

**COLORADO**Division of Reclamation,
Mining and Safety

Department of Natural Resources

PERMIT INFORMATION

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| Permit Number: C-1981-018 Mine Name: Deserado Mine Operator: Blue Mountain Energy, Inc. Operator Address: Mr. Kurtis Blunt 3607 County Road 65 Rangely, CO, 81648 | County: Moffat, Rio Blanco Operation Type: Underground Permit Status: Active Ownership: Private |
| | Operator Representative Present: NA |
| Operator Representative Signature: (Field Issuance Only) | |

INSPECTION INFORMATION

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| Inspection Start Date: November 30, 2020 Inspection Start Time: 11:00 Inspection End Date: November 30, 2020 Inspection End Time: 11:05 | | Inspection Type: Aerial Inspection Inspection Reason: Normal I&E Program Weather: Clear | |
| Joint Inspection Agency: None | | Joint Inspection Contacts: None | |
| Post Inspection Agency: None | | Post Inspection Contacts: None | |
| Inspector(s): Clayton Wein Brock Bowles | Inspector's Signature: <i>Clayton Wein</i> | | Signature Date: 12/4/2020 |

Inspection Topic Summary

NOTE: Y=Inspected N=Not Inspected R=Comments Noted V=Violation Issued NA=Not Applicable

N - Air Resource Protection

N - Availability of Records

Y - Backfill & Grading

N - Excess Spoil and Dev. Waste

N - Explosives

N - Fish & Wildlife

R - Hydrologic Balance

Y - Gen. Compliance With Mine Plan

N - Other

R - Processing Waste

R - Roads

R - Reclamation Success

N - Revegetation

N - Subsidence

N - Slides and Other Damage

R - Support Facilities On-site

N - Signs and Markers

N - Support Facilities Not On-site

N - Special Categories Of Mining

N - Topsoil

COMMENTS

This was an aerial inspection of the Deserado Mine conducted on November 30, 2020. The photos were taken by Brock Bowles of the Division and this report was written by Clayton Wein of the Division. The weather was clear and the ground conditions were dry.

HYDROLOGIC BALANCE - Rule 4.05

Drainage Control 4.05.1, 4.05.2, 4.05.3; Siltation Structures 4.05.5, 4.05.6; Discharge Structures 4.05.7, 4.05.10; Diversions 4.05.4; Effluent Limits 4.05.2; Ground Water Monitoring 4.05.13; Surface Water Monitoring 4.05.13; Drainage – Acid and Toxic Materials 4.05.8; Impoundments 4.05.6, 4.05.9; Stream Buffer Zones 4.05.18:

There are three ponds located at the main facilities area; the DP-1 Pond, the PP-1 Pond and the PP-2 Pond (Photo 1). During the inspection the DP-1 Pond was impounding water. The embankment for the pond was vegetated and stable. There were no observed erosional features. The primary and emergency spillways were clear of debris. The PP-2 Pond was holding water. The embankment was stable with vegetation. There were no indications of erosional features. The PP-1 Pond is located in the center of the middle facilities bench. The photos showed the pond in the shade of the processing plant structures. The pond appeared to be holding water. The pond was stable and there were no erosional concerns identified.

The RP-A Pond located at the eastern base of the RP-A Refuse Pile was dry at the time of the inspection (Photo 2). The embankment was stable and vegetation has begun to grow in. There were no observed erosional features.

The B Seam Dewatering System No. 1 was holding water in all but the middle six cells during the inspection. The level of the water in the Last Chance Pond appeared to be below the level of the primary spillway. The embankments for the cells were stable with vegetation. There were no indications of erosion.

The B Seam No. 2 Dewatering System was holding a small amount of water in its first and second cells. The third cell has not been used to date and was observed to be dry during the inspection. The embankments of the cells were stable with vegetative cover. There were no erosional features observed.

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There are two ponds located to the north side of the Slot Storage Facility. The SS-1 Pond to the northeast was dry. The embankments were vegetated and stable. No erosional concerns were seen. The SS-2 Pond to the northwest was also dry. The embankment was stable with vegetation. There were no indications of erosion.

The Sump, RS-1, is located on the southwest side of the rail loadout. The sump was dry. The embankments were stable with vegetative cover. No erosional issues were identified. The RR-1 Pond located on the southeast side of the rail loadout was also dry. The embankment was vegetated and stable. There were no indications of erosion.

There are three ponds located at the northern bases of the main refuse disposal area. The RP-2/3 Pond consists of three cells (Photo 3). All three cells of the pond were dry at the time of the inspection. The embankments for the cells were stable with vegetation. There were no observed erosional features. The RP-4 Pond was dry. The embankment was vegetated and stable. No erosional concerns were seen. The RP-5a pond was observed to be dry. The embankment was stable with vegetative cover. There were no erosional features.

The RP-1 Pond is located at the northern base of the reclaimed RP-1 Refuse Pile (Photo 4). The pond was dry during the inspection. The embankment was stable with vegetative cover. There were no erosional concerns identified.

PROCESSING WASTE/COAL MINE WASTE PILES – Rule 4.10 and 4.11

Drainage Control; Surface Stabilization; Placement:

The RP-A refuse pile is the newest refuse pile at the mine site. The pile has had refuse placed on the footprint and the base is being created (Photo 2). Refuse appeared to have been spread and compacted on the pile. The site was stable and no off site impacts were observed. No indications of erosion were seen.

The RP-2/3/4 refuse pile was stable (Photo 5). Refuse material had been spread and compacted. Localized erosion on the slopes in the form of rills and gullies was observed. These features have been identified in previous Division Inspections and are set for maintenance in the spring of 2021. The perimeter ditches were clear of obstructions and stable.

The RP-5a refuse pile was stable during the inspection (Photo 5). The refuse had been spread and compacted on top of the pile. Minor erosion in the form of rills and gullies were observed on the slopes of the pile. These features have been noted in previous Division inspections. The erosional features are included for maintenance in the spring of 2021. The perimeter ditches were stable and clear of blockages.

ROADS – Rule 4.03

Construction 4.03.1(3)/4.03.2(3), Drainage 4.03.1(4)/4.03.2(4), Surfacing and Maintenance 4.03.1(5) and (6)/4.03.2(5) and (6), Reclamation 4.03.1(7)/4.03.2(7):

The haul road was stable and in good repair. There were no indications of erosional features or off site impacts. The road ditches were clear of debris and dry. The access road were observed to be stable. There were no roads with erosional concerns.

RECLAMATION SUCCESS - Rule 4.15, Rule 3:

The RP-1 refuse pile is the only reclaimed portion of the refuse disposal area. The pile was stable with vegetative cover. There were no erosional features identified. The perimeter ditches were stable and dry. There

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were no blockages observed.

SUPPORT FACILITIES - Rule 4.04:

Support Facilities inspected included;

- Wash Plant
- Water Storage Tanks
- West Mains Vent Shaft
- B Vent Shaft #1
- Fuel Storage Area
- Radio Tower
- RDH-2
- RDH-4
- Nitrogen Plant #2
- Slot Storage

Support Facilities were observed to be well kept. The pads for the facilities were stable. There were no erosional features identified and no off site impacts were identified.

DOCUMENTS RECEIVED: None

OTHER (SPECIFY): None

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ENFORCEMENT ACTIONS/COMPLIANCE

No enforcement actions were initiated as a result of this inspection, nor are any pending.

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PHOTOGRAPHS



Photo 1: The DP-1 Pond, PP-1 Pond, PP-2 Pond and main facilities area.



Photo 2: The RP-A refuse pile and RP-A Pond.

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Photo 3: The RP-2/3 Pond.

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Photo 4: The RP-1 Pond

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Photo 5: The RP-2/3/4 and RP-5a refuse piles.

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