



**Board of Minerals
and Environment**

523 East Capitol Avenue
Pierre, South Dakota 57501-3182
(605)773-3151 Fax: (605)773-4068

AGENDA

**Board of Minerals and Environment
Telephone Conference Call Meeting**

February 19, 2015
10:00 a.m. CST

10:00 a.m. Call to order and roll call

Approval of minutes from January 22, 2015, meeting

Mining Issues

Adjourn

A limited number of phone lines are available for this call. Interested parties who wish to participate in the telephone conference call should contact DENR at (605)773-3886 no later than 3:00 p.m. CST on Wednesday, February 18, 2015.

Interested parties may also participate at the following location:

Department of Environment and Natural Resources
Lower Level Conference Room
523 East Capitol Avenue
Pierre, South Dakota

Notice is given to individuals with disabilities that this meeting is being held in a physically accessible location. Please notify the Department of Environment and Natural Resources at (605) 773-4216 at least 48 hours before the meeting if you have a disability for which special arrangements must be made.

Minutes of the
Board of Minerals and Environment
Matthew Environmental Education and Training Center
523 East Capitol Avenue
Pierre, South Dakota

January 22, 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, Glenn Blumhardt, Linda Hilde, Dennis Landguth, Doyle Karpen, Gregg Greenfield, Daryl Englund, and Bob Morris (via telephone).

BOARD MEMBER ABSENT: Pete Bullene.

OTHERS PRESENT: See attached attendance sheet.

APPROVAL OF MINUTES FROM NOVEMBER 20, 2014, MEETING: Motion by Englund, seconded by Hilde, to approve the minutes from the November 20, 2014, Board of Minerals and Environment meeting. Motion carried unanimously.

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

Update of Homestake Mining Company's Conditional Release Area: The board was given a map showing the Homestake Open Cut area.

Eric Holm reported that on May 16, 2006, the Board of Minerals and Environment approved release of reclamation liability for approximately 514 acres of land affected by Homestake Mining Company under Mine Permit Nos. 332 and 456. At the request of Homestake, the board also approved the conditional release of 10.2 acres at the east end of the East Waste Rock Facility. For this portion of the facility, cheat grass and noxious weeds were required to be sprayed and controlled before final release could be granted.

On May 16, 2006, the board approved an Order granting the Department of Environment and Natural Resources the authority to release Homestake's reclamation liability for the 10.2-acre area once the cheat grass and noxious were controlled.

On September 18, 2009, the department released 1.96 acres of the 10.2-acre area, as shown on the map. The department subsequently informed the board of the release of the 1.96-acre area.

During the June 23 and 24, 2014, Homestake mine permit audit, Minerals and Mining staff inspected the remaining 8.24-acre East Waste Rock Facility conditional release area. Staff determined that the cheat grass and noxious weed infestations were adequately controlled. As a result, the department released the 8.24-acre area shown on the map on September 24, 2014.

Mr. Holm stated that all of the conditional release areas, including the 2.88 acres on the Sawpit Waste Rock Facility, have now met the requirements of the May 16, 2006, board Order. Homestake's reclamation liability for these areas has been released, and the areas have been placed into post-closure status.

No board action was required for this matter.

Release of Surety: Motion by Blumhardt, seconded by Hilde, to release \$2,500 for Zacharias Construction, Hartford, SD, Mine License No. 84-279. Motion carried unanimously.

Release of Liability & Surety: Motion by Landguth, seconded by Hilde, to release liability and \$500 surety for one site in Marshall County for Britton Ready-Mix, Inc., Britton, SD, Mine License No. 84-284. Motion carried unanimously.

Transfers of Liability: Motion by Greenfield, seconded by Englund, to approve transfers of liability for the following: Darrell's Rock, Sand & Gravel, Inc., Wessington Springs, SD, Mine License No. 86-320, one site in Spink County to Williamson Trucking, Doland, SD, Mine License No. 09-869; Darrell's Rock, Sand & Gravel, Inc., Wessington Springs, SD, Mine License No. 86-320, three sites in Jerauld County to Jerauld County Highway Department, Wessington Springs, SD, Mine License No. 83-80; Darrell's Rock, Sand & Gravel, Inc., Wessington Springs, SD, Mine License No. 86-320, one site in Jerauld County to Spencer Quarries, Inc., Spencer, SD, Mine License No. 83-36; Darrell's Rock, Sand & Gravel, Inc., Wessington Springs, SD, Mine License No. 86-320, two sites in Jerauld County to Wayne Feistner, Woonsocket, SD, Mine License No. 14-979; Darrell's Rock, Sand & Gravel, Inc., Wessington Springs, SD, Mine License No. 86-320, one site in Buffalo County to Steve & Brian Roduner, Miller, SD, Mine License No. 14-962; and TF Luke & Sons, Inc., Kimball, SD, Mine License No. 83-11, one site in Douglas County to Hutchinson County Highway Department, Olivet, SD, Mine License No. 83-133. Motion carried unanimously.

Releases of Liability: Motion by Blumhardt, seconded by Landguth, to approve release of liability for the following: Aggregate Construction, Inc., Minot, ND, Mine License No. 89-382, one site in Custer County; Darrell's Rock, Sand & Gravel, Inc., Wessington Springs, SD, Mine License No. 86-320, two sites in Jerauld County, one site in Jackson County, one site in Potter County, and one site in Pennington County; Fenton Construction, Canova, SD, Mine License No. 83-74, one site in Lake County; Loiseau Construction, Inc., Flandreau, SD, Mine License No. 98-651, one site in Day County; Hamlin County Highway Department, Hayti, SD, Mine License No. 83-56, one site in Hamlin County; Kingsbury County Highway Department, DeSmet, SD, Mine License No. 83-117, one site in Kingsbury County; City of Huron, Huron, SD, Mine License No. 83-128, one site in Beadle County. Motion carried unanimously.

UPDATE ON EPA'S PROPOSED CLEAN POWER PLAN AND LOWERING THE OZONE STANDARD: Kyrik Rombough provided a presentation on EPA's Clean Power Plan. EPA's proposed Clean Power Plan is also known as a 111(d) Plan. The purpose of the regulation is to reduce or regulate greenhouse gas emissions or carbon dioxide emissions from existing electrical generation facilities. The current EPA proposal will affect the Big Stone Power Plant, which is a coal fired plant, and the Deer Creek Plant, which is a natural gas combined cycle plant.

EPA's proposed plan would require states to submit compliance plans by June 2016, and the plan would take effect in the summer of 2020.

Roxanne Giedd provided an update on the federal lawsuit challenges regarding the proposed 111(d) rule.

Mr. Rombough discussed how the proposal would affect these power plants and he answered questions from the board.

Brad Schultz provided a presentation on EPA's proposed revised Ozone Standard and its impacts on South Dakota. The current standard, which was set in 2008, is 0.075 parts per million. EPA is proposing to revise the ozone standard to a concentration between 0.070 to 0.065 parts per million.

Mr. Schultz discussed data obtained at the department's 11 air quality monitoring sites, six of which collect ozone data.

Comments regarding EPA's proposed Ozone Standard are due by March 17, 2015.

Mr. Schultz answered questions from the board.

PRESENTATION ON RECLAMATION BONDING: Eric Holm provided a presentation regarding financial assurance. He provided information on permits and licenses issued, financial assurance requirements, financial assurance instruments and forms, department review procedures, how various bonds are calculated, bond submittals and forfeitures, and interaction with federal agencies.

Prior to the meeting, the board was provided with examples of the forms used for the various types of financial assurance. Chairman Hagg noted that the Plugging and Performance Bond form should be updated because it contains outdated language.

Mr. Holm answered questions from the board.

PRESENTATION ON OIL & GAS DEVELOPMENT, SPACING UNITY, UNITIZATION, POOLING, ETC.: Mike Lees provided a presentation discussing background information on development areas, types of development, the scope of oil and gas activity in South Dakota, and recent statutory and regulatory issues and changes.

Mr. Lees explained the order approval process and the different types of orders issued by the department and the board.

Mr. Lees answered questions from the board.

NEXT MEETING: The next board meeting is scheduled for February 19, 2015, at 10:00 a.m. Central Time via telephone conference call.

Chairman Hagg noted that since Roxanne Giedd is retiring in the near future, this may be the last Board of Minerals and Environment meeting she attends. He expressed the board's appreciation to Ms. Giedd for the valuable service she has provided to the board.

ADJOURNMENT: Motion by Karpen, seconded by Greenfield, 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 19th day of February, 2015.

Secretary

Date

Witness

Date

South Dakota Board of Minerals & Environment

January 22, 2015

License or Permit Holder	License or Permit Number	Site Number or Legal	Surety Amount	Surety Number	Surety Company or Bank	DENR Recommendation
Mine Permits:						
<u>Update on Homestake Mining Company's Conditional Release Area:</u>						
Homestake Mining Company Lead, SD	332	Reclamation Bond	\$1,142,531	5444262	Safeco Insurance Company	
		Post Closure Bond	\$39,626,023	8233-63-10	Federal Insurance Company	
<p>In June, 2014, the Department determined that the 8.24 acre conditional release area on the East Waste Rock Depository met release criteria and was placed into Post Closure status.</p>						
Mine Licenses:						
<u>Release of Surety:</u>						
Zacharias Construction Hartford, SD	84-279		\$2,000 \$500	11502 61763	US Bank, Sioux Falls US Bank, Sioux Falls	Release \$2,500.
<u>Release of Liability & Surety:</u>						
Britton Ready-Mix, Inc. Britton, SD	84-284		\$500	85374	First National Bank, Pierre	Release liability and \$500.
		284001	N1/2 NE1/4 Section 25; T127N-R57W, Marshall County			

South Dakota Board of Minerals & Environment

January 22, 2015

License or Permit Holder	License or Permit Number	Site Number or Legal	Surety Amount	Surety Number	Surety Company or Bank	DENR Recommendation
<u>Transfers of Liability:</u>						
Darrell's Rock, Sand, & Gravel, Inc. Wessington Springs, SD	86-320		\$20,000	RC-0016	Sun Surety Insurance Company	Transfer liability.
		320003	SW1/4 Section 14; T114N-R62W, Spink County			
Transfer to:						
Williamson Trucking Doland, SD	09-869		\$1,000 \$5,500	169590 25583	First National Bank, Pierre The Farmers State Bank, Turton	
Darrell's Rock, Sand, & Gravel, Inc. Wessington Springs, SD	86-320		\$20,000	RC-0016	Sun Surety Insurance Company	Transfer liability.
		320008	SE1/4 Section 11; T108N-R66W, Jerauld County			
		320039	Section 26; T106N-R67W, Jerauld County			
		320040	SE1/4 Section 34; T106N-R65W, Jerauld County			
Transfer to:						
Jerauld County Highway Department Wessington Springs, SD	83-80		EXEMPT	NA	NA	

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<u>Transfers of Liability:</u>						
Darrell's Rock, Sand, & Gravel, Inc. Wessington Springs, SD	86-320		\$20,000	RC-0016	Sun Surety Insurance Company	Transfer liability.
		320022	N1/2 Section 16; T107N-R67W, Jerauld County			
Transfer to:						
Spencer Quarries, Inc. Spencer, SD	83-36		\$20,000	55-194360	United Fire & Casualty Company	
Darrell's Rock, Sand, & Gravel, Inc. Wessington Springs, SD	86-320		\$20,000	RC-0016	Sun Surety Insurance Company	Transfer liability.
		320037	NE1/4 Section 35; T107N-R63W, Jerauld County			
Transfer to:		320041	SE1/4 Section 26; T107N-R63W, Jerauld County			
Wayne Feistner Woonsocket, SD	14-979		\$3,500	3003322	First National Bank, Woonsocket	
Darrell's Rock, Sand, & Gravel, Inc. Wessington Springs, SD	86-320		\$20,000	RC-0016	Sun Surety Insurance Company	Transfer liability.
		320038	SE1/4 Section 11; T107N-R68W, Buffalo County			
Transfer to:						
Steve & Brian Roduner Miller, SD	14-962		\$2,000	ILOC 3125702	Farmers & Merchants State Bank, White Lake	

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License or Permit Holder	License or Permit Number	Site Number or Legal	Surety Amount	Surety Number	Surety Company or Bank	DENR Recommendation
<u>Transfers of Liability:</u>						
TF Luke & Sons, Inc. Kimball, SD	83-11		\$20,000	929211763	Western Surety Company	Transfer liability.
		11016	E1/2 NE1/4 Section 8; T98N-R62W, Douglas County			
Transfer to:						
Hutchinson County Highway Department Olivet, SD	83-133		EXEMPT	NA	NA	
<u>Releases of Liability:</u>						
Aggregate Construction Inc. Minot, ND	89-382		\$20,000	5301306	Ohio Farmers Insurance Company	Release liability.
		382040	NE1/4 Section 33; T6S-R7E, Custer County			
Darrell's Rock, Sand, & Gravel, Inc. Wessington Springs, SD	86-320		\$20,000	RC-0016	Sun Surety Insurance Company	Release liability.
		320023	SE1/4 Section 14; T107N-R66W, Jerauld County			
		320029	S1/2 Section 2; T1S-R19E, Jackson County			
		320032	E1/2 Section 29; T120N-R74W, Potter County			
		320033	Section 24; T1S-R10E, Pennington County			
		320036	SE1/4 Section 23; T106N-R65W, Jerauld County			

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January 22, 2015

License or Permit Holder	License or Permit Number	Site Number or Legal	Surety Amount	Surety Number	Surety Company or Bank	DENR Recommendation
<u>Releases of Liability:</u>						
Fenton Construction Canova, SD	83-74	74010 NW1/4 Section 24; T105N-R54W, Lake County	\$7,500	105825	Miner County Bank Canova	Release liability.
Loiseau Construction, Inc. Flandreau, SD	98-651	651002 W1/2 Section 9; T124N-R55W, Day County	\$20,000	55-167144	United Fire & Casualty Company	Release liability.
Hamlin County Highway Department Hayti, SD	83-56	56004 SW1/4 Section 24; T113N-R54W, Hamlin County	EXEMPT	NA	NA	Release liability.
Kingsbury County Highway Department De Smet, SD	83-117	117009 SE1/4 Section 26; T110N-R56W, Kingsbury County	EXEMPT	NA	NA	Release liability.

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License or Permit Holder	License or Permit Number	Site Number or Legal	Surety Amount	Surety Number	Surety Company or Bank	DENR Recommendation
<u>Releases of Liability:</u>						
City of Huron Huron, SD	83-128	128004	EXEMPT	NA	NA	Release liability.
		NE1/4 Section 18; T109N-R62W, Beadle County				

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License or Permit Holder	License or Permit Number	Site Number or Legal	Surety Amount	Surety Number	Surety Company or Bank	DENR Recommendation
<u>Exchanges of Surety for Wharf Resources' Mine Permits:</u>						
Wharf Resources (USA), Inc. Lead, SD	356, 434, 435, 464, & 476	Reclama- tion Bond	\$35,786,000	2179280	North American Specialty Insurance Company & Westport Insurance Corporation	Exchange North American Specialty Insurance Company & Westport Insurance Corporation Bond No. 2179280 for Westchester Fire Insurance Company, Bond No. K09047803, in the amount of \$15,786,000; Ironshore Indemnity Inc., Bond No. SUR20000289, in the amount of \$6,000,000; Argonaut Insurance Company, Bond No. SUR0032040, in the amount of \$6,000,000; and Aspen American Insurance Company, Bond No. SU27833, in the amount of \$8,000,000.
		Post Closure Bond	\$30,783,000	2179281	North American Specialty Insurance Company & Westport Insurance Corporation	Exchange North American Specialty Insurance Company & Westport Insurance Corporation Bond No. 2179281 for U.S. Specialty Insurance Company, Bond No. 1000967509, in the amount of \$25,000,000 and Westchester Fire Insurance Company, Bond No. K09047761, in the amount of \$5,783,000.

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License or Permit Holder	License or Permit Number	Site Number or Legal	Surety Amount	Surety Number	Surety Company or Bank	DENR Recommendation
<u>Exchanges of Surety for Wharf Resources' Mine Permits:</u>						
Wharf Resources (USA), Inc. Lead, SD	356, 434, 435, 464, & 476	Financial Assurance Bond	\$597,800	2179282	North American Specialty Insurance Company	Exchange North American Specialty Insurance Company Bond No. 2179282 for Aspen American Insurance Company, Bond No. SU27832, in the amount of \$597,800.
Wharf Resources (USA), Inc. Lead, SD	450	Reclamation Bond	\$5,600	8701000277	First Interstate Bank, Lead	
		Post Closure Bond	\$1,767,077	ILOC No. 92821/80085	Scotia Bank, New York	
<u>Exchange of Surety for Wharf Resources' Exploration Permits:</u>						
Wharf Resources (USA), Inc. Lead, SD	All Exploration Permits	Reclamation Bond	\$20,000	7655679046	Wells Fargo Bank, Lead	Maintain CD No. 7655679046, Wells Fargo Bank, in the amount of \$20,000. Designate new signatories to the Certificate of Authority.

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License or Permit Holder	License or Permit Number	Site Number or Legal	Surety Amount	Surety Number	Surety Company or Bank	DENR Recommendation
<u>Exchange of Surety for Wharf Resources' Mine License:</u>						
Wharf Resources (USA), Inc. Lead, SD	90-400	Reclama- tion Bond	\$1,000	457013171	Wells Fargo Bank, Lead	Maintain CD No. 457013171, Wells Fargo Bank, in the amount of \$1,000. Designate new signatories to the Certificate of Authority.
 <u>Update on Pete Lien & Sons Large Scale Mine Permit 57 Reclamation Plans</u>						
Pete Lien & Sons, Inc. Rapid City, SD	57		\$204,300	ILOC No. S500998	UMB Bank, Kansas City, MO	
				Portions of Section 20 & 21; T2N-R7E, Pennington County		
				At the November 20, 2014 BME meeting Pete Lien & Sons was granted a 5-year extension to extend the period of final reclamation after the completion of mining until 2019 for Permit 57. At the board's request, this update is being given to keep the board apprised of Pete Lien's reclamation progress.		
 Mine Licenses:						
<u>Release of Liability and Surety:</u>						
Lonnie Lowe South Shore, SD	05-819		\$500	12165	Community State Bank, Stockholm	Release liability and \$500.
		819001	NE1/4 Section 26; T119N-R51W, Codington County			

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Mine Licenses:						
<u>Releases of Liability:</u>						
Aggregate Construction Inc. Minot, ND	89-382		\$20,000	5301306	Ohio Farmers Insurance Company	Release liability.
		382024	SW1/4 Section 1; T3N-R7E, Meade County			
		382027	NE1/4 Section 23; T4N-R6E, Meade County			
		382029	NW1/4 Section 13; T6N-R6E, Meade County			
C & W Enterprises, Inc. Harrisburg, SD	98-671		\$-0-	NA	NA	Release liability.
		671004	SW1/4 Section 29; T22N-R27E, Corson County			
		671007	S1/2 S1/2 Section 10 & NW1/4 Section 15; T19N-R29E, Corson County			
Croell Redi-Mix, Inc. Sundance, WY	96-604		\$20,000	2092148	North American Specialty Insurance Company	Release liability.
		604007	SW1/4 NE1/4, NW1/4 SE1/4 & NE1/4 SW1/4 Section 11; T8N-R5E, Butte County			

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<u>Releases of Liability:</u>						
Schladweiler Construction Mitchell, SD	83-167	167031	\$2,500	103982	Fulton State Bank, Mitchell	Release liability.
			\$1,500	104097	Fulton State Bank, Mitchell	
			\$1,000	103814	Fulton State Bank, Mitchell	
			\$500	104186	Fulton State Bank, Mitchell	
			\$500	103809	Fulton State Bank, Mitchell	
			\$500	102880	Fulton State Bank, Mitchell	
NW1/4 Section 8; T105N-R66W, Aurora County						
Cedar Township Ree Heights, SD	94-531	531002	Exempt	NA	NA	Release liability.
			Section 29; T110N-R70W, Hand County			
Sanborn County Highway Department Woonsocket, SD	83-225	225009	Exempt	NA	NA	Release liability.
			SW1/4 Section 25; T107N-R63W, Jerauld County			