

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON NATURAL RESOURCES, AGRICULTURE, AND  
MINING**

**Seventy-Third Session  
February 16, 2005**

The Committee on Natural Resources, Agriculture, and Mining was called to order at 1:35 p.m., on Wednesday, February 16, 2005. Chairman Jerry D. Claborn presided in Room 3161 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Mr. Jerry D. Claborn, Chairman  
Mr. John C. Carpenter  
Mr. Mo Denis  
Mr. Pete Goicoechea  
Mr. Tom Grady  
Mr. Joseph M. Hogan  
Mrs. Marilyn Kirkpatrick  
Mr. John Marvel  
Ms. Genie Ohrenschall  
Mrs. Debbie Smith

**COMMITTEE MEMBERS ABSENT:**

Mr. Kelvin Atkinson, Vice Chairman (excused)

**GUEST LEGISLATORS PRESENT:**

None

**STAFF MEMBERS PRESENT:**

Amber Joiner, Committee Policy Analyst  
Mary Garcia, Committee Attaché  
Matthew Mowbray, Committee Assistant

**OTHERS PRESENT:**

Allen Biaggi, Director, Department of Conservation and Natural Resources  
Pete Anderson, State Forester Firewarden, Department of Conservation  
and Natural Resources

Alan Coyner, Administrator, Nevada Division of Minerals, Nevada  
Commission on Mineral Resources, Department of Conservation  
and Natural Resources

Russell Fields, President, Nevada Mining Association

**Chairman Claborn:**

[Meeting called to order. Roll called.] We have four presentations today. We have a brief introduction and overview of the Nevada Department of Conservation and Natural Resources.

**Allen Biaggi, Director, Department of Conservation and Natural Resources:**

[Handed out [Exhibit B](#) and [Exhibit C](#). Introduced himself.] With me today are Kay Scherer, the Assistant Director of the Department, and Pete Anderson, the State Firewarden and the Administrator of the Nevada Division of Forestry.

The mission of the Department of Conservation and Natural Resources is to conserve, protect, manage, and enhance the state's natural resource in order to provide the highest quality of life for Nevada's citizens and visitors. This is an overall budget summary of the Department ([Exhibit B](#)). As you can see, for FY06-07, our budgets are approximately \$118 million to \$119 million for each year in the biennium. Of that, 27 percent is federal funds. General Funds make up 22 percent. A small amount is interagency transfers, and 32 percent are other funds, which include user fees and other sources unrelated to General Fund revenues.

There are a couple of very important activities I'd like to make you aware of. The first is that the Department of Conservation and Natural Resources will be housed in a brand-new building here in Carson City. It is very important because it consolidates most of the programs within the Department of Conservation and Natural Resources. Right now, we're spread across eight different locations within Carson City. It will be a great improvement to have all of us in a single building, and it will improve our oversight and management capabilities of all divisions.

Our construction budget has had some challenges with regard to increased steel and concrete costs. As we all know, this is an issue that's unique not only to this project and to projects within Nevada, but the nation in general. The

building was designed to house people and not files, so the building architects designed the building around the purchase of high-density filing systems for our Department. When the cost overruns were incurred because of steel and concrete, something had to give, and, unfortunately, our high-density filing systems had to be cut. Consequently, a piece of legislation will be presented this legislative session to purchase the high-density filing systems for this building. The cost of that is somewhere in the neighborhood of \$160,000. This is a lease-purchase building. It is the first time that this concept has been attempted within the state of Nevada, so it is a unique opportunity for us. The State will own the building after a period of 30 years.

[Allen Biaggi, continued.] The other very important program that we're undertaking right now is called Q1, named for Question 1, which came before the voters in the November 2002 election. This program allocated \$200 million in general obligation bonds with the goal of preserving water quality; protecting open space; protecting our lakes, rivers, wetland, and wildlife habitats; restoring and improving parks, recreation areas, and historic and cultural resources. The Department of Conservation and Natural Resources was tasked with the overall oversight of Q1, but we do so with input from a number of other state and local entities. The \$200 million was allocated to a number of different entities throughout the state. This slide (page 3 of [Exhibit B](#)) shows you what some of those entities are:

- Las Vegas wetlands project for \$10 million
- Las Vegas Springs Preserve, \$25 million
- Las Vegas Springs Museum, \$35 million
- Washoe County, \$10 million
- Department of Wildlife, \$27.5 million
- Division of State Lands, \$65.5 million—I want to emphasize that not all of that is going to state lands. They will provide grants to other local entities throughout the state with that money.
- Division of State Parks, \$27 million

We've had one round of bond sales in the amount of \$92,520,000. As of today, we have approved work plans for \$84,886,000 of that bond sale amount. As we speak, interviews are ongoing for round two for Q1, and we anticipate that we'll continue to move forward on many of the Q1 projects.

Well over 50 Q1 projects have been conducted to date. These are just some examples of the projects that have been done to date:

- Work on the Old Mormon Visitor Center in Las Vegas
- Completion of the Tahoe Rim Trail around Lake Tahoe
- Open space plans in Douglas, Lyon, and White Pine Counties

- Hiking trails along the Humboldt and Reese rivers
- Sand Harbor Visitor Center, which will open this year as a beautiful addition to Sand Harbor State Park
- Open space acquisitions along the eastern slope of the Sierra near Washoe Lake and the Carson River
- Wildlife habitat near Overton
- Recreational trails for Project Green and the Pittman Wash in Henderson
- Wetlands acquisitions in Nye County

[Allen Biaggi, continued.] We're very pleased and proud of the progress that has been made to date and of having these projects funded with Q1 dollars implemented on the ground.

**Assemblyman Goicoechea:**

Could you get us a complete list of those projects as they pertain to state lands and wildlife? I think that would be beneficial to us.

**Allen Biaggi:**

We'd be happy to do that.

I'd like to focus now on the office of the Director, who provides the full scope of administrative, technical, budgetary, and supervisory support for the various divisions in the Department, its boards and commissions. I've already talked about the divisions within the Department: Environmental Protection, Parks, Forestry, Lands, Conservation Districts, Nevada TRPA [Tahoe Regional Planning Authority], Water Resources, and Natural Heritage. There's a very long list of boards and commissions that help serve those divisions.

The office of the director is contained in Budget Account 4150. We have 13 full-time employees, and the majority of those employees provide fiscal services to the entire Department, with the exception of State Forestry and the Division of Environmental Protection. Our budget for the biennium is approximately \$1 million a year.

I would like to make you aware of some legislative bills that that are being sponsored by the Department:

- Assembly Bill 25 will add a conservation representative to the State Environmental Commission that oversees the Division of Environmental Protection. What that bill will do is remove the State Forester from the Environmental Commission and replace it with a Governor-appointed position, someone who has a conservation background or conservation ethic.

- Assembly Bill 33 will modify the rather antiquated ability for us to sell state lands. It is a housekeeping bill that will bring us up to the twenty-first century in the way the Division of State Lands conducts land sales.
- Senate Bill 13 will modify the way the State Petroleum Fund can be used, and will allocate half a million dollars a year maximum for cleanup for emergency response activities for hazardous materials spills within the state of Nevada.
- BDR 401 will encourage recycling, especially in southern Nevada, where our recycling rates could use some work. It will also modify the way we regulate solid waste within the state of Nevada.
- BDR 660 continues some of the good work this Legislature did last session in moving the State Safe Drinking Water Program from the Human Resources Division of Health Protection Services, to Conservation and Natural Resources Division of Environmental Protection.
- Finally, we are proposing a BDR, which will be sponsored by Senator Titus, that will allow the establishment of an interest-bearing trust account for state parks for maintenance-related activities. That will be capitalized through the sale of some state lands within the Red Rock Conservation Area.

[Allen Biaggi, continued.] We also have some legislative bills with substantial fiscal impacts. BDR 663 continues the good work of the Lake Tahoe Environmental Improvement Program, and will allow bond sales in the amount of \$16.8 million to continue that work, and will continue the allowance of doing this work for an additional period of time. Other budget bills include, as I mentioned, our high-density filing systems for our new building, \$462,077. There will be a reintroduction of some money to the Water Resources Channel Clearance Account for the Division of Water Resources in the amount of \$250,000. There is also a bill for potential litigation on Walker Lake and Walker River activities in the amount of \$150,000.

Right now we are in a mediation process to resolve the Walker Lake and Walker River issues, but, in the event that mediation process falls short, we will have money to pursue litigation activities.

**Assemblyman Carpenter:**

Could you bring us up to date on what is happening in Walker Lake?

**Allen Biaggi:**

I can't go into the details of the mediation process because it is confidential, but all of the parties are continuing to meet on at least a monthly basis to resolve some of the issues. Most recently, all of the parties agreed to continue for a maximum of another 12-month period with mediation activities. I think that indicates that progress is being made, and we're continuing to meet, trying to resolve this outside of litigation.

**Assemblyman Grady:**

Is there any money left now in the Channel Clearance account, or has that been depleted?

**Allen Biaggi:**

I believe there is a minor amount of money left. It's just a few thousand dollars, so there really does need to be a new infusion for the good work of that channel clearance.

**Chairman Claborn:**

Are there any more questions? Mr. Biaggi, you might be interested to know that we have your bills, A.B. 25 and A.B. 33, and we're going to schedule them soon for you. With that, I thank you for a fine presentation.

**Pete Anderson, State Forester Firewarden, Division of Forestry, Nevada  
Department of Conservation and Natural Resources:**

I have a presentation ([Exhibit D](#)) that will give you an overview of the programs and activities of the Division of Forestry (NDF). Our mission is quite broad and very all-encompassing. Having been on the job since July, one of my first challenges was to try to get a handle on where the Division of Forestry is and where we are going. We initiated a strategic planning process. Our historic roles are changing throughout the state. Within the next six to eight months, we will have a clearer picture of where the Division of Forestry best fits in a growing and developing Nevada.

The Division of Forestry provides statewide service through three regional offices. Those offices are located in Washoe Valley, Elko, Las Vegas, and a state office here in Carson City.

The true foundation of the Division of Forestry is our partners and our cooperators. Without the assistance of our local and state partners and the federal agencies, the Division of Forestry wouldn't be what it is today. We're very thankful for the strong infrastructure that we have.

[Pete Anderson, continued.] The Division has historically maintained two primary program areas: natural resources and fire. Today I have broken conservation camps out because I do want to discuss the reorganization that we are proposing. Thanks to the very hard work and dedication of the men and women of the conservation camp program, we exceeded our revenue targets during 2004 by \$400,000. This is especially commendable because of the loss of our Carpenter school buses in the middle of last summer and recent rural economic downturns. We're very proud of the men and women of the camp program and all the good work they do.

Our crews work on a wide variety of projects and emergency incidents. Most recently our crew has been playing a key role in the flood control and cleanup down in the city of Caliente in Lincoln County, in Moapa in Clark County, and response to avalanches in Kyle Canyon here on Mount Charleston around the holidays.

Last summer all 70 Carpenter crew buses failed Nevada Highway Patrol (NHP) inspections and were placed out of service due to cracks in their frames and structures. I again want to thank the Legislature and everyone who gave us the support and funding to replace those vehicles.

Historically, our conservation camps were divided among the three regions. Basically, as the map shows on this slide (page 2 of [Exhibit D](#)), there were four camps in the southern region, four camps in the northern region, and two in the western region. From the organizational chart, those camps reported to the regional manager in each of those regions. The chain of command then had a camp supervisor and an assistant camp supervisor in each camp. We were significantly challenged with time and distance in this management structure. We also placed some real inconsistencies in reporting daily operations, supervision of inmates, and our coordination and interaction with the Department of Corrections.

Our proposal includes going to a four-section geographical approach, which better balances the camps and their locations. A pilot program was initiated in June 2004. We have, since the beginning of that, standardized our policies and procedures, our billing procedures, recordkeeping, and, in our warehouse, an inventory control.

We have utilized the ten assistant camp supervisor positions to create four section chiefs, each of whom would be responsible for one of the sections and the camps within it; a program officer; and a training officer. Camps would then answer to a statewide camp coordinator located in the State office.

[Pete Anderson, continued.] Now I would like to move to our natural resource programs. Our programs are funded by a mix of federal and State General Funds and enterprising accounts. We, too, are experiencing cuts in our federal grant programs, which will have an effect on some of our abilities to do natural resource management in the state.

Our Forest Stewardship Program provides assistance to private landowners. With the growth in this state, there is an increasing demand for services in forest stewardship activities. We provide both technical assistance and cost-share grants for such things as these pictures (page 3 of [Exhibit D](#)) illustrate, stream enhancement and riparian plantings.

The Urban and Community Forestry Program is extremely popular throughout the state, not only in our higher urban population areas, but also in our rural communities. We've been very successful in working with Nevada's Native American communities and improving their quality of life through tree planting.

Conservation Education: The Division provides training to Nevada teachers on a statewide basis and to schoolchildren. The Division maintains two plant material nurseries. They play a critical role for revegetation and rehabilitation of lands that are damaged by wildland fire or other natural disasters. Hand in hand with that is our Seedbank program. Both our Seedbank and nursery operate on enterprising accounts that are dependent upon the sales that we generate to cover all operational costs.

I want to highlight our newest program, Fuels for Schools. One of the challenges of all the fuels reduction projects we're actively engaging in across the state is what to do with the biomass we generate. We were able to secure funding from a U.S. Forest Service grant. Our first project was at the David Norman Elementary School in Ely. In this project, we constructed a boiler that will use the woodchip biomass as a heating source. It will cut the heating cost of the school up to 70 percent. We're very happy and excited about this program. We're also working with George Whittell High School at Lake Tahoe to get a similar project started there.

I wanted to quickly mention forest health today, because across the state from the past five years of drought, we have felt the impact of the ips beetle. It's a boring beetle. There are approximately one-half million acres of piñon pine affected by the ips beetles, primarily in Douglas and Lincoln counties. It does pose tremendous threats from the perspective of a firefighter or outdoor recreationist. It is one of those cyclic things that we live with in the Great Basin, but it is something to be aware of.



[Pete Anderson, continued.] The Division is also responsible for several statutory programs, including the Forest Practices Act, which regulates timber harvest in the state, native flora that are threatened with extinction, and the commercial harvest of Christmas trees, cactus, and yucca.

I'd like to move on to our fire programs. Our fire programs are equally as diverse, and the resources are critically important to the state of Nevada. The Division does provide assistance to local governments in a variety of areas, including the formation of fire districts, fire prevention and suppression, training, and equipment.

We live in a wildland fire state. We live with it day and night, 365 days a year. Because of that, we actively try to educate people and help them take responsibility for the conditions on their properties. To this end, the National Fire Plan, which was originated in 2001, brought significant funding opportunities to us. The Division has been successful in bringing in over \$9 million in wildlife and fire management activities to fund fuels reduction, training, and equipment.

Through our Volunteer Fire Assistance Program, we provide training and equipment to Nevada VFDs [volunteer fire departments] across the state. Another very successful program, State Fire Assistance, provides fuels reduction as the primary focus today. What's interesting on this slide (slide 26 on page 5 of [Exhibit D](#)) is we have photographs of the west side of Carson City, the vegetation type there before we initiated a fuels reduction project, which is the middle slide, and you can see how the fuels reduced behind the fence there. The last slide indicates what was left after the Waterfall Fire. There was truly a test of a fuel break here, on the west side of Carson City, and it functioned just like it was supposed to, providing firefighters an opportunity to take suppressive action in a safe environment.

The Division has eight county fire districts under Chapter 473 of *Nevada Revised Statutes* (NRS) and, in five of those, we do provide 24/7 all-risk emergency response. In three of the other districts, we are now providing only wildland fire response. We're all very proud of our Seasonal Firefighter Program and the seasonal firefighters we employ every year. We put them through a very intensive three-week, hands-on course, and then those individuals are assigned to each of our regional offices. They do a fantastic job every summer for the state.

With ongoing military operations overseas and the loss of many of the large air tankers, Nevada's air resources have. Though small, our air operations program

at the Nevada Division of Forestry plays a very critical initial attack role to suppress wildland fire in our urban interface communities.

[Pete Anderson, continued.] The Waterfall Fire last year had a significant impact on Carson City watersheds and destroyed 18 structures. The interagency efforts to suppress that fire were truly fantastic. The paid and volunteer firefighters did a fantastic job, saving hundreds of homes while risking their lives to protect all of Carson City. These photos (page 31 of [Exhibit E](#)) illustrate the rehabilitation efforts that we have implemented since the fire. Erosion control and soil movement is still a very large concern for Carson City. If you would like to take a tour this spring, we certainly can arrange that and show you some of the work that's been done.

**Assemblyman Goicoechea:**

When the Nevada Department of Wildlife (NDOW) was here the other day, they were saying they had two [Bell] Jet Rangers and a fixed-wing airplane. Are these the same? How many helicopters does the State of Nevada have in the fleet?

**Pete Anderson:**

We have two functional Huey [UH-1H] helicopters, so they are different helicopters from the NDOW ships. These are larger and can carry more weight, and they are used specifically for bucket drops and that type of work. The NDOW ships are used for counting wildlife. [Distributed [Exhibit F](#).]

**Assemblyman Goicoechea:**

How many do you have in the Department of Conservation?

**Allen Biaggi:**

In the Department of Conservation, we just have those two that are functioning. We do have one that is about \$150,000 short of being airworthy. These are federal excess property.

**Assemblyman Goicoechea:**

And then NDOW has their two Jet Rangers and another fixed-wing besides.

**Assemblyman Marvel:**

Are you involved at all with Lake Tahoe, or is that just the U.S. Forest Service?

**Pete Anderson:**

We are involved at Lake Tahoe. In fact, my next slide concludes my presentation. I did want to say a few words about Lake Tahoe. We have a

significant concern up in Lake Tahoe due to the overstock stands of trees, the five-year drought, and the very real potential for catastrophic wildland fire.

[Pete Anderson, continued.] Fuels reduction has been going on. Forest health projects have been going on both on state land—the EIP [Environmental Improvement Program], for example—and on private land as well in Glenbrook and the Incline area. However, the problem is much larger than any one of us can do. We really do have to have a focused effort to try to address the fuels.

**Assemblyman Marvel:**

What's going on in Lincoln County? Are they getting into a fire district? They can't really afford one, can they?

**Pete Anderson:**

At this point, they're supposed to put something in writing to us to give us some direction. They haven't done that to date. They are going to be in attendance at the IFC [Interim Finance Committee] meeting in March to try to bring some closure to this. The last reports I had were that they were not going to pursue a fire district.

**Assemblyman Marvel:**

I don't think they have enough room in their tax rate to form one.

**Pete Anderson:**

It is a problem for them. They just had the land sale, and some other things happened down there, too. I think long-range planning, if they were to look out five to ten years, it probably would be very beneficial for them.

**Assemblyman Carpenter:**

Is there any plan to refurbish or expand the conservation camps at Carlin and Wells?

**Pete Anderson:**

For the short-term, Mr. Carpenter, in our negotiations and sessions with the Department of Corrections, there isn't anything on the immediate horizon. There has been talk long-range, maybe ten years out, of a possible "super camp," consolidating one or two of those camps, making it bigger. They'd each play a critical role, from our perspective, in our ability to fight wildland fire. I would hate to lose the current geographic location.

**Assemblyman Carpenter:**

I agree with you on that.

**Assemblyman Goicoechea:**

On that slide where you were creating the four little sections, I noticed you had Lincoln and White Pine in one section. Lincoln isn't a Nevada Division of Forestry county. So technically, we have White Pine, Elko, and Eureka that are NDF participators?

**Pete Anderson:**

That's correct. Those are NRS 473 county fire districts.

**Assemblyman Goicoechea:**

Okay. How about on the west?

**Pete Anderson:**

On the west we have a sliver along the Sierra front in the counties of Douglas, Carson, and Washoe, and then all of Storey County. Down south we have a small district on Mount Charleston and Kyle Canyon and Lee Canyon.

**Assemblyman Goicoechea:**

Really, then, other than some small general improvement districts (GIDs), there are just the four counties that are wholly participating?

**Pete Anderson:**

Correct, where the whole county is participating.

**Assemblyman Hogan:**

I just wanted to explore the experience we've had in extracting grant funds and other support and matching funds from various federal agencies: USDA, [U.S. Department of the] Interior, whomever might have some, and if we have a way of early detection of the creation of new sources. Could I get just a general reflection on how we're doing vis-à-vis getting federal funds back into Nevada and what the prospects might be for that?

**Allen Biaggi:**

We are always on the lookout for new federal funds. With some of the proposed budget cuts, we are going to potentially have to make up those funds elsewhere. Right now it doesn't appear that we're going to be that damaged by those proposed budget cuts. However, we're always on the lookout for new opportunities to seek and secure federal funds. In fact, Colleen Murphy scours through federal registers on a weekly basis and provides all of our administrators with updates on opportunities for federal funds. For example, in the Division of Environmental Protection, over 50 percent of their programs are funded federally.

**Chairman Claborn:**

The school heating project in Ely that you mentioned was [funded by] a grant three or four years ago, wasn't it?

**Pete Anderson:**

We started it about two years ago, and the funds came together through the U.S. Forest Service, state and private forestry, and we were able to get a contractor, and they were a big player in the project.

**Chairman Claborn:**

Are we still getting any grant money for that?

**Pete Anderson:**

Yes, we are. In fact, we just got a grant to help purchase some of the chips from the Bureau of Land Management because we had to move them from Mount Wilson to Ely. Over time we hope to do more fuels projects closer to Ely and won't have quite the transportation hurdle.

**Alan Coyner, Administrator, Nevada Division of Minerals, Nevada Commission on Mineral Resources:**

[Showed the Committee a PowerPoint presentation, [Exhibit G](#), and distributed [Exhibit H](#) and [Exhibit I](#).]

This is our mission: We are to conduct activities to further the responsible development and production of the state's mineral resources and to benefit and promote the welfare of the people of Nevada. Our structure is such that we're fairly unique in state government. We are under, or part of, the Commission on Mineral Resources appointed by the Governor. It consists of seven individuals who are appointed according to their area of interest within the natural resources industry. I have a Small Mining Commissioner and an Oil and Gas Commissioner, a Geothermal Commissioner, and so forth.

We have a total of nine employees in Carson City and Las Vegas. We have an annual budget of about \$1.1 million, and we have no General Fund money in our budget. The Commission directed me to emphasize that. Simply put, that means we don't see any of the State tax revenue that comes into the State. It is strictly monies that are derived from fees on industry. That is how we get our money.

The Commission sets those fees, so it is an interesting dynamic. The Legislature sets our mandates, our statutes, tells us what it is we need to do. The Commission directs that work, and they're also empowered to give us the resources to do that.

[Alan Coyner, continued.] Our programs are roughly in the four areas:

- Industry relations and public affairs, which include advice to the Governor and to the Legislature on mineral resource issues; minerals education is part of that.
- We run the state reclamation bond pool.
- Abandoned mine lands is probably our biggest area that we do most of our work in.
- We also do oil, gas, and geothermal activities in the state.

In our first area, industry relations and public affairs (page 2 of [Exhibit G](#)) this is a chart put together by the Nevada Bureau of Mines and Geology at the University of Nevada, Reno (UNR). The Division of Minerals is the official mines registry. We collect annually from the mining companies—the producers—their production data. They are required by statute to give that to us. We enumerate that; we bring it together as a survey and keep track, on an official basis, of what Nevada is producing. This chart simply shows, from 1973 through 2003, the production, in millions of dollars, of gold, in yellow. Silver is in blue. [It also shows] copper, barite, aggregate, petroleum, geothermal, and other. You can get a relative sense of the gross value of sales of these different commodities over time.

In 2003, which is the last date we have actual data for—we are actually in the process of collecting 2004 right now—we did about \$3.2 billion in mineral energy production in this state. It's one of the biggest, if not the biggest, in the United States. Quite significantly, \$2.7 billion of that total is in gold. You can see the yellow part of the graph here is the biggest piece, so gold is definitely the tail that wags the dog in Nevada.

I think it's important for you to realize as legislators, and especially us as United States citizens, that we are in the midst of the biggest gold boom ever in the history of the United States. A lot of people talk about the '49ers and the Gold Rush to California and that sort of thing. That's a fairly romantic notion, but when you look at hard evidence, we're talking about 30 million ounces or so of gold that was produced during that time. This graph (page 3 of [Exhibit G](#)) shows overall gold production in the United States—overall production in Nevada is in red—over this time frame, ever since the discovery of gold in the United States.

There has been a total of about 500 million ounces produced. Nevada has produced about 150 million of that 500 million. As you can see, most of it has come in this last 20 years or so. Over time, we think Nevada's proportion will continue to increase because of that. This boom we're in the middle of right now is much greater than anything like the '49ers, like the turn-of-the-century

rush to Alaska, like the run-up during the Depression before World War II. That is significant and has quite an impact, especially on rural Nevada.

[Alan Coyner, continued.] Where are all these facilities we're talking about that produce all these minerals? This map of Nevada (page 2 of [Exhibit G](#)) shows four different categories: precious metals in pink or red, blue is industrial minerals, the circles are oil fields, and the yellow boxes are geothermal plants. In general, you can see that the pink dots tend to congregate up in northern Nevada. This line over here [indicated on the map] is called the Carlin Trim in Carlin, Nevada, the premier gold-producing area in Nevada. It recently surpassed 50 million ounces of production from this one little geographic mining district. There are only three different places on earth that have produced that much gold from one spot. This is very significant for us in Nevada and has really wide implications.

Also, of the 23 major gold mines that we count, there are also 8 that are not on the Carlin Trim with more than 100,000 ounces per year of production. So, there are some other significant producers, Getchell and north of Golconda, and the Round Mountain Mine north of Tonopah. We are liberally endowed with gold.

The blue are the industrial minerals. They're spread around all over: diatomite, limestone, clay, barite—very important out in Battle Mountain—and all sorts of minerals. Significantly, there are a number of gypsum and lime producers, as well as sand and gravel, in Clark County, so it's important for our Clark County legislators to remember that yes, there is mining down there. It is part of their constituents' districts. There is mining in that part of the world as well; it's not just a northern Nevada thing.

Oil—Pine Valley, near Carlin, is one area. Our biggest producing area is in what's called Railroad Valley out south of Ely here in Nye County. Geothermal tends to congregate out here in western Nevada, around Fallon, Fernley, Reno at Steamboat, and Beowawe. This tends to be the focus of development for geothermal, and we'll see a little more on that later.

Moving along, here's a more detailed picture of gold. Again, it shows this big ramp up in production in the 1980s. We are in the top seven years of all time for production right now. Even though we've been declining from a top of nearly 9 million ounces down to about 3 million, the value has actually been going up because of higher gold prices. Planned closures of some of our bigger open-pit mines and more underground production have contributed to that overall volume drop. However—this is based on [a gold price of] \$375; the 2004 number is about \$409 dollars an ounce—we're going to see more new properties opening.

We may even reverse this trend of decreasing production and see it going up the other way.

[Alan Coyner, continued.] In 2003, 7.3 million ounces is 82 percent of the U.S. and 9 percent of the world. We are the world's third-largest producer of gold after South Africa and Australia.

We are the Silver State, and we are still producing about 10 million ounces a year. We have seen some decline—we had a major mine close-out near Battle Mountain that was a primary silver producer. Alaska actually surpassed us last year in silver, so we're number 2, but we try harder, and maybe we can get that turned around. The price is \$7 right now, so that is generating considerable interest in Nevada as well for exploration.

The Coeur Rochester Mine out in Pershing County is now our largest producer. It did produce its 100 millionth ounce of silver in January 2004, making it the world's seventh-largest silver mine.

About copper: Quadra Mining Ltd. has started the Robinson Mine at Ely. That's very significant for those folks out there—400 to 450 jobs, big resurgence in the community, very important for White Pine County. Copper is up around \$1.50 a pound right now, so you can see it's had a considerable increase from where this graph (page 3 of [Exhibit G](#)) sits. That should spur some additional production. Quadra is figuring about 165 million pounds per year of production, so this graph will show up about here next time I come and see you—a good turnaround in copper as well.

We're headed toward 3 million people. Population growth drives infrastructure. Infrastructure demands sand, gravel, aggregate, and those types of things, and, sure enough, we are seeing increases in gypsum and aggregate production. I think the focus here is that you can tell people there is mining in Clark County. We have to have sand and gravel to make all those freeways that go around downtown Las Vegas.

I mentioned the reclamation bond pool. It is a way for our small miners dominantly to access reclamation bonding. Reclamation is the part of mining where we tell miners to put it back in a reasonable condition when they are done mining out there: to cover the piles, to regrade them, to revegetate them. The state and federal governments require the miners to put money aside to cover that.

In State government, we have set up this reclamation bond pool. We make that available in bonds up to \$3 million. There are our deposit and premium



requirements. Right now it is being utilized to the tune of about \$1.1 million by 14 different companies. We are in a pretty good situation, cash-wise—we've got nearly \$1 million cash in that pool of money. This is just another way we ensure that people fulfill their obligations, and we allow little guys who can't go to the Safecos and the AIGs [American International Group, Inc.] of this world and get a bond because they're too small. This gives them the opportunity to do that.

[Alan Coyner, continued.] We also accumulate exploration statistics in the Division. This is very important because, as we mine out these ore bodies—we can see a large open-pit mine behind this drill rig (page 4 of [Exhibit G](#))—we need to find new reserves. We need to find additional gold and silver and so forth in order to keep building and putting mines into production. We track that fairly carefully.

One of the statistics we look at is dollars spent. Again, this is from last year—we're now accumulating 2004 data—but at that time, you could see the companies active in Nevada were predicting a growth from \$400 million to \$450 million worldwide, with a pretty good amount in Nevada as well: \$70 million. These are multinational companies, so they're overseas as well, but they were talking about moving up to \$90 million in exploration expenditures. That has big implications because that means the drilling companies are busy, the assay labs are busy, the motels are busy, and four-wheel-drive dealers are busy, all to keep those guys supplied in the field.

Another significant thing is that people like to look in Nevada. It's not only the geology; it's our good government system, our good regulatory system, and our pro-business stance. Look at these numbers: \$2.2 million [in 2003] and \$8.5 million [projected in 2004] in other jurisdictions [in the United States]. That's everywhere—Montana, Colorado, and California—so we really do get the lion's share.

We also track active claims, because that is a good indicator of how busy people are. In 1993, the federal government started charging \$100 per mining claim, which had a very drastic impact, especially on the small miners. You can see this catastrophic drop of more than 200,000 claims in 1993 (page 4 of [Exhibit G](#)) because of that fee. It has bumped along since then. It actually declined as the prices declined through 2000. In about 2001, it started turning around. In 2003 we saw a little bump upwards to about 100,000 claims.

We follow this quite closely because they pay a claim filing fee to us when they file in the county. Most of our money comes from this activity. Based on our calculations, we expect to see about 125,000 claims in 2004, once the BLM

releases that number. That would be a 25 percent increase over 2003. That means people are out there looking.

[Alan Coyner, continued.] When production increases and price increases, the Division also gets more calls on mining fraud. It was true in Mark Twain's time, and it's true today. People do get caught up in the gold fever and platinum and other things like that, and they end up calling us or Nevada Bureau of Mines and Geology (NBMG) about that. We distribute a little publication called *Gold from Water (and Other Mining Scams)* that explains some of the common ways people are taken in by this. We do counsel them with regard to that.

On minerals education, we do two teachers' workshops a year; about 200 educators come through our program. It's run cooperatively with the Nevada Mining Association, NBMG, and others. It's a valuable service to them to tell them about geology, minerals, mining, and its importance to our state. We really like to do that.

Abandoned mines is our biggest program. This picture (page 5 of [Exhibit G](#)) is down in Goodsprings, very close to Las Vegas, is of an old underground mine here with an open adit and this load-up dock. A lot of people every year want to go into these things, and we have accidents when that happens.

Part of what we do is the Stay Out and Stay Alive program. We are charged with fencing and securing these abandoned mines. We have, in 17 years of the program, which the Legislature set up for us, discovered and logged about 10,000 sites. About 8,000 of those we have now secured, meaning we've put a fence around them and put a sign up, we've logged it, identified it, and taken a picture of it. There are about 200,000 by our estimate, and maybe 50,000 need this kind of treatment around them. There's still a ton of work to be done in this area.

The other half of the equation is public awareness about abandoned mines. We have a bumper sticker that we hand out to the kids that they love. We do lots of presentations in classrooms and in other venues to adults and children. Every fourth- and eighth-grader in the state, 74,000 kids last year, got a copy of our brochure.

We had only one injury accident that was a serious one this last year. California had five deaths last year, just to show you the magnitude of the difference. Some of that I attribute to our very active public awareness program.

We have a summer intern program to help with securing abandoned mines. We put six college kids to work every summer, give them a truck, a map and some

fence posts. This year we'll have six interns in our 2005 program, predominantly coming from the Mackay School of Mines up at UNR.

[Alan Coyner, continued.] The Eagle Scouts help us out with volunteer projects. Forty-one Eagle Scouts have come through our program since 1992, and they've done 278 securings. They've been a great help to us.

Some of these sights are just too ugly (page 6 of [Exhibit G](#)). They're too bad to deal with from a fence. A fence is temporary. People can still go around it. Mostly in Clark County, we've turned to what we call backfilling, which means we literally fill the hole up with dirt. This has also been very successful. It's been a cooperative program between us, the BLM, Clark County, and the Nevada Mining Association, which has very generously supplied the equipment and operators, fuel, transportation, and so forth. We've done about 150 over the last four years.

We are going to get the 4C's Award. We, the Nevada Abandoned Mineland Remediation Partnership, made up of about 20 different entities, are going to be getting this award next week, on Wednesday, from the Bureau of Land Management Director Kathleen Clarke. If you don't know what 4C's is, Gale Norton, when she became Secretary of the Interior, started a process she called Communication, Consultation, and Cooperation, All in the Service of Conservation: the 4C's. It's quite an honor for us to get this.

We do have oil and gas in Nevada. This picture (page 6 of [Exhibit G](#)) is the Trap Springs field out in Railroad Valley in Nye County. Things aren't so good in the oil patch right now. We're down to less than 500,000 barrels of oil in 2003 out of 70 wells in 10 fields. That's about \$12 million worth. You can see we've been on a pretty rough decline here over the last ten years. We had some glory days back when the big wells were producing out of Grant Canyon and Railroad Valley. We were one of the largest onshore producers in the United States for a while, with free-flowing artesian oil, which is pretty unusual. We'd like to find a couple more of those.

This picture (page 6 of [Exhibit G](#)) is the Beowawe Power Plant out in Lander County. Geothermal has been flat or even decreasing a little in production over the last few years, but there's a lot of optimism right now about renewable energy.

We did about \$65 million worth and 1.2 million megawatt-hours in 2003. We have 10 plants with about 220 megawatts production capacity. We're second after California. They have the most production over there, but there is a lot of interest and it is becoming more economic. Government is plugging some effort

into it with production tax credits and other things, so we may see a little turnaround in this coming up. The U.S. Department of Energy and the Great Basin Center for Geothermal Energy at UNR are plugging more science into geothermal to try to help companies find more of these renewable resources.

**Assemblywoman Smith:**

What agency is responsible for the hot springs and the safety issues around hot springs?

**Alan Coyner:**

The BLM predominantly has responsibility for hot springs because most of those are on public land. I allow them to use our Stay Out and Stay Alive slogan because it is the same issue. There is a public awareness issue there because trying to fence every hot spring in Nevada is prohibitive.

I talked about the potential to increase the geothermal in the state, and here is Senator Reid's famous quote: "Nevada is the Saudi Arabia of geothermal energy." That is based on some science. We do have a fair amount. You can see the big red blob here that sits over the top of Nevada in terms of potential resources.

We anticipate a fair amount of work and growth in our responsibilities in that area over the next few years as this becomes more attractive to more people to develop. It is being driven by the cost of energy and by the renewable portfolio standard that in this state, as well as over in California. They have a very aggressive one over there. I would look for you to hear more and more about development in geothermal.

This last year we also put together a *Minerals of Nevada* book. We join the ranks of states that have a book that actually catalogues where our minerals occur. Our specialty is classroom presentation, so if any of you have constituents or teacher friends that would like to have us come in and talk about rocks and minerals or about the Stay Out and Stay Alive program, I'd be glad to do it.

**Assemblyman Marvel:**

Alan, are you still giving credit for the classes?

**Alan Coyner:**

Yes. I believe you're referring to the teachers' workshops. They get continuing education credit for coming to the workshop.

**Chairman Claborn:**

Mr. Fields represents the Nevada Mining Association, and he gives a presentation that I know will be interesting to all of us. He's so knowledgeable, and he brought Alexis with him, and she's a pretty good miner herself.

**Russell Fields, President, Nevada Mining Association:**

[Submitted [Exhibit J](#) and [Exhibit K](#).] Our Association's membership includes all of the major producing mines in the state of Nevada, representing many of the mineral commodities that we produce here in Nevada, from gold and silver to copper, to gypsum, to aggregates, to specialty clays. Our mission is simply to improve the business environment for mining here in the state of Nevada.

As all of you know, Nevada's history is based on the mining industry, through the efforts of the silver miners on the Comstock Lode back in the 1860s on through about 1900. It really was the industry in the state of Nevada and was, in many ways, responsible for statehood. Mining continues to be a very significant industry here in Nevada, especially in the rural parts of the state.

In many ways, the Nevada Mining Association, and its predecessor entity called the Nevada Mine Operators Association, is also a part of the history of the state. That Operators Association was formed in 1913. Its primary purpose was to represent labor issues as well as safety issues for the mining companies. We've expanded our role a bit since. We're located in Reno. Seated next to me is Alexis Miller, our Manager of Government Affairs and Community Relations.

Today, gold is the state's most important mineral commodity. As you've already heard, we do have an array of other minerals produced, but about 90 percent of the value of mineral production in the state is attributable to gold.

This (page 2 of [Exhibit G](#)) is a graph that you already saw in Alan Coyner's presentation. The important thing on this graph is, again, the preponderance of gold in terms of the value of mineral production. We have some truly world-class mines in Nevada. The deposits are unequalled in almost any other part of the world. The companies we have as our members that produce that gold are multinational. They are as comfortable in places like Peru or Indonesia as they are operating in Nevada. We're very glad that Nevada is graced with some very fine mineral deposits and a very fine business environment.

We have approximately 18 major gold mines, many in the Carlin Trim. Eight different companies mine these major gold mines. We have a new primary copper operation in White Pine County, in the Ely area. This is a remining of the historic Kennecott operations at the Robinson district outside of Ely. Now they

are bringing that back on with higher copper prices. Things are looking very good for that economy out there.

[Russell Fields, continued.] The state of Nevada, as you've already heard, is a significant producer of silver. Most of that is as a co-product of our gold operations. We do have one primary silver mine, the Coeur Rochester mine outside of Lovelock in Pershing County.

The economic impacts are substantial and important. I believe the handout has been made of our report ([Exhibit J](#)) that John Dobra prepared for us. Dr. Dobra is an associate professor of economics at UNR. He's under retainer to us, and every year he produces an economic overview talking about jobs, average salary, taxes, and overall economic impacts. This report reports through 2003. Data is being collected now for 2004. Mining creates approximately 9,000 direct jobs and about 48,000 indirect jobs resulting from the spin-off, or multiplier effect, of the industry. Many of these jobs are in rural Nevada, where this is a very substantial economic impact.

There are some very positive signs out there as a result of higher metal prices. That's really what leads to fortunes in our industry. There's new exploration going on. That's the research and development phase that will result in deposits to be mined in the future. Nevada is, as geologists say, very prospective. That means there's a strong likelihood that additional, large, world-class deposits will be found here in the state of Nevada. Those are being sought right now.

There are expansions that are existing mines, names that will be familiar to some of you, because I know they are in some of your districts—Cortez, Goldstrike, Marigold. These are mines that are undergoing significant expansions. That means more production; it means more workers.

The high cost of energy is a challenge. We are trying to deal with that challenge, looking for new ways to gain efficiency in our operations. Assembly Bill 661 of the 71st Legislative Session allowed large consumers to leave the regulated system, so long as no one left on the system was left with higher costs and that this be new energy brought to the state of Nevada. I understand there is one Nevada mine that is in the situation where they will be able to leave the system. That does not relieve us from our requirement to meet the renewable portfolio standard for renewable energy. We are very interested in seeing that process furthered. I know some of those issues will come before this Committee. We certainly support that.

One of our biggest challenges today in our growing economy of mining is that there is a shortage of skilled workers. These are both the professionals—the

mining engineers, the geologists, and so forth—as well as the miners and the diesel mechanics. We need more skilled workers to work in these mines. There is a large backlog of job openings in places like Elko and Winnemucca. We're working with the community colleges, we're working with the employment services, the university, career fairs, and so on to try and resolve those problems.

[Russell Fields, continued.] Finally, a current issue that is of significant concern to the longevity of our mining industry in Nevada is the permitting time frame. To bring a new project from an exploration phase ultimately through development and into operation takes too long. It ranges from five to ten years. In a situation where the gold price is everything in terms of whether you're able to make money with the volatile gold price, trying to sit here and say, "This is a good business investment, and we'll be able to start collecting on it in ten years," is pretty tough.

We're working with our regulatory agencies and trying to find ways to streamline things. We're not trying to get around any environmental permitting requirements. Those must be met. We're just looking for ways to make the process more efficient. To be very honest, most of the permitting time frame issues occur on public land. They are not problems with the state agencies, so it's different from the purview this Body has. There's a NEPA [National Environmental Policy Act] process that makes a very long process out of this.

**Assemblyman Marvel:**

What's going on in Washington, D.C., that we have to be watching for?

**Russell Fields:**

I think the most important thing is what the Department of the Interior is going to do to help relieve some of these time frame issues that I mentioned. It's generally administered by the Bureau of Land Management. They're aware of our concerns to make that faster. Things that can encourage training of workforce and help us with the workforce shortages out here in the rural economies, especially.

**Assemblyman Marvel:**

Do you know what the average wage is for the miners?

**Russell Fields:**

I think gold mining is about \$67,000 a year. Mining in general, that includes all of the aggregate and everything else, is about \$63,000 a year.

**Assemblyman Marvel:**

So it's upgrading to the economy.

**Chairman Claborn:**

I can attest to you that every one of those miners up there earns it. They're the hardest-working people you'll ever meet in your life. They're loyal, too.

**Assemblyman Grady:**

Some of us did have a chance to tour some of the mines in Elko earlier this year. If there's any way another tour can be arranged, it definitely is worthwhile. It's very exciting to see what they're doing, not only in the pits, but underground.

**Assemblywoman Ohrenschall:**

I just want to echo all the nice things the Chairman has said about Russ Fields and Alexis. I've seen your hard work over time. You're capable; you're there; you respond immediately; you're really very good servants and advertisements for the industry. Thank you for helping us all.



**Chairman Claborn:**

Russ, we'll get together and work out something. It's really important that the new legislators see what's happening up there, because they really don't visualize what's taking place. As the old story goes, as long as the miners are working, they're spending money and the town is flourishing. I hope it continues that way, because it gives us a better quality of life.

Is there any old business to come before the Committee today? Is there any new business to come before the Committee? Hearing none, we are adjourned [at 3:01 p.m.].

RESPECTFULLY SUBMITTED:

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Mary Garcia  
Committee Attaché

APPROVED BY:

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Assemblyman Jerry D. Claborn, Chairman

DATE: \_\_\_\_\_

**EXHIBITS**

**Committee Name:** Natural Resources, Agriculture, and Mining

**Date:** February 16, 2005

**Time of Meeting:** 1:30 p.m.

<b>Bill #</b>	<b>Exhibit ID</b>	<b>Witness</b>	<b>Dept.</b>	<b>Description</b>
	A			Agenda
	B	Allen Biaggi	DCNR	PowerPoint presentation
	C	Allen Biaggi	DCNR	Booklet: Nevada Water Law
	D	Pete Anderson	NDF	PowerPoint presentation
	E	Pete Anderson	NDF	Spiral bound report
	F	Pete Anderson	NDF	Leaflet: Interagency Air Operation Center
	G	Alan Coyner	NDOM	PowerPoint presentation on CD
	H	Alan Coyner	NDOM	Abandoned Mines Report
	I	Alan Coyner	NDOM	Major Mines booklet
	J	Russell Fields	NvMA	Spiral bound report
	K	Russell Fields	NvMA	3-page typed presentation