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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

April 10, 2018

Jaren Jorgensen
Castle Valley Mining, LLC
P.O. Box 475
Huntington, Utah 84528

Subject: Completion of Midterm Review, Task #5616, Castle Valley Mining, LLC, Bear Canyon Mine, C/015/0025

Dear Mr. Jorgensen:

On March 1, 2018, Castle Valley Mining, LLC was informed that the Division of Oil, Gas and Mining 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 May 11, 2018.

If you have any questions regarding these requirements or the Midterm Review process, please don't hesitate to call me at 801-538-5325.

Sincerely,

Daron R. Haddock

Daron R. Haddock
Coal Program Manager

DRH/sqs
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UTAH DNR OIL, GAS & MINING

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID:	**C0150025**
TaskID:	**5616**
Mine Name:	**BEAR CANYON MINE**
Title:	**MIDTERM PERMIT REVIEW**

General Contents

Identification of Interest

Analysis:

An analysis of the ownership and control information and Applicant Violator System compliance check for item D of the midterm review meets the State of Utah requirements found at R645-301-112.300 and R645-300-132.

The ONC information is current in the MRP.

The AVS check indicates that there are no permit block related compliance issues for the Bear Canyon mine.

jhelfric

Violation Information

Analysis:

The results of the midterm review indicate that the State of Utah R645 requirements for violation information (R645-300-132 and, R645-400-332) are being met. There are no outstanding division orders, notice of violations, abatement plans or paterns of violations.

jhelfric

Maps and Plans

Analysis:

The results of the midterm review indicate that the State of Utah R645 requirements for compliance with the terms and conditions of the permit (R645-300-143) are being met. Permittee initiated plan changes approved subsequent to permit renewal have been appropriately incorporated into the MRP. The MRP does not include any variances. However the permit does include one special permit condition under attachment A, Castle Valey Mining LLC will submit water quality data for the Bear Canyon mine in an electronic format through the Electronic Data Input web site. This is done quarterly and is current.

The following notices of violations are awaiting final determinations from previously held assessment conferences;

N19151, N19154, and N21171.

There are several deficiencies in the MRP itself pretaining to soils and bonding that have been identified in the midterm review.

jhelfric

Operation Plan

Air Pollution Control Plan

Analysis:

The application does not meet the requirements of R645-301-121.100, because it is not current with regard to the Division of Air Quality correspondence. Appendix 4G contains Approval Order DAQE-145-02 dated February 22, 2002, which is prior to the expansion of the loadout and the addition of the No. 3 and No. 4 Mines .(MRP e-pg 46)

Deficiencies Details:

The application does not meet the R645-301-422 requirements. The following deficiency must be addressed prior to final approval:

R645-301-121.100 and R645-301-422, Please provide current correspondence and updates to Air Quality Order DAQE-145-02 in Appendix 4G.

pburton

Topsoil and Subsoil

Analysis:

The soils operation plan is not current and must be updated in accordance with R645-301-121.100.

Table 2-5 of the MRP (p. 2-19) must be updated as follows:

- remove the Tank seam topsoil stockpile which was consumed in reclamation of TS 10 (Plate 2-3E).
- correct the WHR topsoil stockpile to indicate a total of 10,681 CY (= 8325 CY in stockpile from blind canyon and showerhouse + 2354 CY in situ, MRP, p. 2-28).
- verify the 52,341 CY substitute topsoil

Plate 5-2F must be updated with the correct WHR topsoil pile outline, as corrected on Plate 2-2B (dated 2018).

Deficiencies Details:

The application does not meet the R645-301-121.100 requirements for current information. The following deficiency must be addressed prior to final approval:

R645-301-121.100 and R645-301-234,

Table 2-5 of the MRP (p. 2-19) must be updated as follows:

- remove the Tank seam topsoil stockpile which was consumed in reclamation of TS 10 (Plate 2-3E).
- correct the WHR topsoil stockpile to indicate a total of 10,681 CY (= 8325 CY in stockpile from blind canyon and showerhouse + 2354 CY in situ, MRP, p. 2-28).
- verify the 52,341 CY substitute topsoil

Update Plate 5-2F with the correct WHR Topsoil pile outline, as corrected on revised Plate 2-2B (dated 2018).

pburton

Hydrologic Acid and Toxic forming Materials

Analysis:

Item G of the midterm review meets the State of Utah requirements for operational, reclamation and contemporaenous reclamation practices undertaken at the Bear Canyon mine. This includes compliance with the corresponding sections of the regulations.

Quarterly analyses of surface and ground water monitoring data indicates no contributions of acid or toxic materials to surface or ground waters.

jhelfric

Hydrologic Sediment Control Measures

Analysis:

The midterm review for sediment control measures (BTCA) meets the state of Utah requirements for R645-301-742. BTCA for the bear Canyon mine includes 4 sediment ponds, ASCAS, ditches, berms and culverts that are functioning as designed and are approptiately incorporated in the mining and reclamation plan (MRP).

jhelfric

Reclamation Plan

Revegetation Standards for Success

Analysis:

The amendment meets the State of Utah R645 requirements for Vegetative Reference Areas (R645-303-356) for item H of the mid-term review. Chapter 3, page 33 of the MRP notes the location of the reference areas on plate 3-1. They include the Tank Seam Pad, Wild Horse Ridge Shower House Pad, and Tank Seam Access Road reference areas. An evaluation of the reference areas will be conducted in the growing season (May-September) of 2018 by representatives from the Division and Castle Valley Mining to determine if the reference areas continue to represent the success standards necessary to meet the postmining land uses of Wildlife and Grazing. Plate 3-1 will be updated to include the coordinates of the three reference areas.

jhelfric

Maps Bonded Area

Analysis:

The information provided does not meet the requirements for bonded area map R645-301-521, because the disturbed area shown on Plate 5-2G does not correspond with the boundary of reclamation area TS 16 shown on Plate 2-3G. In addition, confirm whether TS1 (ballpark) area shown on Plate 2-3A and stated on p. 2-37 remains as topsoil substitute during the reclamation plan. If so, update Table 2-28 with topsoil substitute volume from TS1.

Deficiencies Details:

The application does not meet the R645-301-521 requirements. The following deficiency must be addressed prior to final approval:

R645-301-521,

- Verify and correct the boundary of reclamation area TS 16 shown on Plate 2-3G at the hairpin turn and its corresponding disturbed area shown on Plate 5-2G.
- Confirm whether TS1 (ballpark) area shown on Plate 2-3A and stated on p. 2-37 remains as topsoil substitute during the reclamation plan. If so, update Table 2-28 with topsoil substitute volume from TS1.

pburton

Bonding and Insurance General

Analysis:

The amendment meets the State of Utah R645 requirements for General Bonding and Insurance in accordance with R645-301-830 and R645-301-890.100.

According to Division records, the current surety bond posted totals $2,158,000, and is held through Indemnity Insurance Company. A current insurance policy is held through National Union Fire Insurance Company of Pittsburgh, PA, and expires on June 1, 2018.

jeatchel

Bonding Determination of Amount

Analysis:

According to Division records, the current surety bond posted totals $2,158,000, and is held through Indemnity Insurance Company.

The reclamation cost estimate which is approved and incorporated into the current Bear Canyon MRP has not been updated to current unit costs. Direct unit costs used to calculate the bond estimate need to be updated and escalated to 2023 dollars.

The State of Utah Technical Directive 007 (Tech 007), which details how all Permittees are expected to appropriately calculate reclamation bonds has recently been amended, and those changes are expected to be enacted in 2018. One of the most significant items that is addressed in the newest version of Tech 007 is that overhead and profits costs (O&P), should be applied to all of the direct unit costs. Taking this into account, the Permittee must provide updated information for estimated bonding costs with supporting calculations for all cost estimates with O&P applied to the direct unit costs and escalated to 2023 .

Deficiencies Details:

R645-301-830.140: The Permitee must provide updated information for estimated bonding costs with supporting calculations for all cost estimates with O&P applied to the direct unit costs and escalated to 2023 . The updated 5 year escalation factor to be used in the bonding calculations is 1.78%.

jeatchel