




**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> S & H Mine	<b>MINE/PROSPECTING ID#:</b> M-2000-158	<b>MINERAL:</b> Sand and gravel	<b>COUNTY:</b> Weld
<b>INSPECTION TYPE:</b> Surety-Related Inspection	<b>INSPECTOR(S):</b> Peter S. Hays	<b>INSP. DATE:</b> October 7, 2016	<b>INSP. TIME:</b> 09:30
<b>OPERATOR:</b> Scout Investments, L.L.C.	<b>OPERATOR REPRESENTATIVE:</b> Jason Von Lembke	<b>TYPE OF OPERATION:</b> 112c - Construction Regular Operation	
<b>REASON FOR INSPECTION:</b> Surety Related	<b>BOND CALCULATION TYPE:</b> Partial Bond	<b>BOND AMOUNT:</b> \$668,900.00	
<b>DATE OF COMPLAINT:</b> NA	<b>POST INSP. CONTACTS:</b> None	<b>JOINT INSP. AGENCY:</b> None	
<b>WEATHER:</b> Foggy	<b>INSPECTOR'S SIGNATURE:</b> 	<b>SIGNATURE DATE:</b> October 11, 2016	

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

The S&H Mine was inspected by Peter Hays with the Division of Reclamation, Mining and Safety (Division/DRMS) as required by the Transfer of Permit and Succession of Operators process and Rule 1.12. The site was previously inspected by the Division on July 8, 2010. Mr. Jason Von Lembke with Scout Investments, L.L.C. (Scout) was present during the inspection. The site was previously inspected by the Division on May 21, 2015. The Succession of Operator application was approved by the Division on August 22, 2016.

The Division is required to recalculate the required reclamation bond within 60-days from the date of the succession of operator transfer is approved. The Division currently holds a reclamation bond in the amount of \$668,900.00. The financial warranty is a place holder bond and not adequate to complete the approved reclamation plan at the site. The AM-02 approval contained a stipulation preventing the Operator from performing work related to the installation of the slurry walls or the perpetration and construction of the embankments until the Operator has submitted and received approval for a Technical Revision to update the financial warranty for the proposed slurry walls and embankment construction costs. The required TR has not been submitted by the Operator to date. No additional financial warranty is required as part of SO-05.

The City of Aurora (Aurora) and Scout have completed the process of purchasing the S&H Mine property from Gilcrest Reservoir, L.L.C. The City of Aurora purchased the southern half of the site and Scout owns the northern portion of the site. Scout is determining if mining operations in Sharkey Lake, which is sealed with a slurry wall, will recommence or if the site will be used for in-situ water storage in its current configuration. The Aurora owned portion of the site is not planned to be mined for 20 years.

Scout has a 3 year lease agreement with Aurora to mine and the reclaim the northern portion of the Aurora owned portion of the site where the existing processing plant and open water pond are located. Scout is required to backfill and reclaim the existing open water dredge pond and relocate and reclaim the current processing area to the northern portion of the site within 3 years. Scout stated they are working with an auction company to remove the existing processing plant and equipment from the site.

Aurora and Scout would like to have the southern portion of the site released from the permit boundary. The Division is unable to release undisturbed portions of the site, which differ from the approved final reclamation plan if unaffected by mining. A technical revision to update the mining and reclamation plans to indicate the undisturbed lands, change the post mining land use for the open water pond and processing area from developed water resource to rangeland is expected to be submitted to the Division in 2 to 3 weeks. The open water pond will be backfilled with the onsite stockpiled material according to the Operator. The release of the southern portion of the property would require Aurora to re-permit the property prior to starting mining activities in the future.

Noxious weeds were observed in the southern and northern portions of the site during the previous inspection included; Hoary Crest (white top), Bull Thistle, Canada Thistle and cheat grass (downy brome). Scout indicated the individual with the grazing lease at the site is responsible for weed control. Evidence of weed spraying was observed during the inspection, however patches of common mullein and thistle were observed during the inspection.

Photographs taken during the inspection are attached.

**Inspection Contact Address**

Jason Von Lembke  
Scout Investments, L.L.C.  
8301 E. Prentice Ave  
Greenwood Village, CO 80111

Ec: Wally Erickson; DRMS

**PHOTOGRAPHS**



View of slurry wall around Sharkey Lake from SE corner looking north



View of slurry wall around Sharkey Lake from SE corner looking west



View of Sharkey Lake from SW corner looking east



View of Sharkey Lake from SW corner looking NE





View of dredge pond looking west from stockpile



View of dredge pond looking north from stockpile



View of dredge pond looking east from stockpile



View of processing plant looking north from stockpile