

Nevada Reclamation Performance Bond Pool

What is the (Reclamation) Bond Pool?

The Nevada Division of Minerals (NDOM) administers the Nevada Reclamation Performance Bond Pool (Bond Pool) through which mine or exploration operators may apply for bond coverage to satisfy the bond requirements of the regulating agency, either the Bureau of Land Management (BLM) or the Nevada Division of Environmental Protection (NDEP). The program is designed to reduce the financial burden of, and timeframe for, obtaining a reclamation bond for small operators.

Summary of Bond Pool Regulations

1. The Bond Pool is form of bonding accepted by NDEP and BLM.
2. The Bond Pool does not establish the amount of the bond -- NDEP and/or BLM does that.
3. The maximum bond amount for a participant is \$3,000,000 (the cap).
4. For notice-level project bonds the deposit is 100 percent of the bond amount and the annual premium is 2 percent of the bond amount.
5. For plan-level exploration projects or mine operations the deposit is 50 percent of the bond amount, escalating linearly to 80 percent at the cap. The annual premium (paid quarterly) is 10 percent of the bond amount, declining linearly to 5 percent at the cap. Example calculations can be found on page 2.
6. Premiums are payable in advance.
7. Rates are subject to change through regulatory amendment by the Commission on Mineral Resources.
8. Penalties apply for failure to pay premiums timely.
9. Participants who fail to pay the premium and any associated late fee(s) within 70 days of the original due date may be terminated, and their bond forfeited to the regulatory agency.
10. Interest earned remains in the Bond Pool's account.
11. When the reclamation obligation amount is reduced by the regulatory agency, Bond Pool participants are entitled to a corresponding refund of the deposit amount and any unneeded premium amount for the current bond period.
12. Plan-level participants who exit the bond pool through release of reclamation obligation by regulatory agency are entitled to a refund of 75% of the premiums paid up to the amount the deposit, plus premium amounts equal the bond amount.
13. All participants are required to sign an indemnity agreement supplied by NDOM.

Example Calculations for Bond Deposits and Premiums

1. The deposit is a percentage of the bond amount calculated using the following formula:

$$3/299,000 (\textit{amount of bond} - 10,000) + 50$$

If the required bond amount is \$200,000.00, this percentage would be found as follows:

$$\begin{aligned} \text{Deposit percentage} &= 3/299,000 (200,000 - 10,000) + 50 \\ &= 3/299,000 (190,000) + 50 \\ &= 51.90635 \end{aligned}$$

The deposit is 51.90635 percent of \$200,000.00 or \$103,812.71

2. The annual premium is a percentage of the bond amount calculated using the following formula:

$$\begin{aligned} &-0.5/299,000 (\textit{amount of bond} - 10,000) + 10 \\ & \text{(Note: the 0.5 is a negative number)} \end{aligned}$$

If the required bond amount is \$200,000.00, this percentage would be found as follows:

$$\begin{aligned} \text{Annual premium percentage} &= -0.5/299,000 (200,000 - 10,000) + 10 \\ &= -0.5/299,000 (190,000) + 10 \\ &= 9.68227 \end{aligned}$$

The annual premium is 9.68227 percent of \$200,000.00 or \$19,364.55.

The quarterly premium is one fourth of the annual premium or \$4,841.14.

Bond Pool FAQs

1. Can I get a bond through the Bond Pool to satisfy the US Forest Service bond requirements?

No. At this time, the Nevada Reclamation Performance Bond Pool is unable to execute bonds for projects regulated by the US Forest Service.

2. Can I transfer my bond to another company?

Yes. First, a change of operator for the project must be approved by the regulatory agency (BLM and/or NDEP). A copy of the approving document must be submitted to the Division along with a signed letter from the former operator requesting the bond be transferred as an asset in the name of the successor operator referencing the bond amount. Upon receipt of these two documents plus signed and notarized original bond documents (Reclamation Bond and Indemnity Agreement), the Division will transfer the bond and inform the regulatory agency.

3. Can I apply a bond refund to the establishment of a new bond?

No. Each bond is tied to a specific project, enumerated by the NVN number for BLM and Reclamation Permit number for NDEP.

4. Can I make a payment by credit card?

No. At this time, the only acceptable forms of payment are check, cashier's check, bank draft or money order.

5. Can I make a payment by electronic transfer?

Electronic payment via Fedwire or ACH must be requested and justified by the Division and pre-approved by the State Treasurer's Office which may require additional review time. Requests are generally approved only for one-time transactions where a delay in payment results in late fees or termination.

6. The obligation amount has been reduced by the regulatory agency for my project, how do I get my refund?

To expedite the refund process, provide the Division with a copy or scan of the regulatory Decision Letter indicating the reduction. The refund amount will consist of the appropriate bond reduction amount plus any unneeded bond premium needed in the current bond period, based on the date of the Decision Letter. In order to process the refund payment, the name on the bond must be registered with the State Controller's office as a vendor; please use the following link - <http://controller.nv.gov/Buttons/ElectronicVendorReg/>

7. Can the refund be paid to another entity (e.g. parent company)?

Yes, however the Division will need a signed letter requesting payment to the other entity and an explanation or documentation of the relationship with the other entity AND the other entity will have to be registered as a vendor with the State Controller's Office.

8. Can I exit the bond pool and transfer my bonds to the BLM for the establishment of one statewide bond with them?

Yes. The transfer is coordinated with the BLM State Office in Reno and can be initiated by sending the Division a signed letter requesting the transfer of the bond deposit amount. The appropriate portion of the premium can be included in the transfer amount to the BLM or it can be refunded to the participant.