

Outgoing, C0070013

#3804

OK



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

June 30, 2011

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

Subject: 2010 Annual Report Review Completion, Horse Canyon Mine, C/007/0013, Task ID #3804

Dear Mr. Marshall:

The Division staff has completed the review of the 2010 Annual Report. Enclosed is a copy of the review with each reviewer's comments completed on June 30, 2011. Please submit 6 copies of the following items as separate applications with a C1/C2 form for approval and incorporation into the official mining and reclamation plan by August 1, 2011.

- In accordance with R645-301-521, -525.240, please resubmit the mine workings map including the five-year mining projection for incorporation into the M&RP.
- Please resubmit the updated ownership and control information prepared for incorporation into the M&RP.
- Plate 5-2, as contained in the approved MRP (Incorporated on December 9, 2010) labels the slope between the coal pile road and the portal access road in the following manner; "AREA BETWEEN ROADS DISTURBED, BUT NO TOPSOIL STRIPPED". This designation is not listed as item #37 on the Mine Facility List, which is located in the lower left corner of Plate 5-2.
- The Topsoil Removal Map dated February 2010 and included in the 2009 Annual Report shows an undisturbed area immediately north of the coal stockpile pad and warehouse storage pad and an "Area between roads disturbed but not topsoil stripped," east of the warehouse pad. Pete Hess recalls that topsoil was salvaged from the area to the north in 2010. Priscilla Burton recalls that the topsoil and subsoil was cut from the area to the east for the construction of bent structures in 2010. The Permittee has recently submitted a map showing a cat trail across the area. Please review soil salvage records and provide an update to the 2010 Annual Report table of volumes for soils salvaged during 2010 and include a revision of the Topsoil Removal Map.
- The information on the raptor survey map does not coincide with the two sets of data included in the Annual Report. The two sets of data also need to be clarified. The

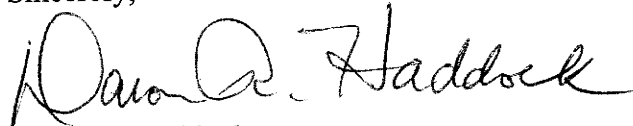


Permittee also needs to submit the follow up survey data for the active peregrine falcon nest.

- There are no calculations for 2010 water depletion for the CO River Endangered Fish Recovery Program included in this Annual Report.
- The Permittee needs to submit the Vegetation Test Plot monitoring data for 2010. The data needs to be submitted in accordance with R645-301-131 and 132.

Thank you for your diligence in completing the Annual Report. If you have any questions, please call me at (801) 538-5325.

Sincerely,

A handwritten signature in black ink that reads "Daron R. Haddock". The signature is written in a cursive style with a large initial "D".

Daron R. Haddock
Coal Program Manager

DRH/sqs
Enclosure

cc: Price Field Office

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Submit by Email

Print Form

Reset Form

Annual Report

Date

6/30/11

This Annual Report shows information the Division has for your mine. Submit the completed document and any additional information identified in the Appendices to the Division by **March 31, 2011**. During a complete inspection an inspector will check and verify the information.

GENERAL INFORMATION

Company Name	Utah American Energy	Mine Name	Horse Canyon (Lila Canyon) Mine
Permit Number	C/007/0013	Permit expiration Date	2011-05-06
Operator Name	Utah American Energy, In.,	Phone Number	+1 (435) 888-4000
Mailing Address	P.O. Box 910	Email	jmarshall@coalsource.com
City	East Carbon	State	UT
Zip Code	84520		

CERTIFIED REPORTS

DOGM File Location or Annual Report Location

Excess Spoil Piles	<input type="checkbox"/> Required	<input checked="" type="checkbox"/> Not Required	
Refuse Piles	<input type="checkbox"/> Required	<input checked="" type="checkbox"/> Not Required	
Impoundments	<input checked="" type="checkbox"/> Required	<input type="checkbox"/> Not Required	Annual Inspection Attached
Other:			

OPERATOR COMMENTS

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

The Permittee submitted construction inspection reports for ponds #1 and #2, dated June 10, 2010, as the Annual Impoundment certification for 2010. Mr. R. Jay Marshall, P.E. and General Manager of the Lila Canyon Project performed the inspections and certified the reports, as is required under R645-301-514.300, et al for Impoundments. There were no signs of instability, structural weakness, or any other hazardous conditions identified. Both impoundments are incised. To date, only small volumes of water have been contained, and neither pond has ever discharged. Only pond #1 has a UPDES outfall. Should pond #2 contain a large volume of water, said volume will be pumped to pond #1 for final treatment and discharge to the right fork of Lila Canyon per the approved plan. The P.E. stamps on both inspection reports are dated June 15, 2010. Other requirements mandated by R156-22-601 are being met.

COMMITMENTS AND CONDITIONS

The Permittee is responsible for ensuring annual technical commitments in the MRP and conditions accepted with the permit are completed throughout the year. The Division has identified these commitments below and has provided space for you to report what you have done during the past year for each commitment. If additional written response is required, it should be filed as an attachment to this report.

Title: Raptor survey

Objective: Survey all raptor habitat and nests.

Frequency: Annually.

Status: On going starting in 2005.

Reports: Annual Reports (Confidential Incoming).

Citation: MRP-Part B, Sec. 322.220, p. 10; Sec. 330, p. 20; Sec 358.100 p. 38.

OPERATOR COMMENTS

Report with map attached

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

The information on the raptor survey map does not coincide with the two sets of data included in the annual report. The two sets of data also need to be clarified. The permittee also needs to submit the follow up survey data for the active peregrine falcon nest.

Title: CO River fish

Objective: Water depletion reporting for the CO River endangered fish Recovery Implementation Program.

Frequency: Annually.

Status: On going.

Reports: Annual Report.

Citation: Sec. 322.220, p.11.

OPERATOR COMMENTS

Calculation for 2010 is attached

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

There are no calculations for 2010 included in this report.

Title: Vegetation test plot.

Objective: To test whether summer seeding will increase establishment of the warm season species.

Frequency: annually for three years.

Status: Implement immediately following construction of sediment pond. Pond was constructed in spring of 2010.

Reports: Provide three years of monitoring results in Annual Reports.

Citation: MRP-Part B, Sec. 341.300 p. 26; Sec. 354, p. 28.

OPERATOR COMMENTS

Pond was seeded in Spring and Fall of 2010. No growth was observed in 2010.

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

The permittee needs to submit the monitoring data for 2010. The data needs to be submitted in accordance with R645-301-131 and 132.

Title: Slope between the coal pile road and the portal access road (Plates 2-3 and 5-2)

Objective: No disturbance is anticipated for this slope, consequently, UEI will evaluate the condition of the slope after road construction and label the slope either disturbed or undisturbed, as appropriate, on an As Built site map.

Frequency: Once after construction.

Status: Ongoing.

Reports: As Built site map required.

Citation: Section 520, Support Facilities List item #37.

OPERATOR COMMENTS

Slope is labeled on Plate 5-2.

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

Plate 5-2, as contained in the approved MRP (Incorporated on December 9, 2010) labels the slope between the coal pile road and the portal access road in the following manner; "AREA BETWEEN ROADS DISTURBED, BUT NO TOPSOIL STRIPPED". This designation is not listed as item #37 on the Mine Facility List, which is located in the lower left corner of Plate 5-2. A P.E. stamp, applied by Mr. R. Jay Marshall, General Manager, is located adjacent to the title block, SURFACE AREA.

Title: Employ a qualified soils specialist

Objective: To oversee the soil salvage,. Soil pedestals will be left to verify soil removal depths.

Frequency: During construction.

Status: Ongoing.

Reports: Annual Report "Topsoil Movement and Construction Record." During Phase 1 and Phase 2 construction, record topsoil salvaged and placed in the topsoil stockpile and number of acres salvaged, include map of salvaged and undisturbed acreage.

Citation: N10045 abatement. Pete Hess Tech Memo of Remedial actions 04/05/2010a.pdf

OPERATOR COMMENTS

Not applicable for this year. Was reported in annual report for 2009.

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

Priscilla Burton, 05/12/2011. The Topsoil Removal Map dated February 2010 and included in the 2009 Annual Report shows an undisturbed area immediately north of the coal stockpile pad and warehouse storage pad and an "Area between roads disturbed but not topsoil stripped," east of the warehouse pad. Pete Hess recalls that topsoil was salvaged from the area to the north in 2010. I recall that the topsoil and subsoil was cut from the area to the east for the construction of bent structures in 2010. The Permittee has recently submitted a map showing a cat trail across the area. Please review soil salvage records and provide an update to the 2010 Annual Report table of volumes for soils salvaged during 2010 and include a revision of the Topsoil Removal Map.

Title: Subsoil used for construction fill

Objective: To record location of subsoil placement for use in reclamation. The location of subsoil with suitable reclamation characteristics will be mapped for ease of recovery and replacement during reclamation.

Frequency: During construction.

Status: Ongoing.

Reports: As-Built maps showing where subsoil materials have been used as fill material.

Citation: Section 232.500, Section 241, Section 242.100.

OPERATOR COMMENTS

Soil disturbance is not complete, a As built will be submitted once all soil has been stripped and stored.

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

Priscilla Burton, 05/12/2011. The Topsoil Removal Map dated February 2010 and included in the 2009 Annual Report shows an undisturbed area immediately north of the coal stockpile pad and warehouse storage pad and an "Area between roads disturbed but not topsoil stripped," east of the warehouse pad. Pete Hess recalls that topsoil was salvaged from the area to the north in 2010. I recall that the topsoil and subsoil was cut from the area to the east for the construction of bent structures in 2010. The Permittee has recently submitted a map showing a cat trail across the area. Please review soil salvage records and provide an update to the 2010 Annual Report table of volumes for soils salvaged during 2010 and include a revision of the Topsoil Removal Map.

Title: Rain Gauges

Objective: Establish on-site climatological database

Frequency: No less than monthly from May 1 through October 30, monthly when feasible during the remaining months.

Status: To be implemented within 30 days of Board's approval of the Stipulation for Dismissal

Reports: Data will be downloaded quarterly and included in the Annual Report

Citation: Conditions to the Permit, Attachment A, Special Conditions (December 21, 2007)

OPERATOR COMMENTS

See attached "Rain & Crest Gauge Data Evaluation and Recommendation"

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

(Jim Smith, 13 April and 8 June 2011) The rain gauges appear to have collected valid, useful information; however, the Operator has submitted an amendment that will terminate monitoring at the upper site: the Division approved this action in the Technical Review (Task ID #3822) but the amendment is not yet approved.

Title: CREST STAGE GAUGES AND SIPHON SAMPLERS

Objective: additional water-quality and -quantity data.

Frequency: Quarterly monitoring for 2 years; Installation, maintenance, and inspection to follow USGS protocols and on a frequency established by the Division. Monitoring required through August 2010 to supply required two years of data.

Status: Devices were installed March 2008 and August 2008. Summary of monitoring through August 2010 required for 2010 Annual Report.

Reports: Crest stage gauge and siphon sampler results to be provided in the annual report. The MRP (and CHIA) to be updated as needed.

Citation: Conditions to the Permit, Attachment A, Special Conditions (December 21, 2007).

OPERATOR COMMENTS

See attached "Rain & Crest Gauge Data Evaluation and Recommendation"

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

(Jim Smith, 13 April 2011) The crest stage gauges provided some useful information, especially when correlated with the rain gauge data. Only one sample of water was collected in a siphon sampler, and that sample was insufficient for water-quality analyses. Debris plugged the openings at times, and at other times channel morphology and vagaries of flow apparently diverted water away from the gauge or siphon sampler inlets. The Operator recommends that the monitoring with crest stage gauges and siphon samplers be discontinued.

Title. Lila Canyon Mine Site Topsoil Salvage Monitoring

Objective. Monitor and maintain records of materials removed and placement of materials in the topsoil storage pile.

Frequency. During construction a qualified soil scientist will oversee the soil salvage and maintain records of materials removed.

Status. During Phase 1 and Phase 2 construction.

Reports. Annual Report. Report volumes of soil salvaged and placed in the topsoil stockpile, map acreage of salvage, and report acreage of salvage and acreage remaining undisturbed.

Citation. N10045 abatement.

OPERATOR COMMENTS

Soil disturbance is not complete, a As built will be submitted once all soil has been stripped and stored.

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

Priscilla Burton, 05/12/2011. The Topsoil Removal Map dated February 2010 and included in the 2009 Annual Report shows an undisturbed area immediately north of the coal stockpile pad and warehouse storage pad and an "Area between roads disturbed but not topsoil stripped," east of the warehouse pad. Pete Hess recalls that topsoil was salvaged from the area to the north in 2010. I recall that the topsoil and subsoil was cut from the area to the east for the construction of bent structures in 2010. The Permittee has recently submitted a map showing a cat trail across the area. Please review soil salvage records and provide an update to the 2010 Annual Report table of volumes for soils salvaged during 2010 and include a revision of the Topsoil Removal Map.

Title: Vegetation monitoring

Objective: Color infrared photography. Submit and implement a mitigation plan, if results indicate impact from operations.

Frequency: Every 5 years.

Status: On going.

Reports: Annual Report.

Citation: MRP-Part B, Sec. 332, p. 14

OPERATOR COMMENTS

Color infrared will be done prior to any subsidence mining.

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

The following commitments are not required for the current annual report year, but will be required by the permittee in the future as indicated by the Status item. These commitments are included for information only, and do not currently require action.

Title: Mexican spotted owl.

Objective: Conduct two-year calling survey at least two years but no more than four years prior to undermining identified habitat. Results will be submitted to USFWS, DWR, and the Division immediately following of each nighttime survey. If owls are observed, the agencies will immediately coordinate to determine appropriate measures.

Frequency: Dependent on habitat and mine plan.

Status: On going.

Reports: Final reports in Annual Report (Confidential).

Citation: MRP-Part B, Sec. 333, p. 17.

OPERATOR COMMENTS (Optional)

Title: Subsoil use in reclamation.

Objective: Subsoils found to be contaminated with oil, grease, or salts through visual evaluation will be hauled to a landfill site.

Frequency: One time.

Status: Ongoing.

Reports: None.

Citation: Section 232.500.

OPERATOR COMMENTS (Optional)

Title: Application of inoculum

Objective: An inoculum will be applied to the reclaimed soil surface to re-establish bacteria, mycorrhiza and mycelium in the soil. At the time of permitting, the exact product to be applied to the soil is not defined, however the Division expects that the best technology available at the time of reclamation will be employed, as per R645-301-333.

Frequency: During reclamation.

Status: Ongoing.

Reports: Division consultation.

Citation: Section 241

OPERATOR COMMENTS (Optional)

[REDACTED]

Title: TWO MONITORING WELLS TO BE ESTABLISHED IN FUTURE BOREHOLES.

Objective: Monitor water levels and water quality within the permit and adjacent areas.

Frequency: If wells are established.

Status: To be done when and if additional holes are bored from the surface to the coal seam.

Reports: Water-quality and -quantity data will be included in the quarterly hydrology reports. The MRP (and CHIA) to be updated as needed.

Citation: Conditions to the Permit, Attachment A, Special Conditions (December 21, 2007)

OPERATOR COMMENTS (Optional)

[REDACTED]

Title. Lila Canyon Mine Salvage of Cryptogams on Topsoil Pile Prior to Reclamation.

Objective. Salvaged cryptogams will be added to the wood fiber mulch and hydrosprayed on the surface of the reclaimed site.

Frequency. Immediately after seeding of the reclaimed site

Status. During reclamation of the Lila Canyon Mine.

Reports. Success of cryptogamic establishment will be evaluated (by Division and Permittee) prior to collection from topsoil stockpile.

Citation. MRP Section 232.100 and Section 234.230.

OPERATOR COMMENTS (Optional)

[REDACTED]

REPORTING OF OTHER TECHNICAL DATA

List other technical data and information as required under the approved plan, which must be periodically submitted to the Division. Specify whether the information is included as an attachment to this report or currently on file with the Division.

Please List Attachments:

REVIEWER COMMENTS Met Requirements Did Not meet Requirements

LEGAL, FINANCIAL, COMPLIANCE AND RELATED INFORMATION

The Division is Requesting that each Permittee review and update the legal, financial, compliance and related information in the plan as part of the annual report. Please provide the Department of Commerce, Annual Report of Officers, or other equivalent information as necessary to ensure that the information provided in the plan is current. Provide any other change as necessary regarding land ownership, lease acquisitions, legal results from appeals of violations, or other changes as necessary to update information required in the mining and reclamation plan. Include certified financial statements, audits or worksheets, which may be required to meet bonding requirements. Specify whether the information is currently on file with the Division or included as an attachment to the report.

LEGAL/ FINANCIAL UPDATE

Included

DOGM File Location or Annual Report Location

REVIEWER COMMENTS

Met Requirements

Did Not meet Requirements

MAPS

Copies of mine maps, current and up-to-date through at least December 31, 2010, are to be provided to the Division as an attachment to this report in accordance with the requirements of R 645-301-525.240. The map copies shall be made in accordance with 30 CFR 75.1200 as required by MSHA. Mine maps are not considered confidential.

Map Name	Map Number	Included		Confidential	
		Yes	No	Yes	No
Annual Subsidence Map		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mine Map		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REVIEWER COMMENTS Met Requirements Did Not meet Requirements

Current confidential mine map is included.
 (Jim Smith, May 4, 2011) There was no full-extraction mining in 2010, only development; coal extraction began in May when entries first entered the coal seam, and the first coal was shipped in October.

OTHER INFORMATION

Please provide any comments of further information to be included as part of the Annual Report. Any other attachments are to be provided as an attachment to this report. If information is submitted as a group rather than by individual mine, please identify each of the mine's data in the list below.

Please List Attachments:

REVIEWER COMMENTS