

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



June 24, 2013

John M. Clement
Executive VP & General Council
Ouray 79 Mining, LLC
P.O. Box 1917
Forney, TX 75126

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pineda
Director

RE: Deficiency Items for an NOI, Wanakah Mine, NOI File No. P-2013-010

Dear Mr. Clement:

On June 17, 2013, the Division of Reclamation, Mining and Safety (Division) received the Notice of Intent (NOI) for the Wanakah Mine, P-2013-010. The non-confidential Form 2 was posted on the Division's web site on June 19, 2013. Any public comment on the Wanakah Mine NOI must be received by the Division within 10 working days after the posting date, by July 3, 2013.

Pursuant to Rule 5.1.3(c), the Division has commenced its review of the NOI and has identified the following deficiency items which must be addressed to the Division's satisfaction within 60 days, by August 23, 2013. If these deficiency items are not fully addressed by August 23, 2013, the Division may terminate the NOI file.

1. Under the NOI the Prospector proposes to complete five surface drill holes, rehabilitate three historic portals as necessary to conduct underground core drilling and collection of rock chip samples, safeguard the three portals from unauthorized entry, and remove from site approximately 101 tons of drill core and rock chip samples. Clearly, such activities will result in affected lands. Yet, on page 5 of the application, paragraph G, the Prospector claims zero acres affected lands. Pursuant to Rule 5.1.2(d)(iv), please correct the typographic error and ensure to account for all surface areas to be disturbed by the proposed activities regardless of the fact all surface areas have been previously disturbed by historic mining activities. If drill core or rock chip samples will be stored on surface, either temporarily or permanently, please identify those locations as affected lands as well and describe and illustrate such areas within the NOI materials.
2. Pursuant to Rule 5.1.2(g), reclamation is required for all lands to be affected by the prospecting activities regardless of the fact such lands were previously disturbed by historic activities. If the Prospector affects historic disturbance the Prospector may incur reclamation liability for the entire portion of the historic disturbance affected by the Prospector. As noted in the Division's inspection report signed June 21, 2013, there is an abundance of waste rock

materials on-site resulting from the historic activities. The mine waste observed on surface exhibited potential to generate acid and/or toxic producing materials and be a potential source of acid mine drainage. Please clarify any and all proposed activities which may affect the historic waste rock located on site. If the only proposed activity on the historic waste rock is the maintenance and use of the historic access road, which will be maintained in its historic alignment and configuration, please state such.

3. Please discuss the potential for mine drainage from any mine portal associated with the underground activities proposed by the NOI. If the Prospector believes the potential for mine drainage does not exist, please provide information supporting such belief. Please provide information regarding the quality and quantity of mine water located within the existing workings, if any, and demonstrate how operations will be conducted to minimize impacts to the hydrologic balance and be protective of surface and ground water resources.
4. The site is perched cliff-side and approximately 1,200 feet upslope of a dwelling structure and Highway 550. The toe of slope of the historic waste rock stockpile terminates at the crest of the cliff, indicating historic activities included end-dumping of waste rock materials. The historic waste materials appear to have settled at the angle of repose. The stability of the historic waste rock material is unknown. The stability of the native rock cliff is unknown. The potential for rock fall appears present, resulting from ground vibrations associated with blasting, rock drilling, and surface grading.

Pursuant to Rule 5.3.1, the Prospector is obligated to conduct activities in a manner which protects public health, safety, and the environment. Pursuant to Rule 3.1.5(3), the Prospector must demonstrate how the proposed activities will be conducted to protect areas outside the affected lands from damage. Please state affirmatively whether the proposed activities will include blasting, and if so demonstrate through appropriate blasting, vibration, geotechnical, and structural engineering analysis, that off-site areas will not be adversely affected by blasting and associated rock fall, pursuant to Rule 3.1.5(3). Please provide similar demonstrations addressing any and all proposed activities proximal to the historic waste rock dumps and native rock cliffs.

Please note the Division has not yet accepted or approved the Wanakah Mine NOI. At this time you are not authorized to commence the proposed prospecting activities, pursuant to Rule 5.1.3(a). Please contact me at the Division's office in Durango at 691 County Road 233, Suite A-2, Durango, Colorado 81301, phone (970) 247-5469, if you have any questions.

Sincerely,

Wallace H. Erickson
Environmental Protection Specialist

ec: John Clement, Ouray 79 Mining, LLC
Russ Means, DRMS GJFO