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

August 2, 2016

Kirt Tatton, General Manager
Canyon Fuel Company, LLC
P.O. Box 1029
Wellington, Utah 84542

Subject: Phase III Bond Release Approval, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/0039, Task ID #5192

Dear Mr. Tatton:

The application for the Phase III Bond Release of the Dugout Mine is hereby conditionally approved. A copy of the Division's Decision Document is enclosed for your records. Canyon Fuel Company LLC's Phase III bond release request is for 1.82 acres. The bond release inspection was conducted on June 23, 2016 and included representatives from the Canyon Fuel Company, LLC, the Office of Surface Mining, the Division of Oil, Gas and Mining and the Division of Wildlife Resources. A Phase III Bond Release decision document was prepared by the Division of Oil, Gas & Mining and distributed to OSM on July 26, 2016 with recommendation for approval.

The Division received a letter from OSM, Denver Field Office, on August 1, 2016 which agreed with the Division's findings and decision document and concurred with the bond release action. The Bureau of Land Management concurred with the bond release action on July 27, 2016.

This approval is conditioned upon receipt of two clean copies of the application prepared for incorporation. A stamped incorporated copy will be returned to you for inclusion in your copy of the Mining Reclamation Plan.

If you have any comments or concerns, please contact Daron Haddock at 801 538-5325 or me at 801 538-5340.

Sincerely,

John R. Baza
Director

JRB/DRH/sqs
Enclosure
O:\007039.DUG\WG5192 PHASE III\ApprovalLetter.doc

1594 West North Temple, Suite 1210, Salt Lake City, UT 84116
PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

UTAH DNR
OIL, GAS & MINING

GARY R. HERBERT
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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

July 26, 2016

Alan Boehms, Field Office Director
Office of Surface Mining
1999 Broadway, Suite 3320
Denver, Colorado 80202-3050

Subject: Phase III Bond Release, Canyon Fuel Company, LLC, Dugout Canyon Mine, Methane Degasification Well Sites G-3 and G-4, Task ID #5192

Dear Mr. Boehms:

Enclosed is the Division's Decision Document for Phase III bond release for methane degasification well sites G-3 and G-4 at Canyon Fuel Company, LLC's Dugout Canyon Mine. Canyon Fuel Company, LLC (the Permittee) currently maintains a surety bond amount of $3,550,000. The updated minimum reclamation cost for the Dugout Canyon Mine is $3,002,909. As such, the Permittee is currently over-bonded. The Permittee is not requesting an adjustment to the surety bond amount at this time.

The Phase III bond release is for 1.82 acres combined for methane degasification wells G-3 and G-4. A site inspection (attended by OSM personnel) was conducted on June 23, 2016. The Division finds that the Canyon Fuel Company, LLC has met the regulatory requirements and recommends approval for Phase III bond release for the aforementioned degasification wells.

The Division requests that the Office of Surface Mining's concurrence with this determination. A copy of the Phase III bond release inspection is included in this package along with the documentation of events. Please provide your determination at your earliest convenience.

If you have any questions or need further information, please feel free to call me at (801) 538-5325 or Steve Christensen at (801) 538-5350.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/sqs
O:\007039.DUG\WG5192 PHASE III\Decision Document\001 OSM Concurrence Letter.doc

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

UTAH DNR OIL, GAS & MINING

Methane Degasification Well Sites: G-3 and G-4
Phase III Bond Release
Canyon Fuel Company, LLC
Dugout Canyon Mine
C/007/0039
Carbon County, Utah

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* Background
* Chronology
* Summary of Findings
* Recommendation for Phase III Bond Release

Technical Analysis

Affidavits of Publication

Phase III Bond Release Inspection Report

DECISION DOCUMENT

Methane Degasification Wells: G-3 and G-4
Phase III Bond Release
Canyon Fuel Company, LLC
Dugout Canyon Mine
C/007/0039
Carbon County, Utah

ACTION

Phase III bond release is requested for the methane degasification well sites G-3 and G-4 (degas sites) for a release of 1.82 acres. Canyon Fuel Company, LLC (the Permittee) currently maintains a surety bond amount of $3,550,000. The updated minimum reclamation cost for the Dugout Canyon Mine is $3,002,909. As such, the Permittee is currently over-bonded and is not requesting an adjustment to the surety bond amount at this time.

BACKGROUND

The Permittee has applied for Phase III bond release on methane degasification well sites G-3 and G-4. The Phase III bond release requested is for 1.82 acres total for G-3 and G-4 (G-3 0.97 acres and G-4 0.85 acres respectively). The disturbed acreage associated with these sites was generated by the construction/utilization of methane degasification wells.

Final reclamation and the last augmented seeding for both the degas sites was completed in the fall of 2005. During the growing season of years 9 and 10 of the extended liability period, (2014 and 2015), the sites revegetation success was surveyed and provided to the Division of Oil, Gas and Mining (the Division).

A site inspection was conducted on June 23, 2016. Representatives from OSMRE, DOGM, the Permittee and the Utah Division of Wildlife Resources were in attendance. No issues of instability or erosion were noted. Vegetation establishment was evaluated and found by Division staff to have met the regulatory requirements for Phase III bond release.

CHRONOLOGY FOR PHASE III BOND RELEASE

May 23, 2016	Canyon Fuel, LLC sends letters to local governments, planning agencies, surface owners and subsurface owners notifying them of the proposed bond release: Wellington City (City Hall/Public Works) Wellington Canal Company Milton and Ardith Thayn Trust Price River Water Improvement District

	Price, Utah Public Works Price City Administration Bureau of Land Management KFJ Ranch Partnership Glen L. Wells Gil H. Conover Carbon County Planning/Zoning Bowie Resources Partners
May 26, 2016	Canyon Fuel, LLC submits the Phase III bond release application for degas sites G-3 and G-4 (Task ID #5192).
May 26 and June 2, 9 and 16, 2016	Phase III Bond Release Published in the Sun Advocate for four consecutive weeks.
June 3, 2016	The Division sends letters of invitation for the bond release inspection to be held June 23, 2016 to: Roger Bankert- BLM; Alan Boehms- OSMRE George and Alice Conover- Landowners Gil Conover- Landowner Steve Falk- BLM Casey Hopes- Carbon County Commissioner; Richard Lee- Carbon Water Conservancy District David Levanger, Carbon County Planning and Zoning Jake Mellor- Carbon County Commissioner Ahmed Mohsen- BLM Jae Potter- Carbon County Commissioner Jeff Richens- Price River Water Improvement District Steve Rigby- BLM Dave Spillman- Canyon Fuel Company, LLC Marc Stilson- Utah Division of Water Rights Howard Strand- OSMRE Milton and Ardith Thayn Trust- Landowners Chris Wood- UT Division of Wildlife Resources John Blake – SITLA;
June 27, 2016	DOGM receives Affidavit of Publication from Permittee.
July 16, 2016	Public comment period closes: The Division receives no comments.
June 23, 2016	Phase III bond release inspection. In attendance: Steve Christensen- DOGM Amanda Daniels- DOGM Makeda Hanson- DWR Bill King- Canyon Fuel Company, LLC Cheryl Parker- DOGM

Dave Spillman- Canyon Fuel Company, LLC
Howard Strand- OSMRE

July 15, 2016 Canyon Fuel Company, LLC provides additional information.

SUMMARY OF FINDINGS

The Phase III bond release was advertised for four consecutive weeks. No comments were received during the public comment period. A site inspection was conducted on June 23, 2016. Representatives from OSMRE, DOGM, the Permittee and the Utah Division of Wildlife Resources were in attendance. No issues of instability or erosion were noted. Vegetation establishment was evaluated and found by Division staff to have met the regulatory requirements for Phase III bond release. The inspection report and technical analysis for the Phase III bond release of methane degasification sites G-3 and G-4 are attached.

PHASE III BOND RELEASE RECOMMENDATION

The Permitee has demonstrated the establishment of vegetation on methane degasification sites G-3 and G-4. The recommendation is that the Division approves Phase III bond release for the area. The Permittee currently maintains a surety bond amount of $3,550,000 for the Dugout Canyon Mine. The updated minimum reclamation cost for the Dugout Canyon Mine is $3,002,909. As such, the Permittee is currently over-bonded. The Permittee is not requesting an adjustment to the surety bond amount at this time.

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Jenni Fasselin, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State of Utah a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 26th day of May, 2016, and that the last publication of such notice was in the issue of such newspaper dated the 16th day of June 2016

Jenni Fasselin

Jenni Fasselin – Publisher

Subscribed and sworn to before me this 16th day of June, 2016.

Linda Thayn

Notary Public My commission expires January 10, 2019 Residing at Price, Utah

Publication fee, $ 504.00

LINDA THAYN
NOTARY PUBLIC-STATE OF UTAH
COMMISSION# 680835
COMM. EXP. 01-10-2019

PUBLIC NOTICE PHASE III BOND RELEASE APPLICATION DUGOUT CANYON MINE, CANYON FUEL COMPANY LLC.

Canyon Fuel Company
P.O. Box 1029
Wellington, UT 84542
MSHA # 42-01890
Permit # C/007/039
Permit Renewed 3/16/2013

Notice is hereby given that Canyon Fuel Company has filed an application with the Utah Department of Natural Resources, Division of Oil, Gas and Mining for Phase III Bond Release. The Phase III Bond Release will be for two Methane Degasification Well sites accounting for 1.82 acres at the Dugout Canyon Mine.

All areas for bond release have met the regulation of the R645 Utah Coal Rules in regards to the vegetation standards for Phase III Bond Release (refer to R645-301-880). The Methane Degasification Well sites G-3 and G-4 are proposed for release. The locations of the areas are as follows:

Methane Degasification Well sites, the permit area is located in Carbon County, Utah as follows:

G-3 Portion of N1/2SW1/4NW1/4 Section 19 Township 13 South, Range 13 East
G-4 Portion of N1/2NE1/4NW1/4 Section 24 Township 13 South, Range 12 East

Reclamation of the noted areas above were completed in 2005.

The Phase III bond release application is to release the remaining surety bond held for the Dugout Canyon Mine, Methane Degasification Well sites G-3 and G4 in the amount of $4,911. All areas within the Methane Degasification Well sites meet the requirements of the regulations for post mine land use of Wildlife Habitat, Recreational, Grazing and Vegetation establishment.

A copy of the Phase III bond release application may be examined at the office of Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801 and written comments, objections, or requests for an informal conference may be submitted to the Salt Lake City address. Said comments must be submitted thirty (30) days from the date of the last publication of this notice. This notice is being published to comply with the Surface Mining Control and Reclamation Act of 1977, and State and Federal regulations promulgated pursuant to said Act.

Published in the Sun Advocate May 26, June 2, 9 and 16, 2016.

GARY R. HERBERT
Governor

GREG BELL
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

Inspection Report

Permit Number:	C0070039
Inspection Type:	BOND RELEASE
Inspection Date:	Thursday, June 23, 2016
Start Date/Time:	6/23/2016 10:00:00 AM
End Date/Time:	6/23/2016 3:00:00 PM
Last Inspection:	Thursday, June 16, 2016

Inspector: Steve Christensen,

Weather: Winds 0-5 mph, Sunny, 85 degrees F.

InspectionID Report Number: 5560

Accepted by: JHELFRIC
7/11/2016

Representatives Present During the Inspection:

DWR	Makeda Hanson
OGM	Steve Christensen
OGM	Cheryl Parker
OGM	Amanda Daniels
OSM	Howard Strand
Company	Bill King
Company	David Spillman

Permitee: **CANYON FUEL COMPANY**
Operator: **CANYON FUEL COMPANY**
Site: **DUGOUT CANYON MINE**
Address: **PO BOX 1029, WELLINGTON UT 84542**
County: **CARBON**
Permit Type: **PERMANENT COAL PROGRAM**
Permit Status: **ACTIVE**

Current Acreages

9,801.00	**Total Permitted**
108.70	**Total Disturbed**
37.00	**Phase I**
19.00	**Phase II**
	Phase III

Mineral Ownership

- [x] Federal
- [x] State
- [ ] County
- [x] Fee
- [ ] Other

Types of Operations

- [x] Underground
- [ ] Surface
- [ ] Loadout
- [ ] Processing
- [ ] Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

On June 23rd, 2016, the Division of Oil, Gas and Mining (the Division) conducted a Phase III bond release inspection at the Dugout Canyon Mine. The Office of Surface Mining Reclamation and Enforcement (OSMRE) was represented as well as the Utah Division of Wildlife Resources (DWR). Dugout Canyon Mine (the Permittee) requested a Phase III bond release on two methane degasification wells (sites G-3 and G-4).

On June 23, the phase III bond release inspection was conducted. Representatives from the Division (Lisa Reinhart, Steve Christensen, Amanda Daniels, Cheryl Parker), OSMRE (Howard Strand), Utah Division of Wildlife (Makeda Hansen), and Dugout Mine (Bill King, Dave Spillman) inspected sites G-3 and G-4 to confirm reclamation met phase III bond release requirements. During that inspection, reclaimed sites were traversed and ground cover, species composition, and wildlife habitat were discussed. The general consensus was that reclamation was successful and the sites met requirements for release. There were no concerns from any representatives.

The post mining land use is grazing. Pursuant to R645-301-356.210, ground cover and production of living plants on the revegetated areas are the parameters to determine reclamation success. As evidenced by the 2014 and 2015 revegetation monitoring reports prepared by Mt. Nebo Scientific, Gob Vent Holes G-3 and G-4 meet the requirements for ground cover and production. Furthermore, revegetated areas meet the requirements of R645-301-353. Therefore, phase III bond release of sites G-3 and G-4 are recommended.

Inspector's Signature

Steve Christensen,
Inspector ID Number: 54

Date Monday, June 27, 2016

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining

REVIEW OF PERMIT, PERFORMANCE STANDARDS PERMIT CONDITION REQUIREMENTS

1. *Substantiate the elements on this inspection by checking the appropriate performance standard.*
   a. *For COMPLETE inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check Not Applicable.*
   b. *For PARTIAL inspections check only the elements evaluated.*
2. *Document any noncompliance situation by reference the NOV issued at the appropriate performance standard listed below.*
3. *Reference any narratives written in conjunction with this inspection at the appropriate performace standard listed below.*
4. *Provide a brief status report for all pending enforcement actions, permit conditions, Divison Orders, and amendments.*

	Evaluated	Not Applicable	Comment	Enforcement
1. Permits, Change, Transfer, Renewal, Sale	☐	☐	☐	☐
2. Signs and Markers				
3. Topsoil				
4.a Hydrologic Balance: Diversions				
4.b Hydrologic Balance: Sediment Ponds and Impoundments				
4.c Hydrologic Balance: Other Sediment Control Measures	✔		☑	
4.d Hydrologic Balance: Water Monitoring				
4.e Hydrologic Balance: Effluent Limitations				
5. Explosives				
6. Disposal of Excess Spoil, Fills, Benches				
7. Coal Mine Waste, Refuse Piles, Impoundments				
8. Noncoal Waste				
9. Protection of Fish, Wildlife and Related Environmental Issues	☐			
10. Slides and Other Damage				
11. Contemporaneous Reclamation				
12. Backfilling And Grading				
13. Revegetation	☑		✔	
14 Subsidence Control				
15. Cessation of Operations				
16.a Roads: Construction, Maintenance, Surfacing				
16.b Roads: Drainage Controls				
17. Other Transportation Facilities				
18. Support Facilities, Utility Installations				
19. AVS Check				
20. Air Quality Permit				
21. Bonding and Insurance	✔		✔	
22. Other				

4.c Hydrologic Balance: Other Sediment Control Measures

Well sites G-3 and G-4 were inspected for stability and to identify if there was any erosion taking place at the sites. Both well pads appeared stable, free of erosion rills, and draining appropriatly. Site G-3 still had some degraded and unnecessary silt fence in place, but the Permittee indicated that this will be removed when bond release is granted and they have workers on site to remove the perimeter fencing.

13. Revegetation

353. The vegetation is diverse, effective, and permanent. Species include native grasses, forbs, and shrubs with the same characteristics as the original vegetation. Almost all established plants are desirable and native to the area (there are trace amounts of weedy species). The diversity indices show adequate diversity of species. Plants are flowering, producing seed, and spreading by rhizomes which indicate they are permanent and resilient to climatic conditions. Of special interest is that G-3 is dominated by grass species not in the original seed mix. Western wheatgrass and Thickspike wheatgrass are native and desirable plant species that are preferred by grazing animals, but they were not included in the seed mix. Both are well adapted to the stabilization of disturbed soils and are compatible with slower developing natives such as bluebunch wheatgrass. Although some of the grass species present are not those specified in the seed mix, they meet the requirements of regulations and therefore do not preclude bond release. It is presumed seed from these grasses was introduced from cattle as they defecated on the pad. Other species listed in the seed mix such as Kentucky Bluegrass, Mountain Brome,
Bluebunch Wheatgrass, Mountain Lupine, and Wyoming Big Sage are successfully established on site.

356. The PMLU is grazing as identified in the MRP Section 353, page 3-20, and Section 356.200 page 3-25 of Volume 2, Methane Degasification Amendment. Ground cover and production have been evaluated and meet the requirements of R645-301-356. It is noted that woody species density of the reclaimed sites are not equal to or greater than the reference site because the PMLU is grazing and not wildlife and therefore R645-301-356.231 is not applicable. However, Wyoming sagebrush, a healthy component of wildlife habitat, is well established and vigorous on both of the reclaimed pads.

357. Sites G-3 and G-4 were reseeded in 2005. During the growing season of years 9 and 10 (2014 and 2015), the sites were surveyed using monitoring methods approved in Appendix A of the Vegetation Information Guidelines. Results of the survey conclude that total living cover values of the reclaimed sites are considered equal or greater than their reference areas pursuant to R645-301-356.120. It should be noted the 2015 report contains a misconception that G3 did not produce as much biomass as the reference site. The author of the report attributes this to cattle grazing on the site prior to collecting vegetation samples. In reality, production is the annual output of vegetative biomass which would include all the vegetation consumed by grazing animals (or loss through natural decomposition through the season). If the production measurements were calculated to account for vegetation lost through grazing, the production measurement would have been significantly higher. Regardless, even with heavy grazing pressure, the site still meets regulation because it is 92% of the reference site (R645-301-356.120 states ground cover, production, or stocking will be considered equal to the approved success standard when they are not less than 90 percent of the success standard.)

357.320. Although some noxious weed species (primarily Hounds tongue) are evident on the reclaimed sites, they are at a lower density than those offsite in

adjacent areas. The adjacent property, which is privately owned and operated, is heavily infested with noxious weeds which the Permittee has no control over. The Permittee has applied weed control on reclaimed sites throughout the liability period. Weedy species were not included in production measurements.

358. The vegetation is diverse and provides quality habitat for wildlife as well as forage for grazing. Shrub establishment and tall grasses provide shade and hiding places for small animals and an edge effect has been created to improve habitat conditions for all local species. Upon phase III bond release, all fencing will be removed to allow for easy access and migration across the site.

21. Bonding and Insurance

Bonding was evaluated with the MRP amendment. See findings form task #5192.

ATTACHMENT A – Dugout Phase III Bond Release G-3 & G-4, June 23, 2016

G-3 REVEGETATED SITE

G-3 REFERENCE SITE

G-3 REVEGETATED SITE

G-3 REFERENCE SITE

ATTACHMENT A – Dugout Phase III Bond Release G-3 & G-4, June 23, 2016

G-4 REVEGETATED SITE

G-4 REFERENCE SITE

G-4 REVEGETATED

G-4 REFERENCE SITE

GARY R. HERBERT
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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

Technical Analysis and Findings

Utah Coal Regulatory Program

July 26, 2016

PID: C0070039
TaskID: 5192
Mine Name: DUGOUT CANYON MINE
Title: PHASE III BOND RELEASE DEGAS WELLS G3 & G4

Environmental Resource Information

General

Analysis:

The amendment meets the State of Utah R645 requirements for describing plant communities.

The amendment removes descriptions of G-3 and G-4 from the MRP since they will have received phase III bond release.

lreinhart

Reclamation Plan

General Requirements

Analysis:

The bond release application meets the State of Utah R645 requirements for Existing Surface Configuration Maps.

The bond release application meets the minimum requirements of R645-301-521.150 as it includes a drawing or plate that clearly calls out the existing surfaced that remains within the permit area on Plate 1-4.

cparker

Approximate Original Contour Restoration

Analysis:

The bond release application meets the State of Utah R645 requirements for Approximate Original Contour Restoration.

The bond release application meets the minimum R645-301-512.200 ,-553.110 through -553.150, and -302-270 due to the proposed post mining land use change that would not require a variance from approximate original contour (AOC).

AOC as defined by R645-301-553.100 through -553.150 is achieved when the final grade closely resembles the general surface configuration of the land prior to mining activities and provides a subsurface foundation for vegetative cover capable of stabilizing the surface from erosion.

The bond release application meets the minimum R645-301-512.200 and -553.110 as there is no change in the MRP and all

grading was placed back to approximate original contours as shown on Figure 1-1 Methane Degas Bore Hole locations.

The bond release application included the removal of several figures relevant to the approved pads that were reclaimed: 5-9, 5-10, 5-11, 5-12, 5-17, 5-18, 5-19. The figures included the contours, typical cross section and operational layouts for G-3 and G-4.

cparker

Backfill and Grading General

Analysis:

The bond release application meets the State of Utah R645 requirements for Reclamation Activities.

On June 23, 2016, 2016, the Utah Division of Oil Gas & Mining conducted a site visit to assess the bond release application for to the Mining & Reclamation Plan (MRP) of the Dugout Mine. The application seeks release of 1.82 acres of Phase III bond release for a bond reduction of $4,911. The site appeared stable at both G-3 and G-4 and showed no signs of instability.

The minimum requirements of R645-301-540 are met within the bond release application as the disturbed area associated with the Methane Degas Bore holes was reduced by 1.82 acres. Originally 41.5 acres were disturbed and the remaining area is only 39.7 acres, see Chapter 1 page 1-9 redline edits the MRP. The total disturbed area associated with the entire Dugout mine is now 106.9 acres.

cparker

Hydrological Information Reclamation Plan

Analysis:

The amendment meets the State of Utah R645 requirements for Hydrologic Information, Reclamation Plan.

The two degas pads were inspected to evaluate if the sites met standards for bond release. No signs of erosion or instability were present at the time of the inspection. The vegetation and grading of the sites should keep the site free of any major erosion.

adaniels

Revegetation Standards for Success

Analysis:

The amendment meets the State of Utah R645 requirements for Revegetation Standards for Success.

The post mining land use is grazing. Pursuant to R645-301-356.210, ground cover and production of living plants on the revegetated areas are the parameters to determine reclamation success. As evidenced by the 2014 and 2015 revegetation monitoring reports prepared by Mt. Nebo Scientific, Gob Vent Holes G-3 and G-4 meet the requirements for ground cover and production. Furthermore, revegetated areas meet the requirements of R645-301-353.

353. The vegetation is diverse, effective, and permanent. Species include native grasses, forbs, and shrubs with the same characteristics as the original vegetation. Almost all established plants are desirable and native to the area. The diversity indices show adequate diversity of species. Plants are flowering, producing seed, and spreading by rhizomes which indicate they are permanent and resilient to climatic conditions. Of special interest is that G-3 is dominated by grass species not in the original seed mix. Western wheatgrass and Thickspike wheatgrass are native and desirable plant species that are preferred by grazing animals, but they were not included in the seed mix. Both are well adapted to the stabilization of disturbed soils and are compatible with slower developing natives such as bluebunch wheatgrass. Although some of the grass species present are not those specified in the seed mix, they meet the requirements of regulations and therefore do not preclude bond release. It is presumed seed from these grasses was introduced from cattle as they defecated on the pad. Other species listed in the seed mix such as Kentucky Bluegrass, Mountain Brome, Bluebunch Wheatgrass, Mountain Lupine, and Wyoming Big Sage are successfully established on site.

356. The PMLU is grazing as identified in Section 353, page 3-20, and Section 356.200 page 3-25 of Volume 2, Methane Degasification Amendment. Ground cover and production have been evaluated and meet the requirements of R645-301-356. It is noted that woody species density of the reclaimed sites are not equal to or greater than the reference

site because the PMLU is grazing and not wildlife and therefore R645-301-356.231 is not applicable. However, Wyoming sagebrush, a healthy component of wildlife habitat, is well established and vigorous on the reclaimed pads.

357. Sites G-3 and G-4 were reseeded in 2005. During the growing season of years 9 and 10 (2014 and 2015), the sites were surveyed using monitoring methods approved in Appendix A of the Vegetation Information Guidelines. Results of the survey conclude that total living cover values of the reclaimed sites are considered equal or greater than their reference areas pursuant to R645-301-356.120. It should be noted the 2015 report contains a misconception that G3 did not produce as much biomass as the reference site. The author of the report attributes this to cattle grazing on the site prior to collecting vegetation samples. In reality, production is the annual output of vegetative biomass which would include all the vegetation consumed by grazing animals (or loss though natural decomposition through the season). If the production measurements were calculated to account for vegetation lost through grazing, the production measurement would have been significantly higher. Regardless, even with heavy grazing pressure, the site still meets regulation because it is 92% of the reference site (R645-301-356.120 states ground cover, production, or stocking will be considered equal to the approved success standard when they are not less than 90 percent of the success standard.)

357.320. Although some noxious weed species (primarily Hounds tongue) are evident on the reclaimed sites, they are at a lower density than those offsite in adjacent areas. The adjacent property, which is privately owned and operated, is heavily infested with noxious weeds which the Permittee has no control over. The Permittee has applied weed control on reclaimed sites throughout the liability period. Weedy species were not included in production measurements.

358. The vegetation is diverse and provides quality habitat for wildlife as well as forage for grazing. Shrub establishment and tall grasses provide shade and hiding places for small animals and an edge effect has been created to improve habitat conditions for all local species. Upon phase III bond release, all fencing will be removed to allow for easy access and migration across the site.

lreinhart

Maps Affected Area Boundary

Analysis:

The bond release application meets the State of Utah R645-301-521.100 requirements for Affected Area Maps.

The minimum requirements of R645-301-542 are met within the bond release application as all relevant figures 5-9, 5-10, 5-11, 5-12, 5-17, 5-18, 5-19 within Chapter 5 were updated to show the removal of G-3 and G-4 from the Permit area.

cparker

Maps Bonded Area

Analysis:

The bond release application meets the State of Utah R645 requirements for Bonded Area.

The minimum requirements of R645-301-800are meet within the bond release application as all relevant figures 5-9, 5-10, 5-11, 5-12, 5-17, 5-18, 5-19 within Chapter 5 were updated to show the removal of G-3 and G-4 from the Permit area.

cparker

Bonding and Insurance General

Analysis:

The amendment meets the State of Utah R645 requirements for Bonding and Insurance Requirements.

The amendment phase III bond release meets the minimum requirement of R645-301-800 as the applicant is current on the bond and insurance standings. The amendment included a complete Phase III bond release application: revised bond calculations, copies of letters sent to adjoining property owners, local government bodies, planning agencies, and water authorities and companies. A copy of the affidavit of publication was submitted to the Division for public notices published in the Sun Advocate on May 26th, June 2nd, June 9th, and June 16th.

rmedina

Bonding Form of Bond

Analysis:

The amendment meets the State of Utah 645 requirements for Form of Bond.

The amended phase III bond release meets the minimum requirements of R645-301-860.100 as the applicant currently maintains a surety bond amount of $ 3,550,000.00, which is held by Lexon Insurance Company and Ironshore Indemnity Ins.

rmedina

Bonding Determination of Amount

Analysis:

The amendment meets the State of Utah R645 requirements for Determination of the Bond Amount. .

The amendment included a bond release application for 1.82 acres associated with methane degasification G-3 and G-4 sites at the Dugout Canyon Mine. The Division conducted a site inspection with all interested parties on June 23, 2016; see Inspection Report 5560 for details, and recommends both sites for Phase III bond release. Both degasification pads G-3 and G-4 received Phase I and Phase II bond release in 1/7/2015. The remaining bond applies to 106.88 acres associated with the Dugout Mine operations.

Total demolition cost has been decreased with the removal of G-3 and G-4. Additionally, corrections were made on the total demolition cost as line 68 was not included in the original review. These corrections meet the Division's review and the corrected facility demolition and removal cost is $724,788.00.

The total revegetation cost has be decreased to $435,566 with the removal of G-3 and G-4 in accordance with the Division approving the Permittee request for a reduction in the reclamation bond of $4,911

The updated minimum reclamation bond to be held by the Division is $2,802,723.00. Current bonding held with the Division is $3,550,000.00; Permittee has adequate bonding in place to cover escalation cost until the 2020 midterm review ($575,000.00 or 16.20% over bonded).

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Bonding Terms and Conditions Liability Insurance

Analysis:

The amended phase III bond release meets the State of Utah R645 requirements for Terms and Conditions for the Liability Insurance.

The amended phase III bond release meets the minimum requirements of R645-301-850 as the applicant currently holds insurance through National Union Fire Ins. Co., effective until 2/1/2017.

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