




**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 and silver	<b>COUNTY:</b> Crowley
<b>INSPECTION TYPE:</b> Monitoring	<b>INSPECTOR(S):</b> Amy Eschberger	<b>INSP. DATE:</b> October 25, 2017	<b>INSP. TIME:</b> 13:00
<b>OPERATOR:</b> Mount Falcon Processing, LLC	<b>OPERATOR REPRESENTATIVE:</b> 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> November 8, 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>Y</u>	(RD) ROADS----- <u>Y</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>NA</u>	(EX) EXPLOSIVES----- <u>NA</u>
(PW) PROCESSING WASTE/TAILING---- <u>NA</u>	(SF) PROCESSING FACILITIES----- <u>Y</u>	(TS) TOPSOIL----- <u>NA</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>NA</u>	(FW) FISH & WILDLIFE----- <u>N</u>	(RV) REVEGETATION---- <u>NA</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>Y</u>	(CI) COMPLETE INSP---- <u>Y</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>NA</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>NA</u>
(AT) ACID OR TOXIC MATERIALS----- <u>NA</u>	(OD) OFF-SITE DAMAGE----- <u>Y</u>	(ST) STIPULATIONS----- <u>NA</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 (P-2017-002) was conducted by Amy Eschberger of the Division of Reclamation, Mining and Safety (Division) in conjunction with the inspection for M-2016-017 for the same site. This inspection report will consist of items relevant to the NOI issued under P-2017-002. A separate inspection report will be sent for M-2016-017. The site is located approximately ½ mile northeast of Sugar City, CO in Crowley County. Access to the site is directly off of County Lane 23. Mr. Bruce Humphries represented the operator during the inspection.

Submittal of the NOI satisfied a corrective action imposed on the operator by the 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 110d permit application was submitted by the Board Ordered deadline and is currently under review, with a decision date set for 12/9/2017.

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 prior to submitting the 110d permit application. The approved groundwater monitoring plan includes the installation of four monitoring wells, with two wells to be located northwest (upgradient) of the proposed mill facility, and the other two wells to be located southeast (downgradient) of the proposed facility (see enclosed Site Map and Proposed Monitoring Point Locations). The monitoring wells are to 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 are to 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 of \$2,000 for a maximum disturbance of one acre. This disturbance will include the four drill pads. No new roads will be constructed for the NOI, as existing roads on the property will be utilized to access the drill locations. The approved reclamation plan for the NOI 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 observed that no groundwater monitoring wells have been installed at the site. According to Mr. Humphries, the operator, Mount Falcon Processing, LLC does not intend to drill the monitoring wells. The Division informed Mr. Humphries the NOI is obsolete at this point, as the groundwater monitoring plan was never implemented as intended. The Division recommended that all applicable elements of the NOI, including the groundwater monitoring plan and reclamation plan, be incorporated into the 110d permit application submitted for the site. Upon issuance of the 110d permit, the operator should request release of the NOI. Because no wells were installed, a permanent abandonment final report does not need to be submitted. However, the operator should be sure the release request includes all information required by Hard Rock/Metal Mining Rule 4.16. A copy of this Rule is enclosed with the report.

**Inspection Contact Address**

Bruce Humphries  
Regulatory Permits Management, Inc.  
22151 E. Euclid Pl.  
Aurora, CO 80016

Enclosure: Site Map and Proposed Monitoring Point Locations  
Hard Rock/Metal Mining Rule 4.16

CC: Robert Blake  
Mount Falcon Processing, LLC  
1306 Lincoln Ave.  
La Junta, CO 81050





**Figure 1**  
**Mount Falcon**  
**Processing, LLC**  
**Sugar City Mill**  
**Site Map and Proposed**  
**Monitoring Point Locations**  
 Date: 1/8/2017 | Job No. 1632.00

**Legend**

- ▲ Proposed Monitoring Point (Latitude, Longitude)
- Sugar City Mill Site Property Boundary (Approx.)
- PLSS Section

Aerial Photo Date: 9/17/2014  
 Data Source: Mount Falcon Processing, LLC, Google Earth, CDOT, USGS, BLM



an alternate form of Financial Warranty.

- 117(6)(g) (5) A Financial Warrantor shall have ninety (90) days to provide an alternate warranty required under Rule 4.15(4).

#### **4.16 RELEASE OF WARRANTIES - PROSPECTING OPERATIONS**

117(5) and  
113(5)

##### **4.16.1 Operator Application For Release of Warranties**

- (1) Upon the completion of reclamation, any person that filed with the Board or Office a Prospecting Notice and Financial Warranties shall submit to the Office by Certified Mail and separate from other types of communication to the Board or Office a Reclamation Report and request for reclamation responsibility release stating that reclamation is finished.

- (2) Such report shall contain, at a minimum:

- (a) the name of the operation, the name of the operator, file number of the Prospecting Notice of Intent and the name, mailing address and phone number of the contact person;
- (b) a signed statement by the Prospector that all reclamation requirements of the prospecting notice have been satisfied;
- (c) a narrative describing site grading, topsoil replacement, successful revegetation and other stabilization activities, as appropriate;
- (d) suitable photographs of the reclaimed area; and
- (e) a map of sufficient detail to determine the location of the prospecting activity.

- 113(6) (3) The Office shall, within thirty (30) days after receiving said report, or as soon thereafter as weather conditions permit, inspect the lands and reclamation described in the notice to determine if the Operator has complied with all applicable requirements.

- 113(7) (4) If the Office finds the reclamation to be in compliance with the requirements of the Notice of Intent, Rules and Regulations, and the Statute, the Office shall release all applicable performance and financial warranties. The financial warranty shall not be held for more than thirty (30) calendar days after the Office finds that the Prospector has successfully completed reclamation. However, an appeal to the release

of the Financial Warranties shall stay the release on the thirtieth (30) day pending a Formal Board Hearing.

## **4.17 RELEASE OF PERFORMANCE AND FINANCIAL WARRANTIES FOR MINING OPERATIONS**

### **4.17.1 Operator Requirements**

110(4) and  
117(5)

- (1) The Operator of any mining operation may file a written notice of completion of reclamation and request for release of reclamation responsibility with the Office whenever an Operator believes any or all requirements of the Act, the Rules and Regulations, and the approved reclamation plan have been completed with respect to any or all of the Affected Lands.
- (2) The Operator shall include in the notice to the Office the names and addresses and phone numbers of all owners of record to the affected land.
- (3) The written notice requesting release shall be sent by Certified Mail and be separate from other types of communication to the Office.
- (4) Such notice shall contain a signed statement by the Operator or their agent that all applicable portions of the Reclamation Plan requirements have been satisfied in accordance with these Rules and all applicable requirements under the Act.

### **4.17.2 Division Requirements**

117(5)(a)

- (1) The Office, upon receipt of said notice of completion of reclamation, shall immediately provide notice to all owners of record to the affected land and to the county(s).
- (2) The Office shall, within sixty (60) calendar days after receiving said notice, or as soon thereafter as weather conditions permit, inspect the lands and reclamation described in the notice to determine if the Permittee has complied with all applicable requirements.

117(5)©

- (3) If the Office fails to conduct an inspection within the time specified in Rule 4.17.2(2), or fails to advise the Permittee of deficiencies within the time specified in Rule 4.17.2(4), then all Financial Warranties applicable to reclamation described in the notice shall be deemed released as a matter of law.