

# The Oregonian

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MONDAY, SEPTEMBER 25, 1989

## Monitor new gold rush

Oregon's environmental protection laws face a test from the prospect of the opening of one or more large gold mines near Owyhee Reservoir in Malheur County.

Oregon's Legislature has strengthened the state's controls over the environmental effects of mining in successive sessions beginning in 1981. The rules have not yet been applied to a major new development, but soon they may be.

At least eight companies are doing exploratory drilling in the rocky, sagebrush-covered country near the Oregon-Idaho border south of Vale. No mining has begun, but one prospecting company, Atlas Precious Metals Inc., has announced a discovery of sandstone ore holding more than 1 million ounces of gold on Grassy Mountain.

The public has a legitimate concern with the impacts a major mining operation can have on its surroundings. These inevitably include digging up the ground, and that raises concern about such things as air and water pollution and disturbance of wildlife. One widely used process, which might be applied in the Owyhee country, is heap leaching, in which ore is piled in a pit and sprinkled with a weak but potentially poisonous cyanide solution to extract the gold.

Oregon's laws do not require

restoring the land to its original state. They do require the miner to leave the land in a clean, safe and non-polluting condition, the Oregon state geologist, Donald A. Hull, told *The Oregonian*. A miner must post a bond to pay for the land reclamation if he fails to do it himself. If he uses the cyanide leaching process, he must provide a separate bond to assure its cleanup.

Oregon's laws require a mine to have a permit from the state Department of Geology and Mineral Industries before it starts operating, and a separate water-quality permit from the Department of Environmental Quality.

There are provisions for an inter-departmental team to study the area before mining begins and to set requirements for protecting it as conditions of the operating permit. The team may include representatives not only of state agencies, but also of county and federal governments. Most of the Owyhee claims are on federal land administered by the Bureau of Land Management.

That study is just getting under way in the case of the Owyhee prospects, Hull said.

On paper, Oregon appears to be on top of the need to supervise mining operations. A gold boom along the Owyhee would put its plans to a major test and would require close monitoring.



# Oregon

Theodore R. Kulongoski, Governor

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10 pages

Victor, here's some info on Newmont's attempt to  
permit Grassy Mtn. ...

NING continued

g has permitted the new gold and silver mine to... In early January, U.S. David Ezra had ordered a... projects in six national... On January 25th however, that operations like Grouse... may continue to operate on forest management

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abled Morrison Knudsen... the sale of its 46.6% Gold Co. has fallen apart... to raise financing.

sources became an oper-... January 1, following com-... ene Mines Corp. The new... ken over the companies'

properties in the Silver Belt of the Coeur d'Alene mining district in Shoshone County, including the Galena and Coeur mines. The parents own the company 50:50. Michael Lee is the general manager.

The company also announced a mid-January agreement with the United Steelworkers union. A skill-based pay scale will be established, but no details were disclosed. The contract reportedly gives the new company the flexibility needed to compete in reopening the mines. The dates of reopening depend on higher silver prices.—WAC

### Nevada

Arimetco International Inc. has begun operations at its MacArthur mine near Yerington. Production is at a 16K st/d oxide-copper-ore. Initial mining is focused on a 12M st 'starter-pit' that has an average grade of 0.33% copper oxide. The MacArthur ore-body contains 97.2M st copper-oxide ore grading 0.21% copper (cut-off grade of 0.10% copper). This production will supplement Yerington mine output which currently averages 40K lb/d copper.

Hycroft Resources & Development Corp. reported that production at the

Crofoot/Lewis mine rose 10% to 94,868 oz gold in 1994. Output in the second half was augmented by trial leaching of uncrushed ore which helped raise production during the second half to 53,602 oz from 41,265 oz in the first half. Run-of-mine leaching also helped reduce cash operating costs for July to December 1994 to \$277/oz from \$335/oz in the first half. The company said the run-of-mine trial results are encouraging and run-of-mine leaching is being combined with leaching of crushed ore in the 1995 production schedule.

Exploration and definition drilling during 1994 added significantly to proven and probable reserves. At January 1, 1995, proven and probable reserves were 66.5M st grading 0.019 oz/st compared with 56.7M st grading 0.018 oz/st a year earlier. Dow Jones.

### Oregon

A ballot initiative in November was aimed at increasing the stringency of state law on so-called chemical process mining. The effort was spearheaded by a group called Stop Toxic Open Pit Mining. The ballot initiative failed by a 58% to 42% margin. Newmont Mining Corp. was therefore a winner in the election. Newmont had

spent \$3.5M to contest such regulations. It has been doing exploration and development work near Vale.

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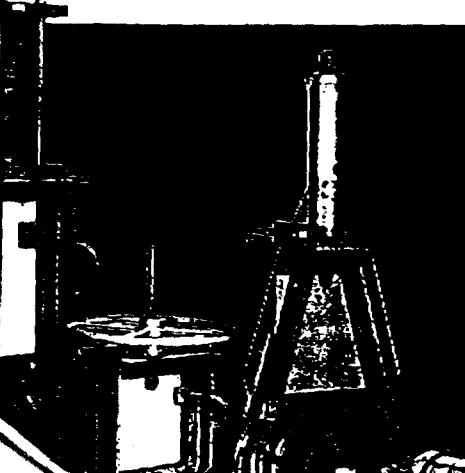
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*Baker City*



**News  
Release**

Contact: Doug Hock  
(800) 810-6463

**NEWMONT TO PROCEED WITH EXPLORATION DRILLING OF GRASSY MOUNTAIN**

DENVER, February 27, 1993 - Newmont Gold Company today announced it will resume exploration drilling on its Grassy Mountain property in eastern Oregon's Malheur County this spring.

Until the results of the exploration program are complete, the company said it has reclassified the 996,000-ounce deposit, which it previously reported as a reserve, as mineralized material not in reserves.

Drilling will be conducted on areas peripheral to the Grassy Mountain deposit that are believed to contain similar ore bodies. Once this has been ascertained, Newmont will construct an adit, a horizontal underground shaft, needed to determine the gold distribution within the main ore body.

The original geologic model used by Atlas Corporation, from whom Newmont purchased the mineral rights in 1992, was not confirmed by Newmont's core drilling. The Atlas model assumed the low and medium grade ore was evenly disseminated in the deposit. Further drilling in late 1993 and early 1994 showed the ore is contained in higher grade veins interspersed with low-grade material.

(more)

Newmont Gold Company  
1700 Lincoln Street  
Denver, Colorado 80203

# Bill could doom mining

## Grassy Mountain future depends on final outcome

MARY HURKLE  
Times Observer

ONTARIO — The U.S. Senate and House of Representatives have each passed versions of the Mining Reform Bill, charging a royalty on minerals taken from federal lands. Each bill, though, is drastically different and the final version of the bill could decide the future of the Newmont Grassy Mountain project in Malheur County.

According to Mary Beth Donnelly, vice president of government relations for Newmont Mining, the mining industry needs change is needed with the Mining

Law of 1872. However, Donnelly said the House easily passed a bill Nov. 18 that would make mining unprofitable and force many companies to close down operations.

Newmont currently has \$30 million invested in the Grassy Mountain site, but Michael Mastor, general manager of Newmont Grassy Mountain, said the company would consider walking away from the project if the House version of the bill is passed.

"It would make Grassy Mountain very difficult to develop from an economic standpoint," Mastor said. "Obviously (the Mining Reform Bill) is more of a national issue, but it would impact Grassy Mountain as it is all on BLM ground."

In a nutshell, HR 322, which passed 315-108, would charge an 8 percent royalty on the gross revenue from selling minerals extracted from federal land. The "net smelter return" would be minus smelting costs, but on the final product — or the actual gold bar.

"The gross has to go," Donnelly said. "That translates to about \$40 an ounce. We simply can't control the price of our product."

"The money isn't the only thing," Donnelly continued. "There's an awful lot more at stake here. What the House bill proposes to do is impose a vast and complicated set of regulations on hardrock mining that were designed for coal mining. They just simply won't work. I don't know of a hardrock mining company in this country that could comply with the provisions of the House bill as passed."

Rep. Bob Smith, R-Ore., was among the House members voting against the bill. Smith said Oregon's stringent requirements for mining, combined with the overall cost, make the bill ineffective.

"It would destroy mining," Smith said. "I spoke against it in committee and on the floor. It's the same group of people who just want to remove all commercial activity from public lands, be it grazing.

See MINING, Page 2A

# Council alters subdivision plans

WYATT McCLEARY  
Times Observer

FRUITLAND — A proposed subdivision that could add 87 homes to Fruitland will be a bit different than development originally planned after City Council approval of the proposal.

Council members saw the plans Tuesday, one night after the Fruitland Planning and Zoning Commission had input to the 26-acre project. Five businessmen, including David Wozniak, Bruce Kriefel, Mike

Wozniak, which is proposing the Applewood Estates project.

Council president and mayor-elect Tom Limbaugh ran the meeting after Mayor Wozniak left to avoid conflict of interest.

Sterling wants the city to annex the land, change the parcel's comprehensive land-use plan from agricultural preservation to allow for housing, change zone designations and allow lot-size variances so some lots may be smaller than 6,000 square feet.

The proposal would have had to be

empting onto U.S. Highway 95. However, council members agreed that 26th Street should go through the subdivision and connect to Whitebird Place, off Washoe Road.

"The entire area has to go out either 24th Street or Allen (North Allen Drive)," said council member Steve Goertz. "I think we need any access we can get. The way 24th is and the way Allen is, an access to the highway needs to be punched through."

Smith, speaking for Sterling, said



WHO WAS THAT MASKED MAN? — grade Art class recently finished a project tutelane of Mrs. Kinney, and the results

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## Newmont Gold says it's ready to mine gold in hostile Oregon

North America's largest gold-mining company will formally notify Oregon in February of its intent to mine on Grassy Mountain near Vale, the Associated Press reported.

At the same time, a coalition of environmental groups has planned to file an initiative petition designed to keep Newmont Gold Company and others from moving into Eastern Oregon.

Andy Kerr of the Oregon Natural Resources Council says the environmentalists want to send this message: "You may have a right to the gold, but you don't have a right to the land or the water."

Newmont believes it can win over environmentalists. In October, the company paid Atlas Corporation \$30 million to lease mining rights at Grassy Mountain for 35 years, with the option to renew the lease for another 30 years.

Newmont expects to develop Oregon's first openpit gold mine on the mountain, extracting 1.2 million ounces of gold in 8 years.

In the late 1980s, about 40,000 gold-mining claims were filed in Eastern Oregon. Although the great majority were abandoned, the state girded for an expected gold rush by writing new regulations to minimize the industry's impact on rivers, ground water, air quality and wildlife. Last year, the Environmental Quality Commission passed cyanide heap-leach mining rules widely regarded as the toughest in the nation.

The Grassy Mountain site is on public land administered by the BLM under the 1872 Mining Act. State and local governments cannot bar mining, but they can regulate the effects on the region's environment.

The initiative the ONRC and The Wilderness Society want to place before voters would impose reclamation requirements so exorbitant no mining company could afford to operate in Oregon.

The initiative would require companies to backfill the pits after mining, return the land to its original contours, seed it with native plants and restore surface waters and underground aquifers.

Companies would be required to exclude wildlife from contact with all chemical solutions and care for the site following the mine's closing.

Newmont already has built a gold-mining empire in northeastern Nevada to capitalize on the cyanide heap-leach technology it pioneered during the last quarter-century.

The technique uses a weak cyanide solution to extract submicroscopic gold particles from low-grade ore. The technology makes it profitable to mine ore once left in the ground, but only if it can be done on a

massive scale.

The lowest-grade ore is piled in heaps on pads and treated with a cyanide solution. Higher-grade ore goes into piles to be crushed and milled. Waste rock is dumped in mounds to be contoured, seeded and left on the landscape.

While cyanide heap-leach mining has left a trail of incidents of leakage, Newmont has experienced only one serious cyanide leak in recent years. A cyanide solution leaked from a tailings impoundment into ground water several years ago near its Gold Quarry mine in Nevada. Newmont is now pumping water out of the ground in a project that will continue until no cyanide can be detected.

And Newmont has taken the initiative in promoting Nevada's first mine reclamation law and rules requiring reporting of wildlife deaths.

The company's mine in Carlin, Nevada, stretches the length of 12 football fields. The terraced hole is just slightly smaller than the pit the company hopes to dig at

Grassy Mountain, but it is dwarfed by the Gold Quarry mine, 20 miles to the north and 10 times as large.

"I think you can make a case that an openpit mine, properly done, is a heroic structure," says Graham Clark, Newmont's vice president.

"Many people in our industry don't want to go to Oregon because it has such a daunting environmental reputation," he said. "We think the environmental regulations are tough and vigorous, but we can meet them."

Larry Turtle, Oregon director for The Wilderness Society, is concerned about the environmental impact of cyanide heap-leach mining.

"There's a continuing body of evidence that shows most of this mining simply cannot be done in an environmentally safe way," Turtle said.

"You're leaving a pile of highly toxic materials out there that's going to have to be monitored forever," Kerr adds. "In the year 2292, it will still be toxic, and it will still be there."

## PRB coal producers are hurting

From Casper Star-Tribune  
Casper — January 28th

There are several reasons why coal companies in the Powder River Basin of Montana and Wyoming are in financial trouble, according to industry officials.

They list overcapacity in Western coal fields, soft prices and the disappearance of lucrative long-term contracts.

"The contracts for \$12 to \$14 a ton are going to go away and you'll be left with a lot of contracts in the \$3.60 to \$3.80 range," said Sam Scott, government and environmental affairs director for Kiewit Mining Company, one of the partners in Decker Coal Company in extreme southern Montana.

"There are a lot of coal companies in the Powder River Basin for sale or that have been sold," said Scott. "Some are barely making money, or not making the return on their investment."

Marion Loomis, executive director of the Wyoming Mining Association, said 3 coal mines in Wyoming's Powder River Basin were sold last year and at least 1 more in the Gillette area is for sale.

"Wyoming's coal industry is under real pressure," Loomis said. "Two or 3 companies are doing real well, but the rest are marginal."

Scott said it's not uncommon for Western coal companies to win contracts with profit margins of 3 cents to 5 cents per ton, so industry officials are concerned anytime legislators consider raising severance taxes.

Last summer, the Montana Legislature

enacted a 7 percent surcharge on most state taxes, including the 15 percent coal severance tax.

"If we bid a contract today and the taxes go up, we assume those taxes, and it could be that the tax goes up beyond our profit margin," Scott said.

Jim Mockler, director of the Montana Coal Council, said state coal mines produced about 39 million tons last year, up from just over 38 million tons in 1991.

But Loomis said Wyoming coal production declined in 1992 by about 4 million tons, down from 193.9 million tons in 1991.

After the federal Clean Air Act was amended in 1990, some industry officials predicted a boom for producers of low-sulphur Western coal.

But both Mockler and Loomis agree that those predictions probably were overly optimistic.

## Of Mines And Men

### Amax Coal's western units become separate entity

Amax Coal Company's western operations became a separate entity January 1st.

Amax Coal West Inc. includes the Belle Ayr and Eagle Butte mines at Gillette, as well as the Wyoming Mining Operations office in that city and the Western Regional Office in Lakewood, Colorado.

The change gives Amax more legal flexibility and organizational benefits, particularly in marketing.

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Dan Norris prose-

## Salary

Council members also  
sought covenants requiring off-  
street parking and garages or  
carports. Limbaugh suggested  
the developers revive Drainage  
District 5, inactive since the  
1940s, to facilitate storm drain-  
age from the development.

Developers will work with city  
engineers on the suggested revi-  
sions, and will probably meet  
with the city council before the  
January meeting to work out  
details for a final plat.

Following up on a water-fee  
question from October, council  
members met with representa-  
tives of the Idaho Division of  
Environmental Quality for an  
explanation of a drinking water  
assessment fee the city has  
been refusing to pay the state.

The fee funds the DEQ's  
drinking water assistance pro-  
gram, which provides technical  
assistance to small cities like  
Fruitland in meeting federal  
Safe Drinking Water Act stan-  
dards. The state legislature  
tacked the fee on to city water  
bills to fill out DEQ's budget.

A representative from the  
Association of Idaho Cities  
addressed the council, saying  
the association opposes the fee  
because it lets legislators out of  
the responsibility of overseeing  
the DEQ program.

The cities are negotiating  
with the DEQ for a lighter fee -  
Fruitland pays \$4 a year per  
water hookup, or \$3,664 from  
the water operating budget. The  
association representative said  
he needed Fruitland to pay that  
assessment under protest, but  
to pay it so he has negotiating  
room. Statewide, as many as 60  
cities had refused to pay the fee.

The DEQ gives cities a buffer  
from federal regulators and is a  
more flexible agency to work  
with, the representative said.

Council members grudgingly  
agreed to pay the fee, saying  
they support the AIC's efforts.  
The city is two months behind in  
payments.

so she could support her child  
and herself.

Currently, she is stranded  
and needs help getting back to  
her family. She needs gas, food  
and enough money to get her  
back to Ohio. She is pulling a  
small camp trailer behind her  
car to live in as they travel.

With money donations to the  
Help Them to Hope program,  
this woman and others like her  
will receive the help they need.

## Mining

From Page 1A

timber or mining.

"This would mean the Grassy  
Butte gold mine would be shut  
down. That's 250 high-paying  
jobs and for no particular  
reason."

Smith said he was not willing  
to discuss negotiations which  
would mean amending the bill,  
but he did say Oregon's strict  
laws should play a part.

"We have zero tolerance (in  
Oregon)," he said. "We're not  
destroying the land at all. The

## OWRC

From Page 1A

though sometimes we can't stop  
them, we can help mitigate their  
impact by eliminating some of  
the bad parts," he said.

Membership in the OWRC is  
split into nine regions, with  
directors elected from each re-  
gion. Malheur County is rep-  
resented by two directors, John  
Ross of the Owyhee Irrigation  
District and Ron Jacobs of the  
Vale Oregon Irrigation District.

"I'd encourage anybody with  
an issue for the (OWRC) to talk  
to any of the three of us, or  
attend a meeting," Castleberry  
said. "One of my goals for the job  
is to hold meetings in more loca-  
tions throughout the state, so  
that they're more accessible."

community who are able to  
donate to this philanthropic  
effort that helps so many needy  
in the area each year.

Money donations may be  
taken to the Ontario First Inter-  
state Bank and the Argus  
Observer. Donations of toys,  
food and clothing may be left at  
the Argus Observer, Ontario  
and Nyssa First Interstate  
Bank, Payette's Independent  
Enterprise, KSRV Radio, Pooles

Payette, WICAP in Weiser, Mal-  
heur Enterprise, Weiser Pion-  
eer Elementary School, Weiser  
IGA Super Center, Payette  
County Recreation, New Hori-  
zans Realty in New Plymouth,  
Fruitland's Front Porch and  
Wal-mart.

Also, drivers are needed to  
help deliver the donations Dec.  
21. To register, contact Gene at  
899-5387.

land has to be restored. There  
can be no scars and there are  
very stringent standards to  
work with. If a jack rabbit gets a  
black eye, you shut the mine  
down."

Rep. Larry LaRocco, D-  
Idaho, played an instrumental  
part in passing the House ver-  
sion of the bill. LaRocco could  
not be reached for comment.

In a Senate version of the bill,  
S 775, which passed in the  
spring, mining companies  
would have to pay a 2 percent  
royalty on the net return.  
According to Donnelly, that  
means the money would be  
based on the actual value of the  
minerals in the ground as they  
are extracted, not the finished  
gold bar, or a "mine-mouth  
royalty."

Sen. Larry Craig, R-Idaho,  
was a sponsor of the bill, which  
also has the support of the min-  
ing industry.

With the two bills being so  
different, members of Congress  
will go into a joint committee to  
amend the bills into one when  
the Legislature reconvenes in  
late January.

"Anybody who makes a dollar  
in America pays taxes on it,"  
Smith said. "It would seem to  
me to encourage people to make  
investments so they could pay  
money to the federal govern-  
ment so we could make more  
jobs. It seems to me we're doing  
the reverse (with the House bill).

"I heard the Clinton Admi-  
nistration say 'People first,'" he  
said. "Now it seems he's putting  
the people last."

### Two young children die in blaze

PRAIRIE CITY, Ore. (AP) — Two young children have died in a fire at their mobile home in this small Eastern Oregon town.

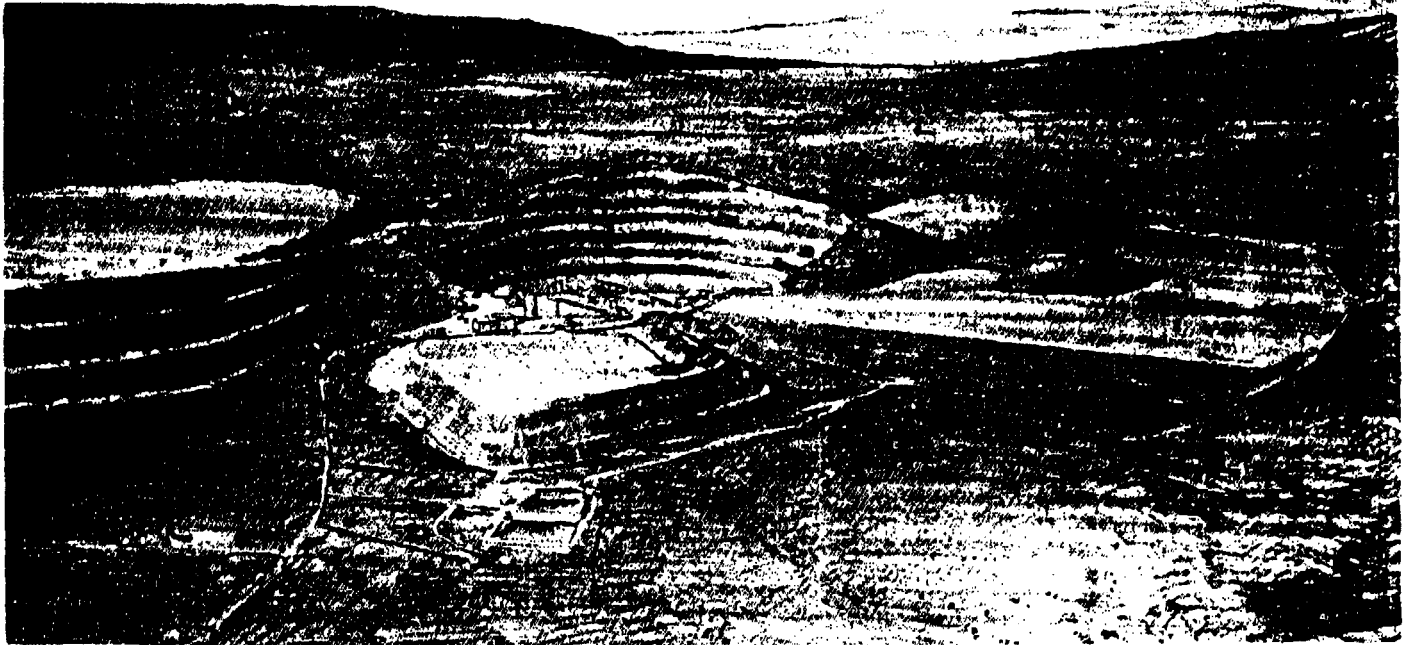
The victims of the Monday night blaze were identified as Anthony Timmons, 4, and Rebecca Timmons, 18 months.

Their parents, Melvin Dean Timmons and Misty Timmons, had left the children in the care of a babysitter, Laura Clark, according to Grant County District Attorney Ed Holpuch.

Clark escaped the flames and sought help from neighbors, who were unable to get inside the home to rescue the children.

The cause of the fire remained under investigation.

Give that special



Atlas Corporation's Grassy Mountain mine in Malheur County, Oregon is the first of about half a dozen prospects in that state that are about ready to be turned into mines. Because of this timetable, Atlas is leading the struggle of the state's new mining industry to create reasonable regulations for the industry. Early proposals have put forth rules that would make mining almost impossible in the state.

## Oregon DEQ delays rules setting, okays objective study

By Gary Dillard  
Staff Reporter

To the relief of the state's mining industry, the Oregon Environmental Quality Commission agreed December 13th not to enact rules so stringent that they would effectively ban mining from the state before having an independent expert look them over.

The industry had been concerned that the EQC, which sets policy for the state Department of Environmental Quality, was going to approve its draft policies, which were far more stringent than anything else in the nation.

Those policies were so strict and intractable that mining companies have been telling Oregon elected officials and bureaucrats that they would eliminate the potential for hundreds of millions of dollars of investment in the state, particularly in the depressed east.

At the same time, the industry has said, the policies wouldn't go further to protect the environment than more reasonable rules in force in other states.

At the Friday the 13th hearing, each "side" got about 15 minutes for a presentation on the policies. Speaking for the environmentalists was Larry Tuttle of the Wilderness Society.

Ivan Urnovitz, manager of governmental relations for the Northwest Mining Association, led the presentation for the industry, with Mike Filion of Teck Corporation and John Parks of Atlas Corporation filling in technical and financial details.

The industry made the stronger presentation, Urnovitz said, emphasizing the

technical issues. The EQC had to back off from immediately adopting the policies, he added, because "enough questions and valid concerns had been made."

The matter now will go to a disinterested third party, but the Commission has not determined who that will be. It will have to be someone outside the mining industry without ties to the environmental movement, perhaps someone in academia.

While no one left the hearing knowing who would be reviewing the proposals, "We did get some feel for the kind of questions that will be asked," Urnovitz said.

Among the items to be reviewed are closure standards, methods and measures, including waste classification testing, and the question of whether all of the required liners and caps on waste are necessary.

The industry questioned whether the program, which required triple-liners, detoxification of heaps and capping, was "overly redundant," Urnovitz said.

While there was no specific timetable for completing the review, the EQC indicated it should be done as soon as possible. It may be possible to select a contractor, decide on the scope of work and get the report back by March 1st.

This delay doesn't benefit the mining industry, since there are no old regulations to fall back on. What it means is that companies like Atlas, which are ready to move ahead with permitting, will have to wait a little while longer.

"Even though there's going to be a postponement of final approval," Urnovitz

said, "it doesn't benefit the industry because any applications can't be processed until it's final."

Filion, who represented Teck at the hearing, got one other point across to the commissioners as well. He said that Teck had been ready to pump \$80 million into a project in Oregon, but decided that under the proposed mining rules, it would be a poor investment.

"It feels like a stay of execution," Urnovitz said, "but at least they will be taking a long, hard look at it from a party that has no vested interest. We're confident that our argument is strong enough that it will be supported by the third-party reviewer."

Mining obviously isn't going to get a total reprieve. Even if the policies are modified considerably, Oregon still is likely to have "the most stringent requirements in the country," he said.

The EQC made it clear it expects the rules to provide for zero-percent release of fluids, both during mining and after. "They expect full containment," Urnovitz said.

But rules that were going to be impossible to live with should end up being more flexible while doing the job. "Hopefully we'll end up getting the kind of relief we need," he said.

### Draft policies a surprise

The final draft policies adopted November 7th by the state's EQC had surprised and shocked the mining industry, which had been expecting strong regulations, but none such as those, which effectively would mean the elimination of the nascent mining industry from the state.



## DEQ delays . . .

The severity of the proposed policies prompted the NWMA to issue a press release stating: "Oregon policies to halt gold mining."

The company at the vanguard of the scramble to modify the Oregon rules has been Atlas Corporation, which wants to bring on line its Grassy Mountain mine in east-central Oregon, an \$80 million project that would produce about 100,000 ounces of gold and an equal amount of silver each year.

Since it is the first of almost half of dozen companies with gold projects in Oregon to be ready for permitting, it has been leading the fight. Parks, Atlas' senior environmental coordinator at Grassy Mountain, also chairs the Oregon Mining Council.

Atlas, the Mining Council and its parent, the Northwest Mining Association, were in continual communication with Oregon regulatory agencies, the governor's office and legislators prior to the December 13th hearing in an effort "to make them understand what's going on there," Urnovitz said.

The mining industry had suggested that the EQC not adopt full rules governing mining, but just start with rules for application and permitting, to meet their deadline for setting down rules by the first of the year and to allow mining companies to start their work, Urnovitz said. The Commission chose to delay all of its rule-setting.

Then, the industry suggested, the EQC should create an impartial council to review data from various sources and report back within 60 days on what the state should do, he added.

The data supplied to the EQC — especially those from the mining industry — need to be studied, Urnovitz said, because the Commission "has not seriously considered all our input."

The stringent policies adopted by the EQC took the industry somewhat by surprise. The

first draft of the policies, put forth about a year ago, was like the one adopted, said Robin Lee, investor relations representative for Atlas in Denver.

The company and the Oregon Mining Council went to considerable expense to provide technical advisers to talk with commissioners one on one and that produced a second set of policies which was "more reasonable and more livable," she said.

But when the Commission adopted the third and final set in early November, it went back to the "extreme side" as originally presented.

What the EQC considered December 13th, Urnovitz said, was "a very unworkable set of regulations."

The mining industry had hoped the EQC would appoint a panel of knowledgeable people to hammer out rules that are workable — yet will still protect the environment.

Urnovitz suggested that panel might consist of people in regulatory agencies who have dealt with mining and other persons with geotechnical experience to "help round out the picture."

In the week before the DEQ meeting, Parks and other industry representatives were preparing a "white paper" for the agency. "We want to make sure we give the state people good, solid information to make their

decisions on," Urnovitz said.

Since there has not been much mining in the state, the agency doesn't have much background information, he added.

The general political mood in Oregon seems to favor sensible rules for the mining industry. In the NWMA release, Parks said, "I am very disappointed that the EQC has seemingly ignored all our concerns, especially since both Governor (Barbara) Roberts and the Legislature are on record as not wanting regulations so burdensome that the mining industry would be driven out of the state."

By issuing policies far more strict than federal rules, Urnovitz said, the EQC "caved in to demands of environmental extremists that have been calling for a ban on gold mining in Oregon."

### Get out or litigate

Dave Barrows, legislative counsel for the Oregon Mining Council, said the policies ignore both the letter and the intent of HB 2244, which was passed by the Oregon Legislature in the last session.

"I can't see that they are leaving mining companies, who have been dealing in good faith throughout this entire process, much choice but to either get out of the state or litigate," he said.

Urnovitz told PAY DIRT that the proposed

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## DEQ delays . . .

Oregon policies consist of a number of rules, each of which may be in effect at a particular site, but when taken together make mining almost impossible.

The policies, for example, place a total ban on mining-related construction in a "jurisdictional wetlands" area, within a 100-year floodplain or within 200 feet of live water.

Even in the eastern part of the state such rules would be challenging, Urnovitz said, but in the western part of the state, with its heavy rainfall, it would be hard to find a site where construction is possible.

"Literally taken," he said, "you might not be able to build a road across a stream."

### Making tough rules onerous

Making the difficult rules even more onerous, he added, is that there is no provision for waivers based on site-specific conditions.

The policies also require "triple liners on everything," Urnovitz said. Such liners would be required on heap-leach pads, ponds and emergency overflow facilities, he said, adding that tailings ponds would have to be netted.

The bottom liner would have to be 36 inches of clay, which is a standard requirement for toxic waste, not mine tailings.

Under the policies, when a mine was closed, tailings would have to be handled as hazardous waste. A composite liner would need to be placed on top of the tailings and the entire area capped.

But there are other, more practical ways of isolating these deposits after mining is completed which will do an equally good job of preventing discharge.

What's suggested in the Oregon policies disregards numerous studies, Urnovitz said, including one by the U.S. Environmental Protection Agency that say mine waste should not be treated as hazardous waste. What is being suggested by the Oregon EQC "are just the wrong methods," he said.

The state should be using the EPA test devised specifically for mine waste, he added.

The policies also specify one way of detoxifying the cyanide dumps, which calls for recycling or reuse. This method, however, limits options for reclamation and does not allow a company to use the technology best suited for the particular site.

In other states, such as Nevada, regulations are designed for a bottom line — protecting the groundwater — but allow the company flexibility in designing protection and reclamation methods that take into account the type of waste, site-specific considerations and operating characteristics.

The onus is on the company to devise a method acceptable to the state regulators. The Oregon method, which one environmen-

tal expert called the "Betty Crocker cookbook approach," doesn't require regulatory officials, because everything is in black and white, a situation that doesn't exist in the real world.

### Very difficult to impossible

Taken together, these policy suggestions and others make mining far less likely to become an Oregon industry. "You start placing item after item after item on the industry," Urnovitz said, and it makes mining "somewhere between extremely difficult and impossible."

Several companies have given state regulators examples of how much more it would cost to operate under the proposed policies than under rules in effect in other states, such as Nevada.

Lee at Atlas said her company believes the rules could bring about an increase in cost of up to 30 percent.

Another industry expert estimated the policies would increase capital cost by 20 percent (over the cost of meeting rules in neighboring Nevada) and would increase operating costs by 10 percent. "It is an economic burden on the company with no benefit to the environment," he said.

Developing a large-scale gold mine — like Atlas' Grassy Mountain would be — already is an expensive proposition, costing as much as \$100 million before any metal is taken out of the ground.

Adding 20 percent or 30 percent to the capital cost is likely to make some mines uneconomic or unfinanciable. Even for those that may choose to develop a mine under those conditions, Urnovitz said, "it will be a tough nut to crack."

The addition of 10 percent to operating costs, in today's gold market, would narrow the margins at most existing mines in the country to the point of making them money losers.

Many gold companies already have reported losses for the third quarter, and even for the first nine months. While larger companies are still reporting profits, though considerably smaller than those a year ago, many of them are worried about what will happen early next year when they no longer have forward sales contracts that keep their sales price far above the spot market.

### Be a boon for eastern Oregon

A viable mining industry could be very good for Oregon, especially the eastern part of the state where most of the activity is taking place.

Some geologists apparently believe that eastern Oregon is an excellent area for exploration and may have a number of large deposits, making it another — though likely smaller — version of Nevada.

Each gold-mining project would have a substantial effect on Oregon's economy. For Atlas' Grassy Mountain, for example, the

company will spend about \$80 million for capital costs initially and about \$126 million over the life of the project, Lee said.

Of the initial \$80 million, about \$50 million to \$60 million would be spent locally for construction and purchases.

The mine would employ 230 workers at peak and 150 workers on average. The average payroll would be \$6 million a year.

Grassy Mountain would pay \$6 million to \$8 million in state income taxes over the life of the operation and another \$8 million to \$12 million for property taxes.

For its various needs, the mine would make \$25 million to \$30 million in local purchases during its life.

Because the eastern Oregon economy is depressed, these figures would mean quite a bit to the local population. "We have strong, strong local support," Lee said.

The average agricultural wage in the area is now less than \$15,000 a year, while the average salary at the mine would be about \$27,000 a year.

The mine would be located in Malheur County, but the benefits would be spread to other counties as well. Lee said the project has received support from three counties and from local officials. "Most of the resistance is coming from the West Coast."

Other money also is being spent by mining companies who are doing exploration work in Oregon. The Oregon Mining Council has about 96 members and more than 30 are operating companies. Most of those are at the point of exploration.

"There's a lot of money being put in the ground there," Urnovitz said.

But a number of companies have been writing letters, to the governor and to legislators, talking economics. "People are becoming extremely concerned, to say the least," Urnovitz said.

Exploration in Oregon may account for millions of dollars of income for the state each year, and that flow may be drying up.

Reasoned one company official, if the state's policies make it untenable to mine in the future, "Why should we be there exploring in the first place?"

Several companies have expressed this feeling, Urnovitz said. While precious metals companies collectively put tens — perhaps hundreds — of millions of dollars a year into exploration, there's never enough to look everywhere, and it's likely that many will stop exploration efforts in Oregon.

"If these things go down," said one, "we're probably not even going to bother with Oregon."

### Atlas is breaking the path

Atlas Corporation will be the industry's bellwether in Oregon. The company is hoping state policies won't preclude the development at Grassy Mountain or delay the project unduly.

(Continued on Page 13A)

### DEQ delays . . .

(Continued from Page 12A)

The company hopes to have all its permits by early 1993, Lee said. Production should be started in 1994.

At present, all the company's gold production, which totalled about 81,000 ounces in its fiscal 1991 (which ended June 30th) came from the Gold Bar mine near Eureka, Nevada. Reserves there will be exhausted after the middle of the decade.

Grassy Mountain production, planned for 100,000 ounces of gold and an equal amount of silver each year, will take the place of the Gold Bar mine and is thus critical to the company.

Lee describes the site location as perfect for a mining operation. It's in eastern Oregon's arid, high desert, which offers a limited number of recreational opportunities.

"It's low visibility, low traffic, low visitation," she said.

When the mine's million ounces of gold reserves and 2.5 million ounces of silver are exhausted, reclamation will leave the area in better shape than it's in now. "When we're done and the area's reseeded," she said, "the area will have more vegetation, and more productive vegetation."

#### Will facts beat emotionalism?

In Oregon, as in the rest of the country, the struggle will continue between the need to create wealth and a strong lobby that is not interested in economics.

The environmentalists who are trying to prevent mining from entering Oregon are "very well entrenched, very well funded."

Urnovitz said. The Oregon Mining Council, on the other hand, is a relatively new organization, which is still under the umbrella of the Northwest Mining Association. The Council held its first meeting in April 1990.

Nevertheless, Urnovitz believes the industry will be able to win this particular struggle, by fighting emotionalism with facts.

"We think we can come up with regulations that mining can live with," he said, "and still meet Oregon's stringent requirements."

But this battle — and others that are developing on every front — won't be easily won. And the work can't be done by the associations alone, Urnovitz said. "We have to get our members involved and get them out front on some of these issues."

### Of Mines And Men

#### State senator says Nevada can't stop waste storage

Going against the political grain in Nevada, State Senator Bill O'Donnell says the state does not have the political clout to block the Yucca Mountain project in Congress and that 70 percent of Nevadans know that.

In a Las Vegas speech to the Associated General Contractors, the Las Vegas Republican said he hopes what he called the "emotional demagoguery" can stop. O'Donnell said Nevada stands to lose needed jobs, including potential future projects at the Nevada Test Site, by continuing to fight the dump.



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