



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Bill Brancard
Director
Mining and Minerals Division

February 27, 2007

Dan Dowers
Neutron Energy Inc.
5320 North 16th St. Suite 114
Phoenix, AZ 85016

RE: Permit Approval, Ambrosia Lake Exploration Project, Permit No. MK013EM

Dear Mr. Dowers:

This letter acknowledges the approval of the Minimal Impact Exploration Permit Application for the Ambrosia Lake exploration project, Permit # MK013EM. The site is located in Section 36 Range 9 West, Township 14 North in McKinley County, NM. Proposed exploration activities include drilling five 5 ¼ -inch exploration holes to a depth of about 2000 feet below ground surface.

The Mining and Minerals Division (MMD) has reviewed your application and has sent out copies of your application to appropriate state and federal agencies involved in the application review process. After the 20-day review period, we reviewed all submitted comments.

Findings of Fact:

1. The application is complete and demonstrates that the proposed operation and reclamation will meet the requirements of reclamation, as identified in Part 1, Section 19.10.1.7.R. (1) of the New Mexico Mining Act Rules (the Rules). Reclamation of the disturbed area will be initiated as soon as possible, and will be completed within two years following the completion or abandonment of the exploration operation unless the disturbed area is included within a complete permit application for a new mining operation.
2. The applicant has paid the permit fee in the amount of \$100.00 as determined by Part 2 of the Rules.
3. The applicant has signed a statement indicating he agrees to comply with the reclamation requirements of the permit, Part 3 of the Rules, and the New Mexico Mining Act (the Act) and allows the Director to enter the permit area, without delay, for the purpose of conducting inspections during exploration and reclamation.

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4. The applicant has certified that he is not in violation of the Act or Section 19.10.3. 302 NMAC, of the Rules.

Approval of this permit is contingent upon the following stipulations:

1. You are responsible for properly plugging and abandoning all drill holes. For dry holes, you must backfill with cuttings or clean native fill, then install a non-metallic plug 10 feet below the ground surface and backfill with concrete to within 1 foot of ground surface. The remaining hole shall be backfilled with topsoil or cuttings and re-vegetated. If you encounter groundwater, the entire well shall be filled from the bottom upwards to land surface using a tremie pipe. The well shall be plugged with neat cement slurry, bentonite based plugging material, or other sealing material approved by the state engineer as required pursuant to the State Engineer's Office Rules and Regulations Governing Well Driller Licensing, Construction, Repair, and Plugging of Wells, 19.27.4 NMAC (see 19.27.4.36, Requirements for Mine Drill Holes that Encounter Water).
2. All drill cores/cuttings that show radioactive readings in excess of the immediate background surface readings will either be removed from the site for appropriate disposal or storage or buried no less than 3 feet below ground surface to insure that the radiation readings are the same as background.
3. No drilling and no storage of fuels or chemicals will take place within any drainage areas that are in the permit area.
4. All areas where vegetation is disturbed including the access road will be reseeded by broadcast with the following seed mix:

<u>Species</u>	<u>Pure Live Seed/Acre</u>
Blue Gramma	1.5 lbs/acre
Western wheatgrass	8 lbs/acre
Bottlebrush Squirreltail	2 lbs/acre
Winter Fat	0.5 lbs/acre
Sweet Clover	0.8 lbs/acre
Sand dropseed	0.5 lbs/acre
Alkali Sacaton	1 lbs/acre

The seed will be sown immediately after reclamation while the soil surface is still friable or if sown after rains have sealed the surface the seed will be raked into the soil.

5. All mud pits constructed shall have at least one side at a 3:1 slope to allow for a wildlife escape route or fenced in accordance with New Mexico Game and Fish wildlife fence procedures.
6. All mud pits shall be constructed in a manner that minimizes the possibility for overflow or blowouts during storm events.

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7. All drill pads, mud pits, and access roads will be smoothed out and contoured to match the surrounding terrain immediately after the drilling is completed.
8. If any cultural resources are uncovered during drilling activities, all work should cease within the area of discovery, the remains should be protected in place, and the Office of Cultural Affairs should be notified.
9. Any changes or amendments to the approved permit must be approved prior to implementation.
10. A minimum setback of 100 feet, from any watercourse within the area will be required. (**Watercourse** means any channel having definable beds and banks capable of conducting generally confined runoff from adjacent lands. During floods water may leave the confining beds and banks but under normal flows water is confined within the channel. A watercourse may be perennial, intermittent, or ephemeral.)
11. No excavation or filling shall take place within an ephemeral watercourse until the required permits are obtained from the U.S. Army Corps of Engineers.

The issuance of this permit does not relieve you from the responsibility of complying with other state and federal requirements and standards, including but not limited to obtaining all necessary approvals from federal land management agencies prior to conducting mining activities on federal lands.

Since the permit area is on State land, the expiration or termination of the State Land Offices authorization to conduct exploration operations on the property automatically suspends the permittee's authority to continue exploration operations on the property, although not necessarily reclamation operations, by this permit.

This permit is valid for one year from the date of approval (Section 19.10.4.405.A (1) NMAC of the New Mexico Mining Act Rules). Also, at the end of the project you will need to file a termination report based on the requirements of Section 407 of the Rules. If you decide to continue exploration activities beyond that period, you must renew the permit at least 30 days before the date of expiration (Section 19.10.4.405.C (2) NMAC). Please be advised that you are obligated to maintain your site based on the commitments in your permit application and follow-up correspondence.

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If you have any questions, please contact Mickey Jojola of my staff at (505) 476-3439

Sincerely,

Bill Brancard
Director
Mining and Minerals Division

cc: Karen Garcia, Bureau Chief, Mine Reclamation Bureau
Holland Shepherd, Program Manager, MARP
Mary Ann Menetrey, NMED
Dallas Rippy, State Land Office
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