

**BEFORE THE DIRECTOR OF THE MINING AND MINERALS DIVISION
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
IN THE MATTER OF SOUTHWEST RESOURCES, INC.'s APPLICATION FOR
A MINIMAL IMPACT NEW MINING OPERATIONS PERMIT FOR THE SECTION 11/12
MINE, AMBROSIA LAKE, NEW MEXICO**

**DIRECTOR'S ORDER WITH FINDINGS OF FACT AND
CONCLUSIONS OF LAW**

THIS MATTER having come before the Director ("Director") of the Mining and Minerals Division ("MMD"), of the Energy, Minerals and Natural Resources Department, of the State of New Mexico, upon submittal by Southwest Resources, Inc. ("SRI") of an Application for a Minimal Impact New Mining Operations Permit ("Application") to continue mining operations within Section 11 and 12, T14N, R10W, at Ambrosia Lake, New Mexico ("Section 11/12 Mine"),

The Director, having considered the Application and associated documentation, having reviewed the MMD files and being otherwise fully advised in the premises now enters the following Findings of Fact, Conclusions of Law and Order:

FINDINGS OF FACT

1. On March 8, 2013 SRI submitted an Application for a Minimal Impact New Mining Operation for the inactive Section 11/12 Mine, an underground uranium mine.
2. The Section 11/12 Mine is located in Sections 11 and 12, T14N, R10W, McKinley County, New Mexico, in the Ambrosia Lake Mining District. The Section 11/12 Mine was operated by Cobb Resources, the predecessor operator in interest for the Section 11/12 Mine to SRI, from 1974 to 1982.
3. The surface and mineral estates at the Section 11/12 Mine are private and now are owned by SRI.
4. Upon review of the Application, the Director determined that the Section 11/12 Mine is an "existing mining operation" pursuant to 19.10.1.7.E(2) NMAC. This finding is based on (i) the 1974 to 1982 dates of operation reported in the Application, as well as (ii) a July 1, 1981 article in *Inc.* magazine that reported volume uranium production from the Section 11/12 Mine from 1978 through 1980.
5. Review of the Application further revealed that the existing mining operation does not qualify as a "minimal impact existing mining operation" pursuant to 19.10.3.303.A NMAC. This finding is based on (i) the stated intention within the Application to continue mining operations upon permit approval, and (ii) the existing mining operation has resulted in disturbance of more than 10 acres of land, excluding permanent roads. The Application states that 15 acres are to be disturbed. However, the Director determined that additional disturbed acreage associated with a diversion ditch and berm that was constructed to divert surface runoff away from Ambrosia Lake and the Section 11/12 Mine results in a total existing disturbance of approximately 18 acres.

6. An existing mining operation that does not meet the requirements of a minimal impact existing mining operation, must otherwise be considered a 19.10 Part 5 NMAC existing mining operation.
7. SRI, as the successor operator in interest for the Section 11/12 Mine, has not met the timing of submittal and deadline for obtaining approval of permit application requirements for an existing mining operation pursuant to 19.10.5.501 NMAC.

CONCLUSIONS OF LAW

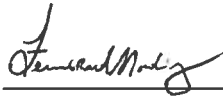
1. The Application for a Minimal Impact New Mining Operation for the Section 11/12 Mine, dated March 8, 2013 does not meet the requirements of the Mining Act and 19.10 NMAC and must therefore be denied.
2. SRI is currently not in compliance with the 19.10.5.501 NMAC requirements for submitting an application and obtaining MMD approval of a permit for the Section 11/12 Mine.
3. In order to continue mining operations at the Section 11/12 Mine, submittal of a permit application and closeout plan by SRI that meets the requirements of 19.10.5 NMAC is required.
4. In lieu of MMD initiating an enforcement action against SRI as the successor operator of the Section 11/12 Mine for failure to comply with 19.10.5.501 NMAC, the abatement for which would be to apply for the appropriate permit, and because SRI has voluntarily begun the permitting process, the interests of administrative economy will best be served by SRI directing its resources toward the permitting of the Section 11/12 Mine as an existing mining operation pursuant to Title 19 Chapter 10 Part 5 NMAC.

ORDER

NOW, therefore it is hereby ordered that:

1. The Application for a Minimal Impact New Mining Operation for the Section 11/12 Mine, dated March 8, 2013 does not satisfy the requirements of the Mining Act and 19.10 NMAC and is denied.
2. SRI shall submit to MMD a permit application and closeout plan for the Section 11/12 Mine, no later than December 20, 2013, in accordance with the requirements of Title 19 Chapter 10 Part 5 NMAC.
3. Upon notice from MMD that the Section 11/12 Mine closeout plan is approvable, but prior to permit issuance, SRI shall provide a financial assurance proposal pursuant to 19.10.12 NMAC.
4. Should SRI fail to meet the deadlines prescribed by this Order, MMD may initiate formal enforcement proceedings against SRI under the Mining Act.

By Order of the Director of the Mining and Minerals Division



Fernando Martinez

10/22/2013

Date