

November 24, 2020

Mark Thompson  
Vice President of Environmental Affairs  
Montana Resources, LLP  
600 Shield Ave.  
Butte, MT 59701

Sent via email to: [mthompson@montanaresources.com](mailto:mthompson@montanaresources.com)

**RE: Montana Resources, LLP (Operating Permits No. 00030, 00030A, 00041, 00108) Proposed Five-Year Bond Determination**

Dear Mr. Thompson,

The Montana Department of Environmental Quality (DEQ) has completed the proposed five-year comprehensive bond determination for Montana Resources, LLP (Montana Resources) (Operating Permits No. 00030, 00030A, 00041, 00108). A copy of the proposed bond calculation has been included as an attachment to this correspondence.

On August 5, 2020, DEQ provided Montana Resources with a preliminary bond determination. The preliminary bond was \$125,753,605. Pursuant to the five-year bond review procedures set forth in Section 82-4-338(3), Montana Code Annotated (MCA), Montana Resources had 60 days to negotiate the preliminary bond determination with DEQ. On October 2, 2020, Montana Resources provided additional information in response to the preliminary bond determination. The response included a 2025 Site Plan Map, associated acreage table, and details about specific features that were requested by DEQ in the preliminary bond determination.

DEQ is now providing Montana Resources with a proposed bond determination. The proposed bond determination is \$116,477,500. The proposed bond amount has decreased from the preliminary bond determination. Changes that were made in the calculations for the proposed bond determination were based on the information provided by Montana Resources. A summary of the updates is attached.

Current Obligated Bond held by DEQ:	\$114,602,575
Current Unobligated Bond held by DEQ	\$0
Preliminary Five-year Bond Determination:	\$125,753,605
Proposed Five-year Bond Determination:	\$116,477,500

The proposed bond determination will be published within a public notice. Montana Resources and the public will have 30 days to comment on the proposed bond. DEQ will then issue a final bond determination.

Montana Resources is required to post the additional bond within 30 days after issuance of the final bond determination, if the bond is increased, unless a hearing is requested. DEQ is required to grant a 30-day extension of the deadline if the operator demonstrates that, through the exercise of due diligence, it will not be able to post the final bond within 30 days.

Finally, Section 82-4-338(3)(b), MCA, requires that any request for a hearing be filed within 30 days of the issuance of the final bond determination stating the reason for the request. The request for hearing must specify the amount of bond increase, if any, that a permittee considers appropriate and state the reasons why the permittee considers DEQ's final bond determination to be excessive. As a condition precedent to any right to request a hearing, Section 82-4-338(3)(b), MCA, requires the operator post bond with DEQ in the amount of the bond increase that it states is appropriate in the request for the hearing or the amount that is one-half of the increase contained in DEQ's final bond determination, whichever is greater. If the Board determines that additional bond is necessary, the operator would be required to post bond in the amount determined by the Board within 30 days of receipt of the Board's decision. DEQ may grant a reasonable extension of the deadline if the operator demonstrates that, through the exercise of reasonable diligence it would not be able to post the bond within 30 days. If the operator fails to post bond in accordance with these procedures, the operating permit would be suspended and the operator would be required to immediately cease mining until the bond is posted and approved by the agencies.

Please contact me if you have any questions.

Sincerely,



Garrett Smith  
Geochemist- Hard Rock Mining Bureau  
Montana Department of Environmental Quality  
(406) 444-1967 or gsmith5@mt.gov

Attachment 1: Summary of Changes in Proposed Bond Determination

Attachment 2: Operating Permits No. 00030, 00030A, 00041, 00108, Five-year Proposed Bond Determination Calculation (Excel file)

E-file: OP 00030.1

Electronic copy:

Jeremy Fleege (MR): [jfleege@montanaresources.com](mailto:jfleege@montanaresources.com)

Charles Freshman (DEQ): [chfreshman@mt.gov](mailto:chfreshman@mt.gov)

Herb Rolfes (DEQ): [hrolfes@mt.gov](mailto:hrolfes@mt.gov)

Dan Walsh (DEQ): [dwalsh@mt.gov](mailto:dwalsh@mt.gov)

## **Attachment 1- Summary of Changes in Proposed Bond Determination**

Montana Resources, LLP (MR) provided information on October 2, 2020 in response to the preliminary bond determination. The Montana Department of Environmental Quality (DEQ) updated the proposed bond determination spreadsheets to reflect the following:

- The Summary tab combines all items into primary columns, instead of separating the items related to the impoundment features from the Amendment 010 bond determination. The Amendment 010 calculations and acreage accounting are no longer separated, the proposed bond has been updated holistically to account for the potential reclamation requirements in the next five years (2020-2025).
- Based on anticipated production and construction, some features and conditions that were considered in the full extent of Amendment 010 (year 2030) would not yet exist in 2025. Some of the item numbering has changed in the spreadsheet, following the relocation of earthwork costs for Amendment 010. The general sequence is the same as the preliminary spreadsheet.
- The acreages reported with the 2025 Site Plan Map have been inserted into the Inputs tab. The updated figure modified the areas which are categorized as embankment slopes, rock dumps, leach pads, misc. areas, roads, and tailings beach/pond areas in 2025. The bond totals for some of these items increased or decreased due to this recategorization.
- The Primary Crusher has been determined to be a pre-1971 (exempt) processing facility, but the railroad leading to the Precipitation is not exempt. More details are provided in the Pre-Law Areas tab.
- Where applicable, abbreviated acreage tables are included at the top of each tab (from Inputs). These tables include only the features on that particular tab and each table accounts for the pre-1974 bond acres. This eliminates the need for a separate tab for cost-acreage adjustments and tabulation of pre-1974 areas.
- Many of the earthwork calculations have been reformatted. Rather than listing the reclamation components for different items in a vertical manner, the items have been arranged horizontally, grouped by reclamation component. This shortens the length of the tab, while retaining the previous formulas.
- Additional design details and cost estimates were provided by MR's consultant (Knight Piésold) regarding the impoundment closure spillway.
- Updated equipment rates (published for 2020) were applied for reclamation tasks.

In response to the questions MR provided to DEQ on October 2, 2020 about Closure and Post-Closure Management in the preliminary bond, DEQ made the following adjustments to the proposed bond determination:

- Administrative aide staffing has been reduced to half-time for the post-closure period (years 6 to 30). The need for staffing is decreased in this time period, compared to the interim or closure periods (years 0 to 5). The administrative aide position is now equivalent to the site manager and laborer.
- The line-item previously shown as "Electrical cost per Month (\$/Yr)" has been corrected to "Electrical cost per Year (\$/Yr)." The total of \$20,000 is an annual estimate for commercial customers at the rate of \$0.111 per kWh. The bond assumes that electrical costs would be minimal in comparison to current operations, but post-closure power usage would include work spaces (office, shops, sheds) and equipment, lighting/security around the facilities, and potentially any hard-wired monitoring systems.
- The line-items previously shown as "analytical costs per year" (\$500/year) were removed. Analytical costs are sufficiently covered for closure and post-closure timeframes by other tabs for monitoring and materials testing.