

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

NON CONFIDENTIAL



Bill Ritter, Jr.
Governor

Mike King
Executive Director

Loretta E. Pifleda
Director

27 December 2010

Mr. Richard Blubaugh
Powertech (USA) Inc.
5575 DTC Parkway, Suite 140
Greenwood Village, CO 80111

Re: Addendum to Fourth Adequacy Review for Modification MD-03, Centennial Project Aquifer Test, Powertech (USA) Inc., File No. P-2008-043

Dear Mr. Blubaugh:

New developments surrounding the aquifer pumping test proposed by Powertech (USA) Inc. (Powertech) have forced the Colorado Division of Reclamation, Mining and Safety (Division) to revisit the Modification MD-03 to Notice of Intent to Conduct Prospecting P-2008-043. The UIC Class V injection permit granted to Powertech (USA) Inc. by the U.S. Environmental Protection Agency (EPA) for the Centennial Project contains some provisions that evoke additional adequacy concerns under MD-03. The Division therefore provides this Addendum to the Fourth Adequacy Review of MD-03. Please incorporate into your reply to the Division's Fourth Adequacy Review appropriate responses to the issues presented herein. Your reply must be received no later than the decision deadline of 11 Feb 2011, bearing in mind that the Division will require some time to process the response and perform calculations regarding additional financial warranty.

The UIC Class V injection permit granted to Powertech by the EPA for the aquifer pumping test specifies water quality criteria that must be met before re-injection will be allowed to proceed. This introduces the concept of an "alternative water disposal plan", which might be necessary if the water to be re-injected does not meet the EPA's water quality criteria.

As received by the Colorado Division of Reclamation, Mining and Safety (Division), Modification MD-03 contains no provision or financial warranty for an alternative water disposal plan. As discussed during our meeting of 20 December 2010, of the possible alternative disposal options available, Powertech will choose the option of on-site water treatment and surface discharge. Therefore, Powertech must include in its pending Fourth Review Response a sufficiently detailed plan that describes the water treatment and surface water discharge procedures. The plan must include at a minimum the following:

- 1) Schedule for all aspects of the treatment and discharge, including mobilization, demobilization, hours of operation, personnel required, and timing of project termination, bearing in mind that multiple treatment circuits may be required to address the various constituents of concern.
- 2) Details and schedule for any ground preparation needed to provide access and a level surface on which to place the portable treatment facility, including timing of mobilization and demobilization.
- 3) Procedures and schedule for sampling and analysis of the water to be discharged.
- 4) Procedures and schedule for transport and disposal of treatment sludge.
- 5) Documentation and reporting procedures.
- 6) Spill mitigation and reporting procedures.

dbz

Additionally, because Powertech has obtained from the Water Quality Control Division a CDPS discharge permit for surface discharge of the pumping test effluent contingent upon appropriate treatment, but does not yet have water treatment capability at the site, Powertech must submit additional financial warranty to account for the scenario of treatment and surface discharge, to include at a minimum the following components:

- 1) Mobilization and demobilization of portable water treatment facility.
- 2) Any ground preparation, if needed, to provide access and a level surface on which to place the portable treatment facility, including mobilization and demobilization costs of excavating equipment.
- 3) O&M for the treatment facility, including direct and indirect costs.
- 4) Cost of treatment sludge transport and disposal.
- 5) Additional costs for extended periods of tank rental if appropriate.
- 6) Costs for sampling and analyses of the analytical suite required by EPA plus radium and uranium.

To allow the Division to calculate the additional financial warranty, please provide to us at your earliest convenience any documentation in your possession pertaining to items 1 through 5 above that would assist the Division in the generation of this cost estimate, specifically bids received for tank rental, water treatment O&M, treatment facility mobilization, sludge transport and disposal, and laboratory analyses. Be advised that the Division must have your response to the Division's Fourth Adequacy Review in a timely manner to allow issuance of a final decision by 11 February 2011. If Powertech elects to utilize a different method of alternative disposal, then Powertech must provide detailed plans for the method, whereupon the Division will address the appropriate bonding requirements in subsequent correspondence.

If Powertech believes that any of the information to be provided in response to this letter is confidential as provided for in the Colorado Mined Land Reclamation Act, the information must be provided on sheets separate from public information and clearly marked as 'confidential'. Powertech may not commence operations proposed in MD-03 until the aforementioned issues have been resolved and bond has been submitted and you have been notified in writing that the bond has been accepted by DRMS.

Feel free to call me with questions at 303-866-3567 ext 8108.

Sincerely,



David Bird
Division of Reclamation, Mining, and Safety

cc: Michael Beshore – Powertech, via email