



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: December 13, 2012

Agenda Item No. 5: Approval of Revised Financial Assurance Cost Estimate for Stringer Pit 1 (CA Mine ID #91-58-0022), Silica Resources, Inc. (Operator), Ms. Nicole Lindbom (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



Executive Officer's Report

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 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: Stringer Pit #1 is an active surface mining operation situated on the eastern portion of the Long Bar property located in the eastern portion of the historic Yuba Goldfields, approximately 12 miles northeast of Marysville, California. The site is accessed from State Highway 20 via a gravel haul road which passes through the Stringer Pit #2 mine site immediately to the west. Currently referred to as Stringer Pit #1, and historically as a part of what was referred to as Long Bar, the site encompasses approximately 90 acres and



is situated south of State Highway 20 and immediately north of the north bank of the east-to-west flowing Yuba River.

An inspection of the Stringer Pit #1 surface mining operation was performed on September 28, 2011. No new violations were noted at time of the 2011 inspection. One ongoing violation, which was originally noted in a Notice of Violation issued by the SMGB on April 30, 2010, was observed to be nearly completely mitigated at time of inspection. The violation involves encroachment of mined materials across a segment of the approved reclamation plan boundary in the northeastern portion of the site. It was expected that the areas affected by this previous violation were to be completely mitigated during 2012. One corrective measure was noted during the 2011 inspection regarding the need for a revised financial assurance cost estimate to be submitted to the SMGB.

Currently, approximately 46 acres of the Stringer Pit #1 site are deemed disturbed. The existing financial assurance on file for the site is in the amount of \$53,818.00. The site 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 \$52,969.00 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	\$ 32,176.00
II.	Revegetation	\$ 0.00
III.	Plant Structures and Equipment Removal	\$ 1,424.00
IV.	Miscellaneous Costs	\$ 96.00
V.	Monitoring	\$ 1,250.00
	Total Direct Cost	\$ 34,946.00
VI.	Supervision/Overhead/Contingencies	
	a. Supervision (6.4%)	\$ 2,237.00
	b. Profit/Overhead (13.4%)	\$ 4,683.00
	c. Contingencies (10%)	\$ 3,495.00
	d. Mobilization (2.0%)	\$ 699.00
	Total Indirect Cost	\$ 11,114.00
	Total Direct and Indirect Costs	\$ 46,060.00
	Lead Agency administrative cost (15%)	\$ 6,909.00
	Total Estimated Cost for Reclamation	\$ 52,969.00



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 Stringer Pit #1 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 considers 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 \$52,969.00 for the Stringer Pit #1 surface mining operation, CA Mine ID #91-58-0022, 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