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 COMMISSION ON MINERAL RESOURCES
DIVISION OF MINERALS
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RICHARD PERRY
 Administrator

COMMISSION ON MINERAL RESOURCES
 Tonopah Convention Center
 301 Brougher Ave. Tonopah, NV 89049

Thursday, August 24, 2017

1:10 P.M.

MINUTES/NOTES

CALL TO ORDER

Time:

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

ROLL CALL

Commission	NDOM Staff and public
Rich DeLong	Rich Perry
Dennis Bryan	Mike Visher
John Snow	Bryan Stockton
Art Henderson	Rob Ghiglieri
Nigel Bain	Courtney Brailo
Mary Korpi	Lowell Price
	Valerie Kneefel
Dave Parker is not present	

PLEDGE OF ALLEGIANCE

COMMENTS BY THE GENERAL PUBLIC

No Public came forward

I. MINUTES

Approval of the March 2, 2017 meeting minutes

Motion: Approval of minutes with no changes

Motion by: Dennis Bryan

Seconded by: Art Henderson

Unanimously approved

II. NEW BUSINESS

A. Welcome by Chairman DeLong to new Commissioners Nigel Bain and Mary Korpi.

Rich DeLong introduced Mary Korpi.

Mary Korpi: Gave a brief speech about her background. A graduate of Michigan Technological University in Houghton, Michigan, with a degree in chemical engineering, Mary Korpi began working for Newmont Mining Corporation in 1976 at Magma Copper Company in San Manuel, Arizona. She held various positions in the metallurgical services department including shift supervisor, quality control analyst, metallurgist and senior metallurgist of customer relations. She transferred to Newmont's Nevada operations in 1987 and served in a variety of capacities for Newmont, including Director of Metallurgical Services, Director of Loss Control, Leach and Mill Superintendent, and over the final years of her career, as Director of External Relations and Communications for North America. She retired from Newmont Mining Corporation in January 2016 after almost four decades in the mining industry and continues her involvement and support of the industry. She has served in leadership roles on numerous non-profit and community based organizations in Northeastern Nevada such as the Northeastern Nevada Economic Development Authority, Elko Area Chamber of Commerce, and Northeastern Nevada Regional Hospital. She is also a member of several professional organizations where she has held leadership roles including Society for Mining, Metallurgy and Exploration; The Mining and Metallurgical Society of America; AICHE, Nevada Mining Association, Women's Mining Coalition and the American Association of University Women. Korpi was recognized in 2016 as the Distinguished Nevadan for her profound and lasting impact on the lives of all Nevadans.

Nigel Bain: Gave a brief speech about his background. He graduated from the University of Otago in 1976 with a Bachelor of Science, with honors, majoring in Mineral Technology. He has worked in the US mining industry for over 35 years starting with mine engineering roles and progressing into roles in senior management. He is currently the Executive Director of Barrick Gold USA. His resume features roles with mining companies ranging from some of the smallest in the industry to some of the world's largest producers, in commodities ranging from industrial minerals to precious metals. Most recently he has managed gold mines in Nevada, specializing in underground extraction. Over his career, Nigel has helped to develop and implement new initiatives and technologies that have worked to improve safety, productivity, and the working culture of underground soft-rock excavation with great success. He has been repeatedly recognized by a number of regional and national organizations for his leadership in underground mine safety. But he is proudest of the USA National Mining Association's Sentinel of Safety award, presented to the SSX mine where he was the General Manager. In addition to once receiving this prestigious award, Nigel has managed a number of different mines similarly nominated. In 2016 he was awarded the International Society of Mine Safety Professional's Leadership Award for his impact on mine safety. Nigel is a past Chairman of the Nevada Mining Association and provides support to a number of community outreach and education initiatives in rural Nevada.

Dennis Bryan: asked if Mary was the first female on the Commission?

Rich Perry: replied yes.

B. Resolution honoring Fred Gibson and John Mudge for their service as members of the Commission on Mineral Resources.

Rich DeLong: Read a resolution to Fred Gibson into the record. Governor Richard Bryan appointed Fred to the Commission on Mineral Resources in July 1983. Fred served faithfully and continuously on the Commission for 34 years and as Chairman for over 30 years. Fred guided the Commission and Division of Minerals through a number of organizational changes into its current structure as a State Agency. He oversaw the development of the State's geothermal regulations and abandoned mine lands program. The Commission and Division are deeply indebted to Mr. Gibson for his dedication to the mining industry and his service of over a third of a century.

Rich DeLong: Stated that Fred was chair for 30 years and did a great job.

Dennis Bryan: Said that Fred knew everyone around the state and his connections served the commission very well.

Motion: Approval of Resolution

Motion made by: Dennis Bryan

Seconded by: Mary Korpi

Unanimously approved

C. Presentation of the Legislatively-approved CMR/NDOM budget for 2018-19, covering the period from July 1, 2017 through June 30, 2019. The biennium budget that was approved by the CMR on August 25, 2016 was submitted to the Governor’s office last September and approved by the Legislature in May with some modifications. Rich Perry will present a summary of the budget and work plan for the next biennium.

Before the presentation was made Rich Perry asked the 2 public members to come up and introduce themselves.
 Dennis Gudoly: NV Water District Board
 John Mays: Albemarle

Rich Perry: Went through his power point presentation. Stated that NDOM is a State Agency and part of the Commission on Mineral Resources (7 members appointed by Governor). The Administrator reports through Governor’s office. The Mission Statement: To encourage and assist in the responsible exploration for and the production of minerals, oil, gas, and geothermal energy which are economically beneficial to the State. There are offices in Carson City (8 employees) and Las Vegas (3 employees) and there is no general fund monies, all revenue from mining claim fees, geothermal and oil permit and production fees, surface disturbance fee, reclamation bond pool administrative fee, BLM and USFS assistance agreements for AML securing activities.

Our statutes: NRS 513 include Abandoned Mine Lands Program, public information and minerals education, annual mineral, geothermal and oil production reporting and maps. We also advise and recommend mineral policy to Governor and Legislature (act as cooperating State agency on Federal Land withdrawals & NEPA actions when requested, develop policy maps using GIS).

NRS 517: Mining Claims, Mill sites and Tunnel rights

NRS 519A.290: State Reclamation Bond Pool

NRS 522: Oil and Gas

Well permitting, drilling, completion compliance, conservation of resource, correlative rights resolution

NRS 534A : Geothermal Resources, Well permitting, drilling, completion compliance, conservation of resource.

PERFORMANCE MEASURES	2014	2015	2016	2017 P	2018	2019
ACTIVITY: <i>OGG Well and Resoruce Regulation</i>						
MEASURE: Percent of OGG Wells inspected per year	99.64%	33.69%	60%	48%	41%	41%
GOAL: 33% of all wells in state inspected per year						
ACTIVITY: <i>Mining Regulation and Fluid Management and Reclamation</i>						
MEASURE: Percent of Hazardous Abandoned Mine Openings Secured	79.06%	80.40%	80.97%	80.88%	80.95%	81.02%
GOAL: > 70% annually						
ACTIVITY: <i>Mining Regulation and Fluid Management and Reclamation</i>						
MEASURE: AML AND MINERALS EDUCATION PRESENTATION PER YEAR	196	192	252	267	220	220
GOAL: > 12 per employee per year						

He went on to talk about the AML Safety Program. Created the Abandoned Mine Lands Program in 1987 Regulated by NRS 513 and NAC 513, it is funded by claim fees.

Three program activities mandated:

- Statewide Inventory of Sites
- Securing of Hazardous Mines
- Public Awareness Campaign

Since the program’s inception in 1987, 20,076 abandoned mine hazards have been logged and 16,047 have been secured. Positive results: Securing and public education efforts have resulted in “No reportable accidents or injuries” at AML features for the past 3 years. Concern: Increasing vandalism of fencing and gates requires re-visits for maintenance.

Minerals education staff presentations: 267 presentations conducted. There were 169 K-12 Classroom presentations to 5,698 students, 25 presentations on Nevada Mining & Oil/Gas/Geothermal production to civic groups, clubs and organizations and five media presentations. 158 presentations made in Northern Nevada and 109 in Southern Nevada.

Budgeted Special Projects:

Deliverables from NBMG @ \$95K/yr both years. Deliverables include: archiving of OGG cuttings and well log scanning

biennial exploration survey in odd years, other study/report in even years. Annual Mineral Industry Report by Nov of following year and printing of maps and reports for distribution. Mackay \$2 claim fee payment in 2018 @ \$359,812. Final payment on 5-year agreement, none in 2019. NVMA Teachers Workshop @ \$15,000 both years. PDAC Trade show booth space and professional display @ \$25,884/yr. Booth to be used by Nevada trade and government entities. New agency trade show display booths @ \$18,600.

Legislatively approved budget:

Increase AML contracted hard closure work to address hazards near populated areas and trails by \$70,000/yr in both years for total of \$120,000/yr. GIS and geodatabase training at \$ 3,710/yr. Computer hardware and software replacements \$15,784 in 2018, \$18,786 in 2019.

Approved budget personnel-related changes:

2 unclassified position cap increases to enhance retention; benchmarked against similar classified positions in State. 3 percent per year salary increases for all State employees for both years. Vacant position to be filled in Las Vegas, Sept. 2017.

Rich DeLong: Asked if FY 18 is when we go to leased vehicles?

Rich Perry: answered, yes in FY 19 under Abandoned mine support.

Dennis Bryan: asked, can you go through the fees for our new commissioners?

Rich DeLong: stated that his comment regarding the vehicle is because we have bought our vehicles in the past and the State is encouraging us to lease the vehicle through fleet services.

D. Legislative Summary. Three bills proposed at the 2017 session had impacts to NDOM and required staff testimony. These were AB 33 (MOAC), AB 52 (Dissolved Mineral Resources) and AB 159 (Prohibition on hydraulic Fracturing). Staff will discuss each bill and impacts on the Division.

Rich Perry: there were 3 bills on which we testified. AB33 proposed to eliminate a number of commissions including MOAC. MOAC has not had a quorum in over a year and a half. MOAC is a step in our regulation approval process and MOAC still exists. AB52 was the bill on dissolved mineral resources and passed with a fair amount of changes. AB159 proposed to prohibit hydraulic fracturing in Nevada. That had many testimonies. This bill died. We are not a big producer of oil but Nevada leases the most acres next to Alaska in the States.

Art Henderson: stated that in class room presentations we should be talking about fracking in the high schools. Try and educate the people, who are our future voters.

Nigel Bain: commented that's a great idea, how will you implement teaching HS about the casings?

Art Henderson: responded, by describing to them about the safe process.

Dennis Bryan: mentioned that less than 1% of the wells have had a problem.

Art Henderson: stated that fracturing does not cause earthquakes.

John Snow: stated that every 2 years there seems to be a battle over the fracturing.

Rich Perry: mentioned that we need to get to legislators ahead of time.

E. Development of Dissolved Mineral Resource Exploration Regulations with the passage of Assembly Bill 52, the Commission on Mineral Resources, in coordination with the Division of Water Resources and Division of Environmental Protection are charged with adopting regulations to carry out a program for regulating the drilling and operation of dissolved mineral resource exploration boreholes and wells. This effort has started with a team formed from all three agencies. Staff will report on progress and timing.

Rich Perry: Gave a power point presentation. A.B. 52 from 2017 legislative session directed NDOM, NDEP and NDWR to jointly develop regulations for dissolved mineral resources. It allows for sampling of brines from boreholes, requires a permit to drill a dissolved mineral resource exploration well; limits pumping of water to 5 acre-feet per project. Requires a licensed water well driller for boreholes and wells to ensure protection of fresh

water and geothermal resources. There are restrictions on drilling in active geothermal areas being developed in regulations. The regulation development is in progress, legislation becomes active 1-1-2018.

In Nevada's Lithium exploration activity: There are 13,381 claims staked in playas, 18 different hydrographic basins and 25 different exploration entities and one producer. (Current to 7-17-2017)

The schedule for regulation development: Regulation team began meeting weekly on July 11th. Regulation Development Team: Tim Wilson-NDWR, Bruce Holmgren-NDEP, Nick Brothers-NDEP, Lowell Price-NDOM, Courtney Brailo-NDOM, Mike Visser-NDOM, Rich Perry-NDOM, Bryan Stockton-AG. Working draft of Regulations and relevant forms presented at stakeholder meeting – Aug. 23rd. There will be a second stakeholder meeting for comments and discussion – 1st week of September. Will submit to LCB for legal review – end of September. Public Workshop – October. Public Hearing and possible approval – November, 2017 (at next CMR meeting). Interim Legislative Committee Possible Adoption – December, 2017. Roll-out and education to Industry and BLM – Jan/Feb 2018. The BLM has no statutory authority on water, part of the reason this bill was necessary.

Art Henderson: asked if these fees are split between these other divisions?

Rich Perry: answered, no. NDOM is the only regulatory agency.

Rich Perry: Went through the regulation development schedule. Asked John Snow to look at the geothermal section of the regulations, Art Henderson to look at the oil and gas section and Dave Parker to go through the exploration section.

Art Henderson: Asked what is the deepest well you are aware of now?

Rich Perry: stated 3000 feet. Most will be 1000 feet with plastic casing. Found 14 mining and milling waivers.

Mary Korpi: stated that this seems fast tracked and not giving a lot of time for the regulation development process.

Rich Perry: stated that we don't have much time before we are supposed to start.

Bryan Stockton: stated the chairman can appoint a subcommittee.

Rich DeLong: asked if it would be more than just a meeting with staff?

John Snow: answered that he doesn't know until we see the regulations.

Rich DeLong: stated that if you form a task group then you are limited to only that task. He suggested we have meetings with staff first. The statute says we are only regulating exploration. How do we put that file (permit) to bed. What are we going to use to close those files (permits)?

Rich Perry: said that there is 2 year limit.

Rich DeLong: asked if there is bonding provisions?

Rich Perry: stated that we are talking about that in the group.

John Snow: stated the ability of exploration well to go into production. Once it is permitted as a production well the file goes over to the State Engineer and leaves NDOM.

Rich Perry: we have only a draft. That's why I'm suggesting that we have certain commissioner's look at the regulations which include their areas of expertise.

Rich DeLong: stated we would be going way too far to regulate where the wells are located on the land.

Dennis Bryan: Asked if Rich could explain difference between boreholes and exploration wells for our new commissioners.

Rich Perry: explained the difference. No casing set in a borehole, except for ground control reasons.

John snow: asked about regulatory oversight and how is NDOM going to regulate these.

Rich Perry: stated again that everything is still in draft. He went through a few points that they've put together.

Art Henderson: asked if you expect approval in November? I think we should have had a couple of commissioners as part of the development group from the beginning.

Rich Perry: yes.

A task force was requested by Chairman DeLong consisting of Commissioners Parker, Snow and Henderson.

III. OLD BUSINESS

- A. Fiscal Year 2017 year-end summary. Fiscal year 2017 has now ended and Deputy Administrator Mike Visser will present a summary of the revenues, expenditures and year-end reserve. The Division is seeking direction from the Commission on a possible claim fee decrease in 2018 if reserve levels are in excess of guidance.

Mike Visser: presented a power point. Stated that revenue from mining claim filings are 75-80% of total agency revenue. 90% of FY total is received by end of January with county Q2 payments. Filings correlate directly to commodity prices and exploration interest in Nevada. Filings peaked in 2012 at 224,772 and decreased to

186,534 by 2015; 17% decrease. This represented a \$325,000 decrease in funding and prompted changes to expenditures. Response to the revenue decrease 2011-2016: Delayed the backfill of two staff positions after retirements (CAT 01). Contracted through Manpower for part-time CC front desk assistance (CAT 04). Reduced discretionary spending under CMR-directed Special Projects (CAT 09). Significantly reduced contracted AML work (CAT 39). Initiated Rulemaking in FY16 for fee increases in OGG to adequately cover program costs; effective January 1, 2016. Initiated Rulemaking in FY16 for \$1.50 claim filing fee increase; effective July 1, 2016. CMR increased guidance amount for Reserve (Balance Forward) to \$900,000; = 6 months of non-discretionary agency expenses.

FY 2018-19 forecast- revenues: Base budget built from FY 2017 actuals. Assumes 2% decrease in claim filings; average of 2016 & 2017 was -1.5%. Assumes 2% annual increase in geothermal revenue. Oil production and permit fees declining 5%/yr. BLM Cooperative agreement \$50K/yr. FS Cost-Sharing agreement \$17K and \$18K. New DMR permit fees; \$6K and \$12K.

FY 2018-19 forecast- expenditures: 10.75 FTE's, with CC front desk ½ time from Manpower. 8 AML interns 13 weeks in summer, 3 weeks in winter. \$2/claim final payment to Mackay in February, 2018 (\$359,812). Contracted AML work increases to \$120K/yr. NBMG "directed reports and deliverables" \$85K/yr. in 2018 and 2019. (Annual MI report, updated maps, scanning and archiving, bi-annual Exploration Survey, Special Study, Special Maps as needed).

FY 2018-19 forecast: Barring any unforeseen significant decreases to the number of mining claim filings, the Division is again well positioned to fulfill its mission statement. The changes made to revenue and expenditures over the last three years were successful in seeing us through a difficult financial period. However, by FY 2019 and going forward, our revenues will outpace our expenditures and grow our Reserve. Forecast Reserve – Balance Forward Amounts and Recommendations For Decrease: Forecast Reserve without adjustments: FY 2018: \$1,315,645 FY 2019: \$1,547,005. Recommendations: Provide \$100,000 towards the Arden Mine Closure project and initiate through Rulemaking a \$1 per claim fee reduction (NAC 517.200) FY 2018: \$1,215,645 (Arden) FY 2019: \$1,374,225 (fee red.). The projection of these two adjustments to the end of FY 2022, with no significant changes to other revenue or 2019 expenditures, results in a Reserve of \$975,203. Additional one-time discretionary AML Enhancements and/or other contracted work should be considered once FY18's claim fee revenue is better forecast (October 2017 - BLM).

Mary Korpi: asked if there is ever a question that you have too much money in the budget?

Mike Visher: answered yes, the question is asked..

Art Henderson: asked if we can raise expenditures to match the revenues.

Rich Perry: answered yes, but requires IFC approval.

Mike Visher: stated that we can reallocate costs. He went through the Arden mine closure. He went through the rest of his power point suggesting that we lower the mine claim fee from \$6 to \$5.

Art Henderson: stated that we spent years watching our revenue decline and finally did something. I think we are maybe jumping the gun and should wait and see.

Rich DeLong: state that whatever that number is we will get scrutinized at LCB.

Art Henderson: said that we should use the money to close more mines instead of cutting fees.

Rich DeLong: stated that staff can only manage so much and with contractors.

Dennis Bryan: said the Arden mine could be 2 or 3 years down the road, realistically it won't happen next year.

Rich Perry: stated that Clark County has the money to get this going and I think it will happen next year. It's a great thing to do for mining and press/media.

Dennis Bryan: stated that regarding the \$1 claim fee; we went to industry originally and asked for a \$2 claim fee, should we go back to industry and see if they want the reduction or would they rather see the money go somewhere else in industry?

Rich DeLong: stated that if the bureau can find more projects we could give them the money. We can't pay salaries, and they are having trouble coming up with deliverables.

Mary Korpi: asked what's the history of the claim fee?

Rich Perry: explained that many years ago it was set as a limit of \$10. The \$2 Mackay fee was a onetime fee to help them get through a crisis time. Now they are doing well, and after 10 years we need to let this agreement expire.

Rich DeLong: said that the last few years the total fee had been \$6 and then went to \$8 and just recently went to \$10.

Art Henderson: stated I would rather see the money go to AML and not cut the fee. NDOM has done with less and now that we have money we should see it go back to NDOM.

Rich DeLong: said that we are talking about 2 fees. We don't want to take money from our general fund and give it to AML.

Dennis Bryan: stated I'd like to ask large scale mining what they think.

Rich DeLong: stated that mine operators pay ½ the claim fee and exploration pays the other half.

John Snow: mentioned that if you don't have the capacity, staff wise, to increase any AML securings, then it would have to be done by contractors and interns.

Rich DeLong: stated for the fee reduction we can poll industry through the NVMA or GSN. Or we can get input from industry if we do a regulation workshop and see what comments we get.

Art Henderson: stated he would like to make a motion to put \$100,000 toward mine closures especially Arden

Art Henderson: said that he would like a committee formed to see how industry feels about the fees and what to do if this revenue trend continues.

Rich DeLong: asked Nigel Bain, Dave Parker and Rich Perry to form a committee.

Bryan Stockton: stated as a reminder the task force works with the Administrator. They report to him and then the administrator brings the report to the CMR.

Rich DeLong: said that, if there is a fee reduction, we need to have it done by July 2018 before filings in September.

Dennis Bryan: Suggests we have some options to give industry, not just a fee reduction.

Motion: put \$100,000 toward abandoned mine closures specifically Arden

Motion made by: Art Henderson

Seconded by: Dennis Bryan

Unanimously approved

- B. Contract with NBMG for deliverables in the next biennium, and possible choice of a special study and report to be completed by the NBMG during FY 2018 (July 1, 2017 – June 30, 2018). At the May 4, 2017 CMR meeting the Commission approved a draft scope of work to be completed by the Nevada Bureau of Mines and Geology and directed staff to prepare a contract. The contract was accepted by the University and submitted to the Board of Examiners where it was approved on 8/8/17. One of the deliverables in the contract from the NBMG is a specific study or activity to be approved by the Commission in the odd years when the Exploration Survey is not required. Options discussed include: 1. A report on toll processing or smelting of base metal concentrates, 2. A lithium occurrences in Nevada study, and 3. A project to update the NBMG web site to better enable the search for mineral exploration data.

Rich Perry: stated that the contract is done and approved by the Board of Examiners.

Rich DeLong: asked if there is a motion?

Motion to do option #1, the toll processing and toll smelting report made by: Dennis Bryan

Seconded by: Mary Korpi

Unanimously approved

- C. Update on Mineral Withdrawals and Land Bills. The Division has acted as a cooperating agency on the proposed Sagebrush Focal Area withdrawal and Fallon Range Training Complex Modernization withdrawal, along with other State agencies. A review of the status of both proposed withdrawals will be presented for discussion.

Mike Visher: stated that the EIS process seems unfamiliar to the Navy and it is moving very slowly. Only one Minerals Working Group meeting has been held to date and little information has been requested.

Rich DeLong: is Governor communicating with base commander?

Mike Visher: yes. A letter with an proposed alternative has been sent to the Navy.

Art Henderson: was there something happening in September regarding the SFA mineral withdrawal?

Rich Perry: the 2 year segregation on new mining claims expires on September 24th.

John Snow: on the Fallon Range complex is there a discussion on the transmission corridor?

Mike Visher: the Navy would prefer that any future power lines be buried.

IV. STAFF REPORTS

1. Mining/Reclamation Bond Pool – Mike Visher

Mike Visher: went through the bond pool status report page.

2. Update on oil, gas and geothermal drilling activity, field inspections and corrective actions – Lowell Price

Lowell Price: Went over his paperwork in the binder.

John Snow: mentioned one of the operators was very questionable.

Lowell Price: went back to going through his presentation. There was some discussion regarding the Tomera Ranch.

3. Update on summer AML program – Rob Ghiglieri

Rob Ghiglieri: Went through the summer intern stats. Explained how well the MESA tablets worked in efficiency, time and accuracy.

Rich Perry: Rob, Courtney and Garrett did a great job managing the interns.

COMMISSION BUSINESS

A. Determination of time and place of next CMR meeting

November 30th and December 1st. Carson City.

B. Decide on a meeting date to choose the Chairman for the next two years

Rich DeLong: Suggested every 2 years in the February meeting for a vote. Get on the agenda for February, 2018 CMR meeting.

C. Decide on a meeting date to conduct the two-year evaluation of the Administrator

Rich Perry: suggested the Administrator be put through a review. May, 2018 CMR meeting.

COMMENTS BY THE GENERAL PUBLIC

No Public comments at this time.

ADJOURNMENT

TIME: 4:47 PM