



June 1, 2018

Fernando Martinez, Director
Mining & Minerals Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

**Re: Request for Modifications to Black Spring Minimal Impact Mine Project
Permit No. MK026MN**

Dear Fernando:

Menelee Mining Corporation (MMC) requests the following modifications to its Minimal Impact Mine Project Permit (Permit) No. MK026MN for its Black Spring Mine:

- Increase the Permit Area from 10 acres to 1,280 acres to include the entirety of Section 4 and 5, Township 19 North Range 5 West, McKinley County, New Mexico;
- Increase in the Design Limit (total potential disturbed acreage) of the mining operations from 2.5 to 10 acres, which is an increase from the initial Phases I and II (a total of 2.5 acres) specified with the issuance of MIMP Permit MK026MN on August 2, 2011;
- Adjust the financial assurance (FA) associated with the reclamation of mined and reclaimed acreage as well as ongoing mine disturbance at the Black Spring Mine, pursuant to 19.10.12.1210 NMAC; the proposed adjustment and revision of the FA is based on Mining and Minerals Division (MMD) guidance and the per acre FA in place for the existing operations associated with the Ojo Encino Mine [Permit no. MK043MN]. The Ojo Encino Mine is in Section 9, Township 19 North, Range 5 West, McKinley County, New Mexico and shares a boundary immediately south and southwest of the Black Spring Mine property.

The acreages and boundaries associated with these proposed permit modifications are estimated and delineated on the attached maps. The following is a description of the individual items in this request for permit modification.

CORPORATE OFFICE

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

PROCESSING PLANT

36 Duke City Road
Cuba, New Mexico 87013
P: 575.289.0259 F: 575.289.0263

Increase the Acreage of Permit Area

MMC also requests to increase the acreage of the Permit Area from 10 to 1,280 acres. The 10 acres is currently part of an 80-acre tract in south ½ of the southwest ¼ of Section 4, Township 19 North, Range 5 West. The increase would include all of sections 4 and 5, Township 19 North Range 5 West in McKinley County, New Mexico (an estimated total of 1,280 acres). MMC has attached a map showing the existing permit areas and proposed changes for the mine.

Increase the Design Limits

MMC requests to modify Permit MK026MN to specify a Design Limit for current and future mining of 10 acres in accordance with 19.10.3.303 NMAC. Mining operations would be advanced in 1.5- to 3-acre disturbances with concurrent reclamation of the previously mined out areas. The 10-acre design limit would support an increase in the disturbance area with active mining and well as acreage needed to extend the roadways toward the western side of the current Permit Area.

Adjust the Financial Assurance

MMC currently has about 13.5 acres of disturbance at its Black Spring Mine. This includes the existing roadways, former mined areas that have been regraded and the current operating mine disturbance (approximately 1.7 acres). MMC has reclaimed (regraded but not reseeded) approximately 11.8 acres of the total acreage, which were mined between 2011 and the end of 2017. These reclaimed areas have been stabilized through concurrent backfilling and regrading as the mining was completed and new mining was advanced within the permit area. This reclamation included backfilling the pits and recontouring of surfaces using the excavated material to approximate the surrounding terrain.

The reclaimed areas have not been reseeded yet in accordance with the permit. Prior to seeding these areas would be ripped. MMC expects to seed by broadcast methods and would target later this summer or fall to take advantage of the monsoon and/or early fall precipitation. The earthwork completed previously was designed to provide erosion control and stabilize the disturbed area. Volunteer vegetation has already been established on some of these surfaces. When ripping these areas efforts would be made to rip approximately parallel to topographic contours and create a hummocky and irregular surface in some areas to allow ponding of runoff and micro-ecological areas that would hold moisture enhance the revegetation.

A portion of the pre-mine area within the current permit area (Project area) contained little or no vegetation prior to disturbances associated with the mining operations due to the occurrence of humate material at or near the surface and other soil conditions. Therefore, the reclamation performance standards in these areas would be expected to be reduced from those in other areas where vegetation existed and can be more easily reestablished.

CORPORATE OFFICE

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

PROCESSING PLANT

36 Duke City Road
Cuba, New Mexico 87013
P: 575.289.0259 F: 575.289.0263

MMC is also proposing to adjust the per acreage cost basis of the FA with this proposed modification. This revised FA would account for the adjustments for the reclaimed acreage, anticipated reseeding efforts, existing and proposed roadway disturbances and the proposal to increase in the Design Limit to 10 acres (from 2.5 acres in the original permit). MMC understands FA for potential reseeding would remain for at least 12 years following reseeding. MMC believes the proposed revision in the cost basis for the FA should be consistent with MMD guidance and comparable to the FA in place for the operations at the Ojo Encino Mine [Permit no. MK043MN], which is in Section 9, Township 19 North, Range 5 West, McKinley County, New Mexico. The Ojo Encino Mine shares a boundary and is immediately south and southwest of the Black Spring Mine permit area. The Ojo Encino Mine is also a humate mine and the mining and reclamation scale of the operations is virtually identical to those utilized at the Black Spring Mine. The existing vegetation, ecosystem and other site conditions are also very similar. The proposed FA for the design limit is as follows:

Menefee Mining Corporation - Black Spring Mine
Proposed Financial Assurance Calculation

Total Acreage (revised design limit):	10
First acre:	\$ 8,900
Next 9 acres:	\$39,330
(additional FA based on \$4,370 per acre)	
<i>Subtotal:</i>	<i>\$48,230</i>
<i>Total with five year escalation at 2.5%:</i>	<i>\$54,568</i>
Revegetation failure at 5% per year of \$800 per acre	
<u>Acres</u>	<u>Years</u>
10	12
<u>\$ per Acre</u>	<u>Cost</u>
\$480	\$ 4,800
<i>Total financial assurance:</i>	<i>\$59,368</i>
<i>Current FA:</i>	<i>\$36,000</i>
Current reclaimed acreage needing reseeding:	11.8
<i>FA held after reseeding:</i>	<i>\$ 5,664</i>
(\$480 per acre for 12 years based on 5% of \$800 per yr)	
<i>Portion of FA released and rolled into modification:</i>	<i>\$30,336</i>
(after ripping and reseeding of 11.8 acres)	
Increase in FA with this proposed modification:	\$29,032

Please let us know if you have any questions or need additional information.

Sincerely,



Tyler Lown Vandenburg
Vice President, Operations
Menefee Mining Corporation

cc David J. Ennis, Mining and Minerals Division (email only)

attach.

CORPORATE OFFICE

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

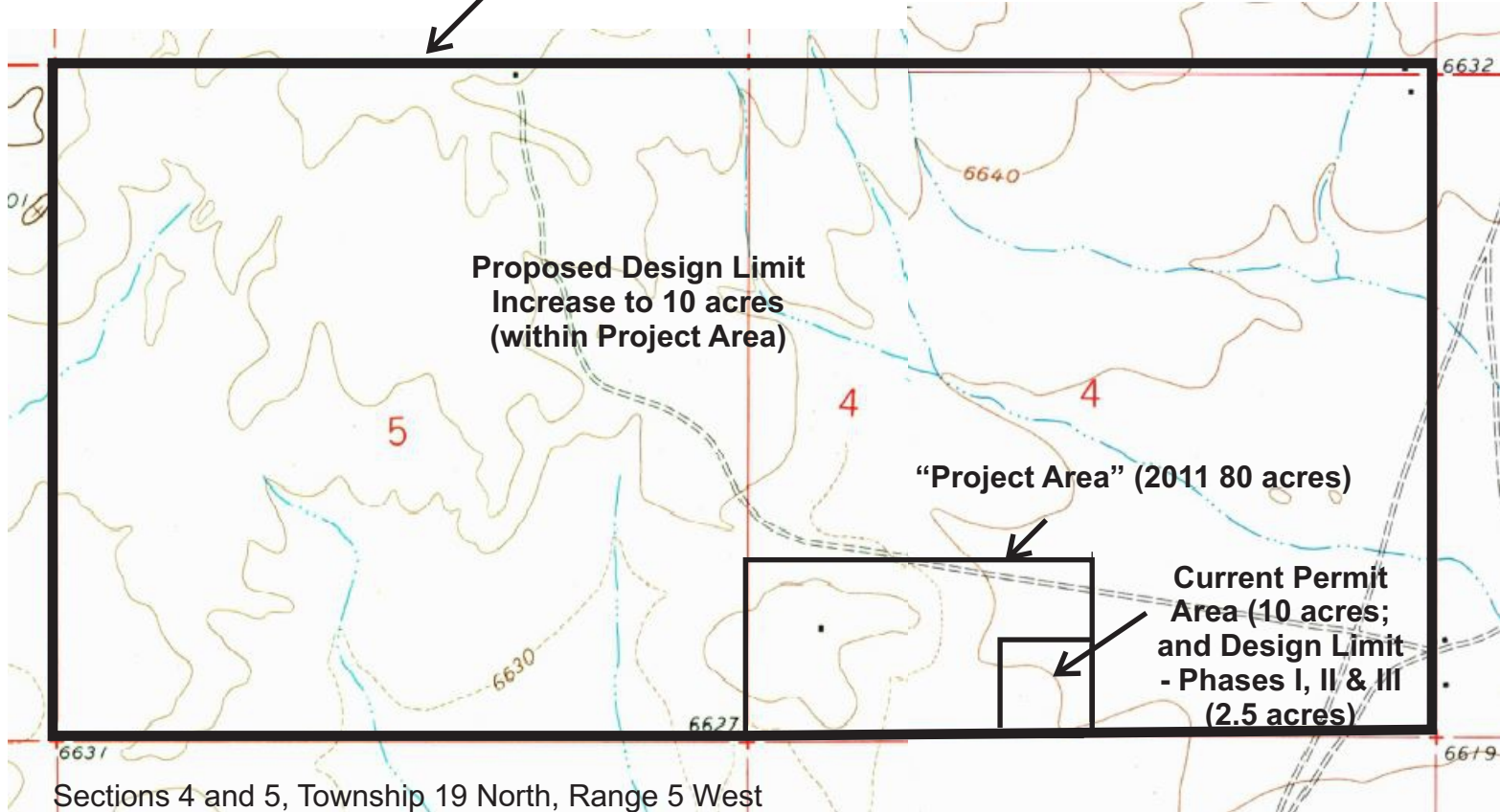
PROCESSING PLANT

36 Duke City Road
Cuba, New Mexico 87013
P: 575.289.0259 F: 575.289.0263

N



Proposed Permit Area (1280 ac)



**Proposed Design Limit
Increase to 10 acres
(within Project Area)**

“Project Area” (2011 80 acres)

**Current Permit
Area (10 acres;
and Design Limit
- Phases I, II & III
(2.5 acres)**

Sections 4 and 5, Township 19 North, Range 5 West
McKinley County, New Mexico



Scale (~1000 ft)




Current & Reclaimed Disturbances

Roadway Area = 1.5 acres

Current Mine Disturbance = 1.7 acres

Reclaimed Disturbance = $13.3 - 1.5 = 11.8$ acres

Legend

-  Current Disturbance
-  Reclaimed Disturbance
-  Roadway

