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VIA HAND DELIVERY

Daron Haddock
Coal Program Manager
Division of Oil, Gas & Mining
1594 West North Temple
Salt Lake City, Utah 84116

Re: Response to Technical Analysis and Request for Information,
Phase I Bond Release Application, Coal Hollow Mine, C/025/0005, Task ID
#4788

Dear Mr. Haddock:

On behalf of Alton Coal Development, LLC ("Alton Coal"), please find Alton Coal's response to the Division of Oil, Gas, and Mining's ("Division") Request for Information issued on April 7, 2015. Alton Coal's response includes individual responses to Division's Technical Analysis and Findings and additional information in the form of three attachments: (1) Letter from Kane County Road Department; (2) Revised 2015 Bond Release, Figure 1; and, (3) Revised South Area Bond Calculations.

Please contact us with additional questions or concerns. We appreciate your consideration in this matter.

Very truly yours,

Snell & Wilmer



Denise A. Dragoo

DAD:mkm
Attachments

cc: Steve Alder, Esq.
Dana Dean

C/025/005 Incoming
#4788

DENVER
LAS VEGAS
LOS ANGELES
LOS CABOS
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PHOENIX
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APR 22 2015

DIV. OF OIL, GAS & MINING

April 22, 2015

**Alton Coal's Response to Technical Analysis and
Request for Additional Information**

April 22, 2015

Please find Alton Coal's Responses to requests for additional information included below.

Operation Plan

Road System Plans and Drawing

Analysis:

The reclamation plan describes replacement of the County road through the permit area. A portion of that road has been roughly graded in the southern end of the bond release area. However the road has not been constructed to design outlined in Dwg. 5-22 F. The agreement with Kane County for re-constructing the road is found in Appendix 1-7. Mr. Lou Pratt was present at the bond release inspection on March 24, 2015. Mr. Pratt requested compaction testing of the reclaimed road prior to bond release. Please ensure that the road is compacted to Kane County requirements and present documentation of Kane County's assessment of the compaction testing results.

Deficiencies Details:

Findings:

The bond release application does not meet the requirements for road reclamation found in Appendix 1-7. In accordance with R645-300-142 and R645-301-541.100, Please ensure that the road is compacted to Kane County requirements and provide documentation of Kane County's assessment of the compaction testing results.

Alton Coal Response:

Compaction test results have been provided to Kane County. Kane County has provided a letter dated April 9, 2015 indicating that county road satisfactorily passed compaction standards for subgrade of Kane County Road K3900. The letter is attached with this submittal (Attachment 1).

Reclamation Plan

Backfill and Grading General

Analysis:

The following sections within Chapter 5 of the MRP describe how the excess spoil pile was to be graded: 521.143, 528.200, 532.200, 535, 542.720, 553, 553.110, 553.130, 553.200, 553.700, and 553.810-553.830. The spoil was to be placed following Talyor Geo-Engineering (TGE)'s report in Appendix 5-1:

- Haul trucks end dumping
- Compacted to 85% standard Procter
- Four feet lifts placed by a dozer.
- The final side slopes will be graded to a maximum slope of 3H:1V
- Top of the fill sloped to approximately 2% to prevent pooling

There are varying volume estimates of the excess spoil pile depending on the mining operations utilized. Section 535 of the MRP detailed earthwork specification information that would be provided to the Division related to the excess spoil:

- Clearing and grubbing activities observed by a professional engineer
- Fill compacted to 85% of the maximum density as compared to ASTM D698
- A qualified professional engineer with experience in the design of earth and rock fills will periodically observe the placement of fill and conduct in-place field density test on the fill to check for adequate moisture and relative compaction. The compaction tests will be conducted as part of the periodic inspections required in R645-301-514.100, 514.311, and 514.120.
- High precision GPS systems will be regularly utilized to check grades and appropriate life thickness.
- Permanent slopes will not exceed 3H:1V
- The excess spoil will be grade to provide drainage similar to original flow patterns, the top of the fill sloped to approximately 2% to prevent pooling

The application failed to meet the minimum requirements of R645-301-535 and -553 by not supplying relevant data demonstrating that the above specification have been met.

Deficiencies Details:

The application failed to meet the minimum requirements of R645-301-535 and -301-553. The Permittee failed to supply relevant data demonstrating that the above specifications have been met. Extensive maintenance has been required to repair subsoil slides on and around the excess spoil pile on the south, north, and northwest slopes along with seeps present at the toe of the excess spoil pile. These conditions have caused the Division concern about the construction of excess spoil pile. To verify that the excess spoil pile is being built to the specification outlined in Appendix 5-1 the Permittee will confirm the existence of and make available to the Division staff the following QA/QC information on the excess spoil pile construction, as detailed within the MRP:

- A detail describing the volume of the excess spoil pile within the applied bond release area
- Proof of clearing and grubbing activities prior to spoil placement (photo documentation is acceptable)
- Compaction reports for the bond release area show that 85% Standard Procter was achieved
- Report or figure detailing high grade GPS data that shows that lift heights were maintained below four feet.
- Figure or report showing topography of the excess spoil pile meets the requirement of permanent slopes not exceeding 3H:1V and that the top of the fill sloped to west at approximately 2% grade to prevent pooling

The application fails to meet the minimum requirements of R645-301-553 as there are several sections within BRP1-1, BRP1-2, BRP-3 and BRP1-4 that require future grading or confirmation from third parties that final grading has been achieved before Phase I bond release can be applied.

- The area detailed as BRP1-1 on Figure 1 within the application contains areas on the Excess Spoil pile that according to Figure 5-37 within the MRP and the current bond amount does not reflect the cost of removing the present subsoil. The section of BRP1-1 that contains sections Spoil 1 and Spoil 2, as detailed on the proposed Figure 5-39 in the response to DO-15A supplied 4/30/15, will meet the requirements of R645-301-553 for phase I bond release and will be surveyed and flagged by the Permittee to determine the new area, as shown on Division Figure A. The remain Spoil areas 3-8 will need addition subsoil removal costs added to the bond before they can be included in a Phase I bond release to meet R645-301-553.
- The area detailed as BRP1-2 on Figure 1 within the application contains the sections of Ditch 4. The application includes a requested release of 2.1 acres for said area, however, Ditch 4 is scheduled to be removed after reclamation therefore the area is not at final grade. The section of BRP1-2 that contains Ditch 4 does not meet the requirements of R645-301-553 for phase I bond release and will be surveyed and flagged by the Permittee to determine the new area, see Division Figure A.
- The area detailed as BRP1-3 on Figure 1 within the application contains the Lower Robinson Reconstruct. The application includes a requested release of 27.5 acres. The Lower Robinson Reconstruct as it is currently built is tied to a pending abatement plan from an NOV issued. The current design has yet to be approved by the Division and has additional work tied to it at final reclamation and removal of the northern "plug" therefore it does not have final grading approval. The section of BRP1-3 that contains Lower Robinson Creek reconstruct does not meet the requirements of R645-301-553 for phase I bond release and the area associated with the Lower Robinson Reconstruct will need to be surveyed and flagged by the Permittee to determine the area needing to be removed from the application. The Division estimates that the survey will likely result in changing the area associated with BRP1-3 to approximately 9 acres, see Division Figure A.
- Ditch 4 is also currently in the process of being reconstructed as designed in the MRP and the area associated with the ditch location will also need to be removed from the original BRP1-3 area thus creating a new area detailed BRP1-4 on Figure A totaling 12.1 acres. The section of BRP1-3 that contains Ditch 4 does not meet the requirements of R645-301-553 for phase I bond release and will be surveyed and flagged by the Permittee to determine the new area, see Division Figure A.
- BRP1-4 and BRP1-5, as detailed on Division Figure A, intersect with the Kane County road. According to the agreement outlined in the MRP Appendix 1-7, approval from Kane County DOT is required to include the areas as final grading. Until documentation showing that the area meets the Counties requirements, BRP1-4 in the application Figure 1 will be divided to exclude the County road from each edge of right away and be labeled BRP1-5 and BRP1-6, as shown on Division Figure A.

In conclusion, the Permittee will conduct surveys and flag the area described above and deliver to the Division the necessary documentation and new bond release acreage.

The application failed to meet the minimum requirements of R645-301-512.260 by describing the reclamation operations for the excess spoil pile at final reclamation. All fills were placed within the area designated as the excess soil pile, however, they do not match any of the designs currently shown in Drawings 5-37 through 5-37A.

To meet R645-301-512.260 Post Mining topography drawings are required show the as-built topography of the BRP1-1 through BRP1-4. The map should be scale of 1:6000 or larger and include contours, elevations, slope, and drainage controls around the bond areas, R645-301-141.

Alton Coal Response:

At this time Alton Coal Development will remove the Bond Release request on BRP1-1 and BRP1-2 as shown on Figure 1 (Attachment 2). The section of county road in BRP1-3 has been removed and the section of county road in BRP1-4 will remain as it has met the requirements as addresses in the previous Road Systems Plans and Drawings.

Stabilization of Surface Areas

Analysis:

The following sections within Chapter 5 of the MRP describe how the spoil pile to be graded: 521.143, 528.200, 532.200, 535, 542.720, 553, 553.110, 553.130, 553.200, 553.700, and 553.810-553.830. The spoil will be placed following Talyor Geo-Engineering (TGE)'s report in Appendix 5-1 which details that the excess spoil pile will be placed in a manner to achieve a long term stability factor of 1.6 to 1.7. During the bond release inspection Division staff witnessed that the north slope of the excess spoil pile had excess rills developing that had washed away subsoil, evidence of a destabilized slope. Several rills had also developed along the length of the Lower Robinson Creek reconstruct that also required maintenance. The Permittee will make the necessary repair work on the destabilized surfaces as described in the engineering performance standards R845-30 1-560.

Alton Coal Response:

At this time Alton Coal Development will remove the Bond Release request on BRP1-1 and BRP1-2 as shown on Figure 1.

Maps Reclamation Final Surface Configuration

Analysis:

The Permittee did not provide high level contour map detailing the grade of the bond release areas.

Deficiencies Details:

The application does not meet the minimum requirements of R645-301-542.200 as the Permittee failed to supply a map of the bond release reclamation areas in detail that matches any of the Final Surface configuration drawings within the MRP, Drawings 5-37 and 5-37A.

The Permittee will supply a series of maps necessary to show the individual bond release areas BRP1-1 through BRP1-4 with two feet contours, grade labels and scale 1":100' that show enough detail for the Division so see that AOC has been achieved and that the excess spoil area has been built to specification detail in Appendix 5-1.

Alton Coal Response:

Drawings 5-37 "Post Mining Topography" is at 1":500', contours are 5' intervals. Figure 1 which has been submitted with this request has the same level of detail. The shapes for bond release have been reconfigured and with this submittal elevations have been added to the drawing

Bonding Determination of Amount

Analysis:

The Permittee submitted an application for Phase I bond release on approximately 80 acres within the permitted area. The bond release application is for a surety bond reduction of \$10,900,681 on the current bond of \$12,750,000 for the Coal Hollow Mine. Division staff conducted site inspection on March 3rd and 24th. Each of the bond areas was walked and inspected for grading and stability.

Deficiencies Details:

R645-301.830 and -301-880.310 are not met in the application. The Bond amount for the Permittee has yet to be approved by the Division; therefore a bond release amount has yet to be determined. The final area to be applied for the bond release will need to be re-surveyed and flagged to remove the area associated with Ditch 4, Lower Robinson Creek Reconstruction, excess spoil associated with Pit 10, and the County Road. The survey will be conducted by the Permittee and supplied to the Division for approval before a bond release amount can be determined. The Bond amount for the Permittee has yet to be approved by the Division and the area being applied for has since changed; therefore a bond release amount has yet to be determined.

Alton Coal Response:

Figure 1 has been reconfigured with the new bond release areas and a new bond release amount has been determined from these bond release areas. Areas that will remain are BRP1-3 containing Pit 3, Pit 5 and Pit 6. The area of Robinson Creek has been left in as an approved design is pending, and there is a separate line item for the remaining surface work to be completed in this area. Diversion Ditch 4 is a surface feature constructed in the topsoil layer of BRP1-3 and its removal is not considered a phase 1 cost. Also, BRP1-4 will remain; this area contains the former Pits 25-28. Bond for these areas have been determined to have a bond release amount of \$10,748,693. Supporting documentation is attached with this submittal (Attachment 3).

Attachment 1

Kane County Letter



OGMCOAL DNR <ogmcoal@utah.gov>

C025/0005 Task 4788 Kane County Road Supervisor comments

Priscilla Burton <priscillaburton@utah.gov>

Thu, Apr 9, 2015 at 11:17 AM

To: OGMCOAL DNR <ogmcoal@utah.gov>

Cc: Daron Haddock <daronhaddock@utah.gov>, "cherylparker@utah.gov" <cherylparker@utah.gov>

----- Forwarded message -----

From: **kanerds@kanab.net** <kanerds@kanab.net>

Date: Thu, Apr 9, 2015 at 10:59 AM

Subject: Re: FW: Test results

To: Kirk Nicholes <knicholes@altoncoal.com>, Pricilla Burton <priscillaburton@utah.gov>

Kirk

Thanks for the timely work getting me the compaction results.
Here is my letter regarding the release of the bond for Phase 1.

Thanks again.
Louis Pratt

-----Original Message-----

From: Kirk Nicholes**Date:** 3/30/2015 3:34:47 PM**To:** Lou Pratt (kanerds@kane.utah.gov)**Subject:** FW: Test results

Hello Lou,

Attached are the results from the compaction tests completed along the rebuilt county road in the southern portion of the Coal Hollow Mine. The area in green on the drawing is the area that we are asking for bond release on, but we went ahead and completed the test on the entire stretch in the southern portion as hopefully we will be asking for bond release on the rest here very soon. I have included Pricilla's contact information if you would like to send the letter directly to her. If you have any questions or concerns, please let me know.

Thanks

Kirk

Priscilla Burton
UDOGM

1-435-613-3733 Work
1 (435) 609-1014 Mobile
priscillaburton@utah.gov

319 N. Carbonville Rd. #C
Price, Utah 84501-2351

From: CarmaRae Henry [mailto:info@gemengineeringinc.com]
Sent: Monday, March 30, 2015 2:36 PM
To: Kirk Nicholes
Subject: Test results

Please see the attached.

Rae Henry

GEM ENGINEERING, INC.

485 North Aviation Way ♦ Cedar City, UT 84721

Phone (435) 867-6478 ♦ Fax (435) 867-4372



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2015_01_29 Bond Release LETTER.pdf
262K



Kane County GIS / Transportation Director
Fleet Manager
Louis L. Pratt Jr.
Kane County Courthouse
76 North Main Street
Kanab, Utah 84741
Phone (435) 644-4968
Fax (435) 644-4963
kanerds@kanab.net

Date: April 9, 2015

To: Division of oil, Mining and Gas

From: Kane County

Subject: Alton Coal Phase 1 Bond Release

Kane County Road K3900 also known as the Alton Road or Sink Valley Road has been temporarily closed due to mining activity public access was detoured through a BLM permitted bypass road during the duration of the mining activities. This new routing is considered to be the only access around the mine location until the closed route is put back into use. This closure is permitted by the Utah Code and Statutes, 72-5-105.

I have been on the site visit and reviewed the compaction results for the phase 1 existing of Pits 25, 26, 27 and 28 which is within a portion of Kane County Road #K3993. After review I find that the compaction testing and method has been satisfactorily accomplished for Phase 1 release, also compaction results has been reviewed for the next phase which includes Pits 23 & 24. This section of county road has also been satisfactorily passed compaction standards for sub grade of Kane County Road K3900.

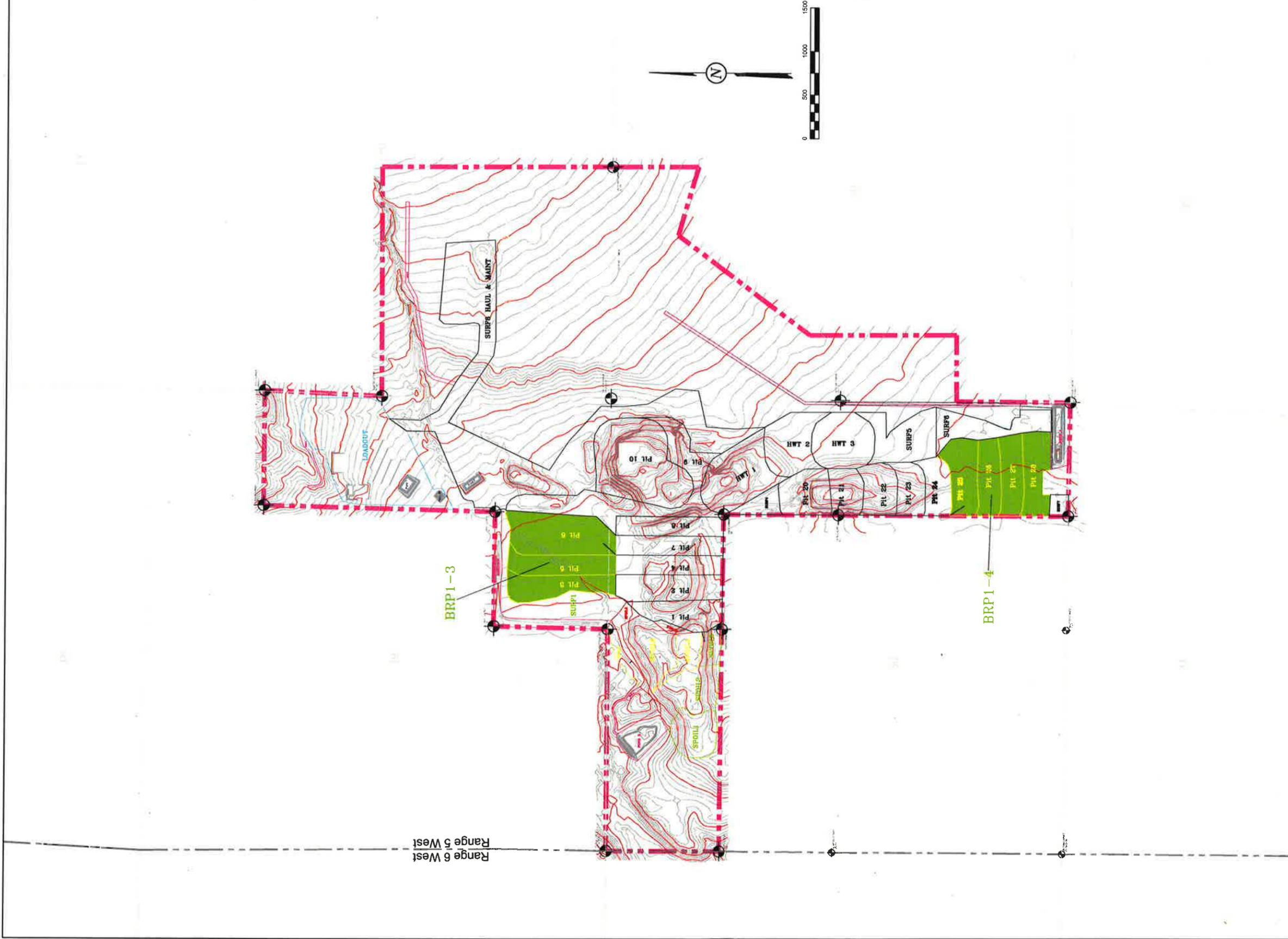
Sincerely:

A handwritten signature in black ink that reads "Louis L. Pratt Jr." The signature is written in a cursive style and is positioned above the printed name.

Louis L. Pratt Jr.
Kane County GIS. /Transportation Director

ATTACHMENT 2

**REVISED JANUARY 29, 2015
BOND RELEASE**



LEGEND:

	PERMIT BOUNDARY
	PRIVATE COAL OWNERSHIP SECTION LINE
	FOUND SECTION CORNER
	FOUND PROPERTY CORNER
	BONDED AREA

DRAWN BY: K. NICHOLAS	CHECKED BY: LWJ
DRAWING: FIGURE 1	DATE: 11/10/14
JOB NUMBER: SHEET	SCALE: 1" = 500'

REVISIONS	
DATE:	BY:
12/5/2014	KN
01/22/2015	KN
04/22/2015	KN

LOCATION MAP
PROPOSED PHASE 1 BOND RELEASE
 COAL HOLLOW PROJECT
 ALTON, UTAH
FIGURE 1



463 North 100 West, Suite 1
 Cedar City, Utah 84721
 Phone (435)867-5331
 Fax (435)867-1192

Attachment 3

Alton Coal South Area Bond Calculation

Equipment Cost Data

Equipment Description	Equipment Cost	Equip + Labor Cost
	\$/hr	\$/hr
7 yd. Excavator (385C LME)	\$97.83	\$134.32
40 Ton (30 CY) Haul Truck (769C)	\$58.88	\$94.25
5,000 Gal. Water Truck	\$37.78	\$74.27
14 Grader	\$53.34	\$89.83
D10 Dozer	\$112.03	\$148.52
D7 Dozer	\$60.46	\$96.95

Sourced from Cost Mine 2014 Coal Cost Guide and 2014 Mine and Mill Equipment Costs

Labor Cost Data

Manpower Type	Base Wage (\$/hr)	Labor Cost @ 36% burden (\$/hr)
Heavy Equipment Operator	\$26.83	\$36.49
Truck Drivers	\$26.01	\$35.37

Labor Data from 2014 Coal Cost Guide Table LA-6 for Western Surface Coal Mines (Non-Union)

Unit Cost Data

Movement Type	Cost/BCY	Cost/LCY	Unit Swell Factor
Rehandle with Truck/Shovel	\$ 1.08	\$ 0.98	10.7%
Subsoil	\$ 1.04	\$ 0.97	7.2%
Topsoil	\$ 1.04	\$ 0.97	7.2%
		Cost/M.S.F	
Mulching		\$ 60.23	
Seeding		\$ 25.75	

Indirect Cost Factor
26.8%

RS Means Heavy Constr., 32 91 13.16 0350 (2015 Bare)

RS Means Heavy Constr., 32 92 19.14 3700 (2015 Bare)

Unit Costs calculated from FPC production model using 2014 cost data and updated GEM swell factors

Escalation Factor 2014 to 2017
1.038361

Stage of Reclamation / Release Application	Pits Included in Release Application	Phase 1 Bond Amount	Phase 2 Bond Amount	Phase 3 Bond Amount	Facilities Bond Amount	Total Bond Amount	Bond Remaining After Release	*All amounts escalated to 2017	Current Bond Amount Held	End of 2015 Projected Released	End of 2016 Projected Released	End of 2015 Projected Released
Beginning Worst Case Scenario Bond Amount (all pits excavated)		\$ 30,913,431	\$ 2,189,706	\$ 504,974	\$ 1,475,265	\$ 34,686,903			\$ 12,750,000	\$ 6,922,598	\$ 7,541,042	\$ 8,171,221
January 2015 Release Submission												
	Phase 1 Pit 3	\$ 2,366,500				\$ 2,366,500						
	Phase 1 Pit 5	\$ 1,380,489				\$ 1,380,489						
	Phase 1 Pit 6	\$ 2,500,655				\$ 2,500,655						
	Phase 1 Pit 25	\$ 1,345,551				\$ 1,345,551						
	Phase 1 Pit 26	\$ 945,973				\$ 945,973						
	Phase 1 Pit 27	\$ 991,874				\$ 991,874						
	Phase 1 Pit 28	\$ 1,217,651				\$ 1,217,651						
	Subtotal	\$ 10,748,693	\$ -	\$ -	\$ -	\$ 10,748,693	\$ 23,938,210					
May 2015 Release Submission												
	Phase 1 Pit 1	\$ 1,014,225				\$ 1,014,225						
	Phase 1 Pit 2	\$ 991,022				\$ 991,022						
	Phase 1 Pit 4	\$ 666,392				\$ 666,392						
	Phase 1 Pit 7	\$ 3,491,603				\$ 3,491,603						
	Phase 1 Pit 8	\$ 1,462,504				\$ 1,462,504						
	Phase 1 Pit 20	\$ 881,448				\$ 881,448						
	Phase 1 Pit 21	\$ 824,683				\$ 824,683						
	Phase 1 Pit 22	\$ 1,093,614				\$ 1,093,614						
	Phase 1 Pit 23	\$ 870,965				\$ 870,965						
	Phase 1 Pit 24	\$ 757,920				\$ 757,920						
	Subtotal	\$ 12,054,375	\$ -	\$ -	\$ -	\$ 12,054,375	\$ 11,883,834					
Q3/4 2015 Release Submission												
	Phase 1 Pit 9	\$ 1,464,851				\$ 1,464,851						
	Phase 1 HWT 1	\$ 2,008,641				\$ 2,008,641						
	Phase 1 HWT 2	\$ 1,405,502				\$ 1,405,502						
	Phase 1 HWT 3	\$ 1,177,439				\$ 1,177,439						
	Subtotal	\$ 6,056,433	\$ -	\$ -	\$ -	\$ 6,056,433	\$ 5,827,402					
2016 Release Submission												
	Phase 1 & 2 SURF1	\$ -	\$ 62,718			\$ 62,718						
	Phase 1 & 2 SURF4	\$ -	\$ 16,577			\$ 16,577						
	Phase 1 & 2 SURF5	\$ -	\$ 56,099			\$ 56,099						
	Phase 1 & 2 SURF6	\$ -	\$ 47,698			\$ 47,698						
	Phase 1 & 2 SURF7	\$ -	\$ 7,690			\$ 7,690						
	Phase 1 & 2 SPOIL1	\$ 41,774	\$ 36,329			\$ 78,102						
	Phase 1 & 2 SPOIL2	\$ 56,726	\$ 49,331			\$ 106,057						
	Phase 1 & 2 SPOIL3	\$ 16,913	\$ 14,708			\$ 31,621						
	Phase 1 & 2 SPOIL4	\$ 22,970	\$ 19,976			\$ 42,946						
	Phase 1 & 2 SPOIL5	\$ 54,957	\$ 47,794			\$ 102,751						
	Phase 1 & 2 SPOIL6	\$ 5,417	\$ 4,711			\$ 10,129						
	Phase 1 & 2 SPOIL7	\$ 14,542	\$ 12,646			\$ 27,188						
	Phase 1 & 2 SPOIL8	\$ 15,440	\$ 13,427			\$ 28,868						
	Subtotal	\$ 228,738	\$ 389,705	\$ -	\$ -	\$ 618,444	\$ 5,208,958					
2017 Release Submission												
	Phase 2 HWT 1		\$ 76,598			\$ 76,598						
	Phase 2 HWT 2		\$ 55,278			\$ 55,278						
	Phase 2 HWT 3		\$ 59,081			\$ 59,081						
	Phase 2 Pit 1		\$ 41,305			\$ 41,305						
	Phase 2 Pit 2		\$ 53,065			\$ 53,065						
	Phase 2 Pit 3		\$ 44,979			\$ 44,979						
	Phase 2 Pit 4		\$ 40,270			\$ 40,270						
	Phase 2 Pit 5		\$ 42,943			\$ 42,943						
	Phase 2 Pit 6		\$ 79,860			\$ 79,860						
	Phase 2 Pit 7		\$ 40,286			\$ 40,286						
	Phase 2 Pit 8		\$ 40,286			\$ 40,286						
	Phase 2 Pit 9		\$ 106,175			\$ 106,175						
	Phase 2 Pit 10		\$ 126,928			\$ 126,928						
	Phase 2 Pit 20		\$ 41,398			\$ 41,398						
	Phase 2 Pit 21		\$ 28,797			\$ 28,797						
	Phase 2 Pit 22		\$ 34,076			\$ 34,076						
	Phase 2 Pit 23		\$ 29,100			\$ 29,100						
	Phase 2 Pit 24		\$ 29,317			\$ 29,317						
	Phase 2 Pit 25		\$ 43,352			\$ 43,352						
	Phase 2 Pit 26		\$ 33,504			\$ 33,504						
	Phase 2 Pit 27		\$ 35,152			\$ 35,152						
	Phase 2 Pit 28		\$ 41,809			\$ 41,809						
	Subtotal	\$ -	\$ 630,179	\$ -	\$ -	\$ 630,179	\$ 4,578,779	Long Term Amount Remaining to cover Phase 3, Pit 10 portal, facilities, loadout, etc.				

