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CERTIFIED MAIL—RETURN RECEIPT REQUESTED

October 5, 2011

Mr. Billy Ray, Ambrosia Lake Site Manager
Rio Algom Mining LLC
P.O. Box 218
Grants, NM 87020

RE: Discharge Permit-169: New Mexico Environment Department's response to "Response to comments on monitoring well replacement work plan, Rio Algom Mining LLC, Work plan addendum No. 1" (August 23, 2011)

Dear Mr. Ray:

The New Mexico Environment Department ("NMED") has reviewed Rio Algom Mining LLC's ("RAML's") response in the above-referenced letter to NMED's concerns regarding RAML's proposal to abandon MW 32-50 without replacement ("Rio Algom Mining LLC—Ambrosia Lake monitoring well replacement work plan," July 5, 2011), as documented in NMED's August 9, 2011 letter ("**RE:** Discharge Permit-169: New Mexico Environment Department's review of 'Monitoring Well Replacement Work Plan, June 30 2011,' submitted July 5, 2011"). This issue also was discussed during our September 6, 2011 meeting.

Data that are presented in the figure entitled "1st half 2011 TRB potentiometric surface elevation iso-contours" (in Appendix 4 of "Groundwater stability monitoring report, 1st half 2011," August 15, 2011) indicate that the direction of ground water flow in the Tres Hermanos-B ("TH-B") is generally north-northwestward north of the current MW 32-50 well location. NMED observes from this figure that monitoring well MW 31-67 TRB is the nearest monitoring well completed in the TH-B aquifer to the subject well, and is located approximately 2,250 feet southwest of the subject well. However, data from monitoring wells MW 31-67 TRB and MW 31-62 TRB suggest that, south of the MW 32-50 location, the direction of ground water flow shifts towards the northeast. These two monitoring wells, which are approximately 1,750 feet apart, currently are the easternmost locations in the TH-B monitoring network for the millsite, and thus provide the only hydrologic data indicating this change in TH-B ground water flow direction. Potentiometric contours for the TRB north of the location of these wells, as shown on this same figure, mostly are inferred from data from a single monitoring well—MW 19-77 TRB, which is located approximately 9,000 feet to the north. Overall, this figure purportedly presents a potentiometric surface for the TH-B within an area of approximate dimensions of 13,500 feet by 9,000 feet; however the majority of the eight monitoring wells, upon which the TH-B potentiometric surface is inferred, are located south and west of, and at substantial distances from, the subject well location. Therefore, NMED asserts that a new TH-B monitoring well near the location of current monitoring well MW 32-50 would provide additional control to delineate the possible northeasterly component of ground water flow within the TH-B, and thus aid in the characterization of possible off-site contamination originating from the millsite.

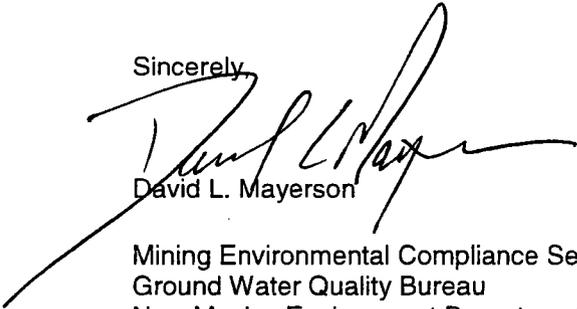
Mr. Billy Ray, RAML Ambrosia Lake Site Manager

RE: Discharge Permit-169: New Mexico Environment Department's response to "Response to comments on monitoring well replacement work plan, Rio Algom Mining LLC, Work plan addendum No. 1" (August 23, 2011)

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NMED is withholding its approval of this workplan pending resolution of this issue. Please submit a revision to the monitoring well replacement workplan that includes both replacement of MW 32-50, as well as a proposed workplan implementation schedule, to NMED within fourteen (14) days of receipt of this letter. If you should have any questions, please contact me at (505) 476-3777 or by email at david.mayerson@state.nm.us.

Sincerely,



David L. Mayerson

Mining Environmental Compliance Section
Ground Water Quality Bureau
New Mexico Environment Department

Copies:

Thomas McLaughlin, NRC

Mary Ann Menetrey, MECS program manager

Jerry Schoeppner, Acting Ground Water Quality Bureau Chief