

**PERMIT MODIFICATION 04-1 TO PERMIT NO. TA001RE QUESTA MINE AND MILL FACILITY EXISTING MINING OPERATION**

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

Permit Modification 04-1 to Permit No. TA001RE is issued by the Director of the Mining and Minerals Division (MMD) of the New Mexico Energy, Minerals and Natural Resources Department to:

**Molycorp, Inc.**

whose correct address is:

**P.O. Box 469,  
Questa, NM 87556**

(Permittee) for the Questa Mine and Mill Facility Taos County, New Mexico.

The Permittee has requested a modification to Permit Conditions found in Revision 96-2 to Permit No. TA001RE (Closeout Plan). The Permit Conditions address timeframes for updating information related to the Closeout Plan.

The following sections of Revision 96-2 to Permit No. TA001RE are amended or modified as follows:

**Section 5. FINDINGS OF FACT**

- J. According to §19.10.5.506.B NMAC, a proposed closeout plan or a proposed closeout plan for a portion of the mine shall include a detailed description of how the permit area will be reclaimed to meet the requirements of Section 69-36-11B(3) for the Act and the performance and reclamation standards and requirements of Part 5 of the Mining Act Rules (Rules). The Closeout Plan as described in Appendix A is hereby approved subject to the conditions in Sections 6, 8 and 9 of Revision 96-2 to Permit No. TA001RE.
- M. The Permittee's July 23, 2001 variance request, and February 26, 2004 variance modification, regarding the subsidence zone have been approved. The variance is from §19.10.5.501.D of the Rules. The Subsidence areas identified in figure 1 of the variance request will require a Closeout Plan to be submitted by December 1, 2004.
- N. Pursuant to Section 19.10.5.505 of the Rules, MMD has reviewed this request to modify the Permit as a modification. The proposed changes do not expand the design limits beyond those authorized by the Permit, will not create a significant increase in the amount of financial assurance, or significantly, depart from the nature or scale of the Permit.

**Section 6. CLOSEOUT PLAN SUMMARY**

- V. Molycorp shall submit a revised Closeout Plan according to conditions established in Section 9, CONDITIONS and a revised contingency plan on or before December 1, 2004.

**Section 9. CONDITIONS**

- E. Other portions of the site shall be developed to accommodate a permanent water management system for the site. Areas designated as forestry may contain wells, impoundments, and drainage and conveyance systems necessary for water treatment. The Permittee shall provide a detailed map identifying those portions of the site to be established to the designated PMLUs of forest ecosystem and water management. The map shall be updated in the revised Closeout Plan due December 1, 2004.
- F. The Permittee and MMD shall evaluate the adequacy of the financial assurance approved as a part of the permit every three years. The first evaluation shall be provided on or before December 1, 2004 and shall be contained in the revised Closeout Plan. The second evaluation will be provided with the annual report on April 30, 2007 and future evaluations, when due, shall be provided to MMD with the annual report. Financial Assurance Calculations will include the cost to complete the *Mine Rock Pile Erosion and Stability Evaluation, Questa Mine* (Permit §9.YY) for closeout configuration of the rockpiles.
- N. The Permittee shall provide a detailed map for MMD approval in the revised Closeout Plan due December 1, 2004 showing all buildings and other mining related structures to be removed from the mine and mill site area, as well as those proposed to remain at the sites post-reclamation.
- T. The Permittee shall document wildlife use of areas to be reclaimed for a forestry post-mining land use as follows: Large mammal surveys shall be conducted seasonally beginning year nine of the 12 year post closure monitoring period described in §19.10.12.1204 of the Rules. Bird diversity surveys shall be conducted seasonally beginning year nine of the 12-year post closure monitoring period described in §19.10.12.1204 of the Rules. The results of these wildlife surveys shall not be tied to bond release. Results will be evaluated to determine wildlife use trends during re-establishment of a Self-Sustaining Ecosystem. The Permittee shall submit for MMD approval, a wildlife monitoring work plan, identifying sampling methodologies and a map with sampling locations. The work plan shall be submitted to MMD with the Annual report on or before April 30, 2009 unless otherwise specified by MMD.
- Z. The Permittee shall incorporate a contingency plan into the revised closeout plan to be submitted by December 1, 2004. The contingency plan will address failure of any component of the revised closeout plan, including failure of covers or revegetation, failure of surface run-on and run-off controls, or failures in slope stability, that may result in non-compliance with the definition of reclamation, as defined in §19.10.1.7.R(1) of the Rules.
- BB. The Permittee shall provide a detailed map for MMD approval showing all roads to be closed and reclaimed at the mine and mill site area, as well as those roads proposed to remain open at the sites post-reclamation. The detailed map shall be submitted with the revised Closeout Plan to be submitted by December 1, 2004, and when modifications or revisions to a portion, or

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portions, of the Permit, are required by the submittals or studies addressed under Condition YY or XX.

- CC. The Permittee shall identify areas of the pit that will be reclaimed pursuant to Section 6.T. These areas have been identified in the closeout plan and described regarding the level of reclamation that will be applied. This information will be updated in the revised closeout plan, due December 1, 2004, if the nature of mining disturbance in the pit changes.
- II. The Permittee shall identify all landfills located on the mine and mill site, provide a general description of the materials disposed of in the landfills, and describe how the landfills will be reclaimed. This information shall be submitted to MMD for approval by December 1, 2004, and, when modifications or revisions to a portion, or portions, of the Permit, are required. The closeout plan shall remain consistent with studies conducted by the State of New Mexico Environment Department and the findings of the Remedial Investigation/Feasibility Study (RI/FS) as set forth in the United States Environmental Protection Agency (EPA) Administrative Order On Consent (AOC) (CERCLA Docket no. 6-09-01).
- KK. Reclamation of units at the Questa Mine and mill shall begin in accordance with the Reclamation Schedule provided in Table 1. For purposes of this condition, "unit closure" refers to the closure of an individual mine unit in the event that the unit is no longer used in the mining operation. For purposes of this condition, "Full Mine Closeout" refers to permanent cessation of mining at the entire operation. The Permittee shall provide a schedule for unit closeout for the entire site to be inserted in Table I as part of the permit revision to be submitted December 1, 2004.
- MM. The Permittee may submit for MMD approval a request to modify or revise any component of the Reclamation Schedule. The Reclamation Schedule shall be updated and resubmitted with the revised Closeout Plan to be provided for MMD approval by December 1, 2004.
- WW. The Permittee shall submit an annual report to MMD presenting the results of the test plot study, including recommendations for improvements to the test plot study. The report shall provide a discussion of cover survival and erosion, evaluate trends, and identify limitations to plant establishment. The report will be included with the annual report beginning on April 30, 2005 and continue until MMD makes a determination that the report will be discontinued.
- XX. If the results of the Revegetation Study (Study) indicate that additional or alternative closeout actions are necessary to ensure that the site will be reclaimed to a condition that allows for the re-establishment of a Self-Sustaining Ecosystem, and/or meet the requirements of reclamation defined under §19.10.1.7.R(1) of the Rules, the Permittee shall request a modification or revision to the permit. In accordance with Condition WW of the Permit and at year 5 from the time of seeding of the test plots, the Permittee shall submit a comprehensive evaluation of the test plots. The report shall provide a discussion of the success or failure of specific revegetation efforts, evaluate trends, and identify limitations to plant establishment and be submitted to MMD with the Annual report on or before April 30, 2009. The study will be continued for 7 years from the time of seeding of the test plots or until MMD makes a

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determination in consultation with NMED that the study will be discontinued. MMD will review the study to determine if a modification or revision of this permit is required by §19.10.5.504.B and §19.10.5.505.B of the Rules.

- YY. **Operational Phase Stability** - A Final Report with conclusions and recommendations for managing the operational period stability risks of the Questa Mine rock piles will be prepared and submitted to MMD for review by December 15, 2004. The Final Report shall provide concrete recommendations for control strategies (where necessary) for managing risks during the operation of the mine. The Final Report will utilize information from the subsidence zone reclamation studies to address rockpile stability issues for rockpiles affected by the subsidence zone.
- Closeout Phase Stability** - Following submittal of the Final Report required by this condition, the Permittee shall complete the *Mine Rock Pile Erosion and Stability Evaluation, Questa Mine* (Evaluation) in consultation with MMD, the Stability Review Board and other interested parties for the closeout stage of the mine and mill site. The study shall document how physical stabilization of the Mine and mill site will be achieved as part of site closeout. The Evaluation will utilize information generated as part of the Revegetation Study required by Permit Conditions SS through XX. The Evaluation shall be submitted to MMD on or before December 1, 2007 unless otherwise specified by MMD.
- ZZ. The *Mine Rock Pile Erosion and Stability Evaluation, Questa Mine* study shall include an approach for identifying excessive erosion. As part of this study, the Permittee must design erosion control systems, which minimize soil loss off slopes. The Permittee shall monitor erosion rates as part of the vegetation test plot program addressed under Conditions 9.SS through XX. The results of the study will be used to identify erosion rates that might limit the ability of the operator to reclaim to a condition that allows for the re-establishment of a Self-Sustaining Ecosystem. The results of the study shall be incorporated into the Revegetation Study.
- AAA. If the results of the *Mine Rock Pile Erosion and Stability Evaluation, Questa Mine* indicate that reshaping of portions of the mine is necessary to address erosion and stability issues at closeout, the Permittee shall revise the surface shaping plan described in Section 6, item B of this permit. The surface-shaping plan shall be submitted to MMD as a modification or revision. If the results of the *Mine Rock Pile and Stability Evaluation, Questa Mine* indicate that other additional or alternative closeout actions are necessary to ensure that the site will be reclaimed to a condition that allows for the re-establishment of a Self-Sustaining Ecosystem, and/or meet the requirements of reclamation defined under §19.10.1.7.R(1) of the Rules, the Permittee shall request a modification or revision to the permit. MMD will review the study to determine if a modification or revision of this permit is required by §19.10.5.504.B and §19.10.5.505.B of the Rules.
- BBB. The Permittee shall complete the Borrow Materials Investigation as part of the revegetation study required by Permit Conditions SS through XX. A description of the steps to be taken to identify soil suitability and areas to be used for borrow materials will be incorporated into the

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revegetation study work plan as an amendment on or before December 1, 2004. The Permittee shall, at a minimum, measure and evaluate the following parameters, unless MMD approves otherwise: pH, electrical conductivity, sodium adsorption ratio, organic matter content, rock fragment content, texture, macro nutrient content, available water holding capacity, and plant available iron, zinc, manganese, calcium, magnesium, copper, lead, selenium, molybdenum, ABA, and C:N ratio. The parameters shall be measured and evaluated for borrow and mine rock pile materials. The investigation results shall be submitted to MMD for approval as part of the Revegetation Study (Study) required by conditions SS through XX of the Permit. The Study shall document how the materials can be used to support plant growth and create a Self-Sustaining Ecosystem. The results of the Study will identify what additional or alternative closeout actions are necessary to ensure that the site will be reclaimed to a condition that allows for the re-establishment of a Self-Sustaining Ecosystem, and/or meet the requirements of reclamation defined under §19.10.1.7.R(1) of the Rules.

- CCC. The Permittee shall incorporate into the December, 2004 Closeout Plan and each Closeout Plan update a plan for reclamation and stabilization of borrow areas. The plan shall identify the location and extent of each borrow area, and describe the reclamation procedures that will be used to stabilize the areas.
- GGG. If the results of the storage cover study indicate that additional or alternative closeout actions are necessary to ensure that the site will be reclaimed to a condition that allows for the re-establishment of a Self-Sustaining Ecosystem, and/or meet the requirements of reclamation defined under §19.10.1.7.R(1) of the New Mexico Mining Act Rules, the Permittee shall request a modification or revision to the permit. The Permittee shall use the results to incorporate changes into the Closeout Plan updates. MMD will review the study to determine if a modification or revision of this permit is required by §19.10.5.504.B and §19.10.5.505.B of the Rules. The storage cover study will be continued in conjunction with the Revegetation Study for 7 years from the time of seeding of the test plots, or until MMD makes a determination in consultation with NMED that the study will be discontinued.
- III. If any of the submittals required by Permit condition HHH indicate that additional or alternative closeout actions are necessary to ensure that the permit area will be reclaimed to a condition that allows for the re-establishment of a Self-Sustaining Ecosystem, and/or meet the requirements of reclamation defined under §19.10.1.7.R(1) of the Rules, the Permittee shall submit to MMD a request to modify or revise the permit. MMD will review submittals to determine if a modification or revision of this permit is required by §19.10.5.504.B and §19.10.5.505.B of the Rules.
- JJJ. The Permittee shall initiate a Subsidence Zone Reclamation Study. The study shall include a work plan for approval by MMD. The work plan shall include a scope of work, list of deliverables, and time frames for the work to be completed. The work plan shall be provided to MMD by June 4, 2002. The Permittee shall provide completed studies to MMD, for approval, addressing the reclamation of the subsidence zone. The completed studies shall be provided by November 15, 2004. The Permittee shall use the results of the study to

incorporate changes into the Closeout Plan revision to be submitted on or before December 1, 2004.

KKK. Molycorp's Financial Assurance will be revised in accordance with §19.10.12.1208 on or before December 30, 2004.

**AGREEMENT BY OPERATOR:**

Agreement by Operator:

The foregoing instrument is agreed upon as shown below by signatures of authorized representatives.

William L. Sharrer  
Signature of Authorized Agent of Operator

William L. Sharrer, VP, Environmental & Public Policy  
Printed Name and Title of Authorized Agent of Operator

Acknowledgment of Authorized Agent of the Operator:

On this day 25th of May, 2004, before me appeared William L. Sharrer to me personally known, who, being by me duly sworn, did depose and say that he/she signed the attached Agreement and acknowledged said Agreement to be a free act and deed.

In witness whereof I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Beverly Daburca  
Notary Public

My commission expires 7-15-04

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**ORDER**

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FACILITY EXISTING MINING OPERATION

NOW THEREFORE, IT IS HEREBY ORDERED that Permit Modification 04-1 to the Questa Mine and Mill Facility Permit No. TA001RE, located in Taos County, New Mexico; is approved. Molycorp, Inc. may continue mining, exploration, or reclamation operations in accordance with the permit.

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**

**The State of New Mexico**

By:   
Bill Brancard, Director  
Mining and Minerals Division  
Energy, Minerals and Natural Resources Department

DATED: May 28, 2004