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Coal Hollow Bond Update Concern

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Daron,

The following is an alert to Division management that recent information provided to the Division shows that the Coal Hollow Mine is currently under bonded regarding reclamation of the Southern Private Lease.

NOV #21163 and #21164 were issued to the Permittee on 1/20/16 requiring detailed grading information in regards to HWT 2 and Pit 10. The initial Permittee response to these NOVs was documented in two response letters to the Division (February 18, 2016 and February 26, 2016). The table below summarizes the information provided to the Division:

- Volume currently available for backfilling in Excess spoil pile = **916,234 CY**
- Volume required to fill HWT 2 = 618,027 CY
- Volume required to fill Pit 10 = 2,016,610 CY
- **Volume Deficit = 1,718,403 CY**

Both February letters state that Coal Hollow mine is currently under bonded because the mine must increase the disturbance area by 66.1 acres and 1.7 Million CY in order to reclaim Pit 10 to AOC.

Specific points of concern:

- Pit 10 disturbance area (20 acres) remains unchanged but volume required to backfill increased
 - MRP bond reclamation Chapter 8, Appendix 8-1 states volume required to fill Pit 10 is 1,283,378 CY (20 acres)
 - Information supplied in both February letters states volume required to fill Pit 10 is 2,016,610 CY, **an increase of 717,000 CY** (20 acres)
 - Continued large changes in a volume of backfill for an unchanged disturbance area point to an inaccurate swell factor being utilized by models resulting in continued inaccurate backfill volumes.
- Approximate reclamation costs are \$1/CY so approximately \$717,000 CY
 - Letter dated February 18, 2016 states only \$495,000 is required to move the additional 717,000 CY A bond increase of \$495,000 increase the total bond reclamation cost to **\$12,708,652** (under current posted bond)
 - Utilizing the \$1/CY, the same \$/CY that the current cost sheets for the rest of the site, results in a bond increase of \$717,000 increasing the Total bond reclamation cost to **\$12,930,274** (utilized the Permittee's own cost estimate sheet).

The Permittee has not supplied the required level of documentation for the Division to process the bond and disturbance area increases at this time. The Permittee has until March 15, 2016 to respond to the Division with adequate information.

It is recommended that the following is conveyed to the Permittee:

1. All pertinent information to address NOV 21163 and #21164 must be submitted to the Division by March 15, 2016 including but not limited to:
 - Bond exhibits increasing disturbance area to 408.1 (342+66.1)Acres
 - Updated Chapter 8 Line item sheets
 - Updated Chapter 5 narrative
 - Updated Drawings 2-2, 3-7, 5-2, 5-3, 5-17, 5-18, 5-19, 5-26, 5-27, 5-30, 5-35, 5-36, and 5-38
 - Approval from landowner for retention of Pond 3
 - Doubling the size of Pond 3 likely denotes it as a MSHA size pond and needs appropriate MSHA approval
 - Documentation from Water rights regarding the necessity for a water right or not
2. All North Lease activity is stopped until adequate bond is approved by the Division.
3. Submit clean copies of the currently approved North Private Lease.
4. Hire a third party to complete a soil analysis to determine an adequate swell/shrink factor to stop the consistent changes in volumes for North Private Lease volumes to assure adequate bond volumes.

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