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NEW MEXICO
ENVIRONMENT DEPARTMENT

Surface Water Quality Bureau

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DAVE MARKLIN
Secretary

BUTCH TONGATE
Acting Deputy Secretary

Certified Mail - Return Receipt Requested

September 6, 2011

Mr. John DeJoia, Senior Vice President
Strathmore Resources U.S. Ltd.
4001 Office Court, Suite 102
Santa Fe, New Mexico 87507

RE: Minor Non-Municipal, SIC 1094, NPDES Compliance Evaluation Inspection, Strathmore Resources/Roca Honda Monitoring Wells, NPDES #NM0031020, August 31, 2011

Dear Mr. DeJoia:

Enclosed, please find a copy of the report for the referenced inspection that the New Mexico Environment Department (NMED) conducted at your facility on behalf of the U.S. Environmental Protection Agency (USEPA). This inspection report will be sent to the USEPA in Dallas, for their review. These inspections are used by USEPA to determine compliance with the National Pollutant Discharge Elimination System (NPDES) permitting program in accordance with requirements of the federal Clean Water Act.

Problems noted during this inspection are discussed in the Further Explanations section of the inspection report. You are encouraged to review the inspection report, correct any problems noted during the inspection, and to modify your operational and/or administrative procedures, as appropriate. Further, you are encouraged to notify in writing, both USEPA and NMED regarding modifications and compliance schedules.

My thanks for the help and cooperation of Messrs. Juan Velasquez and Daniel Kapostasy during this inspection. If you have any questions, please feel free to contact me at the above address or by telephone at (505) 827-2798.

Sincerely,

/s/ RICHARD E. POWELL
Richard E. Powell
Surface Water Quality Bureau

CC: Samuel Tate, USEPA (6EN-AS) by email
Carol Peters-Wagnon, USEPA (6EN-WM) by email
Marcia Gail Adams, USEPA (6EN-AS) by email
Diana McDonald, USEPA (6EN-WM) by email
Larry Giglio, USEPA (6EN-P) by email
Hannah Branning, USEPA (6EN) by email
Sonia Hall, USEPA (6EN) by email
NMED, District II Albuquerque by email



Form Approved
OMB No. 2040-0003
Approval Expires 7-31-85

NPDES Compliance Inspection Report

Section A: National Data System Coding

Transaction Code			NPDES										yr/mo/day					Inspec. Type		Inspector			Fac Type					
1	N	2	5	3	N	M	0	0	3	1	0	2	0	11	12	1	1	0	8	3	1	17	18	C	19	S	20	2
Remarks																												
U R A N I U M M I N E / M O N I T O R I N G W E L L S																												
Inspection Work Days						Facility Evaluation Rating						BI		QA		-----Reserved-----												
67						70						71		72		80												

Section B: Facility Data

Name and Location of Facility Inspected (For industrial users discharging to POTW, also include POTW name and NPDES permit number) STRATHMORE RESOURCES U.S. LTD./ROCA HONDA MONITORING WELLS - 18 MILES NORTH OF MILAN ON NM605, LEFT AT FLOYD LEE RANCH ROAD, 1 MILE RIGHT ON DIRT ROAD 1.5 MILES. MCKINLEY COUNTY		Entry Time /Date 0955/8-31-11	Permit Effective Date 12-1-2008
		Exit Time/Date 1110/8-31-11	Permit Expiration Date 11-30-2013
Name(s) of On-Site Representative(s)/Title(s)/Phone and Fax Number(s) JUAN VELASQUEZ, VP GOVERNMENT, REGULATORY, ENVIRONMENTAL AFFAIRS (505) 474-6696 DANIEL KAPOSTASY, DEVELOPMENT GEOLOGIST (505) 428-6372 (505) 412-2134 (CELL)		Other Facility Data SIC 1094	
Name, Address of Responsible Official/Title/Phone and Fax Number JOHN DEJOIA, SENIOR VICE PRESIDENT, STRATHMORE RESOURCES U.S. LTD., 4001 OFFICE COURT, SUITE 102, SANTA FE, NM 87507 505-428-6372		Contacted Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> *	
		OUTFALL 001 (S1B) 35 21 38.5, -107 40 52.8 OUTFALL 002 (S3) 35 21 17.5, -107 41 02.9 OUTFALL 003 (S4) 35 21 31.6, -107 41 28.1	

Section C: Areas Evaluated During Inspection

(S = Satisfactory, M = Marginal, U = Unsatisfactory, N = Not Evaluated)

S	Permit	N	Flow Measurement	N	Operations & Maintenance	N	CSO/SSO
S	Records/Reports	N	Self-Monitoring Program	N	Sludge Handling/Disposal	N	Pollution Prevention
S	Facility Site Review	N	Compliance Schedules	N	Pretreatment	N	Multimedia
N	Effluent/Receiving Waters	N	Laboratory	N	Storm Water	N	Other:

Section D: Summary of Findings/Comments (Attach additional sheets if necessary)

- SEE REPORT AND FURTHER EXPLANATIONS
- THIS REPORT ALSO PROVIDES SOME DETAILS OF THE MINING OPERATION CURRENTLY IN THE PLANNING STAGES AND THE NPDES PERMIT ACTIONS PLANNED IN CONJUNCTION WITH THIS ANTICIPATED MINING OPERATION

/s/ RICHARD E. POWELL	Agency/Office/Telephone/Fax NMED/SWQB 505-827-2798	Date 9/6/2011
Signature of Management QA Reviewer /s/ ERIN TRUJILLO	Agency/Office/Phone and Fax Numbers NMED/SWQB 505-827-0418	Date 9/6/2011

**Compliance Evaluation Inspection
Strathmore Resources U.S. Ltd./Roca Honda Monitoring Wells
NPDES Permit #NM0031020, August 31, 2011**

Further Explanations

Introduction

On August 31, 2011, a Compliance Evaluation Inspection (CEI) was conducted at the Strathmore Resources U.S. Ltd./Roca Honda Monitoring Wells (Roca Honda) located near San Mateo, New Mexico by Richard E. Powell of the State of New Mexico Environment Department (NMED). Roca Honda is classified as a minor discharger under the federal Clean Water Act, Section 402 National Pollutant Discharge Elimination System (NPDES) permit program and is assigned permit #NM0031020. This facility is permitted to discharge monitoring well water from Outfall's 001, 002 and/or 003. Discharges from this facility are to an unnamed arroyo, thence to San Mateo Creek, thence to the Rio San Jose, thence the Rio Puerco, thence to the Rio Grande in Segment 20.6.4.105 NMAC of the Rio Grande Basin.

The NMED performs a certain number of CEI's for the U.S. Environmental Protection Agency (USEPA) each year. The purpose of this inspection is to provide USEPA with information to evaluate the permittee's compliance with the NPDES permit. The enclosed report is based on review of files maintained by both the permittee and NMED, on-site observation by NMED personnel and verbal information provided by the permittee's representative.

An entrance interview was conducted with Mr. Juan Velasquez, Vice President Government, Regulatory, Environmental Affairs and Mr. Daniel Kapostasy, Development Geologist at approximately 0955 hours on August 31, 2011. The inspector made introductions, presented his credentials, and discussed the purpose of the inspection.

Permit/Discharge Status

Three wells have been installed at this site, which correspond to three outfalls. Well S1b is represented by outfall 001, S3 by outfall 002, and S4 by outfall 003. The permit specifies that all discharges from any of the three outfalls be reported as Outfall 001. According to the permittee's representatives, all three wells have been purged and sampled for the purpose of characterizing the ore body several times since the permit was issued. In April 2010, the permittee re-built and lined an onsite impoundment intended to hold all of these purge waters. Well S4 is piped to this pond, while purge waters from wells S1b and S3 are trucked to the pond. As a consequence, there is little potential for discharges to the receiving stream and all Discharge Monitoring Reports (DMRs) submitted by the permittee have indicated "No Discharge." Because of this, the permittee should consider terminating this permit.

An exit interview to discuss the preliminary findings of this inspection was conducted at approximately 1110 hours on August 31, 2011 with Messrs. Velasquez and Kapostasy at the site.

Anticipated Future Active Mining Operations and NPDES Permitting Activities

Following the inspection, the facility representatives and the inspector briefly discussed future mine operation plans, NPDES permitting requirements and looked at the proposed mine drainage and excess storm water outfall location.

The mine is projected to be a conventional underground mine with a treatment plant (possibly a combined reverse osmosis/ion exchange system) for mine de-watering water and an associated non-discharging mill located several miles north of the mine site. Mine de-watering discharges will be treated and discharged via pipeline to either an impoundment for irrigation use and/or directly to an unnamed tributary to San Miguel Creek, thence to Arroyo Chico, thence to the Rio Puerco (East), thence to the Rio Grande in Segment 20.6.4.105 NMAC of the Rio Grande Basin. The irrigation pond may (an impounded watercourse), or may not (off-channel lagoon) be a “water of the United States.” This pond may discharge upon occasion and, in addition, discharges will likely be directly to the receiving stream at least part of the year. According to the facility representatives, plans are to submit an NPDES permit application to EPA for these discharges late in 2011 and to begin mining operations some time in 2013.