

**Billali Mine Inc.
5502 East 7th Street
Tucson, AZ 85711
U.S.A.**

October 9, 2009

Mr. Holland Shepherd, Program Manager
Mining Act Reclamation Department
1220 South St. Francis Dr.
Santa Fe, NM 87505

Holland Shepherd:

Thank you for having taken the time to meet with us last Wednesday. I think we may be on the right track, finally.

In accord with what we discussed, this cover letter will be remitted with an updated copy of our original petition for authorization for a minimal impact new mining operations mine permit application.

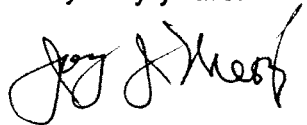
As discussed, this cover letter will be an integral part of the application in that we hereby agree to the following stipulations and responsibilities.

1. A sump will be installed at the base of the pad. All solutions from this sump will be tested for pH, and if less than 5 will be neutralized with lime or diluted. If greater than 5 can be pumped into the mine.
2. Acid/Base accounting will be done each time there is a change in the wall rock, or once at the beginning of each calendar quarter (Mar., Jun, Sept, Dec).
3. Billali will obtain pertinent permit from Silver City for the shower leach line.
4. The geologist that will examine the thin sections will look for buffering agents.
5. Any water encountered in the underground workings will be reported.
6. Any heavy sulfide mineralization encountered will be promptly reported.
7. A daily log will contain references to any of the mentioned items.
8. NMEMNRD recognizes that the Billali is private property and will call in advance to notify Billali that a visit will be made to the claim.
9. The Mine Plan sent out the week of Oct. 4, 2009 is an integral part of this updated copy of the application.

Mr. Shepherd's copy of the updated application is the only copy with all attachments. The other two copies are complete, without attachments.

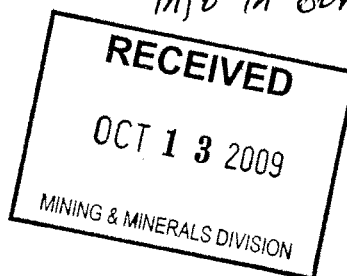
Billali thanks the NMEMNRD for help in the matter of issuing our permit and we await any notification from you.

Very truly yours.



Joy J. Merz
Billali Mine Inc.
Corporate Secretary

PAUL: THANKS FOR THE e-mail w/ info on plants. WE will incorporate that info in our reclamation plan



Joy J. Merz
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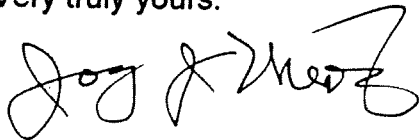
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2. Acid/Base accounting will be done each time there is a change in the wall rock, or once at the beginning of each calendar quarter (Mar., Jun, Sept, Dec).
3. Billali will obtain pertinent permit from Silver City for leach line of shower facility.
4. The geologist that will examine the two thin sections will look for buffering agents.
5. Any water encountered in the underground workings will be promptly reported to NMEMNRD.
6. Any heavy sulfide mineralization encountered will be promptly reported.
7. A daily log will contain references to any of the mentioned items.
8. NMEMNRD recognizes that the Billali is a patented claim and as such will call in advance to notify Billali that a visit will be made to the claim beforehand.

Mr. Shepherd's copy of the updated application is the only copy with all attachments. The other two copies are complete, without attachments.

Billali thanks the NMEMNRD for help in the matter of issuing our permit and we await any notification from you.

Very truly yours.



Joy J. Merz
Billali Mine Inc.
Corporate Secretary

TUCSON, Oct 9, 2009

REV. DATE: 2/5/04

HOLLAND SHEPHERD: AS AGREED,
THIS IS AN UPDATED VERSION
OF OUR APPLICATION PRESENTED
ON 6/30/2008

FOR MMD USE ONLY:

PROJECT NAME Billali

PERMIT # GR 058 MN

DATE RECEIVED: ___/___/___

DATE APPROVED: ___/___/___

LEAD INSPECTOR: _____

Merry

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
Director
Mining and Minerals Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505
Telephone: (505) 476-3400

**SUBPART 3
MINIMAL IMPACT NEW MINING OPERATIONS
PERMIT APPLICATION**

The following information is required under the New Mexico Mining Act (Sections 69-36-1 through 69-36-20, NMSA 1978) and associated rules. The Mining and Minerals Division of the Energy, Minerals and Natural Resources Department is the administrative agency through which this application is to be processed. See §304, Minimal Impact New Mining Operations, of the New Mexico Mining Act Rules for all regulations associated with Minimal Impact Mining operations.

Permit Application Requirements: (§304.A-C and §601)

- A minimal impact new mining operation will not be considered a minimal impact mining operation if it exceeds **10 acres of disturbed land**, except that pre-existing roads and reclaimed areas within the permit area will not be counted.
Reclaimed, for this purpose means all financial assurance has been released, except the amount held to reestablish vegetation pursuant to §1204.
- Permit applications shall be submitted in ample time to have the permit issued before mining operations begin, and operations shall not begin until after the permit is issued.
- Six copies of the completed application need to be submitted.
- Confidential information needs to be **clearly** indicated and submitted separately.

- Check the "YES" or "NO" box for each of the following characteristics as related to the proposed minimal impact mining operation:

- | <u>YES</u> | <u>NO</u> | |
|--------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Located in or having a direct surface impact on wetlands, springs, perennial or intermittent streams, lakes, rivers, reservoirs or riparian areas. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Located in designated critical habitat areas as determined in accordance with the federal Endangered Species Act of 1973 or in areas determined by the Department of Game and Fish likely to result in an adverse impact on an endangered species designated in accordance with the Wildlife Conservation Act, Sections 17-2-37 through 17-2-46 NMSA 1978 or by the State Forestry Division for the Endangered Plants Act, section 75-6-1 NMSA 1978. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Located in an area designated as Federal Wilderness Area, Wilderness Study Area, Area of Critical Environmental Concern, or an area within the National Wild and Scenic River System. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Located in a known cemetery or other burial ground. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Located in an area with cultural resources listed on either the National Register of Historic Places or the State Register of Cultural Properties. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Having or expected to have a direct impact on ground water that has a total dissolved solids concentration of less than 10,000 mg/L, except exploratory drilling intersecting ground water may be performed as a minimal impact operation. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Expected to use or using cyanide, mercury amalgam, heap leaching or dump leaching in its operations. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Expected to result in point or non-point source surface or subsurface releases of acid or other toxic substances from the permit area. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Requiring a variance from any part of these Rules as part of the permit application. |

IMPORTANT NOTES!

- If you have checked "YES" to any of the above boxes, the mining operation does not qualify as a minimal impact mining operation. Do not continue to fill out the remainder of this form.
- If you do meet the above requirements and have checked "NO" to **all** of the above boxes, continue filling out this application.
- Obtaining a Mining Act permit does not necessarily satisfy the obligation to obtain permits required by other governmental entities.

- PLEASE FILL IN ALL APPLICABLE INFORMATION AS COMPLETELY AS POSSIBLE.
- PLEASE PRINT OR TYPE ALL INFORMATION.

1. OPERATOR INFORMATION (§304.D.1)

LIST PROJECT NAME:	
NAME OF APPLICANT: <u>LES BILLINGSLEY, Richard Billingsley & Joy J. MERZ</u>	
ADDRESS:	<u>P.O. Box 207, (#7 Billingsley Lane)</u> <u>DUNCAN, AZ, 85534</u>
PHONE #:	<u>(298) 359-2241</u> <u>(520) 790-4913</u> <u>(298) 359-9313</u>
NAME OF OWNER (if different from applicant's name and address): _____ _____ _____	
ADDRESS:	_____ _____
PHONE #:	_____
NAME OF ON-SITE CONTACT OR OPERATOR'S REPRESENTATIVE:	
<u>Richard Billingsley, Les Billingsley or Joy J. MERZ</u>	
ADDRESS:	<u>#7 Billingsley Lane</u> <u>DUNCAN AZ, 85534</u>
PHONE #:	<u>(298) 359-2241</u>

2. RIGHT TO ENTER INFORMATION (§304.D.1)

A. Describe or provide evidence for the basis of the applicant's right to enter the property to conduct the mining and reclamation:

SEE ATTACHED TREASURER'S RECEIPT - GRANT CO., N.M.
(NEXT PAGE)

B. List the names and addresses of surface and mineral ownership within the proposed permit area:

1. Surface Owner(s):

Name	Address	Phone #
<u>Billali Mine Inc.</u>	<u>P.O. Box 945, DUNCAN AZ 85534</u>	<u>TEL: (298) 359.9313</u>

2. Mineral Owner(s):

Name	Address	Phone #
<u>Billali Mine Inc.</u>	<u>P.O. Box 945, DUNCAN, AZ 85534</u>	<u>(298) 359.9313</u>

C. List the author(s), title(s), date(s) and report number(s) of any cultural resource survey report(s) submitted to the agency(ies) or landowner(s) listed above:

Michelle M. Ensey - DEPT. OF CULT. AFFAIRS, Hist. Preserv. Div., 407 GALUSTED, SUITE 236, STATE NM 87501

3. MAPS (§304.D.2)

A. Provide a legal description of the site [Township(s), Range(s) and Section(s)] as well as GPS coordinates (UTM):

Township 16S, RANGE 21 W, SECTION 26 Billdi MS 1021

688722 E 3640160 N WGS 84

B. Provide a topographic map(s) of at least 1 inch = 2,000 feet (or appropriate for the size of disturbance) showing the areas of land to be disturbed by the proposed mining and reclamation. Identify general area shown on the map(s) by Township, Range and Section(s) as well as identifying the name of the topographic map. If the area to be mined contains the following features, show them on the map(s):

SEE MINE PLAN PAGE 8A. FOR TOWNSHIP ETC. SEE ABOVE.

1. Boundary of the proposed permit area with the existing and proposed area of disturbance
2. Previously disturbed areas - Road and HOOPER and KNUCKSEN Adits dumps
- NONE 3. Perennial, intermittent and ephemeral streams; springs; wetlands; riparian areas; lakes and reservoirs
4. Proposed and existing roads and other access routes SEE MINE PLAN P. 8A.
- NONE 5. Residences
- NONE 6. Support facilities - AIR TANK, CHANGE ROOM - SEE ATTACHED MAP NEXT PAGE
- NONE 7. Cemeteries, burial grounds; cultural resources listed or eligible for listing on either the National Register of Historic Places or the State Register of Cultural Properties
- NONE 8. Pipelines
- NONE 9. Oil, gas, water and monitoring wells on and within two miles of the permit area
10. Identify the location of shafts, adits, trenches, ponds, pits, quarries, stockpiles, waste dumps etc SEE MAP - NEXT PAGE

C. Provide driving directions to the site from the nearest town or land mark:

FROM DONCAN, AZ - NE 15 miles ON CARLSLE ROAD,
Then North 3 miles on Summit Peak Rd.

4. ENVIRONMENTAL PERMITS HELD FOR OTHER OPERATIONS (§304.D.3)

Provide a list of other environmental permits held for other mining operations within the United States and any violations issued for non-compliance with those permits.

NONE

NAMES OR TYPES OF ENVIRONMENTAL PERMITS:

FISH & GAME DEPT. March 4, 2009, MATTHEW WUNDER, SEE ATTACHED - P. 6 A
DEPT. of Cultural Affairs, Michelle Ensey, Archeologist, MARCH 3, 2009, - P. 6 B
Air Quality Bureau, Sufi Mustafa, Manager. March 2, 2009 see ATTCH. P. 6 C

LIST PERMIT VIOLATIONS; NUMBER, TYPE AND ISSUING AGENCY:

NONE

5. MINING DESCRIPTION (§304.D.4)

A. Type of mineral or minerals to be mined: gold, silver, silica

B. Check (✓) the method of proposed mining:

___ Surface or Underground

C. Describe the sizes and volumes of the facilities to be used:

Plant Site/Staging Area:

How Many 0 Acreage 0

Pits or Quarries : How Many 0 Acreage 0 Volume (cu.yds.) 0

Stockpiles: How Many 0 Acreage 0 Volume (cu.yds.) 0

Waste Dumps: How Many 0 Acreage 0 Volume (cu.yds.) 0

List the following for New Road(s):

Length (ft.) 1000' Width (ft.) 20'

Length (ft.) _____ Width (ft.) _____

List the following for extension or widening of **Existing Road(s)**:

Length (ft.) 0 Width (ft.) 0

Length (ft.) 0 Width (ft.) 0

Other Disturbances: Type RAMP ADIT

How Many 1 Acreage 1/2 Volume (cu.yds.) 1000

TOTAL ACREAGE TO BE DISTURBED: 1.5 acres

D. Describe the type of processing that will be conducted on site:

NO HE

E. Describe the typical equipment to be used for the mining operations:

DRILLS, LOADER, HOIST, RAIL CARS, AIR COMPRESSOR
GENERATOR, TRUCKS

5. **CHEMICAL USE (§304.D.4)**

A. List all chemicals proposed to be used by the mining operation.

Name:

ANFO, EXPLOSIVES

Use:

BREAK ROCK

6. GROUND WATER INFORMATION (§304.D.5)

A. Provide an estimate of depth to ground water and the total dissolved solids concentration.

Depth to ground water (ft.) ? T.D.S. concentration ?

B. Describe the source of groundwater information:

closest ground H₂O is about 250' NW OF THE NE CORNER OF THE BILLALI CLAIM, IN NORMAN KING SHAFT. H₂O is 120' below collar of shaft. SHAFT COLLAR IS 15' ABOVE BITTER CREEK DRY WASH.

C. Describe any dewatering activities to be conducted during mining operations:

NO H₂O NOW AT BILLALI. IF H₂O IS FOUND IN SINKING RAMP WE WILL OBTAIN PERMIT AFTER TESTING H₂O. DO NOT ANTICIPATE PUMPING AT THIS TIME. IF WE FIND H₂O WILL CONTACT NMEMNR.

7. PERFORMANCE STANDARDS (§304.D.7)

A. Provide a general description of how the mining and reclamation will be designed and operated using the most appropriate technology and best management practices:

THE PLAN IS TO MINE UNDERGROUND AND ONLY REMOVE FROM MINE WASTE ROCK TO BUILD ROAD TO 2ND ESCAPE WAY. ALL ORE REMOVED FROM MINE GOES INTO TRUCK FOR SHIPMENT. NO STOCKPILES WILL BE USED, NO NEW DISTURBANCES.

- B. Provide a general description of how the mining and reclamation will be designed and operated to assure protection of human health and safety, the environment, wildlife, and domestic animals:

PUT FENCES AROUND HOLES. GATES ON PORTALS, SHAFTS, AND
AROUND PART OF EDGE OF PROPERTY. NO TRESPASS SIGNS.
NO OPEN HOLES, HIGH WALLS OR GREAT DANGERS.

- C. Provide a general description of how the mining and reclamation will be designed and operated to safeguard the public from unauthorized entry into shafts, adits and tunnels and to prevent falls from highwalls or pit edges:

SIGNS, GATES, FENCES. ETC.

- D. Provide a general description of how the mining and reclamation will be designed and operated so the disturbed area will not contribute suspended solids above background levels, or where applicable the Water Quality Control Commission's standards, to intermittent and perennial streams:

WATER BARS WILL BE PLACED WHERE NEEDED. THERE WILL
BE NO STOCK PILES OR OTHER DISTURBANCES OR SOLIDS THAT
MAY BE WASHED INTO BITTER CREEK. DUMP AT BASE OF
CONCRETE PAD WILL CATCH ALL RUN OFF FROM PAD.

- E. Provide a general description of how the mining and reclamation will be designed and operated to control erosion:

THERE WILL BE NO DISTURBANCE ASIDE FROM THE BUILDING OF 1000' OF
ROAD TO SECOND ESCAPE-WAY, AND 1/2 ACRE OF PAD AT RAMP
ENTRANCE. AT TERMINATION OF MINING THE ROAD WILL BE
RIPPED AND RESEEDED AND WATER BARS WILL BE PLACED.

8. RECLAMATION PLAN (§304.D.8)

The operation will be operated and reclaimed to a self-sustaining ecosystem appropriate for the life zone of the surrounding areas following closure unless conflicting with the approved post-mining land use.

A. List adjacent land use other than mining (i.e. grazing): CATTLE GRAZING

B. List the proposed post mining land use (i.e. wildlife): CATTLE GRAZING & WILDLIFE

C. Describe how reclamation activities will avoid adverse impact to cultural resources:

ANY NEW SURFACE HOLES (WE EXPECT NONE) WILL BE FILLED IN WITH NON-MINERAL MATERIAL

D. Describe any backfilling and grading operations to be performed after mining:

ROAD TO BE RIPPED & RE-SEEDED.

E. Describe what mitigation steps will be taken to reconstruct or protect the hydrologic balance of the site after mining:

N/A

F. Describe how topsoil or topdressing will be salvaged, stockpiled and distributed for the re-establishment of vegetation:

TOP SOIL WILL BE SAVED & REPLACED

G. Describe what kind of seed bed preparation will take place prior to seeding. What soil amendments will be added? Scarification of the seed bed needs to take place. Will this involve discing or ripping?

ROAD WILL BE RIPPED & RE-SEEDED WITH LOCAL PLANTS.

H. Describe in detail the plant species to be used in the re-establishment of vegetation:

<u>Plant Name:</u>	<u>Rate of application (lb/ac)</u>
<u>CAT CLAW</u>	<u>1 lb / ACRE</u>
<u>LOCAL GRASSES</u>	<u>1 lb / ACRE</u>
<u>OAK BRUSH</u>	<u>AS NEEDED</u>

MOST OF THE AREA WILL SEED ITSELF IN A REASONABLE TIME AS THE OLD WORKINGS SHOW.

I. Will the seeds be broadcast or drilled into the seedbed? BROADCAST

J. Describe the type of mulch material to be applied after seeding and its application rate:

N/A.

K. What structures will be on the site and how will they be removed or reclaimed? (Buildings, portals, adits, shafts, bore holes, ponds, etc.):

TWO SMALL PORTABLE TRAILERS, 1 RAMP,
ONE RECEIVING TANK, 1 TRESTLE W/ TRACK,
ONE HOIST AND CABLE.

L. What roads are part of the mine site and how will they be reclaimed? Please provide an estimate of road square footage and explain if reclamation will involve ripping, scarification, backfilling, recontouring, and retopsoiling, etc.:

NEW ROAD WILL BE SEEDED AND RIPPED,
WITH PLACEMENT OF WATER BARS.

M. What will be the time frame for reclamation, (e.g. time of year, during mining, after mining, etc)?

SPRING TIME EACH YEAR. AFTER THAT AREA IS NOT NEEDED.

Proposed reclamation dates: Begin: 10/15/2009 End: 10/15/2039

9. OTHER REQUIRED PERMITS FOR THIS OPERATION (§304.D.9)

A. Provide a list of other permits required for the operation and the anticipated schedule for receipt of these.

<u>Permit Name & Issuing Agency</u>	<u>Date or anticipated date of receipt</u>
<u>BATE</u>	<u>RECEIVED ALREADY</u>
<u>MSHA</u>	<u>" "</u>
<u>AIR QUALITY</u>	<u>" "</u>
<u>ARMY CORPS OF ENG,</u>	<u>" "</u>
<u>GAME & FISH</u>	<u>" "</u>
<u>DEPT. OF CULTURAL AFFAIRS</u>	<u>" "</u>

10. FINANCIAL ASSURANCE AND PERMIT FEES (§304.E & F)

A. Provide a financial assurance estimate based on the cost of reclaiming the site by a third party. Include supporting calculations. Operations with less than 2 acres total disturbance are not required to provide financial assurance.

B. Attach the permit fees as determined pursuant to Subpart 2. The permit application fee for a minimal impact new mine is \$350.00.

THIS HAS BEEN PAID.

11. CERTIFICATION REQUIREMENT (§304.J.5)

Each application shall be signed and notarized by an applicant for the operation with the following certification made:

I certify that I have personally examined and am familiar with the information submitted herein, and based on my inquiry of those individuals responsible for obtaining the information, I believe the submitted information is true, accurate, and complete. I agree to comply with the requirements of the permit, these Rules, and the Act. Further, I hereby allow the Director to enter the permit area for the purpose of conducting inspections until release of financial assurance.

Signature of Applicant:

Leslie H. Billingsley

Name (typed or print):

Leslie H. Billingsley

Title/Position:

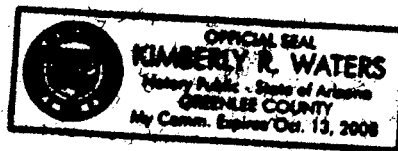
OWNER

Date:

June 24, 2008

Signature of Notary:

Kimberly R. Waters



┌ Notary Seal ─┐