

Minutes of the  
Board of Minerals and Environment  
Telephone Conference Call Meeting  
DENR Lower Level Conference Room  
523 East Capitol Avenue  
Pierre, South Dakota

July 16, 2015  
10:00 a.m. CT

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

BOARD MEMBERS PARTICIPATING: Rex Hagg, Linda Hilde, Dennis Landguth, Glenn Blumhardt, Pete Bullene, Doyle Karpen, Gregg Greenfield, and Bob Morris.

BOARD MEMBER ABSENT: Daryl Englund.

OTHERS PRESENT: Mike Cepak, Eric Holm, Bret Graves, and Patty McQuay, DENR Minerals and Mining Program, Kyrik Rombough, DENR Air Quality Program, Steven Blair, Assistant Attorney General.

ANNUAL ELECTION OF OFFICERS: Chairman Hagg called for election of officers.

Landguth nominated Rex Hagg as chairman of the board, seconded by Bullene.

Motion by Landguth, seconded by Hilde, to approve Rex Hagg as chairman of the Board of Minerals and Environment. A roll call vote was taken, and the motion carried unanimously.

Morris nominated Glenn Blumhardt as vice chairman of the board, seconded by Landguth.

Motion by Morris, seconded by Hilde, to approve Glenn Blumhardt as vice chairman of the Board of Minerals and Environment. A roll call vote was taken, and the motion carried unanimously.

Landguth nominated Linda Hilde as secretary of the board, seconded by Bullene.

Motion by Blumhardt, seconded by Landguth, to approve Linda Hilde as secretary of the Board of Minerals and Environment. A roll call vote was taken, and the motion carried unanimously.

APPROVAL OF MINUTES FROM MAY 21, 2015, MEETING: Motion by Blumhardt, seconded by Landguth, to approve the minutes from the May 21, 2015, Board of Minerals and Environment meeting. A roll call vote was taken, and the motion carried unanimously.

MINING ISSUES

Consent Calendar: Prior to the meeting the board received a table listing the department recommendations for releases of liability (see attachment).

Motion by Morris, seconded by Blumhardt, to accept the department recommendations for releases of liability as listed on the consent calendar. A roll call vote was taken, and the motion carried unanimously.

Transfer of Small Scale Mine Permit No. 473 from Douglas Ottema to Beartown Hill Placer LLC: Eric Holm reported that Douglas Ottema requested transfer of Small Scale Mine Permit No. 473 to his limited liability company, Beartown Hill Placer LLC. The general location of the gold mining operation is one-half mile east of Tinton, SD.

Under SDCL 45-6B-47, any mine permit can be transferred from one operator to another, with the successor operator assuming all reclamation liability.

The department received the transfer application and \$100.00 transfer fee on May 18, 2015. The \$2,500 replacement reclamation bond was submitted on June 24, 2015, and the application was considered complete on June 29, 2015.

The department recommendation to transfer the permit was prepared on June 29, 2015, and was published in the Black Hills Pioneer on July 2 and 9, 2015. The Affidavit of Publication was received on July 16, 2015.

No intervention petitions were received.

In accordance with SDCL 45-6B-47, the board cannot deny a mine permit transfer unless the operation is not or cannot be brought into compliance with all applicable federal, state or local laws or the successor operator is in violation of state mining laws or mine permit conditions for any mining operation in the state.

Mr. Holm stated that the current mine permit and Beartown Hill Placer LLC are in compliance with all federal, state, and local laws and regulations.

The department recommended the board transfer Small Scale Mine Permit No. 473 from Douglas Ottema to Beartown Hill Placer LLC, release CD No. 144165629, Great Western Bank, in the amount of \$2,500, and accept replacement CD No. 144264427, Great Western Bank, Spearfish, in the amount of \$2,500.

Mr. Holm answered questions from the board.

Motion by Landguth, seconded by Bullene, to transfer Small Scale Mine Permit No. 473 from Douglas Ottema to Beartown Hill Placer LLC, release CD No. 144165629, Great Western Bank, in the amount of \$2,500, and accept replacement CD No. 144264427, Great Western Bank,

Spearfish, in the amount of \$2,500. A roll call vote was taken, and the motion carried unanimously.

Transfer of Exploration Notice of Intent EXNI-393 from Douglas Ottema to Beartown Hill Placer LLC: Mr. Holm reported that Douglas Ottema requested transfer of EXNI-393 to his limited liability company, Beartown Hill Placer LLC. The general location of the gold exploration operation is one-half mile east of Tinton, SD.

Under SDCL 45-6C-53, any exploration notice of intent can be transferred, with the successor operator assuming all reclamation liability.

The transfer application and \$250 transfer fee was submitted May 18, 2015. The \$5,000 replacement reclamation bond was submitted on June 24, 2015. The notice of filing of application to transfer was published by the applicant in the Black Hills Pioneer on July 2, 2015, and the Affidavit of Publication was received on July 6, 2015.

In accordance with SDCL 45-6C-53, the board cannot deny an EXNI transfer unless the operation is not or cannot be brought into compliance with all applicable federal, state or local laws or the successor operator is in violation of state statutes, rules, EXNI restrictions, mining permit conditions, or requirements with respect to any exploration or mining operation in the state. The current EXNI and Beartown Hill Placer LLC are in compliance with all federal, state, and local laws and regulations and EXNI and mine permit restrictions and conditions.

The department recommended the board transfer EXNI-393 from Douglas Ottema to Beartown Hill Placer LLC, release CD No. 0447010506, Wells Fargo Bank, in the amount of \$5,000, and accept CD No. 144264746, Great Western Bank, Spearfish, in the amount of \$5,000.

Mr. Holm answered questions from the board.

Motion by Blumhardt, seconded by Landguth, to transfer EXNI-393 from Douglas Ottema to Beartown Hill Placer LLC, release CD No. 0447010506, Wells Fargo Bank, in the amount of \$5,000, and accept CD No. 144264746, Great Western Bank, Spearfish, in the amount of \$5,000. A roll call vote was taken, and the motion carried unanimously.

Financial Assurance Increase for Wharf Resources (USA), Inc.: Mr. Holm presented an adjustment of the financial assurance amount for Wharf Resources. This financial assurance, also known as the “cyanide spill bond,” is required under SDCL 45-6B-20.1 and covers costs to the state for responding to and remediating accidental releases of cyanide and other leaching agents at the Wharf site. The financial assurance is in addition to Wharf Resources’ \$35,700,000 reclamation bond and \$30,800,000 post closure bond.

Mr. Holm stated that the department adjusted the financial assurance for inflation and calculated a revised amount of \$612,400, which is an increase of \$14,600 from the 2014 calculation. The department again used the Construction Cost Index to calculate the inflationary increase in the bond.

To cover the increase, Wharf has submitted a rider to the surety bond that currently serves as financial assurance, which increases the amount to \$612,400.

The department recommended the board accept the rider to Bond No. SU27832, Aspen American Insurance Company, increasing the financial assurance bond to \$612,400.

Motion by Morris, seconded by Blumhardt, to accept the rider to Bond No. SU27832, Aspen American Insurance Company, increasing the financial assurance bond to \$612,400. A roll call vote was taken, and the motion carried unanimously.

DISCUSS AUGUST 19, 2015, TOUR OF GILT EDGE SUPERFUND SITE, LAC MINERALS AND WHARF RESOURCES: Mike Cepak reported that staff has arranged for tours on August 19, 2015, of the Gilt Edge Superfund Site, LAC Minerals Richmond Hill Mine, and Wharf Resources.

The tour of LAC Minerals will be part of a hearing on LAC's release of reclamation liability and the post closure plan. The hearing will be opened prior to the tour, and following the tour, the hearing will be continued to September 17, 2015, which is the board's next regularly scheduled meeting date.

Mr. Cepak discussed tentative plans for the tours in Deadwood and answered questions from the board.

SELECT HEARING CHAIRMAN FOR LAC MINERALS REQUEST FOR RELEASE OF RECLAMATION LIABILITY, POST CLOSURE PLAN, UPDATED RECLAMATION PLAN, AND FIVE-YEAR RECLAMATION PERIOD EXTENSION: Mr. Holm provided a general overview of the LAC minerals request. He stated that LAC Minerals submitted a petition to the Board of Minerals and Environment to release reclamation liability for the majority of the acreage affected under Large Scale Mine Permits 445 and 460. The post closure plan has also been submitted since most of the release acreage will be placed into a post closure period. In addition, the company has submitted post closure and updated reclamation bond calculations for board approval.

The hearing will take place at the board's September 17, 2015, meeting.

Chairman Hagg appointed Gregg Greenfield as hearing chair for this matter.

REQUEST TO HOLD SEPTEMBER BOARD MEETING IN WATERTOWN: Kyrik Rombough, DENR Air Quality Program, requested that the board consider holding its September meeting in Watertown. Staff would like the board to have the opportunity to tour the Glacial Lakes ethanol plant. Mr. Rombough noted that the ethanol industry is one of the largest industries in the state. The ethanol plants are required to obtain several different environmental permits, including air quality permits, surface water discharge permits, and a few may have a solid waste discharge permit. Since there is a possibility that in the future the board will receive

a request for a permit from one of the ethanol plants, the department would like the board to tour an ethanol plant to become familiar with how it operates.

Eric Holm noted that he had visited with LAC Minerals about possibly traveling to Watertown for the hearing, and LAC Minerals had no objection to going to Watertown.

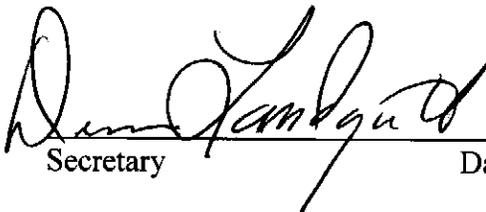
Motion by Karpen, seconded by Landguth, to hold the September 17, 2015, Board of Minerals and Environment meeting in Watertown. A roll call vote was taken, and the motion carried unanimously.

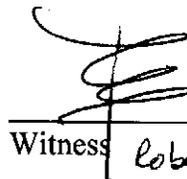
NEXT MEETING: The next meeting is scheduled for August 19 and 20, 2015, in Deadwood. The board will tour mine sites on August 19 and hold its regular meeting on August 20.

ADJOURNMENT: Motion by Karpen, seconded by Bullene, that the meeting be adjourned. Motion carried unanimously.

The meeting was digitally recorded and a copy of the recording may be obtained by contacting the Department of Environment and Natural Resources, 523 East Capitol Avenue, Pierre, SD 57501; telephone number 605-773-3886. The recording is also available on the DENR website at <http://denr.sd.gov/boards/schedule.aspx>.

Approved this 20<sup>th</sup> day of August, 2015.

  
Secretary \_\_\_\_\_ Date 8-20-15

  
Witness \_\_\_\_\_ Date 8-20-2015

# *South Dakota Board of Minerals & Environment*

## *Consent Calendar*

*July 16, 2015*

<u>License/Permit Holder</u>	<u>License/Permit</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety No.</u>	<u>Surety Company/Bank</u>	<u>DENR Recommendation</u>
<b><u>Releases of Liability:</u></b>						
Mehlhaff Construction Kaylor, SD	83-218	<b>218023</b>	\$4,000	57284	The Farmers & Merchants State Bank, Scotland	Release liability.
			E1/2 NE1/4 Section 28; T98N-R58W, Hutchinson County			
Lloyd Priebe & Sons Construction Chamberlain, SD	83-143	<b>143008</b>	\$20,000	SD 7013	Merchants Bonding Company	Release liability.
			S1/2 Section 12; T105N-R68W, Brule County			
Brown County Public Works Department Aberdeen, SD	83-154	<b>154008</b>	EXEMPT	NA	NA	Release liability.
			S1/2 Section 7; T128N-R63W, Brown County			
		<b>154011</b>	NE1/4 Section 16; T128N-R64W, Brown County			

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<b><u>Transfer of Small Scale Mine Permit 473:</u></b>						
Douglas Ottema Whitewood, SD	473		\$2,500	144165629	Great Western Bank, Spearfish	Transfer Permit 473 to Beartown Hill Placer LLC and release CD No. 144165629, Great Western Bank, in the amount of \$2,500. Accept CD No. 144264427, Great Western Bank, Spearfish, in the amount of \$2,500.
Transfer to:		<b>Legal:</b>	W1/2 SW1/4 NW1/4, NW1/4 SW1/4, & SW1/4 SW1/4 Section 20; T5N-R1E, Lawrence County			
Beartown Hill Placer LLC Whitewood, SD			\$2,500	144264427	Great Western Bank, Spearfish	
<b><u>Transfer of Exploration Notice of Intent EXNI-393:</u></b>						
Douglas Ottema Whitewood, SD	EXNI-393		\$5,000	0447010506	Wells Fargo Bank, Spearfish	Transfer EXNI-393 to Beartown Hill Placer LLC and release CD No. 0447010506, Wells Fargo Bank, in the amount of \$5,000. Accept CD No. 144264746, Great Western Bank, Spearfish, in the amount of \$5,000.
Transfer to:		<b>Legal:</b>	Section 20; T5N-R1E, Lawrence County			
Beartown Hill Placer LLC Whitewood, SD			\$5,000	144264746	Great Western Bank, Spearfish	

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*July 16, 2015*

<u>License/Permit Holder</u>	<u>License/Permit</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety No.</u>	<u>Surety Company/Bank</u>	<u>DENR Recommendation</u>
<b><u>Acceptance of Financial Assurance Increase:</u></b>						
Wharf Resources (USA), Inc. Lead, SD	356, 464, & 476		\$597,800	SU27832	Aspen American Insurance Company	Accept rider to Bond No. SU27832, Aspen American Insurance Company, increasing Wharf's financial assurance bond to \$612,400.