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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

November 1, 2010

TO: Internal File

THRU: Jim Smith, Permit Supervisor *DS 03 Nov 2010*

FROM: Priscilla Burton, CPSSc, Environmental Scientist III, Team Lead

RE: Change of Ownership and Control, Coal Hollow Mine, Alton Coal Development, LLC, Kane County, C/025/0005, Task ID #3665

SUMMARY

The Division received a change of ownership and control application from Alton Coal Development on October 28, 2010, the same day that the bond was posted for the Coal Hollow Mine. Alton Coal Development LLC is now owned 49% by SH Coal Investment, LLC. The officers/managers of SH Coal were not disclosed. It was stated that SH Coal Investment, LLC is wholly owned by Sleepy Hollow Mineral Investors, LLC and Sleepy Hollow's ownership was disclosed.

Prior to approval, the managers/officers of SH Coal Investment, LLC should be disclosed.

TECHNICAL ANALYSIS:

GENERAL CONTENTS

IDENTIFICATION OF INTERESTS

Regulatory Reference: 30 CFR 773.22; 30 CFR 778.13; R645-301-112

Analysis:

In Chapter 1, Section 112, the applicant has met the requirements to provide ownership and control information for the operation and surface lands affected. The applicant is Alton Coal Development, LLC, a limited liability company. The company is registered with the Utah Department of Commerce (Confidential Binder, Appendix 1-1). The corporate office is in Cedar City. The telephone and address is provided. The list of owners with more than 10% interest and their names, addresses and employer identification numbers have been provided in Section 112.310 and Section 112.320. Alton Coal Developments, LLC is 49% owned by SH Coal Investment, LLC which in turn is wholly owned by Sleepy Hollow Mineral Investors, LLC, which is wholly owned by Charles and Thomas Ungorean. Appendix 1-10 provides an ownership family tree.

The officers/managers of SH Coal were not disclosed. Although, it was stated that SH Coal Investment, LLC is wholly owned by Sleepy Hollow Mineral Investors, LLC. Prior to approval, the managers/officers of SH Coal Investment, LLC should be disclosed.

The mine will be operated by Kane Mining, LLC, wholly owned and managed by Charles and Thomas Ungorean

Chris McCourt is the resident agent and manager. Robert C. Nead, Jr., has been designated as the person responsible for paying the abandoned mine land reclamation fee (Section 112.230).

Surface and coal ownership are displayed on Dwg. 1-3 and 1-4, respectively and described in Section 112.500. The permit area surface is owned by two parties: C. Burton Pugh and the Allecia Swapp Dame Trust administered by Richard Dame, Trustee. (Contact information for the surface owners have been provided.) Surface lands have been leased to the applicant. The lease assignments are included in the confidential binder, Appendix 1-2.

Section 112.500 also provides the name and addresses of the owners of the coal to be mined. All 435 acres of coal to be mined is privately held, and has been leased by Alton Coal. The leases are provided in the confidential binder, Appendix 1-2. There are 200 acres of coal owned by the Bureau of Land Management (BLM) in the north portion of the permit area shown on Dwg. 1-4, but this coal will not be mined.

Adjacent surface and subsurface ownership is displayed on Dwg. 1-3 and 1-4. As stated in Section 112.600, the BLM and Darlynn and Arlene Sorensen own land contiguous to the permit area. James Lloyd and Julie Johnson Brinkerhoff own land that is downstream, but not contiguous to the permit area.

Interest in adjacent federal coal is outlined in Section 112.800. The applicant has filed a lease by application with the BLM. At this time, the BLM is writing an Environmental Impact Statement. The BLM has determined the size of the Alton Coal Tract LBA to be approximately 3,600 acres (BLM Open House, Salt Lake City, February 2007).

The MSHA number for the mine site is 42-02519 (Section 112.700). MSHA numbers for structures are pending.

Findings:

R645-301-112.300, Prior to approval, the managers/officers of SH Coal Investment, LLC should be disclosed.

VIOLATION INFORMATION

Regulatory Reference: 30 CFR 773.15(b); 30 CFR 773.23; 30 CFR 778.14; R645-300-132; R645-301-113

Analysis:

Section 113 of the application states that there are no violations, suspensions, revocations, or forfeitures on record for Alton Coal Resources, LLC., or its officers or affiliates. Appendix 1-10 provides a listing of violations for affiliated companies.

An Applicant Violator System check for the owners and controllers is recommended prior to permit issuance.

Findings:

The applicant has met the requirements of the Rules for Violation Information.

RECOMMENDATIONS:

Prior to approval, the managers/officers of SH Coal Investment, LLC should be disclosed.

An Applicant Violator System check for the owners and controllers is recommended prior to permit issuance.

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