

The audio recording for this meeting is available on the South Dakota Boards and Commissions Portal at <http://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=67>

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

March 16, 2017  
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 announced that this meeting was streaming live on SD.net, a service of South Dakota Public Broadcasting.

Chairman Hagg appointed Gregg Greenfield as secretary pro tem.

Mr. Greenfield indicated that due to a conflict of interest, he would not be participating in the adoption of Findings of Fact, Conclusions of Law and Order in the Quartz Operations matter.

Chairman Hagg appointed Dennis Landguth to serve as secretary pro tem during the Quartz Operations matter.

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

BOARD MEMBER ABSENT: Linda Hilde.

OTHERS PRESENT: Bob Townsend, Eric Holm, Mike Cepak, Mike Lees, and Tom Cline, DENR Minerals and Mining Program; Lance Shurtleff, attorney for Quartz Operations, LLC; and assistant Attorney General Steve Blair, attorney for the Department of Environment and Natural Resources.

APPROVAL OF MINUTES FROM JANUARY 19, 2017, MEETING: Motion by Karpen, seconded by Bullene, to approve the minutes of the January 19, 2017, 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 transfer of liability and release of surety, transfers of liability, and releases of liability (see attachment).

Tom Cline, DENR Minerals and Mining Program, presented the consent calendar.

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

Annual Update of Post Closure Financial Assurance for LAC Minerals (USA), LLC, Mine Permit 445: Bob Morris announced that he would recuse himself from participating in this matter.

Eric Holm reported that in the post closure conditions, which were approved by the board on January 21, 2016, it states the financial assurance shall be automatically extended for a period 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 2016.

For 2017, the face value of the surety bond that serves as the post closure financial assurance is required to be \$19,906,292. This is an increase from the \$19,667,216, which was submitted last year. LAC Minerals has submitted a rider to its current surety bond, which increases the amount to the new face value. The rider and the status of Fidelity & Deposit Company of Maryland and Zurich American Insurance Company have been reviewed by the department.

The department recommended that the board accept the rider to Surety Bond No. 09177703, Fidelity & Deposit Company of Maryland and Zurich American Insurance Company, increasing the amount to \$19,906,292.

Motion by Karpen, seconded by Englund to accept the rider to Surety Bond No. 09177703, Fidelity & Deposit Company of Maryland and Zurich American Insurance Company, increasing the amount to \$19,906,292 for post closure financial assurance for LAC Minerals (USA), LLC, Mine Permit 445. A roll call vote was taken, and the motion carried with Blumhardt, Bullene, Englund, Greenfield, Hagg, Karpen and Landguth voting yes. Morris abstained.

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER IN THE MATTER OF THE CONTESTED ENFORCEMENT HEARING FOR QUARTZ OPERATIONS, LLC, NORTHERN POINTS 1 WELL; DENR PETITION TO REVOKE PERMIT AND PETITION TO FORFEIT SURETY (O&G PERMIT NO. 2026): Gregg Greenfield recused himself from participating in this matter.

Bob Morris was the hearing chairman for this matter.

Steve Blair, assistant Attorney General, appeared on behalf of the Department of Environment and Natural Resources.

Lance Shurtleff, attorney from Laramie, WY, appeared on behalf of Quartz Operations, LLC.

Mr. Morris stated that he received proposed Findings of Fact, Conclusions of Law and Order prepared by Mr. Blair on behalf of the Department of Environment and Natural Resources.

Mr. Morris noted that he did not receive objections or proposed Findings of Fact, Conclusions of Law and Order from Quartz Operations.

Mr. Morris noted that prior to the meeting he provided the parties and the board members with amendments and additions to the proposed Findings of Fact and Conclusions of Law submitted by Mr. Blair.

Mr. Morris rejected the proposed Finding of Fact, Conclusions of Law and Order submitted by Mr. Blair. Mr. Morris then requested board approval of his proposed Findings of Fact, Conclusions of Law and Order.

Mr. Blair and Mr. Shurtleff had no objections to Hearing Chairman Morris' amendments and additions to the Findings of Fact, Conclusions of Law and Order.

Motion by Hagg, seconded by Landguth, to adopt the Findings of Fact, Conclusions of Law and Order in the matter of the contested enforcement hearing for Quartz Operations, LLC, Northern Points 1 Well regarding the DENR petition to revoke permit and petition to forfeit surety (O&G Permit No. 2026) as prepared by Hearing Chairman Morris. A roll call vote was taken, and the motion carried with Blumhardt, Bullene, Englund, Hagg, Karpen, Landguth, and Morris voting yes. Greenfield abstained.

NEXT MEETING: The next meeting will be April 20, 2017, via telephone conference call.

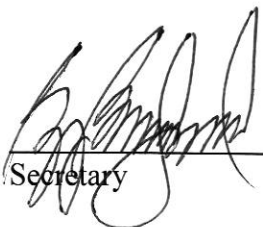
Chairman Hagg requested that at the April 20, 2017, meeting Chief Deputy Attorney General Charlie McGuigan provide an update regarding the Powertech (USA), Inc. application for Large Scale Mine Permit No. 480 (Dewey-Burdock Project).

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

A court reporter was present for the Quartz Operations LLC Findings of Fact, Conclusions of Law and Order, and a transcript may be obtained by contacting Carla Bachand, Capital Reporting Services, PO Box 903, Pierre, SD 57501, telephone number 605-224-7611.

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 South Dakota Boards and Commissions Portal at <http://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=67>

Approved this 20<sup>th</sup> day of April 2017.

  
Secretary \_\_\_\_\_  
Date 5/01/16

  
Witness \_\_\_\_\_  
Date 5/1/17

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

***March 16, 2017***

<b><u>License Holder</u></b>	<b><u>License No.</u></b>	<b><u>Site No.</u></b>	<b><u>Surety Amount</u></b>	<b><u>Surety No.</u></b>	<b><u>Surety Company or Bank</u></b>	<b><u>DENR Recommendation</u></b>
<b><u>Transfer of Liability and Release of Surety:</u></b>						
Curley & Rose Haisch Charitable Remainder Trust Burke, SD	92-433		\$6,160 \$5,030 \$1,000	2100297 201426 202162	First Fidelity Bank, Bonesteel First Fidelity Bank, Bonesteel First Fidelity Bank, Bonesteel	Transfer liability and release \$12,190.
		<b>433001</b>	Section 16; T97N-R68W, Gregory County			
Transfer to:						
Mulehead Gravel LLC Fairfax, SD	16-1001		\$20,000	RC-0027	Sun Surety Insurance Company	
<b><u>Transfers of Liability:</u></b>						
Darrell's Rock Sand & Gravel Inc. Wessington Springs, SD	86-320		\$20,000	RC-0016	Sun Surety Insurance Company	Transfer liability.
		<b>320016</b>	SW1/4 Section 16; T108N-R64W, Jerauld County			
Transfer to:						
Swenson Partnership Wessington Springs, SD	16-1013		\$20,000	41353972	Platte River Insurance Company	

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<b><u>Transfers of Liability:</u></b>						
Jackson County Highway Department Kadoka, SD	83-79		EXEMPT	NA	NA	Transfer liability.
		<b>79033</b>	NW1/4 Section 10; T43N-R36W, Jackson County			
Transfer to:						
David Vander May Long Valley, SD	16-1014		\$1,000	1050500-20	Black Hills Federal Credit Union, Rapid City	
<b><u>Releases of Liability:</u></b>						
Bob Bak Construction Pierre, SD	83-61		\$3,000	4981	American State Bank, Pierre	Release liability.
			\$3,500	7410	American State Bank, Pierre	
			\$1,000	64334	First National Bank, Pierre	
			\$500	65266	First National Bank, Pierre	
			\$500	0621959600	Wells Fargo, White River	
			\$500	7305	American State Bank, Pierre	
			\$500	13751	American State Bank, Pierre	
			\$500	13850	American State Bank, Pierre	
			\$4,000	13871	American State Bank, Pierre	
		<b>61011</b>	N1/2 Section 16; T111N-R79W, Hughes County			

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<b><u>Releases of Liability:</u></b>						
Bowes Construction, Inc. Brookings, SD	83-164	<b>164038</b>	\$20,000	HGMW-10- 206-0065	Hudson Insurance Company	Release liability.
			NW1/4 Section 20; T108N-R50W, Moody County			
C & W Enterprises, Inc. Harrisburg, SD	98-671	<b>671006</b>	\$-0-	NA	NA	Release liability.
		<b>671009</b>	SW1/4 Section 11; T99N-R79W, Tripp County			
		<b>671013</b>	E1/2 Section 33; T103N-R74W, Tripp County			
		<b>671014</b>	SW1/4 Section 27 & N1/2 NW1/4 Section 34; T103N-R77W, Tripp County			
			S1/2 Section 3; T15N-R26E, Dewey County			
Rechnagel Construction, Inc. Hurley, SD	83-135	<b>135022</b>	\$20,000	55-122632	United Fire & Casualty Company	Release liability.
			NE1/4 Section 9; T99N-R53W, Turner County			

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<b><u>Releases of Liability:</u></b>						
Dewey County Highway Department Timber Lake, SD	83-25		EXEMPT	NA	NA	Release liability.
		<b>25001</b>	Section 3; T15N-R26E, Dewey County			