



State of Utah

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Governor

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Lieutenant Governor

Department of Natural Resources
Division of Oil, Gas and Mining

BRIAN C. STEED
Executive Director

JOHN R. BAZA
Division Director

June 16, 2021

Karin Madsen, Resident Agent
Emery County Coal Resources, Inc.
P.O. Box 910
East Carbon, Utah 84520-0910

Subject: Conditional Approval of Permit Transfer, Lila Canyon Mine, C/007/0013, Task #6224

Dear Ms. Madsen:

The Division of Oil, Gas and Mining has reviewed the application for permit transfer of the Lila Canyon Mine. Conditional approval for the permit transfer has been recommended by Division staff. The conditions for final approval are provided as an attachment to this letter.

The public comment period for Emery County Coal Resources, Inc.'s application for transfer of the Lila Canyon Mine permit ended on November 27, 2020, with no comments received by the Division.

Once the attached conditions have been met, final approval of the permit transfer will be granted. A stamped incorporated copy of the application will be returned to you for your records. Please provide the additional information and bond coverage by July 17, 2021.

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

Sincerely,

Steve Christensen
Coal Program Manager

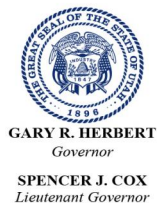
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Conditions for Final Approval of Permit Transfer
Task #6224
Permit Transfer

- I. **R645-301-120, -121.300:** Submit two clean hard-copies of the application to the Division. A stamped incorporated copy will be returned for your records.

- II. **R645-303-323, -342:** Prior to final approval of the permit transfer application, the Permittee must obtain and submit to the Division, adequate performance bond coverage to ensure the final reclamation of the site in the event of bond forfeiture. The bond must meet the criteria identified in R645-301-800. Our records indicate that the required bond coverage for the Lila Canyon Mine is \$2,335,000.



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DEPARTMENT OF NATURAL RESOURCES

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0070013
TaskID: 6224
Mine Name:
Title: PERMIT TRANSFER

General Contents

Identification of Interest

Analysis:

The permit transfer application meets the State of Utah R645 requirements for Identification of Interests.

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. The ultimate parent entity is identified as Invesco Oppenheimer Senior Floating Rate Fund (Invesco). ULR is a Delaware Corporation registered to do business in the State of Utah. Invesco is identified as a publically traded fund. The application indicates that no person owns 10% or more of Invesco. The address for Invesco is 11 Greenway Place, Suite 1000, Houston, TX 77046. The phone number for Invesco is (713) 626-1919. Per direction provided by the Office of Surface Mining and Reclamation Enforcement's (OSMRE), as Invesco does not hold other coal mining and reclamation permits, ownership and control information (i.e. officers, directors etc.) is not required. Invesco is identified in the Applicant Violator System (AVS) as it's been identified as owning more than 10% of the ACNR Holdings, Inc. 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 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.

The Federal identification numbers are provided for all of the entities identified in the organizational structure: Invesco Oppenheimer Senior Floating Rate Fund (FEIN 91-1986511), ECCR (FEIN 85-1504720), ACRN Mining Corporation (FEIN 85-1468710), American Consolidated Natural Resources, Inc. (FEIN 85-1621594), Murray American Consolidated Natural Resources Holdings, Inc. (FEIN 85-1621749) and ACNR Holdings, Inc. (FEIN 85-1622371).

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

Appendix 1-2, Current and Previous Coal Mining Permits, 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.

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 in the currently approved Mining and Reclamation Plan (MRP). Plate 5-4, Coal Ownership (located in current MRP) 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.

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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 meets 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 in Appendix 1-1, Asset Purchase Agreement and Permit Transfer Documentation. The agreement identifies the terms and conditions for the sale of the Murray Energy Holdings properties.

The application provides right of entry information in Section 1.1.4, Right-of-Entry Information. ECCR holds 8,206.46 acres of private and federal coal leases, rights of way and surface area access rights (See Plates 1-1, 4-1 and 5-4). Table 1-1, Summary of Surface and Subsurface Entry Rights Associated with the Lila Canyon Mine provides a comprehensive list of the various surface and sub-surface agreements. The table provides the information required per R645-301-114.100.

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.

Appendix 1-1, Asset Purchase Agreement and Permit Transfer Documentation is the purchase agreement dated March 16th, 2020. The agreement identifies the terms and conditions for the sale of the Murray Energy Holdings properties.

Appendix 1-8, Assignment of Leases from Murray Energy Holdings to Emery County Coal Resources, Inc. provides the

agreement executed between Murray Energy Holdings, Co. (Murray Energy) and the subsidiaries recently formed as a result of the bankruptcy.

Appendix 1-9, Federal Lease Assignment, provides documentation from the United States Department of the Interior Bureau of Land Management (BLM) that the federal coal leases previously held by Murray Energy were reassigned to Utah American Energy, Inc. AMCA Coal Leasing Inc., Andalex Resources, Inc. and Genwal Resources Inc, as assignee, and Emery County Coal Resources, Inc. and Utah land Resources Inc. The document identifies January 1st, 2021 as the effective date for the approval of the re-assignments.

Appendix 1-10, State Lease Assignment provides documentation from the State of Utah School and Institutional Trust Lands Administration (SITLA) that the newly formed subsidiaries have been re-assigned the previously held interests of Murray Energy.

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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 meets 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.

Upon consultation with the State of Utah Insurance Department, it was confirmed that Lloyd's Underwriters at, London is authorized to do business in the State of Utah.

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