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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Outgoing
C0250005
#3812
OK

May 12, 2011

Kirk Nicholes
Alton Coal Development, LLC
463 North 100 West, Suite 1
Cedar City, Utah 84720

Subject: Approval of Change to Year 1 Mining Sequence, Task #3812, Alton Coal Development, Coal Hollow Mine, C/025/0005

Dear Kirk:

The above-referenced amendment is approved effective May 12, 2011. This modification does not necessitate an update to the Technical Analysis. A stamped incorporated copy is enclosed for your copy of the Mining and Reclamation Plan (MRP)

During the review process of the above-referenced amendment, the Division identified some deficiencies in the mine's MRP that were not identified earlier. Since these deficiencies are not related to mine sequencing issues, they do not pertain to the approval of the mine sequencing amendment. However, the Division requests that the permittee address these deficiencies either with the drainage control deficiency response (associated with Task #3799) or by submitting an additional amendment on or before June 17, 2011.

We look forward to your response. If you have any questions, please feel free to call me at (801) 538-5325 or James Owen at (801) 538-5306.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/JCO/sqs
Enclosure

cc: Kenneth Walker, OSM
Price Field Office

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DEFICIENCY LIST

The members of the review team included the following individuals:

April Abate [AA]

James Owen [JO]

Priscilla Burton [PB]

[R645-301-122]: In what appears to be an error created by duplication, the analytical information for soil sample locations only incomplete information for Intermountain Laboratories soil analysis reports could be found. (see missing information in IML Report dated 11/13/2006 , work order # SO609512 and IMP Report dated 11/14/2006, work order # S0610051.) It is critical that complete analytical reports be located and provided to the Division [PB].

[R645-301-553.140]: The operator must provide a commitment in the MRP (Section 528.350) to sample and evaluate the coal remaining in each pit for parameters listed in Table 3 and 7 of the Soil and Overburden guidelines (minimum 1 composite sample/5,000 Tons coal). Based on the sampling, the operator must provide sufficient data as to demonstrate that the presence of high-sulfur coal (cleaned off the top of the seam) and oxidized coal (from near the outcrop) in the backfill will not create a potential for water pollution or damage to the hydrologic balance both on and off the site. The operator must record the volume of coal remaining and keep the laboratory analytical results on file at the mine site and provide the volume and analytical lab reports to Priscilla (via email) [PB & JO].

[R645-728.320]: The MRP contains language that states that no selenium was detected in the exploratory boring samples collected from the Coal Hollow mine in 2006-2007. Upon review of the laboratory analytical data found in Appendix 6-2, water extractable selenium was detected in several of the samples. In addition, the MRP also states that the neutralization potential exceeds the acid potential in all samples analyzed. This is a true statement for all overburden and underburden samples analyzed; however, the data show that in most of the *coal* samples, acid potential did exceed neutralization potential. This language will need to be corrected in the MRP. [AA]

[R645-748.333]: In light of the heavy precipitation events that occurred in the winter of 2011, the amount of unanticipated inflows to groundwater was higher than expected. As a result of the large volumes of groundwater, a water management plan needed to be refined and implemented at the Coal Hollow mine. This information in the MRP requires updating based on the conditions at the mine. The Permittee should revise the estimates of groundwater inflows into the pits (Table 7-9) and amend the Probably Hydrologic Consequences in the MRP explaining how groundwater inflows will be managed during the operational phase of mining. In addition, please provide a copy of the written authorization Utah Department of Water Quality (DWQ/DEQ) has issued outlining their policy on mine dewatering. [AA]

[R645.731.200]: Due to the acid-potential of the actual coal samples and the high sulfur content found along the face of the coal outcrop in the top three feet, the Permittee

should evaluate the need for an additional groundwater monitoring well along the east-west permit boundary in Section 30 T39S R4W. Currently, this area is absent of any means of delineating the groundwater quality from where it leaves the permit boundary that could be a product of the high sulfur coal intermingling with the backfill material in the pits.[AA]