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State of Utah
DEPARTMENT OF NATURAL RESOURCES

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June 5, 2008

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

Subject: Phase III Bond Release, Task ID #2905, UtahAmerican Energy, Inc., Horse Canyon Mine, C/007/0013

Dear Mr. Marshall:

The Division reviewed your application for Phase III bond release. The Division determined that there are some deficiencies that must be addressed before the Division can proceed with bond release. The requirement of the R645 Coal Mining Rules that must be met before Phase III bond release can be granted are listed as an attachment to this letter.

Each deficiency identifies its author by that author's initials in parentheses, such that your staff can directly communicate with that individual should any questions arise relative to the preparation of your response to that particular deficiency.

The Division will determine the amount of bond to retain in order to assure that there are sufficient funds to reclaim all disturbances associated with Part A of the Horse Canyon Mine after the field inspection.

The plans as submitted are denied. We are returning copies of the application with this letter. Please resubmit the entire application. If you have any questions please call me at (801) 538-5325 or the Wayne Western, team lead, at (801) 538-5263.

Sincerely,

Daron R. Haddock
Permit Supervisor

an
Attachment
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Deficiency List
Task ID #2905
Phase III Bond Release

The members of the review team include the following individuals:

Wayne H. Western [whw], Priscilla Burton [pwb], Joe Helfrich [jch], Dave Darby [dwd]

R645-301-830.130, The Permittee must provide the Division with an updated reclamation cost estimate for the Horse Canyon Mine Part A. At a minimum, the information must be sufficient to show that the Division has bond to reclaim the area in the event of bond forfeiture. The information must be incorporated into the mining and reclamation plan and the old reclamation cost estimate removed. [whw]

R645-301-830.330, The Permittee must revise the acreage associated with Phase III bond release because 0.49 acres within the 51.56 acres that were approved for Phase II bond release were disturbed for channel restoration and are not eligible for Phase III bond release at this time. [whw]

R645-301-880.120, The application for bond release does not meet the administrative requirements, because contrary to the information in the MRP (Figure II-1, p. II-14A) and the notarized statement certifying that all reclamation activities were accomplished in accordance with the Act and the approved reclamation plan (App. III-1-8), the Lila Canyon Portals were not gated in 2007 and remain open for 70 ft., inby. The Permittee should either note this as an extended responsibility in parts II.A.6 and II.A.9 of the application or assign the closure obligation to Part B of the Horse Canyon Mine, including it in the disturbed and bonded area for Part B. In either case, the narrative should reference the BLM's conditions of approval for the steel closure that are stated in their October 9, 2007 letter to UEI. • Ex. III-1-3, the public notice, states that the bond release is for "all lands currently in Permit C/007/013." This statement is false, since the 007/013 permit includes Part B Lila Canyon and also since the Lila Canyon portals have not been listed as an item remaining in Part A of the Horse Canyon permit, not under Phase III bond release. (The closure of the Lila Canyon portals is the subject of discussion in document 0064, 2006 Outgoing folder.) This public notice must be re-issued. [pwb]

R645-301-121.200, The bridge abutments were constructed to facilitate mining expansion and were to be removed at final reclamation (letter from IPA, received 9/18/96). The application states that Emery County has indicated a need to expand the Horse Canyon Road (page 4). In fact, the bridge abutments are no longer structurally sound and as requested by Emery County (App.III-1-9), the east bridge abutment was removed and the west abutment was left to stabilize the road embankment. The second paragraph on page 4 should be re-worded, accordingly. • The public notice states the **county road is 24.21 acres**. Page 9 of

the application states that 74.26 acres are included in the bond release and by difference, one assumes the County road is approximately 18.21 acres, as follows, please explain the discrepancy between the public notice and the application. [pwb]

51.56 acres Phase II bond release
+16.18 acres donated to CEU
+ 6.5 acres undisturbed borrow area
+ 0.01 acre bridge abutment
74.25 acres SUBTOTAL
- 0.49 acres refuse channel
73.76 acres SUBTOTAL
+ 18.21 acres County Road
91.97 acres TOTAL in public notice

R645-301-412, -301-413, -301-414, -302-270, -302-271, -302-272, -302-273, -302-274, -302-275. • Page 3 paragraph one, second sentence needs to be revised to include Map III-2E.
• The map legend needs to include the Emery County Public Road on maps III-2B, C, D, E and F. • Map III-2F shows a water Tank Area that according to the legend is donated to CEU but is not described as such on the map as are the other areas. • Page 5, paragraph 2, it is unclear how the west bridge abutment meets the post mining land use of wildlife habitat. The applicant needs to explain this statement and revise the application accordingly.

R645-301-244, -301-353, -301-354, -301-355, -301-356, -302-280, -302-281, -302-282, -302-283, -302-284, • The MRP states "*Reference areas will not be used for this mine*". Baseline data and the condition of the undisturbed areas at the time of bond release will be used to determine revegetation success. However, the information in the 2003 and 2004 vegetation surveys includes reference areas. The Permittee needs to explain this anomaly and revise the MRP accordingly; the applicant needs to demonstrate that 80% of the trees and shrubs in the reclaimed area have been in place for 60% of the ten-year liability period for reclamation. • 2003 Survey Photos of the reference area need to be included in the application. The locations of the transects, reference area and transects for the reference area need to be identified on a map. The sloped areas need to include species composition and be included in the similarity comparison to the reference area. The reference area is not indicative of the reclaimed area and vice versa. A reference area needs to be selected that is representative of the reclaimed area and the intended postmining land use of Wildlife habitat. This is further demonstrated in the similarity comparison noting that an average of 1.8 species or 15% are common to the existing reference area, 70% is the required similarity, *Cheat grass has been discounted as it is considered to be an invasive species, the Permittee is required to implement a weed control program.* The purple plant listed in the reference area and transect areas needs to be identified, and the similarity comparison, Jaccard's Community Coefficient is represented as a number; it needs to be displayed as a percentage. • **2004 Survey** Photos of the reference area and sample areas need to be included in the application. The

locations of the transects, reference area and transects for the reference area need to be identified on a map and included in the application. The applicant needs to explain this statement. Pages 6 and 7, "Fifteen transects were run in the reference area even though sample adequacy suggested that 16 transects be run to keep consistency with the number of transects run in revegetated areas," The survey needs to include cover data for the sloped areas. The application needs to provide evidence of consultation with the appropriate land management and wildlife agencies for woody stem densities. The reference area is not indicative of the reclaimed area and vice versa. A reference area needs to be selected that is representative of the reclaimed area and the intended postmining land use of Wildlife habitat. This is further demonstrated in the similarity comparison noting that an average of 3.1 species or 25.8% are common to the existing reference area, 70% is the required similarity, *Cheat grass has been discounted as it is considered to be an invasive species, the Permittee is required to implement a weed control program and.*

Utah Code Annotated Title 40-10-16(3), The Permittee shall submit detailed an accurate accounting of the area to be released and retained after Phase III bond release. The Refuse Pile Channel area will be retained. [dwd]

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