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December 6, 2016

David J. Ennis
Reclamation Specialist
Mining and Minerals Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

**Re: Permit Modification Request – Permit No. SA005MN, Menefee Mining Co.
Production Plant**

Dear David,

I am providing this transmittal and the attached proposed Closeout Plan on behalf of Menefee Mining Corporation (MMC). As a follow-up to our meeting in Santa Fe on September 7, 2016, and my review of a letter from Mining and Minerals Division (MMD) and Menefee Mining Corporation (MMC) dated December 28, 2015 and an email communications between you and John Lown from November 2015. MMC is requesting to modify the above-referenced permit to:

- Expand the permit area from 9.6 acres to 20 acres, which includes an increase in the potential disturbed acreage from 6.1 acres to 15.7 acres;
- Create two operational 'units' for the purposes of defining closeout activities in the Closeout Plan, an industrial/commercial and wildlife;
- Modify the post-mining land use (PMLU) for the entire permit area from livestock grazing to a combination of wildlife habitat and commercial/industrial PMLUs;
- Incorporate the proposed Closeout Plan; and
- Update the cost estimate for financial assurance.

Please let me know if there is any additional information you need. We look forward to your comments after review of the documents.

Sincerely,



Bob Newcomer, R.G., C.P.G.
Principal Consultant
(On behalf of Menefee Mining Corporation)

attch: Closeout Plan

CLOSEOUT PLAN

MENEFEE MINING COMPANY – PRODUCTION PLANT SITE

PHYSICAL LOCATION:

Sections 4 and 5 of Township 20 North, Range 1 West in Sandoval County
near Cuba, New Mexico

STREET ADDRESS:

36 Duke City Road
Cuba, New Mexico 87013

CORPORATE ADDRESS:

Menefee Mining Company
8144 Walnut Hill Lane, Suite 1075
Dallas, Texas 75231

PROJECT DESCRIPTION

The Menefee Mining Company's (Menefee) Processing or Production Plant Site (Facility) is permitted as a Minimal Impact Existing Mining Operations under 19.10.3.303 NMAC. The Facility is located about 1.75 miles south of the intersection of old State Hwy 44 (County Road 11) and State Highway 550 at the southern end of the Village of Cuba (Figure 1). The site is along and south of Duke City County Road east of its intersection with County Road 11.

This proposed Closeout Plan is being incorporated as part of a proposed permit modification in accordance with 19.10.3.303.L NMAC and 19.10.5.505 NMAC. This document presents a plan for final reclamation and closeout of the Facility. The proposed permit modification includes an increase in permit area from 9.6 acres to 20 acres and the potentially disturbed area from 6.1 to 15.7 acres. It also incorporates a change to two operating units: an industrial/commercial area and a humate storage, processing and handling area. There is also a proposed change in the post-mining land use (PMLU) for the Facility from a site-wide livestock grazing PMLU to a combination of industrial and wildlife habitat PMLUs. Upon approval of this plan, Menefee will provide an update to the third-party cost estimate of the final closeout of the Facility under a hypothetical forfeiture scenario.

HUMATE MATERIAL STORAGE AND PROCESSING AT THE PLANT

The Facility receives humate material from offsite at Menefee's Black Spring mine for processing, packaging and shipment offsite. Menefee mines their humate material at the Black Spring mine and then trucks it to the Facility, where it is stockpiled on site prior to processing. The processing includes dry granular (screening and bagging) and further screening and wet soluble operations. The initial and secondary screened materials (the reject from screening) is stockpiled and then placed in containers (super sacks) for bulk sale.

The fine fraction passing through the final screening is dissolved in heated potable water [from the Village of Cuba] and dried to form a powdered concentrate for bulk sale. Other nutrients are added to the powdered humate products during the processing, depending upon specifications of the agricultural or soil conditioner product. Final packaging in 55-gallon drums of the different products occurs on site. These powdered products are shipped offsite.

Humate-rich sedimentary rocks are mined at the Black Spring Mine and other neighboring mining operations west-southwest of Cuba. At the mine, haul trucks are loaded with the friable humate material, which is excavated from pits and the humate material is then transported about 30 miles to the Facility. The run-of-mine humate material is stored outdoors until it is processed.

EXISTING NEW MEXICO MINING ACT PERMIT

The Facility's original and current permit area encompasses portions of Sections 4 and 5 in Township 20 North, Range 1 West in Sandoval County, New Mexico (Figure 2). The original permit was issued November 2, 2000 as Permit No. SA005ME for a Minimal Impact Existing Mining Operation under 19.10.3.303 NMAC. These rules were revised earlier in 2016, principally to allow an increase of up to 40 acres of disturbed land in the case of dolomite, garnet, humate, perlite and zeolite operations located outside Bernalillo, Dona Ana and Santa Fe counties.

In the original permit, the area of disturbance was not to exceed 6.1 acres (Figure 2). Menefee provided and continues to provide financial assurance in the amount of \$16,000 with the initial permit. The post-mining land use (PMLU) for the original permit was designated as livestock grazing. In the permit, Menefee committed to implementing erosion control methods to enhance the ability of any reclaimed areas to support the PMLU. Menefee was authorized to conduct mining and reclamation operations, although no mining takes place at the Facility. The Processing Plant is part of Menefee's operations and it receives and processes humate materials mined from its mining operations west of Cuba. The humate material is trucked to the Facility and stockpiled for processing, packaging and sale as various products.

PROPOSED PERMIT MODIFICATION

The proposed permit modification includes the following:

1. A proposed increase in the permit area from 6.1 to 20 acres, and the proposed limits for potential disturbance under this proposed permit modification are shown in Figures 3 (topographic) and 4 (aerial photograph).
2. Create two operational 'units', defined as an industrial/commercial unit and a wildlife unit, for purposes of the activities described in the Closeout Plan;
3. The proposed total permit area of 20 acres includes a 4.3 acre industrial/commercial unit and a 15.7-acre wildlife unit;

4. A change in the PMLU for the permit area from livestock grazing to two separate PMLUs, a commercial/industrial PMLU for the building structures, facilities and parking areas (for the industrial/commercial unit) and a wildlife habitat PMLU (for the wildlife unit), which includes the humate handling, processing, humate storage facilities and associated disturbed areas outside the industrial/commercial area, but within the proposed permit boundary; and
5. The incorporation of a Closeout Plan and cost estimate for supporting financial assurance in the permit.

CLOSEOUT PLAN

This Closeout Plan includes a general description of how the disturbed areas and the industrial/commercial areas within the expanded permit area will be addressed. The wildlife unit will be reclaimed to a condition that allows for re-establishment of a self-sustaining ecosystem appropriate for the life zone of the surrounding areas following closure and reclamation. The industrial/commercial unit will be addressed to establish it for a commercial/industrial PMLU. The Closeout Plan is developed here to meet the site-specific characteristics of the property. The Closeout Plan includes a schedule for reclamation and closure following cessation of operations. The Closeout Plan outlines best management practices and the concurrent reclamation activities that may be started before cessation, if practicable relative to the business operations.

GENERAL SITE INFORMATION

The surface elevations at the area and in the immediate vicinity of the Facility range from 6,860 to 7,000 feet above mean sea level. Total annual precipitation is about 13 inches and most of it comes during the summer monsoon and early fall (July, August, September and October). Winter precipitation is generally less than an inch per month and much of it comes as snowfall.

The ephemeral drainages in the area generally flow with stormwater and snowmelt to the southwest across the site towards the Rio Puerco, which is about 1.5 miles west of the site. There are no intermittent or perennial streams, wetlands or springs on or within a mile of the property boundaries. There is a stormwater pond immediately south of the southern permit boundary that collects surface water from the property and from a watershed upstream of the property.

The portion of the Duke City Road between the intersection with County Road 11 and the Facility, which includes the northern part of the existing permit boundary, is maintained (graded) by Menefee and access to the Facility is through a gate off this road. Berms are present along the road adjacent to the permit boundary to minimize stormwater run-on to the property.

PROPOSED POST-MINING LAND USES

In accordance with the Mining Act Permit, NMMA Section 69-36-11.6, and 19.10.3.303.E(6) NMAC, this section provides a description of the proposed post-mining land uses (PMLUs) for the permit area and the areas are shown in Figure 5.

The Mining Act Rules, 19.10.1.7.P(5) NMAC, define the PMLU as “a beneficial use or multiple uses which will be established on a permit area after completion of a mining project. The PMLU may involve active management of the land. The use shall be selected by the owner of the land and approved by the Director [of MMD]. The uses, which may be approved as PMLUs, may include agriculture, commercial or ecological

uses that would ensure compliance with Federal, State or local laws, regulations and standards and which are feasible.” The proposed PMLUs for the Facility were selected based on the site characteristics and the following guidelines: a) make the PMLU compatible with the surrounding ecosystem and land use; b) use the existing infrastructure and land resources to the extent possible; and c) maintain economic viability for the surrounding community.

Two PMLUs were selected for Menefee permit area: 1) A wildlife habitat PMLU, which is designated for the reclaimed areas within the permit boundary and outside the industrial/commercial unit; and 2) An industrial/commercial PMLU, which is designated for the transition of buildings, ancillary facilities and parking areas from the current use to another industrial/commercial complex.

Wildlife Habitat Post-Mining Land Use

Of the MMD-approved PMLUs, grazing land and wildlife habitat are the designations most consistent with the surrounding land uses and ecological potential of the site, excluding the areas designated for industrial and/or commercial use. The wildlife habitat PMLU was selected in deference to a grazing land designation to preclude long-term grazing management issues. The wildlife habitat PMLU was also selected in recognition that wildlife cannot practically be excluded from the reclaimed areas and that they would use the area even if a grazing land designation was selected as the PMLU.

The Facility is located within and near the eastern margin of the San Juan Basin in Sandoval County, New Mexico. It is in the foothills of the Nacimiento Mountains to the east, and is dominated by brushlands with some pinyon and juniper woodlands (Knight, 1992). The flora is generally dominated by low, semi-woody half-shrubs that form large, monotonous stands. These shrubland communities are typically dominated by cold-tolerant xeric shrubs that are adapted to a predominantly winter rainfall pattern. Other floristic assemblages that contribute species to these communities include southern Rocky Mountain flora and New Mexico desert grass-land.

Commercial/Industrial Post-Mining Land Use

Preserving the valuable existing infrastructure is the most consistent use for buildings and parking areas at the site. The property was a sawmill prior to becoming a humate processing plant. The Facility is proximal to the Village of Cuba, about 2 miles north of the site and is accessed by all-weather roads (paved and graded gravel). The property is connected to water supply from the Village. The surrounding area is dominated by rangeland and open range, used largely for livestock grazing. There are several business enterprises between the Facility and the Village along old Highway 44.

As of the census of 2010, there were 731 people in Cuba. The continued improvements to State Highway 550 have increased traffic on State Highway 550. In the past 25 years, there have been several new businesses established in Cuba, including Menefee Mining Company’s and Horizon’s humate processing facilities. The population of the area has increased by more than 30 percent since 2000. Cuba is strategically located relative to natural resource development in the eastern part of the San Juan Basin and is approximately halfway between the Farmington-Durango and Albuquerque metropolitan areas.

The area of this PMLU is shown in Figure 5. The proposed commercial/industrial PMLU designation of the buildings are summarized in Table 1. Those facilities not designated as the commercial/industrial PMLU will be removed or demolished. The following conditions are proposed: a) where footings, slabs, walls, pavement, manholes, vaults, stormwater controls, and other foundations are not included in the

commercial/industrial PMLU, they will be abandoned in place and not demolished and will be covered with a suitable material; b) covered footings, slabs, walls, pavement, manholes, vaults, stormwater controls and other foundations not included in the commercial/industrial PMLU will be revegetated; and c) structures to be covered due to reclamation of stockpiled humate material will be demolished and removed.

Table 1. Proposed Commercial/Industrial PMLU designation of the buildings at the Facility.

Building	Description
Main building	Approximately 32,000 square foot two- and one- story metal building/covered space structures used for offices, processing and finished product storage; includes truck loading facilities
Restroom	Approximately 400 square foot cinder block building with two restrooms
Shop	Approximately 3,200 square foot shop for maintenance activities

This PMLU also includes a parking area west of the Main Building and outdoor storage areas that are fenced along the west and south sides of the Main Building (Figure 5). Weeds and other vegetation would be controlled in these areas. Depending on the specific industrial/commercial use of the property, some areas may be landscaped to prevent weed growth and erosion.

Water supply for the commercial/industrial PMLU is available due to the service connection from the Village of Cuba. Sewage at the site is managed in two septic tank/leach field systems. Menefee will maintain erosion controls, structures, equipment, and utilities within the commercial/industrial PMLU areas until they are occupied by tenants. Menefee proposes to provide property maintenance, landscaping and/or weed control within the commercial/industrial PMLU areas after operations cease until the property is under new management.

Establishment of a Self-Sustaining Ecosystem

The Mining Act rules (MMD, 1996) requires that the permit area of an existing mine be reclaimed to a condition that allows the establishment of a self-sustaining ecosystem appropriate for the life zone of the surrounding area unless it conflicts with the approved PMLU. The MMD has recognized that replication of the pre-mining plant communities after mining is not always practical (MMD, 1996). The intent is to establish plant communities that will be local indications of the ecological potential of the reclaimed plant communities. The reclamation success guidelines required by the MMD vary depending on the PMLU.

Reclamation will result in the development of an early-stage grass/shrub community that will provide a locally important increase in community-level diversity. Some infrastructure may have a post-mining wildlife use such as power poles for raptor perches and the roads for land management. Native vegetation will be established on the reclaimed areas at the Facility resulting in increased erosion protection, direct habitat improvement, and reduced percolation of water into the underlying materials relative to current conditions. Proposed reclamation seed mix and seeding rates for the Facility are presented in Table 2. These plant species have broad ecological amplitudes and provide structural diversity.

Table 2. Proposed Reclamation Seed Mix and Seeding Rates^a.

Common Name (Species)	Life Form	Duration ^b	Planting Season	Average Seeding Rate (PLS lbs/ac) ^c
Fringed Sagebrush (<i>Artemisia frigida</i>)	Forb	--	--	N/D
Scarlet Globe Mallow (<i>Sphaeralcea cocinea</i>)	Forb	Perennial	--	3
Bottlebrush Squirreltail (<i>Elymus elymoides</i>)	Grass-Cool	--	Fall	3
Western Wheatgrass (<i>Pascopyrum smithii</i>)	Grass-Cool	--	Fall/Summer	12
Mutton Bluegrass (<i>Poa fendleriana</i>)	Grass-Cool	Perennial	Fall/Summer	2.5
Indian Ricegrass (<i>Achnatherum hymenoides</i>)	Grass-Warm	Perennial	Fall	3.5
Blue Grama (<i>Bouteloua gracilis</i>)	Grass-Warm	Perennial	Summer	2.5
Galleta (<i>Pleuraphis jamesii</i>)	Grass-Warm	Perennial	--	4
Alkali Sacaton (<i>Sporobolus airoides</i>)	Grass-Warm	Perennial	--	N/D
American vetch (<i>Vicia Americana</i>)	Legume	--	Fall/Spring	30
Fourwing Saltbush (<i>Atriplex canescens</i>)	Shrub	Perennial	--	0.5
Rubber Rabbitbrush (<i>Ericameria nauseosa</i>)	Shrub	Perennial	Spring/Summer	0.025

Notes:

^a Seed mix and rates are subject to change based on future investigations

^b Per – Perennial; Ann = Annual

^c Rate is in pounds of pure live seed per acre; substitutions may change seeding rates

lbs/ac = Pounds per acre

-- No information

N/D = Not determined

PLS = Pure live seed

DESCRIPTION OF CLOSEOUT ACTIVITIES

The disturbed areas as well as the commercial/industrial complex at the Facility are currently bermed to prevent run-on to the property and to divert stormwater runoff, not ponded within the permit boundary, to a stormwater pond south of the Production Plant. The berms will be retained and modified to accommodate the proposed expansion of the permit area and then again during reclamation to insure stormwater runoff and sediment containments is managed prior to, during reclamation and after closure and until the vegetation has been successfully established at the site.

If during operations, any areas of disturbed acreage can be reduced and not adversely affect the operations or future operations, the excess disturbed acreage will be graded and revegetated. Surface water will be diverted to the pond at the south side of the property. The disturbed areas will be covered with one foot of suitable borrow material and reseeded. With the cessation of operations at the Facility, the entire remaining disturbed area will be graded to allow positive drainage to the stormwater pond. These areas will then be covered with one foot of suitable borrow material and reseeded.

Any concurrent and/or the final reclaimed areas will be monitored after the final grading and the initial establishment of vegetation. Menefee will conduct vegetation monitoring of both volunteer revegetation and re-seeded areas during the third year after seeding. Menefee will inter-seed or reseed those areas that have volunteer vegetation as well as other areas, if necessary. Revegetation monitoring will be performed at the sixth year after planting and for two consecutive years prior to bond release. Revegetation monitoring will include canopy cover, plant diversity, and woody stem density.

Any trash, debris and equipment, machinery and vehicles, etc. will be removed from the site. Wastes will be transported to permitted facilities for proper disposal. Fuel storage tanks will be closed in accordance with permits and the tanks removed. It is anticipated the buildings will remain, as well as the supporting utilities: electricity, water supply and the septic system. The property is fenced and gated, and the property will be safeguarded during the transition to a commercial/industrial PMLU.

The proposed seed mix is designed to provide early establishment of ground cover, erosion control, and diversity in growth forms (Table 2). The species selected for the Facility have been successfully used in mine reclamation and range improvement projects in many parts of New Mexico. The primary reclamation seed mix proposed for the wildlife habitat PMLU areas includes cool- and warm-season grasses, perennial shrubs, and forbs. Depending on availability, alternate species may be substituted for the primary species. The seed mix was designed for application prior to the summer rains. However, it has been proven successful under fall seeding conditions.

Canopy cover, shrub density, and vegetation diversity are the revegetation success guidelines that are typically used to judge revegetation success on lands designated as wildlife habitat. The vegetation success will be assessed using a qualitative assessment of plant colonization and regeneration to corroborate the establishment of a self-sustaining ecosystem.

Because of its broad implications for erosion control and an ecologically-based PMLU of wildlife, canopy cover will be one of the primary criteria for determining reclamation success. All areas within the wildlife habitat PMLU where vegetation was disturbed, including roadways constructed for site access, will be reclaimed and seeded in accordance with the permit.

Shrubs are important components of many reclaimed landscapes. A proportional success guideline of 60 percent (of the reference area) has been accepted by the MMD for shrub density in the reclaimed areas. The shrub density standard was determined based on the interpretation of the ecological condition of the reference areas.

Species diversity is commonly thought to increase the stability of plant communities. The perceived enhancement of ecological stability is related to the buffering effect that species with different ecological amplitudes provide in response to environmental stresses. A technical, rather than proportional, standard will be proposed for plant diversity.

The plant diversity guidelines for the Facility assume the site stability is improved by establishing plants with different ecological amplitudes to buffer seasonal and annual fluctuations in climate. Menefee understands that creating a monoculture on the reclaimed lands is not desirable, while at the same time, recognizing that the benefits of increased diversity diminish beyond subjective threshold levels that are defined by the reclamation objectives. Thus, the diversity guideline was developed from a functional perspective, whereby site stability and erosion control are primary performance objectives.

Species diversity on the reclaimed areas is expected to increase with time; however, this process is likely to be slow. Successful colonization depends on the convergence of a seed source and the proper weather conditions; however, even with such an ideal convergence, inter-specific competition, predation, and dispersion mechanisms may limit the establishment of new plants on the reclaimed area. Because of the strong climatic influence on seed production and plant establishment, the rate of colonization is expected to be erratic and potentially slow for many species, with the highest rates of colonization expected to be concentrated in the reclaimed/undisturbed ecotone. No numerical guideline is proposed for colonization, which would be demonstrated by increases in the number of species recognized in the reclaimed area. Information on colonization will be collected and reported to provide evidence of the ability of the reclaimed landscape to support native plants from the surrounding communities. Secondly, observations of colonization provide evidence of regeneration and thus help demonstrate the establishment of a self-sustaining ecosystem required in the New Mexico Mining Act.

OTHER PERMITS

The Facility has permit coverage under the Multi-Sector General Permit (MSGP) for Industrial Activity under the federal Clean Water Act and Industrial Stormwater Permit Requirements. The Facility is monitored in accordance with Menefee's Stormwater Pollution Prevention Plan (SWPPP), dated July 27, 2015. It is expected under a closeout scenario this permit will no longer be needed with completion of the reclamation and financial assurance release.

The Facility has an air quality permit issued by the New Mexico Environment Department, Air Quality Bureau, which includes the emissions from the processing operations at the site. This permit will no longer be needed with closeout and completion of reclamation and financial assurance release.

CLOSURE AND RECLAMATION COST ESTIMATE

This section is a placeholder for a third part cost estimate and schedule for reclamation of the disturbance associated with the proposed permit area expansion. It will be provided once it is determined the Closeout Plan is approvable.

REFERENCES

Knight, P.J. 1992. Vegetation and plant communities of the San Juan Basin *in* Lucas, S.G. et al., New Mexico Geological Society 43rd Annual Fall Field Conference San Juan Basin IV Guidebook. New Mexico Geological Society. p 34-35.

Mining and Minerals Division, New Mexico Energy Minerals, and Natural Resources Department. 1996. Closeout Plan Guidelines for Existing Mines. April 30, 1996.

_____. 2016. Guidance for calculating capital indirect costs for mine reclamation and closure cost estimates.

FIGURES

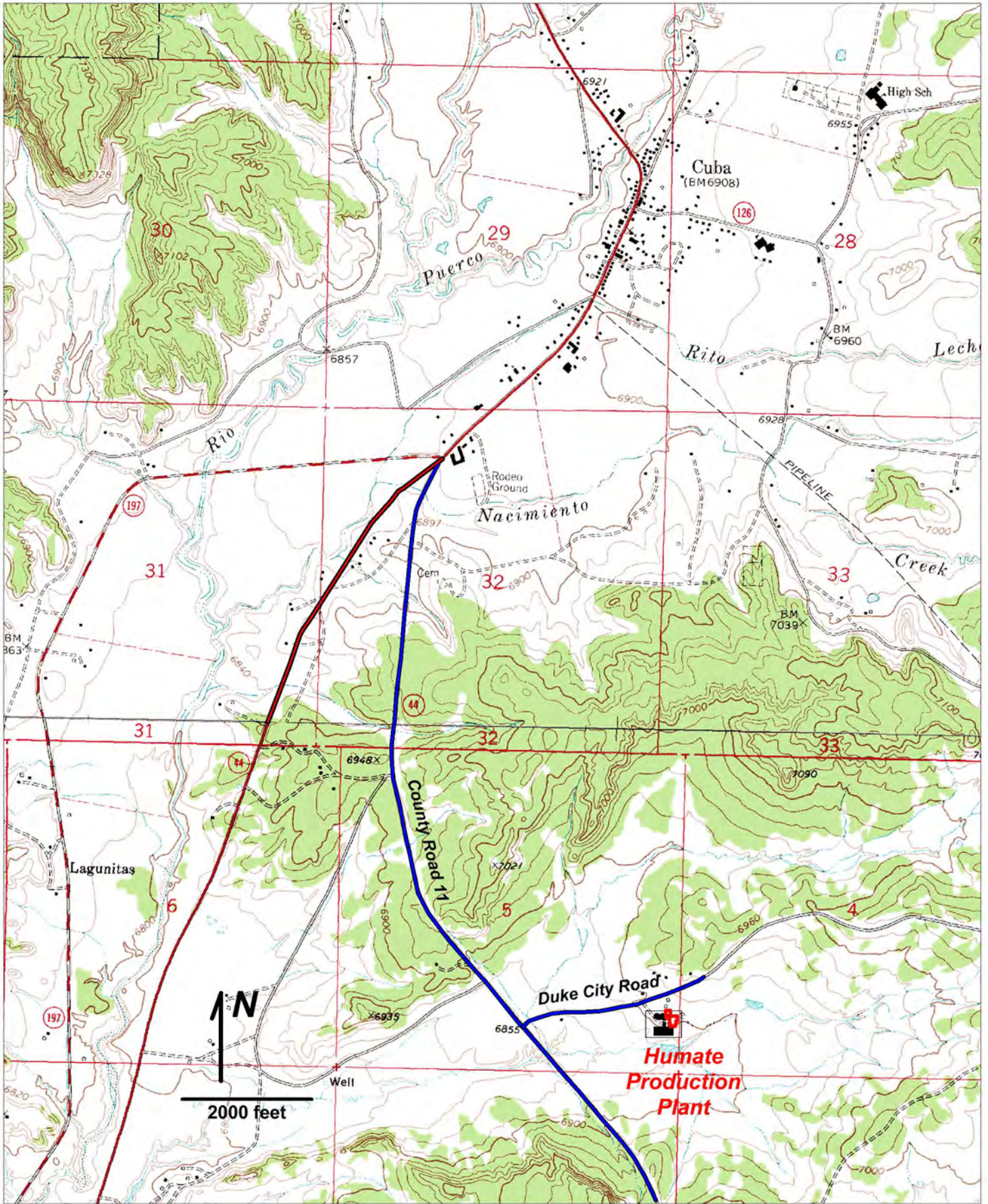


Figure 1: Site location map



Figure 2. Map of existing permit boundary for the Menefee Mining Company Production Plant (Base from 6/25/2014 Google Earth Image)

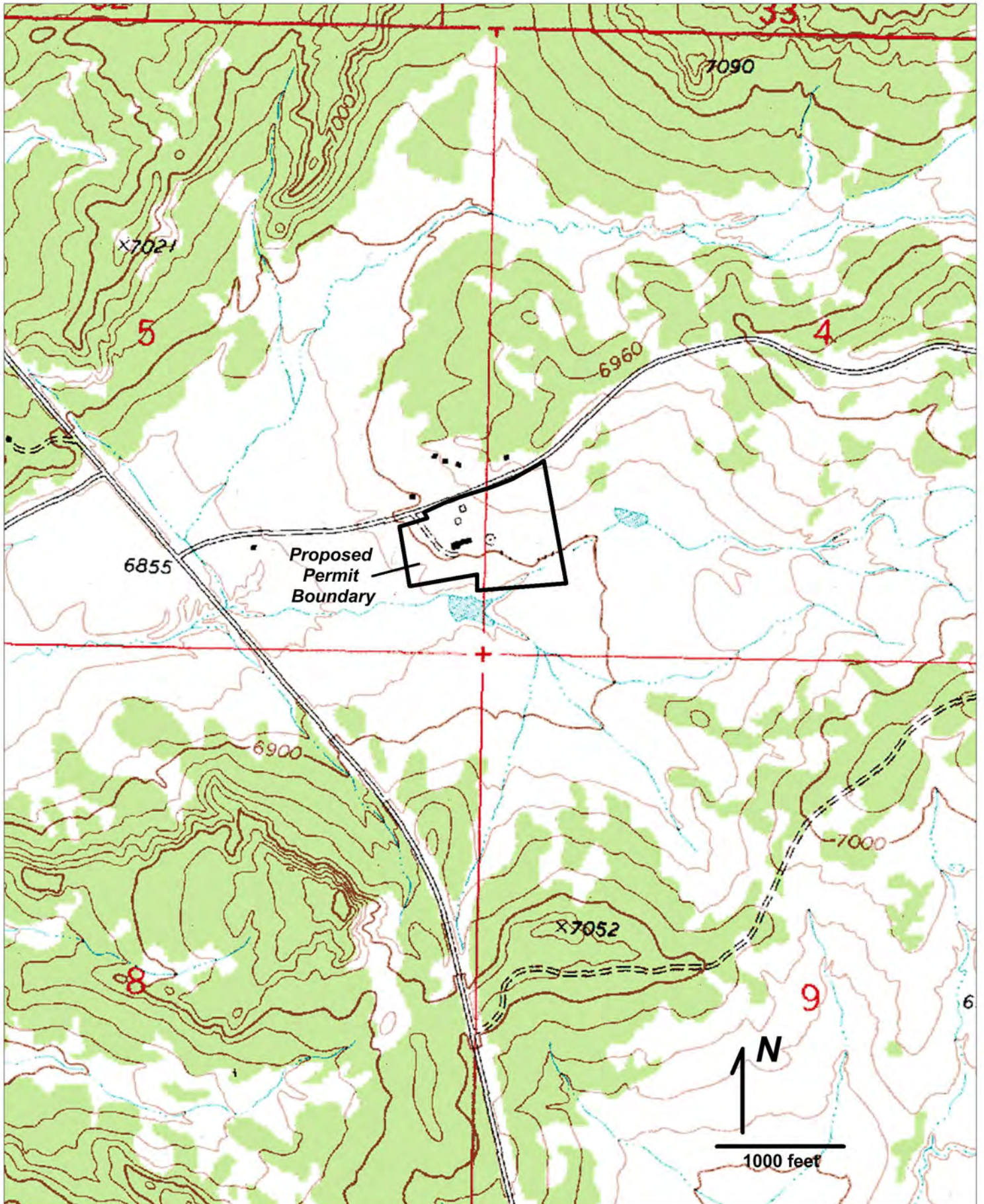


Figure 3. Map of proposed permit boundary for the Menefee Mining Company Production Plant (Base from San Pablo 24K Quad, NAD27, Zone 13)



Figure 4. Map of proposed permit boundary for the Menefee Mining Company Production Plant (Base from 6/25/2014 Google Earth Image)



Figure 5. Map of proposed post-mining land use areas (PMLUs) for closeout
(Base from 6/25/2014 Google Earth Image)

ATTACHMENT 1.

**Third Party Cost Estimate for
Reclamation Activities (15.7 acres of disturbance)**

(to be developed following plan approval)