



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: Silt Pit	MINE/PROSPECTING ID#: M-1981-202-SG	MINERAL: Sand and gravel	COUNTY: Garfield
INSPECTION TYPE: Monitoring	INSPECTOR(S): Stephanie J. Mitchell	INSP. DATE: February 11, 2014	INSP. TIME: 09:00
OPERATOR: Flag Resources Inc	OPERATOR REPRESENTATIVE: Fred Frei	TYPE OF OPERATION: 112c - Construction Regular Operation	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$55,400.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: <i>Stephanie Mitchell</i>	SIGNATURE DATE: February 27, 2014

GENERAL INSPECTION TOPICS

This list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each. No problems or possible violations were noted during the inspection. The mine operation was found to be in full compliance with Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for the Extraction of Construction Materials and/or for Hard Rock, Metal and Designated Mining Operations. Any person engaged in any mining operation shall notify the office of any failure or imminent failure, as soon as reasonably practicable after such person has knowledge of such condition or of any impoundment, embankment, or slope that poses a reasonable potential for danger to any persons or property or to the environment; or any environmental protection facility designed to contain or control chemicals or waste which are acid or toxic-forming, as identified in the permit.

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

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

OBSERVATIONS

This was a monitoring inspection of the Silt Pit; M-1981-202SG operated by the Flag Resources, Inc. This site is located 1 mile southwest of Silt, Colorado in Garfield County. I, Stephanie Mitchell of the Colorado Division of Reclamation, Mining and Safety conducted the inspection. Mr. Fred Frei, of Flag Resources, Inc. accompanied me on the inspection.

This is a 170.7 acre 112c mining operation for sand and gravel with a maximum allowed disturbance of 30 acres. The current disturbed acreage appears to be right at 30 acres. The Division recommends that the Operator initiate reclamation prior to disturbing any more acreage.

A mine identification sign was in place at the entrance to the mine site. All permit boundaries were all clearly marked delineating the permit area.

The site is mined in phases. The western portion of the permit area has been mined and this area has been reclaimed. The side slopes of the pit excavation appear to be at a 3:1 horizontal to vertical ratio or less. The western portion of this site has been revegetated with approved seed mixture. Mining is currently taking place in the eastern portion of the permit area.

Topsoil and material stockpiles appear to be stable. There were up to 25 different stockpiles, including asphalt and concrete. The asphalt plant has been dismantled.

At the southern portion of the pit it appears that the Operator is storing refuse consisting of old equipment, scrap metal, and other metal items on site. The Division recommends the Operator initiate cleanup of the scrap metal and refuse in the Spring of 2014. The Division will do a follow up inspection in the Fall of 2014 to check the status of the scrap metal amounts left on site. In the case that nothing has been removed, the Division will recalculate the financial warranty to reflect the cost of what it would cost to remove the scrap metal and unused machinery from the site and would be a problem for failure to dispose of refuse in a manner that controls unsightliness or deleterious effects of such refuse pursuant to C.R.S. 34-32.5-116(4)(e).

Fuel storage appeared to be adequate with berms around the tanks.

Responses to this inspection report should be directed to Stephanie Mitchell at the Division of Reclamation, Mining & Safety, Grand Junction Field Office, 101 South 3rd Street, Room 301, Grand Junction, Colorado 81501, phone number 970.242.5025.

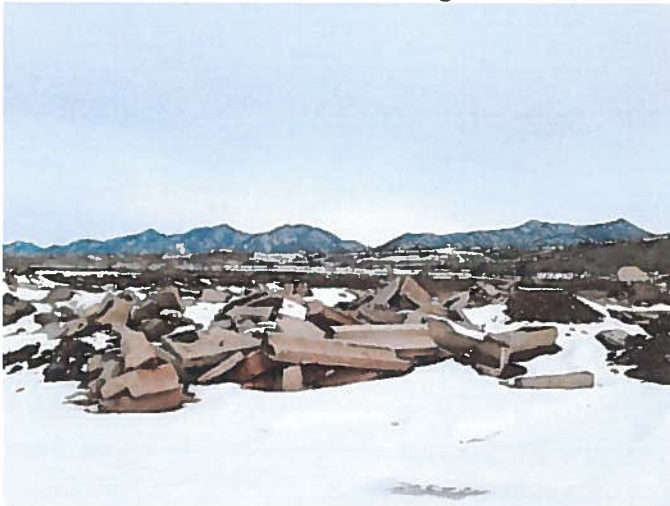
PHOTOGRAPHS



Mine Identification Sign



Eastern Edge of pit



Stockpiled Asphalt



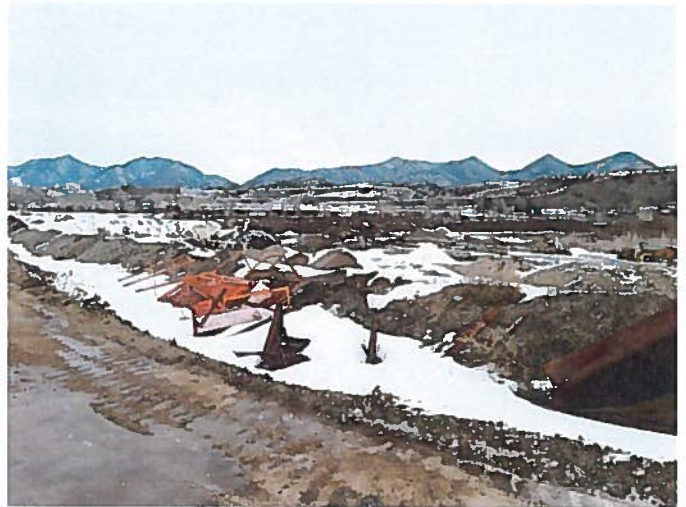
Boulder stockpile



Pallets that need to be removed by Fall of 2014



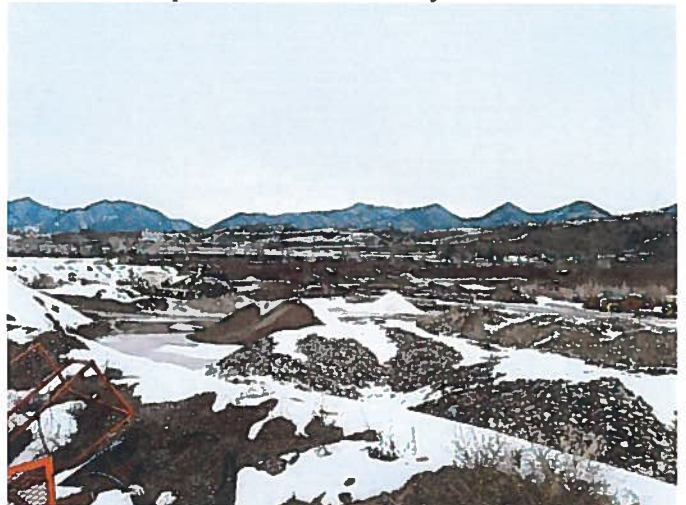
Scrap Metal and equipment need to be removed by Fall 2014



Scrap metal to be removed by Fall 2014



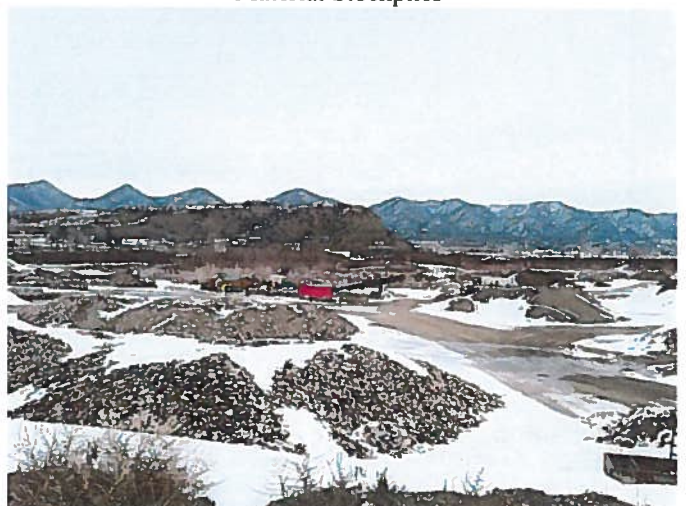
Topsoil Stockpile



Material Stockpiles



Fuel Storage



Material stockpiles



Material Stockpiles in the background, scrap metal in foreground needs to be removed

Inspection Contact Address

Fred Frei
Flag Resources Inc
1412 CR 311
New Castle, CO 81641

CC: Russ Means, DRMS