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BEFORE THE ENVIRONMENTAL QUALITY CO

STATE OF WYOMING

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In the Matter of the Appeal of Notice of Violation and Order, dated July 29th, 2011 Issued to Good Mining Company, LLC

Docket No. 4868-11

APPEAL OF DEPARTMENT OF ENVIRONMENTAL QUALITY NOTICE OF VIOLATION AND ORDER AND REQUEST FOR HEARING

COMES NOW, Good Mining Company, LLC, (Good), by and through its attorney, Heather A. Jacobson, Jacobson Law Office, LLC, and hereby appeals the Department of Environmental Quality's Notice of Violation and Order, dated July 29, 2011, attached hereto as Exhibit "A", and further requests that the Environmental Quality Council hold a hearing in this matter. In support of this appeal, Good states as follows:

1) Brian Good and Danae Good, the owners of Good Mining Company, LLC, own the real property described as follows:

Township 54 North, Range 92 West, of the 6th P.M.

Section 19:

E1/2SE1/4; SW1/4SE1/4

Section 30:

NW1/4NE1/4

- 2) Brian Good and Danae Good, the owners of Good Mining Company, LLC, lease the bentonite rights from the owner of the bentonite on the above described real property.
- 3) On or about February 1st, 2011, Brian Good, on behalf of Good Mining Company, LLC, began the process of creating a DEQ application to mine bentonite on the property.
- 4) Mr. Good, in full consultation with DEQ personnel, produced all information and reports required to obtain a DEQ permit to mine bentonite on the property.

Appeal and Request for Hearing Page 1 of 4

- 5) While gathering the necessary information Mr. Good discovered that Black Hills Bentonite, LLC had an active mining permit on the property.
- 6) This bentonite mining permit is Permit to Mine No. 533, issued on June 23rd, 1982, and currently held by Black Hills Bentonite, L.L.C.
- 7) This information came as a shock to Mr. Good, as the real property did not show any recent signs of mining, nor was there any reclamation activity. Additionally, Mr. Good was the only person that could legally mine bentonite on the property pursuant to his bentonite lease.
- 8) This suspicion was confirmed when Mr. Good reviewed the 2009-2010 Annual Mining Permit filed by Black Hills Bentonite, L.L.C. wherein they make clear that no mining has taken place on the property since 1994 at the latest. See attached Exhibit "B".
- 9) According to the Annual Report, the only activity that has taken place on the property since 1994 was reseeding property in 1999 and 2008. Black Hills has no plans to mine the bentonite now, or in the future, according to the annual report.
- 10) Upon discovering that there was an active mining permit for the property Mr. Good contacted Black Hills and obtained the necessary documents to facilitate a transfer of the mining permit.
- 11) On or about May 15th, 2011, Mr. Good submitted his completed application to the DEO.
- 12) On or about May 31st, 2011, Mr. Good received a call from Black Hills stating they had withdrawn their permit to transfer, because he wouldn't assume their past liability under the permit.
- 13) On or about May 31st, 2011, Mr. Good spoke with Mark Moxley regarding the withdrawal of the transfer permit. Mr. Moxley told Mr. Good that he would just "shrink" the size of the permit and give Mr. Good's company a permit outside the area of the Black Hills permit.
- 14) At no time during this conversation was Mr. Good informed that he needed to do anything further to obtain the permit.

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- 15) On or about June 6th, 2011, Mr. Good received his completed application back from the DEQ, stating that the property was currently covered by an active bentonite mining permit.
- 16) Despite the fact that Black Hills has not mined the property for at least 17 years, the DEQ has allowed Black Hills to maintain their permit on the property.
- 17) DEQ's failure to require Black Hills to mine or reclaim the property, and yet still maintain its permit, is a violation of both Wyoming Statute and DEQ Rules and Regulations.
- 18) DEQ's failure to enforce Wyoming Statutes and DEQ Rules and Regulations regarding this property is costing Good Mining Company, LLC, a substantial amount of money as the continued wrongful existence of the Black Hills permit has prevented DEQ from granting Good a permit to mine the property that he would otherwise be entitled to.
- 19) Mr. Good attempted to work out a resolution to this situation with both the DEQ and Black Hills to no avail.
- 20) As a settlement could not be reached, and DEQ refused to enforce Wyoming Statutes and DEQ Rules and Regulations by taking any action against Black Hills, Mr. Good was forced to begin dirt work on the real property, in an effort to force DEQ action and to mitigate his continuing economic damages.
- 21) After receipt of the Notice of Violation and Order, Mr. Good suspended any activity on the property and attempted to contact Mr. Luke Esch, pursuant to the letter accompanying the Notice of Violation and Order. See attached Exhibit "C".
- 22) After leaving two separate messages with Mr. Esch, Mr. Good has not received any further communications and has been forced to file this appeal and request for hearing.
- 23) Based upon the foregoing, it is Good's belief that his actions were a proper form of self help in an attempt to force DEQ into enforcing its own Rules and Regulations and to mitigate his continuing economic damages, and therefore should not be considered a violation of Wyoming Statutes.
- 24) The DEQ also acted in an arbitrary and capricious manner when it issued its Notice of Violation against Good for allegedly not complying with Wyoming law regarding

Appeal and Request for Hearing Page 3 of 4 mining on the real property in question, but has taken no action against Black Hills despite Black Hills chronic and long term violation of Wyoming law on the same real property.

25) Based upon the foregoing, Good hereby requests that a hearing be held on this matter and that the Notice of Violation and Order be dismissed.

Submitted this ______ day of August, 2011.

Heather A Jacobson, WSB # 6-3648

Jacobson Law Office, LLC 1839 Madora Avenue

Douglas, WY 82633 Phone: (307) 358-3180 Fax: (307) 358-3182

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Motion was served by Certified Mail, return receipt requested, on the ____ day of August, 2011, to the following:

Sampled alley

Chairman, Environmental Quality Council 122 West 25th St. Herschler Building, Rm. 1714 Cheyenne, WY 82002

Director, Wyoming DEQ Herschler Building, 4th Floor West 122 West 25th Street Cheyenne, WY 82002

By electronic mail to: Luke Esch, Asst. Attorney General 123 Capitol Building 200 W. 24th Street Cheyenne, WY 82002 lesch@state.wy.us

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EXHIBIT "A"

DEPARTMENT OF ENVIRONMENTAL QUALITY STATE OF WYOMING

NOTICE OF VIOLATION

IN THE MATTER OF THE NOTICE OF)	
VIOLATION ISSUED TO)	
Brian (Pab) Good)	
Good Mining Company, LLC)	DOCKET NO. 4868-11
3796 Lane 321/2)	
Greybull, Wyoming 82426)	
RE: Unauthorized Mining Activity)	

NOTICE OF VIOLATION AND ORDER

NOTICE IS HEREBY GIVEN THAT:

- 1. Notice of Violation is being sent to you pursuant to W.S. § 35-11-701(c)(i) which requires that a written notice shall be issued in the case of failure to correct or remedy an alleged violation.
- 2. In June 2011, the Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD) was contacted by Mr. Good regarding his request to begin mining operations on his property in Big Horn County, Wyoming.
- 3. In a letter dated June 13, 2011, WDEQ/LQD informed Mr. Good that prior to mining, he would need to obtain a permit from the WDEQ/LQD.
- 4. On July 18, 2011, the WDEQ/LQD District II Office was informed of potentially illegal mining activity in Township 54N, Range 92W, Section 30, of Big Horn County, Wyoming.
- 5. On July 20, 2011, a site inspection was conducted. The site inspection revealed an active bentonite mining operation as described in an Inspection Report dated July 25, 2011. The areal extent of activity was mapped using a Trimble GeoXM datalogger and then imported into ArcMap. Results of the mapping effort, as provided in the Inspection Report, showed that the mining activity was occurring inside the WDEQ/LQD Permit #533 boundary. Review of the latest WDEQ/LQD Permit #533 Annual Report did not indicate any planned mining activity for 2011.
- 6. During a conversation subsequent to the site inspection, Mr. Good admitted to conducting the mining operation.
- 7. W.S. § 35-11-401(a) states "No mining operation or operation by which solid minerals are intended to be extracted from the earth shall be commenced after the effective date of the Act, except in accordance with its requirements."
- 8. Mr. Good willfully and knowingly violated the act when, after being informed by DEQ that he was required to obtain a permit prior to mining, he began mining without a permit or license to mine.
- 9. W.S. § 35-11-901(j) provides that any person who willfully and knowingly violates, authorizes, orders, or carries out the violation of any provision of this act or any rule, standard, permit, license or variance adopted there under is liable to a penalty of twenty-five thousand dollars (\$25,000.00) for each day of violation, which the penalty may be recovered in a civil action brought by the Attorney General in the name of the People of the State of Wyoming.
- 10. This Notice is being sent to you pursuant to W.S. § 35-11-701(c), which requires that, in any case of the failure to correct or remedy an alleged violation, the Director of the Department of Environmental Quality shall cause written notice to be issued and served upon the person alleged to be responsible.

ORDER

WHEREFORE IT IS HEREBY ORDERED THAT:

1. You hereby are directed to immediately cease and desist all mining and mining related operations within the Black Hills Bentonite WDEQ/LQD Permit #533 boundary, described as Township 54N, Range 92W, NWNE of Section 30 and E½SE and SWSE of Section 19.

THIS ORDER is final unless, not later than ten (10) days after the date this notice is received, it is appealed by filing a written petition for a hearing before the Environmental Quality Council. If a hearing is requested, the petition shall be mailed to Chairman, Wyoming Environmental Quality Council, Room 1714 Herschler Building, 1st Floor West, 122 West 25th Street, Cheyenne, Wyoming 82002. The second petition shall be mailed to the Director, Wyoming Department of Environmental Quality, Herschler Building, 4th Floor West, 122 West 25th Street, Cheyenne, Wyoming 82002. Both petitions must be sent by certified mail, return receipt requested.

NOTHING IN THIS ORDER shall be interpreted to in any way limit or contravene any other remedy available under the Environmental Quality Act, nor shall this Order be interpreted as being a condition precedent to any other enforcement action.

DATED THIS 2974 day of JULY, 2011.

Mancy Muttbrock Administrator

Land Quality Division

John Corra

Department of Environmental Quality

PLEASE DIRECT ALL INQUIRIES regarding this Notice of Violation to Luke Esch, Assistant Attorney General, 123 Capitol Building, 200 W. 24th Street, Cheyenne, WY 82002, Telephone (307) 777-7841.

EXHIBIT "B"

Wyoming Department of Environmental Quality Land Quality Division 2009-2010 Annual Mining Report Permit to Mine No. 533 Black Hills Bentonite, LLC

1. (a) Name of Permittee: Black Hills Bentonite, L.L.C.

(b) Address: P.O. Box 9, Mills, Wyoming 82644

(c) WDEQ/LQD Mining Permit: Permit to Mine No. 533

(d) Date of Permit Issuance: June 23, 1982 Total Permit Area Acreage: 163.15 acres

e) Mineral Mined: Bentonite

2. Report Period: June 24, 2008 through June 23, 2009

 Number of acres affected by mining and related activities during the report period (acreage for each type of disturbance should be listed and illustrated on a map accompanying the report)

No additional lands were affected by mining or mining related activities during the report period.

4. Number of acres graded and contoured during this report period:

No grading or contouring was conducted on the permit area during the report period.

5. Number of acres topsoiled during this report period:

No topsoil application was conducted on the permit area during the report period.

6. Depth of redistributed topsoil:

No topsoil was redistributed during the report period.

7. Number of acres seeded during this report period:

No seeding was conducted during the report period.

8.

(a) Species of seed used on the permit area and rate of application:

Original Seed Mixture
Western wheatgrass
Bluebunch wheatgrass
Thickspike wheatgrass
Thickspike wheatgrass
Thickspike wheatgrass

Crested wheatgrass
Indian ricegrass
Fourwing saltbush
Yellow sweetclover
Total

2.0 lbs. pure live seed per acre
2.0 lbs. pure live seed per acre
1.0 lbs. pure live seed per acre
15.0 lbs. pure live seed per acre

(b) Date of seeding:

Seeding of all disturbances on the permit area, with the exception of the access road, was initially conducted in April of 1994. Due to poor growth, all disturbed areas were re-seeded (inter-seeded) in the fall of 1999. The mine site area was again seeded (inter-seeded) in the fall of 2008.

(c) Seeding Procedures Used:

Previous seeding activities were conducted utilizing a John Deere 8200 series grain drill equipped with drag chains. Seeding was done on the contour and the seed was planted to a depth of approximately one-half inch. Inter-seeding conducted during 2008 was completed using a Laird-U.S.F.S. design Rangeland Drill.

- (d) Type and rate of any fertilizer used: None.
- (e) Type and rate of mulch application: None.
- Total number of acres affected to date by mining and mine related activities under this permit:

Primary Mining Area - 27.6 acres
Topsoil Stockpiles - 0.7 acres
Run-On Area - 0.2 acres
Access Roads - 2.7 acres
M-l Swaco Disturbances - 3.2 acres
Basin, Wyoming Load-out Site - 1.0 acre

Total - 35.4 acres

Total number of acres graded, topsoiled, and seeded to date under this permit area:

Graded: 30.8 Topsoiled: 30.8 Seeded: 27.6 Re-Seeded: 26.5

11. Describe results of previous revegetation efforts:

Tthe growth of the seeded species continues to be very limited. The disturbed areas were inter-seeded the area during the fall of 2008 using the following seed mixture. Due to the rocky soil conditions, the seed mixture was applied with a Rangeland Drill at a rate of 18.3 pounds of pure live seed (PLS) per acre:

Bluebunch wheatgrass Blue grama Indian ricegrass Russian wildrye Fourwing saltbush Gardners saltbush Greasewood Rubber rabbitbrush	3.0 pounds PLS	Cost per pound	\$ 4.15
	0.5 pounds PLS	Cost per pound	\$ 8.28
	4.0 pounds PLS	Cost per pound	\$ 3.60
	2.0 pounds PLS	Cost per pound	\$ 6.96
	3.0 pounds PLS	Cost per pound	\$ 13.20
	3.0 pounds PLS	Cost per pound	\$ 14.40
	1.0 pound PLS	Cost per pound	\$ 28.80
	0.8 pounds PLS	Cost per pound	\$ 42.00
Wyoming Big sagebrush	2.0 pounds PLS	Cost per pound Cost per pound	\$ 42.00

Prices are based on November 2009 prices of seed purchased from Granite Seed Company located in Lehi, Utah.

12. Permanent or temporary water impoundments constructed during the report period:

No impoundments have been constructed during the report period.

13. Describe any pit stability problems, surface or groundwater conditions, slope angles on graded or contoured areas, newly constructed drainage patterns, diversion ditches, road construction, culvert or bridge construction, shop and facility construction:

No new construction has been conducted on the permit area, nor do any stability or erosional problems exist.

- 14. For the coming year, list acreage and illustrate on a map areas that are to be:
 - (a) Affected by mining and related activities:

No additional mining activities are planned on the permit area for the coming year or future years.

(b) Graded and contoured in preparation for seeding:

Grading and contouring will be required on the access road and those disturbances created by M-I Swaco. BHB is unaware of plans by M-I Swaco for completing reclamation activities on the permit area.

(c) Topsoil re-application and seeded:

Topsoil application and seeding will be required on the 3.2 acres of land affected by M-I Swaco. It is expected that M-I will complete this work. No time schedule for completion of this work has been provided by M-I Swaco.

15. Describe in detail the next year's mining and reclamation plans:

Proposed Mining Activities:

No additional mining activities are proposed on this permit area.

Proposed Reclamation Activities:

No additional reclamation activities are planned at this time.

16. Reclamation costs for the report period:

Reclamation costs for the report period are presented below.

The following costs for the reclamation fleet, consisting of Caterpillar 627F push-pull scrapers Caterpillar 114H motor grader, Caterpillar D8R dozer have been determined by Mr. Doug Emme, Mining Engineer with the Wyoming Department of Environmental Quality, Land Quality Division, District III, based on 2006 DataQuest hourly rates. Operating costs for the John Deere 7810 tractor, disc and grain drill have been determined by BHB based on actual operating costs.

Hourly Equipment Costs for Topsoil & Overburden Replacement Caterpillar 627F Push-Pull Scrapers

Data Quest cost without operator - \$170.65/hour

WDEQ Guideline 12 costs at 100% of DataQuest plus \$29.53/hour labor = \$200.18/hr.

Caterpillar 14H Motor Grader

Data Quest cost without operator - \$68.85/hour

WDEQ Guideline 12 costs at 100% of DataQuest plus \$29.53/hour labor = \$98.38/hr.

Caterpillar D8R Dozer

Data Quest cost without operator - \$109.89/hour

WDEQ Guideline 12 costs at 100% of DataQuest plus \$29.53/hour labor = \$139.42/hr.

Cost of Backfilling Overburden Using Caterpillar 627F P-P Scrapers

Average Cycle Time (minutes)	2.50
Efficiency Factor	0.83
Cycles Per Hour	20
Bank Cubic Yards Per Cycle	15
Bank Cubic Yards (BCY) Per Hour	300
Cost Per BCY of Overburden	\$0.8654

Cost of Topsoil Replacement Using Caterpillar 627F P-P Scrapers

Average Cycle Time (minutes)	2.50
Efficiency Factor	0.83

Cycles Per Hour	20
Bank Cubic Yards Per Cycle	16.2
Bank Cubic Yards (BCY) Per Hour	324
Cost Per BCY of Topsoil	\$0.8013

Cost of Final Grading and Contouring Using Caterpillar 14H Motor Grader

Speed (MPH, 3rd Gear)	3.3
Width of Grading per Pass	8 feet
Feet Per Mile	5,280
Square Feet Per Acre	43,560
Operating Efficiency Factor	83%
(3.3 MPH) × (5,280) × (8)	139,392 ft²/hou
(420 200 #2/have) + (40 ECO #2/aara)	2.0(b

(139,392 ft²/hour) ÷ (43,560 ft²/acre) 3.2 acres/hour (3.2 acres/hour) × (0.83 efficiency factor) 2.66 acres/hour

(\$98.38/hour) ÷ (2.66 acres/hour) \$36.99/acre

Hourly Operating Costs for Disking Topsoil using John Deere 7810 Tractor

	Cost/Hour
Tractor Owning & Operating Cost	\$25.00
Disk Owning & Operating Cost	\$ 6.00
Operator	\$15.00
Supervision	\$ 2.50
Supervisor Transportation	\$ 0.47
Total	\$48.97

Hourly Operating Costs for Seeding Topsoil with John Deere 7810 Tractor

Tractor Owning & Operating Cost Drill Owning & Operating Cost Operator Supervision	Cost/Hour \$25.00 \$ 8.00 \$15.00 \$ 2.50
Supervisor Transportation	\$ 0.47
Total	\$50.07

Production Rates & Costs for Disking Topsoil with John Deere 7810 Tractor

Speed (MPH, 2nd Gear)	2.5
Width of Disc per Pass	12 feet
Feet Per Mile	5,280
Square Feet Per Acre	43,560

Operating Efficiency Factor	90%
(2.5 MPH) × (5,280') × (12')	158,400 ft ² /hr.
(158,400 ft²/hour) ÷ (43,560 ft²/acre)	3.6 acres/hour
(3.6 acres/hour) × (0.90 efficiency factor)	3.2 acres/hour

Cost per acre for discing with JD7810 tractor (\$48.97/hour) ÷ (3.2 acres/hour) \$15.30/acre

Production Rates & Costs for Seeding Topsoil with JD7810 Tractor

Speed (MPH, 3rd Gear)	4.3
Width of Drill per Pass	10 feet
Feet Per Mile	5,280
Square Feet Per Acre	43,560
Operating Efficiency Factor	90%

(4.3 MPH) × (5,280') × (10') =	227,040 ft²/hour
(227,040 ft²/hour) ÷ (43,560 ft²/acre)	5.2 acres/hour
(5.2 acres/hour) × (0.90 efficiency factor)	4.7 acres/hour

Cost Per Acre for Seeding with JD7810 Tractor

(\$50.97/hour) ÷ (4.7 acres/hour) \$ 10.84/acre

Total seeding cost per acre . \$302.00/acre

(Grading Topsoil @ \$37.00/acre) + (Discing @ \$15.00/acre) + (Seeding @ \$11.00/acre) + (Seed @ \$238.11 acre)

*Equipment costs have been updated based on information provided by Mr. Doug Emme, Mining Engineer, Wyoming Department of Environmental Quality, Land Quality Division, District III. These updated costs are described in the reclamation bond review letter (TFN 4 4/244) from Ms. Stacy Page dated November 1, 2006.

Average cycle times are based on time and production studies conducted by Black Hills Bentonite under a variety of working conditions on similar bentonite mining operations, and are also based on Cat Performance Handbook production rates. Cycles per hour are based on 60 minutes per hour multiplied by a job efficiency factor of 0.83 from Cat Performance Handbook, Edition 21.

Cubic yards moved per cycle is based on Cat Performance Handbook payload data for 627F push-pull scrapers. Payload is rated at 20.0 bank cubic yards multiplied by a load factor of 0.83 for shale (overburden) and a load factor of 0.83 for loam (topsoil).

Bank cubic yards per hour is determined by multiplying the cycles per hour by the cubic yards moved per cycle.

Cost per bank cubic yard of overburden is determined by the following formula: (627F P-P cost/hour) + (D8Rdozer cost/hour + the 4 scrapers it supports) + (14H blade cost/hour + the 4 scrapers it supports) all

Cost per bank cubic yard of topsoil is determined by the following formula: (627F P-P scraper cost per hour) + (14H blade cost per hour ÷ the 4 scrapers it supports) all ÷ the bank cubic yards of topsoil per hour.

Owning and operating costs for the John Deere 7810 tractor are based on BHB data and the average 2007 rental rates for a tractor of this size.

Seed costs are based on November 2009 seed prices from Granite Seed Co., Lehi, Utah.

CONTINGENCY COSTS

A contingency cost factor of 25 percent (25%) has been applied to the estimated reclamation costs for the permit. The 25 percent factor is based on the following items:

Project Management Mobilization Bid Preparation	2% 2% 2%	Site Maintenance Profit Unknowns	2% 8% 5%	Engineering	4%
Bid Preparation	2%	Unknowns	5%		

RECLAMATION BOND ESTIMATE

The estimated reclamation costs and bonding requirements for the permit area are presented below:

Reclamation Liabilities for Existing Disturbances

Topsoil Replacement Costs Existing Mining Activities:		
7,904 cubic yards at \$0.8013 per cubic yard	=	\$ 6,334.00
Seeding: 5.0 acres at \$302.00 per acre	=	\$ 1,510.00
Seeding Reserves 24.3 acres at \$302.00 per acre	=	\$ 7,339.00
Subtotal	=	\$ 15,183.00
25% Contingency Costs	=	\$ 3,796.00
TOTAL RECLAMATION LIABILITY	=	\$ 18,979,00

Reclamation Self Bond SBNC069 for Permit to Mine No. 533 is currently set at \$24,854.00. Based on the calculations presented above, the current bond amount is sufficient to cover the reclamation costs associated with Permit to Mine No. 533.

⁺ bank cubic yards of overburden per hour.

- 18. Supply any additional information as requested by the Division related to:
 - Notices of Violations: None. Orders: None.

Permit stipulations: None.

- (a) (b) (c) (d) Other special conditions: None.
- All drill holes used for the immediate developmental expansion of advancing pit(s) shall be tabulated by location and depth and shown on the mining plan map: No drilling has been conducted on the permit area during the report period. 19.

Permit to Mine No. 533 2009-2010 Annual Report prepared by:

Bruce Lawson, Mine Development & Reclamation Manager

Annual Report Attachment

- Please indicate any change in company name or business organization: NO CHANGES. A.
- В. List the names and addresses of the following:

President &

General Manager:

Thomas A. Thorson Black Hills Bentonite, L.L.C. P.O. Box 9 Mills, Wyoming 82644 (307) 265-3740

Vice President & Chief Financial Officer:

Larry Madsen Black Hills Bentonite, L.L.C. P.O. Box 9 Mills, Wyoming 82644 (307) 265-3740

Party to Receive Notice:

Bruce Lawson Mine Development & Reclamation Manager Black Hills Bentonite, L.L.C.

P.O. Box 9 Mills, Wyoming 82644 (307) 234-6470