

December 8, 2015

Peter Babin
CalX Minerals, LLC
5501 Lakeshore Drive
Littleton, CO 80123-1544



COLORADO

Division of Reclamation,
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

RE: Mid-Continent LST, Permit No. M-1982-121, Explanation of Surety Increase (SI-2)

Dear Mr. Babin:

On December 1, 2015 the Division of Reclamation Mining and Safety received via email a request from you to explain the factors that lead to the Notice of Surety Increase (SI-1) issued on November 19, 2015. As well as copies of the 2015 and 2011 bond calculation. On December 7, 2015 Division staff sent links to the requested documents.

This reclamation cost update was in response to the technical revision request (TR-4) which was later withdrawn and the corresponding site inspection conducted on October 26, 2015. The last Surety Increase (SI-1) was issued on November 2, 2011 based on field conditions observed by Mr. Czalpa of the Division on his October 12, 2011 inspection.

Typically the Division updates the reclamation cost estimate following a permit revision or a field inspection, both of which have recently happened. It is Division policy to periodically update its costs to ensure that the Financial Warranty adequately, reflects the actual current cost of fulfilling the requirements of the approved reclamation plan.

Below is a table summarizing input values that have been updated in Surety Increase (SI-2). This table does not account for price changes resulting from inflation or other RS Means cost changes. Bond calculations are based on a combination of field observations and worst case scenario based on the approved reclamation permit.

Task	Form Used	Change	Justification
01a	Demo	-	Office building is a rental with no foundation, no removal cost associated (portable).
01a	Demo	+	Metal silos cannot be buried (Free or generate funds), cost of off-site disposal with salvage value
01a	Demo	+	Metal scales cannot be buried (Free or generate funds), cost of off-site disposal with salvage value
01a	Demo	+	Scale house not included in previous calculations



Task	Form Used	Change	Justification
02a	Excavate	+	Production bench is 600' long not 200'. Per the permit 3 benches will be 50' x 50'. Previous calculation was 20'x20'. Total volume being moved increased from 278CCY to 3,333CCY
02b	Excavate	+	Production bench is 600'L x 40'w not 200'L x 20'w as previously calculated. Total volume being handled went from 222 CCY to 1,333 CCY.
03a	Loader	+	Highwall length originally estimated at 500'L, 2015 field estimates 600'L. Total volume being handled went from 23,148 CCY to 27,778 CCY
04a	Loader	+	Operator submittal of TR-3 calls for 5,000 CCY of backfill required. Based on 2015 field estimates 50' H x 900' L 1:1 slope going to a 2:1 is 41,667 CCY of backfill required.
04b	Dozer	+	Both assume 50% of material transported will need to be handled. Volume went from 2,500 CCY to 20,834 CCY
06a	Reveg	+	Feasibility of seeding methods. Method not specified in the permit, previous estimations used hydro applications. Mulching was calculated with crimping which is impractical, changed to sprayed tackifier mulching.
06a	Reveg	-	Application of mulch included with materials
06a	Reveg	+	Shrub seeding required per the reclamation plan not in previous calculations
06a	Reveg	-	Hours decrease since spray on applications are typically faster than traditional drill seeding and crimping.
07a	Mobilization	+	Increased dozer fleet size for production to decrease hours
07b	Mobilization	+	Secondary mobilization needed for second seeding
	Project management	+	2011 calculation calculated less than 50% of the total job hours which is an office practice
	Project Management	-	Most of the bond is a certificate of deposit, no processing fee for that financial warranty type
	Project Management	+	Based on site conditions and MSHA safety concerns, engineering work may be necessary for slope stability.

Task	Form Used	Change	Justification
	Project Management	-	No contingency

Based on email correspondence it has been indicated that you may wish to object to the financial warranty increase, SI-2 for your mining permit, M-1982-121. The calculations are based on what it would cost the State to hire a contractor to complete reclamation if an operator was unable to do so. Therefore, it is inherent that the costs will be more than what it costs the company to complete the required work. The Division will review specific tasks, equipment used, quantities, and volumes. However, staff will not review equipment efficiencies and labor costs as they are determined by using nationally accepted sources and values within the bonding program that are updated regularly.

Please be advised that in order to officially object to the noticed increase the following documentation must be submitted to the Division's Denver office no later than the compliance date for the revisions, which is January 18, 2016.

Required Documentation

1. A cover letter identifying the permit and financial warranty increase you are objecting to as well as an explanation the justification for your objection
2. Any new reclamation cost estimate, including all calculations, figures, diagrams, and totals for the specific tasks you are objecting too.

These materials must be received by the Division's Denver office no later than December 18, 2015. Please note that the objection for the increase must be sent under a separate cover, and clearly identified as to which site the objection is in reference to.

Any objections to the financial warranty increase must be received by the Division's Denver office by the compliance date of December 4, 2015. Failure to submit the objection with the supporting documents by this date may result in the Division issuing a "Reason to Believe" a violation exists letter and scheduling for a hearing before the Mined Land Reclamation Board for failure to post a financial warranty increase after being noticed.

Please feel free to contact me with any further questions. Amy Yeldell at the Division of Reclamation, Mining and Safety, 1313 Sherman St., Room 215, Denver, CO 80203. Direct contact can be made by phone at 970-254-8511 or via email at amy.yeldell@state.co.us

Sincerely,



Amy Yeldell

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Ec:

Russ Means, Senior EPS / Field Office Supervisor, Grand Junction DRMS
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