

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Michelle Lujan Grisham**  
Governor

**Dylan Fuge**  
Deputy Cabinet Secretary

**Albert Chang, Director**  
Mining and Minerals Division



**Certified Mail-Return Receipt Requested**

April 24, 2024

Michael Thompson (Manager)  
Cibola Resources, LLC  
180032 Road G  
Cortez, CO 81321

**RE: Notice of Violation N24-4 Failure to contain fluids within Permit Area, Cebolleta Uranium Exploration, Permit No. CI018EM Operated by Cibola Resources, LLC.**

Mr. Thompson:

During an inspection of the Cebolleta Uranium Exploration, Permit No. CI018EM ("Permit"), conducted on March 22, 2024, the New Mexico Mining and Minerals Division ("MMD") discovered that Cibola Resources LLC is in violation of the New Mexico Mining Act Rules ("Rules") and the Permit, as set forth in the enclosed Notice of Violation ("NOV") N24-4. Pursuant to §19.10.11.1102(B) NMAC, you are hereby notified that NOV N24-4 has been issued to Cibola Resources by MMD, as enclosed, for failure to comply with the Permit, the New Mexico Mining Act, Sections 69-36-1 to 69-36-20 NMSA 1978, and the Rules. Please take special note of the abatement requirements and time frame on page 3 of the NOV. Also, on page 3 of the NOV, read the steps required if you wish to contest the NOV and/or the Preliminary Penalty Assessment or to request a conference. Cibola Resources may provide mitigating compliance information for MMD to determine total final penalty costs (see Attachment C for preliminary penalty assessment).

To abate the NOV N24-4, Cebolleta must, within 30 days:

Provide a Corrective Action Work Plan to include a radiological survey over the breeched areas.

If you have any questions, please contact me at (505) 372-8634 or by email at david.ennis@emnrd.nm.gov.

Sincerely,

DJ Ennis, Program Manager  
Mining Act Reclamation Program ("MARP")

Enclosures: Notice of Violation N24-4  
Attachment A: *Inspection Report Dated March 22, 2024*  
Attachment B: *NOV Preliminary Penalty Assessment*

Notice of Violation N24-4, Failure to contain fluids within the Permit Area

Cebolleta Uranium Exploration, Permit No. CI018EM

April 22, 2024

Page 2 of 2

cc: Albert Chang, Division Director, MMD  
Samantha Rynas, Permit Lead, MMD/MARP  
Gabriel Wade, Assistant General Counsel, EMNRD  
Robert Newcomer, Consulting Geologist for Cebolleta Resources  
Anne Maurer, Mining Act Team Lead, NMED  
Susan Lucas-Kamat, Program Manager Point Source Regulation Section, NMED

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
Mining and Minerals Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505  
(505) 476-3400

NOTICE OF VIOLATION NO.: N24-4

To the Following Permittee or Operator:

Name: Cibola Resources LLC ("Permittee")

Persons Served with Notice: Michael Thompson, Manager of Cibola Resources

Mine and Permit No.: Cebolleta Uranium Exploration Project, Permit No. CI018EM

Mailing Addresses: 18032 Road G Cortez, CO 81321

Date of Inspection: March 22, 2024

Time of Inspection: From: 11:00AM to: 1:30PM

Notice of Violation ("NOV") for:

- 1. Failure to contain fluids produced during exploration activities within the Permit Area.**
- 2. Failure to implement Best Management Practices (BPM's) to prevent spill prevention and direct impact to ephemeral watercourses.**
- 3. Failure to properly collect and/or dispose of drill cuttings.**

Under the authority of the New Mexico Mining Act ("Act"), Sections 69-36-1 to 69-36-20 NMSA 1978, the Director of the Mining and Minerals Division ("Director") has determined that the above operation is in violation of the Act, the New Mexico Mining Act Rules ("Rules") or required permit condition(s) listed on pages 2. Permittee must abate this violation within the designated abatement time below. This NOV shall remain in effect until a final order has been issued by the Director resolving the NOV. The time for abatement may be extended by the Director for good cause, if a request is made by the Permittee before the end of the abatement period. Cibola Resources may provide mitigating compliance information for the New Mexico Mining and Minerals Division ("MMD") to determine total final penalty costs (see Attachment C for preliminary penalty assessment).

Abatement Required within 60 days of service of NOV:

Provide a Corrective Action Work Plan to include a radiological survey of any surficial drill cuttings, breached areas, and the drill pad locations compared to background levels.

## NOTICE OF VIOLATION NO.: N24-4

### Nature of the NOV:

This NOV addresses activity related to the Cebolleta Uranium Exploration Project, Permit No. CI018EM (“Permit”), situated upon private lands located 4.7 southeast of Seboyetta, New Mexico (No township and range data available for site as it is located in an unplatted section of the Cebolleta Land Grant).

During a site inspection conducted on March 22, 2024, MMD staff found that Cibola Resources is in violation of the Permit when Staff observed run-off of drilling related material/fluids that extended beyond drill pads at seven (7) drill pad locations.

The following violation was discovered:

**Permittee failed to contain all drilling related material/fluids within their Permit Area. Improper disposal of drill cuttings, as well as lack of implementing BMP’s (such as berms and water bars) contributed to the Permittee violating the Permit.**

More details are included in the MMD inspection report dated March 22, 2024 (Attachment B).

### Provisions of the Permit Violated:

1. **Section 10.I.** The Permittee shall implement erosion-control measures, or Best Management Practices (BMP’s), in a manner that prevents direct impacts to surface water and ephemeral watercourses that are designed, constructed and maintained using professionally recognized standards (e.g., Natural Resource Conservation Service Standards, or the BLM *Gold Book*) for surface disturbances during the exploration project and reclamation activities as needed for erosion control, spill prevention and the avoidance or damage to ephemeral watercourses in the area. Placement of water bar structures or other appropriate measures should be taken to reduce head-cutting adjacent to roads and to prevent roadways from channelizing surface flow.
2. **Section 10.O.** Any water, drill cuttings, mud and drilling additives, and/or fluids produced from the exploration boreholes, shall be contained entirely within the Permit Area at all times. Mud pits, disposal pits, sumps, or above ground tanks shall be sized to contain the calculated volume of drill cuttings and all drilling fluids and any produced water, while still providing a substantial freeboard or emergency storage capacity.
3. **Section 10.Q.** Any drilling locations that are situated directly upon bedrock, or otherwise lacking sufficient soil depths necessary for adequate mud pit construction, shall discharge into portable, above-ground tanks that are sized to fully contain all drilling-related fluids. Discharge of this water, or any drilling fluids, to the ground surface or to an ephemeral watercourse (Waters of the U.S.), may be a violation of the Clean Water Act and is prohibited. All drilling cores and any excess drill cuttings shall be collected and disposed of properly.

**Notice of Opportunity to Respond and Request Conference pursuant to §19.10.11.1104 NMAC**

1. Effective Date: This NOV and proposed penalty assessment is effective upon service pursuant to §19.10.11.1102(D)(1) NMAC.
2. Submittal of Written Information: The permittee may submit written information about the alleged violation to the Director who issued the NOV or Cessation Order. The Director shall consider any information so submitted in determining the facts surrounding the alleged violation and the amount of the penalty.
3. Informal Conference: A Permittee who receives a NOV, Cessation Order or a proposed penalty assessment may request a conference for a review of the Director's action by submitting a written request to the Director within 15 days from the date of service. A request for conference does not operate as a stay of the Director's action, the NOV or Cessation Order are still in effect. To arrange a conference, Permittee must inform the Director of the request in writing, at:

**Director, Mining and Minerals Division  
Energy, Minerals and Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505**

The Director may assign a conference officer to preside. The conference will be informal in nature and not be governed by the rules of evidence. The conference shall be held within 30 days from the date of issuance of the notice of violation or proposed penalty assessment, unless the Director grants an extension for good cause shown. Within 30 days after the conference, the Director shall serve the Permittee with an order affirming, modifying, or vacating the violation or the penalty pursuant to §19.10.11.1102(D) and §19.10.11.1111 NMAC.

4. Appeals: If a conference is held, an appeal to the New Mexico Mining Commission ("Commission") must be made within 60 days after the Director's Order pursuant to §19.10.11.1111(B) and §19.10.14.1417 NMAC. If no conference is held, an appeal to the Commission must be made within 60 days after service of the NOV or Cessation Order or shall become final pursuant to §19.10.11.1102(D)(3) and §19.10.14.1417 NMAC.
5. Penalty Assessment: All penalties must be paid within 30 days after the penalty assessment if no conference is requested, or 30 days after issuance of the Director's Order affirming or modifying a penalty following a conference. The Director shall review each NOV or Cessation Order in accordance with the assessment procedures, described in §19.10.11 NMAC to determine whether a civil penalty will be assessed, the amount of the penalty, and whether each day of a continuing violation will be deemed a separate violation for purposes of the total penalty assessed. The Director shall serve a copy of the proposed penalty and of the worksheet showing the computation of the proposed penalty on the Permittee, by certified mail, no later than 30 days after the date set for abatement of the violation.

By: *Albert Chang*  
Albert Chang, Director  
Mining and Minerals Division  
Energy, Minerals and Natural Resources Department

Date: 4/25/2024

## Attachment A

March 22, 2024 Cebolleta Uranium Exploration Inspection Report

**MINING INSPECTION REPORT**  
**Cebolleta Uranium Mine Exploration**  
**Permit #: CI018EM**  
**Date of Inspection: March 22, 2024**

**OVERVIEW**

**Name of Operator:** American Future Fuel Corporation

**Commodity:** Uranium

**INSPECTION DETAILS**

**Purpose of Inspection:** Reclamation Release – Follow up **Weather Conditions** Sunny/70's

**Lead Inspector:** Samantha Rynas

**Present During Inspection:** Carmen Rose *MMD*, Ron Kellermueller *Game and Fish*

**Time:** On-Site: 4 Permit Review: 1 Travel: 5 Report Writing: 6

**TOTAL INSPECTION TIME: 16 Hours**

**ACCESS NOTES:**

Click or tap here to enter text.

**PERMIT UPDATE**

Operator requesting release of surface disturbance for drilled sites for “rolling” surface disturbance over to secondary project. This follow up inspection was done to confirm disturbance boundaries.

**INSPECTION NARRATIVE AND PHOTOS**

Walked the north sections first then went to the south section. While the inspection started as a confirmation on permit boundaries, some evidence of the presence of “run-off” material that appeared to be drilling fluid was observed. The inspection also began documenting the presence of possible run off throughout the drill pads.

Overview map for reference (figure 3 from amended permit):

**MINING INSPECTION REPORT**  
**Cebolleta Uranium Mine Exploration**  
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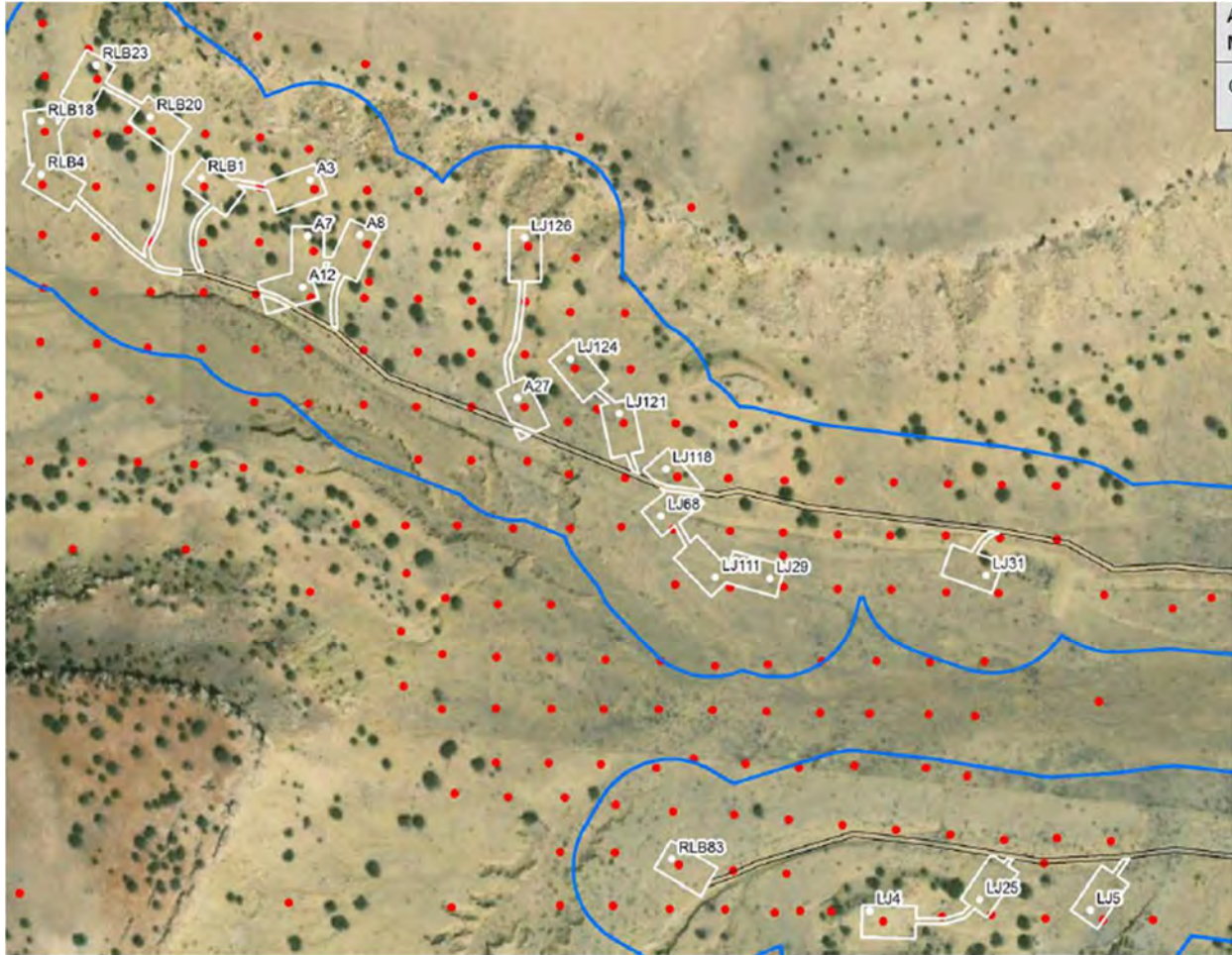


FIGURE 1 AREA MAP, FIGURE 3 FROM AMMENDED APPLICATION

**North Sections:**

LJ31: While at this first drill pad, inspectors noticed grey run-off coming from the drill pad. Run off drained south off the pad for ~ 100ft. See photos below. Additionally, there was an extra overland road from LJ31 to LJ29 which was not approved. However, it appeared that the root masses were still intact, indicating that this road was used as an overland travel route and had been reseeded as part of reclamation (Fig 7 & 8). Desktop review – this sheet flow extended approx. 187 feet from the drill pad.



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**FIGURE 2 LOOKING SOUTHEAST OFF THE DRILL PAD, AS THE MUD FLOWED**



**FIGURE 3 CARMEN AND RON STANDING IN THE MUD AREA OFF THE DRILL PAD, LOOKING SOUTHEAST**



**FIGURE 4 MUD IN GRASS**



**FIGURE 5 RON WALKING BACK TO THE DRILL PAD, MUD VISIBLE**

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**FIGURE 6 POINT TO POINT MEASUREMENT OF MUD FLOW OBSERVED**



**FIGURE 7 BLUE ARROW POINTS TO OVERLAND SEEDING, FROM LJ31**



**FIGURE 8 ROAD LOOKING TO LJ297**

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LJ29/ LJ111/ LJ68: Area of “drill pads” were observed as having additional soil disturbance/drill seeded. Area still had plants present with roots in the soil.

LJ118/LJ121/LJ124: No additional notes for these drill pads.

LJ126: This drill pad, it was noted, had a significant amount of what appeared to be drilling fluid flow down into a deep drainage that flows to the south from the west side of the pit. A video was taken showing the extent of the spill and is located in the electronic file. Desktop review - flow went approx. 40ft.



FIGURE 9 LOCATION OF DRAINAGE



FIGURE 10 LOOKING DOWN DRAINAGE TO THE SOUTH

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**FIGURE 11 MUD IN ARROYO**



**FIGURE 12 MUD IN ARROYO**

A27: Mud was observed as having flowed from drill pad area on to and then down the road.



**FIGURE 13 LOOKING SOUTH FROM DRILL PAD A27**



**FIGURE 14 LOOKING EAST FOLLOWING FLOW**

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**FIGURE 15 MUD DRAINING DOWN AWAY FROM DRILLPAD TO THE ROAD (A27)**

A8: Site had drilling fluid leaving the drill pad into a smaller drainage, ~30feet down.

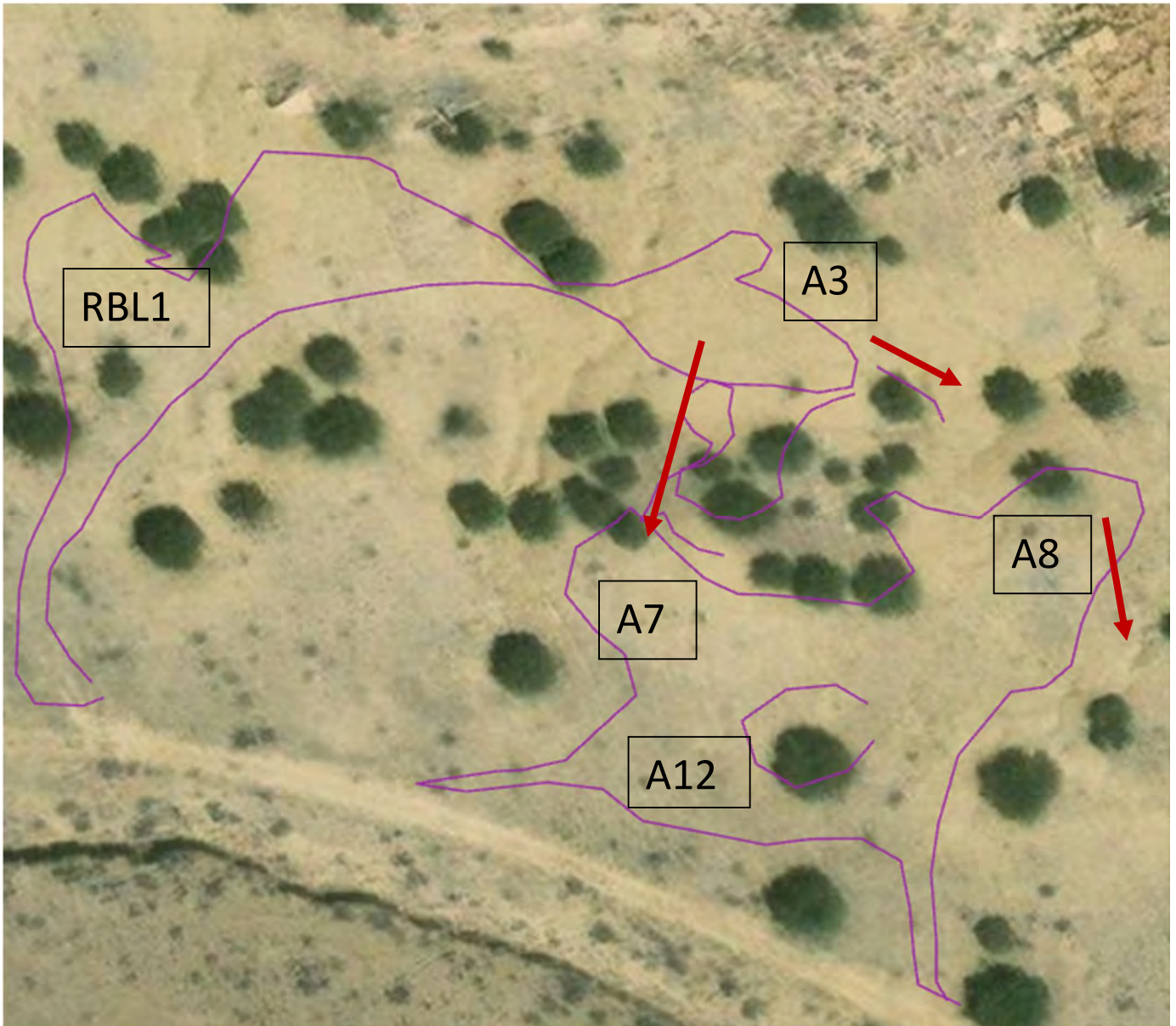


**FIGURE 16 ENTRY OF FLOW INTO THE DRAINAGE OFF DRILL PAD A8**



**FIGURE 17 MUD IN THE ARROYO**

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**FIGURE 18 RED ARROWS SHOW OBSERVED DRILLING FLUID FLOW DIRECTION OFF DRILL PADS**

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A12/A7: No additional notes.

A3: Large quantities of crusted drilling fluid present on the south side of the drill pad. The mud flowed through the rocks and extended all the way to the drill pad below (A7).



FIGURE 19 MUD VISIBLE IN ROCKS, LOOKING INTO A7 DRILL PAD TO THE EAST



FIGURE 20 LOOKING UP/NORTH FROM A7 TO A3, MUD IN ROCKS

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**FIGURE 21** LOOKING DOWN THE ROCKS FROM A3



**FIGURE 22** POSSIBLE CUTTINGS PILE ABOVE ARROYO



**FIGURE 21B** CLOSE UP OF FLUID IN THE DRAINAGE.



**FIGURE 23** LOOKING OFF A3, VISIBLE GREY COLOR DROPPING INTO ARROYO



**FIGURE 24** DOWN IN THE ARROYO, LOOKING UP, GREY MATERIAL VISIBLE IN DRAINAGE, OFF DRILL PAD A3



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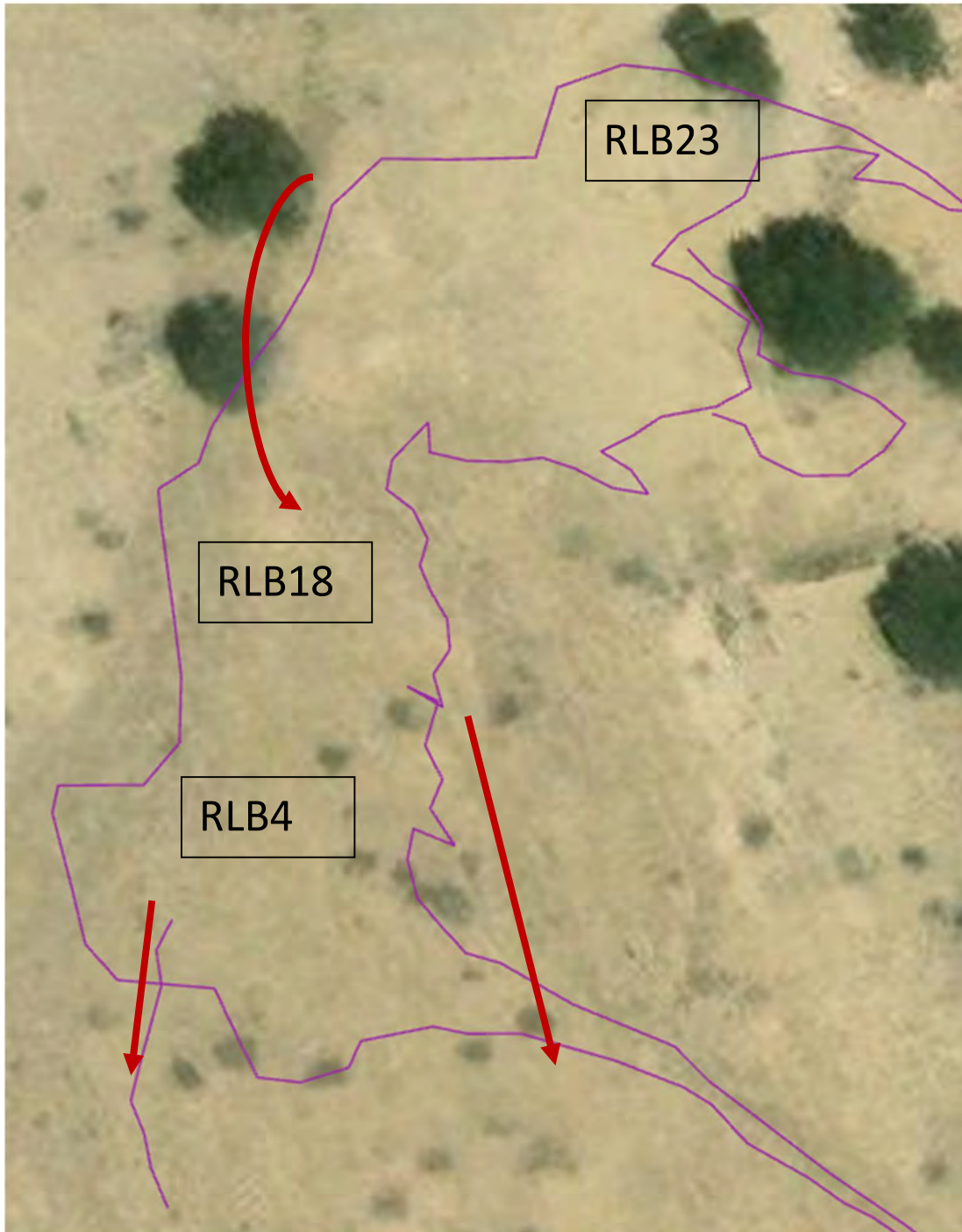


FIGURE 25 RED ARROWS SHOW FLOW DIRECTIONS.

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**FIGURE 26 MUD FLOW VISIBLE AROUND THE BASES OF BOTH GROUPS OF TREES, LOOKING SOUTH, (3) PHOTOS BELOW ARE CLOSE UPS OF THE SAME AREA.**



**FIGURES 26A/B/C; MUD FLOWS AROUND TREES**

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**FIGURE 27 LOOKING UP FLOW TO THE NORTH**



**FIGURE 28 POSSIBLE CORE LAY DOWN AREA, VISIBLE BANDING NEAR RLB18**



**FIGURE 29 BOTTOM OF FLOW COMING OFF OVERLAND FROM RLB4, LOOKING SOUTH**



**FIGURE 30 MUD MIXED INTO CACTUS BASE**

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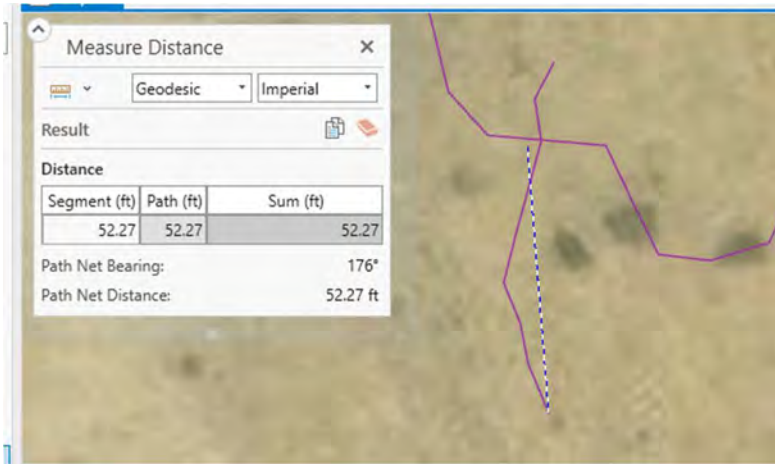


FIGURE 31 DISTANCE MUD FLOWED FROM THE DRILL PAD FOR RLB4



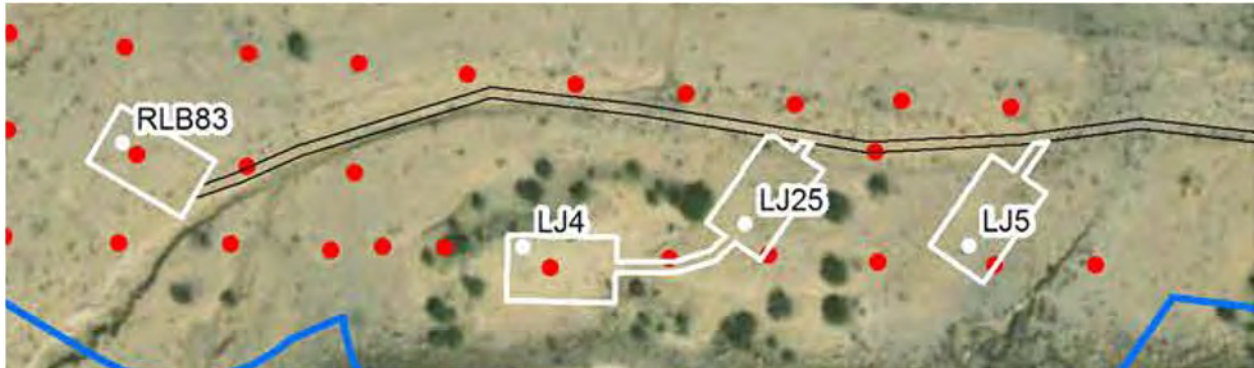
FIGURE 32 FLOW COMING DOWN OFF RLB4 AREA



FIGURE 33 FLOW COMING DOWN NEAR RLB18

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**Date of Inspection: March 22, 2024**

South Sections:



*Notes below are from right to left.*

LJ5/LJ25: Observed possible area where core was laid out. Appeared to have the same gradient of soil to shale layering visible



FIGURE 34 POSSIBLE CORE LAY DOWN AREA



FIGURE 35 POSSIBLE CORE LAYDOWN AREA

“LJ4” – Not checked on this inspection.

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RLB83: Walked the area of disturbance, which was large for one drill pad.



**FIGURE 36 RLB83 DRILL PAD**

**General comments:** Significant amounts of what appeared to be drilling fluid at the surface was noticed during the 3/5/24 inspection and triggered a second inspection on 3/22/24 for a more in-depth evaluation. When re-walking the perimeters it became clear that most drill pads had large amounts of grey, discolored material on the soil surface that appeared to flow from these areas. Some mud flowed into drainages/arroyos and some across the road. Some areas had extra drill seeding, but plants with established roots still existed so areas won't be counted as additional disturbance (for example the road between LJ31 and LJ29).

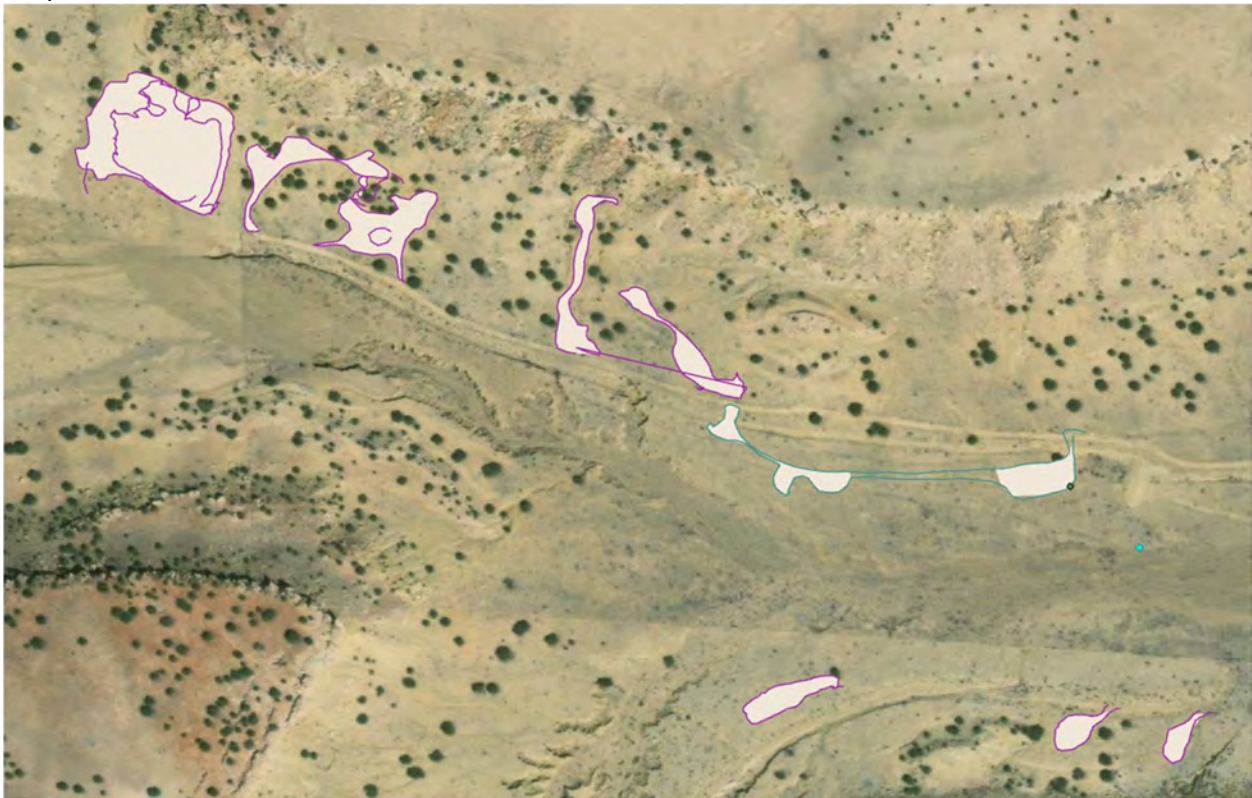
**Total Disturbance from ACRGIS project:**

Location	Acreage	Object
LJ5	0.085897294	1
LJ25	0.113231889	2
RLB83	0.18747265	3
LJ121/124	0.238578831	4
A27/LJ126	0.256016214	5
A12/7/8	0.354627341	notes: object 6 - object 7
RLB1/A3	0.302515847	8
RLB4, 18, 23, 20	0.583485196	notes: object 10 - object 9

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LJ68, 111, 129	0.199674649	12
LJ13	0.221123674	13
<b>TOTAL:</b>	<b>2.542623587</b>	

Map of Disturbance:



**ACTION ITEMS**

Calculate disturbance (attached), review permit conditions, meet with operator to discuss.

**ENFORCEMENT ACTIONS TAKEN OR TO BE CONSIDERED**

Possible NOV for not containing fluids/mud within Permit Area boundaries.

**INSPECTOR'S SIGNATURE:**     Samantha Rynas         **DATE:**     4/10/2024

Attachment B

NOV N24-4 Preliminary Penalty Assessment



