



COLORADO

Division of Reclamation, Mining and Safety

Department of Natural Resources

1313 Sherman St. Room 215
Denver, CO 80203

June 29, 2020

Kyle Erdmann
Ouray Silver Mines Inc.
1900 Main St, Unit 1
PO Box 564
Ouray, CO 81427

Re: OSMI Bluegrass Drill Program, File No. P-2020-006, NOI Approval, Financial Warranty Request

Dear Mr. Erdmann:

On June 29, 2020, the Division of Reclamation, Mining and Safety **approved** your Notice of Intent to Conduct Prospecting (NOI) Application.

The amount of financial warranty set by the Division for this operation is \$3,526.00. Copies of the Reclamation Cost Estimate Worksheets are enclosed with this letter. 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,

Lucas J. West
Environmental Protection Specialist

Encl. Reclamation Cost Estimate Worksheets
P-2020-006 Pre-Operational Inspection Report
CC: Travis Marshall, Senior Environmental Protection Specialist



COST SUMMARY WORK

Task description: _____

Site: OSMI Bluegrass Drill
Program

Permit Action: 2020 New App

Permit/Job#: P2020006

PROJECT IDENTIFICATION

Task #: 000
Date: 6/16/2020
User: LJW

State: Colorado
County: Ourray

Abbreviation: None
Filename: P006-000

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	P & A Drill holes	BOREHOLE	1	0.00	\$376
002	Spread Topsoil over disturbed area	DOZER	1	0.06	\$6
003	Revegetate drill pad	REVEGE	1	8.00	\$591
004	Mobilize reclamation equipment to and from site	MOBILIZE	1	12.80	\$1,690
<u>SUBTOTALS:</u>				20.86	\$2,663

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02
Performance bond: 1.05
Job superintendent: 5.00
Profit: 10.00

Total = \$54
Total = \$28
Total = \$347
Total = \$266

TOTAL O & P = \$695

CONTRACT AMOUNT (direct + O & P) = \$3,358

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs): \$0
Engineering work and/or contract/bid preparation: 0.00
Reclamation management and/or administration: 5.00

Total = \$0
Total = \$0
Total = \$168

CONTINGENCY: 0.00 Total = \$0

TOTAL INDIRECT COST = \$863

TOTAL BOND AMOUNT (direct + indirect) = \$3,526

BULLDOZER WORKTask description: Spread Topsoil over disturbed areaSite: OSMI Bluegrass Drill
ProgramPermit Action: 2020 New AppPermit/Job#: P2020006**PROJECT IDENTIFICATION**Task #: 002
Date: 6/16/2020
User: LJWState: Colorado
County: OurayAbbreviation: None
Filename: P006-002Agency or organization name: DRMS**HOURLY EQUIPMENT COST**Basic Machine: Cat D4K XL - 4P
Horsepower: 84
Blade Type: Power Angle Tilt
Attachment: NA
Shift Basis: 1 per day
Data Source: (CRG)**Cost Breakdown:**

		<u>Utilization %</u>
Ownership Cost/Hour:	<u>\$26.00</u>	<u>NA</u>
Operating Cost/Hour:	<u>\$32.10</u>	<u>100</u>
Ripper own. Cost/Hour:	<u>\$0.00</u>	<u>NA</u>
Ripper op. Cost/Hour:	<u>\$0.00</u>	<u>0</u>
Operator Cost/Hour:	<u>\$41.24</u>	<u>NA</u>
Total unit Cost/Hour:	<u>\$99.34</u>	
Total Fleet Cost/Hour:	<u>\$99.34</u>	

MATERIAL QUANTITIESInitial Volume: 11
Swell factor: 1.000
Loose volume: 11 LCYSource of estimated volume: 25' x 50' pad, .25 inches deep
Source of estimated swell
factor: Cat Handbook**HOURLY PRODUCTION**Average push distance: 50 feet
Unadjusted hourly
production: 300.0 LCY/hrMaterials consistency description: Loose stockpile 1.2Average push
gradient: 0 %
Average site altitude: 12,000 feetMaterial weight: 1,600 lbs/LCYWeight description: Top Soil

Job Condition Correction Factor

		Source
Operator Skill:	0.750	(AVG.)
Material consistency:	1.200	(CAT HB)
Dozing method:	1.000	(GEN.)
Visibility:	1.000	(AVG.)
Job efficiency:	0.830	(1 SHIFT/DAY)
Spoil pile:	0.700	(FND-MF)
Push gradient:	1.000	(CAT HB)
Altitude:	0.880	(CAT HB)
Material Weight:	1.438	(CAT HB)
Blade type:	1.000	(PAT)

Net correction: 0.6617

Adjusted unit
production: 198.51 LCY/hr

Adjusted fleet
production: 198.51 LCY/hr

JOB TIME AND COST

Fleet size: 1 Dozer(s)

Unit cost: \$0.500/LCY

Total job time: 0.06 Hours

Total job cost: \$6

BOREHOLE SEALING WORK

Task description: P & A Drill holes

OSMI Bluegrass Drill
Site: Program

Permit Action:
2020 New App

Permit/Job#: P2020006

PROJECT IDENTIFICATION

Task #: 001
Date: 6/16/2020
User: LJW

State: Colorado
County: Ouray

Abbreviation: None
Filename: P006-001

Agency or organization name: DRMS

UNIT COSTS

Borehole Description	Sealing/Item Method	Diameter	Length	Quantity	Unit	Unit Cost	Total Cost
Install Bridge Plug, 20' down hole	PVC plug - 4 in. diameter borehole	2.5	20	10.00	EA	\$32.62	\$326.20
Concrete Grout holes	Portland cement grout - 4 in. (labor, equip, materials)	2.5	20	10.00	LF	\$5.00	\$49.98

Job Hours: 0.00

Total Cost: \$376.00

REVEGETATION WORKTask description: Revegetate drill padSite: OSMI Bluegrass Drill
ProgramPermit Action: 2020 New AppPermit/Job#: P2020006**PROJECT IDENTIFICATION**Task #: 003State: ColoradoAbbreviation: NoneDate: 6/16/2020County: OurayFilename: P006-003User: LJWAgency 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
Hand raking (MEANS 32 91 13.23 0250)	\$1,437.48
Total Tilling Cost/Acre	\$1,437.48

SEEDING

Seed Mix	Rate – PLS LBS / Acre	Seeds per SQ. FT	Cost /Acre
Alpine Bluegrass	1.60	36.73	\$22.80
Timothy, Alpine - Native	1.40	41.78	\$33.95
Tufted Hairgrass	2.28	130.85	\$25.14
Totals Seed Mix	5.28	209.37	\$81.89

Application

Description	Cost /Acre
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Broadcast seeding [DMG]	\$267.22
Total Seed Application Cost/Acre	\$267.22

MULCHING and MISCELLANEOUS**Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
Herbicide - 2,4D @ 1.0 pt/ac	1.00	ACRE	\$2.74	\$2.74
Total Mulch Materials Cost/Acre				\$2.74

Application

Description	Cost /Acre
Weed spray, hand, non-aquatic area, nox. [DMG]	\$180.00
Total Mulch Application Cost/Acre	\$180.00

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:	0.3	Cost /Acre:	\$1,969.33
Estimated Failure Rate:	50%	Cost /Acre*:	\$1,969.33
*Selected Replanting Work Items:	TILLING, SEEDING, MULCHING		
Initial Job Cost:	\$590.80		
Reseeding Job Cost:	\$295.40		
Total Job Cost:	\$886		
Job Hours:	8.00		

EQUIPMENT MOBILIZATION/DEMOBILIZATIONTask description: Mobilize reclamation equipment to and from siteSite: OSMI Bluegrass Drill ProgramPermit Action: 2020 New AppPermit/Job#: P2020006**PROJECT IDENTIFICATION**Task #: 004
Date: 6/16/2020
User: LJWState: Colorado
County: OurayAbbreviation: None
Filename: P006-004Agency or organization name: DRMS**EQUIPMENT TRANSPORT RIG COST**Shift basis: 1 per day
Cost Data Source: CRG DataTruck 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:	\$17.20	\$29.63	\$38.69
Operating Cost/Hour:	\$26.56	\$47.02	\$55.69
Operator Cost/Hour:	\$23.63	\$23.63	\$23.63
Helper Cost/Hour:	\$0.00	\$23.53	\$23.53
Total Unit Cost/Hour:	\$67.39	\$123.81	\$141.54

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 D4K XL - 4P	9.69	\$26.00	\$67.39	1	\$93.39	\$67.39	\$250.00
Subtotals:					\$93.39	\$67.39	\$250.00

ROADABLE EQUIPMENT:

Machine Description	Total Cost/hr/ unit	Fleet Size	Haul Trip Cost/hr/ fleet	Return Trip Cost/hr/ fleet
Light Duty Pickup, 4x4, 3/4 T.	\$12.96	1	\$12.96	\$12.96
Subtotals:			\$12.96	\$12.96

EQUIPMENT HAUL DISTANCE and Time

Nearest Major City or Town within project area region: OURAY
 Total one-way travel distance: 7.00 miles
 Average Travel Speed: 35.00 mph

Total Non-Roadable Mob/Demob Cost * \$1,684.99
 ** two round trips with haul rig:
 Total Roadable Mob/Demob Cost ** \$5.18
 ** one round trip, no haul rig:

Transportation Cycle Time:

	Non-Roadable Equipment	Roadable Equipment
Haul Time (Hours):	<u>0.20</u>	<u>0.20</u>
Return Time (Hours):	<u>0.20</u>	<u>0.20</u>
Loading Time (Hours):	<u>3.00</u>	<u>NA</u>
Unloading Time (Hours):	<u>3.00</u>	<u>NA</u>
Subtotals:	<u>6.40</u>	<u>0.40</u>

JOB TIME AND COST

Total job time: 12.80 Hours

Total job cost: \$1,690