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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Division of Oil, Gas and Mining

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July 19, 2019

Rick Parkins
Bronco Utah Operations, LLC
P.O. Box 527
Emery, Utah 84522

Subject: Completion of Midterm Review, Task #5939, Bronco Utah Operations, LLC, Hidden Valley Mine, C/015/0007

Dear Mr. Parkins:

On June 17, 2019, Bronco Utah Operations, LLC was informed that the Division of Oil, Gas and Mining (the Division) had commenced a midterm permit review for the Hidden Valley Mine.

The midterm review has now been completed and will now be closed; however, the Division has identified deficiencies that must be addressed. The deficiencies have been included with this letter (See Attached). The name of the author for each of the respective deficiencies has been provided.

Your response to these deficiencies will need to be submitted as an amendment to your MRP and will be processed as a separate task. Please submit the required amendment with the accompanying C1 and C2 forms by no later than August 30, 2019.

If you have any questions regarding these requirements or the Midterm Review process, please don't hesitate to call me at 801-538-5350.

Sincerely,

Steve Christensen
Coal Program Manager

SKC/sqs
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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0150007
TaskID: 5939
Mine Name: HIDDEN VALLEY MINE
Title: MIDTERM PERMIT REVIEW

General Contents

Identification of Interest

Analysis:

The application does not meet the State of Utah R645 requirements for Identification of Interest.

The Chapter I, Appendix I, Directors, Ownership & Control is outdated and requires updating to list the current officers.

Deficiencies Details:

The application does not meet the State of Utah R645 requirements for Identification of Interest.

The Chapter I, Appendix I, Directors, Ownership & Control is outdated and requires updating to list the current officers.

ssteab

Violation Information

Analysis:

The application does not meet the State of Utah R645 requirements for violation reporting, because the listing in Appendix I-IV was last updated in 2016 and may not current. In addition the affiliation with Wildcat Loadout no longer exists.

Deficiencies Details:

The application does not meet the R645-301-114, violation reporting requirements. The following deficiencies must be addressed prior to final approval:

R645-301-113.300, Appendix I-IV was last updated in 2016, please ensure it is currently reporting the previous 3 years of violation history and remove the affiliation with Wildcat Loadout.

pburton

Permit Application Format and Contents

Analysis:

The application does not meet the State of Utah R645 requirements for permit application format and contents, because the application does not contain any future mining details or a proposed five year mining plan.

The 1997 amendment to the reclamation plan states that there was no interest in access to the coal seams from Hidden Valley portals (Amendment 97B, p. 1). Since 2013, the Permittee has requested (in their Annual Reports) to defer final

reclamation of the "A" seam and access road, because the mine site provides access to the "A" seam coal reserve. The Division has no basis on which to evaluate this request, since the application contains little geologic, hydrologic, or mining information.

If access to the "A" seam or any other seam is contemplated from the reclaimed Hidden Valley site, the applicant must update the reclamation plan to include mining information.

Deficiencies Details:

The Reclamation Plan does not meet the R645-301 General Permit requirements for mining. The following deficiency must be addressed prior to final approval:

R645-301-121.100, If access to the "A" seam or any other seam is contemplated from the reclaimed Hidden Valley portals, the applicant must update the permit to include current mining information required by R645-301-116 (anticipated starting and termination date for each phase of coal mining and the anticipated number of acres to be disturbed); 645-301-511.100 et seq (describe the proposed coal mining and reclamation operations with attendant maps, plans, and cross-sections); R645-301-611.200 and R645-301-630 (describe the proposed operation plan for exploration holes and boreholes); R645-301-711.200 and R645-301-730 (describe the proposed operations and potential impacts to the hydrologic balance); and R645-301-820.113 (identify the initial and successive areas or increments for bonding).

pburton

Environmental Resource Information

Vegetation Resource Information

Analysis:

The application does not meet the State of Utah R645-301-320 requirements for Vegetation Resource Information. Appendix IVa "Range Site Data" contains an assessment of the reference area from May 8, 1986. It appears that the reference area has not been evaluated since that time. A reevaluation of the reference area must be conducted to ensure that the vegetation communities and standards of success tied to the reference area represent the desired outcomes for reclamation. It is possible that multiple reference areas may need to be selected in order to provide standards of success for the "A" and "B" sections of the disturbed area.

Deficiencies Details:

The application does not meet the State of Utah R645-301-320 requirements for Vegetation Resource Information. The following deficiency must be addressed prior to final approval:

R645-301-320: The Permittee must conduct a detailed analysis to be used in an evaluation of the reference area. An adequate reference area, or multiple reference areas, must be established.

tmiller

Maps Vegetation Reference Area

Analysis:

The application does not meet the State of Utah R645-301-323 requirements for Vegetation Reference Area Maps. Plate III shows the location of the reference area, however it only indicates it as a line on the map. No boundaries or GPS locations are provided. According to the Division's Vegetation Information Guidelines, vegetation reference areas should be at least 1 acre in size. A one-acre reference area is not found in the current MRP.

Deficiencies Details:

The application does not meet the State of Utah R645-301-323 requirements for Vegetation Reference Area Maps. The following deficiency must be addressed prior to final approval:

R645-301-323: The location and boundary of a suitable reference area must be delineated on a map following the reevaluation of the current reference area needs of the site.

tmiller

Operation Plan

Hydrologic General

Analysis:

The MRP meets the State of Utah R645 requirements for Hydrology.

The MRP has a commitment to monitor to surface water points along Ivie Creek (#1 UPPR IVIE CK and #2 LWR IVIE CK) in the permit area. Ivie creek is a perennial stream that is monitored by the Permittee twice a year per section VII of the MRP. This commitment continues to be fulfilled by the Permittee.

adaniels

Reclamation Plan

General Requirements

Analysis:

The application does not meet the State of Utah R645 requirements for conducting reclamation operations as described.

According to Division records, the exploratory adits were never developed as a commercial venture. The original reclamation permit was issued January 29, 1987. The permit has been re-issued since that time for the purpose of reclamation only, under R645-300-112.500 and R645-303-232.500. The mining and reclamation plan contains only reclamation details. Reclamation of the 6.7 acre site was completed in 1986 as described in the permit application. Erosion control was needed in 1989 and 1994 (p. 52 A & 52B). Due to poor revegetation success and soil quality issues, the reclamation plan was revised in 1997 (Amendment 97B). The 1997 reclamation approach was completed on the "B" side of the site. A commitment is stated that the "B" side will be monitored and if successful, would be applied to the "A" side in Phase II of the reclamation (Amendment 97B, p-2). This commitment was revised in 2009 to eliminate a timeframe for Phase II completion of the reclamation. However, after 20 years, the evaluation of Phase I reclamation is long overdue.

Deficiencies Details:

The application does not meet the requirements of R645-301-340 reclamation plan. The following deficiency must be addressed prior to final approval:

R645-301-341.100, Provide a detailed timetable for completion of the Phase I monitoring and Phase II reclamation described in Amendment 97B to the Reclamation Plan.

pburton

PostMining Land Use

Analysis:

The application does not meet the State of Utah R645-301-412 requirements for Postmining Land Use. Page 5, point F, of Amendment 97B, "Amendment to Reclamation Plan" states that the current postmining land use is wildlife and grazing, however, that is the Permittee's plan to "address the land use issue in a future submittal, in all likelihood proposing the reclassification of the site to wildlife forage or some other, more appropriate and more realistic category." It is important to address this issue now, in conjunction with the selection of a more appropriate and applicable vegetation reference area, in anticipation of furthering the reclamation work at the site.

Deficiencies Details:

The application does not meet the State of Utah R645-301-412 requirements for Postmining Land Use. The following deficiency must be addressed prior to final approval:

R645-301-412: The Permittee must clarify the postmining land use to be used at the site.

tmiller

Revegetation Timing

Analysis:

The application does not meet the State of Utah R645-301-354 requirements for Revegetation Timing. Page 2, point C, of Amendment 97B, "Amendment to Reclamation Plan" states that the "B" seam adit side and the "A" seam adit side will be seeded at different time, beginning with the "B" side and "two to three years" later finishing with the "A" side dependant on the success of the "B" side reclamation. It is not clear what, if any, portion of this plan has been completed to date. A complete plan regarding the application of seeding treatments must be included in the MRP.

Deficiencies Details:

The application does not meet the State of Utah R645-301-354 requirements for Revegetation Timing. The following deficiency must be addressed prior to final approval:

R645-301-354: The Permittee must provide an adequate timeline for remaining revegetation activities to be conducted on the site.

tmiller

Revegetation Standards for Success

Analysis:

The application does not meet the State of Utah R645-301-356 requirements for Revegetation Standards of Success. The standards of success for a reclamation site cannot be adequately established without an effective reference area and understanding of the postmining land use. The current standards of success are based on an outdated establishment of a reference "transect." These standards are not likely to result in the successful reclamation of the site as it stands today.

In summary of the revegetation needs of the site: the postmining land use must be clarified, from which a new reference area, or areas, must be established and proper standards of success can then be identified. Following this, a proper reclamation seed mix can be created and seeding treatments can be outlined and the process of reclamation culminating in bond release can move forward.

Deficiencies Details:

The application does not meet the State of Utah R645-301-356 requirements for Revegetation Standards of Success. The following deficiency must be addressed prior to final approval:

R645-301-356: The Permittee must clarify the postmining land use, identify adequate reference areas, and establish a timeline for revegetation in order to identify proper standards of success for reclamation.

tmiller

Bonding and Insurance General

Analysis:

The application does not meet the State of Utah R645 requirements for General Bonding and Insurance.

The last midterm inspection was conducted in 2014 and found the reclamation bond to be deficient by \$20,000. The current bond liability is \$132,000, and the posted bond is \$112,000. The unit costs within the current bond were conceived in 1986 and describe reclamation activities that have since been completed for the most part. All direct costs were determined in 1986 and then escalated until the present day. Some notable discrepancies existant in the bond are no indirect costs (except for an additional 10% for contingencies), and there are no costs addressing the placement of topsoil on the "A" Seam pad. Even though the midterm review in 2014 identified a \$20,000 deficiency in the bond, it does not appear the bond was increased in response, and the 2019 midterm escalation will add to that amount.

Liability insurance is provided through Great Midwest Insurance Co. and will expire on December 16, 2019.

Deficiencies Details:

The application does not meet the State of Utah R645 requirements for General Bonding and Insurance. The following deficiency must be addressed prior to final approval:

R645-301-830.300: The Permittee must apply a 2.32% escalation factor to the current bond liability and post additional bond to address the resultant bond increase.

jeatchel

Bonding Determination of Amount

Analysis:

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

The last midterm inspection was conducted in 2014 and found the reclamation bond to be deficient by \$20,000. The current bond liability is \$132,000, and the posted bond is \$112,000. Even though the midterm review in 2014 identified a \$20,000 deficiency in the bond, it does not appear the bond was increased in response, and the 2019 midterm escalation will add to that amount. Applying a 2.32% escalation to the current bond liability of \$132,000 will raise the current liability to \$148,000, an increase of \$36,000 over the current posted bond amount.

Deficiencies Details:

The application 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: Permittee must apply a 5-year escalation of 2.32% to the current bond liability and post an additional \$36,000.

jeatchel