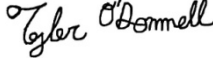




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

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: Pino Pit	MINE/PROSPECTING ID#: M-2000-118	MINERAL: Sand and gravel	COUNTY: Huerfano
INSPECTION TYPE: Monitoring	INSPECTOR(S): Tyler V. O'Donnell	INSP. DATE: January 27, 2014	INSP. TIME: 10:30
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: \$115,400.00
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 amount of required financial warranty will be \$145,300, which is \$29,900 more than the current required financial warranty of \$115,400.

CORRECTIVE ACTIONS: The deficit in financial warranty amount on deposit with the State is cited as a problem and must be corrected by April 14, 2014, by submitting the additional bond amount of \$29,900.

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 Pino Pit is located approximately 12.5 miles northwest of Walsenburg, Colorado. The Pino Pit is an 80 acre site permitted for the extraction of construction materials primarily sand and gravel. The Pino Pit has an approved maximum allowed disturbance of 35 acres. The approved post-mining land use is rangeland.

The sky was clear. The ground was dry. Mining equipment was present at the time of the inspection, however no equipment was operational. The last annual report indicated that the site has been operational more than 180 days a year and the site has been active through October 2013. The Operator's representative indicated that the mined and processed was being used in a paving job on Interstate 25.

Backfilling and Grading:

The site appears to have two separate pits (see Figure #1). The western pit appears to have slopes graded to an approximant slope of 2H:1V. Recent mining activity appears to be taking place in the western pit. The eastern pit appears to have slopes graded to an approximant slope of 2H:1V. The western pit wall of the eastern pit was graded to a slope of approximately 4H:1V or flatter. Both pits appear to be approximately 35 to 40 feet deep. The eastern pit walls have been damaged by erosion (see photo 4). At this time this is not cited as a problem, however the Operator will need to grade, repair and stabilize the pit slopes once final reclamation commences.

Financial Warranty:

The current amount of financial warranty the Operator has on deposit with the State is \$115,400. Based on the observations made during this inspection and the 35 acres of approved disturbance at any one time, the cost to reclaim the site is estimated to be \$145,287.58 (see attached reclamation cost estimate). The new required financial warranty is \$145,300.00, resulting in current deficit of financial warranty on deposit with the State in the amount of \$29,900. 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 \$29,900.

Hydrologic Balance:

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

Gen. Compliance With Mine Plan:

The Operator committed to disturbing no more than 35 acres at one time. During the inspection, the disturbed area was measured with a hand held GPS unit and was found to be approximately 24 acres (see figure #1). The Operator Appears to be observing the 50 foot boundary set back and the 25 foot power line offset. All mining activity appeared to be within the approved permit boundaries.

Roads:

The access road was in good condition.

Recl Plan/Comp:

This site has not yet been reclaimed.

Revegetation:

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

Erosion/Sedimentation:

There was no evidence of excessive erosion. Small rills, gullies were observed in the eastern pit.

Pino Pit



Figure 1: Affected area boundary (marked by the red lines on this 2011 NAIP image) encloses approximately 24 acres.

PHOTOGRAPHS



Photo 1: View looking southeast from the access road.

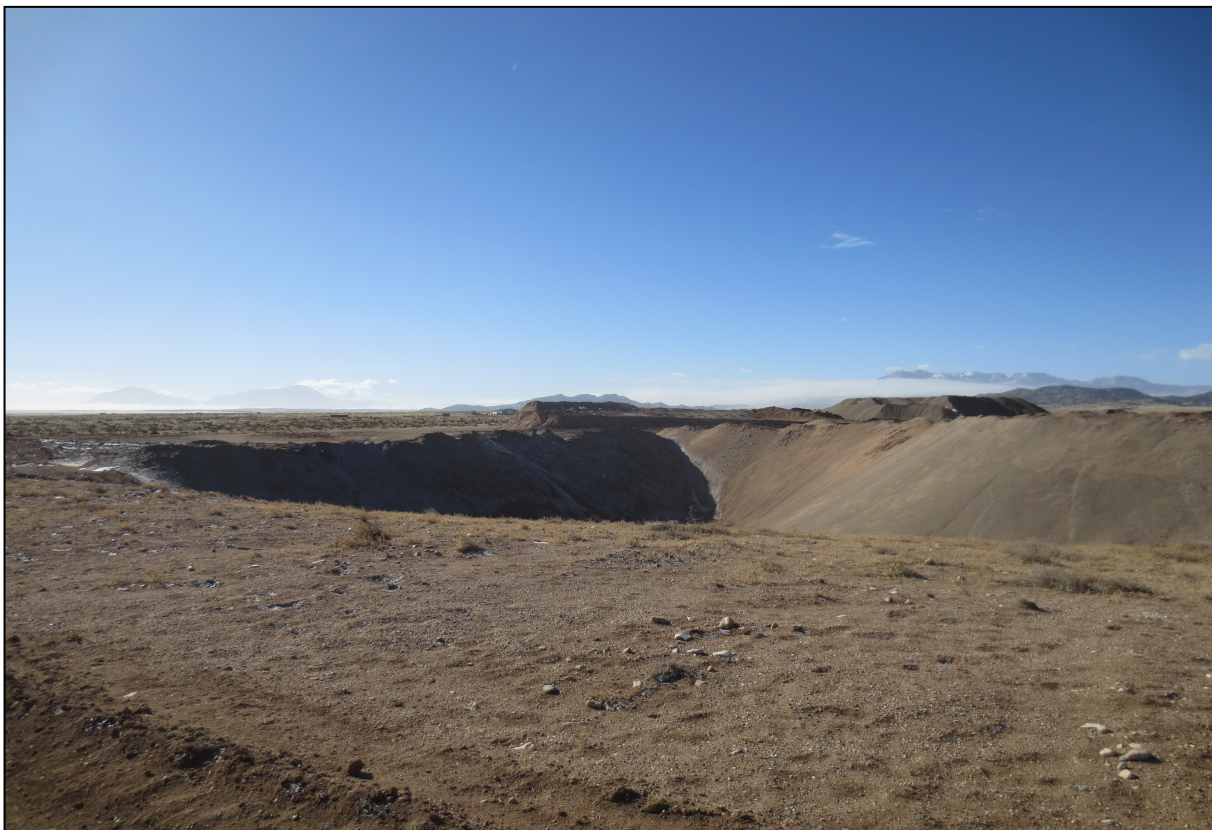


Photo 2: View looking southwest into the western pit.



Photo 3: View looking south, western pit in the background.



Photo 4: View looking northeast into the eastern pit.

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>Y</u>	(SF) PROCESSING FACILITIES----- <u>NA</u>	(TS) TOPSOIL----- <u>Y</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>Y</u>	(SB) COMPLETE INSP---- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>Y</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>Y</u>
(AT) ACID OR TOXIC MATERIALS----- <u>NA</u>	(OD) OFF-SITE DAMAGE----- <u>Y</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