

EVENT VIOLATION INSPECTOR'S STATEMENT

Company/Mine: ACD/ Coal Hollow
Permit #: C/025/0005

NOV # 20151
Violation # 1 of 1

A. SERIOUSNESS

1. What type of event is applicable to the regulation cited? Refer to the DOGM reference list of event below and remember that **the event is NOT the same as the violation.** Mark and explain each event.

- | | | |
|--------------------------|----|--|
| <input type="checkbox"/> | a. | Activity outside the approved permit area. |
| <input type="checkbox"/> | b. | Injury to the public (public safety). |
| <input type="checkbox"/> | c. | Damage to property. |
| X | d. | Conducting activities without appropriate approvals. |
| <input type="checkbox"/> | e. | Environmental harm. |
| <input type="checkbox"/> | f. | Water pollution. |
| <input type="checkbox"/> | g. | Loss of reclamation/revegetation potential. |
| <input type="checkbox"/> | h. | Reduced establishment, diverse and effective vegetative cover. |
| <input type="checkbox"/> | i. | No event occurred as a result of the violation. |
| <input type="checkbox"/> | j. | Other. |

Explanation: On June 9th, 2015 an inspection of ACD's Coal Hollow mine was conducted including the ongoing activities in pit #10. Kirk Nicholes accompanied the undersigned on the inspection. When asked if ACD had approval for the activities observed in pit #10 Mr. Nicholes indicated that ACD had received conditional approval. However the requirements of the conditional approval (including the posting of an adequate reclamation bond) had not been met and ACD had not received final approval for the noted activities.

2. Has the event occurred? Yes

If yes, describe it. If no, what would cause it to occur and what is the probability of the event(s) occurring? (None, Unlikely, Likely).

Explanation: Alton Coal Development had commenced underground mining activities (as defined in the R645 coal rules) prior to completing the 5 requirements outlined in the conditional approval dated March 30, 2015. The underground mining activities included but were not limited to pouring cement pads installing generators, constructing buildings, installing and running ventilation fans, providing power underground to equipment at the face and ventilation fan, facing-up three portals, constructing access and haul roads and dozer work on the highwall above pit #10. NOV 20151 was issued on June 17, 2015. It was modified on 6/17/2015 in accordance with this "E" mail excerpt from The associate director of mining (Dana Dean). "In response to the phone call we just had, I would like to document the following:

1. Alton may proceed with facing up of the underground portals and all associated activities today through Friday, June 19, 2015.

2. If the information we receive today in response to my email of yesterday regarding bonding, etc. is complete the Division will notify Alton by Friday, June 19, 2015 with a formal letter of final approval of underground mining.

3. If the information we receive today is inadequate, the CO may be reinstated and/or a CO for the entire property may be written.

4. We understand that Alton Coal is not 100% in control of when the GEM report is submitted, and that GEM has stated that they would have it done next week. We will require the GEM report to be submitted by Friday, June 26, 2015.

5. If you would like to pursue a vacation of the NOV, you will need to request a violation conference."

3. Did any damage occur as a result of the violation? No

If yes, describe the duration and extent of the damage or impact. How much damage may have occurred if the violation had not been discovered by a DOGM inspector? Describe this potential damage and whether or not it would extend off the disturbed and/or permit area.

Explanation: _____

B. DEGREE OF FAULT (Check the statements which apply to the violation and discuss).

Was the violation not the fault of the operator (due to vandalism or an act of God), explain. Remember that the permittee is considered responsible for the actions of all persons working on the mine site.

Explanation: _____

X Was the violation the result of not knowing about DOGM regulations, indifference to DOGM regulations or the result of lack of reasonable care.

Explanation: The Division had identified the items in the conditional approval approximately 6 months prior and they had not been adequately addressed.

If the actual or potential environmental harm or harm to the public should have been evident to a careful operator, describe the situation and what, if anything, the operator did to correct it prior to being cited.

Explanation: _____

Was the operator in violation of a specific permit condition?

Explanation: _____

- Has DOGM or OSM cited the violation in the past? If so, give the dates and the type of warning or enforcement action taken.

Explanation: _____

C. GOOD FAITH

1. In order to receive good faith for compliance with an NOV or CO, the violation must have been abated before the abatement deadline. If you think this applies, describe how rapid compliance was achieved (give date) and describe the measures the operator took to comply as rapidly as possible.

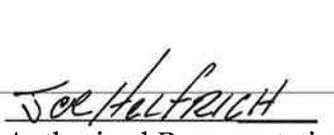
Explanation: _____

2. Explain whether or not the operator had the necessary resources on site to achieve compliance.

Explanation: _____

3. Was the submission of plans prior to physical activity required by this NOV / CO? Yes If yes, explain.

Explanation: The permittee needed to address the requirements of the conditional approval that the had been working on for 6 months.



July 21, 2015
 Authorized Representative Signature Date