In compliance with the provisions of the Utah Water Quality Act, Title 19, Chapter 5, Utah Code Annotated 1953, as amended, the Act,

MCW Energy Group
18653 Ventura Blvd.
Tarzana, CA 91356

hereafter referred to as the Permittee, is granted a Ground Water Discharge Permit for disposal of tailings from ore sands processing by backfilling the mine excavation where the tar sand ore was mined. The mine is located on the following tracts of land, south of Vernal in Uintah County, Utah:

SW1/4, W1/2 SE1/4 Section 31, T5S, R22E SLB&M;

E1/2 SE1/4 S36, T5S, R21E SLB&M

This permit is based on representation made by the Permittee and other information contained in the administrative record. It is the responsibility of the Permittee to read and understand all provisions of this permit.

The facility shall be constructed and operated in accordance with conditions set forth in the permit and the Utah Administrative Rules for Ground Water Quality Protection (UAC R317-6).

This permit shall become effective on

This permit and authorization to operate shall expire at midnight

Walter L. Baker, P.E.
Director
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PART I  CONSTRUCTION PERMIT ISSUANCE AND BEST AVAILABLE TECHNOLOGY (BAT) STANDARD

As part of this ground water discharge permit, a construction permit is hereby issued to MCW Energy Group as summarized below and detailed in Appendix A. Construction for this project will consist of lined pads for temporary storage of ore and tailings at the Maeser facility, so it can qualify for permit-by-rule status; and for facilities at the Temple Mountain mine site related to containment of tailings disposed at the site, and for monitoring the performance of those containment facilities. The plans and specifications for these facilities, as submitted, comply with the Utah Water Quality Rules, (R317, Utah Administrative Code).

Under authority of the Utah Water Quality Act Section 19-5-108(1) Utah Code Ann. 1953, as amended, and Utah Administrative Code R317-1, the authorized facilities will be constructed in accordance with the engineering design plans and specifications attached as Appendix A.

The following is a summary of the proposed major construction projects:

Maeser Facility

- Construction of two separate pads. An Ore Stockpile Pad and a Tailings Holding Pad for the processed tar sands will be constructed with a liner that is 1 foot of clay with a maximum hydraulic conductivity of $1 \times 10^{-7}$ cm/sec and six inches of native asphalt over the compacted clay. These pads will be constructed using the same design and construction specifications. The pads are 65’ x 65’ and are designed for temporary storage. The ore will be transported from the mine to the Ore Stockpile Pad. The ore is then processed and the sands placed onto the Tailings Holding Pad. The processed sands will then be hauled back to the mine site for permanent storage and mine reclamation.

Temple Mountain Mine Site

- Berm just west of the stream. Construction of a berm between the mine and the stream that is to the east of the mine. On the northern portion of the property the stream is at a higher elevation than the mine so in this area the berm will protect the mine from receiving water from the stream during major storm events. In the southern portion of the property where the stream is at a lower elevation than the mine, the berm will protect the stream from receiving any sediment that may be washed in that direction.
- Construction of a Staging Area Pad. This is the same design as the Stock Pile Retention Pad at the Maeser Facility. This pad is located at the top of the hill just directly east of the mine and the processed tar sands will then be pushed into the mine for reclamation.
- Additional processed sands storage. There is a flat area directly north of the Former Work Facility that may be used for temporary storage of processed sands. This area currently has approximately 15 feet of oil sands ore. The processed sands will ultimately be placed back into the mine for reclamation and the underlying ore will be processed.
- Collection Lysimeter. Before placement of the reclamation liner a concrete collection lysimeter will be constructed for long term water/leachate monitoring.
- Reclamation Liner. Before placement of processed sands a reclamation liner shall be constructed identical to the liner constructed over the lysimeter. This includes a 1 foot clay liner with a maximum hydraulic conductivity of $1 \times 10^{-7}$ cm/sec and six inches of native asphalt over the compacted clay.
Part II

Reclamation Cap. An evapotranspiration cap will be placed over the processed sands during mine reclamation. This cap is designed with various layers including a gas vent layer, a hydraulic barrier layer with a maximum hydraulic conductivity of $1 \times 10^{-7}$ cm/sec, a 40 mil HDPE flexible membrane liner, and a vegetative soil layer. The gas vent layer will have horizontal perforated pipe placed into the aggregate that will collect any volatile hydrocarbons and conduct that to a vertical pipe that carries the gas through the other layers for venting of the waste sands.

PART II SPECIFIC CONDITIONS

A. GROUND WATER CLASSIFICATION
Ground water could not be found at the site, despite drilling a 275-foot hole at a location where the best available information suggested that saturated zones could be found, and the bedrock encountered in drill holes at the site is predominantly shales and bitumen-impregnated sandstone of low permeability. Ground water monitoring will not be used to evaluate compliance with this permit, and a formal definition of ground water class will not be made.

B. BACKGROUND GROUND WATER QUALITY
Due to site conditions as described above, ground water quality will not be defined for this permit.

C. GROUND WATER PROTECTION LEVELS
Ground water monitoring will not be used to evaluate compliance with this permit, and ground water protection levels will not be defined. Compliance with the Utah Ground Water Protection Regulations will be insured by Best Available Technology (BAT) requirements for facility construction, and by monitoring the performance of the BAT.

D. COMPLIANCE MONITORING REQUIREMENTS

1. BAT Monitoring
   a. Collection Lysimeter – A collection lysimeter constructed according to the plans approved in this permit will serve as a compliance monitoring point. The lysimeter shall be placed underneath the lower liner of the tailings landfill, in a location where leachate would collect on the lower liner. The lower liner and upper cap over the tailings in the vicinity of the lysimeter shall be constructed according to the approved plans and specifications in this permit and in a manner similar to the rest of the tailings disposal area. Tailings placed over the site of the lysimeter shall be of similar chemical quality and hydrologic properties to the rest of the tailings placed in the disposal area.
   b. Protection of Compliance Monitoring Point - All compliance monitoring wells must be protected from damage due to surface vehicular traffic or contamination due to surface spills. The collection lysimeter and any additional compliance monitoring points that may be required in the future shall be maintained in full operational condition for the life of this permit. Any compliance monitoring point that becomes damaged beyond repair or is rendered unusable for any reason will be replaced by the permittee within 90 days or as directed by the Director.
c. Water Quality Sampling and Analysis Quality Assurance Project Plan – All monitoring for the presence of water in the lysimeter sump and all sampling for water quality shall be conducted in accordance with the general requirements, hereunder, and the specific requirements of the Water Sampling and Analysis Quality Assurance Project Plan approved by the Director.

2. Routine Monitoring Requirements and Schedule

a. Lysimeter Monitoring – The lysimeter shall be checked for the presence of water weekly from the time of construction of the lower clay liner until installation of the FML in the landfill cap, over the footprint of the lysimeter. After installation of the FML over the site of the lysimeter, it shall be checked monthly for the presence of water. Any water present in the lysimeter shall be evacuated and its volume recorded. If water is present in a quantity sufficient to allow analysis for all parameters required in Part II.D.2.b below, the permittee shall obtain samples according to the approved Water Quality Sampling and Analysis Quality Assurance Project Plan and submit them for analysis by a state-certified laboratory.

b. Water Quality Samples – If water accumulates in the lysimeter sump in adequate quantities, samples shall be collected for laboratory analysis.

1) Analysis by Certified Laboratories - analysis of all water samples shall be performed by laboratories certified by the Utah State Health Laboratory for the relevant analytical methods.

2) Water Analytical Methods - methods used to analyze water samples must comply with the following:
   i) Methods cited in UAC R317-6-6.3L, and
   ii) Method detection limits are less than the DERR Initial Screening Levels.

3) Analysis Parameters - the following analyses will be conducted on all water samples collected:
   i) Field Parameters - pH, temperature, and specific conductance.
   ii) Laboratory Parameters – benzene, toluene, ethylbenzene, xylenes, naphthalene, total petroleum hydrocarbons-gasoline range organics, total petroleum hydrocarbons-diesel range organics, total recoverable petroleum hydrocarbons.
F. NON-COMPLIANCE STATUS

1. Probable Out-of-Compliance Status - If any water sample from the lysimeter, required under Part II.D.2 above, exceeds the DERR Initial Screening Levels in Table 1 (below) for any required analytical parameter, the permittee shall report the analytical results to DWQ and begin a weekly schedule to check for the presence of water in the lysimeter sump and sample it if adequate quantities accumulate, according to the requirements of Part II.D.2. The weekly schedule shall be followed for at least two months or until notification from DWQ that a monthly schedule may be resumed. During this accelerated schedule, if water is present in the lysimeter sump in volumes inadequate for sampling and analysis, the sump shall not be evacuated until an adequate volume of water accumulates.

Table 1. DERR Initial Screening Levels

<table>
<thead>
<tr>
<th>Contaminants</th>
<th>Ground Water ISLs, mg/l</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benzene</td>
<td>0.005</td>
</tr>
<tr>
<td>Toluene</td>
<td>1.0</td>
</tr>
<tr>
<td>Ethylbenzene</td>
<td>0.7</td>
</tr>
<tr>
<td>Xylenes</td>
<td>10.0</td>
</tr>
<tr>
<td>Naphthalene</td>
<td>0.7</td>
</tr>
<tr>
<td>Total Petroleum Hydrocarbons (TPH) as gasoline</td>
<td>1</td>
</tr>
<tr>
<td>Total Petroleum Hydrocarbons (TPH) as diesel</td>
<td>1</td>
</tr>
<tr>
<td>Total Recoverable Petroleum Hydrocarbons</td>
<td>10</td>
</tr>
</tbody>
</table>

2. Out-of-Compliance Status exists if accelerated monitoring of the leak detection sump following a Probable Out-of-Compliance event reveals that leachate water is accumulating at a rate greater than one inch per year for a period of three months (97 gal/quarter for a 25’ x 25’ lysimeter), and the leachate contains levels of any petroleum contaminants listed in Part II.D.2(b)(3)(ii) greater than the DERR Initial Screening Levels.

3. Best Available Technology Review – If, after review of information on lysimeter monitoring and water quality analyses, DWQ determines that the tailings disposal facility is out of compliance with the terms of this permit, the permittee shall review the cause of BAT failure and develop a plan and timetable to bring the facility back into compliance. The plan shall be submitted to DWQ for approval within 60 days of notification that the facility is out of compliance, and shall be implemented upon DWQ approval.

G. REPORTING REQUIREMENTS

1. Quarterly Monitoring Report – reports on monitoring required in Part II.D.2 above shall include the following information:
   a. Dates on which the lysimeter sump was checked for presence of fluids;
   b. Presence or absence of fluids in the sump;
   c. Volume of fluid in the sump, if present;
Part II
Permit No. UGW470004

2. Quarterly Reporting Schedule - monitoring required in Part II.D.2 above shall be reported according to the schedule in Table 3 below, unless modified by DWQ:

Table 2: Quarterly Compliance Monitoring Report Schedule

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Report Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1\textsuperscript{st} \hspace{0.3cm}(January, February, March)</td>
<td>April 30\textsuperscript{th}</td>
</tr>
<tr>
<td>2\textsuperscript{nd} \hspace{0.3cm}(April, May, June)</td>
<td>July 31\textsuperscript{st}</td>
</tr>
<tr>
<td>3\textsuperscript{rd} \hspace{0.3cm}(July, August, September)</td>
<td>October 31\textsuperscript{st}</td>
</tr>
<tr>
<td>4\textsuperscript{th} \hspace{0.3cm}(October, November, December)</td>
<td>January 31\textsuperscript{st}</td>
</tr>
</tbody>
</table>

H. COMPLIANCE SCHEDULE

1. Water Quality Sampling and Analysis Quality Assurance Project Plan – Within 30 days of permit issuance, the permittee shall submit a plan to DWQ for monitoring the lysimeter sump and obtaining a scientifically-defensible water sample if necessary. Upon DWQ approval the Plan will become an enforceable appendix to this permit. The Plan shall contain the following elements:

a. Methods to check the collection lysimeter sump for the presence of fluids and determine their volume if present.

b. Analytical methods to be used for the parameters listed in Part II.D.3(b)(ii) and minimum sample volume needed for analysis of all parameters. Analytical methods must have detection limits less than or equal to the DERR Tier I screening criteria for ground water. Analytical methods may only be changed with DWQ approval.

c. Method for obtaining a scientifically-defensible sample from the lysimeter sump.

2. Notification of New Construction – The permittee shall notify DWQ if any new facilities that may be subject to regulation under the UAC R317-6 are planned to be built at the Temple Mountain mine site, at least six months before construction begins. If necessary, this permit shall be re-opened and modified, and the modified permit submitted for public notice and comment.
PART III MONITORING, RECORDING AND REPORTING REQUIREMENTS

A. REPRESENTATIVE SAMPLING
Samples taken in compliance with the monitoring requirements established under Part I shall be representative of the monitored activity.

B. ANALYTICAL PROCEDURES
Water sample analysis must be conducted according to test procedures specified under UAC R317-6-6.3.L, unless other test procedures have been specified in this permit.

C. PENALTIES FOR TAMPERING
The Act provides that any person who falsifies, tampers with, or knowingly renders inaccurate, any monitoring device or method required to be maintained under this permit shall, upon conviction, be punished by a fine of not more than $10,000 per violation, or by imprisonment for not more than six months per violation, or by both.

D. REPORTING OF MONITORING RESULTS
Monitoring results obtained during each reporting period specified in the permit, shall be submitted to the Director, Utah Division of Water Quality at the following address no later than the 15th day of the month following the completed reporting period:

State of Utah
Division of Water Quality
P.O. Box 144870
Salt Lake City, Utah 84114-4870
Attention: Ground Water Protection Section

E. COMPLIANCE SCHEDULES
Reports of compliance or noncompliance with, or any progress reports on interim and final requirements contained in any Compliance Schedule of this permit shall be submitted no later than 14 days following each schedule date.

F. ADDITIONAL MONITORING BY THE PERMITTEE
If the permittee monitors any pollutant more frequently than required by this permit, using approved test procedures as specified in this permit, the results of this monitoring shall be included in the calculation and reporting of the data submitted. Such increased frequency shall also be indicated.

G. RECORDS CONTENTS
Records of monitoring information shall include:

1. The date, exact place, and time of sampling or measurements;
2. The individual(s) who performed the sampling or measurements;
3. The date(s) and time(s) analyses were performed;
4. The individual(s) who performed the analyses;
5. The analytical techniques or methods used; and,
6. The results of such analyses.

H. RETENTION OF RECORDS
The permittee shall retain records of all monitoring information, including all calibration and maintenance records and copies of all reports required by this permit, and records of all data used to complete the application for this permit, for a period of at least three years from the date of the sample, measurement, report or application. This period may be extended by request of the Director at any time.
I. **TWENTY-FOUR HOUR NOTICE OF NONCOMPLIANCE REPORTING**

1. The permittee shall verbally report any noncompliance which may endanger public health or the environment as soon as possible, but no later than 24 hours from the time the permittee first became aware of the circumstances. The report shall be made to the Utah Department of Environmental Quality 24 hour number, (801) 536-4123, or to the Division of Water Quality, Ground Water Protection Section at (801) 536-4300, during normal business hours (Monday through Friday 8:00 am - 5:00 pm Mountain Time).

2. A written submission shall also be provided to the Director within five days of the time that the permittee becomes aware of the circumstances. The written submission shall contain:
   a. A description of the noncompliance and its cause;
   b. The period of noncompliance, including exact dates and times;
   c. The estimated time noncompliance is expected to continue if it has not been corrected; and,
   d. Steps taken or planned to reduce, eliminate, and prevent reoccurrence of the noncompliance.

3. Reports shall be submitted to the addresses in Part III.D, Reporting of Monitoring Results.

J. **OTHER NONCOMPLIANCE REPORTING**

Instances of noncompliance not required to be reported within 24 hours, shall be reported at the time that monitoring reports for Part III.D are submitted.

K. **INSPECTION AND ENTRY**

The permittee shall allow the Director, or an authorized representative, upon the presentation of credentials and other documents as may be required by law, to:

1. Enter upon the permittee's premises where a regulated facility or activity is located or conducted, or where records must be kept under the conditions of the permit;

2. Have access to and copy, at reasonable times, any records that must be kept under the conditions of this permit;

3. Inspect at reasonable times any facilities, equipment (including monitoring and control equipment), practices, or operations regulated or required under this permit; and,

4. Sample or monitor at reasonable times, for the purpose of assuring permit compliance or as otherwise authorized by the Act, any substances or parameters at any location.
PART IV  COMPLIANCE RESPONSIBILITIES

A. DUTY TO COMPLY
The permittee must comply with all conditions of this permit. Any permit noncompliance constitutes a violation of the Act and is grounds for enforcement action; for permit termination, revocation and reissuance, or modification; or for denial of a permit renewal application. The permittee shall give advance notice to the Director of any planned changes in the permitted facility or activity which may result in noncompliance with permit requirements.

B. PENALTIES FOR VIOLATIONS OF PERMIT CONDITIONS
The Act provides that any person who violates a permit condition implementing provisions of the Act is subject to a civil penalty not to exceed $10,000 per day of such violation. Any person who willfully or negligently violates permit conditions is subject to a fine not exceeding $25,000 per day of violation. Any person convicted under Section 19-5-115(2) of the Act a second time shall be punished by a fine not exceeding $50,000 per day. Nothing in this permit shall be construed to relieve the permittee of the civil or criminal penalties for noncompliance.

C. NEED TO HALT OR REDUCE ACTIVITY NOT A DEFENSE
It shall not be a defense for a permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.

D. DUTY TO MITIGATE
The permittee shall take all reasonable steps to minimize or prevent any discharge in violation of this permit which has a reasonable likelihood of adversely affecting human health or the environment.

E. PROPER OPERATION AND MAINTENANCE
The permittee shall at all times properly operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used by the permittee to achieve compliance with the conditions of this permit. Proper operation and maintenance also includes adequate laboratory controls and quality assurance procedures. This provision requires the operation of back-up or auxiliary facilities or similar systems which are installed by a permittee only when the operation is necessary to achieve compliance with the conditions of the permit.
PART V GENERAL REQUIREMENTS

A. PLANNED CHANGES
The permittee shall give notice to the Director as soon as possible of any planned physical alterations or additions to the permitted facility. Notice is required when the alteration or addition could significantly change the nature of the facility or increase the quantity of pollutants discharged.

B. ANTICIPATED NONCOMPLIANCE
The permittee shall give advance notice of any planned changes in the permitted facility or activity which may result in noncompliance with permit requirements.

C. PERMIT ACTIONS
This permit may be modified, revoked and reissued, or terminated for cause. The filing of a request by the permittee for a permit modification, revocation and reissuance, or termination, or a notification of planned changes or anticipated noncompliance, does not stay any permit condition.

D. DUTY TO REAPPLY
If the permittee wishes to continue an activity regulated by this permit after the expiration date of this permit, the permittee must apply for and obtain a permit renewal or extension. The application should be submitted at least 180 days before the expiration date of this permit.

E. DUTY TO PROVIDE INFORMATION
The permittee shall furnish to the Director, within a reasonable time, any information which the Director may request to determine whether cause exists for modifying, revoking and reissuing, or terminating this permit, or to determine compliance with this permit. The permittee shall also furnish to the Director, upon request, copies of records required to be kept by this permit.

F. OTHER INFORMATION
When the permittee becomes aware that it failed to submit any relevant facts in a permit application, or submitted incorrect information in a permit application or any report to the Director, it shall promptly submit such facts or information.

G. SIGNATORY REQUIREMENTS
All applications, reports or information submitted to the Director shall be signed and certified.

1. All permit applications shall be signed as follows:
   a. For a corporation: by a responsible corporate officer;
   b. For a partnership or sole proprietorship: by a general partner or the proprietor, respectively.
   c. For a municipality, State, Federal, or other public agency: by either a principal executive officer or ranking elected official.
2. All reports required by the permit and other information requested by the Director shall be signed by a person described above or by a duly authorized representative of that person. A person is a duly authorized representative only if:

a. The authorization is made in writing by a person described above and submitted to the Director, and,

b. The authorization specified either an individual or a position having responsibility for the overall operation of the regulated facility or activity, such as the position of plant manager, operator of a well or a well field, superintendent, position of equivalent responsibility, or an individual or position having overall responsibility for environmental matters for the company. (A duly authorized representative may thus be either a named individual or any individual occupying a named position.)

3. Changes to Authorization. If an authorization under Part V.G.2 is no longer accurate because a different individual or position has responsibility for the overall operation of the facility, a new authorization satisfying the requirements of Part V.G.2 must be submitted to the Director prior to or together with any reports, information, or applications to be signed by an authorized representative.

4. Certification. Any person signing a document under this section shall make the following certification:

"I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations."

H. PENALTIES FOR FALSIFICATION OF REPORTS
The Act provides that any person who knowingly makes any false statement, representation, or certification in any record or other document submitted or required to be maintained under this permit, including monitoring reports or reports of compliance or noncompliance shall, upon conviction be punished by a fine of not more than $10,000 per violation, or by imprisonment for not more than six months per violation, or by both.

I. AVAILABILITY OF REPORTS
Except for data determined to be confidential by the permittee, all reports prepared in accordance with the terms of this permit shall be available for public inspection at the offices of the Director. As required by the Act, permit applications, permits, effluent data, and ground water quality data shall not be considered confidential.

J. PROPERTY RIGHTS
The issuance of this permit does not convey any property rights of any sort, or any
exclusive privileges, nor does it authorize any injury to private property or any invasion of personal rights, nor any infringement of federal, state or local laws or regulations.

K. **SEVERABILITY**
   The provisions of this permit are severable, and if any provision of this permit, or the application of any provision of this permit to any circumstance, is held invalid, the application of such provision to other circumstances, and the remainder of this permit, shall not be affected thereby.

L. **TRANSFERS**
   This permit may be automatically transferred to a new permittee if:
   
   1. The current permittee notifies the Director at least 30 days in advance of the proposed transfer date;
   2. The notice includes a written agreement between the existing and new permittee containing a specific date for transfer of permit responsibility, coverage, and liability between them; and,
   3. The Director does not notify the existing permittee and the proposed new permittee of his or her intent to modify, or revoke and reissue the permit. If this notice is not received, the transfer is effective on the date specified in the agreement mentioned in paragraph 2 above.

M. **STATE LAWS**
   Nothing in this permit shall be construed to preclude the institution of any legal action or relieve the permittee from any responsibilities, liabilities, penalties established pursuant to any applicable state law or regulation under authority preserved by Section 19-5-117 of the Act.

N. **REOPENER PROVISION**
   This permit may be reopened and modified (following proper administrative procedures) to include the appropriate limitations and compliance schedule, if necessary, if one or more of the following events occurs:
   
   1. If new ground water standards are adopted by the Board, the permit may be reopened and modified to extend the terms of the permit or to include pollutants covered by new standards. The permittee may apply for a variance under the conditions outlined in R317-6-6.4.D.
   2. If alternative compliance mechanisms are required.
   3. If subsequent monitoring reveals the presence of ground water and monitoring ground water quality becomes necessary to evaluate compliance with permit conditions.
APPENDIX A
CONSTRUCTION PERMIT
PLANS AND SPECIFICATIONS