

**U.S. Department of the Interior
Bureau of Land Management
White River Field Office
220 E Market St
Meeker, CO 81641**

CATEGORICAL EXCLUSION

NUMBER: DOI-BLM-CO-110-2010-0242-CX

CASEFILE/PROJECT NUMBER: COC-57190 Logical Mining Unit (LMU)

PROJECT NAME: Blue Mountain Energy Two Coal Seam Delineation Holes

LEGAL DESCRIPTION: T3N, R101W, 6th PM
Sections 19 and 20

APPLICANT: Blue Mountain Energy (BME)

BACKGROUND: Deserado is an existing underground coal mine that utilizes longwall mining techniques. It was permitted in 1981 and is the sole supplier of coal to the Bonanza Power Plant in Bonanza, Utah. The coal is shipped 37 miles via electric train from the mine to the power plant. Current mining occurs in the B-Seam which contains several non-coal splits. In the western portion of the current mining area some of these splits are composed of clays which can adversely affect the extraction and processing of the coal.

DESCRIPTION OF PROPOSED ACTION: BME is requesting permission to drill two coal seam delineation holes B and C. Equipment that may be utilized during the drilling operations is; truck mounted drill, drill pipe trailer or truck, water truck, and a support pick-up truck. Each pad will be disturbed approximately 0.3 acres and there will be a total associated new access of approximately 1,100 feet. The access will be approximately 12 foot in width and constructed with minimum blading using native material. Total disturbance for the proposed project is approximately 1 acre. Drilling depths will range from 600 - 615 feet. Upon completion, all drill holes will be grout-cemented through coal bearing strata with cement extending 50 feet above and below the mineable coal seam. The remainder of the hole will be backfilled with cuttings to 10 feet or greater below the surface, at which point the hole will be grouted to original ground surface.

Drilling is scheduled to commence early October with a completion date of no later than December 31, 2010. Reclamation standards for drill holes is located in the reclamation portion of the approved mine plan.

PLAN CONFORMANCE REVIEW: The proposed action is subject to and has been reviewed for conformance with (43 CFR 1610.5, BLM 1617.3) the following plan:

Name of Plan: White River Record of Decision and Approved Resource Management Plan (ROD/RMP).

Date Approved: July 1, 1997

Decision Number/Page: 2-7

Decision Language: “Ensure that federal coal resources identified as acceptable for further consideration for coal leasing, are available for exploration, leasing and development.”

CATEGORICAL EXCLUSION REVIEW: The proposed action qualifies as a categorical exclusion under 516 DM 11.9, Number (F-8). “Approval of minor modifications to or minor variances from activities described in an approved underground or surface mine plan for leasable minerals.”

The proposed action has been reviewed with the list of extraordinary circumstances described in the table below. This categorical exclusion is appropriate in this situation because there are no extraordinary circumstances potentially having effects that may significantly affect the environment. None of the following exceptions in 516 DM 2, Appendix 2, apply.

Exception	YES	NO
1. Have significant adverse effects on public health and safety.		X
2. Have significant impacts on such natural resources and unique geographic characteristics as historic or cultural resources; park, recreation, or refuge lands; wilderness areas; wild or scenic rivers; national natural landmarks; sole or principal drinking water aquifers; prime farmlands; wetlands, floodplains; national monuments; migratory birds; and other ecologically significant or critical areas.		X
3. Have highly controversial environmental effects or involve unresolved conflicts concerning alternative uses of available resources.		X
4. Have highly uncertain and potentially significant environmental effects or involve unique or unknown environmental risks.		X
5. Establish a precedent for future action or represent a decision in principle about future actions with potentially significant environmental effects.		X
6. Have a direct relationship to other actions with individually insignificant but cumulatively significant environmental effects.		X
7. Have significant impacts on properties listed, or eligible for listing, in the National Register of Historic Places as determined by either the bureau of office.		X
8. Have significant impacts on species listed, or proposed to be listed, on the List of Endangered or Threatened Species, or have adverse		X

Exception	YES	NO
effects on designated Critical Habitat for these species.		
9. Violate a Federal law, or a State, local or tribal law or requirement imposed for the protection of the environment.		X
10. Have a disproportionately high and adverse effect on low income or minority populations		X
11. Limit access to and ceremonial use of Indian sacred sites on Federal lands by Indian religious practitioners or significantly affect the physical integrity of such sacred sites.		X
12. Contribute to the introduction, continued existence, or spread of noxious weeds or non-native invasive species known to occur in the area or actions that may promote the introduction, growth, or expansion of the range of such species.		X

INTERDISCIPLINARY REVIEW:

The proposed action was presented to, and reviewed by the White River Field Office interdisciplinary team on 09/14/2010.

Date

A list of resource specialists who participated in this review is available upon request from the White River Field Office.

REMARKS:

Cultural Resources: The project area has recently been inventoried for cultural resources at the Class III (100% pedestrian) level. The project area and its environs were, additionally, part of a large block inventory in 1979 (Davenport 2010). No cultural resources were identified in or near the project's area of potential effect by either inventory. (GH 9/28/2010)

Native American Religious Concerns: No Native American Religious Concerns are known in the area and none have been noted by Northern Ute tribal authorities. Should recommended inventories or future consultations with Tribal authorities reveal the existence of such sensitive properties, appropriate mitigation and/or protection measures may be undertaken.

Paleontological Resources: The project area appears to chiefly impact Quaternary alluvium and colluvium, categorized as a PFYC 2 formation by the BLM Colorado State Office (draft 7.5' USGS geologic map: Cactus Reservoir; cf. 2009 NAIP images). Due to the low potential for scientifically-valuable fossil resources and the low impact of anticipated disturbance to *in situ* bedrock, no inventory or monitoring will be required for hole B, the access to hole B, or the access for hole C. The pad for hole C may impact sandstones of the upper part of the Mesaverde Group, a PFYC 5 formation known to produce scientifically-valuable vertebrate fossils and ichnofossils. Special mitigations will be necessary for drill hole C (see below). (GH 9/28/2010)

Threatened and Endangered Wildlife Species: Wildlife-related issues associated with this project include: big game severe winter range, overall sage-grouse range, and nesting territories of ferruginous hawk. Based on the proposed action, concern for compromising any of these wildlife-related functions is discountable. Project scheduling constraints would limit activity to periods outside the severe winter dates for big game (1 January-30 April) and potential ferruginous hawk nesting (birds return here from wintering grounds in early to mid February). The physical presence of a quarter-acre clearing (i.e., reclaimed pad) 230 meters from potential nest substrate (isolated junipers that historically supported a nest site) would have no functional consequence on the utility or suitability of the area for subsequent reproductive use by these birds. The presence of sage-grouse in the Red Wash drainage has declined drastically over the past 30 years and it is doubtful whether sage-grouse continue to occupy the project vicinity during the winter months, much less during the nesting season. One-time short-term and highly localized activity within this tributary drainage would have no conceivable consequence on birds that may happen to occupy this area during the fall or early winter months. (EH 9/30/10)

Threatened and Endangered Plant Species: There are no known special status plant species or associated habitats located in the proposed action area. (JKS 9/16/2010)

MITIGATION:

1. If the construction of the pad for coal seam delineation hole C will involve excavation into bedrock (native, *in situ* sedimentary stone), such excavation must be monitored during its execution by a paleontologist permitted by the BLM Colorado State Office. If pad construction will only impact loose cobbles, gravels, and sediments, no monitoring will be required.
2. The operator 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. If significant paleontological resources are discovered during surface disturbing actions or at any other time, the proponent or any of his agents must:
 - (a) stop work immediately at that site;
 - (b) contact the appropriate BLM representative, typically the project inspector or Authorized Officer (AO), as soon as possible; and
 - (c) make every effort to protect the site from further impacts, including looting, erosion, or other human or natural damage.

The BLM or designated paleontologist will evaluate the discovery and take action to protect or remove the resource within 10 working days. Work may not resume at that location until approved by the official BLM representative.

If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, significant delays may occur while the AO enacts mitigation procedures. The operator may elect to contract an approved paleontologist to execute site

mitigations in order to expedite proceedings. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

REFERENCES CITED:

Davenport, Barbara
2010 Class III Cultural Resources Inventory for Three Irregular Survey Areas (~22 acres)
Related to Drill Pad and Access Road Construction in Rio Blanco County, Colorado for
Blue Mtn. Energy. Grand River Institute, Grand Junction, Colorado. WRFO CRIR# 10-
11-02.

COMPLIANCE PLAN: Blue Mountain Energy, Inc., Mining Permit Application, Deserado
Mine

NAME OF PREPARER: Paul Daggett

NAME OF ENVIRONMENTAL COORDINATOR: Kristin Bowen

DECISION AND RATIONALE: I have reviewed this CX and have decided to approve the
proposed action.

This action is listed in the Department Manual as an action that may be categorically excluded. I
have evaluated the action relative to the 12 criteria listed above and have determined that it does
not represent an exception and is, therefore, categorically excluded from further environmental
analysis.

SIGNATURE OF AUTHORIZED OFFICIAL:


Field Manager

DATE SIGNED: 10/1/2010

ATTACHMENTS: Maps

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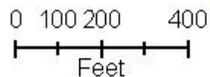
Blue Mountain Energy Two Coal Seam Delineation Holes



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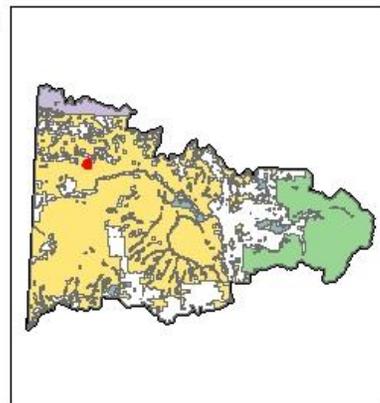


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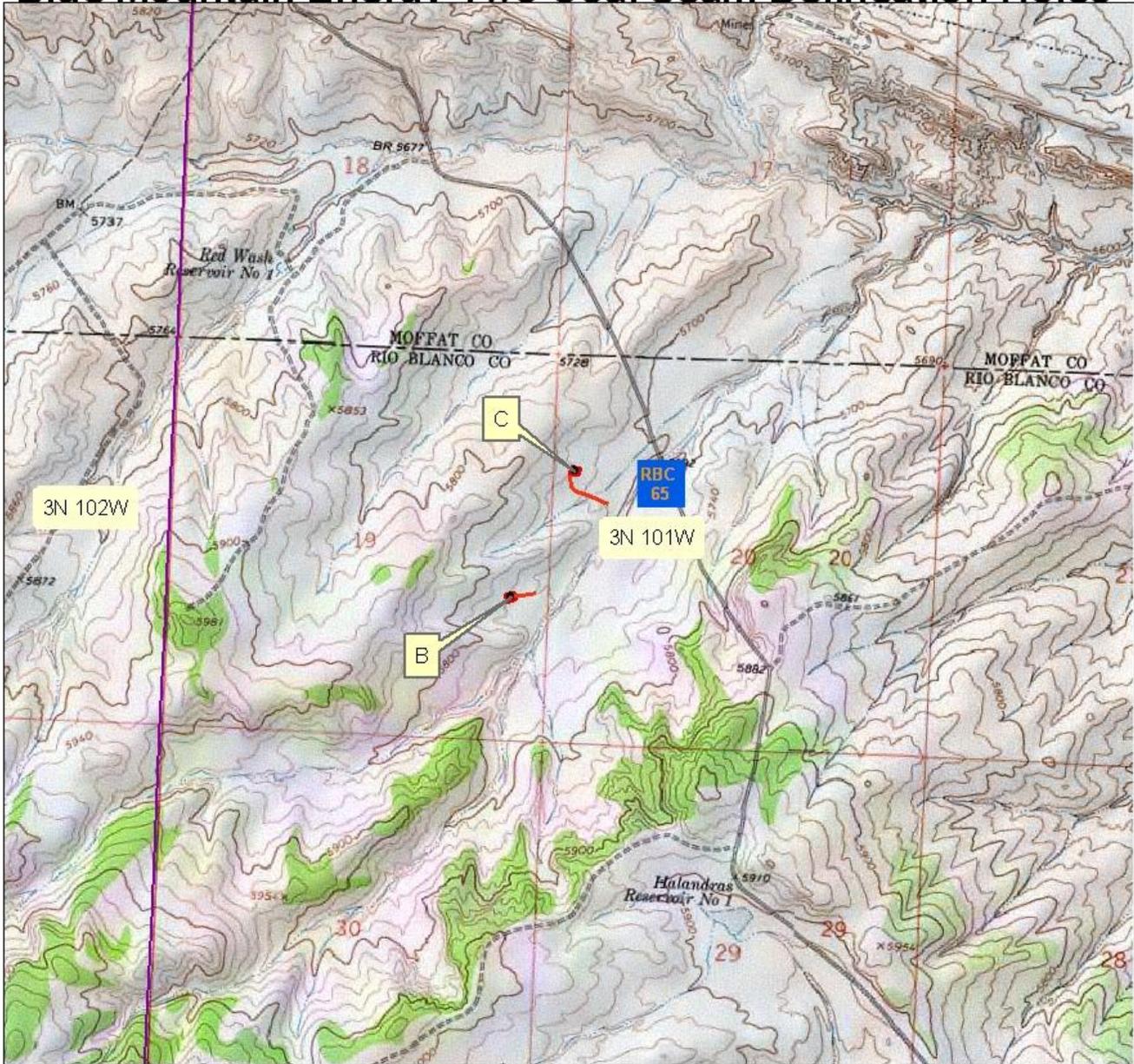
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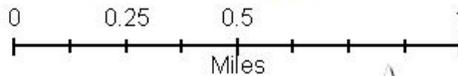
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