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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
3666
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December 1, 2010

Kit Pappas, Manager of Environmental and Engineering
Hidden Splendor Resources, Inc.
3266 South 125 West
Price, Utah 84501

Subject: Beaver Creek Protection and Enhancement Plan and Raptor Survey Requirements, Task ID #3666, Hidden Splendor Resources Inc., Horizon Mine, C/007/0020

Dear Mr. Pappas:

The Division received your application for the above-noted permit change on November 1, 2010. Your efforts to produce the mine map presenting the previously requested information are appreciated. The Division also acknowledges your adherence to SME rule-of-thumb guidelines to help ensure that underground mining operations at the Horizon Mine are conducted in a safe manner. The Division has determined that there are some deficiencies remaining related to the Protection and Enhancement Plan for Beaver Creek that must be addressed before a determination can be made that the requirements of the R645 Coal Mining Rules have been met, and an approval can be granted. A copy of the deficiency list is included as an attachment to this letter.

Per Utah Coal Mining Rules R645-303-223, changes to a Mining and Reclamation Plan (MRP) must include the information required under R645-301 as applicable to the permit change. The proposed modification to the biological resources section of the MRP must therefore be accompanied by applicable information from R645-301-300. Biology. Furthermore, a permit change must be based on a technical demonstration completed in accordance with the format and contents requirements of R645-301-120, -130 and -150. The materials provided by Hidden Splendor to date do not constitute a technical demonstration meeting the applicable requirements of R645-301, and the Division has provided Hidden Splendor multiple opportunities to make such a demonstration. The analogy to hurricane insurance in Utah in your application cover letter does not constitute a technical demonstration. In addition, following the logic of the hurricane insurance analogy, a Protection and Enhancement plan for the Horizon mine is warranted because the Horizon Mine is located in Utah, where coal mining occurs, and where subsidence from coal mining has resulted in impairment to hydrologic and biological resources.



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Hidden Splendor is currently required to develop a protection and enhancement plan in conjunction with the Division of Wildlife Resources (DWR) and the Division of Oil, Gas and Mining prior to any secondary or retreat mining under Beaver Creek (MRP Section 10-7 page 10-40). In accordance with R645-300-142, coal mining and reclamation operations will be conducted only as described in the approved permit application. As shown on the map submitted for Task ID# 3666, second mining under Beaver Creek was performed in June 2008. While it is regrettable that the terms of Hidden Splendor's MRP have been violated, the retreat mining which was performed under Beaver Creek may provide useful information which Hidden Splendor could incorporate into the technical demonstration required prior to approval of the permit amendment. It is therefore in Hidden Splendor's best interest to cooperate with the Division to either develop a protection and enhancement plan as described in the approved MRP or modify the MRP in accordance with Utah R645 Coal Mining Rules. If no such cooperation is made, then there is a risk that an enforcement action may be issued for non-compliance with the terms of the approved MRP.

Please submit the entire application by January 6, 2011 after addressing the deficiencies identified. It may be beneficial to have a meeting to discuss this letter and the requirements of the Utah R645 Coal Mining Rules. Please contact either Kevin Lundmark at (801)538-5352 or Daron Haddock at (801)538-5325 if you would like to set up a meeting or if you have any questions.

Sincerely



Daron R. Haddock
Permit Supervisor

DRH/KWL/sqs
Attachment
cc: Price Field Office
O:\007020.HZN\WG3666\DENIAL_WG3666_KWL.DOC

Deficiency List
Task No. 3666
Beaver Creek Protection and Enhancement Plan
and Raptor Survey Requirements

The members of the review team include the following individuals:

Ingrid Campbell (IC)
Kevin Lundmark (KL)
James Owen (JO)

R645-301-121.100 Groundwater monitoring well HZ-95-3 has reportedly been mined through, though this is not reflected in the mine map submitted. The Permittee must revise the mine map to show the corrected location of well HZ-95-3 and / or the mine workings in this area, and provide timing when well HZ-95-3 was mined through. (KL)

R645-301-332: The permittee must submit a protection and enhancement plan for Beaver Creek prior to any additional retreat mining under Beaver Creek. This plan must be developed in conjunction with the Division of Wildlife Resources (DWR) and the Division of Oil, Gas and Mining. (Horizon MRP, Chapter 10, page 10-40). The plan must include, at a minimum, an analysis and monitoring plan of the aquatic resources that could be impacted. This plan should incorporate the 1981 baseline macroinvertebrate studies for Beaver Creek located in Chapter 10 of the Horizon Mining and Reclamation Plan (MRP). In the 1981 DWR analysis of impacts from mining to Beaver Creek referenced in the Horizon MRP, DWR stated that the stream was a substantial value salmonid fishery. DWR conducted this analysis when there were no plans to mine below Beaver Creek, and therefore determined that no impacts would occur to the stream from mining. DWR must be involved with reevaluating the plan to retreat mine beneath Beaver Creek to assess the impacts and provide input on a protection plan. (IC)