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DEPARTMENT OF NATURAL RESOURCES

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Outgoing
C0070013

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January 20, 2009

Jay Marshall, Resident Agent
UtahAmerican Energy, Inc.
P.O. Box 910
East Carbon, Utah 84520-0910

Subject: Deficiencies for Phase III Bond Release Review, UtahAmerican Energy, Inc. (UEI), Horse Canyon (Geneva) Mine, C/007/0013, Task ID #3080, Outgoing File

Dear Mr. Marshall:

The Division has reviewed your application for Phase III Bond Release submitted November 10, 2008.

The Division has determined that there are some deficiencies that must be addressed before Phase III bond release can be issued. Those deficiencies are listed as an attachment to this letter.

Each deficiency identifies it's 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 UtahAmerican Energy, Inc.'s response to that particular deficiency.

Please respond to these deficiencies as soon as possible, but no later than February 20, 2009, so that we may efficiently process your application.

Sincerely

Daron R. Haddock
Permit Supervisor

DRH/DD/sqs
Attachment
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Horse Canyon Mine Phase III Bond Release Deficiency List
Application Date: November 10, 2008

R645-301-529.100-PHH Management of Mine Openings / Division Approval Required

The Permittee must modify the Horse Canyon Mine / Lila Canyon Extension / Permit Area "B" mining and reclamation plan to include the following;

1) The Lila Canyon Extension of the Horse Canyon Mine / permit area "B" map required under **R645-300-141** will be modified to include the Geneva Mine / Lila Canyon fan portal island of disturbance.

2) The Division requires that the Permittee install the cable and chain link fence barriers (as approved by the USDOJ / BLM / PFO) during 2009, when weather conditions allow, and prior to December 31.

3) The Division requires that signs indicating that a "possible explosive atmosphere" and/or a "possible oxygen deficient atmosphere" may exist behind the temporary barricades be installed on the seal barriers. These signs shall be maintained by the C/007/013 Permittee to the best extent possible.

4) The Division requires that the mining and reclamation plan for the Horse Canyon Mine / Lila Canyon Extension / Permit Area "B" Mine be modified to require that the responsibility for the maintenance and monitoring of the Geneva Mine / Lila Canyon fan portal seal barriers lies with UEI or other subsequent C/007/013 permit holders.

5) Annual monitoring of the "temporary" barriers will be initiated during the second or third quarter of 2010 and continued until coal mining operations are discontinued at the Lila Canyon Mine, (estimated 20 year life of mine). At that point, and assuming that no vandalism has occurred, the temporary barriers will be considered "permanent" and annual monitoring will be suspended.

6) The mining and reclamation plan for the Horse Canyon Mine / Lila Canyon Extension / Permit Area "B" will be modified to reflect that the annual inspections of the Geneva Mine / Lila Canyon fan portal seals are the responsibility of UEI, Inc. and any subsequent C/007/013 permit holders.

7) A copy of each annual inspection of the Lila fan portal seal barriers will be provided to the USDOJ / BLM / Price Field Office and the Utah Division of Oil, Gas and Mining no later than thirty days after said inspection for every annual inspection is

completed. These inspections shall include photo documentation of the barriers with date of documented exposures.

If damage to the cable / chain links barriers is observed, the permittee will take immediate action to adequately repair the damage.

8) A "notice of temporary cessation" at the Lila Canyon Mine shall not preclude the requirement to make the required annual inspection of the Lila Canyon remote portal seal barriers, (permit area "A" / Geneva Mine seals).

9) Should the Permittee determine that a permanent cessation of mining operations be necessary (regardless of the extent of recovery of the mineable reserves), same shall not preclude the requirement to annually inspect the "temporary barriers".

When these requirements are added to the aforementioned mining and reclamation plan, the Division will approve the transfer of the closure obligation for the permit area "A" seal barricades in Lila Canyon to the permit area "B" MRP.

Prior to approval the following information must be provided in accordance with **R645-301-244, -301-353, -301-354, -301-355, -301-356, -302-280, -302-281, -302-282, -302-283, -302-284-JCH**

2003 Survey

Page 11 of the application includes quotes from the 2003 and 2004 vegetation studies stating that the requirements for percent cover, percent cover by species and woody plant density exceed those of the reference area. The application also includes vegetation monitoring data, however, the application needs to include a detailed summary and analysis of the data to support the quoting statements and demonstrate how the success standards have been met.

The application needs to include a summarization of the vegetation data that demonstrates 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.

Photos of the reference area need to be included in the application,

The sloped areas need to include vegetative sampling data for percent cover, percent cover by species and woody plant density species composition and be included in a detailed summary and analysis of the data to support the quoting statements and demonstrate how the success standards have been met.

Cheat grass has been discounted as it is considered to be an invasive annual exotic species. The applicant needs to recalculate the data without cheat grass in either the reference or reclaimed areas.

The application needs to provide evidence of consultation with the appropriate land management and wildlife agencies for woody stem densities.

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 sloped areas need to include vegetative sampling data for percent cover, percent cover by species and woody plant density species composition and be included in a detailed summary and analysis of the data to support the quoting statements and demonstrate how the success standards have been met.

Cheat grass has been discounted as it is considered to be an invasive annual exotic species. The applicant needs to recalculate the data without cheat grass in both the reference and reclaimed areas.

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 application needs to provide evidence of consultation with the appropriate land management and wildlife agencies for woody stem densities.

The shrub Greasewood, *Sarcobatus vermiculatus* was identified in both the reclaimed area and reference area in the 2004 survey but was not identified in either in the 2003 survey. The applicant needs to explain this anomaly.