



**Via Email and U.S. Mail**

December 16, 2011

Mr. Steve Tarlton  
Manager  
Radiation Management Unit  
Hazardous Materials and Waste Management Division  
Colorado Department of Public Health and Environment  
4300 Cherry Creek Drive South  
Denver, Colorado 80246-1530

Subject: Colorado Department of Public Health and Environment (CDPHE)  
Letters on Soil Remediation Plan

Dear Mr. Tarlton:

On December 14, 2011, you requested that Cotter Corporation (N.S.L.) ("Cotter") provide CDPHE with a letter by December 16, 2011 committing to submit to CDPHE by no later than December 31, 2011 a schedule for preparation of a soil characterization and remediation plan for license termination purposes. On December 15, 2011 you have further requested an onsite conceptual characterization plan by December 19, 2011. Although Cotter is willing to prepare such documents, we believe that further discussion between Cotter and CDPHE is necessary regarding the standards for soil remediation applicable to the Cañon City Mill Site (the "Site") cleanup. Agreement on the applicable standards prior to preparation and submittal of the remediation plan is critical, as the remediation standards necessarily drive the extent of the soil remediation requirements as well as the schedule and the contents of the remediation plan.

We question the need for such information by December 2011 in light of Edgar Ethington's statement, via email dated November 1, 2011, that remedial excavation of soils based on radium content prior to performing the soil and groundwater investigation "seems prudent." Mr. Ethington suggested that radium contaminated soils removal would occur first in a section of the Site, and then soil and groundwater characterization would be performed in that section. Cotter does not expect to have large areas excavated to the radium standard until late next year, and is unclear when final excavation will be completed. It is difficult, therefore, to present now a definitive timetable for soil characterization and remediation.

As to the issue of what soil remediation standards apply to the Site, the CDPHE letters dated May 13, 2011 ("May 13 Letter") and October 17, 2011 ("October 17 Letter") reflect conflicting direction and guidance on this issue. It appears that compliance with the standards set forth in the May 13 Letter would not meet the standards reflected in the October 17 Letter. It is Cotter's position that the May 13 Letter standards should apply to the Site, as those standards are consistent with both the Radioactive Materials License ("RML") requirements and the requirements of the parties' federal Consent Decree. If CDPHE desires to change the applicable soil remediation standards in a way that differs from the RML and Consent Decree, as it appears from the October 17 Letter, further meetings are needed to resolve these differences and reach

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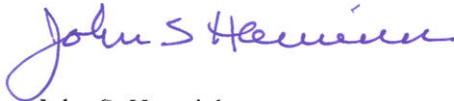
agreement before Cotter proceeds with preparation of the soil characterization and remediation plan.

Cotter has conducted a preliminary analysis of the consequences of implementing the standards set forth in the October 17 Letter. This analysis suggests that the uninformed imposition of those standards at this Site will result in unwarranted, unnecessary and excessively costly cleanup with no benefit to citizens and the environment. Moreover, our preliminary analysis shows that the gamma level, that demonstrates compliance with a one in ten thousand cancer risk for an industrial worker, is 13 microR per hour (including background). Cotter has identified several natural outcrops in and around the mill that have natural radiation levels substantially higher than 13 microR per hour. As such, it is our opinion that a wholesale imposition of the October 17 Letter standards at the Site would likely result in overall environmental degradation at the Site, as Cotter would effectively be required to disturb and remove substantial quantities of soil that contain background levels of natural constituents.

Rather than present the results of the preliminary analysis in detail in this letter, Cotter requests a meeting with CDPHE to provide the complete results of Cotter's analysis and to discuss resolution of these matters. Cotter commits to provide a schedule for a soil characterization and remediation plan once these matters have been resolved. As such, Cotter requests an extension to the December 19, 2011 due date of the on-site conceptual characterization plan until after radium contaminated soils have been excavated.

If you have any questions, please contact me at 719-275-7413 (ext. 202).

Sincerely yours,



John S. Hamrick  
Vice President, Mill Operations