

STATE OF COLORADO

Bill Owens, Governor
Douglas H. Benevento, Executive Director

Dedicated to protecting and improving the health and environment of the people of Colorado

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Colorado Department
of Public Health
and Environment

March 17, 2003

Attention: Patrick Mutz, Mill Manager
Cotter Corp., Canon City Mill
P.O. Box 1750
Canon City, CO 81215-1750

This letter is to acknowledge receipt of the March 3, 2003 inventory provided by Mr. Steve Landau of Cotter. The maximum quantity of tailings and residues listed in the inventory exceeds the maximum quantity authorized on the license in Condition 8.1.

The Department has reviewed License Condition 11.6 and the referenced document: Project Management Reports DJ, DK and SK, Cotter-Colorado-EPA Canon City Milling Facility Total Quality Environmental Management (TQEM) Project Summary Report, November 1995, delineating the overall site decommissioning plan, and the Final Reclamation Plan for the Primary and Secondary Impoundment, June 1995.

This document indicates that Cotter could place up to 1,800,000 cubic yards of additional materials into the primary impoundment after 1995. Based on the Cotter impoundment inventory dated March 3, 2003, it appears that Cotter is within the additional volume parameters specified in the November 1995 (TQEM) Project Summary Report.

However, License Condition 8.1 specifies the maximum authorized quantity (4,000,000 tons of tailings and residues) which can be possessed at any one time by the licensee.

Cotter Corp.

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The Department desires to rectify the inconsistencies between the maximum authorized quantity in Condition 8.1, the quantity of materials currently in the primary and secondary impoundments, and the TQEM report. Please provide your technical analysis and any other needed documents to support an amendment of the current license to correctly specify the maximum amounts of materials authorized for placement into the impoundments.

In addition, Cotter must provide a written description of administrative process controls which will be used by Cotter Corp. to ensure that all future activities at the site are within the inventory limitations specified in the license. Your written response to this letter must be submitted to this Department within thirty (30) days. If you have any questions concerning this letter, please contact Tom Pentecost of this Program, at (303) 692-3078.

/SO/

Tim G. Bonzer

Lead of Compliance

Radiation Management Program

TGB:TP