

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



April 19, 2013

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Piñeda
Director

Michael S. Savage
Savage and Savage, Inc.
4610 Haystack Drive
Windsor, CO 80550-2597

Re: Carbon Junction Mine (Permit No. C-1992-080)
Permit Renewal No. 4 (RN-04)
Preliminary Adequacy Review

Dear Mr. Savage:

The Division has reviewed your application for Permit Renewal No. 4 (RN-04), submitted on behalf of Oakridge Energy, Inc. (Oakridge), and the permit application package for adequacy with respect to the rules and regulations. The results of our review are itemized below, for your consideration and response.

Background

An application for RN-04 was received by the Division on January 23, 2013, and was initially deemed incomplete for purposes of filing on January 31, 2013. Language for the public notice was subsequently revised, and a certificate of liability insurance was submitted on February 8, 2013. The application was deemed to be complete on that date. In addition to the proposed notice and insurance document, the renewal application package included an application form and a single-volume "Abridged Permit Document".

The Division notified various Federal, State and local agencies of the completeness of the application. A request for additional information regarding wells and well permits was received from the Colorado Division of Water Resources (DWR). The DRMS provided supplemental information to that agency on March 27, 2013. The Division's letter, together with DWR's response, is attached to this review. Specific comments are provided within the adequacy portion of this letter.

On March 5, 2013, your office provided documentation showing that a copy of the application had been made available for public review at the office of the La Plata County Clerk and Recorder, in accordance with 2.07.3(4). Public notice of the application was published by the

applicant in the *Durango Herald* on February 13, 20, and 27 and March 6, 2013, in accordance with the requirements of 2.07.3(2). Proof of publication was provided to the Division on March 15, 2013. The 30-day period for public comment prescribed by 2.07.3(5) came to a close on April 14, 2013. No comments or objections to RN-04 were received from the public.

Adequacy Comments

2.03 – Legal, Financial, Compliance and Related Information

1. The RN-04 application form provided updated contact information for the ownership and control of Oakridge Energy, Inc. The Division conducted a review of the Applicant Violator System (AVS) on March 29, 2013, and found that the application is not yet adequate. Specifically, the ownership and control is not consistent with the information in the AVS. AVS has Carol Cooper listed as a Corporate Officer (start date 1/1/98), Danny Crocker as Assistant Secretary, Treasurer and Vice President (start date 5/1/92), Sandra Pautsky as Chairman of the Board (start date 7/9/98), Sandra Pautsky as Director (start date 8/10/92) and Sandra Pautsky as President (start date 6/25/98). Please provide end dates for the people listed above, if they are no longer Officers / Directors.
2. Section 2.03.10 of the abridged permit document indicates that the discharge permit (COG-850027) issued by the Water Quality Control Division has been terminated. Documentation of the permit's termination has not been submitted to the DRMS, and according to correspondence from the WQCD (as documented in the March 26, 2013 Inspection Report), that agency requested that the mine be covered by a Stormwater permit until final bond release has been achieved. Please submit documentation confirming that the CDPS permit has been terminated, and that a Stormwater permit has been issued for the Carbon Junction Mine.
3. Section 2.03.10 of the abridged permit document lists one water well permit (043612-F) issued by the DWR, and indicates that this permit was terminated on 3/17/82. This information appears to be incomplete, and is not consistent with data compiled by the Division and reviewed by the DWR. Please refer to the enclosed letters referenced in the introductory paragraphs of this letter and ensure that this section accurately reflects the status of well permit(s) issued to Pueblo Coal Co. and/or Oakridge Energy, Inc. for the Carbon Junction Mine. (Related discussion is provided in 2.05.4, below.)
4. Page 3-9 of the abridged permit document includes an obsolete address for the County Clerk's office. Please revise 2.03.11 to refer instead to the office's current address of 98 Everett Street, Suite C, Durango, CO 81303.
5. The Public Notice provided on pages 3-10 and 3-11 of the abridged permit document was revised prior to completeness and publication. Please update these pages to reflect the approved text of the public notice.

2.05.3 – Operation Plan – Permit Area

1. In Section 2.05.3(4) of the abridged permit document, the second paragraph directs the reader to “Exhibit N of Appendix 2.05” for the sediment control plan. There does not appear to be a corresponding exhibit or appendix within the current permit. Similar direction (“Exhibit P, Appendix 2.05”) is provided near the end of the first full paragraph on Page 5-5. Please correct these references to direct the reader to the appropriate location within the permit.
2. At the bottom of page 5-3, please direct the reader to the portion of the permit where the approved designs for the Carbon Junction Canyon permanent diversion may be found.

2.05.4 – Reclamation Plan

1. Page 5-15 of the abridged permit document states that no mine openings require sealing, and that all exploration, water and monitoring wells were capped or plugged in accordance with 4.07 [Sealing of Drilled Holes and Underground Openings] or destroyed during mining. This brief summary does not appear to accurately address the various wells (water and/or monitoring) that were drilled for the Carbon Junction Mine. Hydrologic records for the mine reflect that sampling occurred at various times from at least five wells: PW1(82-4), B10, B17, 94-1, and 95-1. (These wells were discussed in some detail in the Division’s August 29, 2012 letter to Oakridge.)

These wells are each identified on Map 4-3 of the permit. In accordance with the requirements set forth in 4.07.3, please submit to the Division, for each of the five wells listed, a report detailing the information listed in parts (b) through (i) of subsection (3). Additionally, please revise the text of the abridged permit document to individually address each of these wells and the current status of each.

Based on information received from the Division of Water Resources (letter attached), the DWR has not received from Oakridge the full body of information regarding drilling, completion, and/or sealing and abandonment of these five wells. Please ensure that any permitting concerns of the DWR are addressed in a timely manner.

2. The Division’s August 29, 2012 letter to Oakridge addressed the subject of a light-use road that remains in the vicinity of well B10. In summary: A light-use road appears to have been constructed to provide access for the drilling of Well B10 and what may be an uncompleted well site. The road is approximately 750 feet in length. Reclamation of this road, which is required by Rule 4.03.3(7), has not previously been addressed in the permit. If you, as the landowner, wish to retain the road as a permanent feature, please provide a letter to that effect for inclusion within the permit. Conversely, if Oakridge prefers to have the road reclaimed, the permit should be revised accordingly. Please revise the permit to address the light use road accessing the well(s) in question.

3. (This issue was also addressed in the August 29, 2012 letter to Oakridge.) Removal and reclamation of the sediment ponds and ditches was accomplished by OEI in 2009. During the July 2012 inspection, we observed that portions of the East Collection Ditch and the East Collection Channel – Lower had not been reclaimed during the 2009 effort. Oakridge felt that because these segments lay within the bounds of the Ewing Mesa No. 1 Pit, they were the responsibility of that permit to reclaim. We have reviewed the construction materials permit, and find that it specifically states that the ditch remains part of the coal permit. Unless Oakridge can document otherwise, we believe the reclamation of the East Collection Channel and East Collection Ditch were and continue to be part of the Coal Permit. Please revise the reclamation section of the abridged permit document to address these two features.

2.05.5 – Post-Mining Land Uses

1. An alternate post-mining land use of industrial/commercial and residential was approved for the Carbon Junction Mine in 1996 under TR-05. Due to the 2008 economic downturn, implementation of this land use has proven to be a challenge. In July 2012, during a site visit attended by representatives of Oakridge and this agency, the Division suggested Oakridge might consider changing the land use to rangeland or wildlife habitat. This would require the establishment of an adequacy reclamation success standard, but given that reclamation occurred in 2006, the mine might be eligible for bond release as early as 2016.

This concludes the Division's Preliminary Adequacy Review for Permit Renewal No. 4 of the Carbon Junction Mine, C-1992-080. Please contact me with any questions you may have as you prepare your response.

Sincerely,



Marcia L. Talvitie, P.E.
Environmental Protection Specialist

Enclosures (2)

- Mar. 27, 2013 Letter from DRMS to DWR
- Apr. 11, 2013 Letter from DWR to DRMS

cc: Arbie Marie Price, Oakridge Energy, Inc.