

**GEO Southwest, LP**  
PO Box 353  
9751 Hwy 86  
Silverton, TX 79257



April 13, 2019

Mr. Holland Shepherd  
Program Manager  
Mining Act Reclamation Program  
Mining and Minerals Division  
Energy, Minerals and Natural Resources Department  
State of New Mexico  
1220 South Saint Francis Drive  
Santa Fe, New Mexico, 87505

Dear Mr. Shepherd:

This letter is in response to your letter of March 14, 2019 which I received on March 18<sup>th</sup> in which you notified us that we were out of compliance for Permit No. LU009RE because we had not posted financial assurance (FA). As you and I discussed in a phone conversation following my receipt of your letter, we still intend to use part of our land as a collateral bond for FA.

At the request of Mr. James Hollen, we agreed to extend our permit area north across the Mimbres River. This extension necessitated a new survey in order to have correct legal descriptions of the tracts to be used for the collateral bond. This survey was not completed until 10/4/18 by which time we were in serious negotiations to sell the mill to a company which plans to renovate and operate the mill. These negotiations are moving more slowly than we anticipated but there is a good chance the sale will be completed. Nevertheless, I apologize for not moving ahead with the collateral bond as soon as the survey was finished.

A copy of the 10/4/18 survey is attached plus a digital copy will be emailed to you. Tracts 3, 4, 5 & 6 previously identified as available for the collateral bond were reduced in size from 550.251 to 524.054 acres in the new survey. To compensate for this reduction in acreage, the 55.015-acre Tract 9 will also be included.

As we discussed in our phone conversation, we have leased the 100-acre Tract 11 to Deming Solar, LLC which has secured an interconnect agreement with PNM but has not begun construction. In addition, we have two other solar companies negotiating with us to lease our remaining land suitable for solar installation (approximately 600 acres). Both companies are willing to include Tract 2 (reclaimed tailings) which is eligible for release from our permit area this year.

The reason solar companies are interested in our location is its close proximity to PNM, Tri-State and El Paso Electric substations as well as the two major transmission lines to be constructed in the near future. The Sun Zia transmission line will have an interconnect a few miles northeast of our property. The Southline transmission line is scheduled to cross our property along the north side of Tracts 1, 4 & 6.

Please send instructions for preparation of the collateral bond and we will ask our attorney to prepare the required documents. We appreciate your help with this matter.

Sincerely,



Gerald Smith  
President  
Metal Southwest, LLC, General Partner of  
Geo Southwest, Ltd dba  
GEO Southwest, LP in New Mexico



