



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: June 13, 2013

Agenda Item No. 3: Approval of Revised Financial Assurance Cost Estimate for Blue Point Mine (CA Mine ID #91-58-0021), Blue Point Partners (Operator), Mr. Brian Bisnett (Agent), County of Yuba.

INTRODUCTION: The State Mining and Geology Board (SMGB) serves as the lead agency for the County of Yuba 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 the 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 Blue Point Sand Mine is an inactive aggregate mining operation encompassing about 52 acres. Reclamation activities have largely been completed by the operator. Entrance to the site is from Smartsville Road via paved road known by the name of Krista Trail. Local topography is characterized by gently rolling hills to vertical bluffs over 200 feet in height, which were formed as a result of historic hydraulic mining activity dating back to the 1850's. Elevations range from about 530 feet above mean sea level (MSL) at the northwest portion of the site to approximately 970 feet above MSL along the access road at the southern site boundary. Open woodland and residential areas border the site to the north and south.

The site is underlain by auriferous gravels of Eocene age that comprise the bluffs, which overlie metabasalts of Jurassic age. Stratified andesitic tuff of Miocene-Pliocene age is exposed along the base of the bluffs in certain locations, and overlies gravel deposits. Historically, surface mining at this location produced placer gold, fine-to-coarse sand, gravel, cobbles and landscape rock. The most recent material extraction area was in the eastern portion of the site where hydraulic mining tailings were stockpiled and processed along an east-west drainage situated immediately south of the former processing area in this location, near the entrance to an underground drainage tunnel.

An inspection of the Blue Point Mine surfacing mining operation was most recently performed by SMGB staff on January 14, 2013. Based on this recent annual inspection, approximately 2 acres of

the subject site are deemed disturbed. The existing financial assurance on file for the site is in the amount of \$14,541.00. On February 20, 2013, the operator submitted a revised financial assurance cost estimate to the SMGB in the amount of \$6724.23. Such revised estimate did not include an indirect cost for mobilization, nor did it include a SMARA lead agency administrative cost. SMGB staff calculated an indirect cost for mobilization of \$153.99 [Total Direct Costs times 3% (\$5,133.00 x 0.03 = \$153.99)]. SMGB staff also included a SMARA lead agency administrative cost of \$1,031.73 [Total Direct Costs plus Total Indirect Costs times 15% (\$5,133.00 + \$1,745.22) x 0.15 = \$1,031.73].

The site remains subject to a financial assurance, and the SMGB considers the revised financial assurance cost estimate, with adjustments made by SMGB staff as discussed above, in the amount of \$7,909.95 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan. The February 20, 2013 adjusted financial assurance cost estimate as provided by the operator, with SMGB staff adjustments, is summarized as follows:

FINANCIAL ASSURANCE COST ESTIMATE ADJUSTMENT SUMMARY:

I.	Primary Reclamation Activities	\$	0.00
II.	Revegetation	\$	3,533.00
III.	Plant Structures and Equipment Removal	\$	0.00
IV.	Miscellaneous Costs	\$	0.00
V.	Monitoring	\$	1,600.00
	Total Direct Costs	\$	5,133.00
VI.	Supervision/Overhead/Contingencies		
	a. Supervision (7%)	\$	359.31
	b. Profit/Overhead (14%)	\$	718.62
	c. Contingencies (10%)	\$	513.30
	d. Mobilization (3%)	\$	153.99
	Total Indirect Costs	\$	1,745.22
	Total Direct plus Indirect Costs	\$	6,878.22
	Lead Agency Administrative Cost (15%)	\$	1,031.73
	Total Estimated Cost for Reclamation	\$	7,909.95



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

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

[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 Blue Point Mine surface mining operation has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. SMGB staff has reviewed the adjusted financial assurance cost estimate, and considers it 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 \$7,909.95 for the Blue Point Mine surface mining operation, CA Mine ID #91-58-0021, 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