

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

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June 14, 2013

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

Re: Bulldog Mine, Permit M-1977-215, Amendment AM-1, Technical Adequacy Review Letter

Dear Mr. McClure,

This office has reviewed the materials submitted by you and Tom Day of Rio Grande Silver, concerning Amendment AM-1, named above. The operator has addressed the amendment notice requirements, and no adverse comments were received by the Division during the public comment period. However, there are several questions that still need to be addressed before this office can consider an approval. This amendment involves only the adding of acreage to the permitted area, and the outstanding issues discussed below involve only acreage figures and boundary descriptions. The issues are small, but an accurate and consistent accounting of the acreages is needed. Please respond to the issues described below:

Existing Acreage and Proposed Additional Acreage. Page one of the 112 amendment form of the most recent version (received on April 9, 2013) shows the following acreage figures:

452.0 permitted acres + 115.9 acres to be added = 567.9 total acreage in permitted area

The amendment materials also include several detailed maps and detailed metes and bounds descriptions of each of the "areas" comprising the total permitted area. When the acreage figures (above) are compared to the figures shown elsewhere in the amendment packet, the figures above do not appear to be correct. This is explained in the next paragraphs.

[Note: The detailed, oversize permit area maps (Exhibit C and Exhibit F) in this amendment were generated by the operator by carefully transferring the boundaries from the original 1977 permit maps onto new digital map bases; this office presumes that the distances and areas on the new maps are more accurate and reliable than those on the old permit maps.]

Existing Acreage. The sum of the acreages shown for the six individual areas (A through F) on the new Exhibit C and Exhibit F maps is 431.9 acres. This is different than 452.0 acres, and should be corrected.

[Note: Area J is shown on the maps as having an acreage of 20.2 acres, and although it is not yet part of the permitted acreage, it is *shown in green*, as though it were already permitted. It is possible that this area's acreage was inadvertently *included* in the incorrect total acreage figure.]

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Proposed Additional Acreage. The sum of the acreages of the new areas, shown on the Exhibit C and Exhibit F maps, is 136.1 acres. The sum of the acreages of the new areas, shown in the metes and bounds descriptions in Exhibit A (after subtracting the permitted portion of Area D), is 136.07 acres, which is sufficiently close to 136.1 acres, and these figures correlate adequately. However, they do not comport with the 115.9 acres shown in the equation in paragraph 2, above. It will again be noted that:

Area J is shown on the maps as containing 20.2 acres, and although Area J is not yet part of the permitted acreage, it is *shown in green*, as though it were already permitted.

It is possible that this area's acreage was inadvertently *excluded* in the incorrect acreage figure for total acres *to be added* to the permit. This would account for the high too-high permitted acreage and too-low proposed acreage. Whatever the reason, please provide corrected figures for the pertinent acreages.

Exhibit D – Descriptions of Proposed Areas. This office checked each of the metes and bounds descriptions against the maps in Exhibit C and Exhibit F. This is a summary of the review:

The description for Area D combines the currently-permitted and the proposed portion of Area D. The total is 169.99 acres, which correlates with the 170.0 (combined) acreage shown on the maps. This description is adequate.

The description for Area H actually pertains to the area delineated on the maps for Area G. The description is sufficient, but should be re-labeled with the correct area designated.

The description for Area G has problems. First, it appears to have been exchanged with that of Area H (as described above). Second, it appears that part of the area described overlaps that of Area H. The eastern end of Area H is narrow as delineated on the maps, but is "full width" in the description. The errors in the description appear to occur between corner numbers 6, 7, and 8. Please revise the description to correspond to the correct area (Area H), and eliminate the overlap, since acres cannot be counted twice. While the boundary description is being revised, it might be well to match the southern boundary of Area H to portions of the northern boundary of Area G, since the map appears to indicate the areas do not perfectly adjoin, leaving narrow gaps between a portion of these two areas.

Note: Most importantly, since this item involves an area of overlap, this boundary correction could affect the *overall acreage* involved in this amendment. Please account for the elimination of the overlapped area when correcting the total proposed acreage figures.

The description of Area I is correct and the acreage correlates with the maps. This area includes the southeastern end of the patented Acanthus claim, and Area G adjoins that boundary line perfectly. If the Exhibit C and Exhibit F maps are being revised, a symbol showing the boundary division between Area G and Area I would help.

The description for Area J is correct, and the acreage correlates with the maps.

For clarifying the boundary details, it might be helpful to show these areas in larger scale on separate 8.5x11 sheets (Areas G, H, and I can be combined on one sheet)

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Please make the necessary revisions that are needed to the descriptions, to the maps, and/or to the first page of the amendment application, as discussed above.

Affected Area. The permit is approved for a maximum of 60.0 acres of affected area. A close check of the acreages of the affected areas of the permit reveals that the total affected area is still a little less than 60 acres. The allowed total of affected acres may be increased by technical revision.

Financial Warranty. There is a total of \$128,959 in financial warranty posted for this permit. The recent approval of Technical Revision TR-22 requires the operator to post additional financial warranty in the amount of \$30,292, therefore the new total financial warranty for the permit is \$159, 251. No additional mining disturbance is proposed under this amendment, and there is no change in the financial warranty amount associated with this amendment.

As always, please ensure that all maps are signed and dated, and please provide two sets of all response materials.

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,

A handwritten signature in black ink, appearing to read "Bob Oswald", written in a cursive style.

Bob Oswald
Environmental Protection Specialist

Ec: Russ Means, DRMS Grand Junction