

Minutes of the Meeting
MINING OVERSIGHT & ACCOUNTABILITY COMMISSION
September 26, 2012, 10:00 am

The meeting was held at the Legislative Building, located at 401 S Carson St, Room 2135, Carson City, Nevada and by video conference to Grant Sawyer Office Building, Room 4401, Las Vegas, Nevada.

**MINING OVERSIGHT & ACCOUNTABILITY
MEMBERS PRESENT:**

John Restrepo, Chairman
Kyle Davis, Vice Chairman
Dennis Neilander, Member
Douglas Roger Bremner, Member
Senator Greg Brower, Member
Robert Campbell, Member

DEPT OF TAXATION STAFF PRESENT:

Terry Rubald, Chief
Division of Local Government Services
Anita Moore, Boards & Commissions
Coordinator
Division of Local Government Services

MEMBERS ABSENT:

Senator Steven Horsford

COUNSEL TO THE COMMISSION PRESENT:

Henna Rasul, Senior Deputy Attorney General

1: Roll Call

Terry Rubald called roll. All members were present except for Senator Steven Horsford.

2. Public Comment

Chairman Restrepo asked if there was any public comment.

Stacy Shinn, representing the Progressive Leadership Alliance of Nevada came forward to make a statement. She stated that they were there in support of Great Basin Resource Watch and their position that they're going to be presenting on pit lakes. She expressed concern about contamination of the State's waters in pit lakes and the current lack of protection of such waters when they are entering these lakes. PLAN supports designating a minimum standard for this water in pit lakes in an effort to preserve this resource for future generations.

3: Presentation: Gold company stock prices and the relationship to gold commodity prices. Dr John Dobra, Associate Professor, University of Nevada, Reno

Joining Dr. Dobra was Dr. Thomas Harris. Dr. Dobra began his presentation stating that stock prices for gold companies reflect all available information: quality of management, quality of assets, balance sheet information, the income statement information. They look at external factors such as market supply and demand, regulatory environment etc. He stated that there was nothing really unusual about gold stocks compared to other stocks.

Dr. Dobra said that gold stocks were somewhat specialized in that there are three main factors that stand out that you need to look at if you want to look at gold stocks. One, the price for the mineral

commodity that is produced. Second would be the mineral reserves. That would be the material they have in the ground that they could mine in the future. Nevada gold mines have a very strong reserve position. They can probably produce at current levels of output, assuming everything stays the same, for 13 or 14 years. Thirdly is the regulatory and tax environment.

Dr. Dobra displayed a website on the computer which he feels is a valuable resource. It showed that if you went back another ten years, in '92, prices were in the \$300 to \$400 range per ounce. Then in the late '90s they took a dip into the 200 – 280 range. Prices stuck there for a long time then started to climb. In his opinion prices coincided with the financial events in the overall economy in October of 08. This coincided with the financial collapse of various big banks. That was kind of a magnet attracting investors to gold.

Chairman Restrepo asked what Dr. Dobra attributed the relatively steady rise for the last 10 years in the price of gold. Dr. Dobra stated it was the financial uncertainty in the economy as he had been discussing.

When Chairman Restrepo asked about wealth in the developing world creating increasing influence, Dr. Dobra stated that India is the largest consumer of gold and that their economy was growing throughout much of this period and a lot of that wealth was going into gold. In '09 and '10, China legalized the private ownership of gold and entered the market.

Dr. Dobra and Dr. Harris both felt the price of oil has been the driver for the price of gold. When the price of oil goes up, the price of gold goes up, when it goes down, so does gold.

Chairman Restrepo asked to what the speakers attributed the relationship in gold and oil. Dr. Dobra stated that primarily the fact that when oil money is going into the Middle East, they are big buyers of physical gold. That is the way they choose to hold their wealth.

Mr. Campbell asked how stock prices could be stagnant or floundering when gold is at or near all time high prices. Dr. Dobra said that stock prices will reflect things like faith in management. If there was a turnover in management, that would tend to depress the price. He also mentioned that when gold prices go up, not all of the proceeds from selling gold went back to shareholders in the form of dividends, in fact, very little did. Based on the increase in gold prices, the companies would pay more in taxes and the increase did not translate down to the bottom line of the profit and loss statement of the company. They can take the proceeds of these sales and use it to explore for more gold, develop existing properties further, investing in new capital equipment. They could be taking that profit and plowing it back into the ground to expand future production and find new reserves or replace old equipment. They might even buy another company.

4. Agency Reports; Consideration and Possible Adoption of Recommendations and Orders

For Possible Action: Department of Conservation and Natural Resources – Division of Environmental Protection Overview – informational presentation pursuant to NRS 514A.070(2):

(a) Overview of Division activities concerning reclamation of mined lands, areas of exploration and former areas of mining or exploration during the immediately preceding calendar year

Coleen Cripps, administrator of the Nevada Division of Environmental Protection presented the overview. NDEP is required to present or provide an annual report to the commission at the third meeting every year concerning the Division's activities on reclamation as well as an accounting of fees they have collected and any fines that have been imposed by the Division.

With Ms. Cripps was Mr. David Emme, a deputy administrator at the Bureau of Corrective Actions. His bureau has been working for many years with the EPA on the Yerington mine and will discuss activities that are ongoing at that location.

Ms. Cripps was also joined by Mr. David Gaskin, also a deputy administrator at NDEP. Mr. Gaskin presented on pit lakes.

Ms. Cripps stated that the mission of the reclamation program is to ensure that mining operations and exploration projects are properly reclaimed to be safe and stable and to provide a productive post-mining land use. The authority for that program is contained in NRS and in NAC Sections 519a. Under that program they do issue reclamation permits. They conduct inspections. They are required to review annual inspection reports. They are responsible for compliance and enforcement and also to ensure that there is adequate financial assurance for reclamation projects.

Photographs were provided of the Florida Canyon waste rock dump, a reclamation project in progress. Vegetation is in progress. Ms. Cripps stated they do not wait until the end of the mining life to start the reclamation process. It is phased and in stages.

Ms. Cripps described the amount of staff working for the reclamation branch and their duties. They issue reclamation permits and those permits cover public and private land and any mining operation with an annual disturbance over 5 acres or that removes more than 36,500 tons. The only exception to that is aggregate and sand pit operations.

The Division has issued a total of 498 permits over the course of this program. They have 237 active permits. 135 of those are for mining operations, and 102 are for exploration projects. Within the past year, they have issued 22 new applications and 76 modifications to the existing permits.

205 projects were inspected over the past year. The goal is to inspect half of the projects that are permitted and they were able to inspect double that number.

Ms. Cripps stated that a large part of the program is also reclamation bonding and they use the Nevada standardized reclamation cost estimator. This estimator is updated regularly and was most recently updated on August 1 of 2012. It covers all labor, equipment, materials, costs, and it covers those costs as they would be expended by a third party. This cost estimator is a joint effort by NDEP, BLM and industry. There are currently \$1.8 billion in reclamation bonds currently held in the state for mining projects.

There was \$86,591 collected in reclamation permit fees. The rest of the fees collected came from 76 modifications and they are different sizes, depending on acreages.

Under the regulations they also assess annual fees, and those are based on the acreage of the mine site. It is a tiered system that ranges up to \$2,000 for exploration and \$516,000 per mine for mining operations. Of the money assessed under the statute, about \$100,000 goes to the Bureau of Mines & Geology. Between the annual fees and the permit fees, the total amount of revenue generated in 2011 was \$1,139,000 and "some change".

Chairman Restrepo asked if those fees were adjusted or flat fees. Ms. Cripps said it is a flat fee that is established by regulation and if there comes a point where the fees that they generate are not covering the costs for the program, they have the ability to go back in and adjust them through regulatory change. The program is currently 100% fee funded.

After a question from Vice Chairman Davis Mr. Gaskin stated that they go through the whole permitting process in conjunction with the federal land managers. The reclamation plan is that they require a subset of the plan of operations for the project so they're the same documents. The bonding is handled under a Memorandum of Understanding with the federal land managers. They work hard to avoid duplication and conflict and the statutes and regulations are set up to ensure coordination.

Mr. Gaskin said that in terms of revegetation, they require the companies to take transects of undisturbed areas nearby and ensure that the vegetation is similar to the surrounding area. Vice Chairman Davis asked to what degree they can return the land. Mr. Gaskin said that they make sure it's stabilized and productive. Restoration would be putting the land back exactly, and reclamation is defined as the productive post-mining land use according to a plan consistent with the regulations.

(b) Report on Enforcement Actions, fees and fines

Ms. Cripps said there was just one notice of noncompliance issued in 2011. It was a failure of an operator to submit an additional reclamation bond by a required date. A corrective action plan was developed with the company and it was implemented to remedy the bonding issues and no fines were imposed.

(c) Update on Remediation Activities at Yerington Mine

Dave Emme was asked to give an overview of activities at the former Anaconda Mine site located near Yerington.

Mr. Emme gave a quick history of mining activity at the site starting in 1918 through primary activity in 1952 when Anaconda began operations and operated at the site for about 25 years. He stated these operations were conducted prior to the adoption of the current mining regulations and reclamation requirements previously discussed.

In 1989 Arimetco acquired the private property on the site and constructed 5 heap leach pads on site and reprocessed some of the tailings and waste rock, along with ore from the McArthur mine located a few miles to the northwest. They abandoned the site in 2000 after declaring bankruptcy in 1997 and the shift turned from mining to environmental cleanup.

In 2000 the heaps were fully charged with 98 million gallons of acidic leach solutions which required immediate action by NDEP. The EPA got involved and from 2002 to 2004 there was a joint oversight among the agencies of activities at the site and investigation and cleanup. That proved to be cumbersome and inefficient. Also during that time, there were some radiological concerns which added complexity to the situation. Uranium occurs naturally in the rock and groundwater in that area and the mining processes act to concentrate uranium and process solutions. NDEP then requested that EPA act as the lead agency overseeing the site in late 2004. In 2005 EPA issued a unilateral order to Atlantic Richfield (the successor to Anaconda). EPA ordered Atlantic Richfield to operate the old Arimetco fluid management system even though it was not really their responsibility to do that. This site was then divided into operable units.

Mr. Emme then discussed an overview of Superfund program which is a misnomer because there really isn't a fund and "it's certainly not super".

Also discussed was the remedial program, which is a program designed to deal with longer-term issues and to provide for long-term remedies on a site. This can be a very lengthy process. It involves detailed investigation, analysis of alternative cleanup remedies and in order to access federal funding for a long-term remedied site, a site would have to be listed on the list of sites nationally that need cleanup, the nation's highest priority toxic sites. There are 1200 or so sites on the list. This would also entail a 10% state cost share.

The Anaconda site is not currently listed on this national priority list.

Mr. Gaskin said that what is done now is a corporate guarantee review panel that evaluates the financial health of the companies that have corporate guarantees, which is now only Barrick and Newmont. Ms. Cripps said that the amount in corporate guarantees has decreased slightly over the last 6 years whereas the amount of bonds that they require has gone up significantly.

Vice Chairman Davis asked how the work that has been described is funded. Mr. Emme said they have a cooperative agreement with EPA so they do receive some federal funding that pays for some staff costs. Also, early in the site's history and their involvement with it, they were getting reimbursements from Atlantic Richfield for some of their activities... but not since the EPA has taken the lead at the site. Vice Chairman Davis clarified by saying if re-mining does occur on those sites, the company would then have to take all of the liability and assume the responsibility of reclamation.

Mr. Emme said that as soon as a company moves material, they are going to be subject to state permitting requirements and are going to be responsible for every structure they create whether it is new heaps or process facilities.

Mr. Emme said the companies will be responsible for the fluid issue to the extent that if they go in and change anything at the facility, they will be responsible for that management going forward.

(d) Report on Regulation of Pit Lakes by NDEP

Dave Gaskin was present to provide a brief overview of the regulation of pit lakes in Nevada. He proceeded to explain that when you have an excavation for a mine, if it goes down below the existing water table, the operator will have dewatering wells in and around the pit to depress that groundwater so that they can safely and feasibly mine the ore body. When they are done and the dewatering has ceased, the water will fill back in to approximately its pre-mining level, sometimes resulting in a pit lake if the pit is deep enough.

He made several general statements – every pit lake is different. Every pit is different. Some large, some small, but what distinguishes pit lakes from natural lakes is the topography. Normally, pit lakes are steeper and deeper than natural lakes. NDEP, Bureau of Mining Regulation & Reclamation is involved in the regulation of pit lakes. Also involved, are federal land managers. Nevada Division of Water Resources handles the water quantity issues. MSHA handles safety issues. Also the Department of Wildlife, US Fish & Wildlife Service and a number of different regulatory agencies are involved.

Mr. Gaskin said when mining regulations, NAC 445A were developed in the late 1980's, there was a lot of discussion on pits and pit lakes and how we should regulate those. There was a special regulation developed just for pit lakes, and it is NAC 445A.429. It says: "Bodies of water which are a result of mine pits penetrating the water table must not create an impoundment," and "has the potential to degrade ground waters of the state or has the potential to affect adversely the health of human, terrestrial or avian life."

Mr. Gaskin stated that a lot of testing, predictive characterization of the rock is done to determine if it is acid-generating or not. There is sophisticated pit lake modeling that goes in along with conceptual modeling that takes a lot of factors which tries to predict the future water quality of the pit lake that isn't even a pit yet. Also it considers the water balance and all chemical factors. He also mentioned assessing the risk that would involve potential to degrade surrounding groundwater of that pit.

During mining, the operator will get more data as they mine the pit and continue to refine and update the modeling.

After mining, when the pit lake starts filling, there is a lot of monitoring of the water. He wants to validate the predictions that were made and ensure that they understand what the pit lake water quality is. It is a long process. Mining of a large pit can take decades and filling up the lake can take decades or hundreds of years.

Mr. Gaskin said that in Nevada there is more in-general neutralizing capability and that pit lake water is relatively good. Nevada geology is more conducive to good water in pit lakes.

Currently there are approximately 30 significant pit lakes in Nevada.

Mr. Gaskin mentioned the Sparks Marina park lake in Reno is a pit lake which was a gravel pit. It wasn't a precious metal pit, so the geology is a little different but it did have petroleum contamination issues that were actively dealt with by NDEP and EPA. This demonstrates that a pit lake can have a good use.

Nevada has regulations that deal with physical stability and post mining land use of pits and pit lakes. NAC 519a.345 says "The Division may, if appropriate, require an operator of a mining operation to reclaim". Number 9 in that section is open pit mines – "Open pit mines will be reclaimed by, A, performing activities that will provide for public safety, B, stabilizing pit walls or rock faces where required for public safety; C, constructing and maintaining berms, fences or other means of restricting access."

Regarding public safety, he quoted 519a.250: "If an open pit or rock face is exempted from reclamation, then public safety must be provided for by means other than reclamation, including, but not limited to, restrictions on access to the site or restrictions on the deed to the property."

Mr. Bremner asked if you can tell ahead of time or get an indication if a difficult situation has been created where you may not be able to reclaim certain parts of the land. Mr. Gaskin said it is not

an easy thing to determine ahead of time and you would have to look at the specific competency of that ore body. Often, you can tell by the general nature of it. A volcanic deposit would be unstable whereas

a limestone hosted unit might be a lot more stable. Often, ore bodies are fractured and faulted and this can play a serious role in the stability as well. Mr. Bremner suggested that the bonding requirement should be much higher or much greater in a situation where you could not determine full reclamation ahead of time. Mr. Gaskin agreed and said that was a consideration.

Vice Chairman Davis stated that right now, we have laws and regulations that require reclamation on mine sites, but at a certain point we draw a line and say that is just too expensive and hard to do. He asked "how do we determine where that line is?". Mr. Gaskin replied that in general it is recognized that backfilling a large pit, in almost all cases, precludes that feasibility. Backfilling is not the only way to create some kind of productive post-mining use. Mr. Gaskin said that reclamation has to be consistent with a post-mining land use. The main driver should be safety and stability issues. In this case the solution would be essentially to restrict public access. This is especially in cases where these lakes are located on public lands. On public land, it is determined by the federal land manager who determines a post-mining land use. If they decide that public safety is their main concern, they will approve a plan that restricts the access. This determination is made at the front end of the process.

Vice Chairman Davis was troubled by the thought that "ok you're going to create a pit, and this pit is going to be so steep and unsafe that the final product here is to restrict access to it.. even though it is public land, that is gone forever?". He stated that specifically with large open pits, there is no way to actually remediate that. He then asked if reclamation is something that is therefore bonded for or do the agencies bond for the public access restriction or do they bond to have any kind of contours in the land to make it more safe. He asked if these things were taken into account in the reclamation process.

Mr. Gaskin said 'Yes', any fencing, berming activities to restrict access are included in the bond.

Vice Chairman Davis then asked what would happen in a case where there was a mining company that created a pit and then basically went 'belly up' and left. Mr. Gaskin said if it is on public land they ask the federal land manager to ensure restriction of access. If it is private land they look to their own resources to make sure the site is left in a safe and stable condition. When asked if that has happened in Nevada, Mr. Gaskin answered yes, at Legacy Pits. Pre regulation, facilities have approached BLM in particular to help them make sure they are safe. They have berming, boulders, fencing and all the measures they can take.

Vice Chairman Davis asked if those precautions (berms and boulders) are something that is going to be effective at blocking the public off of these lakes. Mr. Gaskin stated it probably wouldn't stop a very determined person who wants to go in, but it should provide a reasonable incentive to stay out. He felt it keeps people from going in without thinking.

5: For Possible Action: Presentation by Dr. John Hadder, Great Basin Resource Watch, regarding Pit Lake water quality.

Dr. John Hadder, Director of Great Basin Resource expressed his appreciation of the commission putting the item on the agenda as well as to staff for handling the logistics. With Dr. Hadder was Glenn Miller, board member of Great Basin Resource Watch and professor of natural resources and environmental science at the University of Nevada.

A presentation on drinking water and it not being an ordinary commodity was given by both men. They stated that this commodity is a shared resource that we all depend upon. "It's very important that we deliberate carefully about what we are doing with our water, as your glass of water today could be someone else's glass of water tomorrow." Dr. Hadder stated that there is a Clean Water Act that protects Federal waters; however Pit Lakes do not fall under the Clean Water Act. "It is our responsibility as Nevadans to protect and conserve this water" he stated.

A slide presentation was then given on the Humboldt Basin where the preponderance of the pit lakes are. Some of the lakes are quite large. For example the Lone Tree is estimated to be almost 130,000 acre feet whereas Lake Lahontan is 312,000 acre feet at maximum. The gentlemen then

reflected on the necessity to revisit regulations as many of the issues were discussed twenty years ago prior to the problems being fully recognized.

Dr. Hadder spoke that in the Humboldt basin alone, that almost 10,000 acre feet of water will be lost to evaporation alone each year. Water quality of Lone Tree pit lake as well as the Sleeper Pit located northwest of Winnemucca was very acidic and problematic, however are better now after that they have been treated. Sometimes pit lakes are acidic early on and have to be treated. After treatment, for example, the Sleeper pit lake is considered neutral for its ph level. For TDS, which is sulfate and manganese, the Sleeper Pit Lake is actually over standard but whereas before it was very acidic. The men asked if there were any questions.

Chairman Restrepo directed the conversation to Vice Chairman Davis who had a question. Mr. Davis asked Dr. Hadder what standard they were referring to when they stated "over standard." Dr. Hadder then responded that the standards being referred to were for federal drinking water standards, not specifically for Pit Lakes. "There is not a numerical standard for Pit Lakes, only the potential for risk." "This is not drinking water but it's usable water, such as for recreational use." "Pyramid Lake has a high total dissolved salt level as well." "So this was a Pit Lake that, if we groundwater monitor, there are no exceedances". "There's the total dissolved solvents, the sulfate and manganese for the groundwater going into the pit lake." Dr. Hadder gave an example of how groundwater becomes exceeded when it becomes pit lake water. He followed up by stating that for almost every pit lake you are taking good water and making it not so good, regardless of whether we treat it or not. "It's rare that the standards in the pit lake would actually be better than the surrounding groundwater. We are not degrading water because of it's groundwater versus surface water, but in terms of conceptually, we are decreasing the quality of water that did exist at one time."

Dr. Hadder spoke about what our responsibility is in this matter was and the beneficial uses of Nevada water. The State does have the capacity so that a division can assign a beneficial use for a pit lake, however he does not foresee it occurring in the near future. Dr. Hadder stated that with the twenty or so pit lakes and more being formed, we see all this water going unused, wasted from their perspectives.

Dr. Hadder stated that the government calls pit lakes "fallow and dangerous" and having no use. His opinion is that given human nature, that people will intrude into these areas and in fact it is public land.

Dr. Miller made a statement regarding a remote pit lake that is part of the Arimetco operation. The lake was bonded using a corporate bonding system because they purchased it from FMC Meridan and ultimately defaulted on it nine months later, resulting in a liability of somewhere between 15 and 20 million. It has a three wire fence around it with a big slide area on one side. It is a dangerous area to get to as the area is failing and is tending toward acidity. There has not been a water sample since 2001 or 2002.

Dr. Miller continued with a statement about the Paradise pit which is another pit in which mining was stripped when the ground started on fire because of the sulfide loading. It is in the same region, probably going toward acidity, provides a risk to avian wildlife and certainly not safe or stable at this point. Dr. Miller stated that these are examples of what happens to a pit that has not been actively managed and over a long period of time. He said he is concerned that a lot of pit lakes are going to present this kind of dangerous, attractive nuisance.

Mr. Hadder stated that the old Helms pit is an example of a productive post-mining use. The nature of the helms is significantly different than precious mines with less reactive rock. It's well washed, but this is an example that we can reclaim some of these pits.

His and Dr. Miller's recommendations would be to give state agencies legislative direction to take it a step further, to actually make use of this water. "Beneficial use of pit lakes should be required by law. "

Vice Chairman Davis asked Dr. Miller if when he says "beneficial use of pit lakes," if he is talking about establishing the pit lakes as a beneficial use of water under the water stature or are you just talking about generally using pit lakes.

Dr. Hadder's answer was "under water statute."

Vice Chairman Davis's answer was "Okay. So you would say that, having a pit lake will be considered a beneficial use of state water?"

Mr. Hadder's answer was "correct." "To clarify Mr. Davis, also as a beneficial use, there will be numerical standards attached to it which there does not exist now." "It might help to clarify the language that Mr. Gaskin talked about in terms of "potential to." "That is a gray area." "When is the risk too much that the potential is to harm something?"

Chairman Restrepo stated that when you state "standards, you are referring to water quality standards?"

Dr. Hadder stated "correct Mr. Chairman." "Beneficial use required by law". "The use should be, at a minimum, recreation involving contact with water." "Mining companies must petition for an exemption of this." "It is the other way around right now." "The bar should be high for the exemption." "The law should apply to all existing and future reclamation permits."

Dr. Hadder also stated that they also think that the reclamation regulations need to require a safe access to pit lakes as part of that. "If you're going to establish a use for it, then you need to have a safe access." His request to this Commission is that they would like to see the Commission recommend to the Nevada Legislature that the state statutes be modified or created to require beneficial use for all current and future pit lakes. Part two of his request is that the Commission directs the NDEP to work with the mining industry to develop a reclamation cost estimate of compliance for recreational post-mining pit lake use and report on findings by the next meeting of the Commission. Thirdly they proposed that the Lone Tree pit lake be used as a sample for this estimate. Dr. Miller said that he has been dealing with mining issues for about 30 years and agrees with Dr. Hadder.

Senator Campbell stated that if you are going to have this type of requirement that it had to become a beneficial use at some point. "How would you legislate the definition of timing on reaching that standard?" "50 years?" "One hundred years?"

Dr. Miller responded that that would depend on as it's a mass impact sort of filling and will occur on a case by case basis.

Dr. Hadder stated that another point is that even though prediction of water quality is not easy at pit lakes, prediction of the level and how fast it is going to rise, is actually pretty good. "Our regulations could reflect a beneficial use be established at on a case by case basis." "The timeline would be different but there would still be a standard."

Water rights were discussed.

Chairman Restrepo asked Dr. Hadder if his proposed policy recommendations applied to pit lakes on private and public lands. Dr. Hadder stated that was correct.

Chairman Restrepo asked that on the issue of providing safe access "that implies to me some recontouring of current walls that are steep and deep with the cost of doing that being significant."

Dr. Hadder responded that that was a good question and that he envisioned that there would be one good, safe access point with the other areas being fenced off.

Dr. Miller stated an additional point being that the mining industry knows rock and stability issues associated with open pits. It is not appropriate or reasonable to ask for recon touring of all the pit walls, however safety issues must be considered and appropriate measures taken.

Dr. Hadder made a statement in follow up that a cost analysis be done to get a cost estimate.

Short recess taken

Chairman Restrepo reconvened the meeting.

6. AGENCY BRIEFINGS

(a) For Possible Action: Pursuant to NRS 513.093(3)(a) and (b), Division of Minerals briefing on the activities of the Division, to include accounting of any fees or fines imposed or collected the current condition of mining and of exploration for and production of oil and gas.

Mr. Visher, deputy administrator for the Division of Minerals made a presentation directing the board members to page 31 of their handouts which stated revenues reported to the Division as of September 14th. "This is the revenue that comes in from fees on the oil, gas, geothermal and mining industry." "Most RFP's, as you may recall, come from the counties from mining claim fees when they are paid in full, so we see a surge in the revenue that comes in from about September through the end of the year, and that's when the bulk of the revenue comes in."

Mr. Visher stated that so far they have received revenue which is estimated at 35,000 claims worth, which is a little higher than they were a year ago. "Most of that seems to be due to the increase in claim activity in Elko County relating to the Maloney Canyon project near Wendover and Wells."

Mr. Visher stated that mining activity is still very active within the state with a drop in investment level for minority players. "The small, junior companies are having a little bit more difficulty raising money, but the large companies are doing quite well." "Exploration is still very robust." "The oil, gas, and geothermal front, oil and gas have never been really big players in the State of Nevada." "We're seeing a little bit more interest in oil, and for the geothermal side, things are slowing down a little bit. We're not seeing quite as many of the permits coming through as we have in the past."

Mr. Visher went on to say "If you'll look at the revenue that comes in, you can see that kind of reflected on the geothermal side, the geothermal fees." "It's a scale between 1 and 500 at wells." "The permits come in and we're low." "We're only six percent of what a work program is, but it's still early in the year, and we see ebbs and flows over the course of the season as the operators are able to acquire prospective parcels of land to do their drilling."

Vice Chairman Davis asked Mr. Visher if he had any ideas what attributed to the downturn in geothermal activity.

Mr. Visher responded saying that it seems to be the difficulty in analyzing the geothermal fields.

(b) For Possible Action: Reports by Department of Taxation on status of mine property tax and net proceeds of minerals tax appeals before the State Board of Equalization; net proceeds of minerals tax collections; and net proceeds of minerals tax audits.

Terry Rubald, Chief of the Local Government Services Division introduced herself as well as Jan Kelly, the supervisor of the centrally assessed section within the division. Mrs. Rubald brought the board's attention to page 32 of the packet which is a list of appeals that are currently before the State Board of Equalization. "Mines may appeal the value of their net proceeds that are certified by the Department directly to the State Board under statute of Chapter 362." Property taxes can also be appealed to the department. The Department values the above-ground assets for both real and personal property tax purposes. "They send the resulting value, notice of the value to the county assessor, who does the actual billing at collection." "The assessor put the values that we develop on the tax roll, and as a result of that, the mining company can appeal the property tax value to the the County Board of Equalization." "Our staff makes an appearance at the County Board if there is an appeal." "If there's dissatisfaction with the result by either party there, they can appeal to the State Board."

Mrs. Rubald stated that there are 11 net proceeds appeals on the docket of the State Board of Equalization. Barrick is stipulating between parties and Newmont properties will be asking for a continuance.

Member Bremner asked Mrs. Rubald if Mr. Wadhams had written a check for what was due?

Mrs. Rubald stated no, the check had not been written. The rest of the appeals are for geothermal operators with various issues regarding the value of their property.

Mr. Bremner asked Mrs. Kelly a question regarding the mine appeal at Queenstake. He understood it was on the mine and not the mill and just wanted to confirm.

Mrs. Rubald made a statement in response to a previous request made by the chairman in which she was to compile a year to year comparison of collections. 5.6 million which was collected in 2012 should be added to the projection payments that were made in 2011. "In 2010 we collected 161 million, but it applies to two different years." "Some of it is projection payment for the 2010 year; some of it was true-up payment for the 2009 year." The same goes for 2011 and 2012. "Now, what's not showing on here is the fact that there are carryovers, adjustments that are made when people pay too much. And we're allowed to carry over that excess payment to the next year." "So, for instance, in 2012, they've made total payments or total collections of 235 million; well, we know that there were credits of 17.8 million, which would have to be subtracted from that total if you were looking for bottom line how much came in to the state and counties.

Mr. Neilander stated "If you take 2013, when you do this next year, if those true-ups are, in the last two years, they've been roughly the same, 5.6 and 5.7. You'll have another column here. We'll add back in to the 229.7

Mrs. Rubald stated "yes."

Mr. Neilander stated "sort of project out what it's likely to be, although in 2010, it looked like the true-ups were 2 more, 2 million more."

Mrs. Rubald stated that she thought the reporters were probably getting more accurate in their projections.

Mrs. Rubald directed the board to page 34 which had 28 audits in various stages of complete on a worksheet. The first one she feels may be settled. The next one is Ormat which has appealed an audit determination. The next group of mines are all Barrick and the Audit Division is currently considering additional information with these cases. The next appeal is Graymont Western and notes indicate that there has been a walk-through completed by the initial auditor with the local government auditor completing the desk work.

Mrs. Rubald reported on reorganization by the department. The Division of Local Government Services has put together a team of two dedicated net proceeds auditors as well as a supervisor that will take place of the net proceeds of minerals audits, previously handled by the Compliance Division.

Mrs. Rubald reported on the Newmont mining audits which have the field work completed and have been a series of audits completed by the Compliance Division. The auditors are back in their offices.

Chairman Restrepo inquired to Mrs. Rubald into the final reconciliation of the Newmont and Barrick audits as well as the process involved.

Mrs. Rubald stated that Barrick's audits are nearly done and went over the audit appeal process. She also stated that Newmont will have a determination in less than six months.

7. For Possible Action: Meeting Schedule

Ms. Rubald suggested the first two weeks in December. The date of December 12th was decided upon.

8. Briefing to and from Staff; Suggestions for Future Agenda Topics

Chairman Restrepo suggested he had a few things in mind but was not certain yet.

9. Public Comment

The Chairman asked for public comment, there was none.

10. Adjournment