

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

RECEIVED

MAY 17 2013

Durango Field Office
Division of Reclamation,
Mining and Safety



FORM 2 (Public File)

NOTICE OF INTENT TO CONDUCT PROSPECTING OPERATIONS FOR HARD ROCK/METAL MINES

CHECK ONE:

☐

There is an NOI Number Already Assigned to this Operation

☒

P- (Please reference the file number assigned to this operation)

☐

New NOI

☐

Modification to an Existing NOI

NOI#

P- (Provide for Modifications to an existing NOI)

GENERAL OPERATION INFORMATION

Type or print clearly, in the space provided, ALL information described below.

I. GENERAL INFORMATION

1. **DATE NOI RECEIVED BY THE DIVISION:** (office use only)

2. **PROJECT NAME:** Wanakah Mine

8. **PROSPECTOR:**

Name: Rick Wilson

Title: Manager

Company Name: Ouray 79 Mining, LLC

Street:

P.O. Box: 1917

City: Forney

State: TX

Zip Code: 75126

Telephone Number: (972) 564-2192

Fax Number: (972) 564-2190

PERSON MLRB SHOULD CONTACT:

Name: John M. Clement

Title: Exec. V.P. & General Counsel

Company Name: Ouray 79 Mining, LLC

Street:

P.O. Box: 1917

City: Forney

State: TX

Zip Code: 75126

Telephone Number: (972) 564-2192

Fax Number: (972) 564-2190

9. **APPLICATION FEE: \$86.** (NOIs and modifications require an \$86 fee which must accompany this notice or it cannot be processed by the Division).

10. LOCATION INFORMATION:

County: Ouray

PRINCIPAL MERIDAN (check one) ☐ 6th (Colorado) ☒ 10th (New Mexico) ☐ (Ute)

SECTION (write number):

S

Sec. 19 & 30

TOWNSHIP (write number and check direction) T 44 North ☒ South ☐

RANGE (write number and check direction) R⁷ East ☐ West ☒
 QUARTER SECTION (check one): ☐ NE ☒ NW ☐ SE ☐ SW
 QUARTER/QUARTER SECTION (check one): ☐ NE ☐ NW ☐ SE ☐ SW

GENERAL DESCRIPTION: (the number of miles and direction to the nearest town and the approximate elevation):

Approximately 1.5 miles north of the City of Ouray on the east side of Hwy 550.

NOTE: Supply longitude and latitude or UTM coordinates if lands have not been surveyed or as supplemental information to this NOI. GPS measurements will be acceptable for this purpose: _____

Latitude 38.0419378; Longitude -107.6750598; elevation appx. 8,888'

11. LAND OWNERSHIP

Private ☒ Public Domain (BLM) ☐ National Forest (USFS) ☐
 State ☐ State Sovereign Lands ☐ Other (please describe): _____

If prospecting is located on BLM or USFS land the remaining section must be completed, otherwise go to section II Maps & Drawings

12. PROSPECTING ON BUREAU OF LAND MANAGEMENT (BLM) LAND AND U.S. FOREST SERVICE (USFS) LAND

The Division and the BLM/USFS have entered into cooperative agreements that eliminate the need for a prospector to post a financial warranty with each agency and allow them to coordinate the review of the NOI in order to minimize administrative processing time and effort.

G. CLAIMANT:

Name: N/A

Address: _____

Telephone: _____

Fax Number: _____

H. SITE/CLAIM INFORMATION:

List names, serial numbers and provide legal description to nearest quarter-quarter section of all sites or claims (attach additional page, if necessary).

NAME	SERIAL NUMBER	LEGAL DESCRIPTION

I. **LOCATION MAP:** Attach a USGS 7.5 minute quad, or similar map of adequate scale, which locates the prospecting site(s).

J. Are prospect sites (e.g., drill holes, trench locations, etc...) staked on the ground? Yes ☐ No ☐

K. Specify the Land Management Agency, Address and Telephone Number:

United States Forest Service

Liz Mauch

2465 South Townsend Ave.

Montrose, CO 81401

970-240-5300

L. The prospector is required to document that the NOI has been sent to the BLM or the USFS. Processing of the NOI will not begin until the prospector has submitted evidence acceptable to the Division that the NOI was sent to the BLM or USFS. Check one:

- ☐ Evidence of notification is attached to this NOI for BLM Land
☒ Evidence of notification is attached to this NOI for USFS Land.
☐ Other proof of notice is attached to this NOI

II. MAPS & DRAWINGS

Accurate topographic base map showing the location of the proposed project must be submitted with this notice. The prospector may submit a U.S.G.S. 7.5 minute quadrangle, or similar map of adequate scale that:

3. identifies the proposed prospecting site(s) or activity areas involving surface disturbance. Activity areas include all drill holes, mud pits, excavations, trenches, adits, shafts, tunnels, rock dumps, stockpiles, impoundments and prospecting roads, and
4. includes sufficient detail to identify and locate known prospecting features and facilities that may be affected and those that are not anticipated to be affected. This includes the location of all drill holes, mud pits, excavations, trenches, adits, shafts, tunnels, rock dumps, stockpiles, impoundments and prospecting roads. Color photographs, adequately labeled (including date, orientation and location), of the prospecting site may be used to fulfill this requirement if included with the NOI submittal.

III. PROJECT DESCRIPTION

7. Mineral(s) and/or Resource(s) being Investigated: Au, Ag, Cu, Zn, Pb and other base metals

8. Estimated dates of commencement and completion:

Commencement: 06/01/2013

Completion: 06/01/2015

9. Amount of material to be extracted, moved or proposed to be moved: 17,100.00

10. Identify the type or method of prospecting proposed and quantity (place an "X")

- | | | | |
|--|---|---|--|
| <input checked="" type="checkbox"/> Cuts | <input type="checkbox"/> Pits | <input type="checkbox"/> Trenches | <input checked="" type="checkbox"/> Declines |
| <input type="checkbox"/> Shafts | <input checked="" type="checkbox"/> Tunnels | <input checked="" type="checkbox"/> Adits | |
| <input checked="" type="checkbox"/> Air Drilling | <input type="checkbox"/> Fluid Drilling | <input checked="" type="checkbox"/> Drilling & Blasting | |

11. Describe proposed surface excavation or other land disturbance, including roads, pits, trenches, waste piles, drill pads and collar areas of underground workings, ponds, etc...

No new roads will be constructed. Proposed drill holes as indicated on Map #1. Track drill rigs will be set upon existing drill pads along/within existing roads. Five historic mine adits, Wanakah, SW Portal, Bright Diamond, O&N, Chipeta, will be opened with existing underground workings rehabilitated & expanded as indicated on Maps #2 & #3. Two ore & waste rock storage areas will be constructed on surface with berms and storm water drainage diversions (see Map #1).

12. **Proposed Disturbance** (approximate) Describe the proposed drilling to be conducted, including anticipated number of holes, diameter, depth, location, etc... Submit additional pages if necessary:

- A. Drill Pads: Quantity _____ Average Width _____ (ft) Average Length _____ (ft)
 B. Drill Holes: Quantity 5.00 Depth 1,000.00 (ft) Diameter 3.00 (in)
 C. Mud Pits: Quantity _____ Average Width _____ (ft) Average Length _____ (ft)
 Average Depth _____ (ft)

Described proposed underground work, including reopening of old workings, advancement of adits or shafts, trenches, pits, cuts, rock dumps, or other types of disturbance, describe type, quantity and general dimensions:

Wanakah Mine (Map#2) rehab & exploration for 2000' with an incline (10'x10'x600') driven to access upper ore horizon and establish a shop area (25'x25'). Bright Diamond Mine (Map#3) rehab & exploration for 700' and develop six slusher drifts (5'x7'x40'). Opening of the SW Portal, O&N and Chipeta adits to be done. The mine workings will be refurbished to accommodate prospecting activities including rock chip samples of the loose ore, pillars and veins; bulk samples for metallurgical milling analysis; developing underground drill stations.

- F. Other Disturbances (please describe):

Existing power line and transformer station location (Map #1) will be used if upgrade of power is necessary.

- G. Indicate Chemicals and Fuels used or stored on site. List type, quantity and method to store.

Diesel (500 gallon tank) will be stored in underground tanks with adequate containment.
Lubricants will be used and stored in proper containers within the underground shop area.
Explosives will be stored underground according to ATF Requirements.

- F. New Road(s): Length 0.00 (ft) Width _____ (ft)
 Significantly Upgraded Road(s) Length 0.00 (ft) Width _____ (ft)

Are culverts or other crossings proposed? If so, please describe: _____

Access roads are in very good condition (see Photos). Existing drill roads (see Photos) to the east cross the upper Bridal Veil Creek, however, since very limited road use is needed in this area, no upgrades to the roads are proposed.

G. Total project area to be disturbed 3.00 (acres)

K. Describe the equipment to be used for the prospecting operations:

Track mounted core drill rigs will be used for the surface drilling. Other equipment used on surface may include D6 cat, loader, and pickup trucks. Underground equipment will include track &/or rubber-tired mining, haulage equipment and core drill. Compressor &/or generator will be located underground.

L. Describe and locate any structures to be constructed (i.e. stockpiles, ponds, impoundments):

Surface construction will include Wanakah & Bright Diamond rock dumps (Map #1 & Photos) with berms to stabilize material and storm water drainage diversions to prevent leaching.

~~Underground construction will include establishing shop area and explosives containment in existing stopes.~~

M. Describe anticipated relationship to surface water and groundwater (proximity to streams, penetration of ground water aquifers):

Keystone Portfolio Management, LLC, has adjudicated water rights on Bridal Veil Creek (see Photos) which is being used for domestic grey water and will be used if/when drilling is being conducted. Ouray 79 Mining, LLC has contractual water rights pursuant to its lease with Keystone. Mine workings are west of this creek and not within its drainage. Minimal groundwater is indicated within the mine workings with no portal discharge.

IV. OPERATION AND RECLAMATION MEASURES:

1. The Board suggests that a photographic record of the pre-prospecting and post-prospecting conditions be kept by the prospector. These photos should be taken from the same location and by the same method to clearly show the pre-prospecting condition of the land and the reclamation efforts. Upon completion of reclamation and request for bond or surety release, the Board may consider the photos as evidence of adequate reclamation, and thus, be able to act more quickly on the request for release.
2. Provide a description of the native vegetation of the area to be disturbed, including tree, shrub, and grass communities of the area. Color photographs, sufficient to adequately represent the ecology of the site and adequately labeled (including date, orientation and location), may be used in lieu of a written description. Based on the quality of the photographs, the Division may require additional detail.

Wanakah rock dump area has no vegetation (see Photos). Bright Diamond rock dump area vegetation consists of aspen, pine and spruce trees with other very sparse vegetation of oak bush & native grasses (see Photos).

8. Describe the estimated topsoil depth and how topsoil will be salvaged, stockpiled and redistributed for the re-establishment of vegetation. Specify approximate topsoil redistribution depth:

Wanakah rock dump has no topsoil. No topsoil redistribution is proposed. Area will be stabilized by berm and rock placement as dump is used. Bright Diamond rock dump has minimal topsoil. Trees will be removed, topsoil will be pushed into stockpiles on north and/or south areas of dump site (see Map #1). Reclamation will consist of distributing 3-4" of topsoil on dump area. A native seed mix will be distributed. If aspen/pine/spruce seedlings are available they will be integrated.

9. Describe how drill holes will be plugged (refer to Rule 5.4 of the Rules for required abandonment procedures):

Surface drill holes will be plugged near the drill collar with cement from 5' to 2' and will be backfilled with surrounding material from 2' to surface. Any drill hole that encounters water will be plugged with a mixture of grout/cement and sodium bentonite pellets.

10. Describe how portals, adits, shafts, ponds, excavations, or other disturbances will be reclaimed (refer to Rule 3 and Rule 5 for specific reclamation performance standards). You may wish to contact the Division for closure specifications.

All five portals will be secured with locked steel gates set in rock rib with concrete. All portals are on property owned by Keystone Portfolio Management, LLC and leasehold by Ouray 79 Mining, LLC. At each drill site, all ruts, scours and other disturbances will be raked or contoured to match the pre-prospecting surface. Native seed mix will be spread on all disturbed surfaces.

11. Describe how roads will be reclaimed or returned to their pre-prospecting (or better) condition:

All roads will be maintained in present condition by use of D6 Cat, loader or other heavy equipment and driving surface material as needed.

12. List the seed mixture to be used in the re-establishment of vegetation. See the attached seed mixture calculation to obtain PLS/acre. For assistance with formulating seed mixtures and rates, contact the local NRCS if on private land, BLM/USFS if on public land or State Land Board if on state land.

A. Provide plant name and seeding rate

Plant Name	Seeding Rate (PLS/acre)
Slender Wheatgrass	7.00
Mountain Brome	7.00
Blue Bunch Wheatgrass	2.00
Canadian Wild Rye	2.00
Lewis Flax	2.00

B. Describe the method for seed bed preparation, and application method for grass/forb seeding:

Seeding will done in the early fall so moisture from rain and snow will help achieve the best results. Bright Diamond rock dump, portal rehab areas and drill sites that have had soil distributed and contoured will be scarified and seed will be hand-broadcast with any on-site debris (timber/boulders). Efforts will be made to prevent wind erosion of seed/soil. If aspen/ pine/spruce seedlings are available they will be integrated in the Bright Diamond rock dump area.

V. TERMS AND CONDITIONS FOR PROSPECTING OPERATIONS:

3. Reclamation measures shall be fulfilled in a timely manner and completed within five (5) years of completion of prospecting activities.
4. The prospecting operations described in this Notice will be conducted in such a manner as to minimize surface disturbances. In addition to the measures required in Rule 5, precautions to be taken include:
 - A. Confinement of operations to areas near existing roads or trails, where practicable. Existing roads which are to remain as permanent roads after prospecting activities are completed shall be left in a condition equal to or better than the pre-prospecting condition;
 - B. Drilling shall be conducted in such a way as to prevent cuttings and fluids from directly entering any dry or flowing stream channel. Drill cuttings must be spread to a depth no greater than one-half (1/2) inch or buried in an approved disposal pit;

- C. Proper and timely abandonment of drill holes upon completion of drilling;
 - D. Reclamation of affected lands upon completion of operations or phases of an operation,;
 - E. Backfilling and revegetating any pits to blend in with the surrounding land surface;
 - F. Safeguarding mine entries, trenches and excavations from unauthorized entry at all times;
 - G. Disposal of any trash, scrap metal, wood, machinery, and buildings;
 - H. Control of noxious weeds within the area affected by the prospector
3. The prospecting operations shall be conducted in such a manner as to comply with all applicable local, state and federal laws and regulations including applicable state and federal air and water quality laws and regulations.
 4. The prospecting operations shall be conducted so as to minimize adverse effects upon wildlife to include covering of open drill holes until properly plugged.
 5. During the prospecting operations, the operator will perform the necessary stabilization and reclamation work to ensure those areas affected by prospecting activities are erosionally and geotechnically stable.
 6. All prospecting operations shall be in compliance with the Colorado Mined Land Reclamation Act, as amended (34-32-101 et seq. C.R.S.), and all rules and regulations currently in effect or promulgated pursuant thereto. See 2 CCR 407-1, Mined Land Reclamation Board Hardrock /Metal Mining Rules.

VI. ADDITIONAL TERMS AND CONDITIONS FOR PROSPECTING ON BLM/USFS LANDS

4. The prospector will supply a copy of this NOI to the appropriate BLM and/or USFS office.
5. The prospector authorizes the MLRB to discuss the information in this Notice of Intent with the BLM and/or USFS.
6. If on BLM land, the prospector will complete reclamation to the standards described in 43 CFR 3809.1-3 (d) and implement reasonable measures to prevent unnecessary or undue degradation of lands during operations.

VII. FINANCIAL WARRANTY

A financial warranty must be provided for the cost of reclamation of the disturbance described in this Notice. The prospector can either file a "One Site Prospecting Financial Warranty" or a "Statewide Financial Warranty." **The financial warranty must be submitted and approved by the Division prior to entry upon lands for the purpose of prospecting.**

An One-Site Prospecting Financial Warranty is usually filed by individuals or companies where prospecting activities are limited to a single area. It must be filed in the amount of \$2,000 per acre for land to be disturbed, or such other amount as determined by the Division, based on the projected costs of reclamation. A Statewide Financial Warranty is usually filed by companies with multiple prospecting sites. It must be filed in an amount equal to the estimated cost of reclamation per acre of affected land for all anticipated sites statewide. (You may increase the Statewide bond at any time in order to cover additional or expanded prospecting activities.)

VIII. SIGNATURE REQUIREMENT

Please place your initials on the line provided:

SW

I hereby verify that the foregoing information is true and accurate and commit to the reclamation of the aforementioned prospecting site as required by the Colorado Mined Reclamation Act and the rules as specified in the Hard Rock/Metal Mining Rules and Regulations and this NOI form.

SW

I have enclosed the required permit fee.

SW

I authorize the Division to contact and copy the BLM and/or USFS on any correspondence related to the prospecting operation, if the prospecting operation is located on federal public land.

SW

I have also enclosed the appropriate reclamation surety amount or will post an amount as determined by the office, based on the projected costs of reclamation.

SW

I understand that I am not authorized to create any surface disturbance until the surety amount is posted and approved in writing from the Division of Reclamation, Mining and Safety.

SW

I accept and agree to comply with the foregoing terms and conditions and with all of the provisions of Rules 3 and 5, and C.R.S. 34-32-101.

SW

I hereby certify that concurrent with submittal of this NOI to the Division, I have sent notice to the Boards of County Commissioners in the Counties where the proposed activities will occur. This notice also indicated that non-confidential information regarding the proposed activities will be available for review at the Division's website.

This form has been approved by the Mined Land Reclamation Board pursuant to section 34-32-113, C.R.S., of the Mined Land Reclamation Act. Any alteration or modification of this form shall result in voiding any NOI issued on the altered or modified form and subject the operator to cease and desist orders and civil penalties for operating without a NOI pursuant to section 34-32-123, C.R.S.

I, the undersigned, being the NOI holder or the person authorized to sign on behalf of the NOI holder, declare that the information given in this NOI form is true and correct.

SIGNATURES MUST BE IN BLUE INK

Signed and dated this 15th day of May 2013.

Signature of NOI holder or person authorized to sign:



Name (typed or print) Rick Wilson

Title/Position: Managing Member

Date: May 15, 2013

Via Certified Mail, Return Receipt Requested 7011 1150 0001 4813 6384

United States Forest Service
Liz Mauch
2465 South Townsend
Montrose, CO 81401

RE: Notice of Intent to Conduct Prospecting, Wanakah Mine, Ouray County, CO

Dear Liz:

Ouray 79 Mining, LLC has submitted to the Colorado Division of Reclamation, Mining, and Safety (DRMS) a Notice of Intent to Conduct Prospecting (NOI) for the Wanakah Mine. The purpose of the NOI is to conduct prospecting in the Gold Hill area northeast of Ouray, Colorado near the Wanakah Mine. The prospecting efforts are based upon historic diamond drilling and ore sampling. Two thousand feet of the Wanakah Mine drifts will be rehabilitated, and sampled. A 600 foot incline driven to access an upper ore horizon. Bulk metallurgical samples will be taken for mill analysis information. Seven hundred feet of the Bright Diamond drifts will be rehabilitated and sampled. Six slusher drifts will be established to determine the extent of mineralization. The South West Portal is being opened for ventilation and secondary access. The O&N and Chipeta Portals are being opened for additional mapping and sampling.

The surface drill holes may be drilled to provide additional information regarding the mineralization of the above mines. These holes will be drilled from existing drill roads and sites.

The Wanakah and Bright Diamond rock dumps are for the purpose of clearing the mine drifts and stockpiling the bulk ore samples for analysis. These rock dumps will be stabilized as they are developed and will have storm water drainage to prevent acid waters from forming.

Other activities would include the completion of a mine shop, fuel storage and explosives containment area in existing underground stopes. Compressors/generators will also be housed underground. Power is available at the site. A temporary trailer will be used to house an office and dry change room.

Public portions of the NOI that were submitted to the DRMS will be made available via the DRMS website <http://mining.state.co.us>. For further information please contact Wallace H. Erickson at the Durango DRMS office (970-247-5193).

Sincerely,



John M. Clement
Exec. V.P. & General Counsel
Ouray 79 Mining, LLC

Ec: Wallace H. Erickson, DRMS

Date: May 15, 2013

Via Certified Mail, Return Receipt Requested 7011 1150 0001 4813 6377

Ouray Board of County Commissioners
P.O. Box C
Ouray, CO 81427

RE: Notice of Intent to Conduct Prospecting, Wanakah Mine, Ouray County, CO

Dear Commissioners:

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Sincerely,



John M. Clement
Exec. V.P. & General Counsel
Ouray 79 Mining, LLC

Ec: Wallace H. Erickson, DRMS