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EXECUTIVE SUMMARY AND MONTHLY ACTIVITY REPORTS OCTOBER 2014

EXECUTIVE SUMMARY

- Industry and Public Relations – Presentations on Nevada mineral production and the new hydraulic fracturing regulations were given at the annual meeting of the Nevada Mineral Exploration Coalition (NMEC) and Nevada Landman's Association.
- Minerals Education and Outreach – 15 presentations were given which reached 605 Nevadans: 22 Eagle Scouts, 413 students in Nevada schools and 170 adults in civic groups and trade associations. Division staff will be very active with classroom presentations in Las Vegas and Reno/Carson/Douglas during winter.
- Abandoned Mine Lands (AML) Year-to-date, 765 mine hazards have been logged and 864 have been secured. The official "Kick-Off" meeting for the AML Database Upgrade Project was held with the US Army Corps of Engineers and their contractor, TerraSpectra Geomatics. This project addresses replacement of the current ACCESS AML database with a SQL-platform database to be hosted and backed up on the State Enterprise Information Technology Services (EITS) network. The database, including all maps and photos, will be directly accessible through the internet for designated users. This project is funded through a grant by the Corps of Engineers.
- Reclamation Bond Pool. In the notice-level bond pool, there were three releases, three reductions and two new bonds executed in October. There remain five unpaid bond premium payments, due June 30th, from three participants. Total bonding liability was \$3.23 M.
- Oil, Gas and Geothermal (OGG) Permitting and Inspections – Three oil drilling permits and 9 oil sundries were approved. Noble Energy completed drilling of the Huntington K1L-1V well near Jiggs, and spudded the Mary's River S25G-S25-33A well north-west of Wells, Nevada. 754 barrels of oil production was recorded in September from Noble's Humboldt M2C-M2-21B well. No geothermal wells were permitted, 6 geothermal sundries were approved and no geothermal wells were drilled.

Financial, Personnel and Projects:

- The Division was fully staffed with 11 full-time employees and the NDOM reserve balance at the end of October was \$1,486,871. The number of unpatented claim filings decreased 8.5 percent during the 2015 assessment year, vs. 2014. Letters were sent to oil operators communicating the \$0.05 per barrel fee increase for oil production which begins November 1.
- BDR 46-344: The proposed language in BDR 46-344 is intended to move the setting of permit fees out of NRS 522 and allow a reasonable schedule of fees for the permitting and drilling of oil and gas wells to be developed by the Division through rule-making in NAC 522. Passage of this bill is critical for NDOM's financial ability to oversee the new hydraulic fracturing regulations.
- The final 2013 LCB Audit review meeting is scheduled for December 2, 2014. Staff fielded questions from both LCB and Department of Administration auditors on the Division's 6-month progress report.
- The Mining Claim and Geothermal fee task forces completed their recommendations, which will be presented at the December 11, 2014 Commission meeting.
- Development of regulations for hydraulic fracturing – The interim Legislative Commission approved the new hydraulic fracturing regulations along with other changes to NAC 522 and NAC 534A at their October 24, 2014 meeting. The regulations were recorded by the Secretary of State and are now official.

MONTHLY ACTIVITY REPORTS

Reclamation Bond Pool:

Mike Visher

1. In the notice-level bond pool, there were three releases, three reductions and two new bonds executed in October. There remain five unpaid bond premium payments, due June 30th, from three participants. Each participant was sent a 30-day notice letter of impending termination; the BLM was copied on each letter. In the plan-level bond pool, two operators were sent late notices for quarterly premiums which were due by September 30.
2. End-of-October financial summary of bond pool:

| Reclamation Bond Pool Status | | Current to: 10/30/2014 | | | | | | |
|---|----------------|------------------------|-----------------------|-------------|-------------------------------|---------------|---------------|--------------|
| Plan-level Bonds | Project | Entry Date | Bond Amount | % of Pool | Comments | Deposit | Premiums Paid | % Bond Whole |
| Custom Details | Bovie-Lew | 11/17/2006 | \$25,364.00 | 1% | | \$ 12,217.11 | \$17,900.33 | 119% |
| Art Wilson | Silverpeak | 9/5/1991 | \$124,017.00 | 4% | | \$ 18,602.55 | \$126,611.93 | 117% |
| Nevada Rae | Black Rock | 4/15/2005 | \$369,255.00 | 11% | | \$197,937.54 | \$215,190.83 | 112% |
| So. NV Liteweight | Money Pit | 5/21/2004 | \$395,514.00 | 12% | | \$ 213,055.61 | \$213,720.94 | 108% |
| Specialty Clays | Bentonite | 12/11/1997 | \$209,900.00 | 6% | | \$ 31,485.00 | \$176,728.19 | 99% |
| Western Mine Dev. | Victorine Mine | 5/24/2000 | \$45,875.39 | 1% | terminated | \$ - | \$0.00 | |
| Western Mine Dev. | Kingston Mill | 5/24/2000 | \$100,450.00 | 3% | terminated | \$ - | \$0.00 | |
| Western Mine Dev. | Manhattan Mill | 5/24/2000 | \$114,288.77 | 4% | terminated | \$ - | \$0.00 | |
| TNT Venture | Big Canyon | 1/27/2010 | \$60,711.00 | 2% | | \$ 30,664.40 | \$27,173.54 | 95% |
| Dun Glen Mining | Dun Glen | 8/11/2014 | \$359,155.00 | 11% | | \$ 192,159.52 | \$30,287.99 | 62% |
| Notice-Level Bonds | Various | various | \$1,429,295.00 | 44% | 108 Notice-level bonds | | | |
| Total Bond Amount | | | \$3,232,825.16 | 100% | | | | |
| Cash in Pool's Account (From BSR - 10/30/14) | | | \$3,982,411.03 | | | | | |
| Unfunded Amount | | | -\$749,585.87 | | | | | |
| Percent funded | | | 123.2% | | | | | |

Mining, Land and Other Issues:

Mike Visher

1. 550 copies of the 2013 Major Mines publication were mailed or delivered.
2. Submitted quarterly financial reporting to BLM for AML program assistance.
3. Responded to LCB auditor requests for documentation on corrective action status.
4. Continued populating 2013 and 2014 well inspection data into risk assessment database.
5. Attended kick-off meeting with the Army Corps of Engineers and TerraSpectra Geomatics for development of the web-implemented NDOM AML database.

Abandoned Mine Lands Program-Chief

Robert Ghiglieri

1. Held a meeting with Garry from Timberline Resources to discuss the possibility of using ArcPad as the front end software with Trimble GPS devices with the new database.

2. Held a meeting with Enterprise Information Technology Services (EITS), TerraSpectra Geomatics, US Army Corps of Engineers, and NDOM to discuss the requirements needed for NDOM to hold the new AML database on one of EITS virtual servers.
3. Held the official “Kick-Off” meeting between TerraSpectra Geomatics, US Army Corps of Engineers, and NDOM to discuss the AML database project. Set goals, requirements, and deliverables to be completed over the next few months. Planned future meeting and WebEx calls to review any questions.
4. Responded with maps, photos, and any other information to claimants from the 8/15/2014 notification; as well as, maintain the AML database with all response and securing information received from the claimants.
5. Sent Categorical Exclusion (CX) report to the BLM Winnemucca District Office for closure projects consisting of nine closures in Churchill County.
6. Performed an Eagle Scout Project recon mission for Ryan Newman in Washoe County.
7. Attended and passed the 20 hour Certification for State Contract Managers class in Carson City. NDOM now has two current contract managers, Mike and myself.
8. Inventoried 12 new hazards, 100 non-hazards, and revisited 25 hazards with Erik in the Tonopah area.
9. Performed an Eagle Scout Project with Ryan Luck in Douglas County. A total of five hazards were secured.
10. Continued to research hazards ownership status for the November 2014 first notification to owners of unsecured hazards that appear to be under their claim.
11. Erik, Lucia, and I re-research the ownership of over 150 hazards to confirm ownership status for the second notification process.
12. Started the re-notifications, original mail out of 4/10/2012, with the CC to the county commission. A total of 135 hazards to 28 different claimants were re-notified.
13. Meet with the BLM and Lyon County Sheriff to discuss a possible investigation.
14. Researched the previous Southern Nevada Public Land Management Act (SNPLMA) interactions between NDOM and the BLM to determine if NDOM did inventory work in the desired regions the BLM could reimburse NDOM.
15. Held a meeting with Debbie, Erik, Lucia, and myself to discuss where the NDOM database currently is, where do we want to take the new database and what do we need to do to get there.
16. Received the last 2014 closures from the USFS, bringing the total permanent closures for the Forest Service in 2014 to a total of 85.
17. Attended an 8 hour MSHA underground refresher.
18. Helped Mike with an AML presentation to the Douglas County Search and Rescue trainees.

AML Hazard Statistics

| COUNTY | SITES DISCOVERED | SITES SECURED | % SECURED | TOTAL UNSECURED | % UNSECURED STATEWIDE |
|-----------|------------------|---------------|-----------|-----------------|-----------------------|
| Carson | 76 | 76 | 100% | 0 | 0.00% |
| Churchill | 707 | 567 | 80% | 140 | 3.75% |
| Clark | 2,150 | 1,680 | 78% | 470 | 12.60% |
| Douglas | 204 | 200 | 98% | 4 | 0.11% |
| Elko | 783 | 579 | 74% | 204 | 5.47% |
| Esmeralda | 2,793 | 2,379 | 85% | 414 | 11.10% |
| Eureka | 774 | 707 | 91% | 67 | 1.80% |
| Humboldt | 797 | 700 | 88% | 97 | 2.60% |
| Lander | 589 | 495 | 84% | 94 | 2.52% |

| | | | | | |
|---------------------------|---------------|---------------|-------------|-------------|----------------|
| Lincoln | 711 | 571 | 80% | 140 | 3.75% |
| Lyon | 1,035 | 962 | 93% | 73 | 1.96% |
| Mineral | 1,620 | 1,347 | 83% | 273 | 7.32% |
| Nye | 2,614 | 1,956 | 75% | 658 | 17.64% |
| Pershing | 1,589 | 1,106 | 70% | 483 | 12.95% |
| Storey | 197 | 176 | 89% | 21 | 0.56% |
| Washoe | 445 | 401 | 90% | 44 | 1.18% |
| White Pine | 1,554 | 1005 | 65% | 549 | 14.71% |
| TOTAL (Since 1987) | 18,638 | 14,907 | 80% | 3731 | 100.00% |
| 2014 Year to Date | 765 | 864 | 113% | | |

Data as of 11/07/2014

AML / GIS

Lucia Patterson

1. Updated AML photo archive
2. Updated hazard rank monthly
3. Backed up M drive
4. Worked on/completed presentation for the Nevada Minerals Exploration Coalition meeting (~2 days)
5. Researched (complete) producing vs non-producing claimants (~4 days)
6. Assigned counties to active claims (~1 day)
7. Brought all claim data collected into an Access Data base in order to easily update the statistics when new data is available
8. Constructed a Power Point presentation showing the claim statistics for the December Commissioners meeting (See Appendix 1)
9. Worked on fixing errors in the AML Data base for future notifications and/or re-notifications (~3 days)
10. Completed land research for future AML notifications and/or re-notifications (~2 days)
11. Contacted more property owners for presentation material for the AEMA meeting in December
12. Updated the hazard 1:24000 topographic maps (~3 days)
13. Compiled available education activities & made a rock-mineral uses display
14. Completed AML public hand out item's inventory with George
15. Completed a re-notification mail out with Rob, Erik, and Debbie

Meetings Attended:

16. Mineral Coalition Meeting at the Atlantis in Reno 10/10/2014
17. Meeting with Gary Edmondo about Trimble GPS's/ArcPad 10/22/2014
18. NEATS 10/22/2014
19. TerraSpectra Geomatics 10/22/2014-10/23/2014
20. Data base meeting w/Rob, Erik, & Debbie 10/23/2014-10/24/2014
21. Staff Meeting 10/27/2014

October Public Outreach-Education:

22. Nevada Day Carson City Field Trip (Partial day) 10/12/2014
23. Cottonwood Elementary 1st grade: Pet rock activity/rock-mineral uses 10/30/2014

October Classes Attended:

24. Defensive Driving Class 10/21/2014
25. MSHA Refresher Class 10/28/2014

AML/Oil/Gas/Geothermal/GIS

Erik Langenfield

1. Mail Out Response/ Address Corrections
2. Geothermal Program Time Requirements
3. Owner Notified/ Database Corrections
4. NMEC meeting
5. Contact with IOGCC/ Looking into database use
6. Define Geothermal Data tables for a new database
7. Updated Stillwater Field Wells with NAD 83 UTM's and check database records
8. Created a Stillwater Field Well Location Map
9. New Database design, Mobile unit discussions, Meeting with Teraspectra
10. Owner Reminder Mail Out
11. Meeting with Debbie/ current database updates
12. Tonopah AML logging and review of closures

AML/Public Awareness – Southern Nevada

Bill Durbin

1. Updated land ownership research on AML sites in Clark County.
2. Worked on updates to oil, gas and geothermal forms.
3. Debbie worked on updates to the AML database.
4. Meeting and tour of the McCaw School of Mines with Rich.
5. Completed Zach Weaver's Eagle Scout project reconnaissance site visit on Thursday, October 16, 2014. 8 hazards will be secured at the Arden gypsum mine, Clark County. Discussed the AML program and "Stay Out and Stay Alive" with Zach.
6. Attended a meeting at Gordon McCaw Elementary School regarding the requirements and application process for students to enroll in the McCaw STEAM Magnet School (NOTE: The magnet school will also be an Arts Magnet School – STEM has become STEAM).
7. Prepped for office carpet cleaning scheduled for Saturday, October 18.
8. Completed Kyle Lutes' Eagle Scout project reconnaissance site visit on Saturday, October 18, 2014. 4 hazards will be secured in Clark County. Discussed the AML program and "Stay Out and Stay Alive" with Zach.
9. Investigated and ranked one new AML hazard in Clark County.
10. Presented 3 sessions of "What Geologists Do" "Minerals and Commodities", "Bead Mining", and AML (including video) to 86 5th graders at Grant Bowler Elementary School – Overton, NV on October 21, 2014.
11. Presented 3 sessions of "What Geologists Do" "Minerals and Commodities", "Bead Mining", and AML to 132 3rd graders at Rogers Elementary School – Las Vegas on October 22, 2014.
12. Assisted with the McCaw School of Mines "Halloween Haunted Mine" festival for the students, families and staff of Gordon McCaw Elementary School – October 23.
13. Assisted with the McCaw School of Mines "Halloween Haunted Mine" Open House for the general public on October 24 and 25.

14. Work on Cultural Resource Avoidance Certification forms for Southern Nevada AML securings on BLM lands.
15. Completed Michael Frehner's Eagle Scout project reconnaissance site visit on Saturday, October 25, 2014. 4 hazards will be secured and one previously secured hazard will be repaired at the Arden mine in Clark County. Discussed the AML program and "Stay Out and Stay Alive" with Zach and his father (2).
16. Las Vegas office staff participated in the monthly staff meeting via Skype.
17. Completed Ethan Francis' Eagle Scout project reconnaissance site visit on Monday, October 27, 2014. 5 hazards will be secured at the Arden mine in Clark County. Discussed the AML program and "Stay Out and Stay Alive" with Zach and his mother (2).
18. Presented "Minerals and Commodities", "Bead Mining", "Paste with a Taste" and AML for a group of 11 home school students (ages 8-12) – Las Vegas on October 30, 2014.
19. Completed Dustin Morris' Eagle Scout project reconnaissance site visit on Friday, October 31. 4 hazards will be secured at the Arden Mine in Clark County. Discussed the AML program and "Stay Out and Stay Alive" with Dustin and parents (3).

Geothermal, Oil and Gas Other

Lowell Price

1. Three permit applications and associated drilling/completion programs for Noble Energy were reviewed and approved. The new permits are for the G20-1V, G18C-1V, and K2J-1V wells. The three issued permits are in the Huntington Valley area. One Noble Energy sundry request for a modified drilling program change to the M2C-M2-11B well on the Humboldt lease was reviewed and approved. Eight additional oil related sundries were reviewed and approved during October. I began the review of a Noble sundry request to modify the drilling program on the approved K1L-2D well on the Huntington lease. Spacing requirements were discussed with Robert Hoelsken from Noble Energy. Reviewed the EFT Nevada LLC permit application and associated conventional drilling/completion programs for the proposed Cedar Ridge 1 well, located in T29N, R54E, NW/4 NE/4 Sec 12, west of the Jiggs area. The proposed total depth is 8,000 feet. The Enel Salt Wells 16A-36 observation well and associated drilling program was reviewed and approved. Drilling of this well is expected to take place in early to mid-November. Six geothermal sundries were reviewed and approved. Rich and I attended the IOGCC Annual Conference in mid-October. Rich and I held a field investigation related to a possible subsidence issue on Wes Viera's farm near the Enel Stillwater Plant. Witnessed the running and cementing of the Noble S25G-S25-33A surface casing in the Marys River lease area, where the operations went very well.