GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah
DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining
JOHN R. BAZA
Division Director

July 28, 2015

CERTIFIED RETURN RECEIPT
7012 3460 0002 9559 6557

Alex Walker, Resident Agent
Hidden Splendor Resources Inc.
57 West 200 South, Suite 400
Salt Lake City, Utah 84101

Subject: Proposed Assessment for State Violation No. N 19150, Horizon Mine, C/007/0020, Task ID #4900

Dear Mr. Walker:

The undersigned has been appointed by the Division of Oil, Gas & Mining as the Assessment Officer for assessing penalties under R645-401.

Enclosed is the proposed civil penalty assessment for the above referenced violation. The violation was issued by Division Inspector, Lisa Reinhart, on May 12, 2015. Rule R645-401-600 et. seq. has been utilized to formulate the proposed penalty. By these rules, any written information which was submitted by you or your agent within fifteen (15) days of receipt of this Notice of Violation has been considered in determining the facts surrounding the violation and the amount of penalty.

Under R645-401-700, there are two informal appeal options available to you:

1. If you wish to informally appeal the fact of this violation, you should file a written request for an Informal Conference within thirty (30) days of receipt of this letter. This conference will be conducted by the Division Director. This Informal Conference is distinct from the Assessment Conference regarding the proposed penalty.

2. If you wish to review the proposed penalty assessment, you should file a written request for an Assessment Conference within thirty (30) days of receipt of this letter. If you are also requesting a review of the fact of violation, as noted in paragraph 1, the Assessment Conference will be scheduled immediately following that review.

If a timely request for review is not made, the fact of violation will stand, the proposed penalty(ies) will become final, and the penalty(ies) will be due and payable within thirty (30) days of the proposed assessment. Please remit payment to the Division, mail c/o Suzanne Steab.

Sincerely,

Joseph C. Helfrich
Assessment Officer

Enclosure
cc: Suzanne Steab, DOGM
Sheri Sasaki, DOGM
O:\007020.HZN\WG4900 N19150\PROPOSED ASSESSMENT 19150 WG4900.DOC

WORKSHEET FOR ASSESSMENT OF PENALTIES
DIVISION OF OIL, GAS & MINING

COMPANY / MINE Horizon Mine

PERMIT C/007/0020 NOV / CO # N 19150 VIOLATION 1 of 1

ASSESSMENT DATE July 28, 2015

ASSESSMENT OFFICER Joe Helfrich

I. HISTORY (Max. 25 pts.)

A. Are there previous violations, which are not pending or vacated, which fall one (1) year of today's date?

PREVIOUS VIOLATIONS	EFFECTIVE DATE	POINTS

1 point for each past violation, up to one (1) year
5 points for each past violation in a CO, up to one (1) year
No pending notices shall be counted

TOTAL HISTORY POINTS 0

II. SERIOUSNESS (Either A or B)

NOTE: For assignment of points in Parts II and III, the following apply:

1. Based on facts supplied by the inspector, the Assessment Officer will determine within each category where the violation falls.

2. Beginning at the mid-point of the category, the Assessment Officer will adjust the points up or down, utilizing the inspector=s and operator=s statements as guiding documents.

Is this an EVENT (A) or HINDRANCE (B) violation? Hindrance

A. EVENT VIOLATION (Max 45 pts.)

1. What is the event which the violated standard was designed to prevent?

2. What is the probability of the occurrence of the event which a violated standard was designed to prevent?

PROBABILITY	RANGE
None	0
Unlikely	1-9
Likely	10-19
Occurred	20

ASSIGN PROBABILITY OF OCCURRENCE POINTS 0

PROVIDE AN EXPLANATION OF POINTS:
***

3. What is the extent of actual or potential damage? RANGE 0-25

In assigning points, consider the duration and extent of said damage or impact, in terms of area and impact on the public or environment.

ASSIGN DAMAGE POINTS 0

PROVIDE AN EXPLANATION OF POINTS:
***

B. HINDRANCE VIOLATION (Max 25 pts.)

1. Is this a POTENTIAL or ACTUAL hindrance to enforcement? Actual
RANGE 0-25

Assign points based on the extent to which enforcement is actually or potentially hindered by the violation.

ASSIGN HINDRANCE POINTS 12

PROVIDE AN EXPLANATION OF POINTS:
****** According to the information in the inspector statement** "Macro Invertebrate studies were not done on the schedule approved in the Mining & Reclamation Plan (MRP).*

The fall 2014 macroinvertebrate study was not performed or submitted as required in the approved Mining and Reclamation Plan. Without the studies, it's impossible to determine mining impacts to the macroinvertebrate community of the North Fork of Gordon Creek. Macroinvertebrate studies are used to monitor stream health and determine if mitigation is necessary pursuant to R645-301-330.

Volume 3, Chapter 10, Section 10.2.3, Page 10-4, Paragraph 5 states, "A spring (late May/early June) and a fall (September/October) macroinvertebrate survey will be performed in the North Fork of Gordon Creek, by a qualified person, on standardized dates beginning in the spring of 2001. The surveys will be done every year for three years then every other year after that until final bond release".

TOTAL SERIOUSNESS POINTS (A or B) 12

III. NEGLIGENCE (Max 30 pts.)

A. Was this an inadvertent violation which was unavoidable by the exercise of reasonable care? IF SO--NO NEGLIGENCE; or, was this a failure of a permittee to prevent the occurrence of a violation due to indifference lack of diligence, or lack of reasonable care, or the failure to abate any violation due to the same? IF SO--GREATER DEGREE OF FAULT THAN NEGLIGENCE.

No Negligence	0
Negligence	1-15
Greater Degree of Fault	16-30

STATE DEGREE OF NEGLIGENCE Greater Degree of Fault

ASSIGN NEGLIGENCE POINTS 16

PROVIDE AN EXPLANATION OF POINTS:
**** There was a lack of diligence with regard to meeting the requirements for Macro Invertebrate surveying as required by the MRP. Hidden Splendor had received an NOV (12146) approximately one year ago for not meeting the requirements for Macro Invertebrate surveying as required by the MRP.*

IV. GOOD FAITH (Max 20 pts.)

(Either A or B)
(Does not apply to violations requiring no abatement measures)

A. Did the operator have onsite, the resources necessary to achieve compliance of the violated standard within the permit area?
IF SO--EASY ABATEMENT

Easy Abatement Situation

X	Immediate Compliance (Immediately following the issuance of the NOV)	-11 to -20*
X	Rapid Compliance (Permittee used diligence to abate the violation)	-1 to -10

X Normal Compliance 0
(Operator complied within the abatement period required)
(Operator complied with condition and/or terms of approved Mining and Reclamation Plan)

*Assign in upper of lower half of range depending on abatement occurring the 1st or 2nd half of abatement period.

B. Did the permittee not have the resources at hand to achieve compliance, or does the situation require the submission of plans prior to physical activity to achieve compliance?
IF SO--DIFFICULT ABATEMENT

Difficult Abatement Situation
X Rapid Compliance -11 to -20*
(Permittee used diligence to abate the violation)
X Normal Compliance -1 to -10*
(Operator complied within the abatement period required)
X Extended Compliance 0
(Permittee took minimal actions for abatement to stay within the limits of the NOV or the violated standard of the plan submitted for abatement was incomplete)
(Permittee complied with conditions and/or terms of approved Mining and Reclamation Plan)

EASY OR DIFFICULT ABATEMENT? Difficult, plans were required

ASSIGN GOOD FAITH POINTS 0

PROVIDE AN EXPLANATION OF POINTS:
***There is no abatement required by the violation since the required time frames for monitoring have passed.*

V. ASSESSMENT SUMMARY

NOTICE OF VIOLATION # **N 19150**

I.	TOTAL HISTORY POINTS	0
II.	TOTAL SERIOUSNESS POINTS	12
III.	TOTAL NEGLIGENCE POINTS	16
IV.	TOTAL GOOD FAITH POINTS	0
	TOTAL ASSESSED POINTS	28
	TOTAL ASSESSED FINE	**$880**