



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: June 14, 2012

Agenda Item No. 3: Approval of a Revised Financial Assurance Cost Estimate, Timm Mines (CA Mine ID #91-09-0006), Maybelle Timm Eley (Agent), Cole McGowan (Operator), County of El Dorado.

INTRODUCTION: The State Mining and Geology Board (SMGB) is the lead agency for El Dorado County, 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 SMARA lead agency must ensure that the approved amount is adequate to reclaim the mine site in accordance with the approved reclamation plan (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



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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.”

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 Timm Mine is an underground hard rock lode gold mine, specializing in specimen gold samples, and is located near the community of Garden Valley in the County of El Dorado. The site is subject to SMARA due to the fact that operations have resulted in



greater than one acre of surface disturbance. At time of the 2011 annual inspection, which was conducted on September 14, 2011, approximately 2.1 acres of the Timm Mine site were deemed disturbed. The mine sits on the west flank of a generally north-south trending canyon that contains southerly-flowing Travers Creek. Elevation of the site ranges from about 1,450 feet to 2,550 feet above mean sea level (MSL). Underlying bedrock is predominantly metasediments (i.e., schists and slates) and metavolcanics of the Calaveras Complex of Paleozoic age. The site includes a gated and locked portal providing underground access, ore processing and milling buildings, compressor shed, muck dump station, narrow gauge rail system, metal storage shed, water storage tank, explosive storage magazine, small boneyard and equipment staging areas, and a former tailings settling pond which is situated southeast of the Mill structure adjacent to Travers Creek.

The Timm Mine site has been idle and has been maintained under approved Interim Management Plans from November of 1999 to November of 2011. The site recently returned to operational status, and is currently considered active.

As noted above, an inspection of the Timm Mine surface mining operation was performed on September 14, 2011. As of this date, no violations or corrective measures were noted. At time of inspection, approximately 2.1 acres out of a total of about 3 acres were deemed disturbed. 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 currently on file is in the amount of \$12,874.00. The revised financial assurance cost estimate of \$7,965.70 shows a slight increase in the total estimated cost of reclamation compared to the most recently approved financial assurance cost estimate.

The subject revised financial assurance cost estimate was provided to SMGB staff by the operator via hand delivery during the last annual SMARA inspection on September 14, 2011. After preliminary review and minor revisions, on March 21, 2012, SMGB staff provided the subject cost estimate to the Office of Mine Reclamation (OMR) for review per PRC Section 2774 and CCR Sections 3805 and 3805.5. No review comments were received from OMR as of May 7, 2012, which was the end of the mandated 45-day review period as specified in PRC Section 2774(d)(1). Subsequently, on May 15, 2012, the SMGB provided written notification to OMR per PRC Section 2774(d) that the subject revised financial assurance cost estimate would be scheduled for approval consideration the SMGB's June 14, 2012 regular business meeting.

On May 21, 2012, the SMGB office received review comments from OMR (dated May 18, 2012) pertaining to the subject revised financial assurance cost estimate. OMR's review comments raised three potential issues regarding the cost estimate. These issues and SMGB staff responses are provided below:



OMR Issue 1: Landscape Laborer wages should be \$42.93 per hour versus \$8.00 per hour as listed in the cost estimate.

SMGB Staff Response: The operator utilized the approximate rate for a Landscape Maintenance Laborer and mislabeled this line item as Landscape Laborer within the revised cost estimate. Upon further consideration, SMGB staff agrees that the current Landscape Laborer rate as provided by the California Department of Industrial Relations (DIR) is more appropriate, and the subject cost estimate should be increased as such.

OMR Issue 2: The equipment salvage value quote is out-dated and not provided on company letterhead.

SMGB Staff Response: The equipment salvage value quote included with the subject cost estimate was indeed originally provided in 2002. However, the document includes a handwritten notation that such offer is valid until rescinded in writing. SMGB staff is not aware of any written documentation rescinding of this offer. Additionally, although the document providing the original quote does not include a 'typical' company letterhead, it is obvious that it was provided by Jack Wilcox Enterprises, and appropriate company contact information is provided. As such, SMGB staff considers the equipment salvage value quote to be valid.

OMR Issue 3: Salvage value of on-site processing equipment and structures may only be used to offset removal costs of these items, while the subject cost estimate uses salvage values to offset the overall cost of demolition.

SMGB Staff Response: SMGB staff disagrees with this interpretation of the intent of the use of structure and equipment salvage values. Page 2 of Appendix A-1 the SMGB's Financial Assurance Guidelines states "...the cost to reclaim the plant site may be the net of the surplus/salvage value of the facilities to be reclaimed." In addition, the salvage quote provided does not include the value of scrap steel, narrow gauge railroad track, 8 side dump ore cars, 2 electric locomotives, 2 heavy haulage carts, thousands of board feet of old growth wood timbers in the mill buildings, portable mining equipment, crushers, mucking machines and air winches. These items are of significant salvage value and are not included in the revised cost estimate. Based on the above, SMGB staff considers the overall cost of plant structures and equipment removal of \$2,761.36 to be a conservative estimate, and would anticipate actual salvage values to completely offset such costs.

Considering the above discussion, the following table summarizes the revised financial assurance cost estimate, rounded to the nearest dollar, with inclusion of an increased cost for Landscape Laborer rates of \$43.00 per hour where appropriate:



FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

I.	Primary Reclamation Activities	\$ 2,496
II.	Revegetation	\$ 857
III.	Plant Structures and Equipment Removal	\$ 2,761
IV.	Miscellaneous Costs	\$ 0
V.	Monitoring	\$ 660
	Total Direct Cost	\$ 6,774
VI.	Supervision/Overhead/Contingencies	
a.	Supervision (7%)	\$ 474
b.	Profit/Overhead (15%)	\$ 1016
c.	Contingencies (10%)	\$ 677
d.	Mobilization (5%)	\$ 339
	Total Indirect Cost	\$ 2,506
	Total Direct and Indirect Costs	\$ 9,280
	Lead Agency administrative cost (15%)	\$ 1,392
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	Total Estimated Cost for Reclamation	\$ 10,672

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

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

[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 Executive Officer recommends that the SMGB approve the adjusted financial assurance cost estimate. The adjusted financial assurance cost estimate has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. Based on the annual inspection conducted in 2011, the recently revised financial assurance cost estimate amount is deemed to be adequate.

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 Board approve an adjusted financial assurance cost estimate of \$10,672.00 for the Timm Mine, CA Mine ID #91-09-0006, located in El Dorado County, as being adequate to reclaim the site in accordance with the approved reclamation plan, and meeting the minimum requirements of SMARA and the Board's regulations.

Respectfully submitted:



Stephen M. Testa
Executive Officer