



Oregon

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September 20, 2012

To:

Cameron La Follette (ORCA), Courtney Johnson (CRAG Law Center), Nancy Ellen Lock, and Jack and Julie Jones (Bandon Woodlands Community Association)

Re: Oregon Resource Corporation (DOGAMI ID # 06-0073); Reclamation, Security and DOGAMI Regulation

All,

This letter is meant to address several concerns expressed to DOGAMI regarding DOGAMI's regulatory role with respect to Oregon Resource Corporation's (ORC) mining operation southwest of Coos Bay. Those concerns are as follows:

Concerns

- #1. On June 14, 2012 DOGAMI received a letter from Courtney Johnson of the Crag Law Center (enclosed) expressing concerns regarding: a) the size of the mining related disturbance at the ORC sites; b) ORC's compliance with DOGAMI Operating Permit 06-0073 Condition #15 which states "The Permittee must conduct concurrent reclamation and limit the active excavation cell to 10 acres. Requests for larger cells at certain locations will be evaluated by DOGAMI and allowed only with written approval."; and c) the proposed expansion of the West Section 10 excavation area.
- #2. On July 31, 2012, Nancy Ellen Locke sent an email to DOGAMI's Portland Office (enclosed) expressing the following concerns: a) the fact that there are currently 25 acres disturbed by mining; b) the fact that West Section 10 site was disturbed prior to the reclamation of the South Seven Devils site; and c) the letter recommends increasing the amount of the financial reclamation security required by DOGAMI.
- #3. On August 29, 2012, Julie Jones sent two emails to Vaughn Balzer of DOGAMI (enclosed) expressing the following concerns: a) the fact that West Section 10 site was disturbed prior to the reclamation of the South Seven Devils site; and b) the location of ORC's water source. Mrs. Jones also requested a copy of the most recent DOGAMI Operating Permit (2011-2012 permit enclosed; 2012-2013 permit is still being processed but will be sent via email once it has been drafted and signed) and requested that this response be sent to Courtney Johnson at the Crag Law Center.
- #4. On September 4, 2012, Cameron La Follette of the Oregon Coast Alliance (ORCA) sent an email to Vaughn Balzer of DOGAMI (enclosed) requesting that DOGAMI review the amount of the existing financial reclamation security to ensure it is adequate to fully reclaim the site.
- #5. On September 13, 2012, Julie Jones sent a follow-up email to Vaughn Balzer of DOGAMI (enclosed) asking if the engineering plan for North Seven Devils had been approved and inquiring about the stability of the South Seven Devils mining operation.

Size of the Mining Related Disturbance, the Active Mining Cell and Conducting Concurrent Mining Operations at South Seven Devils and West Section 10

Background:

Based on a May 06, 2012 aerial image (enclosed) DOGAMI has determined that the total size of the "mining related disturbance" (including both the South Seven Devils and West Section 10 mine sites) was approximately 25



acres. Condition #15 of the DOGAMI Operating Permit (enclosed; please note that ORC has paid their permit renewal required by June 30, 2012, however, due to administrative staffing changes DOGAMI has not been able to issue the revised DOGAMI permit yet) states: "The Permittee must conduct concurrent reclamation and limit the active excavation cell to 10 acres. Requests for larger cells at certain locations will be evaluated by DOGAMI and allowed only with written approval." At the time DOGAMI issued ORC's Operating Permit (late 2008) DOGAMI agreed to define the active mining cell to include areas of active excavation and backfilling operations. This definition does not include areas in advance of the active cell where vegetation and overburden are being stripped or areas where processed material has been placed but where final grading and vegetation requirements have not been completed. When DOGAMI agreed to the definition of the active mining cell it was understood by both DOGAMI and ORC that there would be periods when there would be active mining operations happening at more than one site at the same time. Conducting mining operations at more than one site at the same time is not a violation of the DOGAMI Operating Permit unless the active mining cell, which may be split between two sites, exceeded the 10 acre restriction.

Response:

The mining related disturbance based on the May 06, 2012 aerial image is 25 acres, however, significant portions of that disturbance include areas that have been stripped of vegetation and soil in preparation for mining and areas that have been mined out and backfilled that are awaiting final grading and vegetation. As noted above areas that have been stripped of vegetation and soil in preparation for mining and areas that have been mined out and backfilled that are awaiting final grading and vegetation are not included in DOGAMI's working definition of active mining cell. The fact that ORC has backfilled significant portions of the mined out areas constitutes concurrent reclamation albeit that reclamation is not complete. As such DOGAMI has determined that ORC has not violated Permit Condition #15 of the DOGAMI Operating Permit # 06-0073.

As noted above, there is no requirement in the DOGAMI Operating Permit # 06-0073 restricting ORC to only operating at a single site at any given time. As long as the total size of the active mining cell is approximately 10 acres or less and backfilling operations are being conducted concurrently with mining operations ORC is not violating permit condition #15 (Operating Permit # 06-0073) even if portions of the active cell are split between two mining sites (i.e. South Seven Devils and West Section 10).

Reclamation Security

Background:

On June 26, 2012 DOGAMI drafted a letter (enclosed) outlining DOGAMI's regulatory position regarding the acreage of the mining related disturbance, the amount of the reclamation security and other issues. On July 24, 2012 ORC drafted a letter (enclosed) responding to the concerns raised in the June 26, 2012 DOGAMI letter. On August 03, 2012 Isaac Sanders of DOGAMI met with representatives of ORC to discuss the issues raised in both DOGAMI and ORC letters referenced immediately above. On August 15, 2012 ORC drafted a letter (enclosed) referencing the meeting with Isaac Sanders of DOGAMI and agreeing to conduct reclamation of all of West Section 10 and significant portions of South Seven Devils by November of 2012.

Response:

DOGAMI is satisfied with ORC's commitment to not expand the existing mining related disturbance beyond the existing 25 disturbed acres (see ORC July 24, 2012 letter) and conduct additional reclamation by November 2012 (see ORC August 15, 2012 letter). DOGAMI is not requiring an increase in the reclamation security at this point. DOGAMI believes the existing reclamation security is adequate to address the existing reclamation liability at this time and would be sufficient to allow DOGAMI to conduct the complete reclamation of the existing 25 acre disturbance and return it to industrial forestry use if need be.

DOGAMI intends on conducting a site inspection of the ORC mining sites within the next 2-3 weeks and that site inspection will include a review of the mining related disturbance, the acreage of the active mining cell, reclamation review and an evaluation of the reclamation security. DOGAMI reserves the right to reconsider the adequacy of the reclamation security at any time based on the actual liability of the mining related disturbance.

Recent Production Slow Down and Staffing Cuts at ORC

DOGAMI was informed directly by ORC that ORC would be slowing down mining operations in an email containing an attachment on September 06, 2012 (email and attachment enclosed). The financial condition of the

company is not directly relevant to DOGAMI's regulatory role since if the company does go bankrupt the existing reclamation security has been deemed adequate to conduct the complete reclamation of the site to industrial forestry.

Oregon Resource Corporations Current Source of Water

DOGAMI does not know where ORC is currently getting water for dust suppression or to what extent water is currently being used or is currently necessary to suppress dust. Please direct inquiries regarding ORC's water use to the local water master; Mitch Lewis, 225 N Adams, Coquille, Oregon 97423. Ph: (541) 396-1905.

Engineering Reports and Pending Approval to Mine North Seven Devils

Permit Condition #3 on ORC's DOGAMI Operating Permit states:

"The Permittee must submit for DOGAMI approval a slope stability analysis for any fills constructed on slopes that are steeper than 3H:1V. The slopes stability analysis must be conducted and stamped by a licensed geotechnical engineer or registered engineering geologist."

Permit Condition #4 on ORC's DOGAMI Operating Permit states:

"The Permittee must not mine the North Seven Devils site prior to DOGAMI approval of a reclamation plan that includes handling of overburden, engineering of fills and reconstructed drainages that are constructed following mining. The plan must be prepared by a certified geotechnical engineer or engineering geologist. Stamped plans must be submitted to DOGAMI for approval prior to mining and the construction must be under the supervision of the engineer. DOGAMI will have final say over where fills need to be engineered. ORC will also need to submit a stamped plan that shows contingencies for repairing slopes and rehabilitating streams should landslides or slumps later occur in areas where engineered fills were constructed. As-built drawings must be submitted to DOGAMI within 90 days of constructing the engineered fills."

On February 6, 2012, DOGAMI received two documents submitted by ORC, "Geotechnical Slope Stability Evaluation Report North Seven Devils Mine, Coos County, Oregon DOGAMI Permit No. 06-0073" and "Drainage Reconstruction Report North Seven Devils Mine, Coos County, Oregon DOGAMI Permit No. 06-0073" by Shannon & Wilson, Inc. (enclosed), as required by DOGAMI Operating Permit 06-0073 conditions #3 and #4. DOGAMI does not have a Certified Engineering Geologist on staff so DOGAMI contracted with our contract Certified Engineering Geologist, Gunnar Schlieder of Geosciences, Inc., to review both of the Shannon & Wilson reports. On February 22, 2012 DOGAMI conducted a site visit of both the South Seven Devils and the North Seven Devils mining sites with Mr. Schlieder and representatives of ORC. Mr. Schlieder concluded his review with a report to DOGAMI on April 8, 2012 (enclosed). DOGAMI responded to ORC with a letter on April 09, 2012 (enclosed) citing the April 08, 2012 Geoscience, Inc. report and denying approval to mine the North Seven Devils based on concerns regarding the plan to mine and reclaim the North Seven Devils site. ORC responded with a letter on April 20, 2012 providing additional information regarding the mining and reclamation plan for North Seven Devils (enclosed). DOGAMI responded with a letter dated May 03, 2012 (enclosed). On May 14, 2012 DOGAMI met with representatives of ORC, Shannon & Wilson, and Geoscience, Inc. to discuss the concerns regarding ORC's plan to mine and reclaim North Seven Devils. On May 22, 2012 ORC drafted a letter (enclosed) requesting that a third party review the plan to mine and reclaim the North Seven Devils site. DOGAMI accepted that request and drafted a June 13, 2012 letter (enclosed) outlining the details of the third party review.

On June 15, 2012 ORC drafted a letter (enclosed) requesting approval to make improvements to Haul Road #1 to improve access to the North Seven Devils site between stations 29+00 and 37+00 as required by permit condition #7 of their DOGAMI Operating Permit which states: "The Permittee must adhere to the haul road plan dated January, 2009." DOGAMI granted approval for the modification of the Haul Road Plan in the June 26, 2012 letter (enclosed) to ORC.

ORC hired Landslide Technology (A Division of Cornforth Consultants) as required by the DOGAMI June 13, 2012 letter of agreement to conduct a third party review of their plan to mine and reclaim the North Seven Devils site. Landslide Technology documented the findings of their review in an August 07, 2012 letter-report. On August 16 ORC drafted a letter and submitted a package of information (enclosed) containing the August 07, 2012 letter-report from Landslide Technology as well as other supporting information. Final DOGAMI approval to mine the North Seven Devils site is pending.

Expansion of the Excavation Area at the West Section 10 Mining Site

DOGAMI did receive a request for a minor expansion of the West Section 10 mining and work area in a February 08, 2012 letter from ORC (enclosed). That request was approved in a February 29, 2012 Inspection Report (enclosed). On April 04, 2012 the Department of the Army, Corps of Engineers (ACOE) issued a letter (enclosed) reminding ORC that any changes and/or modifications to their project would have to be reviewed by the ACOE. After receiving the April 04, 2012 letter from the ACOE, ORC representatives informally informed DOGAMI that they would not be proceeding with implementing the proposed modifications to the West Section 10 site outlined in their February 08, 2012 letter.

Recent Production Slow Down and Staffing Cuts at ORC

The recent announcement of staffing cuts and a production slowdown at ORC are not relevant to DOGAMI's regulatory role in overseeing ORC mining operations. DOGAMI will continue conducting periodic inspections of ORC's mining operations and ensuring that ORC is in compliance with their Operating Permit # 06-0073.

Please contact me at (541) 967-2082 or at vaughn.g.balzer@mlrr.oregongeology.com with any questions.

Sincerely,



Vaughn G Balzer
Natural Resource Specialist
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Enclosures

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