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

**MINING INSPECTION REPORT**

<b>Name of Operator:</b>	Gulf Coast Mining Group, LLC
<b>Name of Mine:</b>	Iron Duke Mine
<b>Address:</b>	20701 Scottsdale Rd., #107-293, Scottsdale, Az. 85255
<b>Permit Number:</b>	OT006MN
<b>Commodity:</b> hematite & magnetite	<input checked="" type="checkbox"/> <b>SURFACE</b> <input type="checkbox"/> <b>UNDERGROUND</b>
<b>Date of Inspection:</b>	January 9, 2018
<b>Time of On-Site Inspection:</b>	3:15 PM – 4:45 PM
<b>Weather Conditions:</b>	overcast, +/- 65°F, no wind
<b>Purpose of Inspection:</b>	bi-annual
<b>Lead Inspector:</b>	Mike Thompson
<b>Present During Inspection:</b>	MMD: Mike Thompson    NMED: n/a
<b>Operator:</b>	Three workers from JL Industries
<b>ENFORCEMENT ACTION TAKEN:</b>	None
<b>NOTICE OF VIOLATION: #</b>	_____ <b>YES:</b> _____ <b>NO:</b> <input checked="" type="checkbox"/>
<b>CESSATION ORDER:</b>	_____ <b>YES:</b> _____ <b>NO:</b> <input checked="" type="checkbox"/>
<b>Time: On-Site:</b>	<u>1.5 hrs</u> <b>Permit Review:</b> <u>1</u> <b>Travel:</b> <u>8 hrs</u> <b>Report Writing:</b> <u>1</u>
<b>TOTAL INSPECTION TIME:</b>	<u>11.5</u> <b>HOURS</b>
<b>NOTE:</b> Gate is locked less than a ¼ mile from main work area. Open when work is going on.	

**PERMIT UPDATE:**

This was a regular site visit for the Iron Duke Mine active permit. The Operator has applied for a permit modification to add a ball mill and to increase the area of disturbance to 9.18 acres. The permit currently limits the area of disturbance to 6.9 acres. Mentioned in a meeting a few months back, but not in the application, is that the plan is to take the concentrate from the ball mill to Alamogordo for further processing. It has yet to be determined whether this facility in Alamogordo would fall under the authority of the New Mexico Mining Act.

The following issues came to my attention while reviewing the permit before the site visit:

1. The permit required that a vegetation reference area be identified and proposed to MMD within 180 days of the permit approval, which was approved on Feb. 2, 2012. I cannot locate such a submittal in the file.
2. The permit states that "the mining operation will not exceed 6.9 acres of disturbed land." But the permit modification application claims that the permitted total acreage is 7.88 acres. I cannot explain this discrepancy. I assume the 6.9-acre value is the correct number since it is in the actual permit document.
3. The permit states in Section 10, subsection CC:

This Permit is conditioned on the requirement that, when the dispute between BLM and Otero County over ownership of the access road has been resolved, Applicant will apply for a revision of this Permit in order to include in the Permit Area all areas that Applicant has disturbed in connection with the use and/or improvement of the access road.

As far as I can tell, this has not been done.

4. The permit area consists of four patented mining claims: Iron Duke, Cinco de Mayo, Virginia and Barbara. But a staging pad and a road were created in 2010 or 2011 (before the permit was approved) that links the bottom pad with the Iron Duke waste rock pile that is mostly on BLM land. It is unclear if the BLM ever authorized the pad and road and why they were not included permit area boundary.

#### **INSPECTION NARRATIVE:**

This was a regular inspection. The last MMD inspection was conducted in 2015.

I did not make prior arrangements with the Permittee because my schedule was tentative and I did not think the operation was active. I arrived at the site and found the gate to the patented area was open and unlocked. I drove up to the main work site and there were three workers from JL Industries screening or processing activity with the waste rock. They were doing a lot of hand work into the machine and each had dust masks on. They were putting the finished products in sacks and had about 10-11 sacks, all partially filled. The foreman recognized me from a previous meeting in Santa Fe and said I was welcome to walk around and inspect the site. They had a large waste rock pile in the middle of the pad and I asked if they would be bringing more down from the Iron Duke. He thought they would in the future but wasn't sure.

The only piece of earthmoving equipment onsite was a small 287B loader. I walked the perimeter of the main pad and measured the border with a GPS unit. I also walked the two newer roads leading up to the Iron Duke waste pile and measured the lengths with the GPS unit. The road on BLM land was about 14'-wide when you consider the outcrops. The other direct road was about 10'-wide when you consider the outcrops. Much of the pad had recently been regraded and had fresh track marks. They were in the process of building a new fence and gate for an upcoming "lab".

The following table is a breakdown of the units that have been noticeably disturbed:

Existing Disturbance	Measured Using	Area
Lower Pad at entrance	Trimble GPS Unit	0.7 acres
Main (Bottom) Pad	Trimble GPS Unit	3.0 acres
Road across BLM to waste pile	Google Earth	0.7 acres
Direct Road up hillside to waste pile	Google Earth	0.3 acres
Erosion area being filled with fines	Google Earth	0.2 acres
Iron Duke waste pile	Google Earth	1.1 acres
Upper Iron Duke Pad	Google Earth	0.2 acres
Upper Staging Area	Google Earth	0.5 acres
Total		6.7 acres

**ACTION ITEMS:**

- Need to resolve the issues of mining activity outside of the permit boundary on BLM land and adjust the permit boundary if necessary.
- The financial assurance needs to be updated.
- The Permittee needs to establish a reference area and submit it to MMD for approval.

**ENFORCEMENT ACTIONS TAKEN OR TO BE CONSIDERED**

NA

**MAINTENANCE ITEMS**

NA

**PHOTOS**

Lower-most Pad at Entrance (Barbara lode)





Main work pad



Access Road to Iron Duke on BLM land



Cat Path – Old Rail Grade, Now Road (looking downhill)



Cat Path – Old Rail Grade, Now Road (looking uphill)





Fines deposition area



Upper Staging area



INSPECTOR'S SIGNATURE:

*Michael A. Thompson*

DATE:

*1/17/2018*