



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

May 4, 2016

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

Subject: Phase I Bond Release (31.017 acres), Alton Coal Development, LLC, Coal Hollow Mine, C/025/0005, Task ID #5097

Dear Mr. Nicholes:

The Division finds Alton Coal Development, LLC has met the regulatory requirements for Phase I bond release of BRP1-6, BRP1-7 and BRP1-8 (locations as shown on Figure 1 of the bond release application). Enclosed is the Division's Decision Document. A copy of the Phase I bond release inspection report is included in this package along with the chronology of events and the Division's Findings.

The Division hereby approves the Phase 1 bond release in the amount of \$4,031,105 for 31.017 acres, effective May 4, 2016. No actual bond money is being released with this action. The remaining liability for reclamation of the Coal Hollow surface facilities, Excess Spoil pile, Pit 10/underground mine, HWT 2b, HWT 3b, and Area 1/Pit 1 is \$11,665,000. The Division continues to hold bond in the amount of \$12,750,000 to ensure the remainder of the reclamation work.

You will note that the Division Findings call out a few clerical errors that were found with your application. Please continue to work with the Division staff to correct these errors and provide clean copies of the bond release applications prepared for incorporation for insertion into your MRP. These should be submitted with 15 days.

In the future, please do not make changes to the bonding increments (polygons) or bonding calculations with a bond release application. Changes to increments and cost accounting should be done in a separate amendment at a separate time from the bond release application. If you have any questions or need further information, please call Daron Haddock at (801) 538-5325.

Sincerely,

John R. Baza
Director

JRB/PWB/ss

Enclosure

cc: Robert Nead, Alton Coal Development, LLC

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Phase I Bond Release on 31.017 acres
Alton Coal Development, LLC
Coal Hollow Mine
C/025/005
Kane County, Utah

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DECISION DOCUMENT

Phase I Bond Release on 31.017 acres
Alton Coal Development, LLC
Coal Hollow Mine
C/025/0005
Kane County, Utah

ACTION

Phase I bond release is requested for 31.017 acres for the 394 acres in the disturbed area boundary at Coal Hollow Mine. The current bond for Coal Hollow Mine will remain at \$12,750,000.

BACKGROUND

The Alton coal field is located in T39S, R6W and T39S, R5W SLB&M, Kane County, Utah. The town of Kanab, which is the Kane County Seat, is located about 30 miles south of the Alton coal field. Alton Coal Development, LLC (ACD) is the company responsible for the development of a portion of the Alton coal field which is known as the Coal Hollow Mining Project. The center of the Coal Hollow Project (CHP) is located approximately 3 miles south of the town of Alton, Utah.

In 2004, ACD negotiated surface and coal leases for the private or fee areas of the Alton coal field. In 2004 ACD submitted a Lease by Application (LBA) to the Department of the Interior, Bureau of Land Management State Office, Salt Lake City, Utah for federal coal acreage contiguous to the secured private lease area. Starting in 2006, ACD submitted an application for a mine permit along with a Mining and Reclamation Plan (MRP) to the Utah Division of Oil, Gas and Mining (UDOGM). It took until November 8, 2010 to complete the permitting process and the Division issued a permit for the Coal Hollow Mine.

The Coal Hollow Project started as a surface mining operation that intended to produce approximately 2,000,000 tons of coal annually using pit mining. Midway through the project, ACD initiated highwall mining which was used in a portion of the mine. Recently the Company has instigated underground mining, which is still being developed. Production at the mine has been much slower than anticipated.

A permanent program permit was issued to Alton Coal Development, LLC for the Coal Hollow Mine on November 8, 2010. An enlargement of the mine (known as the North Private Lease) was approved by the Division on February 2, 2016.

CHRONOLOGY FOR PHASE III BOND RELEASE

March 4, 2016	The Division receives the Phase I Bond Release application.
March 4, 2016	The Division approves the newspaper notice for publication.
March 16, 2016	The Division sends letters of invitation for the bond release inspection to be held March 30, 2016.
March 10, 17, 24 and March 31, 2016	Phase I Bond Release Published in the Southern Utah News
May 30, 2016	Phase I bond release inspection. In attendance: Larry Johnson, Riley Anderson, Kirk Nicholes, Drew Christensen – Alton Coal Development, LLC Priscilla Burton, Keenan Storrar, Joe Helfrich, Cheryl Parker, Daron Haddock – UDOGM
April 29, 2016	Comment period ends.

SUMMARY OF FINDINGS

The Phase I bond release was advertised for four consecutive weeks. The only comments that were received during the public comment period were from Kane County who expressed support for the bond release going forward. A bond release inspection was conducted on March 30, 2016. No problems were identified. The technical analysis for Phase I bond release is attached.

PHASE I BOND RELEASE RECOMMENDATION

The recommendation is that the Division approve Phase I bond release for the requested area. The Permittee has applied for a bond reduction in the amount of \$4,031,105 for the disturbance in the 31.017 acre area. The posted bond will remain at \$12,750,000, which will allow the mine to roll over the excess bond amount for future disturbance. The required bond for the permit has recently been estimated to be \$11,665,000.



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

May 4, 2016

PID: C0250005
TaskID: 5097
Mine Name: COAL HOLLOW
Title: PHASE I BOND RELEASE

General Contents

Public Notice and Comment

Analysis:

Analysis:

The application meets the requirements of public notice, R645-301-880.120. A public notice was published in the Southern Utah News for four consecutive weeks beginning on 3/10/2016 and ending on 3/31/2016. An affidavit of public notice was received from the Southern Utah News. The public comment period extended 30 days from the date of the last publication or until April 30, which was a Saturday. Therefore, the public comment period has ended. Two favorable comments were received from the Kane County GIS (Transportation dated April 5, 2016) and from the Kane County Commission (April 25, 2016).

The Permittee sent letters to surface landowners and adjacent landowners, the BLM, Kane County Planning Commission, Kane County Water Conservancy District and the Alton Mayor.

On March 16, 2016, the Division sent an invitation to local, state and federal agencies as well as the landowners to attend the bond release inspection on March 30, 2016.

pburton

Permit Application Format and Contents

Analysis:

Analysis:

The application does not meet the requirements of R645-301-880.130, because the certification on page 4 was not notarized. However, the handwriting is consistent with that of Kirk Nicholes, Resident Agent.

The application does not meet the requirements of R645-301-820.113, because this application further divides the established increments of bonding already established in the currently approved Drawing 5-19. Such division of bond release areas should not occur at the time of bond release.

Deficiencies Details:

Deficiencies:

The application does not meet the requirements of R645-301-880.130, because the certification on page 4 was not notarized. However, the handwriting is consistent with that of Kirk Nicholes, Resident Agent.

The application does not meet the requirements of R645-301-820.113, because this application further divides the established increments of bonding already established in the currently approved Drawing 5-19. Such division of bond release areas should not occur at the time of bond release.

pburton

Environmental Resource Information

Maps Existing Surface Configuration

Analysis:

The bond release application meets the State of Utah R645 requirements for Existing Surface Configuration Maps.

The bond release application meets the minimum requirements of R645-301-521.150 as it includes a drawing or plate that clearly calls out the existing surface. The bond release applies to 31 acres within the South Private Lease of the Coal Hollow Mine. Figures 1-D through 1-F detail the profiles of the backfill areas in comparison to the pre-mining topography.

cparker

Reclamation Plan

General Requirements

Analysis:

The bond release application meets the State of Utah R645 requirements for Reclamation Activities.

The minimum requirements of R645-301-540 are met within the bond release application as all relevant information was presented within the Bond Release application. BRP1-6 was backfilled for a total of 2.9 acres including Pit 1-B with a maximum variance below AOC of 8.69 feet N/S. BRP1-7 was backfilled over 25.8 acres including Pits 9-B, HWT1-B, and HWT2-A with a maximum variance below AOC of 12.5 feet N/S. BRP1-8 was backfilled for a total of 2.3 acres including HWT3-A with a maximum variance below AOC of 2.22 feet (E/W).

cparker

Approximate Original Contour Restoration

Analysis:

Analysis:

The application meets the requirements of R645-301-880.310 for backfilling and grading to approximate original contour. Figures 1-A, 1-B, and 1-C provide the location of cross-sections through the bond release areas. Cross sections are shown on Figure 1-D through Figure 1-F. The cross sections show that the land is gently sloping, similar to the pre-mining topography, but at elevations that are 1.5 to 12.5 feet lower than pre-mining topography.

There appears to be a low lying area at the intersection of E-E' and F-F' which should be monitored for salt content prior to application of topsoil.

Deficiencies Details:

Deficiency:

R645-301-121.100, Figure 1A is mistakenly labeled BRP1-1 & 1-3. Please make the appropriate correction.

pburton

Approximate Original Contour Restoration

Analysis:

The bond release application meets the State of Utah R645 requirements for Approximate Original Contour Restoration.

The bond release application meets the minimum R645-301-512.200, -553.110 through -553.150, and -302-270 due to the proposed post mining land use change that would not require a variance from approximate original contour (AOC). 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 Division conducted a site visual inspection of the bond release areas, see Inspection Report #5479 for photos and map of inspection tracks. Figures 1-A through 1-C within the bond application show plan view of the bond release topography with 2' contours. The final surface topography seen in these plan view drawings were compared with the original Pre-mining topography, depicted on Drawing 5-1, to show cross section Figures 1-D through 1-F within the application. The variance from the original contour and final reclamation surface for the current bond release areas ranged from 12.5 feet to 1.55 feet below original grade. This tolerance is within an acceptable range of the definition of AOC and meets the approved post mining land use.

cparker

Backfill and Grading General

Analysis:

The bond release application meets the State of Utah R645 requirements for Backfill and Grading.

The bond release application meets the general requirements of R645-301-553 by failing to detail 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. BRP1-6 was backfilled for a total of 2.9 acres including Pit 1-B with a maximum variance below AOC of 8.69 feet N/S. BRP1-7 was backfilled over 25.8 acres including Pits 9-B, HWT1-B, and HWT2-A with a maximum variance below AOC of 12.5 feet N/S. BRP1-8 was backfilled for a total of 2.3 acres including HWT3-A with a maximum variance below AOC of 2.22 feet (E/W).

The Division conducted a site visual inspection, see inspection Report #5479, and found all areas to be backfilled to AOC. The Division staff tracked the bond release inspection with GPS units and the track is shown on Figure 1 of Inspection Report #5479. ArcGIS was utilized to determine an approximate size of all bond release areas inspected, see Figure 1 of Inspection Report 5479. With the GPS the Division was able to field verify the bond release extents. The calculated areas inspected match the given acreage provided to the Division in the bond release application. No areas of instability were witnessed within the release areas.

The Permittee does maintain a primary haul road through the bond release areas, see Figure A of Inspection Report 5479. Grading of the road is visible on Figures 1-A through 1-C of the bond release application. The purpose of the road is to backfill to provide a route for trucks to backfill the remaining HWT 2-B and HWT 3-B. The Permittee has removed the placed subsoil for the bond release areas and maintain the subsoil in a stable manner alongside the length of the roadway. The Permittee has added additional line items to the bond to account for the additional grading of the subsoil for the length of the road through the bond release areas. The roads will be reclaimed once all highwall trenches are backfilled, expect before the end of 2016.

The Division is currently awaiting review for the Permittee's response to NOV #21164 which requires the addition of a borrow area west of the current excess spoil area. The addition of the borrow area to reclaim Pit 10, where the underground mine entrance is, will require a recalculation of the bond amount held for the site. The Division is currently in process with the Permittee addressing the issue in a timely manner.

cparker

Topsoil and Subsoil

Analysis:

Analysis:

The application does not meet the requirements of R645-301-820.113, because this application further divides the established increments of bonding already established in the currently approved Drawing 5-19. Such division of bond release areas should not occur at the time of bond release.

With the exception of the above, this bond release application for 31.017 acres meets the requirements of R645-301-880.100. This Phase 1 bond release application does not include topsoil placement dates, chemical analysis or established plant growth.

The 31.017 acres are shown within three areas on Figure 1 and in the narrative as follows:

BRP1-6 is a 2.898 acre portion of Pit 1 (identified on Figure 1 as Pit 1B) within N1/2 N1/2 Sec 30, T39 S, R5W. It was formerly beneath the Excess Spoil Pile. BRP1-6 was backfilled in February 2016 and has subsoil placed in all but the haul road. BRP1-6 has a haul road running through it with subsoil berms on either side ready for placement. No topsoil has been placed in BRP1-6. To cover BRP1-6 with 8 inches of topsoil (0.666 ft) will require 3,118 CY of topsoil.

BRP1-7 is a 25.822 acre portion of Pit 9 and HWT 1 and HWT 2 (identified on Figure 1 as Pit 9b and HWT 1-B and HWT 2-A) within the NE1/4 Sec 30 and the S1/2 of the SE1/4 Sec 19, T39S, R5W. BRP1-7 was backfilled in February 2016 and has subsoil placed in all but the haul road to HWT-2 and the County Road. BRP1-7 has a haul road running through it with subsoil berms on either side ready for placement. Topsoil, nutrimulch and seed was placed on 11.8 acres of Pit 9-B in the first quarter of 2016 (personal communication with Kirk Nicholes, 3/30/2016). Topsoil has not been placed in the remainder of BRP1-7. To cover the remaining 14.1 acre BRP1-7 with 8 inches of topsoil (0.666 ft) will require 15,164 CY of topsoil.

BRP1-8 is a 2.297 acre portion of HWT 3 (identified on Figure 1 as HWT 3A) within the E1/2 E1/2 of Sec 30 T 39 S, R 5W. BRP1-8 has both topsoil and subsoil applied and the area was recently treated with nutrimulch, but has not been seeded (personal communication with Kirk Nicholes 3/30/2016). Some equipment ruts were noted in BRP1-8 during the bond release inspection on 3/30/2016 and these were repaired the next day.

Prior to Phase 2 bond release, Areas BRP1-6 and BRP1-7 will require surface roughening of existing haul roads, application of bermed subsoil over the haul roads and application of 18,282 CY of topsoil, followed by nutrimulch and seed.

pburton

Road System Reclamation

Analysis:

The bond release application meets the State of Utah R645 requirements for Reclamation of Roads.

The minimum requirements of R645-301-534 are met within the bond release application as there is no change to the existing MRP reclamation of roads throughout the permitted area. The Permittee does maintain a primary haul road through the bond release areas, see Figure A of Inspection Report 5479. Grading of the road is visible on Figures 1-A through 1-C of the bond release application. The purpose of the road is to backfill to provide a route for trucks to backfill the remaining HWT 2-B and HWT 3-B. The Permittee has removed the placed subsoil from the bond release areas and maintains the subsoil in a stable manner alongside the length of the roadway. The Permittee has added additional line items to the bond to account for the additional grading of the subsoil for the length of the road through the bond release areas. The roads will be reclaimed once all highwall trenches are backfilled.

cparker

Hydrological Information Reclamation Plan

Analysis:

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

The application provides plan view maps and cross-sections of backfilled and reclaimed areas for the Phase I bond release. The reclaimed areas of Pit 1B, Pit 9-B, HWT 1-B, HWT 2-A, and HWT 3-A blend into and complement the drainage pattern of the surrounding terrain. Refer to the narrative in Inspection Report #5479, section 'Hydrologic Balance: Diversions' and accompanying photos that ground-truth the release areas. The maps and cross-sections show the Permittee has restored the pre-mining natural drainage patterns.

kstorrrar

Contemporaneous Reclamation General

Analysis:

The bond release application meets the State of Utah R645 requirements for Contemporaneous Reclamation.

The minimum requirements of R645-301-553 of backfill and grading are met within the bond release application as there is no change to the existing MRP grading reclamation details. Reclamation activities continue at the South Private Lease with the remaining highwall trenches continues and will be backfilled to AOC by the end of 2016. The Permittee is currently working with the Division to identify an exact timetable of the reclamation activities in response to NOV 21163

cparker

Maps Affected Area Boundary

Analysis:

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

The minimum requirements of R645-301-542 are met within the bond release application Figure 1-A through 1-F clearly depict the areas backfilled and affected by this bond release.

cparker

Maps Bonded Area

Analysis:

The bond release application meets the State of Utah R645 requirements for Bonded Area.

The minimum requirements of R645-301-800 are met within the bond release application as the bonded area map was updated to the BRP1-6 through BRP1-8. All relevant bond release figures were added to Chapter 8 to show detailed plan and profile view of the bond release areas.

cparker

Maps Reclamation BackFilling and Grading

Analysis:

The bond release application meets the State of Utah R645 requirements for Reclamation Backfilling and Grading Maps.

The minimum requirements of R645-301-542 are met within the bond release application as Figure 1-A through 1-F clearly depict the areas backfilled and affected by this bond release. All relevant bond release Drawings 5-17 through 5-19 were updated and Figures 1-A through 1-F were added to Chapter 8 to show detailed plan and profile view of the bond release areas.

cparker

Maps Reclamation Final Surface Configuration

Analysis:

The bond release application meets the State of Utah R645 requirements for Final Surface Configuration Maps.

The minimum requirements of R645-301-542 are met within the bond release application as the application includes updated Drawing 5-37 and 5-37A to show the estimated final surface configuration back to AOC.

cparker

Maps Reclamation Certification Requirements

Analysis:

The bond release application meets the State of Utah R645 requirements for Certification Requirements

R645-3010-512 minimum requirements are met as all mine drawings and plates are stamped by a Utah certified professional engineer, Dan Guy, who has experience in surface and underground mining operations.

cparker

Bonding and Insurance General

Analysis:

The bond release application meets the State of Utah R645 requirements for Bonding and Insurance Requirements.

The bond release application meets the minimum requirements of R645-301-800 as the applicant is current on the bond and insurance standings.

cparker

Bonding Form of Bond

Analysis:

The bond release application meets the State of Utah R645 requirements for Form of Bond.

The bond release application meets the minimum requirements of R645-301-860.100 as the applicant currently maintains a surety bond amount of \$12,750,000 which is held by Ironshore Indemnity Inc.

cparker

Bonding Determination of Amount

Analysis:

The bond release application meets the State of Utah R645 requirements for Determination of Bond Amount.

The bond release application meets the minimum requirements of R645-301-830.140 as the Permittee submitted detailed bond information in regards to the bond release application. The total amount for the release is \$4,031,105 for the phase I grading of Pit 1-B, HWT 1-B, HWT 2-A, Pit 9-B, and HWT 3-A as shown on Drawing 5-19. A total of approximately 3,294,495 loose cubic yards of backfill was utilized to reclaim said pits.

The current posted bond held by the Division is \$12,750,000. The current minimum bond amount required to completely reclaim the remain operations at the South Private Lease and Pit 1N operations in the North Private Lease is \$11,665,000 in 2017 Dollars. This amount is will require additional fund for the total volume required to backfill pit 10 and a borrow area which is currently in process by the Permittee in NOV 21163. The bond release application is recommended for approval.

cparker

Bonding Terms and Conditions Liability Insurance

Analysis:

The bond release application meets the State of Utah R645 requirements for Terms and Conditions for Liability Insurance.

The bond release application meets the minimum requirements of R645-301-850 as the applicant currently holds liability insurance through American Mining Insurance Co, effective until 2/1/17. The insurance includes the required Marsh from, explosives and claims made per occurrence.

cparker



Alton Coal Development, LLC

463 North 100 West, Suite 1
Cedar City, Utah 84720
Phone (435) 867-5331 • Fax (435) 867-1192

*C/025/005 Incoming
CC: Priscilla*

#5097

April 12, 2016

Daron R. Haddock
Coal Program Manager
Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

RECEIVED

APR 13 2016

DIV. OF OIL, GAS & MINING

Subject: Affidavit of Publication for Phase 1 Bond Release, Alton Coal Development, LLC, Coal Hollow Mine, Kane County, Utah, C/025/0005

Dear Mr. Haddock,

Alton Coal Development, LLC is providing a copy of the Affidavit of Publication for the Phase 1 Bond Release for the Coal Hollow Mine. Also included is a copy of the public notice for verification.

Please do not hesitate to contact me if you have any questions 435-691-1551.

Sincerely

**B. Kirk Nicholes
Environmental Specialist**

RECEIVED

APR 18 2016

DIV. OF OIL, GAS & MINING

Affidavit of Publication

STATE OF UTAH)
(SS.
COUNTY OF KANE)

COPY OF NOTICE

I, Dennis A. Brunner, being duly sworn, depose and say that I am General Manager/Publisher of the SOUTHERN UTAH NEWS, a weekly newspaper of general circulation published every Wednesday at Kanab, Utah, for Kane County, Utah and Coconino County, Arizona, and a designated agent of the Utah Press Association and the notice attached hereto,

was published in said newspaper for: **FOUR**

consecutive weeks, the first publication on: **3/10/2016**

and the last on: **3/31/2016**

that said notice was published in the regular and entire issue of every number of the paper during the period and times of publication, and

that the same was published in the newspaper proper and not in a supplement and that said notice was published on www.utahlegals.com on the same day as the first newspaper publication and the notice remained on www.utahlegals.com for one week after the final publication date.

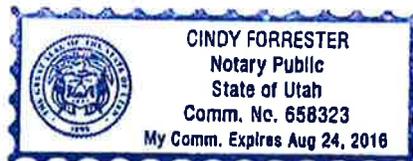
Dennis Brunner, Publisher

Subscribed and sworn to before me 3-31-16

Cindy Forrester, Notary Public

Residing in Kanab, Utah.

My commission expires: 8-24-16



**PUBLIC NOTICE
PHASE I BOND
RELEASE APPLICATION
COAL HOLLOW MINE,
ALTON COAL
DEVELOPMENT, LLC**

Public Notice
Phase I Bond Release Application
Coal Hollow Mine (CHM)
Alton Coal Development, LLC
463 N 100 W, Suite 1
Cedar City, UT 84721
MSHA # 42-02519
Permit # C/O25/0005
Permit Approval 11/08/2010

Notice is hereby given that Alton Coal Development, LLC

has filed an application with the Utah Department of Natural Resources, Division of Oil, Gas and Mining for Phase I Bond Release on approximately 31.017 acres of the Coal Hollow Mine ("CHM" or the "Reclaimed Coal Mine").

All areas for bond release have met the standards of the Utah Coal Program as to backfilling, regrading and drainage control for Phase I Bond Release (refer to R645-301-880). The locations of the Reclaimed Coal Mine areas in Kane County, Utah are as follows:

BRP1 - 6 - A portion of the CHM within the N 1/2 of the N 1/2 of Sec. 30, T39S, R5W,

containing 2,898 acres. BRP1 - 6 includes the former Pit 1-B that has achieved final grade, subsoil placement and shaping for drainage control. Incremental reclamation of the BRP1 - 6 was completed in Feb. 2016.

BRP1 - 7 - A portion of the CHM within the NE 1/4 of Sec. 30 and the S 1/2 of the SE 1/4 of Sec. 19, T39S, R5W, containing 25,822 acres. BRP1 - 7 includes the former Pits 9-B, HWT 1-B, and HWT 2-A that have achieved final grade, subsoil placement and shaping for drainage control. Incremental reclamation of the BRP1 - 7 was completed in Feb. 2016.

BRP1 - 8 - A portion of the CHM within the E 1/2 of the E 1/2 of Sec. 30, T39S, R5W, containing 2,297 acres. BRP1 - 8 includes the former HWT 3-A that has achieved final grade, subsoil placement and shaping for drainage control. Incremental reclamation of the BRP1 - 8 was completed in Feb. 2016.

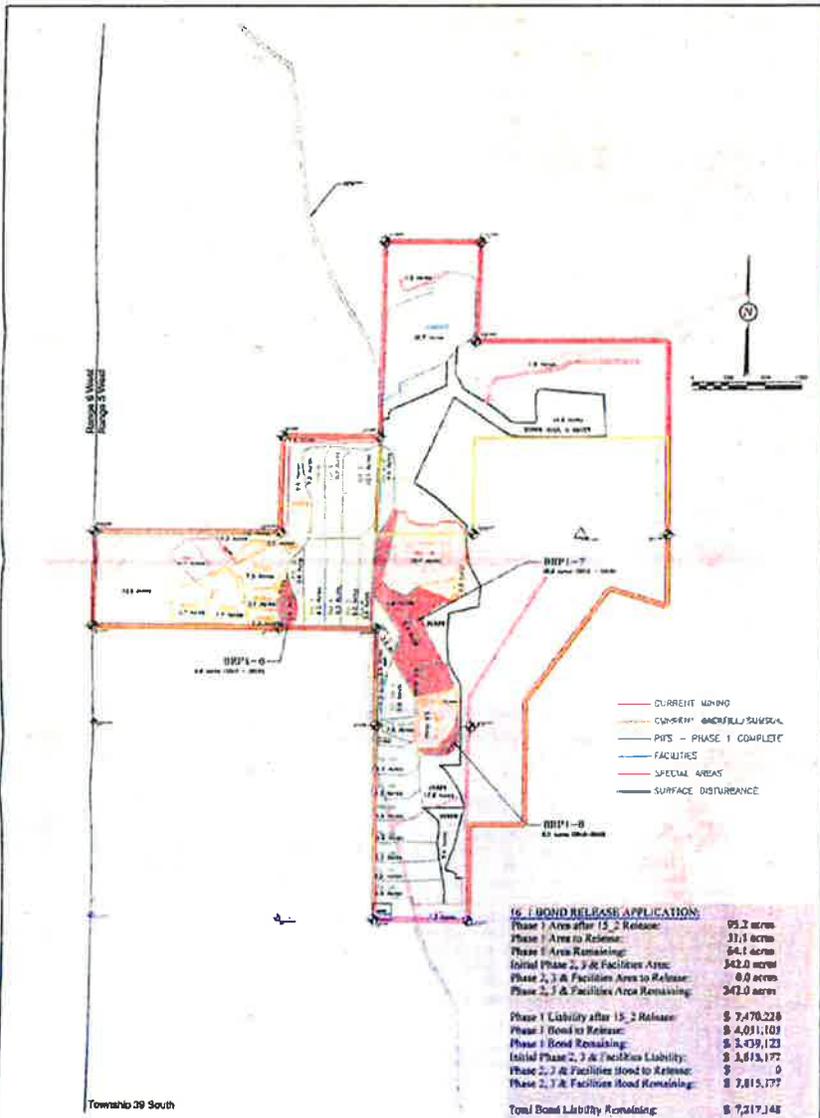
The Phase I bond release application is for a liability reduction of \$4,031,105 from the ultimate disturbance liability of \$32,028,705. The current bond for Coal Hollow Mine will remain at \$12,750,000. All of the above-described areas within the Reclaimed Coal Mine meet the requirements of the MRP and the Division's regula-

tions for post mine land use and for backfilling, regrading and drainage control standards.

A copy of the Phase I bond release application with the complete legal description for each area may be examined at the office of Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah 84114-5801 and written comments, objections, or requests for an informal conference may be submitted to the Salt Lake

City address. Said comments must be submitted thirty (30) days from the date of the last publication of this notice. This notice is being published to comply with the Surface Mining Control and Reclamation Act of 1977, the Utah Coal Mining and Reclamation Act and State and Federal regulations promulgated pursuant to said Acts

Published in the Southern Utah News on March 10, 17, 24 and 31, 2016.



RECEIVED
APR 13 2016
DIV. OF OIL, GAS & MINING

LEGEND PERMIT BOUNDARY PRIVATE COAL OWNERSHIP ULTIMATE PIT BOUNDARY DISTURBANCE BOND SECTION LINE CORNER SOUND PROPERTY CORNER	DRAWN BY: A. Christensen	CHECKED BY: CN	REVISIONS <table border="1"> <tr><th>DATE</th><th>BY</th></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </table>	DATE	BY							OVERVIEW PROPOSED BOND RELEASE 16_1 COAL HOLLOW PROJECT ALTON, UTAH Figure 1	
	DATE	BY											
DRAWING: Fig. 1	DATE: 3/23/2016	SCALE: 1" = 500' <small>Drawn on 11" x 17"</small>	JOB NUMBER: SHEET										



GARY R. HERBERT
Governor

GREG BELL
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

Inspection Report

Permit Number:	C0250005
Inspection Type:	BOND RELEASE
Inspection Date:	Wednesday, March 30, 2016
Start Date/Time:	3/30/2016 10:00:00 AM
End Date/Time:	3/30/2016 12:30:00 PM
Last Inspection:	Tuesday, March 29, 2016

Inspector: Priscilla Burton

Weather: windy 40 F

InspectionID Report Number: 5479

Accepted by: DHADDOCK
4/7/2016

Representatives Present During the Inspection:	
Company	Larry Johnson
Company	Riley Anderson
OGM	Priscilla Burton
OGM	Keenan Storrar
OGM	Joe Helfrich
OGM	Cheryl Parker
OGM	Daron Haddock
Company	Kirk Nicholes
Company	Drew Christensen

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
394.00	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:

Eleven people participated in the bond release inspection (Task 5097) for the Phase bond release of 31.017 acres in BRP1-6, (2.898 acres), BRP1-7 (25.822 acres) and BRP1-8 (2.297 acres). Of the eleven, five were DOGM staff, 4 were ACD employees. The two others were Byard Kershaw representing Kane County Commission and Louis Pratt representing Kane County Road Department.

Inspector's Signature:

for 
Priscilla Burton,

Date

Monday, April 04, 2016

Inspector ID Number: 37

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
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 • TDD (801) 538-7458 • www.ogm.utah.gov



Permit Number: C0250005
Inspection Type: BOND RELEASE
Inspection Date: Wednesday, March 30, 2016

Inspection Continuation Sheet

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 type="checkbox"/>
2. Signs and Markers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Topsoil	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.a Hydrologic Balance: Diversions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.b Hydrologic Balance: Sediment Ponds and Impoundments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.c Hydrologic Balance: Other Sediment Control Measures	<input type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Explosives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Disposal of Excess Spoil, Fills, Benches	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>
16.b Roads: Drainage Controls	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Other Transportation Facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Support Facilities, Utility Installations	<input type="checkbox"/>	<input type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
22. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. Permits, Change, Transfer, Renewal, Sale

This inspection was to evaluate a Phase I bond release of 31.017 acres of land that has been backfilled and graded to approximate original contour. The 31.017 acres will remain under permit awaiting phase II and phase III bond release. An amendment to Chapter 8, bonding, along with Drawings 5-17, 5-18 and 5-19 were included with this bond release application.

3. Topsoil

This Phase 1 bond release does not include topsoil application or seeding. BRP1-6 is a 2.898 acre portion of Pit 1 (identified on Figure 1 as Pit 1B) within N1/2 N1/2 Sec 30, T39 S, R5W. It was formerly beneath the Excess Spoil Pile. BRP1-6 was backfilled in February 2016 and has subsoil placed in all but the haul road. BRP1-6 has a haul road running through it with subsoil berms on either side ready for placement. No topsoil has been placed in BRP1-6. To cover BRP1-6 with 8 inches of topsoil (0.666 ft) will require 3,118 CY of topsoil.

BRP1-7 is a 25.822 acre portion of Pit 9 and HWT 1 and HWT 2 (identified on Figure 1 as Pit 9b and HWT 1-B and HWT 2-A) within the NE1/4 Sec 30 and the S1/2 of the SE1/4 Sec 19, T39S, R5W. BRP1-7 was backfilled in February 2016 and has subsoil placed in all but the haul road to HWT-2 and the County Road. BRP1-7 has a haul road running through it with subsoil berms on either side ready for placement. Topsoil, nutrimulch and seed was placed on 11.8 acres of Pit 9-B in the first quarter of 2016 (personal communication with Kirk Nicholes, 3/30/2016). Topsoil has not been placed in the remainder of BRP1-7. To cover the remaining 14.1 acre BRP1-7 with 8 inches of topsoil (0.666 ft) will require 15,164 CY of topsoil.

BRP1-8 is a 2.297 acre portion of HWT 3 (identified on Figure 1 as HWT 3A) within the E1/2 E1/2 of Sec 30 T 39 S, R 5W. BRP1-8 has both topsoil and subsoil applied and the area was recently treated with nutrimulch, but has not been seeded (personal communication with Kirk Nicholes 3/30/2016). Some equipment ruts were noted in BRP1-8 during the bond release inspection on 3/30/2016 and these were repaired the next day.

Prior to Phase 2 bond release, Areas BRP1-6 and BRP1-7 will require surface roughening of existing haul roads, application of bermed subsoil over the haul roads and application of 18,282 CY of topsoil, followed by nutrimulch and seed. (PB)

4.a Hydrologic Balance: Diversions

The areas referenced here can be found on the map 'Overview Proposed Bond Release 16_1'. We walked along the southern boundary of HWT-2A (Panorama 2). The backfilled area along the eastern edge of HWT 2-A seamlessly joins the edge of the undisturbed ground to the east. The hydrologic divides in this bond release area have been properly graded to match the pre-existing topography. It appears runoff within the HWT 2-A area will flow to the south into the Sink Wash watershed, while the majority of area within HWT 1-B will break along a divide and flow into the Lower Robinson Creek watershed (KS).

I walked the perimeter of the 2.9 acre release area Pit 1B. The area has been restored to a very gently graded area. The southern boundary of the release area seamlessly joins with its undisturbed boundary to the south (Photo 1) (KS).

We walked the HWT 3-A bond release area (Photos 2 – 4). This area falls within the MSHA berm surround the excavated pit of HWT2. The area has been brought back to the correct backfilled elevation and is properly graded, however final drainage to the Sink Valley Wash will be reestablished only after HWT2 is completely backfilled (KS).

We drove the western boundaries of HWT 1-B and Pit 9-B. It appears drainage from these two bond release areas has been properly reestablished (KS).

6. Disposal of Excess Spoil, Fills, Benches

A remnant of the Excess Spoil pile remains West of BRP1-6. It will be consumed in the backfilling and grading of HWT 2B and HWT 3B shown on Figure 1 of the Bond Release application (Task 5097). (PB)

9. Protection of Fish, Wildlife and Related Environmental Issues

The Division's biologist attended the bond release inspection as an observer to the current status of reclamation at the mine since only backfilling and grading are the only requirements for phase one bond release. Seeding is typically done in the late fall with a cover crop of sterile triticale followed by the approved seed mix. The most current seeding efforts extend from the southern end of the permit area to the southern boundary of highwall trench 3-A. As well some of the areas in the southern portion of the reclaimed area are in their second growing season and the sage grouse are utilizing their old lek (now reclaimed) to strut on. (JH)

10. Slides and Other Damage

No slides or subsidence were witnessed during the inspection at any of the three sites. All bond release areas had been graded to within AOC and showed no signs of instability (CP). BRP1-7 had some equipment ruts that were repaired the next day (personal communication with Kirk Nicholes, 4/6/2016) (PB).

12. Backfilling And Grading

The boundary of the bond release areas BRP 1-6 through BRP 1-8 were staked and flagged by pink tape. The site appears to have been backfilled and graded back to AOC to the extent possible, see Photos. The Division staff tracked the inspection route with GPS, see Figure 1. GPS points of various stakes for each of the bond release areas were taken to verify bond release extents shown on Drawing 5-19. Figures 1-D through 1-F show the backfill cross sections averaged around 7.6 feet for BRP 1-6, 8.1 feet for BRP 1-7, and 1.9 feet for BRP 1-8 below the original contour. Overall the graded areas in the bond release blended with the surrounding area well and no sign of water pooling or rills. The bond release area requested was for 31.1 acres. The Division received a copy of the Kane County's approval of the county road reclamation via email on 3/31/2016 from Louis Pratt. The Application for bond release is recommended for approval. Please see the Technical Findings and Analysis of Task 5097 for further details regarding grading details.(CP). Mr. Pratt was present during this bond release inspection and was satisfied with the backfilling and grading of the County Road to date. Further road construction to County specifications for compaction, road base, borrow ditch construction etc., will be under County supervision. (PB).

16.a Roads: Construction, Maintenance, Surfacing

The primary haul roads throughout the facilities and access towards the underground mine appeared to be stable and controlling drainage to the appropriate areas. In addition to the primary haul roads associated with the underground mining operations, there are two temporary haul roads through the bond release areas, shown on Figure 1. The operator maintains the two roads as spoil haul roads from the excess spoil pile and HWT-2. All roads throughout the mine are regularly maintained by a grader. The site had received snow the previous day and the warm weather had started to thaw the surface. The site's clay used as backfill maintains moisture and is extremely slippery when wet, causing traction and rutting problems for heavy equipment at the site. The wheeled equipment was witnessed having difficulty staying on the road. Track equipment onsite was assisting the wheeled equipment through wetted and rutted areas. The grader and dozers were in the process of grading out extensive ruts within the roadways to maintain an even and level driving surface. The subsoil to reclaim the temporary roads to AOC is stored along the length of the roads as the road berms. Photos were taken to document the location and approximate volume is adequate for reclamation of the roads at the completion of the backfilling of HWT-2 in July 2016 (CP).

21. Bonding and Insurance

Current Bond amount is \$12,750,000 which is adequate to cover the remaining required reclamation. The bond release application seeks the release of 31.02 acres of Phase I bond release for a bond reduction of \$4,031,000 for 31.1 acres of backfill and subsoil work. The remaining total bond liability required for the reclamation of the southern lease HWT-3, HWT-2, Pit 10, Main surface facilities, North Private Lease surfaces, and Pit N1 is \$11,665,000. The Application for bond release is recommend for approval (CP).

Permit Number: C0250005
Inspection Type: BOND RELEASE
Inspection Date: Wednesday, March 30, 2016

Inspection Continuation Sheet

ATTACHMENT A – Photos Coal Hollow Bond Release March 30, 2016 site visit

	
<p>PHOTO 1 Looking east at southern boundary of Pit 1B bond release area. March 30, 2016</p>	<p>PHOTO 2 Looking north at HWT 3-A backfilled and graded area. March 30, 2016</p>
	
<p>PHOTO 3 Looking south at HWT 3-A in BRP1-8 backfilled and graded area. March 30, 2016</p>	<p>PHOTO 4 Looking west at HWT 3-A backfilled and graded area. March 30, 2016</p>

ATTACHMENT A – Photos Coal Hollow Bond Release March 30, 2016 site visit



PHOTO 5
At South end of County Road in BRP1-7, looking North.
March 30, 2016



PHOTO 6
Looking East at bond release group on rim of HWT 2B in BRP1-7.
March 30, 2016



PHOTO 7
Looking North from South end of BRP1-7 at haul road on left, subsoil berm center, BRP1-7 on right.
March 30, 2016



PHOTO 8
Looking North from HWT 2A at BRP1-7.
March 30, 2016



ATTACHMENT A – Photos Coal Hollow Bond Release March 30, 2016 site visit



PHOTO 9

Looking North across BRP1-7. Subsoil berms in the distance are on the South rim of Pit 10.
March 30, 2016



PHOTO 10

Looking South at BRP1-8 equipment ruts.
March 30, 2016



PHOTO 11

Nutrimulch and straw in BRP1-8.
March 30, 2016



PHOTO 12

Looking South at stakes marking East edge of BRP1-8. Berm on left is edge of HWT 3-B slope.
March 30, 2016



ATTACHMENT A – Photos Coal Hollow Bond Release March 30, 2016 site visit



PHOTO 13
Looking S at BRP1-6 (Pit 1B)
March 30, 2016



PHOTO 14
Looking North at haul road bisecting BRP1-6 and subsoil piles.
March 30, 2016



PHOTO 15
BRP1-6 on East side of haul road and subsoil piles.
March 30, 2016



PHOTO 16
Looking W across BRP1-6 at subsoil pile along haul road to Spoil Pile.
March 30, 2016

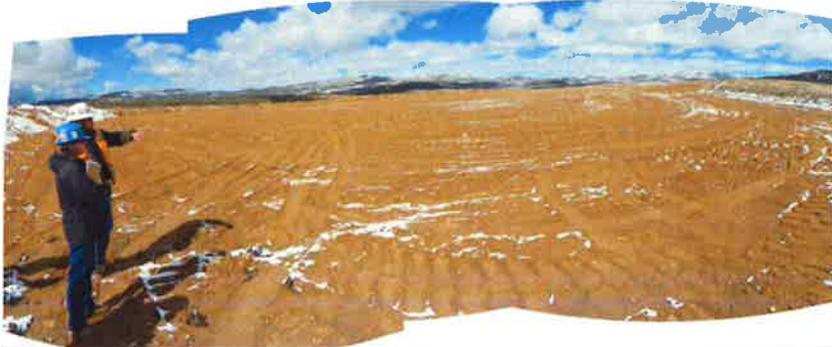


ATTACHMENT A – Photos Coal Hollow Bond Release March 30, 2016 site visit



PANORAMA 1

Looking south at remaining void of HWT 2 that still needs to be backfilled.
March 30, 2016



PANORAMA 2

Looking north at the 5.2 Acres of backfilled bond release HWT 2-A area.
March 30, 2016



Kane County GIS / Transportation Director

Fleet Manager

Louis L. Pratt Jr.

Kane County Courthouse

76 North Main Street

Kanab, Utah 84741

Phone (435) 644-4968

Fax (435) 644-4963

kanerds@kanab.net

Date: March 30, 2016

To: Division of oil, Mining and Gas

From: Kane County

Subject: Alton Coal Phase I Bond Release

Kane County Road K3900 also known as the Alton Road or Sink Valley Road has been temporarily closed due to mining activity public access was detoured through a BLM permitted bypass road during the duration of the mining activities. This new routing is considered to be the only access around the mine location until the closed route is put back into use. This closure is permitted by the Utah Code and Statutes, 72-5-105.

I have been on the site visit today, March 30, 2016. I have reviewed the compaction results for the phase I existing of a portion of Kane County Road #K3993. After review I find that the compaction testing and method has been satisfactorily accomplished for Phase 1 release. This section of county road has satisfactorily passed compaction standards for sub grade of Kane County Road K3900.

Sincerely;

A handwritten signature in black ink, appearing to read "Louis L. Pratt Jr.", written over a horizontal line.

Louis L. Pratt Jr.

Kane County GIS. /Transportation Director

C/025/005 Incoming

KANE COUNTY COMMISSION

Dirk Clayson, Jim Matson, Lamont Smith
76 North Main
Kanab, Utah 84741
(435) 644-4901



April 25, 2016

Daron Haddock
Coal Program Manager
Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

**Re: Phase 1 Bond Release, Alton Coal Development, LLC, Coal Hollow Mine,
Kane County, Utah, C/025/0005**

Dear Mr. Haddock:

On March 30, 2016, Lou Pratt, Kane County GIS Coordinator and Byard Kershaw, Kane County Natural Resource Specialist attended the field trip to evaluate the reclamation for the Phase 1 Bond Release for locations BRP1-6, BRP 1-7, and BRP 1-8 as listed in the as described in the Phase 1 Bond Release Application, and pursuant to Section R645-301-880 of the Utah Administrative Code.

During the field trip we viewed the three areas describe above and portrayed on the map that accompanied the Public Nitification published in the Southern Utah News for four consecutive weeks ending on March 31, 2016.

The Phase 1 bond release requests a liability reduction in the amount of \$4,031,105 from the ultimate liability of \$32,028,705.

We are satisfied that the reclamation meets the requirements of the Phase 1 Bond Release and recommend that the bond be reduced by \$4,031,105 as requested in the Application.

Kane County Commission

76 N. Main St., Kanab, Utah 84741

Come to Kane County, Where anything is Possible!

If you have any questions or comments, please contact Byard Kershaw by phone at 435.644.3094 (H) or 602.478.9621 (C), or by email at northrimconsulting@kanab.net.

Respectfully,

Byard L. Kershaw

Digitally signed by Byard L.

Kershaw

Date: 2016.04.25 15:54:30 -06'00'

Byard L. Kershaw
For Jim Matson
Kane County Commissioner

Kane County Commission

76 N. Main St., Kanab, Utah 84741

Come to Kane County, Where anything is Possible!