



Cynthia Gulde, Ph.D.
EMC Project Manager, Questa Mine



February 14, 2018

Mr. Clint Chisler
Mr. Holland Sheppard
Mining and Minerals Division
Energy, Minerals and Natural Resources Department
Wendell Chino Building
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: Permit Modification 16-1 to Permit No. TA001RE – Changes to Financial Assurance Amount

Dear Mr. Chisler and Sheppard,

Attached please find a signed copy of Permit Modification 16-1 to Permit TA001RE on behalf of Chevron Mining Inc. ("Chevron") to adjust the amount of financial assurance required for the reclamation of the former Questa Mine.

As was discussed through email and telephone correspondence in December 2017 and January 2018, Chevron will maintain the current Third-Party Guarantee ("TPG") amount (\$200,754,376.00) instead of changing the TPG to \$139,454,593.00, as identified in the permit modification 16-1. The basis of maintain the higher amount is because Chevron anticipates future changes will be made to the FA amount Chevron based on the to be determined 2018 FA amount.

Regarding the 2018 FA, Chevron will submit draft 2018 FA spreadsheets for MMD (and NMED) to review by March 12, 2018 as agreed to with Mr. Sheppard via email on February 2, 2018. Chevron will be available to discuss the revised FA upon request.

If you have any questions or need additional information, please contact me at (575) 586-7606 or Armando Martinez at (505) 586-7639.

Sincerely,

Cynthia Gulde
EMC Project Manager

Cc:
Armando Martinez, CEMC
Anne Maurer, NMED

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**PERMIT MODIFICATION 16-1 TO PERMIT NO. TA001RE
QUESTA MINE AND MILL
EXISTING MINING OPERATION
MINING AND MINERALS DIVISION
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**

This Modification 16-1 ("Modification 16-1") to Permit No. TA001RE (as amended from time to time, "Permit") is issued by the Director of the Mining and Minerals Division ("MMD") of the New Mexico Energy, Minerals and Natural Resources Department ("EMNRD") to:

Chevron Mining Inc.

Whose correct address is: 116 Inverness Drive East, Suite 207
Englewood, Colorado 80112

("Permittee" or "CMI") for the Questa Mine and Mill, located in Taos County, New Mexico.

Whereas, Permittee has entered into agreements with the U.S. Environmental Protection Agency ("USEPA") and the State of New Mexico regarding the Chevron Questa Mine Superfund Site ("Site"). These agreements include obligations by Permittee to complete certain remedial design and remedial action projects, some of which overlap with the reclamation obligations under this Permit ("Overlap Work"). Since this Permit and the Site agreements both require financial assurance ("FA"), there is the potential for duplicative FA for the Overlap Work.

Whereas, USEPA previously recognized the existing FA under this Permit for Overlap Work and such arrangement was implemented in Modification 12-1. USEPA will no longer recognize the State FA but will allow the State to be a beneficiary of the FA provided under the federal FA.

Whereas, the New Mexico Mining Act requires financial assurance to assure the completion of the performance requirements of the permit if the work had to be performed by MMD, but provides that "financial requirements shall neither duplicate nor be less comprehensive than the federal financial requirements." NMSA 1978, Section 69-36-7(Q).

Therefore, the purpose of this Modification 16-1 is to ensure that adequate FA is maintained for the obligations under this Permit while avoiding duplication of federal FA. Modification 12-1 will be repealed and MMD will recognize the federal FA as covering the FA for the Overlap Work while reducing the current State FA instruments by the same amount.

In order to accomplish the approval contemplated by this Modification 16-1, the following sections are added to the Permit:

"Section 1 (16-1). STATUTES AND REGULATIONS

A. This Permit Modification 16-1 is issued pursuant to the New Mexico Mining Act, NMSA 1978, §69-36-1, et seq. (1993, as amended through 2009) ("Act") and New Mexico Mining Act Rules, Title 19, Chapter 10 of the New Mexico Administrative Code ("Rules" or "Regulations").

B. This Modification 16-1 is subject to the Act, the Rules and any other regulations that are now or hereafter in force under the Act."

"Section 4 (16-1). FINDINGS OF FACT

A. The \$1000.00 modification application fee was paid on November 6, 2017, pursuant to Subsection H of 19.10.2.201 NMAC.

B. Pursuant to Subsection B.1 of 19.10.5.505 NMAC, the Director has determined that the proposed modification will not have a significant environmental impact.

C. Pursuant to Subsection B.3 of 19.10.5.505 NMAC, the Director has consulted with the appropriate agencies in approving this modification.

D. Permittee and the United States Environmental Protection Agency entered into an Administrative Settlement Agreement and Order on Consent for Early Design Actions, effective October 19, 2012, as amended, ("AOC") which includes the Statement of Work for Early Design Actions at the Site.

E. On May 1, 2017, the U.S. District Court for the District of New Mexico entered the First Partial Remedial Design/Remedial Action Consent Decree ("PCD"), which includes a Statement of Work describing the work to be implemented under the PCD at the Chevron Questa Mine Superfund Site ("Site").

F. Both the PCD and AOC include obligations by Permittee to complete certain remedial design and remedial action projects, some of which overlap with the reclamation obligations under this Permit ("Overlap Work"). Under the FA calculations and amounts approved in Modification 12-2, MMD has calculated the FA attributable to the Overlap Work to be \$61,299,783.00.

"Section 9 (16-1). CONDITIONS

A. Section 9 (12-1) added to this Permit by Modification 12-1 is hereby deleted.

B. Within 60 days of receipt of this Modification 16-1, Permittee shall provide an updated cost estimate for items to be addressed under the state permits, DP-1539, DP- 1055, DP-933 and TA001RE

"Section 10 (16-1). CONCLUSIONS OF LAW

A. The Director has jurisdiction over the Permittee and the subject matter of this Modification 16-1.

B. This Modification 16-1 will not have a significant environmental impact, as that term is used in 19.10.5.505 NMAC.

C. This Modification 16-1 requires neither public notice nor an opportunity for public hearing.

D. All requirements under Title 19, Chapter 10, Part 5 NMAC have been met.

E. This Modification 16-1 does not change the amount of financial assurance required by or approved for this Permit."

"Section 12 (16-1) NEW FA CONDITIONS

Section 12 (12-2) is modified and replaced by the following:

"Permit requirements that set forth the specific amount of FA and that specify the type of FA instrument to be provided, excluding such requirements for the FA for the Subsidence Area Unit, are superseded by the type and amount of the instruments required by this Modification 16-1. No other requirements in the Permit, the Act or the Rules regarding FA are affected by this Modification 16-1.

A. The following instruments shall provide the interim FA under this Modification 16-1, and shall be in the form and substance acceptable to MMD, and shall be in the amounts indicated:

1. Standby Letter of Credit in the amount of \$66,918,125.00 (USD) issued by the US Bank;
2. Third Party Guarantee in the amount of \$139,454,593.00 (USD) in which Chevron Corporation is the guarantor;
3. Corporate Guarantee for CERCLA Work, dated September 12, 2016, 2016, in which Chevron Corporation guarantees to USEPA, EMNRD and the New Mexico Environment Department that it will pay for or perform the work required under the AOC which includes Overlap Work, for which MMD calculated, using the amounts in Modification 12-2, the applicable FA as \$4,274,905.00; and
4. Corporate Guarantee for CERCLA Work, dated May 12, 2017, in which Chevron Corporation guarantees to USEPA, EMNRD and the New Mexico Environment Department that it will pay for or perform the work required under the PCD which includes Overlap Work, for which MMD calculated, using the amounts in Modification 12-2, the applicable FA as \$57,024,878.00.

All other provisions contained in the Permit remain unchanged by this Modification 16-1.

CERTIFICATION

I certify that I have read, understand and will comply with the requirements of the Permit, this Permit Modification 16-1, the Act and the Rules, including without limitation that I will allow the Director to enter the Permit Area as required by the Permit and/or the Rules and/or as otherwise required by law.

[Handwritten Signature]

Authorized Representative of the Permittee

Environmental Manager

Title

Chercon Environmental Management Company

Company

Subscribed and sworn to before me this *20th* day of *February*, 2016

Anna C Martiney

Notary Public

My Commission expires:

July 24th, 2018



ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that the Director approves Permit Modification 16-1 to Permit No. TA001RE.

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

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

Date: February 27, 2018