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# State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

Outgoing  
C0070020  
# 3076  
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April 28, 2009

Mr. Kit Pappas, Resident Agent  
Hidden Splendor Resources, Inc.  
3266 South 125 West  
Price, Utah 84501

Subject: Midterm Review, Hidden Splendor Resources, Inc., Horizon Mine, C0070020, Task ID # 3076

Dear Mr. Pappas:

This document completes the Midterm Mine Permit Review for the Horizon Mine. The Division's analysis and findings are included in the selected listed below. The Division is required to review each active permit during its term, in accordance with R645-303-211. As you will note, there are some deficiencies that need to be addressed in Sections 1 and 3. The deficiencies listed in this document are the same deficiencies sent to Hidden Splendor, Inc. on April 26, 2009. The response to those deficiencies will be processed as an amendment and given a new task number.

1. A review of the mine plan to ensure that the requirements of all permit conditions, Division orders, notice of violation abatement plans, and Permittee initiated plan changes are appropriately incorporated into the mine plan document.

The mining and reclamation plan is current. No Division Orders have been issued since 1996. There have been no NOV's issued since 1999. All mine plan changes have been incorporated into the MRP.

2. A review to ensure that the mine plan has been updated to reflect changes in the Utah Coal Regulatory Program that have occurred subsequent to permit approval (example: compliance with U.S. Fish and Wildlife Department - Colorado River Endangered Fish Recovery Program).

The Permittee states that any groundwater encountered and consumed underground, and water used to operate machinery is in accordance with two water rights held by the company. However, State appropriated water rights do not have any bearing on the depletion calculation.



for the Colorado River Fish Program.

There has been no significant change in the mine, and therefore no significant change in water consumption, since the Division approved the 60 acre-feet consumption. The Permittee does not need to recalculate water consumption.

3. An AVS check to ensure that Ownership and Control information is current and correct.

**R645-301-113**, Restated from Task 3076. Provide violation information for Hidden Splendor and affiliated companies under America West Resources, Inc. control.

**R645-301-112.300**, Restated from Task 3076. The Permittee must provide notarized, Secretary signature for the begin dates of Alexander Walker, III in position of President, Secretary and Director and for the End dates for Hidden Splendor officers (Alexander Walker, III as V.P.; Amanda Cardinalli as Treasurer and Director; and Cecil Walker as President and Director).•The Permittee must provide the begin date (along with notarized Secretary signature) and phone number and last four digits of the federal identification number for the following principals of America West Resources, Inc.: John Durbin, CFO; George Jarkesy, Director; Brian Rodriguez, Director.

**R645-301-112.200**, Section 112.200 states that the abandoned mine fee will be paid by the Price office of Hidden Splendor Resources, Inc, but the requirement of R645-301-112.230 is to name the person who will pay the abandoned mine fee. Restated from Task 3076, the Permittee must provide a name, address, and telephone for the person who will pay the abandoned mined land fee.

**R645-301-112.400**, Restated from Task 3076. The federal Identification Number of AWRI was not provided. The telephone number of AWRI was not provided. Provide the federal identification number and telephone number for America West Resources Inc.

**R645-301-112.340**, Restated from Task 3076. A statement must be included declaring that AWRI. Holds the Columbia exploration well permit, X/007/0044 was not provided as required by R645-301-112.340 through –112.420. Affiliated state permits must be identified along with the name of the permit holder and the relationship to the Horizon Mine, i.e. Bronco Well held by America West

Resources, Inc. and other permits held by affiliated companies under America West Resources control.

4. A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate current-year dollars.

The mine permit was transferred from Lodestar Energy to Hidden Splendor Resources on July 1, 2003. A property bond was posted on August 11, 2003. The reclamation expense was calculated at \$445,000.00 (2011 dollars). Real estate appraised for \$625,000.00.

5. A review of the applicable portions of the permit to ensure that the plan contains commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.

All commitments are now outlined in the Annual Reports. Horizon has committed to submit water monitoring data to the UDOGM Water Quality database and conduct annual subsidence monitoring surveys, conduct cultural resource. Several other commitments require a response if an action takes place first. Such as a cultural resource study in the event a previously unidentified site is discovered. Hidden Splendor has complied with the commitments. The 2008 Annual Report is expected at the Division by June 1, 2009. (Also, see Section 6)

6. The Division will conduct a technical site visit in conjunction with the assigned compliance inspector to document the status and effectiveness of operational, reclamation, and contemporaneous reclamation practices.

During the technical site visit conducted at the mine on April 23, 2009, Division personnel identified an issue with coal fines drifting off site and also onto the topsoil stockpile. Ms. Burton discussed mitigation measures including spraying water or magnesium chloride onto the fines during windstorms to reduce coal fine transport. R645-301- 526.220.

Hydrologic transport structures appeared intact and functioning. Coal fines and snow were pushed up against the edge of the sedimentation pond. Mr. Pappas stated the pond would be cleaned when the snow in the pile melts. The coal fines will be mixed with coal or given to Sunnyside Cogen.

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Mr. Kit Pappas, Resident Agent  
Midterm Review  
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If you have any questions regarding these requirements or the Midterm Review, please call David Darby at (801) 538-5341 or me at (801) 538 -5262

Sincerely,

A handwritten signature in black ink, appearing to read 'J.D. Smith', written over a horizontal line.

James Smith  
Permit Supervisor

JDS/DD/sqs  
cc: Price Field Office  
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