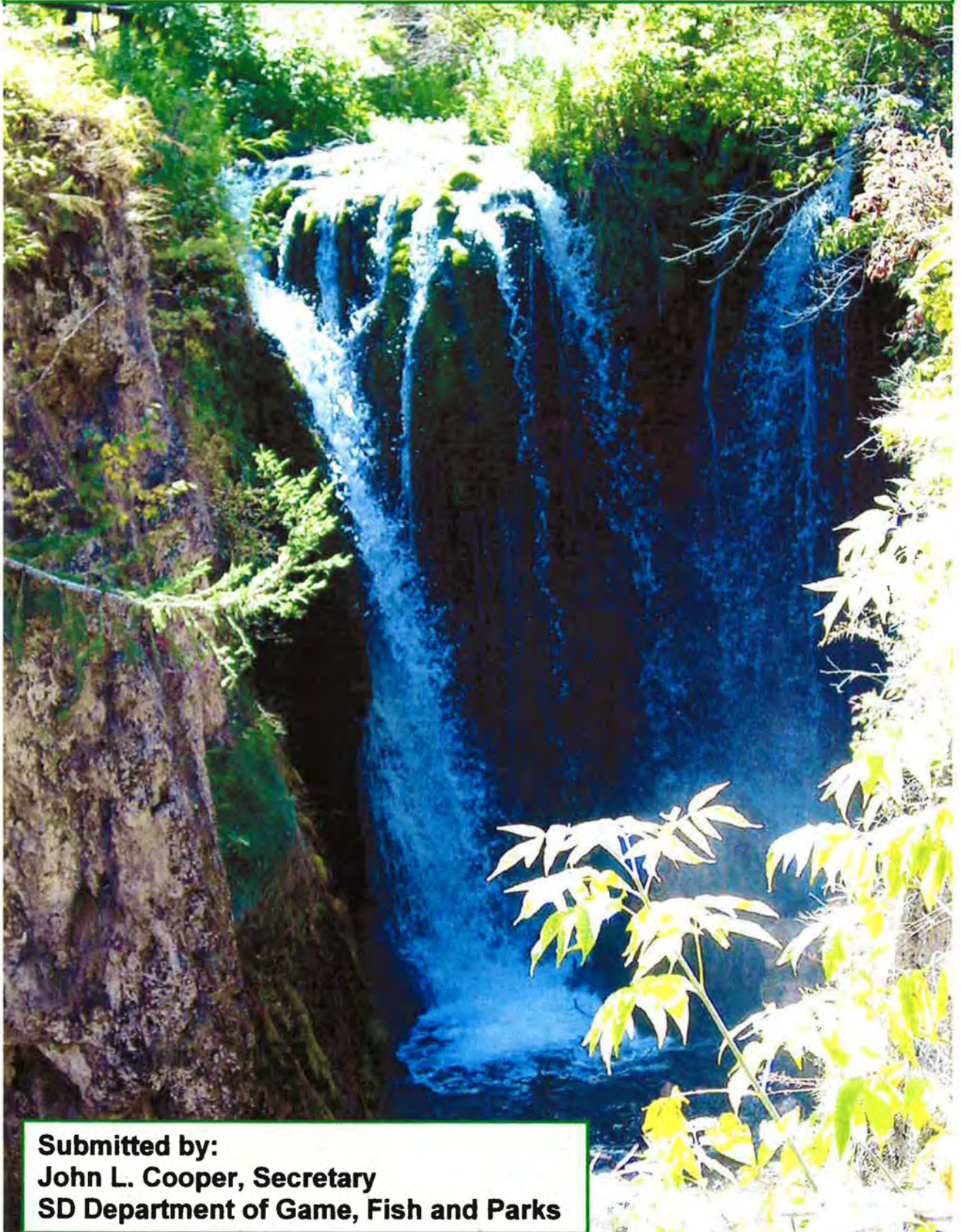


**SPEARFISH CANYON HOMESTAKE LANDS ACQUISITION:
A PROJECT PROPOSAL TO RESTORE, REPLACE AND/OR ACQUIRE
THE EQUIVALENT OF TRUST RESOURCES
AND LOST SERVICES**



**Submitted by:
John L. Cooper, Secretary
SD Department of Game, Fish and Parks**

SPEARFISH CANYON HOMESTAKE LANDS ACQUISITION

A PROJECT PROPOSAL TO RESTORE, REPLACE AND/OR ACQUIRE THE EQUIVALENT OF TRUST RESOURCES AND LOST SERVICES

<u>Proposal Contents:</u>	<u>Page</u>
Introduction	1-2
Project Proposal	3-19
Project Area Map	20
Canyon Mouth Map	21
Roughlock Falls Map	22
Little Spearfish Intake Map	23
Savoy Intake Map	24
Photographs	

SPEARFISH CANYON HOMESTAKE LANDS ACQUISITION
A PROJECT PROPOSAL TO RESTORE, REPLACE AND/OR ACQUIRE
THE EQUIVALENT OF TRUST RESOURCES
AND LOST SERVICES

Introduction:

I, John L. Cooper, Secretary of the South Dakota Department of Game, Fish and Parks, am extremely honored to present this project proposal to acquire certain lands and a water right in Spearfish Canyon through the "Final Restoration and Compensation Plan for Whitewood Creek and the Belle Fourche and Cheyenne River Watersheds, South Dakota, January, 2005." I followed the Plan's Section 9 Instructions.

Most of us in the Black Hills region are very familiar with Spearfish Canyon and its post-European settlement and mining history. What some of us may not be familiar with, are the extreme rarities and unique combinations of natural resources found in the Canyon.

Following the Black Hills uplift during the Laramide Orogeny approximately 62 million years ago, Spearfish Creek began the erosional development of a 22 mile long feature in the Northern Black Hills known today as Spearfish Canyon. Spearfish Canyon is threaded by a nationally recognized Scenic Byway; linking jewels such as Spearfish Creek, Bridal Veil Falls, Roughlock Falls, Little Spearfish Creek and Spearfish Falls. These aquatic treasures are further highlighted by aspen, birch and contrasting evergreens. High limestone walls frame the canyon while the American Dipper bobs and forages underwater in the boulder strewn fast water.

Sound make-believe? It is not. Spearfish Canyon is arguably one of the State's most highly valued natural resource bonanzas and a coalition of over a dozen concerned stakeholders is testament to the need to conserve this Canyon. Of the handful of waterfalls found in South Dakota, this project proposes to acquire for natural resource conservation and for public enjoyment, the most recognized falls in the Black Hills: Roughlock Falls and associated Little Spearfish Creek wetlands.

Spearfish Canyon has survived over 100 years of settlement, resource extraction and development. Homestake Mining Company probably had one of the most significant human impacts within the Canyon; from economic and real estate strongholds to water diversions. Ironically, Homestake's founding fathers' appreciation for the Canyon's natural beauty was unshakeable. Throughout the decades, Homestake Mining Company did not mine the Canyon proper yet allowed the public, free of charge, to enjoy most of its real estate holdings in the Canyon, including Roughlock Falls.

Homestake Mining Company (now owned and operated by Barrick Gold of North America, Inc., a/k/a Barrick) has begun another historic chapter by ceasing gold production and surrendering water rights to Spearfish and Little Spearfish Creeks. However, Homestake's vision to protect irreplaceable places like Roughlock Falls created an unusual partnership with the State of South Dakota. Homestake wishes to

1. Project Title and Brief Description:

Spearfish Canyon Homestake Lands Acquisition

Purchase price: \$2,713,500 *plus* \$600,000 Fund

1.1. Acquisition:

Ownership in fee title, 3 parcels of land totaling approx 355 acres including 1.52 miles of stream and 0.29 and 1.62 acres of ponds.

1.2. Restoration Fund:

Establishment of an interest-bearing restricted fund for operation, maintenance and restoration of these parcels.

1.3. Water Right:

Transfer of water right 137-1 for instream flow purposes, which historically authorized the diversion of up to 75 cfs from Spearfish Creek by means of the Savoy Intake.

2. Location:

Spearfish Canyon, Lawrence County, Northern Black Hills, South Dakota.

(See attached maps and photos)

2.1. Canyon Mouth:

Portions Tracts C and F, Sec. 22. Unplatted portions Sec. 14, 15, 22 and 23, T6N, R2E.
300 surface acres more or less and minerals

2.2. Roughlock Falls and Little Spearfish Intake:

The remainder of Little Spearfish Placer, M.S. 953, T5N, R1E, Section 36
38.82 surface acres and minerals, including 1.12 miles of stream and 0.29 pond acres

2.3. Savoy Intake:

Lot 1 of Wyoming Placer, M.S. 991, T5N and 4N, R2E, Sections 6 and 31
17.16 surface acres and minerals, including 0.40 miles of stream and 1.62 pond acres

3. Organization Making the Proposal:

Secretary John L. Cooper, SD Department of Game, Fish and Parks

4. Qualifications:

Since 1920, SDGFP has had extensive experience in land acquisition, mitigation, management, leasing, easements and real estate transactions. The Department owns over 335,000 acres of land, managed primarily by two Divisions. The Division of Parks and Recreation manages over 108,000 acres in 12 state parks, 41 recreation areas, 70 lakeside use areas and 6 nature areas. In the Black Hills, the Division of Parks and Recreation also manages 109 miles of George S. Mickelson Trails and 350 miles of snowmobile trails. The Division of Wildlife currently owns and manages approximately

- Acquisition of main stem weir renovation with 1.62 acre pond
- Beneficial use: cold water permanent fishery (Administrative Rules SD)
- Jurisdictional designated wetlands (PABHh – Palustrine, aquatic bed, permanently flooded and impounded)
- Agreement to transfer to SD Department of Game, Fish and Parks, water right 137-1 which historically authorized diversion of up to 75 cfs from Spearfish Creek by means of Savoy Intake for use as an instream flow right

5.1.2.b Little Spearfish Creek and Roughlock Falls

- Acquisition of approximately 1.12 miles stream through this parcel
- Acquisition of Little Spearfish Creek weir renovation with 0.29 acre pond
- Water right 43C-1 for instream flow belongs to SD Game, Fish and Parks
- Beneficial use: cold water permanent fishery (Administrative Rules SD)

5.1.3. Flora and Fauna:

24 Species of Concern. Rare, local populations or uncommon species are highlighted below in *italics*

5.1.3.a. Birds

American Dipper and some of the last remaining habitat

Bald Eagle and winter habitat

Over 200 species of birds (SDGFP Birder's Guide to the G. S. Mickelson Trail)

5.1.3.b. Mammals

American marten

Bats – 11 species including Townsend's big-eared and fringe-tailed myotis

Jumping mouse

Northern flying squirrel

Mule and white-tailed deer

Elk

Small mammals: shrews, mice, rodents and rabbits

Coyote

Beaver

Bobcat

Mustelids (weasel family)

Marmot

Porcupine

Mt. goats and bighorn sheep on occasion

Mt. lion

5.1.3.c. Reptiles and Amphibians

Leopard frog

Red-bellied snake

Turtles

Snakes

Frogs and toads

Spearfish Canyon Foundation. Its mission is to preserve Spearfish Canyon as a lasting legacy by promoting natural and cultural history, appreciation of the environment, responsible public access, and funding to enhance the infrastructure and ecology. The role of the Spearfish Canyon Foundation is to support meaningful federal and state programs that benefit the public and its public lands through thoughtful pursuit. Of the nearly 1,100-acre acquisition goal, 60% or 647 acres have been acquired.

US Forest Service, Black Hills National Forest. Largest single Canyon landowner. Published Spearfish Canyon Corridor Plan (1999) and Spearfish Canyon Landscape Assessment (2002).

Spearfish Canyon Homeowners Association
Firewise Community Organization
City of Spearfish
Lawrence County
SD Department of Transportation
SD Department of Game, Fish and Parks
Chamber of Commerce: Spearfish, Lead and Deadwood
Cheyenne and Lakota Nations
Spearfish Canyon Society
Spearfish Canyon Lodge
Latchstring Restaurant
Cheyenne Crossing General Store, Café and Lodge

5.2. Management Goals and Objectives:

Goal 1: Restore, replace and/or enhance lost resources and services by acquisition of scenic and unique canyon habitats, including riparian areas, wetlands, deep canyon drainages with hardwood communities, canyon walls and escarpments and pine covered uplands.

Goal 2: Public will be compensated for lost and/or injured resources and services by keeping lands in public ownership rather than high probability of private or commercial development. Also, the parcels border waters of the State of South Dakota and by best managing the land, adjacent waters and riparian areas will benefit.

Objective 1: Acquisition of nearly 355 acres will replace lost and/or injured resources and services, with a future negotiation with Homestake to purchase another approximate 113 acres (Spearfish Falls and Trails complex and the land surrounding Hydro 2 building – excludes building itself). 1.52 total miles of streams, 0.29 and 1.62 acres of ponds including a rare waterfall.

Objective 2: Public lands, public waters, natural resources, benefits and services they supply will be sustained in-perpetuity for the people of South Dakota and its visitors. As part of the purchase agreement, Homestake requires that SD Game, Fish and Parks establish an interest-bearing restricted fund in which monies from it will be used for

under the "Final Restoration and Compensation Plan for Whitewood Creek and the Belle Fourche and Cheyenne River Watersheds, South Dakota."

5.5. Cooperative Management Agreements:

5.5.1. Encumbrances, etc.

Encumbrances such as licenses, access, easements, lease agreements and joint management agreements are being reviewed by attorneys.

5.5.2. Canyon Mouth:

Homestake will secure a purchase agreement in fee title with the City of Spearfish to transfer land located in the Canyon Mouth parcel known as the "Rifle Range". The State will not acquire this small area of land.

5.5.3. Division of Parks and Recreation General Management of 3 parcels:

Division of Parks and Recreation has an annual capital development budget to provide funds to develop new recreational facilities and opportunities. Other State funds in this budget can be used to match federal Recreational Trail Program and Land & Water Conservation Funds. Other Capital Development projects requested in the FY 2006 budget include funding for restrooms, picnic facilities and improved trails that provide access to scenic observation points. It is also possible that existing trails could be extended into new areas to create a trail system to link Roughlock Falls, Spearfish Falls and Savoy Dam.

Homestake Mining Company excluded the public and pets from the Roughlock water falls itself and immediately downstream in order to preserve the falls' integrity and to provide solitude and habitat for the American Dipper, a State threatened bird. Parks and Recreation will continue to practice this conservation strategy by developing new walk-ways and viewing areas to channel the public use away from critical riparian areas.

Appropriate Canyon stakeholders would be given notice of improvement and restoration plans for discussion purposes. Opportunities to create partnerships with federal, tribal and private entities would be explored.

Division of Parks and Recreation's improvement projects will be coordinated with Division of Wildlife to examine stream, impoundment and habitat restoration projects to assess areas historically and inappropriately impacted by humans. By constructing designated walking paths and trails, people will be better controlled in appropriate recreational areas and restored areas will heal over time. People will continue to be offered spectacular viewing opportunities and access to connect with nature and dangle their feet in the cool mountain stream, but not to the extent that continued erosion and severe streambank degradation will occur. Fishing access will be improved. Conceptual improvements and restoration budgets from both the Division of Parks and Recreation and Division of Wildlife represent the intent and desire to improve and protect these natural resources and recreational opportunities. Game, Fish and Parks is dedicated to proper resource management so that these parcels can be enjoyed by the public and become incredible assets to the State Park system.

initiated with agency personnel. Some conceptual improvement plans have already been completed and the Department (both Parks and Wildlife Divisions) will coordinate restoration projects (such as repairs to the Little Spearfish Creek streambanks at the Roughlock Falls picnic grounds) with the various stakeholders.

The Department will contact all appropriate stakeholders, lessees, agreement partners, contractors, adjacent land owners, support groups, utility companies and any other people or organizations that had agreements with Homestake which may transfer to the Department. A public meeting to address some of these issues will be coordinated with the City of Spearfish and the Lawrence County Commissioners.

Surveys of historical, archeological, and cultural assets have been done by Homestake.

7. Estimated Project Cost:

7.1. Purchase Price:

\$2,713,500	Purchase price for 3 parcels of land (approx. 355 acres) in fee title plus transfer of water right 137-1 from Homestake to SDGFP
+ \$600,000	Required restricted fund to be established for operation, maintenance and habitat restoration
<u>\$3,313,500</u>	Total funds required

7.2 Funds Requested from HMC-NRRF:

I, John L. Cooper, respectfully request \$3,151,122 from the Homestake Mining Company Natural Resource Restoration Fund (HMC-NRRF). The requested amount would be allocated as outlined below.

\$3,313,500	Purchase price for parcels and required restricted fund
- 250,000	<u>Spearfish Canyon Foundation (donation only be used towards acquisition)</u>
<u>\$3,063,500</u>	Funds needed to satisfy purchase agreement

\$3,151,122	HMC-NRRF Current Balance
- \$3,063,500	<u>Funds needed to satisfy purchase agreement</u>
<u>\$ 87,622</u>	Surplus from HMC-NRRF

HMC-NRRF has a current balance of \$3,151,122, which is a surplus of \$87,622. Therefore, I also request that the remaining \$87,622 from HMC-NRRF be added to the \$600,000 restricted fund (to total \$687,622) to be specifically used for restoration and management goals as outlined in Section 5.4 above. It is hoped that the surplus \$87,622 could be used as seed money to eventually purchase Spearfish Falls and Trails and Hydro 2 as negotiations proceed within the next few years.

that no mining activities have been conducted on the Property by Seller.....that a portion of the Property commonly referred to as Roughlock Falls has for many years been made available to the public as a tourist attraction."

8.4. Known or Suspected Hazardous Substances, Chemicals, Pesticides, Petroleum Products etc:

Draft language in the Purchase agreement states, :Seller [Homestake Mining Company] represents that to Seller's knowledge no investigation or proceeding by any governmental agency is pending related to the presence or discharge of toxic or hazardous substances or wastes on or from the Property."

Of interest to note, the white substance coming off the falls is carbonate precipitating from the water and depositing on vegetation. This is NOT a toxic issue, but a rather unique feature of the geology and water in the Canyon.

8.5. Project's Relationship to Adjacent Land Use:

These parcels will provide compatible uses including public access, solitude, scenic viewing, recreation, wildlife habitat, riparian corridor preservation, timber production, help maintain plant community and watershed integrity and habitat diversity.

8.6. Known Encumbrances:

8.6.1. Savoy #1:

Access to Dunn cabin and lots on M.S. 1742
Rights of ways to Black Hills Power and Northwest Bell (power and phone)
USGS Gage Station at confluence with Annie Creek
Aqueduct and intake dam
State Highway 14A

8.6.2. Little Spearfish Intake:

Easement to USFS for hiking trail to Roughlock Falls
Waterline easement to Spearfish Canyon Resort Lot C
Intake and dam
66 foot County Road Right-of-way to Roughlock Falls and Beyond
Right-of-way permits and license to Black Hills Power (powerline)

8.6.3. Canyon Mouth:

Montana Dakota Utility Easement (gasline)
Easement to City of Spearfish (water line)
License to Rifle Range
Garden permit to Keith Campbell
Right-of-way to Northwest Bell
Right-of-way to Black Hills Power
Right-of-way to Butte Electric
Easement to USFS for Parking Lot along 14A
License to Hattie Nevin for septic tank
Encroachments behind Winterville Area, not of record

Evaluation Level: 4

High: Regulated public access, use and resource protection are ensured in-perpetuity. The South Dakota Department of Game, Fish and Parks recognizes and will treasure the intrinsic values of these lands and will manage access accordingly. Fees will never be charged to view or enjoy these lands.

Plan Section 8.3 Natural Resource Recovery

This project meets the Plan's first objective to return drainages and/or watersheds back into properly functioning habitats through restoration, replacement, enhancement, conservation and/or protection for identified trust resources and lost services. Particular attention was given to viable populations of State and Federal threatened and endangered species and/or species of special concern.

Evaluation level: 4

High: Project enhances or restores substantial, uninjured native wetland, riparian, stream courses and adjacent upland habitats that support a wide array of trust resources and services. State and Federal threatened and endangered species or species of special concern are known to exist. (See Section 5.A. above for list). See narrative in B above.

Plan Section 8.4 Sustainable Benefits

In order to meet the Plan's second objective, HMC-NRRF funds and our cooperative partnerships with appropriate Canyon stakeholders will provide maximum benefits for restored, replaced or enhanced trust resources and services, in perpetuity, when possible. To date, there are no foreseen improvements that would require unreasonable funding. Project restoration varies in complexity depending upon which of the 3 parcels is being evaluated. Savoy Intake will soon be completely restored, Little Spearfish Intake Pond has been completely renovated, Parks and Recreation has conceptual plans and actual funding for Roughlock Falls improvements. The Canyon Mouth has yet to be evaluated for needs. To better evaluate long-term sustainable benefits, I gave a high score to this criterion because this project guarantees conservation, protection and a water right, in perpetuity. Access can be restricted and/or regulated depending upon resource management needs.

Evaluation Level: 4

High: Project complies with all of the Plan's goals and objectives, in perpetuity. Project provides the greatest scope of ecological benefits and sustainable benefits to the most trust resources through fee title interest and transfer of a water right. This project and the State of South Dakota guarantee public access, even if restricted and/or regulated. This project demonstrates that resources will be monitored to ensure public and resource benefits through Department annual plans and normal course of business.

Plan Section 8.5 Likelihood of Success

The Plan's third objective is to evaluate a project's technical feasibility and degree of restoration effort needed. I believe this project requires the least manipulation and least time to implement actions since two of the biggest aquatic renovations are either completed or are in progress. Department budgets and funding plans already have in

proposal, conduct ground reconnaissance, conduct legal research, establish dedicated funding accounts and methods, etc. prior to acquisition.

\$250,000	Hard dollar donation from the Spearfish Canyon Foundation. This equates to 7.55% of \$3,313,500 total funds necessary to satisfy the purchase agreement.
Unquantified	Transferred water right 137-1 from Homestake Mining Company.
Privileged Information	Homestake Mining Company is honoring older appraisals rather than requesting current market prices as part of their Legacy to this project.
\$633,000	Division of Wildlife hard dollars from sale of fishing licenses (not federally matched funds) for the Little Spearfish and Savoy Intake improvements.
\$500,000	Division of Parks and Recreation dollars and federally matched funds for enhancement, environmental resource protection, access management, updated public facilities and toilets, etc.
\$0.00	Hard dollars the Department of Game, Fish and Parks has to contribute towards purchase price.
\$1,383,000	<i>Cooperator Total Contributions</i>
\$3,151,122	<i>Amount requested from HMC-NRRF for fee title acquisition, maintenance and restoration..</i>

My best estimate is that I have approximately half of the hard dollars requested from the HMC-NRRF. If we consider values assigned to the water right and current appraised values of the 3 parcels (which are unknown at this time), I would exceed 50% of the contribution.

Evaluation Level: 3

Medium: The Cooperator's funds are at least 50% or more of the Trustees (HMC-NRRF) contribution to successfully get this projected initiated and implemented for immediate public enjoyment.

Part B. Cooperator's In-Kind Contributions.

Across the State and throughout history, the Department of Game, Fish and Parks has created partnerships and cooperative management agreements with stakeholders for decades. There is already a highly organized coalition of Spearfish Canyon stakeholders and we have met most, if not all of them. We pledge to work together as can be reasonably expected. We cannot form signed agreements or partnerships until after the real estate closing and recording of the deeds and other documents.

parcels. It is highly unlikely that hazardous substances occur on surrounding public lands.

Evaluation Level: 4

High: Project implementation will not cause injury to trust resources due to hazardous substances because such substances are not known to exist on the parcels nor on surrounding public lands.

Plan Section 8.12 Protect Public Health, Safety and the Environment

Any hazards that may exist near roads, highways, powerlines and hiking trails are minimal and will be address through Agency assessments and work plans.

Evaluation Level: 4

High: Project does not create a public health threat or create adverse impacts on human health and safety.

Plan Section 8.13 Consistency with Existing Laws, Policies and Regulations

Evaluation Level: 5

High: Project complies with applicable Federal, State and Tribal laws, policies and regulations (Appendix 3 of the Plan).

Plan Section 8.14 No Duplicate or Replacement Funding

The Trustees will not fund projects that are already funded or accomplished by other means or should be funded by more appropriate sources.

Evaluation Level: *No weighted score, this is more of a statement.*

10. Cultural Resources:

Julie Stone of Homestake Mining Company has historical and recent survey information relative to cultural resources.

11. Threats:

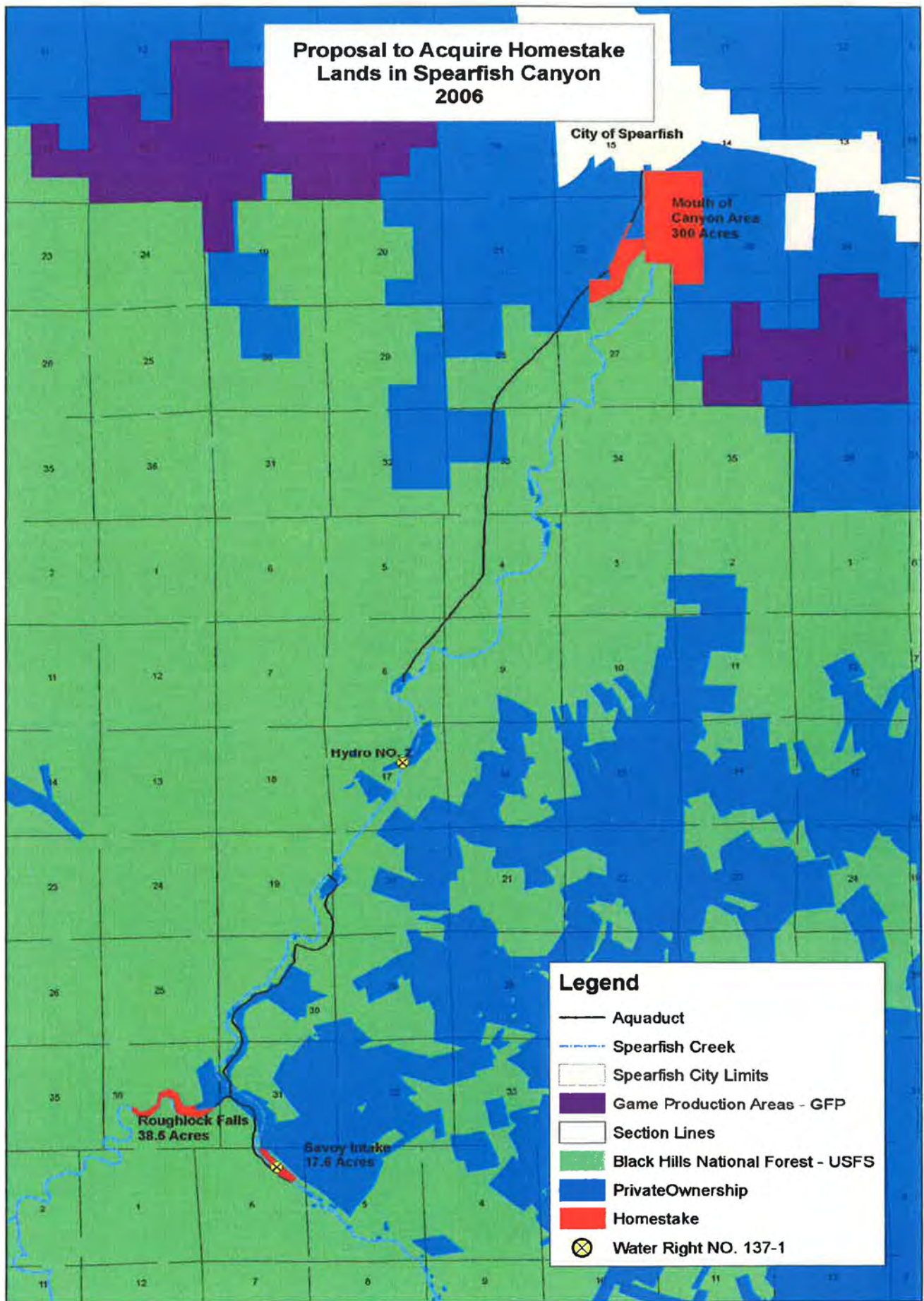
See Introduction and Section 1

12. Project Deadline

Project proposal is within the Plan's timeframe.

13. Notice to County for Land Acquisition

The State of South Dakota and the Department of Game, Fish and Parks has had contact with the City of Spearfish and Lawrence County. I, John L. Cooper, plan a public open house on May 11, 2006, from 4:00 – 9:00 pm at the Spearfish City Hall Council Chambers, 625 5th Street, Spearfish. The Department and the US Fish and Wildlife Service will prepare a notice to acquire certain lands in Spearfish Canyon for the City of Spearfish and Lawrence County's consideration. A question and answer session will be convened to address comments about this proposal from local and state officials, landowners, business and other interested publics.





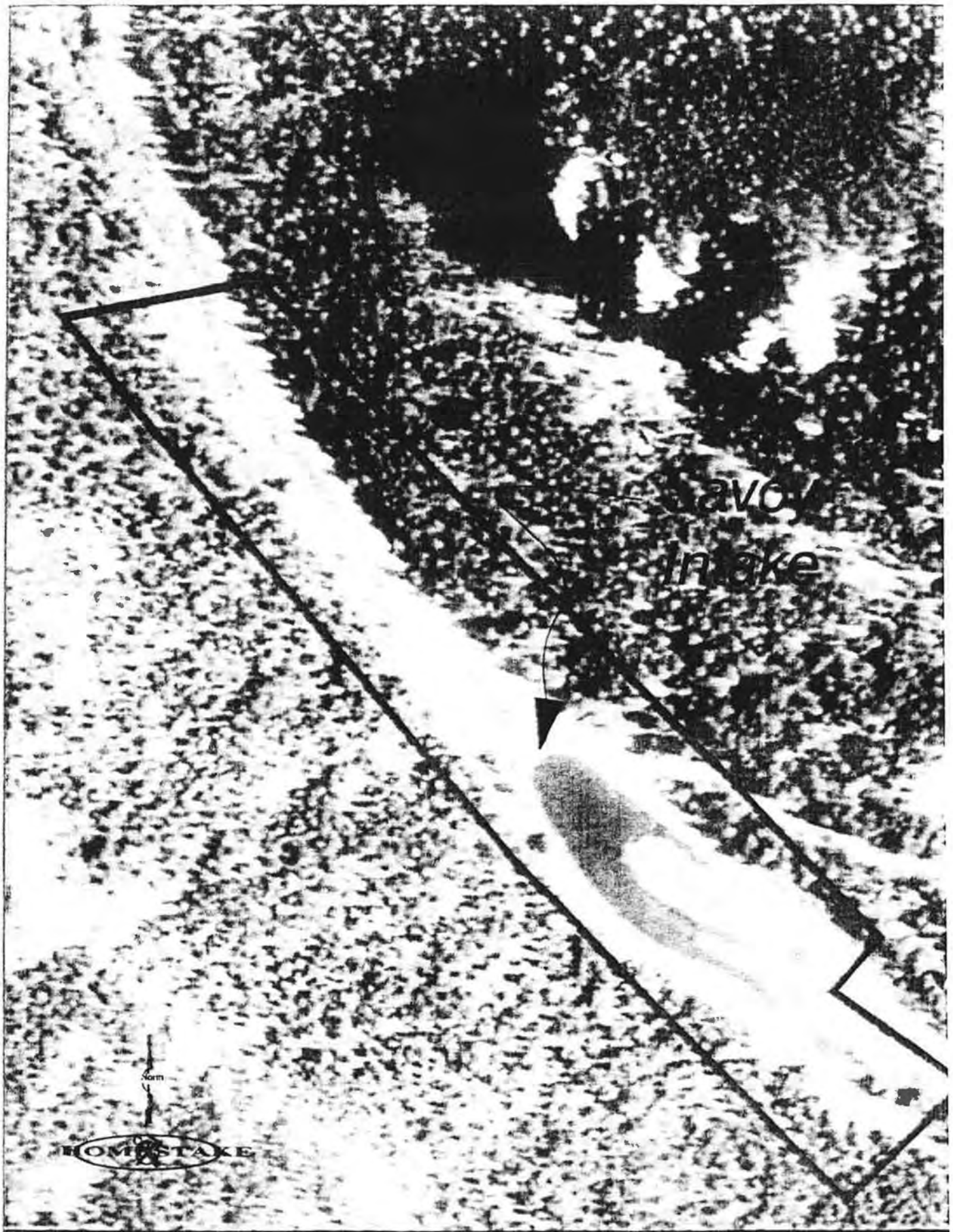
MOUTH OF CANYON - #8

DATE 5.27.2003
DRAWN BY KAUCHAMPACH
DWG DisposeMap/SpearishCanyon/
PhotoSite3.dwg



Roughlock Falls #4

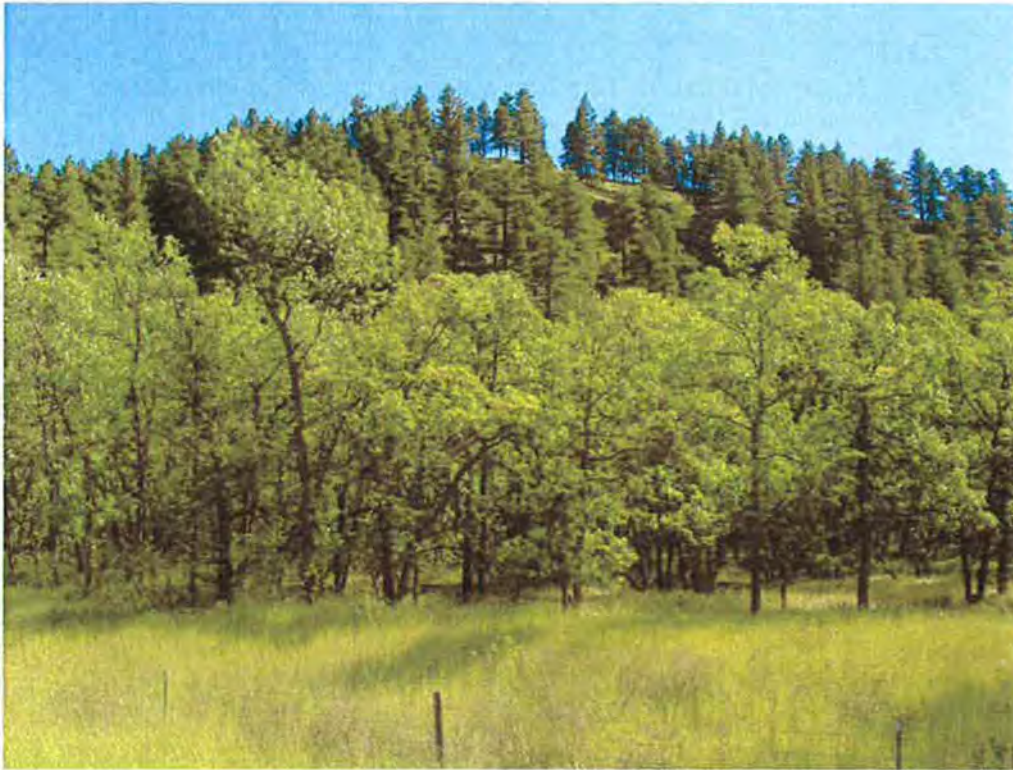
DATE 5-12-2003
 DRAWN BY G. J. CHAMPAGNE
 CWC: Dispersal Maps, Sonoran Canyon
 Garden, Laramie, WY Photosite: 4.2.03



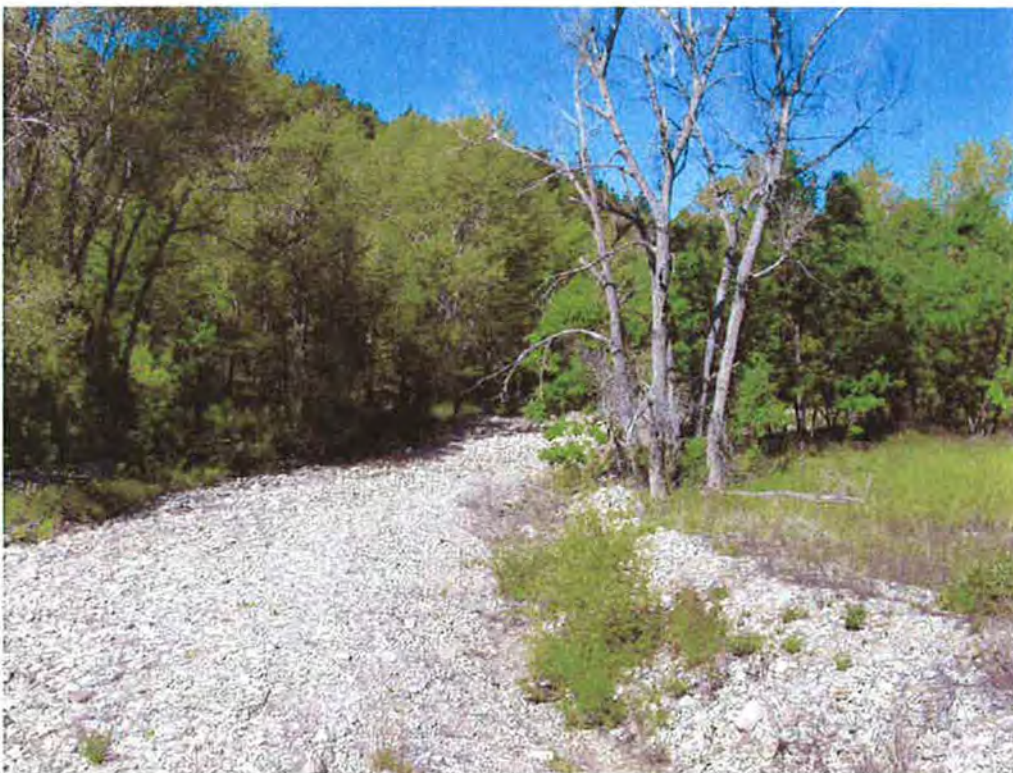
Savoy Intake #1

DATE 5-17-2003
DRAWN BY K. AUCHAMPACH
CWA DesktopMapsOceanic.com
PhotoSite: cwa

Canyon Mouth Parcel: 300 acres



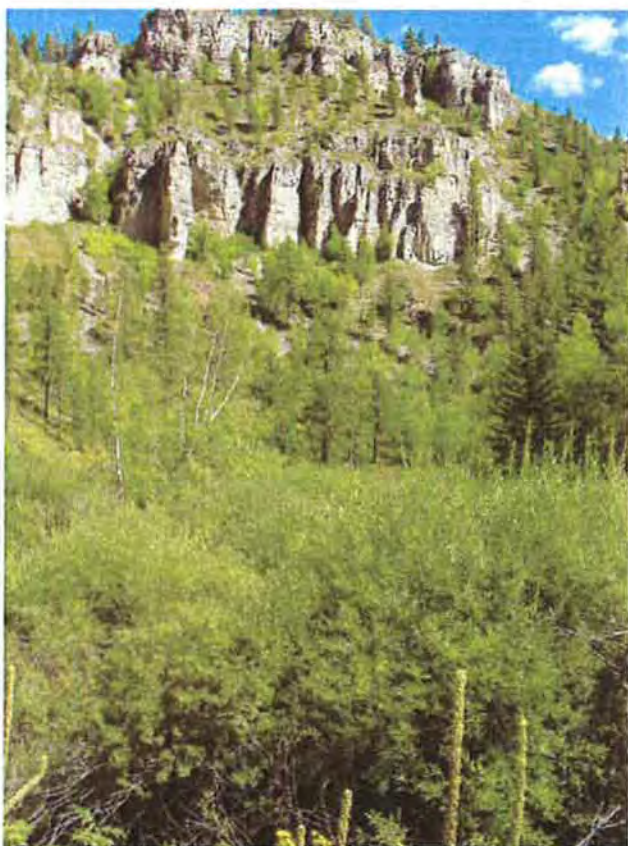
Bur oak and hardwood bottoms, ponderosa pine uplands



Spearfish Creek creekbed, hardwood forests

Roughblock Falls and Little Spearfish Intake Parcels: 38.25 acres





Canyon views from Roughlock Falls picnic area and parking lot



Little Spearfish Intake and Weir

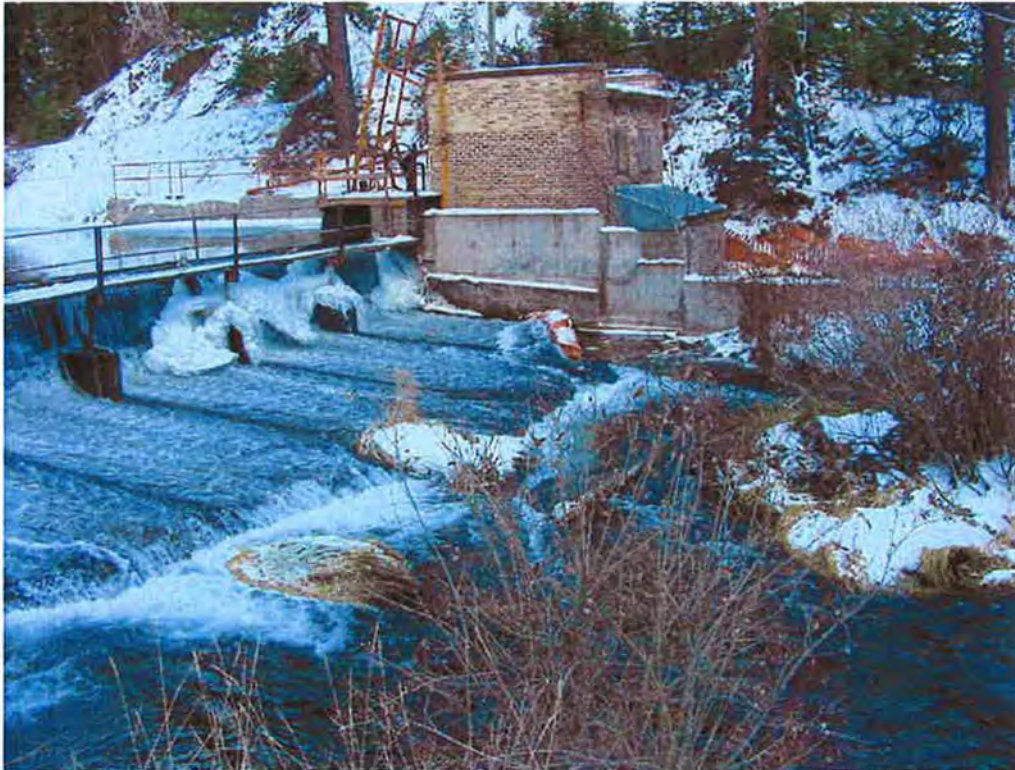


Before 2005 Renovation



After 2005 Renovation

Savoy Intake Parcel : 17.16 acres



Current Condition – Renovation Planned for 2006

