

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Fernando Martinez, Director
Mining and Minerals Division



CERTIFIED MAIL---RETURN RECEIPT REQUESTED

7012 0470 0000 0880 5972

April 13, 2017

David Q. Tognoni, PE
Managing Partner
American Magnesium, LLC
P.O. Box 684
Elephant Butte, NM 87935-0684

RE: Minimal Impact New Mine Application Determined Administratively Incomplete Permit Tracking No. LU035MN, American Magnesium, LLC, Dolomite Mine in Luna County, NM

Dear Mr. Tognoni,

Pursuant to 19.10.3.304 NMAC, the New Mexico Mining and Minerals Division (“MMD”) has determined that a Minimal Impact New Mine Permit Application (“application”) submitted on February 28, 2017, by American Magnesium, LLC (“AMG”), for its proposed 40-acre dolomite mine located in Luna County, New Mexico, is administratively incomplete. MMD has assigned the Permit Application with tracking no. LU035MN. The following specific subsections of the New Mexico Mining Act Rules (“Rules”) pursuant to 19.10.3.304 NMAC have been determined as being incomplete in AMG’s permit application:

1. The permit application and the accompanying Mine Plan of Operation (“MPO”) refer to the mine as the “Foothills Dolomite Quarry” however, no details describing a quarry or how AMG intends to develop an actual quarry or how it plans to extract either dolomite or magnesium are presented in the Minimal Impact New Mine Permit Application or the MPO. For example, descriptions of the exploration drilling activity within the application describe a phased drilling approach, not a mining approach. The first phase of drilling

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will include approximately 15 acres of disturbance, the second phase will include "stepping out" from the first phase of drilling and then initiating the next phase of drilling on drill hole spacing that is between 500 and 1,000 feet, which will result in approximately 29 acres of disturbance, but this statement provides no description of how these two phases of drilling will ultimately result in 15 to 29 acres of mining disturbance through drilled holes only. AMG should amend this section of the application to include a more complete description of a mining and reclamation plan to include the actual mining activity and how it intends to ultimately create up to 40 acres of surface disturbance, and a description of how the mining disturbance will be reclaimed. AMG should also address whether any open pits or highwall features will be created as the quarry is developed and mining advances toward the valley floor, and describe reclamation of these features.

2. Subsection D (§304.D.7(a)) requires that an application for a minimal impact new mine permit provide a general description of how the mining operation will meet performance standards, including a requirement for the mining and reclamation operation to be designed and operated using the most appropriate technology and best management practices. Toward this end, the application does not provide a plan for cover and revegetation. A general reclamation plan should be included in the application that includes a seed mix along with rate and any soil amendments that might be applied. Additionally, the application states that during mining operations AMG plans to salvage as much overburden and soil material (cover, reclamation media or growth media) as can be safely and practically recovered; however, the application provides no description of where AMG intends to store this material over the long term so that it remains undisturbed and viable for use during final reclamation.
3. Subsection D (§304.D.1) requires that an application for a minimal impact new mine permit must provide the name and address of the applicant; however, within the permit application there is an apparent discrepancy in the Post Office Box address of the Mineral Owner as being located at P.O. Box 684, while the Operator information is indicated as being located at P.O. Box 644. AMG must provide the correct address of the Mineral Owner and Operator, please clarify.
4. Subsection D (§304.D.2) requires among other things, that an application for a minimal impact new mine must include the location of the proposed operation as shown on a topographic map providing the location of the areas to be disturbed including existing and proposed roads and other access routes. AMG's permit application provides no locations or layout of any proposed overland access routes and locations of individual drill hole locations or drill pads within the proposed permit area. All proposed disturbance including quarry areas, staging or equipment laydown areas, ore stockpiles, overburden stockpiles, overland access routes and drill hole locations must be shown on a topographic map.
5. The application should also provide a detailed schematic showing typical layout and configuration of the drill pads, as well as their dimensions. The schematic should provide the location within each drill pad of any enclosed tanks, mud pits, sumps, equipment

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layout or other surface disturbance that may be required for developing each drill pad disturbance area. Drill pad disturbance areas, staging or equipment laydown areas, as well as overland access routes to each drill pad area, must also be considered within your application and financial assurance ("FA") calculations; additionally, any surface disturbance associated with existing roads that are to be widened, bladed or otherwise improved must also be accounted for within your disturbance calculations and FA estimate.

6. Subsection D (§304.D.4) requires that an application for a minimal impact new mine permit must provide a general description of the minerals sought, the methods of extraction, and any processing to be conducted on site. Within the application, it is difficult to differentiate between the minerals of interest and the minerals sought as, throughout the application, the authors refer interchangeably to both magnesium and dolomite as the targeted materials. MMD's 40-acre maximum disturbance allowance for Minimal Impact New Mines applies to dolomite but not magnesium.
7. The application includes no specific mention of proposed diameter or depth of drilling or any specific plugging and abandonment ("P&A") procedures that are to be completed for any drill holes that are not to be used for blasting purposes or are inadvertently left improperly disposed of or exposed if the operator abandons the drill holes without properly plugging and abandoning them. MMD requires that any drill holes that are not being used for blasting purposes must be properly plugged and abandoned; therefore, AMG should amend its application to describe the diameter and total depth of each of the drill holes in addition to more accurately describing methodology for P&A of these drill holes pursuant to 19.10.3.302.L NMAC should any drill holes require P&A. MMD will require that each drilling phase be supported by FA deemed adequate to support P&A of drill holes pursuant to 19.10.3.302.L NMAC; AMG should revise its FA estimate to include the cost of P&A for each drill hole during each phase of exploration.
8. Subsection D (§304.D.5) requires that an application for a minimal impact new mine permit must provide an estimate of total dissolved solids ("TDS") concentration; however, the application provides no information on the total TDS content of the groundwater. TDS concentration in groundwater under the permit area is important for determining minimal impact status and the application should be revised to include this information.

MMD is hereby notifying you that upon receipt of the aforementioned information, it will then determine whether the proposed minimal impact new mine permit application is administratively complete. Upon receipt of the information requested herein, MMD will then forward the application for agency and tribal review to begin technically reviewing the application. MMD looks forward to gaining a better understanding of the proposed permit area by attending a pre-permitting site visit of the proposed permit area as scheduled with you and your permitting team for May 2, 2017. Please provide a response to this letter within 30 days of receipt. If you have any questions, please contact me at 505-476-3436 or via e-mail at: james.hollen@state.nm.us.

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Sincerely,



James Hollen, Permit Lead - Permit Tracking No. LU035MN
Mining Act Reclamation Program (MARP)/MMD

cc: Fernando Martinez, Director, MMD
Holland Shepherd, Program Manager, MARP/MMD
Gabriel Wade, Assistant General Counsel, EMNRD
Vickie Maranville, Permitting Lead, AMEC Foster Wheeler
Douglas Haywood, BLM - Las Cruces District Office
Mine File LU035MN