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PRESENTATION TO THE NEVADA STATE ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

May 10, 2003

Southern Nevada Group

Karen Hunt
1300 E. Desert Inn Rd
Suite 300
LV 89109
702-566-9905 H

ASSEMBLY GOVERNMENT AFFAIRS
DATE: 5/10/03 ROOM: 4401 EXHIBIT I
SUBMITTED BY: Karen Hunt

I-1 of 27

I-27

WHY A MAJOR DEVELOPMENT IS NOT NEEDED TO RESTORE BLUE DIAMOND HILL

CURRENT CLAIMS THAT MIGHT CONFUSE ASSEMBLY MEMBERS

- Instead of destroying natural resources, the project will actually restore much of what has been lost…
- Mining operations have permanently destroyed much of the natural environment of Blue Diamond Hill.
- 2,600 acres of wilderness have been defaced by non-stop pit mining.

DEVELOPMENT IS NOT NEEDED FOR RECLAMATION

- James Hardie (JHI) continues to operate the mine under an agreement with Jim Rhodes.
- JHI is required under Nevada laws to reclaim areas disturbed after September 1987.
- James Hardie already has a **$632,000** bond with for purposes of reclamation.
- **JAMES HARDIE RECEIVED NOTICE ON MAY 6TH FROM THE STATE TO INCREASE THE BOND TO $1,445,000 BY JUNE 6TH!!**

LANDS DISTURBED PER DEC. 31ST JAMES HARDIE OPERATING REPORT

456 Acres Disturbed Subject to JHI Reclamation

330 Acres Disturbed Not Subject to JHI Reclamation

-45 Acres Reclaimed Awaiting Release

= 741 Acres That Need to Be Reclaimed

31% Disturbed Land Assuming 2,400 Acres

Based upon a tour of developer's lands, all the areas visible from the Red Rock Conservation Area must be reclaimed by JHI

WHAT IS RECLAMATION?

- The mined area must be reshaped to conform to existing topography of rounded slopes to near vertical drainages.
- Vegetation natural to the area such as creosote; Mojave yucca; Mormon tea; and cholla, beavertail, cotton top, and hedgehog cactus must be re-established.

WHAT IS RECLAMATION?

- The mining access and haul roads must be reclaimed.
- All equipment, buildings, and the fold-belt conveyor must be removed.

PROJECTED COST OF AREAS NOT RECLAIMED BY JAMES HARDIE

- Estimated exposure is approx. $325,000 based upon James Hardie Reclamation Plan.
- Costs covered by current landowner, or
- BLM land sales money covers if purchased by County.
- Costs can be minimized if focus on safety concerns while awaiting funds.

WHY IS A MAJOR DEVELOPMENT ON BLUE DIAMOND HILL A PROBLEM FOR CLARK COUNTY?

WHAT DOES 5,500 HOMES MEAN?

- This is no "hidden" community.
- 16,000 people and 9,000 cars.
- Blue Diamond has only 272 people.
- This is greater than the town of Boulder City!
- Classic leapfrog development – the development is miles from existing infrastructure.
- This would be a small city island surrounded by federal lands miles from urbanized areas.

WATER ISSUES – INITIAL COSTS

- None is available on Blue Diamond Hill.
- Per John Laing's plan, the main artery is 7 miles away, at $1 million per mile. The sewer main is 8 miles away.
- 2 – 3 pumping stations will be needed to push the water up, at an estimated cost of $25 million.
- Will the developer pay for it all? What happens behind closed doors?

WATER ISSUES – COSTS TO CLARK COUNTY RESIDENTS

- If the main tapped into is too small, ratepayers will be required to expand size of main.
- Who will pay for the ongoing costs of pumping water up the hill? Will it be blended into rates paid by all?

OTHER LEAP FROG EXPENSES

- What about schools? John Laing had proposed students would go to the 50-student school in Blue Diamond.
- Where will the police and fire stations be located. Who pays?
- Are there going to be gas stations hidden up the hill?

OTHER LEAP FROG EXPENSES

- It will take an engineering marvel to build a road up the east side.
- The other alternative is to feed into the Scenic 159. Can it bear the burden without widening the road at taxpayer cost and to the detriment of the area?

OTHER LEAP FROG EXPENSES

- Roads, utilities other services will penetrate two major open space reserves, Arden Ridge Open Space and the proposed Blue Diamond Recreation Area.

OTHER ALTERNATIVES

- There are many opportunities for growth within the BLM disposal boundary in Clark County.
- Over 20,000 acres were added by the Southern Nevada Lands Act alone.
- Public interest is not severed by encouraging leap frog growth outside the disposal boundary.

ATTACHMENTS

- Letter dated May 6, 2003 instructing JHI to increase bond to $1,445,000.
- James Hardie Operations and Reclamation Plan dated June 2002.
- Calculation of estimated exposure costs for disturbed areas not covered by James Hardie.

ALLEN BIAGGI, *Administrator*

(775) 687-4670

Administration
Facsimile 687-5856

Water Pollution Control
Facsimile 687 4684

Mining Regulation and Reclamation
Facsimile 684 5259

STATE OF NEVADA
KENNY C. GUINN
Governor

R. MICHAEL TURNIPSEED, *Director*

Waste Management
Corrective Actions
Federal Facilities

Air Pollution Control
Air Quality Planning
Water Quality Planning

Facsimile 687 6396

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL PROTECTION
333 W. Nye Lane, Room 138
Carson City, Nevada 89706

May 6, 2003

Mr. Bill Rogers, Mine Manager
James Hardie Gypsum (NV), Inc.
HCR 89033 Box 2900
Las Vegas, NV 89124

Re: Blue Diamond Mine Plan of Operation and Reclamation Plan, dated June 2002

Dear Mr. Rogers:

The Bureau of Mining Reclamation Branch (BMRR) is requiring that the surety for the Blue Diamond Mine be adjusted, at this time, to $1,445,000. Note that this amount, as determined in the cost estimate in the above noted plan, is subject to change upon further plan review. Please submit additional surety to cover the above obligation on or before June 6, 2003.

If you have any questions or need clarification regarding the above, please do not hesitate to contact me at this office (775) 687-9410.

Sincerely,

David A. Simpson
Bureau of Mining
Regulation and Reclamation

cc: Michael Johnson, BLM-Vegas
Wally Robison, 35 High Ridge Court, Reno, NV 89511

State of Nevada

Division of Environmental Protection - Bureau of Mining Regulation and Reclamation

2002 ANNUAL RECLAMATION REPORT

PLEASE READ ENTIRE FORM INCLUDING NOTES ON REVERSE SIDE BEFORE COMPLETING

Project Name: Blue Diamond Mine
County: Clark
BLM or USFS PoO Number: N54-93-008P

Type of Project (as defined by NAC 519A): MINE
Mining Operation X Exploration Project ____
State Reclamation Permit Number: ____

Operator Mailing Address:
USG Corporation
125 S. Wacker Dr.
Chicago, IL 60606

Owner of Record: BLM ____ USFS ____ State ____ Private X Other ____

Telephone Number: (702) 875-4111

STATUTORY FEE (BASED ON ACTUAL DISTURBANCE)

Private Land

1. Number of disturbed and not reclaimed[1] acres on private land as of December 31, 2001. (This should equal line 4 from last year's report. If different, provide an explanation below.) — 451.90
2. Number of additional acres disturbed on private land during 2002. — 4.0
3. Number of acres reclaimed[1] on private land during 2002. — 0
4. Net number of disturbed acres on private land as of December 31, 2002. (Add line 1 and line 2, then subtract line 3 from this sum). — = 455.90
5. Statutory fee submitted for private acres (Multiply line 4 by $5.50 per private acre NRS 519A.260). — $2507.45

Public Land

6. Number of disturbed and not reclaimed[1] acres on public land as of December 31, 2001. (This should equal line 9 from last year's report. If different, provide an explanation below.) — 82.9
7. Number of additional acres disturbed on public land during 2002. — 0
8. Number of acres reclaimed[1] on public land during 2002. — 0
9. Net number of disturbed acres on public land as of December 31, 2002. (Add line 6 and line 7, then subtract line 8 from this sum). — = 82.9
10. Statutory fee submitted for public acres (Multiply line 9 by $1.50 per public acre - NRS 519A.260). — $124.35

Total Private and Public Land

11. Total amount submitted for statutory fee per NAC 519A.260 (Add line 5 and line 10). — $2631.8 Enter this amount on invoice.
12. Total number of affected[2] acres on private and public land. — 538.80
13. Amount of Regulatory fee submitted per NAC 519A.235. (See enclosed schedule) — Enter this amount on invoice.
14. Total fees submitted (Statutory and Regulatory) — Enter this amount on invoice.
15. Total number of acres reclaimed during 2002. (Add line 3 and line 8). — 0
16. Number of monitored[3] reclamation as of December 31, 2002. — 44.9

Explanations and or Comments if any: ____

See reverse side

Project Status: _____ Closure X Actively Mining _____ Temporary Closure (plan to reopen)

_____ Actively Exploring _____ Final Reclamation _____ Other (Provide explanation)

Production (mineral and annual production): GYPSUM

Methods used to determine number of affected and reclaimed acres: PLANIMETER CALCULATION OF AERIAL SURVEY MAPS

I certify that this information is accurate and true.

WILLIAM M. ROGERS MINE SUPERINTENDENT
PRINT NAME AND TITLE

Signature: William M. Rogers 4/11/03
Date

FOOTNOTES

1. All required documentation for reclaimed acres must have been submitted and approved by NDEP, prior to considering disturbance as reclaimed. Areas requiring revegetation are not reclaimed nor released from annual fees until the Nevada Guidelines for Successful Revegetation have been met and accepted by NDEP. Areas not requiring revegetation are not considered reclaimed nor released from annual fees until all reclamation plan and/or permit requirements for the area have been met and accepted by NDEP.

2. "Affected" means that the surface of the land is or will be disturbed by an exploration project or mining operation per NAC 519A.025.

3. Monitored reclamation refers to areas where earthwork and/or revegetation activities have been completed but revegetation has yet to meet the BLM/NDEP Interim Standards for Successful Revegetation.

This reclamation report for 2002 is due on or before APRIL 15, 2003. Please mail the report(s), invoice(s) and check together to the address below:

Attn: Rhonda Clevenger
Nevada Division of Environmental Protection
Bureau of Mining Regulation and Reclamation
333 W. Nye Lane, Room 138
Carson City, NV 89706-0851

Please contact Rhonda Clevenger at (775) 687-9398, Fax (775)684-5259 if you have any questions.

PLEASE KEEP A COPY OF THIS FORM FOR YOUR RECORDS

PLAN OF OPERATION
AND
RECLAMATION PLAN

FOR

JAMES HARDIE , INC.
BLUE DIAMOND MINE
LAS VEGAS, NEVADA

June, 2002

Prepared by:
Robison Engineering Company
Reno, Nevada

2. PLAN OF OPERATIONS

A. Project Maps

Project maps are contained in Appendix E. Plate 1 is topographic map of the mine area and surroundings. Plate 1 depicts the boundaries of the patented and former unpatented claims in the mine area of operation. The patented claims are private property owned by JHI. The former millsite claims are public lands administered by the BLM and formerly held under location by JHI. All other property adjoining the mine area of operation is public property administered by the BLM.

Plate 2 depicts the areas of the mining operation where surface disturbances have occurred, and where future disturbances will occur. Areas that were disturbed prior to September, 1987 (when JHI acquired the property) and that have remained inactive are shown in light brown. JHI has no responsibility to bond for or to reclaim these lands. Areas that are currently active (as of June, 2002) or have been active since September, 1987, including haul roads and the mine office area, are shown in green. Areas where mining operations are proposed for the next five years, i.e., until June 2007, are shown in yellow.

Plate 3 depicts the post mining topography after completion of reclamation.

A plate is not presented to show the location of down-gradient surface water bodies within 1/2 mile of the project because, as can be seen on Plate 1, no such surface water bodies exist.

B. Project Acreages

The following Expanded Table 2-1 breaks out the publicly and privately owned acres for each component of the mine, including 21.1 acres for the mine access road. For clarity, the following table does not contain reference to 330 acres of pre-existing and inactive disturbed lands which are not the responsibility of JHI.

TABLE 2-1
Summary of Existing and Proposed Surface Disturbance

Mine Area	Public Acres	Private Acres	Total Acres
RO-5	4.6	43.6	48.2
RO-6	0.0	75.1	75.1
RO-7	8.0	78.6	85.6
RO-8	11.0	100.5	111.5
RO-11	2.2	55.7	57.9
RO-12	31.9	0.0	31.9
Gypsy King Area	0.0	26.0	26.0
White Swan Area	0.0	6.9	6.9
Mine Shop Area	0.0	3.4	3.4
Haul Roads	5.3	55.2	60.5
Access Road	14.2	6.9	21.1
Plant Area	5.7	0.0	5.7
Total Acres	82.9	451.9	534.8

C. Description of Operations

JHI conducts mining of gypsum by conventional open pit mining methods. Annual production averages 830,000 tons. The gypsum deposits occur as distinct layers interbedded with limestone, dolomite and shale units of the Permian-aged Kaibab Formation. The gypsum deposits exist as a number of erosional remnants forming prominent hilltops and ridge lines. The hills and ridges are generally defined by deeply incised ravines. Mining of the gypsum results in removal of the hilltops and ridge lines and filling of the mined areas with waste rock consisting of limestone, dolomite, and shale. Because of the elevated location of the gypsum deposits, deep open pits do not remain after extraction of the gypsum.

JHI uses conventional drilling and blasting techniques to remove the overburden and interburden to expose the gypsum beds. Mining is conducted using 13-cubic-yard-front-end loaders and 85-ton haul trucks. The gypsum is crushed and screened at the mine pit with a stationary crushing and screening plant. The crushed gypsum is then transported to a stockpile at the head of a 3,800-foot long fold-belt conveyor. The conveyor transports the gypsum to the mill and board plant facility where it is processed into gypsum products including wall board and plaster.

The Blue Diamond Mine has operated continuously since 1925. At current rates of production, the property has a projected 23-year mine life. Additionally, JHI is currently investigating the suitability of the limestone and dolomite overburden and interburden for use as aggregates. Use of these materials for aggregates will allow reprocessing of the mine waste dumps and would most likely extend the mine life.

3. RECLAMATION PLAN

The following Reclamation Plan addresses measures to be taken to re-establish a productive post-mining land use at the Blue Diamond Mine.

Because of the expected mine life (estimated at 23 years), JHI proposes to phase in its financial assurance for completion of reclamation activities as authorized under NAC 519A. 360.1. (b). This Plan considers the existing and proposed disturbance for the Blue Diamond Mine for a five-year period. It includes methods and projected costs for the reclamation of all surface disturbances created by or actively used by the proposed operations. Approval of this Reclamation Plan should be viewed as approval for the Blue Diamond Mine, with authorization for subsequent phases of the project granted, but contingent on provision of additional financial assurance.

As discussed later, the initial financial assurance will cover costs for the following:

- Reclamation of existing disturbances that have been active at any time since September 1987;

- Reclamation of proposed disturbances to be created between June 2002 and May 2007;
- Reclamation of all active roadway disturbances;
- Final equipment removal;
- Mobilization/demobilization of reclamation equipment; and
- Reclamation project supervision.

Prior to any additional surface disturbance beyond that covered by the initial financial assurance, JHI will provide additional assurance by project updates pursuant to NAC 519A.380. At that time, JHI will request amendment of its state reclamation permit to note that additional areas of disturbance are covered by financial assurance.

It is assumed some of the specific measures and the schedule for reclamation activities discussed in this Plan may change over the life of the project. In these cases, JHI will coordinate with BLM and NDEP to amend its reclamation permit. These changes will generally be refinements of the Reclamation Plan, and as such, will likely qualify as minor modifications under NAC 519A.050.

3.A. Standards for Successful Reclamation

The JHI operations are located predominantly on private property. Because of its proximity to the rapidly expanding city of Las Vegas, JHI considers its private property to have prime value for future residential and commercial real estate development. Additionally, as discussed Section 2.C, JIII is investigating the possibilities of aggregate production from the existing mining operations. Reclamation activities to be undertaken by JHI must consider both the potential for aggregate production and residential and commercial real estate development.

The Blue Diamond Mine is located in desert terrain containing sparse vegetation and little or no topsoil. Successful reclamation will be measured by two general criteria; (1) re-establishment of vegetation cover, and (2) stabilization of disturbed surfaces.

(1) Vegetation Cover Standards

Presently, JHI has no measurements of existing natural vegetation canopy cover on undisturbed surfaces. The project area is characterized by vegetation of the Creosote Bush Community. The dominant plant species include creosote; bursage; Mohave yucca; ratany; Mormon tea; and cholla, beaver-tail, cotton-top, and hedgehog cactus. Prior to beginning revegetation efforts, JHI will establish the average vegetation canopy coverage and the plant species diversity on undisturbed land in the project's vicinity. This will be accomplished either through obtaining existing data from the BLM, U. S. Soil Conservation Service, and/or the Nevada Division of Wildlife, or through actual field measurements by qualified botanists.

To achieve re-vegetation of disturbed surfaces, JHI will utilize a seed mixture and planting methods approved by the BLM. The approved seed mixture may yield a vegetation cover that is different than the existing plant species diversity on undisturbed lands. JHI will take all reasonable efforts to create a viable growth medium including seed bed preparation such as ripping and mulching, and fertilization in accordance with standard agricultural analytical procedures. Regardless of the final revegetated species diversity (which will be based on BLM approved seed mixtures, revegetation will be deemed complete and successful in accordance with the "Nevada Guidelines for Successful Revegetation for the Nevada Division of Environmental Protection, the Bureau of Land Management and the U. S. D. A. Forest Service". JHI will repeat the seeding procedures for areas where the cover standard has not been achieved for three growing seasons after initial seeding.

As mentioned previously little or no topsoil exists on the property. Experience has shown that vegetation will establish itself naturally on the mine waste dumps, particularly those containing significant quantities of clay and shale. JHI proposes to use this type of material as a growth medium for those areas to be "re-topsoiled". This will include the mine pit areas and other slopes where final grade will accommodate the seeding and fertilizing equipment.

JHI has already begun reclamation activities on several areas of the property. One of the areas that JHI has partially reclaimed was a formerly disturbed area where JHI was not liable for the reclamation. Reclamation work has consisted of backfilling abandoned mine areas, surface grading, and placement of topsoil/growth medium. Working with the Mojave Cactus Society, JHI has removed cacti from areas to be disturbed and replanted them in the partially reclaimed areas. The location of the partially reclaimed areas is shown on Plate 2.

(2) Surface Stabilization Standards

The Blue Diamond Mine is located in rugged terrain containing natural slopes that range from 6% along ridge lines to near vertical along certain drainage courses. JHI proposes to conduct surface recontouring to conform as nearly as possible to the existing topography.

During mining, the overburden materials (limestone, dolomite, and shale) are stripped and placed in designated waste dumps. In the future, JHI may reclaim portions of the limestone and dolomite for production of aggregate materials. Any dumps not removed for aggregate production will be reclaimed by rounding and grading the dumps to match the existing natural topography. Terraces will be placed at maximum slope length intervals of 100 feet to control erosion.

Mine area bottoms will be graded to form a smooth topography conforming in appearance as much as possible to the natural topography. Where possible, the mine area bottoms will be dished to collect sediment and control the infrequent runoff.

Appendix C to this plan presents a Soil Erosion Analysis for the proposed worst case slope condition.

Table 5-1
RECLAMATION COSTS

Reclamation Task	Manpower	Equipment	Total
A2.1 Push-down RO-8 Dumps	$ 7,100	$ 18,700	$ 25,800
A2.2 Contour/Scarify Mine Dumps	4,800	12,400	17,200
A2.3 Reclaim Haul Roads	6,500	8,600	15,100
A2.4 Reclaim Mine Access Road	2,500	6,100	8,600
A2.5 Building Demo/ Equpt. Removal	4,800	3,100	7,900
A2.6 Scarify Building Area	500	1,300	1,800
A2.7 Spread Growth Medium	64,200	150,500	214,700
A2.8 Seed & Fertilizer Application	24,300	20,300	44,600
A2.9 Seed & Fertilizer Cost	(Materials)	63,500	63,500
A2.10 Remove Fold-Belt Conveyor	200,000	300,000	500,000
A2.11 Reclaim BLM Plant Area	24,200	65,800	90,000
A2.12 Equipment Mobilization/Demolition		2,400	2,400
A2.13 Reclamation Project Supervision	98,800	7,600	106,400
Reclamation Subtotal	$ 437,700	$660,300	$1,098,000
ADMINISTRATION COSTS			
Insurance (1.5% of Manpower Cost)			$ 6,600
BLM Administrative Fee (18% of Estimated Project Cost)			197,600
Performance Bond (1.5% of Estimated Project Cost)			16,500
Payment Bond (1.5% of Estimated Project Cost)			16,500
Contractor's Profit (10% of Estimated Project Cost)			109,800
Administrative Subtotal			$ 347,000
TOTAL RECLAMATION COST			$1,445,000

6. APPLICATION FEES

Pursuant to NAC 519A.225, JHI has already paid an application fee of $1,194.50 when the original Plan was submitted to NDEP in 1998.

7. EFFECT OF RECLAMATION ON PUBLIC SAFETY

JHI plans to reclaim the disturbances in accordance with the methods outlined in this Plan. Following cessation of mining, the private lands will be sold or developed for residential and/or commercial real estate projects. JHI will strictly adhere to the safety provisions outlined in NAC 513.

ESTIMATED EXPOSURE TO RECLAMATION COSTS NOT COVERED BY JAMES HARDIE

Reclamation Costs Per Table 5-1 of James Hardie Reclamation Plan Excluding Cost of Removing Buildings and Conveyor:

	Manpower	Equipment	Total
Push-down RO-8 dumps	$ 7,100	$ 18,700	$ 25,800
Contour/scarify mine dumps	4,800	12,400	17,200
Spread growth medium	64,200	150,500	214,700
Seed & fertilizer application	24,300	20,300	44,600
Seed & fertilizer costs		63,500	63,500
Equipment mobilization/demolition		2,400	2,400
Reclamation supervision	29,116	2,240	31,356
Reclamation subtotal	$ 129,516	$ 270,040	$ 399,556
Administration costs			
Insurance (1.5% of manpower cost)			$ 1,943
BLM administration fee (18% of estimated project cost)			71,920
Performance bond (1.5% of estimated project cost)			5,993
Payment bond (1.5% of estimated project cost)			5,993
Contractor's profit (10% of estimated project cost)			39,956
			$ 125,805
Estimated reclamation cost of land			$ 525,361
Total acreage included in reclamation estimate (greater than actual)			534.8
Cost per acre			$ 982
Total acres not required to be restored by Jame Hardie			**330**
ESTIMATED EXPOSURE TO RECLAMATION COSTS			**$ 324,060**