

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

May 7, 2013

TO: Internal File

THRU: Daron Haddock, Coal Program Manager

FROM: Priscilla Burton, Team Lead

RE: Mid-Term Review, Alton Coal Development, LLC, Coal Hollow Mine, C0250005, Task ID #4317

Handwritten notes: "DAR" above "Daron Haddock" and "pwb bm sbs" next to "Priscilla Burton".

SUMMARY:

The Coal Hollow mine application was approved and a Decision Document was signed on October 19, 2009. The permit was issued on November 8, 2010 with eight (8) conditions. The Permittee is in compliance with all permit conditions.

The mid-term review was initiated by letter on April 2, 2013. Items A (ensure that the requirements of all permit conditions, Division Orders, NOV and abatement plans and amendments have been incorporated into the MRP) and B (ensure that the plan has been updated to reflect changes in the Utah Coal Regulatory Program subsequent to permit approval) were the subject of this review. The Permittee is operating in compliance with the terms of the permit and in accordance with R645-301-143. There is one requested update as follows:

In accordance with **R645-301-143**, Please provide an update as required by special Condition item 5 as an addendum to the 2012 Annual Report.

R645-301-521.131, Please update the surface ownership map Dwg 1-3.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

GENERAL CONTENTS

IDENTIFICATION OF INTERESTS

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

Analysis:

The initial construction and operation of the mine was done by Kane Mining, LLC, a contract miner. The contract miner relationship has ended and now employees work directly for Alton Coal Development, LLC. The ownership and control information in Chapter 1 of the MRP was updated accordingly on April 15, 2013.

Subsequent to permit approval in December 2010, the Utah legislature approved changes to the Ownership and Control requirements. The new rules became effective November 1, 2012. The Permittee and Division should be aware that the old definition of Owned or Controlled was removed from the Rules and replaced with two the newly defined terms "Control or Controller" and "Own, Owner or Ownership" as follows:

"Control or Controller" means:

- (a) A permittee of a coal mining and reclamation operation;*
- (b) An operator of a coal mining and reclamation operation; or*
- (c) Any person who has the ability to determine the manner in which a coal mining and reclamation operation is conducted.*

"Own, Owner, or Ownership" means being a sole proprietor or owning of record in excess of 50 percent of the voting securities or other instruments of ownership of an entity, except when used in the context of ownership of real property.

Section 112.310 of the MRP identifies members holding 10% or more ownership in Alton Coal Resources, LLC, in compliance with revised rule R645-301-112.300 as follows:

"The name, address and telephone number of each business entity in the applicant's and operator's organizational structure, up to and including the ultimate parent entity of the applicant and operator; for every such business in the organizational structure of the applicant and operator, the applicant must also provide the following required information for every president, 73

TECHNICAL MEMO

chief executive officer, officer, partner, member, and director (or persons in similar positions), and every person who owns, of record, 10 percent or more of the entity:

112.310. The person's name, address, and telephone number;

112.320. The person's position, title and relationship to the applicant, including percentage of ownership and location in organizational structure;

112.330. For each position, the date the position was assumed, and when submitted under R645-300-147, the date of departure from the position;

112.340. Each additional name and identifying number,

The Permittee should be advised of the requirement of R645-300-148.100. "Within 60 days of any addition, departure, or change in position of any person identified in R645-301-112.300, the applicant must provide the information required under R645-301-112.310 through R645-301-112.330 and the date of any departure."

Findings:

The application meets the requirements of the Rules.

VIOLATION INFORMATION

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

Analysis:

Five NOV's (10078, 10079, 10084, 10085 and 10092) were issued in 2011 and were resolved through tasks 3772, 3773, 3820, 3826 and 3987, respectively.

Findings:

The Permittee is operating in compliance with the terms and conditions of the permit.

PERMIT TERM

Regulatory References: 30 CFR 778.17; R645-301-116.

Analysis:

A five year permit was issued November 8, 2010. Attachment A of the permit outlines eight (8) permit conditions relating to hydrologic issues, protection of wildlife, mitigation for archaeological impacts, and air quality. The list is reprinted below.

TECHNICAL MEMO

ATTACHMENT A
SPECIAL CONDITIONS

1. *Alton Coal Development, LLC (ACD) will submit water quality data for the Coal Hollow Mine in an electronic format through the Electronic Data Input web site, <http://linux1.ogm.utah.gov/cgi-bin/appx-ogm.cgi>.*
2. *In the event that ACD encounters large volumes of groundwater (a sustained flow of more than 1 cfs) in any pit other than pit 15, they will be required to notify the Division, and assess and submit plans to curtail inflows to the pit and reestablish groundwater movement.*
3. *When filling and reclaiming pits, porous fill material must not be left adjacent to the alluvial aquifers. As mining progresses to the south of Pit 15, if the coarse grained alluvium zone connected to the adjacent artesian water system is intersected by mining and a sustained flow greater than 1 cfs is encountered, the compacted shale barrier constructed in Pit 15 must then be extended south to these points of intersection. This extension of the shale barrier will meet the same specifications described in the application for the Pit 15 permanent barrier.*
4. *The Applicant will be required to monitor for selenium where water leaves the minesite, during operational and reclamation phases.*
5. *The Applicant will be required to evaluate discharges from the mine to determine any impacts to the designated AVF on Kanab Creek. An annual finding should be placed in the Annual Report during operation and reclamation of any adverse impacts to the channel, diminution of water quality and impacts to wildlife.*
6. *Satisfactory compliance with the Alton Sage-Grouse Habitat Protection plan is required. Alton Coal Development, LLC will use best technology currently available to achieve the objectives of the plan in order to minimize the disturbances and adverse impacts to the sage grouse and related habitat and to enhance those resources where practicable. ACD will cooperate with the Division in consultation with the state and federal wildlife agencies to develop reasonable practices and methods as are determined to be necessary to implement the plan and to measure success and to achieve the goals of the plan.*
7. *Alton Coal Development, LLC will provide for the protection of cultural resource sites identified as 42KA6505 and 42 KA6093 either by acceptable mitigation as determined by the Division with the concurrence of the SHPO or modification of the mine plan to avoid these sites, prior to conducting mining in the area of these sites.*
8. *The Applicant must receive an Air Quality Approval Order prior to conducting surface mining.*

TECHNICAL MEMO

During a site visit on April 30, 2013 the above Special Conditions were discussed and it was determined that all permit conditions are being followed. During the site visit on April 30, 2013, The Permittee agreed to provide an update as required by special Condition item 5 as an addendum to the 2012 Annual Report. The Division will add this requirement for annual reporting to the Annual Report list so that the Permittee will be reminded before the Annual Report is filed.

Since permit issuance, there have been 5 changes to the mining sequence; 5 NOV related updates; 3 updates to SHPO data recovery; 2 updates to the Sage Grouse Appendix 3-5; 2 drainage control amendments; 2 annual report updates; 1 topsoil related change, and 1 ownership change to the MRP. All of which have been approved and incorporated into the approved plan. The Mine File database available through ogm.utah.gov is current as of November 21, 2012 and does not include the recent approval of mining sequence change, Task 4323.

There have been no Division Orders issued.

Findings:

The Permittee is operating in compliance with the terms of the permit. In accordance with R645-301-143, please provide an update as required by special Condition item 5 as an addendum to the 2012 Annual Report. The Division will add this requirement for annual reporting to the Annual Report list so that the Permittee will be reminded before the Annual Report is filed.

TOPSOIL AND SUBSOIL

Regulatory Reference: 30 CFR Sec. 817.22; R645-301-230.

Analysis:

Topsoil Removal and Storage

Four topsoil stockpiles and a subsoil pile are located as shown on Drawing 2-2. The Temporary Subsoil pile and Topsoil pile #3 are being utilized on Stage 1 reclamation of the Excess Spoil Reclamation pile. The surfaces of all stockpiles will be roughened by gouging, pocking or ripping (Section 244.100). Long term piles will be seeded and mulched in accordance with Section 231.100. Stockpiles to be left in place less than one year will be treated with a tackifier (Section 244.100).

TECHNICAL MEMO

During a site visit on April 30, 2013, it was noted that Pit 9 topsoil was windrowed for live haul and topsoil pile #4 has been surface roughened using a ripper shank. There is a compacted area on the east side of topsoil pile #4 that needs to be ripped. The pile was seeded in February 2013 and the seed was covered with a harrow. Then additional material from pond #4 was added to the pile and the the pile was surface roughened. Some areas are showing growth from the February seeding and spring moisture. The pile is very dry now. The Division agreed that seeding the pile should wait until the weather was more favorable (late fall). In the mean time, the long term pile will be treated with mulch which will be crimped in to the roughened surface.

Topsoil Pile #1, Topsoil pile #2 and Subsoil pile #1 were evaluated. Topsoil piles #1 and #2 were seeded in the spring of 2011 and vegetation is now in its second year. Burying the seed with a harrow was successful. Broadcasting the seed on the mixture of slash and soil was not successful. The two methods are evident on topsoil pile#1. The pile was traversed by an ATV harrow except on the toe slopes where slash cover made ATV travel impossible. This difference in success may be due to the frequently high winds and suggests a benefit to hydromulch over broadcast seeded areas. The slash does serve to protect the soil from erosion.

Findings:

The Permittee is in compliance with the topsoil/subsoil handling plans.

MAPS, PLANS, AND CROSS SECTIONS OF RESOURCE INFORMATION

Regulatory Reference: 30 CFR 783.24, 783.25; R645-301-323, -301-411, -301-521, -301-622, -301-722, -301-731.

Analysis:

Surface and Subsurface Ownership Maps

County records show that surface owners in surrounding fee and BLM coal lands have changed since the time of permitting. Surface ownership Map Dwg 1-3 requires updating.

Findings:

Please update the surface ownership map Dwg 1-3 in accordance with R645-301-521.131.

RECOMMENDATIONS:

The surface ownership map should be updated. An addendum addressing Special Condition #5 should be provided to the 2012 Annual Report.

The Division should update their annual reporting requirements for Coal Hollow to include reporting as required by Special Condition #5.

O:\0250005\WG4317\WG4317pwb.doc