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Powertech sues Colorado over new mining regulations

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Powertech (TSE:PWE), a Canadian firm developing an ISR mine in Nunn, Colo., sued the Colorado Mined Land Reclamation Board Nov 1 over new regulations implementing a state law passed in 2008.

The lawsuit represents a reversal of a previous position in which Powertech CEO Richard Clement said the firm could live with new mining regulations. Now, the firm claims the rule makes unreasonable demands on mining companies.

The first key area of contention is the requirement for the mining firm to restore groundwater quality to conditions prior to mining. The second is a so-called "blackball" provision that denies a permit to a miner if there are past violations in similar circumstances. Powertech is particularly incensed by the second issue because it isn't related to the performance of a specific firm.

The lawsuit states, "These provisions are overly broad and punitive and could prevent a good company from conducting a mining operation."

The suit also claims two Colorado legislators illegally tried to influence how the regulations were written by the mining agency. The lawmakers are Rep. John Kefalas and Rep. Randy Fisher, both of Fort Collins. Both law makers declined to be interviewed by the Denver news media about the issue.

Additionally, Powertech wants to strike two other provisions in the regulations. The first requires firms to conduct baseline groundwater studies prior to prospecting. The second gives third parties legal standing to appeal prospecting claims.

Powertech attorney John Fognani told the Denver Post "these provisions are outside the bounds of what the Colorado legislature intended." He called the provisions "a Catch-22."

Richard Clement, Powertech CEO, told FCW the firm has the most heartburn with "last minute additions" to the regulations that are not tied to the legislation.

"Legislators gave specific direction to the mining board on legislative intent that are inappropriate communication which took place outside the established process."

Clement said he's looking to the Colorado mining industry, including other uranium mining firms, to help Powertech with the costs of the lawsuit. Clement declined to say how much money would be needed to pay for the lawsuit.

Environmental groups OK with new regs

Jeff Parsons, an attorney with Western Mining Action Project, told FCW Powertech's allegations about the legislators having illegal communications with the regulatory agency is a "mischaracterization."

"As far as I know all they did was send letters to the board like everyone else."

Parsons said his organization, and the environmental groups it represents, "strongly support the new mining regulations."

In response to Powertech's lawsuit, Parsons said, "In a rule making process no one gets everything they want. We feel the board did a good job."

Synatom to sell Powertech stake

In an unrelated matter CEO Clement confirmed that Synatom is planning to sell its 19.9% stake in the firm. Clement said the Belgium firm told Powertech the investment no longer fits its long term goals. However, Clement also said that Synatom has not cancelled its offtake agreement since it still holds Powertech convertible debentures worth CDN\$9 million.

Synatom, part of Belgian power utility Electrabel SA, is seeking to sell its 19.6% stake in Powertech. Belgian daily De Tijd reported last September that Cormark Securities is acting as financial advisor to Synatom in the auction process. Synatom, which is responsible for the management of the nuclear fuel cycle of the Belgian nuclear power plants, has reviewed its strategy and decided to exit the capital of the Canadian company according to financial wires services.

<http://djysrv.blogspot.com/2010/11/western-lands-uranium-gopher-for-112610.html>