




**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.

<b>MINE NAME:</b> San Luis Project	<b>MINE/PROSPECTING ID#:</b> M-1988-112	<b>MINERAL:</b> Au, Ag	<b>COUNTY:</b> Costilla
<b>INSPECTION TYPE:</b> Multi Person Inspection	<b>INSPECTOR(S):</b> Wallace H. Erickson, G. Russell Means	<b>INSP. DATE:</b> July 24, 2014	<b>INSP. TIME:</b> 13:00
<b>OPERATOR:</b> Battle Mountain Resources, Inc.	<b>OPERATOR REPRESENTATIVE:</b> Julio Madrid, Steve Carino	<b>TYPE OF OPERATION:</b> 112d-3 - Designated Mining Operation	
<b>REASON FOR INSPECTION:</b> Normal I&E Program	<b>BOND CALCULATION TYPE:</b> Partial Bond	<b>BOND AMOUNT:</b> \$7,400,000.00	
<b>DATE OF COMPLAINT:</b> NA	<b>POST INSP. CONTACTS:</b> None	<b>JOINT INSP. AGENCY:</b> None	
<b>WEATHER:</b> Cloudy	<b>INSPECTOR'S SIGNATURE:</b> 	<b>SIGNATURE DATE:</b> October 17, 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-----Y	(FN) FINANCIAL WARRANTY-----Y	(RD) ROADS-----Y
(HB) HYDROLOGIC BALANCE-----Y	(BG) BACKFILL & GRADING-----Y	(EX) EXPLOSIVES-----NA
(PW) PROCESSING WASTE/TAILING-----Y	(SF) PROCESSING FACILITIES-----Y	(TS) TOPSOIL-----Y
(MP) GENL MINE PLAN COMPLIANCE-----Y	(FW) FISH & WILDLIFE-----Y	(RV) REVEGETATION-----Y
(SM) SIGNS AND MARKERS-----N	(SP) STORM WATER MGT PLAN-----N	(SB) COMPLETE INSP-----N
(ES) OVERBURDEN/DEV. WASTE-----Y	(SC) EROSION/SEDIMENTATION-----Y	(RS) RECL PLAN/COMP-----Y
(AT) ACID OR TOXIC MATERIALS-----Y	(OD) OFF-SITE DAMAGE-----Y	(ST) STIPULATIONS-----N

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

### **OBSERVATIONS**

This inspection occurred as part of the Division's routine monitoring of permitted operations and to familiarize Division staff with the reclamation operation. Division staff included Elliott Russell, Amy Eschberger, and Tyler O'Donnell from the Division's office in Denver; Julie Murphy, from the AGO; Lucas West and Russ Means from the Division's office in Grand Junction; and Wally Erickson from the Division's office in Durango. The Operator was represented by Julio Madrid and Steve Carino from BMRI, as well as Allan Fosdick, PE, and Melissa Chalona, PE, from Advanced Environmental Services. The San Luis Project is a 112d-3 operation permitted for the extraction and milling of precious metals ore. The permit area encompasses approximately 1,801 acres, within which boundaries the Operator is approved to affect 641 acres. Of the 641 acres the operation has affected approximately 509 acres. Affected lands will be reclaimed to support a variety of post-mining land uses including rangeland, wildlife habitat and industrial/commercial. The Division holds \$7.4 million financial warranty. This report is accompanied by one image from Google Earth and three photographs taken during the inspection.

Mining and milling activities ceased on or about November 9, 1996, and the Operator commenced final reclamation. Since that time the Operator has conducted maintenance and/or reclamation activities for all affected lands and has completed reclamation for significant portions of the affected lands. According to information submitted by the Operator with the annual reports, the Operator has completed reclamation for approximately 422 acres. Portions of these reclaimed areas, such as the lands previously deeded to Costilla County, may be sufficiently stable to be released from reclamation liability. As shown in Photo 1, the property is now owned by the San Luis Animal Welfare Society, who is utilizing the property as an animal shelter. As such, the property appears to have attained its industrial/commercial post-mining land use and is potentially eligible for release from the permit area.

As shown in Photo 2, the outlet of the upland diversion ditch for the tailing repository appeared stable; evidence of slumping, sliding or excessive erosion was not observed.

As shown in Photo 3, the Operator had completed recent repairs to minor erosion at the north groin for the tailing pond embankment. The Division recommends the Operator submit a Technical Revision for Division review and approval, updating erosion control methods for the tailing pond embankment.

#### **Inspection Contact Address**

Julio Madrid  
Battle Mountain Resources, Inc.  
P.O. Box 310  
San Luis, CO 81152

Enclosure: One Google Earth image and three photographs taken during the inspection

cc w/enclosure: Julio Madrid, BMRI;  
Melissa Chalona, AES; and  
Russ Means, DRMS GJFO



San Luis Project, M-1988-112, Google Earth image date October 1, 2013, view from approximately 5,600 feet above ground surface and showing the tailing repository and portions of the lands previously deeded to Costilla County. Photo locations as indicated.





San Luis Project  
M-1988-112  
July 24, 2014  
Photo 1



View northeast, showing portions of the property previously deeded to Costilla County and currently owned by San Luis Valley Animal Welfare Society. On-site discussions included potential release of the property from the permit area.



San Luis Project  
M-1988-112  
July 24, 2014  
Photo 2



View southwest, showing portions of the outlet of the upland diversion ditch for the tailing facility. Recently placed riprap and rock check dams were intact. Vegetative cover was establishing for areas recently disturbed by the placement of riprap and rock check dams. The channel appeared stable; evidence of excessive erosion was not observed.



San Luis Project  
M-1988-112  
July 24, 2014  
Photo 3



View southwest, showing portions of the north groin of the tailing pond embankment and recent repairs of minor erosion. On-site discussion included erosion control methods in addition to the construction of contour berms/ditches.