

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: | MINE/PROSPECTING ID#: | MINERAL: | COUNTY: |
|----------------------------|---------------------------------|------------------------------------|-------------|
| Hansel Pit #1 | M-2010-036 | Clay (general), grave | Phillips |
| INSPECTION TYPE: | INSPECTOR(S): | INSP. DATE: | INSP. TIME: |
| Preoperation Inspection | Berhan M. Keffelew | September 6, 2012 | 10:30 a.m. |
| OPERATOR: | OPERATOR REPRESENTATIVE: | TYPE OF OPERATION: | |
| Crystal Springs Ranch Inc. | Randy Schafer | 110c - Construction Limited Impact | |

| REASON FOR INSPECTION: Normal I&E Program | BOND CALCULATION TYPE: None | BOND AMOUNT: \$23,875.00 |
|---|--------------------------------|------------------------------------|
| DATE OF COMPLAINT: | POST INSP. CONTACTS: | JOINT INSP. AGENCY: |
| NA | None | None |
| WEATHER: | INSPECTOR'S SIGNATURE: | SIGNATURE DATE: |
| Clear | | September 13, 2012 |

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>NA</u> | (RD) ROADS <u>N</u> |
|--|-------------------------------------|------------------------------|
| (HB) HYDROLOGIC BALANCE <u>N</u> | (BG) BACKFILL & GRADING <u>N</u> | (EX) EXPLOSIVES <u>N</u> |
| (PW) PROCESSING WASTE/TAILING <u>NA</u> | (SF) PROCESSING FACILITIES NA | (TS) TOPSOIL <u>Y</u> |
| (MP) GENL MINE PLAN COMPLIANCE- <u>N</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>NA</u> | (SB) COMPLETE INSP <u>NA</u> |
| (ES) OVERBURDEN/DEV. WASTE <u>N</u> | (SC) EROSION/SEDIMENTATION <u>N</u> | (RS) RECL PLAN/COMP <u>N</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

OBSERVATIONS

- 1) The Division conducted a pre-operational inspection of the site on 9/6/12. Present during the inspection was Mr. Randy Schafer of Phillips County.
- 2) The operator has submitted an application to convert the existing 110 permit into a 112 permit by adding 43.0 acres, for a total of 52.9 acres.
- 3) Permit conversion application sign was properly posted in two areas along the County road. The entire area covered under the conversion application was driven and inspected. Permit boundary markers were properly posted. There is a power line across the permit area running east to west; the operator has committed to stay 200 feet from each side of the power line to avoid impact to the power line during the mining operation. Sandy creek an ephemeral stream that only flows during a large precipitation event runs east to west within the permit boundary and will also be mined. Since the stage of the creek and the topography allows more deposition than erosion, the bottom of the creek will not be seeded and is expected to reclaim itself during the deposition period. Most permits in the county are located in these dry stream beds. It is the understanding of the Division; since it is a dry creek it will not require obtaining a 404 permit from the Army Corps of Engineers. It was difficult to tell the established channel of Sandy Creek within the permit area at the time of the inspection. The site is as described in the conversion application that was submitted on 9/17/12. The decision date for the conversion application is 10/17/12.
- 4) The existing 110 permit was not active at the time of the inspection. A small frontend loader was parked along the east side of the active mining area.

PERMIT #: M-2010-036 INSPECTOR'S INITIALS: BMK INSPECTION DATE: September 6, 2012

PHOTOGRAPHS



Figure 1 permit sign



Figure 3 looking NNW at the conversion area



Figure 2 looking east at the conversion area.



Figure 4 looking east at the conversion permit area.





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Randy Schafer Crystal Springs Ranch Inc. 108 E. 6th St. Flagler, CO 80815

CC: Tony Waldron Tom Kaldenbach