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DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

July 14, 2016

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

Subject: 2015 Annual Report Review Completion, Horse Canyon Mine, C/007/0013, Task ID #5113

Dear Ms. Madsen:

The Division staff has completed the review of the 2015 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	Horse Canyon/Lila Canyon Mine
Permit Number	C/007/0013	Permit expiration Date	5/6/2021
Operator Name	UtahAmerican Energy, Inc.	Phone Number	+1 (435) 888-4000
Mailing Address	PO Box 910	Email	kmadsen@coalsource.com
City	East Carbon		
State	UT	Zip Code	84520

DOGGM 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 #1 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) completed on November 20, 2015. The inspections were completed by Ms. Karin Madsen and PE stamped by David Hibbs (PE# 6449561). 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. Pond #1 was dry at the time of the inspection and was surveyed in October 2015 to contain a current sediment level of 5838.2 ft. Pond #2 was cleaned in August 2015 and also surveyed in October 2015. Pond #2 was noted to contain two feet of water in it at the time of inspection. The current sediment level in Pond #2 was recorded at 5838.2 feet. Mr. Hibbs stamps meet the requirements of R156-22-601, as mandated by the Utah Division of Professional Licensing. (CP)



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 & PROTECTION

Objective: Identify and monitor all raptors and nests. For possible subsidence impacts to raptor nests, develop a mitigation plan that must be submitted and approved. Apply for 'take permit' through USFWS 2 years prior to subsidence of the nests. Maintain escarpment barrier of at least 200' to prevent cliff habitat loss. **The text of Chapter 3, pg. 13, sect 332 (1) needs to be revised or clarified to demonstrate how the 200' barrier will be measured**

Frequency: Annually

Status: Ongoing since 2005. The map must clearly show raptor nests in relation to mining and subsidence.

Reports: Annual Reports

Citation: MRP, Part B, Section 322.220, page 10, Section 330, page 20, Section 358.100 page 38, Sec. 332 P.13.

Operator Comments

The 2015 Annual Raptor Survey is included in the Confidential Folder.

Reviewer Comments Met Requirements Did Not Meet Requirements

The 2015 Annual Raptor Survey is included in the annual report. At the time of the survey, seven nests sites were known within the survey area. They included four Golden Eagle nests, a falcon nest, and two Common Raven nests. No new nests were found during the 2015 aerial survey. One Golden Eagle nest was not found and three were inactive. The falcon nest was determined to be a Peregrine Falcon and was active with three eggs. Since there are no spatial or temporal buffers for Common Raven nests, they were not surveyed. A follow up ground survey for the Peregrine Falcon was not required by DOGM. The nests within the survey area and nest histories are included in the attached table. The map included does show the location of the nest sites in relation to current underground mining activities. [JCH]

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

The Water Depletion Calculations for the Colorado River Endangered Fish Recovery Program are included in the annual report. Total consumptive use for 2015 was 11.29 acre-feet /year. [JCH]

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

Infrared photography not required in 2015. Will survey in 2016.
Due to Ocular Estimation report completed by EIS in 2012, no further vegetation testing is required. Midterm review completed by James Owen in 2013 indicated topsoil vegetation work was completed successfully.

Reviewer Comments Met Requirements Did Not Meet Requirements

UEI will have a color infrared aerial imagery survey completed in 2016 for areas that may be impacted from subsidence for the Lila canyon mine. The 2016 aerial imagery should be compared to the 2011 imagery. UEI should submit and implement a mitigation plan, if results indicate that impacts from mining operations have occurred. The analysis and findings should be provided to the Division in the annual report for 2017. DOGM should also evaluate the need to continue this type of survey. [JCH]

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

Rain gauge report prepared by Tom Suchoski and is included. The upper rain gauge data is missing data from 3rd and 4th quarters due to the road becoming impassible prior to retrieving data. As of 3-5-16, the road is still impassible. The missing data will be collected as soon as the road conditions improve, and included in the 2016 Annual Report, or sooner if requested.

Reviewer Comments Met Requirements Did Not Meet Requirements

The Permittee submitted a rain gauge report, and will allow the missing data to be included in the 2016 report. (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

Comparison of Drawing 2-3 versions dated 2009, 2010, 2014, and 2015 illustrate the expanding disturbed area. At the end of 2010, 29.48 acres were disturbed. By the end of 2014, the disturbed acreage was 31.02. Land designated "Undisturbed" on the southern permit boundary was disturbed to widen the upper warehouse pad. An additional 1,040 CY were salvaged from 1.54 acres of strych extremely bouldery sandy loam (XBX) soils. At the end of 2015, the disturbed acres were 31.88 and 1, 280 CY was salvaged from 0.86 acres of Strych Bouldery fine sandy loam (SBG) soils to create a storage yard west of the parking area. These SBG soils were projected to product 18 inches, but only yielded 10.8 inches of topsoil on the average.

To date, 65,746 CY of topsoil, very close to the 66, 237 CY expected (Chap 2, p. 6). This figure likely includes some subsoil salvaged and stockpiled from the bent tower construction. Only 2.02 acres remain as yet undisturbed, but are planned to be disturbed. These acres fall in the strych very bouldery fine sandy loam (VBJ) and the SBG map units in the location of the truck loading loop. In the 2016 annual report, these remaining acres should not have the same hatch marking on the Topsoil Recovery Map as land that will always remain "Undisturbed" within the disturbed area.

The Topsoil Removal Map provided in the 2015 annual report states that there are 8.7 acres remaining as undisturbed. The acreage of "Undisturbed" within the disturbed area boundary lies along the south boundary. The "Undisturbed" acreage should be verified in the 2016 annual report, since it is slightly larger than indicated in 2011 and the area was disturbed for warehouse pad expansion in 2014.

As a reminder, Chapter 2, page 7 states , "Undisturbed islands located within the disturbed area will not be disturbed unless the mine reclamation plan is amended to allow for disturbance."

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

Thee subsoil location will be tracked when it is relocated, and the project is complete.

Reviewer Comments Met Requirements Did Not Meet Requirements

The concept of tracking subsoil for cover material originated with the original construction plan which was to remove subsoil in order to bury mine waste in a pit on lower pad. The burial pit was not constructed and the waste was used to construct the upper pad. Subsoil does cover the outslope of the warehouse-shop pad. More subsoil cover will be needed to cover the 28,000 CY of rock slope waste shown on the warehouse pad (Dwgs 5-2 and 2-3). At final reclamation this waste will be graded and covered with four feet of suitable subsoil and topsoil. Much of the desirable subsoil is in the SBG and DSH map units shown on Soil Salvage and Replacement Map 2-3. Task 5208 received June 13, 2016 provides an as-built (MRP Sections 232.500 and 241). Task 5208 is currently under review. (PB, 713/2016).

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

MSO Survey Report two-year calling surveys were completed in 2013 and 2014. This was not required in 2015.

Reviewer Comments Met Requirements Did Not Meet Requirements

The permittee has met the required monitoring frequencies. [JCH]

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

Quarterly sampling of locations: L-7-G, L-8-G, L-9-G, L-11-G, L-12-G, L-19-S, IPA 1, IPA 2, and IPA 3 have resumed, and an updated Monitoring Location table was incorporated into the MRP and approved as of May 28, 2015. L-6-G, L-10-G, L-13-S, L-14-S, L-15-S, and L-20-S were permanently suspended in 2003. See MRP Table 7-3 for further information.

Reviewer Comments Met Requirements Did Not Meet Requirements

The Permittee has reported correctly that monitoring has resumed that these sites. (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 is 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 September 1, 2015. The barricades installed by UtahAmerican Energy, Inc., are required by the USDO/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. Mr. Via stated that there was a rockslide from above the southern portal and now multiple large rocks remain at the opening of the portal. Photographs were submitted and all chain link / rock barricades appear intact within the breakouts. (CP)

Title: North Fan Breakout As-Built

Objective: To provide acreage of disturbance and a volume estimate and source for the fill required for reclamation of the breakout and define pre- and post mining topography.

Frequency: Within 60 days of completion

Status: Pending completion

Reports: Update the MRP Chapter 5 p. 65 with a volume estimate and source for the fill that will be required to reclaim the north breakouts and the south breakouts. 2. Create a figure for the north and south breakouts similar to Plate 5-9 which shows pre-existing, operating and final reclamation contours for the north and south breakout entries.

Citation: Conditional of approval Task 4818. Outgoing file 04162015.4818.pdf

Operator Comments

North Fan Breakout As-Built Drawings were completed in 2016, and submitted to the Division in February, 2016.

Reviewer Comments Met Requirements Did Not Meet Requirements

This task was reviewed under Division Task ID 5191 and found to meet the requirements of R645-301.

Title: SUBSIDENCE MONITORING

Objective: Aerial subsidence monitoring will be done annual while the significant subsidence is taking place. The subsidence monitoring will be initiated in an area prior to any 2nd mining being done within that area. Initial 12-16 control points, once per year a follow up aerial will be performed to determine the extent and degree of active subsidence for a minimum of 5 years. If any of the 3 prior years measures more than 10% of highest annual subsidence, monitoring will continue until 3 consecutive years less than 10%. A ground survey of the mine permit area where secondary extraction has occurred over the last year will be conducted in conjunction with the quarterly water monitoring program. Survey's will identify items listed within MRP Chapter 5 Section 525.440

Frequency: Annual/Quarterly

Status: Ongoing during 2nd mining or longwall mining

Reports: Annual Report

Citation: MRP Chapter 5 pg 43

Operator Comments

Longwall monitoring did not start until February, 2016. Subsidence monitoring will be conducted in 2016.

Reviewer Comments Met Requirements Did Not Meet Requirements

As detailed by the Permittee's 2016 production/ 5 year projections longwall mining has not yet started at the Lila Canyon mine. Lila Canyon is an active underground mining operation that will operate with two continuous miners. The Longwall from Westridge has been moved over to the Lila canyon phase. Longwall monitoring did not start until February, 2016. Subsidence monitoring will be conducted in 2016. (CP)

Title: Noxious Weed Control Program

Objective: To control invasive species in and adjacent to the disturbed area. The permittee should implement a noxious/invasive species weed control program.

Frequency: Once

Status: Need to submit program for MRP inclusion

Reports:

Citation: R645-301-357.320-.324

Operator Comments

A Noxious Weed Control Program will be submitted and implemented in 2016.

Reviewer Comments Met Requirements Did Not Meet Requirements

DOGM has consulted with the permittee. Volume 2, Chapter 3, Page 34 includes a description of methods UEI will implement to control weeds at the Lila canyon mine and associated reclaimed areas. DOGM will conduct a site visit to determine when and if the weed control methods as described in the MRP should be implemented. Based on the conversation and information in the MRP a Noxious Weed Control Program is not required at this time. [JCH]

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: Wildlife

Objective: Adhere to wildlife exclusionary periods: raptors (Feb 1 - July 1), bighorn sheep lambing, (May 1 - June 15), and pronghorn (May15 – June 20).

Frequency: Prior to construction of any new facility projects, structures, and roads; and prior to reclamation.

Status:

Reports:

Citation: MRP-Part B, Sec. 330, p. 20.

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 cryptograms 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

DOGGM should consult with the permittee to determine if additional surveys are required. [JCH]

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	Not required	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mine Map	Included	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Raptor Survey Map	Included in Confidential File	<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"/>

Reviewer Comments Met Requirements Did Not Meet Requirements

The Permittee submitted a 2016 production/ 5 year projections meeting the annual report requirements to show mining plans. An annual subsidence map will be supplied when longwall mining commences in 2016 (CP)