




**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> Sugar City Mill	<b>MINE/PROSPECTING ID#:</b> P-2017-002	<b>MINERAL:</b> Gold	<b>COUNTY:</b> Crowley
<b>INSPECTION TYPE:</b> Monitoring	<b>INSPECTOR(S):</b> Amy Eschberger	<b>INSP. DATE:</b> February 7, 2017	<b>INSP. TIME:</b> 10:40
<b>OPERATOR:</b> Mount Falcon Processing, LLC	<b>OPERATOR REPRESENTATIVE:</b> Robert Blake, Bruce Humphries	<b>TYPE OF OPERATION:</b> MP - Mineral Prospecting	
<b>REASON FOR INSPECTION:</b> Normal I&E Program	<b>BOND CALCULATION TYPE:</b> None	<b>BOND AMOUNT:</b> \$2,000.00	
<b>DATE OF COMPLAINT:</b> NA	<b>POST INSP. CONTACTS:</b> None	<b>JOINT INSP. AGENCY:</b> None	
<b>WEATHER:</b> Clear	<b>INSPECTOR'S SIGNATURE:</b> 	<b>SIGNATURE DATE:</b> March 9, 2017	

**GENERAL INSPECTION TOPICS**

This list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each. 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>N</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>N</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**

This operation is under a Cease and Desist Order, issued by the Mined Land Reclamation Board, associated with Notice of Violation MV-2016-057. Pursuant to the Board's Order, on-site activities shall be limited to continued use of the on-site metal fabrication shop to produce custom metal parts including tanks, plumbing, valves, manways, stairways and support structures; and any other activities approved by the Division, in writing, necessary to comply with the conditions of the Joint Stipulation of the Division and Eagle Reclamation, LLC (Agreement) and the Board Order. The Cease and Desist Order shall remain in effect until the Operator obtains the Division's approval and issuance of a 110d permit application. A copy of the Agreement and Board Order are enclosed, and are available for public review under File no. M-2016-017.

On February 10, 2017, the Division accepted (approved) NOI No. P-2017-002 for the Sugar City Mill, submitted to the Division on January 18, 2017. As required under the Board Order for MV-2016-057, the purpose of the NOI is to develop a groundwater monitoring program whereby baseline conditions may be characterized. The Board Order also requires a 110d permit application be submitted for the operation within 120 days of the effective date of the Board Order. The deadline has been extended 60 days, now due May 31, 2017.

This inspection of the Sugar City Mill, NOI No. P-2017-002, occurred in response to a request from the Operator. The Operator, Mount Falcon Processing, LLC, was represented by Robert Blake and consultant Bruce Humphries. A pre-inspection meeting occurred in the mobile office on site. During the meeting, the Division reiterated the groundwater quality monitoring parameters required for establishing baseline conditions. The Operator proposed to submit an additional NOI (prior to submitting a 110d application) to operate a "small bulk sample laboratory", to be located inside the existing facility and capable of running 200 pound samples. The purpose of the laboratory would be to test the milling process at a larger scale than the 100 gram samples run to date, and to determine certain parameters necessary for the design of the larger six ton/day mill facility. In subsequent discussions occurring after the inspection, the Division informed the Operator the proposed bulk sample laboratory exceeded the scope of prospecting activities and the Board Order, and could occur only under the 110d permit.

The Division observed the existing facility, including the furnace room (**Photo 1**), the "wet lab" (**Photo 2**), the crushing and grinding room (**Photo 3**), and the roaster (**Photos 4 and 5**). The Operator had recently constructed a five inch high concrete curb around the entire perimeter of the "wet lab" room (**Photo 6**; also shown in **Photo 2**). The Division observed the land located northeast of the existing facility where the proposed six ton/day mill facility would be constructed, if approved through the 110d permit (**Photos 7 and 8**).

The Division observed man-made structures located near the Operator's property boundary, including fences, a communication tower, power line poles, buildings, and a residential driveway. The Division informed the Operator of the requirements of Rule 6.3.12 regarding damage compensation agreements for man-made structures located within 200 feet of the affected land boundary, a requirement of the pending 110d permit.

### **Inspection Contact Address**

Robert Blake  
Mount Falcon Processing, LLC  
22151 E. Euclid Pl.  
Aurora, CO 80016

Enclosures: Joint Stipulation of the Division and Eagle Reclamation, LLC, signed on November 16, 2016  
Board Order, signed on December 2, 2016

EC: Bruce Humphries ([hlhumphries2@comcast.net](mailto:hlhumphries2@comcast.net))  
Wally Erickson, DRMS ([wally.erickson@state.co.us](mailto:wally.erickson@state.co.us))  
Scott Schultz, AGO ([scott.schultz@coag.gov](mailto:scott.schultz@coag.gov))

**PHOTOGRAPHS**



**Photo 1.** View of furnace room, with various other equipment stored inside (furnace shown at right).



**Photo 2.** View of "wet lab" where designated chemicals would be used and stored during proposed milling process. Note concrete curb wall constructed around perimeter of room (indicated with arrow).





**Photo 3.** View of crushing and grinding room, where various equipment is stored.



**Photo 4.** View of roaster (rotary kiln) located outside at northern end of facility.



**Photo 5.** View of output end of roaster where material would come through at approximately 5 gallons per load.



**Photo 6.** Close-up view of 5 inch high concrete curb wall that was constructed around perimeter of "wet lab". Orange 7-1/2 inch long field book for scale.





**Photo 7.** View looking northeast across land located northeast of existing facility where larger pilot plant is proposed to be constructed. Note communication tower and power poles near edge of property.



**Photo 8.** View looking north, showing adjacent dwelling and other structures located adjacent to and north of operator's property.

BEFORE THE MINED LAND RECLAMATION BOARD  
STATE OF COLORADO

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IN THE MATTER OF Eagle Reclamation LLC, File No. M-2016-017

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JOINT STIPULATION OF THE DIVISION OF RECLAMATION, MINING AND  
SAFETY & EAGLE RECLAMATION LLC

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The Division of Reclamation, Mining and Safety ("Division") and Eagle Reclamation LLC ("Eagle Reclamation" or "Crowley County Mill") (jointly referred to as "Parties") through the undersigned representatives submit this joint stipulation for consideration by the Mined Land Reclamation Board ("Board"). In support of their joint stipulation, the Division and Eagle Reclamation state the following:

**I. Factual Background**

- 1) In December of 2015, Crowley County notified DRMS, via telephone, of proposed milling activities at the Crowley County Mill as part of the County's Use by Special Review application process.
- 2) On February 18, 2016, the Colorado Department of Public Health and Environment ("CDPHE") contacted DRMS to see if a Reclamation Permit had been issued for the Crowley County Mill.
- 3) On February 25, 2016, DRMS conducted an inspection of the Crowley County Mill during which Eagle Reclamation was notified the activities they were engaged in required a Reclamation Permit. The Division did not observe the use of any toxic or acidic chemicals during the inspection. However, the mill building was being renovated and metallurgic processing equipment was being set up in anticipation of processing ore.
- 4) At the inspection, DRMS was told that the mill anticipates initially accepting ore from mine site(s) in Gunnison and/or Saguache County and would like to receive ore from various locations throughout the state, and perhaps, from nearby states.
- 5) The Crowley County Mill is located approximately ½ mile northeast of Sugar City, CO directly off of County Lane 23.

- 6) This mill site was previously permitted under Permit No. M-1991-036 (HATT Mine No. 1) by a different operator. The mill site was released from Permit No. M-1991-036 on September 17, 2003, while a full release of the permit was approved on March 1, 2007.
- 7) On March 16, 2016, DRMS held a teleconference with Eagle Reclamation and ITC Resources to discuss the permitting requirements for the Crowley County Mill.
- 8) On March 31, 2016, DRMS mailed the Operator a copy of the inspection report.
- 9) The first corrective action date for submittal of an NOI Application was April 30, 2016. The Division has not received a NOI Application from Eagle Reclamation.
- 10) On May 4, 2016, DRMS held a meeting with Eagle Reclamation and ITC Resources to discuss and further clarify the requirement to obtain a reclamation permit.
- 11) The second corrective action date for the submittal of a 110d Application was June 29, 2016. The Division has not received a 110d Application from Eagle Reclamation.
- 12) On July 19, 2016, DRMS received a letter from ITC Resources which stated CDPHE had granted an exemption to the Certificate of Designation requirements for the Crowley County Mill.
- 13) On July 21, 2016, DRMS mailed the Operator a letter requesting documentation from Eagle Reclamation per their claim that their operation is exempt from CDPHE's Certificate of Designation requirements.
- 14) DRMS has not received any documentation from CDPHE that the Crowley County Mill operation is exempt from Certificate of Designation requirements.
- 15) On September 15, 2016, DRMS arrived at the Crowley County Mill to perform an inspection. DRMS was refused entry onto the site. The Division



made visual observations from the County Road and observed contractors performing upgrades to the mill building and equipment. In addition, the Division observed steel beams and other construction materials at the site and determined that Eagle Reclamation was engaged in the continued development of the mill facility.

- 16) On September 22, 2016, DRMS mailed the Operator a copy of the inspection report.
- 17) On September 23, 2016, DRMS held a meeting with Eagle Reclamation and ITC Resources to discuss the September 15, 2016, inspection and pending enforcement actions. Also, DRMS mailed the Operator a copy of the RTB letter.

#### Agreement

- 18) Eagle Reclamation agrees that it is in violation of C.R.S. § 34-32-109(2) for failure to obtain from the Board or Office a reclamation permit prior to engaging in a new mining operation.
- 19) The Division does not allege that any milling or processing of ore has been conducted on the site, nor does it allege that any toxic or acidic process chemicals have been present on the site.
- 20) Eagle Reclamation agrees that it did not submit an NOI Application by April 30, 2016, as directed by the Division, and agrees that it did not submit a 110d Application by June 29, 2016, as directed by the Division.
- 21) The parties agree to the issuance of a Cease and Desist Order prohibiting any further activities, except:
  - a) Continued use of the on-site metal fabrication shop to produce custom metal parts including tanks, plumbing, valves, manways, stairways and support structures
  - b) Any other activities approved by the Division, in writing, necessary to comply with the conditions of this agreement and associated Board Order.

22) The Parties agree to the following Actions:

- a) Eagle Reclamation shall file a Notice of Intent to Conduct Prospecting Operations Application within 60 days of the signature date of the Board Order for the purpose of conducting groundwater monitoring.
- b) Eagle Reclamation shall file a Designated Mining Limited Impact (110d) Operation Reclamation Permit within 120 days from the signature date of the Board Order.

23) Pursuant to C.R.S. § 34-32-123(3), a Civil Penalty for operating without filing a notice of intent or a permit under § 34-32-110 may be assessed in an amount not less than \$50.00 per day nor more than \$200.00 per day the land has been affected, not to exceed 60 days.

24) In this case, there are 34 days of violation (from the date of the Notice of Possible Violation Letter on September 23rd, 2016, to the October 26th, 2016, Board Meeting) resulting in a range of civil penalty not less than \$1,700.00 and not more than \$6,800.00.

25) In this matter the Division will assess a civil penalty of \$6,800.00 based on 34 days of violation at \$200.00 per day. The Parties agree to a Civil Penalty of \$6,800.00 with suspension of all but \$1,700.00 if the operator complies with the prohibitions stated in paragraph 21, and with the required Actions as stated in paragraph 22.

26) Eagle Reclamation will be given 30 days from the signature date of the Board Order to pay the unsuspended portion of the civil penalty (\$1,700.00).

27) Eagle Reclamation agrees that failure to comply with all requirements and timeframes specified in this stipulated agreement constitutes a failure to comply with a Board Order and will result in scheduling of a hearing before the Board.

28) This Joint Stipulated Agreement does not supplant, alter, impair or negate the applicable requirements in the Hard Rock Act or the Rules and Regulations of the Colorado Mined Land Reclamation Board.

29) Payment of the un-suspended portion of the civil penalty, \$1,700.00, is due within 30 days of the signature date of this Board Order. Failure by the Operator to comply by the Board Order due date shall result in the suspended portion of the civil penalty, \$5,100.00, becoming effective and due.

WHEREFORE, the parties respectfully request that the Board approve this joint stipulation at its November 16, 2016 meeting.

Respectfully submitted this 16<sup>th</sup> day of November 2016.

For the Division of Reclamation, Mining and Safety

Anthony J. Wadd 11/16/16 date

For Eagle Reclamation

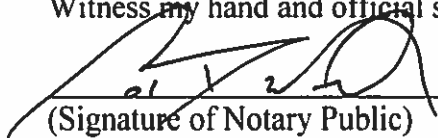
Robert H. Wabell 11-16-16 date

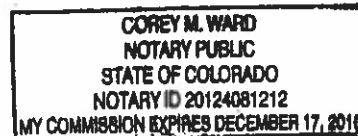


State of **Colorado**  
City & County of **Denver**

The foregoing instrument was acknowledged before me this 16th day of November, 2016 by Raymond A. Wendell, subscribed to me to be the Vice President, New Project Development for Eagle Reclamation, LLC.

Witness my hand and official seal.

  
(Signature of Notary Public)



Print Name: Corey Ward

My commission expires: 12-17-2016



## COLORADO

Division of Reclamation,  
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215  
Denver, CO 80203

**DATE:** December 5, 2016

**TO:** Robert Blake  
Eagle Reclamation, LLC  
P.O. Box 28277  
Atlanta, Georgia 30358

**RE:** Findings of Fact, Conclusions of Law and Order  
Crowley County Mill  
File No's. M-2016-017, MV-2016-057

On December 2, 2016, the Mined Land Reclamation Board signed the enclosed Board Order for the above captioned operation. We strongly advise that you read this document carefully since it may contain provisions which must be satisfied by specific dates to avoid future Board actions.

Failure to submit payment for the unsuspended portion of the civil penalty, by the date specified in the attached Board Order, will result in immediate submittal of those penalties to the State Central Collection Services for further processing and the addition of collection fees.

Sincerely,

Johnie Abad  
Board Secretary

Enclosure(s)

Certified Mail

7014 2120 0001 7869 7643

**Cc's**

Michael Cunningham  
Wally Erickson  
Scott Schultz  
John Roberts



BEFORE THE MINED LAND RECLAMATION BOARD  
STATE OF COLORADO

Violation No. MV- 2016-057

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**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

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IN THE MATTER OF A POSSIBLE VIOLATION BY EAGLE RECLAMATION, LLC, CEASE AND DESIST ORDER, CORRECTIVE ACTION, AND CIVIL PENALTIES FOR FAILURE TO OBTAIN A RECLAMATION PERMIT PRIOR TO ENGAGING IN A NEW MINING OPERATION, File No. M-2016-017

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THIS MATTER came before the Mined Land Reclamation Board ("Board") on November 16, 2016 in Denver, Colorado for a hearing to consider a possible violation by Eagle Reclamation, LLC ("Eagle Reclamation"), cease and desist order, corrective action, and civil penalties for failure to obtain a reclamation permit from the Board or Office prior to engaging in a new operation, file number M-2016-017. Assistant Attorney General Scott Schultz appeared on behalf of the Division of Reclamation, Mining and Safety ("Division"). Joe Gilmore, Esq. and Robert Blake appeared on behalf of Eagle Reclamation.

The Board, having considered the Joint Stipulation of the Division of Reclamation, Mining and Safety & Eagle Reclamation, LLC ("Agreement") and the parties' presentations, and being otherwise fully informed of the facts in the matter, hereby states that it agrees with and approves the terms of the Agreement, and orders the following:

**FINDINGS OF FACT**

1. The Board adopts and incorporates the Factual Background, paragraph numbers 1 through 17, of the Agreement as if set forth fully herein.

**CONCLUSIONS OF LAW**

2. The Board has jurisdiction over this matter pursuant to the Mined Land Reclamation Act, Article 32 of Title 34, C.R.S. (2016) ("Act").

3. Eagle Reclamation is engaging or has engaged in a mining operation without first obtaining a reclamation permit, in violation of section 34-32-109(2), C.R.S.

4. Eagle Reclamation did not submit a Notice of Intent application by April 30, 2016 and did not submit a 110d reclamation application by June 29, 2016, as directed by the Division.



5. Pursuant to section 34-32-123(1), C.R.S., the Board may issue a cease and desist order if it determines that an operator or person failed to obtain a permit before operating.

6. Pursuant to section 34-32-123(3), C.R.S., any person who operates without a filing a Notice of Intent shall be subject to a civil penalty of not less than fifty dollars (\$50) nor more than two hundred dollars (\$200) per day for each day the land has been affected, not to exceed sixty days. In this case, the Board may impose a civil penalty for thirty-four days of violation from the date of the Notice of Possible Violation Letter on September 23rd, 2016 to the October 26th, 2016 Board Meeting) resulting in a range of civil penalty not less than \$1,700.00 and not more than \$6,800.00.

### **ORDER**

Based on the foregoing Findings of Fact and Conclusions of Law, the Board hereby finds Eagle Reclamation in violation of section 34-32-109(2), C.R.S. for failure to obtain from the Board or Office a reclamation permit prior to engaging in a new mining operation.

7. As set forth in paragraph 21 of the Agreement, the Board orders and the parties agree that, pursuant to section 34-32-123(1), C.R.S., Eagle Reclamation shall cease and desist: (a) further activities at the site except continued use of the on-site metal fabrication shop to produce custom metal parts including tanks, plumbing, valves, manways, stairways and support structures; and (b) any other activities approved by the Division, in writing, necessary to comply with the conditions of the Agreement and this order.

8. As set forth in paragraph 22 of the Agreement, the Board orders that Eagle Reclamation shall:

a. within sixty days of the effective date of this order, file a Notice of Intent to Conduct Prospecting Operations Application for the purpose of conducting groundwater monitoring; and

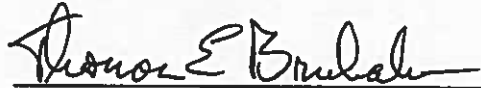
b. within one hundred twenty days from the effective date of this order, file a Designated Mining Limited Impact (110d) Operation Reclamation Permit.

9. As set forth in paragraph 25 of the Agreement, the Board orders and the parties agree that, pursuant to section 34-32-123(2), C.R.S., Eagle Reclamation is hereby assessed a civil penalty in the total amount of \$6,800 (\$200 per day for thirty-four days of violation). The parties agree and the Board orders that \$5,100 of the civil penalty shall be suspended pending the Eagle Reclamation's compliance with paragraphs 7 and 8 of this order. The Board orders that the unsuspended portion of the civil penalty, \$1,700, is due and payable within thirty days of the effective date of this order. In the event that Eagle Reclamation fails to adequately complete corrective actions set forth in the Agreement and

this order to the Division's satisfaction, the suspended \$5,100 civil penalty shall be immediately due and payable. Any civil penalty that is due and unpaid shall be sent to State collections.

DONE AND ORDERED this 2 day of December 2016.

FOR THE COLORADO MINED LAND  
RECLAMATION BOARD

A handwritten signature in black ink, appearing to read "Thomas E. Brubaker", written over a horizontal line.

Thomas Brubaker, Chair

**CERTIFICATE OF SERVICE**

This is to certify that I have duly served the within FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER upon all parties herein by depositing copies of same in the United States mail, first-class postage prepaid, at Denver, Colorado, this 5<sup>th</sup> day of December 2016 addressed as follows:

By Certified Mail To:  
7014 2120 0001 7869 7643

Robert Blake  
Eagle Reclamation, LLC  
P.O. Box 28277  
Atlanta, Georgia 30358

*By Electronic mail to:*

Michael Cunningham  
Division of Reclamation, Mining & Safety  
1313 Sherman Street, Room 215  
Denver, Colorado 80203

Wally Erickson  
Division of Reclamation, Mining & Safety  
1313 Sherman Street, Room 215  
Denver, Colorado 80203

*By Electronic mail to:*

John J. Roberts  
First Assistant Attorney General  
Department of Law  
Business and Licensing Section  
Ralph L. Carr Colorado Judicial Center  
1300 Broadway, 10<sup>th</sup> floor  
Denver, CO 80203

Scott Schultz  
Assistant Attorney General  
Department of Law  
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Ralph L. Carr Colorado Judicial Center  
1300 Broadway, 10<sup>th</sup> floor  
Denver, CO 80203

  
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Jonnie Abad, Board Secretary