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"A Citizen-voiced plan to provide for a secure, stable and sustainable Josephine County"

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July 21, 2014

Josephine County Board of County Commissioners

Re: Economic Development Efforts and the County's Natural Resources - Hard Rock Mining

Dear Commissioners,

This letter is a follow-up to our January 23, 2014 meeting between you and representatives of the SOS Hard Rock Mining Committee and our February 3, 2014 letter, both of which discussed how Josephine County can benefit from our research into mining methods that can generate a huge economic benefit while not impacting the natural environment. We have understood since coming together and forming SOS in the summer of 2012 that it would take a series of solutions to restore the County's criminal justice programs and improve the overall economic health of the County. This SOS Committee's conversations with you continue to focus on efforts within your control that can make a long-term positive impact on the County and target one of our greatest assets, our natural resources.

The SOS Hard Rock Mining Committee desires to positively impact the County and public safety through economic development efforts in hard rock mining. The County's vast natural resources extend well beyond the most frequent discussion of its timber resources. In fact, it is quite possible that the County's mineral wealth far exceeds that of its timber wealth. Our mineral development proposal, small scale (5,000 tons/year), hard rock mining, would have a tiny environmental impact when done correctly. Both the local economy and County can directly receive a financial benefit. The County either directly owns or has a stake in a vast amount of timberland, much of which should also be classified as mineral lands and studied/developed as such for the direct benefit of the County. In certain situations, it may be possible to manage both the surface resources for timber while also extracting mineral wealth from below ground.

The main focus of our meeting on January 23rd was the following recommendation:

"Given the County's vast mineral wealth (again much of the County's timber land should also be considered mineral land), the County should immediately seek to launch some pilot projects on County owned land to generate income and/or to document the mineral potential on some key properties for the eventual generation of income to the County."

We recommended two high-priority County-owned properties that have historic mines on them that would be great candidates for these initial pilot projects. We believe that, over time, if County properties are properly developed, hard rock mining could contribute even more to the County's "bottom line" than does the forestry department. Just a few County properties in the

mineral development/production stage could produce \$200,000 to \$500,000 per year in lease and royalty payments. We would recommend that these mineral revenues be dedicated to public safety and criminal justice programs to help overcome lower federal timber revenues.

It's important to understand that the mineral development we're recommending is Hard Rock Mining. This differs greatly from other types of mining such as strip mining, placer mining, or dredge mining. Hard Rock mining is most appropriate for our area given the unique geology and environmental considerations. Hard Rock mining focuses on extracting a small portion of the rock in place and targets rich zones of near surface and underground mineralization. It does not operate in or immediately next to waterways as is common for some other types of mining. And Hard Rock mining leaves a very tiny footprint on our natural surroundings and won't be noticed like harvesting timber and some other types of mining. And a typical Hard Rock Mining project that we're looking at would be targeting rich veins of mineralization and would probably only involve about 2-4 trucks per day of hauling rock (at the most). Not only will the impact on the environment be minimal due to the small acreage typically disturbed in this type of project, but even the traffic considerations will be hardly noticeable.

Although we have not formally heard back from the BCC on these previous SOS Committee recommendations, we informally heard that you desire additional details on the process of developing a hard rock mineral property on County land. First of all, the County should partner with private companies to develop the properties since the County does not have the internal expertise to develop mineral properties. We offer the following as recommended steps towards making better use of County-owned mineral properties:

Collect the following information in an open public application process for a lease on County mineral properties to help ensure the County can receive the "best overall value" from mineral properties/leases over time:

- Basic business information on the private entity offering to lease the property including:
 - Experience in developing similar properties
 - Experience in working on properties in Josephine County and Southwest Oregon
 - Mining experience of key personnel that will be assigned to this property's mineral development
 - Consultants likely to assist with the geology modeling or other parts of the mineral resource development
 - Financial capacity to properly develop the property
 - Financial capacity to extract/process valuable minerals from the rock
- Basic property development and reclamation plan
- Mineral processing plan
- Lease, royalty, and bonding structure offered
- Estimate of the number of local jobs to be created (and their direct economic impact) from the property's development

The following requirements should be built into County mineral property leases:

- The Company shall identify the key minerals present on the property, including Gold and Tellurium (at a minimum). Assay lab tests (mineral tests) should be made available to the County upon submitting annual reports.

- Restrict the Company's ability to sell the lease or sublease the property to another party without prior County approval (e.g. you don't want foreign or out-of-area companies coming in who are just trying to "flip" the property with no intention to develop the property)
- The company shall obtain the appropriate mining or mineral development approval from DOGAMI (Department of Geology and Mineral Industries) and submit the required insurance and reclamation plans per DOGAMI requirements. (Note: The County need not recreate the wheel on mineral property development requirements since there is a State process already in place.)
- The lease should be a minimum 5-year lease to ensure the Company has the time to properly develop the hard rock mining plan and move into some level of production.
- The Company should be required to submit quarterly royalties (if applicable) and annual reports of progress on developing the property.
- The Company should provide an annual report demonstrating that it is appropriately developing the property for mineral production (as evidenced by drilling results, test production, or production records), or the lease can be terminated early by the County.
- The County shall have the right to review the Company's financial or other records as it pertains to the specific leased property as needed to verify the accounting of royalties paid.
- Provide the Company the option for an extension of the lease after the initial 5-year term if the Company successfully completes the first 5-year term. If the Company has met the annual development and financial requirements on the property, they should be assured of their ability to obtain an additional 3-year extension because the time needed to develop and produce wealth from a mineral property is a long and somewhat uncertain process. Before the Company spends a significant amount of money developing a property, they need to have some certainty that they will be able to continue developing the property- long term. A successful tenant should be rewarded with a lease extension at the end of the initial lease term (or existing 3-year extension) for future benefit of both the developer and the County.

Now is also a good time to do some mineral field investigations particularly on those County-owned properties that were burned in last year's wildfires. We know of at least one County property affected by last year's fires that has a historic mine on the property. After a fire affects a property, not only is it a prime time to harvest/salvage timber but it is also a good time to investigate the property's mineral resources because of the reduction in vegetative cover.

We would also like to reiterate the economic development recommendation that we made to you last summer as you plan for how to use the \$300,000 per year in restricted economic development revenues. We recommended that at least 50% of the County's available restricted economic development (e.g. lottery allocation) funds be earmarked for the development of natural resource related businesses in Josephine County. This is where our true wealth lies and the distribution of the County's limited economic development dollars should reflect the desire to responsibly harvest this natural endowment. The best use of a public agency's limited economic development funds is always to bolster the strengths/businesses that are already in its jurisdiction...or in other words local retention and expansion.

Not only does the County have the ability to generate additional revenue from its mineral lands, but the mining industry can still be a key factor in the economic health of our community. States and communities with abundant natural resources tend to have extremely low unemployment rates when they properly and responsibly pursue economic development in these areas. For

example, according to the Bureau of Labor Statistics as of June 2014, North Dakota has the lowest unemployment rate (2.7%) in the nation due in large part to the energy production boom. Natural resources in the form of farming contribute significantly to the low unemployment rates in other states. In addition, again according to the BLS, the Natural Resources and Mining super-sector recently reported an average hourly earnings rate of \$30 to \$31 per hour for all the employees in this sector and hourly rates of \$26 to \$27 per hour for non-supervisory employees in this sector. Clearly this industry can help provide family wage jobs in Josephine County.

At your convenience, members of the SOS Hard Rock Mining Committee can be available to answer questions and we look forward to your response to these important recommendations.

Sincerely,



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President and Board Chair
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