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April 27, 2016

Holland Shepherd
Mining Act Reclamation Bureau
Mining and Minerals Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505

Kurt Vollbrecht
Ground Water Quality Bureau
Water Protection Division
New Mexico Environment Department
P.O. Box 5469
Santa Fe, NM 87502

Re: Updated Interim Financial Assurance for Questa Mine, Closure/Closeout Plans TA001RE, DP-1055 and DP-933

Dear Mr. Shepherd and Mr. Vollbrecht,

This letter is a follow-up to April 8, 2016 meeting and subsequent emails between Chevron Mining Inc. (CMI), the New Mexico Energy, Minerals and Natural Resources Department (EMNRD), the New Mexico Environment Department (NMED), and the U.S. Environmental Protection Agency (USEPA) (collectively termed “the agencies”) related to the financial assurances (FA) under various permits and agreements for the Questa Mine and Tailing Facility. Please consider this letter as an application to modify permit TA001RE. The permit application fee of \$1,000 will be submitted under separate cover.

As discussed during the meeting, CMI and the agencies are near final agreement on a First Partial Remedial Design/Remedial Action Consent Decree (PCD) and a Third Amendment to the Administrative Settlement Agreement and Order on Consent for Early Design Actions (EDAOC Third Amendment) for the Chevron Questa Mine Superfund Site. The PCD and EDAOC Third Amendment will include new financial assurance guarantees from Chevron for the benefit of the State, as well as USEPA. The PCD and the EDAOC include work items that are also currently included in the 2012 Interim Financial Assurances for NMED and EMNRD. In connection with reaching the above agreements, NMED and EMNRD agreed to remove the overlapping financial assurance for work items that are in both the state permits and the agreements with EPA. CMI and the agencies recently agreed on the cost estimates for these overlapping work items.

Accordingly, CMI requests that EMNRD and NMED reduce the amount of required financial assurance by the amounts set forth below, which have been reviewed and agreed to by the agencies.

- Amount to remove from Mine FA - \$55,510,187.00.
 - Rationale: \$51,235,282 is covered under the PCD; \$4,274,905 is covered under the EDAOC
- Amount to remove from Tailing Facility FA - \$5,789,596.
 - Rationale: All of this is covered under the PCD.

The attached spreadsheets explain the revised cost estimates and the amounts to be removed from the NM financial assurances. It is CMI's understanding that upon receipt of this request, EMNRD and NMED will take the following actions:

- EMNRD will provide CMI with a letter indicating its intent to modify permit TA001RE to reflect the new financial assurance amount. Once the PCD becomes effective and CMI has finalized the Performance Guarantee under paragraph 43 of the PCD, the permit will be modified to reflect the revised amount.
- NMED will amend permits DP-1055 and DP-933 (or revised permit 1539 currently in draft) to reflect the revised FA amounts or provide CMI with a letter indicating its intent to modify the permits to reflect the new financial assurance amounts after the PCD becomes effective and CMI has finalized the Performance Guarantee under paragraph 43 of the PCD.

If you have any questions concerning this submittal, please do not hesitate to contact me at (575)586-7639 or Cynthia Gulde at (303) 930-4116.

Sincerely,



Armando Martinez

Cc: Bill Brancard, EMNRD
Trais Kliphuis, NMED
Mike Coats, CEMC
Cynthia Gulde, CEMC
Gary Baumgarten, USEPA