

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY
Department of Natural Resources

1313 Sherman St., Room 215
Denver, Colorado 80203
Phone: (303) 866-3567
FAX: (303) 832-8106



August 24, 2012

Glynda Yoder
Precious Offerings Mineral Exchange
200 Alder Lane
Boulder, CO
80304

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta Piñeda
Director

RE: Brown Derby Mine, Permit No. M-1999-074, Reclamation Costs Update and Notice of Surety Increase (SI-1)

Dear Ms. Yoder:

In an effort to ensure the Financial Warranty for the above referenced site adequately reflects the actual current costs of fulfilling the requirements of the approved reclamation plan, the Colorado Division of Reclamation, Mining and Safety (Division) has updated the reclamation cost estimate (copy enclosed). ***Therefore, pursuant to Section 34-32-117(4) of the Colorado Land Reclamation Act, adequate Financial Warranty must be submitted to the Division within 60 days of the mailing date of this letter.*** The additional amount needs to be accepted prior to **Wednesday, October 24, 2012**. Please review the enclosed figures as soon as possible and contact our office if any calculation errors are noted.

Staff calculations estimate the cost to reclaim the above referenced site to be \$2,500.00. This is an increase of \$581.00 over the \$1,919.00 currently held by the Division. This estimate is based on conditions observed during the August 24, 2012 inspection.

Please make arrangements with Barbara Coria at the Division of Reclamation, Mining and Safety Denver Office, phone no. 303.866.3567, ext. 8148 for submittal of the financial warranty. Any questions regarding completion, execution and/or submittal of financial warranty forms should also be directed to Barbara Coria.

If you require additional information, have questions or concerns, please contact me at the DRMS Grand Junction Field Office.

Sincerely,

A blue ink signature of Dustin Czapl, written in a cursive style.

Dustin Czapl
Environmental Protection Specialist
Division of Reclamation, Mining and Safety
101 South 3rd, Suite 301
Grand Junction, CO 81501
Phone: (970) 243-6299

Enc: Financial Warranty Cost Estimate

COST SUMMARY WORK

Task description: Reclamation Cost Review

Site: Brown Derby Mine

Permit Action: 2012AugInsp

Permit/Job#: M1999074

PROJECT IDENTIFICATION

Task #: 000

State: Colorado

Abbreviation: None

Date: 8/24/2012

County: Gunnison

Filename: M074-000

User: DMC

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
01a	Backfill highwall/site grading	EXCAVATE	1	7.10	\$774.00
02a	Revegetate disturbed area	REVEGE	1	1.00	\$256.41
03a	Mobilize reclamation crew and equipment	MOBILIZE	1	4.88	\$1,064.32
<u>SUBTOTALS:</u>				12.98	\$2,094.73

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02

Total = \$42.31

Performance bond: 1.05

Total = \$21.99

Job superintendent: 0.00

Total = \$0.00

Profit: 10.00

Total = \$209.47

TOTAL O & P = \$273.77

CONTRACT AMOUNT (direct + O & P) = \$2,368.50

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

\$118.43

CONTINGENCY: 0.00

Total = \$0.00

TOTAL INDIRECT COST = \$392.20

TOTAL BOND AMOUNT (direct + indirect) = \$2,500.00

HYDRAULIC EXCAVATOR WORK

Task description: Backfill highwall/site grading

Site: Brown Derby Mine

Permit Action: 2012AugInsp

Permit/Job#: M1999074

PROJECT IDENTIFICATION

Task #: 01A

State: Colorado

Abbreviation: None

Date: 8/24/2012

County: Gunnison

Filename: M074-01a

User: DMC

Agency or organization name: DRMS

HOURLY EQUIPMENT COST

Basic Machine: Cat 320D L 9'-6" Stick

Attachment 1: ROPS Cab

Horsepower: 148

Weight (MT): 21.55

Shift Basis: 1 per day

Data Source: (CRG)

Cost Breakdown:

		Utilization %
Ownership Cost/Hour:	\$24.63	NA
Operating Cost/Hour:	\$45.70	100
Operator Cost/Hour:	\$38.67	NA
Total Unit Cost/Hour:	\$109.00	
Total Fleet Cost/Hour:	\$109.00	

MATERIAL QUANTITIES

Initial volume: 500

CCY

Swell factor: 1.320

Loose volume: 660

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: BELOW AVERAGE

Secondary Job Condition within Basic Description: AVERAGE

Cycle Time Value: 0.323 minutes

Load Bucket Capacity

Bucket Size Class: Medium

Rated Capacity: 1.54 LCY (heaped)

Bucket Fill Factor: 0.450 Rock - Poorly blasted (40% - 50%) 0.450

Adjusted Capacity: 0.69 LCY

Job Condition Correction Factors

Site Altitude: 9350 feet

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

Unadjusted Hourly Unit Production: 128.73 LCY/Hour

Adjusted Hourly Unit Production: 92.96 LCY/Hour

Adjusted Hourly Fleet Production: 92.96 LCY/Hour

JOB TIME AND COST

Fleet size: 1 Excavator Total job time: 7.10 Hours

Unit cost: \$1.173 /LCY Total job cost: \$774.00

REVEGETATION WORKTask description: Revegetate disturbed areaSite: Brown Derby MinePermit Action: 2012AugInspPermit/Job#: M1999074PROJECT IDENTIFICATIONTask #: 02AState: ColoradoAbbreviation: NoneDate: 8/24/2012County: GunnisonFilename: M074-02aUser: DMCAgency or organization name: DRMSFERTILIZING**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
	\$
Total Tilling Cost/Acre	\$0.00

SEEDING

Seed Mix	Rate – PLS LBS / Acre	Seeds per SQ. FT	Cost /Acre
Arizona Fescue - Redondo	2.40	27.55	\$25.92
Mountain Brome - Bromar	8.00	12.86	\$26.64
Sainfoin - Remont	4.00	1.74	\$11.00
Rabbitbrush, Rubber	0.50	7.45	\$17.92
Western Wheatgrass - Native	8.00	20.20	\$23.84
Flax, Lewis Blue	1.00	6.63	\$16.17
Penstemon, Rocky Mountain	1.00	15.67	\$33.00
Totals Seed Mix	24.90	92.11	\$154.49

Application

Description	Cost /Acre
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Broadcast seeding [DMG]	\$255.76
Total Seed Application Cost/Acre	\$255.76

MULCHING and MISCELLANEOUS**Materials**

Description	Units / Acre	Unit	Cost / Unit	Cost /Acre
			\$	\$
Total Mulch Materials Cost/Acre				\$0.00

Application

Description	Cost /Acre
	\$
Total Mulch Application Cost/Acre	\$0.00

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:	0.5	Cost /Acre:	\$410.25
Estimated Failure Rate:	25%	Cost /Acre*:	\$410.25
*Selected Replanting Work Items:	SEEDING		
Initial Job Cost:	\$205.13		
Reseeding Job Cost:	\$51.28		
Total Job Cost:	\$256.41		
Job Hours:	1.00		

EQUIPMENT MOBILIZATION/DEMOBILIZATIONTask description: **Mobilize reclamation crew and equipment**Site: **Brown Derby Mine**Permit Action: **2012AugInsp**Permit/Job#: **M1999074****PROJECT IDENTIFICATION**Task #: **03A**State: **Colorado**Abbreviation: **None**Date: **8/24/2012**County: **Gunnison**Filename: **M074-03a**User: **DMC**Agency or organization name: **DRMS****EQUIPMENT TRANSPORT RIG COST**Shift basis: **1 per day**Cost Data Source: **CRG Data**Truck 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 323D L 9'-7" Stick	25.57	\$27.67	\$88.67	1	\$116.34	\$88.67	\$250.00

Subtotals: **\$116.34** **\$88.67** **\$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, 1 T. Crew	\$25.30	1	\$25.30	\$25.30

Subtotals: **\$25.30** **\$25.30**

EQUIPMENT HAUL DISTANCE and Time

Nearest Major City or Town within project area region:	<u>GUNNISON</u>	
Total one-way travel distance:	<u>18.00</u>	miles
Average Travel Speed:	<u>25.00</u>	mph

Total Non-Roadable Mob/Demob Cost *	<u>\$1,027.89</u>
** two round trips with haul rig:	
Total Roadable Mob/Demob Cost **	<u>\$36.43</u>
** one round trip, no haul rig:	

Transportation Cycle Time:

	Non-Roadable Equipment	Roadable Equipment
Haul Time (Hours):	0.72	0.72
Return Time (Hours):	0.72	0.72
Loading Time (Hours):	0.50	NA
Unloading Time (Hours):	0.50	NA
Subtotals:	2.44	1.44

JOB TIME AND COST

Total job time:	<u>4.88</u>	Hours
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Total job cost:	<u>\$1,064.32</u>
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