

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
Director
Mining and Minerals Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505
Telephone: (505) 476-3400

MINING INSPECTION REPORT

Name of Operator: Seven Western Mining
Name of Mine: Capitan Iron Mine
Address: Sections 10, 11, 14, 15 T 8S, R 14E (UTM 13S 0443463, 3720211)
Permit Number: LI005ME
Commodity: Magnetite Iron <input checked="" type="checkbox"/> SURFACE <input type="checkbox"/> UNDERGROUND
Date of Inspection: September 25, 2003
Time of On-Site Inspection: 1:00 – 2:00 pm
Weather Conditions: sunny, cool
Purpose of Inspection: Annual Inspection
Inspector: Mickey Jojola
Present During Inspection: Erik Monroe, NMED
ENFORCEMENT ACTION TAKEN: NOTICE OF VIOLATION: # _____ YES: ___ NO: <input checked="" type="checkbox"/> CESSATION ORDER: _____ YES: ___ NO: <input checked="" type="checkbox"/>
Time: On-Site: <u>1.0</u> Permit Review: <u>0.5</u> Travel: <u>4</u> Report Writing: <u>0.5</u>
TOTAL INSPECTION TIME: <u>6</u> HOURS
NOTE: To get to the site, go north from Capitan on State Highway 246. About 5.5 miles from town, go right (east) on a Forest Road that has a cattle grate but no gate. Just follow the main Forest Road to the mine. There are no locked gates.

REGULAR INSPECTION
September 25, 2003
Capitan Iron Mine
Seven Western Mining

PERMIT UPDATE:

None at this time

INSPECTION NARRATIVE:

The site was not in operation during my unannounced site inspection. I briefly spoke to the operator while I was on site. They hope to restart production soon. This just depends on when they can find a buyer for their product.

The pit for this site is 5.86 acres in size. The shop/maintenance area is about two acres in size. There is one shaft about 20-25 feet deep in the NW area of the site away from the pits that is most likely pre-Act. I did not notice it on this site visit, but I know it exists. There appears to have been very little disturbance take place within the recent past. The only disturbance notices was that caused by moving an assortment of equipment around the lot.

The shop area still has a lot of barrels, tires and old equipment around it that would have to be carted offsite. I saw no major erosion taking place on the site.

Digital photos were taken.

ACTION ITEMS:

None at this time

PHOTOS:

Photos are located on the L drive

MAINTENANCE ITEMS

Not at this time

ENFORCEMENT ACTIONS TAKEN OR TO BE CONSIDERED

None at this time

INSPECTOR'S SIGNATURE: _____ **DATE:** _____

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Permit Number: LI005ME
Commodity: Magnetite Iron <input checked="" type="checkbox"/> SURFACE <input type="checkbox"/> UNDERGROUND
Date of Inspection: January 22, 2003
Time of On-Site Inspection: 1:00 – 2:00 pm
Weather Conditions: sunny, cool
Purpose of Inspection: Annual Inspection
Inspector: Mickey Jojola
Present During Inspection: Erik Monroe
ENFORCEMENT ACTION TAKEN: NOTICE OF VIOLATION: # _____ YES: ___ NO: <input checked="" type="checkbox"/> CESSATION ORDER: _____ YES: ___ NO: <input checked="" type="checkbox"/>
Time: On-Site: <u>1.0</u> Permit Review: <u>0.5</u> Travel: <u>4</u> Report Writing: <u>0.5</u>
TOTAL INSPECTION TIME: <u>6</u> HOURS
NOTE: To get to the site, go north from Capitan on State Highway 246. About 5.5 miles from town, go right (east) on a Forest Road that has a cattle grate but no gate. Just follow the main Forest Road to the mine. There are no locked gates.

REGULAR INSPECTION
January 22, 2003
Capitan Iron Mine
Seven Western Mining

PERMIT UPDATE:

None at this time

INSPECTION NARRATIVE:

The site was not in operation during my unannounced site inspection. No one was available to talk to on site during the inspection.

The pit for this site is 5.86 acres in size. The shop/maintenance area is about two acres in size. There is one shaft about 20-25 feet deep in the NW area of the site away from the pits that is most likely pre-Act. I did not notice it on this site visit, but I know it exists. There appears to have been very little disturbance take place within the recent past. The only disturbance notices was that caused by moving an assortment of equipment around the lot.

The shop area still has a lot of barrels, tires and old equipment around it that would have to be carted offsite. I saw no major erosion taking place on the site.

Digital photos were taken.

ACTION ITEMS:

None at this time

PHOTOS:

Photos are located on the L drive

MAINTENANCE ITEMS

Not at this time

ENFORCEMENT ACTIONS TAKEN OR TO BE CONSIDERED

None at this time

INSPECTOR'S SIGNATURE: _____ **DATE:** _____

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MINING INSPECTION REPORT

Name of Operator: Seven Western Mining
Name of Mine: Capitan Iron Mine
Address: Sections 10, 11, 14, 15 T 8S, R 14E (UTM 13S 0443463, 3720211)
Permit Number: LI005ME
Commodity: Magnetite Iron <input checked="" type="checkbox"/> SURFACE <input type="checkbox"/> UNDERGROUND
Date of Inspection: July 22, 2004
Time of On-Site Inspection: 1:00 – 2:00 pm
Weather Conditions: Partly Cloudy, hot
Purpose of Inspection: Annual Inspection
Inspector: Mickey Jojola
Present During Inspection: Erik Monroe, NMED; Rachel Jankowitz
ENFORCEMENT ACTION TAKEN: NOTICE OF VIOLATION: # _____ YES: ___ NO: <u>x</u> CESSATION ORDER: _____ YES: ___ NO: <u>x</u>
Time: On-Site: <u>1.0</u> Permit Review: <u>0.5</u> Travel: <u>4</u> Report Writing: <u>0.5</u>
TOTAL INSPECTION TIME: <u>6</u> HOURS
NOTE: To get to the site, go north from Capitan on State Highway 246. About 5.5 miles from town, go right (east) on a Forest Road that has a cattle grate but no gate. Just follow the main Forest Road to the mine. There are no locked gates.

REGULAR INSPECTION
July 22, 2004
Capitan Iron Mine
Seven Western Mining

PERMIT UPDATE:

None at this time

INSPECTION NARRATIVE:

The site was not in operation during this unannounced site inspection. In speaking with the operator though there appear to be plans to increase the acreage to the maximum 10 acres by the first of the year. It is my understanding that Seven Western Mining will be submitting a modification to the permit very soon.

The pit for this site is 5.86 acres in size. The shop/maintenance area is about two acres in size. The mine area has not been operated for quite some time. The equipment appears to be deteriorating and will need to be repaired before that mine can operate again.

There was no noticeable erosion taking place at the site

Digital photos were taken.

ACTION ITEMS:

None at this time

PHOTOS:

Photos are located on the L drive

MAINTENANCE ITEMS

Not at this time

ENFORCEMENT ACTIONS TAKEN OR TO BE CONSIDERED

None at this time

INSPECTOR'S SIGNATURE: _____ **DATE:** _____

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MINING INSPECTION REPORT

Name of Operator: El Capitan Ltd.	
Name of Mine: Capitan Iron Mine and exploration sites	
Address: Sections 10, 11, 14, 15 T 8S, R 14E (UTM 13S 0443463, 3720211)	
Permit Number: LI005ME, LI006EM, LI 007EM	
Commodity: Magnetite Iron <u> x </u> SURFACE <u> </u> UNDERGROUND	
Date of Inspection: 3/20/07	
Time of On-Site Inspection: 9:30 am	
Weather Conditions: Sunny/Warm	
Purpose of Inspection: Inspection for possible violation of Mining Act	
Inspector: Mickey Jojola, Terence Foreback (MMD)	
Present During Inspection: USFS: Diane Tafoya, Guy Miller, Richard Carlson, Doug Roe, Tim Bertrand GL Environmental: Tim Leftwitch El Capitan Ltd: Randy Bouldin	
ENFORCEMENT ACTION TAKEN: NOTICE OF VIOLATION: # <u> </u> YES: <u> x </u> NO: <u> </u> CESSATION ORDER: YES: <u> x </u> NO: <u> </u>	
Time: On-Site: <u> 3.0 </u> Permit Review: <u> 0.5 </u> Travel: <u> 6 </u> Report Writing: <u> 1.5 </u>	
TOTAL INSPECTION TIME: <u> 11 </u> HOURS	
NOTE: To get to the site, go north from Capitan on State Highway 246. About 5.5 miles from town, go right (east) on a Forest Road that has a cattle grate but no gate. Just follow the main Forest Road to the mine. There are no locked gates.	

INSPECTION
3/20/07
Capitan Iron Mine

PERMIT UPDATE:

It is MMD's understanding that the property is under new ownership. The operator must submit a modification changing the permit to the new ownership.

INSPECTION NARRATIVE:

We traveled to the site with USFS personnel and met the operator's representative, Randy Bouldin, and the operator's consultant, Tim Leftwitch, at the shop location. We arrived on site at approximately 9:30 AM. The shop/maintenance area is about two acres in size. The mine area has not been operated for quite some time. The equipment appears to be deteriorating and will need to be repaired before that mine can operate again.

The pit for this site is 5.86 acres in size and is located immediately east of the shop. The site was still not in operation at the time of this site inspection. MMD had been made aware by local citizens and by the USFS of possible drilling operations outside of the mine's permit area.

The previous mine inspection noted that the operator was conducting a drilling operation. This drilling operation was located outside of the permitted disturbance but still within the overall permit boundaries.

During discussion at the plant site, the operator representative, Randy Bouldin, stated that drilling had taken place on USFS property, outside the permitted disturbance area. We then inspected the drilling areas. It was determined by inspectors with the Mining and Minerals Division, that El Capitan Ltd. was operating an exploration operation north of Capitan without an approved permit. Two roads, measuring approximately 800 feet, and at least three holes, had been drilled within an area of about 3 acres, located on the Capitan USGS quadrangle, at GPS 448985,3720086; 449009,3720170; and 448868,3719967. Randy Bouldin, representing El Capitan Ltd., accompanied the inspectors and stated to the MMD inspectors and USFS personnel present, that the drilling had been conducted by El Capitan Ltd., and that it had been conducted without a permit.

Two holes were drilled approximately ¼ mile from the mine permit boundary. A road was constructed to access the drilling area. Rock and debris from the construction of the road was placed in an existing arroyo next to the drill sites. Drill cuttings were also placed in the arroyo. See photos below.



Rock from drill road pushed into existing undisturbed arroyo



Rock from road cut pushed into existing undisturbed arroyo



Drill cuttings placed into undisturbed arroyo

Digital photos were taken.

Other notes: 032007 inspect

Diane Tofoya

Tim leftwich

Guymiller

Richard carlson

Randy Boulín

Mickey

Doog Roe

Tim Bertrand

Holes drilled 05 + 06

1st picture of hole EC-21

2nd hole EC-22

3rd hole 5-10 feet w\cuttings

4th on patented claim EC-24

Part of abatement survey and mark boundary
Letters and correspondence for Tim L
Require letter from EC requesting
2 pictures of SE corner

Picture of Mickey NW2 corner of patented claim

28th Wednesday community meeting in Capitlan
Sometime during the day

Holes EC 27 w\ cuttings on upper bank

EC 28 w\ cuttings in arroyo
Website for El Capitlan

Road cut about 214 feet long

EC 17 2 sets of cuttings
EC 16
EC 15
NW corner of 1443

ACTION ITEMS:

Letter to operator requiring permit modification for change of ownership.

Abatement actions according to the CO issued March 30, 2007.

PHOTOS:

Photos are located on the L drive

MAINTENANCE ITEMS

See the CO issued March 30, 2007

ENFORCEMENT ACTIONS TAKEN OR TO BE CONSIDERED

See the CO issued March 30, 2007

INSPECTOR'S SIGNATURE: _____ **DATE:** _____

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MINING INSPECTION REPORT

Name of Operator: El Capitan Resources LLC	
Name of Mine: Capitan Iron Mine and exploration sites	
Address: Sections 10, 11, 14, 15 T 8S, R 14E (UTM 13S 0443463, 3720211)	
Permit Number: LI005ME	
Commodity: Magnetite Iron <u> x </u> SURFACE <u> </u> UNDERGROUND	
Date of Inspection: 8/22/07	
Time of On-Site Inspection: 9:30 am to 12:30 pm	
Weather Conditions: Sunny/Warm	
Purpose of Inspection: Inspection to follow-up on violation written in March 2007	
Inspector: Holland Shepherd (MMD)	
Present During Inspection: USFS: Buck Sanchez, Richard Carlson, Christina Humphrey; GL Environmental: Denise Gallegos, Matt Lane El Capitan Ltd: Steve Boloch, Randy Bouldin	
ENFORCEMENT ACTION TAKEN: NOTICE OF VIOLATION: # <u> </u> YES: <u> </u> NO: <u> </u> CESSATION ORDER: YES: <u> X </u> NO: <u> </u>	
Time: On-Site: <u> 3.0 </u> Permit Review: <u> 0.5 </u> Travel: <u> 6 </u> Report Writing: <u> 1.5 </u>	
TOTAL INSPECTION TIME: <u> 11 </u> HOURS	
NOTE: To get to the site, go north from Capitan on State Highway 246. About 5.5 miles from town, go right (east) on a Forest Road that has a cattle grate but no gate. Just follow the main Forest Road to the mine. There are no locked gates.	

INSPECTION
8/22/07
Capitan Iron Mine

PERMIT UPDATE:

The Capitan Iron Mine is permitted, however, the operator just recently engaged in unpermitted exploration activity in areas adjacent to the mine. The operator was given a violation and has been involved in mitigation efforts since. The operator has reclaimed the exploration disturbance and cleaned debris, machinery and chemicals from the site.

INSPECTION NARRATIVE:

- Participants: El Capitan Resources LLC: Steve Boloch, Randy Bouldin; GL Environmental: Denise Gallegos, Mathew Lane; USFS: Richard Carlson, Buck Sanchez, Christina Humphrey
- Purpose of Inspection: review the reclamation/mitigation measures being taken to address unpermitted activity. My first visit to the site.
- MMD has written a cessation order in May to stop un-permitted exploration activities
- This inspection was performed to follow-up on the CO and the status of the site
- We met at the El Capitan Iron Mine site, at the shop building. The exploration activity took place in and around the existing mine site. The El Capitan Mine is a permitted minimal impact mining operation.
- I met first with Steve Boloch and Denise Gallegos. They explained that they had been working on reclaiming the exploration disturbance and cleaning up the mine site.
- Three truck loads of debris had been hauled out of the site. Oil and chemicals have been removed by a contractor titled REMCO. Hazardous materials were taken to a licensed facility (incinerator in Colorado) for disposal. Denise is to send me a manifest listing all hazardous chemicals.
- GL Environmental hired Rocky Mountain Reclamation to perform the reclamation of staging areas, roads, and pads related to the exploration activity. This is the same contractor being employed by PD to reclamation the Tyrone mine. Mathew Lane has been overseeing this activity.
- The operator has reclaimed approximately 18 un-permitted exploration holes and associated roads, all on USFS property. The holes and associated roads have been constructed in areas south, east, west and north of the Capitan Mine site (see attached map provided by the operator).
- Seeding took place three weeks ago.
- The operator has been working cleaning up the site for 3 months.
- All roads, pads, and staging areas have been ripped/scarified, seeded and mulched.
- Areas around the mine buildings have been cleaned up, trash and debris removed, and the area has been reclaimed.
- There have been citizen complaints related to the draw that empties out from the mine. We followed the draw for awhile and saw some debris, but nothing consisting of oil and batteries indicated by the citizens. This material may have been further downstream.

- Some of the trash, debris, oil cans, etc. may have been left by older operations.
- Staff from the USFS Capitan District also attended the inspection. The USFS has been dealing with citizen's complaints and also is taking enforcement action against the operations for un-permitted exploration activity.
- Buck Sanchez indicated that the USFS had recently had a public meeting in Capitan with concerned citizens. They had complained about the debris and alleged hazardous materials in the draw and at the mine and asked the USFS to look into it. Buck asked if the state could investigate, and I indicated yes, also that I would ask the NMED to look into it, and in fact, already had alerted them.
- The operator is proposing a 133 hole exploration project at the site. This will include new roads and pads. The USFS has told ECR that there will be a NEPA process and that this will involve a Plan of Operations and an EA. The USFS also indicated that the process will take sometime because of the public scrutiny and the steps required for an EA.
- The Plan of Operations has not been officially submitted yet. The operator is still working out details with the USFS regarding its content.
- The operator indicated that they may request 133 holes, but not ever drill this many.
- ECR owns 40% of the company and Gold and Minerals 60%. Ken Pavlich is the CEO of ECR.
- Mine equipment from the mine has been moved off to a mine and mill in Arizona.
- The only materials, of a processed nature, left at the site are bags and barrels of concentrate (ore grade material) that is all being stored in the mine shed.
- All steps are completed for abatement of the violation except providing the USFS and MMD with a copy of the ownership survey.
- The operator has almost completed reclamation of the disturbed exploration area. Minor elements remain. I asked Mathew to address the mounds of debris still around the drill holes. These would need to be knocked down, covered and seeded. Additionally, some road disturbance on private property would need to be reclaimed.
- I told Denise and Steve that the violation could not be abated until I received a copy of the survey, asked for in the violation. Once received I will send a letter indicating the violation has been abated.
- The USFS pointed a couple areas where the operator should remove noxious weeds: Musk Thistle and Tamarisk.
- The USFS asked that the operator pull back material deposited into washes from exploration pad development.
- The USFS is still working on their enforcement action.
- I contacted NMED concerning the USFS request for assistance concerning potential issues related to dumping. Buck Sanchez indicated he would be sending me a request letter.
- Remaining steps for MMD: send abatement completion letter, approve abatement plan, permit transfer needed, address citizen complaints regarding dumping. There is no exploration application to process at this time.

ACTION ITEMS:

- Letter to operator recognizing abate of the violation
- Approval document to operator approving the reclamation plan for the exploration clean-up.

- The USFS has requested help investigating complaints from the locals that the operator has been dumping illegally at the mine site.
- The operator needs to provide MMD with a permit transfer.

PHOTOS:

Digital photos were taken and are available on L:\MARPLE\LI005ME---Capitan Iron\Capitan Iron Mine photos – 8-22-07

MAINTENANCE ITEMS

The operator needs to pull material out of an arroyo impacted by the exploration. Also, some exploration roads on private land need to be reclaimed.

ENFORCEMENT ACTIONS TAKEN OR TO BE CONSIDERED

INSPECTOR'S SIGNATURE: _____ **DATE:** _____

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MINING INSPECTION REPORT

Name of Operator: El Capitan Resources LLC	
Name of Mine: Capitan Iron Mine and exploration sites	
Address: Sections 10, 11, 14, 15 T 8S, R 14E (UTM 13S 0443463, 3720211)	
Permit Number: LI005ME	
Commodity: Magnetite Iron <input checked="" type="checkbox"/> SURFACE <input type="checkbox"/> UNDERGROUND	
Date of Inspection: 5/22/09	
Time of On-Site Inspection: 7:00 am to 8:30 am	
Weather Conditions: cool/cloudy/wet	
Purpose of Inspection: Inspection bi-annual	
Inspector: Chris Eustice	
Present During Inspection:	
ENFORCEMENT ACTION TAKEN: NOTICE OF VIOLATION: # _____ YES: ___ NO: ___ CESSATION ORDER: _____ YES: <input checked="" type="checkbox"/> NO: ___	
Time: On-Site: <u>1.5</u> Permit Review: <u>0.5</u> Travel: <u>6</u> Report Writing: <u>1</u>	
TOTAL INSPECTION TIME: <u>9</u> HOURS	
NOTE: To get to the site, go north from Capitan on State Highway 246. About 5.5 miles from town, go right (east) on a Forest Road that has a cattle grate but no gate. Just follow the main Forest Road to the mine. There are no locked gates.	

INSPECTION
5/22/09
Capitan Iron Mine

PERMIT UPDATE:

The Capitan Iron Mine is permitted, however, the operator just recently (2007) engaged in unpermitted exploration activity in areas adjacent to the mine. The operator was issued an NOV and subsequently submitted and completed a reclamation plan. The reclamation has been reviewed and approved by MMD.

INSPECTION NARRATIVE:

Arrived at the site a few minutes past 7AM. The site was wet from overnight rains.

I drove to the east side of the pit and parked. I walked through the pit and around the perimeter and found no evidence of mining, or exploration, activities. I also walked to the area downhill and east of the pit to check on the progression of the reclamation/re-seeding that was completed at the end of summer 2008. Walked out to the west of the pit where the quansa hut is located. No signs of mining/exploration activity. The reclaimed areas are stable and no excessive erosion was observed.

PHOTOS:

Digital photos were taken and are available on L:\MARPLI005ME---Capitan Iron\Capitan Iron Mine photos – 2009.5.22

The two photos below are of the most challenging area(s) of the reclamation to the east and downhill of the pit. The first is looking west uphill toward the pit area. The second photo is looking east across the orroyo where on drill hole was drilled right next to the arroyo.



MAINTENANCE ITEMS

None

ENFORCEMENT ACTIONS TAKEN OR TO BE CONSIDERED

None

INSPECTOR'S SIGNATURE: _____ **DATE:** _____