

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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February 25, 2013

Randy McClure
Rio Grande Silver, Inc.
PO Box 610
Creede, CO 81130

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Piñeda
Director

Re: Bulldog Mine, Permit M-1977-215, Notice of Pending Designation as a Designated Mining Operation

Dear Mr. McClure,

The Division has determined that the Bulldog Mine, Permit Number M-1977- 215, is a Designated Mining Operation ("DMO") as defined in the Colorado Mined Land Reclamation Act (C.R.S. 34-32-101, *et seq.*) ("Act") and the Rules and Regulations of Hard Rock, Metal, and Designated Mining Operations ("Rules"). The statutory and regulatory definition of DMOs include mining operations at which toxic or acidic chemicals are used in the extractive metallurgical processing on the site or mining operations at which acid- or toxic-forming materials will be exposed or disturbed as a result of mining operations (C.R.S. 34-33-103(3.5)(I)-(II); Rule 1.1(14)(a)-(b)). The Rules require the Division to provide notice to the operator if the Division determines a mining operation is, or has the reasonable potential to be, a DMO based upon the criteria established in the definition of DMO (Rules 7.2.1(1), 7.2.2(1)). This letter serves as notice to the operator that the Division has determined the Bulldog Mine is a DMO ("Notice").

The Division's Notice to an operator regarding its DMO determination must include factual statements supporting the determination (*See* Rule 7.2.2.). The Division's determination for the Bulldog Mine resulted from its review of the permit application and file and the present and foreseen operational conditions of the Bulldog Mine, including site geology and geochemistry, ore materials to be extracted, and the chemicals and reagents that will be necessary to use for water treatment and processing ore materials. The Division relied upon the following facts to support its determination that the Bulldog Mine is, or has the reasonable potential to be, a DMO:

1. Activities at the Bulldog Mine currently consist of driving a decline toward the existing underground workings and mine pool. Driving the decline has the potential to expose or disturb the acid- or toxic-forming materials.
2. After intercepting the workings and mine pool, and in order to continue to proceed toward potential mining and milling, reasonably anticipated activities will include dewatering and water treatment because mining operations have the potential to affect the hydrologic balance in both quality and quantity. The water treatment facility likely will utilize acid or toxic chemicals to treat water that may be affected by acid- or toxic-forming materials that were exposed or disturbed as a result of mining operations.

3. Potential conditions at the mining operation, including the disposal of waste rock and sub-economic mineralized materials and the exposure of ore at the surface, may expose or disturb acid- or toxic-forming materials.
4. Mined ore will be processed at a milling facility at the site, which facility will utilize acid or toxic chemicals.
5. The tailings resulting from the milling and extraction of metals potentially expose or disturb acid- or toxic-forming materials.

Because the Bulldog Mine meets the criteria of a DMO, its permit must be amended to comply with the requirements of a DMO. The Rules provide certain procedures with which an operator must comply to either concur with or dispute the Division's DMO determination.

If you agree with the determination in this Notice, you are required to notify the Division by mail of your concurrence within thirty (30) days of the date of this Notice ("Concurrence"), and proceed to comply with the requirements of Rule 7.2.3(1). If you concur, Rule 7.2.3 (2) requires you to either:

- A. Within sixty (60) days of the date the Division receives your Concurrence, file a demonstration that the existing permit contains the necessary elements of an Environmental Protection Plan ("EPP") in accordance with C.R.S. 34-32-116 and 34-32-116.5 and Rules 3, 6 and 7;
- B. If the existing permit application does not contain an EPP, submit an EPP within one hundred and eighty (180) days of the date the Division receives your Concurrence; or
- C. Within thirty (30) days of the date the Division receives your Concurrence, request a period longer than one hundred and eighty (180) days not to exceed one (1) year to submit an EPP and explain the reasons for such a request.

If you dispute the Division's determination in this Notice, you must submit your written appeal to the Division within thirty (30) days of the date of this Notice and comply with the requirements of Rule 7.2.4(1). Upon receiving such an appeal, the Division must schedule a meeting with you to discuss the pending designation and make a final decision. If you are dissatisfied with the Division's final decision, you may further appeal the designation to the Mined Land Reclamation Board by complying with the procedures in Rule 7.2.4(1).

If you have any questions regarding this Notice, please contact me at the Division's Durango Field Office, 691 CR 233, Suite A-2, Durango, Colorado 81301, or by telephone at 970-247-5193.

Sincerely,



Bob Oswald
Environmental Protection Specialist

Ec: Tony Waldron, Minerals Program Supervisor
Russ Means, DRMS Grand Junction Field Office
Julie Murphy, Office of the Attorney General