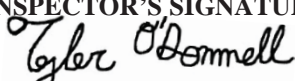




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

The Division of Reclamation, Mining and Safety has conducted an inspection of the mining operation noted below. This report documents observations concerning compliance with the terms of the permit and applicable rules and regulations of the Mined Land Reclamation Board.

MINE NAME: Sand Arroyo	MINE/PROSPECTING ID#: M-1978-283	MINERAL: Sand and gravel	COUNTY: Huerfano
INSPECTION TYPE: Monitoring	INSPECTOR(S): Tyler V. O'Donnell	INSP. DATE: December 3, 2013	INSP. TIME: 13:00
OPERATOR: Walsenburg Sand & Gravel Co., Inc.	OPERATOR REPRESENTATIVE: Gary Vezzani	TYPE OF OPERATION: 112c - Construction Regular Operation	

REASON FOR INSPECTION: Citizen Complaint	BOND CALCULATION TYPE: Partial Bond	BOND AMOUNT: \$19,000.00
DATE OF COMPLAINT: November 27, 2013	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: January 10, 2014

The following inspection topics were identified as having Problems or Possible Violations. OPERATORS SHOULD READ THE FOLLOWING PAGES CAREFULLY IN ORDER TO ASSURE COMPLIANCE WITH THE TERMS OF THE PERMIT AND APPLICABLE RULES AND REGULATIONS. If a Possible Violation is indicated, you will be notified under separate cover as to when the Mined Land Reclamation Board will consider possible enforcement action.

INSPECTION TOPIC: Availability Of Records

PROBLEM/POSSIBLE VIOLATION: Problem: The annual report submitted in April 2013 contains the wrong map.

CORRECTIVE ACTIONS: The Operator will need to re-submit the annual report for 2013, with the correct map.

CORRECTIVE ACTION DUE DATE: 2/10/2014

INSPECTION TOPIC: Permit Stipulations

PROBLEM/POSSIBLE VIOLATION: Problem: The operator has failed to comply with a stipulation of the Conversion Application Approval.

CORRECTIVE ACTIONS: The operator shall submit a Technical Revision, with the required \$216 revision fee, to update and clarify the current approved mining plan, mining plan map, a reclamation cost estimate and any other related material to reflect existing and proposed activities at the site.

CORRECTIVE ACTION DUE DATE: 3/11/2014

OBSERVATIONS

This inspection was conducted in response to a citizen complaint about possible mining outside of the approved permit boundary at the Sand Arroyo pit, DRMS File No. M-1978-283. The Division of Reclamation, Mining and Safety (Division/DRMS) received the citizen complaint on November 27, 2013. The inspection was conducted by Tyler O'Donnell of the Division. Walsenburg Sand and Gravel Company, the operator, was represented by Gary Vezzani during the inspection. The Sand Arroyo pit is located approximately 6 miles west of Walsenburg, Colorado. The Sand Arroyo pit is permitted as a sand and gravel pit. The approved permit area is 52.00 acres. The approved post-mining land use is rangeland.

On November 27, 2013 the Division received a citizen complaint, about the operator mining outside of the western permit boundary which runs north-south, and is offset approximately 200 feet from the property line. The citizen complaint explained that mining outside of the permit boundary has damaged the fence that runs roughly north-south, approximately along the boundary between the two properties. On December 3, 2013 the Division inspected the area outside of the western permit boundary of the Sandy Arroyo pit. The fence was undermined by a gully, allowing livestock to walk underneath the fence (feature # 1) (see photos # 4 and 5). The compromised fence was allowing livestock to exit the pasture and gain access to the adjacent Sand Arroyo pit and subsequently Highway 160. The citizen who filed the complaint is concerned about livestock getting hit by traffic on the highway. During the inspection the Division observed livestock tracks going underneath the fence between the two properties and extending into the Sand Arroyo pit. The livestock were walking under the fence through erosion feature # 1. The Division also observed that attempts had been made to mend the fence in this location to prevent livestock from getting underneath the fence (see photo # 5).

Another erosion feature was found approximately 125 feet north of the gully along the fence line (feature # 2). This feature is a ravine that is approximately 100 feet wide and 8 to 12 feet deep. This feature has begun to head-cut and, has started to expand northward. A sediment fan was observed at the outflow of feature # 2 (see photo # 2).

The Division believes that feature # 1, the gully under the fence, was most likely not the result of a mining operation. It appears that the gully is the result of natural erosion processes. Feature # 2 also appears to be a naturally occurring erosion feature. This feature appears to have been expanded recently by natural erosion processes. No tool marks or tire tracks from heavy equipment were found at either location. The shapes of both features do not appear to have been caused by man-made means. Neither of the features appeared to have been caused by recent mining activities outside of the approved permit boundary. The Division encourages the landowners and the operator to take measures to prevent further erosion at both locations.

Availability Of Records:

The annual report submitted in April 2013 contains the wrong map. This will be cited as a problem and require a corrective action. A copy of the approved mining plan map is attached to this inspection report (see Conversion Mining Map dated April, 8 2002). The operator must re-submit the annual report and map for 2013 and show the approved permit boundary on the map. The updated annual report map must show the following items: the extent of current disturbances to affected land, reclamation accomplished to date and during the preceding year, new disturbances that are anticipated to occur during the upcoming year, reclamation that will be performed during the coming year, the dates for the beginning of active operations. These items are required by C.R.S. 34-32.5-116(3)(a).

Permit Stipulations:

The operator has failed to comply with a stipulation of the Conversion Application Approval. The operator committed to not disturbing more than five acres at any given time, without posting the appropriate financial warranty and obtaining written approval from the Division (see attached Conversion approval letter dated February 10, 2003). The operator must submit a Technical revision and provide an updated mining plan, mining plan map, a reclamation cost estimate, and any other related material to reflect existing and proposed activities at the site.

Sand Arroyo Pit DRMS File No. M-1978-283

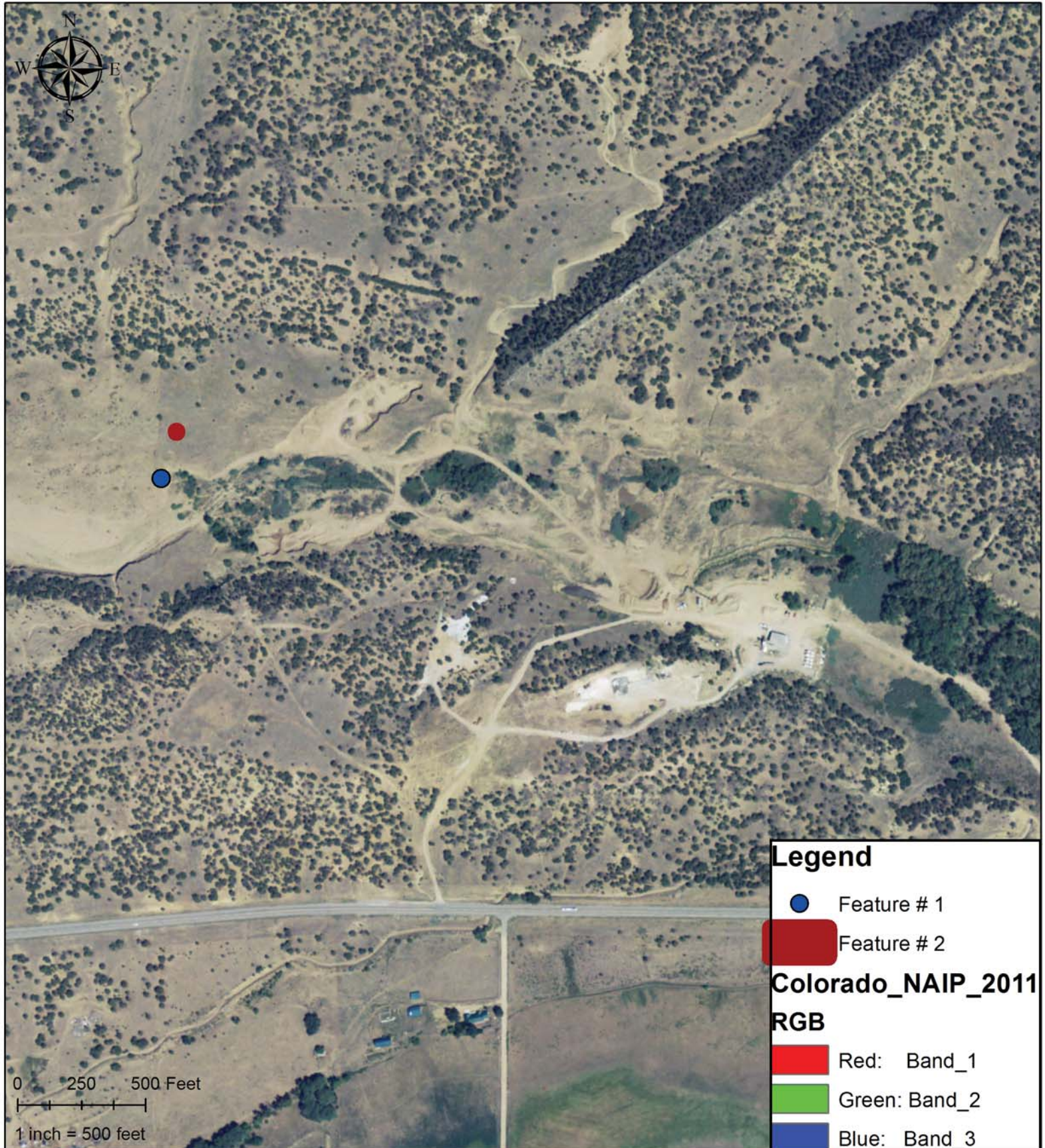


Figure 1: Map of the Sand Arroyo Pit (Colorado NAIP 2011 Imagae)

PHOTOGRAPHS

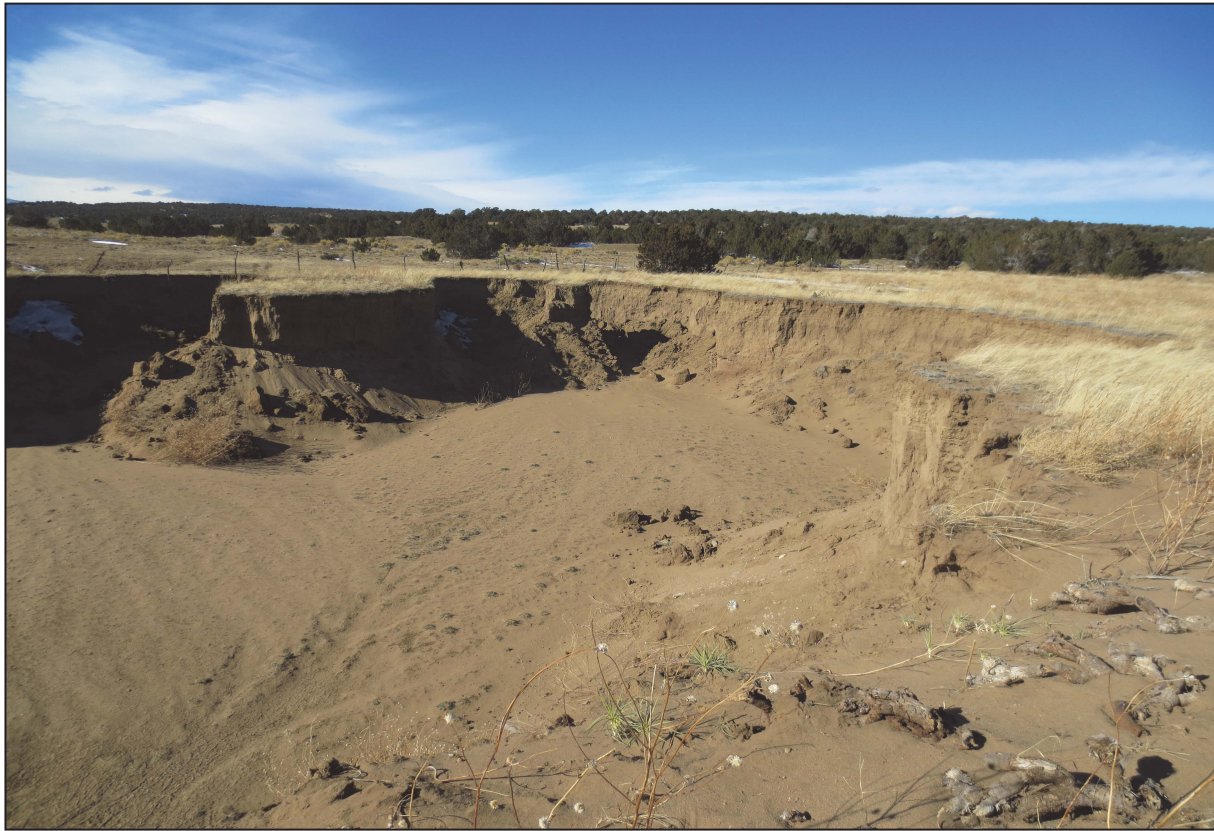


Photo 1: Feature # 2.

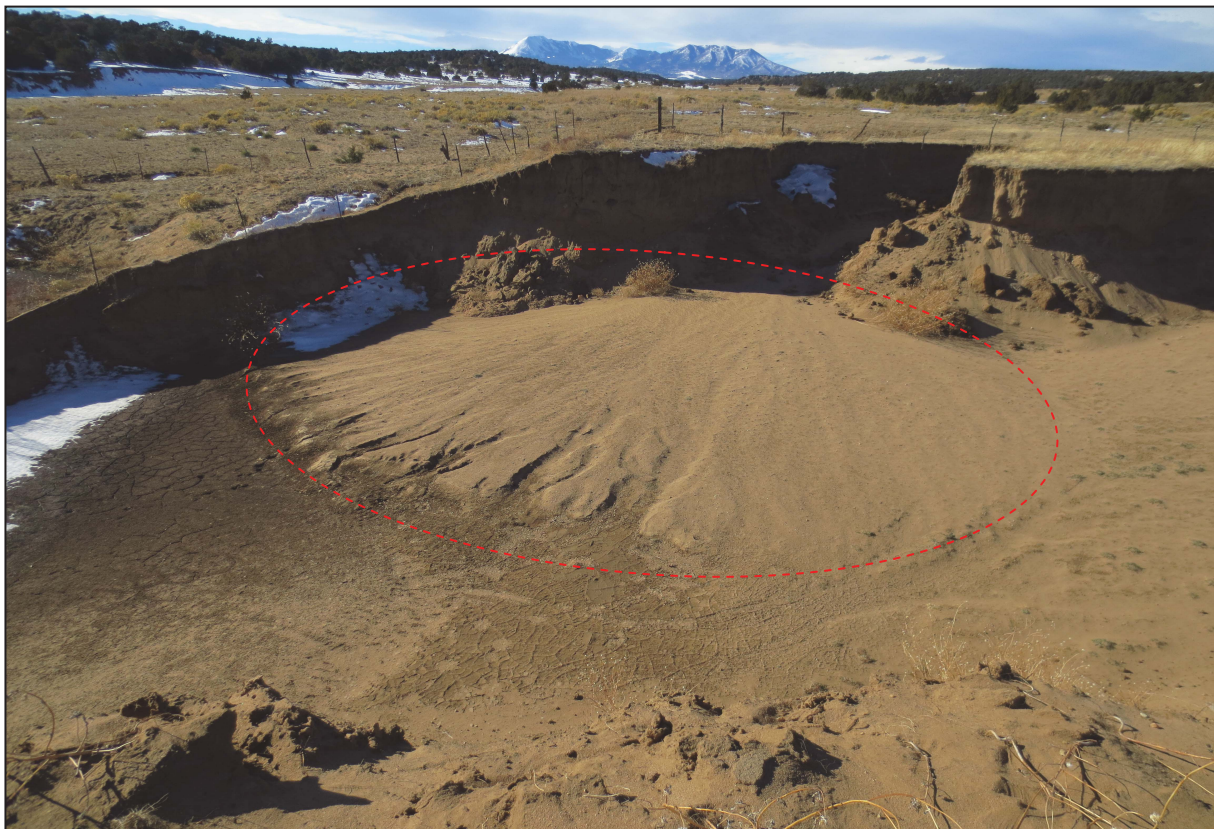


Photo 2: Looking at feature # 2, sediment fan circled in red.



Photo 3: Looking up gradient at feature # 2.



Photo 4: Feature # 1, damaged portion of fence circled in red.



Photo 5: Feature # 1, the headwall cut is circled in red.



Photo 6: Livestock tracks through the Sand Arroyo pit.

GENERAL INSPECTION TOPICS

The following list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each

(AR) RECORDS----- PB	(FN) FINANCIAL WARRANTY----- <u>Y</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>Y</u>	(EX) EXPLOSIVES----- <u>NA</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>Y</u>	(TS) TOPSOIL----- <u>N</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>Y</u>	(RV) REVEGETATION---- <u>Y</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>N</u>	(SB) COMPLETE INSP---- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>NA</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>NA</u>
(AT) ACID OR TOXIC MATERIALS----- <u>NA</u>	(OD) OFF-SITE DAMAGE----- <u>Y</u>	(ST) STIPULATIONS----- PB

Y = Inspected and found in compliance / N = Not inspected / NA = Not applicable to this operation / PB = Problem cited / PV = Possible violation cited

Inspection Contact Address

Garry Vezzani
Walsenburg Sand & Gravel Co., Inc.
P.O. Drawer 352
Walsenburg, CO 81089

Enclosure: 2013 Annual report and map
Blank annual report form
Conversion Mining Map dated April, 8 2002
DRMS, Conversion Application Approval dated February 10, 2003

CC: Tom Kaldenbach, DRMS

"AF" & "RPT"
112c Annual Report

Permittee Name:	Walsenburg Sand & Gravel Co., Inc.	Permit Number:	M-1978-283
Operation Name:	Sand Arroyo	County:	Huerfano
Annual Fee Due:	\$791.00	Anniversary Date:	April 24, 2013
Permit Acreage:	52.00	Current Bond Amt:	\$19,000.00

According to C.R.S. 34-32.5-116 or 34-32-116, each year, on the anniversary date of the permit, an operator shall submit the Annual Fee, an Annual Report and Map showing the extent of current disturbances to affected land, required monitoring information, reclamation accomplished to date and during the preceding year, any new disturbance that is anticipated to occur during the upcoming year, any reclamation that will be performed during the upcoming year, the dates for the beginning of active operations, and the date active operations ceased for the year.

Information contained in this report will be reviewed by the Division upon receipt and prior to the next compliance inspection of the site. If, while completing this report, you learn that your site is not in compliance with the rules and the act, it is advisable that the issues be rectified promptly to avoid possible enforcement action.

1. Is the site identification sign posted in accordance with Rule 3.1.12(1). YES NO
2. Is the affected area boundary clearly marked in accordance with Rule 3.1.12(2). YES NO
3. Is the mine site in final reclamation (all material extraction and stockpile removal is complete)? YES NO
 If "YES," please note time limits related to completion of reclamation, Rule 3.1.3.
4. What was the date of last excavation, processing or hauling activity at the mine? 3-5-13
5. Does the mine operate more than 180 days per year? YES NO
 If "NO", please review Rule 1.13 to assure that your mine is in compliance.
6. Has this mine been granted: YES NO
 a) approval of TEMPORARY CESSATION Status? YES NO
 b) approval for INTERMITTENT OPERATION?
7. Number of acres currently affected (mining + incomplete and or unreleased reclamation). 40
8. Number of acres that were newly affected during the current report year. 0
9. Number of acres that were reclaimed during the current report year. 0
10. Estimated new acreage to be affected in the next report year. 0
11. Estimated acres to be reclaimed in the next report year. 0
12. **Total acres** in various stages of reclamation, since permitted mining activities began:

RECEIVED
 APR 12 2013
 DIVISION OF RECLAMATION
 MINING AND SAFETY

Total acres backfilled:		Total acres seeded w/ approved mix:		Total acres w/topsoil replaced:		Total acres mulched w/ approved mulch:	
Total acres graded:		Total acres fertilized w/ apvd fertilizer:		Topsoil replacement depth (in.):		Mulch application rate (tons/ac):	
Seed application method:		Fertilizer application method:		Mulch application method:			

13. Is weed control being conducted in accordance with an approved Weed Control Plan? YES NO N/A
If "YES", indicate the weed species, control area, control type, application rate and treatment date on the report map.
14. Is adequate topsoil reserved for reclamation, based on your approved permit? YES NO N/A
If "NO", please explain:
15. Is the reserved topsoil vegetated/stabilized in accordance with Rule 3.1.9(1)? YES NO N/A
If "NO" please explain:
16. If mining has exposed groundwater, is the site in compliance with the approved mining plan and Office of the State Engineer (Well Permit, S.W.S.P., and/or Permanent Augmentation Plan)? YES NO N/A
17. Are all hazardous materials stored within approved spill containment structures? YES NO N/A
18. Is your financial warranty value sufficient to cover the cost to complete reclamation? YES NO N/A
19. Is your basis for legal right to enter still valid? YES NO
20. Does your permit require you to submit monitoring information annually? YES NO N/A
If "Yes", please attach the required monitoring results to this Annual Report.
21. As required by rule, attach a map to this report that accurately depicts the permit boundary, current affected area boundary and location of the acreages specified in items 7- 12 and 14. UPDATED MAP ATTACHED: ✓

Division records indicate the following permittee contact information. If this information is not current, please type or print **current** contact information:

Permittee Contact:	Louis Vezzani	
Permittee Company:	Walsenburg Sand & Gravel Co., Inc.	
Address:	P.O. Drawer 352 Walsenburg, CO 81089	
Phone Number:	(719) 738-1883	
Fax Number:	(719) 738-1883	
Email Address:	CF.PR.email	

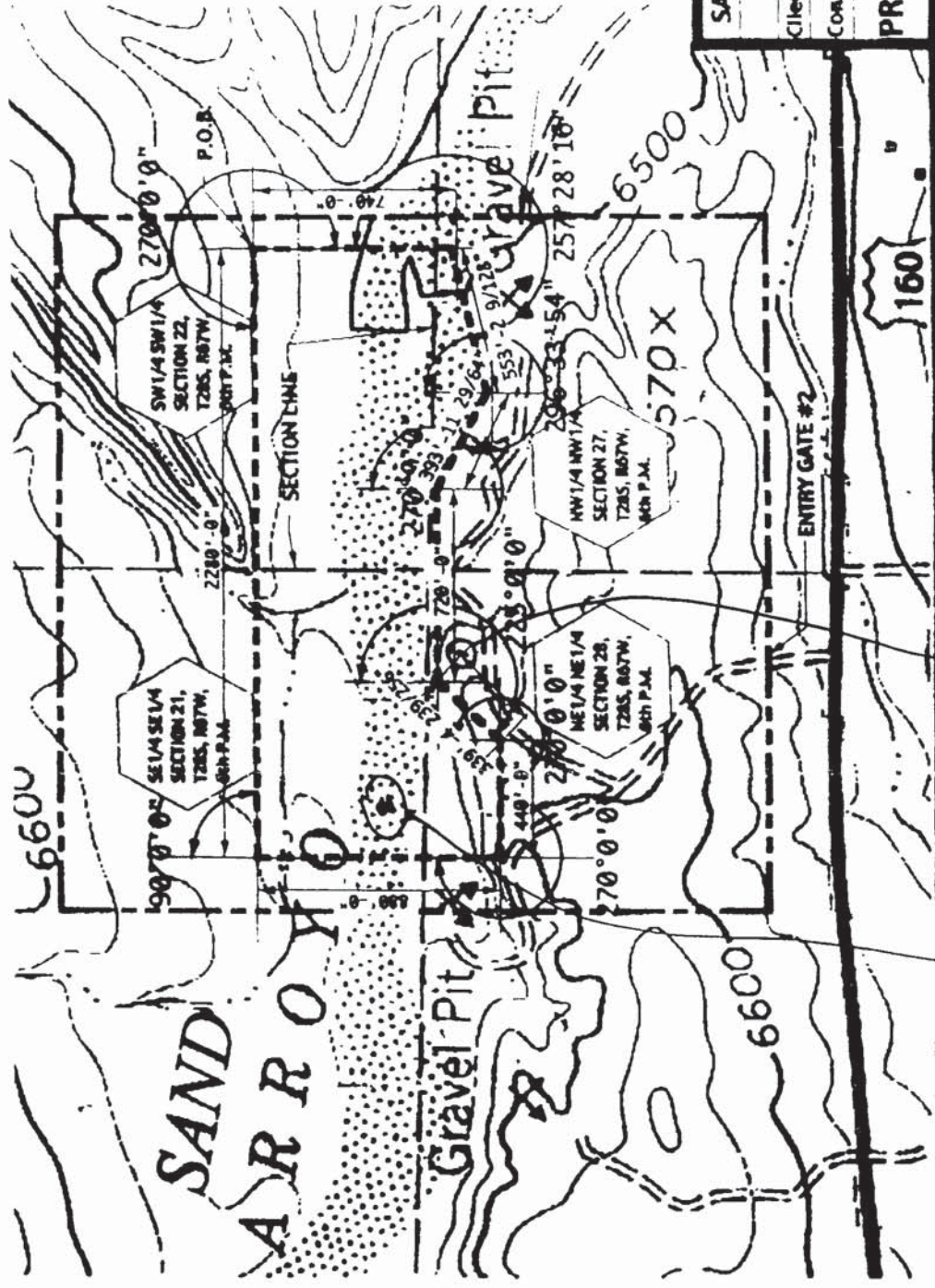
I, the undersigned, hereby state that the information provided in this report is true and accurate, and that site operations are being conducted in accordance with the Division approved mining and reclamation plans.

Louis M. Vezzani
Signature of Permittee, Corporate Officer, Owner, or Documented Designee

4-10-13
Date

NORTH

PRELIMINARY DON'T USE FOR APPLICATION



SAND ARROYO PIT CONVERSION

MLRB # M-78-283 (110c)

Client: Walsenburg Sand & Gravel, Inc.

Consultant: Lloyd V. Barnhart

PRE-MINING MAP

Date

3-8-02

- ① WAS H plant
② EXCAVATED SAND AREA & STOCK PILES

STATE OF COLORADO

DIVISION OF RECLAMATION, MINING AND SAFETY

Department of Natural Resources

1313 Sherman St., Room 215
Denver, Colorado 80203
Phone: (303) 866-3567
FAX: (303) 832-8106



March 1, 2013

Louis Vezzani
Walsenburg Sand & Gravel Co., Inc.
P.O. Drawer 352
Walsenburg, CO 81089

John W. Hickenlooper
Governor

Mike King
Executive Director

Loretta E. Pineda
Director

Sand Arroyo, Permit M-1978-283, Annual Fee Invoice and Report Request

PLEASE READ CAREFULLY – ACTION REQUIRED

Please attach your COMPLETED written Annual Report and Annual Report Map to this form

Under the terms of your NOI or Reclamation Permit and Colorado Statutes, you must submit Annual Fees and Annual Reports (including a map). You must pay the Annual Fee and submit an Annual Report each year until reclamation responsibility release is granted. The Annual Fee is not a renewal fee. The Fee and Report are for LAST YEAR'S mining and reclamation season, and MUST be paid even if your operation was inactive.

The Annual Report and Fee requirement will be considered submitted when we have received the following components:

1. **APPROPRIATE ANNUAL FEE**
2. **COMPLETED ANNUAL REPORT**
3. **ASSOCIATED MAP as required by rule**

If you have requested reclamation responsibility release from the Division of Reclamation, Mining and Safety ("Division") but your permit is not released by the anniversary date listed below, the Annual Fee MUST be paid. If the permit is released before the anniversary date, then by Statute, it is not necessary to pay an Annual Fee or submit an Annual Report for that year.

Division records indicate the \$791.00 fee is due for the following:

Permit:	M-1978-283
Operation Name:	Sand Arroyo
Anniversary Date:	April 24, 2013
Total Fee Due:	\$791.00 (Due on or before your Anniversary Date)

Return the enclosed Annual Report FORM, a MAP, and a CHECK or MONEY ORDER made payable to: Division of Reclamation, Mining and Safety, 1313 Sherman St., Room 215, Denver, CO 80203. If your records indicate these documents and fees have already been submitted, please notify the Division.

If you have additional comments and/or information that should be provided to the Division, please provide it below or attach it to this form along with your written report and map. Annual Report instructions are enclosed. If you have any questions, please feel free to contact Jim Dupler (303)866-3567 x8119 or Christine Brookshire (303)866-3567 x8132. Thank you for your cooperation in this matter.

IF THE ANNUAL FEE SUBMITTALS ARE NOT RECEIVED ON OR BEFORE YOUR ANNIVERSARY DATE, THE ENFORCEMENT PROCESS WILL AUTOMATICALLY BE INITIATED. ENFORCEMENT ACTIONS MAY RESULT IN CIVIL PENALTIES AND/OR REVOCATION OF YOUR PERMIT.

112c Annual Report

Permittee Name:	Walsenburg Sand & Gravel Co., Inc.	Permit Number:	M-1978-283
Operation Name:	Sand Arroyo	County:	Huerfano
Annual Fee Due:	\$791.00	Anniversary Date:	April 24, 2013
Permit Acreage:	52.00	Current Bond Amt:	\$19,000.00

According to C.R.S. 34-32.5-116 or 34-32-116, each year, on the anniversary date of the permit, an operator shall submit the Annual Fee, an Annual Report and Map showing the extent of current disturbances to affected land, required monitoring information, reclamation accomplished to date and during the preceding year, any new disturbance that is anticipated to occur during the upcoming year, any reclamation that will be performed during the upcoming year, the dates for the beginning of active operations, and the date active operations ceased for the year.

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2. Is the affected area boundary clearly marked in accordance with Rule 3.1.12(2). YES NO
3. Is the mine site in final reclamation (all material extraction and stockpile removal is complete)? YES NO
If "YES," please note time limits related to completion of reclamation, Rule 3.1.3.
4. What was the date of last excavation, processing or hauling activity at the mine? _____
5. Does the mine operate more than 180 days per year? YES NO
If "NO", please review Rule 1.13 to assure that your mine is in compliance.
6. Has this mine been granted: YES NO
a) approval of TEMPORARY CESSATION Status? YES NO
b) approval for INTERMITTENT OPERATION?
7. Number of acres currently affected (mining + incomplete and or unreleased reclamation). _____
8. Number of acres that were newly affected during the current report year. _____
9. Number of acres that were reclaimed during the current report year. _____
10. Estimated new acreage to be affected in the next report year. _____
11. Estimated acres to be reclaimed in the next report year. _____
12. **Total acres** in various stages of reclamation, since permitted mining activities began:

Total acres backfilled:		Total acres seeded w/ approved mix:		Total acres w/topsoil replaced:		Total acres mulched w/ approved mulch:	
Total acres graded:		Total acres fertilized w/ apvd fertilizer:		Topsoil replacement depth (in.):		Mulch application rate (tons/ac):	
Seed application method:		Fertilizer application method:				Mulch application method:	

13. Is weed control being conducted in accordance with an approved Weed Control Plan? YES NO N/A
If "YES", indicate the weed species, control area, control type, application rate and treatment date on the report map.
14. Is adequate topsoil reserved for reclamation, based on your approved permit? YES NO N/A
If "NO", please explain:
15. Is the reserved topsoil vegetated/stabilized in accordance with Rule 3.1.9(1)? YES NO N/A
If "NO" please explain:
16. If mining has exposed groundwater, is the site in compliance with the approved mining plan and Office of the State Engineer (Well Permit, S.W.S.P., and/or Permanent Augmentation Plan)? YES NO N/A
17. Are all hazardous materials stored within approved spill containment structures? YES NO N/A
18. Is your financial warranty value sufficient to cover the cost to complete reclamation? YES NO N/A
19. Is your basis for legal right to enter still valid? YES NO
20. Does your permit require you to submit monitoring information annually? YES NO N/A
If "Yes", please attach the required monitoring results to this Annual Report.
21. As required by rule, attach a map to this report that accurately depicts the permit boundary, current affected area boundary and location of the acreages specified in items 7- 12 and 14. UPDATED MAP ATTACHED: _____

Division records indicate the following permittee contact information. If this information is not current, please type or print **current** contact information:

Permittee Contact:	Louis Vezzani	
Permittee Company:	Walsenburg Sand & Gravel Co., Inc.	
Address:	P.O. Drawer 352 Walsenburg, CO 81089	
Phone Number:	(719) 738-1883	
Fax Number:	(719) 738-1883	
Email Address:	CF.PR.email	

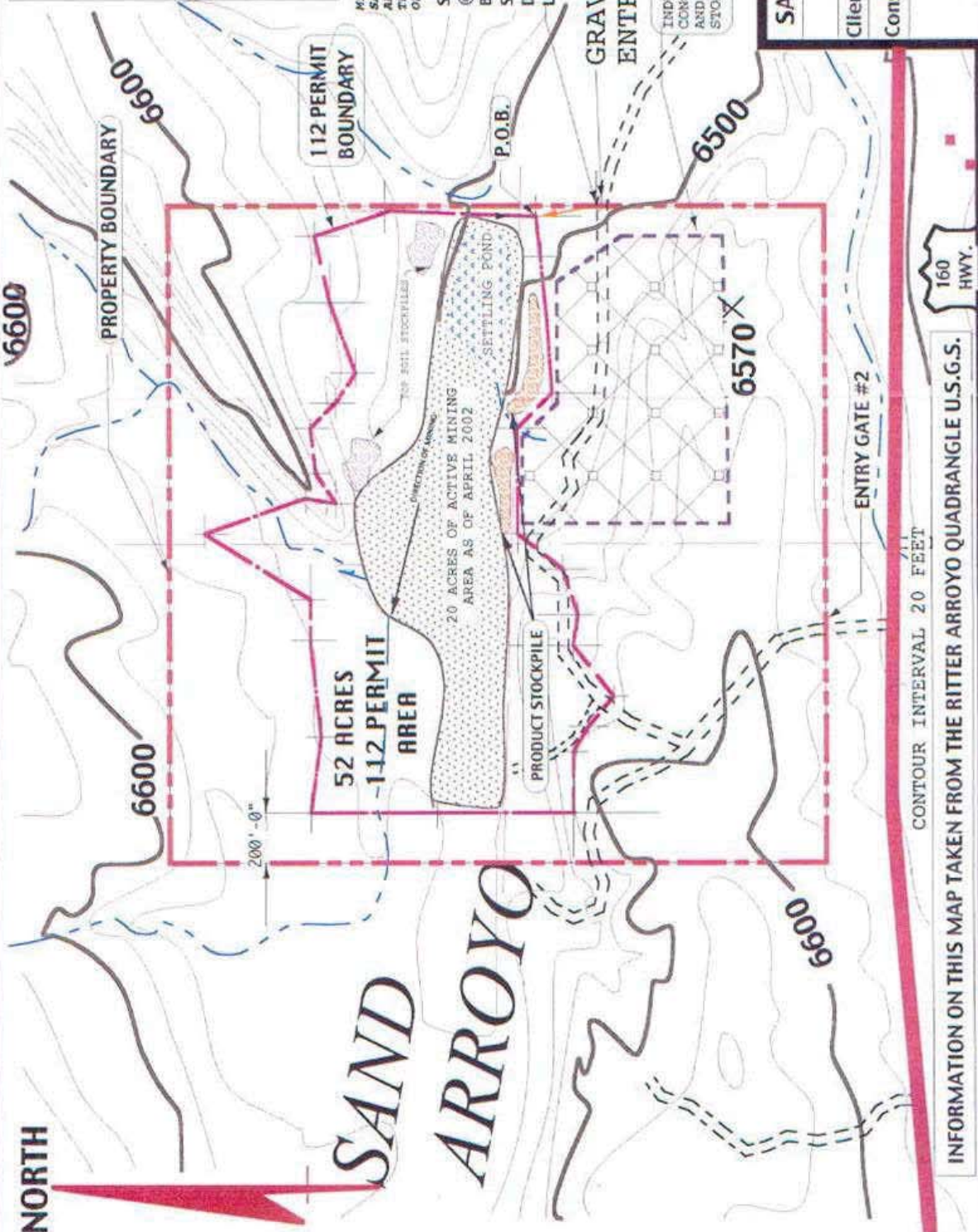
I, the undersigned, hereby state that the information provided in this report is true and accurate, and that site operations are being conducted in accordance with the Division approved mining and reclamation plans.

Signature of Permittee, Corporate Officer, Owner, or Documented Designee

Date

NORTH

SAND ARROYO



MAP LEGEND

- 52.0 ACRES
- 112 PERMIT BOUNDARY
- PROPERTY BOUNDARY
- INDUSTRIAL AREA
- CONTOUR INTERVAL 20'
- UNIMPROVED ROAD
- HWY 160
- DRAIN WAYS
- DIRECTION OF MINING

MINING WILL NOT EXPOSE ANY GROUND WATER. SAND WILL BE WASHED BACK INTO EXCAVATED AREAS DURING FLOODS AND THEN MINED AGAIN THEREAFTER. THIS HAS BEEN THE MODE OF OPERATION FOR THIS MINES HISTORY.

RECEIVED

APR 17 2002

START SURVEY
@ GATE POST
BENCH MARK
SEE ATTACHED
DRAWING MARKED
LEGAL DESCRIPTION

Division of Minerals and Geology

52.0 acres
GRAVEL PIT
ENTRY

INDUSTRIAL AREA
CONCRETE BATCH PLANT
AND SAND WASHING AND
STORAGE.

NOTE: SEE SHEET MARKED
1:241. DESIGNATION FOR DETAIL
1:241. PERMIT LAYOUT AND FOR
PROPERTY BOUNDARY.

SCALE 1" = 500'

500' - 0"

SAND ARROYO PIT CONVERSION

MLRB # M-78-283 (110c)

Client: Walsenburg Sand & Gravel, Inc.

Consultant: Lloyd V. Barnhart

Date:

4-8-02

MINING MAP

INFORMATION ON THIS MAP TAKEN FROM THE RITTER ARROYO QUADRANGLE U.S.G.S.

File

STATE OF COLORADO

DIVISION OF MINERALS AND GEOLOGY

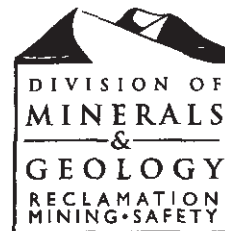
Department of Natural Resources

1313 Sherman St., Room 215

Denver, Colorado 80203

Phone: (303) 866-3567

FAX: (303) 832-8106



Bill Owens
Governor

Greg E. Walcher
Executive Director

Ronald W. Cattany
Acting Division Director

February 10, 2003

Mr. Louis Vezzani
Walsenburg Sand & Gravel, Inc.
Hwy. 10
Walsenburg, CO 81089

Re: Sand Arroyo, Conversion Approval, Permit No. M-1978-283, Revision No. CN-1

Dear Mr. Vezzani:

On January 22, 2003 the Division of Minerals and Geology approved the Conversion application submitted to the Division on April 15, 2002, addressing the following:

The terms of the Conversion No. 1 approved by the Division are hereby incorporated into Permit No. M-1978-283. All other conditions and requirements of Permit No. M-1978-283 remain in full force and effect.

The operator agrees to NOT disturb more than five acres, at any given time, without posting the appropriate warranty and obtaining a written approval from DMG.

The estimated liability amount of \$17,500.00 for the Sand Arroyo, when added to the existing liability amount of \$1,500.00, exceeds the performance bond held. If you have not already done so, please submit additional bond in the amount of \$17,500.00. The revision will not be final until the bond is approved by the Division.

If you have any questions, please contact me.

Sincerely,

Berhan M. Keffelew
Environmental Protection Specialist