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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

March 3, 2011

TO: Internal File

THRU: Jim Smith, Permit Supervisor *JS 14 Mar 11*

FROM: Kevin Lundmark, Hydrologist *KLW*

RE: Beaver Creek Protection and Enhancement Plan and Raptor Survey Requirements, Task ID #3741, Hidden Splendor Resources Inc., Horizon Mine, C/007/0020

SUMMARY:

On February 22, 2011 the Division received an amendment (Task ID# 3741) from Hidden Splendor Resources proposing revisions to MRP Section 3.4.8.5 – Subsidence Control and Monitoring Plan to address concerns for potential subsidence impacts to Beaver Creek from future retreat mining under Beaver Creek. During the 2004 – 2005 permitting of the north lease area of Horizon Mine, a commitment was included in Chapter 10 of the MRP that Hidden Splendor would develop a Protection and Enhancement (P&E) Plan in conjunction with the Division and DWR prior to retreat mining under Beaver Creek. Retreat mining was performed under Beaver Creek in June 2008; however, no P&E Plan was developed.

The Division met with Hidden Splendor on April 19, 2010 to discuss the P&E Plan commitment in the MRP. The Division received an amendment from Hidden Splendor on July 7, 2010 (Task ID 3587). Upon review of the amendment, it was determined that additional information was necessary in order to evaluate the proposed amendment. Hidden Splendor submitted a mine map on September 30, 2010; however, the submittal was denied at Initial Review because it did not address the deficiencies identified for Task 3587 and was not submitted with accompanying C1/C2 forms. A permit amendment was submitted on November 1, 2010 (Task ID 3666) and was again found deficient following review by the Division.

On January 12, 2011 representative from the Division and DWR met with Hidden Splendor to negotiate a resolution for the P&E Plan commitment in their MRP. At that meeting, it was agreed that additional and more complete subsidence monitoring will provide sufficient information to demonstrate whether second mining under Beaver Creek has caused subsidence-related damage. In the event that the subsidence monitoring shows subsidence effects on Beaver Creek or its associated habitat, mitigation measures will then be evaluated by Hidden Splendor Resources in consultation with the Division of Oil, Gas and Mining and the Division of Wildlife

Resources. Hidden Splendor agreed to make changes to the subsidence monitoring section of the MRP, which were enumerated in a letter from the Division dated January 20, 2011. These changes included additional surface water monitoring of discharge within Beaver Creek.

Hidden Splendor has submitted the required revisions to the MRP, and the amendment is recommended for approval at this time.

TECHNICAL ANALYSIS:

OPERATION PLAN

HYDROLOGIC INFORMATION

Regulatory Reference: 30 CFR Sec. 773.17, 774.13, 784.14, 784.16, 784.29, 817.41, 817.42, 817.43, 817.45, 817.49, 817.56, 817.57; R645-300-140, -300-141, -300-142, -300-143, -300-144, -300-145, -300-146, -300-147, -300-148, -301-512, -301-514, -301-521, -301-531, -301-532, -301-533, -301-536, -301-542, -301-720, -301-731, -301-732, -301-733, -301-742, -301-743, -301-750, -301-761, -301-764.

Analysis:

Surface Water Monitoring

The January 20, 2011 letter from the Division identified the following modifications required for the Horizon MRP to describe additional surface water monitoring of discharge within Beaver Creek:

1. Hidden Splendor will include a commitment in the MRP to establish a minimum of two new monitoring sites located between SS-7 and SS-8 for measuring discharge in Beaver Creek prior to one month before any additional retreat mining under Beaver Creek. The new monitoring sites will be identified by Hidden Splendor Resources with Division concurrence and will be selected based on access, location relative to retreat mining panels and channel characteristics.
2. Hidden Splendor will include a commitment in the MRP to increase monitoring frequency for discharge in Beaver Creek to a weekly basis one month prior to retreat mining beneath Beaver Creek (weather conditions permitting). The weekly monitoring will continue until one month after retreat mining has been completed. Monitoring will then be reduced to monthly for an additional six months, after which water monitoring will resume at the operational monitoring schedule (quarterly). The increased monitoring frequency will include stream monitoring sites SS-7, SS-8 and SS-12 and the new monitoring sites located between SS-7 and SS-8. Hidden Splendor will provide the Division weekly monitoring reports via email during the increased monitoring period. Discharge measurements will be submitted to the Division's water database quarterly.

Hidden Splendor submitted these modifications as an amendment to MRP Section 3.4.8.5 – Subsidence Control and Monitoring Plan.

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Findings:

The amendment meets the minimum Hydrologic Information requirements of the State of Utah R645 Coal Mining Rules and should be approved.

RECOMMENDATIONS:

The application meets the requirements of the State of Utah R645 Coal Mining Rules and is recommended for approval at this time.

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