

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**F. David Martin**  
Cabinet Secretary

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Fernando Martinez, Director**  
Mining and Minerals Division



October 16, 2014

Mr. Chuck Motley, Chief Executive  
El Capitan Precious Metals, Inc.  
8390 Via de Ventura, Suite F-110  
Scottsdale, AZ 85258

**RE: Responses to Technical Comments on Proposed Modification 14-1 to Permit No. LI005ME,  
Capitan Iron Mine, Lincoln County, New Mexico**

Dear Mr. Motley,

The Mining and Minerals Division (MMD) has received, on September 5, 2014, a response from El Capitan Precious Metals, Inc. ("El Capitan") to the technical comments MMD provided in a letter dated August 1, 2014. MMD provided those technical comments after completing a technical review of the permit application package ("PAP") from El Capitan LTD (El Capitan) requesting a permit modification ("Mod 14-1) to your existing minimal impact mining permit (No. LI005ME). The PAP proposes to update the mining plan, reclamation plan, and the associated financial assurance for the Capitan Iron Mine located in Lincoln County, approximately 6 miles north of Capitan, New Mexico.

MMD has reviewed the responses and provides the following comments and request for additional information.

1. In reference to technical comment No. 1 in MMD's letter of August 1, MMD requested a more detailed topographical map, with scale, for each phase (1-3) of mining to be referred to as the "disturbed area limit(s).

In your September 1 response, you provided a topographic map of the region without marking the exact location of the access road(s), the permit boundaries, and the exact locations of the permit design limits. You also provided a general schematic of the proposed areas (3) of disturbance without providing specific locations and boundaries, or topographic contours. Please provide a detailed and accurate topographic map with the permit boundaries (patented claim boundaries?) clearly and accurately marked, and the exact boundaries of the proposed 3 permit design limits of the phased disturbance. Please note, this detailed map is critical and will be used to review in more detail your proposed operations and reclamation plans and, if and when approved, will be the official permit boundaries and disturbance limits of the permit.

2. In reference to technical comment No. 4 in MMD's letter of August 1, MMD communicated to you that the PAP indicates that additional access (west side of the permit area) will occur on USFS lands and asked, per 19.10.3.303.H, you to provide evidence that the USFS has approved or acknowledged the proposed access and/or operation.

It is now MMD's understanding that only the existing primary access, USFS Road 489A, would be utilized at this time. In addition to this access point, please clarify whether or not El Capitan still plans to access the permit area via the other proposed routes on the west side of the patented claim as indicated on page 8 of the PAP.

3. In reference to technical comment No. 5 in MMD's letter of August 1, MMD required, for the sake of estimating the cost of reclamation and the financial assurance amount, the anticipated dimensions for all these pits to be excavated in phases 1, 2, and 3.

In your response, dated September 5, you state that all excavated waste material would be returned to the pit after processing. Based upon review of the proposed mining operations and reclamation plan MMD believes that in reality some stockpiled materials will have to exist in order to operate per the described mine plan. Subsequently, the proposed financial assurance amount of \$51,600.00 needs to be supplemented for reclaiming all stockpiled materials (\$7,800.00), in addition to monies needed for demolition of all fencing (\$8,595.00), removal and disposal of all refuge and scrap (\$2,900), and maintaining Forest Road 489A during reclamation activities (\$3,600.00). Subsequently, MMD believes the appropriate, and approvable, financial assurance amount to be \$74,495.00.

If you agree with MMD's cost estimate of \$74,495.00 you will need to submit the financial assurance prior to MMD approving and issuing the permit modification. If you disagree with MMD's financial assurance cost estimate please provide a detailed cost estimate and supporting description of any discrepancies with MMD's cost estimate.

If you have any questions, please contact me at 505-476-3438.

Sincerely,



Chris Eustice, Permit Lead, MARP/MMD  
Mining Act Reclamation Program (MARP)

Cc: Fernando Martinez, Acting Director, MMD  
Holland Shepherd, Program Manager MARP  
David Warnack, District Ranger, USFS-Lincoln NF  
Mine File (OT006MN)

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