

STATE OF NEVADA
COMMISSION ON MINERAL RESOURCES
Friday, May 1, 2015 – 1:00 p.m.
Nevada Department of Agriculture
405 South 21st Street-Conference Room
Sparks, Nevada 89431

COMMISSIONERS IN ATTENDANCE:

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

ALSO IN ATTENDANCE:

Rob Ghiglieri (NDOM)	Erik Langenfeld (NDOM)
Bryan Stockton (Deputy Attorney General)	Lucia Patterson (NDOM)
Rich Perry - Administrator (NDOM)	Alan Coyner (Ret.)
Valerie Kneefel (NDOM)	Lowell Price (NDOM)
John Callan (BLM)	John Menghini (BLM)

CALL TO ORDER/ROLL CALL/PLEDGE OF ALLEGIANCE

Chairperson DeLong called the meeting to order. Valerie Kneefel took roll call 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. Chairperson DeLong asked for any public comments. No public comments were made.

I. MINUTES

A. **Approval of the February 24, 2015 meeting minutes**

ACTION TAKEN: Commissioner moved to approve the February 24, 2015 meeting minutes and motion was seconded. Motion carried unanimously.

II. NEW BUSINESS

A. **Chairman's discussion on administrative functions** – Discussion of Commission, vice chair, subcommittees, and matters related thereto.

Chairman DeLong talked about the selection of Vice Chair for Commissioner Bryan to continue in that position.

Commissioner Bryan stated he would continue in that position.

Chairman DeLong then moved on to discussion of subcommittees. His thought was since they don't really use their subcommittees that often that it might be a better approach to use taskforces. One reason for this is less issues with Open Meeting Law and they can also pull in staff as needed on various tasks to help deal with issues that come up.

Commissioner Bryan stated they just formed a taskforce not too long ago.

Mr. Perry stated if they call it a taskforce and it can have Commissioners on it and have staff on it, but it's not subject to Open Meeting Law so they don't have to keep minutes and it can report back to the Commission whatever their findings are and can have a maximum of three Commissioners on a taskforce at one time.

Commissioner stated though it was temporary and they take care of an issue.

DAG Bryan Stockton clarified that technically they don't take care of an issue. They produce a product and bring it back. If they want somebody to take care of an issue where a vote is needed, they're going to have to form a subcommittee and comply with the Open Meeting Law.

Commissioner asked that in terms of some of the standing committees like HR that is supposed to kind of manage those issues on an ongoing basis, would they just dissolve that and then if there is time to work on an HR issue they'd form a taskforce?

Chairman DeLong stated if there is an HR issue, that was his thought.

Commissioner Bryan asked what other subcommittees they have?

Chairman DeLong stated they have the bond pool, HR, and budget.

Mr. Perry stated they've actually had four or five taskforces since he's started that have worked pretty good.

Commissioner Bryan stated he was all for the taskforce.

Commissioner Parker stated he thought it was a good idea.

Commissioner Mudge asked if that would allow members on the taskforce to be from outside agencies like BLM and what not as well?

Mr. Stockton stated that anybody could be on the taskforce. He further stated the problem with going around the table and seeing what everybody does, they've already got close to a majority and they can't do that because this is a discussion and the Chair makes the final decision anyway so they really should not go around and get everyone's opinion on how they should do it.

FOR DISCUSSION ONLY- NO ACTION TAKEN

B. Well Database

Administrator Rich Perry, Division of Minerals, stated the Division began inspecting geothermal and oil/gas wells last year after their audit occurred and all of the oil, gas, and geothermal wells were inspected last year and the decision was made that they really needed to start migrating to more of an electronic format and something that is easier to use in the field than generating paper, which is where most of their oil, gas, and geothermal well inspections were. Mr. Langenfeld was assigned that and Lowell Price and others have worked with him, and he's going to present the geothermal database progress to date.

Mr. Langenfeld stated he has been compiling all of their geothermal well information taking out of multiple Excel sheets and trying to combine it into a database. The real purpose of this is so we can generate reports and actually have all of this data in one central location and you can cross query and actually come up with some good valued information. Using a PowerPoint © presentation, Mr. Langenfeld showed the Commission the main input form. Going through it, it has all the nuts and bolts of the well. It's all separated out and all searchable. Previously, it was in an Excel sheet where things might not have been broken out by date or by field or whatnot, so now it's all contained in its own identifier so it's searchable and put limitations to it to see if there's any issues or whether wells are about to expire as far as a permit goes, if they need to be plugged, things like that. Mr. Langenfeld stated he has one report built now and is currently putting together a monthly report where it will track basically all the fee money that came in, what type of fee it was whether a sundry or permit fee or things like that, so he's trying to get all the money and the well locations and all the well data into one central place. Another thing that arose is they have

project areas which weren't broken out in their old sheets as project areas are broken as well permit numbers because the project will have a permit number associated to it so now all the project area permits that other well permits will be under will be broken out into a different table and its own identifier. There are things in the remarks listing where it is and the details about it. Mr. Langenfeld talked next about the fee input table. As stated earlier, you basically put the permit number in, the action type, when received, when approved, so you can track how long the paperwork gets pushed through the office. If it's a permit, you put down what type of permit whether injection, production, observation, a TG hole, completion and then sundry types. There's three types of sundries. One is associated with the \$300 fee, second with a \$100 fee, and a third which has no fee. It's all ranging from how much paperwork needs done to process them and it's all in accordance with the regulations as far as fee structure. Also on the table is annual fee, so they can start tracking when companies will be paying their annual production fees which prior to that was on a separate Excel sheet so now they can combine all the data in one report and have it generate what they took in for the year and who paid it, what wells it was associated with, so it's a lot more higher level of tracking than previously. At the bottom with the fee, Mr. Langenfeld stated he couldn't get the database to auto-populate certain things so as you go through and fill things out it will actually show you the charge needed at the bottom and that goes into its own separate field to be added up later. There's also remarks and also if a company has been delinquent on a payment. Next is the inspection data input. This is the further along. Mr. Langenfeld stated his idea is in the future having a tablet to go out in the field instead of having pen and paper and having to write down all of the well information which takes a while. The idea behind it is everything is connected to the database and it's all drop down. For instance, all the wells on file that have been drilled are in the well name. It also has the permit. If it does have an alias, a lot of times you go out on the field and you have certain names for the well but the company is calling it something different, so in this the alias for the well can be entered. Going down, you can put in the previous date it was inspected, its previous risk assessment score which is developed by Mr. Visher, and looking down to the drop down below you can see rankings after each option. It's a weighted scale of how high the risk is for those certain aspects of that well. For example, if it's feed it will be on a scale of 1 to 2 and we'd be solely responsible for that fee as a state, so that's ranked higher than a BLM or federal lease which would be a 1 because we share responsibility between it. Resource type, geothermal, that's always going to be geothermal on this one and hoping to get this over to an oil database as well. For example, injection well is listed as 4. A production well would be listed as a 3 and an observation well as a 2. So those are the scales on the hazards that could be produced. For example, if the signage is adequate it gets no score but if it needs a sign it would get a 1, where a sign might not be as important as a production well leaking, so the numbers are represented that way. Ideally, this would be out in the field. We'd be able to add it all up. At the top you can see previous score, risk assessment was 26, then going down to the current score, a 52, adding up all the numbers and so a change to 26 meaning this well has declined in maintenance or the care that has been provided to it. So it's something we would go and notify the resource company and then also we would have this in the database and look at a field that had maybe increasing scores over time and it would show that we need to start inspecting those fields more often to make sure that they're up to code. One of the things that comes out of the database and having inspection input is the inspection form that's been created and what this will do when having a computer out in the field, we can run a report for the time period of the inspection just done and it will give a full report that we can hand to the operator onsite and give to their main operations so they had a record of us being there and a record of what was wrong throughout the wells on their site. Also, we'd have a record for us that wouldn't just be a piece of paper, a stack of each well individually getting assessed. Also, we can add this to writing the resource company once back at the office and say out of the whole field this is what we inspected and these are the issues that need addressed. So it cuts down on a lot of time and effort. Also, Mr. Langenfeld stated he's working on a yearly/monthly report for permit, sundries, drill wells, and inspections. He's also working on a yearly/monthly fee report so they can track fees per month, know where they are in 2014, know where they are in 2015, and what they've brought in the past month. He's also working on a well inspection risk assessment report which the bottom number, the risk assessment number would be controlling and if it's a high number that field has issues that would be taken care so there would be need to inspect them more. Commercial, industrial class, geothermal, electric, when it's reported what the wells have been producing and the temperatures of the reservoirs, they do give that information and Mr. Langenfeld wants to incorporate that into the database too so they can track it and run reports off of that as well.

Commissioner Snow stated to Mr. Langenfeld that it was excellent work and asked in future work when it says drilled wells and inspections, would that be where it would include blowout prevention inspections when onsite witnessing a specific activity?

Mr. Langenfeld stated that was correct.

Commissioner Snow then asked that there will be something other than the housekeeping-type inspections?

Mr. Langenfeld stated that was correct.

Commissioner Parker asked if Mr. Langenfeld would be able to write monthly reports for the previous month to when something is due like an inspection or do you have to go through individual?

Mr. Langenfeld stated they could run queries on that which wouldn't necessarily be a paper report on it, but a query could be run to the point where reports could be generated that way. That's not in the plan, but that could be done.

Commissioner Parker stated otherwise how would you plan on going out to the field the next month or knowing which fields you had to go to inspect?

Mr. Langenfeld stated you go through knowing your inspection dates.

Commissioner Parker asked how do you know your inspection dates?

Mr. Langenfeld stated it's on there.

Commissioner Parker stated that you have to look at each one individually.

Mr. Langenfeld stated you have to look at fields. It all depends on how it's grouped and if you want to group it by field then you can see the last time that field is having an inspection date and then also you can look at the risk assessment score so you can say we've inspected that within the last year and this one has also been inspected in the last year but had its issues the last time there so we should go back to it sooner. That's part of trying to figure out the queries in there to produce good information.

Chairman DeLong asked if they have the equipment for doing this in the field?

Mr. Langenfeld stated they do not but it will work off a laptop and once back you just import the new information in, so they can use a laptop. It would be easier to use a tablet and AML has a tablet and maybe trying it out on that to see if it would work.

Commissioner Mudge stated he had a couple of questions around the whole risk ranking. He asked if there is a threshold and if it's above a certain number then you report to the operator and has there been any issues with the operator taking issue saying, well, my wellhead condition you said it was poor and I disagree I think it's good?

Mr. Lowell Price stated they haven't had any issues related to the operators. When things have been pointed to the operators, they've just addressed the issues and then they get back to us letting us know how they addressed it either through digital images or writing a letter, which Mr. Price stated if he didn't have any images he would go back out to the well or field just to verify it. The risk assessment, if it gets beyond a certain threshold the well would be red flagged and that would be high on the priority list probably for the next two to three rounds of inspections just to ensure that that well is good.

Commissioner Mudge stated there is a number but they're not sure what it is.

Mr. Price stated that was correct and that anything probably above 60 would be a red flag.

Mr. Langenfeld stated the numbers are also relatively dynamic when going out in the field and inspecting. They might have a signage issue one time and not so really what they're doing is looking at the overall, looking at the highest score they have and then moving down to that upper percentage, probably 20 percent below it, saying these guys are the ones we want to go see more often because they have the highest rank in our system. They have the ability to red flag. If the well is spewing geothermal fluid out everywhere, if there's major issues, they can red flag it and that will automatically give it a top score of 100 saying this is not okay, you need to shut this down and mitigate whatever is going on. From the numbers produced so far, Mr. Langenfeld stated the highest may be 70s from their inspections so from that you take the top 20 percent and that's what you're focusing on.

Mr. Price stated that anything that's leaking will warrant a revisit just to make sure that the issue has been adequately repaired.

Commissioner Mudge stated he was thinking about a more regulated community and would just say to be careful that this is very objective and doesn't get into subjective to whatever, maybe like Mr. Langenfeld is a harder grader than Mr. Price.

Mr. Price stated that basically he and Mr. Visher and Mr. Langenfeld have sat down and discussed it and have come to the conclusion that certain levels warrant this type of rating, certain levels of issues related to good wellhead maintenance primarily. Something like fluid in the cellar would rank much lower than an actively leaking valve on a wellhead. The fluid in the cellar could very easily be meteoric water at which he basically gets with the operator and write the operator a letter telling them they need to pump out all of the fluid in the cellar, that the cellar is to remain dry as much as possible, realizing that after a heavy snow or after a rain fluid will be in the cellar, but it's up to them to address something like that. Now, if they have an actively leaking wellhead or valves on a wellhead that is contributing to that fluid in the cellar, that is a completely different issue, where the operator basically had to either shut in the well or repair the issue. Of course, they're going to repair the issue as soon as possible.

Mr. Perry stated that a lot of what drove this is the fact they've failed an audit and this was the second audit they failed, and they needed to have something that wasn't just paper for when auditors come in. The agreement coming out of the audit because they got beat up pretty hard in the legislative committee on this, my people for you're not doing your job as regulators basically because you can't prove it, and indeed the inspections were happening it's just there was not proper documentation that could be retrieved that showed that we did the follow up on it much like DEP does as a regulated industry. So that drove what Mr. Langenfeld has put together here, and the agreement in coming out of that audit was that they would develop a risk adjusted mechanism for prioritizing the inspection of wells and that they would inspect a third of the total geothermal and oil wells every year based on that risk inspection. That doesn't mean it's going to be a third, a third, a third. Those third because they are most recent, they had a problem, but in numbers that was the commitment when they came through this and that they would inspect all wells in a five-year period over time. So this sets the precedent and priority. And it's worked well this year. They've done it and they're above 100 percent of what they were expected to do and if they get an audit or someone comes in, this will eventually be running and it will be easy to look at and see what they're doing.

Mr. Langenfeld stated the really nice thing about it is you can look at it and say in Dixie Valley how many inspections did they do in the past two months and you can set your filters to it to actually give you those numbers, how many fields did you inspect in the last two months, how many wells were in that field that you inspected. So being in the database now makes it easy to produce good data on what they've done.

Mr. Perry stated it also helps Ms. Linda Wells come up with the numbers who has and hasn't paid fees so it pulls on the financial side of this access database. It's not like a new piece of software. Mr. Langenfeld and Mr. Price went to access database class and learned it and largely put it together themselves. It's an in-house access database. Mr. Perry stated he wanted to say one thing about how they asked about follow up, and Mr. Price said most of the housecleaning stuff has been, but we had several wells that needed to be plugged. They had gone long past when our statutes required them to be plugged and had been lingering there for years, and we actively took hold of those and started working through them with the BLM because the ones that are on federal ground the BLM follows through. On the ones that were not on federal ground, we did. The ones on private ground, we were successful in getting all but one of them plugged. The one that wasn't was MTS Energy, the Ferguson Springs well, a company that had drilled one well. We couldn't get any response for them. We got right down to fining them \$1,000, gave them two more months. We were fining them \$1,000 a day before we finally got them to wake up and commit. Then I sent them a letter and we negotiated over the phone and backed off on the \$1,000 a day fee but they have to get the well plugged by June 30th or they're back in that hole. It's a Louisiana company. Some Commissioners helped to try to find out where they're at because they are down to one or two people, but we wanted to make sure that got plugged. We have a \$10,000 bond on it if we needed to, but our estimate of plugging costs ran, Lowell?

Mr. Price stated \$30,000 to \$40,000.

Mr. Perry stated it was \$32,000 to plug that one. There has been a first ever fine and they still have to pay a \$1,000 fine along with plugging the well.

Mr. Price stated they have been using the risk assessment. There have been some wells visited multiple times. Other wells have only been visited once and that's just because they're a much lower risk, so they are utilizing the risk assessment.

FOR DISCUSSION ONLY- NO ACTION TAKEN

C. AML and Minerals Education

Mr. Perry stated that Bill Durbin was scheduled to report on the AML and minerals education but is ill and not present so Ms. Lucia Patterson will begin with her presentation.

Ms. Lucia Patterson stated she's going to go over a few educational activities put together over the last couple of months that have been presented to schools mainly around the Reno area and are hoping and trying to get more in Carson City. The first activity they put together was cupcake core drilling activity. So far it's only been presented to five 4th grade classes at the elementary school in Gardnerville. This particular activity fits in with the 4th grade Nevada history education. It's a combination activity so when we did this Ms. Patterson went in and did a brief overview on minerals education and their uses and then we did the cupcake core drilling activity and then concluded with some AML education. They all seemed to flow very nicely together from beginning to end. This is the actual cupcake core drilling activity. Start out with Prospector Pete and explain to the children how we find minerals and basically Pete gets out and looks on the ground, he looks around for minerals, maps the rocks, give them a little bit of background on exploration, mapping, rock sampling, just looking around. Once Pete finds a rock with some gold in it he samples all around to find other rocks with gold in them and show them kind of a soil grid basically and explain to them normally when deposits are present there can be some kind of pattern that you can see in these soil samples. Right here you would ask them if there's any other places that they would potentially target and they normally target the area here on the right by Surprise Peak. They say that's where they would go drill and explain to them once we have our pattern, our area, to explore for gold we use our geologic knowledge and cross sections to further define where we're going to drill, explain to the students what a geologic cross section is. This is a nice representation of explaining to them the mountain and the topography a little bit and rotating the earth up so that they're actually looking inside of the earth and they all seem to get a pretty good grasp on that. Explain to them Pete sitting up on his hill with his nugget of gold and the next thing we do is bring a drill rig in. So the students at this point have a cupcake sitting in front of them and it has yellow frosting and a green unit and an orange unit and a blue unit and they have big malt or milkshake straws. We drill our core hole through the cupcake. Previously, they've used clear straws so you could see the core in it, but the big straws where they blow out the cupcake core sample they have a blast. That's the most fun of the whole activity. Here they do the cupcake core drilling activity and they play with their cupcakes for a while and then bring in another drill rig and ask them why we wouldn't drill a hole here and they catch on pretty quick because there's no gold so that works out pretty good. Then we go through and reiterate what we've done; Pete found some gold, soil sample. We drilled out the soil sample using our geologic cross section and geologic knowledge. We delineate an ore body and then that ore body gets mined. Then we walk into the AML presentation so it all flows really nicely. Along with the three presentations, there's also posters hanging up that are displayed in the classroom. There's a 22 X 34 inch poster of an oil rig and we have driller Dan up on the oil rig for scale. We go down in size to an 11 X 17 poster of an RC rig with our little buddy driller Dan and try to do a brief explanation of an RC rig to 4th graders. It kind of works. Then 8.5 X 11 poster of a core rig just to show them the variations in size between these rigs. Then I also took some chips that I had and some core and drill bits that she has and put it together so they can see the difference between the RC drilling and the core drilling. Ms. Patterson stated she had somebody cut some dual walled pipes so they can see inside the pipes to give them a general idea of some of the stuff at the drill rig. Ms. Patterson explained to the one class of 4th graders that the dual walled pipes are about 200 pounds and the guys working on these rigs are tough guys and this little 4th grader said I could do it. Also, the core and the chips, that's all color coated to match the cross section. Finally, they get a coloring activity which they get to draw what they see and teachers like that to kind of bring it all back home. The next one Ms. Patterson has done a lot is the rock cycle. This is 2nd grade. 2nd grade is going through cycles of life, rock cycles, everything. She's presented this to 280 students over the last two-and-a-half months. This is also a combination activity, the rock cycle education. That was added together with the metamorphic squishy activity and if there's time at the time depending on how quickly the class moves along in the rock cycle activity, we do AML education as well. We start off with the rock cycle. Our volcano erupts. Delilah erupts from the volcano and she's on the surface and then we go through the weathering process and ask them different ways what can possibly happen to a rock on the surface and go through the different methods of weathering. And then Delilah is all in little pieces. They normally get a little bit sad but they're glad that she looks happy in this picture. Then we get erosion and Delilah is carried down the stream and deposition and compaction and sedimentation. This is all asking children how the erosion would happen, how the sedimentation happens, what happens after she's at the bottom of the lake. What could possibly happen to her at this point, metamorphism. So Ms. Patterson runs through the rock cycle with them one time like this and then we go through the metamorphic squishy activity taking pastry bags and make them

all volcanoes with Play-Doh in them. We start with our volcano. We walk back through the rock cycle, erupt the volcano. Then they erode their volcano into a bunch of little pieces and then they deposit and compact their eroded products and then metamorphize their Play-Doh. By the end of the cycle they can watch me go through that twice because it's a pretty slow process going back through the Play-Doh. They can recite the rock types and the different products from different situations described. Actual rocks are brought in and they're shown different end products. Again, there's a coloring activity where they can draw what they've done, what they've seen, and have something to take home. The third one that was compiled is the geologic timescale make your own fossil activity. This one should target 5th grade because they do actually learn about the geologic timescale at that point. For now though, Ms. Patterson has been to preschools and they've been doing fossil education and then they make their own fossil. Ideally, what would happen, there's a bunch of little pieces of the geologic timescale and on each side of the piece is years. So the students would go and they would put the geologic timescale together like a puzzle. The scale, it's 1 inch equals a million years so when they put this geologic timescale together it's 36 yards. There's pictures across the geologic timescale of major things that were going on during each period just so they get a visual representation of what's going on. After they put the puzzle together, we would walk back through and they're given a brief geologic rundown of what has happened through time. And then there would be a bunch of toy fossils placed across the timescale and either they could draw four fossils, which would be better with the older kids, but the little kids basically made fossil collages with these. Here's pictures of Linda's grandkids doing the activity here. We walked through the whole thing and put the puzzle together and they seemed to really enjoy it. Also at the very end what Ms. Patterson also put together to give to each of the kids so when they draw for their fossil after we got through the exercise we would get a coloring activity with just some basic information, maybe where the organism lived, how long it lived, and any other interesting facts about that particular organism. So this is the example of the one put together for a Trilobite. To bring it all back home for them, they'll have their fossil and then some little facts about their fossil. A Millipede and dinosaurs and there's two critters per period set up so we can do 36 children in a class and each child would receive one of these as well. As an overview, 2015 activities to date, 73 educational presentations have been given that have reached over 3,671 Nevadans. There's been 52 classroom presentations, 16 civic groups, clubs, and trade organizations; two Boy Scout youth organizations and 42 of those were in Northern Nevada and 30 in Southern Nevada.

Commissioner Bryan asked if Ms. Patterson had done all of those slides and graphics herself?

Ms. Patterson stated yes.

Commissioner Parker asked do they have a Rachel reclamation plan for the future that show how the lines and the exploration?

Ms. Patterson said she does not but they do briefly touch on that but that can be put together.

FOR DISCUSSION ONLY - NO ACTION TAKEN

D. Reimbursement Policy for Professional Organizations

Mr. Perry stated this is a cleanup item. The Division has had an informal policy in the past. Mr. Perry stated he wanted to update that for current such that there is an administrative policy for reimbursement for professional organizations and meetings. Under 513.063, all policies of the Division of Minerals must be approved by the Commission, so that's why this draft policy is before you and it's really just a one-page policy that proposes that the division will reimburse an employee for annual dues for one professional certification organization up to a maximum of \$200 a year and we've actually listed those that are possibilities that are related to what we do. Mr. Perry believes they're all there. Any US state geology registration, AIPG, certified professional geologist registration, or any professional engineering registration. The second is the Division will reimburse employees annual dues for up to three professional associations which are education focused on the following list up to a combined maximum of \$200 a year. We have our employees that are members of all of these and we want to encourage them to go to the meetings and be active participants. The final thing there is that our reimbursement would include lunch or dinner meeting costs for those organizations when they go to those. As previously stated, it was an informal policy before. Really, it's just formalizing it to a greater extent. Mr. Perry did add the Society of Petroleum Engineers as a professional organizations as well as the American Association of Petroleum Geologists.

Commissioner Henderson asked if they can add a clause that certain organizations can be added from time to time without having to come back here?

Mr. Perry stated that was fine.

Commissioner Bryan stated he's unaware of any US state geology registration.

Mr. Perry stated he wasn't sure, but if you're a registered California state professional geologist, don't they have to pay an annual fee? So any other state and Nevada doesn't have an in-state and most people if they have an out-of-state one would like to keep it.

Chairman DeLong asked for a motion.

Commissioner Bryan moved to approve as modified by Commissioner Henderson with a second.

ACTION TAKEN: Dennis Bryan moved to approve the Reimbursement policy for professional organizations and meetings as amended. Motion was seconded. Motion passed unanimously.

E. Interstate Mining Compact Commission IMCC

Mr. Perry stated the State of Nevada joined IMCC in 2012 and this is some history that's before Mr. Perry's time, but Mike Visher put some history together here with regard to IMCC. IMCC, of course, is a compact that states join and Mr. Perry is assuming when they joined that it required a letter from the Governor. However, Mr. Perry hasn't found that letter but it had to have something to that affect for them to join as an associate member, which is what they have remained. It takes an act of the legislature to make them a full member. However, there's a mechanism here where over the first five years when we first joined it was as an associate member at \$5,000 a year and we have remained at that for the last three years. In July, the dues come due again. They redid their dues and we would be the only associate members and IMCC communicated our dues would double to \$10,000, which would be valid for two more years at which time even if we did not have the legislature pass this and make us officially a member our dues would go to the full amount which is \$41,000 a year because we are the second largest mining state in the union and that's how dues are assessed with IMCC. IMCC is a good organization. It is primarily an organization that represents coal states. It does have hard rock states in it. But one of the mechanisms that the coal states use to pay their dues or something similar to this is basically they get money back from the Office of Surface Mining and that's what a lot of IMCC's focus is. They have focused on some hard rock issues. They have taken some stances on the sage grouse and some other things. We have received three awards through the state through IMCC. We hosted the annual meeting last year, but this is in here because July is the date that we're going to see an invoice for \$10,000 and Mr. Perry thinks it's time to make a decision whether we want to stay in this or not. The Governor's Office has said whatever you recommend we will do because it takes a letter from the Governor to say we don't want to be in this anymore if we choose to go that direction. That's the framework to look at it in. It does eat up a fair amount of time. We have gone to a couple of the meetings. We were going to have Bill Durbin at the meeting this week. Their annual meeting is going on right now in Baltimore. Mr. Perry asked for questions.

Commissioner Bryan stated he went to one of these meetings a couple years ago because he was curious about what IMCC was all about. It was in Cincinnati. It resolves around coal and the regulators get together and talk about regulations and reclamation and stuff like that. It really didn't talk about a lot of things really pertinent to us out west as far as he as concerned. \$5,000 a year, that's fine, but \$41,000 a year down the road, he doesn't see the value himself.

Commissioner Parker stated he was on the boat to initially get them into IMCC with the idea that it was sort of a test just to see how it would go and see what feedback we'd get from them and how much they'd be able to provide, and to this day he hasn't seen anything, so he'd be remiss to renew it again.

Mr. Perry stated though they did get three awards.

Commissioner Bryan asked what is the Administrator's recommendation?

Mr. Perry stated that his recommendation is that they remove themselves from this. He stated it's time. It consumes a fair amount of time in conference calls unrelated to Nevada. He doesn't see the value in it at this time. He thinks it's fair if they just let them know they're out and they don't count on us. Mr. Perry stated he thinks what IMCC does is covered by the things already being done by the Nevada Mining Association and other organizations, as well as

the Governor's office. An example is the sage grouse issue, NDOM funded a big chunk of the Sage Grouse Ecosystem Committee. We were way more active in a resolution to that that's going to have a good outcome than what this organization can do. Mr. Perry stated that his recommendation is that you take a vote with a recommendation that we don't be an associate member.

Commissioner Parker made a motion to notify the Governor to send a letter to the IMCC to drop our membership.

Commissioner Bryan seconded the motion.

Chairman DeLong asked for any other comments and took the vote.

ACTION TAKEN: David Parker made the motion to notify Governor to send letter to the IMCC to drop from their membership. Motion seconded. Motion passed unanimously.

II. OLD BUSINESS

A. BLM/AML Program Update

Mr. Perry started the BLM/AML update by introducing Mr. Callan and Mr. Ghiglieri.

Mr. Callan stated he's the Abandoned Mine Lands Lead for the Bureau of Land Management in the Nevada State Office in Reno. He's been the AML Lead since Chris Ross retired two years ago come the end of May. Before that, he was working for the BLM doing hazardous material AML under 3809. So the primary mission for the BLM's Abandoned Mine Land program is to protect human health and safety through physical abatement and that's primarily the work. A lot of the work we focus on with Rob and some of the agreements we have in place. Second is to protect the watershed and water quality issues and we have several projects right now where we're working either through NAMELT or working with NDEP to improve water quality at several locations because they can be the sage grouse areas. We have a project to try to do restoration work as well as in the mountains in Elko. So that's a primary mission as part of AML. We can typically get more funding when we have those kind of issues tied into a project. And then to educate the public concerning the AML hazards and the threat that's out there and that's combining working with Rob. So how do we go about this? We conduct surveys and that's a key component to the process. Before we do any closures we're required to do under NEPA and under FLPMA, which is the main law that BLM operates under for land management, is to do cultural and biological surveys for each of the hazards. So we go out there. We get the survey work conducted and build up a database, submit that information through the NEPA process to conduct and get the process underway. So this is key to determine what type of closure we're going to have. Do we need to protect a head frame or work around a shaft? Those kinds of things are all built into that survey work and it's key to how we approach and do the closures. And then some of the things we're dealing with, desert tortoises, we have actually some snails in certain types of adits that are producing. We have adits that have water quality issues coming out of draining either acidic water or in the case of one site the Birthday Mine up in Humboldt County that has a large level of arsenic in the water. So how do we do this? We try to identify a closure area, start the survey work, and send letters out to the claimant. So working with Rob, we go through, we assess the hazard ID sheets, and there's a variety of ways these areas come to our attention. A perfect example is Rob called and said, we've got a problem that we've identified some areas along the Reno to Vegas Off-Road Race that are next to AML sites where they do their maintenance pit stops and there's some large openings there. So we go back. We go to try to do an inventory. At that point, we determine that we've got 25, 30, 100 different features to attend to, and that's everything from adits to trenches, any type of prospect that's any of that type of feature. We go ahead and get a cost estimate. That's either based off of Environmental Protective Services that works through with Rob or through the Bureau of Reclamation who we have an interagency agreement with to get cost estimates of how much that project is going to end up costing the BLM and then we can allocate funding as we go through. We use the NEPA process. We use a category exclusion. We have an agreement with the State Historic Preservation Office. We go through that process as a streamline method to be able to do closures because we're identifying these features as individual features and going through and taking the required survey work and get a CX approved. So the time between getting the survey work done and having the CX done could be two months or less we can get a CX process, especially if we have an issue because it's an emergency response because of an incident we can move that quickly especially if we identify the features there are 8 and 9 in the hazard ranking system. Then we initiate the closures, get that work done. We do final reports back so obviously the BLM keeps a report. We upgrade and work with Rob to get the database of record, NDOM, as well as letting NDOW know so we can do monitoring and those kind of things and then obviously we do closure reports back to the SHPO so that it meets their requirements

as well. So I wanted to bring one site as an interesting area up in the Santa Rosa Range in Humboldt County near McDermit. This is a map from 1912 showing the different types of claims put in during that timeframe. They use the historic mining district, viewing the handouts, Radiator Hill is here and there's a lot of car parts that they used in naming some of these claims as well as other unique ones out there. In this area, there was a town here and in photos there's not much that remains there. There's an adit that has been responsible for the death of cattle over a period of years, and we're moving forward to do a project to get that water quality at a level so it's not an ecological impact to the area. With that comes the issues, so you can see the variety of work that's done. This was a very productive high-grade area back in the 1910 to 1920s. We've got a pattern here and the adit is over here by these trees and because the cadastral hadn't been done we went back and this is an important aspect to AML work is that we have cadastral work that hasn't been surveyed possibly in over a hundred years if not more and then we need to go back and verify what the land ownership is, work cooperatively with the claimants and/or the patent owner to go ahead and move forward so we can do the closure work as well as doing the environmental work to prevent degradation of water quality. There are multiple claims in that area and we just finished the cadastral. On this slide, it's showing the complexity. This places the Double O Mine complex that is sulfur in the Humboldt County/Pershing County line not far from the Hycroft Mine. We originally went in and we had like 15 I think in here. We went through and re-inventoried what we thought were going to be simple pushes because they were in a drainage area here and you couldn't see any of these. They're straight down going 60 feet. What we didn't know was they actually connected. So we had to change what we thought was going to be the preferred method of closure which again now changes the cost of the project. As we continued, obviously we had increase in the number of features that we're going to have to deal with. Most of these are straight shafts going down about 60 feet. We went and did another 40 here and then Bryan through working with Rob went back out and we were up to about another 80 feet to add. The majority of these have been closed. We've got to finish up with about 15 sites.

Mr. Ghiglieri stated that's another example there's probably for that entire area 10 shaft symbols on a map. There isn't that much. This is one of the areas that you go there and they're everywhere. It's like American Canyon has one shaft symbol and in a smaller area there's 113 shafts by a half mile long by a quarter mile wide. It's one of those type of areas.

Mr. Callan stated if you step backwards you step into a hole, and they're right next to each other. And this is very similar in that nature. You can see it's high disturbance. This area was 1912, somewhere in there, the same as the Rosebud area which is a couple canyons down. From there onwards it was just people coming in and I learned different terminology. They call them snipers. They'd come in and snipe on somebody else's claim. In this area just to the south was a town of about 5,000 people. There's no foundations, everything is gone. That's the kind of cultural thing we have to tie in when we do these closure works. So funding, money, what everybody is always interested in, I try to get as much from anybody else as I can and spend their money. So we get through the Department of Interior through the Act when it's published as part of the process of the budget. So once the bill has been passed, there is no money earmarked specifically for AML. Mining Law Administration does have money earmarked but AML does not. When we do get this funding, the first thing we cover our base funding. Because we have one of the biggest programs, I'm continually pushing to get an increase in our funding to be able to cover some of these projects and that is typically what I do is submit projects to cover closures, to cover survey work so it's clear that's what we're requesting to be able to put that money into, but we can also have separate streams, SNPLMA being one of them. Right now we have one SNPLMA project and that is for Lincoln County to do work in that area. So Rob and I are working towards being able to utilize that SNPLMA money to do surveys, record it, inventory first, get a true picture of what we have on the ground, and then go through the process and determine what closure methods and all the process just explained. The budget will fluctuate depending on how much is going to be given up for the AML program. There is a mine site in Alaska called Red Devil Mine that has taken roughly \$4,000,000 to \$5,000,000 every year from the AML budget and in the last two years they've taken that money from the Central HAZMAT from the Department of Interior to pay for that. We get that money back. But unless things change, we could lose drastically \$15,000,000 to \$20,000,000 in the next coming years to go specifically to Red Devil, and that will come against all the AML budgets for every state that's out there. And some of our states are in the process almost winding down their AML program. They have less land, less land that was mined, and therefore less than an inventory. So their inventories are really getting caught up. As you're probably well aware of, BLM manages about 61 percent of the state and we have over a million mining claims. So how does the BLM try to work doing our closures? Right now we have a financial assistance agreement in place. We're trying to propose and put in a new one with a \$500,000 cap, roughly for each year \$100,000. That will be utilized for inventories but also for closure work, so with that we can help support NDOM's mission as well as increases the BLM's ability to do closures because we use the NDOM database as our database of record so when we're working on closure areas and to give an example, Freeport-McMoRan Mining Company gave their own numbers to a site and then we had the BLM

people come in and they gave a separate number. So now you've got three or four different numbers. We go by what is in the register here so that we can keep that numbering system the same when we're talking about the same feature so that we don't have this mix up when we start talking about closures, which feature is what. So that's what we're looking for trying to do now. Right now I have a financial assistance agreement ongoing with The Great Basin Institute to do the cultural survey work and for every one of these projects an archaeologist gets all that work done to submit to the district so that they can approve that through the CX project. They don't have the staff on hand to be able to handle it. We have one district that is a robust AML process, and that is the Elko District where they do a lot of their own inventory and they have their own archaeologist and biologist on staff to produce follow through less support coming from the state office. Again, the same thing with the Department of Wildlife is to go out and do the bat surveys as well as tortoise, those kinds of survey work so that we can go ahead and get the approval to go ahead. We have an interagency agreement with the Bureau of Reclamation as well as the Forest Service. BOR is the primary method of getting closure work done. They have a crew specifically setup. They've been trained in a variety of things but as district archaeological technicians so when they're doing closures they're in compliance and work with the archaeologist. They'll come down with their crews to do an assessment, give an idea for cost analysis, so that we can turn around and move money into that agreement and get the closure work going. And at the Forest Service, it's the same. Primarily, they've been working up in Elko, but we're going to start trying to use them down in White Pine County, in that part of the state as well. Using the handout, Mr. Callan stated that this document just came through 2014 was completed and it's very interesting because we chuckled when we looked at it. The reason being it has 2.2 site and inventory that remain to be inventoried. In here it's going to talk about the Abandoned Mine - Site Cleanup Module (AMSCM). That's the Department of the Bureau of Land Management's database. That's in the process of being upgraded. Those numbers are not correct because when they did a merger at one time they merged a lot of different information and it needs to be updated. Basically we're looking at for this state 297,000 features. That's only based on, and how they came up with this formula, every X on a topographical map, multiple that by three because commonly that's what the number is, and you come up with that figure 297,000. As probably a lot of you know, not every mine site had an X put on it. There is a map in here showing Nevada, page 9. You can see total almost 80,000 and there's tons of sites out there no X that was ever put on the topographical map. We've got a lot inventory to the point that was their estimate. Looking at the last page, conclusions, it's stating in hours of work required for 10 crews of two people, 1,952 work months to complete the inventory. 162 years. It's a big, robust program. We're trying to get more funding from the Washington office. We're going to get the lead to come out here in June so we can get additional dollars and try to get a more robust program going and at the same time supporting NDOM to be able to get out and get the inventory work identifying claimants, making contact with them, and making sure they understand the liability issues concerning this. We're not talking about going out and working on additional sites that are mill sites and those things that might be an environmental issue. Mr. Callan asked for questions.

Commissioner Mudge stated it was a great presentation and he really appreciated what Mr. Callan and the BLM are doing. What is your typical annual budget for the program here in Nevada?

Mr. Callan stated it's roughly a million dollars, but with that it gets to either the districts or within the agreements that are currently going on plus overhead.

Commissioner Mudge stated that Mr. Callan alluded to the Mining Law Program within the U.S. but it sounded as if there was not any money coming to you from that?

Mr. Callan stated that one of the big issues that deal with a hard line with AML in 3809 regulations, which are the Mining Administration Law, is 1980. Post that everything is supposed to fall under 3809. Prior to that, it falls under the AML program to deal with. So we could have sites like Eagle Mining that's down by Goldfield that has workings from 1912, 1920, 1940, 1980, 2000 all on top of where some of that work obviously should've been bonded if it had fallen under a 3809 permit. Between 1980 and 2003, either no bond was collected or an inadequate bond was collected. So they're in the gray area. We need to be able to move forward and do work on those we've got to kind of separate. So in the case of the Eagle Mine, the AML closure work would follow, all the shafts and adits associated would fall under the program to do the closure, but when you start talking about if there's environmental damage or issues concerning tailings and waste rock, pits, those kind of things, we'd have to sort out what that came from and what program is responsible for cleanup and at that point we get the 3809 program engaged to work on taking care of those.

Commissioner Mudge asked a follow up question that knowing that the claim fee paid by current claimants to the federal government is \$155 a claim so maybe that's \$20,000,000 or \$25,000,000 coming out of this state going to the federal government that none of that is coming back into your program?

Mr. Callan stated that is correct because typically as collected it goes back to the U.S. Treasury and when it does that it's not earmarked specifically. Typically, when you do have a fee like that and you're able to put it in the legislation as it's passed that it will go directly for recovery or for remediation or reclamation, no, that's not what is occurring at the moment.

Commissioner Bryan asked both Mr. Callan and Mr. Ghiglieri that it sounds like they're working together on this and so is there any duplication between the BLM and the Division that we could streamline things.

Mr. Callan stated that was a good point and they tried not to have that and that's why they've had discussions frequently.

Mr. Ghiglieri stated that the biggest thing they would see is they would notify a claimant of an abandoned mine and then the BLM would notify we're planning to secure it, so that was something we streamlined and cleaned up. So every time they're notifying claimants we're knowing the areas that they're doing it so we're not doing that as well, but we've had such a good agreement since Mr. Callan and Chris Ross and Bill before them set it up that we know we're primarily trying to be out there to inventory and do the barbed-wire fencing and they're primarily trying to do the hard closures. As long as we continue this process where we're staying with one database and they're not having their own database and they're using their neighbors and we're using our numbers, we're not seeing duplication as much. And that's one big reason why we are getting as much as we are done with small amount of monies because we have good agreements with the BLM and Forest Service. Looking at the last page, conclusions, California to inventory 22,000 more sites they want \$118,000,000. For us to inventory almost 70,000 sites, we're estimating at \$86,000,000 so almost triple the sites and less money. We can get a lot more for the bang for the buck here in Nevada because we have better agreements. The federal and state agencies work together as well as the claimants and property owners work better together here in Nevada than any other state. When going to the National Abandoned Mine Conference the last year or year before, they were BLM this and BLM that, the Forest Service this, they never wanted to work together. They never did. This is the greatest working relationship we have and the State of Nevada has the best one for those types of agreements.

Chairman DeLong stated to Mr. Callan that they really appreciate the BLM working with them, particularly helping to maintain that single database. That really makes what's going on in Nevada unique and it's really important to try and use our dollars effectively.

Mr. Callan stated that was without a doubt. That's one of the things he drives home back to his fellow state leads from other states and this is what they should be working on because just like NDOW is going to be looking at the bat habitat and monitoring it long term we've got to make sure we've got cooperation out there and because we have such a large inventory still to go, it's very key that we're working together on that. We've got one district Elko that will go out and do the inventories but then they'll send the filled-out sheets requesting numbers. Once those are generated that's the number that will be assigned so we have that coordination and we try not to get into duplication.

Commissioner Parked asked on the cultural and biological surveys and getting your CX in less than two months, are you doing that and then we do some of the work or how are you coordinating those efforts?

Mr. Callan stated typically it will be longer but when we are moving forward because we have a project we'll get our resources on that so it's not relying on the district to get that survey work done. We're pulling in either through an agreement with NDOW or with GBI to get the cultural surveys done as quickly as possible and at the same time keeping the district appraised so that that CX will get moved through and the district manager or field manager is quite aware that it's high priority. Typically, that's because we have an issue. We try to give a six-month timeframe working out we're going to approach trying to do these closures next fall. I try to have them down in the south during winter in Southern Nevada and have them up in the summertime up here when they can have access. So timing and pushing those through each of the districts to give them that timeframe. Typically when they know it's an AML CX they know they're going to get all this information with it and they're pretty good about reviewing that and getting it moving.

Commissioner Parker asked Mr. Ghiglieri if he goes through the same process.

Mr. Ghiglieri stated when submitting a project, a CX request is submitted to John and the District office. The majority of time with Wildlife surveys, we'll be working with NDOW previously, we'll get the recommendations before we even submit the CX. We'll try to get Wildlife and that we want X amount back compatible or these are all excluding closures closed by any means, but Mr. Ghiglieri stated he requires and relies on John to get the cultural done. So they meet at least once a month and go over a list of here's our target list, here is yours, and then John tries to sit there and fit in the GBI contract or sometimes rarely Rachel Cruz out of the Sierra Front Office, sometimes she's able to come out on day trips because they're local and she'll come out and do the cultural work. But we do rely on the BLM to do the cultural and Wildlife does the wildlife surveys with no charge to us because they have their own objective of protecting the bat habitat so they want to do the surveys themselves too.

Mr. Callan stated it's a work in progress.

FOR DISCUSSION ONLY- NO ACTION TAKEN

B. AML Intern Work Program and Funding Sources for Program

Mr. Ghiglieri stated he would do a quick update on the AML program. He stated yesterday he handed off the draft 2014 AML report to Mr. Perry to review so it should be out this month. Last year the biggest thing is there were no reported AML incidents. This is the first time that's happened in probably five years. A total of 784 new hazards were logged in 14 different counties. That's up 8 percent from last year. A total of 932 hazards were secured in 16 counties and that's down a little bit from last year. That's due to a few things. They didn't have their contract out as much. Another big thing is the Elko/BLM district, they were getting up to 200 done a year and their dozer operator ended up getting really sick so they didn't do a lot of the work that they normally do. So it was a combination of different agencies, funding sources. That's why that one is down a little bit. Then 582 hazards were revisited in 14 counties. That's down 41 percent from 2013, and we were doing that for a reason. A lot of these were trying to focus on only revisiting the orphan hazards that we know because it was getting to the point where we were doing more revisits. Our legislative mandate is to identify and rank new features not to revisit all of them. We want to revisit. We want to make sure the orphan ones are secured. When we notify the claimants in these mass mail outs, we let them know that it's their responsibility to maintain securing status. And even when we secure them and send out proactive mail outs, we also remind them it is still their responsibility to maintain securing status of these. So on the right it's a little pie chart showing by agency the securings done. Once again, just like the last year, the claimants and property owners, it's the mining companies, they're getting more done than any other agency. Quick map, this is the map of all the work that was done last year in Nevada. The only county that actually didn't have anything done was Humboldt County that happened to be the one county. This is everybody's work. This is claimants. This is BLM. This is NDOM. This is Wildlife. This is everyone's work showing locations of where work was done last year. So the 2014 intern program was another good year. We had 8 interns. They logged 2,945 non-hazards, 451 new hazards. They secured 284, and they revisited 332 hazards. This is one of the biggest years. Mr. Ghiglieri believes it was the highest securing year yet for interns. It was top five or so for loggings. The 2015 summer interns, we'll be having 6 interns starting May 18th and then Alain Nowakowski upfront at our front desk who was an intern for us last year, she's doing her geologic field camp this summer, and what we're going to have her do is come in right after field camp and start working for us the second half of the summer. She's already gone through all the training so it makes it a lot easier for us to bring her in halfway through the year. So she'll start June 29th and a total of 7 interns from that point forward and it's a 13-week program starting May 18th and ending August 14th. This was reviewed the last Commission meeting but the planning, Ms. Patterson, took all this information that we've always had and statistically put it into Excel sheets and gave us an actual value and a ranking of all the different areas throughout Nevada. She used different things, the overall Topo Quad rate, which is something we did before. She took that and then she used existing NVPoints left versus ones that needed to be inventoried, possible modifiers, so if there's an open pit in that area, what we know that is a higher priority because that pit has taken out of these possible potential AML features. She had town buffer, accessibility, so previous experience being out there we'll know these roads aren't good anymore, we can't get to these, or the new Vegas to Reno race route was right by these and all these roads are being maintained, stuff like that. Near main roads or trails, average hazard rank of orphans. There was a rank to these orphans. Are these all minimal or are these a lot of moderate to high ranking orphans. Orphans that need securing, of course, and any other known issues. We've factored all of those into it. This is what we came up for our plan this summer. The first four weeks either Erik and I or Erik by himself, we'll be with them the entire first four weeks, week six, week eight, and possibly week 11 and 12. So we'll be with them a lot. They're going to have a lot of overhead out there to help move forward and also maybe help with having one or two less interns during that timeframe. Everything on the map is color coded by ranking priority so we have our areas

broken out in where we're planning to go and Ms. Patterson has already broken out the highest priority quads to start working on. It's going to help streamline the process. We already have maps made. We have a lot of everything printed out. It's going to be a little bit faster process this year for us. Mr. Ghiglieri asked for questions.

Chairman DeLong stated since they have an odd number of interns this year, are there going to be three in one vehicle.

Mr. Ghiglieri stated that yes, they've done it before when a truck goes down they'll put three in a truck. The Dodges have a lot more room than the GMCs in the backseat.

Commissioner Snow commented that this morning at the Mackay Advisory Board meeting they were giving the statistics on mining engineers and there was a chart they showed that's in the packets that he wanted to share with the Commission and the staff and it's titled summer interns 2015 and lists all the companies that hire summer interns and then based on the size of the font in here it is the magnitude of that entity's impact to summer interns and the development of mining engineers at Mackay and the Nevada Division of Minerals is also. It steps down there. He stated he'll circulate it as a testimony of what a homerun their internship program has been. At the Las Vegas meeting last month, they had to look at the budget and the likelihood of reducing the number and now down to an odd number now, and hopefully commodity prices and such will turn around where we can boost that back up because what a great program.

Mr. Ghiglieri stated another thing about the odd number, once Alain comes back that's also when they will be rotating one intern into the office a week, so a lot of those weeks there still will only be six interns in the field. They'll have one in the office doing data entry as well as helping plan the next few weeks prioritizing areas.

Commissioner Parker stated he sees there's a percentage decrease in the previous years from 2013, 2014, 2015. What do you attribute the increase in the number you were able to address in 2014 with the decrease in mining?

Mr. Ghiglieri stated that was a lot prioritization of the Division of Minerals sending the interns to try to focus more on securings some weeks. Also, a lot of the securings, the number of securings as shown is the claimants, the property owners, so how effective are these mail outs? We're not notify as many people because we've already notified but I think they're getting used to our letters in a way and they're understanding that we're not out saying you need to do this right now. We're saying this is on your property, it is your responsibility, you do have this NAC 513 timeframe. We want to work with you to get this done. I think more and more companies are also starting to understand their responsibility in this. This morning we got a voicemail from someone that we never notified and he said, I saw your website and we have some claims and we have some abandoned mines, what do I need to do? So it's working out that way and Mr. Ghiglieri's thinks their outreach over the last 28 years of consistent outreach and talking about it is paying off.

Commissioner Parker told him to keep it up because doing more with less is usually not the case.

Commissioner Mudge stated just to build upon that he had no idea the securings were so large by the private entities, 35 percent which matches what we do. He knows they've talked about the challenge of getting responses back to those folks, but it strikes him it would be worthwhile to continue to look for arenas where we can really get out and communicate and get the folks out there to step up for them.

Mr. Ghiglieri stated he agrees with that. They've been trying to do some more rural Nevada because that's where a lot of these people are, rural Nevada education outreach. Unfortunately, Bill was planning to do the Round Mountain Safety Fair on May 8th but he's no longer going to be able to do that. We are trying to get out there a little bit more and do some more of these rural Nevadas. In past years, Doug Driesner used to go to each county commission and do a presentation on that. We've discussed the possibility of doing that as well and talking to the county commissioners because those guys know the companies. They know the people in the mom and pop operations in those small communities. So there's some options we're looking into. The next slide, this is the expenses from Category 18. This is how much was actually spent in Category 18, which is the AML category, and Category 39, which is what is called the AML enhancement or the contractor's category. In 2012, we had a lot of money. It was nice. We used it and we got a lot done those years. But since then with the decrease in mining claim fees, the funding has gone down as well. 2015, this is projected. These 18 and 39 pays for the supplies, computer software, travel, per diem, truck, truck maintenance, fuel, contracting work, the mail outs, the printing, the labels, all that. It doesn't pay for salary. It doesn't pay to operate the building, pay for electricity, any of that. Just because it's

showing a decrease in this doesn't mean we're looking to reduce right now. We're just trying to be more effective with our money. One of the big reasons why 39 is still what it is because of John Callan right here. We've done some real big agreements. Today we're supposed to receive \$60,000 from our assistance agreement. The BLM, the Forest Service have stepped up a little bit, but there's always room for more and it's also a point for us to start looking elsewhere to see if there is any other revenue that we can bring into these programs. The additional federal AML revenue, BLM, apparently we have an assistance agreement that expires June 29th, 2016. So far we've spent \$201,000 out of that agreement. There's \$49,000 left. That \$201,000 includes the \$60,000. We have a new agreement which John is going to talk about a little bit, and we're going to start developing it hopefully shortly and have it implemented by calendar year 2015. The Forest Service we have a reimbursement agreement with them, an MOU, and so when we're out in Forest Service land and we do logging and securing, we actually created an equation with the forest service since each logging is worth X amount of money, securings are worth this much money. So when we do this on a quarterly, sometimes biannually basis we'll notify the Forest Service depending on how much work we've done. We've done X amount of work and can we please get reimbursed for this and they'll send us money. There's only \$71,000 left in that. This is falling a lot into using our contractor for these because we are getting especially on the Forest Service land harder and harder to get to locations. To get to these couple of sites is taking a lot more effort than it used. They're getting further and further out there. And Ken Moss with the Forest Service, he has a really strong closure program for how small his program is and he's getting a lot done every year. The next one is the Army Corps of Engineers. So this was mentioned a few times. Monday we're going to see the first beta release of our new ALM database. We will be playing with that. They'll be in Carson City next week training us on the new database but another key thing is on Tuesday Mr. Ghiglieri stated he'll be meeting with the new Army Corps contractor who will be looking to develop a new contract hopefully at five years for continuing database improvements throughout the entire five years. So if we say it'd be great for our database to do X, Y, and Z, we'll put it in, submit a scope of work, they'll contract it out and see if someone can build X, Y, and Z for us. It's a future contract that we're trying to look to get ourselves to the next level. Currently, Mr. Ghiglieri submitted a scope of work for a 50/50 cost share for inventory work in Nevada with the Army Corps of Engineers. This has never been done with a state agency for inventory, so they're apparently having their legal build a contract and they're talking about maybe by the end of the calendar year they may have something in place where next year we might be able to create a 50/50 cost share and almost all of our costs will be in kind with that. It will be us planning out the areas, us actually physically going out there. So it's going to be really beneficial. It could help benefit \$50,000 to \$100,000 a year in inventory efforts. Other potential revenues, John Callan will talk about this a little more, the Southern Nevada Public Land Management Act (SNPLMA), we have used this before and we're trying to see if it's a possibility for us to use this to help with our inventory work in certain counties. And then something with what we've been doing with NAMELT, the Nevada Abandoned Mine Environmental Taskforce. We've been looking into possibly getting projects back on the SEP list, the supplemental environmental projects. So these projects will be both environmental as well as physical safety. So when we go out to an area that has environmental hazards, let's take care of the physical safety hazards at the same time. And we need to get these projects, what needs done, is we need to have basically shovel-ready projects with a dollar figure next to it and qualify for these programs under NDEP. So they can say I'd rather put it towards this project and pay for that project and that environmental project can be taken care of with those funds. So it's just another option for us to look into additional funding sources, but the key to it is they have to be shovel ready and a lot of these projects are far from that and they take a lot of time and effort from multiple agencies to get to that point, but it is a definite goal for us and the NAMELT process.

FOR DISCUSSION ONLY- NO ACTION TAKEN

C. NDOM Reserve Balance Tracking

Mr. Perry stated at the last Commission meeting in Las Vegas Commissioner Mudge suggested we develop a mechanism for weekly looking at the reserve tracking. Mike Visher actually took this on and started with some graphs looking at expenditures and revenues and eventually we settled into this which simply shows the reserve balance, just what we wanted. This was developed and we've shown here 2014 and 2015 year to date and walking through the events of the year, many of you already know this, but the first number there shows the year has a cycle when they get their revenues and expenditures. The first is the bond pool transfer which happens early in the year. That's something the Commission approved last year so we could take the three percent fee legally out of there. That happened in July after the fiscal year closes and we can calculate it and then you can see the second one there is actually something in '14/'15 and that is the funding of the SageBrush Ecosystem Committee. That was \$140,000 over a two-year period there, so you can see the money has gone down as it comes out there. The third number there is the revenue from mining claim fees which start more or less in September. There was a bump in 2014, but the big

bump seen there occurs in September/October when claim fees are collected by the recorders and the counties, some of which remit monthly, some of which remit quarterly, start to send us those revenues. That occurs all on through November. Shown there in November some of the counties that pay quarterly are paying then, and then at that point after November those revenues are largely collected. We do collect mining claim fees. The counties remit them to us all year long. Those are mainly new claims or refilling of claims of things that come in that don't have the direct correlation with their annual fee. Number four, thank you Mr. Callan and Forest Service monies when those came through this year. There's one pending that Mr. Callan mentioned of \$60,000 that will happen in the latter part of the year that helps fund our program. The fifth is the annual geothermal production fees, which are mailed out and then start to come in after the first of the year. Oil fees come in continuously through the year because they're paid monthly by the producers, and there's not a big number there so you don't see that here as one impact. It's continuous. Then the final, the sixth one, the big one there, which is the Mackay \$2 claim fee donation which shows there in the spring. It's shown where we are at today. Year to date is about \$100,000 below where we were last year. That's largely due to the fact that claim fees declined again this last year. Looking at the rest of the year here, there's two revenues that could potentially keep us above that \$750,000 reserve guidance limit that the Commission has discussed and laid out, and it's shown that line we put in there. One is the \$60,000 from the BLM assistance agreement that we have and potentially \$32,000 from Newmont's - Long Canyon, which would be the \$20 per acre fee that we collect for new plans of operation. That was approved last month, so we're anticipating that might come in by the end of the month and between those two we're estimating we probably would stay right just above the \$750,000 by the end of the fiscal year, which is June 30th. That's really it. Mr. Perry asked for any questions and if that explained the year?

Commissioner Mudge stated the only thing he would add is maybe a projection through the end of the fiscal year.

Mr. Perry stated that at the last meeting Mike Visher did an estimate of that in a spreadsheet and that will be put up again. They've been tracking that to show where they think they will be at the end of the year, but it wasn't put in this one this time but will at the next meeting.

Commissioner Bryan stated that John Snow alluded to the Advisory Board Meeting this morning at Mackay and Russ Fields brought up the fact to the Advisory Board and anyone who wanted to listen that the school, College of Science-Mackay be assured of that \$400,000 in perpetuity. There's no guarantee that that \$400,000 from the Commission will keep coming to the school.

Commissioner Snow stated that Commissioner Bryan was right. They went further on to say that they were going to be heavily reliant on it through 2018.

Commissioner Bryan stated that the agreement is through that, but they're going to go to the university to see if they can replace some of that money so there's no reason to do anything but two, three, four years down the road just to keep it on the radar.

Commissioner Mudge stated that Russ also said that they've got \$3.3 million from Marigold in the endowment now. That agreement that provides the royalty monies to Mackay expires in 2020, and of course, their second five year is a unilateral that we committed to do. There's no real agreement, so that five year would end before that. We'll want to be pretty strategic in when we approach the university and potentially discuss potentially another deal in which we would ask for royalty to continue and maybe in return give a commitment for more claim fee. Commissioner Mudge stated he doesn't think they want to do it today to sign something that far out.

Commissioner Bryan stated the question is if that agreement does cease in 2020, what do we do with the \$2 claim fee.

Mr. Perry stated he agrees that now is not the time to discuss anything. We'll be at the end of this fiscal year where we're okay if we want to hold the \$750,000 a half a year of reserve and strategically we laid out a plan a little over a year ago that had its first component kind of come together today with SB 44 passing, and that is let's fix the fees for oil, gas, and geothermal because you can't really go back and ask people for more claim fees when they're paying somebody else's program. So the second half of this year we can go into rulemaking on oil, gas, and geothermal fees and that should positively impact us next year. We will not have the SageBrush Ecosystem funding so that will positively impact us next year. The big question is what's going to happen with claim fees. If it continues to decline as it has, Mr. Perry stated he can't tell them that at some point next year they won't be below \$750,000 and have to do something. That's a call that the Commission will have to make. Mr. Perry stated he thought about the \$2 fee

and understands how important it is to them but he also believes right now they've had to not fill one position when Goerge Bishop retired and they don't have in the budget any money for the Bureau of Mines and Geology next year. That is going to be the first thing that hits us. As Russ articulated and we got what the monies for the \$2 is used for, it's all going to pay salaries in mining engineering. That's what it's used for. We have gotten a lot of value over the years with the Bureau of Mines and Geology for specific studies that they do and the annual minerals report. In reading the agreement, you as the Commissioners can request a meeting about where and what the money is being used for and make recommendations. Ultimately, the way it reads, they get to decide but you may want to say, 52 percent of the claim monies come from junior exploration companies and 48 percent from major companies, so if you look at where the revenue is coming from it's about half and half. Right now that \$2 is 100 percent going to pay for mining engineering which might fit more of the large companies needs but not so sure the junior companies are going to say that's fair if the Gold Building not be open anymore. That is a question of what the next year make look like, is this fair? Maybe it's time to ask that question of the university of there's two stakeholders here that are paying fees and one of them wants the Bureau of Mines and Geology to stay open so they serve their customers and the other one wants mining engineering salaries paid.

Commissioner Mudge stated in his opinion, one, they stay above \$750,000 and we make sure we do that. Two, we do whatever we need to do for fees to get our AML program back up. Three, we'll want to continue as long as there's a good royalty forecast for Marigold we're going to want to continue this \$2 claim pass through to the university. The last thing, a little bit of history, when Milt came to us and said the mining engineering program is the most expensive one on campus and it was \$800,000 a year and I'm cutting it to \$400,000, you guys in the industry go find me the \$400,000. It was for the mining engineering program. It doesn't mean we can't change it. It's worth broaching but just that little bit of history.

Mr. Perry stated that's good history but since 2008 they have twice as many students and they've hired more people in the department. NDOM is down one headcount. I just want to make sure that the Division of Minerals is priority one.

Commissioner Parker stated that Russ Fields made it perfectly clear that you would listen but that money was definitely going to go to the teachers and the engineering program as long as he was there, so not too sure if he's really open to these negotiations without some of you folks working on it in the community, trying to balance that out.

Commissioner Bryan stated he doesn't know if he would agree with that. He doesn't think Russ Fields is going to make waves with the Commission.

Commissioner Mudge stated he didn't get that sense and stated we do have a meeting on the 14th to talk about this very thing.

Chairman DeLong stated specifically for the Mackay royalty but we can tie this into that discussion.

Commissioner Gibson stated has anybody ever resolved how they're going to handle the \$400,000 out of the bond fund or just ignore it. No one has approached the Governor he assumes and asked Mr. Perry if he's had any communication on the subject.

Mr. Perry stated he has not broached that subject.

Commissioner Gibson asked if they wanted him to.

Mr. Perry stated that he can. Historically, what happened just the last two, three months ago, the state before the legislative session started to meet didn't have enough money to make it to the end of the year, so reserves were swept out of all state agencies just to get the state through this legislative session. NDOM did not get swept, but we have almost a million dollars sitting in the same account right now, which will be reported on in a minute.

Commissioner Snow stated he had one follow up to reemphasize what Rich said about the division between the salaries for mining engineering and the Gold Room, we as a regulatory and oversight body have statutory regulatory requirements for Gold Room data, cuttings, core, well logs to be deposited there and we've consistently funded and helped support that effort to keep it alive. There needs to be definitely consideration for the two sides of it, the Nevada Bureau of Mines and Geology via the Gold Building and the responsibility because if they were to shut it

down, which is probably unlikely, we require that data to be submitted by industry. It's got to go somewhere. Jim Faulds stated it's improved. He's looking to hire a manager for the Gold Building so his budget has improved some.

FOR DISCUSSION ONLY- NO ACTION TAKEN:

D. Mining Claim Form Task Force Update

Mr. Perry asked Commissioner Bryan to set the stage for how this started.

Commissioner Bryan stated that there was 2000 mining claims and we have an attorney and we were talking mining claims and said somebody you should probably, since you're on the Commission, look on what's on your website that you give to the public as this is the form for the mining claims, so that's where it came from and we started looking at the ambiguities in the mining claim form. We've had two meetings so far involving himself, Dave Parker, Rich Perry, and Bryan Stockton from the AG's Office and Mike Visher. We had a meeting last Friday. This is the latest form. Not sure if we're ready to vote on this as of yet. Richard Harris was there and he gave his approval to this. This is the first time we've seen the final version. This is what came out of last week's meeting.

Mr. Perry stated that was correct.

Commissioner Bryan stated that he would propose that we don't vote on it this meeting and wait until next meeting to absorb it all and see if anybody else has any comment.

Mr. Perry stated there are 17 forms in here. That's how many mining claim forms there are on the website. Some of them are very seldom used. We actually took four or five of them that were the basis of the ones that we really wanted to look at and he and Mike worked through and changed some of the other ones to match because the changes were pretty minor.

Commissioner Bryan stated there were two major issues that he recalled. The affidavit annual assessment actually was the ambiguity of September 1 of this year and last year and future years and hopefully we've cleared that up because it was very unclear. Plus down on the bottom, the owner, the claimant, the agent, the lessee, that's still a little confusing, but Bryan, that's kind of the ambiguity that comes from the actual language in the law.

Mr. Stockton stated he believes that's been cleared up but it comes from certain statutes like in the early part of Chapter 517 it talks about the locator and the requirements for the location and for a locator and that's where that came from so we made those changes to the location forms.

Commissioner Parker stated the idea to come up with circle one of these comes from the fact that any one of these people could be filing this document and the name of the person that the document is being filed for is up at the top, but then at the bottom whoever signs it that needed clarification of whether it was going to be the owner or the claimant, agent, or lessee. The circle one came in because we just had those names in there and so nobody really identified who they were. Hopefully, this will make them at least circle one of those so it's a little clearer on who is filing this on behalf of the owner. That was pretty much the same for all the documents.

Mr. Perry stated there was some reordering of things and shortening of things to make them clearer. One we put a lot of time into, going to the Affidavit and Notice of Intent to Hold, if you recall the form we have now has quite a large amount of verbiage that's a little bit confusing about last year's assessment year, this year's assessment year, and there was a lot of thought put in by the group to try to make this clearer to a user. Now it says the undersigned certifies that the owner or claimant intends to hold the mining claims for the assessment year end being September 1 and then the date insert assessment year to try and clear up. The previous one had the year before and then the year in the future. It's had some really good legal pro bono work by both Rich Harris and Tom Erwin in the meetings. He and Bryan had spent time looking at the statutes and going through each of the forms to make sure that what is in the statutes is reflected on the form so that we checked all those boxes. One of the final steps here other than just taking one final look is Mr. Perry had given a talk a couple months ago to the county recorders in Virginia City at their annual convention and asked them and told them something is going on here with these, we're looking at them, would you assign somebody in the county recorder's office to take a look because there's legal things about the font, the spacing, the amount of space that the recorder needs here on each one of these claims so it was sent to them two days ago. They were very appreciative of being involved in it and probably over the next three weeks we'll get some comments back from all the recorders. They're the people that collect our fees for us so we want to be very upfront

with them and let them know what's going on. We'll spend a little time in conference calls with them just explaining some of these other forms that many of them aren't familiar with. Placer Claim Association by Aliquot, Mr. Perry stated he's never done one of those and didn't know what it was until we sat down and went through this process.

Commissioner Parker stated that throughout this process he'd like to make clear that there was never any legal problems with the documents that had been provided over the years. This stemmed from trying to clarify some of the language and simplify the forms so it would help reduce the number of calls that Mike and the Department were getting to answer some of those questions so hopefully this will help resolve it.

Commissioner Snow stated that working with the recorders is excellent because these conform to the state statutes on the borders in the square area here whereas oil and gas ones don't, and every time you have to file depending on the county, Lincoln County as an example, for non-conformant for this square area here, a federal lease for example, will not have that. Rather than the \$1 per page filing fee, you pay a \$25 per document setup fee and then a penalty per page for each page that doesn't conform so it adds up. It's a fairly big difference in the bill when these things are right.

Chairman DeLong asked Mr. Perry to put that on the agenda for the next meeting.

FOR DISCUSSION ONLY- NO ACTION TAKEN:

E. SB-44 Update

Mr. Perry updated the Commission on Senate Bill 44. Senate Bill 44 started a little over a year ago with the review of costs in oil and gas and the decision to request a change in the cap in the statutes and in Chapter 522. The Commission approved in September a theoretical chart of fees, actually on 1/16/14 on the basis of the CMR subcommittee, and we used that as we went through this process when we wrote the bill language and it started in the Senate and we got the feedback that legislators said we should have a cap on this, don't want things to be open-ended. So it got three numbers put in a cap for a conventional well of \$2,000, a cap for an unconventional well of \$5,000, and that's based on that January table that the Commission approved. Just took the highest number and added \$500 to it. It doesn't have a cuttings fee like was envisioned so if that's added it's right at that number of the cap. Also, a cap for a change on a well permit which is the verbiage that's used in the bill because sundry is not defined, but it's really a sundry. There was no sundry in oil. There's a cap of \$400 in that. We get a lot of sundries every year. So that passed the Senate. It went through Senate Natural Resources, passed the Senate as you all know, went through Assembly Natural Resources last week with testimony by Commissioner Henderson who did a great job and had second reading yesterday and it went to the Full Assembly today and was voted affirmatively 35 to 7. There was a little bit of confusion yesterday. Some of the lobbyists from the oil companies and also actually from the Nevada Conservation League assisted in getting some of those things back on track. Mr. Perry stated he started at 7:00 and worked his way through. Here's the list how you work the assembly. It's a lobbyist card of who to talk to. We made the rounds this morning and came up with the last few votes. We needed a two-third vote so we needed 28 votes. We got 35. At this point now it will go to the Governor for his signature, so we're there. With that, it would be prudent if we put together draft language for what we've talked about on fee increases for the next meeting for the Commission to look at because we've pretty much got all that done. We did geothermal. We did oil and gas. We need to take the actual language in the statutes and work that in so that there's something for you to look at, give a blessing to or modify before we head down that path. We've got a legislative change. Now we get to do rulemaking again.

Commissioner asked if there were any reasons why the 7 voted against it.

Mr. Perry stated that yes, there was a group that signed the no tax pledge and apparently what happened yesterday is those who were outside the legislature they entered into this that this is a fee increase so this would violate your signature of the no tax pledge. That's the explanation from this morning.

Commissioner Mudge asked as the legislatures typically passes laws you hear about something goes into effect on January 1st and something goes into effect in a year, but this goes into effect right away as soon as the Governor signs it.

Mr. Perry stated it's in the bill July 1st, 2015.

Commissioner Mudge stated it will be in effect by the time we meet again.

Mr. Perry stated that was correct, which will allow them to start rulemaking.

Commissioner Mudge commented a great job for Commissioner Henderson and Mr. Perry. It's not easy getting a bill through the legislature in Nevada and they were very strategic and worked very hard.

Mr. Perry stated he never expected to be lobbying.

Mr. Stockton stated you weren't lobbying but explaining.

Mr. Perry stated it was one of the first few ones that made it through and that's attributed to the Commissioners that went with him and the key was the first two weeks getting the folks in natural resources in the Senate and Assembly so they knew because if it doesn't come out of that first committee and it lingers, that's trouble. We put it in the right one in the Senate where we have friends that people knew, and it got out after a month of what is this and we had to go in and explain it to them because they're coming in for their 120 days. After realizing some of the Assembly people were new and don't know anything about the business, and Mr. Perry said he was remiss on talking to just those on Assembly natural resources. If there's another bill, have to go to them next time. Mr. Perry stated he didn't think they could've done it without Western States Petroleum Association and Noble were there.

Commissioner Henderson stated the Governor put this on his list of bills for us, which if he hadn't done that we would've never got there so also he helped a lot.

Mr. Perry stated the Governor and his staff helped us with this strategically early on.

FOR DISCUSSION ONLY- NO ACTION TAKEN:

IV. STAFF REPORTS

1) Mining/Reclamation Bond Pool - Mr. Perry stated he would report for Mr. Visser. Changes in the bond pool since the last session, the ones listed above are plan level bonds that we have, and then the notice level bonds of which there's many, many more are not listed here individually so you can see our total bond amount is \$2,953,000. Cash in the pool's account \$3,859,000 so we have a reserve. However, going up through there when we bond for plan level we do not require 100 percent. Notice level we require 100 percent upfront, and those are typically \$5,000 to \$25,000 bonds for exploration because those are defined as 5 acres or less. The plan level we do not start off with the full amount. Over the first three years they're required to pay it so we need some reserves should any of these plan level folks default on us and we have some that are not fully paid up yet, so it's unfair really to say we haven't a reserve of \$906,000. The activity in the last three months, the Art Wilson Company exited the plan level bond pool. That's the gypsum mine. Art Wilson Company had been in it for many years, started when the calculation was a little different, so actually they paid an enormous amount of that reserve over the years, and we actually had lunch with Art and he explained some of the history of that to me and we really recommended that Art exit the pool, take his money which was fully paid, and go directly to the BLM and not have to pay this three percent every year so that is what happened. He's bonded with the BLM now. The activity levels are low, more refunds than increases. There was one new one, two new ones, TNT and the Big Canyon Placer, which are in here already. That's the activity on the bond pool.

Commissioner Bryan stated Southern Nevada Lightweight down in Southern Nevada is kind of in the same position that Art Wilson was. They've been in the bond pool for literally years and years, and it would be nice for them to get a little break.

Mr. Perry stated he would look into that and see if they can make a recommendation to them similar to that. We have three right now that are terminated. Western Mine Development, all three of those, so we're chasing those down. That's the bond pool. Mr. Perry stated he had a couple things he wanted to make the Commission aware of on oil, gas, and geothermal before Mr. Price gave his update. Several times in the last several months we have met with the Governor's Office of Economic Development trying to engage them in what kind of synergies we could do, and Mr. Perry gave them a presentation last year after discussions with some Commissioners and some people from industry, and next week we actually have something set up called the Nevada Mining and Exploration Investment Initiative. It's with Kris Sanchez with GOED and one of his assistants and Dana Bennett and Dave Shaddrick who

wanted involvement. Mr. Shaddrick pushed this and said he'd like to meet the GOED people, understand what they do, and the intent is there's two people from GOED that travel internationally looking for investment money to come to Nevada. That's a big deal with the junior exploration companies, so Rich has been invited. It's next Wednesday in Carson City, so we're going to sit down and talk and see if we can start some mechanism here where we have linkage and they are helping the junior companies find financing and that's one of the major things not just with junior companies but some of the mid tiers right now. Some of the projects have a tough time moving forward due to lack of financing.

Commissioner Bryan stated they've helped the Nevada Mineral Exploration Coalition when they went to PDAC.

Mr. Perry stated with the roundup with the donation for their booth.

Chairman DeLong asked if that's meeting on the 13th?

Mr. Perry stated it is the 13th, Wednesday. Early on in the session one of the legislators, Assemblyman Edwards, asked in meeting with him about the bill what would constitute economic development in mining. Mr. Perry called Russ Fields and had to come up with kind of an answer fairly quickly. He was looking for something of a white paper that he could plug into a legislative nuts and bolts thing that happens at the end that funds economic development stuff. So we cooked up a white paper shared at the last meeting with the Commission on toll processing or a smelter in Nevada which is something that some of us concluded was lacking here. We've got deposits. We've got base metals, but we're shipping base metals to other countries and yet we have copper deposits we're drilling out; is there something we could do here that would make sense in a business study? We put down \$100,000 and we talked to him this morning and he said it's got a placeholder so we'll see if it goes. That would be \$100,000 for us to go and probably jointly with the University hire someone to do a business study. We're not designing the smelter but sort of gather up the facts and do a study of what kind of deposits we have, what kind of processing are we lacking, and if there was that where would this thing go.

Chairman DeLong stated he continues to put thought in that. One of the other items that he continues to hear from some of the companies he deals with in his business is carbon processing on the gold side, a centralized facility similar to what Barrick has done with their mines. They ship carbon internally.

Mr. Perry stated that was a good point and stated that Mike is at the IOGCC in Salt Lake City next month. He'll go in Mr. Perry's place and they'll rotate back and forth so they both stay involved with that.

2) Oil, Gas, and Geothermal (Oil and Geothermal Update) - Mr. Lowell Price stated off with showing the Commission the current Noble location K1L-1V near Jiggs, Nevada. He and Erik went out last Sunday. They were supposed to have a loadout sale on Monday. However, things were a bit delayed, and they didn't actually bring the well on until Monday. He presented the crude. It had a bit of wax in it. The actual oil is around 35 degrees so it's a lighter oil. It just has quite a bit of paraffins associated with it. This is just a portion of the pad. Basically, what they've installed is a small tank farm with six tanks. Two are dedicated to water and four are dedicated to oil, which is very nice. Normally here in Nevada, it's the opposite, less oil and more water. Each tank holds 400 barrels of fluid. More or less the impoundment area right here, even though this looks fairly short, this impoundment area will hold all the fluid in all the tanks plus a bit more. There's about 660 percent impoundment rate. This shows it closer. This is where they actually loadout the oil. There's another one on the other end of the tank for the water. Again, this is the impoundment area. It's gravel lined. It's underlined with plastic. This line here, of course, this is how the oil is fed into the tanks. But also, this is an insulated line and they utilize glycol and they heat up glycol with a heat trigger. Everything from the wellbore to the oil, gas, water separator and then onto the tanks, everything is lined. Going on to the next one, this is actually the well head. The oil basically will come out through the well head. The line comes out of the well head, goes over here, and then it goes underground back to the tank battery. This top piece, they call it the stuff box, that's probably in terms of leakage which is usually very, very minor, but that's usually where leakage is seen on these well heads out in the oil feeds. It's not that prevalent but for the issues related to oil fields it's probably the most common. Basically, it's a seal and they can keep tightening that seal to the rod right here to keep it sealed but after a certain period of time it just wears out. This is heat trigger. This is what heats up the glycol here. This is the vertical component or vertical piece of equipment. This is the oil, gas, and water separator. The well comes into this building right here. It comes into the building through the top, comes down, goes into the oil, gas, and water separator and then the various fluids come out in their own circuit basically. They utilize the natural gas that's being produced with the well to run a generator which basically runs all the equipment onsite including I'd say a rather sophisticated alarm system that they have setup for any potential problems. If there

are problems, the well automatically shuts in. They give it certain parameters. If the well pressure exceeds a certain amount, then the well automatically shuts in. One of the lines will go out to the flare. The excess gas that's not needed, it will go out to the flare and it will be burned off. There's another flare. These are the two flares. This is the main flare for the excess gas that they produce that they don't utilize. This is a smaller flare and what they flare from this one is the gas that will collect at the top of the oil tanks that wasn't totally stripped out of the fluids as it went through the separator. Whether it be the oil tanks or the water tanks, that excess is basically drawn off. This is the pipeline and will go out to where it will be burned off. It actually will pass through this vessel here which is an additional separator which if there's still any liquid within that gas it will actually pull them out before it's been burned. This particular house is where they measure the flow of the gas. Back to the tank battery, this is the actual here for the tank. It heats from the bottom up. It has a one-inch gas pipeline that comes into this heater. They maintain the temperature of the tanks at 140 degrees. The reason it's that high is that they've got probably a five-hour trip to Salt Lake City to the refinery because it's being trucked right now. So they keep it at an elevated temperature. That way it will hopefully hold that temperature all the way to Salt Lake City and stay at that 90 degrees. Once it reaches around 90 degrees everything just starts to solidify. This is actually within that building. This is the device. They use an orifice-type flow metering system. This is the actual control box for that.

Commissioner Mudge asked what's their production rate or once they get up and running full steady?

Mr. Price stated they hope it's a whole lot. They don't know at this point. They're guessing at around 400 barrels a day, but they just don't know. They started the production Monday afternoon, and the well is actually flowing on its own. They weren't having to utilize the pump jack that you see there in the picture. There's more gas in the system than what they actually thought there would be and so right now the well is flowing just through a gas lift basically. In time, that will dissipate off. It may have already. I just haven't heard from them on that, but they're hoping for around 400 barrels a day. I've heard estimates up to 800 barrels a day, but that may be pretty optimistic, primarily because we're probably talking a zone that's definitely less than 100 feet. So 800 barrels a day just may be a little bit optimistic. We don't know what the water cut will be yet and it hasn't been established yet either because the only thing that's come out of this wellbore is after they hydraulically fractured the well, it was just a flow back coming back from the well. That's the only thing that's been produced so far. So now that they're on production mode if they do it like the M2C well they'll run various production tests for around a month, maybe a bit more to try to find that optimal production level for the well. However, on this one they have to keep the gas in mind as well. The actual gas they're encountering in the well may limit their production. Their air quality permit with NDEP allows an average of 300 MCF a day. Some days they might produce 500. Other days maybe 100. But all in all at the end of the year it has to average out 300 or less MCF per day for the flaring aspect. When they brought this well on, they had to choke it back quite a bit so they wouldn't exceed basically their daily allocation for gas. They didn't mention what size it was. However, this well has been sitting here since December basically. They may have more or less kind of an initial gas cap where it's collected around the well water and in a short period of time that gas that's migrated in may just dissipate off and we may get more of a normal background type of gas.

Commissioner Parker asked what did they do with the water that they were fracking with?

Mr. Price stated it's going to be fairly expensive for them. They're going to continue trucking it over to Duchesne, Utah. There's a commercial disposal well in Duchesne. That's where the flow back from the frack job went on the first well was the Duchesne disposal well. Donald Peacock, who is a completion engineer for them, he said unless you'll let me put it in the M10-C, and that's not up to us; that's up to UIC and he seemed to be surprised that it was an agency outside of ours that would actually approve the disposal of the fluid. We went through the history to let them know that if they wanted to utilize that well they need to get things going with UIC, which they may end up doing. Actually, if they start having better and better production like this well, Mr. Price stated he can foresee them actually drilling an injection well for disposal within each of the project areas assuming they develop all three project areas; the two federal units on the south end and north end and the private area in between.

Commissioner Snow stated obviously there's some temperature involved to get the stuff out of the ground flowing, natural temperature.

Mr. Price stated it's flowing out of the ground at over 110 degrees so they've got a natural heat source, which is excellent. The only problems that they're going to have with the paraffins and actually what the drilling superintendent said in going back to this particular for the second round of fracking, the initial interval sanded out while they were towards the very tail of the frack job and so that job was terminated. They probably had not even 95 percent of the frack job behind them when they terminated it. They did have flowback with proppants and we

were able to get those proppants shipped off to Idaho as well, which was a very positive thing, tracers within the proppants we had sent back. Mr. Price then asked Commissioner Snow to repeat his question.

Commissioner Snow stated he was asking about the natural temperature and he assumes it's tank gauging, not a LACT unit.

Mr. Price stated that was right, everything is gauging for now, so that's depending on you guys.

Mr. Menghini stated he'd got a little knowledge of this well and it's an outstanding well that will put Nevada on the map. It is federal subsurface state surface so it's all BLM. They have seals on all the tanks that it's illegal to break a seal so when they do sell a load they have to break a federal seal. It's like a little metal band and we put those on all the valves when the valves are in the closed position. So when the truck comes out and loads out, he does a grind out and if it's within the percent that the refinery will accept it then he'll load out based on tank measurements of tank gauges. Then when he leaves, he'll put new seals on them so at any time our inspectors or anybody can go out there and make sure that the seal number matches the run tickets and then they have to submit their run tickets to Honor, and that's how we get our 12.5 percent royalties and in turn that's how you guys get your royalties or your portions, your half. So it is exciting. The issues are the pumping unit came in at 45 feet tall. The environmental document for the California trail only allowed 30 feet and if you know anything about oil and gas you can't sink a well 15 feet into the ground to abide by a height limitation so they have a SHPO clearance that the visual is okay. They have so much gas out there now they have to bring in another flare so they're dealing with disturbing the Sage-grouse with the additional flare.

Commissioner Snow asked if there's an estimation how long before the start of the participating area calculation?

Mr. Menghini stated he will probably start within two to three months if it stabilizes. Right now, he doesn't foresee the gas drive going too much. Part of it might be the bio-stuff what they used to frack the well is causing remedial gas spoiling down the hole, so not sure if there's a big gas drive on this. Once they start using the pumping unit everything that they produce gas-wise will, of course, go down because they have to run the unit. They'll be running more treaters. They'll be running more tanks. That gas issue will go away and then when they start stabilizing he'll do a reservoir parameter and figure out what the size of that drainage circle is.

Commissioner Snow stated when Grand Canyon and Kane Springs came online and with those kind of surface temperatures you're outside the API spec and the algorithm to net back to 60 degrees F and one atmosphere. At that point, they were approved for special management disposition.

Mr. Menghini stated he hadn't looked that far into it, but that might be something to look at. Right now, the units that Lowell speaks about is the two federal units. They're required to drill two more wells in each unit. So October/November is their deadline.

Mr. Price stated they need to drill. He was talking with Tom Schmidt with the Elko District. If they're lost, they probably won't come back due to Sage-grouse. They are grandfathered in. They have releases.

Mr. Menghini stated that was correct because of the new ruling that came out about Sage-grouse no longer being threatened to be listed.

Mr. Price stated it's just the bi-state, the one to the south, down towards Bridgeport so that won't affect this. In terms of permitting, this is not through the first quarter. This is actually up to from the first of the year to date. We've permitted seven geothermal wells. Five of them are production wells. Four at Wild Rose. One at Salt Wells. We permitted one domestic production and one domestic injection. On the oil side of things we've only permitted two oil wells. One is the Tetuan Resources, Mariagnes. This will be drilled. It's a follow-up well to the original Mariagnes well and it will start most likely end of May, mid-June, somewhere in there, May 16th. The other well was Petro-Hunt, Jake's Valley #1. This is the only time that we have ever permitted a well on the BLM lease, on a BLM lease prior to the BLM. In this particular case, the Division of Water Resources would not issue a water well permit without having either the BLM permit in hand or our permit in hand. So we went ahead and permitted that well. However, they decided basically not to drill it and they've lost the lease. They pulled out of Nevada. In terms of activity on the geothermal side in drilling, Ormat Nevada has drilled one injection well at Wild Rose and Wild Rose if any of you don't know where it is, it's about 8 miles as the crow flies east/southeast of the Rawhide Mine. As you go south out of Dixie Valley up over that summit and then drop into the next valley, it's just north of

Hawthorne. The Rawhide Mine is on your right as you enter that valley and Wild Rose is out to the southeast. Ormat is expanding the Wild Rose facility. They currently have a 22.5 megawatt capacity plant there that is running. They're building a duplicate plant to it and with four production wells and they'll actually end up drilling two injection wells are to be dedicated to this second circuit. U.S. Geothermal, they completed the drilling of a production well in Crescent Valley down near the Cortez Pipeline area just north. No information as to the outcome of this well. U.S. Geothermal also currently has five TG hole permits with NDOM. They just received BLM approval, so the permits should be approved sometime next week. SAM Oil tested the Pluto 27-1R well out just to the west of Ely about 20 miles along Highway 50. The testing didn't really go well in that they didn't find what they were looking for so they abandoned that well. Makoil is still working with the BLM to permit a Murphy Gap well in Coal Valley and Tetuan should be spudding here in the very near future as a follow-up well to the original well near Mount Hamilton.

3) Correspondence - Mr. Perry stated there was nothing really significant in terms of correspondence.

Commissioner Henderson stated to Mr. Perry that moving forward they need to look at their bonding for oil and gas wells in light of this recent P&A that we almost got caught with, so maybe in the next meeting we can start looking at bonding for oil and gas.

Mr. Perry stated he can put that as an agenda item and they can pull out the work that Lowell's done on what it costs and then the statutes too so we can have that discussion.

Commissioner Henderson stated they also have history of other state requirements they can put together so he and Lowell can work towards that for the next meeting.

Mr. Perry asked for possible future agenda items.

Commissioner Bryan stated the BLM has just extended their comment period for 30 days for their draft resource management plan on environmental impact statement, and he wanted to let everybody know if they haven't commented, they would like to see more comments. They're proposing to withdraw 450,000 acres from the mineral laws, mining districts involved.

Mr. Perry stated he does get something from the Nevada State Clearing House on just about every EA and EIS that comes through, mining projects and all. Every state agency gets them and the requests it's organized by State Lands and it basically comes together and forms the state's response from various different agencies to any of those. The question is how does this impact your agency and so forth, and he does respond to some of those. This one he did, and he shared it with the Commission. He can start sharing responses that they're doing. Some state agencies there was five alternatives there. State Land Use Planning had a very different view than we did, but he did comment back because they engaged the BLM back in January at the Geothermal Resource Conference and did a map of all geothermal resources in the whole area that Erik put together and we supplied that to them because we wanted to make sure there was no reduction of areas.

Commissioner Bryan stated the Nevada Mineral Exploration Coalition asked him why the Division of Minerals is not more involved with furnishing factual data because some of the data they're using is confusing and lacking.

Mr. Perry stated they did supply to them AML data within the envelope of what was there.

Commissioner Bryan stated that was at the last minute. The next one coming up as he understands is Battle Mountain, and that's going to be an important area. This is oil and gas and geothermal and everything.

Commissioner Mudge stated what's the driver for these withdrawals; is it Sage-grouse?

Commissioner Bryan stated you'll have to ask the BLM. They've got to update their resource management plans every so often. They might know more about it.

Commissioner Parker stated it hasn't been updated in 20, 30 years, so they're way behind and a lot of the withdrawals were particularly for the gravel pits. They wanted to concentrate what areas they had already taken gravel from and not have these areas open for material to be taken cavalierly. They have lands with wilderness

characteristics that they've had to address that they haven't addressed before, so some of those withdrawals come from that.

Commissioner Bryan stated there's a lot of Sage-grouse involved. It's 1,500-page document with hundreds of maps and it's a formidable document to go through.

Commissioner Parker stated the Sage-grouse will mirror exactly what the federal mandates are. That's how they'll address that and it bodes fairly well for the other Sage-grouse areas.

Commissioner Bryan stated it needs to be discussed.

Commissioner Henderson stated on the hydraulic fracking, the regulations, the BLM has come out with their own hydraulic fracking regulations and will quickly say that we weren't deficit in any area and maybe we were a little more protective in some areas and maybe in the next meeting might give a little analysis of how we compare to those hydraulic fracking that the government has come out.

Mr. Perry stated they should have an answer from the BLM on their variance request too. The Geothermal Resource Conference has got a September meeting in Reno this year and with that we were discussing at the last GRC meeting about the fact that we've had 30 years of geothermal power production. It started December of 1984 and came online in 1985, so we thought should we have something that commemorates for this meeting since it's in Reno 30 years of geothermal power production in Nevada. When John and some of us started talking about this, we contacted the Governor's Office of Energy and they said we'll help you run with the ball on that. First, there was a discussion of the Governor doing a proclamation and they took that to the Governor and determined it didn't qualify as a proclamation, but the Governor could still do a certificate and a welcome letter commemorating it at the beginning of that meeting. So we put together some names but we will organize that soon to put together the plan. It will be Governor's Office of Energy and Commissioner Snow and myself and a couple people from the Geothermal Council to come up with a plan to commemorate how to do that to celebrate a real success.

Commissioner Snow stated as a follow up to that, Rich had asked about the likelihood of having minted some medallions similar to like a mine opening. In 1994, the Nevada Petroleum Society minted to celebrate the 50th anniversary of oil production from 1954 and those are distributed and there's one of six hanging in the Division's office. Commissioner Snow stated he's an officer of Nevada Petroleum and Geothermal Society and yesterday that was a board meeting and got approval to take that effort on. A taskforce was formed so John Menghini, himself, Bill Ehni and Mike Evans are the taskforce and we were the taskforce when we did the 1994 oil ones so we had the Marshall Mint mint those and have authority for the budget to go forward with it. One of the issues is would we put the state seal on there, so we're going to do that as a society and work with the group to make that event nicer.

Commissioner Bryan stated along that same line what about the hundredth-million ounce for the Carlin Trend; when is that coming up?

Chairman DeLong stated he talked to John Price and he thinks it's in the 2020s.

Mr. Perry stated also need to look at the Battle Mountain Eureka Trend. There's going to be a celebration of 50 years on the Carlin Trend next month. We'll have to start looking and gathering that information to celebrate those things. We would need to get enlistment with the Nevada Mining Association. That's where it was originally, the 50 million ounce coin because we can't mint the coin but we can certainly help and validate we're there.

NO ACTION NEEDED

COMMISSION BUSINESS

- A. Determination of time and place of next CMR meeting** – The next CMR meeting was tentatively scheduled for Thursday, August 27th and Friday, August 28th, 2015 in Elko, Nevada.

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

No public comments were made.

ADJOURNMENT

There being no further business, Commissioner Bryan made a motion to adjourn the meeting which was seconded by Commissioner Mudge.