



## COLORADO

Division of Reclamation,  
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215  
Denver, CO 80203

**August 27, 2014**

John Strong  
Strong Mining Company  
1505 East 12th Street  
Rifle, CO 81650

**Re: File No. M-2014-011, Apex Lode, M-2014-011 Decision Letter - Financial and Performance Warranty Request - Hard Rock Mining Operation**

Mr. Strong:

On August 27, 2014, the Division of Reclamation, Mining and Safety approved your 110(1) mining permit application.

The amount of financial warranty set by the Division for this operation is \$34,308.00. 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,

Stephanie J. Mitchell  
Environmental Protection Specialist



## RIDER TO MINING PERMIT

Permit Date: August 28, 2014

Permit No: M-2014-011

The following additional stipulations and conditions form an integral part of the foregoing permit:

| Stipulation No. | Description  |
|-----------------|--|
| 1               | A reportable spill is a spill of any toxic or hazardous substance (including spills of petroleum products) within the mined land permit area reportable to any Division of the Colorado Department of Public Health and the Environment, the National Response Center, the Colorado Emergency Planning Commission, any local Emergency Planning Commission, local Emergency Planning Committee, or the State Oil Inspector. The Mine Operator shall notify the Division of Reclamation, Mining and Safety (DRMS) of a reportable spill within the mined land permit area using the same timeframe required by the permit, license, notice, statute, rule or regulation governing the reporting of the spill to the other appropriate agency. Notice of a reportable spill shall be FAXed to: Minerals Program Supervisor, Division of Reclamation, Mining and Safety, FAX (303) 832-8106. The FAX shall include a call-back number of a responsible company official for DRMS staff to use as a contact. |

MINED LAND RECLAMATION BOARD  
COLORADO DEPARTMENT OF NATURAL RESOURCES

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Virginia Brannon  
Division Director



Enclosure: Bond Calculation

cc: George Strong  
Strong Mining Company  
PO Box 808  
Silt, Co 81652

Ec: Barbara Coria, DRMS  
Russ Means, DRMS





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Denver, CO 80203

### PERFORMANCE WARRANTY

Permittee: Strong Mining Company

Operation: Apex Lode

Permit No: M-2014-011

*This form has been approved by the Mined Land Reclamation Board pursuant to sections 34-32-117, C.R.S., of the Mined Land Reclamation Act and 34-32.5-117, C.R.S., of the Colorado Land Reclamation Act for the Extraction of Construction Materials. Any alteration or modification of this form, without approval by the Board shall result in the financial warranty being invalid and result in the voiding of any permit issued in conjunction with such invalid financial warranty and subject the operator to cease and desist orders and civil penalties for operating without a permit pursuant to sections 34-32-123, C.R.S., of the Mined Land Reclamation Act and 34-32.5-123, C.R.S., of the Colorado Land Reclamation Act for the Extraction of Construction Materials.*

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the Colorado Mined Land Reclamation Act, C.R.S. 34-32-101 et seq. (the "Act"), as amended, and the Colorado Land Reclamation Act for the Extraction of Construction Materials, C.R.S. 34-32.5-101 et seq. (the "Act"), as amended, provides that no permit may be issued under the Act until the Mined Land Reclamation Board (the "Board") receives a performance warranty (or warranties) that is a written promise to comply with all applicable requirements of the Act.

WHEREAS, Strong Mining Company (the "Permittee"), has applied for a permit to conduct a mining operation known as Apex Lode (the "Operation") on certain lands in Garfield County, Colorado. These lands are described in the permit application, as amended and supplemented, and are referred to herein as the "Affected Lands".

WHEREAS, in its application for the permit, the Permittee has agreed to be bound by all requirements of the Act and all applicable rules and regulations of the Board, as amended from time to time.

WHEREAS, the Board has determined, in accordance with the Act, that the estimated costs of reclamation with regard to those affected lands in Garfield County which are now or may become subject to the permit are those amounts for the stated periods of time as set forth in the financial warranty, which may be amended from time to time to reflect revised estimates of said costs of reclamation.

WHEREAS, the Permittee hereby gives the Board a performance warranty pursuant to Section 34-32-117(2) or Section 34-32.5-117(2) of the Act, and herein promises the Board that it will comply with all applicable requirements of the Act with regard to those Affected Lands.

NOW, THEREFORE, the Permittee hereby promises the Board that it will comply with all applicable requirements of the Act and rules and regulations of the Board with respect to the Affected Lands.

FURTHER, the Permittee hereby promises the Board that it will comply with all of the terms of the application for a permit, as amended and supplemented, as well as any conditions attached to the permit by the Board.

FURTHER, the Permittee promises the Board, pursuant to 34-32-112(2)(d) or 34-32.5-112(1)(c)(iv) of the Act, that it has the lawful authority to enter upon the Affected Lands to conduct mining operations, including, but not limited to, reclamation. The Permittee further recognizes the right of the Board to enter to reclaim lands affected by the operation.

The description of lands herein is for convenience of reference only, and no error in such description, nor any revision of the permitted mining area, nor the disturbance by the Warrantor of lands outside of the permitted mining area shall alter or diminish the Permittee's obligation hereunder, which shall extend to the reclamation of all such lands disturbed.

The obligation of the Permittee hereunder is such that, if the Permittee shall successfully comply with the requirements of the Act, applicable rules and regulations, and the permit, then the Board, upon a finding that the Permittee has so complied, shall release this performance warranty, and the Permittee from its obligation hereunder, to the extent that the Board determines that such compliance has been accomplished. The obligation of the Permittee hereunder shall continue until released in whole or in part by the Board in accordance with applicable law.

In further satisfaction of the requirements of the Act, the Permittee promises to be responsible for the cost of reclamation up to the amount established by the Board and has attached hereto its financial warranty, which may be amended from time to time. The Permittee agrees that it will maintain a financial warranty (or warranties) for the estimated costs of reclamation in good standing for the entire life of the permit. Please note that under the provisions of the Colorado Mined Land Reclamation Act and the Colorado Land Reclamation Act for the Extraction of Construction Materials, any Applicant or Permittee that submits proof, acceptable to the Board or Division of Reclamation, Mining and Safety, that an Applicant or Permittee is a unit of County or Municipal government, or is a department or division of State government, the Applicant or Permittee is not required to submit or post any other instrument of financial responsibility but hereby promises to be responsible for the cost of reclamation up to the amount specified by the Board.

If the Board determines that the Permittee is in default under this performance warranty and has failed to cure such default, although written notice of such default and ample time to

cure such default have been given, the Permittee's financial warranty shall be subject to forfeiture.

This performance warranty may be executed in multiple copies, each of which shall be treated as an original, but together they constitute only one agreement, the validity and interpretation of which shall be governed by the laws of the State of Colorado.

The provisions hereof shall bind and inure to the benefit of the parties hereto and their successors and assigns.

SIGNED, SEALED AND DATED this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

Strong Mining Company (SEAL)  
Permittee

By: \_\_\_\_\_

Title: \_\_\_\_\_

### NOTARIZATION OF PERMITTEE'S ACKNOWLEDGEMENT

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission expires: \_\_\_\_\_

APPROVED:  
State of Colorado  
Mined Land Reclamation Board  
Division of Reclamation, Mining and Safety

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Division Director



## COST SUMMARY WORK

Task description: Total calc

Permit Action: M2014011 New  
Permit Bond  
Calc

Site: Apex Lode

Permit/Job#: M2014011

### PROJECT IDENTIFICATION

Task #: 001

State: Colorado

Abbreviation: None

Date: 8/21/2014

County: Garfield

Filename: M011-001

User: SJM

Agency or organization name: DRMS

### TASK LIST (DIRECT COSTS)

| Task                     | Description                    | Form Used | Fleet Size | Task Hours  | Cost            |
|--------------------------|--------------------------------|-----------|------------|-------------|-----------------|
| 002                      | cabin demo                     | DEMOLISH  | 1          | 0.00        | \$11,917.73     |
| 003                      | Mine Closure- Grate            | MINESEAL  | 1          | 0.00        | \$2,752.63      |
| 004                      | Rip road and cabin disturbance | RIPPER    | 1          | 3.88        | \$866.00        |
| 005                      | Mob Equipment                  | MOBILIZE  | 1          | 3.20        | \$2,146.00      |
| 006                      | Revegetation                   | REVEGE    | 1          | 0.00        | \$16,625.00     |
| <b><u>SUBTOTALS:</u></b> |                                |           |            | <b>7.08</b> | <b>\$34,308</b> |



## DEMOLITION WORK

Task description: Cabin demo

Site: Apex Lode

Permit Action: M2014011 New  
Permit Bond Calc

Permit/Job#: M2014011

### PROJECT IDENTIFICATION

Task #: 002  
Date: 8/21/2014  
User: SJM

State: Colorado  
County: Garfield

Abbreviation: None  
Filename: M011-002

Agency or organization name: DRMS

### UNIT COSTS

Location adjustment: 95.50 %

| Structure or Item Description | Dimensions   | Demolition Menu Selection   | Quantity | Unit | Unit Cost | Total Cost  |
|-------------------------------|--------------|---|----------|------|-----------|-------------|
| Cabin                         | 30x30        | Bldg. (SN) demo./off-site disposal in approved landfill - Max. 30 mile haul | 9,000.00 | CF   | \$1.15    | \$10,377.00 |
| Cabin Foundation              | 30x30        | Floor, concrete, demolition only, average reinforcing - 4 in. thick         | 900.00   | SF   | \$1.08    | \$972.00    |
| foundation disposal           | 30x30        | Dump fees - Building construction materials.                                | 4.00     | CY   | \$74.00   | \$296.00    |
| tool shed                     | 10x10        | Bldg. (SN) demo./off-site disposal in approved landfill - Max. 30 mile haul | 700.00   | CF   | \$1.15    | \$807.10    |
| gate dismantle                | 20 feet wide | Fencing, wood, all types - 4 ft. to 6 ft. high                              | 20.00    | LF   | \$1.36    | \$27.20     |

Job Hours: 0.00

Subtotal  
(unadjusted): \$12,479.30

Total Cost  
(adjusted for location): \$11,917.73

## SAFEGUARDING UNDERGROUND OPENINGS

Task description: Mine Closure- Grate

Site: Apex Lode

Permit Action: M2014011 New  
Permit Bond Calc

Permit/Job#: M2014011

### PROJECT IDENTIFICATION

Task #: 003

State: Colorado

Abbreviation: None

Date: 8/21/2014

County: Garfield

Filename: M011-003

User: SJM

Agency or organization name: DRMS

### UNIT COSTS

| Opening Description | Dimensions | Closure Method                              | Quantity | Unit | Unit Cost  | Total Cost |
|---------------------|------------|---|----------|------|------------|------------|
| Portal Closure      | 11x11      | Adit closure - grated door<br>(per opening) | 1.00     | EA   | \$2,752.63 | \$2,752.63 |

Job Hours: 0.00

Total Cost: \$2,752.63

## BULLDOZER RIPPING WORK

Task description: Rip raod and cabin disturbance

Site: Apex Lode

Permit Action: M2014011 New  
Permit Bond Calc

Permit/Job#: M2014011

### PROJECT IDENTIFICATION

Task #: 004

State: Colorado

Abbreviation: None

Date: 8/21/2014

County: Garfield

Filename: M011-004

User: SJM

Agency or organization name: DRMS

### HOURLY EQUIPMENT COST

Basic Machine: Cat D8T - 8U  
Ripper Attachment: 3-Shank Ripper

Horsepower: 310  
Shift Basis: 1 per day  
Data Source: (CRG)

#### Cost Breakdown:

|                             |                 | Utilization % |
|-----------------------------|-----------------|---------------|
| Ownership Cost/Hour:        | <u>\$69.05</u>  | <u>NA</u>     |
| Operating Cost/Hour:        | <u>\$108.22</u> | <u>100</u>    |
| Ripper Operating Cost/Hour: | <u>\$7.46</u>   | <u>100</u>    |
| Operator Cost/Hour:         | <u>\$38.01</u>  | <u>NA</u>     |
| Total Unit Cost/Hour:       | <u>\$222.73</u> |               |
| Total Fleet Cost/Hour:      | <u>\$222.73</u> |               |

### MATERIAL QUANTITIES

Selected estimating method: Area

#### Alternate Methods:

Seismic: NA Bank Volume: NA BCY NA  
Area: 2.27 acres Rip Depth (ft): 3.00 Volume: 10,987 BCY or CCY

Source of estimated quantity: DRMS Staff Calculations

### HOURLY PRODUCTION

#### Seismic:

Seismic Velocity: NA feet/second

#### Area:

Average Ripping Depth: 2.56 mph  
Average Ripping Width: 7.08 degrees  
Average Ripping Length: 100.00 feet  
Average Dozer Speed: 88.00 feet  
Average Maneuver Time: 0.25 feet  
Production per unit area: 0.703 acres/hour

#### Job Condition Correction Factors

Unadjusted Hourly Unit Production: 0.703 Acres/hr  
Site Altitude: 10,000 feet  
Altitude Adj: 1.00 (CAT HB)  
Job Efficiency: 0.83 (1 shift/day)  
Net Correction: 0.83 multiplier  
Adjusted Hourly Unit Production: 0.58 Acres/hr  
Adjusted Hourly Fleet Production: 0.58 Acres/hr

### JOB TIME AND COST

Fleet size: 1 Grader(s) Total job time: 3.89 Hours  
Unit cost: \$381.488 Per acre Total job cost: \$866

**EQUIPMENT MOBILIZATION/DEMOBILIZATION**Task description: **Mob Equipment**Site: **Apex Lode**Permit Action: **M2014011 New  
Permit Bond Calc**Permit/Job#: **M2014011****PROJECT IDENTIFICATION**Task #: **005**State: **Colorado**Abbreviation: **None**Date: **8/21/2014**County: **Garfield**Filename: **M011-005**User: **SJM**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:**

| <b>Available Rig Capacities</b> | <b>0-25 Tons</b> | <b>26-50 Tons</b> | <b>51+ Tons</b> |
|---------------------------------|------------------|-------------------|-----------------|
| 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/<br>Unit<br>(TONS) | Owner ship<br>Cost/hr/ unit | Haul Rig<br>Cost/hr/unit | Fleet<br>Size | Haul Trip<br>Cost/hr/<br>fleet | Return Trip<br>Cost/hr/ fleet | DOT Permit<br>Cost/ fleet |
|---------------------|---------------------------|-----------------------------|--------------------------|---------------|--------------------------------|-------------------------------|---------------------------|
| Cat D8T - 8U        | 48.33                     | \$62.67                     | \$117.55                 | 1             | \$180.22                       | \$117.55                      | \$250.00                  |
| CAT 904H            | 4.93                      | \$6.11                      | \$88.67                  | 1             | \$94.78                        | \$88.67                       | \$250.00                  |
| Subtotals:          |                           |                             |                          |               | <b>\$275.00</b>                | <b>\$206.22</b>               | <b>\$500.00</b>           |

**ROADABLE EQUIPMENT:**

| Machine Description         | Total Cost/hr/ unit | Fleet Size | Haul Trip<br>Cost/hr/ fleet | Return Trip<br>Cost/hr/ fleet |
|-----------------------------|---------------------|------------|-----------------------------|-------------------------------|
| Cat 772                     | \$179.94            | 1          | \$179.94                    | \$179.94                      |
| Flatbed Truck, 6x4, 45K GVW | \$55.22             | 1          | \$55.22                     | \$55.22                       |
| Subtotals:                  |                     |            | <b>\$235.16</b>             | <b>\$235.16</b>               |

**EQUIPMENT HAUL DISTANCE and Time**

|  |                  |       |
|--|------------------|-------|
| Nearest Major City or Town within project area region: | GLENWOOD SPRINGS |       |
| Total one-way travel distance:                         | 8.00             | miles |
| Average Travel Speed:                                  | 10.00            | mph   |

|                                     |            |
|-------------------------------------|------------|
| Total Non-Roadable Mob/Demob Cost * | \$1,769.95 |
| * two round trips with haul rig:    |            |
| Total Roadable Mob/Demob Cost **    | \$376.26   |
| ** one round trip, no haul rig:     |            |

**Transportation Cycle Time:**

|                         | Non-Roadable<br>Equipment | Roadable<br>Equipment |
|-------------------------|---------------------------|-----------------------|
| Haul Time (Hours):      | 0.80                      | 0.80                  |
| Return Time (Hours):    | 0.80                      | 0.80                  |
| Loading Time (Hours):   | 0.00                      | NA                    |
| Unloading Time (Hours): | 0.00                      | NA                    |
| Subtotals:              | 1.60                      | 1.60                  |

**JOB TIME AND COST**

|                 |      |       |
|-----------------|------|-------|
| Total job time: | 3.20 | Hours |
|-----------------|------|-------|

|                 |         |
|-----------------|---------|
| Total job cost: | \$2,146 |
|-----------------|---------|

**REVEGETATION WORK**Task description: **Revegetation**Site: **Apex Lode**Permit Action: **M2014011 New Bond  
Calc**Permit/Job#: **M2014011****PROJECT IDENTIFICATION**Task #: **006**State: **Colorado**Abbreviation: **None**Date: **8/21/2014**County: **Garfield**Filename: **M011-006**User: **SJM**Agency or organization name: **DRMS****FERTILIZING****Materials**

| Description | Units /<br>Acre | Unit | Cost / Unit   | Cost /Acre    |
|-------------|-----------------|------|---|---------------|
|             |                 |      | \$  | \$            |
|             |                 |      | <b>Total Fertilizer<br/>Materials<br/>Cost/Acre</b> | <b>\$0.00</b> |

**Application**

| Description                                   | Cost /Acre    |
|---|---------------|
|   | \$            |
| <b>Total Fertilizer Application Cost/Acre</b> | <b>\$0.00</b> |

**TILLING**

| Description                    | Cost /Acre    |
|--------------------------------|---------------|
|                                | \$            |
| <b>Total Tilling Cost/Acre</b> | <b>\$0.00</b> |

**SEEDING**

| Seed Mix                           | Rate –<br>PLS<br>LBS /<br>Acre | Seeds<br>per SQ.<br>FT | Cost /Acre      |
|------------------------------------|--------------------------------|------------------------|-----------------|
| Blue Wildrye - Arlington or Elkton | 33.00                          | 113.64                 | \$393.36        |
| Mountain Brome - Bromar            | 40.00                          | 64.28                  | \$136.00        |
| Sandberg Bluegrass - VNS           | 4.00                           | 84.94                  | \$34.72         |
| Slender Wheatgrass - Native        | 23.00                          | 83.95                  | \$51.75         |
| <b>Totals Seed Mix</b>             | <b>100.00</b>                  | <b>346.81</b>          | <b>\$615.83</b> |

**Application**

|  |  |
|--|--|
|  |  |
|--|--|

| Description                             | Cost /Acre      |
|---|-----------------|
| Broadcast seeding [DMG]                 | \$261.28        |
| <b>Total Seed Application Cost/Acre</b> | <b>\$261.28</b> |

**MULCHING and MISCELLANEOUS****Materials**

| Description                             | Units /<br>Acre | Unit | Cost / Unit | Cost /Acre      |
|---|-----------------|------|-------------|-----------------|
| Hay, delivered {MEANS 31 25 14.16 1200} | 2.00            | TON  | \$265.00    | \$530.00        |
| <b>Total Mulch Materials Cost/Acre</b>  |                 |      |             | <b>\$530.00</b> |

**Application**

| Description                                   | Cost /Acre        |
|---|-------------------|
| Hand spread, 1" deep (MEANS 32 91 13.16 0200) | \$2,855.60        |
| <b>Total Mulch Application Cost/Acre</b>      | <b>\$2,855.60</b> |

**NURSERY STOCK PLANTING**

| Common Name                             | No /<br>Acre | Type and Size | Planting<br>Cost | Fertilizer<br>Pellet Cost | Cost /Acre    |
|---|--------------|---------------|------------------|---------------------------|---------------|
|   |              |               |                  |                           | \$            |
| <b>Totals Nursery Stock Cost / Acre</b> |              |               |                  |                           | <b>\$0.00</b> |

**JOB TIME AND COST**

No. of Acres: 3                      Cost /Acre: \$4,262.71  
 Estimated Failure Rate: 30%                      Cost /Acre\*: \$4,262.71  
 \*Selected Replanting Work Items: SEEDING,MULCHING

Initial Job Cost: \$12,788.13  
 Reseeding Job Cost: \$3,836.44  
 Total Job Cost: \$16,625  
 Job Hours: 0.00