



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

MARY ANN WRIGHT
Acting Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

OK

December 23, 2004

Dennis Ware, Controller
Plateau Mining Corporation
P.O. Box 30
Helper, Utah 84526-0030

Re: Midterm Review, Plateau Mining Corporation, Star Point Mine, C/007/0006,
Task #2048, Outgoing File

Dear Mr. Pappas:

The Division has completed the Midterm Review of the Star Point Mine in accordance with R645-303-211. The items reviewed, were identified in our April 2, 2004 letter to PMC.

The results are listed below.

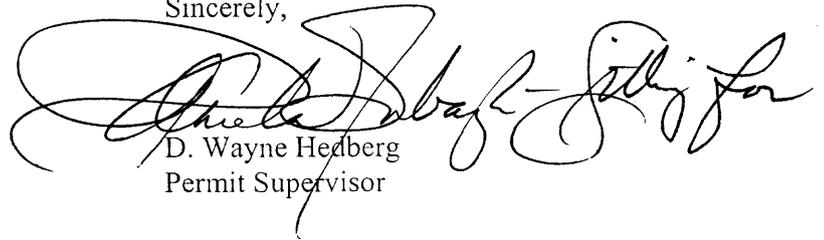
- 1) An AVS check to was conducted on December 22. No violations are pending.
- 2) The MRP is updated to reflect changes in the Utah Coal Regulatory Program that occurred subsequent to permit approval.
- 3) A review for division orders and mine plan changes has indicated that all pending issues have been addressed.
- 4) A technical field trip and mine plan review was conducted to ensure that the reclamation activities and mine plan implemented the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.
- 5) The bond has been reviewed to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate year dollar.
- 6) The Division conducted a midterm inspection review of the main facilities on May 14, 2004. Additional evaluation of the reclaimed areas was conducted during the Phase 1 Bond release site evaluation on June 23 and 24, 2004.

Page 2
Dennis Ware
December 23, 2004

This concludes the midterm review of the Star Point Mine. Thank you for your cooperation during the review.

If you have any questions regarding these requirements or the Midterm Review please don't hesitate to call.

Sincerely,

A handwritten signature in cursive script, appearing to read "D. Wayne Hedberg". The signature is written in black ink and is positioned above the printed name and title.

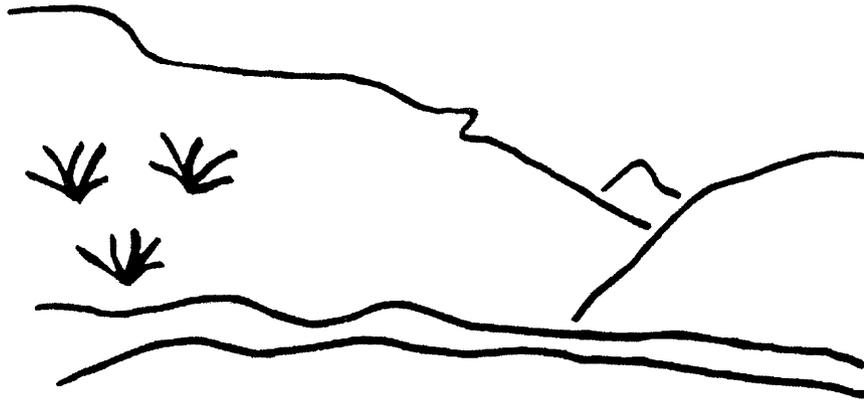
D. Wayne Hedberg
Permit Supervisor

Enclosure

cc: Wayne Hedberg
Price Field Office

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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Star Point Mine
Midterm Permit Review
C/007/0006, Task ID #2048
Technical Analysis
December 22, 2004

TABLE OF CONTENTS

GENERAL CONTENTS	5
IDENTIFICATION OF INTERESTS	5
VIOLATION INFORMATION.....	5
RIGHT OF ENTRY	6
LEGAL DESCRIPTION AND STATUS OF UNSUITABILITY CLAIMS	6
PERMIT TERM.....	6
FILING FEE	7
OPERATION PLAN	9
FISH AND WILDLIFE INFORMATION	9
Wetlands and Habitats of Unusually High Value for Fish and Wildlife	9
HYDROLOGIC INFORMATION	10
General.....	10
MAPS, PLANS, AND CROSS SECTIONS OF MINING OPERATIONS.....	11
Affected Area Maps.....	11
RECLAMATION PLAN	13
GENERAL REQUIREMENTS	13
BACKFILLING AND GRADING.....	13
General.....	13
Mudwater Canyon, Corner Canyon and Main Surface Facilities	13
Mudwater Canyon.....	14
MINE OPENINGS.....	14
TOPSOIL AND SUBSOIL.....	15
Redistribution.....	15
HYDROLOGIC INFORMATION	15
Hydrologic Reclamation Plan.....	15
BONDING AND INSURANCE REQUIREMENTS.....	16
Determination of Bond Amount	16
CUMULATIVE HYDROLOGIC IMPACT ASSESSMENT (CHIA)	19

TABLE OF CONTENTS

TECHNICAL ANALYSIS

TECHNICAL ANALYSIS

The Division ensures compliance with the Surface Mining Control and Reclamation Act of 1977 (SMCRA). When mines submit a Permit Application Package or an amendment to their Mining and Reclamation Plan, the Division reviews the proposal for conformance to the R645-Coal Mining Rules. This Technical Analysis is such a review. Regardless of these analyses, the Permittee must comply with the minimum regulatory requirements as established by SMCRA.

Readers of this document must be aware that the regulatory requirements are included by reference. A complete and current copy of these regulations and a copy of the Technical Analysis and Findings Review Guide can be found at <http://ogm.utah.gov/coal>

This Technical Analysis (TA) is written as part of the permit review process. It documents the Findings that the Division has made to date regarding the application for a permit and is the basis for permitting decisions with regard to the application. The TA is broken down into logical section headings, which comprise the necessary components of an application. Each section is analyzed and specific findings are then provided which indicate whether or not the application is in compliance with the requirements.

Often the first technical review of an application finds that the application contains some deficiencies. The deficiencies are discussed in the body of the TA and are identified by a regulatory reference, which describes the minimum requirements. In this Technical Analysis we have summarized the deficiencies at the beginning of the document to aid in responding to them. Once all of the deficiencies have been adequately addressed, the TA will be considered final for the permitting action.

It may be that not every topic or regulatory requirement is discussed in this version of the TA. Generally only those sections are analyzed that pertain to a particular permitting action. TA's may have been completed previously and the revised information has not altered the original findings. Those sections that are not discussed in this document are generally considered to be in compliance.

Page 2
C/007/0006
Task ID #2048
December 22, 2004

TECHNICAL ANALYSIS

INTRODUCTION

INTRODUCTION

The Division is required to review each active permit during its term, in accordance with R645-303-211. This review is to take place at the mid-point of the permit term (July 28, 2004 for the Star Point Mine) and will cover pertinent elements that have been selected for review. The Midterm Review for the Star Point Mine is now being conducted and the items chosen for review encompass the following:

1. An AVS check to ensure that Ownership and Control information is current and correct.
2. A review of the plan to ensure that the requirements of all permit conditions, division orders, notices of violation abatement plans, and permittee-initiated plan changes are appropriately incorporated into the plan document.
3. A review of the applicable portions of the permit to ensure that the plan contains commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.
4. The Division may conduct a technical site visit in conjunction with the assigned compliance inspector to document the status and effectiveness of operational, reclamation, and contemporaneous reclamation practices.
5. An evaluation of the reclamation bond to ensure that coverage adequately addresses permit changes approved subsequent to permit approval.

The Division was conducting a Phase I bond release during the same time period as the Mid-term review. Technical site visits for the Mid-term review were conducted concurrently by some of the members review team to determine if all areas at the Star Point Mine were effective and functioning according to the plans identified in the Mining and Reclamation Plan.

The inspection party reviewed the reclamation construction on May 14, 2004. They observed the stream channels and revegetated areas at the main site, including the hillsides adjacent to the Lion Deck, No.1 Mine, reclaimed surface facilities and ended at the Unit Train Loadout. On earlier inspections, personnel visited the reclamation works in Corner and Mudwater Canyons. Heavy gouging, using a trackhoe and hydro-seeding the slopes provided runoff control and collected runoff for better vegetation growth. All stream channel construction appeared intact.

Page 4
C/007/0006
Task ID #2048
December 22, 2004

INTRODUCTION

GENERAL CONTENTS

GENERAL CONTENTS

IDENTIFICATION OF INTERESTS

Regulatory Reference: 30 CFR 773.22; 30 CFR 778.13; R645-301-112

Analysis:

The updated ownership and control information was submitted on December 24, 2003, Exhibit 112.300a, Chapter of the Mining and Reclamation Plan (MRP).

Plateau Mining Corporation has reclaimed the Star Point Mine and has submitted an application for Phase 1 bond release.

Findings:

The information provided in Exhibit 112.300a meets the minimum requirements for the Identification of Interests section of the regulations.

VIOLATION INFORMATION

Regulatory Reference: 30 CFR 773.15(b); 30 CFR 773.23; 30 CFR 778.14; R645-300-132; R645-301-113

Analysis:

No Federal or State mining permit held by the applicant or any subsidiary, affiliate, or persons controlled by or under common control with the applicant has been suspended or revoked.

An AVS check was conducted on December 22, 20004. No violations were reported. Prior to October 12, 1999, the applicant had received 8 violation notices for non-compliance in the seven years preceding that permit application. All violations have been abated and fines paid on time.

Findings:

The applicant has met the minimum requirements of the Violation Information section of the Regulations.

RIGHT OF ENTRY

Regulatory Reference: 30 CFR 778.15; R645-301-114

Analysis:

PMC has incorporated documentation in the Mining and Reclamation Plan (MRP) that identifies the right of entry to mine coal.

Findings:

The applicant has met the minimum requirements of the Right of Entry section of the Regulations.

LEGAL DESCRIPTION AND STATUS OF UNSUITABILITY CLAIMS

Regulatory Reference: 30 CFR 778.16; 30 CFR 779.12(a); 30 CFR 779.24(a)(b)(c); R645-300-121.120; R645-301-112.800; R645-300-141; R645-301-115.

Analysis:

There are no areas designated as unsuitable to mining within or adjacent to the permit area, Page 100-13, MRP.

Findings:

The applicant has met the minimum requirements of the Legal Description and status of Unsuitability Claims section of the Regulations.

PERMIT TERM

Regulatory References: 30 CFR 778.17; R645-301-116.

Analysis:

The Division issued the current permit on January 28, 2002. It expires January 28, 2007.

GENERAL CONTENTS

FILING FEE

Regulatory Reference: 30 CFR 777.17; R645-301-118.

Analysis:

All filing fees have been paid.

Findings:

The applicant has met the minimum requirements of the Filing Fee section of the Regulations.

Page 8
C/007/0006
Task ID #2048
December 22, 2004

GENERAL CONTENTS

OPERATION PLAN

OPERATION PLAN

FISH AND WILDLIFE INFORMATION

Regulatory Reference: 30 CFR Sec. 784.21, 817.97; R645-301-322, -301-333, -301-342, -301-358.

Analysis:

Wetlands and Habitats of Unusually High Value for Fish and Wildlife

Adverse effects of mining on water quantity to the Colorado River drainages can affect four Colorado River endangered fish species (Colorado pikeminnow, humpback chub, bonytail chub, and razorback sucker). The USFWS considers water depletion of the Colorado River from mining a potential risk to these endangered fish. Water users may be required to mitigate if the overall water consumption is greater than 100 acre-feet per year. Currently, the mitigation fee is approximately \$16.00 per acre-foot of depletion, but may change marginally from year to year.

The Permittee of an operational mine is required to address possible adverse affects to these four fish species by first calculating the amount of water used by all mining operations. The "Windy Gap Process" provides a guideline to calculate water consumption for coal mining.

Types of water consumption by mining.

- Ventilation consumption
- Coal producing consumption
- Ventilation evaporation
- Sediment pond evaporation
- Springs and seep effects from subsidence
- Alluvial aquifer abstractions into mines
- Alluvial well pumpage
- Deep aquifer pumpage
- Postmining inflow to workings
- Coal moisture loss
- Direct diversions
- Dust suppression (not mentioned in Windy Gap Process).

The Star Point Mine is in reclamation and no longer conducting operations, which lead to the types of water consumption listed above. The Permittee has submitted a letter dated October

5, 2004 identifying there is "0" consumption. The mine portals have been backfilled, sealed, the minesite reclaimed and reseeded.

Findings:

Information provided in the application is adequate to meet the minimum Fish and Wildlife Information section of the Regulations.

HYDROLOGIC INFORMATION

Regulatory Reference: 30 CFR Sec. 773.17, 774.13, 784.14, 784.16, 784.29, 817.41, 817.42, 817.43, 817.45, 817.49, 817.56, 817.57; R645-300-140, -300-141, -300-142, -300-143, -300-144, -300-145, -300-146, -300-147, -300-147, -300-148, -301-512, -301-514, -301-521, -301-531, -301-532, -301-533, -301-536, -301-542, -301-720, -301-731, -301-732, -301-733, -301-742, -301-743, -301-750, -301-761, -301-764.

Analysis:

General

The Permittee finished all underground mining operations in the Star Point Mines as of December 2000. They have finished backfilling and grading the disturbed minesite. Information in the MRP describes the operation and reclamation activities. The Permittee has submitted Exhibit 728h, titled "Evaluation of Hydrologic Monitoring at the Star Point Mine to address post-mining impacts to the hydrologic balance. It was incorporated into the MRP on March 22, 2002. The exhibit was prepared by Earthfax Engineering and describes the analysis of data and longterm impacts from mining to the hydrologic system on the mine and adjacent area.

The operator concluded in the report, that there has been no extensive long term or adverse impacts to the water quantity or quality. PMC states that water levels have been reestablished and that all State appropriated water rights have been mitigated.

An issue regarding Star Point Spring (monitoring site 971) is still a concern, brought up by the Huntington Cattlemen Association during Water Users Meetings (Letter of citizens concern, August 24, 1998). The U.S. Forest Service holds the water right on the spring. The spring was evaluated during a field visit on September 9, 1998. A Field Report was prepared on September 24, 1998 identifying the technical findings and agreement by both the Cattlemen and Operator to try to rehabilitate the spring. There has been a break down in the agreement to finalize rehabilitation of the spring at this point. Mining impacts to the spring are hard to determine given a lack of historic data on the spring flow, the dilapidated condition of the spring and recent drought conditions.

OPERATION PLAN

Findings:

Information provided by the operator identifies the probable post-mining scenario for the hydrologic balance and conforms to the requirements outlined in the Probable Hydrologic Consequences Determination, R645-301-728.300. The issue of Star Point Spring will have to be resolved by the Operator before Phase III bond is granted.

MAPS, PLANS, AND CROSS SECTIONS OF MINING OPERATIONS

Regulatory Reference: 30 CFR Sec. 784.23; R645-301-512, -301-521, -301-542, -301-632, -301-731, -302-323.

Analysis:

Affected Area Maps

The Permittee has provided Plates 1-3, incorporated in the MRP March 22, 2002, to support their report in Exhibit 728h

Findings:

Information provided in the application is adequate to meet the minimum Maps, Plans and Cross-Section requirements of the Regulations.

Page 12
C/007/0006
Task ID #2048
December 22, 2004

OPERATION PLAN

RECLAMATION PLAN

RECLAMATION PLAN

GENERAL REQUIREMENTS

Regulatory Reference: PL 95-87 Sec. 515 and 516; 30 CFR Sec. 784.13, 784.14, 784.15, 784.16, 784.17, 784.18, 784.19, 784.20, 784.21, 784.22, 784.23, 784.24, 784.25, 784.26; R645-301-231, -301-233, -301-322, -301-323, -301-331, -301-333, -301-341, -301-342, -301-411, -301-412, -301-422, -301-512, -301-513, -301-521, -301-522, -301-525, -301-526, -301-527, -301-528, -301-529, -301-531, -301-533, -301-534, -301-536, -301-537, -301-542, -301-623, -301-624, -301-625, -301-626, -301-631, -301-632, -301-731, -301-723, -301-724, -301-725, -301-726, -301-728, -301-729, -301-731, -301-732, -301-733, -301-746, -301-764, -301-830.

Analysis:

The applicant has completed all demolition and removal of structures. All disturbed areas have been regarded, gouged and reseeded. All stream channels have been reconstructed according to the designs in the MRP, reclamation plan.

Findings:

The Permittee has met the minimum requirements of the Approximate Original Contour Restoration section of the Regulations.

BACKFILLING AND GRADING

Regulatory Reference: 30 CFR Sec. 785.15, 817.102, 817.107; R645-301-234, -301-537, -301-552, -301-553, -302-230, -302-231, -302-232, -302-233.

Analysis:

General

Mudwater Canyon, Corner Canyon and Main Surface Facilities

Reclamation at Mudwater and Corner Canyons was limited due to their remote locations. The only access for machinery to conduct reclamation operations was through the mine. The type and size of equipment that Plateau Mining Corporation (PMC) could bring through mine was limited. In addition, since PMC had to send all the equipment back into the mine before they sealed the portals.

Mudwater Canyon

Mudwater Canyon was developed pre-SMCRA. Mudwater Canyon and Corner Canyon were inspected on June 23, 2004.

Corner Canyon

The Technical field visit report of June 30, 2004 describes the field review conducted for Phase I bond release. The inspection team conducted the site visit to determine if Corner Canyon met the minimum requirements for Phase I bond release.

No. 1 Mine

Mine Number 1 was constructed pre-SMCRA. The Division approved the retention of highwall remnants because of slope stability limitations. The highwall remnants are in competent sandstone and appeared to be stable.

Star Point Mine

The Technical field visit report of June 24, 2004 describes the field review conducted for Phase I bond release. The inspection team conducted the site visit to determine if all disturbed areas at the Star Point Mine meet the minimum requirements for Phase I bond release. The Field Visit report of June 29, 2004 identifies the observations and findings of the inspection.

All areas of the mine were recommended for Phase I bond release.

Findings:

The applicant has met the minimum requirements of the Backfilling and Grading Approximate Original Contour Restoration section of the Regulations.

MINE OPENINGS

Regulatory Reference: 30 CFR Sec. 817.13, 817.14, 817.15; R645-301-513, -301-529, -301-551, -301-631, -301-748, -301-765, -301-748.

Analysis:

All mine openings have been sealed.

RECLAMATION PLAN

Findings:

The applicant has met the minimum requirements of the Mine Openings section of the Regulations.

TOPSOIL AND SUBSOIL

Regulatory Reference: 30 CFR Sec. 817.22; R645-301-240.

Analysis:

Redistribution

The applicant has redistributed all topsoil and subsoil as identified in the MRP.

Findings:

The applicant has met the minimum requirements for the Soil and Subsoil section of the Regulations.

HYDROLOGIC INFORMATION

Regulatory Reference: 30 CFR Sec. 784.14, 784.29, 817.41, 817.42, 817.43, 817.45, 817.49, 817.56, 817.57; R645-301-512, -301-513, -301-514, -301-515, -301-532, -301-533, -301-542, -301-723, -301-724, -301-725, -301-726, -301-728, -301-729, -301-731, -301-733, -301-742, -301-743, -301-743, -301-750, -301-751, -301-760, -301-761.

Analysis:

Hydrologic Reclamation Plan

The hydraulic controls at the site were surface roughening, vegetation and straw bales to contain runoff flow. The procedure of surface roughening by gouging, then seeded and covered with a shredded alfalfa layer protects the surface from heavy rains and traps overland runoff, controlling erosion and reducing sediment loading downstream. PMC is using a reinforced mesh to line the steeper sections of drainage channels. The mesh is tacked down then covered with soils and gravels. The areas where the mesh was used appears to be stable, there were no signs of undercutting.

The inspection team found no signs of erosion on the areas subject to surface or overland flows. There is an ephemeral drainage on the north end of the site. To control erosion PMC

RECLAMATION PLAN

installed straw bales in 2000. The bales are still in place and functional. Vegetation in the ephemeral channel has been established and should control erosion after the straw bales fail

The only hydrologic structure at the Unit Train Loadout was a culvert that directed water underneath the railroad tracks. Surface gouging and reseeding were used to controlled erosion. The inspection team found the Unit Train Loadout to be stable. The inspection team found no signs of erosion on the areas subject to surface flows.

The Permittee is conducting reclamation monitoring. The current water monitoring schedule for the Star Point Mine is provided in Table 731.211a and b in Chapter 7 of the MRP. The Schedule shows that three sites, one spring and two stream sites are monitored. The spring site, 971 is monitored monthly from July through September. Table 731.211a indicates spring 971 will be monitored until the citizen's concern issue is resolved. The streams are monitored on a quarterly basis. UPDES monitoring has been conducted monthly.

The Division received a copy of a letter on November 12, 2004 from PMC to the Utah Division of Water Quality requesting to discontinue submitting DMR's for sedimentation ponds 002, 004, 007, and 009 (UPDES permit number UT0023736) because the ponds have be removed as part of the reclamation process and the discharge no longer exists. A response has not been received.

Findings:

The information provided by the Applicant in the MRP meets the minimum requirements of Hydrology Information section of the Regulations.

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

Determination of Bond Amount

Plateau Mining Corporations (PMC) posted a bond for \$7,796,000 on December 4, 2003. Since that time, the Division approved the transfer of the refuse pile from PMC to Sunnyside Cogeneration Associates. The Division approved a bond reduction to \$7,643,000, but PMC did not change the bond rider.

PMC has performed substantial reclamation from 2000 to 2003. The reclamation work included demolition of the structures, earthwork and revegetation. The Division cannot grant

RECLAMATION PLAN

bond release for work done on the ground. However, the reclamation work that PMC performed to date reduced the amount of reclamation the Division would have to do in the event of a bond forfeiture. After reviewing the bond, the Division determined they had enough money to reclaim the site if PMC forfeited.

Findings:

The information in the MRP and in the Division's bond calculations is adequate to meet the minimum bonding requirements of this section for the Regulations.

Page 18
C/007/0006
Task ID #2048
December 22, 2004

RECLAMATION PLAN

CUMULATIVE HYDROLOGIC IMPACT ASSESSMENT (CHIA)

Regulatory Reference: 30 CFR Sec. 784.14; R645-301-730.

Analysis:

The Permittee has submitted a Probable Hydrologic Consequences assessment and pertinent information in the Geology and Hydrology sections of the Star Point Mine MRP. The Gentry Mountain CHIA, which incorporates the hydrologic features of the Star Point Mine permit area, was last updated on September 24, 2004 to include updates to the Hiawatha MRP. There are plans by the Division to update the Gentry Mountain CHIA incrementally as significant data is supplied to identify changes in the hydrologic balance of the area.

Findings:

The information provided by the Applicant in the PHC, Geology and Hydrology sections of the MRP meet the minimum requirements of Cumulative Hydrologic Impact Assessment section of the Regulations.