

Minutes of the
Board of Minerals and Environment
Telephone Conference Call Meeting

Matthew Environmental Education and Training Center
523 East Capitol Avenue
Pierre, South Dakota

February 20, 2014
10:00 a.m. CT

CALL TO ORDER AND ROLL CALL: The meeting was called to order by Chairman Richard C. Sweetman. The roll was called and a quorum was present.

BOARD MEMBERS PARTICIPATING: Richard Sweetman, Lee McCahren, Linda Hilde, Dennis Landguth, Doyle Karpen, Rex Hagg, and Bob Morris.

BOARD MEMBER ABSENT: Pete Bullene and Glenn Blumhardt.

OTHERS PRESENT: Bob Townsend, Mike Cepak, Eric Holm, Mike Lees, DENR Minerals and Mining Program, Kyrik Rombough and Brian Gustafson, DENR Air Quality Program.

APPROVAL OF MINUTES FROM JANUARY 16, 2014, MEETING: Motion by Hagg, seconded by Landguth, to approve the minutes from the January 16, 2014, Board of Minerals and Environment meeting. A roll call vote was taken, and the motion carried unanimously.

MINING ISSUES: Prior to the meeting, the board received a table listing the department recommendations for transfers of liability and releases of liability (see attachment).

Annual Update of Homestake Mining Company's Letter of Credit for Post Closure Bond: Eric Holm reported that in the May 18, 2006, order regarding the post closure financial assurance for Mine Permit Numbers 332 and 456, it states the Irrevocable Letter of Credit that serves as financial assurance shall be automatically extended for periods of one year. At the time of each annual extension, the face value of the Irrevocable Letter of Credit shall be adjusted to the bonding schedule set by the board in 2006 and updated in 2012. A major review will be done every five years.

Under the conditions, the post closure bond is to be reviewed every five years to account for changes in water treatment costs and any other issues that may come up in that five-year period.

Mr. Holm stated that for 2014, the face value of the Irrevocable Letter of Credit is required to be \$39,626,023. This is an increase from the \$38,498,041, which was submitted last year.

Lee McCahren said he would like to consider this matter at a later date when the board can meet in person, rather than by telephone. He suggested the board hold a meeting in Deadwood so they

can tour the mine, and he requested that representatives of the Scotia Bank be present for the discussion.

Chairman Sweetman stated that a major review was done in 2012 and this is just an interim change due to interest fluctuations and minor changes that have taken place at Homestake. The next major review will be done in 2017.

Mr. Holm answered questions from the board regarding annual mine audits conducted by department staff and how the bonds are adjusted according to net present value.

Discussion took place regarding a site visit sometime in the future for the benefit of the new board members.

Chairman Sweetman suggested the board act on the Homestake letter of credit today and discuss a site visit at a later meeting. He noted that there are other sites in the area the new members may not have visited yet, such as the oil field and other sites. The board members concurred.

Mr. Holm noted that Homestake has submitted an amendment to its current Irrevocable Letter of Credit which increases the amount to \$39,626,023. The amendment to the Letter of Credit has been reviewed by the department.

The department recommended the board accept the amendment to Irrevocable Letter of Credit 96586/80085, Scotia Bank, New York Agency, to increase the amount to \$39,626,023.

Motion by Morris, seconded by Hagg, to accept the staff recommendation for all three matters listed on the attached matrix sheet. A roll call vote was taken, and the motion carried unanimously.

REQUEST PERMISSION TO ADVERTISE FOR A PUBLIC HEARING: Kyrik Rombough discussed proposed amendments to ARSD 74:09, Procedures Board of Minerals and Environment. He requested permission to advertise for an April 17, 2014, public hearing.

Mr. Rombough answered questions from the board.

Motion by Hilde, seconded by Landguth, to authorize the department to advertise for the public hearing to be held in Pierre on April 17, 2014. A roll call vote was taken, and the motion carried unanimously.

NEXT MEETING: The next board meeting is scheduled for April 17, 2014, in Pierre.

At the next meeting, the board will discuss the board's prehearing procedures for contested cases. Bob Morris will draft a proposal regarding this matter prior to the next meeting.

Mr. Landguth requested that at the next meeting, Charles McGuigan update the board on the status of Powertech.

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License/Permit Holder **License/Permit** **Site No.** **Surety Amt.** **Surety No.** **Surety Company/Bank** **DENR Recommendation**

Transfer of Liability:

Dakota Earthworks, Inc. Sioux Falls, SD	05-809	809001	\$20,000	2074857	North American Specialty Insurance Company	Transfer liability.
Crusher Investment Company Sioux Falls, SD	83-24		\$20,000	2135492	North American Specialty Insurance Company	

Transfer to:

Release of Liability and Surety:

Capella Resources Ltd. Reno, NV	EXNL-405		\$20,000	8963998383	Wells Fargo Bank, Reno, NV	Release liability and \$20,000.
					Sections 14, 15, 23, & 27; T5N-R1E, Lawrence County	

Annual Update of Homestake Mining Company's Letter of Credit for Post Closure Bond:

Homestake Mining Company Lead, SD	332		\$38,498,041	ILOC 96586/80085	Scotia Bank The Bank of Nova Scotia New York, NY	Accept amendment to Irrevocable Letter of Credit 96586/80085 to increase the amount to \$39,626,023.
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