

2



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

Outgoing
C0070013
#4090
K

July 25, 2012

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

Subject: Phase III Bond Release Approval and Updated Lila Canyon Permit, UtahAmerican Energy, Inc. (UEI), Horse Canyon Mine, C/007/0013, Task ID #4090

Dear Mr. Marshall:

The Application for bond release in the amount of \$8,000.00 for the Phase III Bond Release of the Horse Canyon Mine is hereby approved. UtahAmerican's Phase III bond release request is for .49 acres for Ditch #31. A bond release inspection was conducted in June 12, 2012, which included representatives from the U.S. Bureau of Land Management (BLM), UtahAmerican Energy Inc, and the Eastern Utah State University. A Phase III Bond Release decision document was prepared by the Division of Oil, Gas & Mining and distributed on June 25, 2012.

The OSM, Denver Field Division, submitted a letter dated July 19, 2012 which agreed with the Division's findings and decision document and concurred with the bond release action. The BLM concurred in a letter received by the Division on June 29, 2012.

Two copies of the revised permit reflecting the Phase III Release are enclosed. Please sign both copies and return one copy to the Division. The other copy is for your records. Please note the attached permit conditions and recognize that they are still applicable.

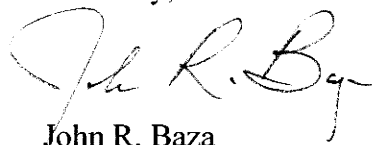
Also enclosed is a stamped incorporated copy for your copy of the Mining and Reclamation Plan.



Page 2
Jay Marshall
July 25, 2012

If you have any comments or concerns, please contact Daron Haddock at 801 538-5325 or me at 801 538-5340.

Sincerely,

A handwritten signature in black ink, appearing to read "John R. Baza". The signature is written in a cursive style with a large initial "J" and "B".

John R. Baza
Director

JRB/DRH/sqs
cc: Kenneth Walker, OSM
Jeff McKenzie, BLM
Price Field Office
O:\007013.HOR\WG4090\FinalApproval.doc

FEDERAL

C/007/0013

July 25, 2012

**STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340**

This permit, C/007/0013, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (Division) to:

**UtahAmerican Energy, Inc.
P.O. Box 910
East Carbon, Utah 84520-0910**

for the Horse Canyon Mine Complex, including Lila Canyon Mine. Three surety bonds are filed with the Division in the amount of \$130,000.00, \$1,556,000.00 and \$113,000 (totaling \$1,799,000) payable to the State of Utah, Division of Oil, Gas and Mining and the United States Department of Interior, Office of Surface Mining Reclamation and Enforcement (OSM). The Division must receive a copy of this permit signed and dated by the permittee.

- Sec. 1 STATUTES AND REGULATIONS** - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.
- Sec. 2 PERMIT AREA** - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Horse Canyon Mine (including the Lila Canyon extension), situated in the state of Utah, Carbon and Emery Counties, and located:

Lila Canyon Mine and Lila Canyon Portals

T16S R14E

Section 10:	Portions of SE1/4
Section 11:	E1/2 Portions of W1/2
Section 12:	All
Section 13:	All
Section 14:	All
Section 15:	Portions of E1/2 Portions of SW1/4
Section 22:	NE1/4 NE1/4

Section 23: N1/2
SE1/4
E1/2 SW1/4
Section 24: All
Section 25: N1/2
Section 26: E1/2 NE1/4

T16S R15E

Section 19: W1/2 SW1/4
SE1/4 SW1/4
Section 30: NW1/4
SW1/4 NE1/4

This legal description is for the permit area of the Horse Canyon Mine (including the Lila Canyon extension). The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to all applicable conditions, laws and regulations.

Sec. 3 COMPLIANCE - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

Sec. 4 PERMIT TERM - This permit expires on May 6, 2016.

Sec. 5 ASSIGNMENT OF PERMIT RIGHTS - The permit rights may not be transferred, assigned or sold without the approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13 {e} and R645-303-300.

Sec. 6 RIGHT OF ENTRY - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

(a) Have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;

(b) be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by the private person.

Sec. 7 SCOPE OF OPERATIONS - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 ENVIRONMENTAL IMPACTS - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:

- (a) Any accelerated or additional monitoring necessary to determine the nature and extent of noncompliance and the results of the noncompliance;
- (b) immediate implementation of measures necessary to comply; and
- (c) warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- (a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 12 RECLAMATION FEE PAYMENTS - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

- Sec. 15 PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.
- Sec. 16 CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division. The Division, after coordination with OSM, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by Division within the time frame specified by Division.
- Sec. 17 APPEALS** - The permittee shall have the right to appeal as provided for under R645-300-200.
- Sec. 18 SPECIAL CONDITIONS** - There are special conditions associated with this permitting action as described in attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them.

These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations

THE STATE OF UTAH

By: John R. By

Date: 7/25/12

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

Authorized Representative of Permittee

By: _____

Date: _____

Attachment A

SPECIAL CONDITIONS

(July 25, 2012)

1. UtahAmerican Energy, Inc (UEI) will submit water quality data for the Horse Canyon Mine, in an electronic format through the Electronic Data Input web site, <http://linux1.ogm.utah.gov/cgi-bin/appx-ogm.cgi>
2. UEI will conduct annual inspections of the Lila Canyon portals and submit a report of conditions by May 5th each year until the site is permanently reclaimed.

O:\007013.HOR\PERMIT\2012\Permit.doc