

**PERMIT NO. OT006MN
IRON DUKE MINE
MINIMAL IMPACT NEW MINING OPERATION**

**MINING AND MINERALS DIVISION
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**

This permit is issued by the Director of the Mining and Minerals Division (MMD) of the New Mexico Energy, Minerals and Natural Resources Department to:

Gulf Coast Mining Group, LLC/David Shaheen/David Davidson

Whose correct address is: 4000 Legato Rd., Suite 1100
Fairfax, Virginia 22033

(Permittee) for the Iron Duke Mine located on patented mine claims (Iron Duke, Cinco de Mayo, Virginia, and Barbara) within the Jarilla Mountains of the Orogrande Mining District in Otero County, New Mexico.

The Minimal Impact New Mining operation is accessed via existing access road across lands managed by the New Mexico State Land Office (SLO) and the federal Bureau of Land Management (BLM). The permitted activities will include the removal of existing subgrade ore piles (waste piles) located on the surface and containing iron ore (hematite and magnetite) left from previous operations. The waste piles will be excavated, loaded onto haul trucks and either processed onsite or transported out of state for processing. After removal of the waste piles, the Permittee will reclaim all surface disturbances resulting from mining: roads, staging areas, and mined areas. The reclaimed surface disturbances will be reseeded in a manner that allows for development of local native vegetation.

Section 1. STATUTES AND REGULATIONS

This Permit is issued pursuant to the New Mexico Mining Act, NMSA 1978, §69-36-1, et seq. (May 31, 2001, and Amendments added as of April 2009).

This permit is subject to all applicable regulations of the New Mexico Mining Act (Act), New Mexico Mining Act Rules (§19.10.1 New Mexico Administrative Code (NMAC) through §19.10.14 NMAC) and any other regulations which are now or hereafter in force under the Act; and all such regulations are made a part of this Permit by this reference.

Section 2. PERMIT APPLICATION PACKAGE

The Permit Application Package (PAP) is comprised of a Subpart 3 Minimal Impact New Mining Operations Permit Application, submitted July 15, 2011. The Permittee shall conduct mining and reclamation operations only as described in the approved PAP and any modifications approved by the Director pursuant to §19.10.6.608 NMAC. The Permittee shall comply with any and all modifications that are incorporated into the PAP. Any correspondence subsequently submitted to MMD, by the Permittee or its representatives, can be found at MMD offices within the Division's files and is titled: *Iron Duke Mine, OT006MN*.

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The PAP is comprised of the following documents:

1. *Subpart 3 Minimal Impact New Mine Permit Application*, dated July 15, 2011. The submittal also includes the following specific documents titled:
 - a) *Plate 1A: Aerial Photograph with MS Claim Overlay; Existing and Proposed Operation Areas, and Contours*, dated November 3, 2011.
 - b) *Plate 1B: Plate 1A Identifiers, Areas, and Categorization of Areas for Phased Mining of the Iron Duke Project*, dated November 3, 2011.
2. An incremental financial assurance schedule, dated November 3, 2011.

Section 3.

PERMIT AREA

The Permittee is authorized to conduct mining and reclamation operations only on those lands that are specifically designated and authorized as the permitted area (Permit Area). The Permit Area is on patented lode mining claims (Iron Duke, Cinco de Mayo, Virginia, and Barbara) within the Orogrande Mining District, located northwest of Orogrande, in Sections 3 and 4, Township 22 South, Range 8 East, N.M.P.M., in Otero County, New Mexico, as delineated within the PAP. Site access is via Highway 54, approximately 2.8 miles north of Orogrande, then west on an unnamed dirt road approximately 2.5 miles to the project area and mine site. The Permit Area is situated at an elevation of approximately 5100 feet and involves approximately 344,124 ft² (7.9 acres) in total disturbance.

Section 4.

FINDINGS OF FACT

- A. The PAP is complete and demonstrates that the proposed operation will meet the performance and reclamation standards and requirements of Subsection D, Paragraphs 1 through 10, of 19.10.3.304 NMAC.
- B. The Permittee has paid the initial permit application fee of \$1,000.00, as required by Subsection D of 19.10.2.201 NMAC.
- C. The Permit Area is on patented mining claims and the Permittee has provided to MMD, as part of the application, a statement of the basis upon which Permittee has the right to enter the Permit Area for the purpose of conducting mining and reclamation pursuant to §19.10.304.D.1 NMAC.
- D. The Post Mining Land Use is designated as “wildlife and grazing.”
- E. The mining operation will take place in two phases, Phase 1 and Phase 2, and the financial assurance (FA) will be secured to cover the reclamation costs of Phase 1. Only when mining and reclamation is complete for Phase 1 activities may the Permittee be authorized to progress to Phase 2 of the mining operations, after securing the necessary amount of FA to cover the costs of reclaiming Phase 2 of the project.
- F. The Permittee is required to provide financial assurance in the amount of \$15,597.00, to cover the costs of a third party to reclaim the disturbances associated with Phase 1, in

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accordance with Subsection E of 19.10.3.304 NMAC, which specifies requirements for filing financial assurance for minimal impact mining operations.

- G. The Permittee is not in violation of the terms of another permit issued by the Director or in violation of a substantial environmental law or substantive regulation at another mining operation in the United States, has not forfeited or had forfeited financial assurance required for another reclamation or mining permit in the United States.
- H. The Permittee has signed a notarized statement that it agrees to comply with the requirements of the Permit, the Rules, and the Act and allows the Director to enter the Permit Area for the purpose of conducting inspections.
- I. The Secretary of the New Mexico Environment Department (NMED) has provided a written determination, dated August 10, 2011, stating that the operation is likely to have minimal environmental impact if operated and reclaimed in accordance with the approved permits, and will be expected to achieve compliance with all applicable air, water quality and other environmental standards if carried out according to the reclamation plan. This determination addresses applicable standards for air, surface water and ground water protection enforced by, or for which, the Environment Department is otherwise responsible.
- J. This Permit neither grants nor creates any property rights, nor does MMD, by issuing this Permit or otherwise, make any comment on the surface or mineral rights that the Permittee may or may not have in the area covered by the Permit; only that the Permittee has provided to MMD, as part of the application, a statement of the basis upon which Permittee has the right to enter the permit area for the purpose of conducting mining and reclamation. Permittee is solely responsible to take whatever steps are necessary to ensure that Permittee has property rights sufficient to support the activities authorized by this permit.
- K. Ownership of the access road identified on Plate 1 of the PAP, which is used to access the Permit Area, is in dispute between the BLM and Otero County. Portions of the access road also transgress land that is owned by the State of New Mexico. Applicant has disturbed areas adjacent to the access road with the intent of improving the road for use in its operation on the current Permit Area.

Section 5.

COMPLIANCE REQUIREMENTS

The Permittee shall comply with the statutes and regulations referred to in Section 1 of the permit and with all applicable regulatory and permitting requirements. The issuance of the permit does not relieve the Permittee from the responsibility of complying with other state and federal requirements and standards.

Section 6.

AGENCY RIGHT OF ENTRY

The Permittee shall allow the authorized representatives of the Director, without advanced notice, upon presentation of appropriate credentials, and without delay:

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- E. The following seed mixture and application rate of pure live seed (PLS), per acre, will be used. Species substitutions and deviations to application rates must be approved by the Director.

<u>Species</u>	<u>Application Rate (lbs./acres PLS)</u>
Bush muhly (<i>Muhlenbergia porteri</i>)	2.0
Sideoats gramma (<i>Bouteloua curtipendula</i>)	2.0
Sand dropseed (<i>Sporobolus cryptandrus</i>)	2.0
Plains bristlegrass (<i>Setaria macrostachya</i>)	2.0
Scarlett globemallow (<i>Sphaeralcea coccinea</i>)	1.0
<u>Fourwing saltbush (<i>Atriplex canescens</i>)</u>	<u>2.0</u>
 Total	 11.0 lbs of PLS/acre

- F. If possible, seeding shall coincide with, or shortly precede, the onset of seasonal monsoon showers. Seed will be applied using a seed drill, or hand sown by broadcasting the seed mix that is described in Section 10.E of this Permit.
- G. To facilitate contemporaneous reclamation, FA is assigned in two successive phases (Phase 1 and Phase 2) of project activity. FA for reseeding will remain in place for the duration of the project, will not be transferred in phases, and may only be released at the end of the project when conditions specified in this Permit are satisfied.

Upon the completion of Phase 1 reclamation, and following MMD approval of the Phase 1 surface reclamation, the FA associated with Phase 1 reclamation will be assigned to Phase 2 activities, to be followed by the same reclamation approval process that is described as follows:

- a. Permittee will provide to MMD a Phase 1 Termination Report describing the reclamation measures and tasks completed.
 - b. MMD will inspect the Phase 1 reclamation to assure all Permit conditions for FA transfer have been met.
- H. For Phase 1 of the project, the Permittee shall maintain FA in the approved total amount of \$15,597.00, using one or more approved FA instruments, pursuant to 19.10.12 NMAC, to cover third-party costs of:
- a. regrading and initial seeding of all disturbed surface areas (surface reclamation), and;
 - b. any necessary reseeding of areas that have been previously reclaimed and initially seeded, to meet the Vegetation Standard provided for in Section 10.P of this Permit.
- I. The Permittee will not initiate Phase 2 activities until the MMD has inspected and approved the reclamation of Phase 1. Prior to initiating activities for Phase 2 the Permittee will submit

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a reclamation report describing the Phase 1 reclamation, for MMD approval, according to the requirements of this Permit.

- J. For each phase of reclamation, the Permittee will provide, prior to any inspection that the MMD may perform, such documentation that will support a decision to approve the next phase of surface disturbance, including a spreadsheet tabulation and map to illustrate acreages and locations of reclaimed surface disturbance and unreclaimed surface disturbance.
- K. The site will be considered reclaimed and eligible for transferring the financial assurance to Phase 2 once the following criteria have been met:
 - a. the Permittee has successfully regraded and recontoured all Phase 1 disturbances to match the existing land surface and topography and to achieve positive surface drainage.
 - b. the Permittee has reseeded, in accordance with Conditions D and E above, and no significant erosion is evident on reclaimed areas.
- L. The success of the revegetation will be demonstrated, after 12 years of growth, by a quantitative technical standard (technical standard) designed to predict long-term success of vegetation cover and diversity.
- M. Following surface reclamation activities, site monitoring shall be conducted by the Permittee to assure successful initial establishment of vegetation and stabilization of the site. Areas that do not emerge with successful vegetation by the end of the third growing season, following seeding, will be reseeded or inter-seeded with the approved seed mix, unless an alternate plan is approved by the MMD. Any reseeded or inter-seeding may require supplemental seedbed preparation, mulching, grading, and/or application of waterbars, or other appropriate BMPs to prevent erosion and site degradation, as required by the MMD.
- N. Following reclamation activities, periodic site monitoring shall be conducted by the Permittee and reported to the MMD to ensure the successful establishment of vegetation, control of noxious weeds or undesirable plant species, and stabilization of the site.

Any area where vegetation is disturbed, or where significant soil compaction has occurred, including pads and most travel routes, will be reclaimed using methods to scarify or rip, seed, and mulch such disturbed surfaces, as described in C and D above and the PAP.

- O. A vegetation reference area shall be identified and proposed by the Permittee to MMD within 180 days of the approval date of this Permit.
- P. The site will be considered reclaimed and eligible for release of FA once the following criteria have been met:
 - a. canopy cover within the reclaimed area equals at least 75 percent of canopy cover within the identified reference area;
 - b. species diversity within the reclaimed area approximates the species diversity within identified reference area;

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- c. noxious weed species percent cover does not exceed that of the reference area;
and
 - d. no significant erosion is evident on reclaimed areas.
- Q. If any habitation sites, human remains, objects of cultural patrimony or any buried cultural resources are discovered or inadvertently uncovered during mining activities, all work should immediately cease within the area of discovery, the remains should be protected in place, and the New Mexico Department of Cultural Affairs, Historic Preservation Division, should be immediately notified (505. 827.6320).
- R. Any mining and excavation equipment, or other non-mining-related equipment also associated with the mining and reclamation operations, and/or listed within the PAP, must be stored entirely within the Permit Area or removed from the area while not in use. All fuel, lubricants or any other chemicals and/or any toxic fluids will be stored within the Permit Area in properly labeled containers and be stored in excess of 100 feet from any drainage channel and/or water source. Fuel and oil transfer to equipment shall occur over a leak-proof liner to catch drips or spills, and all equipment fueling will occur exclusively within the Permit Area.
- S. Report any spills immediately to the New Mexico Environment Department, as required by the New Mexico Water Quality Control Commission regulations §20.6.2.1203 NMAC. For non-emergencies during normal business hours, call: (505) 428-2500. For non-emergencies after hours, call: 866-428-6535 or (505) 428-6535 (voicemail 24 hrs. /day). For emergencies only, call: (505) 827-9329, 24 hrs. /day to contact the New Mexico Department of Public Safety.
- T. No excavation or filling shall take place within any watercourses designated as “Waters of the United States,” until the required permits or consultations are obtained from the U.S. Army Corps of Engineers. A copy of such approval shall be provided to MMD when obtained. Discharge of this water, or any other process-related fluids, to the ground surface or to an ephemeral watercourse (Waters of the U.S.), may be a violation of the Clean Water Act and is prohibited.
- U. The Permittee must comply with all requirements of federal and state laws pertaining to air quality requirements pursuant to §20.2.72 NMAC.
- V. The Permittee shall ensure that activity at the site is in compliance with the approved permit and the NM Mining Act Rules, and any changes, modifications or amendments to the approved permit must be approved prior to implementation. The Permittee shall notify MMD at least 30 days prior to initiating any reclamation approved pursuant to this permit. Any modifications, or any other field adjustments or changes not preapproved as part of this Permit, must be approved prior to implementation pursuant to §19.10.6.608 NMAC.
- W. As necessary throughout the Permit Area, the Permittee shall implement site-specific erosion control measures, or Best Management Practices (BMP’s), in a manner that prevents direct impacts to surface water and watercourses and that are designed, constructed and maintained using professionally recognized standards (e.g., the Natural Resource Conservation Service

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Standards, or the Bureau of Land Management's "Gold Book" publication titled: *The Surface Operating Standards and Guidelines for Oil and Gas Mining and Development*) for surface disturbances during the mining project and reclamation activities. BMP's will be implemented, as needed, for erosion control, surface disturbances, temporary low-water crossings, spill prevention and the avoidance of, or damage to, ephemeral stream channels in the area. Placement of water bar structures, or other appropriate measures, should be taken to reduce head-cutting adjacent to roads and to prevent roadways from channelizing surface flow. Erosion control measures that are damaged or ineffective shall be repaired, replaced or redesigned, as necessary, within 24 hours, or as soon as reasonably possible following discovery of damages. The Permittee shall commit to using a variety of erosion control measures, as needed, if erosion control problems develop.

- X. The Permittee shall monitor the site, at least once per year for the duration of the permit, in order to assure knowledge of the general site conditions and compliance with the permit and the approved Permit Area. Any significant erosion damage will be mitigated by regrading and/or application of water-bars, or other BMP's, to prevent erosion and site degradation.
- Y. All lands to be disturbed by the mining operation will be addressed under the performance reclamation standards and requirements of 19.10.3.304 NMAC and in accordance with the reclamation plan provided in the PAP.
- Z. The Permittee will maintain the Permit until reclamation is completed at the site. The term of the permit is governed by 19.10.6.607 NMAC.
- AA. The Permittee shall submit annual reports pursuant to 19.10.6.610 NMAC.
- BB. The Permittee is authorized to operate a minimal impact mining operation. The mining operation will have minimal impact on the environment, pursuant to Subsection M, Paragraph 2 of 19.10.1.7 NMAC. In addition, the mining operation will not exceed 6.9 acres of disturbed land. The Iron Duke Mine will no longer qualify as a Minimal Impact operation if permit authority is exceeded or if any of the characteristics described in Subsection M, Paragraph 2 of 19.10.1.7 NMAC, exist.
- CC. This Permit is conditioned on the requirement that, when the dispute between BLM and Otero County over ownership of the access road has been resolved, Applicant will apply for a revision of this Permit in order to include in the Permit Area all areas that Applicant has disturbed in connection with the use and/or improvement of the access road.

Section 11.

CONCLUSIONS OF LAW

- A. The Director concludes the application meets the requirements of a "Minimal Impact Mining Operation," addressed in Subsection M, Paragraph 2 of 19.10.1.107. The operation authorized by this permit is eligible as a minimal impact operation, and the Permittee is authorized to operate a minimal impact mining operation, pursuant to Subsection M, Paragraph 2 of 19.10.1.107 NMAC and Subsection A of 19.10.3.304 NMAC.
- B. The PAP is complete and accurate and complies with the requirements of the Act and 19.10.3.304 NMAC.

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- C. The Director has jurisdiction over the Permittee and the subject matter of this permit and process.

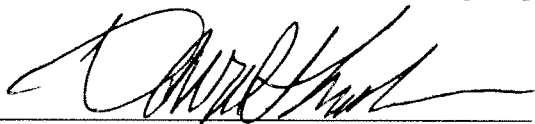
- D. The Permittee, Gulf Coast Mining Group, LLC, is permitted to conduct mining and reclamation operations on the Permit Area upon the condition that the Permittee complies with the requirements and conditions of the Act, the Rules, and this Permit, and upon the submission of such annual reports and fees as may be required under 19.10.6.610 NMAC and 19.10.2 NMAC.

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CERTIFICATION

I certify that I have read, understand and will comply with the requirements of the Permit. I also agree to comply with the performance and reclamation standards and requirements of the Permit, the Rules, and the Act, and allow the Director to enter the Permit Area without delay for the purpose of conducting inspections during mining and reclamation.



Authorized Representative of the Permittee

MANAGER

Title

GULF COAST MINING GROUP, LLC

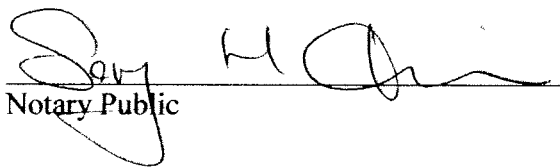
Company

Authorized Representative of the Permittee

Title

Company

Subscribed and sworn to before me this 24th day of JAN, 2012


Notary Public

My Commission Expires

10/31, 2015



Sang Hyun Kim
NOTARY PUBLIC
Commonwealth of Virginia
Reg. #7500081
My Commission Expires
10/31/2015

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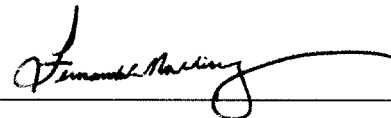
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ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that the Permit Application Package of Gulf Coast Mining Group, LLC, to conduct mining and reclamation operations at the Iron Duke Mine in Otero County, New Mexico, is approved. The Permit may not be transferred without approval by the Director. The Permit is subject to all conditions set out in the Director's Findings of Fact, Conditions and Conclusions of Law, and Order.

By Order of the Director, Mining and Minerals Division, Energy, Minerals and Natural Resources Department, of the State of New Mexico.

Mining and Minerals Division

BY:  _____

Fernando Martinez, Director
Mining and Minerals Division
Energy, Minerals and Natural Resources Department

DATED: 02/02/2012