



## State of Utah

### Department of Natural Resources

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas & Mining

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

August 23, 2006

Jay Marshall, Resident Agent  
Utah American Energy Inc.  
P.O. Box 986  
Price, Utah 84501

Re: Required Refuse Channel Repair Work, Task No. 2409, Horse Canyon Mine,  
C0070013

Dear Mr. Marshall:

You have applied for Phase III bond release for the Horse Canyon mine area (under review as Task 2409). Included in this area is a permanent diversion that bisects the reclaimed landfill and reclaimed waste rock sites. Division records indicate that although most of the horse canyon area was reclaimed in 1990 and 1991 (by IPA), a culvert was removed and this channel was constructed in 2002 (Division field report dated March 21, 2002). Having met both the requirements of Phase I and Phase II at that time, the constructed channel was included in the Phase II bond release approved on April 11, 2002.

Subsequently, this designed channel has been damaged during a fall 2003 storm event and was reconstructed in September 2004. The channel section again was damaged during a storm in September 2005. UEI and the Division have been discussing the disposition of the channel and the requirements for meeting Phase III bond release since that time. This letter serves to put the Division's position on record.

First, the bond responsibility for this channel construction began in 2002, when the channel was installed, and *will run until the period of extended liability for successful revegetation provided in R645-301-356 or until achievement of the reclamation requirements of the State Program and permit, which ever is later*, as per R645-301-820.310. The extended period of liability for vegetation establishment in the channel would be ten years and would extend to 2012. However, since this is a designed channel, the vegetation establishment is not the critical factor. Rather, achievement of the reclamation requirements of the State Program and permit are utmost. These requirements are discussed under item three below.

Second, you must continue to meet your obligation to repair the channel to the design specifications throughout the liability period (R645-301-761). From the Division's perspective, on previous occasions, you have maintained the channel as required by R645-301-761 and this last storm event (September 2005) requires the same diligence. If you believe that the channel design is inadequate for the storm surges received, then you may redesign the channel and implement that design, once it is reviewed and approved by the

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task 2573

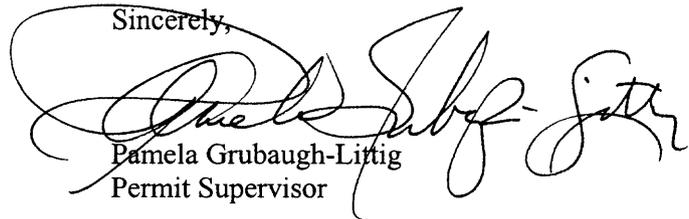
Page 2  
Jay Marshall  
August 23, 2006

Division. The Division may specify additional design criteria for the diversion during the review (R645-742.314).

Third, Phase III bond release for the channel is governed by R645-301-880.330, which states that full bond release will only be approved if the *reclamation requirements of the Act and the permit are fully met*. The requirements of the Act and the permit are that the channel is successfully constructed (R645-301-761), the channel is stable (R645-301-742.312 and R645-301-746.212), and the channel meets the performance standards of R645-301-750.

I hope this answers any questions about the requirement for channel reconstruction and the bond liability period. If you would like to discuss this matter, please call me at (801) 538-5268.

Sincerely,

A handwritten signature in black ink, appearing to read "Pamela Grubaugh-Littig". The signature is fluid and cursive, with a large initial "P" and "G".

Pamela Grubaugh-Littig  
Permit Supervisor