




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: South Pit	MINE/PROSPECTING ID#: M-1994-114	MINERAL: Gravel	COUNTY: Custer
INSPECTION TYPE: Monitoring	WEATHER: Clear	INSP. DATE: May 10, 2023	INSP. TIME: 11:00
OPERATOR: Kagan & Son, L.L.C.	OPERATOR REPRESENTATIVE: Becky Kagen	TYPE OF OPERATION: 112c - Construction Regular Operation	

REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: Complete Bond	BOND AMOUNT: \$36,250.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
INSPECTOR(S): Eric Scott	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: May 11, 2023

The following inspection topics were identified as having Problems or Possible Violations. OPERATORS SHOULD READ THE FOLLOWING PAGES CAREFULLY IN ORDER TO ASSURE COMPLIANCE WITH THE TERMS OF THE PERMIT AND APPLICABLE RULES AND REGULATIONS. If a Possible Violation is indicated, you will be notified under separate cover as to when the Mined Land Reclamation Board will consider possible enforcement action.

INSPECTION TOPIC: Financial Warranty

PROBLEM/POSSIBLE VIOLATION: Problem: The financial warranty is not adequate to reclaim the site in accordance with the approved reclamation plan. This is a failure to maintain the proper financial warranty amount to complete reclamation of the affected lands pursuant to C.R.S. 34-32.5-117(4)(b) of the Act.

CORRECTIVE ACTIONS: The operator shall submit adequate financial warranty, as determined by the Division. The Division will be sending a separate surety increase notice to the operator regarding the increase of the financial warranty. The operator will have 60 days from the date on the surety increase notice to post the additional financial warranty.

CORRECTIVE ACTION DUE DATE: 60 Days from date of Surety Increase Notice

INSPECTION TOPIC: Signs & Markers

PROBLEM/POSSIBLE VIOLATION: Problem: The affected area boundary markers are missing or incorrectly placed. Specifically, the permit boundary markers for the eastern portion of the permit area are missing. This is a problem for failure to maintain boundary markers around the affected area as required by Section 3.1.12(2) of the rule.

CORRECTIVE ACTIONS: The operator shall replace the boundary markers in the correct location(s) and provide the Division with GPS data sufficient to fully define the permit area. The operator shall provide proof to the

Division that this has been done by the corrective action date.

CORRECTIVE ACTION DUE DATE: 6/30/23

OBSERVATIONS

This was a monitoring inspection conducted by Eric Scott representing DRMS as part of the Division's routine monitoring program. DRMS met with permittee (Kagan & Son) representative Becky Kagen at the site at approximately 11:00 and toured the site with her. The South Pit is located approximately 12 miles south of Westcliff, and approximately 0.5 miles east of Highway 69 on the south side of County Road 305/Centennial Ranch Rd. This is a 32.9 acre 112c permit with a maximum allowed disturbed area of 10 acres. The site identification sign was located at the entrance to the site from County Road 305.

No mining was taking place at the time of this inspection, and the currently affected area is under the allowed 10 acre maximum at this time. Mining activity appears to be progressing in compliance with the approved plan at this time. Representative photos taken during this inspection have been included.

Only 2 issues were noted during this inspection that will require follow up actions:

1) As previously noted, the missing boundary markers for the eastern portion of the permit area will need to be replaced, and GPS data sufficient to define the entire permit area will need to be provided to DRMS by the corrective action date listed (June 30, 2023).

2) The reclamation bond for this site has not been adjusted since the 110c to 112c permit conversion was completed in 2015, and is now insufficient to complete the required reclamation. An updated cost summary has been prepared based on the previous reclamation tasks and scope and will be included with this report. Please contact Eric Scott at eric.scott@state.co.us if you have any questions regarding this updated cost summary.

As stated on the first page of this report, the Division will be sending a separate surety increase notice to the operator regarding the required increase of the financial warranty. The operator will have 60 days from the date on the surety increase notice to post the additional required financial warranty.

Inspection Contact Address

Becky Kagen
Kagan & Son, L.L.C.
555 Ernest Ave
Westcliffe, CO 81252

Enclosure – Updated Bond Summary Based on existing CN1 tasks and scope

PHOTOGRAPHS



Photo 1 – Site identification sign at site entrance on south side of County Road 305.



Photo 2 – Pit floor looking from north to southwest. No mining activity was taking place at the time of this inspection, and topsoil stockpiles are located around perimeter.



Photo 3 – Most recently active mine face with approximately 20' high-wall located in southeast corner of affected area.

GENERAL INSPECTION TOPICS

The following list identifies the environmental and permit parameters inspected and gives a categorical evaluation of each

(AR) RECORDS----- <u>Y</u>	(FN) FINANCIAL WARRANTY----- PB	(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>NA</u>	(TS) TOPSOIL----- <u>Y</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>NA</u>	(RV) REVEGETATION---- <u>Y</u>
(SM) SIGNS AND MARKERS----- PB	(SP) STORM WATER MGT PLAN---- <u>NA</u>	(RS) RECL PLAN/COMP-- <u>NA</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>NA</u>	(SC) EROSION/SEDIMENTATION--- <u>NA</u>	(ST) STIPULATIONS----- <u>N</u>
(AT) ACID OR TOXIC MATERIALS----- <u>NA</u>	(OD) OFF-SITE DAMAGE----- <u>NA</u>	

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

COST SUMMARY WORK

Task description: Reclaim Kagan and Son South Pit

Site: Kagan & Son South Pit

Permit Action: CN01

Permit/Job#: M1994114

PROJECT IDENTIFICATION

Task #: 999

State: Colorado

Abbreviation: None

Date: 3/17/2015

County: Custer

Filename: M114-999

User: TOD

Agency or organization name: DRMS

TASK LIST (DIRECT COSTS)

Task	Description	Form Used	Fleet Size	Task Hours	Cost
001	Spread 12 inches of topsoil over 10 acres	DOZER	1	67.54	\$17,817
002	Rip 10 acres and rip the road	RIPPER	1	14.50	\$1,185
003	Revegetation of 10 acres	REVEGE	1	40.00	\$16,692
004	Mobilization and Demobilization	MOBILIZE	1	8.65	\$4,680
005	Push Down 500 feet of 20' highwall to 3H:1V	DOZER	1	8.00	\$2,111
<u>SUBTOTALS:</u>				138.69	\$42,485

INDIRECT COSTS

OVERHEAD AND PROFIT:

Liability insurance: 2.02

Total = \$858

Performance bond: 1.05

Total = \$446

Job superintendent: 40.00

Total = \$3,005

Profit: 10.00

Total = \$4,248

TOTAL O & P = \$8,558

CONTRACT AMOUNT (direct + O & P) = \$51,043

LEGAL - ENGINEERING - PROJECT MANAGEMENT:

Financial warranty processing (legal/related costs): \$500

Total = \$500

Engineering work and/or contract/bid preparation: 0.00

Total = \$0

Reclamation management and/or administration: 5.00

\$2,552

CONTINGENCY: 0.00

Total = \$0

TOTAL INDIRECT COST = \$11,610

TOTAL BOND AMOUNT (direct + indirect) = \$54,095