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

February 5, 2016

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

Subject: Permit Issued, Coal Hollow Mine, Alton Coal Development, LLC, C/025/0005, Task ID #4942

Dear Mr. Nicholes:

The Division approved your application on February 2, 2016. Issuance of the final permit was contingent upon you providing the appropriate bonding documentation for the revised area. The Division received the bonding documentation on February 4, 2016.

The Division has issued the final permit and you are authorized to proceed with your mining plans. Enclosed are two (2) copies of the permanent program permit for the Coal Hollow mine.

Please read the permit to be sure you understand the requirements, noting the special conditions to the permit including the requirement to provide clean copies of the final application within 30 days of permit issuance. Then have both copies signed by the appropriate representative and return one to the Division.

Also, please be sure to follow the process for the development and implementation of the appropriate treatment and mitigation plan to address Adverse Effects to cultural sites 42KA3077 and 42AK3097, and to ensure No Adverse Effects to site 42KA6088. At present, the draft treatment plan is under review with the Utah State Historic Preservation Office (SHPO). Upon acceptance by SHPO, an excavation permit must be obtained through the Governor's Public Lands Policy Coordination Office. Once acquired, treatment and mitigation of those cultural resources associated with Area 1 may commence. Ground disturbing activities associated with construction or mining may not begin until all appropriate treatment and mitigation have been completed for Area 1.

If you have any questions, please call Daron Haddock at (801)538-5325 or myself at (801)538-5334.

Sincerely,

John R. Baza
Director

JRB/DRH/sqs
Enclosure
O:\025005.COL\PERMIT\2016 North Private Lease\FinalPermit.doc

NON-FEDERAL **PERMIT** **February 2, 2016**
C/025/0005

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340

This permit, C/025/0005, is issued for the State of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

ALTON COAL DEVELOPMENT, LLC
463 North 100 West, Suite 1
Cedar City, Utah 84720
(435)867-5331

for the Coal Hollow Mine. Alton Coal Development, LLC is the lessee of the entire surface estate included within the permit area and of approximately 573 acres of subsurface coal, including 51.897 acres known as the North Private Lease. A performance bond is filed with the DOGM in the amount of $12,750,000.00, payable to the state of Utah, Division of Oil, Gas and Mining. DOGM must receive a copy of this permit signed and dated by the permittee.

Sec. 1 **STATUTES AND REGULATIONS** - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 **PERMIT AREA** - The permittee is authorized to conduct coal mining and reclamation activities on the following described lands within the permit area at the Coal Hollow mine, situated in the state of Utah, Kane County, and located:

TOWNSHIP 39 SOUTH-RANGE 05 WEST, SLB&M

Section 30: All of Section Lot #1 (NW¼ NW¼); NE¼ NW¼; N ½ NE¼; ALSO: BEGINNING 3.50 chains West of the East Quarter corner of Said Section 30, and running South 34° 34′ West 22.64 chains of the 1/16 section line; thence West 2.64 chains to the Southwest corner of NE¼ SE¼ of Said Section 30; thence North 40.00 chains; thence East 20.00 chains; thence South 14.69 chains; thence southwesterly to the point of beginning…containing 217.64 acres, more or less.

TOWNSHIP 39 SOUTH-RANGE 05 WEST, SLB&M

Section 29: BEGINNING at the Northwest corner of Said Section 29, and running thence South 34.69 chains; thence North 33° 22′ East 35.50 chains; thence North 40° West 0.58 chains; thence North 37° 30′ East 12.30 chains; thence West 22.23 chains to the point of beginning…containing 36.04 acres, more or less.

TOWNSHIP 39 SOUTH-RANGE 05 WEST, SLB&M

Section 19: SW¼ SE¼, E½ SE¼, SE¼ NE¼…containing 160.0 acres, more or less.

TOWNSHIP 39 SOUTH-RANGE 05 WEST, SLB&M

Section 20: SW¼…containing 160.00 acres, more or less.

TOWNSHIP 39 SOUTH-RANGE 05 WEST, SLB&M

Section 30: BEGINNING at a point 5.3 I chains North of the E¼ corner of Said Section 30, and running thence South 45.31 chains; thence West 20.00 chains; thence North 20.00 chains; thence East 2.64 chains; thence North 34° 34′ East 22.64 chains to the 1/16 section line; thence North 33° 22′ East to the point of beginning…containing 61.96 acres, more or less.

TOWNSHIP 39 SOUTH-RANGE 05 WEST, SLB&M

Section 29: BEGINNING at the Northeast Corner of the Northwest Quarter of Said Section 29, and running thence South 14.97 chains; thence West 73 degrees North, 12.41 chains; thence South 36 degrees 45 minutes West to the Quarter Section Line of Section 29; thence South 36 degrees 45 minutes West 15.61 chains; thence South 5.20 chains to the center section line of Section 29; thence South 20.0 chains; thence West 10.96 chains to the west section line of Section 29; thence North 20.0 chains to the Quarter Section Corner of Section 29; thence North 25.31 chains; thence North 33 degrees 22 minutes East 35.50 chains; thence in a Northwesterly direction 2 rods; thence North 37 degrees 30 minutes East 12.30 chains to the North Section Line of Section 29; thence East 17.77 chains to the point of beginning….containing 85.88 acres, more or less.

NORTH PRIVATE LEASE AREA 1

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

BEGINNING at N00 ° 13′43\E a distance of 32.93' from the Quarter Corner of Section 13, T39S, R6W and Section 18, T39S, R5W; thence N 31° 31′50\E a distance of 154.24′; thence N 57 ° 23′16\W a distance of 226.20′; thence N 88 ° 59′49\W a distance of 790.60′; thence N 09 °59′55\W a distance of 1362.26′; thence N 90 °00′00\W a distance of 471.76′; thence N 89 °29′27\W a distance of 823.81′; thence 00 °05′35\E a distance of 1314.78′; thence S 65 °46′32\E a distance of 477.33′; thence S 89 °44′30\E a distance of 1861.86′; thence S 53 °54′07\E a distance of 164.78′; which

is the point of beginning, having an area of 22260635.86 square feet, or 51.897 acres.

This legal description is for the permit area (773 acres) of the Coal Hollow Mine and included in the operation and reclamation plan on file at the Division. The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to the leases and Conditional Use Permit issued by Kane County, including all conditions and all other applicable conditions, laws and regulations.

Sec. 3 **COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

Sec. 4 **PERMIT TERM** - This permit expires on November 8, 2020.

Sec. 5 **ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the approval of the Director, DOGM. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13(e) and R645-303.

Sec. 6 **RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the DOGM, including but not limited to inspectors, and representatives of OSMRE, without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

A. have the rights of entry provided for in 30 CFR 840.12, R645-400-110, 30 CFR 842.13 and R645-400-220; and,

B. be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and 30 CFR 842, when the inspection is in response to an alleged violation reported by the private person.

Sec. 7 **SCOPE OF OPERATIONS** - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 **ENVIRONMENTAL IMPACTS** - The permittee shall minimize any adverse impact to the environment or public health and safety through but not limited to:

A. accelerated monitoring to determine the nature and extent of noncompliance and the results of the noncompliance;

B. immediate implementation of measures necessary to comply; and

C. warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 **DISPOSAL OF POLLUTANTS** - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program which prevents violation of any applicable state or federal law.

Sec. 10 **CONDUCT OF OPERATIONS** - The permittee shall conduct its operations:

A. in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and

B. utilizing methods specified as conditions of the permit by DOGM in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program.

Sec. 11 **EXISTING STRUCTURES** - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 12 **RECLAMATION FEE PAYMENT** - The operator shall pay all reclamation fees required by 30 CFR part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 **AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 **COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq,) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

Sec. 15 **PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program.

Sec. 16 **CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify DOGM. DOGM, after coordination with OSMRE, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by DOGM within the time frame specified by DOGM.

Sec. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300.

Sec. 18 SPECIAL CONDITIONS - There are special conditions associated with this permitting action as described in Attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of DOGM and the permittee at any time to adjust to changed conditions or to correct an oversight. DOGM may amend these conditions at any time without the consent of the permittee in order to make them consistent with any new federal or state statutes and any new regulations.

THE STATE OF UTAH

By: John R. Baza

Date: 2/5/2016

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

_____

Authorized Representative of the Permittee

Date:_____

ATTACHMENT A
SPECIAL CONDITIONS

1. Alton Coal Development, LLC (ACD) will submit water quality data for the Coal Hollow Mine in an electronic format through the Electronic Data Input web site, http://linux3.ogm.utah.gov/cgi-bin/appx-ogm.cgi.

2. In the event that ACD encounters large volumes of groundwater (a sustained flow of more than 1 cfs) in any pit, they will be required to notify the Division, and assess and submit plans to curtail inflows to the pit and reestablish groundwater movement.

3. When filling and reclaiming pits, porous fill material must not be left adjacent to the alluvial aquifers. As mining progresses to the south of Pit 15, if the coarse grained alluvium zone connected to the adjacent artesian water system is intersected by mining and a sustained flow greater than 1 cfs is encountered, the compacted shale barrier constructed in Pit 15 must then be extended south to these points of intersection. This extension of the shale barrier will meet the same specifications described in the application for the Pit 15 permanent barrier.

4. The Applicant will be required to monitor for selenium where water leaves the minesite, during operational and reclamation phases.

5. The Applicant will be required to evaluate discharges from the mine to determine any impacts to the designated AVF on Kanab Creek. An annual finding should be placed in the Annual Report during operation and reclamation of any adverse impacts to the channel, diminution of water quality and impacts to wildlife.

6. Within 30 days of receipt of the permit, ACD will meet with the DWR, FWS and DOGM and reach consensus on the development of a long term sage grouse monitoring plan that includes specific criterion for monitoring sage grouse which includes a commitment to (1) meet with Dr. Frey, DWR, FWS and DOGM, other members of the Panguitch Local Sage Grouse Working Group as needed and (2) provide a summary, analysis, findings and recommendations of the data collected from the GPS collars and obtain approval for requisite updates to chapter 3 of the current MRP.

7. ACD will provide documentation of payment for completion of the WRI project #3419 within 30 days of its completion.

8. Within 30 days of permit issuance ACD will submit clean copies of the final application which include housekeeping edits identified during the review.