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December 5, 2014

DENVER
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VIA E-MAIL AND U.S. MAIL

Dana Dean, P.E.
Associate Director
Utah Division of Oil, Gas & Mining
Department of Natural Resources
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84116

Re: Reclamation and Bonding for Horizon Mine, ACT/007/020

Dear Dana:

As a follow-up to our meeting on November 12, 2014, on behalf of Hidden Splendor Resources, Inc. ("HSR"), this letter responds to the Division's request for information regarding the operator's plans for reclamation of the Horizon Mine. By Order issued today, the Board of Oil, Gas & Mining has continued the hearing on the Division's action seeking to forfeit the reclamation bond for Horizon Mine. These forfeiture proceedings are unfounded and premature. HSR is undertaking reclamation in compliance with the terms of its existing reclamation plan. Substantially, all equipment and structures have been removed with the exception of those few structures which would benefit the uses proposed by a third party purchaser of the land where the former Horizon Mine is located. HSR requests that the Division withdraw its Notice of Agency Action. In return, HSR will commit to the following actions to address the Division's concerns regarding adequacy of bonding for reclamation.

1. December 5, 2014. Establish the current value of the collateral bond on the American Towers Condominium. The Division continues to use the 2003 appraised value of this collateral. Under Utah Code § 59-2-103(1), all residential property in the state is to be assessed at its fair market value. HSR proposes that the Division's calculations be updated to reflect Salt Lake County's assessed fair market value of \$495,000 as shown on the assessed valuation summary, attached as Exhibit A. HSR believes that the current assessed value reflects the reasonable fair market value of the property. Further, the current value of the collateral bond is more than adequate to secure the current reclamation liability. We have reviewed the new bond estimate provided by the Division on December 2, 2014. Based on our calculations, which

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reflect HSR's completed reclamation work, the liability should be reduced to \$346,272.52. We arrived at this estimate by:

- Escalating 2008 reclamation costs included in the approved reclamation plan
- Recalculating New Road demolition costs based on 2008 estimates (DOGM increased New Road Demolition costs by 1300% (this is not a typo) in 2014)
- Accounting for reclamation work completed onsite
- Correcting errors in DOGM's December 2, 2014 bond estimate calculation
- Escalating 2014 costs to 2016 (rather than 2019) based on the reclamation timeline included in the approved reclamation plan.

A summary of the bond estimate and HSR's worksheets are attached as Exhibit B.

2. December 10, 2014. Submit a joint motion to dismiss, without prejudice, the Board proceedings initiated by the Division.

3. February 10, 2015. Submit a preliminary estimate of reclamation cost that reflects the landowner's plans for the property. HSR anticipates that following reclamation, the presently-disturbed private property covered by the reclamation bond will be used for recreation or grazing. This use is consistent with current zoning, and with the postmining land use. The property is zoned by Carbon County for Mining and Grazing (zone M&G), and that zoning is reflected in the approved postmining land use, which is "undeveloped land," including recreational, hiking, hunting, and grazing uses. While "concentrated residential, commercial or similar urban-type uses" are prohibited in this zone, dwellings, lodging houses, and manmade lakes less than 10 acre-feet in capacity are all permitted uses that Carbon County deems to be consistent with its goals of conserving resources and preventing degradation. A copy of the relevant portion of the Zoning Ordinance is attached as Exhibit C.

4. February 10, 2015. Submit an amendment to the Mining and Reclamation Plan reflecting the work already completed, and the desired property conditions, including a revised reclamation cost estimate supported by the necessary engineering. Specific elements of the revised plan include:

- a. Convert the existing sediment pond in place to conform to the M&G zoning.
- b. Remove county roads from the reclamation plan that cannot be reclaimed.
- c. Identify disturbed areas that will not be recontoured.

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5. February 24, 2015. The Division will conduct an initial review of the amended plan and cost estimate and advise HSR of additional information needed for approval of the permit amendment.

6. April 11, 2015. The Division will issue its decision on the permit amendment. If the Division declines to approve the amendment, HSR can appeal the denial to the Board of Oil, Gas & Mining in accordance with its rules of practice and procedure. If the Division chooses, it can raise the same issues identified in its September 10, 2014 Notice of Agency Action in the permit amendment proceeding.

HSR continues to reclaim the site and to abate the violation regarding the sediment pond. HSR appreciates the opportunity to work with the Division to assure that its reclamation work is properly documented and bonded.

Please call me if you wish to discuss this matter further.

Very truly yours,

Snell & Wilmer



Denise A. Dragoo

DAD:mkm

Enclosures

cc: Steve Alder, Esq.

EXHIBIT A

Assessor ---> **Parcel Search** ---> **Valuation Summary** ---> Printable Version

Parcel	15-01-283-325-0000
Owner	WALKER, ALEXANDER H JR & CECIL A; JT
Address	48 W 300 S 2404
Total Acreage	0.01
Above Ground sqft.	
Property Type	116 - CONDO
Tax District	01A
	

Value History					
Record	Land Value	Building Value	Market Value	Tax Rate	
2014	\$ 148,500	\$ 346,500	\$ 495,000		not set
2013 1	\$ 161,700	\$ 377,300	\$ 539,000		.0166740
2012 1	\$ 153,500	\$ 358,000	\$ 511,500		.0160220
2011 1	\$ 135,300	\$ 315,700	\$ 451,000		.0155190
2010 1	\$ 148,500	\$ 346,500	\$ 495,000		.0153590
2009 1	\$ 165,000	\$ 385,000	\$ 550,000		.0138340



40.763227430,-111.892048440

Land Record

Record ID	1	Influence Effect		Lot Shape	REGULAR	Traffic	LIGHT
Lot Use	MULTI-HOUSNG	Assmt. Class	RES-PRIMARY	Lot Location	INTERIOR	Traffic Influence	TYPICAL
Lot Type	PRIMARY-LOT	Lot Depth		Neighborhood	181	Street type	PRIVATE/COURT
Land Class		Acres	0.01	Nbhd Type	DEVELOPING	Street Finish	PAVED
Income Flag		Zone	3000	Nbhd Effect	TYPICAL	Curb Gutter	Y
Seasonal use	N	Sewer	PUBLIC	Topography	LEVEL	Sidewalk	Y
Influence Type		Number Lots	1				

Condo Unit

Building	1	Basement Grade		3/4 baths		Intrior Grade	G
Apartment Number	2404	Main Floor A.	2279	Half Baths		Intrior Condition	G
Condo Type	P	Upper Floor A.		Bath Quality	M	View Quality	G
Time Share	N	Total Sqft	2279	Kitchen Type	F	Year Built	1984
Number of Floors	1	Total Rooms	7	Kitchen Quality	S	Effective Y.B.	1998
Elevator	N	Full Bedrooms	2	Heat Type	C	Number of Parking	1
Basement Area		Den/Partial Bdrms.		Fire Places		Percent Complete	
Finished Basement A.		Full Baths	2	Air Conditioning	Y		

Click here for **Parcel Characteristics Search Again?**

This page shows the assessor's CAMA data, as it was, on May 22, 2014.

EXHIBIT B

		DOGM 2014 Cost Estimate	DOGM Bond Estimate-Field Conditions		Hidden Splendor Estimate- Field Conditions
Subtotal Demolition and Removal		\$271,326.00	221,221.00		\$77,418
Subtotal Backfilling and Grading		\$87,097.00	87,097.00		\$57,633
Subtotal Revegetation		\$136,255.00	136,255.00		\$97,987
Direct Costs		\$494,678.00	444,573.00		\$233,038
Indirect Costs					
Mob/Demob	10.0%	\$49,468.00	44,457.00		\$23,304
Contingency	5.0%	\$24,734.00	22,229.00		\$11,652
Engineering Redesign	2.5%	\$12,367.00	11,114.00		\$5,826
Main Office Expense	6.8%	\$33,638.00	30,231.00		\$15,847
Project Management Fee	2.5%	\$12,367.00	11,114.00		\$5,826
Subtotal Indirect Costs		\$132,574.00	119,145.00		\$62,454
Total Cost 2014		\$627,252.00	\$563,718.00		\$295,492.18
Escalation	0.019	\$11,917.79	\$10,710.64	0.019	\$5,614.35
Number of Years	6	\$698,758.73	\$627,981.85	1	\$301,107
TOTAL RECLAMATION COST 2015		\$639,169.79	\$574,428.64		\$301,107
15% Collateral Adjustment		\$735,045.26	660,592.94		\$346,272.52
<i>Bond Posted Value 2003</i>		<i>\$445,000.00</i>	<i>Bond Posted Bond Value 2014</i>		<i>\$495,000.00</i>
					(\$148,727.48)

		DOG M 2008 Reclamation Estimated in 2014	Hidden Splendor/DOG M 2008 Reclamation Costs, Approved Rec. Plan calculated in 2008		Difference	%
DIRECT COSTS						
Demolition & Removal		\$198,718.00	\$128,720.00		\$69,998.00	54.38%
Backfilling & Grading		\$69,589.00	\$69,646.00		-\$57.00	-0.08%
Revegetation		\$134,185.00	\$124,961.00		\$9,224.00	7.38%
Subtotal Indirect Costs		\$402,492.00	\$323,327.00		\$79,165.00	24.48%
INDIRECT COSTS						
Mob/Demob	10.0%	\$40,249.00	\$32,333.00		\$7,916.00	24.48%
Contingency	5.0%	\$20,125.00	\$16,166.00		\$3,959.00	24.49%
Engineering Redesign	2.5%	\$10,062.00	\$8,083.00		\$1,979.00	24.48%
Main Office Expense	6.8%	\$27,369.00	\$21,968.00		\$5,401.00	24.59%
Project Management Fee	2.5%	\$10,062.00	\$8,083.00		\$1,979.00	24.48%
Subtotal Indirect Costs		\$107,867.00	\$86,633.00		\$21,234.00	24.51%
Total Cost, 2008 Dollars		\$510,359.00	\$409,960.00		\$100,399.00	24.49%
Escalation,	0.1196	\$9,696.82	\$7,789.24	0.019	\$1,907.58	24.49%
Number of years	6					
Escalation	61016	\$58,180.93	\$46,735.44		\$11,445.49	24.49%
Total 2014 Escalated Reclamation Cost		\$571,375.00	\$456,695.44		\$111,844.49	24.49%
15% Margin for Collateral Bond		\$657,081.25	\$653,820.91		\$525,199.76	

	Hidden Splendor Reclamation Demo Estimates			DOGM Reclamation Demo Estimates		
	Hidden	Hidden-Completed Work	HS Outstanding Cost Est.	DOGM Cost 2014	DOGM Cost 2014-Field Conditions	Credit
Water Tank 001	Completed	\$8,775	\$0	\$8,775	\$0	\$8,775
Fuel Tank 002	Completed	\$1,645	\$0	\$1,645	\$0	\$1,645
Material Storage Shed	Completed	\$18,791	\$0	\$18,791	\$13,293	\$5,499
Substation Transformer	Completed	\$6,857	\$0	\$6,857	\$4,007	\$2,850
Portals 005		\$30,270	\$0	\$30,270	\$30,270	\$0
Portal Structure 006		\$8,382	\$0	\$8,382	\$6,289	\$2,093
Mine Conveyor 007		\$11,818	\$10,293	\$1,525	\$11,818	\$6,672
Transfer Belt 008		\$9,906	\$8,565	\$1,341	\$9,906	\$5,624
Stacker Belt 009		\$9,129	\$8,781	\$348	\$9,129	\$4,739
Fan 010		\$7,694	\$7,359	\$335	\$7,694	\$4,015
Temp Office Trailer 011	Complete	\$2,725	\$0	\$2,725	\$1,363	\$1,363
Office Trailer 012	Complete	\$5,120	\$0	\$5,120	\$2,635	\$2,485
Bathhouse 013	Complete	\$8,370	\$0	\$8,370	\$4,260	\$4,110
Crusher Screen 014		\$7,620	\$7,557	\$0	\$7,620	\$3,842
Emergency Escapeway 015		\$2,221	\$0	\$221	\$2,221	\$0
Explosive Storage 016		\$17 Complete	\$0	\$0	\$17	\$9
Culvert removal 017		\$11,173	\$0	\$221	\$11,173	\$11,173
Stacking Tube 018		\$943	\$0	\$943	\$943	\$0
New Road 019		\$92,745		\$92,745	\$92,745	\$0
Monitoring Wells		\$27,125		\$27,125	\$27,125	\$0
		\$219,043	\$94,838	\$43,586	\$271,326	\$221,221
					\$50,105	

Direct Costs	
Demo and Removal	\$77,418
Subtotal Backfilling and Grading	\$57,633
Revegetation	\$97,987
Total Direct Costs	\$233,038
Indirect Costs	
Mob/Demo	\$23,304
Contingency	\$11,652
Engineering/Redesign	\$5,826
Main Office Expense	\$15,847
Project Management Fee	\$5,826
Subtotal Indirect Costs	\$61,454
Total Costs	\$295,492
Escalation	\$5,595
Number of Years	1
Reclamation Cost	\$301,107
Required Bond Amount	346,272
Value of collateral Bond Posted	\$495,000
<i>Difference</i>	<i>(\$194,912)</i>

EXHIBIT C

J. Landscaping

All industrial developments shall be fully landscaped as per a plan submitted to and approved by the Planning Commission.

4.2.15 **M&G Mining and Grazing Zone**

A. Legislative Intent

The M&G Mining and Grazing Zone generally covers the rangeland areas of Carbon County to an elevation of 7,000 feet. Because of the limitations imposed by climate, topography, soil capability, water supply and the presence of economically significant mineral deposits, this area has historically been utilized as a place for the grazing of livestock on the open range and as the location of numerous mining and mineral exploration sites. The particular characteristics and conditions present in this area make the land more appropriately suited for a continuation of these uses to promote the economic well-being of the people within the County, and to broaden the tax base.

It is hereby declared that the specific purposes and intent of the County Commission in establishing the M&G Mining and Grazing Zone are:

1. To take advantage of the powers and more fully implement the basic purposes for planning as set forth in Utah code 17-27-101, County Land Use Development and Management Act, and Section 1.2 of this Code.
2. To promote the conservation of water, land, mineral and other resources.
3. To prevent the degradation of the natural and social environment.
4. To foster agriculture, grazing, mining and industry within Carbon County.
5. To protect private property rights.

In order to accomplish the above-stated purposes, those uses that are reasonably necessary to the use of the land for agricultural, mining and certain types of industrial operations shall be encouraged, provided that adequate guarantees for the protection of the area have been incorporated. Concentrated, residential, commercial and similar urban-type uses that are inconsistent with the area for the above-stated purposes are not permitted in this zone.

The specific regulations necessary for the accomplishment of the purposes as outlined above are hereinafter set forth.

B. Permitted Uses

The following buildings, structures and uses of land shall be permitted upon compliance with the standards and requirements as set forth in this Code:

1. Grazing of livestock on open and fenced rangeland.
2. Production of fruit and crops in the field.
3. Buildings, silos and structures for the storage and keeping of agricultural products and machinery.
4. Care and keeping of domestic livestock in confined spaces, provided that all barns, stables, corrals, pens, coops, and other facilities used to contain said livestock shall be located not less than seventy-five (75) feet from an existing dwelling, and not less than one hundred (100) feet from any drainage channels.
5. Facilities for the raising of mink, beaver, nutria and similar fur-bearing animals.
6. Minor utility transmission projects.
7. Manmade lakes, reservoirs, ponds and dams when under the (10) acre-feet in capacity.
8. Exploratory and production wells.
9. Water diversions, water distribution systems, facilities and structures for water.

10. Burials: interment of a person, when made by a Utah licensed funeral director or person with a burial-transit permit, provided that each such burial site shall be located by Global Positioning Satellite System (GPS) data and be mapped by Carbon County.
11. Pet cemeteries for interment of family pets or domestic livestock.
12. Sales of agricultural products.
13. Timber harvesting, with appurtenant roadways and facilities, in compliance with County Ordinance.
14. Lodging houses and Bed & Breakfasts.

C. Permitted Conditional Uses

The following buildings, structures and uses of land shall be permitted upon compliance with the requirements set forth in this Code and after approval has been given by the designated reviewing agencies. Approval of other agencies or levels of government may be required.

1. Major underground and surface mine developments, when approved by the County Commission and in accordance with the applicable provisions of Section 5.4.
2. Major utility transmission and railroad projects, when approved by the County Commission in accordance with the applicable provisions of Section 5.5.
3. Automobile and motorcycle racetracks and racecourses, subject to approval of a site plan by the County Commission.
4. Fairgrounds, rodeo arenas, racetracks and racecourses, schools, training and correctional facilities when operated by a public agency and subject to the prior approval of a site plan by the County Commission.
5. The following industrial uses and activities when approved as a large-scale industrial project in accordance with the provisions of Section 5.3.
 - a. The storage, processing and loading of earth products and facilities relating thereto.
 - b. Electric generating plants.
 - c. Natural gas production facilities.
6. Manmade lakes, reservoirs, ponds and dams over ten (10) acre-feet in capacity when approved by the County Commission.
7. Public and private airports, flying fields, helicopter pads, including terminal and aircraft storage facilities, subject to approval of a site plan by the County Commission, following a recommendation of the Planning Commission.
8. Shooting ranges subject to the approval of the County Commission, following recommendation of the Planning Commission.
9. Water treatment plants, culinary water storage tanks, and sewage treatment plants when approved by the County Commission.
10. Dude ranches, hunting and fishing retreats, minor outdoor recreational facilities, including but not limited to equestrian facilities, shooting ranges, camps and day use facilities.
11. Communication towers.
12. Residential treatment facilities and programs as licensed by the State of Utah.
13. Residential support facilities and programs as licensed by the State of Utah.
14. Intermediate security for minors' facilities and programs as licensed by the State of Utah.
15. Minor mines and pits, subject to the prior approval of a site plan as provided under Section 3.3.31.
16. Caretaker dwellings subject to the provisions of Section 3.3.26.

D. Area Requirements

There shall be no minimum area requirements except as may be required under other provisions of Code.

E. Width Requirements

There shall be no minimum width requirements except as may be required under other provisions of this Code.

- F. Access
Per Table 4.1, page 4-59.
- G. Location Requirements
Buildings shall be set back from the lot lines as per Tables 4.2, 4.3 or 4.4, pages 4-60, 4-61 or 4-62.
- H. Size and Height Requirements
Each dwelling shall have a main floor living area of not less than six hundred (600) square feet, and a total width and length dimension of not less than twenty (20) feet.
- I. Utility Requirements
Per Table 4.5, page 4-63.
- J. Special Requirements
Reserved
- K. Trash Requirements
The yards around buildings shall be kept free of debris, refuse, weeds and other flammable material that may constitute a fire hazard.