



COLORADO

Division of Reclamation, Mining and Safety

Department of Natural Resources
1313 Sherman Street, Room 215
Denver, Colorado 80203

March 15, 2018

Mike Schaffner
Cripple Creek & Victor Gold Mining Company
100 North Third Street
Victor, CO 80860

**Re: Reason to Believe a Violation Exists and Notice of Board Hearing
Cresson Project, Permit No. M-1980-244**

Dear Mr. Schaffner:

On February 27, 2018, the Division of Reclamation, Mining, and Safety (Division) conducted an inspection of the Cresson Project. During the inspection the Division observed evidence of non-crushed ore (run-of-mine material) end dumped in 200-foot lifts from the 9,850 lift. The non-crushed ore was dumped 200 feet to an area with steep side slopes and onto down-sloping ground and contacted the Drain Cover Fill for the geomembrane liner within the Squaw Gulch Valley Leach Facility. Additionally, the Division observed crushed ore dumped onto the Drain Cover Fill from an approximate 10,050 lift, approximately 200 feet above the active lift and out of sequence with the construction schedule contained within Permit No. M-1980-244 (Permit) for the Squaw Gulch Valley Leach Facility. The above mentioned activities are in direct violation of the Permit.

During the February 27th inspection the Division observed evidence of a slope failure in the Environmental Protection Facility known as the Squaw Gulch Valley Leach Facility. The slope failure observed at the Squaw Gulch Valley Leach Facility may have damaged the geomembrane liner designed to contain and control metallurgical processing fluids containing designated chemicals. The Division has reason to believe that the slope failure occurred on December 16, 2017. The Cripple Creek & Victor Gold Mining Company (Operator) has commenced removal of the slumped material in order to expose the liner for inspection and verify the integrity of the liner. The Operator failed to notify the Division of this slope failure and potential loss of containment of designated chemicals.

The Division believes this is in violation of:

- C.R.S. 34-32-121.5, for failure to notify the office of any failure or imminent failure ... 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 that are acid- or toxic-forming, as identified in the permit.
- Rule 8.1(a) of the Hard Rock, Metal and Designated Mining Operations Regulations, for failure to notify the Office, as soon as reasonably practicable, but no later than 24 hours, after the Operator has knowledge of a failure or imminent failure of any impoundment, embankment, stockpile or slope that poses a reasonable potential for danger to human health, property or the environment.
- Rule 8.1(b) of the Hard Rock, Metal and Designated Mining Operations Regulations, for failure to notify the Office, as soon as reasonably practicable, but no later than 24 hours, after the Operator has knowledge of a failure or imminent failure of any Environmental Protection Facility designed to contain or control designated chemicals or process solutions as identified in the permit.



Additionally, the Division believes this is a violation pursuant to:

- C.R.S. 34-32-124(1), for failure to comply with an order, permit, or regulation. Specifically, this is a violation of Amendment 10 - Volume I - Exhibit U - Section 7.2.3 and Amendment 10 - Volume V - Appendix 9.

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

A Formal Board Hearing will be held during the April 25-26, 2018 Board meeting for consideration of these possible violations. The hearing will be held at 1313 Sherman Street, Room 318, Denver, Colorado, beginning at 9:00 a.m. on April 25th or as soon thereafter as the matter can be considered. At the 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 financial 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; may order the permit be suspended, modified, or revoked; and/or assess a Civil Penalty in the amount of \$100.00 to \$1,000.00 for each day of violation pursuant to C.R.S. 34-32-124(3), (6) and (7). If you have evidence indicating the possible violations noted above do not exist or have been corrected, please provide it to the Division as soon as possible. Any information to be considered by the Board during the hearing must be received by the Division at least two weeks prior to the Board hearing, due April 13, 2018.

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 orally request to review the draft Order during the hearing. 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 Charles J. Kooyman, Assistant Attorney General, (720) 508-6037 (fax), or Charles.Kooyman@coag.gov. 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 April 23, 2018 to confirm the specific date for the hearing. If you have any questions about this letter or the hearing, please contact Elliott Russell at (303) 866-3567, ext. 8132, or Elliott.Russell@state.co.us.

Sincerely,



Virginia Brannon
Division Director

CERTIFIED MAIL NO. 7014 2120 0001 7885 7238 (Return Receipt Requested)

Enclosure: 2-27-2018 Inspection Report M1980244