

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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John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta Piñeda
Director

December 13, 2012

Raymond G. Dubois
Cripple Creek & Victor Gold
100 N. Third Street
P. O. Box 191
Victor, CO 80860-0191

**Re: Cresson Project; DRMS File No. M-1980-244;
Financial Warranty Adjustment, Revision No. AM-10**

Dear Mr. Dubois:

On September 12, 2012 the Division of Reclamation, Mining and Safety approved the Amendment application submitted to the Division on March 5, 2012, addressing the following:

Mine Life Extension 2

The terms of the Amendment No. 10 approved by the Division are hereby incorporated into Permit No. M-1980-244.

Following the approval letter sent to CC&V on September 13, 2012, the mine requested clarification as to the inclusion of direct materials reclamation costs in calculations related to indirect costs incurred by the Division should the forfeiture of the financial warranty become necessary. The Division concurs that some direct materials costs are subject only to the five percent fee imposed by C.R.S. 34-32-117(4)(b)(1). Specifically, the estimated cost to purchase power for the pumps associated with the chemical reclamation of the Arequa and Squaw Gulch Valley Leach Facilities. As such, the financial warranty estimate provided in Exhibit L of the Amendment 10/MLE 2 application is acceptable to the Division.

The revised estimated liability amount of \$171,418,558 exceeds the \$99,143,871.21 performance bond currently held. If you have not already done so, please submit additional bond in the amount of \$72,274,686.79. The revision will not be final until the bond is approved by the Division.

The Division understands CC&V would like to phase the additional bond by tying it to milestones related to the construction of various MLE 2 facilities. Please provide the Division with appropriate schedules and justification for the bond to be provided at the appropriate milestones.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Cazier".

Timothy A. Cazier, P.E.
Environmental Protection Specialist

Enclosure

cc: Tom Kaldenbach, DRMS
Barbara Coria, DRMS