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DIVISION OF RECLAMATION
MINING AND SAFETY

November 11, 2016

Mr. Michael Cunningham
Division of Reclamation, Mining and Safety
1313 Sherman St., Room 215
Denver, CO 80203

RE: M1990-041, Possible Violation, Financial Warranty Increase

Dear Mr. Cunningham,

In regards to the Financial Warranty Increase, Revision No. SI-3, of July 6, 2016 and to the notice of Possible Violation and the scheduling of a Mined Land Reclamation Board hearing scheduling of October 17, 2016, Central City Consolidated Mining Co. ("CCMC") hereby responds and disagrees with the proposed financial warranty increase as proposed by the Colorado Division of Reclamation, Mining and Safety ("Division").

The Division has proposed an unreasonable financial warranty increase. Central to the Division's calculations for this bonding increase is the removal of equipment, the buildings and foundations and chemicals associated with the permitted activity at the Golden Gilpin Mill. The provided calculations are included here as Table 1.

CCMC disputes the Division's proposal that the Golden Gilpin Mill buildings and foundations need to be removed from the property. These buildings predate the issuance of the reclamation permit, not to mention the establishment of the Division, itself. It is worth noting that the City of Blackhawk, within which the Golden Gilpin lies, has designated the area encompassing the Golden Gilpin Mill as heritage or "Cultural Tourism" (Comprehensive Plan, City of Blackhawk, Adopted November 10, 2004) where the intent is to use "landmark buildings as tourist attractions and/or museums". The actual Gilpin County zoning of the site is "Commercial/Mixed-Use" and "Millsite Non-Gaming". Certainly, the Division is not suggesting that the historic building be removed in contradiction to the City of Blackhawk's "Cultural Tourism" wishes? It is the permittee, and land owner's desire that these historic buildings remain post-mining. A notarized document stating this is attached.

Mr. Michael Cunningham
Division of Reclamation, Mining and Safety
M1990-041: Possible Violation, Financial Warranty Increase

11/11/2016
Page 1 of 3

Table 1 - Colorado Division of Reclamation, Mining and Safety - Financial Warranty Calculations, July 6, 2016

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	Structure Demolition/Refuse Removal	DEMOLISH	1	0.00	\$108,348.62
002	Removal of mill chemicals/reagents	SITEMAINT ENANCE	1	0.00	\$11,989.40
003	Stabilize Mill Tailings	DOZER	1	1.23	\$247.00
004	Revegetating Disturbed Areas	REVEGE	1	16.00	\$4,331.00
005	Equipment Mobilization/Demobilization	MOBILIZE	1	4.11	\$1,193.00
<u>SUBTOTALS:</u>				21.34	\$126,109

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance:	2.02	Total =	\$2,547.40
Performance bond:	1.05	Total =	\$1,324.14
Job superintendent:	0.00	Total =	\$0.00
Profit:	10.00	Total =	\$12,610.90
		TOTAL O & P =	\$16,482.44
		CONTRACT AMOUNT (direct + O & P) =	\$142,591.44

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		\$7,129.57
CONTINGENCY: 0.00		Total =	\$0.00

TOTAL INDIRECT COST = \$23,612.00

TOTAL BOND AMOUNT (direct + indirect) = \$149,721.00

In addition to the issue of the building removal, CCMC disagrees with the assessment of our equipment and supplies as "scrap and refuse". It is conceivable that to the untrained eye, much of our valuable capital mining equipment could appear as scrap, however that is hardly the case. To state that there are "264 CY" of scrap and assess a \$21,000 financial warranty increase is unsatisfactory to us. For example, each Card end-dump ore car is worth about \$2,000 on the current retail market. Each piece of pipe or timber has value to us, is consistent with the land use and zoning and is certainly not "scrap and refuse".

We also disagree with the assessment that there are "20 - 55 gallon drums" of hazardous waste to be removed from the site. Can the DRMS substantiate the allegation that there are enough hazardous materials to require a \$12,000 financial warranty increase?

In summary, CCMC disagrees with the financial warranty calculations and subsequent possible violation as assessed. It is feasible to us that the current financial warranty may not have included adequate funding to compensate for the devaluation of the US dollar and we are not averse to a reasonable increase to the warranty.

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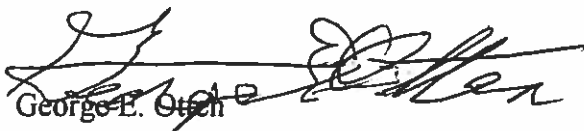
11/11/2016
Page 2 of 3

It is however, shocking to us that, after 26 years of permit life that we would suddenly be held to a **nearly 3,000 percent increase!**

CCMC hereby disputes the current financial warranty increase and, barring a revision from the DRMS, expects to see this matter addressed at the November 16-17, 2016 Mined Land Reclamation Board Hearing. In the interim, we welcome dialogue with the Division and respectfully reiterate that Mr. Matt Collins, PE of Black Fox Mining LLC has been named as an additional contact for this permit (7/18/2016). Please copy him on all future correspondence at the following address: Matt Collins, 1508 Ridge Rd., Nederland, CO 80466.

Thank you for your attention to this matter. If the Division has additional concerns, please do not hesitate to contact us.

Sincerely,



George E. Otch

Cc: Matt Collins, General Manager, Black Fox Mining LLC

Enc: Notarized Document – RE: M1990-041, Buildings, Structures, Capital Improvements.