

April 2, 2004

Alexander H. Walker, III, Resident Agent
Hidden Splendor Resources, Inc.
57 West 200 South, Suite 400
Salt Lake City, Utah 84101

Re: Conditional Approval of Response to Condition #2 (Permit Transfer), Hidden Splendor Resources, Inc. Horizon Mine, C/007/0020, Task #1836, Outgoing File

Dear Mr. Walker:

The information received on September 30, 2003, February 12, 2004 and via email on March 30, 2004 has been reviewed under Task #1836. The information provided meets the requirements of Condition #2 of Permit C007/0020 issued on July 1, 2003 and is conditionally approved pending the receipt of five clean copies of the submittal and an accompanying C1/C2 form. These five copies will be stamped "incorporated" and distributed as follows:

- Division Office in Salt Lake City
- Division Office in Price (PFO)
- Office of Surface Mining, Denver
- Bureau of Land Management, Salt Lake City
- Hidden Splendor Resources, Inc. (Permittee)

The Division has relied upon Hidden Splendor Resources, Inc. accuracy in transcribing the pages of the Mining and Reclamation Plan into the current format. Should errors of omission be noted in the future, Hidden Splendor Resources must rectify the situation.

The Division would like to bring the following items to your attention:

1. Surface owners shown on Plate 4-2 within the permit area include Ray M. and Tessie K. Farley; and J. Mark and James C. Jacob. These surface owners have been notified of the underground mining beneath their properties (Appendix 4-1a). All subsequent communication between the Permittee and surface owner should be added to Appendix 4-1a.

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Alexander Walker
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2. Plate 3-3 has been revised to reflect the existing underground mining plan (email from Kit Pappas March 30, 2004). This revised plate must accompany the clean copies.
3. The current permit and current R2P2 (Appendix 3-7) allows mining south of Beaver Creek only in federal lease UTU-74804. Additional requisite information as well as adequate baseline information must be submitted/reviewed/ and approved by the Division prior to obtaining the Secretary of Interior's authorization to mine the entire lease area (meeting with Mark Wayment, Kit Pappas and Division staff on October 9, 2003 and March 24, 2004 with you, Ann Walker, Kit Pappas, Derrell Curtis and myself).
4. Appendix 2-2 has the liability insurance information. The insurance coverage is for a period of one year, expiring on May 1, 2004.

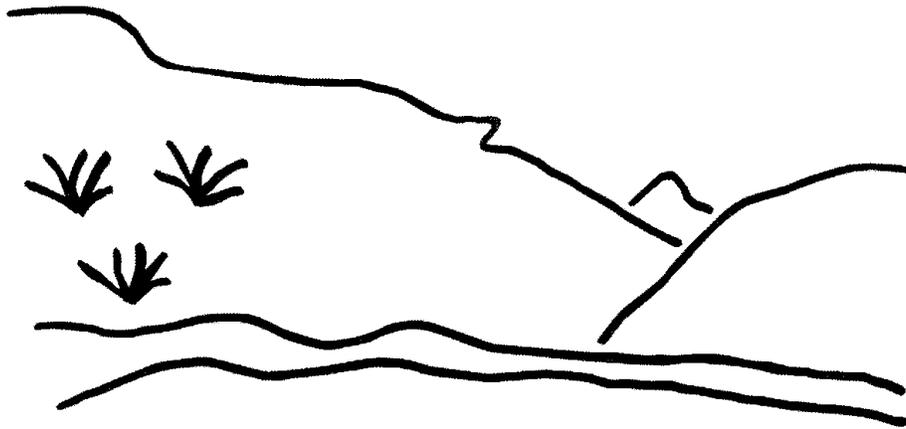
If you have any questions, please call Priscilla Burton at (801) 538-5288 or me at (801) 538-5268.

Sincerely,

Pamela Grubaugh-Littig
Permit Supervisor

pwb
Enclosure
cc: Price Field Office
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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Horizon Mine
Hidden Splendor Resources, Inc.
Response to Condition #2 (Permit Transfer)
C/007/0020, Task ID #1836
Technical Analysis
March 30, 2004

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TECHNICAL ANALYSIS

TECHNICAL ANALYSIS

The Division derives its authority from the Surface Mining Control and Reclamation Act of 1977(SMCRA). When companies submit a Permit Application Package or an amendment to their Mining and Reclamation Plan, the Division reviews the proposal for conformance to the R645-Coal Mining Rules. This Technical Analysis is such a review. Regardless of these analyses, the Permittee must comply with the minimum regulatory requirements as established by SMCRA.

Readers of this document must be aware that the regulatory requirements are included by reference. A complete and current copy of these regulations and a copy of the Technical Analysis and Findings Review Guide can be found at <http://ogm.utah.gov/coal>

This Technical Analysis (TA) is written as part of the permit review process. It documents the Findings that the Division has made to date regarding the application for a permit and is the basis for permitting decisions with regard to the application. The TA is broken down into logical section headings that comprise the necessary components of an application. Each section is analyzed and specific findings are then provided which indicate whether or not the application is in compliance with the requirements.

Not every topic or regulatory requirement is discussed in this TA. Only those sections are analyzed that pertain to the particular permitting action, in this case the response to Condition #2 (Permit Transfer), Task #1836. Those sections that are not discussed in this document are generally considered to be in compliance. Previously completed TA's for the Horizon Mine, would be the source of "findings" for any section not discussed herein.

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Task ID #1836
March 30, 2004

TECHNICAL ANALYSIS

INTRODUCTION

INTRODUCTION

The Horizon Mine permit was transferred from Lodestar Energy, Inc. to Hidden Splendor Resources, Inc on July 1, 2003, based on revised Legal/Financial information (Chapter 2 of the MRP) received by the Division on May 15, 2003.

Attachment A of the July 1, 2003 Permit reads as follows:

Attachment A Conditions

Condition #1 Hidden Splendor Resources, Inc. will submit water quality data for the Horizon Mine in an electronic format through the Electronic Data Input web site, <http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi>.

Condition #2 Hidden Splendor Resources, Inc. will update the appropriate sections of the mining and reclamation plan with the permit transfer information by August 1, 2003.

The Division extended the deadline for response to Condition #2 to October 15, 2003 (Outgoing Folder, letters dated August 1, 2003 and September 12, 2003). Information received from the Permittee on September 30, 2003 and was reviewed and found deficient on December 22, 2003. Additional information was received February 13, 2004 and by email on March 30, 2004. The information provided meets the requirements of Condition #2 of Permit C007/020 issued on July 1, 2003.

The Division finds that information presented in the application as required by R645-301-112 through 116 (Legal/Financial) is accurate and includes the narrative changes made to Chapter 2 for the purpose of transferring the permit.

Surface owners shown on Plate 4-2 within the permit area include Ray M. and Tessie K. Farley; and J. Mark and James C. Jacob. These surface owners have been notified of the underground mining beneath their properties Appendix 4-1a. Although no written authorization or response has yet been received from the land owner as required by R645-301-114.200, lease UTU-74804 gives the Permittee the right to access the coal, regardless. All subsequent communication between the Permittee and surface owner should be added to Appendix 4-1a.

INTRODUCTION

Plate 3-3 has been revised to reflect the existing underground mining plan (email from Kit Pappas March 30, 2004).

Finally, the current permit and current R2P2 (Appendix 3-7) allows mining south of Beaver Creek only in federal lease UTU-74804. Additional requisite information as well as adequate baseline information must be submitted/reviewed/ and approved by the Division prior to obtaining the Secretary of Interior's authorization to mine the entire lease area (meeting with Mark Wayment, Kit Pappas and the Division on October 9, 2003 and a meeting on March 24, 2004 with Alexander Walker, III, Ann Walker, Derrell Curtis and Kit Pappas).

SUMMARY OF PERMIT CONDITIONS

SUMMARY OF PERMIT CONDITIONS

As determined in the analysis and findings of this Task 1836 Technical Analysis, the Permittee has complied with Permit Condition #2 written below.

The permittee has an ongoing commitment to comply with the requirements of Permit Condition #1 written below:

Attachment A
Conditions

Condition #1 *Hidden Splendor Resources, Inc. will submit water quality data for the Horizon Mine in an electronic format through the Electronic Data Input web site, <http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi>.*

Condition #2 *Hidden Splendor Resources, Inc. will update the appropriate sections of the mining and reclamation plan with the permit transfer information by August 1, 2003.*

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SUMMARY OF PERMIT CONDITIONS

GENERAL CONTENTS

GENERAL CONTENTS

IDENTIFICATION OF INTERESTS

Regulatory Reference: 30 CFR 773.22; 30 CFR 778.13; R645-301-112

Analysis:

Chapter 2 identifies the permit applicant and mine operator as Hidden Splendor Resources, Inc., a Nevada corporation. Two principal officers own 100% of Hidden Splendor Resources, Inc. Hidden Splendor Resources, Inc does not own or control any other mining operations (page 2-3).

The resident agent is identified as Alexander H. Walker, III with a Salt Lake City address (page 2-2). This information is the same as that provided under the permit transfer application.

Names, addresses, phone numbers and social security numbers are supplied for the four individuals who control Hidden Splendor Resources, Inc, the Applicant. To protect the individuals' this information may be kept in a confidential folder, if requested.

The abandoned mine reclamation fee will be paid by Cecil Ann Walker, President of Hidden Splendor Resources, Inc.

Findings:

The information provided by the Permittee meets the requirements of the regulations. may be kept confidential if requested.

VIOLATION INFORMATION

Regulatory Reference: 30 CFR 773.15(b); 30 CFR 773.23; 30 CFR 778.14; R645-300-132; R645-301-113

Analysis:

Violation information for the mine is discussed in Section 113 (p 2-6) and in Appendix 2-4 (revised and submitted with the permit transfer application).

Findings:

The information provided by the Permittee meets the requirements of the Regulations.

RIGHT OF ENTRY

Regulatory Reference: 30 CFR 778.15; R645-301-114

Analysis:

The disturbed area boundary includes 8.23 acres, but the bonded area covers 9.15 acres (page 2-8). The disturbed area is located in T13S, R8E Section 17.

Right of Entry information is provided in Sections 112 through 114 (page 2-6). The narrative states that the right of entry is based on the documents provided in the revised Appendix 2-1 submitted with the permit transfer application (Task #101 received May 15, 2003.):

- Assignment from Lodestar by its Chapter 11 Trustee,
- Designation of Operator executed by Lodestar and
- Federal Lease UTU-74804 (which includes the Right of Way grant SL 063011, allowing passage through USA BLM lands).

Chapter 1 of this application contains the exact wording approved by the permit transfer.

The permit boundary is shown on Plate 1-1. The permit boundary remains unchanged from the time of Lodestar ownership.

Surface owners shown on Plate 4-2 within the permit area include Ray M. and Tessie K. Farley; and J. Mark and James C. Jacob. These surface owners have been notified of the underground mining beneath their properties Appendix 4-1a. Although no written authorization or response has yet been received from the land owner as required by R645-301-114.200, lease UTU-74804 gives the Permittee the right to access the coal.

Only part of the lands described on lease UTU-74804 containing 1,288.49 acres, more or less, are included in the permit area as described on page 2-6 and 2-7 and shown on Plate 1-1 and Plate 4-3. Plate 4-3 clearly shows the location of expired lease SL 0630311, existing lease UTU-74804, and coal owned by Hidden Splendor Resources, Ltd. Plate 4-3 was certified by a P.E.

GENERAL CONTENTS

Findings:

The information provided meets the requirements of the regulations. All subsequent communication between the Permittee and surface owner should be added to Appendix 4-1a.

LEGAL DESCRIPTION AND STATUS OF UNSUITABILITY CLAIMS

Regulatory Reference: 30 CFR 778.16; 30 CFR 779.12(a); 30 CFR 779.24(a)(b)(c); R645-300-121.120; R645-301-112.800; R645-300-141; R645-301-115.

Analysis:

The permit area has not been designated as unsuitable for coal mining and reclamation. However, coal mining and reclamation does occur within 100 feet of County Road 290 and the Consumer Road, both public roads. Appendix 3-1 contains documentation from the Carbon County and of public notice of the mine activity near and on these roads, without limiting public access.

Findings:

The information provided meets the requirements of the Regulations.

PERMIT TERM

Regulatory References: 30 CFR 778.17; R645-301-116.

Analysis:

The anticipated mining termination date under the existing R2P2 stipulation (Appendix 3-11) will expire with the completion of mining in 2004. Plate 3-3, Mine Plan map, indicates plans for mining through 2007. The Federal Permit was issued on July 1, 2003 and expires October 11, 2006. The plan indicates that mining will continue for the remaining permit term. Access to additional reserves to the north (Sections 6, 7, 8 and 18 of T13S, R8E) may be possible in the future (page 3-17).

Findings:

The information on file with the Division meets the requirements of the Regulations.

PUBLIC NOTICE AND COMMENT

Regulatory References: 30 CFR 778.21; 30 CFR 773.13; R645-300-120; R645-301-117.200.

Analysis:

An affidavit of the public notice for the permit transfer is found in Appendix 2-2. The liability insurance policy is in effect until May 1, 2004.

Findings:

The information provided meets the requirements of the Regulations.

PERMIT APPLICATION FORMAT AND CONTENTS

Regulatory Reference: 30 CFR 777.11; R645-301-120.

Analysis:

The pagination for chapters 3 and 9 match the table of contents.

Table 3-2 lists the perennial grass streambank wheatgrass.

This revised MRP includes “Appendix 10-3 Raptor Surveys”. The appendix contains only a “Wildlife” map (Plate 10-1) showing results from a 2000 raptor survey.

Findings:

Information provided in the application meets the minimum Permit Application Format and Contents section of the General Contents regulations. The Division has relied upon Hidden Splendor Resources, Inc. accuracy in transcribing the pages of the Mining and Reclamation Plan into the current format. Should errors of omission be noted in the future, Hidden Splendor Resources must rectify the situation.

MAPS AND PLANS

Regulatory Reference: 30 CFR 777.14; R645-301-140.

GENERAL CONTENTS

Analysis:

Plate 4-2 Surface ownership and Plate 4-3 Coal Ownership have been stamped and signed by a Professional Engineer (P.E.). Sections been identified on both plates.

Findings:

The information provided meets the requirements of the regulations.

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GENERAL CONTENTS

ENVIRONMENTAL RESOURCE INFORMATION

ENVIRONMENTAL RESOURCE INFORMATION

Regulatory Reference: Pub. L 95-87 Sections 507(b), 508(a), and 516(b); 30 CFR 783., et. al.

GENERAL

Regulatory Reference: 30 CFR 783.12; R645-301-411, -301-521, -301-721.

Analysis:

Geologic information is submitted in Section 6, and a hydrologic plan is submitted in Chapter 7. The applicant has submitted well logs in Appendix 6-1 and reformatted the MRP.

Findings:

The applicant has submitted sufficient information to comply with Condition 2.

PERMIT AREA

Regulatory Requirements: 30 CFR 783.12; R645-301-521.

Analysis:

The application indicates that the permit boundary includes the Hidden Splendor Lease (now expired) and “a part of the Beaver Creek Tract coal lease UTU-74804, acquired on September 1, 1998” (p 2-6). Although lease UTU- 74804 contains 1,288.49 acres, the current permit allows mining in only 711 acres.

The July 1, 2003 permit states, “The permit area of the Horizon Mine contains 711 acres, more or less, consisting of 305 acres, more or less of Fee coal and 406 acres, more or less of Federal leased coal.” (The permit acreage is also indicated on page 2-7 of the application.) Appendix 3-11 provides documentation from the BLM of the revised R2P2 for mining south of Beaver Creek, only, within lease UTU-74804.

The Permittee is aware that they must establish adequate baseline information prior to obtaining the Secretary of Interior’s authorization to mine the entire lease area (meeting between Mark Wayment, Kit Pappas and the Division on October 9, 2003).

Findings:

The information provided meets the requirements of the Regulations.

VEGETATION RESOURCE INFORMATION

Regulatory Reference: 30 CFR 783.19; R645-301-320.

Analysis:

The revised MRP includes a correctly stamped Plate 9-2 "Surveyed Riparian Area".

Findings:

Information provided in the application is considered adequate to meet the minimum Vegetation Resource Information section of the Environmental Resource Information regulations.

HYDROLOGIC RESOURCE INFORMATION

Regulatory Reference: 30 CFR Sec. 701.5, 784.14; R645-100-200, -301-724.

Analysis:

Sampling and Analysis

Hidden Splendor Resources, Inc. has addressed Condition 1 by submitting water monitoring data to the Division of Oil Gas and Mining's Water Monitoring Database. A current review of the data on December 11, 2003, and a meeting with Kit Pappas, Environmental Coordinator at Hidden Splendor Resources, Horizon Mine, confirms that the necessary data is and will be submitted to the database.

Findings:

The applicant is in compliance with the ongoing requirements of Condition #1.

OPERATION PLAN

OPERATION PLAN

MINING OPERATIONS AND FACILITIES

Regulatory Reference: 30 CFR 784.2, 784.11; R645-301-231, -301-526, -301-528.

Analysis:

The Division reviewed the operations section of the revised MRP. They found that the information was adequate to meet the minimum requirements of the regulations.

Ownership of the Horizon Mine was transferred from Lodestar to Hidden Splendor Resources. The amendment involved changing the name of the Permittee to Hidden Splendor in the MRP.

Findings:

The information in this section of the amendment is considered adequate to meet the minimum requirements of this section of the regulations.

MAPS, PLANS, AND CROSS SECTIONS OF MINING OPERATIONS

Regulatory Reference: 30 CFR Sec. 784.23; R645-301-512, -301-521, -301-542, -301-632, -301-731, -302-323.

Analysis:

Certification Requirements

The Permittee gave the Division maps and cross-section that are the same as those in the operations section MRP with the exception of:

- The name of the mine was changed
- A registered professional engineer Mark Wayment certified the maps and cross-sections.

Findings:

The information provided in the amendment is considered adequate to meet the minimum requirements of the regulations.

RECLAMATION PLAN

RECLAMATION PLAN

GENERAL REQUIREMENTS

Regulatory Reference: PL 95-87 Sec. 515 and 516; 30 CFR Sec. 784.13, 784.14, 784.15, 784.16, 784.17, 784.18, 784.19, 784.20, 784.21, 784.22, 784.23, 784.24, 784.25, 784.26; R645-301-231, -301-233, -301-322, -301-323, -301-331, -301-333, -301-341, -301-342, -301-411, -301-412, -301-422, -301-512, -301-513, -301-521, -301-522, -301-525, -301-526, -301-527, -301-528, -301-529, -301-531, -301-533, -301-534, -301-536, -301-537, -301-542, -301-623, -301-624, -301-625, -301-626, -301-631, -301-632, -301-731, -301-723, -301-724, -301-725, -301-726, -301-728, -301-729, -301-731, -301-732, -301-733, -301-746, -301-764, -301-830.

Analysis:

The Division reviewed the reclamation section of the MRP and found that it met the minimum requirements of the regulations. The major change was that ownership was transferred from Lodestar to Hidden Splendor Resources.

Findings:

The information provided in the amendment is considered adequate to meet the minimum requirements of the regulations.

MAPS, PLANS, AND CROSS SECTIONS OF RECLAMATION OPERATIONS

Regulatory Reference: 30 CFR Sec. 784.23; R645-301-323, -301-512, -301-521, -301-542, -301-632, -301-731.

Analysis:

The Permittee gave the Division maps and cross-section for the reclamation section that are the same as the original MRP with the exception of:

- The name of the mine was changed
- A registered professional engineer Mark Wayment certified the maps and cross-sections.

Findings:

The information provided in the amendment is considered adequate to meet the minimum requirements of the regulations.

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

The information on bonding and insurance was updated to show that the new owner is Hidden Splendor Resources, Inc.

Form of Bond

An Irrevocable Letter of Credit is filed with the Division in the amount of \$75,000, payable to the State of Utah, Division of Oil, Gas, and Mining and the Office of Surface Mining Reclamation and Enforcement, as well as real property in the amount of \$342,000.

Determination of Bond Amount

The reclamation cost is outlined in Appendix 3-7 as \$309,855 in 2001 dollars. By the year 2006, the reclamation cost will escalate to \$361,000.

Terms and Conditions for Liability Insurance

Appendix 2-2 has the liability insurance information. The insurance coverage is for a period of one year, expiring on May 1, 2004. The Division of Oil, Gas & Mining is listed as an additional insured party. The insurance coverage meets the requirements of R645-301-890.100 and – 890.300.

Findings:

The information provided meets the requirements of the Regulations.