



COLORADO

Division of Reclamation,
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

Memorandum

Date: October 16, 2017

To: Mined Land Reclamation Board

From: Lucas West, DRMS

RE: Hobo Mine; DRMS File No. M-2017-044; Possible Unpermitted Mining Operation

The following documents have been included in this Board Packet for your consideration of a possible violation, Cease and Desist Order and Civil Penalties for failure to first obtain a reclamation permit from the Mined Land Reclamation Board before engaging in a new mining operation. :

- | | |
|----------------------------------|-----------|
| 1. DRMS Inspection Report, LJW | 10/4/2017 |
| 2. Reason To Believe Letter, VGB | 9/20/2017 |

Thank you for your consideration.

Sincerely,

DRMS Staff

CC: Jeff Fugate, DRMS Minerals AGO
Russ Means, Senior Environmental Protection Specialist
Keith McFarland, Operator




**COLORADO**Division of Reclamation,
Mining and Safety

Department of Natural Resources

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: Hobo Mine	MINE/PROSPECTING ID#: M-2017-044	MINERAL: UNK	COUNTY: San Juan
INSPECTION TYPE: Illegal(Unpermitted Operation)	INSPECTOR(S): Lucas J. West	INSP. DATE: September 18, 2017	INSP. TIME: 13:39
OPERATOR: Keith McFarland	OPERATOR REPRESENTATIVE: Keith McFarland	TYPE OF OPERATION: ILL - Illegal	
REASON FOR INSPECTION: Citizen Complaint	BOND CALCULATION TYPE: None	BOND AMOUNT: No Bond Held	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: October 4, 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>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 inspection was conducted in response to notification of a possible unpermitted mining operation in San Juan County. The notification identified the operation to be located just off County Road 2, just up gradient from the Toltec Tunnel in San Juan County. The site is approximately 10 Miles northeast of Silverton, CO at nearly 10,760 feet in elevation. The notice included information concerns regarding major road improvements, construction of a portal pad, opening a historic portal and the construction of a portal shed structure around the portal itself. Seven Photos accompany this report to illustrate the current site conditions.

A file number was created for the site, as the site is not currently a permitted operation. The site was named the Hobo Mine and given file number M-2017-044. Along with the inspector listed on page one of this report, Keith McFarland, Operator, who conducted the work, as well as Lisa Richardson of the Bureau of Land Management were present during the inspection. The work was conducted on a historic road, leading to a historic portal just above County Road 2. The road and portal are adjacent to an area known as the Toltec Tunnel which is associated with, but not part of the permitted area for another permitted mine site. The road and portal were observed in 2015 when no recent disturbance was present. In the recent months the road has undergone major road improvements to allow vehicles and equipment to access the portal. The road has been graded and in some areas it appears to have been widened. No storm water control measures of any kind were installed along the road to prevent erosion. The road totals approximately 612 Linear Feet and is constructed to angular, un-compacted material that appears to have been sourced on site. Photos One and Two show the road with its improvements. The activities appear to have destabilized the hill side by exposing a 18-24 inch unsupported drop between the native hillslope and the base of the road. This is a concern as the un-supported drop will likely develop more severe erosional issues than what was already observed and cause head-cutting of the hillslope.

At the top of the road, the portal was excavated and opened for access, a portal pad was constructed and a timber framed portal structure was installed to prevent degradation of the portal itself. The portal pad is approximately 1200 Square feet with no safety berm around its perimeter. Photos Three and Four show the newly constructed portal pad. Evidence observed indicate that some of the material was pushed over the edge of the pad, and allowed to fall down the slope. The material fell and estimated 30 feet down the hill and resulted in an approximate 1.5H: 1V slope. Photo Five shows the newly excavated material that has been pushed over the edge of the portal pad. The timber framed portal structure consists of 2 x 6 inch framing supported by native rock outcrops and two 6 x 6 inch posts. The 6 x 6 inch posts are approximately 6-8 feet away from the exposed portal opening. The two posts are roughly 12 and 14 feet tall supporting the roof framing is approximately 16-18 feet across. The roof of the structure is sheeted with plywood, and evidence observed during a follow up inspection conducted by the BLM showed evidence of waterproofing and staged corrugated tin to complete the roof of the structure. Discussions with the Operator indicate that he was having custom steel gates fabricated by a shop in town, and the gates will be installed between the two 6 x 6 posts upon their completion. The Operator also indicated that once the gates were installed, the void space between the timbers and the rock outcropping would be back filled to prevent unauthorized access. Photo Six shows the framed structure.

The portal itself is approximately 4 feet wide and 7-8 feet tall. According to the Operator the tunnel extends approximately 180 feet underground. This was not verified during the time of the inspection. On the floor of the mine there is a standing water mine pool that is approximately 6 inches deep. The water was observed

entering the underground workings along the walls of the mine. The water is of an unknown quality at this time. However mineral staining and deposition along the walls and floor of the mine indicate that the site has acid producing potential. Photo Seven shows the underground workings just inside the portal with mineral staining along the walls of the workings. The flow was not discharging from the portal at the time of the inspection. A discharge is reasonably anticipated during the snowmelt season of next spring. Due to the unknown quality of the water a discharge of any kind is a significant concern for the Division. No control measures such as drainage ditches or retention ponds were observed to control any anticipated flow from the portal.

The Operator expressed, that the intension of the project was to complete a safety closure of the portal after finding evidence of trespassing inside the portal. The evidence observed during this inspection does not support this claim. The Operator believed that the portal was within the boundaries of the Hobo Patented claim for which he owns the mineral rights. The Hobo Patented claim is a split estate claim and the Operator admitted to having no contact with the surface owners. Preliminary investigations indicate that the portal may be outside the boundaries of the claim and on lands administered by the Bureau of Land Management. The Operator committed to getting the claim surveyed to verify the surface ownership of the area that has been disturbed by the project. The estimated completion date of the survey is unknown.

A Reason to Believe a Violation Exists letter was sent to the Operator via certified mail, return receipt requested, on Wednesday September 20, 2017. USPS tracking information indicates that the letter was signed for on September 23, 2017. The item has been scheduled to appear before the Mined Land Reclamation Board during the October 25-26, 2017 meeting. All responses to this report should be directed to Lucas West at the Colorado Division of Reclamation, Mining and Safety at 1313 Sherman Street, Room 215, Denver CO, 80203, by phone at (970)-243-6368 or by email at lucas.west@state.co.us.

PHOTOGRAPHS

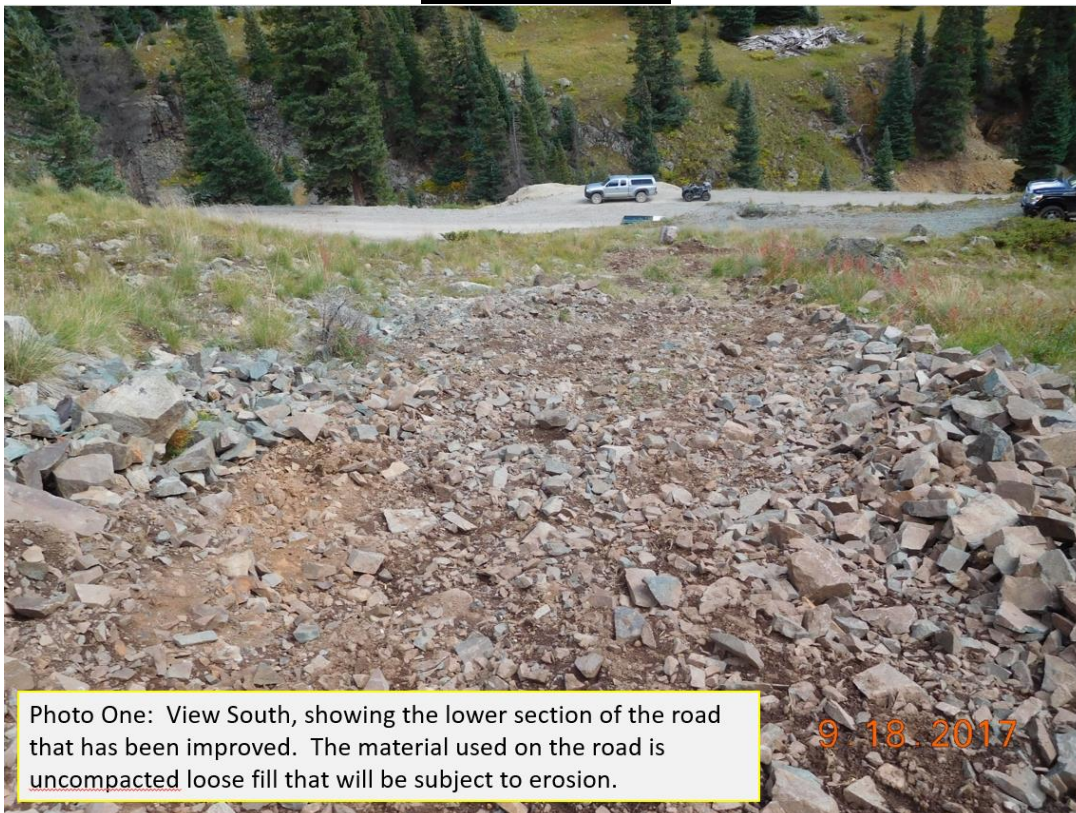
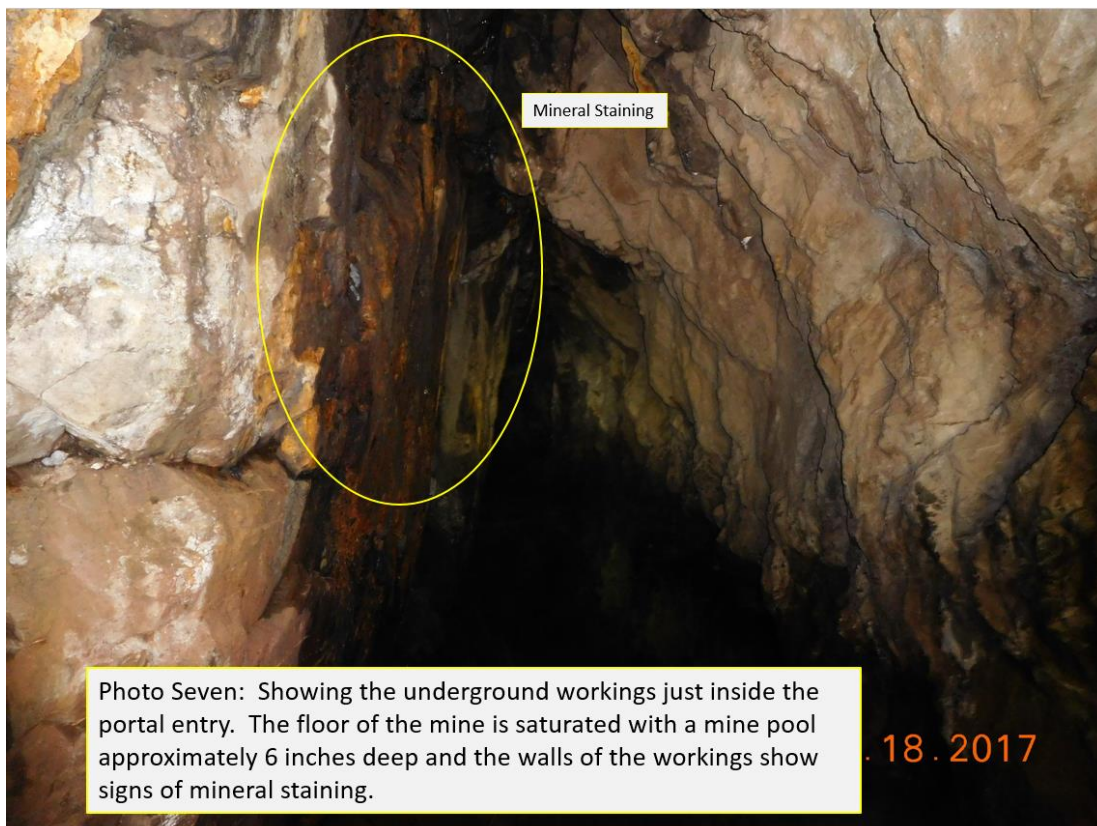


Photo One: View South, showing the lower section of the road that has been improved. The material used on the road is uncompact loose fill that will be subject to erosion.







Inspection Contact Address

Keith McFarland
P.O. Box 617
Silverton, CO 81433

Enclosure

CC: Russ Means, Senior Environmental Protection Specialist
Jeff Fugate, DRMS Minerals AGO
Marnie Medina, BLM



COLORADO

Division of Reclamation,
Mining and Safety

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

September 20, 2017

Keith McFarland
P.O. Box 617
Silverton, CO 81433

Re: Reason to Believe a Violation Exists and Notice of Board Hearing, Unpermitted Mining or Prospecting Operation, File No. M-2017-044

Mr. McFarland:

On September 18, 2017, the Division of Reclamation, Mining and Safety (Division) conducted an inspection of the Hobo Lode mine site and nearby lands. During the inspection it was determined that a mining or prospecting operation has been initiated prior to obtaining a reclamation permit or filing a notice of intent to conduct prospecting operations. Based on the findings of the inspection we believe this is in violation of:

- C.R.S. 34-32-109 for failure to first obtain a reclamation permit from the Mined Land Reclamation Board before engaging in a new mining operation,
- or C.R.S. 34-32-113 for failure to file a notice of intent to conduct prospecting operations.

Therefore, the Division has reason to believe that a violation exists to the Mined Land Reclamation Act, C.R.S. 34-32-101 *et seq.*, and have scheduled this matter to appear before the Mined Land Reclamation Board.

A Formal Public Hearing will be held during the October 25-26, 2017 Board Meeting for consideration of this possible violation. The hearing will be held in Room 318 of 1313 Sherman Street, Denver, Colorado, beginning at 9:00 a.m. on October 25, 2017 or as soon thereafter as the matter can be considered. At that hearing you will have the opportunity to present your defense.

This is an important legal proceeding and you must appear in person for this hearing. If you fail to appear an order and money judgment may be entered against you. In addition, failure to appear at the hearing may result in legal consequences including, but not limited to, loss of party status and your ability to seek reconsideration from the Board or seek judicial appeal in district court.

If the Board finds a violation at this hearing, it may issue a Cease and Desist Order and/or assess a Civil Penalty in the amount of \$50.00 to \$200.00 for each day of violation pursuant to C.R.S. 34-32-123 (3).



If you have evidence indicating that the possible violation noted above does not exist or has been corrected, please provide it to the Division as soon as possible or bring it to the hearing.

If the matter is brought before the Mined Land Reclamation Board, following the hearing, all parties have an opportunity to review and comment on a draft of the Board's Order before it becomes final. If you wish to do so, you must provide the Board with a written request to review the draft Order prior to or at the time of your hearing, or you must inform the Board orally during the hearing that you request to review the draft Order. The Board's attorney must receive your comments on the draft Order within three calendar days of the date the draft Order is e-mailed, unless that deadline is extended by the Board's attorney. Submit all comments in writing, by e-mail or fax, to John J. Roberts, First Assistant Attorney General, Colorado Department of Law, (720) 508-6037 (fax), or John.Roberts@coag.gov.

Please note that the Division has requested and will be allowed to review and comment on the draft Board Order.

The Board's agenda may not be finalized until the week of the Board meeting. Therefore, we recommend you contact the Board Secretary, Camille Mojar, at (303) 866-3567 ext. 8136 or Camille.mojar@state.co.us on Monday, October 23, 2017 to confirm the specific date of the hearing.

If you have any questions about this letter or the hearing, please contact Lucas West at (970)-243-6368 or by email at lucas.west@state.co.us.

Sincerely,



Virginia Brannon
Division Director

CERTIFIED MAIL NO. 7016 2710 0000 2904 5642
Return Receipt Requested

cc: Tony Waldron, DRMS
Russ Means, DRMS
Jeff Fugate-AGO

