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State of Utah

DEPARTMENT OF NATURAL RESOURCES

BRIAN C. STEED
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

December 22, 2020

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

Subject: Permit Transfer Application, Emery County Coal Resources, Inc., Horse Canyon Mine, C/007/0013, Task #6224

Dear Ms. Madsen:

The Division has reviewed your application for permit transfer of the Horse Canyon Mine from UtahAmerican Energy, Inc. to the Lila Canyon Mine, Emery County Coal Resources, Inc., received October 16, 2020. Additional information is required prior to final approval of the permit transfer.

If you have questions, please call me at (801) 538-5350.

Sincerely,

Steve Christensen
Coal Program Manager

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0070013
TaskID: 6224
Mine Name: HORSE CANYON MINE
Title: PERMIT TRANSFER

General Contents

Identification of Interest

Analysis:

The permit transfer application does not meet the State of Utah R645 requirements for Identification of Interests. Additional information is required prior to final approval.

In Section 1.1.2, Identification of Interest, the application identifies Emery County Coal Resources, Inc. (ECCR) as both the applicant and operator. As depicted on Figure 1-1, Corporate Structure, ECCR is a subsidiary of ACRN Mining Corporation, which is a subsidiary of American Consolidated Natural Resources, Inc., which is a subsidiary of Murray American Consolidated Natural Resources Holdings, Inc. with the parent company identified as ACNR Holdings, Inc. All of the aforementioned entities are identified as corporations organized under State of Delaware law. Figure 1-1, Corporate Structure depicts the organizational structure of the aforementioned entities.

ECCR's (applicant and operator) address is provided as 46226 National Road, St. Clairsville, Ohio 43950. Two telephone numbers are provided: (435) 888-8576-facility phone and (740) 338-3100-headquarters office phone.

The application identifies the President of ECCR as the individual responsible for the payment of abandoned mine land reclamation fees. The President of ECCR is identified as James R. Turner Jr (President of ECCR).

In Section 1.1.2.3, Officers and Directors, the application provides the names and start dates of the officers and directors of the five entities identified in the organizational structure of the applicant/operator. The application states that the addresses and phone numbers for the officers and directors of ECCR, ACRN Mining Corporation, American Consolidated Natural Resources, Inc., Murray American Consolidated Natural Resources Holdings, Inc. and ACRN Holdings, Inc. are the same as the applicants (see above).

The Federal identification numbers are provided for all of the entities identified in the organizational structure: ECCR (FEIN 85-1504720), ACNR Mining Corporation (FEIN 85-1468710), American Consolidated Natural Resources, Inc. (FEIN 85-1621594), Murray American Consolidated Natural Resources Holdings, Inc. (FEIN 85-1621749) and ACRN Holdings, Inc. (FEIN 85-1622371).

Karin Madsen is identified as the Resident Agent for the applicant/operator. Her address and phone number is provided: Emery County Coal Resources, Inc, Inc., P.O. Box 910, East Carbon, UT 84520-0910, (435) 888-4026.

The applicant must revise the transfer application to address the ownership of the entities identified in the organizational structure of Emery County Coal Resources, Inc. Any person who owns, of record, 10 percent or more of any of the entities in the organizational structure depicted on Figure 1-1, Corporate Structure, must be identified and the required

information provided per R645-301-112. The application indicates that none of the officers and directors of ACNR Holdings, Inc. or any of the tiered subsidiaries identified above have any ownership in any of the companies. However; the application must identify/address the ownership structure of the five entities identified in Figure 1-1, Corporate Structure (i.e. ECCR, ACNR land Resources, Inc., American Consolidated Natural Resources, Inc., Murray American Consolidated Natural Resources Holdings, Inc. and ACRN Holdings, Inc.).

Appendix 1-2, Prior Involvement of Officers and Directors in Coal Mining and Reclamation Operations, provides a table of the entities the identified officers and directors have been connected with five years preceding the permit transfer application. The information provided meets the requirements of R645-301-112.340.

Appendix 1-3, Permits Held by Tiered Subsidiaries of ACNR Holdings, Inc. provides a table of the permits held within the last 5 years for coal mining and reclamation operations owned or controlled by the identified officers and directors. The information provided meets the requirements of R645-301-112.400.

Per R645-301-112.350, the application number or other identifier of any other pending coal mine operation permit application filed by the applicant or operator in any State in the United States is required. The application must provide this information.

Per R645-301-112.420, the application must provide/address the ownership or control relationship for the to the applicant/operator, including percentage ownership and location in organizational structure for the coal mining and reclamation operations identified in Appendix 1-3, Permits Held by Tiered Subsidiaries of ACNR Holdings, Inc.

As required by R645-301-112.500, -112.600, the application provides the name and address for each equitable owner of record of the surface and mineral property to be mined in Section 1.1.2.5.

The surface ownership for the permit and adjacent area is also provided on Plate 4-1, Surface Ownership Map. Plate 5-4, Coal Ownership depicts the mineral ownership for the permit and adjacent area.

Per the requirements of R645-301-112.700, the MSHA numbers for all mine-associated structures are provided in section 1.1.2.7, MSHA Numbers: Horse Canyon 42-00100, Lila Canyon 42-02241 and Refuse Pile 1211-UT-09-02241-01.

Deficiencies Details:

The permit transfer application does not meet the State of Utah R645 requirements for Identification of Interests. The following deficiencies must be addressed prior to final approval:

R645-301-112, -112.300: The applicant must revise the transfer application to address the ownership of the entities identified in the organizational structure of Emery County Coal Resources, Inc. Any person who owns, of record, 10 percent or more of any of the entities in the organizational structure depicted on Figure 1-1, Corporate Structure, must be identified and the required information provided per R645-301-112. The application indicates that none of the officers and directors of ACNR Holdings, Inc. or any of the tiered subsidiaries identified above have any ownership in any of the companies. However; the application must identify/address the ownership structure of the five entities identified in Figure 1-1, Corporate Structure (i.e. ECCR, ACNR Mining Corporation, American Consolidated Natural Resources, Inc., Murray American Consolidated Natural Resources Holdings, Inc. and ACRN Holdings, Inc.).

R645-301-112.350: The applicant must provide the application number or other identifier of, and the regulatory authority for, any other pending coal mine operation permit application filed by the applicant or operator in any State in the United States.

Per R645-301-112.420, the application must provide/address the ownership or control relationship to the applicant/operator, including percentage ownership and location in organizational structure for the coal mining and reclamation operations identified in Appendix 1-3, Permits Held by Tiered Subsidiaries of ACNR Holdings, Inc.

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Violation Information

Analysis:

The permit transfer application meets the State of Utah R645 requirements for Violation Information.

The application provides the statement that "*Neither ECCR nor any of its affiliates having any interest, either legal or*

equitable, in the Tower Mine site have had a State or Federal mining permit suspended or revoked in the 5 years preceding the date of submission of this application, or have forfeited a performance bond or similar security deposited in lieu of bond revoked."

ECCR and its affiliates were recently formed as the result of the chapter 11 bankruptcy of Murray Energy Holdings. As a result, these entities have no violation history. Prior to receiving final approval of the permit transfer, the owners and controllers identified in the application will be evaluated in the Office of Surface Mining and Reclamation Enforcement's (OSMRE) Applicant Violator System (AVS) database. If outstanding unabated violations/cessation orders are identified, the applicant will need to address them accordingly in order to clear them from the AVS.

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Right of Entry

Analysis:

The permit transfer application does not meet the State of Utah R645 requirements for Right of Entry Information.

The application provides a copy of a Stalking Horse Purchase Agreement dated March 16th, 2020. The agreement identifies the terms and conditions for the sale of the Murray Energy Holdings properties. However; the document is not signed/executed. The applicant must provide the signed/executed Stalking Horse Purchase Agreement.

The application provides right of entry information in Section 1.1.4, Right-of-Entry Information. ECCR holds 5,549.01 acres of private and federal coal leases, rights of way and surface area access rights (See Plates 1-1, 4-1 and 5-4).

Plate 4-1, Surface Ownership depicts the various private and publically owned surface lands within the permit and adjacent area.

Plate 5-4, Coal Ownership Map depicts the mineral ownership within and adjacent to the permit area.

The right to entry and conduct coal mining and reclamation activities within the permit area and adjacent area is established by a combination of Federal Coal Leases as well as private lease/easement agreements.

The applicant must revise the description of the documents that the applicant and operator base their legal right to enter and begin coal mining and reclamation operations (surface and sub-surface). In section 1.1.4, Right of Entry Information and Table 1-1, the description (in addition to identifying the documents by type, the specific lands to which the document pertains) must also explain the legal rights claimed by the applicant and the date of execution for both government and fee lands (surface and sub-surface). It's the Division's understanding that the Federal leases are the in the process of being transferred to the new applicant/operator. It follows, that all leases/easements/contracts (surface and sub-surface) must be also be executed between the new applicant/operator (ULR) and the private land and mineral owners within the permit and adjacent area.

Deficiencies Details:

The permit transfer application does not meet the State of Utah R645 requirements for Right of Entry Information. The following deficiencies must be addressed prior to final approval:

R645-301-114, -114.100: The applicant must revise the description of the documents that the applicant and operator base their legal right to enter and begin coal mining and reclamation operations (surface and sub-surface). In section 1.1.4, Right of Entry Information and Table 1-1, the description (in addition to identifying the documents by type, the specific lands to which the document pertains) must also explain the legal rights claimed by the applicant and the date of execution for both government and fee lands (surface and sub-surface).It's the Division's understanding that the Federal leases are the in the process of being transferred to the new applicant/operator. It follows, that all leases/easements/contracts (surface and sub-surface) must be also be executed between the new applicant/operator (ULR) and the private land and mineral owners within the permit and adjacent area.

R645-301-114: The applicant must provide the signed/executed Stalking Horse Purchase Agreement.

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Permit Term

Analysis:

The permit transfer application meets the State of Utah R645 requirements for Permit Term.

The application states that the anticipated permit will be for a term of 5 years. Currently the mine is in temporary cessation. The application indicates that the timing of permanent termination of operations will be determined by economic and working conditions.

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Public Notice and Comment

Analysis:

The permit transfer application meets the State of Utah R645 requirements for Public Notice and Comment.

The applicant submitted an affidavit of publication for the proposed transfer of the mine permit. The publication was published in the ETV Newspaper on October 28th, 2020. The public notice contained the requisite information as outlined in R645-300-120. The public notice included the permit number, name and address of the applicant, a map of the mine location, where a copy of the application could be viewed and notice that public comment would be accepted for 30 days from the date of publication. The Division has not received any public comment in response to the proposed permit transfer.

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Reclamation Plan

Bonding and Insurance General

Analysis:

The permit transfer application does not meet the State of Utah R645 requirements for Bonding Terms and Conditions of Liability Insurance.

The current reclamation bond held by the Division for the Horse Canyon Mine property is \$ 2,335,000. Prior to final approval of the permit transfer, the applicant must provide the Division with the requisite documentation that adequate bonding has been secured.

The application provides a certificate of liability insurance. The insurance producer is identified as Reschini Agency, Inc. The producer is licensed in the State of Utah (#97992). The insurer affording coverage is identified as Lloyd's Underwriters at, London. The dollar amounts identified on the certificate for both per occurrence and aggregate coverage (\$1,000,000 and \$2,000,000 respectively) meet the requirements of the R645-301-890.100. However; upon consultation with the State of Utah Insurance Department, Lloyd's Underwriters at, London is not authorized to do business in the State of Utah. According to the Utah Insurance Department, Lloyd's Underwriters at, London became inactive in the state on April 14th, 2014. The applicant must provide a certificate issued by an insurance company authorized to do business in Utah certifying that the applicant has a public liability insurance policy in force for the coal mining and reclamation activities for which the permit is sought.

Deficiencies Details:

The permit transfer application does not meet the State of Utah R645 requirements for Bonding Terms and Conditions of Liability Insurance. The following deficiencies must be addressed prior to final approval:

R645-301--890.100, R645-303-323: The applicant must provide a certificate issued by an insurance company authorized to do business in Utah certifying that the applicant has a public liability insurance policy in force for the coal mining and reclamation activities for which the permit is sought. According to the Utah Insurance Department, Lloyd's Underwriters at, London became inactive in the State on April 14th, 2014.

R645-301-800, -830, R645-303-323: Prior to final approval of the permit transfer, the applicant must provide the Division with the requisite documentation that adequate bonding has been secured. The current reclamation bond held by the Division for the Horse Canyon Mine property is \$2,335,000.

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