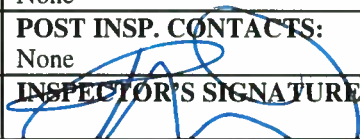




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

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: Mooney Hills Permit	MINE/PROSPECTING ID#: M-2007-007	MINERAL: Aggregate	COUNTY: Las Animas
INSPECTION TYPE: Monitoring	INSPECTOR(S): T C. Wait	INSP. DATE: June 19, 2012	INSP. TIME: 15:15
OPERATOR: Mullett Excavating, L.L.C.	OPERATOR REPRESENTATIVE: Phil Crum	TYPE OF OPERATION: 110c - Construction Limited Impact	
REASON FOR INSPECTION: Normal I&E Program	BOND CALCULATION TYPE: None	BOND AMOUNT: \$15,000.00	
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None	
WEATHER: Clear, hot, dry	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: June 25, 2012	

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: Signs & Markers

PROBLEM/POSSIBLE VIOLATION: Problem: The mine identification sign was not posted at the entrance of the mine site. This is a problem for failure to post a mine identification sign as required by Section 3.1.12(1) of the rule.

CORRECTIVE ACTIONS: The operator shall, at the entrance of the mine site, post a sign which shall be clearly visible from the access road with the following: the name of the operator, a statement that a reclamation permit for the operation has been issued by the Colorado Mined Land Reclamation Board; and the permit number. The operator shall submit photo documentation that a proper sign has been posted by the corrective action date.

CORRECTIVE ACTION DUE DATE: 7/19/12

OBSERVATIONS

This was a normal monitoring inspection conducted by TC Wait of DRMS. The mine operator representative present was Mr. Phil Crum of Mullet Excavating. The site is part of the top of a mesa east of Trinidad. The native vegetation is dry grassland. Post-mine land use for this site is rangeland.

The permit area is approximately 9.9 acres and was accessed by vehicle. The site is adjacent to the Mooney 5804 Altura Pit (M-2010-012) also operated by Mullet Excavating. Currently the majority of mine operations are on the Mooney Hills permit area, with some in the eastern section of the Altura area. There is no delineation between the two permit areas. The total area for both pits is approximately 125 acres.

The site was not marked with a permit sign. The operator was advised to place permit signs (for both permitted mines) at the entrance. Visible permit boundary markers were in place.

At the time of the inspection, the ground was dry. The site is actively being mined and no reclamation efforts have been conducted. Mr. Crum indicated that the average mining depth is about 8 feet. Mr. Crum estimates approximately 60k tons of material are stockpiled onsite.

Backfilling and Grading:

Site is actively being mined. No reclamation grading has occurred.

Hydrologic Balance:

No evidence of groundwater was observed or expected.

Gen. Compliance With Mine Plan:

Site is adjacent to the Altura Pit (M-2010-012) also operated by Mullet Excavating. Currently the majority of mine operations are on the Mooney Hills permit area, with some in the eastern section of the Altura area. There is no delineation between the two permit areas.

Revegetation:

Site has not been seeded.

Sediment Control:

No evidence of erosion or off-site sediment transport observed.

Topsoil:

Topsoil is stockpiled at edges of permit boundary.

PHOTOGRAPHS



Photo 1. Permit boundary marker

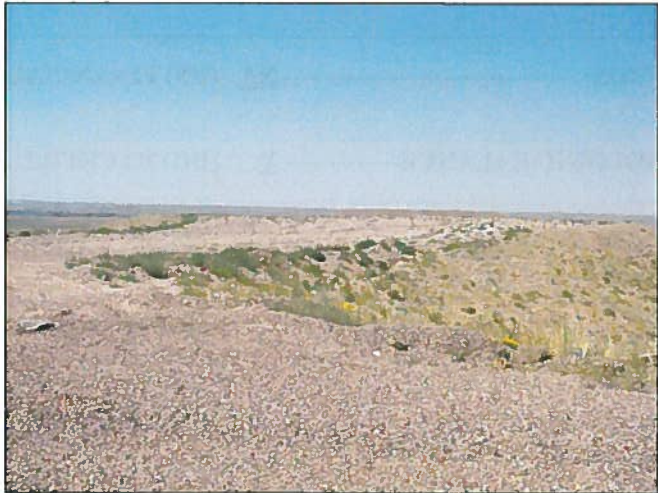


Photo 2. Looking north at mined area.



Photo 3. Area of active mining, approx. 8 ft deep.



Photo 4. Mooney Hills area looking east from the Altura permit area.

GENERAL INSPECTION TOPICS

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

(AR) RECORDS----- <u>NA</u>	(FN) FINANCIAL WARRANTY----- <u>N</u>	(RD) ROADS----- <u>N</u>
(HB) HYDROLOGIC BALANCE----- <u>Y</u>	(BG) BACKFILL & GRADING----- <u>Y</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----- <u>PB</u>	(SP) STORM WATER MGT PLAN---- <u>NA</u>	(SB) COMPLETE INSP---- <u>NA</u>
(ES) OVERBURDEN/DEV. WASTE----- <u>NA</u>	(SC) EROSION/SEDIMENTATION--- <u>Y</u>	(RS) RECL PLAN/COMP-- <u>Y</u>
(AT) ACID OR TOXIC MATERIALS----- <u>NA</u>	(OD) OFF-SITE DAMAGE----- <u>NA</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

Inspection Contact Address

Phil Crum
Mullett Excavating, L.L.C.
320 CR 241
Westcliffe, CO 81252

Enclosure

CC: