

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

February 3, 2011

Gregory G. Austin, President
Saga Exploration Co. Barth Iron Mine
P.O. Box 6479
Reno, NV 89513

Re: Notice of Alleged Air Quality Violation No. 2296

Dear Mr. Austin:

On February 3, 2011 the Nevada Division of Environmental Protection, Bureau of Air Pollution Control (NDEP) and Saga Exploration Co. (Saga) held an enforcement conference to discuss Saga's alleged failure to apply for and obtain an operating permit. Based on the information presented during the conference the NDEP determined that issuance of Notice of Alleged Air Quality Violation and Order (NOAV) No. 2296 was warranted. The failure to apply for and obtain an operating permit represents an air quality violation under **NAC 445B.275 Violations: Acts constituting; notice** (see below).

The attached NOAV No. 2296 alleges that Saga is in violation of **Nevada Administrative Code (NAC) 445B.275 Violations: Acts constituting; notice**. NAC 445B.275 states, in part, that: "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 Nevada Revised Statutes 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:

(a) Failure to apply for and obtain an operating permit.

NOAV No. 2296 constitutes a major violation under **NAC 445B.281 Violations: Classification; administrative fines**. This is the first NOAV issued to Saga in over 60 months.

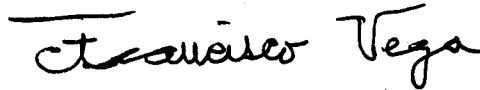
An appeal of NOAV No. 2296 may be requested pursuant to **Nevada Revised Statutes (NRS) 445B.360** and SEC administrative rules. A copy of SEC Appeal Form #3 is enclosed. Appeals must be received within 10 days of receipt of this notice, pursuant to **NRS 445B.340**. Appeals are processed through John 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.



Saga Exploration Co.
February 3, 2011
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If you have any questions regarding the alleged violations or the enforcement conference, please call Ryan Fahey at (775) 687-9546 or call Francisco Vega at (775) 687-9343.

Sincerely,



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

Enc.: 1. Notice of Alleged Air Quality Violation and Order No. 2296
2. SEC Appeal Form #3

cc (w/enc. 1 and 2): John Walker, SEC

Route to (w/enc. 1 and 2): Michael Elges, NDEP
Jeff Denison, NDEP

*please return
to: R. Fahey*

Certified Mail # 7009 3410 0000 1454 7052

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. 2296

NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER

NOTICE OF ALLEGED AIR QUALITY VIOLATION

Person(s) to Whom Served: Mr. Greg Austin

Company Name: Saga Exploration Company

Address: 2339 Dickerson Road, Reno, NV 89503

Permit Number: No Permit

FIN: N/A

Site of Alleged Violation: Barth Iron Mine near Palisade in Eureka County, Nevada

Date of Observation: September 22, 2010 **Arrival:** 11:00 AM **Departure:** 12:00 PM

Ambient Temperature: N/A °F **Clear:** **Cloudy:** X **Rain:** **Snow:**

Wind Speed: N/A **Mph** **Wind Direction:** N/A

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:

(a) Failure to apply for and obtain an operating permit

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

Failure to obtain an Air Quality Permit within the specified timeframe.

Evidence:

On July 23, 2010 the NDEP was informed by personnel from the Bureau of Mining Regulation and Reclamation that the Barth Iron Mine owned by Saga Exploration Company was being operated and screening and crushing operations were being conducted. Investigation into the status of a permit or an application for the facility was conducted and no information was found. On September 22, 2010 a site inspection was conducted at the Barth Iron Mine site by NDEP-BAPC and it was found to be operating without a valid Air Quality Permit. The Mine Manager was informed of the NDEP-BAPC requirements for Air Quality Permits and the mine owner was contacted. On September 23, 2010 the mine owner Greg Austin contacted the NDEP and was given the information needed to apply for an Air Quality Permit. An agreement was reached between the NDEP and Mr. Austin that a permit application would be submitted to the NDEP no later than December 31, 2010.

On January 12, 2011 the Inspector charged with investigating this facility conducted a follow-up investigation into the status of the permit application that was to be submitted to the NDEP by Saga Exploration Company by December 31, 2010. It was found that no application had been submitted to the NDEP nor had any further contact been made by Saga Exploration Company to the NDEP in regards to the permit application process. On January 13, 2011 messages were left by the NDEP-BAPC at the offices of Saga Exploration Company and the Barth Iron Mine site, neither were responded too.

NOTICE OF ALLEGED AIR QUALITY VIOLATION AND ORDER NO. 2296

Saga Exploration Company was issued Stop Order No. 2011-05 on January 31, 2011. The Order was hand delivered to the Barth Iron Mine site near Palisade in Eureka County, Nevada to the Mine Manager Ralph Matteson. On February 1, 2011 contact was made with Mr. Greg Austin to verify receipt of Stop Order No. 2011-05. Saga Exploration Company has been found to be operating without an Air Quality Permit for 128 days from the first inspection date of September 22, 2010 to the date of the Stop Order of January 27, 2011.

In accordance with NAC 445B.281 Violations: Classification: administrative fines, the failures to apply for and obtain an operating permit constitutes a major violation. Notice of Alleged Air Quality Violation and Order (NOAV) No. 2296 represents Saga Exploration Company's first air quality violation.

ORDER

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

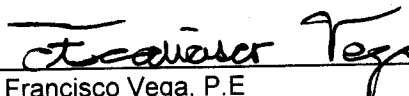
_____ To pay the following administrative fine in accordance with 445B.281.1: \$ _____

To take corrective action: Apply for and obtain an air quality permit.

_____ 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 
Issued by: Francisco Vega, P.E.
Supervisor
Compliance and Enforcement Branch

Phone: 775-687-9343 Date: February 3, 2011

FV/rf

CERTIFIED MAIL: 7009 3410 0000 1454 7052

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.