



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

April 7, 2015

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

Subject: Request for more information Phase I Bond Release Application, Alton Coal Development, LLC, Coal Hollow Mine, C/025/0005, Task ID #4788

Dear Mr. Nicholes:

The Division reviewed the Phase I bond release application, received on January 28, 2015, and supplemental information associated with Division Order Task #4796, received on March 31, 2015 and April 6, 2015. The Division also conducted a bond release inspection on March 33, 2015 which continued on March 24, 2015. As discussed during the bond release inspection, several operational features lie within the acreage outlined for bond release and are not available for bond release at this time. Therefore further information is necessary prior to bond release. Attached you will find the Division's specific Findings and Figure A which illustrates the bond release locations discussed in the Findings. Please submit the required information by no later than April 22, 2015.

The Coal Hollow Phase I Bond release application (Task #4788) will remain pending until the requested information is received.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/PWB/ss
Enclosures

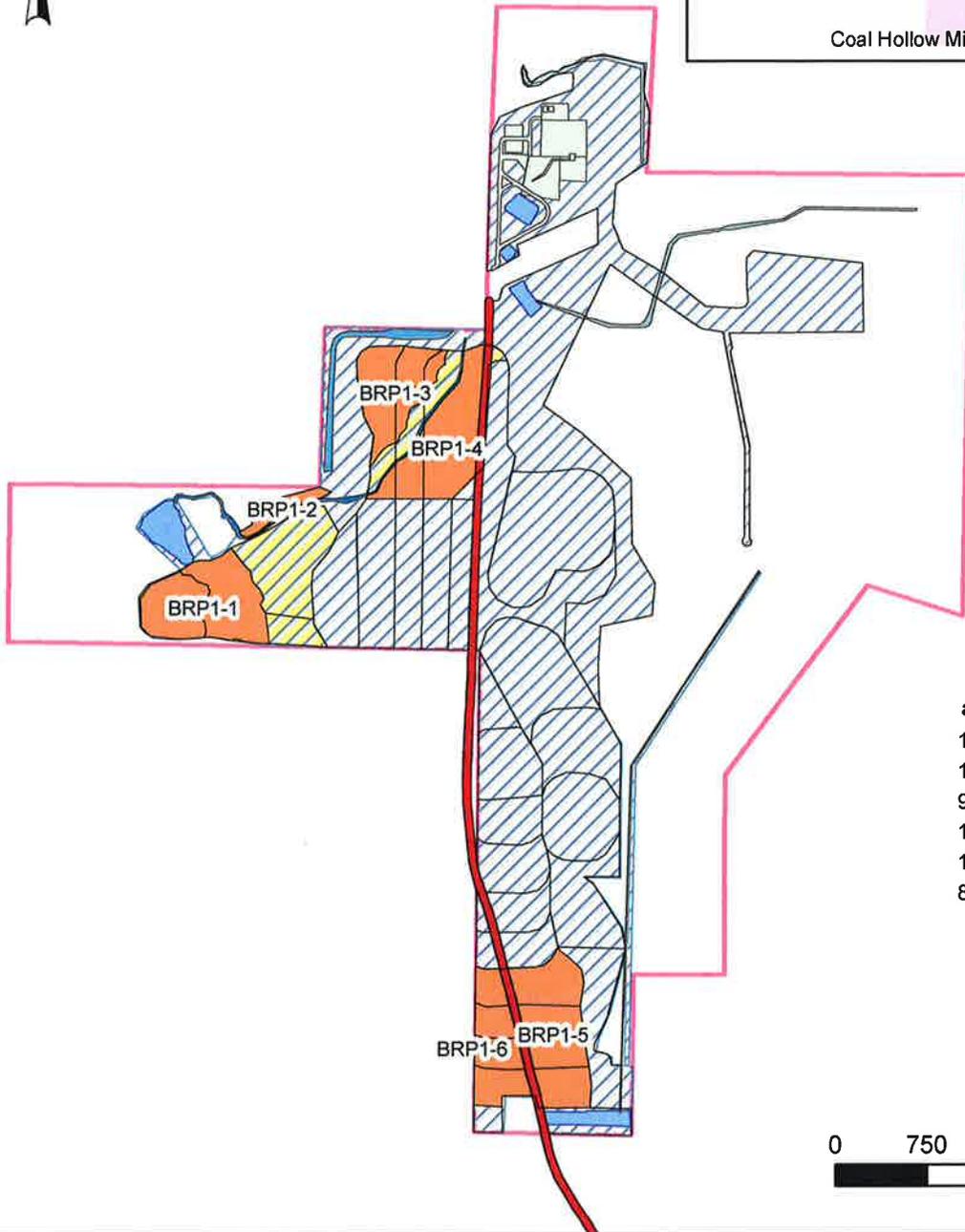
O:\025005.COL\WG4788 PHASE I BOND RELEASE\4788 Add Info letter.doc





KEY MAP

Coal Hollow Mine



area	name
13.24	BRP1-1
1.752	BRP1-2
9.330	BRP1-3
12.13	BRP1-4
13.62	BRP1-5
8.589	BRP1-6

0 750 1,500 3,000 Feet



LEGEND

- County Road 136
- Main Facilities
- Coal Pits as of 02-15
- Bond Release Area for Division Without Compaction Approval
- Diversion Ditch 1
- Diversion Ditch 2
- Diversion Ditch 3
- Diversion Ditch 4
- RC Diversion
- Applied for Phase 1 Bond Release 02-15
- Bonded Area As of 2015
- Permit Area
- Ponds

NOTES

1. ALL SHAPEFILES ARE MANUAL DIGITIZED OFF MRP FIGURES AND INTENDED FOR GENERAL REFERENCE IN THE FIELD.
2. MRP FIGURES WERE MANUAL GEOREFERENCED AND NOT REFERENCE

2014 COAL HOLLOW MRP
JANUARY 28, 2015 BOND RELEASE APPLICATION

CLIENT
ALTON COAL DEVELOPMENT

PROJECT
**COAL HOLLOW
C/025/005**

TITLE
**PHASE I BOND RELEASE
TASK #4788**



UTAH COAL PROGRAM

YYYY-MM-DD	2015-04-07
PREPARED	CHERYL PARKER
DESIGN	CHERYL PARKER
REVIEW	PRISCILLA BURTON
APPROVED	####

PROJECT Coal Hollow MINE Alton Coal Development Ref. C/025/005 FIGURE **A**

D:\14_025_CoalHollow\025005 Coal Hollow MRP\025005 Phase 1 Bond Release\Figure1.mxd

1 in. IF THIS MEASUREMENT DOES NOT MATCH WHAT IS SHOWN, THE SHEET SIZE HAS BEEN MODIFIED FROM



State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Technical Analysis and Findings

Utah Coal Regulatory Program

April 7, 2015

PID: C0250005
TaskID: 4788
Mine Name: COAL HOLLOW
Title: PHASE I BOND RELEASE

Summary

The application for Phase 1 bond release, Task 4788, was submitted in January 2015. The bond release application is directly affected by information subsequently received in response to Division Order 15, under review as task 4796. A bond release inspection was begun on March 3rd and was continued on March 24th, after the snow had melted. These Findings request further information prior to approval of Phase 1 bond release for final grading.

pburton

Operation Plan

Road System Plans and Drawings

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.

pburton

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, BRP1-3 and BRP1-4 that requires 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 on a scale of 1:6000 or larger and include contours, elevations, slope, and drainage controls around the bond release areas, R645-301-141.

cparker

Stabilization of Surface Areas

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 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 R645-301-560.

cparker

Maps Reclamation Final Surface Configuration

Analysis:

The Permittee did not provide a 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.

cparker

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.

cparker