




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: Sugar City Mill	MINE/PROSPECTING ID#: P-2017-002	MINERAL: Gold	COUNTY: Crowley
INSPECTION TYPE: Monitoring	INSPECTOR(S): Amy Eschberger	INSP. DATE: May 12, 2017	INSP. TIME: 10:30
OPERATOR: Mount Falcon Processing, LLC	OPERATOR REPRESENTATIVE: Robert Blake	TYPE OF OPERATION: MP - Mineral Prospecting	
REASON FOR INSPECTION: Priority	BOND CALCULATION TYPE: None	BOND AMOUNT: \$2,000.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: May 23, 2017	

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>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 inspection of the Sugar City Mill site (File No. P-2017-002) was conducted by Amy Eschberger of the Division of Reclamation, Mining and Safety (Division) in conjunction with the inspection for File No. M-2016-017 of the same site name. This inspection report will consist of items only relevant to the NOI issued under P-2017-002. A more thorough report including discussion of enforcement actions associated with the site is available in the permit file for M-2016-017 under the same date.

The Division accepted the operator's NOI application on February 10, 2017. The purpose of the NOI was to develop a groundwater monitoring plan and begin implementing the plan to properly characterize baseline groundwater conditions at the site. The approved groundwater monitoring plan includes the installation of four monitoring wells, with two wells to be located northwest (upgradient) of the proposed milling facility, and the other two wells to be located southeast (downgradient) of the proposed facility. The monitoring wells will be constructed down to shale bedrock, which is expected to be reached at a depth of approximately 40-60 feet. Once the wells have been installed, depth-to-water measurements and water quality samples will be collected on a monthly basis. The water quality testing parameters will include all parameters listed in Tables 1-4 of the Colorado Department of Public Health and Safety, Water Quality Control Commission's Regulation No. 41 – The Basic Standards for Ground Water, except for Chlorophenol, Phenol, and Odor.

The operator posted a bond for P-2017-002 in the amount of \$2,000 for a maximum disturbance of 1 acre. This disturbance will include the four drill pads. No new roads will be constructed, as existing roads on the property will be utilized to access the drill locations. The approved reclamation plan for P-2017-002 includes properly abandoning the drill holes in accordance with Hard Rock/Metal Mining Rules 5.4 and 5.5. The drill holes will be backfilled from total depth to two feet below the surface with either neat cement grout or bentonite. Disturbed areas will be broadcast seeded with a mixture of red or purple threeawn, western wheatgrass, galleta grass, alkali sacaton, and scarlet globemallow.

The Division was accompanied by Mr. Robert Blake during the inspection. The Division observed that no groundwater monitoring wells have been installed at the site. According to Mr. Blake, additional funding will need to be secured before the approved groundwater monitoring plan for P-2017-002 can be implemented.

Submittal of this NOI satisfied a corrective action imposed on the operator by Board Order, signed December 2, 2016. The Board Order also required the operator to submit a 110d permit application for the proposed milling operation to occur at the site. The current deadline for submitting the 110d application is May 31, 2017. However, the operator has recently requested an extension to August 30, 2017 to allow more time to secure additional funding for the project. The operator's extension request is currently scheduled for consideration by the Board at the May 24-25, 2017 meeting.

No problems associated with P-2017-002 were observed.

Inspection Contact Address

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Wally Erickson, DRMS