

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

1313 Sherman St., Room 215
Denver, Colorado 80203
Phone: (303) 866-3567
FAX: (303) 832-8106



September 20, 2013

Shannon P. Murphy
Providence Mining, LLC
100 W. Bennett Ave.
P.O. Box 661
Cripple Creek, CO 80813

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pineda
Director

Re: File No. M-2012-052, Providence Mine, 110d Decision Letter - Conditions, Financial and Performance Warranty Request - Hard Rock Mining Operation

Shannon Murphy:

On September 20, 2013, the Division of Reclamation, Mining and Safety approved with conditions your 110d mining permit application. The conditions to the approval are noted below:

<u>Stipulation No.</u>	<u>Description</u>
1	<i>The permittee will commit to performing annual testing of ore and waste rock if removed to the surface of the permit area. Results to be included with Annual Report.</i>

The amount of financial warranty set by the Division for this operation is \$17,200.00. You must submit a financial warranty in this amount and a performance warranty in order for us to issue a permit. In the event you have requested a financial warranty form, we have enclosed it in this letter. If you have not, please select a type of financial warranty from Rule 4.3. Then contact us so that we can provide you with the appropriate warranty form. We have enclosed a performance warranty form with this letter for your use.

PLEASE NOTE THAT MINING OPERATIONS MAY NOT COMMENCE UNTIL A PERMIT HAS BEEN ISSUED BY THE DIVISION AFTER RECEIPT OF YOUR FINANCIAL WARRANTY AND PERFORMANCE WARRANTY. A PERMIT WILL NOT BE ISSUED UNTIL WE VERIFY THE ADEQUACY OF BOTH YOUR FINANCIAL WARRANTY AND PERFORMANCE WARRANTY.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Timothy A. Cazier".

Timothy A. Cazier, P.E.
Environmental Protection Specialist

Enclosures

ec: Tom Kaldenbach, DRMS
Barbara Coria, DRMS
DRMS file
Art Braun, P.E., Braun Environmental, Inc.

COST SUMMARY WORK

Task description: Cost Summary

Site: Providence Mine Permit Action: Initial Bond Estimate Permit/Job#: M2012052

PROJECT IDENTIFICATION

Task #: 000 State: Colorado Abbreviation: None
Date: 9/19/2013 County: Teller Filename: M052-000
User: TC1

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
011	Remove Mine Equip. & Temp. Structures (cost = worth)	NA	1	0.00	\$0.00
012	Close Portal & Install Frame & Grate	MINESEAL	1	27.00	\$2,675.05
013	Remove Refuse & Debris	NA	1	2.00	\$500.00
014	Remove MSHA Berms & Regrad 500 ft of Road	GRADER	1	0.94	\$93.00
021	Closure of Air Raise (concrete plug & backfill 15 ft)	MINESEAL	1	48.00	\$4,750.49
030	Seed Bed Prep & Reveg	REVEGE	1	3.00	\$277.30
031	Jute Mesh Application	REVEGE	1	4.00	\$1,447.16
040	Mob/Demob	MOBILIZE	1	4.86	\$2,050.85
<u>SUBTOTALS:</u>				89.8	\$11,793.85

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance:	2.02%	Total =	\$238.24
Performance bond:	1.05%	Total =	\$123.84
Job superintendent:	45.90 hrs	Total =	\$3,002.32
Profit:	10.00%	Total =	\$1,179.39
		TOTAL O & P =	\$4,543.79
		CONTRACT AMOUNT (direct + O & P) =	\$16,337.64

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs):	0.00	Total =	0.00
Engineering work and/or contract/bid preparation:	0.00%	Total =	\$0.00
Reclamation management and/or administration:	5.00%		\$816.88
CONTINGENCY: 0.00		Total =	\$0.00

TOTAL INDIRECT COST = \$5,360.67

TOTAL BOND AMOUNT (direct + indirect) = \$17,154.52

SAFEGUARDING UNDERGROUND OPENINGS

Task description: Close Portal & Install Frame & Grate

Site: Providence Mine

Permit Action: Initial Bond Estimate

Permit/Job#: M2012052

PROJECT IDENTIFICATION

Task #: 012

State: Colorado

Abbreviation: None

Date: 9/19/2013

County: Teller

Filename: M052-012

User: TC1

Agency or organization name: DRMS

UNIT COSTS

Opening Description	Dimensions	Closure Method	Quantity	Unit	Unit Cost	Total Cost
Sangre de Cristo Tunnel	~8ft x 10ft	Adit closure - grated door (per opening)	1.00	EA	\$2,675.05	\$2,675.05

Job Hours: 27.00

Total Cost: \$2,675.05

MOTOR GRADER WORK

Task description: Remove MSHA Berms & Regrad 500 ft of Road

Site: Providence Mine

Permit Action: Initial Bond Estimate

Permit/Job#: M2012052

PROJECT IDENTIFICATION

Task #: 014

State: Colorado

Abbreviation: None

Date: 9/20/2013

County: Teller

Filename: M052-014

User: TC1

Agency or organization name: DRMS

HOURLY EQUIPMENT COST

Basic Machine: CAT 12M

Horsepower: 158

Ripper Attachment: Multi-Shank Ripper

Shift Basis: 1 per day

Data Source: (CRG)

Cost Breakdown:

		Utilization %
Ownership Cost/Hour:	\$24.43	NA
Operating Cost/Hour:	\$45.38	100
Ripper Operating Cost/Hour:	\$2.01	100
Operator Cost/Hour:	\$27.55	NA
Total Unit Cost/Hour:	\$99.37	
Total Fleet Cost/Hour:	\$99.37	

MATERIAL QUANTITIES

Total Area to be graded or ripped: 1.00 acres

Source of estimated acreage: Exhibit D

HOURLY PRODUCTION

Average Grader Speed:	<u>1.50</u>	mph
Selected Application:	<u>Ripping (0-3 mph) - 1.50</u>	
Selected Blade Angle:	<u>45</u>	degrees
Effective Blade Length:	<u>8.50</u>	feet
Width of blade overlap per pass:	<u>2.00</u>	feet
Net grading or ripping width per pass:	<u>6.50</u>	feet
Unadjusted Hourly Unit Production:	<u>1.1818</u>	acres/hour

Job Condition Correction Factors

Site Altitude: 9850 feet

Altitude Adj:	<u>1.00</u>	Source (CAT HB)
Job Efficiency:	<u>0.90</u>	(1sh/d, fav.)
Net Correction:	<u>0.9000</u>	multiplier

Adjusted Hourly Unit Production: 1.0636 acres/Hour

Adjusted Hourly Fleet Production: **1.0636** acres/Hour

JOB TIME AND COST

Fleet size: 1 Grader(s) Total job time: **0.94** Hours

Unit cost: \$93.42 per acre Total job cost: **\$93.00**

SAFEGUARDING UNDERGROUND OPENINGS

Task description: Closure of Air Raise (concrete plug & backfill 15 ft)

Site: Providence Mine

Permit Action: Initial Bond Estimate

Permit/Job#: M2012052

PROJECT IDENTIFICATION

Task #: 021

State: Colorado

Abbreviation: None

Date: 9/20/2013

County: Teller

Filename: M052-021

User: TC1

Agency or organization name: DRMS

UNIT COSTS

Opening Description	Dimensions	Closure Method	Quantity	Unit	Unit Cost	Total Cost
Air Raise plug	~11ft dia	Shaft closure - monolithic plug (per opening)	1.00	EA	\$3,751.97	\$3,751.97
Air Raise 15-ft backfill	15 ft deep	Shaft closure - backfilling, < 100 cu. yd. (per cu. yd.)	53.00	CY	\$18.84	\$998.52

Job Hours: 48.00

Total Cost: \$4,750.49

REVEGETATION WORKTask description: **Seed Bed Prep & Reveg**Site: **Providence Mine**Permit Action: **Initial Bond Estimate**Permit/Job#: **M2012052****PROJECT IDENTIFICATION**Task #: **030**State: **Colorado**Abbreviation: **None**Date: **9/20/2013**County: **Teller**Filename: **M052-030**User: **TC1**Agency or organization name: **DRMS****FERTILIZING****Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
			\$	\$
			Total Fertilizer Materials Cost/Acre	\$0.00

Application

Description	Cost /Acre
	\$
Total Fertilizer Application Cost/Acre	\$0.00

TILLING

Description	Cost /Acre
Disc harrowing, 6" deep (MEANS 32 91 13.23 6100)	\$98.01
Total Tilling Cost/Acre	\$98.01

SEEDING

Seed Mix	Rate – PLS LBS / Acre	Seeds per SQ. FT	Cost /Acre
Orchardgrass - Elsie	1.00	12.40	\$1.17
Ryegrass, Perennial - Belramo	1.00	5.67	\$1.38
Crested Wheatgrass - Standard	1.00	4.59	\$2.22
Smooth Brome - Lincoln	2.00	6.66	\$2.66
Intermediate Wheatgrass - Oahe	2.00	4.27	\$4.32
Slender Wheatgrass - Native	1.00	3.65	\$2.25
Basin Wildrye - Trailhead	2.00	8.13	\$13.10
Totals Seed Mix	10.00	45.36	\$27.10

Application

Description	Cost /Acre
Drill seeding (DRMS Cost Data)	\$88.20
Total Seed Application Cost/Acre	\$88.20

MULCHING and MISCELLANEOUS**Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
			\$	\$
Total Mulch Materials Cost/Acre				\$0.00

Application

Description	Cost /Acre
	\$
Total Mulch Application Cost/Acre	\$0.00

NURSERY STOCK PLANTING

Common Name	No / Acre	Type and Size	Planting Cost	Fertilizer Pellet Cost	Cost /Acre
					\$
Totals Nursery Stock Cost / Acre					\$0.00

JOB TIME AND COST

No. of Acres:	1	Cost /Acre:	\$213.31
Estimated Failure Rate:	30%	Cost /Acre*:	\$213.31
*Selected Replanting Work Items:	TILLING,SEEDING		
Initial Job Cost:	\$213.31		
Reseeding Job Cost:	\$63.99		
Total Job Cost:	\$277.30		
Job Hours:	3.00		

REVEGETATION WORKTask description: **Jute Mesh Application**Site: **Providence Mine**Permit Action: **Initial Bond Estimate**Permit/Job#: **M2012052****PROJECT IDENTIFICATION**Task #: **031**State: **Colorado**Abbreviation: **None**Date: **9/20/2013**County: **Teller**Filename: **M052-031**User: **TC1**Agency or organization name: **DRMS****FERTILIZING****Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
			\$	\$
			Total Fertilizer Materials Cost/Acre	\$0.00

Application

Description	Cost /Acre
	\$
Total Fertilizer Application Cost/Acre	\$0.00

TILLING

Description	Cost /Acre
	\$
Total Tilling Cost/Acre	\$0.00

SEEDING

Seed Mix	Rate – PLS LBS / Acre	Seeds per SQ. FT	Cost /Acre
			\$
Totals Seed Mix	0.00	0.00	\$0.00

Application

Description	Cost /Acre
	\$

Total Seed Application Cost/Acre	\$0.00
---	---------------

MULCHING and MISCELLANEOUS**Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
Jute mesh #2, stapled (MEANS 31 25 14.16 0300)	1.00	ACRE	\$2,226.40	\$2,226.40
Total Mulch Materials Cost/Acre				\$2,226.40

Application

Description	Cost /Acre
Jute mesh #2 (MEANS 31 25 14.16 0300)	\$2,226.40
Total Mulch Application Cost/Acre	\$2,226.40

NURSERY STOCK PLANTING

Common Name	No / Acre	Type and Size	Planting Cost	Fertilizer Pellet Cost	Cost /Acre
					\$
Totals Nursery Stock Cost / Acre					\$0.00

JOB TIME AND COST

No. of Acres:	0.25	Cost /Acre:	\$4,452.80
Estimated Failure Rate:	30%	Cost /Acre*:	\$4,452.80
*Selected Replanting Work Items:	MULCHING		
Initial Job Cost:	\$1,113.20		
Reseeding Job Cost:	\$333.96		
Total Job Cost:	\$1,447.16		
Job Hours:	4.00		

EQUIPMENT MOBILIZATION/DEMOBILIZATIONTask description: **Mob/Demob**Site: **Providence Mine**Permit Action: **Initial Bond Estimate**Permit/Job#: **M2012052****PROJECT IDENTIFICATION**Task #: **040**State: **Colorado**Abbreviation: **None**Date: **9/20/2013**County: **Teller**Filename: **M052-040**User: **TC1**Agency or organization name: **DRMS****EQUIPMENT TRANSPORT RIG COST**Shift basis: **1 per day**Cost Data Source: **CRG Data**Truck Tractor Description: **GENERIC ON-HIGHWAY TRUCK TRACTOR, 6X4, DIESEL POWERED,
400 HP (2ND HALF, 2006)**Truck Trailer Description: **GENERIC FOLDING GOOSENECK, DROP DECK EQUIPMENT TRAILER
(25T, 50T, AND 100T)****Cost Breakdown:**

Available Rig Capacities	0-25 Tons	26-50 Tons	51+ Tons
Ownership Cost/Hour:	\$16.63	\$18.37	\$22.33
Operating Cost/Hour:	\$44.38	\$46.13	\$50.07
Operator Cost/Hour:	\$27.66	\$27.66	\$27.66
Helper Cost/Hour:	\$0.00	\$25.39	\$25.39
Total Unit Cost/Hour:	\$88.67	\$117.55	\$125.45

NON ROADABLE EQUIPMENT:

Machine Description	Weight/ Unit (TONS)	Owner ship Cost/hr/ unit	Haul Rig Cost/hr/unit	Fleet Size	Haul Trip Cost/hr/ fleet	Return Trip Cost/hr/ fleet	DOT Permit Cost/ fleet
CAT 12M	16.01	\$24.43	\$88.67	1	\$113.10	\$88.67	\$250.00
Drill/Broadcast Seeder with Tractor	25.00	\$39.59	\$88.67	1	\$128.26	\$88.67	\$250.00

Subtotals: **\$241.36** **\$177.34** **\$500.00****ROADABLE EQUIPMENT:**

Machine Description	Total Cost/hr/ unit	Fleet Size	Haul Trip Cost/hr/ fleet	Return Trip Cost/hr/ fleet
---------------------	---------------------	------------	-----------------------------	-------------------------------

Subtotals: **\$0.00** **\$0.00**

EQUIPMENT HAUL DISTANCE and Time

Nearest Major City or Town within project area region:	<u>WOODLAND PARK</u>	
Total one-way travel distance:	<u>29.00</u>	miles
Average Travel Speed:	<u>30.00</u>	mph

Total Non-Roadable Mob/Demob Cost *	<u>\$2,050.85</u>
* two round trips with haul rig:	
Total Roadable Mob/Demob Cost **	<u>\$0.00</u>
** one round trip, no haul rig:	

Transportation Cycle Time:

	Non-Roadable Equipment	Roadable Equipment
Haul Time (Hours):	0.97	0.97
Return Time (Hours):	0.97	0.97
Loading Time (Hours):	0.25	NA
Unloading Time (Hours):	0.25	NA
Subtotals:	2.43	1.93

JOB TIME AND COST

Total job time:	<u>4.87</u>	Hours
-----------------	-------------	-------

Total job cost:	<u>\$2,050.85</u>
-----------------	-------------------