

Gateway Tower West
15 West South Temple
Suite 1200
Salt Lake City, Utah 84101-1547
801.257.1900
801.257.1800 (Fax)
www.swlaw.com

Denise A. Dragoo
(801) 257-1998
ddragoo@swlaw.com

July 27, 2018

VIA E-MAIL; HAND DELIVERY

Dana Dean
Associate Director
Utah Division of Oil, Gas & Mining
1594 W. North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

Re: UtahAmerican Energy, Inc. Technical Report in response to Interim Order
Requesting Supplemental Information, Informal Conference on Cessation Order
(CO) for Centennial Mine, Cause No. C/ 007/0019.

Dear Associate Director Dean:

On behalf of UtahAmerican Energy, Inc. ("UEI"), enclosed is a Technical Report prepared by Mr. David R. Canning, EM, PE, providing supplemental information in response to your Interim Order dated July 17, 2018. This Technical Report supplements UEI's letter dated June 6, 2018 and argument presented at informal conference on June 28, 2018 contesting the fact of violation of the Division's cessation order issued on June 1, 2018 for Centennial Mine, Permit Number 007/0019 ("CO"). The Division exceeded its authority under R645-301-551 in issuing the CO and demanding abatement actions that include the "complete closure and final reclamation" of each of the mine's gob vent hole (GVH) wells. The Centennial Mine is currently in temporary cessation under R645-301-515.320 and final reclamation is not required. Further the temporary cessation rules do not require the operator to specify its future mining plans in detail. As stated at the informal conference on June 28, 2018, access to the unmined coal reserve within the Mathis Fee is currently maintained by underground workings within UEI's federal coal leases.

Without waiving these objections to the CO, UEI provides the Technical Report for informational purposes in response to the Interim Order and solely for the purposes of the Informal Conference.

C007/019 Incoming
CC: Priscilla
Justin

DENVER
LAS VEGAS
LOS ANGELES
LOS CABOS
ORANGE COUNTY
PHOENIX
RENO
SALT LAKE CITY
TUCSON

Dana Dean
July 27, 2018
Page 2

We appreciate your consideration in this matter.

Very truly yours,

Snell & Wilmer



Denise A. Drago

DAD:mkm

cc: Steve Alder, Esq.
Megan Osswald, Esq.

Encl.

TECHNICAL REPORT

TO: Dana Dean, Conference Officer and Associate Director
Utah Division of Oil, Gas & Mining

FROM: David R. Canning EM, P.E., Utah American Energy, Inc.
Colorado Registration: 2220

DATE: July 27, 2018

RE: Response to Interim Order, Informal Conference re: Cessation Order C/007/0019,
Centennial Mine

This Technical Report is provided on behalf of UtahAmerican Energy, Inc. (UEI) for informational purposes only, in response the July 17, 2018 Interim Order Requesting Supplemental Information issued by the Conference Officer in this matter. UEI continues to challenge the jurisdiction of the Division of Oil, Gas and Mining to issue the Cessation Order under R645-301-551 and to require the “complete closure and final reclamation” of the subject gob vent holes (GVHs). Due to market conditions, the Centennial Mine is in temporary cessation. Notice of temporary cessation was timely provided under R645-301-515.320 and during temporary cessation, UEI is supporting and maintaining surface access openings to underground operations per 515.311. These rules do not require the operator to identify specific plans for future mining operations. The Centennial Mine is operated under a mine permit which was renewed for a five-year term on January 14, 2017. Without waiving its objections to the CO or to the jurisdiction of the Division to regulate underground mining and mine ventilation, UEI has agreed to provide this report solely for the purposes of this Informal Conference. The report is prepared in my capacity as Mine Engineer for UEI and I am a licensed professional engineer.

Upon resumption of mining operations at the Centennial Mine, mining would be conducted in the Mathis Fee lease area and/or currently unleased areas to the West. Access to this area will be accomplished by de-watering (pumping); rehabilitating existing mine entries; and establishing ventilation in accordance the ventilation plan approved by MSHA.

These access entries are abutted by previously extracted longwall panels (gobs) isolated from the entries by numerous (>60) seals. Many of these seals will require repair and/or backing-up with new construction. To assure safety, every effort must be made to limit the leakage of methane and other hazardous gasses from the gob areas through and around the seals into the access entries.

This is accomplished by lowering the pressure in the sealed area. The mine entries are below atmospheric pressure due to the exhausting main mine fan. The gob areas contain methane above atmospheric pressure. This is evidenced by pressures observed at the existing degasification wells.

Methane extractor units (MEUs) may be connected to existing degasification wells as necessary to lower the pressure in the gob in accordance with our MSHA ventilation plan. See, attached Exhibit 1, “Design & Procedures for Gob Ventilation Holes (GVH) & Degasification Systems” excerpt from Centennial (Aberdeen) Mine MSHA-approved ventilation plan. Until

rehabilitation is complete and mining is resumed, we cannot predict the condition of the 10 existing degas wells or the interconnection of these wells to flow paths within the gob leading to adverse differential pressure across the seals.

Not knowing which wells or how many wells will be required to achieve the necessary safety performance, it is ill advised to prematurely disable any of them. The subject GVH wells are identified on the MSHA ventilation maps for the Centennial (Aberdeen) Mine. These maps are part of the ventilation plan approved by MSHA pursuant to 30 C.F.R. 75.370. The Division has no jurisdiction over the MSHA-approved plan.

The safe operation of our mine is our responsibility which we take very seriously. We will operate our permitted degasification wells as necessary to assure the safety of our personnel and facilities in compliance with MSHA regulations.

Attachments

EXHIBIT 1

Design & Procedures for Gob Ventilation Holes (GVH) & Degasification Systems

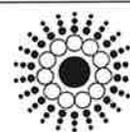
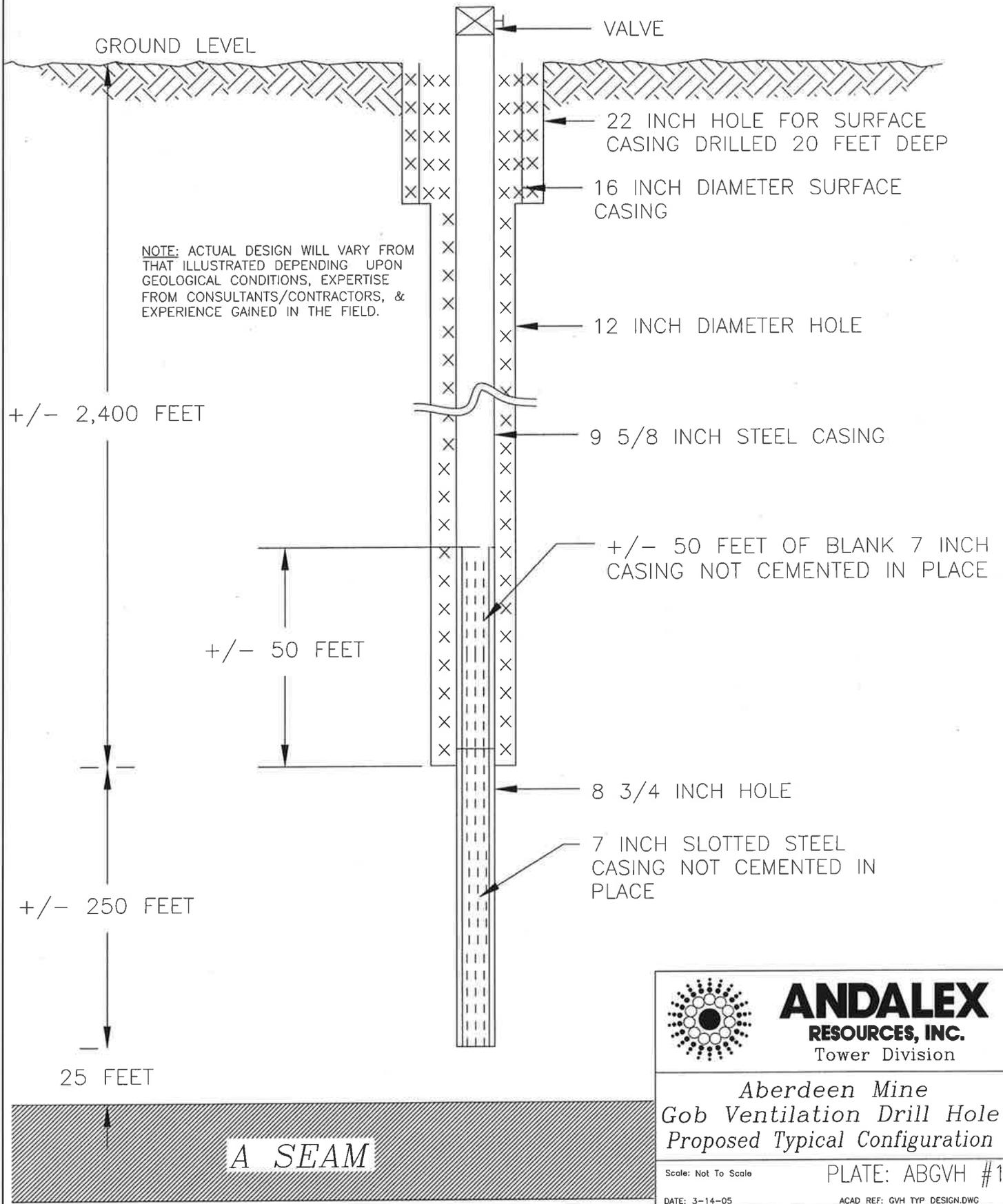
Drill Holes

1. There will be a minimum of six GVH holes per longwall panel. Holes may be drilled vertically or angled as required to arrive at the projected drill hole target. The exact location of GVHs may vary from longwall panel to longwall panel depending upon permitting, topographical constraints, and positioning changes required to maximize GVH effectiveness.
2. If a drill hole is to be drilled into an active gob, all personnel will be removed from the mine when the hole is within 200 ft. of the top of the coal seam being mined (Aberdeen Seam). See Plate ABGVH #1 for typical GVH design. All personnel will remain out of the mine during the final drilling and during the installation of the slotted liner if a slotted liner is to be utilized. However, mine personnel may be allowed back into the mine to insure the integrity of the mine water pump system and mine monitoring system during the drilling and liner installation phase as long as all drill hole activities (drilling, installation of liner, installation and/or removal of drill steel, etc.) are suspended. During the time that drill hole activities are suspended, the minimum number of mine personnel required to accomplish required task(s) in a reasonable time period will be the only persons allowed underground. Communication between the personnel at the GVH with a responsible person on the surface at the mine site that can communicate with the mine personnel underground and at the GVH site by PED, mine pager phone, radio, or cell phone is required at all times.
3. Drill holes may be drilled into the coal seam or projected gob areas as long as such holes will not connect to active gob areas or active workings. As such personnel may remain in the mine while the holes are being drilled. If the drill hole penetrates the coal seam, it will be backfilled to a distance of at least 20 ft. above the coal seam prior to mining through the hole. The backfill material will be on a cementitious material equal to or greater in unconfined compressive strength as the coal seam. If the hole is used for pre-drainage purposes, it will be removed from service prior to undermining the hole. Once the hole is behind the longwall shields, it may be placed back into service as necessary.
4. If the target of an angled hole will not connect to an active gob or active workings, but the drill hole crosses within 200 ft. (measured vertically from the top of the coal seam being mined) of an active gob, personnel will be removed from the mine until the drill hole is cased through the area within the 200 ft. (measured vertically from the top of the coal seam being mined) active gob area.
5. The holes will be drilled to within approximately 200 ft. above the coal seam prior to installation of the steel casing.
6. Once the drill hole is cased, final drilling to the anticipated fracture zone will begin. Upon completion of the final drilling, a portion of the lower hole may be cased with slotted liner. The length of the slotted liner will vary upon the conditions encountered during drilling (see Plate ABGVH #1).

GVH Installations

1. Piping installed on the surface may be steel, polyethylene, PVC, or flexible hosing with a continuous wire braid. The vent stacks will be PVC, polyethylene, or fiberglass ventilation tube composite.
2. A typical remote surface installation is shown in Plate ABGVH #2. Additional sample ports, valves, tees, and/or other connections may be installed as necessary. Multiple drill holes may be connected to the MDU, and/or multiple MDU may be utilized. When multiple drill holes or MDUs are used:
 - A. Shut-in valves will be installed to provide isolation of each drill hole.
 - B. Check valves will be installed to prevent backflow between drill holes.
 - C. The flame arrestor(s) will be positioned to protect each drill hole.
 - D. A methane monitor will be installed on each drill hole.
 - E. Each drill hole in a multiple drill hole system will be capable of being automatically shut-in if the methane concentration in the drill hole drops below 25.0%.
3. The methane may be vented through the free-flow stack or pump discharge stack.
4. Check valves will be used to prevent airflow reversal from the free-flow stack and pump discharge stack when the exhauster is not operating.
5. A Lamson Model 859, Gardner-Denver cycloblower, or similar-type exhauster designed for such application will be utilized. This unit may be started with propane before switching it to operating on methane.
6. The methane/propane exhauster will automatically cease operation if the methane concentration drops below 25% methane.
7. Fencing will be installed around the perimeter of the surface facilities to prevent unauthorized entry with "No Smoking" signs posted at the entrance to the facility. Fences may be removed to facilitate recovery efforts and will not be required if the GVH has been abandoned and fully sealed with cement or other competent material.
8. A qualified person will conduct a weekly examination of each active surface facility. A record documenting the weekly examination, the methane and oxygen concentrations and the time of the examination will be maintained at the mine site office for a period of one year. Such weekly examination will continue until the drill holes are shut-in.
9. Each methane sensor(s) at each active surface facility must be calibrated on a monthly basis. Additionally, the methane sensor is to be maintained functional during operation of the MDU.
10. Drill holes not connected to any mine working or gob areas may be vented naturally or by using an exhauster. However, the previous stipulations (#1 to #9) will not apply to these holes until they are connected to gob areas or mine workings.
11. A closed and locked gate valve will be left in place of each GVH that is not capped or plugged

TYPICAL GVVH DRILL HOLE DESIGN



ANDALEX
RESOURCES, INC.
 Tower Division

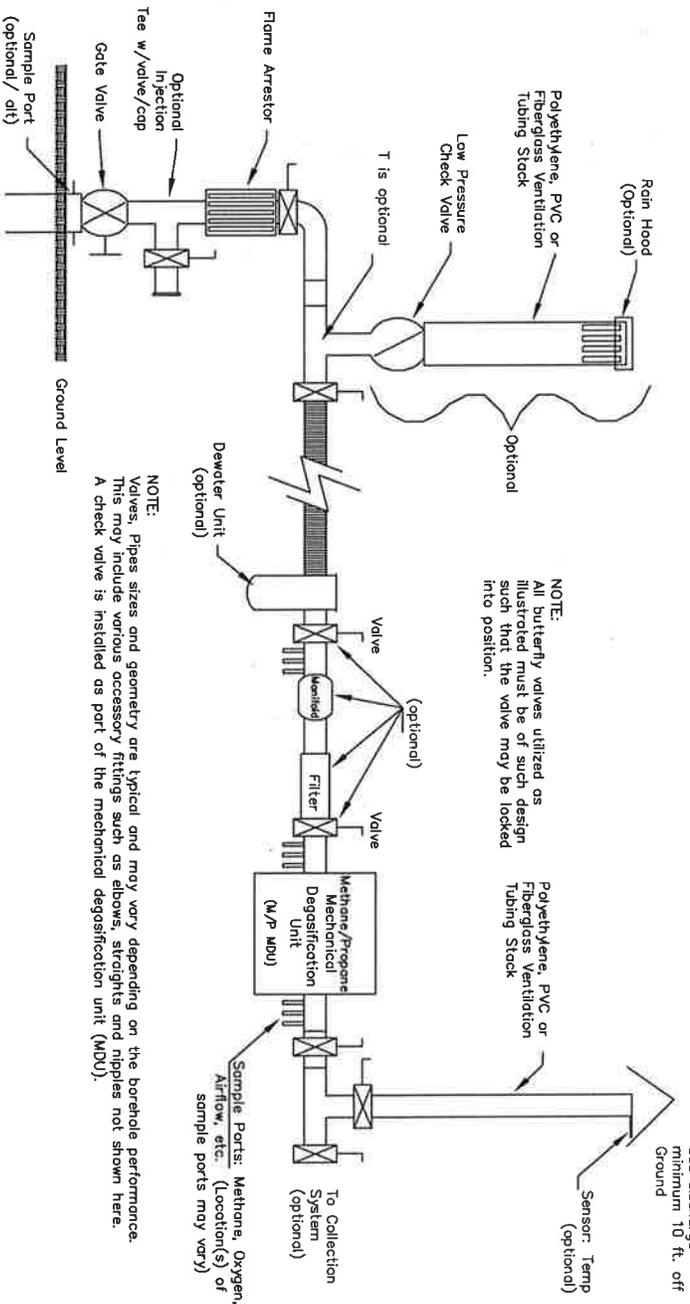
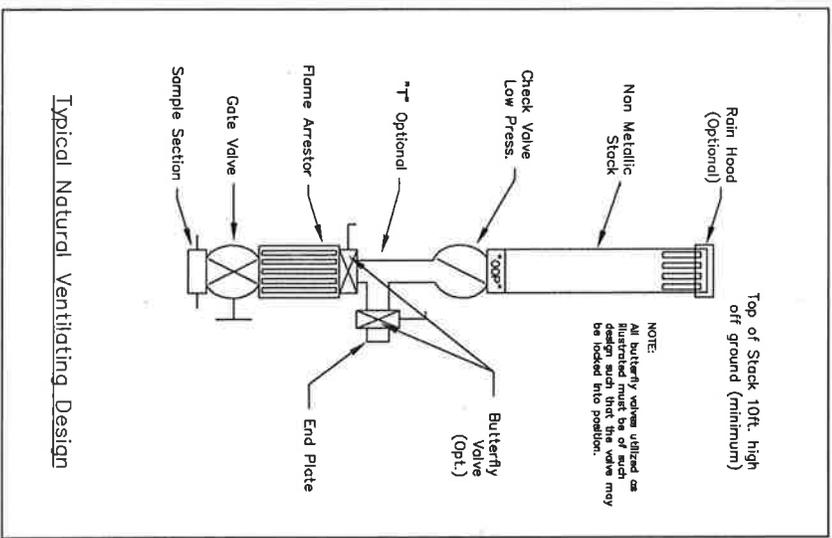
*Aberdeen Mine
 Gob Ventilation Drill Hole
 Proposed Typical Configuration*

Scale: Not To Scale

PLATE: ABGVH #1

DATE: 3-14-05

ACAD REF: GVVH TYP DESIGN.DWG



Typical Mechanical Ventilating Design

Sample Section May Include:
 -Placement for Collection Of Bog Sample
 Optional Orifice Plate (OOP) May Include:
 -Monitoring Sensor(s)
 -Recorder

Date: 10-20-05
 Scale: Not To Scale
 ACAD REF: BoreholeVentilation

Gob Ventilation Hole Typical Well Design

PLATE: ABGVH #2