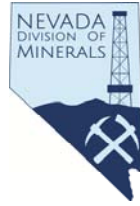




STATE OF NEVADA  
 COMMISSION ON MINERAL RESOURCES  
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**BRIAN SANDOVAL**  
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**COMMISSION ON MINERAL RESOURCES**

Legislative Counsel Bureau-401 South Carson Street, Carson City, NV 89701 Room #4100

**Thursday, May 19 2016**

**1:00 P.M. – 4:30 P.M.**

**Minutes**

<b>COMMISSIONERS IN ATTENDANCE</b>	<b>STAFF IN ATTENDANCE</b>
Richard DeLong (Chairman) Dennis Bryan John Snow David Parker Art Henderson  John Mudge and Fred Gibson not in attendance	Richard Perry Valerie Kneefel Mike Visher Bryan Stockton (Senior Deputy Attorney General) Bill Durbin Lowell Price

**CALL TO ORDER**

Meeting was called to order at 1:05 PM

The Agenda for this hearing of the Commission on Mineral Resources was properly posted for this date and time in accordance with NRS requirement.

**ROLL CALL:**

Valerie Kneefel took roll call:

Richard DeLong, Dennis Bryan, David Parker, and John Snow. (John Mudge and Fred Gibson were not in attendance)

**PLEDGE OF ALLEGIANCE:**

Led by Richard DeLong

**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.

**Pam Robinson:** Governor Sandoval’s policy director, made a comment. She stated she has the privilege to be a part of the senior staff the Commission works with at the Governor’s office. She stated she has had a long history working in Natural Resources and was pleased to join the team. She said she meets with Rich Perry regularly, and has met with the Chairman Rich DeLong. She wanted to give the Commission an update on the greater sage grouse EIS which has had a great impact on the industry (Mining and Exploration) in Nevada. The Governor took it very seriously when the second EIS came out on mineral withdrawal and what it should look like in his

opinion. We looked at the significant impact to the exploration industry in particular and mining industry in general. The Governor asked that we get the agency heads together and figure out an alternative. Rich Perry has been instrumental in this exercise along with Tony Wasley the director of Wildlife and Jim Lawrence and others at DCNR have added expertise. We took a strategic look at the sagebrush focal areas, which includes 3 million acres in Nevada. They looked at where the mining claims are and where companies want to expand and explore. We also looked at the mineral potential. NDOM team looked at very specific and strategic areas that should be withdrawn from consideration. Then Tony Wasley went to work with his team and took a really sharp pencil to the areas that they don't believe have the same kind of Sage grouse habitat that the Secretary of the Interior's office has put forward in EIS. They looked at areas that might have better capacity to protect habitat and achieve the goals of the EIS, which is protecting habitat, increasing the birds. After many meetings, maps and GIS work, we came up with what we thought was a great package that eliminated 98% of our claims. As they entered into negotiations with the secretary's office, The Governor sent his response to the EIS and then met with the Secretary to discuss what this all means to the industry. They were asked by the Secretary to go back and put more information regarding the mining impact. This has now been refined to show more specific dollar amounts and a more detailed report as to what goes into a mining claim. We now have a solid package for the Governor to go to the Secretary with. The Governor is very committed to this and wants to express his gratitude to the commission and Rich and his staff. Thank you for your engagement, the information you have provided has been very much appreciated.

## **I. Minutes**

### **A. Approval of the February 4, 2016 meeting minutes**

**Motion:** approval of minutes with no changes was made by Dennis Bryan

Seconded: by John Snow

Unanimously carried

## **II. New Business**

### **A. Attracting mineral exploration and development capital to Nevada:**

A report on Nevada's presence at the Prospectors and Developers Association of Canada (PDAC) conference in Toronto, and Association for Mineral Exploration BC Roundup in British Columbia. Sheldon Mudd, GOED and Dave Shaddrick, Nevada Mineral Exploration Coalition.

**Sheldon Mudd:** Mining Industry specialist for the Governor's Office of Economic Development. He gave a synopsis of PDAC 2016 Convention of this year. They have a membership of over 8,000, primarily known for their annual convention. It is the premier event for mineral exploration. There were over 22,000 people in attendance, with over 100 countries represented. There were 16 national mine ministers, 25 federal parliamentarian and 6 provincial/territorial ministers. There were over 750 trade show booths, 626 plus investor exchange booths and over 504 speakers. As far as the United States goes, there were only 3 states represented at this convention; Alaska, Minnesota and Nevada. For such a worldwide event, there was very little representation from the United States. He showed several pictures of the other booths, to show the high tech show stopping displays, some with interactive kiosks. Some pictures showed the amount of people who were there looking for investments. The Nevada booth, as compared to the other represented countries, was minimal and does not really represent Nevada very well. There were many people interested in Nevada, and the outcome was 16 countries that will be coming to the Mining Expo in Las Vegas. GSN, NVMA just do not have the resources to put together an appropriate booth. He would like to see a consolidated effort from all of those in the industry to present in the same manner as the other countries.

**Dave Shaddrick:** Nevada Mineral Exploration Coalition. We had a 10 x 20 booth, which we only paid half the price we normally pay for. Normally, we get a 10 x 10 booth, but it is just not big enough. Costs: 10 x 20 booth is \$2,815., Minimal Furnishings and Wi-Fi: \$2,600, Graphics: \$500. 20 x 20 islands: \$5,630. Proper booth set up with captivating displays and furnishing is estimated to cost: \$20,000 - \$30,000.

**Chairman DeLong:** When you say no one has the numbers, does that mean you haven't asked for the numbers?

**Dave Shaddrick:** No, I've asked for the numbers, but they won't give us any information until we have a detailed idea of what we want and after July 15<sup>th</sup> for next year.

**Chairman DeLong:** asked if like other trade shows, do they have a waiting list?

**Dave Shaddrick:** there is a waiting list. GSN has a 10 x 20 locked in now. We would like an island.

**Chairman DeLong:** when would they let you know if you have the 20 x 20?

**Dave Shaddrick:** September. You apply in July and they let you know in September if you have the island or are on the waiting list. The PDAC is a convention where you have 2 billion dollars running around looking for a place to go. During Roundup, that is more of a capital investment kind of show.

**Dennis Bryan:** Does the \$20,000 - \$30,000 include the 20 x 20 island fee?

**Dave Shaddrick:** no that is just the structure. The island doesn't come with carpet either.

**Dennis Bryan:** is this a onetime cost?

**Dave Shaddrick:** it could be, some people do this every year and change their display for this event every year. I would suggest we get someone to house our display there in Toronto to save on the expense of shipping it there every year.

**Dennis Bryan:** we would not be able to use this at Roundup then.

**Dave Shaddrick:** we already have a room at Roundup. (20 x 30).

**Dennis Bryan:** what are you exactly asking us for?

**Rich Perry:** He stated he invited Sheldon to the Commission meeting to show us the PDAC convention. We are getting ready to put together the budget and thought it would be a good idea to have them do a presentation for us.

**Chairman DeLong:** Appreciated the presentation and felt it was important for the State to recognize that we are in a global competition for exploration and development dollars in the mining industry. He also stated that we have not been making ourselves attractive to that industry where the deals are made and PDAC and Roundup are very good places for Nevada to attend. We need to give some serious consideration to attend and promoting the State.

## **B. Strategic Planning Session for Fiscal Years 2018-19**

The State budget kickoff meeting was held on March 9<sup>th</sup>, with directions and schedules from the Governor's finance office. The Governor's Office provided a new Strategic Planning framework document outlining a vision, mission and strategic priorities for State Agencies, Boards and Commissions. Division Staff held a meeting on April 1 to develop budget assumptions and possible initiatives. to align with the Governor's Strategic Planning Framework.

Rich Perry will present assumptions and possible initiatives, and schedule for completing the budget process.

**Rich Perry:** Administrator for Nevada Division of Minerals. Gave a PowerPoint presentation on Budget and Strategic planning for the FY 2018-19. Governor's Strategic Planning Framework Goals and objectives for the next 5 years: 8 Essential Core Functions of Government, Quantitative performance measures for objectives, each primary activity must have at least one performance measure (efficiency, outcome or effectiveness). Budgets and Plans must align with the Governor's initiatives. He went through Priorities and core functions: Educated and healthy citizenry; education and workforce development, health services, and human services. This for NDOM would be Minerals education in schools and summer college internship program NRS 513. Efficient & responsive state government; state support services. For NDOM it is their web-site delivery of fillable-forms and information to public and businesses. Safe & livable communities, public safety and resource management. For NDOM it is the AML Program and the Oil, Gas and Geothermal well permitting and conservation of resource NRS 522 and NRS 534A. Vibrant & sustainable economy: business development & services, infrastructure & communications. NDOM-Industry outreach, Mines registry, record annual production, collect and disseminate information, trade shows, NRS 517 (Claims), NRS 519A (bond pool).

He went on to state that the Governor is asking agencies to consider the following challenges to make state government more effective and efficient: what activities do you perform you would stop if you could? What results could be obtained by reprioritizing those resources? What new initiatives would you propose? What results would they achieve? How would success be measured? What low-cost or no-cost policy or operational ideas would you propose? He mentioned that most industrial sectors are near their pre-recession levels. In building the budget: Agency budgets must: Align with Governor Strategic framework, be consistent with legislation passed in 2015, Use 2016 as the base budget, Reconcile positions, revenues and expenditures Include justifications and explanations, Budget submission/Agency Request: Sept. 1 Certification letter for budget submission must be signed by Director or Chairman. A few future changes taking place in NDOM: Migrate to fleet services for replacement trucks in 2018 – evaluation indicates lower overall costs to own. Move to new State building in LV if approved and completed – reduce storage rents.

No BDR's planned for 2017 session. 2019? No planned rulemaking, all chapters were updated in last 2 years. Some budget decisions: 5-year extension of MSM \$2 claim fee ends Feb. 2018. Use funds, if available depending on claim fees, to Improve Nevada Presence at Exploration trade shows to attract investment capital –

PDAC and Roundup, Fund specific reports, on an annual CMR approval basis, at NBMG: Exploration Survey, Update M.I. Map, Annual M.I. Report, curation of cuttings, etc.  
Increase AML hard closure contracted work, Fill Field Specialist vacancy, Reduce Claim fee by some amount.  
CMR Discussion: Performance measures adequate? Initiatives CMR would like to see addressed by NDOM staff over next 2 years? Assist in implementation of a state multiple use lands policy and a statewide land use plan and process... (7.1.2 of Strategic Plan).

**John Snow:** As we heard in the Hearing earlier this morning, 3,000 claims in one month in Esmeralda County, are these projections due to Lithium claims?

**Rich Perry:** No, but we can get some estimates though

**Rich DeLong:** a 7% decrease in 2017 seemed appropriate several months ago, but maybe we're seeing a positive turn around. With new claims in Mineral County, that -7% could be an over estimate.

**Dennis Bryan:** Let's ask Dave, Dave is -7% realistic or could it be rosier, or worse?

**Dave Shaddrick:** We are on the leading edge of some kind of boom. It's not just lithium but gold as well. Things are starting to pick up. My estimation is that negative 7% is probably a little high. I think we will have enough new claims to cover in lieu of raising fees. Gold will take at least 3 years to build it up and see a profit.

**Dennis Bryan:** My concern is the increased regulatory environment. He asked Dave what kind of impact the 2.7 million acres that the BLM is wanting to withdraw would have.

**Dave Shaddrick:** It will have a strong impact, but I think there's also other places to explore. I think we are in for a mini boom that will last 3- 4 years.

**Rich Perry:** So what I'm hearing is that -7% is too much and that we should back off that. We'll look at that and shave it.

**Dennis Bryan:** I just want to remind the Commission that the 2 dollar claim fee, was set up by us when we reached out to the industry to help support for the Mackay School of Mines. We've got to think that through carefully because we have an agreement with the University as a whole. We might have to go back to industry to discuss where the funds are going. We don't want to hurt Mackay if we don't have to. We need to decide this by September 1, right?

**Rich Perry:** We need to put something into this budget and it will go through a lot of scrutiny. We can certainly be flexible because we don't know what our revenue is going to be. We need to have something in there that we are actually going to do and have a line item in there for it.

**Rich DeLong:** Regarding the money going to Mackay to pay salaries of teachers; I think we are getting clear direction from the administration that this is a use of our funds that is maybe not the best allocation of our resources. Salaries should be paid by the University not by other state agencies. We can still utilize the University for exploration surveys and activities that NBMG does. I think there's a way to make sure we get what we need to meet our statutory requirements and the Mackay School still seeing some funding from us.

**Dennis Bryan:** agreed with DeLong but we shouldn't be using the \$2.00 claim fee to add men to NDOM.

**Rich DeLong:** The agreement took place under the Gibbons administration but the playing field has changed and we need to recognize that, in how we establish a budget and allocate those funds.

**Art Henderson:** if we keep the \$2.00 claim fee then we should increase the reserve. \$750,000 is too low, maybe increase it to 1 million. We need to consider this for the budget.

**John Snow:** would like to see NDOM restore use of 8 interns instead of the 6 interns. He is very leery of the truck allocation from Fleet Services and joining NDEP in the LV building might be a significant increase.

**Dave Parker:** If we went to industry originally to negotiate the \$2.00 fee, would we need to go back to industry for the fee allocation?

**Bryan Stockton:** Not sure, that it's a legal issue. Social license is what you are getting. You do not need to go back to industry for approval. As a policy, you may want to, but there is not a legal issue.

**Rich Perry:** reiterated the concerns and/or suggestions: Increasing interns, look at the vehicle allocation, and build the reserve.

**Rich DeLong:** Exploration Survey needs to be provided to the legislature more often.

**Dennis Bryan:** Speaking of the Exploration Survey, I thought we were given assurances that this was going to be funded and completed in time for the next session, have you heard anything about this?

**Rich Perry:** I've not gotten any confirmation.

**John Snow:** Is the Oil, Gas and Geothermal metric based on permitted wells, or on wells drilled?

**Rich Perry:** It's actually wells drilled, so that was a mistake on the slide.

**Dennis Bryan:** The presentation we heard on PDAC and the Vancouver Roundup, I'd like to see us look into this for budgeting purposes. He suggested having a task force to look into PDAC and Roundup options.

**Art Henderson:** I'd also like to see a continued effort into evaluating thorium for our energy needs in the future.

**Task Force for PDAC and Roundup options: Rich Perry, Dennis Bryan, Dave Parker, Sheldon Mudd, Dave Shaddrick and Dana Bennett**

**C. Presentation on Nevada Mineral, Geothermal and Oil production for 2015.**

Production reporting for CY 2015 is now complete and will be presented.

**Mike Visher:** Gave a PowerPoint presentation.

**John Snow:** The geothermal numbers from Taxation are not accurate and I can talk to you later to better explain.

**Dennis Bryan:** Where are you getting your production numbers for the industrial minerals?

**Mike Visher:** From the annual status and production reports submitted by the operators as required.

**Dennis Bryan:** can the production numbers be confidential?

**Mike Visher:** No, the name of the operator, amount of production and number of employees cannot be held confidential. Other information can be if it is stamped confidential.

**III. Old Business**

**A. NDOM fiscal year 2016 Forecast and Reserve.**

Mike Visher – He went through a PowerPoint presentation to show the current and forecast budget numbers for FY16 and FY17 with assumptions and options. There were no questions or discussion.

**B. Annual Oil and Geothermal well inspection update, and new Access database of oil wells in Nevada**

**Lowell Price** – gave a PowerPoint presentation. He refreshed Commission on process of well inspections. He went through the new forms that Lucia Patterson created on the Trimble handheld device.

**John Snow:** Stated that he thought it was great report and update on the automation, but he had a lot of concerns and questions that we can't get into today. Are the activities that occur at a well part of your inspection schedule?

**Lowell Price:** Not specifically, but it could. I witness all of the BOP tests.

**John Snow:** Stated he considered those types of activities to be of the highest importance and the housekeeping inspections to be the lowest. I don't understand why we are inspecting this many wells. Do we have regulatory authority? Looking at your sheet, I don't see any authority NDOM has over these inspections.

**Rich Perry:** When we look at the form, the status of the well certainly is in our regulations. If the well has not seen production then it needs a request for a waiver. Years from completion date and some of this additional information is for the risk assessment evaluation which came out of the audit. A lot of this is from the audit. We just did not have a system in place to show the auditor that we were actually doing the inspections.

**John Snow:** Having MIT at the well is understandable. But we have such a short amount of resources, why are we doing all the inspections? The beautification inspection should occur on private wells only and let the BLM inspect the others. Then Lowell can do the good work related to BOP tests and fracking.

**Lowell Price:** BLM is not doing the inspections.

**Rich Perry:** Lowell does do all the BOP inspections and prioritize his work. We are working on some of these others while he is out in the field. It is an opportunity while he is out there. We do not get a regular report from BLM. I've been here 3 years and I have not seen an inspection report from them. We cannot have that same situation when we are audited again. We told LCB we would inspect a third of the wells every year.

**Lowell Price:** I try to keep the expenses to a minimum, and inspect all the wells in a field not just the few that may have an historic issue. I'm going in the field this next week and will have 120 wells inspected.

**John Snow:** when you say that there are inaccuracies in signage, I'm just not seeing the need for you to be out there. If there are spills then that is a reportable event under NDEP rules.

**Dave Parker:** I think the inspections are important for at least 3 years in order to collect all the data then maybe we can re-evaluate the need or frequency of inspections.

**Lowell Price:** Showed the Commission the database that is being built with all the data he has been collecting for the past year.

**Rich Perry:** Lowell has had to go out in the field and gather information so that we had a complete and viable database. There had never been a complete database, prior to this effort. He takes pictures and collects GPS coordinates and he has come across several issues just from doing this. Some that needed to be plugged and others that require some sort of corrective action.

**Lowell Price:** I'd agree with Rich. During the first year of inspections, I found a number of deficiencies, yes, a large number were signage issues, but other issues were noted and have since been corrected and now the number of deficiencies is much smaller.

**John Snow:** I understand. NDEP has the wellhead protection program. I do not think it is a good use of our funding. I'm not seeing that it's our regulatory authority or need to do this.

**Rich DeLong:** If you look at the statutes, we are required to do inspections on these wells.

**John Snow:** And that requirement, that framework, came out of the 1950s from IOGCC and its intent is for when there is activity at the well not during normal production.

### **C. BLM Proposed Mineral Withdrawal update**

NDOM developed maps and backup information for the areas of high mineral potential listed in the Governor's comment letter to BLM of January 15, 2016. NDOM was invited and agreed to act as a cooperating agency in the development of the EIS on the mineral withdrawal.

Rich Perry: gave a PowerPoint presentation showing how the maps were created and the general information conveyed. There were no questions or discussion.

## **IV. Staff Reports**

### **1) Mining/Reclamation Bond Pool**

Mike Visher provided a summary of the activity and status of the reclamation performance bond pool. He also provided an update on the current budget status report. There were no questions or discussion. Mike Visher summarized a letter praising Lucia's work in the outreach and education program.

### **2) Correspondence**

Rich Perry mentioned the Governor's Service Awards recognizing 10 years of service by Commissioner Mudge and Administrator Perry.

## **V. SPECIAL PRESENTATION**

Presentation and award by the Commission to Bill Durbin for 27 years of service to the Division of Minerals. Chairman Rich DeLong.

Rich DeLong provided a synopsis of Bill Durbin's contributions while working for the Division of Minerals and presented Bill with a plaque as a token of appreciation for his service and dedication to the agency. Bill thanked the Commission and Division for all their support, guidance, and support to do all the things that he ever wanted to do.

## **Commission Business**

### **A. Time and place of next CMR meeting.**

After discussion, it was tentatively set for August 25<sup>th</sup> and 26<sup>th</sup> in Wendover, with Long Canyon and Pilot Peak for field trips.

## **Comments by the General Public**

There were no comments.

## **Adjournment at 4:07 PM**