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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, 2020
10:00 a.m. Central Time

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

Chairman Hagg announced that the meeting was streaming live on SD.net, a service of South Dakota Public Broadcasting.

BOARD MEMBERS PRESENT: Rex Hagg, Gregg Greenfield, Glenn Blumhardt, Dennis Landguth, Doyle Karpen, Daryl Englund, Jessica Peterson, Bob Morris, and John Scheetz.

BOARD MEMBERS ABSENT: None.

OTHERS PRESENT: Roberta Hudson, Bret Graves, and Lucy Blocker, DENR Minerals and Mining Program.

UPDATE ON 2020 OIL AND GAS BILLS: Chairman Hagg announced that Secretary Roberts was not available, so Lucy Blocker, Minerals and Mining Program, would present the update on SB 17, HB 1025, and HB 1026.

SB 17 is a bill to appropriate \$727,700 from the general fund for the purposes of plugging and reclaiming the surface sites of natural gas wells in Harding County. The bill has been referred to the Joint Committee on Appropriations, but has not yet been scheduled for hearing.

HB 1025 is a bill to revise the plugging and performance bond structure for oil and gas wells. It eliminates tiered bonding based on well depth, setting single well bonds at \$50,000 and the blanket bond amount at \$100,000. The bill also provides the board and the department the authority to require an additional \$20,000 bond for idle wells, as necessary.

HB 1025 was heard and passed by both the House Agriculture and Natural Resources Committee and the House of Representatives. No opposition was voiced at the hearing. Organizations such as the Stockgrowers, Isaac Walton League, and the Sierra Club testified as proponents. This bill makes South Dakota bonding as stringent as North Dakota and more stringent than other states.

In addition, the proposed idle well requirement is also more stringent than Wyoming and Colorado, which has a tiered system.

HB 1026 is a bill designed to clarify the acceptable use of forfeited oil and gas surety. If the surety for a well has been forfeited and is not required for site-specific reclamation activities, the state may use the funds for the environmental cleanup or remediation of any lands or resources regulated under chapter 45-9. This bill would allow the use of funds such as those revoked for the Quartz well, that are not required for reclamation, to be applied to reclamation activities such as plugging and reclaiming the Spyglass wells. This bill was also heard and passed in both the House Agriculture and Natural Resources Committee and the House of Representatives. There was no opposition for this bill.

Both HB 1025 and 1026 were scheduled before the Senate Agriculture and Natural Resources Committee on February 20, 2020, at 10:00 a.m.

Chairman Hagg asked if, since the bills have come through the House, there have been any new concerns or objections.

Ms. Blocker stated that the main objection expressed is the desire for further bond increases. She noted that the levels proposed in the bills keep South Dakota competitive with other states in the region.

Chairman Hagg asked if the bills have been amended going through the House. Ms. Blocker answered that they have not been amended.

Chairman asked if the department has had any feedback on SB 17. Ms. Blocker stated that there has been no feedback regarding that bill.

APPROVAL OF MINUTES FROM NOVEMBER 21, 2019, MEETING: Motion by Morris, seconded by Blumhardt, to approve the minutes from the November 21, 2019, 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 and surety, transfers of liability, and releases of liability (see attachment).

Bret Graves, Minerals and Mining Program, was available to answer questions. There were no questions from the board.

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

ACCEPTANCE OF AMENDMENT TO LETTER OF CREDIT FOR MINERAL MOUNTAIN RESOURCES (SD) INC: Eric Holm was unable to attend the meeting. Roberta Hudson, Minerals and Mining Program, reported that in 2017, Mineral Mountain Resources (SD) Inc. obtained an Irrevocable Letter of Credit from Great Western Bank to serve as its \$20,000 statewide reclamation bond for EXNI-427. Under SDCL-45-6C-19, an operator may post a \$20,000 surety for statewide exploring in lieu of submitting a surety for each exploration operation.

In November 2019, the department issued a restriction letter for EXNI-434 for an additional exploration operation. The department required Mineral Mountain Resources to submit an amendment to the Irrevocable Letter of Credit to cover the new EXNI.

The department recommended that the board accept Amendment No. 1 to Irrevocable Letter of Credit No. 833 for Mineral Mountain Resources (SD) Inc. to cover EXNI-434.

Ratings for Great Western Bank are 4- and 5-star and A.

EXNI's 427 and 434 are located about one mile east of Rochford. EXNI-434 covers the drilling of up to 90 holes in nine separate drill pad locations with up to 10 drill holes per pad. Drill holes will not exceed 5,000 feet in depth. Each pad is 50 feet by 50 feet. Existing trails are being used.

Chairman Hagg asked what the cost would be to plug all of the exploration test holes. Ms. Hudson said the test holes are plugged with a standard bentonite grout and cement grout as needed, so there is not a specific cost to plug each one. She noted that test holes have to be plugged within 30 days of drilling.

Daryl Englund asked what diameter the holes are. Ms. Hudson stated that these are core holes that are four-inch total with a 2-inch core.

John Scheetz asked if it would be appropriate to review bonding requirements for mineral exploration operations.

Chairman Hagg asked if the 2020 legislative oil and gas bills are for mineral exploration and oil and gas. Ms. Hudson answered that the bills address only oil and gas bonding.

Chairman Hagg asked if the \$20,000 blanket bond is only for the test holes. Ms. Hudson stated that the bond is for reclamation of the entire exploration operation.

Mr. Scheetz suggested that the board review the bonding for exploration activities to make sure the bonding is adequate, the plugging procedures are adequate, and that the operator and the driller follow the permit requirements.

Chairman Hagg agreed that the board should review the bonding requirements. He suggested that by the next board meeting the board familiarize themselves with the bonding process and whether it is adequate.

Mr. Scheetz asked if a motion was needed to put it on the meeting agenda. Chairman Hagg stated that he would visit with the department about reviewing the bonding process.

Motion by Englund, seconded by Landguth, to accept Amendment No. 1 to Irrevocable Letter of Credit No. 833 for Mineral Mountain Resources (SD) Inc. to cover exploration permit EXNI-434. A roll call vote was taken, and the motion carried unanimously.

ANNUAL UPDATE OF POST-CLOSURE FINANCIAL ASSURANCE FOR HOMESTAKE MINING COMPANY, PERMITS 332 AND 456, AND LAC MINERALS (USA) LLC, PERMIT 445:

Homestake Mining Company: Ms. Hudson reported that in the May 18, 2006, order regarding the post-closure financial assurance for Mine Permits 332 and 456, it states 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 every five years.

For 2020, the face value of the surety bond that serves as the post-closure financial assurance is required to be \$58,041,218. This is an increase from the \$56,460,929 which was submitted last year.

For the increase, Homestake submitted a rider to Surety Bond No. 8233-63-10, Federal Insurance Company, which increases the amount to the new face value. Federal Insurance is licensed in South Dakota and is on the US Department of Treasury list of approved surety companies. Ratings for the company from AM Best, Standard and Poor's, Moody's, and Fitch's are superior, very strong, high quality, and very high credit, respectively. Outlooks are stable except for a positive outlook from Moody's.

The department recommended that the board accept the rider to Surety Bond No. 8233-63-10, Federal Insurance Company, to increase the post-closure financial assurance amount to \$58,041,218.

Motion by Morris, seconded by Karpen, to accept the rider to Bond No. 82336310, Federal Insurance Company, increasing the post-closure financial assurance amount to \$58,041,218 for Homestake Mining Company, Permits 332 and 456. A roll call vote was taken, and the motion carried unanimously.

LAC Minerals (USA) LLC: Ms. Hudson reported that in the post-closure conditions for Mine Permit 445, which were approved by the board on January 21, 2016, it states 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 2016.

For 2020, the face value of the surety bond that serves as the post-closure financial assurance is required to be \$21,789,741. This is an increase from the \$21,156,324 amount, which was submitted last year. For the increase, LAC Minerals submitted a rider to Surety Bond No.

09177703, Fidelity & Deposit Company of Maryland and Zurich American Insurance Company, which increases the amount to the new face value. Both surety companies are licensed in South Dakota and are listed on the US Department of Treasury's list of approved surety companies. Ratings for both companies from AM Best and Standard and Poor's are superior to very strong. Outlooks are stable to positive

The department recommended that the board accept the rider to Surety Bond No. 09177703, Fidelity & Deposit Company of Maryland and Zurich American Insurance Company, to increase the post-closure financial assurance amount to \$21,789,741.

Motion by Scheetz, seconded by Englund, to accept the rider to Surety Bond No. 09177703, Fidelity & Deposit Company of Maryland and Zurich American Insurance Company, to increase the post-closure financial assurance amount to \$21,789,741 for LAC Minerals (USA), LLC Permit 445. A roll call vote was taken, and the motion carried unanimously.

PUBLIC COMMENT PERIOD: There were no public comments.

NEXT MEETING: The next meeting, if needed, is scheduled for March 19, 2020.

Chairman Hagg stated that if the agenda is very light, he would rather hold the meeting via telephone conference call rather than bringing all of the board members to Pierre. He asked for comments from the board members on whether they would like to handle it differently. None of the other board members commented.

ADJOURN: Motion by Landguth, seconded by Karpen, that the meeting be adjourned. A Roll call vote was taken, and the motion carried unanimously.

Secretary

Date

Witness

Date

Consent Calendar
South Dakota Board of Minerals and Environment

February 20, 2020

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DENR Recommendation</u>
<u>Releases of Liability and Surety:</u>					
Douglas Leischer Pierre, SD	95-568	568001	\$1,000	First National Bank, Pierre SE1/4 Section 32; T110N-R76W, Hughes County	Release liability and \$1,000.
Pinnacle Land Company, LLC Sturgis, SD	11-913	913001	\$1,000	First Interstate Bank, Sturgis S1/2 NE1/4 Section 8; T5N-R5E, Meade County	Release liability and \$1,000.
<u>Transfers of Liability and Release of Surety:</u>					
Lowell Swanson Pukwana, SD	15-983	983001	\$5,000	Great Western Bank, Chamberlain N1/2 Section 5; T103N-R69W, Brule County	Transfer liability and release \$5,000.
Transfer to: SO Unlimited LLC Chamberlain, SD	19-1055		\$1,000	First Dakota National Bank, Chamberlain	

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<u>Transfers of Liability and Release of Surety:</u>					
Van Zee Gravel & Construction Platte, SD	83-223		\$8,000	Bank of The West, Platte	Transfer liability and release \$8,000.
Transfer to:		223009			
				NW1/4, SW1/4, & SE1/4 Section 35; T101N-R66W, Aurora County	
Opperman, Inc. Gregory, SD	83-4		\$20,000	Sun Surety Insurance Company	
<u>Transfers of Liability:</u>					
James T. Goetz Estate Sheldon, IA	83-187		\$20,000	First National Bank, Yankton	Transfer liability.
Transfer to:		187003			
				W1/2 NW1/4 & NW1/4 SW1/4 Section 9; T102N-R59W, Hanson County	
JD Concrete Products LLC Mitchell, SD	19-1050		\$20,000	First Dakota National Bank, Mitchell	

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<u>Transfers of Liability:</u>					
Lien Transportation Company Aberdeen, SD	84-257		\$20,000	Western Surety Company	Transfer liability.
		257004	NW1/4 Section 33; T127N-R64W, Brown County		
Transfer to:					
B & B Contracting, Inc. Aberdeen, SD	01-716		\$20,000	North American Specialty Insurance Company	
Dan L. Meyers Huron, SD	83-176		\$20,000	Sun Surety Insurance Company	Transfer liability.
		176021	N1/2 Section 25; T108N-R61W, Sanborn County		
Transfer to:					
Michael Feistner Woonsocket, SD	03-759		\$8,500	First National Bank, Pierre First National Bank, Yankton First National Bank, Woonsocket	
<u>Releases of Liability:</u>					
B & B Contracting, Inc. Aberdeen, SD	01-716		\$20,000	North American Specialty Insurance Company	Release liability.
		716002	SW1/4 Section 24; T123N-R65W, Brown County		

Consent Calendar
South Dakota Board of Minerals and Environment

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<u>Releases of Liability:</u>					
Concrete Materials Sioux Falls, SD	83-144	144006	\$20,000	United Fire & Casualty Company	Release liability.
				NE1/4 Section 33, NW1/4 & W1/2 NE1/4 Section 34, SW1/4 Section 27 & SE1/4 Section 28; T94N-R55W, Yankton County	
Buffalo County Highway Department Gann Valley, SD	83-50	50010	EXEMPT	NA	Release liability.
				NW1/4 Section 18; T109N-R71W, Hyde County	
Todd County Highway Department Mission, SD	83-243	243003	EXEMPT	NA	Release liability.
				SW1/4 NW1/4 Section 6; T39N-R31W, Todd County	
Ziebach County Highway Department Dupree, SD	83-246	246019	EXEMPT	NA	Release liability.
				SE1/4 Section 30; T9N-R24E, Ziebach County	

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<u>Permit Holder</u>	<u>Permit No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DENR Recommendation</u>
<u>Acceptance of Amendment to Letter of Credit for Mineral Mountain Resources (SD) Inc.:</u>				
Mineral Mountain Resources (SD) Inc. Vancouver BC, Canada	EXNI-427	\$20,000	Great Western Bank, Rapid City	Accept Amendment No. 1 to Irrevocable Letter of Credit No. 833 for Mineral Mountain Resources (SD) Inc. to cover exploration permit EXNI-434.
<u>Annual Update of Post Closure Financial Assurance:</u>				
Homestake Mining Company Central City, SD	332 & 456	\$56,460,929	Federal Insurance Company	Accept rider to Bond No. 82336310, Federal Insurance Company, increasing the Post Closure Financial Assurance amount to \$58,041,218.
LAC Minerals (USA), LLC Central City, SD	445	\$21,156,324	Fidelity & Deposit Company of Maryland Zurich American Insurance Company	Accept rider to Bond No. 09177703, Fidelity & Deposit Company of Maryland and Zurich American Insurance Company, increasing the Post Closure Financial Assurance amount to \$21,789,741.