

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

1313 Sherman St., Room 215

Denver, Colorado 80203

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June 29, 2012

Robert Gydesen
Colorado Mining and Exploration, LLC
502 South Wisconsin Ave.
Gunnison, CO 81230

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pineda
Director

Re: Crystal Hill Project, NOI File No. P-2012-010, All Technical Issues Sufficient, Financial Warranty Still Required.

Dear Mr. Gydesen,

The Division has reviewed the above-named NOI and the subsequent adequacy responses you provided, and has found that there all technical issues are sufficient to be approved. The one deficient item that remains with the NOI is the financial warranty. You have already provided a check for \$4,000, which will need to have a "One Site Prospecting Cash Bond" form provided for it also. (The Division's warranty specialist, Barbara Coria, will communicate directly with you regarding the form.)

The \$4,000 cash bond we hold is not sufficient to reclaim this project. The total reclamation costs of this prospecting project were estimated to be \$14,367. This estimate is based on just three reclamation tasks: backfilling the test pits and sampling pit by D10T bulldozer, backfilling the portals by 323D excavator, and the cost of mobilizing the equipment to the site. There is no topsoil or revegetation task included. Please see the enclosed packet of reclamation costs, and notify me if you see any errors or omissions.

The additional bond amount must be accompanied by the proper "prospecting bond" form. All bond forms are available on the Division's website: www.mining.state.co.us. For questions specifically regarding the forms, please contact Barbara Coria at the Division's Denver office (see letterhead). Executed forms should be mailed directly to her also.

Please be advised that until the Division has notified you in writing that the bond is accepted, no prospecting activity is to occur.

If you have any questions, I may be reached at the Division's Durango Field Office: 691 CR 233, Room A-2, Durango, CO 81301; telephone 970-247-5193.

Sincerely,

Bob Oswald
Environmental Protection Specialist

Ec: Barbara Coria, DRMS Denver

(c:\12-06 docs\Crystal Hill NOI Appr FW\rco)

COST SUMMARY WORK

Task description: Cost summary

Site: Crystal Hill

Permit Action: New NOI

Permit/Job#: P2012010

PROJECT IDENTIFICATION

Task #: 000

State: Colorado

Abbreviation: None

Date: 6/29/2012

County: Saguache

Filename: P010-000

User: RCO

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	Backfill test pits and sampling pit	DOZER	1	29.59	\$9,542.39
002	Backfill portals (boulders and fill)	EXCAVATE	1	0.28	\$34.00
003	Haul reclamation equipment to and from site	MOBILIZE	1	5.00	\$2,525.22
<u>SUBTOTALS:</u>				34.87	\$ \$12,101.61

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02

Total = \$244.45

Performance bond: 1.05

Total = \$127.07

Job superintendent: 0.00

Total = \$0.00

Profit: 10.00

Total = \$1,210.16

TOTAL O & P = \$1,581.68

CONTRACT AMOUNT (direct + O & P) = \$13,683.29

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

\$684.16

CONTINGENCY: 0.00

Total = \$0.00

TOTAL INDIRECT COST = \$2,265.84

TOTAL BOND AMOUNT (direct + indirect) = \$14,367.45

BULLDOZER WORKTask description: **Backfill test pits and sampling pit**Site: **Crystal Hill**Permit Action: **New NOI**Permit/Job#: **P2012010****PROJECT IDENTIFICATION**Task #: **001**State: **Colorado**Abbreviation: **None**Date: **6/29/2012**County: **Saguache**Filename: **P010-001**User: **RCO**Agency or organization name: **DRMS****HOURLY EQUIPMENT COST**Basic Machine: **Cat D10T - 10SU**Horsepower: **574**Blade Type: **Semi-Universal**Attachment: **NA**Shift Basis: **1 per day**Data Source: **(CRG)****Cost Breakdown:**

		<u>Utilization %</u>
Ownership Cost/Hour:	\$102.22	NA
Operating Cost/Hour:	\$181.78	100
Ripper op. Cost/Hour:	\$0.00	0
Operator Cost/Hour:	\$38.49	NA

Total unit Cost/Hour: **\$322.48**Total Fleet Cost/Hour: **\$322.48****MATERIAL QUANTITIES**Initial Volume: **15,259**Swell factor: **1.215**Loose volume: **18,540 LCY**Source of estimated volume: **Division of Reclamation, Mining & Safety**Source of estimated swell factor: **Cat Handbook****HOURLY PRODUCTION**Average push distance: **100 feet**Unadjusted hourly production: **1,718.9 LCY/hr**Materials consistency description: **Loose stockpile 1.2**Average push gradient: **0 %**Average site altitude: **9,000 feet**Material weight: **3,300 lbs/LCY**Weight description: **Decomposed rock - 75% Rock, 25% Earth****Job Condition Correction Factor**

		<u>Source</u>
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:	1.000	(CAT HB)
Material Weight:	0.697	(CAT HB)
Blade type:	1.000	(PAT)

Net correction: 0.3645

Adjusted unit production: 626.54 LCY/hr
Adjusted fleet production: 626.54 LCY/hr

JOB TIME AND COST

Fleet size: 1 Dozer(s)
Unit cost: \$0.515/LCY

Total job time: 29.59 Hours
Total job cost: \$9,542.39

HYDRAULIC EXCAVATOR WORK

Task description: Backfill portals (boulders and fill)

Site: Crystal Hill

Permit Action: New NOI

Permit/Job#: P2012010

PROJECT IDENTIFICATION

Task #: 002

State: Colorado

Abbreviation: None

Date: 6/29/2012

County: Saguache

Filename: P010-002

User: RCO

Agency or organization name: DRMS

HOURLY EQUIPMENT COST

Basic Machine: Cat 323D L 9'-7" Stick

Attachment 1: ROPS Cab

Horsepower: 168

Weight (MT): 23.24

Shift Basis: 1 per day

Data Source: (CRG)

Cost Breakdown:

		Utilization %
Ownership Cost/Hour:	\$27.67	NA
Operating Cost/Hour:	\$54.14	100
Operator Cost/Hour:	\$38.67	NA
Total Unit Cost/Hour:	\$120.49	
Total Fleet Cost/Hour:	\$120.49	

MATERIAL QUANTITIES

Initial volume: 64

CCY

Swell factor: 1.000

Loose volume: 64

LCY

Source of estimated volume: Division of Reclamation, Mining & Safety

Source of estimated swell factor: Cat Handbook

HOURLY PRODUCTION

Excavator Cycle Time (load bucket, swing loaded, dump bucket, swing empty):

Basic Job Condition Description: AVERAGE

Secondary Job Condition within Basic Description: AVERAGE

Cycle Time Value: 0.293 minutes

Load Bucket Capacity

Bucket Size Class: Medium

Rated Capacity: 1.54 LCY (heaped)

Bucket Fill Factor: 1.000 Rock - Well Blasted (95%-105%) 1.000

Adjusted Capacity: 1.54 LCY

Job Condition Correction Factors

Site Altitude: 9000 feet

		Source
Altitude Adj:	0.87	(CAT HB)
Job Efficiency:	0.83	(1 shift/day)
Net Correction:	0.72	multiplier

Unadjusted Hourly Unit Production: 315.36 LCY/Hour

Adjusted Hourly Unit Production: 227.72 LCY/Hour

Adjusted Hourly Fleet Production: 227.72 LCY/Hour

JOB TIME AND COST

Fleet size: 1

Excavator

Total job time: 0.28

Hours

Unit cost: \$0.529 /LCY

Total job cost: \$34.00

EQUIPMENT MOBILIZATION/DEMOBILIZATIONTask description: Haul reclamation equipment to and from siteSite: Crystal HillPermit Action: New NOIPermit/Job#: P2012010**PROJECT IDENTIFICATION**Task #: 003State: ColoradoAbbreviation: NoneDate: 6/29/2012County: SaguacheFilename: P010-003User: RCOAgency or organization name: DRMS**EQUIPMENT TRANSPORT RIG COST**Shift basis: 1 per dayCost 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:	\$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/ 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 D10T - 10SU	84.53	\$102.22	\$125.45	1	\$227.67	\$125.45	\$250.00
Cat 323D L 9'-7" Stick	25.57	\$27.67	\$88.67	1	\$116.34	\$88.67	\$250.00

Subtotals: **\$344.01** **\$214.12** **\$500.00****ROADABLE EQUIPMENT:**

Machine Description	Total Cost/hr/ unit	Fleet Size	Haul Trip Cost/hr/ fleet	Return Trip Cost/hr/ fleet
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Subtotals: **\$0.00** **\$0.00**

EQUIPMENT HAUL DISTANCE and Time

Nearest Major City or Town within project area region:	MONTE VISTA	
Total one-way travel distance:	30.00	miles
Average Travel Speed:	40.00	mph

Total Non-Roadable Mob/Demob Cost *	\$2,525.22
** two round trips with haul rig:	

Total Roadable Mob/Demob Cost **	\$0.00
** one round trip, no haul rig:	

Transportation Cycle Time:

	Non-Roadable Equipment	Roadable Equipment
Haul Time (Hours):	0.75	0.75
Return Time (Hours):	0.75	0.75
Loading Time (Hours):	0.50	NA
Unloading Time (Hours):	0.50	NA
Subtotals:	2.50	1.50

JOB TIME AND COST

Total job time:	5.00	Hours
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Total job cost:	\$2,525.22
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