

Ennis, David, EMNRD

From: John Lown <john.lown@menefeemining.com>
Sent: Monday, November 23, 2015 1:09 PM
To: Ennis, David, EMNRD
Cc: Tyler Lown; Crosley, Davena, EMNRD; Ohori, David, EMNRD
Subject: Re: Menefee Mining Corporation Site Compliance
Attachments: SKMBT_C22015112314590.pdf

John F. Lown

President
8144 Walnut Hill Lane, Suite 987
Dallas, Texas 75231
P: 214.750.4696 F: 214.750.1158

Processing Plant
36 Duke City Road
Cuba, NM 87013
P: 575.289.0259 F: 575.289.0263

On Apr 9, 2015, at 11:41 AM, Ennis, David, EMNRD <David.Ennis@state.nm.us> wrote:

John and Tyler,

Thanks for your response regarding the mill site. It would probably be best to discuss these over the phone, but here are a few comments/questions about the plan submitted by Menefee:

1. For the 3.3 acres that Menefee is planning on reclaiming, is Menefee planning on burying the excess humate piles then covering that burial cell with topsoil from the surrounding area? Or is Menefee planning on grading/re-shaping the humate piles and covering it with topsoil? What is the thickness of topsoil Menefee is planning on applying? How will erosion of the topsoil be controlled?

We plan on grading/re-shaping the humate piles to return the impacted area to 10 acres. We will cover the re-shaped area with 18" of topsoil from surrounding area which is owned free and clear by Menefee Mining Corporation. The area will be contoured in a manner to prevent any further erosion. We will plant grass seed that is comparable to the surrounding area by the end of May to take advantage of the July rain fall.

2. Where is the location of the 3.3 acres planned for reclamation? A map or google earth image showing the location would be helpful.

The reclaimed area will be east of the current stockpile of humate at the site under review. Please see attached map.

3. Where is the borrow topsoil going to be obtained from? Please show the location on a map or google earth image.

We will cover the re-shaped area with 18" of topsoil from surrounding area which is owned free and clear by Menefee Mining Corporation.

4. Regarding the appraisal of the overall plant site and adjoining land to serve as collateral for the financial assurance:

- a. Any appraised value of the plant site itself (including the buildings, equipment, infrastructure, etc.) cannot be used as financial assurance because this would constitute "salvage value" which isn't allowed according to the Rules. 19.10.12.1205 of the Rules states, in part, "Credit for salvage value of building materials or abandoned equipment and supplies shall not be allowed."
- b. The use of real estate as collateral is allowed by the Rules, however there are specific conditions that apply. For instance, 19.10.12.1208.C(3) states, in part, "The real property [used as collateral] cannot be within the permit or affected area of a mining operation." So, similar to the above, this excludes the plant site itself. The remainder of Menefee's +/- 240 acre property could still be used as collateral, it would just have a "donut hole" where the plant site is located because the plant site has to be excluded from the collateral.
- c. I've attached the language from the Rules pertaining to real property used as collateral for your review.

We will follow the guidelines as specified in the information you sent to us as to "Collateral Bonds - Valuation of Collateral - Real Property provided as collateral". Please send us the names of approved appraisers approved by the Director so we can begin the approval process. If required please give us the parameters of the phase 1 Environmental assessment for this project. Can this be part of the property appraisal?

Before ya'll get started on any reclamation or tasks described in these emails, I would encourage us to meet again by phone to discuss some of these issues to help ensure that the tasks get completed in the most efficient and economical way possible.

I am also planning on putting these, and potentially other, comments in an official letter from MMD to ya'll for the file records.

If you have any questions, please let me know.

Thanks,
DJ

From: John Lown [<mailto:john.lown@menefeemining.com>]
Sent: Wednesday, April 01, 2015 3:26 PM
To: Ennis, David, EMNRD
Cc: Tyler Lown
Subject: Menefee Mining Corporation Site Compliance

David,

In response to your most recent letter concerning the steps required to bring or milling site in compliance, we are taking the following actions:

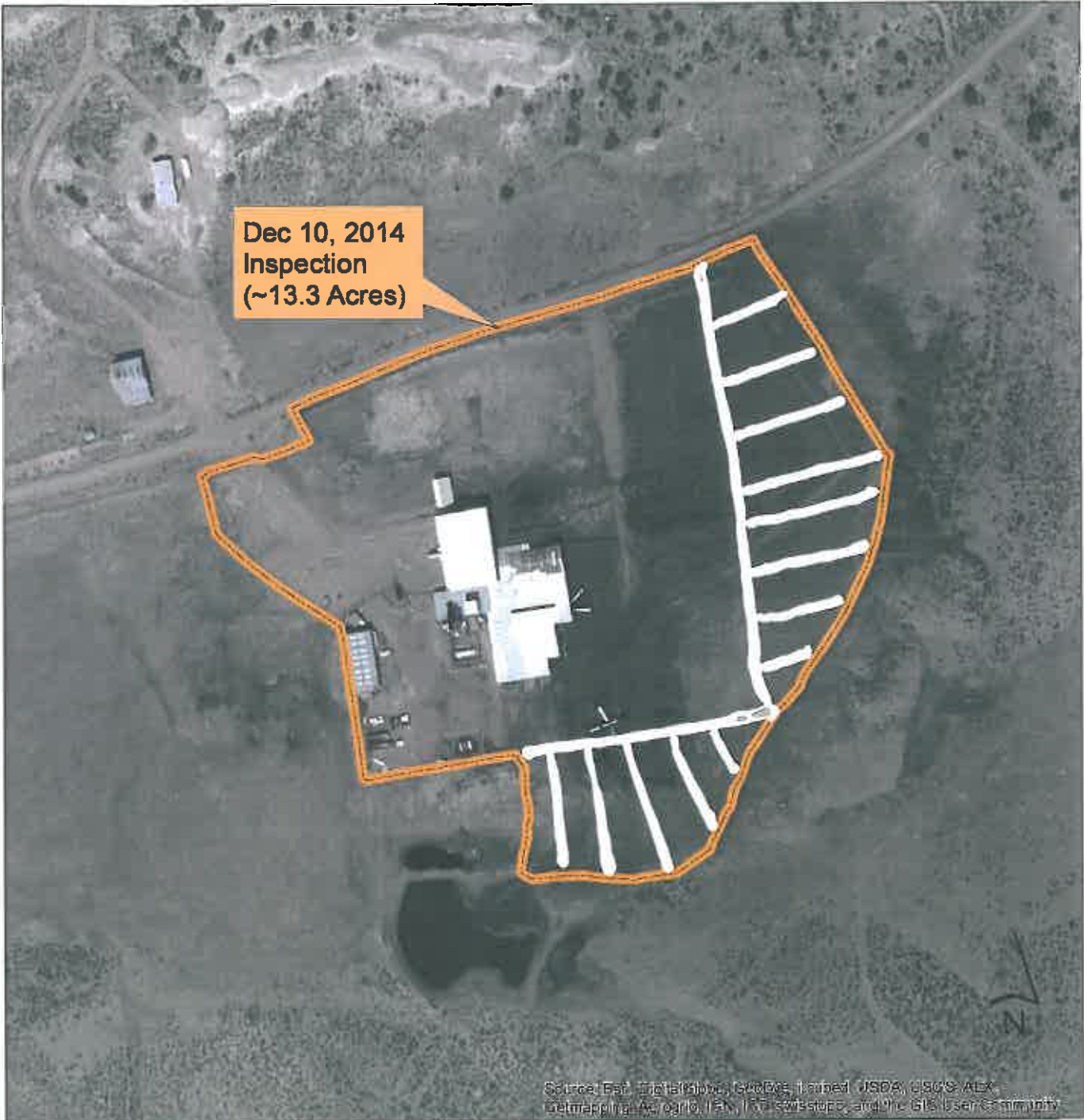
1. We plan to reclaim 3.3 acres to bring the total mine site to 10 acres. We will use top soil from area surrounding the mill site so as to maintain any indigenous plants.
2. We plan to reclassify the Milling Site as a “commercial site” . This would decrease the reclamation costs to an amount required to return the building structures to a condition they could be sold for a commercial use. All contents could be sold, including finished product, office equipment and furniture, processing equipment, fuel tanks, tools and industrial vehicles (fork lifts). The only items that would have to be removed are some packaging and input materials used in the normal production process. These items could be removed with a pick up truck or small dump truck.
3. We will retain an independent appraisal firm to determine the cost to reclaim the site after (1) and (2) are complete. We will also get an appraisal of the overall plant site and adjoining land to serve as collateral for the financial assurance required by MMD.

Our hopes are to have this complete within the next 180 days for review by you and your staff. Please don't hesitate to contact us if you have any questions.

Best regards,
John Lown

John F. Lown
President
8144 Walnut Hill Lane, Suite 987
Dallas, Texas 75231
P: 214.750.4696 F: 214.750.1158

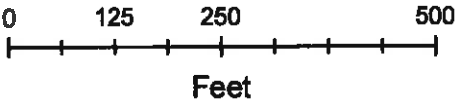
Processing Plant
36 Duke City Road
Cuba, NM 87013
P: 575.289.0259 F: 575.289.0263



Dec 10, 2014
Inspection
(~13.3 Acres)

Source: Esri, DigitalGlobe, GeoEye, Earthstar (USA), USGS, AeroGRID, IGN, SDA, Switzerland, and the GIS User Community

Note:
Aerial photo from 2011



Menefee Humate Mill
Permit No. SA005ME, Sandoval County, NM