



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: Phil Sheridan Lode	MINE/PROSPECTING ID#: M-1988-081	MINERAL: Gold and silver	COUNTY: Boulder
INSPECTION TYPE: Surety-Related Inspection	INSPECTOR(S): Amy Eschberger	INSP. DATE: December 9, 2020	INSP. TIME: 10:00
OPERATOR: Harry Covey	OPERATOR REPRESENTATIVE: Janice Wheeler, Dennis Covey	TYPE OF OPERATION: 110(1) - Hard Rock Limited Impact	
REASON FOR INSPECTION: Surety Related	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$6,100.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: December 22, 2020	

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>N</u>	(EX) EXPLOSIVES----- <u>N</u>
(PW) PROCESSING WASTE/TAILING---- <u>N</u>	(SF) PROCESSING FACILITIES----- <u>N</u>	(TS) TOPSOIL----- <u>Y</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>N</u>	(RV) REVEGETATION---- <u>N</u>
(SM) SIGNS AND MARKERS----- <u>Y</u>	(SP) STORM WATER MGT PLAN---- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>N</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>N</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(ST) STIPULATIONS----- <u>N</u>
(AT) ACID OR TOXIC MATERIALS----- <u>N</u>	(OD) OFF-SITE DAMAGE----- <u>N</u>	

Y = Inspected / N = Not inspected / NA = Not applicable to this operation / PB = Problem cited / PV = Possible violation cited

OBSERVATIONS

This inspection of the Phil Sheridan Lode (Permit No. M-1988-081) was conducted by Amy Eschberger of the Division of Reclamation, Mining and Safety (Division) in response to the operator's request for a 2nd five-year period of Temporary Cessation (TC-02), filed with our office on November 20, 2020. The operator was represented by Janice Wheeler and Dennis Covey during the inspection. The site is located approximately 6 miles west of Boulder, Colorado in Boulder County. The site can be accessed by turning north on Co Rd 83 off Sunshine Canyon Drive, then turning west onto a private residential road. A permit identification sign is posted at the main site entrance and the corners of the permit boundary are delineated with wooden posts. **Photos 1-10** taken during the inspection are included with this report.

This is a 110(1) underground operation permitted for 1.94 acres (see enclosed Google Earth images of site) to mine gold and silver. The affected lands are owned by the operator. Historic mining disturbances existed at the site prior to permitting, including an historic dump which has been removed from the site, and a mine shaft. The permit area is elongated in a northeast-southwest direction along the Phil Sheridan Lode claim. The main mining area disturbances are located at the northeastern (downgradient) end of the permit area, enclosed by chain-link and barbed wire fencing. At the far southwestern (upgradient) end of the permit area, approximately 300 feet from the mining area, is a small disturbance labeled on permit maps as the Phil Sheridan Discovery Shaft. According to annual reports submitted by the operator, this shaft was filled in many years ago and appears to have never been used by the operation. The Division was unable to locate the discovery shaft during the recent inspection as the ground surface in this area was obscured by snow.

The mining area exists along an east-facing slope, where the hillside was previously excavated and the floor leveled to construct a workshop and garage for residential use. According to the permit file, a portion of an historic mine dump was removed from this area during the 1970's (pre-permitting) and used to create a leach field for a new house construction in the area. In removing the dump, an historic shaft was discovered on the property. The Phil Sheridan Lode mine permit was obtained to sink this shaft down to the level of the historic Phil Sheridan Tunnel and to proceed with mining the historic workings. The portal to the Phil Sheridan Tunnel is located approximately 800 feet downhill from the permit area, adjacent to an ephemeral drainage known locally as Spruce Gulch, which is tributary to Fourmile Canyon Creek. According to the permit file, the Phil Sheridan shaft was sunk to the level of the historic Phil Sheridan Tunnel in 1995/1996, at approximately 100 feet below the shaft collar elevation.

According to the approved mining plan (see enclosed mining plan maps), the mining area would include the main shaft, an ore sorting area, an ore storage area, a waste rock dump area, a topsoil storage area, a shop/maintenance building, a powder storage building, and a detonator storage building. The explosives storage buildings would be constructed for temporary use and eventually moved to a more secure underground location. Salvaged topsoil would be stored in the bermed topsoil storage area along the northeastern edge of the permit area. Development rock from excavating the shaft would be stored in the waste rock dump area. Initially, the operator anticipated mined ore would be hand sorted to separate the ore from waste rock. However, the Division approved Technical Revision No. 1 (TR-1) in 1988 to allow the operator to utilize a small crusher unit on a portable trailer to crush high grade ore. The crusher ore would be stored in steel drums within the mine shop area and hauled off-site for processing. Lower grade ore would be stored in the ore storage area (without crushing) and hauled off-site for processing. TR-1 indicates no more than 400-500 pounds of ore would be crushed per day.

There are two gated entrances to the site, one which accesses the mining area and one which accesses the explosives storage area located northwest of the mining area. The mining area currently includes the Phil Sheridan mine shaft enclosed by metal fencing, collared in a concrete slab and secured with a covered locking

device, a steel headframe constructed above the shaft, a winch house constructed of corrugated metal located behind the shaft, a small shed constructed of particle board and a small Tuff Shed which house equipment. A steep bank encircles much of the mining area, which will need to be graded to 3H:1V, retopsoiled, and seeded for reclamation. No ore or waste rock stockpiles were observed in this area. No processing equipment was set up in this area. A small stockpile of what appeared to be topsoil was stored along the western edge of the mining area. A larger grassed over topsoil stockpile is stored at the northeastern edge of the permit area, just outside of the fenced enclosure.

On the hillside west of the mining area, accessed by a separate gated entrance, there are two small cinder-block sheds which were constructed to house the powder and blasting caps (in the larger shed) and the detonators (in the smaller shed). Both sheds were securely locked. However, according to the operator, these sheds have been empty for many years. The operator must maintain explosives permits with the Colorado Division of Oil and Public Safety and with the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) for the transportation, use, and storage of explosives on site. According to the permit file, the operator had the appropriate explosives permits in place during the 1990's when blasting was conducted on site. However, the appropriate explosives permits were not maintained after operations ceased, and the on-site storage of explosives was discontinued.

The Division observed a disturbed area approximately 0.1 acre in size located between the explosives storage area and the mining area where, according to the permit file, waste rock and/or development material had been stored at one time. This area will need to be graded, retopsoiled and seeded for reclamation. According to Mr. Covey, the access road to the explosives storage area continues through the site to a historic mine shaft located outside of the permit area. This shaft was sealed some years ago by the Division's Inactive Mine Reclamation Program (IMRP). Mr. Covey inquired about having IMRP reassess the shaft which has collapsed in recent years, creating unsafe conditions. The Division provided Mr. Covey contact information for Erica Crosby with IMRP.

The approved post-mining land use for the site is residential. The reclamation plan calls for spreading out any waste rock stockpiles across the affected lands, grading all disturbed slopes to 3H:1V or flatter, retopsoiling disturbed areas at a depth of approximately 12 inches, and broadcast seeding these areas with a grass seed mixture consisting of Blue grama, Western wheatgrass, and Needle and thread. The two existing roads will remain for reclamation. Per the initial approved permit, any permanent buildings, such as the shop and maintenance buildings and the cinder-block explosives storage buildings will remain for residential use. In Technical Revision No. 3 (TR-3) approved in 2015, the operator specified the wooden storage building and cinderblock storage unit with concrete floor will remain for residential storage. In TR-3, the operator also expressed a desire to keep the steel headframe intact as a historical landmark for the Sunshine mining community. However, the Division's approval of TR-3 did not include approval for the headframe to remain as it is not considered an historical structure. Additionally, the structure is not considered to be compatible with the residential post-mining land use. The approved reclamation plan calls for securing any mine openings in accordance with IMRP guidelines. The only mine opening located within the permit area, the Phil Sheridan shaft, has already been secured in this manner. As mentioned previously, the Phil Sheridan Discovery Shaft (located at the southwestern end of the permit area) was apparently not used by the operation and backfilled many years ago.

The Division did not inspect the portal of the Phil Sheridan Tunnel during this inspection. While the portal is located outside of the permit area, the Division has inspected this area many times in the past to observe whether drainage from this mine was entering the adjacent gulch. The Division has never observed water from the tunnel discharging directly to the gulch. However, the Division has observed water ponded directly outside of the tunnel portal and water discharging from the portal to an adjacent area beneath an old shed where the water appeared to infiltrate the ground surface. As mentioned above, the permit file indicates the Phil Sheridan

shaft was connected to the historic tunnel in 1995/1996. This means the mining operation could potentially impact water inside the tunnel. In numerous inspection reports, the Division has instructed the operator to contact the Colorado Department of Public Health and Environment, Water Quality Control Division to obtain a discharge permit for the mine drainage. The Division was unable to find any evidence in the permit file that such a permit was obtained for the site. During the recent inspection, Mr. Covey indicated he believed his father (Harry Covey) had discussed the mine discharge with WQCD on site some years ago, and they determined a discharge permit was not required. No record of this determination could be found in the permit file.

According to the permit file, mining activities last occurred at the site in 1996. In several of its inspection reports issued since that time, the Division has recommended the operator submit a Notice of Temporary Cessation in accordance with Rule 1.13.5(1). This rule states if an operator plans to, or does, temporarily cease production of the mining operation for 180 days or more, the operator must file a Notice of Temporary Cessation in writing, to the Office. Per Rule 1.13.5(1)(a), the initial period shall be the first 5 years of Temporary Cessation beginning with the 180 day period of production cessation. Per Rule 1.13.5(1)(b), the second 5 year period of Temporary Cessation shall begin at the end of the initial period of Temporary Cessation. Finally, per Rule 1.13.9, in no case shall Temporary Cessation be continued for more than 10 years without terminating the mining operation and fully complying with the Reclamation and Environmental Protection Plan requirements of the Act and Rules.

Considering that production at the Phil Sheridan Lode ceased in 1996, per Rule 1.13, the maximum 10 years allowed for Temporary Cessation would have ended in 2006. While the operator did not submit the first Notice of Temporary Cessation (TC-01) until 2015, and just recently submitted a request for the 2nd five year period of Temporary Cessation (TC-02), the permit file indicates the site has actually been in cessation since 1996. This was confirmed with Mr. Covey and Ms. Wheeler during the inspection. Accordingly, per Rule 1.13.9, the Division will not be able to approve TC-02, and the operator must complete final reclamation of the site. The Division recommends the operator submit a request to withdraw TC-02 prior to the January 20-21, 2021 Mined Land Reclamation Board Hearing currently scheduled for the matter. Otherwise, the Division will recommend to the Board that TC-02 be denied.

After conducting this inspection, the Division determined remaining reclamation at the site includes demolishing and removing the steel headframe and winch house, grading disturbed slopes to 3H:1V, and retopsoiling and revegetating a total of 0.4 acre of disturbance. The currently held financial warranty of \$6,100.00 was found to be adequate for completing this reclamation.

During the inspection, Ms. Wheeler inquired about potentially transferring the Phil Sheridan Lode permit to another entity to mine the site. While the Division indicated during the inspection this might be a possibility, after reviewing the permit file, it has been determined that per Rule 1.13.9, the mining operation must be terminated and the site reclaimed. This means that due to the extended period (24 years) of inactivity at the site, the option to continue mining the site under the current permit has been forfeited. At this point, the operator must reclaim the site in accordance with the approved reclamation plan within five years, per Rule 3.1.3(2). In this case, the five-year period for completing reclamation will begin from the date of this inspection, December 9, 2020, and end on December 9, 2025. If by that date, the operator has not reclaimed the site and requested final release of the permit, enforcement actions will be pursued.

In the event a new entity is interested in mining the site, a new permit application must be submitted to our office. If the new application proposes to include currently affected lands under the Phil Sheridan Lode permit (prior to them being fully reclaimed), the new application must be approved and issued before the Phil Sheridan Lode permit could be released. It should be noted, any new permit application submitted to continue mining activities at the site must address the Phil Sheridan Tunnel mine drainage and demonstrate that disturbances to

the prevailing hydrologic balance of the affected land and of the surrounding area and to the quantity or quality of water in surface and groundwater systems both during and after the mining operation and during reclamation will be minimized in accordance with Rule 3.1.6. The new application would also need to adequately characterize any material brought to the surface by the proposed operation to determine whether the material is considered toxic or acid-forming. A Designated Mining Operation permit application must be submitted for a proposed operation at which designated chemicals used in metallurgical processing are present on site, or toxic or acid-forming materials may be exposed or disturbed as a result of mining operations, or acid mine drainage occurs or has the potential to occur due to mining or reclamation activities.

This concludes the report.

Any questions or comments regarding this inspection report should be forwarded to Amy Eschberger at the Colorado Division of Reclamation, Mining and Safety, 1313 Sherman Street, Room 215, Denver, CO 80203, via telephone at 303-866-3567, ext. 8129, or via email at amy.eschberger@state.co.us.

PHOTOGRAPHS



Photo 1. View looking southwest at gated entrance to mining area.



Photo 2. View looking southwest across mining area, showing equipment shed constructed of particle board (in foreground) and mine shaft, headframe, and winch house (in background).



Photo 3. Closer view of fenced mine shaft, steel headframe above shaft, and winch house constructed of corrugated metal, located at southwestern edge of mining area.



Photo 4. Closer view of mine shaft collared in concrete slab and secured by covered locking device.



Photo 5. View looking north across mining area, showing small topsoil stockpile (indicated) and equipment shed constructed out of particle board present in this area.



Photo 6. View looking south across mining area showing Tuff shed present in this area.



Photo 7. View looking southwest at cinder-block explosives storage building with locked door present in northwestern portion of permit area. According to operator, this building has been empty for the past few decades.



Photo 8. View looking southwest at smaller cinder-block explosives storage building with locked door present in northwestern portion of permit area. According to operator, this building has been empty for the past few decades.



Photo 9. View looking southwest across old waste rock storage area located on slope between mine area and explosives storage area.



Photo 10. View looking southwest at topsoil stockpile (indicated) stored at northern edge of permit area, outside of fenced enclosure. Note stockpile stable with good grass cover.

Inspection Contact Address

Harry Covey
479 County Rd. 83
Boulder, CO 80302

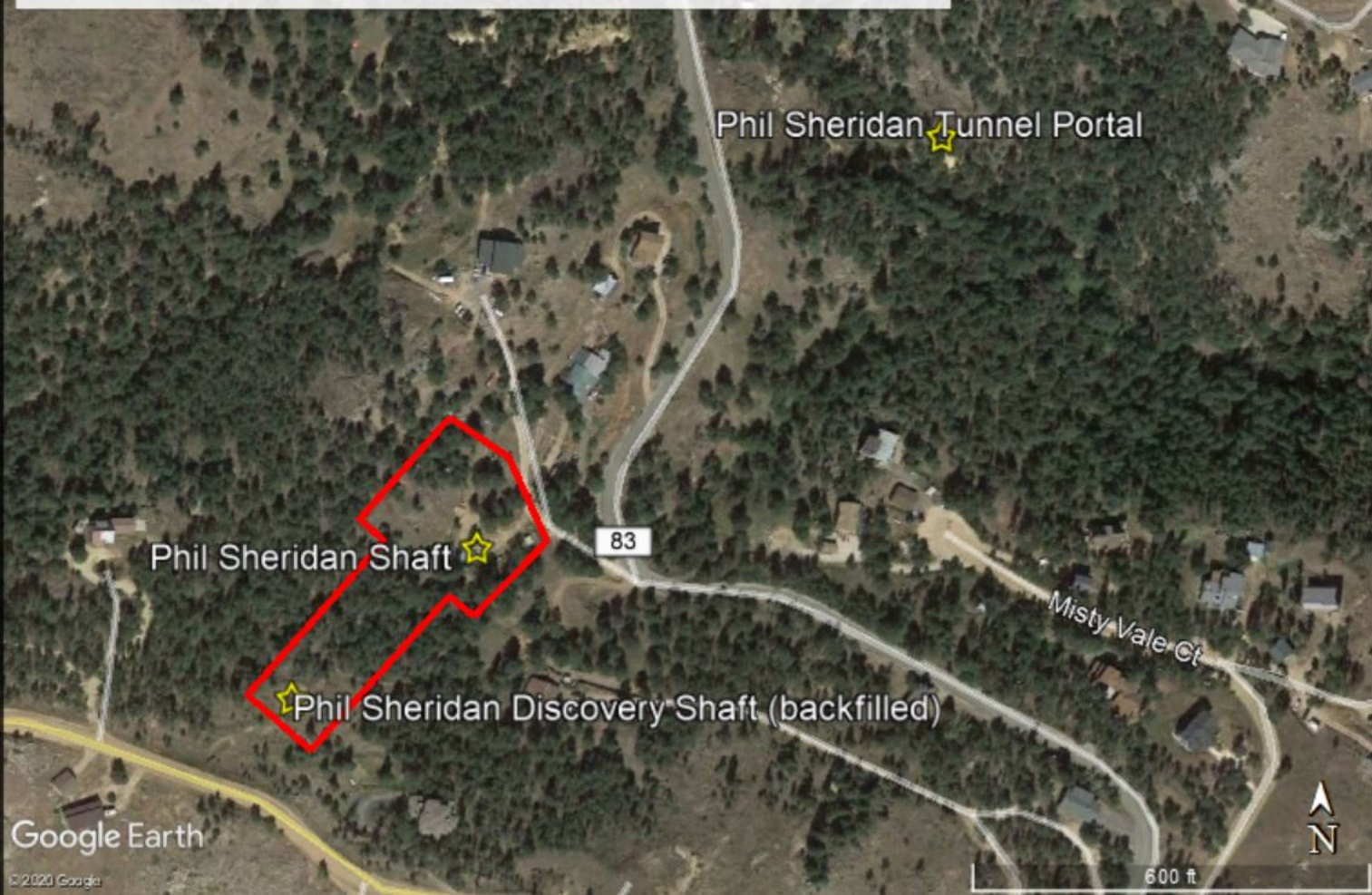
Encl(s): Google Earth images of site (2)
Approved mining plan maps (2)

CC: Janice Wheeler at: mineralsofgold1@aol.com and janice.wheeler479@gmail.com
Michael Cunningham, DRMS at: michaela.cunningham@state.co.us

M-1988-081 / Phil Sheridan Lode / Harry Covey / 110(1) Permit

Site view showing location of Phil Sheridan Tunnel Portal (outside of Permit Area).

Red Outline = 1.94 acres = Approved Permit Area (location approximated based on approved maps)
(Image data from 9/12/2019)



M-1988-081 / Phil Sheridan Lode / Harry Covey / 110(1) Permit

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(Image data from 9/12/2019)

Phil Sheridan Shaft ☆

☆ Phil Sheridan Discovery Shaft (backfilled)

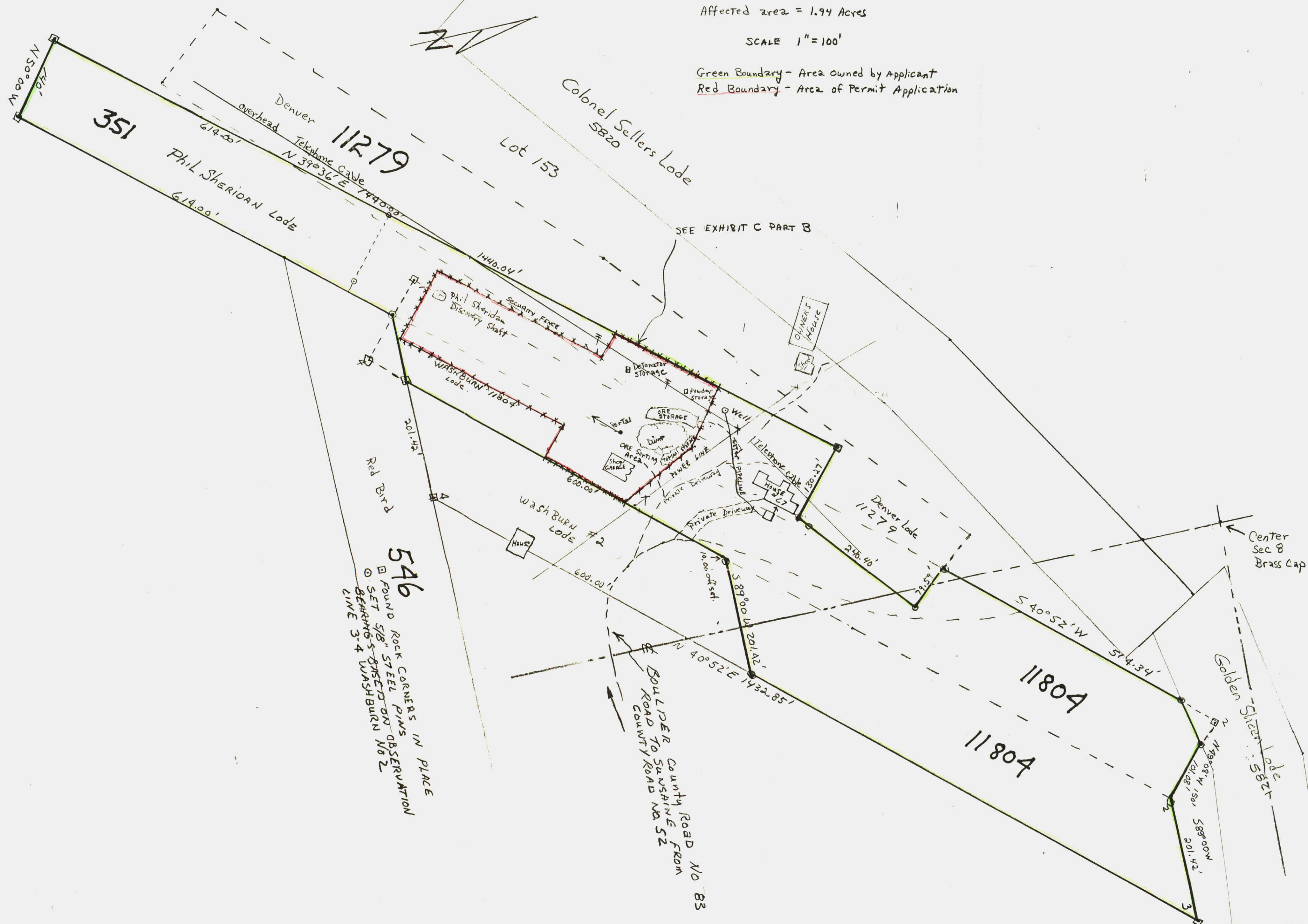
83

Google Earth

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200 ft



AFFECTED AREA	1.94 Acres
Portals located	
40°03'45" N	
105°22'00" E	

AFFECTED AREA

1.94 Acres

portal located

40°03'45" N

105°22'00" E

