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Montana Legislative Services Division

Legislative Environmental Policy Office

April 12, 2010

TO: Senator Jim Keane
CC: Environmental Quality Council (EQC)
FR: Sonja Nowakowski, EQC staff

During the March 2010 EQC meeting, Senator Keane requested additional information about the status of coal, hardrock, and oil and gas permits in Montana. He also requested information about the time lines involved in the acquisition of active permits.

The information below was compiled by the staff of the Department of Environmental Quality (DEQ) and the Department of Natural Resources and Conservation Board of Oil and Gas Conservation. Contact information is included at the end of each section. If you would like additional information on the overall time lines for permitting projects, please let me know.

Coal mining permit applications

Spring Creek Coal, LLC

This application is for an amendment to the Spring Creek Mine, which is located about 32 miles north of Sheridan, WY, west of the Tongue River Reservoir. The current Surface Mine Permit includes a total area of 6,945 acres of which approximately 3,300 acres have been disturbed by mining and related activities.

The amendment application was originally received by the DEQ on October 30, 2007 with supplemental information received on January 23, 2008. Because of major deficiencies, on March 19, 2008 the application was rejected and sent back to the company with a request to correct the deficiencies and re-submit the application. The application was resubmitted on June 1, 2009. On August 6, 2009, the application was declared complete. On October 14, 2009, the DEQ sent a technical deficiency letter to Spring Creek Coal detailing a number of technical issues that must be addressed before the application can be declared acceptable. The DEQ is currently waiting for Spring Creek Coal to submit a deficiency response.

Approval of the amendment would add 2,042 acres to the permit, of which 693 are planned for disturbance. About 170,780,000 tons of state and federal coal would be added to the mine plan (includes within the current mine permit area and the amendment).

Western Energy Company

This application is for an amendment to the Rosebud Mine--Area B, located to the southwest of Colstrip. This mine is part of the Rosebud Mine complex that supplies the Colstrip four power plants, as well as coal to other markets within the U.S. The current permit includes about 6,058 acres, of which approximately 3,756 acres have been disturbed by mining and related activities.

The application was submitted on June 15, 2009 and was declared complete on August 7, 2009. The first round of technical deficiency comments was sent by the DEQ on December 22, 2009. The DEQ is currently waiting for Western Energy to submit a response to the deficiency letter.

About 49 acres would be added should the amendment application be approved. Only a small portion of the 49 acres would be disturbed by mining and reclamation activities. Approximately 15 million tons of coal reserves would be added to the mine plan (includes within the current mine permit area and the amendment).

Westmoreland Savage Corporation

This application is for an amendment to the Savage Mine, located approximately 4 miles west of Savage. This mine supplies coal (lignite) to the Lewis and Clark Power Plant in Sidney, as well as to the Holly Sugar Beet Refinery in Sidney. Some household use is also provided. The current permit includes approximately 876 acres, of which approximately 541 acres have been disturbed by mining and related activities.

The amendment application was submitted on January 12, 2010 (an electronic copy of the cover letter and application page was received on January 8, 2010; however, the remainder of the application was not received until January 12, 2010). The proposed amendment would add 408 acres to the permit. The Coal and Uranium Program is currently conducting the completeness review, which must be completed by April 12, 2010. Concurrently, the program is also conducting a technical review of the application.

Westmoreland Resources, Inc.

This application is for an amendment to the Absaloka Mine, located about 30 miles east of Hardin. The amendment would add approximately 1,322 acres to the mine which has a currently approved size of 7,110 acres. About 200 acres of fee coal and 1,122 acres of coal held in trust for the Crow Tribe are included in the proposed amendment. Mining of the amendment area would add approximately 881 acres of disturbance to the current level of disturbance (4463 acres)

The amendment application was submitted on February 26, 2010. The Coal and Uranium Program is currently conducting review of the application regarding a completeness determination, which must be made by May 27, 2010.

<u>Prospecting</u>

Carpenter Creek Test Pit

This application was originally submitted on September 18, 2009. The application is for a site located about 8 miles south of Melstone. The size of the proposed operation would be about 645 acres, of which 157 acres would be disturbed during the proposed operation. Approximately 31 acres would be disturbed by mining activities. The applicant estimates that there are approximately 337,688 tons of coal available for sale following processing. The applicant has indicated that 250,000 tons of coal are under contract, and if the remaining 107,688 tons are not sold, they will remain in place.

The Test Pit application was received by the DEQ on September 18, 2009. A completeness deficiency letter was sent on December 11, 2009. The company submitted a deficiency response on December 18, 2009, and the DEQ declared the application complete on January 15, 2010. The public notice of application has been published for four consecutive weeks in the *Roundup Record-Tribune* and the 30-day public comment period ended on March 12,

2010. The Coal and Uranium Program is conducting the technical evaluation of the application. An acceptability determination must be made by May 15, 2010.

Bearcreek and Bridger-Fromberg

The DEQ has received information that describes the two separate projects, Bearcreek and Bridger-Fromberg, being pursued by Montana Coal Ventures, LLC. However, no applications have been filed for mining or exploration permits. Management Energy Inc., has leases on more than 10 square miles of land northeast of Red Lodge near Bridger. The other mine site includes parcels near the small town of Bearcreek. A third possible site is near Grove Creek, near the Wyoming border.

For more information on the permitting of coal mining operations contact Ed Coleman, Bureau Chief of DEQ's Industrial and Energy Minerals Bureau at 444-5973 or Cris Yde, Supervisor of the Coal Program at 444-4967.

Hardrock mining permit applications

Rock Creek

A Record of Decision was issued by DEQ and the U.S. Forest Service in 2001 for the copper and silver mine in western Sanders County. The project has been delayed by legal challenges to various permits. A status conference is pending in federal court to determine if developers of the proposed Rock Creek mine can initiate development of the project.

DEQ approved construction of the exploration adit phase of the project, subject to submittal of reclamation bond, in December, 2008. The DEQ is waiting for bond from the operator, Revett Minerals. Concurrently the Company is working with state and federal agencies on reclamation bonding and implementation of the wildlife and environmental protection measures as specified in the Record of Decision. In late March U.S. District Judge Donald Molloy said the U.S. Forest Service must reconsider its 2003 approval of the proposal. Until the judge releases the text of his decision, the impact on the permitting/development time line for the project is unknown

Montanore

The Montanore Project, is a proposed copper and silver underground mine and associated transmission line located about 18 miles south of Libby near the Cabinet Mountains of northwestern Montana. The mine would be beneath the Cabinet Mountains Wilderness, mining into the same ore body as the Rock Creek mine proposes to do from the west side.

DEQ regards the operating permit approved for this project in 1992 as still valid, but in need of an EIS to deal with the many environmental issues which have arisen in the ensuing years (bull trout, Grizzly bear habitat, potential impacts to wilderness water resources, etc.). The Forest Service approval issued at the same time has expired, as has the certificate for a transmission line to provide power to the proposed mine and mill.

The U.S. Department of Agriculture, Kootenai National Forest, and the Montana DEQ prepared a Draft EIS in compliance with the National Environmental Policy Act (NEPA) and the Montana Environmental Policy Act (MEPA). The Draft EIS was noticed in February 2009. A

water treatment plant has been commissioned, and the company dewatered 7,200 feet of a pre-existing adit before being ordered to stop by the U.S. Forest Service until the EIS is complete. Extensive comments from the EPA and many other sources on the Draft EIS suggest the need for a Supplemental EIS.

Projects operating or proposed under Small Miner Exclusions and/or Exploration Licenses

Drumlummon

The Drumlummon Gold and Silver Mine is located near Marysville. In January 2009, the DEQ released the Final Environmental Assessment (EA) on the application by RX Exploration, Inc. (RX) to dewater the Drumlummon Mine. RX Exploration is exploring and developing this historic gold mine at Marysville under an exploration license and SMES. The company has identified gold and silver reserves by drilling, but needs to dewater the mine and drive additional workings to access the reserves.

The timing of production will be determined by corporate financing and mining activities, as well as the need to transport ore to an offsite mill. To operate the Drumlummon in the long term, DEQ feels that an operating permit would be advisable, but the company has no known plans to apply for one.

Coronado Resources

A Canadian junior mining company has conducted exploration and development at the site of the old Broadway-Victoria Mine for several years under a small miner exclusions and an exploration license. Shipments of high-grade gold ore have been sent to the Golden Sunlight Mill and a mill in northeast Washington, and high-grade copper ore has been shipped as far as China for processing. The proceeds have been used to fund drilling and mining at the site, located near Silver Star.

DEQ does not expect an application for an operating permit in the near future.

Norwegian Mine

Belmont Mining and Exploration, LLC is driving a decline in search of gold ore in the vicinity of the old Norwegian Mine near Harrison. The decline is currently about 600 feet deep, but has apparently not encountered ore yet.

The operation is permitted and bonded under an exploration license.

Timberline Resources

Timberline is developing this site, Butte Highlands, under an exploration license with a $250,000 reclamation bond. The company owns a block of patented claims where historic mining produced gold and silver, and which have been explored by numerous companies over the years. They have constructed surface facilities, and are currently 350 feet into a proposed 6700-foot decline to access ore and provide drill stations for more efficient drilling of reserves.

They intend to submit an operating permit application later this year.

Golden Dream

Following completion of an EA, DEQ approved an operating permit for this proposed mine on private property, near Elkhorn, subject to receipt of the reclamation bond. The owner, Elkhorn Partners, has recently acquired 100 percent of the Montana Tunnels Mine at Jefferson City, and is seeking financing for both operations.

Mayflower

Brimstone Mining dewatered and rehabilitated this historic high-grade underground gold and silver mine near Cardwell several years ago under a exploration license. The company and its financial backers have discussed plans for expanded underground exploration and development efforts for the last two years, but have yet to come to DEQ with specific plans.

Grant Hartford Corporation

This company has informally proposed new underground workings and a mill aimed at developing high-grade gold and silver resources on private property, which were discovered, but not pursued, at least 15 years ago by Pegasus Gold when that company was drilling to outline a large, low-grade pit near Garnet.

Grant-Hartford already has an exploration license and will probably begin development under a small miner exclusion, with an operating permit application to follow shortly.

Basin Gulch Project

Although this property west of Philipsburg controlled by Dutch Gold Resources has received attention in the media, it does not exist yet from a regulatory standpoint. The company has neither applied for an exploration license, small miner exclusion, or operating permit, nor has there been any contact with DEQ's Environmental Management Bureau except for a brief phone call from a representative after a story about the project was published. Geological reports on the company's website suggest that, based on exploration drilling in the 1990s, there may be a substantial mineral resource present, but it is too soon to speculate when or if any actual production could be achieved.

For more information on the permitting of hardrock mining operations contact Warren McCullough, Bureau Chief of DEQ's Environmental Management Bureau at 444-6791.

Oil and gas permit applications

Because the footprint of oil and gas wells -- generally less than 3 acres -- is substantially smaller than that of a coal or hardrock mine, the permitting process is significantly different.

In 2009, the Board of Oil and Gas issued 289 permits for new wells and 550 repermits. It typically takes a week or less to get an oil or gas drilling permit. Based on state law and the Administrative Rules of Montana, a person files an application for a permit. Most projects are within existing oil and gas fields. The Board of Oil and Gas uses an EA checklist to issue the permit.

If the proposed project is outside the boundaries of a preestablished field, the applicant must advertise the site in the local newspaper and in Helena. If no one requests a hearing within 10 days of the publication, no hearing is required. In 2009, there were fewer than five hearings

for permits, according to the board. A permit that requires further environmental review also can trigger a hearing and a longer timeframe for permitting.

Based on administrative rule, the board is required to issue permits "promptly," but no timeframe is built into the rule. Permits are valid for 6 months.

An air quality permit and a storm water discharge permit also may be required at a site. However, those applications do not limit an applicant's ability to begin drilling.

For more information on the permitting of oil and gas operations contact Tom Richmond, Administrator of DNRC's Board of Oil and Gas Conservation at 656-0040.

I hope the information included has been helpful. If I can be of additional assistance, please let me know.

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