

State of New Mexico
Energy, Minerals and Natural Resources Department

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Governor

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Cabinet Secretary

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Mining and Minerals Division



Electronic Transmission

December 9, 2020

Carol N. Brewka, Managing Member
American Magnesium LLC
P.O. Box 1013
Elephant Butte, New Mexico, 87935

RE: Technical Comments on American Magnesium, LLC's Financial Assurance Cost Estimates and Plan of Operations Revision 5, Foothill Dolomite Mine, Permit No. LU035MN – Luna County, New Mexico

Dear Ms. Brewka,

The New Mexico Mining and Minerals Division (“MMD”) received two submittals from American Magnesium, LLC (“American Magnesium”) titled, “*Plan of Operations Revision 5*”, dated August 27, 2020 and “*Financial Assurance Cost Estimates*”, dated October 16, 2020. MMD has conducted a review of this document and has the following comments to be addressed in writing:

1. American Magnesium provided a cost estimate for a 20-year mine plan. MMD only requires financial assurance for a 5-year mine plan. American Magnesium can provide a cost estimate for the 5-year plan mentioned in section 3.4 of the Plan of Operations (“PoO”) if they would like.

Cost Data File:

2. In the tab “Equipment Costs” the costs for the following equipment should be changed in accordance with the costs currently in EquipmentWatch:
 - a. The D6R dozer should be changed to \$7,222.35/month from \$6,570.00/month.
 - b. The D7R dozer should be changed to \$10,466.40/month from \$18,300/month.
 - c. The 966G loader should be changed to \$5,856.20/month from \$11,500.00/month
 - d. The 725 truck should be changed to \$9,300.06/month from \$10,824.00/month
 - e. The 120H motor grader should be changed to \$3,964.95/month from \$8,670.00/month
 - f. The 325C track excavator should be changed to \$10,047.96/month from \$10,750.00/month.
3. In the tab “Labor Rates” the labor rates for the following equipment should be changed in accordance with the New Mexico Department of Workforce Solutions prevailing wage rates for Type H – Heavy Engineering:

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- a. The labor rates for the D6R and D7R bulldozers should be changed to \$28.02/hour from \$21.14/hour.
- b. The 966G loader labor rate should be changed to \$28.02/hour from \$27.12/hour.
- c. The 725 truck labor rate should be changed to \$28.02/hour from \$18.97/hour.
- d. The 120H motor grader labor rate should be changed to \$30.23/hour (or \$28.31/hour) from \$21.14/hour.
- e. The 325C track excavator labor rate should be changed to \$30.23/hour from \$27.12/hour.
- f. Any remaining labor rates for equipment not mentioned in this letter should be adjusted to the New Mexico Department Workforce Solutions Type H – Heavy Engineering labor rates.

Cost Estimate for Reclamation After Exploration:

4. The cost in tab “Exploration” for plugging the boreholes is not calculated and included in the overall total. Please fix this error in the excel file so it is added to the total cost.
5. The cost for the access road in the “Roads” tab can be removed because the exact same cost is in the Cost Estimate for Reclamation at End of Mining and since section 2.16 of the PoO states “improvement of the BLM road and final construction of the mine site access road will occur within 6 months of completion of verification drilling”..

Cost Estimate for Reclamation at End of Mining:

6. Please include the costs to reclaim the improvements to the BLM road in the “Roads” tab in the SRCE. Unless the BLM approves that the improvements to the BLM road can stay after mining has ceased, the costs must be included in the cost estimate.
7. The ungraded slope in the tab “Quarries & Borrow Pits” should be 2:1 not 3:1 to reflect section 2.4.6 of the PoO. Please correct this in the SRCE.
8. Section 2.4.1 of the PoO states “a cattle guard will be installed at the swing gate currently located in the upper portion of the BLM road”. Please include the cost to remove this cattle guard at the end of operations in the SRCE.
9. Section 2.4.2 of the PoO states “the proposed alignment will require the installation of single culverts to cross two or three narrow, steep-sided gullies”. Please provide culvert removal costs in SRCE.
10. Section 2.4.3 of the PoO mentions that portable sanitation facilities will be on site but is not included in tab “Other Demo & Equip Removal”. Please provide these costs in the SRCE.
11. Section 2.4.6 state that the maximum amount of staged ore will be 15 cubic yards. Please provide costs to remove this pile in the cost estimate.
12. Tab “Foundations & Buildings” does not include the cost for the demolition of the concrete slab ford across the arroyo. Please fix the excel file to include this cost.
13. Section 3.3 states that “seed will be planted along contour using a rangeland drill or similar equipment. When drill seeding cannot be accomplished, broadcast seeding will be employed”. Please include the costs for drill seeding in the SRCE.

Both Cost Estimates:

14. The Monitoring & Maintenance table in tab “Constr. Mgmt” has one water truck and one grader for a duration of 36 months but there is no value provided for the Hours/Month.

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Please clarify the number of hours/month the water truck and grader are needed for Monitoring & Maintenance and include it in the excel file.

Please respond no later than 15 days of receipt of this letter, to the information requested. Should you have any questions, comments, or require additional information concerning this letter or any enclosures, please contact me at (505) 470-5354, or via email at: jennifere.johnson@state.nm.us.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Johnson".

Jenn Johnson, Permit Lead
Mining Act Reclamation Program ("MARF")

Enclosures:

cc: John Ayarbe, Daniel B. Stephens & Associates, Inc.
Bill Auby, Bureau of Land Management
Leighandra Keevan, Bureau of Land Management
Holland Shepherd, Program Manager, MARF
Mine File (LU035MN)