



October 31, 2014

SMA #5821897

Travis Marshall  
Environmental Protection Specialist  
Colorado Division of Reclamation, Mining and Safety  
101 South 3<sup>rd</sup>. Suite 301  
Grand Junction, CO 81501

**RECEIVED**

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GRAND JUNCTION FIELD OFFICE  
DIVISION OF  
RECLAMATION MINING & SAFETY

RE: REPLY TO COMMENTS RECEIVED LIBERTY MINE LIMITED IMPACT PERMIT NO. M-2013-070

Dear Mr. Marshall:

On January 3, 2014 following the public notice posted in the Daily Sentinel regarding the Liberty Mine Limited Impact 110-d permit application, the Colorado Division of Reclamation, Mining and Safety (DRMS) received a letter from the following organizations interested in the application: INFORM of Norwood, CO; Grand Valley Peace & Justice of Grand Junction, CO; Uranium Watch of Moab, UT, and; Western Colorado Congress of Grand Junction, CO. The letter from the groups expressed various comments and questions about the mining permit application. Souder, Miller & Associates has prepared this response in conjunction with Liberty Mining, LLC (Liberty), the prospective permittee. The concerns raised by the comments letter are paraphrased in this response.

**Comment 1:**

**Paragraph 2 of Comments Letter:** *An issue of primary concern to us is the speculative nature of the permit application and the absence of opportunity to process any ore that would be produced at the Liberty Mine. The uranium market is currently experiencing a deep price depression exacerbated by the Fukushima accident that is unlikely to relent. Market conditions have also snuffed out any opportunities for toll milling uranium ore anywhere in the United States. Although the Liberty Mine application identifies the future Piñon Ridge Mill as the preferred site to process ore, plans to build this facility have been mothballed. The only other option in the region is the White Mesa Mill in Utah. Operator Energy Fuels, Inc., has announced the closure of the mill in August 2014 and a long-term suspension of all uranium processing activity, a date earlier than the Liberty Mine will be able to come online. In announcing a future target date for reopening the mill, Energy Fuels excluded the possibility of uranium processing into the indefinite future by specifically restricting future operations to the processing of alternate feed materials rather than uranium ore. It is evident that industry's outlook for the uranium market is as bleak as ours.*

**Response:** The uranium market is fast moving and to some extent unpredictable. The commodity price can change dramatically in a short period of time, rising to levels where it is economic (profitable) to mine and dropping back below economic levels within months. In contrast, the permitting process is reliably long, taking from 2 to 3 years to secure a 110-d mining permit. Liberty fully recognizes the currently depressed uranium price. Their business plan is to purposefully pursue the mining permit during this period of low commodity pricing. The goal is to secure the permit while the price is low and therefore be ready to seize the opportunity of a high, economic price once the permit is approved. Any speculation on their part involves hope that the commodity price will rise to an economic level somewhat coincident with permit approval. Regardless of the commodity price at the time of permit approvals, Liberty will

fulfill all permit and other regulatory compliance requirements as well as maintenance of the mine site as needed.

Liberty proposes the White Mesa Mill for milling operations. If the Pinon Ridge Mill is built in the future, Liberty would strongly consider it for milling. Milling at Pinon Ridge would reduce the haul distance substantially. At the present time, the White Mesa Mill is actively soliciting mining companies to bring in uranium ore.

**Comment 2:**

**Paragraph 2 of Comments Letter:** *The uranium market is currently experiencing a deep price depression exacerbated by the Fukushima accident that is unlikely to relent. Market conditions have also snuffed out any opportunities for toll milling uranium ore anywhere in the United States.*

**Response:** The current, October 2014, spot price for U<sub>3</sub>O<sub>8</sub> is \$35.65/lb. and the future spot price for U<sub>3</sub>O<sub>8</sub> in October 2016 is \$35.70/lb (cmegroup.com), indicating a stable market value. The Blanding mill has notified mines asking them to bring in ore to keep the mill open.

**Comment 3:**

**Paragraphs 3 and 4 of Comments Letter:** *This creates a concern over any future permit status for the Liberty Mine. The application does not indicate that rehabilitation of the historic mine site will commence upon permitting. At the same time, the necessary NEPA review that is to be conducted by the Bureau of Land Management is likely to take up to two years to conclude. Will the Division issue a mining permit to the operator and have the operation immediately enter temporary cessation? Permitting this mine without resolution of the temporary cessation question, could create precedent for other permit applications.*

**Response:** The South October historic mine site has already been reclaimed, as evidenced by the release of the reclamation bond by DRMS. The timing now is better for getting permits which are needed to be able to operate. Liberty understands that the National Environmental Policy Act (NEPA) review can take 15 months or more to conclude. DRMS cannot issue the mining permit until all the permit application requirements, including the BLM requirements, are satisfied and the required bond posted. Then DRMS can issue the mining permit allowing Liberty Mining, LLC to commence mining activities through site development work while waiting on market. "Temporary cessation" allows two, 5 year periods of cessation before the mine and working areas must be reclaimed. Liberty's plan is to commence mining operations through development of storm water controls and road improvements for the Liberty Mine. This development work will have the added benefit of further reducing any potential impacts from the reclaimed South October mine.

**Comment 4:**

**Paragraph 5 of Comments Letter:** *There is some concern about the haul route for Liberty Mine. The John Brown Canyon road experiences heavy tourist and recreational use during the summer months.*

**Response:** The preferred haul route is County Road 141.

**Comment 5:**

**Paragraph 6 of Comments Letter:** *The permit application also lacks precision about the nature of the operation that makes it difficult to fully disclose the potential impacts of mining at the site. Examples include identification of the specific location of a radon vent and how much ore is anticipated to be removed from the mine, an important consideration in determining whether the mine is subject to federal Clean Air Act permitting for radon vent releases under 40 C.F.R. Part 61 Subpart B.*

**Response:** The below grade structures of the mine such as the primary drift, rooms, and pillars cannot be exactly determined until actual mining is progressing. These structures will vary with the configuration of the ore body and the geomechanical characteristics of the rock that can only be determined during mining operations. The precise location of the radon vent is dependent on the location of these mine structures. Hence, the precise location of the proposed vent cannot be identified in the application. The vent will be located within the claim boundaries.

A 110 type mine is limited to 70,000 tons of disturbance per year. It is impossible to determine prior to actual mining operations how much of the 70,000 tons will be ore, although the mass of ore is typically a small fraction of the total annual disturbance at any mine. While all necessary permits will be acquired, an air quality discharge permit is unlikely to be required.

**Comment 6:**

**Paragraph 7 of Comments Letter:** *Whether or not groundwater contamination can be prevented. If uranium bearing waste rock is permanently deposited underground, how will the operator guarantee that ground water supplies will not be contaminated?*

**Response:** The following hydrogeology discussion is paraphrased from SMA's March 6, 2014 response to the DRMS Preliminary Agency Review:

**Hydrogeology of Mine Area:**

Sources for the following discussion of the hydrogeology of the proposed Liberty Mine include drilling data from the mine site completed by Liberty Mining LLC and quoted literature references provided at the end of the discussion. The discussion of hydrogeology is also generally based on the Decision Record, Finding of No Significant Impact, and Final Environmental Assessment for the Whirlwind Mine Uranium Mining Project, September 2008, prepared by the United States Department of the Interior Bureau of Land Management (BLM Whirlwind EA). The Whirlwind Mine is located in the same regional hydrogeologic setting, but somewhat higher in the geologic section, as the proposed Liberty Mine and much of the information from the BLM Whirlwind EA is applicable.

**Alluvial Aquifer:**

An alluvial groundwater aquifer is found approximately 1.7 miles east of the mine site adjacent to the perennial Dolores River (Topper, et al., 2003). Although no registered

wells were found within the search area, the alluvial groundwater is potentially available for domestic use, stock, and irrigation purposes.

### **Bedrock Aquifers:**

The proposed Liberty Mine is located within the Jurassic Morrison Formation. The Morrison Formation includes the Brushy Basin Member, where the mine portal is located, and the Salt Wash Member. The mine workings will be located in the upper beds of the Salt Wash Member. Figure 2 of this Appendix is a generalized geologic cross section from the Liberty Mine 110d permit application which illustrates the mine area geology. Beneath the Salt Wash Member lies the Summerville Formation, an argillaceous sandstone with interbedded shales. The Entrada Formation is considered a regional aquifer and lies beneath the Summerville (Hydro Geo Chem, 2010). Overall, an estimated 700 to 1000 feet of low vertical permeability sedimentary formations lie between the proposed Liberty Mine and the Entrada Formation

The Brushy Basin Member is roughly 400 feet thick and predominantly mudstone. The Brushy Basin, forms an aquiclude between the overlying Burro Canyon Formation aquifer and the Salt Wash Member. An aquiclude is "a low permeability unit that forms either the upper or lower boundary of a groundwater system" (Fetter, 1994). The Brushy Basin Member is also described as a "Morrison confining unit" by Robson and Banta (1995). Topper et al. (2003) describes the aquifer-yield characteristics as "none."

Although the Brushy Basin Member as a whole is an aquiclude, it does contain groundwater in some locations of the Uravan mining district within thin, 10 to 40 foot thick, lenticular and discontinuous channel sandstone units. However, based on the air rotary drilling log of MW-1 within the proposed Liberty Mine claim area, no groundwater was observed in the Brushy Basin Member. The channel sandstones were formed by ancient meandering river streams. They are irregular in configuration and tend to be discontinuous over larger areas. A packer test conducted by Umetco (U.S. Environmental Services, Inc. 2000) in the immediate vicinity of the Urantah Decline and Packrat Portal identified three water-bearing channel sandstones within the Brushy Basin Member. The upper zone is at the very top of the Brushy Basin Member and is separated by only a thin mudstone layer from the lower Burro Canyon Formation sandstone unit. The Burro Canyon Formation does not exist in the vicinity of the proposed Liberty Mine. The other two water-bearing zones are located near the center and near the base of the Brushy Basin Member. Again, these aquifers are not found at the proposed Liberty Mine based on actual bore hole data.

Based on the Umetco packer test study (U.S. Environmental Services, Inc., 2000) and historical observations, groundwater is generally not encountered in substantial quantities in the sandstone comprising the Top Rim of the Salt Wash Member of the Morrison Formation. As with the Brushy Basin Member, air rotary drilling data at the proposed Liberty Mine site for both MW-1 and MW-3 indicate no shows of groundwater. Topper et al. (2003) describes the aquifer-yield characteristics of the Salt Wash Member

as, "Yields small quantities, stock and domestic." This assessment has been validated by water well drilling and tests in the Uravan area, which have yielded only small quantities or no water, and no yields that would be reliable for long-term use.

There are two groundwater monitoring wells at the proposed Liberty Mine, MW-1 to the west and generally considered upgradient of the mine portal, and MW-3, to the east and considered downgradient of the mine portal. As documented by the submittal of groundwater monitoring data for groundwater elevation and chemistry for MW-1 at the proposed Liberty Mine, groundwater has been observed in MW-1. No groundwater has been observed in MW-3. Well logs for both wells are attached. MW-1 is completed with 40 feet of screen at the bottom of the Salt Wash Member and extending approximately 10 feet into the Summerville Formation. The groundwater has apparently entered the well from a zone immediately above the Summerville which is a mudstone and not considered a regional aquifer (Hydro Geo Chem, 2010). As noted above, groundwater was not observed during the air rotary drilling of MW-1 and MW-3. Groundwater was first observed in MW-1 approximately 9 months after drilling, with 13.68 feet of water in the well in August 2013.

As of this writing, the well has been monitored for the presence of groundwater 4 times and groundwater has been sampled during the latter two events. Purging of the well for sampling has resulted in only partial recovery of the water between monitoring events, with a water column of approximately 8 feet in November 2013, or some 5 feet less than initially measured. Approximately 8 gallons have been purged from the well during the two monitoring events. So, despite a very small volume of water removal, the water bearing zone has not recovered and is being dewatered. As groundwater has not recovered substantially in the well during this time, this confirms the assessment of Topper et al. (2003) that the Salt Wash Member yields only small quantities of water when water is present at all.

**Groundwater Flow.** The regional hydraulic gradient is to the east. The sedimentary beds are essentially flat lying. Springs which have been reported regionally on the eastern slope of Beaver Mesa indicate some horizontal flow to the east.

Groundwater flow in the Brushy Basin Member aquiclude is primarily downward. The downward flow is impeded by the thick and predominantly low permeability mudstone and shale. The vertical permeability values of mudstone are in the range of  $1 \times 10^{-7}$  to  $10^{-11}$  centimeters per second (cm/sec), based on Freeze and Cherry (1979).

Natural features such as fractures or faulting could also contribute to vertical groundwater recharge, but the Brushy Basin Member is primarily a mudstone approaching 400 feet thick, thus prohibiting significant recharge from surface infiltration. The channel sandstones within the Brushy Basin Member receive very little recharge because of the overlying massive mudstones. Some recharge from precipitation and snowmelt occur on the southwest (i.e., updip) side of Beaver Mesa where the unit outcrops and within both Lumsden Canyon and John Brown Canyon where fracture

zones may intersect the Brushy Basin Member; however, the volume of recharge received would be expected to be very small in comparison to that received by the overlying more permeable Burro Canyon Formation. The Burro Canyon does not exist at the proposed Liberty Mine.

The Salt Wash Member consists of lenticular and cross bedded sandstone and lesser amounts of mudstone and shale. Groundwater can flow in the sandstone, if saturated, however, it is very fine-grained with a tested hydraulic conductivity of  $1 \times 10^{-5}$  cm/sec. Based on a review of literature (Freeze and Cherry, 1979), this value is in the mid-range for sandstone units. A packer test was conducted in a Salt Wash Member Top Rim sandstone unit approximately 4 miles west of the proposed Liberty Mine. After 40 minutes of pumping, the unit was depleted (BLM EA, 2008). This result again confirms the Topper, et al., 2003 assessment and indicates that the upper portion of the Salt Wash Member is very tight with limited recharge.

There are historical exploration drill holes and vent shafts on the Beaver Mesain the vicinity of the proposed Liberty Mine that penetrate the upper beds of the Salt Wash Member. Many of the historical borings were not sealed properly, and the holes create a man-made conduit enhancing groundwater recharge to the underlying units. Liberty Mining LLC has actively sealed discovered exploration bore holes in the mine claim area of the proposed Liberty Mine to reduce the potential for groundwater recharge.

These historical exploration activities resulted in hydraulic connection between precipitation events and previously dry subsurface zones and are common throughout the region. Improperly sealed exploration drill holes and shafts are believed to be a source of groundwater recharge to the Top Rim of the Salt Wash Member in some areas of the Uravan mining district, and to a lesser extent, the lenticular sandstone units of the Brushy Basin Member. Natural fractures in the Morrison Formation may also enhance groundwater flow down through the formations; however, the predominance of mudstone and shale in the Brushy Basin Member impede recharge to, and groundwater flow, in the Salt Wash sandstone units. This is evidenced by the lack of groundwater shows during drilling activities at the proposed Liberty Mine site. No discharge from the existing mine portal at the proposed Liberty Mine site has been reported.

### **Future use of Groundwater**

As noted above, the alluvial aquifer adjacent to the Dolores River approximately 1.7 miles east of the proposed Liberty Mine is the only known groundwater with the potential for future use.

### **References**

Energy Fuels Resources Corporation. 2007a. Whirlwind Mine Plan of Operations. Prepared by Greg Lewicki.

- Fetter, C.W. 1994. Applied Hydrology, Third Edition: Prentice Hall, Englewood Cliffs, New Jersey. pp. 421-425.
- Freeze, R.A. and J.A. Cherry. 1979. Groundwater. Prentice Hall.
- Hydro Geo Chem, Inc. 2010 Hydrogeology of the Perched Groundwater Zone and Associated Seeps and Springs Near the White Mesa Uranium Mill Site.
- Robson, S.G. and E.R. Banta 1995. Ground Water Atlas of the United States, "Arizona, Colorado, New Mexico, Utah, HA730-C". Available on World Wide Web, URL: <http://capp.water.usgs.gov/gwa/ch c/C-text6.html>. April.
- Topper, R., K. Spray, W. Bellis, J. Hamilton, and P. Barkmann. 2003. Ground Water Atlas of Colorado. Colorado Geological Survey, Division of Minerals and Geology, Department of Natural Resources, Special Publication 53, pp. 123-128.
- U.S. Environmental Services, Inc. 2000. Boring BM 00-1, Beaver Mesa, Colorado. Grand Junction, Colorado. October.

Hence, there is little chance of water to come into contact with potential contaminants in gobbled waste rock or to subsequently travel vertically some 2000 feet of geologic formations, including aquicludes, to eventually impact the alluvial aquifer some 1.7 miles to the east of the mine site.

**Comment 7:**

***Paragraph 8 of Comments Letter:*** The permit application anticipates the development of four retention ponds on the site to capture and evaporate storm water and surface flows in order to prevent the migration of radionuclides and toxic-forming materials offsite. However the plan to evaporate all surface water rather than release it appears to create the need for established water rights, according to a Dec. 3, 2013, letter from the Division of Water Resources. Liberty Mining LLC should be required to demonstrate that it has the required water rights it needs to operate the mine as a condition of receiving a permit. The lack of such water rights should not then necessitate an altered plan to release storm water prior to evaporation and allow surface contamination.

**Response:** Per SMA's March 6, 2014 response to the DRMS Preliminary Agency Review, Liberty Mining is currently researching the availability of water rights for the mine and commits to securing the rights prior to operating the mine.

**Comment 8:**

***Paragraph 9 of Comments Letter:*** The permit application lacks detailed information about the existing baseline conditions at the Liberty mine site, historically known as the South October Mine. Radioactive readings were elevated in the 1970's and 1980's due to prior mining activities. Levels in the permitted area should be returned to background radiation levels. Historic waste piles and preexisting disturbances should be corrected within the permit area. Preexisting drill holes should also be plugged and reclaimed.

**Response:** As noted, the South October Mine has been reclaimed to the satisfaction of regulatory agencies and the reclamation bond released. The October 2012 radiometric survey was conducted to establish existing background and baseline levels for eventual Liberty Mine reclamation.

**Comment 9:**

**Paragraph 10 of Comments Letter:** *The application does not propose to scientifically determine that "acid mine drainage is not likely". Detailed geochemical testing of the ore and waste rock will need to be done.*

**Response:** The following response is paraphrased from SMA's March 6, 2014 response to the DRMS Preliminary Agency Review:

Acid mine drainage is primarily formed from the exposure of sulfide minerals (particularly iron-bearing pyrite) to the atmosphere and water, resulting in the oxidation of reduced sulfide to sulfate, and the production of acid (EPA, 1994). The acidic solutions interfere with the pH of natural stream and groundwater systems, and also allow increased dissolution and transportation of metals, which may pose a risk to the environment.

In the Uravan deposits of southwestern Colorado, the general lack of sulfide minerals within these deposits is a limiting factor on the acid mine drainage potential of sedimentary-hosted uranium deposits. The presence of sulfide minerals is a primary contributor to acid mine drainage; without the presence of sulfur, the formation of sulfate and acidified solutions will not readily occur (EPA, 1994).

In addition to limits imposed by a general lack of sulfide minerals in Uravan deposits, the lithology of the host rock also inhibits the formation of acidic solutions. The Salt Wash member is cemented by carbonate cement (Chenoweth, 1981), which is generally basic in nature and acts as a buffer for acidic solutions (EPA, 1994). Any acid that is formed from the oxidation of sulfides within the deposits will most likely not be able to migrate significant distances without being neutralized by the carbonate cement within the host rocks.

**Geochemical Samples**

Three samples from the rock units above, below, and within the Liberty Mine Ore Zone were collected during exploratory drilling in November, 2012 to characterize potential leachate that could result from interaction of water with the local rock units. In an attempt to predict the chemistry of solutions that may result from the natural leaching and oxidation of the local lithology, each sample was analyzed by EPA Method 1312 Synthetic Precipitation Leaching Procedure (SPLP). The method involves the extraction of compounds from the sample using an acidified solution (pH of 5.0 for sites west of the Mississippi River) to simulate acidified precipitation. Following the leaching procedure, the resulting solution was analyzed for general chemical parameters including pH, anion and cation species, and metal content.

The results of the analyses indicated that resulting SPLP solutions from each of the three samples had alkaline pH ranging from 9.3 to 9.5, suggesting no acid is being produced from the weathering of the units. These analyses support the conclusions of

Phoenix (1959), who conducted analyses of groundwater collected from the Salt Wash and Brushy Basin Members of the Morrison Formation and concluded the solutions were weakly alkaline in composition.

### **Conclusion**

The mineralogy and geologic setting of the Liberty Mine Uranium deposit will prevent the generation of significant acid mine drainage. The lack of sulfide minerals within the ore body itself, combined with the abundance of acid-neutralizing carbonate cement within the Salt Wash Member should inhibit the generation or migration of any acidic solutions.

### **References**

Cadigan, R.A. (1959). *Characteristics of the Host Rock, Part 2.*In Garrels, R.M. and Larsen, E.S. 3d, (compilers) *Geochemistry and mineralogy of the Colorado Plateau uranium ores: USGS Professional Paper 320*, pp 13-24

Chenoweth, W.L. (1981). *The uranium-vanadium deposits of the Uravan Mineral Belt and adjacent areas, Colorado and Utah.* New Mexico Geological Society Guidebook, 32<sup>nd</sup> Field Conference, Western Slope, Colorado. Pp 165-170

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### **Comment 10:**

***Paragraph 11 of Comments Letter:*** *The exact nature and the amount of road improvements are not detailed in the application. New road construction should be prohibited and any access roads on site should be fully reclaimed at the mine's final closure. The length of road to be*

*improved should be specified. Road improvements should be designed to improve existing problems with erosion and drainage.*

**Response:** The planned improvements are well documented and are restricted to the width of the existing roads. Any improvements will occur within the existing area of road disturbance. There will be no new roads. The access road is short, less than 2100 feet or ½ mile. A detailed drainage study is included in the application, and includes structures to improve drainage and erosion. It is up to the land owner, BLM, to determine which roads to reclaim or not.

**Comment 11:**

***Paragraph 11 of Comments Letter:*** *The application states that non-toxic dust control agents will be used, but does not specify them.*

**Response:** Liberty shall use whatever dust control agents Mesa County uses and recommends at the time dust control is necessary.

**Comment 12:**

***Paragraph 12 of Comments Letter:*** *The mine's impacts to the Dolores River watershed and its wildlife habitat should be researched and documented, and a formal winter closure should be considered. Also a detailed weed control plan should be included.*

**Response:** The Colorado Division of Parks and Wildlife stated that by volunteering to limit or reduce mining operations during winter months, thereby allowing the deer and elk to winter in the area, then there are no issues that need to be addressed. The permittee acknowledges that winter conditions may limit operations. A detailed weed control plan is included as Appendix C in SMA's March 6, 2014 response to the DRMS Preliminary Agency Review:

**Comment 13:**

***Paragraph 13 of Comments Letter:*** *Safety record of applicant, Michael D. Shumway who was general supervisor of Reliance Resources, LLC, a company contracted to operate the Pandora Mine in La Sal, Utah. The Pandora Mine experienced a fatal accident in 2010.*

**Response:** DRMS states "this is a non-jurisdictional issue". Mr. Shumway has operated mines for many years and for many man-hours without any accidents. Scaling is done to make mines safer by knocking down loose material. The accident in 2010 was an unfortunate incident, but Reliance has received 3 safety awards in the last several years.

**Comment 14:**

***Paragraph 14 of Comments Letter:*** *The Liberty Mine activity could conflict with the recreation and tourism based economy in Mesa County. There could be negative socioeconomic impacts on the area.*

**Response:** Mesa County and the local population would consider the activity associated with the Liberty Mine a boost to their economy that is consistent with the history of the area. The mining operation will add diversity to the recreation based economy. Mesa County

Mr. Travis Marshall  
October 31, 2014  
Page 11

commissioners made statements to that effect during the January 14, 2014 public hearing on the permit application.

Liberty Mining appreciates opportunity to respond to the comments of the concerned groups.

Sincerely,

SOUDER, MILLER & ASSOCIATES

  
Cynthia A. Gray, CHMM  
Senior Scientist

  
Reid S. Allan, PG  
Vice President/Principal Scientist

cc: Michael D. Shumway, President, Liberty Mining, LLC  
cc: Jennifer Thurston  
Director  
Information Network for Responsible Mining (INFORM)  
P.O. Box 27  
Norwood, CO 81423