The following information is required under the New Mexico Mining Act (Sections 69-36-1 through 69-36-20, NMSA 1978) and associated rules. The Mining and Minerals Division of the Energy, Minerals and Natural Resources Department is the administrative agency through which this application is to be processed. See §302, Minimal Impact Exploration Operations, of the New Mexico Mining Act Rules for all regulations associated with Minimal Impact Exploration Operations.

The applicant is requested to use this application. If additional space is needed, all information requested in this form must be submitted in this same format.

To be considered a minimal impact exploration operation, the following requirements apply:

- A minimal impact exploration operation will not exceed 1000 cubic yards of excavation, per permit.
- Disturbances for constructed roads, drill pads and mud pits shall be no more than 5 acres total.

Permit Application Requirements: (§302.A - C)

- Please submit six copies of the application.
- Confidential information shall be clearly identified and submitted separately
- Exploration commencing after 12/31/94 shall submit an application not less than 45 days prior to the anticipated date of operations.
- Renewal applications shall be filed at least 30 days preceding expiration of the current permit.
IMPORTANT NOTES!!

! If the operation exceeds 1000 cubic yards of excavation or disturbs more than 5 acres total or any of the above boxes have been checked "YES", then the exploration does not qualify as a minimal impact exploration operation.

! If you do meet the above requirements and have checked "NO" to all of the previous boxes, continue filling out this application.

! Obtaining a Mining Act permit does not necessarily satisfy the obligation to obtain other federal, state and local permits.

! All proposed disturbance should be flagged or staked in the field prior to the Mining and Mineral Division's (MMD) initial inspection. Failure to properly mark any proposed drill holes or trenches will delay processing of the permit application.

! All proposed disturbance, including any new proposed access road centerlines, all four (4) corners of any proposed drill pads, and proposed drill hole location(s) within the drill pad area must be staked in the field.

! Any staking of proposed disturbances (access road centerline, drill pad corners, drill hole) should be completed using durable materials such as steel re-bar stakes or T-posts. MMD recommends using rebar stakes of suitable height, and flagging on the rebar at all four (4) corners. Drill holes should be marked by a single T-post driven at the location of proposed drilling.

! The application will be deemed incomplete, without a proper map included. Provide a 1:24,000 USGS quadrangle map with the application. The map should identify locations of drill holes, pads and any new disturbance anticipated

! If possible, please include with this application for submittal, any other operational plans that may have been submitted, as required, to other land management agencies. Plans of Operations (POO) submitted to the USFS and Notices of Intent (NOI) submitted to the BLM are very helpful in processing this application.
1. OPERATOR INFORMATION (§304.D.1)

<table>
<thead>
<tr>
<th>PROJECT NAME:</th>
<th>Silver Hill Exploration</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAME OF APPLICANT (or entity obligated under the Mining Act):</td>
<td>Derek Kuester</td>
</tr>
<tr>
<td></td>
<td>Steve Berry</td>
</tr>
<tr>
<td>ADDRESS:</td>
<td>PO Box 5204</td>
</tr>
<tr>
<td></td>
<td>Silver City, NM 88062</td>
</tr>
<tr>
<td></td>
<td>PO Box 523</td>
</tr>
<tr>
<td></td>
<td>Tyrone, NM 88065</td>
</tr>
<tr>
<td>PHONE:</td>
<td>575-574-5325</td>
</tr>
<tr>
<td></td>
<td>575-590-9953</td>
</tr>
<tr>
<td>FAX:</td>
<td>575-538-9661</td>
</tr>
</tbody>
</table>

NAME OF OWNER (if different from Applicant's name and address):

ADDRESS:

PHONE:

FAX:

NAME OF ON-SITE CONTACT OR OPERATOR'S REPRESENTATIVE: Same as above

ADDRESS:

PHONE:

FAX:

EMAIL:
Check the "YES" or "NO" box for each of the following characteristics as related to the proposed minimal impact exploration operation:

**YES  NO**

☐ ☑ Located in or having a direct surface impact on wetlands, springs, perennial or intermittent streams, lakes, rivers, reservoirs or riparian areas.

☐ ☑ Located in designated critical habitat areas as determined in accordance with the federal Endangered Species Act of 1973 or in areas determined by the Department of Game and Fish likely to result in an adverse impact on an endangered species designated in accordance with the Wildlife Conservation Act, Sections 17-2-37 through 17-2-46 NMSA 1978 or by the State Forestry Division for the Endangered Plants Act, section 75-6-1 NMSA 1978.

☐ ☑ Located in an area designated as Federal Wilderness Area, Wilderness Study Area, Area of Critical Environmental Concern, or an area within the National Wild and Scenic River System.

☐ ☑ Located in a known cemetery or other burial ground.

☐ ☑ Located in an area with cultural resources listed on either the National Register of Historic Places or the State Register of Cultural Properties.

☐ ☑ Having or expected to have a direct impact on ground water that has a total dissolved solids concentration of less than 10,000 mg/L, except exploratory drilling intersecting ground water may be performed as a minimal impact operation.

☐ ☑ Expected to use or using cyanide, mercury amalgam, heap leaching or dump leaching in its operations.

☐ ☑ Expected to result in point or non-point source surface or subsurface releases of acid or other toxic substances from the permit area.

☐ ☑ Requiring a variance from any part of these Rules as part of the permit application.
2. RIGHT TO ENTER INFORMATION (§302.D.1)

A. Describe or attach copies of documents that give the applicant the right to enter the property to conduct the exploration and reclamation, include: lease agreements, access agreements, right of way agreements, surface owner agreements, and claim numbers, if applicable.

See attached Surface Owner Agreement

Claim numbers:

Silver Hill 1 - 189418
Silver Hill 2 - 195390
Silver Hill 4 - 195391
Silver Hill 5 - 195392
Silver Hill 6 - 195393

Attachment X

B. List the names and addresses of surface and mineral ownership within the proposed permit area. If the mineral is federal mineral, indicate as federal mineral, but provide the name of the claim holder or lease holder.

Surface Owner(s):
Name
Clint W. Johnson, Jr.
Irrevocable Trust
Address
400 Race Track Rd.
Silver City, NM 88061
Phone #
575-538-3938

Mineral Owner(s):
Name
Derek Kuester
Address
P.O. Box 5204
Silver City, NM 88062
Phone #
575-574-5335

Steve Berry
Address
P.O. Box 523
Tyrone, NM 88065
Phone #
575-590-7253

A. Provide a legal description of the proposed site (i.e. Township(s), Range(s) and Section(s) NM PLSS, as well as GPS coordinates corresponding to each proposed drill hole.

**Proposed Permit Area Legal Description:**

[Insert legal description here]

**Proposed Drill Hole/Exploration Site GPS Coordinate(s):**

1. List the drill hole/exploration name and the GPS Coordinate for each site.
2. Include datum/coordinate system of GPS coordinates (i.e. decimal degrees, UTM Zone 13, UTM Zone 12, NAD 27, NAD 1983, WGS 1984, etc.).

Attachment ______

B. Provide a topographic map(s) of at least 1 inch = 2,000 feet or appropriate scale for the size of disturbance (i.e. a 1:24,000 USGS Quadrangle map). The map name and at least two edges of the map (i.e. bottom and side edge) clearly showing all areas of land to be disturbed by the proposed exploration and reclamation. If the area to be explored contains the following features, show them on the map(s):

1. **Boundary of the proposed permit area** on a topographic map, and the area of proposed disturbance. This boundary should be labeled.
2. Perennial, intermittent and ephemeral streams, springs, wetlands, riparian areas, lakes and reservoirs
3. Residences
4. Proposed and existing roads and other access routes
5. Pipelines and support facilities
6. Cemeteries, burial grounds and cultural resources
7. Previously disturbed areas
8. Oil, gas, water wells and monitoring wells within the permit area
9. Areas and types of proposed disturbances that include the anticipated dimensions of each proposed disturbance
10. Identify the location of drill holes, shafts, pits, adits, trenches, ponds, stockpiles, wastes dumps etc.

Attachment ___

C. Provide detailed written driving directions to access the site.

**Drive into Silver City on Hwy 180 from the east,**

**Turn right on Sunray St. Drive North Approx. 4 miles. Turn right on Nikki's Road,**

**Approx. 1/4 mile before the Cul-de-Sac**

**At the end of the road. Turn left on dirt road. Mine is 1/4 mile along existing dirt road.**
C. Provide information on any Cultural Resource Survey that may have been performed on the site. The survey would have been provided to the landowner or land management agency. Please provide the following: author, title, date and report number.

None

Attachment _____

D. Provide information on any vegetation or wildlife surveys that may have been performed on the site.

None

Attachment _____
4. **EXPLORATION DESCRIPTION (§302.D.3 & 4)**

A. List the proposed exploration dates:

Start Date: 4-28-14
End Date: 4-28-19

B. List the mineral or minerals to be explored for:

Gold, Silver

C. Check the box beside the box beside the proposed method(s) of exploration.

- [ ] Cuts
- [ ] Pits
- [ ] Trenches
- [ ] Shafts
- [ ] Tunnels/Adits/Declines
- [ ] Air drilling
- [ ] Fluid drilling
- [ ] Drilling & Blasting
- [ ] Other method (describe):

D. List the following approximate proposed disturbance for each:

**Drill pads:**
How Many? _______ Width (ft.): _______ Length (ft.): _______

**Drill holes:**
How Many? _______ Depth (ft.): _______ Diameter (in.): ______

**Other Types of Excavations or Surface Disturbances:**
Please describe: None

Acres: ________________________

E. Describe the typical equipment to be used for the exploration operations.

Dozer, Trackhoe
F. Road(s).

Roads shall be located to minimize disturbance to land and wildlife and enhance stability. Roads shall be constructed and maintained to control erosion. Roads constructed in or across intermittent or perennial streams require site specific designs. Roads to remain permanent must be approved by the surface owner and must be stabilized to control erosion.

List for New Road(s) the following:

<table>
<thead>
<tr>
<th>Road description</th>
<th>Length (ft.)</th>
<th>Width (ft.)</th>
</tr>
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<tbody>
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List for Extension or Widening of Existing Road(s) the following:

<table>
<thead>
<tr>
<th>Road description</th>
<th>Length (ft.)</th>
<th>Width (ft.)</th>
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</tbody>
</table>

G. Describe (location and size) any support facility disturbances (equipment staging, storage and/or lay down areas, vehicle parking, temporary housing and/or trailers) to be created or situated on the site during exploration operations.

Equipment Staging: 0.19 Acres

TOTAL ACREAGE TO BE DISTURBED: 4.81 acres
5. **CHEMICAL USE (§302.D.4)**

A. List all chemicals, and include Material Safety Data Sheets (MSDS), for any chemicals proposed to be used by the exploration operation, including but not limited to any drilling mud, polymers, down-hole bit lubricants, lost circulation materials (LCM), or any other drilling additives, fuel and lubricants. Material Safety Data Sheets (MSDS) describing must be included. If any water is to be hauled onsite, please provide source information and intended use.

<table>
<thead>
<tr>
<th>Name</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
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B. Describe in detail a plan for the containment, use and disposal of all chemicals listed above:

None.
6. GROUND WATER INFORMATION (§302.D.5)

A. Provide an estimate of depth to ground water and the total dissolved solids (TDS) concentration.

Depth to ground water (ft.): 800
TDS concentration (mg/L): Unknown

B. What is the source of this information?

Water resources of Grant County

C. Will dewatering activities be conducted:

☐ Yes  ☒ No

If yes, please describe:


7. RECLAMATION AND OPERATION PLAN (§302.D.6)

Reclamation of the disturbed area shall be initiated as soon as possible following the completion or abandonment of the exploration operation, unless the disturbed area is included within a complete permit application for a new mining operation.

Topsoil or topdressing material removal and stockpiling shall precede any excavation within the drill site area. All lands, including access roads or terrain damaged in gaining access to or clearing the site, or lands whose natural state has been substantially disturbed as a result of the exploration by drilling, shall be restored as nearly as possible to their original condition. Where vegetation has been removed or destroyed within the permit area, vegetative cover shall be reestablished by seeding, planting, transplanting, or by other adequate methods. All open mud pits shall be constructed in a manner to prevent wildlife entrapment, and shall be constructed to prevent any overflows. When drilling is completed, the mud pits shall be allowed to dry and then backfilled with native cover.

A. Describe in general how the operation will be operated to salvage topsoil, best prevent erosion, protect wildlife, and meet the requirements of reclamation described above. Include the removal and storage of excavated material and the construction of roads. Describe how these facilities will be protected from erosion. If applicable, describe dewatering activities, the location and construction of mud pits and drill pads and any other activities causing disturbance.

See Attachment
Surface Owner agreement
B. Describe in general how recontouring, topsoil or topdressing, and re-establishment of vegetation will be conducted. If no revegetation is planned, provide a justification as to why none is needed.

See Attachment
Surface Owner Agreement

C. Where revegetation is to be conducted, describe the plant species to be used in the re-establishment of vegetation.

Plant name

See Attachment
Surface Owner Agreement

Seeding Rate (lbs./acre)

D. Proposed Reclamation dates:

Start Date: See Attachment
End Date: Surface Owner Agreement
E. If this is a drilling operation each drill hole shall be plugged from total depth to within 2 feet of the original ground surface or the collar of the hole, whichever is lower, with a column of cement, high density bentonite clay or other materials specified in the permit. If the approved plugging material is not cement, then the top ten feet of the column must be a cement plug. The hole shall be backfilled with topdressing or topsoil from above the cement plug to the original ground surface. The hole shall be plugged as soon as is practical after drilling is complete, but no later than 30 days after completion of drilling; however, if a water bearing stratum is encountered, the hole shall be plugged as soon as practicable and satisfy the requirements of the Office of the State Engineer and the New Mexico Environment Department for proper plugging of such holes. This plugging requirement may be waived if the State Engineer issues a permit for a well for the exploration drill hole. Describe how drill holes will be plugged. What plugging methods will be employed where groundwater is encountered versus holes where no groundwater is encountered? (Plugging methods must comply with 19.27.4 NMAC of the State Engineer Office's plugging and abandonment requirements.)

See Attachment Surface Owner Agreement

F. Describe how the reclamation of portals, drilling mud and/or waste pits, adits, shafts, ponds, roads or other disturbances will be performed.

See Attachment Surface Owner Agreement
8. **PERMIT FEES (§302.1.2)**

   A. Financial assurance must be posted with Mining and Minerals Division prior to approval of this application. The acceptable forms of financial assurance are surety bonds, letters of credit, or cash accounts described in 19.10.12.1208 NMAC. Provide an estimate of the proposed financial assurance required by Subpart 12.

      Attachment X Surface Owner Agreement

   B. Attach the permit fees as determined pursuant to Subpart 2. The application fee for a minimal impact exploration permit is $500.00.

      Check the method of payment.

      □ Cash
      ☒ Check

      Check Number: 19196
      Financial institution: National Bank of Arizona
9. **CERTIFICATION REQUIREMENT (§302.1.3 & 4)**

Each application shall be signed by the applicant or an authorized agent of the applicant for the operation with the following certification made

(Certification does not require notarization):

I certify that I have personally examined and am familiar with the information submitted herein, and based on my inquiry of those individuals responsible for obtaining the information; I believe the submitted information is true, accurate, and complete. I agree to comply with the reclamation requirements set forth in this permit application and related correspondence, the New Mexico Mining Act and the Rules. Further, I certify that I am not in violation of any other obligation under the New Mexico Mining Act or the Rules adopted pursuant to that Act and I allow the Director to enter the permit area, without delay, for the purposes of conducting inspections during exploration and reclamation.

**Signature of Permittee or Authorized Agent**

Derek Kuester

**Name (typed or print)**

Derek Kuester

**Title/Position:**

Owners

**Date**

3-3-14
SKETCH OF PROPOSED IMPROVEMENTS FOR SILVER HILLS MINING EXPLORATION on SILVER HILLS #1 including fix old road, 1000' road - 0.46 ac.) staging areas (0.19 ac.) and area of exploration with trenches along veins. 4.16 ac.) Total area of approx 4.81 acres
SKETCH OF PROPOSED IMPROVEMENTS FOR SILVER HILLS MINING EXPLORATION on SILVER HILLS #1 including fix old road, 1000' road - 0.46 ac.) staging areas (0.19 ac.) and area of exploration with trenches along veins. 4.16 ac.) Total area of approx 4.81 acres.
SKETCH OF PROPOSED IMPROVEMENTS FOR SILVER HILLS MINING EXPLORATION on SILVER HILLS #1 including fix old road, 1000' road - 0.46 ac., staging areas (0.19 ac.) and area of exploration with trenches along veins. 4.16 ac.) Total area of approx 4.81 acres.
MINING AGREEMENT

THIS AGREEMENT is made as of February 28th, 2014, between CLINT W. JOHNSON JR. IRREVOCABLE TRUST, grantors
And DEREK KUESTER and STEVE BERRY, grantees.

A. CLINT W. JOHNSON JR. IRREVOCABLE TRUST owns certain Properties in Grant County, New Mexico of which Properties consist of lands in Sections 12 and 13, T.17 S., R. 14 W., N.M.P.M. Grant County, New Mexico.

B. DEREK KUESTER and STEVE BERRY wish to participate with CLINT W. JOHNSON JR. IRREVOCABLE TRUST in the exploration, evaluation, development and mining of mineral resources owned and licensed by the Bureau of Land Management subject to the surface interests of the Grantor, within the Properties or any other properties acquired pursuant to the terms of this Agreement, and CLINT W. JOHNSON JR. IRREVOCABLE TRUST is willing to grant such right to DEREK KUESTER and STEVE BERRY.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, CLINT W. JOHNSON JR. IRREVOCABLE TRUST and DEREK KUESTER and STEVE BERRY, agree as follows:

A. Grantor does hereby grant to Grantee exclusive permission to prospect and explore for minerals, including but not limited to the right to drill, take samples, conduct assays, (construct roads), and prepare drill sites on, in, and under the Premises. Furthermore, Grantor does provide that Grantee may use on the premises all such vehicles, machinery and equipment as reasonably may be required for the purposes of this agreement.

B. Grantee shall not unnecessarily cause environmental damage to any waters, wildlife, fish, topographical features, vegetation or other natural resources, and shall use the best available methods to minimize environmental impact.

C. Grantee shall have the rights of ingress and egress to and from the lands, in, on, or under which the mineral interests are located, to the extent Grantor has and may lawfully grant such rights, for the purpose of examining, investigating, and exploring the mineral interests and shall also have the right to remove ore or other materials.

D. It is understood and agreed that Grantee's operations on, under, in, through, and from the Premises may be in conjunction with similar operations conducted or proposed to be conducted by Grantee upon, under, in, through and from other lands in the vicinity of the Premises. Grantor grants to Grantee (to the extent Grantee has said rights now or in the future) the right to conduct its operations upon, under, in, through, and from other lands. However, said right pertains to prospecting only, and shall not be construed as a grant of extralateral rights in conjunction with any mining lease which may be entered into between the parties hereto.
E. Grantee covenants that it will obey any and all relevant and material federal, state, county or municipal laws, rules and regulations.

F. The terms of this agreement shall be in effect for a period of time not to exceed 5 years from the date of execution of this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ATTEST: CLINT W. JOHNSON JR. IRREVOCABLE TRUST

[Signature]

Trustee

STATE OF NEW MEXICO

COUNTY OF GRANT

The foregoing instrument was acknowledged before me this 28th day of February, 2014 by [Signature]

Notary Public

My Commission Expires: 1/24/15

ATTEST: DEREK KUESTER and STEVE BERRY

[Signature]

Derek Kuester

STATE OF NEW MEXICO

COUNTY OF GRANT

The foregoing instrument was acknowledged before me this 28th day of February, 2014 by Derek Kuester and Steve Berry.

Notary Public