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DEPARTMENT OF NATURAL RESOURCES

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Division of Oil, Gas and Mining

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March 12, 2013

Kit Pappas, Manager of Environmental and Engineering Services
America West Resources
3266 South 125 West
Price, Utah 84501

Subject: Approval of Coal Fines Report, Task ID #4257, Intermountain Power Agency, Wildcat Loadout, C/007/0033

Dear Mr. Pappas:

The above-referenced amendment is approved effective March 12, 2013. This modification does not necessitate an update to the Technical Analysis. A stamped incorporated copy is enclosed for your copy of the Mining and Reclamation Plan.

If you have any questions, please feel free to call me at (801) 538-5325.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/sqs

Enclosure

cc: Tom Paluso
Price Field Office

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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

March 12, 2013

TO: Internal File

THRU: Steve Christensen, Env Scientist III, Reclamation Hydrologist / Task Manager
Daron Haddock, Title V Coal Program Manager *DOZ*

FROM: Peter Hess, Environmental Scientist III, Engineering Review *PHH km
SBS*

SUBJECT: COAL FINES REPORT, Intermountain Power Agency, America West Resources, LLC, Wildcat Loadout, C/007/0033, Task ID #4257

SUMMARY :

The Division issued Order DO-04 to Andalex Resources, Inc. in 2004. The Order was issued because coal fines had been allowed to leave the disturbed area and accumulate on land from which the topsoil had not been recovered.

In 2006, the ownership and the State issued permit for the Wildcat loadout facility was transferred to UtahAmerican Energy, Inc., a subsidiary of Murray Energy Corporation. In October of 2010, UtahAmerican recovered coal fines from 5.43 acres of land east of primary road PR-5 and the main coal stockpile area. This was done as a condition of the remedial action required to abate DO-04 and was completed to appease the potential permittee, the Intermountain Power Agency.

Transfer of ownership of the Wildcat Loadout from Andalex Resources, Inc. / Utah American Energy to the Intermountain Power Agency occurred prior to June 27, 2011. On that date, the Utah Division of Oil, Gas and Mining completed the transfer of C/007/0033 to Intermountain Power Agency.

Intermountain Power Agency completed an agreement with Hidden Splendor Resources, Inc. / America West Resources, LLC to act as operator of the Wildcat facility at approximately the same time.

OPERATION PLAN

SOIL STABILIZATION

Regulatory Reference: R645-301-244; 30 CFR 817.22; R645-301-244.100

AIR POLLUTION CONTROL PLAN

Regulatory Reference: 30 CFR 784.26, 817.95; R645-301-244, -301-420

PLAN FOR FUGITIVE DUST CONTROL PRACTICES

Regulatory Reference: R645-301-423.200, R645-301-424

Analysis:

The State of Utah Division of Oil, Gas and Mining completed transfer of the mining permit to the Intermountain Power Agency on June 27, 2011. The facility started receiving and stock piling coal in July, 2011 from the Hidden Splendor Mine (owned and operated by America West Resources, Inc.). At that time, only one radial stacker at the Wildcat Loadout was being used for storage purposes. 105 car IPA unit trains were being loaded and shipped as soon as adequate tonnages were determined as being available. Stockpile heights were observed as never reaching the heights once obtained when Andalex Resources Mines (Crandall Canyon, Centennial and West Ridge) were all shipping coal to the facility. Since the volume of the stockpile was seldom allowed to exceed 10,500 tons (1 unit train), the height of the stockpile during the months of July, August and September (Third Quarter of 2011) of 2011 never got to elevations which would allow westerly prevailing winds to erode and transport these fines outside the east permit boundary.

Fines have also been noted as having been transported to the permit boundary by water, yet they were retained at the permit boundary by straw bale dikes. This area is the channel which runs SSW of sediment pond "B" (treatment area is known as ASCA #3, See PLATE 2 in the MRP).

Appendix "P" of the Response to Division Order DO-04, Wind-Blown Fines Accumulations in the Wildcat mining and reclamation plan briefly discusses Requirement # 7 which is to Conduct future monitoring of wind-blown fines. As per the currently approved plan (incorporated on October 18, 2010), *"the general approach of monitoring (depth assessment and location on a map) will be stated in the Annual Report"*.

As is noted above, America West Resources became the operator of the Wildcat Loadout through agreement with the Permittee, Intermountain Power Agency on June 27, 2011 (just prior to the first month of the third quarter of 2011). Coal fines monitoring was conducted by Mr. J.T. Paluso, (Utah registered professional engineer) for the third and fourth quarters of 2011.

The third quarter 2011 monitoring was conducted on August 18, 2011, and this report contained two pictures. The first photo showed a horizontal view of the vegetation east of Pond "B". The second photo showed the vegetation on the south bank of pond "B". This report did not show any data for coal fine depth in the required monitoring area, although the two locations are easily found within the Wildcat disturbed area.

The fourth quarter 2011 report (monitoring conducted on November 11, 2011) contained four photos. Photo #1 showed primary road PR-5 just south of pond "B" and the "snow fence" plastic mesh material intended to knock down airborne coal fines traveling off the main coal stockpile pad.

Photo #2 shows the vegetation looking SSW immediately east of the snow fence toward the train loading tower. Photo 2 does show coal fines accumulations, and this area is within the monitoring area (mechanical cleaning area). A small 834 rubber tired dozer was used to blade off the fines. The area was then disced, seeded and straw mulch was hand applied in October of 2010. No data relative to coal fine depth, or location was submitted as part of this fourth quarter report.

Although both the third and fourth quarter 2011 reports were P.E. certified by Mr. Paluso, the Division felt that the Permittee had not established an adequate monitoring protocol to cover the 5.43 acres of disturbance.

The monitoring requirements were not established in the 2010 Annual Report, although some criteria to address DO-04 were approved and incorporated into the Wildcat mining and reclamation plan on October 18, 2010.

The lack of data and established monitoring locations prompted the Division to discuss the monitoring regime with Environmental Industrial Services through Mr. Kit Pappas of America West Resources.

In a letter dated November 23, 2013, the Division required the Permittee / Operator to install stakes (wooden lathe) in the mechanical cleanup area (3.84 acres) as well as the 1.59 acres known as the "vacuum cleaning area". Eleven stakes were established in the North area (1.39 acres), and fourteen were installed in the South area. The points were designated N1, N2...S1, S2, etc. These were installed prior to conducting the 3rd Quarter 2012 monitoring

conducted on August 11, 2012. Photographs at each stake (25 locations) were taken and the depth of fines was measured and reported.

Upon reviewing the 3rd Quarter 2012 report, three members of the Division's technical staff compiled six additional criteria which the Permittee was required to implement as part of the fines monitoring regime. These are as follows:

- 1) In reporting the depth of coal fines at each stake, the report did not specify the area evaluated about the stake / monitoring point. The monitoring regime was required to report the coal fine depth at each stake, as well as the area about the stake. The Division suggested that a 3 foot X 3 foot square be constructed and laid down about each monitoring stake to give a consistent area for evaluation purposes. The nine square foot area was then sub-divided into 225 squares and fines depths were recorded by depth and percentile of cover for each 25 square area (25 squares for each of 9 areas).
- 2)
- 3) Each stake was located using a Trimble GeoExplorer 3 GPS unit (per the 3rd Quarter monitoring report). The Division required that the GPS locations for each of the twenty-five monitoring stakes be submitted should the located lathes be destroyed by weathering. The GPS location for each stake was submitted in the Fourth Quarter Coal Fines Monitoring Report.
- 4) The Division recommended that SIX additional monitoring points be installed; four would be east of N4, N5, N6, N8 and N9, and one would be installed east of N1. These six additional monitoring points were installed, GPS located and monitored during the 4th Quarter 2012. **The locations are however, not where the Division wanted them.** They should be located in the land triangle north of S11.
- 5) The Division required that ground cover percentiles for rock cover, soil cover, vegetation, and the percentage of cover by coal fines (trace or measurable depth) be evaluated. The fines monitoring vendor requested that the requirement to evaluate percentage of rock cover only be necessary once a year due to the time involved to conduct this evaluation. **The Division does not agree that the monitoring once a year for rock cover is adequate.** Therefore, during all four monitoring quarters per year, the percentile of rock cover will be included along with the percentile of soil cover, the percentile of vegetative cover and the amount of soil surface covered by coal fines must be reported (each quarter will provide these percentiles).
- 6) The Permittee was required to set up a spreadsheet to track the amount of coal fines at each location / grid area in order to track the volume of fines increase / quarter. This was done in the fourth quarter 2012 monitoring report. The permit condition to

- submit all monitoring information as part of the Annual Report for the site remains in effect, (i.e., four quarters of data are required to be submitted with each annual report submitted).
- 7) The Division required that the Permittee / Operator update Appendix "P" Item #7 in the Wildcat mining and reclamation plan to include the new monitoring parameters. This was done in a revised page 8 in Appendix "P" to reference the document identified as "WILDCAT COAL FINES ISSUE DIVISION ORDER -04 (WIND BLOWN FINES) ANNUAL MONITORING" dated November 29, 2012, and P.E. certified by Mr. J.T. Paluso. This document will be included in the incorporation phase of the mining and reclamation plan following Division approval.

Page 2 of WILDCAT COAL FINES ISSUE, DIVISION ORDER-04 (WIND BLOWN FINES) ANNUAL MONITORING contains a conflict which must be addressed. It is:

- 1) The requirement that "*ground cover calculations (or percentiles of area) procedures will only be conducted during one quarter of the year*". "*During the other three quarters the method listed in item (2) will be followed.*"

In the 4th Quarter of 2012, Wildcat Coal Fines Issue, Division Order-04 (Wind Blown Fines) Annual Monitoring (document dated November 29, 2012), the Permittee's monitoring vendor states (See CONCLUSION, Page 2) that "*the rock ground cover was very low(northern section .14%, southern section .37%). Because of the low rock ground cover, it is suggested that in the future this parameter should be dropped from the total ground cover measurements. Rock cover (the percentile) will be included in the soil cover percentage.*"

The Division feels that if the percentile of rock cover remains low (< 2.5 %), and if the exposed rock surface is not collecting coal fines in any depressions which it may have, it may be reported (rock cover percentile) with the soil cover percentile.

Findings:

The Permittee / Operator has complied with the required changes to the coal fines monitoring regime listed in the Division letter dated November 23, 2012. Adequate monitoring protocol has been established and same will be incorporated in the MRP (Appendix "P") by reference to the aforementioned document, WILDCAT COAL FINES ISSUE, DIVISION ORDER-04 (WIND BLOWN FINES) ANNUAL MONITORING.

Approval of the revised Appendix "P" is recommended.

Incorporation of the 4th Quarter 2012 monitoring report (WILDCAT COAL FINES ISSUE, DIVISION ORDER-04 (WIND BLOWN FINES) ANNUAL MONITORING) WILDCAT COAL FINES ISSUE, DIVISION ORDER-04 (WIND BLOWN FINES) ANNUAL MONITORING is required as it is needed to compliment and support Appendix "P" of the MRP.

RECOMMENDATION:

Approval of the added monitoring requirements to the coal fines monitoring regime (Task ID #4257) at the Wildcat Loadout is recommended.

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