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UtahAmerican Energy, Inc.



C/007/013 Incoming  
Lila Canyon Project  
P. O. Box 910 #3863  
East Carbon, Utah 84501  
Phone: (435) 888-4000  
(435) 650-3157  
Fax: (435) 888-4002

June 20, 2011

Daron Haddock  
Permit Supervisor  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

Re: UtahAmerican Energy, Inc. Lila Canyon Mine, ACT/009-013, Response to Violation #10086 Revision 11-008

Dear Mr. Haddock,

Please find attached three (3) copies of the response to Violation # 10086

C1 and C2 forms are included.

A new plate 5-2 requested in the violation was previously submitted on June 10, 2011.

If you have any questions please give me a call.

Sincerely,

*R. Jay Marshall*  
R. Jay Marshall P.E.  
Project Manager / Chief Engineer  
Lila Canyon Mine

RECEIVED  
JUN 23 2011  
DIV. OF OIL, GAS & MINING

# APPLICATION FOR PERMIT PROCESSING

<input type="checkbox"/> Permit Change	<input type="checkbox"/> New Permit	<input type="checkbox"/> Renewal	<input type="checkbox"/> Transfer	<input type="checkbox"/> Exploration	<input type="checkbox"/> Bond Release	Permit Number: ACT/007/013
Title of Proposal: 11-008 Addressing Citation #10086						Mine: Lila Canyon Part B
						Permittee: UtahAmerican Energy, Inc.

Description, include reason for application and timing required to implement:

**Instructions:** If you answer yes to any of the first 8 questions (gray), submit the application to the Salt Lake Office. Otherwise, you may submit it to your reclamation

<input type="checkbox"/> Yes	<input type="checkbox"/> No	1. Change in the size of the Permit Area? _____ acres Disturbed Area? _____ acres <input type="checkbox"/> increase <input type="checkbox"/> decrease.
<input type="checkbox"/> Yes	<input type="checkbox"/> No	2. Is the application submitted as a result of a Division Order? DO #
<input type="checkbox"/> Yes	<input type="checkbox"/> No	3. Does application include operations outside a previously identified Cumulative Hydrologic Impact Area?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	4. Does application include operations in hydrologic basins other than as currently approved?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	5. Does application result from cancellation, reduction or increase of insurance or reclamation bond?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	6. Does the application require or include public notice/publication?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	7. Does the application require or include ownership, control, right-of-entry, or compliance information?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	9. Is the application submitted as a result of a Violation? NOV # 10086
<input type="checkbox"/> Yes	<input type="checkbox"/> No	10. Is the application submitted as a result of other laws or regulations or policies? Explain: Permit Renewal
<input type="checkbox"/> Yes	<input type="checkbox"/> No	11. Does the application affect the surface landowner or change the post mining land use?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2?)
<input type="checkbox"/> Yes	<input type="checkbox"/> No	13. Does the application require or include collection and reporting of any baseline information?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	15. Does application require or include soil removal, storage or placement?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	16. Does the application require or include vegetation monitoring, removal or revegetation activities?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	17. Does the application require or include construction, modification, or removal of surface facilities?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	18. Does the application require or include water monitoring, sediment or drainage control measures?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	19. Does the application require or include certified designs, maps, or calculations?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	20. Does the application require or include subsidence control or monitoring?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	21. Have reclamation costs for bonding been provided for?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	22. Does application involve a perennial stream, a stream buffer zone or discharges to a stream?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	23. Does the application affect permits issued by other agencies or permits issued to other entities?

**X Attach 3 complete copies of the application.**

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.

*R. Jay Marshall* 6/20/11  
Signed - Name - Position - Date

Subscribed and sworn to before me this 20<sup>th</sup> day of June, 2011

*Linda Kerns*  
Notary Public  
My Commission Expires: March 27, 2013  
Attest: STATE OF Utah COUNTY OF Carbon



Received by Oil, Gas & Mining

RECEIVED

JUN 23 2011

DIV. OF OIL, GAS & MINING

ASSIGNED TRACKING NUMBER





**Citation for Non-Compliance**  
**Utah Coal Regulatory Program**  
 1594 West North Temple, Salt Lake City, UT 84114  
 Phone: (801) 538-5340 Fax: (801) 359-3940

**Citation #:** 10086  
**Permit Number:** C0070013  
**Date Issued:** 06/08/2011

**NOTICE OF VIOLATION**       **CESSATION ORDER (CO)**       **FAILURE TO ABATE CO**

<b>Permittee Name:</b> UTAHAMERICAN ENERGY INC	<b>Inspector Number and ID:</b> 46	<b>PHESS</b>
<b>Mine Name:</b> HORSE CANYON MINE	<b>Date and Time of Inspection:</b> 06/07/2011	10:30 am
<b>Certified Return Receipt Number:</b>	<b>Date and Time of Service:</b> 06/08/2011	<del>9:00 am</del>

**Nature of condition, practice, or violation:**  
 Conducting mine facilities construction (bulk rock dust tank installation) without properly permitting the new support facility and without receiving proper Division approval for same. 12:25 PM

**Provisions of Act, regulations, or permit violated:**  
 R645-300-143; Compliance with Terms and Conditions of the Approved State Permit  
 R645-301-111.200 Permittee Responsibility  
 R645-301-830.140 Detailed Cost Estimate Sheet for New Facility

**This order requires Cessation of ALL mining activities.** (Check box if appropriate.)

<input type="checkbox"/> Condition, practice, or violation is creating an imminent danger to health or safety of the public.	<input type="checkbox"/> Permittee is/has been conducting mining activities without a Permit.
<input type="checkbox"/> Condition, practice, or violation is causing or can reasonably be expected to cause significant, imminent environmental harm to land, air, or water resources.	<input type="checkbox"/> Permittee has failed to abate Violation(s) included in <input type="checkbox"/> Notice of Violation or <input type="checkbox"/> Cessation Order within time for abatement originally fixed or subsequently extended.

**This order requires Cessation of PORTION(S) of mining activities.**

**Mining activities to be ceased immediately:**  Yes  No      **Abatement Times (if applicable):**  
 Complete the required permitting activities listed below by: by June 22, 2011 @ 17:00 Hours

**Action(s) required:**  Yes  No

- 1) The Permittee must update Section 520, Operation Plan Facilities List, and Section 526, Support Facilities of the mining and reclamation plan to include the 30 Ton bulk rock dust storage tank.
- 2) Develop a demolition cost for removal of the bulk tank and its support structure. Update the reclamation cost estimate in the MRP (Appendix 8-1) to include this additional demolition and removal cost.
- 3) Update Plate 5-2, Surface Area, Official Disturbed Boundary Map / Mine Facility List to include the new bulk rock dust tank facility. Depict the location of this installation on Plate 5-2.

**R. Jay Marshall**

**PETE HESS**

(Print) Permittee Representative  
*Scanned and E-mailed to Resident Agent 6/8/2011 @ 12:28 PM*  
 Permittee Representative's Signature - Date

(Print) DOGM Representative  
*Pete Hess June 8, 2011*  
 DOGM Representative's Signature (Date)

**SEE REVERSE SIDE OF This Form For Instructions And Additional Information**

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- 12) 60-inch Conveyor from tunnels to Coal Stockpile
- 13) (ROM) Underground Belt from Stockpile to Crusher
- 14) 48-inch Conveyor from Crusher to Loadout Bin
- 15) Drop from Loadout Bin to Truck Loadout
- 16) Reclaim Tunnel, Escape Tunnel, Fan and Fan House
- 17) ROM Storage Pile, Coal Stacking Tube, 30 ton Rock Dust Silo
- 18) Crusher Screen Plant
- 19) Truck Scale and Loadout
- 20) Coal Loadout Storage Bin
- 21) Guardrails
- 22) Underground Pipes
- 23) Chain Link Fence

### **Support Facilities**

- 24) Non-Coal Waste Area
- 25) Equipment & Supplies Storage Area
- 26) Topsoil Pile
- 27) Refuse Pile
- 28) Sediment Pond
- 29) Slope Access Road / Portal Access Road
- 30) Rock Slopes
- 31) Mine Facilities Road / Truck Loadout Road
- 32) Office/Bathhouse/Warehouse Asphalt Parking Area
- 33) Mine Parking
- 34) Fuel Tanks
- 35) Powder and Cap Magazines
- 36) Culvert locations are shown on Plate 7-2.

A description of new structures and facilities:

### **Office/Bathhouse**

The office and bathhouse building is shown on Plate 5-2. This building will jointly house all support personnel such as accounting, administration, engineering, and safety and will provide a comfortable office environment for all employees. Bathhouse and toilet facilities will be found for all employees at this location. The bathhouse will provide a location for underground miners to change from clean street clothes to clothing suitable for underground use. The area will provide showers for employees for use after their scheduled work shifts so they can clean up prior to returning home. Both the bathhouse and office buildings will be of prefabricated construction and will rest on a concrete pad. The pad dimensions will be approximately 150' by

loading.

### **Reclaim Tunnel, Escape Tunnel, Fans**

Design for the escape and reclaim tunnels is not complete. Standard practice is to construct the tunnels from either concrete or corrugated metal. The reclaim tunnel is approximately 350' long with a 14' diameter. The escape tunnel will be approximately 300' long with a diameter of 4'. Appropriate safety and environmental concerns will be addressed upon detailed design. The preliminary layout is shown on Plates 5-2 and 5-8.

### **ROM Storage Pile**

The run of mine storage pile receives coal directly from the underground works and provides storage for the coal until it is crushed and loaded into trucks for transportation to a unit train loadout. The coal from the underground run of mine belt will be dropped into a stacking tube located in the center of the run of mine storage pile. This tube will help reduce any fugitive dust. The stacking tube will be approximately 80' high and will allow for approximately 200,000 tons of open storage in the run of mine storage pile. A 30 ton rock dust bin will be located in this area. The run of mine storage pile is shown on Plates 5-2 and 5-8.

### **Crusher**

The enclosed crusher will crush coal from the 8" minus down to a 2" minus size, at the rate of approximately 1000 tons per hour. The coal will be first screened then the oversized will be crushed. Crushed coal will be stored temporarily in a 500 ton storage bin located above the truck loadout. The crusher and screen locations are shown in Plates 5-2 and 5-8.

### **Truck Scale and Loadout**

Coal will be reclaimed from the coal storage bin, weighed and then loaded into coal haul trucks for transportation to the various unit train loadouts. A small loadout shack will be constructed to provide cover and protection for the various equipment and controls need for the coal loading process. The truck scale and loadout are shown on Plates 5-2 and 5-8.

The equipment and supply storage area is approximately 350' by 400'. This storage area will be used to store mine supplies and equipment from the time of delivery until they are needed underground. Supplies such as timbers, bolts, plates, rock-dust, pipes, resin, screens, concrete blocks, steel, cables, and numerous other materials may be stored in this area. Equipment both new and used will be stored in this area. Many various longwall pieces such as shields, pan-lines, shears, chains, head and or tail drives, transformers, belt drives, pumps and numerous other material will be stored in this storage area. This secure area provides for a good storage area for diesel, gasoline, hydraulic, and roadway chemicals. All oil tanks will have appropriately designed berms or retaining walls. The equipment and supplies storage area is shown on Plate 5-2. Any explosives will be stored here according to appropriate MSHA regulations.

### **Topsoil Pile**

The topsoil pile has been located on the south west end of the surface facilities. The pile has been designed to contain adequate topsoil for redistribution according to the reclamation plan found in Chapter 5. The proposed location provides for good protection from wind contamination as well as protection from mine related activities. The location of the topsoil pile is shown on Plate 5-2.

### **Mine Development Waste Pile**

A temporary mine development waste area has been designed to provide a location for the storage of underground development waste that is brought to the surface. Any underground development waste, other than rock slope material, will be placed in the temporary pile then blended back into the coal stream for sale. The rock slope material will be used as fill as per Appendix 5-7. The capacity of the temporary pile will only be a few hundred tons. The area for the rock slope material is shown on Plate 5-2.

### **Sediment Pond**

The sediment pond has been design to provide for adequate sediment protection for the project area. All water running off the disturbed area will be routed into the sediment pond for treatment. The sediment pond has been designed according to the appropriate R645 regulations and the designs can

Bonding Calculations  
Horse Canyon MineC/007/013  
Lila Canyon Section

Bond Summary

Direct Costs

Subtotal Demolition and Removal	\$688,050.00	
Subtotal Backfilling and Grading	\$417,838.00	
Subtotal Revegetation	\$340,586.00	
Direct Costs	\$1,446,474.00	

Indirect Costs

Mob/Demob	\$144,647.00	10.0%
Contingency	\$72,324.00	5.0%
Engineering Redesign	\$36,162.00	2.5%
Main Office Expense	\$98,360.00	6.8%
Project Mainagement Fee	\$36,162.00	2.5%
Subtotal Indirect Costs	\$387,655.00	26.8%

Total Cost \$1,834,129.00

Escalation factor		0.005
Number of years		3
Escalation	\$27,650.00	

Reclamation Cost \$1,861,779.00

Bond Amount (rounded to nearest \$1,000)  
2013 Dollars \$1,862,000.00

Bond Posted Up to December 2010 \$1,807,000.00

Difference Between Cost Estimate and Bond  
Percent Difference -\$55,000.00  
-2.95%





Ref.	Description	Materials	Means Reference Number	Unit Cost	Unit	Quantity	Unit	Cost
	Lila Old Fan Portals							
	Structure's Demolition Cost	Old Horse Canyon Lila Fan Portal Seal Lila North and South Portals		2500	2			5,000
				5200	5			26,000
	<b>Total</b>				<b>7</b>			<b>31,000</b>