JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

March 17, 2006

Certified Return Receipt
7004 2510 0004 1824 7524

Dexter L. Anderson
Attorney at Law
730 N. 3900 W.
Fillmore, Utah 84631

Subject: Proposed Assessment for Cessation Order MC2006-04-02, Red Dome Inc., Red Dome Mine, M270032, Juab County, Utah

Dear Mr. Anderson:

The undersigned has been appointed by the Division of Oil, Gas & Mining as the Assessment Officer for assessing penalties under R647-7.

Enclosed is the proposed civil penalty assessment for the above referenced Cessation Order. The order was issued by Division Inspector, Tom Munson, on February 22, 2006. Rule R647-7-103 et. seq. has been utilized to formulate the proposed penalty for the violation as follows:

- MC-06-04-02– Violation 1 of 1 $1,760

The enclosed worksheet specifically outlines how the violation was assessed.

By these rules, any written information, which was submitted, by you or your agent within fifteen (15) days of receipt of this Cessation Order has been considered in determining the facts surrounding the violation and the amount of penalty. If the violation has not been abated at the time of the proposed assessment, the assignment of good faith points cannot be made. If you feel that you are eligible for good faith, you should supply relevant information to the assessment officer within 15 days of the violation abatement date so that it can be factored into the final assessment.

Otherwise, under R647-7-106, there are two informal appeal options available to you:

1. If you wish to informally appeal the fact of the violation, you should file a written request for an Informal Conference within thirty (30) days of receipt of this letter. This conference will be conducted by the Division Director or Associate Director. This Informal Conference is distinct from the Assessment Conference regarding the proposed penalty.

2. If you wish to review the proposed penalty assessment, you should file a written request for an Assessment Conference within thirty (30) days of receipt of this letter. If you are also requesting a review of the fact of violation, as noted in paragraph one, the assessment conference will be scheduled immediately following that review.

If a timely request for review is not made, the fact of the violation will stand, the proposed penalty(ies) will become final, and the penalty(ies) will be due and payable within thirty (30) days of the proposed assessment. Please remit payment to the Division, mail c/o Vickie Southwick.

Sincerely,

Daron R. Haddock

Daron R. Haddock
Assessment Officer

DRH:vs
Enclosure: Worksheet
cc: Vicki Bailey, Accounting
Vickie Southwick, Exec. Sec.
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WORKSHEET FOR ASSESSMENT OF PENALTIES

DIVISION OF OIL, GAS & MINING
Minerals Regulatory Program

COMPANY / MINE Red Dome, Inc./ Red Dome Mine PERMIT M/027/032

NOV / CO # MC-06-04-02(1) VIOLATION 1 of 1

ASSESSMENT DATE March 17, 2006

ASSESSMENT OFFICER Daron R. Haddock

I. HISTORY (Max. 25 pts.) (R647–7-103.2.11)

A. Are there previous violations, which are not pending or vacated, which fall within three (3) years of today's date?

PREVIOUS VIOLATIONS	EFFECTIVE DATE	POINTS (1pt for NOV 5pts for CO)

TOTAL HISTORY POINTS 0

II. SERIOUSNESS (Max 45pts) (R647–7-103.2.12)

NOTE: For assignment of points in Parts II and III, the following apply:

1. Based on facts supplied by the inspector, the Assessment Officer will determine within each category where the violation falls.

2. Beginning at the mid-point of the category, the Assessment Officer will adjust the points up or down, utilizing the inspector's and operator's statements as guiding documents.

Is this an EVENT (A) or Administrative (B) violation? ***Event***
(assign points according to A or B)

A. EVENT VIOLATION (Max 45 pts.)

1. What is the event which the violated standard was designed to prevent?
Conducting Mining Activities without appropriate approvals.

2. What is the probability of the occurrence of the event which a violated standard was designed to prevent?

PROBABILITY	RANGE
None	0
Unlikely	1-9
Likely	10-19
Occurred	20

ASSIGN PROBABILITY OF OCCURRENCE POINTS __20__

PROVIDE AN EXPLANATION OF POINTS:
*** ***An Operator is required to obtain approval of a notice of intent and post a bond for reclamation prior to conducting mining operations. Mining Activity was occurring at this site without having the appropriate approval. While the Operator has filed a large mine notice of intent, it has been found to be incomplete and while some bond has been filed with the BLM it is not considered adequate. The Operator has been required to post additional surety and has failed to do so. Conducting mining activity without having an approved Notice of Intent and adequate bond is an event in violation of the Utah Mined Land Reclamation Act. Disturbance has actually occurred.***

3. What is the extent of actual or potential damage? RANGE 0-25

In assigning points, consider the duration and extent of said damage or impact, in terms of area and impact on the public or environment.

ASSIGN DAMAGE POINTS __8_____

PROVIDE AN EXPLANATION OF POINTS:
*** ***The inspector stated that the operator has failed to post an adequate bond for reclaiming the site, so any disturbance existing onsite could be considered damage to the environment. A number of acres have been excavated at this site. The damage was the creation of mining disturbance within an area where the operator did not have an adequate bond. The damage is probably temporary and the site could still be reclaimed. Without adequate bond there is some likelihood that the site would remain unreclaimed. While the damage covers the mine site, it probably does not leave the site. Damage is assessed in the lower 1/3 of the range.***

B. ADMINISTRATIVE VIOLATIONS (Max 25pts)

1. Is this a POTENTIAL or ACTUAL hindrance to enforcement? _____
RANGE 0-25

Assign points based on the extent to which enforcement is actually or potentially hindered by the violation.

ASSIGN HINDRANCE POINTS _____

PROVIDE AN EXPLANATION OF POINTS:
***

B. Did the permittee not have the resources at hand to achieve compliance, or does the situation require the submission of plans prior to physical activity to achieve compliance?
IF SO--DIFFICULT ABATEMENT
Difficult Abatement Situation

- Rapid Compliance -11 to -20*

(Permittee used diligence to abate the violation)

- Normal Compliance -1 to -10*

(Operator complied within the abatement period required)

- Extended Compliance 0

(Permittee took minimal actions for abatement to stay within the limits of the NOV or the violated standard of the plan submitted for abatement was incomplete)
(Permittee complied with conditions and/or terms of approved Mining and Reclamation Plan)

EASY OR DIFFICULT ABATEMENT? ***Difficult***

ASSIGN GOOD FAITH POINTS _____

PROVIDE AN EXPLANATION OF POINTS:
*** ***The Operator did immediately cease mining but is still in the process of acquiring the required reclamation bond. The abatement has not yet been completed, so good faith points cannot be awarded at this time. This category will be looked at again after the abatement has been completed. Points will be awarded depending on how quickly the abatement is met.***

V. ASSESSMENT SUMMARY (R647-7-103.3)

NOTICE OF VIOLATION # **MC-06-04-02(1)**

I.	TOTAL HISTORY POINTS	0
II.	TOTAL SERIOUSNESS POINTS	28
III.	TOTAL NEGLIGENCE POINTS	8
IV.	TOTAL GOOD FAITH POINTS	
TOTAL ASSESSED POINTS		36

TOTAL ASSESSED FINE **$1,760**

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TOTAL SERIOUSNESS POINTS (A or B)__28__

III. DEGREE OF FAULT (Max 30 pts.) (R647-7-103.2.13)

A. Was this an inadvertent violation which was unavoidable by the exercise of reasonable care? IF SO--NO NEGLIGENCE; or, was this a failure of a permittee to prevent the occurrence of a violation due to indifference lack of diligence, or lack of reasonable care, the failure to abate any violation due to the same or was economic gain realized by the permittee? IF SO--GREATER DEGREE OF FAULT THAN NEGLIGENCE.

No Negligence	0
Negligence	1-15
Greater Degree of Fault	16-30

STATE DEGREE OF NEGLIGENCE__Negligence_____

ASSIGN NEGLIGENCE POINTS __8__

PROVIDE AN EXPLANATION OF POINTS:

****** The inspector indicated that the violation was the result of the Operator not taking reasonable care in securing a bond and approval of the notice of intent. The Operator was informed about the need to post a bond, but failed to do so. This indicates indifference to the rules or lack of reasonable care. A prudent operator would understand the need to post the bond and gain approval of the notice of intent prior to continued disturbance of an area. The Operator was negligent in this regard, thus the assignment of points in the middle part of the negligence range.***

IV. GOOD FAITH (Max 20 pts.) (R467-7-103.2.14)

(Either A or B) (Does not apply to violations requiring no abatement measures)

A. Did the operator have onsite, the resources necessary to achieve compliance of the violated standard within the permit area?
IF SO--EASY ABATEMENT

Easy Abatement Situation

- Immediate Compliance -11 to -20*

(Immediately following the issuance of the NOV)

- Rapid Compliance -1 to -10

(Permittee used diligence to abate the violation)

- Normal Compliance 0

(Operator complied within the abatement period required)
(Operator complied with condition and/or terms of approved Mining and Reclamation Plan)

*Assign in upper of lower half of range depending on abatement occurring the 1st or 2nd half of abatement period.