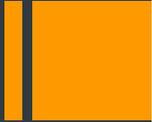




USDA Forest Service Reclamation Bond Guidance

Reviewing and Calculating the Direct and Indirect Costs
for Mineral Development Projects in both the Short Term
(Bonds) and Long Term (Financial Assurance)

Authorities and Purpose



Organic Administration Act or 1897

...directs the Secretary of Agriculture to "make provisions for the protection of the...national forests..."

Authorities and Purpose cont.

36 CFR 228.8 Requirements for Environmental Protection

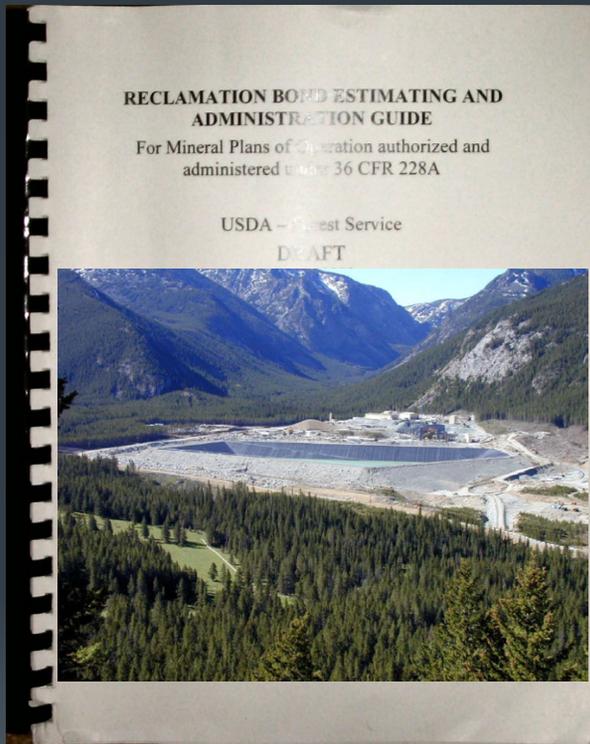
- Air Quality, Water Quality, Solid Waste, Scenic Values, Roads, and Reclamation (228.8(g))
- Reclamation Activities are described in the Plan of Operations (FS 2800-5, Sec. V, Part H)
- Reclamation Plans are developed and reviewed for requirements for environmental protections and post-mine land use.
- **Direct the FS to comply with other Federal and State Standards**

Authority and Purpose cont.

36 CFR 228.13 Bonds

- ...conditioned upon compliance with 228.8(g)
- ...consideration will be given to the estimated cost of stabilizing, rehabilitating, and reclaiming the area of operations.”
- Reclamation bonds are calculated and reviewed based on the reclamation plan description, performance standards, and release criteria.
...and of course mitigation measures derived from the NEPA analysis and Record of Decision

Additional Guidance

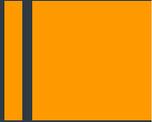


TRAINING GUIDE FOR RECLAMATION BOND ESTIMATION AND ADMINISTRATION

For Mineral Plans of Operation
authorized and
administered under 36 CFR
228A

USDA – Forest Service
APRIL 2004

FS Reclamation Bond Guide



The Guide was born out of necessity - due to mine bankruptcies in the late 1990's. The Guide -

- ...addressed FS deficiencies in past bond calculation practices;
- ...lead to considering long term bond calculations for monitoring and maintenance of facilities needed in post closure; and
- ...encouraged coordination with other Federal and State Agencies who at the time were also dealing with bankrupt mines.

FS Reclamation Bond Guide cont.

- **The Bond Guide Identifies Mine Components**

- ... those with a finite life that we typically see in bond calculations (earthwork, demolition, revegetation, etc.)

- ... and those required for a long time that will require monitoring and maintenance.

- (e.g. water treatment facilities, dams and diversions).

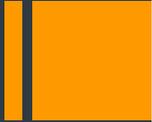
FS Reclamation Bond Guide cont.



...The Guide addresses Bond Calculations for both short term and long term considerations in the following format:

1. Interim Operations and Maintenance
2. Hazardous Materials Removal
3. Water Treatment (consider separately - Trust)
4. Demolition, Removal, and Disposal of Uncontaminated Structures, Equipment, and Materials
5. Earthwork
6. Vegetation
7. Environmental and Health & Safety Mitigation
8. Long-term Operations, Maintenance, and Monitoring (consider separately - Trust)

FS Reclamation Bond Guide cont.



The Guide addressed the need for **long term bonding** (Financial Assurance) for post closure, for example

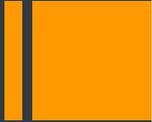
Predictions of degradation of surface and ground water requiring water treatment

Process fluid management and disposal

Monitoring and Maintenance of Dams, Impoundments, and diversions

Other Site Specific Obligations

FS Reclamation Bond Guide cont.

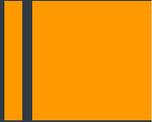


The Guide investigated the use of trust funds for long term financial assurance.

...Provided advice on present value analysis using assumptions about interest and inflation.

Advised the minerals administrator that “Although trust funds may be the best way to fund long-term O&M, at the present time there are legal and technical questions about whether and how the Forest Service could use them.”

Where the FS is currently going ...



... we are working through those technical and legal issues now.

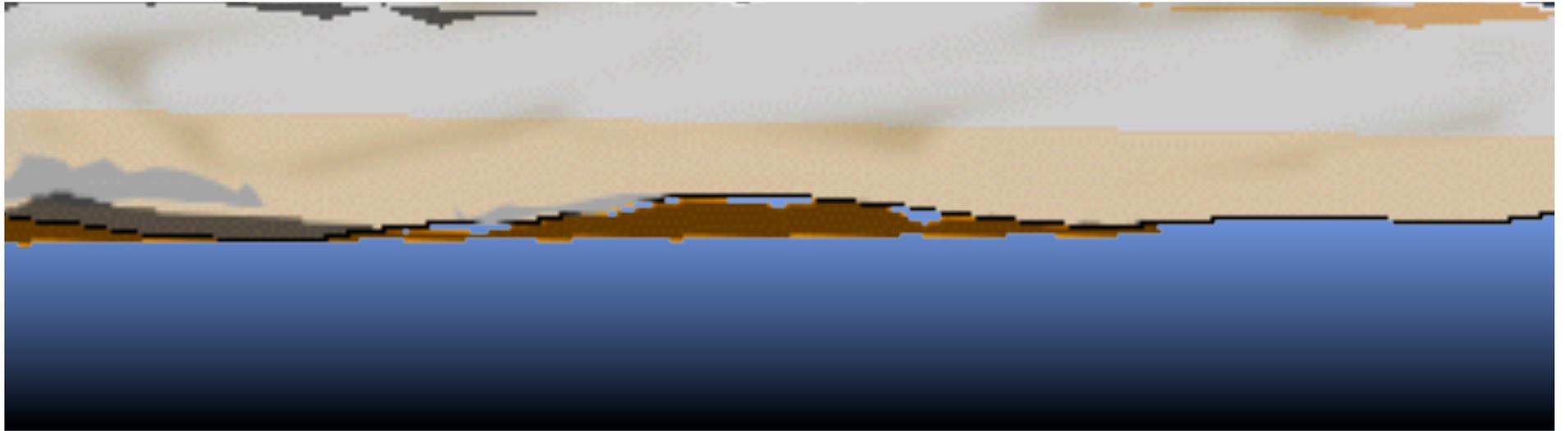
**The FS is developing trusts for mining operations on Forests in Idaho and Alaska
... similar considerations for mines in other states.**

FS will continue to follow the BLM NV lead in setting up long term trusts.

Where the FS is currently going ...



...The FS is looking for opportunities to work with State Agencies in developing similar long term trust regulations especially for those mining operations with mixed ownership – patented and private lands.



Questions?