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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

July 15, 2013

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

Subject: 2012 Annual Report Review Completion, Horse Canyon Mine, C/007/0013, Task ID #4258

Dear Mr. Marshall:

The Division staff has completed the review of the 2012 Annual Report. Enclosed is a copy of the review with each reviewer's comments completed on June 28, 2013. There were two items identified during the review that did not meet the requirements in the MRP. Please review the annual report reviews for details. Please address the lacking requirements by August 15, 2013.

Thank you for your diligence in completing the Annual Report. If you have any questions, please call me at (801) 538-5350.

Sincerely,

Steve Christensen
Permit Supervisor

SKC/sqs
Enclosure
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Annual Report

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 the date specified in the cover letter. During a complete inspection an inspector will check and verify the information.

GENERAL INFORMATION

Company Name	Utah American Energy	Mine Name	Lila Canyon Mine
Permit Number	C/007/0013	Permit expiration Date	5/6/2016
Operator Name	UtahAmerican Energy, Inc.	Phone Number	+1 (435) 888-4000
Mailing Address	794 North C Canyon Road P.O. Box 910	Email	jmarshall@coalsource.com
City	East Carbon		
State	Utah	Zip Code	84520

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	Ponds #1 and #2 Annual Certification is attached immediately following this page.
Other:		

OPERATOR COMMENTS

REVIEWER COMMENTS

Met Requirements Did Not meet Requirements

The annual sediment pond inspections were done on January 7, 2013. The results of these inspections are contained in a report dated January 7, 2013. The report is P.E. certified, dated and signed on January 7, 2013 by Utah P.E. #152606. This report is available at the mine site and has been submitted as part of the 2012 Annual Report. Inspection reports indicate that impoundments show no signs of structural weakness, instability, or other hazardous conditions. Structures have been scheduled to be cleaned according to required clean-out levels and are reported to be functioning properly. (JCO)

COMMITMENTS AND CONDITIONS

The Permittee is responsible for ensuring annual technical commitments in the Mining and Reclamation Plan 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: Identify and monitor all raptors and nests.

Frequency: Annually

Status: Ongoing since 2005. The map must coincide with the data set and the data set must be discernible. The follow up survey data, if any, must also be submitted.

Reports: Annual Reports

Citation: MRP, Part B, Section 322.220, page 10, Section 330, page 20, Section 358.100 page 38

Operator Comments

The 2012 Raptor Survey is being submitted for insertion into the confidential binder and is not included with this annual report.

Reviewer Comments Met Requirements Did Not Meet Requirements

The 2012 raptor survey indicated that there were 2 birds in the nest approximately 14 days old. However no follow up survey was conducted to determine if a take had occurred and what the status of the nest was in terms of productivity. Reviewed by Joe Helfrich.

Title: **COLORADO RIVER ENDANGERED FISH RECOVERY PROGRAM**

Objective: Report water depletion for the CO River Endangered Fish Recovery Program

Frequency: Annually

Status: Ongoing

Reports: Annual

Citation: MRP, Section 322.220, page 11

Operator Comments

The water depletion calculation for the CO River Endangered Fish Recovery Program is attached immediately following this page.

Reviewer Comments Met Requirements Did Not Meet Requirements

The information is adequate to meet the requirements of this section of the annual report

Title: VEGETATION TEST PLOT

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

Frequency: Annually for three years

Status: Year one sampling occurred in 2011. Occular estimation is due in 2012, and 2013 and a possible quantitative survey may be required by the Division.

Reports: Annual report

Citation: MRP, Part B, Section 341.300, page 26. Section 354, page 28

Operator Comments

A report addressing the reclamation success planting at different times of the year is attached immediately following this page.

Reviewer Comments Met Requirements Did Not Meet Requirements

Occular estimates should be completed late July to mid august to obtain the best results.

Title: RAIN GAUGES

Objective: Establish on site climatological database

Frequency: No less than monthly from May 1 to 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

The rain gauge report is attached immediately following this page.

Reviewer Comments Met Requirements Did Not Meet Requirements

Rain gauge data for the year of 2012 was submitted as required. (AD)

Title: MAINTAIN RECORDS OF SOIL SALVAGE

Objective: Records of soil salvage will be maintained and included in the annual report. A soil specialist will oversee the soil removal. Soil pedestals will be left to verify soil removal depths.

Frequency: During phase 1 and 2 construction, the soils specialist will record topsoil salvaged and placed in the topsoil stockpile and number of acres salvaged.

Status: Ongoing, Topsoil salvage will resume in 2012.

Reports: Provide an update to the number of acres salvaged and volumes salvaged in the Annual report "Topsoil Movement and Construction Record" and include a map of salvaged and undisturbed acreage.

Citation: R645-301-232.500 and R645-301-232.100 and N10045 abatement.

Operator Comments

No earth work was done and no soil has been salvaged in 2012. Since no soils was salvaged the soil salvage records were not updated.

Reviewer Comments Met Requirements Did Not Meet Requirements

Reviewed by Priscilla Burton on 3/11/2013. Inspection Reports confirm that Phase 2 construction and topsoil salvage were not resumed as planned in 2012.

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: Annual report, Submit As built maps showing where subsoil materials have been used as fill material.

Citation: MRP, Section 232.500, Section 241, and Section 242.100.

Operator Comments

Not applicable since no subsoil with suitable reclamation characteristics exists. All fills will be mapped upon completion of Phase II earthwork.

Reviewer Comments

Met Requirements

Did Not Meet Requirements

Reviewed by Priscilla Burton on 3/11/2013. There is a misunderstanding on the part of the Permittee that "no subsoil with suitable reclamation characteristics exists." To the contrary, MRP Chapter 2 and its appendices describe the locations of shale subsoil that is to be avoided and the suitable subsoil that is to be used for four foot of cover over the coal mine waste. Some of this material was placed in the fill under Phase 1 construction and should be mapped at this time, so that the institutional memory of where the subsoil is located is not lost.

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 each nighttime survey. If owls are observed, the agencies will immediately coordinate to determine appropriate measures.

Frequency: Dependent on habitat and mine plan

Status: Please update confidential map 5-3 with correct mine workings to indicate when mining will occur under MSO habitat.

Reports: Submit final reports in annual report.

Citation: MRP, Part B, Section 333, page 17.

Operator Comments

Map Confidential 5-3 has been updated showing current estimated timing which indicates when mining will occur under MSO habitat. This map is being submitted for insertion into the confidential binder and is not included with the annual report.

Reviewer Comments

Met Requirements

Did Not Meet Requirements

Map Confidential 5-3 has been updated to show current estimated timing which indicates when mining will occur under MSO habitat. This map has being submitted for insertion into the confidential binder.

Title: REACTIVATION OF OPERATIONAL MONITORING OF SURFACE WATER SAMPLING LOCATIONS

Objective: Quarterly sampling to initiate at least two years prior to resuming underground mining activities on sites L-7-G; L-8-G; L-9-G; L-11-G; L-12-G; L-13-G; L-14-G; L-18-S; L-19-S; IPA-1; IPA-2; IPA-3.

Frequency: Notify Division once, quarterly sampling

Status: Monitoring suspended as of October 2011, Division awaiting reactivation notification.

Reports: Annual Report, notify Division if/when mining is to occur.

Citation: MRP, Part B, Section 731.222, table 7-3

Operator Comments

The division will be notified once quarterly sampling resumes.

Reviewer Comments Met Requirements Did Not Meet Requirements

These sites have not yet been reactivated. All other required water monitoring data has been submitted to the DOGM database. (AD)

Title: GENEVA MINE/ LILA CANYON FAN PORTAL BARRICADES

Objective: Inspect the Geneva Mine fan portal Barricades annually and report findings to Division and BLM.

Frequency: annually

Status: Ongoing

Reports: Annual Report.

Citation: MRP, Part B, Chapter 5, Section 529, page 54 and 55

Operator Comments

A report summarizing the annual inspection of the old Geneva fan portals in Lila Canyon is attached immediately following this page.

Reviewer Comments Met Requirements Did Not Meet Requirements

The Permittee hired Mr. Melvin A. Coonrod, Environmental Industrial Services to inspect the Geneva Mine / Lila Canyon Fan portals and report on their condition. The inspection was done on August 5, 2012. Mr. Coonrod's report states that the Mine seals were intact and that the safety barricades which were required by the Division and the USDOL/ Bureau of Land Management were in good repair with no indication of vandalism or tampering. All "No Trespassing" and "Possible Dangerous Atmosphere" signs were in good shape, as observed from the submitted photographs. The Permittee continues to meet this permit condition of the MRP. (PHH, 3/14/2012)

FUTURE COMMITMENTS AND CONDITIONS

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" field. These commitments are included for information only, and do not currently require action. If you feel that the commitment is no longer relevant or needs to be revised, please contact the Division.

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: Once

Status: Ongoing

Reports: None

Citation: MRP, part B, Section 232.500

Title: APPLICATION OF INNOCULUM

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: MRP, Part B, Section 241.

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).

Title: LILA CANYON MINE SALVAGE OF CRYPTOGRAMS 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, Part B, Section 232.100, and Section 234.230

Title: VEGETATION MONITORING

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

Frequency: Prior to any mining, and every 5 years after.

Status: Ongoing. Baseline submitted in 2011. Next round of photos are due in 2016. A comparison between 2016 and 2011 photos will be required in 2016.

Reports: Annual Report

Citation: MRP, Part B, Section 332, page 14.

OPERATOR COMMENTS (OPTIONAL)

REVIEWER COMMENTS

No information is required this year (2012), but will be as noted in 2016.

MAPS

Copies of mine maps, current and up-to-date, are to be provided to the Division as an attachment to this report in accordance with the requirements of R645-301-525.240. 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	Not required	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mine Map	Immediately following this page	<input 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

Mine maps need to include 5 year projections of mining. Five year projections can be found on 5-3 confidential.

REPORTING OF OTHER TECHNICAL DATA

Please list other technical data or information that was not included in the form above, but is required under the approved plan, which must be periodically submitted to the Division.

Please list attachments:

Reviewer Comments