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DEPARTMENT OF NATURAL RESOURCES

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Outgoing
C0250005
OK

March 20, 2012

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

Subject: Alluvial Groundwater Management, Alton Coal Development, Coal Hollow Mine, C/025/0005

Dear Mr. Nichols:

The Division appreciates your time in meeting to discuss the alluvial groundwater management plan on March 9, 2012. A draft of the meeting notes has been attached for you to review. Please provide any additional comments/points that you feel should be included by March 30, 2012. We will then finalize the meeting notes and provide you with a copy for your files.

It is the Division understanding that you intend to withdraw the alluvial groundwater management amendment as you feel that the need to manage excess groundwater has passed for the season. However; as was discussed at the meeting, the State of Utah R645-Coal Mining Rules require the Division to determine the adequacy of any hydrologic/drainage system (e.g. diversions, impoundments etc) that will be utilized at the mine site. In order to make that determination, detailed design information is required to insure that appropriate performance standards have been met. The point was made at the meeting that the approved Mining and Reclamation Plan (MRP) does identify several ground water management options, but that they are discussed in more "general" terms. In order to avoid potentially reactive groundwater management scenario's going forward, it is the Division's position that Alton Coal must provide the required design information for any groundwater management system that may be utilized.

In order to avoid multiple, time consuming permitting actions, it was generally agreed that the groundwater management plan must be flexible enough to account for reasonably expected groundwater conditions that may be encountered in the future. The route chosen to manage the encountered groundwater is ultimately Alton Coal's decision. It is the Division's responsibility to review the submitted groundwater management plan and make a finding as to its adequacy. In the absence of detailed design plans in the MRP, the potential for future enforcement action is great.



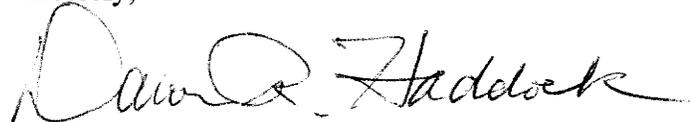
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Furthermore, it has become clear to the Division that a larger sediment pond is necessary in the area where Pond 3 currently exists. The original design plan for Pond 3 (Found in Appendix 5-3 of the MRP) states that this pond was designed for the 100-year, 24-hour storm. However, the amount of groundwater inflows that ultimately route to the sediment pond were never quantified and will need to be incorporated into the engineering design of the pond.

Lastly, the recently observed stability issues associated with the Lower Robinson Creek diversion channel must be addressed immediately. R645-301-742.300 requires that diversions be maintained and stable. To that end, Alton Coal must submit an amendment to the Division that identifies the measures to be taken to insure the stability of that diversion. The amendment must include the required design considerations and drawings as well as a reasonable time commitment for completion of the work.

Please provide a revised groundwater management plan by May 20, 2012. The Lower Robinson Creek diversion channel revisions must be submitted to the Division no later than April 6, 2012. Failure to provide the diversion channel revisions or the revised groundwater management plan, in the allotted time may result in enforcement action.

Sincerely,



Daron R. Haddock
Coal Program Manager

DRH/AAA/sqs
Attachment
cc: Ken Hoffman, DOGM
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UTAH OGM COAL PROGRAM MEETING NOTES

Meeting Date: March 13, 2012

To: Coal Hollow Alluvial Groundwater Management Review Team

From: Coal Regulatory Program

Attendees: Kirk Nichols, Erik Petersen, April Abate, Steve Christensen, Dana Dean, James Owen, Ken Hoffman, Pete Hess, Karl Houskeeper

MEETING SUMMARY:

1. The purpose of the meeting was to discuss the alluvial groundwater management design proposed by the Coal Hollow mine to manage groundwater inflows that have been problematic during coal recovery operations.
2. Dana Dean began the meeting by stating that the Division held this meeting to bring both parties to the table to have a discussion on the deficiencies identified by the Division in the groundwater management plan submitted by the operator. Dana indicated that the Division needs quality engineered submittals from the operator so that staff review time is more streamlined.
3. Kirk Nichols of Alton Coal then responded indicating that the mine would like to rescind the alluvial groundwater control amendment. Stating the mine no longer has a need to submit a design plan for the alluvial groundwater management now that the wet weather months have passed and there is no longer a need to manage excessive amounts of groundwater.
4. April Abate objected to the mine rescinding the amendment because the need to manage groundwater will continue to arise with each wet season and it would be prudent to have a Division-approved, appropriately designed groundwater management plan in place as a contingency, should the mine experience additional wet season where groundwater needs to be managed.
5. The Division asked the question of how much influence does direct precipitation events have on the alluvium material. Erik Petersen responded that you would see significant changes in depth to water measurements in groundwater monitoring wells screened in the alluvium if individual storm events were influential.
6. Kirk Nichols indicated that the mine is currently consuming all excess water generated from the groundwater inflows.
7. Erik Petersen discussed how the approved mining and reclamation plan (MRP) discusses various treatment options for handling encountered ground water, but that they were "general". Additionally, Mr. Petersen indicated that Drawing 5-3, *Facilities & Structures Layout* was "conceptual". Steve Christensen discussed that the coal rules require the Division to make a

determination that the performance standards and design criteria have been met for any hydrologic/hydraulic design or component. As a result, the components and design considerations of the Coal Hollow groundwater management plan must be designed by a professional engineer and detailed in the MRP. In the absence of such plans in the MRP, Mr. Christensen indicated that modifications to the groundwater management plan without prior Division approval can result in enforcement action.

8. April Abate suggested that Ponds 3 although designed for the 100-year, 24 hour storm still appears to be at or near capacity in the winter months based on observations made in the field during what was considered to be a mild winter season. She argued that if Pond 3 is ultimately used to manage alluvial groundwater, in lieu of a system designed to reroute upgradient groundwater, then Pond 3 should be redesigned to accommodate and quantify excess alluvial groundwater management. The Division feels that if the pond was sized properly for a 100-year, 24-hour storm as it was originally intended, then discharges that could come from this pond would not be occurring.
9. Discussed the undercutting of Lower Robinson Creek temporary diversion channel and the need to get the channel redesigned and repaired. The design plan in Appendix 5-2 of the MRP states that the temporary diversion was designed to accommodate flows of up to 83.5 cubic feet/second yet approximately 2.5 feet of undercutting of the channel was observed during a recent field inspection.
10. James Owen went through each deficiency in the alluvial groundwater amendment and discussed the necessary design standards needed for each deficient item. James indicated that the operator should produce a statement of how much groundwater is estimated to end up in the mine pits so that the Division has a better estimate.
11. Erik Petersen requested that the mine-water impoundment be called something other than mine-water impoundment since the impoundment is not treating mine water but up-gradient groundwater.

PROPOSED ACTION ITEMS:

Issue a letter to operator with a timeframe to get Lower Robinson Creek repaired, a design plan that addresses the Divisions deficiencies to add an alluvial groundwater management contingency plan, and a plan to enlarge the design of sediment pond 3.