



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: Kurt Blunt |
| Operator Representative Signature: (Field Issuance Only) | |

INSPECTION INFORMATION

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Inspection Start Date: March 21, 2022 Inspection Start Time: 11:00 Inspection End Date: March 21, 2022 Inspection End Time: 13:00 | | Inspection Type: Coal Complete 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 | Inspector's Signature: <i>Clayton Wein</i> | | Signature Date: 3/25/2022 |

Inspection Topic Summary

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

N - Air Resource Protection

R - Availability of Records

N - Backfill & Grading

Y - Excess Spoil and Dev. Waste

N - Explosives

Y - Fish & Wildlife

R - Hydrologic Balance

Y - Gen. Compliance With Mine Plan

N - Other

R - Processing Waste

R - Roads

N - Reclamation Success

N - Revegetation

Y - Subsidence

N - Slides and Other Damage

R - Support Facilities On-site

R - Signs and Markers

N - Support Facilities Not On-site

N - Special Categories Of Mining

R - Topsoil

COMMENTS

This was a complete inspection of the Deserado Mine, C-1981-018, conducted on March 21, 2022. The inspection was completed by Clayton Wein of the Division. Kurt Blunt of Blue Mountain Energy (BME) represented the operator during the inspection. The weather was clear with a temperature of 38 degrees F. The ground conditions were muddy and north facing slopes had some snow left on them. Access throughout the site was limited due to muddy access roads.

AVAILABILITY OF RECORDS – Rule 5.02.4(1):

The records for the Deserado Mine are located with Kurt Blunt at the mine office. The records were well kept and up to date. Please see the Availability of Records Form attached to the end of this report for more details.

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 within the main facilities area, the DP-1 pond, PP-1 pond and the PP-2 pond. The DP-1 pond is located at the south end of the lower facilities bench. The pond accepts water from the entire main facilities area. DP-1 was impounding water at the time of the inspection. The pond was partly frozen over. Discharge was observed through the primary spillway. The trash rack on the spillway was clear of debris (Photo 1). The embankment for the pond was stable with vegetative cover. There were no indications of erosion. The PP-1 pond is located on the middle bench, next to the prep plant. The pond was holding water during the inspection. There was no discharge observed from the pond. The embankments were stable with no erosional concerns. The PP-2 pond is located on the upper bench. The pond was holding water. No discharge was occurring from the pond. The pond was partly frozen. The embankment was vegetated and stable. No erosional features were identified.

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Ditches throughout the main facilities area were functioning and diverting water to DP-1. The ditches were observed to be filling with sediment and will be cleaned during the spring maintenance performed at the site. No erosional concerns were noted.

The RS-1 sump and the RR-1 pond are located on the south side of the rail loadout. The RS-1 sump was dry during the inspection. The embankments of the sump were stable with vegetation. There were no erosional features identified. The RR-1 pond was also dry during the inspection. The embankment of the pond was vegetated and stable (Photo 2). No erosion was identified.

There are two ponds located to the north of the Slot Storage facility. The SS-1 pond was holding a small amount of water during the inspection. There was no discharge occurring from the pond. The outlet was clear of debris. The pond's embankments were stable with vegetative cover. The SS-2 pond was also holding a small amount of water (Photo 3). There was no discharge from the pond. The outlet was clear of debris. The embankment of the pond was vegetated and stable. There were no erosional features seen.

All cells of the B Seam Dewatering System #1 were impounding water during the inspection. Water was observed discharging from the Last Chance Pond. The discharge outlet was clear of debris (Photo 4). The embankments of the cells were stable with vegetated cover. There were no indications of erosion.

The RP-2/3 pond was holding a small amount of water in all three of its cells. There was not enough water in the main cell to reach the level of the discharge outlet. The trash rack on the outlet was clear of debris. The embankments were vegetated and stable. No erosional concerns were noted.

The Raw Water Lagoon was holding water during the inspection (Photo 5). The embankment was stable with vegetative cover. No erosional features were seen.

Due to limited access of the site the following ponds could not be reached; the B Seam Dewatering System #2, the RP-A pond, the RP-1 pond, the RP-4 pond, the RP-5 pond, and the D Seam Dewatering System SDH-3.

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

Drainage Control; Surface Stabilization; Placement:

Refuse was placed in windrows on top of RP-5a. The refuse material will be spread and compacted when dried. The slopes of the pile were stable with minor riling. These rills have been documented in previous Division inspection reports. The rills have not affected the stability of the pile. The RP-2/3/4 pile had refuse material placed on top of it for drying. The slopes of the pile were observed to be stable. There was only minor riling seen. These rills have been documented in previous Division inspection reports. The rills are not affecting the stability of the refuse pile.

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 in good condition during the inspection. There were no indications or rutting or erosion. The Haul road ditch was clear of debris. Access roads throughout the site were in good condition. Some were muddy and impassable, but there were no major ruts or erosional concerns identified.

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SUPPORT FACILITIES - Rule 4.04:

Support Facilities visited during the inspection included; the main facilities area, RDH-2, the Slot Storage, the Nitrogen Plant #2, RDH-4, the conveyor corridor, and the B Vent Shaft #1. Pads for the support facilities were stable. There were no indications of offsite impacts or erosion. Pads with berms were stable and vegetated.

SIGNS AND MARKERS – Rule 4.02:

The mine ID signs posted at the north and south entrances to the permit boundary were in place on County Road 65. The signs displayed the required information regarding the permit, the permittee and the Division.

TOPSOIL – Rule 4.06

Removal 4.06.2; Substitute Materials 4.06.4(4); Storage and Protection 4.06.3; Redistribution 4.06.4:

Various topsoil piles are located throughout the mine site. Topsoil piles associated with the support facilities were observed to be vegetated and stable. There were no erosional concerns identified. The perimeter ditches were intact. No loss of topsoil resources was observed.

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 discharge outlet of the DP-1 pond.



Photo 2: The embankment of the RS-1 pond.

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Photo 3: The SS-2 Pond holding water.



Photo 4: The outlet of the Last Chance Pond.

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Photo 5: The Raw Water Lagoon was frozen over during the inspection.

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AVAILABILITY OF RECORDS**PERMIT RECORDS**

| | |
|-----------------------------------------------------------------------|------------------------|
| DRMS Permit | RN-7 |
| Permit Application w/Revisions | OK |
| Findings Document | RN-7 |
| Insurance Certificate | Exp. 12/30/2022 |
| Bond Document | OK |
| Phased Bond Release | NA |
| Documents/Findings | |
| Air Emission Permits | OK |
| County Special Use Permits | OK |
| UG Mining Landowner Notification | OK |
| Subsidence Monitoring Reports | 4 th Q 2021 |
| Subsidence Monitoring Data | PAP |
| Rill & Gully Survey | NA |
| Vegetation Monitoring Data | 2021 ARR |
| Specific Variance Approvals | NA |
| Annual Reclamation Reports | 2021 |
| Midterm Review Documents | MT-7 |
| DRMS/OSM Inspection | Up to date |
| Reports/Enforcement Actions (3 Years) | |
| Transfers/Succession of Operator | OK |
| Temporary Cessation Notification | NA |
| Reclamation Cost Estimate | RN-7 |
| CERTIFICATIONS | |
| Pond Certifications | OK |
| Annual Certifications for Impoundments | OK |
| Fill Certifications for Excess Spoil or Underground Development Waste | OK |
| • Quarterly Inspections | Up to date |
| • Compaction Testing | Up to date |
| • Final Certification | RP-1 |
| Coal Processing Waste Banks | Up to date |
| Haul Road Certifications | OK |
| Access Road Certifications | OK |

HYDROLOGIC RECORDS

| | |
|-----------------------------------|------------------------|
| NPDES Permit | Admin. Extension |
| NPDES Records | 4 th Q 2021 |
| Stormwater Management Plan | OK |
| SPCC Plan | 2008 |
| MSHA Pond Inspections | NA |
| | DP-1 |
| State Engineer's Pond Inspection | |
| Quarterly Pond Inspections | 4 th Q 2021 |
| Annual Hydrology Reports | 2021 |
| • Ground Water Monitoring | AHR |
| • Surface Water Monitoring | AHR |
| • Spring & Seep Monitoring | NA |
| • Mine Water Discharge Monitoring | AHR |
| • Mine Inflow Study | AHR |
| • Water Consumption Records | AHR |
| Well Permits | OK |

BLASTING RECORDS

| | |
|----------------------------|-----------|
| Blasting Publication | NA |
| Blasting Records (3 years) | NA |
| ATFE Explosives Permit | EXP. 2021 |
| Blasting Variances | NA |
| Pre-Blast Surveys | NA |

ADDITIONAL RECORDS (specify)

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COMMENTS:

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