



COLORADO

**Division of Reclamation,
Mining and Safety**

Department of Natural Resources

1313 Sherman Street, Room 215
Denver, CO 80203

December 11, 2018

Warren H. Dean
6 South Tejon Street, Ste 660
Colorado Springs, CO 80903

RE: Pikeview Quarry, Permit No. M1977211, Financial Warranty Inquiry

Dear Mr. Dean,

The Colorado Division of Reclamation, Mining and Safety (DRMS) would like to follow up with you regarding your email inquiries and subsequent telephone call regarding questions about the financial warranty and reclamation bonding for the Pikeview Quarry, permit M1977211. Specifically you had questions regarding how the financial warranty amount approved in Amendment 3 (AM-03) of \$4,226,859.81 was calculated as opposed to the original Exhibit L amount of \$21,936,000.

DRMS conducted an initial file review and came up with a similar lack of documentation that you encountered in your review. After our telephone call with you, DRMS shared your same frustrations as to how we got from one amount to another. Staff did a more detailed review of the file and found two documents that should at least help answer some of your inquiries. The initial Exhibit L you reference with the \$21,936,000 was part of the original amendment application submitted on July 23, 2012. A subsequent adequacy review response dated March 4, 2013 was submitted with mine plan and reclamation plan changes, where a new Exhibit L was submitted and noted as replacing the original. We have enclosed the replacement Exhibit L from the 321 page response. The updated Exhibit L indicated a reclamation liability of \$3,667,975.00 for Phase 1 and is signed by a Colorado licensed professional engineer. DRMS staff then used the approved plans and this estimate to calculate the reclamation liability and required Financial Warranty as \$4,226,859.81, which is the current amount held. This was an increase of \$3,231,559.81. The reclamation bond calculation worksheets were discovered attached to the AM-03 approval letter dated April 11, 2013. That document is also attached. Current filing procedures differentiate the two documents so it was initially overlooked by staff and you would have had to find the referenced documents by accident yourself when doing your research of the file.

The original Exhibit L notes volumes associated with reclamation at the end of all mining. The revised Exhibit L accounts for a phased approach to mining and reclamation, which reduced the volumes and the liability. The documentation shows that DRMS, through its normal review process, accepted the change to the plans and calculated the reclamation liability based on Phase 01A. A comparison between similar quarry operations, shows the bond held for the Pikeview Quarry is commensurate with the median of the current amounts held and is therefore not out of line.



As I noted to you during our phone call, the operator met with DRMS on November 1, 2018 to discuss a revision to the current mine and reclamation plans. DRMS anticipates that submittal after the first of the year. At that time the financial warranty will be updated as part of our standard revision process.

DRMS shares your overall concern with oversight and financial warranties at sensitive active mine sites. In 2016 the Mined Land Reclamation Board approved an updated inspection frequency for all permitted sites. DRMS identified 35 high priority Designated Mining Operations (DMO) in hard rock for increased oversight. We report those inspections on the Colorado Governor's Dash Board. For 2018 ~2019 DRMS is carrying that forward into the construction materials permits and will report on those inspections as well. DRMS staff have identified eight quarries that meet a high priority threshold, including the Pikeview Quarry. This means Pikeview will be inspected at least once every two years, possibly more, and the financial warranty will be updated accordingly. Under the old policy, inspections occurred every four years, so we feel confident the Pikeview Quarry will have the additional oversight you are seeking as well.

Sincerely,



Minerals Program Director
Division of Reclamation, Mining and Safety

Cc: Ginny Brannon, DRMS Director
Michael Cunningham, DRMS Senior EPS
Tim Cazier, DRMS EPS
Andre LaRoche, Continental Materials Corporation

