

L J DEVELOPMENT, INC.
256 N. MERRILL DRIVE
PUEBLO WEST, CO 81007
PHONE; 719-240-9424 FAX: 719-583-0583
e-mail: jpg@incasys.com

RECEIVED
MAR 22 2013
Durango Field Office
Division of Reclamation,
Mining and Safety

MARCH 20, 2013

CERTIFIED MAIL No. 7011 2970 0002 9785

Wallace H. Erickson
Environmental Protection Specialist
Division of Reclamation, Mining and Safety
691 County Road 233, Suite A-2
Durango, CO 81301

RE: Response to Problems Cited Inspection Report February 4, 2013
Costilla Pit 110c Construction Limited Impact File M-1987-040

Dear Mr. Erickson:

On January 23, 2013, you conducted a routine inspection of the Costilla Pit and noted two problems under the General Inspection Topics. We have reviewed your report and have acted to mitigate the problems you cited in your report.

The inspection report noted two problems the first one is that the permit at this time does not have adequate financial warranty to cover the reclamation that you cited. We understand that the financial warranty needs to be increased by \$ 23,412.07 for a total of \$ 40,354.07 no later than April 5, 2013, pursuant to Rule 4.2.1(2). We are working with our surety in order to submit a rider to ensure the total financial warranty will be in place as required.

The second problem cited was the inspection topic of Signs and Markers. The problem noted was that the affected area boundary markers were missing or incorrectly placed. We have corrected this situation by placing steel tee posts to delineate the permit boundary. A map with the permit description that can be used in the future to establish the boundary has been enclosed with this correspondence please see Exhibit E Mining Plan. Additionally we have enclosed a labeled CORRECTIVE ACTION MAP & PHOTOS that provides the Photographic Evidence as required by the Division of Reclamation, Mining and Safety.

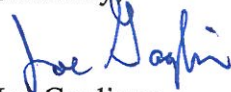
We used the permit file records to establish the location of the permit boundary markers as the Division of Reclamation, Mining and Safety required. However, it seems that our permit boundary does not concur with the Division of Reclamation, Mining and Safety records. Therefore, we will proceed to detail the logic we used to place the markers.

Upon reviewing your inspection report, we took the last report map that was submitted to the Division and scaled the map to ascertain the dimensions of the permit boundary. In view of the fact that the map had been duplicated numerous times, the dimensions and notes annotated were illegible. We used the Google Earth screen shot provided in the DRMS inspection report to start our process of locating the permit boundary. As mentioned, we scaled the annual report map that was used in the last DRMS annual report. Then we analyzed the Google Earth screen shot and knowing that the mining was being done in the southern portion of the permit, we overlaid the scaled map to capture the disturbed area. Using the junction of the haul road as a benchmark, we then did the boundary layout. The permit boundary description as proposed surrounds the affected lands maintaining the 9.70-acre area as permitted. This permit boundary may not be the original however we believe it captures the lands that are affected. The affected lands that are not within the proposed permit boundary are not being affected by this operation. We don't know if the affected lands outside this boundary may be pre-law disturbances. According to some people, they believe that Costilla County might have mined this area pre-law. We do not have an answer to who disturbed the area. We found one reference to the in a letter addressed to Ms. Izora Southway dated August 9, 1996 in reference to the Financial Warranty. The letter acknowledged, "The estimate accounts for only the reclamation of the 9.7-acre permit area, and only disturbance which has occurred in relation to your current operation. You are not liable for pre-existing disturbance outside the permit area (which is abundant, as you know) and in-permit areas which have not been affected by this permitted operation, and need not post bond for those areas". A copy of the letter is enclosed with this correspondence.

The operator has respectfully submitted where they believe that the permit area is located. There is no intent to move the permit area to mislead the Division of Reclamation, Mining and Safety concerning the affected lands for this permit. Mining has been occurring in this area and trying to piece this the unknowns together we feel that the area depicted was a close estimation of the permit boundary.

The operator would like to move the permit boundary to the location as shown in our exhibits, we understand that the area must be bonded with a financial warranty and that an increase of \$ 23,412.07 is required. The bonding matter is being underway and will be submitted when due.

Sincerely,


Joe Gagliano

Enclosures: 1) Costilla Google Base Map
 2) Annual Report Map February 25, 2013
 3) DRMS Map Inspection Report by Wallace H. Erickson January 23, 2013
 4) Letter from DRMS August 9, 1996
 5) Photographic Evidence of Makers February 23, 2013
 6) Annual Map Used for Base of New Marker Survey

Cc: Southway Construction Company, Inc.



999

STATE OF COLORADO

DIVISION OF MINERALS AND GEOLOGY
Department of Natural Resources

1313 Sherman St., Room 215
Denver, Colorado 80203
Phone: (303) 866-3567
FAX: (303) 832-8106



DEPARTMENT OF
NATURAL
RESOURCES

Roy Romer
Governor

James S. Lochhead
Executive Director

Michael B. Long
Division Director

RECEIVED
MAR 22 2013

Durango Field Office
Division of Reclamation,
Mining and Safety

ST-1

August 9, 1996

Ms. Izora Southway
Southway Construction Co.
117 White Pine Dr.
Alamosa, CO 81101

Re: Costilla Pit, Permit No. M-87-040, Financial Warranty
Recalculation

Dear Ms. Southway,

As we had discussed last month, after my recent inspection of the above-named pit, I have recalculated the estimated bond needed to perform the final reclamation of the permit area. The estimate accounts for only the reclamation of the 9.7-acre permit area, and only disturbance which has occurred in relation to your current operation. You are not liable for pre-existing disturbance outside the permit area (which is abundant, as you know) and in-permit areas which have not been affected by this permitted operation, and need not post bond for those areas.

My estimate includes all grading, topsoiling, and revegetation necessary to fully bring the area to its approved post-mining land use, by following the plan approved in the file. It is based on the amount of current disturbance and any reclamation already performed. You may influence the total bond by beginning reclamation of some areas.

Your present bond is a corporate surety of \$5,000.00. The new amount has been estimated to be \$11,175.00, reflecting an increase of \$6,175.00. The new estimate is enclosed for your review. You may provide the increased bond in the form of a rider to the existing bond, or may submit a new one. If you need any specific forms, you may contact this office. The increase must be submitted within 60 days. Call me if you have questions.

Sincerely,

Bob Oswald
Environmental Protection Specialist

enclosure: 4-page summary of estimate
a:\cor0896.rco/pl

LJ DEVELOPMENT, INC.
256 N. MERRILL DRIVE
PUEBLO WEST, CO 81007

PHONE: 719-240-9424
FAX: 719-583-0583
e-mail: jpg@incasys.com

MEMO

DATE: MARCH 20, 2013

SUBJECT: Response to Problems Cited Inspection Report February 4, 2013
Costilla Pit 110c Construction Limited Impact File M-1987-040

TO: Wallace H. Erickson
Environmental Protection Specialist
Division of Reclamation, Mining and Safety
691 County Road 233, Suite A-2
Durango, CO 81301

RECEIVED

MAR 22 2013

Durango Field Office
Division of Reclamation,
Mining and Safety

WALLY,

Please Copy ALL Replies TO:

Roy BURTRAW

SOUTHWAY CONSTRUCTION CO., INC.

117 White Pine Drive

ALAMOSAS, CO 81101

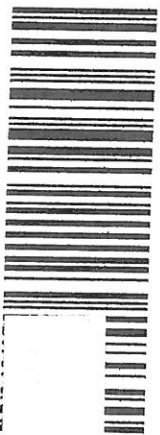
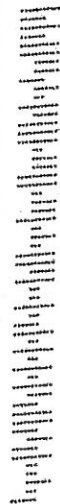
My Thanks in ADVANCE.

Joe Gaphin

P.S. My CONTACT info is shown ABOVE.

Both Roy & I need TO be in the loop.

DEVE
6 N. ME
BLO WEST, CO 81007

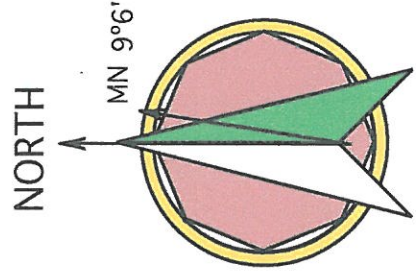


7011 2970 0002 7119 9785



Wallace H. Erickson
Environmental Protection Specialist
Division of Reclamation, Mining and Safety
691 County Road 233, Suite A-2
Durango, CO 81301

RECEIVED
MAR 22 2013
Durango Field Office
Division of Reclamation,
Mining and Safety



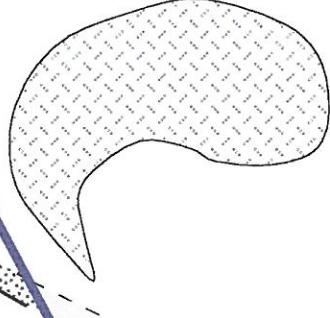
LAT. LON.
N 37° 00' 06.62"
W 105° 31' 50.25"
UTM 13
452788E 4095208N

TO STATE HWY 159

P.O.B.

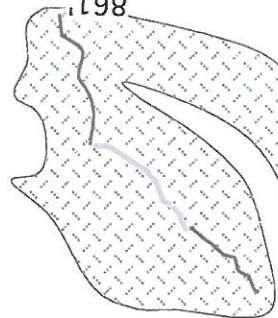
107'

23°



62°

663'



182°

861'

Direction of Mining

599'

3°

FOUND STEEL TEE POST

589'

265°

LEGEND

110c Permit Boundary

Direction of Mining

Topsoil Stockpile

Product Stockpiles

0 25 50 75 100

SCALE 1"= 100'

1: 1200

PERMIT DESCRIPTION:

STARTING AT THE POINT OF BEGINNING, WHICH BEARS 23° AZIMUTH, A DISTANCE OF 107 FEET FROM THE JUNCTION OF THE ROADS THAT ENTER THE PIT AREA,

THENCE BEARING AZIMUTH 182°, A DISTANCE OF 861 FEET, THENCE BEARING AZIMUTH 265°, A DISTANCE OF 589 FEET, THENCE BEARING AZIMUTH 03°, A DISTANCE OF 599 FEET, THENCE BEARING AZIMUTH 62°, A DISTANCE OF 663 FEET,

BACK TO THE P.O.B., CONTAINING 9.70 ACRES MORE OR LESS.

T 1 N, R 73 W, IN THE E1/2W1/2 OF SECTION 35, 6th P.M., COSTILLA COUNTY, STATE OF COLORADO.

COSTILLA PIT

ANNUAL REPORT MAP

CLIENT: SOUTHWAY CONSTRUCTION COMPANY, INC. PERMIT FILE NUMBER M-1987-040

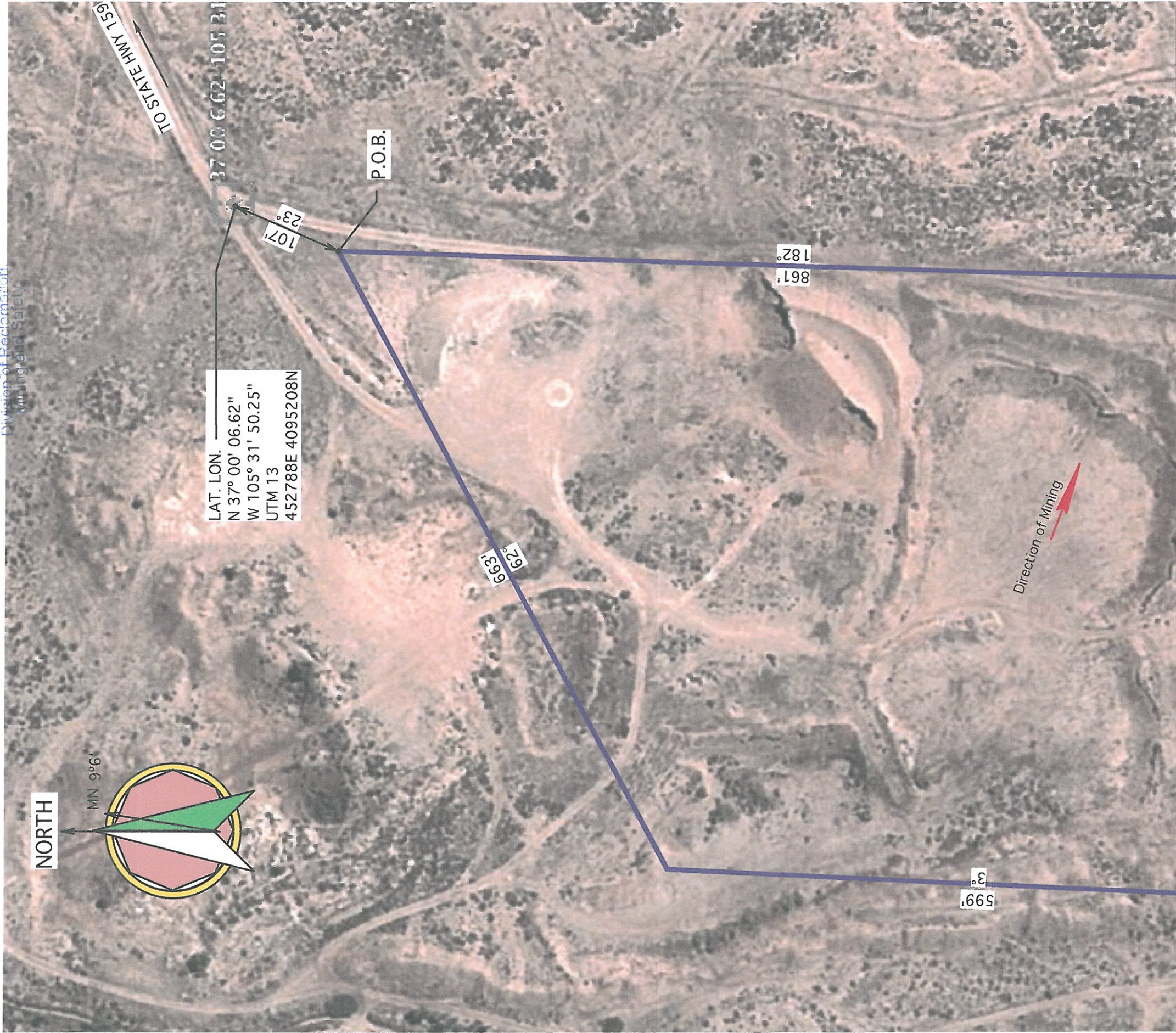
CONSULTANT: L J DEVELOPMENT, INC.

PREPARED BY: *Joseph P. Hoffman*

SHEET 1 OF 1 DATE: FEBRUARY 25, 2013

MAR 22 2013

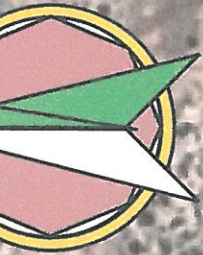
Durango Field Office
Division of Reclamation
Mining and Safety



LAT. LON.
N 37° 00' 06.62"
W 105° 31' 50.25"
UTM 13
452788E 4095208N

NORTH

MN 9°6'



P.O.B.

107'

23°

599'

182°

861'

182°

599'

3°

FOUND STEEL TEE POST

589'

265°

Direction of Mining

LEGEND

110c Permit Boundary

Direction of Mining

Topsoil Stockpile

Product Stockpiles

2013 Google
© 2013 GeoEye

0 25 50 75 100

SCALE 1" = 100'

1: 1200

PERMIT DESCRIPTION:

STARTING AT THE POINT OF BEGINNING, WHICH BEARS 23° AZIMUTH, A DISTANCE OF 107 FEET FROM THE JUNCTION OF THE ROADS THAT ENTER THE PIT AREA,

THENCE BEARING AZIMUTH 182°, A DISTANCE OF 861 FEET, THENCE BEARING AZIMUTH 265°, A DISTANCE OF 589 FEET, THENCE BEARING AZIMUTH 03°, A DISTANCE OF 599 FEET, THENCE BEARING AZIMUTH 62°, A DISTANCE OF 663 FEET,

BACK TO THE P.O.B., CONTAINING 9.70 ACRES MORE OR LESS.

T 1 N, R 73 W, IN THE E1/2W1/2 OF SECTION 35, 6th P.M., COSTILLA COUNTY, STATE OF COLORADO.

COSTILLA PIT

ANNUAL REPORT MAP

CLIENT: SOUTHWAY CONSTRUCTION COMPANY, INC. PERMIT FILE NUMBER M-1987-040

CONSULTANT: L J DEVELOPMENT, INC.

PREPARED BY: *Joseph P. Haglund*

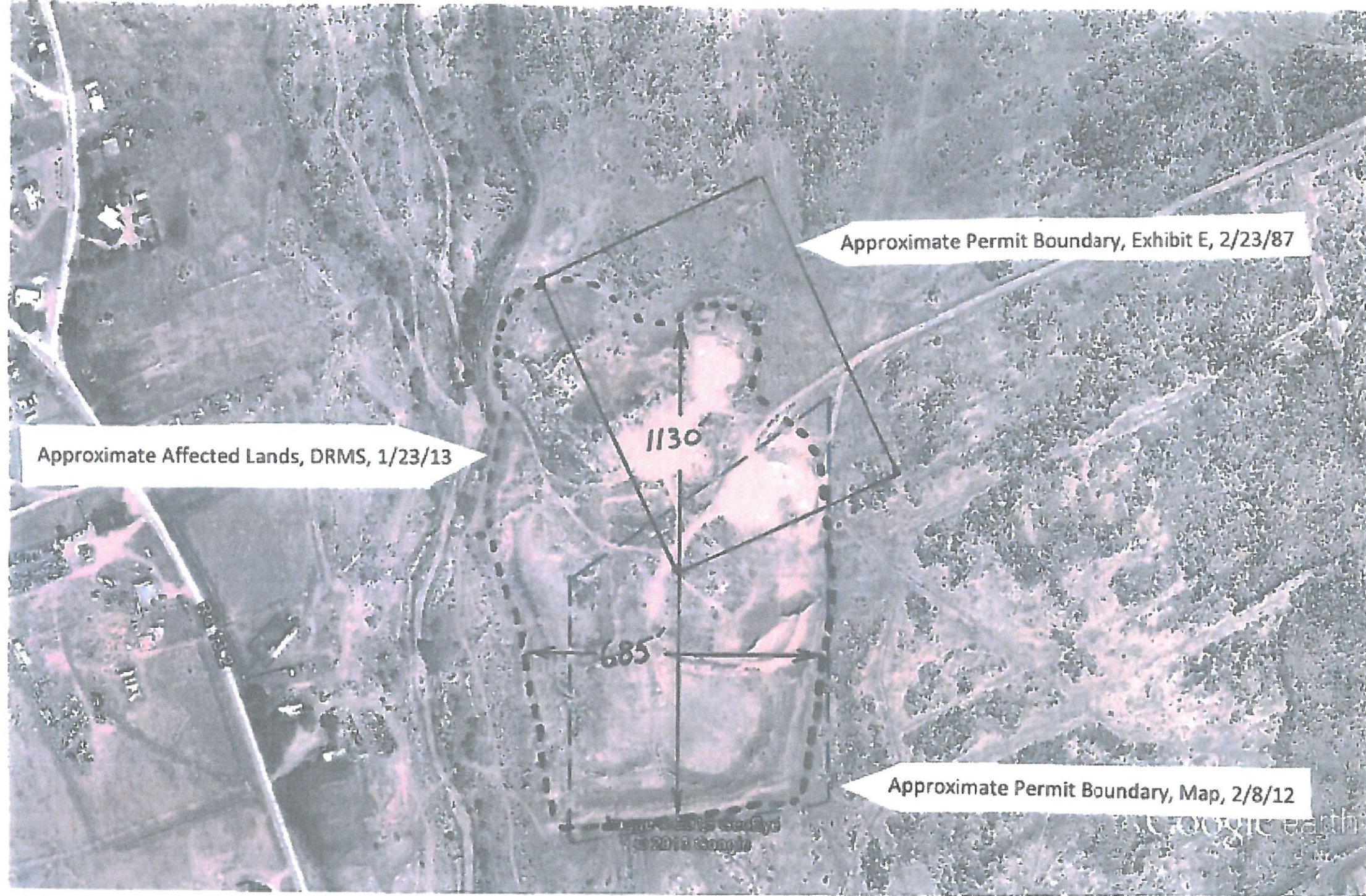
GOOGLE BASE MAP

SHEET 1 OF 1 DATE: FEBRUARY 27, 2013

RECEIVED

MAR 22 2013

Durango Field Office
Division of Reclamation,
Mining and Safety



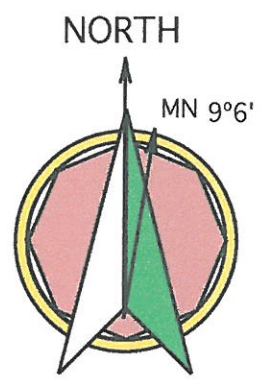
Google earth

Imagery Date 6/10/12
Castilla Pit M-1987-040
DRMS inspection 1/23/13
WHE observations

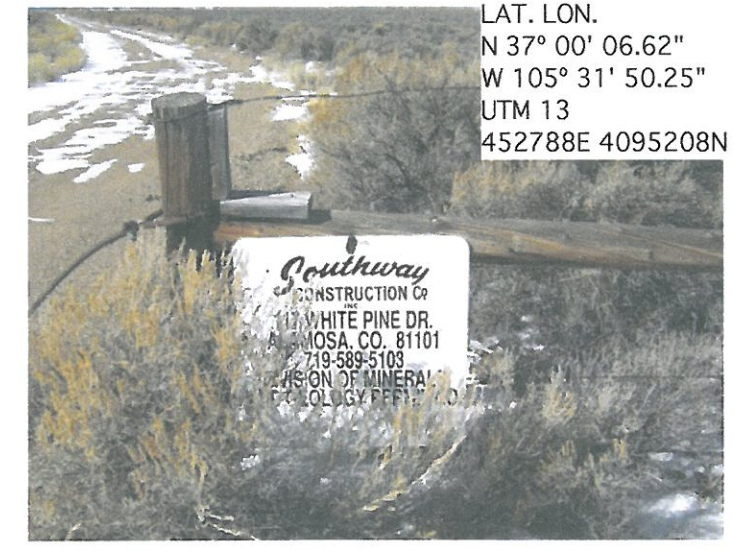
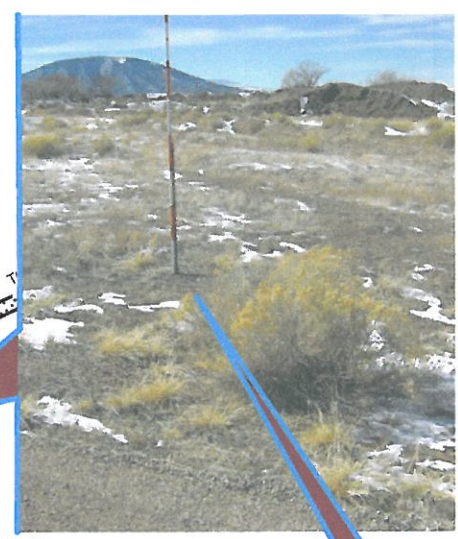
$$\text{Affected Land} \approx \frac{1130' \times 685'}{43560 \text{ sf/ac}} \approx 17.8 \text{ acres}$$

DIVISION OF RECLAMATION, MINING and SAFETY MAP
SHOWING THE IMAGERY OF
THE DRMS INSPECTION 1/23/13
OBSERVATIONS BY WHE

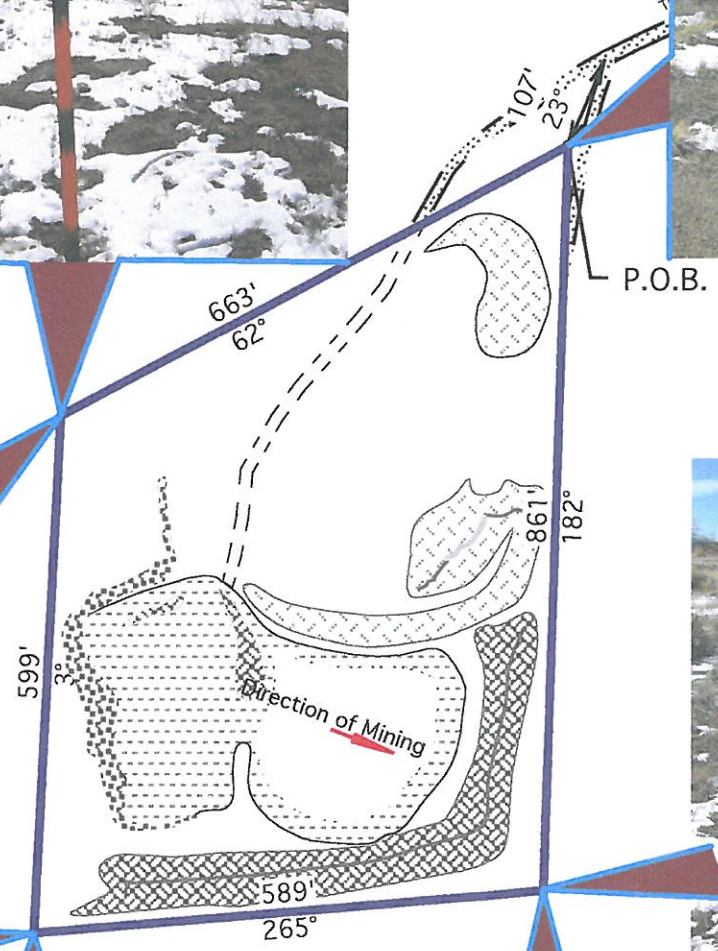
MARKERS THAT THE DELINEATE PERMIT BOUNDARY



RECEIVED
MAR 22 2013
Durango Field Office
Division of Reclamation,
Mining and Safety



ENTRY GATE



PERMIT DESCRIPTION:

STARTING AT THE POINT OF BEGINNING, WHICH BEARS 23° AZIMUTH, A DISTANCE OF 107 FEET FROM THE JUNCTION OF THE ROADS THAT ENTER THE PIT AREA,

THENCE BEARING AZIMUTH 182°, A DISTANCE OF 861 FEET, THENCE BEARING AZIMUTH 265°, A DISTANCE OF 589 FEET, THENCE BEARING AZIMUTH 03°, A DISTANCE OF 599 FEET, THENCE BEARING AZIMUTH 62°, A DISTANCE OF 663 FEET,

BACK TO THE P.O.B., CONTAINING 9.70 ACRES MORE OR LESS.

T 1 N, R 73 W, IN THE E1/2W1/2 OF SECTION 35, 6th P.M., COSTILLA COUNTY, STATE OF COLORADO.

LEGEND

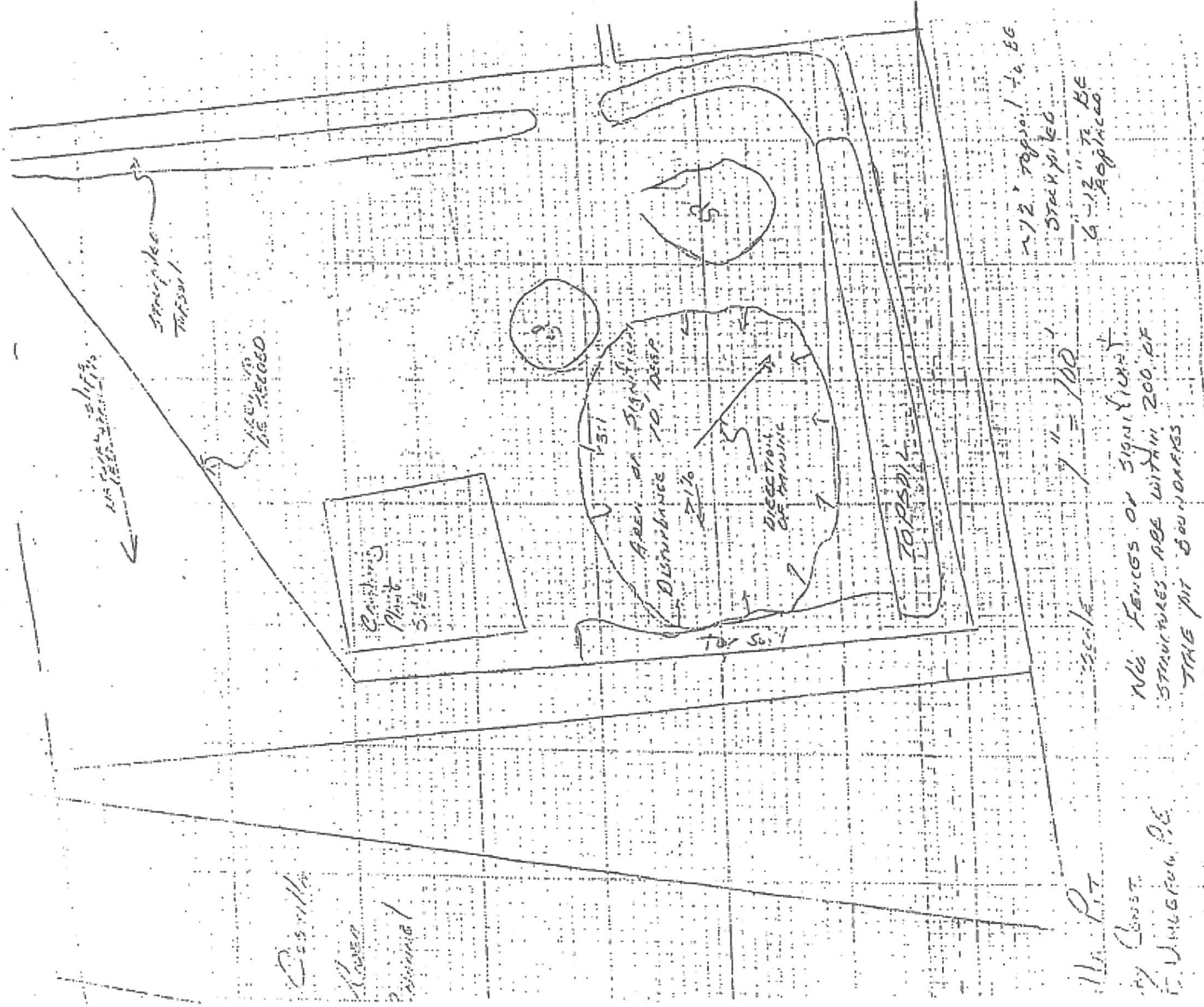
- 110c Permit Boundary
- Direction of Mining
- Topsoil Stockpile
- Product Stockpiles

0 25 50 75 100
SCALE 1"= 100'
1: 1200

COSTILLA PIT		CORRECTIVE ACTION MAP & PHOTOS	
CLIENT: SOUTHWAY CONSTRUCTION COMPANY, INC.		PERMIT FILE NUMBER M-1987-040	
CONSULTANT: L J DEVELOPMENT, INC.		PREPARED BY: <i>Joseph P. Haglund</i>	
PHOTOGRAPHIC EVIDENCE OF NEWLY PLACED MARKERS		DATE: FEBRUARY 19, 2013	

MAR 22 2013

Durango Field Office
Division of Reclamation,
Mining and Safety



MAP USED FOR LOCATION OF MARKERS
FEBRUARY 2013