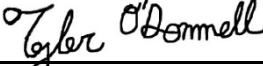




**To COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567**

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: Velarde Pit	MINE/PROSPECTING ID#: M-2002-118	MINERAL: Sand and gravel	COUNTY: Huerfano
INSPECTION TYPE: Monitoring	INSPECTOR(S): Tyler V. O'Donnell	INSP. DATE: January 27, 2014	INSP. TIME: 09:30
OPERATOR: APC Southern Construction Co., LLC	OPERATOR REPRESENTATIVE: Richard Pounds	TYPE OF OPERATION: 112c - Construction Regular Operation	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$67,800.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: February 11, 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: Financial Warranty

PROBLEM/POSSIBLE VIOLATION: Problem: The financial warranty is not adequate to reclaim the site in accordance with the approved reclamation plan. This is a failure to maintain the proper financial warranty amount to complete reclamation of the affected lands pursuant to C.R.S. 34-32.5-117(4)(b) of the Act. The new required financial warranty is \$114,200.00, resulting in current deficit of financial warranty on deposit with the State in the amount of \$46,400.

CORRECTIVE ACTIONS: The Operator will have 60 days from the date on the surety increase notice to post the additional financial warranty. This deficit in bond amount is cited as a problem and must be corrected by April 14, 2014, by submitting the additional bond amount of \$46,400.

CORRECTIVE ACTION DUE DATE: 4/14/2014

INSPECTION TOPIC: Gen. Compliance With Mine Plan

PROBLEM/POSSIBLE VIOLATION: Problem: The Operator has failed to comply with the approved mine plan, the Operator has disturbed more acres than the maximum allowed disturbance of 20 acres. The current mine plan shall updated and clarified pursuant to C.R.S. 34-32.5-112 (1)(c)(VI). The operator must provide sufficient information to describe or identify how the Operator intends to conduct the operation.

CORRECTIVE ACTIONS: The Operator shall submit a Technical Revision, with the required \$216 revision fee, to update and clarify the current approved mine plan and Exhibit L (Rule 6.4.12) Reclamation Cost Estimate to reflect existing and proposed activities by the corrective action date.

CORRECTIVE ACTION DUE DATE: 4/14/2014

OBSERVATIONS

This was a normal routine monitoring inspection conducted by Tyler O'Donnell of the Division of Reclamation, Mining and Safety (Division/DRMS). APC Southern Construction Co., LLC, the Operator, was represented by Richard Pounds during the inspection. The Velarde Pit is located approximately 12.5 miles north of Walsenburg, Colorado. The Velarde Pit is a 300 acre site permitted for the extraction of construction materials primarily sand and gravel. The Velarde Pit has an approved affected are of 149 acres maximum allowed disturbance of 20 acres at one time. The approved post-mining land use is rangeland.

The sky was clear. The ground was dry. No mining equipment was present at the time of the inspection. The last annual report indicated that the site has not been operational since November 2010. The Operator's representative indicated that the site may be used in an upcoming construction project. If the Operator does not commence mining operations within the next year the Operator shall fill a Notice of Temporary Cessation or the Operator shall begin final reclamation.

Backfilling and Grading:

The pit has portions of the highwalls that have been graded to an approximant slope of 3H:1V and other portions of the pit walls are near veridical (see Photos 1 and 2).

Financial Warranty:

The current amount of financial warranty the Operator has on deposit with the State is \$67,800.00. Based on the observations made during this inspection, the approved reclamation plan and 30 acres of disturbance, the cost to reclaim the site is estimated to be \$114,150.26 (see attached reclamation cost estimate). The new required financial warranty is \$114,200.00, resulting in current deficit of financial warranty on deposit with the State in the amount of \$46,400. This deficit in bond amount is cited as a problem and must be corrected by April 14, 2014, by submitting the additional bond amount of \$46,400.

Hydrologic Balance:

The pit excavation is located on a gravelly terrace south of the Huerfano River. The bottoms of both pits were dry. There was no evidence of excessive erosion. There appeared to be no significant impacts to the prevailing hydrologic balance.

Gen. Compliance With Mine Plan:

The mining operation has commended in the eastern part of Phase 1 and is progressing westward. The Operator appears to be observing the required 25 foot power line offsets. All mining activity appeared to be within the approved permit boundaries. The Operator indicated in the last annual report that 34 acres were currently affected by mining operations. During the inspection, the disturbed area was measured with a hand held GPS unit and was found to be approximately 30 acres (see figure #1). The Operator committed to disturbing no more than 20 acres at one time. This will be cited as a problem and will require a corrective action.

Roads:

The access road was in good condition.

Recl Plan/Comp:

This site has not yet been reclaimed. It appears that some backfilling and grading has occurred.

Revegetation:

There was some plant growth on the stockpiles and very little vegetation growth elsewhere in the disturbed area. The growth in the disturbed area appeared to be volunteer vegetation, comprised of grasses and annual weeds.

Erosion/Sedimentation:

There was no evidence of excessive erosion (rills, gullies, or sediment fans).

Signs and Markers:

A mine I.D. sign was located at the entrance to the mine site. The permit boundary was clearly marked by t-posts.

Velarde Pit



Figure 1: Affected area boundary (marked by the red lines on this 2011 NAIP image) encloses approximately 30 acres.

PHOTOGRAPHS



Photo 1: View looking southeast into the pit from the access road.



Photo 2: View looking southwest into the pit from the access road.



Photo 3: View looking southeast, where the processing plant was, and product stockpile in the background.



Photo 4: View looking west, pad where the processing plant was, and topsoil stockpile in the background.

GENERAL INSPECTION TOPICS

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

(AR) RECORDS----- <u>Y</u>	(FN) FINANCIAL WARRANTY----- PB	(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>Y</u>
(MP) GENL MINE PLAN COMPLIANCE- PB	(FW) FISH & WILDLIFE----- <u>Y</u>	(RV) REVEGETATION---- <u>Y</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>Y</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>Y</u>
(AT) ACID OR TOXIC MATERIALS----- <u>Y</u>	(OD) OFF-SITE DAMAGE----- <u>NA</u>	(ST) STIPULATIONS----- <u>NA</u>

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

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Golden, CO 80403

Enclosure: Financial warranty calculation

CC: Tom Kaldenbach, DRMS