

NEVADA DIVISION OF MINERALS Commission on Mineral Resources

NEVADA'S DISSOLVED MINERAL RESOURCE EXPLORATION REGULATIONS

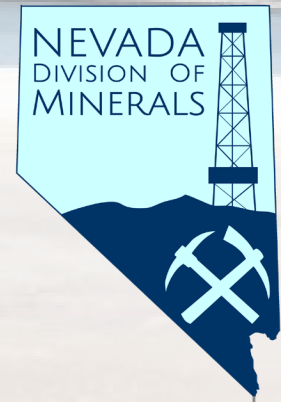
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LITHIUM BRINE EXPLORATION ACTIVITY CENTRAL NEVADA REGIONAL WATER AUTHORITY

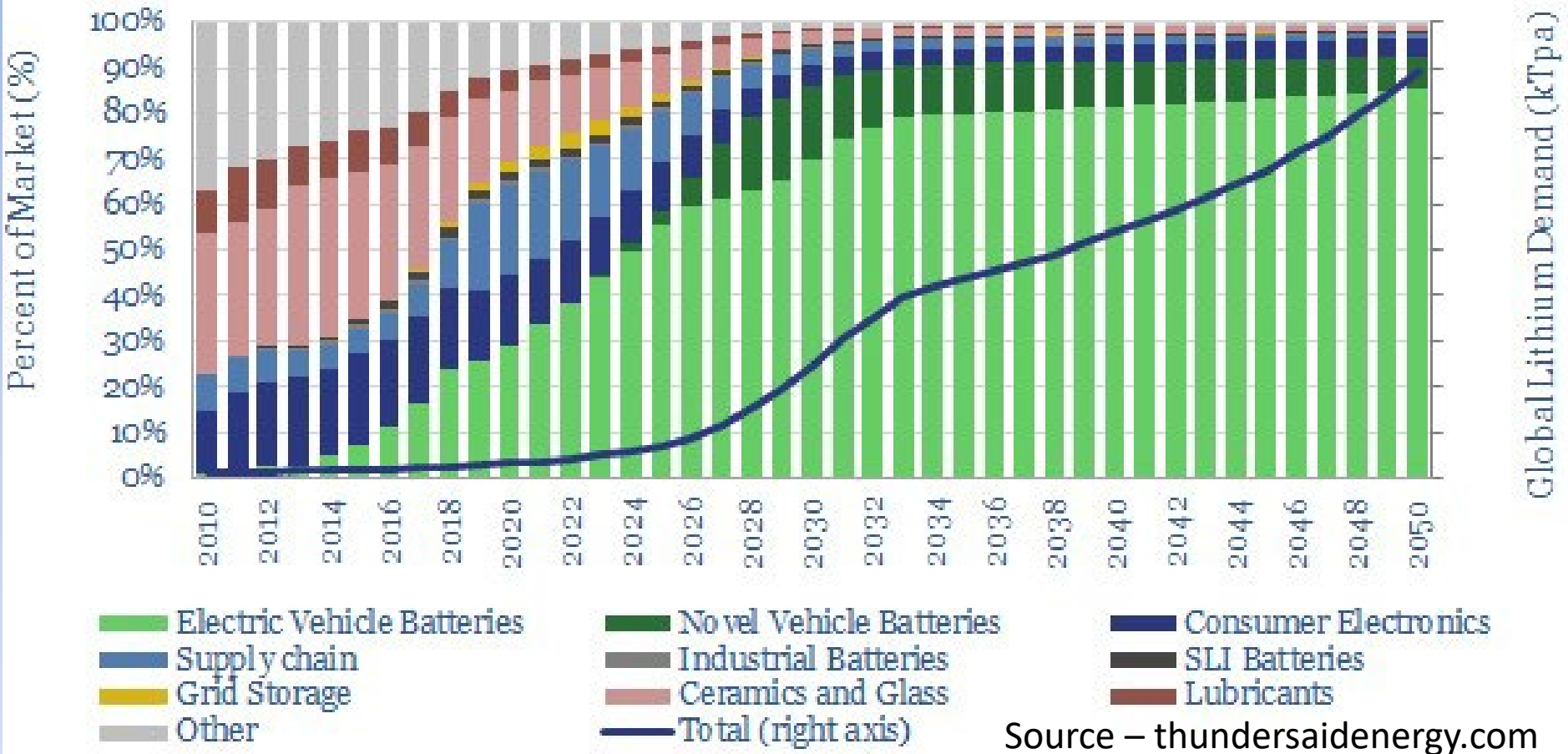
June 17, 2022



**Cortney Luxford,
Fluid Minerals Program Manager**



Global Demand For Lithium



- The Tesla/Panasonic battery factory alone needs 5X the amount of lithium mined annually in Nevada.

Lithium Prices: January 2016 - April 2022





NEVADA

THE LITHIUM STATE

Lithium Deposits* in the U.S.

Source: USGS

*Map shows deposits containing >15,000 tonnes of lithium.

Deposit tonnage, tonnes of lithium



Thacker Pass, a highly prospective, pre-feasibility study stage open-pit lithium mining project, is located in **Kings Valley**.

Albemarle, the world's third-largest lithium mining company, operates America's only lithium-producing mine in **Clayton Valley**.



Lithium in Brine vs. Lithium in Clay/Rock

Lithium Brine

- Albemarle's Silver Peak mine is the only active lithium mine in US, operating since 1966.
- Solar evaporation in ponds over 18-24 months increases concentration of lithium chloride (100X, ~0.54%) prior to processing into lithium carbonate.
- Cheaper processing costs but lower recovery %s (~50%).
- Requires placer mining claims and significant water rights
- Newer technologies may not require same timeframe nor large consumptive water use
- 17 other playa basins in Nevada being explored (>21 projects)

Lithium in Clay/Hard Rock

- No current mines, but 3 projects are in various stages of permitting:
 - Thacker Pass, Humboldt Cty
 - Rhyolite Ridge, Esmeralda Cty
 - TLC Project, Nye Cty
- Resources typically very large with long mine-life
- Processing is more expensive but yields higher recovery %s (~85%)
- Requires location of lode mining claims
- Much less water consumption but high sulfuric acid consumption
- At least five additional exploration projects in Nevada

Silver Peak Lithium Operations

- 1912: Sodium and potassium brine discovered in Clayton Valley
- 1936: Leprechaun Mining secures first mining and milling water rights
- 1950s: Leprechaun Mining discovers lithium in groundwater
- 1964: Foote Mineral Co. acquires land in Clayton Valley
- 1966: Lithium mining operations begin
- 1967: Lithium carbonate first produced
- 1981: US Federal Court of Claims determines that lithium is locatable
- 1988: Cyprus Amax Minerals acquires Foote
- 1991: BLM acknowledges that Cyprus has the right to mine lithium within the patented area
- 1998: Chemetall purchases Cyprus Foote
- 2004: Rockwood Specialties Group buys Chemetall Foote
- 2015: Albemarle buys Rockwood Lithium
- 2021: Produced 12.7M pounds of lithium carbonate



Clayton Valley Brine Aquifers

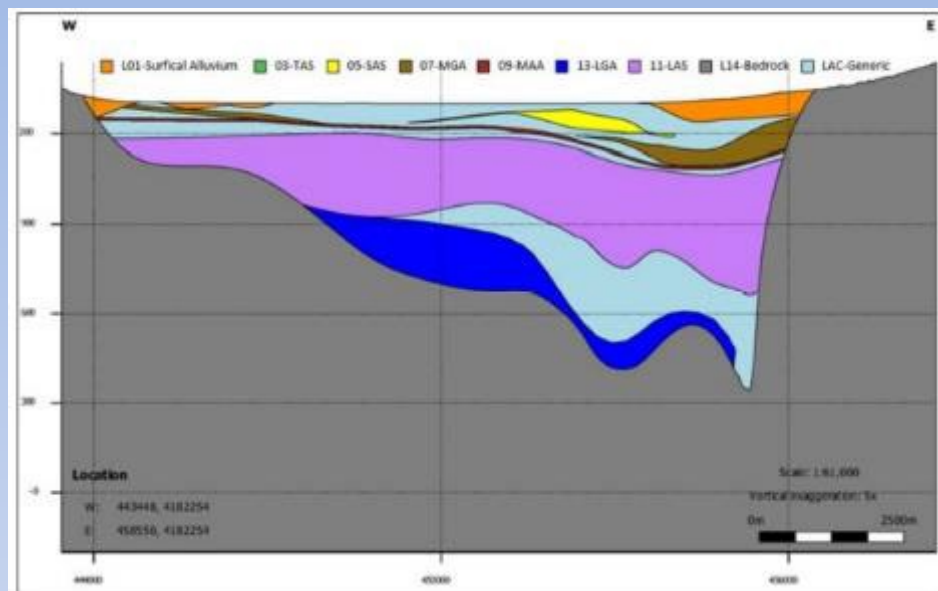
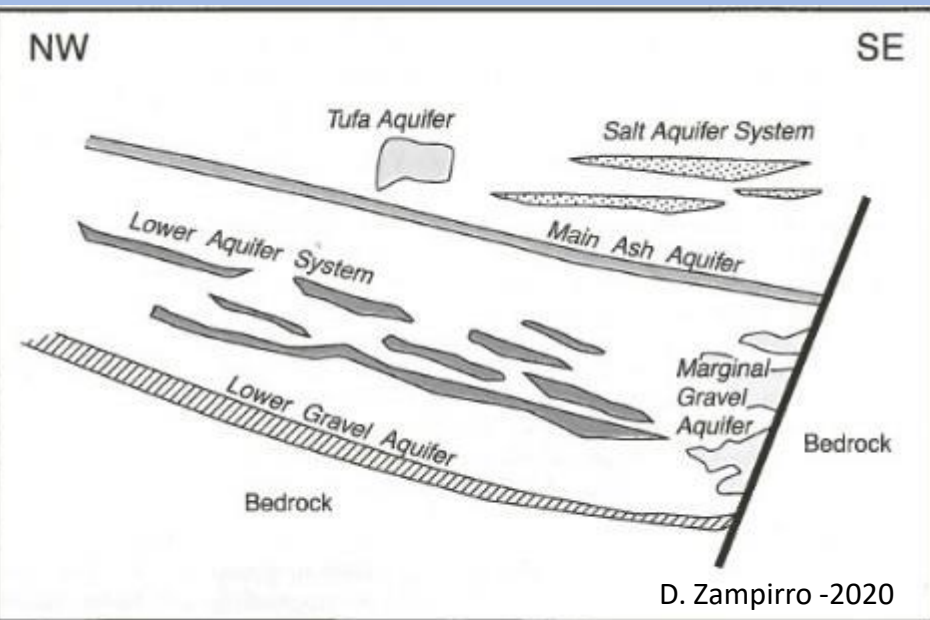
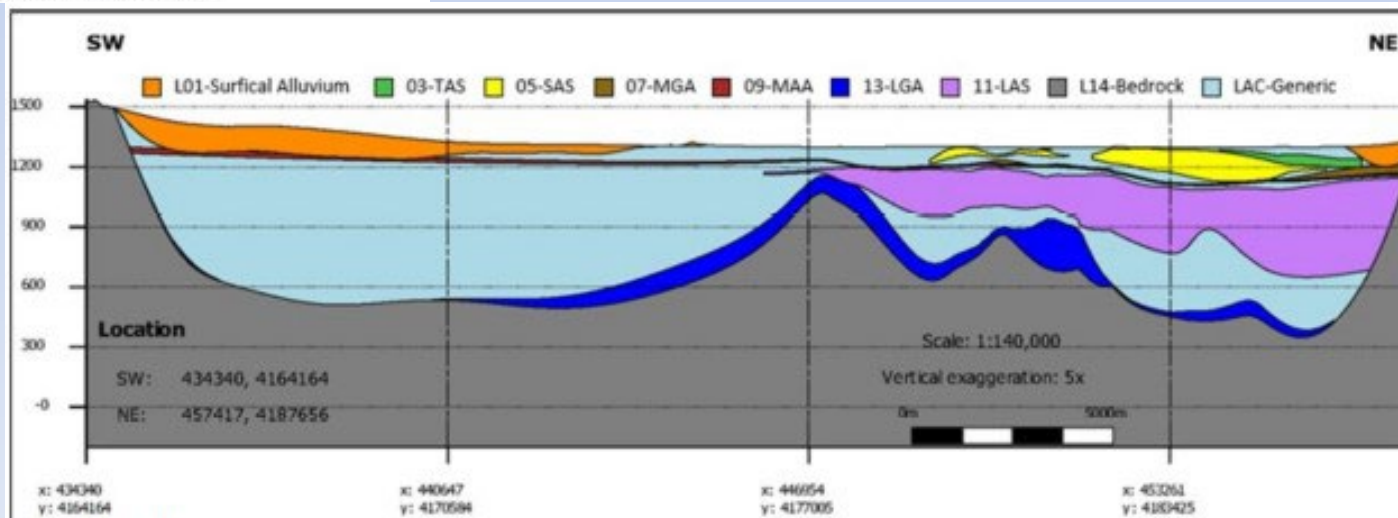


Figure 3 - Aquifer stratigraphy at Clayton Valley

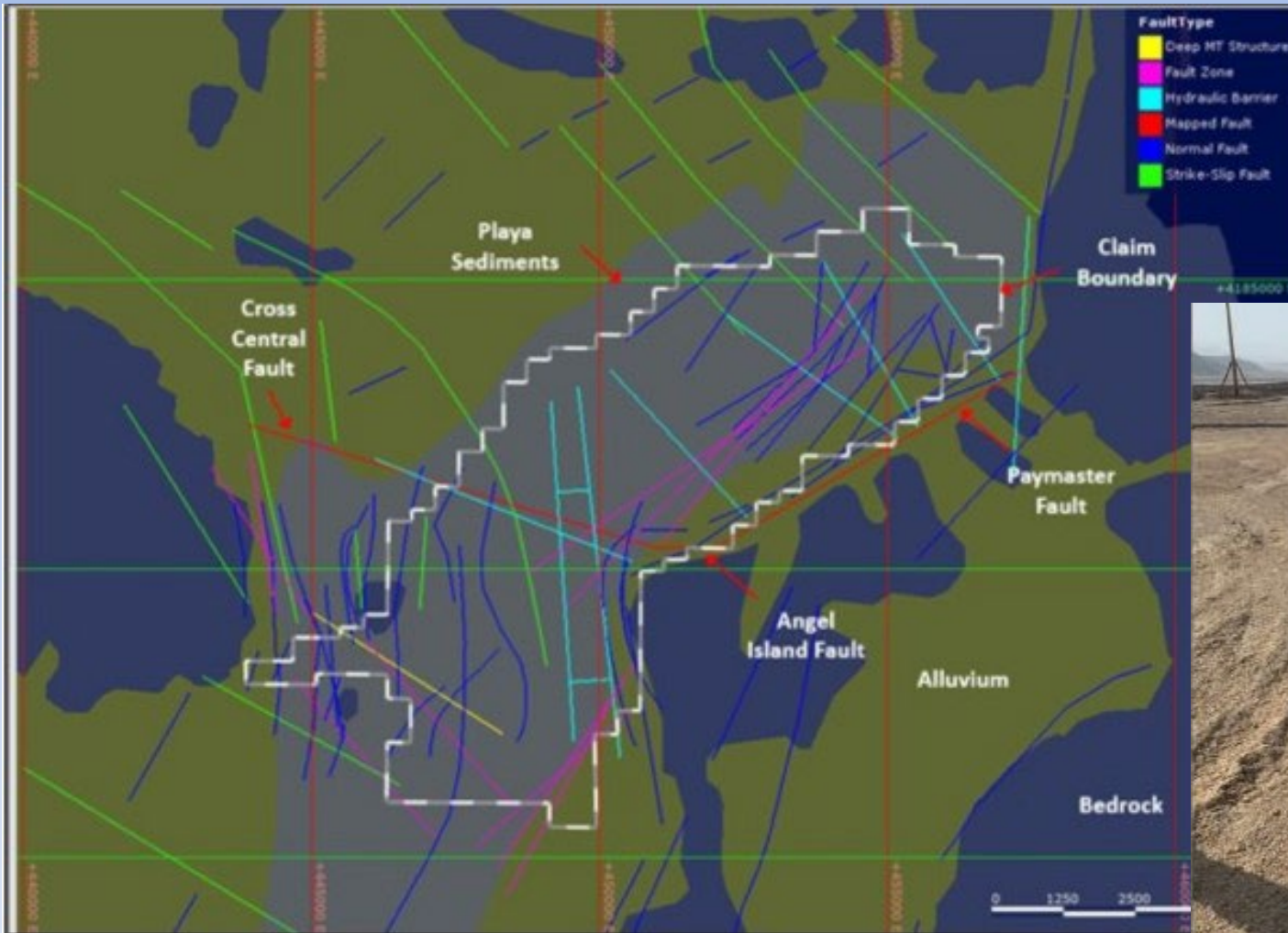
6 main aquifers,
ranging in
thickness from
<1' to >350'



Source: SRK, 2021

Clayton Valley Faults

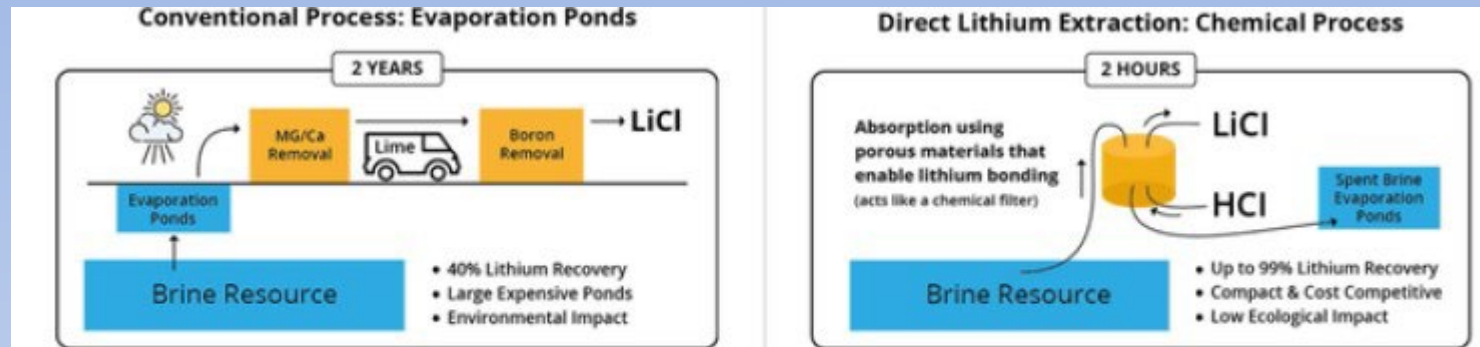
Numerous faults create discontinuity of Li-brine aquifers which can restrict production or require increased number of production wells.



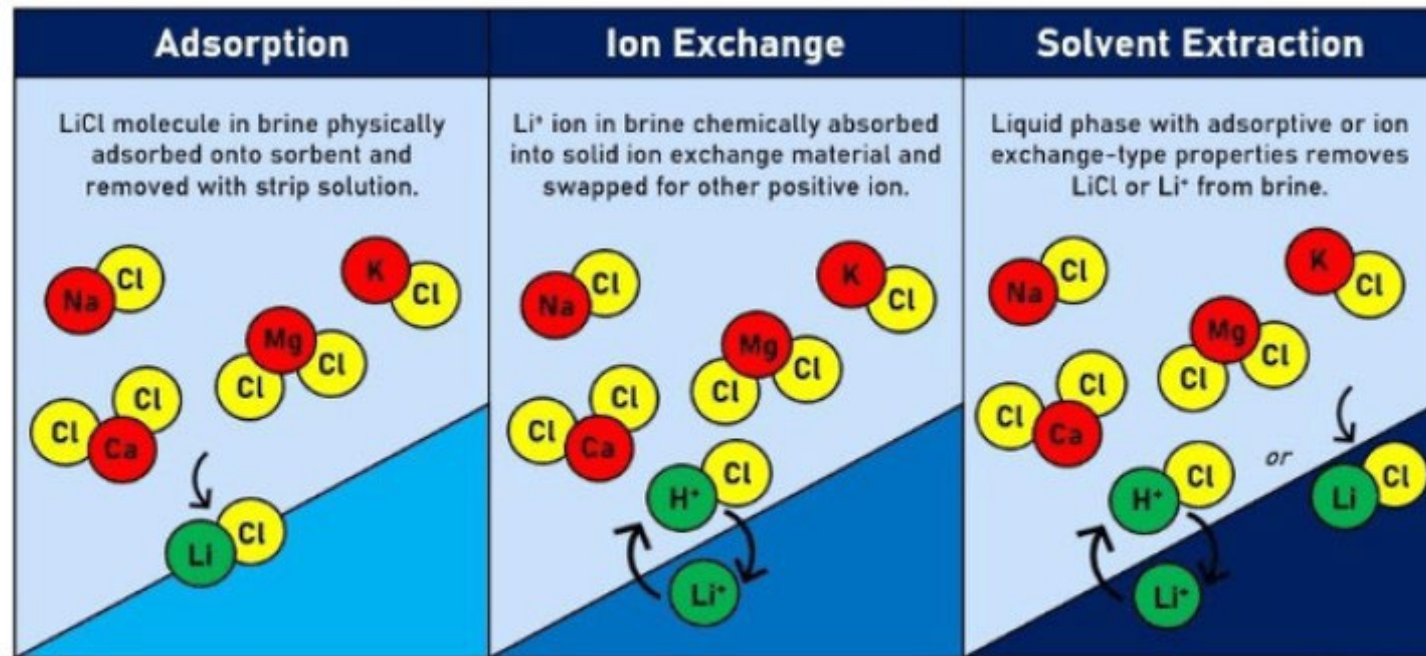
Source: SRK, 2021

Source: SRK, 2020

New Tech - Direct Lithium Extraction

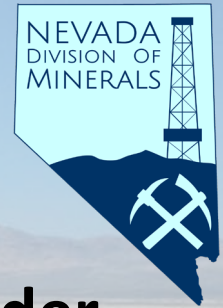


Source: Lithium South Development Corp. website



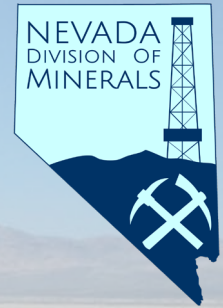
Source: E3 Metals company presentation courtesy of Jade Cove partners

Lithium in the 1872 Mining Law



- **Lithium is a locatable mineral on Federal land under the General Mining Law of 1872**
- **Placer claims are used to locate potential lithium brine deposits**
- **Lode claims are used to locate potential lithium clay or hardrock resources**
- **Initial exploration performed under a BLM Notice (not a permit) which is a quick process**
 - **Only 15 days advance notice**
 - **Bond required before commencement of surface disturbance activities**
 - **Non-discretionary**

The Challenge to Lithium Brine Exploration in Nevada



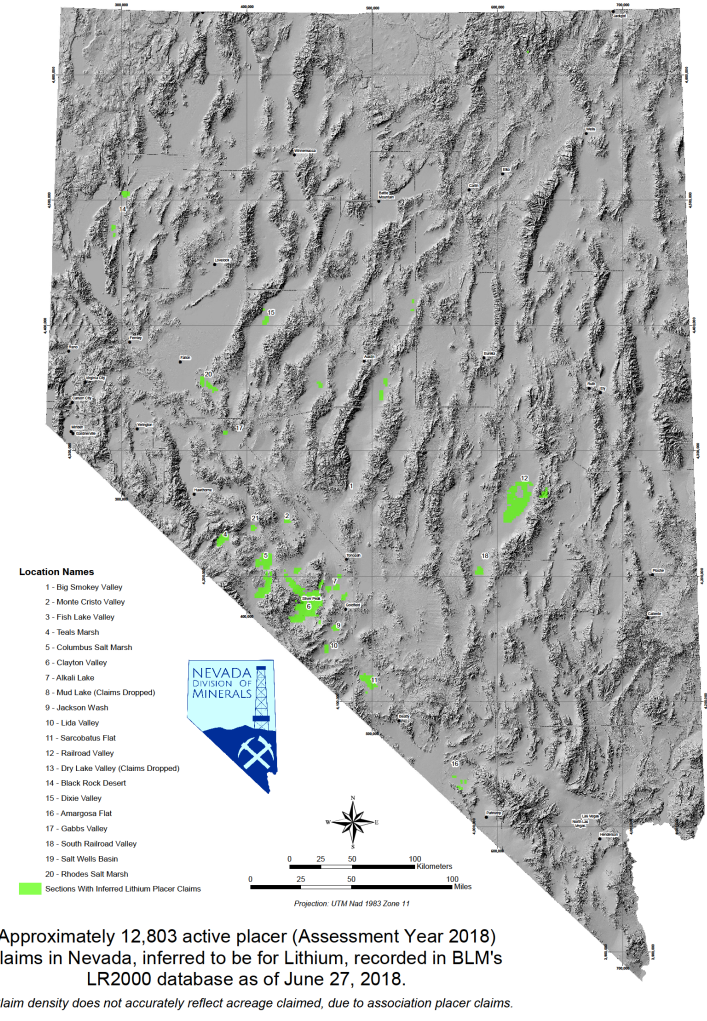
- **Water belongs to the State of Nevada.**
- **The State Engineer regulates quantity and beneficial use.**
- **To pump and test for lithium in brine you need a water right, which is not a quick process and is subject to appeal.**
- **Some lithium brine projects located on top of active oil and geothermal leases.**
 - **Each party is entitled to explore but are regulated under two different “rulebooks”.**
 - **BLM can’t require lithium brine explorer to use blowout prevention equipment – potential safety issue in geothermal areas.**
- **Typical locatable mineral explorers not accustomed to drilling and designing wells for testing of water or use of precautionary measures for hot water.**
- **New law was needed to create a streamlined path for safe exploration of lithium brine with limited pumping.**

DISSOLVED MINERAL RESOURCE EXPLORATION (DMRE) - STATUTES AND REGULATIONS

- Sponsored by Governor Sandoval, Assembly Bill 52 was passed by the Nevada legislature in 2017.
- Created Chapter 354B in Nevada Revised Statutes, effective January 1, 2018.
- Established authority for the Division of Minerals to regulate exploration of dissolved mineral resources – NDOM regulates oil, gas, and geothermal exploration and development.
- NDEP, NDWR and NDOM jointly developed regulations.
- Regulations became effective May 16, 2018.
- First DMRE well approved January 10, 2018.
- First DMRE borehole approved February 1, 2018.

Inferred Active Lithium Placer Claims in Nevada

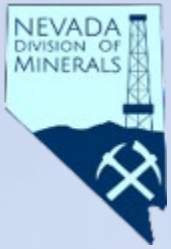
Map Produced by: Lucia M. Patterson, Nevada Division of Minerals





What is in the Statute ?

- Defines a “dissolve mineral exploration borehole” and allows for sampling of water in exploration boreholes .
- Defines “dissolved mineral resource exploration well” and enables an application process by NDOM
- DMRE approved well permits expire after 2 years, can be extended for 2 more years.
- Defines a “dissolved mineral resource exploration project” as a notice or plan-level approved project on Federal lands (claims), or a defined project area on non-federal lands.
- Requires a Nevada licensed water well driller to drill DMRE boreholes and wells.



What is in the Statute?

- **Allows for up to 5 acre-feet (6,165 cubic meters) of water to be pumped for testing per project (not annually).**
 - This volume is considered adequate to determine presence of a resource but not necessarily to quantify and fully model it.
- **> 5 acre-feet requires a water right from NDWR.**
- **Does not change the appropriation procedures in NRS/NAC 533, 534**
- **Allows for application fee for wells and fines for violations**



What is in the Regulations ?

- **Exploration Boreholes: notice of intent form required , no fee, allows for sampling (e.g. HydraSleeve) but not pumping**
- **DMRE wells: permitting process, application fee (\$1,000/well)**
- **Well design approval required: casing, seals, etc.**
- **Regulations are very similar to those for NDWR**
- **Well permits not retroactive to existing MM waivers or existing permitted rights issued by NDWR**

What is in the Regulations ?

- **Drilling within “Areas with Limitations” subject to additional conditions**
- **100’ setback from existing oil, geothermal or water wells.**
- **No limit on number or boreholes or wells, but total pumping for sampling is limited to <5 AF per project**
- **Plugging logs signed by licensed water well driller to be submitted for all boreholes and wells**
- **Reclamation bonding required**
 - **Held by BLM if on federal land**
 - **Held by NDOM if on private land**

Areas With Limitations

- **Regulatory mechanism for additional review to ensure proposed DMRE activity is safe and doesn't impact permitted oil, gas, and geothermal (OGG) wells and resources.**
- **Uses map published on NDOM website depicting:**
 - **NDOM-permitted OGG wells**
 - **Federally-authorized oil, gas, and geothermal leases**
 - **Groundwater basins having increased thermal gradient (125F at 1,500ft or 52C at 460m, using gradient of 67.42C/km)**
- **Depth limitations for drilling without Blowout Prevention Equipment**
- **Monitoring of drilling mud temperatures with requirement for cooling equipment when mud is >125F/52C**

Applications, approved permits and notices, plugging reports, and quarterly flow reports posted on NDOM website

RECEIVED
MAR 12 2018
DIVISION OF MINERALS

STATE OF NEVADA
 COMMISSION ON MINERAL RESOURCES
DIVISION OF MINERALS
 400 W. King Street, Suite 106
 Carson City, Nevada 89703
 (775) 684-7040 | Fax (775) 684-7052
 http://minerals.nv.gov

Date Received March 12, 2018
 County Nye
 NDOM Permit Number W0003
 FOR DIVISION USE ONLY

DISSOLVED MINERAL RESOURCE EXPLORATION WELL PERMIT APPLICATION

Applicant/Operator Name: 3PL Operating Inc.
 Street Address: 1602 N. Carson Street, Suite 206
 City: Carson City State/Prov.: NV
 Country: USA Zip Code: 89701
 hereby makes application for a dissolved mineral resource exploration well permit.

(If applicant is a corporation, show state and date of incorporation, if a partnership, list names of partners.)
 Nevada
 October 4, 2017

Well Name LD #1-32

This application is for a: New Exploration Well Permit Extension (NDOM Permit # _____) Borehole to Well Conversion
 (Indicate below any changes to original permit.)
 Permit Extension Reason: _____

Applicant is: Land Owner Lease/Claim Holder

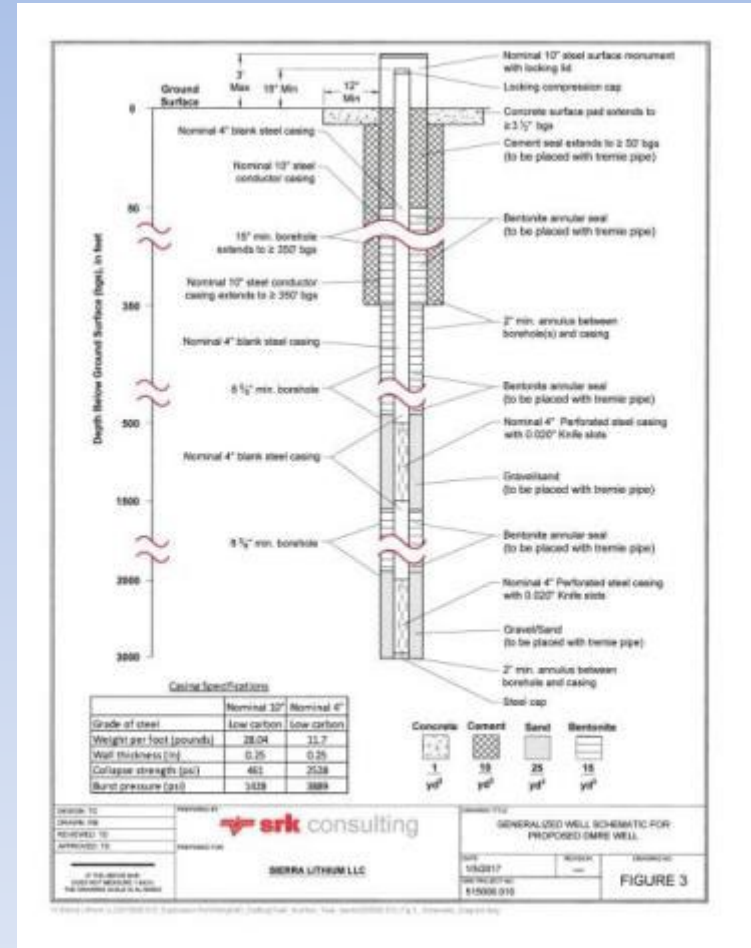
Land Status (choose one):
 Federal (BLM, USFS, etc...) Mining Claim: NMCP 1151058
 Non Federal Project Name: 3PL #11v1 NVN# N-06459

APN#: _____ Land Owner: _____
 Bond Type: _____ Issued by: _____
 Amount: _____ Number: _____

Groundwater Basin Name and Number: Railroad Valley North, 1738 Area With Limitations? Y N
 (Well proposed to be drilled within areas with limitations may require Blended Prevention Equipment, per NAC 594)

Location of Well:
 County: Nye
 NE 1/4 of the NE 1/4 of 32 Sec., Township 7 N S, Range 50 E
 UTM East: 614102.33 or Longitude: -115.692254
 UTM North: 4253196.78 Latitude: 39.419758
 NAD83 WGS84 M.D.B. & M.

DISSOLVED MINERAL RESOURCE EXPLORATION WELL PERMIT APPLICATION PAGE 1 - 01/04/2018

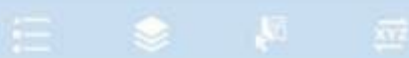


Cooperating Agencies

- Pre-existing Memorandum of Understanding (MOU) between NDOM and BLM for permitting and field activities for oil, gas, and geothermal was modified to include DMRE.
 - BLM Field Offices provide submitted Notices for lithium brine exploration to NDOM
 - NDOM and BLM coordinate on review of proposed activities
 - Coordinate on field inspections for compliance
- DMRE Notices and Well Permit applications shared with NDWR for notification and review.
- Ongoing discussions with NDEP-BMMR, NDEP-BWPC, and NDWR to ensure regulatory oversight of future activities as operators move from exploration to mine development.

FAQ's

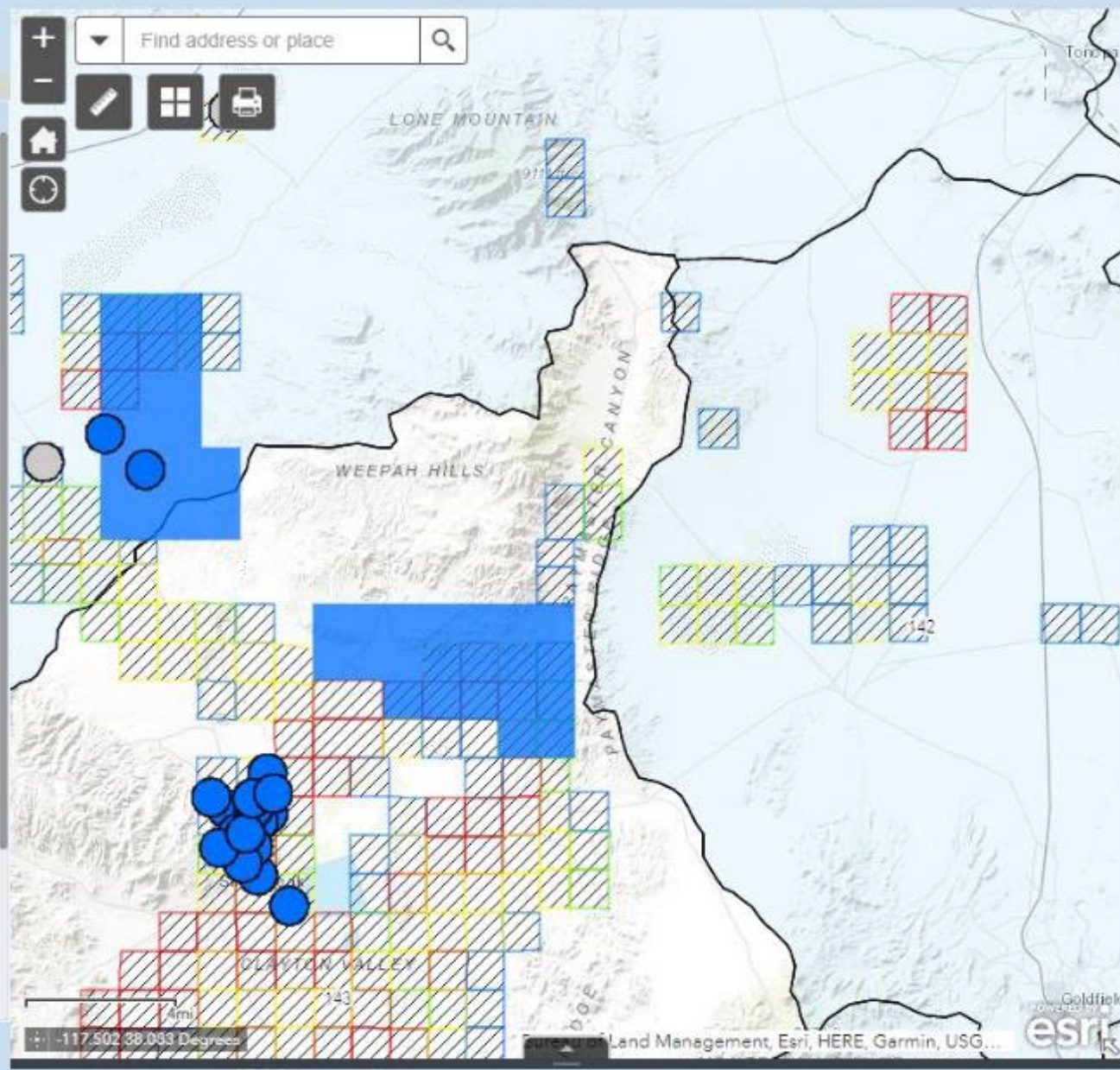
- Q: Do I need a DMRE borehole NOI approval to sample Li clays and I do not intend to sample Li brines?
 - A: *No.*
- Q: If I have an existing water right, do I need to permit a DMRE well through NDOM?
 - A: *If it is a production well, no.*
 - A: *If it was an exploration well permitted before 1/1/2018, no.*
 - A: *If it is a new exploration well that was not permitted by NDWR before 1/1/2018, yes.*
- Q: Can I instrument a DMRE borehole?
 - A: *Yes, but:*
 - *it must be plugged within 60 days, with instrumentation in place if desired,; or*
 - *If is intended to be left open it must be converted to a DMRE well and the design must meet requirements for DMRE wells.*
- Q: Can I keep a DMRE well open for more than 4 years?
 - A: *No. The well must be permanently plugged or the well would have to be transferred to NDWR under an existing water right using a change application.*

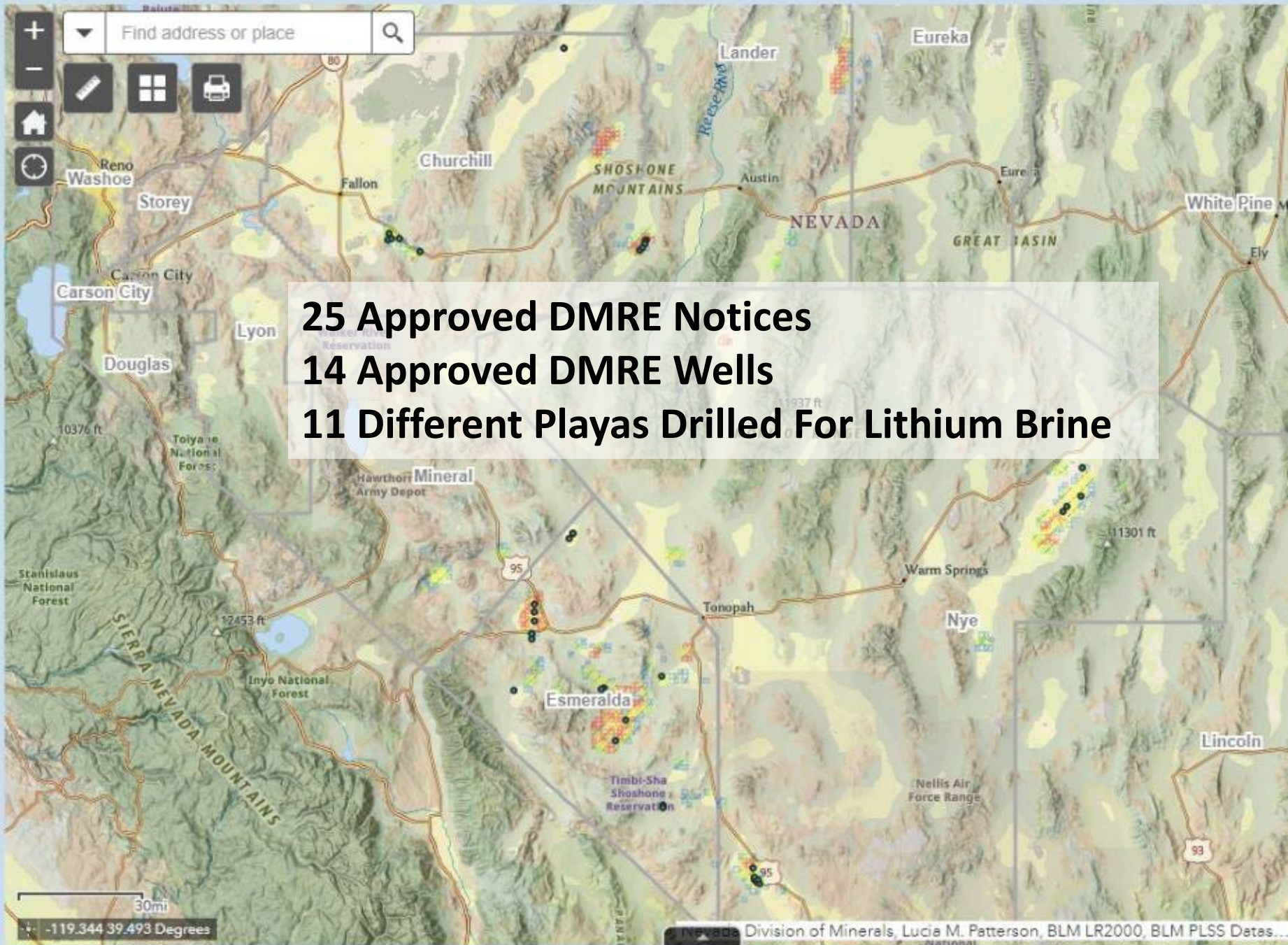


Layer List

Layers

- Inferred Li Placer Claim Point Listings
 - "Areas With Limitations" Active Oil Wells with 1/2 Mile Buffer (Date as of January 05, 2022)
 - "Areas With Limitations" Active Geothermal Wells with 1/2 Mile Buffer (Date as of January 05, 2022)
 - "Areas With Limitations" Active Geothermal Lease Points (Date as of January 20, 2022)
 - "Areas With Limitations" Authorized Oil and Gas Lease Points (Date as of January 20, 2022)
 - "Areas With Limitations" Authorized Geothermal Leases Per Section (Date as of January 20, 2022)
 - "Areas With Limitations" Authorized Oil and Gas Leases Per Section (Date as of January 20, 2022)
 - Inferred Li Placer Claim Listings Per Section
- Count
- 33 - 260
 - 21 - 32
 - 11 - 20
 - 0 - 10
- Hydrographic Basin Boundaries
 - "Area With Limitations" Basins With High Temperature Gradient
 - Surface Management Symbology

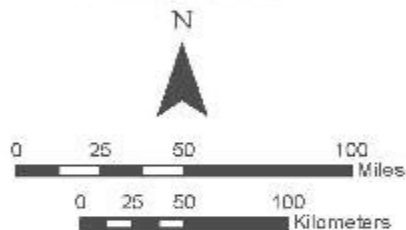




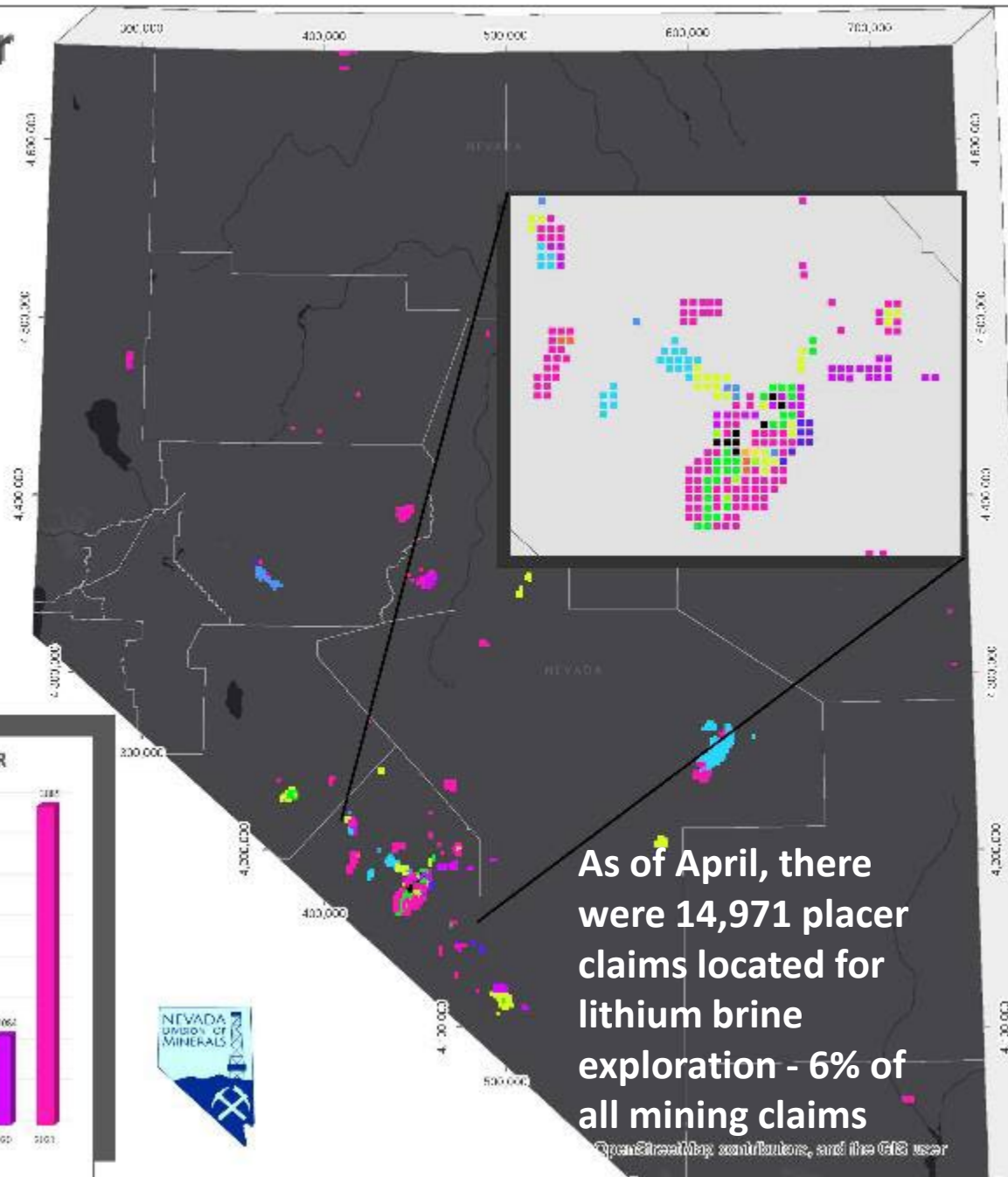
25 Approved DMRE Notices
14 Approved DMRE Wells
11 Different Playas Drilled For Lithium Brine

Inferred Lithium Placer Claims Location 2017 - 2021

Map Produced By:
Lucia Patterson, Nevada Division of Minerals
UTM NAD 1983 Zone 11
February 23, 2022



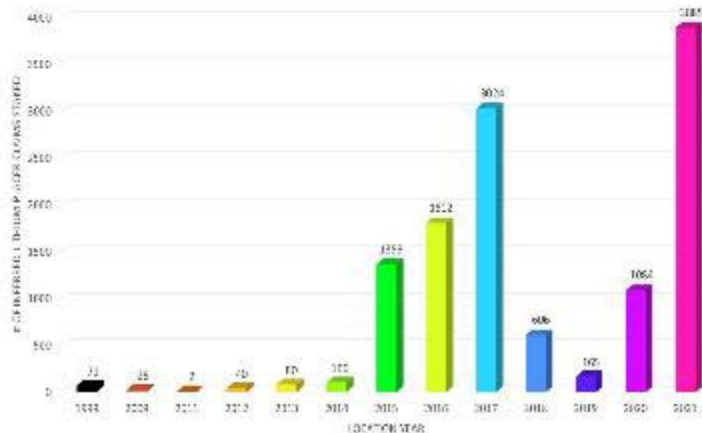
There is an estimated 12,291 active, filed, and submitted placer claims in the BLM's MLRS database, presumably for lithium brine, as of January 24, 2022.



As of April, there were 14,971 placer claims located for lithium brine exploration - 6% of all mining claims

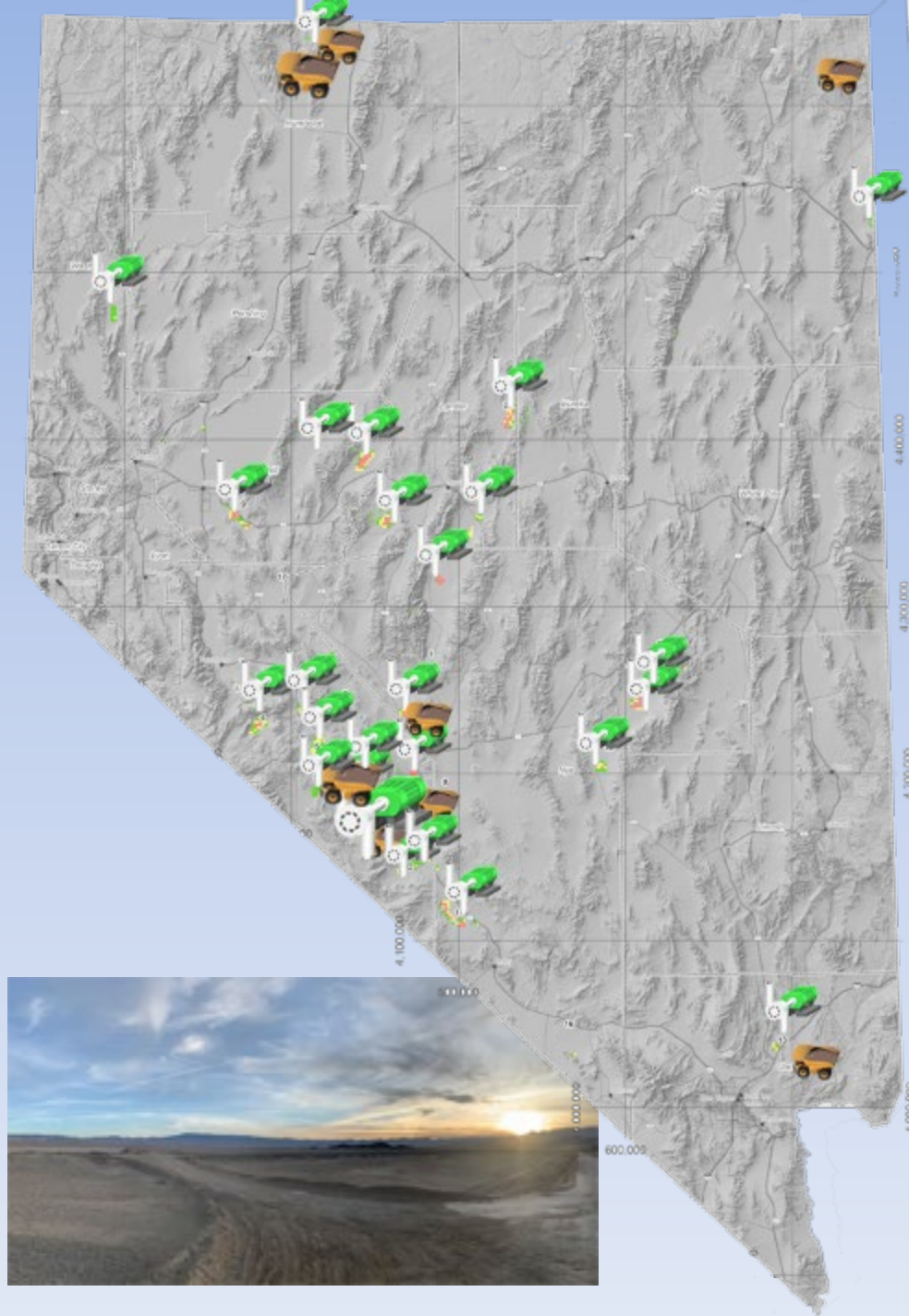
OpenStreetMap contributors, and the GIS user

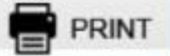
OF INFERRED LITHIUM PLACER CLAIMS STAKED/YEAR



Lithium Exploration Activity

- > 40 companies in various stages of exploration; ~30,000 mining claims (~13% of total mining claims in NV)
- ~30 companies involved in Clayton Valley alone, with numerous joint ventures/agreements
- ~12 lithium in clay projects (open pit)
- >30 lithium brine projects (DLE), none are considering solar evaporation concentration process
- NeoLith Energy (Schlumberger Energy) has permitted the Clayton Valley Pilot Plant to evaluate their DLE technology (\$15M invested to date) and has a collaboration agreement with Panasonic Energy to optimize process for battery-grade feed
- 25 approved DMRE Notices
- 14 Approved DMRE well Permits
- ~11 different playas have been drilled for lithium brine under DMRE regulations
- Advancements in DLE are critical to future of lithium brine production





Programs

[Abandoned Mine Lands \(AML\)](#)

[Bond Pool \(Reclamation\)](#)

Dissolved Mineral Resource Exploration (DMRE)

- [DMRE Forms](#)
- [Approved Notices](#)
- [Approved Permits](#)
- [Filed Permit Applications](#)
- [Filed Reports](#)

[Education and Outreach](#)

[Geothermal](#)

[Mining](#)

[Oil & Gas](#)

Dissolved Mineral Resource Exploration (DMRE)

Assembly Bill 52 of the 2017 session was signed into law in June, 2017. The purpose of this legislation is to define a permitting path for dissolved mineral exploration, including lithium brines, and to develop regulations to ensure exploration drilling for dissolved minerals is protective of groundwater, as well as oil and geothermal resources. The legislation authorizes regulation by the Division beginning on January 1, 2018. The Division of Minerals is now accepting applications for Dissolved Mineral Resource Exploration (DMRE) wells and notices of intent for DMRE exploration boreholes. All forms for the program are located below, can be picked up at the Division office, or mailed to the public upon request.

- [NRS 534B](#)
- [NAC 534B \(codified\)](#) &
- [Response to Summary Comments on Proposed Regulations, April 25, 2018](#) &
- [Oil, Gas, and Geothermal Resources and Groundwater Basins with High Temperature Gradients - Areas with Limitations Map 01/15/2020](#) &
- [NDEP – BMRR Permitting Requirements for Lithium Exploration and Extraction Activities \(2019 edit\)](#) &

Areas with Limitations Interactive Map

This map is to be utilized in order to determine if a proposed

Dissolved Mineral Resource Exploration Contact

Cortney Luxford
 Fluid Minerals Program Manager
cluxford@minerals.nv.gov

Statute & Regulations

[NRS 534B](#)

[NAC 534B \(codified\)](#) &

Mining Links

[State and Federal Permits Required Before Mining or Milling Can Begin](#) &

[DMRE Frequently Asked Questions \(FAQ\)](#)

