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Minutes  
Board of Minerals and Environment  
Telephone Conference Call Meeting

DENR Large Conference Room  
523 East Capitol Avenue  
Pierre, South Dakota

March 17, 2016  
10:00 a.m. CDT

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.

Chairman Hagg appointed Gregg Greenfield as secretary pro tem.

BOARD MEMBERS PARTICIPATING: Rex Hagg, Doyle Karpen, Bob Morris, Pete Bullene, Dennis Landguth, Gregg Greenfield, and Daryl Englund.

BOARD MEMBER ABSENT: Linda Hilde and Glenn Blumhardt.

OTHERS PRESENT: Eric Holm, Bret Graves, and Lucy Dahl, DENR Minerals and Mining Program; Bob Mercer, newspaper reporter.

APPROVAL OF MINUTES FROM JANUARY 21, 2016, MEETING: Motion by Englund, seconded by Landguth, to approve the minutes of the January 21, 2016, 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 transfers of liability and releases of liability (see attachment).

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

ANNUAL UPDATE OF HOMESTAKE MINING COMPANY'S POST CLOSURE BOND: Eric Holm reported that the May 18, 2006, board Order regarding the post closure financial assurance for Mine Permit Numbers 332 and 456 states that the financial assurance shall be automatically extended for periods of one year. At the time of each annual extension, the face value of the financial assurance shall be adjusted to the bonding schedule set by the board in 2006 and updated in 2012.

For 2016, the face value of the surety bond that serves as the post closure financial assurance is required to be \$41,979,523. This is an increase from the \$40,786,227, which was submitted last year. Homestake has submitted a rider to its current surety bond, which increases the amount to

\$41,979,523. The rider and the status of Federal Insurance Company have been reviewed by the department.

The department recommendation was to accept the rider to Surety Bond No. 8233-63-10, Federal Insurance Company, to increase the amount to \$41,979,523.

Mr. Holm answered questions from the board members.

Motion by Landguth, seconded by Karpen, to accept the rider to Surety Bond No. 8233-63-10, Federal Insurance Company, to increase the amount to \$41,979,523 for Homestake Mining Company, Lead, SD, Mine Permit Nos. 332 and 456. A roll call vote was taken, and the motion carried unanimously.

ACCEPTANCE OF RECLAMATION BOND INCREASE FOR WHARF RESOURCES (USA), INC.: Mr. Holm reported that under Reclamation Surety Condition #1 for Large Scale Mine Permit No. 476, the board reserves the right to adjust the reclamation bond for inflation, unanticipated conditions, and modifications to the permit by technical revision or amendment.

On January 19, 2016, the department approved a technical revision submitted by Wharf to modify the mine plan in the Golden Reward area by adding the East Harmony Waste Rock Depository.

On January 27, 2016, the department approved a technical revision to construct a lime slaker in the process area of the Wharf mine.

Both technical revisions required an adjustment to Wharf's current \$35,786,000 reclamation bond. The department calculated a \$1,580,500 increase for the East Harmony Depository and a \$12,800 increase for the lime slaker, which resulted in a total bond increase of \$1,593,300.

To cover the increase, Wharf submitted a rider to surety bond SUR0032040, Argonaut Insurance Company, which is one of the four surety bonds that serve as the reclamation bond. The rider increases the amount of the surety bond from \$6,000,000 to \$7,593,300, which results in an increase to the total reclamation bond for the mine from \$35,786,000 to \$37,379,300.

The department recommendation was to accept the rider to Bond No. SUR0032040, Argonaut Insurance Company increasing the bond to \$7,593,300.

Mr. Holm answered questions from the board regarding the bond increase.

Motion by Karpen, seconded by Englund, to accept the rider to Bond No. SUR0032040, Argonaut Insurance Company increasing the bond to \$7,593,300 for Wharf Resources (USA), Inc., Lead, SD, Mine Permit Nos. 356, 434, 435, 464, and 476. A roll call vote was taken, and the motion carried unanimously.

NEXT MEETING: The next board meeting is May 19, 2016, in the Matthew Training Center in Pierre.

Responding to a question from Mr. Bullene, Mr. Holm stated that the deadline for submitting petitions regarding Special, Exceptional, Critical or Unique Lands is May 1, 2016. To date, the department has received no petitions for 2016. Mr. Holm will provide an update to the board after the petition submittal deadline.

Chairman Hagg asked staff if there is any new information regarding reclamation at the Quartz Northern Points well in Pennington County.

Lucy Dahl reported that the surface reclamation for the Northern Points well is complete, but the well has not been properly plugged in accordance with the department's rules.

Chairman Hagg asked if the staff has been in contact with the operator regarding plugging the well. Ms. Dahl stated that staff has not recently been in contact with the operator.

Mr. Landguth asked when the well will be plugged.

Ms. Dahl answered that at this time, the department's position is to watch and see if there is any ground water degradation or any other environmental impact from the well.

Chairman Hagg asked if the department is still holding a bond for this well. Ms. Dahl stated that the department is holding a \$130,000 bond for this well.

Chairman Hagg stated that he has concerns with the well getting plugged properly.

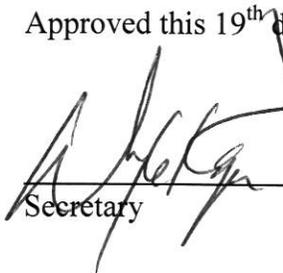
Mr. Morris stated that if the responsible party for the well is an insolvent company that is not willing or able to move forward, the board can reasonably expect that the responsible party is not going to plug the well.

Chairman Hagg requested that the department provide an official update regarding this matter at the May 19, 2016, board meeting.

Mr. Greenfield reported that Harlan Schmidt, on behalf of his client, Robert Fowler, filed an appeal in Circuit Court regarding the board's decision in the matter of LAC Minerals (USA), LLC's petition for release of reclamation liability, updated reclamation financial assurance, post closure plan, and financial assurance, and the request to retain water management facilities and access roads.

ADJOURNMENT: Motion by Landguth, seconded by Bullene, that the meeting be adjourned. A roll call vote was taken, and the motion carried unanimously.

Approved this 19<sup>th</sup> day of May 2016.

  
Secretary \_\_\_\_\_  
Date 5-19-16

  
Witness \_\_\_\_\_  
Date 5/18/16

***South Dakota Board of Minerals & Environment  
Consent Calendar***

***March 17, 2016***

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety No.</u>	<u>Surety Company or Bank</u>	<u>DENR Recommendation</u>
<b><u>Transfer of Liability &amp; Release of Surety:</u></b>						
Ralph Timmerman Tescott, KS	12-932		\$500	105480	American Bank & Trust, Wessington Springs	Transfer liability and release \$500.
		<b>932001</b>	NW1/4 Section 15; T108N-R68W, Buffalo County			
Transfer to:						
Buffalo County Highway Department Gann Valley, SD	83-50		EXEMPT	NA	NA	
<b><u>Transfer of Liability:</u></b>						
Concrete Materials Sioux Falls, SD	83-144		\$20,000	55-194372	United Fire & Casualty Company	Transfer liability.
		<b>144002</b>	S1/2 & NW1/4 Section 2 & SE1/4 Section 3 & NE1/4 Section 11; T101N-R49W, Minnehaha County			
Transfer to:						
Sweetman Partners LLP Sioux Falls, SD	16-998		\$20,000	446265	First National Bank, Sioux Falls, SD	

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<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety No.</u>	<u>Surety Company or Bank</u>	<u>DENR Recommendation</u>
<b><u>Releases of Liability:</u></b>						
Bob Bak Construction Pierre, SD	83-61		\$4,000	13871	American State Bank, Pierre	Release liability.
			\$3,500	7410	American State Bank, Pierre	
			\$3,000	4981	American State Bank, Pierre	
			\$1,000	64334	First National Bank, Pierre	
			\$500	7305	American State Bank, Pierre	
			\$500	65266	First National Bank, Pierre	
			\$500	13850	American State Bank, Pierre	
			\$500	13751	American State Bank, Pierre	
			\$500	0621959600	Wells Fargo Bank, White River	
				<b>61027</b>	NW1/4 Section 1; T10S-R4E, Fall River County	
		<b>61028</b>	Section 25; T9S-R4E, Fall River County			

## *South Dakota Board of Minerals & Environment*

*March 17, 2016*

<u>Permit Holder</u>	<u>Permit No.</u>	<u>Legal</u>	<u>Surety Amount</u>	<u>Surety No.</u>	<u>Surety Company or Bank</u>	<u>DENR Recommendation</u>
<b><u>Annual Update of Homestake Mining Company's Post Closure Bond:</u></b>						
Homestake Mining Company Lead, SD	332 & 456		\$40,786,227	8233-63-10	Federal Insurance Company	Accept rider to Bond No. 8233-63-10, Federal Insurance Company, increasing the bond to \$41,979,523.
<b><u>Acceptance of Reclamation Bond Increase for Wharf Resources (USA), Inc.:</u></b>						
Wharf Resources (USA), Inc. Lead, SD	356, 434, 435, 464, & 476		\$6,000,000	SUR0032040	Argonaut Insurance Company	Accept rider to Bond No. SUR0032040, Argonaut Insurance Company, increasing the bond to \$7,593,300.