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# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
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### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

March 15, 2013

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

Subject: Mining Sequence Change, Alton Coal Development, Coal Hollow Mine Permit  
C/025/0005, Task ID #4254

Dear Mr. Nicholes:

The Division has reviewed the change in mining sequence that was provided on February 12, 2013.

The Division has determined that there are some deficiencies that must be addressed before a determination can be made that the requirements of the R645 Coal Mining Rules have been met, and an approval can be granted. Those deficiencies are listed as an attachment to this letter. Each deficiency identifies its author by that author's initials in parentheses; such that your staff can directly communicate with that individual should any questions arise relative to the preparation of Alton Coal Development's response to that particular deficiency.

The plans as submitted are denied. Please resubmit the entire application.

Sincerely,

Daron R. Haddock  
Coal Program Manager

DRH/PWB/sqs  
Attachment  
cc: Price Field Office  
O:\025005.COL\WG4254\DEF4254.doc



**Deficiency List**  
**Task No.4254**  
**Mining Sequence Change**

The members of the review team included the following individuals:

Priscilla Burton [PWB]  
Pete Hess [PHH]  
Ken Hoffman [KMH]

**R645-301-121.100**, Only existing topsoil stockpiles and subsoil stockpiles should be indicated on Drawing 2-2. [PWB]

**R645-301-232.600**, The timing for live-haul topsoil salvage shown on Dwg. 2-2 needs to be revised in accordance with the new overburden removal sequence shown on Dwg. 5-2 Disturbance Sequence. [PWB]

**R645-301-234**, In the event that live topsoil haulage exceeds replacement depth, a temporary storage location should be selected for the excess. The storage location should be shown on Dwg. 2-2. Excess live haul must be mulched and seeded in accordance with the fugitive dust control plan and the soil handling plans found in Sections 231.100 and 241.100). [PWB]

**R645-301-422**, The application must provide documentation of communication with the DEQ/DAQ concerning the changes in exposed surface area described by the application. [PWB]

**R645-301-121.200**, [PWB]

1) The legend on Dwg. 5-10 should indicate that Year 1 refers to the year mining began, 2011.

2) Redline text on page 5-22 incorrectly states that the mining will occur in the “southwest ¼ of Sec 30, beginning with pit 28”. Please correct this statement to read, “southeast ¼ Sec 30” or “southwest ¼ Sec 29”.

3) Dwg. 5-18 shows overlap of Stage 2 and active pits in the NW ¼ Sec 29, please redraw Stage 2 and correct the number of backfilled acres accordingly.

4) The Division observed that Stage 3 Backfill reclamation area includes pits 13 – 22; however, the calculations on Dwg. 5-19 provide a total LCY of backfill and overburden for “Phase 3 Overburden (Pits 14 – 22).” Please revise calculations accordingly.

5) Dwg. 5-17 should illustrate a stage of activity in pits 1, 2, 4, & 7.

6) Dwg. 5-3 refers to Dwg. 2-2 for topsoil placement; however, Dwg. 2-2 must be revised to show the re-arranged live haul requirements for reclamation.

7) Please reconcile the Phases shown on Dwg. 5-3 with the Reclamation Sequence shown on Dwg. 5-38.

**R645-301-521.100**, Cross Sections and Maps, Drawing 5-10 must be restored to show the information previously given by Note 2, as shown on the Division approved Drawing 5-10 or replace Year 1 with the year that mining began as suggested by deficiency #1 under R645-301-121.200 above. [PHH]

**R645-301-830.140, Detailed Estimated Cost with Supporting Calculations,**

The Permittee must correct the submitted cost estimate sheets for Phases 2 and 3, Alternative Reclamation Scenario, by addressing the six previously identified errors using 2013 unit cost data. [PHH]

- 1) The unit costs obtained from the “Cost Mine Coal Cost Guide 2009” and utilized in the Phase 2 and Phase 3 reclamation cost estimates are 4 years old. The Permittee must either:
  - a. confirm that these costs are either still current, or
  - b. update those unit costs with data from the “Coal Mine Coal Cost Guide 2013” or at the very minimum, costs from the “2012” guide.
- 2) The unit costs utilized from the RS Means Heavy Construction Manual appear to be out of date. Unit costs obtained from the 2013 RS Means show an increase of at least 16 % to the equipment related production costs utilized in the reclamation cost estimate. Costs for seeding and mulching went down approximately 23 % for these reclamation activities. New unit costs (2013) are therefore necessary to re-calculate the reclamation cost estimate. Updated unit cost information from the 2013 R S Means was provided to the Permittee on March 5, 2013.
- 3) An error of at least \$50,000 exists for the total cost for Specialized Reclamation Areas in Phases 2 and 3.
- 4) To calculate the indirect costs for Phases 2 and 3, the Permittee only used a 25 % factor to calculate dollar amounts to cover move / de-move, project management and engineering, and contractor profit and overhead. A factor of 26.8 % must be used according to the OSM Handbook for Bond Estimation.
- 5) The Task ID # 4254 application proposes that Phase 2 will initiate coal recovery from pits 9-13 at the approximate same time as coal recovery will be initiated from pits 28 to 23. Overburden removal and coal recovery will occur from two areas of the permit area at approximately the same time. The Permittee must discuss how this will affect the incremental bonding which has been calculated for the Phase 2 and Phase 3 increments of the Coal Hollow Mine.
- 6) The escalation factor for 2013 is 1.5 %. This number must be used to escalate both of the cost estimates for Phase 2 and Phase 3 through 2017, which is when all coal recovery and reclamation work is projected to be completed (See Drawing 5-38).

**R645.301.724.500 & R645.301.728.310** In order for the amendment to concur with existing MRP Chapter 7 language, studies, and appendixes the amendment must state that no pits will be open longer than 120 days. If the operator intends to maintain Pits 17-21 open for longer than 120 days the amendment must include updated language at minimum for Sections 724.500, 728.310, 728.333, and 728.334, and Appendix 7-1. [KMH]