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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 18, 2017

David Hibbs, President
UtahAmerican Energy, Inc.
P. O. Box 910
East Carbon, Utah 84520-0910

Subject: Technical Review and Deficiencies in Post Mining Land Use Change and Revision of MRP to Remove Gob Vent Hole Project ("GVH Project"), West Ridge Resources, Inc., West Ridge Mine, C/007/0041, Task #5464

Dear Mr. Hibbs:

The above-referenced revision has been reviewed and found to be deficient. The Division has identified deficiencies that must be addressed before final approval can be granted. The deficiencies are listed as an attachment to this letter. The deficiencies authors are identified so that your staff can communicate directly with that individual should questions arise.

It appears that most of the issues dealing with the Post Mining Land Use change have been addressed and we can move forward with that part of the action. However, most of the remaining deficiencies pertain to the removal of the GVH site from the West Ridge permit. The mechanism for removing an area from an existing permit is the bond release process. Even though you may not be asking for bond money to be released or returned to you, the area being removed from the permit must go through the bond release process in order to terminate the Division's jurisdiction on the area. A disturbed area which is bonded under SMCRA, must go through a release to remove it from the bonded area. This process provides for an "Inspection" of the site to evaluate the reclamation or in your case the ability of the area to meet the post mining land use. It also provides for a public notice and comment period to allow for public input to the process.

In our letter indicating administrative completeness of your plan dated July 18, 2017, we specifically stated that you should publish a Notice of Complete Application for changing the Post Mining Land Use **and Final Bond Release** for the Gob Vent Hole Project Area as required by R645-300-121 and **R645-301-880.120**. Although we have not received the affidavit of publication, it appears that the notice that was published does not address the removal of the site from the West Ridge permit. A revised or new public notice should be published so that it is



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clear that this area is being removed from the West Ridge bonded and disturbed area. In order to complete the processing of this revision, please provide a response to the remaining deficiencies by no later than September 18, 2017. The Division will continue to coordinate with other agencies and incorporate their comments into our review process. Issues raised will need to be resolved prior to final approval.

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

Sincerely,



Daron R. Haddock
Coal Program Manager

DRH/sqs
cc: Denise Drago
Enclosure
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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0070041
TaskID: 5464
Mine Name: WEST RIDGE MINE
Title: REMOVE GVH PROJECT/ALTERNATIVE PMLU

General Contents

Right of Entry

Analysis:

The amendment does not meet the State of Utah R645 requirements for Right of Entry.

The Permittee proposes the complete removal of the Gob Vent Holes (GVH) from the current MRP in order to facilitate a sale of the GVH Project to Global Carbon Strategies Corporation. This transaction is conditioned on the approval from the Division for an alternative postmining land use.

Table 1-7 in the Right of Entry Information gives a brief description of acreage and survey data for all of the surface disturbance areas within the permit area. The acreages accounting for the Gob Vent Holes have been correctly deleted in blue line strikeout. The following page (1-18) totals all surface disturbance acreages, and erroneously states that the total disturbed area is 31.24 acres. That total still takes into account the 0.36 acres for the Gob Vent Holes. The correct total disturbed acreage should be 30.88.

Deficiencies Details:

The amendment does not meet the State of Utah R645 requirements for Right of Entry. The following deficiency must be addressed prior to final approval:

R645-301-114.100: The Permittee must correct the total disturbed acreages in the Right of Entry Information from 31.24 acres to 30.88 acres.

jeatchel

Maps and Plans

Analysis:

The amendment does not meet the State of Utah R645 requirements for Maps and Plans.

The Permittee proposes the complete removal of the Gob Vent Holes (GVH) from the current MRP in order to facilitate a sale of the GVH Project to Global Carbon Strategies Corporation. This transaction is conditioned on the approval from the Division for an alternative postmining land use. This necessarily requires that the Permittee delete all implications of ownership and jurisdiction throughout the entirety of the MRP.

The maps submitted in this amendment make no reference to the occlusion or removal of the 0.36 acres for the Gob Vent Holes within the Permit Area. All mine maps that depict the West Ridge Mine permit areas should illustrate this. The proposed 0.36 acres that will become the sole property of Global Carbon Strategies Corporation should be clearly

delineated. Otherwise, the maps incorrectly reflect a scenario where Global Carbon Strategies Corporation will be operating on West Ridge's permitted area.

Deficiencies Details:

The amendment does not meet the State of Utah R645 requirements for Maps and Plans. The following deficiency must be addressed prior to final approval:

R645-301-521: The Permittee must designate the location of the 0.36 acres for the GVH Project on all maps. This includes Plates 1-0 and 1-1, as well as Plates 2-1 through 7-8.

jeatchel

Environmental Resource Information

Probable Hydrologic Consequences Determination

Analysis:

The amendment does not meet the State of Utah R645 requirements for Probable Hydrologic Consequences Determination.

The Permittee proposes the deletion of portions of the Probable Hydrologic Consequences (PHC) determination in section nR645-301-728. The text identified for deletion discusses the probable hydrologic consequences of coal mining and reclamation activity in the Bear Canyon drainage. As the Bear Canyon drainage was extensively mined during active operations of the West Ridge Mine (See Map 5-4a, Mining Projections), the information presented on pages 7-24 thru 7-26 that discusses potential hydrologic impacts in Bear Canyon as a result of mining are still germane and required per R645-301-728. The proposed removal of the GVH facility from the West Ridge Mine MRP does not necessitate the removal of this section of the PHC determination.

The Permittee must maintain the Bear Canyon PHC discussion on pages 7-24 thru 7-26. The area was extensively mined and as such, the PHC discussion relative to Bear Canyon is germane and required information for retention in the approved Mining and Reclamation Plan (MRP).

Deficiencies Details:

The amendment does not meet the State of Utah R645 requirements for Probable Hydrologic Consequences Determination. The following deficiency must be addressed prior to final approval:

R645-301-728: The Permittee must maintain the Bear Canyon PHC discussion on pages 7-24 thru 7-26. The area was extensively mined and as such, the PHC discussion relative to Bear Canyon is germane and required information for retention in the approved Mining and Reclamation Plan (MRP).

schriste

Operation Plan

Air Pollution Control Plan

Analysis:

The Alternate Postmining Land-Use amendment meets the State of Utah R645 requirements for the Air Pollution Control Plan at R645-301-420. In March of 2017 Utah American Energy submitted an application to DEQ to have their air quality permit separated into two permits, one for coal operations and one for degasification. Once UEI and GCS complete the slaes agreement DEQ will move forward with the approval the degasification permit to include flaring methane. SITLA will be the responsible entity for ensuring that GCS has approval from DEQ's air quality division to flare the methane as they are the surface management agency.

jhelfric

Hydrologic General

Analysis:

The amendment meets the State of Utah R645 requirements for General Hydrologic Information requirements.

The Permittee is proposing to remove the gob gas vent hole facility (GVH) in its entirety from the West Ridge Mining and Reclamation Plan (MRP). In terms of the revisions to the hydrologic information contained in the approved MRP, the Permittee has simply deleted all references to the GVH facility within the main text of Chapter 7, all supporting reports and calculations related to the GVH facility and have removed the depiction of the GVH facility from all of the hydrology maps in which it was depicted.

Appendix 7-11, Bear Canyon Gob Vent Hole Hydrology Report and Appendix 7-12, Bear Canyon Drainage Control Plan will be removed from the MRP. Appendix 7-11 is the probable hydrologic consequences determination (PHC). Appendix 7-12 is the drainage control plan. As the GVH facility will be removed with this amendment, it follows that these appendices and the information therein would no longer be required for inclusion in the MRP. However, the more generalized PHC discussion of the Bear Canyon drainage contained in the main text must be maintained in the MRP.

The Permittee has revised all hydrology maps that depicted the location of the GVH facility. The following maps were revised: Map 7-3 Water Rights, Map 7-5 Seep/Spring Survey Map, Map 7-6 Hydrologic Monitoring Map (Historical Monitoring Locations), Map 7-7 Operational monitoring Locations and map 7-8 Whitmore Canyon Watershed Map.

schriste

Reclamation Plan

General Requirements

Analysis:

The Alternate Postmining Land-Use amendment meets the State of Utah R645 requirements for the Reclamation Plan at R645-301-231, 233, 322, 323, 331, 333, 341 and 342;

There are no wildlife or vegetation requirements that apply to this permitting action. GCS will retain the surface facilities for flaring methane gas. The area will be bonded for reclamation under the direction of SITLA.

jhelfric

PostMining Land Use

Analysis:

The amendment meets the State of Utah R645 requirements for the Alternate Postmining Land-Use at R645-301-412, 413 and 414;

West Ridge Resources has submitted an application for an alternative postmining land use to remove the gob vent hole project from the West Ridge MRP. The application notes that, revisions change text in Chapter 4, as well as eliminate Appendices 5-14 and 5-14a, which describe the GVH Project. WRR has entered into an agreement, dated February 27, 2017, to sell the GVH Project to Global Carbon Strategies Corporation ("GCS"). The sale is conditioned on the Division's approval of an alternative postmining land use for the GVH Project. GCS will modify the GVH Project and operate the facilities as a commercial methane destruction project, independent of any coal mining and reclamation operations. To facilitate its operations, GCS has entered into a lease with the School and Institutional Trust Lands Administration ("SITLA") to allow GCS to use the SITLA owned surface lands to extract and destroy coal mine methane also owned by SITLA. Upon approval of the application for alternative postmining land

use by the Utah Division of Oil, Gas and Mining, SITLA will assume responsibility for regulating GCS's project pursuant to the terms of the SITLA lease. GCS will post a reclamation bond with SITLA and will submit a operation and reclamation plan for approval by SITLA.

jhelfric

Bonding Determination of Amount

Analysis:

The amendment does not meet the State of Utah R645 requirements for Determination of Bonding Amount.

The Permittee proposes the complete removal of the Gob Vent Holes (GVH) from the current MRP in order to facilitate a sale of the GVH Project to Global Carbon Strategies Corporation. This transaction is conditioned on the approval from the Division for an alternative postmining land use. This necessarily requires that the Permittee delete all implications of ownership and jurisdiction throughout the entirety of the MRP.

The narrative throughout the amendment makes it clear that the GVH Project will be completely turned over to Global Carbon Strategies Corporation, although there is no mention of this anywhere in the bonding section. The bonding section must include redline strikeout in the detailed bonding calculations to reflect the decreased reclamation liability as a result of the permanent removal of the GVH Project.

Deficiencies Details:

The amendment does not meet the State of Utah R645 requirements for Determination of Bonding Amount. The following deficiency must be addressed prior to final approval:

R645-301-830: The Permittee must include redlined strikeout in the detailed bonding calculations to reflect the removal of the Gob Vent Holes from the permit area.

jeatchel