

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

COAL LEASE

FORM APPROVED
OMB NO. 1004-0073
Expires June 30, 2013

Serial Number COC-74813

PART 1. LEASE RIGHTS GRANTED

This lease on June 1, 2013 entered into by and between the UNITED STATES OF AMERICA, hereinafter called lessor, through the Bureau of Land Management (BLM), and

Blue Mountain Energy, Inc.
3607 County Road #65
Rangely, CO 81648

hereinafter called lessee, is effective (to be determined) for a period of 20 years and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the:

The Mineral Leasing Act of 1920, as amended, 30 U.S.C. 181 - 287; or
The Mineral Leasing Act for Acquired Lands, 30 U.S.C. 351 - 359;
and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessor, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the following described lands:

See Legal Description Addendum

containing 3,154.76 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE - Lessee must pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of \$3.00 for each lease year.

(b) RENTAL CREDITS - Rental will not be credited against either production or advance royalties for any year.

Sec. 2. (a) PRODUCTION ROYALTIES - The royalty will be 8.0 percent of the value of the underground coal as set forth in the regulations. Royalties are due to lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the lessee, the BLM may accept, for a total of not more than 20 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty will be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee must maintain in the proper office a lease bond in the amount of \$1,288,000. The BLM may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease is subject to the conditions of diligent development and continued operation, except that these conditions are excused

(Continued on page 2)

when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the lessee. The lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessee's failure to produce coal in commercial quantities at the end of 10 years will terminate the lease. Lessee must submit an operation and reclamation plan for the BLM's approval pursuant to 30 U.S.C. 207(c) prior to conducting any development or mining operations or taking any other action on a leasehold which might cause a significant disturbance of the environment.

The lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

5. LOGICAL MINING UNIT (LMU) - Either upon approval by the lessor or the lessee's application or at the direction of the lessor, this lease will become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease will then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

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Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as lessor may prescribe, lessee must furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee must keep open at all reasonable times for the inspection by BLM the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee must allow lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section will be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee must comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee must not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area must be submitted to the BLM.

Lessee must carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation to any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee must take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor must condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee must: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years should be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee nor lessee's subcontractors should maintain segregated facilities.

Sec. 9. (a) TRANSFERS -

This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body or to a person who will mine coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENT - The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee will be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such time as all portions of this lease are returned to lessor, lessee must deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, lessee must remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the BLM. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, will become the property of the lessor, but lessee may either remove any or all such property or continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor will waive the requirement for removal, provided the third parties do not object to such waiver. Lessee must, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities incidental thereto, and reclaim access roads or trails.

Sec. 11. PROCEEDINGS IN CASE OF DEFAULT - If lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease will be subject to cancellation by the lessor only by judicial proceedings. This provision will not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver will not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS-IN-INTEREST - Each obligation of this lease will extend to and be binding upon, and every benefit hereof will inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee must indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

Sec. 14. SPECIAL STATUTES - This lease is subject to the Clean Water Act (33 U.S.C. 1252 et seq.), the Clean Air Act (42 U.S.C. 4274 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.).

Sec. 15. SPECIAL STIPULATIONS (Cont'd.) - SEE ATTACHMENT A

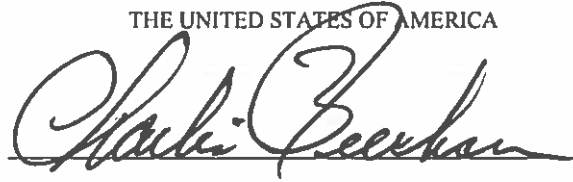
BLUE MOUNTAIN ENERGY, INC.

THE UNITED STATES OF AMERICA

Blue Mountain Energy, Inc.

(Company or Lessee Name)

By



Charlie Beecham, PE



(Signature of Lessee)

PRESIDENT & CEO

(Title)

Chief, Branch of Solid Minerals

12 JUNE 2013

(Date)

6-27-13

(Date)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

NOTICES

The Privacy Act and 43 CFR 2.48(d) require that you be furnished with the following information in connection with the information requested by this form.

AUTHORITY: 30 U.S.C. 181 - 287 and 30 U.S.C. 351 - 359 permit collection of the information requested by this form.

PRINCIPAL PURPOSE: The BLM will use the information you provide to process your application and determine if you are eligible to hold a coal lease on public lands.

ROUTINE USES: The BLM will only disclose this information in accordance with the provisions at 43 CFR 2.56(b) and (c).

EFFECT OF NOT PROVIDING INFORMATION: Submission of the requested information is necessary to obtain or retain a benefit. Failure to submit all of the requested information or to complete this form may result in delay or preclude the BLM's acceptance of your application for a coal lease.

The Paperwork Reduction Act requires us to inform you that:

The BLM collects this information to evaluate and authorize proposed exploration and mining operations on public lands.

Submission of the requested information is necessary to obtain or retain a benefit.

You do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT: The public reporting burden for this form is estimated to average 25 hours per response when the form is used under the authority of 43 subpart 3422 (Lease Sales), or 800 hours per response when the form is used under the authority of 43 subpart 3430 (Preference Right Leases). The estimated burdens include the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. You may submit comments regarding the burden estimate or any other aspect of this form to: U.S. Department of the Interior, Bureau of Land Management (1004-0073), Bureau Information Collection Clearance Officer (WO-630), 1849 C Street, Mail Stop 401 LS, Washington, DC 20240.

Legal Description Addendum

Sixth Principal Meridian

T. 3 N., R. 101 W.,

sec. 17, SW $\frac{1}{4}$ SW $\frac{1}{4}$, and S $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$;

sec. 18, lots 3 and 4, S $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$,
and S $\frac{1}{2}$ SE $\frac{1}{4}$;

sec. 19, lot 1, NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, and N $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$;

sec. 20, NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$, and N $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$;

sec. 21, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, and N $\frac{1}{2}$ SE $\frac{1}{4}$;

sec. 22, S $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$;

sec. 23, S $\frac{1}{2}$ SW $\frac{1}{4}$, and S $\frac{1}{2}$ SE $\frac{1}{4}$;

sec. 26, N $\frac{1}{2}$, SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, and SW $\frac{1}{4}$ SE $\frac{1}{4}$;

sec. 27, E $\frac{1}{2}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, and SW $\frac{1}{4}$ SW $\frac{1}{4}$;

sec. 34, N $\frac{1}{2}$ NE $\frac{1}{4}$, and NW $\frac{1}{4}$;

sec. 35, NW $\frac{1}{4}$ NE $\frac{1}{4}$, and N $\frac{1}{2}$ NW $\frac{1}{4}$.

Containing 3,154.76 acres more or less.

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ATTACHMENT A

Special Stipulations for COC-74813

Air Quality:

1. Fugitive emissions resulting from all vehicles traveling on non-paved surfaces during all project phases would be controlled utilizing water, chemical suppression, or a combination of the two by applying frequently or as needed to the non-paved road surfaces and in accordance with any permit condition or approved fugitive dust control plan required by the Colorado Department of Public Health and Environment Air Pollution Control Division. Storage piles would be watered as necessary to limit wind erosion potential and reduce fugitive emissions.

Soil:

2. All drilling activity shall cease when soils or road surfaces become saturated to a depth of three inches unless there are safety concerns or activities have prior approval by the Authorized Officer.
3. In order to achieve public land health standards for soils, erosion features such as rilling, gullyng, piping, and mass wasting on the surface disturbance or adjacent to the surface disturbance as a result of this action will be addressed immediately after observation by contacting the Authorized Officer and by submitting a plan to assure successful soil stabilization with best management practices to address erosion problems.
4. If salt is observed on the surface of soils during reclamation activities the Authorized Officer will be notified and a plan will be developed with approval of the BLM to improve reclamation on the site.
5. The release of any chemical, oil, petroleum product, produced water, or sewage, etc, (regardless of quantity) must be contained immediately, cleaned up as soon as possible, and reported by the project proponent to the Bureau of Land Management when beyond what could be expected for normal operations.

Vegetation:

6. Reclamation plans with approved seed mixes will be developed for each site.
7. WRFO recommends the seed mix in Table 12. Seeding rates shown in the table are the drill seed rates and should be doubled and harrowed into the soil if broadcast seeding. The seed mix could be altered if it is determined that site specific conditions require a modification of the seed mix to promote successful reclamation.

Table 12. BLM Recommended Seed Mix

Common Name	Scientific Name	Pure Live Seed (PLS) lbs/acre	Variety
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Thickspike wheatgrass	<i>Elymus lanceolatus</i>	3.0	Critana
Western wheatgrass	<i>Pascopyrum smithii</i>	3.0	Rosanna
Beardless bluebunch	<i>Pseudoroegneria spicata</i> <i>ssp. Inermis</i>	1.0	Whitmar
Bluebunch wheatgrass	<i>Pseudoroegneria spicata</i> <i>ssp. Spicata</i>	1.0	Antone
Slender wheatgrass	<i>Elymus trachycaulus</i>	4.0	Pryor
Pubescent wheatgrass	<i>Elytrigia intermedia</i>	1.0	Luna
Great Basin wildrye	<i>Leymus cinereus</i>	1.0	Trailhead
Bottlebrush squirreltail	<i>Elymus elymoides</i>	2.0	Toe Jam Creek
Indian ricegrass	<i>Achnatherum hymenoides</i>	2.0	Rimrock
Sheep fescue	<i>Festuca ovian</i>	0.2	Covar
Prairie junegrass	<i>Koeleria macrantha</i>	0.2	
Canby bluegrass	<i>Poa canbyi</i>	0.2	Canbar
Sandberg bluegrass	<i>Poa sandbergii</i>	0.2	
Alkali sacaton	<i>Sporobolus airoides</i>	0.1	
Green needlegrass	<i>Nassella viridula</i>	0.5	Lodorm
White yarrow	<i>Achillea millefolium</i>	0.1	Eagle Mountain
*Northern sweetvetch	<i>Hedysarum boreale</i>	1.0	
Lewis flax	<i>Linum lewisii</i>	0.4	

Invasive, Non-Native Species:

8. Blue Mountain Energy will be required to manage weeds on areas disturbed for mining activities.
9. Pesticide Use Proposals (PUPs) will be submitted and approved by the WRFO prior to the use of any herbicides on BLM lands.
10. Herbicide use will be under the supervision of a certified pesticide applicator.
11. Pesticide Application Records (PARs) will be submitted to the WRFO at the end of each field season (October 31st). PARs are required to be filled out every day that herbicides are applied.

Special Status Animal Species:

12. Surface use or disturbance that may adversely influence the subsurface integrity of prairie dog burrow systems or disrupt reproductive activities (April 1 through May 31) will be avoided as much as practical. This condition applies to all prairie dog towns, including those currently mapped within the following subdivisions:

Township 3 North, Range 101 West, Sixth Principal Meridian

- sec. 18, lot 3, and S $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$;
- sec. 21, S $\frac{1}{2}$ NE $\frac{1}{4}$, and NW $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 22, SW $\frac{1}{4}$ NW $\frac{1}{4}$, and SE $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 23, S $\frac{1}{2}$ SW $\frac{1}{4}$, and SW $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 26, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, and NE $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 27, NE $\frac{1}{4}$ NE $\frac{1}{4}$, and NE $\frac{1}{4}$ SW $\frac{1}{4}$.

Special Status Plant Species:

- 13. Prior to any surface disturbing activity, all areas of disturbance shall be surveyed accordance with the WRFO special status plant species survey protocol.
- 14. Surface occupancy is not allowed within known populations of BLM sensitive plants (RMP NSO-09 exception would apply).
- 15. If no exceptions are granted to the NSO, a buffer of up to 100 meters, in addition to the NSO, would be implemented for BLM special status plant species.

Migratory Birds:

- 16. Surface disturbing activities required for the development of surface features associated with lease development would be required to avoid, to the extent practicable, the core migratory bird nesting season (i.e., 15 May to 15 July).

Terrestrial Wildlife:

- 17. The entire lease tract is subject to big game severe winter range timing limitations. No development activity is allowed from December 1 through April 30 (RMP exceptions and modifications apply TL-08).
- 18. A raptor survey will be required of activities (construction, drilling etc.) that are scheduled to take place during the raptor nesting season (generally February 1 – August 15) in those areas determined by WRFO to be subject to potential project-related disturbances. In the event an active nest is located in the course of survey, timing limitations and no-surface-occupancy provisions, consistent with RMP-approved raptor protection stipulations, would be applied to the authorization as Conditions of Approval.
- 19. Surface occupancy is not allowed within 200 meters (burrowing owl, red-tailed hawk) and 0.25 mile (ferruginous hawk) of identified raptor nests (RMP NSO-02 and NSO-03 exception and modification criteria apply). This no-surface-occupancy stipulation applies to the following legal subdivisions:

Township 3 North, Range 101 West, Sixth Principal Meridian

- sec. 17, S $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$;
- sec. 18, SE $\frac{1}{4}$ SW $\frac{1}{4}$, and SW $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 19, NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, and N $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 20, W $\frac{1}{2}$ NE $\frac{1}{4}$, and N $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$;
- sec. 21, NW $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 27, E $\frac{1}{2}$ SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE $\frac{1}{4}$.

20. No development activities are allowed within 0.25 (burrowing owl, red-tailed hawk) and 1 mile (ferruginous hawk) of special status raptor nests from February 1 through August 15 or until fledging and dispersal of young (RMP TL-3 and TL-04 exception and modification criteria apply). This timing limitation applies to the following lands:

Township 3 North, Range 101 West, Sixth Principal Meridian

- sec. 17, SW $\frac{1}{4}$ SW $\frac{1}{4}$;
- sec. 18, lots 3 and 4, S $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ N $\frac{1}{2}$ SE $\frac{1}{4}$, and SE $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 19, lot 1, NE $\frac{1}{4}$ NE $\frac{1}{4}$, and N $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$;
- sec. 20, E $\frac{1}{2}$ NE $\frac{1}{4}$, and N $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$;
- sec. 21, SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, and NE $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 23, SE $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 26, E $\frac{1}{2}$ NE $\frac{1}{4}$, and NE $\frac{1}{4}$ SE $\frac{1}{4}$;
- sec. 27, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, and E $\frac{1}{2}$ SE $\frac{1}{4}$;
- sec. 34, N $\frac{1}{2}$ N $\frac{1}{2}$.

Cultural Resources:

21. This lease may be found to contain historic properties and/or resources protected under the National Historic Preservation Act (NHPA), American Indian Religious Freedom Act, Native American Graves Protection and Repatriation Act, E.O.13007, or other statutes and executive orders. A cultural resource survey of the lease area is required to determine if any of the above mentioned historic properties and/or resources are contained within the lease. The BLM will not approve any ground disturbing activities that may affect any such properties or resources until it completes its obligations under applicable requirements of the NHPA and other authorities. The BLM may require modification to exploration or development proposals to protect such properties, or disapprove any activity that is likely to result in adverse effects that cannot be successfully avoided, minimized or mitigated.
22. The holder is responsible for informing all persons who are associated with the project that they will be subject to prosecution for knowingly disturbing archaeological sites or for collecting artifacts.
23. If any archaeological materials are discovered as a result of operations under this authorization, activity in the vicinity of the discovery will cease, and the BLM WRFO Archaeologist will be notified immediately. Work may not resume at that location until approved by the AO. The holder will make every effort to protect the site from further impacts including looting, erosion, or other human or natural damage until BLM determines a treatment approach, and the treatment is completed. Unless previously determined in treatment plans or agreements, BLM will evaluate the cultural resources and, in consultation with the State Historic Preservation Office (SHPO), select the appropriate mitigation option within 48 hours of the discovery. The holder, under guidance of the BLM, will implement the mitigation in a timely manner. The process will be fully documented in reports, site forms, maps, drawings, and photographs. The BLM will forward documentation to the SHPO for review and concurrence.
24. Pursuant to 43 CFR 10.4(g), the holder must notify the AO, by telephone and written confirmation, immediately upon the discovery of human remains, funerary items, sacred

objects, or objects of cultural patrimony. Further, pursuant to 43 CFR 10.4(c) and (d), the holder must stop activities in the vicinity of the discovery and protect it for 30 days or until notified to proceed by the AO.

25. Thirteen historic properties (5RB1020, 5RB1029, 5RB1160, 5RB1175, 5RB6754, 5RB7286, 5RB7287, 5RB7289, 5RB7291, 5RB7296, 5RB7304, 5RB7305, 5RB7307, and 5MF7622) are required to be avoided by all surface disturbing activities.

Paleontological Resources:

26. The holder is responsible for informing all persons who are associated with the project operations that they will be subject to prosecution for disturbing or collecting vertebrate fossils, collecting large amounts of petrified wood (over 25lbs./day, up to 250lbs./year), or collecting fossils for commercial purposes on public lands.
27. Any excavations into the underlying native sedimentary stone must be monitored by a permitted paleontologist. The monitoring paleontologist must be present before the start of excavations that may impact bedrock.
28. If any paleontological resources are discovered as a result of operations under this authorization, the operator/holder or any of his agents must stop work immediately at that site, immediately contact the BLM Paleontology Coordinator, and make every effort to protect the site from further impacts, including looting, erosion, or other human or natural damage. Work may not resume at that location until approved by the AO. The BLM or designated paleontologist will evaluate the discovery and take action to protect or remove the resource within 10 working days. Within 10 days, the operator will be allowed to continue construction through the site, or will be given the choice of either (a) following the Paleontology Coordinator's instructions for stabilizing the fossil resource in place and avoiding further disturbance to the fossil resource, or (b) following the Paleontology Coordinator's instructions for mitigating impacts to the fossil resource prior to continuing construction through the project area.

Visual Resources:

29. All above ground facilities shall be painted with a color from the BLM Standard Environmental Color Chart June 2004, to blend in with the surrounding environment. Facilities shall be painted within 6 months of installation and be regularly maintained.
30. All disturbed areas will be contoured to blend with the natural topography. Blending is defined as reducing form, line, shape, and color contrast with the disturbing activity.

Hazardous or Solid Wastes:

31. Construction sites and all facilities shall be maintained in a sanitary condition at all times; waste materials shall be disposed of promptly at an appropriate waste disposal site. "Waste" means all discarded matter including, but not limited to, human waste, trash, garbage, refuse, oil drums, petroleum products, ashes, and equipment.

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Forest Management:

32. All trees removed in the process of construction shall be purchased from the BLM. Before any ground disturbance occurs, a vegetative material permit must be purchase from the BLM for any juniper woodland to be removed. Trees should first be used in reclamation efforts and then any excess material made available for firewood or other uses.
33. Woody material will be chipped and stockpiled for later use in reclamation. Woods chips can be incorporated into the topsoil layer to add an organic component to the soil to aid in reclamation success.
34. Woody materials, not used for woods chips, required for reclamation shall be removed in whole with limbs intact and shall be stockpiled along the margins of the authorized use area separate from the topsoil piles. Once the disturbance has been re-contoured and reseeded, stockpiled woody material shall be scattered across the reclaimed area where the material originated. Redistribution of woody debris will not exceed 20-30 percent ground cover. Limbed material shall be scattered across reclaimed areas in a manner that avoids the development of a mulch layer that suppresses growth or reproduction of desirable vegetation. Woody material will be distributed in such a way to avoid large concentrations of heavy fuels and to effectively deter vehicle use.
35. Trees that must be removed for construction and are not required for reclamation shall be cut down to a stump height of 6 inches or less prior to other heavy equipment operation. These trees shall be cut in four foot lengths (down to 4 inches diameter) and placed in manageable stacks immediately adjacent to a public road to facilitate removal for company use or removal by the public.

Rangeland Management:

36. Any range improvements damaged during activities associated with mining will be repaired to working condition as soon as possible after mining activities have been completed and there is no risk of re-damaging the improvement.

Realty Authorizations:

37. All activities shall comply with all applicable local, state, and federal laws, statutes, regulations, standards, and implementation plans. This would include acquiring all required State, Moffat, and Rio Blanco Counties permits, effectively coordinating with existing ROW holders, and implementing all applicable mitigation measures required by each permit.

Resource Recovery and Protection:

38. Notwithstanding the approval of a resource recovery and protection plan (R2P2) by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery (MER) (as defined at 43 CFR 3480.0-5(21) of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be

measured on the basis of the royalty that would have been payable on the wasted or unrecovered coal.

39. The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coalbed or portion thereof is not to be mined or is rendered unmineable by the operation, the operator/lessee shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coalbeds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or portion of the lease as authorized by statute and regulation.
40. In the event the AO determines that the R2P2, as approved, will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a modification, if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left unmined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.
41. Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unmineable or at such time that the operator/lessee has demonstrated an unwillingness to extract the coal.
42. The BLM may enforce this provision either by issuing a written decision requiring payment of the Minerals Revenue Management demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is due under this stipulation is appealable as allowed by law.

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