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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

April 27, 2016

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

Subject: Rejection of Abatement Plans for NOV 21163 and NOV 21164 and Pit 10 Backfill Amendments Task ID #5110 and Task ID #5151, Alton Coal Development, LLC, Coal Hollow Mine

Dear Mr. Nicholes:

The Division received an application on March 22, 2016 and on April 1, 2016 as abatement to NOV 21163 and NOV 21164. These amendments are not adequate and are being denied.

With regard to NOV 21163, in a letter dated February 18, 2016, you stated the volume of fill required to backfill HWT 2/panel 4E was 618,027 CY and you provided a timeline to accomplish the backfill no later than June 9, 2016. The timeline provided on February 22, 2016 allowed for three scenarios as follows:

Full fleet & crew completion date = 4/6/2016
75% fleet & crew completion date = 4/27/2016
50% fleet & crew completion date = 6/9/2016

This timeline was accepted as interim abatement for NOV 21163. However, further information regarding compaction of the fill and a plan for handling water in HWT 2 was requested. None of which was included in the response received on March 22, 2016. In the amendment, you altered the timeline and allowed until the end of July 2016 for backfilling and grading of HWT 2. This is not acceptable.

As you are aware our rules and your plan require backfilling and grading to follow coal removal by not more than 60 days or 1500 linear feet (R645-301-553). The backfilling of the HWT 2/ Panel 4E cannot be delayed any further and the Division must insist that the backfilling gets accomplished by no later than the previously agreed to date of June 9, 2016.

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UTAH DNR OIL, GAS & MINING

Our inspectors report that there has been no reclamation activity in HWT 2 since March 30, 2016. Tracking of NOV 21163 indicates that the NOV 21163 was delivered on January 23, and picked up at the post office on January 29, 2016. To date 88 days have passed from the date of service. Abatement of NOV 21163 cannot be extended beyond 90 days or April 28, 2016. Should the abatement not be completed as required, a Failure to Abate/Cessation Order for NOV 21163 will be issued in accordance with R645-400-314. As an alternative, if you can show that your failure to reclaim HWT 2 is not caused by lack of diligence or intentional delay (R645-400-324 and R645-400-328.200), then you may request further extension by John Baza, Director, Division of Oil Gas & Mining.

With regard to NOV 21164, the amendment your provided states that an additional 30.5 acres will be disturbed to reclaim Pit 10/underground mine. This amendment is being returned deficient, because you have not provided the minimum information to comply with the R645-301 rules for this additional 30.5 acres. The findings document for Task #5110 is attached. The findings for Task #5151 are included as part of #5110.

Tracking of NOV 21164 indicates that the NOV 21164 was delivered on January 23, 2016 and picked up on January 29, 2016. To date 88 days have passed from the date of service. Since the plans are unacceptable and do not provide adequate information for the abatement of NOV 21164, a FTA/CO may be issued for not completing the required abatement. The abatement cannot be extended beyond 90 days except under certain provisions. If you can show that your failure to provide complete and adequate plans for reclamation the underground mine/pit 10 is not caused by lack of diligence or intentional delay (R645-400-324 and R645-400-328.200), then you may request further extension by John Baza, Director, Division of Oil Gas & Mining.

Sincerely,

Daron R. Haddock

Daron R. Haddock
Coal Program Manager

DRH/PWB/sqs
cc: Steve Alder
John Baza
Attachment
O:\025005.COL\FinalRejection.doc

GARY R. HERBERT
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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0250005
TaskID: 5110
Mine Name: COAL HOLLOW
Title: PIT 10 BACKFILL

General Contents

Completeness

Analysis:

Analysis:
The application to increase the disturbed area by 30.5 acres does not meet the requirements of R645-301-150, because it does not present the minimum requirements for on soil resources R645-301-200.

Deficiencies Details:

Findings: The application to increase the disturbed area by 30.5 acres does not meet the requirements of R645-301-150, because it does not present the minimum requirements on soil resources R645-301-200.

pburton

Environmental Resource Information

General

Analysis:

The application in its present form does not address the requirements of the Biology, Landuse, Historic and Archaeological and Air Quality sections of the regulations. Presumably since the proposed borrow area lies within the permit area these sections of the regulations have been addressed and are included in the mining and reclamation plan (MRP). However since this 30.5 acre parcel is a new disturbance and was not intended to be mined the permittee needs to demonstrate that the proposed borrow area meets the requirements of the sections of the regulations referenced in this analysis.

Deficiencies Details:

The information in the application is not adequate to meet the requirements of these sections of the regulations. Prior to approval the following information is required in accordance with R645-301- 300 and 400; The application in its present form does not address the requirements of the Biology, Landuse, Historic and Archaeological and Air Quality sections of the regulations. Presumably since the proposed borrow area lies within the permit area these sections of the regulations have been addressed and are included in the mining and reclamation plan (MRP). However since this 30.5 acre parcel is a new disturbance and was not intended to be mined the permittee needs to demonstrate that the proposed borrow area meets the requirements of the sections of the regulations referenced in this analysis.

jhelfric

Permit Area

Analysis:

The amendment does not meet the State of Utah R645 requirements for the Permit Area.

The amendment does not meet the requirements of R645-301-521.140 due to information stated in the mine plan details and plates increasing the South Private Lease disturbance area by 30.5 acres. The Permittee must provide an updated legal description of the mine boundary within Chapter 1 and Exhibit A of the Reclamation agreement.

Deficiencies Details:

R645-301-521.140: Permittee must update the legal description and all other relevant MRP chapters with the addition of the 30.5 acres in disturbance in the South Private Lease.

cparker

Maps Existing Surface Configuration

Analysis:

The amendment meets the State of Utah R645 requirements for Existing Surface Configuration Maps.

The amendment meets the requirements of R645-301-521.150 as it includes Drawing 5-1 which clearly calls out the existing surface prior to mining within the entire permit boundary.

cparker

Maps Permit Area Boundary

Analysis:

The amendment does not meet the State of Utah R645 requirements for the Permit area and Boundary maps.

The amendment does not meet the requirements of R645-301-521.140 as Drawing 5-2 and 5-3 were not updated to include the new disturbance boundary. Drawings 5-17, 5-18, 5-19, 5-26, 5-37, and 5-37A were updated within the amendment to detail the new disturbance boundary to include the borrow areas required to backfill Pit 10 and meet the requirements

Deficiencies Details:

R645-301-521.140,R645-301-542.200: The Permittee shall update the disturbance boundary on Drawings 5-2 and 5-3 to show the disturbance sequence and borrow facilities.

cparker

Operation Plan

Mining Operations and Facilities

Analysis:

The amendment does not meet all the State of Utah R645 requirements for Mining Operations and Facilities.

The amendment does not meet the requirements of R645-301-510, 521 as the Permittee failed to amend all relevant MRP Chapters increasing the disturbance area from 342 acres to 372.5 acres for the South Private Lease. The Permittee must address all relevant R645 operation and reclamation regulations in regards to the addition 30.5 acres of disturbance.

The amendment meets the requirements of R645-301-523, -526, and 528 by including a description of the mining operation, method of coal mining, engineering techniques, anticipated annual and total production of coal by tonnage, and major equipment to be used for all aspects of those operations proposed to be conducted during the life within Chapter 5. The relevant MRP sections within Chapter 5 were updated to detail that all of the excess spoil pile will be utilized during the

reclamation of the pits and an additional 1.3 million CY of additional borrow will need to be utilized. The additional borrow area will increase the disturbed area by 30.5 acres, for a new total of disturbance of 372.5 acres for the South Private Coal Hollow Lease.

Deficiencies Details:

R645-301-200, R645-301-300, R645-301-400, R645-301-510, R645-301-521, R645-301-600, R645-301-700: The Permittee must update all relevant Chapters of the MRP to document the disturbance increase of 30.5 acres for a new total disturbance of 372.5 acres for the South Private Coal Hollow Lease.

cparker

Fish and Wildlife Protection and Enhancement Plan

Analysis:

Since the proposed borrow area (30.5 acres) is a new disturbance compensatory mitigation will be required at 4 acres of mitigation for each acre of disturbance or 122 acres. It is recommended that the permittee apply 122 acres of remaining mitigation from the Dames lease area (144 acres) to the proposed borrow area rather than areas 2 and 3 of the North lease since the mitigation for these areas will need to be developed as wet meadow and riparian habitats.

Deficiencies Details:

The information in the application is not adequate to meet the requirements of these sections of the regulations. Prior to approval the following information is required in accordance with R645-301-333; Since the proposed borrow area (30.5 acres) is a new disturbance compensatory mitigation will be required at 4 acres of mitigation for each acre of disturbance or 122 acres. It is recommended that the permittee apply 122 acres of remaining mitigation from the Dames lease area (144 acres) to the proposed borrow area rather than areas 2 and 3 of the North lease since the mitigation for these areas will need to be developed as wet meadow and riparian habitats.

jhelfric

Road Systems Classification

Analysis:

The amendment meets the State of Utah R645 requirements for Road Systems and Other Transportation Facilities.

The amendment meets the minimum requirements of R645-301-527.100 by classify each road as primary or ancillary. The amendment included text changes to Chapter 5 section 521.170 updated to include the three primary haul roads associated with the South Private lease. Drawing 5-22I was added to show the plan and profile cross section of the haul road associated with the underground mining. The road will be reclaimed at final reclamation of the South private lease concurrent with the backfilling of Pit 10.

cparker

Road System Plans and Drawings

Analysis:

The amendment meets the State of Utah R645 requirements for Transportation Plans and Drawings.

The amendment meets the minimum requirements of R645-301-534.100 by submitting plans and drawing for each road to be maintained within the permit area. Drawing 5-22I was added to show the plan and profile cross section of the haul road associated with the underground mining. The road will be reclaimed at final reclamation of the South private lease concurrent with the backfilling of Pit 10.

cparker

Spoil Waste Excess Spoil

Analysis:

The amendment meets the State of Utah R645 requirements for excess spoil.

The amendment meets the requirements of R645-301-512.210, R645-301-514.100, R645-301-521.143, R645-301-528,

and R645-301-535.100 as the amendment included relevant MRP Volume 3 Chapter 5 section updates detailing the removal of the spoil pile at final reclamation of the South Private Coal Hollow Lease. The amendment details how following the completion of surface mining in the highwall trench, backfill operations from the long-term excess spoil structure to the open pit has been ongoing to bring both the spoil structure and highwall trench areas to AOC. It is anticipated that backfill of the highwall trench will be completed by the end of July, 2016. A small portion (apx. 250k C.Y.) of the long-term excess spoil structure may remain at the Coal Hollow Mine until final backfill of Pit 9-C. Following the completion of underground mining, backfill of Pit 10 will be backfilled completely by utilizing borrow from the areas delineated in Drawings 5-19 and 5-37. Final backfill will require approximately 1.3 Million C.Y. of borrow material, but will still achieve AOC.

cparker

Hydrologic General

Analysis:

The amendment does not meet the State of Utah R645 requirements for Hydrology.
The Permittee has provided an incomplete application. The proposed operations will impact surface hydrology. The application provides no narrative, calculations, maps, or reclamation plans for these impacts.

Deficiencies Details:

R645-301-150; R645-301-711: The amendment does not meet the State of Utah R645 requirements for Hydrology.
The application must provide a narrative, calculations, and maps for operational and reclamation plans.

kstorrar

Reclamation Plan

Approximate Original Contour Restoration

Analysis:

The amendment does not meet the State of Utah R645 requirements for Approximate Original Contour Restoration.

The amendment does not meet the R645-301-553.700 and R645-301-553.800 requirements as Section 553.100 presents conflicting information. The Permittee has a swell factor of 10% which means thick and thin overburden regulations do not apply, as correctly stated in Chapter 5 Section 553.100. The Permittee incorrectly addresses thin overburden regulations in Chapter 5 Section 553.700 apply. The same paragraph then states that R645-301-553.700 and R645-301-553.800 do not apply. The Permittee shall amend the narrative to clearly state the R645-301-553.700 and R645-301-553.800 do not apply.

AOC as defined by R645-301-553.100 through -553.150 is achieved when the final grade closely resembles the general surface configuration of the land prior to mining activities and provides a subsurface foundation for vegetative cover capable of stabilizing the surface from erosion. The Permittee addresses AOC grading in Chapter 5 general section of 553 to meet the R645 requirements.

Deficiencies Details:

R645-301-121.200: The Permittee will amend narrative in R645-301-553.700 to simply state the regulations do not apply.

cparker

Backfill and Grading General

Analysis:

The amendment meets the State of Utah R645 requirements for Backfill and Grading.

The amendment meets the general requirements of R645-301-553 by detailing a general backfill and grading plan that details how disturbed areas will be backfilled and graded to achieve the approximate original contour, eliminate all highwalls, spoil piles, and depressions, and achieve a postmining slope that does not exceed either the angle of repose or such lesser slope as is necessary to achieve a minimum long term static safety factor of 1.3 and to prevent slides, minimize erosion and water pollution both on and off the site, and support the approved postmining land use. The amendment details how following the completion of surface mining in the highwall trench, backfill operations from the long-term excess spoil structure to the open pit has been ongoing to bring both the spoil structure and highwall trench areas to AOC. It is anticipated that backfill of the highwall trench will be completed by the end of July, 2016. A small portion (apx. 250k C.Y.) of

the long-term excess spoil structure may remain at the Coal Hollow Mine until final backfill of Pit 9-C. Following the completion of underground mining, backfill of Pit 10 will be backfilled completely by utilizing borrow from the areas delineated in Drawings 5-19 and 5-37. Final backfill will require approximately 1.3 Million C.Y. of borrow material, but will still achieve AOC. All relevant Chapter 5 narratives were updated within the amendment to address the changes in backfilling and grading.

cparker

Contemporaneous Reclamation General

Analysis:

The amendment meets the State of Utah R645 requirements for Contemporaneous Reclamation.

The requirements of R645-301-553 of backfill and grading are met within the amendment all relevant Chapter 5 narratives were updated within the amendment to address the changes in backfilling and grading.. The amendment details how following the completion of surface mining in the highwall trench, backfill operations from the long-term excess spoil structure to the open pit has been ongoing to bring both the spoil structure and highwall trench areas to AOC. It is anticipated that backfill of the highwall trench will be completed by the end of July, 2016. A small portion (apx. 250k C.Y.) of the long-term excess spoil structure may remain at the Coal Hollow Mine until final backfill of Pit 9-C. Following the completion of underground mining, backfill of Pit 10 will be backfilled completely by utilizing borrow from the areas delineated in Drawings 5-19 and 5-37. Final backfill will require approximately 1.3 Million C.Y. of borrow material, but will still achieve AOC.

cparker

Maps Affected Area Boundary

Analysis:

The amendment meets the State of Utah R645-301-521.100 requirements for Affected Area Maps.

The requirements of R645-301-542 are met within the amendment as Drawings 5-17 through 5-19 were updated

cparker

Maps Bonded Area

Analysis:

The amendment meets the State of Utah R645 requirements for Bonded Area.

The requirements of R645-301-800are meet within the amendment as the bonded area map was updated in Drawing 5-18 and 5-19.

cparker

Maps Reclamation BackFilling and Grading

Analysis:

The amendment meets the State of Utah R645 requirements for Reclamation Backfilling and Grading Maps.

The requirements of R645-301-542 are met within the amendment as Drawing 5-37 and 5-37A were update to show the borrow area grading.

cparker

Maps Reclamation Facilities

Analysis:

The amendment meets the State of Utah R645 requirements for Reclamation Facilities Maps

The requirements of R645-301-542 are met within the amendment as Drawing 5-37 and 5-37A were update to show the borrow area grading facilities.

cparker

Maps Reclamation Final Surface Configuration

Analysis:

The amendment meets the State of Utah R645 requirements for Final Surface Configuration Maps.

The requirements of R645-301-542 are met within the amendment as Drawing 5-37 and 5-37A were update to show estimated final surface configuration back to AOC.

cparker

Bonding Determination of Amount

Analysis:

The amendment meets the State of Utah R645 requirements for Determination of Bond Amount.

The amendment meets the requirements of R645-301-830.140 as the Permittee submitted detailed bond information in regards to the amendment. The bond information still contains errors detailed below but sum of the errors is within 5% of the Division's estimate.

The North Private Lease facilities increased 1,352,717 CY since the initial review. The changes in volume were due to updated drill logs are the result of increased drilling within the North Private Lease.

The error within the bond sheets for the North Private and South Private Lease are:
South Lease Facilities:
• Shop (foundation) is not calculating correctly as the cost should be $3,265, instead of $3252
• Wash Bay (foundation) is not calculating correctly as the cost should be $700, instead of $697
• Total subtotal concrete demo and disposal is $156,357
• Water Monitoring Wells PVC demo is not calculating correctly as the cost should be $13,951, instead of $13,947.
• Robinson Creek Rip-rap is not calculating correctly as the cost should be $29,730, instead of $33,709.
• Robinson Creek Grass matting is not calculating correctly as the cost should be $11,120 instead of $17,402.
• The South Lease Total Facilities reclamation cost estimate is $1,086,403 instead of $1,096,646.
South Lease Bond Calculations
• Total facilities escalated is $1,128,078
• Total Bond amount rounded and escalated is $32,456,000
North Lease Facilities:
• Add the additional Monitoring wells installed within the North Private Lease.

The total reclamation cost for the Coal Hollow Mine includes:
• All support facilities at the South Private Lease
• Backfill/grading of Pit 10, Pit 9, HWT 1-B, HWT 2-A, HWT 2-B, HWT 3-A, and HWT 3-B
• North Private Lease Area 1 facilities
• Backfill/grading of Pit 1
• Soil salvage of North Private Lease Area 1

The total reclamation cost for the Coal Hollow Mine (sum of the direct and indirect costs) was escalated from 2015 to 2020 (5 years) using an escalation factor of 1.2 %. This escalated cost is rounded to the nearest $ 1,000 to determine the amount of required bond which must be posted with the Division by the Permittee. The Permittee submitted updated reclamation costs using the 2015 R.S. Means Heavy Construction Cost Data catalog.

Total Reclamation Cost in 2020 dollars $12,589,000

Total Bond Currently Posted $12,750,000

The Permittee currently has a bond release for the South Private Lease under review by the Division, Task 5097, with a response due May 3, 2016.

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