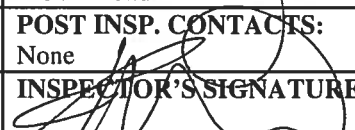




COLORADO DIVISION OF RECLAMATION, MINING AND SAFETY
MINERALS PROGRAM INSPECTION REPORT
PHONE: (303) 866-3567

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: Lamar East Pit	MINE/PROSPECTING ID#: M-1977-572	MINERAL: Sand and gravel	COUNTY: Prowers
INSPECTION TYPE: Surety-Related Inspection	INSPECTOR(S): T C. Wait	INSP. DATE: October 25, 2012	INSP. TIME: 11:20
OPERATOR: Valco Inc.	OPERATOR REPRESENTATIVE: Tom Brubaker	TYPE OF OPERATION: 112c - Construction Regular Operation	

REASON FOR INSPECTION: Surety Related	BOND CALCULATION TYPE: Partial Bond	BOND AMOUNT: \$48,270.00
DATE OF COMPLAINT: NA	POST INSP. CONTACTS: None	JOINT INSP. AGENCY: None
WEATHER: Clear	INSPECTOR'S SIGNATURE: 	SIGNATURE DATE: October 29, 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>Y</u>	(RD) ROADS----- <u>Y</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>Y</u>	(TS) TOPSOIL----- <u>Y</u>
(MP) GENL MINE PLAN COMPLIANCE- <u>Y</u>	(FW) FISH & WILDLIFE----- <u>N</u>	(RV) REVEGETATION---- <u>Y</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>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

OBSERVATIONS

This was a normal monitoring inspection conducted by TC Wait of DRMS. The mine operator representative present was Mr. Tom Brubaker. Mr. John Sutherland and Mr. Rick Akers of the City of Lamar were also present during the inspection. The site is located in northern Lamar, east of Highway 50 on the Arkansas River. Post-mine land use for this site is wildlife habitat. The permit area is approximately 82.2 acres; 30.2 acres are ponds, and 10 acres in the south-central portion of the site is a concrete batch plant. The 10-acre batch plant parcel is being transferred out of the permit area and will be operated in the future by All-Rite Paving. The permit sign was in place and the permit boundaries are clearly marked.

The site is no longer being actively mined. Three ponds are present in the permit area south of the river. Over the past year, the operator has worked to clean up the debris that was present on the site, grade the site to final grading and in compliance with the flood plain plan. The site was seeded per the reclamation plan in February or March of 2012. Revegetation has not been successful, largely due to the dry growing season, and will need to be re-seeded. Some annual weeds and tamarisk are present on the site. Generally all earth work activities have been completed at this point.

No other problems were noted during the inspection.

It is the understanding of DRMS that the operator wishes to reduce the bond based on the reclamation progress. DRMS is in the process of re-evaluating the required bond for establishing desirable vegetation per the reclamation plan on file.

Revegetation:

The initial seeding was not successful and will need to be re-seeded per the reclamation plan on file. Weed control should be implemented.

PHOTOGRAPHS

Photo 1. Batch plant area



Photo 2. Lack of vegetation near pond 3, looking west



Photo 3. Pond 4 island and flood control culvert, looking southwest

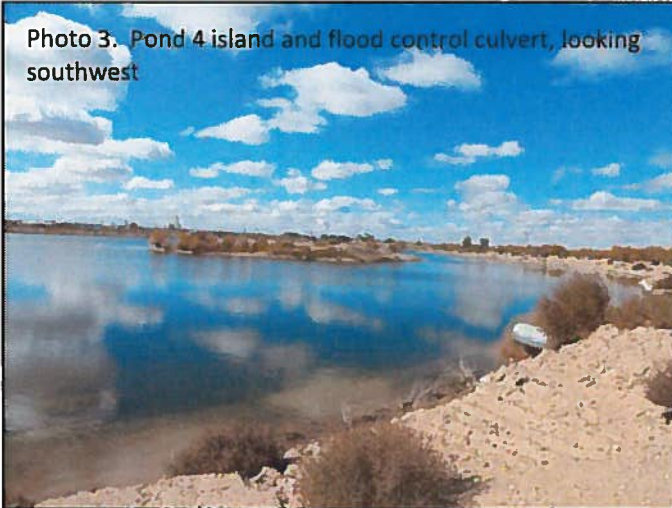


Photo 4. Pond 1 looking at the riprap flood control area near Highway 50, looking west

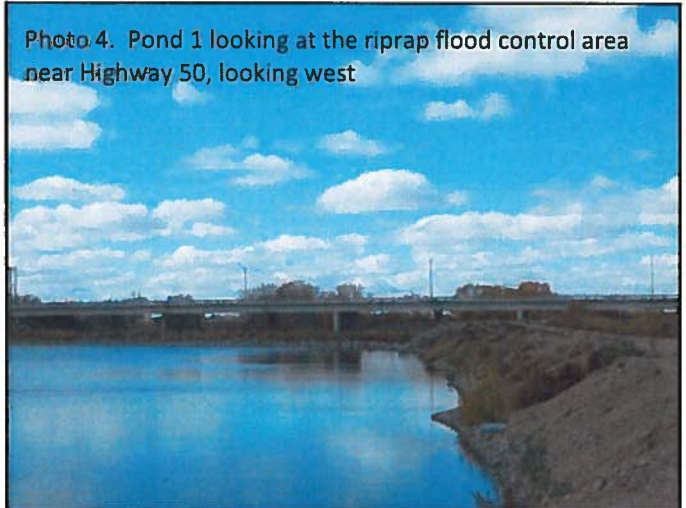


Photo 5. Pond 1 riprap lined flood control area near Highway 50, looking south

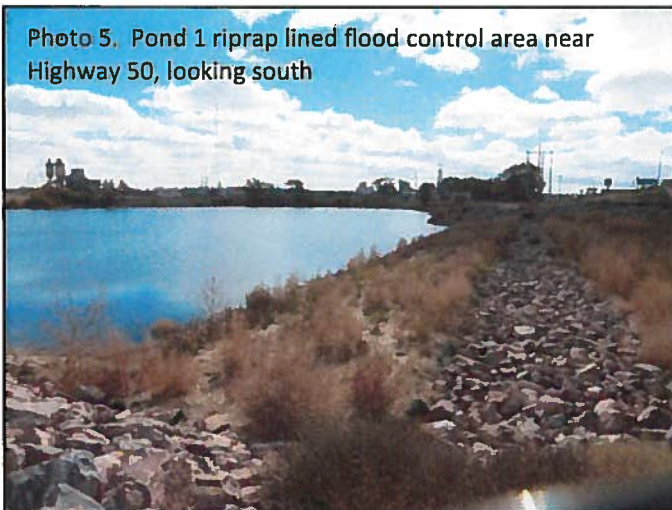
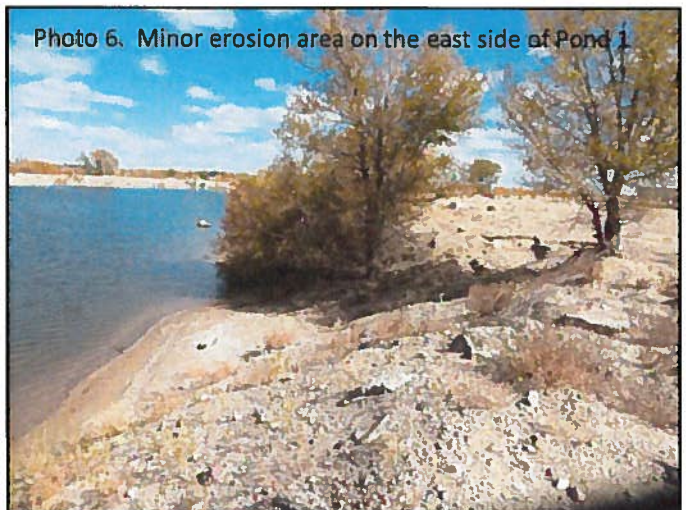


Photo 6. Minor erosion area on the east side of Pond 1



Inspection Contact Address

Tom Brubaker
Valco Inc.
P.O. Box 591
Lamar, CO 81052

Enclosure

CC: