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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

June 6, 2013

Corey Heaps, Vice President
Castle Valley Mining, LLC
2352 N. 7th Street, Unit B
Grand Junction, Colorado 81501

Subject: Completion of Midterm Review, Task ID #4316, Castle Valley Mining, LLC, Bear Canyon Mine, C/015/00025

Dear Mr. Heaps:

On April 2, 2013, Castle Valley Mining, LLC was informed that the Division of Oil, Gas and Mining (the Division) had commenced a midterm permit review for the Bear Canyon 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 July 12, 2013.

If you have any questions regarding these requirements or the Midterm Review process, please don't hesitate to call me at 801-538-5350 or Joe Helfrich at 801 538-5290.

Sincerely,

Daron Haddock
Coal Program Manager

DRH/JCH/ss
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Deficiency List
Task No. 4316
Midterm Permit Review

The members of the review team include the following individuals:

Joe Helfrich [JCH]
James Owen [JO]
Suzanne Steab [SS]
Ken Hoffman [KMH]

R645-301-112. Some of the information in the current MRP, Appendix 1H, does not match the information found in the OSM/AVS. [SS]

Castle Valley Mining LLC

Chad Hunt, President, end date of 3/2/12
Christopher Moravec, Senior Vice President, end date of 3/2/12
Joseph Miller, Vice President, end date of 7/16/12
Gary Isaac, Assistant Secretary, end date of 12/31/12

Chad Hunt, Vice President, start date of 3/2/12
Christopher Walton, President, start date of 4/11/12
Jeff Quatman, Vice President, start date of 3/31/11
Whitney Kegley, Vice President, Secretary & General Counsel, start dates of 7/16/12

Rhino Energy LLC

Mark Zand, Chairman, end date of 10/5/10
Christopher Moravec, Senior Vice President, end date of 3/2/12
Joseph Miller, Vice President & Asst Secretary, end dates of 7/6/12
Arthur Amron, Vice President & Asst Secretary, end dates of 10/5/10
Jay Maymudes, Vice President, Secretary and Treasurer, end dates of 10/5/10
Paul Jacobi, Vice President, end date of 10/5/10
Corey Heaps, Vice President, end date of 12/21/11

Christopher Walton, Sr Vice President & Chief Operations Officer, start dates of 4/11/12
Jeff Quatman, Vice President, start date of 1/1/11
Whitney Kegley, Vice President, Secretary & General Counsel, start dates of 7/16/12

Please address the above discrepancies by either updating the information in the MRP to reflect what is in AVS or provide Secretary Certificates to correct the AVS.

R645-301-150 Where appropriate, the Permittee must replace the commitments in Chapter 5 to reflect that Castle Valley Mining is the entity responsible for compliance as C.W. Mining Company is not Bear Canyon Mine's operator. [JO]

R645-301-830.140. The Permittee must provide updated information for estimated bonding costs with supporting calculations for the estimates. This includes updated unit costs (to be used to update bond calculation spreadsheets) and updated escalation factors. Updates should be provided using the 2013 data from R.S. Means *Heavy Construction Cost* data manual and the Caterpillar Handbook or other appropriate resources. Page 8-1 and pages 8-6 through 8-35 of Chapter 8 of the MRP (including the bond summary and corresponding bond calculation sheets) need to be updated and appropriately escalated to 2018 dollars using Division's approved 1.5% and 5 year escalation. [JO]

R645-301-731.211. The Permittee shall update Table 7-14 to reflect that monitoring is now active at sites SBC-18, SBC-20, SBC-21, SBC -22, and SCC-2. [KMH]

R645-301-742. The Permittee shall update Plate 7-11 with an as-built. In addition, the permittee shall update the language on page 7-90 to reflect that Pond D has been constructed. [KMH]