



February 16, 2021

Kurt Blunt
Blue Mountain Energy, Inc.
3607 County Rd. 65
Rangely, CO 81648

**RE: Deserado Mine, Permit No. C-1981-018
4th Quarter 2020 Sediment Pond Inspection Report and 4th Quarter 2020
County Road 65 Subsidence Monitoring Report**

Dear Kurt,

The Division of Reclamation, Mining and Safety (the Division) has reviewed the Sediment Pond Inspection Report and the County Road 65 Subsidence Monitoring Report for the 4th Quarter of 2020. The reports were received on February 4, 2021. The Division finds the reports to be in compliance with the following Rules:

4th Quarter 2020 Sediment Pond Inspection Report

4.05.9(17) – All Impoundments are inspected quarterly, by a qualified person designated by the operator, for the appearance of structural weakness and other hazardous conditions. The reports are retained at the Deserado Mine Office, and copies of the reports are submitted to the Division on a quarterly basis.

4.05.9(15)(a) – No indications of seepage, erosion or animal burrows were identified in the 4th quarter. Spillways for the ponds were noted to be in good repair and functional. SDH-3M has been listed as having channel erosion and a defective spillway for multiple reports. The pond has not been used since this issue was observed. The SDH-3L pond substitutes for the SDH-3M pond.

4.05.9(15)(b) – The existing required monitoring procedures were met.

4.05.9(15)(c) - The amount of water impounded in the ponds was documented in the report.

4.05.9(15)(d) – The existing storage capacity of the impoundments was documented in the report.

4.05.9(15)(e) – The 4th quarter report did not list any other aspects of the structure affecting stability, or requiring maintenance.

During the 4th quarter, the Portals Area Pond/DP-1, the B Seam Dewatering System No. 1, the SDH-3 D Seam Dewatering System, and the Raw Water Lagoon discharged.

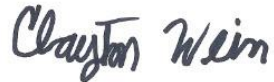


4th Quarter 2020 County Road 65 Subsidence Monitoring Report

2.05.6(6) – The report indicated that no mining had occurred under County Road during the 4th quarter. No surface cracks or differential settlement were observed. No other indications of damage were indicated in the report.

This concludes the Division's review of the Sediment Pond Inspection Report and the County Road 65 Subsidence Monitoring Report for the 4th Quarter of 2020. If you have any questions, please contact me at (303)-866-3567 x8144 or clayton.wein@state.co.us.

Sincerely,

A handwritten signature in dark ink that reads "Clayton Wein". The signature is written in a cursive, slightly slanted style.

Clayton Wein
Environmental Protection Specialist