lowell Price (NDOM)	Rachel Wearne (NDOM)
Mike Visher (NDOM)	Rob Ghiglieri (NDOM)
Dave Gaskin (NDEP)	John L. Muntean (NBMG)
Bill Durbin (NDOM-LV)	Erik Langenfeld (NDOM)
Rich Perry - Administrator (NDOM)	Valerie Kneefel (NDOM)
Alan Tinney (NDEP)	Bryan Stockton (Deputy Attorney General)

**CALL TO ORDER/ROLL CALL/PLEDGE OF ALLEGIANCE**

Chairperson Gibson called the meeting to order at 2:05 p.m., with a quorum of seven members present. The Pledge of Allegiance was conducted.

**COMMENTS BY THE GENERAL PUBLIC** – Pursuant to N.R.S. 241, this time is devoted to comments by the public, if any, and discussion of those comments. No action may be taken upon a matter raised under this item on the agenda until the matter itself has been specifically included on a successive agenda and identified as an item for possible action. All public comments will be limited to 5 minutes for each person.

**ACTION WILL NOT BE TAKEN**

- A. Maureen O'Bannon stated she was Chairperson Gibson's granddaughter. She commented on the professionalism of the Commission during the Public Hearing meeting held earlier in the day.

**I. MINUTES**

**A. May 8, 2014 Meeting**

**Dennis Bryan moved to approve the May 8, 2014 meeting minutes. Richard DeLong seconded the Motion. Motion carried unanimously.**

**II. OLD BUSINESS**

**A. Budget Update** – End of FY 2014 actuals, FY 2015 forecast and 2016-17 biennium budget assumptions

With presentation material, Mike Visher reviewed budget information from the end of FY2014 to FY2017. He stated a minimum of \$50,000 per year was still expected from the BLM. Additionally, reimbursements were expected from expenses incurred by the AML Program, which are tied to a USFS Assistance Agreement that expires in May 2017. Currently, the balance available for reimbursements is approximately \$71,000. The oil production fees for FY2014 were \$32,000. The forecast was for a decrease in this amount because production was decreasing. The nominal amount that may occur because of Noble's production was tied to the incentive at the reduced rate for the

first year, but will increase oil production fees for FY16-17. Permitted fees are capped by statute at \$200, but an increase in the number of permits is expected. There was a 10.1% decrease in Mining Claim Fees from FY13 to FY14 which may continue given the increase in fees by the BLM, but may level off in FY16-17. No change was expected in Geothermal Fees as exploration activities are currently limited to Ormat. Amounts for Surface Disturbance Fees may change given the activity that will occur in the future. There is a slight increase projected in the Copy Sales to Public fees because the public may request more copies in the future. A slight decrease in publication fees for AML signs or is expected due to a decrease in unsecured hazards. The amount of the Medallion Royalty Fee was carried over from FY14 because of the sale of the third coin celebrating the State's Sesquicentennial. \$90,000 was transferred as an administrative fee from the Reclamation Bond Pool because of the approved increase to a maximum of 3% of total bonds. Personnel costs are being budgeted for six interns instead of eight interns. There was a 3% increase for annual costs in Out-of-State Travel. In-State Travel costs were separated by Non-AML support and Oil, Gas, and Geothermal support to better track costs. Funding for Mackay Special Projects will decrease because a decrease in claims is expected. Regarding AML Support, funding was adjusted from the FY14 actuals because of the decrease in interns. There were no further fuel costs borne by the AML Program for the Oil, Gas, and Geothermal inspections. The truck replacement scheduled for FY15 was also included. Another truck replacement was scheduled for FY17. Expenses for the Computer and IT category vary due to replacement of big-ticket items. There is still extra work needed for AML Enhancements. There would not be a transfer request in FY16-17 for the Sagebrush Ecosystem. There will be a nominal increase in State Cost Allocations. The Reserve Amount, to carry forward, at the end of FY17 is expected to be just under \$500,000.

Commissioner Snow stated it was his understanding NBMG would be allocated a sufficient amount of funding to assist with curation during lean years. Mr. Visher stated that is correct. The \$100,000 set aside for NBMG in FY15 is discretionary for future years and could be discussed by the Commission for revision.

Commissioner DeLong asked why Oil and Gas was not separated from Geothermal since they have different revenue sources. Mr. Visher stated it was not easy to separate the two as the activities occur during same trips to the field.

Commissioner Mudge requested to know if there were any salary increases proposed for Personnel. Mr. Visher stated there was not because salary increases would be a part of the legislative process.

Commissioner Snow expressed concern about the lack of funding projected for AML Enhancements given its importance to the AML Program. Mr. Visher stated it was subject to discussion, but they tried to strike a balance with the viability of the programs. If disturbance fees increase, this money could go towards AML Enhancements.

Commissioner DeLong commented he understood about having a low reserve due to a possible government sweep if reserves were too high. He was concerned reserves might be too low and that discretionary expenditures should be limited on a meeting-by-meeting basis.

Commissioner Snow asked about increased dues to the Interstate Mining Compact Commission. Mr. Visher stated those dues will not be reflected until Nevada became a full member. Mr. Perry noted it would cost \$50,000 annually in dues if Nevada changed status from an Associate Member to a Full Member.

Commissioner Bryan asked if the Commission should discuss what they would like to see as a reserve. Administrator Perry stated that would be discussed during the next agenda item. Mr. Visher clarified the last legislative session issued a letter of intent which stated less than \$1 million was needed in the reserve.

Commissioner Mudge noted there was no money for support of recruitment and retention at Mackay, which the Division has supported in the past. He asked if the funding allocated for the Sagebrush Ecosystem Transfer was non-transferable. Administrator Perry stated that was correct. Commissioner Snow noted additional funding for recruitment and retention was not approved by the Commission at the last meeting.

**B. Options for Increases in Mining, Oil, and Geothermal Fees** – At the May 8 meeting, the Commission requested recommendations for fee increases be prepared and presented at the next CMR meeting.

With a PowerPoint© presentation, Administrator Rich Perry reviewed the costs for the Oil Permitting and Compliance Program versus revenues for FY2014. Recommended fee increases include: NDOM overhead costs at 24% of the total program; vehicle purchase and operating for inspectors; salary for 1.5 Inspectors; 24% of NDOM

supervisory costs; 40% of Program Officer costs; funding NBMG Cuttings Curation at \$34,000 per year; \$326,000 per year for the programs combined. Recommended fee increases for Oil include: an increase in oil and gas permit fees to be set by the CMR if the Current Bill Draft Request (BDR) is approved next year by the Legislature; an increase of the administrative fee on oil production from \$0.10 to \$0.15/bbl, which the Commission took action on earlier this day; and, an increase to 600,000 bbl of production, which would fund the current activity level in the program. Recommended fee increases for Geothermal include an increase in permitting and annual production fees to make up for the \$44,000 deficit in the program, which would require CMR action and initiation of the rulemaking process. He suggested the process begin around July 2015 in order for changes to become effective in FY2016. Recommendations for fee increases for AML include increasing the dangerous mine claim fees from \$2.50 to \$3.00 to restore closure activities, which would restore the summer work program to eight interns and pay for computer and database upgrades and overhead costs. The increase would require the rule-making process by the Commission to change NAC 513 so it would be effective in the 2017 assessment year.

Commissioner DeLong pointed out an increase in the Mining Claim Fee would not take effect until FY2017.

Commissioner Snow reviewed the curation process. He stated scanning of the permits and well logs was behind schedule. He requested it be negotiated with NBMG for this scanning to be brought up-to-date.

Commissioner Snow stated it was bad timing to raise fees on geothermal when activity was decreasing.

Commissioner DeLong commented fees are not meeting the needs of the programs; therefore, programs should be cut or fees increased. Discussion followed regarding fee increases.

Commissioner Mudge commented he would like to see the reserve increased to \$750,000. Commissioner Bryan and Commissioner DeLong agreed.

Commissioner Henderson stated the original recommendation as part of the proposed fee increases was for the operators to pay for their own cuttings curation and that the money saved from this process can go towards the reserves.

Chairperson Gibson suggested a working group be appointed to discuss this issue in order to take a more firm stance.

Commissioner Bryan commented the Commission had asked Administrator Perry at the last meeting to present recommendations at the next meeting. He asked if those recommendations should be voted on. He commented there seems to be a consensus on raising oil and gas fees, but there is no consensus on raising mining claims. He asked if there should be a raise on mining claims.

Commissioner Henderson suggested voting to proceed with Oil and Gas in order to move forward with the resolution and to have a working group on mining claims and Geothermal. Administrator Perry clarified the Commission already provided direction on Oil and Gas. Commissioner Henderson suggested excluding Oil and Gas from the working group discussion.

Commissioner Parker stated he was not a big fan of raising fees. He suggested getting the miners together to review the overall program and provide input.

Commissioner Bryan commented exploration has improved.

Administrator Perry suggested promoting an increase in fees as not just supporting AML, but as also supporting mineral education.

Commissioners Parker, Mudge, and Bryan volunteered to serve on the Mining Claim Working Group.

At this time, Chairperson Gibson called for a five-minute break.

### **C. NBMG Activity Update**

With a PowerPoint© presentation, Jim Faulds provided an update on the activities of the Nevada Bureau of Mines and Geology (NBMG). He explained funding support from the Commission began in FY2013. There was some carryover of funding from FY2014. For FY2015, funding was received for three projects: Sample Curation; MI Reports; and, continued work on mineral/geothermal databases. All projects are on schedule. He stated sample curation is an on-going process with access needed to the information on a day-to-day basis. They are now open only Monday thru Thursday because of the decrease in staff due to cuts. Publication sales provide some means of revenue. New funding received for sample curation supports a limited staff. One-third of funding received was to keep the mineral databases up-to-date in order to be used for MI Reports and for the 43-101 Reports. He commented on the Bureau's assistance with Oil, Gas and Geothermal activity. Funding for the Geologic Framework Study will be focused on developing maps for Northeast Nevada. He noted the Exploration Survey was not funded this fiscal year, but should be considered before the next legislative session. The total budget for operating the "Gold" Building is approximately \$300,000 per year. One-tenth of that funding is received from the State. One-tenth of that funding also comes from publication sales. About 40% of the funding shortfall has been funded by the Commission during the last couple of years. He suggested a portion of proposed fees for Oil, Gas and Geothermal be allocated to the Bureau in order to establish a steady stream of income for the Bureau. He reviewed the status of geologic mapping.

Commissioner Parker asked if they have been successful in working with the Industry on projects. Mr. Faulds stated they were working on obtaining some funds from the Oil and Mining Industries. He explained funding received goes towards grants with finished products and not toward operation of the Gold building.

Commissioner Snow asked if they were through the hurdle of bringing hard monies in for match to bring funding in. Mr. Faulds replied yes and no. They were over the match hurdle temporarily, but at a loss of faculty for the Geothermal Center. They plan to hire additional staffing for the center in the future.

**D. NDOM Logo** – At the February 13, 2014 meeting, the Commission directed staff to develop options. NDOM staff chose a design. Rachel Wearne will present several variants of the design for possible approval.

With a PowerPoint© presentation, Rachel Wearne presented four variations of the NDOM Logo for the Commission to review.

**Fred Gibson moved to approve the bottom left logo in blue. John Snow seconded the Motion. Motion carried by a vote of 4-2.**

### **III. NEW BUSINESS**

**A. Request for Donation to Nevada Mining Exploration Coalition** – Dave Schaddrick with the Minerals Exploration Coalition has requested assistance in funding the booth at the Toronto and Vancouver prospector's conferences. A letter is included.

Administrator Rich Perry presented the request. He suggested \$2,500 be allocated to support the fee for a booth at the Toronto and Vancouver Exploration trade shows where NMEC distributes materials for NDOM.

**Dennis Bryan moved to allocate \$2,500 to the Nevada Mining Exploration Coalition. Art Henderson seconded the Motion. Motion carried by a vote of 5-1 with one abstention.**

**B. Bill Draft Request** – At the May 8, 2014 meeting, the Commission approve draft language to initiate a bill draft request to modify language in NRS 522 (oil and gas) that would move the setting of oil and gas Permit fees to NAC 522, and raise the per barrel administrative fee. The Division prepared a BDR package which was accepted and approved by Governor Sandoval. A copy of the BDR is attached.

Administrator Rich Perry presented this item. He stated the Bill Draft Request (BDR) #344 was approved by Governor Sandoval. He requested the Commission provide assistance in lobbying for the BDR at the next legislative session.

#### IV. REPORT OF THE ADMINISTRATOR

##### A. Division of Minerals Activities

- 1) **Administration** – Administrator Perry had no further information to report.
- 2) **Mining/Reclamation Bond Pool** – Mike Visher stated the Bond Pool was decreasing, but still remained healthy. Next month's report will show a continued decrease in obligations.
- 3) **Abandoned Mine Lands (Update of AML Summer Internship 2014)** – Rob Ghiglieri stated the summer internship was completed. There were eight interns, with one student from UNLV. He stated the hazard revisits were down from last year, but all other work has increased since last year. He reviewed recent AML work completed by the interns between April 22, 2014 and August 18, 2014. They were beginning to implement a reminder notice series to notify owners of unsecured hazards on their property. The first reminder mail out may be on October 1, 2014. The Army Corp of Engineers has obligated \$250,000 to develop an NDOM, web-based database to review hazards and interact with other agencies. He stated he would be willing to discuss improving the AML program with Commissioners.
- 4) **AML/GIS** – Rachel Wearne provided a demonstration of the live website. She stated the website went live at the end of June 2014. The domain name was changed to minerals.nv.gov. She announced she was taking a position with the Nevada Bureau of Mines and Geology.
- 5) **Southern Nevada Operations** – Bill Durbin commented more work in AML is completed in Nevada than all other states combined that have BLM-managed lands. He reviewed AML sites being proposed for closure. Fourteen Eagle Scout projects were pending; twelve in Southern Nevada and two in Northern Nevada. Seventy-eight teachers attended the workshop in Reno, which was down from last year. He commented on the success of the workshop. He announced the Gordon McCaw Elementary School has been named a STEM magnet school for the 2015-16 school year, which was due to the resources from the McCaw School of Mines. Transportation was no longer available from the Clark County School District, but private schools that will be attending the McCaw School of Mines will be required to provide their own transportation.
- 6) **Oil, Gas, and Geothermal** – Lowell Price reviewed the twenty-two geothermal permits and nine oil permits that were issued this year. Two wells were approved for imaging. There were no incidences that occurred during the hydraulic stimulation of two Noble Energy wells. Twelve geothermal wells were inspected yesterday. Blackburn wells were also inspected and the Steamboat Field was revisited.
- 7) **Training** – With a PowerPoint© presentation, Erik Langenfeld reviewed the Top Corp training course he attended regarding shale energy. The course was attended by regulators and policymakers from around the country. He stated the BOP Test Form he developed could be time-stamped for better accuracy.
- 8) **Correspondence** – This item was not addressed.

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**ACTION WILL NOT BE TAKEN**

There were no public comment requests.

##### COMMISSION BUSINESS

- A. **Determination of time and place of next CMR meeting** – The next CMR meeting was tentatively scheduled for December 11, 2014.

##### ADJOURNMENT

There being no further business, the meeting adjourned.

