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DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 26, 2015

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

Subject: 2014 Annual Report Review Completion, Horse Canyon Mine, C/007/0013, Task ID #4801

Dear Ms. Madsen:

The Division staff has completed the review of the 2014 Annual Report. Enclosed is a copy of the review with each reviewer's comments.

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

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/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	
Operator Name		Phone Number	
Mailing Address		Email	
City			
State		Zip Code	

DOG M 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 are included.
Other:		

OPERATOR COMMENTS

REVIEWER COMMENTS Met Requirements Did Not meet Requirements

The Permittee, UtahAmerican Energy, Inc., submitted the 4th Quarter impoundment inspection reports for ponds #1 (larger pond) and pond #2 (small pond by proposed truck loadout loop) on February 17, 2015. The inspections were completed by Ms. Karin Odendahl on November 13, 2014. There were no signs of instability (both ponds are incised) or hazardous conditions identified during the impoundment inspection for either pond. Both ponds have sediment markers; the reported sediment levels were both below the 60 % cleanout elevations. The sediment level in Pond #2 was noted as being 1.3 feet below the 60 % cleanout elevation of 5,837.3 feet above mean sea level; the Permittees inspector stated that Pond 2 would probably require cleanout in the spring of 2015. Both ponds were noted as dry. Ms. Odendahl completed the qualification statement On 11/13/2014 stating that she has been properly trained, qualified and authorized by a Utah registered professional engineer experienced in impoundment design and inspection (Mr. R. Jay Marshall,

Utah P.E. # 152606). Mr. Marshall certified the 4th Quarter impoundment inspection reports as the Annual Impoundment Certifications required under R645-301-514.310, 311, and 312 on November 14, 2014, stating that both ponds were designed and constructed according to the approved MRP designs, that the impoundments were free of instability or other hazardous conditions, and that the ponds and their designs meet all applicable performance standards and effluent limitation requirements. Mr. Marshall P.E. stamps meet the requirements of R156-22-601, as mandated by the Utah Division of Professional Licensing. (PHH, 2/20/2015)

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 2014 annual Raptor Survey is being submitted for insertion into the Confidential Binder, and will not be included in the Annual Report.

Reviewer Comments Met Requirements Did Not Meet Requirements

The 2014 raptor survey map has been submitted as confidential information. There were no active nests observed within the survey area. The data coincides with the information recorded on the survey map. To ensure that the surveys are getting the correct coverage a mine map with the survey coverage is recommended.(JCH 3/10/2015)

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 Calculations for the Colorado River Endangered Fish Recovery Program is included.

Reviewer Comments Met Requirements Did Not Meet Requirements

Total consumptive use for 2014 was 5.32 acre/feet of water

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. Sampling due in 2014.

Reports: Annual report

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

Operator Comments

Due to Occular Estimation report completed by EIS in 2012, no further vegetation testing is required.

Reviewer Comments Met Requirements Did Not Meet Requirements

During the 2013 midterm review the vegetation success of the test plot was evaluated and recommendations were provided to the permittee with regard to seeding and weed control. The annual report needs to include this information. Priscilla, your comments from last year, Joe (3/10/2015)

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.

Reviewer Comments Met Requirements Did Not Meet Requirements

The rain gauge data submitted in the annual report continues to illustrate the types of rainfall events that are typical for the area of the Lila Canyon Mine. Rainfall events can usually be categorized as short duration - high intensity storms, short duration - small isolated storms, or longer storms from fronts moving through the area. (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

Included in report

Reviewer Comments Met Requirements Did Not Meet Requirements

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

The Subsoil location will be tracked when it is relocated, and the project is complete.

Reviewer Comments Met Requirements

Did Not Meet Requirements

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 keep confidential map 5-3 updated 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 shows the current estimated timing mining will take place under the MSO habitat.

Reviewer Comments Met Requirements

Did Not Meet Requirements

The confidential portion of the annual report only includes a raptor survey map. Map 5-3 was last updated on July 25th, 2014 but did not include the MSO habitat. An updated map 3-5 with the MSO habitat should be provided, (JCH, 3/10/2015).

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-6-G, L-7-G, L-8-G, L-9-G, L-10-G, L-11-G, L-12-G, L-13-S, L-14-S, L-15-S, L-18-S, L-19-S, L-20-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

In early 2015 the Permittee submitted an amendment to the MRP to activate and adjust some of their sampling requirement. Sites were activated to ensure that two years of samples could be collected prior to mining in the area. This commitment has been completed and should now be removed from the annual report list. (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 showing the annual inspection of the old Geneva Mine/Lila Canyon Fan Portal Barricades in included.

Reviewer Comments Met Requirements Did Not Meet Requirements

The Lila Canyon fan portals (associated with the U.S. Steel Corp. Geneva Mine / 1st Level) were inspected by Mr. Joe Via, an employee of Environmental Industrial Services, Helper, Utah on October 24, 2014. The barricades installed by UtahAmerican Energy, Inc., are required by the USDOJ/BLM and the Utah DOGM to be inspected annually for signs of vandalism / tempering. The cover letter forwarded to Mr. Jay Marshall of UAE indicates that no sign of vandalism has occurred to either of the two breakouts. The posted signs warning of possible dangerous atmospheric conditions remain in place. Photographs were submitted, but it is difficult to determine that the installed chain link / rock barricades are intact due to shadows created within the breakouts. These conditions hampering clear photos are an annual problem for purposes of clarity. (PHH, 2/20/2015)

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

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

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		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mine Map		<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