

**PERMIT MODIFICATION 17-1 TO PERMIT NO. MK008ME
PUEBLO ALTO MINE
MINIMAL IMPACT EXISTING MINING OPERATION**

**MINING AND MINERALS DIVISION
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**

This Modification 17-1 ("Modification 17-1") to Permit No. MK008ME ("Permit") is issued by the Director of the Mining and Minerals Division ("MMD") of the New Mexico Energy, Minerals and Natural Resources Department to:

Mesa Verde Humates, LLC
Whose correct address is: P.O. Box 785
Bernalillo, NM 87004

("Permittee") for the Pueblo Alto Mine, located in McKinley County, New Mexico.

This Modification 17-1:

1. Expands the Permit Area authorized for future planned disturbance from mining and exploration through the addition of a total of approximately 80 acres within the south half of the southwest quarter of Section 8, Township 20 North, Range 7 West, referred to herein as the "Cottonwood Extension" or "Cottonwood Mine."
2. Adds a total of \$74,933.17 of financial assurance ("FA") for up to 12.7 acres of future mining disturbance at the Cottonwood Extension by the Permittee. The table in Appendix 1 on Pages 10 and 11 of this Modification 17-1 summarizes the FA required and held by MMD and the Bureau of Land Management ("BLM").

In order to accomplish the approval contemplated by Modification 17-1, the following subparagraphs are added to Permit No. MK008ME:

Section 1 (17-1). STATUTES AND REGULATIONS

- A. This Permit modification is issued pursuant to the New Mexico Mining Act, NMSA 1978, §69-36-1, et seq. (1993, as amended through 2020) ("Act") and New Mexico Mining Act Rules, Title 19, Chapter 10 of the New Mexico Administrative Code ("NMAC" or "Rules" or "Regulations").
- B. This Permit modification is subject to the Act, the Rules, and any other regulations which are now or hereafter in force under the Act; and all such regulations are made a part of this Permit by this reference.



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Section 1a (17-1). PERMIT APPLICATION PACKAGE

- A. The Permit Modification Package for Modification 17-1 (“17-1 PMP”) consists of a written request from the Permittee, dated June 19, 2017, to expand the Pueblo Alto Permit Area to encompass approximately 80 additional acres located in the south half of the southwest quarter of Section 8, T20N, R7W (“Cottonwood Extension”). Included with Permittee’s request is a map of the proposed Cottonwood Extension Permit Area boundary that is based on the Pueblo Alto Trading Post USGS 7.5 minute quadrangle, and is entitled “Pueblo Alto – Current Permit & Proposed Expansion.” This map identifies the location of the 80 acre Cottonwood Extension.
- B. Addendum #1 to 17-1 PMP is entitled “Mining and Reclamation Plan - Cottonwood Mine” prepared by Golder Associates Inc. on behalf of Mesa Verde Humates, LLC, dated May 21, 2018. Addendum #1 contains a reclamation cost estimate of the Cottonwood Extension based on MMD’s guidelines.
- D. On October 23, 2020, the BLM accepted the reclamation cost estimate of \$74,933.17 through e-mail for the Cottonwood Mine, which MMD is processing as the Cottonwood Extension to the existing Pueblo Alto Mine.
- E. Certificate of Deposit (“CD”) number 1210424827, in the amount of \$74,933.17, issued by First American Bank of Albuquerque on November 18, 2020, was received by MMD.

Section 2 (17-1). PERMIT AREA

- A. The Permittee is authorized to conduct mining, exploration, and reclamation operations only on those lands that are specifically designated and authorized within the permitted area (“Permit Area”) and within the design limit. For this Permit, the Permit Area is defined as:
 - 1. No more than approximately 185 acres of land located within Section 15, T20N, R7W (“Pueblo Alto Mine Permit Area”; Section 16 was relinquished from the Pueblo Alto Mine Permit area in 2016); and
 - 2. No more than 80 acres of land located in the south half of the southwest quarter of Section 8, T20, R7W (“Cottonwood Extension Permit Area”).
- B. The design limits are defined as:
 - 1. No more than 10 acres of mining and exploration related disturbance within the 185 acre Pueblo Alto Mine Permit Area; and



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2. No more than 12.7 acres of mining related disturbance within the 80 acre Cottonwood Extension Permit Area.

Section 3 (17-1). **FINDINGS OF FACT**

- A. The Permittee has paid the permit modification fee of \$250.00 as required by §19.10.2.201 of the Rules.
- B. The application for permit modification has been reviewed in accordance with §19.10.5.505 of the Rules. The application for permit modification is complete, accurate, and complies with the requirements for permit modifications under §19.10.5.505 of the Rules.
- C. Pursuant to §19.10.5.505.B NMAC, the proposed change does not require public notice nor the opportunity for public hearing.
- D. Pursuant to §19.10.5.505.B(1) NMAC, the proposed changes would not have a significant environmental impact.
- E. Pursuant to §19.10.5.505.B(2) NMAC, the application for permit modification was accompanied by sufficient information for the Director to determine whether any of the factors listed in §19.10.6.608 NMAC are present.
- F. The Director has provided notice of this application to other government agencies deemed appropriate, in accordance with §19.10.5.505.B(3) NMAC.
- G. The Director provided notice of this application to the following Tribes: Pueblo of Acoma, Hopi Tribe, Pueblo of Isleta, Pueblo of Laguna, Navajo Nation, Pueblo of Tesuque, White Mountain Apache Tribe, Pueblo of Zuni. Comments were received from the Hopi Tribe and White Mountain Apache Tribe.
- H. An inspection and evaluation of the approximate 80 acres requested to be added to the Permit Area was conducted through the "Cottonwood Exploration Project," permit number MK051EM. Two inspections were conducted under permit number MK051EM: one on September 20, 2016 and another on June 21, 2017.
- I. The approximate 80 acre Cottonwood Extension added by Modification 17-1 is BLM managed surface and mineral estates. The Permittee has demonstrated its right of access to Cottonwood Extension pursuant to §19.10.303.H NMAC.



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- J. The BLM has processed Permittee's application as a new facility called the Cottonwood Mine. Due to the proximity of the Cottonwood Mine to the Pueblo Alto Mine, and pursuant to §19.10.1.7.M.2(k) NMAC, which discusses interrelated mining operations located in close proximity to each other, the Director has determined that the Cottonwood Mine is interrelated to the Pueblo Alto Mine and is therefore processed as the Cottonwood Extension through this Modification 17-1 to permit number MK008ME.

Property Rights

- K. The Permit or this Modification does not grant or create any property rights. Nor does MMD, by issuing the Permit or this Modification or otherwise, make any comment on the surface or mineral rights that the Permittee may or may not have in the area covered by the Permit; only that the Permittee has provided a statement of basis on which the Permittee has a right to enter the property to conduct mining, exploration and reclamation. Permittee is solely responsible to take whatever steps are necessary to ensure that Permittee has property rights sufficient to support the activities contemplated by the Permit.

Financial Assurance

- L. The Permittee has provided FA to cover the costs of reclamation as required by §19.10.3.303.K(3) NMAC.
- M. For the 185 acre Pueblo Alto Permit Area, FA was transferred from the release of approximately 40.6 acres, minus \$19,488.00 for vegetative success on approximately 40.6 acres, to cover the design limit of 10 acres of future mining and exploration disturbances within this area. The financial assurance instruments for the Pueblo Alto Permit Area are in the form of:
1. CD No. 603154428, in the amount of \$22,000.00, issued by First American Bank, 1300 N. White Sands Blvd., Alamogordo, NM 88310; and
 2. CD No. 603154431, in the amount of \$21,051.00, issued by First American Bank, 1300 N. White Sands Blvd., Alamogordo, NM 88310; and
 3. CD No. 603154430, in the amount of \$2,677.00, issued by First American Bank, 1300 N. White Sands Blvd., Alamogordo, NM 88310; and
 4. CD No. 603154434, in the amount of \$2,800.00, issued by First American Bank, 1300 N. White Sands Blvd., Alamogordo, NM 88310; and



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5. CD No. 603154436, in the amount of \$2,500.00, issued by First American Bank, 1300 N. White Sands Blvd., Alamogordo, NM 88310.
6. CD no. 603154437, in the amount of \$27,825.00, issued by First American Bank, 1300 N. White Sands Blvd., Albuquerque, NM 88310; and
7. CD no. 1210348928, in the amount of \$2,160.00, issued by First American Bank, 4301 The 25 Way NE, Albuquerque, NM 87109; and
8. CD No. 1220268127, in the amount of \$1,440.00, issued by First American Bank, 4301 The 25 Way NE, Albuquerque, NM 87109.

These CDs, in the total amount of \$82,453.00, are held solely by Mining and Minerals Division for reclamation of the 185 acre Pueblo Alto Permit Area.

- N. For the 80 acre Cottonwood Extension, FA for a design limit of 12.7 acres was provided in the form of:

1. CD No. 1210424827, in the amount of \$74,933.17, issued by First American Bank of Albuquerque.

This CD is held jointly between MMD and BLM for reclamation of the 80 acre Cottonwood Extension Permit Area.

Section 9 (17-1).

GENERAL OBLIGATIONS AND CONDITIONS

- A. The Permittee shall comply with all MMD and BLM requirements prior to commencement of mining within the 80 acre Cottonwood Extension Permit Area.
- B. The total amount of disturbance within the Cottonwood Extension Permit Area shall not exceed 12.7 acres total at any given time.
- C. The total amount of disturbance within the Pueblo Alto Permit Area shall not exceed 10 acres total at any given time.

Best Management Practices

- D. The Permittee shall implement best management practices ("BMPs") in a manner that prevents direct impacts to surface water and ephemeral, intermittent, and perennial water courses. The Permittee shall implement erosion control measures that are designed, constructed and maintained using professionally recognized standards.



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- E. Travel within the Cottonwood Extension Permit Area should be suspended during wet, muddy conditions. Construction or maintenance activities should not be performed during periods when the soil is too wet to adequately support heavy equipment. If such equipment creates ruts in excess of six inches deep, the soil is considered too wet to adequately support equipment.
- F. No storage of fuels or chemicals shall take place within any watercourse. No excavation or filling shall take place within any watercourse until the required permits or consultations are obtained from the U.S. Army Corps. of Engineers. MMD recommends a minimum setback of 100 feet from any watercourse.
- G. Appropriate spill clean-up materials, such as absorbent pads, must be available on-site at all times during mining activities to address potential spills. Spills must be reported immediately to NMED as required by the New Mexico Water Quality Control Commission Regulations (§20.6.2.1203 NMAC). For non-emergencies during normal business hours, call (505) 476-6000. For non-emergencies after hours, call (866) 428-6535 or (505) 428-6535 (voice mail, twenty-four hours a day). For emergencies only, call (505) 827-9329 twenty-four hours a day (NM Department of Public Safety).

Cultural and Paleontological Resource Preservation Requirements

- H. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the Permittee, or any person working on the Permittee's behalf, shall be immediately reported to the Department of Cultural Affairs and the Mining and Minerals Division. The Permittee shall suspend all operations in the immediate area of such discovery until authorization to proceed is issued by the Department of Cultural Affairs. An evaluation of the discovery will be made by the Department of Cultural Affairs to determine appropriate actions to prevent the loss of significant cultural or scientific values. The Permittee shall be responsible for the cost of evaluation, and any decision as to the proper mitigation measures will be made by the Department of Cultural Affairs after consulting with the Permittee.
- I. The Permittee is obligated to comply with procedures established in the Native American Graves Protection and Repatriation Act to protect such cultural items as human remains, associated funerary objects, sacred objects, and objects of cultural patrimony discovered inadvertently during the course of project implementation. In the event that any of the cultural items listed above are discovered during the course of project work, the Permittee shall immediately halt the disturbance and contact the Department of Cultural Affairs within 24 hours for instructions. The Permittee shall be held responsible for protecting, evaluating, reporting, excavating, treating, and disposing of these cultural items



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according to the procedures established by the Department of Cultural Affairs in consultation with Indian Tribes.

Section 10 (17-1).

CONCLUSIONS OF LAW

- A. The request for permit modification is complete and accurate and complies with the requirements of the Act and §19.10.3.303 NMAC.

All other provisions, modifications, and revisions for mining and reclamation contained in the Pueblo Alto Permit, Permit No. MK008ME, remain unchanged.

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CERTIFICATION

I certify that I have read, understand and will comply with the requirements of the Permit, this Permit Modification, the Act and the Rules, including without limitation that I will allow the Director to enter the Permit Area as required by the Permit and/or the Rules and/or as otherwise required by law.

[Signature]
Authorized Representative of the Permittee

Operations Manager
Title

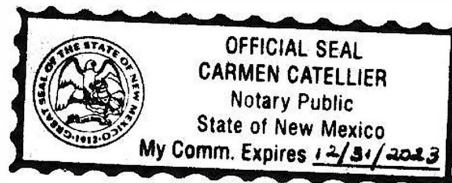
Mesa Verde Homes
Company

Subscribed and sworn to before me this 30 day of November, 2020

[Signature]
Notary Public

My Commission Expires

December 31, 2023



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ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that Permit Modification 17-1 to the Pueblo Alto Mine, Permit No. MK008ME, to expand the Permit Area to include an additional 80 acres identified as the Cottonwood Extension within Section 8, Township 20 North, Range 7 West, is approved.

By Order of the Director, Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department, of the State of New Mexico.

By:



Jerry Schoeppner, Director
Mining and Minerals Division
Energy, Minerals and Natural Resources Department

Date:

12/1/2020

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Appendix 1 – Table Showing Calculated Financial Assurance

PUEBLO ALTO MAIN PERMIT AREA – SECTION 15

Reclaim 10 acres of existing and future disturbance

Acres	\$ Per Acre	Cost	
1	\$8,900	\$8,900	first acre
9	\$4,900	<u>\$44,100</u>	remaining 9 acres
10		\$53,000	
With 5-year escalation at 2.5%		\$59,965	

Revegetation Failure @ 5%/year of \$800 per acre

Acres	Years	\$ Per Acre	Cost	Notes
3.0	12	\$480	\$1,440	Mod 16-1, 2016 reclamation
4.5	12	\$480	\$2,160	Mod 15-1, 2015 reclamation
3.7	12	\$480	\$1,776	Mod 13-2, 2013 reclamation, include re-reclaimed 0.1 acres from 2012 release 12-2
7.5	12	\$480	\$3,600	Mod 12-2, 2012 reclamation, include re-reclaimed 1.6 acres previously released under Mod 11-1
5.6	12	\$480	\$2,688	Mod 11-1, reclaimed December - 2011 (7.2 acres total - 1.6 re-disturbed acres = 5.6 acres)
<u>16.3</u>	12	\$480	<u>\$7,824</u>	Mod 10-1, reclaimed July - 2010
40.6			\$19,488	

Exploration Activities, phases of 10 boreholes

Boreholes	Depth Each	Total Footage	Cost/Foot	Subtotal	Notes
10	50	500	\$6.00	\$3,000.00	500' of dry holes anticipated per drilling phase

Total FA Required: \$82,453

Existing FA: \$82,453

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COTTONWOOD EXTENSION TO PUEBLO ALTO PERMIT AREA – SECTION 8

Reclaim 12.7 acres of existing and future disturbance

Acres	\$ Per Acre	Cost	
1	\$8,900	\$8,900	first acre
<u>11.7</u>	\$4,900	<u>\$57,330</u>	remaining 11.7 acres
12.7		\$66,230	
With 5-year escalation at 2.5%		\$74,933.17	

Total FA Required: \$74,933.17

Existing FA: \$74,933.17 Mod 17-1, CD#1210424827