



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: March 8, 2012

Agenda Item No. 10: Consideration of Changes to the Annual Mining Operation Report Form MRRC-2.

INTRODUCTION: All unreclaimed mine operations are required to file a Mine Operation Annual Report (MRRC-2) for each reporting (calendar) year. The reports provide information to the Department of Conservation that includes, but is not limited to, identifying the responsible parties operating mine sites, the operation's production and reclamation status, status of mine inspections, commodities produced, production amounts of reported commodities, and remaining disturbed acreage. Each MRRC-2 form is to be accompanied by an annual reporting fee and is to be filed no later than July 1 of each year for the preceding report year. The MRRC-2 report and related Low Gross Exemption Fee Request (MRRC-4L) form must be approved by the State Mining and Geology Board (Board). These forms are before the Board at this time for consideration and approval of proposed revisions. The revisions are intended to ease the completion of the forms by mine operators and to facilitate the department's interpretation of information on completed forms.

The current MRRC-2 causes some confusion which OMR believes can be alleviated by the suggested revisions. OMR spends additional resources each year either writing letters or telephoning mine operators, designated agents, and/or report submitters to research and correct report discrepancies caused by the lack of clarity at specific points of the form. In addition, information is occasionally lost when these parts of the forms are not completed due to confusion. The proposed revisions are intended to make the form "more user friendly."

The current Low Gross Exemption Fee Request form (MRRC-4L) restricts the availability of the reduced, low gross reporting fee to "active" mines only. This has effectively excluded idle mines, even though these mines may qualify for the exemption. OMR believes it is the intent of this SMGB to allow mines with low gross earnings that are in an idle status the same opportunity for the exemption as long as they have an approved Interim Management Plan.

AUTHORITY: Public Resources Code (PRC) Section 2207(a) states:

"The owner or the operator of a mining operation within the state shall forward to the director annually, not later than a date established by the director, upon



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forms approved by the board from time to time, a report that identifies the operator, lead agency, designated agent...”

California Code of Regulations (CCR), Title 14, Article 8, Section 3699 provides for an exemption from the method of fee assessment, called the Low Gross Exemption Fee. Subsection (a) identifies the exemption application form as MRRC-4L. Section 3699 does not expressly exclude idle mines from applying for this exemption. In brief, the exemption’s qualifying criteria require that the mine extracts material from a single operation in California, is in compliance with SMARA, and earns less than \$100,000 in annual gross income.

PROPOSED SOLUTION: OMR recommends that the SMGB approve proposed revisions to the MRRC-2 form as shown in red and blue (~~strikeout~~ and underline) on the attached, revised forms. The letters in red below correspond to those on the attached form.

MINING OPERATIONS ANNUAL REPORT (MRRC-2)

A. Add a text box to record the email addresses for:

- the site contact (item 1);
- the designated agent (item 2);
- the owner of mining operation (item 3); and
- the submitter of the annual report (item 17).

Having this information facilitates OMR’s reporting analysts easy communication with the appropriate representative of a mine site to resolve any reporting discrepancies. Keeping in touch by using email has proven to be an effective supplement to telephone calls during recent reporting years.

B. Item 5: Status of Mining Activity

Add instructional information for clarification.

Remove code reference for form consistency and refers operators/submitters to the detailed form instructions.

Remove redundant line “date mining ceased.”

C. All pages: Footer

Distribution directions are included on all pages. Many operators/submitters do not understand that a copy needs to be sent to their Lead Agency. The submitter page



includes check boxes for the submitter to indicate they have sent the appropriate copies to the appropriate parties.

D. Item 7: Inspection Reports

Reformat the statement as a formal question. Add date of inspection. This change clarifies what actions are required following the selection of the “yes” or the “no” responses.

E. Item 8B: Reclamation Plan Status

Additional check box question added for clarity. It is important that OMR know when the Mining Operation’s Reclamation Plan was approved or if the plan is currently on appeal with the Board.

F. Item 9: Financial Assurance Mechanism

Reformat the statement into a question. The change clarifies what actions are required following the selection of the “yes” or the “no” responses. Rearranges the order of requested information and adds consistency with the flow of the financial assurance mechanism process.

Add section on Financial Assurance Cost Estimates. OMR requires a copy of the proof of approval. This requirement is often overlooked. This question has therefore been added to document proof of the estimate approval, which is required for the establishment of the Financial Assurance Mechanism amount.

G. Item 10: Boundaries of Mining Operation

Reporting latitude and longitude is currently requested by the form. This change clarifies that this location information be expressed in decimal degrees for ease of mine location. Having such accuracy for mine location has become increasingly important with the passage of SB 110 in 2011, which requires OMR to disclose mine locations for the sake of property transfers. These changes will also maintain the integrity of OMR’s SMARA database.

H. Item 15: Commodities and Production

Relocate and reword the directional text box when asking for information about commodities and production by category.



Add “Produced Minerals” above the commodity categories as a subtitle and remove the double line between the “primary” and “all other” commodities. At times the operator/submitter reports all commodities as a combined total under the “primary” category leaving “other commodities” blank. These modifications are intended to clarify that all commodities be accounted for.

I. Item 16: Fee Schedule

Relocate and reword the directional text box when seeking information about the production code and the amount of the reporting fee due adding consistency to the MRRC-2 form.

J. Below Item 17: Submitter Page

Added instructions that additional sheets may be attached if more space is needed for explanations.

LOW-GROSS EXEMPTION FEE REQUEST FORM (MRRC-4L)

A. Opening sentence

Remove the phrase “operation must be active” when defining what operations may qualify for this type of reduced fee. This affirms that “idle” mines extracting materials, but generating less than \$100,000 per year in gross income, may qualify for the Low Gross Exemption. The requested information on the remainder of the form makes it clear which mines qualify for the exemption.

B. Question 2

Add clarification phrase to provide for requirement that idle mines must have an approved Interim Management Plan to qualify for the exemption.

BENEFITS: OMR believes the proposed revisions provide the following benefits:

- Streamlines and clarifies the process of completing the MRRC-2 form for both mining operators and OMR
- Streamlines the annual reporting and collection process by eliminating some confusing definitions that consistently lead to report discrepancies.
- Currently, OMR spends additional resources either writing letters or



telephoning mine operators, designated agents, and/or report submitters to research and correct report discrepancies. A trial effort during the 2010 reporting year proved that adding e-mail addresses to contact these individually was effective by reducing the amount of time to do this outreach. Electronic communication also provides written documentation and authorization for making minor corrections to the MRRC-2 forms, as well as enabling communications to be captured in the SMARA database for historical purposes.

- Helps reduce reporting discrepancies.
- Reduces the number of appeal requests to the SMGB. One option mine operators have when denied the Low Gross Exemption Request is to appeal their case to the SMGB. Allowing idle mines to qualify for the reduced fee will, in turn, reduce the number of appeal requests to the Board.
- Improves equity by affirming that idle mines that are actively extracting material and earning less than \$100,000 in annual gross income to apply for the lower Low Gross Exemption Fee.

CONSIDERATION OF ALTERNATIVES: MRRC-2 and MRRC-4L forms remain status quo. Efficiencies and equity noted above are not achieved.

RECOMMENDATIONS: OMR recommends that the SMGB approve proposed minor revisions to the Mining Operation Annual Report form (MRRC-2) and the Low Gross Exemption Request form (MRRC-4L) as presented.

Pursuant to PRC 2207(h), “The approval of a form by the board pursuant to this section is not the adoption of a regulation for purposes of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code and is not subject to that chapter.”

OMR is prepared to implement these changes no later than April 30, 2012 in time for the release of the 2011 Annual Report Packets.

The owner, lessor, lessee, agent, manager, or other person in charge of any mining operation of whatever kind or character within the State (including mines being operated on federal lands) must file an annual report with the State and their SMARA Lead Agency (PRC Section 2207), unless the operation qualifies as exempt under SMARA PRC Section 2714. Such form, referred to as Mining Operation Annual Report (MRRC-2), is required for each reclamation plan, and all surface mining operators required to file an annual report must also pay an annual reporting fee according to the Fees Schedule in California Code of



Regulations Title 14, Division 2, Chapter 8, Section 3695 *et seq.* The 2011 reporting year is from January 1 through December 31, 2011.

OMR is considering non-substantial changes to the Form MRRC-2. The changes are to make the form easier to understand. The reporting forms are mailed to operators no later than April 30, 2012, thus, OMR is requesting approval from the SMGB.

EXECUTIVE OFFICER'S RECOMMENDATION: The Executive Officer offers the following motion for the Committee's consideration.

Motion to recommend approval of minor revisions to Form MRRC-2:

Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the Board [approve/modify/reject] the revisions to the Mining Operation Annual Report Form MRRC-2.

Respectfully submitted:



Stephen M. Testa
Executive Officer

