

**PERMIT MODIFICATION 19-1 TO PERMIT NO. TA001RE
QUESTA MINE
EXISTING MINING OPERATION**

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

Permit Modification 19-1 ("Modification 19-1") 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")

for the Questa Mine located in Taos County, New Mexico.

This Modification 19-1 approves the change of the face value of Third-Party Guarantee ("TPG") for Chevron Mining Inc. ("CMI") pursuant to §19.10.12.1208(G) NMAC and the Letter of Credit ("LOC") required amount pursuant to §19.10.12.1208(B) NMAC. Pursuant to §19.10.12.1206 (A) this modification increases the total amount of state held Financial Assurance ("FA") required for the closure/closeout of the Questa Mine from \$269,028,135 (net present value or "NPV") to \$396,051,071 NPV by approving the July 2019 revised cost estimate. The specific instruments being increased by Modification 19-1 are:

- The TPG increased by the amount of \$79,942,256.
- The LOC Number SLCMMSP07474 increased by the amount of \$47,080,680

The TPG increases from \$200,754,376 to \$280,696,632, and the LOC No. SLCMMSP07474 increases from \$66,918,125 to \$113,998,805. Per Modification 19-1 the current/updated FA amounts and instruments for the Questa Mine Permit No. TA001RE are summarized as follows:

CMI TPG	\$280,696,632
LOC SLCMMSP07474	\$113,998,805
<u>LOC SLCMMSP08071</u>	<u>\$1,355,634</u>
Total	\$396,051,071

(Note that LOC SLCMMSP08071 does not change due to Modification 19-1.
This LOC is held separately for Subsidence Zone reclamation on the mine site.)

In addition to State held FA for the Questa Mine Permit No. TA001RE, CMI also holds the following FA in the form of corporate guarantees jointly with the Environmental Protection Agency ("EPA"), MMD, and the New Mexico Environment Department ("NMED") for Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") work done at the Questa Mine Superfund Site:

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Partial Consent Decree	\$143,632,481
Early Design Actions	\$24,069,784
Removal Action	\$5,000,000
Total	\$172,702,265

In order to accomplish the approval contemplated by this Modification 19-1, the following subparagraphs are modified or added to Permit No. TA001RE:

Section 1 (19-1). **STATUTES AND REGULATIONS**

- A. This Modification 19-1 is issued pursuant to the New Mexico Mining Act, NMSA 1978, §69-36-1, et seq. (1993, as amended through 2016) (“Act”) and New Mexico Mining Act Rules, Title 19, Chapter 10 of the New Mexico Administrative Code (“NMAC” or “Rules”).
- B. This Modification 19-1 is subject to the Act, the Rules and any other regulations which are now or hereafter in force under the Act; and are made a part of this Permit by this reference.

Section 2 (19-1). **PERMIT MODIFICATION PACKAGE**

- A. The Modification 19-1 Permit Modification Package (“19-1 PMP”) is comprised of the following documents:
- 1) Letter dated August 28, 2019, from CMI, Request to Modify Mining Act Permit No. TA001RE – Updates to Financial Assurance Amount.
 - 2) Letter dated March 20, 2020, from CMI to MMD, Financial Assurance Instruments for Modification 19-1 to Permit No. TA001RE – Updates to Financial Assurance.
 - 3) Letter dated March 19, 2020, from CMI to MMD and NMED, Financial Assurance for Chevron Mining Inc – Questa Mine, Mining and Minerals Division Permit No. TA001RE, New Mexico Environment Department Discharge Permit DP – 1055.
 - 4) Third Party Guarantee dated March 17, 2020, CMI to MMD and NMED, Financial Assurance for Chevron Mining Inc – Questa Mine, Mining and Minerals Division Permit No. TA001RE, New Mexico Environment Department Discharge Permit DP – 1055 and 1539.
 - 5) LOC No. SLCMMSP07474 Amendment No. 1 dated March 20, 2020, CMI to MMD and NMED

Section 3 (19-1).

FINDINGS OF FACT

- A. The Permittee has paid the permit modification fee of \$1,000.00 as required by §19.10.2.201 NMAC.
- B. Pursuant to §19.10.5.505(B) NMAC, the proposed change does not require public notice nor the opportunity for public hearing.
- C. Pursuant to §19.10.5.505(B)(1) NMAC, the proposed changes would not have a significant environmental impact.
- D. Pursuant to §19.10.5.505(B)(1)(b) NMAC, the proposed changes would not result in a significant increase in the amount of financial assurance cognizable as a significant environmental impact.
- E. Pursuant to §19.10.5.505(B)(2) NMAC, the application was accompanied by sufficient information for the Director to determine whether any of the factors listed in §19.10.5.505(B)(1) NMAC are present.
- F. Pursuant to §19.10.5.505(B)(3) NMAC, the Director consulted with NMED regarding the proposed change to the financial assurance instrument and revised cost estimate.
- G. Pursuant to §19.10.5.505(C) NMAC, 19-1 PMP was in a format acceptable to the Director. The 19-1 PMP has been reviewed in accordance with §19.10.5.505 NMAC. The 19-1 PMP is complete, accurate, and complies with the requirements for permit modifications under §19.10.5.505 NMAC.
- H. In accordance with the Letter dated January 29, 2020, from MMD to CMI, *Financial Assurance Instruments for Modification 19-1 to Permit No. TA001RE – Updates to Financial Assurance*, calculations of FA under this modification were interpreted as described below:

Approved amount of State FA described in the proposed Modification 19-1 ((not including the work that is covered by both state permits and EPA requirements (“Overlap Work”) or FA associated with LOC SLCMMSP08071(Subsidence Area Unit)):

\$394,695,437

Amount of FA for the Overlap Work as specified in Modification 16-1 to Permit No. TA001RE:

\$61,299,783

Total amount for State FA :

\$455,995,220

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Financial Assurance

- I. Pursuant to §19.10.12.1209 B. NMAC, the Director approves the change to the CMI TPG through this Modification 19-1.
- J. Pursuant to §19.10.12.1209 B. NMAC, the Director approves the change through Amendment 1 to the CMI LOC No. SLCMMSP07474 through this Modification 19-1.
- K. MMD and NMED jointly hold FA in the total amount of \$396,051,071 NPV, which has been determined by MMD to be sufficient to meet the requirements of the Act, Rules, and the Permit.

Section 4 (19-1).

NEW 2020 FA CONDITIONS

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 19-1. No other requirements in the Permit, the Act or the Rules regarding FA are affected by this Modification 19-1.

- A. The following instruments (“Replacement Instrument”) shall provide the updated FA under this Modification 19-1, and shall be in the form and substance acceptable to MMD, and shall be in the amounts indicated:
 - 1. Third Party Guarantee in the amount of \$280,696,632 (USD) in which CMI is the guarantor.
 - 2. Standby Letter of Credit SLCMMSP07474 Amendment 1 in the amount of \$113,998,805 (USD) issued by U.S. Bank National Association

All other provisions contained in the Permit remain unchanged by this Modification 19-1

Section 5 (19-1).

CONCLUSIONS OF LAW

- A. The Director has jurisdiction over the Permittee and the subject matter of this proceeding.
- B. 19-1 PMP is complete, accurate, and complies with the requirements of the Act and §19.10.5.505 of the Rules and with conditions described in this Modification 19-1 document.

All other provisions, modifications, and revisions for mining and reclamation contained in the Questa Mine Permit No. TA001RE, remain unchanged.

CERTIFICATION

I certify that I have personally examined and am familiar with the information submitted to MMD and NMED as described in this Modification 19-1, and based on my inquiry of those individuals responsible for obtaining the information; I believe the submitted information is true, accurate, and complete.

I certify that I have read, understand and will comply with the requirements of this Modification 19-1. I also agree to comply with the performance and reclamation standards and requirements of the Permit, its Modifications and Revisions, the Rules, and the Act, and allow the Director to enter the permit area without delay for the purpose of conducting inspections.

Jonathan P. Wallace
Authorized Representative of the Permittee
Jonathan P. Wallace

Vice President
Title

Cherron Mining Inc.
Company

Subscribed and sworn to before me this 17th day of April, 2020

Anna C. Martinez
Notary Public

My Commission Expires

July 24, 2024



ORDER

IT IS HEREBY ORDERED that Permit Modification 19-1 to Permit No. TA001RE allowing the changes to the total FA amount required and the FA amounts for Third-Party guarantee and Letter of Credit are approved. The Permit may not be transferred without approval by the Director. The Permittee shall be responsible at all times for maintaining FA in a form(s) and in an amount sufficient to meet the requirements of the Mining Act Rules. The Permit is subject to all the Act and Rules and conditions set out in the Director's Findings of Fact, Conclusions of Law, General Obligations and Conditions, and Order.

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

By:



Jerry Schoeppner, Director
Mining and Minerals Division
Energy, Minerals & Natural Resources Department

Date:

5/4/2020
