STATE OF WYOMING
DEPARTMENT OF ENVIORNMENTAL QUALITY
LAND QUALITY DIVISION
HERSCHLER BUILDING, 122 W. 25TH ST
CHEYENNE, WY 82002
TELEPHONE: (307) 777-7756
COAL OPERATION
NOTICE OF VIOLATION (NOTICE)

N.O.V. No. 100565
Permit No. 237-T8
Docket No. 4845-11

LQD JUN 1 2011 RECEIVED

To the Following Permittee or Operator or Licensee:

Name: Cloud Peak Energy

Mine: Cordero-Rojo Mine County: Campbell Telephone: (307) 685-4544

Surface: **X** Underground:_____Other:

Mailing Address: P.O. Box 1449

Gillette, WY 82717-1449

Date of Incident: Citizen Complaint of 5-18-2011

Time of Incident: Cast blasts at 2:13 PM and 2:19 PM

Name of Operator (if other than permittee): same

Mailing Address: same

Under the authority of the Wyoming Environmental Quality Act of 1973 (Act), as amended, the undersigned designated representative of the Director of the Wyoming Department of Environmental Quality (DEQ) has conducted an investigation of the blasts at the above mine and has found violation(s) of the Act., the regulations or required permit condition(s) ***listed in the attachment(s)***. This Notice constitutes a separate Notice of Violation for each violation listed.

You must abate each of these violations within the designated abatement time. You are responsible for doing all work in a safe and workmanlike manner.

The undersigned designated representative finds that cessation of mining _is not_expressly or in practical effect required by this Notice. For this purpose "mining" means extracting coal from the earth or a waste pile and transporting it within or from the permit area.

This Notice shall remain in effect until it expires as provided on the attached Page 2 or is modified, terminated, or vacated by written notice of a designated representative or the Wyoming Environmental Quality Council. The time for abatement may be extended by a designated representative for up to 90 days from issuance of the notice, if the failure to meet the time previously set was not caused by lack of diligence on the part of the Permittee or Operator or Licensee.

DATE OF SERVICE: MAY 27, 2011

MANNER OF SERVICE: CERTIFIED MAIL

PROOF OF SERVICE: RETURN RECEIPT

PERSON SERVED WITH NOTICE: RENA PIPER

SIGNATURE OF DESIGNATED REPRESENTATIVE

_DOUG EMME_____
PRINTED NAME

CC:CHEYENNE LQD
DISTRICT OFFICE
OSM – CASPER FIELD OFFICE

N.O.V. NO. 100565
PERMIT NO. 237-T8
DOCKET NO. 4845-11
DATE OF SERVICE: MAY **27, 2011**

IMPORTANT – PLEASE READ CAREFULLY

1. FORMAL REVIEW AND TEMPORARY RELIEF You must apply for review of this Notice by submitting an application for review, within 30 days of this Notice by you or your agent, to:

   Mr. John V. Corra, Director
   Department of Environmental Quality
   Herschler Building
   122 W.25th St.
   Cheyenne, WY 82002

   LQD RECEIVED JUN 1 2011

   If you apply for a formal public hearing, you may request temporary relief from this Notice. Your request must be filed at the above address prior to a decision in the hearing. The procedures for obtaining a formal public hearing or temporary relief are contained in W.S. § 35-11-437 (c) (ii) and (e), Land Quality Division (LQD) Coal Rules & Regulations (R&R) Chapter 16, Section 2(m) and DEQ Rules of Practice and Procedures Chapters 1 and 2.

2. EXPEDITED REVIEW If this Notice requires cessation of mining, expressly or in practical effect, as found on page 1, then the procedures of W.S. § 35-11-437 (d) apply. This provision affords an opportunity for an expedited hearing, upon request, if this Notice is affirmed by the director. Please review this finding and inform the designated representative if you agree with it.

3. PENALTIES You may submit information in writing pertaining to the violation(s) covered by this Notice within 15 days of the date it is served on you or your agent. This information will be considered in determining the facts surrounding the violation and the amount of penalty.

   For each violation covered by this Notice, a penalty of up to $5,000.00 may be assessed for each day during which that violation continues.

   If you fail to abate any of the violations within the time set for abatement or for meeting any interim step, you must be assessed a minimum penalty of $750.00 or more for each day during which the violation continues beyond the time set for abatement, and you must be issued a cessation order requiring you to cease surface coal mining operations on the portion relevant to the violation(s).

4. EFFECT ON THE PERMIT In addition, if it is determined that a pattern of violations of any requirement(s) of the Act, the regulations, or permit conditions exists, and that the violations were caused by unwarranted failure to comply or were willful, the permit may be suspended or revoked.

   FOR FURTHER INFORMATION, PLEASE CONSULT: W.S. § 35-11-409(c), W.S. § 35-11-437, LQD Coal R&R Chapter 16, Sections 2 and 3 and DEQ Rules of Practice and Procedures Chapters 1 and 2.

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Violation 1 of 1

Nature of the Violation

The Cordero-Rojo Mine had two cast blasts on May 18, 2011 at 2:13 PM and 2:19 PM that produced a large NOx cloud that drifted off-site and settled over a citizens house approximately 11.5 miles to the southeast of the mine. The citizen could smell the NOx gas and had irritation in her nose and throat. The citizen submitted pictures to LQD showing the intensity of the NOx fumes in and around her house.

Provision(s) of the LQD coal R&R, Act, or Permit Violated

Land Quality Division (LQD) Rules and Regulations Chapter 6, Section 4.(a)(i)

Environmental Quality Act §35-11-415(b)(xi)(C)(I)

Portion of the Operation to which Notice Applies

The blasting operations.

Remedial Action Required (including interim steps, if any

Cordero-Rojo must submit a plan that will be used in the future to prevent NOx from blasts impacting people both on the permi and off the permit.

Cordero-Rojo must submit a permit revision that incorporates the operational controls used for preventing NOx fumes from Blasts impacting people into the permit blasting plan. LQD will need to review and approve the operational control plans before they are submitted as a permit revision.

Time for Abatement (including time for interim steps, if any)

Cordero-Rojo should submit a plan for preventing NOx fumes from impacting people by June 10, 2011.

The required permit revision should be submitted to LQD-District III by June 24, 2011.