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February 14, 2013

Dustin Czapla Colorado Division of Reclamation, Mining and Safety Grand Junction Field Office 101 S. Third St, Room 301 Grand Junction, Colorado 81501

RE: CM-25 Response to Adequacy Review 3

Mr. Czapla:

Attached are two copies of Cotter Corporation's (N.S.L.) Response to Adequacy Review 3.

If you have any questions or concerns regarding the information submitted please call me at the number shown below.

Respectfully,

Slan Willias

Glen Williams Vice President, Mining Operations

CM-25 MINE PERMIT AMENDMENT APPLICATION PERMIT No. M-1977-307 Response to Adequacy Review #3

February 2013

Prepared by Cotter Corporation (N.S.L.)

AND

O'Connor Design Group, Inc.

2350 G Road ~ Grand Junction, CO 81505 ~ (970) 241-7125

Cotter Corporation (N.S.L.) ("Cotter") submits this response to the January 23, 2013 letter from Dustin Czapla, Division of Reclamation, Mining and Safety ("DRMS") to Glen Williams, Cotter. The DRMS' comments are in italics and Cotter's responses are in bold.

<u>CM-25 Mine, File No. M-1977-307, Amendment (AM1) Application Adequacy</u> <u>Review (3)</u>

1. Pursuant to Rule 6.3.3(h) please specify how much water will be used in conjunction with the operation, and the source of water.

The CM-25 mining operation will require 5,000-10,000 gallons of water per month. The water will be hauled to the site from Naturita Colorado.

2. Pursuant to Rule 6.3.3(j), please specify how you will comply with applicable Colorado laws and regulations governing injury to existing water rights.

As noted in the EPP the CM-25 Mine did not encounter any water during the previous mining effort, and no water is expected to be encountered during the proposed mining operations. If water is unexpectedly encountered during the proposed mining operations Cotter will take appropriate steps to obtain any necessary well permits or water replacement plans required to protect vested water rights. Water contained at the site by drainage control structures will be released within 72 hours.

3. Regarding the ore pad, the EPP states that the material for the clay liner will be transported from a nearby property. Please inform the Division of the exact source for the clay material.

The material for the clay liner will be obtained from a permitted source. The exact location of the material will be determined prior to construction. Cotter will inform DRMS of the exact source for the clay material before construction of the liner begins.

4. The reclamation proposes to cap the ore pad with soil, once ore has been completely removed, and to vegetate the pad area. SPLP tests indicate that there is potential for uranium and related constituents to be leached from the ore stockpile. According to the

EPP, it is expected that any mobilized constituents will be sorbed by the clay liner. Therefore, there is potential that the clay liner will contain elevated levels of radionuclides following mining. Prior to capping the ore pad area during reclamation, a radiometric survey shall be completed. Please commit to this. Should unacceptable levels of radionuclide be found in the ore pad area an alternative reclamation plan will be necessary. Please submit an alternate plan for reclaiming the ore pad in the event that radionuclide levels in the clay liner are found to be elevated above acceptable levels.

A radiometric survey of the proposed ore pad has been conducted and is included in the CM-25 Adequacy Review #1. Additionally, Cotter will commit to doing representative soil samples of the proposed ore pad location prior to construction of the ore pad and placement of the clay ore pad liner to establish background conditions. A second radiometric survey will be completed prior to capping the ore pad.

During remediation, if radionuclide levels in the clay liner are found to be above acceptable levels, Cotter proposes to collect representative soil samples to determine the amount of clay liner to remove and place inside the mine portal as part of the initial backfill material.

Cotter proposes to use a clean-up standard of 5 pCi/g Ra226 above background in the first 15 cm of soil for determining the clean-up limit. If necessary Cotter can place 6" - 18" of clay based soils over the ore pad area to minimize potential radiation exposures and potential leaching of uranium constituents into the surrounding area.

5. The EPP states that ore will not be stored on the ore pad for more than 180 days during mining. Please inform the Division of the detailed methods the operator will take to ensure this.

Cotter's mining procedures use a first in first out method of transporting ore from the stockpile. The site foreman is responsible for enforcing this procedure and ensuring that the ore is not left on the pad for more than 180 days.

6. In Cotter's January 22, 2013 response to INFORM it is stated that "Cotter is not responsible for limiting property owners' potential for grazing cattle..." Please note that

pursuant to Rule 3.1.10(4), grazing may need to be limited during initial establishment of vegetation during reclamation.

Cotter recognized the potential need to limit grazing in order to successfully establish vegetation during the reclamation process.