

January 25, 2011

Dear Colleagues,

Last Friday, the Arizona Dept. of Mines & Mineral Resources shut down operations when they ran out of money. However, at the same time, the DMMR governing board transferred custody of the department's files and physical resources to the Arizona Geological Survey for one year, or until the State Legislature acts on the Governor's proposal to consolidate the two agencies or takes other action.

AZGS committed to keeping the doors open to the ADMMR offices in Phoenix and public access to their extensive records, maps, and reports, at least through the end of the state fiscal year, June 30, pending the Legislature's decision. DMMR Director Dr. Madan Singh officially retired on January 21, but graciously agreed to come back as needed to help in the transition and to finalize any outstanding reports. All the other DMMR staff accepted offers of employment with the AZGS at their current status and were transferred without interruption.

AZGS did not assume the statutory duties of DMMR nor is this a merger of the agencies. DMMR continues to exist in statute and the Governing Board is responsible for the department assets and remaining funds. AZGS will report on our custodianship on a regular basis to the Board. The statutory duties of the mines department and the geological survey are complementary and the Survey's mission is written broadly enough that we all feel we can continue to meet the needs of the citizens, agencies, and businesses of Arizona with regard to the mines department's assets, both physical and intellectual.

We are currently reviewing the external contracts and grants to DMMR to ensure we can complete the commitments made in them at which time we will request approval from the funding sources for us to manage them under the original terms.

DMMR holds the state's most extensive collection of historical and technical mine and mineral resource files, including many from now-defunct companies or personal libraries. They are irreplaceable.

Yes, these files are invaluable to the small-mine operator as newspaper reports have emphasized, but they are also heavily used by other government agencies, by the bigger companies that have not worked in Arizona, and a variety of land owners, among others.

DMMR works with the Arizona Corporation Commission and the Attorney General to provide them with solid engineering and economic evaluations on the issuance and sale of mining securities. Selling phony mining stock has been a favorite of scammers and con artists for years.

DMMR's customers are also other state and federal agencies, who need reliable information about mining projects across the state to understand the economic, planning, and environmental impacts that need to be dealt with. ADMMR, like AZGS, participates as a cooperating agency in numerous federal EIS processes, bringing their mining engineering expertise to bear.

DMMR's state funds would have run out at the end of January. With the state's dire fiscal situation and severe budget cuts being imposed everywhere, an emergency budget increase for them was just not

realistic. Instead, Gov. Brewer recognized that consolidating our two small agencies with complementary missions makes sense. We can preserve their critical records.

Over the past three years, and in the midst of a nationwide recession, AZGS has grown at unprecedented rates due to our success in bringing in external funds to subsidize and underwrite our work on state issues that the state can no longer fully fund. We have a more stable funding base, greater infrastructure, and a support staff that we can bring to the consolidated agencies. The resulting economies of scale promises better service to you and our other customers and stakeholders at a lower cost.

This consolidation has all occurred in just three days, so the dust won't be settling for a while, but I am confident that we will come out with an agency that can better meet the needs of all our constituents, whether it's a weekend miner or the world's largest producers, as well as the range of federal land management agencies and environmental organizations.

I expect you have questions or concerns about what this means. We'll try to answer them the best we can but frankly, we're breaking new ground here and we are still discovering, in some cases, just what the questions are. There are a lot of details that we continue to work out but the transfer overall was smooth and our combined operations are working as usual.

I want to personally thank Madan Singh, the DMMR Board members, and the former DMMR staff for their selfless cooperation during this wrenching time for them. Gov. Jan Brewer has put her senior staff to work on this, along with the heads of the finance, administration, and personnel agencies, to make sure the transfer was completed almost overnight to preserve DMMR's records and maintain continued access to them.

Best regards,

A handwritten signature in cursive script that reads "M Lee Allison".

M. Lee Allison
State Geologist & Director
Arizona Geological Survey