



COUNTY OF NEVADA COMMUNITY DEVELOPMENT AGENCY

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June 5, 2009

Mr. Charles Watson
Advanced Geologic Exploration
P.O. Box 1956
Chester, CA 96020

Re: LEAD AGENCY STATUS and DEFINITION OF THE PROJECT
Blue Lead Mine (formerly known as "Golden Girl Mine")
18272 and 18376 Red Dog Road, Nevada City, CA
Assessor's Parcel Numbers 38-390-02, 12, 20, 21
County File Numbers U08-021, Z08-006, RP08-001, EIS08-027

Dear Mr. Watson:

Nevada County is in receipt of an Exploration Permit application dated May 15, 2009, that you recently submitted to the Bureau of Land Management (BLM). This application is for a BLM-owned parcel identified as Assessor's Parcel Number 38-390-02, located immediately adjacent to a larger project site for which you have submitted incomplete Use Permit and Reclamation Plan applications for placer surface mining (County file numbers U08-021 and RP08-001). The Exploration Permit application seeks to process 1,000 cubic yards of surface material to determine the placer content of the site for future mining operations. You have indicated to the County that your goal is to discover precious metal content for the BLM-owned parcel, although BLM has indicated that the verbally stated goal was to assure investors of economic concentrations on the adjacent, privately owned parcel.

This letter serves to notify you that Nevada County is the lead agency under the Surface Mining Reclamation Act (SMARA) and the California Environmental Quality Act (CEQA) for your proposed mining operations on APNs 38-390-12, 20, and 21, as well as any proposed mineral exploration or mining that is proposed on other public or private lands in the unincorporated area of Nevada County, including but not limited to the BLM-owned parcel. With the potential exception of projects that have sites with multiple local lead agencies, Nevada County is the lead agency for mining operations on all unincorporated land in Nevada County, pursuant to Section L-II 3.22 D.1 of the Nevada County Land Use and Development Code and Section 2728 of the Surface Mining and Reclamation Act. The Office of Mine Reclamation concurs with the County's lead agency status.

County staff considers the proposed exploration activity on APN 38-390-02 as part of the proposed mining project currently under application on the adjacent private parcels. The proposed mineral exploration would be considered as part of the "whole of the project" under CEQA (Section 15378) due to the following cumulative factors: Section 2735 of SMARA includes both exploration activity and mining activity as under SMARA's purview; the subject parcels are all located within the same local historic hydraulic diggings; the subject parcels have contiguous boundaries; the proposed activities on the

subject parcels have similar goals and objectives (to explore and recover placer); the proposed activities would have the same operator; the lead agency would be the same for the proposed mining activities on all subject parcels; and the same regulatory requirements and permit types and procedures would apply for all proposed activities. It should particularly be noted that your client owns the southern area and a portion of the northernmost area of a localized diggings, entitled simply "Placer Diggings" on the USGS map within the northwest corner of Section 30, and that the Exploration Permit application proposes activities in the central-eastern area of this diggings on a parcel owned by BLM. All proposed mining activities are clearly part of the same diggings and are on immediately adjoining parcels.

Although you have argued that the parcel boundaries should serve to demarcate activities that occur on those parcels, effectively resulting in a new threshold of disturbance on each parcel, the same argument does not apply in the case of the three adjacent, separate parcels for which you have submitted the combined Use Permit and Reclamation Plan application. As is the case with the adjoining BLM-owned parcel, this is due to the fact that these parcels have immediate adjacency and are part of the same localized diggings, and that the proposed activities on these lands would have the same operator. You have also asserted that the publicly owned status of the BLM parcel should serve to segregate that parcel from the adjacent private parcel. However, as noted above, Section L-II 3.22 D.1 of the Nevada County Land Use and Development Code and Section 2728 of SMARA authorize the County to act as lead agency for all applicable mining activities on publicly and privately held land, and no distinction is made between permitting requirements of the lead agency on private versus public lands. Furthermore, the Office of Mine Reclamation, which is the State administering agency for SMARA, concurs with the County's interpretation of the proposed exploration as being part of the whole project. As such, and given existing violations and lack of financial sureties for those existing violations, any proposed mining activity on the BLM-owned parcel must be included within the Use Permit and Reclamation Plan permit applications to the County that you have indicated are forthcoming by July 1, 2009.

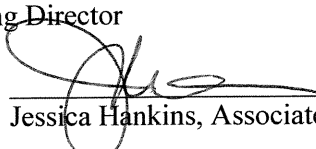
Finally, note that exploration permits, regardless of size, are still subject to County permits (e.g., grading permits) and CEQA. The cost of a separate application would not necessarily be beneficial to your client.

If you have any questions, please contact Jessica Hankins at (530) 265-1345 or by email at Jessica.Hankins@co.nevada.ca.us.

Sincerely,

JORY STEWART, AICP
Planning Director

By:



Jessica Hankins, Associate Planner

cc: Tucker White (applicant)
Sandy Jensen, Red Dog/Yuba Bet Road Association
Randy Fuller (neighboring property owner)
Barbara Rivenes, Sierra Nevada Group
Tim Carroll, Geologist, Bureau of Land Management
Michael Luksic, Compliance Section, Office of Mine Reclamation