

STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Brian Sandoval, Governor

Leo M. Drozdoff, P.E., Director

Colleen Cripps, Ph.D., Administrator

March 17, 2011

Paul Huet
General Manager
Rodeo Creek Gold, Inc.
P.O. Box 2610
Winnemucca, Nevada 89446

**Re: NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER NO. 2297
CLASS I AIR QUALITY OPERATING PERMIT AP1041-1298.01 (FIN A0006)**

Dear Mr. Huet:

On March 1, 2011, the Nevada Division of Environmental Protection, Bureau of Air Pollution Control (NDEP-BAPC) and Rodeo Creek Gold, Inc. (Rodeo Creek) held an enforcement conference to discuss Rodeo Creek's failure to comply with Class 1 Air Quality Operating Permit AP1041-1298.01.

On December 7 and 8, 2010, Rodeo Creek conducted and failed a source test on System 2. Failure to comply with permit requirements represents air quality violations under **NRS 445B.275 Violations: Acts Constituting; Notice.**

The attached Notice of Alleged Air Quality Violation and Order (NOAV) No. 2297 alleges that Rodeo Creek is in violation of **NRS 445B.470 Prohibited Acts; penalty; establishment of violation; request for prosecution.** 1. A person shall not knowingly: (a) Violate any applicable provision, the terms or conditions of any permit or any provision for the filing of information; required pursuant to the provisions of NRS 445B.100 to 445B.450, inclusive, or 445B.470 to 445B.640, inclusive, or any regulation adopted pursuant to those provisions. As required by NRS 445B.450, the Director shall issue a written notice of an alleged violation to any owner or operator for any violation, including, but not limited to:

(c) Failure to construct or operate a stationary source in accordance with any condition of an operating permit.

NOAV No. 2297 constitutes a major violation under **NAC 445B.281 Violations: Classification; administrative fines.** NOAV No. 2297 is the second issued to Rodeo Creek in over 60 months.



Rodeo Creek Gold, Inc.

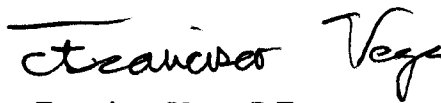
March 17, 2011

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An appeal of NOAV No. 2297 may be requested pursuant to **Nevada Revised Statutes (NRS) 445B.360** and SEC administrative rules. A copy of SEC Appeal Form #3 is enclosed. Appeals must be received within 10 days of receipt of this notice, pursuant to **NRS 445B.340**. Appeals are processed through John Walker, the Executive Secretary for the SEC, at 901 South Stewart Street, Suite 4001, Carson City, Nevada, 89701-5249. Mr. Walker can be reached at 775-687-9308, or by fax at 775-687-5856. Please provide me with a copy of any correspondence your company may have with the SEC.

If you have any questions please call me at 775-687-9343.

Sincerely,



Francisco Vega, P.E.
Supervisor, Compliance and Enforcement Branch
Bureau of Air Pollution Control

FV/rc

Enclosures: 1. Notice of Alleged Air Quality Violation and Order No. 2297
2. SEC Appeal Form #3

cc (w/enc. 1): John Walker, SEC
Teresa Conner (Rodeo Creek)
Francisco Vega, NDEP
FIN A0006 (Certified Copy)

Route to (w/enc. 1): Michael Elges, NDEP
Larry Kennedy, NDEP

Certified Mail No.: 7009 3410 0000 1454 5256

STATE OF NEVADA
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL PROTECTION
BUREAU OF AIR POLLUTION CONTROL
901 SOUTH STEWART ST., SUITE 4001
CARSON CITY, NEVADA 89701-5249

NO. 2297

NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER

NOTICE OF ALLEGED AIR QUALITY VIOLATION

Person(s) to Whom Served: Paul Huet

Company Name: Rodeo Creek Gold, Inc.

Address: PO Box 2610, Winnemucca, NV 89446

Permit Number: AP1041-1298.01

FIN: A0006

Site of Alleged Violation: Rodeo Creek Gold, 9 miles South of SR 18 and 15 miles Southeast of Midas

Date of Observation: 12/7/2010

Arrival:

Departure:

Ambient Temperature: Not Taken °F

Clear:

Cloudy: x

Rain:

Snow:

Wind Speed: Not Taken mph

Wind Direction: Not Taken

It is alleged that the following regulation was violated by the person named in this notice:

NAC 445B.275 Violations: Acts constituting; notice. 1. Failure to comply with any requirement of NAC 445B.001 to 445B.3791, inclusive, any applicable requirement or any condition of an operating permit constitutes a violation. As required by NRS 445B.450, the Director shall issue a written notice of an alleged violation to any owner or operator for any violation, including, but not limited to:

(c) Failure to construct or operate a stationary source in accordance with any condition of an operating permit.

It is alleged that the following act or practice constitutes the violation:

Failed compliance source tests.

Evidence:

Rodeo Creek Gold, Inc. (Rodeo Creek) operates an underground gold mine, near Midas in Elko County, Nevada, under Class I Air Quality Operating Permit AP1041-1298.01. Class I Air Quality Operating permit AP1041-1298.01 was issued by the Nevada Division of Environmental Protection, Bureau of Air Pollution Control (NDEP-BAPC) on September 26, 2008.

As required by Class I Air Quality Operating permit AP1041-1298.01, Rodeo Creek is required to conduct source testing annually on their two diesel fired generators (Systems 1 and 2). These systems were last source tested on October 20 and 21, 2009. Rodeo Creek demonstrated compliance with Class I Air Quality Operating permit AP1041-1298.01 for both generators during this testing program.

On December 7 and 8, 2010, Rodeo Creek conducted source testing on Systems 1 and 2. Staff from NDEP-BAPC was on-site to observe the source testing. During the source testing for generator #2 it was observed that the Carbon Monoxide (CO) emissions were extremely high and exceeding the permitted emission limit of 5.14 lb/hr. While investigating the high CO emissions it was found that the fuel consumption rate of the generator was at 128 gal/hr, which exceeded the permitted limit of 109.7 gal/hr. The reason for the excessive the fuel consumption rate was that Rodeo Creek was trying to comply with the requirement that testing be conducted within 10% of 100% peak (or the highest achievable) load (40 CFR 60.4213(a)).

NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER NO. 2297

Evidence (cont.)

Once the excessive fuel rate was pointed out, Rodeo Creek brought the fuel consumption rate down to approximately 108 gal/hr. This resulted in a load of about 80% on the generator. Even at this load, the CO emission rate was still in exceedance of the permitted emission limit. Rodeo Creek was instructed to complete the source testing at the permitted fuel consumption rate of 109.7 gal/hr. Final source test results were received on January 25, 2011. Results showed that the CO emission rate was 14.6 lb/hr, with a load of 1,599 kW/hr (79.95% of max) and fuel consumption rate of 111 gal/hr (101.18% of permit limit). The CO emission rate was 280% higher than the permitted amount of 5.14 lb/hr.

After the source test it was discovered that the CO catalyst had failed. A new catalyst was ordered and installed. A retest was conducted on January 18, 2011. Final source test results were received on February 2, 2011. Results from the retest showed that the CO emission rate was 0.79 lb/hr (15.36% of permit limit) with a corresponding load of 1,373 kW/hr (68.65% of max) and a fuel consumption rate of 101 gal/hr (92.07% of permit limit).

In accordance with NAC 445B.281 Violations: Classification: administrative fines, exceeding a permitted emission limit constitutes a major violation. Notice of Alleged Air Quality Violation and Order (NOAV) No. 2297 represents Rodeo Creek's second air quality violation in the last 60 months.

ORDER

Under the authority of NRS 445B.100 to 445B.640, inclusive, the person named in this notice is ordered:

_____ To pay the following administrative fine in accordance with 445B.281.1: \$ _____

To take corrective action: Conduct regular maintenance and inspections on the generators and comply with all emission limits.

_____ To appear for a hearing before the Environmental Commission at:
Date: _____ Time: _____

_____ To appear for an enforcement conference at:
Date: _____ Time: _____

_____ This notice is a warning.

Signature Francisco Vega
Issued by: Francisco Vega
Supervisor
Compliance and Enforcement Branch

Phone: 775-687-9343 Date: March 17, 2011

FV/rc

CERTIFIED MAIL No.: 7009 3410 0000 1454 5226

This order becomes final unless appealed within ten (10) days after receipt of this notice or ten (10) days after a required enforcement conference. The person named in this order may appeal this notice by submitting a written request for a hearing to the Chairman of the Environmental Commission, 901 South Stewart Street, Suite 4001, Carson City, Nevada 89701-5249. An administrative fine may be levied by the Environmental Commission of not more than \$10,000 per day of violation.

FORM # 3
FORM FOR REQUESTING AN APPEAL HEARING
BEFORE THE NEVADA STATE ENVIRONMENTAL COMMISSION

1. Name, address, telephone number, and signature of applicant:
Name: _____
Address: _____
Telephone: _____
Signature: _____
Representative Capacity (if applicable): _____
2. Specify type of applicant: Individual, Partnership, Corporation, or Other: _____
3. Other person or persons authorized to receive service of notice: _____
4. Complete description of the business or activity and the location of the activity involved in the request: _____

5. Nature of the appeal and grounds thereof: _____

6. Section or sections of the State Air Quality Regulations, Water Pollution Control Regulations, Hazardous Waste Regulations, Solid Waste Management Regulations, or NRS section involved in the appeal: _____

7. Approximate time in hours and minutes necessary for delivery of oral testimony and reading of prepared statements as admissible evidence to be entered in the record: _____

Date of Request _____

Send Form To: John Walker, State Environmental Commission, 901 South Stewart Street, Suite 4001
Carson City, Nevada 89701-5249 (Fax 775-687-5856)