

**PERMIT NO. SI025EM
COPPER FLAT EXPLORATION 2 PROJECT
MINIMAL IMPACT EXPLORATION OPERATION**

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

This Permit No. SI025EM is issued by the Director of the Mining and Minerals Division (MMD) of the New Mexico Energy, Minerals and Natural Resources Department to:

whose correct address is: New Mexico Copper Corporation
 2425 San Pedro NE, Suite 100
 Albuquerque, New Mexico 87110

(Permittee) for the Copper Flat Exploration 2 Project, located in Sierra County, New Mexico.

The Permittee is authorized to conduct an exploratory drilling project that will involve drilling four-five (45) drill holes to a depth of 1200 feet and two (2) drill holes to a depth of 2000 feet, four (4) inches in diameter. Drilling will utilize no more than twenty-five (25) drill pad surface disturbance areas, no greater than sixty feet by one hundred feet (60' x 100'), to accommodate the drill rig, pipe truck and ancillary vehicles, and containing no more than one (1) drill pit sump within each drill pad area.

Section 1. **STATUTES AND REGULATIONS**

This Permit is issued pursuant to the New Mexico Mining Act, NMSA 1978, §69-36-1, et seq. (1993, as amended through 1999).

This Permit is subject to all applicable regulations of the New Mexico Mining Act (Act), New Mexico Mining Act Rules, Title 19, Chapter 10 of the New Mexico Administrative Code (NMAC 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.

Section 2. **PERMIT APPLICATION PACKAGE**

The Permit Application Package (PAP) is comprised of the following documents:

- A. Minimal Impact Exploration Permit Application, dated December 29, 2010.
- B. Amendment No. 1 to the PAP, dated January 25, 2011, requesting a minor adjustment to drill hole locations A, B, and D
- C. Response letter from Tom Outler, dated April 18, 2011: Technical Comments, New Mexico Copper Corporation, Copper Flat 2 Project Minimal Impact

Exploration Application No. SI025EM, Sierra County, New Mexico, providing responses to MMD's March 8, 2011 Technical Comments letter to Permittee.

Section 3.

PERMIT AREA

The Permittee is authorized to conduct mineral exploration and reclamation operations only on those lands that are specifically designated and authorized as the "Permit Area." The Permit Area is found on patented lands and federal lands managed by the United States Bureau of Land Management (BLM), within portions of Section 26, Township 15 South, Range 7 West, in Sierra County, New Mexico, as delineated in the PAP. The PAP is comprised of an original permit application, dated December 29, 2010, and correspondence subsequently submitted to the Mining and Minerals Division (MMD) by the Permittee or its representatives, which can be found recorded at MMD offices within the Division's exploration files, and is titled: *Copper Flat Exploration 2 Project, SI025EM*.

Section 4.

FINDINGS OF FACT

- A. The PAP is complete and demonstrates that the proposed operation will meet the performance and reclamation standards and requirements of Subsection D, Paragraphs 1-6, of 19.10.3.302 NMAC.
- B. The BLM has provided the appropriate acknowledgment of approval to conduct operations on BLM lands, as required by Subsection F of 19.10.3.302 NMAC, for Notice-of-Intent level operations approved by the BLM.
- C. The PAP describes an operation that meets the criteria of a "minimal impact mining operation," addressed in Subsection M, Paragraph 2 of 19.10.1.7 and in 19.10.3.302 NMAC, and does not fall within the exclusions in 19.10.1.7.M (2). MMD and the following state agencies: the Environment Department, the Department of Game and Fish, the State Forestry Division, the Department of Cultural Affairs, and the Office of the State Engineer (Agencies) have reviewed the minimal impact designation, pursuant to 19.10.3.302 (G) NMAC.
- D. The proposed operation and reclamation, as described in the PAP, will meet the requirements of reclamation, as defined in Part 1, Subsection R, Paragraph 1 of 19.10.1.7 NMAC of the New Mexico Mining Act Rules. Reclamation of the disturbed area will be initiated as soon as possible and will be completed within two (2) years following the completion of abandonment of the exploration operation, unless the disturbed area is included within a complete permit application for a new mining operation.

- E. The Permittee has paid the initial permit application fee of \$500.00, as required by Subsection F of 19.10.2.201 NMAC.
- F. The Post Mining Land Use is designated as “livestock grazing” and “wildlife habitat.”
- G. The Permittee has provided satisfactory financial assurance (FA), in accordance with Subsection A of 19.12.1201 NMAC, in the amount of \$394,082.00 (three hundred ninety-four thousand eighty-two dollars). FA has been posted in the form of a Certificate of Deposit No. 0124190727, administered by the Bank of the West, Albuquerque, New Mexico.
- H. The Permit Area is the area delineated in Exhibit B (a map with a scale of approximately 6000:1) of the PAP, dated December 29, 2010.
- I. The locations of the drill pad, and associated drill holes, are described on page 7 of the PAP, dated December 29, 2010.
- J. The Applicant has certified that it is not in violation of the New Mexico Mining Act or 19.10 NMAC.
- K. The Applicant has signed a statement that it agrees to comply with the requirements of the permit, the Rules, and the Act, and allows the Director to enter the permit area, without delay, for the purpose of conducting inspections.
- L. MMD provided the Agencies with a copy of the PAP and requested comments from the Agencies.
- M. In written correspondence, dated January 12, 2011, MMD invited consultation with the Mescalero Apache Tribe and the Fort Sill Apache Tribe.
- N. In correspondence dated May 11, 2011, MMD provided written notification to the Mescalero Apache Tribe and the Fort Sill Apache Tribe of MMD’s intention to issue this permit.
- O. MMD provided the Applicant with technical comments based upon review of the PAP and included comments provided by the other Agencies. The Applicant provided responses, dated April 18, 2011, which addressed these comments.
- P. The BLM issued an Acknowledgment Notice, dated March 17, 2011, approving the associated Notice.

Section 5. **COMPLIANCE REQUIREMENTS**

The Permittee shall comply with the statutes and regulations referred to in Section 1 of the permit and with all applicable regulatory and permitting requirements. The issuance of this permit does not relieve the Permittee from the responsibility of complying with other state and federal requirements and standards.

Section 6. **AGENCY RIGHT OF ENTRY**

The Permittee shall allow the authorized representatives of the Director, without advance notice, upon presentation of appropriate credentials:

- A. to enter upon, or through, any mineral exploration or reclamation operation at any time and without delay, as provided for in Subsection I, Paragraph 3 of 19.10.3.302 NMAC, for the purpose of conducting inspections during exploration and reclamation, and to determine if the Permittee is in compliance with the permit requirements and conditions; and
- B. at reasonable times, and without delay, to have access to and copies of any records associated with permitting and compliance required by the Act, 19.10 NMAC or the permit.

Section 7. **PERMIT COVERAGE**

This permit shall be binding on any person or persons conducting mining and reclamation operations under this Permit.

Section 8. **ENVIRONMENTAL COVERAGE**

The Permittee shall take all necessary steps to minimize any adverse impact to the environment, or public health and safety, resulting from noncompliance with any term or condition of the Permit, the Rules or the Act.

Section 9. **COMPLIANCE WITH THE PERMIT APPLICATION PACKAGE**

The Permittee shall conduct mining and reclamation operations only as described in the approved PAP and any modifications approved by the Director pursuant to 19.10.4.406 NMAC.

The Permittee shall comply with any and all conditions that are incorporated into the PAP.

Section 10. **GENERAL OBLIGATIONS AND CONDITIONS**

This permit is subject to the following Conditions:

- A. The Permittee is authorized to drill four-five (45) drill holes to a vertical depth of 1200 feet, and two (2) drill holes to a vertical depth of 2000 feet, all six (6) inches in diameter. Drilling will utilize no more than one (1) drill pad surface disturbance area, no greater than one hundred feet by sixty feet (100' x 60'), to accommodate the drill rig, pipe truck, ancillary vehicles, and containing no more than one (1) mud pit sump within each drill pad area. Each sump shall be no greater than seven feet wide, up to ten feet long and six feet deep (15'W x 15'L x 12'D). Alternatively, in areas where a drill pit sump is not feasible, such as sites where contact to bedrock is shallow, the Permittee will take appropriate measures to contain all drilling fluids and cuttings for proper disposal.
- B. The Permittee is authorized to site the location of each drill hole and pad area in accordance with PAP Amendment No.1, dated January 25, 2011, to the PAP.
- C. The Permittee is authorized to disturb no more than 4.6 acres in association with the drill pad and the overland travel routes, as described in the PAP.
- D. The term of a permit for a minimal impact exploration operation is governed by Subsections A, C and D of 19.10.4.405 NMAC. The permit term will be one (1) year from the date of the Director's signature on this permit.
- E. The Permittee shall notify MMD at least 30 days prior to initiating any reclamation approved pursuant to this permit.
- F. A minimum setback of 100 feet, from any watercourse within the area, will be required. (*Watercourse* means any channel having definable beds and banks capable of conducting generally confined runoff. During floods water may leave the confining beds and banks but under normal flows water is confined within the channel. A watercourse may be perennial, intermittent, or ephemeral.)
- G. The Permittee shall submit a termination report, pursuant to 19.10.4.407 NMAC, at the conclusion of an exploration operation not being renewed, unless the Permittee has applied for a mining operation permit.
- H. The Permittee shall implement erosion control measures or Best Management Practices (BMP) that are designed, constructed and maintained using professionally recognized standards (e.g., U.S.D.A. Natural Resource Conservation Service, 2007 *Gold Book* standards) for surface disturbances during

the exploration project and reclamation activities, as needed, for erosion control, spill prevention and the avoidance or damage to ephemeral stream channels in the area. Placement of water bar structures, or other appropriate measures should be taken, to reduce head-cutting adjacent to roads and to prevent roadways from channelizing surface flow.

- I. No drilling and no storage of fuels or chemicals shall take place within any drainage areas that are in the Permit Area. Appropriate spill clean-up materials, such as absorbent pads, must be available on site at all times during road construction, site preparation, and drilling activities, to address potential spills.
- J. No excavation or filling shall take place within an ephemeral watercourse until the required permits or consultations are obtained from the U.S. Army Corps of Engineers.
- K. Report all spills immediately to the New Mexico Environment Department (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 505-428-2500. For non-emergencies after hours, call 866-428-6535 or 505-428-6535 (voicemail, 24 hrs. /day). For emergencies only, call 505-827-9329, 24 hrs. /day, to contact the New Mexico Department of Public Safety.
- L. Any changes, modifications or amendments to the approved permit must be approved prior to implementation.
- M. If buried cultural material is discovered during drilling activities, all work should immediately cease within the area of discovery, the material should be protected in place, and the New Mexico Department of Cultural Affairs, Historic Preservation Division (DCA) should be immediately notified (505-827-6320).
- N. All activities under this permit, including drill holes, mud pits, and access roads, shall avoid those archaeological sites where avoidance is recommended by the DCA.
- O. When all drilling and testing activities are complete, any mud pits shall be allowed to dry out, then backfilled and recontoured to the approximate original topography, to reduce erosion. Following recontouring, stockpiled topsoil will be uniformly replaced over the drill pad and mud pit. The closed drill pad, including the reclaimed mud pits, will be seeded with a certified weed-free seed mixture, as described in the following Condition V.
- P. Pursuant to 19.10.3.302L NMAC, each drill hole shall be plugged with a column of cement, or bentonite-based plugging material, unless another material is

approved by the New Mexico Office of the State Engineer (OSE), from bottom upwards, using a tremie pipe, to approximately 12 feet below the original ground surface. A ten (10) foot column of cement will then be applied to within approximately two (2) feet of the ground surface. The remaining hole shall be backfilled with top dressing from above the cement plug to the original ground surface.

The drill hole shall be permanently plugged and abandoned as soon as is practical after drilling is complete. The approved sealant shall comply with all applicable specifications of ASTM D5299-99. The Permittee shall ensure that the correct ratio of solids to water is used during the preparation of the approved sealant. Drill hole plugging records, sufficiently detailed to document plugging methodology, the proper constitution of approved sealant, and that sealant is used in adequate volumes to meet theoretical volumes of plugged intervals, shall be provided to the MMD pursuant to condition "Y" below.

- Q. If water bearing stratum is encountered, the drill hole shall be plugged before the drill rig is removed from the site. If groundwater is encountered, the wells shall be sealed to the OSE's *Rules and Regulations Governing Well Driller Licensing, Construction, Repair, and Plugging Wells*, 19.24.4 NMAC (see 19.27.4.36, *Requirements for Mine Drill Holes that Encounter Water*).
- R. The Permittee shall close and abandon all drill holes, including all wells, within one (1) year of date of permit issuance, unless documentation is provided from the landowner that:
1. the landowner wants the wells left in place, and both MMD and OSE approve;
 2. the Permittee has submitted a mining permit application to MMD that includes the wells; or
 3. the Permittee has received a renewal for an exploration operation, pursuant to 19.10.4.405 of the New Mexico Mining Act Rules.
- S. If the drilling mud pits or sumps will contain only water and inert ingredients (such as bentonite clay) and the pits are not covered or netted, all pits to be constructed within the project area shall have at least one side constructed at a 3:1 (horizontal: vertical ratio) slope to allow for a wildlife escape route. If any drilling mud additives or lost circulation materials are used that contain detergents, acids, salts, surfactants, dispersants, heavy metals, or other ingredients potentially harmful to wildlife, the drilling pits shall be covered or netted to exclude flying and terrestrial animals.
- T. Any water, drill cuttings, mud and drilling additives and/or fluids produced from

the exploration drill holes shall be contained entirely within the excavated mud pits at all times. Discharge of this water or any drilling fluids to an ephemeral watercourse (Water of the State) may be a violation of the Clean Water Act.

- U. Pursuant to Part 12 of the Rules, the Permittee shall maintain FA in the approved amount of \$394,082.00, and sufficient to cover third-party costs of sealing and plugging a maximum of four-seven (47) drill holes and reclaiming all drill pads and the associated overland routes.
- V. All areas where vegetation is disturbed, including roadways constructed for the project, will be seeded by the following methods that supersede those described in Sections 7B and 7C of the Application:
- 1) Reclaimed overland routes shall be ripped to at least one-foot depth or to bedrock, to relieve compaction. Other disturbed areas shall be scarified by harrow, chisel or other device to at least six-inch depth.
 - 2) Ripping and other scarification methods shall be conducted during a time when surface and subsurface soil conditions are dry.
 - 3) All reclaimed areas shall be seeded with a seed mixture consisting of weed-free, pure live seed (PLS), listed below as an application rate in pounds PLS per acre, of the following species:

Blue Grama (<i>Boutelouaa gracilis</i>)	3.0 lbs/acre
Sideoats Grama (<i>Bouteloua cutipendula</i>)	3.0 lbs/acre
Sand Dropseed (<i>Sporobolus cryptandrus</i>)	1.0 lbs/acre
Scarlet Globemallow (<i>Sphaeralcea coccinia</i>)	1.0 lbs/acre
Four-wing Saltbush (<i>atriplex canescens</i>)	5.0 lbs/acre
 - 4) The seed mixture will be sown in June, or early July, to coincide with the summer rainy season.
 - 5) If seed is not applied with a seed drill, then seeded areas shall be raked, chain-harrowed, or otherwise surface-scarified to achieve seed burial in the seedbed and ensure intimate seed-soil contact.
 - 6) Weed-free straw, hay, or native grass mulch shall be uniformly applied across seeded areas at the rate of 2 tons per acre. If a hydro-mulch device is used, ½ to 1 ton per acre of mulch, with an appropriate tackifier, shall be applied.
- W. Following the revegetation and restoration activities, monitoring shall be conducted by the Permittee to assure successful establishment of vegetation and stabilization of the site. Revegetated areas that have not become established by

the end of the growing season will be mitigated by reseeding, mulching, grading, and/or application of water-bars, or another BMP, to prevent erosion and site degradation.

- X. All lands to be disturbed will be addressed under the performance and reclamation standards and requirements of 19.10.3.302 NMAC and in accordance with the reclamation plan provided in the PAP.
- Y. Pursuant to 19.3.302.M. NMAC, financial assurance may only be released after the Permittee has submitted a termination report that meets the requirements of 19.4.407 NMAC and the Director has determined, after inspection, that the reclamation requirements of this section and the permit have been satisfied.

Section 11.

CONCLUSIONS OF LAW

- A. The Director finds the application meets the requirements of a “Minimal Impact Mining Operation,” addressed in Subsection M, Paragraph 2 of 19.10.1.107. The operation authorized by this permit is eligible as a minimal impact operation and the Permittee is authorized to operate a minimal impact exploration project, pursuant to Subsection M, Paragraph 2 of 19.10.1.107 NMAC and Subsection A of 19.10.3.302 NMAC.
- B. The PAP is complete, accurate and complies with the requirements of the Act and 19.10.3.302 NMAC.
- C. The Director has jurisdiction over the Permittee and the subject matter of this permit and process.
- D. The Permittee, New Mexico Copper Corporation, is permitted to conduct mining and reclamation operations within the Permit Area, upon the condition that the Permittee complies with the requirements of the Order, the Act, the Permit Conditions and requirements and conditions imposed by this permit, and upon the submission of such termination reports and fees as may be required under 19.10.4.407 NMAC and 19.10.2 NMAC.

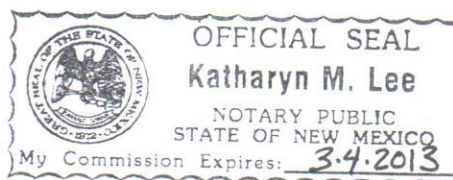
CERTIFICATION

I certify that I have read, understand and will comply with the requirements of the Permit. I further certify that I am not in violation of the Act or 19.10 NMAC. I also agree to comply with the performance and reclamation standards and requirements of the permit, the Rules, and the Act, and allow the Director to enter the permit area without delay for the purpose of conducting inspections during exploration and reclamation.


Authorized Representative of the Permittee

CEO
Title

New Mexico Copper Corporation
Company



Subscribed and sworn to before me this 3rd day of June, 2011.

Katharyn M. Lee
Notary Public

My Commission Expires

3-4, 2011

ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that the Permit Application Package of New Mexico Copper Corporation to conduct exploration and reclamation operations at the Copper Flat Exploration 2 Project in Sierra County, New Mexico, is approved. The Permit may not be transferred without approval by the Director. The Permit is subject to all conditions set out in the Director's Findings of Fact, Conditions and Conclusions of Law, and Order.

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

Mining and Minerals Division

BY: _____
Charles Thomas, Director
Mining and Minerals Division
Energy, Minerals and Natural Resources Department

DATED: _____