

**State of Utah****Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

October 11, 2006

Derrell Curtis, General Manager
Hidden Splendor Resources, Inc.
3266 South 125 West
Price, Utah 84501

Subject: Five-Year Permit Renewal, Hidden Splendor Resources, Inc., Horizon Mine, C/007/0020, Task ID #2525, Outgoing File

Dear Mr. Curtis:

The permit renewal for the Horizon Mine is approved, effective October 11, 2006. Enclosed is the State Decision Document for Permit Renewal, which includes two (2) copies of the renewed permanent program permit for the Horizon Mine with three conditions. Please read the permit to be sure you understand the requirements of the permit, then have both copies signed by the appropriate Hidden Splendor Resources, Inc. officer and return one to the Division.

If you have any questions, please call me.

Sincerely,

John R. Baza
Director
Division of Oil, Gas and Mining

pgl/an

Enclosures:

cc: James Fulton, OSM

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**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT
For
PERMIT RENEWAL**

Hidden Splendor Resources, Inc.
Horizon Mine
C/007/0020
October 11, 2006

Contents

- * Administrative Overview
- * Permitting Chronology
- * Findings
- * Permit
- * Publication Notice
- * AVS Compliance Memo

ADMINISTRATIVE OVERVIEW

Hidden Splendor Resources, Inc.
Horizon Mine
C/007/0020
October 11, 2006

Background

The Horizon Mine is located in Consumers Canyon approximately 13 miles northwest of Price. A variety of coal mining activities occurred between 1921 and 1952 in the vicinity of the Horizon Coal Mine area. Several mines extracted coal from two coal seams, the Castlegate and the Hiawatha seams.

C and W Mining Company submitted a permit application for these mines in 1982, but a bond was never posted, and therefore, a permit never issued. The Blue Blaze Coal Company submitted a permit application for the Blue Blaze Coal Mine in March 1989. The permitting process proceeded for three years, whereupon the Division was prepared to issue a permit with ten stipulations on May 29, 1992. However, a bond was never posted and thus the permit was never issued to Blue Blaze.

On March 29, 1995 the Division was notified that the permit application PRO/007/020 had been assigned by Blue Blaze Coal Company to Horizon Coal Corporation. Horizon then proceeded to revise and update the application in the pursuit of a permit to mine coal. Horizon submitted an application on May 2, 1995 and a permit was issued on October 10, 1996, which authorized mining on approximately 317 acres of primarily fee lease (17 acres in a BLM Right-of-Way). The surface disturbed area consists of 9.15 acres and contains the typical support facilities for a small underground mine (i.e.: portals, fan, office, shop, supply and bath trailers, conveyors, pad and stockpile areas). The permit was transferred to Horizon Mining, LLC on November 6, 1997 and then to Lodestar Energy, Inc. on July 14, 1999. The need for additional lease acreage soon became apparent and Horizon Mining, LLC acquired the Beaver Creek Federal Lease on September 1, 1998 through the Lease By Application (LBA) process. This lease was acquired by Lodestar Energy, Inc. as part of its asset purchase from Horizon LLC, dated July 14, 1999.

Lodestar Energy, Inc. applied to permit 406 acres of the 1288 acre federal lease. Only a portion of the lease (area south of Beaver Creek) was permitted since adequate baseline hydrologic data had not been collected as yet for the area north of Beaver Creek. The addition of a portion of this federal lease was an underground extension of the existing Horizon Mine with no additional surface disturbances and continued room and pillar operation. The permit boundary contains 711 acres; 406 acres of federal lease and the remaining 305 acres are fee lease. The lease extension received a revised state permit on May 7, 2001 and mining plan approval from the Department of Interior on July 9, 2001 as an underground extension of the Horizon Mine.

The permit was transferred from Lodestar Energy, Inc. to Hidden Splendor Resources, Inc. on July 1, 2003.

The lease extension to add 866 acres north of Beaver Creek was approved by a mining plan approval on August 4, 2005. No additional surface disturbance was involved in this permitting action. Mining is done entirely in the Hiawatha seam commencing at a rate of 300,000 tons per year and increasing to a rate of 500,000 tons by room and pillar.

This permitting action brought the acreage to 1577 acres.

Public Notice

Hidden Splendor Resources, Inc. made application to the Division for a five-year permit renewal for the Horizon Mine on May 15, 2006. This renewal encompasses the same permit area and disturbance as currently approved in the permit. The permit renewal application was determined administratively complete on June 5, 2006. Public notice for this permit renewal was published in the Sun Advocate for four consecutive weeks beginning on June 15, 2006 and ending on July 6, 2006. No comments were received.

Recommendation for Renewal

The Division made the decision on October 11, 2006 to approve the permit renewal for five years based on the fact that:

1. The terms and conditions of the existing permit are being satisfactorily met; see TA dated October 26, 2005.
2. The present coal mining and reclamation operations are in compliance with the environmental protection standards of the State Program.
3. The renewal does not substantially jeopardize the operator's continuing ability to comply with the State Program on existing permit areas.
4. The operator has provided evidence of having liability insurance and a performance bond will be in effect for the operation and will continue in full force and effect.
5. The permit is conditioned with the requirement to:
 - Submit water quality data through the Electronic Data Input web site.

Recommendation

Approval for this permit renewal is recommended with one condition:

“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>.”

PERMITTING CHRONOLOGY

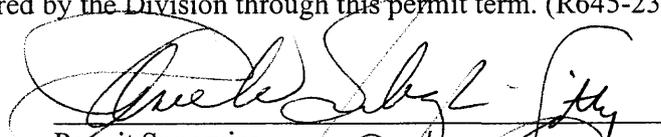
Hidden Splendor Resources, Inc.
Horizon Mine
C/007/0020
October 11, 2006

May 15, 2006	Hidden Splendor Resources, Inc. submits permit renewal application.
June 5, 2006	Permit renewal administrative completeness determination.
June 29, 2006	Permit renewal completeness determination sent to applicable state, federal, and county agencies with a note that comments must be received by September 1, 2006.
June 15, 22 and 29, and July 6, 2006	Public Notice of permit renewal for the Horizon Mine published in the <u>Sun Advocate</u> .
August 6, 2006	End of public comment period and no comments were received.
October 11, 2006	Permit is renewed with one condition.

PERMIT RENEWAL FINDINGS

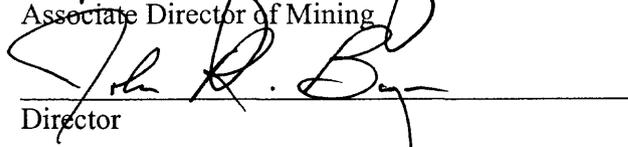
Hidden Splendor Resources, Inc.
Horizon Mine
C/007/0020
October 11, 2006

1. The permit renewal term will not exceed the original permit term of five years. (R645-303-234)
2. The terms and conditions of the existing permit are being met. (R645-303-233.110)
3. The present coal mining and reclamation operations are in compliance with the environmental protection standards of the Act and the Utah State Program. (R645-303-233.120)
4. The requested renewal will not substantially jeopardize the operator's continuing ability to comply with the Act and the Utah State Program. (R645-303-233.130)
5. The operator has provided evidence of maintaining liability insurance in full effect. (Lexington Insurance Company, #2916588)(R645-303-233.140)
6. The permittee has a reclamation surety on file with the Division and has provided evidence that the surety will remain in full effect. (Irrevocable Letter of Credit with Bank One in the amount of \$57,000 and Real Property in the amount of \$342,000) (R645-303-233.150)
7. To date, all other information has been submitted and updated the mining and reclamation plan as required by the Division through this permit term. (R645-233.160)


Permit Supervisor


Permit Supervisor


Associate Director of Mining


Director

FEDERAL

PERMIT
C/007/0020

October 11, 2006

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple
Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

This permit, C/007/0020, is issued for the State of Utah by the Utah Division of Oil, Gas and Mining (Division) to:

Hidden Splendor Resources, Inc.
50 West Liberty Street, Suite 880
Reno, Nevada 89501
(775) 322-0626

for the Horizon No. 1 Mine. A financial assurance in the form of an Irrevocable Letter of Credit and Collateral (Real Estate) is filed with the Division in the amount of \$399,000.00, payable to the State of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSMRE). The Division must receive a copy of this permit signed and dated by the permittee.

Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Horizon Mine situated in the State of Utah, Carbon County, as shown on Plate 1-1 (Permit Boundary Map) in the approved Horizon Mine mining and reclamation plan and located in:

Township 13 South, Range 8 East, SLM

Section 6: NW1/4SE1/4, SE1/4SW1/4, SW1/4SE1/4. SE1/4SE1/4
Section 7: NW1/4, NE1/4, SE1/4, E1/2SW1/4, NW1/4SW1/4
Section 8: S1/2NW1/4, NW1/4NW1/4, SW1/4NE1/4, SW1/4, W1/2SE1/4
Section 17: NW1/4, W1/2NE1/4, NE1/4SW1/4, N1/2SE1/4SW1/4,
N1/2NW1/4SW1/4, NW1/4SE1/4, N1/2SW1/4SE1/4
Section 18: NE1/4NE1/4

The permit area of the Horizon Mine contains 1,577 acres, more or less, consisting of 305 acres, more or less of Fee coal and 1,272 acres, more or less of Federal leased coal. The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to the conditions of all applicable conditions, laws and regulations.

- Sec. 3 COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4 PERMIT TERM** - This permit becomes effective expires on October 11, 2011.
- Sec. 5 ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the prior written approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13 {e} and R645-303-300.
- Sec. 6 RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials and without delay to:
- (a) Have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;
 - (b) Be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by a private person.
- Sec. 7 SCOPE OF OPERATIONS** - The permittee shall conduct underground coal mining activities only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.
- Sec. 8 ENVIRONMENTAL IMPACTS** - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:

- (a) Any accelerated or additional monitoring necessary to determine the nature of noncompliance and the results of the noncompliance;
- (b) Immediate implementation of measures necessary to comply; and
- (c) Warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS -The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- (a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) Utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 12 RECLAMATION FEE PAYMENTS - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.), and the Clean Air Act (42 USC 7401 et seq.), UCA 26-11-1 et seq., and UCA 26-13-1 et seq.

Sec. 15 PERMIT RENEWAL - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit area in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 16 CULTURAL RESOURCES - If, during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division. The Division, after coordination with OSM, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by Division within the time frame specified by Division.

Sec. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300-200.

Sec. 18 SPECIAL CONDITIONS - The permittee shall comply with the special conditions in Attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations.

THE STATE OF UTAH

By: John R. Byers
Date: 10/11/2006

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

PERMITTEE (Authorized Representative)

By: _____

Date: _____

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>.

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AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Richard Shaw, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and the first publication was on the 15th day of June, 2006, and that the last publication of such notice was in the issue of such newspaper dated the 6th day of July, 2006.


Richard Shaw - Publisher

Subscribed and sworn to before me this 6th day of July, 2006.



Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, \$ 399.36

**PUBLIC NOTICE –
APPLICATION FOR PERMIT RENEWAL
HIDDEN SPLENDOR RESOURCES, INC. – HORIZON MINE
C/007/020**

Notice is hereby given that Hidden Splendor Resources, Inc. has submitted an "Application for Permit Renewal" for Permit C/007/020 for the Horizon Mine to the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining.

The address of the applicant is: Hidden Splendor Resources, Inc., 3266 South 125 West, Price, Utah 84501.

Hidden Splendor Resources, Inc., operates the Horizon Mine located approximately nine (9) miles west of US Highway 6, on the Consumers Road within the south half of Section 17, Township 13 South, Range 8 East, SLBM. The currently approved Horizon Mine mining permit number is C/007/020. The permit area is located on the Standardville and Jump Creek, USGS 7.5 minute quadrangle maps. The description of the permit area is as follows:

Township 13 South, Range 8 East, SLBM

Section 6: NW1/4SE1/4, SE1/4SW1/4, SW1/4SE1/4, SE1/4SE1/4.

Section 7: NW1/4, NE1/4, SE1/4, E1/2SW1/4, NW1/4SW1/4.

Section 8: S1/2NW1/4, NW1/4NW1/4, SW1/4NE1/4, SW1/4, W1/2SE1/4.

Section 17: NW1/4, W1/2NE1/4, NE1/4SW1/4, N1/2SE1/4SW1/4, N1/2NW1/4SW1/4, NW1/4SE1/4, N1/2SW1/4SE1/4.

Section 18: NE1/4NE1/4.

Containing 1,577 acres more or less consisting of 305 acres more or less of Fee coal (Hidden Splendor Resources, Inc.) and 1,272 acres more or less of Federal leased coal.

A copy of the permit renewal application will be available for inspection at the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah, 84114-5801 and also at the Carbon County Courthouse, 120 East Main Street, Price, Utah, 84501.

Written comments or request for an informal conference regarding this application must be submitted within 30 days of the last publication date of this notice, to the Utah Division of Oil, Gas and Mining, Attention Coal Regulatory Program, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate June 15, 22 and 29, and July 6, 2006

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State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

September 27, 2006

To: Internal File *Noted JRB*

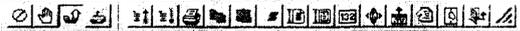
From: Pamela Grubaugh-Littig, Permit Supervisor *PGL*

Re: Compliance Review for Section 510 (c) Findings - Permit Renewal, Horizon Mine, Hidden Splendor Resources, Inc., C/007/0020

As of the writing of this memo, there are no NOVS or COs which are not corrected or in the process of being corrected at the Horizon Mine. There are no finalized Civil Penalties, which are outstanding and overdue in the name of Hidden Splendor Resources, Inc. Hidden Splendor Resources, Inc. does not have a demonstrated pattern of willful violations, nor have they been subject to any bond forfeitures for any operation in the state of Utah.

The recommendation from the Applicant Violator System (AVS) denotes that there were no violations retrieve by the system. (see attached AVS Evaluation Report, dated September 27, 2006).

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Application Evaluation Report Applicant Violator System 27-Sep-2006 13:45:37

State : UT Permit No : ACT007020 Appl No : ACT007020
Permittee : 153690(HIDDEN SPLENDOR RESOURCES INC) Seqno : 4
Applicant : 153690(HIDDEN SPLENDOR RESOURCES INC)

OSMRE: Comments/Analysis: Date : 27-Sep-2006 Mode : VIEW
There were no violations retrieved by the system. 1k

SRA: Comments/Analysis: Date : 27-Sep-2006 Mode : UPDATE

SAVE (F5) DELETE (F8)
PRV_SCR (F3) QUIT (F4) CHOICES (F10)

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