

GEO Southwest, LP
PO Box 353
Silverton, Texas 79257



June 24, 2016

Mr. Holland Shepherd, Manager
Mining Act Reclamation Program
Mining and Mineral Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Proposed Closeout Plan and Financial Assurance for the Deming Mill and Tailings Facility; Permit No. LU009RE, Luna County, NM

Dear Mr. Shepard:

This letter is in response to your letter of May 9, 2016 related to our proposed closeout plan and financial assurance. Let me begin by acknowledging the very helpful assistance that we have received over the past several years from both MMD and the Environment Department (ED). We would like to continue what we believe is a very good relationship with both. With that being said, we were very surprised and disappointed by your letter.

We have three questions related to "an unreclaimed disturbance area located along the former tailings pipeline corridor".

1. Why was this area not reclaimed by ENVIRON when they were working at the Deming Mill on behalf of the bankruptcy trust for the specific purpose of correcting any environmental problems left behind by ASARCO?
2. When did MMD and ED first become aware of this issue?
3. Why are we just now learning about it?

John Strand states that before ASARCO transferred their Deming property to the bankruptcy trust they hired him to take his backhoe to the property where MMD and ED personnel directed where he was to dig as they assessed the need for reclamation. He remembers that both you and Kurt Vollbrecht were among those present. John revisited the property within the last month and saw no area that was markedly different from when he was there with you.

Our May 3, 2011 Purchase Agreement with the ASARCO Multi-State Custodial Trust provided a 90-day due diligence period which was extended twice primarily to provide us an opportunity to prepare, in consultation with MMD, a draft closeout plan including projected costs. Only after we had reached an agreement on this plan did we permit the due diligence period to expire and our earnest money to become non-refundable. During this period, there was no mention of any unreclaimed disturbance area. When

we finalized our purchase of the ASARCO property on April 10, 2014, we believed with no reservation that all necessary reclamation had been completed by ENVIRON.

Nevertheless, we will modify our closeout plan as requested to include the reclamation of the area in question. On Monday of this week, I and others inspected this area and estimated that it is no more than one acre in size. We will include cost estimates to cover the area with material from our borrow pit and reseed it with native vegetation. We will also include the plugging and abandonment of the three groundwater monitoring wells in our closeout plan.

We have stated from the beginning our intent to provide financial assurance in the form of a collateral bond using land we own outside the footprint of our permit. For this reason, we had our property surveyed in various tracts which were each appraised by an appraiser approved by MMD. Until we received your letter, we were not aware of the possible requirement for a Phase I environmental assessment. We hereby request that the Director waive this requirement.

We will have prepared and execute any required legal documents related to our collateral bond. We need to know what margin the Director will require so we will know which tracts of land to use for our bond. Another alternative for us would be to have our water rights appraised and use a portion of them.

Upon receipt of your response, we will begin revision of our closeout plan and financial assurance proposal.

Again, we appreciate all the help that we have received from both MMD and ED and particularly from Jim Hollen.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerald Smith", with a long horizontal flourish extending to the right.

Gerald Smith, President
Metal Southwest, LLC, General Partner
GEO Southwest, LP