



State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Inspection Report

Permit Number:	C0250005
Inspection Type:	PARTIAL
Inspection Date:	Wednesday, April 06, 2016
Start Date/Time:	4/6/2016 10:00:00 AM
End Date/Time:	4/6/2016 5:30:00 PM
Last Inspection:	Tuesday, March 29, 2016

Representatives Present During the Inspection:	
OGM	Priscilla Burton
Company	Kirk Nicholes
Company	Drew Christensen

Inspector: Priscilla Burton,

Weather: sun, temps rising to 60 F

InspectionID Report Number: 5490

Accepted by: DHADDOCK

4/13/2016

Permittee: **ALTON COAL DEVELOPMENT LLC**
 Operator: **ALTON COAL DEVELOPMENT LLC**
 Site: **COAL HOLLOW**
 Address: **463 North 100 West, Suite 1, CEDAR CITY UT 84720**
 County: **KANE**
 Permit Type: **PERMANENT COAL PROGRAM**
 Permit Status: **ACTIVE**

Current Acreages

721.00	Total Permitted
342.00	Total Disturbed
113.50	Phase I
	Phase II
	Phase III

Mineral Ownership

- Federal
- State
- County
- Fee
- Other

Types of Operations

- Underground
- Surface
- Loadout
- Processing
- Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

Mining activity has begun in Area 1. There were 4 haul trucks and 2 articulated scrapers running. Using an access road that traversed from pond 5 east to the county road and across to the topsoil pile, scrapers were running topsoil from the south end of Pit 1. Trucks were hauling spoil from the north end of Pit 1 to the spoil pile. Coal was uncovered in the north end of Pit 1. Sediment control structures are partially completed. The south haul road has not been completed. The County bypass road is not completed. Signs have been placed along the permit boundary at at two entrances from the County road. The public travels through the mining area. NOV 21174 was issued for failure to follow the approved plan, because the county road was not completed and the topsoil/subsoil salvage operation was not completed as described in the MRP Section 231.100 and 232.600 prior to the onset of mining.

There is no reclamation ongoing at HWT 2 or the Excess Spoil Pile east of Pond 3.

New gaskets were installed in the pond 1 and pond 2 outlets. Therefore, NOV 21166 was terminated.

Inspector's Signature:

Priscilla Burton,
Inspector ID Number: 37

Date

Monday, April 11, 2016

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining. telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • www.ogm.utah.gov



REVIEW OF PERMIT, PERFORMANCE STANDARDS PERMIT CONDITION REQUIREMENTS

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For COMPLETE inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check Not Applicable.
 - b. For PARTIAL inspections check only the elements evaluated.
2. Document any noncompliance situation by reference the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Divison Orders, and amendments.

	Evaluated	Not Applicable	Comment	Enforcement
1. Permits, Change, Transfer, Renewal, Sale	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2. Signs and Markers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Topsoil	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4.a Hydrologic Balance: Diversions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4.b Hydrologic Balance: Sediment Ponds and Impoundments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4.c Hydrologic Balance: Other Sediment Control Measures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.d Hydrologic Balance: Water Monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.e Hydrologic Balance: Effluent Limitations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. Explosives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. Disposal of Excess Spoil, Fills, Benches	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
7. Coal Mine Waste, Refuse Piles, Impoundments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Noncoal Waste	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Protection of Fish, Wildlife and Related Environmental Issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. Slides and Other Damage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Contemporaneous Reclamation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Backfilling And Grading	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13. Revegetation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Subsidence Control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Cessation of Operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.a Roads: Construction, Maintenance, Surfacing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
16.b Roads: Drainage Controls	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
17. Other Transportation Facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Support Facilities, Utility Installations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19. AVS Check	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Air Quality Permit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Bonding and Insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. Other	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

1. Permits, Change, Transfer, Renewal, Sale

A copy of the road construction contract was requested at the outset of the inspection. Mr. Nichols was not in possession of a contract and did not think there was a copy at the mine site. I asked Mr. Nichols if we could get a copy emailed to us from Kane County. We did. I then reviewed the document for construction standards, a timeline and/or some indication of an allowance for public transit through a mine site. I did not find any such information as the document provided an easement and ROE only. Therefore, a request for County approval to allow the public to travel unaccompanied through the active mine site and for a copy of the construction contract to be made available at the mine site upon request was included in the modification to NOV 21174. I did talk to Mr Pratt briefly before the inspection and learned that he was not concerned about the road progress or about the public traveling through the site. So that a statement from the County to that effect should be easily acquired. The requirement for a construction contract with Kane County for construction of the bypass was previously discussed with Mr Nichols during a site inspection on 3/3/2016.

Upon inspection of the Area 1 North Lease, I observed that mining had begun in Pit 1 and sediment control was roughed in, but not in final shape. Similarly topsoil and subsoil removal and stockpiling had begun, but was not final. A question was put to me at the bond release inspection on 3/30/2016 as to whether Pit 1 could be developed. I explained that installation of sediment control and topsoil and subsoil removal must be in place per the MRP specifications. And I followed up with an email on 3/31/2016 to Mr. Nichols, Mr. Christensen and Daron Haddock describing the MRP requirements for proceeding. NOV 21174 was written for not following the Mining and Reclamation Plan. The performance standards by which compliance is measured and the exact MRP sections not followed were explained in a modification to NOV 21174 that was written the next day and sent by email.

Amendments under review by order of receipt: Annual Sage Grouse Rept. (Task 5055); Phase 1 bond release 31 acres (Task 5097); Pit 10 backfill (Task 5110); Annual Report (Task 5149); Annual Report amendments (Task 5153) was discussed with Kirk Nichols during the inspection; Pit 10 backfill (2) (Task 5151); Response to NOV 21165 Dwg 5-3B (Task 5152).

Notice of Violation 21166 was terminated with this inspection. Abatements provided for NOV 21163 and NOV 21164 are under review as tasks 5110 and 5151. Drawing 5-3B, an as built facilities map provided in abatement of NOV 21165 was field checked and found inaccurate on several counts. The map was returned/deficient. NOV 211615 was modified to require abatement by April 22, 2016. The timeline for abatement of NOV 21167 was discussed during the inspection. Mr. Christensen indicated that the engineering consultant, Dan Guy, had finished the watershed calculations and a bit more time would be requested to produce the sediment control plan. NOV 21167 was modified accordingly.

2. Signs and Markers

Three signs at three entrances to Area 1 off the County Road. Fourth entrance is closed with no sign. Disturbed area markers are placed along the fenceline.

3. Topsoil

Area 1 topsoil will be removed to a depth of 14 inches from all active mining areas (pits, ponds, roadways, haul roads, storage and repair yards, etc. Subsoil to a depth of 2.6 feet will also be removed from Pit 1, Pond 5 and Pond 6 and stockpiled in the subsoil stockpile. Roadways, subsoil and spoil piles will be placed on top of native subsoil which is demarcated by plastic fencing on 100 ft centers (MRP, Section 231.100). All material to be removed will be removed before any mining or other surface disturbance takes place (MRP Section 232.600). Area 1 topsoil has been removed from the ponds from 2/3 of the spoil pile, from 1/2 the subsoil pile, and during the inspection was being removed from Pit 1 south end. Articulated scrapers were moving the topsoil with the aide of a dozer. Area #1 topsoil pile is under construction, across the county road. It is approximately 25 - 30 ft high at the east end. Silt fence and fence surrounds the site on the north and east. The access road around pile will be eliminated when pile receives final grading to 3h:1v slope. Area 1 subsoil pile is under construction. During the inspection a temporary haul road from the north end of Pit 1 east to the county road runs through the designated location of the subsoil pile. Subsoil has been stockpiled north of this temporary road only. Although mining in Pit 1 has begun, topsoil remains to be removed from parts of the spoil pile, and from ditch 8, ditch 7, ditch 6 and ditch 5 locations and adjacent to pond 6 where a random pile of topsoil was left. Subsoil remains to be removed from ditch 5 (to lower the ditch) and from the extent of Pit 1, which was underway. Topsoil and subsoil truck counts will be verified with a survey at completion of pile construction. Mining is underway and topsoil/subsoil salvage has not been completed as described in the MRP Section 231.100 and 232.600, therefore NOV 21174 includes the requirement to collect all topsoil and subsoil as described in the MRP from Area 1.

4.a Hydrologic Balance: Diversions

At Pit 10, the ditch on the inside curve of the primary haul road entrance needs maintenance and was pointed out to Mr. Nichols and Mr. Christensen.

In Area 1, diversions were roughed in, but all need final work. Topsoil between the south haul road and D8 needs to be recovered. This was discussed on site and restated in the modification to the NOV 21174 issued 4/7/2016.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

Sediment ponds 1 & 2 have gaskets installed and are no longer leaking. According to mine personnel, gaskets were not initially installed due to time constraints. Water samples taken on March 3, 2016 do not show exceedence of any UPDES parameters. NOV 21166 will be terminated.

Sediment ponds 5 & 6 are roughed in and were evaluated by Dan Guy, P.E. on April 1. Mr. Guy's certified pond inspection was requested during the inspections and was promised by email, but were not received by the end of business on 4/7/2016 and were therefore included as a required abatement to NOV 21174 in the modification issued 4/7/2016. as of this writing (4/11/2016) the pond certifications have not been received. The Riprap installations on pond inlets were observed and photographed. All riprap should have a D50 of six inches. Riprap looked large at the pond inlets especially at the toe. Riprap at the emergency spillway had been removed and replaced at pond 6 to meet the D50 specifications. The 18 pipe outlet at each pond was re-installed to meet the specifications. The 18 inch pipe outlet at Pond 6 was partially plugged and would be cleared. At both ponds 5 & 6, the riprap spillway to the County road culvert remains to be installed and will require clearing a path through the County road topsoil stockpile on the other side of the permit area (fence) before it can be installed. The embankment of Pond 5 was driven over by heavy equipment and is now lower than the spillway, so needs repair. The geotextile installed at spillway of pond 5 was folded back on itself and needs repair. Repair of the above was included as abatement to NOV 21164 in the modification sent on 4/7/2016.

4.c Hydrologic Balance: Other Sediment Control Measures

Silt fence is in place down stream of the ponds. Brush removal uphill from ASCA #1 was noticed driving away from the inspection. It appears that this is County road not South Haul Road construction.

4.e Hydrologic Balance: Effluent Limitations

UPDES permits are under review for ponds 5 & 6. Ponds are sized for total containment. Sediment markers are in place, but have not been surveyed and marked with clean out levels. We discussed the importance of the cleanout marks to define the level of draw down required within 24 hours after each storm. Sediment markers must be marked ASAP. Drawings 5-67A and 5-68A (pond as built) were provided and show pond elevations that are exactly the same as pond designs Dwg 5-67 and 5-68. Mr. Nichols indicated that the elevations were surveyed in recently. According to the elevations provided, at pond 5 the water must be drawn down to 6,842 ft to allow for the 10 yr 24 hr storm. At pond 6 the water must be drawn down to 6,863 to allow adequate room for the 10 yr 24 hour storm. However, sediment markers were not marked at the time of the inspection, although mining was progressing. Finalizing sediment markers and explicitly marking the draw down level was included in the abatement listed in the modification of the NOV 21174 written April 7, 2016.

5. Explosives

Mr. Christensen discussed the possibility of completing Pit 1 without blasting.

6. Disposal of Excess Spoil, Fills, Benches

Spoil certification was requested at the outset of the inspection, but was not available. Mr. Nichols stated that Dan Guy had inspected and certified the foundation preparation and that he would email the certification to me. The certification was not received by close of business on April 7, 2016 and was included in the modification to NOV 21174 sent April 7, 2016. Two haul trucks (120 Ton trucks) were moving overburden from the north end of Pit 1 to the spoil pile. The first lift is being placed across the west half of the spoil pile. The center portion of the spoil pile still has topsoil in place. This topsoil must be removed. Completing removal of topsoil from the spoil pile was included in the abatement measures described in the modification of the NOV 21174 sent April 7, 2016.

9. Protection of Fish, Wildlife and Related Environmental Issues

Deer are traversing the MSHA benches above Pit 10 to reach ponded water and a seep at the alluvial contact with shale. Locations of the water was GPS'd.

12. Backfilling And Grading

No backfilling and grading in HWT 2 was occurring. All haul trucks were at Area 1/North Lease, except one which was in the shop.

16.a Roads: Construction, Maintenance, Surfacing

ACD personnel were watering the county road. No work was being done on the bypass. The modification sent April 7, 2016 requires a revision of Dwg 5-48 showing the County road within the permit area and revisions to statements about public access through the mine site in MRP Sections 521.100 and 521.123 and 521.133 and 526.116 and 526-110 to 115.

16.b Roads: Drainage Controls

There is no drainage control in place on the temporary haul road. The south haul road culverts are not in place. The south haul road ASCA 1 is not in place. The south haul road is not in place. Installation of the south haul road and all culverts was included in the modification of the NOV 21174 issued April 7, 2016.

18. Support Facilities, Utility Installations

Drawing 5-3B (Task 5152) was field checked and found to be missing several features of Pit 1 and surroundings. Mr. Christensen and Mr. Nichols are aware of the corrections needed on this map, which is the abatement to NOV 21165.

Permit Number: C0250005
Inspection Type: PARTIAL
Inspection Date: Wednesday, April 06, 2016

22. Other

I requested a copy of the final report for the South Lease archaeological site 42KA6505 which was not available during the inspection, but which was sent to me by email on 4/7/2016. The report was forwarded to the Division's archaeologist for review.

The nearest rain gauge is at Alton, monitored by Orval Palmer.

April 1st given to Dan Gray for purpose of certify.
 rec'd 4/16 during inspection





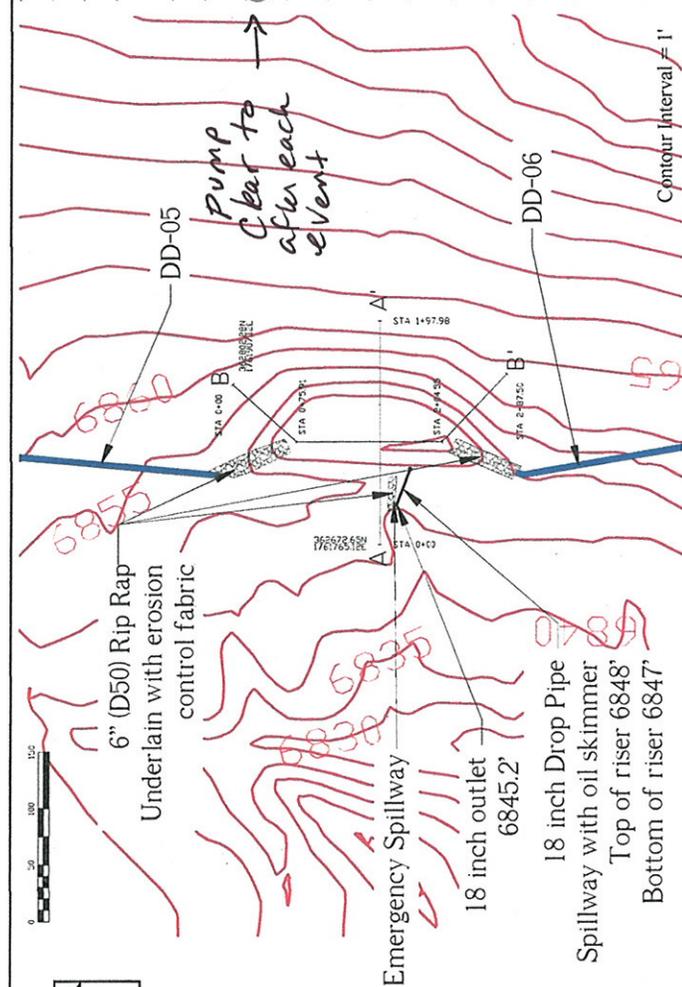
SEDIMENT
 IMPOUNDMENTS
 AS-BUILT DETAILS

REVISIONS

NO.	DATE	BY

DRAWN BY: A. CHRISTENSEN
 CHECKED BY: DS
 DATE: 3/31/2016
 SCALE: 5-67A

As-Built Pond Storage Volumes			
Sediment Control Structure No. 5			
Water Elev (ft)	Area (Acres)	Average Area (Acre-Ft)	Volume Accumulated (Acre-Ft)
6840.00	0.010		0.057
6841.00	0.103	0.057	0.057
6842.00	0.137	0.120	0.176
6843.00	0.161	0.149	0.325
6844.00	0.184	0.172	0.497
6845.00	0.207	0.195	0.692
6846.00	0.232	0.220	0.912
6847.00	0.259	0.246	1.158
6848.00	0.292	0.276	1.434
6849.00	0.329	0.310	1.744
6850.00	0.363	0.346	2.090



4.1 given to Dan Guy for certification purpose
 4/16 rec'd during inspection



SEDIMENT
 IMPOUNDMENT 6
 AS-BUILT DETAILS
 COAL HOLLOW

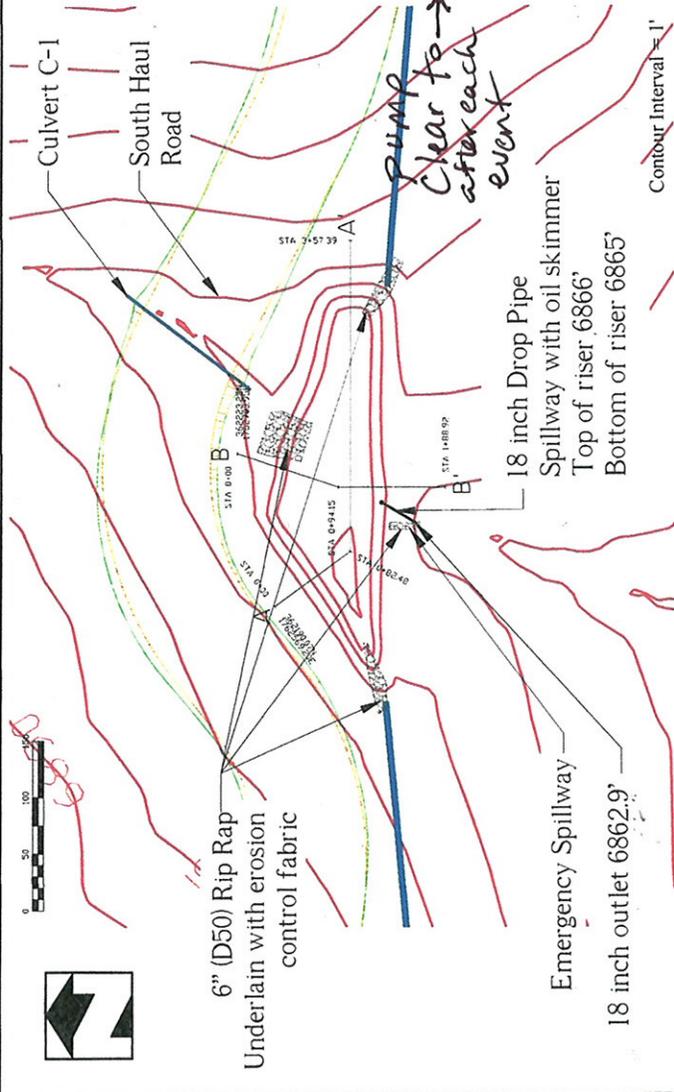
REVISIONS

DATE:	XX/XX/XX
BY:	XX

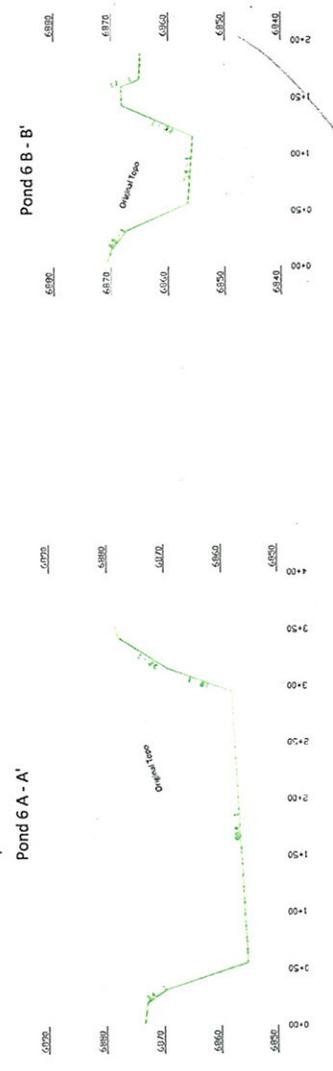
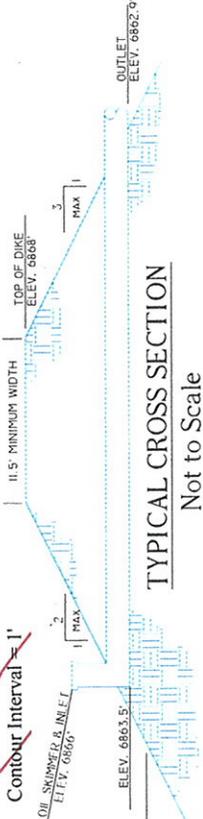
CHECKED BY: A. CHRISTENSEN
 DRAWN BY: 5-68A
 DATE: 3/31/2016
 SCALE:

As Built Pond Storage Volumes

Water Elev (ft)	Area (Acres)	Average Area (Acre-Ft)	Volume (Acre-Ft)	Accumulated Volume (Acre-Ft)	Stage
6855.00	0.024				Bottom Pond
6856.00	0.106	0.065	0.065	0.065	
6857.00	0.258	0.182	0.182	0.182	
6858.00	0.298	0.278	0.278	0.278	
6859.00	0.330	0.314	0.314	0.314	
6860.00	0.360	0.345	0.345	0.659	60% Sediment Cleanup
6861.00	0.391	0.376	0.376	1.034	Max Sediment Level
6862.00	0.419	0.405	0.405	1.439	
6863.00	0.449	0.434	0.434	1.873	
6864.00	0.479	0.464	0.464	2.338	
6865.00	0.510	0.495	0.495	2.832	
6866.00	0.544	0.527	0.527	3.359	Principle Spillway
6867.00	0.586	0.565	0.565	3.924	Emergency Spillway
6868.00	0.635	0.610	0.610	4.534	Top of Dike



Note:
 Permit Area 1 currently proposed for inclusion in amended MRP. Permit Areas 2 and 3 remain under review. See Drawings 5-46 & 5-47 for Area Boundaries.

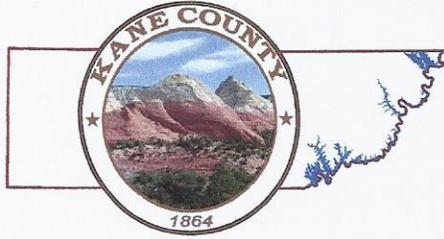


Pond #6

Required Storage for 10 year,
 24 hr event = 1.43 acre/ft



1.000



**Kane County GIS/Transportation Dept.
Kane County Courthouse**

**76 N. Main St.
Kanab, Utah 84741
(435)-644-4968 (OFFICE)
(435) 644-2052 (FAX)
gis@kane.utah.gov**

Dana Dean
Associate Director
Utah Division of Oil, Gas and Mining
1594 W. North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

Dear Ms. Dean:

This letter serves as notice that in November, 2015, the Kane County Road Department intends to commence construction on the public road that will provide a new route around the Coal Hollow Mine site for County Road K 3900. The work will occur outside the mine permit boundaries for the proposed North Lease Project Area. By agreement between the parties, crews and equipment from Alton Coal Development, LLC ("Alton Coal") will perform much of the road-building work under the supervision of the County. The right of way for the new segment of public road K 3900 is held by Kane County and the road will be constructed to County specifications for other public roads in the area.

The existing alignment of County Road K 3900 through the NE 1/4, section 13, T. 39 S, R. 6 W. of Kane County within the proposed permit area, will remain open to the public until the bypass is complete and the North Lease Project Area mine permit is issued. Until that time, the newly-constructed bypass road will remain barricaded. Public notice of the road relocation was advertised in the local paper.

Please convey this information to members of the Division who will be visiting or inspecting the mine location. Should you or your staff have any questions, I can be contacted at 435-644-4968.

Sincerely,

Louis Pratt
Kane County Kane County Transportation/GIS Director
76 N Main St
Kanab, Utah 84741

Cc:
Kane County Commission
Heaton Brother, LLC
Larry W. Johnson, Alton Coal

WHEN RECORDED, RETURN TO:

Kane County Attorney
76 North Main Street
Kanab, Utah 84741

GRANT OF EASEMENT FOR COUNTY ROAD K3900

THIS GRANT OF EASEMENT FOR COUNTY ROAD K3900 (also referred to as County Road 136) (this "Agreement") is made and entered into as of the 18 day of Sept, 2015 (the "Effective Date"), by and between HEATON BROTHERS, LLC, ("Grantor" or "Heaton Brothers"), and ALTON COAL DEVELOPMENT, LLC, a Nevada limited liability company, ("Alton" or "Grantor") and Kane County, a political subdivision of the State of Utah ("County" or "Grantee"). Grantor, Grantee, Alton and County are sometimes hereinafter referred to as a "Party" and collectively referred to as the "Parties."

RECITALS

A. County Road K3900 currently intersects the Coal Hollow Mine North Private Lease Area crossing lands owned by Heaton Brothers, LLC ("Heaton Brothers Property") and leased by Alton ("North Private Lease Area," described at Exhibit A to this Agreement).

B. Approximately 0.6 miles of County Road will be temporarily relocated to allow for Alton's mining operations. This relocated section begins approximately 0.8 miles south of the Town of Alton and will reconnect with the original road approximately 1.4 miles south of the Town. The proposed relocation of the County road is within the North East Quarter, Section 13, Township 39 South, Range 6 West, SLB&M, Kane County, more particularly described on Exhibit B to this Agreement (the "Temporary Relocation Easement Area").

C. Alton intends to conduct coal mining activities on certain portions of the Heaton Brothers Property and following mining of these lands, seeks to replace the right of way for County Road K3900 across the Heaton Brothers Property within an area described at Exhibit C to this Agreement (the "Replacement Easement Area").

D. Alton and Kane County ("County") have entered into an agreement regarding the relocation and replacement of County Road K3900 ("County Road K3900 Agreement").

E. This Agreement seeks to grant an easement and right of way from Grantors on the North Private Lease Area and the Alton lease area to the County for temporary relocation and replacement of County Road K3900.

F. The Temporary Relocation Easement Area and the Replacement Easement Area burden certain portions of the North Private Lease Area more particularly described on Exhibits B and C and depicted on the maps and diagrams attached at Exhibit D to this Agreement (jointly referred to as the "Easement Areas").

G. Following mining and upon replacement of County Road **K3900** within the Replacement Easement, and removal of the County Road **3900** from the Temporary Relocation Easement Area, the County intends to reconvey the Temporary Relocation Easement Area to Grantors.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Grant of Temporary Relocation Easement. Grantors hereby grant to the County a temporary, exclusive easement and right of way 66 feet in width for County Road **K3900** over, across, upon and within any area within the outlying boundaries within the Easement Area, for the purpose of constructing, owning, operating, maintaining, repairing and relocating County Road **K3900** (Temporary Relocation Easement Area).

2. Grant of Replacement Easement. Grantors hereby grant to the County a perpetual, exclusive easement and right of way 66 feet in width for County Road **K3900** over, across, upon and within any area within the outlying boundaries within the Easement Area, for the purpose of constructing, owning, operating, maintaining, repairing and replacing County Road **K3900** (Replacement Easement Area).

3. Construction and Use Requirements as Provided by the County Road K3900 Agreement. The County Road **K3900** within the Easement Area shall be constructed in accordance with County specifications and shall be owned by the County, and operated and maintained by County without any cost, expense or obligation on the part of Grantors. Further, the parties agreed to provide each other with written notice prior to commencing construction within the Easement Areas.

4. Obstructions. Grantors, by the terms of said agreement, shall not construct any fence, wall, or other barrier or structure of any kind on the Easement Areas which would prevent, obstruct or impair County's use and enjoyment of the Easement Areas and the operation of County Road **K3900**.

5. Term. The duration of this Agreement shall be perpetual unless all Parties mutually agree in writing to terminate this Agreement.

6. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

7. Notices. All notices, requests, demands or other communications hereunder shall be in writing and deemed given when delivered personally, when deposited to be sent via a nationally-recognized overnight courier keeping receipts of delivery, service prepaid or billed to sender, or on the day said communication is deposited with an overnight courier service, postage prepaid, addressed as follows:

To County: Kane County Commission
76 North Main Street
Kanab, Utah 84741

With a copy to: Kane County Attorney
76 North Main Street
Kanab, Utah 84741

To Grantee: ALTON COAL DEVELOPMENT, LLC
463 North 100 West, Suite 1
Cedar City, Utah 84720
Attention: Larry W. Johnson

With a copy to: Denise A. Drago, Esq.
Snell & Wilmer L.L.P.
15 West South Temple, Suite 1200
Salt Lake City, Utah 84101

To Grantor: Heaton Brothers, LLC
449 South 2050 West *Kael H*
Cedar City, Utah 84720

or to such other address as either Party may from time to time designate by notice in writing to the other Party. Rejection, refusal to accept delivery or inability to deliver due to changed address of which no notice has been given shall be deemed receipt by the addressee.

8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, without giving effect to its choice of law principles.

9. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed as an original but all of which together shall constitute one and the same instrument.

10. Entire Agreement. This Agreement supersedes all prior understandings, representations and agreements between the Parties with regard to the subject matter hereof and there are no other understandings, representations, warranties or agreements between them.

11. Amendment. Neither this Agreement nor any provision hereof may be changed, amended, modified, waived or discharged orally or by any course of dealing, but only by an instrument in writing signed by the Party against which enforcement of the change, amendment, modification, waiver or discharge is sought.

12. Authority. Each party hereto hereby represents, warrants and covenants unto the other that this Agreement has been duly authorized, executed and delivered by such party and constitutes the valid, legal and binding agreements and obligations of such party enforceable against such party in accordance with the terms hereof.

13. No Joint Venture. Nothing in this Agreement shall be construed to make the Parties partners or joint venturers or render any of the Parties liable for the debts or obligations of the other.

14. Agreement to Run with the Land; Running of Benefits and Burdens. All provisions of this Agreement touch, concern and run with the Heaton Brothers, LLC properties, tracts 9-6-13-1 and 9-6-13-2 and Easement Area and are binding upon and inure to the benefit of the successors and assigns of Grantor and Grantee.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives effective as of the Effective Date.

Grantor:

HEATON BROTHERS, LLC

By: Ronald W. Heaton
Its: President

Grantor:

ALTON COAL DEVELOPMENT, LLC

By: James W. Jr
Its: General Manager

Grantee:

KANE COUNTY

By: [Signature]
Chairman, Kane County Commission

[Signature]

STATE OF UTAH)
 : ss.
COUNTY OF KANE)

The foregoing instrument was acknowledged before me this 21st day of September 2015, by Douglas K. Healon Chairman of KANE COUNTY COMMISSION.



Karl Johnson

NOTARY PUBLIC

Residing at: 76 N Main Kanab, UT 8474

My Commission Expires

12/31/18

Kane County Clerk/Auditor

Attest: The foregoing instrument was acknowledged before me

by: Douglas K Healon
on Sept 21, 2015

SEAL:

PH
Free

EXHIBIT A

Legal Description of the North Private Lease Area

The following described lands located in Kane County, Utah within Sec. 12 &13, T39S, R6W and within Sec. 7 &18, T39S, R5W:

Beginning at S $58^{\circ} 16' 29''$ W a distance of 1,920.87 ' from Section Corner 7-18-12-13, T39S, R5 R6W; thence N $89^{\circ} 29' 27''$ W a distance of 823.81'; thence S $00^{\circ} 00' 38''$ E a distance of 1313.93'; thence S $65^{\circ} 46' 32''$ E a distance of 479.40'; thence S $89^{\circ} 44' 30''$ E a distance of 1861.86'; thence S $54^{\circ} 58' 33''$ E a distance of 226.53'; thence S $89^{\circ} 45' 07''$ E a distance of 1235.50'; thence N $00^{\circ} 41' 09''$ E a distance of 1322.97'; thence N $00^{\circ} 41' 09''$ E a distance of 1322.97'; thence S $89^{\circ} 30' 20''$ E a distance of 241.42'; thence N $00^{\circ} 51' 49''$ E a distance of 1323.52'; thence N $89^{\circ} 22' 59''$ W a distance of 249.30'; thence N $89^{\circ} 56' 02''$ W a distance of 2923.34'; thence S $00^{\circ} 24' 59''$ W a distance of 2326.09'; which is the point of beginning, having an area of

12,877,780.47 square feet, or **295.633 acres**



EXHIBIT B

Legal Description of the Temporary Relocation Easement

HEATON BROTHERS, LLC LEASE AREA DESCRIPTION:

BEGINNING AT A POINT N52°09'23"E 4413.80 FEET FROM THE WEST QUARTER CORNER SECTION 13 TOWNSHIP 39 SOUTH RANGE 6 WEST SALT LAKE BASE AND MERIDIAN SAID POINT BEING THE CENTERLINE OF A PROPOSED BY PASS ROAD EASEMENT AND THE CENTERLINE OF AN EXISTING COUNTY ROAD; RUNNING THENCE ALONG THE BYPASS ROAD CENTERLINE THE FOLLOWING COURSES: S14°39'53"W 89.62 FEET TO THE PC OF A CURVE TO THE RIGHT; CURVE DATA: TANGENT 16.90' CHORD 33.75' COURSE N17°53'22"E RADIUS 300.00' DELTA 6°26'58" THENCE ALONG SAID CURVE 33.77 FEET TO THE PT; THENCE S21°06'51"W 192.60 FEET TO THE PC OF A CURVE TO THE RIGHT CURVE DATA: TANGENT 16.78' CHORD 127.38' COURSE N33°22'18"E RADIUS 300.00' DELTA 24°30'54" THENCE ALONG SAID CURVE 128.36 FEET TO THE PT; THENCE S45°37'44"W 469.48 FEET TO THE PC OF A CURVE TO THE LEFT; CURVE DATA: TANGENT 60.63' CHORD 118.85' COURSE S34°12'15"W RADIUS 300.00' DELTA 22°50'59" THENCE ALONG SAID CURVE 119.64 FEET TO THE PT; THENCE S22°46'45"W 228.51 FEET TO THE PC OF A CURVE TO THE LEFT; CURVE DATA: TANGENT 60.15' CHORD 117.95' COURSE S11°26'31"W RADIUS 300.00' DELTA 22°40'28" THENCE ALONG SAID CURVE 118.72 FEET TO THE PT; THENCE S00°06'16"W 256.42 FEET TO THE SOUTH LINE OF THE HEATON BROTHERS PROPERTY AND THE POINT OF ENDING.

ALTON COAL, LLC NORTH PRIVATE PERMIT LEASE AREA DESCRIPTION:

BEGINNING AT A POINT N65°11'15"E 3082.87 FEET FROM THE WEST QUARTER CORNER SECTION 13 TOWNSHIP 39 SOUTH RANGE 6 WEST SALT LAKE BASE AND MERIDIAN SAID POINT BEING THE CENTERLINE OF A PROPOSED BY PASS ROAD EASEMENT AND THE NORTH LINE OF THE NORTH PRIVATE PERMIT LEASE AREA PROPERTY; RUNNING THENCE ALONG SAID CENTERLINE THE FOLLOWING COURSES: S00°06'16"W 870.32 FEET TO THE PC OF A CURVE TO THE LEFT; CURVE DATA: TANGENT 398.58' CHORD 564.68' COURSE S44°47'37"E RADIUS 400' DELTA 89°47'48" THENCE ALONG SAID CURVE 626.90 FEET TO THE PT; THENCE S89°41'31"E 1877.24 FEET TO THE PC OF A CURVE TO THE RIGHT CURVE DATA: TANGENT 72.39' CHORD 140.74; COURSE S76°07'33"E RADIUS 300' DELTA 27°07'56" THENCE ALONG SAID CURVE 142.06 FEET TO THE PT; THENCE S62°33'35"E 76.59 FEET TO THE SOUTH LINE OF THE NORTH PRIVATE PERMIT LEASE AREA PROPERTY AND THE POINT OF ENDING.



EXHIBIT C

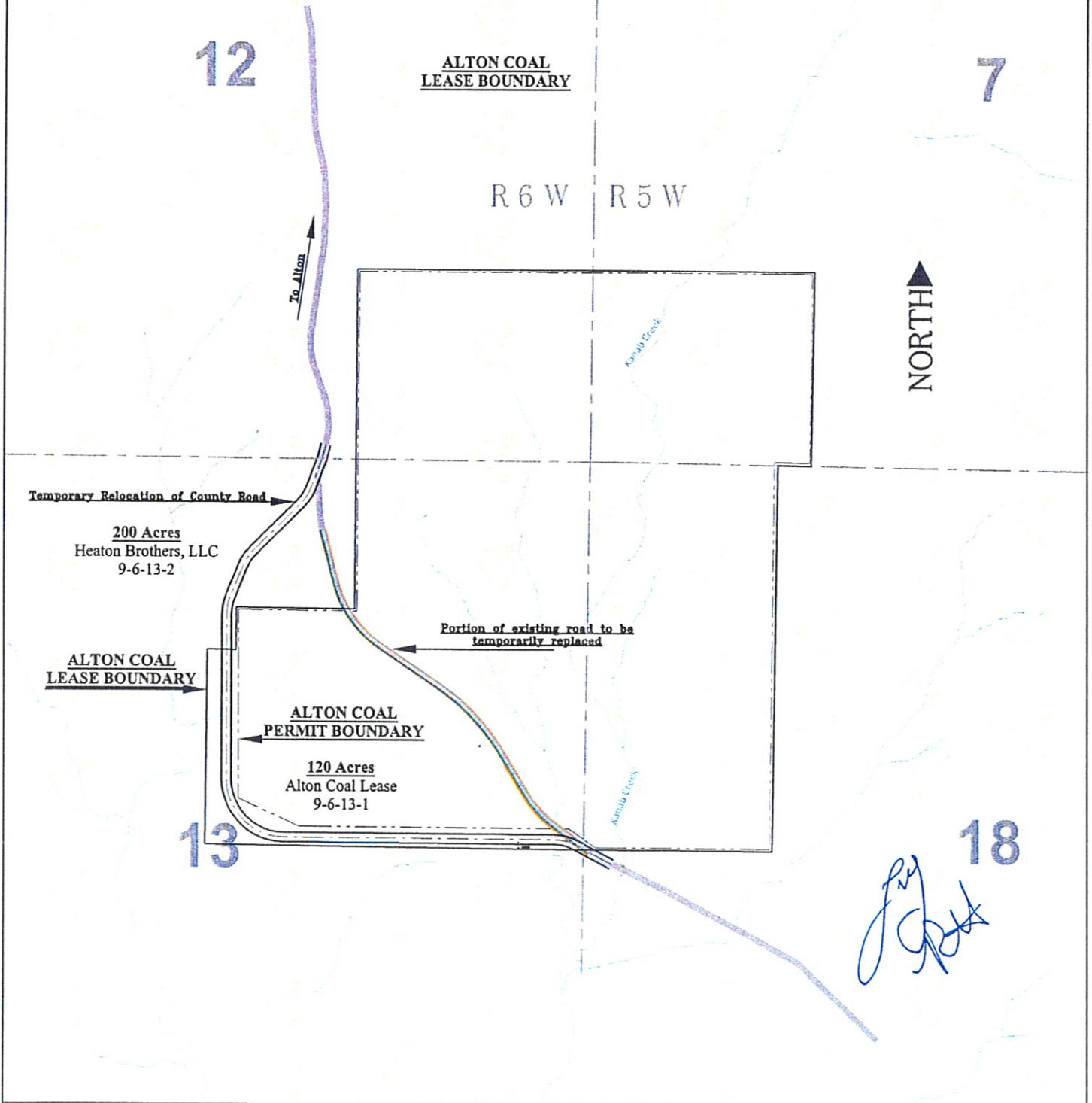
Legal Description of the Replacement Easement Area

BEGINNING AT A POINT N52°09'23"E 4413.80 FEET FROM THE WEST QUARTER CORNER SECTION 13 TOWNSHIP 39 SOUTH RANGE 6 WEST SALT LAKE BASE AND MERIDIAN SAID POINT BEING THE CENTERLINE OF THE REPLACEMENT ROAD EASEMENT AND THE CENTERLINE OF AN EXISTING COUNTY ROAD; RUNNING THENCE: S14°35'54"W 108.41 FEET; THENCE S11°35'34"W 111.22 FEET; THENCE S02°19'40"E 321.46 FEET; THENCE S13°27'08"E 444.10 FEET; THENCE S21°28'04"E 166.43 FEET; THENCE S42°42'54"E 323.24 FEET; THENCE S55°58'34"E 441.32 FEET; THENCE S52°00'18"E 312.75 FEET; THENCE S41°32'11"E 367.14 FEET; THENCE S31°48'12"E 407.12 FEET; THENCE S42°55'54"E 293.06 FEET; THENCE S55°10'16"E 217.66 FEET; THENCE S60°36'13"E 207.50 FEET TO THE SOUTH LINE OF THE NORTH PRIVATE PERMIT LEASE AREA PROPERTY AND THE POINT OF ENDING.



EXHIBIT D

Map of Easement Areas





Above: Approaching Area 1 from the North on the County Road.

Below: A haul truck dumps topsoil on the topsoil pile on the East side of the county road.





Above: A scraper passes from West to East across the county road a haul truck is on its way.

Below: Vehicles and jiffy john parked along county road.



Below: Looking East at access around topsoil pile from County Road.



Below: Pond 6 is roughed in. Topsoil needs to be picked up from around the pond. A loader is loading topsoil from Pit 1 into haul trucks in the background.





Above: Pond 6 appears to have had fill added. Below: Pond 6 Embankment needs rock removed.





Above: Pond 6 Emergency spillway outlet.

Below: Ditch 7 (D7) to Pond 6.





Above: Ditch 8 (D8) to pond 6 and incomplete South Haul Road.

Below: Looking West over the spoil pile. Truck is dumping on the first lift while topsoil salvage is not complete in the center of the excess spoil pile.





Above: Pond 5 pipe outlet and emergency spillway. Note geotextile installation needs repair.
Below: D6 to Pond 5. Note traffic on pond embankment has compacted embankment below spillway elevation.
Note sediment marker is in place, but not marked with elevations for clean out or draw down.





Above: Ditch D5 to Pond 5 in center of frame. Haul trucks are moving spoil from Pit 1.
Below: Mining has proceeded from the north end of Pit 1 rather than the south end. Coal is exposed in Pit 1.





Above: Removing topsoil with scraper and dozer from Pit 1 area just west of Pond 5
Below: Temporary haul road runs through subsoil pile from County road to Pit 1.





Above: Standing on Pit 1 looking North at the town of Alton. A truck emerges from the north end of Pit 1. The temporary haul road from Pit 1 to the County Road is visible.
Below: truck hauls spoil and dozer moves topsoil from Pit 1.





Repairs to Pond 1 Spillway above and Pond 2 Spillway below.





Priscilla Burton <priscillaburton@utah.gov>

Coal Hollow Area 1 partial inspection 3/29/2016

1 message

Priscilla Burton <priscillaburton@utah.gov>

Thu, Mar 31, 2016 at 3:15 PM

To: Kirk Nichols <knicholes@altoncoal.com>

Cc: Andrew Christensen <drew@altoncoal.com>, Daron Haddock <daronhaddock@utah.gov>

Bcc: Joe Helfrich <joe Helfrich@utah.gov>, "cherylparker@utah.gov" <cherylparker@utah.gov>, Keenan Storrar <kstorrar@utah.gov>, Dana Dean <danadean@utah.gov>, "Burton, Priscilla" <priscillaburton@utah.gov>

Hello Kirk,

Construction has begun in Area 1 with topsoil & subsoil removal and construction of ponds 5 & 6. The public road bisects the construction and there are currently four access points into the permit area from the County road. Removal of topsoil and construction of the relocated County road around the site appears to have stalled. I am concerned that you are not following your plan.

Here are the pertinent references to the County road and the construction sequence that I am aware of in your MRP. I understand the MRP information to mean that the County road completion should be your first priority, ahead of facilities construction in Area 1.

Vol 3, Chap 5, Section 521.133.2 Relocating a Public Road, page 5-13 "County Road 136 (K3900) and Alton Coal Mine Road (K31 00) will be temporarily relocated outside the permit areas prior to mining for both the existing Coal Hollow Mine and the North Private Lease until mining is complete and then reconstructed."

"Mining equipment may cross the right-of-way of Kane County Road 136 for short period early in the operations life." Vol 3, Chap 5, p. 5-12.

Sec 521.133.2, page 5-13. "Each bypass road will be constructed, inspected, certified and available for public use prior to closure of the associated section of impacted County Road 136."

Section 521.141 page 5-14 and Section 521.163, page 5-21. ..." as shown in Drawing 5-48, the first stage of mining activity involves construction of the South Haul Road, Ponds 5 and 6, Ditches 5 through 11, and the temporary topsoil, subsoil and spoil stockpiles. To construct each of these facilities, ground cover, topsoil, and subsoil must be removed and stockpiled according to the plan and methods set out in Chapter 2 section 231 and section 523 of this chapter and also shown on Drawing 2-4. Once these facilities have been constructed, excavation of Pit 1 will commence."

"Identification signs showing the name, business address, and telephone number of Alton Coal Development LLC and the identification number of the permanent program permit authorizing coal mining and reclamation operations will be displayed at each point of access to the pennit area from public roads," Sec. 521.240., page 5-26 (One sign was noted at one entrance. You need three more signs for the each entry off the county road that exists right now. There are four in all)

"The perimeter of a permit area will be clearly marked before the beginning of surface mining activities. The perimeter of all permitted and bonded surface disturbance areas will also be clearly marked with fencing or signage stating "disturbance boundary." Section 521.250, page 5-26. The permit area was fenced on three sides. The disturbance boundary was flagged. I did not see any "disturbance boundary" signage.

I have not been able to discuss the situation with Daron or Dana. Daron will be in the office tomorrow, if you have any questions. I will be out of the office until Monday.

Thank you,

Priscilla Burton, MS, CPSSc

4/12/2016

State of Utah Mail - Coal Hollow Area 1 partial inspection 3/29/2016

Environmental Scientist
Utah Division of Oil Gas & Mining
Price Field Office

[435-613-3733](tel:435-613-3733)



Citation for Non-Compliance Utah Coal Regulatory Program

1594 West North Temple, Salt Lake City, UT 84114
Phone: (801) 538-5340 Fax: (801) 359-3940

Citation #: 21174 ^{Field Issued}

Permit Number: 025 0005

Date Issued: 4/6/16



NOTICE OF VIOLATION



CESSATION ORDER (CO)



FAILURE TO ABATE CO

Permittee Name: Alton Coal Development

Inspector Number and ID: 37

Mine Name: Coal Hollow Mine

Date and Time of Inspection: 4/6/16 10:00 am

Certified Return Receipt Number: hand delivered

Date and Time of Service: 5:00 p.m.

Nature of condition, practice, or violation:

Failure to follow the approved plan in Area 1, MRP, Vol 3, Chap 5, pages 5-13 and page 5-21.
Page 5-13: Country road to be completed prior to mining activity so that public is routed around the mine. Page 5-21: construction of haul road, ponds 5 and 6, subsoil pile, topsoil pile, and spoil pile all ditches and culverts completed

Provisions of Act, regulations, or permit violated: prior to mining in Pit 1 or development of Pit 1.

R 645-300-142



This order requires Cessation of ALL mining activities. (Check box if appropriate.)



Condition, practice, or violation is creating an imminent danger to health or safety of the public.



Permittee is/has been conducting mining activities without a Permit.



Condition, practice, or violation is causing or can reasonably be expected to cause significant, imminent environmental harm to land, air, or water resources.



Permittee has failed to abate Violation(s) included in Notice of Violation or Cessation Order within time for abatement originally fixed or subsequently extended.



This order requires Cessation of PORTION(S) of mining activities.

Mining activities to be ceased immediately: Yes No

Abatement Times (if applicable)

Action(s) required: Yes No

Amend the MRP Chapter 5 to state progression of activity and to include actions taken to protect the public traveling through the active mine site, with particular attention to statements made on pages 5-13 and 5-21.

B. Kirk Nicholas

(Print) Permittee Representative

Priscilla Burton

(Print) DOGM Representative

B. Kirk Nicholas

Permittee Representative's Signature - Date

Priscilla Burton

DOGM Representative's Signature - Date

4/6/16

SEE REVERSE SIDE Of This Form For Instructions And Additional Information



**Action Taken on Existing Citation
Utah Coal Regulatory Program**

1594 West North Temple, Salt Lake City, UT 84114
Phone: (801) 538 - 5285 Fax: (801) 359-3940

Action on Citation#: **21174**
Permit Number: **C0250005**
Date Cit. Issued: **04/06/2016**

<input checked="" type="checkbox"/> MODIFICATION of	<input type="checkbox"/> TERMINATION of	<input type="checkbox"/> VACATION of
<input checked="" type="checkbox"/> NOTICE OF VIOLATION	<input type="checkbox"/> CESSATION ORDER (CO)	<input type="checkbox"/> FAILURE TO ABATE CO

Permittee Name: ALTON COAL DEVELOPMENT LLC	Inspector Number and ID: 37 PBURTON
Mine Name: COAL HOLLOW	Date and Time of Action: 04/07/2016 3:00 pm
Certified Return Receipt Number: emailed 4/7/2016	Date and Time of Service: 04/07/2016 6:00 pm

In accordance with the provisions of the Utah Coal Mining and Reclamation Act, Utah Code Ann. § 40-10-1 et. seq. (Act), the above referenced Citation is:

Modified as follows:
In accordance with R645-301-115.300 and R645-103-234.100, by the end of business Monday April 11, 2016, provide documentation from Kane County authorizing public travel through the mine site, since the documents provided to date do not specifically authorize public travel through the site during mining.

Further abatement steps and time frames required to meet performance standards of the R645 Coal Mining Rules are listed on the attachment page sent by email along with this NOV 21174 Modification.

Reason for modification:
The NOV cites failure to follow the approved plan R645-300-142. Each performance standard violated was cited on the attached page in order to give more precise direction and a time frame for coming into compliance with performance standards of the approved permit.

Terminated because:

Vacated because:

KIRK NICHOLS _____ (Print) Permittee Representative	PRISCILLA BURTON _____ (Print) DOGM Representative
_____ Permittee Representative's Signature - Date	_____ DOGM Representative's Signature - Date

Refer to the "Citation For Non-Compliance" for additional information

NOV 21174 issued on April 6, 2016 at 5:00 pm by Inspector #37 is modified on April 7, 2016 as follows:

R645-301-251 and MRP Section 232.600, By end of business **Friday April 8, 2016**: complete removal of all topsoil and subsoil from Area 1.

R645-301-752 and MRP Section 742.212, By end of business **Friday April 8, 2016 complete sediment control in Area 1 as follows**: Bring ditches D5, D6, and D7 to design standards in Appendix 5-12, Table 4 and Dwg 5-27. Construct Pond 5 and Pond 6 to designs on Dwg 5-67 and 5-68. i.e. pond embankment elevation, geotextile installation and outlets through to the County road and provide certified pond inspections for Ponds 5 and 6 during construction. By **Monday April 11, 2016**, Provide the final certified pond inspections for Ponds 5 and 6 stating construction on Pond 5 and pond 6 is completed.

R645-301-560, By the end of business **Monday April 11, 2016** provide the following amendments to the MRP:

Provide the certified inspections of the Excess spoil throughout critical periods of construction (MRP Section 514).

Revise Dwg. 5-48 showing the County road within the permit area and the temporary haul road to Pit 1 across a divided subsoil pile (MRP Section 521.100). State that unescorted access is allowed (MRP Section 521.123).

Elaborate on measures to be taken to protect the public now that initial development phase has transitioned to mining in pit 1 and public travel through the mine site will be allowed and mining will occur within 100 ft. of a public road (MRP Section 521.133 and Section 526.116).

Revise MRP Section 526-110-115 to indicate the public road bisects the permit area and provide a construction schedule for interim steps in construction of the south haul road and closure of the county road in accordance with R645-301-526.115.2. Show that the risk of harm to the public is not significant during the time when the public is traversing the mining area on the County road in accordance with R645-301-526.115.4.