



## BRIEFING STATEMENT

# BLM-MONTANA/DAKOTAS

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### SUBJECT: ZORTMAN AND LANDUSKY MINE RECLAMATION AND WATER MANAGEMENT

#### I. SUMMARY:

The bonds posted for reclamation and water treatment at these bankrupt Montana gold mines have not been adequate. The mines cover about 1,200 acres of intermingled private and public lands in the Little Rocky Mountains of Phillips County near the Fort Belknap Indian Reservation. The reclamation plans for these mines were estimated to cost more than the funding available from the reclamation bonds. With supplemental funding from BLM and the state of Montana, the reclamation earthwork was completed in May 2005. However, there is still a funding shortage to maintain water treatment.

#### II. BACKGROUND:

The mine owner/operator, Pegasus Gold Corporation, declared bankruptcy in 1998, and the bonds collected by the Montana Department of Environmental Quality (DEQ) were used to pay for most of the reclamation (\$29.6 million for earthwork and a \$13.8 million water treatment trust fund). The selected reclamation plans from the final SEIS were estimated to cost \$76.9 million for earthwork and water treatment, or approximately \$33.5 million more than was available from the reclamation and water treatment bonds. To date, the BLM has provided more than \$9 million and the DEQ has provided over \$1 million to assist with reclamation and excess water treatment costs. In 2004, the BLM invoked its Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) authority in order to continue site management activities.

The DEQ and BLM are presently managing the site and have conducted reclamation and water treatment activities since 1999. The reclamation earthwork has been completed. Due to efficiencies realized through the competitive bid process and funding provided by BLM's abandoned mine land program and state grants, the shortfall in funding for the reclamation earthwork was eliminated. Therefore, BLM has been able to complete the preferred reclamation alternatives on the public lands.

Another critical item that has been resolved is the funding needed for the long-term water treatment trust fund. The Montana legislature approved a bill last session that established a trust fund to pay for water treatment beyond 2017. This fund is designed to generate enough revenue to fund water treatment indefinitely after year 2017.

The remaining critical issue is the cost of water treatment between now and 2017. The present bond provides \$731,000 annually through 2017. Since 2008, the most pressing issue has been the cost to maintain the site, prevent the release of contaminants, and continue water treatment. These costs are running an estimated \$770,000 per year over the annual bond payment. This annual treatment shortfall will continue until 2018, when the long-term trust fund for water treatment becomes available.

The BLM consulted with the Fort Belknap government on an engineering evaluation/cost analysis (EE/CA) that was completed in September 2006. The EE/CA found that the present capture and treatment systems are optimal and no large-scale changes in water treatment technology are warranted.

One issue of relatively recent concern is contamination due to some iron-rich seeps that occur in Swift Gulch north of the Landusky Mine. The water quality from these seeps has worsened since mine closure in 1998. A water treatment system was put into place in 2009 to increase the pH of the water and allow the contaminants to settle out in a series of ponds constructed adjacent to the creek.

The BLM received funding through the American Recovery and Reinvestment Act (ARRA) in 2009 to make major infrastructure improvements at the water treatment plants including construction of a permanent treatment plant in Swift Gulch and to construct a wind turbine for power generation to offset power costs.

#### III. PUBLIC INTEREST:

Reclamation at the mines is a contentious issue with the Fort Belknap Tribes and state and national environmental groups. The Mineral Policy Center/Earthworks and Montana environmental organizations often cite the Zortman-Landusky mines during debates on mining regulation.

#### CONTACT:

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