



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: May 12, 2011

Agenda Item No. 6: Approval of Adjusted Financial Assurance Cost Estimate for Dantoni Pit (CA Mine ID #91-58-0011), Kino Aggregates, Inc. (Operator), Mr. Noble Plant (Agent), County of Yuba.

INTRODUCTION: The State Mining and Geology Board (SMGB) serves as the lead agency for the County of El Dorado pursuant to the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code (PRC) Section 2710, et seq.). SMARA requires that each surface mining operation maintain a financial assurance in an amount adequate to reclaim, in accordance with the requirements of an approved reclamation plan, the land disturbed by the mining operation at the conclusion of mining activities. SMARA lead agencies are required to annually review the financial assurance amounts for each surface mining operation, and adjust the amount, as necessary, to account for new land disturbed, inflation, or land reclaimed. In any event, the lead agency must ensure that the approved amount is adequate to reclaim the mine site according to the reclamation plan requirements (PRC Sections 2770 and 2773.1, and California Code of Regulations (CCR) Section 3804).

STATUTORY AND REGULATORY AUTHORITY: Financial assurance cost estimate adjustment requirements are discussed under SMARA, and within the SMGB's regulations and guidelines. Lead agencies are required to assure that financial assurances for reclamation are sufficient pursuant to Division 2, Chapter 9, Article 5 of PRC Section 2770(d) which states:

"The lead agency's review of reclamation plans submitted pursuant to subdivision (b) or of financial assurances pursuant to subdivision (c) is limited to whether the plan or the financial assurances substantially meet the applicable requirements of Sections 2772, 2773, and 2773.1, and the lead agency surface mining ordinance adopted pursuant to subdivision (a) of Section 2774, but, in any event, the lead agency shall require that financial assurances for reclamation be sufficient to perform reclamation of lands remaining disturbed. Reclamation plans or financial assurances determined to substantially meet these requirements shall be approved by the lead agency for purposes of this chapter. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. The operator has 60 days to revise the plan or financial assurances to address identified deficiencies, at which time the revised plan or financial assurances shall be returned to the lead agency for review and approval."



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In addition, PRC Section 2773.1(a) states:

*“...Lead agencies shall require financial assurances of each surface mining operation to ensure reclamation is performed in accordance with the surface mining operation's approved reclamation plan, as follows:
(3) The amount of financial assurances required of a surface mining operation for any one year shall be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan.”*

Furthermore, the SMGB's regulations pursuant to Article 11 of CCR Section 3804, Calculation of Financial Assurance Amount, states:

*“(a) The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1 and based on:
(1) an analysis of the physical activities and materials necessary to implement the approved reclamation plan;
(2) the lead agency's unit costs, or costs for third party contracting, for each of these activities, if applicable;
(3) the number of units of each of these activities, if applicable;
(4) a contingency amount not to exceed 10% of the reclamation costs.
(b) The calculated amount should not include the cost of completing mining of the site.
(c) In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the operator shall annually submit to the lead agency a revision of the written calculation required under Section 3804(a).”*

BACKGROUND: The Dantoni Pit is an active mining operation and home of Kino Aggregates, Inc. The relatively flat site encompasses about 180 acres in the southwestern portion of the Yuba Goldfields and is accessed via the northern terminus of Dantoni Road. North-south oriented former dredged tailing mounds ranging up to about 30 to 40 feet in height are situated along the eastern and northern portions of the site. Processing facilities, a truck scale and scale house, administrative office trailer, a hot mix batch plant operated by DeSilva Gates, and above ground fuel tanks, are located east of the entrance site.

An equipment staging area, boneyard, and process water settling pond are situated immediately south of the processing plant. Product stockpiles are situated in the central and west-central portions of the site and along the initial access road to the site. Several former sediment-settling ponds and extraction ponds are situated in the northern part of the site, although recent material extraction has been focused in the central and southern portions of the property. Surface water enters the site from an irrigation canal situated along the eastern property line, and flows into the former primary Phase 1 material extraction pond in the central northern portion of the site. Water exits the property through a northwesterly flowing drainage towards the Yuba River.

An inspection of the Knife River Hallwood Plant surface mining operation was performed on

August 25, 2010. No violations or corrective measures were noted at such time, although the inspector recommended that a revised financial assurance cost estimate be prepared and submitted to the SMGB. The financial assurance cost estimate has been adjusted to reflect current site conditions, current equipment, labor and fuel rates, and anticipated disturbance over the next calendar year. The financial assurance mechanism currently on file with the SMGB is in the amount of \$226,210.00. On September 11, 2009, the SMGB approved a revised financial assurance cost estimate in the amount of \$216,739.00. The Dantoni Pit remains subject to a financial assurance, and based on our recent analysis and review of site conditions and submitted documents, SMGB staff considers the revised financial assurance cost estimate in the amount of \$218,146.00 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan. The following table summarizes the recently adjusted financial assurance cost estimate:

FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

I.	Primary Reclamation Activities	\$ 104,770
II.	Revegetation	\$ 29,713
III.	Plant Structures and Equipment Removal	\$ -0-
IV.	Miscellaneous Costs	\$ 8,814
V.	Monitoring	\$ 3,750
	Total Direct Cost	\$ 147,047
VI.	Supervision/Overhead/Contingencies	
	a. Supervision (5.5%)	\$ 8,089
	b. Profit/Overhead (11.5%)	\$ 16,910
	c. Contingencies (10%)	\$ 14,705
	d. Mobilization (2.0%)	\$ 2,941
	Total Indirect Cost	\$ 42,645
	Total Direct and Indirect Costs	\$ 189,692
	Lead Agency administrative cost (15%)	\$ 28,454
	Total Estimated Cost for Reclamation	\$ 218,146.00

CONSIDERATIONS BEFORE THE SMGB: The SMGB may take the following actions:

1. Approve as adequate the adjusted financial assurance cost estimate, without additions;

[or]

2. Modify the adjusted financial assurance cost estimate, and then accept it as adequate;

[or]

3. Reject the adjusted financial assurance cost estimate as inadequate and order it to be redone.

EXECUTIVE OFFICER'S RECOMMENDATION: The adjusted financial assurance cost estimate for the Dantoni Pit has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. SMGB staff consider the subject adjusted financial assurance cost estimate adequate to reclaim the site in accordance with the approved reclamation plan. The Executive Officer recommends that the SMGB approve the adjusted financial assurance cost estimate.

SUGGESTED MOTION LANGUAGE:

To approve the Adjusted Financial Assurance Cost Estimate:

Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the SMGB approve the adjusted financial assurance cost estimate of \$218,146.00 for the Dantoni Pit surface mining operation, CA Mine ID #91-58-0011, located in the County of Yuba, as adequate to reclaim the site in accordance with the approved reclamation plan, and as adequate in meeting the minimum requirements of SMARA and the SMGB's regulations.

Respectfully submitted:

Stephen M. Testa
Executive Officer