



cc: Daron
Steve C.
Karl

United States Department of the Interior

OFFICE OF SURFACE MINING
Reclamation and Enforcement
Western Region Office
1999 Broadway, Suite 3320
Denver, CO 80202-3050

Incoming
C0250005
K



July 9, 2012

Daron Haddock
Division of Oil, Gas, and Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801

Dear Mr. Haddock,

Enclosed for your records is a copy of OSM's inspection report for our May 9, 2011 Special Focus Topic Evaluation for the Coal Hollow Mine.

If you have any questions regarding this report, please feel free to contact me at (303) 293-5025.

Sincerely,

Elizabeth Shaeffer
Environmental Protection Specialist, Denver Field Division

Attachment: Copy of OSM inspection report

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DIV. OF OIL, GAS & MINING

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U.S. DEPT. OF THE INTERIOR
OFFICE OF SURFACE MINING
Mine Site Evaluation
State Program



1. Permittee/Person ALTON COAL DEVELOPMENT LLC		9. Permit Number ACT025005	10. Permit Type PP
2. Address 463 N. 100 W., SUITE 1		11. Field Visit Date 5/9/2012 <small>mm - dd - yyyy</small>	12. Purpose OP
3. City CEDAR CITY		14. Permit Status A	13. SRA Present Y
4. State UT		15. Site Status AP	16. Facility Type A
5. Zip Code 84720	6. Phone Number (435) 867-5331	17. OSM Office # 140	18. CCID #
7. Operator Name, if Different than Permittee 		19. Land Code S	20. M.S.H.A. ID # 42-02519
8. Mine Name COAL HOLLOW MINE		21. State Abbrev. UT	22. County/Burrough KANE
		23. AVS Permittee Entity ID Number 247248	24. State Office

25. Hours

2.0	a. Permit Review
3.0	b. Site Visit Time
11.0	c. Travel Time
3.0	d. Report Writing

26. Signature Block

Elizabeth Shaeffer
Signature:

Elizabeth Shaeffer, ID#377
Printed Name:

Date: 7/9/2012

27. Reviewing Official:

Howard E. Strand
Signature: (Acting)

Review Date: 07-09-12
mm - dd - yyyy

Is Supplemental MSE Page Used Y/N N

Permit Type - Item 10 IP = Interim Program PP = Permanent Program NP = No Permit

Purpose Type Codes - Item 12
Oxx...Oversight Rfx...Reclamation Fees CCR...Citizen Complaint Referral (non-site visit)
Axx...Assistance Fxx...Federal Actions CC...Citizen Complaint (initial site visit)
CCF...Assistance

Joint Inspection - Item 13 A joint inspection is when a state inspector accompanies an OSM inspector at any time during the review of the mine site

Permit Status - Item 14

A Active: Coal mining activities occurring or permitted but not yet disturbed.	AB Abandoned: All surface and underground coal mining activities have ceased and operator has left the site without completing reclamation as defined in 30 CFR 840:11(g).
IN Inactive (Permanent Program Permit): Phase II completed or Temporary Cessation of Operations. (Interim Program Permit): Coal mining completed and reclamation activities initiated.	AB1 Bond Forfeiture: Bond forfeiture officially in process or completed and reclamation in progress or not yet commenced.
BR Bond Release: Reclamation completed and State Regulatory Authority(RA) has released all of the bond (Phase III Release).	AB2 Partially Reclaimed Forfeiture: Forfeited site where all bonds have been used to reclaim site, but site not reclaimed to Program standards.
	AB3 Reclaimed Forfeiture: Forfeited site that has been reclaimed to Program standards.
	NA Not Applicable: When site is unpermitted.

Site Status - Item 15

ND No Disturbance: No coal mining and reclamation operations have been started.	MC Mining Complete: No mining activity on site, site regraded and awaiting bond release.	NS Non-Site Visit: Status of site not determined.
EX Coal Exploration: Coal exploration operations have started and where coal mining operations have not begun.	TC Temporary Cessation: The RA has granted cessation of mining pursuant to 30 CFR 816/817:13(b).	FP Forfeiture Pending: The RA is pursuing actions to revoke the permit, collect the performance bond(s), and/or reclamation of forfeited site is in progress.
AP Active Coal Producing: Coal surface mining activities are occurring.	P1 Phase I Release: At least Phase I bond release granted for entire permitted area. For interim permits, partial bond release.	FR Forfeited and Reclaimed: Forfeiture reclamation completed.
AN Active Non-Producing: Active non-producing facility such as tipple or preparation plant.	P2 Phase II Release: At least Phase II bond release for the entire permitted area.	FO Abandoned Site: Abandoned site that is permitted but there is no bond.
NM No Mining: The Permit Status is active, site is not in Temporary Cessation, no surface coal mining activity, and site not regraded.	P3 Phase III Release: Reclamation completed and the RA has released all bond.	WC Wildcat: Coal mining and reclamation operations have or are taking place and the activity is not covered by the required permits from the RA.

Facility Type Codes - Item 16

A ...Surface	D ...Ancillary (Haulroad, Conveyor, and/or Rails	H ...Exploration Permits	K ...Government Financed Construction Exemption
B ...Underground	E ...Refuse and/or Impoundment	I ...Notice of Intent to Explore	L ...Remining site permitted under 30 CFR 785.25
C ...Preparation Plant	F ...Loading Facility and/or Tipple	J ...Exempt 16 and 2/3	
	G ...Stockpiles		

Small Business Regulatory Enforcement Fairness Act (SBREFA)
Your Comments are Important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about Federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you are a small business (a business with 500 or fewer employees including those of affiliates) and wish to comment on the enforcement or compliance activities of OSM, call 1-888-REG-FAIR (1-888-734-3247).

U.S. DEPT. OF THE INTERIOR
OFFICE OF SURFACE MINING
Mine Site Evaluation

Permittee/ Person	Permit Number	Field Visit Date	State Program Continuation Page
ALTON COAL DEVELOPMENT LLC	ACT025005	5/9/2012	

28. Performance Standard Categories

Codes: 1=Compliance, 2=Noncompliance, 3=Not Planned, 4=Not Started, 5=Noncompliance Identified Elsewhere, 6=Previously Cited, 7=Permit Defect

<p>A. Administrative</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Mining within Valid Permit 2. <input type="checkbox"/> Mining within Bonded Area 3. <input type="checkbox"/> Terms & Conditions of Permit 4. <input type="checkbox"/> Liability Insurance 5. <input type="checkbox"/> Ownership and Control 6. <input type="checkbox"/> Temporary Cessation 7. <input type="checkbox"/> AML Rec. Fees - Non-Respondent 8. <input type="checkbox"/> AML Rec. Fees - Failure to Pay <p>B. Hydrologic Balance</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Drainage Control 2. <input type="checkbox"/> Inspections & Certifications 3. <input type="checkbox"/> Siltation Structures 4. <input type="checkbox"/> Discharge Structures 5. <input type="checkbox"/> Diversions 6. <input type="checkbox"/> Effluent Limits 7. <input type="checkbox"/> Ground Water Monitoring 8. <input type="checkbox"/> Surface Water Monitoring 9. <input type="checkbox"/> Drainage - Acid-Toxic Materials 10. <input type="checkbox"/> Impoundments 11. <input type="checkbox"/> Stream Buffer Zones <p>C. Topsoil & Subsoil</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Removal 2. <input type="checkbox"/> Substitute Materials 3. <input type="checkbox"/> Storage and Protection 4. <input type="checkbox"/> Redistribution 	<p>D. Backfilling & Grading</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Exposed Openings 2. <input type="checkbox"/> Contemporaneous Reclamation 3. <input type="checkbox"/> Approximate Original Contour 4. <input type="checkbox"/> Highwall Elimination 5. <input type="checkbox"/> Steep Slopes (includes downslope) 6. <input type="checkbox"/> Handling of Acid and Toxic Materials 7. <input type="checkbox"/> Stabilization (rills and gullies) <p>E. Excess Spoil Disposal</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Placement 2. <input type="checkbox"/> Drainage Control 3. <input type="checkbox"/> Surface Stabilization 4. <input type="checkbox"/> Inspections & Certifications <p>F. Coal Mine Waste (Refuse Piles/Impoundments)</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Drainage Control 2. <input type="checkbox"/> Surface Stabilization 3. <input type="checkbox"/> Placement 4. <input type="checkbox"/> Inspections & Certifications 5. <input type="checkbox"/> Impounding Structures <p>G. Use of Explosives</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Blaster Certification 2. <input type="checkbox"/> Distance Prohibitions 3. <input type="checkbox"/> Blast Survey/Schedule 4. <input type="checkbox"/> Warnings & Records 5. <input type="checkbox"/> Control of Adverse Effects 	<p>H. <input type="checkbox"/> Subsidence Control Plan</p> <p>I. Roads</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Road Construction 2. <input type="checkbox"/> Certification 3. <input type="checkbox"/> Drainage 4. <input type="checkbox"/> Surfacing and Maintenance 5. <input type="checkbox"/> Reclamation <p>J. Signs & Markers</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Signs 2. <input type="checkbox"/> Markers <p>K. <input type="checkbox"/> Distance Prohibitions</p> <p>L. Revegetation</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Vegetative Cover 2. <input type="checkbox"/> Timing <p>M. <input type="checkbox"/> Postmining Land Use</p> <p>N. Other</p> <p>General Performance Category</p> <p>_____</p> <p>_____</p> <p>_____</p>
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Performance Standard Categories 30 CFR Counterparts

<p>A. Administrative 773.11</p> <ol style="list-style-type: none"> 1. Valid Permit 773.11 2. Mining within Bonded Area 773.11 3. Terms & Conditions of Permit 773.17 4. Liability Insurance 800.60 5. Ownership and Control 778.13 6. Temporary Cessation §42.11(e) & §16/817.131 7. AML Rec. Fees - Non-Respondent §70.15(b) 8. AML Rec. Fees - Failure to Pay §70.15(a) <p>B. Hydrologic Balance (816/817.41-57)</p> <ol style="list-style-type: none"> 1. Drainage Control 45 2. Inspections & Certifications 49(a)(10) 3. Siltation Structures 46 4. Discharge Structures 47 5. Diversions 43 6. Effluent Limits 42 7. Ground Water Monitoring 41(c) 8. Surface Water Monitoring 41(e) 9. Drainage - Acid - Toxic Materials 41(f) 10. Impoundments 49 11. Stream Buffer Zones 57 <p>C. Topsoil & Subsoil (816/817.22)</p> <ol style="list-style-type: none"> 1. Removal 22(a) 2. Substitute Materials 22(c) 3. Storage and Protection 22(c) 4. Redistribution 22(d) <p>D. Backfilling & Grading §16/817.95-107</p> <ol style="list-style-type: none"> 1. Exposed Openings §16/817.13, 14, 15, & §23.11 & 21 2. Contemporaneous Reclamation 100 3. Approximate Original Contour 102(a)(1) 4. Highwall Elimination 102(a)(2) 5. Steep Slopes (includes downslope) 107 6. Handling of Acid & Toxic Materials 102(c) 7. Stabilization (rills and gullies) 95(b) 	<p>E. Excess Spoil Disposal (816/817.71-74)</p> <ol style="list-style-type: none"> 1. Placement 71(e) 2. Drainage Control 71(f) 3. Surface Stabilization 71(g) 4. Inspections & Certifications 71(h) <p>F. Coal Mine Waste (Refuse Piles/Impoundments) §16/817.81-84</p> <ol style="list-style-type: none"> 1. Drainage Control 83(a) 2. Surface Stabilization 83(b) 3. Placement 83(c) 4. Inspections and Certifications 83(d) 5. Impounding Structures 84 <p>G. Use of Explosives (816/817.61-68)</p> <ol style="list-style-type: none"> 1. Blaster Certification 61(c) 2. Distance Prohibitions 61(d) 3. Blast Survey/Schedule 62-64 4. Warnings & Records 66 & 68 5. Control of Adverse Effects 67 <p>H. Subsidence Control Plan (817.121-122)</p> <p>I. Roads (816/817.150-151)</p> <ol style="list-style-type: none"> 1. Road Construction 150(c) 2. Certification 151(a) 3. Drainage 150(b)-151(d) 4. Surfacing and Maintenance 150(e)-151(d) 5. Reclamation 150(f) <p>J. Signs & Markers §16/817.111</p> <ol style="list-style-type: none"> 1. Signs 11(a),(b),(c) 2. Markers 11(a),(b),(d),(e),(f) <p>K. Distance Prohibitions (761.11)</p> <p>L. Revegetation (816/817.111-116)</p> <ol style="list-style-type: none"> 1. Vegetative Cover 111 & 116 2. Timing 113 <p>M. Postmining Land Use (816/817.133)</p>
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Coal Hollow Mine Evaluation

Coal Hollow Mine, Alton Coal Development
Utah Division of Oil, Gas, and Mining (DOG M) Permit No. UT-025-0005

May 9, 2012

Participants: Joe Helfrich, DOGM
Karl Houskeeper, DOGM
Elizabeth Shaeffer, OSM, Badge #377
Kirk Nicholes, Alton Coal Development

Background:

The purpose of this evaluation was to evaluate whether DOGM (the Division) is implementing its approved regulatory program by ensuring that the Utah program is successful in preventing offsite impacts to listed or proposed threatened or endangered species by ensuring that operators follow a *Protection and Enhancement Plan* to minimize disturbances and adverse impacts to threatened and endangered species (when species are identified within the permit area) as a result of mining activities, and whether mine operators are complying with applicable regulatory and permit requirements pertaining to the minimization of adverse impacts to threatened and endangered species and their habitat during coal mining and reclamation operations.

The Federal Rules at 30 CFR 816/817.97(b) and Utah Administrative Code at R645-301-358.100 state that:

“No coal mining and reclamation operation will be conducted which is likely to jeopardize the continued existence of endangered or threatened species listed by the Secretary or which is likely to result in the destruction or adverse modification of designated critical habitats of such species in violation of the Endangered Species Act of 1973. The operator will promptly report to the Division any state- or federally-listed endangered or threatened species within the permit area of which the operator becomes aware. Upon notification, the Division will consult with appropriate state and federal fish and wildlife agencies and, after consultation, will identify whether, and under what conditions, the operator may proceed.”

The Division requires that each *Mining and Reclamation Plan (MRP)* include a list of proposed or listed threatened or endangered species and the probability of presence in the permit area. In some circumstances, the Division may require surveys or other site-specific resource information necessary to address the respective species or habitats when the permit area or adjacent area is likely to include listed or proposed endangered or threatened species of plants or animals or their critical habitats. The Division requests that this list and site-specific resource information be updated when the operator wants to increase or change their permit area or mining practices. If a listed or proposed endangered or threatened species of plants or animals or their critical habitat is identified on the permit area, the Division consults with the appropriate State and Federal fish and wildlife agencies and the landowner to determine under what conditions the

operator may proceed with mining. These conditions may include avoiding certain areas, developing a habitat mitigation plan, animal or plant relocation, periodic surveys, or a combination of these.

Inspection:

The Team met with Kirk Nichols of Alton Coal Development (Alton) at the Coal Hollow Mine. The group discussed recent instances where T and E surveys were conducted at the mine. Most of the surveys occurred as part of baseline data collection prior to the mine opening, and are included in the MRP. These surveys included helicopter raptor surveys of the permit area and adjacent areas conducted in May 2006 and May 2007 and sensitive plant species surveys conducted in June 2005, August 2006, and September 2007.

Mexican Spotted Owl

The Utah Division of Wildlife Resources (DWR) has conducted raptor surveys for all potential raptor species in the mine project area and did not find habitat for the Mexican Spotted Owl (MSO). However, MSO habitat does occur in the Dixie National Forest to the east and west of the Alton area.

Colorado River Fish

Impacts to endangered Colorado River Fish, including the Colorado pikeminnow, razorback sucker, humpback chub, and bonytail fish that inhabit the lower warm water reaches of the Colorado, Green, Yampa, White, and Gunnison Rivers is also a concern regarding the protection of T and E species. Currently, Utah participates in the Upper Colorado River Endangered Fish Recovery Program (established in 1988 by The Secretary of the Interior, Governors of Colorado, Wyoming, and Utah, and the Administrator of the Western Area Power Administration) as a way to offset water depletions, thereby providing a method to mitigate the impacts to endangered fish. As part of the recovery program, calculations must be performed to determine if consumption of water from coal mining is contributing or will contribute to water depletions, thereby affecting fish habitat.

During the processing of a new permit application, a determination must be made as to the amount of water that will be depleted from the upper Colorado River Watershed as a result of the proposed coal mining activity. Existing coal mine operations have been required to revisit the water depletion calculations if a proposed change to the MRP has the potential to significantly increase the amount of depletion from the Colorado River Watershed.

The Coal Hollow Mine was not required to submit water consumption calculations because the mine is not within the Upper Colorado River Basin, the specific area delineated and directed to comply with the Recovery Program.

Sage Grouse

Although not officially registered as a T and E species, much attention has been given to the sage grouse. The mine area contains "Crucial Value brood habitat" for the birds. The Bureau of Land Management (BLM) and the DWR located a sage grouse lek in the proposed mine area. In 2005, BLM biologists captured, collared, and began monitoring four sage grouse in an effort to study

the lifecycle and migrating patterns of these birds. In April 2006, ACD began its own sage grouse studies. In 2007, Southern Utah University and ACD joined the BLM and DWR in capturing, taking blood samples, and placing radio transmitters on sage grouse. In April of that year, ACD conducted two helicopter flights to search for satellite sage grouse leks.

In addition to studying the sage grouse, the mine is implementing techniques to improve the habitat for the birds. Landscape with many sagebrush plants is essential for sage grouse habitat. Single Juniper trees that are scattered throughout sagebrush communities are ideal locations for predatory species to perch and hunt the sage grouse. To encourage sage grouse survival, over 10,000 Juniper trees have been removed by grinding equipment, also known as bull-hogging equipment. This equipment pulls the entire tree (including roots) out of the ground. This technique causes minor impacts to the existing, essential sagebrush community.

An additional (substantially larger) lek has been located off the permit area. Intensive efforts have been made to open a corridor between this off-site lek and the lek within the permit boundary. This connectivity is thought to greatly increase the chances of survival for the birds. To open up this corridor, many Juniper and Oak stands have been removed.

The mine proposed seed mixtures to be used for reclamation that include plant species that the sage grouse depend on for food, cover, and breeding. Areas that are currently dominated by grass species will be seeded with big sagebrush and black sagebrush, which provide excellent nesting habitat for the grouse.

Various State agencies have combined their efforts to create a plan for the protection and enhancement of sage grouse habitat. Due to the status of Greater Sage-grouse as a candidate species for listing under the Endangered Species Act, State wildlife agencies encourage greater protection, enhancement and mitigation of sage-grouse habitat. Therefore, in anticipation of the Utah 2009 Sage Grouse Plan, DOGM is encouraging ACD to work with numerous agencies to further develop sage grouse habitat. This plan could potentially affect ACD's future Federal lease application and its associated Reclamation Plan if the Utah Governor approves the sage grouse plan, which includes protective measures for the sage grouse, including a two-mile brooding and wintering buffer from any activity associated with mining and reclamation.